



## Orange County office availability rate up to 22.3% at mid-year 2021

In the second quarter of 2021, the Orange County office market saw overall availability increase to 22.3%, up 70 basis points (bps) from last quarter, and 400 basis points over the year (compared to 18.3% at Q2 2020). While this is the highest amount of availability seen in the market since 2012, the amount of sublease inventory seems to be leveling off with 3.3 million square feet (msf) currently available to sublet. With state and local public health departments easing business restrictions that have been in place for over a year, leasing activity is expected to increase again in coming quarters as office-using employment growth recovers and organizations re-occupy space that was unused during pandemic lockdowns.

### Quarterly leasing activity decreases again after uptick seen last quarter

Leasing activity totaled 1.3 msf in the second quarter led by AMDI Labs' 110,000-square-foot (sf) new lease at 3511 Sunflower Avenue in Santa Ana, followed by US Bank's 51,915-sf renewal at 3121 Michelson Avenue in Irvine. Quarterly activity declined from the 1.5 msf reported in the first quarter but is still above the decade-wide low of less than 1.0 msf reported a year ago. Overall average asking rents remained flat at \$2.96 per square foot (psf) per month but are now down 3.1% year over year. With a substantial amount of lower-priced sublease space, particularly in high-quality Class A buildings, we expect continued downward pressure on both asking and effective rents through the second half of 2021 as it remains a tenant-favorable market for the time being.

### Overall economy has reopened but the office market recovery will take time

With a seasonally adjusted unemployment rate of 5.9% in May, unemployment in Orange County remains much lower than the statewide unemployment rate of 7.9% but slightly higher than the national unemployment rate of 5.8%. As COVID-19 business limitations have now been lifted and economic growth is accelerating, the office market is expected to see leasing activity increase as companies return to the office albeit with a higher focus on workplace design and employee wellness. However, with availability hovering above 22%, it will take time to work through the present supply-demand imbalance, and current market softness presents ample opportunity for occupiers.

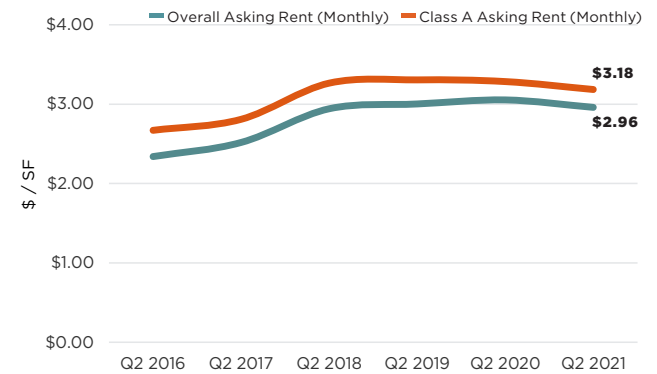
### Outlook

- Expect leasing activity to increase in the short-term as the economy has reopened, however, a full office market recovery remains dependent on the return of sustained office-using employment growth
- Sublease space remains high market-wide although it appears to finally be leveling off
- The Orange County office market will remain tenant-favorable for the foreseeable future as many companies continue to figure out how to navigate return-to-office plans

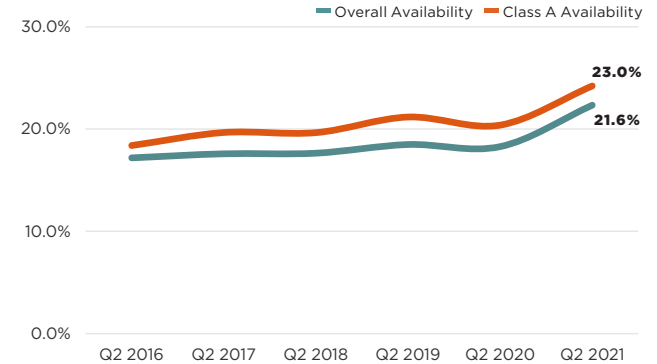
### KEY STATISTICS

	Q2 2020	Q2 2021	y-o-y Change
Inventory	85.2 MSF	<b>85.5 MSF</b>	▲
Availability Rate	18.3%	<b>22.3%</b>	▲
Asking Rental Rate (Monthly)	\$3.05	<b>\$2.96</b>	▼
Class A Asking Rental Rate (Monthly)	\$3.28	<b>\$3.18</b>	▼
Quarterly Leasing Activity	1.0 MSF	<b>1.3 MSF</b>	▲

