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FOR MORE INFORMATION

JIM PROEHL

President, Property Services
949.390.5555
jim.proehl@madisonmarquette.com



ARIEL GUERRERO

Senior Vice President, Research
713.209.5704
ariel.guerrero@madisonmarquette.com



ECONOMIC OVERVIEW

KEY INDICATORS

Total Nonfarm Employment



+76,100 jobs YOY



Office Employment



6,000 jobs YOY



Orange County Unemployment



2.4%



California Unemployment



4.3%



Airline Passengers (SNA)



+71.3% YOY



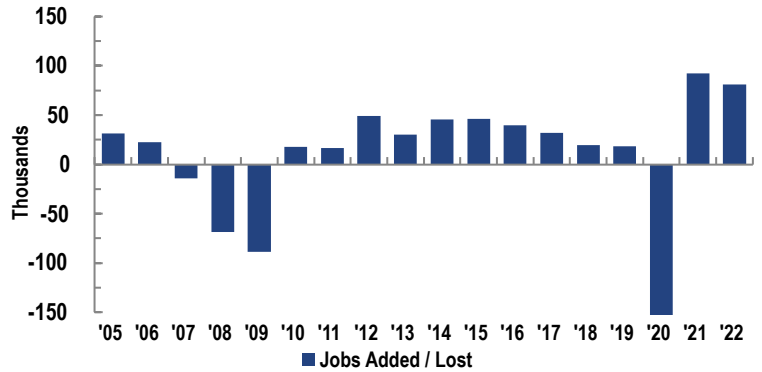
Orange County Business Expectations



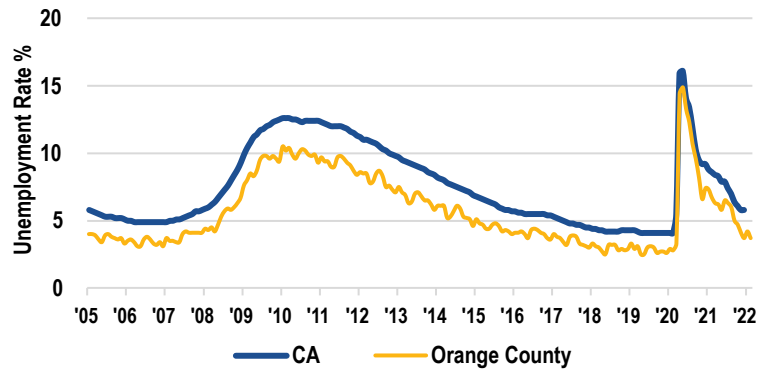
85.3



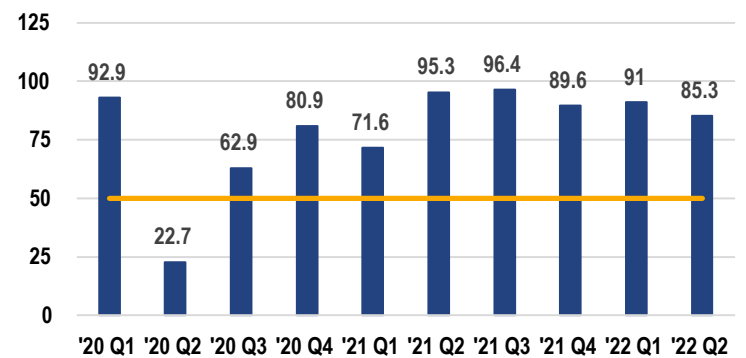
EMPLOYMENT TRENDS



UNEMPLOYMENT

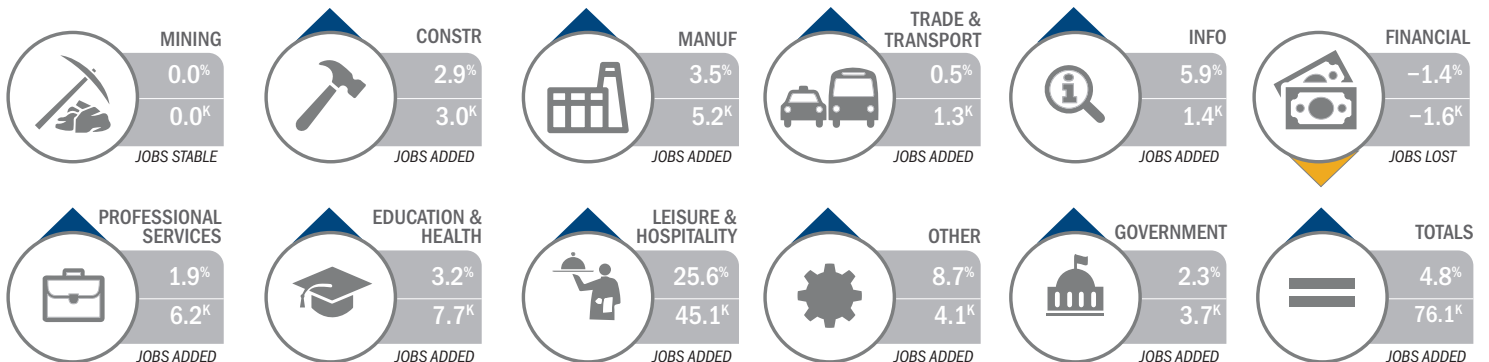


OC BUSINESS EXPECTATIONS

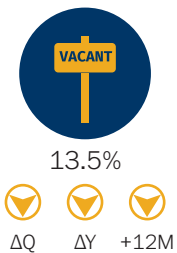


A reading above 50 indicates future growth in the economy.

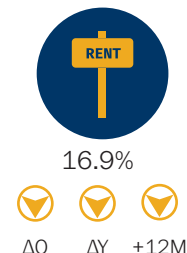
EMPLOYMENT GROWTH BY SECTOR



Direct Vacancy



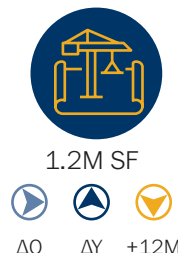
Direct Availability



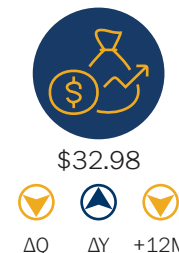
Direct Net Absorption (T-12 mos)



Under Construction



Direct Asking Rents



OFFICE MARKET ASSESSMENT

• Orange County's office market registered its strongest quarterly gain since the pandemic's onset with 873k SF of direct net absorption in Q2, improving the trailing 12-months total to 537k SF of occupancy gains after experiencing a temporary retraction during the prior quarter.

