

# Orange County

## Office Market Outlook Q1 2022

### MARKET OVERVIEW

Orange County's office market offered up more space as companies strived to bring their people back into the office after the pandemic shutdown. The vacancy rate inched upward as demand for office space waned across the region in the first quarter, since seeing a reduction in the fourth quarter of 2021. Many submarkets lost gains in occupancy as the vacancy rate increased 20 basis points quarter over quarter to 12.0 percent, down 20 basis points from last year at this time. The average asking rent remained flat over the previous quarter as space under construction totaled 1,283,563 square feet in the first quarter, up 7.4 percent year over year.

Available office space on the market accumulated this quarter, while work from home and space utilization strategies continue to play out. In the Airport area, which is the largest submarket, office space put on the market surged 5.5 percent on a direct basis with sublease space increasing at more than twice the rate at 10.9 percent quarter over quarter. Orange County's total available office space hit 24.6 million square feet this quarter. Similarly, available sublease space swelled 17 percent from the prior quarter, just shy of the Great Recession's all-time high, to more than 3.4 million square feet. The average asking rent remained essentially unmoved, up 1-cent from the previous quarter, stagnant year over year, at \$3.73 per square foot full service gross.

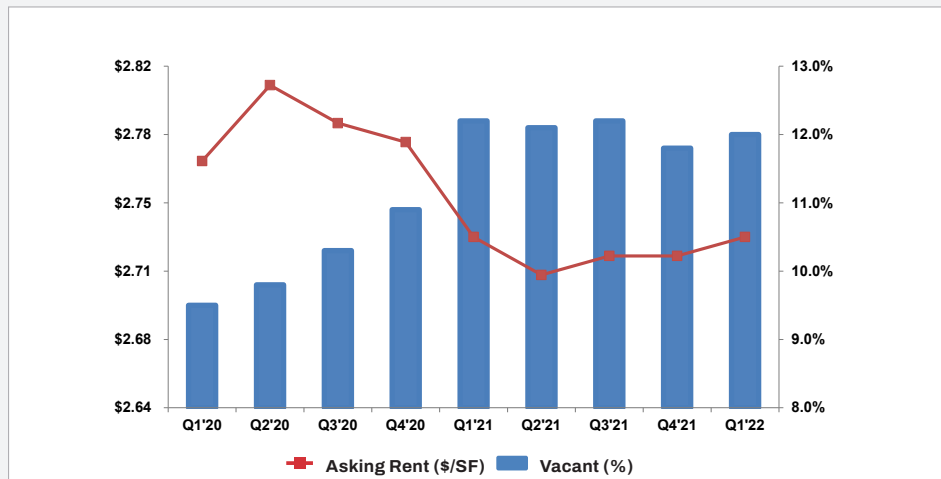
### TRENDS TO WATCH

In Orange County, the average number of stories for office buildings under construction was 2 stories tall and the majority or 62 percent of construction was in the Airport submarket. The vacancy rate for the newly built office buildings over the past two years in Airport registered 20.5 percent, 29.9 percent overall in Orange County, as of the first quarter of 2022. While the average asking rent for new construction remained flat year over year, it declined approximately 29.7 percent over the past two years.

Year over year low-mid-rise office buildings (buildings 6-stories and under) gained 141,250 square feet of positive net absorption while high-rise buildings (7-stories or higher) experienced 263,038 square feet of negative net absorption. The vacancy rate in low-mid-rise office buildings registered 11.0 percent while high-rise buildings showed a much higher rate at 15.7 percent. Rent in low-mid-rise buildings increased 0.7 percent to \$2.69 per square foot. In contrast, rent in high-rise buildings saw a 2 percent drop year over year to \$3.41 per square foot.

A preference toward low-mid-rise office buildings within Orange County's suburban office submarkets seems to be taking shape. As post pandemic work from home and trends toward physical distancing shift demand for office space significantly, low to mid rise office buildings will see demand improve.

#### Average Asking Rent and Vacancy Rate



### MARKET OUTLOOK

#### Asking Rental Rates



#### Sale Prices



#### Availability/Vacancy Rates



#### Landlord Concessions



#### Sales/Leasing Volume



#### New Construction



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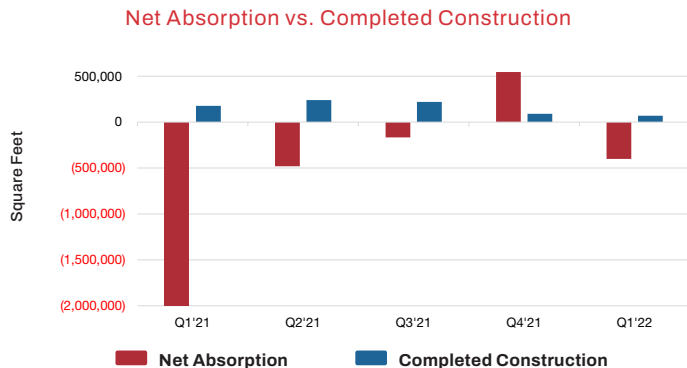
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### Market Statistics\*

