

## MARKET CHANGE

Compared to 2013:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

UP



Transactions

UP



Deliveries

DOWN



To view available properties or electronic versions of current or past market reports, please visit:

[www.voitco.com](http://www.voitco.com)

Prepared by:

**Jerry J. Holdner, Jr.**  
Vice President of Market Research  
e-mail: [jholdner@voitco.com](mailto:jholdner@voitco.com)

**Tony Tran**  
Market Research Analyst  
e-mail: [ttran@voitco.com](mailto:ttran@voitco.com)  
VOIT Real Estate Services

## HIGHLIGHTS

- **Steady Growth** - The Orange County flex market had a decent fourth quarter, posting 320,000 square feet of positive net absorption, giving the market a total of over 1.3 million square feet of positive absorption for the last nine quarters. Both vacancy and availability continued their downward trend and lease rates continued to increase.
- **Construction** - At the end of the year, there was 129,202 under construction in Orange County's flex market and nothing is on the books as planned. The slowdown in construction has eased and will continue to relieve the upward pressure on vacancy, and will enhance upward pressure on lease rates. The shrinking availability of land, scarce financing and rising construction costs have led to few projects being developed.
- **Vacancy** - Down 169 basis points from the previous quarter, direct/sublease space (unoccupied) finished the fourth quarter at 9.3%, a decrease from the previous year's rate of 11.19%, and significantly down from the record-high rate of 25.85% recorded in the third quarter of 2002. This is the first time since the first quarter of 2007 that we have seen single digit vacancy in this product type.
- **Availability** - High-end space captured recent gains in occupancy. Direct/sublease space being marketed was 13.84% at the end of the fourth quarter of 2014, down from the previous quarter and 2013's fourth quarter rate of 16.97%, showing an annual decrease of 18.44%.
- **Lease Rates** - The average asking full-service gross (FSG) lease rate per square foot per month in Orange County's flex market was \$1.80 in the fourth quarter; seven cents higher than the previous quarter and twelve cents higher than 2013's fourth quarter rate. The record high rate of \$2.66 was established in the third quarter of 2007.
- **Absorption** - The Orange County flex market posted 320,728 square feet of positive absorption in the fourth quarter of the year, giving the market a total of 356,354 square feet of positive absorption for 2014. This positive absorption can be attributed to the recent employment gains.
- **Transaction Activity** - Leasing activity checked in at 2.2 million square feet for 2014, an increase over 2013's total of 2.1 million square feet leased. Sales activity came in just above the previous year's rate, recording over 2.2 million square feet for 2014 compared to 2013's 2.1 million square feet of sales transactions. This statistic can have some lag time in being reported, so look for fourth quarter figures to end up somewhat higher.
- **Employment** - The unemployment rate in Orange County was 5.0% in November 2014, unchanged from a revised 5.0% in October 2014 and below the previous year's estimate of 5.8%. This compares with an unadjusted unemployment rate of 7.1% for California and 5.5% for the nation during the same period. According to the State of California Employment Development Department, Orange County saw a net increase of 32,200 payroll jobs from November 2013 to November 2014. Most sectors showed gains in employment; the largest gains were 10,900 in educational and health services and 7,700 in construction during that same period. Manufacturing posted the largest year-over-year loss, dropping by 2,300 jobs.
- **Overall** - We are continuing to see increases in the asking lease rates in the Orange County flex market, as vacancy and availability continue trending downward. As we move into the first quarter of 2015, positive absorption should continue, occupancy costs will continue to increase and with very few deliveries in the pipeline to apply upward pressure on vacancy, we foresee 2015 being another year of growth as the market enters into single digit vacancy for the first time since 2007.

