Orange County:

Office Market Overview

2Q26

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Access the Expanded 2Q26 Orange County Office Market Overview

The expanded version of this report includes:

- **Additional Slides on Leasing Fundamentals**
- **Office Distress and Conversions to Other Property Types**
- **Capital Markets Sales Information:** An examination of historical sales, active investors, and how office compares to other property sectors.
- **Detailed Submarket Statistics:** A breakdown of rents, vacancy, absorption and construction in the region's office submarkets.

To access, please reach out
to your Newmark business contact.

Extensive content across 38 slides—a detailed presentation packed with useful office information and in-depth analysis.

Orange County Office Market Observations

Economy

- Orange County unemployment across all industries was 3.5% in May 2026, down 20 bps from 12 months ago and the lowest average seen in the last three years. Unemployment in the region remains well below state (5.3%) and national (4.3%) averages.
- Office-using employment contracted by 1,700 jobs over the last year, with the business and professional sector driving most of the annual losses (1,300 jobs) while financial-service firms reported a modest increase (500 jobs) over the same period.
- Office-using employment remains below its pre-pandemic level, falling from 473,100 in February 2020 to 441,300 in May 2026.
- Office relevant sectors will continue to see limited growth, while healthcare and education continue to lead job growth and support a lower unemployment rate.

Leasing Market Fundamentals

- Vacancy dropped from 17.2% to 15.1% over the last year following a surge in net absorption. Total vacancy is now 180 bps below the five-year average.
- Quarterly absorption was positive for the fourth quarter in a row, totaling 231,686 SF in net gains. Net absorption in the first half of 2026 sits at 516,169 SF.
- Trophy product continues to outperform other asset classes, with a 9.7% vacancy.
- Sublet availability dropped to just 2.2% of inventory, the lowest value on record since 2019.
- Some underperforming office properties will find new life as multifamily, industrial or medical developments. This, along with owner-user sales, will exert downward pressure on the region's office inventory, vacancy, and availability.

Major Transactions

- Hoag Hospital purchased the 1.05-MSF Chet Holifield Federal Building, better known as "The Ziggurat," in Laguna Niguel from the General Services Administration (GSA) for $207 million. The GSA previously owned and occupied the property* on the 92-acre site, and while detailed plans have not been released, Hoag reportedly intends to redevelop the property as a comprehensive health and wellness village.
- The above sale is part of an ongoing federal effort to reduce costs and dispose of under-utilized buildings to the private sector.
- The bulk of leases signed this quarter originated in the Airport Area, highlighted by clothing brand Z Supply's 54,745-SF renewal and expansion at Harbor Gateway Business Center (3500 Hyland Ave) in Costa Mesa and specialty housing finance REIT Redwood Trust's 48,854-SF renewal at Jamboree Center (4 Park Plaza) in Irvine.

Outlook

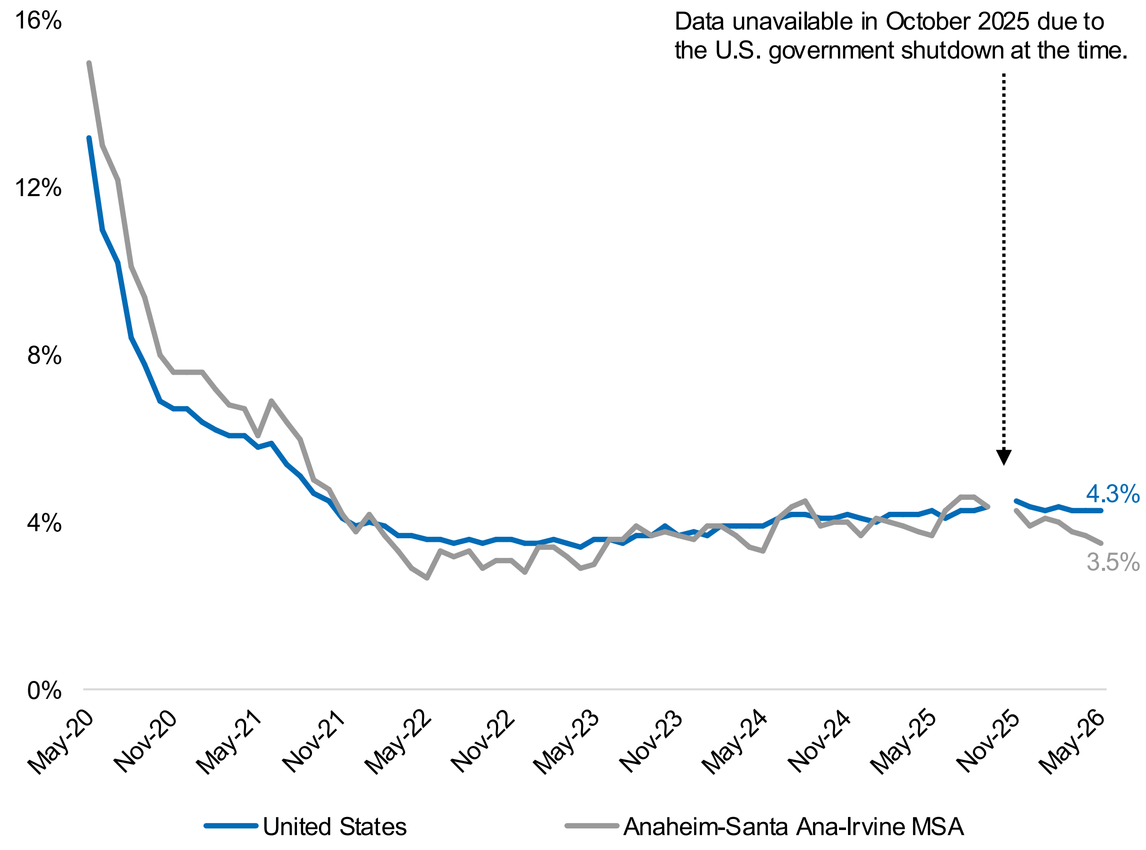
- Tenants in the market generally fall into one of two camps: 1) those wishing to retain an office presence for the lowest possible rent and 2) those seeking trophy-grade space in amenity-rich areas. The Irvine Company especially benefits from this trend as they own 13 of the 20 trophy properties in the market.
- Only 16% of aspiring Orange County home buyers can afford a median-priced home, and apartment occupancy rates remain high around 96%. Demolishing or converting a portion of the metro's excess office space to apartments is a logical solution.
- Vacancy and availability should remain contained as obsolete buildings are gradually removed from the inventory and tenants continue to concentrate in trophy-grade assets.
- Rising value for higher-quality office assets in prime corridors could unlock additional regional capital markets activity as investors are increasingly able to execute deals.

