

Companies Make Post-Pandemic Leasing Decisions

\$47B in Local Brokerage Lease, Sale Deals; Up 58%

■ By KATIE MURAR

Gone are the days when the strength of the office market was solely judged by leases and occupancy rates.

After two years of market volatility that prompted several false starts for the return-to-office movement, brokers are now more closely watching inquiries and tours as office players attempt to gauge where the market is headed.

Based on those latter metrics, landlords and brokers are sighing in relief: companies appear to be making longer-term decisions and plotting their office return, hopefully for good.

"Companies are saying this is behind us, and are starting to make long-term leasing decisions," **Newmark** Executive Vice President **Greg May** said.

Companies across the board—from out-of-town tech firms to local gaming startups—have ramped up leasing activity over the past three months, helping to push the vacancy needle back down.

Including deals of at least 3,000 square feet and with a minimum five-year term, there were 36 leases inked during the first quarter of 2022, marking a nearly 39% jump from the same period last year, according to preliminary **CBRE Group Inc.** data.

Vacancy in the area's office market is hovering around 12%, down slightly from the first quarter of 2020, according to the brokerage's data.

"I think this will be the time we point to as when the tide changed," **CBRE** Executive Managing Director **Kurt Strasmann** said.



Irvine's Centerview: nearly 85% leased after major revamp

"I'm much more bullish than I have been in the past two years."

Record Increase

The recent change in tide is largely a continuation from 2021, when industrial and essential retail helped bolster the local market and mark a return to gains for sales and leasing activity, which saw its first year of losses in 2020 after about a decade of consecutive growth.

In this year's Business Journal ranking of commercial brokerage firms, data for which considers 2021 transactions, the area's top 21 commercial brokerage firms handled about \$47 billion in deals last year, a 57.7% jump year-over-year.

That's the largest percentage increase seen in over a decade, though still below pre-pandemic levels in total volume.

The annual list ranks local brokerages by the dollar values of their commercial property and land deals done in OC last year, as well as those done elsewhere that were handled by the local office.

Industrial Hero

After falling 10% in 2020, the overall number of reported lease transactions regained lost ground in 2021, jumping 9.8%.

This may be in part to the robust industrial sector, which helped to buoy some brokerages as e-commerce demand swelled, driving demand for last-mile distribution sites. That growth may have had another ancillary benefit.

"Several million square feet of office space was removed from the market as a result of covered land plays from the industrial sector,

which is good news for the challenged office market," said Strasmann, whose firm once again led the pack for 2021 deals, posting a 55% jump to \$6.9 billion.

Early signs of the office return can't yet justify new office construction, Strasmann added, with developers cautious of overbuilding.

Flight to Quality

The new Irvine Spectrum-area office projects—like **Irvine Co.**'s **Spectrum Terrace** and **Innovation Office Park**—have been holding their own, with tenants prioritizing new, amenity-heavy spaces, May notes.

They'll pay a premium for it, too, according to **Orion Property Partners** founder **Jay Carnahan**, who has handled leasing for the **Centerview** office campus in Irvine for 15 years.

"With how competitive the job market is, tenants are making decisions based on where their employees want to be, rather than based on rent," Carnahan said, adding that newer office projects can get away with charging twice as much for rent than the older stock in the airport area.

Properties that have seen significant renovation investments are also holding their own. Centerview, which recently wrapped a \$55 million overhaul, has signed 100,000 square feet in new leases since the onset of the pandemic. The complex is about 85% leased.

Monthly asking rents for Class A office projects in OC were about \$3.07 per square foot during the first quarter, relatively flat from the year-ago period, according to Newmark.

"Rents are staying firm," May said, noting that will continue to be the case as tenant interest continues to ramp up.

"We are seeing several inquiries for fairly large blocks of space, both from companies in and outside of OC," May said. ■



Space Isn't an Issue for Terran Orbital

Public Cos.

