



Medical Office Market Report

Orange County - CA USA

PREPARED BY

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Overview

Orange County Medical Office

Vacancy
Rate

9.3%

12 Mo Rent
Growth

-1.3%

12 Mo Net
Absorption SF

-54K

12 Mo Net
Delivered SF

12K

Under
Construction SF

127K

Vacancy in Orange County's medical office building market declined to 9.3% in the third quarter of 2025. Tenant occupancy levels expanded by over 100,000 square feet in the quarter, and supply growth was nearly unchanged.

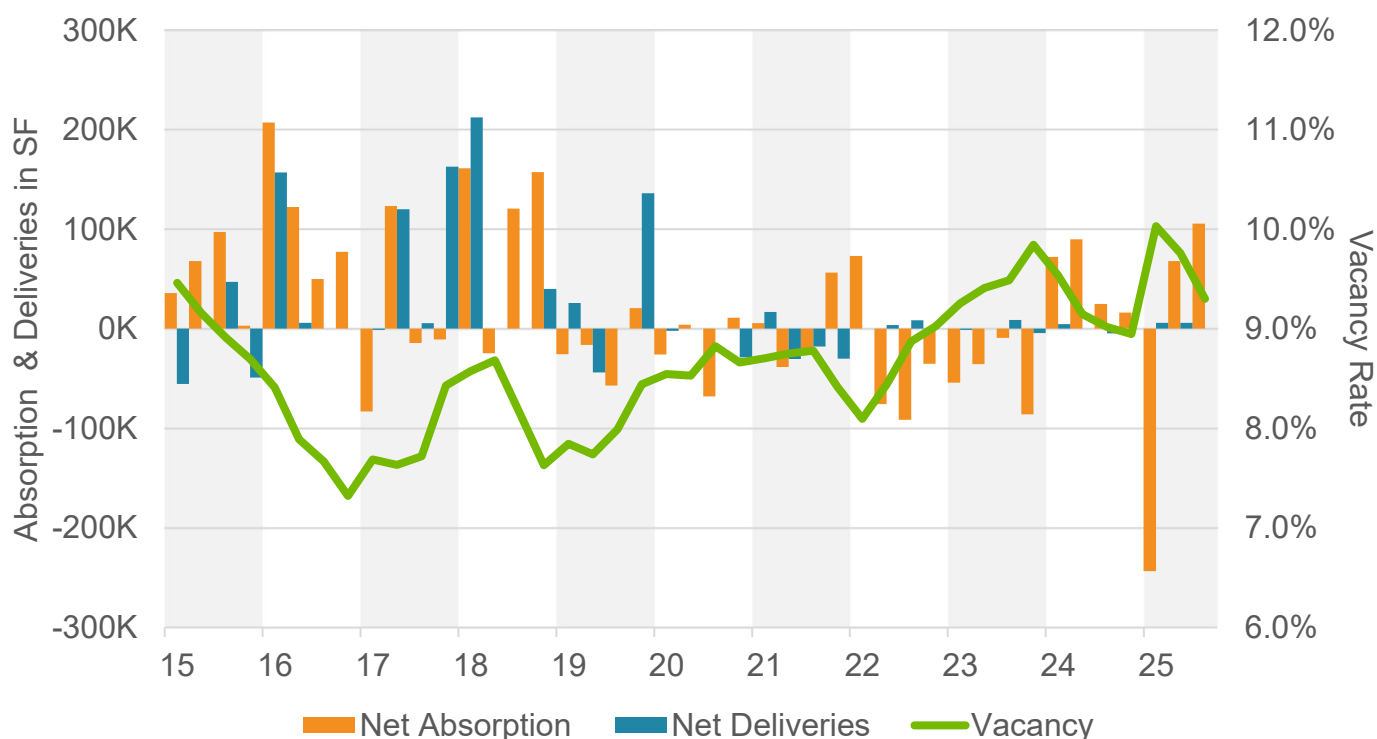
Occupancy expanded in the past two quarters, but heavily negative net absorption was recorded in the first quarter of 2025, partially driven by new vacancies at 3501 Jamboree Rd—Bayview Corporate Center in Newport Beach.

Vacancy is still approximately 80 basis points above pre-pandemic levels, slightly above its

trailing decade average. As a result, market rents have recently ticked down slightly from record levels, falling towards \$40/SF, or \$3.50/SF monthly.

Recent construction has been sparse, and supply levels are down from five years ago due to building demolitions. Supply growth risk to vacancy is minimal as construction is limited and there is a lack of available land for development. Elevated construction financing costs have also kept new construction in check.

NET ABSORPTION, NET DELIVERIES & VACANCY





Medical Office Market Report

Leasing Fundamentals

Leasing Fundamentals

Single Story Vacancy Rate	Multi-Story Vacancy Rate	Availability Rate	12 Mo Leased SF	Median Months on Market
5.1%	11.4%	11.4%	761K	9.8

Orange County has trailed national gains in population, jobs, and housing growth in recent years. Affordability has prompted domestic outmigration, leaving demand for medical office space largely stagnant.