• The countywide direct vacancy rate dropped 80 bps to 13.5% in Q2 and has managed to improve by 100 bps since hitting a 9-year high in 3Q21. Despite the improvement, the countywide vacancy rate remains 230 bps above its pre-pandemic levels.

• The Class A sector accounted for the bulk of the quarterly gains with 542k SF of direct space absorbed in Q2, but has experienced 131k SF of occupancy losses over the prior 12 months. Class B properties registered its third straight quarter of leasing gains with 331k SF of direct space absorbed in Q2, bringing the trailing 12-months total to 668k SF.

• The majority of the occupancy gains occurred in South County with 612k SF of direct net absorption in Q2, bringing the trailing-12 months total up to 933k SF. The Airport Area also contributed with 393k SF of absorption but has experienced 255k SF of occupancy losses over the prior 12 months.

• Touring activity has picked up as occupiers are reevaluating their future space needs and more willing to execute on long-term leasing decisions. The largest deals inked in Q2 included Americor's 31k SF new lease at 18200 Von Karman Ave, Glasir Group's 31k SF sublease at 43 Discovery and Lugano Diamonds & Jewelry Inc's 29k SF new lease at 620 Newport Center Dr.

• Leasing activity has accelerated to 7.3 MSF over the trailing 12 months, up 24.1% year-over-year, but remains 24.8% below 2017-19 pre-pandemic levels. Leasing volume totaled nearly 1.9 MSF in Q2, up 29.1% compared to a year ago.

