

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

THE OFFICE ADVISORY GROUP

FOURTH QUARTER 2016

**MARKET OVERVIEW Orange County**

(Change from last quarter)



**Average  
Lease Rate**  
\$2.46 FSG

Up from \$2.44 last quarter



**Availability**  
14.7 %

Down from 15.0% last quarter



**Vacancy**  
10.3%

Up from 10.2% last quarter



**Absorption**  
-149,112 SF

Down from 386,268 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**

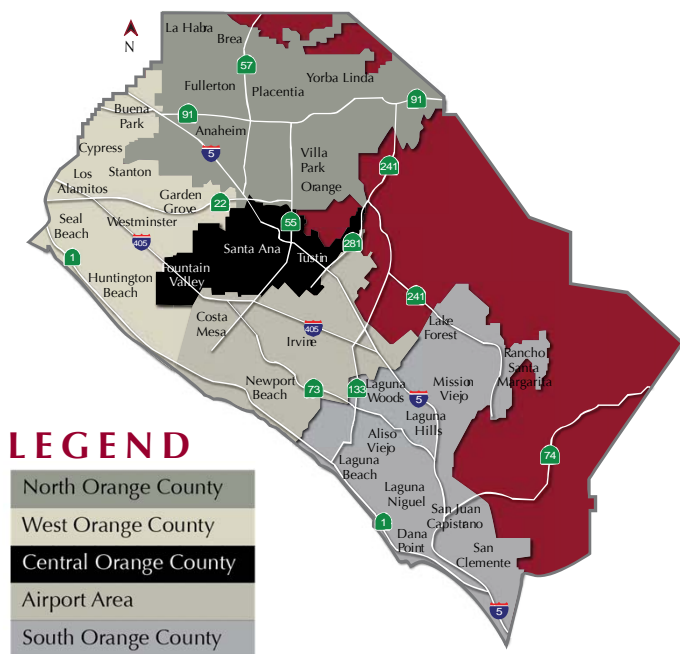
- Average lease rates continue to climb to \$2.46 FSG, up \$0.02/Sf from last quarter; up from \$2.31 FSG one year ago.
- Orange County vacancy rates at 10.3%, an increase from the previous quarter's number.
- Net absorption for the overall OC market totaled a negative 149,112 square feet, down from a positive 386,286 SF last quarter.
- Office sales for the quarter totaled \$452.66 Million - Down 24.7% from last quarter; \$564.74 Million (Q3 - 2016).
- Class A office buildings led the leasing activity this quarter with over 850,000 SF leased; no change from Class A buildings which led activity in Q3.
- No new buildings were delivered to the market in the fourth quarter; over 2.4 million SF currently under construction.
- The Boyd Watterson purchase of 1750 4<sup>th</sup> Street in Santa Ana represents the largest building sale for the quarter, a price tag of \$64,000,000 (\$278psf).
- Qlogic inked the largest lease of the quarter (105,600 square feet) at 15485 Sand Canyon Avenue in the Irvine Spectrum.
- Vacant sublease space increased from 415,001 sq. ft. in the third quarter to 420,431 sq. ft. this quarter
- Office inventory in Orange County: 6,064 buildings totaling over 153 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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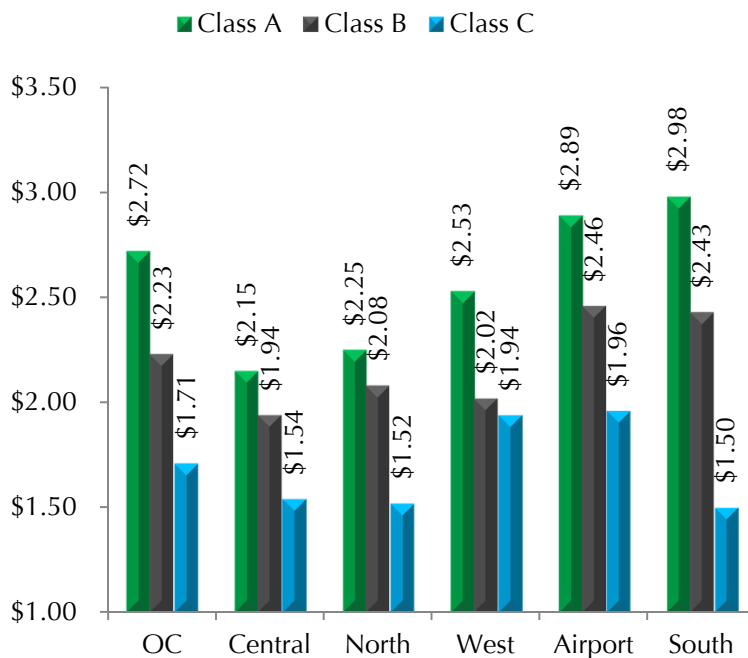
## MAP



