MARKETBEAT

ORANGE COUNTY

INDUSTRIAL Q3 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
4.8% Vacancy Rate	▲	▼
-1.1M YTD Net Absorption, SF	▲	▲
$1.54 Asking Rent, PSF *(Overall, Net Asking Rent)*	–	▼

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.7M Orange County Employment	▲	▼
4.2% Orange County Unemployment Rate	▲	▲
4.3% U.S Unemployment Rate	▲	▲

Source:BLS

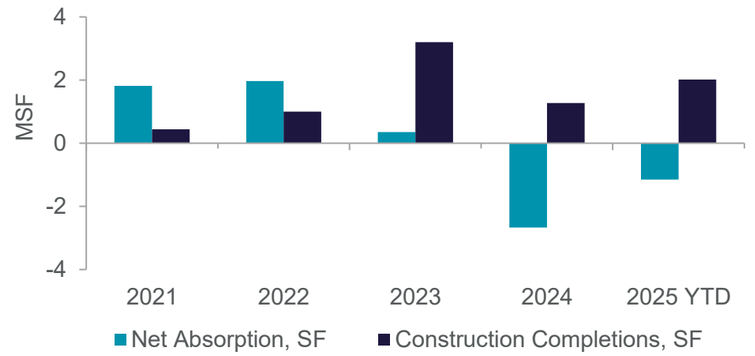
ECONOMIC OVERVIEW

Between August 2024 and August 2025, total nonfarm employment in Orange County (OC) increased by 5,200 jobs, or 0.3% year-over-year (YOY), reflecting modest but steady labor market growth. Private education and health services led all industries with 14,400 new jobs (+4.5% YOY). Private educational services also expanded slightly (+900), underscoring ongoing demand for health and education services. Beyond healthcare, employment growth was recorded in government (+2,900), leisure and hospitality (+1,400) and other services (+1,200). However, these gains were offset by declines across six sectors totaling 14,700 jobs, with losses concentrated among goods-producing and office-using industries. This includes slower activity in manufacturing, construction and trade-related employment, reflecting elevated borrowing costs and a measured pullback in industrial production and logistics hiring. The unemployment rate edged up to 4.6%, compared to 4.5% one year earlier, though it remains 30 basis points (bps) above the quarterly average of 4.2%[1]. 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 0.1%.

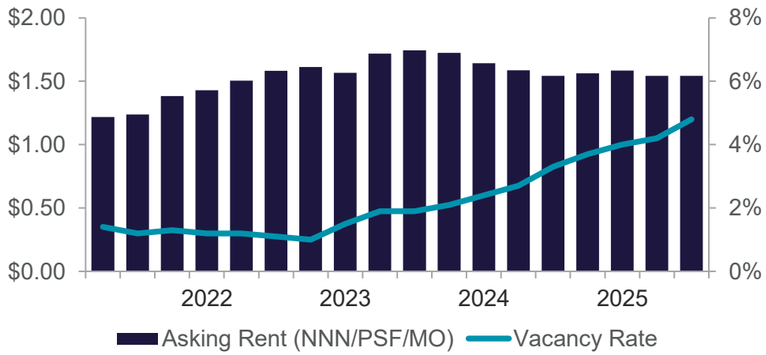
SUPPLY OR DEMAND

The OC industrial vacancy rate rose for the eleventh straight quarter, climbing 50 bps quarter-over-quarter (QOQ) and 150 bps YOY to reach 4.8% in Q3 2025. This persistent upward movement underscores a continued cooling in market fundamentals, as net absorption remained negative for the eighth consecutive quarter, with 907,723 square feet (sf) returned to the market in Q3 2025. Leasing activity slowed notably, with new deals (excluding renewals) totaling nearly 1.8 million square feet (msf), down 21.1% QOQ and 8.3% YOY. The increase in vacant space stemmed from both tenant move-outs and the delivery of speculative (spec) product lacking pre-commitments. All 648,889 sf of new completions this quarter were delivered without tenants in place, illustrating the heightened exposure faced by developers relying on speculative strategies. As competition intensifies across the market, landlords are adjusting by enhancing concession packages and adopting more flexible lease terms with lower rents to attract and retain tenants.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



