



NEWMARK

Orange County:
Office Market Overview

4Q25

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Orange County Office Market Observations



Economy

- Recent state and local market employment figures were unavailable at the time of writing due to the last federal government shutdown (ended on November 12) and subsequent delays from the Bureau of Labor Statistics to collect and process data.
- Local office-using employment in September is reminiscent of April 2020 levels, a time when the pandemic was in full effect. All three office-using sectors declined in the last year, with the information sector leading with a 2.9% reduction.
- The Fed cut interest rates three times this year (25 bps each), national unemployment is rising, corporate layoffs are pronounced and the general mood among businesses and consumers is darkening heading into 2026.



Major Transactions

- The bulk of leases signed this quarter originated from the Airport Area, the largest of which is a renewal signed by Medtronic. The medical technology company has occupied the entirety of the 101,964-SF office property at 5290 California Ave in Irvine since 2018.
- An office campus totaling 392,523 SF across four buildings was acquired by MGR Real Estate for \$89.0 million, marking one of the largest transactions of the year. The Orange City Square property was last sold in 2007 for \$130.0 million, a 56% discount after adjusting for inflation. Newmark represented the seller.
- Owner-users are also taking advantage of the discounted office market. This quarter, Edwards Lifesciences acquired a second office property adjacent to the one it owned since 2017 for \$19.0 million. The two-building office campus, totaling 133,417 SF at 1901 and 1921 E Alton Ave in Santa Ana, are near the company's headquarters in Irvine.



Leasing Market Fundamentals

- Vacancy dropped from 16.9% last quarter to 16.1% following a surge in net absorption. Total vacancy is 80 bps below the five-year average.
- Quarterly absorption totaled 786,717 SF in net gains, marking the ninth positive quarter in the last ten. This quarter's top move-in was Hyundai occupying all of 2300 Main St, a 133,745-SF building in the Airport Area.
- Muted office demand is prompting developers to scrap planned office projects, leaving the construction pipeline empty for the first time since the Global Financial Crisis in 2008. The last project delivered over two years ago.
- Some underperforming office properties will find new life as multifamily, industrial or medical developments. This, along with owner-user sales, will exert downward pressure on the region's office inventory, vacancy, and availability.



Outlook

- Tenants in the market generally fall into one of two camps: 1) those wishing to retain an office presence for the lowest possible rent and 2) those seeking trophy-grade space in amenity-rich areas. The Irvine Company especially benefits from this trend as they own 13 of the 20 trophy properties in the market.
- Only 13% of aspiring Orange County home buyers can afford a median-priced home (currently \$1.4 million). Tearing down or converting a portion of the metro's surplus office inventory to apartments makes sense, in cases where the numbers pencil out.
- J.P. Morgan expects U.S. business spending to remain resilient or even accelerate in 2026, driven by factors like AI adoption, easing labor constraints, and potential policy stimulus. Though, growth might moderate from peak 2025 levels, with some signs pointing to a slower start to the year before picking up.

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Economy

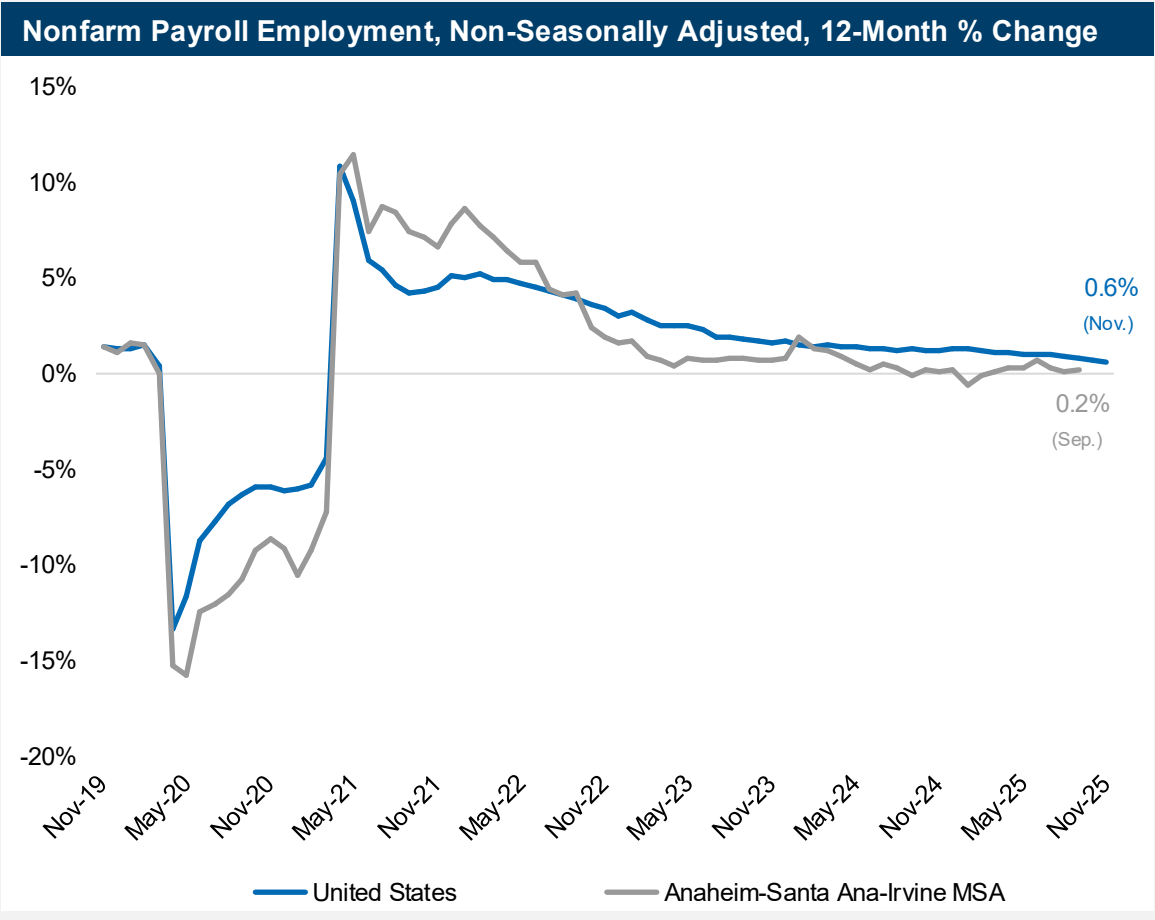
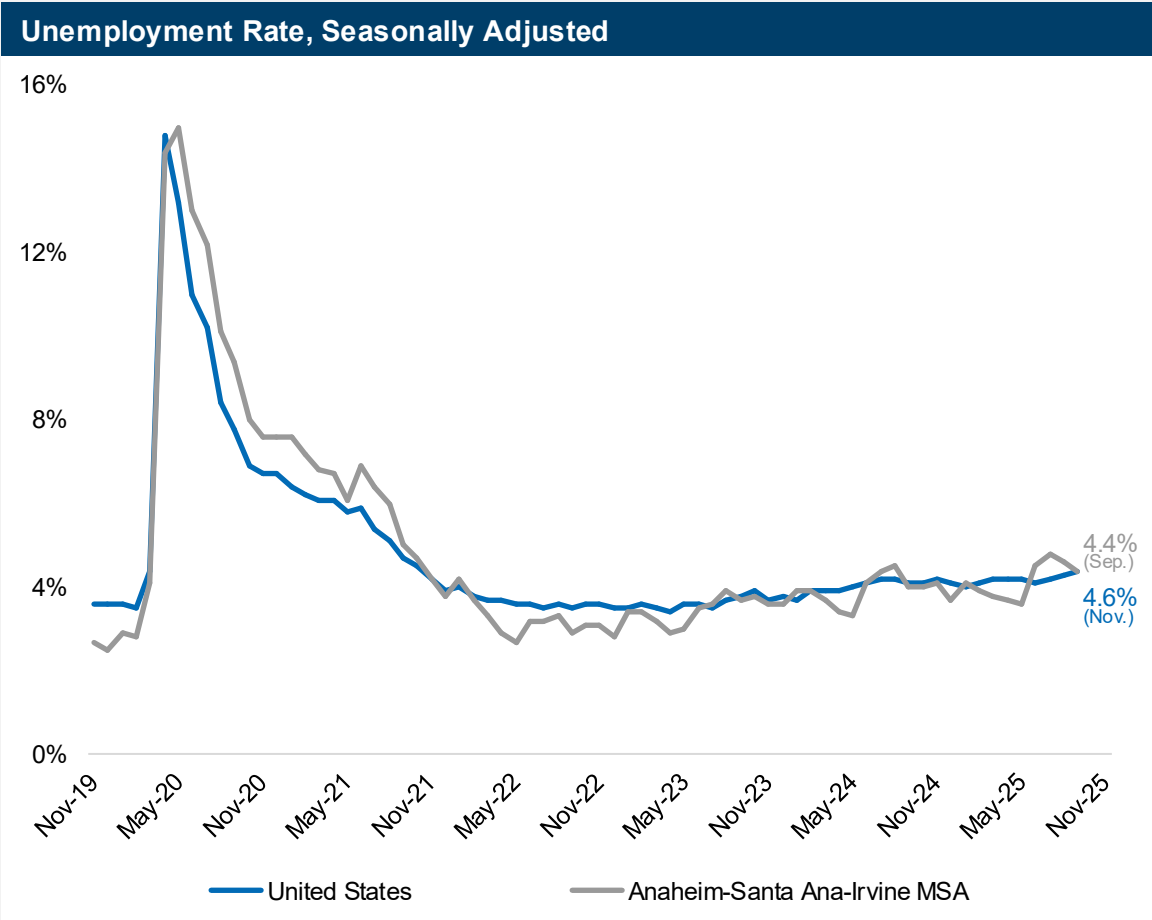
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Local Employment Growth Is Stagnant

