



CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **6,090**

UNITS DELIVERED (YTD) **786**

MARKET FUNDAMENTALS



VACANCY RATE **4.5%**

YEAR-OVER-YEAR CHANGE **+20bps**

ASKING RENTS **\$2,624**

YEAR-OVER-YEAR CHANGE **+2.1%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$378,300**

ORANGE COUNTY
MULTIFAMILY
2Q 2025

MARKET INSIGHTS

Stable vacancy supports continued rent growth

HIGHLIGHTS

- Property fundamentals in the Orange County multifamily market remained stable during the second quarter, with vacancy holding level and rents recording slight gains. Year to date, multifamily deliveries are trailing historical averages, but outpacing the limited levels recorded in the same period of 2024.
- Vacancy conditions have operated in the mid-4% range since the third quarter of last year. Area vacancy is currently 4.5% after going unchanged from the first quarter to the second quarter.
- Rent growth continued for a fourth consecutive quarter, with asking rents rising 0.2% quarter-over-quarter and 2.1% year-over-year, closing the second quarter at \$2,624 per month.
- Transaction activity resumed during the second quarter after a quiet start to the year. Year to date, the median sale price in Orange County is \$378,300 per unit, up nearly 5% from 2024, with an average cap rate of 5.1%.

ORANGE COUNTY MULTIFAMILY MARKET OVERVIEW

Property fundamentals in the Orange County multifamily market remained stable during the second quarter, as delivery totals thus far in 2025 have been below historical levels. The limited addition of new inventory has likely been a contributing factor to the pause in market shifts during the first and second quarters. The vacancy rate has stayed within a roughly 100 basis point range since 2015, so a lack of quarterly movement is common. Rents improved from the first quarter and long-term growth has still been steady with an increase of 2.1% over the past year. Some submarkets, such as Huntington Beach and Newport Beach, have continued to outperform, with asking rents rising by more than 5% in the past 12 months alongside vacancy improvements.

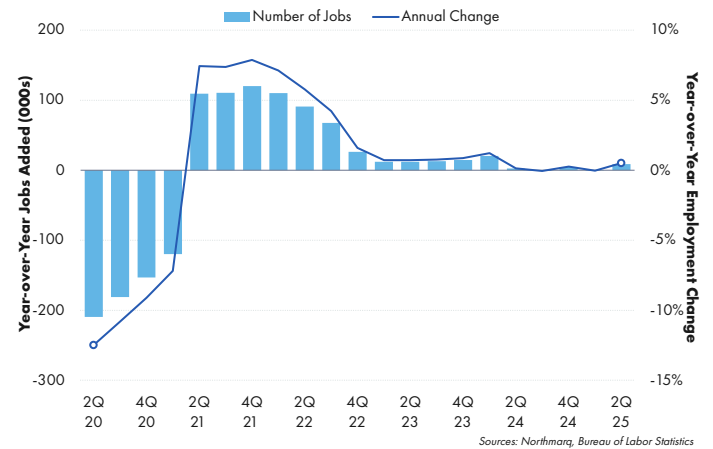
Sales velocity accelerated in recent months, with a handful of properties trading during the second quarter after no significant transactions in the opening three months of 2025. This uptick involved a diverse mix of properties, primarily at the extremes of the quality spectrum. Two-thirds of year-to-date sales were Class C assets, the majority of which traded in Santa Ana. The remainder were top-tier assets, with a median price of \$572,300 per unit, a record high for Class A in Orange County. Fueled by peak pricing on high-end properties, overall pricing has improved, with the year-to-date median price rising nearly 5% from 2024 to \$378,300 per unit. Cap rates averaged 5.1% during the second quarter, and have remained in the low-5% range since 2023.

