



Availability declines as construction activity slows

Overall availability in Orange County ended Q3 at 18.0%, a 110 basis-point decrease year over year, due in part to steady demand coupled with a lack of new supply. The decline in Class A was less pronounced, dropping 50 basis points over the year to 20.4% as tenants are capitalizing on Class B options. Current construction activity is down 53.0% year over year with construction costs climbing north of \$600 per square foot (psf). As demand shifts from Class A high-rise space to campus-style and amenity-rich locations, Orange County Class A asking rates are beginning to flatten, closing out Q3 at \$3.29 psf. Overall asking rates currently sit at \$3.00 psf, a 2.7% increase year over year.

Leasing pace slows from last quarter, but still up over the year

Quarterly leasing totaled 1.9 million square feet (msf), a decrease of 22.0% quarter over quarter, but still well above levels seen at Q3 2018 (1.3 msf). The most recent office delivery in the region, Spectrum Terrace, quickly jumped to 50.0% preleased as of this quarter. Located in the South County submarket, Spectrum Terrace (17300 Laguna Canyon Road) recently attracted WeWork, which will take 116,000 square feet (sf) at the building. WeWork also expanded in Irvine this quarter, taking 75,000 sf at 18191 Von Karman Avenue. Also notable, Optima Tax Relief recently renewed and expanded in its current Santa Ana location, growing to 75,087 sf in total.

Demand for campus-style business parks causes shifting market dynamics

As employers continue to seek campus-style work environments and amenities, Orange County is experiencing a demand shift away from the Central Business District (CBD) submarkets and towards South Orange County and North Orange County. With stronger activity, availability in the South County submarket declined for the second consecutive quarter, dropping from 20.9% to 19.7% - even with the completion of Spectrum Terrace. North Orange County and Central County submarkets both experienced a decline in options, as well, as demand spreads out from the CBD. Conversely, Q3 is the first quarter within the last year that the Airport Area submarket has seen an increase in options with availability ticking up from 17.7% to end the quarter at 18.1%.

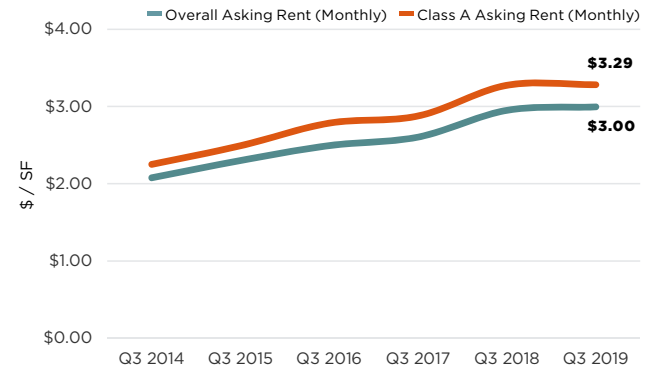
Outlook

- Orange County continues to attract tenants seeking amenity-rich, campus-style work environments - particularly in more suburban submarkets
- Availability may see additional tightening as construction activity slows and limits new options in the market
- With Class A rents beginning to flatten, tenants have more leverage when looking at existing A product

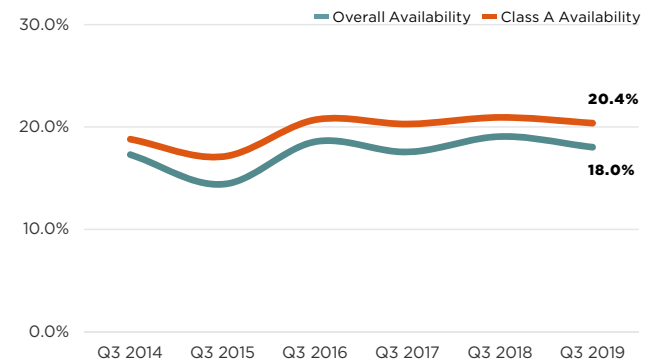
KEY STATISTICS

	Q3 2018	Q3 2019	y-o-y Change
Inventory	83.7 MSF	84.3 MSF	▲
Availability Rate	19.1%	18.0%	▼
Asking Rental Rate (Monthly)	\$2.95	\$3.00	▲
Class A Asking Rental Rate (Monthly)	\$3.28	\$3.29	▲
Quarterly Leasing Activity	1.3 MSF	1.9 MSF	▲

