

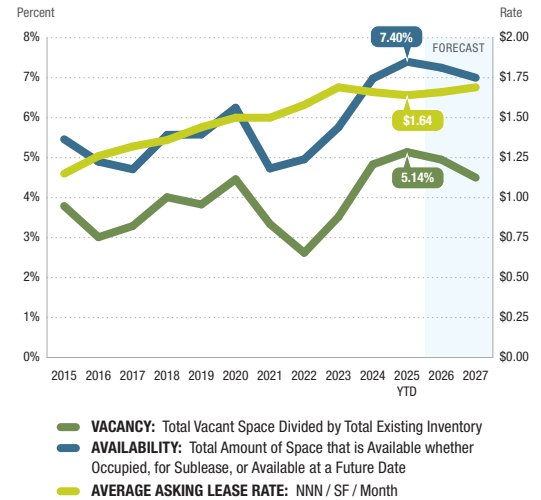
OVERVIEW. Orange County's R&D/Flex market is shifting. Vacancy rates rose in Q2 as new and repositioned space continued to come online, yet underlying activity points to renewed energy ahead. Recent deal momentum hints at a possible return to positive net absorption in the near term. Flex users, often tech, medical device, and advanced manufacturing firms, are actively reshaping their space strategies, favoring adaptable footprints that support evolving operations. Owners are adjusting by enhancing buildouts, offering creative lease packages, and focusing on long-term partnerships rather than quick fills. Rather than broad expansion or major pullbacks, the current R&D/Flex market is seeing steady activity. Tenants are still planning for growth, but with more focus on rightsizing and improving operational efficiency. This measured approach supports a stable leasing environment and sets the stage for potential positive absorption in the coming quarters.

VACANCY & AVAILABILITY. The vacancy rate in Orange County's R&D/Flex market rose to 5.14% in Q2, up from 4.79% last quarter and 3.94% a year ago. The availability rate also increased slightly to 7.40%, compared with 7.35% last quarter and 7.18% last year. The growing gap between vacancy and availability suggests more space is being marketed or offered for sublease before becoming fully vacant. While one quarter alone does not define a lasting trend, it highlights the importance of watching how long spaces remain on the market before lease-up. As more options become available, activity is likely to remain steady, with tenants focusing on operational needs and future growth plans. Overall, the market is expected to adjust gradually through the second half of 2025.

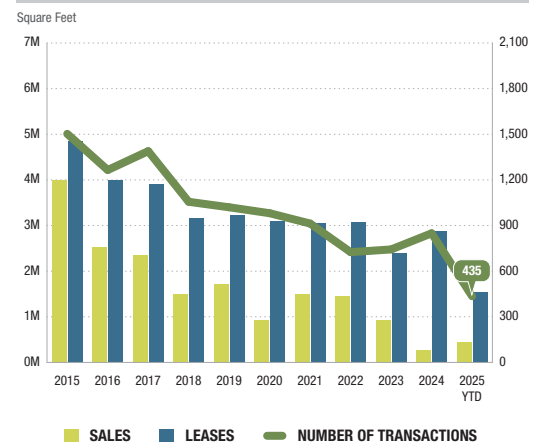
LEASE RATES. The average lease rate for Orange County's R&D/Flex market declined slightly to \$1.64 per square foot in Q2, down from \$1.67 last quarter and a year ago. While the decrease is modest, it reflects more spaces returning to the market as companies consolidate or adjust footprints. Longer time on the market before lease-up has also influenced pricing, as some listings sit vacant longer and encourage landlords to adjust rates to attract tenants. Despite higher vacancy, overall rent levels have stayed relatively stable, supported by Orange County's strong economic base and limited land supply. Looking ahead, asking rates are expected to hold close to current levels as tenant demand helps balance additional availabilities.

