OC Q4 25

FOURTH QUARTER 2025 MARKET REPORT
ORANGE COUNTY OFFICE

Voit REAL ESTATE SERVICES

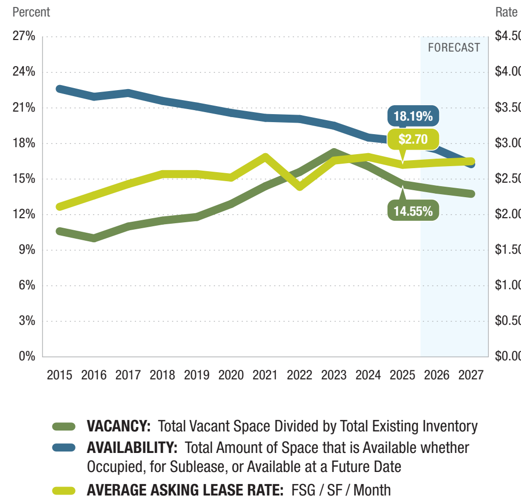
OVERVIEW. The Orange County office market ended 2025 showing early signs of stabilization after several years of adjustment. Tenants are back in the market and are more willing to sign leases, but activity is focused on specific locations and buildings rather than spread evenly across the inventory. The market has clearly split, with higher quality Class A and strong Class B properties attracting most of the tours and deals, while older product faces longer lease-up times and more pricing pressure. Many users are using this period to upgrade into better space and improve layout and amenities, often while keeping overall occupancy costs in line with prior locations. With limited new construction and some obsolete buildings being removed or repurposed, the near-term outlook centers on repositioning existing assets and matching them to current tenant requirements rather than on large new deliveries.

VACANCY & AVAILABILITY. Vacancy decreased in Q4 as tenants continued to "right size" and complete new leases, bringing the countywide rate to 14.55%, down from 16.07% in Q4 2024. Even with these changes, vacancy is still above the roughly 10% to 12% range that was common from 2015 through 2019, so the market has room to firm up before it returns to pre-2020 conditions. Total availability also improved over the same period, ending Q4 at 18.19% versus 20.16% in Q4 2024 and slightly better than 18.50% in Q3 2025. Increasing return-to-office policies and greater office use are helping tenants make space decisions again, but most of the recent movement comes from targeted leasing in better buildings and from the gradual removal of uncompetitive product from the statistics.

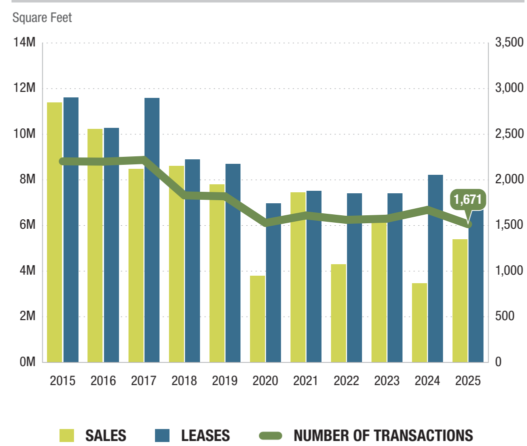
LEASE RATES. Landlords have been cutting pricing to respond to occupancy losses, slower leasing, and elevated availability, with the average asking rent moving from $2.78 in Q1 2025 to $2.77 in Q2, then down to $2.70 in both Q3 and Q4. Year over year, the Q4 asking rent of $2.70 is about 4% below the Q4 2024 peak of $2.81, a modest but measurable decline that highlights how pricing has adjusted from last year's high. Even after this pullback, asking rates remain above the roughly $2.40 to $2.60 range that prevailed from 2017 through 2019, which indicates that much of the current competition is showing up in concessions and deal structure rather than headline rent alone.