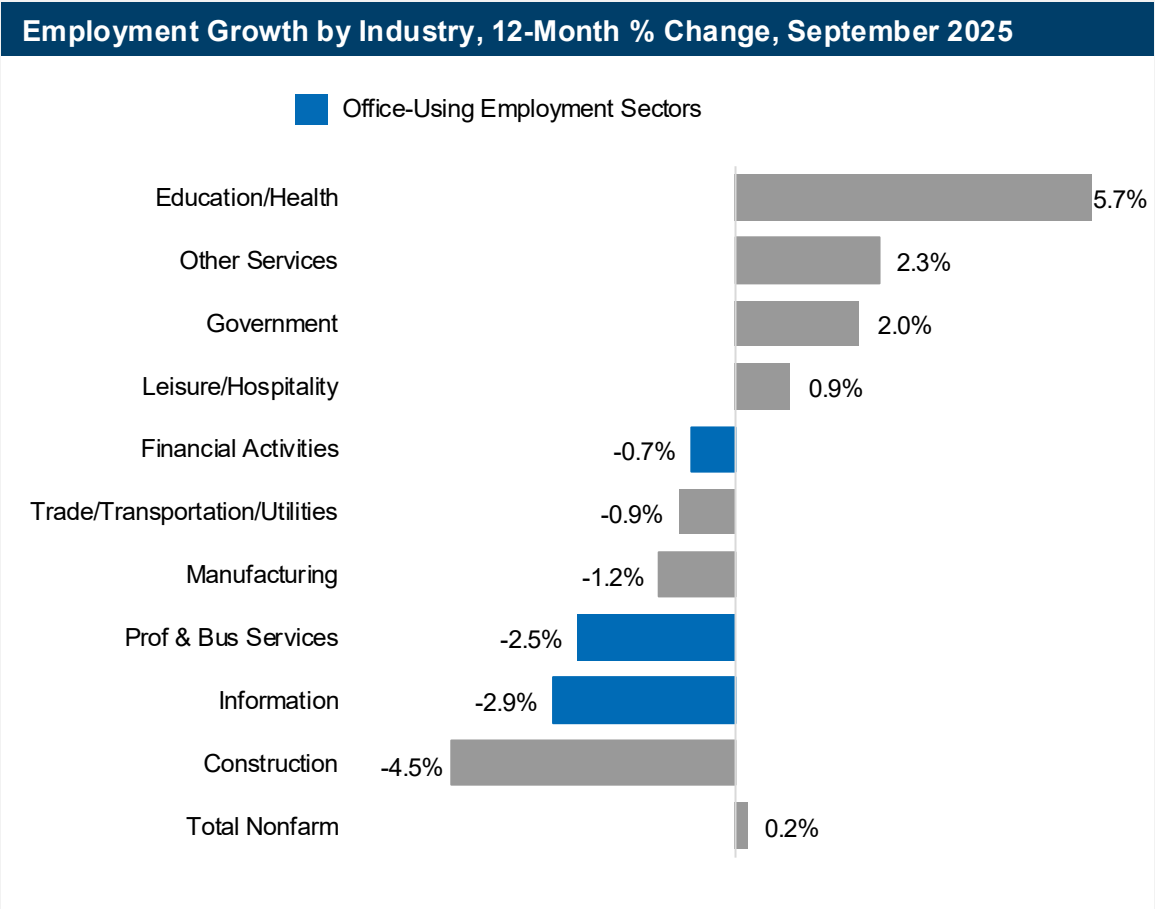
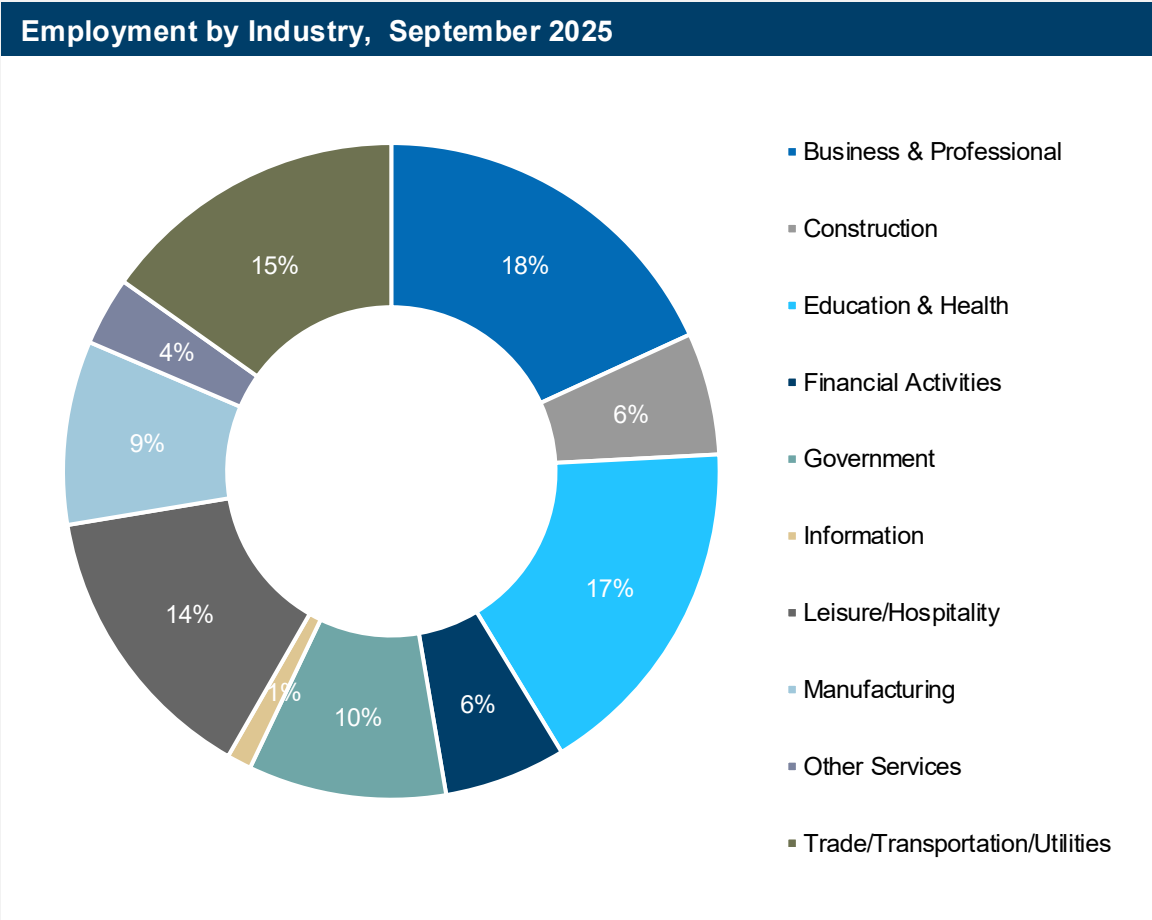
Local unemployment jumped 80 basis points from May (3.6%) to September (4.4%) while year-over-year nonfarm employment growth has plateaued. On a national level, unemployment reached its highest level in four years. In the months ahead, unemployment will continue to fluctuate as companies grapple with the uncertainty surrounding the economy.



Source: U.S. Bureau of Labor Statistics, Anaheim-Santa Ana-Irvine, CA
Note: Local employment statistics for October were unavailable due to the federal government shutdown. November's figures are delayed.

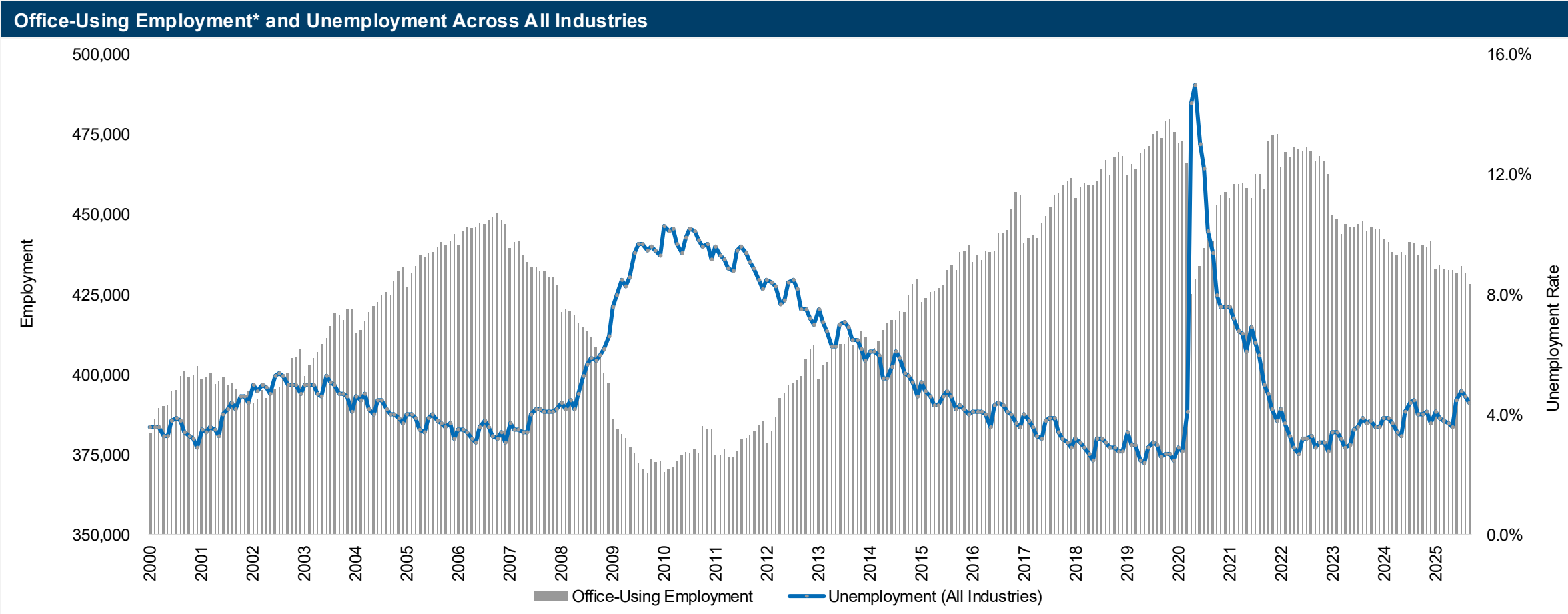
All Office-Using Employment Sectors Experienced Decline in the Last Year

Tech companies, which are generally classified under the information sector, continue to focus on cost-cutting moves by shedding unneeded staff and space, while financial and professional services companies, contending with economic pressures and lingering inflation, are also downsizing. Just this quarter, Amazon, Verizon and Nationstar Mortgage collectively laid off 419 workers from their Orange County offices.



Office-Using Employment Drops to Early 2020 Levels

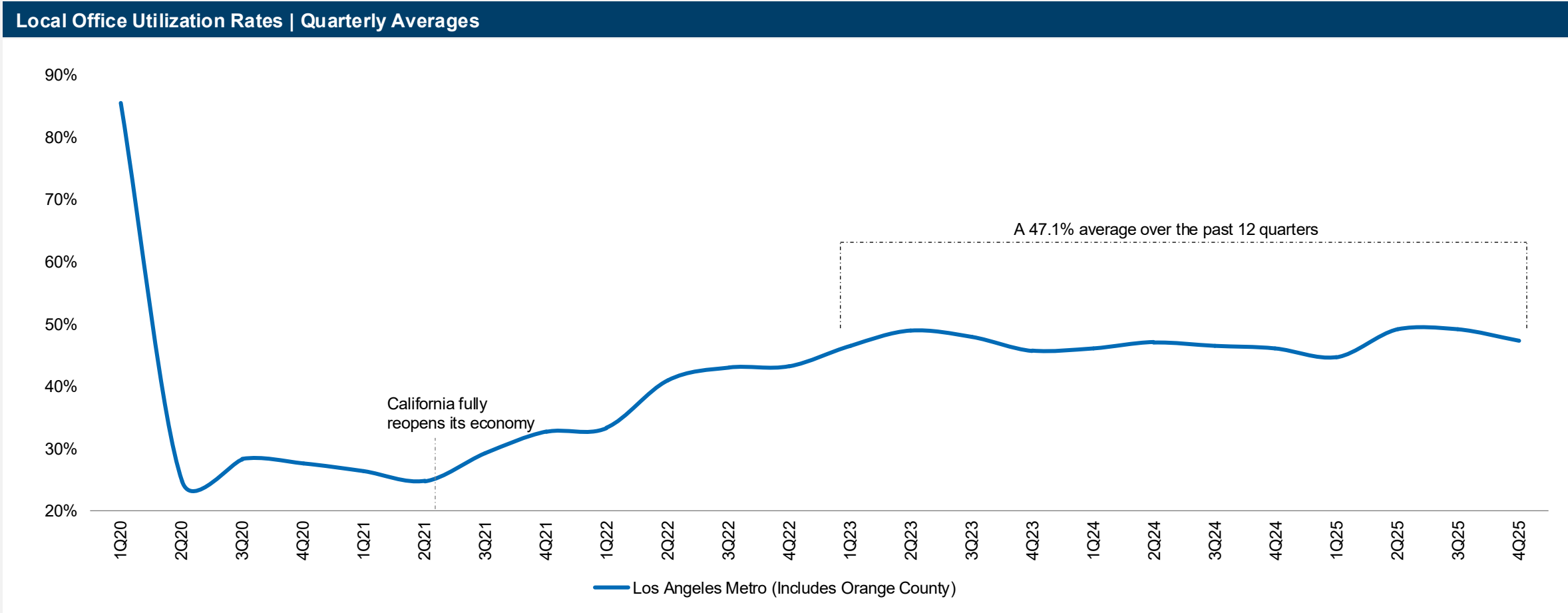
Office-using employment in September dropped to its lowest level since April 2020 and has yet to recover from a string of layoffs in the tech, financial, and business and professional sectors. White-collar jobs are expected to remain flat or decline modestly going forward as employers contend with a volatile macroeconomic environment.



