

ORANGE COUNTY CALIFORNIA



NUMBER 1

Within Orange County the city of Irvine's **jobs-to-population ratio of 94.8%** is number one for American cities.

2016

- DIVERSE JOB BASE
- VAST INTERNATIONAL FIRM BASE
- EDUCATED LABOR

OVERALL MARKET

Orange County's economy is rapidly expanding as startup and mature companies are drawn to the market's highly educated labor pool and desirable lifestyle.

SUMMARY & FORECAST

Serving as home to a diverse population of over three million people, as well as the so-called, "happiest place on earth," Orange County is the sixth largest county in the country and household growth outpaces that of the rest of the nation. With a civilian labor force of 1.6 million, Orange County enjoys a diverse economy, well-distributed among many sectors. A leader in job creation, the unemployment rate dipped down to 3.7 percent at the end of November, a 40-basis-point decrease from the prior month. Healthy demographics and steady economic fundamentals should sustain this economic growth cycle into the coming year. Orange county's affluent population can rely on its locals' spending power as well as robust tourist activity to drive up annual consumer sales. In addition, an increasing number of high-tech firms are looking for and commanding so-called "creative spaces," adding a new niche to the dynamic local market.

These positive economic trends bode well for the area's commercial real estate market. Office vacancy was down to 8.9 percent at the end of the third quarter, a

50-basis-point reduction from both the prior quarter and the end of 2015. 627,000 square feet of net absorption was achieved during the third quarter, bringing 2016's total to 1.3 million square feet. The amount of available, vacant sublease space decreased during the quarter, ending the period at 460,000 square feet. The average quoted rental rate for available office space, across all classes, was \$27.73 per square foot per year at the end of the third quarter, a 40-basis-point increase in asking rates from the end of the second quarter 2016. A total of 2.4 million square feet was under construction at the end of the quarter with one-half of that being devoted to creative space. Look for increased office demand from international firms and medical device manufacturers, also, as Orange County broadens its appeal to companies in both of these industries.

The Industrial market tightened in 2016. At the close of the third quarter, industrial vacancy was down to 2.4 percent, a twenty-basis-point reduction from where it stood at the close of 2015. Look for minor to no changes in industrial vacancy as the very limited supply of available space provides

too restrictive for many industrial users. The mere 312,000 square feet of supply under construction at the end of the quarter will not sate industrial demand. Over 1.2 million square feet of net absorption has been achieved through the end of the third quarter 2016. While this is less than half of 2015's 2.7 million square feet, the dwindling supply of available space will cause industrial leasing activity to slow. Rental rates ended the third quarter at \$10.24 per square foot, a six percent increase over the close of 2015.

With the addition of the highly-anticipated TRADE Food Hall, the Orange county retail market saw steadily improving conditions, even over 2015's very positive performance. The vacancy rate decreased from 4.2 percent in the previous quarter to 3.9 percent in the third quarter of 2016. Net absorption was positive 239,476 square feet. Quoted rental rates increased almost two percent from the end of 2015, closing the third quarter at \$25.67 per square foot per year. Three retail buildings with 17,100 square feet of retail space were delivered to the market during the quarter, with 613,031 square feet still under construction.

