

ORANGE COUNTY

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Office availability rate decreases to 20.9% as leasing activity spikes at year-end

In the fourth quarter 2021, the Orange County office market saw a 180-basis-point decrease in the total availability rate from 22.7% reported in the previous quarter to 20.9% at year-end. As the overall economy has reopened and grown throughout the year, some local companies - primarily in the technology sector - have expanded again while most professional services firms remain in wait-and-see mode. With new speculative development mostly limited and some older suburban office properties around the region being demolished and redeveloped to last-mile industrial projects, expect availability levels to slowly decrease next year as more occupiers begin returning to the office.

Quarterly leasing activity at its highest level since before pandemic

Leasing activity totaled nearly 1.9 million square feet (msf) led by Verizon Wireless's 119,049-square-foot (sf) renewal at 15505 Sand Canyon Avenue, followed by Amazon's 116,260-sf new lease at 17300 Laguna Canyon Road. This brought 2021 total leasing activity to 6.4 msf, up 20.8% from 5.3 msf in 2020 but still down 12.2% from 7.3 msf in 2019. The overall average asking rent stayed flat at \$2.93 per square foot (psf) per month when compared quarterly. However, the average asking rent remained down 3.3% from \$3.03 psf reported a year ago. While most Class A landlords have held asking rents flat over the past 18 months, taking rents have decreased compared to pre-COVID, while concessions remain high as Orange County continues to be a tenant-favorable office market.

Overall economy continues to grow but office market recovery will remain slow and uneven

With a seasonally adjusted unemployment rate of 4.1% in November, unemployment in Orange County remains lower than both the statewide unemployment rate of 6.9%, as well as the national unemployment rate of 4.2%. As overall economic growth has accelerated coming out of lockdown, office occupiers, mostly in the technology sector, have begun hiring and leasing space again. However, high availability levels indicate that an office market recovery will remain largely slow and uneven until the pandemic is finally over and more occupiers decide to work in the office again. In addition, tenant flight to quality will be even more pronounced in 2022 as fully amenitized Class A properties, as well as renovated creative office projects capture an increasing amount of leasing activity from older Class B buildings.

Outlook

- Expect the Orange County office market to remain a tenant-favorable market for the foreseeable future with aggressive terms as landlords look to push up occupancy levels
- Sublease space has begun leveling off as space is leased, pulled off the market, or becomes directly available
- Growing companies remain highly attracted to office projects with an emphasis on health and wellness and increasingly these companies are technology firms

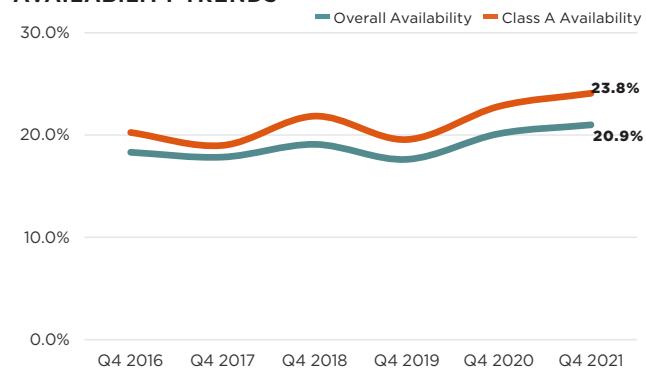
KEY STATISTICS

	Q4 2020	Q4 2021	y-o-y Change
Inventory	85.5 MSF	86.0 MSF	▲
Availability Rate	20.1%	20.9%	▲
Asking Rental Rate (Monthly)	\$3.03	\$2.93	▼
Class A Asking Rental Rate (Monthly)	\$3.28	\$3.13	▼
Quarterly Leasing Activity	1.2 MSF	1.9 MSF	▲

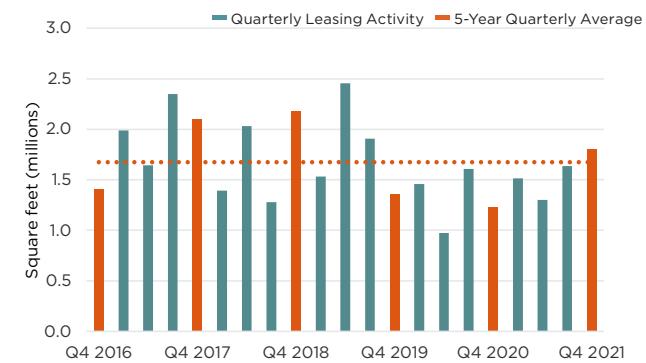
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

9 of 10

top transactions were **new locations**

63.4%

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

42.3%

TAMI tenants represented 42.3% of major transactions by square footage

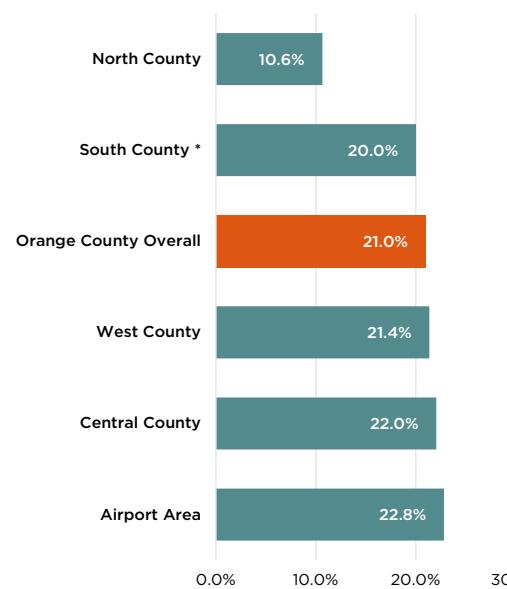
Tenant	Square feet	Address	Transaction type	Submarket	Industry
Verizon Wireless	119,049	15505 Sand Canyon Avenue	Renewal	South County	TAMI
Amazon	116,260	17300 Laguna Canyon Road	New Location	South County	TAMI
Supernal	105,600	15555 Laguna Canyon Road	New Location	South County	Manufacturing
Super73 *	69,445	2722 Michelson Drive	New Location	Airport Area	Manufacturing
Virgin Galactic *	60,998	1700 Flight Way	New Location	Airport Area	Transportation
Tri Pointe Homes	31,196	3161 Michelson Drive	New Location	Airport Area	Real Estate
Fuji Film	30,487	1700 E Carnegie Avenue	New Location	Central County	Retail
Beyond Finance *	28,466	1821 E Dyer Road	New Location	Central County	Financial Services
City of Hope *	22,000	15131 Alton Parkway	New Location	South County	Healthcare
MobiX Labs	19,436	15420 Laguna Canyon Road	New Location	South County	TAMI

* Sublease

Source Savills Research

AVAILABILITY RATE COMPARISON

Orange County Submarkets



*Irvine Spectrum availability rate is 17.3% and average asking rent is \$3.38 PSF.

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.

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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