

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

THE OFFICE ADVISORY GROUP

FOURTH QUARTER 2017

**MARKET OVERVIEW** Orange County

(Change from last quarter)

 **Average  
Lease Rate**  
\$2.63 FSG

Up from \$2.61 last quarter

 **Availability**  
15.0 %

Up from 14.9% last quarter

 **Vacancy**  
11.0%

Up from 10.4% last quarter

 **Net  
Absorption**  
335,689 SF

Down from 340,748 SF last quarter

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



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**OC OFFICE MARKET TRENDS**

- For the 13<sup>th</sup> consecutive quarter, average lease rates have increased. Current average lease rates are \$2.63/sf FSG, up \$0.02/Sf from last quarter; up from \$2.45 FSG one year ago.
- Orange County vacancy rate is at 11.0%, an increase from the previous quarter's number.
- Net absorption for the overall OC market totaled a positive 335,689 square feet, compared to 340,748 SF last quarter.
- Office sales for the quarter totaled \$665 million; down from \$1.1 Billion last quarter (Q3).
- Class A office buildings led the leasing activity this quarter with over 1,169,000 SF leased; a change from Class B buildings which led activity in Q3.
- Three new buildings totaling 1,091,557 SF were delivered to the market in the 4<sup>th</sup> quarter; 1,547,300 sqft currently under construction.
- Goldman Sachs purchase of the Koll Center Newport represents the largest building sale for the quarter, a price tag of \$179,000,000 (\$469psf).
- Vyair Medical signed the largest lease of the quarter (184,000 square feet) at the 510 Technology in the Irvine Spectrum.
- Vacant sublease space increased from 726,000 sq. ft. in the third quarter 2017 to 777,000 sq. ft. this quarter
- Office inventory in Orange County (all buildings): 6,087 buildings totaling over 156 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.

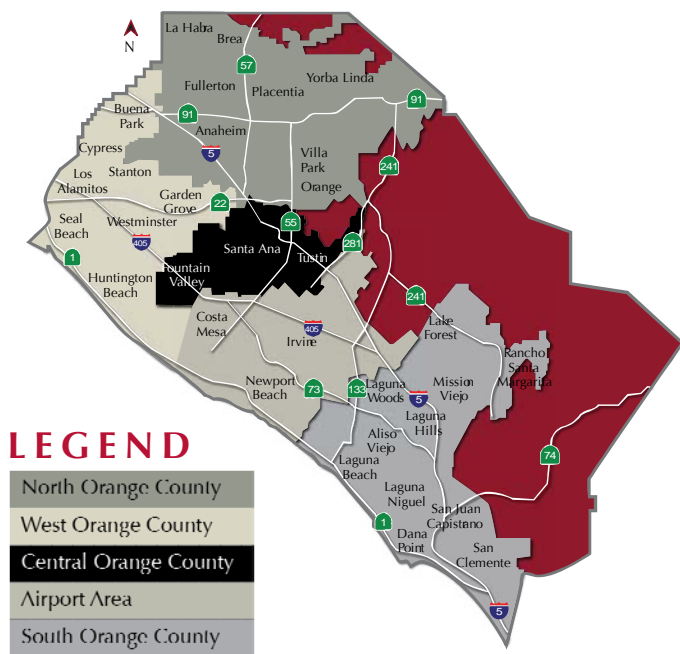
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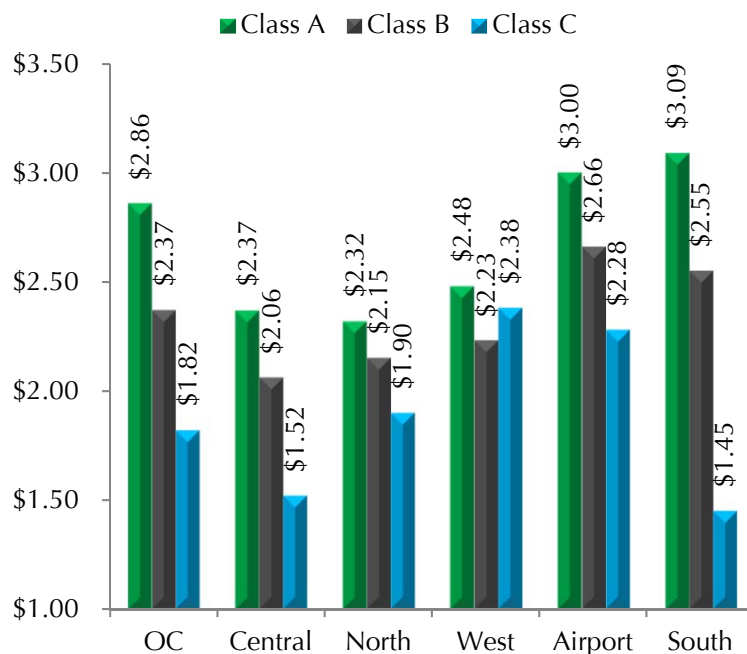
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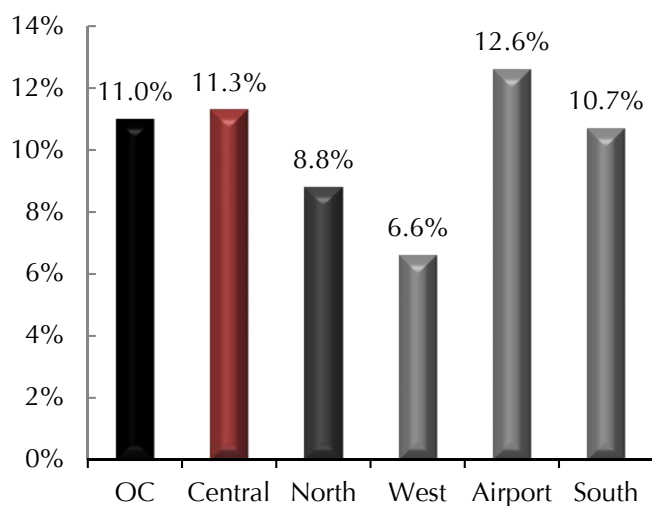
## MAP