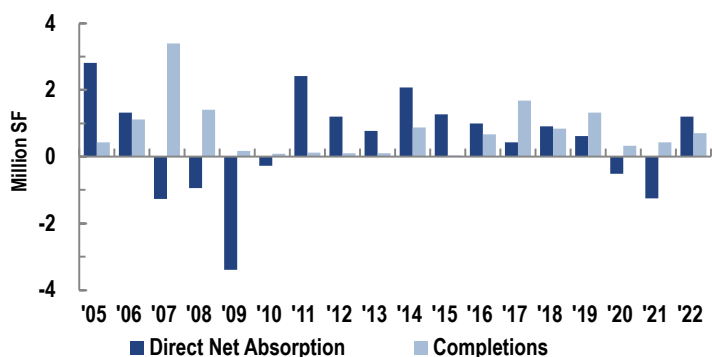
• Sublease availability rose by 377k SF in Q2 reaching an all-time high of nearly 3.7 MSF as some occupiers downsized their footprints. Sublease inventory will likely remain high as employers adapt to new workplace strategies and continue to optimize their footprints to best fit their needs and future business plans.

• Class A asking rents have trended downward since the pandemic emerged with a 4.4% reduction from its peak at mid-year 2020 but has stabilized in recent quarters and managed to increase by 1.6% in Q2. Class B rents have also risen by 0.5% Y-O-Y. However, effective rents experienced downward pressure as landlord concession packages remain aggressive to attract and retain tenants.

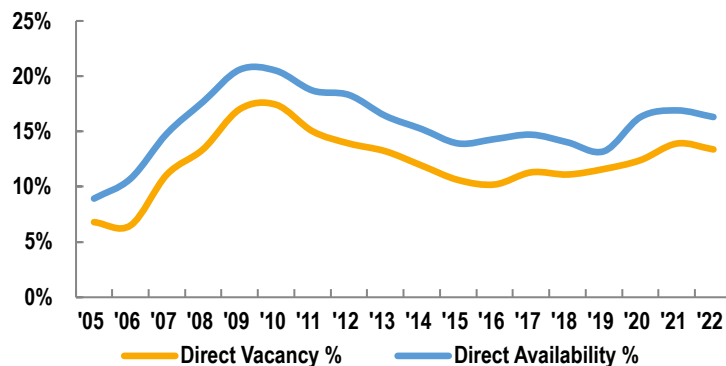
• The construction pipeline remains active with 1.2 MSF underway currently 48% pre-leased. Three major projects are slated to deliver by year-end 2022, which include The Press (449K SF pre-leased to Anduril), the third phase of Spectrum Terrace (375k SF across 3 buildings), and the second phase of Innovation Office Park (259k SF across 7 buildings).

• The OC office market is expected to remain tenant-favorable with generous concession packages for longer term deals, but pent-up activity should help improve leasing fundamentals and generate more occupancy as employees return to the office and more long-term decisions are made in the year ahead.

