Orange County:

Industrial Market Overview

2Q26

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Access the Expanded 2Q26 Orange County Industrial Market Overview

The expanded version of this report includes slides on:

- **Southern California's Ports, U.S. Retail Sales, Tariffs, and the Local Economy:** All shape industrial leasing market dynamics.
- **The Trajectory of Contract Rents**
- **Sales Activity:** Includes notable industrial sales, top buyers, and how industrial compares to other property segments**.**
- **Detailed Submarket Statistics**

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Extensive content across 40 slides—a detailed presentation packed with useful office information and in-depth analysis.

Orange County Industrial Market Observations

Economy

- Loaded import volumes at Southern California ports reached 4.1 million containers in the first five months of 2026, exceeding the same period in 2023–2025 but still trailing the 2021–2022 peak. U.S. retail sales remain healthy based on the latest Census Bureau data.
- Local warehouse employment was flat while manufacturing jobs declined.
- Diesel prices remain elevated and volatile amid the U.S.-Iran conflict, while businesses continue to pass tariff-related costs through to consumers. These pressures help explain why the U.S. consumer price index rose 4.1% year-over-year in May, the largest increase in three years.
- U.S. wage growth has lagged inflation in April and May, eroding household purchasing power. This could dampen future retail sales, especially if unemployment were to rise meaningfully.
- The Federal Reserve has signaled that interest rate hikes remain on the table this year if inflation does not ease, even as it has held rates unchanged for now.

Leasing Market Fundamentals

- This quarter, 59,145 SF of positive net absorption was outpaced by 209,528 SF of new construction deliveries, pushing vacancy to 5.2%, a 10 bps increase from the prior quarter.
- Large move-ins from Houdini, Inc. (229,422 SF in Fullerton), Columbia Container Lines LAX, Inc. (156,096 SF in Fullerton), and Pureco, USA (134,716 SF in Santa Ana) helped to offset new vacancies.
- Average weighted lease terms have moved lower. The shift likely reflects a combination of heightened tenant caution about the near-term economic outlook and, in some cases, landlord reluctance to lock in long-term leases at today's rent levels in case rent growth accelerates.
- Under-construction activity now sits below the market's 20-year average. Eight properties totaling 776,706 SF are underway, with 49.9% of that space pre-leased to date.

Major Transactions

- Four big-box (100,000+ SF) leases were signed this quarter, down from eight commitments in the preceding quarter and 12 commitments in the second quarter of 2025.
- Harbor Distributing signed the largest lease of the quarter with a 223,406-SF expansion at 5600 Argosy Ave in Huntington Beach. The beverage distributor previously occupied 105,000 SF in the building.
- Kurv Industrial acquired a 348,230-SF manufacturing site at 9750 Irvine Blvd in Irvine from LBA Logistics for $107.0 million in what became the largest sale of the quarter. Nearly 90.0% of the multi-tenant facility was leased.
- Second-quarter sales volume remained healthy by historical standards, with investors continuing to focus on well-positioned assets leased to credit-worthy tenants nearing renewal.

