Los Angeles

Orange County

Ventura

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DAUM
COMMERCIAL REAL ESTATE SERVICES

Q3 | 2022

Market Report

Orange County Office

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MARKET REPORT Q3 | Office 2022 Orange County

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MARKET ACTIVITY

Direct Vacancy ⌄ 15.0%	Net Absorption ⌄ -98,930 SF
Overall Vacancy ⌃ 17.3%	Gross Absorption ⌄ 1,857,777 SF
Under Construction ⌄ 738,735 SF	Rental Rates (FSG) ⌄ $2.72
Median Sale $/SF ⌄ $293.48	Deal Volume ⌄ $233M

KEY TAKE AWAYS

MARKET

- **Vacancy Rate**: Direct vacancy rates fell by 4 bps in Q3. An increase in vacant sublet spaces pushed the overall vacancy lower by 12 bps from Q2 to 17.3%.
- **Net Absorption**: Direct remained positive, but overall fell to -99K SF in Q3.
- **Sales**: Volume in Q3 totaled $233.6M. The median price PSF in Q3 was down to $293.48.
- **Asking Rents**: Declined by $0.04 PSF or 1.45% in Q3 to $2.72 PSF.

ECONOMIC OUTLOOK

- **Interest Rates:** At their September meeting, the FOMC decided to increase interest rates by another 75 bps to a range of 3.00%-3.25%. The Fed projects additional increases of 125 bps before the end of the year with the fed funds rate ending 2022 at 4.4%.
- **Inflation**: The latest CPI shows slight signs of moderation from peak inflation.
- **Supply Chain**: According to the Freightos Baltic Index, the cost to ship a container from China/East Asia to North America West Coast declined 61% over Q3, ending at $2,951 per container. Since the start of 2022, these rate have declined over 78%.

ECONOMIC OUTLOOK

U.S. Employment ⌄ 3.5%	U6 Rate ⌄ 6.7%
Interest Rate ⌃ 6.7% (30 year fixed)	Changing GDP ⌃ 2.9%
Port Traffic Y/Y Δ ⌃ 1.3%	NYSE Performance ⌄ 5.4%
Inflation Change ⌄ 8.2%	10 Yr. - 2 Yr. Spread ⌄ -39 BPS

EXPERIENCE IN A CHANGING MARKET

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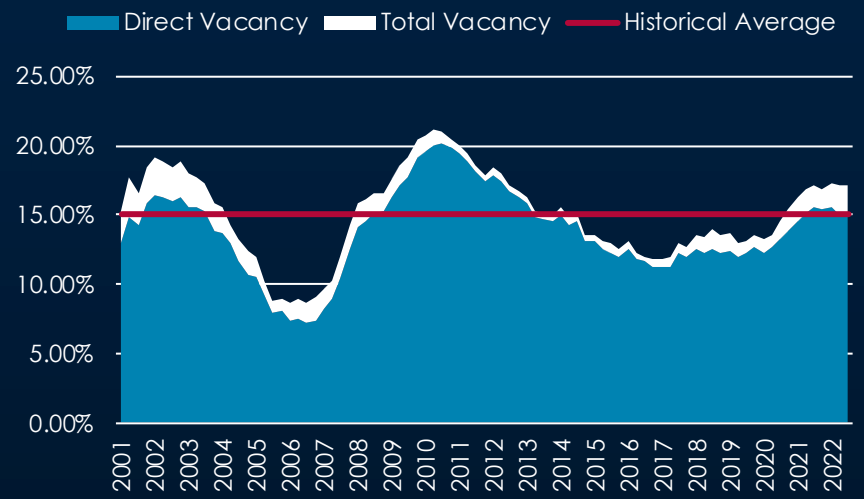
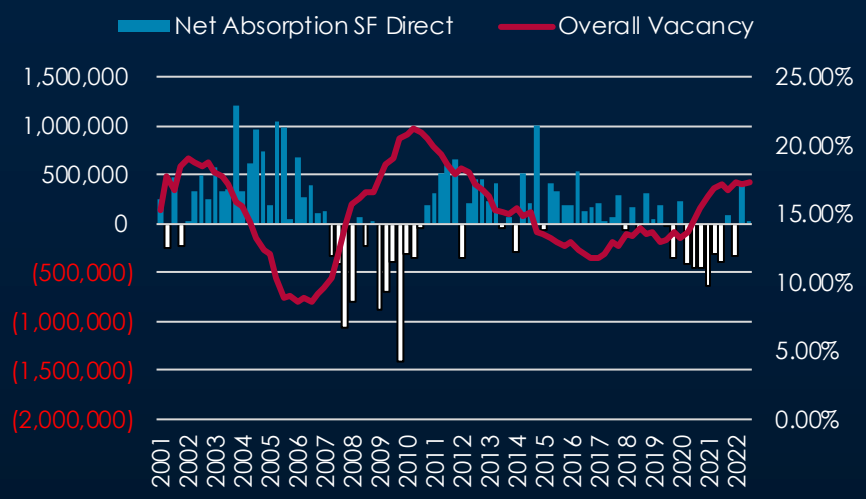
Q3 //////// Market Report

