ORANGE COUNTY, CA
MULTIFAMILY REPORT
2024 | **MID-YEAR**

Jobs Added / Lost

LAST 12 MONTHS*

17,900

1.1%

Unemployment*

JUNE 2024

3.9%

50 BPS YOY

**Seasonally Adjusted*

ORANGE COUNTY, CA

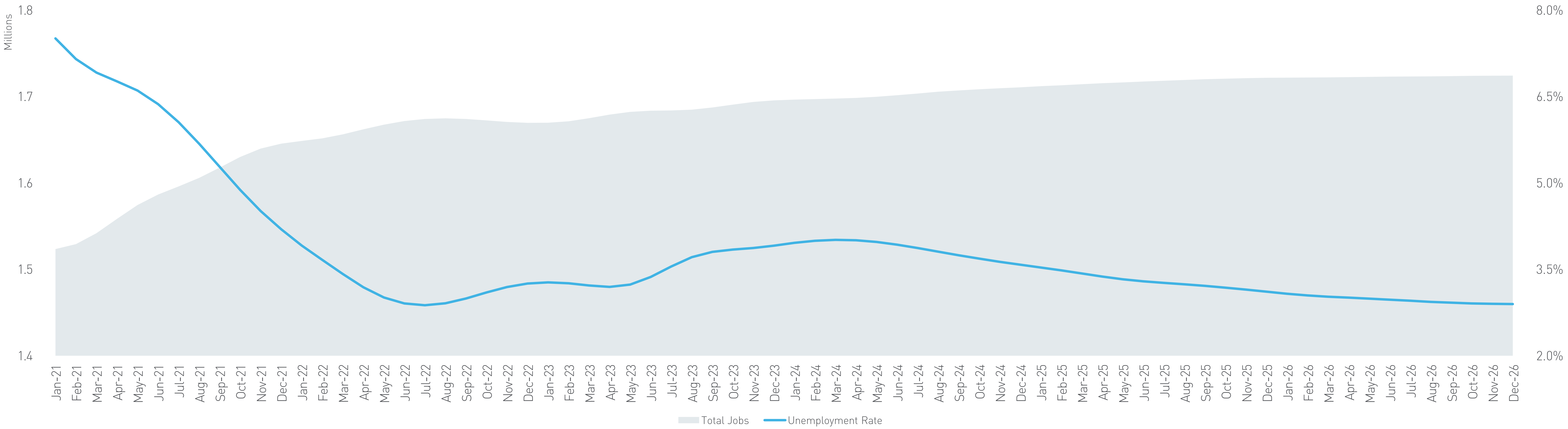
EMPLOYMENT

The healthcare and tourism industries combined to grow employment in Orange County in the last 12 months. The county had a 1.1% year-over-year overall increase in employment with 17,900 net jobs added. In the private education and healthcare sector, institutions filled 13,000 newly created jobs, a 4.9% increase. Expansion in the healthcare and social assistance subsector accounted for almost 95% of this gain with 12,300 net new jobs. The subsector was boosted by advance hiring at the new UCI Health Chao Family Comprehensive Cancer Center which recently opened in Irvine. The universal appeal of Disneyland and other major attractions in the county generated heightened tourism. The city of Anaheim welcomed 25 million visitors in 2023, and the Anaheim Convention Center's numerous conventions generated over 500,000 hotel room nights. Visitor spending in Orange County totaled $14.2 billion in 2023, up 5.5% annually. These activities contributed to a 2.8% year-over-year increase in leisure and hospitality employment in the county as 6,400 net new positions were filled. The smaller employment sectors also contributed to employment expansion. While the local construction industry grew by just 0.2% in the last 12 months, accelerated job growth in the sector is anticipated in the near term. The increased hiring will be fueled in part by a record 9,500 building permits issued in the city of Santa Ana in 2023 with a total value of $772 million.

