MARKETBEAT
ORANGE COUNTY
OFFICE Q2 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
19.1% Vacancy Rate	▲	▲
-220.0K Net Absorption, SF	▼	▼
$2.91 Asking Rent, PSF *(Overall, All Property Classes)*	▲	▲

ECONOMIC INDICATORS

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

Source: BLS

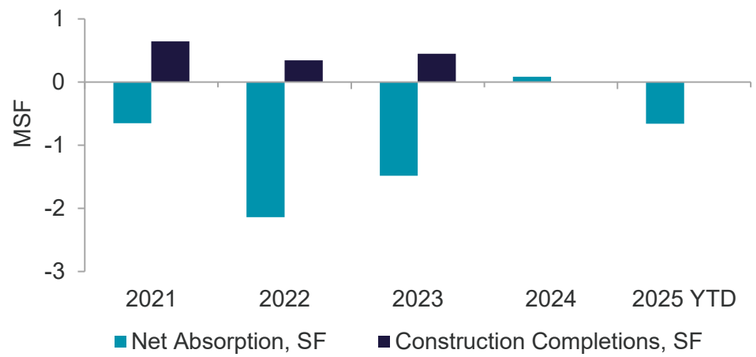
ECONOMIC OVERVIEW

Between May 2024 and May 2025, total nonfarm employment in Orange County (OC) increased by 7,000 jobs, or 0.4% year-over-year (YOY). Private education and health services reported the largest increase, gaining 12,400 jobs (+4.5% YOY). Job gains were widespread, with numerous additional industries reporting gains: health care and social assistance (+11,700 jobs), government (+3,200 jobs), other services (+1,600 jobs), and leisure and hospitality (+1,500 jobs). Six sectors reported employment decreases YOY, losing 11,700 jobs, and offering a partial offset to the broader gains. During the same time, the monthly unemployment rate increased from 3.3% last year to 3.6% and is currently just below the quarterly average of 3.9%.[1] All employment sectors are projected to grow at a combined growth rate of 1.0% in 2025 and 0.8% in 2026 compared to the 5-year historical average of 0.0%.[2]

