OC Q3 25

THIRD QUARTER 2025 MARKET REPORT

ORANGE COUNTY OFFICE

Voit REAL ESTATE SERVICES

OVERVIEW. Orange County's office market picked up in the third quarter as tenants have come to terms with the impact of hybrid work on their space requirements. Leasing activity is up, a welcome sign the market's improving. Orange County saw positive net absorption for the first time in a year, meaning more space was leased than vacated after three straight quarters of negative absorption. This early sign of recovery, combined with a slowdown in new construction, is reducing vacancy. Investor confidence has also returned, shown by strong property sales in Q3 that indicate buyers believe the market has concluded its adaptation to the new world of work.

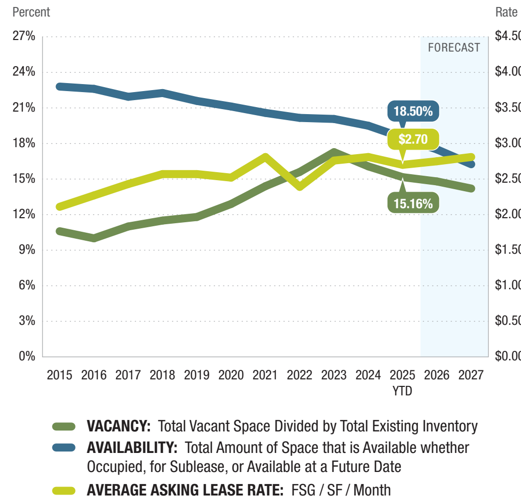
VACANCY & AVAILABILITY. The office market had a vacancy rate of 15.16% in Q3 2025, down from 15.79% last quarter and 16.10% a year ago. The drop of 94 basis points year over year is a welcome sign of improvement. Space availability dropped to 18.50%, down from 19.50% last quarter and much lower than the 22.80% seen in early 2023, as the market continues to work through the extra space left empty by the pandemic. Sublease space also kept falling and now makes up just 1.8% of all office space, which is lower than the national average. The improvement in vacancy isn't just because of new leases. Some office buildings have been torn down for warehouse conversions, and other properties have been bought for companies' own use, which has removed about 3% of office space from the market since early 2020.

LEASE RATES & SALE PRICES. Asking lease rates averaged $2.70 in Q3 2025, a drop of 1.68% from a year ago, as landlords faced with lots of empty space need to keep rates competitive. The difference between building classes grew, with Class A buildings holding steady at $3.14 per square foot. Class B properties saw asking rents drop to $2.48, down about 7% from pre-COVID highs of $2.68. On the sales side, office properties sold for an average of $229 per square foot, more than 50% lower than the 2022 peak of $375 per square foot. Cap rates climbed to 6%. Higher interest rates and lower incomes from vacancy continue to be a drag on property values.

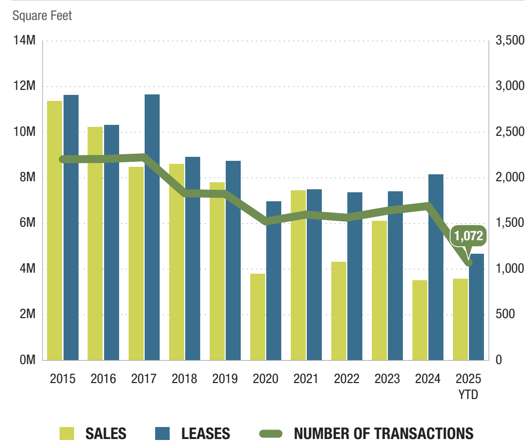
TRANSACTION ACTIVITY. Leasing activity in Q3 2025 totaled 1,413,273 SF across 310 deals, down from 1,781,499 SF the previous quarter. Notable transactions included Hyundai AutoEver America leasing 133,745 SF, the quarter's biggest deal. Foundation Building Materials renewed their lease on 48,972 SF, while West Capital took 44,241 SF. On the sales front, there were 14 investment transactions totaling 1,096,977 SF in Q3, with sales hitting $237 million. The average sale price was $221.67 per square foot, up from $173.99 the quarter before, even though the number of deals dipped from 17 properties. Buyers showed strong demand for well priced assets and were happy to purchase at prices well below replacement cost.