In the News

- UCI Health–Irvine Campus to open in 2025 and will employ 2,000 workers
- Infrastructure work underway at $4 billion OC Vibe mixed-use development
- City of Hope to open cancer hospital in Irvine in 2025

Employment Trends



Source: Moody's Analytics

2024 YEAR TO DATE

DELIVERIES
242 UNITS

ABSORPTION
-226 UNITS

2024 TOTAL*

DELIVERIES
1,812 UNITS

ABSORPTION
1,745 UNITS

**Projected*

ORANGE COUNTY, CA

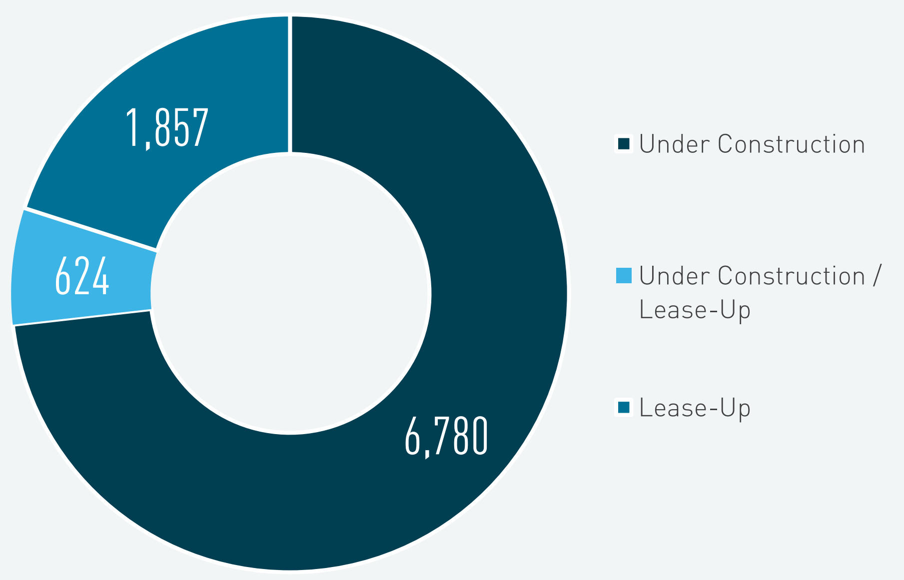
DELIVERIES & ABSORPTION

Orange County's small land mass and high population density translate into limited land for new apartment communities along with a high cost to develop. For these reasons, annual apartment deliveries in Orange County are typically less numerous compared to other metros with a comparable population. In the past 10 years, annual apartment deliveries in the county averaged about 3,200 units. From mid-2023 through mid-2024, builders completed 2,296 units countywide. As of the second quarter of 2024, 7,780 units were under construction countywide. Among those units underway, about 5,000 are expected to come online in 2025. A majority of the units coming online in 2025 are from multifamily developments that started between 2019 and 2021. Their completion dates were postponed because of supply chain issues and labor shortages. Deliveries are anticipated to diminish after 2025. The high barrier to homeownership in Orange County creates a large captive group of households who must rent. This environment creates reliable apartment demand. Net apartment absorption each year is typically within about 4% of the number of new apartments that are delivered. Renter households in Orange County earn a median of $82,138 annually. At that income level, the rent share of wallet is about 40%—notably higher than the national share of wallet, but certainly attainable for virtually all households.

