



NEWMARK

Orange County:
Industrial Market Overview

1Q26



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Orange County Industrial Market Observations



Economy

- Loaded import volume at Southern California's ports reached 10.1 million containers in 2025, the busiest year on record. Historically, goods from China drive import volume at the ports. The fact total imports set a new record — despite China carrying the highest U.S. tariff rates of any trading partner — is counterintuitive and is explored in the slides to come.
- Orange County's median household income is the highest in Southern California. Its affluent population of 3.2 million is appealing to warehouse occupiers.
- Local industrial-using employment has declined year-over-year since March 2024.
- U.S. wage growth continues to outpace inflation and retail sales remain healthy; both are supportive of import demand and occupier activity. These conditions could deteriorate if the Iran conflict escalates into a sustained inflationary shock and unemployment rises meaningfully.



Leasing Market Fundamentals

- This quarter marks the fifth in net absorption gains in the last 13 quarters, bringing the quarterly total to 467,399 SF. The top three move-ins of the quarter, which originate from North County and Airport Area, totaled 413,086 SF alone.
- Vacancy (5.2%) is 170 basis points higher than it was two years ago but remains well below the peak of 6.8% seen during the Global Financial Crisis (reached in 2010). Orange County's vacancy is the second lowest in the Southwest behind Los Angeles.
- After experiencing rapid growth and reaching an all-time high of \$1.65/SF NNN three years ago, asking rents dropped to \$1.53/SF NNN.
- Under-construction activity declined to 791 KSF after four projects totaling 542,484 SF delivered. Nearly 35% of underway space has pre-leased to-date.



Major Transactions

- All top five leases of the quarter exceeded 100,000 SF. The largest was signed by gift-basket wholesaler Houdini Inc. for 229,422 SF. The Fullerton-based firm will expand operations to the distribution facility at 2501 E Orangethorpe Ave in the second half of the year.
- The second-largest lease of the quarter was executed by Anduril, marking its fourth industrial lease in the past fifteen months. The defense company will occupy a newly delivered 177,766-SF warehouse at 1100 Valencia Ave in Tustin later this year. Anduril continues to expand rapidly across the region to support its growing portfolio of defense contracts.
- A five-building industrial campus totaling 576,234 SF in Brea at 200 & 250 S Kraemer Blvd sold to Dwight Manley for \$140.0 million, marking the largest sale of the quarter. The buyer plans to lease part of the 36-acre parcel to Costco to develop a new store and use the remaining land for a housing development.



Outlook

- Rent declines will be slower than neighboring markets, due to Orange County's smaller inventory set, and its high-earning consumer base that is attractive to all final-mile distributors. These factors also appeal to developers and investors.
- Vacancy will increase in the quarters ahead as more tenants enact cost-cutting measures and new speculative construction delivers vacant.
- Leasing market fundamentals are expected to fluctuate amid rising vacancy and slower rent growth, shifting some leverage toward tenants. Tariffs, rising inflation, and the ongoing U.S.-Iran war are creating uncertainty which is leading some occupiers to opt for short-term leases until the dust settles. Sales activity will also be impacted.

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Southern California's Ports and U.S. Retail Sales

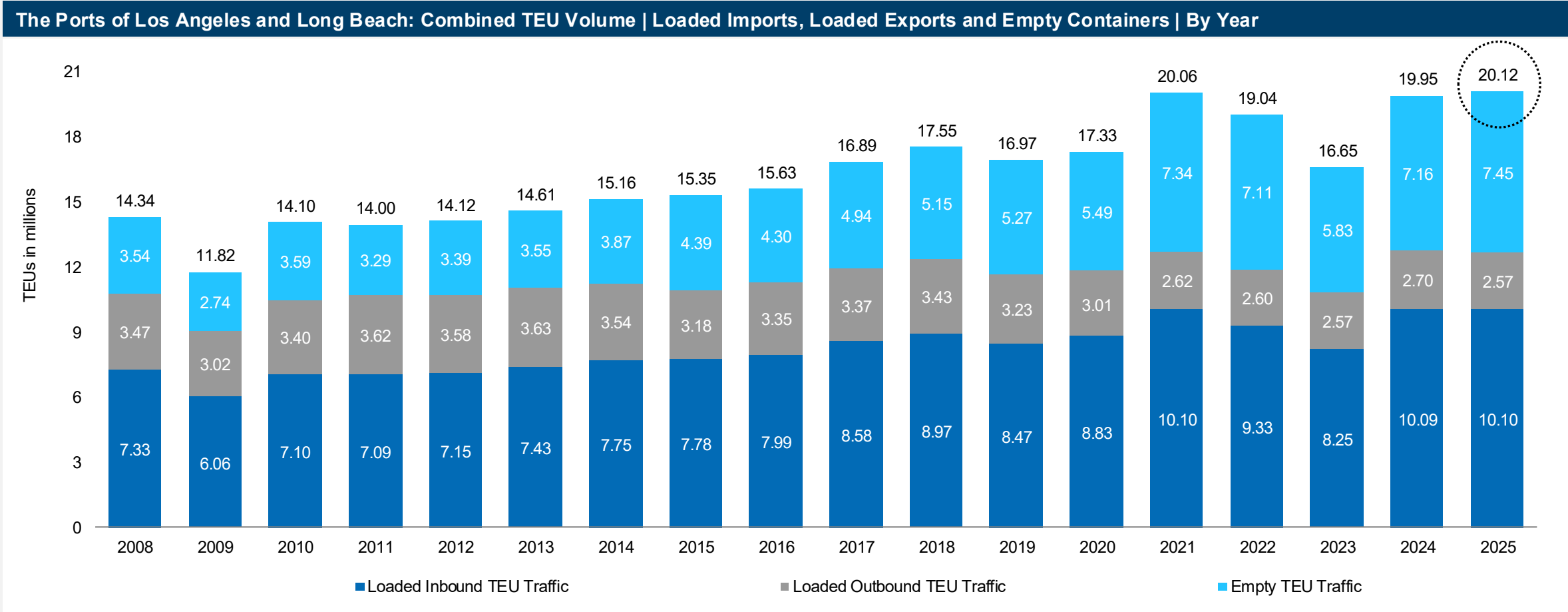
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Southern California’s Ports: 2025 Was the Busiest Year on Record

Still-healthy U.S. retail sales and the cat-and-mouse game of frontloading imports before new (and ever-changing) tariffs from the Trump administration went into effect were factors.



Source: Newmark Research, The Port of Long Beach and Los Angeles
 Note: TEUs are a standard measure for the steel cargo containers commonly used interchangeably on ships, trucks and trains. A TEU or 20-foot equivalent unit is the industry measure used to tally cargo containers, whether the containers are 20-foot long, 40-foot long or some other size.

Imports from China into Southern California's Ports Plummeted in 2025

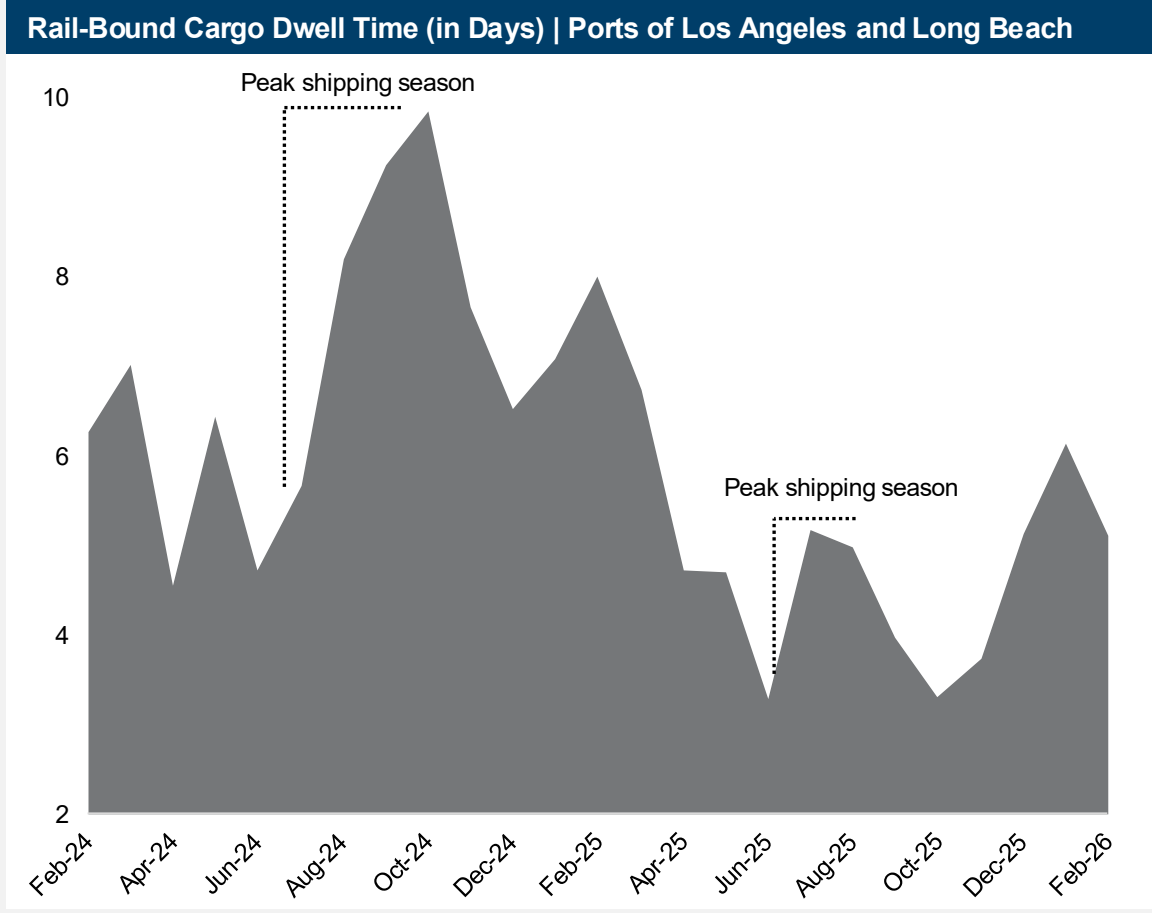
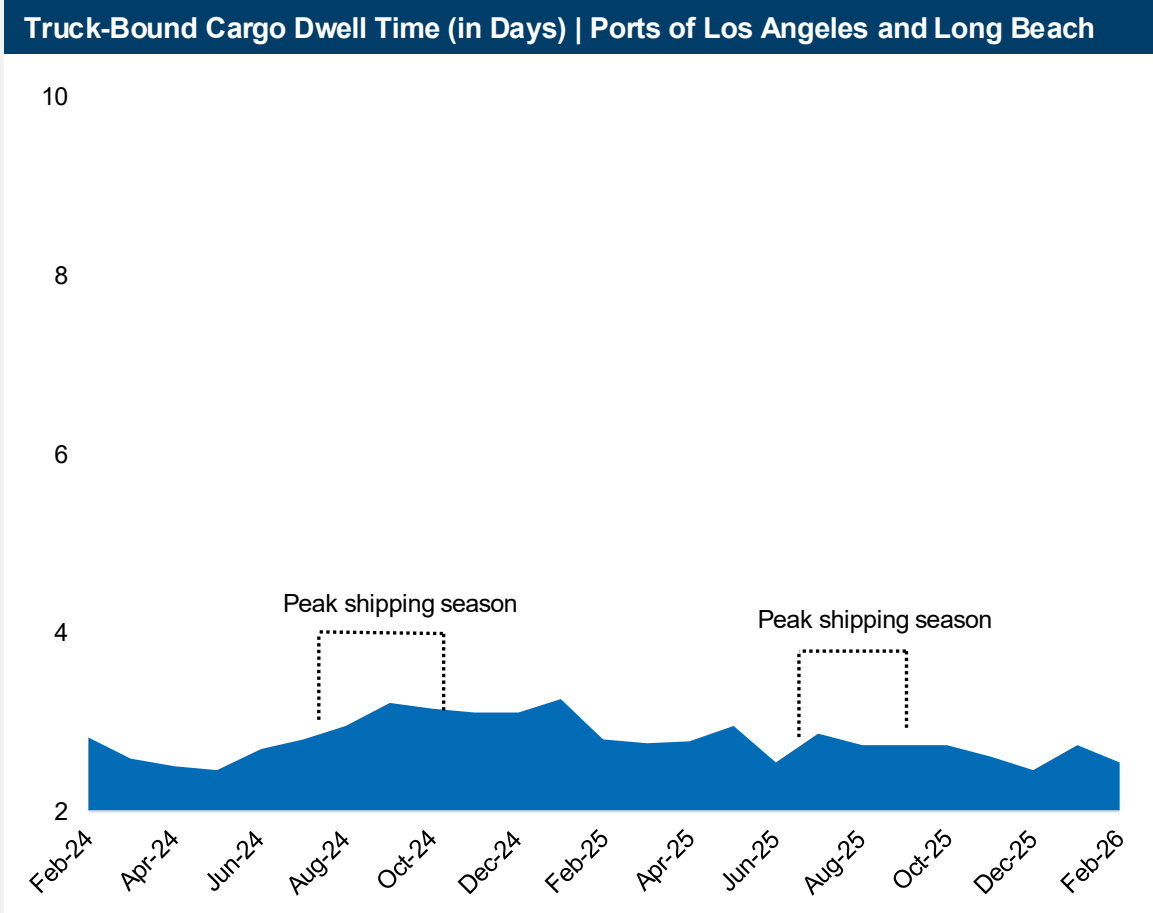
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Southeast Asian Imports to SoCal's Ports Top China in 2025

