

# Orange County

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## Leasing activity slows as office space demand is driven by lease expirations and renewals

In the first quarter 2024, Orange County office leasing activity recorded 1.3 million square feet (msf), a 7% decrease recorded over last quarter and a 23% increase recorded from one year ago. Much of this quarter's deal volume stemmed from deals signed in the Financial Services sector. Although there was a lack of larger leases over 100,000 square feet (sf) in Q1, deal volume in the 30,000-square-foot range was strong. Occupiers continue to take a wait-and-see approach which has led to a slowdown in office space demand, especially with office-using employment growth turning negative over the past year. For 2024, expect many tenants to continue downsizing and rightsizing while landlords remain aggressive at preserving occupancy.

### Available sublease space decreases to 3.1 msf

Office availability slightly decreased 90 basis points (bps) from last quarter to 23.0% in Q1 2024. Available sublease space of 3.1 msf was a decrease of 11% from last quarter, as well as a decrease of 21% from a year ago. Despite sublease space continuing to be added to the market, the rate at which local occupiers putting space on the market for sublease has slowed, especially as sublease terms have expired and the space has become directly available. The average asking rental rate remains unchanged from last quarter at \$2.82 per square foot (psf) per month, down just 0.3% from a year ago. Due to additional Class A trophy space being added to the market, Class A average asking rental rates slightly increased to \$2.98 psf. Landlord concessions and tenant improvement allowance continue to see record highs as many landlords prefer to offer heavy concessions rather than drop their asking rents.

### Expect leasing activity to remain below pre-pandemic levels

Overall leasing activity decreased by just 0.2 msf from last quarter and 0.3 msf from a year ago. While the Orange County unemployment rate is just 4.2%, expect leasing activity to remain below pre-pandemic levels as occupiers rethink how they utilize their office space amidst widespread hybrid workplace utilization.

## Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	84.7 msf	83.7 msf	-1.0 msf
Availability Rate	23.1%	23.0%	-10 bps
Asking Rental Rate	\$2.83	\$2.82	-0.3%
Class A Asking Rental Rate	\$2.97	\$2.98	+0.4%
Quarterly Leasing Activity	1.1 msf	1.4 msf	+0.3 msf
Available Sublease Space	4.0 msf	3.1 msf	-0.9 msf

Note: Rents quoted are monthly

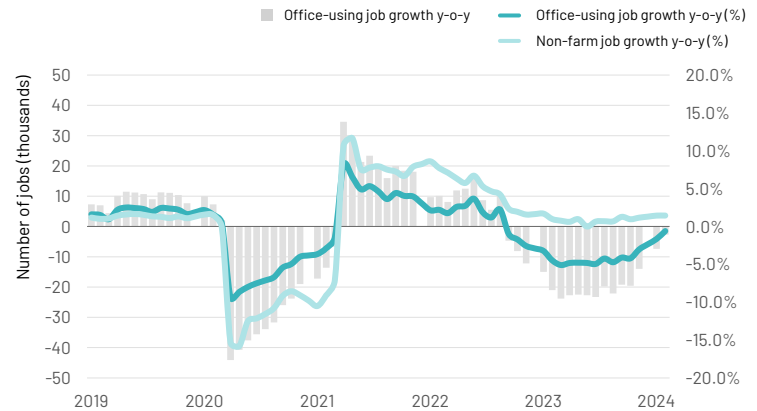
## Outlook

**01** Expect most leasing activity this year to remain largely expiration-driven as discretionary leasing activity continues to be on the sidelines

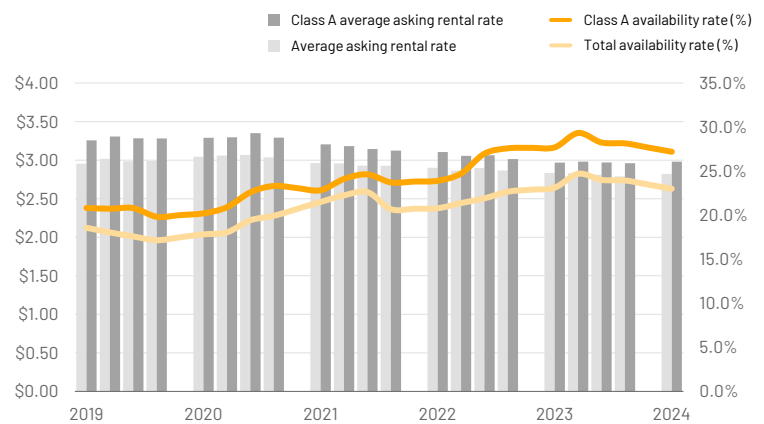
**02** Office redevelopment activity will continue to accelerate as more office building owners decide their properties are no longer competitive

**03** More distressed office properties will trade in 2024 at very low prices as private investors and owner-users aggressively look for long-term value

