

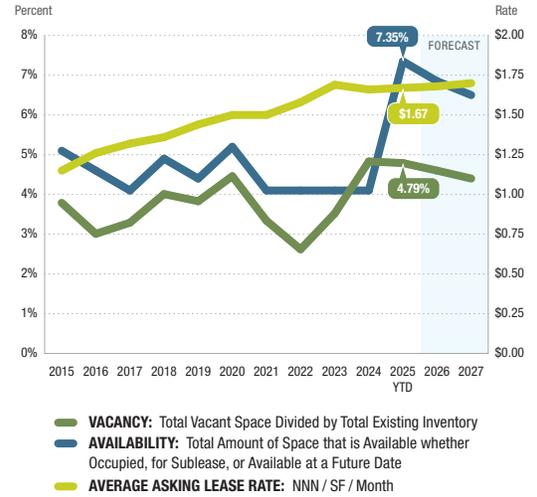
OVERVIEW. Orange County's R&D market showed signs of leveling out in Q1 after a volatile 2024, shaped by ongoing economic uncertainty and shifting tenant strategies. Gross and net absorption both moved in a positive direction, with net absorption remaining positive for a second consecutive quarter—a signal that the market may be finding a more stable footing, even as total square footage leased and sold declined from earlier periods. Vacancy ticked down slightly, while availability rose, an indication that some space is being backfilled, but tenants remain cautious. Many are still evaluating long-term needs or testing the market early. Asking rents inched up in Q1, driven more by shifts in available inventory, including sublease space converting to direct, than by tenant demand. Landlords continued to offer concessions, while tenants prioritized flexibility, shorter terms, and built-out spaces to minimize upfront costs and reduce risk.

VACANCY & AVAILABILITY. Orange County's R&D/Flex vacancy rate dipped to 4.79% in Q1, down slightly from 4.83% in Q4. That is still well above the 3.71% posted a year ago, underscoring just how much vacancy has climbed over the past 12 months—even as the recent trend shows signs of leveling out. Availability, on the other hand, rose to 7.35%, compared with 6.97% this time last year. Some tenants continue to test the market tentatively and retain space longer while weighing operational changes. Orange County R&D/Flex space is drawing interest from users looking for more cost-effective alternatives to traditional office space. At the same time, limited new construction is helping keep supply in check. With no major developments in the pipeline and some outdated space being pulled off the market, the segment appears to be gradually moving toward equilibrium.

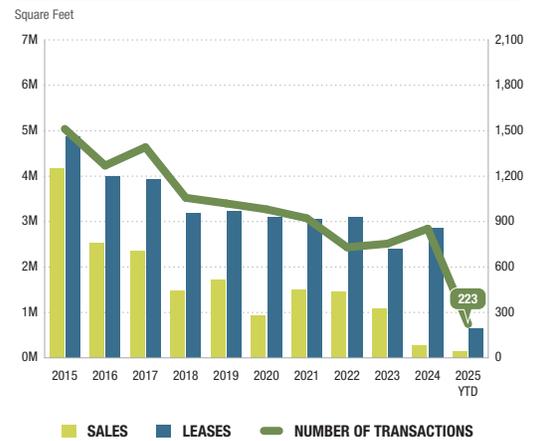
LEASE RATES. The average asking lease rate for R&D/Flex space in Orange County ticked up to \$1.67 NNN in Q1 2025, a modest rise from \$1.66 in Q4. Over the past year, rates have stayed in a tight band between \$1.66 and \$1.69, now down just 1.2% year over year. However, differences persist between submarkets. The Airport Area posted the highest rate at \$1.79, followed by South County at \$1.73, as both submarkets have a stronger concentration of R&D/Flex assets, which tends to elevate asking rents. Markets with more limited inventory or wider pricing swings generally report lower averages. While face rents remain steady, effective rates have slipped in some buildings as landlords offer concessions to backfill persistent vacancy.