TRANSACTION ACTIVITY. Deal velocity stabilized in Q4 2025, with total transaction square footage increasing from 3,094,181 SF in Q3 to 3,470,765 SF in Q4, a gain of roughly 12.2% and just below the 3,623,419 SF recorded in Q4 2024. Within that volume, there were 365 lease and sale transactions in Q4 compared with 346 in Q3 and 371 in Q4 2024, and the quarter included several larger deals in Santa Ana, such as a lease of 183,483 SF on Susan Street and a 100,868 SF renewal on East Saint Andrew Place. Much of this activity reflects tenants reshaping their footprints by giving back some space and relocating into stronger locations that better match current workplace patterns, rather than simply renewing existing leases.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

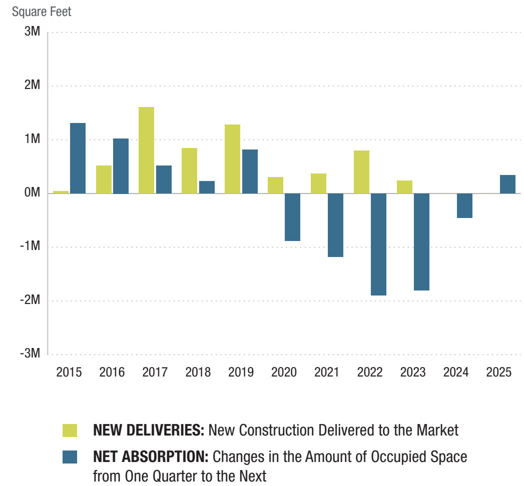
	Change Over Last Quarter		Q4 2025	Q3 2025	Q4 2024	% Change Over Last Year
Vacancy Rate	▼	DOWN	14.55%	15.16%	16.07%	(9.47%)
Availability Rate	▼	DOWN	18.19%	18.50%	20.16%	(9.80%)
Average Asking Lease Rate	▬	FLAT	$2.70	$2.70	$2.81	(3.91%)
Sale & Lease Transactions	▲	UP	3,470,765	3,094,181	3,623,419	(4.21%)
Gross Absorption	▲	UP	2,719,665	2,232,950	2,232,332	21.83%
Net Absorption	▲	POSITIVE	597,932	415,296	(47,400)	N/A

ABSORPTION. Net absorption turned positive in Q4, with 597,932 SF of space absorbed compared with 415,296 SF in Q3 and a negative 47,400 SF in Q4 2024. This shift is less about big corporate expansions and more about the slowdown in large give-backs, as tenants that had been shedding space over the last two years have largely finished right-sizing for hybrid work. The resulting absorption reflects users upgrading locations and buildings rather than adding large amounts of new space, with stronger submarkets capturing most of the gains. Taken together, the move from negative absorption in 2024 to two consecutive positive quarters in 2025 is an early sign that the market has found a floor and is starting to build a more stable base for future leasing.

CONSTRUCTION. Construction activity has pulled back sharply as vacancy has moved higher. When vacancy hovered near 10% earlier in the cycle, the Orange County office pipeline routinely exceeded 2.0 MSF, but with vacancy at 14.55% in Q4, space under construction has contracted to about 277,079 SF and there are no new speculative buildings breaking ground. Elevated availability makes it difficult to justify ground-up office projects, and the broad adoption of hybrid and work-from-home models after 2020 has further reduced lender and developer appetite for traditional multi-tenant towers. The limited development that is moving forward is concentrated in mixed-use settings, where office space is paired with retail, residential, and amenity offerings, aligning new product with tenant preferences for appealing environments rather than standalone office sites.

EMPLOYMENT. Orange County's unemployment rate stood at 4.4% in September 2025, rising from 4.0% one year prior. September figures remain the current standard as the federal government shutdown delayed the release of fourth-quarter data. The Professional and Business Services sector posted the region's steepest decline, losing 3,400 jobs.

NEW DELIVERIES & NET ABSORPTION



Forecast

The next year is likely to extend the stabilization pattern rather than deliver a sharp rebound. Vacancy is expected to edge lower as modest positive absorption combines with continued removal or repurposing of obsolete buildings, keeping pressure on the most dated space while supporting better performance in upgraded product. Lease rates should remain relatively flat in the near term, with limited new construction and a shrinking competitive set helping landlords hold face rents in stronger locations, even as concessions stay elevated to secure commitments. Market participants anticipate more clarity on pricing as interest rates stabilize and as conversions and demolitions begin to outweigh new deliveries, which should gradually improve fundamentals for well capitalized owners that invest in repositioning and for tenants seeking high quality, amenity-rich environments.

