OC Q3 25

THIRD QUARTER 2025 MARKET REPORT
ORANGE COUNTY FLEX / R&D

Voit
REAL ESTATE SERVICES

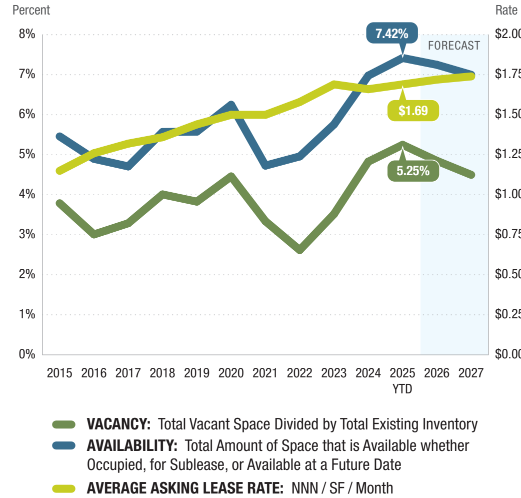
OVERVIEW. Leasing demand in Orange County's R&D / Flex market remained soft in Q3, keeping rents near year-ago levels and allowing tenants expanded opportunities to find the right space. While current leasing activity remained limited, there are signals pointing to potential improvement ahead. As artificial intelligence matures, its expansion into hardware, robotics, and physical applications is expected to bring new companies and industries into the R&D / Flex market. Alongside these AI-driven sectors, a broad mix of technical infrastructure users could help gradually stabilize the market over time. The market may also benefit from companies relocating from higher-cost coastal markets or consolidating operations to reduce overall real estate expense. As hybrid work arrangements settle into permanent patterns, some firms are reassessing their space needs and seeking flexible configurations that support both office and laboratory functions under one roof.

VACANCY & AVAILABILITY. The R&D / Flex vacancy rate increased 11 basis points to 5.25% in Q3, up from 5.14% last quarter and 101 basis points higher than the 4.24% recorded in Q3 2024. Total availability increased 2 basis points to 7.42%, up from 7.40% last quarter and 33 basis points higher than the 7.09% recorded in Q3 2024. Direct availability measured 6.34%, while sublease availability stood at 1.08%. Vacancy rates have remained steady in the mid-5% range. The bulk of downsizing activity appears behind us, suggesting vacancy should stabilize as these portfolio adjustments conclude through year-end.

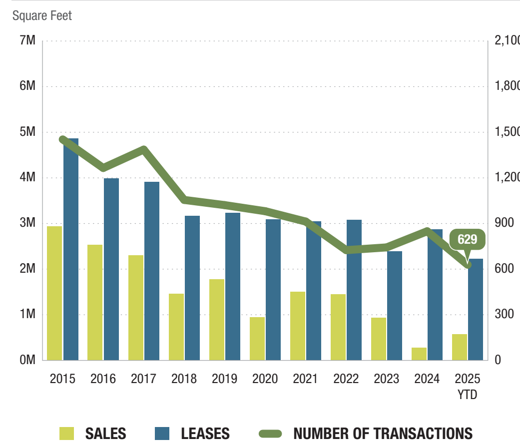
LEASE RATES. Average asking lease rates for R&D / Flex space increased $0.05 per square foot to $1.69 NNN in Q3, up 3.0% from $1.64 last quarter and up $0.01 per square foot, or 0.6%, from $1.68 in Q3 2024. While vacancy increased modestly during the quarter, asking rates moved higher as better-quality buildings and recently renovated facilities entered the available inventory at premium rates. This shift in the composition of marketed space has elevated the average asking rate even as overall availability expanded. However, recorded transactions are closing at approximately $1.65 per square foot, representing a 2–3% discount to asking rates as landlords compete for tenants in the current environment.