* Owner/user properties are not tracked in Newmark's for-lease office inventory or statistics.

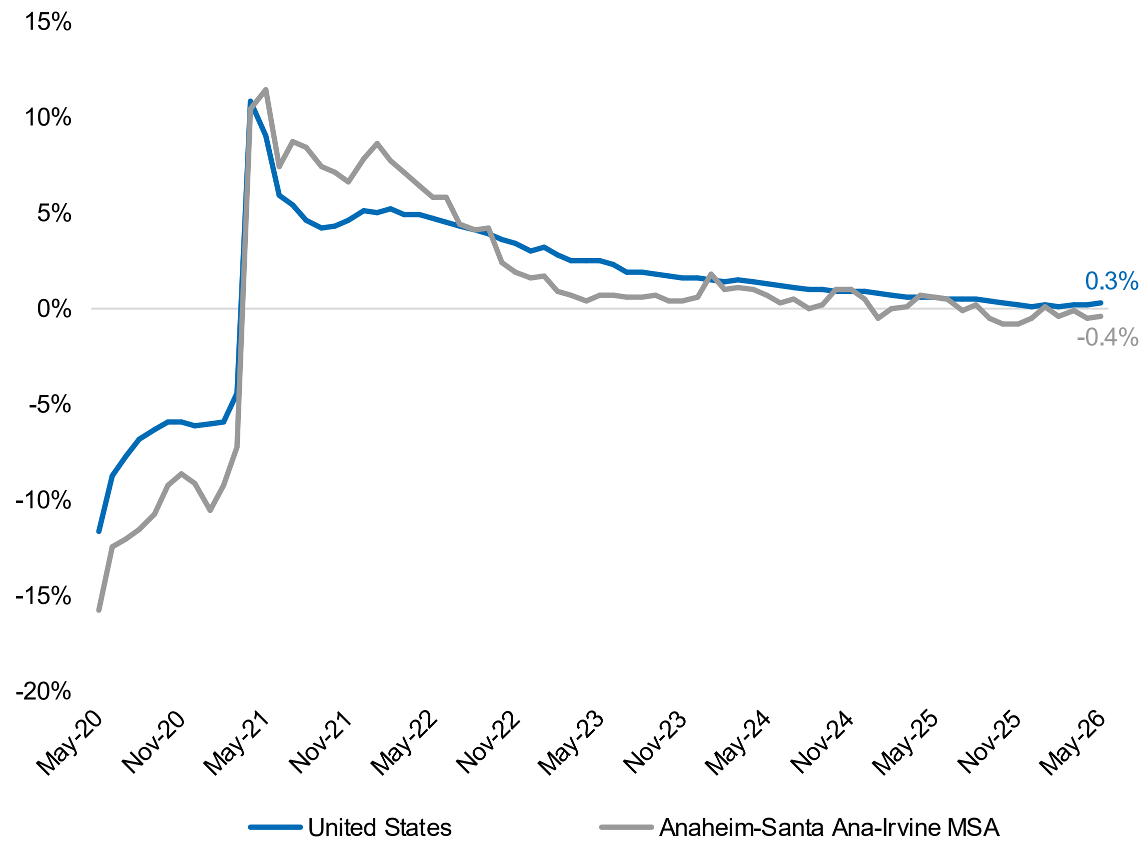
Local Employment Growth is Stagnant

Local unemployment settled at 3.5% (down from a 4.6% post-pandemic high last summer) while year-over-year nonfarm employment growth has generally plateaued. Orange County unemployment rate remains below national and state averages of 4.3% and 5.3%, respectively.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

