

Orange County

Multifamily Market Outlook Q1 2020

MARKET OVERVIEW

Orange County's multifamily housing market cooled in the first quarter heading into the COVID-19 shutdown. After 12 consecutive quarters of growth, the average asking rent inched down 0.8% from Q4 2019, up 1.9% from the prior year to \$2,038/Unit. The average rent dipped below the previous quarter in every submarket except the West where rent ticked up a mere 0.4%. The vacancy rate inched up 80 bps from Q4 2019 and 110 bps year over year to 5.7% — the highest rate since Q2 2010.

A surge in completed construction triggered the rise in vacancy as nearly 7K units were added to the market since Q1 2019 — 62% of these units remained vacant at the end of Q1 2020. More than 4K units remained under construction at the close of this quarter, which will likely push vacancy up further in the second half of 2020.

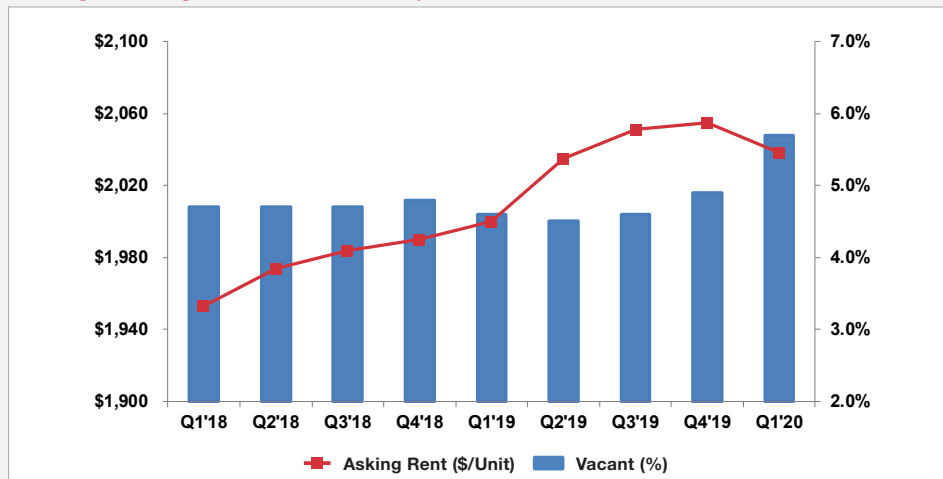
The quarter ended in the COVID-19 shutdown, which will impact the OC multifamily housing market — especially showing newly completed or vacant apartments to prospective tenants. Temporary moratoriums on evictions weigh on the market; most investors are taking a wait-and-see approach until economic conditions stabilize.

TRENDS TO WATCH

Prior to the pandemic shutdown, construction in Orange County for multifamily housing had already slowed to the lowest level since Q1 2013. This will help projects in submarkets with significant amounts of added construction, such as Irvine, absorb the new inventory. The high cost of home ownership coupled with uncertainty about the economic future will sustain tenant demand for multifamily housing in the County.

Mounting unemployment from the shutdown, particularly in the Leisure & Hospitality sector, will weigh heavily on the OC's short-term rental market. While the Leisure & Hospitality sector gained 4,000 jobs over the month in May, the sector saw the largest year-over-year decline, down 101,700 jobs with losses in all subsectors. NAI Capital multifamily market professionals expect rent will decrease as landlords offer more concessions to attract tenants. Vacancy will continue rising in the coming quarters, especially in the North market, which contains over half of the units under construction in the region.

