

LEE & ASSOCIATES
OFFICE MARKET REPORT
NORTH/CENTRAL ORANGE COUNTY

THE OFFICE ADVISORY GROUP

THIRD QUARTER 2016

MARKET OVERVIEW Orange County

(Change from last quarter)



**Average
Lease Rate**
\$2.44 FSG

Up from \$2.41 last quarter



Availability
15.2 %

Up from 14.8% last quarter



Vacancy
10.3%

Down from 10.7% last quarter



Absorption
371,650 SF

Down from 577,845 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

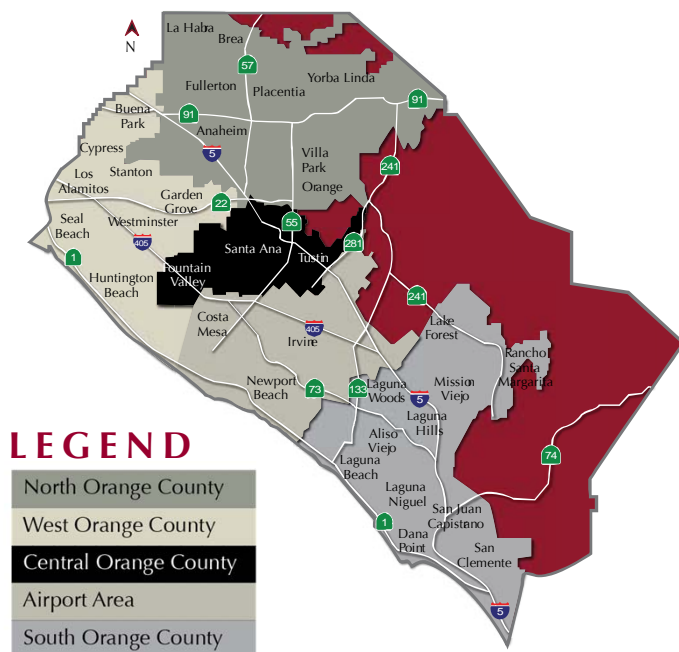
- Average lease rates continue to climb to \$2.44 FSG, up \$0.03/Sf from last quarter; up from \$2.27 FSG one year ago.
- Orange County vacancy rates at 10.3%, a decrease from the previous quarter's number.
- Net absorption for the overall OC market totaled a positive 371,650 square feet, down from a positive 577,845 SF last quarter.
- Office sales for the quarter totaled \$554.43 Million - Up 50% from last quarter; \$369.53 Million (Q2 - 2016).
- Class A office buildings led the leasing activity this quarter with 1.104 million SF leased; no change from Class A buildings which led activity in Q2.
- One building totaling 5,000 sq. ft. was delivered to the market in the third quarter; over 2.4 million SF currently under construction.
- The Greenlaw recapitalization of the City Parkway/Plaza portfolio represents the largest sale for the quarter, a price tag of \$107,365,000 (\$242psf).
- Nationstar Mortgage inked the largest lease of the quarter, taking 152,000 square feet at 1600 Saint Andrews Place, Santa Ana.
- Vacant sublease space decreased from 509,000 sq. ft. in the second quarter to 460,206 sq. ft.
- Office inventory in Orange County: 6,066 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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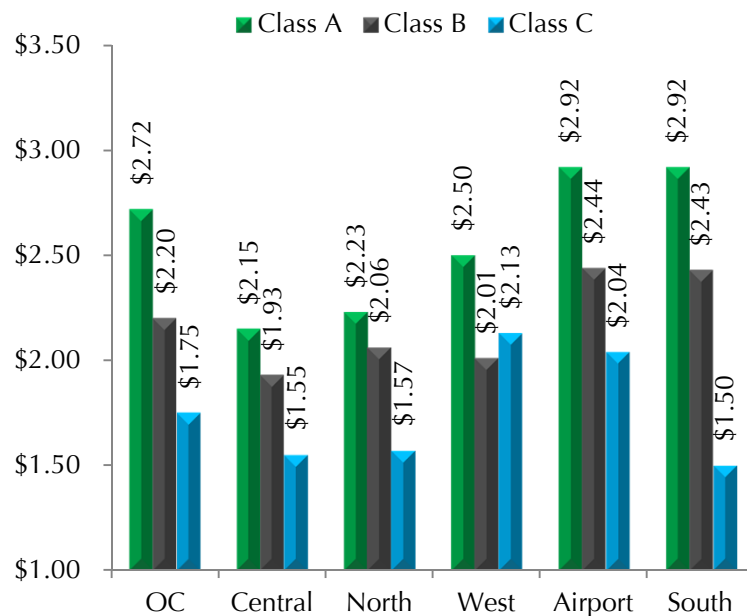
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THIRD QUARTER 2016

