Kidder Mathews

MARKET TRENDS

ORANGE COUNTY *INDUSTRIAL*

MARKET DRIVERS

The Orange County industrial market, like many others, has been navigating a period of normalization for much of 2025. Although net absorption was negative, there has been a notable uptick in leasing activity in the third quarter, particularly for buildings under 20,000 SF, which helped push total leasing above 1.4 million square feet.

Lease rates continue to soften, reaching a point where tenants are seriously considering relocation rather than renewal. Demand for larger industrial spaces is expected to remain subdued until economic conditions become more predictable. Factors such as tariffs, import/export traffic, and supply chain adjustments could influence this demand, but their full impact is not yet clear.

Institutional buyers have been re-staffing their acquisition teams and returning to the market, which is a promising sign. Developers continue to complete projects already in the pipeline, but are exercising caution in acquiring land for new development.

ECONOMIC REVIEW

Orange County's economy remains stronger than the national average, despite a slower increase in employment than before the pandemic. The region's job market, which includes advanced manufacturing, healthcare, and life sciences, creates a steady need for industrial properties because of its variety. Labor shortages persist due to ongoing business growth and a limited pool of qualified workers. Reduced port activity has contributed to lower demand for logistics-related space. Overall, the market remains stable due to high entry barriers and limited new construction.

NEAR-TERM OUTLOOK

Most industry experts anticipate that the market will begin to rebound in the coming months, with lease rates stabilizing and potentially trending upward. Interest rates are expected to adjust downward, easing some of the pressure that has slowed decision-making over the past year. Meanwhile, the impact of tariffs appears to be minimal, and new development activity has remained in check, preventing an oversupply of inventory. Landlords are responding to current market conditions by offering a balanced mix of space for lease and sale. Collectively, these factors suggest a potential increase in transaction activity and a renewed upward trajectory in property values.

Market Summary

	3Q25	3Q25	3Q24	YOY Change
Direct Vacancy Rate	5.5%	5.2%	4.0%	**38.66%**
Availability Rate	9.1%	8.6%	7.9%	**14.97%**
Asking Lease Rate	$1.49	$1.53	$1.59	**-6.29%**
	3Q25	**2Q25**	**3Q24**	**YOY Change**
Lease Transactions (SF)	1,370,874	3,633,487	3,035,217	**-54.83%**
Sale Transactions (SF)	629,060	1,434,482	880,271	**-28.54%**
Net Absorption (SF)	-202,003	-716,605	-500,774	**N/A**

3Q 2025

↓ *1.4M SF*
LEASING ACTIVITY

↑ *-202K SF*
NET ABSORPTION

↑ *5.5%*
VACANCY RATE

↓ *$1.49*
ASKING RENT (AVG)

