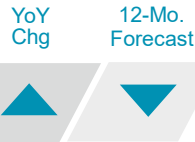


16.6%
Vacancy Rate



-2.6M
Net Absorption, SF



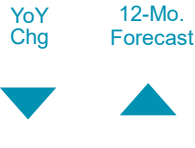
\$2.93
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2021

1.6M
Orange County Employment



4.1%
Orange County Unemployment Rate



4.2%
U.S. Unemployment Rate



Source: BLS

ECONOMY: Strong Employment Activity

Orange County gained an additional 9,500 jobs in November lowering the unemployment rate of 4.1% 60 basis points (bps) from a revised 4.7% in October. Office using employment gained 2,400 jobs during this same period and 19,100 jobs over the past year. Total non-farm employment has increased 93,900 jobs year-over-year (YOY). Orange County continues to outperform the rest of the state as most losses were related to overall coronavirus conditions. Orange County has now regained 84.9% of jobs lost since the first lockdowns in March 2020. These positive economic trends are expected to continue in the future-albeit at a measured pace when taking into account the emergence of new COVID-19 variants paired with new statewide safety requirements.

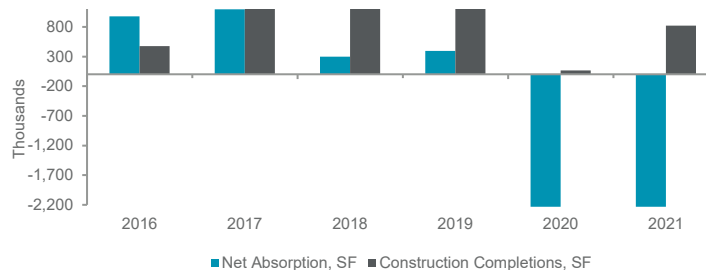
SUPPLY & DEMAND:

Office fundamentals across Orange County (OC) continued to struggle amid the ongoing struggles with the Coronavirus pandemic. The overall vacancy rate increased 20 basis points (bps) quarter-over-quarter (QOQ) to 16.6%. Though still abnormally high compared to pre-pandemic norms, it should be noted that availability trends have gradually shifted throughout the region in 2021. During the fourth quarter, the amount of vacant space available in OC decreased QOQ by 366,746 square feet (sf)—a 20% change. All major submarkets, with the exception of the Greater Airport Area (GAA), had a decline in listings between Q3 2021 and Q4 2021. However, only an additional 77,000 sf in listings were added to the GAA as more companies prepared to return to the office at the beginning of the new year. Sublease listings diminished substantially over the course of the year as occupier confidence brought many back to in-person work. Compared to Q1 2021, the amount of sublease space decreased by 457,000 sf. Additionally, tenant occupancy trends continued to shift towards hybrid and full remote work, further plunging net absorption down 610,308 sf in the fourth quarter and totaling negative 2.6 million square feet (msf) for the year. Office buildings responsible for the lion's share of the positive absorption for the year were primarily located in active hubs for office activity—namely within the Irvine spectrum and Irvine submarkets where highly amenitized space are commonplace.

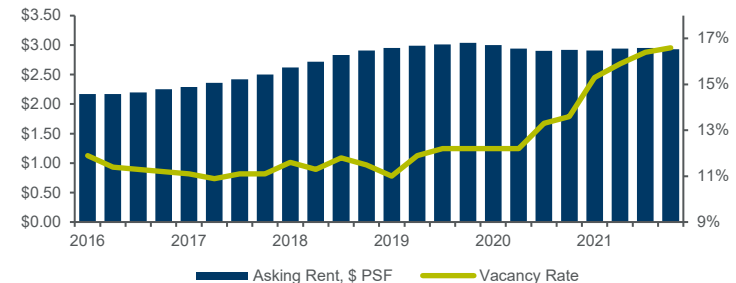
PRICING: Lower Starting Rents and Higher Concessions