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Southern California's Ports: Rail Dwell Times Higher Than Trucks

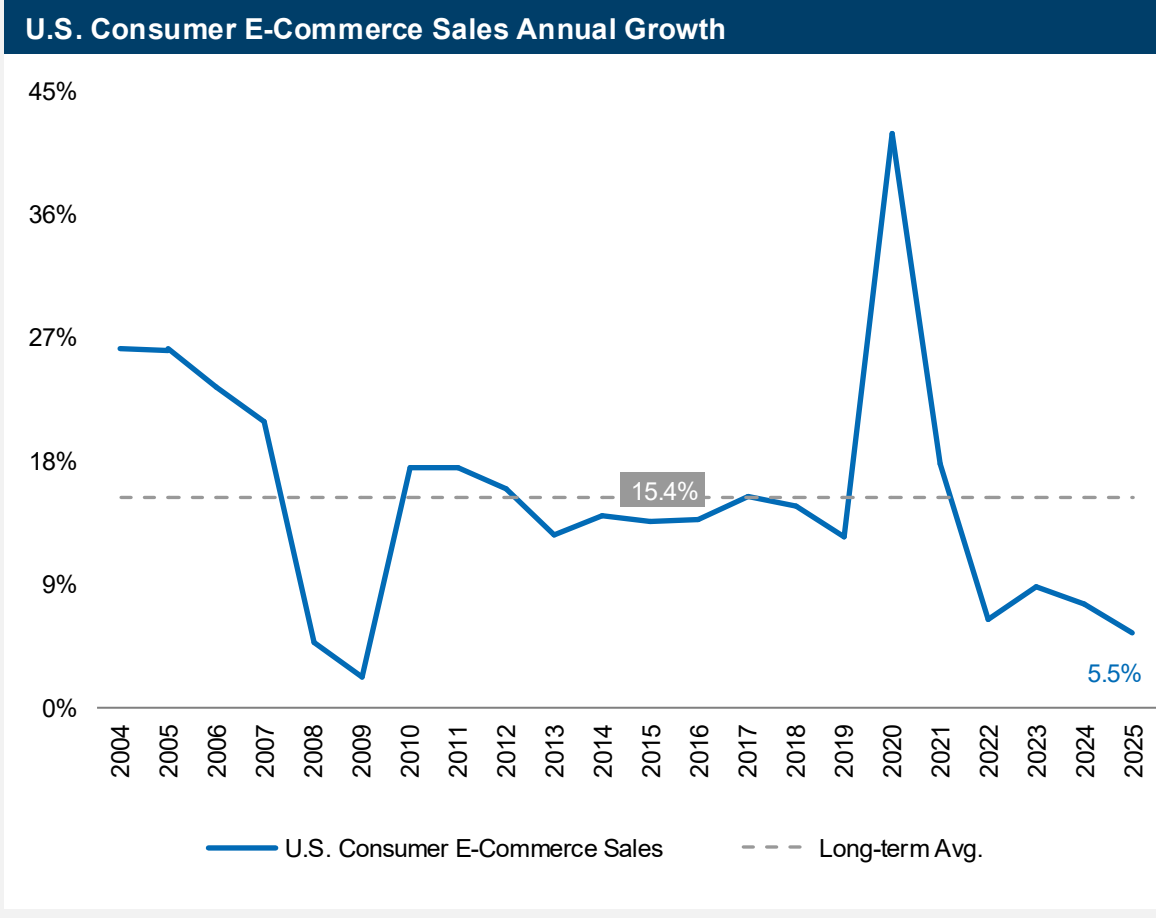
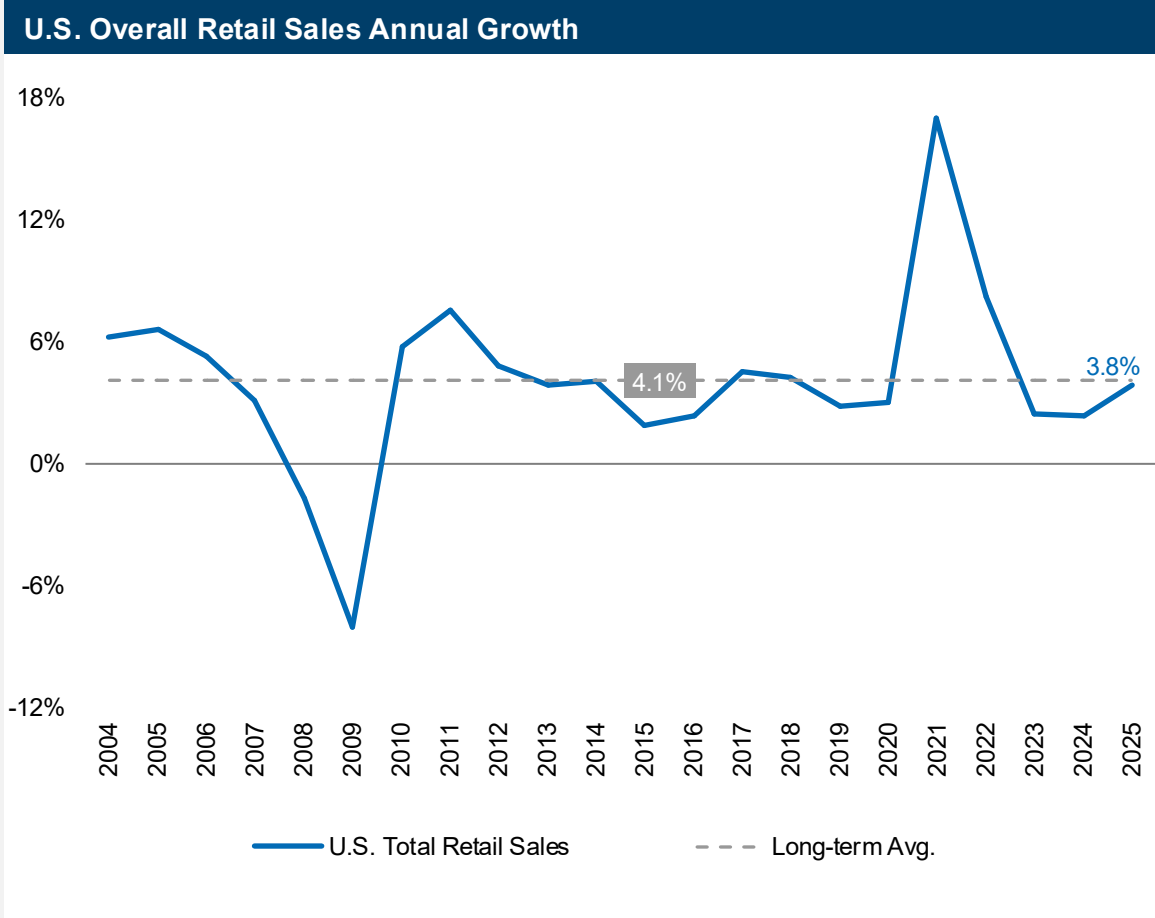
A fair share of import traffic at The Ports of Los Angeles and Long Beach consists of goods that are passing through to other U.S. markets. Truck dwell times would be much higher if domestic consumption was stronger and more goods were bound for Southern California's warehouses. Rail dwell times have been volatile in recent months, reflecting uneven import volume due to tariffs.



