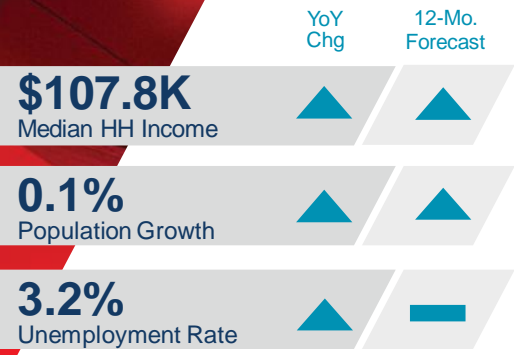


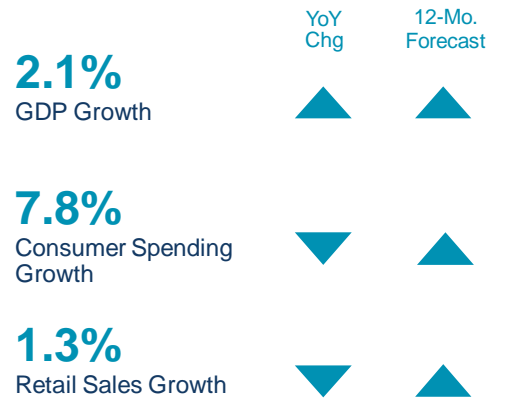
Orange County

Retail Q2 2023



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

U.S. ECONOMIC INDICATORS Q2 2023



Source: BEA, Census Bureau

ECONOMIC OVERVIEW

Total nonfarm employment in Orange County (OC) grew by 45,600 or +2.7% year-over-year (YOY) between May 2022 and May 2023, with the leisure and hospitality sector accounting for the most gains or 13,100 jobs added (+6.0% YOY), followed by private education and health services adding 10,300 jobs (+4.1% YOY) and trade, transportation and utilities adding 6,800 jobs (+2.7% YOY). During the same time, the monthly unemployment rate increased from 2.7% last year to 3.2% aligning with the quarterly average of 3.2%.¹ All employment sectors are projected to continue growing at a combined growth rate of 2.5% in 2023 and 0.9% in 2024 compared to the five-year historical average of 0.6%.²

SUPPLY AND DEMAND

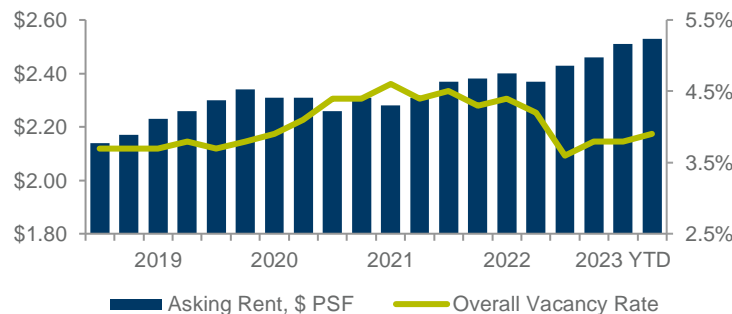
The overall vacancy rate increased 10 basis points (bps) quarter-over-quarter (QOQ) to 3.9% although still 30 bps lower than a year ago. The current vacancy rate is 10 bps below the five-year quarterly average of 4.0% and 70 bps below the peak rate of 4.6% recorded in Q1 2021. Overall, tenants vacated 4,036 square feet (sf) across all center types in Q2 2023, but occupancy changes were not uniform among the different retail centers. On the positive side, community centers absorbed the most space with 44,682 sf of occupancy gains while tenants in neighborhood centers vacated a net negative 32,208 sf in the second quarter. New leasing activity dropped for the second quarter in a row to 381,948 sf, dropping 34.3% QOQ and down 42.7% from a year ago. Construction activity remained muted in OC with only three buildings totaling 11,903 sf currently under construction. OC hasn't recorded over 100,000 sf under construction since Q4 2018.

