

# ORANGE COUNTY

## SECOND QUARTER 2025 OFFICE MARKET REPORT

### TREND OF IMPROVING DEMAND PAUSES IN SECOND QUARTER

Although there was a healthy level of leasing activity in the second quarter with about 23 full-floor transactions, overall demand for Orange County office space posted its biggest quarterly decline since late 2023. It ended the first positive trend for local landlords since the Covid lockdown. The overall vacancy rate increased 60 basis points in the second quarter to 15.3%, and Class A vacancy ticked up to 19.7%.

Whether the negative net absorption of 483,946 SF in the second quarter represents more than a pause will become clear in the coming quarters. But this latest reversal reaffirms market instability as tenants contract. There was a modest first-quarter drop of 86,671 SF, but Q2's decline signals that the momentum behind the 1.48 million SF gained since late 2023 has lost steam.

Throughout 2024, Orange County had been one of the top performing markets in the United States. Fewer tenants had been relinquishing space upon lease expiration. Availability also declined due to more sublease space being leased, de-listed or expired. Second-hand space absorbed in 2024 totaled 437,065 SF, the most on record in a single year.

Development is at low ebb. There are only four projects totaling 351,321 SF under construction, down from a historical average of 1.8 million SF. Several planned projects have been mothballed due to weaker leasing prospects and obsolete offices have been razed for redevelopment.

Year-to-date net absorption is in the red in four of the county's five submarkets whose inventory totals 116.5 million SF in 1,327 buildings.

The Greater Airport is the largest with 44.2 million SF and has the highest vacancy rate, 17.9%. There are 7.9 million SF of empty space throughout 415 buildings. The average asking lease rate is \$2.88 per SF compared with the \$2.63 per SF countywide average.

Among the county's largest 2Q leases was the agreement for 62,977 SF in a 96,409-SF Class A tower at 5000 Birch St. in Newport Beach. The building was 80% vacant. The space had been available for six years.

The 8.8-million-SF West County market is the county's smallest with 128 buildings and tightest with a vacancy rate of 9.6%.

The 27.4-million-SF South County submarket, the county's second largest, has a vacancy rate of 14.8% and is the only submarket posting positive first-half tenant growth totaling 60,937 SF.

The largest two sales in Q2 were the acquisition by H&S Ventures of Corona del Mar of the 262,000 SF Stadium Tower at 2400 E. Katella Ave., in Anaheim for \$72.1 million or \$275 per SF; and the 18-story City Plaza with 359,134 SF. It sold to Surlamer Investments of Newport Beach for \$51.51 per SF. The property's profile shows it at 22% occupancy.

### MARKET FORECAST

In a new periodic survey by Cal State Fullerton's business school, 38% of local business executives said they expect sales to increase, up from 37% in Q1. Thirty-eight percent said they would hire more workers, compared to 17% in the first quarter. Interest rates, geopolitical risks and tariffs have displaced inflation as their leading concern.

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### ECONOMIC INDICATORS

	Current Quarter	Prior Quarter
OC Unemployment	3.6%	3.7%
California Unemployment	5.3%	5.4%
US Unemployment	4.1%	4.1%

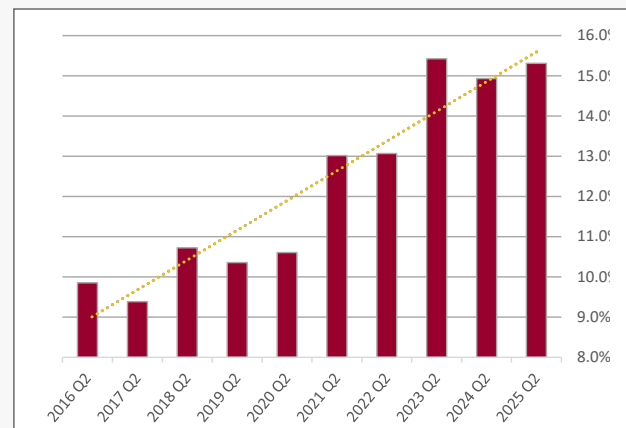
Source: EDD

### OFFICE MARKET INDICATORS

	Current Quarter	Prior Quarter
Total Inventory (SF)	116,539,826	116,524,640
Vacancy Rate (%)	15.3%	14.7%
Net Absorption (SF)	(483,946)	(86,671)
Average Asking Rent (\$/SF)	\$2.63	\$2.62
Under Construction (SF)	351,321	244,554

