

LEE & ASSOCIATES  
**OFFICE MARKET REPORT**  
ORANGE COUNTY

THE OFFICE ADVISORY GROUP

FIRST QUARTER 2018

**MARKET OVERVIEW** Orange County

(Change from last quarter)



**Average  
Lease Rate**  
\$2.65 FSG

Up from \$2.56 last quarter



**Availability**  
15.4 %

Up from 14.9% last quarter



**Vacancy**  
11.0%

Up from 10.9% last quarter



**Net  
Absorption**  
266,394 SF

Down from 390,628 SF last quarter

*\*numbers are based on office space in buildings 30,000 sq. ft. and larger.*



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**OC OFFICE MARKET TRENDS**

- For the 14<sup>th</sup> consecutive quarter, average lease rates have increased. Current average lease rates are \$2.65/sf FSG, up \$0.09/Sf from last quarter; up from \$2.47 FSG one year ago.
- Orange County vacancy rate is at 11.0%, a slight increase from the previous quarter's number.
- Net absorption for the overall OC market totaled a positive 266,394 square feet; compared to 390,628 SF last quarter.
- Office sales for the quarter totaled \$345 million; down from \$533 million last quarter (Q4).
- Class A office buildings led the leasing activity this quarter with over 1,465,000 SF leased; Class B buildings ended the quarter with approximately 930,000 SF leased.
- Five new buildings totaling 505,557 SF were delivered to the market in the 1<sup>st</sup> quarter; 1,041,000 sqft currently under construction.
- The KBS purchase of 333 The City Drive, Orange represents the largest building sale for the quarter, a price tag of \$147,000,000 (\$341psf).
- GSA signed the largest lease of the quarter (66,000 square feet) at the 14101 Myford in Tustin.
- Vacant sublease space increased from 843,000 sq. ft. in the fourth quarter 2017 to 1,085,683 sq. ft. this quarter.
- Office inventory in Orange County (all buildings): 6,104 buildings totaling over 157 million square feet.
- Discuss plans for the coming years with your real estate professional to determine how to get the most of your real estate expenditures and strategize for a tight market.

