

FIGURES | ORANGE COUNTY INDUSTRIAL | Q1 2026

Orange County Industrial Market Stabilizes Amid Rising Availability

▲ 5.3%
Vacancy Rate

▼ (380,718)
SF Net Absorption

▲ 542,254
SF Construction Delivered

▼ 844,803
SF Under Construction

▼ \$1.55
NNN/MTH Direct Lease Rate

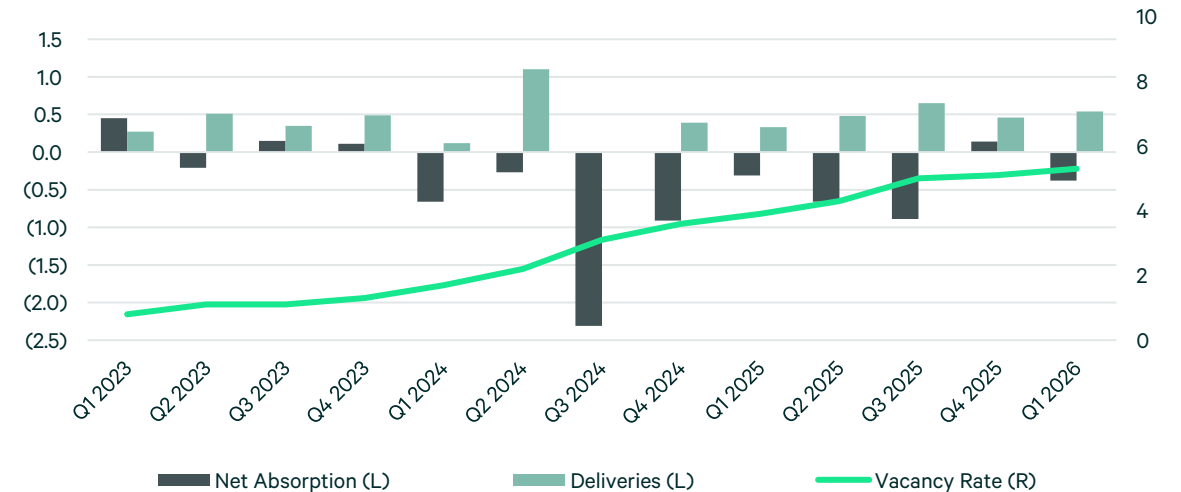
Note: Arrows indicate change from previous quarter.

Market Overview

In Q1 2026, the Orange County industrial market continued to correct as construction dwindled, vacancy increased, and asking rates declined. Net absorption turned negative with 381,000 sq. ft. going vacant in Q1 2026, restarting the trend of negative net absorption that was briefly reversed in Q4 2025. Meanwhile, vacancy climbed 30 basis points quarter-over-quarter to 5.3% while availability rose to 7.4% as multiple space above 100,000 sq. ft. went vacant during the quarter. The decline in lease rates signaled landlords' eagerness to compete for deals as average asking rents decreased 3.7% quarter-over-quarter and 6.1% year-over-year to \$1.55 NNN per sq. ft. per month. However, leasing activity above 100,000 sq. ft. surged during the quarter, with large new lease and renewal activity underscoring the strong fundamentals of the market and pent-up tenant demand from 2025.

On the supply side, construction activity pulled back even as new product continued to deliver. Construction hit a recent low with only 845,000 sq. ft. under construction at the conclusion of Q1 2026, a 61% decline in development activity year-over-year. Construction deliveries totaled over 542,000 sq. ft. during the quarter, most of which delivered vacant.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy
Sq. Ft. (millions) %



Source: CBRE Research, Q1 2026

Vacancy & Availability

Available space in Orange County continued to trend upward as the market ended Q1 2026 with an availability rate of 7.4% and a vacancy rate of 5.3% as moveouts and construction deliveries outpaced the surge in leasing activity. Availability increased 20 basis points (bps) quarter-over-quarter from 7.2% in Q4 2025, while vacancy increased 50 bps from 4.9% quarter-over-quarter, narrowing the spread between availability and vacancy and signaling available space sat longer on the market.