EMPLOYMENT

- Employment growth accelerated in the second quarter, following a modest contraction during the first three months of the year. During the past 12 months, total employment in Orange County has increased by 0.5%, with the addition of 8,600 positions.
- The private education and health services sector led the region in new hires during the past year. Over the past 12 months, employers in these industries have expanded payrolls by 5.0%, hiring 13,500 workers.
- While shifts in payrolls have been mixed, the leisure and hospitality sector recorded positive gains during the past 12 months. Year over year, employment in this industry increased by 3,200 positions, rising by 1.4%.
- **FORECAST:** Employment growth in Orange County is forecast to continue at a steady pace during the coming quarters. In 2025, local employers are expected to expand payrolls by 0.5% with the addition of 8,500 new hires.

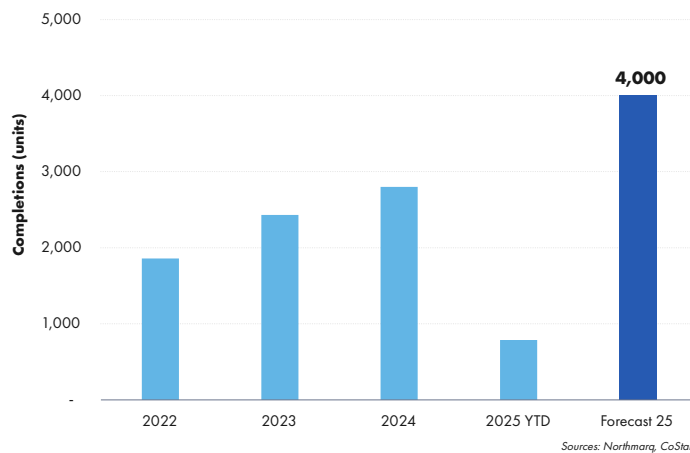
Over the past 12 months, total employment has grown by 0.5%.

EMPLOYMENT OVERVIEW



Approximately 6,100 units are currently under construction.

DEVELOPMENT TRENDS

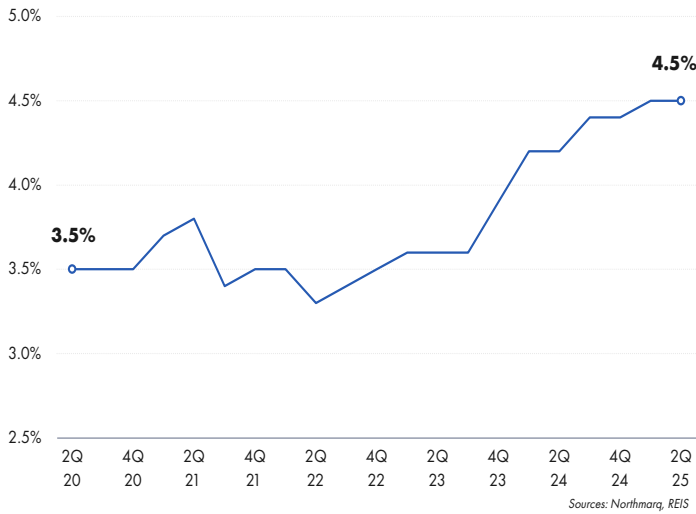


DEVELOPMENT & PERMITTING

- Multifamily completions have been light through the first half of 2025, following the same trend from the same period last year. Year-to-date, fewer than 800 new units have come online, compared to roughly 700 units delivered during the first half of 2024.
- Despite the limited pace of new deliveries, more projects were completed in the second quarter than started. About 6,100 units are currently under construction in Orange County, down 17% from one year ago. Nearly two thirds of the total are in Irvine, where over 4,000 units are underway. Anaheim has the second largest share with nearly 800 units, with remaining projects scattered across the region.
- Multifamily permitting spiked during the past three months as developers pulled permits for more than 1,400 units, up from roughly 400 units in the first quarter. Permitting totals in the second quarter were 70% higher than the region's average quarterly permits over the trailing five years.
- **FORECAST:** The pace of multifamily deliveries should accelerate in the coming months, supported by several large projects scheduled for completion by year-end. Approximately 4,000 units are projected to be completed in 2025, a 43% increase compared to 2024.