➔ from page 18

Small-satellite maker **Terran Orbital Corp.**, the Florida-based parent company of Irvine's **Tyvak Nano-Satellite Systems Inc.**, has been a bright spot for OC's leasing market.

The company, which went public via SPAC last month, was behind two major Irvine deals totaling 150,000 square feet over the past six months.

This includes a nearly 89,000-square-foot lease at **400 Spectrum Center Drive**, inked in September. The space, spread over four floors, will be used for design and development of the company's small satellites and its "rapidly expanding workforce," the firm said in a statement.

The deal is the largest reported new lease

for an area office tower over the past year.

Terran also signed a 10-year lease early this year for an additional 60,000-square-foot manufacturing facility in Irvine, adjacent to the company's existing facility at 15330 Baranca Parkway, near the city's train station.

Construction is underway at that 37,751-square-foot site to "enlarge satellite manufacturing space to support the company's robust pipeline," Terran said in a September press release.

"Terran Orbital is rapidly expanding its operations to support the growing need for our services," **Marc Bell**, co-founder and CEO of Terran Orbital, said in September. "The new space [at 400 Spectrum] will significantly increase our operational efficiency and permit us to continue to expand our workforce at a rapidly accelerating pace while also allowing us to expand our manufacturing capacity at our current location."



Aerospace firm inked top local office tower lease of 2021

Tyvak, which was recently awarded a contract to build 42 satellites for the **Pentagon** to support "global warfighter missions," employs 141 in Orange County, placing it as No. 17 among the top aero-

space firms and defense contractors locally. Top clients include the **Department of Defense** and **NASA**.

Terran and Tyvak now counts north of 187,000 square feet in OC.

Xponential Works Out Franchising Plan, Pumps Up Retail Real Estate Presence

Shares for Irvine's **Xponential Fitness Inc.** (NYSE: XPOF) opened at \$12 in July and have since jumped to nearly \$21 for a market cap of nearly \$980 million.

It's not just the share price that's pumped up.

The company ended the third quarter with more than 1,900 studios and systemwide sales in North America of \$192.4 million, up 93% from the prior-year period.

Brands under the company's umbrella include **Club Pilates**, **StretchLab**, **CycleBar**, **Row House**, **YogaSix**, **Pure Barre**, **Stride**, **Rumble**, **Body Fit Training** and



Club Pilates interior

PHOTO CREDIT: XPONENTIAL

AKT. The company in November announced a development agreement with Irvine-based **Fitness International LLC** to see at least 350 franchised locations in the next five years inside of Fitness International's **LA Fitness** and **City Sports Club** locations.

Construction on the new locations began during the first quarter.

Xponential is based out of a 26,273-square-foot office at 17877 Von Karman Ave., just down the street from Fitness International's headquarters.

THE LIST COMMERCIAL BROKERS

▶ NEXT WEEK'S LIST *SBA Lenders*

RANKED BY VALUE OF SALES AND LEASES FROM OC OFFICE(S)

