Kidder Mathews

MARKET TRENDS

ORANGE COUNTY *INDUSTRIAL*

MARKET DRIVERS

In the second quarter, Orange County's industrial market began to stabilize, signaling a potential end to the prolonged period of softening conditions and a possible shift in market momentum.

Leasing activity increased during the quarter, driven in part by a growing number of tenants actively searching for new facilities rather than simply renewing their existing leases. This uptick in demand may signal a return to sustained positive net absorption.

As a result, landlords are increasingly adopting a "blend-and-extend" strategy to retain tenants whose in-place rents are substantially above current market levels. Rather than risk vacancy, many owners are choosing to reset rental rates closer to market while securing longer lease terms. As landlords continue to adjust to current market conditions, we expect asking rents to experience further modest declines, offset by a reduction in the generous concession packages that were previously required to attract new tenants.

Overall, transactions appear to be increasingly rate-driven, which should contribute to greater market stability going forward.

ECONOMIC REVIEW

Orange County's economy remains fundamentally strong, supported by a diverse employment base and continued growth in high-value industries such as life sciences, technology, healthcare, and aerospace. The region continues to benefit from a highly skilled workforce, strong household incomes, and one of the lowest unemployment rates in California. While economic growth has moderated from the rapid expansion experienced following the pandemic, Orange County continues to outperform many competing markets throughout the state. Elevated housing costs, slower job growth, and ongoing uncertainty surrounding interest rates have tempered business expansion and investment activity. Nevertheless, overall economic conditions remain favorable and continue to support demand for commercial real estate. Looking ahead, steady employment levels, a diversified economy, and improving business confidence should provide a solid foundation for continued economic stability, although growth is expected to remain measured in the near term.

Market Summary

	2Q26	1Q26	2Q25	YOY Change
Direct Vacancy Rate	6.0%	5.8%	5.1%	**18.38%**
Availability Rate	9.2%	8.6%	8.3%	**10.51%**
Asking Lease Rate/SF/Mo	$1.45	$1.47	$1.53	**-5.23%**
	2Q26	**2026 YTD**	**2025 YTD**	**YOY Change**
Lease Transactions (SF)	2,287,130	5,601,046	11,003,828	**-49.10%**
Sale Transactions (SF)	1,263,671	2,014,109	5,476,277	**-63.22%**
Net Absorption (SF)	-331,166	-173,987	-1,406,261	**N/A**

2Q 2026

↓ *2.3M SF*
LEASING ACTIVITY

↑ *-331K SF*
NET ABSORPTION

↑ *6.0%*
VACANCY RATE

↓ *$1.45*
ASKING RENT (AVG)