Source: U.S. Bureau of Labor Statistics, Anaheim-Santa Ana-Irvine, CA
Note: Local employment statistics for October were unavailable due to the federal government shutdown. November's figures are delayed. *Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

Local Office Utilization is Up Since 2020, but Remains Sub-50%

Hybrid work, which has led to a structural shift in how office space is utilized in the region, persists.



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Market Fundamentals

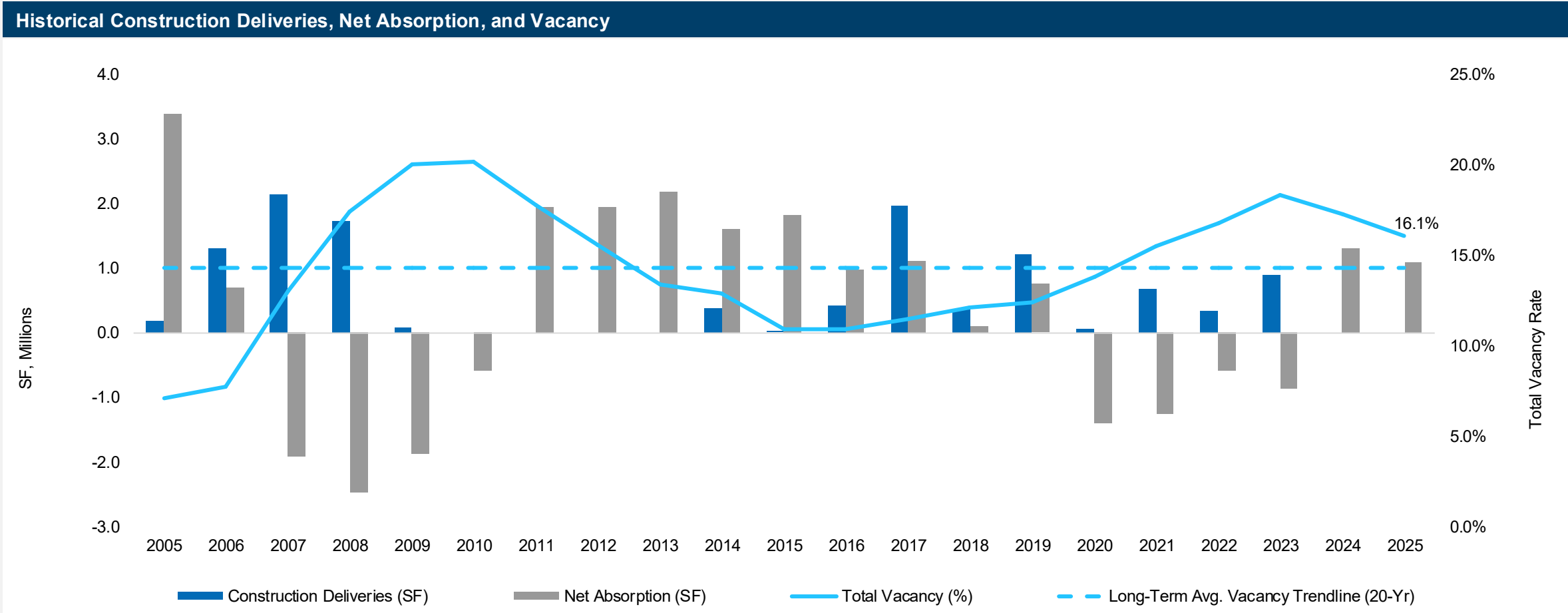
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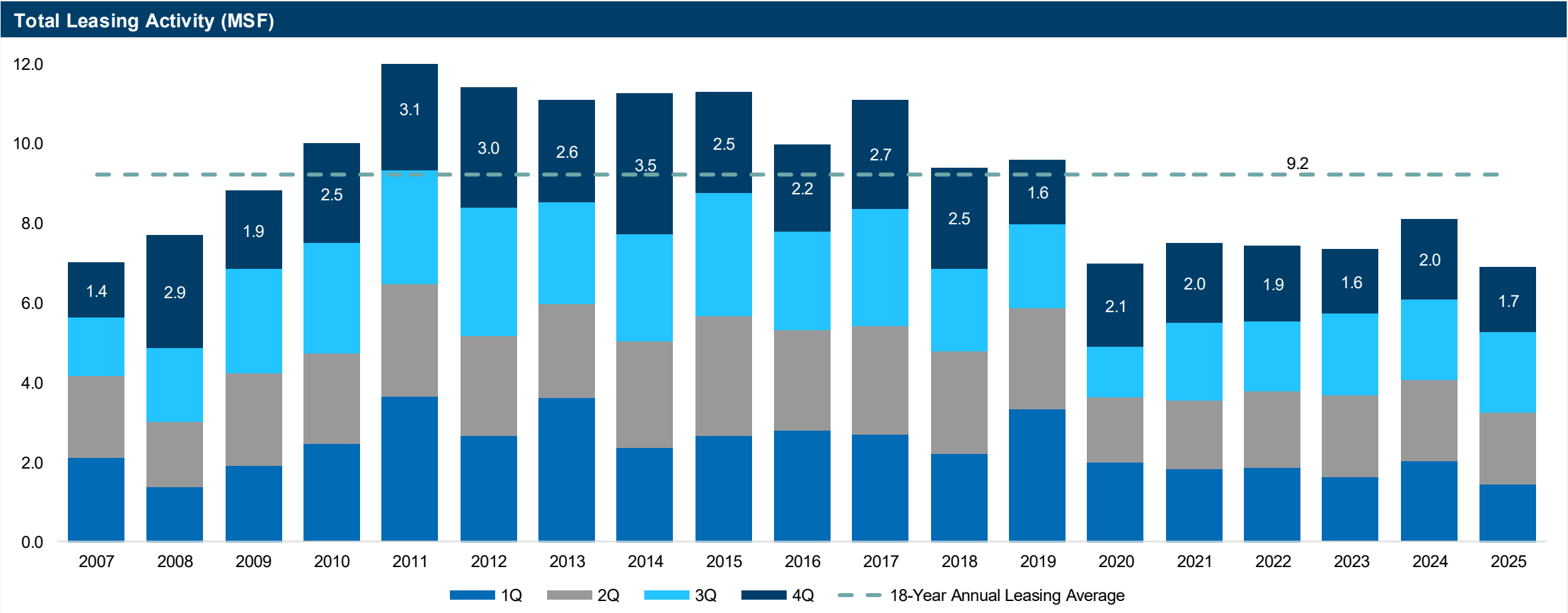
Net Absorption Gains Driving Down Vacancy

Vacancy dropped from 17.3% in 2024 to 16.1% by year-end 2025 following a surge in net absorption in the second half of the year. As more obsolete and vacant properties get removed from inventory for redevelopment and owner-use, market fundamentals are expected to normalize. For now, vacancy is expected to remain elevated in the quarters to come.



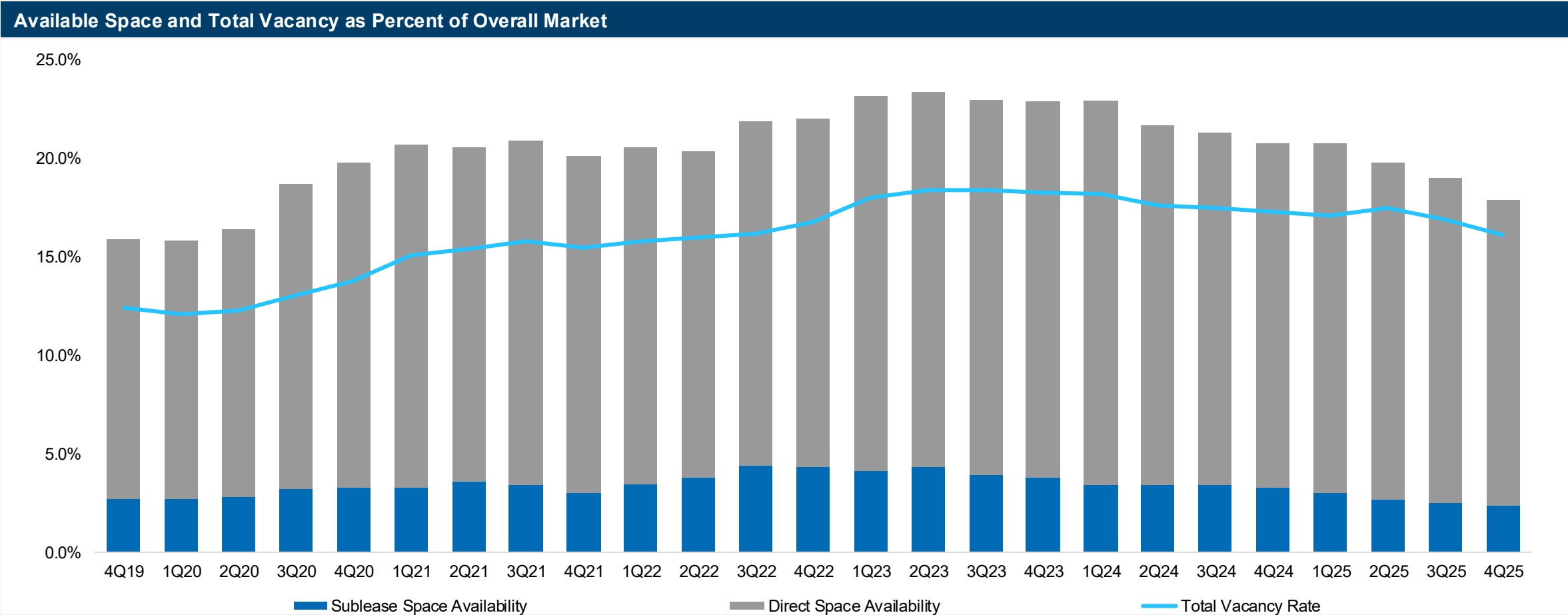
Annual Leasing Activity Lowest in Decades

Leasing activity for 2025 was at a record low compared to prior years. Hybrid work models remain the general norm despite employers’ concerted efforts in bringing employees back to the office. That, combined with the uncertainty surrounding the economy, are hampering overall leasing activity as occupiers focus on cost-savings.



Sublet Availability at its Lowest Level in Six Years

Sublet availability dropped to its lowest level in 25 quarters, down to 2.4% of total inventory. The decrease is from a mix of space finding subtenants, withdrawn listings, office redevelopment to other uses, and space coming to term and transitioning to direct availability.