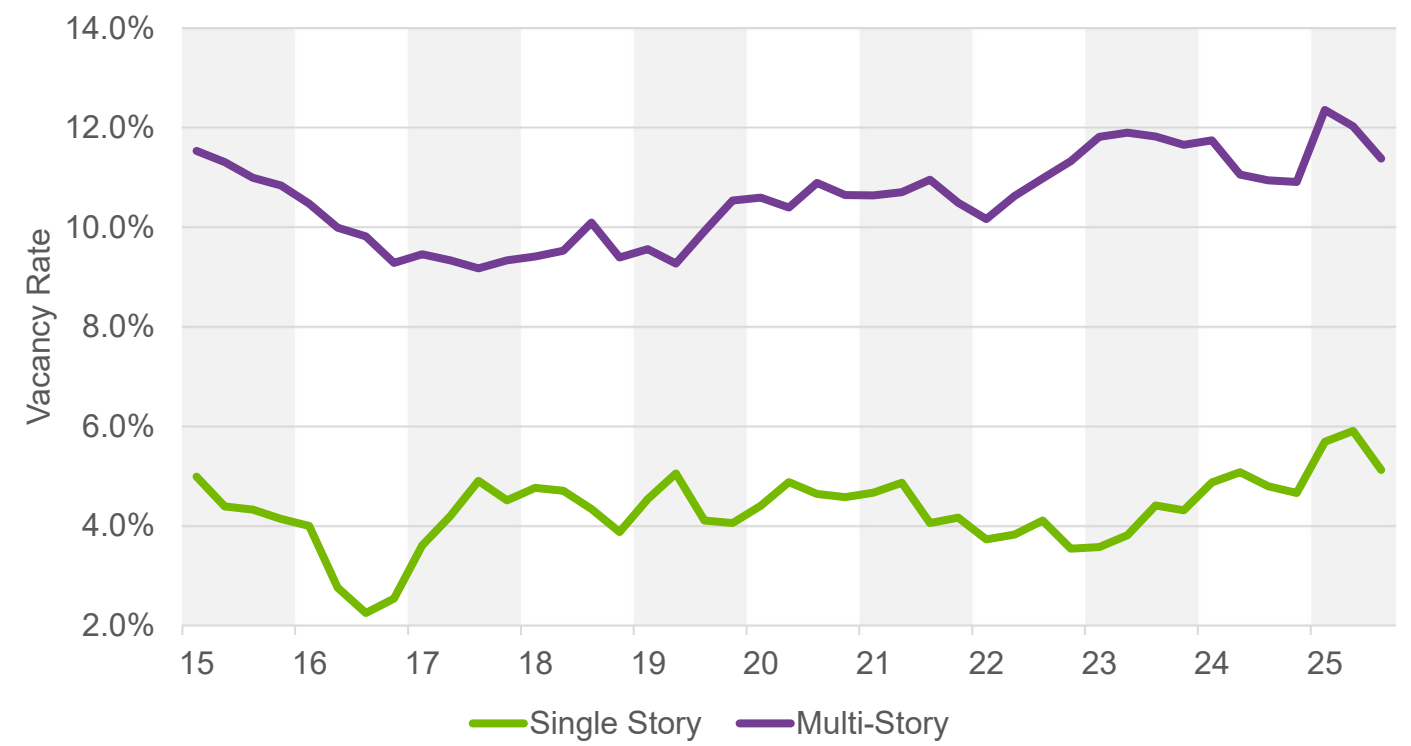
Medical office building vacancy and availability each declined in the third quarter but are still higher year over year.

Vacancy among multi-story buildings registered 11.4%, slightly elevated from its trailing decade average. Single-story medical office buildings are in stronger demand, although vacancy rates have also increased year over year to 5.1%.

The difference in vacancy rates among single-

story and multi-story buildings has expanded slightly over the past five years. The larger multi-story complexes, which are sometimes more arduous to navigate compared to more convenient walk-up options and are reliant on multi-tenant occupancy, have seen a greater vacancy expansion. Demand from providers and patients remains stronger for convenient single-story walk-up options.

