

OFFICE MARKET REPORT

ORANGE COUNTY



MARKET OVERVIEW

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

(Change from last quarter)



Average Lease Rate
\$2.73 FSG

Up from \$2.71 last quarter



Availability
14.5%

Up from 14.11% last quarter



Vacancy
11.19%

Down from 11.37% last quarter



Net Absorption
209,930 SF

Up from -45,571 SF last quarter



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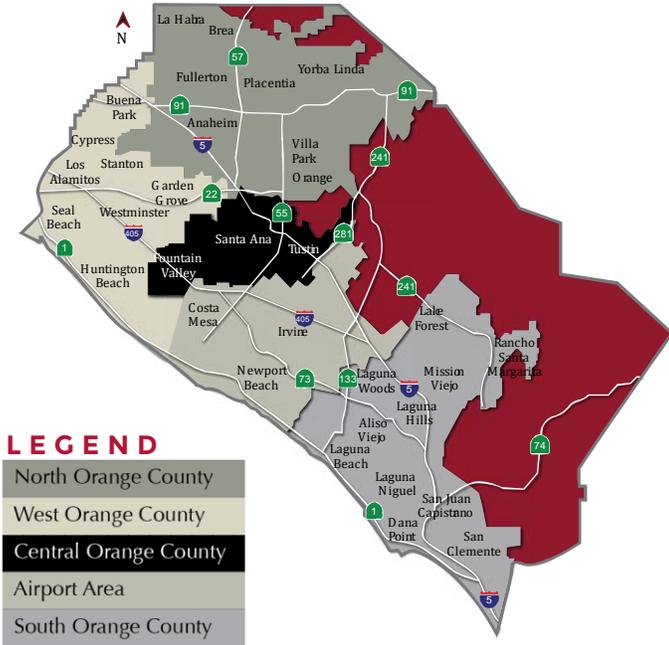
OC OFFICE MARKET TRENDS

- Current average lease rates are \$2.73/sf FSG, up \$0.02/Sf from last quarter; no change from Q1 2019 (one year ago) and approximately \$0.01/SF off the historical high average rate.
- Orange County vacancy rate is at 11.19%, a decrease from the previous quarter's number.
- Net absorption for the overall OC market totaled a positive 209,930 square feet; compared to negative 45,571 SF last quarter.
- Office sales for the quarter totaled \$420 million; down from \$816 million last quarter (Q4 2019).
- Class A office buildings led the leasing activity this quarter with over 1,600,000 SF leased; Class B followed with approximately 770,000 SF leased.
- Roughly 30,000 sf of office was delivered to the market in the 1st quarter; 1,080,000 sqft currently under construction.
- State Street's purchase of Brea Place, Brea represents the largest sale (2 building portfolio) for the quarter, a price tag of \$94,750,000 (\$270psf).
- Kimley-Horn signed one of the largest leases for the quarter (48,000 square feet) at the 1100 Town and Country, Orange.
- Vacant square footage decreased to 13,053,000 square feet from 13,260,000 sq. ft. last quarter.
- Office inventory in Orange County (all size buildings): 6,128 buildings totaling over 159 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.