TRANSACTION ACTIVITY. Leasing and sales totaled 781,423 SF in Q1 across 215 transactions, a slight pullback from the prior quarter's pace. Leasing activity cooled slightly in Q1. The number of completed lease deals dropped to 210 from 212 in Q4, and the total square footage leased fell to 632,675 SF from 684,613, a 7.6% decline quarter over quarter. Still, compared with a year ago, leasing volume has seen a modest increase. Tenants are active, but selective, showing preference for well located, functional space. This reflects a deliberate, rather than reactive, approach to leasing. On the sales side, activity slowed as well. Only five buildings sold during the quarter, totaling 148,748 SF.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



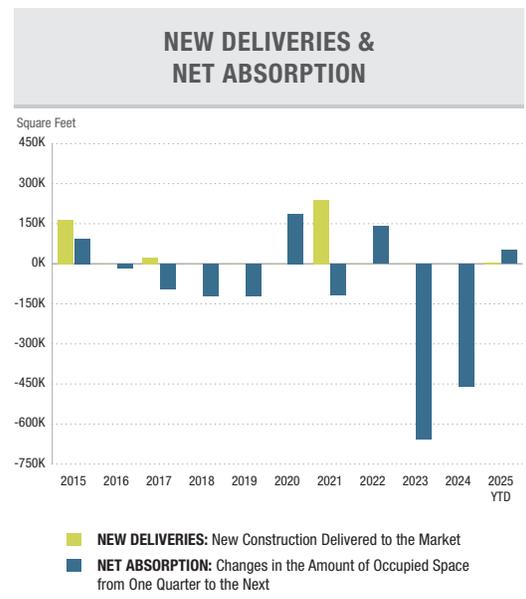
Market Statistics

	Change Over Last Quarter	Q1 2025	Q4 2024	Q1 2024	% Change Over Last Year
Vacancy Rate	▼ DOWN	4.79%	4.83%	3.71%	29.13%
Availability Rate	▲ UP	7.35%	6.98%	6.97%	5.54%
Average Asking Lease Rate	▲ UP	\$1.67	\$1.66	\$1.69	(1.18%)
Sale & Lease Transactions	▼ DOWN	781,423	818,616	634,749	23.11%
Gross Absorption	▲ UP	965,766	827,498	762,550	26.65%
Net Absorption	▲ POSITIVE	50,805	47,919	23,796	N/A

ABSORPTION. Net absorption in Orange County's R&D/Flex market remained positive in Q1 at 50,805 SF, the second consecutive quarter of growth and more than twice the total from Q1 2024. Gross absorption hit 965,766 SF, rising 16.7% from the prior quarter and 26.65% year-over-year. North County led all regions with 124,405 SF of net absorption, largely due to a single large move-in in Yorba Linda. Both the Airport Area and South County posted negative net absorption at -17,053 and -11,286 SF, respectively. Despite the softness in those core areas, tenant activity remained steady overall, giving the market a base to build on heading into Q2.

CONSTRUCTION. No new R&D/Flex construction started in Q1, and there are currently no projects underway. Planned development is limited to 225,579 SF across Irvine and Fountain Valley. With flat rents and unremarkable deal volume, the market isn't offering much incentive for new builds. For landlords, this reduces the risk of oversupply. For tenants, it narrows options for build-to-suit space. Much of the developable land is shifting towards high-density residential projects, where demand is strong. For now, existing inventory appears adequate to meet demand.

EMPLOYMENT. As of February 2025, Orange County's unemployment rate held steady at 3.9%, unchanged year over year. Total non-farm employment slipped by 1,900 jobs, pointing to a conservative hiring environment. Results in tech-adjacent manufacturing sectors were mixed. Computer and Electronic Product Manufacturing added 500 jobs over the past year, up 1.5%. Meanwhile, Semiconductor employment was flat, and Navigational and Electromedical manufacturing declined 2.2% year over year.



Forecast

The R&D/Flex market is expected to stay relatively steady in the short term. Vacancy could rise slightly before leveling out, as recently delivered space continues to work through the lease-up process. However, that pace is expected to slow as those availabilities begin to absorb. With no active development and limited new space planned, supply pressures are now providing some breathing room for landlords. Leasing activity should remain measured, with tenants prioritizing flexible, functional space and favoring shorter lease terms. On the investment side, sales volume is expected to stay muted. Elevated borrowing costs continue to sideline many investors. With the 10-year Treasury wavering between 4.2% and 4.8%, SBA loan rates remain above 6%. Even if the Fed cuts rates later this year, long-term financing likely won't shift much.

