

## Office rents and vacancies rise as layoffs, construction converge.

By **MATHEW PADILLA**  
THE ORANGE COUNTY REGISTER

A surge in office construction combined with sweeping layoffs at mortgage companies led to higher office vacancies and higher rents in Orange County in the third quarter.

The 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.

Developers have completed 3.5 million square feet of space this year with 1 million more coming in the fourth quarter, said Jerry Holdner, vice president of market research with Voit.

Landlords asked on average \$2.77 per square foot per month in the third quarter, up one penny from the second quarter and an 11.69 percent jump from a year ago. Rents have increased for 15

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## OFFICE: Rents will likely fall

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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.

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