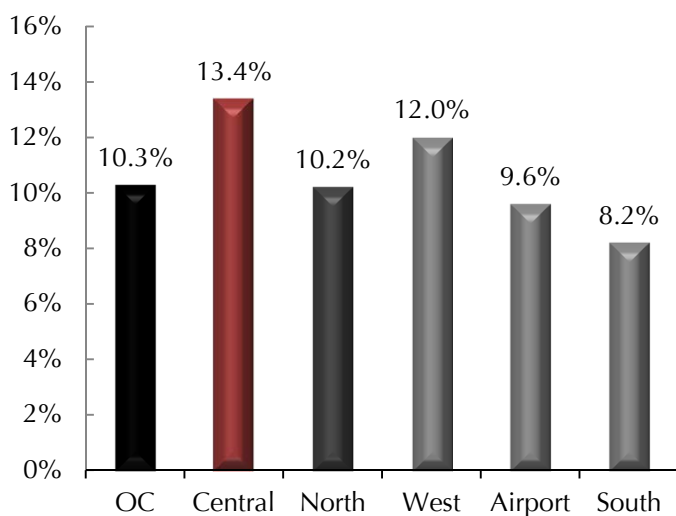
MAP



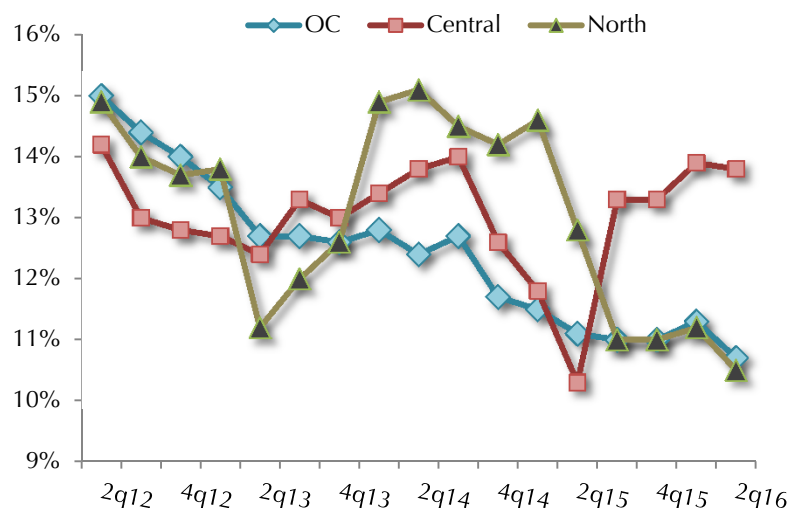
ASKING RATE



VACANCY RATE



HISTORICAL VACANCY



IN THE KNOW

Of the seven notable projects existing and underway and totaling more than 1 million sq. ft. in Orange County – The Habitat, Avalon, Axis, 33.7 North, 1701 Quail, The Press and The Hive – only The Habitat in Irvine is leased up. In August developer Bixby Land Company landed Karma Automotive for the entire 262,462 sq. ft. project. Outside of a handful of 10,000-sq.-ft. to 12,000-sq.-ft. tenants, other landlords offering 40,000-sq.-ft. to 50,000-sq.-ft. spaces have yet to sign any major leases. -Lee & Associates, Inc.

