

Office availability rate decreases to 20.8% as occupiers slowly come back to the office

In the first quarter 2022, the total availability rate in the Orange County office market decreased 20 basis points (bps) from 21.0% reported in the previous quarter to 20.8%. With the economy now reopened, many occupiers are active again compared to the last couple of years when most occupiers took a wait-and-see approach due to the pandemic. However, with white collar employees used to work-from-home (WFH) policies, it is now apparent that hybrid workplace strategies are here to stay and that companies and landlords will both have to work hard to get everyone back into the office again. As occupiers adapt to new workplace strategies, space footprints will continue to change to best fit occupiers' needs and their future business plans.

Quarterly leasing activity decreases from last quarter but still up from a year ago

After a pandemic spike at year-end 2021, leasing activity decreased 15.7% to 1.6 million square feet (msf), in the first quarter. Leasing activity was led by Carrington Mortgage Services's 127,750 sf renewal at 1600 S Douglass Road in Anaheim, followed by Cap Diagnostics's 53,980-sf new lease at 15545 Laguna Canyon Road and Wells Fargo's 45,590-sf renewal at 2030 Main Street, both in Irvine. Despite the decrease in leasing activity from last quarter, leasing activity is still up 8.5% from 1.5 msf reported in the first quarter 2021. The overall average asking rent decreased from \$2.92 per square foot (psf) per month reported last quarter to \$2.90 psf. With availability over 20% market-wide, expect tenant-favorable office market conditions to continue in 2022 as landlords remain aggressive in attracting and retaining tenants.

Office market recovery remains slow and uneven as tenant flight-to-quality has become more pronounced

Due to overall economic growth accelerating coming out of lockdown, office occupiers have begun growing again. On the other hand, availability levels remain stubbornly high, especially with regards to sublease space on the market. With area companies cautiously optimistic that the pandemic is now over, there is hope for sustained higher leasing activity in 2022. However, the headwind of getting employees back to the office after two years of WFH remains as many occupiers put COVID-19 in the rear-view mirror. With the Orange County market offering available prime Class A and renovated created office product, tenant flight to quality will continue to be a growing trend through 2022.

Outlook

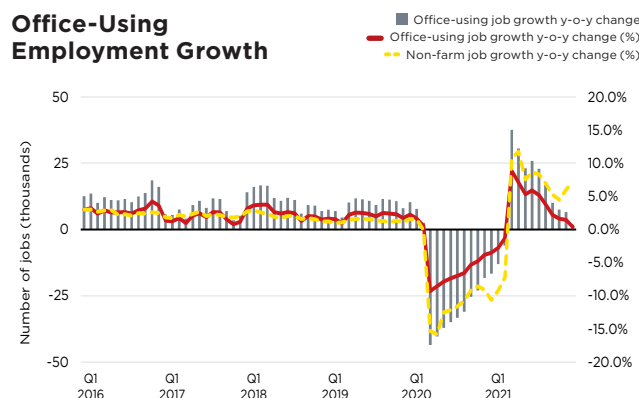
- The Orange County office market is expected to remain tenant-favorable with high landlord concession packages for longer-term deals
- Available sublease space has remained stubbornly high, and it is likely that this continues as occupiers re-evaluate how much space they need
- The overall trend of tenant flight to quality will continue as growing companies remain highly focused on projects emphasizing health and wellness as they try to get employees back to the office

Key Statistics

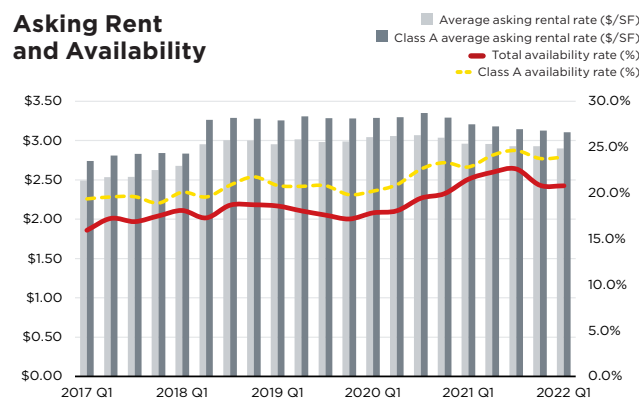
	Q1 2021	Q1 2022	y-o-y Change
Inventory	85.7 MSF	86.3 MSF	▲
Availability Rate	21.5%	20.8%	▼
Asking Rental Rate*	\$2.96	\$2.90	▼
Class A Asking Rental Rate*	\$3.20	\$3.10	▼
Quarterly Leasing Activity	1.5 MSF	1.6 MSF	▲
Available Sublease Space	3.3 MSF	2.8 MSF	▼