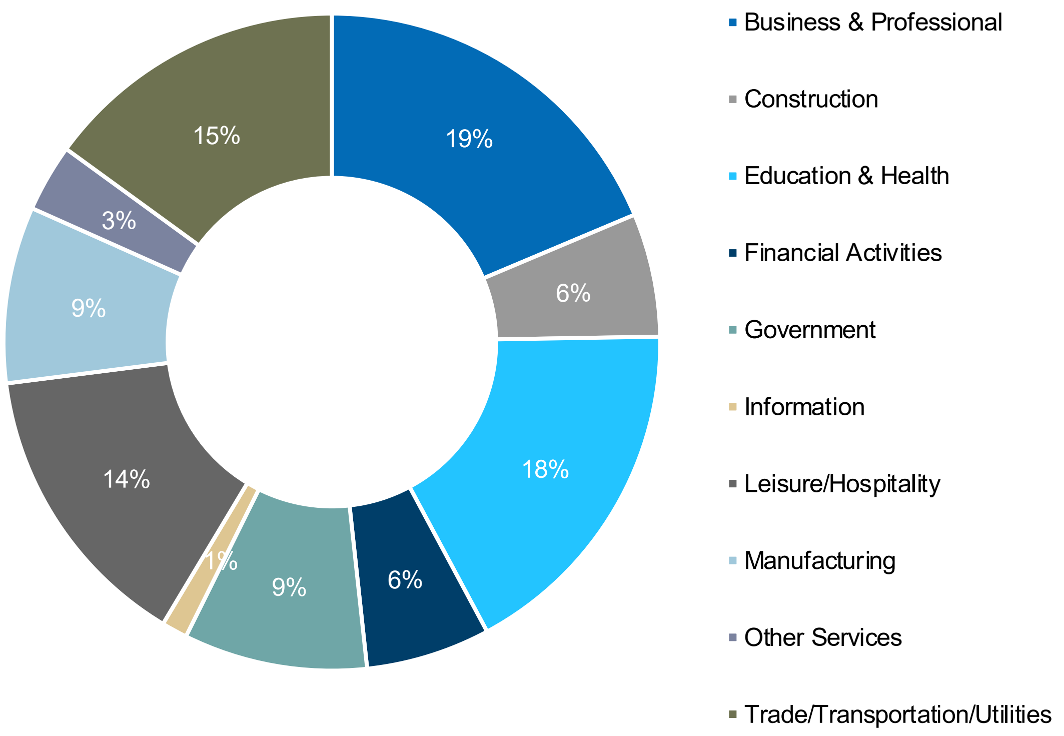


Source: U.S. Bureau of Labor Statistics, Anaheim-Santa Ana-Irvine, CA

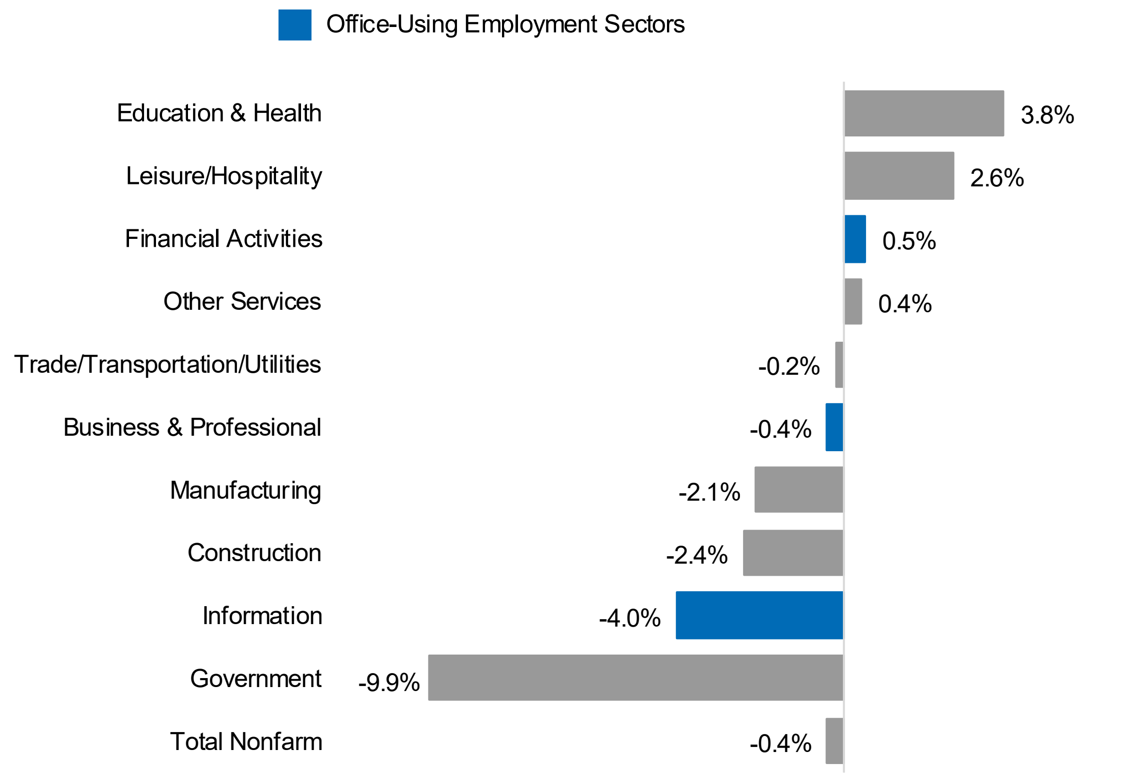
Metro Job Growth Shifts as Finance Adds Roles

