

# Orange County

Medical Office Q3 2023



YoY Chg 12-Mo. Forecast

**11.7%**

Vacancy Rate



**19K**

Net Absorption, SF



**\$3.55**

Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q3 2023

YoY Chg 12-Mo. Forecast

**225K**

Orange County Health Care Employment



**3.3%**

Orange County Unemployment Rate



**3.7%**

U.S. Unemployment Rate



Source: BLS

## ECONOMIC OVERVIEW

Total nonfarm employment in Orange County (OC) grew by 42,700 or +2.6% year-over-year (YOY) between August 2022 and August 2023. The private education and health services sector accounted for the most gains, or 11,200 jobs added (+4.5% YOY), followed by the leisure and hospitality sector, adding 10,200 jobs (+4.6% YOY) and professional and business services adding 6,200 jobs (+1.9% YOY). During the same time, the monthly unemployment rate increased from 3.2% last year to 3.9% and is currently 60 basis points (bps) above the quarterly average of 3.3%.<sup>1</sup> The recovery from the 272,300 nonfarm job losses experienced between March and May 2020 has been completed, with 296,300 jobs fully recovered between June 2020 and August 2023. All employment sectors are projected to grow at a combined growth rate of 1.9% in 2023 and 1.5% in 2024 compared to the 5-year historical average of 0.5%.<sup>2</sup>

## SUPPLY AND DEMAND

The healthcare industry has been noticeably resilient in past economic headwinds. Through today's economic turmoil, rising demand for care nationwide and in Orange County is expected, providing opportunities for investors and occupiers who can manage costs and offer services that match patient demographics and diagnosed needs. Orange County's overall vacancy of 11.7% at the end of Q3 2023 decreased slightly by 20 bps quarter-over-quarter (QOQ) but increased by 10 bps YOY. The market absorbed 19,228 square feet (sf) in Q3 2023 with 19,387 sf of occupancy growth in North County.<sup>3</sup>

The highest vacancy was recorded in North County at 15.3%, followed by South County at 13.6%. The overall vacancy rate is lowest in West County at 3.7%. Sublease vacancy remains high at 2.9%, an increase of 50 bps YOY, while sublease availability reached 3.2%, 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 asking rents.

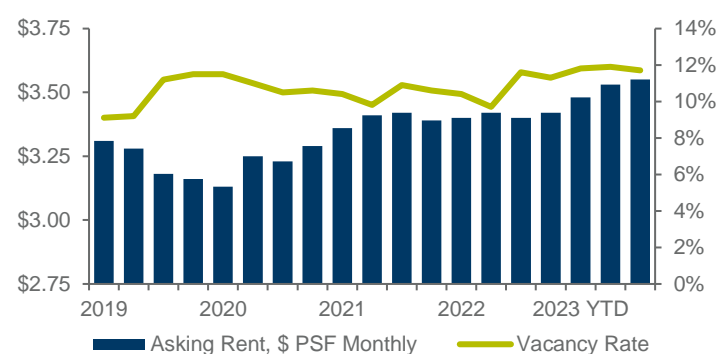
## PRICING

The average countywide asking rent across all classes was \$3.55 per square foot (psf) on a monthly full-service basis in Q3 2023, a 0.6% increase from the previous quarter and a 4.4% increase from one year ago. The average rent is highest in the Greater Airport Area at \$4.30 psf, where rents rose 11.1% YOY. North County also recorded significant average rent growth, increasing 4.2% YOY to \$3.20 psf.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY / ASKING RENT



# Orange County

## Medical Office Q3 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	1,762,842	34,899	187,666	12.6%	-6,226	-56,340	47,935	0	0	\$4.30
South County	2,590,289	8,300	344,784	13.6%	3,963	23,858	66,246	0	0	\$3.58
West County	1,239,276	2,585	43,580	3.7%	-1,550	-13,968	3,835	0	0	\$3.33
Central County	1,744,428	15,098	169,826	10.6%	3,654	-15,564	31,124	0	0	\$3.24
North County	1,488,613	193,108	35,071	15.3%	19,387	28,431	20,616	0	0	\$3.20
<b>OC TOTALS</b>	<b>8,825,448</b>	<b>253,990</b>	<b>780,927</b>	<b>11.7%</b>	<b>19,228</b>	<b>-33,583</b>	<b>169,756</b>	<b>0</b>	<b>0</b>	<b>\$3.55</b>

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

### KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
4590 MacArthur Blvd.	Newport Beach	ART Health Cancer Center – Newport Beach	14,381	New
6 Hughes	Irvine	Undisclosed	10,525	New
2569 W. Woodland Dr.	Anaheim	Undisclosed	6,625	New
333 S. Anita Dr.	Orange	3G Plus 1, Inc. dba California Auto Finance	4,999	New
2500 Red Hill Ave.	Santa Ana	Undisclosed	4,694	New
2500 Red Hill Ave.	Santa Ana	Undisclosed	4,167	New
535 E. Main St.	Tustin	Undisclosed	3,998	New
2915 Red Hill Ave.	Santa Ana	Opus Health	3,902	New
2314 Newport Blvd.	Costa Mesa	Undisclosed	3,350	Sublease
2130 Main St.	Huntington Beach	Physical RX Physical Therapy	3,196	New

### KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
1300 Avenida Vista Hermosa	San Clemente	Preferred Community Management / Baiyan Li	27,535	\$12.0M / \$436
440 Fair Ave.	Costa Mesa	Dalessio Investments LLC / Zaminbaz Investment LLC	27,000	\$11.8M / \$435

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