

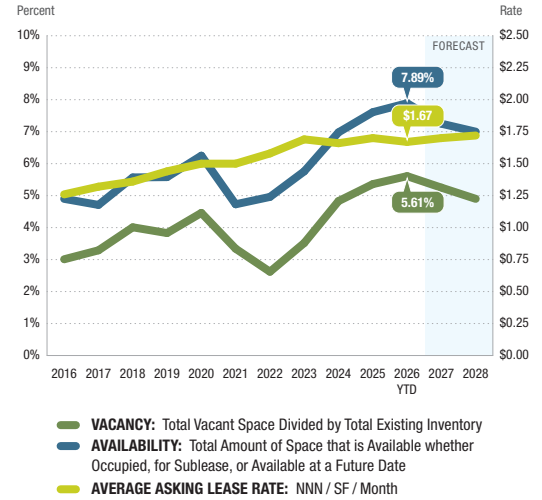
**OVERVIEW.** Vacancy in the R&D/Flex market continued to drift higher in Q1 2026, though net absorption turned positive for the first time since Q4 2024. Asking rents pulled back after briefly firming late last year, reflecting landlord willingness to adjust pricing in a market where tenants have more options and more time to evaluate decisions. Leasing and sales volume rose quarter over quarter, though activity was concentrated among a handful of large users in defense, life sciences, and electric vehicle manufacturing rather than signaling a broad-based demand recovery. The construction pipeline remains near cycle lows with no new deliveries during the quarter, a supply-side constraint that should gradually support stabilization throughout the year. Owner-user buyers are returning with conviction as seller pricing expectations recalibrate to current conditions.

**VACANCY AND AVAILABILITY.** The R&D/Flex vacancy rate rose to 5.61% in Q1 2026, up 25 basis points from 5.36% in Q4 2025 and 82 basis points from 4.79% in Q1 2025. Vacancy has more than doubled from the trough of 2.16% in Q4 2022 and sits above the pre-pandemic baseline of 3.83% at year-end 2019. Vacancy rose despite positive net absorption of 10,457 SF during the quarter; the increase reflects inventory reclassifications and previously unleased properties entering the tracked R&D/Flex set. Total availability climbed to 7.89%, up from 7.61% in Q4 2025. The 228-basis-point gap between vacancy and availability reflects continued sublease inventory, particularly in Irvine Spectrum, where availability reached 17.01% against a physical vacancy rate of 9.63%. West County posted positive absorption despite a 6.63% vacancy rate, while South County carried the highest rate at 7.22%.

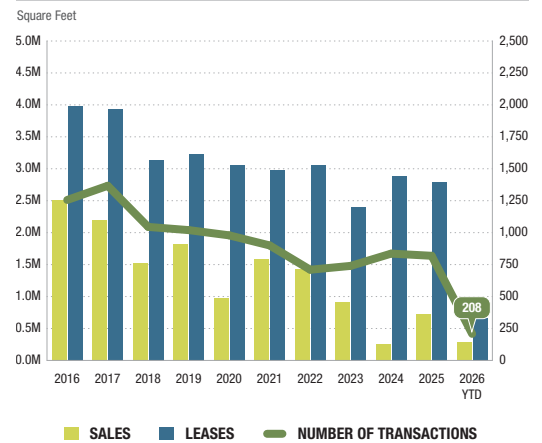
**LEASE RATES.** Average asking lease rates declined to \$1.67 PSF in Q1 2026, a 1.8% decrease from \$1.70 PSF in Q4 2025 and flat year over year. From the pre-pandemic baseline of \$1.44 PSF in 2019, asking rents remain elevated by 16%, though the quarter-over-quarter pullback suggests landlords are adjusting expectations. Closed NNN lease comps averaged \$1.47 PSF across seven transactions totaling 221,722 SF, a \$0.20 PSF discount from asking that underscores the negotiating leverage tenants hold in the current market. Taking rates ranged from \$1.10 PSF in South County to \$1.65 PSF in West County, with Airport Area and Irvine Spectrum transactions clustering between \$1.55 PSF and \$1.62 PSF. Free rent periods of one to seven months and tenant improvement allowances were standard components of deal structures, particularly for larger format spaces where landlords are competing for a limited pool of active requirements.