Financial activities posted annual job gains, adding 500 positions across the metro, while information and business and professional services recorded losses of 900 and 1,300 jobs, respectively. Tech firms, largely classified within the information sector, continue to prioritize cost cutting, shedding both headcount and excess office space.

Employment by Industry, May 2026



Employment Growth by Industry, 12-Month % Change, May 2026

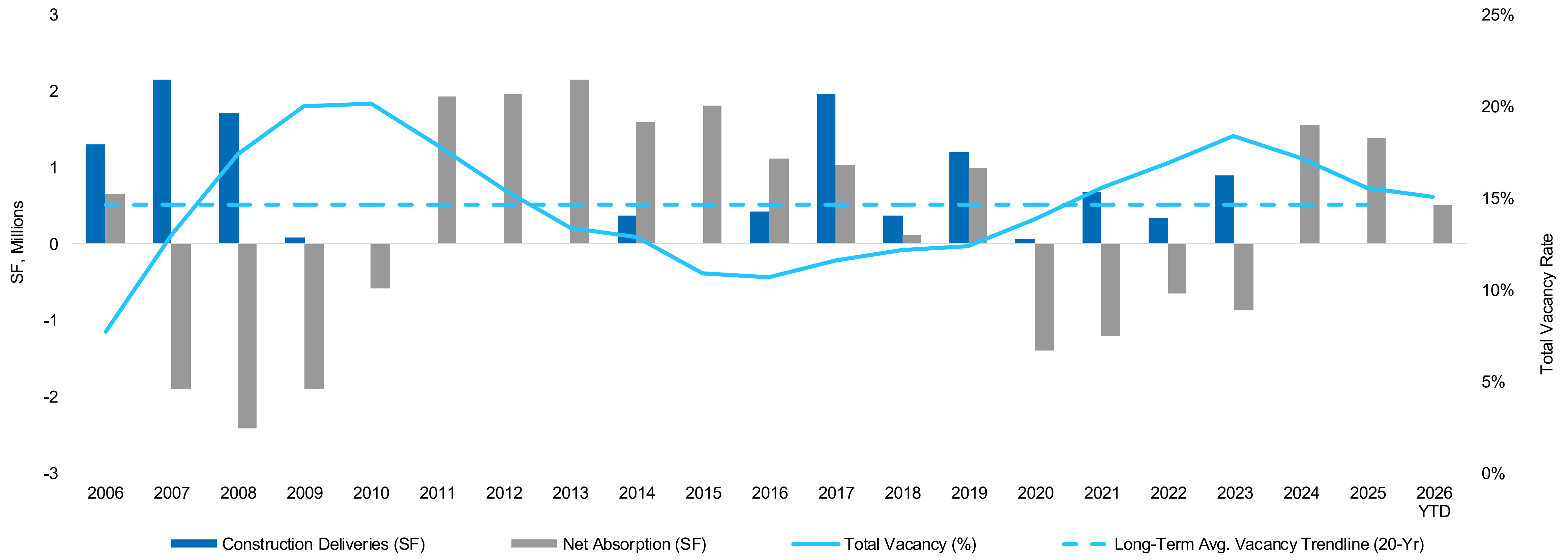


Source: U.S. Bureau of Labor Statistics, Anaheim-Santa Ana-Irvine, CA

Net Absorption Gains Help to Lower Vacancy

Vacancy dropped from an 18.5% high in 2023 to 15.1% this quarter following a surge in net absorption over the last two years. As more obsolete and vacant properties get removed from inventory for redevelopment and owner-use, market fundamentals are expected to normalize. For now, vacancy is expected to remain steady in the quarters to come.

