

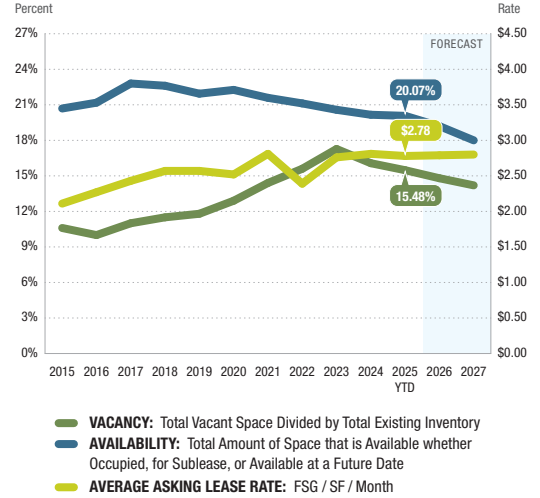
OVERVIEW. Orange County’s office market entered 2025 continuing to work through shifting workplace dynamics and evolving tenant behavior. Market optics improved slightly, but that was largely due to outdated space being pulled from circulation, not tenants expanding. Leasing momentum slowed, and occupiers continue to consolidate, renew, or wait. Hybrid work remains the dominant model, pushing companies to reassess how much space they need and where they want to be. The flight to quality is picking up, with demand focused on well located, amenity-rich buildings. Meanwhile, repurposing is gaining traction as landlords explore alternate uses for aging product that no longer fits today’s tenant profile. The market remains transitional, with recovery likely to play out unevenly, one asset at a time.

VACANCY & AVAILABILITY. Orange County’s total vacancy rate fell to 15.48%, down 59 basis points from last quarter and 135 basis points year-over-year. However, the decline was largely the result of four non-competitive buildings being removed from inventory, rather than new tenant expansion. The total availability rate held flat at 20.07%, indicating that new space hitting the market—particularly sublease listings—has slowed. That said, with tenant downsizing and strategic consolidations continuing, availability remains well above historical norms. Class A space vacancy ended the quarter at 21.31%, reflecting continued pressure on higher-end assets with larger footprints. Class B vacancy posted 11.60%, where smaller, more flexible floor plans are seeing steadier interest. Class C held firm at just 4.59%, with much of the inventory fully stabilized or outside the competitive leasing set.

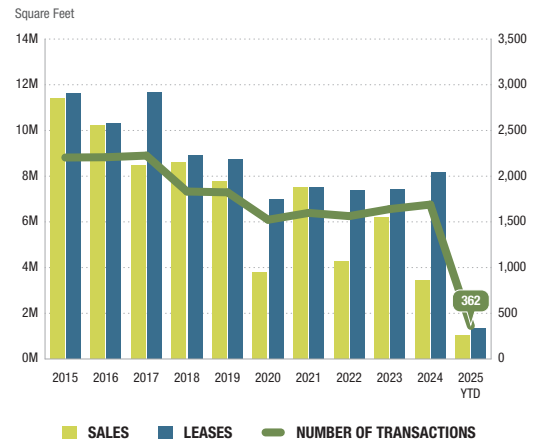
LEASE RATES. The average asking lease rate countywide fell by \$0.03 to \$2.78 per square foot, reflecting continued downward pressure as tenants seek value and landlords compete to fill space. Class A space averaged \$3.09 PSF, with many owners offering free rent and higher TI allowances to attract or retain tenants. Class B and C buildings averaged \$2.60 and \$1.90 PSF, respectively. Effective rates remain well below asking levels, as concessions play a larger role in closing deals. The slight year-over-year increase in asking rents (+1.09%) is largely driven by well located, amenity-rich buildings. Meanwhile, older or less flexible properties continue to face pricing pressure. Landlords with updated space and flexible deal structures are seeing steadier interest, while others may face longer lease-up timelines as tenant preferences continue to evolve.