**TRANSACTION ACTIVITY.** Total transaction volume reached 938,244 SF across 208 deals in Q1 2026, up 34.1% from 699,664 SF in Q4 2025. Leasing accounted for 200 transactions totaling 657,991 SF, while eight investment sales closed on 280,253 SF. The quarterly improvement was driven by concentrated large transactions rather than broad deal flow. On the leasing side, Act 2 Network signed the largest deal of the quarter, taking 366,225 SF at 1717 S. Grand Avenue in Santa Ana. In the investment market, Greenlaw Partners acquired the former PepsiCo facility at 27717 Aliso Creek Road in Aliso Viejo for \$41,052,632. Sales volume doubled quarter over quarter, with average pricing rising to \$390.15 PSF from \$307.10 PSF, reflecting activity from both owner-users and investors.

**VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES**



**TRANSACTION VOLUME & NUMBER OF TRANSACTIONS**



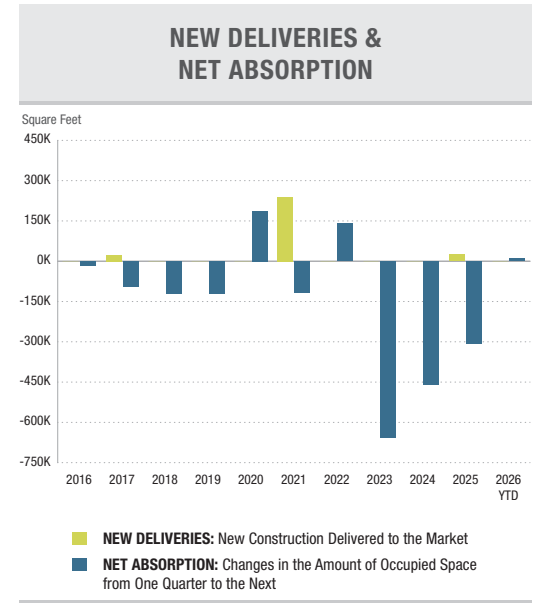
**Market Statistics**

	Change Over Last Quarter	Q1 2026	Q4 2025	Q1 2025	% Change Over Last Year
Vacancy Rate	▲ UP	5.61%	5.36%	4.79%	17.02%
Availability Rate	▲ UP	7.89%	7.61%	7.35%	7.24%
Average Asking Lease Rate	▼ DOWN	\$1.67	\$1.70	\$1.67	0.00%
Sale & Lease Transactions	▲ UP	938,244	699,664	907,488	3.39%
Gross Absorption	▲ UP	775,129	746,550	965,766	(19.74%)
Net Absorption	▲ POSITIVE	10,457	(236,079)	(11,286)	N/A

**ABSORPTION.** The R&D/Flex market recorded positive occupancy growth of 10,457 SF in Q1 2026, the first positive quarter since Q4 2024 and a meaningful reversal from negative absorption of 236,079 SF in Q4 2025. The full year 2025 produced a net loss of 307,525 SF, following 459,161 SF lost in 2024. Notable move-ins included Harbinger Motors occupying 63,016 SF at 6590 Darin Way in Cypress and Crossing Media taking 29,192 SF at 152 Technology Drive in Irvine Spectrum. Move-outs at 19 Technology and 11 Technology in Irvine Spectrum partially offset gains. West County led with positive occupancy growth of 96,418 SF, while South County accounted for the largest losses. Demand remains concentrated among select tenants rather than reflecting broad-based recovery.

**CONSTRUCTION.** The R&D/Flex construction pipeline held at 78,837 SF under construction at the close of Q1 2026, unchanged from Q4 2025 and consisting of a single project in Tustin. No new deliveries occurred during the quarter. The pipeline remains at cycle lows, no speculative R&D/Flex product broke ground, and institutional developers have pulled back from new starts given current vacancy levels. The market has received just 24,468 SF of new supply since 2021, when 239,000 SF were delivered.

**EMPLOYMENT.** Orange County’s unemployment rate was 4.1% in January 2026, up from a revised 3.9% in December 2025 and unchanged year over year, according to the California Employment Development Department. The county outperformed both the state at 5.5% and the nation at 4.7%. Professional and business services added 3,000 jobs year over year, with professional, scientific, and technical services growing 3.4%. Manufacturing contracted by 4,000 jobs, a 2.6% decline.



Forecast

R&D/flex demand is being shaped by a diverse mix of industries scaling operations in Orange County. Aerospace manufacturing startups like Senra Systems, founded by former SpaceX engineers, are expanding into production facilities to serve defense supply chains. Electric vehicle manufacturers including Harbinger Motors and Rivian are leasing R&D and production space. Life sciences firms and medical device companies continue to commit to the market. The supply side is constrained, with only 78,837 SF under construction, no deliveries in 1Q 2026, and institutional developers on the sidelines. The return to positive net absorption, while modest, marks the first positive quarter in over a year. Asking rents pulled back from Q4 2025 levels, and further adjustment may occur. The path forward points to 2026 as a period of stabilization, with broader vacancy improvement more likely a few quarters out.