Rank	Company	Company logo	Value of 2021 sales and leases (millions)	OC brokers	2021 leases	2021 sales	OC employees	Percentage breakdown of business	Largest lease, square footage	Largest sale, square footage	Top local official(s)	
Prev. Rank	Address		•yearly % change	•yearly % change	•yearly % change	•yearly % change	•yearly % change	•Office •Industrial •Apartments	•Retail •Land •Other	•Largest sale, square footage	•Title •Phone/fax	
1	CBRE Group Inc. 3501 Jamboree Road, Ste. 100 (1) Newport Beach 92660-2940 Headquarters: Dallas Website: cbre.us Email: kurt.strasmann@cbre.com		\$6,935.7 55%	122 -5%	1,477 14%	421 46%	365 0%	wnd wnd	wnd wnd	•wnd •wnd	Kurt Strasmann executive managing director (714) 371-9200/(714) 371-9201	
2	Colliers 3 Park Plaza, 12th floor (2) Irvine 92614-2504 Headquarters: Toronto Website: colliers.com Email: amanda.spangler@colliers.com		\$6,584.3 90%	77 4%	300 -2%	286 16%	135 9%	5% 33% 4%	13% 46% 0%	•wnd •wnd	Amanda Spangler managing director (949) 724-5500/(949) 724-5600	
3	JLL 17877 Von Karman Ave., Ste. 500 (6) Irvine 92614-5265 Headquarters: Chicago Website: us.jll.com		\$4,653.2 129%	42 -7%	464 -2%	150 97%	233 -8%	29% 29% 21%	14% 6% 1%	•wnd •wnd	Jeffrey Ingham senior managing director (949) 885-2900/(949) 885-2901	
4	Marcus & Millichap 19800 MacArthur Blvd., Ste. 150 (7) Irvine 92612-2420 Headquarters: Calabasas Website: marcusmillichap.com Email: jonathan.giannola@marcusmillichap.com		\$4,638.7 141%	59 -5%	8 700%	448 61%	89 -1%	4% 3% 33%	53% 2% 5%	•Industrial warehouse, Riverside - 29,302 SF •Pacific Villa Apartments, Costa Mesa - 84 units	Hessam Nadji CEO (949) 419-3200/(949) 419-3210	
5	Newmark 18401 Von Karman Ave., Ste. 150 (3) Irvine 92612-8590 Headquarters: New York Website: nmrk.com Email: inquiries@ngkf.com		\$4,527 16%	44 -2%	925 5%	310 32%	155 -6%	50% 0% 15%	10% 25% 0%	•The Press, 1375 Sunflower Ave., Costa Mesa - 650,000 SF •Taco Bell, 1 Glen Bell Way, Irvine - 273,180 SF	Gregory May executive VP/West Region market leader (949) 608-2000/(949) 608-2003	
6	Voit Real Estate Services 2020 Main St., Ste. 100 (8) Irvine 92614-8218 Headquarters: Irvine Website: voitco.com Email: vres@voitco.com		\$3,446.3 126%	63 2%	1,351 11%	147 -36%	24 -4%	25% 62% 0%	6% 5% 2%	•Noble House Home Furnishings - 741,458 SF •951 S. Beach Blvd., La Habra - 454,331 SF	Eric Hinkelman/Vance McNeilly CEO/COO (949) 851-5100/(949) 261-9092	
7	SRS Real Estate Partners 610 Newport Center Drive, Ste. 1500 (5) Newport Beach 92660-6425 Headquarters: Dallas Website: srsre.com Email: matthew.mousavi@srsre.com		\$3,343.9 56%	26 8%	231 55%	755 58%	46 24%	1% 3% 0%	95% 0% 1%	•J.G. Management - 66,422 SF •GVest Capital - 1,283,360 SF	Matthew Mousavi managing principal (949) 698-1100	