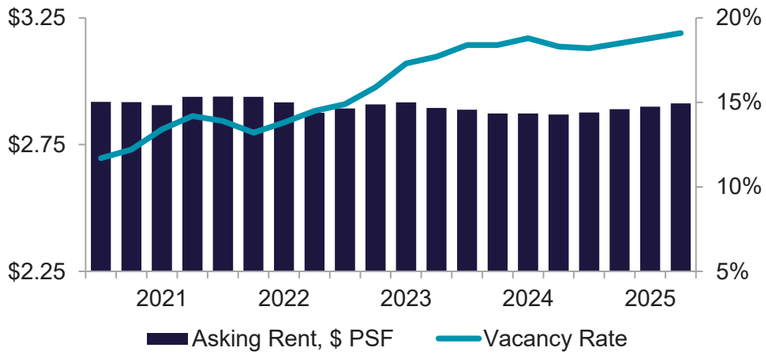
SUPPLY AND DEMAND

In Q2 2025, OC's office market remained impacted by evolving tenant priorities and ongoing uncertainty surrounding long-term space requirements. The overall vacancy rate rose to 19.1%, a 30-basis point (bps) increase quarter-over-quarter (QOQ) and 80 bps YOY. Compared to Q1 2020, the current vacancy rate has surged by 860 bps, highlighting the significant shifts that have reshaped the office market over the past five years. Q2 2025 saw nearly 220,000 square feet (sf) vacated, a sign of continued tenant hesitation regarding space commitments. On a positive note, two notable move-ins – Hyundai Glovis (+42,907 sf) and Serendipity Labs (+39,053 sf) - helped contribute to positive net absorption in Q2 2025. Both deals occurred within the Greater Airport Area market. Furthermore, available sublease space decreased this quarter to 2.8 million square feet (msf), which is down 4.8% QOQ and 26.9% from its Q2 2023 peak of 3.8 msf. New leasing activity in Q2 2025 increased moderately, with 1.5 msf leased, excluding renewals. This compares to 1.4 msf in Q1 2025 (+10.3% QOQ) and 1.6 msf in Q2 2024 (-6.8% YOY). The Greater Airport Area was the most active major market by a large margin, accounting for 53% or 807,446 sf of leasing activity in Q2 2025, followed by Central County (23% or 351,270 sf). The three most active submarkets were Irvine (24%), Newport Beach (15%), and Irvine Spectrum (14%). Together, these submarkets accounted for 53%, or 806,079 sf, of new leases signed in Q2 2025. Class A properties continue to drive demand, representing 67% of all new deals signed in the quarter.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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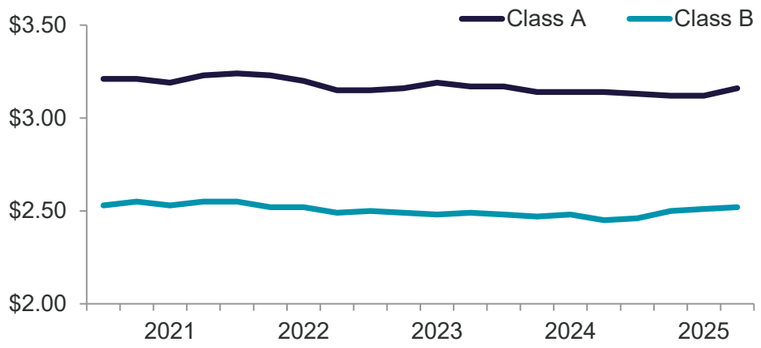
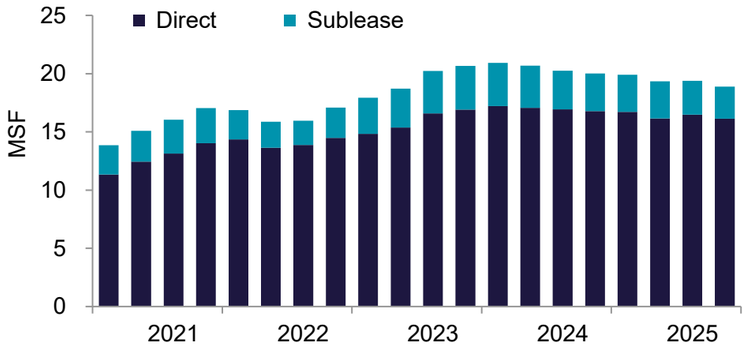
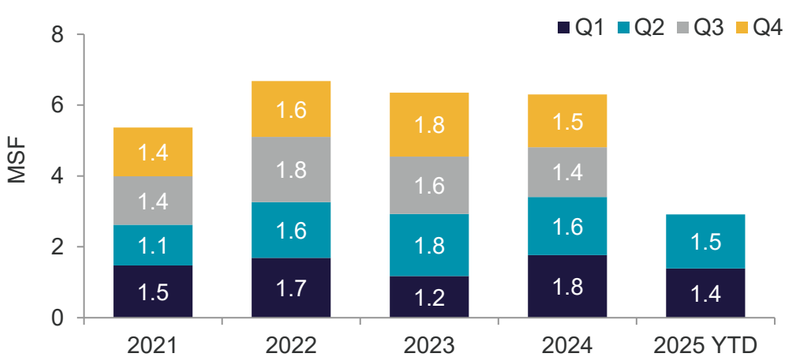
AVERAGE OVERALL ASKING RENT $PSF MONTHLY



DIRECT VS. SUBLEASE AVAILABLE SPACE



NEW LEASING ACTIVITY



This highlights the continued demand for premium, amenity-rich office spaces despite broader market challenges.

PRICING: ASKING RENTS INCREASE DESPITE WEAK CONDITIONS

Rising vacancy rates have not impacted average asking rents, which remained consistent across all property types over the past year. Asking rents are being maintained by well-capitalized landlords, who are enhancing concessions with extended free rent terms, more substantial TI packages, and competitive broker incentives to stay market relevant. The average asking rent increased 0.3% QOQ, and 1.4% YOY to $2.91 per square foot (psf) monthly on a full-service basis. Over the past 12 months, the average Class A asking rent increased by 0.6% to $3.16 psf, while Class B rent increased by 2.9% to $2.52 psf. Contemporary Class A properties with top-tier features and strategic locations command rents between $4.65 and $5.95 PSF, significantly outpacing market averages. They also rank among the most highly occupied buildings in the local area.

FUTURE INVENTORY: OCVIBE AND ADVANTECH'S NA HQ MOVING FORWARD

The OC office market currently has two developments underway: The Weave @ OCVIBE and Advantech's future North American headquarters. The Weave @ OCVIBE is a 168,137 sf Class A office project located in the Stadium Area submarket, adjacent to the Honda Center and various nearby amenities. This marks the first development of its kind in the submarket in more than two decades and represents the initial phase of a larger, multi-phase plan scheduled to unfold over the coming years. The second project is a 108,942 sf Class A build-to-suit building in the Tustin (South of I-5) submarket that will house Advantech's North American headquarters. The tenant will have an option to purchase the property in 2034.