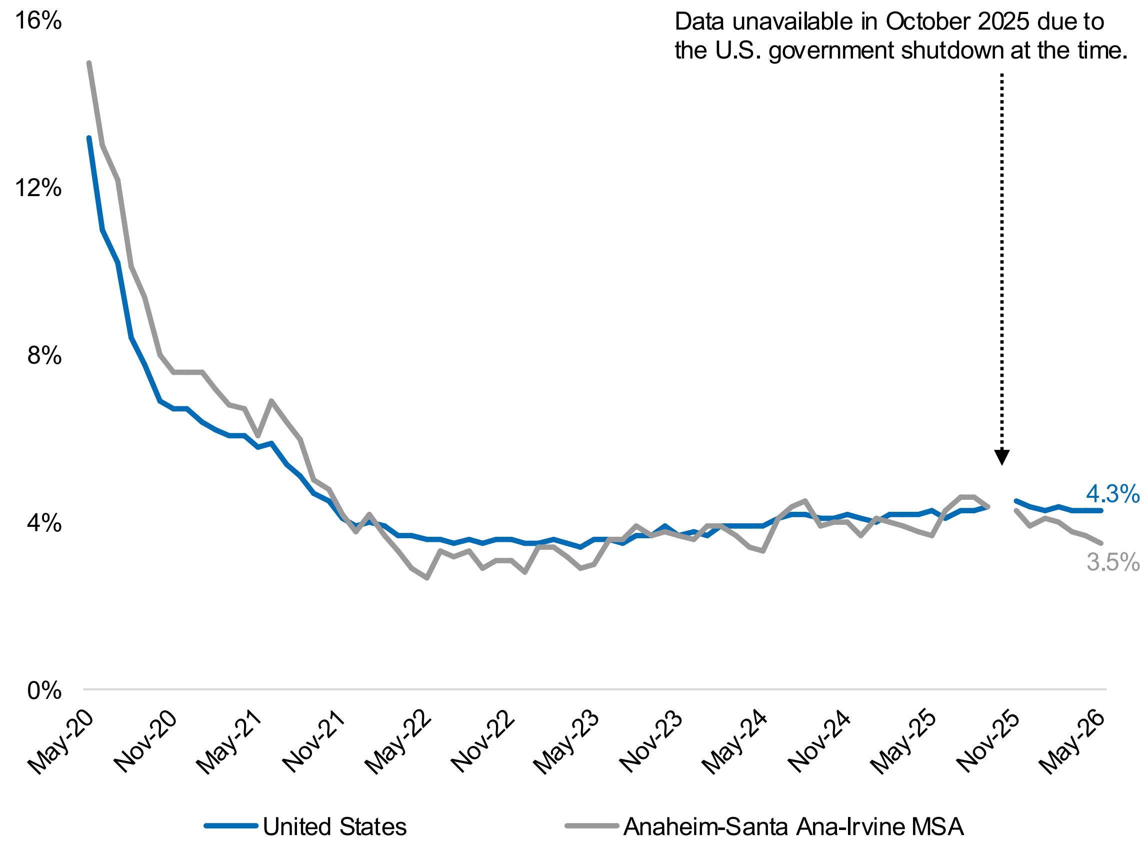
Outlook

- Current consumer spending remains healthy. However, a continued inflation-driven erosion of purchasing power will pose a meaningful risk to retail sales as the year progresses.
- Rents are lower and modern space is more readily available in the neighboring Inland Empire, which continues to attract cost-conscious Orange County tenants. The trade-off is higher drayage and transportation costs, and the Inland Empire's relative appeal would likely fade if diesel prices were to rise further and remain elevated amid ongoing tensions in the Middle East.