TRANSACTION ACTIVITY. Leasing activity totaled 181 transactions and 571,909 SF in Q3, reflecting the market's ongoing adjustment. The largest lease was AI for Humanity's 41,402-square-foot commitment in Irvine Spectrum, signaling the emerging technology-sector demand for R&D / Flex space. Engineering Systems Inc. secured 36,225 SF in Santa Ana, while Crossing Media leased 29,192 SF in Irvine Spectrum. Renewal activity remained significant, with KPRS Construction Services extending its 31,029-square-foot commitment in Brea. Investment sales totaled nine transactions and 170,830 SF during the quarter. Combined transaction volume reached 190 deals totaling 742,739 SF, down from 219 deals and 1,122,531 SF in Q2. This decline is more indicative of the market's adjustment phase, as companies execute portfolio optimization, and less a sign of fundamental demand weakness. The largest sale involved a 118,867-square-foot portfolio at 17500–17595 Cartwright Road and 2485–2505 Da Vinci in Irvine, which Avenue Equities acquired from Blackstone for $42.35 million. Lab Holding LLC acquired 31,366 SF at 17332 Von Karman Avenue in Irvine for $11.15 million, demonstrating continued investor confidence in well located assets.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

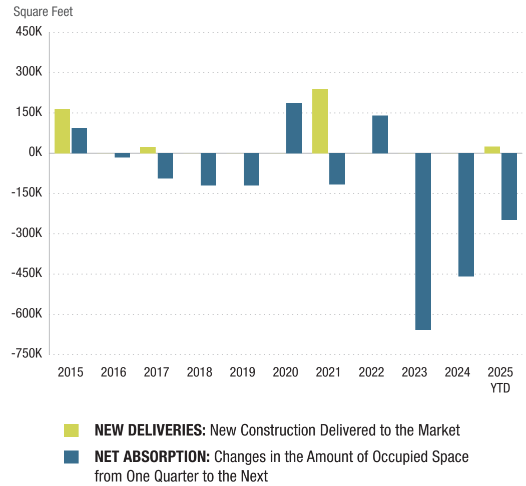
	Change Over Last Quarter		Q3 2025	Q2 2025	Q3 2024	% Change Over Last Year
Vacancy Rate	▲	UP	5.25%	5.14%	4.24%	23.74%
Availability Rate	▲	UP	7.42%	7.40%	7.09%	4.69%
Average Asking Lease Rate	▲	UP	$1.69	$1.64	$1.68	0.60%
Sale & Lease Transactions	▼	DOWN	742,739	1,122,531	890,123	(16.56%)
Gross Absorption	▲	UP	945,588	741,817	738,231	28.09%
Net Absorption	▼	NEGATIVE	(112,026)	(148,254)	56,132	N/A

ABSORPTION. Net absorption registered negative 112,026 SF in Q3, an improvement of 36,228 SF from the negative 148,254 SF recorded last quarter. This improving trend suggests the market correction is nearing its conclusion. Gross absorption of 945,588 SF increased 207,357 SF, up 28% from 738,231 SF in Q3 2024, demonstrating substantial tenant movement and churn within the market. Companies are actively relocating to better locations, upgrading facilities, and securing more flexible lease terms. The pipeline of leases executed during Q3 should begin absorbing vacant space as tenants take occupancy in Q4. Emerging tenant sectors, including AI companies and technology startups, are entering the market seeking space for prototyping and equipment testing, representing a new source of demand to drive positive absorption ahead.

CONSTRUCTION. There were no new R&D / Flex buildings completed in Q3. One project totaling 78,837 SF was under construction during the quarter. Developers are also planning 225,579 SF of R&D / Flex space for the Airport Area. The largest current project is Advantech's future U.S. headquarters at Tustin Legacy's Advanced Technology and Education Park. This campus will include a two-story R&D / Flex building with 78,837 SF and a six-story office building with 108,942 SF. Advantech now occupies roughly 27,000 SF in Irvine.

EMPLOYMENT. Orange County's job market for August 2025 reflects steady employment conditions. The unemployment rate stands at 4.6%, which is an improvement from July's rate of 4.8%, though it is slightly higher compared to 4.5% in August 2024. There is continued recovery in health-related sectors, while government and several other industries face some weakness. Service-oriented sectors, especially healthcare and hospitality, are contributing to local employment gains. The labor supply overall remains stable, with select industry segments requiring increased attention for staffing and planning.