Asking lease rates for all office classes across OC totaled \$2.93 per square foot (psf/mo) in Q4 2021—a decrease of \$0.02 psf/mo compared to the previous quarter. A consistent pain point for the county's overall asking lease rates throughout 2021 has been landlords withholding rates from new listings. Though asking rates have diminished over the course of the year, out of 1.8 msf of completed direct deals, the average full-service taking rate for direct deals was \$3.11 psf/mo or 6.0% higher than that market's overall asking rate. For deals completed for Class A space, taking rates averaged \$3.31 psf/mo.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



ORANGE COUNTY

Office Q4 2021



Consistent Leasing Activity in 2021; Touring Activity Picks up

Overall office leasing activity totaled 900,061 sf in OC in Q4 2021 as a combination of pent-up demand and returning occupier confidence fueled leasing velocity. For the fourth consecutive quarter, the majority of the leasing activity was isolated in two key submarkets in OC: Irvine Spectrum (462,336 sf) and Irvine (268,642 sf) proper. Bearing nearly half of all available space listed on the market, the GAA captured 2.3 msf or 51.1% of all leasing activity during the year with 1.6 msf specifically taking place in Class A space. Leasing momentum was consistent throughout 2021 even with most COVID protocols lifted by mid-year. Direct leasing activity totaled 4.5 msf for 2021—a 6.7% increase year-over-year (YOY). OC is known for its diverse tech, media, and aerospace footprint, and these sectors proved to be the most active at the end of the year. Andruil Industries, Hyundai (Drone Division), Terran Orbital, and Virgin Galactic were a handful of aerospace firms that secured more than 875,000 sf in office leases in Q4 2021. In addition to aerospace, financial firms were responsible for 13.0% of new leases in 2021.

New Opportunities for both Investors and Developers

Orange County's office inventory increased by 822,247 sf with the delivery of 12 new high-end Class A buildings. Additionally, 373,423 sf of new office projects are still in the pipeline. Industrial space continues to be a highly sought after and, more recently, scarce commodity in OC which has resulted in landlords and developers eyeing redevelopment possibilities in distressed office products. The scarcity has driven up the overall value of land and driven 2021 investment activity to new heights. Over the course of 2021, investment volumes totaled over \$1.5 billion with over 4.4 msf of space transacted. One of these sales with the intent of redevelopment was the former Bank of America call center that was purchased by Amazon for \$165 million or \$5.2 million per acre. The ecommerce giant plans to transform the building into a new distribution center. Rexford Industrial Realty also purchased two office properties totaling 567,000 sf for a combined \$175 million. Rexford intends to add multiple industrial buildings to the sites after current leases with the buildings expire.

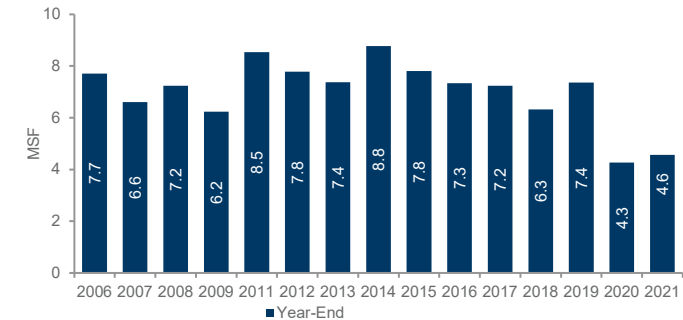
Outlook

- The shape modern office space will take in a post-COVID world will be different compared to years prior. Now that most companies have implemented a hybrid work model, the expectation for the majority of those returning to the office will be to work between two to four days a week in-person. As a result, active tenant requirements for space while touring could potentially provide better insight as to where occupier priorities lie in the coming months and years ahead.
- Building amenities will likely shift hard towards health and wellness care for their occupants as a way to attract prospective tenants and further drive activity. As market conditions continue to favor tenants, expect an aggressive push from landlords offering higher concessions and term structures going forward.