ABSORPTION. Net absorption turned positive at 415,296 SF in Q3 2025, a strong turnaround from the negative 277,724 SF last quarter. This was the best showing in over a year, with

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

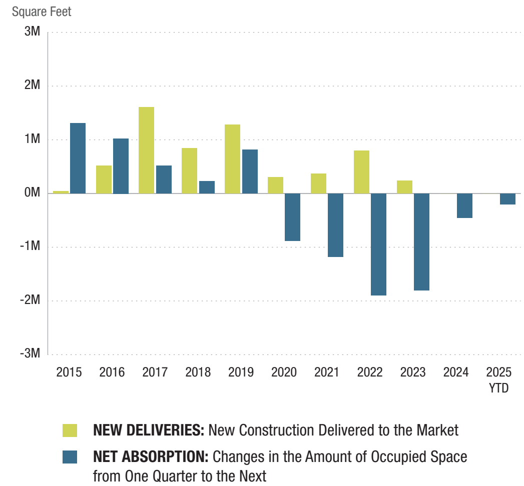
	Change Over Last Quarter		Q3 2025	Q2 2025	Q3 2024	% Change Over Last Year
Vacancy Rate		DOWN	15.16%	15.79%	16.10%	(5.85%)
Availability Rate		DOWN	18.50%	19.50%	20.58%	(10.13%)
Average Asking Lease Rate		DOWN	$2.70	$2.77	$2.75	(1.68%)
Sale & Lease Transactions		DOWN	2,510,250	3,369,587	2,714,821	(7.54%)
Gross Absorption		UP	2,232,950	1,671,499	2,116,505	5.50%
Net Absorption		POSITIVE	415,296	(277,724)	33,181	N/A

companies growing their space needs again. Gross absorption reached 2,232,950 SF, up from 1,671,499 SF in Q2 2025, showing more leasing activity across the market. Major moves this quarter were Hyundai AutoEver America taking 133,745 SF at 2300 Main Street in Irvine; Ventura Foods moving from Brea and taking 59,626 SF at 17800 Laguna Canyon Road in Irvine Spectrum; West Capital leasing 44,241 SF at 17911 Von Karman Avenue in Irvine, and Anduril moving into 41,770 SF at 3515 Harbor Boulevard in Costa Mesa.

CONSTRUCTION. In Q3, only two major office projects are underway in Orange County, combining for 277,079 SF of new space. This is a big drop from the 825,609 SF that were under construction in 2020. The largest project is The Weave at OCVIBE in Anaheim, which will add 168,137 SF. The other development is Advantech's new U.S. campus at the Advanced Technology and Education Park (ATEP) in the Tustin Legacy area. This project includes a six-story, 108,942-square-foot office building and a two-story, 78,837-square-foot R&D and flex facility. Advantech is moving from its current 27,000-square-foot location in Irvine Spectrum to this new site.

EMPLOYMENT. Orange County's job market stayed stable in August 2025. The unemployment rate was 4.6%, down from 4.8% in July but just a bit higher than the 4.5% seen last year. Job recovery continues in healthcare, while government and some other sectors are still seeing slower hiring. Service industries, especially healthcare and hospitality, continue to prop up local employment. These trends matter to office-focused professionals keeping an eye on labor shifts, hiring, and possible growth opportunities.