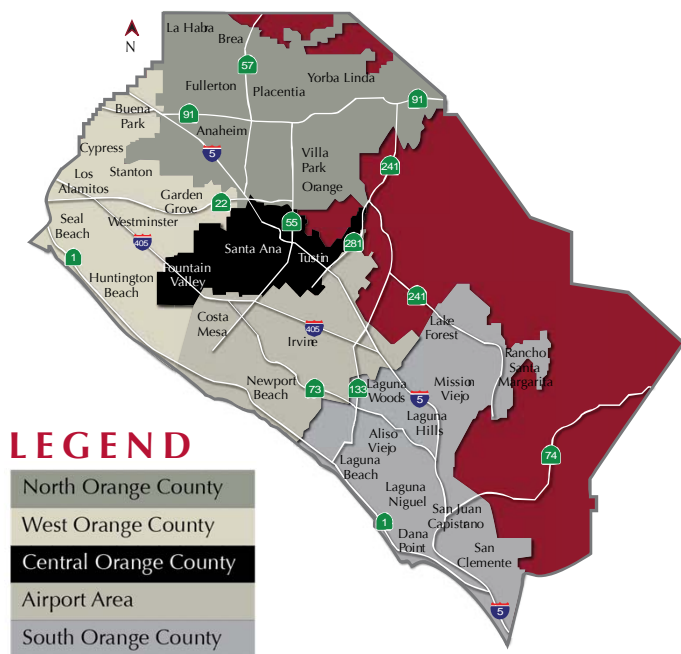
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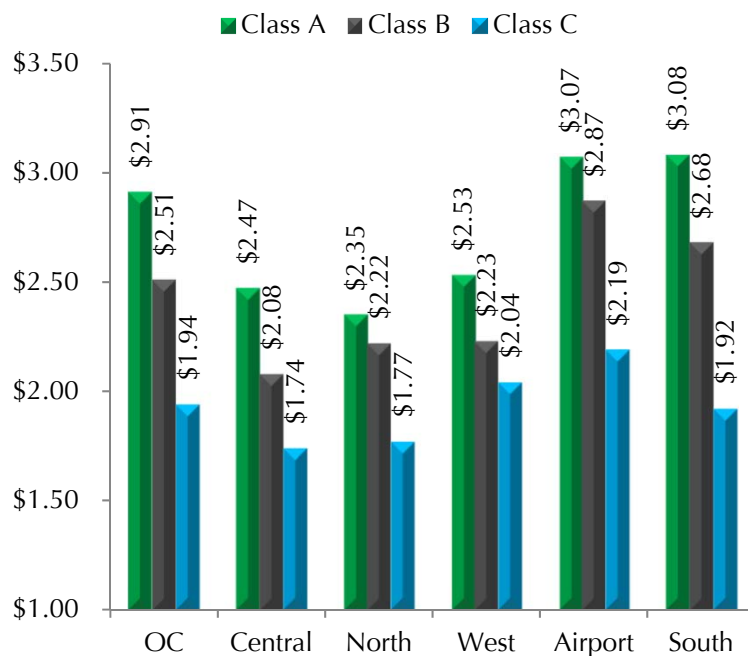
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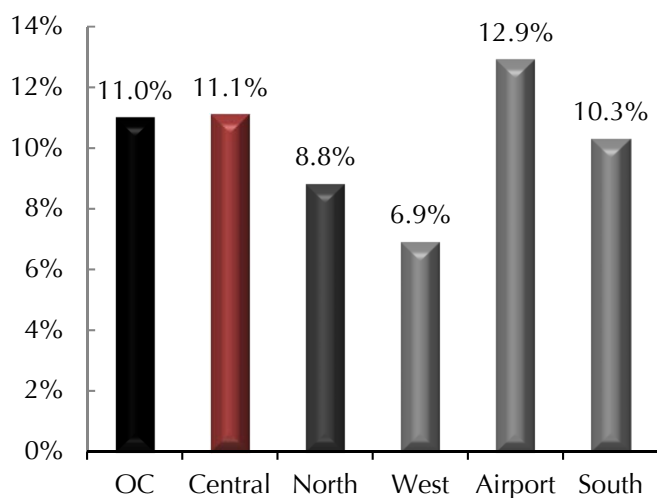
## MAP