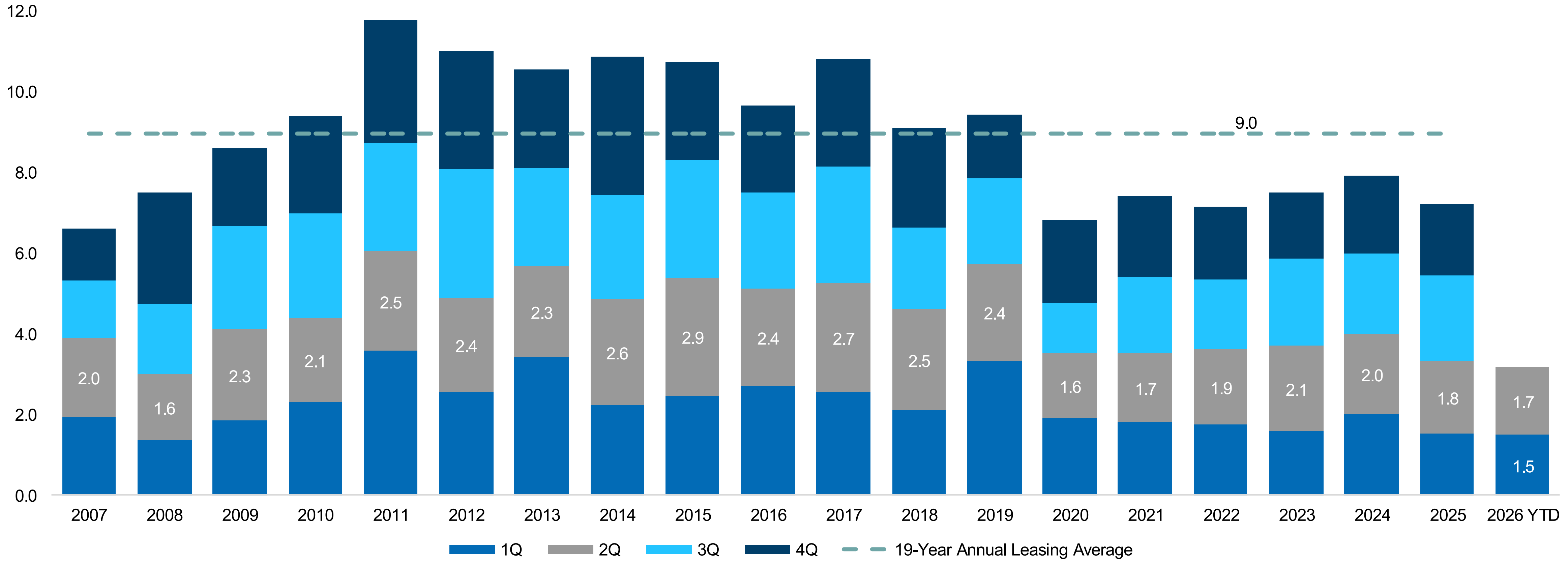
Historical Construction Deliveries, Net Absorption, and Vacancy



Leasing Activity Sees Quarterly Gain, Annual Decline

Leasing activity totaled nearly 1.7 million square feet in the second quarter of 2026, up 9.6% from the prior quarter. Despite the quarterly gain, volume declined 8.4% year over year, with activity in the first half of 2026 also trailing 2025 levels. Hybrid work remains the prevailing model, even as employers push for greater in-office attendance. Combined with a high-cost operating environment, this dynamic continues to dampen leasing demand as most occupiers put cost containment ahead of expansion.

Total Leasing Activity (MSF)