NEW DELIVERIES & NET ABSORPTION



Forecast

Orange County's office market should improve steadily for the rest of 2025 and into 2026, though a full recovery will still take time because hybrid work is here to stay. Available space is tightening as more people return to offices and owner-user sales increase. Asking lease rates are likely to hold near current levels, with room for some increases in tighter submarkets, but effective rents may stay under pressure from landlord concessions. Office-job growth is expected to be less than 1% a year, with local unemployment at 4.8% (per California EDD for July 2025), which could keep overall demand growth slow even as some companies move into better space. Sales activity should pick up as buyers see prices have hit bottom, but deal flow will be sensitive to the timing of future interest rate cuts. New construction will stay limited, with very few projects starting until leasing demand strengthens and financing improves, so growth in supply will remain controlled.

Significant Transactions

Sales

Property Address	City	Class	Square Feet	Total Price	Buyer	Seller
2121–2190 Town Center Pl.	Anaheim	B	309,438	$62,460,000	ParkTerra	Axis Campus Owner LLC
1301 Dove St.	Newport Beach	A	214,898	$41,000,000	Cress Capital LLC	Western Alliance Bank
2099 S. State College Blvd.	Anaheim	A	123,577	$19,700,000	Platinum Triangle Partners LLC	Westbrook Partners
2100–2200 W. Orangewood Ave.	Orange	B	109,644	$18,875,000	The Khoshbin Company	Waterford Property Company
895 Dove St.	Newport Beach	A	108,112	$32,650,000	First Citizens Bank	Newport Office Plaza LLC

Leases

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
2300 Main St.	Irvine	A	133,745	Jul-2025	Hyundai AutoEver America	Manova Partners Inc.
2510–2520 Red Hill Ave. – Renewal	Santa Ana	B	48,972	Sep-2025	Foundation Building Materials	2510 Redhill LLC
17911 Von Karman Ave.	Irvine	B	44,241	Aug-2025	West Capital	Manulife Financial Corp
3515 Harbor Blvd.	Costa Mesa	B	41,770	Jul-2025	Anduril Industrial	CJ Segerstrom & Son
1920 Main St.	Irvine	A	35,575	Jul-2025	Kind Lending LLC	Broadway Michelson LLC

