

ORANGE COUNTY OFFICE MARKET

Yardi® Matrix

Market Analysis

Fourth Quarter 2019

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Strong Momentum Continues



Driven by a modest stock of high-quality space, a low cost of doing business and spillover impacts from Los Angeles, office demand remained robust in Orange County between January and October 2019. Aided by funding from the Transportation Corridor Agencies, Caltrans is set to build a bridge connecting Orange and Riverside counties. The estimated \$180 million project—aimed at easing traffic on the 91 Freeway Lane and helping residents who live in the Inland Empire but work in Orange County—could be completed as early as 2023.

Employers added 21,500 jobs in the 12 months ending in September, with almost half of that comprising office-using positions. The professional and business services sector expanded by 7,500 jobs, a 2.4% increase year-over-year. Job growth was also robust in leisure and hospitality (6,100 jobs) and in construction (3,300 jobs).

Construction activity picked up this year with 1.7 million square feet completed year-to-date through October, up 260% year-over-year. Demand for high-quality space remains high, and developers continue to focus on submarkets with a low availability of Class A supply. Orange County's overall vacancy rate stood at 11.6% as of October, down 220 basis points year-over-year. Coworking companies continued to sign the largest leases in the market, with WeWork leasing more than 300,000 square feet in 2019. In total, shared office space providers absorbed more than 465,000 square feet in the metro year-to-date through October.