Source: Newmark Research, The Pacific Merchant Shipping Association (PMSA)
 Note: Truck-bound cargo dwell time measures how long cargo waits after being unloaded from ships to being placed on an outbound vehicle

Retail Sales (an Indicator of Warehouse Demand) Up in 2025

Overall retail sales were up 3.8% in 2025 relative to 2024. For e-commerce specifically: Growth exceeded total retail sales (+5.5% over the same period), yet the decline from 2021 onward is noticeable as consumer spending generally registers slower gains amid higher prices and tighter household budgets. Many economists have lowered their retail sales growth projections, citing still-high inflation, a cooling labor market, and the U.S.-Iran war.



Source: US Census Bureau (consumer adjusted retail sales); most current data available

The Pandemic Accelerated E-Commerce Sales Growth and Adoption Rates

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U.S. Wage Growth is Outpacing Inflation While Unemployment is Steady

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Local Economy

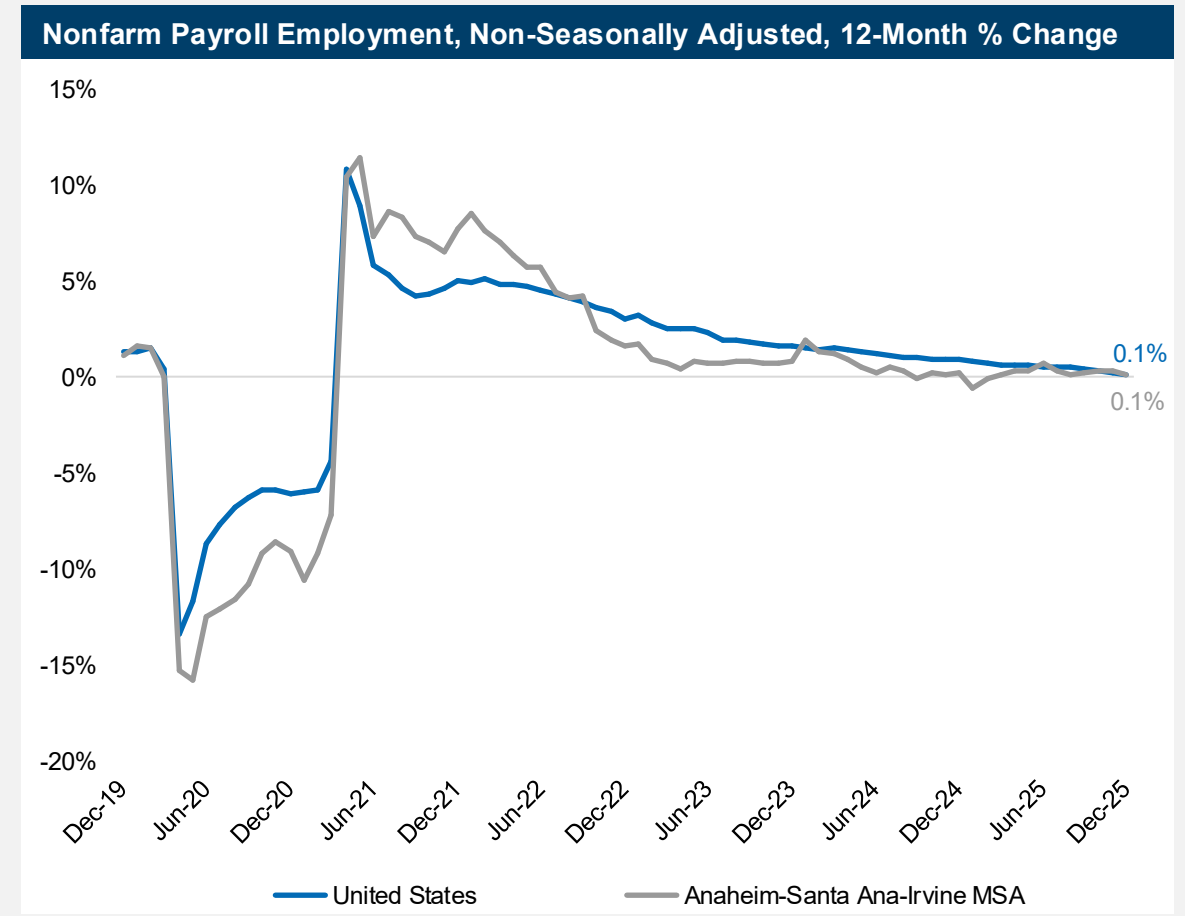
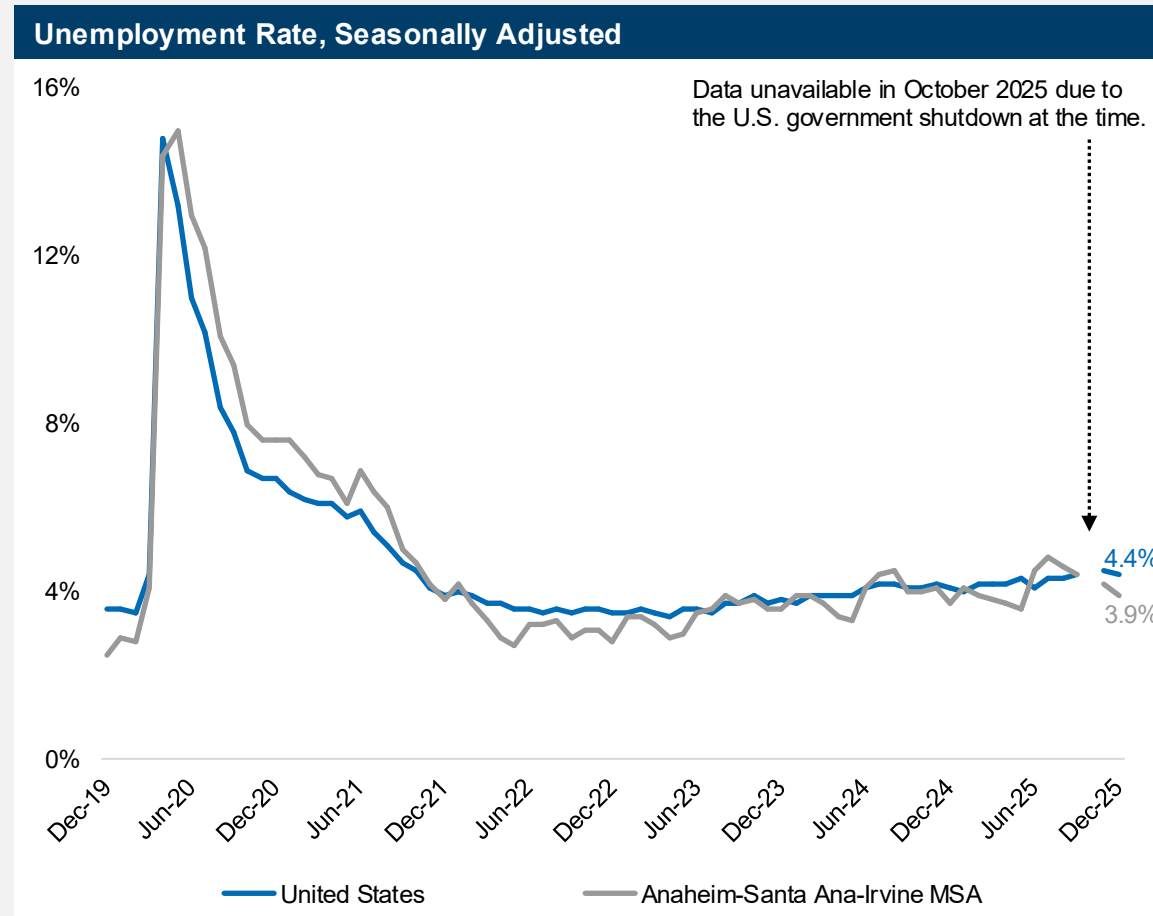
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Unemployment is Low While Annual Job Growth Is Stagnant