Significant Transactions

Sales						* Voit Real Estate Services Deal
Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller	
2400 Barranca Pkwy.	Irvine	69,780	\$26,500,000	Irvine Community Land Trust	Gemdale USA	
2552 Main St.	Irvine	37,000	\$7,717,460	Pacific Tree Capital	J & R Group LLC	
1679 Placentia Ave.	Costa Mesa	16,149	\$6,600,000	Shah Jagmohandas/Shah Sandhya*	Dd2 LLC	
32821 Calle Perfecto	San Juan Capistrano	12,947	\$7,600,000	ABC Supply Co, Inc.	Gary R Thibodo	
2200 S. Fairview St.	Santa Ana	12,782	\$9,050,000	Stock Five	Gebhard Family Trust	

Leases						* Voit Real Estate Services Deal
Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner	
2652 McGaw Ave.	Irvine	43,476	Mar 2025	Astronics Test Systems	The Irvine Company	
35 Parker	Irvine Spectrum	23,632	Mar 2025	Balt	The Irvine Company	
5 Studebaker	Irvine Spectrum	21,798	Feb 2025	ButterflyMX, Inc.	Studebaker Realty Investments*	
5770 Warland Dr.	Cypress	20,952	Mar 2025	Micro Quality Calibration LLC	Warland Drive One A LLC	
6330 Gateway Dr.	Cypress	16,658	Feb 2025	Westrock Restoration, LLC*	Warland Investment Company	