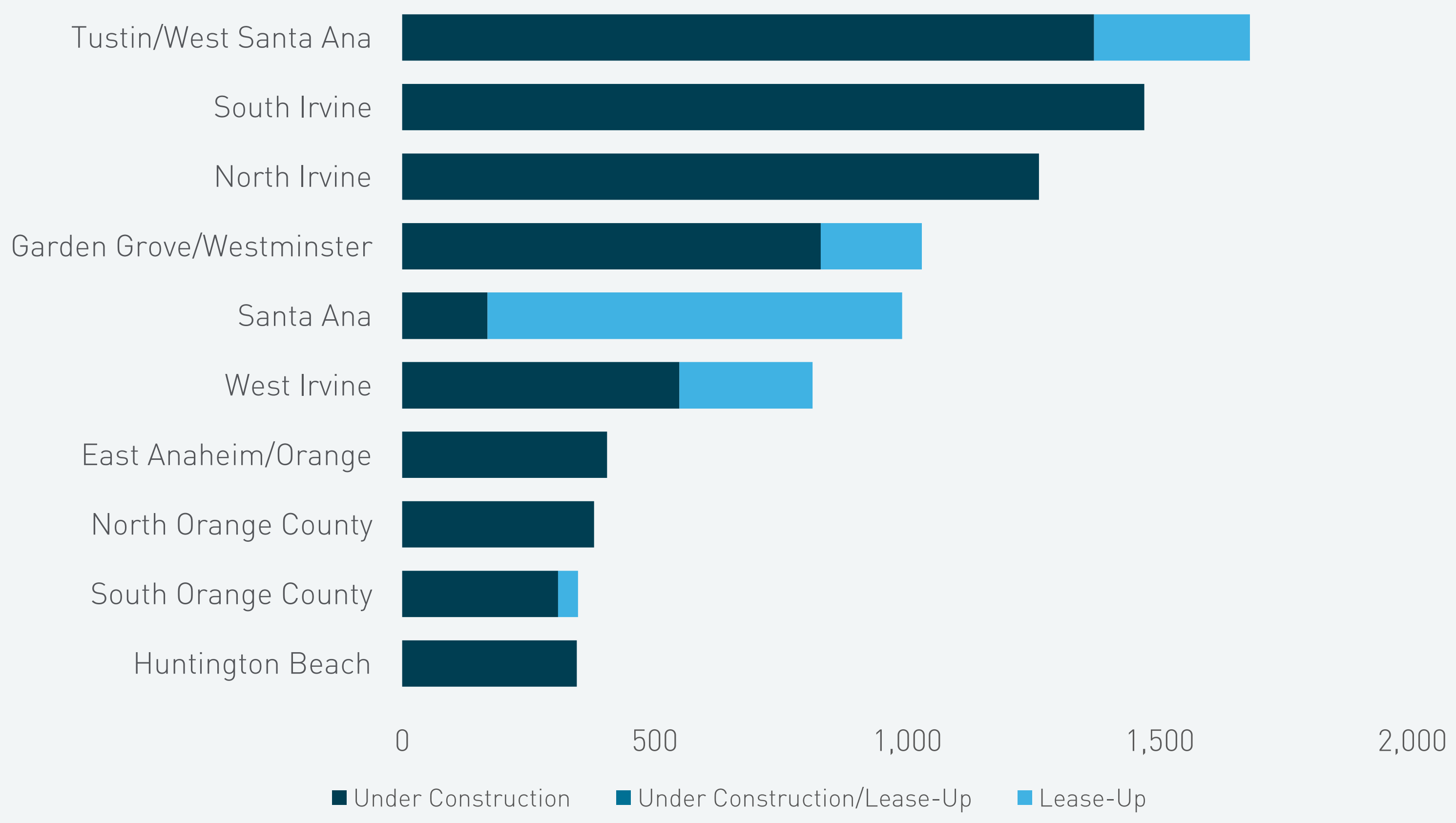
Deliveries, Absorption, & Effective Rent Change