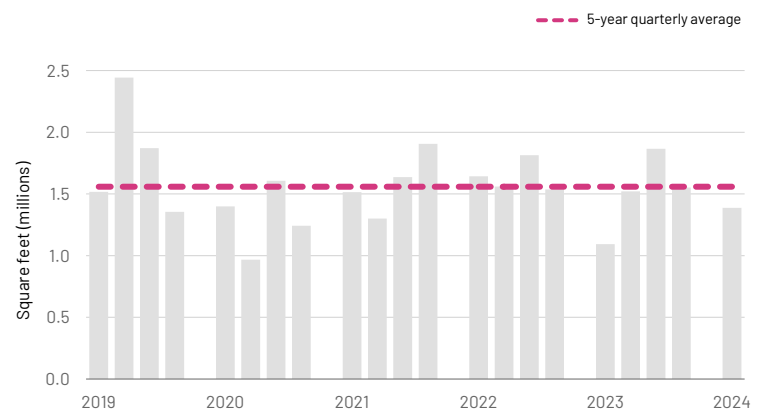
## Office-using Employment Growth



## Asking Rent and Availability



## Leasing Activity



# Top Transactions

\*Trophy Building

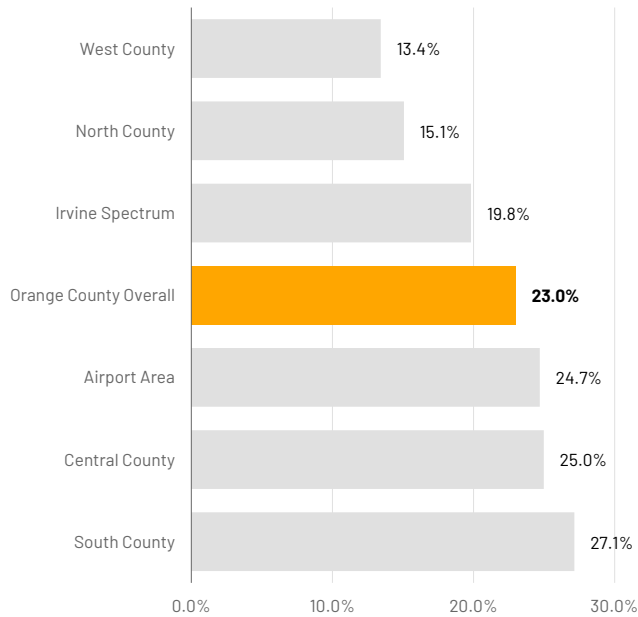
\*\*Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Burns & McDonnell	● Architecture, Engineering and Construction	North County	145 S State College Boulevard	53,422	New Location
Symple Lending	● Financial Services and Insurance	Airport Area	3351 Michelson Drive	51,629	New Location
LPA, Inc.	● Architecture, Engineering and Construction	Airport Area	5301 California Avenue	39,129	Renewal
Tax Rise, Inc.	● Financial Services and Insurance	Airport Area	19900 MacArthur Boulevard	38,717	Renewal
KPMG	● Business, Professional and Consulting Services	South County	20 Pacifica	34,585	Renewal
Global Transitional Care	● Healthcare	Airport Area	5161 California Avenue	31,720	New Location**
Hyundai Capital	● Financial Services and Insurance	Airport Area	3161 Michelson Drive*	31,196	Expansion
Consumer Portfolio Services	● Financial Services and Insurance	Airport Area	19540 Jamboree Road	30,898	Renewal
New Home Company	● Real Estate	Airport Area	18300 Von Karman Avenue	30,269	Relocation
Consumer Portfolio Services	● Financial Services and Insurance	Airport Area	19500 Jamboree Road	30,039	Renewal

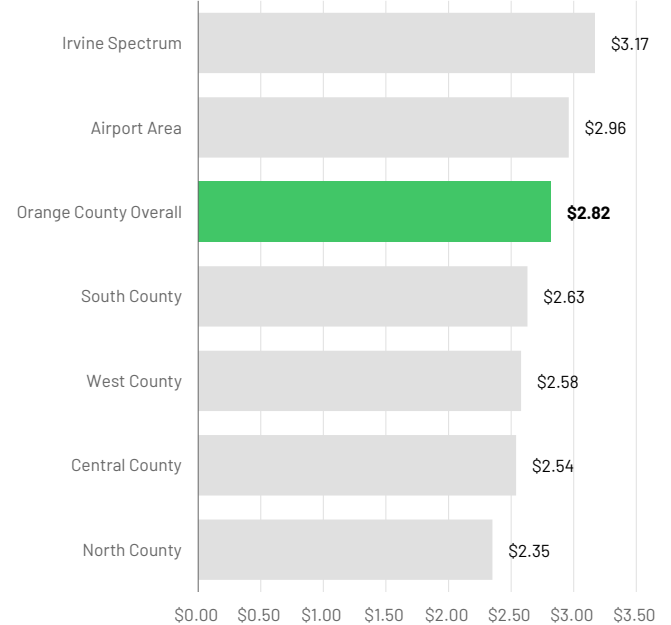
## Availability Rate Comparison (%)

ORANGE COUNTY SUBMARKETS



## Rental Rate Comparison (\$/sf)

ORANGE COUNTY SUBMARKETS



## Orange County Q1 2024 - Office

Note: Rents quoted are monthly

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Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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