Significant Transactions

Sales

Property Address	City	Square Feet	Sale Price	Buyer	Seller
27717 Aliso Creek Rd.	Aliso Viejo	93,750	\$41,052,632	Greenlaw Partners	PepsiCo, Inc.
2692–2696 Dow Ave.	Tustin	55,022	\$22,250,000	Deercreek Yorba Linda LLC	Motive Companies
17462 Armstrong Ave.	Irvine	44,166	\$14,225,000	J Kuos Investment LLC	Grambo and Gramcracker LLC
1 Vanderbilt	Irvine	25,665	\$8,150,000	Ardeshir Babkknia	Grambo and Gramcracker LLC

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
1717 S. Grand Ave.	Santa Ana	366,225	Feb-2026	Act 2 Network	Prologis Inc.
6100 Chip Ave.	Cypress	81,554	Feb-2026	Senra Systems, Inc.	Warland Investment Ltd
40 Parker - Renewal	Irvine Spectrum	70,205	Mar-2026	Rivian Automotive, LLC	Northwestern Mutual Life Insurance
75 Columbia - Renewal	Aliso Viejo	48,036	Jan-2026	RxSight	Pacific Park Investments Inc.
2004 McGaw Ave.	Irvine	29,825	Mar-2026	Clarendon Specialty Fastners Inc.	CNH