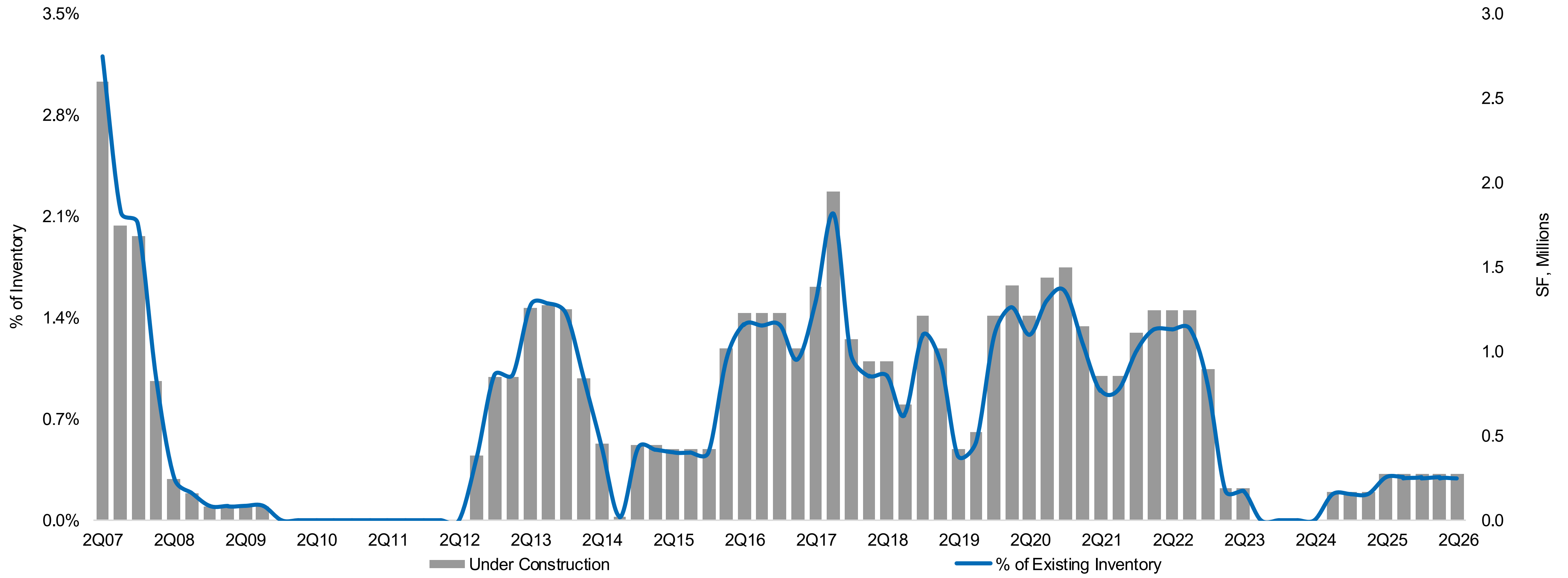


Source: Newmark Research. CoStar

Limited Office Projects Under Construction

There are currently two projects under construction: The Advantech build-to suit in Tustin with 108,942 SF of office scheduled to deliver before year-end, and the Weave @ OCVIBE with 168,137 SF set to finish in 2028, which is currently 23.1% leased.

