Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	31,071
UNITS DELIVERED	8,026

MARKET FUNDAMENTALS

VACANCY RATE	4.5%
YEAR-OVER-YEAR CHANGE	+20bps
ASKING RENTS	$2,505
YEAR-OVER-YEAR CHANGE	+1.0%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$314,000

SOUTHERN CALIFORNIA MULTIFAMILY

2Q 2025

MARKET INSIGHTS

First-half sales activity rises with mixed pricing trends

HIGHLIGHTS

- Shifts in multifamily operating conditions in Southern California were mixed during the past year, with overall rents increasing while the vacancy rate softened. Developers have picked up the pace of construction, delivering approximately 8,000 units year to date.
- The combined average vacancy rate in Southern California has remained flat since the start of the year at 4.5%. Compared to one year ago, the region's vacancy rate has increased by 20 basis points.
- Asking rents in Southern California have inched up in recent periods, but are only marginally higher than one year ago. During the second quarter, average rents in the region increased by 0.3% to $2,505 per month. Year over year, rents posted a 1.0% gain.
- Multifamily sales activity in Southern California has picked up in 2025, with transaction counts up 63% compared to the first half of last year. Despite the increase in deals, pricing has edged lower, with the median price at $314,000 per unit, down 4% from 2024.

SOUTHERN CALIFORNIA MULTIFAMILY MARKET OVERVIEW

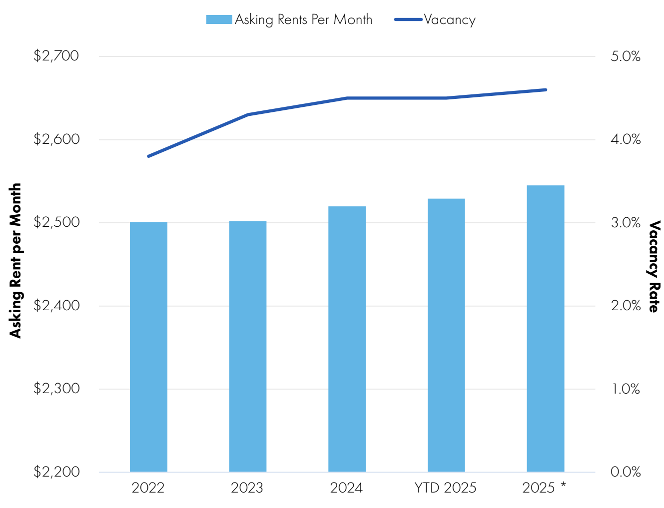
Multifamily property fundamentals in Southern California presented a mixed picture during the second quarter of 2025. Developers have remained active in recent years, and during the first half, approximately 8,000 new units came online, a 0.5% increase to regional inventory levels. Nearly half of these units were delivered across Greater Los Angeles, while Orange County had the fewest units coming online. Vacancy has proven to be consistently steady across the region as a whole, averaging 4.5%. Most of the primary markets in the region are recording annual vacancy increases ranging from 10 basis points to 40 basis points. Rents have largely remained in stuck in neutral across the region, although Orange County and the Inland Empire have both recorded annual increases topping 2%. The pace of new supply growth will likely slow beginning in 2026, although a cooling regional employment market could result in a slowing pace of new renter demand for units.

Multifamily investment activity in Southern California has gained momentum through the first half of 2025. Investment volume has surged, with transaction counts to this point in the year exceeding levels recorded in the first half of 2024 by 63%, reflecting heightened investor engagement across the region. While more properties are changing hands, pricing has inched lower. The median sale price year to date is $314,000 per unit, a 4% decline from last year. A major contributor to this trend is the drop in values for Class C properties. These lower-tier assets, which have accounted for roughly half of all transactions so far this year, are trading at a median price of $240,300 per unit, 22% below 2024 levels. Demand remains elevated for higher quality assets, and Class A pricing has trended higher in recent periods. The median price for Class A properties to this point in 2025 has reached $445,200 per unit, up 12% from last year. Cap rates across the region have held steady at approximately 5%, unchanged since 2023.

SOUTHERN CALIFORNIA LOS ANGELES

There are approximately 16,600 units under construction.