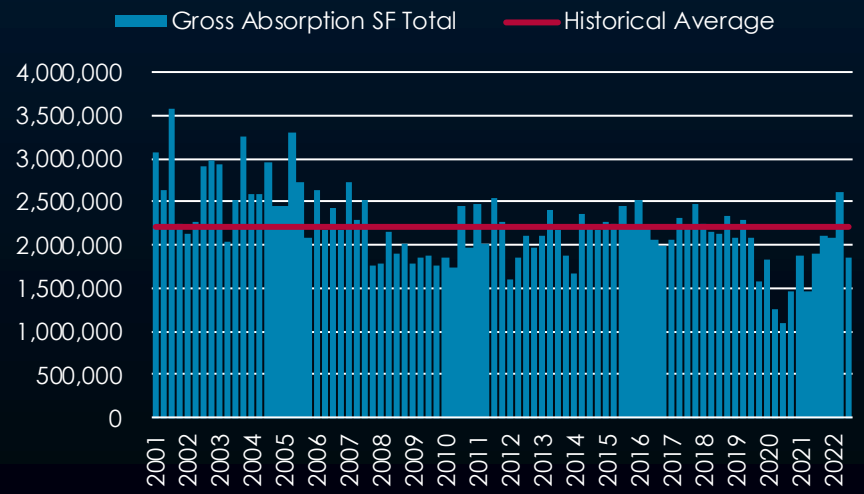
OVERALL VACANCY
INCREASED BY 12 BPS FROM Q2 TO 17.3% IN Q3



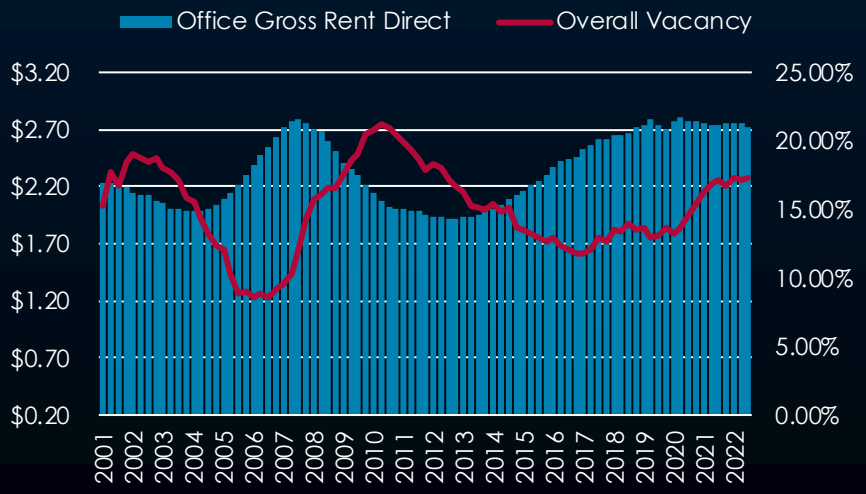
NET ABSORPTION
TOTALED -99K SF IN Q3 AFTER POSITIVE Q2