With the exception of the Airport Area, all submarkets in Orange County saw an increase in vacancy. In the North OC submarket, vacancy increased from 4.6% to 5.4% quarter-over-quarter, driven by five large move outs above 50,000 sq. ft. Additionally, South OC and West OC saw a flurry of smaller move outs and new vacant deliveries. In the Airport Area, vacancy decreased 20 bps to 3.9% in Q1 2026 due to three 100,000 sq. ft. spaces being newly occupied during the quarter.

The vacancy rate was highest in larger buildings, with the 100,000 sq. ft. and above size range making up nearly 60% of vacant space, despite only making up 31% of the overall market. Small bay industrial remained the tightest size range in the market, with the sub-50,000 sq. ft. size range ending Q1 2026 at 2.9% vacancy, 240 bps below the overall OC vacancy rate.

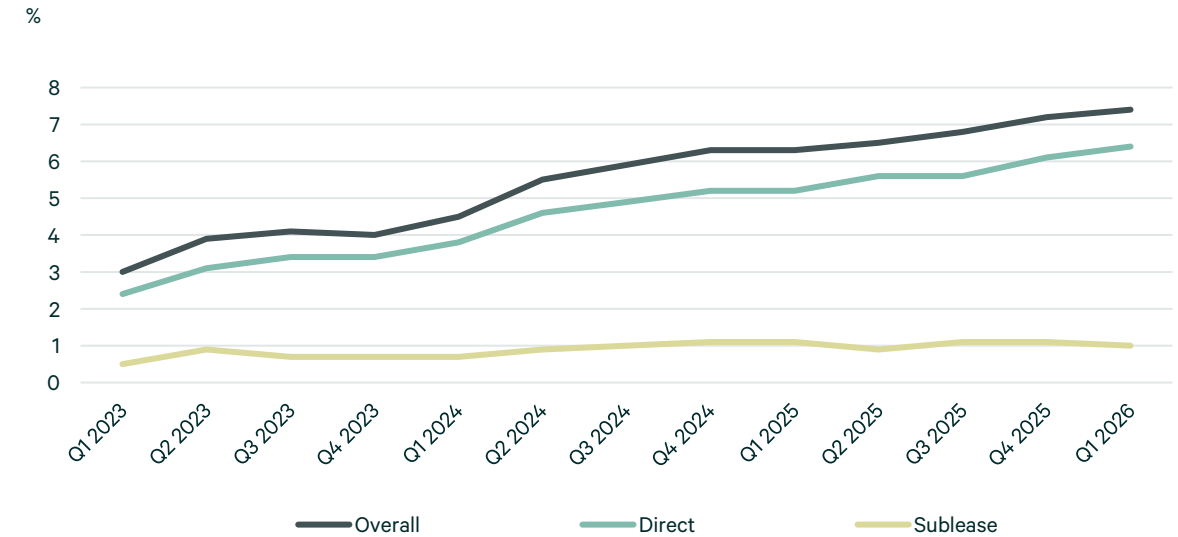
Asking Rent

Average asking lease rates for the Orange County market measured \$1.55 NNN per sq. ft. per month in Q1 2026. This represented a 3.7% decline quarter-over-quarter and a 6.1% decrease year-over-year. In line with the Southern California region, rents decreased as growing availability gave tenants leverage to negotiate favorable terms and increase concessions.

By submarket, South Orange County posted the highest average asking lease rate in Q1 2026 at \$1.73 NNN per sq. ft. per month, followed by Airport Area at \$1.68 NNN per sq. ft. per month. North Orange County and West Orange County recorded average asking lease rates of \$1.45 NNN per sq. ft. per month and \$1.49 NNN per sq. ft. per month, respectively, resulting in a four-submarket average of \$1.59 NNN per sq. ft. per month and a \$0.28 spread between the highest and lowest submarket pricing.

