

INVESTMENT FORECAST

Office
Orange County Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Expanding Base of Technical Talent and Employers Bodes Well for Value-Add Opportunities

Growing STEM industries driving Orange County's office market. As one of only 12 U.S. metros where vacancy will land roughly 100 basis points below long-run levels, the metro benefits from a diversifying economy anchored by defense, hardware, and advanced research. Anduril is rapidly expanding around its Costa Mesa headquarters, and Hyundai is enlarging its countywide presence. With most deliveries tied to the Advantech North America campus this year, overall supply pressure will remain subdued. These corporate expansions have been particularly impactful among Class A properties, where vacancy declined roughly 300 basis points year-over-year in late 2025, making Orange County one of only six major U.S. metros to post such gains. Looking ahead, tailwinds in defense and hardware, combined with the University of California, Irvine's rising STEM reputation and industry-focused research, should continue to support office space demand. With roughly 20 percent undergraduate growth over the last decade and recognized strength in social mobility, UCI is positioned to supply a steady stream of highly skilled talent to support the metro's white-collar workforce.

Higher yields attracting private, in-state capital. Mainly driven by private investors, particularly owner-users, transaction velocity in Orange County increased roughly 50 percent year-over-year in 2025. The metro's average cap rate last year rose to 7.5 percent, up from 5.6 percent in 2019, when it was 150 basis points below the national average; the current rate now matches the national rate. Elevated cap rates, coupled with soft operating income, continue to pressure pricing for office buildings, while high land costs mean many properties are trading below replacement cost. These local market conditions create opportunities for investors pursuing value-add or repositioning strategies.

2026 MARKET FORECAST

+0.4%



Employment: The pace of job growth has been slowing since 2024. Orange County is projected to welcome 7,500 jobs this year across all sectors while shedding 1,500 office-centric roles.

225,000
sq. ft.



Construction: This year's deliveries will total roughly one-quarter of the metro's decade-long annual average, equating to just 0.2 percent inventory growth.

-50 bps



Vacancy: The vacancy rate will continue to decline for a third consecutive year, reaching 14.6 percent by December. The vacancy-compression pace will outdistance all other Southern California metros.

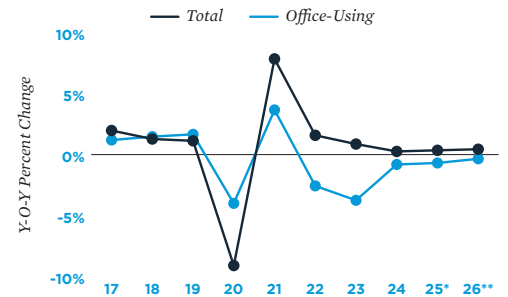
+1.2%



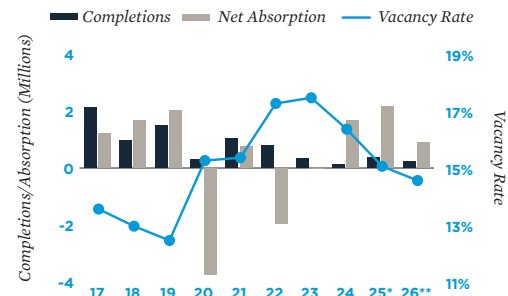
Rent: Falling vacancy will support further rent growth in Orange County, with the mean asking rate ending 2026 at \$29.75 per square foot. That is slightly below the 2019 peak of \$29.85.

INVESTMENT: *The area around and south of John Wayne Airport saw the fastest growth in sales activity last year. Despite elevated vacancies, investors are acquiring assets here as apartment deliveries ramp up in the area.*

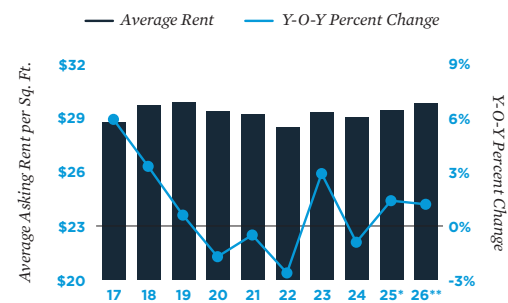
Employment Trends



Supply and Demand



Rent Trends



* Estimate ** 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 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.