



2025 Southern California Economic Update

Orange County Report



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Orange County

Wallace Walrod, Ph.D., Founder and Managing Partner
Tech Coast Consulting Group

EXECUTIVE SUMMARY

This report analyzes the current economic landscape of Orange County, confirming its position as a powerhouse for Southern California. The county consistently outperforms regional, state, and national benchmarks, particularly in its labor market. As of September 2025, Orange County's seasonally adjusted unemployment rate stood at 4.1 percent, significantly lower than the SCAG region (5.5 percent) and the state (5.5 percent). Total employment has also shown robust growth, increasing 1.4 percent over the past year, ahead of the nation.

Despite this strong performance, the county faces significant headwinds. The primary challenge is housing affordability. With a median single-family home price of \$1.4 million as of September 2025 and median rents at \$3,111 in 2024, affordability is exceptionally low. Only 12 percent of county buyers can afford a median-priced home. This pressure is linked to demographic shifts, including an aging population and challenges in retaining younger residents and families. Furthermore, despite having the highest median household income in the SCAG region, Orange County's poverty rate saw a concerning increase, rising from 9.1 percent to 9.7 percent.

Looking forward, the economic outlook is one of cautious optimism. California State University Fullerton's Orange County Business Expectation Index (OCBX) has recovered to 74.4 in Q4 2025, indicating a positive outlook. The county's core strengths—a dynamic innovation ecosystem and a highly educated workforce—provide a solid foundation. Venture capital investment is strong, particularly in AI (\$2.62 billion year-to-date) and robotics (\$2.6 billion year-to-date). Key industry clusters like Life Sciences are projected to see significant employment growth over the next decade (+12.1 percent), anchoring the county's future prosperity.

ORANGE COUNTY ECONOMIC PERFORMANCE

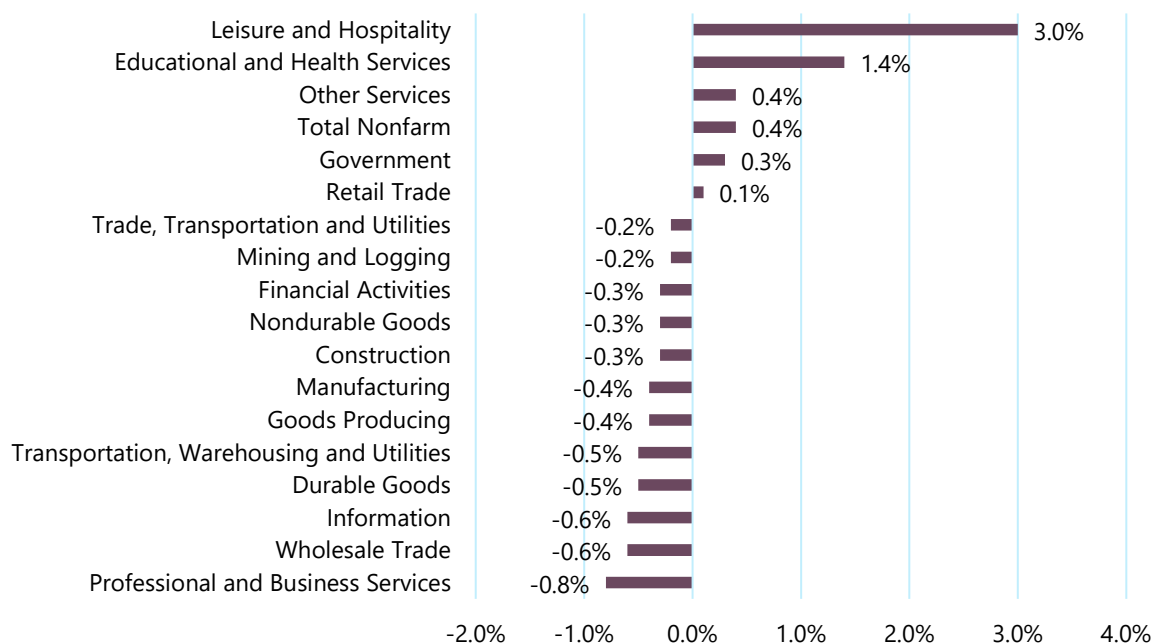
Despite uncertainty around the nation and globe, Orange County remains the powerhouse of Southern California. In September 2025, the county had a seasonally adjusted unemployment rate of 4.1 percent, well below the SCAG region (5.5 percent), the state (5.5 percent), and the nation (4.3 percent). Total employment in Orange County also remains strong, growing 1.4 percent over the past year, ahead of the overall SCAG region (+1.1 percent), the state (+1.1 percent), and the nation (+1.2 percent).

While Orange County remains a standout performer in the region, it also faces many of the same challenges impacting the nation, most notably housing affordability. Accelerating building permit issuance for workforce housing would significantly benefit the region and its residents. Despite these challenges, Orange County's strong labor markets, established and emerging industry clusters, and well-educated and skilled workforce provide strong foundations for future growth and prosperity.

ECONOMIC OUTLOOK

According to California State University, Fullerton's (CSUF) Woods Center for Economic Analysis and Forecasting's recently released "2026 Economic Forecast," total nonfarm employment is expected to increase by 6,500 in 2025 (+0.38 percent), by 6,000 in 2026 (+0.35 percent), and by 9,300 in 2027 (+0.55 percent) reaching 1,711,500. Orange County's unemployment rate is expected to reach 4.2 percent in 2025, rising to 4.4 percent in 2026 before falling back down to 4.2 percent, with total unemployment reaching 69,300 in 2027.