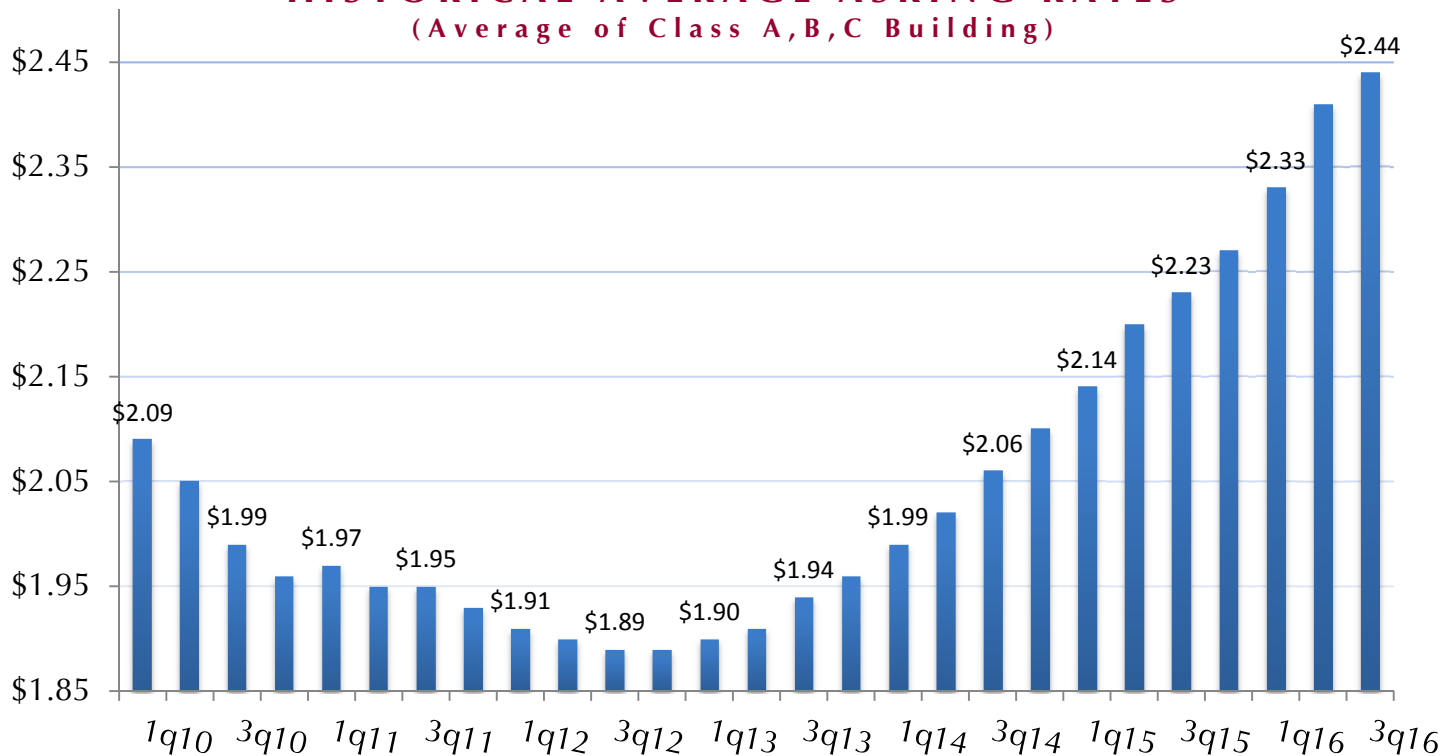
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