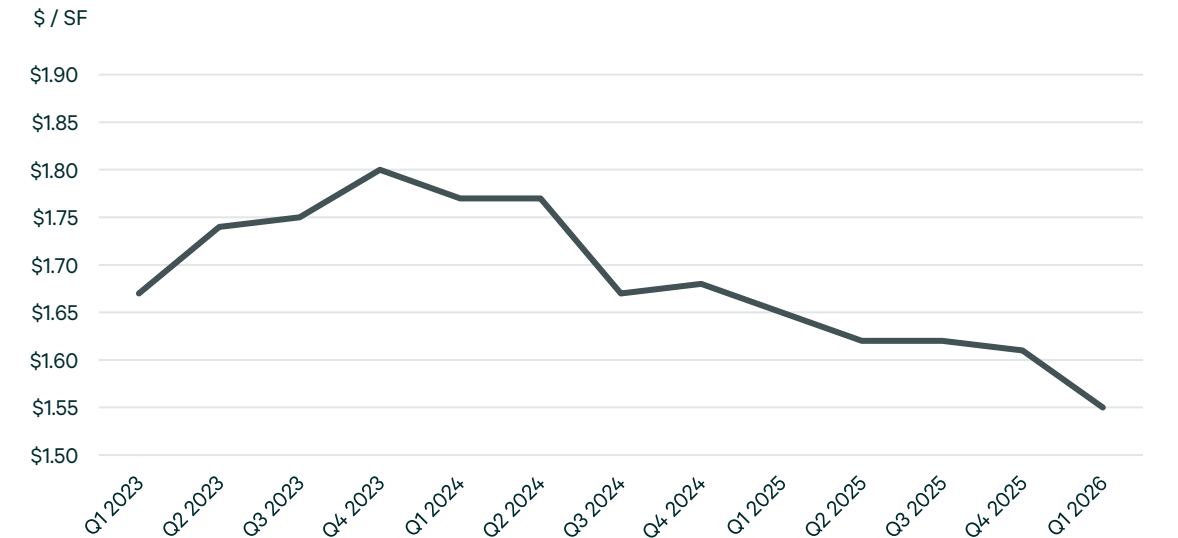
Larger spaces continued to command the highest asking rates, with 100,000 sq. ft. and above buildings ending Q1 2026 with an asking rate of \$1.57 NNN per sq. ft. per month, with sub-100,000 sq. ft. buildings averaging a \$1.52 NNN per sq. ft. per month asking rate. The larger available buildings were typically newer builds, requiring higher lease rates while the older, smaller stock was targeted for more cost-conscious occupiers.

Figure 2: Availability Rates



Source: CBRE Research, Q1 2026

Figure 3: Average Direct Asking Rate



Source: CBRE Research, Q1 2026

Net Absorption

The industrial market recorded negative 381,000 sq. ft. of net absorption in Q1 2026, below the positive 141,000 sq. ft. posted in Q4 2025, as ten spaces above 50,000 sq. ft. went vacant during the quarter. Large move outs were not relegated to one sector, but spread across the logistics, automotive, food & beverage, and retail occupiers.

Net absorption was negative across much of the market, with only the Airport Area submarket posting positive absorption in Q1 2026. The Airport Area submarket recorded 393,000 sq. ft. of newly occupied space, driven by strong leasing activity and minimal large moveouts. The remainder of the Orange County submarkets struggled during the quarter, with North Orange County posting negative 430,000 sq. ft., South Orange County with negative 248,000 sq. ft., and West Orange County with negative 95,000 sq. ft.