NEW DELIVERIES & NET ABSORPTION



Forecast

Orange County's R&D / Flex market has moved back toward stability in the third quarter. Although net absorption is still negative, the trend shows ongoing improvement, and leasing activity is starting to pick up. Vacancy may reach its highest point late this year or early next year but is expected to decrease afterward as demand returns. Most companies have finished their space consolidations, and new tenants, especially those in AI, life sciences, and advanced manufacturing, are entering the market looking for quality space with the right features. Average rents are stabilizing across most submarkets. Landlords remain open to negotiation, so tenants have plenty of flexibility and opportunity to secure favorable deals. The Federal Reserve's recent rate cut is a step in the right direction. However, we'll likely see larger sales transactions only if interest rates fall further, improving the financing environment.

Significant Transactions

Sales

* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
17500–17595 Cartwright Rd. & 2485–2505 Da Vinci	Irvine	118,867	$42,350,000	Avenue Equities	Blackstone Inc.
17332 Von Karman Ave.	Irvine	31,366	$11,150,000	Lab Holding LLC	Western States Technologies
1404 E. Saint Gertrude Pl.	Santa Ana	10,597	$4,000,000	Ben's Asphalt, Inc.	11 Health & Technologies, Inc.
23151 Moulton Pkwy.	Laguna Hills	10,000	$3,720,000	Mysiana Enterprises LLC*	23151 Moulton Parkway Lag LLC

Leases

* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
3 Morgan	Irvine Spectrum	41,402	Sep-2025	AI for Humanity, Inc.	The Irvine Company
1717 S. Grand Ave.	Santa Ana	36,225	Aug-2025	Engineering Systems Inc.	Prologis
2850 Saturn St. – Renewal	Brea	31,029	Sep-2025	KPRS Construction Services	DDR Enterprise, LLC
152 Technology Dr.	Irvine Spectrum	29,192	Aug-2025	Crossing Media	The Irvine Company
11 Goodyear – Renewal	Irvine Spectrum	14,464	Jul-2025	Hajoca Corporation*	Rudolph Dworzak Trust*

