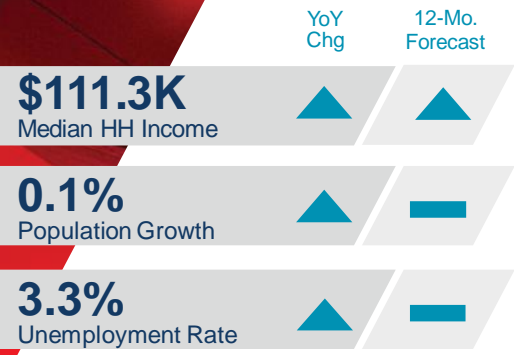


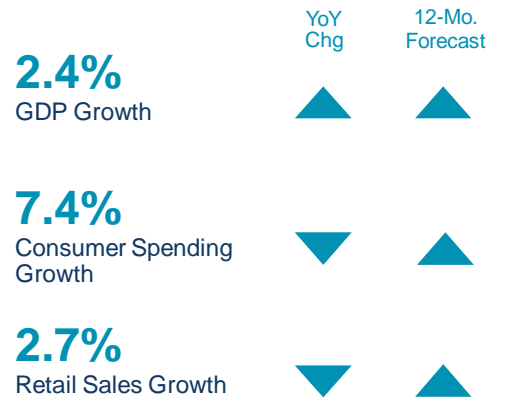
# Orange County

Retail Q3 2023



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

## U.S. ECONOMIC INDICATORS Q3 2023



Source: BEA, Census Bureau

## 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> 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 overall vacancy rate remained flat quarter-over-quarter (QOQ) at 3.9%, although it increased by 30 bps from the same period 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 87,759 square feet (sf) across all center types in Q3 2023, but occupancy changes were not uniform among the different retail centers. On the positive side, community centers absorbed the most space with 46,949 sf of occupancy gains, while tenants in regional centers vacated a net negative 130,699 sf in the third quarter. New leasing activity dropped for the third quarter to 514,528 sf, dropping 0.5% QOQ and down 12.8% from a year ago. Construction activity remained limited 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 fifth consecutive quarter. At \$2.57 per square foot (psf) per month on a triple net basis, the average asking rate increased 1.6% QOQ and 5.8% 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 community centers, which recorded a decrease of 0.7% YOY to \$2.80 psf, while the most affordable rent was in neighborhood centers at \$2.47 psf (+6.0% YOY).

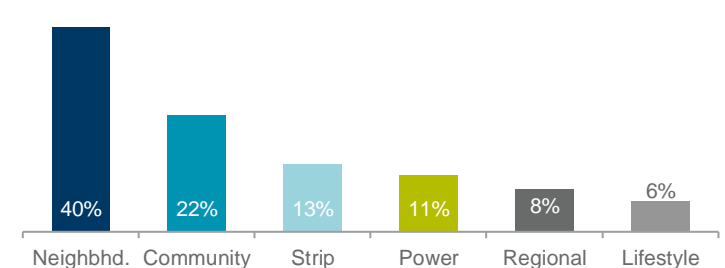
## SALES ACTIVITY

The OC retail market recorded just under \$91 million (M) in sales volume across 10 properties in Q3 2023 compared to \$202M in Q2 2023 (-55% QOQ) and \$212M in Q3 2022 (-57% YOY). The average price per square foot dropped 18% QOQ and 33% YOY to \$261 psf. Through the first three quarters of 2023, private investors comprised 94% of buyers (vs. 75% in 2022) and 65% of sellers (vs. 67% in 2022). Institutional capital continued to shed assets in OC throughout 2023 with only one new acquisition comprising 30% of sellers.<sup>3</sup>

## RENT / VACANCY RATE



## TOTAL AVAILABILITY BY PRODUCT TYPE



# Orange County

Retail Q3 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	24,569,471	1,302,686	54,010	4.1%	24,359		102,775	0	\$2.14
Greater Airport Area	13,621,281	397,609	15,698	2.4%	26,340		41,143	0	\$4.46
South County	22,049,812	1,328,485	49,396	4.1%	51,957		-52,039	0	\$2.91
West County	21,523,728	859,391	71,239	3.7%	-7,616		46,412	11,903	\$2.49
Central County	15,305,675	701,230	279,488	4.7%	-182,799		-337,796	0	\$2.63
Community	23,817,679	854,741	79,723	3.6%	46,949		40,099	0	\$2.80
Lifestyle	4,746,430	298,094	600	5.3%	6,999		30,581	0	N/A
Neighborhood	31,011,530	1,465,821	98,676	4.4%	-59,305		35,361	0	\$2.47
Power	12,487,970	627,887	6,657	3.2%	40,246		-48,697	0	\$2.74
Regional	13,091,985	840,069	274,440	2.8%	-130,699		-250,666	8,500	N/A
Strip	11,914,373	502,789	9,735	4.1%	8,051		-6,183	3,403	\$2.59
<b>OC TOTALS</b>	<b>97,069,967</b>	<b>4,589,401</b>	<b>469,831</b>	<b>3.9%</b>	<b>-87,759</b>		<b>-199,505</b>	<b>11,903</b>	<b>\$2.57</b>

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

## KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
35-140 Via Pico Plaza	South County	EOS Fitness	30,250	New Lease
23535-23701 Moulton Pkwy.	South County	Savers	26,270	New Lease
4100 Newport Pl.	Greater Airport Area	US Bank	24,252	Renewal**
4343 MacArthur Blvd.	Greater Airport Area	Home Consignment Center	19,094	New Lease
5961 La Palma Ave.	North County	Dollar Tree	12,844	Sublease

## KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
27741 Crown Valley Pkwy.	South County	Westport Capital Partners LLC / Continuum Analytics	242,825	\$33.5M / \$138
6931 La Palma Ave.	North County	Concordia Capital Partners LLC / Sam K. Fong	42,647	\$6.9M / \$161
7821-7961, 7971, 7811 Valley View St.	North County	DMI Real Estate Group, LLC / La Palma Collection LLC	23,882	\$13.0M / \$544
2450 E. Chapman Ave.	North County	99 Cents Only Stores LLC / Wood Investments Companies	16,500	\$4.9M / \$295

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