

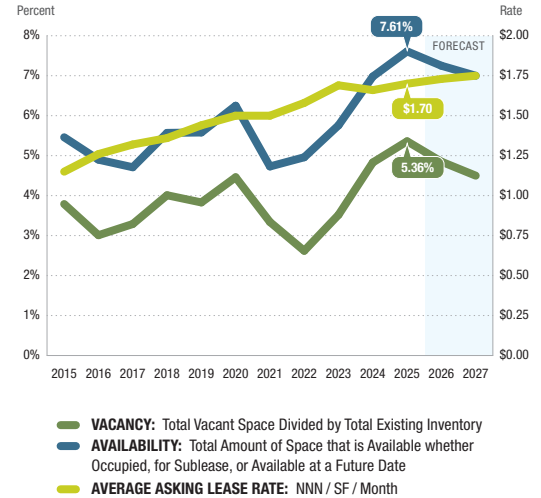
OVERVIEW. Orange County's R&D/Flex market closed out 2025 navigating through an adjustment period, with demand still choppy but displaying measurable improvement compared with earlier in the year. Transaction volume in Q4 exceeded Q3 on a square-footage basis, although overall volume remains below the levels seen in 2023 and early 2024. Vacancy and availability have climbed throughout the past year, reflecting slower tenant expansion and reluctant decision-making, but the pace of negative net absorption has eased compared with mid-2025. A mix of technology, medical, and light production users continues to drive requirements, with most deals targeting functional, well located buildings that can support hybrid office and production needs. As the market moves into 2026, the sector carries elevated vacancy, but benefits from increased prospect activity and a consistent pipeline of smaller transactions that help maintain engagement across the R&D/Flex base.

VACANCY & AVAILABILITY. Vacancy in the R&D/Flex market reached 5.36% in Q4, up from 5.25% in Q3 and 4.83% in Q4 2024. These figures reflect vacancy's persistent climb throughout the past year, with a modest quarter-over-quarter increase as move-outs slightly exceeded move-ins. Total availability concluded Q4 at 7.61%, rising from 7.42% in Q3 and 6.98% one year earlier. The expanding spread between direct and total availability signals a meaningful amount of shadow and sublease space in the pipeline, which will need to be absorbed before vacancy can decline. While vacancy and availability remain elevated near recent peaks, tenants still have options and owners face increased competition when pursuing commitments.

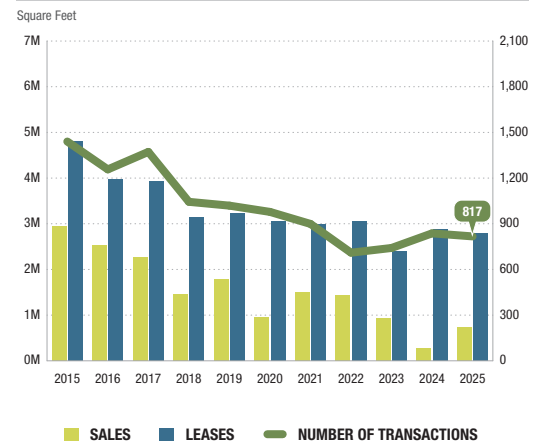
LEASE RATES. Average asking rents stood at \$1.70 PSF during Q4, edging up \$0.01 from \$1.69 in Q3 and gaining \$0.04, or about 2%, versus the \$1.66 recorded in Q4 2024. The data indicates that quoted rates maintain slight upward momentum despite rising vacancy, as landlords resist cutting face rents and prefer deploying concessions to address softer demand. Effective rents face greater pressure than headline rates, particularly in submarkets hosting larger blocks of available space or older product. Meanwhile, the modest year-over-year rent increase demonstrates that the rapid growth phase has concluded and that R&D/Flex pricing will likely track more directly with short-term occupancy trends moving forward.