	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	166	3,930,294	0	0	218,771	5.57%	235,454	5.99%	$1.77	(50,836)	17,952	10,161	146,895
Fountain Valley	49	1,445,173	0	37,800	32,793	2.27%	35,429	2.45%	$1.61	0	(14,619)	12,200	48,384
Irvine	237	6,276,544	0	187,779	397,870	6.34%	487,300	7.76%	$1.76	(57,573)	(142,203)	113,773	217,010
Newport Beach	21	582,730	0	0	10,701	1.84%	30,759	5.28%	$0.00	(2,962)	2,076	1,162	7,362
Santa Ana	173	4,300,047	0	0	240,798	5.60%	273,389	6.36%	$1.83	(17,602)	(40,144)	48,630	204,217
Tustin	84	2,796,427	78,837	0	72,557	2.59%	90,012	3.22%	$1.68	25,346	(154)	25,346	60,939
Airport Area Total	730	19,331,215	78,837	225,579	973,490	5.04%	1,152,343	5.96%	$1.75	(103,627)	(177,092)	211,272	684,807
North County													
Anaheim	172	5,190,454	0	0	191,528	3.69%	216,385	4.17%	$1.35	(11,917)	(6,297)	44,170	154,184
Brea	55	1,640,164	0	0	77,640	4.73%	88,466	5.39%	$1.43	19,790	12,507	24,989	50,222
Buena Park	28	860,850	0	0	22,854	2.65%	43,496	5.05%	$0.00	3,494	(723)	19,132	40,115
Fullerton	42	1,730,579	0	0	30,694	1.77%	30,869	1.78%	$1.00	(14,936)	(9,234)	18,466	55,457
La Habra	12	247,791	0	0	10,280	4.15%	9,280	3.75%	$0.00	(2,500)	1,722	1,000	13,342
Orange	96	2,098,960	0	0	62,667	2.99%	64,464	3.07%	$1.76	(12,765)	3,819	20,767	77,116
Placentia	24	647,243	0	0	27,955	4.32%	27,955	4.32%	$1.32	12,356	(4,962)	18,719	25,989
Yorba Linda	50	1,453,486	0	0	125,981	8.67%	130,760	9.00%	$1.47	(58,034)	42,346	67,172	255,464
North County Total	479	13,869,527	0	0	549,599	3.96%	611,675	4.41%	$1.43	(64,512)	39,178	214,415	671,889
South County													
Aliso Viejo	42	1,144,777	0	0	81,001	7.08%	82,176	7.18%	$1.56	(7,160)	(7,416)	7,590	28,027
Foothill Ranch	8	273,620	0	0	0	0.00%	0	0.00%	$0.00	0	0	0	49,415
Irvine Spectrum	291	10,511,874	0	0	694,361	6.61%	1,614,061	15.35%	$1.76	19,947	(73,138)	259,402	541,795
Laguna Hills	52	1,203,794	0	0	39,137	3.25%	62,050	5.15%	$1.50	(2,281)	(13,348)	10,930	38,077
Laguna Niguel	18	882,718	0	0	32,957	3.73%	32,957	3.73%	$0.00	(16,112)	(23,572)	2,720	20,015
Lake Forest	60	1,417,499	0	0	82,544	5.82%	95,268	6.72%	$1.70	(16,611)	(19,589)	35,537	73,614
Mission Viejo	36	691,400	0	0	27,568	3.99%	29,988	4.34%	$1.73	796	(5,985)	4,846	18,648
Rancho Santa Margarita	38	1,429,909	0	0	22,850	1.60%	48,560	3.40%	$1.62	1,293	15,393	0	16,686
San Clemente	59	1,419,688	0	0	43,356	3.05%	47,101	3.32%	$1.70	39,283	16,419	44,524	97,237
San Juan Capistrano	42	739,899	0	0	65,069	8.79%	78,599	10.62%	$0.00	1,766	(27,383)	11,936	34,247
South County Total	646	19,715,178	0	0	1,088,843	5.52%	2,090,760	10.60%	$1.73	20,921	(138,619)	377,485	917,761
West County													
Cypress	49	2,007,618	0	0	308,809	15.38%	320,042	15.94%	$1.53	54,289	57,987	58,233	153,788
Garden Grove	60	1,634,116	0	0	58,267	3.57%	56,267	3.44%	$0.80	(26,030)	(22,656)	11,087	49,386
Huntington Beach	124	2,650,642	0	0	72,858	2.75%	66,573	2.51%	$1.55	1,455	(33,848)	42,598	91,117
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	38,897	4.51%	112,444	13.04%	$1.85	(2,181)	15,473	7,149	51,454
Stanton	3	68,350	0	0	4,500	6.58%	4,500	6.58%	$0.00	(1,236)	4,504	3,264	9,004
Westminster	16	440,455	0	0	8,510	1.93%	6,490	1.47%	$0.00	8,895	6,028	20,085	23,965
West County Total	293	7,742,248	0	0	570,821	7.37%	645,296	8.33%	$1.54	35,192	27,488	142,416	378,714
Orange County Total	**2,148**	**60,658,168**	**78,837**	**225,579**	**3,182,753**	**5.25%**	**4,500,074**	**7.42%**	**$1.69**	**(112,026)**	**(249,045)**	**945,588**	**2,653,171**
Airport Area													
10,000-24,999	507	8,226,425	0	0	324,780	3.95%	425,232	5.17%	$1.76	(74,087)	(54,582)	91,525	407,926
25,000-49,999	156	5,196,706	0	37,800	302,725	5.83%	410,695	7.90%	$2.00	(4,372)	(93,330)	54,639	175,450
50,000-99,999	52	3,468,969	78,837	78,837	345,985	9.97%	316,416	9.12%	$1.58	(25,168)	(29,180)	65,108	101,431
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	140,263	2.79%	155,062	3.09%	$1.55	18,698	55,492	88,540	296,052
25,000-49,999	116	3,830,791	0	0	224,741	5.87%	226,111	5.90%	$1.33	(83,488)	(125,660)	105,293	187,526
50,000-99,999	31	1,981,774	0	0	103,030	5.20%	148,937	7.52%	$1.46	1,478	(2,222)	19,182	41,008
100,000 Plus	18	3,031,378	0	0	81,565	2.69%	81,565	2.69%	$0.00	(1,200)	111,568	1,400	147,303
South County													
10,000-24,999	376	6,279,974	0	0	408,698	6.51%	553,850	8.82%	$1.64	15,310	(2,037)	172,597	421,908
25,000-49,999	193	6,460,271	0	0	326,199	5.05%	588,306	9.11%	$1.79	6,063	79,507	165,642	434,770
50,000-99,999	62	4,157,527	0	0	294,574	7.09%	657,908	15.82%	$1.78	(452)	(216,089)	39,246	61,083
100,000 Plus	15	2,817,406	0	0	59,372	2.11%	290,696	10.32%	$0.00	0	0	0	0
West County													
10,000-24,999	204	3,263,636	0	0	131,484	4.03%	142,562	4.37%	$1.52	(33,848)	(13,071)	32,446	150,596
25,000-49,999	59	2,025,009	0	0	115,117	5.68%	150,776	7.45%	$1.60	18,758	26,628	54,194	148,785
50,000-99,999	27	1,899,405	0	0	195,996	10.32%	223,734	11.78%	$1.48	50,282	13,931	55,776	79,333
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	1,005,225	4.41%	1,276,706	5.60%	$1.66	(73,927)	(14,198)	385,108	1,276,482
25,000-49,999	524	17,512,777	0	37,800	968,782	5.53%	1,375,888	7.86%	$1.77	(63,039)	(112,855)	379,768	946,531
50,000-99,999	172	11,507,675	78,837	78,837	939,585	8.16%	1,346,995	11.71%	$1.63	26,140	(233,560)	179,312	282,855
100,000 Plus	51	8,842,097	0	108,942	269,161	3.04%	500,485	5.66%	$0.00	(1,200)	111,568	1,400	147,303
Orange County Total	**2,148**	**60,658,168**	**78,837**	**225,579**	**3,182,753**	**5.25%**	**4,500,074**	**7.42%**	**$1.69**	**(112,026)**	**(249,045)**	**945,588**	**2,653,171**