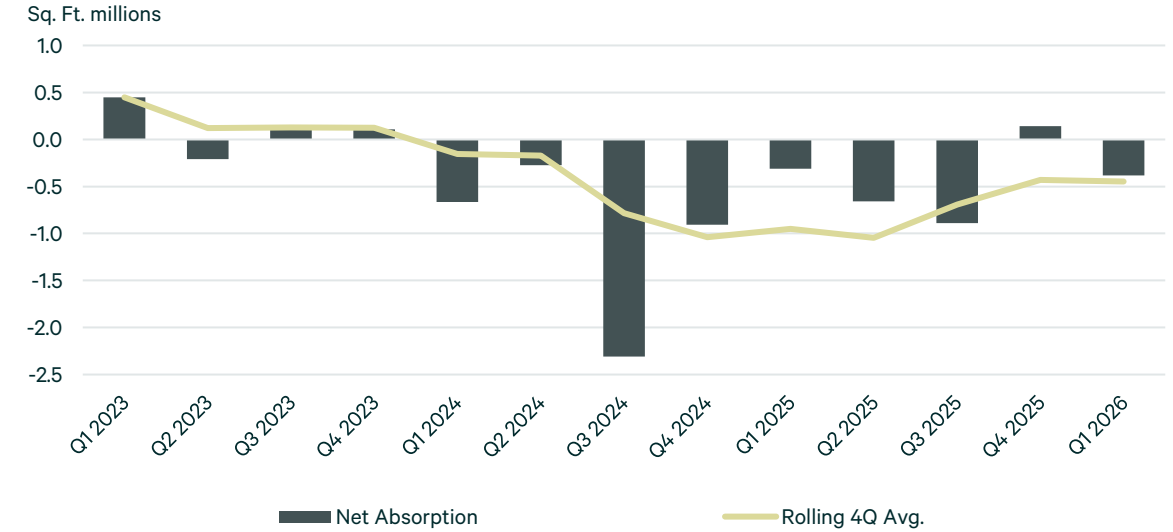
Despite low vacancy in the smallest size ranges, the 10,000-49,999 sq. ft. size range posted over 375,000 sq. ft. of negative absorption during the quarter, outpacing the 203,000 sq. ft. of negative absorption in the 250,000-499,999 sq. ft. size range. Strong leasing activity in the 100,000-249,999 sq. ft. size range led to solid positive absorption of over 266,000 sq. ft.

Construction Activity

In Q1 2026, the Orange County industrial market recorded 542,000 sq. ft. of construction deliveries with 845,000 sq. ft. remaining under construction. The pipeline contracted quarter-over-quarter as space underway fell 39.1% while deliveries increased 17.3%. Year-over-year, under construction was down 61% even as delivered volume was 65.8% higher than in Q1 2025. Limited land supply mixed with current economic and geopolitical factors continued to cause headwinds for developers to break ground on new projects. However, we expect this to subside over the next few years as tenants reemerge and available space is filled.

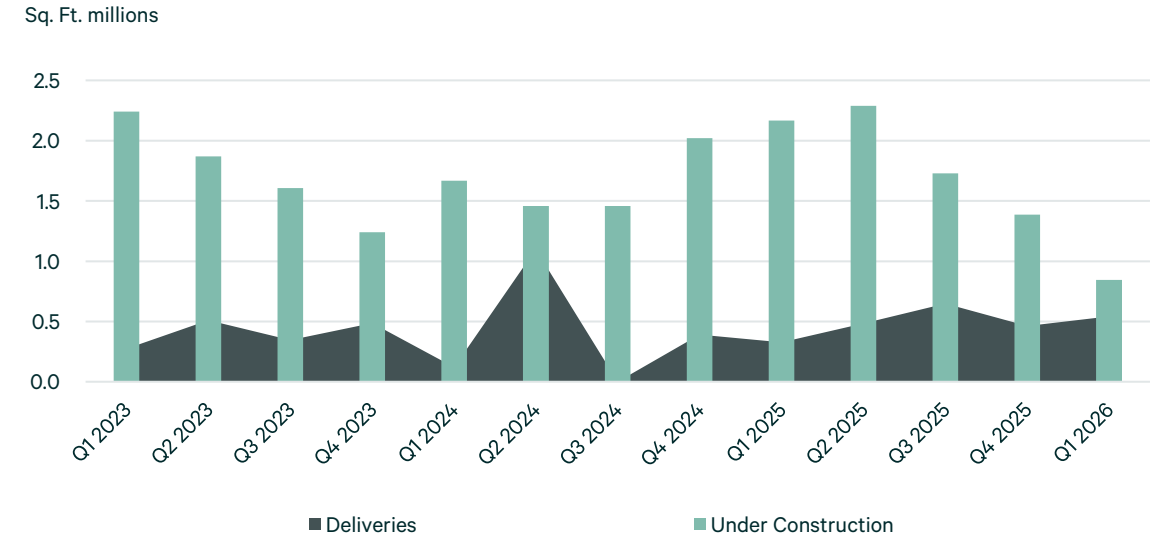
The landscape of the Orange County industrial market continued to evolve during Q1 2026 as owners and developers eyed possible candidates for office real estate conversions. While most of the office conversions were slated for residential and multifamily properties, nearly 25% are expected to be converted to industrial uses in coming years.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