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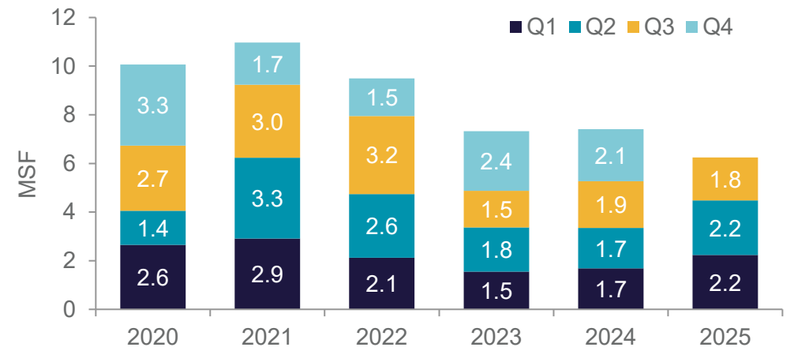
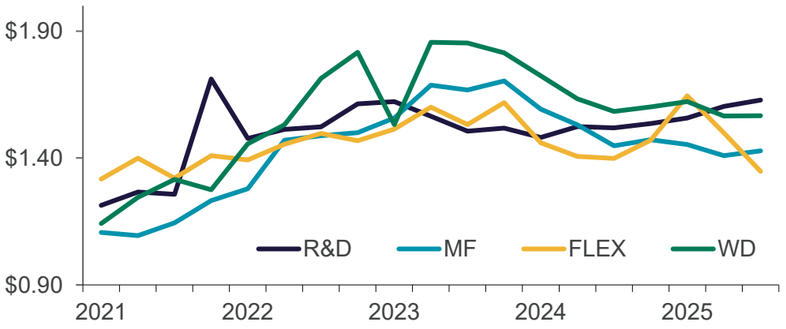
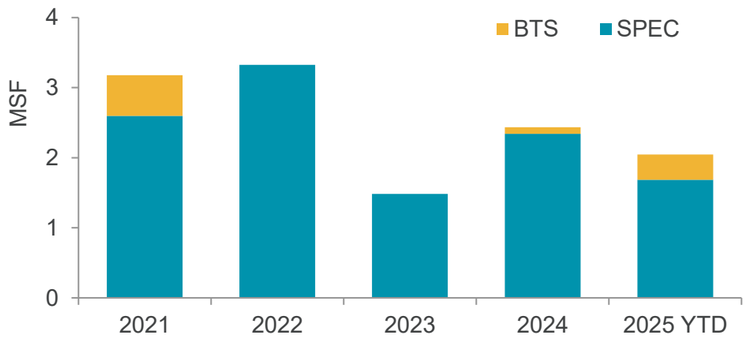
NEW LEASING ACTIVITY



AVERAGE ASKING RENT $PSF MONTHLY NNN



UNDER CONSTRUCTION BY BUILDING TYPE



PRICING

The overall asking rent in OC remained unchanged in Q3 2025 at $1.54 per square foot (psf) per month on a triple net basis QOQ and YOY. Elevated vacancy levels continued to apply downward pressure on rents, although many landlords have sought to hold firm on pricing. Newly delivered vacant space often enters the market with aggressive asking rates, but persistent softening in tenant demand has prompted more frequent rent adjustments. For warehouse and distribution product, which comprises the bulk of OC's industrial inventory, the average asking rent held steady QOQ at $1.57 psf, though it declined $0.01 psf (-1.1% YOY). Flex product experienced the steepest drop in pricing, with average asking rents down $0.15 psf (-10.0% QOQ) to $1.35 psf. The decline reflects growing tenant resistance to elevated rates and intensified competition among landlords seeking to secure leases in a slower leasing environment.

FUTURE INVENTORY

At the end of Q3 2025, 17 buildings totaling 2.0 msf were under construction across OC. Of these, four buildings had secured preleasing commitments, a notable increase from previous quarters. In response to rising vacancy rates and persistent demand uncertainty, developers are increasingly shifting their focus from spec construction to build-to-suit projects, which are tailored to meet the specific needs of individual tenants. This strategic shift reflects a broader market adjustment, prioritizing leasing certainty, long-term occupancy stability, and predictable cash flows amid a slower leasing environment.