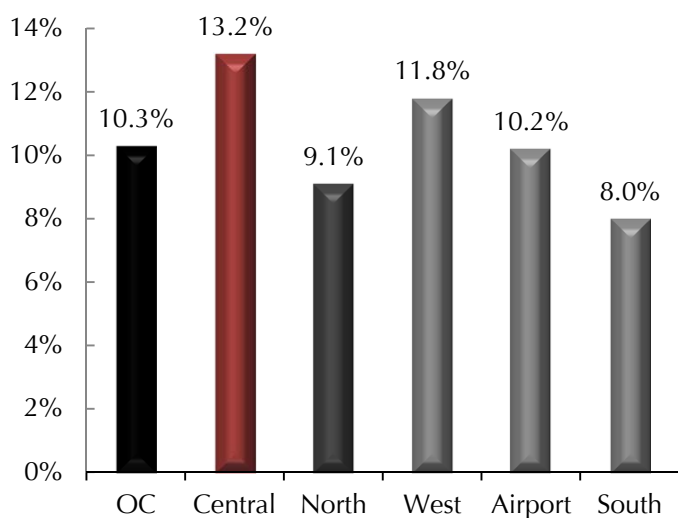
## LEGEND



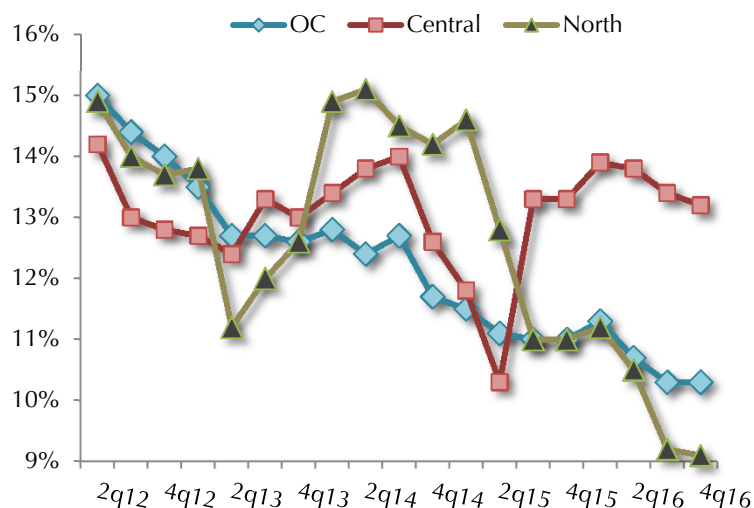
## ASKING RATE



## VACANCY RATE



## HISTORICAL VACANCY



## IN THE KNOW

Demand was strongest for Class B space - which accounts for roughly half of the county's total 111.3 million square foot inventory. That kept net absorption in the overall office market from nearly slipping into the red for the year. Class B space posted a gain of 799,003 square feet for 2016 with positive absorption in all four quarters

-Lee & Associates, Inc.

