

FIGURES | ORANGE COUNTY OFFICE | Q3 2026

Orange County’s office market gains traction as net absorption and rents trend upward



Note: Arrows indicate change from previous quarter.

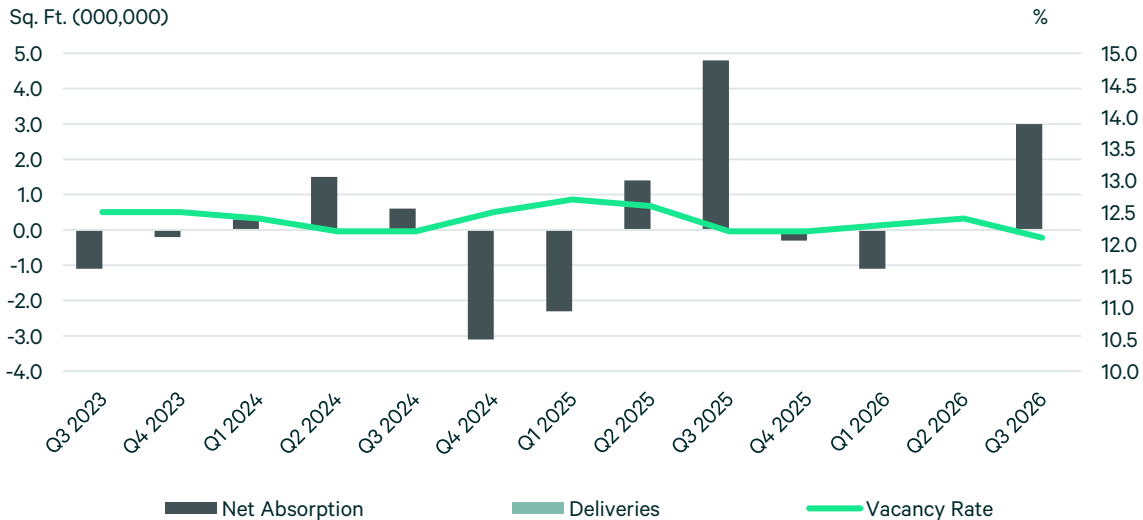
Market Overview

The Orange County (OC) office market turned a corner in Q3 2026 as leasing accelerated, availability fell to a multi-year low, and net absorption moved solidly into positive territory. Net absorption totaled positive 300,000 sq. ft., the strongest result of 2026 and only the second time positive absorption has been above 200,000 sq. ft. in this cycle. Leasing activity surged to 2.9 million sq. ft. across 398 deals, up sharply from the 2.1 million sq. ft. signed in Q2 2026.

Total vacancy decreased 130 basis points (bps) quarter-over-quarter to 12.1%, dipping below the 13 million sq. ft. mark for the first time in 15 quarters. The availability rate moved along a similar trajectory as it fell 150 bps to 16.5% in Q3 2026, from 18.0% in Q2 2026. The shift signaled that tenant demand was now outpacing the space coming back to market after an extended period of elevated availability.

Landlords gained increased pricing power as market conditions improved. The average direct asking lease rate climbed to \$3.00 FSG per sq. ft. per month from \$2.89 FSG per sq. ft. per month in Q2 2026 and \$2.84 FSG per sq. ft. per month in Q1 2026. The surge was largely driven by published rate increases from The Irvine Company, as other owners across the region that followed suit.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



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Vacancy & Availability

The overall vacancy rate fell to 12.1% in Q3 2026, a 130-bps decrease from 13.4% in Q2 2026 and a 270-bps drop from the 14.8% recorded in Q3 2025. The decline occurred at a faster rate than past quarters this year, indicating a sharp rise in overall activity. New leasing, led by the Legal and Financial Services industries, accelerated during the quarter, and a solid pace of renewals reduced the amount of vacant space coming online.

The Greater Airport Area (GAA) demonstrated the steepest submarket decline in vacancy, falling 170 bps to 11.9% from 13.6% in Q2 2026. This provided a strong indication that tenants continued to seek prime, desirable locations in Class A office space despite higher lease rates. South OC recorded the second largest decrease, falling to 11.4% from 12.6% quarter-over-quarter, as one large tenant expanded its footprint by 75,000 sq. ft., and another publicly traded medical device company signed a 120,000 sq. ft. deal. High-rise vacancy compressed 140 bps to 16.6% from 18.0%, led by a 173,000 sq. ft. lease by a privately held Aerospace and Defense company in the GAA.