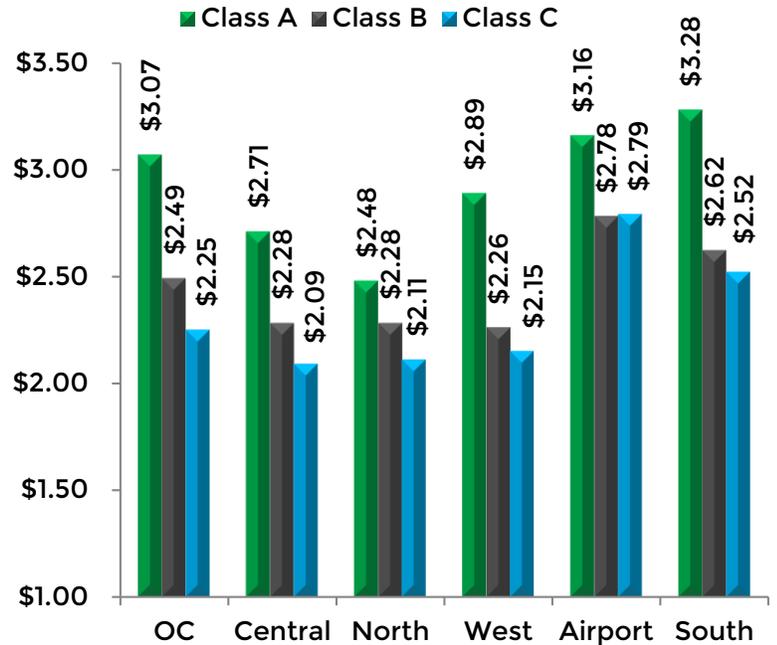
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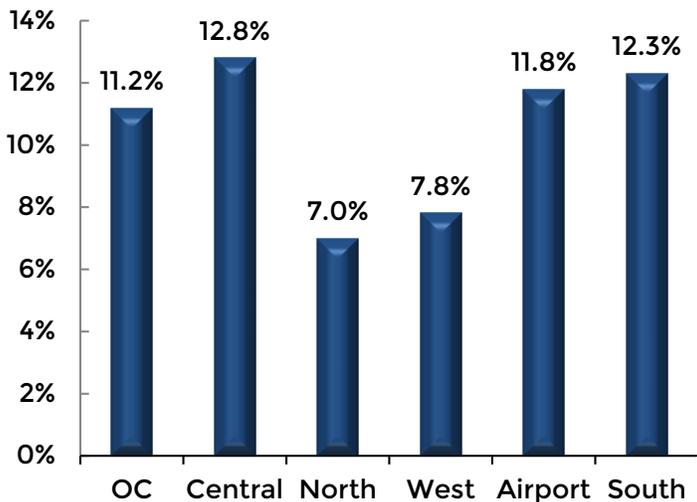
MAP



