

MARKET TRENDS

ORANGE COUNTY INDUSTRIAL

MARKET DRIVERS

Orange County's industrial market is showing signs of stabilization as landlords have adjusted expectations and increasingly met the market. While asking and effective rental rates have declined from their recent peaks, pricing appears to be stabilizing, contributing to improved leasing activity across the market. By the end of Q3, leasing activity reached approximately 1.4M SF, and the gap between supply and demand continued to narrow, although overall market conditions still favor tenants.

Demand is also being supported by several emerging drivers. Efforts to expand domestic manufacturing and encourage companies to onshore production are generating additional requirements for industrial space, while increased investment in aerospace and defense initiatives is benefiting Orange County's well-established manufacturing base. Advanced manufacturing has become one of the market's most active areas of interest, replacing industrial outdoor storage as the sector receiving the greatest attention from owners, investors, and occupiers. In response, many landlords are investing in their properties to increase available electrical power and better accommodate advanced manufacturing, aerospace, and other power-intensive users. Combined with positive net absorption and a slowing increase in available space, these trends suggest the Orange County industrial market is moving toward greater balance.

ECONOMIC REVIEW

The Orange County economy remains strong and stable, supported by a diverse employment base, established business community, and economic fundamentals that allow the region to perform largely on its own merits. While global economic uncertainty, elevated interest rates, persistent inflation, and a slowing housing market have created headwinds, many Orange County businesses continue to move forward with expansion, investment, and hiring decisions despite these broader challenges.

Population growth remains modest, and geographic and development constraints continue to limit new housing and commercial supply. These same barriers to entry, however, help support the value of existing real estate and have contributed to rent growth that has generally outpaced national averages. Although consumers and businesses remain mindful of higher costs and interest rates, the Orange County economy has demonstrated considerable resilience. As economic conditions improve and interest rates normalize, the region appears well positioned to benefit from renewed long-term growth.

Market Summary

	3Q26	2Q26	3Q25	YOY Change
Direct Vacancy Rate	6.0%	6.0%	5.5%	50 bps
Availability Rate	9.0%	8.9%	8.4%	60 bps
Asking Lease Rate/SF/Mo	\$1.45	\$1.45	\$1.48	-2.03%
	3Q26	2026 YTD	2025 YTD	YOY Change
Lease Transactions (SF)	1,450,415	8,121,181	11,157,258	-27.21%
Sale Transactions (SF)	506,815	2,949,274	5,427,964	-45.67%
Net Absorption (SF)	366,128	388,819	-1,413,957	N/A

↓ **1.5M SF**
LEASING ACTIVITY

↑ **366K SF**
NET ABSORPTION

↑ **6.0%**
VACANCY RATE

↓ **\$1.45**
ASKING RENT (AVG)