The vacancy rate held flat at 4.5% from the first quarter to the second quarter.

VACANCY TRENDS



VACANCY

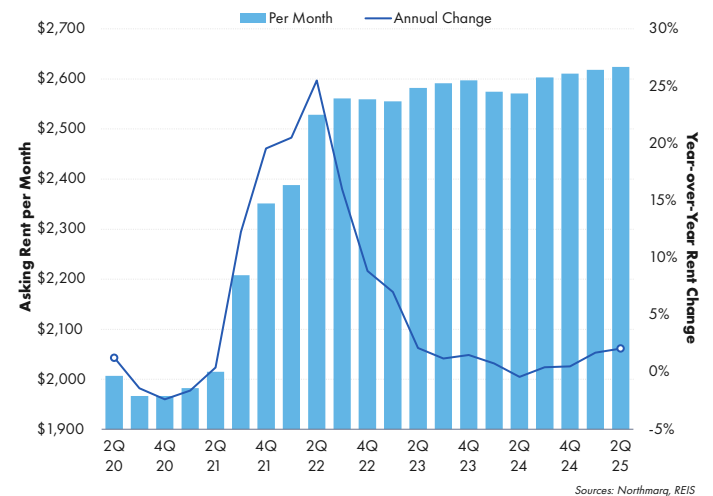
- Vacancy conditions remained stable in recent months, as the rate held flat at 4.5% from the first quarter to the second quarter. Year over year, area vacancy increased by 30 basis points.
- Santa Ana continues to be among the top submarkets for vacancy improvement. The vacancy rate in this submarket closed the second quarter at 4.9%, down 160 basis points from one year ago.
- Although elevated construction activity has weighed on vacancy in Irvine, this submarket has recorded the strongest absorption rates in the region during the past year. Apartments in Irvine posted net move-ins for more than 1,000 units during the past 12 months.
- **FORECAST:** The vacancy rate in Orange County is expected to rise in the near term as new unit completions deliver to the market at an accelerated pace, though increases should be modest. By the end of the year, area vacancy is forecast to reach 4.7%, up 30 basis points annually.

RENTS

- Asking rents in Orange County recorded a modest gain during the second quarter, closing the first half of 2025 at \$2,624 per month. Rents have increased 2.1% year over year.
- Huntington Beach and Newport Beach continued to lead the market in rent growth in recent months, rising 6.8% and 5.3% respectively over the past year. Asking rents rose to \$2,704 per month in Huntington Beach and to \$3,236 per month in Newport Beach.
- While rent growth in Anaheim was relatively modest during the past 12 months, it still outpaced the market average. Year over year, asking rents in the area increased by 2.4% to \$2,396 per month.
- **FORECAST:** Rent growth is expected to continue in the second half of the year, with annual gains projected to surpass levels recorded last year. In 2025, rents are forecast to increase by 1.5%, reaching \$2,650 per month by the end of the year.

Rents have increased 2.1% year over year.

