

LEE & ASSOCIATES  
**OFFICE MARKET REPORT**  
NORTH/CENTRAL ORANGE COUNTY

THE OFFICE ADVISORY GROUP

THIRD QUARTER 2017

**MARKET OVERVIEW Orange County**

(Change from last quarter)



**Average  
Lease Rate**  
\$2.61 FSG

Up from \$2.55 last quarter



**Availability**  
15.0 %

No Change from last quarter



**Vacancy**  
10.3%

Up from 10.0% last quarter



**Absorption**  
278,991 SF

Up from -19,363 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**

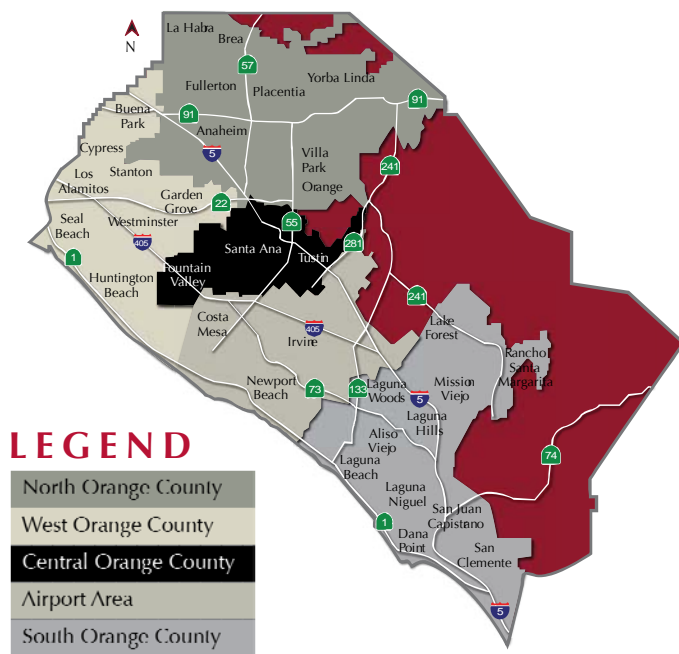
- For the 12<sup>th</sup> consecutive quarter, average lease rates have increased. Current average lease rates are \$2.61/sf FSG, up \$0.06/Sf from last quarter; up from \$2.44 FSG one year ago.
- Orange County vacancy rate is at 10.3%, an increase from the previous quarter's number.
- Net absorption for the overall OC market totaled a positive 278,991 square feet, up from a negative 19,363 SF last quarter.
- Office sales for the quarter totaled \$1.2 billion; up from \$768 Million last quarter (Q2).
- Class B office buildings led the leasing activity this quarter with over 998,000 SF leased; a change from Class A buildings which led activity in Q2.
- Two new buildings totaling 671,000 SF were delivered to the market in the 3<sup>rd</sup> quarter; over 2.4 million SF currently under construction.
- Five Point Holdings purchase the Five Pointe Gateway, Irvine represents the largest building sale for the quarter, a price tag of \$443,000,000 (\$436psf).
- Broadcom signed the largest lease of the quarter (660,000 square feet) at the Five Pointe Gateway in the Irvine Spectrum.
- Vacant sublease space increased from 776,000 sq. ft. in the second quarter 2017 to 848,000 sq. ft. this quarter
- Office inventory in Orange County (all buildings): 6,082 buildings totaling over 154 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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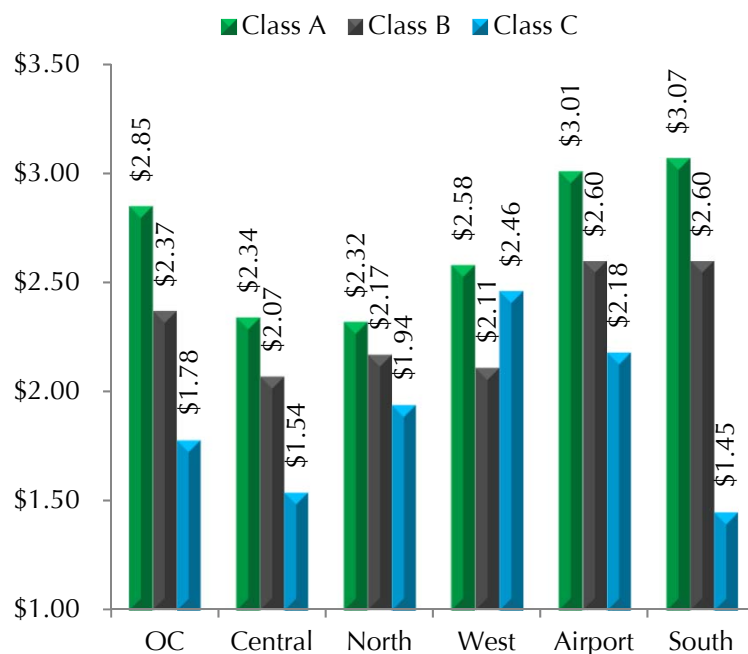
## MAP