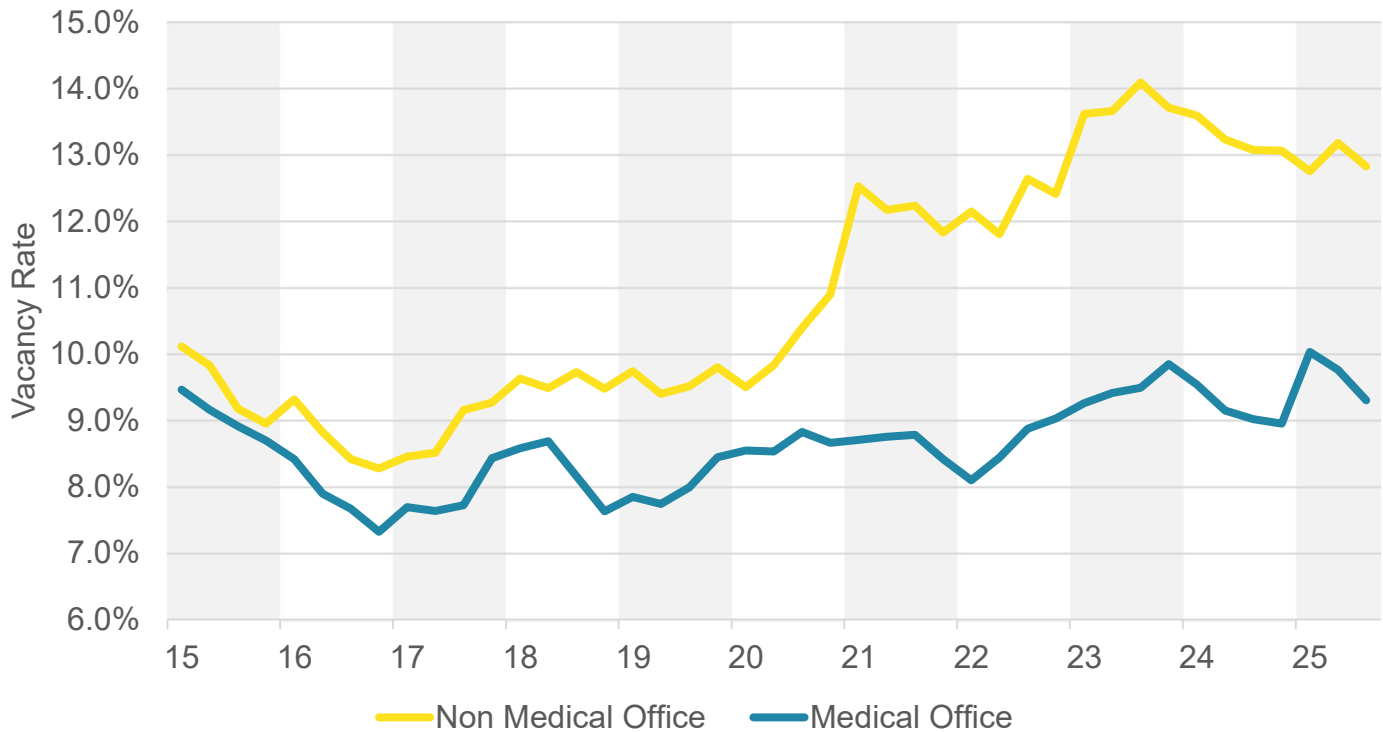
MEDICAL OFFICE VACANCY RATES BY BUILDING TYPE