Total Availability Fluctuating Across All Submarkets

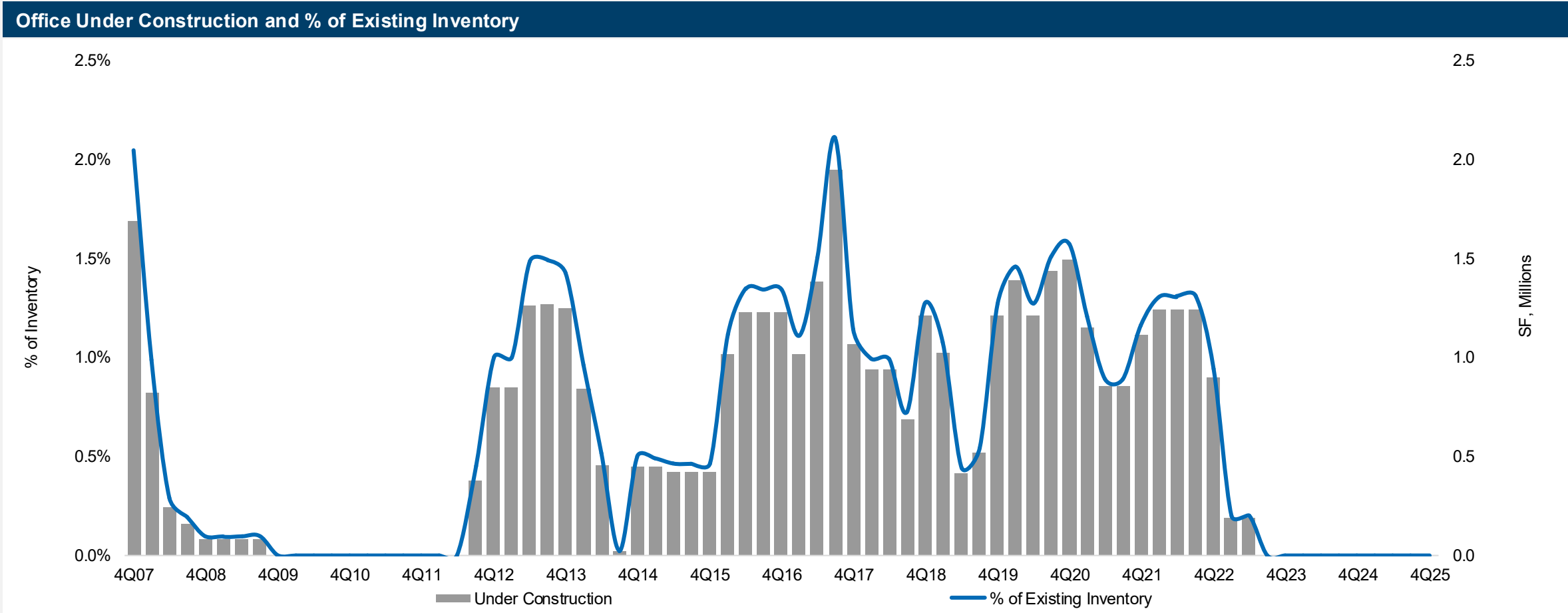
All but one submarket experienced a modest decrease in availability this quarter. Availability will fluctuate in the coming quarters as many companies continue to reassess space needs, while highly vacant office properties are removed from inventory for either redevelopment or owner use.



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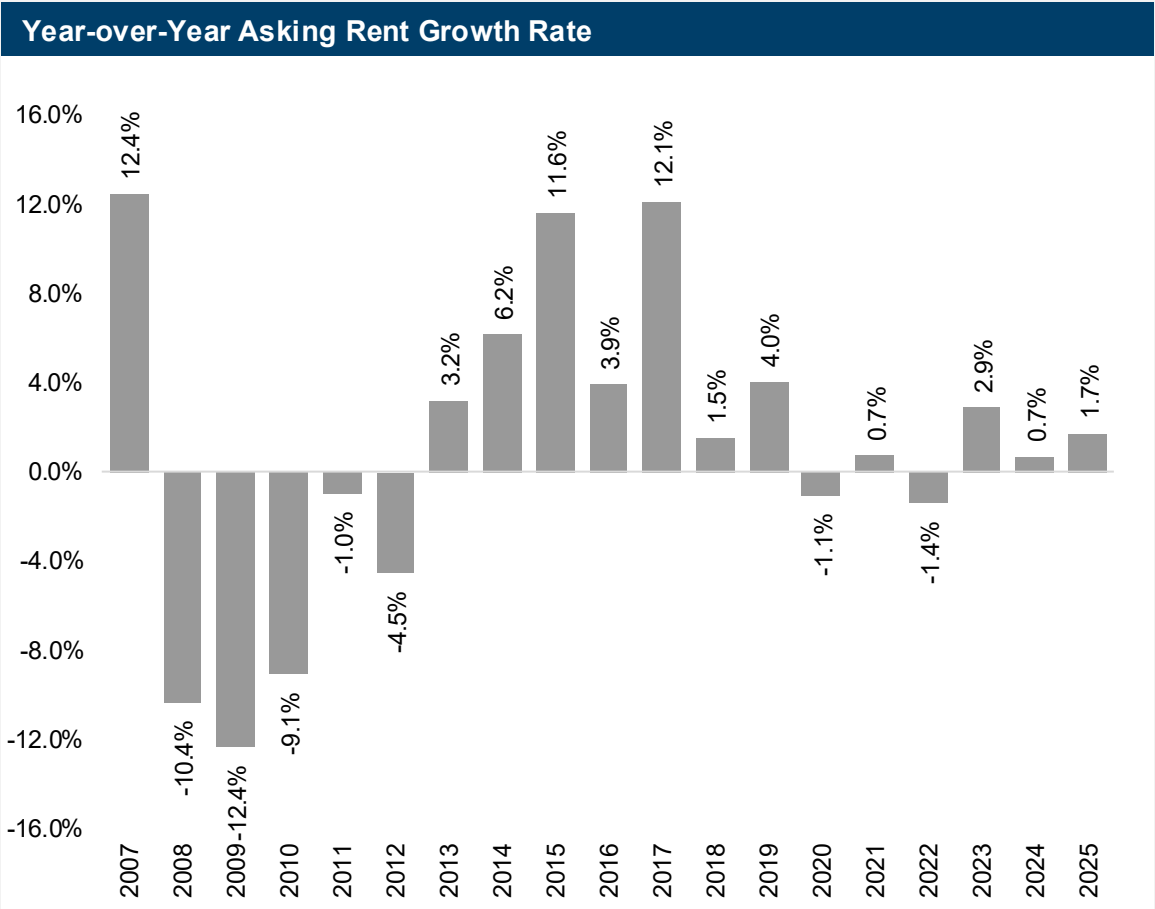
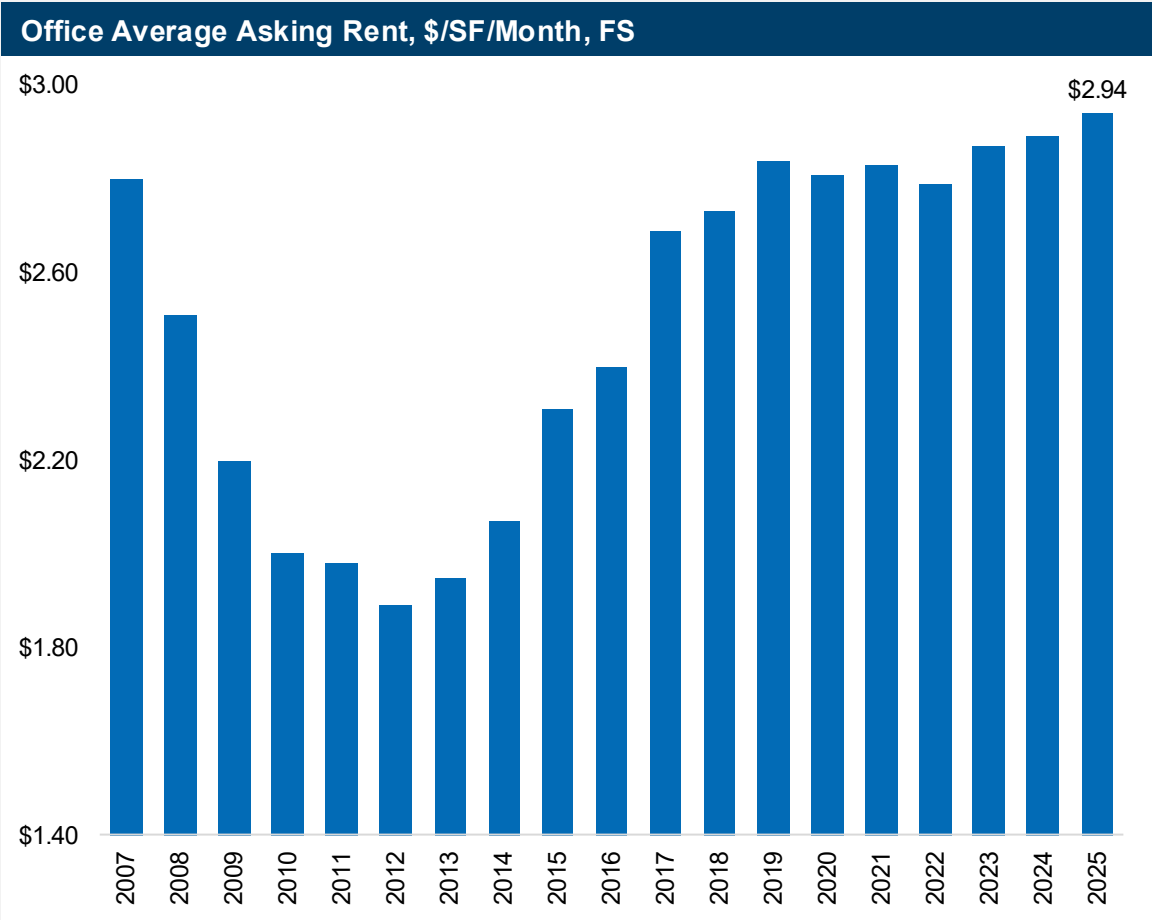
No Speculative Development Currently Underway

Anduril’s 190,000-SF expansion at The Press delivered in the third quarter of 2023, bringing under-construction activity to zero for the first time since 2010. It is unlikely a new speculative project will break ground over the next 12 months, based on current market dynamics.



