

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **5,700**

UNITS DELIVERED (YTD) **321**

MARKET FUNDAMENTALS



VACANCY RATE **4.5%**

YEAR-OVER-YEAR CHANGE **+30bps**

ASKING RENTS **\$2,618**

YEAR-OVER-YEAR CHANGE **+1.7%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$684,600**

ORANGE COUNTY MULTIFAMILY 1Q 2024

MARKET INSIGHTS

Rents inch higher despite vacancy uptick

HIGHLIGHTS

- Property performance in Orange County's multifamily market was mixed in the first quarter, with rents continuing to rise even as vacancy rates inched higher. Completions have been light so far this year, but deliveries are set to accelerate in the coming quarters.
- Area vacancy in Orange County ticked up in recent months after holding steady during the fourth quarter. Vacancy rose by 10 basis points at the start of 2025, reaching 4.5%. During the past 12 months, the rate increased by 30 basis points.
- Asking rents rose 0.3% in the first quarter to \$2,618 per month, up 1.7% year over year, continuing a slow but steady upward trend.
- Only one significant multifamily sale occurred in the first few months of this year in Orange County, but it was one of the largest transactions in the region in recent years and sold for \$684,600 per unit, ranking among the highest prices on record for an institutional-sized property in the region.

ORANGE COUNTY MULTIFAMILY MARKET OVERVIEW

While the pace of multifamily deliveries slowed in recent months, the elevated completions in 2023 and 2024 continue to impact the market. Apartment rents have trended higher, posting an annual increase of 1.7%, the most significant since early 2023. This growth was primarily driven by gains in Huntington Beach and Newport Beach, which posted annual rent gains of 5.8% and 5.7%, respectively. Despite rising rents, the vacancy rate inched up to 4.5%, an above-trend figure for Orange County, though still below that of most major markets. This increased vacancy is not reflective of weak demand; the region absorbed 2,550 net units over the past year, a figure that is consistent with long-term area trends. Orange County apartments have typically recorded net move-ins ranging from 2,000 to 4,000 units annually since 2014.

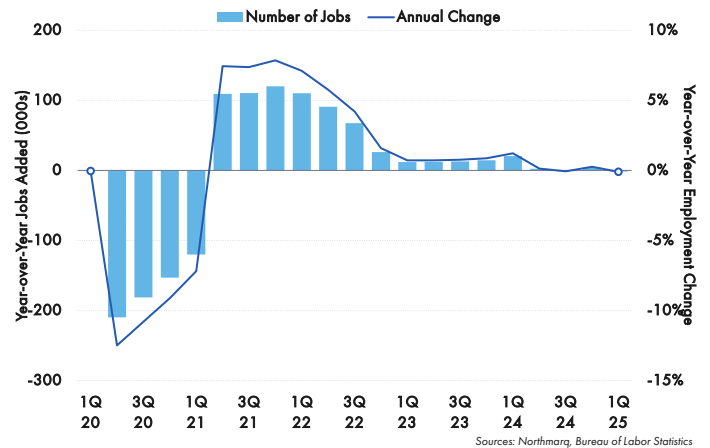
Multifamily investment activity has been modest to this point in the year, closely tracking levels from recent quarters. At the beginning of this year, only one significant property changed hands, but it was one of the largest transactions in Orange County in recent years and sold at an elevated per-unit price. Over the past 12 months, the median price per unit in the region held steady at \$361,000, in line with recent years. Santa Ana accounted for the largest share of transaction activity, representing more than 40% of all sales, while Anaheim comprised nearly 30%. This marks a significant shift compared to historical patterns; from early 2015 through the first quarter of last year, Anaheim and Santa Ana made up just 18% and 15% of multifamily sales, respectively. Additional trades took place in Huntington Beach and Irvine during the past year. Cap rates have remained relatively steady following their rise in 2023.

