ORANGE COUNTY

FIRST QUARTER 2025 OFFICE MARKET REPORT

TENANT DEMAND MIXED; AIRPORT, WEST COUNTY SHOW GAINS

Demand for office space was mixed in the first quarter as the strong market momentum that closed out 2024 failed to carry over early into the new year. Countywide net absorption in Q1 was negative 86,671 SF on tenant contraction in three of the county's five submarkets that total 117 million SF. The weakness pushed up the overall vacancy rate slightly to 14.68%. The vacancy rate in Class A buildings was 19.1%.

A strong first-quarter performance could have been expected following the 401,893 SF of tenant expansion in Q4 and last year's gain of 1.2 million SF of positive net absorption, the most since 2015. It also was a major reversal from the negative 1.6 million SF in 2023, the biggest annual loss since the Covid lockdown in March 2020.

Orange County's office market had been stabilizing. Generally, fewer office tenants are relinquishing space upon lease expiration or ahead of it compared to recent years. Availability has declined, in part, due to second-hand space being leased, de-listed or expired. Sublease space absorbed in 2024 totaled 437,065 SF, the most on record in a single year.

Tenants have demonstrated a preference for new, amenity-rich creative office buildings. Developments completed within the past three years have gained nearly 2.5 million SF in tenant occupancy in the post-pandemic era. Buildings more than 25 years old lost nearly 5 million SF in occupancy.

There was 215,642 SF of negative net absorption in North County. It was the largest one-quarter decline on record for the 14-million-SF submarket that includes Anaheim, Fullerton, Brea, La Habra, Yorba Linda and Buena Park. Tenants shed 56,669 SF in the 22-million-SF Central County submarket and 48,245 SF in 8.7-million-SF West County office projects.

South County posted the greatest tenant expansion in Q1 with 123,766 SF of positive absorption, a turnaround from the negative 80,136 SF of net absorption in Q4 last year.

There was 110,119 SF of first-quarter tenant growth in the Airport submarket, the county's largest with 44.3 million SF.

The largest lease of the quarter was the Irvine Company's agreement with Inari Medical for two floors totaling 54,406-SF at 510 Technology Drive in the Irvine Spectrum. Asking rent was $2.95 per SF.

Safran Cabin, a maker of aircraft parts, signed a 10-year lease for 38l,202 SF of office space at 1620 Sunflower Ave., Costa Mesa.

Honeywell leased 28,606 SF at 2955 Red Hill Ave., Costa Mesa. New York Life Real Estate Investors sold an 11-story office tower in Irvine for $37 million to Greenlaw Partners in Irvine. The deal, which translates into $160.17 per SF, represented a 55% cut from the property's acquisition price in 2015.

MARKET FORECAST

Cal State Fullerton's quarterly survey of Orange County business leaders' economic expectations produced a rating of 85.9%. The index was up from 73.1% in the fourth quarter of 2024, indicating significantly improved business sentiment early in the year and the biggest gain in three years.

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ECONOMIC INDICATORS

	Current Quarter	Prior Quarter
OC Unemployment	3.90%	4.00%
California Unemployment	5.5%	5.4%
US Unemployment	4.0%	4.1%

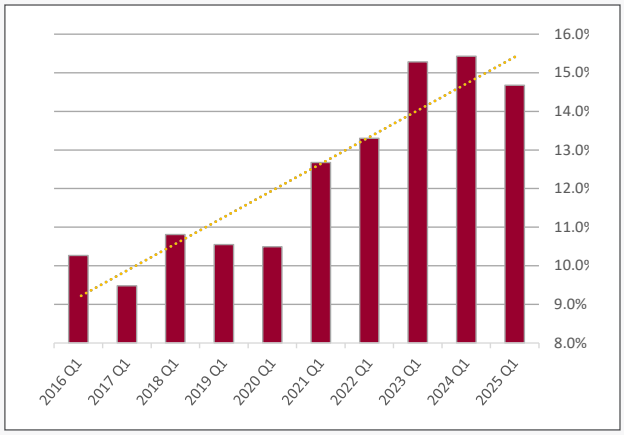
Source: EDD

OFFICE MARKET INDICATORS

	Current Quarter	Prior Quarter
Total Inventory (SF)	116,524,640	117,036,799
Vacancy Rate (%)	14.7%	18.2%
Net Absorption (SF)	(86,671)	401,893
Average Asking Rent ($/SF)	$2.62	$2.62
Under Construction (SF)	244,554	244,554