TRANSACTION ACTIVITY. Q4 transaction activity totaled 782,462 SF of leased and sold space, improving from 745,723 SF in Q3 but trailing the 825,657 SF recorded in Q4 2024. The market completed 187 deals during the quarter, versus 197 in Q3 and 215 one year earlier, demonstrating that although deal count has moderated from prior years, consistent activity persists across the small and medium size ranges. Leasing comprised 181 transactions totaling 596,673 SF, while six sale transactions contributed 185,789 SF of owner-user and investor trades. This composition of smaller lease deals and selective sales illustrates a market where occupiers pursue specific space requirements rather than undertaking large scale expansions.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

	Change Over Last Quarter		Q4 2025	Q3 2025	Q4 2024	% Change Over Last Year
Vacancy Rate	▲ UP		5.36%	5.25%	4.83%	10.98%
Availability Rate	▲ UP		7.61%	7.42%	6.98%	8.96%
Average Asking Lease Rate	▲ UP		\$1.70	\$1.69	\$1.66	2.41%
Sale & Lease Transactions	▲ UP		782,462	745,723	825,657	(5.23%)
Gross Absorption	▼ DOWN		746,550	945,588	827,498	(9.78%)
Net Absorption	▼ NEGATIVE		(58,480)	(112,026)	47,919	N/A

ABSORPTION. Net absorption during Q4 registered negative 58,480 SF, an improvement over the negative 112,026 SF posted in Q3. Despite remaining in negative territory, the reduced pace of occupancy losses suggests that tenant departures are moderating and the market may be approaching a turning point. Gross absorption amounted to 746,550 SF, indicating steady leasing and move-in activity even as net figures stay negative. Notable transactions included a series of mid-size leases by medical, technology, and light-production users in core submarkets, which helped absorb some of the space returning to the market. These dynamics suggest the R&D/Flex market continues processing excess space accumulated over the past year while beginning to stabilize.

CONSTRUCTION. Development activity in the R&D/Flex remains limited, with one notable project currently under construction: Advantech's build-to-suit North American headquarters at Tustin Legacy, a 78,837 SF R&D/Flex building in the Airport Area. New development that might have targeted R&D/Flex users has largely shifted toward campus-style, low-rise office product and larger big-box industrial buildings, leaving very few R&D/Flex projects in the pipeline. Relative to an inventory exceeding 60 MSF, the current construction picture underscores that future R&D/Flex supply will come almost entirely from existing buildings rather than from new ground-up deliveries.

EMPLOYMENT. Orange County's unemployment rate was 4.4% in September 2025, based on the most recent data available at year's end. This reading is up from 4.0% a year earlier but is still below the statewide jobless rate, and it points to a labor market that has cooled but remains relatively healthy. Employment in professional and business services, which includes many R&D/Flex space users, has shown resilience despite broader economic headwinds.

Forecast

Looking ahead, the Orange County R&D/Flex market appears positioned for gradual stabilization rather than dramatic shifts. With vacancy holding near current levels and net absorption showing improvement, expectations point toward a market with potential for incremental gains if demand continues its current trajectory. Asking rents should hold steady or move marginally higher throughout next year, particularly for well located properties offering modern amenities and flexible configurations. New development is expected to remain limited, preventing supply-driven disruptions and allowing existing inventory to be absorbed over time. The lone project under construction represents minimal new supply relative to the 60 MSF inventory base. In sum, Orange County's R&D/Flex sector enters 2026 having moved through its adjustment period and now appears ready for a measured recovery characterized by stability rather than volatility.

Significant Transactions

Sales

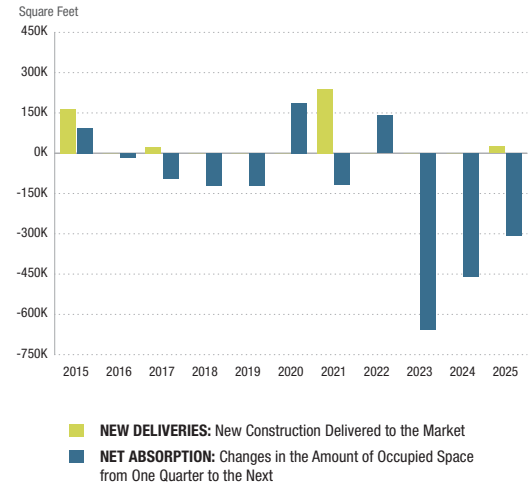
* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
22700 Savi Ranch Pkwy.	Yorba Linda	40,101	\$14,500,000	RSG Partners, LLC	Deercreek Yorba Linda LLC*
1095 Main St.	Irvine	27,638	\$8,300,000	CA Rinance & Real Estate	Noevir Co Ltd
30242 Esperanza	Rancho Santa Margarita	20,160	\$6,400,000	NPE Ventures LLC	Esperanza Office Partners, LLC
20521 Crescent Bay Dr.	Lake Forest	5,400	\$2,870,000	20521 Crescent Bay Drive LLC	Gary Trauloff Living Trust