GROSS ABORPTION
DECLINED 28.7% FROM Q2 TO 1.86M SF IN Q3



ASKING RENTS
FELL $0.04 PSF OR 1.45% FROM Q2 TO $2.72 PSF IN Q3



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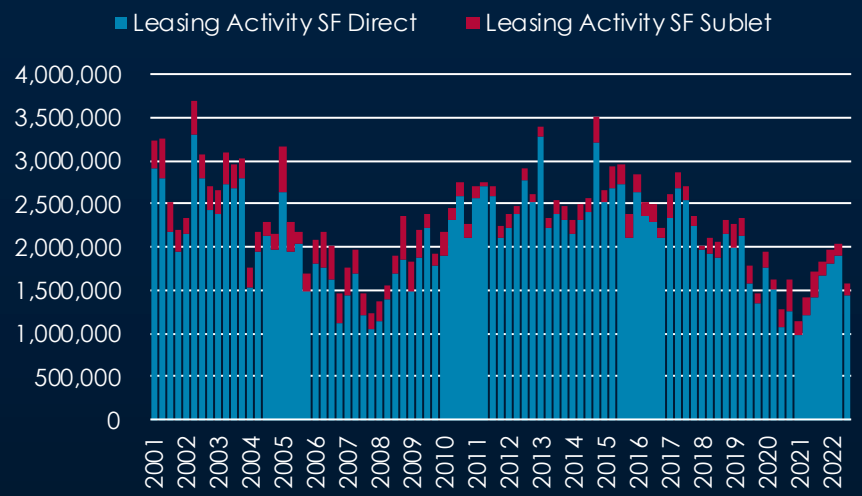
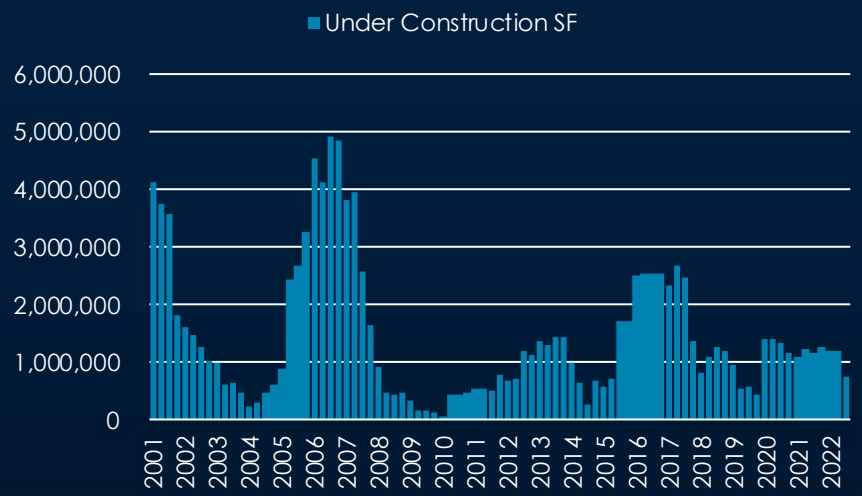
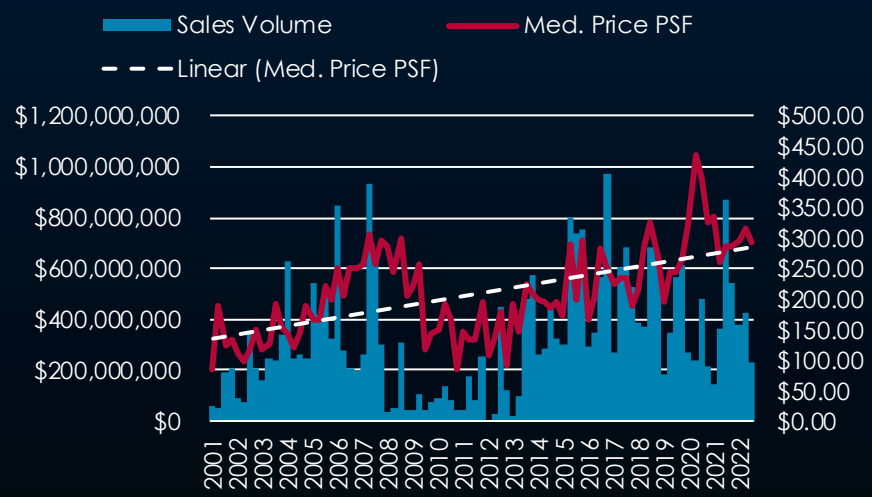
LEASING ACTIVITY
DECLINED 22.1% FROM Q2 TO 1.58M SF IN Q3