TRANSACTION ACTIVITY. Transaction activity in Orange County's R&D/Flex market included 214 combined lease and sale transactions in Q2, down slightly from 221 in Q1. Total square footage transacted increased to 1,155,151 SF from 842,562 SF last quarter, reflecting steady market engagement despite broader headwinds. Leasing made up the majority of the activity, with 203 deals totaling 857,585 SF, compared with 216 deals and 693,814 SF in Q1. Sales volume also rose, with 11 transactions covering 297,566 SF, up from 5 deals and 148,748 SF in the previous quarter. The uptick in volume suggests that many users and investors are still moving forward, but with careful consideration. Space decisions remain highly selective, and longer evaluation timelines continue to shape overall momentum. This measured approach supports a balanced market as tenants refine operational plans for the remainder of the year.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

	Change Over Last Quarter	Q2 2025	Q1 2025	Q2 2024	% Change Over Last Year
Vacancy Rate	▲ UP	5.14%	4.79%	3.94%	30.55%
Availability Rate	▲ UP	7.40%	7.35%	7.18%	3.03%
Average Asking Lease Rate	▼ DOWN	\$1.64	\$1.67	\$1.67	(1.80%)
Sale & Lease Transactions	▲ UP	1,155,151	842,562	824,682	40.07%
Gross Absorption	▼ DOWN	741,817	965,766	825,607	(10.15%)
Net Absorption	▼ NEGATIVE	(187,824)	(11,286)	(22,075)	N/A

ABSORPTION. Net absorption in Orange County's R&D/Flex market was negative at 187,824 SF in Q2, a deeper pullback compared with negative 11,286 SF in Q1 and negative 22,075 SF a year ago. Gross absorption totaled 741,817 SF, down from 965,766 SF last quarter and 825,607 SF in Q2 2024. The larger negative net absorption highlights that more space is returning to the market, as tenants consolidate or adjust their footprints rather than expand. This trend reflects ongoing operational reviews and longer decision timelines rather than a lack of underlying demand.

CONSTRUCTION. New construction activity in Orange County's R&D/Flex market remains minimal, with no new inventory added since Q1 2021. Developers have focused on industrial projects instead of flex, given stronger demand and faster lease-up timelines. Higher vacancy in existing flex and low-rise office space has further reduced appetite for new ground-up flex development. However, there are approximately 225,579 SF of proposed R&D/Flex space in the planning stages, signaling that developers are watching hopefully for shifts in tenant demand and market conditions. While no significant new supply is currently underway, this future potential provides flexibility to respond if requirements strengthen in the coming quarters.

EMPLOYMENT. Orange County's unemployment rate dropped to 3.6% in May 2025, outperforming the California average of 5.3% and the national rate of roughly 4.0%. Over the same month, 5,700 nonfarm jobs were added, with growth spread across sectors such as health care, hospitality, and technology. Steady job gains in innovative industries, including medical devices, clean tech, and aerospace, help underpin demand for specialized R&D/Flex space. A strong labor market gives companies confidence to invest in labs, prototyping facilities, and light-manufacturing setups.

Forecast

Orange County's R&D/Flex market is expected to remain steady over the next six months. Vacancy may edge higher as more space returns to the market and tenants continue to assess long-term needs. Leasing activity should stay active, though many users are taking more time to finalize decisions as they focus on flexibility and operational priorities. Key industries such as medical devices, life sciences, aerospace, and advanced manufacturing are showing signs of renewed interest, with some groups exploring expansions or consolidations to support growth from new product lines. Tariffs are not expected to significantly impact most R&D/Flex users, as these tenants are not heavily reliant on imported materials. Overall, gradual stabilization remains more likely than a sharp rebound. The AI-driven expansions seen in the Bay Area may start spilling into Orange County, potentially boosting future R&D/Flex space demand.

Significant Transactions

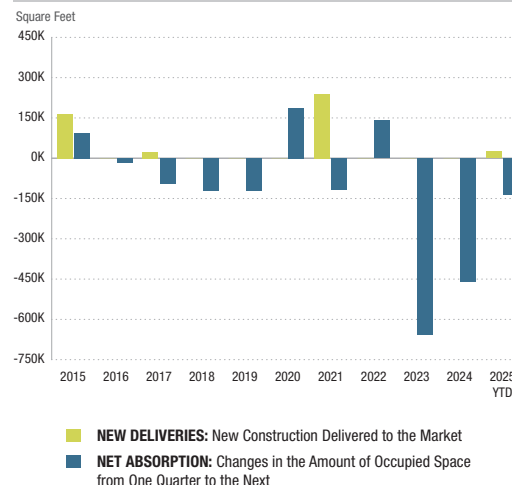
Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
20 Icon	Foothill Ranch	102,299	\$50,875,000	Lake Forest Reliability Project LLC	Rexford Industrial Realty, Inc.
18011 Mitchell S.	Irvine	35,550	\$21,000,000	Steiner Investments	North Palisade Partners
17781 Cowan	Irvine	29,477	\$7,900,000	Ag Cowan LLC	Circle Vision
17406 Mount Cliffwood Cir.	Fountain Valley	17,568	\$5,562,950	MT Cliffwood Circle LLC	Carig Moreland
30221 Aventura	Rancho Santa Margarita	10,109	\$3,400,000	Nlr Holding LLC	Phytogene