## FORECAST

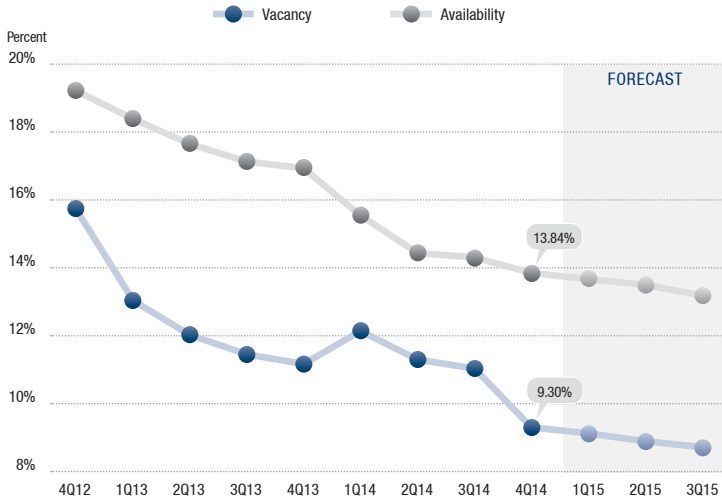
- **Employment** - We anticipate job growth of around 2.6%, or 38,000 jobs, in the Orange County area over the next four quarters according to Chapman University. The most rapid growth should take place in the construction, education & health, professional & business services, and leisure & hospitality sectors.
- **Lease Rates** - Expect average asking lease rates to increase by 4% to 6% by the fourth quarter of 2015.
- **Vacancy** - We anticipate vacancy to continue to descend in coming quarters, dropping by 80 basis points to around 8.5% by the fourth quarter of 2015.

## OVERVIEW

	2014	2013	2012	% of Change vs. 2013
Total Vacancy Rate	9.30%	11.19%	15.75%	(16.89%)
Availability Rate	13.84%	16.97%	19.20%	(18.44%)
Average Asking Lease Rate	\$1.80	\$1.68	\$1.67	7.14%
Sale & Lease Transactions	4,422,797	4,291,744	5,492,831	3.05%
Gross Absorption	2,431,484	2,682,574	2,152,753	(9.36%)
Net Absorption	356,354	877,212	183,571	N/A

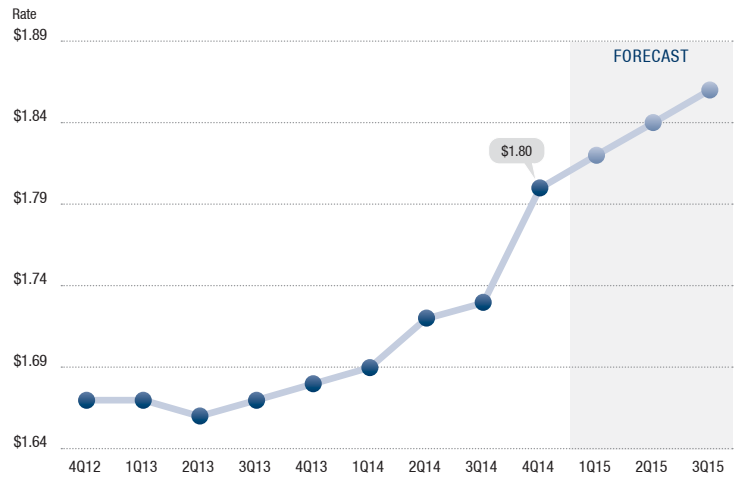
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



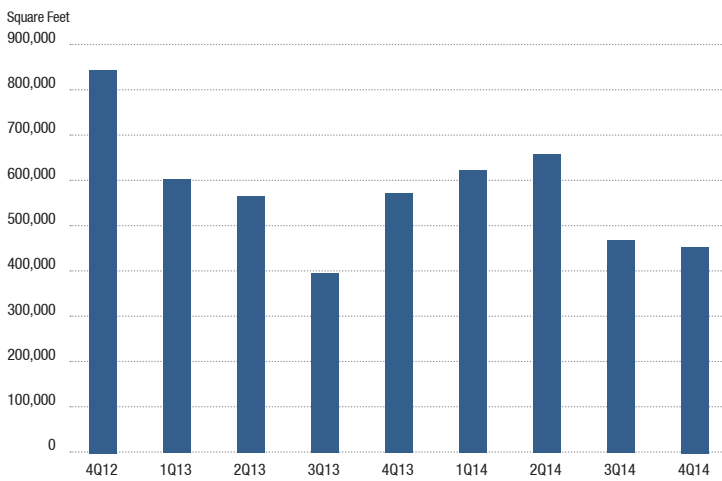
AVERAGE ASKING FULL-SERVICE GROSS LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