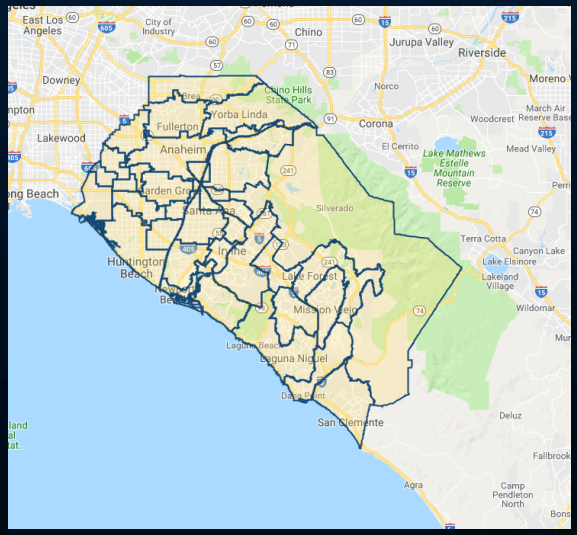


CONSTRUCTION ACTIVITY
449K SF WAS DELIVERED IN Q3. UC DOWN TO 739K SF



SALES
VOLUME DOWN 45%. MEDIAN PRICE PSF FOR Q3 WAS $293.48





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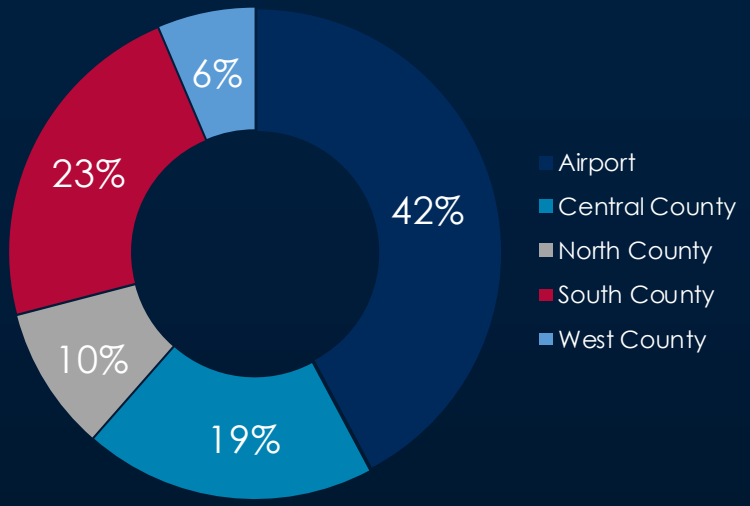
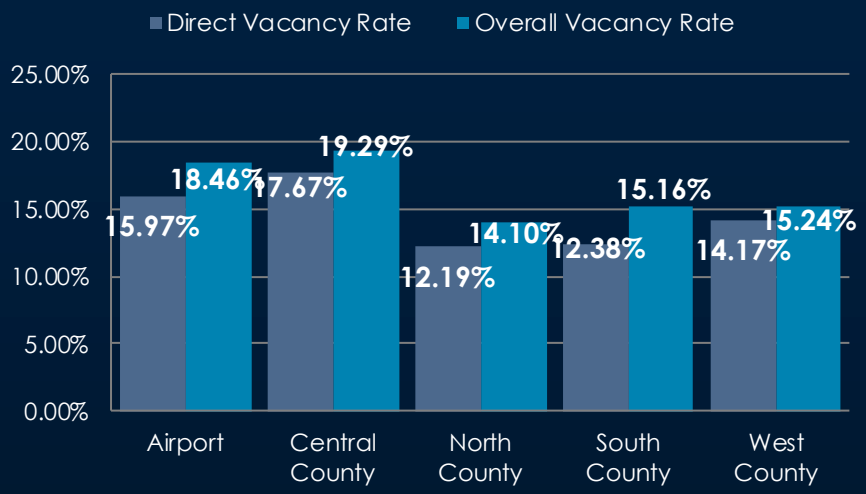
Q3 //////// Market Report