SUPPLY AND DEMAND



VACANCY AND AVAILABILITY



Net Absorption Trends

CLASS A



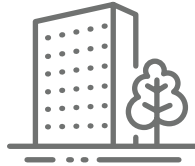
-131K SF
T-12 MOS



CLASS B

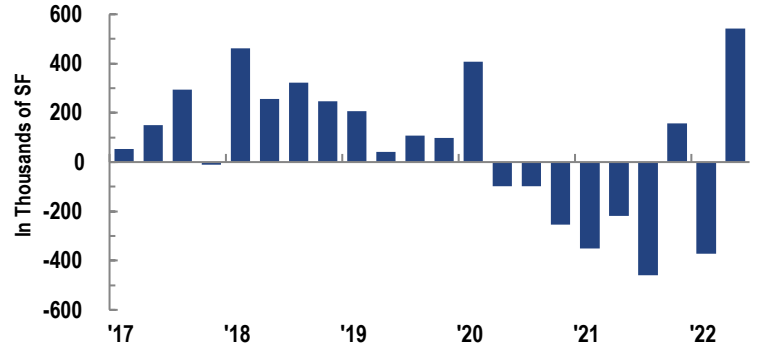


+668K SF
T-12 MOS

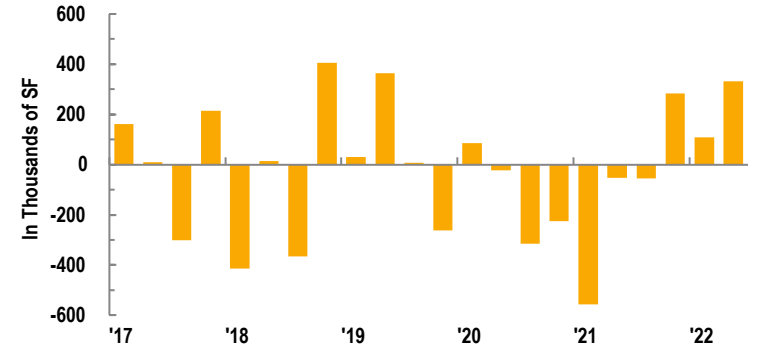


DIRECT NET ABSORPTION

CLASS A



CLASS B



Vacancy and Availability Trends

CLASS A



DIRECT VACANCY

15.9%
7.7M SF

DIRECT AVAILABILITY

20.7%
10.2M SF

CLASS B



DIRECT VACANCY

11.4%
6.2M SF

DIRECT AVAILABILITY

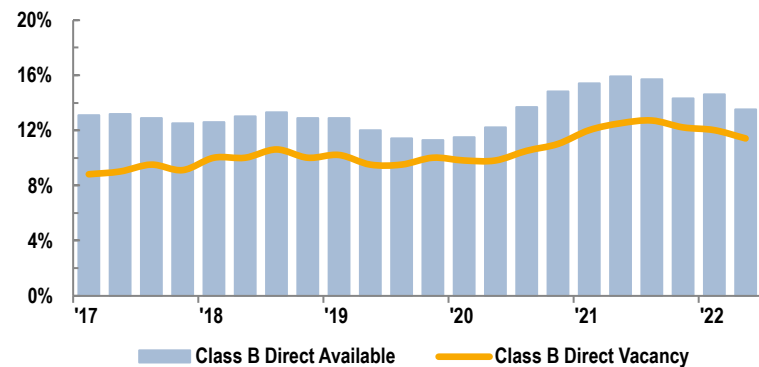
14.4%
7.4M SF

DIRECT VACANCY AND AVAILABILITY

CLASS A

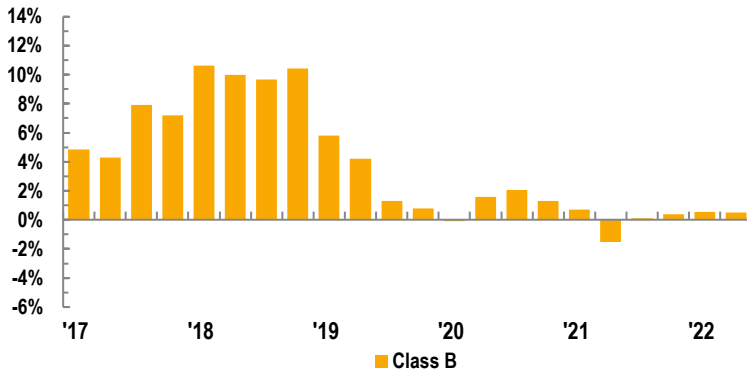
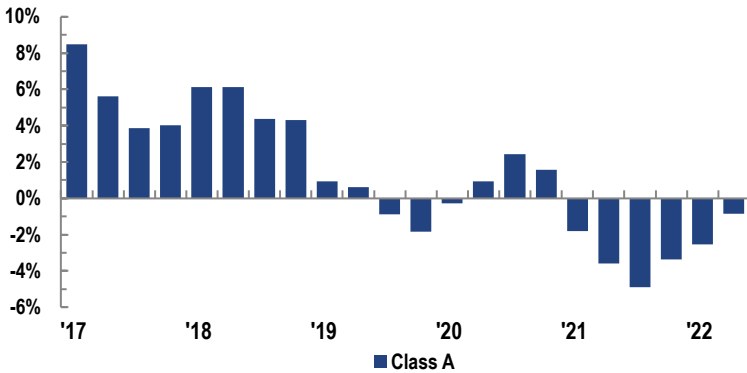


