

# INVESTMENT FORECAST

Office  
Orange County Metro Area

IPA  
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ADVISORS

2025

## California's Least Vacant Retail Market Also Maintains One of the Few Stable Asking Rents in the State

**Select areas uphold metro strength.** Increasing demand in West Orange County, Irvine and Newport Beach are offsetting rising vacancy in and around Santa Ana, as well as in the south part of the county. Beginning 2025 with especially low vacancy of 1.9 percent, Irvine will likely benefit from foot traffic generated by improving office occupancy, as well as an increasing number of local housing options. Multifamily inventory in Irvine has risen 8 percent since 2019, with more than 3,000 units still in the pipeline. While metrowide store closures have weighed on net absorption over the past two years, gross absorption has held relatively steady. Looking ahead, more move-ins are slated for this year, while redevelopments like with Santa Ana's Metro Town Square will remove vacant stock from the market. This demand growth, along with potential removals and restrained construction, will allow Orange County to retain its status as California's least vacant major retail market.

**Investors active across market.** Favorable fundamentals continue to elicit investment, especially among southern California-based private buyers. While cap rates are inching higher, a mean of 5.4 percent on 2024 trades is tight compared with borrowing costs. This may have made it hard for deals to pencil, contributing to an overall lower transaction volume than in years past. Still, the activity that is taking place is generally well dispersed across the market. Entry costs were often highest around John Wayne Airport, as storefronts – even ones without mixed-use components – changed hands last year at sales prices that sometimes exceeded \$1,000 per square foot. Investors seeking lower entry costs may turn to North and Central Orange County, as assets here under 10,000 square feet often traded for below \$700 per square foot last year.

### 2025 MARKET FORECAST

+1.1%



**EMPLOYMENT:** Job growth accelerates from last year, as an unemployment rate above 4 percent to start the year facilitates more hiring. In 2025, about 18,000 jobs will be created on net.

150,000  
sq. ft.



**CONSTRUCTION:** The pace of construction picks up slightly from 2024, but deliveries will still only represent 0.1 percent of existing stock. The largest projects will be two grocery stores in Irvine.

-10 bps



**VACANCY:** After holding flat at 4.3 percent for the past two years, Orange County's overall vacancy rate will inch down to 4.2 percent in 2025. The average from 2014-2019 was 4.0 percent.

+0.5%

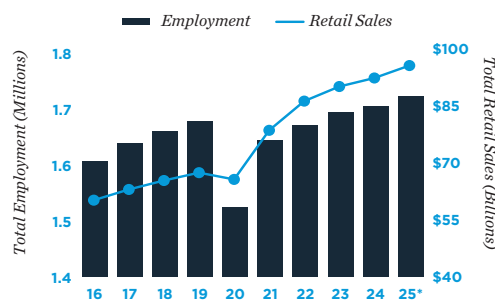


**RENT:** Similar to vacancy, asking rents have held relatively steady in recent years. This trend will continue in 2024 as the average marketed rate will inch up to \$33.40 per square foot by December.

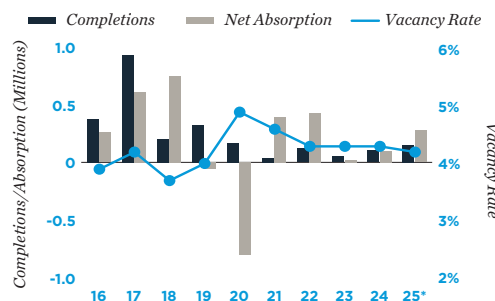
#### INVESTMENT:

*While less common, out-of-state capital does come into the market each year. Assets occupied by national credit tenants, like fast food chains in central areas like Santa Ana, are frequently targeted.*

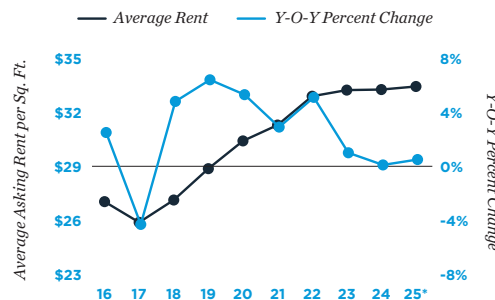
#### Economic Trends



#### Supply and Demand



#### Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.