

# Orange County

## Signs of recovery continue to emerge as leasing activity regains traction and availabilities decline

- Leasing activity recorded a sizable 38% increase quarter-over-quarter
- Large technology and automotive tenants drove a significant portion of the leasing activity in Q4
- Total availability and vacancy both declined for the first time since the onset of the pandemic
- Approximately 3 million s.f. of office space is slated to be converted to industrial, as developers look to respond to industrial demand

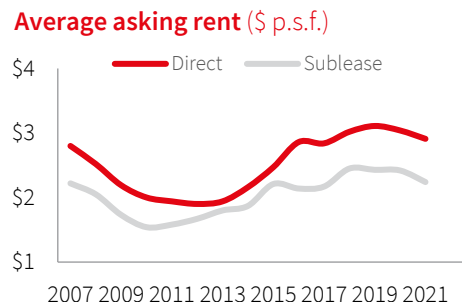
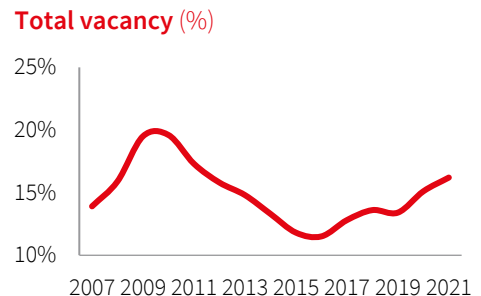
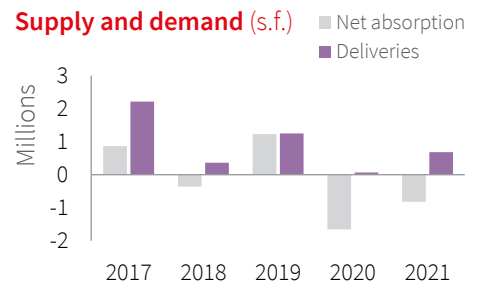
The Orange County market continued to show signs of its recovery as leasing activity improved for the second consecutive quarter. Compared to the previous quarter, Q4's leasing volume recorded a 38% increase, which was driven partly by large technology and automotive tenants, which accounted for 40% of the leasing volume in the quarter. County-wide, total available space decreased 7% quarter-over-quarter, marked the first decline in total availability since the onset of the pandemic. More specifically, sublease space declined 12% on the quarter, to 2.8 million s.f., inching closer to pre-pandemic level of 2.4 million s.f.. Total vacancy also showed a slight decline for the first time since 2020.

One unique trend occurring in the Orange County office market is the growing list of office-to-industrial conversions across the county. By the end of 2021, 13 office properties were planned to be converted to industrial. These properties account for nearly 3 million s.f., or 3% of the total Orange County office inventory. Demolition on the 124,000 s.f. office in San Juan Capistrano has already begun paving the way for a new 91,000-s.f. warehouse to be completed by the end of 2022. Given the overwhelming demand for industrial product in the Greater Los Angeles Basin, developers are searching for any buildable parcel they can get their hands on. Orange County presents a unique opportunity for developers with industrial zoned parcels near the Ports of Los Angeles and Long Beach. More conversions are expected in 2022.

### Outlook

Looking forward, we expect to see the Orange County office market recover further. In one positive sign, 30,800 jobs have been added in office-using industries in Orange County since July 2021. Additionally, over the course of 2021, Orange County based companies focused on technology, automobiles, aerospace and medical devices have all raised significant amounts of capital. The growth of employment and funding in 2021 should continue to drive new demand for office space in 2022.

Fundamentals	Forecast
YTD net absorption	-820,813 s.f. ▲
Under construction	1,205,471 s.f. ▲
Total vacancy	16.2% ▼
Sublease vacancy	1,565,155 s.f. ▼
Direct asking rent	\$2.83 p.s.f. ▼
Sublease asking rent	\$2.24 p.s.f. ▼
Concessions	Flat ►