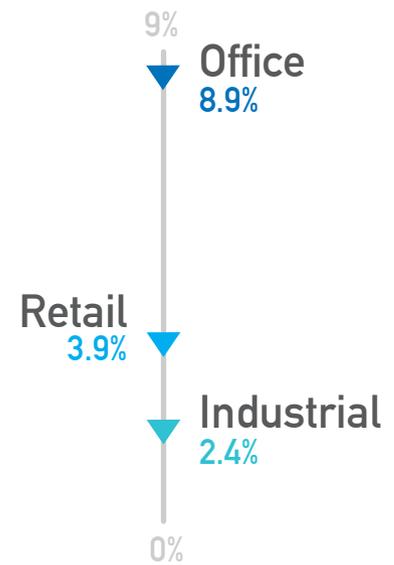
LARGEST LEASE SIGNINGS

As of Q3 2016

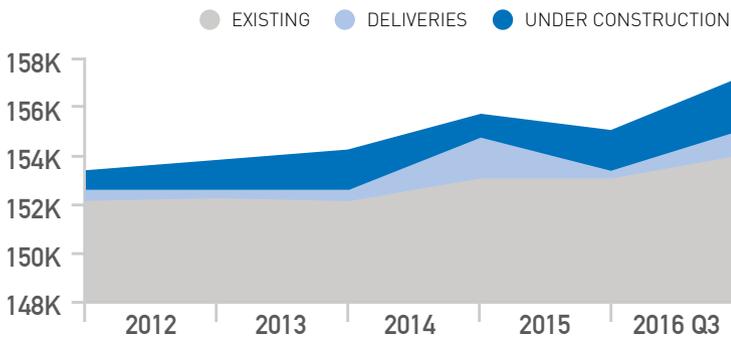
	LEASE TYPE	LEASE LOCATION	SIZE (SF)
Volt Information Sciences, Inc.	Office	2401 N Glassell St	191,127
Nationstar Mortgage Holdings	Office	1600 E Saint Andrew Pl	152,828
3PL Global LLC	Industrial	601 S Acacia Ave	441,020
Bunzl Distribution California	Industrial	3310-3320 E Miraloma Ave*	319,174
TBA	Retail	120-130 E Imperial Hwy	46,169
TBA	Retail	1900 N Grand Ave	45,000

VACANCY RATES

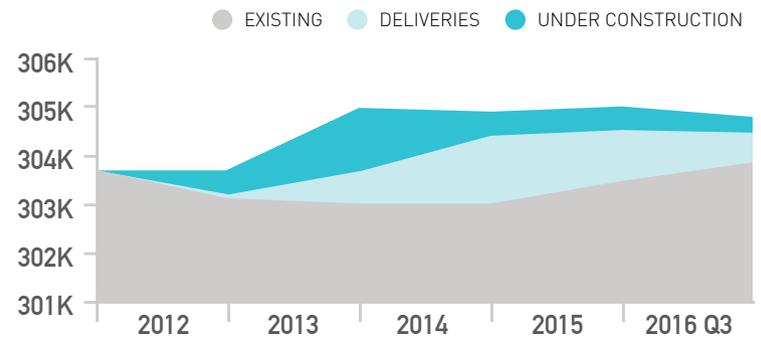
As of Q3 2016



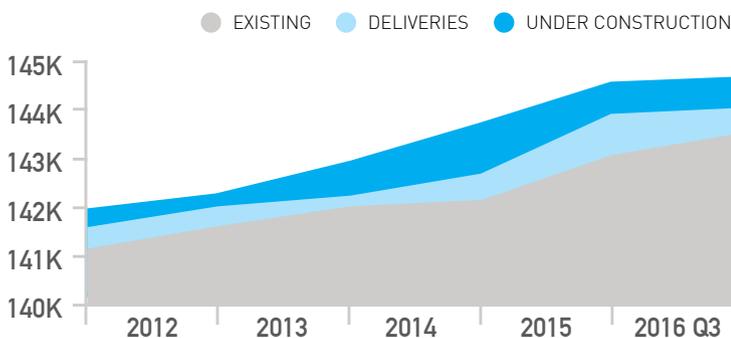
OFFICE INVENTORY GROWTH



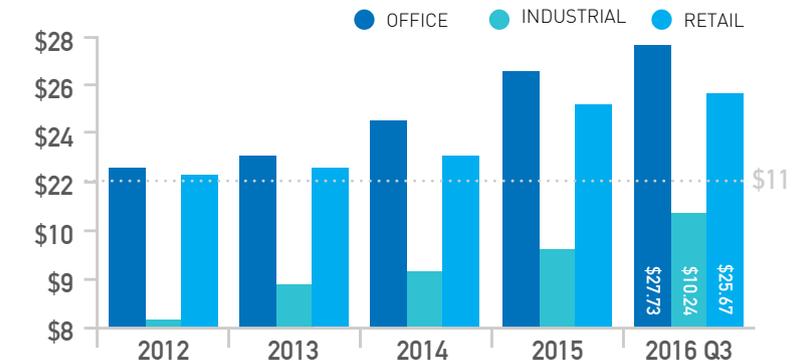
INDUSTRIAL INVENTORY GROWTH



RETAIL INVENTORY GROWTH



LEASE RATES



ABSORPTION RATES

