Kidder Mathews

MARKET TRENDS

ORANGE COUNTY *OFFICE*

2Q 2026

↓ *1.5M SF* LEASING ACTIVITY

↓ *54K SF* NET ABSORPTION

↓ *10.9%* VACANCY RATE

↑ *$2.94* ASKING RENT (AVG)

↑ *109K SF* NEW DELIVERIES

Year-Over-Year Trend

MARKET DRIVERS

Orange County's office market is still improving, reflected in its higher positive net absorption compared to nearby regions. Manufacturers and medical users are among the companies driving recent expansions. The market continues to see gradual activity in lease negotiations and volume, even with some tenants consolidating their office space.

The leasable market space has contracted as existing properties undergo renovation. These buildings are being purchased, improved, converted, or redeveloped for mixed-use purposes, driven by tenants' continued preference for prime locations. The market is better positioned for stabilization, as the excess supply diminishes.

ECONOMIC REVIEW

Orange County's economy has remained stagnant, experiencing employment growth that trails the national average because of a labor shortage. Nevertheless, the job market here is more competitive than in surrounding Southern California areas.

NEAR-TERM OUTLOOK

Vacancy rates are particularly low, often in the single digits, in many suburban areas of North County and Coastal South County that do not typically have large office towers. The available office space appears to align with expected demand, reflecting the significant net absorption currently taking place in the market.

Orange County has experienced a slowdown in the development of new office buildings. Developers are reluctant to start typical office building projects due to increasing interest rates and stricter lending conditions.

Market Summary

	2Q26	1Q26	2Q25	YOY Change
Direct Vacancy Rate	10.9%	10.9%	12.0%	**-9.06%**
Availability Rate	15.1%	14.7%	15.9%	**-5.23%**
Asking Lease Rate/SF/Mo	$2.94	$2.85	$2.82	**4.26%**

	2Q26	2026 YTD	2025 YTD	YOY Change
Lease Volume (SF)	1,544,248	3,337,330	8,654,675	**-61.44%**
Sale Volume (SF)	228,374	1,215,422	5,239,532	**-76.80%**
Net Absorption	54,420	324,936	1,071,800	**N/A**