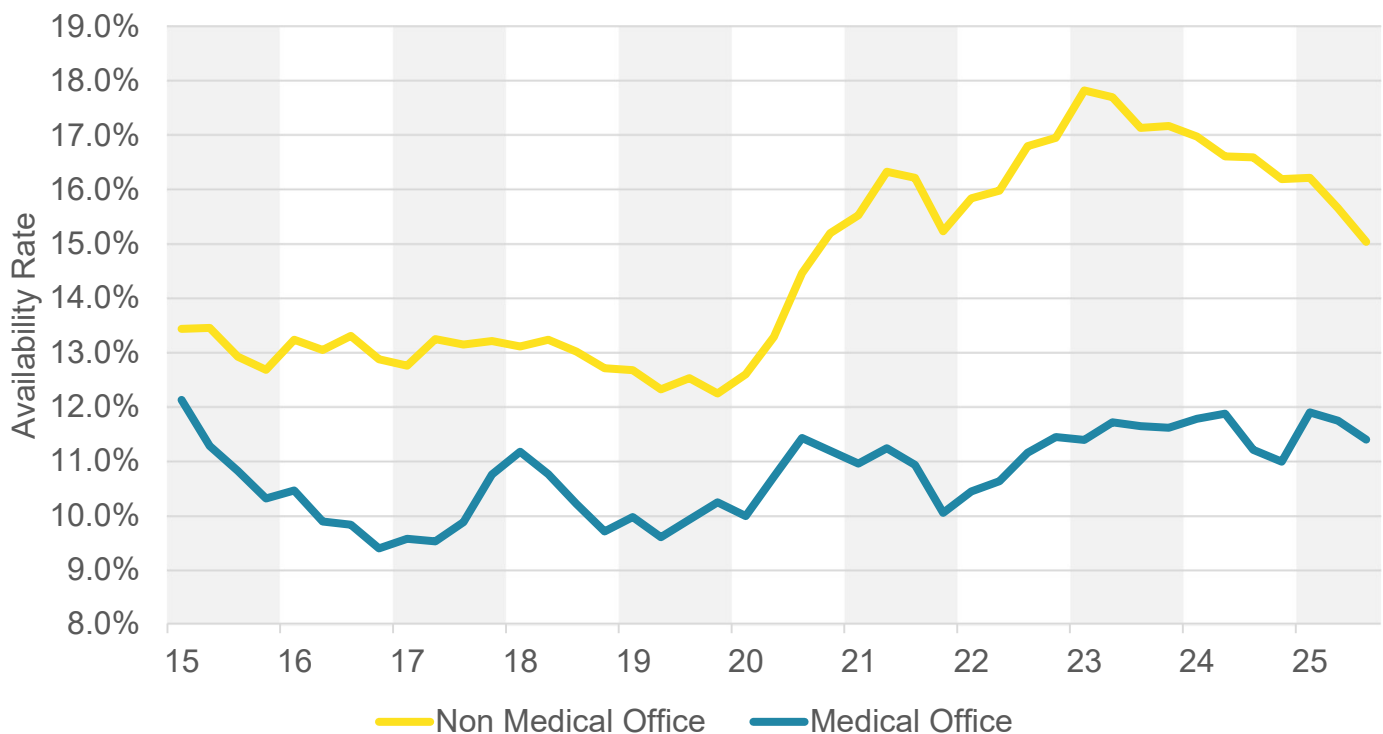
Vacancy

Orange County Medical Office

OFFICE VACANCY RATES



OFFICE AVAILABILITY RATES



Rents

Orange County Medical Office

Medical Office FS Asking Rent	Medical Office NNN Asking Rent	All Office FS Asking Rent	All Office 12 Mo Rent Growth	Medical Office 12 Mo Rent Growth
\$42.08	\$36.19	\$32.00	-1.3%	-1.3%

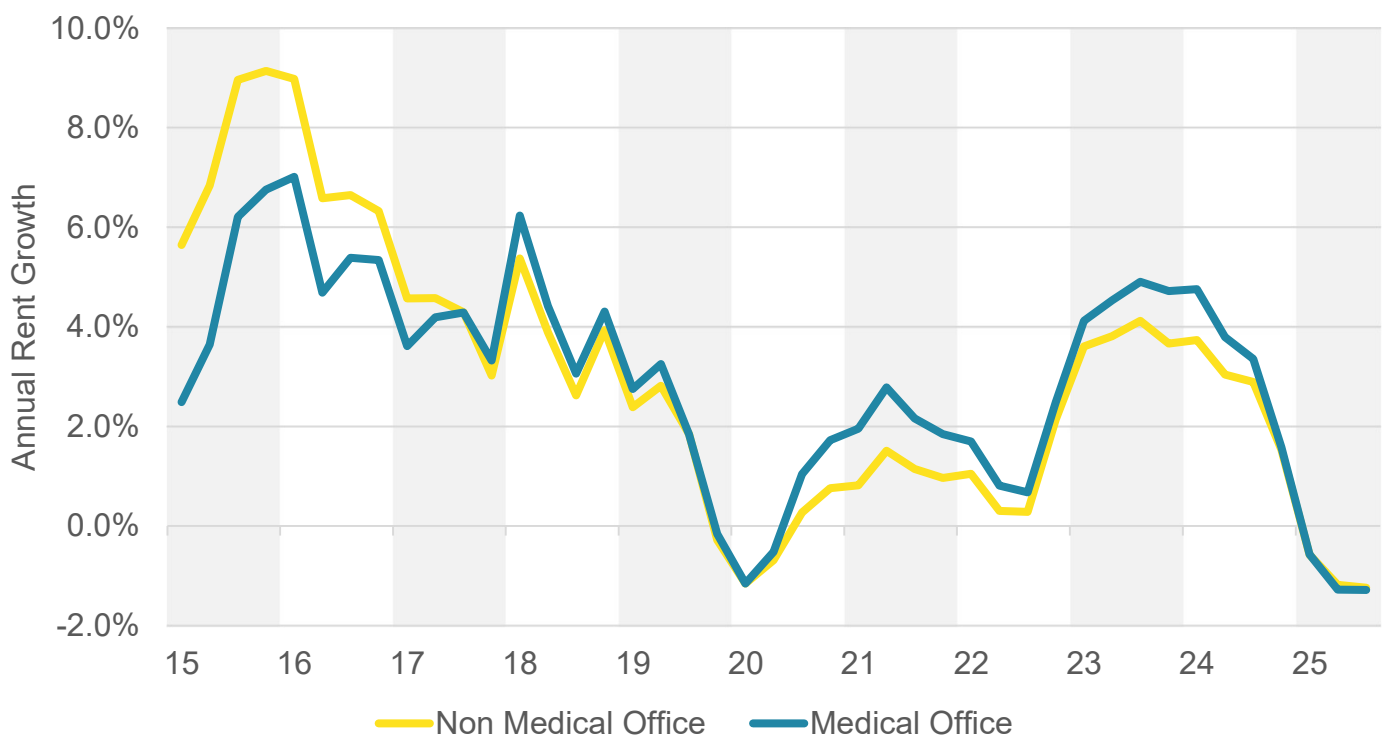
Medical office building rents were down 1.3% year over year as of the third quarter of 2025, matching the rent decrease among non-medical buildings. Rents have turned lower recently as net absorption has been lackluster, causing vacancy to increase slightly year over year.