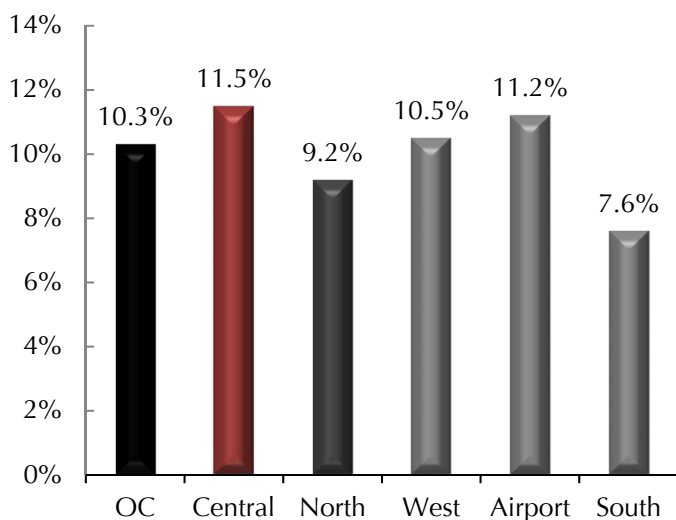
## LEGEND

North Orange County
West Orange County
Central Orange County
Airport Area
South Orange County

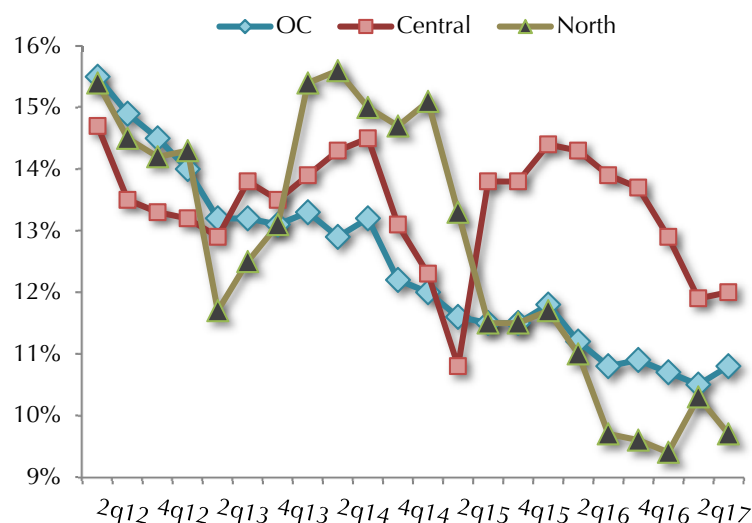
## ASKING RATE



## VACANCY RATE



## HISTORICAL VACANCY



## IN THE KNOW

Plenty of economists have prophesied about eight-year real estate and economic cycles to help explain the softening of office markets nationwide that has been widely reported this year. It's clear that local office demand has lost some steam despite a still solid local recovery and a strong national economy that in Q3 grew at a 3% annual rate. -Lee & Associates, Inc.