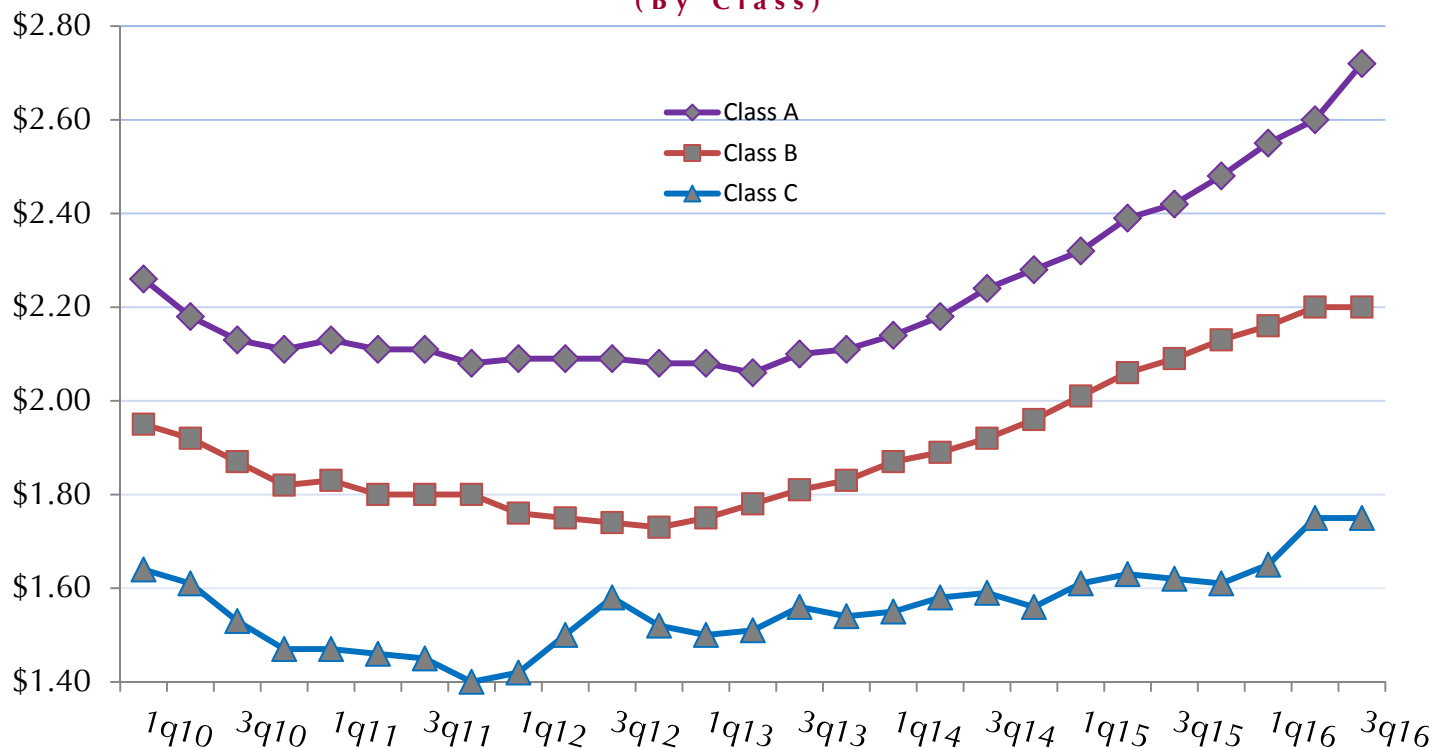
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THIRD QUARTER 2016

