MARKETBEAT

ORANGE COUNTY

INDUSTRIAL Q2 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
4.4% Vacancy Rate	▲	▼
-485K YTD Net Absorption, SF	▼	▲
$1.54 Asking Rent, PSF *(Overall, Net Asking Rent)*	▼	▼

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.7M Orange County Employment	▲	▲
3.9% Orange County Unemployment Rate	▲	▼
4.2% U.S Unemployment Rate	▲	▲

Source:BLS

ECONOMIC OVERVIEW

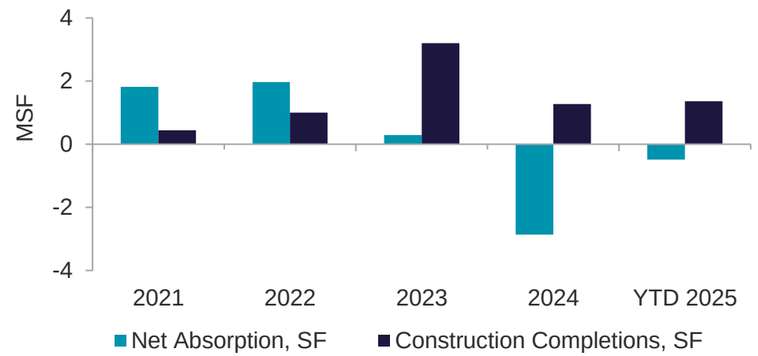
From May 2024 through May 2025, total nonfarm employment in Orange County (OC) increased by 7,000 jobs, or 0.4% year-over-year (YOY). Growth was led by private education and health services, which added 12,400 jobs (+4.5% YOY), primarily within healthcare and social assistance. Government (+3,200 jobs), other services (+1,600 jobs) and leisure and hospitality (+1,500 jobs) also posted gains. However, six industries recorded job losses over the year: construction (-3,100 jobs), financial activities (-2,400 jobs), manufacturing (-2,300 jobs), professional and business services (-1,500 jobs), trade, transportation, and utilities (-1,300 jobs) and information (-1,100 jobs).The unemployment rate in OC stood at 3.6% in May 2025, down from 3.7% in April but above the 3.3% rate recorded one year earlier. [1] This remains below the unadjusted rates for California (4.9%) and the U.S. (4.2%). All employment sectors in OC are projected to grow at a combined rate of 1.0% in 2025 and 0.8% in 2026, compared to the five-year historical average of 0.2%.

SUPPLY OR DEMAND

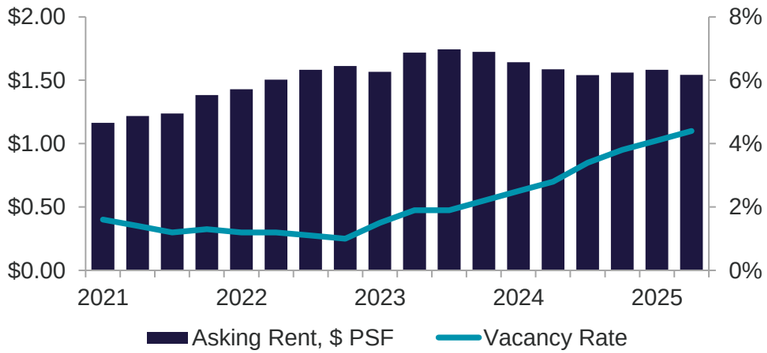
The vacancy rate in OC rose for the tenth consecutive quarter, increasing by 30 basis points (bps) quarter-over-quarter (QOQ) and 160 bps year-over-year (YOY) to 4.4%. This sustained upward trend reflects ongoing market softening, as overall net absorption remained negative for the seventh consecutive quarter, with 310,432 square feet (sf) returned to the market in Q2 2025. All four OC major submarkets recorded occupancy losses; however, select areas showed resilience. Notable gains were reported in Irvine (+156,276 sf), Fountain Valley (+40,465 sf) within the Greater Airport Area, and Brea/La Habra (+49,177 sf) in North County, suggesting pockets of tenant activity amid an otherwise sluggish market.