Costa Mesa	B	2,170,255	-100,677	-3,076	-0.1%	17.0%	18.8%	\$2.41	0	0
Fountain Valley	B	571,580	-378	2,808	0.5%	7.9%	10.3%	\$1.92	0	0
Irvine	B	10,432,037	17,747	-174,784	-1.7%	13.8%	14.8%	\$2.53	40,459	0
Newport Beach	B	2,639,748	-11,754	-17,130	-0.6%	11.8%	12.0%	\$2.88	0	0
Newport Center (Fashion Island)	B	884,663	14,570	5,477	0.6%	8.5%	8.8%	\$3.94	0	0
<b>Airport Area</b>	<b>B</b>	<b>16,698,283</b>	<b>-80,492</b>	<b>-186,705</b>	<b>-1.1%</b>	<b>13.4%</b>	<b>14.4%</b>	<b>\$2.59</b>	<b>40,459</b>	<b>0</b>
Civic Center Area	B	1,993,878	10,091	-3,130	-0.2%	7.3%	7.3%	\$1.67	0	0
East Orange	B	967,781	-31,472	-39,480	-4.1%	10.6%	11.3%	\$2.26	0	0
Garden Grove	B	608,613	1,748	7,418	1.2%	9.1%	9.1%	\$1.89	0	0
Main Place Area	B	441,071	11,802	20,681	4.7%	18.0%	18.0%	\$2.17	0	0
Parkcenter Area	B	1,367,774	10,734	29,680	2.2%	9.1%	9.2%	\$2.35	0	0
Santa Ana	B	3,058,155	26,055	138,003	4.5%	15.3%	15.5%	\$2.38	0	0
Stadium Area	B	1,532,337	797	-4,957	-0.3%	13.8%	14.2%	\$2.61	0	0
The City Area	B	531,402	-10,419	1,644	0.3%	12.7%	18.3%	\$2.62	0	0
Tustin (South of I-5)	B	1,387,914	-11,184	87,194	6.3%	3.1%	3.1%	\$2.34	0	0
<b>Central County</b>	<b>B</b>	<b>11,888,925</b>	<b>8,152</b>	<b>237,053</b>	<b>2.0%</b>	<b>10.9%</b>	<b>11.3%</b>	<b>\$2.36</b>	<b>0</b>	<b>0</b>
Anaheim Hills	B	635,602	3,836	32,127	5.1%	5.3%	5.3%	\$1.73	0	0
Brea-La Habra	B	2,529,730	21,770	16,766	0.7%	10.6%	10.6%	\$2.53	0	0
Buena Park-La Palma	B	835,550	19,437	16,292	2.0%	3.4%	3.6%	\$2.11	0	0
Fullerton	B	1,157,130	17,465	21,277	1.8%	4.9%	5.2%	\$2.35	0	0
North-East Anaheim	B	1,521,254	2,782	6,843	0.5%	7.8%	9.5%	\$2.05	0	0
Placentia-Yorba Linda	B	315,872	5,706	9,333	3.0%	19.2%	19.2%	\$2.11	0	0
<b>North County</b>	<b>B</b>	<b>6,995,138</b>	<b>70,996</b>	<b>102,638</b>	<b>1.5%</b>	<b>8.1%</b>	<b>8.5%</b>	<b>\$2.31</b>	<b>0</b>	<b>0</b>
Irvine Spectrum	B	5,771,709	-123,726	-232,946	-4.0%	15.7%	18.2%	\$2.26	0	0
Laguna Hills-Aliso Viejo	B	2,315,116	18,749	73,439	3.2%	16.6%	17.0%	\$2.63	0	0
Laguna Niguel-Laguna Beach	B	581,465	7,161	-24,570	-4.2%	11.4%	11.4%	\$2.34	0	0
Lake Forest-Foothill Ranch	B	2,624,152	45,345	-14,115	-0.5%	11.9%	12.7%	\$2.38	0	0
Mission Viejo	B	767,499	-1,778	-4,557	-0.6%	6.5%	8.9%	\$2.18	0	0
San Juan Cap-S Clemente-Dana Point	B	1,572,380	-113,898	-137,453	-8.7%	6.4%	6.9%	\$2.50	0	0
<b>South County</b>	<b>B</b>	<b>13,632,321</b>	<b>-168,147</b>	<b>-340,202</b>	<b>-2.5%</b>	<b>13.3%</b>	<b>14.8%</b>	<b>\$2.39</b>	<b>0</b>	<b>0</b>
Cypress	B	911,375	-4,521	37,587	4.1%	12.9%	12.9%	\$1.89	0	0
Huntington Beach	B	1,251,413	16,188	4,682	0.4%	8.0%	8.7%	\$2.25	0	0
Los Alamitos-Stanton	B	477,122	4,521	-8,877	-1.9%	4.8%	4.8%	\$2.30	0	0
Seal Beach	B	63,124	2,173	0	0.0%	2.7%	2.7%	\$3.05	0	0
Westminster	B	396,076	-792	5,988	1.5%	3.9%	5.4%	\$2.49	0	0
<b>West County</b>	<b>B</b>	<b>3,099,110</b>	<b>17,569</b>	<b>39,380</b>	<b>1.3%</b>	<b>8.3%</b>	<b>8.8%</b>	<b>\$2.16</b>	<b>0</b>	<b>0</b>
<b>Orange County</b>	<b>B</b>	<b>52,313,777</b>	<b>-151,922</b>	<b>-147,836</b>	<b>-0.3%</b>	<b>11.8%</b>	<b>12.7%</b>	<b>\$2.43</b>	<b>40,459</b>	<b>0</b>