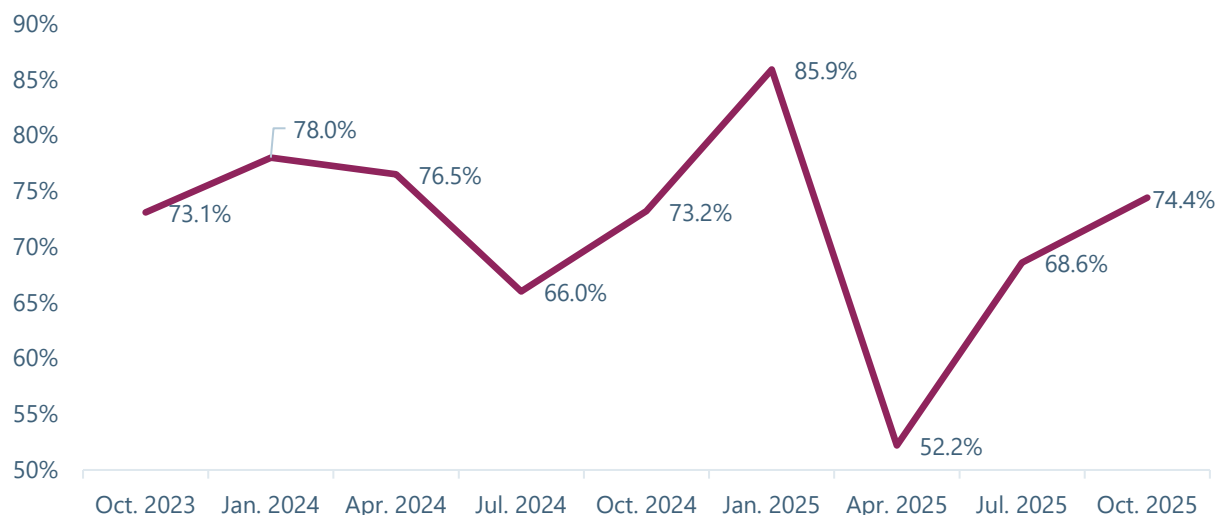
Exhibit 1 3-Year (2025-2027) Average Growth by Industry in Orange County



Source: California State University, Fullerton, 2026 Economic Forecast

Leisure and Hospitality is expected to see the highest growth rate: an annual average growth rate of 3.0 percent from 2025 to 2027, followed by Educational and Health Services (+1.4 percent), and Other Services (+0.4 percent). Nearly all other industry sectors are expected to see employment declines, with the largest average annual declines over that period coming from Professional and Business Services (-0.8 percent), Information (-0.6 percent), and Wholesale Trade (-0.6 percent).

Looking at CSUF's Q4 2025 Orange County Business Expectations Index, the index has recovered from a low of 52.2 in Q2 2025 to 68.6 in Q3 2025 and further to 74.4 in Q4 2025 (levels over 50 indicate a positive economic outlook). Overall, most business executives expect somewhat stable business activity at the local and national levels. Approximately 23 percent expect decreasing national economic activity, while 31 percent expect decreasing regional business activity. Just over half (51 percent) of surveyed executives expect sales to remain stable while 23 percent expect sales to 'increase somewhat' and 15 percent are expecting sales to 'decrease somewhat.'

Exhibit 2 California State University, Fullerton's Orange County Business Expectations Index, 2023-25


Source: California State University, Fullerton, Orange County Business Expectations Index

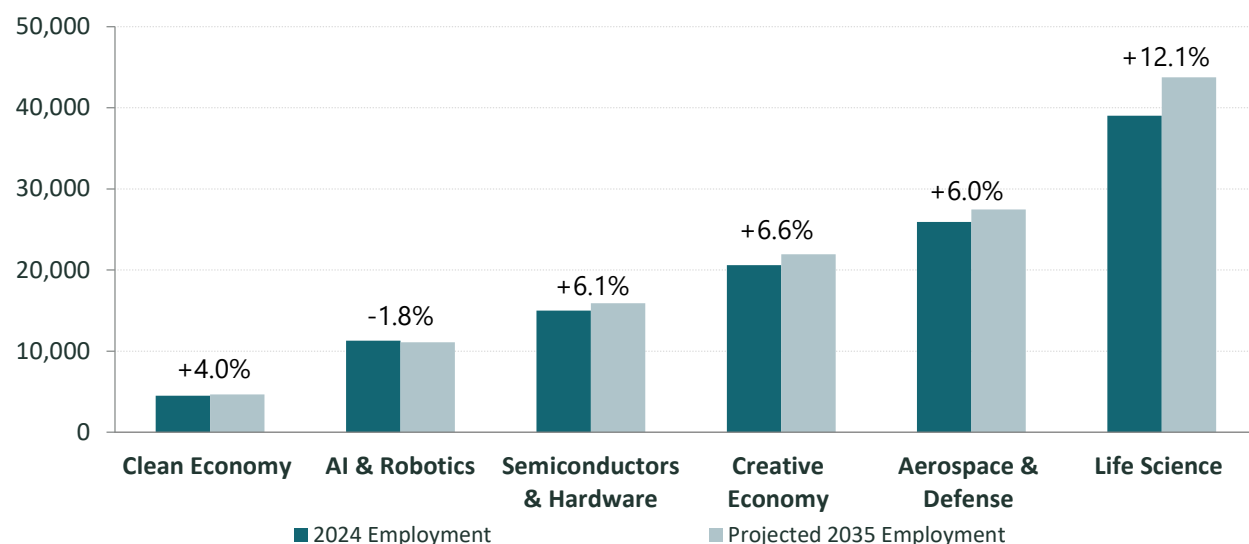
Approximately 26 percent of surveyed executives identified inflation as their most important concern. Other major concerns included tariffs (21 percent of executives); geopolitical risk (16 percent), 'other' which includes federal uncertainty, government cutbacks, and talent acquisition (16 percent); and interest rates (13 percent). When it comes to inflation, 31 percent of executives see the inflation rate reaching between 2.5 percent and 2.75 percent by December 2025. Another 31 percent expects an inflation rate between 2.75 percent and 3.0 percent.

About 15 percent of executives expect tariffs to lead to 'a significant increase in inflation,' compared to 41 percent expecting 'a moderate increase, but temporary,' and 38 percent expecting 'a small persistent increase in inflation.' For the next two years, 28 percent of executives see 'continued growth but persistent inflation,' 26 percent see 'stagflation,' and 23 percent see 'slower growth in the short term, but stronger in the future.' Adding to these concerns, California's insurance environment continues to see rising costs, adding to the already rising cost of living.