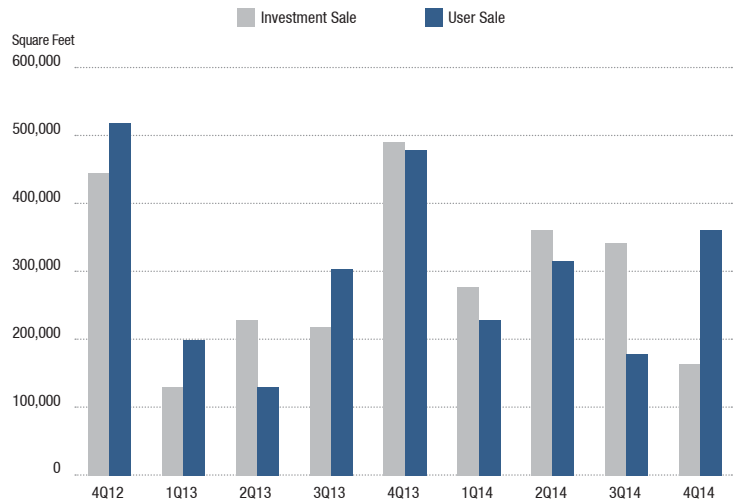
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



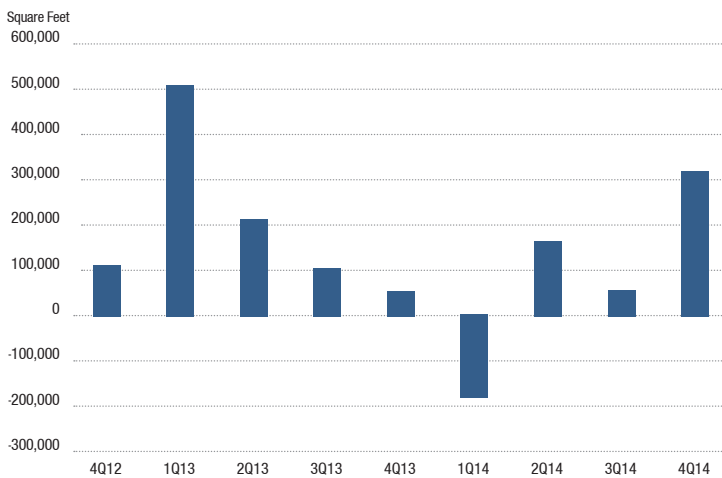
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER