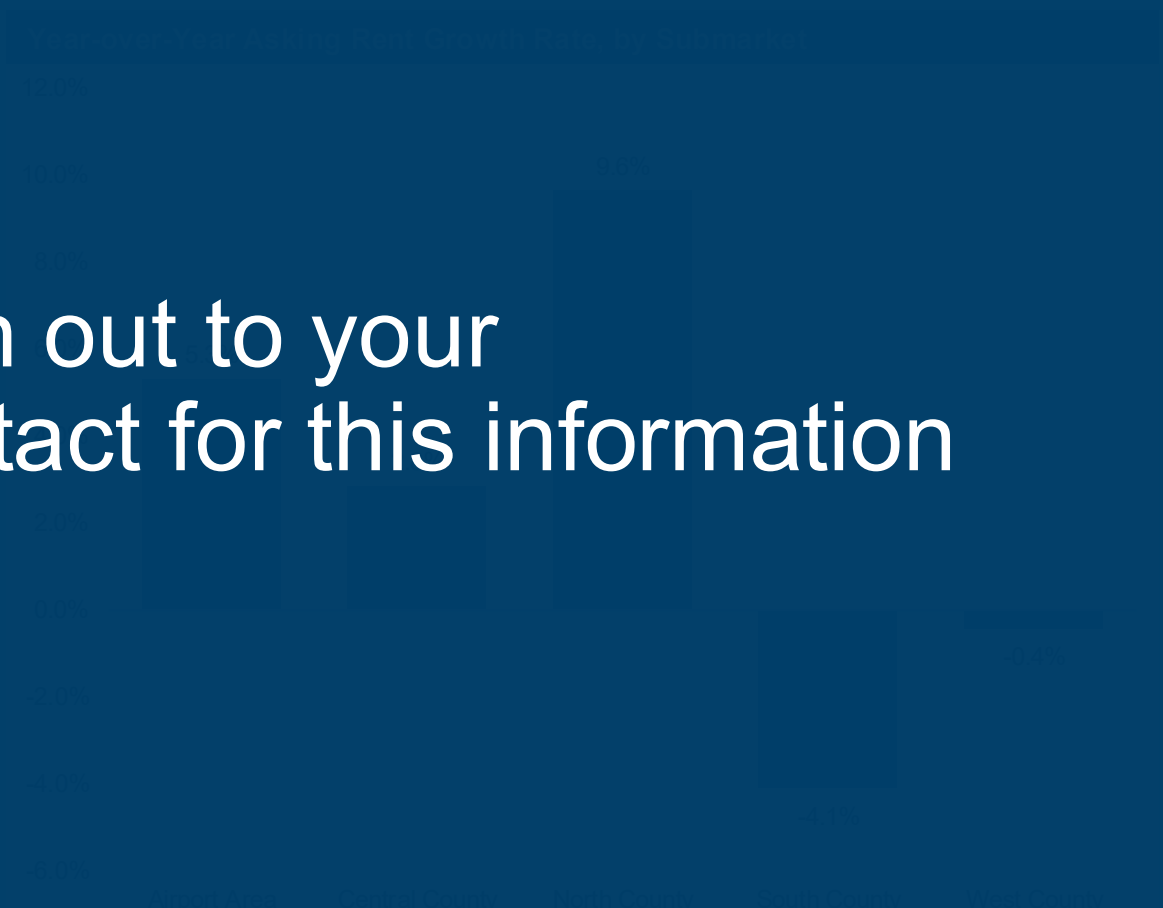
Asking Rents Remain Elevated

Leasing activity has been subdued in recent quarters, which has caused rent growth to stall. Rents have not substantially declined despite slower activity due to newer Class A listings presently on the market, in addition to inflation, which is keeping tenant improvement allowances elevated.



Airport and South County Command the Highest Rents

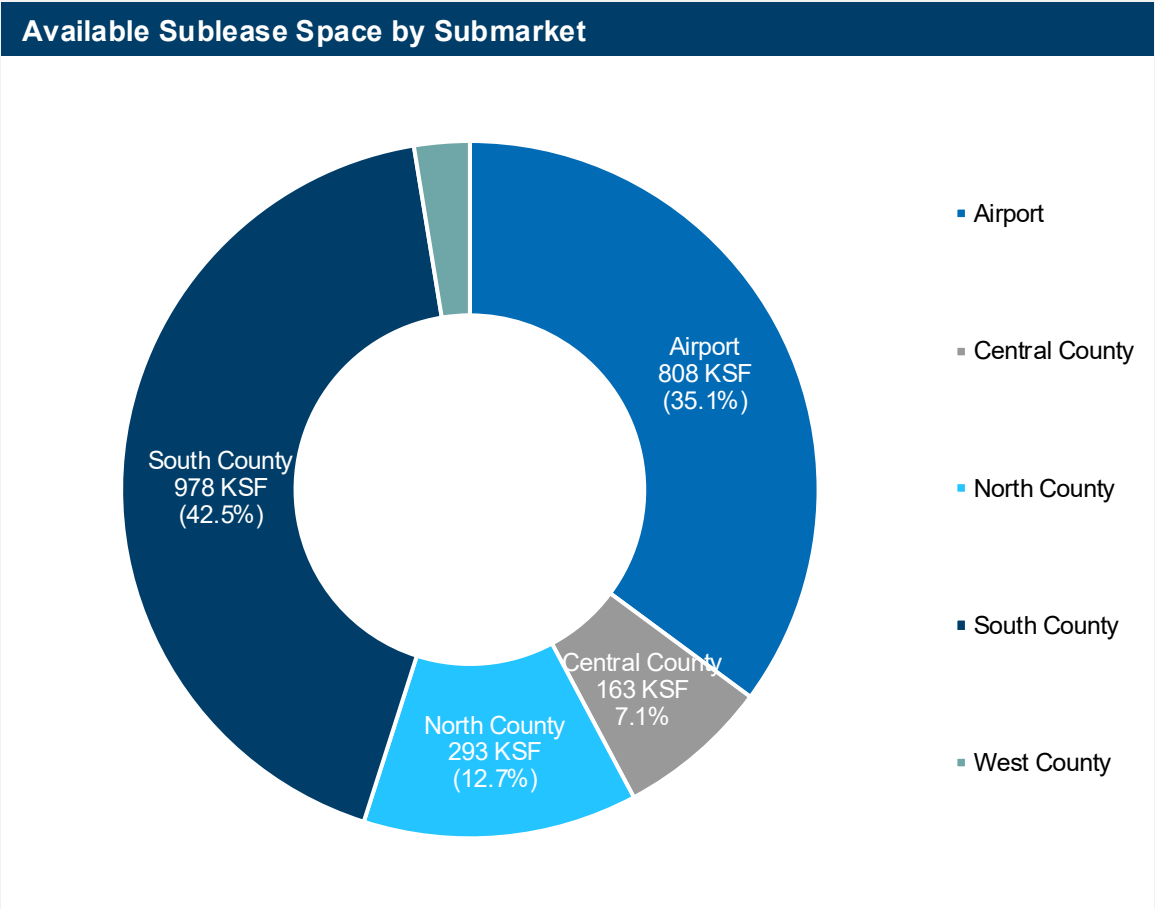
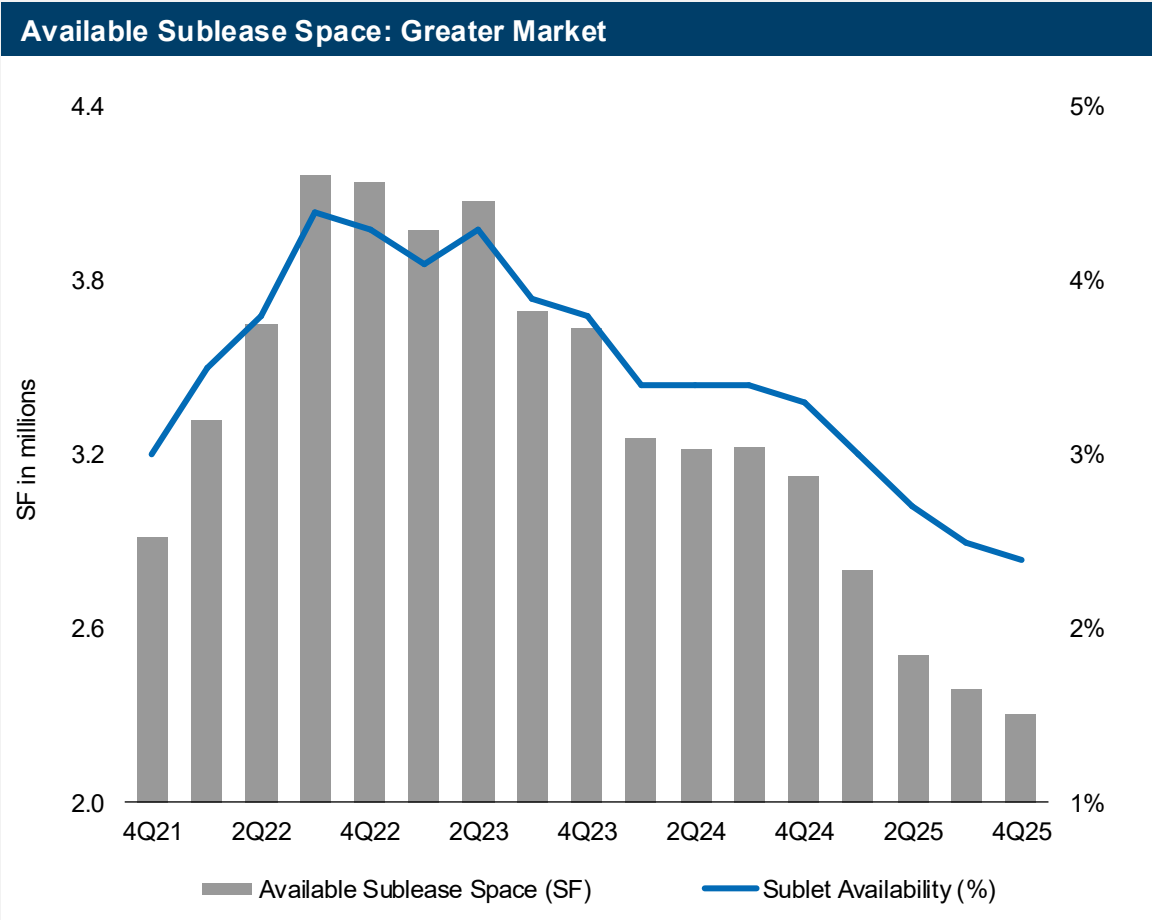
The Airport and South County submarkets are in a class of their own, while the other submarkets track one another closely. North County experienced the largest year-over-year increase as it made up ground it had lost since 2022, while South County contends with growing availability by dropping rents.



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Sublet Availability in Downward Trajectory

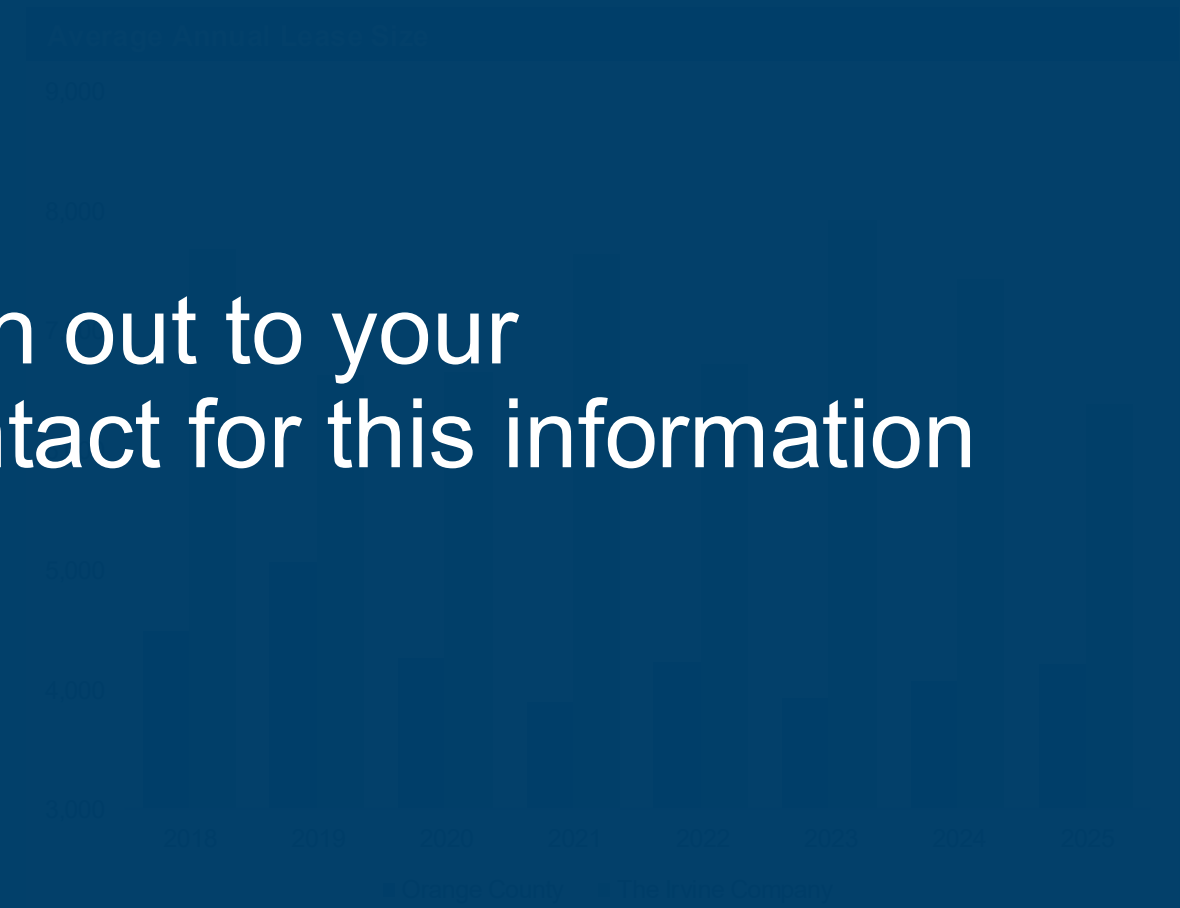
Since hitting an all-time high in the third quarter of 2022, sublet availability has steadily declined and is now 1.9 MSF lower. At the submarket level, South County leads others in available sublease space, with 978,156 SF or almost half of Orange County’s sublet pool.