Source: RealPage

Market Pipeline



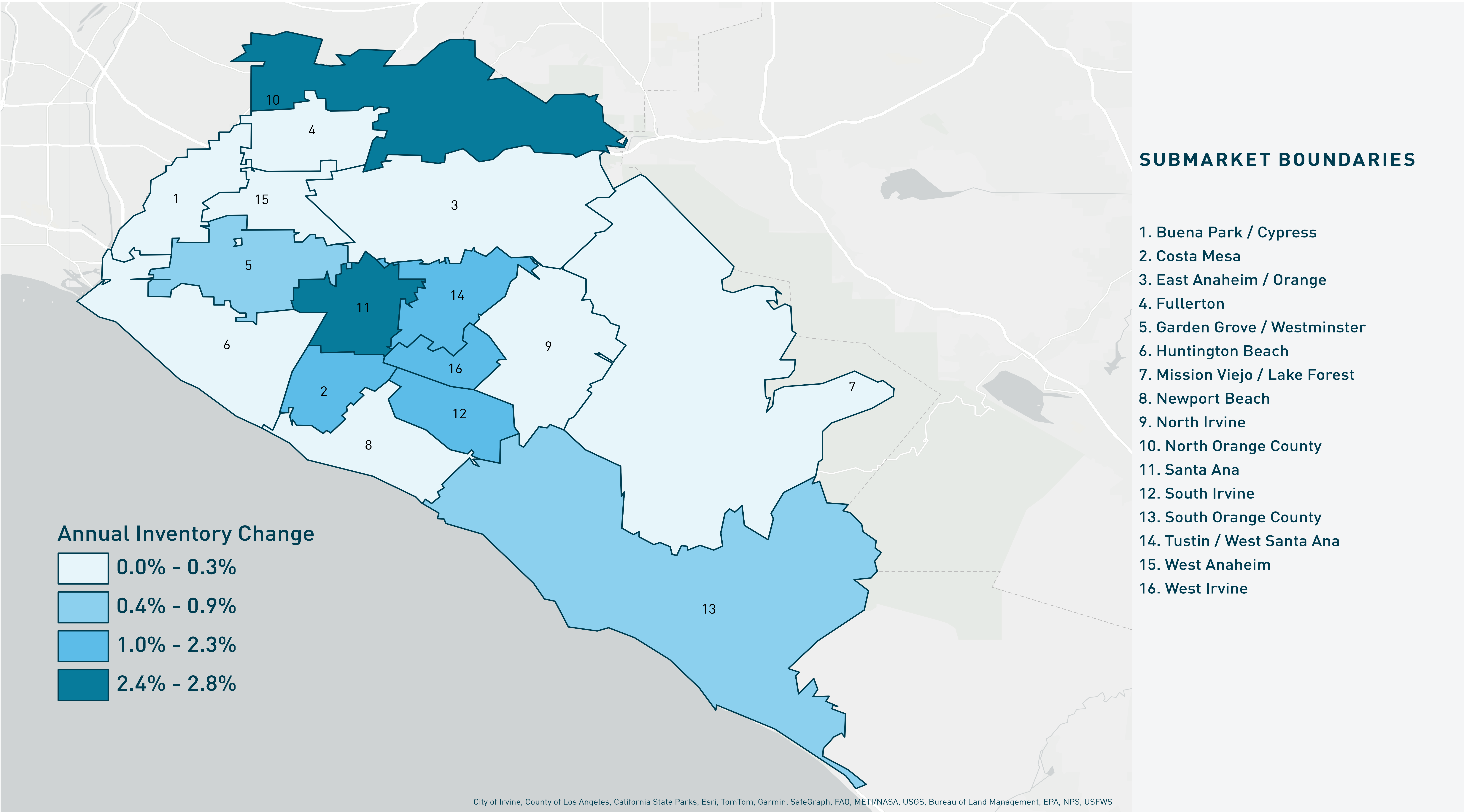
Top Submarket Pipelines



ORANGE COUNTY, CA

SUBMARKET MID-YEAR 2024 ANNUAL INVENTORY CHANGE

Multifamily developers like Orange County because of its high household incomes and the daunting barrier to homeownership. Developers tend to favor Irvine because of its numerous employment hubs and retail destinations. Even so, the limited number of suitable sites means developers capitalize on opportunities wherever they arise. Starting in July 2020, builders began construction on three multifamily projects in Santa Ana and one in Placentia. These projects came to fruition in the Santa Ana submarket in the second quarter of 2024 as the 603-unit Park on First and the 226-unit Bloom developments were completed, and progress was made at the 218-unit Rafferty apartments. Additionally, construction finished at the 418-unit Jefferson Cenza apartment community in Placentia. Over the next six quarters, deliveries will be concentrated among the three submarkets in Irvine, where a total of 2,629 apartments will be completed.