- Aerospace and defense tenants are highly active in Los Angeles' South Bay, tightening Class A industrial availability and pushing rents higher in that submarket. As space options there narrow, adjacent pockets of Orange County stand to benefit from spillover demand, particularly for well-located, modern product that can support advanced manufacturing and defense uses.
- Industrial developers continue to purchase infill sites, work through the entitlement process, and position projects so they can break ground quickly once leasing conditions are favorable.

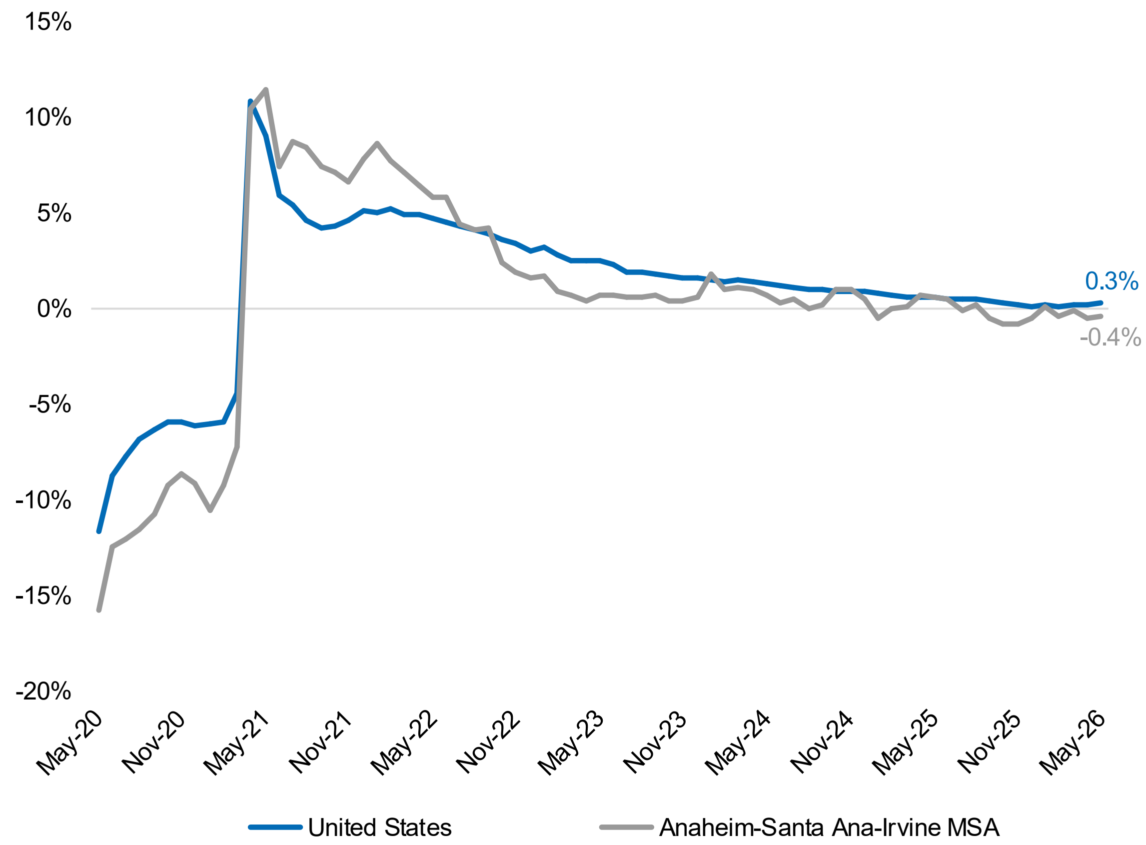
Unemployment Falls While Annual Job Growth Remains Close to Zero

