

ORANGE COUNTY

THIRD QUARTER 2026 OFFICE MARKET REPORT

OFFICE RECOVERY CONTINUES, RENTS HIT NEW RECORD

Healthy tenant growth continued in the third quarter with companies leasing nearly a half-million square feet of space. Steady gains in demand have pushed the vacancy rate down to 13.4% from its 16.1% peak reached three years ago and is slightly less than the nationwide average. Asking gross rents are up 10% year over year, averaging $2.93 per SF, the highest on record.

Positive net absorption in the last five quarters totals 2.6 million SF, with 3.7 million SF in 11 of the last 12 quarters. Available sublet space has fallen to 2,416,223 SF – less than its pre-pandemic average – from the record 4,234,301 SF in early 2023.

Class A space accounts for 43% of the county's 115-millon-SF inventory and is capturing most of the growth. The vacancy rate for premium space settled at 16.3% in Q3, down from a record 21.5% three years ago. Available Class A sublet space totaled 1,231,332 SF at the end of Q3, the least since the end of 2019.

Countywide demand in Q3 was mixed as three of the county's five submarkets reported absorption gains in Q3, led by South County with 371,626 SF. Tenant growth in Airport-area buildings totaled 114,354 SF in Q3 and is up 649,662 SF for the year. Four submarkets are showing year-to-date gains of 959,716 SF. Third-quarter North and Central county net absorption was slightly in the red.

Despite the improved growth, overall market activity also remains somewhat subdued with leasing volume and new deal flow more than 10% less than prior to Covid in 2020. Fewer tenants are relinquishing space, and owner occupancy has continued to increase with building acquisitions. Owner occupancy has expanded by more than 3.5 million SF since 2020, equivalent to more than 2% of countywide inventory, as owner-user acquisitions have exceeded user sales.

Office utilization is still gradually recovering from pandemic-era lows, but growth in local office-using employment remains limited. Consequently, weak employment trends represent a key risk to the forecast, which anticipates continued vacancy compression and firmer rent growth.

Only one speculative office building is under construction, located within the OCVIBE mixed use redevelopment in Anaheim. Supply levels will contract in the coming quarters as additional obsolete suburban office buildings are removed for redevelopment, most commonly residential projects.

The largest lease in Q3 was Taco Bell's agreement with the Irvine Co. for a 104,294 SF, Class B building at 15955 Alton Parkway in the Irvine Spectrum. Asking rent was listed at $2.11 per SF.

The largest sale transaction was Hoag Memorial Hospital's acquisition of the 1-million-SF Chet Holifield Federal Building, aka The Ziggurat, in Laguna Niguel from the U.S. General Services Administration for $207 million. Hoag officials said a "health and wellness village" is planned for the 89-acre campus.

MARKET FORECAST

Cal State Fullerton's Business Expectations Index for Orange County rose to 72.4% in Q3, up from Q2's 68.5%. Inflation remains as the leading concern followed by fuel costs, interest rates, tariffs, government deficits, the Iran war and a potential stock market decline.

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ECONOMIC INDICATORS

	Current Quarter	Prior Quarter
OC Unemployment	4.4%	4.1%
California Unemployment	5.1%	5.3%
US Unemployment	4.2%	4.2%

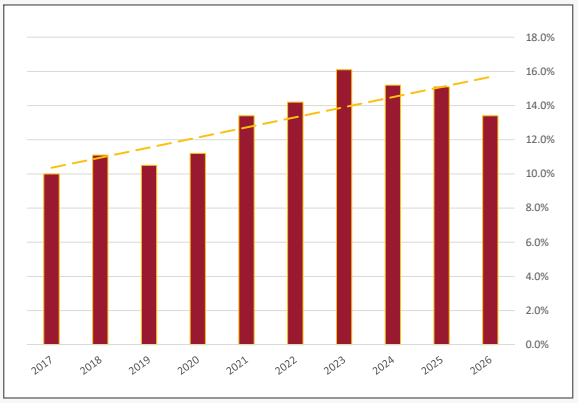
Source: EDD

OFFICE MARKET INDICATORS

	Current Quarter	Prior Quarter
Total Inventory (SF)	115,010,346	114,972,014
Vacancy Rate (%)	13.4%	12.9%
Net Absorption (SF)	488,811	346,503
Average Asking Rent ($/SF)	$2.93	$2.86
Under Construction (SF)	168,137	205,537

