

LEE & ASSOCIATES
OFFICE MARKET REPORT
NORTH/CENTRAL ORANGE COUNTY

THE OFFICE ADVISORY GROUP

SECOND QUARTER 2016

MARKET OVERVIEW Orange County

(Change from last quarter)



**Average
Lease Rate**
\$2.36 FSG

Up from \$2.33 last quarter



Availability
14.6 %

Down from 15.1% last quarter



Vacancy
11.0%

Down from 11.5% last quarter



Absorption
520,793 SF

Up from -108,883 SF last quarter

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



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OC OFFICE MARKET TRENDS

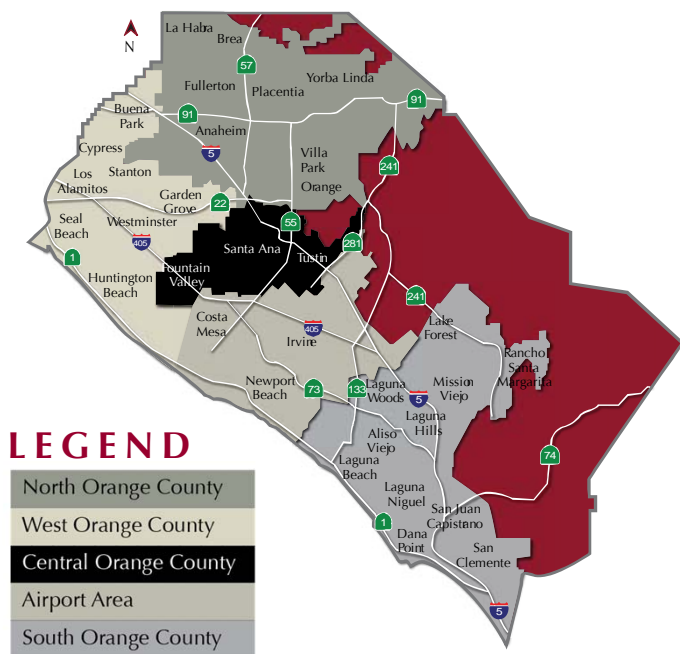
- Average lease rates continue to climb to \$2.36 FSG, up \$0.03/Sf from last quarter; up from \$2.19 FSG one year ago.
- Orange County vacancy rates at 11.0%, a decrease from the previous quarter's number.
- Net absorption for the overall OC market totaled a positive 520,793 square feet, up from a negative 108,883 SF last quarter.
- Office sales for the quarter totaled \$881.87 Million - Down 33% from last quarter; \$562.65 Million (Q1 - 2016).
- Class A office buildings led the leasing activity in Q2 with 1.135 million SF leased; a change from Class B buildings which led activity in Q1.
- No new buildings were delivered to the market in the second quarter; over 2.4 million SF currently under construction.
- J&R 1901 Main, LLCs purchase of 1901 Main Street represents the largest sale for the quarter, a price tag of \$66,000,000 (\$382psf).
- A2Z Development inked the largest lease of the quarter, renewing their 104,000 square foot office lease at 40 Pacifica, Irvine CA.
- Vacant sublease space increased for a second consecutive quarter to 464,993 SF.
- Office inventory in Orange County: 6,063 buildings totaling over 153,977,000 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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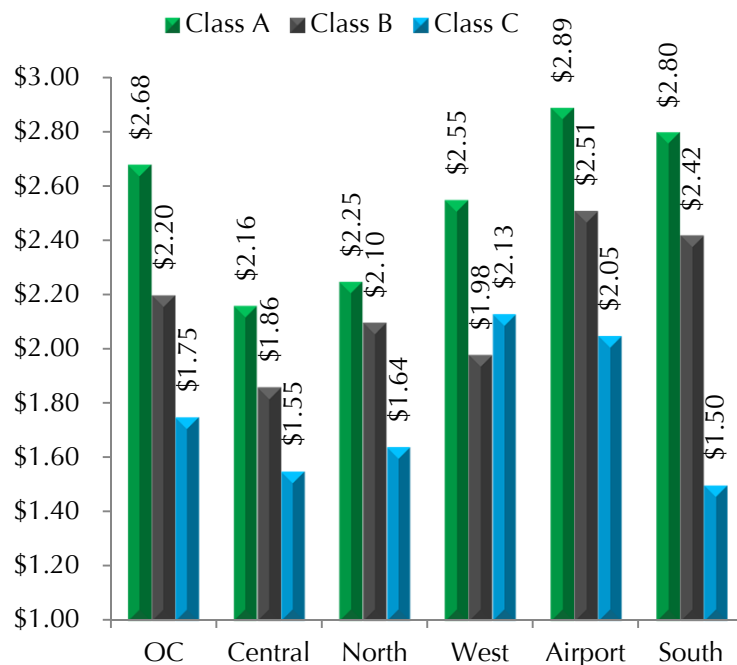
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SECOND QUARTER 2016