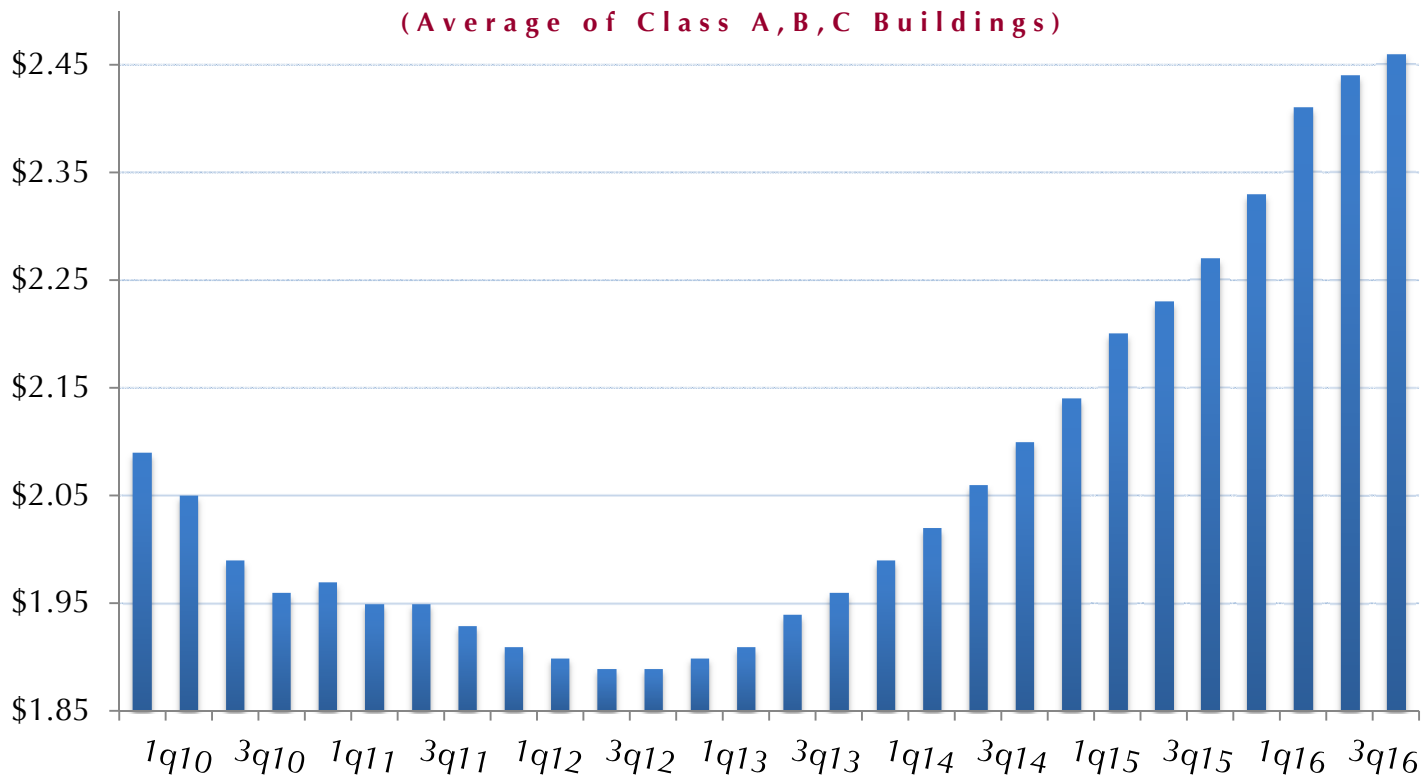
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