Local unemployment fell to 3.5% in May 2026, the lowest it has been since May 2024. Orange County's nonfarm payroll employment contracted by -0.4%.

Unemployment Rate, Seasonally Adjusted



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

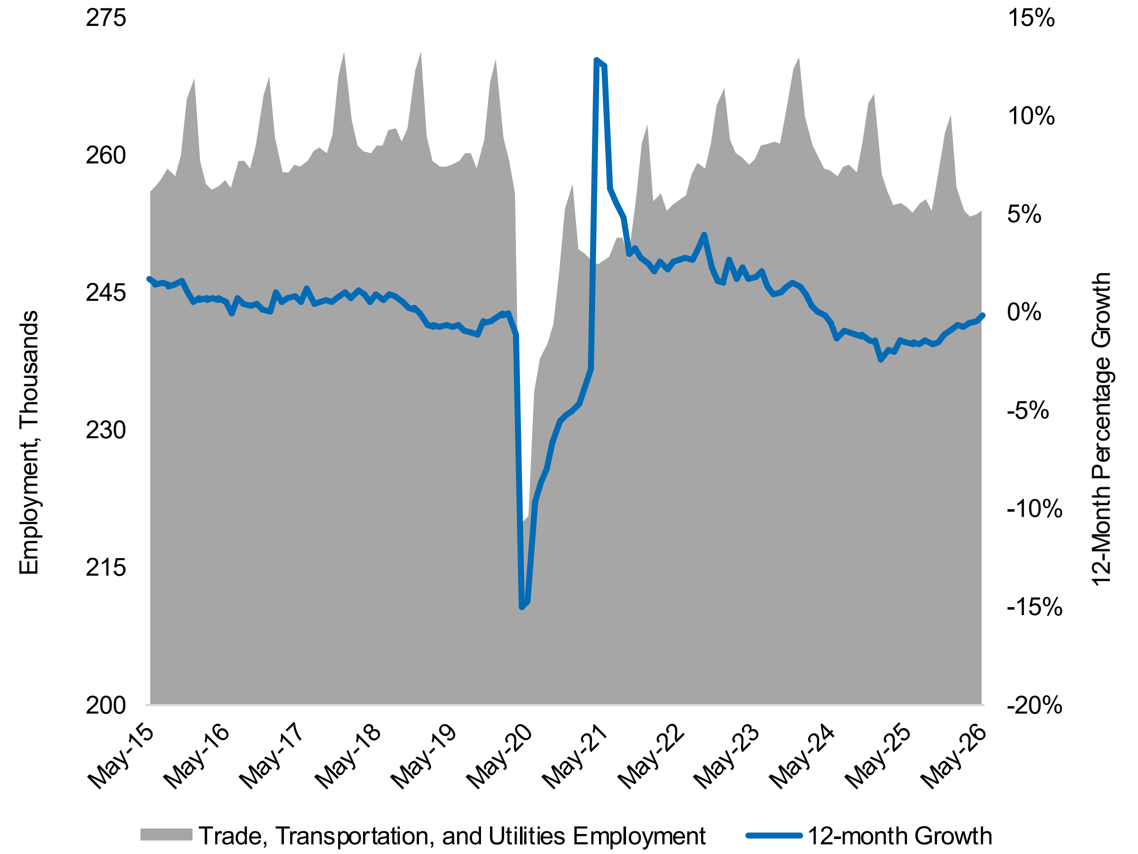


Source: U.S. Bureau of Labor Statistics, Anaheim-Santa Ana-Irvine, CA

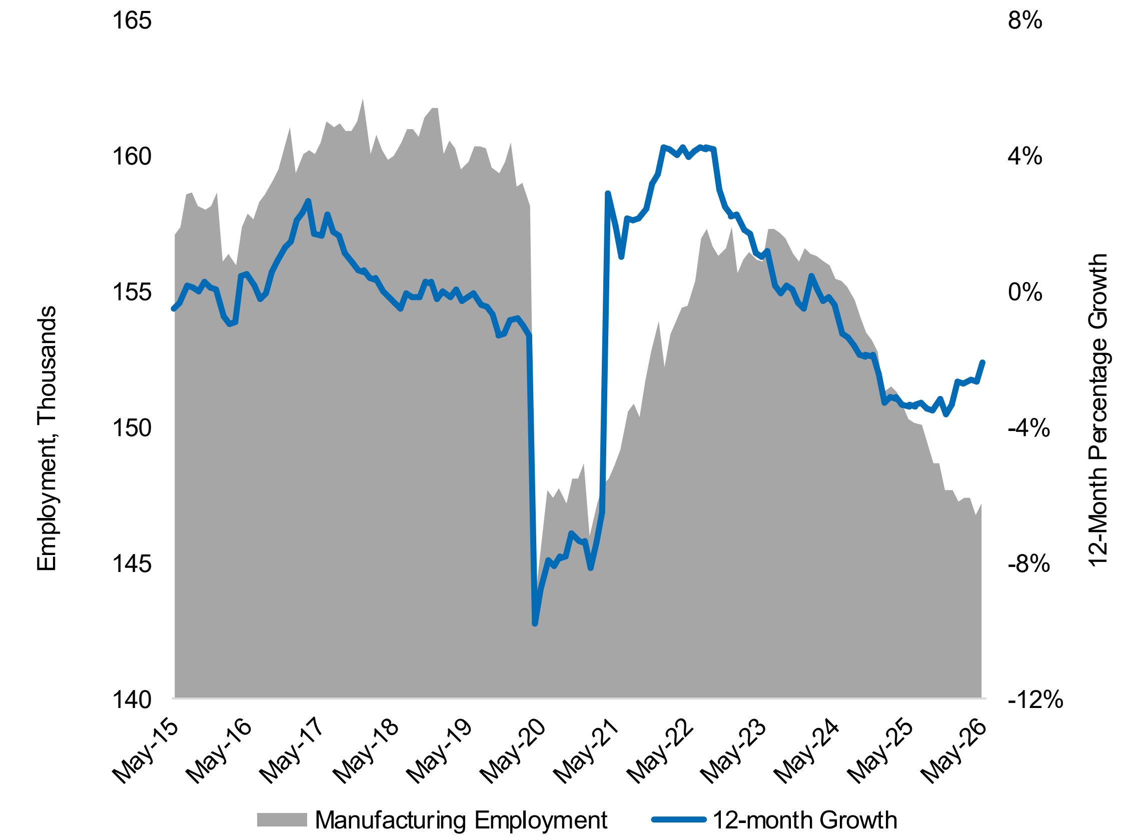
Industrial Employment Vulnerable to Trade Disruptions, Cost Hikes

Trade/transportation/utilities employment was flat amid steady consumer spending and ongoing warehouse leasing activity. Manufacturing employment continues to contract, pressured by ongoing automation, elevated operating costs in California, and growing tariff-driven exposure on imported raw materials. Both sectors face additional downside risk from rising transportation costs as the Iran conflict keeps oil prices elevated.

