

Orange County

Multifamily Market Outlook 2Q 2019

MARKET OVERVIEW

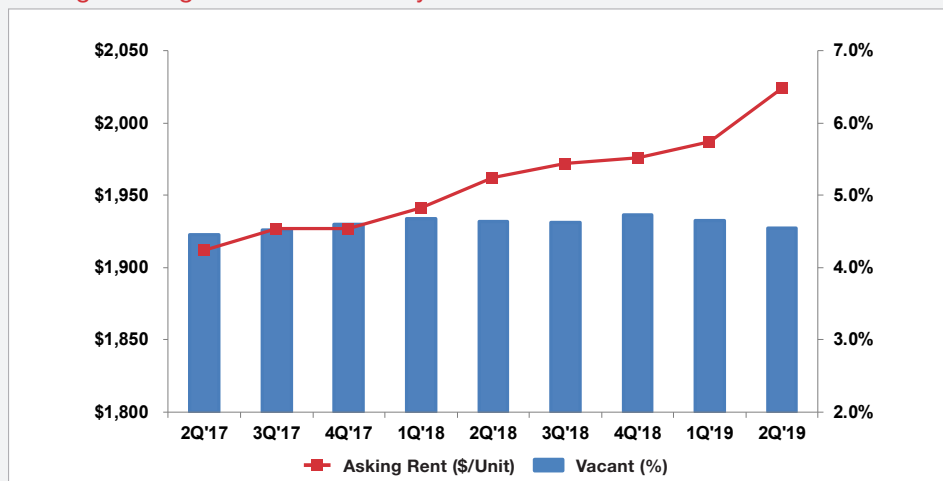
The Orange County multifamily housing market remains exceptionally strong. Record high asking rent has not slowed demand. This quarter, the average asking rent hit \$2,024/unit, up 1.9% over the prior quarter and 3.2% year over year. This is the highest average asking rent on record in Southern California. The vacancy rate registered 4.5%, down 10 basis points over last year. New product remains in demand and the market is absorbing multifamily units completed over the past several quarters. Multifamily units built since 2017 have seen occupancy grow from 72.6% in 2Q 2018 to 83% this quarter. Multifamily development continues to be vital to maintaining a healthy market—providing relief from tight conditions. There are 7,955 units under construction, with an additional 18,828 units in the planned or proposed stages.

Year-to-date investment activity rose by 9.3% over the prior year, with 4,250 units trading hands. Due to steady demand for multifamily housing and strong market fundamentals, Orange County remains an attractive market for investors. This quarter, the average cap rate held steady at 4.1% year over year. In one of the largest sales transactions this quarter, Cadigan Communities purchased the 264-unit Nineteen01 complex in Santa Ana from Lyon Living for \$98,000,000 at a 4.5% cap rate.

TRENDS TO WATCH

The rental market is the only option for many residents as homeownership remains out of reach for most of Orange County's population. According to the latest figures from the California Association of Realtors® Housing Affordability Index, only 24% of Orange County households can afford to purchase a home at the median price of \$800,000 and a minimum qualifying income of \$168,340. Indicators point to long-term demand for apartment rentals, given the high cost of purchasing a single-family home. Population growth projections indicate 50,813 households will be formed by 2024, most of which will find their way into the rental market. Despite having one of the strongest employment markets in Southern California, affordability will remain an issue in the multifamily housing market as asking rents continue to break records.

Average Asking Rent* and Vacancy Rate



MARKET OUTLOOK

Asking Rental Rates



Vacancy Rates



New Construction



Sales Volume



Sales Prices



Cap Rates



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Market Statistics

SUBMARKET	Inventory (Units)	Under Construction (Units)	Vacancy (%)	Asking Rent (\$/Unit)
AIRPORT	73,388	3,797	4.6%	\$2,351
Costa Mesa	18,391	0	4.2%	\$2,021
Irvine	44,990	3,362	4.7%	\$2,406
Newport Beach	10,007	435	5.3%	\$2,647
CENTRAL	35,181	1,590	3.9%	\$1,840
North Santa Ana	12,423	369	2.9%	\$1,461
South Santa Ana	8,127	0	5.9%	\$2,035
Tustin	14,631	1,221	3.6%	\$1,941
SOUTH	33,184	834	6.1%	\$2,168
Laguna Beach	17,572	834	7.1%	\$2,286
Laguna Hills	1,912	0	5.5%	\$1,968
Mission Viejo	13,700	0	5.0%	\$2,065
NORTH	69,796	1,630	4.9%	\$1,878
Brea/Yorba Linda	11,489	0	4.7%	\$1,838
Fullerton	16,101	290	4.8%	\$1,808
North Anaheim	25,115	1,078	5.2%	\$1,871
Orange	13,680	262	5.0%	\$1,999
Placentia/NE Anaheim	3,411	0	3.8%	\$1,975
WEST	77,593	104	3.7%	\$1,797
Buena Park	33,681	0	3.2%	\$1,662
Huntington Beach	24,923	0	4.5%	\$2,070
South Anaheim	6,460	0	4.6%	\$1,708
Westminster	12,529	104	3.4%	\$1,663

	Inventory (Units)	Under Construction (Units)	Vacancy (%)	Asking Rent (\$/Unit)
Orange County	289,142	7,955	4.5%	\$2,024

Select Sales Transactions:

Complex	Submarket	Units	Cap Rate	Sale Price	Price/Unit	Price/SF
Nineteen01	Central	264	4.5%	\$98,000,000	\$371,212	\$353
The Charlie	Central	228	-	\$100,840,000	\$442,281	\$385
Park Midrise Luxury Apartments	Central	63	4.9%	\$17,100,000	\$271,428	\$402
Pacific Place	North	48	4.3%	\$12,727,000	\$265,145	\$264
The Arches	West	26	4.2%	\$8,900,000	\$342,307	\$304

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- North
- West
- Central
- Airport
- South

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