Effective Rent

Q2 2024

$2,802

2.3% YOY

Occupancy

Q2 2024

96.1%

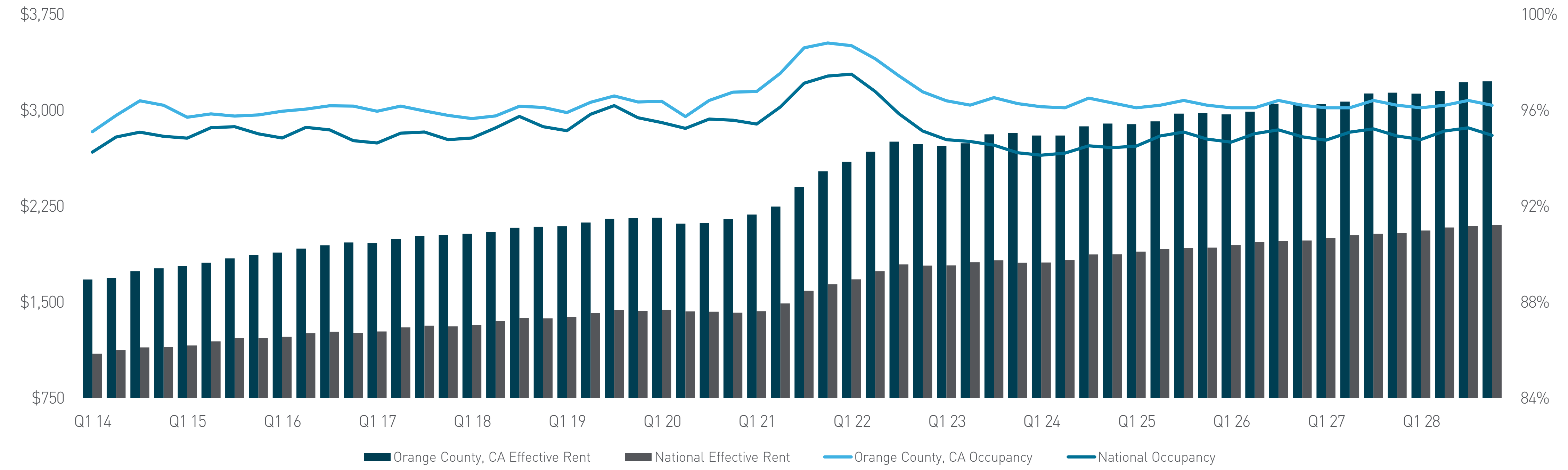
10 BPS YOY

ORANGE COUNTY, CA

RENT & OCCUPANCY

Apartment operators in Orange County recorded average occupancy of 96.1% in the second quarter of 2024, down 10 basis points from one year earlier. The county's occupancy rate was 190 basis points higher than the national rate. While the occupancy rate in many metro areas dropped significantly in the last four quarters, the second quarter occupancy rate in Orange County was only 30 basis points lower than the 10-year average for the county. Class A apartment occupancy in the second quarter of 2024 averaged 95.8%, unchanged from the second quarter of 2023. Meanwhile, Class B occupancy was 96.1%, and Class C occupancy was 97.1%. Class B and C units compose approximately two-thirds of total apartment inventory and were instrumental in keeping the overall occupancy rate healthy during the last 12 months. Countywide effective rent in the second quarter of 2024 averaged $2,802 per month, representing a 2.3% annual gain. Class A effective rent increased 2.8% year over year to $3,126 per month in the second quarter of 2024. Effective rent among Class B apartments rose at a slower 1.4% annual pace. Class C effective rent in mid-2023 was considerably lower than Class B rent, providing more headroom for rent growth during the last 12 months. By mid-2024, Class C average effective rent had increased 5.5% to $2,372 per month.

Orange County vs. National Effective Rent & Occupancy



Source: RealPage

Note: Effective rent and occupancy reflect stabilized properties and does not include preleased units or properties in lease-up. A newly constructed property is considered stabilized once it becomes 85% occupied.

Submarket Performance

SUBMARKET NAME	Q2 2024 OCCUPANCY	YOY (BPS)	Q2 2024 EFFECTIVE RENT	YOY
Buena Park/Cypress	96.8%	-80	$2,402	4.7%
Costa Mesa	96.4%	20	$2,767	3.5%
East Anaheim/Orange	96.1%	40	$2,692	2.7%
Fullerton	95.6%	50	$2,448	1.8%
Garden Grove/Westminster	96.3%	-30	$2,369	2.2%
Huntington Beach	96.9%	50	$2,795	-0.5%
Mission Viejo/Lake Forest	96.4%	30	$2,768	3.3%
Newport Beach	95.9%	-40	$3,416	1.5%
North Irvine	96.5%	-130	$3,124	2.2%
North Orange County	95.2%	0	$2,601	2.4%
Santa Ana	95.4%	40	$2,640	-0.6%
South Irvine	96.5%	-100	$3,187	1.9%
South Orange County	94.9%	30	$3,006	1.1%
Tustin/West Santa Ana	96.1%	-50	$2,739	4.8%
West Anaheim	96.2%	-30	$2,310	4.0%
West Irvine	96.7%	0	$3,033	2.0%

Out of all 16 submarkets in Orange County, operators in the lower-rent submarkets took advantage of the greater runway available for rent increases. Over 1,400 units came online from mid-2023 through mid-2024 within the eight submarkets with the lowest rent in the county. Among these submarkets, effective rent rose an average of 2.7% year over year. In contrast, 856 new apartments emerged in the eight submarkets with the higher rents. Effective rent increased a lower 1.9% annual rate of growth among the high-rent submarkets. Location was also a factor. In general, the inland submarkets in the northern part of the county had lower rents. These submarkets had an average annual rent increase of 2.7%, while the higher-rent coastal and southern submarkets had an average annual rent gain of 1.5%.

