MARKET TRENDS

ORANGE COUNTY *OFFICE*

1Q 2026

↓ *1.6M SF* LEASING ACTIVITY

↓ *69K SF* NET ABSORPTION

↓ *11.3%* VACANCY RATE

↑ *$2.68* ASKING RENT (AVG)

↓ *43K SF* NEW DELIVERIES

Year-Over-Year Trend

MARKET DRIVERS

In early 2026, Orange County's office market showed signs of stabilization. The direct vacancy rate reached 11.3%, a 3.8% year-over-year decrease and below the national average. Strong net absorption and faster tenant move-ins were the primary drivers of this improvement

More companies are downsizing, while others explore owner-user alternatives. This shift is reflected in lease activity, which totaled approximately 1.6M SF.

Changes in inventory are being driven by demand for suburban corporate offices, redevelopment of aging buildings, and interest in converting spaces into mixed-use or medical facilities. Tenant-occupied properties have d since 2020, further reducing available inventory. Rising competition is supporting long-term stability, as evidenced by 324,000 SF currently under construction and 43,000 SF recently delivered.

ECONOMIC REVIEW

Orange County's economy remains diverse, with demand fueled by businesses in the office, industrial, healthcare, and technology sectors. Government agencies and healthcare organizations have also contributed to momentum through new facilities and relocations.

Demand for premium office space is contributing to a notable decrease in vacancy rates for high-rise buildings. However, office-using employment is being influenced by ongoing labor market challenges and elevated operating costs. Financial constraints and rising construction expenses have hampered new office development, especially for traditional office product, although they have boosted demand for repurposing existing buildings and specialized space.

NEAR-TERM OUTLOOK

The outlook for 2026 is cautiously optimistic, driven by constrained supply and continued declines in vacancy. Demand is expected to favor high-quality office. Rental growth is currently moderate, with average asking rents at $2.86 PSF. Despite rising build-out costs, landlords continue to offer concessions to attract tenants and command higher lease rates.

With limited new construction and continued inventory reduction, the market is positioned for gradual stabilization. Further improvement will depend on sustained leasing demand, a recovery in office-using employment, and potential rent growth.

Market Summary

	1Q26	4Q25	1Q25	YOY Change
Direct Vacancy Rate	11.3%	11.3%	11.7%	**-3.80%**
Availability Rate	15.4%	15.1%	16.6%	**-7.30%**
Asking Lease Rate/SF/Mo	$2.86	$2.78	$2.81	**1.78%**
	1Q26	**4Q25**	**1Q25**	**YOY Change**
Lease Volume (SF)	1,538,074	2,156,435	1,868,824	**-17.70%**
Sale Volume (SF)	1,061,132	2,051,441	935,822	**13.39%**
Net Absorption	68,829	891,984	158,839	**N/A**