Trade/Transportation/Utilities Employment and 12-Month Growth Rate



Manufacturing Employment and 12-Month Growth Rate

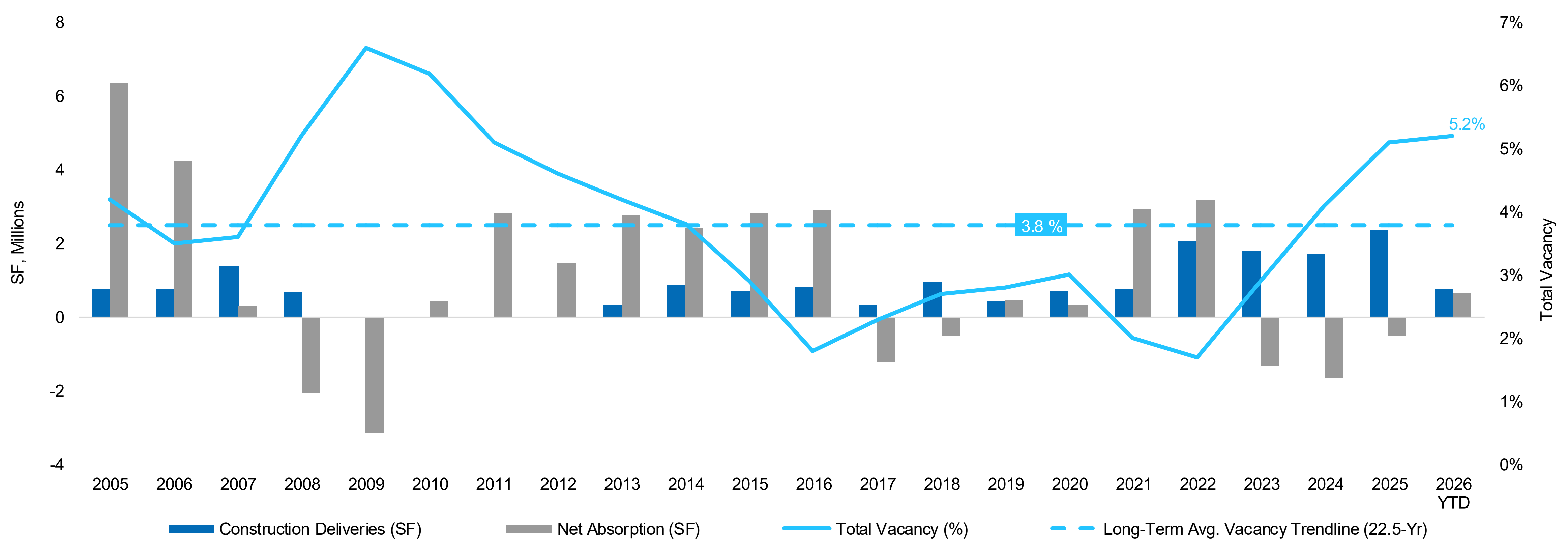


Source: U.S. Bureau of Labor Statistics, Anaheim-Santa Ana-Irvine, CA

Vacancy Rises Slightly as Unleased Construction Deliveries Outweigh Absorption Gains

This quarter, the market posted 59,145 SF of net absorption gains which were met with 209,528 SF in construction deliveries, causing vacancy to modestly rise. On a year-to-date basis, net absorption totaled 633,082 SF versus 752,012 SF in construction deliveries.