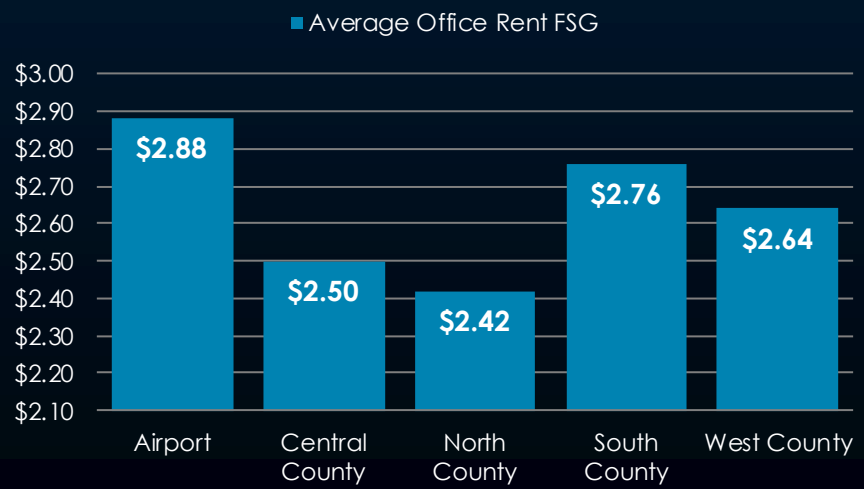
SQUARE FOOT BREAKDOWN– 84,681,415 SF MARKET SIZE



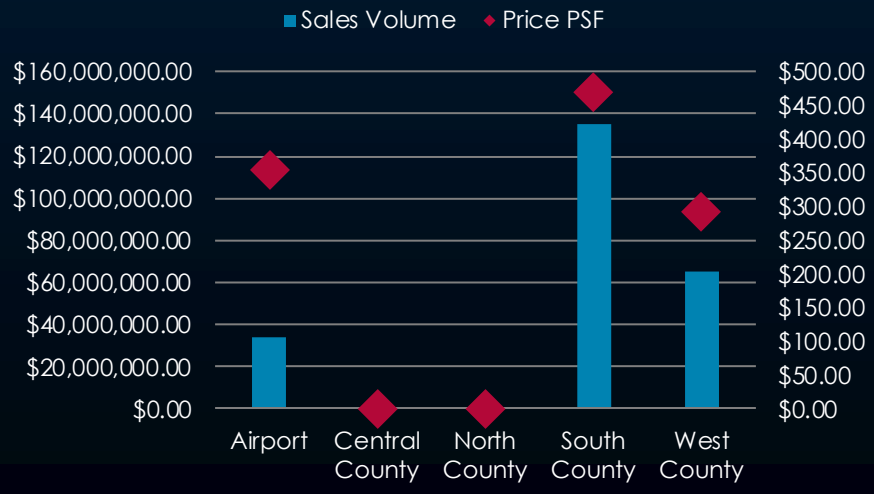
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



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Q3 //////// Market Report

METHODOLOGY & TERMINOLOGY

Methodology
Non-Owner occupied, multi-tenant office buildings that are 30,000 square feet & greater.

Direct Vacant SF
Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale directly from the landlord.

Total Vacant W/ Sublet SF
Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale by the landlord or for sublease by the current tenant.

Direct Vacancy Rate
Total vacant direct space (vacant space for lease or sale from the landlord or owner) divided by the total rentable square footage for existing buildings only.

Vacancy W/ Sublet Rate
Total vacant direct space and sublease space divided by the total rentable square footage for existing buildings only.

Gross Absorption
The total change in occupied space over a given period of time, counting space that is occupied but not space that is vacated by tenants. Gross absorption differs from leasing activity, which is the sum of all space leased over a certain period of time.

Net Absorption
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

Under Construction
Planned buildings for which construction has started but have not yet been granted a Certificate of Occupancy. Planned buildings are not included.