Tenants Leasing with The Irvine Company are Signing Bigger Deals

The Irvine Company's office product continues to outperform the greater market in terms of leasing activity thanks to its abundant amenities and high-end finishes. The company's trophy inventory and institutional ownership traditionally appeals to corporate occupiers who tend to have larger footprint requirements than smaller private firms.

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Airport Area Dominates Top Deals List

The Airport Area continues to generate the bulk of leasing activity in the market. Its central location and inventory of trophy spaces makes it a top choice for notable tenants aiming to keep workers in the office.

Notable 4Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Lease Type	Square Feet
Medtronic	5290 California Ave	Airport Area	Renewal	101,964
The medical device company has occupied the entire building since 2018.				
County of Orange	1700 E Saint Andrew Pl	Central County	Renewal/Expansion	99,589
The tenant's office footprint expanded by an additional 30,000 SF.				
Stanbridge University	3349 & 3351 Michelson Dr	Airport Area	Direct Lease	83,952
The Irvine-based university split its new office footprint between the two buildings at Park Place in Irvine.				
DK Law Group	555 Anton Blvd	Airport Area	Direct Lease	56,877
The tenant will commit to the new space for seven years.				

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How Trophy Buildings are Performing

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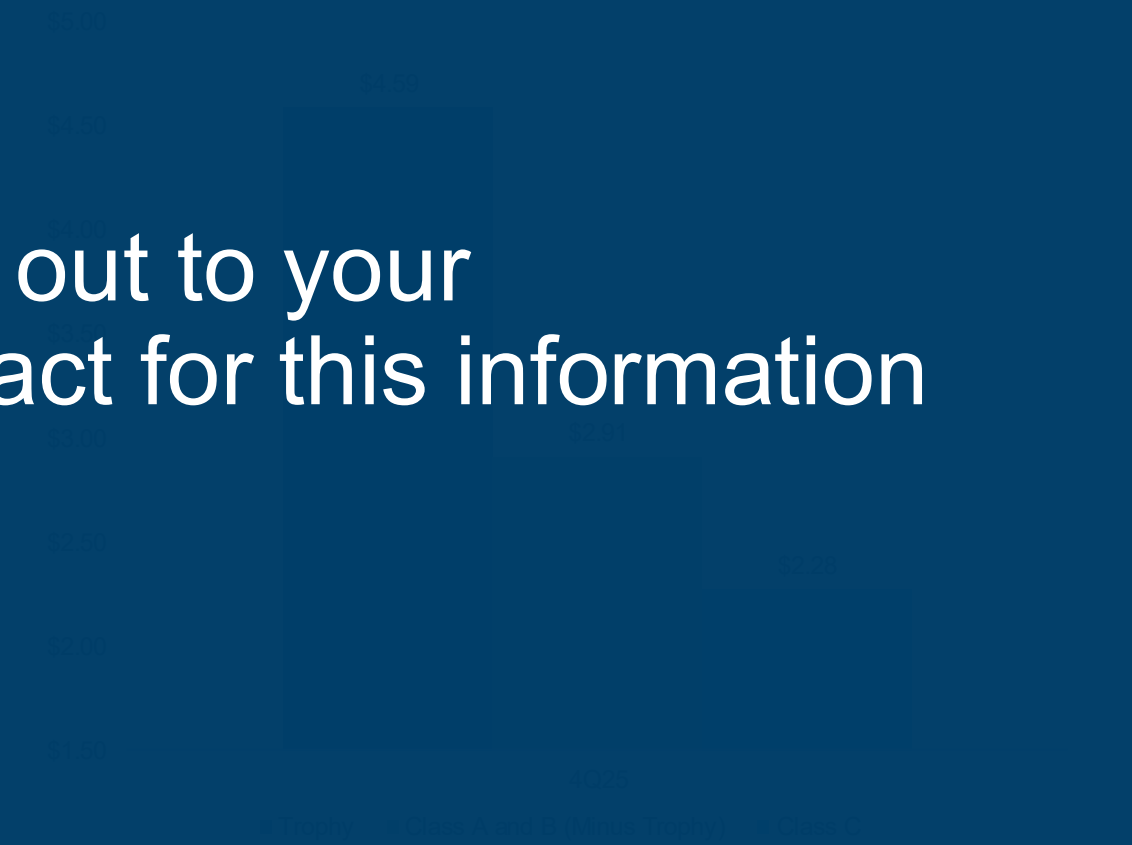
Stark Contrast Between Trophy Product and Remainder Inventory

Orange County's premier trophy product, a group of 20 office buildings across the Inland Area and South County, is outperforming the remainder of Class A and B properties by a wide margin. These buildings boast exceptional quality and design, state-of-the-art systems, high-end finishes and amenities, and exceed the standards of typical Class A buildings and thus command the highest asking rents. The Irvine Company is a major player in the trophy market, owning 13 of the 20 buildings. On the other hand, tenants priced out of the trophy market are opting for the cheapest possible find from Class C inventory.

Top 20 trophy buildings in OC



Top 20 trophy buildings in OC



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Trophy Buildings' Leasing Activity Outpaces Remainder of the Market's

When measuring leasing activity as a percentage of inventory, trophy properties have outperformed the remainder of the market historically (except for this year). The 2019 spike observed on the trophy and Class C trendlines, which are prone to fluctuations due to their diminutive inventory sizes, is a result of several large block deals, including Alleryx (164,000 SF), WeWork (110,000 SF), and TGS Management (114,873 SF) at the Spectrum Terrace, and Fluoridex (467,000 SF) and Epsom America (130,195 SF) at West County.

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Office Conversions and Distress

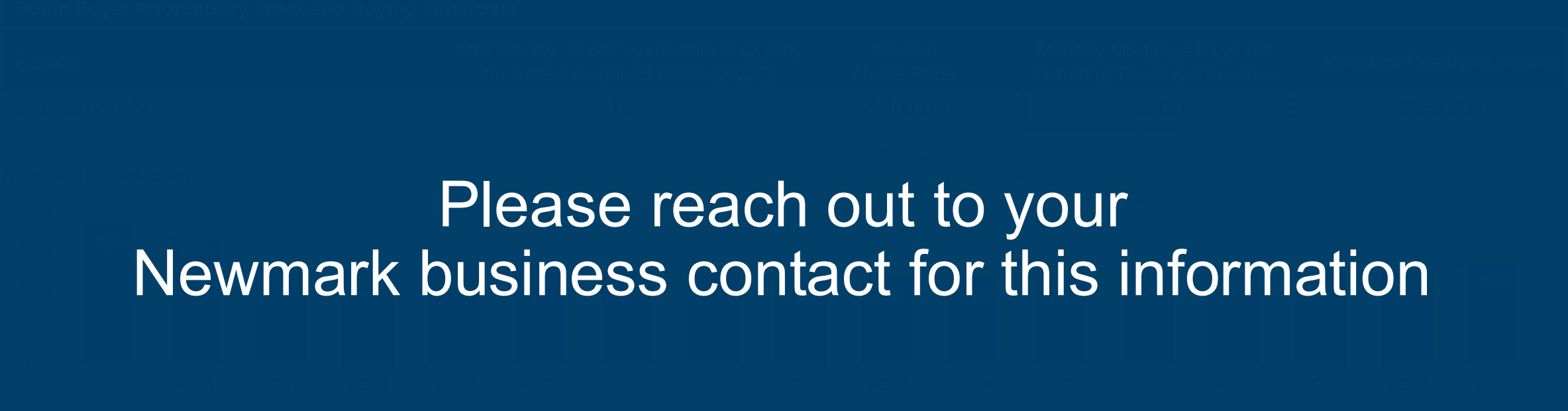
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Home Ownership is Out of Reach for 87% of Buyers; Good News for the Rental Market

Only 13% of buying Orange County residents afford a home. Renting is the default option for most. Based on the region's current median income and the lower cost to rent relative to mortgage payments, a differential of \$6,191/month. A portion of the region's surplus office space will be sold to make way for new apartments.

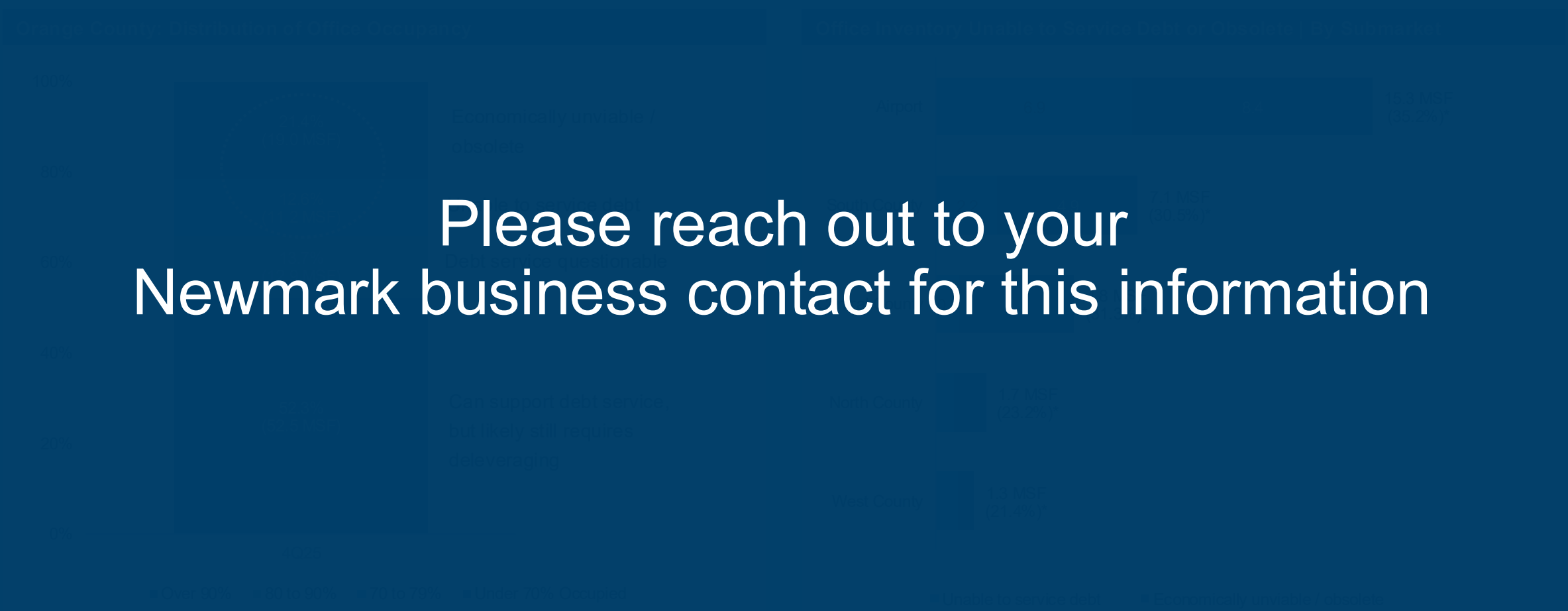


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34.0% of the Region's Office Market Obsolete or Unable to Service Debt

The total 34.2 MSF of inventory, a disproportionate share of which is based in Airport (1.5 MSF), South County (1.4 MSF) and Central County (1.4 MSF). Debt issues will accelerate the demise of these low occupancy buildings.