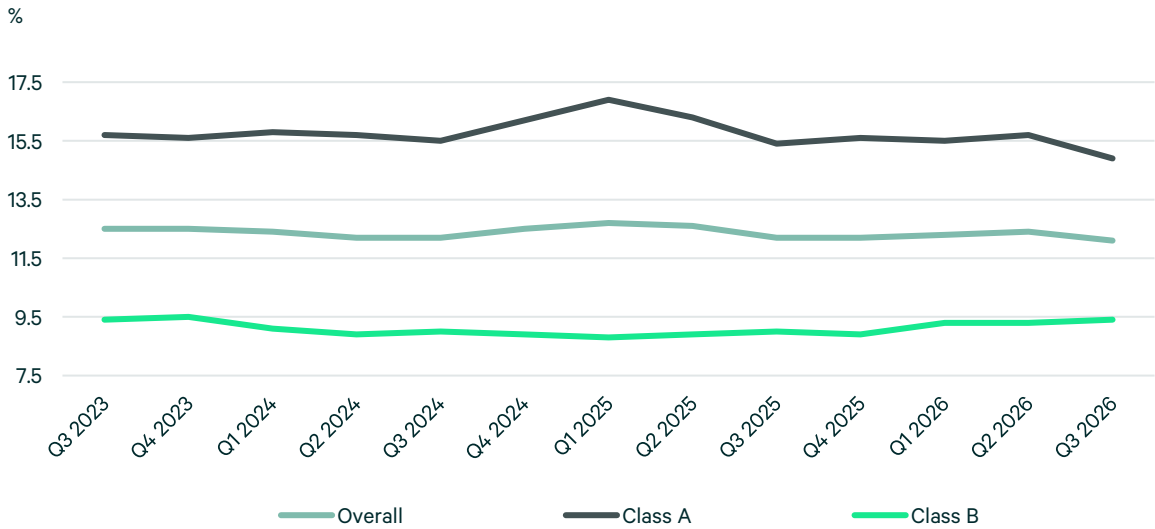
The availability rate reached 16.5% in Q3 2026, a 150-bps decline from 18.0% in Q2 2026, which marks the lowest level recorded since Q2 2020. Decreases were widespread, with every district, class, and building type recording a decline. Class A buildings experienced a dramatic 7.5 percentage points decline in the availability rate year-over-year. The GAA and South OC submarkets fell to 16.1% and 17.5%, respectively, while West OC declined to 18.4%. Irvine Spectrum recorded the largest district-level decrease, dropping to 14.7% in Q3 2026 from 17.6% in Q2 2026. The City of Cypress saw the largest drop at the city level as availability fell to 21.6% from 27.1% as the county leased more than 100,000 sq. ft. in that location.

Asking Rent

OC Office asking rents jumped 3.8% to \$3.00 FSG per sq. ft. per month in Q3 2026. Rents increased \$0.11 from \$2.89 FSG per sq. ft. per month quarter-over-quarter and \$0.19 from \$2.81 FSG per sq. ft. per month year-over-year. With institutional owners continuing to increase rates, the market saw elevated demand for limited supply.