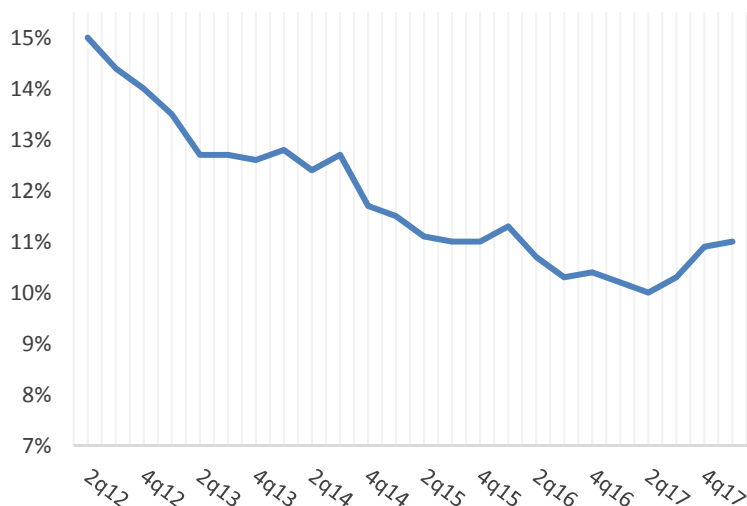
## ASKING RATE



## VACANCY RATE



## HISTORICAL VACANCY



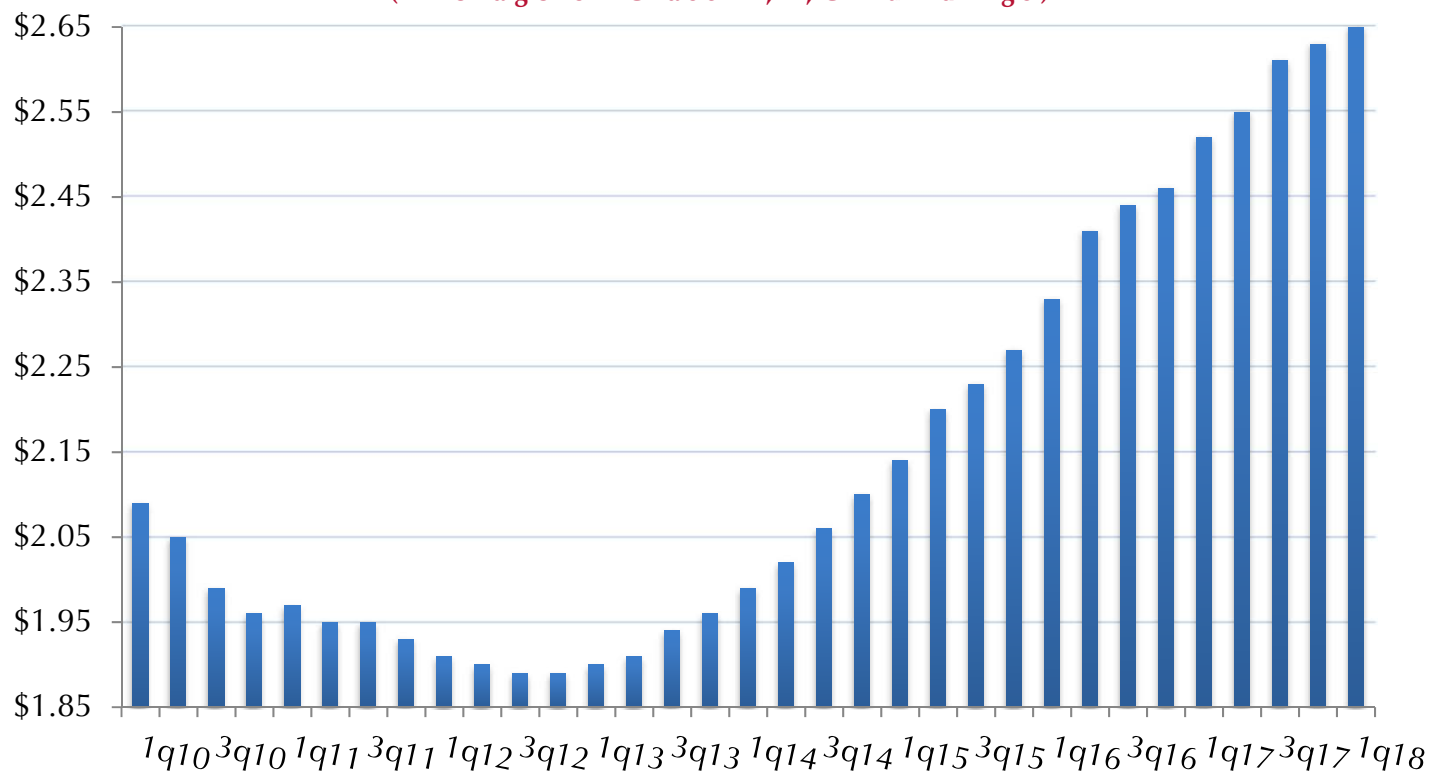
## IN THE KNOW

Throughout the county, landlords are reacting to tenant demand for creative space. The nationwide trend is a requirement companies increasingly say is needed to attract and retain workers. Private offices cube farms and ranks of lateral file cabinets are giving way to hot desks. It is an unwelcome reality for many building owners to stay competitive. In addition to the cost of a makeover, the modern office with an array of common-area amenities can efficiently support a 30% larger workforce in the same space. **-Lee & Associates, Inc.**