8	Cushman & Wakefield 18111 Von Karman Ave., Ste. 1000 (4) Irvine 92612-7101 Headquarters: Chicago Website: cushmanwakefield.com Email: cody.cannon@cushwake.com		\$3,000 ⁽¹⁾ NA	50 ⁽¹⁾ NA	2,000 ⁽¹⁾ NA	200 ⁽¹⁾ NA	129 -5%	wnd wnd	wnd wnd	•wnd •wnd	Cody Cannon managing principal, OC/Inland Empire (949) 955-7694	
9	Land Advisors Organization 100 Spectrum Center Drive, Ste. 1400 (9) Irvine 92618-4982 Headquarters: Irvine Website: landadvisors.com/ca Email: teaton@landadvisors.com		\$1,851.3 26%	32 3%	0 NA	369 40%	10 11%	0% 0% 0%	0% 100% 0%	•NA •Prologis, Chino - 189 acres	Tony Eaton president (949) 852-8288/(949) 852-8108	
10	Lee & Associates Realty Group (10) Totals for following three OC operations		\$1,472.1 19%	135 5%	1,307 18%	324 54%	18 0%	wnd wnd	wnd wnd	•wnd •wnd		
	Lee & Associates Commercial Real Estate Services Inc.-Orange 1004 W. Taft Ave., Ste. 150 Orange 92865-4146 Headquarters: Orange Website: lee-associates.com Email: bsattler@lee-associates.com		\$752.6 8%	41 -2%	538 27%	109 47%	4 0%	20% 65% 5%	10% 0% 0%	•wnd •wnd	Bob Sattler president, Orange office (714) 647-9100/(714) 543-5285	
	Lee & Associates Realty Group Newport Beach Inc. 100 Bayview Circle, Ste. 600 Newport Beach 92660-2982 Headquarters: Newport Beach Website: lee-associates.com Email: jpenman@lee-associates.com		\$701.4 33%	33 -20%	385 2%	84 22%	8 0%	21% 70% 0%	7% 2% 0%	•15625 Shoemaker Ave. Norwalk - 181,472 SF •20481 Crescent Bay Lake Forest - 90,000 SF	Michael Kane president/managing director (949) 724-1000/(949) 862-9048	
	Lee & Associates-Irvine 9838 Research Drive Irvine 92618-4310 Headquarters: Irvine Website: lee-associates.com Email: jhall@leeirvine.com		\$18.1 77%	61 36%	384 26%	131 96%	6 0%	26% 51% 0%	12% 3% 8%	•wnd •wnd	John Hall president/managing partner (949) 727-1200/(949) 727-1299	
11	The Hoffman Company 18881 Von Karman Ave., Ste.150 (15) Irvine 92612-1566 Headquarters: Irvine Website: hoffmanland.com Email: tdallape@hoffmanland.com		\$1,130 105%	13 0%	0 NA	104 65%	18 0%	0% 10% 0%	90% 0% 0%	•NA •wnd	Tom Dallape/Norm Scheel principals (949) 553-2020/(949) 553-8449	
12	Daum Commercial Real Estate Services 4400 MacArthur Blvd., Ste. 950 (13) Newport Beach 92660-2062 Headquarters: Los Angeles Website: daumcommercial.com Email: steve.pearson@daumcommercial.com		\$1,110 46%	26 0%	422 20%	102 20%	5 0%	8% 81% 0%	3% 8% 0%	•wnd •wnd	Steve Pearson executive VP/regional branch manager (949) 724-1900/(949) 474-1771	