RENTS TRENDS

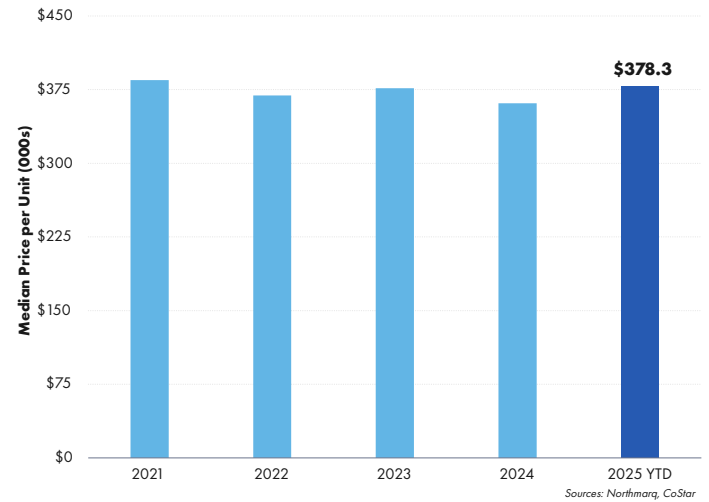


MULTIFAMILY SALES

- Investment sales activity picked up in the second quarter after no sales were recorded during the opening three months of the year. While current transaction volume lags historical averages, total sales during the first half of this year doubled levels recorded in the closing six months of 2024.
- The median sale price during the first half of the year was \$378,300 per unit, up nearly 5% from last year. Sales activity has accelerated in Santa Ana, which now accounts for two-thirds of transactions so far this year, up from just 16% of sales between 2020 and 2024.
- As of the second quarter, the average cap rate is 5.1%. During both 2023 and 2024, cap rates averaged close to 5% in Orange County.

The median sale price during the first half of the year was \$378,300 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

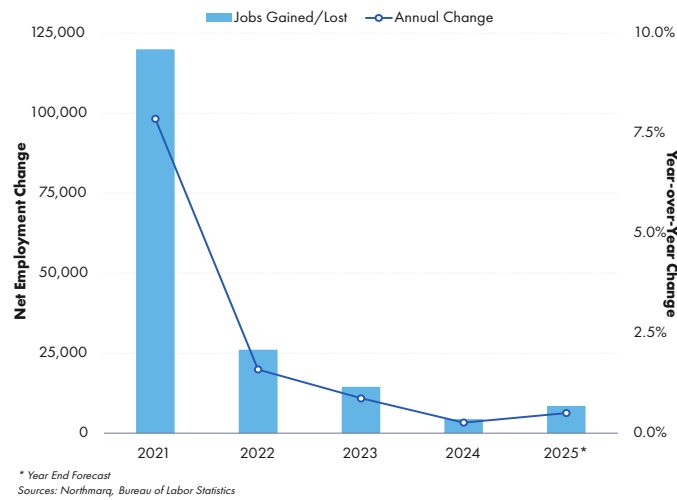
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Skyline at MacArthur Place	15 MacArthur Pl., Santa Ana	2008	350	\$239,600,000	\$684,571
Citron Apartments	901 E. South St., Anaheim	2022	314	\$144,440,000	\$460,000
Coventry Court	16000 Cambridge Way, Tustin	2012	240	\$83,000,000	\$345,833
Huntington Breeze	16171 Springdale St., Huntington Beach	1987	114	\$35,000,000	\$307,018
Vista Del Sol Apartments	8911 Mays Ave., Garden Grove	1968	52	\$16,409,000	\$315,558
Imperial Apartments	1722 N. Bush St., Santa Ana	1985	51	\$15,000,000	\$294,118

LOOKING AHEAD

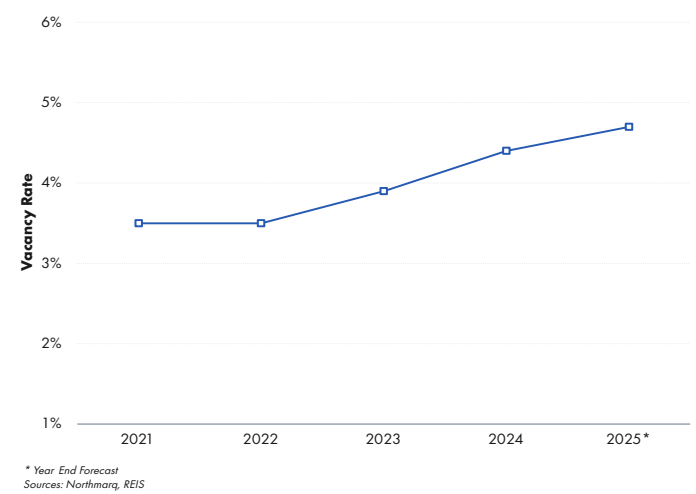
After mostly stable performance in recent periods, a few potential shifts in the market are possible during the second half of the year. Completions are projected to spike with several major projects coming online. Approximately 4,000 units are scheduled for completion in 2025, a six-year high for Orange County. The current construction pipeline currently represents 2.5% of total inventory, slightly higher than in Los Angeles County, but lower than levels throughout the rest of Southern California. The increase in inventory may place upward pressure on vacancy, but local vacancy has historically shown resilience during periods of elevated supply growth. Asking rents are forecast to continue rising, and the Anaheim and Santa Ana areas should outperform, while the rapid rent growth in the northern coastal submarkets may begin to moderate by year's end.