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Some Underperforming Office Properties Slated for Conversion

Finding the highest and best use for a commercial asset is the principal goal of any developer. A handful of underperforming office properties will eventually find a new life as multifamily, industrial or medical developments, a list that will continue to grow.

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Obsolete Office Properties Dropped From Total Inventory

Aging and underperforming office properties in Orange County are being targeted by developers for conversion and reuse. Since 2020, a total of 30 office buildings totaling 3.5 MSF have been demolished across the greater market, with an additional 5.2 MSF slated to be removed from inventory for future conversions. The year 2021 saw the highest demolition by SF area after a 425,000-SF office building in West County was demolished and converted to industrial use.



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Removal of Undesirable Product from Inventory Will Recalibrate Vacancy

Markets are generally taking into one of two categories: those seeking premium-class A product and those looking for the cheapest possible unit. Some of the unbranded, overbuilt product is finding new life as industrial, multi-family and medical properties, which will ultimately improve vacancy levels in the quarters ahead.

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05

Sales Activity

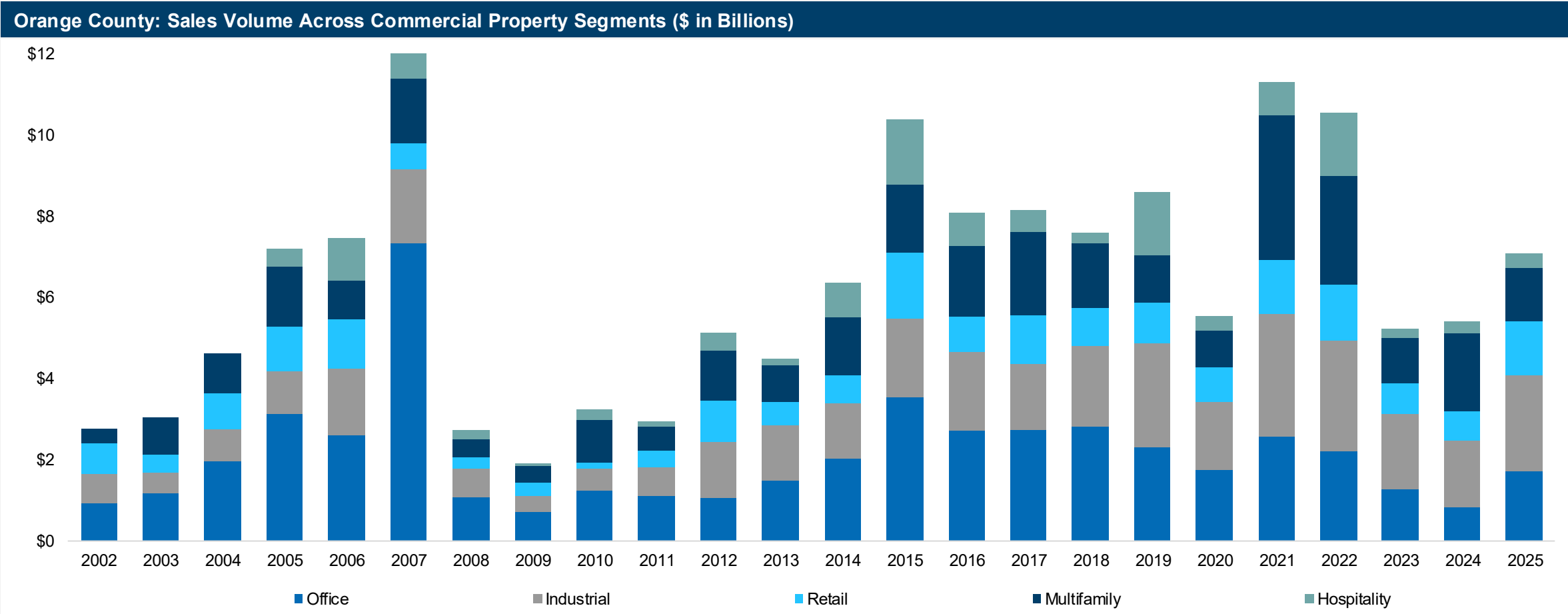
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Office Comprised Just 24.2% of Total Sales Volume for the Year

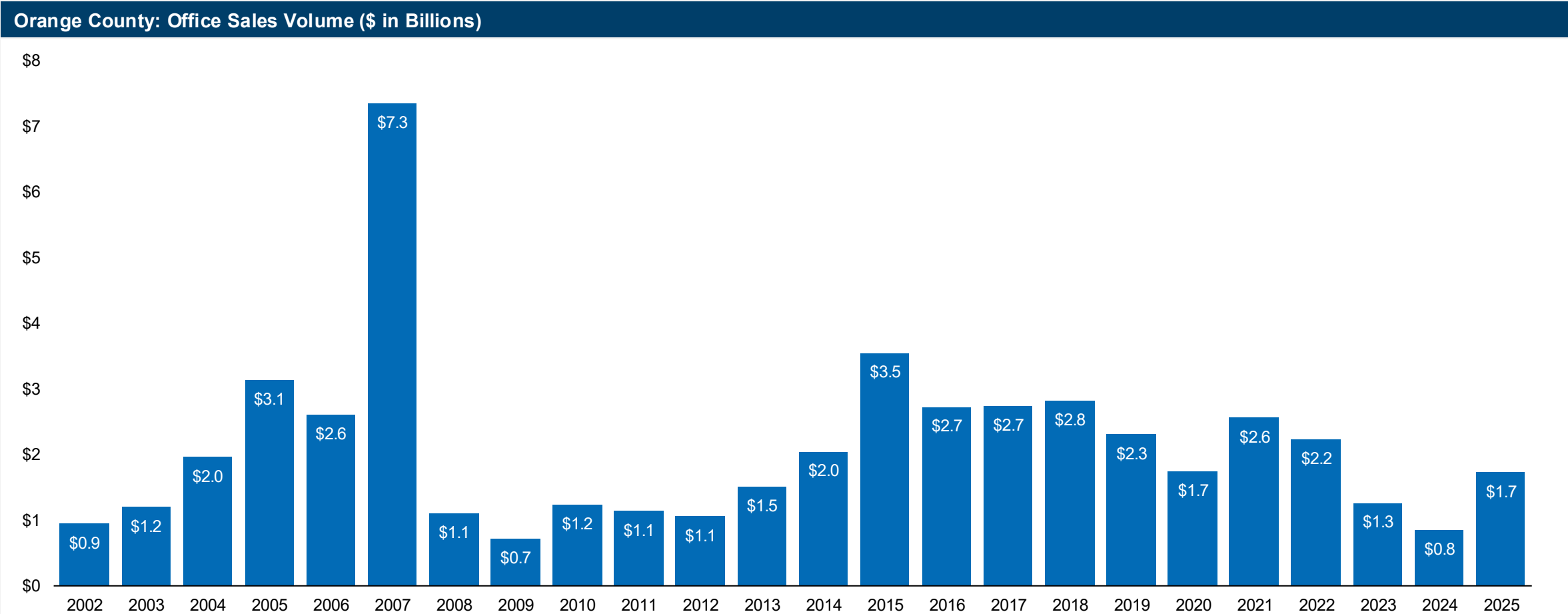
This is a significant decline from 2018, when office comprised 37.1% of total volume. Structural shifts in leasing dynamics since the onset of COVID-19 remain an ongoing challenge for the property segment. This contrasts with other asset classes, such as industrial and multifamily, which have experienced heated rent growth amid high demand in recent years. Growth that is now moderating.



Source: MSCI Real Capital Analytics, Newmark Research
Note: Preliminary data is cited for the fourth quarter of 2025.

Office Sales Volume: Up Close

Office sales volume totaled \$1.7 billion this year, more than double the volume seen in the previous year. The bulk of sales activity is driven by owner-users taking advantage of discounted inventory and investors seeking to redevelop dated office buildings for other uses.



Source: Newmark Research, MSCI Real Capital Analytics
Note: Preliminary data is cited for the fourth quarter of 2025.

Pricing is Decreasing, While Cap Rates Will Increase

Current pricing by asset class is down 20-40% compared to year-end 2022. Declining property values for underperforming assets, along with buyers seeking larger discounts, will cause cap rates to rise.

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Opportunistic Investors Take Advantage of Discounted Office Market

While most private buyers and developers have been active taking advantage of the heavily discounted office market, institutional and REIT-based entities, which are generally less risk-adverse and more beholden to the debt markets, are cautiously investing as they wait for the financing landscape to improve.

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Steep Discounts For Owner-User Buyers

Several owner-user buyers are benefiting from the market's depressed office inventory to have more control over their occupancy. Some properties are trading at a fraction of the cost paid by the seller years ago, even after adjusting for inflation.

For more information, please contact your Newmark broker.

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Owner-User Purchases are also Lowering the Office Base

As MSRP has been removed from competitive inventory since 2020, some tenants are fixing their long-term office occupancy costs by taking advantage of attractive sector pricing or, in some cases, massive discounts to replacement cost.

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Submarket Snapshots

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Airport Area

Airport Area has the highest asking rent in the metro and is generally regarded as the CBD of the region. Comprising 45.6% of Orange County's office inventory, the submarket generally drives leasing activity as well. Three of the quarter's top four deals were based in the Airport Area.

Office Asking Rent in Airport Area (2011-2025)



Office Leasing Volume in Airport Area (2011-2025)



Office Leasing Volume by Deal Type in Airport Area (2011-2025)



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Office Asking Rent in Airport Area (2011-2025)



Office Leasing Volume in Airport Area (2011-2025)



Office Leasing Volume by Deal Type in Airport Area (2011-2025)



Central County

Central County leasing activity has been declining in the last few years due to fewer and smaller deals taking place, this year being an exception after a couple large leases were signed. The submarket is considered a cost-effective alternative for tenants priced out of the Airport Area, while those looking to reduce their overall footprints may instead pursue the Airport's Class A offerings.