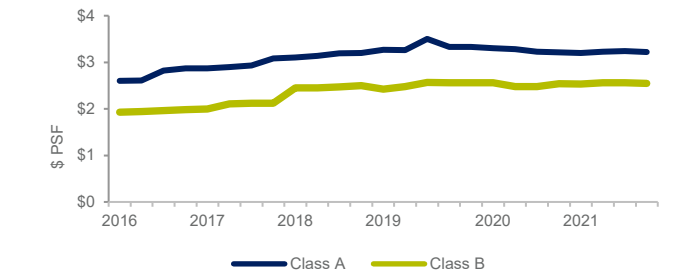
DIRECT VS. SUBLEASE AVAILABLE SPACE



NEW LEASING ACTIVITY



ASKING RENT COMPARISON



ORANGE COUNTY

Office Q4 2021

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)**	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
South Santa Ana	1,936,514	0	464,270	24.0%	21,961	-75,570	62,769	0	\$2.90	\$2.91
Costa Mesa	5,541,987	90,336	1,242,307	24.0%	-162,442	-275,979	792,519	0	\$3.10	\$3.36
Newport Beach	8,301,507	77,578	1,099,146	14.7%	-89,880	-239,166	276,503	0	\$3.38	\$3.56
Irvine	24,224,303	542,260	4,013,745	18.8%	-166,404	-932,889	1,237,518	0	\$3.10	\$3.28
GREATER AIRPORT AREA	39,734,311	710,174	6,819,468	18.9%	-396,765	-1,523,604	2,369,309	0	\$3.14	\$3.32
Irvine Spectrum	11,117,589	254,483	1,768,075	18.2%	-76,085	-19,845	976,180	373,423	\$3.29	\$3.85
Lake Forest/R.S. Margarita	2,777,918	52,870	321,056	13.5%	12,327	-109,524	74,277	0	\$2.43	\$2.45
Laguna Hills/Aliso Viejo	4,580,583	89,245	818,416	19.8%	-10,563	-189,357	159,730	0	\$2.91	\$3.25
Laguna Niguel/Laguna Beach	574,657	0	66,559	11.6%	-5,069	-12,120	7,417	0	\$3.11	\$3.35
Mission Viejo	1,289,140	20,999	194,438	16.7%	-11,228	-46,265	25,289	0	\$2.47	\$2.47
S.J. Cap/S. Clemente/Dana Point	1,261,654	5,266	49,697	4.4%	-6,498	-12,590	3,322	0	\$2.50	\$2.41
SOUTH COUNTY	21,601,541	422,863	3,218,241	16.9%	-97,116	-389,701	1,246,215	373,423	\$2.98	\$3.41
Seal Beach	310,241	14,039	62,479	24.7%	-17,517	-37,051	21,939	0	\$3.33	\$3.33
Westminster	262,284	5,118	15,515	7.9%	5,228	-20,633	21,104	0	\$2.50	N/A
Huntington Beach	1,325,468	20,220	314,222	25.2%	29,320	-84,963	85,666	0	\$2.83	\$3.11
Fountain Valley	320,225	0	29,253	9.1%	1,002	4,634	17,416	0	\$2.25	N/A
Garden Grove	505,650	0	36,008	7.1%	1,803	-3,391	5,917	0	\$2.05	N/A
Los Alamitos/Stanton	435,342	0	26,586	6.1%	4,833	-19,720	10,687	0	\$2.22	N/A
Cypress	1,212,927	0	220,548	18.2%	-27,138	-54,552	52,705	0	\$2.24	\$2.50
WEST COUNTY	4,372,137	39,377	704,611	17.0%	-2,469	-215,676	215,434	0	\$2.63	\$3.01
Parkcenter Area	2,850,581	3,009	413,845	14.6%	-4,077	-66,923	91,870	0	\$2.38	\$2.78
Stadium Area	3,551,833	25,004	502,064	14.8%	-7,519	-56,323	133,181	0	\$2.69	\$2.78
The City Area	2,277,180	57,156	396,493	19.9%	-17,170	-89,118	28,517	0	\$2.84	\$2.97
Main Place Area	2,051,411	74,813	294,246	18.0%	-26,121	-101,244	30,404	0	\$2.81	\$2.99
Tustin (South of I-5)	963,575	0	57,854	6.0%	0	134,582	45,919	0	\$2.04	N/A
Santa Ana	3,189,599	3,356	521,089	16.4%	-11,750	49,502	144,654	0	\$2.52	N/A
North/East Anaheim	2,978,550	52,731	230,717	9.5%	-35,000	-67,798	67,032	0	\$2.49	\$2.57
East Orange	427,246	3,507	22,935	6.2%	2,272	298	6,657	0	\$2.17	N/A
Civic Center Area	1,925,541	0	177,576	9.2%	-1,615	-7,016	8,699	0	\$1.86	\$2.85
CENTRAL COUNTY	20,215,513	219,576	2,616,819	14.0%	-100,980	-204,040	556,933	0	\$2.58	\$2.88
Fullerton	1,481,653	25,513	59,78	5.8%	-32,317	-41,675	51,646	0	\$2.31	N/A
Brea/La Habra	3,823,205	76,682	336,446	10.8%	-13,872	-246,094	70,278	0	\$2.40	\$2.47
Placentia/Yorba Linda	270,646	0	34,309	12.7%	-623	-4,100	8,414	0	\$2.00	N/A
Buena Park/La Palma	1,172,333	1,233	118,162	10.2%	6,899	55,716	28,808	0	\$2.36	\$2.85
NORTH COUNTY	6,747,837	77,915	548,665	9.3%	-39,913	-236,153	159,146	0	\$2.35	\$2.52
ORANGE COUNTY TOTALS	92,671,342	1,469,905	13,907,804	16.5%	-637,243	-2,569,171	4,547,037	373,423	\$2.93	\$3.22