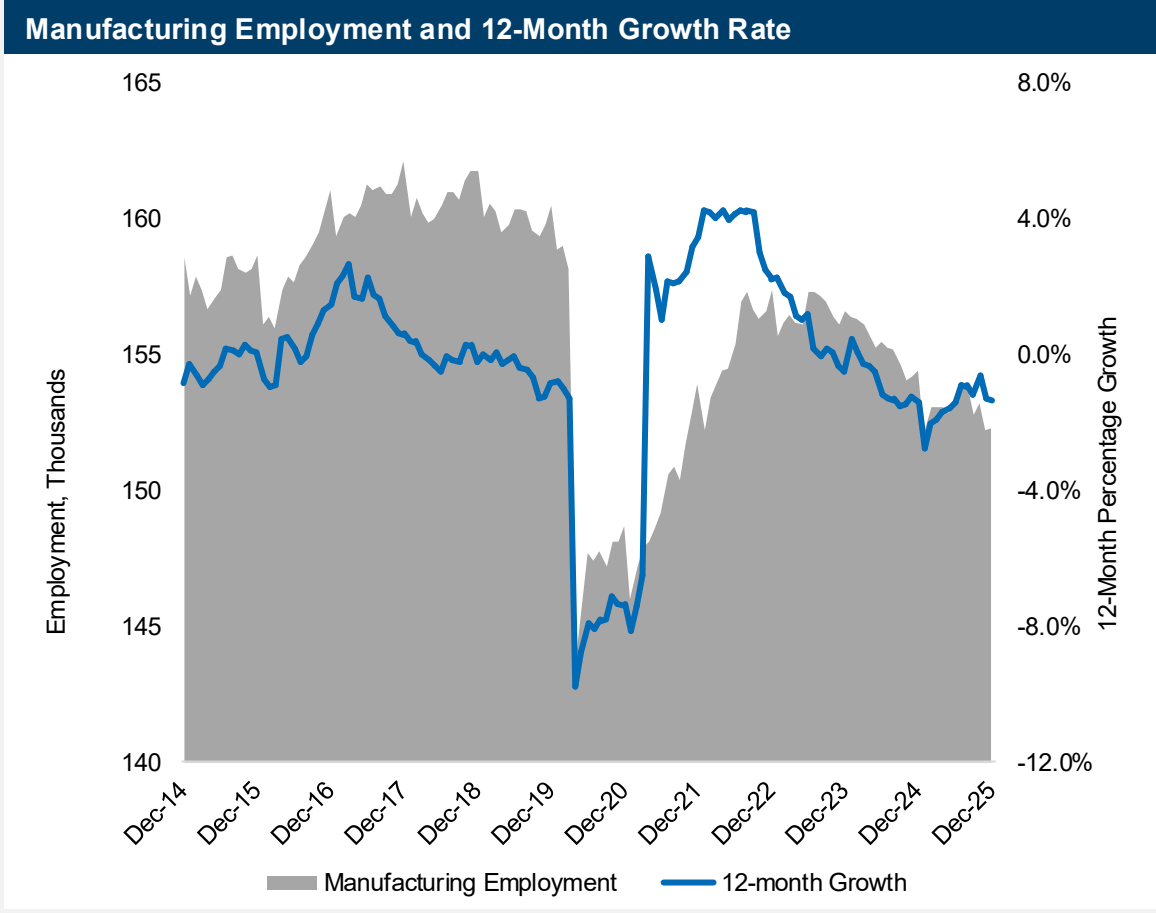
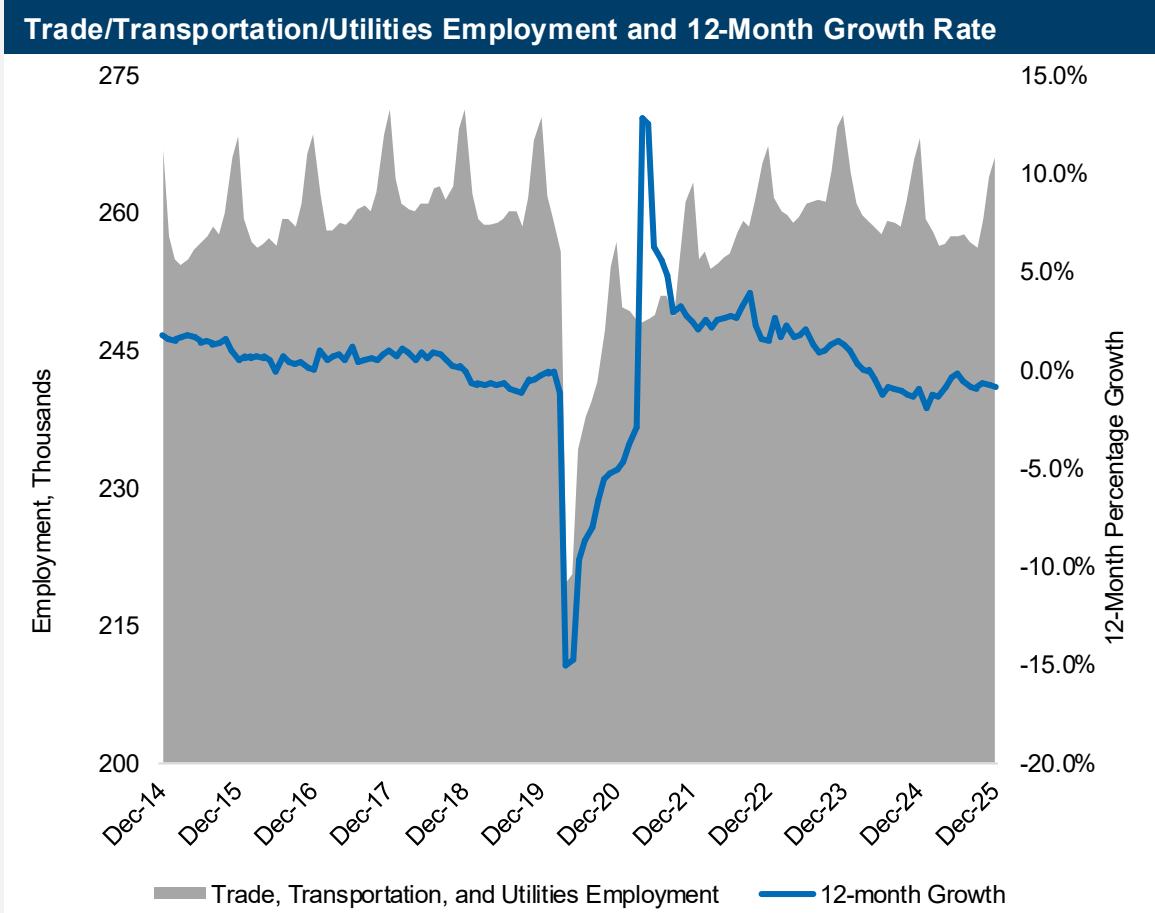
Local unemployment dropped 90 basis points from July (4.8%) to December 2025 (3.9%) while year-over-year nonfarm employment growth has plateaued. On a national level, unemployment reached levels last seen in 2021. In the months ahead, unemployment will continue to fluctuate as companies grapple with the uncertainty surrounding the economy.



Source: U.S. Bureau of Labor Statistics, Anaheim-Santa Ana-Irvine, CA
 Note: Due to a lapse in federal appropriations and government shutdowns, the BLS has delayed or suspended the release of various employment reports. Early 2026 employment data was unavailable at the time of writing.

Both Industrial Employment Sectors Have Been in Decline for Almost Two Years

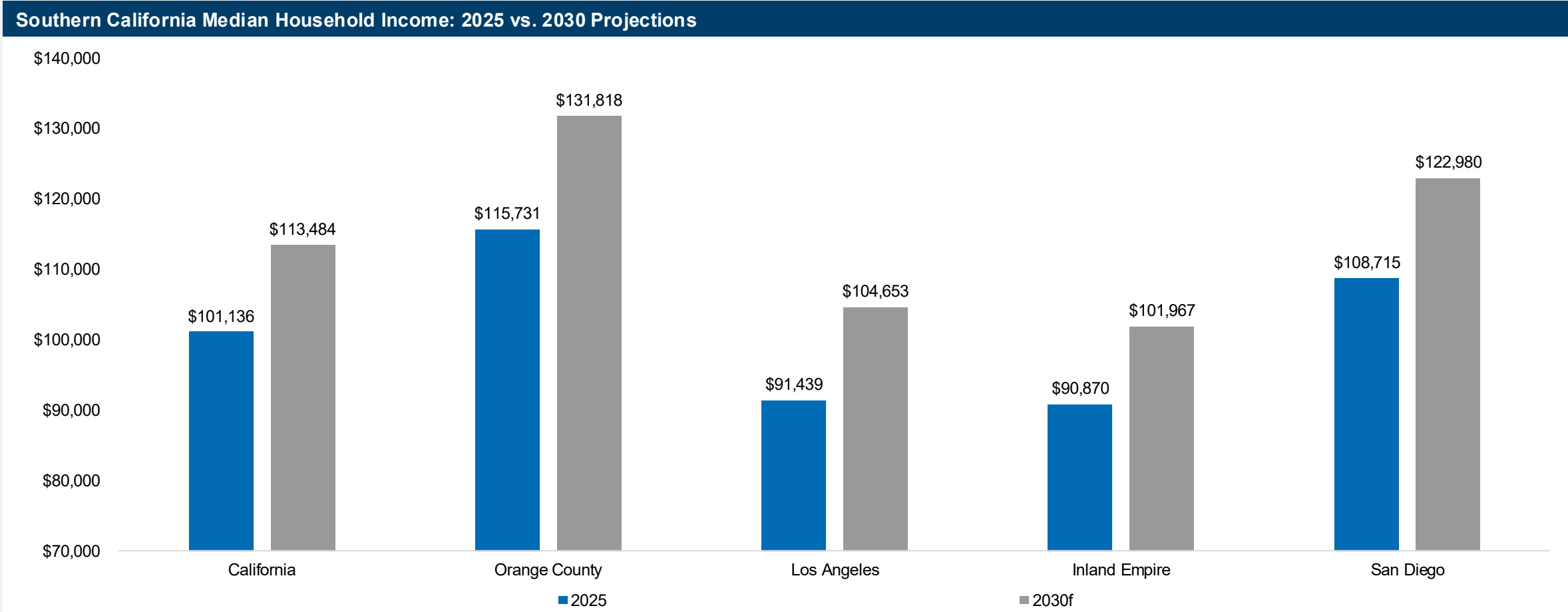
The trade/transportation/utilities and manufacturing sectors both experienced negative year-over-year growth for about two years. A spate of plant closures has contributed to a continued decline in manufacturing employment since early 2024 while logistics companies continue to give back space amid a cooling market. Given the regionally disadvantageous costs of doing business in California, it is unlikely that the county will recoup these job losses any time soon.



Source: U.S. Bureau of Labor Statistics, Anaheim-Santa Ana-Irvine, CA
 Note: Due to a lapse in federal appropriations and government shutdowns, the BLS has delayed or suspended the release of various employment reports. Early 2026 employment data was unavailable at the time of writing.