EMPLOYMENT

- The pace of new hiring has slowed in recent periods, with the region experiencing a net loss of 1,600 jobs over the past year, a 0.1% decline in total payrolls.
- Despite the flat employment conditions, some sectors continued to record growth. The healthcare and social assistance industry expanded payrolls by 4.6% over the past year, adding 10,800 jobs to the workforce.
- While government employment has slowed in many markets, it has grown consistently in Orange County since early 2023. Government agencies in the area have steadily added staff, increasing payrolls by 2.2% with 3,600 new positions over the past year.
- **FORECAST:** Employment growth in Orange County is expected to rebound in the coming quarters, though overall job gains for the year are likely to be modest. Total employment is forecast to rise by 0.3% in 2025, adding approximately 4,000 positions.

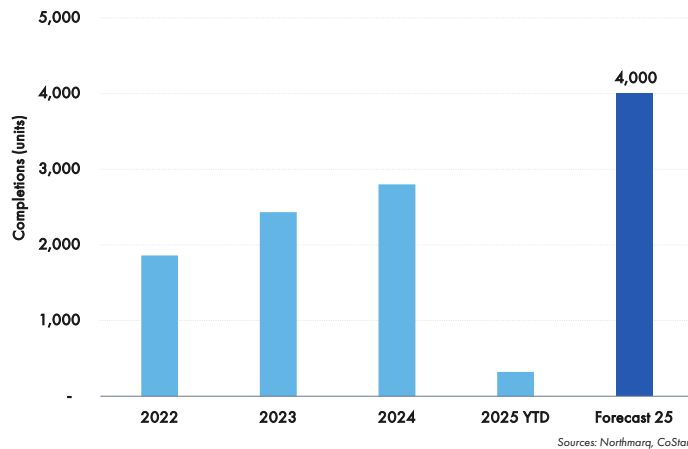
Healthcare and social assistance expanded by 4.6% over the past year.

EMPLOYMENT OVERVIEW



Year to date, roughly 300 units have been completed.

DEVELOPMENT TRENDS

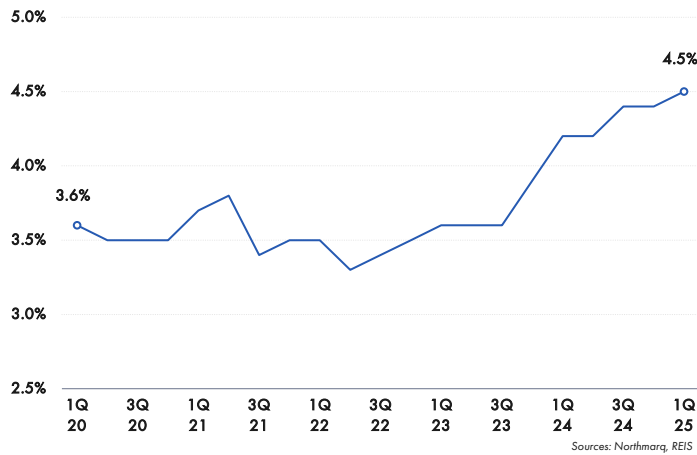


DEVELOPMENT & PERMITTING

- Multifamily completions in Orange County were limited in the first quarter, with just one major project delivered. Approximately 320 units came online, representing a 52% decrease compared to the same period in 2024.
- The construction pipeline continued to shrink as completions outpaced new starts in recent quarters. Currently, projects totaling 5,700 units are under construction, marking a 9% decline from a year ago.
- Multifamily permitting in Orange County dipped during the opening months of the year, with developers pulling permits for nearly 400 units, down 72% from the previous quarter.
- **FORECAST:** Despite a modest start to the year, deliveries are expected to spike in coming months. Projects totaling 4,000 units are forecast to come online in 2025, approaching peak levels last seen in 2018.

Area vacancy finished the first quarter at 4.5%.