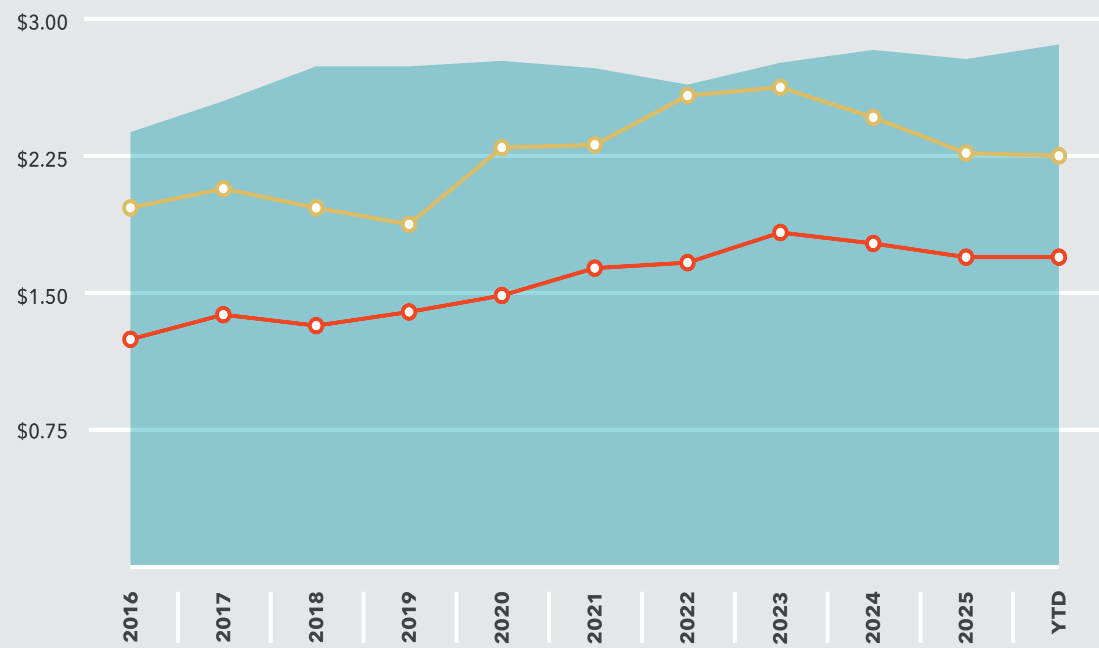
Market Highlights

DIRECT MARKET VACANCY stood at 11.3%

AVERAGE ASKING PRICE on a full-service basis is $2.86 PSF

324K SF is still being developed in 1Q26

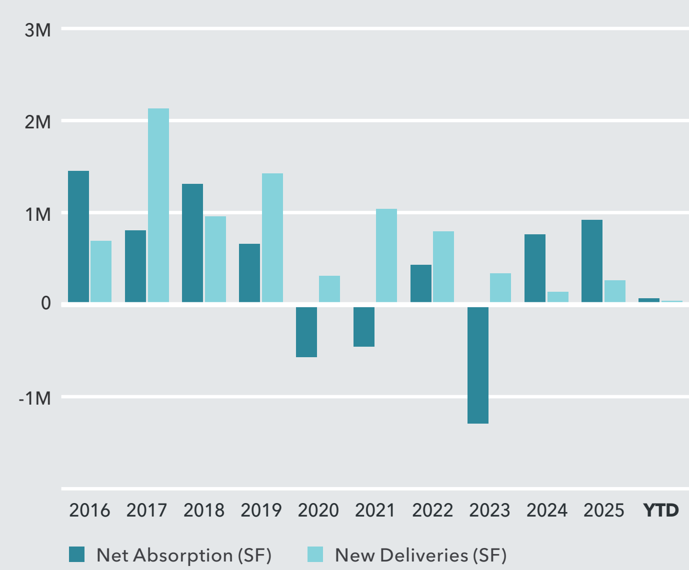
LEASE RATE, VACANCY & AVAILABILITY



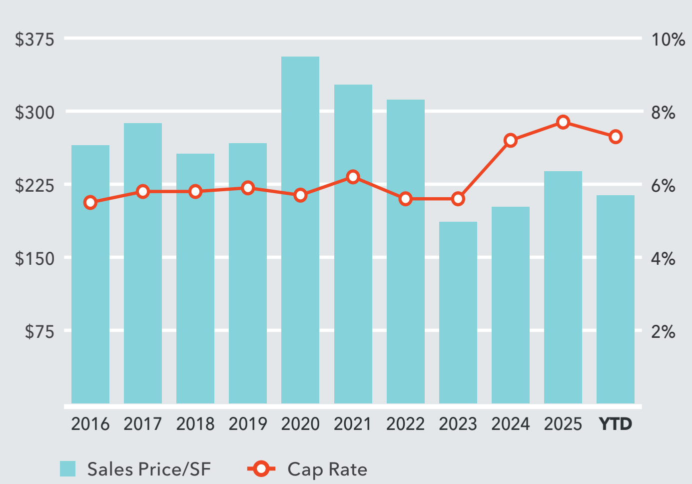
BIGGEST SALE OF THE QUARTER

VK Creative Campus, Irvine, CA (9Properties)