ASKING RATE



VACANCY RATE



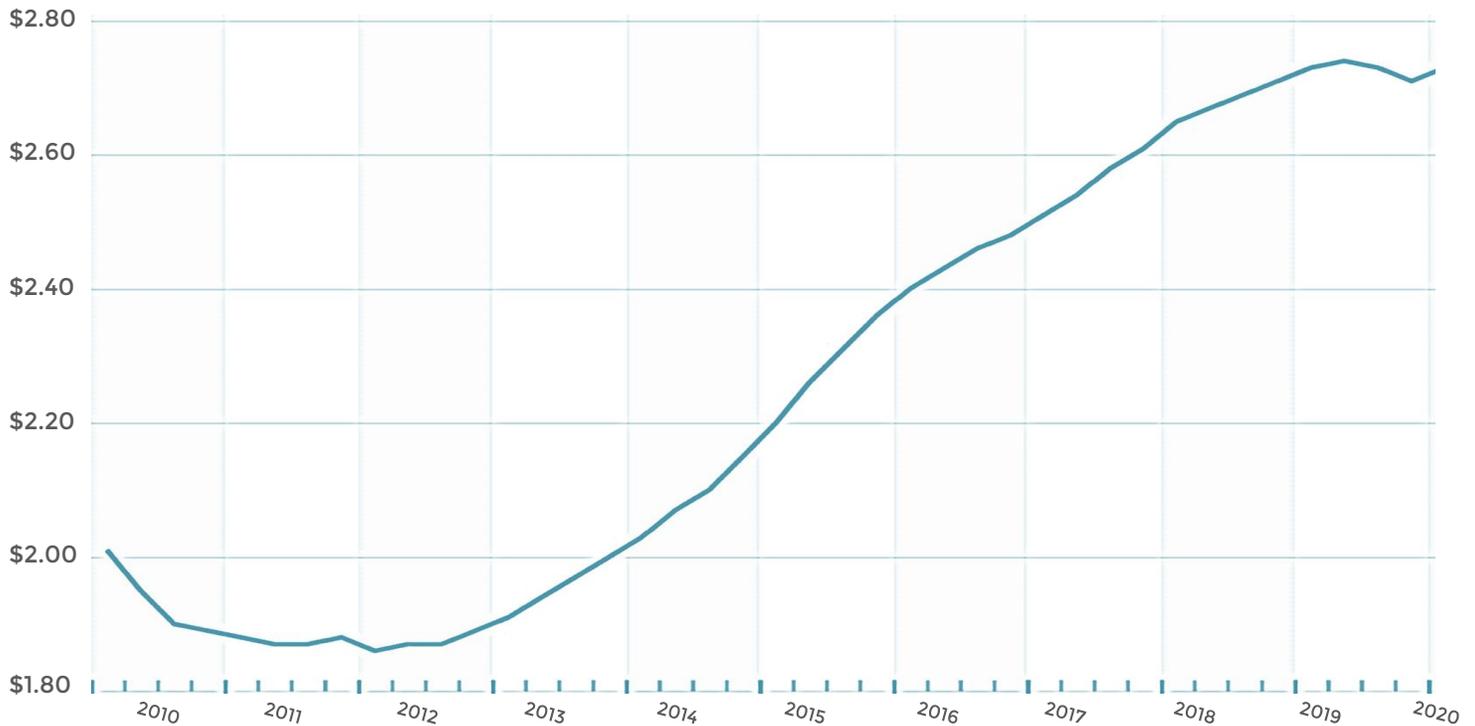
HISTORICAL VACANCY



IN THE KNOW

“Annual rent growth continued to slow in 2019 and ended the year at around 300 basis points below 2018 levels. In fact, there was negative quarter-over-quarter rent growth in 2019 for the first time since 12Q2. This trend has continued into 2020 and year-over-year growth currently sits at 0.2% while it was at 2.7% at the same time last year. The wave of spec space coming on line has hampered growth for 4 & 5 Star inventory, especially as some top-flight space is rumored to ask for upwards of \$75/SF gross. The slowdown in rent growth has not been solely within the top slice of inventory as all slices of inventory has experienced at least a 150 basis point slow down since mid-2018” -COSTAR

HISTORICAL AVERAGE ASKING RATES (ALL Building Classes)



HISTORICAL AVERAGE ASKING RATES (By Building Class)



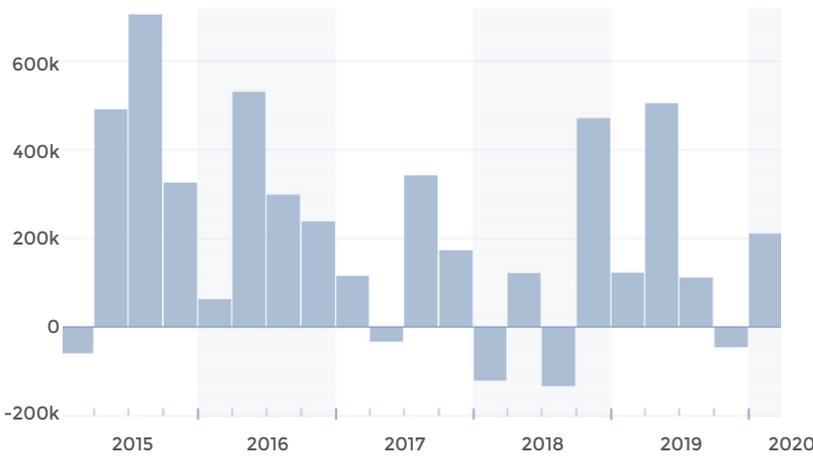
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Q1 2020