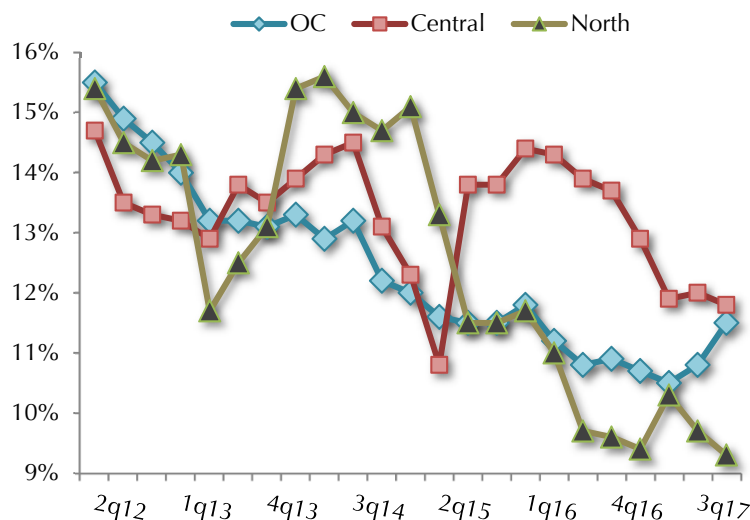
## ASKING RATE



## VACANCY RATE



## HISTORICAL VACANCY



## IN THE KNOW

Most expansion occurred in the 25-million-sq.-ft. South County submarket, which posted 480,984 sq. ft. of net absorption in 2017. Completion of six buildings during the year added 1.4 million sq. ft. to the base and pushed up the vacancy rate from 7.3% to 10.7% at year end. Six more buildings totaling 842,181 sq. ft. are due for delivery. Lease rates were up 3.9% year over year, down from increases averaging 9% over the previous three years. -Lee & Associates, Inc.