Leasing activity, excluding renewals, totaled just over 2.2 million square feet (msf) in Q2 2025, increasing 2.2% QOQ and 35.7% YOY. The rise in vacancy was primarily driven by tenant move-outs and speculative (spec) developments lacking preleasing. Of the 1.4 msf of new inventory delivered year-to-date, approximately 1.1 msf came to market vacant. This dynamic underscores the risks associated with spec development in a softening environment. As unleased space continues to hit the market, landlords are facing heightened competition and responding with increased concessions, more flexible lease terms and reduced rates to secure tenants.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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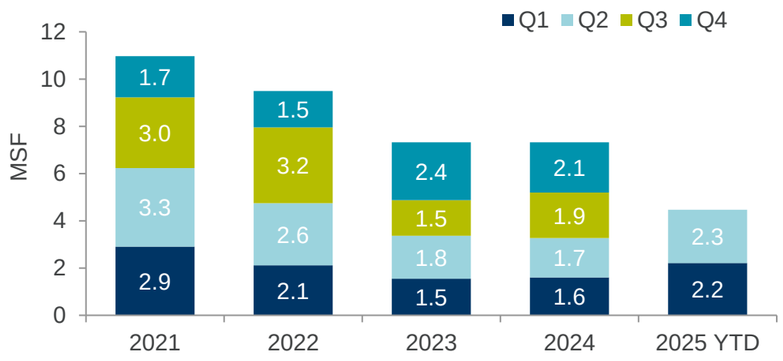
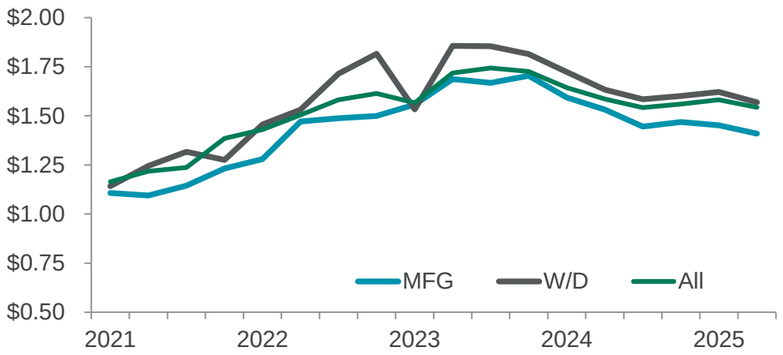
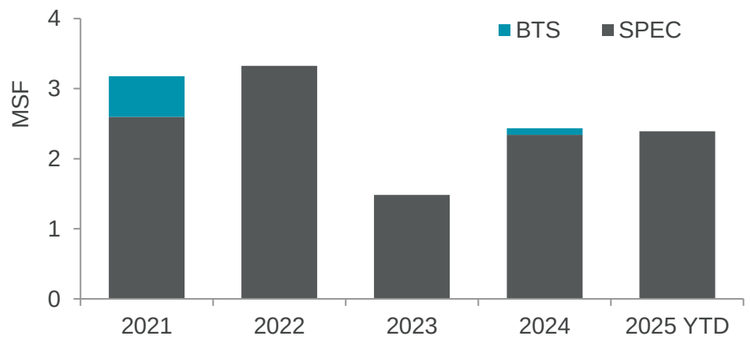
NEW LEASING ACTIVITY



AVERAGE OVERALL ASKING RENT $PSF MONTHLY



UNDER CONSTRUCTION BY BUILDING TYPE



PRICING

The overall asking rent in OC declined modestly in Q2 2025, decreasing by $0.04 per square foot (psf) (-2.5%) QOQ to $1.54 psf per month on a triple net basis. This also marked a $0.05 psf decrease (-2.7%) YOY from $1.59 psf in Q2 2024. The pullback reflects continued pressure from elevated vacancy, even as landlords strive to preserve asset values by holding rates steady where possible. Newly delivered vacant space is often introduced at ambitious asking rates, but sustained softening in tenant demand has made pricing adjustments increasingly necessary. For warehouse and distribution buildings, which comprise the majority of OC's industrial stock, the average asking rent declined by $0.05 psf (-3.2% QOQ) to $1.57 psf, representing a $0.06 psf (-2.7% YOY) drop from the prior year. The decrease reflects tenant pushback on pricing and heightened competition among landlords to secure commitments in a slower leasing environment.

FUTURE INVENTORY

At the close of Q2 2025, 19 buildings totaling 2.4 msf remained under construction across OC, with only one building preleased. In response to rising vacancy and sustained demand uncertainty, developers are increasingly pivoting away from spec construction in favor of build-to-suit projects tailored to specific tenant requirements. This strategy provides greater leasing certainty, enhances long-term occupancy and stabilizes cash flow.