TOTAL NET ABSORPTION



LEASING ACTIVITY BY BLDG CLASS



AVAILABLE PROPERTIES



300 S Harbor Blvd
Anaheim, CA
For Lease
1,241 - 5,798 sf



811 N Broadway
Santa Ana, CA
For Sale
34,465 sf



618-624 Main St
Santa Ana, CA
For Sale
8,455 sf



One Broadway
Santa Ana, CA
For Lease/ Sale
680,000 sf



2650 Imperial Hwy
Brea, CA
For Lease
926 - 1,066 sf



283 N Rampart St
Orange, CA
For Sale
2,843 sf



625 N Grand Ave
Santa Ana, CA
For Lease/ Sale
180,000 sf



1235 N Harbor Blvd
Fullerton, CA
For Lease
1,146 - 3,142 sf



17821 E 17th St
Tustin, CA
For Lease
2,328 - 3,677 sf

OFFICE MARKET REPORT

ORANGE COUNTY

OFFICE
ADVISORY
GROUP

Q1 2020

OUR RECENT TRANSACTIONS

PROPERTY	TYPE	TENANT / BUYER	LANDLORD / SELLER	SIZE
18 Truman, Irvine	Lease	AITE Institute	KCS Inc	4,350 SF
2650 Imperial Hwy, Brea	Lease	Fidelity Lending	Mahn Property	3,899 SF
4222 E La Palma, Anaheim	Lease	FG Detection	Rethmeier Trust	6,950 SF
17871 Park Plaza, Cerritos	Lease	Castlewood Apparel	Cress Capital	4,591 SF
300 Harbor, Anaheim	Lease	Healthcare	KF Properties	14,000 SF
222 S Harbor Blvd, Anaheim	Lease	Greenball Tires	Harbor Assoc.	5,945 SF
451 W Lincoln Ave, Anaheim	Lease	KCS Inc	Harbor Lincoln LLC	5,000 SF
20341 SW Birch, Newport Bea.	Sale	Birch Holdings	Parr Properties	21,668 SF
330 E Lambert Rd, Brea	Lease	NMSI, Inc.	Miller Trust	6,915 SF
10055 Slater Ave, Fountain Val.	Lease	Freightgate	FVSD	2,807 SF
1600 E 1st Street, Santa Ana	Lease	Place Banquet	Contempo Group	11,630 SF
10931 Cherry St, Los Alamitos	Sale	Los Al Gastro	Private	6,000 SF

TOP 5 LEASES

1st QUARTER TOP LEASES / TOP SALES

ADDRESS	SUBMARKET	SF	TENANT
1100 Town and Country	Main Place	48,000	Kimley Horn
5 Park Plaza, Irvine	Irvine	45,960	Better Mortgage
165 Technology, Irvine	Spectrum	43,920	Microchip Technology
15101 Alton, Irvine	Spectrum	39,675	ASP, Inc.
4 Park Plaza, Irvine	Irvine	30,616	State Title

TOP 5 SALES

ADDRESS	PRICE	PRICE/ SF	BUYER
Brea Place, Brea	\$94,750,000	\$270	State Street
Taj Mahal Medical, Laguna Hills	\$42,000,000	\$474	Healthcare Realty Trust
3150 Bear, Costa Mesa	\$25,500,000	\$388	EF Education First
Von Karman Tech, Irvine	\$25,400,000	\$251	Dayani Partners
Bella Terra Medical, HB	\$20,000,000	\$336	Manhattan RE Holdings

Sales Volume

\$420 Million (2020 Q1) vs \$816 Million (2019 Q4) - Down ~94% from last quarter

**numbers are based on all SF office buildings*

THE OFFICE ADVISORY GROUP (OAG)



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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.



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JAIMESON HEARNE

Jaimeson Hearne is a Principal at Lee & Associates - Orange and Co-Founder of the Office Advisory Group. 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

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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 45+ 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