Figure 5: Construction Activity



Source: CBRE Research, Q1 2026

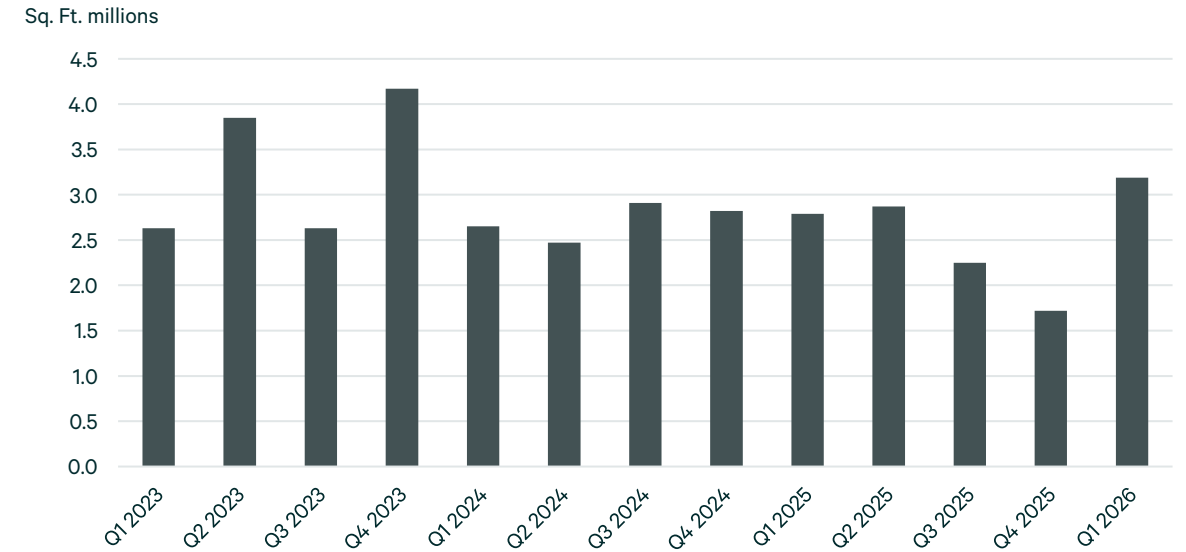
Leasing Activity

At the close of Q1 2026, new lease and renewal activity totaled 3.4 million sq. ft., up 94.5% quarter-over-quarter and 15.7% year-over-year. Over the last 3 years, cumulative leasing reached 37.5 million sq. ft. Tenants adjusted to the economic and policy uncertainty in Q1 2026 as activity soared and pent-up demand flooded the market.

The Airport Area recorded the highest leasing activity at 1.7 million sq. ft., followed by North Orange County at 951,000 sq. ft., making them the most active submarkets. West Orange County and South Orange County also posted increased leasing with 622,000 sq. ft. and 172,000 sq. ft., respectively, indicating comparatively lighter, but engaged, tenant demand.

New leasing in Q1 2026 was 2.6 million sq. ft., nearly doubling the previous quarter and above the historical average of 2.2 million sq. ft. per quarter. GAA benefited the most with four new leases over 100,000 sq. ft., positively affecting vacancy and net absorption. North OC had the largest new lease for the quarter, totaling 229,000 sq. ft.

