

# Orange County, California

Tenant's Guide ■ North American Markets ■ Second Quarter 2010

## Overview

The Orange County class A and B office market closed the second quarter of 2010 with asking rents averaging \$24.22/SF for both direct and sublease space. Available space in Orange County has increased by two percent over the past year. The total amount of office space available in Orange County, including both direct and sublease space, was 22.6% in the second quarter of 2010, down slightly from 23.3% in the first quarter of 2010. Orange County's net absorption for the second quarter of 2010 was negative 218,658 SF.

Orange County office vacancy averaged 18.6% for class A buildings with rental rates averaging \$26.04. Class B building vacancy totaled 15.4% with average rates at \$22.39 in the second quarter. Available sublease space decreased to 2,369,833 SF, down from 2,641,354 SF at the end of the first quarter of 2010.

## Market Trends

- According to Chapman University Economist Esmael Adibi, Orange County's soft economic recovery is due in large part to the "lethargic turnaround" in the construction sector. More than 7,500 construction jobs are expected to be lost in 2010, with 2011 not looking any better.
- Orange County's construction of new office space has ceased for the foreseeable future. Low lease rates and high vacancy rates in commercial real estate are keeping developers from building. This is expected to keep pushing total construction spending down through the third quarter of 2011, according to the Chapman University economic report.
- The Newport Center area closed the second quarter of 2010 with average class A rental rates at \$46.31/SF and a vacancy rate of 9.0%. The Newport Center vacancy rate has increased significantly from last quarter when the Q2 2009 closed with vacancy at 8.4% and rental rates averaged \$47.86/SF.

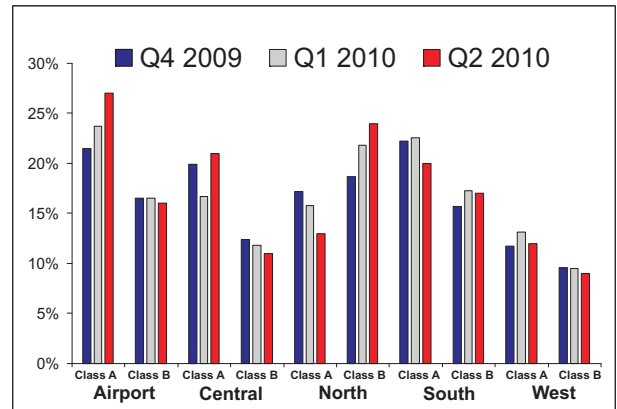
## Tenant's Perspective

Due to continued low demand for office space, vacancy rates are expected to remain elevated for most property types. In turn, rental rates will continue declining. Landlords' concessions to tenants will continue to increase in order to secure tenancy.

## Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
LSI Title	107,152	Office	Lease
Sage Software	64,006	Office	Lease
Oracle	46,900	Office	Lease
L.A. Fitness	39,988	Office	Lease
McCarthy Construction	39,636	Office	Lease
Sage Software	27,153	Office	Lease
Amerisource Bergen	27,126	Office	Lease
Corinthian Colleges	25,679	Office	Lease

## Vacancy Rate



## Average Rental Rates

Airport Area	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$28.45	\$27.57	\$26.13
Class B Office	\$23.66	\$23.00	\$23.46
Central County	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$25.04	\$27.73	\$25.21
Class B Office	\$21.64	\$21.62	\$21.19
North County	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$26.26	\$25.90	\$26.08
Class B Office	\$23.18	\$20.68	\$21.47
South County	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$26.46	\$25.47	\$26.56
Class B Office	\$23.18	\$22.71	\$24.31
West County	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$26.15	\$25.18	\$26.24
Class B Office	\$20.23	\$20.72	\$21.54

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