The development pipeline also includes three significant proposed projects: Five Lagunas in Laguna Hills, Flight @ Tustin Legacy Phase II in Tustin, and Innovation Office Park Phase III in Irvine Spectrum. However, given current market conditions, these projects are unlikely to break ground in the near future without first securing substantial tenant commitments.

SALES ACTIVITY: PRIVATE INVESTORS DOMINATE ACQUISITIONS

The OC office market recorded $222 million (M) in sales volume (8 transactions) in Q2 2025, compared to $261M (9 transactions) in Q1 2025 and $114M (3 transactions) in Q2 2024.[3] This represents a decrease in volume of 15% QOQ although up 95% YOY. The average price psf was $165 in Q2 2025, down 39% QOQ and 36% YOY. The leading buyers as of Q2 2025 were private buyers at 63% (vs. 67% in Q2 2024), followed by users at 25% (vs. 33% in Q2 2024) and institutional investors at 13% (vs. 0% in Q2 2024). Institutional investors accounted for 75% of sales activity as of Q2 2025 (vs. 67% in Q2 2024), followed by private investors at 25% (vs. 33% in Q2 2024).

OUTLOOK

- Given their current debt obligations, landlords are expected to maintain asking rents while enhancing concession packages through extended free rent periods and more substantial tenant improvement allowances.
- Countywide tenant demand across all size ranges remains robust, totaling 1.7 msf over the next 24 months, with Alcon Research serving as a primary driver. While not all active tenants are expected to transact immediately, these ongoing requirements indicate a pipeline of leasing activity in the quarters ahead.
- The trend of office buildings being sold for redevelopment or adaptive reuse continues, with most recent conversions targeting industrial or multifamily uses.
- The absence of new construction, coupled with ongoing redevelopment and conversion activity, is expected to contribute to a decline in the overall vacancy rate.
- Landlords with strong capital positions are expected to continue delivering spec suites tailored to evolving tenant preferences.

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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Greater Airport Area	39,773,220	7,308,548	667,675	20.1%	36,428	-308,907	1,473,889	0	$3.09	$3.23
South County	21,932,276	3,607,311	526,825	18.8%	-13,066	-107,301	609,875	0	$2.86	$3.16
West County	4,478,967	734,391	18,938	16.8%	-79,130	-102,542	148,868	0	$2.58	$3.16
Central County	18,275,798	3,424,537	142,065	19.5%	-139,641	-108,118	572,022	277,079	$2.65	$2.93
North County	5,389,664	720,133	10,783	13.6%	-24,555	-32,362	112,455	0	$2.59	$2.86
Class A	44,584,549	9,636,462	879,085	23.6%	-30,661	-412,330	1,757,334	277,079	$3.16	
Class B	43,794,302	6,073,977	483,700	15.0%	-183,724	-249,196	1,142,226	0	$2.52	
Class C	1,471,074	84,481	3,501	6.0%	-5,579	2,296	17,549	0	$1.82	
OC TOTALS	**89,849,925**	**15,794,920**	**1,366,286**	**19.1%**	**-219,964**	**-659,230**	**2,917,109**	**277,079**	**$2.91**	

**Rental rates reflect full service asking. **Renewals not included in leasing statistics.*

KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1525 N. Tustin Ave.	Central County	The Regional Center of Orange County (RCOC)	102,631	Renewal**/Expansion
1900 S. State College Blvd.	Central County	UCI Health	92,489	New
5000 Birch St. – East & West	Greater Airport Area	UCI	63,007	New
2600 Michelson Dr.	Greater Airport Area	Zillow	60,714	Renewal**
19900 MacArthur Blvd.	Greater Airport Area	Callahan & Blaine, PC	44,789	New

KEY SALES TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
1 City Blvd. W.	Central County	TPG Capital / Surlamer Investments	359,134	$18.5M / $52
5000 Birch St. – East & West	Greater Airport Area	John Hancock Real Estate / Formosa, Ltd.	310,523	$33.0M / $106
2400 E. Katella Ave.	Central County	CBRE Investment Management / Stadium Towers, LLC	260,817	$72.1M / $277
18191 Von Karman Ave.	Greater Airport Area	Lakeshore Land Owner PT LLC & Lakeshore Land Lessee PT LLC / Hyundai Glovis	128,183	$35.7M / $279
2020 E. 1st St.	Central County	Harbor Associates / Meritage Homes	111,484	$19.2M / $172

KEY PROJECTS UNDER CONSTRUCTION 2025

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER
The Weave @ OCVIBE	Central County	N/A	168,137	The Samueli Family
Advantech North American HQ – BTS	Central County	Advantech	108,942	South Orange County Community College District

Sources: [1] www.bls.gov Anaheim-Santa Ana-Irvine MD (Orange County). [2]Lightcast forecast for Orange County, CA as of 7/2025. [3]RCA, $10M+.