	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 2026	Square Feet Available	Availability Rate Q1 2026	Average Asking Lease Rate	Net Absorption Q1 2026	Net Absorption 2026	Gross Absorption Q1 2026	Gross Absorption 2026
<b>Airport Area</b>													
Costa Mesa	155	3,618,112	0	0	232,592	6.43%	265,533	7.34%	\$1.75	(14,703)	(14,703)	15,812	15,812
Fountain Valley	49	1,406,594	0	0	32,204	2.29%	28,070	2.00%	\$1.74	(4,100)	(4,100)	11,872	11,872
Irvine	234	6,077,040	0	0	354,354	5.83%	555,041	9.13%	\$1.74	44,364	44,364	50,288	50,288
Newport Beach	20	495,930	0	0	31,036	6.26%	58,032	11.70%	\$0.00	(24,459)	(24,459)	577	577
Santa Ana	169	4,156,026	0	0	129,515	3.12%	132,326	3.18%	\$1.70	25,894	25,894	122,275	122,275
Tustin	82	2,625,780	78,837	0	64,448	2.45%	90,294	3.44%	\$1.75	(2,483)	(2,483)	17,850	17,850
<b>Airport Area Total</b>	<b>709</b>	<b>18,379,482</b>	<b>78,837</b>	<b>0</b>	<b>844,149</b>	<b>4.59%</b>	<b>1,129,296</b>	<b>6.14%</b>	<b>\$1.74</b>	<b>24,513</b>	<b>24,513</b>	<b>218,674</b>	<b>218,674</b>
<b>North County</b>													
Anaheim	163	4,622,704	0	0	139,895	3.03%	143,184	3.10%	\$1.45	22,832	22,832	59,729	59,729
Brea	50	1,526,590	0	0	105,728	6.93%	126,968	8.32%	\$1.41	(13,740)	(13,740)	12,072	12,072
Buena Park	28	861,656	0	0	22,462	2.61%	43,904	5.10%	\$0.00	(4,667)	(4,667)	1,606	1,606
Fullerton	38	1,645,453	0	0	40,552	2.46%	109,944	6.68%	\$1.00	(6,067)	(6,067)	9,795	9,795
La Habra	13	273,934	0	0	4,684	1.71%	5,728	2.09%	\$0.00	4,850	4,850	8,213	8,213
Orange	94	2,099,095	0	0	89,116	4.25%	98,759	4.70%	\$1.88	(12,186)	(12,186)	17,813	17,813
Placentia	24	699,253	0	0	29,769	4.26%	31,369	4.49%	\$1.30	2,052	2,052	7,792	7,792
Yorba Linda	49	1,438,114	0	0	99,707	6.93%	104,787	7.29%	\$1.46	(10,156)	(10,156)	15,517	15,517
<b>North County Total</b>	<b>459</b>	<b>13,166,799</b>	<b>0</b>	<b>0</b>	<b>531,913</b>	<b>4.04%</b>	<b>664,643</b>	<b>5.05%</b>	<b>\$1.46</b>	<b>(17,082)</b>	<b>(17,082)</b>	<b>132,537</b>	<b>132,537</b>
<b>South County</b>													
Aliso Viejo	41	1,140,399	0	0	76,437	6.70%	81,287	7.13%	\$1.43	(393)	(393)	8,999	8,999
Foothill Ranch	8	273,620	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Irvine Spectrum	289	10,356,583	0	0	996,914	9.63%	1,761,754	17.01%	\$1.81	(30,850)	(30,850)	169,136	169,136
Laguna Hills	52	1,239,488	0	0	41,429	3.34%	39,542	3.19%	\$1.50	(15,936)	(15,936)	13,778	13,778
Laguna Niguel	18	882,042	0	0	34,355	3.89%	35,195	3.99%	\$0.00	1,675	1,675	3,120	3,120
Lake Forest	60	1,471,005	0	0	113,190	7.69%	155,665	10.58%	\$1.62	(27,106)	(27,106)	9,933	9,933
Mission Viejo	36	693,417	0	0	34,922	5.04%	36,999	5.34%	\$1.72	(6,641)	(6,641)	6,730	6,730
Rancho Santa Margarita	37	1,404,356	0	0	4,180	0.30%	12,008	0.86%	\$1.60	(1,830)	(1,830)	0	0
San Clemente	58	1,358,612	0	0	39,348	2.90%	58,857	4.33%	\$1.69	5,443	5,443	13,476	13,476
San Juan Capistrano	40	711,112	0	0	69,667	9.80%	79,840	11.23%	\$0.00	(17,754)	(17,754)	239	239
<b>South County Total</b>	<b>639</b>	<b>19,530,634</b>	<b>0</b>	<b>0</b>	<b>1,410,442</b>	<b>7.22%</b>	<b>2,261,147</b>	<b>11.58%</b>	<b>\$1.76</b>	<b>(93,392)</b>	<b>(93,392)</b>	<b>225,411</b>	<b>225,411</b>
<b>West County</b>													
Cypress	49	2,033,655	0	0	224,957	11.06%	233,516	11.48%	\$1.53	84,871	84,871	114,311	114,311
Garden Grove	60	1,742,177	0	0	41,191	2.36%	40,366	2.32%	\$1.40	26,275	26,275	42,155	42,155
Huntington Beach	115	2,440,677	0	0	65,183	2.67%	52,332	2.14%	\$1.51	3,465	3,465	19,899	19,899
La Palma	1	78,980	0	0	78,980	100.00%	78,980	100.00%	\$1.10	0	0	0	0
Los Alamitos	40	802,951	0	0	62,581	7.79%	135,308	16.85%	\$0.00	(8,866)	(8,866)	13,317	13,317
Stanton	3	68,350	0	0	11,412	16.70%	11,412	16.70%	\$0.00	(6,912)	(6,912)	1,500	1,500
Westminster	15	389,649	0	0	16,846	4.32%	16,846	4.32%	\$1.55	(2,415)	(2,415)	7,325	7,325
<b>West County Total</b>	<b>283</b>	<b>7,556,439</b>	<b>0</b>	<b>0</b>	<b>501,150</b>	<b>6.63%</b>	<b>568,760</b>	<b>7.53%</b>	<b>\$1.41</b>	<b>96,418</b>	<b>96,418</b>	<b>198,507</b>	<b>198,507</b>
<b>Orange County Total</b>	<b>2,090</b>	<b>58,633,354</b>	<b>78,837</b>	<b>0</b>	<b>3,287,654</b>	<b>5.61%</b>	<b>4,623,846</b>	<b>7.89%</b>	<b>\$1.67</b>	<b>10,457</b>	<b>10,457</b>	<b>775,129</b>	<b>775,129</b>
<b>Airport Area</b>													
10,000-24,999	497	8,037,079	0	0	312,917	3.89%	454,617	5.66%	\$1.73	(3,579)	(3,579)	81,820	81,820
25,000-49,999	152	4,999,658	0	0	298,102	5.96%	408,034	8.16%	\$1.93	(25,001)	(25,001)	68,544	68,544
50,000-99,999	47	3,177,407	78,837	0	233,130	7.34%	266,645	8.39%	\$1.60	53,093	53,093	68,310	68,310
100,000 Plus	13	2,165,338	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
<b>North County</b>													
10,000-24,999	298	4,759,955	0	0	197,425	4.15%	223,231	4.69%	\$1.56	(23,444)	(23,444)	31,734	31,734
25,000-49,999	113	3,728,861	0	0	207,114	5.55%	222,764	5.97%	\$1.38	(19,308)	(19,308)	59,447	59,447
50,000-99,999	34	2,175,414	0	0	47,009	2.16%	68,451	3.15%	\$1.48	24,255	24,255	38,521	38,521
100,000 Plus	14	2,502,569	0	0	80,365	3.21%	150,197	6.00%	\$0.00	1,415	1,415	2,835	2,835
<b>South County</b>													
10,000-24,999	366	6,096,733	0	0	370,138	6.07%	523,491	8.59%	\$1.75	(46,643)	(46,643)	76,889	76,889
25,000-49,999	198	6,632,075	0	0	425,566	6.42%	713,186	10.75%	\$1.79	(14,574)	(14,574)	140,274	140,274
50,000-99,999	62	4,211,461	0	0	428,336	10.17%	596,776	14.17%	\$1.72	(32,175)	(32,175)	8,248	8,248
100,000 Plus	13	2,590,365	0	0	186,402	7.20%	427,694	16.51%	\$0.00	0	0	0	0
<b>West County</b>													
10,000-24,999	198	3,202,134	0	0	119,929	3.75%	164,422	5.13%	\$1.47	11,460	11,460	71,205	71,205
25,000-49,999	56	1,919,944	0	0	130,932	6.82%	132,278	6.89%	\$2.00	2,164	2,164	41,723	41,723
50,000-99,999	25	1,736,214	0	0	92,065	5.30%	143,836	8.28%	\$1.22	82,794	82,794	85,579	85,579
100,000 Plus	4	698,147	0	0	128,224	18.37%	128,224	18.37%	\$0.00	0	0	0	0
<b>Orange County</b>													
10,000-24,999	1,359	22,095,901	0	0	1,000,409	4.53%	1,365,761	6.18%	\$1.71	(62,206)	(62,206)	261,648	261,648
25,000-49,999	519	17,280,538	0	0	1,061,714	6.14%	1,476,262	8.54%	\$1.78	(56,719)	(56,719)	309,988	309,988
50,000-99,999	168	11,300,496	78,837	0	800,540	7.08%	1,075,708	9.52%	\$1.53	127,967	127,967	200,658	200,658
100,000 Plus	44	7,956,419	0	0	394,991	4.96%	706,115	8.87%	\$1.55	1,415	1,415	2,835	2,835
<b>Orange County Total</b>	<b>2,090</b>	<b>58,633,354</b>	<b>78,837</b>	<b>0</b>	<b>3,257,654</b>	<b>5.56%</b>	<b>4,623,846</b>	<b>7.89%</b>	<b>\$1.67</b>	<b>10,457</b>	<b>10,457</b>	<b>775,129</b>	<b>775,129</b>