TRANSACTION ACTIVITY. Transaction activity cooled again in Q1, with only 339 lease transactions completed—down from 367 last quarter and 465 a year ago—as fewer new deals materialized and more tenants chose to stay in place. Orange County office saw a 38% quarter-over-quarter drop in total leasing volume to 1,269,969 SF. Combined lease and sale volume reached 2,280,614 SF, the lowest total since early 2021. The deals that are getting done aren’t about growth, they’re about flexibility or downsizing. Average listing durations are stretching. Many available spaces are sitting for more than a year, and vacancy periods for returned space now average around nine months. Brokers are reporting longer proposal cycles and more back and forth, particularly on larger blocks. Most tenants are in no rush, and landlords are adjusting their strategies accordingly.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



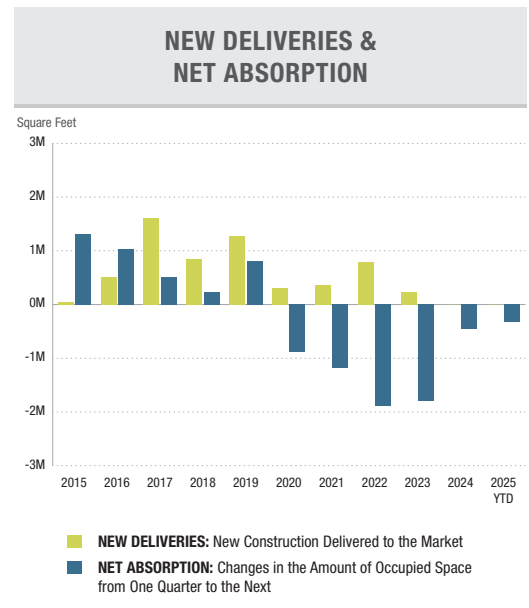
Market Statistics

	Change Over Last Quarter	Q1 2025	Q4 2024	Q1 2024	% Change Over Last Year
Vacancy Rate	▼ DOWN	15.48%	16.07%	16.83%	(8.01%)
Availability Rate	▬ FLAT	20.07%	20.16%	21.59%	(7.03%)
Average Asking Lease Rate	▼ DOWN	\$2.78	\$2.81	\$2.75	1.09%
Sale & Lease Transactions	▼ DOWN	2,280,614	3,605,682	2,768,981	(17.64%)
Gross Absorption	▲ UP	2,364,303	2,232,332	2,467,193	(4.17%)
Net Absorption	▼ NEGATIVE	(333,333)	(47,400)	(207,467)	N/A

ABSORPTION. Net absorption continued to be negative in Q1, with 333,333 SF returned to the market. This is a sharp decline compared with the 47,400 SF loss recorded in Q4 2024 or the 207,467 SF of negative absorption in Q1 of last year. Gross absorption reached 2,364,303 SF, slightly above last quarter’s 2,232,332 SF, suggesting steady move-in activity despite broader consolidation. The Airport Area recorded the deepest losses, with 245,582 SF of negative absorption, largely due to givebacks in Irvine and Newport Beach. South County stood out with 106,306 SF of positive absorption, led by leasing in the Irvine Spectrum. By product type, Class A lost 249,226 SF, Class B shed 102,575 SF, and Class C posted a gain of 18,468 SF. This marks the seventh out of the past nine quarters with net occupancy losses, reinforcing the trend of tenants reassessing long-term space commitments and continuing to downsize or consolidate.

CONSTRUCTION. Just 168,137 SF of office space is currently under construction, with another 1.05 MSF in the planning pipeline. However, few of those projects are expected to move forward in the near term due to tight capital markets and subdued demand. The largest active development is in Central County, where 401,000 SF is underway in Anaheim. As tenant growth remains limited, the market continues to shift. A growing number of office properties are being repurposed to align with current demand. In Santa Ana, for example, three former office buildings will be demolished and replaced with a preleased industrial flex campus. Conversions like this are increasingly common across the region, helping reduce vacancy while better serving the office user base.

EMPLOYMENT. In February 2025, Orange County’s unemployment rate was 3.9%, unchanged from February 2024. Over the year, Professional and Business Services experienced the largest decline among all sectors, losing 4,100 jobs, primarily within professional, scientific, and technical services. Conversely, Government employment saw an increase, adding 3,200 jobs year-over-year. The Private Education and Health Services sector reported the most significant job growth, adding 8,600 positions, with nearly all gains occurring in Health Care and Social Assistance (+8,700 jobs).



Forecast

The path forward for Orange County’s office market remains uneven. Vacancy may continue to inch lower as more obsolete buildings are taken out of the competitive inventory, but real growth will depend on renewed tenant expansion. Expect continued pressure on asking rents and extended negotiation cycles, especially for larger blocks of space. The market remains heavily influenced by tenants prioritizing quality, and landlords with well located and amenity-rich assets will continue to outperform. Meanwhile, aging product without upgrades or price flexibility will struggle. With elevated capital costs and minimal new construction, the foundation is set for a long, gradual recovery.