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10,000 SF

1700 E Saint Andrew Pl

Santa Ana

Renewal/Expansion

7,207 SF

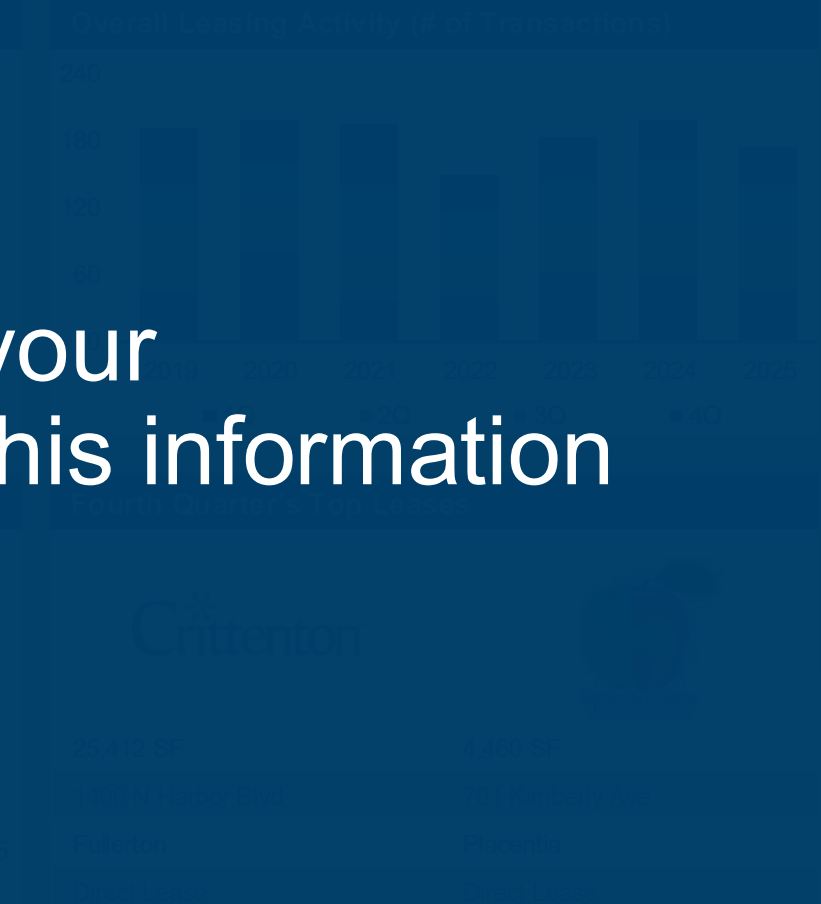
2000 E State College Blvd

Anaheim

Direct Lease

North County

North County has the second lowest vacancy rate in Orange County and benefits from its adjacency to the Western Inland Empire and Eastern San Gabriel Valley. North County office rents are low relative to other pockets of Orange County, and its tenants are a polarized mix of those seeking best-in-class space or the cheapest possible options.



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South County

South County (notably, the Irvine Spectrum area) has historically driven positive net absorption across the market, although recent leasing activity and growing availability has slowed momentum. South County remains attractive via its walkable amenities, multi-housing growth and access to the University of California, Irvine.

South County Net Absorption (in thousands of sq. ft.)



South County Net Absorption (in thousands of sq. ft.)



South County Net Absorption (in thousands of sq. ft.)



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South County Net Absorption (in thousands of sq. ft.)



South County Net Absorption (in thousands of sq. ft.)



South County Net Absorption (in thousands of sq. ft.)



West County

Given its small inventory size of 6.1 MSF, West County's leasing trendlines are prone to fluctuations. An example is 2019's significant jump in leasing activity, when Hyundai and Nissan America signed for 469,000 SF and 130,195 SF, respectively. Vacancy (9.6%) is presently the lowest of Orange County's submarkets.



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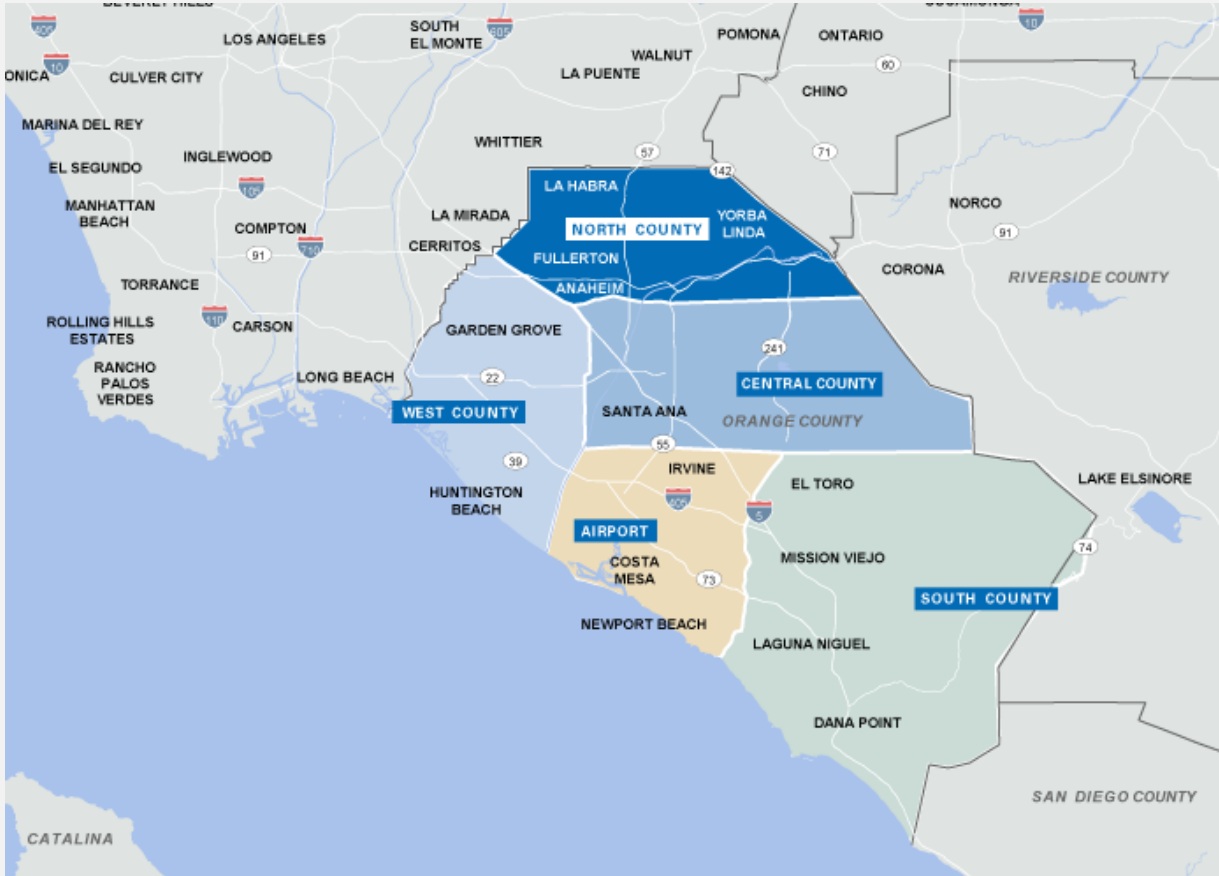
Appendix

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Orange County Office Submarket Map and High-Level Statistics | 4Q25



Marketwide Statistics 4Q25				
	Current Quarter	Prior Quarter	Year Ago	12-Month Forecast
Total Inventory (SF)	94.3M	94.3M	95.3M	↓
Vacancy Rate	16.1%	16.9%	17.3%	↓
Quarterly Net Absorption (SF)	787K	473K	142K	→
Average Asking Rent/SF	\$2.94 FSG	\$2.82 FSG	\$2.89 FSG	→
Under Construction (SF)	0	0	0	→
Deliveries (SF)	0	0	0	→

Submarket	Population (2023)	Population (2024)	% Change	Population (2025)	Population (2026)	Median Rent (2025)	Median Rent (2026)	Median Rent (2027)
Airport	42,967,643	0	17.0%	506,125	702,861	\$3.37	\$2.82	\$3.16
Costa Mesa	5,403,736	0	16.2%	25,267	114,055	\$3.27	\$2.60	\$3.13
Irvine	22,340,406	0	16.7%	104,907	542,112	\$3.47	\$2.64	\$3.21
Newport Beach	9,332,331	0	15.7%	19,023	111,312	\$3.45	\$3.19	\$3.36
Santa Ana (Airport Area)	1,570,894	0	24.8%	60,720	60,306	\$2.77	\$2.92	\$2.94
Tustin	520,346	0	15.7%	15,720	15,720	\$2.80	\$2.80	\$2.80
Central County	1,624,146	0	15.7%	15,720	15,720	\$2.84	\$2.84	\$2.84
Anaheim (Central)	1,624,146	0	15.7%	15,720	15,720	\$2.84	\$2.84	\$2.84
Orange	1,624,146	0	15.7%	15,720	15,720	\$2.84	\$2.84	\$2.84
Santa Ana	1,624,146	0	15.7%	15,720	15,720	\$2.84	\$2.84	\$2.84
Tustin	1,624,146	0	15.7%	15,720	15,720	\$2.84	\$2.84	\$2.84
North County	7,123,146	0	13.4%	30,732	132,183	\$2.86	\$2.36	\$2.73
Anaheim (Anaheim Hills)	1,403,770	0	15.0%	3,020	14,012	\$2.04	\$2.04	\$2.04
Brea	3,716,770	0	16.0%	16,816	132,812	\$2.99	\$2.66	\$2.91
Fullerton	1,315,074	0	21%	22	6,049	\$2.12	\$2.12	\$2.37
San Diego	174,460	0	10.6%	2,012	1,139	\$1.76	\$1.76	\$1.76

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Submarket	Population (2023)	Population Change (2023)	Population Density (2023)	Population Density Change (2023)	Population Density Change (2023)	Population Density Change (2023)	Population Density Change (2023)	Population Density Change (2023)
Placentia	155,315	0	26.8%	0.0%	-5,793		\$2.06	\$2.07
Yorba Linda	266,773	0	31.2%	0.73%	-12,516		\$2.33	\$2.33
South County*	22,364,342	0	16.8%	45.002	216,465		\$2.82	\$2.82
Aliso Viejo	2,416,386	0	32.5%	7.00%	-45,102		\$2.41	\$2.86
Dana Point	142,880	0	18.4%	1.00%	2,000		\$2.85	\$2.85
Capitol Ranch	76,500	0	17.0%	0.00%	0		\$2.80	\$2.80
Trinitas Spectrum	1,000,000	0	0.0%	0.00%	0		\$2.80	\$2.80
Laguna Beach	1,000,000	0	0.0%	0.00%	0		\$2.80	\$2.80
Laguna Hills	1,000,000	0	0.0%	0.00%	0		\$2.80	\$2.80
Laguna Niguel	1,000,000	0	0.0%	0.00%	0		\$2.80	\$2.80
Lake Forest	2,073,000	0	12.8%	5.17%	-3,400		\$2.14	\$2.16
Mission Viejo	1,417,741	0	20.0%	26.710	-16,416		\$2.86	\$2.82
Rancho Santa Margarita	100,400	0	21.0%	2.85%	-17,435		\$2.20	\$2.20
San Clemente	365,781	0	10.4%	5.37%	-20,519		\$2.88	\$2.81
San Juan Capistrano	769,991	0	3.7%	2.77%	-330		\$2.80	\$2.82
West County	6,123,267	0	9.9%	12.72%	71,345		\$2.86	\$2.86

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Submarket	Population (2025)	Population Change (2020-25)	Population Density (2025)	Population Density Change (2020-25)	Median Home Value (2025)	Median Home Value Change (2020-25)	Median Home Value Per Sq Ft (2025)	Median Home Value Per Sq Ft Change (2020-25)
Cypress	1,280,176	0	67%	1,406	1,636	\$2.55	\$2.24	\$2.30
Fountain Valley	701,225	0	21%	2,166	1,632	\$2.25	\$2.25	\$2.02
Garden Grove	184,765	0	60%	7,223	541	\$2.34	\$2.34	\$2.05
Huntington Beach	2,022,342	0	144%	1,402	15,000	\$3.13	\$2.24	\$2.75
Los Alamitos	618,755	0	22%	1,401	7,301	\$2.71	\$2.71	\$2.71
San Diego	147,405	0	100%	1,400	2,400	\$2.44	\$2.44	\$2.44
Stanton	115,000	0	100%	1,400	2,400	\$2.44	\$2.44	\$2.44
Westminster	100,000	0	100%	1,400	2,400	\$2.44	\$2.44	\$2.44
Orange County	2,700,000	0	100%	1,400	2,400	\$2.44	\$2.44	\$2.44

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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