

Q2 2017

## Office Insight

# Affordability of Central County and new development in Irvine Spectrum drive demand

- New multifamily development provides additional housing for the growing labor force
- Central County leads the market in demand as tenants are drawn to the submarket's affordable rent
- New developments in Irvine Spectrum drive tenant activity in the tight market

The Orange County office market has recorded positive net absorption for six consecutive years as the local economy experiences strong job growth. While job growth is significant, additional factors contribute to sustainable economic expansion, such as the housing supply. With millennials buying homes at later ages than previous generations, new housing options for the growing workforce is vital to support economic growth. The multifamily supply is increasing throughout the county with most development concentrated in the Airport Area with nearly 3,000 units under construction and 5,700 units approved. Sufficient housing attracts mature and startup firms to the market which boosts the labor pool and helps drive office demand.

During the first half of 2017, Central County has recorded more positive net absorption (379,479 square feet) than the entire Orange County market (182,054 square feet). Rising rents in the Airport Area and South County are driving tenant movement to Central County. Companies including Nationstar Mortgage, OC 405 Partners and Peregrine Pharmaceuticals have either relocated to, started a business, or expanded in Central County.

Despite delivering 636,244 square feet of office space in the Irvine Spectrum since Q1 2016, vacancy remains low at 7.6 percent. The new developments are 86 percent leased. While large users including Mazda, Crown Castle, Cavium, and AutoGravity have led the charge, small firms are also attracted to the increasing number of nearby retail amenities and new housing supply.

### Outlook

Further infrastructure enhancements will play a key role for Orange County to continue to attract a highly educated and talented labor pool. Office demand benefits as a greater number of companies have a presence in the market and [view Orange County as a strategic component to their business.](#)

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Fundamentals	Forecast
YTD net absorption	182,054 s.f. ▲
Under construction	2,351,896 s.f. ►
Total vacancy	11.5% ►
Average asking rent (gross)	\$2.71 p.s.f. ▲
Concessions	Stable ►