Significant Transactions

Sales							* Voit Real Estate Services Deal
Property Address	City	Class	Square Feet	Total Price	Buyer	Seller	
27101–27201 Puerta Real	Mission Viejo	A	232,000	\$32,000,000	Kingsbarn Realty Capital	Barings	
2525 Main St.	Irvine	B	106,269	\$24,589,951	Pacific Tree Capital	J&R Group, LLC	
19600–19700 Fairchild Rd.	Irvine	B	111,544	\$34,500,000	Cityview	TPG Angelo Gordon & Co., LP	
27401 Los Altos	Mission Viejo	A	71,464	\$24,000,000	Eagle Hua Inc.	Lanewood Holdings LLC	
15101 Red Hill Ave.	Tustin	B	51,065	\$13,388,500	Westcliff University	Fortland, Inc.	

Leases							* Voit Real Estate Services Deal
Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner	
510 Technology	Irvine Spectrum	A	54,406	Jan 2025	Inari Medical	The Irvine Company	
18101 Von Karman Ave. - Renewal	Irvine	A	36,666	Jan 2025	EY	SENTRE, Inc.	
2995 Red Hill Ave. - Renewal	Costa Mesa	B	28,606	Feb 2025	Honeywell International Inc.	GVI-SW Landing Owner LLC	
48 Discovery - sublease	Irvine Spectrum	B	26,920	Feb 2025	ZOLL Medical Corporation	Midas Technologies	
15 Cushing	Irvine Spectrum	B	26,800	Mar 2025	Indusce Biologics USA	MerchSource	