SALES ACTIVITY

Industrial sales activity in OC declined in Q2 2025, totaling $332 million - down 48.7% QOQ and 2.4% YOY. The slowdown follows a strong Q1 rebound and reflects investor caution amid persistent economic uncertainty. The average sale price decreased to $338 psf, a 3.4% drop QOQ and a 9.0% decline YOY, signaling a modest recalibration in pricing expectations despite continued long-term confidence in industrial asset fundamentals. Private buyers accounted for the largest share of transactions at 31.9%, followed by cross-border investors at 29.4%, institutional buyers at 26.0% and other investors at 12.7%. The mix reflects a diverse buyer pool, though the pullback in overall volume suggests many remain in a wait-and-see posture as market dynamics evolve. The Federal Reserve has held the federal funds rate steady at 4.25%–4.50% since its 25-bps cut in December 2024. At its June 2025 meeting, the Fed signaled a split outlook, with some officials expecting one or two cuts by year-end and others forecasting none. Persistent inflation and uncertainty around tariffs continue to weigh on policy direction. While a September rate cut remains possible, July is considered unlikely. As a result, many industrial investors are maintaining a cautious stance, delaying major commitments until clearer economic signals and policy trends emerge.

OUTLOOK

- Ports of Los Angeles and Long Beach continue to post record TEU throughput, with Long Beach marking a record high in April. This could strengthen the Inland Empire and OC logistics corridors, supporting industrial leasing tied to import/distribution cycles.
- The Federal Reserve's December 2024 rate cut initiated a tentative easing cycle, yet persistent inflation and geopolitical uncertainty have kept additional rate adjustments on hold. The Fed's cautious stance through mid-2025 has tempered investor enthusiasm, with many OC industrial buyers postponing major deals pending clearer rate and inflation signals.
- U.S. tariffs have escalated sharply through mid-2025, including steep duties on steel, aluminum, autos, and electronics, while new tariffs targeting Canada, Mexico, China and Southeast Asian transshipment channels add to the pressure. These ongoing trade frictions continue to suppress global and regional supply chains, encouraging risk-averse behavior in both corporate and investment decision-making.

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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)*	OVERALL WEIGHTED AVG NET RENT (W/D)*	OVERALL WEIGHTED AVG NET RENT (ALL TYPES)*
North County	110,090,703	5,286,459	4.8%	-54,017	73,501	732,067	574,248	$1.36	$1.59	$1.55
West County	39,538,687	1,988,155	5.0%	-191,768	-347,638	318,751	389,809	$1.47	$1.76	$1.68
Greater Airport Area	70,496,523	3,015,405	4.3%	-23,974	-50,323	771,083	308,588	$1.43	$1.30	$1.35
South County	35,595,738	1,004,428	2.8%	-40,673	-160,084	570,221	91,600	$1.54	$1.55	$1.59
R&D	21,787,557	794,779	3.7%	44,687	-22,885	171,652	91,500	N/A	N/A	$1.57
MFG	84,103,365	1,673,634	2.0%	-35,946	-25,580	0	0	N/A	N/A	$1.41
FLEX	18,133,587	332,956	1.8%	-43,309	-29,248	0	0	N/A	N/A	$1.50
W/D	131,697,142	8,493,078	6.5%	-275,864	-406,831	2,220,470	1,272,745	N/A	N/A	$1.57
OC TOTALS	**255,721,651**	**11,294,447**	**4.4%**	**-310,432**	**-484,544**	**2,392,122**	**1,364,245**	**$1.41**	**$1.57**	**$1.54**

**Rental rates reflect weighted triple net asking $psf/month. **Renewals not included in leasing statistics. W/D = Warehouse/Distribution. Completions are not reflective of U.S. Industrial MarketBeat Tables*

KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1151-1153 N. Ocean Cir.	North County	Taylor Fresh Foods, Inc	207,074	Direct
1930 Malvern	North County	Bear Down Brands, LLC	147,950	Direct
9400 Jeronimo Rd.	South County	Bio-Rad Laboratories	146,482	Direct
9500 Jeronimo Rd.	South County	Bio-Rad Laboratories	136,648	Renewal**
353 N. Euclid	North County	CustomFab Inc	110,784	Direct

KEY SALE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
6600 Valley View St.	North County	Verde Valley View LLC / SBR 6600 Valley View LLC	293,351	$100M / $339
Spectrum Centre Business Park	South County	BKM Capital Partners / Buchanan Street Partners	232,818	$62.5M / $268
2929 E. Imperial Hwy.	North County	AEW Capital Management / Jiaherb	130,925	$53.7M / $410
20 Icon	South County	Rexford / Lake Forest Reliability Project	102,299	$50.9M/ $497
12472 Industry St.	West County	Moran Family Trust / Island Snacks	48,697	$12.3M / $252