ORANGE COUNTY INNOVATION AND VENTURE CAPITAL FUNDING

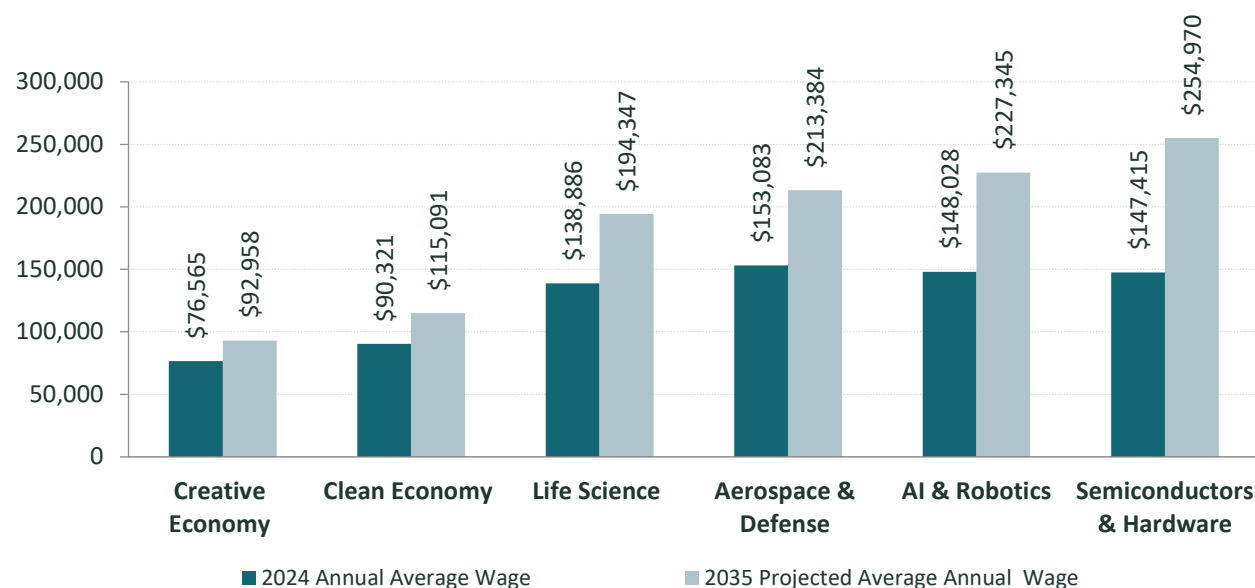
Orange County's dynamic innovation ecosystem includes a strong presence in several increasingly pivotal industry clusters, a solid academic system, a healthy startup landscape, and a proactive, entrepreneurial spirit that helps attract and retain both innovative businesses and residents. The county's competitive advantages are anchored in its well-established MedTech, Aerospace/Defense and Life Sciences industry clusters, a robust software and cybersecurity industry, increasing venture capital investments across several new and emerging industries, and a rapidly advancing Artificial Intelligence (AI) sector.

Orange County is uniquely positioned to take advantage of these emerging industries—and thus benefit from increasing innovation and economic activity.

Exhibit 3 Key Innovation Industry Projected Employment Growth, 2024-35

Source: Orange County Business Council Analysis of Lightcast Data

Orange County's already well-established Life Science industry is likely to see the most employment growth over the next decade, expanding by 12.1 percent, followed by the Creative Economy (+6.6 percent) and Aerospace & Defense (+6.0 percent). Only one sector, AI and Robotics, is expected to decline over the next decade, falling by 1.8 percent.

Exhibit 4 Key Innovation Industry Projected Average Annual Wages, 2024-35

Source: Orange County Business Council Analysis of Lightcast Data

Alongside rising employment, these key innovative sectors are also likely to see rising wage growth as they continue to grow and evolve. Orange County's Semiconductors & Hardware sector is projected to

see the most significant wage growth, rising by 73 percent from 2024 to 2035, followed by AI and Robotics (+53.6 percent), and Aerospace and Defense (+39.4 percent).

Orange County, a long-time hub for innovation and entrepreneurship, has seen significant venture capital investment in recent years. For instance, Anduril Industries, a technology company specializing in drones and defense located in Costa Mesa, received a staggering \$2.5 billion in venture capital funding in June 2025. Thus far in 2025, Orange County verticals with the most venture capital investments include AI and Machine Learning with \$2.62 billion, followed by Robotics and Drones with \$2.6 billion and Augmented Reality with \$2.5 billion. These investments reflect recent trends, especially the integration of AI into everyday products and services.

Exhibit 5 Venture Capital Investments by Verticals

	2023		2024		YTD 2025
AI & Machine Learning	\$2,320	AI & Machine Learning	\$1,910	AI & Machine Learning	\$2,620
Robotics and Drones	\$2,200	Augmented Reality	\$1,530	Robotics and Drones	\$2,600
Augmented Reality	\$2,010	Robotics and Drones	\$1,500	Augmented Reality	\$2,500
HealthTech	\$422	HealthTech	\$278	HealthTech	\$234
Life Sciences	\$393	SaaS	\$241	SaaS	\$149
CleanTech	\$347	Life Sciences	\$172	CleanTech	\$107
Climate Tech	\$276	FinTech	\$161	Mobility Tech	\$103
LOHAS & Wellness	\$175	Gaming	\$157	Autonomous Cars	\$100
Manufacturing	\$150	CleanTech	\$131	Climate Tech	\$100
Oncology	\$113	Manufacturing	\$121	Manufacturing	\$83
Gaming	\$111	Climate Tech	\$102	Life Sciences	\$81
SaaS	\$89	Mobile	\$101	Legal Tech	\$76
Big Data	\$56	Mobility Tech	\$98	Space Technology	\$64
FinTech	\$53	Autonomous Cars	\$96	LOHAS & Wellness	\$39
All Other Verticals	\$380	All Other Verticals	\$434	All Other Verticals	\$106