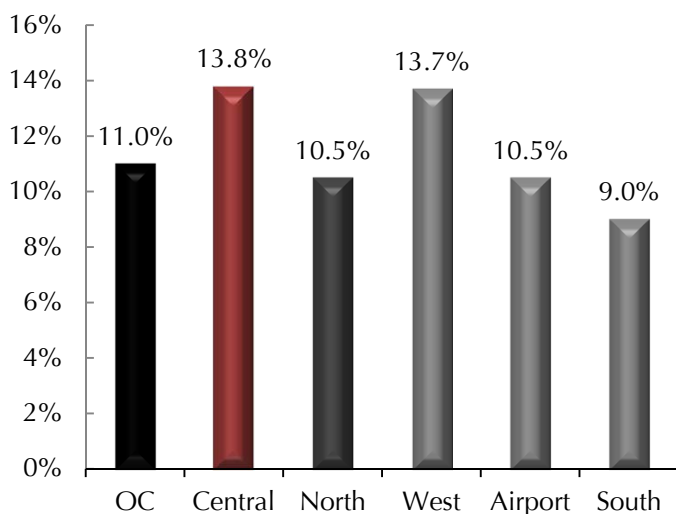
MAP



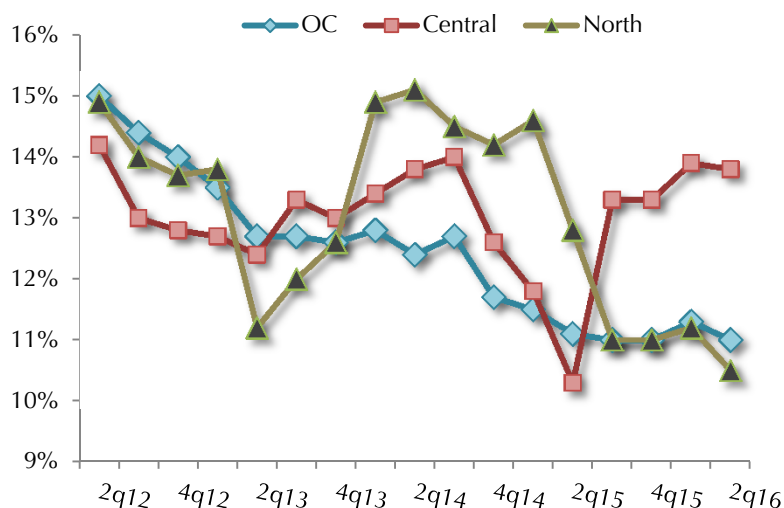
ASKING RATE



VACANCY RATE



HISTORICAL VACANCY



IN THE KNOW

After a sluggish start early this year, demand for Orange County office space surged in the second quarter, posting the biggest gain in six quarters. Lease rates continued to climb in the largest submarkets, keeping the countywide average on pace next year to equal its all-time high. Demand intensified in the South County submarket, which is anticipating completion next year of nearly 1.8 million sq. ft. of Class A high-rise and campus style buildings. -Lee & Associates, Inc.