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q3 2025	Square Feet Available	Availability Rate Q3 2025	Average Asking Lease Rate	Net Absorption Q3 2025	Net Absorption 2025	Gross Absorption Q3 2025	Gross Absorption 2025
Airport Area													
Costa Mesa	59	6,765,141	0	0	1,217,356	17.99%	1,477,177	21.84%	$3.27	46,875	16,735	199,099	551,336
Irvine	241	23,945,501	0	182,380	4,077,990	17.03%	4,958,840	20.71%	$2.81	154,246	(121,097)	495,876	1,756,029
Newport Beach	103	9,099,665	0	0	1,157,238	12.72%	1,313,817	14.44%	$3.08	49,458	30,896	258,922	704,745
Santa Ana	9	1,980,930	0	0	543,593	27.44%	584,012	29.48%	$2.52	14,457	(6,658)	46,987	111,715
Tustin	4	418,585	0	0	70,928	16.94%	70,928	16.94%	$0.00	(4,648)	(30,062)	0	22,994
Airport Area Total	416	42,209,822	0	182,380	7,067,105	16.74%	8,404,774	19.91%	$2.94	260,388	(110,186)	1,000,884	3,146,819
Central County													
Anaheim	20	1,938,161	168,137	401,000	473,361	24.42%	421,923	21.77%	$1.94	(1,026)	(9,927)	59,360	120,410
Orange	63	6,074,976	0	0	1,127,800	18.56%	1,207,961	19.88%	$1.94	39,831	(2,843)	93,972	280,390
Santa Ana	126	9,260,180	0	0	1,239,361	13.38%	1,465,593	15.83%	$1.94	38,256	(154,183)	150,401	384,635
Tustin	36	1,823,053	108,942	0	84,668	4.64%	97,566	5.35%	$1.94	49,588	117,656	34,743	137,534
Central County Total	245	19,096,370	277,079	401,000	2,925,190	15.32%	3,193,043	16.72%	$2.39	126,649	(49,297)	338,476	922,969
North County													
Anaheim /Anaheim Hills	62	4,215,221	0	0	385,307	9.14%	527,761	12.52%	$2.46	31,461	74,556	47,944	108,887
Brea	36	3,591,741	0	0	592,426	16.49%	784,453	21.84%	$2.73	(104,107)	(125,150)	52,401	144,855
Buena Park	18	1,204,984	0	0	67,819	5.63%	67,819	5.63%	$2.48	11,772	(10,199)	31,201	55,133
Fullerton	16	867,909	0	0	25,541	2.94%	58,990	6.80%	$2.29	2,660	(696)	10,123	29,200
La Habra	3	115,103	0	0	2,151	1.87%	22,572	19.61%	$1.78	3,843	0	3,843	4,016
La Palma	7	542,913	0	0	156,550	28.84%	158,310	29.16%	$2.15	(4,231)	(10,044)	11,612	17,290
Placentia	6	197,762	0	0	36,464	18.44%	37,784	19.11%	$2.10	18,127	11,504	24,595	37,145
Yorba Linda	5	289,383	0	0	41,850	14.46%	7,363	2.54%	$2.47	629	(22,051)	2,390	6,107
North County Total	153	11,025,016	0	0	1,308,108	11.86%	1,665,052	15.10%	$2.55	(39,846)	(82,080)	184,109	402,633
South County													
Aliso Viejo	36	2,675,982	0	0	868,731	32.46%	1,124,671	42.03%	$2.80	(11,095)	(30,691)	71,196	131,290
Dana Point	3	127,999	0	0	2,400	1.88%	3,600	2.81%	$3.63	(1,200)	(1,200)	1,200	1,200
Foothill Ranch	7	639,436	0	0	258,107	40.36%	289,229	45.23%	$2.50	(10,831)	(22,869)	56,665	64,755
Irvine Spectrum	169	13,215,573	0	0	1,498,425	11.34%	2,252,828	17.05%	$2.77	52,245	150,045	394,880	1,126,552
Laguna Beach	4	124,004	0	0	2,575	2.08%	2,425	1.96%	$4.00	(1,450)	422	1,700	5,092
Laguna Hills	28	1,341,232	0	0	262,177	19.55%	266,181	19.85%	$2.62	1,267	(7,630)	28,466	65,255
Laguna Niguel	7	395,699	0	0	69,455	17.55%	79,002	19.97%	$2.39	983	13,994	3,553	20,817
Lake Forest	40	2,172,465	0	0	286,114	13.17%	449,568	20.69%	$2.10	(7,495)	13,528	35,945	72,850
Mission Viejo	24	1,276,103	0	0	237,034	18.57%	276,202	21.64%	$2.79	(7,241)	(3,123)	13,321	65,095
Rancho Santa Margarita	5	212,716	0	0	34,563	16.25%	51,102	24.02%	$2.30	(1,118)	(9,466)	0	3,476
San Clemente	8	411,212	0	0	30,009	7.30%	36,916	8.98%	$2.31	(7,404)	(15,761)	420	8,544
