Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	5,437
UNITS DELIVERED (YTD)	876

MARKET FUNDAMENTALS

VACANCY RATE	4.5%
YEAR-OVER-YEAR CHANGE	+0bps
ASKING RENTS	$2,640
YEAR-OVER-YEAR CHANGE	+0.8%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$323,900

ORANGE COUNTY MULTIFAMILY
Q1 2026

MARKET INSIGHTS

New supply jumps as rents continue to rise

HIGHLIGHTS

- Orange County multifamily operating conditions were healthy during the first quarter, with rents rising and the vacancy rate holding firm. With nearly 900 units delivered in the first three months of the year, the pace of completions has more than doubled that of the same period of 2025.
- The vacancy rate went unchanged from the fourth quarter to the first quarter, remaining at 4.5%. Year over year, there was also no change in the vacancy rate.
- Rent growth in Orange County resumed at the start of 2026, increasing 0.2% after declining during the previous quarter. During the past 12 months, asking rents increased 0.8% to $2,640 per month.
- Transaction activity picked up, though it remains modest compared to historical norms. Year to date, median pricing has risen 6% from last year to $323,900 per unit. Cap rates remain within the range of recent years, averaging 4.9%.

ORANGE COUNTY MULTIFAMILY MARKET OVERVIEW

Multifamily performance in Orange County started the year off on a positive note, with rents beginning to climb again while the vacancy rate held steady. Consistent renter demand has helped keep operating conditions favorable, as roughly 2,400 units were absorbed during the past 12 months, in line with the preceding 12 months. The pace of construction has picked up to this point in the year, with projects totaling nearly 900 units delivered in the first quarter, up from around 300 units at the same point in 2025. So far this year, all significant deliveries have been in Irvine, and this submarket has performed well. Despite being the most active submarket for recent deliveries in Orange County, Irvine posted a year-over-year improvement in vacancy while rent growth tracked the market rate during this period.

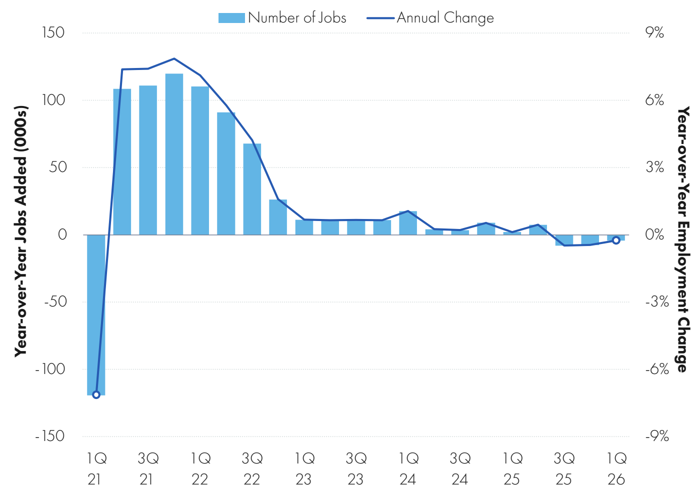
Multifamily investment activity in Orange County was fairly steady during the first quarter. While current activity is lagging long-term volumes, it is in line with the market's trailing three-year quarterly average. Per-unit pricing has ticked higher to this point in 2026, even as Class C properties have accounted for nearly all of the transactions across the county. To this point in 2026, Class C pricing has increased by 32%, pushing above the Class B median price in 2025. This surge in Class C pricing can be attributed to successful value-add strategies involving recently renovated properties with competitive amenity packages. Examples have included gyms, playgrounds, and other amenities typically found in higher-tiered properties. The bulk of the sales that have closed this year have been in Garden Grove and Anaheim.

EMPLOYMENT

- Orange County employment declined at the start of 2026. Year over year, there was a net loss of 4,300 jobs in the area, a 0.3% decrease in total employment.
- While total employment is down, some industries continue to grow. During the past 12 months, the education and health services sector added 9,600 jobs, a 3.4% increase.
- The leisure and hospitality sector also remains a strong point in Orange County. During the past year, employers in this industry expanded payrolls by 2.3%, hiring 5,200 new workers.
- **FORECAST:** Total employment in Orange County is expected to decline modestly for the full year, as stronger industries help offset some of the losses in other sectors. In 2026, the area is forecast to post an annual employment decline of 0.1%.

Education and health services added 9,600 jobs.