↓ **290K SF**
NEW DELIVERIES

Year-Over-Year Trend

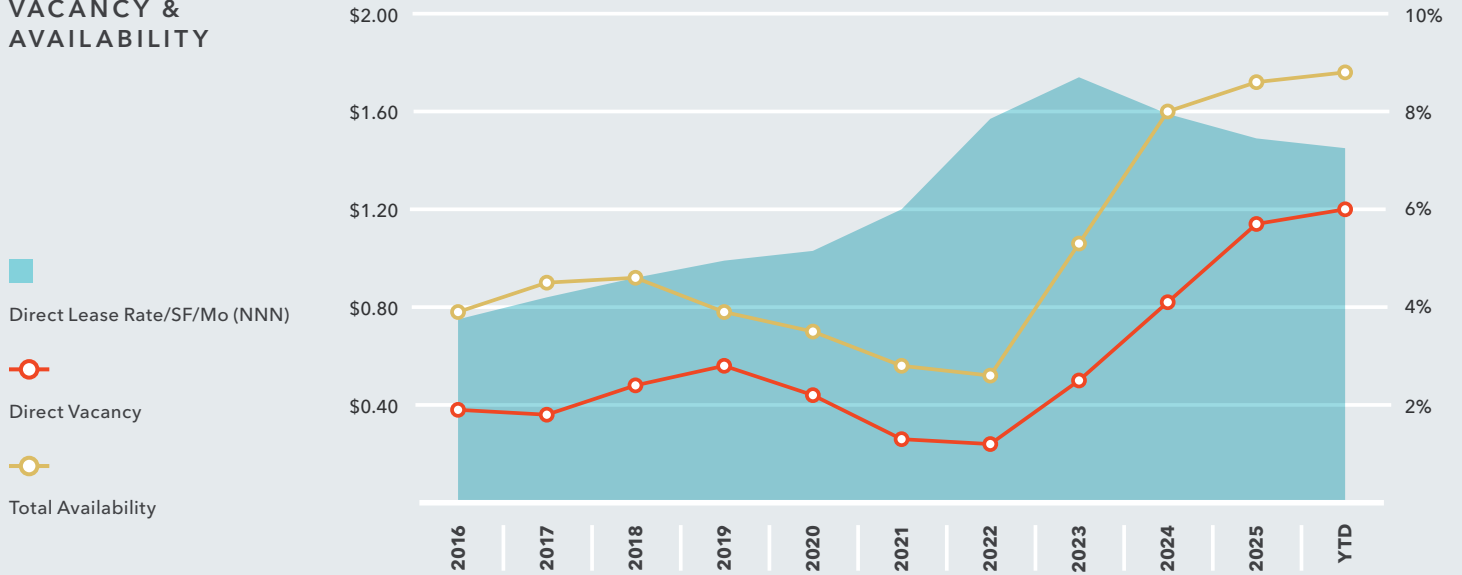
Market Highlights

DIRECT VACANCY RATES
closed the quarter at 6.0%

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

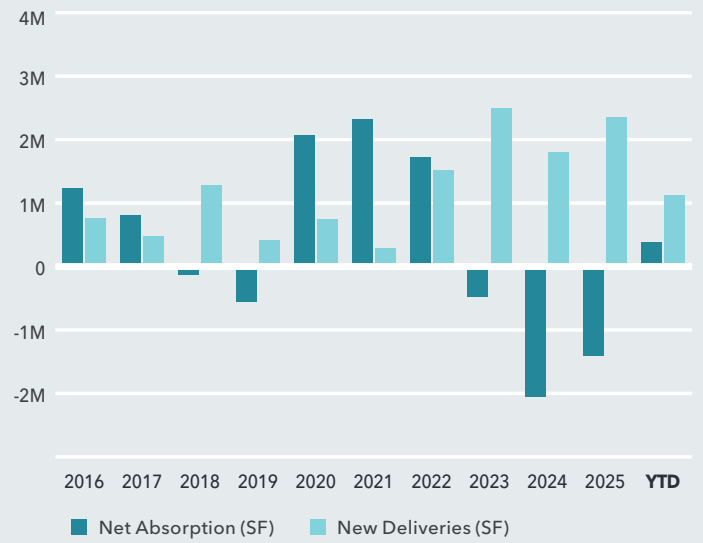
AVERAGE SALE PRICE was
\$306.99 PSF, while the cap
rate was 3.9%

