

Monday, October 1, 2007

# O.C. office rents, vacancies spike

## Orange County's vacancy rate hits 10.53% in 3rd quarter, Voit Commercial reports.

By MATHEW PADILLA

The Orange County Register

A surge in office construction combined with sweeping layoffs at mortgage companies lead to both higher office vacancy and higher rents in O.C. in the third quarter,

The county's office vacancy rate hit 10.53 percent at the end of last month, the highest in nearly three years, reports Voit Commercial Brokerage. In December 2004 it was 10.8 percent and its previous peak was 17.2 percent in March 2002, amid the last construction wave.

In all, developers have finished work on 3.5 million square feet of offices so far this year with another 1 million coming in Q4, says Jerry Holdner, vice president of market research with Voit.

Landlords asked on average \$2.77 per square foot per month in Q3, up one penny from Q2 and a 11.69 percent jump from a year ago. Rents have

increased for 15 straight quarters, a record run, Holdner said.

Experts say pricey land and construction costs mean new office buildings must charge more than \$3 per square foot per month just to break even.

But rent increases should ease by the end of this year as a result of construction surpassing demand, Holdner said.

"Concessions may begin to increase in the short run in the forms of limited free rent, reduced parking fees, relocation funds and tenant improvement allowances, as new inventory becomes available," he said.

As for mortgage companies, they occupy about 4 million square feet of office space in the county, or roughly 4 percent of larger buildings. The total is down 30 percent from 6 million in mid 2005, he said.

Voit tracks buildings of 25,000 square feet or more.

Contact the writer: 714-796-6726 or mapadilla@ocregister.com

Advertisement

**COMPLETE KITCHEN & BATH REMODELING**

CERTIFIED KITCHEN DESIGNERS (CKD)  
CUSTOM CABINETS, CABINET REFACING,  
WALL UNITS, ENTERTAINMENT CENTERS,  
HOME OFFICE, LIBRARY, ETC.

**Reborn**  
CABINETS INC.  
"Craftsmanship with Personal Service"

RESIDENTIAL & COMMERCIAL *Craftsmanship with Personal Service*

714.630.2220  
29981 E. LA PALMA AVE.  
ANAHEIM, CA 92805

Print Powered By FormatDynamics™