	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 2025	Square Feet Available	Availability Rate Q1 2025	Average Asking Lease Rate	Net Absorption Q1 2025	Net Absorption 2025	Gross Absorption Q1 2025	Gross Absorption 2025
Airport Area													
Costa Mesa	60	6,809,973	0	0	1,291,818	18.97%	1,735,415	25.48%	\$3.21	(14,147)	(14,147)	176,771	176,771
Irvine	242	24,073,138	0	182,380	4,255,173	17.68%	5,339,773	22.18%	\$2.78	(112,447)	(112,447)	750,702	750,702
Newport Beach	103	9,099,665	0	0	1,209,559	13.29%	1,621,451	17.82%	\$3.14	(95,400)	(95,400)	244,794	244,794
Santa Ana	9	1,980,930	0	0	529,861	26.75%	596,983	30.14%	\$2.55	1,826	1,826	50,002	50,002
Tustin	4	418,585	0	0	66,280	15.83%	66,280	15.83%	\$4.74	(25,414)	(25,414)	22,994	22,994
Airport Area Total	418	42,382,291	0	182,380	7,352,691	17.35%	9,359,902	22.08%	\$2.91	(245,582)	(245,582)	1,245,263	1,245,263
Central County													
Anaheim	21	1,964,515	168,137	401,000	465,906	23.72%	551,534	28.07%	\$2.38	2,871	2,871	21,530	21,530
Orange	63	6,074,976	0	0	1,176,060	19.36%	1,442,039	23.74%	\$2.29	41,368	41,368	100,464	100,464
Santa Ana	127	9,292,514	0	0	1,316,116	14.16%	1,661,275	17.88%	\$2.39	(204,006)	(204,006)	181,666	181,666
Tustin	38	1,965,050	0	0	107,900	5.49%	138,291	7.04%	\$2.34	61,151	61,151	84,333	84,333
Central County Total	249	19,297,055	168,137	401,000	3,065,982	15.89%	3,793,139	19.66%	\$2.37	(98,616)	(98,616)	387,993	387,993
North County													
Anaheim / Anaheim Hills	63	4,259,981	0	0	441,205	10.36%	540,491	12.69%	\$2.45	11,815	11,815	26,189	26,189
Brea	36	3,591,741	0	0	448,580	12.49%	752,314	20.95%	\$2.79	(2,250)	(2,250)	71,663	71,663
Buena Park	18	1,204,984	0	0	101,650	8.44%	106,693	8.85%	\$2.40	(23,887)	(23,887)	11,482	11,482
Fullerton	16	867,909	0	0	30,481	3.51%	75,646	8.72%	\$2.43	2,054	2,054	7,939	7,939
La Habra	3	115,103	0	0	2,877	2.50%	2,877	2.50%	\$1.92	(934)	(934)	0	0
La Palma	7	542,913	0	0	154,111	28.39%	178,256	32.83%	\$0.00	(10,167)	(10,167)	2,687	2,687
Placentia	6	197,762	0	0	48,020	24.28%	47,181	23.86%	\$2.04	(52)	(52)	4,071	4,071
Yorba Linda	5	289,383	0	0	42,283	14.61%	42,283	14.61%	\$2.45	(22,680)	(22,680)	3,717	3,717
North County Total	154	11,069,776	0	0	1,269,207	11.47%	1,745,741	15.77%	\$2.52	(46,101)	(46,101)	127,748	127,748
South County													
Aliso Viejo	36	2,675,982	0	0	882,097	32.96%	1,186,077	44.32%	\$2.86	(44,311)	(44,311)	31,621	31,621
Dana Point	3	127,999	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Foothill Ranch	7	639,436	0	0	200,525	31.36%	245,842	38.45%	\$2.50	8,090	8,090	8,090	8,090
Irvine Spectrum	169	13,215,573	0	0	1,611,620	12.19%	2,477,638	18.75%	\$3.06	131,171	131,171	437,845	437,845
Laguna Beach	4	124,004	0	0	2,472	1.99%	3,992	3.22%	\$0.00	0	0	0	0
Laguna Hills	28	1,341,232	0	465,000	263,489	19.65%	287,242	21.42%	\$2.72	(9,097)	(9,097)	18,289	18,289
Laguna Niguel	7	395,699	0	0	82,534	20.86%	90,897	22.97%	\$2.47	915	915	2,676	2,676
Lake Forest	40	2,172,465	0	0	270,230	12.44%	402,254	18.52%	\$2.06	21,305	21,305	29,489	29,489
Mission Viejo	24	1,276,103	0	0	237,185	18.59%	258,382	20.25%	\$2.37	(8,816)	(8,816)	23,318	23,318
Rancho Santa Margarita	5	212,716	0	0	15,492	7.28%	36,592	17.20%	\$2.30	3,476	3,476	3,476	3,476
San Clemente	8	411,212	0	0	13,571	3.30%	30,754	7.48%	\$2.33	5,202	5,202	5,295	5,295
San Juan Capistrano	19	944,993	0	0	32,114	3.40%	50,748	5.37%	\$2.85	(1,629)	(1,629)	3,891	3,891
South County Total	350	23,537,414	0	465,000	3,611,329	15.34%	5,070,418	21.54%	\$2.92	106,306	106,306	563,990	563,990
West County													
Cypress	27	1,819,947	0	0	160,231	8.80%	162,180	8.91%	\$2.29	(31,409)	(31,409)	860	860
Fountain Valley	26	1,180,227	0	0	46,946	3.98%	46,946	3.98%	\$2.63	(13,547)	(13,547)	0	0
Garden Grove	14	710,092	0	0	77,869	10.97%	82,549	11.63%	\$1.75	(14,581)	(14,581)	4,480	4,480
Huntington Beach	32	1,805,421	0	0	283,230	15.69%	349,403	19.35%	\$2.12	14,324	14,324	25,049	25,049
Los Alamitos	8	441,664	0	0	9,703	2.20%	9,703	2.20%	\$3.33	(1,541)	(1,541)	3,926	3,926
Seal Beach	6	452,518	0	0	47,653	10.53%	47,163	10.42%	\$3.45	(1,622)	(1,622)	2,977	2,977
Stanton	4	143,361	0	0	18,357	12.80%	18,357	12.80%	\$1.51	0	0	0	0
Westminster	11	445,789	0	0	47,568	10.67%	47,282	10.61%	\$2.50	(964)	(964)	2,017	2,017
West County Total	128	6,999,019	0	0	691,557	9.88%	763,583	10.91%	\$2.39	(49,340)	(49,340)	39,309	39,309
Orange County Total	1,299	103,285,555	168,137	1,048,380	15,990,766	15.48%	20,732,783	20.07%	\$2.78	(333,333)	(333,333)	2,364,303	2,364,303
Airport Area													
Class A	122	25,731,847	0	182,380	5,376,734	20.90%	6,767,089	26.30%	\$3.14	(323,542)	(323,542)	856,736	856,736
Class B	278	15,633,843	0	0	1,959,842	12.54%	2,562,108	16.39%	\$2.66	79,539	79,539	382,141	382,141
Class C	18	1,016,601	0	0	16,115	1.59%	30,705	3.02%	\$2.97	(1,579)	(1,579)	6,386	6,386
Central County													
Class A	35	6,388,248	168,137	401,000	1,507,839	23.60%	1,776,131	27.80%	\$2.71	44,900	44,900	140,204	140,204
Class B	173	11,162,765	0	0	1,386,095	12.42%	1,806,810	16.19%	\$2.38	(152,824)	(152,824)	222,245	222,245
Class C	41	1,746,042	0	0	172,048	9.85%	210,198	12.04%	\$1.58	9,308	9,308	25,544	25,544
North County													
Class A	20	2,428,817	0	0	620,308	25.54%	876,082	36.07%	\$2.73	456	456	45,474	45,474
Class B	115	7,782,883	0	0	628,734	8.08%	852,466	10.95%	\$2.46	(50,521)	(50,521)	73,925	73,925
Class C	19	858,076	0	0	20,165	2.35%	17,193	2.00%	\$2.31	3,964	3,964	8,349	8,349
South County													
Class A	67	9,056,157	0	465,000	1,784,036	19.70%	2,433,859	26.88%	\$3.20	50,547	50,547	220,133	220,133
Class B	266	13,634,203	0	0	1,807,299	13.26%	2,601,824	19.08%	\$2.73	48,984	48,984	332,965	332,965
Class C	17	847,054	0	0	19,994	2.36%	34,735	4.10%	\$2.55	6,775	6,775	10,892	10,892
West County													
Class A	12	1,309,359	0	0	281,799	21.52%	322,368	24.62%	\$2.51	(21,587)	(21,587)	10,578	10,578
Class B	101	5,166,242	0	0	408,998	7.92%	440,455	8.53%	\$2.36	(27,753)	(27,753)	28,731	28,731
Class C	15	523,418	0	0	760	0.15%	760	0.15%	\$0.00	0	0	0	0
Orange County													
Class A	256	44,914,428	168,137	1,048,380	9,570,716	21.31%	12,175,529	27.11%	\$3.09	(249,226)	(249,226)	1,273,125	1,273,125
Class B	933	53,379,936	0	0	6,190,968	11.60%	8,263,663	15.48%	\$2.60	(102,575)	(102,575)	1,040,007	1,040,007
Class C	110	4,991,191	0	0	229,082	4.59%	293,591	5.88%	\$1.90	18,468	18,468	51,171	51,171
Orange County Total	1,299	103,285,555	168,137	1,048,380	15,990,766	15.48%	20,732,783	20.07%	\$2.78	(333,333)	(333,333)	2,364,303	2,364,303