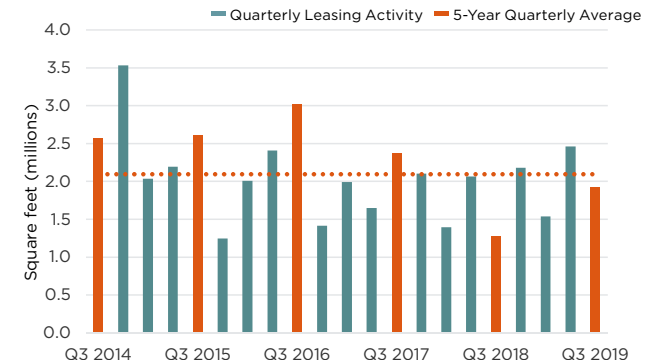
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

78.5%

of major transactions were **new locations or expansions**

38.8%

of large transactions occurred in the **South County** submarket

33.2%

Coworking represented 33.2% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
WeWork	116,261	17300 Laguna Canyon Road	New Location	South County	Coworking
Optima Tax Relief	75,087	3100 S Harbor Boulevard	Expansion	Central County	Professional Services
WeWork	74,926	18191 Von Karman Avenue	New Location	Airport Area	Coworking
ServiceLink	62,850	3220 El Camino Real	Renewal	Airport Area	Financial Services
Zillow	60,714	2600 Michelson Drive	Renewal	Airport Area	TAMI
Kajabi	43,789	17100 Laguna Canyon Road	New Location	South County	TAMI
Planned Parenthood	43,286	801 E Katella Avenue	New Location	Central County	Healthcare
Green Street Advisors	35,000	100 Bayview Circle	New Location	Airport Area	Real Estate
Axonics Modulation Technologies	32,621	15326 Alton Parkway	New Location	South County	Healthcare
Microvention, Inc.	30,703	15 Enterprise	New Location	South County	Healthcare

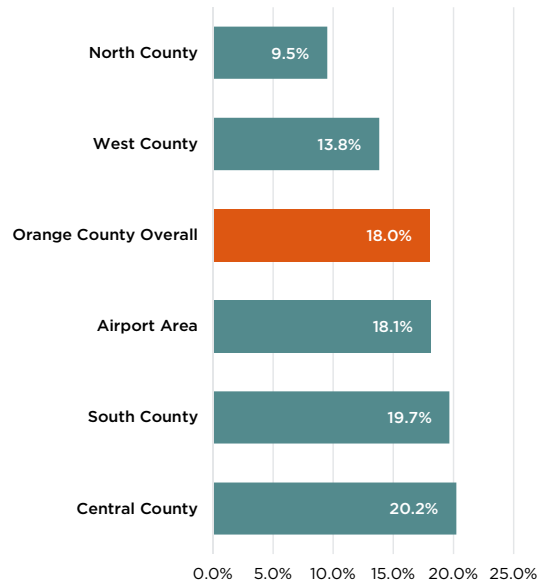
Source Savills Research

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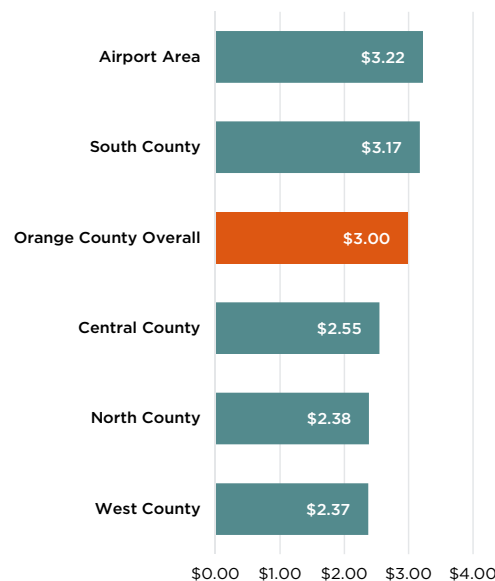
AVAILABILITY RATE COMPARISON

Orange County Submarkets



RENTAL RATE COMPARISON (\$/SF)

Orange County Submarkets



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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. 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.

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