EMPLOYMENT OVERVIEW



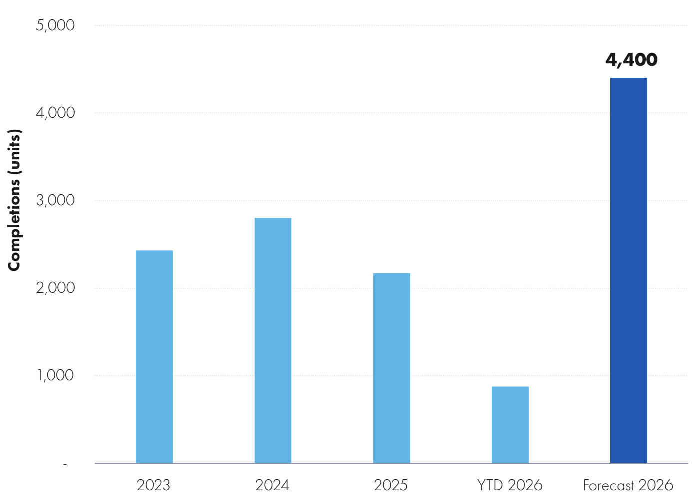
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- Orange County multifamily deliveries have come online at a strong pace to this point in the year. In the first quarter there were nearly 900 units completed, up from approximately 300 units during the same period last year.
- The construction pipeline is up from last quarter but remains below long-term levels. Projects totaling approximately 5,400 units are currently under construction, down 5% from one year ago.
- Multifamily permitting picked up in the first quarter, with permits issued for projects totaling approximately 800 units, a 72% increase quarter over quarter. Compared to the same period in 2025, permitting has more than doubled.
- **FORECAST:** Deliveries are expected to reach a cyclical high in 2026. Approximately 4,400 units are on pace for completion annually, roughly double the number of units delivered in 2025.

Approximately 5,400 units are under construction.

DEVELOPMENT TRENDS



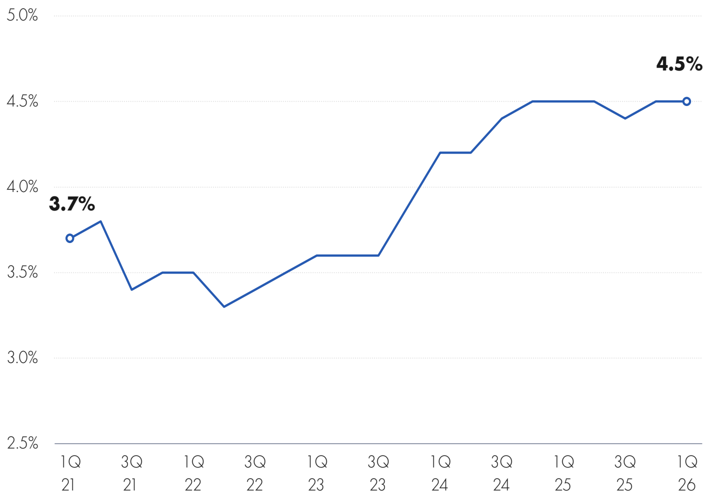
Sources: Northmarq, CoStar

VACANCY

- The vacancy rate in Orange County remained at 4.5% in the first quarter, unchanged from the previous quarter. There was some slight fluctuation in mid-2025, though the year-over-year change in vacancy remains flat.
- The South Santa Ana submarket is the leading submarket for vacancy improvement. Compared to one year ago, vacancy in this area decreased 60 basis points to 3.5%. North Santa Ana vacancy edged higher during the same period.
- In Irvine, the steady rise in vacancy came to a halt in the first quarter, with the submarket posting its first annual improvement since the first quarter of 2023. Year over year, vacancy in Irvine is down 40 basis points to 7.7%.
- **FORECAST:** The vacancy rate is expected to rise this year, though the increase should be moderate as this market tends be resilient to large shifts in occupancy. In 2026, the vacancy rate is forecast to rise 30 basis points to 4.8%.

Vacancy in Irvine is down 40 basis points.