Abbreviations: NA: not applicable; wnd: would not disclose
 Note: To the best of our knowledge, this information is accurate as of press time. While every effort is made to ensure the accuracy and thoroughness of the list, omissions and typographical errors sometimes occur. Unless otherwise noted, the information on this list was provided by the companies themselves. List may not be reprinted without permission of the editor. Photos show the first top official listed.
⁽¹⁾ Business Journal estimate

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Prev. Rank	•Address	•yearly % change	•yearly % change	•yearly % change	•yearly % change	•yearly % change	•Office •Industrial •Apartments	•Retail •Land •Other	•NA •wnd	•Title •Phone/fax
13 (14)	Hanley Investment Group Real Estate Advisors 3500 E. Coast Highway, Ste. 100 Corona del Mar 92625-2474 Headquarters: Corona del Mar Website: hanleyinvestmentgroup.com Email: info@hanleyinvestment.com	\$1,061.7 51%	11 -8%	0 NA	221 59%	7 -13%	0% 0% 0%	100% 0% 0%	•NA •wnd	Ed Hanley president (949) 585-7610/(949) 585-7611
14 (12)	NAI Capital 1920 Main St., Ste. 100 Irvine 92614-7244 Headquarters: Encino Website: naicapital.com Email: bchilds@naicapital.com	\$981 8%	34 6%	376 -7%	95 7%	37 6%	20% 35% 10%	20% 15% 0%	•wnd •wnd	Brian C. Childs executive managing director (949) 468-2300/(949) 468-2301
15 (11)	Savills 520 Newport Center Drive, eighth floor Newport Beach 92660-7020 Headquarters: New York Website: savills.us Email: rsharf@savills.us	\$975 5%	36 9%	463 46%	21 -5%	48 14%	72% 19% 1%	0% 0% 8%	•17600 Laguna Canyon Road, Irvine - 114,781 SF •401 S. Grand Avenue, Santa Ana - 35,973 SF	Royce Sharf executive VP, branch manager (949) 660-3545/(949) 660-3556
16 (NR)	Kidder Mathews 5 Park Plaza, Ste. 1700 Irvine 92614-2533 Headquarters: Seattle Website: kidder.com Email: info@kidder.com	\$863.8 176%	35 9%	201 27%	98 113%	22 10%	10% 39% 3%	26% 15% 7%	•ReadySpaces - 129,000 SF •Sycamore & Magnolia Office Project - 60,709 SF	Mark Read president, SoCal and Arizona brokerage (949) 557-5000
17 (16)	Orion Property Partners Inc. 2010 Main St., Ste. 300 Irvine 92614-7207 Headquarters: Irvine Website: orionpropertypartners.com Email: info@oppre.com	\$350 ⁽¹⁾ NA	5 ⁽¹⁾ NA	60 ⁽¹⁾ NA	1 ⁽¹⁾ NA	7 ⁽¹⁾ NA	wnd wnd	•wnd •wnd		Jay Carnahan managing partner (949) 721-6981/(949) 721-6989
18 (17)	Saywitz Co. 4740 Von Karman Ave., Ste. 100 Newport Beach 92660-2172 Headquarters: Newport Beach Website: saywitz.com Email: bsaywitz@saywitz.com	\$346 14%	6 20%	57 12%	15 25%	20 18%	30% 30% 25%	10% 0% 5%	•wnd •wnd	Barry Saywitz president (949) 930-7500/(949) 930-7555

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⁽¹⁾ Business Journal estimate

Researched by Meghan Kliever

Jabara

▶ from page 1

reports pegged around \$1.7 billion.

More acquisitions are expected, says Jabara, one of the most prominent telecom execs in Orange County. He now serves as chairman of the locally based **ioXt Alliance**, which was founded in 2018 and is handling the rapidly increasing demand for Internet of Things device security certification. Following the sale of **Mobilitie**, Jabara—whose wealth the Business Journal estimates to be in excess of \$1 billion—said he planned to put most of his proceeds in high-end commercial real estate, which he runs under the **Boardwalk Investments Group Inc.** name.

“We’re always looking—from San Diego to Orange County, to Napa,” he told the Business Journal last week.

Flower Power

In the largest and most recent of the buys, Jabara paid about \$200 million for **Flower Hill Promenade**, a 165,000-square-foot open air center in the town of Del Mar just off the San

Diego (5) Freeway.

The North County property, anchored by a **Whole Foods** and with a 400-unit parking structure, is across the freeway from the famed **Del Mar Racetrack** and the grounds of the **San Diego County Fair**.



Gary Jabara
Founder
Boardwalk
Investment Group
ioXT Alliance

Jabara touted Flower Hill’s mix of boutique shops, restaurants, and larger tenants, its location next to the freeway and the high-end demographics of the seaside area as the reasons he bought the property.

“It’s the greatest shopping center in all of San Diego,” Jabara said.

He paid nearly \$1,200 per square foot for the property, which was previously owned for about two decades by an affiliate of San Diego’s **Protea Properties**. On both a total price, and per-square-foot price, the all-cash deal is among the larger retail sales seen in Southern California since the onset of the pandemic.