[www.officeadvisorygroup.com](http://www.officeadvisorygroup.com)

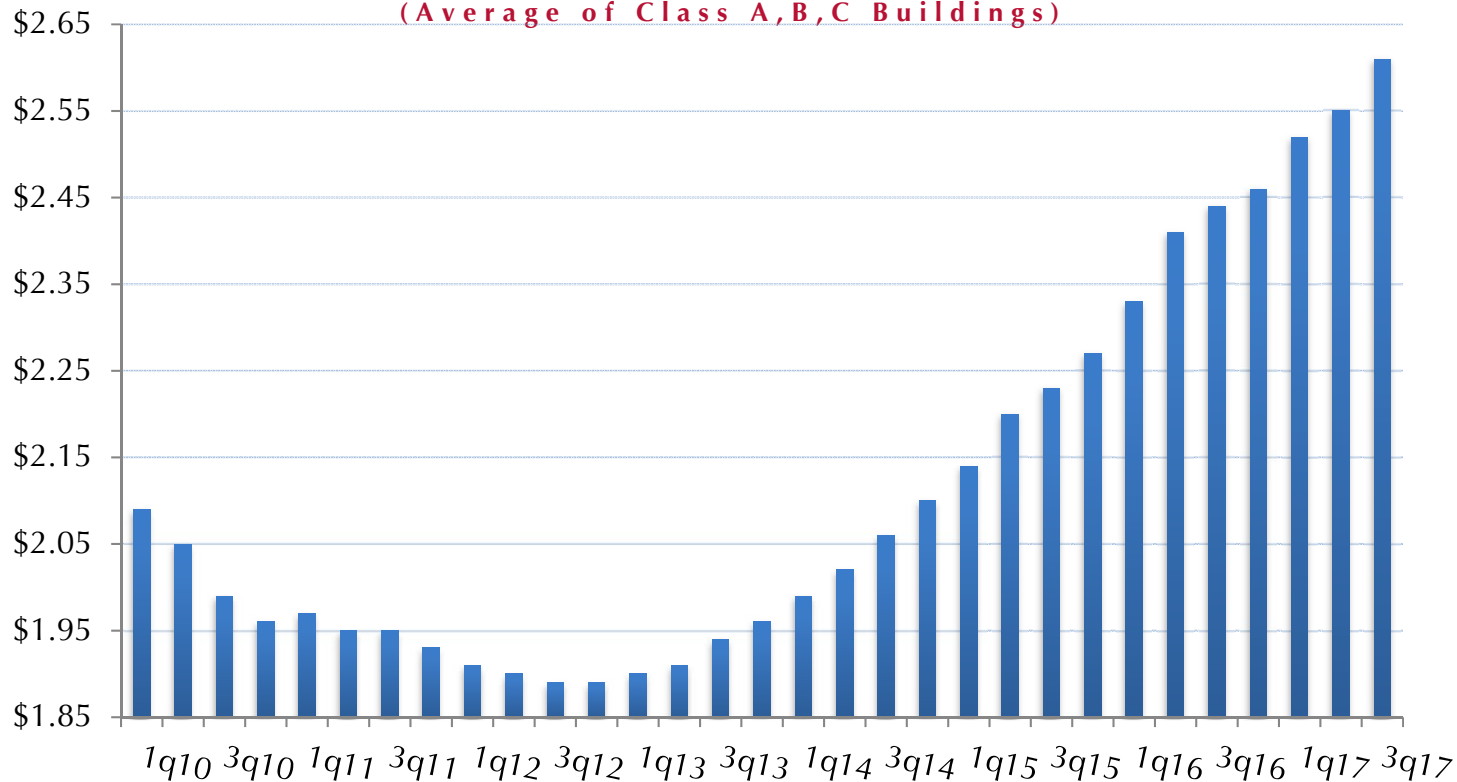
