



# Business

## Companies stick to Inland offices

Orange County has space for rent formerly occupied by closed subprime lenders

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By **RODD CAYTON**  
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The subprime lending crisis has not only affected the residential real estate scene market but the office market as well.

Orange County, the address of several home offices of subprime lenders, suddenly has a lot more vacancies. But several people who follow the Inland office market say the region won't be abandoned by companies who discover that Orange County space is available.

There are more reasons for office growth in the Riverside and San Bernardino counties than cheap rents, they said.

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Stan Lim / The Press-Enterprise

Economist John Husing said two subprime lenders, Fremont General and Ameriquest, are "hemorrhaging space in Orange County," but keeping their Inland offices.

Among incentives for many companies to locate Inland, said Greg May, a senior vice president with Grubb & Ellis in Newport Beach, is the realization that their employees live here. May said traffic congestion makes it difficult to provide financial services to Inland residents from an office in Orange County.

Lindsay Tragler, an office investment advisor with Sperry Van Ness in Ontario, said the Inland impact of the subprime-lender closures will be limited. She said there is more space available in Orange County than before, but Inland developments are generally not wanting for tenants.

"Larger tenants who are coming to an employee base or clientele base will have incentive to come here regardless," Tragler said. Inland economists have said that employers that locate Inland can offer lower wages to workers who live here, as a premium for their not having to drive to the coast to work.

"I think companies will continue to expand and move operations out here," Tragler said.

A recent CB Richard Ellis report aligns with Tragler's prediction. The company said that leasing activity in the region is up, with steady tenant demand leading to more than 300,000 square feet of net absorption for the quarter. Net absorption is the amount of office space that becomes occupied in a period, less the footage that becomes vacant.

Further indication that the area has a healthy office market comes from the asking rents in the first quarter. They were at \$1.92 a square foot, compared to \$1.80 for the first quarter of 2006.

May said it's a myth that space coming available in Orange County is an alternative to Inland locations.

"There's always been space in Orange County," May said, despite a relatively low vacancy rate of 7 to 8 percent.

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"In a market the size we have, even at 7 or 8 percent vacancy, you've still got a lot of land," he said.

Subprime lenders, said May, had already started reducing office space a year ago.

May said there's enough life in the Orange County market that space in the Inland Empire will have little effect. For example, he said, semiconductor manufacturer Broadcom has moved into 600,000 square feet in Irvine, considered Orange County's main center of office developments. Perhaps more important, said May, is the news that subprime mortgage lender Ameriquest has found tenants for space it no longer needed after reducing its workforce.

"The space being put on the market now is very re-leasable," May said. "Unlike the space left by the technology companies." High-tech firms often feature unique improvements, including exposed ceilings, concrete floors, large kitchens and aquaria. Office users such as attorneys and CPAs don't need such extravagances.

Redlands-based economist John Husing said placing or keeping offices in the Inland region makes business sense regardless of what's going on in Orange County.

"The logic of the market moving here is very powerful logic," Husing said. "The educated workforce lives here, it's difficult to serve our population from the coasts, and it's very difficult to get here. Freeing up a lot of office space in Orange County changes none of that."

Husing said that argument is supported by the actions of two subprime lenders, Fremont General and Ameriquest, are "hemorrhaging space in Orange County," but keeping their Inland offices.

He said the area's relative growth in new homes -- the Inland region in 2006 was 54 percent of the new-home market, while Orange County makes up 8 percent -- makes a location here a necessity for a homebuilder or related service company.

"There's a reason these companies are acting that way," Husing said. "If I'm a company trying to serve the Inland Empire, I'm at a competitive disadvantage if I'm not inside this market. It's too big and it's growing too fast."

*Reach Rodd Cayton at 951-368-9412 or [rcayton@PE.com](mailto:rcayton@PE.com)*

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