↑ *525K SF*
NEW DELIVERIES

Year-Over-Year Trend

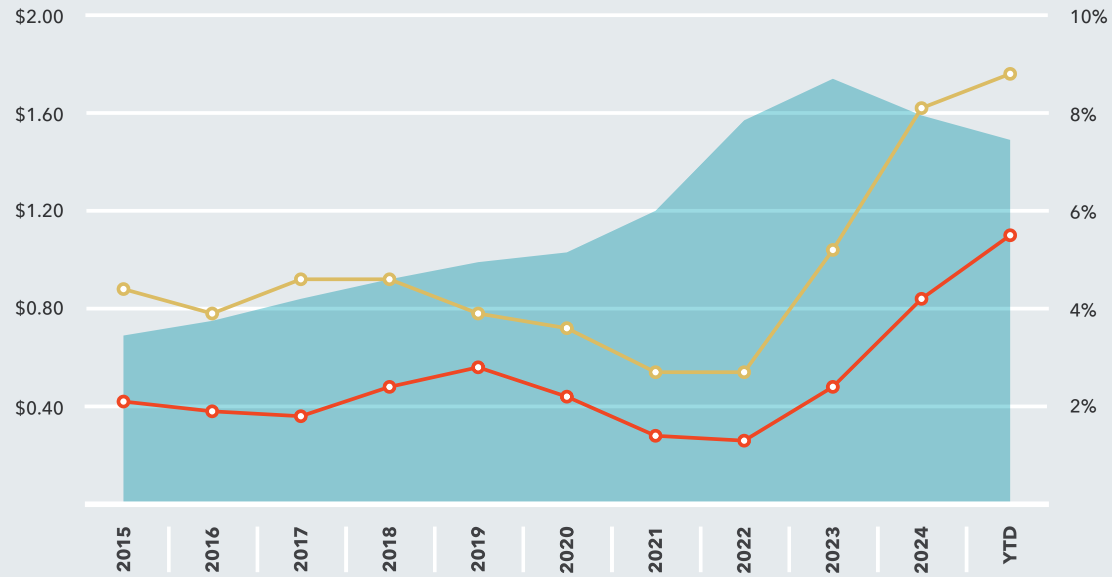
Market Highlights

DIRECT VACANCY RATES rose to 5.5%

RENTAL RATES decreased to $1.49 PSF on an NNN basis

AVERAGE SALE PRICE was $350.94 PSF, while the cap rate was 6.4%

LEASE RATE, VACANCY & AVAILABILITY



Direct Lease Rate (FSG)

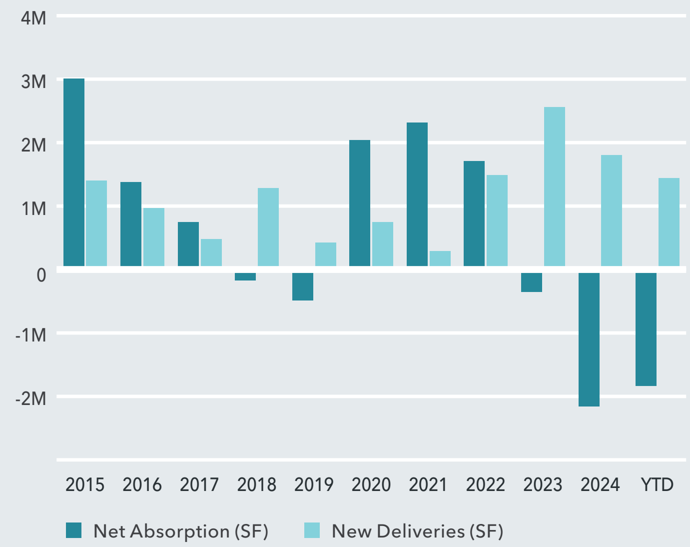
Direct Vacancy

Total Availability

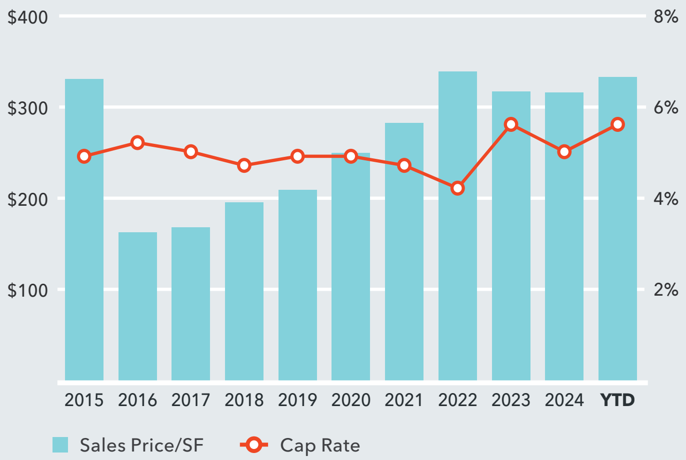
BIGGEST SALE OF THE QUARTER

Caballero-Descanso, Buena Park (2 Industrial Properties)