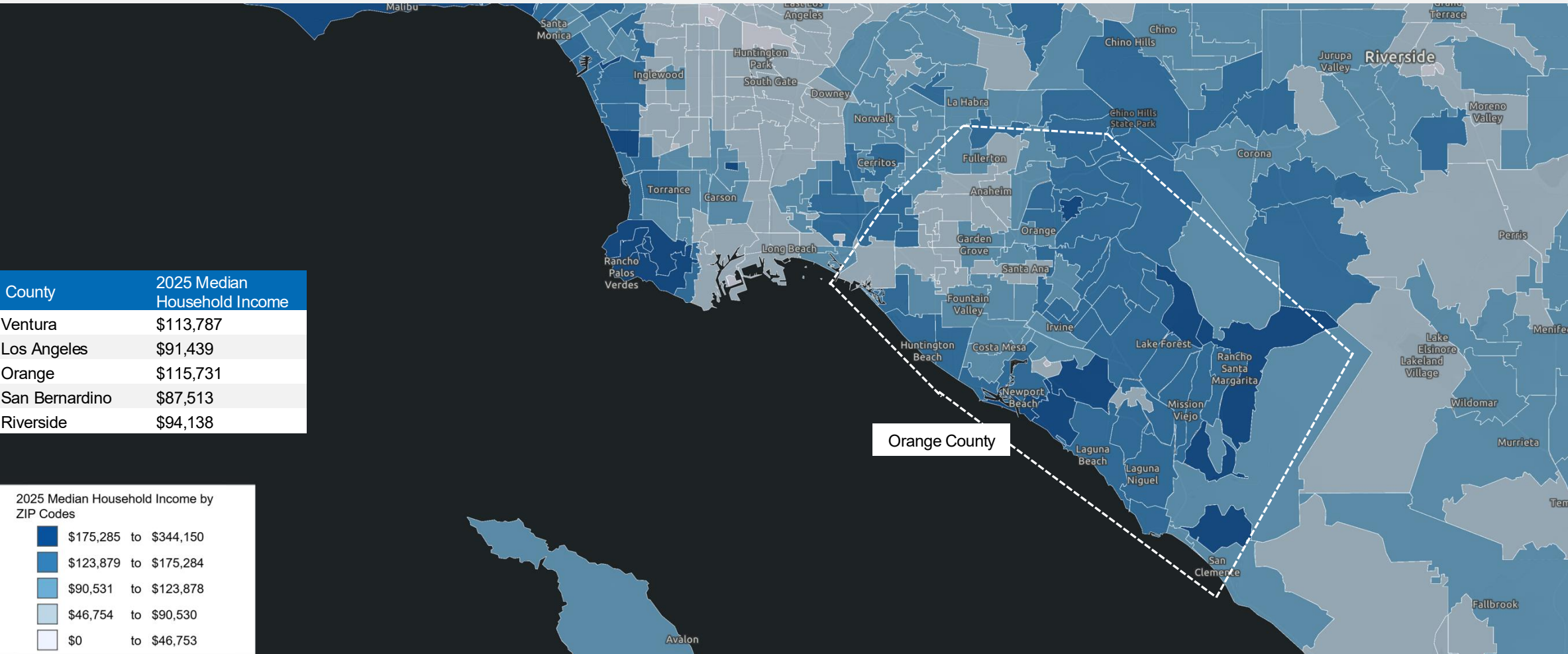
Orange County Median Household Income Highest in Southern California

Orange County’s affluent population continues to attract major industrial players to fill the growing demand for last-mile e-commerce delivery facilities in the supply-constrained market.



Orange County is the Most Affluent County in Southern California

Across the greater map: median household incomes are generally higher in coastal and foothill communities.



Source: Newmark Research, ESRI

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Leasing Market Fundamentals

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Contract Rents Continue to Adjust

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Inland Empire Luring Orange County Tenants with Lower Asking Rents

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Modern Supply is More Readily Available in the Inland Empire

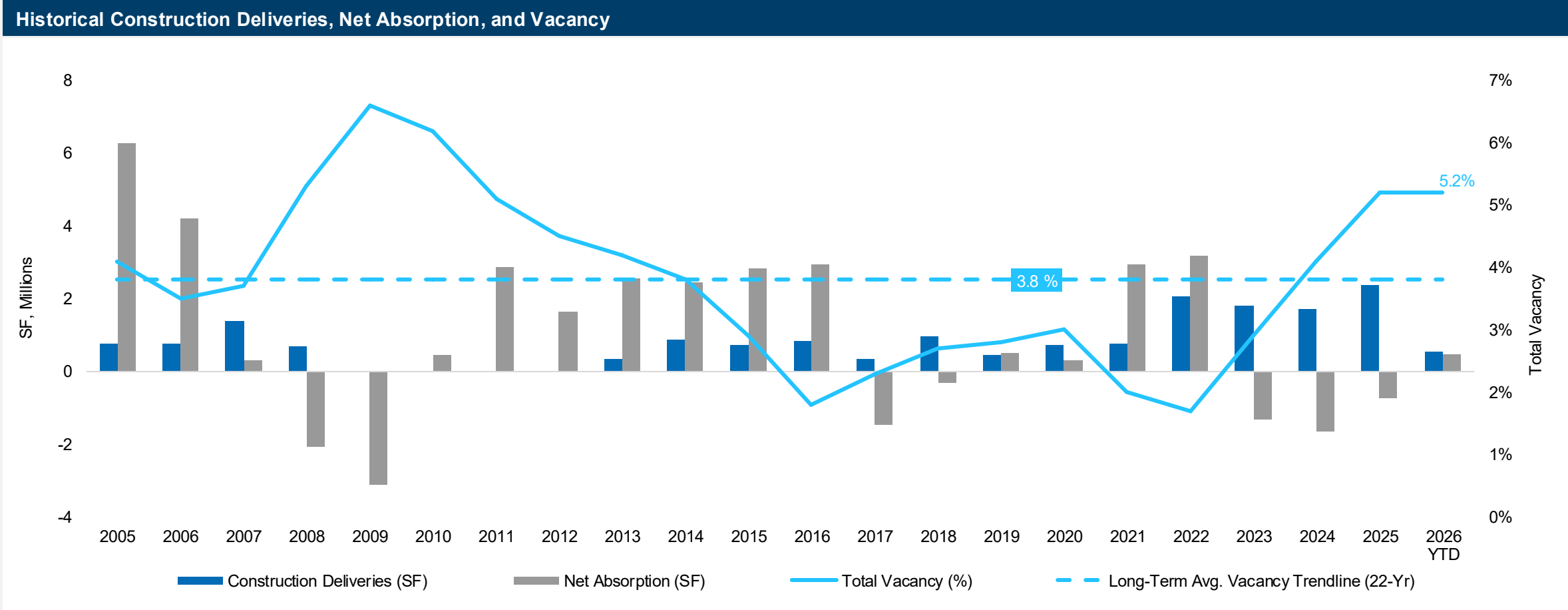
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Term Lengths Are Generally Up After Declines in 2022-2023

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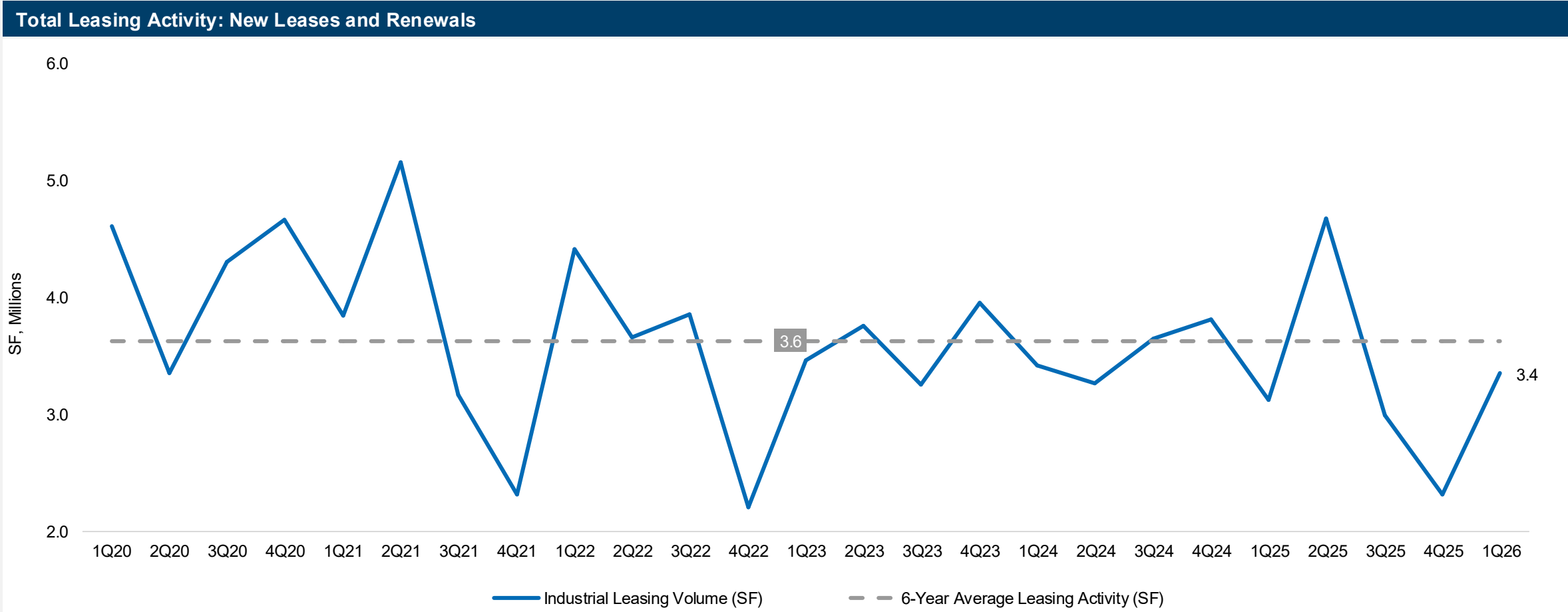
Current Vacancy is on Par With 2011's Average

Vacancy surpassed the 22-year average after incurring absorption losses in 8 out of 13 past quarters but remains below the peak of 6.8% seen in 2010. This quarter, the market posted 467,399 SF of net absorption gains that were met with 542,484 SF in construction deliveries, adding faint upward pressure to vacancy.