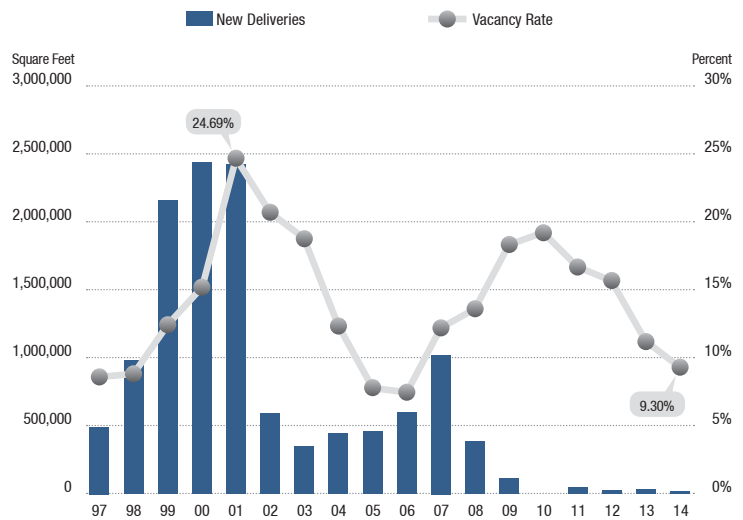


NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT

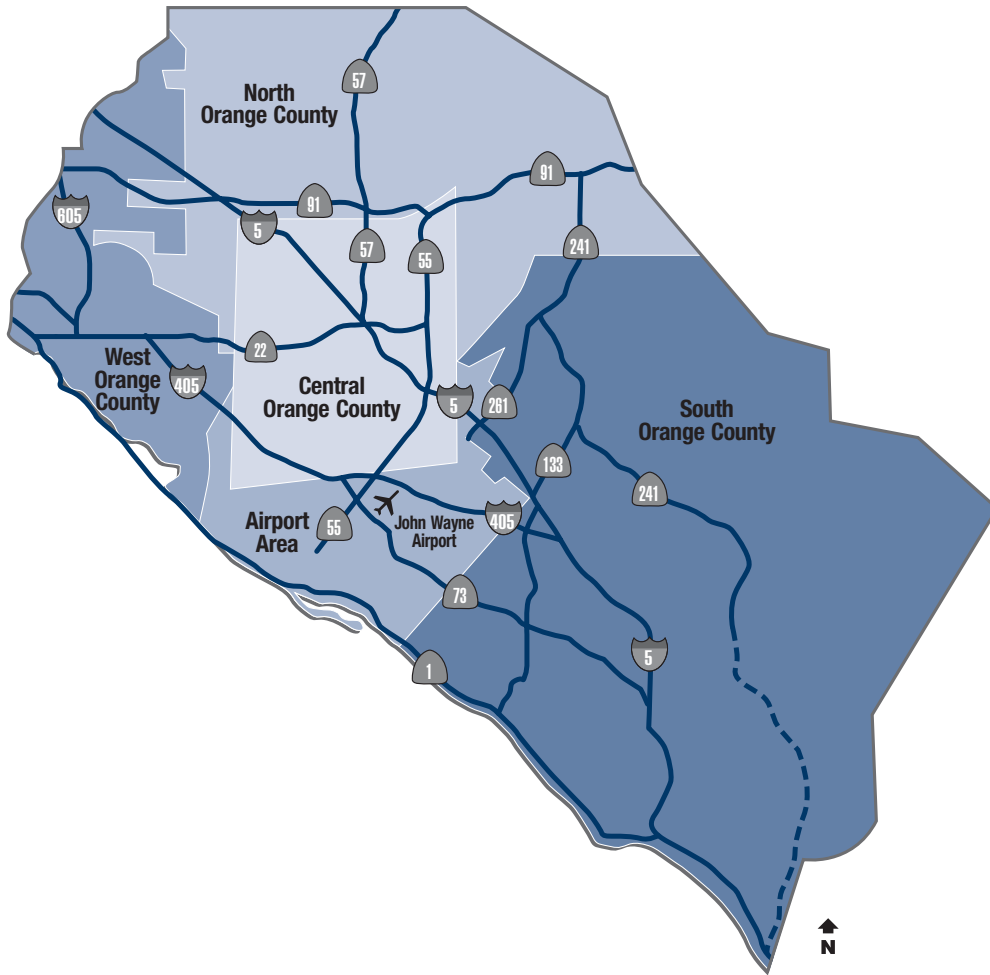


ANNUAL NEW DELIVERIES VS. VACANCY RATE



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2014	Square Feet Available	Availability Rate 4Q2014	Average Asking Lease Rate	Net Absorption 4Q2014	Net Absorption 2014	Gross Absorption 4Q2014	Gross Absorption 2014
<b>North County</b>													
Anaheim	30	642,137	0	0	74,761	11.64%	85,133	13.26%	\$1.64	(8,490)	(20,512)	1,789	27,083
Brea	14	414,115	0	0	67,859	16.39%	87,985	21.25%	\$1.33	(6,643)	(15,282)	31,704	49,847
Buena Park	6	112,122	0	0	6,885	6.14%	6,885	6.14%	\$0.00	(200)	3,278	0	7,183
Fullerton	9	105,926	0	0	8,513	0.00%	35,170	33.20%	\$0.00	1,306	1,306	1,500	4,268
Placentia	5	129,375	0	0	11,262	8.70%	11,262	8.70%	\$1.65	(1,566)	6,984	4,353	17,135
Yorba Linda	2	29,214	0	0	1,200	4.11%	1,200	4.11%	\$0.00	0	(1,200)	0	0
<b>North County Total</b>	<b>66</b>	<b>1,432,889</b>	<b>0</b>	<b>0</b>	<b>170,480</b>	<b>11.90%</b>	<b>227,635</b>	<b>15.89%</b>	<b>\$1.53</b>	<b>(15,593)</b>	<b>(25,426)</b>	<b>39,346</b>	<b>105,516</b>
<b>West County</b>													
Cypress	11	378,142	0	0	136,175	36.01%	159,152	42.09%	\$1.75	1,950	(26,275)	1,950	28,338
Huntington Beach	3	49,145	0	0	5,148	10.48%	5,148	10.48%	\$1.42	0	439	0	5,145
Seal Beach	4	43,000	0	0	0	0.00%	2,054	4.78%	\$2.35	0	4,727	0	9,099
<b>West County Total</b>	<b>18</b>	<b>470,287</b>	<b>0</b>	<b>0</b>	<b>141,323</b>	<b>30.05%</b>	<b>166,354</b>	<b>35.37%</b>	<b>\$1.72</b>	<b>1,950</b>	<b>(21,109)</b>	<b>1,950</b>	<b>42,582</b>
<b>Central County</b>													
Garden Grove	5	74,082	0	0	23,352	31.52%	23,352	31.52%	\$1.40	(4,802)	(6,892)	0	7,800
Orange	9	150,215	0	7,891	11,341	7.55%	13,535	9.01%	\$1.95	3,150	4,370	4,281	15,206
Santa Ana	21	605,916	0	0	91,966	15.18%	84,427	13.93%	\$1.93	38,911	5,309	38,911	65,922
Tustin	8	239,182	0	0	6,611	2.76%	16,346	6.83%	\$0.00	0	(3,611)	0	3,000
<b>Central County Total</b>	<b>43</b>	<b>1,069,395</b>	<b>0</b>	<b>7,891</b>	<b>133,270</b>	<b>12.46%</b>	<b>137,660</b>	<b>12.87%</b>	<b>\$1.90</b>	<b>37,259</b>	<b>(824)</b>	<b>43,192</b>	<b>91,928</b>
<b>Airport Area</b>													