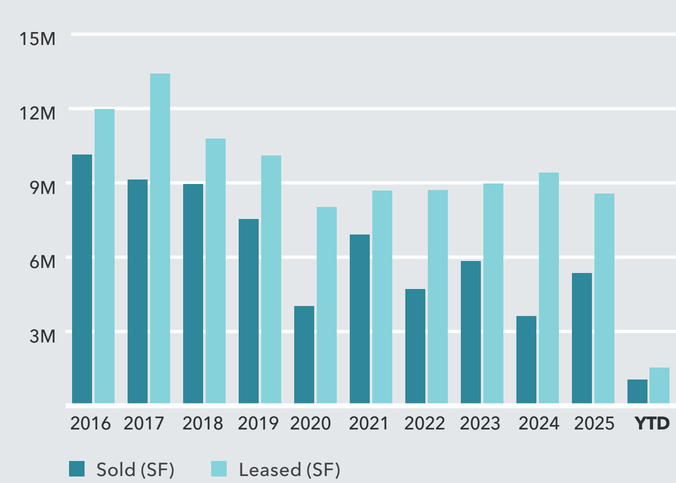
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Available Rate	1Q26 Direct Net Absorption	2025 Direct Net Absorption	1Q26 Total Leasing Activity	2025 Total Leasing Activity	Average Rental Rate (FS)
Costa Mesa	9,238,307	12.9%	0.7%	13.6%	16.8%	41,195	41,195	76,860	76,860	$3.34
Irvine/Tustin Legacy	26,650,192	14.5%	1.0%	15.6%	17.9%	-49,560	-49,560	574,386	574,386	$2.96
Newport Beach	12,782,406	10.6%	0.6%	11.2%	14.2%	30,117	30,117	144,174	144,174	$3.93
South Santa Ana	2,449,106	21.1%	1.1%	22.3%	28.1%	-14,114	-14,114	16,658	16,658	$2.61
Class A	26,001,677	17.7%	1.0%	18.7%	21.4%	-907	-907	433,925	433,925	$3.37
Class B	22,747,461	9.3%	0.7%	10.0%	12.8%	12,251	12,251	350,666	350,666	$2.95
Class C	2,370,873	9.4%	0.8%	10.2%	13.9%	-3,706	-3,706	27,487	27,487	$3.08
Airport	**51,120,011**	**13.6%**	**0.9%**	**14.4%**	**17.3%**	**7,638**	**7,638**	**812,078**	**812,078**	**$3.14**
Civic Center Area	5,667,573	6.9%	0.0%	6.9%	8.0%	23,088	23,088	9,831	9,831	$2.60
East Orange	2,112,529	2.7%	1.0%	3.7%	4.2%	-3,147	-3,147	7,055	7,055	$2.42
Main Place	2,799,406	9.9%	1.2%	11.1%	12.4%	39,052	39,052	31,404	31,404	$3.33
Parkcenter	4,569,328	11.0%	2.5%	13.5%	16.8%	59,133	59,133	75,364	75,364	$2.39
Santa Ana	4,532,752	9.1%	1.1%	10.2%	11.6%	54,211	54,211	14,627	14,627	$2.46
Stadium Area	3,713,557	14.5%	0.3%	14.8%	21.2%	-11,063	-11,063	9,234	9,234	$2.06
The City	2,679,123	26.3%	0.0%	26.3%	26.4%	-14,138	-14,138	14,745	14,745	$2.99
Tustin	1,613,980	0.4%	0.0%	0.4%	6.2%	7,916	7,916	7,007	7,007	$1.88
Class A	7,906,760	17.2%	1.6%	18.8%	23.0%	45,212	45,212	63,754	63,754	$3.07
Class B	14,805,774	8.1%	0.6%	8.7%	10.0%	114,466	114,466	67,738	67,738	$2.33
Class C	4,975,714	6.8%	0.1%	6.9%	9.5%	-4,626	-4,626	37,775	37,775	$1.79
Central	**27,688,248**	**10.5%**	**0.8%**	**11.3%**	**13.6%**	**155,052**	**155,052**	**169,267**	**169,267**	**$2.52**
Anaheim Hills	1,498,497	9.0%	0.0%	9.0%	9.4%	-27,201	-27,201	17,533	17,533	$2.65
Brea/La Habra	4,409,992	15.4%	0.0%	15.4%	20.1%	-43,793	-43,793	71,904	71,904	$2.75
Buena Park/La Palma	2,292,606	7.6%	0.5%	8.2%	9.3%	32,649	32,649	16,471	16,471	$2.55
Fullerton	2,838,615	4.4%	0.0%	4.4%	4.0%	-36,519	-36,519	13,732	13,732	$2.34
North/East Anaheim	5,458,276	4.9%	3.5%	8.4%	9.1%	-43,500	-43,500	13,107	13,107	$2.62
Placentia/Yorba Linda	819,391	9.6%	0.0%	9.6%	8.5%	12,463	12,463	6,195	6,195	$2.45
Class A	2,929,727	17.1%	0.5%	17.5%	22.8%	9,530	9,530	50,923	50,923	$3.02