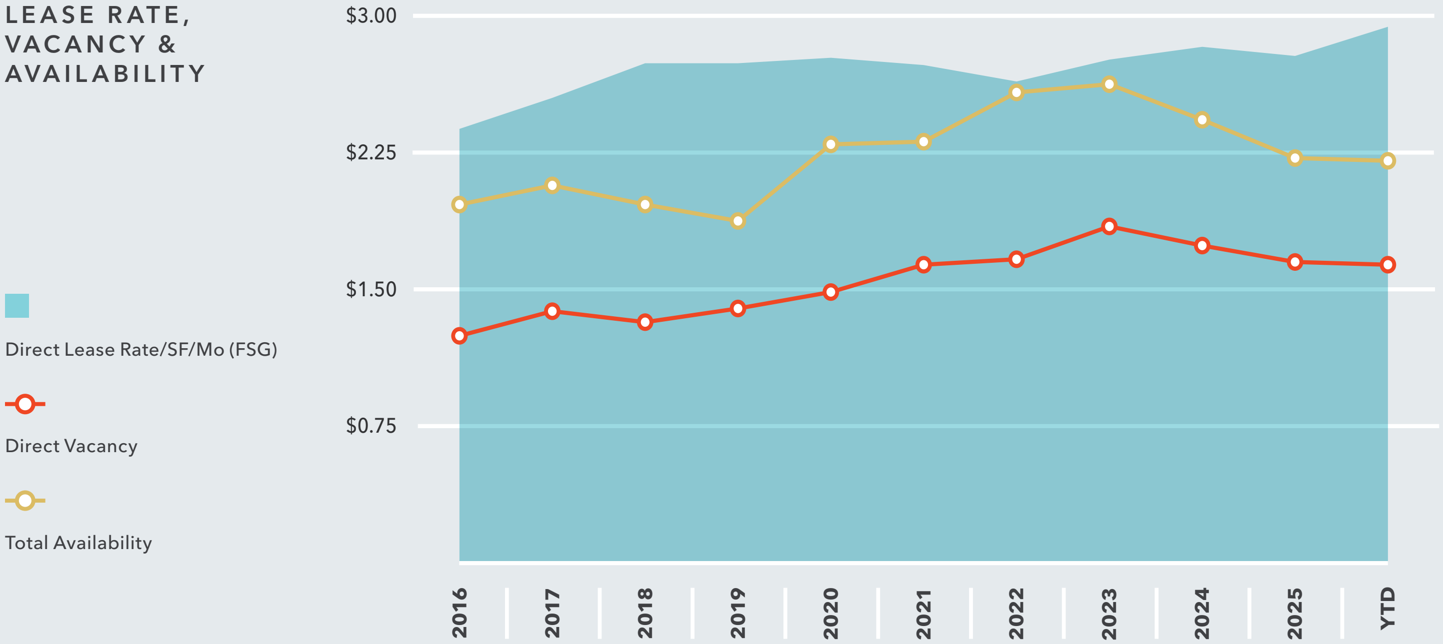
Market Highlights

DIRECT MARKET VACANCY stood at 10.9%

AVERAGE ASKING PRICE on a full-service basis is $2.94 PSF

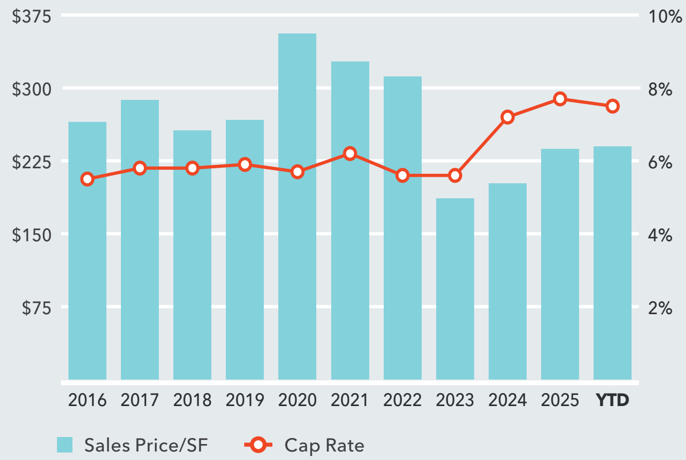
216K SF is still being developed in 2Q26