Completed in 2022
New buildings with original construction completed in the year 2022 and granted a Certificate of Occupancy. Renovated buildings are not included

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Economic Overview

Q3 2022

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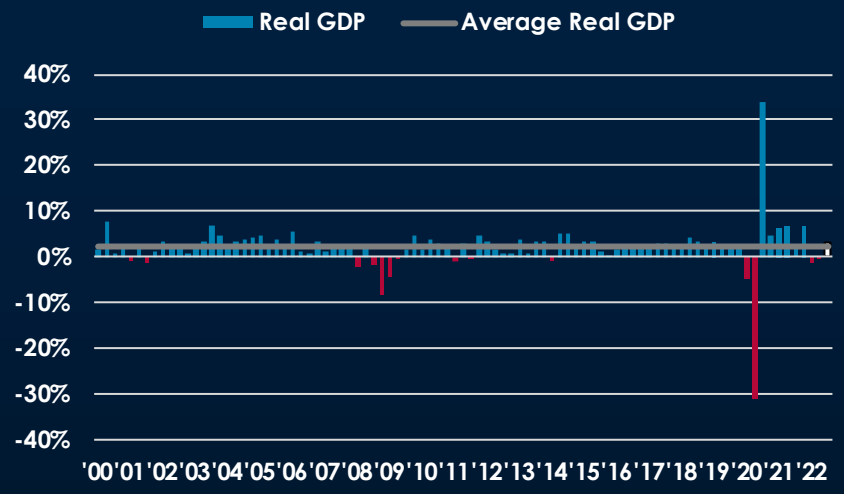
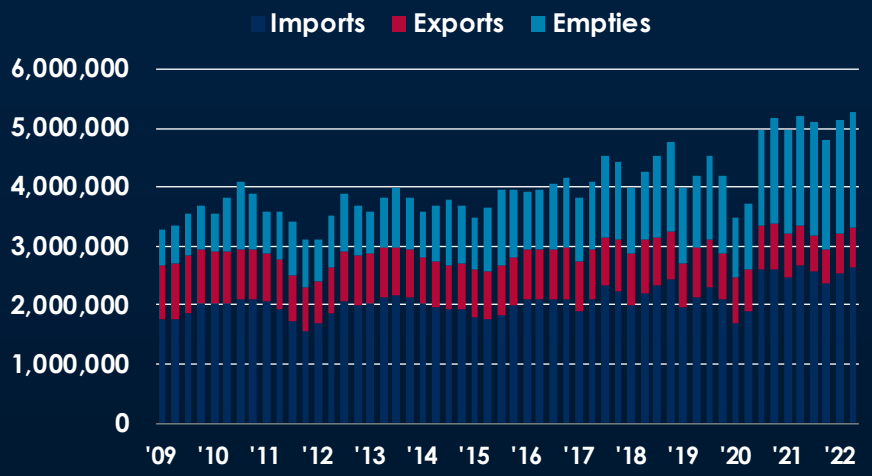
GDP IN Q2 FINISHED AT -0.6%. Q3 EST. TO INCREASE AT 2.9%