*Monthly

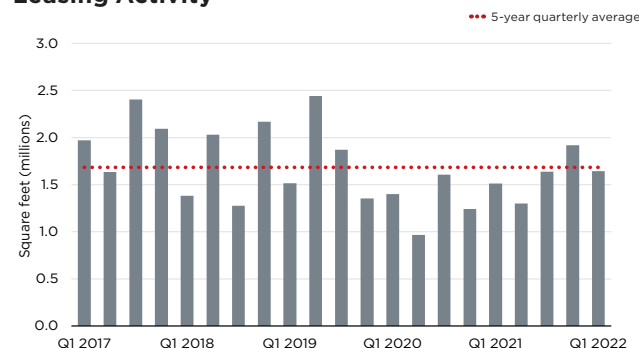
Office-Using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

3.7%

Orange County seasonally adjusted unemployment rate (as of Jan. 2022)

-0.3%

Office-using employment growth year-over-year (as of Jan. 2022)

1.1 msf

Office space currently under construction

Top Transactions

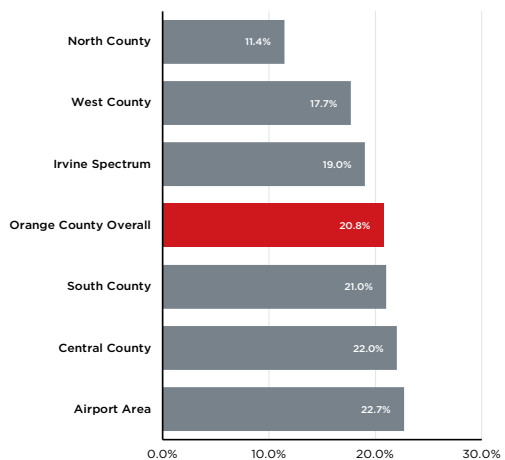
Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Carrington Mortgage Services	127,750	1600 S Douglass Road	Extension	Central County	Financial Services
Cap Diagnostics	53,980	15545 Sand Canyon Avenue	New Location	Irvine Spectrum	Healthcare
Wells Fargo	45,590	2030 Main Street	Renewal	Airport Area	Financial Services
5.11 Tactical	39,650	3100 & 3150 Bristol Street	Relocation	Airport Area	Retail
Garage Team Mazda	31,807	3200 Bristol Street	Renewal	Airport Area	TAMI
Sega	31,742	140 Progress	New Location	Irvine Spectrum	TAMI
Bapko Metal	28,876	721 S Parker Street	New Location	Central County	Manufacturing
Twitch Interactive	26,079	140 Progress	New Location	Irvine Spectrum	TAMI
Orange Coast Title	26,058	1551 N Tustin Avenue	Expansion	Central County	Real Estate
Vantage Point	22,446	3090 Bristol Street	New Location	Airport Area	Construction

*Sublease

Source: Savills Research

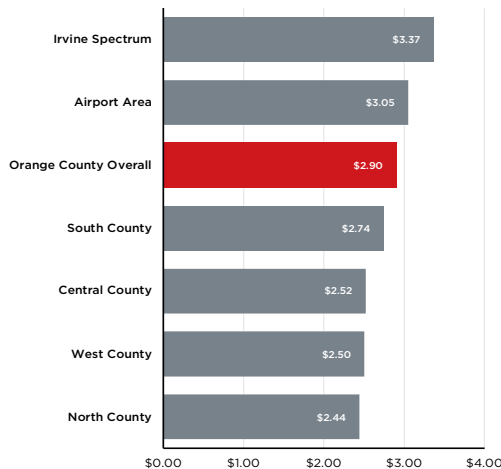
Availability Rate Comparison (%)

Orange County Submarkets



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.

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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