Costa Mesa	9	151,399	0	0	14,155	9.35%	26,947	17.80%	\$1.90	0	0	0	0
Fountain Valley	1	15,000	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Irvine	114	3,472,489	0	0	241,756	6.96%	394,793	11.37%	\$1.98	102,645	67,705	129,664	439,552
Newport Beach	30	625,138	21,311	0	49,527	7.92%	66,929	10.71%	\$2.55	6,830	(22,637)	11,835	46,430
Santa Ana	3	92,639	0	0	0	0.00%	0	0.00%	\$2.10	33,744	0	33,744	33,744
Tustin	2	81,116	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
<b>Airport Area Total</b>	<b>159</b>	<b>4,437,781</b>	<b>21,311</b>	<b>0</b>	<b>305,438</b>	<b>6.88%</b>	<b>488,669</b>	<b>11.01%</b>	<b>\$2.10</b>	<b>143,219</b>	<b>45,068</b>	<b>175,243</b>	<b>519,726</b>
<b>South County</b>													
Aliso Viejo	47	1,444,048	0	0	110,818	7.67%	246,959	17.10%	\$1.72	17,065	43,892	29,588	129,143
Dana Point	6	77,940	0	0	4,767	6.12%	4,767	6.12%	\$0.00	1,000	1,900	1,000	1,900
Foothill Ranch	5	105,447	0	0	20,787	19.71%	23,733	22.51%	\$0.00	(2,210)	7,714	0	15,434
Irvine Spectrum	237	5,719,201	0	100,000	321,894	5.63%	625,320	10.93%	\$2.23	149,032	322,912	312,493	1,174,477
Ladera Ranch	8	227,862	0	0	54,236	23.80%	63,697	27.95%	\$0.00	10,846	(5,735)	10,846	18,489
Laguna Beach	5	74,016	0	0	700	0.95%	700	0.95%	\$0.00	0	3,058	1,147	4,205
Laguna Hills	15	503,340	0	0	113,455	22.54%	111,661	22.18%	\$1.88	(10,609)	5,742	9,796	75,722
Laguna Niguel	3	53,282	0	0	2,220	4.17%	2,220	4.17%	\$0.00	0	0	0	0
Lake Forest	46	1,539,768	0	0	203,389	13.21%	268,289	17.42%	\$1.55	(7,600)	(41,742)	2,480	116,134
Mission Viejo	29	405,223	0	0	40,401	9.97%	67,085	16.56%	\$1.52	(283)	6,938	0	18,881
Rancho Santa Margarita	12	327,160	0	0	32,177	9.84%	34,744	10.62%	\$1.73	(6,823)	(4,863)	1,104	44,697
San Clemente	12	256,124	0	0	16,146	6.30%	28,332	11.06%	\$1.19	4,412	19,177	4,412	20,975
San Juan Capistrano	30	614,488	42,551	0	73,686	11.99%	97,854	15.92%	\$2.20	(937)	(348)	6,187	51,675
<b>South County Total</b>	<b>455</b>	<b>11,347,899</b>	<b>42,551</b>	<b>100,000</b>	<b>994,676</b>	<b>8.77%</b>	<b>1,575,361</b>	<b>13.88%</b>	<b>\$1.70</b>	<b>153,893</b>	<b>358,645</b>	<b>379,053</b>	<b>1,671,732</b>
<b>Orange County Total</b>	<b>741</b>	<b>18,758,251</b>	<b>63,862</b>	<b>107,891</b>	<b>1,745,187</b>	<b>9.30%</b>	<b>2,595,679</b>	<b>13.84%</b>	<b>\$1.80</b>	<b>320,728</b>	<b>356,354</b>	<b>638,784</b>	<b>2,431,484</b>