CLASS B



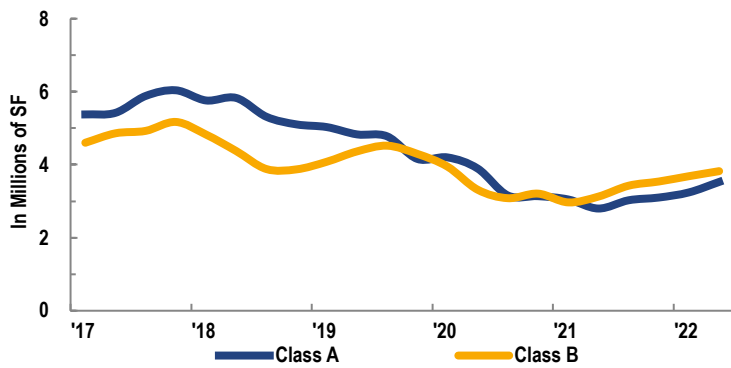
RENTAL RATES

Y-O-Y % Change, Full Service Gross

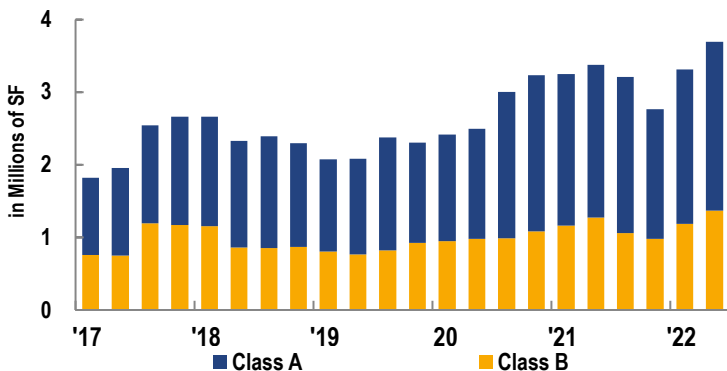


LEASING ACTIVITY

Direct Leasing Activity, Rolling 12 Months



SUBLEASE AVAILABILITY



Rent Growth (Y-O-Y)