Source: Pitchbook; YTD 2025 measured from 01/01/2025 to 07/31/2025

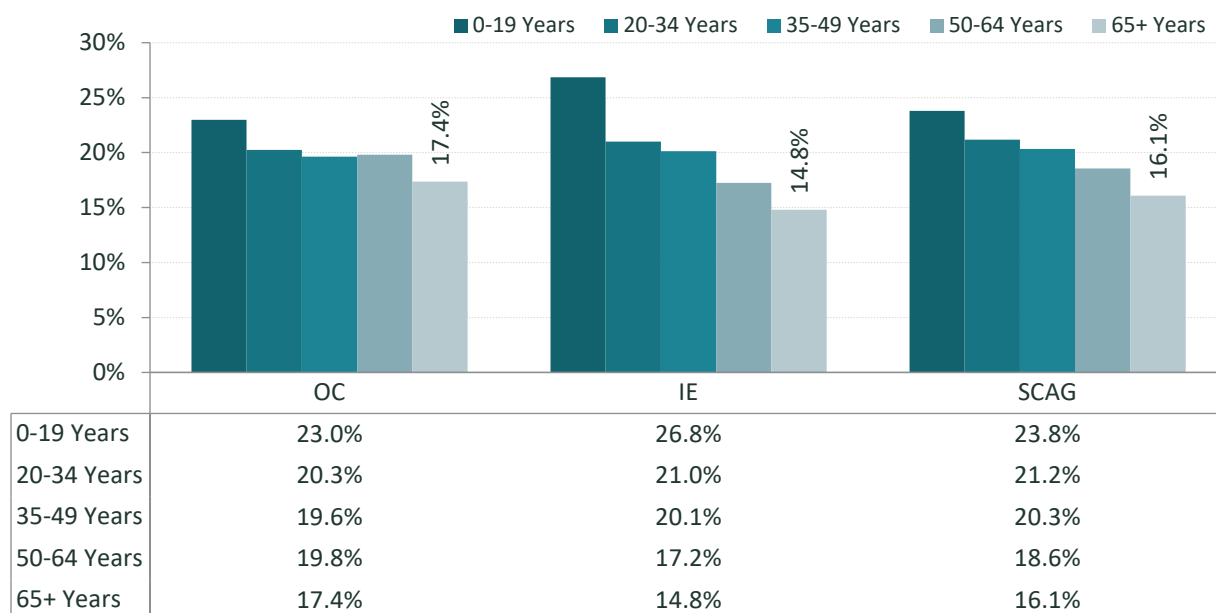
Orange County verticals have seen more consistent venture capital investments when measured by industry, with AI and Machine Learning, Robotics and Drones, and Augmented Reality holding the top three spots since 2023. While Oncology, Gaming and Big Data have been overtaken by Mobility Tech, Autonomous Cars, and Space Technology, the top verticals continue to see strong venture capital investments.

DEMOGRAPHICS

Following broader regional and national trends, Orange County's population continues to age. As of 2024, residents aged 65 and older represented 17.4 percent of the county's population, compared to 16.1 percent of the SCAG region and only 14.8 percent compared to the Inland Empire. Orange County also had one of the lowest proportions of residents between the ages of 0 and 19 at 23.0 percent, below the SCAG region's 23.8 percent and well below the Inland Empire's 26.8 percent.

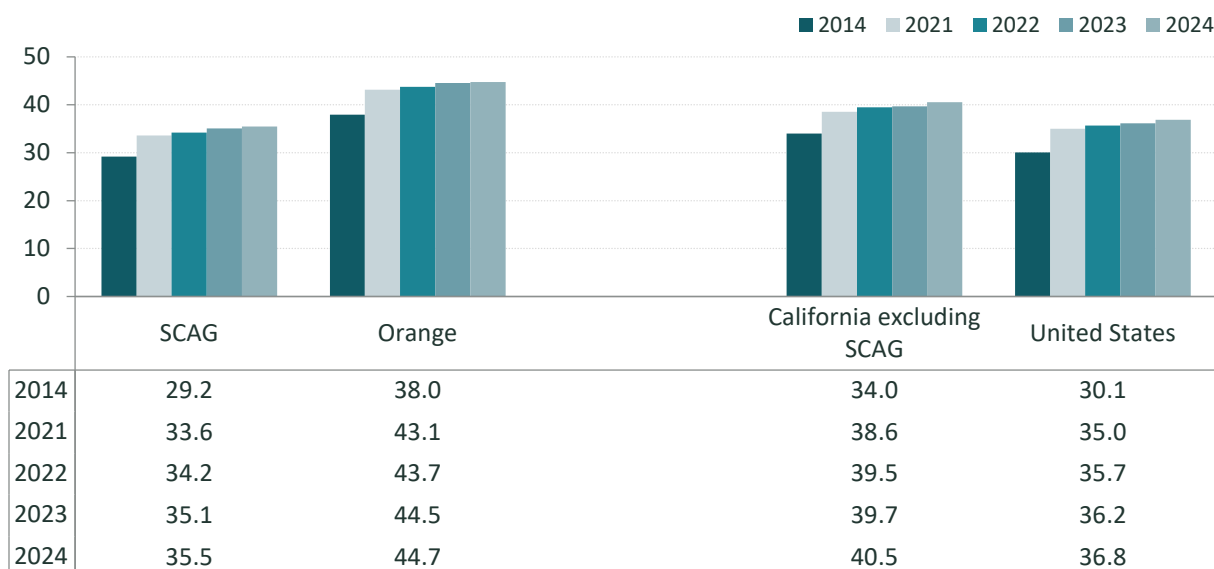
This illustrates how young residents and families are increasingly choosing to live in regions with lower costs of living—especially those related to housing. While Orange County’s strong labor market allows it to be a net importer of workers from surrounding regions, the region will require additional workforce housing supply to sustainably attract and retain young workers, families, and businesses.

Exhibit 6 Percent of the Population by Age Group, 2024



Source: US Census Bureau American Community Survey 1-year estimates (2024)

One foundation of Orange County’s labor market is its highly educated working age population. As of 2024, 44.7 percent of Orange County residents aged 25 and older had a bachelor’s degree, compared to 35.5 percent in the overall SCAG region, 40.5 percent in California (excluding the SCAG region), and 36.8 percent at the national level.