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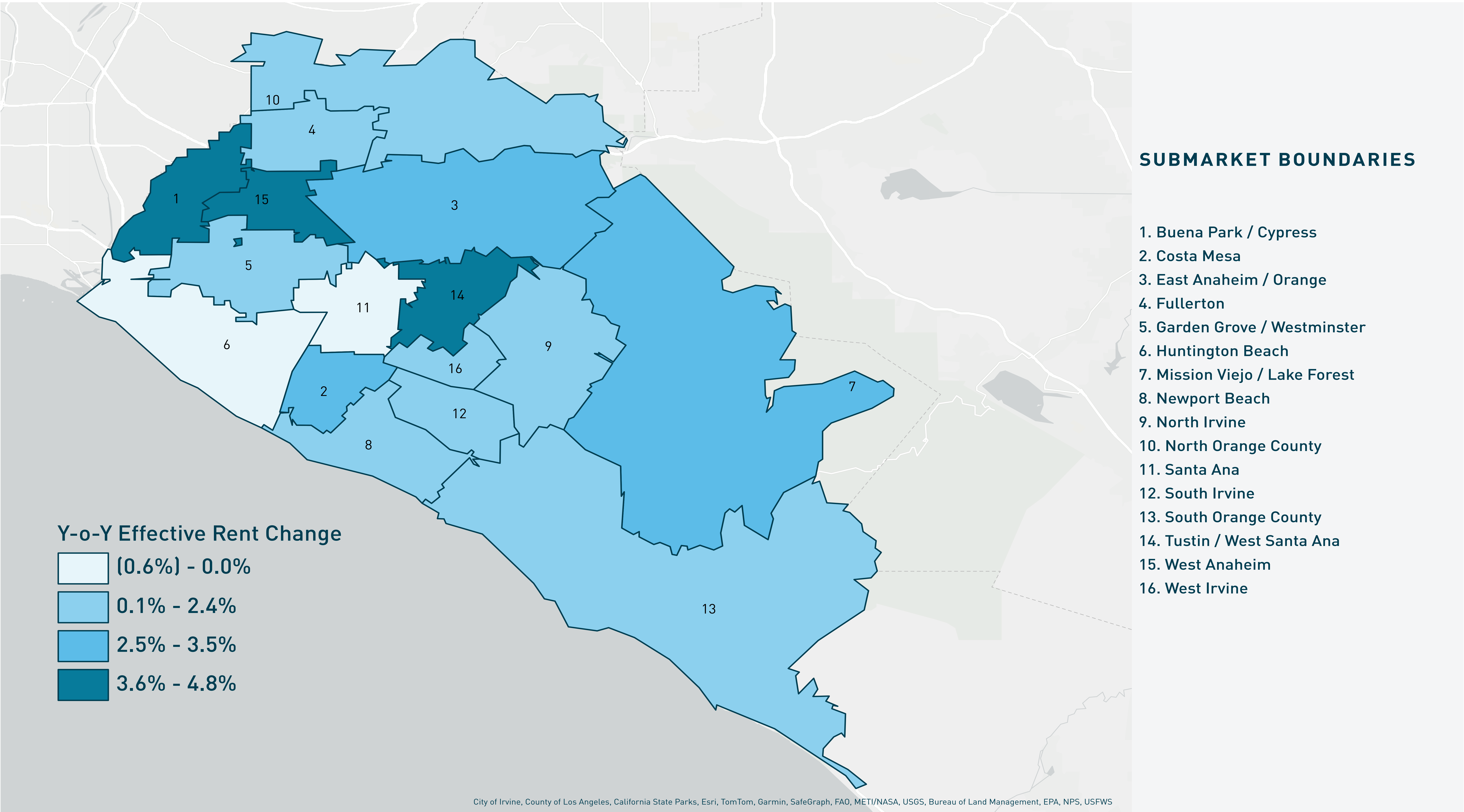
SUBMARKET MID-YEAR 2024 ANNUAL RENT CHANGE



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SALES

2024 Year to Date*

VOLUME
$524.4M

PRICE PER UNIT (AVG)
$383,943

TRANSACTIONS
4

CAP RATE (AVG)
4.7%

Top Buyers*

BUYER	LOCATION
KKR	New York
A&M Properties	Huntington Beach, CA
Troesh Family Foundation	Henderson, NV
Palos Verdes Developers	Palos Verdes Estates, CA

What's Trading?*

UNITS (AVG)
334

YEAR BUILT (AVG)
1990s

BUILDINGS (AVG)
1

ACRES (AVG)
8.32

Top Sellers*

SELLER	LOCATION
Lennar Corp.	Miami
Equity Residential	Chicago
Alpha IDG	Irvine, CA
William Walters Co.	Los Angeles

Source: MSCI Real Capital Analytics
**$50m+*

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Sources: RealPage; Moody's Analytics; Real Capital Analytics