↓ *287K SF*
NEW DELIVERIES

Year-Over-Year Trend

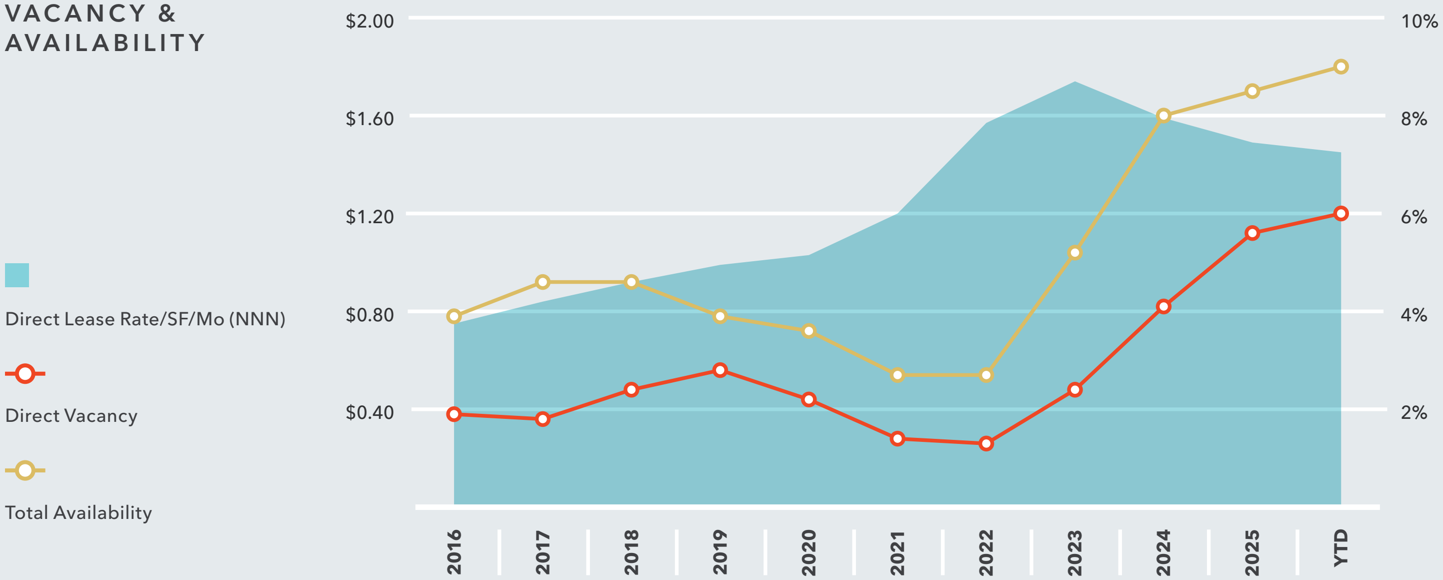
Market Highlights

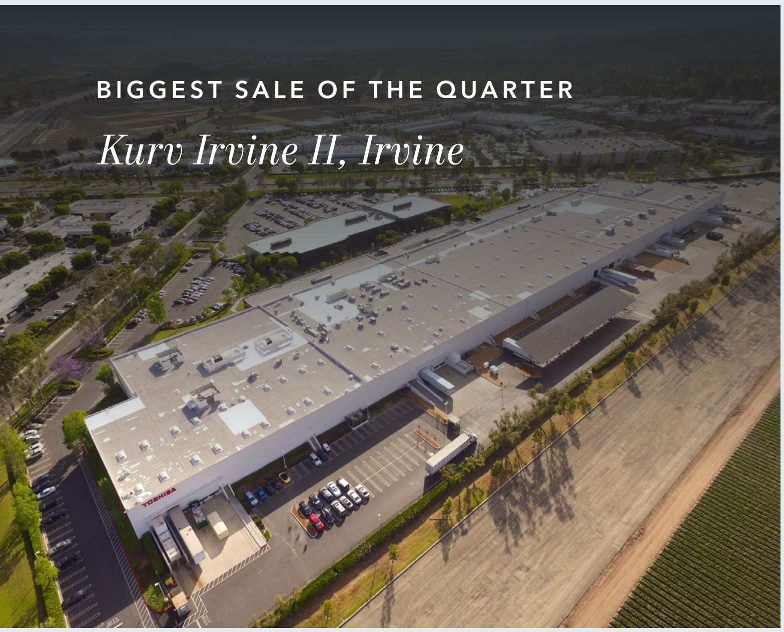
DIRECT VACANCY RATES closed the quarter at 6.0%

RENTAL RATES ended at a $1.45 PSF on an NNN basis

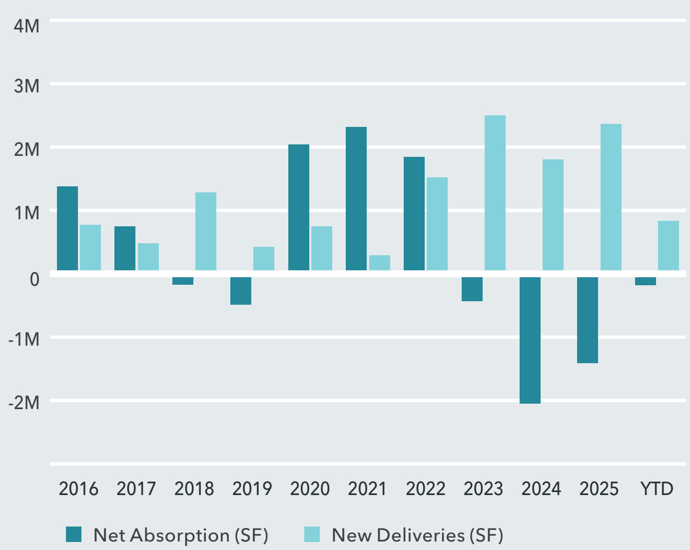
AVERAGE SALE PRICE was $258.77 PSF, while the cap rate was 5.4%