Historical Construction Deliveries, Net Absorption, and Vacancy

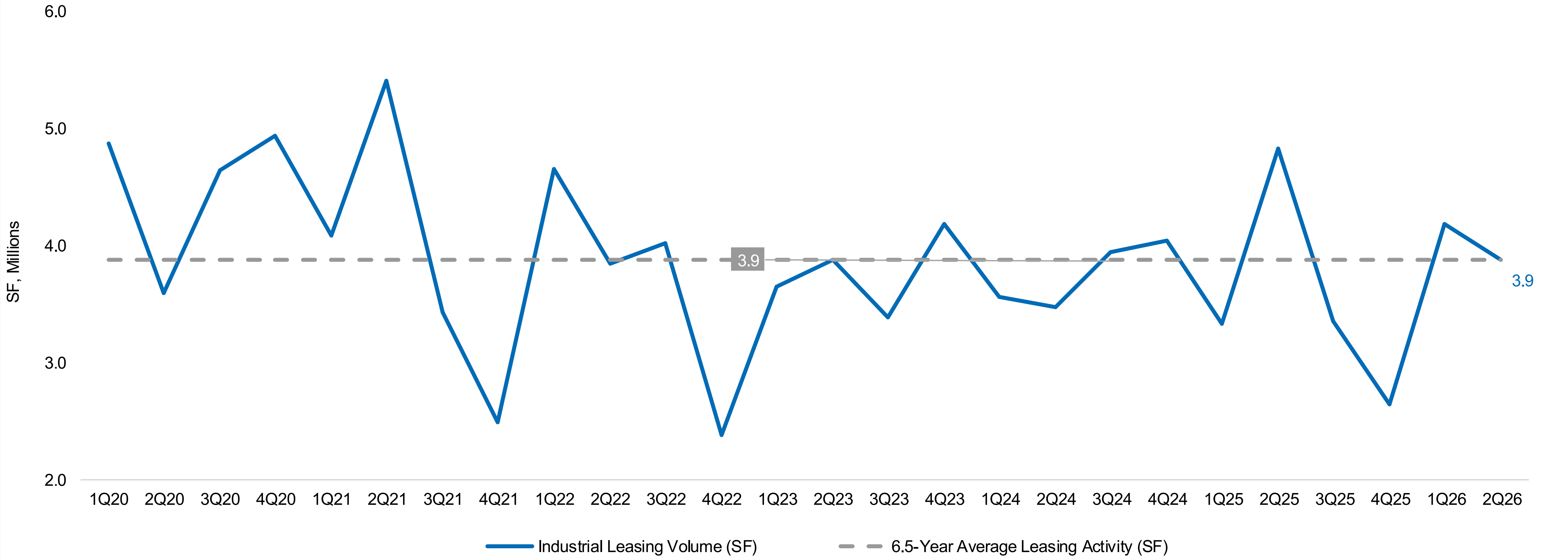


Source: Newmark Research

Leasing Activity On Par With Quarterly Average

Leasing activity in the second quarter was broadly in line with the recent 6.5-year quarterly average, reflecting a market that has stabilized rather than meaningfully accelerated. Healthy consumer spending continues to support space commitments, but elevated business costs and ongoing cost-containment efforts among occupiers are likely to restrain leasing volumes in the coming quarters as some tenants downsize or delay expansion plans.

Total Leasing Activity: New Leases and Renewals

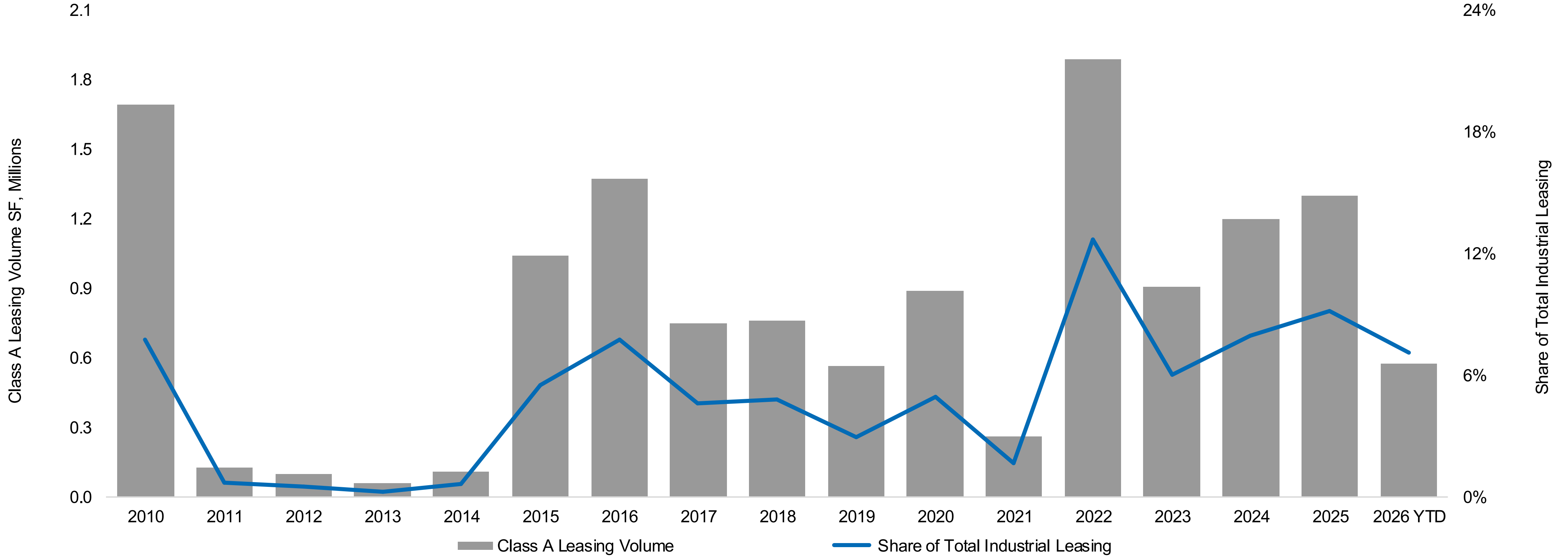


Source: Newmark Research, CoStar
Note: Total leasing activity includes direct leases, subleases, renewals and extensions.