-0.9%
CLASS A



+0.5%
CLASS B

Direct Net Leasing Activity

CLASS A

3.5M SF
T-12 MOS

+26.0%
Y-O-Y CHANGE

CLASS B

3.8M SF
T-12 MOS

+22.3%
Y-O-Y CHANGE



Sublease Availability

CLASS A

2.3M SF

+10.2%
Y-O-Y CHANGE

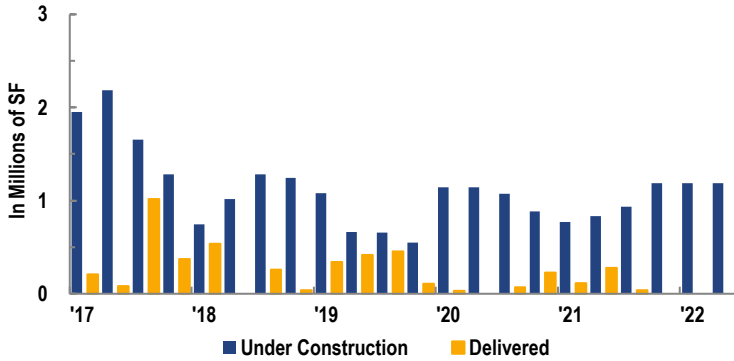
CLASS B

1.4M SF

+7.7%
Y-O-Y CHANGE



CONSTRUCTION PIPELINE



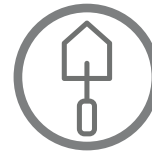
Under Construction Trends

OFFICE SPACE UNDER CONSTRUCTION



1.2M SF
48.4% PRE-LEASED

NEW OFFICE BREAKING GROUND



395K SF
T-12 MOS

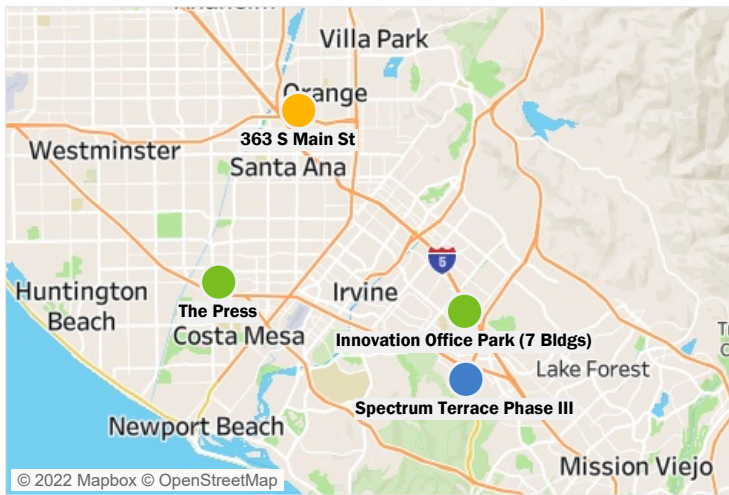
FORECASTED SUPPLY IN 2023



703K SF

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

Orange County



Scheduled Completion: 2022 3Q (Blue), 2022 4Q (Green), 2023 4Q (Yellow)

PROJECT NAME	SIZE (SF)	SUBMARKET	MAJOR TENANT(S)	% PRE-LEASED	DEVELOPER	LEASING COMPANY	TARGET COMPLETION
The Press	449,206	Airport Area	Anduril	100%	SteelWave, Inc.	Newmark	2022 4Q
Spectrum Terrace Phase III	345,786	South County	N/A	0%	Irvine Company	Irvine Company	2022 3Q
Innovation Office Park (7 Bldgs)	258,104	South County	N/A	0%	Irvine Company	Irvine Company	2022 4Q
363 S Main St	137,000	Central County	Helen Caloggero Women's & Family Center	92%	PMB Real Estate Services	Madison Marquette	2023 4Q

Note: Corporate owned office buildings (excluded from competitive statistics)

SUBMARKET STATISTICS

Submarket	Total Inventory SF	TOTAL SPACE AVAILABLE		DIRECT VACANCY RATES		DIRECT NET ABSORPTION		OVERALL RENTAL RATES		
		Direct Available	Sublease Available	Direct Vacancy	Y-O-Y Change	Current Qtr.	Trailing 12-Months	Avg Rents PSF/Yr.	Avg Rents PSF/Mo.	Y-O-Y % Change
Airport Area	44,972,540	8,451,551	1,848,260	15.5%	0.7%	393,336	(255,133)	\$34.44	\$2.87	-0.7%
Class A	26,147,612	5,635,117	1,253,305	17.8%	1.8%	206,694	(479,830)	\$38.28	\$3.19	-1.5%
Class B	18,824,928	2,816,434	594,955	12.2%	-1.0%	186,642	224,697	\$32.70	\$2.73	-0.8%
Central County	15,156,530	2,788,387	277,940	15.5%	0.2%	(123,648)	(28,360)	\$28.51	\$2.38	-0.5%
Class A	7,152,050	1,680,316	194,629	16.2%	-0.3%	(17,174)	19,514	\$33.91	\$2.83	4.3%
Class B	8,004,480	1,108,071	83,311	14.9%	0.6%	(106,474)	(47,874)	\$25.07	\$2.09	-0.8%
North County	9,258,170	1,002,514	381,942	9.6%	1.6%	(96,674)	(149,972)	\$30.47	\$2.54	0.9%
Class A	3,146,649	440,797	99,967	13.6%	2.5%	(49,025)	(81,097)	\$30.83	\$2.57	2.4%
Class B	6,111,521	561,717	281,975	7.5%	1.2%	(47,649)	(68,875)	\$30.26	\$2.52	0.1%
South County	24,658,148	4,102,808	961,176	11.4%	-3.8%	611,888	933,269	\$34.04	\$2.84	-1.6%
Class A	10,065,545	1,710,980	619,238	10.0%	-5.3%	401,221	537,261	\$37.37	\$3.11	-5.9%
Class B	14,592,603	2,391,828	341,938	12.4%	-2.8%	210,667	396,008	\$33.51	\$2.79	-0.3%
West County	8,913,914	1,240,830	219,437	9.7%	-0.5%	88,216	37,439	\$31.02	\$2.59	5.7%
Class A	1,909,421	752,480	153,961	22.4%	6.7%	277	(126,909)	\$30.96	\$2.58	3.0%
Class B	7,004,493	488,350	65,476	6.3%	-2.3%	87,939	164,348	\$31.06	\$2.59	6.5%