	INVENTORY				VACANCY & LEASE RATES				ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q1 2025	Square Feet Available	Availability Rate Q1 2025	Average Asking Lease Rate	Net Absorption Q1 2025	Net Absorption 2025	Gross Absorption Q1 2025	Gross Absorption 2025
Airport Area													
Costa Mesa	166	3,930,294	0	0	178,025	4.53%	245,203	6.24%	\$1.74	57,089	57,089	97,041	97,041
Fountain Valley	49	1,445,173	0	37,800	28,846	2.00%	79,227	5.48%	\$1.64	(10,112)	(10,112)	5,618	5,618
Irvine	237	6,276,544	0	187,779	314,295	5.01%	453,360	7.22%	\$1.87	(53,375)	(53,375)	27,963	27,963
Newport Beach	21	582,730	0	0	7,739	1.33%	27,797	4.77%	\$0.00	5,038	5,038	6,200	6,200
Santa Ana	173	4,300,047	0	0	208,586	4.85%	257,008	5.98%	\$1.63	(9,329)	(9,329)	90,078	90,078
Tustin	84	2,796,427	0	0	74,956	2.68%	98,359	3.52%	\$1.62	(6,364)	(6,364)	18,814	18,814
Airport Area Total	730	19,331,215	0	225,579	812,447	4.20%	1,160,954	6.01%	\$1.79	(17,053)	(17,053)	245,714	245,714
North County													
Anaheim	172	5,190,454	0	0	170,597	3.29%	187,278	3.61%	\$1.55	24,122	24,122	61,583	61,583
Brea	55	1,640,164	0	0	99,693	6.08%	110,513	6.74%	\$1.50	(8,211)	(8,211)	13,908	13,908
Buena Park	28	860,850	0	0	18,979	2.20%	17,499	2.03%	\$0.00	2,406	2,406	8,261	8,261
Fullerton	42	1,730,579	0	0	10,208	0.59%	39,501	2.28%	\$1.29	13,052	13,052	13,397	13,397
La Habra	12	247,791	0	0	17,992	7.26%	17,992	7.26%	\$0.00	(5,990)	(5,990)	150	150
Orange	96	2,098,960	0	0	66,504	3.17%	70,176	3.34%	\$1.72	2,278	2,278	26,357	26,357
Placentia	24	647,243	0	0	26,048	4.02%	31,456	4.86%	\$1.44	(3,055)	(3,055)	4,340	4,340
Yorba Linda	50	1,453,486	0	0	68,524	4.71%	87,117	5.99%	\$1.19	99,803	99,803	156,074	156,074
North County Total	479	13,869,527	0	0	478,545	3.45%	561,532	4.05%	\$1.31	124,405	124,405	284,070	284,070
South County													
Aliso Viejo	42	1,144,777	0	0	74,394	6.50%	82,894	7.24%	\$1.62	(5,179)	(5,179)	8,096	8,096
Foothill Ranch	8	273,620	0	0	0	0.00%	0	0.00%	\$0.00	0	0	49,415	49,415
Irvine Spectrum	291	10,511,874	0	0	665,421	6.33%	1,571,847	14.95%	\$1.75	8,992	8,992	167,608	167,608
Laguna Hills	52	1,203,794	0	0	24,192	2.01%	52,713	4.38%	\$1.59	3,046	3,046	16,003	16,003
Laguna Niguel	18	882,718	0	0	13,025	1.48%	13,025	1.48%	\$0.00	(3,640)	(3,640)	2,160	2,160
Lake Forest	60	1,417,499	0	0	36,176	2.55%	68,170	4.81%	\$1.73	12,409	12,409	30,625	30,625
Mission Viejo	36	691,400	0	0	21,927	3.17%	29,685	4.29%	\$1.78	938	938	8,007	8,007
Rancho Santa Margarita	38	1,429,909	0	0	33,659	2.35%	65,578	4.59%	\$1.66	4,584	4,584	5,877	5,877
San Clemente	59	1,419,688	0	0	70,010	4.93%	100,524	7.08%	\$1.75	(5,887)	(5,887)	32,649	32,649
San Juan Capistrano	42	739,899	0	0	64,235	8.68%	77,358	10.46%	\$0.00	(26,549)	(26,549)	21,435	21,435
South County Total	646	19,715,178	0	0	1,003,039	5.09%	2,061,794	10.46%	\$1.73	(11,286)	(11,286)	341,875	341,875
West County													
Cypress	49	2,007,618	0	0	352,221	17.54%	410,386	20.44%	\$1.52	(11,000)	(11,000)	22,437	22,437
Garden Grove	60	1,634,116	0	0	35,370	2.16%	38,329	2.35%	\$0.00	2,741	2,741	16,492	16,492
Huntington Beach	124	2,650,642	0	0	98,792	3.73%	96,227	3.63%	\$1.60	(48,771)	(48,771)	22,266	22,266
La Palma	1	78,980	0	0	78,980	100.00%	78,980	100.00%	\$0.00	0	0	0	0
Los Alamitos	40	862,087	0	0	38,601	4.48%	44,417	5.15%	\$1.88	10,269	10,269	29,152	29,152
Stanton	3	68,350	0	0	5,244	7.67%	3,264	4.78%	\$0.00	3,760	3,760	3,760	3,760
Westminster	16	440,455	0	0	3,260	0.74%	4,700	1.07%	\$0.00	(2,260)	(2,260)	0	0
West County Total	293	7,742,248	0	0	612,468	7.91%	676,303	8.74%	\$1.55	(45,261)	(45,261)	94,107	94,107
Orange County Total	2,148	60,658,168	0	225,579	2,906,499	4.79%	4,460,583	7.35%	\$1.67	50,805	50,805	965,766	965,766
Airport Area													
10,000-24,999	507	8,226,425	0	0	246,566	3.00%	397,927	4.84%	\$1.79	25,295	25,295	164,530	164,530
25,000-49,999	156	5,196,706	0	37,800	245,333	4.72%	416,847	8.02%	\$2.00	(38,605)	(38,605)	53,382	53,382
50,000-99,999	52	3,468,969	0	78,837	320,548	9.24%	346,180	9.98%	\$0.00	(3,743)	(3,743)	27,802	27,802
100,000 Plus	15	2,439,115	0	108,942	0	0.00%	0	0.00%	\$0.00	0	0	0	0
North County													
10,000-24,999	314	5,025,584	0	0	171,225	3.41%	206,679	4.11%	\$1.51	27,245	27,245	98,643	98,643
25,000-49,999	116	3,830,791	0	0	125,358	3.27%	170,251	4.44%	\$1.50	(15,419)	(15,419)	36,193	36,193
50,000-99,999	31	1,981,774	0	0	101,597	5.13%	101,317	5.11%	\$1.50	(789)	(789)	5,351	5,351
100,000 Plus	18	3,031,378	0	0	80,365	2.65%	83,285	2.75%	\$0.00	113,368	113,368	143,883	143,883
South County													
10,000-24,999	376	6,279,974	0	0	396,129	6.31%	520,130	8.28%	\$1.75	(17,534)	(17,534)	143,836	143,836
25,000-49,999	193	6,460,271	0	0	434,098	6.72%	565,286	8.75%	\$1.71	37,475	37,475	183,095	183,095
50,000-99,999	62	4,157,527	0	0	113,440	2.73%	589,682	14.18%	\$1.76	(31,227)	(31,227)	14,944	14,944
100,000 Plus	15	2,817,406	0	0	59,372	2.11%	386,696	13.73%	\$0.00	0	0	0	0
West County													
10,000-24,999	204	3,263,636	0	0	114,217	3.50%	119,398	3.66%	\$1.60	(7,785)	(7,785)	57,324	57,324
25,000-49,999	59	2,025,009	0	0	127,125	6.28%	155,011	7.65%	\$1.60	(18,116)	(18,116)	27,003	27,003
50,000-99,999	27	1,899,405	0	0	242,902	12.79%	273,670	14.41%	\$1.45	(19,360)	(19,360)	9,780	9,780
100,000 Plus	3	554,198	0	0	128,224	23.14%	128,224	23.14%	\$0.00	0	0	0	0
Orange County													
10,000-24,999	1,401	22,795,619	0	0	928,137	4.07%	1,244,134	5.46%	\$1.74	27,221	27,221	464,333	464,333
25,000-49,999	524	17,512,777	0	37,800	931,914	5.32%	1,307,395	7.47%	\$1.79	(34,665)	(34,665)	299,673	299,673
50,000-99,999	172	11,507,675	0	78,837	778,487	6.76%	1,310,849	11.39%	\$1.60	(55,119)	(55,119)	57,877	57,877
100,000 Plus	51	8,842,097	0	108,942	267,961	3.03%	598,205	6.77%	\$0.00	113,368	113,368	143,883	143,883
Orange County Total	2,148	60,658,168	0	225,579	2,906,499	4.79%	4,460,583	7.35%	\$1.67	50,805	50,805	965,766	965,766