Exhibit 7 Percent of People 25 Years and Over With a Bachelor's Degree or Higher

Source: US Census Bureau American Community Survey 1-year estimates (2024)

LABOR MARKET AND INDUSTRY EMPLOYMENT

Orange County had the lowest unemployment rate in the SCAG region at 4.1 percent, well below the state (5.5 percent) and nation (4.3 percent). Over the past year, the labor force has increased by 1.5 percent while total employment increased by 1.4 percent to 1,582,602. At the same time, total unemployment reached 68,093, an increase of 3.3 percent over the past year.

Exhibit 8 Labor Market Snapshot, August 2025 (Seasonally Adjusted)

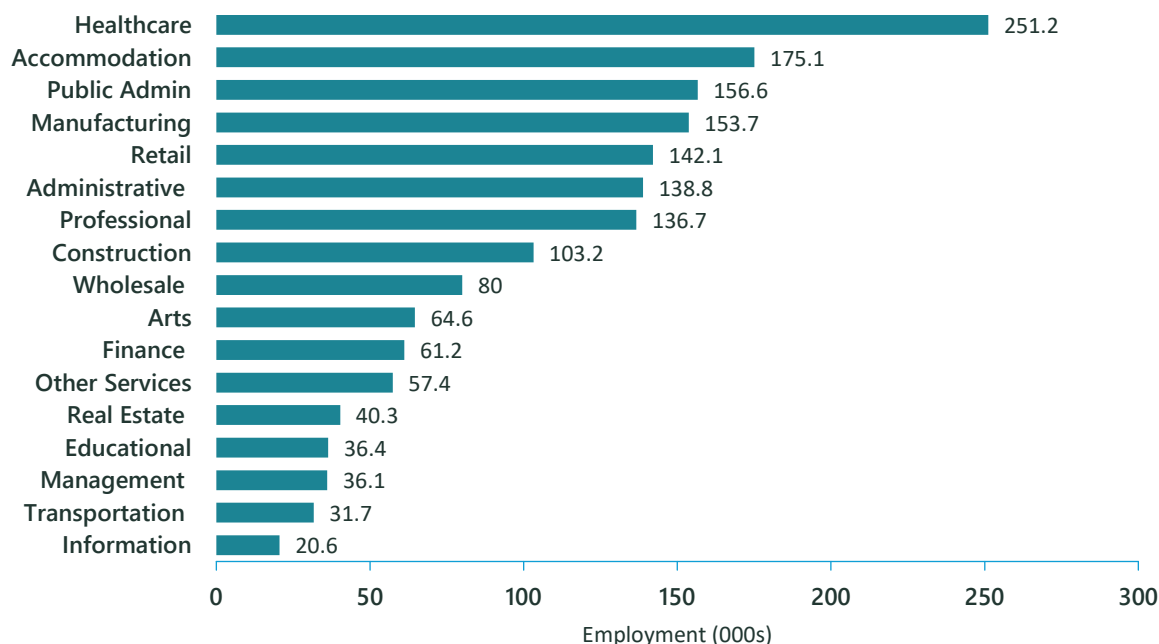
Region	Labor Force (000s)	Y-o-Y % Change	Employment (000s)	Y-o-Y % Change	Unemp. (000s)	Unemp. Rate
Orange	1,651	1.5%	1,583	1.4%	68.1	4.1%
Los Angeles	5,143	0.2%	4,803	0.6%	302.2	5.9%
Imperial	75	2.1%	61	1.9%	13.9	18.7%
Ventura	427	1.3%	407	1.2%	20.6	4.8%
Inland Empire	2,263	2.0%	2,137	1.9%	123.9	5.5%
SCAG Region	9,546	0.9%	9,015	1.1%	528.6	5.5%
California	19,913	1.1%	18,815	1.1%	1,093.8	5.5%
United States	170,610	1.3%	163,348	1.2%	7,267.2	4.3%

Source: California Employment Development Department (EDD)

As of August 2024, Orange County's largest industrial sectors were Health Care and Social Assistance (251,200 jobs), Accommodation and Food Services (175,100 jobs), and Public Administration (156,600 jobs) were Orange County's largest sectors. Over the past year, Health Care and Social Assistance added the most jobs with 13,500 (a 5.7 percent increase), followed by Arts, Entertainment, and Recreation with 3,100 jobs (+5.0 percent) and Public Administration with 2,900 jobs (+1.9 percent). Industries with the largest employment declines included Construction, which lost 3,900 jobs (-3.6 percent), Administrative

and Support and Waste Services, which lost 2,800 jobs (-2.0 percent) and Professional, Scientific, and Technical Services, which lost 2,600 jobs (-1.9 percent).

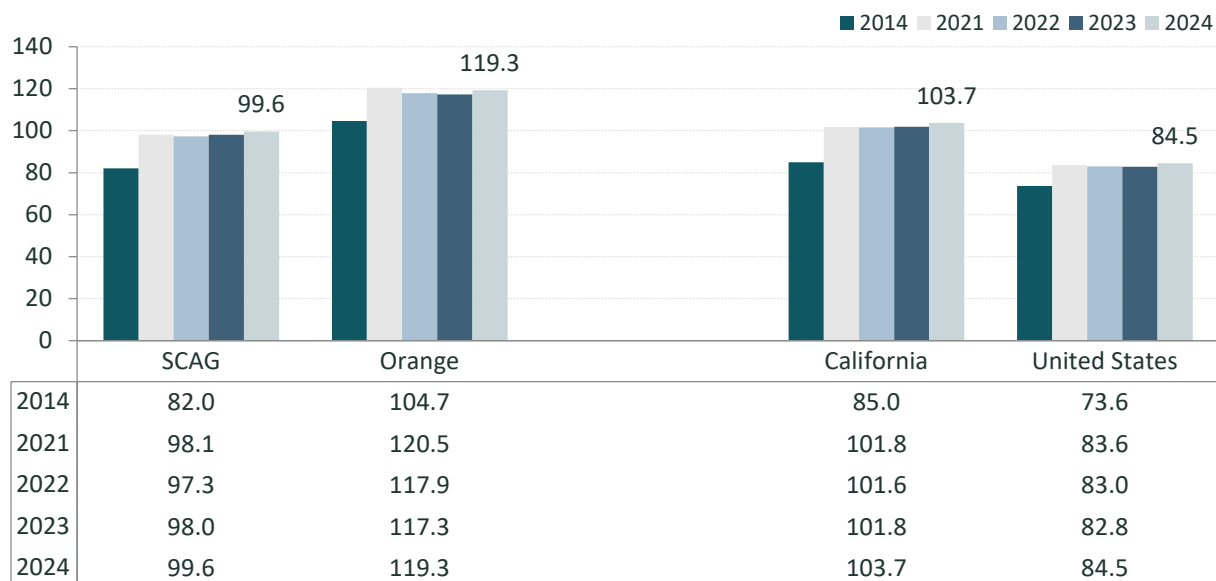
Exhibit 9 Employment by Industrial Sector in Orange County, August 2025