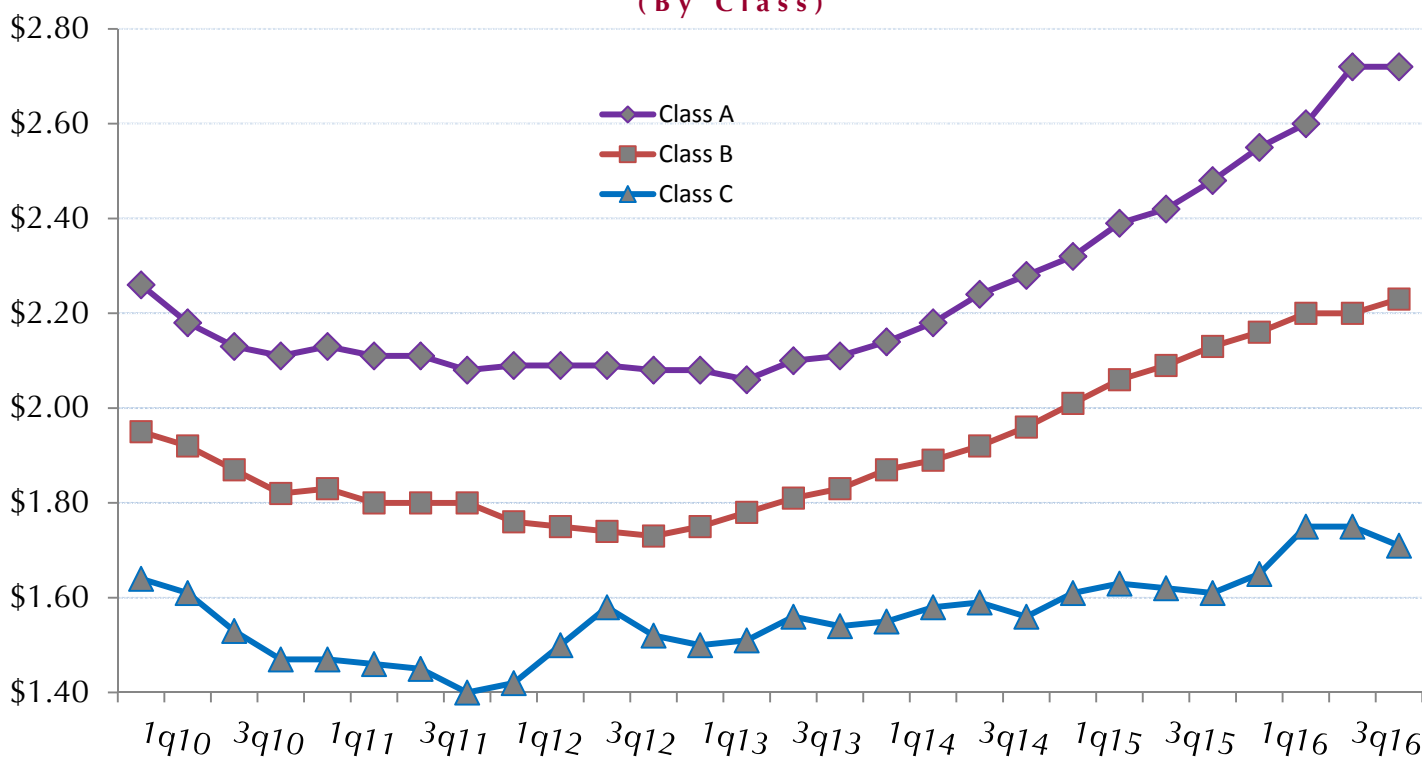
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FOURTH QUARTER 2016