LEASE RATE, VACANCY & AVAILABILITY

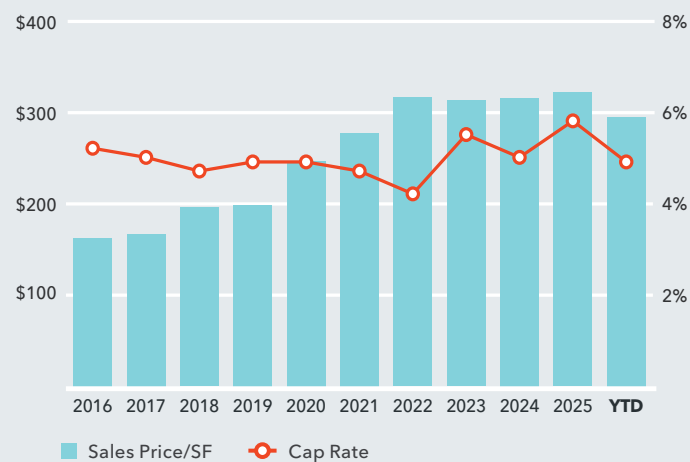


BIGGEST SALE OF THE QUARTER
Irvine Business Complex

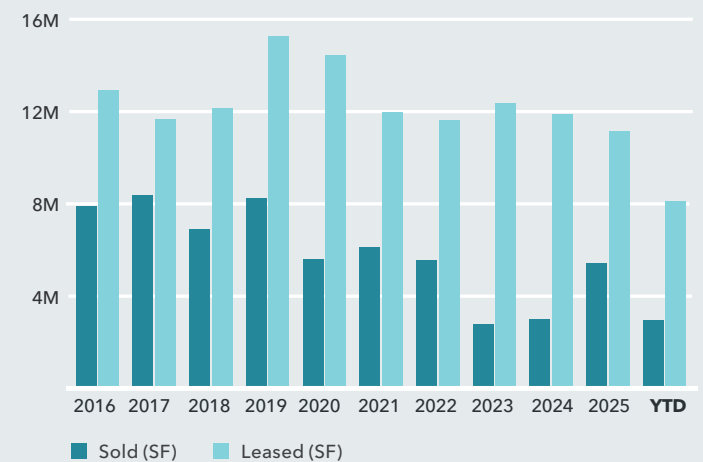
NET ABSORPTION & NEW DELIVERIES



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	3Q26 Direct Net Absorption	YTD Direct Net Absorption	3Q26 Total Leasing Activity	YTD Total Leasing Activity	Average Direct Rental Rate (NNN)
Costa Mesa	7,569,438	2.6%	0.1%	2.7%	4.4%	48,059	123,361	16,710	172,582	\$1.27
Fountain Valley	3,579,395	2.2%	4.8%	7.0%	9.2%	-52,188	-66,276	66,675	364,719	\$1.52
Irvine	11,854,101	7.8%	1.7%	9.6%	10.1%	168,122	140,377	246,554	721,287	\$1.56
Newport Beach	368,093	0.0%	0.0%	0.0%	0.0%	0	0	0	0	\$0.00
Santa Ana	30,656,728	3.5%	0.6%	4.1%	4.9%	235,566	627,875	183,588	1,230,763	\$1.55
Tustin	5,140,525	10.3%	0.9%	11.2%	8.6%	-38,003	-161,021	158,119	375,442	\$1.78
Airport Area	59,168,280	4.8%	1.0%	5.8%	6.4%	361,556	664,316	671,646	2,864,793	\$1.51
Anaheim	45,272,577	6.6%	0.6%	7.2%	9.6%	-97,660	-169,418	134,896	1,121,668	\$1.47
Brea/La Habra	15,639,213	3.7%	1.5%	5.2%	7.3%	18,226	12,481	93,524	388,312	\$1.37
Buena Park	13,151,783	9.7%	0.0%	9.7%	20.1%	-200,284	-262,225	68,533	396,947	\$1.36
Fullerton	19,464,515	4.4%	2.1%	6.5%	8.3%	155,353	217,633	37,642	647,668	\$1.46
Orange	13,207,223	4.1%	0.6%	4.7%	6.6%	-41,360	11,659	39,761	276,699	\$1.31
Placentia/Yorba Linda	4,899,671	3.6%	0.0%	3.6%	6.2%	13,896	-87,816	11,841	58,223	\$1.38
North County	111,634,982	5.8%	0.9%	6.7%	9.8%	-151,829	-277,686	386,197	2,889,517	\$1.40
Irvine Spectrum	11,152,614	14.9%	0.1%	15.0%	15.9%	-101,367	-97,353	95,531	294,542	\$1.75
Laguna Hills/Aliso Viejo	1,884,141	2.8%	0.5%	3.2%	2.7%	40,480	-5,286	3,760	78,199	\$1.67
Laguna Niguel/Laguna Beach	291,371	2.9%	0.0%	2.9%	2.8%	0	-3,985	0	0	\$0.00
Lake Forest/Foothill Ranch	7,527,209	5.2%	1.6%	6.8%	14.3%	-17,409	-182,266	5,350	77,870	\$1.56
Mission Viejo	748,218	0.7%	0.0%	0.7%	1.5%	5,743	3,253	1,209	11,302	\$1.77
RSM/CDC/Ladera Ranch	1,903,047	2.5%	0.0%	2.5%	2.7%	7,469	15,379	6,000	27,156	\$1.68
Dana Point/San Juan/San Clemente	3,062,216	6.8%	0.0%	6.8%	13.2%	6,001	31,375	31,400	104,409	\$2.09
South County	26,568,816	9.0%	0.5%	9.5%	12.7%	-59,083	-238,883	143,250	593,478	\$1.71
Cypress	4,829,980	16.2%	0.1%	16.3%	20.8%	121,983	74,575	57,145	253,292	\$1.41
Garden Grove	12,330,217	5.2%	0.3%	5.6%	5.9%	51,389	-27,133	82,295	533,573	\$1.18
Huntington Beach	14,215,832	3.3%	0.0%	3.4%	3.9%	30,141	77,654	91,495	727,338	\$1.52
La Palma	1,785,908	27.8%	0.0%	27.8%	31.1%	0	0	0	0	\$1.15
Los Alamitos/Stanton	3,810,341	1.2%	0.2%	1.5%	1.8%	-6,789	-10,628	8,251	62,800	\$1.72
Seal Beach	941,679	0.0%	0.0%	0.0%	9.4%	0	0	0	0	\$0.00
Westminster	2,326,415	5.5%	0.0%	5.5%	8.6%	18,760	126,604	10,136	196,390	\$1.37
West County	40,240,372	6.4%	0.2%	6.5%	7.9%	215,484	241,072	249,322	1,773,393	\$1.31
5,000 - 9,999	17,173,291	1.7%	0.2%	1.9%	3.2%	10,178	15,520	91,097	439,826	\$1.71
10,000 - 24,999	60,447,932	3.1%	0.3%	3.4%	4.7%	97,505	-302,796	462,601	1,799,468	\$1.60
25,000 - 49,999	41,563,759	3.2%	0.6%	3.8%	5.4%	76,706	395,247	341,193	1,464,667	\$1.49
50,000 - 99,999	38,069,969	5.2%	0.9%	6.1%	8.9%	159,291	180,964	54,834	1,328,232	\$1.46
100,000 - 249,999	48,919,544	11.7%	1.4%	13.1%	14.5%	547,538	525,448	437,268	2,465,672	\$1.41
250,000 Plus	31,684,373	9.5%	1.0%	10.6%	16.6%	-525,090	-425,564	63,422	623,316	\$1.41
Orange County Total	237,858,868	6.0%	0.8%	6.7%	9.0%	366,128	388,819	1,450,415	8,121,181	\$1.45