Significant Transactions

Sales

Property Address	City	Class	Square Feet	Total Price	Buyer	Seller
770–840 The City Dr. S.	Orange	A	474,724	$199,000,000	MGR Real Estate	Granite Properties, Inc.
600 City Pkwy. W.	Orange	A	203,490	$23,000,000	Avanta Network	Greenlaw Partners
3333–3337 Susan St.	Costa Mesa	A	190,000	$77,928,000	Drawbridge Realty	Invesco Ltd.
1901–1921 Ew Alton Pkwy.	Santa Ana	B	133,417	$19,000,000	Edwards Lifesciences	Cusmano Real Estate Group
120 S. State College Blvd.	Brea	A	79,528	$19,450,000	2000 Gold Limited Partnership	HdL Companies

Leases

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
3333–3337 Susan St.	Santa Ana	B	183,483	Oct-2025	Anduril Industries	Invesco
1700 E. Saint Andrew Pl. - Renewal	Santa Ana	B	100,868	Nov-2025	County of Orange	Drawbridge Realty
3345–3355 Michelson Dr.	Irvine	A	83,952	Oct-2025	Stanbridge University	LBA Properties
2520 Red Hill Ave.	Santa Ana	B	48,972	Dec-2025	Foundation Building Materials	2510 Redhilll LLC
15325 Alton Pkwy.	Irvine Spectrum	B	32,621	Nov-2025	Spyglass Pharma	The Irvine 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 Q4 2025	Square Feet Available	Availability Rate Q4 2025	Average Asking Lease Rate	Net Absorption Q4 2025	Net Absorption 2025	Gross Absorption Q4 2025	Gross Absorption 2025
Airport Area													
Costa Mesa	59	6,765,141	0	0	1,150,452	17.01%	1,464,821	21.65%	$3.33	37,561	54,296	252,420	803,756
Irvine	241	23,945,501	0	182,380	3,910,614	16.33%	4,673,493	19.52%	$2.83	139,013	(45,091)	1,053,255	2,809,284
Newport Beach	103	9,099,665	0	0	1,161,996	12.77%	1,437,326	15.80%	$3.02	(10,262)	20,634	193,058	897,803
Santa Ana	9	1,980,930	0	0	492,283	24.85%	616,758	31.13%	$2.54	46,345	39,687	44,041	155,756
Tustin	4	418,585	0	0	70,928	16.94%	70,928	16.94%	$0.00	0	(30,062)	0	22,994
Airport Area Total	416	42,209,822	0	182,380	6,786,273	16.08%	8,263,326	19.58%	$2.96	212,657	39,464	1,542,774	4,689,593
Central County													
Anaheim	20	1,938,161	168,137	401,000	375,887	19.39%	403,132	20.80%	$2.13	54,304	44,377	54,304	174,714
Orange	63	6,074,976	0	0	1,085,999	17.88%	1,148,760	18.91%	$2.19	85,174	82,331	171,611	452,001
Santa Ana	126	9,260,180	0	0	1,178,389	12.73%	1,494,433	16.14%	$2.45	84,685	(69,498)	152,278	536,913
Tustin	36	1,823,053	108,942	0	79,824	4.38%	123,980	6.80%	$2.47	10,982	128,638	61,954	199,488
Central County Total	245	19,096,370	277,079	401,000	2,720,099	14.24%	3,170,305	16.60%	$2.36	235,145	185,848	440,147	1,363,116
North County													
Anaheim /Anaheim Hills	62	4,215,221	0	0	376,439	8.93%	499,107	11.84%	$2.46	28,254	102,810	33,561	142,448
Brea	36	3,591,741	0	0	574,986	16.01%	776,534	21.62%	$2.74	11,790	(113,360)	45,670	190,525
Buena Park	18	1,204,984	0	0	66,514	5.52%	59,250	4.92%	$2.45	1,305	(8,894)	4,625	59,758
Fullerton	16	867,909	0	0	30,114	3.47%	35,403	4.08%	$2.33	(4,573)	(5,269)	4,200	33,400
La Habra	3	115,103	0	0	3,082	2.68%	23,759	20.64%	$1.72	(931)	(931)	750	4,766
La Palma	7	542,913	0	0	149,527	27.54%	155,802	28.70%	$2.15	8,783	(1,261)	0	17,290
Placentia	6	197,762	0	0	33,131	16.75%	34,451	17.42%	$2.09	3,333	14,837	3,333	40,478
Yorba Linda	5	289,383	0	0	32,119	11.10%	7,363	2.54%	$2.49	9,731	(12,320)	9,731	15,838
North County Total	153	11,025,016	0	0	1,265,912	11.48%	1,591,669	14.44%	$2.58	57,692	(24,388)	101,870	504,503
South County													
Aliso Viejo	36	2,675,982	0	0	860,826	32.17%	1,138,961	42.56%	$2.71	7,905	(22,786)	29,840	161,130
Dana Point	3	127,999	0	0	0	0.00%	0	0.00%	$3.63	2,400	1,200	2,400	3,600
Foothill Ranch	7	639,436	0	0	243,772	38.12%	294,892	46.12%	$2.50	14,335	(8,534)	17,348	82,103
Irvine Spectrum	169	13,215,573	0	0	1,426,159	10.79%	1,997,318	15.11%	$2.72	69,035	219,080	468,782	1,595,334
Laguna Beach	4	124,004	0	0	1,775	1.43%	3,172	2.56%	$4.00	800	1,222	800	5,892