VACANCY TRENDS



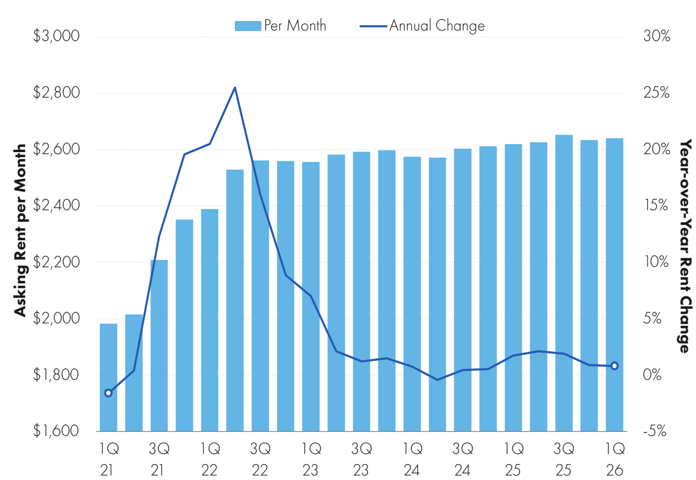
Sources: Northmarq, REIS

RENTS

- Orange County asking rents ticked 0.2% higher during the first quarter following a brief dip at the end of 2025. Year over year, asking rents increased by 0.8%, rising to $2,640 per month.
- The Fullerton submarket has posted strong rent growth in recent periods. During the trailing three years, Fullerton has averaged 1.8% annual rent growth. Year over year through the first quarter, asking rents are up 3.1% to $2,321 per month.
- Newport Beach continued to record the strongest rent growth in the county despite already being the priciest submarket. Asking rent in this area increased by 3.5% during the past 12 months, rising to $3,304 per month.
- **FORECAST:** Asking rents are projected to continue rising at a steady pace throughout the next three quarters, outpacing each of the trailing two years in rent growth. In 2026, rents are forecast to reach $2,660 per month, a 1.0% annual increase.

Year over year, asking rents increased by 0.8%.

RENTS TRENDS



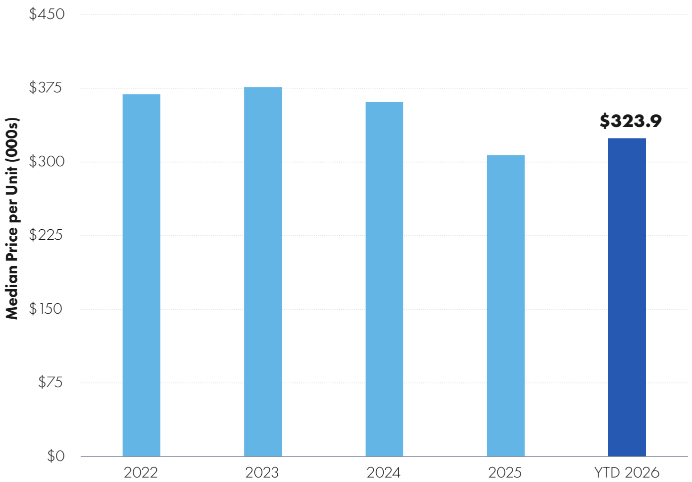
Sources: Northmarq, REIS

MULTIFAMILY SALES

- While the number of multifamily trades that took place during the first quarter was modest compared to historical norms, it still roughly matched the number of sales recorded during the entire second half of last year.
- Multifamily pricing has risen so far this year. In 2026, the median sale price is $323,900 per unit, up approximately 6% from last year. Compared to peak pricing recorded in 2021, current values are still down by roughly 16%.
- The average cap rate in 2026 remains in line with recent years. The current average cap rate is 4.9%. From 2023 to 2025, the annual average cap rate ranged from 4.9% to 5.1%.

The median sale price is $323,900 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

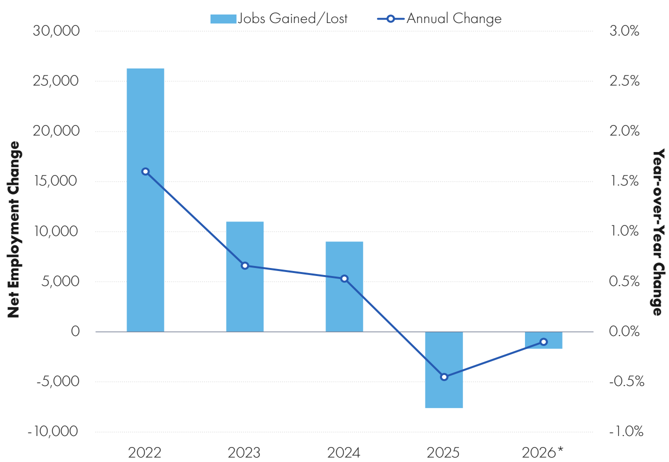
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Park Grove	9155 Central Ave., Garden Grove	1965	245	$84,000,000	$342,857
Sunrise Fountains Apartments	2104 South Lewis St., Anaheim	1989	132	$42,750,000	$323,864
El Centrico	9931 Central Ave., Garden Grove	1969	52	$15,750,000	$302,885

LOOKING AHEAD

The resilience of fundamentals that Orange County has exhibited in recent years should continue throughout 2026. With projects totaling roughly 4,400 units on track to be completed this year, 2026 is set to record the highest number of annual deliveries in more than a decade. These units will be delivered during a period when employment conditions are likely to remain soft in Orange County. Despite these factors, the vacancy rate is expected to rise by only 30 basis points this year, remaining relatively stable as it typically does in this market. Meanwhile, rent growth should outpace 2024 and 2025, though gains are forecast to remain modest.