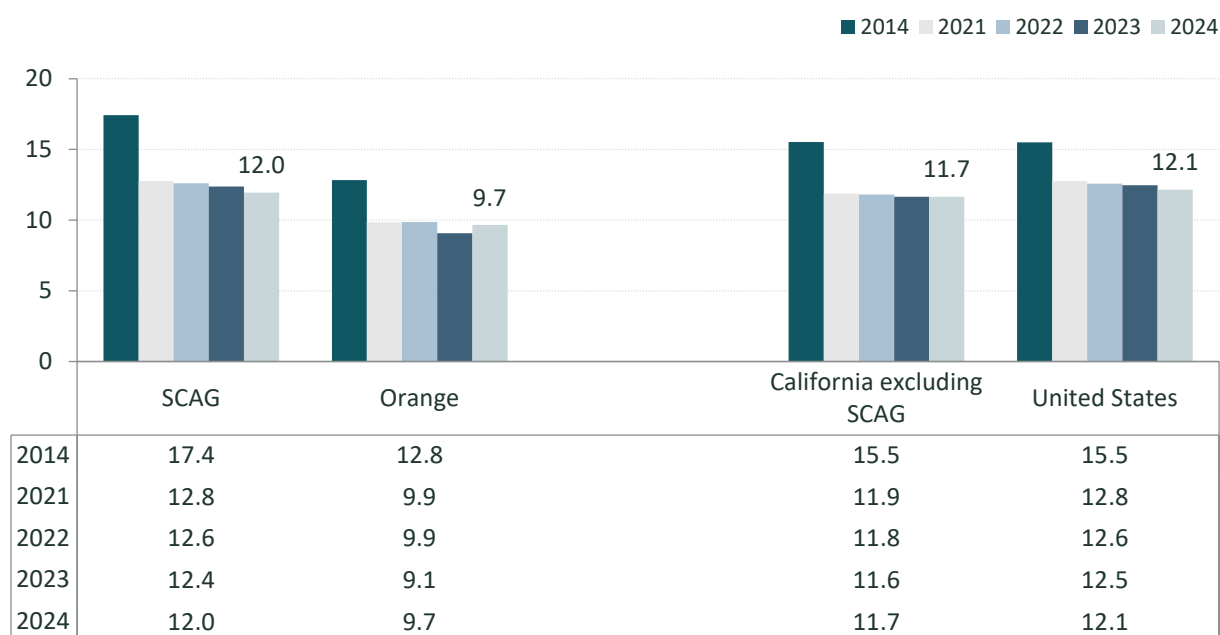
Source: California Employment Development Department (EDD)

INCOME, POVERTY, AND EQUITY

Rising median household incomes have provided some economic relief in the face of inflation and economic uncertainty. Orange County median household incomes rose from \$117,305 in 2023 to \$119,308 in 2024, an increase of 1.7 percent, compared to 1.6 percent in the overall SCAG region, 1.8 percent in California, and 2.0 percent in the nation. Despite having the highest median household incomes in the SCAG region, Orange County's poverty rate saw a significant increase over the past year, jumping from 9.1 percent to 9.7 percent. At the same time, the SCAG region's poverty rate declined from 12.4 percent to 12.0 percent, the state (excluding the SCAG region) saw rates increase slightly from 11.6 percent to 11.7 percent, and the nation's poverty rate fell from 12.0 percent to 11.8 percent.

Exhibit 10 Median Household Income in Thousands of 2025 U.S. Dollars

Source: U.S. Census Bureau American Community Survey 1-year estimates (2024)

Exhibit 11 Percent of People in Poverty

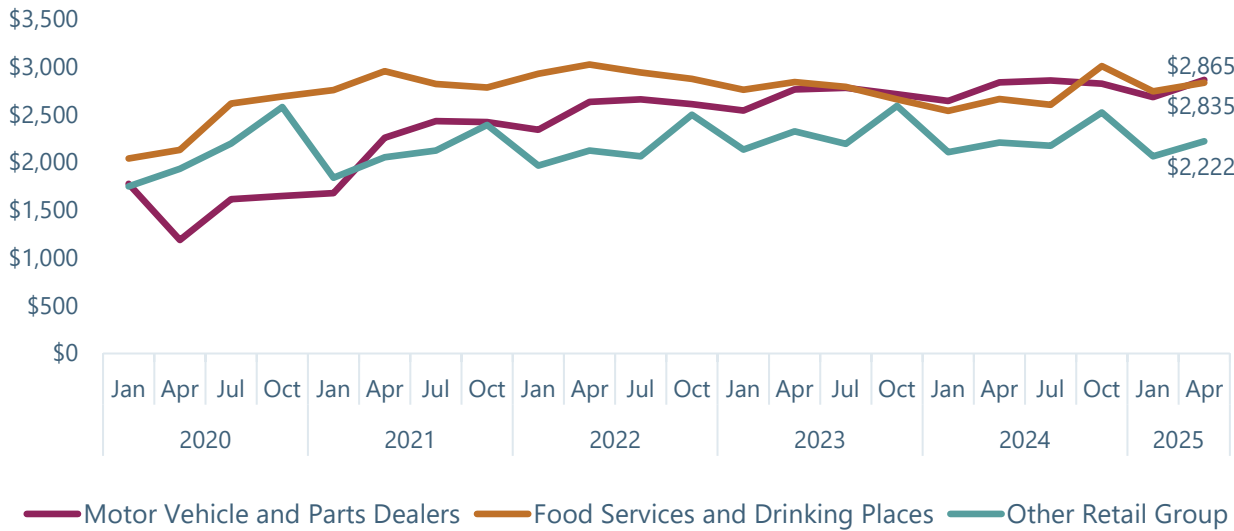
Source: U.S. Census Bureau American Community Survey 1-year estimates (2024)