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
1900 E. Carnegie Ave.	Santa Ana	60,110	Nov-2025	Vita Plus	EMC Carnegie
5770 Warland Dr.	Cypress	11,790	Nov-2025	AVI Systems dba Forte	Warland Drive One A LLC
1980 W. Corporate Way	Anaheim	11,336	Oct-2025	Alilang LLC	1110 Anaheim LLC
11075 Knott Ave.	Cypress	9,993	Nov-2025	Imagenet, LLC	Warland Investment Company
14331 Chambers Rd.	Tustin	8,214	Oct-2025	Techko Kobot	CPW Creative LLC

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 Q4 2025	Square Feet Available	Availability Rate Q4 2025	Average Asking Lease Rate	Net Absorption Q4 2025	Net Absorption 2025	Gross Absorption Q4 2025	Gross Absorption 2025
Airport Area													
Costa Mesa	166	3,930,294	0	0	218,235	5.55%	232,930	5.93%	\$1.77	1,309	19,261	25,717	172,612
Fountain Valley	49	1,445,173	0	37,800	29,424	2.04%	29,424	2.04%	\$1.61	362	(14,257)	18,705	67,089
Irvine	237	6,276,544	0	0	392,467	6.25%	436,882	6.96%	\$1.76	13,330	(128,873)	18,275	235,285
Newport Beach	21	582,730	0	0	9,126	1.57%	33,573	5.76%	\$0.00	1,575	3,651	4,124	11,486
Santa Ana	173	4,300,047	0	0	145,936	3.39%	184,397	4.29%	\$1.83	88,231	48,087	55,135	259,352
Tustin	84	2,796,427	78,837	0	61,965	2.22%	76,299	2.73%	\$1.68	10,592	10,438	20,383	81,322
Airport Area Total	730	19,331,215	78,837	37,800	857,153	4.43%	993,505	5.14%	\$1.75	115,399	(61,693)	142,339	827,146
North County													
Anaheim	172	5,190,454	0	0	151,319	2.92%	147,405	2.84%	\$1.35	56,941	50,644	51,536	205,720
Brea	55	1,640,164	0	0	94,952	5.79%	99,138	6.04%	\$1.43	(11,730)	777	15,227	65,449
Buena Park	28	860,850	0	0	17,795	2.07%	39,237	4.56%	\$0.00	4,259	3,536	8,996	49,111
Fullerton	42	1,730,579	0	0	35,685	2.06%	105,322	6.09%	\$1.00	(2,890)	(12,124)	11,568	67,025
La Habra	12	247,791	0	0	11,514	4.65%	4,796	1.94%	\$0.00	(1,117)	605	1,980	15,322
Orange	96	2,098,960	0	0	77,429	3.69%	85,759	4.09%	\$1.76	(7,279)	(3,460)	34,944	112,060
Placentia	24	647,243	0	0	31,821	4.92%	41,995	6.49%	\$1.32	(2,616)	(7,578)	0	25,989
Yorba Linda	50	1,453,486	0	0	50,689	3.49%	139,408	9.59%	\$1.47	32,827	75,173	19,861	275,325
North County Total	479	13,869,527	0	0	471,204	3.40%	663,060	4.78%	\$1.43	68,395	107,573	144,112	816,001
South County													
Aliso Viejo	42	1,144,777	0	0	76,044	6.64%	90,126	7.87%	\$1.56	15,336	7,920	15,336	43,363
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	974,189	9.27%	1,792,825	17.06%	\$1.76	(255,814)	(328,952)	204,010	745,805
Laguna Hills	52	1,203,794	0	0	26,462	2.20%	41,634	3.46%	\$1.50	7,697	(5,651)	18,491	56,568
Laguna Niguel	18	882,718	0	0	36,030	4.08%	36,030	4.08%	\$0.00	(4,420)	(27,992)	0	20,015
Lake Forest	60	1,417,499	0	0	91,761	6.47%	132,509	9.35%	\$1.70	(15,915)	(35,504)	13,795	87,409
Mission Viejo	36	691,400	0	0	37,359	5.40%	42,528	6.15%	\$1.73	(9,055)	(15,040)	13,435	32,083
Rancho Santa Margarita	38	1,429,909	0	0	2,350	0.16%	8,080	0.57%	\$1.62	21,810	37,203	0	16,686
San Clemente	59	1,419,688	0	0	48,927	3.45%	57,289	4.04%	\$1.70	(5,571)	10,848	7,779	105,016
San Juan Capistrano	42	739,899	0	0	55,216	7.46%	80,620	10.90%	\$0.00	9,853	(17,530)	22,095	56,342