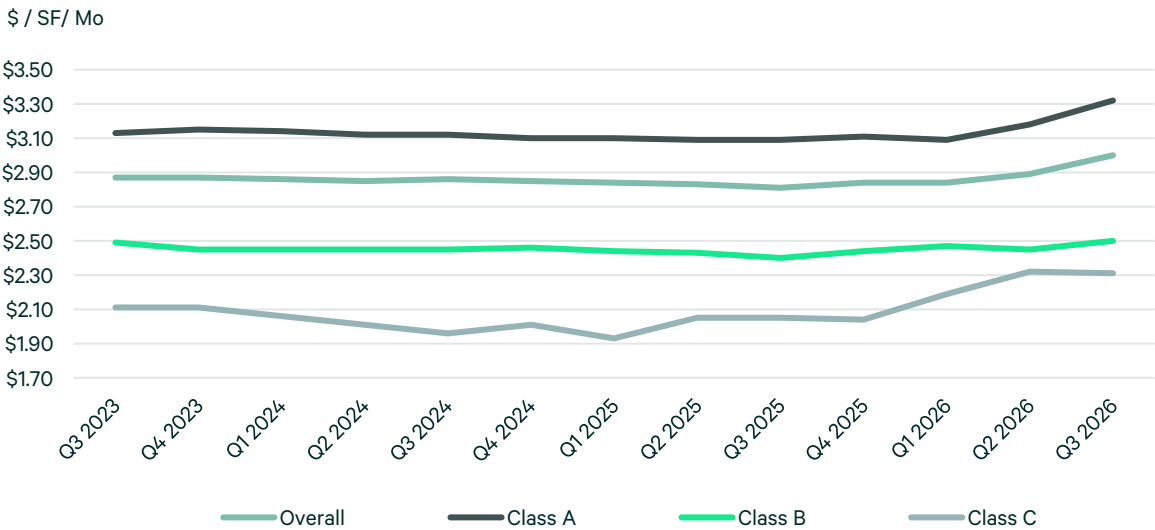
Across OC submarkets, Class A rents were led by the GAA at \$3.50 FSG per sq. ft. per month, with North OC posting the lowest rent at \$2.84 FSG per sq. ft. per month. Class B rents ranged from a high of \$2.77 FSG per sq. ft. per month in the GAA to a low of \$1.91 FSG per sq. ft. per month in West OC. The 3.8% quarter-over-quarter increase is the strongest rent growth in more than a decade, and the first time rates have reached \$3.00 FSG per sq. ft. per month since Q1 2021. Landlords used increased concessions like free rent to support higher asking rents.

Figure 2: Vacancy Rates by Class



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Figure 3: Average Direct Asking Rate by Class



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Net Absorption

Net absorption moved solidly into positive territory in Q3 2026, with 300,000 sq. ft. of newly occupied space, a sharp improvement from the negative 116,500 sq. ft. recorded in Q2 2026. Class A product led the recovery, absorbing 346,000 sq. ft. after two consecutive weak quarters. Class A absorption also improved by 115,000 sq. ft. year-over-year, reinforcing tenants’ flight-to-quality. High-rise properties recorded 211,000 sq. ft., a 385,000 sq. ft. improvement from Q2 2026.

The gains were broad-based across submarkets, with all five posting positive absorption. The Greater Airport Area, which accounts for nearly half of the office base, logged 156,000 sq. ft., a 304,000 sq. ft. improvement from negative 148,000 sq. ft. in Q2 2026. Irvine Spectrum was the top-performing district at 253,000 sq. ft., followed by South Coast Metro at 65,000 sq. ft. The City of Irvine led all cities with 254,000 sq. ft. of net absorption, reversing two consecutive quarters of negative absorption. Newport Beach ranked second with solid gains of 112,000 sq. ft. in a performance largely spurred by an Aerospace and Defense tenant signing a short-term deal, along with robust activity in the Newport Center district.

Deals more than 100,000 sq. ft. in South OC and West OC were the key drivers of the quarter, supported by consistent leasing activity in the 10,000 to 20,000 sq. ft. range in the Airport Area. Moderated move-outs also helped support the positive shift. Mid-sized tenant move-outs totaled 130,000 sq. ft. in GAA, reaching a cycle low. There was also only a single large-tenant move-out over 50,000 sq. ft. in Orange County in Q3 2026. Gains spread across property classes, submarkets and cities, pointing to a durable turnaround.

Construction Activity

In Q3 2026, construction activity remained highly constrained, with OCVibe still the only project underway. Space under construction held steady at 168,000 sq. ft., with no deliveries or new starts during the quarter. OCVibe has been the sole project under construction for more than two years, underscoring developers' reluctance to break ground amid elevated availability and rising construction costs.