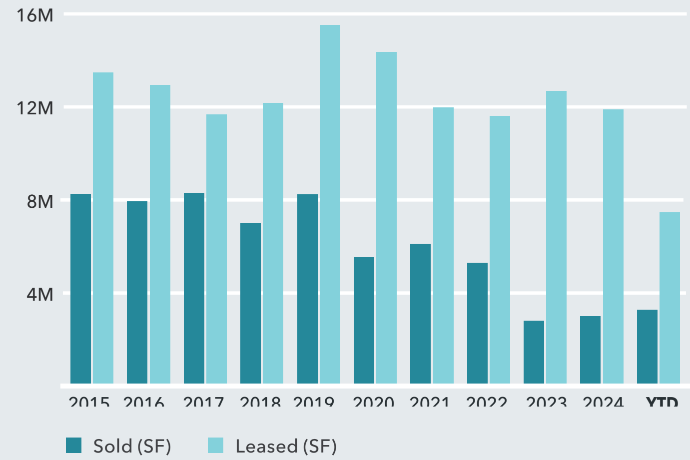
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Available Rate	3Q25 Direct Net Absorption	YTD Direct Net Absorption	3Q25 Total Leasing Activity	YTD Total Leasing Activity	Average Direct Rental Rate (NNN)
Costa Mesa	7,577,484	4.0%	0.3%	4.3%	4.6%	23,996	-8,584	16,780	478,948	$1.45
Fountain Valley	3,612,738	0.8%	4.7%	5.5%	8.4%	14,804	68,121	18,112	144,294	$1.29
Irvine	12,046,719	9.9%	3.0%	12.8%	12.1%	88,053	-235,330	87,890	372,388	$1.64
Newport Beach	404,749	0.0%	0.0%	0.0%	0.0%	0	0	0	0	$3.30
Santa Ana	30,673,359	5.0%	0.7%	5.7%	6.8%	49,601	-403,642	474,029	933,456	$1.22
Tustin	4,713,318	9.1%	0.2%	9.3%	12.9%	-20,349	-15,157	0	119,133	$1.46
Airport Area	**59,028,367**	**5.9%**	**1.3%**	**7.2%**	**8.1%**	**156,105**	**-594,592**	**596,811**	**2,048,219**	**$1.39**
Anaheim	45,276,648	6.2%	0.5%	6.7%	8.7%	-208,354	-204,981	138,467	2,030,799	$1.59
Brea/La Habra	15,724,140	4.4%	0.2%	4.6%	8.4%	973	-116,551	92,063	428,641	$1.43
Buena Park	13,155,872	7.9%	2.5%	10.4%	16.0%	93,126	248,322	33,199	198,418	$1.36
Fullerton	19,146,911	5.2%	1.1%	6.2%	9.3%	43,279	16,607	28,545	608,838	$1.58
Orange	13,008,627	3.3%	0.1%	3.4%	9.2%	-14,377	-187,170	39,610	293,873	$1.29
Placentia/Yorba Linda	4,822,807	2.4%	0.0%	2.4%	1.5%	26,952	139,767	15,926	132,462	$1.63
North County	**111,135,005**	**5.5%**	**0.7%**	**6.2%**	**9.4%**	**-58,401**	**-104,006**	**347,810**	**3,693,031**	**$1.49**
Irvine Spectrum	10,497,204	6.1%	0.0%	6.1%	17.9%	-217	-352,146	58,530	242,667	$1.57
Laguna Hills/Aliso Viejo	1,821,293	2.9%	0.0%	2.9%	7.6%	-6,826	-6,274	16,922	80,572	$1.73
Laguna Niguel/Laguna Beach	295,565	2.6%	0.0%	2.6%	9.0%	3,961	-5,379	3,758	7,098	$3.36
Lake Forest/Foothill Ranch	7,332,798	3.9%	1.3%	5.2%	7.3%	27,907	-7,352	125,405	260,168	$1.53
Mission Viejo	748,218	1.4%	0.0%	1.4%	2.4%	-919	-823	1,437	14,312	$1.62
RSM/CDC/Ladera Ranch	1,844,689	3.6%	0.1%	3.7%	4.1%	676	-3,737	1,427	30,495	$1.80
Dana Point/San Juan/San Clemente	2,860,726	2.0%	0.7%	2.7%	8.5%	14,595	45,478	4,886	27,969	$1.60
South County	**25,400,493**	**4.4%**	**0.5%**	**4.9%**	**11.5%**	**39,177**	**-330,233**	**212,365**	**663,281**	**$1.62**
Cypress	4,652,504	18.2%	0.1%	18.3%	17.2%	-131,222	-379,319	2,800	129,250	$1.59
Garden Grove	12,234,788	4.7%	0.6%	5.3%	7.9%	-9,254	-81,294	68,520	205,337	$1.32
Huntington Beach	13,972,461	4.3%	0.1%	4.4%	7.3%	-172,777	-373,057	129,963	479,129	$1.63
La Palma	1,778,216	4.1%	0.0%	4.1%	0.0%	0	0	0	0	$0.00
Los Alamitos/Stanton	3,967,916	3.8%	0.0%	3.8%	5.4%	-4,551	83,124	9,605	168,943	$1.50
Seal Beach	941,679	0.0%	0.0%	0.0%	0.0%	0	0	0	5,480	$0.00
Westminster	2,212,557	6.9%	3.2%	10.0%	11.5%	-21,080	-50,032	3,000	70,964	$1.53
West County	**39,760,121**	**6.0%**	**0.4%**	**6.4%**	**8.2%**	**-338,884**	**-800,578**	**213,888**	**1,059,103**	**$1.49**
5,000 - 9,999	17,210,142	1.9%	0.1%	2.0%	3.4%	12,459	28,129	104,580	416,413	$1.71
10,000 - 24,999	60,709,486	2.6%	0.4%	3.0%	4.1%	176,648	-9,315	468,080	1,817,181	$1.59
25,000 - 49,999	41,619,721	4.1%	0.3%	4.4%	5.8%	9,737	-362,756	162,913	1,252,483	$1.47
50,000 - 99,999	37,265,863	6.1%	1.0%	7.1%	10.9%	182,552	67,067	285,460	1,371,161	$1.47
100,000 - 249,999	48,517,762	10.6%	0.8%	11.3%	17.1%	-357,458	-1,070,959	245,163	1,689,626	$1.48
250,000 Plus	30,007,447	6.9%	2.4%	9.3%	11.7%	-225,941	-481,575	104,678	916,770	$1.43
Orange County Total	**235,330,421**	**5.5%**	**0.8%**	**6.3%**	**9.1%**	**-202,003**	**-1,829,409**	**1,370,874**	**7,463,634**	**$1.49**