Market rents for medical office space register around \$40/SF, full service, or \$3.50/SF monthly, and should trend nearly evenly barring a recession. When advertised on a triple net basis, asking rents range widely, from around \$1.25/SF to \$5.00/SF monthly, averaging approximately \$3.00/SF, or \$36/SF on an annual basis.

Near that rate, a 5,250-SF space at 4281 Katella Ave, a 3 Star building in Los Alamitos, listed for \$3.05/SF, was leased in September.

New medical office buildings and well-located assets can command upwards of \$45/SF, to as high as \$80/SF in higher-income areas. The Newport Lido Medical Center in Newport Beach is leasing space at a \$6.50/SF, or \$78/SF annual asking rate, full-service.

ANNUAL RENT GROWTH



Construction

Orange County Medical Office

12 Mo Net Deliveries SF	12 Mo Const. Starts SF	Under Construction SF	Average Building Under Construction SF	Under Const % of Inventory
12K	6K	127K	25K	0.6%

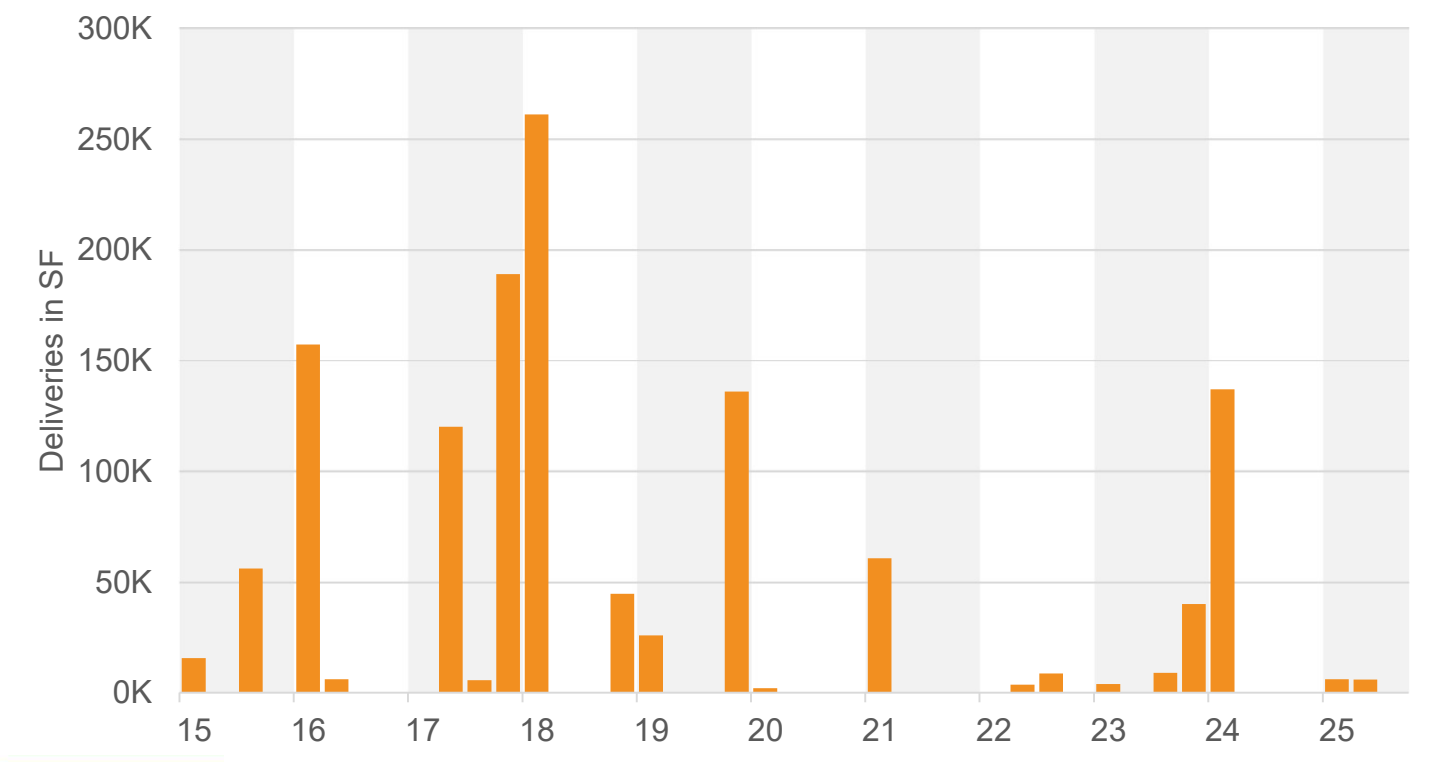
The under-construction pipeline of medical office buildings in Orange County has partially emptied from nearly 200,000 SF in early 2023 to 127,000 SF as of the third quarter of 2025. Deliveries will remain constrained in the near term based on the construction underway and are likely to remain limited over the longer term due to a lack of available land and competing alternative uses.