Leasing Activity Falls Below Six-Year Average

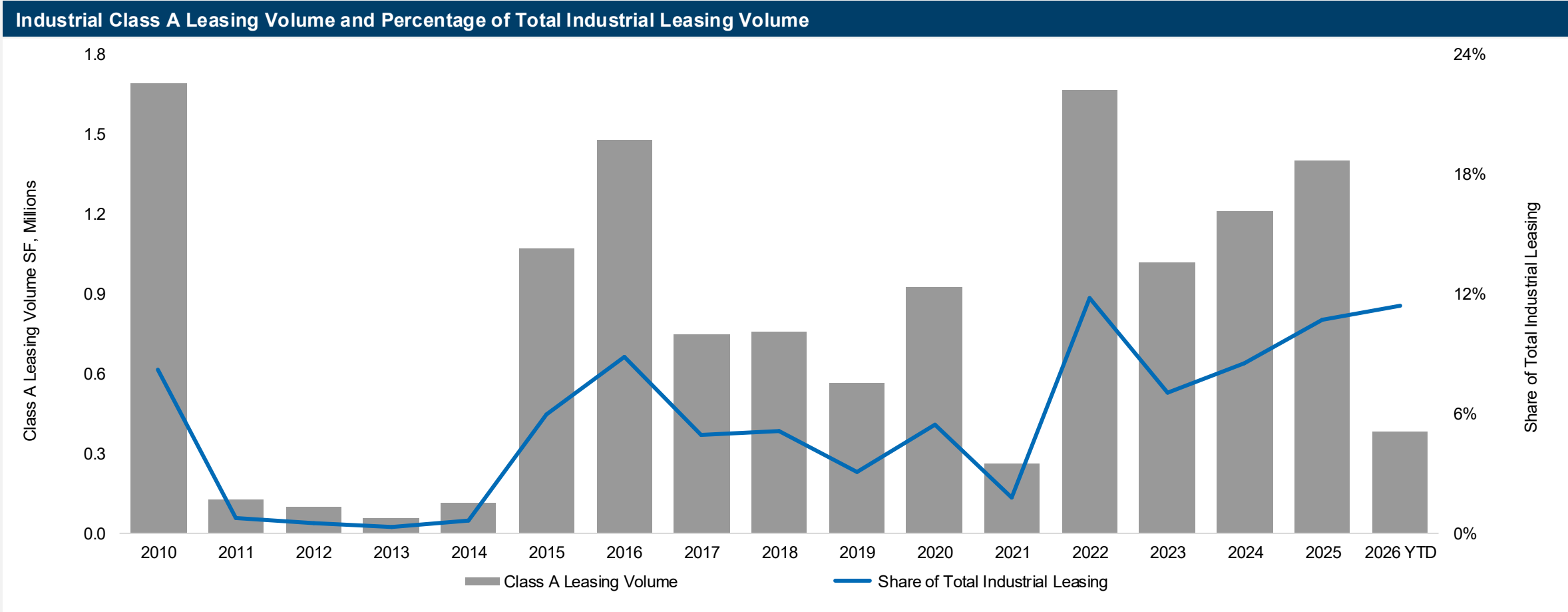
Leasing activity picked up from the previous quarter but remains below the six-year average. Measured retail sales growth and high business costs are prompting some tenants to downsize, which could lead to lower leasing figures in the quarters ahead.



Source: Newmark Research, CoStar
 Note: Total leasing activity includes direct leases, subleases, renewals and extensions.

Class A Leasing Activity Remains Pronounced Through the New Year

First-quarter activity maintained 2025's Class A leasing momentum, with Class A deals accounting for 11.4% of total leasing volume. Leading contributors included Anduril's 177,766-SF lease at 1100 Valencia Ave, Hyper Solutions' 100,784-SF lease at 2100 E Howell Ave, and Techtaka's 54,298-SF lease at 1180 N Anaheim Blvd.



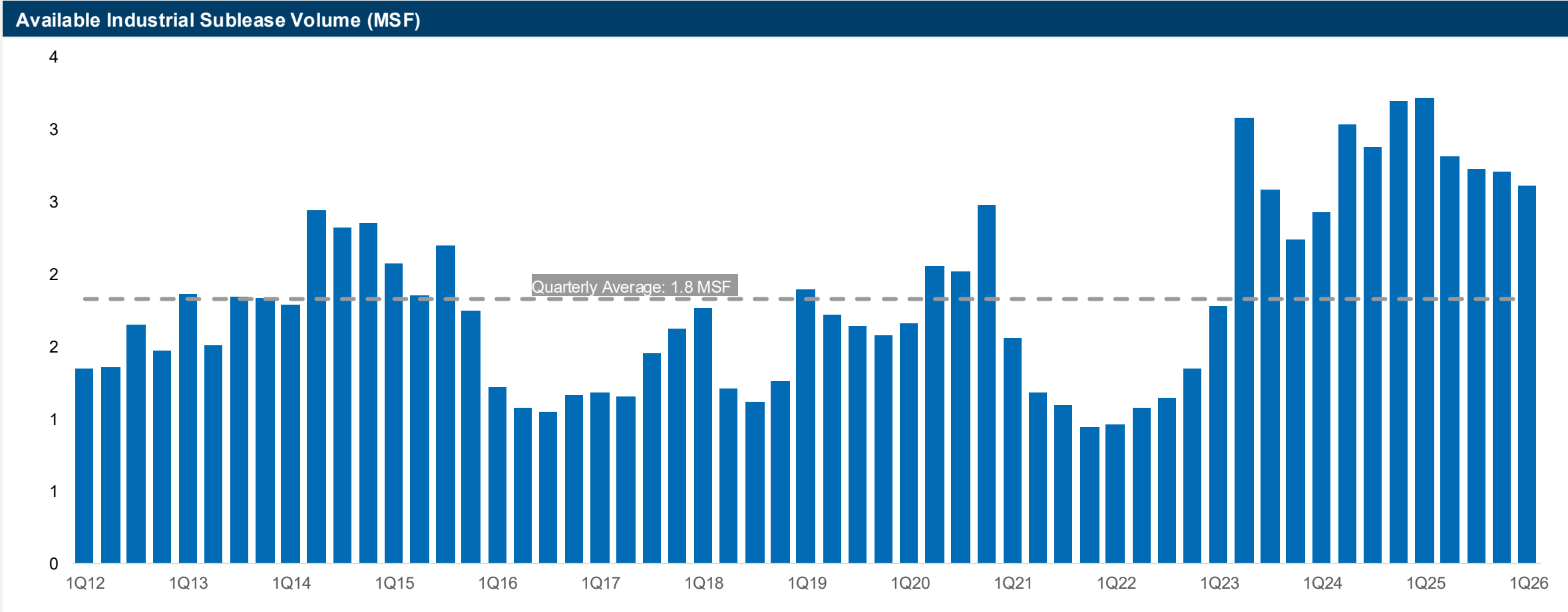
Source: Newmark Research, CoStar
 Note: Class A is defined as 100,000+ SF warehouse/distribution facilities constructed since 2000 with a 30'+ minimum interior ceiling height.

Big-Box Tenants Possess More Leverage Amid Growing Vacancy

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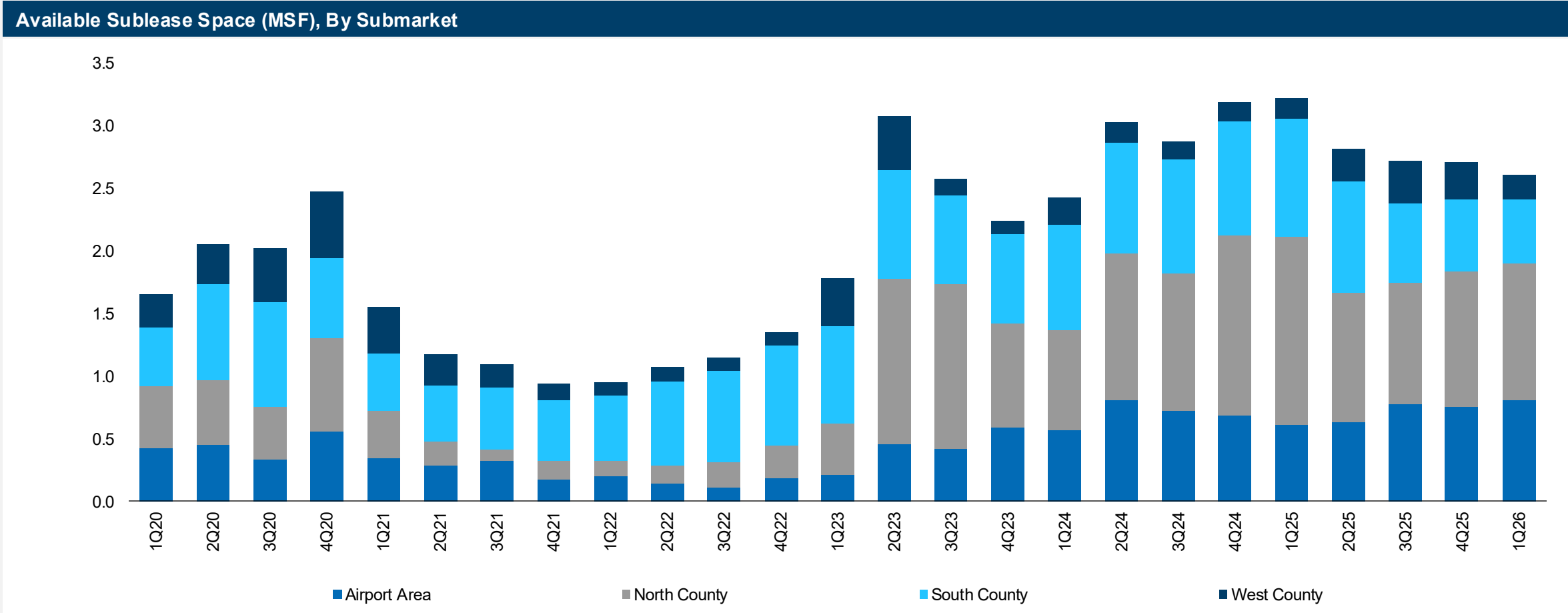
Sublease Availability Tapering Off

Sublease availability declined this quarter not only due to completed sublease transactions but also because several listings were withdrawn or transitioned to direct space. The largest sublease signed was Feidi Supply Chain’s 50,600-SF deal at 3170 Nasa St. Large blocks from 3PL (211,200 SF at 601 S Acacia Ave), United Sports Brands (134,000 SF at 11488 Slater Ave), and Orora Packaging (131,544 SF at 3200 Enterprise St) continue to keep overall availability elevated relative to historical norms.