South County Total	646	19,715,178	0	0	1,348,338	6.84%	2,281,641	11.57%	\$1.73	(236,079)	(374,698)	294,941	1,212,702
West County													
Cypress	49	2,007,618	0	0	283,506	14.12%	317,740	15.83%	\$1.53	25,303	83,290	30,768	184,556
Garden Grove	60	1,634,116	0	0	73,575	4.50%	60,188	3.68%	\$0.80	(15,058)	(37,714)	21,037	70,423
Huntington Beach	124	2,650,642	0	0	68,914	2.60%	72,020	2.72%	\$1.55	4,333	(29,515)	25,071	116,188
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	53,715	6.23%	127,577	14.80%	\$1.85	(15,972)	(499)	71,167	122,621
Stanton	3	68,350	0	0	4,500	6.58%	4,500	6.58%	\$0.00	0	4,504	0	9,004
Westminster	16	440,455	0	0	11,431	2.60%	14,311	3.25%	\$0.00	(4,801)	1,227	17,115	41,080
West County Total	293	7,742,248	0	0	574,621	7.42%	675,316	8.72%	\$1.54	(6,195)	21,293	165,158	543,872
Orange County Total	2,148	60,658,168	78,837	37,800	3,251,316	5.36%	4,613,522	7.61%	\$1.70	(58,480)	(307,525)	746,550	3,399,721
Airport Area													
10,000-24,999	507	8,226,425	0	0	326,790	3.97%	398,984	4.85%	\$1.71	6,110	(48,472)	108,943	516,869
25,000-49,999	156	5,196,706	0	37,800	245,140	4.72%	338,636	6.52%	\$2.00	53,297	(40,033)	28,267	203,717
50,000-99,999	52	3,468,969	78,837	0	285,223	8.22%	255,885	7.38%	\$1.58	55,992	26,812	5,129	106,560
100,000 Plus	15	2,439,115	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
North County													
10,000-24,999	314	5,025,584	0	0	170,491	3.39%	195,595	3.89%	\$1.45	(27,557)	27,935	64,146	360,198
25,000-49,999	116	3,830,791	0	0	145,421	3.80%	246,264	6.43%	\$1.37	38,359	(87,301)	48,336	235,862
50,000-99,999	31	1,981,774	0	0	73,512	3.71%	69,584	3.51%	\$1.48	57,808	55,586	29,830	70,838
100,000 Plus	18	3,031,378	0	0	81,780	2.70%	151,617	5.00%	\$0.00	(215)	111,353	1,800	149,103
South County													
10,000-24,999	376	6,279,974	0	0	339,578	5.41%	501,046	7.98%	\$1.75	44,323	42,286	102,062	523,970
25,000-49,999	193	6,460,271	0	0	421,797	6.53%	673,107	10.42%	\$1.79	(51,939)	27,568	91,642	526,412
50,000-99,999	62	4,157,527	0	0	400,561	9.63%	679,794	16.35%	\$1.76	(101,433)	(317,522)	101,237	162,320
100,000 Plus	15	2,817,406	0	0	186,402	6.62%	427,694	15.18%	\$0.00	(127,030)	(127,030)	0	0
West County													
10,000-24,999	204	3,263,636	0	0	147,819	4.53%	161,141	4.94%	\$1.51	(12,667)	(25,738)	50,820	201,416
25,000-49,999	59	2,025,009	0	0	123,719	6.11%	148,636	7.34%	\$1.60	(14,665)	11,963	12,829	161,614
50,000-99,999	27	1,899,405	0	0	174,859	9.21%	237,315	12.49%	\$1.48	21,137	35,068	101,509	180,842
100,000 Plus	3	554,198	0	0	128,224	23.14%	128,224	23.14%	\$0.00	0	0	0	0
Orange County													
10,000-24,999	1,401	22,795,619	0	0	984,678	4.32%	1,256,766	5.51%	\$1.69	10,209	(3,989)	325,971	1,602,453
25,000-49,999	524	17,512,777	0	37,800	936,077	5.35%	1,406,643	8.03%	\$1.77	25,052	(87,803)	181,074	1,127,605
50,000-99,999	172	11,507,675	78,837	0	934,155	8.12%	1,242,578	10.80%	\$1.63	33,504	(200,056)	237,705	520,560
100,000 Plus	51	8,842,097	0	0	396,406	4.48%	707,535	8.00%	\$0.00	(127,245)	(15,677)	1,800	149,103
Orange County Total	2,148	60,658,168	78,837	37,800	3,251,316	5.36%	4,613,522	7.61%	\$1.70	(58,480)	(307,525)	746,550	3,399,721