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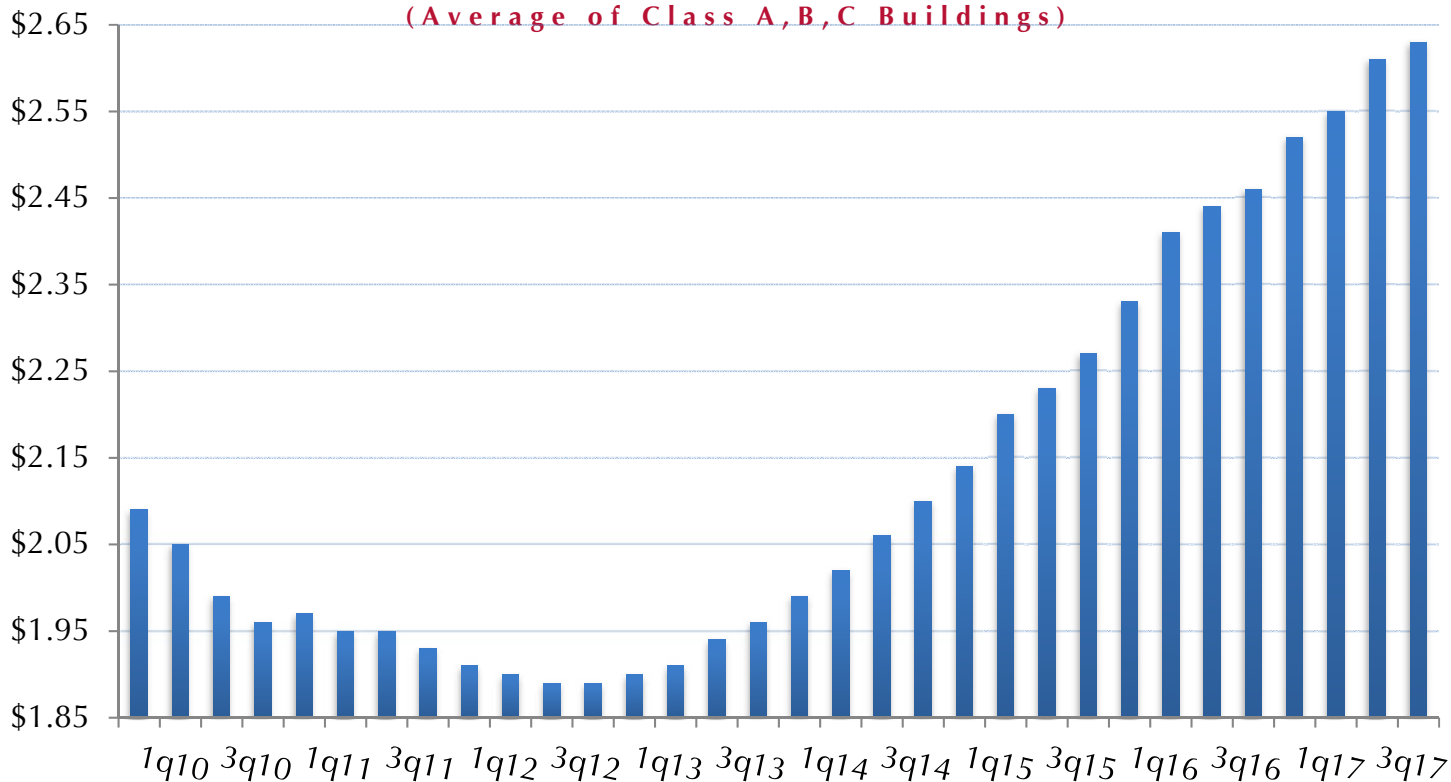