Laguna Hills	28	1,341,232	0	0	273,313	20.38%	274,179	20.44%	$2.62	(11,406)	(19,036)	18,667	83,922
Laguna Niguel	7	395,699	0	0	65,167	16.47%	92,661	23.42%	$2.40	4,187	18,181	4,839	25,656
Lake Forest	40	2,172,465	0	0	272,588	12.55%	438,205	20.17%	$2.08	13,526	27,054	23,855	96,705
Mission Viejo	24	1,276,103	0	0	233,999	18.34%	263,384	20.64%	$2.85	3,035	(88)	15,750	80,845
Rancho Santa Margarita	5	212,716	0	0	36,403	17.11%	56,502	26.56%	$2.20	(1,840)	(11,306)	0	3,476
San Clemente	8	411,212	0	0	39,970	9.72%	39,970	9.72%	$2.31	(9,961)	(25,722)	0	8,544
San Juan Capistrano	19	944,993	0	0	28,077	2.97%	49,527	5.24%	$2.82	(3,944)	2,408	1,740	16,463
South County Total	350	23,537,414	0	0	3,482,049	14.79%	4,648,771	19.75%	$2.69	88,072	181,673	584,021	2,163,670
West County													
Cypress	27	1,819,947	0	0	207,277	11.39%	435,079	23.91%	$2.51	4,477	(78,455)	6,531	65,355
Fountain Valley	26	1,180,227	0	0	44,778	3.79%	44,778	3.79%	$2.23	0	(8,557)	0	7,126
Garden Grove	14	710,092	0	0	63,589	8.96%	68,945	9.71%	$1.73	2,389	(301)	2,389	28,466
Huntington Beach	32	1,805,421	0	0	277,798	15.39%	343,115	19.00%	$2.09	6,733	35,041	34,955	108,759
Los Alamitos	8	441,664	0	0	10,309	2.33%	14,814	3.35%	$3.29	(4,110)	(2,147)	4,620	13,021
Seal Beach	6	452,518	0	0	49,933	11.03%	64,495	14.25%	$3.44	(3,778)	8,178	0	30,820
Stanton	4	143,361	0	0	10,427	7.27%	10,427	7.27%	$1.51	1,024	4,735	2,358	6,069
Westminster	11	445,789	0	0	48,581	10.90%	53,649	12.03%	$2.44	(2,369)	(1,927)	0	7,919
West County Total	128	6,999,019	0	0	712,692	10.18%	1,035,302	14.79%	$2.45	4,366	(43,433)	50,853	267,535
Orange County Total	**1,292**	**102,867,641**	**277,079**	**583,380**	**14,967,025**	**14.55%**	**18,709,373**	**18.19%**	**$2.70**	**597,932**	**339,164**	**2,719,665**	**8,988,417**
Airport Area													
Class A	120	25,559,378	0	182,380	4,638,838	18.15%	5,603,257	21.92%	$3.25	242,121	14,118	1,044,915	3,091,206
Class B	278	15,633,843	0	0	2,119,648	13.56%	2,610,261	16.70%	$2.73	(28,902)	34,700	495,549	1,579,832
Class C	18	1,016,601	0	0	27,787	2.73%	49,808	4.90%	$3.01	(562)	(9,354)	2,310	18,555
Central County													
Class A	35	6,388,248	277,079	401,000	1,365,001	21.37%	1,638,036	25.64%	$2.78	33,185	72,761	118,274	488,757
Class B	169	10,962,080	0	0	1,226,760	11.19%	1,313,914	11.99%	$2.32	147,057	19,611	261,311	740,158
Class C	41	1,746,042	0	0	128,338	7.35%	218,355	12.51%	$1.58	54,903	93,476	60,562	134,201
North County													
Class A	20	2,428,817	0	0	522,370	21.51%	660,251	27.18%	$3.02	34,391	(29,454)	53,182	189,639
Class B	114	7,738,123	0	0	726,151	9.38%	914,575	11.82%	$2.50	23,301	(2,392)	48,140	300,788
Class C	19	858,076	0	0	17,391	2.03%	16,843	1.96%	$2.22	0	7,458	548	14,076
South County													
Class A	67	9,056,157	0	0	1,503,597	16.60%	2,109,670	23.30%	$3.16	17,418	260,074	225,839	889,648
Class B	266	13,634,203	0	0	1,956,172	14.35%	2,505,932	18.38%	$2.41	74,252	(83,620)	355,838	1,243,501
Class C	17	847,054	0	0	22,280	2.63%	33,169	3.92%	$2.46	(3,598)	5,219	2,344	30,521
West County													
Class A	12	1,309,359	0	0	325,668	24.87%	494,636	37.78%	$2.67	15,611	(28,338)	25,498	110,485
Class B	101	5,166,242	0	0	384,024	7.43%	537,666	10.41%	$2.30	(8,245)	(10,655)	25,355	157,050
Class C	15	523,418	0	0	3,000	0.57%	3,000	0.57%	$0.00	(3,000)	(4,440)	0	0
Orange County													
Class A	254	44,741,959	277,079	583,380	8,355,474	18.67%	10,505,850	23.48%	$3.11	342,726	289,161	1,467,708	4,769,735
Class B	928	53,134,491	0	0	6,412,755	12.07%	7,882,348	14.83%	$2.49	207,463	(42,356)	1,186,193	4,021,329
Class C	110	4,991,191	0	0	198,796	3.98%	321,175	6.43%	$1.90	47,743	92,359	65,764	197,353
Orange County Total	**1,292**	**102,867,641**	**277,079**	**583,380**	**14,967,025**	**14.55%**	**18,709,373**	**18.19%**	**$2.70**	**597,932**	**339,164**	**2,719,665**	**8,988,417**