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
15505-15545 Sand Canyon Avenue	South County	Verizon Communications	119,049	Renewal*
15555 Laguna Canyon	South County	Hyundai Drone Division	106,600	Direct
7515 Irvine Center Drive	South County	Accurate Background	96,415	Direct
1700 Flight Way	Greater Airport Area	Virgin Galactic Holdings	60,998	Sublease
15131 Alton Parkway	South County	City of Hope	45,000	Sublease
3161 Michelson Drive	Greater Airport Area	TriPointe Homes	31,197	Renewal*
1700 E Carnegie Avenue	Central County	Fuji Film	30,487	Direct
18200 Von Karman	Greater Airport Area	American Advisors Group	27,900	Renewal*
7535 Irvine Center Drive	South County	Lantronix	26,897	Renewal
27442 Portola Parkway	South County	Risa Tech Inc.	21,034	Direct
5171 California	Greater Airport Area	Mid Mark Corp	15,704	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTION Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$PSF
275 Valencia Avenue	North County	Greenlaw Partners / Amazon Services	637,503	\$165M/\$259
1440 & 1400 North Harbor Boulevard	North County	UBS Realty Services / Baker Pacific Group	231,625	\$44M/\$193
27051 & 27121 Towne Centre Drive	South County	Menlo Equities / N/A	209,348	\$50M/\$239
1301 Dove Street	Greater Airport Area	Prudential RE Investors / Ocean West Capital Partners	204,028	\$64M/4314
2722 Michelson	Greater Airport Area	LBA Realty / IRA Capital	155,000	\$103M/\$665
2727 Imperial Highway	North County	Healthcare Property Advisors / Duke Realty Corporation	104,662	\$35M/\$338

KEY UNDER CONSTRUCTION PROJECTS YTD 2021

PROPERTY	SUBMARKET	SF	OWNER / DEVELOPER
17700-17900 Laguna Canyon – Spectrum Terrace (Phase III)	Irvine Spectrum	373,423	The Irvine Company

ORANGE COUNTY

Office Q4 2021

OFFICE SUBMARKETS



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