VACANCY TRENDS



VACANCY

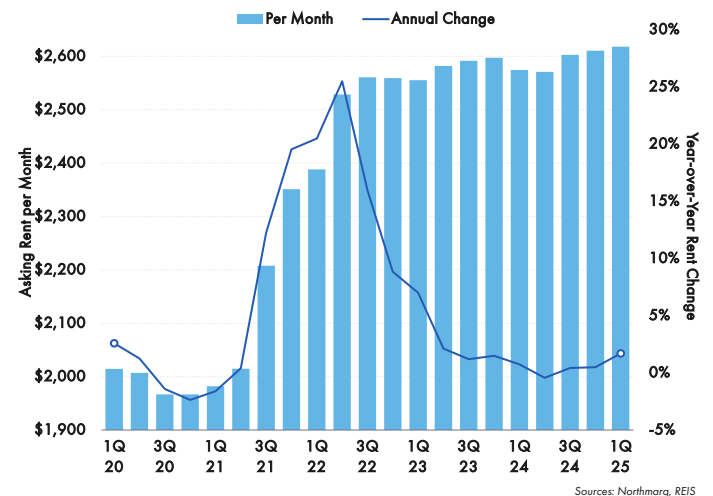
- The vacancy rate in Orange County edged up in the first quarter after holding steady at the end of 2024. Area vacancy finished the first quarter at 4.5%, 10 basis points higher than at the beginning of 2025 and up 30 basis points year over year.
- Vacancy conditions in Class B and Class C apartments continued to outperform top-tier properties. Over the past 12 months, the combined vacancy rate for middle- and lower-tier properties inched up 10 basis points to 2.8%, while Class A vacancies increased 50 basis points to 6.5% during the same period.
- Santa Ana posted one of the region's strongest improvements, with its vacancy rate dropping 180 basis points year over year to 4.9%. Both the North and South Santa Ana submarkets contributed to this decline.
- FORECAST** Continued renter demand is anticipated in 2025, but an accelerating level of deliveries will likely result in a modest vacancy rise. Orange County's vacancy rate is forecast to climb 30 basis points in 2025 to 4.7%.

RENTS

- Asking rents in Orange County continued to inch higher in the first quarter, rising by 0.3% to \$2,618 per month. Year over year, local rents have increased by 1.7%.
- Rent growth was consistent across all multifamily asset classes, though Class A apartments posted slightly stronger gains than Class B and Class C properties. Asking rents for top-tier assets increased 1.8% over the past 12 months, reaching \$3,079 per month.
- Huntington Beach and Newport Beach led the market in rent growth over the past year, with increases of 5.8% and 5.7%, respectively. Asking rents reached \$2,704 per month in Huntington Beach and \$3,210 per month in Newport Beach.
- FORECAST:** Rent growth in Orange County is expected to continue through the end of the year, with operators recording modest gains. Asking rents are forecast to rise by nearly 2% in 2025, ending the year at around \$2,660 per month.

Year over year, local rents have increased by 1.7%.

RENTS TRENDS

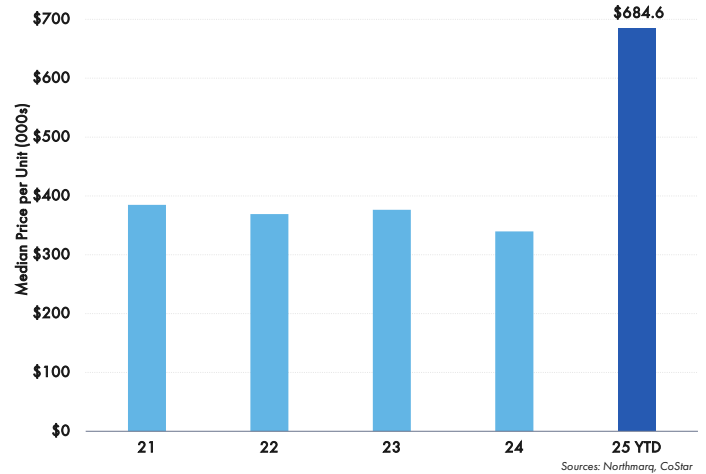


MULTIFAMILY SALES

- Multifamily investment activity remained muted in early 2025, with only one significant property trading, a slower pace than the limited activity recorded in 2024.
- While only one property traded in the early part of the year, it sold for \$684,600 per unit. The property is one of just five Orange County properties larger than 50 units to sell for more than \$600,000 per unit and was one of the highest total multifamily property sales price ever recorded in Orange County. This followed a sale of nearly \$250 million that closed at the end of 2024.
- Cap rates have remained largely stable after trending higher in 2023.