SALES ACTIVITY

Industrial sales activity in OC declined in Q3 2025, totaling $334 million, down 23.7% QOQ but up 35.7% YOY. Slower rent dynamics and broader economic caution have dampened deal making. The average sale price rose to $344 psf, reflecting a 4.9% increase QOQ and a modest 0.6% decline YOY. Private buyers led transactions at 41.9%, followed by cross-border investors at 20.3%, user/other at 19.9% and institutional investors at 17.9%. [2] The mix underscores a diverse buyer base. However, the pullback in overall volume suggests many remain cautious amid shifting market conditions.

In September 2025, the Federal Reserve delivered its first rate cut of the year, lowering the federal funds target range by 25 bps to a target range of 4.00%-4.25%. Federal Reserve Policymakers continue to monitor inflation and employment trends carefully, with additional rate cuts expected through year-end depending on economic data. Given the evolving monetary policy backdrop, many industrial investors are taking a cautious approach, delaying major trades until clearer signals emerge regarding the direction of rates and growth momentum.

OUTLOOK

- The Ports of Los Angeles and Long Beach handled a combined 13.5 million TEUs through August 2025, up 6.9% YOY and 21.4% above 2019 levels, driven by early imports ahead of potential U.S. tariffs. [3] July set a record for the Port of LA with over 1 million TEUs, the busiest month in its history. However, volumes dipped in August, and officials expect further moderation amid cautious consumer demand and shifting trade flows. This trend could soften near-term leasing activity tied to import-driven logistics and warehousing.
- The Fed cut rates in September 2025 to 4.00%–4.25%, marking its first move since December 2024. While easing has started, mixed signals on inflation and growth are keeping many investors cautious.
- Ongoing U.S. tariff escalations targeting steel, autos, electronics, and Asian transshipments have disrupted global trade flows. These frictions are prompting tenants to rethink inventory strategies and timelines. The result is a more cautious, risk-adjusted approach to leasing and capital deployment across the OC industrial sector.

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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)	YTD 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	110,104,346	5,653,924	5.1%	-752,109	-476,349	732,067	574,248	$1.40	$1.59	$1.55
West County	39,546,447	2,000,631	5.1%	-112,057	-405,692	406,915	389,809	$1.39	$1.76	$1.67
Greater Airport Area	70,597,566	2,906,668	4.1%	184,392	187,526	488,804	441,908	$1.46	$1.31	$1.38
South County	36,018,416	1,789,104	5.0%	-227,949	-453,790	418,783	607,169	$1.51	$1.63	$1.63
R&D	21,788,197	793,459	3.6%	-16,789	-46,164	171,652	91,500	N/A	N/A	$1.63
MFG	84,015,915	1,932,587	2.3%	-302,910	-312,533	0	0	N/A	N/A	$1.43
FLEX	18,009,998	288,433	1.6%	35,163	9,956	0	0	N/A	N/A	$1.35
W/D	132,452,665	9,335,848	7.1%	-623,187	-799,564	1,874,917	1,921,634	N/A	N/A	$1.57
OC TOTALS	**256,266,775**	**12,350,327**	**4.8%**	**-907,723**	**-1,148,305**	**2,046,569**	**2,013,134**	**$1.43**	**$1.57**	**$1.54**

**Rental rates reflect weighted triple net asking (NNN) $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 Q3 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
14000-14030 183rd St.	West County	Americhine	170,692	Renewal**
3100-3130 S. Harbor	Greater Airport Area	Anduril Industries	163,000	Direct
4260 N. Harbor Blvd.	North County	180 Snacks	141,616	Direct
3071 E. Coronado St.	North County	Line Drive Trucking	105,173	Direct
5600 Argosy Circle	West County	Harbor Distributing	104,678	Direct

KEY SALE TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
1050 S State College Blvd.	North County	State College Buildings LLC / Future Foam Inc	417,320	$145M / $347
6250-6290 Caballero	North County	AEW Capital Management / Elion Partners	274,170	$60.9M / $222
17731 Cowan	Greater Airport Area	Xebec / Orange Bakery Inc	54,088	$30.7M / $567
6259 Descanso	North County	Fortress Investment Group / Toro Enterprises Inc	54,000	$17.4M/ $322
45 Tesla	South County	Christ Our Redeemer African Methodist Church / Sonya Lozowski	25,026	$11.1M / $442

KEY PROJECTS UNDER CONSTRUCTION 2025

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Bridge Point Irvine	Greater Airport Area	N/A	215,224	Bridge
801 S. Acacia Ave.	North County	N/A	185,525	Ares Managment Corp.