Class B	11,852,310	7.5%	1.6%	9.1%	10.0%	-106,504	-106,504	78,194	78,194	$2.60
Class C	2,603,340	2.7%	0.0%	2.7%	2.7%	-8,927	-8,927	9,825	9,825	$2.25
North	**17,385,377**	**8.4%**	**1.2%**	**9.6%**	**11.0%**	**-105,901**	**-105,901**	**138,942**	**138,942**	**$2.64**
Irvine Spectrum	15,363,397	10.0%	1.0%	11.0%	15.2%	9,520	9,520	247,756	247,756	$2.88
Laguna Hills/Aliso Viejo	6,173,074	13.7%	7.2%	20.9%	31.3%	46,666	46,666	29,496	29,496	$2.67
Laguna Niguel/Laguna Beach	2,117,600	4.0%	0.4%	4.3%	5.6%	10,371	10,371	19,471	19,471	$3.14
Lake Forest/Foothill Ranch	3,418,186	12.9%	0.2%	13.0%	22.1%	68,638	68,638	21,875	21,875	$2.42
Mission Viejo	2,312,527	14.2%	0.4%	14.5%	17.6%	4,691	4,691	26,081	26,081	$3.02
Dana Point/San Juan/ San Clemente	2,476,949	5.2%	0.1%	5.4%	7.6%	3,014	3,014	11,825	11,825	$2.87
Class A	10,744,259	9.5%	4.4%	14.0%	22.5%	145,073	145,073	195,833	195,833	$3.32
Class B	20,121,701	11.4%	0.7%	12.2%	16.2%	-7,319	-7,319	134,935	134,935	$2.58
Class C	1,809,005	6.1%	0.0%	6.1%	7.8%	5,146	5,146	25,736	25,736	$2.96
South	**32,674,965**	**10.5%**	**1.9%**	**12.4%**	**17.8%**	**142,900**	**142,900**	**356,504**	**356,504**	**$2.84**
Cypress	1,783,180	22.0%	0.3%	22.3%	25.2%	-91,534	-91,534	2,000	2,000	$2.56
Fountain Valley	2,448,286	4.5%	0.1%	4.6%	4.4%	-8,300	-8,300	8,014	8,014	$2.30
Garden Grove	2,100,066	5.5%	0.1%	5.7%	6.7%	-7,049	-7,049	3,942	3,942	$2.03
Huntington Beach	3,112,797	11.6%	1.5%	13.2%	13.8%	-22,251	-22,251	39,176	39,176	$2.59
Los Alamitos/Stanton	1,133,200	3.8%	0.3%	4.1%	5.1%	-448	-448	8,151	8,151	$3.01
Seal Beach	573,645	8.2%	2.4%	10.6%	13.6%	-1,278	-1,278	0	0	$3.44
Westminster	942,822	7.8%	0.9%	8.7%	9.3%	0	0	0	0	$3.02
Class A	2,544,709	16.9%	2.3%	19.3%	21.5%	-11,394	-11,394	32,985	32,985	$2.73
Class B	7,445,010	8.2%	0.3%	8.5%	9.4%	-82,514	-82,514	22,110	22,110	$2.44
Class C	2,104,277	5.0%	0.0%	5.0%	5.0%	-36,952	-36,952	6,188	6,188	$3.51
West	**12,093,996**	**9.5%**	**0.7%**	**10.2%**	**11.2%**	**-130,860**	**-130,860**	**61,283**	**61,283**	**$2.59**
Orange County Total	**140,962,597**	**11.3%**	**1.1%**	**12.4%**	**15.4%**	**68,829**	**68,829**	**1,538,074**	**1,538,074**	**$2.86**
Class A	50,197,492	15.8%	1.9%	17.7%	22.0%	187,514	187,514	777,420	777,420	$3.26
Class B	76,972,256	9.2%	0.8%	10.0%	12.4%	-69,620	-69,620	653,643	653,643	$2.66
Class C	13,795,209	6.1%	0.2%	6.3%	8.1%	-49,065	-49,065	107,011	107,011	$2.41