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



The Time Is Now

by Reed Rutter

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There is no denying that soft market conditions defined the 2025 Orange County industrial market. Vacancy stayed on the rise, absorption ran negative, and lease rates continued their slide, giving tenants additional leverage. Decision-making slowed as higher interest rates, cautious capital markets and general economic uncertainty kept both occupiers and investors in wait-and-see mode. But markets do not turn purely on headlines, and as 2025 ended, the data offered a clear indication that things are beginning to change.

After an extended period of uncertainty, the fourth quarter delivered a break in the trend. For the first time in more than two years, vacancy declined, settling at 5.63%, while total availability compressed to just above 8%. More importantly, net absorption returned to positive territory, reversing the significant occupancy losses experienced earlier in the year. Gross absorption surged nearly 61% year over year, signaling that the increase in tenant activity is real and measurable.

While lease rates remain below their prior peak, they have stabilized. Landlords continue to offer concessions, including free rent and tenant improvement packages, yet the leverage gap is no longer widening. As demand rebuilds, particularly in functional, well located product, that balance is beginning to shift.

On the capital side, the numbers tell an equally important story. Average asking sale prices in the fourth quarter remained elevated, although below recent peak levels, rising more than 4.5% year over year, despite softer leasing conditions. This discrepancy shows a growing reality that as lease rates have adjusted, capital sources are restructuring their investment criteria. Investors understand Orange County's structural constraints, limited land and static inventory base, coupled with historically strong demand, and they are positioning themselves accordingly.

The broader economy provides additional support. GDP growth hit 4.3% in Q3, and the Federal Reserve has begun easing monetary policy in an effort to restore liquidity and encourage business growth. With interest rates trending lower and the discussion shifting toward more "pro-growth, business-friendly" leadership at the Fed in 2026, sidelined capital is preparing to re-enter the market.

What is emerging is not a rapid rebound, but a slow transition that is gaining momentum. Stabilization precedes recovery, and this modest shift in market metrics confirms that the market is returning to good health. The disconnect between lease rates and sale pricing will not persist indefinitely, as history suggests it closes through increased activity, not further hesitation.

As we move into 2026, the lesson is clear: momentum is shifting before our eyes, and the numbers now support it. Those waiting for the "perfect" signal may find themselves competing in a far tighter and more expensive environment. In Orange County industrial, the turn is underway and the time to act is now.

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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