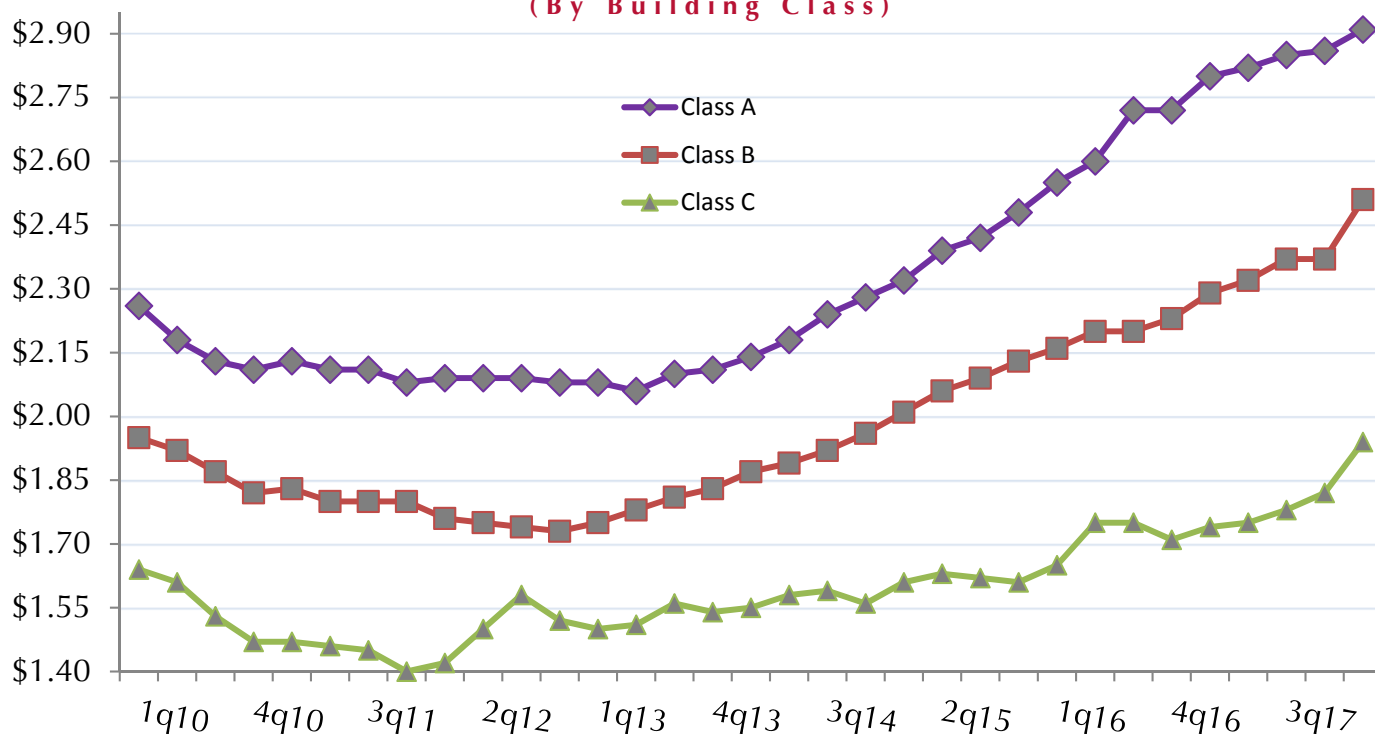
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## HISTORICAL AVERAGE ASKING RATES (Average of Class A,B,C Buildings)