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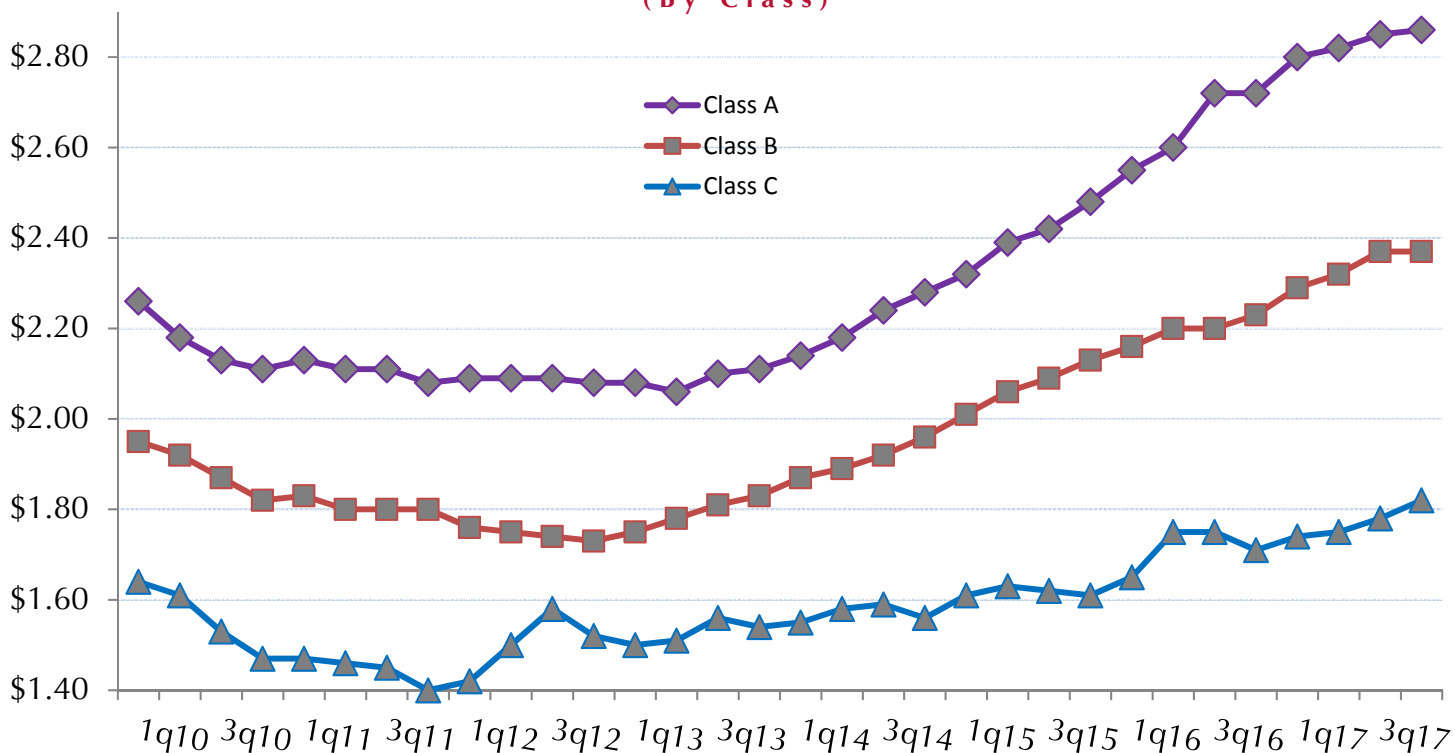
## HISTORICAL AVERAGE ASKING RATES