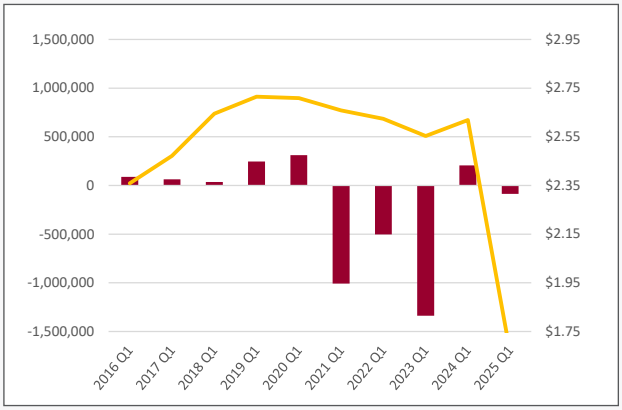
Source: CoStar - (Existing Buildings 30K+ SF)

OVERALL VACANCY



Source: CoStar - (Existing Buildings 30K+ SF)

NET ABSORPTION VS ASKING RATES



Source: CoStar - (Existing Buildings 30K+ SF)

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ORANGE COUNTY MARKET STATISTICS - 1Q 2025

Orange County Submarket	Bldg Count	Total SF Inventory	Total SF Available	Availability Rate	Total SF Vacant	Total Vac. Rate	1st. Qrt. Net Absorption	YTD Net Absorption	Avg Asking Lease Rate	SF Under Construction
North	166	14,043,052	1,809,525	12.9%	1,535,027	10.9%	(215,642)	(215,642)	$2.52	0
Central	250	22,071,429	3,992,565	18.0%	3,351,109	15.2%	(56,669)	(56,669)	$2.34	168,137
West	128	8,764,046	948,341	10.8%	786,048	9.0%	(48,245)	(48,245)	$2.44	31,585
Greater Airport	418	44,342,987	9,321,734	21.0%	7,423,428	16.7%	110,119	110,119	$2.84	44,832
South	364	27,303,126	5,401,847	19.8%	4,005,734	14.7%	123,766	123,766	$2.73	0
TOTALS	**1,326**	**116,524,640**	**21,474,012**	**18.4%**	**17,101,346**	**14.7%**	**(86,671)**	**(86,671)**	**$2.62**	**244,554**

Source: CoStar - (Existing Buildings 30K+ SF)

Building Class	Bldg Count	Total SF Inventory	Total SF Available	Availability Rate	Total SF Vacant	Total Vac. Rate	1st. Qrt. Net Absorption	YTD Net Absorption	Avg Asking Lease Rate	SF Under Construction
A	319	51,702,262	12,467,496	24.0%	9,875,014	19.1%	95,632	95,632	$2.82	212,969
B	916	60,276,223	8,704,562	14.4%	6,982,595	11.6%	(187,414)	(187,414)	$2.58	31,585
C	91	4,546,155	301,954	6.6%	243,737	5.4%	5,111	5,111	$1.79	0
TOTALS	**1,326**	**116,524,640**	**21,474,012**	**18.4%**	**17,101,346**	**14.7%**	**(86,671)**	**(86,671)**	**$2.62**	**244,554**

Source: CoStar - (Existing Buildings 30K+ SF)

LEASE TRANSACTIONS - 1Q 2025

	Property	SF	Tenant	Landlord	Representing Brokers
	1401 Dove St. Newport Beach, CA	±5,941	Russel & Lazarus	Palm Springs Village 309, LLC	Carter Harrington represented the Tenant.
	3189 Pullman St Costa Mesa, CA	±10,500	Newport Academy	RDM Pullman, LLC	Phil Cohen represented the Landlord and Tenant.
	18000 Studebaker Road #400 Cerritos, CA	± 21,914	Conant Automotive Resources, LLC	Logos Tower, Inc.	Mark Joens & Craig DeMiranda represented Tenant.

Source: CoStar

SALE TRANSACTIONS - 1Q 2025

	Property	SF	Buyer	Seller	Representing Brokers
	1333 Avocado Ave Newport Beach, CA	±7,734	FTMA, LLC	1333 Avocado, LLC	Carter Harrington represented the Buyer.
	17305 Von Karman Ave, #100/102 Irvine, CA	±3,046	Christopher C Ninh	Mclearen, LLC	Kylee King, Allen Basso & Eric Darnell represented the Seller.
	2787 Bristol Street Costa Mesa, CA	± 11,315	2787 Bristol, LLC	Hive Investments, LLC	Marshal Vogt and Jaimeson Hearne represented the Seller.

Source: CoStar

LEE & ASSOCIATES - IRVINE
9838 Research Drive
Irvine, California 92618
(949) 727-1200

LEE & ASSOCIATES - NEWPORT BEACH
100 Bayview Circle, Suite 600
Newport Beach, California 92660
(949) 724-1000

LEE & ASSOCIATES - ORANGE
1004 West Taft Avenue, Suite 150
Orange, California 92865
(714) 647-9100

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