

Q2 2018

Office Insight

Recent leasing activity from multiple industries demonstrates balanced economy

- Q2 large block leases were signed by tenants from a diverse set of industries.
- The number of available blocks of space 50,000 square feet and greater increased from 60 to 66 quarter-over-quarter.
- Job growth continues despite Orange County unemployment at the lowest level this century.

It was ten years ago when the Orange County economy and office market were hit hard by the Great Recession, much of which stemmed from being largely dependent on the financial services industry (in particular mortgage companies). Since then, the local economy has become extremely well diverse, showcased by recent leasing activity. Tenants that signed large leases during Q2 are from a wide spectrum of industries, including Anduril (technology), State of California (government), Covidien (medical technology), Acorns (fintech), CNI College (education), and Hoag Memorial (healthcare). A diverse economy not only benefits the local labor pool, but also provides landlords with a strong mix of companies to attract and retain as tenants.

We reported last quarter there were 60 blocks of available space 50,000 square feet and greater throughout the market. Despite the uptick in leasing activity, this number has increased to 66 in Q2. The added spaces are primarily located in Central County. There are an additional ten blocks of available space in buildings that are currently under construction or renovation. Of the 66 spaces, 36 are located in the Airport Area, while a majority of the spaces are in Class A properties. Tenants looking for large blocks of space will continue to have multiple options through the year.

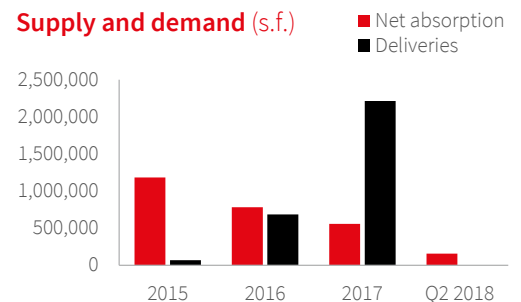
Outlook

In both April and May, Orange County had an unemployment rate of 2.6 percent, representing the lowest level since December 1999. According to the California EDD, Orange County added 17,300 jobs over the last 12 months. Jobs are being created despite the tight labor market, indicating businesses are in expansion mode. Although companies are looking to implement more space efficiency practices, they are also adding headcount and forecasting growth which is driving leasing activity in the market. These are necessary key elements for the market to experience sustainable growth.

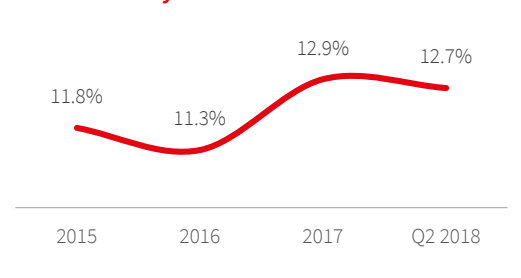
Fundamentals

	Forecast
YTD net absorption	155,534 s.f. ▲
Under construction	976,967 s.f. ►
Total vacancy	12.7% ►
Average asking rent (gross)	\$2.96 p.s.f. ▲
Concessions	Stable ►

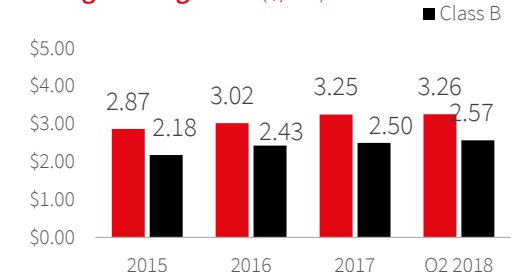
Supply and demand (s.f.)



Total vacancy



Average asking rents (\$/s.f.)



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