

### TENANTS CAUTIOUS AHEAD OF REOPENING

The first quarter was another period of ailing tenant demand as many companies continued to assess their post-Covid operational needs in an economy that looks poised to rebound this year.

Compared to the negative 1.13 million SF of net absorption in the closing quarter of 2020, 776,138 SF of negative absorption was posted in the first quarter as vaccine distribution was well underway and re-opening of the state by mid June was announced by the governor.

One bright spot in Q1 was a lease by Anduril - a startup surveillance and security company founded by local tech mogul Palmer Luckey - of a record 639,206 SF of creative space on 24-acres. The office campus is on the Costa Mesa site of the former Los Angeles Times offices. Luckey was 22 years old in 2014 when Facebook bought his Oculus virtual reality gaming company for \$3 billion. Plans are for Anduril to relocate its 350 jobs from Irvine to the new offices in the second half of 2021 when many companies expect to fully reopen offices.

Also notable in the first quarter was the sharp reduction in new sublease space hitting the market, down from 678,839 SF over the second half of 2020 to 127,177 SF in Q1. The total of vacant sublease space is 1.76 million, which includes 806,000 SF of vacant second-hand space added since the lockdown.

Of the nation's 80 largest office markets, Orange County has the 65th highest vacancy rate and is 67th in 12-month absorption.

There has been a slight decline in asking lease rates since the lockdown as landlords largely have been standing pat on rents, opting instead to reduce effective rates with free rent and other concessions. Nevertheless, with office users currently enjoying the upper hand, it follows that many building owners and managers have redoubled their tenant retention efforts.

There were declines in first-quarter tenant demand in the Airport, South County and Central County office markets which represent nearly 80% of the county's 117.4-million-SF total inventory.

The largest decline was in the 26.9-million-SF South County market. After closing 2020 with a slight net gain in tenant growth, companies shed 529,857 SF in the first quarter. The year-over-year vacancy rate is up from 11.4% to 15.1%, which includes delivery of four buildings totaling 414,000 SF. Four buildings totaling 217,510 SF are under construction.

There was 292,623 SF of negative Q1 net absorption in the 43.7-million SF Airport market, an improvement from the previous two quarters when absorption was 1.26 million SF in the red.

In the 22.5-million-SF Central County market negative net absorption in Q1 totaled 97,567 SF.

There was 83,195 SF of positive Q1 absorption in the 14.5-million-SF North County market and 60,174 SF of growth in the 9.7-million-SF West County market.

### FORECAST

In Cal State Fullerton's latest business expectations survey of local executives, the university's economists say the overall index at the beginning of the second quarter jumped to 95.3 from 71.6 in Q1, hitting highest level since the end of 2018. The proportion of executives polled that expect improved activity increased to 81.9% from 39.4% in Q1.

### ORANGE COUNTY OFFICE

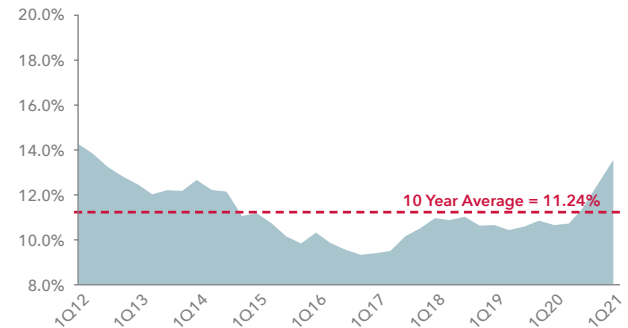
#### ECONOMIC INDICATORS

	Current Quarter	Prior Quarter
OC Unemployment	6.8%	7.4%
California Unemployment	8.4%	9.1%
US Unemployment	6.0%	6.7%

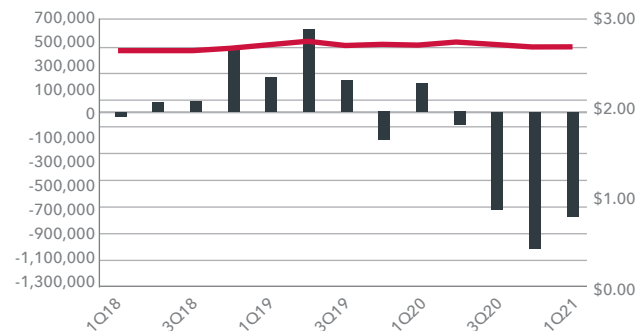
#### MARKET INDICATORS

	Current Quarter	Prior Quarter
Total Inventory (SF)	117,359,234	117,184,030
Vacancy Rate (%)	13.51%	12.72%
Net Absorption (SF)	(776,138)	(1,723,981)
Average Asking Rent (\$/SF)	\$2.67	\$2.69
Under Construction (SF)	1,027,748	1,202,952