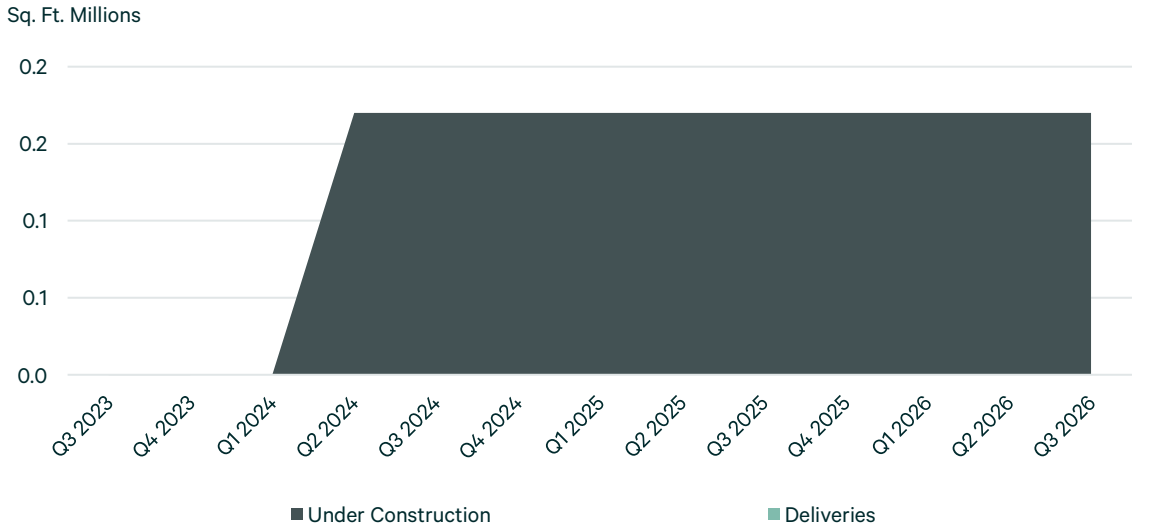
Funding for new development remains limited, even as office-to-residential conversions continue. However, leasing activity accelerated in Q3 2026, suggesting potential opportunities for new development ahead. As conversions remove more buildings from the office base, the market could tighten further.

Figure 4: Net Absorption Trend



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Figure 5: Construction Activity



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Sale Activity

Investment sales totaled \$614.5 million in Q3 2026, increasing 57.2% quarter-over-quarter from \$391 million in Q2 2026 and 47.4% year-over-year from \$416.9 million in Q3 2025. Year-to-date sales volume reached \$1.4 billion. The emphasis on office conversions in Q3 2026 helped drive the increase in investment sales activity.

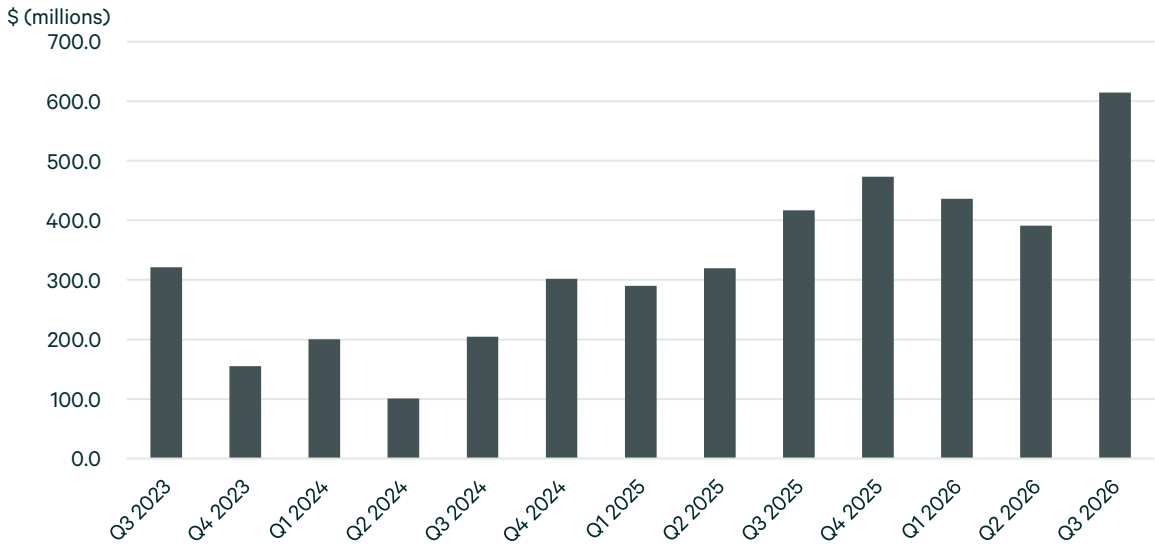
Owner-users drove Q3 2026 office transactions, outpacing private investors as borrowing costs increased across the market. Broadcom's \$325 million purchase of the 660,900 sq. ft. property at 15101-15191 Alton Parkway in South OC, or \$491.8 per sq. ft., accounted for 58% of the \$560.8 million traded across the quarter's six largest sales. The second-largest deal, Greenlaw Partners LLC's \$98 million purchase of 100 Bayview Circle in GAA, priced at \$283 per sq. ft. Institutional capital was nearly absent as the Federal Reserve raised its target rate 25 bps to 3.75%-4.00%, bringing the effective rate to 3.88%. Landlords facing this pricing pressure relied on increased concessions to support the rental rate increases to protect their portfolio value. Capital markets are improving despite Fed volatility, with high-net-worth individuals driving private buyer activity as institutional capital stays on the sidelines.