TAXABLE SALES

Despite recent economic uncertainty surrounding shifting trade policies, strong consumer spending continues to drive economic growth and activity in Orange County. Furthermore, tourism spending in Orange County reached a record \$16.3 billion in 2024, an increase of 1.9 percent over the revised reading of \$16.0 billion in tourism spending registered in 2023. Tourism-related spending also generated \$1.3 billion in state and local tax revenue while supporting nearly 139,000 jobs. While consumer and tourism-related spending remain strong, rising household debt, credit card debt, and delinquencies remain significant concerns.

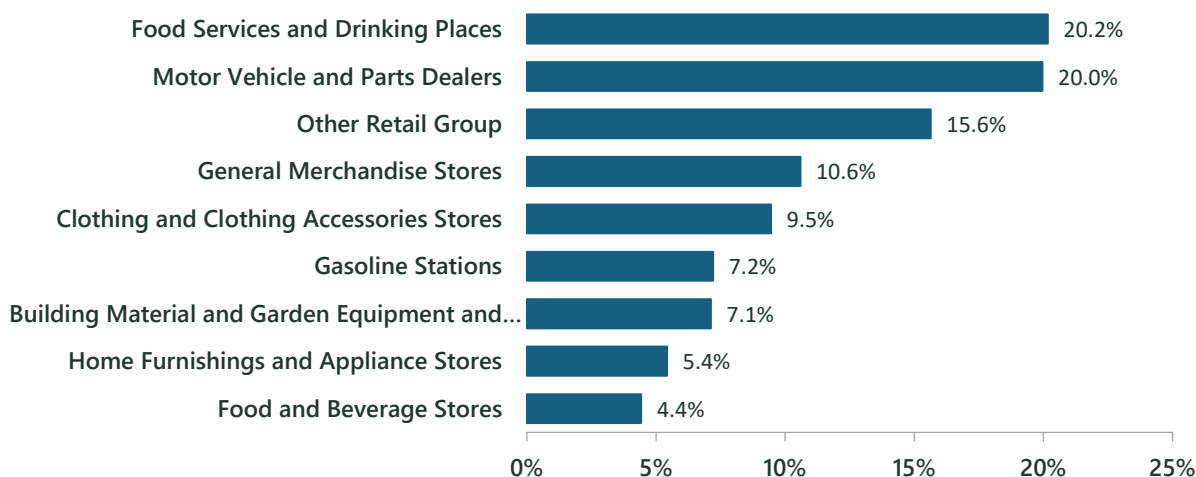
Overall, total taxable sales in Orange County reached \$21.6 billion, with \$14.2 billion coming from Total Retail and Food Services and \$7.4 billion coming from All Other Outlets. While total taxable sales actually declined over the past year, falling 0.3 percent, taxable sales from Total Retail and Food Services increased by 0.6 percent, while sales from All Other Outlets declined by 2.0 percent. In terms of sales categories, Food Services and Drinking Places registered the highest taxable sales (\$2,865 million), followed by Motor Vehicle and Parts Dealers (\$2,835 million) and Other Retail Group (\$2,222 million), which includes businesses such as health and personal care stores, sporting goods, musical instruments, bookstores, and non-store retailers.

Exhibit 12 Taxable Sales by Top Three Business Sectors in Orange County (\$ in Millions)



Source: California Department of Tax and Fee Administration

Since Q2 2024, Home Furnishings and Appliance Stores saw the largest increase in taxable sales, jumping from \$688 million to \$771 million in Q2 2025, an increase of 12.1 percent. Motor Vehicle and Parts Dealers sales grew by 6.4 percent, and Food Services and Drinking Places sales grew by 0.9 percent. The largest declines in taxable sales stemmed from Food and Beverage Stores, which shrank by 11.7 percent, followed by Gasoline Stations, which declined 9.9 percent, and Building Materials and Garden Equipment and Supplies Dealers, which fell by 2.3 percent.

Exhibit 13 Share of Taxable Sales by Type of Business in Orange County, Q2 2025

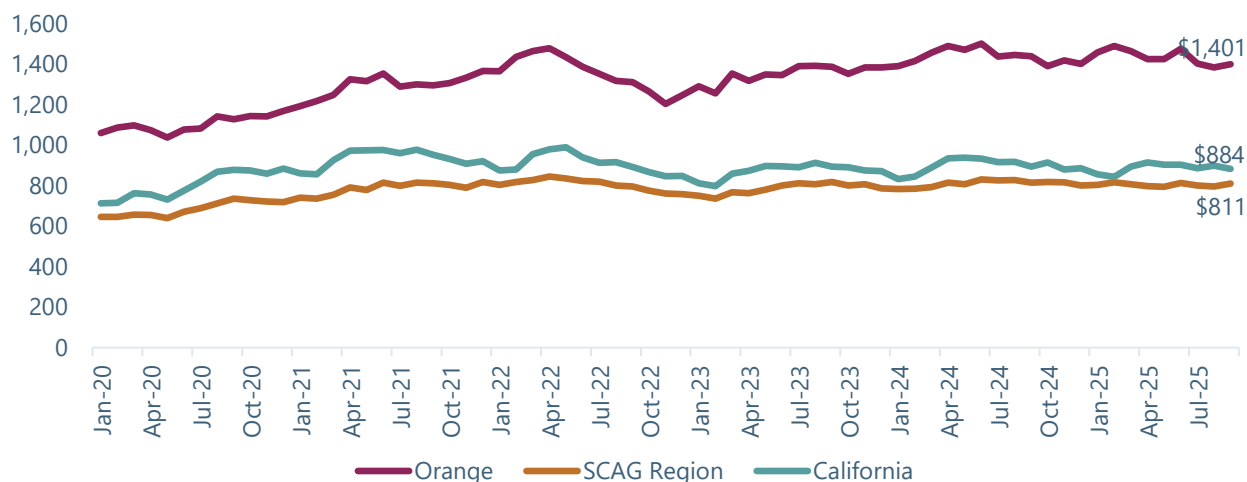
Source: California Department of Tax and Fee Administration