San Juan Capistrano	19	944,993	0	0	24,133	2.55%	32,418	3.43%	$2.81	2,834	6,352	5,085	14,723
South County Total	350	23,537,414	0	0	3,573,723	15.18%	4,864,142	20.67%	$2.73	9,495	93,601	612,431	1,579,649
West County													
Cypress	27	1,819,947	0	0	211,754	11.64%	281,855	15.49%	$2.30	2,346	(82,932)	14,323	58,824
Fountain Valley	26	1,180,227	0	0	44,778	3.79%	44,778	3.79%	$2.65	1,504	(8,557)	3,205	7,126
Garden Grove	14	710,092	0	0	65,978	9.29%	71,334	10.05%	$1.76	14,179	(2,690)	18,850	26,077
Huntington Beach	32	1,805,421	0	0	284,531	15.76%	366,257	20.29%	$2.26	19,785	28,308	29,958	73,804
Los Alamitos	8	441,664	0	0	6,199	1.40%	11,225	2.54%	$2.83	0	1,963	0	8,401
Seal Beach	6	452,518	0	0	46,155	10.20%	60,717	13.42%	$3.44	11,469	11,956	21,387	30,820
Stanton	4	143,361	0	0	11,451	7.99%	12,535	8.74%	$1.51	3,711	3,711	3,711	3,711
Westminster	11	445,789	0	0	46,162	10.36%	51,280	11.50%	$2.43	5,616	442	5,616	7,919
West County Total	128	6,999,019	0	0	717,008	10.24%	899,981	12.86%	$2.38	58,610	(47,799)	97,050	216,682
Orange County Total	**1,292**	**102,867,641**	**277,079**	**583,380**	**15,591,134**	**15.16%**	**19,026,992**	**18.50%**	**$2.70**	**415,296**	**(195,761)**	**2,232,950**	**6,268,752**
Airport Area													
Class A	120	25,559,378	0	182,380	4,945,766	19.35%	5,685,131	22.24%	$3.19	179,060	(164,996)	587,103	2,046,291
Class B	278	15,633,843	0	0	2,094,114	13.39%	2,674,275	17.11%	$2.71	88,329	63,602	410,766	1,084,283
Class C	18	1,016,601	0	0	27,225	2.68%	45,368	4.46%	$3.08	(7,001)	(8,792)	3,015	16,245
Central County													
Class A	35	6,388,248	277,079	401,000	1,451,711	22.72%	1,558,283	24.39%	$2.83	31,068	39,576	139,023	370,483
Class B	169	10,962,080	0	0	1,318,827	12.03%	1,391,612	12.69%	$2.26	77,038	(127,446)	169,257	478,847
Class C	41	1,746,042	0	0	154,652	8.86%	243,148	13.93%	$1.56	18,543	38,573	30,196	73,639
North County													
Class A	20	2,428,817	0	0	498,243	20.51%	690,902	28.45%	$2.96	(108,325)	(63,845)	52,874	136,457
Class B	114	7,738,123	0	0	792,474	10.24%	956,759	12.36%	$2.49	67,238	(25,693)	129,796	252,648
Class C	19	858,076	0	0	17,391	2.03%	17,391	2.03%	$2.25	1,241	7,458	1,439	13,528
South County													
Class A	67	9,056,157	0	0	1,554,455	17.16%	2,178,505	24.06%	$3.23	108,528	242,656	249,492	663,809
Class B	266	13,634,203	0	0	2,000,586	14.67%	2,653,313	19.46%	$2.42	(98,676)	(157,872)	351,975	887,663
Class C	17	847,054	0	0	18,682	2.21%	32,324	3.82%	$2.59	(357)	8,817	10,964	28,177
West County													
Class A	12	1,309,359	0	0	341,229	26.06%	405,868	31.00%	$3.23	44,246	(43,949)	54,553	84,987
Class B	101	5,166,242	0	0	375,779	7.27%	494,113	9.56%	$2.42	14,364	(2,410)	42,497	131,695
Class C	15	523,418	0	0	0	0.00%	0	0.00%	$2.59	0	(1,440)	0	0
Orange County													
Class A	254	44,741,959	277,079	583,380	8,791,404	19.65%	10,518,689	23.51%	$3.14	254,577	9,442	1,083,045	3,302,027
Class B	928	53,134,491	0	0	6,581,780	12.39%	8,170,072	15.38%	$2.48	148,293	(249,819)	1,104,291	2,835,136
Class C	110	4,991,191	0	0	217,950	4.37%	338,231	6.78%	$1.85	12,426	44,616	45,614	131,589
Orange County Total	**1,292**	**102,867,641**	**277,079**	**583,380**	**15,591,134**	**15.16%**	**19,026,992**	**18.50%**	**$2.70**	**415,296**	**(195,761)**	**2,232,950**	**6,268,752**