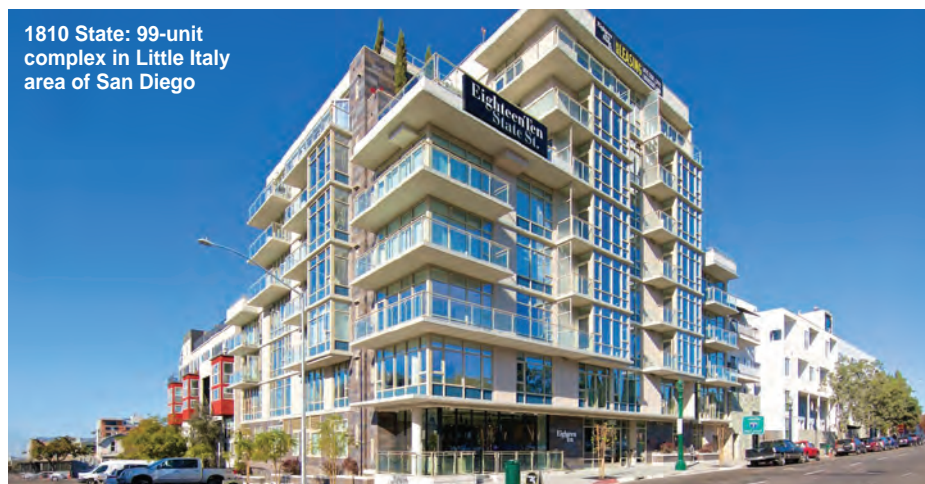
“I really like the [retail] real estate space post-COVID,” said Jabara, whose other big shopping center assets include the grocery-anchored **Landing** in Newport Beach, the **Strand** along Coast Highway in Huntington Beach, and **Aliso Creek Shopping Center**, which is across the street from the **Montage Laguna Beach** resort.

As in the case of those OC holdings, the Flower Hill Promenade is “a trophy, where you can see the ocean from the property,” Jabara said, adding that these markets are “so reliable.”

Flower Hill, which about a decade ago got a reported \$30 million upgrade that included the addition of the **Whole Foods**, could soon be in line for more development.

The site has excess land where “a couple hundred units” of residential development could be added, Jabara said.

Such an addition would cost another \$100 million or so, he said.



Little Italy Luxe

An existing rental property in downtown San Diego is the other big addition to Jabara’s portfolio.

Near the start of the year, he paid close to \$70 million for **1810 State St.**, an eight-story rental property that opened a few years ago in San Diego’s Little Italy neighborhood.

The 99-unit complex was sold by locally based **McMillen** for around \$650,000 a unit, also in an all-cash deal. A sale was disclosed near the start of 2022, but Jabara wasn’t identified as the buyer at the time.

Apartments at the complex average about 720 square feet, and currently have monthly rents running from around \$3,000 to \$4,500.

The two deals mark the first commercial real estate investments in San Diego for Jabara, a graduate of **San Diego State University** who, after a big payout for a portfolio of cellphone towers he owned about a decade ago, was previously in the running to buy the city’s **Padres** baseball team.

He says he’s no longer interested in sports ownership, with **ToXt Alliance**, real estate and other business opportunities taking his time these days.

The real estate buys “are much more passive investments” than sports franchises like the **Padres**, he said.

“Things happen for a reason.”

Napa Gem

Elsewhere in the state, Jabara said renovations are underway at the **The Estate Yountville**, a 22-acre “village-within-a-village” collection of upscale hotels, restaurants, wedding facilities, shops, meeting space, a vineyard and other facilities that he bought late last year in the heart of wine country.

Reports and brokerage data indicates Jabara paid close to \$360 million for the Estate, which he calls “the gem of Napa Valley.”

Boardwalk Investments Group Inc.

- **FOUNDED:** 2012
- **FOUNDER:** Gary Jabara
- **HEADQUARTERS:** Newport Beach
- **BUSINESS:** real estate investor
- **OC PROPERTIES:** The Landing (Newport Beach), The Strand (Huntington Beach), Aliso Creek Shopping Center (Laguna Beach)
- **NOTABLE:** San Diego apartments, shopping center buy in Del Mar total nearly \$270M

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