Figure 7: Key Sales

Property	Submarket	Buyer	Sales Price	Size (SF)	Price Per SF
100 Bayview Circle	Greater Airport Area	Greenlaw Partners LLC	\$98M	346,335	\$283.0
Tustin Financial Plaza	Central Orange County	Taylor Morrison	\$68.7M	185,180	\$370.9
15101-15191 Alton Pkwy	South Orange County	Broadcom	\$325M	660,900	\$491.8
Fairway Center II	North Orange County	MW Investment Group	\$27.9M	134,000	\$207.8
19000 Macarthur Boulevard	Greater Airport Area	KF Properties	\$26.5M	160,000	\$165.6
2951-2955 Main Street	Greater Airport Area	William Chiu	\$14.7M	33,593	\$437.6

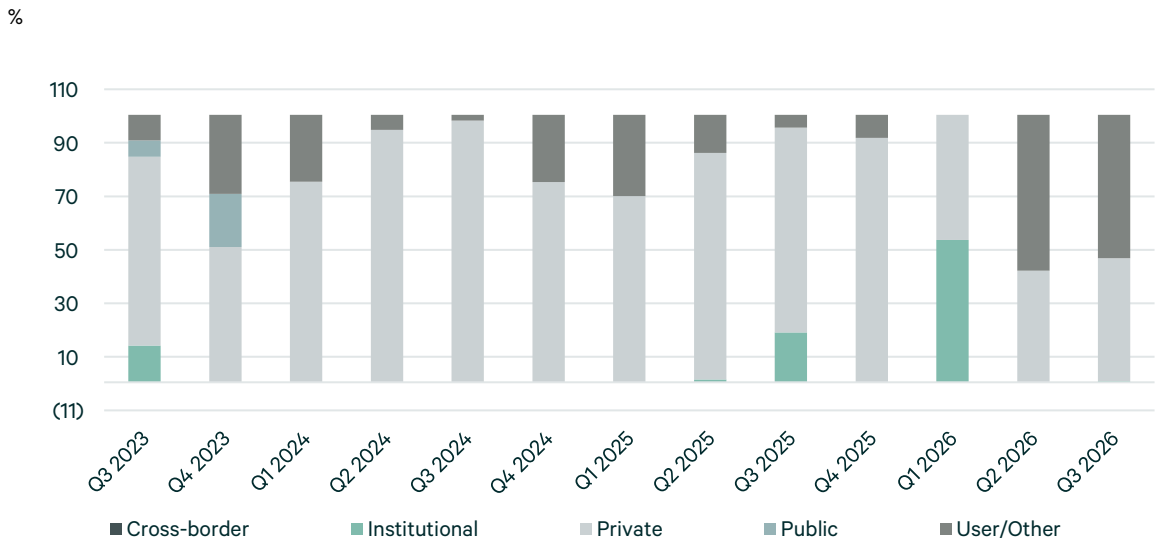
MSCI Real Capital Analytics

Figure 6: Quarterly Sales Volume



MSCI Real Capital Analytics

Figure 8: Buyer Composition



MSCI Real Capital Analytics

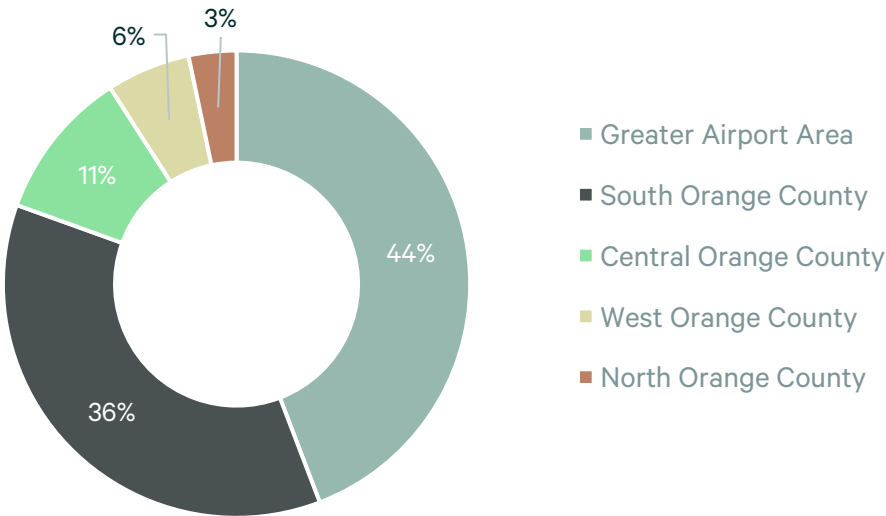
Leasing Activity

Leasing activity in Q3 2026 strengthened materially, with total leased area reaching 2.9 million sq. ft., the highest quarterly volume since Q3 2023, and bringing the year-to-date leasing total to 7.0 million sq. ft. This level of activity represented a 41.3% quarter-over-quarter increase from Q2 2026 and a 26.6% year-over-year gain compared with Q3 2025. Pent-up demand from large tenants drove strong leasing activity in Q3 2026, with 10 deals of more than 30,000 sq. ft. accounting for roughly 33% of total volume.

