

INVESTMENT FORECAST

Retail
Orange County

IPA
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ADVISORS

2026

Core County Submarkets Capture Stronger Tenant Demand as Transaction Volume Recovers

Cost-effective nodes lead as demographics shift. Orange County continued to outperform its peers, as it was the only major Southern California metro where retail vacancy declined in 2025. Established infill areas with lower rents, such as Santa Ana and Anaheim, saw stronger leasing, driven by grocery, fitness, and experiential tenants. This helped vacancy decline or remain flat in the north, west, and central parts of the county, led by a 180-basis-point drop to under 4 percent in the Santa Ana-Orange area. Despite population declines due to limited housing supply, affluent residents displacing lower-income households should support higher-value retailers, such as Sprouts moving into a former 99 Cents Only Store. Meanwhile, southern suburbs with more big-box space saw power center vacancy rise 140 basis points to over 9 percent amid large move-outs. By contrast, vacancy among neighborhood centers fell 70 basis points to under 6 percent, as necessity uses and small-shop demand limit availability.

Large investors reengage as restaurant trades pick up. Deal flow rose in 2025 as institutions returned, with sales over \$10 million increasing 60 percent year-over-year. These buyers favored daily-needs centers south of Irvine along Interstate 5, supported by affluent consumers and limited development, with only about 100,000 square feet of retail space delivered since 2019. Private investors stayed more active in Santa Ana and Anaheim, where restaurant trades strengthened. California's 2024 minimum wage increase to \$20 an hour for large fast-food chains has pressured some national brands. Nevertheless, this may have helped restaurant leasing hit multiyear highs in 2025, as independent operators and lower-labor concepts strengthened their competitive position. New state laws making outdoor dining permanent should also support patronage.

2026 MARKET FORECAST

+0.4%



Employment: While about half the past-decade annual average, the creation of 7,500 jobs improves over last year and ties with San Diego for the fastest growth rate among major California metros.

265,000
sq. ft.



Construction: Deliveries are forecast to reach the highest total since 2019, though they remain in line with the prior 10-year norm. Completions will concentrate near Santa Ana and Anaheim.

-20 bps



Vacancy: Nearly 80 percent of new supply is pre-leased and focused on small pad sites, limiting supply pressure and helping vacancy fall to 3.8 percent, the lowest rate on the West Coast.

+1.8%

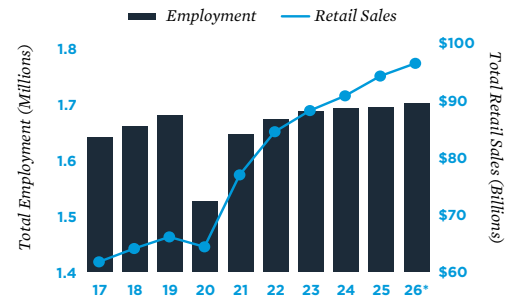


Rent: Tight vacancy should keep asking rents trending upward, lifting the metro average to \$34.62 per square foot. This mean exceeds that of Los Angeles and ranks as the nation's fifth-highest.

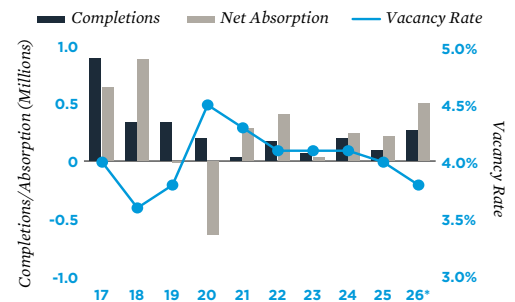
INVESTMENT:

Orange County posted the second-strongest healthcare job growth last year among major U.S. markets, rising 6 percent year-over-year, which should support retail demand near key medical corridors.

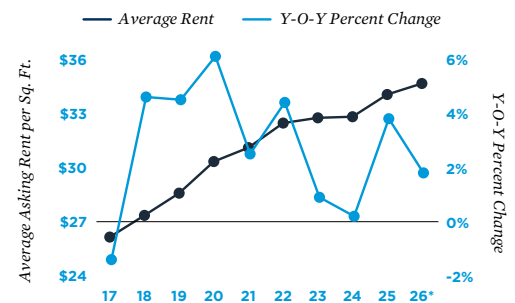
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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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 January 2026. 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 office 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.