LEASE RATE, VACANCY & AVAILABILITY

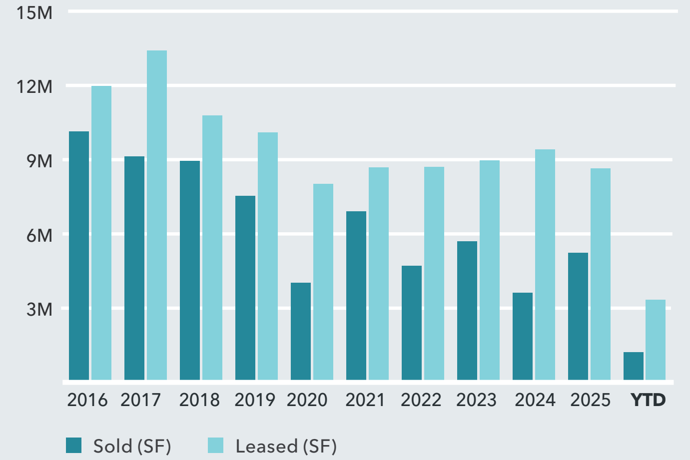


NET ABSORPTION & NEW DELIVERIES

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 Rental Rate (FS)
Costa Mesa	9,250,968	11.8%	0.8%	12.6%	15.9%	79,264	143,594	167,197	259,215	$3.39
Irvine/Tustin Legacy	26,540,964	13.3%	0.7%	14.0%	18.5%	26,620	155,355	384,697	1,113,248	$3.14
Newport Beach	12,678,385	10.2%	0.7%	10.9%	13.8%	40,558	85,177	140,541	283,832	$3.93
South Santa Ana	2,449,106	19.9%	0.2%	20.2%	24.7%	29,280	15,166	59,392	95,085	$2.62
Class A	26,061,695	17.5%	0.7%	18.2%	21.6%	45,296	66,831	446,161	1,021,615	$3.42
Class B	22,241,154	7.8%	0.7%	8.4%	12.3%	137,986	347,145	293,379	687,591	$3.04
Class C	2,616,574	4.6%	0.7%	5.3%	13.9%	-7,560	-14,684	12,287	42,174	$3.10
Airport	**50,919,423**	**12.6%**	**0.7%**	**13.3%**	**17.2%**	**175,722**	**399,292**	**751,827**	**1,751,380**	**$3.23**
Civic Center Area	5,628,411	6.4%	0.0%	6.4%	5.5%	34,729	56,545	4,041	15,327	$2.59
East Orange	2,149,500	3.7%	0.0%	3.7%	4.6%	-4,289	-25,303	6,930	16,060	$2.46
Main Place	2,762,549	10.6%	1.1%	11.7%	11.9%	-8,389	25,631	31,853	63,257	$3.36
Parkcenter	4,526,793	11.2%	2.4%	13.6%	16.6%	-7,395	53,380	57,965	141,187	$2.43
Santa Ana	4,466,966	7.7%	0.9%	8.6%	11.8%	58,981	113,192	2,097	16,724	$2.51
Stadium Area	3,717,471	13.6%	0.1%	13.7%	19.1%	38,361	22,805	44,660	65,396	$2.07
The City	2,679,123	22.3%	0.0%	22.3%	21.0%	-124,903	-135,194	52,488	67,233	$2.93
Tustin	1,679,360	0.6%	0.0%	0.6%	6.4%	105,127	113,043	0	7,007	$2.42
Class A	7,015,746	16.4%	1.6%	18.0%	22.0%	62,585	102,927	87,190	172,059	$3.07
Class B	15,091,957	7.8%	0.4%	8.2%	8.7%	32,205	127,815	80,901	151,562	$2.37
Class C	5,502,470	6.6%	0.1%	6.7%	9.8%	-2,568	-6,643	31,943	68,570	$1.80
Central	**27,610,173**	**9.8%**	**0.7%**	**10.4%**	**12.3%**	**92,222**	**224,099**	**200,034**	**392,191**	**$2.57**
Anaheim Hills	1,457,067	5.7%	0.0%	5.7%	7.0%	50,890	23,689	2,440	22,834	$2.56
Brea/La Habra	4,398,354	14.6%	0.1%	14.7%	18.3%	21,877	-6,644	20,194	91,446	$2.85
Buena Park/La Palma	2,271,808	7.6%	0.5%	8.2%	9.1%	-1,191	34,163	7,560	24,031	$2.55
Fullerton	2,790,275	3.5%	0.0%	3.5%	4.7%	24,992	-15,150	9,517	19,533	$2.55
North/East Anaheim	5,441,385	5.2%	3.5%	8.7%	9.4%	-15,489	-58,989	4,766	20,498	$2.60
Placentia/Yorba Linda	832,459	11.1%	0.0%	11.1%	9.9%	-16,622	-1,166	3,553	11,999	$2.35
Class A	2,916,789	16.5%	0.4%	16.9%	19.4%	19,779	29,309	12,336	59,743	$2.90
Class B	11,624,495	7.1%	1.7%	8.8%	10.4%	34,659	-58,396	32,014	113,720	$2.59
Class C	2,718,064	2.6%	0.0%	2.6%	2.6%	10,019	4,990	3,680	16,878	$2.45
North	**17,259,348**	**8.0%**	**1.2%**	**9.2%**	**10.7%**	**64,457**	**-24,097**	**48,030**	**190,341**	**$2.65**
Irvine Spectrum	15,293,931	11.3%	0.9%	12.2%	16.3%	-205,799	-189,203	303,564	647,187	$3.01
Laguna Hills/Aliso Viejo	6,169,422	15.4%	5.9%	21.3%	29.8%	-104,032	-54,818	74,935	111,720	$2.68
Laguna Niguel/Laguna Beach	2,105,578	3.2%	0.3%	3.5%	4.0%	16,511	26,882	16,392	26,997	$3.31
Lake Forest/Foothill Ranch	3,418,186	12.9%	0.2%	13.1%	22.6%	-6,151	62,487	41,551	63,426	$2.44
Mission Viejo	2,293,177	14.0%	0.3%	14.3%	17.1%	5,148	11,662	30,744	66,369	$2.47
Dana Point/San Juan/ San Clemente	2,453,412	5.4%	0.1%	5.5%	6.9%	-1,043	-1,749	23,885	35,710	$2.77
Class A	10,709,022	11.8%	3.7%	15.4%	23.4%	-244,711	-102,111	190,433	474,076	$3.36
Class B	19,848,380	11.8%	0.7%	12.5%	15.8%	-55,177	-45,430	291,692	440,082	$2.60
Class C	1,974,445	5.5%	0.0%	5.5%	10.0%	4,522	2,802	8,946	37,251	$3.06
South	**32,531,847**	**11.4%**	**1.6%**	**13.0%**	**17.9%**	**-295,366**	**-144,739**	**491,071**	**951,409**	**$2.89**
Cypress	1,783,180	22.1%	0.3%	22.4%	25.0%	-1,556	-93,090	11,520	13,520	$2.57
Fountain Valley	2,448,286	4.3%	0.1%	4.4%	4.5%	3,347	-3,977	10,940	18,954	$2.31
Garden Grove	2,153,401	6.1%	0.1%	6.2%	8.0%	7,388	-21,521	2,354	6,296	$2.04
Huntington Beach	3,102,036	11.6%	1.5%	13.0%	14.3%	-1,341	-18,297	7,037	32,686	$2.66
Los Alamitos/Stanton	1,229,795	3.4%	0.7%	4.1%	4.3%	1,544	1,096	11,722	19,873	$3.03
Seal Beach	573,645	7.5%	2.4%	9.8%	9.3%	4,730	2,897	9,713	13,698	$3.48
Westminster	938,591	7.5%	0.9%	8.4%	9.7%	3,273	3,273	0	400	$3.02
Class A	2,439,975	16.3%	2.5%	18.8%	22.3%	25,835	21,005	15,054	31,727	$2.73
Class B	7,321,883	8.3%	0.3%	8.5%	9.3%	-10,298	-95,827	26,169	50,388	$2.46
Class C	2,467,076	5.7%	0.3%	6.0%	5.8%	1,848	-54,797	12,063	23,312	$3.44
West	**12,228,934**	**9.4%**	**0.7%**	**10.1%**	**11.2%**	**17,385**	**-129,619**	**53,286**	**105,427**	**$2.61**
Orange County Total	**140,549,725**	**10.9%**	**1.0%**	**11.9%**	**15.1%**	**54,420**	**324,936**	**1,544,248**	**3,390,748**	**$2.94**
Class A	49,226,587	15.9%	1.5%	17.5%	21.9%	-91,216	117,961	751,174	1,759,220	$3.30
Class B	76,127,869	8.8%	0.7%	9.5%	11.9%	139,375	275,307	724,155	1,443,343	$2.70
Class C	15,210,629	5.3%	0.2%	5.5%	8.6%	6,261	-68,332	68,919	188,185	$2.51