#### OVERALL VACANCY



#### NET ABSORPTION VS ASKING RATES



# ORANGE COUNTY

## FIRST QUARTER 2021 OFFICE MARKET REPORT

### ORANGE COUNTY MARKET STATISTICS - 1Q 2021

#### BY AREA

	Bldg Count	SF RBA	Total SF Available	Avail. Rate	Total SF Vacant	Total Vac. Rate	Net Absorption	YTD Net Absorption	Avg Asking Lease Rate	SF Under Construction
North Orange County	169	14,504,836	1,216,293	8.40%	979,144	6.80%	83,195	83,195	\$2.36	- 0 -
Central Orange County	263	22,481,115	4,076,599	17.90%	3,306,533	14.70%	(97,567)	(97,567)	\$2.47	230,000
West Orange County	129	9,725,906	1,000,855	10.30%	769,216	7.90%	60,714	60,714	\$2.39	- 0 -
Greater Airport Area	420	43,722,966	9,240,394	20.90%	6,747,344	15.40%	(292,623)	(292,623)	\$2.82	580,238
South Orange County	361	26,924,411	5,266,123	19.40%	4,053,993	15.10%	(529,857)	(529,857)	\$2.95	217,510
TOTALS	1,342	117,359,234	20,800,264	17.72%	15,856,230	13.5%	(776,138)	(776,138)	\$2.67	1,027,748

### ORANGE COUNTY MARKET STATISTICS - 1Q 2021

#### BY SUBMARKET

	Bldg Count	SF RBA	Total SF Available	Avail. Rate	Total SF Vacant	Total Vac. Rate	Net Absorption	YTD Net Absorption	Avg Asking Lease Rate	SF Under Construction
Class A	315	50,105,101	11,341,609	22.40%	8,849,158	17.70%	(667,336)	(667,336)	\$2.88	590,238
Class B	946	62,517,549	9,082,078	14.40%	6,718,663	10.70%	7,681	7,681	\$2.64	437,510
Class C	81	4,736,584	376,577	8.00%	288,409	6.10%	(116,483)	(116,483)	\$2.29	- 0 -
TOTALS	1,342	117,359,234	20,800,264	17.7%	15,856,230	13.5%	(776,138)	(776,138)	\$2.67	1,027,748

### LEASE TRANSACTIONS 1Q 2021

PROPERTY	SF	TENANT	LANDLORD	REPRESENTING BROKERS
1610 E. St. Andrews Pl Santa Ana, CA	25,005	Collector's Universe, Inc.	Drawbridge Pacific Center, LLC	Craig DeMiranda represented the Tenant.
400 Spectrum Center Dr., Ste 2150 Irvine, CA	2,777	Ark Electronics USA, Inc.	The Irvine Company	Frank Adler and Jeff Hirsch represented the Tenant.
5010 Campus Drive, Suite 110 Newport Beach, CA	1,841	Ivan Casabianca, DDS	Newport Campus II LLC	Allen Basso, Eric Darnell & Kylee King represented the Landlord.

### SALE TRANSACTIONS 1Q 2021

PROPERTY	SF	BUYER	SELLER	REPRESENTING BROKERS
10 Orchard Lake Forest, CA	26,067	Brian McMillan	10 Orchard, LLC	Mark Jerue & Craig Fitterer represented the Seller.
24953 Paseo De Valencia Laguna Hills, CA	21,208	Truc Trong Le	Laguna Hills Medical Arts Building	Brad Gilmer & Guy LaFerrara represented the Seller.
5481 E. Santa Ana Canyon Rd. Anaheim Hills, CA	4,665	Jonathan P Cohen Family Trust and/or assignee	5481 Santa Ana Cyn Rd, LLC a California limited liability company	John Collins, Jack Hogan and Rhett Streelman represented the Seller.

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