Class A Leasing Activity Ebbs

Year-to-date Class A leases accounted for 7.1% of total industrial leasing volume in the first half of 2026, down from their share in the prior year. Key second-quarter contributors included Targus US LLC (84,041 SF at 1206 N Miller St in Anaheim) and Golden Shield International Trading Co (55,598 SF at 1160-1190 N Anaheim Blvd in Anaheim).

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

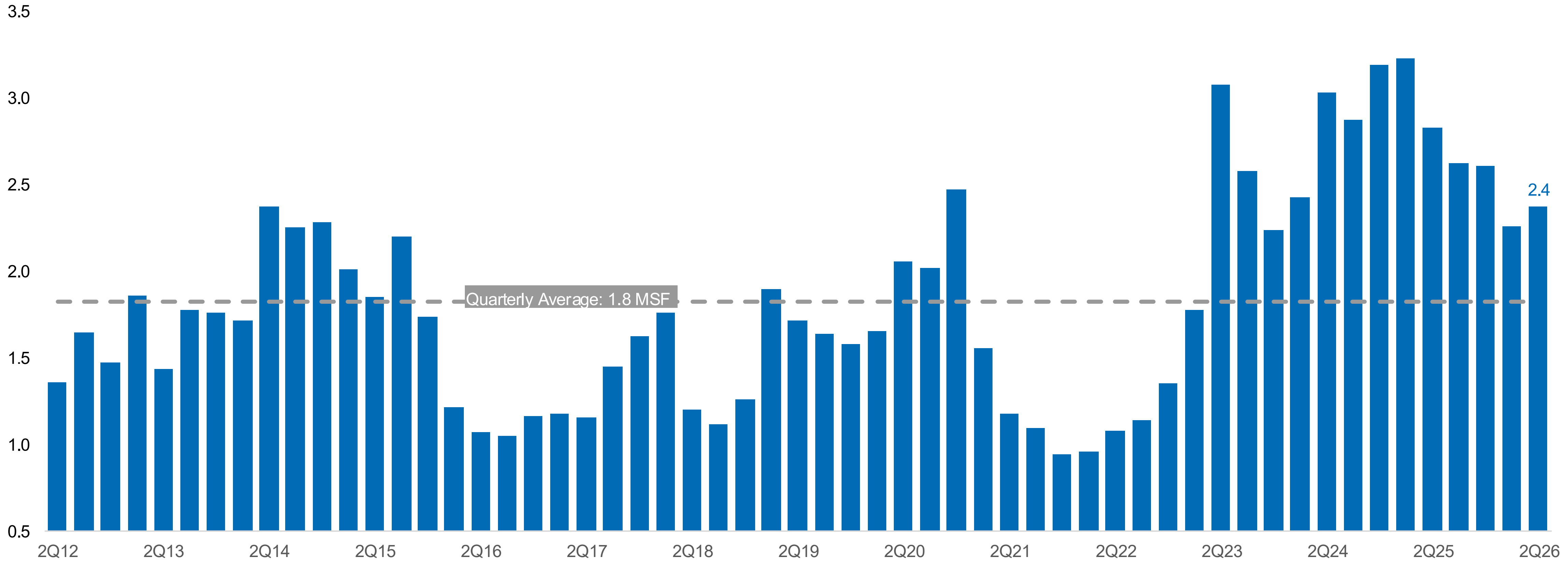


Source: Newmark Research, CoStar
Note: Class A is defined as 100,000+ SF warehouse/distribution facilities constructed since 2000 with a 30'+ minimum interior ceiling height.

Sublease Availability Ticks Upward

Sublet availability increased a modest 5.1% quarter-over-quarter to reach 2.4 MSF. A new sublease commitment by Ghost Golf (90,061 SF at 17421 Derian Ave in Irvine) was more than offset by a fresh 233,705-SF listing at 5383 Bolsa Ave in Huntington Beach, where Epson America is the current tenant.