SIGNIFICANT SALE TRANSACTION 2Q 2026

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
601 Dover Dr (Sold for Land Value)	Airport Area	65,340	$26,475,000	$405.19	Shea Homes	IRA Capital, LLC
95 Argonaut (Sold for Land Value)	South County	124,149	$14,000,000	$112.77	Meritage Homes	Argonaut Offices, LLC
3146- 3152 Red Hill (Office Conversion Project)	Airport Area	43,672	$13,894,500	$318.16	Grace Fellowship Church	Modern Development Co.
Easthill Corporate Plaza	North County	40,066	$9,500,000	$237.11	Investment Concepts, Inc.	Abady Holdings Corp.
Mountain View Business Center	South County	28,827	$9,200,000	$319.15	Levana Investments, LLC	Tappan Investments
800-850 Glenneyre St	South County	8,296	$5,800,000	$699.13	CheckerProp	Mount Angel Abbey

SIGNIFICANT LEASE TRANSACTIONS 2Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Harbor Gateway Business Center	Airport Area	54,745	May 2026	C. J. Segerstrom & Sons	Z Supply (Renewal)
Jamboree Center	Airport Area	43,854	April 2026	The Irvine Company	RWTinc.
Spectrum Terrace	South County	42,901	May 2026	The Irvine Company	BD
The Cascades	South County	31,316	June 2026	Cypress Office Properties	Undisclosed
Discovery Park	South County	27,153	June 2026	The Irvine Company	Undisclosed
Griffin Towers	Airport Area	27,028	May 2026	Kingsbarn Realty Capital	Videlle Investments

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
The Weave @ocV!BE	2525 E Katella Ave	Central County	168,137	H&S Ventures	November 2028
Advantech	SEC Red Hill Ave & Victory Rd	Central County	108,942	SOC Community College District	June 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	August 2026
Medical Office Building	121 E Whittier Blvd	North County	10,000	Gire Orthodontics	August 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.

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

GARY BARAGONA
Vice President, Research
415.229.8925
gary.baragona@kidder.com

DARREN TAPPEN
Regional President, Brokerage
Greater LA, SoCal & Arizona
949.557.5060
darren.tappen@kidder.com

Designated Broker
Eric Paulsen | LIC N° 01001040

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

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