

Orange County

Multifamily Market Outlook Q4 2019

MARKET OVERVIEW

Orange County's multifamily housing market remained exceptionally strong throughout 2019. The average asking rent closed the quarter at \$2,055 per unit, up 3.3% from Q4 2018. This was the highest asking rent on record, up 34.5% from the prior peak reached in Q3 2008. The Central submarket saw the largest year-over-year rental rate increase, up 3.8% to \$1,920 per unit. The Irvine submarket also saw its average asking rent adjust a bit, down 0.7% from the prior quarter to \$2,446 per unit as existing inventory competed with new construction. However, the average rent in Irvine is up 3.2% from last year.

Strong rental growth and high demand are propelling new construction. New apartment construction in Orange County tends to focus on large, mid-rise buildings ranging from 150 to 1,800 units. In 2019, completed construction totaled 4,754 units, which are asking \$2,810 per month, on average. Completed construction pushed up vacancy slightly. The total vacancy rate in Orange County this quarter registered 4.8%, up 30 basis points from the prior quarter, steady from 2018.

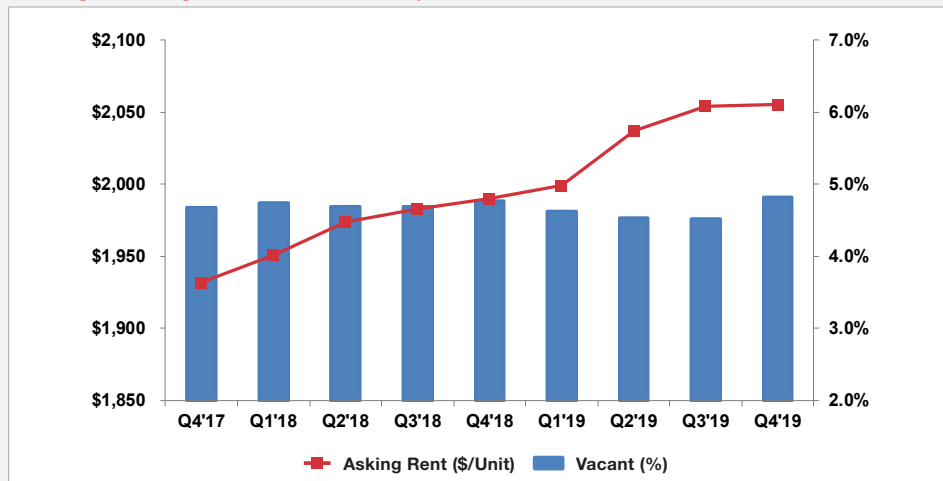
Annual sales volume totaled \$1.3B with 8,549 units sold, which represented an increase of 17% on a per-unit basis from last year. Cap rates averaged 4.4% this quarter, steady from the prior quarter, up 40 bps from 2018.

TRENDS TO WATCH

The Orange County multifamily housing market is poised for continued growth heading into 2020. Demand for rental housing is expected to remain high due to steady population and employment growth in the region. Orange County has continued to witness the lowest unemployment rate in Southern California, which registered at 2.4% in December 2019, below California's rate of 3.7%. With vacancy remaining very low, steady demand will continue to drive asking rent higher.

At the end of 2019 there were 5,035 units under construction in Orange County. New supply will continue to add to the market as 3,530 units are slated for 2020 completion. Additionally, 14,606 units of proposed construction are projected to come online by 2024. Due to the strong underlying market fundamentals, completed construction should minimally impact the vacancy rate and keep rent high in 2020.

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	74,134	541	5.7%	\$2,391
Costa Mesa	18,492	0	3.7%	\$2,043
Irvine	45,089	541	6.7%	\$2,446
Newport Beach	10,553	0	4.6%	\$2,716
CENTRAL	35,183	1,510	4.7%	\$1,920
North Santa Ana	12,429	289	5.4%	\$1,513
South Santa Ana	8,134	0	4.9%	\$2,028
Tustin	14,620	1,221	4.0%	\$2,076
SOUTH	33,593	534	6.8%	\$2,179
Laguna Beach	17,981	534	8.1%	\$2,285
Laguna Hills	1,912	0	6.3%	\$1,963
Mission Viejo	13,700	0	5.1%	\$2,089
NORTH	69,609	1,952	4.3%	\$1,879
Brea/Yorba Linda	11,329	653	4.8%	\$1,832
Fullerton	15,632	290	3.6%	\$1,774
North Anaheim	25,491	747	4.8%	\$1,895
Orange	13,729	262	4.0%	\$2,027
Placentia/NE Anaheim	3,428	0	3.6%	\$1,884
WEST	78,120	498	3.7%	\$1,812
Buena Park	33,786	0	3.4%	\$1,684
Huntington Beach	25,270	0	4.0%	\$2,072
South Anaheim	6,522	0	4.4%	\$1,742
Westminster	12,542	498	3.5%	\$1,685

	Inventory (Units)	Under Construction (Units)	Vacancy (%)	Asking Rent (\$/Unit)
Orange County	290,639	5,035	4.8%	\$2,055

Select Sales Transactions:

Complex	Submarket	Units	Cap Rate	Sale Price	Price/Unit	Price/SF
Crystal View Apartment Homes	West	402	4.2%	\$108,100,000	\$268,905	\$343
Baker Block	Airport	320	4.1%	\$113,512,000	\$472,967	\$506
Mariner Square	Airport	114	-	\$58,000,000	\$508,771	\$429
Knott Townhouses	West	28	3.2%	\$8,062,710	\$287,954	\$316
12833 Brookhurst Way	West	24	4.1%	\$6,600,000	\$275,000	\$323

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- North
- West
- Central
- Airport
- South

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Orange County

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