In Q3 2026, leasing was highest in the Greater Airport Area at 1.3 million sq. ft. and lowest in North Orange County at 96,000 sq. ft., across Class A and Class B space. Class A leasing activity made up more than half of total volume, indicating that tenants will pay a premium for well-amenitized space amid market-wide rent increases. Renewals strengthened as companies that reported more consistent office attendance chose to remain in place. Expansions also ticked up and added to the improved figures, with 17 deals totaling 121,000 sq. ft. in Q3 2026.

The quarter saw strong leasing velocity for transactions above 20,000 square feet. While demand was broad-based across sectors, Aerospace and Defense emerged as a notable source of momentum throughout the quarter, with return-to-office mandates among financial services and law firms contributing additional velocity in the larger block segment.

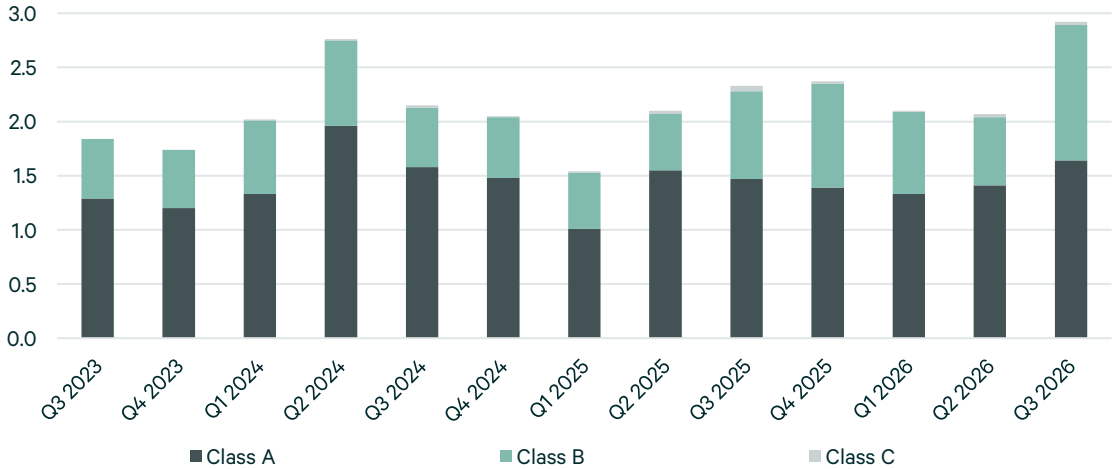
Figure 10: Leasing by Submarket (% of Total Activity)