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
9400 Jeronimo Rd.	Irvine Spectrum	146,482	Jun-2025	Bio-Rad Laboratories	The Irvine Company
6200 Gateway Dr.	Cypress	53,228	Apr-2025	Calnetix Technologies, LLC	Warland Investment Company
6300 Gateway Dr. - Renewal	Cypress	43,000	Apr-2025	Scientific Application & Research	Warland Investment Company
10803 Hope St.	Cypress	30,768	Apr-2205	Q-Tech Corporation	Warland Investment Company
18475 Bandler Cir.	Fountain Valley	22,308	Apr-2025	SVJ One LLC	Chandler Real Properties

NEW DELIVERIES & NET ABSORPTION



INVENTORY					VACANCY & LEASE RATES				ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q2 2025	Square Feet Available	Availability Rate Q2 2025	Average Asking Lease Rate	Net Absorption Q2 2025	Net Absorption 2025	Gross Absorption Q2 2025	Gross Absorption 2025
Airport Area													
Costa Mesa	166	3,930,294	0	0	172,260	4.38%	208,596	5.31%	\$1.77	11,699	68,788	39,693	136,734
Fountain Valley	49	1,445,173	0	37,800	32,793	2.27%	32,793	2.27%	\$1.61	(4,507)	(14,619)	30,566	36,184
Irvine	237	6,276,544	0	187,779	344,128	5.48%	389,396	6.20%	\$1.79	(31,255)	(84,630)	75,274	103,237
Newport Beach	21	582,730	0	0	7,739	1.33%	27,797	4.77%	\$0.00	0	5,038	0	6,200
Santa Ana	173	4,300,047	0	0	221,799	5.16%	271,218	6.31%	\$1.83	(13,213)	(22,542)	65,509	155,587
Tustin	84	2,796,427	0	0	94,092	3.36%	79,940	2.86%	\$1.69	(19,136)	(25,500)	16,779	35,593
Airport Area Total	730	19,331,215	0	225,579	872,811	4.52%	1,009,740	5.22%	\$1.77	(56,412)	(73,465)	227,821	473,535
North County													
Anaheim	172	5,190,454	0	0	187,999	3.62%	197,678	3.81%	\$1.54	(18,502)	5,620	48,431	110,014
Brea	55	1,640,164	0	0	98,765	6.02%	105,166	6.41%	\$1.41	928	(7,283)	11,325	25,233
Buena Park	28	860,850	0	0	25,602	2.97%	28,527	3.31%	\$1.40	(6,623)	(4,217)	12,722	20,983
Fullerton	42	1,730,579	0	0	17,558	1.01%	23,393	1.35%	\$1.29	(7,350)	5,702	23,594	36,991
La Habra	12	247,791	0	0	7,780	3.14%	10,280	4.15%	\$0.00	10,212	4,222	12,192	12,342
Orange	96	2,098,960	0	0	52,198	2.49%	55,719	2.65%	\$1.62	14,306	16,584	29,992	56,349
Placentia	24	647,243	0	0	40,311	6.23%	44,191	6.83%	\$1.33	(14,263)	(17,318)	2,930	7,270
Yorba Linda	50	1,453,486	0	0	67,947	4.67%	136,863	9.42%	\$1.19	577	100,380	32,218	188,292
North County Total	479	13,869,527	0	0	498,160	3.59%	601,817	4.34%	\$1.30	(20,715)	103,690	173,404	457,474
South County													
Aliso Viejo	42	1,144,777	0	0	69,471	6.07%	81,828	7.15%	\$1.54	4,923	(256)	12,341	20,437
Foothill Ranch	8	273,620	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	49,415
Irvine Spectrum	291	10,511,874	0	0	750,913	7.14%	1,817,555	17.29%	\$1.75	(102,077)	(93,085)	114,785	282,393
Laguna Hills	52	1,203,794	0	0	38,305	3.18%	65,725	5.46%	\$1.52	(14,113)	(11,067)	11,144	27,147
Laguna Niguel	18	882,718	0	0	16,845	1.91%	16,845	1.91%	\$0.00	(3,820)	(7,460)	15,135	17,295
Lake Forest	60	1,417,499	0	0	67,085	4.73%	92,884	6.55%	\$1.70	(15,387)	(2,978)	7,452	38,077
Mission Viejo	36	691,400	0	0	29,646	4.29%	33,762	4.88%	\$1.72	(7,719)	(6,781)	5,795	13,802
Rancho Santa Margarita	38	1,429,909	0	0	24,143	1.69%	44,660	3.12%	\$1.66	9,516	14,100	10,809	16,686
San Clemente	59	1,419,688	0	0	86,987	6.13%	83,303	5.87%	\$1.70	(16,977)	(22,864)	20,064	52,713