Among owner users, BeWell OC is developing a 37,400-SF building in Irvine, and Kaiser is developing a 43,000-SF building in Aliso Viejo. Leading spec construction, a 32,000-SF building, 5255 Katella Ave - The Square

Cypress is available for lease. Among smaller spec buildings, several 2,000-SF suites at 121 E Whittier Blvd in La Habra are available at an asking rent of \$42/SF, triple-net.

St Joseph Hospital of Orange developed a 137,000-SF building in the city of Orange, which was completed in 2024 and leased out in the third quarter of 2025 at asking rents of \$40.80/SF, triple-net or \$3.40/SF monthly. This single building completion exceeded supply growth in each of the prior three years.

DELIVERIES





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Sales Activity

Sales Volume

Orange County Medical Office

12 Mo Sales Transactions	12 Mo Sales Volume	12 Mo Medical Office Price Per SF	All Office Price Per SF	12 Mo Average % Occupancy At Sale
117	\$259M	\$349	\$268	77.3%

Medical office sales activity in Orange County is accelerating slowly as borrowing costs have steadied. A large portfolio sale boosted annual volume in 2024 to over \$570 million, but volume appears to be heading for a lower total in 2025, with under \$200 million of transaction volume closing in the first three quarters of the year.

Although volume is down, deal flow is picking up. At least 60 sale transactions closed in the first three quarters of 2025, nearly matching last year’s annual total, with the majority falling under \$10 million.

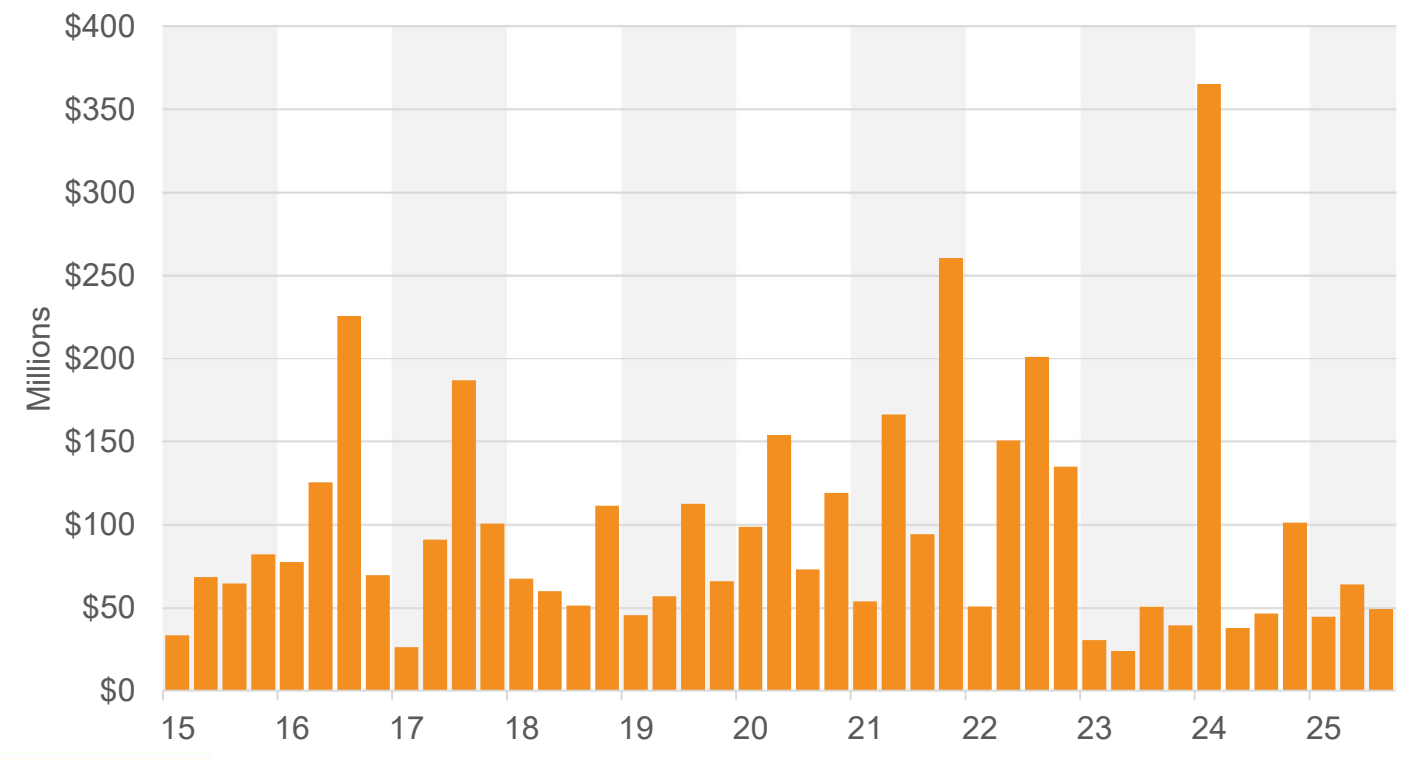
Small and larger deals continue to attract private buyers, who often complete 1031

exchanges and plan long-term holds. City of Hope is the top buyer in the past year, followed by a handful of smaller private investors.