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Figure 9: Leasing Activity Trend

Sq. Ft. (millions)



CBRE Research

Figure 11: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Taco Bell Corporation	254,000	New Lease	15955 Alton Pkwy	South Orange County
Deutsche Bank	145,000	Renewal	1801 E Saint Andrew Pl	Greater Airport Area
Envista	118,006	New Lease	15360-70 Barranca Pkwy, 100 Tech Dr	South Orange County
Regional Center of OC	108,000	New Lease	5701 Katella Ave	West Orange County
Anduril Industries	102,000	New Lease	4000 Macarthur Blvd	Greater Airport Area
Anduril Industries	71,000	New Lease	600 Anton Blvd	Greater Airport Area
Chinese Immersion Academy	65,000	New Lease	15253 Bake Pkwy	South Orange County
National Services Group	34,771	New Lease	3 Hutton Centre Dr	Greater Airport Area

Source: CBRE Research, Q3 2026

Economic Overview

Notable challenges persist, from elevated energy costs and interest rates to lingering geopolitical and technological uncertainties. Despite these concerns, the U.S. economy remains on track to grow by more than 2% during 2026, continuing a stretch of solid expansion since 2023, supported by impressive AI-driven business investment. Also, a generally stable labor market continues to underpin consumer activity, providing a cushion against other risks.

The final months of 2026 could prove pivotal. While economic growth supports healthy CRE occupier market fundamentals, the investment side of the market must contend with 5% Treasury yields. Signals from the Federal Reserve, inflation data, and global fixed-income markets suggest rates will remain elevated for the foreseeable future. A key upside catalyst would be a de-escalation in the U.S./Iran conflict, which could ease inflation and provide the Fed with more flexibility.

In summary, the Orange County office market enters Q4 2026 with the strongest momentum of the cycle, as the national backdrop supports demand and tight supply continues to work in landlords' favor. The quarter delivered positive net absorption of 300,000 sq. ft., availability at its lowest level in 25 quarters, vacancy at 12.1%, and an average asking rate of \$3.00 FSG per sq. ft. per month, the first time rents have reached that level since Q1 2021. Leasing remains renewal-heavy, but requirements of 20,000 sq. ft. or more are now more prevalent than at any other point in this cycle with Aerospace and Defense, Financial Services, and Legal Services leading activity.

Limited new construction and continued office-to-residential conversions are tightening supply, and The Irvine Company's rate increases are giving landlords room to push rents. Rising operating expenses, tenant improvement costs, and uneven credit quality behind some large requirements remain the main items to watch. On the capital markets side, investment sales are improving despite rate volatility, led by high-net-worth buyers, with institutional capital yet to return in force. With several deals in lease negotiation, the market is positioned to build on this quarter's gains.

Market Statistics

Figure 12: Suburban Market Statistics by Class

Property Class	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	51.92M	14.9	19.7	17.2	2.5	3.32	346,000	306,000	-	168,000
Class B	46.87M	9.4	13.5	12.3	1.2	2.50	(43,000)	(75,000)	-	-
Class C	4.00M	7.4	8.5	8.1	0.5	2.31	(2,000)	(38,000)	-	-
Total	102.79M	12.1	16.5	14.6	1.8	3.00	300,000	192,000	-	168,000

Source: CBRE Research, Q3 2026

Market Statistics by Class

Figure 13: Metro Market Statistics by Class

Property Class	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	51.92M	14.9	19.7	17.2	2.5	3.32	346,000	306,000	-	168,000
Class B	46.87M	9.4	13.5	12.3	1.2	2.50	(43,000)	(75,000)	-	-
Class C	4.00M	7.4	8.5	8.1	0.5	2.31	(2,000)	(38,000)	-	-
Total	102.79M	12.1	16.5	14.6	1.8	3.00	300,000	192,000	-	168,000

