

INVESTMENT FORECAST

Industrial
Orange County

IPA

INSTITUTIONAL
PROPERTY
ADVISORS

2026

Higher Overall Vacancy Overshadows Positive Warehouse and Manufacturing Demand

Distribution center metrics skew fundamentals. Industrial tenants across Orange County absorbed 780,000 square feet of space from October 2025 through March 2026, which ended seven quarters of net relinquishment. Still, local vacancy is historically elevated, sitting at 6.8 percent as of April. Much of this available space, however, is concentrated within distribution centers. Across the property type, vacancy doubled over the past 12 months ending in March to 14.0 percent, a reaction to some larger users, including Republic National Distributing Company, exiting the market along with a collection of speculative deliveries. In contrast, warehouse vacancy declined 30 basis points over the same yearlong interval, falling below 6 percent, while manufacturing availability held in the mid-5 percent range. Based on recent lease executions, the latter sector may drive overall absorption in the coming quarters as several upcoming move-ins are scheduled at facilities larger than 50,000 square feet. Still, the metro will end 2026 with its highest year-end vacancy rate since 2002.

Older assets remain in demand, dictate deal flow. Despite historically elevated vacancy, private investors are actively engaging with the marketplace. Smaller warehouses in North County, which includes the cities of Anaheim, Orange, and Buena Park, should continue to garner attention as the area was the only submarket to post positive net absorption over the 12 months ended in March. Here, properties built before 2000 will account for the bulk of sales activity, as assets of this vintage comprise 85 percent of the local stock. A similar inventory divide exists metrowide, generating opportunities for private buyers to acquire older properties in longstanding industrial zones for under \$5 million, despite one of the nation's highest average entry costs.

2026 MARKET FORECAST

+0.8%



Employment: After shedding 7,600 jobs last year, Orange County's workforce returns to a record level in 2026 as employers add 14,000 positions, most of which are blue-collar roles.

815,000
sq. ft.



Construction: Delivery volume falls to a five-year low as developers grow stock by just 0.3 percent. Completions are primarily in Irvine, Anaheim, San Juan Capistrano, and the city of Orange.

+20 bps



Vacancy: Supply and demand come into better alignment, preventing a sizable vacancy increase. At 7.0 percent, the metro's year-end rate is the second lowest among major West Coast markets.

-2.5%

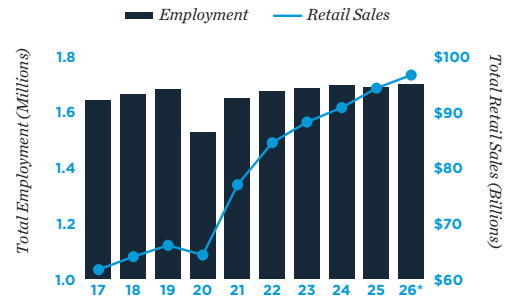


Rent: The local average asking rent remains on a downward trajectory for a third straight year, though the decline in 2026 is less pronounced, bringing the mean to \$17.90 per square foot.

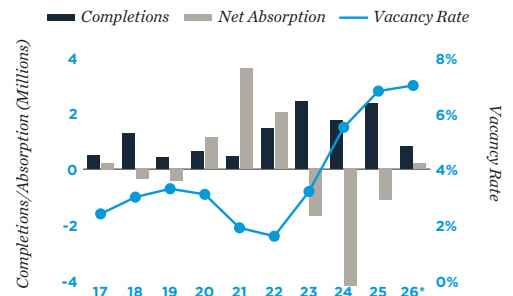
INVESTMENT:

The manufacturing sector is the metro's least vacant industrial property type, a dynamic that may steer private investors to smaller facilities in Santa Ana and other hubs for factory users.

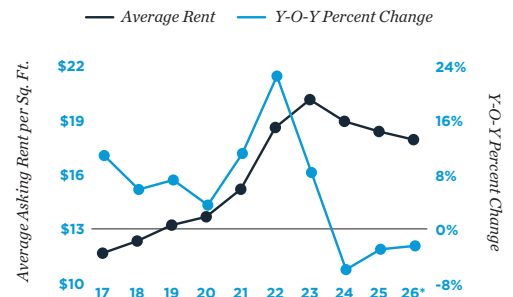
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Industrial

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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.