

Orange County

Medical Office Q1 2023



YoY Chg 12-Mo. Forecast

10.5%
Vacancy Rate



-12K
Net Absorption, SF



\$3.18
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

YoY Chg 12-Mo. Forecast

217K
Orange County Health Care Employment



3.2%
Orange County Unemployment Rate



3.5%
U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

The total nonfarm employment in Orange County grew by 44,600 or +2.7% year-over-year (YOY) between February 2022 and February 2023, with the leisure and hospitality sector accounting for the most gains or 16,100 jobs added (+7.8% YOY), followed by educational and health services adding 9,900 jobs (+4.0% YOY) and professional and business services adding 6,300 jobs (+1.9% YOY). During the same time, the monthly unemployment rate decreased from 3.7% last year to 3.4% and is currently 20 basis points (bps) above the quarterly average of 3.2%.¹ All employment sectors are expected to grow at a combined rate of 2.1% in 2023 and 0.8% in 2024. The annual unemployment rate is forecasted to decrease from 4.8% in 2022 to 4.3% in 2023 and 4.5% in 2024, below the 10-year historical average of 6.5%.²

SUPPLY AND DEMAND

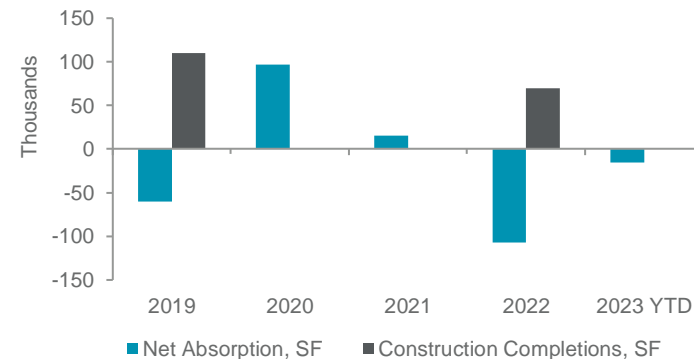
In the face of past economic headwinds, the healthcare industry has been noticeably resilient. Through today's economic turmoil, we can expect rising demand for care nationwide as well as in Orange County, providing opportunities for investors and occupiers who are able to manage costs and offer services that match patient demographics and diagnosed needs. Orange County's medical office overall vacancy of 10.5% at the end of Q1 2023 increased slightly by 10 bps quarter-over-quarter (QOQ) and by 160 bps YOY. The market returned 12,462 square feet (sf) in Q1 2023. Tenants absorbed 34,433 sf in South County but returned space in all other markets.

The highest vacancy was recorded in North County at 13.4% followed by South County at 12.6%. Overall vacancy is lowest in West County at 4.0%. Sublease vacancy remains high at 2.4%, an increase of 220 bps YOY, while sublease availability reached 3.9%, with the bulk of sublease space additions occurring since the beginning of 2021. An abundance of sublease space is expected to put downward pressure on overall asking rents.

PRICING

The average countywide asking rent across all classes was \$3.18 per square foot (psf) on a monthly full-service basis in Q1 2023, a 3.9% increase from the previous quarter but just a 1.6% increase from a year ago. The average rent is highest in the Greater Airport Area at \$4.05 psf, where rents rose 26.2% YOY. North County also recorded significant average rent growth, rising 14.5% YOY to \$3.15 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



Orange County

Medical Office Q1 2023

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY** (SF)	YTD CONSTR COMPLETIONS (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*
Greater Airport Area	1,414,058	700	135,252	9.6%	-13,504	-13,504	5,213	0	0	\$4.05
South County	2,724,314	5,024	337,485	12.6%	34,433	34,433	28,634	0	0	\$3.59
West County	1,314,626	4,085	48,357	4.0%	-20,245	-20,245	971	0	0	\$2.67
Central County	1,695,321	15,098	148,927	9.7%	-7,219	-7,219	13,518	0	0	\$3.25
North County	1,952,683	191,556	70,981	13.4%	-5,927	-5,927	12,445	0	0	\$3.15
OC TOTALS	9,101,002	216,463	741,002	10.5%	-12,462	-12,462	60,781	0	0	\$3.18

*Rental rates reflect full service asking. **Leasing includes renewals.

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
675 Camino de los Mares	San Clemente	Undisclosed	8,068	New
2900 Bristol St.	Costa Mesa	D'Amore Healthcare	7,432	New
5475 E. La Palma Ave.	Anaheim	Undisclosed	6,322	New
114 Pacifica	Irvine	Undisclosed	6,156	New
1140 W. La Veta	Orange	Undisclosed	5,354	New
2015 W. 1 st St.	Santa Ana	West Coast Dental	4,830	New
947 S. Anaheim Blvd.	Anaheim	Undisclosed	4,741	New
1640 Newport Blvd.	Costa Mesa	Undisclosed	3,823	New
26732 Crown Valley Pky.	Mission Viejo	Undisclosed	3,211	New
26700 Towne Centre Dr.	Foothill Ranch	Heavenly Plastic Surgery	2,027	New

KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
2740 S. Bristol St.	Santa Ana	Jamison Services / Gabriyel Nshanyan	28,908	\$6.8M / \$235
3055 W. Orange Ave.	Anaheim	Medical Properties Trust / West Anaheim Medical Professional Office LLC	22,299	\$5.6M / \$252
32122 Camino Capistrano	San Juan Capistrano	Mitchell Land & Improvement Co. / Aldon Investments	13,294	\$3.3M / \$248
124 E. Broadway	Costa Mesa	Dobkin / Mayfair Financial Holdings LLC	3,328	\$1.8M / \$526

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