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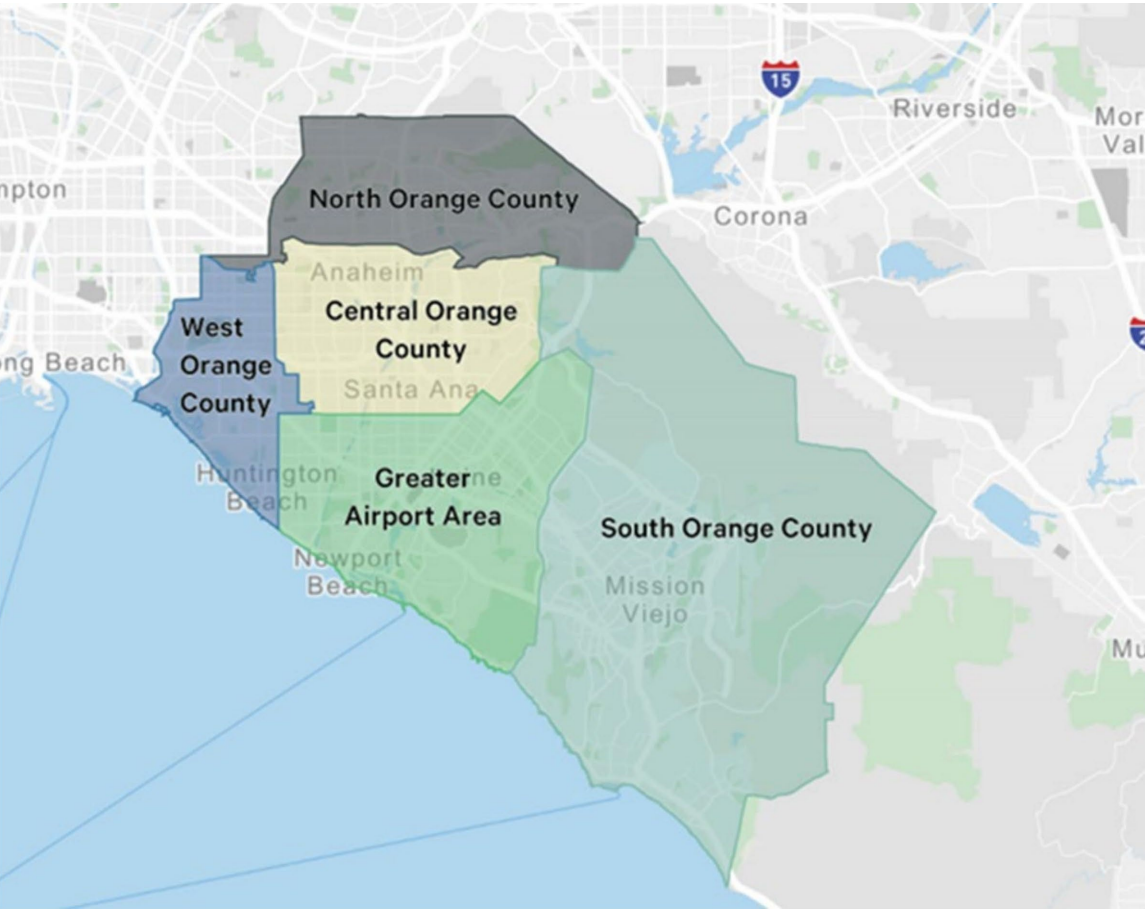
Market Statistics by Submarket

Figure 14

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate	Class A Asking Rent (\$/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Central Orange County	15.61M	14.3	17.7	14.8	2.9	2.71	2.92	35,000	22,000	-	168,000
Greater Airport Area	48.67M	11.9	16.1	14.9	1.2	3.30	3.50	156,000	188,000	-	-
North Orange County	8.15M	9.9	12.1	11.0	1.1	2.66	2.84	13,000	31,000	-	-
South Orange County	26.16M	11.4	17.5	14.6	2.9	2.77	3.17	81,000	19,000	-	-
West Orange County	4.20M	15.6	18.4	17.8	0.6	2.63	3.38	16,000	(68,000)	-	-
Total	102.79M	12.1	16.5	14.6	1.8	3.00	3.32	300,000	192,000	-	168,000

Source: CBRE Research, Q3 2026

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all Class A and B multi-tenant office projects 5,000 sq. ft. and greater in size, excluding government, medical, and owner-user buildings. Excludes buildings Under Construction or Planned. Under construction buildings which have begun construction as evidenced by site excavation or foundation work. Orange County is currently undergoing a building-by-building audit, removing functionally obsolete product and updating historical data, resulting in minor changes.

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