(Average of Class A,B,C Buildings)



## HISTORICAL AVERAGE ASKING RATES

(By Class)

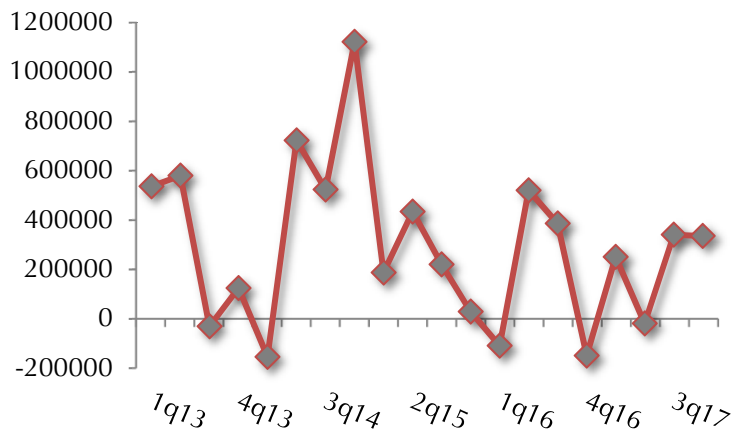


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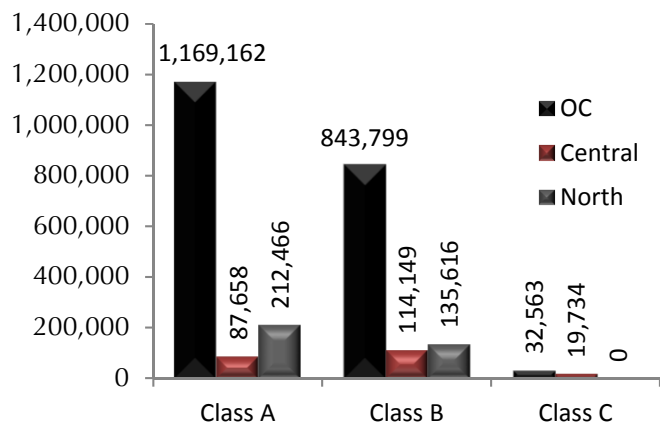
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FOURTH QUARTER 2017

**TOTAL NET ABSORPTION**



**LEASING ACTIVITY BY CLASS (SF)**



**AVAILABLE PROPERTIES**



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



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



**1036 Taft**  
 Orange, CA  
 For Lease  
 2,049 - 6,168 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 17th**  
 Santa Ana, CA  
 Sold  
 Call For Details



**1235 N Harbor**  
 Fullerton, CA  
 For Lease  
 1,100 - 1,900 sf



**2040 N Tustin**  
 Santa Ana, CA  
 Sold  
 Call for Details



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**RECENT TRANSACTIONS**

PROPERTY	TYPE	TENANT / BUYER	LANDLORD / SELLER	SIZE
21072 Bake Pkw, Lake Forest	Lease	Smith & Serverson	GLP	4,334 SF
9 Spectrum Pointe, Lake Forest	Lease	ImageNet	Olen Properties	9,240 SF
5300 Katella, Los Alamitos	Sale	Los Al Cardio	Shannon Sackley	15,000 SF
2401 Katella, Anaheim	Lease	Compasus	Peregrine	6,921 SF
Uptown Long Beach	Sale	LAB Holdings	City of Long Beach	60,000 SF
805 W La Veta, Orange	Lease	MaxLove	KF Properties	2,478 SF
1500 E Katella #E, Orange	Sale	Dr. De Bourg	Susanna Graham	1,079 SF
16960 Bastanchury, Yorba Linda	Lease	Allegry Associates of OC	Eastern Star Homes	1,342 SF
100 Oceangate, Long Beach	Lease	Cascade Marine	Faring	1,080 SF
1500 E Katella #D, Orange	Sale	Kent Choi	John Van Dixhorn	1,220 SF
330 E Lambert, Brea	Lease	Pharmed	Metro Commercial	13,268 SF
145 Main St, Tustin	Sale	HBCC	Old Town Tustin LLC	5,653 SF

**TOP 5 LEASES**

**4th QUARTER TOP LEASES / TOP SALES**

ADDRESS	SUBMARKET	SF	TENANT
510 Technology	Irvine Spectrum	184,886	Vyair Medical
3450 Miraloma	East Anaheim	180,000	Pacific Sunwear
The Boardwalk	Irvine	63,879	Pathway Capital
Irvine Towers	Irvine	54,408	American Advisors
18500 Von Karman	Irvine	43,068	Squar Milner

**TOP 5 SALES**

ADDRESS	PRICE	PRICE/ SF	BUYER
4000 MacArthur, Newport Beach	\$176,000,000	\$469	Goldman Sachs
2600 Michelson, Irvine	\$120,000,000	\$385	CBRE Investors
500 State College, Orange	\$78,400,000	\$278	Cadre
3450 Miraloma, Anaheim	\$27,000,000	\$150	Hines
14191 Myford, Tustin	\$22,500,000	\$204	New American Funding



**Sales Volume**

\$665 Million (2017 Q4) vs \$1.1 Billion (2017 Q3) - Down 39% from last quarter

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Principal

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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

Principal

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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.



### Matthew Orville

Principal

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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 47 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