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



## OC Industrial Is Opening Up

by **Jordan Kemper**

SENIOR ASSOCIATE, IRVINE

949.773.5668 · jkemper@voitco.com · Lic. #02228841

The Orange County industrial market continues to normalize following several years of historically tight conditions. Manufacturing activity remains bifurcated: certain segments are growing and absorbing vacant space, while others are subleasing excess warehouse capacity back to the market. Aerospace, defense, and third-party parts manufacturers are displaying the highest demand, driven by a surge in government contract volume.

Anduril's leasing activity stands out as a defining story for the county. The defense technology company has absorbed nearly 1.5 million square feet of office and industrial space over the past year, providing a meaningful contribution to Orange County's overall net absorption. Anduril's expansion pace is one the OC Airport Area has not seen in years, and the ripple effect on the county's smaller manufacturing base will be significant. Suppliers tied to Anduril's production will feel sustained demand pressure for space as the company scales.

Demand is also bifurcated by the size of the property. Large-format buildings 80,000 square feet and above continue to see subdued demand, creating opportunities for tenants looking to expand into larger footprints. Buildings under 25,000 square feet are absorbing at a faster pace, driven by lease terms more favorable to tenants than at any point in the past several years.

The owner-user market is returning with conviction. Technology firms, blue-collar operators, and medical companies are re-entering the market, prioritizing long-term business investment over short-term flexibility. Seller pricing expectations, elevated through the peak cycle, are now recalibrating to market reality. The result is a more balanced transaction environment, with pricing settling into a range that works for both buyers and sellers.

Overall, leasing and owner-user activity is tracking above the pace of the past few years. Tenants have more options, more leverage, and more time to evaluate decisions. Owner-users are moving decisively to well-suited buildings as pricing expectations become more aligned with current market conditions.

### Please Contact Us for Further Information

**Tony Tran**  
Regional Director of Research  
ttran@voitco.com

Anaheim, CA  
714.978.7880

Encinitas, CA  
760.472.5620

Inland Empire, CA  
909.545.8000

Irvine, CA  
949.851.5100

Los Angeles, CA  
424.329.7500

San Diego, CA  
858.453.0505

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.

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## 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