Office Under Construction and % of Existing Inventory

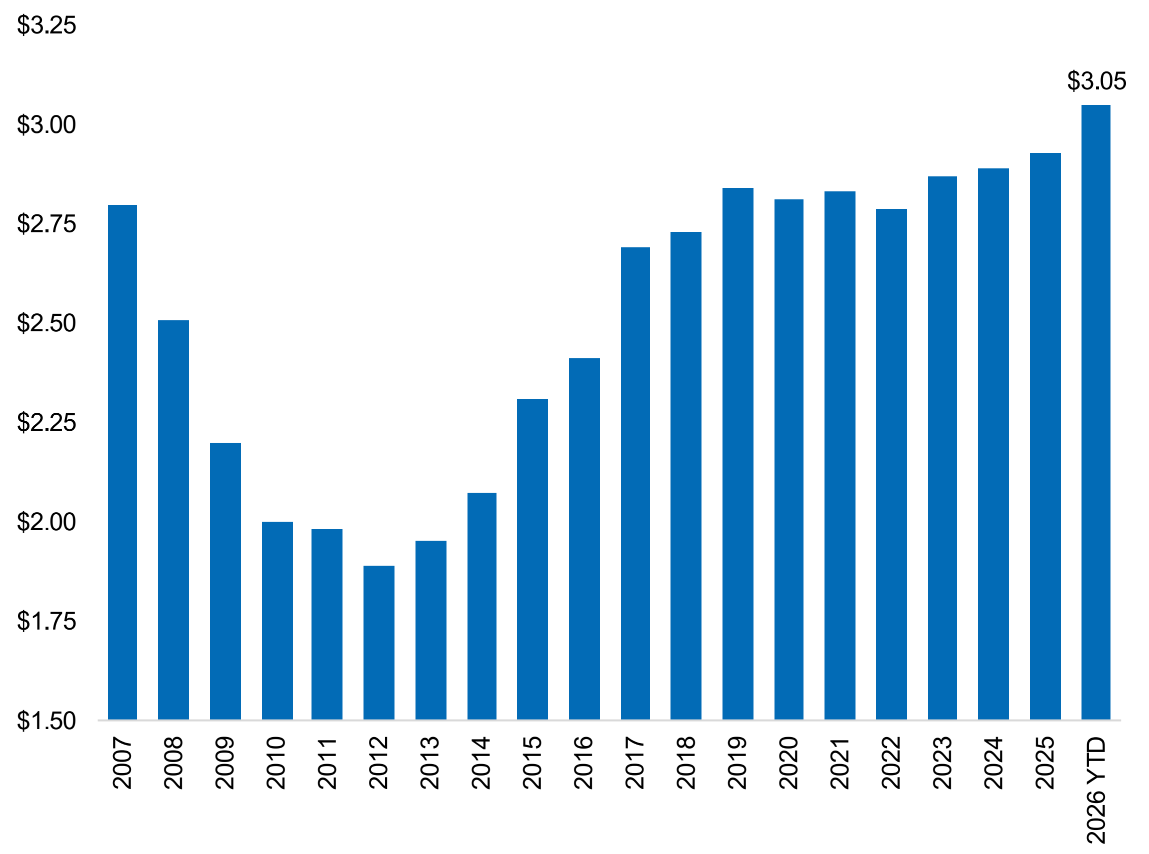


Source: Newmark Research

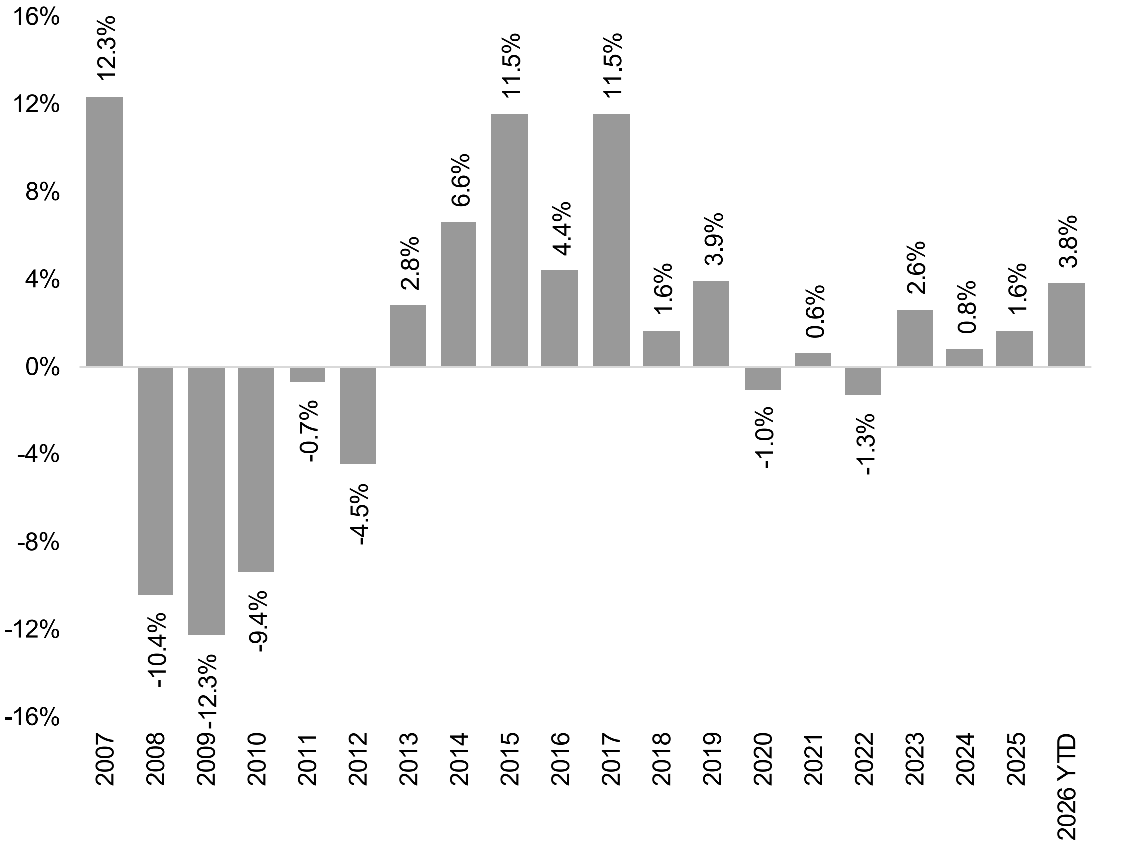
Asking Rents Elevated Despite Softening Leasing Activity

Asking rents are at a record high despite moderate leasing activity. Generally, landlords are preserving face rents by providing more in concessions.