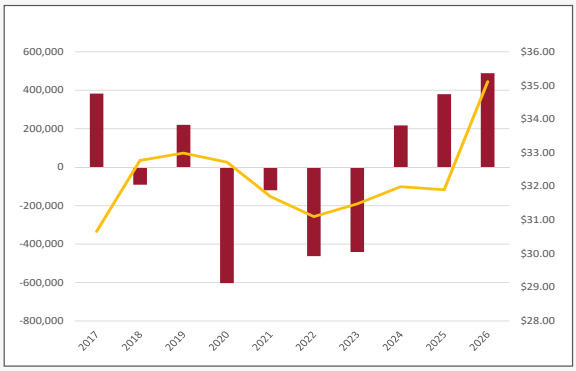
Source: CoStar - (Existing Buildings 30K+ SF)

OVERALL VACANCY



Source: CoStar - (Existing Buildings 30K+ SF)

NET ABSORPTION VS ASKING RATES



Source: CoStar - (Existing Buildings 30K+ SF)

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ORANGE COUNTY MARKET STATISTICS - 3Q 2026

Orange County Submarket	Bldg Count	Total SF Inventory	Total SF Available	Availability Rate	Total SF Vacant	Total Vac. Rate	3rd. Qrt. Net Absorption	YTD Net Absorption	*Avg Asking Lease Rate	SF Under Construction
North	165	13,754,959	1,487,224	10.8%	1,357,149	9.9%	(11,705)	15,239	$2.66	0
Central	243	21,633,246	2,954,442	13.6%	2,483,417	11.5%	(5,884)	210,356	$2.49	168,137
West	128	8,724,488	1,083,316	12.4%	1,018,225	11.7%	20,420	(135,910)	$2.55	0
Greater Airport	403	43,285,175	7,383,089	17.1%	6,113,394	14.1%	114,354	649,662	$3.25	0
South	369	27,636,414	4,764,540	17.2%	4,421,111	16.0%	403,380	182,969	$2.83	0
TOTALS	**1,308**	**115,034,282**	**17,672,611**	**15.3%**	**15,393,296**	**13.4%**	**520,565**	**922,316**	**$2.92**	**168,137**

Source: CoStar - (Existing Buildings 30K+ SF) *Average

Building Class	Bldg Count	Total SF Inventory	Total SF Available	Availability Rate	Total SF Vacant	Total Vac. Rate	3rd. Qrt. Net Absorption	YTD Net Absorption	*Avg Asking Lease Rate	SF Under Construction
A	312	49,526,168	9,800,479	19.7%	8,039,294	16.2%	497,378	843,311	$3.15	168,137
B	863	58,785,267	7,187,104	12.2%	6,908,274	11.8%	60,207	200,671	$2.72	0
C	135	6,828,247	685,028	10.0%	445,728	6.5%	(37,020)	(84,266)	$2.42	0
TOTALS	**1,310**	**115,139,682**	**17,672,611**	**15.3%**	**15,393,296**	**13.4%**	**520,565**	**959,716**	**$2.92**	**168,137**

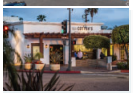
Source: CoStar - (Existing Buildings 30K+ SF) *Average

LEASE TRANSACTIONS - 3Q 2026

	Property	SF	Tenant	Landlord	Representing Brokers
	633 W. 5th Street, Ste 300 Los Angeles, CA	15,416	HMC Group	USBT Property Owner LP	Gary McArdell represented the Tenant
	17877 Von Karman Avenue, Suite 100 Irvine, CA	10,000	Blue Front Financial LLC	Xponential Fitness LLC	Scott Colton & Trent Martin represented the Tenant
	1100 Town & Country Suite 1150 Orange, CA	9,544	The Muller Co.	Frazer, LLP	Mark Joens represented the Tenant

Source: CoStar

SALE TRANSACTIONS - 3Q 2026

	Property	SF	Buyer	Seller	Representing Brokers
	1422 Edinger Avenue Tustin, CA	3,022	KJE Enterprise Holdings, LLC	1422 Edinger Ave, LLC	David Bolt represented the Seller
	201 Avenida Fabricante San Clemente, CA	9,544	Eric Goedhart Living Trust	Meyers & Roy, LLC	Mark Jerue, Craig Fitterer & BJ Fell represented the Seller
	19000 MacArthur Blvd. Irvine, CA	171,999	19000 MacArthur Blvd, a KF LP	CM Stratplan	Marshal Vogt & Jaimeson Hearne represented the Buyer

Source: CoStar

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