<b>North County</b>													
0-29,999	53	854,419	0	0	106,217	12.43%	151,833	17.77%	\$1.56	(18,958)	(18,915)	7,642	46,490
30,000-49,999	9	348,491	0	0	33,446	9.60%	37,901	10.88%	\$1.33	5,015	860	6,500	22,446
50,000 Plus	4	229,979	0	0	30,817	13.40%	37,901	16.48%	\$1.95	(1,650)	(7,371)	25,204	36,580
<b>West County</b>													
0-29,999	11	102,232	0	0	8,248	8.07%	8,248	8.07%	\$1.42	0	3,939	0	11,745
30,000-49,999	4	167,585	0	0	10,810	6.45%	21,368	12.75%	\$1.87	1,950	(7,633)	1,950	7,549
50,000 Plus	3	200,470	0	0	122,265	60.99%	136,738	68.21%	\$0.00	0	(17,415)	0	23,288
<b>Central County</b>													
0-29,999	29	391,157	0	7,891	39,549	10.11%	53,873	13.77%	\$1.40	(1,752)	(6,049)	3,050	16,927
30,000-49,999	7	265,400	0	0	15,802	5.95%	22,413	8.44%	\$1.61	6,861	6,710	6,861	21,990
50,000 Plus	7	412,838	0	0	77,919	18.87%	61,374	14.87%	\$1.98	32,150	(1,485)	33,281	53,011
<b>Airport Area</b>													
0-29,999	91	1,025,066	21,311	0	93,591	9.13%	168,141	16.40%	\$1.89	16,270	2,268	21,275	85,981
30,000-49,999	31	1,258,085	0	0	58,596	4.66%	131,110	10.42%	\$2.68	45,905	16,846	60,193	154,824
50,000 Plus	37	2,154,630	0	0	153,251	7.11%	189,418	8.79%	\$2.07	81,044	25,954	93,775	278,921
<b>South County</b>													
0-29,999	297	3,971,614	0	0	399,763	10.07%	659,949	16.62%	\$1.61	58,025	13,698	134,921	471,040
30,000-49,999	102	4,080,821	0	0	327,551	8.03%	574,063	14.07%	\$1.79	88,943	258,059	165,928	713,778
50,000 Plus	56	3,295,464	42,551	100,000	267,362	8.11%	341,349	10.36%	\$1.84	6,925	86,888	78,204	486,914
<b>Orange County</b>													
0-29,999	481	6,344,488	21,311	7,891	647,368	10.20%	1,042,044	16.42%	\$1.68	53,585	(5,059)	166,888	632,183
30,000-49,999	153	6,120,382	0	0	446,205	7.29%	786,855	12.86%	\$1.89	148,674	274,842	241,432	920,587
50,000 Plus	107	6,293,381	42,551	100,000	651,614	10.35%	766,780	12.18%	\$1.94	118,469	86,571	230,464	878,714
<b>Orange County Total</b>	<b>741</b>	<b>18,758,251</b>	<b>63,862</b>	<b>107,891</b>	<b>1,745,187</b>	<b>9.30%</b>	<b>2,595,679</b>	<b>13.84%</b>	<b>\$1.80</b>	<b>320,728</b>	<b>356,354</b>	<b>638,784</b>	<b>2,431,484</b>