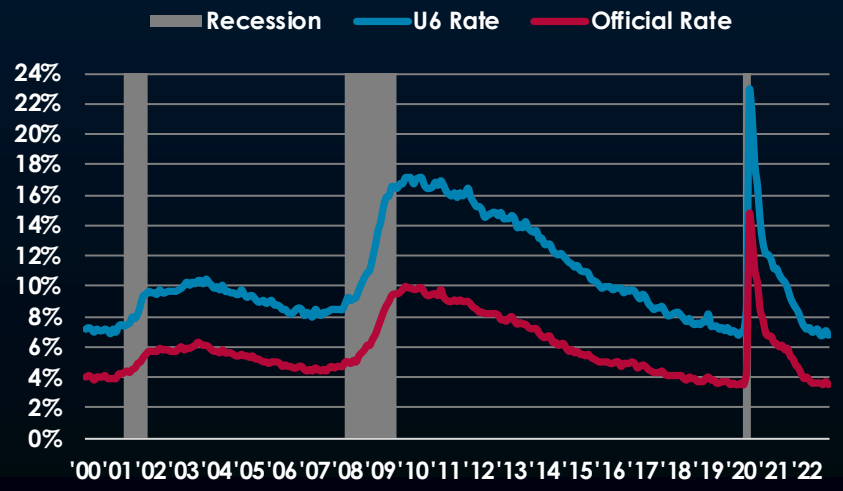


2.9% Estimate for Q3-22 from the Federal Reserve Bank of Atlanta GDPNow

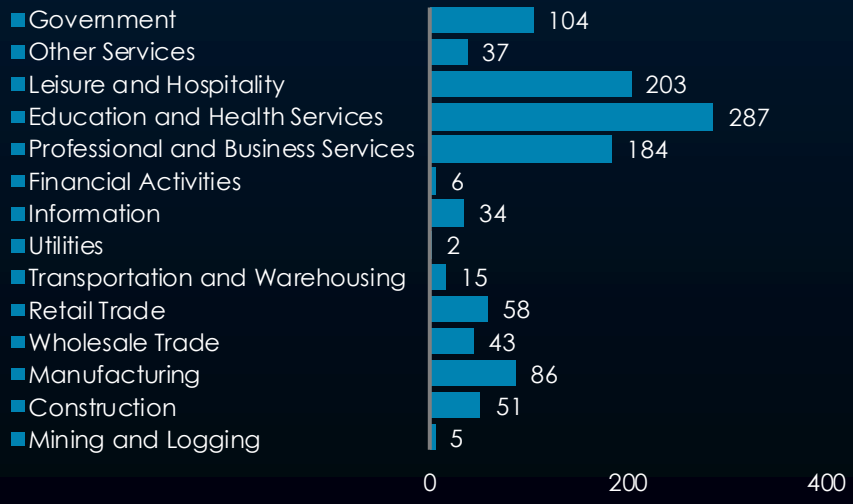
PORT ACTIVITY WAS UP 1.3% Y/Y IN Q2 & UP 2.7% FROM Q1