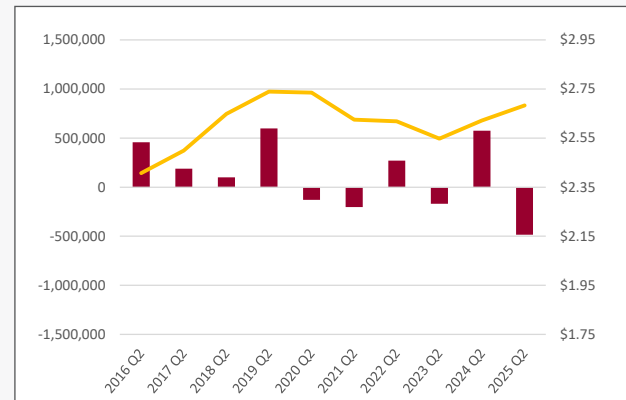
Source: CoStar - (Existing Buildings 30K+ SF)

### OVERALL VACANCY



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

### NET ABSORPTION VS ASKING RATES



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

# ORANGE COUNTY

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### ORANGE COUNTY MARKET STATISTICS - 2Q 2025

Orange County Submarket	Bldg Count	Total SF Inventory	Total SF Available	Availability Rate	Total SF Vacant	Total Vac. Rate	2nd. Qrt. Net Absorption	YTD Net Absorption	Avg Asking Lease Rate	SF Under Construction
North	166	14,043,568	1,728,743	12.3%	1,522,596	10.8%	15,189	(200,453)	\$2.55	0
Central	252	22,126,219	3,750,870	16.7%	3,505,000	15.8%	(127,329)	(183,998)	\$2.40	277,079
West	128	8,766,437	1,033,106	11.7%	840,618	9.6%	(33,338)	(81,583)	\$2.47	31,585
Greater Airport	415	44,212,741	8,948,918	20.2%	7,933,343	17.9%	(275,639)	(165,520)	\$2.88	0
South	366	27,390,861	5,241,070	19.1%	4,040,502	14.8%	(62,829)	60,937	\$2.73	42,657
<b>TOTALS</b>	<b>1,327</b>	<b>116,539,826</b>	<b>20,702,707</b>	<b>17.8%</b>	<b>17,842,059</b>	<b>15.3%</b>	<b>(483,946)</b>	<b>(570,617)</b>	<b>\$2.63</b>	<b>351,321</b>

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

Building Class	Bldg Count	Total SF Inventory	Total SF Available	Availability Rate	Total SF Vacant	Total Vac. Rate	2nd. Qrt. Net Absorption	YTD Net Absorption	Avg Asking Lease Rate	SF Under Construction
A	320	51,641,608	11,792,401	22.7%	10,177,139	19.7%	(107,979)	(12,347)	\$2.83	319,736
B	914	60,250,365	8,624,166	14.3%	7,459,372	12.4%	(430,300)	(617,714)	\$2.63	31,585
C	93	4,647,853	286,140	6.2%	205,548	4.4%	54,333	59,444	\$1.65	0
<b>TOTALS</b>	<b>1,327</b>	<b>116,539,826</b>	<b>20,702,707</b>	<b>17.8%</b>	<b>17,842,059</b>	<b>15.3%</b>	<b>(483,946)</b>	<b>(570,617)</b>	<b>\$2.63</b>	<b>351,321</b>




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

### LEASE TRANSACTIONS - 2Q 2025

Property	SF	Tenant	Landlord	Representing Brokers
 4000 MacArthur Blvd Newport Beach, CA	18878	Sequel Brands, LLC	HG Newport Owner LLC	Matt Christensen, Jordan Kemper represented the Tenant
 3 Park Plaza, 18th Floor Irvine, CA	23,250	Clear Start Tax, Inc.	Lessor Jamboree Center 3, LLC	Mark Joens represented the Tenant
 2000 E McFadden Ave, 2nd Floor Santa Ana, CA	15,020	Auto Protection Center LLC	Rados Properties	Scott Colton represented the Tenant

Source: CoStar

### SALE TRANSACTIONS - 2Q 2025

Property	SF	Buyer	Seller	Representing Brokers
 3750 S Susan St Santa Ana, CA	15,715	Wesam Hijazin	Infoserra, LLC	Brian Garbutt, Carter Harrington, Alejandro Sherratt represented the Buyer & Seller
 2965 Edinger Ave Tustin, CA	13,011	GAWU, LLC	Advanced Veterinary Specialty	John Son represented the Buyer
 830 Roosevelt Ave Irvine, CA	9,920	Yan Liu	JAT Properties, LLC	Jake Fischbeck, Matt Fryer, Dave Smith & Travis Watts represented the Seller

Source: CoStar

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