Figure 6: Leasing Activity Trend



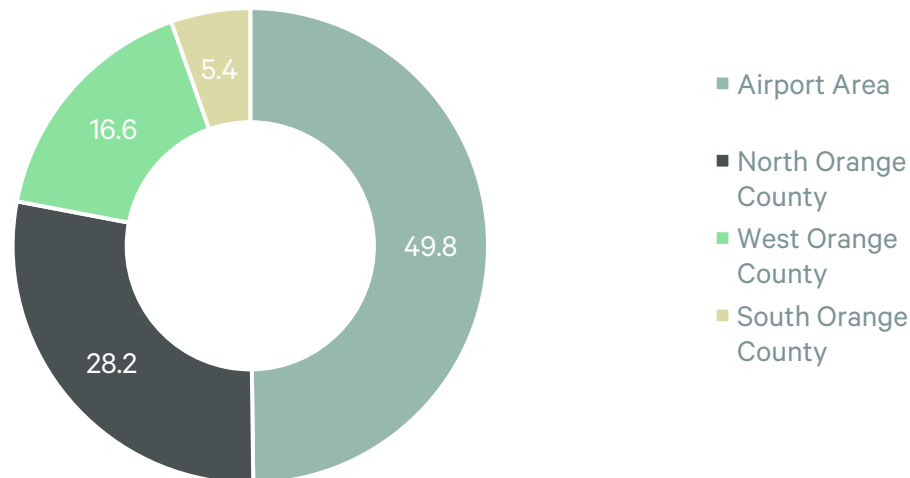
Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	229,000	New Lease	2501 E Orangethorpe Ave	North Orange County
Robinson Pharma	197,000	Renewal	1683 Sunflower Ave	Airport Area
Confidential Tenant	178,000	New Lease	1100 Valencia Ave	Airport Area
PureCo	135,000	New Lease	500 W Warner Ave	Airport Area
Cubeworks	133,000	New Lease	500 W Warner Ave	Airport Area
Interconnect Solutions Company	121,000	New Lease	17595 Mount Herrmann St	Airport Area
The Dot Printer	103,000	Renewal	2525 S Pullman St	Airport Area
Builders Surplus	102,000	Renewal	1800 Dyer Rd	Airport Area

Source: CBRE Research, Q1 2026

Figure 7: Leasing Activity by Submarket (% of Total Activity)



Source: CBRE Research, Q1 2026

Economic Overview

The U.S. economy remains on solid footing five years into the current business cycle, even as headwinds continue to build. GDP growth is expected to average 2.1% in 2026, matching last year's pace and outperforming most advanced economies. A key differentiator is America's aggressive buildout of AI infrastructure — major technology companies are now investing nearly as much in data centers and related infrastructure as the entire residential construction sector, a scale of spending with few historical precedents. Even so, questions about the sustainability of AI-driven growth and its broader economic spillovers are unsettling both credit and equity markets.

The ongoing military conflict in the Middle East has emerged as a significant source of economic uncertainty. Disruptions to global energy supply through the Strait of Hormuz have contributed to elevated oil prices and added upward pressure to an inflation outlook that was already trending higher — headline inflation is now forecast to average 3.2% this year, up from the mid-2% range projected in February. The broader economic impact will depend largely on the duration and trajectory of the conflict, but even under more favorable scenarios, energy markets, shipping routes, and global supply chains would take considerable time to normalize.

In Q1 2026, Orange County experienced an economic landscape characterized by modest growth and some sector-specific shifts. Key sectors such as healthcare are anticipated to be significant job creators, alongside tourism, outdoor recreation, aerospace, defense, clean energy, life sciences, and high-tech industries. Business leaders in Orange County expressed moderate optimism for the second quarter of 2026, though concerns persist regarding geopolitical events, fuel costs, inflation, and interest rates. However, Orange County's broad tenant mix, proximity to metropolitan centers and the San Pedro Bay port complex, and strong real estate fundamentals point to an industrial market recovery in coming years.

Market Statistics by Submarket

Figure 9

Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	Deliveries (SF)	YTD Net Absorption (SF)	Under Construction (SF)
Airport Area	65.20	4.2	5.7	4.8	1.0	1.68	393,000	117,000	393,000	195,000
North Orange County	112.67	5.6	7.6	6.2	1.4	1.45	(430,000)	425,000	(430,000)	173,000
South Orange County	34.67	8.1	9.5	8.7	0.8	1.73	(248,000)	-	(248,000)	-
West Orange County	40.04	5.2	7.6	7.3	0.3	1.49	(95,000)	-	(95,000)	476,000
Total	252.58	5.4	7.4	6.4	1.0	1.55	(381,000)	542,000	(381,000)	845,000