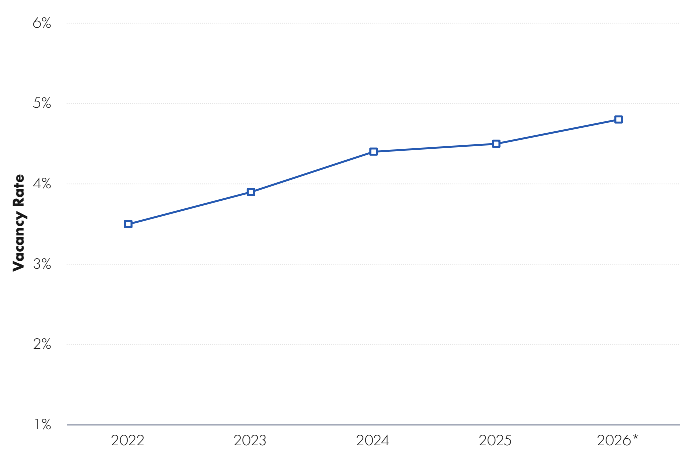
Transaction activity in Orange County will likely remain light compared to historical norms, though 2026 should meet or slightly exceed the level of activity recorded in any of the trailing three years. The mix of properties that change hands is expected to remain bottom-heavy, though there will likely be at least a few Class B transactions. Class A sales should remain limited, falling short of last year when three of these properties traded. This trend of lower-tier properties making up the majority of sales may ease once the wave of construction subsides. For now, however, Class B and Class C assets offer tighter vacancy and greater upside, attracting investors who may otherwise pursue newer vintage properties.

EMPLOYMENT FORECAST



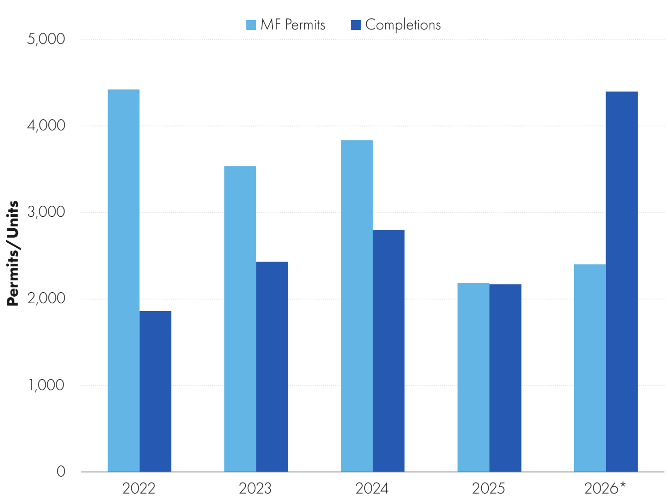
** Year End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



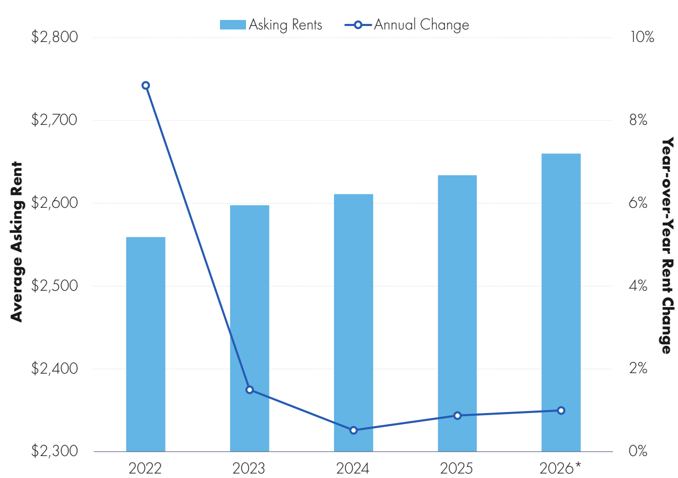
** Year End Forecast*
Sources: Northmarq, REIS

CONSTRUCTION & PERMITTING FORECAST



** Year End Forecast*
Sources: Northmarq, Apartment Insights, Census Bureau

RENTS FORECAST



** Year End Forecast*
Sources: Northmarq, REIS

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