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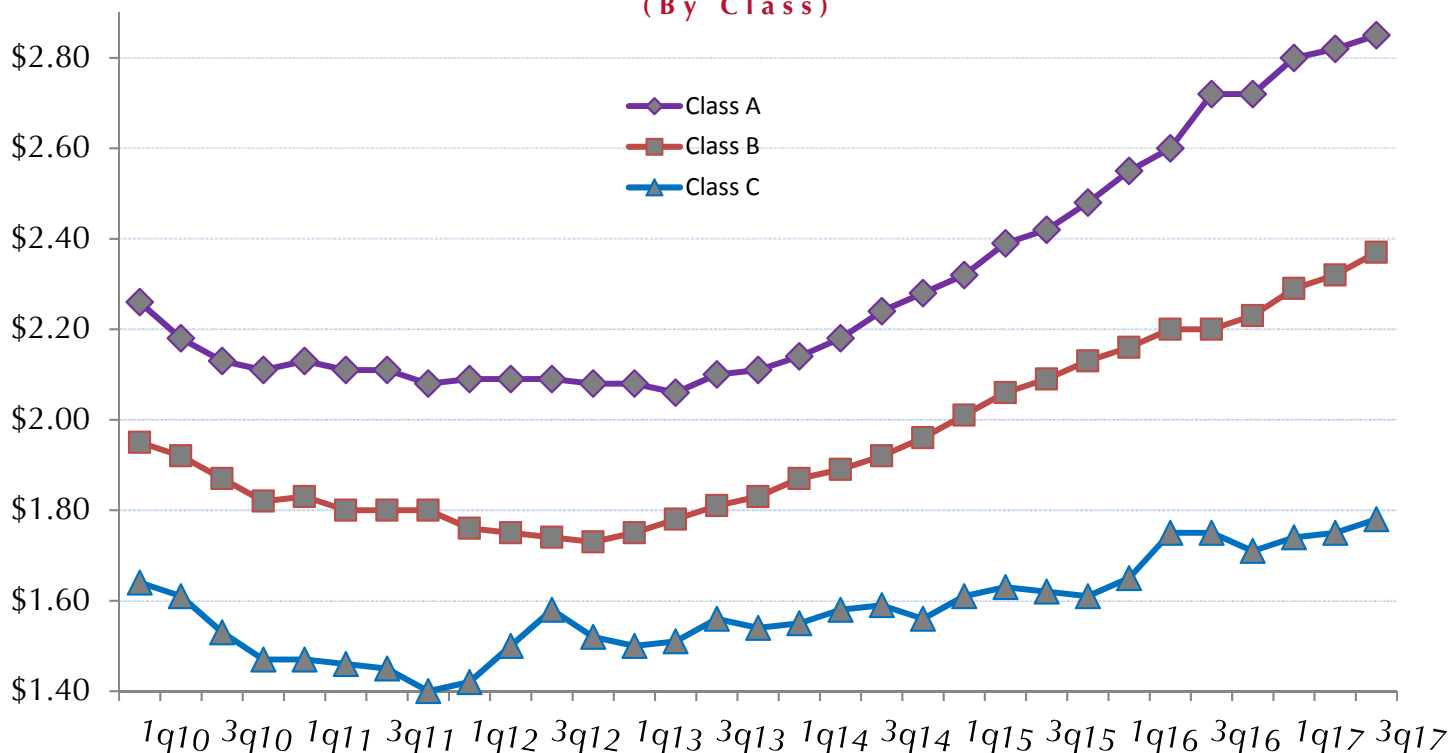
## HISTORICAL AVERAGE ASKING RATES