Orange County Totals	Total Inventory SF	TOTAL SPACE AVAILABLE		DIRECT VACANCY RATES		DIRECT NET ABSORPTION		OVERALL RENTAL RATES		
		Direct Available	Sublease Available	Direct Vacancy	Y-O-Y Change	Current Qtr.	Trailing 12-Months	Avg Rents PSF/Yr.	Avg Rents PSF/Mo.	Y-O-Y % Change
Class A	48,421,277	10,219,690	2,321,100	15.9%	0.3%	541,993	(131,061)	\$35.75	\$2.98	-0.9%
Class B	54,538,025	7,366,400	1,367,655	11.4%	-1.1%	331,125	668,304	\$31.95	\$2.66	0.5%
Overall	102,959,302	17,586,090	3,688,755	13.5%	-0.5%	873,118	537,243	\$32.98	\$2.75	0.2%

SIGNIFICANT TRANSACTIONS

Tenant	SF	Type	Tenant Industry	Building	Class	Submarket
Americor	31,446	New	Financial	18200 Von Karman Ave	A	Airport Area
Glisir Group	31,407	Sublet	Business Services	Discovery Park - 43 Discovery	B	South County
Lugano Diamonds & Jewelry Inc.	29,150	New	Retailer	620 Newport Center Dr	A	Airport Area
US Real Estate Services Inc.	27,191	Sublet	Real Estate	27442 Portola Pky	A	South County
LoanDepot	27,153	New	Financial	15201 Laguna Canyon Rd	B	South County
Toll Brothers	26,680	New	Construction	350 Commerce Dr	B	Airport Area
Amwins	22,744	New	Insurance	2010 Main St	A	Airport Area
New York Life	22,539	New	Financial	2020 Main St	A	Airport Area
Orange Circle Studio	22,066	Renewal	Manufacturing	8687 Research Dr	B	South County
LensGen, Inc.	21,960	New	Manufacturing	15310 Barranca Pky	B	South County



JIM PROEHL
President
Property Services
949.309.5555
jim.proehl@madisonmarquette.com
CA License #01835739



HENRY PACIOREK
Senior Vice President
Property Management Services
949.390.5510
henry.paciorek@madisonmarquette.com
CA License #01256641



OLIVER FLEENER
Senior Vice President
Leasing
949.484.9068
oliver.fleener@madisonmarquette.com
CA License #01245596



EILEEN DOODY
Senior Vice President
Healthcare Services
949.390.5506
eileen.doody@madisonmarquette.com
CA License #00965140



MARK MATTIS
Senior Vice President
Investments & Brokerage Services
310.215.8500
mark.mattis@madisonmarquette.com
CA License #00934478



ARIEL GUERRERO
Senior Vice President
Director of Research
713.209.5704
ariel.guerrero@madisonmarquette.com



JON CARRASCO
Director
Data Analytics
713.209.5822
jon.carrasco@madisonmarquette.com

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The company partners with global, institutional and private investors to provide industry-leading investment and advisory services across asset classes – including mixed-use, retail, office, medical, industrial, senior living and multifamily. Following its 2019 merger with the Boston-based Roseview Group, Madison Marquette added capital markets, investment banking and corporate advisory services to its integrated capabilities. Founded in 1992, the company built its reputation on the successful development, repositioning and redevelopment of landmark mixed-use assets, and now leverages that performance legacy to provide clients with exceptional asset services and investment advice.

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