Source: CBRE Research, Q1 2026

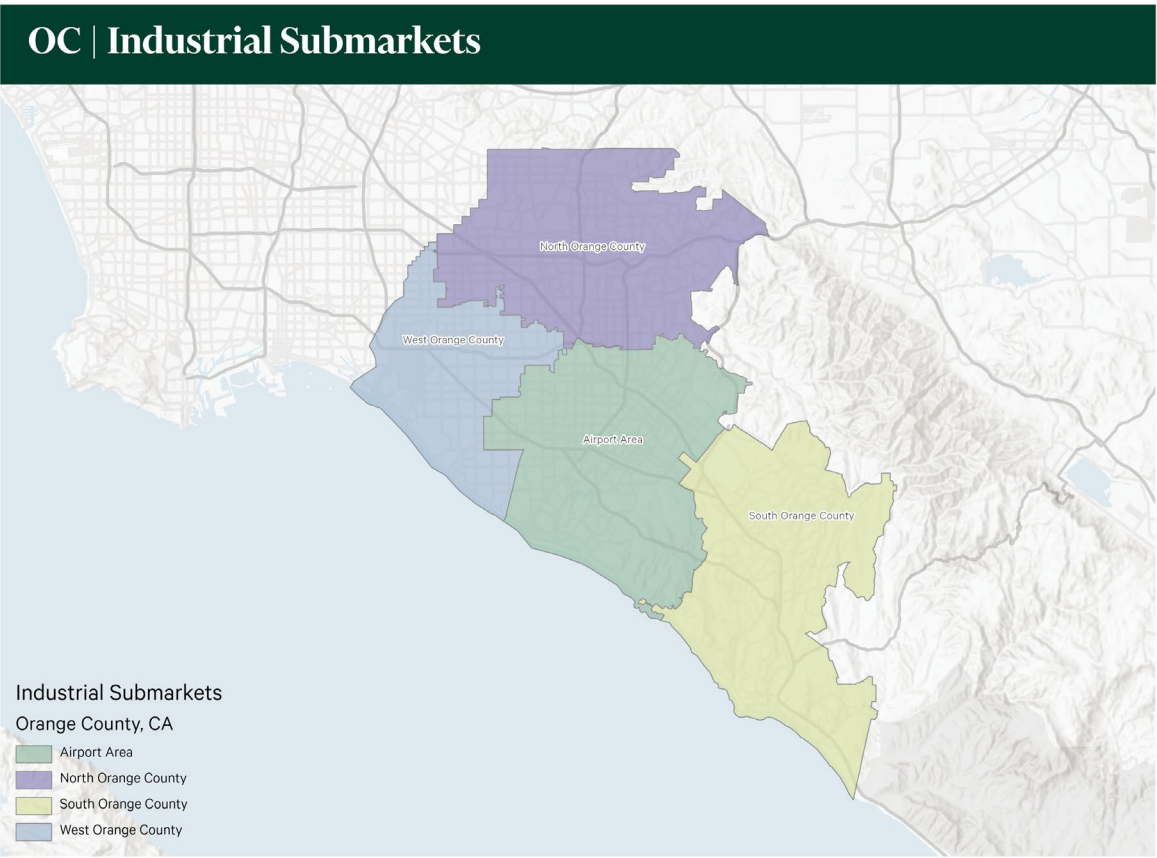
Market Statistics by Size

Figure 10

Size Range	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	Deliveries (SF)	YTD Net Absorption (SF)	Under Construction (SF)
Under 100,000 sq. ft.	162.61	3.5	4.8	4.2	0.6	1.52	(445,000)	99,000	(445,000)	437,000
100,000-199,999 sq. ft.	43.86	10.5	13.2	10.3	2.9	1.67	51,000	443,000	51,000	408,000
200,000-299,999 sq. ft.	20.34	7.7	11.8	11.0	0.8	1.50	216,000	-	216,000	-
300,000-499,999 sq. ft.	16.05	12.6	16.9	15.1	1.8	1.45	(203,000)	-	(203,000)	-
500,000-749,999 sq. ft.	3.39	-	-	-	-	-	-	-	-	-
750,000 sq. ft.	6.33	-	-	-	-	-	-	-	-	-
Total	252.58	5.4	7.4	6.4	1.0	1.55	(381,000)	542,000	(381,000)	845,000

Source: CBRE Research, Q1 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. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

Survey Criteria

Includes all industrial buildings 10,000 sq. ft. and greater in size in Orange County. Buildings which have begun construction as evidenced by site excavation or foundation work.

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