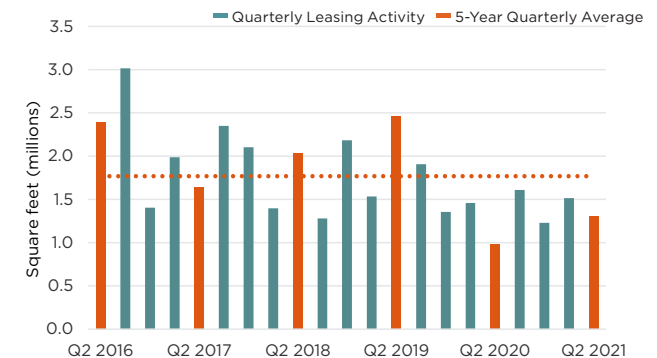
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

**55.9%**

of top transactions were **new locations** by square footage

**42.7%**

of large transactions occurred in the **Central County** submarket by square footage

**27.8%**

**Healthcare sector tenants** represented 27.8% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
AMDI Labs	110,000	3511 Sunflower Avenue	New Location	Central County	Healthcare
Industrious	53,478	100 Bayview Circle	New Location	Airport Area	Coworking
US Bank	51,915	3121 Michelson Drive	Renewal	Airport Area	Financial Services
Clean Energy Fuels	49,034	4675 MacArthur Court	Renewal	Airport Area	Energy & Utilities
Collectors Universe	33,809	1600 E Saint Andrew Place	Expansion	Central County	Retail
Midas Technology	26,920	48 Discovery	New Location	South County	Manufacturing
Collectors Universe	25,005	1610 E Saint Andrew Place	Expansion	Central County	Retail
LSpace	16,142	3500 Hyland Avenue	Sublease	Airport Area	Retail
Netlist	14,809	111 Academy Drive	Relocation	Airport Area	TAMI
Insight Global	14,305	3161 Michelson Drive	New Location	Airport Area	Professional Services

Source Savills Research

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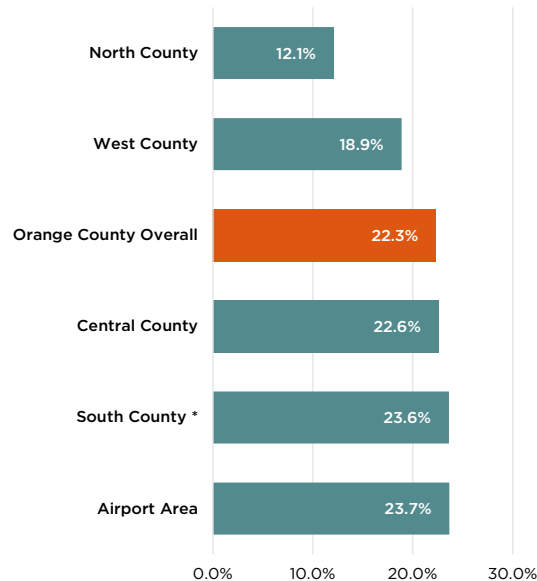
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AVAILABILITY RATE COMPARISON

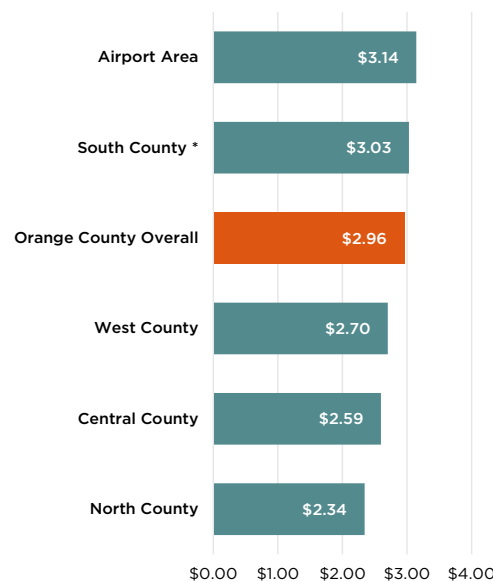
Orange County Submarkets



\*Irvine Spectrum availability rate is 23.6% and average asking rent is \$3.45 PSF

RENTAL RATE COMPARISON (\$/SF)

Orange County Submarkets



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. Availability includes both vacant space and space that will be available to lease within 12 months. Inventory includes all non-owner-occupied office buildings 20,000 square feet and greater.

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.