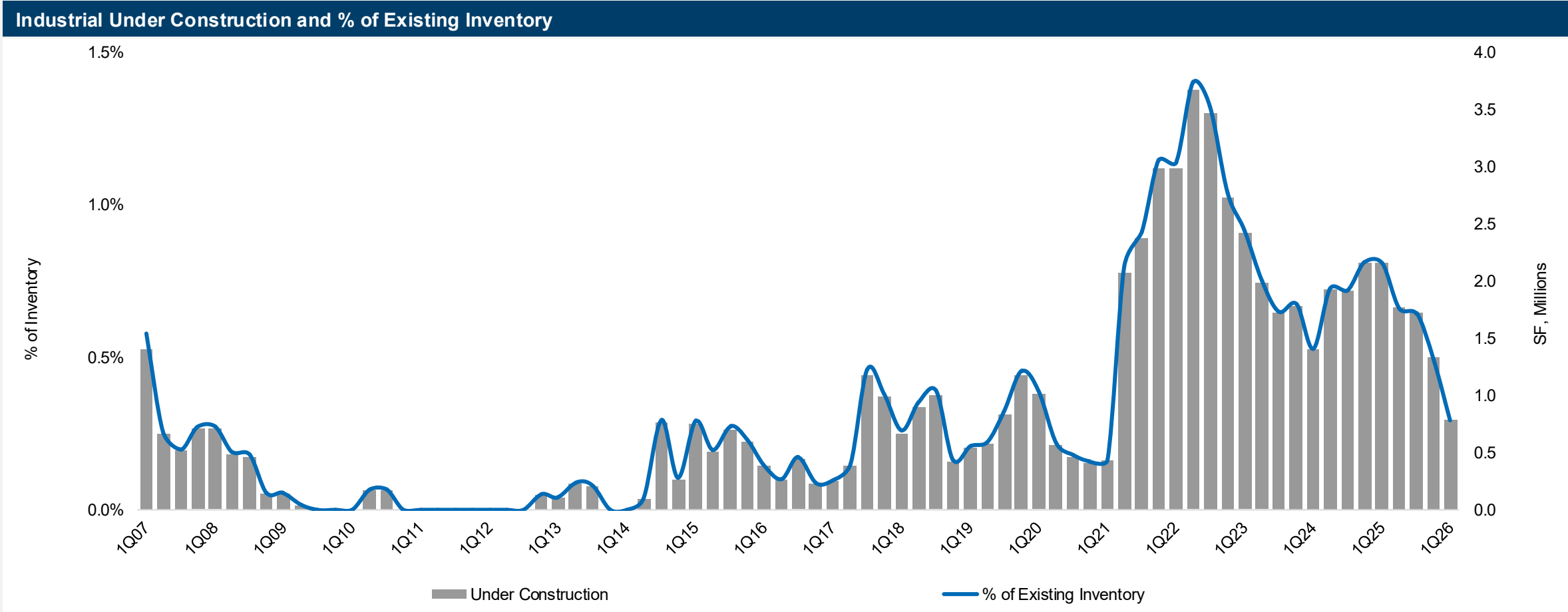
Bulk of Sublet Availability Originating from North County

North County’s available sublease space accounts for 42.1% of the greater market’s total. Historically, North County sublease offerings were limited despite the submarket comprising 39.8% Orange County’s industrial inventory. Over the last two years, however, the submarket has seen an uptick in sublet availability thanks to large-block listings by notable tenants such as 3PL (211,200 SF) and Orora Packaging (131,544 SF).



Elevated Under-Construction Levels Gradually Normalizing

Four projects delivered this quarter, bringing the under-construction total down to 791 KSF across eight buildings, all of which remain fully available save the Lake Center development leased by Anduril and Advantech's North American Campus. Construction starts are expected to level off in the quarters ahead.



Pre-leasing Activity at a Halt

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Unclaimed New Construction Will Boost Vacancy

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Notable 1Q26 Lease Transactions

All top five leases of the quarter were new leases that exceeded 100,000 SF. The biggest lease originated from North County, the largest submarket by inventory size and the driver of leasing activity historically.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Houdini, Inc.	2501 E Orangethorpe Ave	North County	Direct Lease	229,422
<i>The gift-basket wholesaler is based in Fullerton and will move into its new distribution facility in July.</i>				
Anduril	1100 Valencia Ave	Airport Area	Direct Lease	177,766
<i>This location marks the defense company's fourth industrial lease in the last fifteen months.</i>				
Columbia Container Lines	701 Burning Tree Rd	North County	Direct Lease	156,096
<i>This is the Compton-based logistics company's first Orange County location.</i>				
PureCo	500 W Warner	Airport Area	Direct Lease	134,716
<i>The new location will support the tenant's existing operations in Irvine.</i>				
Cubework	500 W Warner	Airport Area	Direct Lease	132,503
<i>This is the coworking company's second Orange County location.</i>				

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Sales Activity

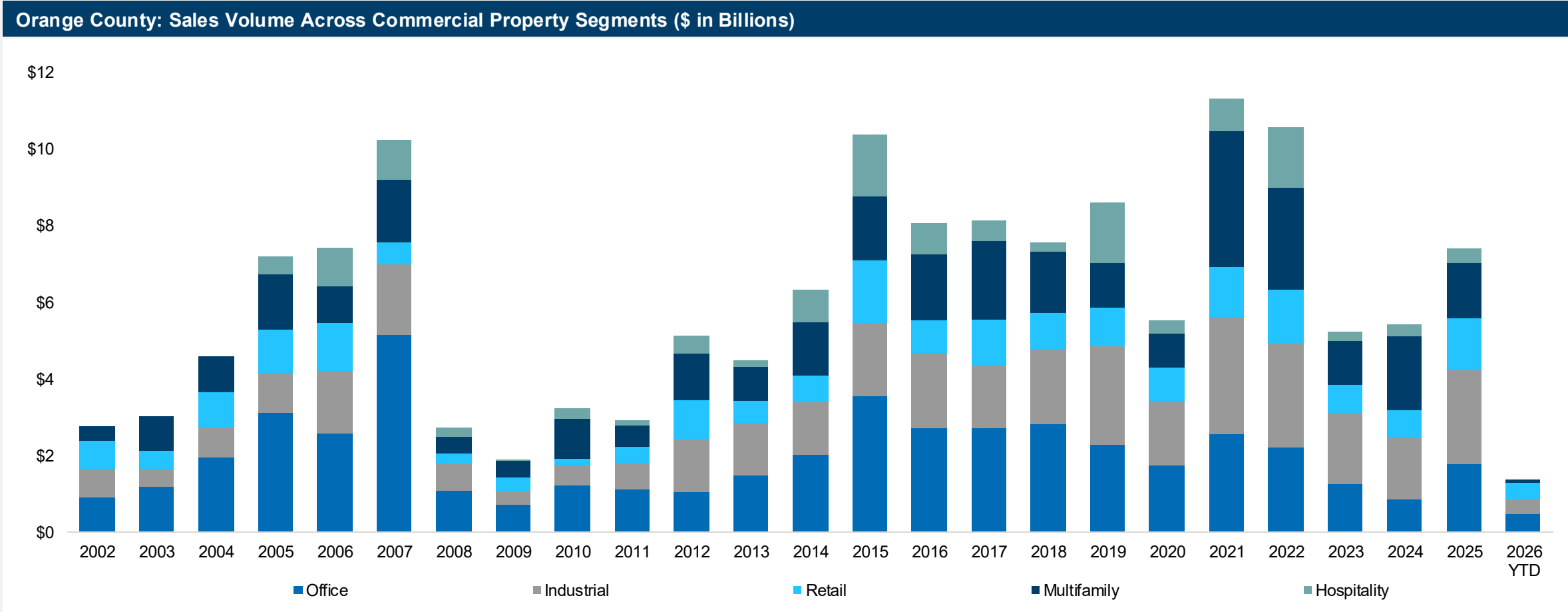
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Industrial Comprised 29.6% of Total Sales Volume Year-to-Date

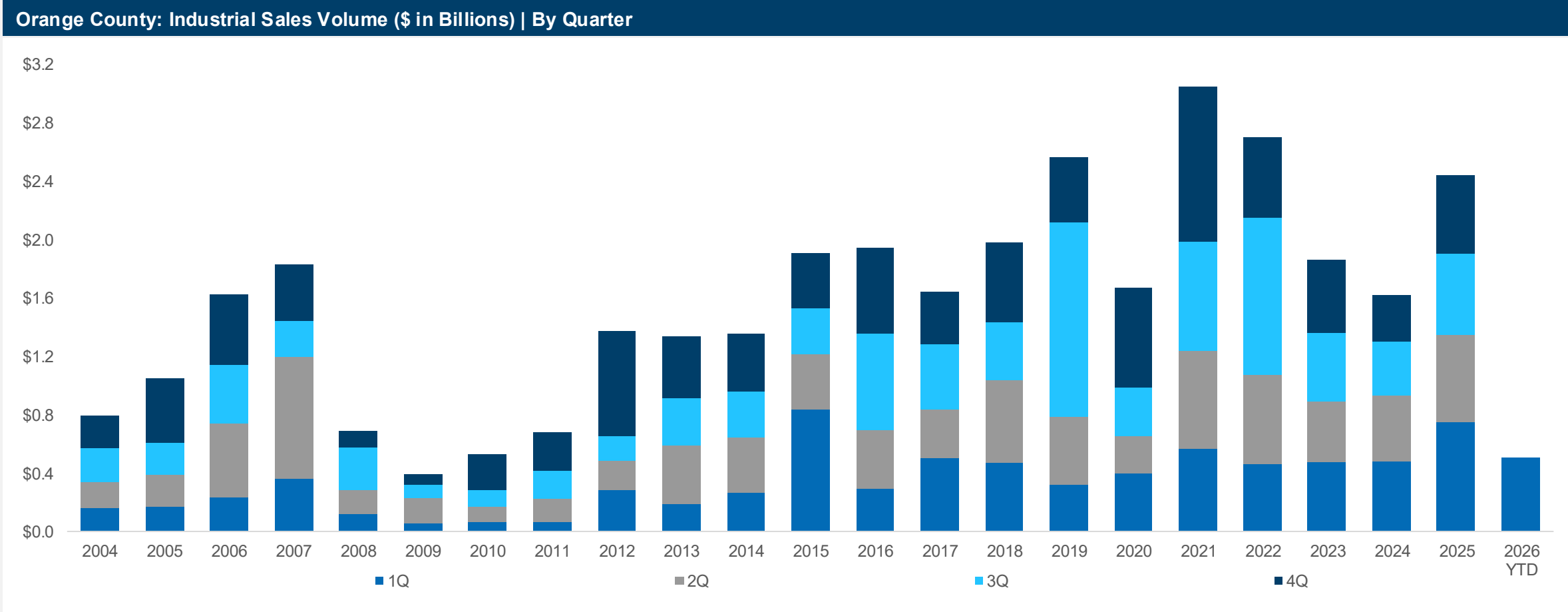
This is a decline from last year, when the segment accounted for 33.0% of all sales, but activity remains elevated by historical standards. Still-low vacancy and the strong rent run-up of recent years continue to favor this segment, with many investors targeting desirable assets leased to credit tenants approaching renewal.