VACANCY & RENT TRENDS



Sources: Northmarq, Reis
* Year-end forecast

CONSTRUCTION | VACANCY | RENTS

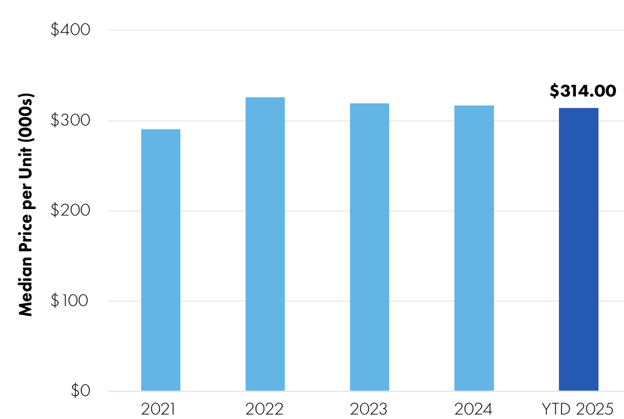
- Deliveries in Los Angeles accelerated in recent months as approximately 2,100 units came online during the second quarter. Year to date, 3,600 units have been delivered, up 8% from the same point in 2024. Currently, there are approximately 16,600 units under construction in Los Angeles County.
- The vacancy rate inched higher by 10 basis points during the second quarter following a modest improvement at the start of the year. Over the past 12 months, area vacancy has risen by 10 basis points to 4.5%.
- Following a relatively flat first quarter, asking rents in Los Angeles County experienced a slight increase during the second quarter. Rents have now reached $2,529 per month, up 0.3% from the previous quarter and 0.9% higher year over year.
- **FORECAST:** Following a dip in 2024, deliveries are expected to increase in 2025 with approximately 11,300 units on pace for completion. The vacancy rate is expected to close 2025 at 4.6% up 10 basis points annually. Asking rents are projected to increase by 1.0% in 2025 to $2,545 per month.

MULTIFAMILY SALES

- Transaction activity during the first half of 2025 exceeded levels from the same period in 2024 by 42%, though it remains below historical norms. Compared to the trailing five-year average for first-half sales, the current transaction count is down 30%.
- Multifamily property values have held relatively stable in 2025, though they've edged below the highs seen in prior years. To this point in the year, the median sale price stands at $314,000 per unit, a 1% decline from 2024. The South Bay has emerged as a standout. Year to date, the median price in the South Bay is $410,700 per unit, up 22% from 2024.
- Downtown Los Angeles accounted for the largest share of sales, followed closely by the San Fernando Valley. Pricing in West Los Angeles and Long Beach is considerably higher than the Los Angeles County median.
- Cap rates have posted a modest uptick since the first quarter, with Los Angeles posting a year-to-date average of 5.4%. This marks a rise from the roughly 5% average recorded over the past two years.

The current median sale price stands at $314,000 per unit.

SALES TRENDS



Sources: Northmarq, CoStar

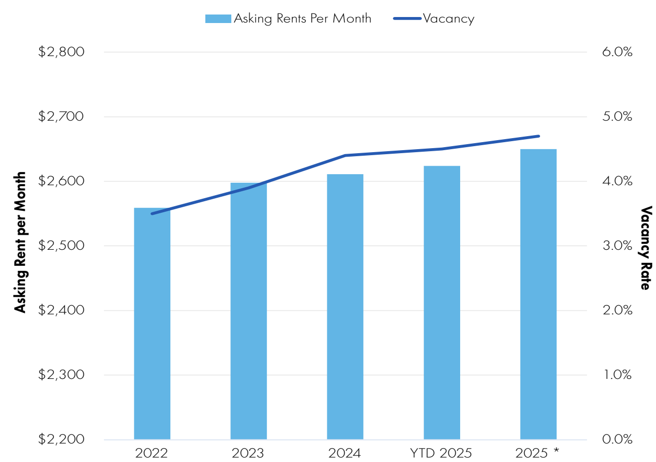
SOUTHERN CALIFORNIA ORANGE COUNTY

CONSTRUCTION | VACANCY | RENTS

- Developers in Orange County have been slow to deliver new projects to this point in the year, with projects totaling roughly 800 units coming online in the first half. There are currently approximately 6,100 units under construction in the area, down 17% from one year ago.
- The vacancy rate remained flat during the second quarter, keeping at 4.5% throughout the first half of the year. Compared to 12 months ago, the current vacancy rate is up by 30 basis points. Santa Ana was a top submarket for vacancy improvement, with the vacancy rate falling 160 basis points over the past year to 4.9%.
- Asking rents in Orange County posted a modest 0.2% gain during the second quarter, closing the first half of 2025 at $2,624 per month. Year over year, rents have increased by 2.1%.
- **FORECAST:** Approximately 4,000 units are projected to be completed in 2025, a 43% increase from 2024. As the pace of completions accelerates, vacancy should rise, ending the year at 4.7%. Asking rents are projected to rise 1.5% annually to $2,650 per month.