(Average of Class A,B,C Buildings)



## HISTORICAL AVERAGE ASKING RATES

(By Class)

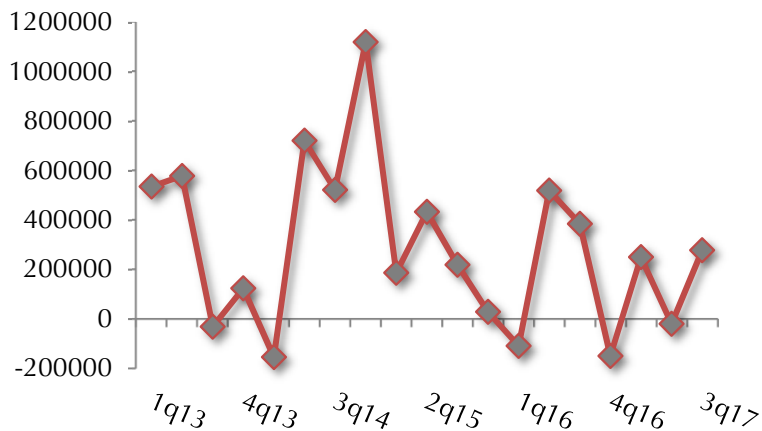


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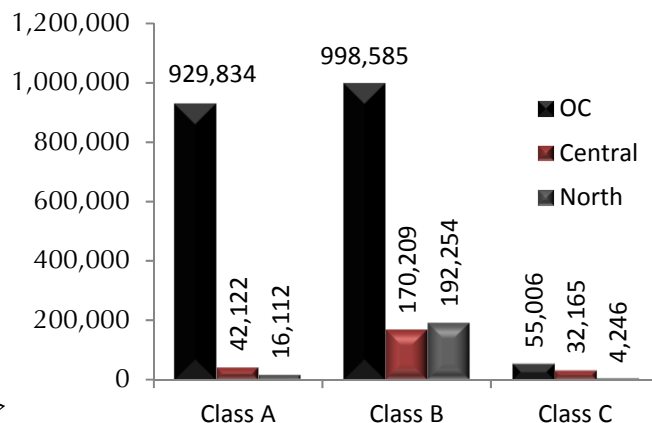
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THIRD QUARTER 2017

**TOTAL NET ABSORPTION**



**LEASING ACTIVITY BY CLASS PSF**



**AVAILABLE PROPERTIES**



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



**17821 E 17<sup>th</sup>**  
 Tustin, CA  
 For Lease  
 2,328 - 4,129 sf



**265 S Anita**  
 Orange, CA  
 For Lease  
 808 - 4,224 sf



**1500 E Katella**  
 Orange, CA  
 For Sale  
 1,220 sf



**5000 Campus**  
 Newport Beach, CA  
 For Lease  
 2,436 sf



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



**910 W 17<sup>th</sup>**  
 Santa Ana, CA  
 Sold  
 Call For Details



**1235 N Harbor**  
 Fullerton, CA  
 Fully Leased  
 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
300 S Harbor, Anaheim	Lease	Axis Technical	KF Properties	3,323 SF
330 E Lambert, Brea	Lease	Pharmed	Metro Commercial	13,268 SF
5000 Campus, Newport Beach	Sale	OCMA	Kearny	8,058 SF
333 El Camino, Tustin	Lease	LandStudio360	Rick Rengel	1,745 SF
625 The City Drive, Orange	Lease	Consolidated Design	Equity Office	2,341 SF
18022 Cowan, Irvine	Lease	SGI USA	Anatolia	6,000 SF
805 W La Veta, Orange	Lease	Open Mind Modalities	KF Properties	2,478 SF
256 S Anita, Orange	Lease	Fenix Consulting	FVSD	5,058 SF
1211 N Tustin, Anaheim	Lease	Anacal Engineering	Sproal Trust	4,077 SF
2040 Tustin, Santa Ana	Sale	Bonetati & Soble	MQ Properties	3,748 SF
17671 Irvine, Tustin	Lease	Diaz & Associates	C & C LLC	1,860 SF
6 Hutton Center, Santa Ana	Sublease	GotMortgage	ColdGenesys	3,449 SF

**TOP 5 LEASES**

**3rd QUARTER TOP LEASES / TOP SALES**

ADDRESS	SUBMARKET	SF	TENANT
Five Pointe Gateway	Irvine Spectrum	660,893	Broadcom
15131 Alton Pky	Irvine Spectrum	90,000	Lennar Corp
15131 Alton Pky	Irvine Spectrum	44,400	Five Pointe Homes
19000 MacArthur	Irvine	38,807	Home Franchise Concepts
575 Anton	Costa Mesa	37,875	Veritone Inc

**TOP 5 SALES**

ADDRESS	PRICE	PRICE/ SF	BUYER
Five Pointe Gateway	\$443,000,000	\$426	Five Point Holdings
Centerpointe La Palma	\$106,100,00	\$200	Greenlaw / Westbrook Partners
4100 Newport, Newport Beach	\$75,600,000	\$397	Olen Realty Corp
4400 MacArthur, Newport Beach	\$59,800,000	\$382	Greenlaw / Hilrod
120 Vantis, Aliso Viejo	\$53,625,000	\$297	The Brookhollow Group



**Sales Volume**

\$1.2 Billion (2017 Q3) vs \$768 Million (2017 Q2) - Up 56% from last quarter

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## THE OFFICE ADVISORY GROUP



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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.**