LEASE RATE, VACANCY & AVAILABILITY

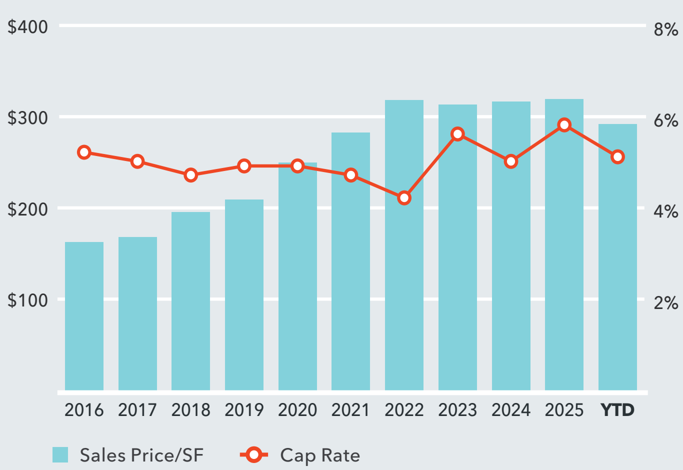




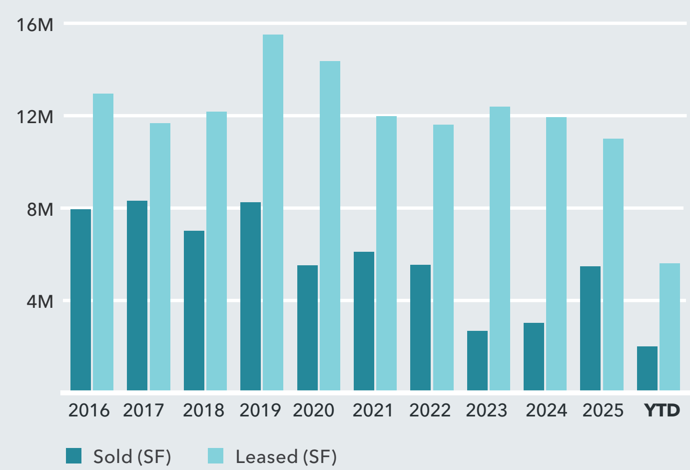
NET ABSORPTION & NEW DELIVERIES



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	2Q26 Direct Net Absorption	YTD Direct Net Absorption	2Q26 Total Leasing Activity	YTD Total Leasing Activity	Average Direct Rental Rate (NNN)
Costa Mesa	7,565,925	3.4%	0.0%	3.4%	4.9%	15,759	69,697	62,946	148,819	$1.09
Fountain Valley	3,594,443	0.7%	4.9%	5.6%	10.0%	15,365	-13,038	5,256	283,306	$1.36
Irvine	11,836,060	9.7%	3.2%	12.9%	13.3%	-96,787	-80,675	202,068	445,591	$1.59
Newport Beach	390,118	0.0%	0.0%	0.0%	0.0%	0	0	0	0	$0.00
Santa Ana	30,789,609	3.6%	0.9%	4.5%	5.2%	-45,434	398,730	279,368	886,467	$1.33
Tustin	5,144,371	9.4%	0.9%	10.3%	10.7%	-128,799	-114,140	22,660	200,426	$1.78
Airport Area	**59,320,526**	**5.1%**	**1.5%**	**6.6%**	**7.5%**	**-239,896**	**260,574**	**572,298**	**1,964,609**	**$1.44**
Anaheim	45,158,562	6.2%	0.5%	6.7%	8.9%	40,782	-78,886	398,151	921,572	$1.48
Brea/La Habra	15,635,763	3.8%	1.3%	5.1%	7.8%	-86,471	-15,689	46,334	246,428	$1.36
Buena Park	13,168,376	8.7%	0.8%	9.5%	22.5%	6,920	-130,456	38,368	95,847	$1.39
Fullerton	19,497,604	5.1%	2.2%	7.3%	7.8%	197,782	75,451	306,080	594,482	$1.43
Orange	13,371,149	3.8%	0.2%	4.1%	7.1%	5,186	45,756	69,810	114,049	$1.29
Placentia/Yorba Linda	4,944,178	3.3%	0.0%	3.3%	6.0%	-98,869	-78,045	2,250	32,362	$1.38
North County	**111,775,632**	**5.6%**	**0.9%**	**6.4%**	**9.8%**	**65,330**	**-181,869**	**860,993**	**2,004,740**	**$1.41**
Irvine Spectrum	11,149,317	13.9%	0.0%	13.9%	15.5%	58,403	18,232	186,240	192,993	$1.74
Laguna Hills/Aliso Viejo	1,854,471	4.0%	0.0%	4.0%	3.2%	-33,417	-26,910	51,397	70,632	$1.67
Laguna Niguel/Laguna Beach	295,465	3.2%	0.3%	3.6%	3.5%	-2,953	-5,098	0	0	$2.75