This survey consists of office properties 25,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a full-service gross basis.

THIRD QUARTER 2025 MARKET REPORT

ORANGE COUNTY OFFICE

Voit
REAL ESTATE SERVICES

Sticky Hybrid Model Shaping Mixed-Use Development

by Stefan Rogers, MRICS
SENIOR VICE PRESIDENT / PARTNER, IRVINE
949.263.5362 · srogers@voitco.com · Lic. #01376946

Hybrid work has become a defining feature of Southern California's labor market, no longer viewed as a temporary measure, but as a lasting structural shift. For workers in professional services, technology, and creative industries, flexibility is now considered a core benefit. Recent surveys show most employees would seriously consider leaving a job requiring full-time office attendance, with many ranking flexibility above modest salary gains.

These preferences are reshaping how companies lease and design office space. Instead of reinstating pre-pandemic footprints, employers are rethinking layouts: downsizing overall square footage while creating open, collaborative hubs, bookable workstations, and upgraded amenity spaces that make in-office days more worthwhile. Landlords, in turn, are investing in lobbies, hospitality-style services, and health and wellness features to support these new expectations. This has created a "flight to quality," where demand concentrates in modern Class A buildings, while older, less accessible properties face declining occupancy and leasing challenges.

The Orange County development cycle reflects these patterns. While overall office demand remains below pre-2020 levels, selective construction and redevelopment activity has tentatively started to return. Developers are increasingly confident in projects that deliver transit access, mixed-use integration, and lifestyle amenities. This signals cautious optimism that flexible, high-quality workplaces will remain relevant even as hybrid schedules keep many desks empty for part of the week.

Public policy interventions add another layer of complexity. California's efforts to mandate more in-office time for state employees have faced resistance from unions, leading to delays and compromises. These policies influence private sector behavior as well, but have not overturned the widespread adoption of hybrid models, as firms continue to balance productivity with talent retention.

Hybrid work also affects broader economic dynamics. Commuting patterns have shifted, though not as dramatically as once predicted. Many employees still travel mid-week, which keeps congestion and transit ridership higher than early forecasts suggested. At the same time, the loosening link between job and residence has supported housing demand in suburban communities, redistributing retail spending and shifting the growth patterns of regional economies.

Looking ahead, hybrid work in Southern California is expected to remain varied and adaptive. Companies will tailor office requirements by function, role, and competitive labor conditions. Landlords will compete by enhancing experience, flexibility, and location advantages, while policymakers continue to experiment with guidelines that balance civic goals with workplace realities.

In this landscape, the most successful tenants and owners will be those who design work environments around outcomes—such as attracting talent, fostering collaboration, and maximizing efficiency—rather than clinging to rigid, one-size-fits-all policies. Hybrid work is no longer just a stopgap, but a central part of how the region's workforce and economy evolve.

Product Type

CLASS A: Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

CLASS B: Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area, and systems are adequate. However, Class B buildings cannot compete with Class A buildings of the same price.

CLASS C: Buildings competing for tenants requiring functional space at rents below the area average.

Submarkets

AIRPORT AREA
Costa Mesa, Irvine, Newport Beach

CENTRAL COUNTY
Anaheim, Orange, Santa Ana, Tustin

NORTH COUNTY
Anaheim Hills, Brea, Buena Park, Fullerton, La Habra, La Palma, Placentia, Yorba Linda

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

WEST COUNTY
Cypress, Fountain Valley, Garden Grove, Huntington Beach, Los Alamitos, Seal Beach, Stanton, Westminster

Please Contact Us for Further Information

Tony Tran
Regional Director of Research
ttran@voitco.com

Anaheim, CA	Encinitas, CA	Inland Empire, CA	Irvine, CA	Los Angeles, CA	San Diego, CA
714.978.7880	760.472.5620	909.545.8000	949.851.5100	424.329.7500	858.453.0505