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



**HISTORICAL AVERAGE ASKING RATES**  
 (By Class)

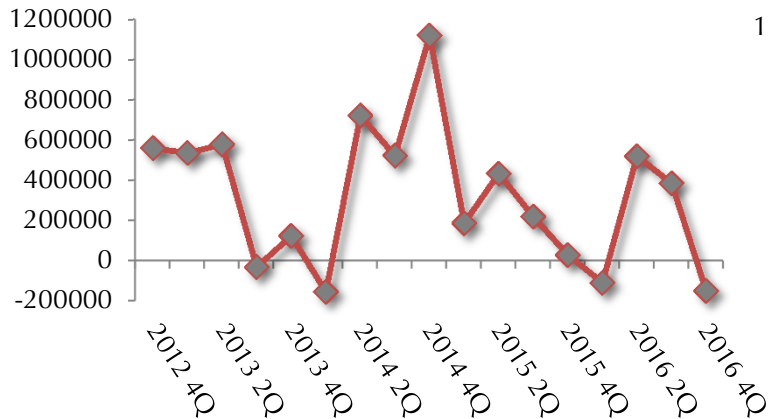


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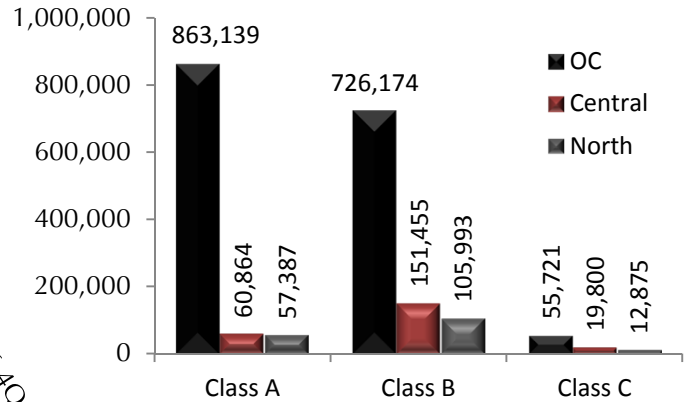
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FOURTH QUARTER 2016

**TOTAL NET ABSORPTION**



**LEASING ACTIVITY BY CLASS PSF**



**AVAILABLE PROPERTIES**



**300 S Harbor**  
 Anaheim, CA  
 For Lease  
 1,041 - 10,114 sf



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



**265 S Anita**  
 Orange, CA  
 For Lease  
 1,514 - 4,084 sf



**732 E Chapman Ave**  
 Orange, CA  
 In Escrow  
 935 sf



**1235 N Harbor**  
 Fullerton, CA  
 For Lease  
 648 - 874 sf



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



**910 W 17<sup>th</sup>**  
 Santa Ana, CA  
 For Sale  
 2,065 sf



**17821 E 17<sup>th</sup>**  
 Tustin, CA  
 For Lease  
 1,163 - 1,945 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
500 N State College, Orange	Lease	IT Developers	Lincoln Property	6,519 SF
17821 E 17 <sup>th</sup> , Tustin	Lease	Urban Futures	Centrium Properties	3,367 SF
1801 Edinger, Santa Ana	Lease	AIG	BBBS	1,796 SF
26522 La Alameda, Mission Viejo	Lease	Technicon Design	Jan Sullivan Trust	1,963 SF
205 Blueridge, Orange	Sale	Laurence St. Ives	MTR Properties	10,700 SF
10055 Slater, Fountain Valley	Lease	McCready	FVSD	2,216 SF
15991 Red Hill, Tustin	Lease	Thermeon Worldwide	Redhill Investments	1,943 SF
300 S Harbor, Anaheim	Lease	Onward Engineering	KF Properties	2,877 SF
1607 Orange, Orange	Lease	Pinkhouse	Trico	8,160 SF
24902 Moulton, Laguna Woods	Sale	Adrian Gonzalez	24902 Moulton LLC	9,244 SF
300 S Harbor, Anaheim	Lease	His Channel	KF Properties	1,536 SF
2401 Katella, Anaheim	Lease	DKS Associates	Peregrine	3,027 SF

**TOP 5 LEASES**

**1<sup>st</sup> QUARTER TOP LEASES / TOP SALES**

ADDRESS	SUBMARKET	SF	TENANT
15485 Sand Canyon Ave	Irvine Spectrum	105,600	Qlogic
1500 S Douglass Rd	Stadium Area	63,875	Carrington Mortgage
210 Commerce Dr	Irvine	62,850	Trimark
5 Hutton Center Dr	South Santa Ana	57,491	Michael Baker International
19500 Jamboree Rd	Irvine	29,240	Impac Mortgage Corp

**TOP 5 SALES**

ADDRESS	PRICE	PRICE/ SF	BUYER
1750 E 4 <sup>th</sup> Street	\$64,000,000	\$278	Boyd Watterson
1551 N Tustin Avenue	\$56,610,000	\$286	Greenlaw
3 Hutton Centre Drive	\$50,500,000	\$254	Cypress Office Properties
5665 Plaza Drive	\$28,333,000	\$188	DRA Advisors
1525 N Tustin Avenue	\$23,649,000	\$286	Greenlaw



**Sales Volume**

\$452.66 Million (2016 Q4) vs \$564.74 Million (2016 Q3) - Down 24.7% 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.**