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



HISTORICAL AVERAGE ASKING RATES (By Class)

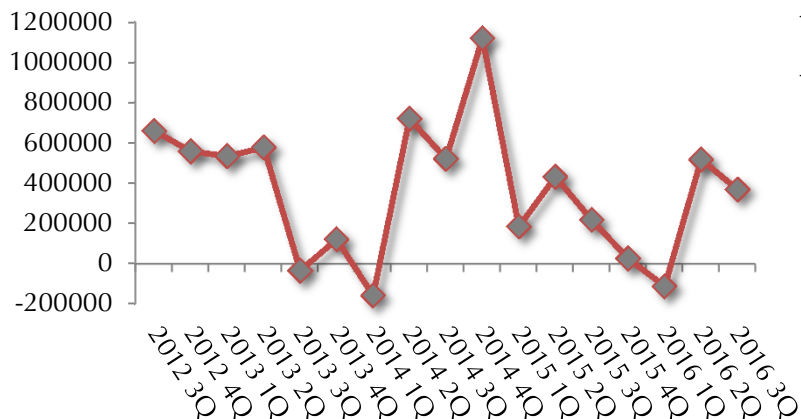


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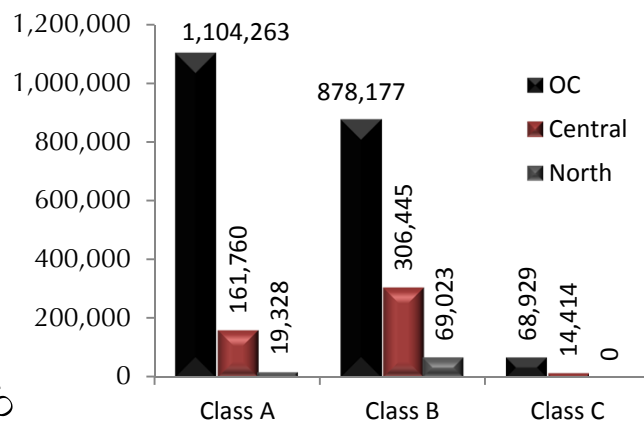
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THIRD QUARTER 2016

TOTAL NET ABSORPTION



LEASING ACTIVITY BY CLASS PSF



AVAILABLE PROPERTIES



300 S Harbor
 Anaheim, CA
 For Lease
 964 - 10,114 sf



7561 Center Ave- Bldg 48
 Huntington Beach, CA
 For Sale
 5,400 sf



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



732 E Chapman Ave
 Orange, CA
 For Sale
 935 sf



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



2040 N Tustin
 Santa Ana, CA
 For Sale
 3,748 sf

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RECENT TRANSACTIONS

| PROPERTY | TYPE | TENANT / BUYER | LANDLORD / SELLER | SIZE |
|--------------------------------|-------|----------------------|----------------------|-----------|
| 222 S Harbor, Anaheim | Lease | Dongbu Insurance | Equity Office | 4,952 SF |
| 300 S Harbor, Anaheim | Lease | Axsun Corp | KF Properties | 2,419 SF |
| 24902 Moulton, Laguna Woods | Sale | Adrian Gonzalez | 24902 Moulton LLC | 9,244 SF |
| 300 S Harbor, Anaheim | Lease | Onward Engineering | KF Properties | 2,877 SF |
| 300 S Harbor, Anaheim | Lease | His Channel | KF Properties | 1,536 SF |
| 265 S Anita, Orange | Lease | SEIU | FVSD | 1,944 SF |
| 1022-1024 Shary Court, Concord | Sale | JC Brown | HCH Associates | 16,480 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 |
| 2401 Katella, Anaheim | Lease | DKS Associates | Peregrine | 3,027 SF |

TOP 5 LEASES

1st QUARTER TOP LEASES / TOP SALES

| ADDRESS | SUBMARKET | SF | TENANT |
|------------------------|-----------------|---------|---------------------------|
| 1600 Saint Andrews Pl | Santa Ana | 152,828 | Nationstar Mortgage |
| 26210 Enterprise Ct | Lake Forest | 50,006 | Apria Healthcare |
| 200 Spectrum Center Dr | Irvine Spectrum | 44,239 | Crown Castle |
| 3390 Harbor Blvd | Costa Mesa | 40,091 | John F Kennedy University |
| 5565 Plaza Dr | Cypress | 40,000 | Toyo Tires |

TOP 5 SALES

| ADDRESS | PRICE | PRICE/ SF | BUYER |
|------------------------------|---------------|-----------|-----------------------------|
| City Parkway | \$107,365,000 | \$242 | Greenlaw |
| Alton Corporate Plaza | \$64,000,000 | \$305 | GI Partners |
| Mission Medical Center | \$56,397,000 | \$469 | Healthcare Trust of America |
| Laguna Design Center | \$53,693,000 | \$229 | Dunhill Partners |
| 24422 Avenida de la Carlotta | \$30,000,000 | \$250 | Angelo Gordon & Co. |



Sales Volume

\$554.43 Million (2016 Q3) vs \$369.53 Million (2016 Q2) - Up 50% 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.