Lake Forest/Foothill Ranch	7,420,999	5.1%	0.6%	5.6%	7.6%	-145,032	-164,857	25,290	72,520	$1.54
Mission Viejo	748,218	1.5%	0.0%	1.5%	2.6%	-2,490	-2,490	919	919	$1.79
RSM/CDC/Ladera Ranch	1,925,685	2.8%	0.0%	2.8%	2.6%	2,923	7,910	1,800	17,905	$1.66
Dana Point/San Juan/San Clemente	3,013,199	7.5%	0.0%	7.5%	14.9%	44,378	14,196	11,178	63,609	$2.05
South County	**26,407,354**	**8.7%**	**0.2%**	**8.9%**	**10.9%**	**-78,188**	**-159,017**	**276,824**	**418,578**	**$1.70**
Cypress	4,829,980	20.0%	0.8%	20.8%	21.8%	-118,413	-110,424	125,962	196,147	$1.41
Garden Grove	12,257,511	5.3%	0.4%	5.6%	7.0%	-66,765	-115,982	49,990	378,068	$1.32
Huntington Beach	14,172,767	3.7%	0.0%	3.7%	6.3%	4,502	26,995	379,911	472,968	$1.54
La Palma	1,785,908	27.8%	0.0%	27.8%	23.8%	0	0	0	0	$1.15
Los Alamitos/Stanton	3,828,128	1.0%	0.2%	1.3%	1.4%	23,247	-2,693	17,012	50,811	$1.60
Seal Beach	941,679	0.0%	0.0%	0.0%	0.0%	0	0	0	0	$0.00
Westminster	2,339,892	6.2%	0.0%	6.2%	9.7%	79,017	108,429	4,140	165,639	$1.37
West County	**40,155,865**	**7.0%**	**0.3%**	**7.3%**	**8.7%**	**-78,412**	**-93,675**	**577,015**	**1,263,633**	**$1.35**
5,000 - 9,999	17,232,880	1.8%	0.1%	1.9%	2.8%	15,471	-4,050	118,473	305,089	$1.63
10,000 - 24,999	60,628,751	3.1%	0.3%	3.4%	4.8%	-274,301	-336,751	579,009	1,134,971	$1.56
25,000 - 49,999	41,900,197	3.5%	0.4%	3.9%	5.5%	130,333	273,276	258,129	928,196	$1.39
50,000 - 99,999	37,646,724	5.6%	0.4%	6.1%	8.4%	-137,644	-116,598	302,037	1,029,191	$1.46
100,000 - 249,999	48,520,872	12.5%	1.4%	14.0%	15.1%	-75,181	-89,390	806,076	1,898,204	$1.45
250,000 Plus	31,976,371	7.8%	2.6%	10.4%	17.7%	10,156	99,526	223,406	355,909	$1.42
Orange County Total	**237,905,795**	**6.0%**	**0.8%**	**6.9%**	**9.2%**	**-331,166**	**-173,987**	**2,287,130**	**5,651,560**	**$1.45**