San Juan Capistrano	42	739,899	0	0	66,835	9.03%	86,385	11.68%	\$0.00	(2,600)	(29,149)	876	22,311
South County Total	646	19,715,178	0	0	1,150,230	5.83%	2,322,947	11.78%	\$1.72	(148,254)	(159,540)	198,401	540,276
West County													
Cypress	49	2,007,618	0	0	351,300	17.50%	298,786	14.88%	\$1.52	14,698	3,698	73,118	95,555
Garden Grove	60	1,634,116	0	0	34,737	2.13%	31,813	1.95%	\$0.00	633	3,374	21,807	38,299
Huntington Beach	124	2,650,642	0	0	88,964	3.36%	90,131	3.40%	\$0.00	13,468	(35,303)	26,253	48,519
La Palma	1	78,980	0	0	78,980	100.00%	78,980	100.00%	\$0.00	0	0	0	0
Los Alamitos	40	862,087	0	0	31,216	3.62%	38,655	4.48%	\$1.85	7,385	17,654	15,153	44,305
Stanton	3	68,350	0	0	3,264	4.78%	3,264	4.78%	\$0.00	1,980	5,740	1,980	5,740
Westminster	16	440,455	0	0	10,836	2.46%	11,671	2.65%	\$0.00	(607)	(2,867)	3,880	3,880
West County Total	293	7,742,248	0	0	599,297	7.74%	553,300	7.15%	\$1.53	37,557	(7,704)	142,191	236,298
Orange County Total	2,148	60,658,168	0	225,579	3,120,498	5.14%	4,487,804	7.40%	\$1.64	(187,824)	(137,019)	741,817	1,707,583
Airport Area													
10,000-24,999	507	8,226,425	0	0	254,868	3.10%	338,122	4.11%	\$1.77	(5,790)	19,505	151,871	316,401
25,000-49,999	156	5,196,706	0	37,800	297,126	5.72%	317,861	6.12%	\$1.99	(50,353)	(88,958)	67,429	120,811
50,000-99,999	52	3,468,969	0	78,837	320,817	9.25%	353,757	10.20%	\$1.59	(269)	(4,012)	8,521	36,323
100,000 Plus	15	2,439,115	0	108,942	0	0.00%	0	0.00%	\$0.00	0	0	0	0
North County													
10,000-24,999	314	5,025,584	0	0	160,576	3.20%	180,152	3.58%	\$1.46	9,549	36,794	108,869	207,512
25,000-49,999	116	3,830,791	0	0	152,111	3.97%	216,787	5.66%	\$1.42	(26,753)	(42,172)	46,040	82,233
50,000-99,999	31	1,981,774	0	0	104,508	5.27%	121,713	6.14%	\$1.44	(2,911)	(3,700)	16,475	21,826
100,000 Plus	18	3,031,378	0	0	80,965	2.67%	83,165	2.74%	\$0.00	(600)	112,768	2,020	145,903
South County													
10,000-24,999	376	6,279,974	0	0	411,464	6.55%	521,036	8.30%	\$1.73	187	(17,347)	105,475	249,311
25,000-49,999	193	6,460,271	0	0	384,184	5.95%	539,439	8.35%	\$1.70	35,969	73,444	86,033	269,128
50,000-99,999	62	4,157,527	0	0	295,210	7.10%	688,646	16.56%	\$1.77	(184,410)	(215,637)	6,893	21,837
100,000 Plus	15	2,817,406	0	0	59,372	2.11%	573,826	20.37%	\$0.00	0	0	0	0
West County													
10,000-24,999	204	3,263,636	0	0	82,091	2.52%	85,605	2.62%	\$1.51	28,562	20,777	60,826	118,150
25,000-49,999	59	2,025,009	0	0	112,164	5.54%	148,693	7.34%	\$1.60	25,986	7,870	67,588	94,591
50,000-99,999	27	1,899,405	0	0	273,670	14.41%	189,674	9.99%	\$1.45	(16,991)	(36,351)	13,777	23,557
100,000 Plus	3	554,198	0	0	131,372	23.70%	129,328	23.34%	\$0.00	0	0	0	0
Orange County													
10,000-24,999	1,401	22,795,619	0	0	908,999	3.99%	1,124,915	4.93%	\$1.70	32,508	59,729	427,041	891,374
25,000-49,999	524	17,512,777	0	37,800	945,585	5.40%	1,222,780	6.98%	\$1.74	(15,151)	(49,816)	267,090	566,763
50,000-99,999	172	11,507,675	0	78,837	994,205	8.64%	1,353,790	11.76%	\$1.62	(204,581)	(259,700)	45,666	103,543
100,000 Plus	51	8,842,097	0	108,942	271,709	3.07%	786,319	8.89%	\$0.00	(600)	112,768	2,020	145,903
Orange County Total	2,148	60,658,168	0	225,579	3,120,498	5.14%	4,487,804	7.40%	\$1.64	(187,824)	(137,019)	741,817	1,707,583