This survey consists of buildings up to 74,999 square feet. The lease rates are based on a full-service gross basis.



**SUBMARKETS**

**NORTH**

Anaheim, Brea, Buena Park, Fullerton, Placentia and Yorba Linda

**WEST**

Cypress, Huntington Beach and Seal Beach

**CENTRAL**

Garden Grove, Orange, Santa Ana and Tustin

**AIRPORT**

Costa Mesa, Fountain Valley, Irvine, Newport Beach, Santa Ana and Tustin

**SOUTH**

Aliso Viejo, Dana Point, Foothill Ranch, Irvine Spectrum, Ladera Ranch, Laguna Beach, Laguna Hills, Laguna Niguel, Lake Forest, Mission Viejo, Rancho Santa Margarita, San Clemente and San Juan Capistrano

**PRODUCT TYPE**

**FLEX-TECH OR CORPORATE HEADQUARTERS**

Minimum 75% improved with drop ceiling, minimum parking ratio of 3.5 to 1, with ground level loading possible.

**Please Contact Us for Further Information**

101 Shipyard Way, Newport Beach, CA 92663 949.644.8648 Lic.#01333376 www.voitco.com



Anaheim, CA  
714.978.7880

Inland Empire, CA  
909.545.8000

Irvine, CA  
949.851.5100

Las Vegas, NV  
702.734.4500

Los Angeles, CA  
424.329.7500

Newport Beach, CA  
949.644.8648

Phoenix, AZ  
602.952.8648

Reno, NV  
775.771.9955

Sacramento, CA  
916.772.8648

San Diego, CA  
858.453.0505

San Jose, CA  
408.885.9110

This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a full-service gross basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

Represented in 150 Markets Nationally & Internationally.

**Real People.  
Real Solutions.®**

©2015 Voit Real Estate Services, Inc. Real People. Real Solutions.® is a registered trademark of Voit Real Estate Services.