Available Industrial Sublease Volume (MSF)

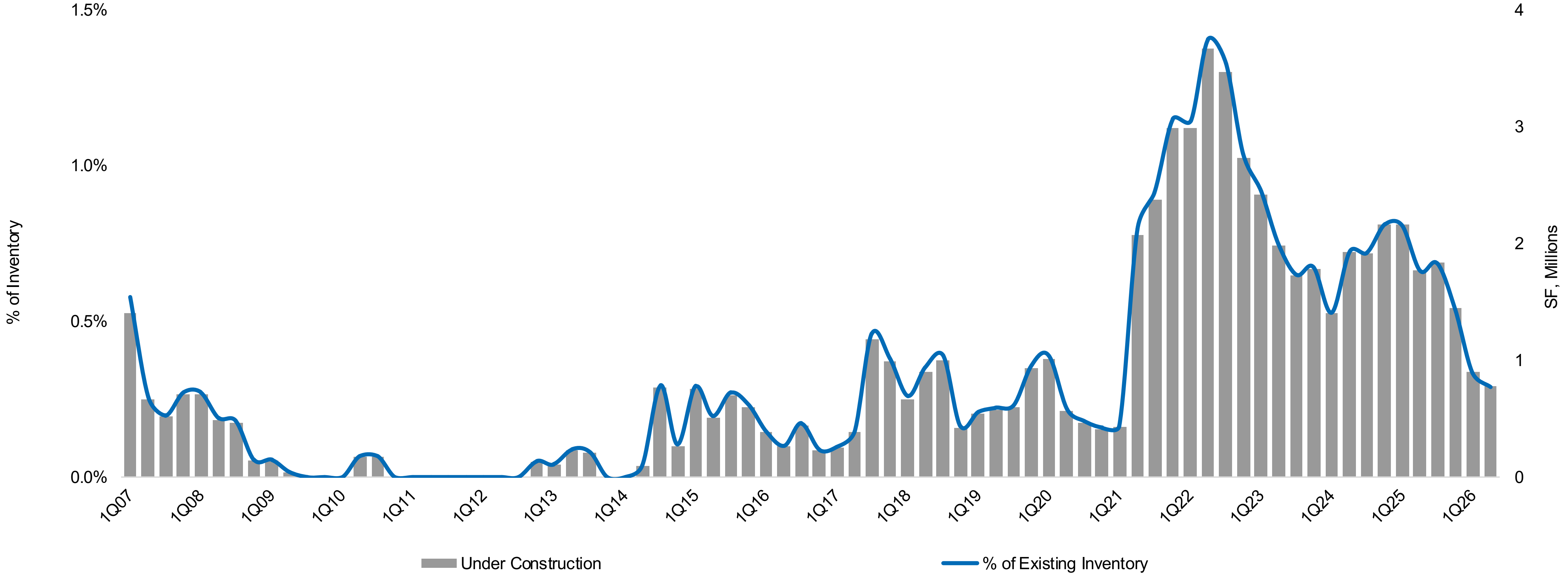


Source: Newmark Research

Under-Construction Volume Falls Below Historical Average

Under-construction activity fell 14.1% quarter-over-quarter to 776,706 SF, leaving the current pipeline below the market's 20-year average of 860,776 SF. New construction starts are likely to remain subdued until more of the existing modern product is leased and landlords see clearer evidence of sustained rent growth.

Industrial Under Construction and % of Existing Inventory



Source: Newmark Research

Notable 2Q26 Lease Transactions

Four leases this quarter exceeded 100,000 SF, down from eight in the prior quarter and 12 in second-quarter 2025. Among the five largest leases of the quarter, two were direct leases, two were renewals, and one was an expansion

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Harbor Distributing	5600 Argosy Ave	West County	Lease Expansion	223,406
The Huntington Beach-based distributor, which has a longstanding presence within Orange County, expanded within the partially-vacant property in May. Lease term expires in 4Q31.				
Kyocera America	14101 Alton Pkwy	South County	Lease Renewal	176,640
The semiconductor component and ceramics manufacturer renewed in April. Lease term expires in 3Q38.				
Manhattan Beachwear	11261 Warland Dr	West County	Direct Lease	121,983
The women's apparel manufacturer and distributor, which has a historic presence within Buena Park, will move into the property in September.				
FormDecor, Inc.	5600 Argosy Ave	West County	Lease Renewal	101,618
The Huntington Beach-based furniture rental service provider, which has leased the property since 2016, renewed in May. Lease term expires in 4Q31.				
Axis Product Development	752 N Poplar St	North County	Direct Lease	99,200
The Santa Ana-based manufacturing service provider will move into the vacant property in December. Lease term expires in 4Q35.				

Source: Newmark Research

NEWMARK

Fahima Dawd
Senior Research Analyst
Orange County
fahima.dawd@nmrk.com

Colin Harmony
Senior Research Analyst
Los Angeles, Inland Empire
colin.harmony@nmrk.com

Dain Fedora
Head of Research
Southwest
dain.fedora@nmrk.com

Orange County Office
18401 Von Karman Ave., Suite 150
Irvine, CA 92612
t 949-608-2000

New York Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000

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