NEAR-TERM OUTLOOK

The Orange County industrial market is well-positioned to navigate the next phase of the economic cycle. The market currently offers a healthy supply of available space across a variety of product types, accommodating both logistics users and advanced manufacturing occupiers. At the same time, new construction has remained relatively disciplined, preventing an oversupply that could place significant downward pressure on property values. While leasing activity and rental rates may continue to face headwinds in the near term, the market's strong underlying fundamentals should help support asset values and limit downside risk if the anticipated recovery takes longer to materialize.

Looking ahead, several broader economic and geopolitical uncertainties continue to weigh on business decision-making. As these concerns begin to subside and confidence improves, we expect business expansion, leasing activity, and overall market conditions to strengthen, positioning Orange County's industrial sector for renewed growth.

SIGNIFICANT SALE TRANSACTIONS 2Q 2026

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
Kurv Irvine II	South County	348,230	$107,000,000	$307.27	Kurv Industrial	LBA Logistics
Yorba Linda Commerce Ctr (12 Bldgs)	North County	280,661	$80,976,500	$288.52	Farallon Capital Mgmt.	Cashman Family Ltd Partnership
27717 Aliso Creek Rd	South County	93,750	$41,052,632	$437.89	Greenlaw Partners	PepsiCo, Inc.
Irvine Business Complex	Airport Area	260,850	$32,000,000	$122.68	Starpointe Ventures	Alston Team
2350-2384 E Orangethorpe Ave	North County	62,395	$18,700,000	$299.70	Guthrie Dev.Co.	JR Family Properties, Inc.
423-424 Berry Way	North County	101,380	$16,514,500	$162.90	Transwestern Dev. Co.	Rexford Industrial Realty

SIGNIFICANT LEASE TRANSACTIONS 2Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant
5600 Argosy Cir	West County	223,406	May 2026	Sares-Regis Group	Harbor Distributing
14101 Alton Pky	South County	176,640	April 2026	Cardinal Development Co.	KYOCERA Document Solutions
691 Burning Tree Rd	North County	156,096	April 2026	DWS	Columbia Container Lines
500 W Warner Ave	Airport Area	132,503	April 2026	LBA Realty/Blackstone/GIC	Cubework
11251 Warland Dr	West County	121,983	June 2026	Cypress Land Co.	Manhattan Beachwear Inc.
5600 Argosy Cir	West County	101,618	June 2026	Sares-Regis Group	Fritz Williams
27717 Aliso Creek Rd	South County	93,750	April 2026	Greenlaw Partners	PepsiCo, Inc.

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery Date
Huntington Gateway	5055 Skylab Ln + 14393 Skybolt Ln	West County	261,707	Sares Regis Group	March 2027
South Coast Technology Ctr	3100 -3120 W Lake Center Dr	Airport Area	201,645	CJ Segerstrom & Sons	August 2026
Goodman Commerce Ctr Cypress	5665 Plaza Dr	West County	191,894	Goodman North America	July 2027
Amazon Distribution	625 N Grand Ave	Airport Area	112,500	Amazon	March 2027
11311 Western Ave	11311 Western Ave	West County	88,164	Scannell Properties	July 2026
Advantech	Red Hill Ave & Victory Blvd	Airport Area	78,837	SOC Community College District	June 2026

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.

COMMERCIAL BROKERAGE	$9B AVERAGE ANNUAL TRANSACTION VOLUME	32.4M ANNUAL SALES SF	32.5M ANNUAL LEASING SF
ASSET SERVICES	54M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,700+ AVERAGE ANNUAL ASSIGNMENTS	42 TOTAL APPRAISERS	23 WITH MAI DESIGNATIONS

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

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