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

2025 Isn't a Standstill; It's a Setup

by Trent Walker, Alton Burgess and Ryan Schroeder



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As the second quarter of 2025 has officially ended, we can begin to look to the future with some clarity. After the post-COVID boom, which fueled a surge in e-commerce and sparked a wave of speculative development and investment, we have witnessed a market realignment in the industrial real estate sector. The period of “fairytale” interest rates and ungrounded optimism has long faded, and while the current landscape may feel stagnant, the fundamentals suggest a more sustainable and strategic future is unfolding. Just like e-commerce boomed due to the pandemic, we are now seeing a rise in AI companies that are growing rapidly throughout Orange County, the largest of them being Palmer Luckey’s military technology company Anduril.

Today’s interest rates, though somewhat of a sticking point for real estate investors, are historically average when viewed over the past 25 years. Ultra-low rates were never sustainable long term; they were a reaction to crisis. High interest rates today reflect a stabilizing economy, not a collapsing one. In 2025 alone, \$957 billion in commercial mortgages will come due, and some of those borrowers will be forced to sell by their lenders, triggering equity transactions. Another major driving factor for future CRE growth is the announcement by the federal government that they are decreasing capital requirements for banks in 2025, which could increase their appetite for commercial real estate investments. We’re seeing hesitation now, but with macro shifts like easing capital requirements and a wave of loan maturities, this could trigger selective re-engagement later this year. While many tenants remain hesitant to make long-term moves, especially those directly impacted by tariffs, we’re beginning to see green shoots in segments like defense tech and AI.

The recent progress in finalizing a trade deal with China introduced a much-needed step towards fair trade between the world’s two largest economies. If current trade talks progress and tariff policy stabilizes, we anticipate some users may begin exploring longer-term commitments again.

The Orange County industrial market has always been one of the most stable markets nationwide, and no administration will change that. Moving into the second half of 2025 and beyond, low inflation, growing GDP, and tighter supply should restore balance and eventually renew rent growth. High quality assets and repurposing strategies, like office-to-industrial conversions, will be well positioned winners in an evolving landscape. No matter the roadblocks our industry will face, with the right strategies and discipline success is inevitable.

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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