Sources: [1] www.bls.gov Anaheim-Santa Ana-Irvine MD (Orange County). [2]Lightcast forecast for Orange County, CA as of 9/2025. RCA, $10M+. . [3]The Port of Long Beach and Los Angeles, San Pedro Ports

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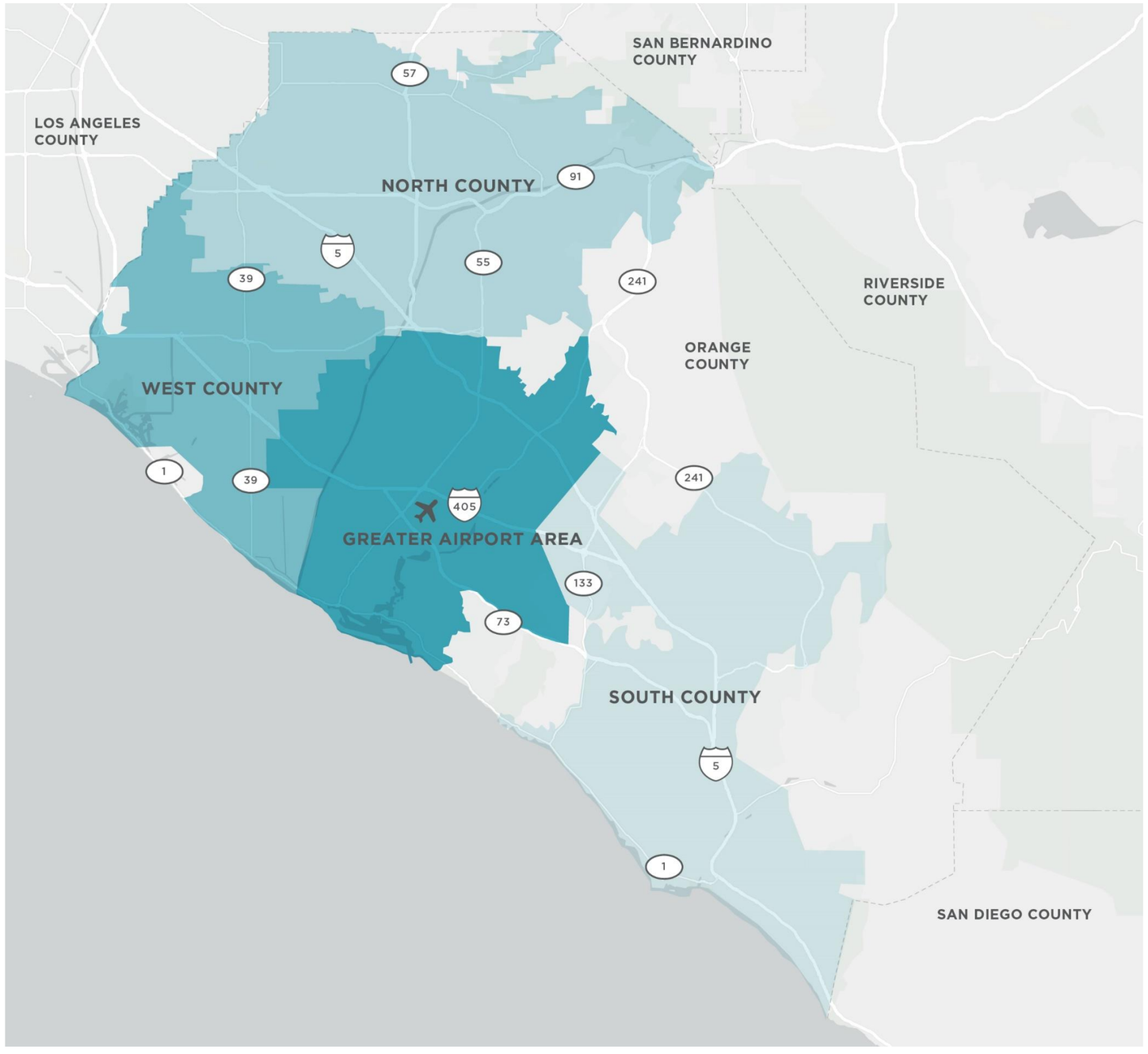
INDUSTRIAL SUBMARKETS



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