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	73,543	541	7.1%	\$2,338
Costa Mesa	19,173	0	4.2%	\$2,048
Irvine	43,698	541	8.2%	\$2,383
Newport Beach	10,672	0	8.0%	\$2,632
CENTRAL	36,415	708	7.0%	\$1,897
North Santa Ana	12,420	289	4.9%	\$1,521
South Santa Ana	8,149	0	4.5%	\$2,017
Tustin	15,846	419	10.1%	\$2,031
SOUTH	34,073	109	7.3%	\$2,181
Laguna Beach	18,432	109	9.6%	\$2,305
Laguna Hills	1,932	0	6.0%	\$1,997
Mission Viejo	13,709	0	4.5%	\$2,062
NORTH	70,055	2,067	4.7%	\$1,872
Brea/Yorba Linda	11,369	653	4.4%	\$1,827
Fullerton	15,672	291	4.2%	\$1,771
North Anaheim	25,888	0	5.6%	\$1,885
Orange	13,694	1,123	4.2%	\$2,020
Placentia/NE Anaheim	3,432	0	4.2%	\$1,886
WEST	78,115	698	4.0%	\$1,848
Buena Park	33,740	0	3.6%	\$1,704
Huntington Beach	25,297	0	4.4%	\$2,151
South Anaheim	6,522	0	4.1%	\$1,741
Westminster	12,556	698	4.5%	\$1,698

	Inventory (Units)	Under Construction (Units)	Vacancy (%)	Asking Rent (\$/Unit)
Orange County	292,201	4,123	5.7%	\$2,038

Select Sales Transactions:

Complex	Submarket	Units	Cap Rate	Sale Price	Price/Unit	Price/SF
Park Apartments	Airport	192	TBD	\$21,500,000	\$111,979	\$140
Terra at Tustin	Central	116	4.0%	\$41,000,000	\$353,448	\$442
Vine-Fullerton Apartments	North	98	4.4%	\$21,675,000	\$221,173	\$387
Ten Sixty Apartments	Central	25	4.3%	\$4,950,000	\$198,000	\$435
939-1001 S. Standard Ave.	Central	24	4.4%	\$4,565,000	\$190,208	\$309

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- North
- West
- Central
- Airport
- South

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NAI Capital Research

J.C. Casillas

Vice President

Research, Marketing and Communications

jasillas@naicapital.com

Jillian Olivas

Research and Communications

jolivas@naicapital.com

Katherine Tattersfield

Marketing Research Writer

ktattersfield@naicapital.com

NAI Capital Southern California Office Locations

Headquarters

15821 Ventura Blvd., Ste. 320
Los Angeles, CA 91436
818.905.2400

Property Management

120^{1/2} South El Camino Real, Ste. 210
San Clemente, CA 92674
949.874.0415

Los Angeles County

Downtown LA

707 Wilshire Blvd., Ste 5125
Los Angeles, CA 90017
213.632.7700

West Los Angeles

11835 Olympic Blvd., Ste. 700E
Los Angeles, CA 90064
310.440.8500

Torrance

970 W. 190th St., Ste. 100
Torrance, CA 90502
310.532.9080

Pasadena

225 S. Lake Ave., Ste. 1170
Pasadena, CA 91101
626.564.4800

Valencia

25060 Avenue Stanford., Ste. 165
Valencia, CA 91355
661.705.3550

Diamond Bar

21660 E. Copley Dr., Ste. 320
Diamond Bar, CA 91765
909.348.0600

Ventura County

Oxnard

300 Esplanade Dr., Ste. 1660
Oxnard, CA 93036
805.278.1400

Westlake Village

2555 Townsgate Rd., Ste. 320
Westlake Village, CA 91361
805.446.2400

Inland Empire

Ontario

800 N. Haven Dr., Ste. 400
Ontario, CA 91764
909.945.2339

Temecula

27720 Jefferson Ave., Ste. 330
Temecula, CA 92590
951.491.7590

Victorville

13911 Park Ave., Ste. 206
Victorville, CA 92392
760.780.4200

Orange County

Irvine

1920 Main St., Ste. 100
Irvine, CA 92614
949.854.6600

Coachella Valley

Palm Desert

75-410 Gerald Ford Dr., Ste. 200
Palm Desert, CA 92211
760.346.1566

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