Private investors account for 64% of buyer volume in the past year, with users driving 33% and institutional investors and REITS only accounting for 3%, well below the 76% share they have dominated over the past decade.

In October, a private investor acquired the Woodbridge Professional Building in Irvine for \$16.25 million, or \$397/SF at a 5.9% cap rate. That pricing fell slightly above the market average \$349/SF in the past 12 months.

SALES VOLUME



Pricing

Orange County Medical Office

12 Mo Medical
Transaction
Cap Rate

4.8%

Lowest
Cap Rate
(Std Deviation)

4.5%

Highest
Cap Rate
(Std Deviation)

6.6%

All Office
Market
Cap Rate

7.8%

Average Sale to
Asking Price

-4.3%

Due to stronger occupancy compared to non medical office buildings and a greater abundance of smaller transactions driven by private investors and owner-users, cap rates for medical office buildings are significantly lower.

Over the past three years, cap rates for medical office buildings have generally trended around 200 basis points below those for non-medical office buildings.

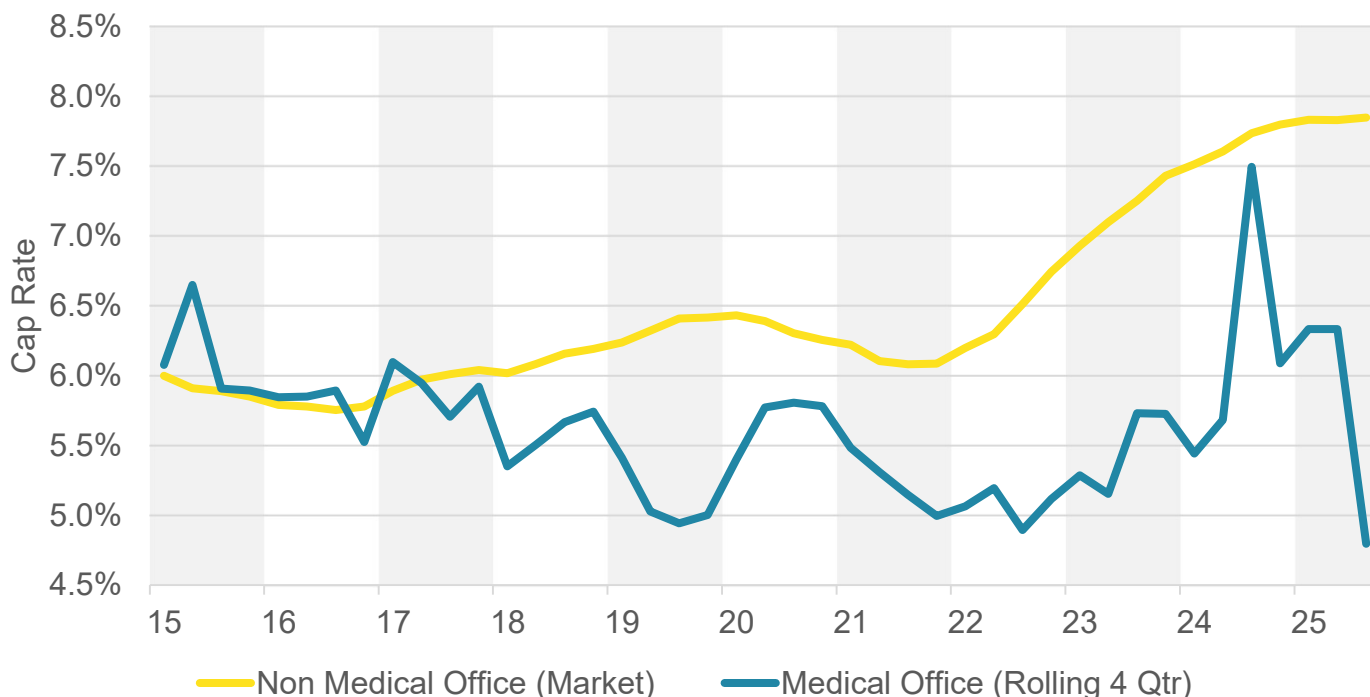
Medical office buildings have recently traded at a wide range of cap rates, from as low as 3% for an asset leased to Kaiser, up to 7.3% for a suburban multi-tenant building in Placentia.

Near the average cap rate of 4.8% over the past 12 months, two first-floor condos at 999 N Tustin Ave in Santa Ana, totaling 2,427 SF, traded at a 5.4% cap rate in September 2025.