## HISTORICAL AVERAGE ASKING RATES (By Building Class)

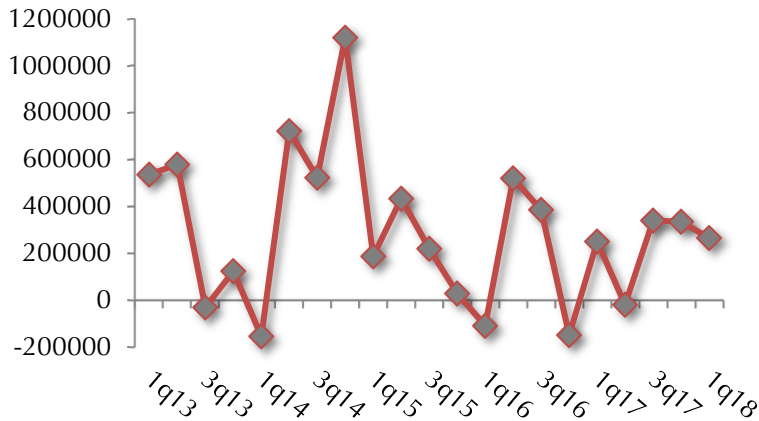


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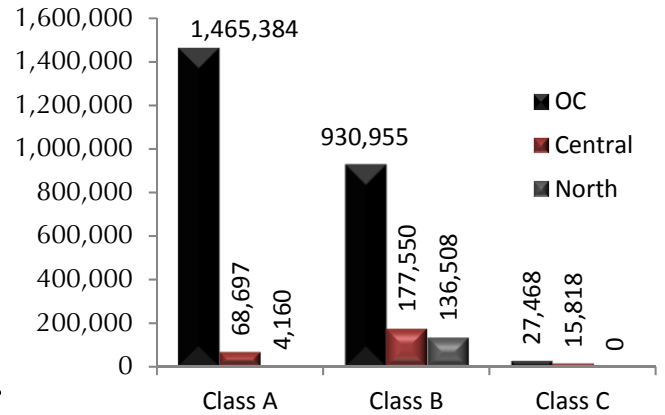
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FIRST QUARTER 2018

**TOTAL NET ABSORPTION**



**LEASING ACTIVITY BY CLASS (SF)**



**AVAILABLE PROPERTIES**



**300 S Harbor**  
 Anaheim, CA  
 For Lease  
 1,672 - 11,435 sf



**17821 E 17<sup>th</sup>**  
 Tustin, CA  
 For Lease  
 741 - 2,328 sf



**1036 Taft**  
 Orange, CA  
 For Lease  
 2,049 - 6,168 sf



**1500 E Katella (D/E)**  
 Orange, CA  
 Sold  
 Call for Details



**5000 Campus**  
 Newport Beach, CA  
 For Lease (pending)  
 2,760 sf



**330 E Lambert**  
 Brea, CA  
 For Lease/ Sale  
 1,782 sf



**2912 Daimler**  
 Santa Ana, CA  
 For Lease  
 6,815 sf



**1235 N Harbor**  
 Fullerton, CA  
 For Lease  
 Call For Details



**2040 N Tustin**  
 Santa Ana, CA  
 Sold  
 Call for Details



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**RECENT TRANSACTIONS**

PROPERTY	TYPE	TENANT / BUYER	LANDLORD / SELLER	SIZE
222 S Harbor, Anaheim	Renewal	DB Insurance	Equity	7,400 SF
2677 Main, Santa Ana	Renewal	Phoenix Group	Muller Co	3,800 SF
398 Cliffwood, Brea	Lease	CostLess	Alvarez Family	8,800 SF
265 Anita, Orange	Lease	R&S Law	FVSD	1,560 SF
4152 Katella, Los Alamitos	Sale	Katella Wellness	Niehoff & Kamakani	6,000 SF
4175 La Palma, Anaheim	Lease	Reliable Hospice	CapRock	3,655 SF
21072 Bake Pkw, Lake Forest	Lease	Smith & Serverson	GLP	4,334 SF
5300 Katella, Los Alamitos	Sale	Los Al Cardio	Shannon Sackley	15,000 SF
2401 Katella, Anaheim	Lease	Compasus	Peregrine	6,921 SF
Uptown Long Beach	Sale	LAB Holdings	City of Long Beach	60,000 SF
805 W La Veta, Orange	Lease	MaxLove	KF Properties	2,478 SF
9 Spectrum Pointe, Lake Forest	Lease	ImageNet	Olen Properties	9,240 SF