NEAR-TERM OUTLOOK

Orange County's near-term industrial outlook continues to improve as landlords have adjusted to current market conditions and leasing activity has strengthened. Rental rates appear to have reached a floor and are beginning to stabilize, helping bring landlords and tenants closer together and resulting in increased transaction activity. At the same time, the recent supply imbalance is easing considerably as the current development cycle winds down. With approximately 431,000 SF of industrial space under construction, concerns surrounding additional oversupply have diminished significantly.

Vacancy may remain elevated in the near term as tenants continue to evaluate alternatives and take advantage of increased availability. However, the sharp reduction in new construction, improving leasing velocity, and stabilization of rental rates are creating a healthier balance between supply and demand. Importantly, Orange County business owners continue to forge ahead with expansion and operational decisions despite broader economic uncertainty.

Looking forward, Orange County appears well positioned for a meaningful rebound as global economic conditions become more predictable. Greater clarity surrounding trade policy and tariffs, together with lower or more stable interest rates, could provide the confidence needed to accelerate business investment and real estate decisions. With limited new supply entering the market and leasing activity already improving, the fundamentals are increasingly in place for stronger market conditions ahead.

SIGNIFICANT SALE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Irvine Business Complex	Airport Area	263,988	\$75,000,000	\$284.10	Robinson Pharma, Inc.	Starpointe Ventures
CommerceCentre@BuenaPark	North County	92,395	\$28,100,000	\$304.13	Undisclosed	Rexford Industrial Realty, Inc.
14131-14171 Chambers Rd	Airport Area	55,046	\$14,300,000	\$259.78	Spirit & Truth Worship Center	Trinity Broadcasting Network
17872 Cowan Ave	Airport Area	24,652	\$10,800,000	\$438.10	OC Music & Dance	Kimco Staffing Services, Inc.
3102 W Adams St	Airport Area	29,932	\$8,590,000	\$286.98	BNWorld, Inc.	Lehrer Family Properties, LP
925 S Lakeview Ave	North County	23,450	\$7,050,000	\$300.64	Goodyear Properties, LLC	Greenleaf, LLC

SIGNIFICANT LEASE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant
18582 Teller Ave	Airport Area	136,612	July 2026	Ares Management Corp.	Undisclosed
LogistiCenter	Airport Area	134,004	August 2026	Dermody	Undisclosed
Anaheim Concourse	North County	132,231	September 2026	BentallGreenOak (BGO)	Norman S Wright Climatec Mechanical
6270-6290 Caballero Blvd	North County	130,200	July 2026	Elion Partners	JAF Logistics
Warland/Cypress Business Center	West County	128,224	September 2026	Warland Investments Co.	Undisclosed
1500 E Walnut Ave	North County	121,946	September 2026	Rexford Industrial Realty, Inc.	Undisclosed
Barranca Parkway	South County	84,580	July 2026	The Irvine Co.	Undisclosed
6300-6340 Valley View St	North County	63,422	September 2026	PGIM, Inc.	Undisclosed

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
Goodman Commerce Center 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
Beach Industrial Center	7474 Garden Grove Blvd	West County	69,498	Seventh Street Development	October 2027
3200 Nasa St	3200 Nasa St	North County	52,102	Oltmans Construction Co.	September 2026

Data Source: EDD, CoStar



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

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**COMMERCIAL
BROKERAGE****\$9B**AVERAGE ANNUAL
TRANSACTION VOLUME**32.4M**ANNUAL
SALES SF**32.5M**ANNUAL
LEASING SF**ASSET
SERVICES****55+M 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