Cap rates have averaged around 5%.

INVESTMENT TRENDS

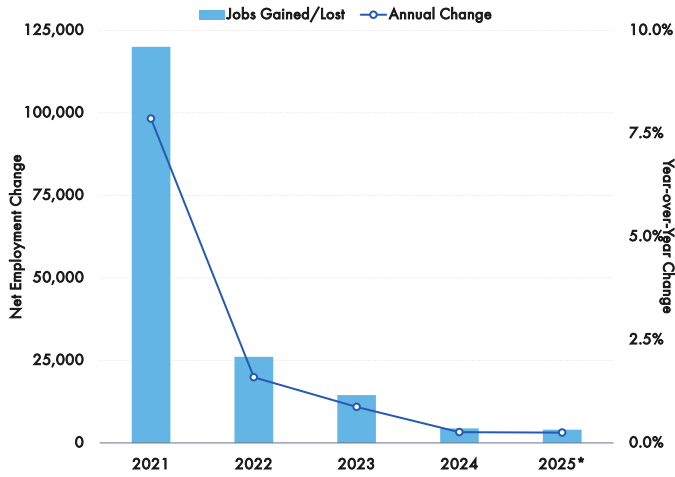


LOOKING AHEAD

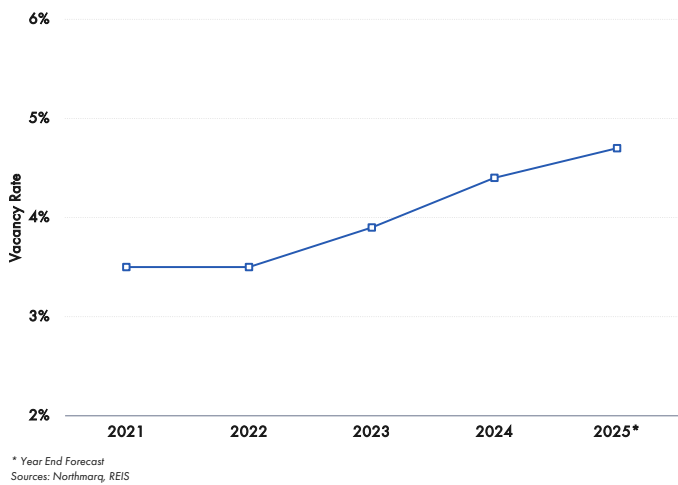
Recent trends are expected to continue in Orange County, driven primarily by ongoing supply growth. Multifamily deliveries have increased each year since bottoming out at only about 1,000 units in 2021. Despite modest completions so far in 2025, developers are on track to complete 4,000 units this year, about a 2% increase in total inventory levels. New supply growth will not impact all submarkets equally, however. More than 70% of the region's multifamily construction will be delivered in Irvine, including two projects with over 1,000 units each. This heightened activity could result in softer property fundamentals in and around Irvine, while the rest of the region is expected to perform more favorably.

Shifts in operating conditions in Orange County have been mixed in recent periods, though they remain stronger than in many other major markets, which should ultimately drive investor interest to the region. Sales activity slowed in the first quarter, influenced in part by the January 2025 wildfires that disrupted market dynamics in nearby Los Angeles, but a handful of properties remain available and are expected to trade in the coming quarters. Despite this, total transaction volume in 2025 may not match 2024 levels after a slow start to the year. Additionally, perpetually low cap rates in Orange County may prevent deals from penciling.