SIGNIFICANT SALE TRANSACTION 1Q 2026

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
VKCreative Campus:	Airport Area	432,940	$232,118,000	$536.14	Essential Housing Asset Mgmt	IRA Capital, LLC
The Landing Campus	Airport Area	229,679	$59,000,000	$256.88	The Khoshbin Company	GEM Realty Capital, Inc.
Centerstone Plaza	Airport Area	107,118	$32,000,000	$298.74	TA Partners, LLC	New York Life Investments
Newport Plaza	Airport Area	134,471	$24,350,000	$181.08	KNM Property Management	Jamison Properties
17901 & 17911 Von Karman	Airport Area	104,375	$23,750,000	$227.54	West Capital Lending, Inc.	Manulife Financial Corporation
2300 E Katella Ave - Stadium Towers	Central County	69,032	$15,150,000	$219.46	H & S Ventures, LLC	TPG Global, LLC

SIGNIFICANT LEASE TRANSACTIONS 1Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant
75 Columbia	South County	47,349	January 2026	American Zettler Inc	RxSight (Renewal)
260 Progress	South County	44,430	January 2026	The Irvine Company	Undisclosed
5271 California Ave	Airport Area	41,105	January 2026	The Irvine Company	Undisclosed
3349 Michelson Dr	Airport Area	39,542	January 2026	PIMCO Prime Real Estate	Undisclosed
140 S State College Blvd	North County	26,808	March 2026	Crowne Point Equity	Undisclosed
330 Commerce Dr	Airport Area	26,680	March 2026	The Irvine Company	Undisclosed

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
The Weave @ocV!BE	NEC E Katella Ave & S Douglass Rd	Central County	168,137	H&S Ventures	November 2028
Advantech	SEC Red Hill Ave & Victory Rd	Central County	108,942	SOC Community College District	April 2026
BeWell OC Building	7850-7900 Marine Way	South County	74,800	Mind OC	July 2026
Medical Office Building	17931 Von Karman Ave	Airport Area	68,000	PMB Real Estate Services	April 2026
Medical Office Building	121 E Whittier Blvd	North County	10,000	Gire Orthodontics	May 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	55M 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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