SUBMARKET	EXISTING TOTAL RBA (SF)	UNDER CONSTRUCTION (SF)	TOTAL AVAILABLE (%)	TOTAL VACANCY (%)	LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT (\$/SF FSG)	AVERAGE SALE PRICE (\$/SF)
Airport	73,406,172	794,992	18.4%	14.4%	1,346,044	1,346,044	746,040	746,040	\$2.77	\$339
Central	14,969,002	140,850	15.1%	10.1%	140,151	140,151	466,963	466,963	\$2.40	\$231
North	19,560,437	5,940	9.0%	6.9%	292,434	292,434	161,933	161,933	\$2.49	\$293
South	34,896,168	320,978	16.5%	12.3%	530,642	530,642	687,522	687,522	\$2.83	\$323
West	14,016,729	20,803	9.6%	7.7%	144,811	144,811	135,111	135,111	\$2.61	\$257
<b>Orange County</b>	<b>156,848,508</b>	<b>1,283,563</b>	<b>15.7%</b>	<b>12.0%</b>	<b>2,454,082</b>	<b>2,454,082</b>	<b>2,197,569</b>	<b>2,197,569</b>	<b>\$2.73</b>	<b>\$286</b>

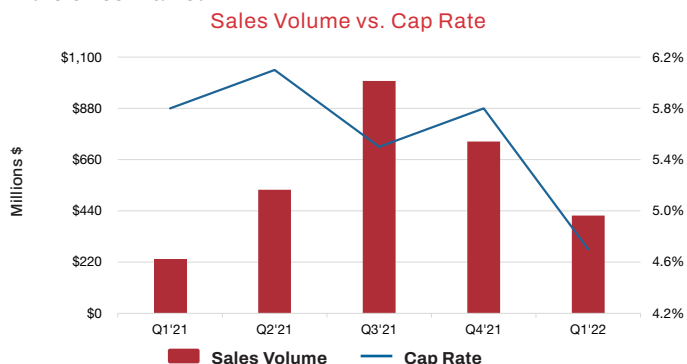
### Net Absorption, Completed Construction Trends

Office market net absorption depicted the change in momentum that happened in the first quarter of 2022. After a positive fourth quarter, net absorption turned negative. From the first quarter of 2021 to the first quarter of 2022 completed construction totaled 797,689 square feet and net absorption totaled a negative 2,495,296 square feet.



### Sales and Cap Rate Trends

Sales volume decreased 43.1 percent from the fourth quarter of 2021, as buyers and sellers adjusted to the uncertainty in demand in the first quarter of 2022. The average cap rate dipped 110 basis points from the previous quarter to 4.7 percent. The average sale price per square foot sold in the first quarter of 2022 decreased 25.8 percent quarter over quarter as investors capitalized on opportunities in the office market.



### Select Lease Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
1600 S Douglass Rd	Anaheim	North	127,750
2030 Main St	Irvine	Airport	98,642
3345 Michelson Dr	Irvine	Airport	40,237*
3200 Bristol St	Costa Mesa	Airport	31,966**
140 Progress	Irvine	Airport	31,693

\*Renwal  
\*\*Sublease

### Select Sales Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
The Square on Main: 5 Office Properties Sold	Orange	North	420,267
Pacific Vista: 5 Office Properties Sold	Lake Forest	South	320,849
Fountain Valley Business Park: 2 Office Properties Sold	Fountain Valley	West	111,986
2125 E Katella Ave	Anaheim	North	106,068
1311 Calle Batido	San Clemente	South	92,893

# Orange County

## Office Market Outlook Q1 2022



- **North**
  - Anaheim
  - Brea
  - Fullerton
  - La Habra
  - Orange
  - Villa Park
  - Yorba Linda

- **Central**
  - Tustin
  - Tustin Foothills
  - Santa Ana

- **West**
  - Buena Park
  - Cypress
  - Fountain Valley
  - Garden Grove
  - Huntington Beach
  - Seal Beach
  - Stanton

- **South**
  - Aliso Viejo
  - Dana Point
  - Foothill Ranch
  - Laguna Hills
  - Laguna Niguel
  - Lake Forest
  - Mission Viejo
  - Rancho Santa Margarita
  - San Clemente
  - San Juan Capistrano

- **Airport**
  - Costa Mesa
  - Irvine
  - Newport Beach

# Orange County

## Office Market Outlook Q1 2022



### NAI Capital Commercial Southern California Office Locations

#### Headquarters

15821 Ventura Blvd., Ste. 320  
Los Angeles, CA 91436  
818.905.2400

#### Los Angeles County

##### Downtown LA

707 Wilshire Blvd., Ste. 5125  
Los Angeles, CA 90017  
213.632.7700

##### West Los Angeles

11835 Olympic Blvd., Ste. 700E  
Los Angeles, CA 90064  
310.440.8500

##### Torrance

970 W. 190th St., Ste. 100  
Torrance, CA 90502  
310.532.9080

##### Pasadena

225 S. Lake Ave., Ste. 1170  
Pasadena, CA 91101  
626.564.4800

##### Valencia

25060 Avenue Stanford., Ste. 165  
Valencia, CA 91355  
661.705.3550

##### Diamond Bar

21660 E. Copley Dr., Ste. 320  
Diamond Bar, CA 91765  
909.348.0600

#### Ventura County

##### Oxnard

300 Esplanade Dr., Ste. 470  
Oxnard, CA 93036  
805.278.1400

##### Westlake Village

2555 Townsgate Rd., Ste. 320  
Westlake Village, CA 91361  
805.446.2400

#### Inland Empire

##### Ontario

800 N. Haven Dr., Ste. 400  
Ontario, CA 91764  
909.945.2339

##### Victorville

13911 Park Ave., Ste. 206  
Victorville, CA 92392  
760.780.4200

#### Orange County

##### Irvine

1920 Main St., Ste. 100  
Irvine, CA 92614  
949.854.6600

#### Coachella Valley

##### Palm Desert

75-410 Gerald Ford Dr., Ste. 200  
Palm Desert, CA 92211  
760.346.1566