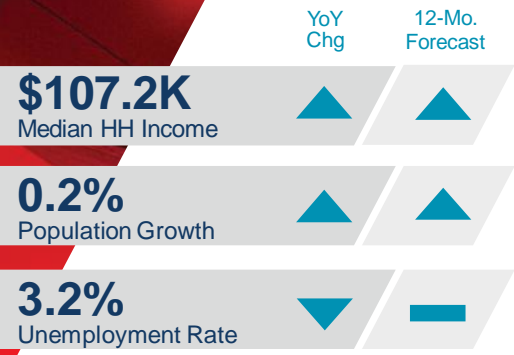


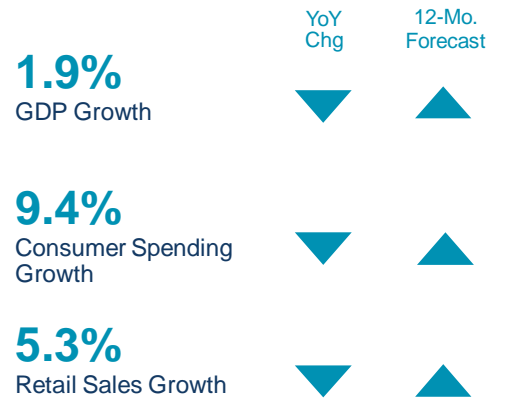
# Orange County

Retail Q1 2023



Source: BLS (Economic Indicators are representative of specific county or MSA).

## U.S. ECONOMIC INDICATORS Q1 2023



Source: BEA, Census Bureau

## ECONOMIC OVERVIEW

Total nonfarm employment in Orange County (OC) grew by 41,700 or +2.5% year-over-year (YOY) between March 2022 and March 2023, with the leisure and hospitality sector accounting for the most gains or 14,500 jobs added (+6.9% YOY), followed by educational and health services adding 8,500 jobs (+3.4% YOY) and trade, transportation and utilities adding 7,200 jobs (+2.9% YOY). During the same time, the monthly unemployment rate increased from 3.3% last year to 3.4% and is currently 20 basis points (bps) above the quarterly average of 3.2%.<sup>1</sup> 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.<sup>2</sup>

## SUPPLY AND DEMAND

The overall vacancy rate, including subleases, increased 10 bps quarter-over-quarter (QOQ) to 5.1% although 20 bps lower than a year ago. The current vacancy rate is 40 bps above the 10-year quarterly average of 4.7% and 180 bps below the peak rate of 6.9% recorded in Q2 2012. Overall, tenants vacated 97,959 square feet (sf) across all center types in Q1 2023, but occupancy changes were not uniform among the different retail centers. On the positive side, neighborhood centers absorbed the most space with 126,874 sf of occupancy gains, followed by lifestyle centers with positive 14,792 sf of absorption. Regional centers gave back 116,895 sf, followed by power centers (-67,138 sf), community centers (-38,010 sf) and strip centers (-17,582 sf). New construction activity was muted in OC with only five buildings totaling 25,969 sf currently under construction. Lackluster new construction has been a common trend throughout OC since Q1 2019.

Overall average asking rent increased for the third consecutive quarter. At \$2.51 per square foot (psf) per month on a triple net basis, the average asking rate increased 2.0% QOQ and 4.6% YOY to an all-time high despite an elevated vacancy rate. The highest average asking rent was found in power centers, recording an increase of 54.7% YOY to \$3.45 psf while the most affordable average rent was recorded in neighborhood centers at \$2.40 psf.

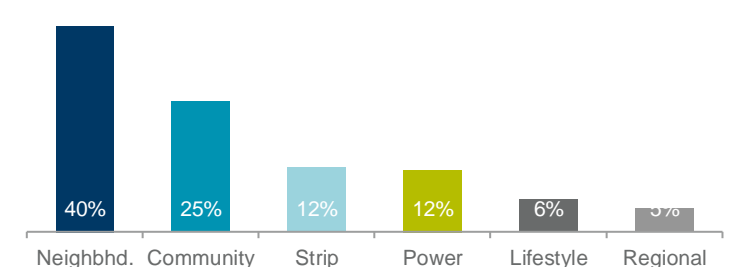
## SALES ACTIVITY

The OC retail market recorded just under \$75 million (M) in sales volume across 11 properties and 259,180 sf in Q1 2023 compared to \$160M in Q4 2022 (-53% QOQ) and \$319M in Q1 2022 (-77% YOY). The average price per square foot dropped 2% QOQ and 16% YOY to \$333 psf. Capitalization rates rose 20 bps QOQ to 4.8% although is still 80 bps lower than a year ago. Through the first quarter of 2023, private investors comprised 87% of buyers (vs. 74% in 2022) and 93% of sellers (vs. 66% in 2022). The rest of the transactions throughout Q1 2023 were completed by owner/users.<sup>3</sup>

## RENT / VACANCY RATE



## TOTAL AVAILABILITY BY PRODUCT TYPE



# Orange County

Retail Q1 2023



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR NET ABSORPTION (SF)	OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (All Center Types)
North County	24,545,532	1,271,065	52,808	5.4%	136,423	136,423	136,423	0	\$2.00
Greater Airport Area	13,617,794	447,940	8,265	3.4%	-1,755	-1,755	-1,755	0	\$4.32
South County	22,022,481	1,383,787	16,965	6.4%	-54,536	-54,536	-54,536	0	\$2.96
West County	21,507,318	898,117	65,115	4.5%	-256	-256	-256	25,969	\$2.31
Central County	15,112,179	701,422	119,335	5.4%	-177,835	-177,835	-177,835	0	\$2.60
Community	23,817,206	997,818	37,125	4.3%	-38,010	-38,010	-38,010	0	\$2.72
Lifestyle	4,751,493	311,357	3,126	6.6%	14,792	14,792	14,792	0	N/A
Neighborhood	30,976,309	1,381,590	91,394	4.8%	126,874	126,874	126,874	0	\$2.40
Power	12,478,582	645,621	7,364	5.2%	-67,138	-67,138	-67,138	0	\$3.45
Regional	12,941,016	862,098	118,640	7.6%	-116,895	-116,895	-116,895	8,500	N/A
Strip	11,840,698	503,847	4,839	4.3%	-17,582	-17,582	-17,582	17,469	\$2.50
<b>OC TOTALS</b>	<b>96,805,304</b>	<b>4,702,331</b>	<b>262,488</b>	<b>5.1%</b>	<b>-97,959</b>	<b>-97,959</b>	<b>-97,959</b>	<b>25,969</b>	<b>\$2.51</b>

\*Rental rates reflect triple net asking \$PSF/month. \*\*Renewals included in leasing statistics.

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
27482-27602 Antonio Pkwy.	South County	Bowlero	45,000	Direct
24801-24901 Alicia Pkwy.	South County	Marshall's	25,600	Direct
835 E. Birch St.	North County	Smartparke	20,144	Direct
2782-2998 El Camino Real	Central County	Boot Barn	15,832	Direct
16555 Von Karman Ave.	Greater Airport Area	Harbor Freight Tools	14,800	Direct

KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
The Ramona Building	Central County	Jakosky Properties / Mariners Church	36,189	\$8.3M / \$229
22331 El Paseo	South County	Symons Family Trust / ValueRock Realty Partners	22,000	\$8.9M / \$403
Baycrest Plaza	West County	Triwell Properties / JNJ Holding Group	14,000	\$8.4M / \$600
1821 N. Tustin St.	Central County	Big Lots Inc. / Wilshire Group Funding	13,156	\$2.7M / \$203

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