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.



Mixed Signals, but Growing Optimism

by Russ Smith

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The Orange County office market is still giving mixed signals as we finish up the first quarter of 2025, but recent data shows some positive signs. We're seeing an improvement in vacancy rates and availability in Orange County compared with a year ago, plus recent news from the Department of Government Efficiency (DOGE) and the General Services Administration (GSA) is providing some relief nationally.

In a surprising move, DOGE is reversing plans to terminate 135 leases, totaling 2.2 MSF. This decision reflects a broader commitment to maintaining federal office spaces, and the GSA is optimistic that more leases in DOGE's crosshairs may be spared.

The return-to-office trend is continuing to take hold, with high-profile private companies and the federal government pulling employees back into the office. The federal government's renewed focus on office utilization highlights this shift, as businesses look to create environments that encourage collaboration, productivity, and potential career advancement for their workforce. Despite some resistance from employees, this trend seems to be stronger than ever, and landlords are hopeful it will continue building.

Despite these positive trends for office space, tenants still feel they have the upper hand over their potential landlords. Free rent, tenant improvements, and moving allowances are typical concessions being offered by landlords to attract new tenants to their buildings. With a variety of options available, tenants are being more selective and leveraging their position. The abundance of available options is empowering tenants to negotiate favorable terms. Businesses are prioritizing modern, amenity-rich buildings, recognizing the importance of the employee experience. Spaces that offer wellness features, flexible layouts, and convenient access are in much higher demand than what most of us would consider a "traditional office space." Tenants are no longer just looking for functional spaces but for environments that enhance their workforce's productivity and well-being.

A key motivator for tenants to relocate is the desire to eliminate unused or "wasted" space. Many companies are right-sizing their square footage but upgrading the quality of their office space, even if that means little to no change to their monthly rental budget. This reflects the continued focus on efficiency and on optimizing the employee experience rather than the sheer size of their space. Tenants believe they can always add more space during the term if needed, but in contrast, it will be much more difficult to downsize through a termination or sublease.

The Orange County office market still has challenges to overcome in 2025, however declining vacancy and overall availability paired with steady asking rates are a positive sign. This combination points to an ongoing, albeit slow, recovery.

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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a full-service gross 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.

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