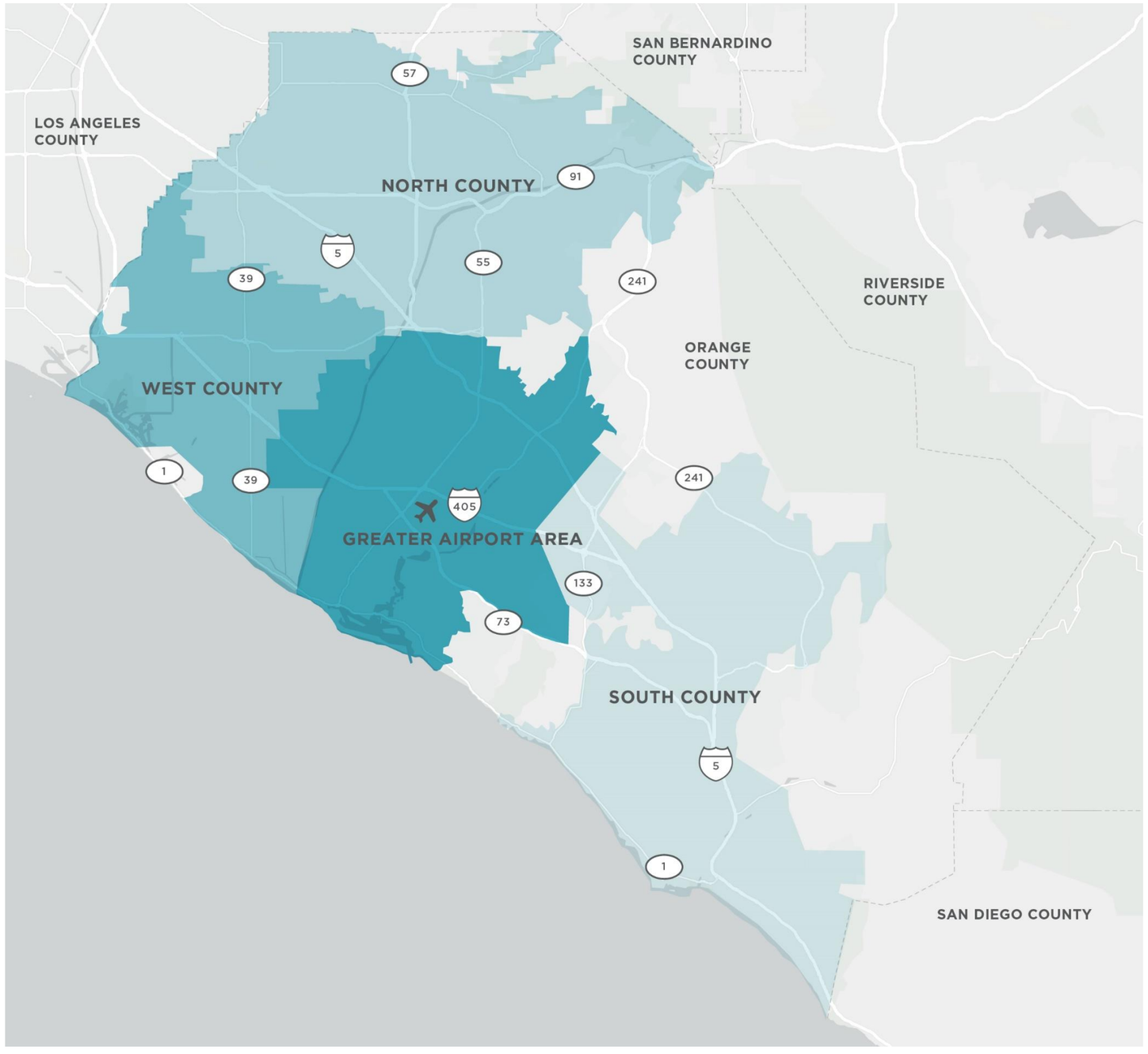
KEY PROJECTS UNDER CONSTRUCTION 2025

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Bridge Point Irvine	Greater Airport Area	N/A	215,224	Bridge
Swallows Creek	South County	N/A	136,308	Integral Communities, Inc.

Sources: [1] www.bls.gov Anaheim-Santa Ana-Irvine MD (Orange County). [2]Lightcast forecast for Orange County, CA as of 6/2025. RCA, $10M+.

ORANGE COUNTY
INDUSTRIAL Q1 2025

INDUSTRIAL SUBMARKETS



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