On a positive note, the overall average asking rent increased for the fourth consecutive quarter. At \$2.53 per square foot (psf) per month on a triple net basis, the average asking rate increased 0.8% QOQ and 6.8% YOY to an all-time high despite the increase in vacancy rates over the past few quarters. The highest average asking rent was found in power centers, recording an increase of 27.9% YOY to \$2.84 psf, while the most affordable average rent was recorded in neighborhood centers at \$2.41 psf.

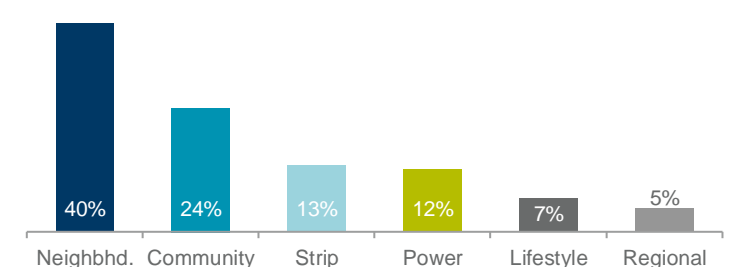
SALES ACTIVITY

The OC retail market recorded over \$151 million (M) in sales volume across 11 properties in Q2 2023 compared to \$78M in Q1 2023 (+94% QOQ) and \$354M in Q2 2022 (-57% YOY). The average price per square foot dropped 3% QOQ and 16% YOY to \$321 psf. Capitalization rates fell 10 bps QOQ to 4.7% which is 90 bps lower than a year ago. Through the second quarter of 2023, private investors comprised 94% of buyers (vs. 75% in 2022) and 78% of sellers (vs. 67% in 2022). Institutional capital continued to shed assets in OC throughout 2023 with no new purchases but comprising 20% of sellers.³

RENT / VACANCY RATE



TOTAL AVAILABILITY BY PRODUCT TYPE



Orange County

Retail Q2 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	24,551,145	1,314,043	67,012	4.2%	-57,182		79,241	0	\$2.10
Greater Airport Area	13,615,446	427,174	12,473	2.6%	16,558		14,803	0	\$4.35
South County	22,027,879	1,410,623	18,715	4.8%	-28,586		-83,122	0	\$2.88
West County	21,510,174	863,260	59,754	3.7%	49,684		54,028	11,903	\$2.48
Central County	15,103,076	677,929	119,990	3.6%	15,490		-154,997	0	\$2.55
Community	23,781,231	941,303	39,610	3.9%	44,682		14,024	0	\$2.76
Lifestyle	4,751,493	305,093	600	5.7%	8,790		23,582	0	N/A
Neighborhood	30,978,203	1,404,472	100,720	4.6%	-32,208		94,666	0	\$2.41
Power	12,478,582	665,426	9,364	3.6%	-21,805		-88,943	0	\$2.84
Regional	12,941,016	863,332	120,478	1.6%	-3,072		-119,967	8,500	N/A
Strip	11,877,195	513,403	7,172	4.2%	-423		-13,409	3,403	\$2.52
OC TOTALS	96,807,720	4,693,029	277,944	3.9%	-4,036		-90,047	11,903	\$2.53

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

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
27241-27291 La Paz Rd.	South County	Off Broadway Shoe Warehouse	20,236	Renewal**
17020-17150 Magnolia St.	West County	Goodwill Industries of Orange County	15,000	Direct
7979 Center Ave.	West County	Buca Di Beppo	9,998	Renewal**
8787 Irvine Center Dr.	Greater Airport Area	Discount Tire Centers	8,932	Direct
2902 W. Pacific Coast Hwy.	Greater Airport Area	Undisclosed	7,016	Direct

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Adams Marketplace	West County	Fortress Investment Group c/o DJM Capital Partners / Frank Dabby	65,116	\$29.2M / \$448
Bristol Place Shopping Center	Central County	Cadence Capital Investments c/o Oakwood Real Estate Partners / Kenneth T. Kim & Johanna Kim Trust	62,802	\$36.5M / \$581
41-45 Auto Center Dr.	South County	Kahl & Goveia RE / Henry H. Lee	32,592	\$19.5M / \$598

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