This survey consists of buildings greater than 10,000 square feet. Lease rates are on a triple-net basis.



You Can't Build a Great Building on a Weak Foundation

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The first quarter under the new administration has officially come to an end and the Orange County Industrial Market continues a slow, but relatively stable, downtrend. Tariffs have been the talk of the town since the new administration rolled back into DC and most businesses have been feeling it since Day 1. Companies across the nation, of all shapes and sizes, have been fielding what the new administration throws at them on what seems to be a daily basis. It is undeniable that the tariffs will continue to impact consumers and businesses alike as long as they continue. But how long will they continue? Will Wall Street continue its recent correction into a bear market? What will The Fed do about it? While everyone waits for another shoe to drop, one thing is for certain. Orange County industrial real estate will remain a stable, high-demand market. And those who are prepared to weather the storm will reap the benefits of a stronger economy when all is said and done. While the current state of the economy is not ideal, we hope this is short-term pain for long-term gain.

Transaction volume and the size of consummated deals both increased significantly year over year, as larger product slowly but surely makes its way off the shelves. There is much more optimism in the market today compared to Q1 of 2024. Many users are back in the market, looking for the right building for their businesses before competition increases. With a strong chance of rate cuts on the agenda for 2025, we can expect competition to ramp up as securing a building becomes feasible again for those who were on the sidelines for the past several years. Those who can secure a building now will be ahead of the curve as stronger demand makes its way into the market.

Q1 expressed another small tick down for lease rates in Orange County, but vacancy and availability figures told a contradictory story. Although these metrics continued their upward trend, they have slowed their rate of increase considerably. With vacancy now above the 5% benchmark, and availability well into the 7%'s, tenants are seeing viable leasing options at discounted rates. However, we don't anticipate the uptrend from these figures to last much longer.

The Orange County Industrial Market has continued to be one of the least volatile markets in the nation notwithstanding the economic turmoil. With relatively low supply and high demand for quality products, the Orange County industrial market is primed for sustained growth in the coming years.

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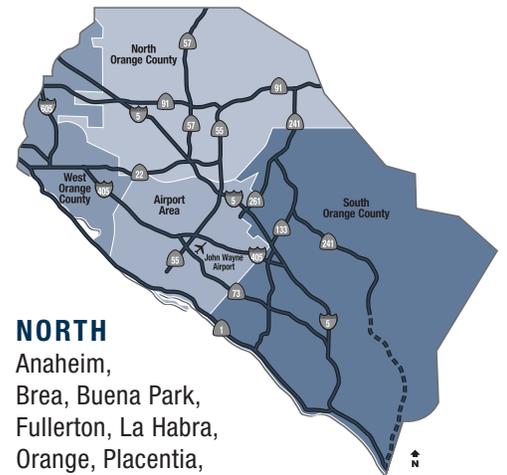
This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

Product Type

R&D OR MID-TECH

30% to 74.9% improved with drop ceiling, minimum parking ratio of 3 to 1, minimum 50% of exterior glassline, dock and/or ground level loading.

Submarkets



NORTH

Anaheim, Brea, Buena Park, Fullerton, La Habra, Orange, Placentia, Yorba Linda

WEST

Cypress, Garden Grove, Huntington Beach, La Palma, Los Alamitos, Stanton, Westminster

AIRPORT

Costa Mesa, Fountain Valley, Irvine, Newport Beach, Santa Ana, Tustin

SOUTH

Aliso Viejo, Foothill Ranch, Irvine Spectrum, Laguna Hills, Laguna Niguel, Lake Forest, Mission Viejo, Rancho Santa Margarita, San Clemente, San Juan Capistrano