

# ORANGE COUNTY OFFICE MARKET **Yardi® Matrix**

## Market Analysis

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## A Leveling Office Market



Orange County's office market continues to grow, bolstered by its highly skilled and educated workforce and relatively affordable cost of doing business. Although it is not one of the leading tech markets, its gaming, software, engineering and cybersecurity appeal is there, positioning it as an alternative SoCal market. As a result, coworking firms have expanded their presence in Orange County, where they have leased more than 1 million square feet. WeWork recently signed a 44,520-square-foot lease at The Irvine Co.'s 400 Spectrum Center.

The Orange County job market is strong, with unemployment at 2.8% at the end of last year and 7,700 jobs added in the 12 months ending in November 2018. Significant job gains in professional and business services (7,100), education and health services (6,700) and leisure and hospitality (6,600) have offset losses in other sectors, such as manufacturing and government. The two sectors lost a total of 10,300 jobs.

While transaction volume dropped 17.3% year-over-year nationwide as of December 2018, Orange County's investment activity was up 1.4% year-over-year, thanks to an increased interest in value-add plays. Class B office buildings in the John Wayne Airport and South Coast Metro submarkets were largely targeted by investors, thanks to their solid asking rent growth. The average vacancy rate in the market in January was 11.7%, well below the national average of 14.0%. Submarkets with newer office inventory, such as Irvine Spectrum and Newport Center, had some of the smallest vacancy rates in the metro.