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.

FOURTH QUARTER 2025 MARKET REPORT

ORANGE COUNTY OFFICE

Voit
REAL ESTATE SERVICES

The Office Market's Controlled Demolition

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As we closed out 2025, it became increasingly clear that not all Southern California office buildings were moving in the same direction. What once behaved as a single asset class has fractured into distinct trajectories based on location, asset quality, tenant profile, and capital structure. The narrative is no longer about recovery versus distress, but about viability versus obsolescence.

Across the region, well located, high-quality assets continue to attract tenants and capital, while older, functionally obsolete buildings face prolonged vacancy and mounting market pressure. This fragmentation is not cyclical. It reflects a structural reordering of how office space is used, financed, and valued. In many cases, two buildings within the same submarket can experience entirely different challenges based on their ability to meet modern user expectations and financial headwinds. Orange County has followed this pattern, although with less volatility than some coastal urban markets. Demand has not disappeared, it has narrowed, concentrating in a smaller subset of buildings.

Over the past several years, the office sector has undergone a form of controlled demolition driven by two parallel dynamics: capital management and inventory reduction.

On the capital side, banks have worked proactively with borrowers to extend maturities, modify loan terms, and allow more time for stabilization. This has prevented a disorderly wave of foreclosures.

At the same time, a significant chunk of inventory has been removed from the market entirely. Approximately 2.90% of the office base, 3,028,420 SF, has been eliminated via demolition or acquisition by owner-occupants in the past four years. This reduction in supply has helped stabilize market metrics and prevent what would have been a far more severe correction.

Looking ahead to 2026, these converging forces may create a narrow but meaningful window of opportunity. Modestly lower interest rates, continued lender cooperation, and modest asset appreciation could work in combination to create more favorable conditions. For disciplined operators, this may represent a chance to restructure balance sheets, reposition assets, or selectively exit ahead of the next phase of the cycle.

Buyers have largely come to terms with a higher interest rate regime and, importantly, many believe pricing has reached its floor. That combination has been elusive for much of this cycle and as those signals further align, sales activity should pick up.

Supply conditions further reinforce this outlook. New construction remains negligible, with less than 500,000 SF currently in the pipeline across the broader market. With inventory growth under control, leasing fundamentals and financing conditions should gradually improve.

I'm not suggesting a return to prior peaks or that every asset will be saved. Many will not. The office market's next chapter will be shaped less by headline leasing velocity and more by capital strategy, timing, and discipline.

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

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