SIGNIFICANT SALE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
Caballero-Descanso (2 Industrial Prop.)	North County	274,170	$60,900,000	$222.12	Elion Partners	AEW Capital Mgmt.
5001 E La Palma Ave (High Vacancy Prop.)	North County	149,810	$38,750,000	$258.66	3 Industrial	YKK Corp. of America
17731 Cowan	Airport Area	54,088	$30,650,000	$566.67	Orange Bakery, Inc.	Xebec
6259 Descanso Ave	North County	54,000	$17,400,000	$322.22	Toro Enterprises, Inc.	Fortress Inv. Group
Brea Industrial Complex	North County	49,912	$16,233,360	$325.24	SemsoTai USA	KBI
Hammond Business Park (3 Industrial Prop.)	South County	41,022	$14,450,000	$352.25	Guthrie Development Co.	Wendy Ruby

SIGNIFICANT LEASE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1151 & 1153 N Ocean Cir - Anaheim Concourse	North County	207,074	July 2025	BGO	Taylor Fresh Foods
3100 S Harbor - Harbor Logistics Center	Airport Area	162,656	August 2025	Emerald Real Estate Partners	Undisclosed
353 N Euclid Way - Tower Business Park	North County	110,784	July 2025	Link Logistics Real Estate	CustomFab Inc
1153 N Ocean Cir - Anaheim Concourse	North County	106,904	July 2025	BGO	Taylor Fresh Foods
5600 Argosy Cir - West County Commerce Ctr	West County	104,678	July 2025	Sares-Regis Group	Harbor Distributing
19531 Pauling	South County	75,507	August 2025	Operon Group	Intellian Technologies USA, Inc
2721 S Harbor Blvd - CenterPoint Harbor	Airport Area	62,775	August 2025	CenterPoint Properties	Soundcoat

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Bake Freeway Business Park	15700-15800 Bake Pky	South County	379,168	Tishman Speyer	September 2025
Huntington Gateway	5055-14383-14393 Skybolt Ln	West County	318,751	Sares Regis Group	December 2025
Orange Logistics Center	759 N Eckhoff St | 752 N Poplar St	North County	285,719	IDI Logistics	December 2025
Bridgepointe Irvine	1 Banting	South County	215,224	Bridge Industrial	October 2025
701 E Ball Rd	701 E Ball Rd	North County	139,535	TPG Angelo Gordon & Co., L.P.	November 2025
Swallows Creek	30700-30630-30590 Rancho Viejo Rd	South County	136,401	Integral Communities, Inc.	September 2025

Data Source: EDD, CoStar

Kidder Mathews

Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S., with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

The information in this report was composed by the Kidder Mathews Research Group.

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COMMERCIAL BROKERAGE	$9B AVERAGE ANNUAL TRANSACTION VOLUME	26.2M ANNUAL SALES SF	36.7M ANNUAL LEASING SF
ASSET SERVICES	53M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,400+ AVERAGE ANNUAL ASSIGNMENTS	39 TOTAL APPRAISERS	24 WITH MAI DESIGNATIONS