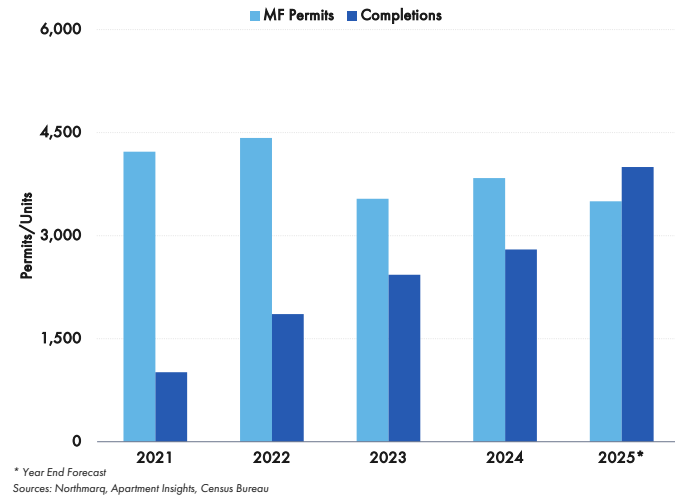
EMPLOYMENT FORECAST



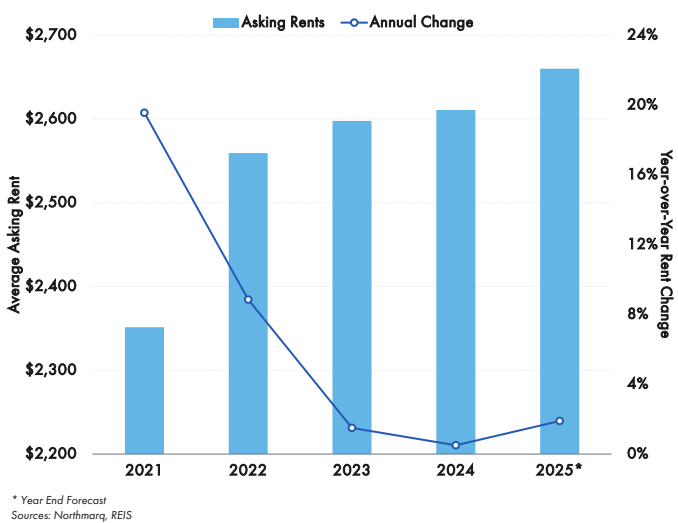
VACANCY FORECAST



CONSTRUCTION & PERMITTING FORECAST



RENTS FORECAST





FOR MORE INFORMATION, PLEASE CONTACT

SHANE SHAFER

Managing Director, Investment Sales

949.270.3690

sshafer@northmarq.com

PETER HAUSER

Senior Vice President, Investment Sales

949.717.5211

phauser@northmarq.com

MATT HAUSER

Senior Associate, Investment Sales

949.270.3693

mhauser@northmarq.com

JORDAN HAUSER

Associate, Investment Sales

949.270.3691

jhauser@northmarq.com

DAVID BLUM

Managing Director, Debt + Equity

949.717.5215

dblum@northmarq.com

JOE GIORDANI

Managing Director, Debt + Equity

949.717.5208

jgiordani@northmarq.com

SCOTT BOTSFORD

Senior Vice President, Debt + Equity

949.717.5206

sbotsford@northmarq.com

PETE O'NEIL, *Director of Research* | 602.508.2212 | poneil@northmarq.com

ABOUT NORTHMARQ

Northmarq is a full-service capital markets resource for commercial real estate investors, offering seamless collaboration with top experts in debt, equity, investment sales, loan servicing, and fund management. The company combines industry-leading capabilities with a flexible structure, enabling its national team of experienced professionals to create innovative solutions for clients. Northmarq's solid foundation and entrepreneurial approach have built a loan servicing portfolio of more than \$76 billion and a two-year transaction volume of \$52 billion. Through the 2022 acquisition of Stan Johnson Company, Northmarq established itself as a provider of opportunities across all major asset classes. For more information, visit www.northmarq.com.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report. ©2025. All rights reserved.