HOUSING MARKET

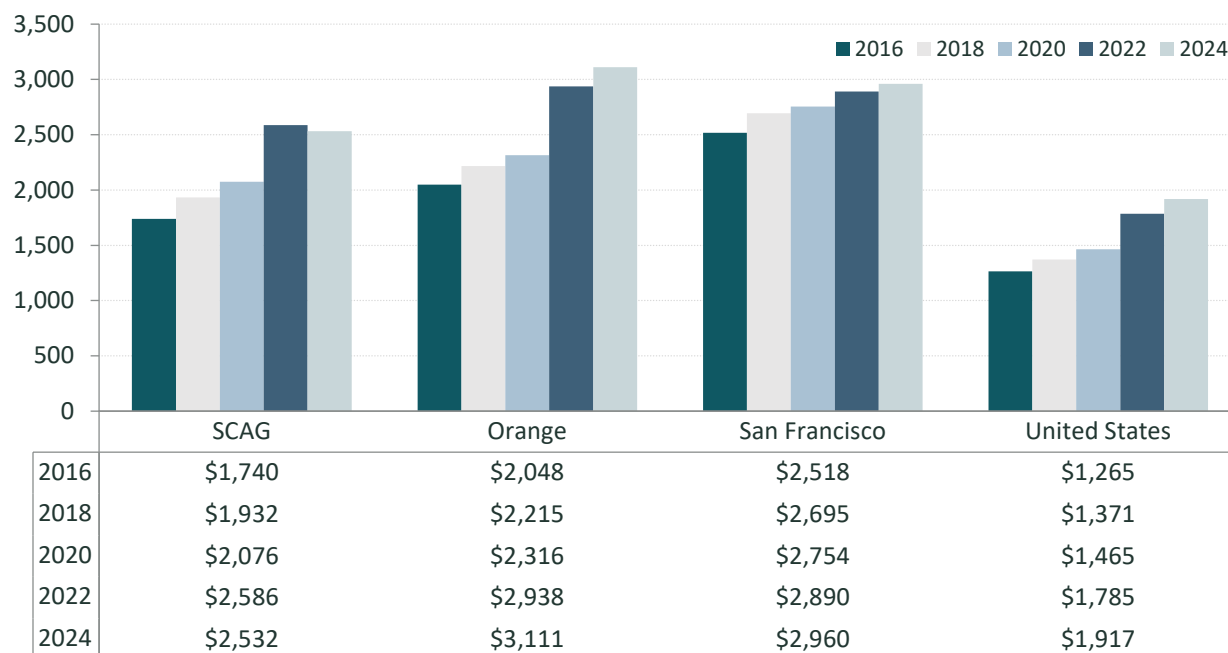
Following record breaking home prices in 2024, median home prices have since began to moderate across the state as elevated interest rates and prices keep demand comparatively low. On the other hand, median rents continue to increase as low housing supply and high housing costs keep apartment demand high.

Orange County's real median single-family home price totaled \$1,401,250 as of September 2025, well above the SCAG regional average of \$883,640 and the state average of \$810,918. According to the California Association of Realtor's Traditional and First-Time Home Buyer Affordability indices, only 12 percent of county buyers can afford a median-priced home at \$1,431,500, which requires a minimum qualifying income of \$367,600. Only 18 percent of county first-time home buyers can afford an "entry-level" home priced at \$1,216,780, requiring a minimum qualifying income of \$241,800.

Orange County rents reached \$3,111 in 2024, 23 percent higher than the SCAG region average and 62 percent higher than the national average.

Exhibit 14 Median Prices for Single-Family Homes in Thousands of 2025 U.S. Dollars

Source: California Association of Realtors

Exhibit 15 Median Gross Rent in 2024 U.S. Dollars

Source: Zillow Observed Rent Index

KEY TAKEAWAYS AND FUTURE OUTLOOK

The economic profile of Orange County in 2025 is a study in contrasts: it is a region of immense strength facing profound, persistent challenges. On one hand, the county's foundations are exceptionally strong. It boasts a highly educated workforce, with 44.7 percent of its residents at ages 25 and over holding a bachelor's degree or higher. Its labor market is robust, with an unemployment rate of just 4.1 percent, and it remains a hub for cutting-edge innovation. Significant venture capital inflows, especially into AI and

Robotics, and projected growth in key sectors like Life Sciences (+12.1 percent by 2035), highlight a dynamic future.

However, this prosperity is overshadowed by critical vulnerabilities. The most significant is the severe housing affordability crisis. Median home prices (\$1.4 million) and rents (\$3,111) are among the highest in the nation, making it difficult to attract and retain the young workers and families needed to sustain long-term growth. This structural issue is reflected in the county's aging demographics and a troubling rise in the poverty rate to 9.7 percent, even as median incomes remain high.

Moving forward, Orange County's trajectory will depend on its ability to address these structural imbalances. While business sentiment is positive and consumer spending remains a key driver, concerns over inflation and the rising cost of living are significant. The continued success of its established and emerging industry clusters is contingent on solving the regional challenge of accelerating the supply of workforce housing.

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MAIN OFFICE

LOS ANGELES COUNTY

900 Wilshire Blvd., Ste. 1700
Los Angeles, CA 90017
Tel: (213) 236-1800
www.scag.ca.gov

REGIONAL OFFICES

IMPERIAL COUNTY

1503 N. Imperial Ave., Ste. 104
El Centro, CA 92243
Tel: (213) 236-1967

INLAND EMPIRE

3403 10th St., Ste. 805
Riverside, CA 92501
Tel: (951) 784-1513

ORANGE COUNTY

OCTA Building
600 S. Main St., Ste. 1108
Orange, CA 92868
Tel: (213) 630-1599

VENTURA COUNTY

4001 Mission Oaks Blvd., Ste. L
Camarillo, CA 93012
Tel: (213) 236-1960