UNEMPLOYMENT CONTINUES TO BE STICKY AS THE FED TIGHTENS



EDUCATION & HEALTH SHOWED THE STRONGEST GROWTH IN Q3



National Economic Overview //// Q3 2022

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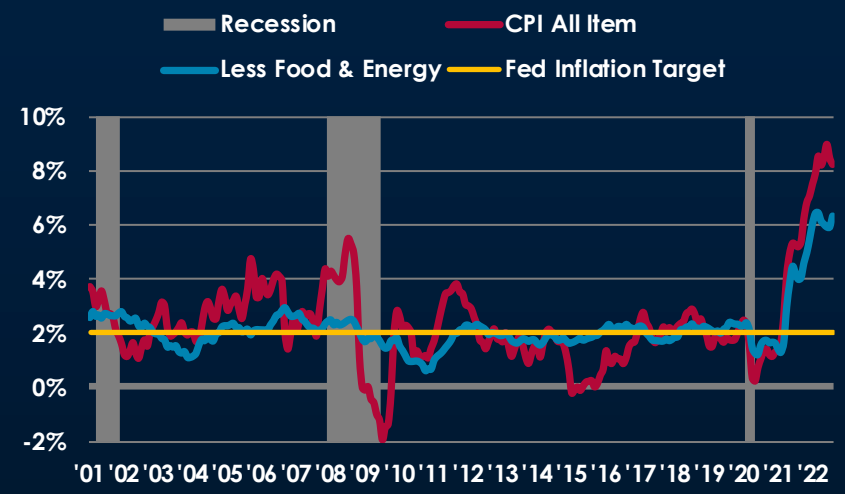
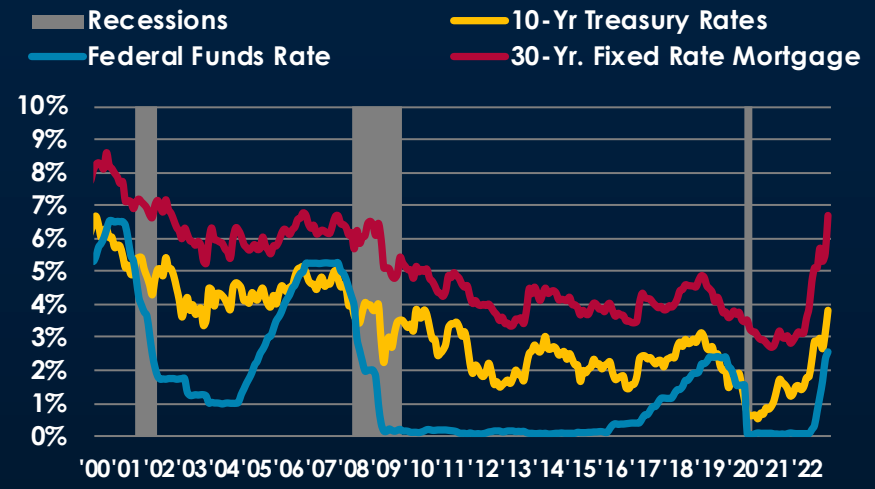
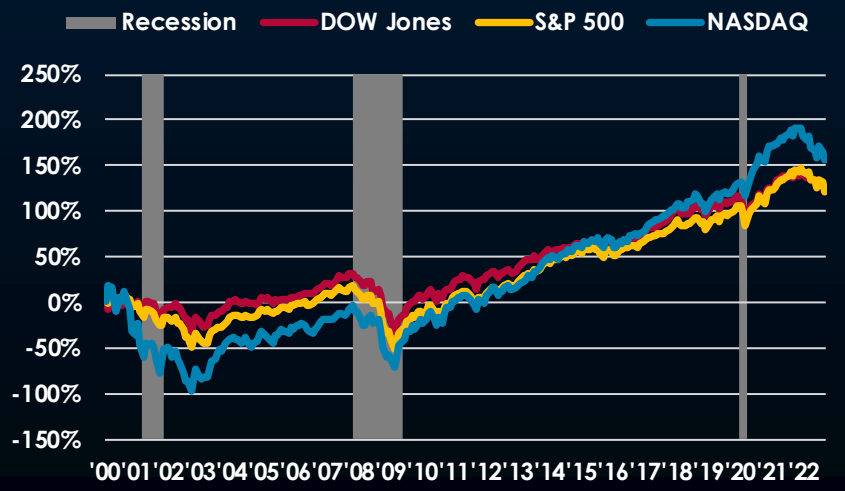
CPI SLIGHTLY MODERATING BUT REMAINS NEAR 40YR HIGHS



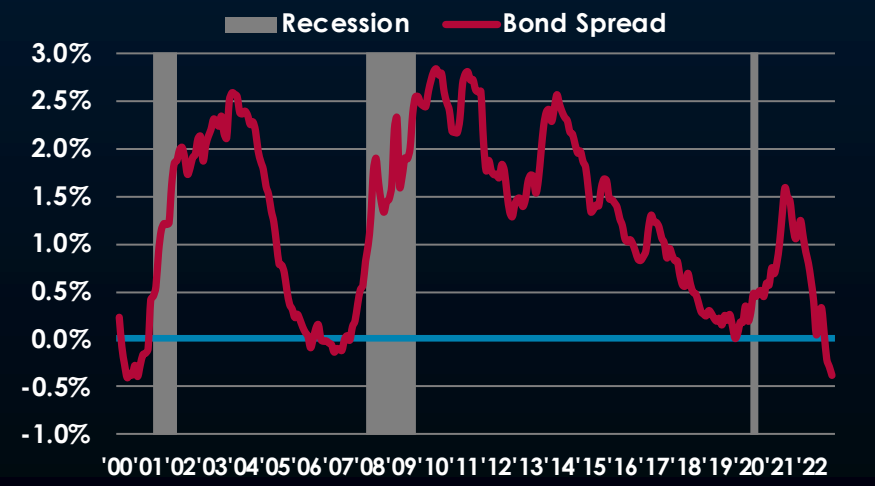
INTEREST RATES SPIKED IN Q3 AS THE FED CONTINUES ITS RATE HIKES



THE STOCK MARKET CONTINUES NEGATIVE RETURNS IN Q3



10-2 YEAR SPREAD INVERTED IN Q3 ENDING AT -39 BPS



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