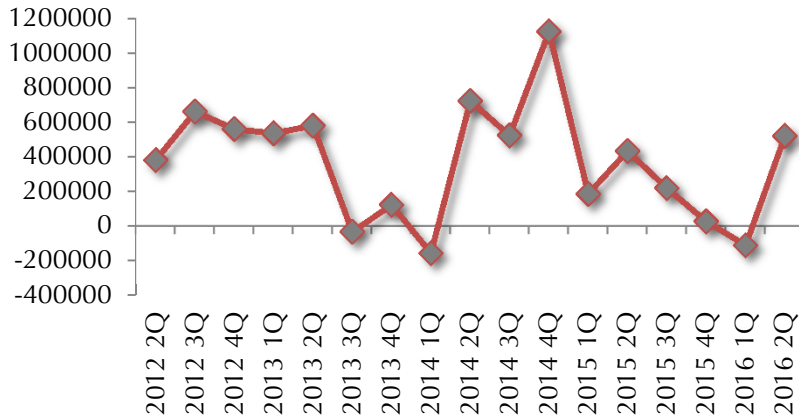
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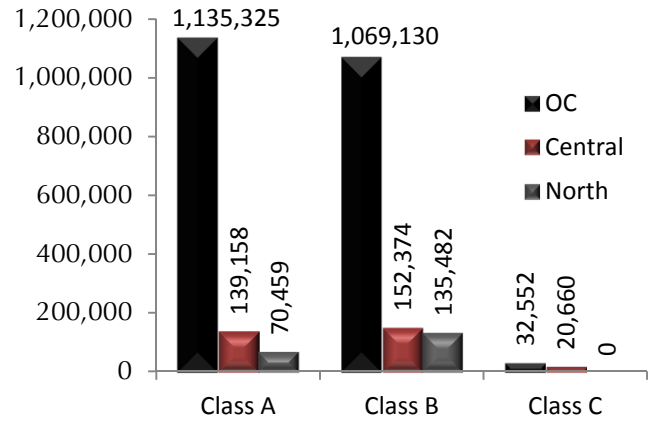
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SECOND QUARTER 2016

TOTAL NET ABSORPTION



LEASING ACTIVITY BY CLASS PSF



AVAILABLE PROPERTIES



300 S Harbor
 Anaheim, CA
 For Lease
 499 - 10,114 sf



1 City Blvd W
 Orange, CA
 For Sublease
 2,735 sf



265 S Anita
 Orange, CA
 For Lease
 1,061 - 4,084 sf



24902 Moulton
 Laguna Woods, CA
 Sold
 Call for Details



1235 N Harbor
 Fullerton, CA
 For Lease
 899 - 3,968 sf



330 E Lambert
 Brea, CA
 For Lease
 1,782 - 3,558 sf



910 W 17th
 Santa Ana, CA
 For Sale
 2,065 sf



17821 E 17th
 Tustin, CA
 For Lease
 662 - 3,657 sf



7861 Garden Grove
 Garden Grove, CA
 Sold
 Call for Details

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SECOND QUARTER 2016

RECENT TRANSACTIONS

PROPERTY	TYPE	TENANT / BUYER	LANDLORD / SELLER	SIZE
17322 Murphy, Irvine	Sale	House of Sportsmen	OCMA	21,876 SF
2401 Katella, Anaheim	Lease	DKS Associates	Peregrine	3,027 SF
24902 Moulton, Laguna Woods	Sale	Adrian Gonzalez	24902 Moulton LLC	9,244 SF
265 S Anita, Orange	Lease	Meritage Partners	FVSD	1,700 SF
10055 Slater, Fountain Valley	Lease	Merchant Service	FVSD	1,714 SF
265 S Anita, Orange	Lease	Nair/ Cesena	FVSD	794 SF
6119 Washington, Commerce	Lease	Legacy MSO	Celluphone	8,213 SF
265 S Anita, Orange	Lease	One True Loan	FVSD	1,063 SF
7861 Garden Gro., Garden Grove	Sale	Nhan Hoa Health	Richard Ya Lee Trust	26,682 SF
2677 N Main, Santa Ana	Lease	Phoenix Group	Muller Co.	7,344 SF
3070 Saturn, Brea	Lease	Lighthouse Financial	Brea Corporate Park	4,692 SF
17821 E 17 th St, Tustin	Lease	Brown Property Mgmt.	Centrium Properties	1,165 SF

TOP 5 LEASES

1st QUARTER TOP LEASES / TOP SALES

ADDRESS	SUBMARKET	SF	TENANT
40 Pacifica	Irvine Spectrum	104,605	A2Z Development
3 Park Plaza	Irvine	91,000	JPMorgan Chase
135 Technology	Irvine Spectrum	63,120	EMC Corporation
18200 Von Karman	Irvine	42,988	Nationstar Mortgage
23 Corporate Plaza	Newport Beach	41,394	Real Office Center

TOP 5 SALES

ADDRESS	PRICE	PRICE/ SF	BUYER
1901 Main Street	\$66,000,000	\$382	J&R 1901 Main, LLC
4000 Metropolitan	\$61,000,000	\$323	Boyd Orange GSA
1700 Saint Andrews	\$37,000,000	\$215	Drawbridge
675 Placentia	\$33,800,000	\$252	TIAA
5 Polaris	\$33,000,000	\$419	Invesco Real Estate



Sales Volume

\$881.87 Million (2016 Q2) vs \$562.65 Million (2016 Q1) - Up 57% 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.

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 North/Central OC 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

Dedicated.
Honest.
Professional.