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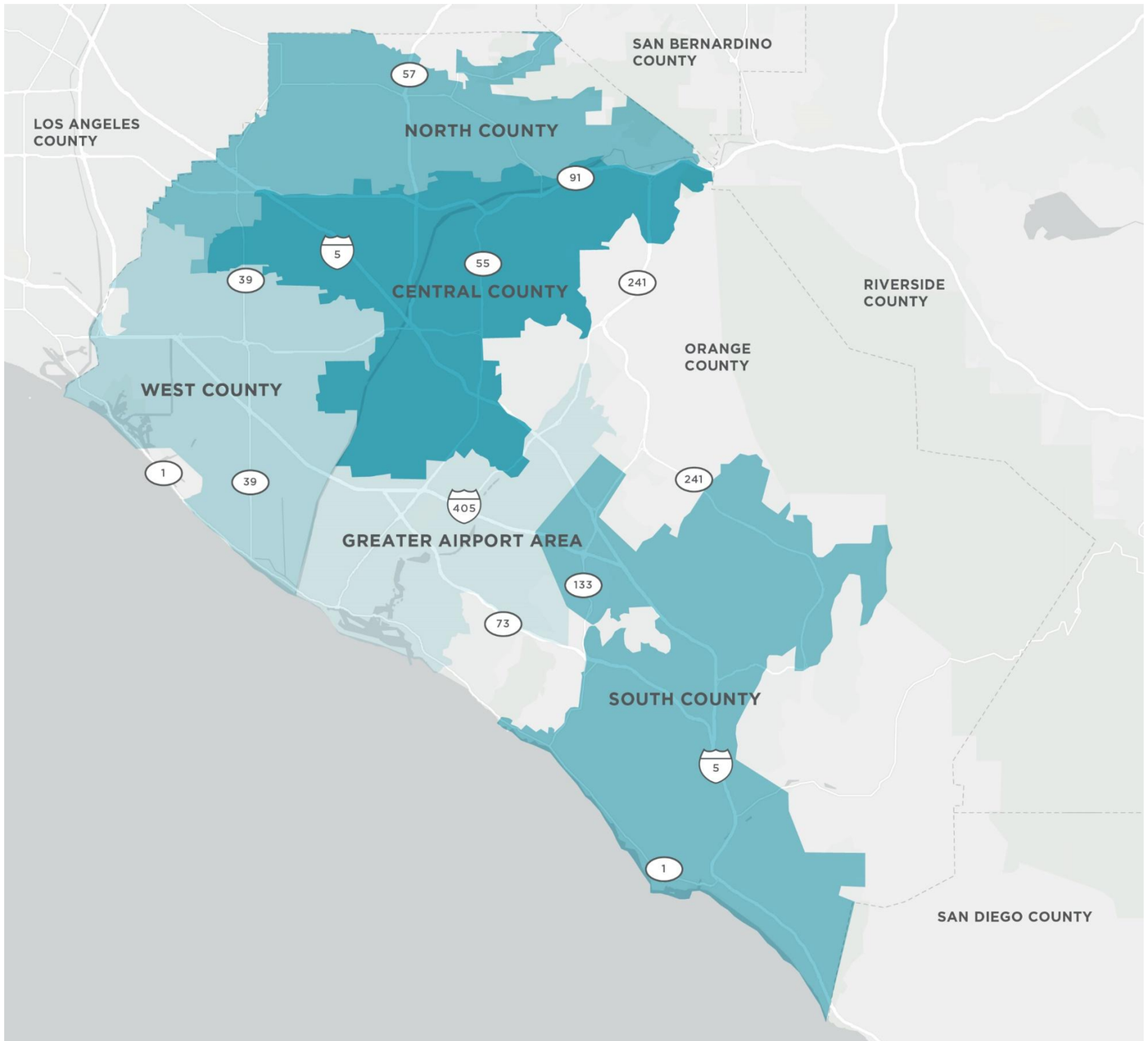
OFFICE SUBMARKETS



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