Source: MSCI Real Capital Analytics, Newmark Research
 Note: Preliminary data is cited for the first quarter of 2026.

Industrial Sales Volume: Up Close

Industrial sales volume totaled \$502.8 million for the first quarter, a 32.9% drop from last year’s first-quarter total. Recent Fed rate cuts are helping support investment, but new tariffs and the Iran conflict are adding to economic uncertainty, so sales activity is likely to remain volatile.



Source: Newmark Research, MSCI Real Capital Analytics
 Note: Preliminary data is cited for the first quarter of 2026

Pricing Hovers Close to 2025-Peak, While Cap Rates Hold Steady

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Private and Institutional Buyers Most Active

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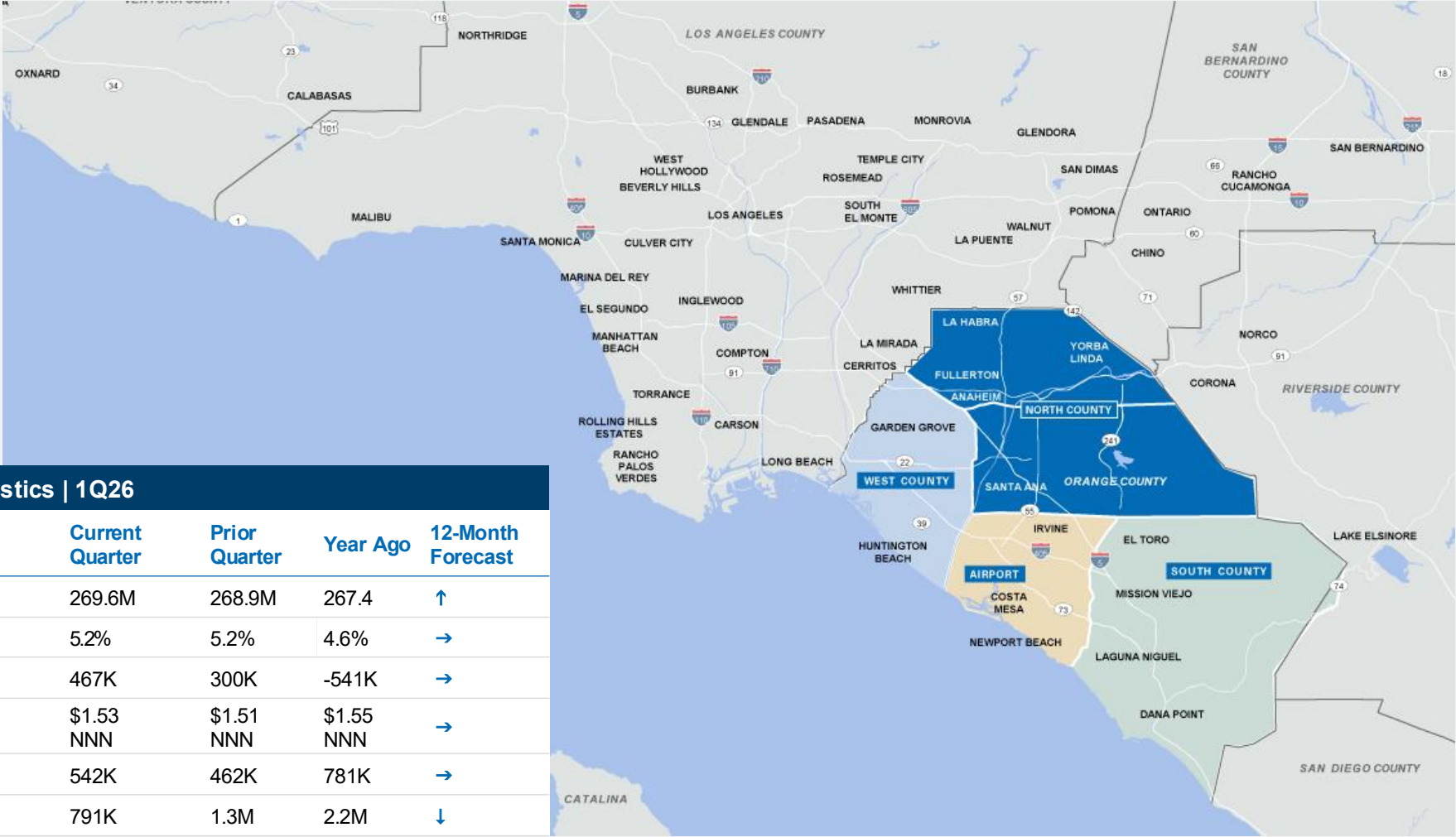
Appendix

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Orange County Submarket Map and High-Level Statistics | 1Q26



Marketwide Statistics | 1Q26

	Current Quarter	Prior Quarter	Year Ago	12-Month Forecast
Total Inventory (SF)	269.6M	268.9M	267.4	↑
Total Vacancy Rate	5.2%	5.2%	4.6%	→
Qtr. Net Absp. (SF)	467K	300K	-541K	→
Average Asking Rent/SF/Month	\$1.53 NNN	\$1.51 NNN	\$1.55 NNN	→
Deliveries (SF)	542K	462K	781K	→
Under Const. (SF)	791K	1.3M	2.2M	↓

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The World's Top 20 Containerized Cargo Seaports

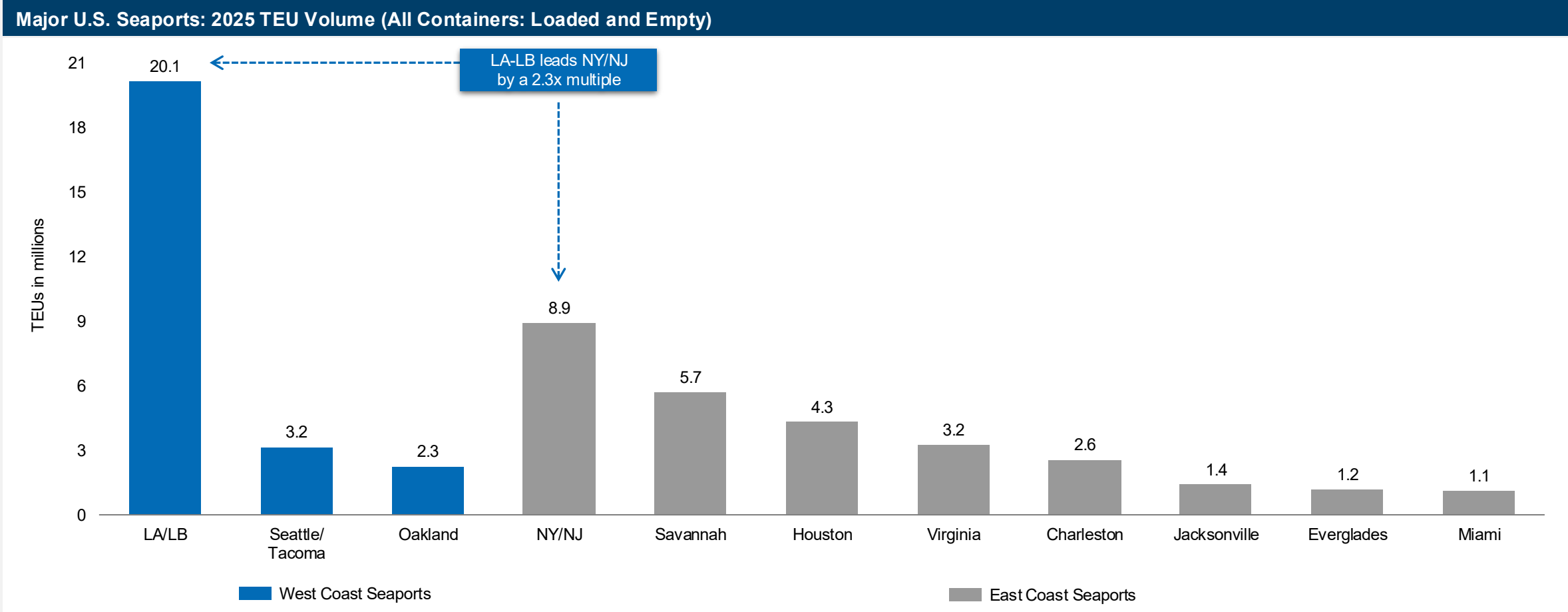
Sixteen are in Asia, China leads all other countries with nine and Los Angeles-Long Beach is the only U.S. complex to make the list.

Top Global Seaports Ranked by 2025 Volume					
Rank	Seaport	2025 Volume (TEUs, in millions)	Rank	Seaport	2025 Volume (TEUs, in millions)
1	Shanghai, China	55.1	11	Port Kelang, Malaysia	15.1
2	Singapore	44.7	12	Rotterdam, The Netherlands	14.2
3	Ningbo-Zhoushan, China	43.0	13	Tanjung Pelepas, Malaysia	14.0
4	Shenzhen, China	33.2	14	Antwerp-Bruges, Belgium	13.6
5	Qingdao, China	32.9	15	Hong Kong, China	13.0
6	Guangzhou, China	27.1	16	Xiamen, China	12.5
7	Busan, South Korea	24.9	17	Tanger Med, Morocco	11.1
8	Tianjin, China	24.0	18	Laem Chabang, Thailand	10.2
9	Los Angeles-Long Beach, U.S.	20.1	19	Beibu Gulf, China	10.0
10	Jebel Ali, United Arab Emirates	15.6	20	Kaoshiung, Taiwan	8.9

Source: Newmark Research, Individual seaports
 Note: TEU totals includes loaded and empty containers

Los Angeles-Long Beach is the Nation's Dominant Port System

Los Angeles-Long Beach can accommodate 18,000 TEU vessels, which are too wide to traverse the new Panama Canal. Additionally, both ports have Class 1 freight rail connectivity to the nation's major population centers.



Why Los Angeles-Long Beach? Faster and Cost-Effective.

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Transport Costs Per TEU Container Increase the Further an Occupier is from the Ports

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Diesel Prices Surge Due to Iran War, Increase Drayage Rates

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U.S. Military Spending Has Grown Considerably Over the Last Decade

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U.S. Contracts Ignites Revival in Southern California's Aerospace and Defense Sector

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