**TOP 5 LEASES**

**1st QUARTER TOP LEASES / TOP SALES**

ADDRESS	SUBMARKET	SF	TENANT
14101 Myford	Tustin	66,818	GSA
43 Discovery	Irvine Spectrum	31,407	Ghost Management
3347 Michelson	Irvine	29,125	Alteryx
840 Newport Center	Newport Beach	28,596	Irell & Manella
5515 La Palma	Anaheim Hills	28,445	Western Services

**TOP 5 SALES**

ADDRESS	PRICE	PRICE/ SF	BUYER
333 City Blvd, Orange	\$147,300,000	\$341	KBS City Tower
Brea Imperial Center	\$47,300,000	\$243	HPA
625 The City, Orange	\$33,000,000	\$222	TA Realty
3130 Harbor, Santa Ana	\$24,662,000	\$203	Kearny Real Estate
2415 Campus, Irvine	\$15,000,000	\$390	Athens Services



**Sales Volume**

\$345 Million (2018 Q1) vs \$533 Million (2017 Q3) - Down 54% from last quarter

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### **MARSHAL J. VOGT**

As a Principal of the Lee & Associates office in Orange, Marshal leads a team of specialists who represent landlords, tenants, owner/users and investors in the lease, acquisition and disposition of commercial office properties in Orange County. Focusing primarily on the North/Central Orange County, he excels in the areas of client communication, transaction management and strategic real estate planning.



### **Jaimeson Hearne**

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### **JAIMESON HEARNE**

Jaimeson, who is highly motivated and possesses an energetic demeanor, began his career at Lee & Associates. He focuses on the leasing, purchasing and selling of office space on behalf of property and business owners throughout Orange County. His determination to succeed is built on his commitment to customer service and client relationships.



### **Matthew Orville**

Principal

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### **MATTHEW ORVILLE**

Matt Orville has over a decade of experience in the commercial real estate industry, and joined Lee & Associates in August 2013 as a Principal. He is responsible for multiple accounts, each with a different outlook and corporate culture. He is proficient in negotiating lease renewals, purchase agreements, early lease restructures and acquisitions/dispositions.

## LEE & ASSOCIATES – ORANGE

Established in 1983 as the 2nd of what is now more than 50 Lee & Associates offices across the United States, Lee & Associates-Orange has completed some of the most significant commercial real estate transactions in Orange County history. Lee & Associates-Orange offers a unique combination of leadership, experience, in-depth market knowledge and negotiating expertise. We are serious about our business and whatever the scope of the assignment, we assemble a group of strategic business partners that individually and collectively create value in the completion of your assignment. The 47 professionals at Lee & Associates-Orange provide solutions tailored and customized to each client's unique challenges and objectives based on our history and Orange County market knowledge.

### CLIENT TESTIMONIALS

*"They were incredibly easy to work with, responsive, professional and exceeded all of our expectations."*

- Michelle Stamm, Web4Inc.

*"Expanding a business can easily become overwhelming. There sure is comfort in knowing there are people like Marshal and his team who make it their business in helping to take care of ours."*

- Luis Soler, Caliber Sealing Solutions

*"The team's guidance, expertise and constant persistence assisted us in making the best business decision for our company."*

- Susan Naples, Cardinal

*"I would recommend their services without hesitation."*

- Richard Klein, Children's Bureau