Properties should continue to change hands through the end of the year, though the upcoming spike in new unit deliveries may have an impact on sales activity. Still, total sales for the full year should surpass the limited levels recorded in 2024. As the number of projects being completed each year has risen, there has been a steady decrease in the number of properties that change hands. Once the development pipeline returns to historical norms, allowing room for rents and vacancies to trend more favorably, investment activity will likely return to more typical levels between mid-2026 to 2027. With interest rate cuts potentially on the horizon in the second half of 2025, additional deal activity may emerge for opportunities that had previously failed to pencil. Cap rates are expected to remain relatively stable through the end of the year.

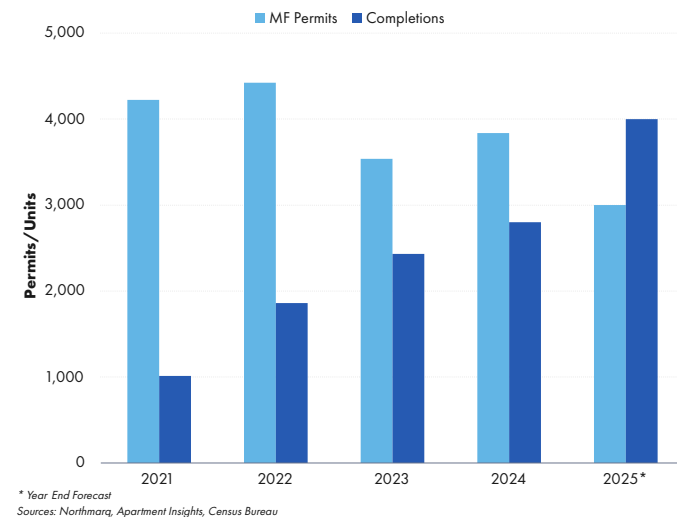
EMPLOYMENT FORECAST



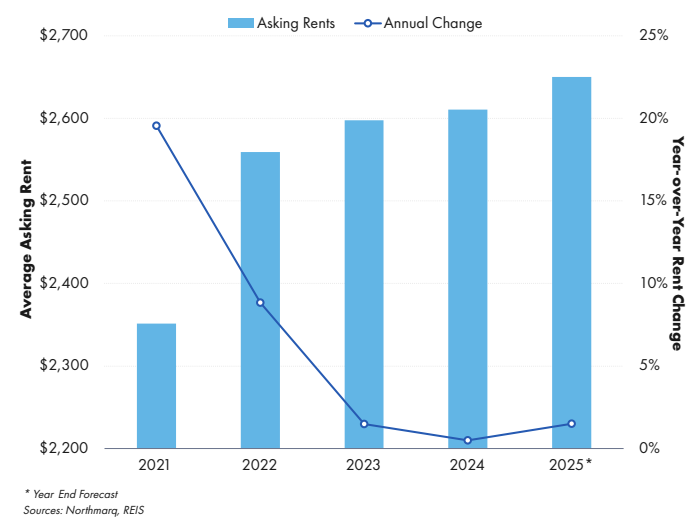
VACANCY FORECAST



CONSTRUCTION & PERMITTING FORECAST



RENTS FORECAST





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