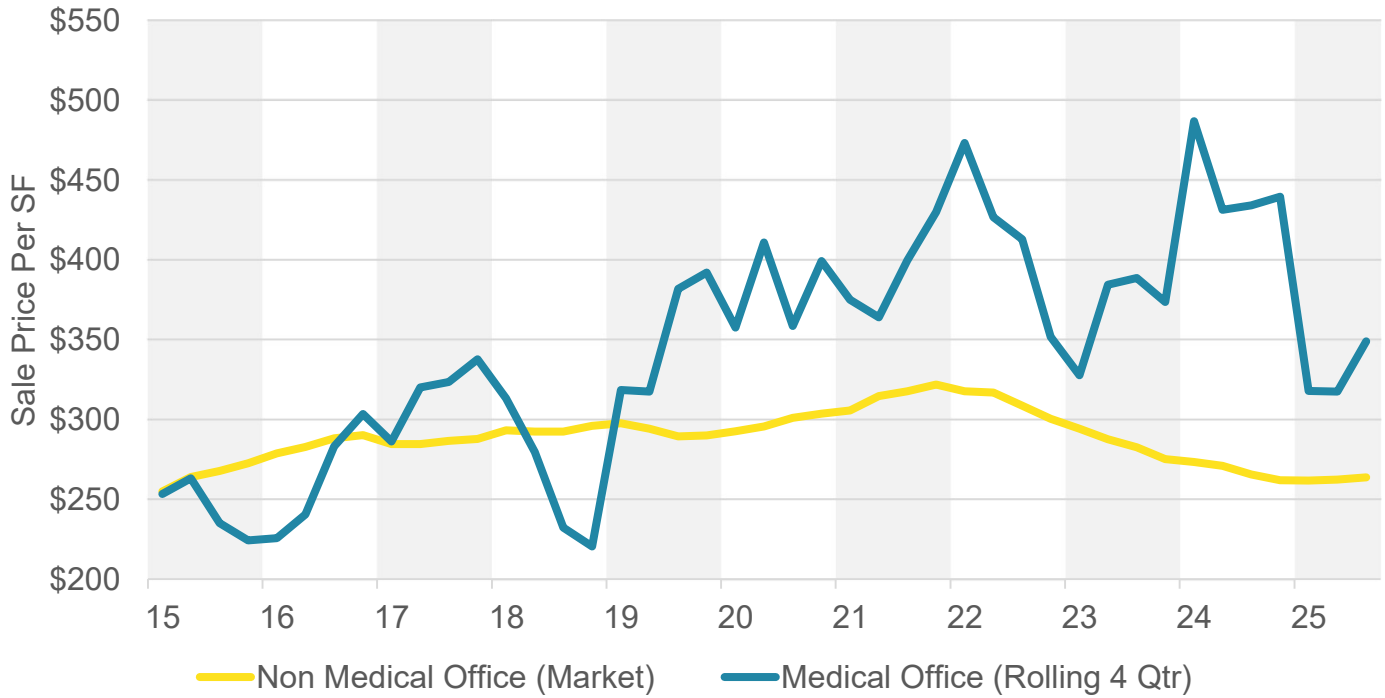
Market rents have increased moderately, but higher cap rate pressures have reduced average marketwide pricing from over \$400/SF in 2021 to around \$350/SF over the trailing four quarters.

Pricing among a handful of assets recently traded in Newport Beach averaged over \$500/SF, and pricing can run over \$1,000/SF at times in premier locations.

OFFICE CAP RATES



OFFICE SALE PRICE PER PSF





Medical Office Market Report

Appendix

Orange County Analyst

Orange County Medical Office



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Jesse Gundersheim is a Senior Director of Market Analytics covering Orange County and the Inland Empire in California CoStar Group. Jesse produces insightful analysis of commercial real estate market conditions, guiding brokers, investors, and lenders to informed business decisions. In addition to being a frequent contributor to CoStar News, his research has been published in numerous media outlets, including Bloomberg, The Wall

Street Journal, San Francisco Chronicle, and the Business Times. Prior to CoStar, Gundersheim led technology industry analytics for Avison Young, the San Francisco research departments at DTZ, now part of Cushman & Wakefield, Studley, now part of Savills and Grubb & Ellis, now a part of Newmark. He began his career at Grubb & Ellis | BRE Commercial in San Diego, now a part of Cushman & Wakefield.



MEDICAL OFFICE DATA

This Medical Office Report provides unique insights into a subset of the greater office market. For the purposes of this report, CoStar has defined Medical Office buildings to incorporate properties where 50% or more of the tenant base has a medical use. Other, tangible factors contribute to the medical office designation, such as the presence of patient waiting rooms, exam rooms, procedure/surgery suites, and/or proximity to a hospital campus.

Where applicable, further filters are applied to compare single story and multi story multi tenant medical buildings. A supplemental data sheet with additional statistics can also be found within the CoStar platform. The report data and narrative are published once per quarter. Reports are currently available at a U.S. national level and for select U.S. markets with analyst presence.

This report contains data thru 2025 Q3 as of 10/13/2025.