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

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ORANGE COUNTY FLEX / R&D

Voit REAL ESTATE SERVICES

Inflection Point

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The third quarter marks a pivotal moment for Orange County's industrial real estate market. Tenant demand has remained soft, prompting stabilized, if not bottoming, rental rates and gradually rising vacancy rates. This operating environment has decidedly shifted in favor of tenants, with landlord concessions now commonplace for most creditworthy occupants.

While declining lease rates persist, the pace of decrease has slowed and is expected to continue moderating through the balance of 2025. We anticipate lease rates to stabilize through the first half of 2026 as the market moves toward equilibrium. Concurrently, vacancy rates have remained steady in the high 5% range, with upward pressure stemming largely from the growth in sublease activity. A significant block of available sublease space comprises fragmented, underutilized sections of buildings, which precludes immediate large-unit absorption and further elevates the vacancy metrics in the headlines.

A notable development this quarter was the Federal Reserve's 25-basis-point reduction in its benchmark interest rate, which was the first decrease in over nine months. This move signals a cautious, observational approach by the Fed. While many businesses view this rate cut positively, wider market confidence and substantial sales activity will require additional rate reductions to successfully stimulate sustained economic expansion. Should sellers maintain realistic pricing expectations, these conditions could catalyze increased sales volumes as buyers regain confidence.

The ongoing tariff environment remains among the most significant challenges for businesses in 2025. Companies across local, regional, and national levels have struggled with supply chain cost structures for much of the year. Despite a few positive signs on the global tariff front, friction remains between the U.S. and key trading partners, particularly India and China. In September 2025, the U.S. imposed further tariffs on India and maintained its existing tariffs on China, amplifying uncertainty for importers and delaying expansion plans due to rising costs.

Historically, Orange County has proven resilient, often entering economic downturns later and leading in recovery compared to other regions. Its proximity to major ports, mature distribution infrastructure, robust entrepreneurial community, and skilled labor force position it well to weather the ongoing downcycle and to lead the recovery as conditions stabilize and improve.

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

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