Office Average Asking Rent, $/SF/Month, FS



Year-over-Year Asking Rent Growth Rate

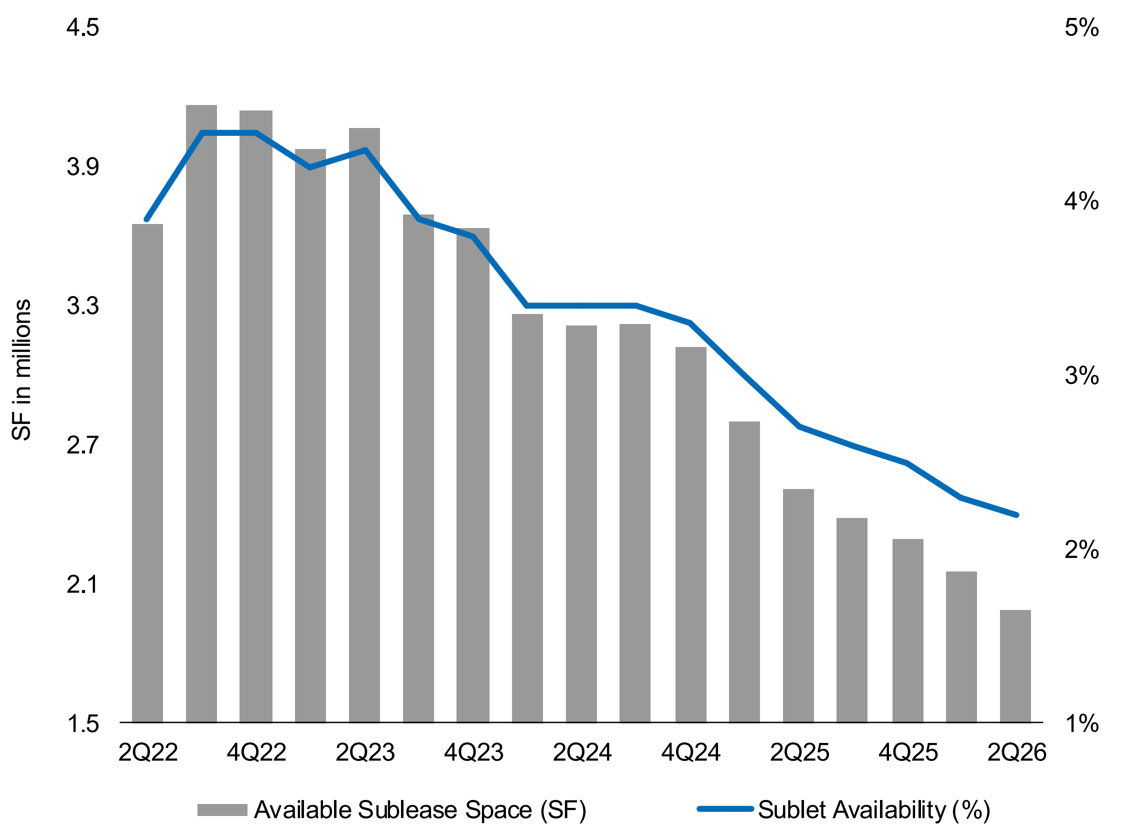


Source: Newmark Research

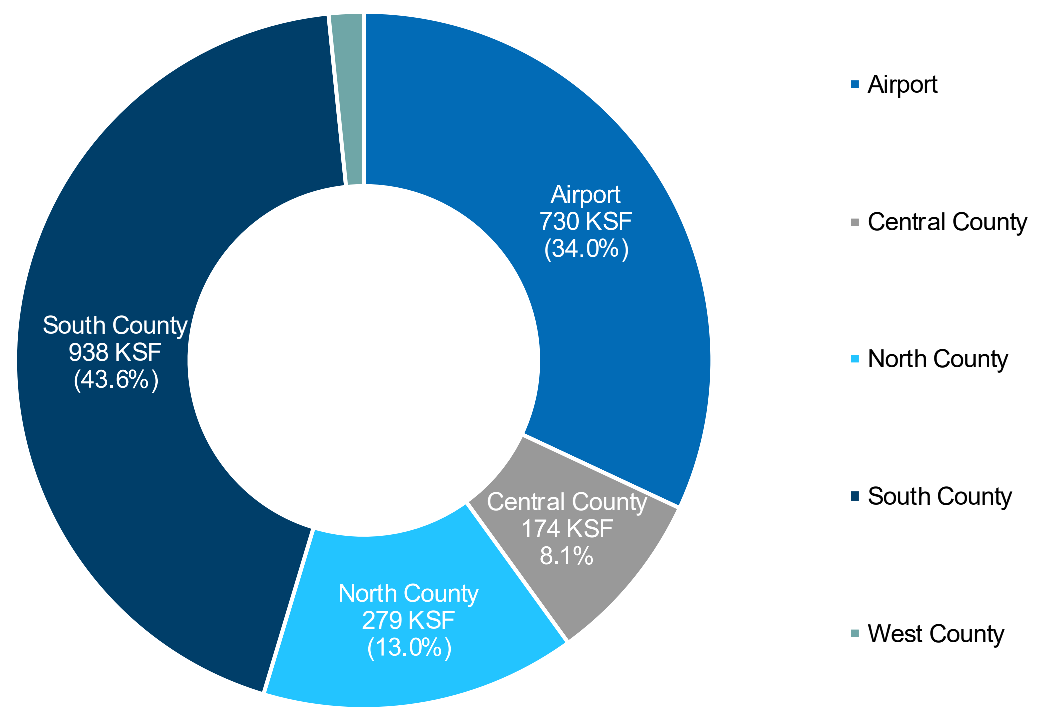
Sublet Availability in Downward Trajectory

Since hitting an all-time high in the third quarter of 2022, sublet availability has steadily declined by almost 2.2 MSF. At the submarket level, South County leads others in available sublease space, with 868,622 SF or almost half of Orange County's sublet pool.

Available Sublease Space: Greater Market



Available Sublease Space by Submarket



Source: Newmark Research

Diverse Leasing Activity Among Industry Sectors

The Airport Area continues to generate the bulk of leasing activity in the market. Its central location and inventory of trophy spaces makes it a top choice for notable tenants aiming to keep workers in the office.

Notable 2Q26 Lease Transactions

Tenant	Building(s)	Submarket	Lease Type	Square Feet
Z Supply	3500 Hyland Ave	Airport Area: Costa Mesa	Renewal/Expansion	54,745
The fashion and apparel brand renewed and expanded their presence at their current address to occupy the entire building in the Harbor Gateway Business Center.				
Redwood Trust	4 Park Plaza	Airport Area: Irvine	Lease Renewal	43,854
The finance and REIT company renewed their deal for two floors at the Jamboree Center office building through April 2032.				
Becton, Dickinson and Company (BD)	17700 Laguna Canyon Rd	South County: Irvine Spectrum	Direct Lease	42,901
The global medical technology firm leased 42,901 SF on the first two floors in a Spectrum Terrace property where Tarsus Pharmaceuticals occupies the top two floors.				
Kiln	2525 E Katella Ave	Central County: Anaheim (Stadium Area)	Pre-lease	38,766
The flexible office and coworking company pre-leased the third floor of The Weave @ OCVIBE currently under construction and scheduled for 2028 delivery.				

Source: Newmark Research

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