Year over year, asking rents have increased by 2.1%.

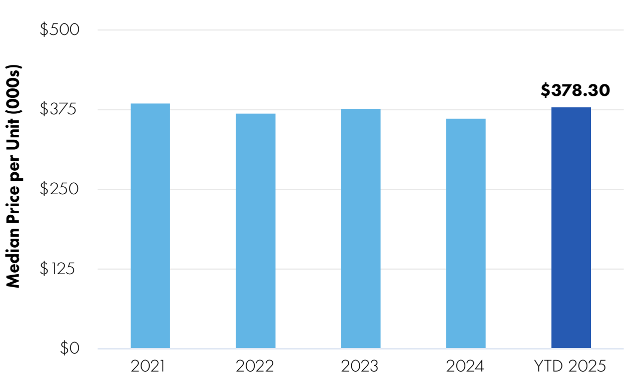
VACANCY & RENT TRENDS



Sources: Northmarq, Reis
* Year-end forecast

The median sale price reached $378,300 per unit.

SALES TRENDS



Sources: Northmarq, CoStar

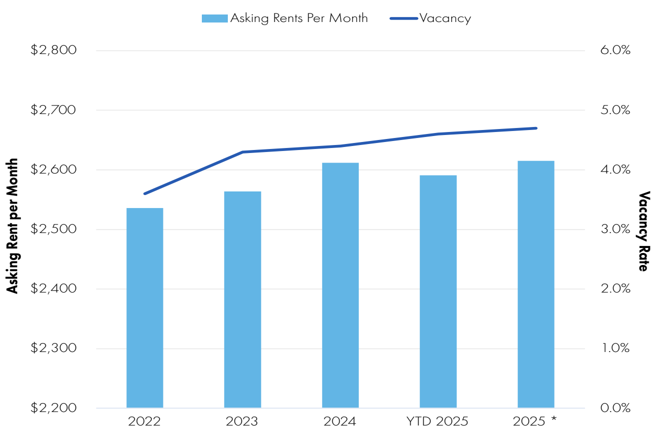
MULTIFAMILY SALES

- Investment sales gained momentum in the second quarter, following a transaction-free start to the year. Although current activity remains below long-term norms, there were twice as many sales in the first half of 2025 than in the final six months of 2024.
- In the first six months of the year, the median sale price reached $378,300 per unit, an increase of nearly 5% compared to 2024. Santa Ana has posted a surge in sales activity, now representing two-thirds of all transactions year-to-date, a sharp rise from just 16% of deals recorded between 2020 and 2024.
- The majority of the properties that have changed hands this year are located in Santa Ana. Of these properties, two-thirds were Class C assets. The rest of the properties that have sold in Orange County this year were primarily Class A assets. Class A properties have been trading for a median price of $572,300 per unit in 2025.
- As of the second quarter, the average cap rate in Orange County is 5.1%, reflecting a slight increase from the average recorded throughout 2023 and 2024.

SOUTHERN CALIFORNIA SAN DIEGO

Multifamily demand has been consistent in San Diego.

VACANCY & RENT TRENDS



Sources: Northmarq, Reis
* Year-end forecast

CONSTRUCTION | VACANCY | RENTS

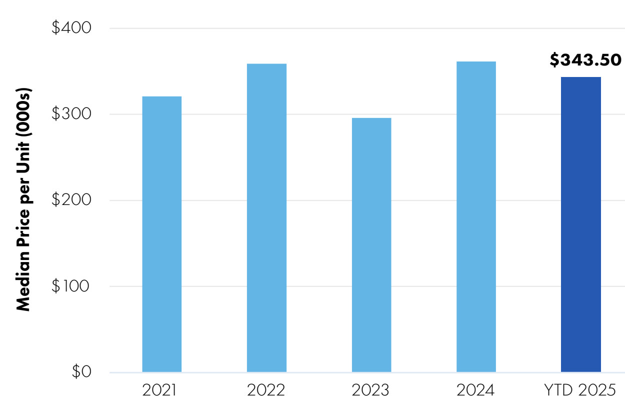
- After a robust start to the year, multifamily completions in San Diego tapered off in the second quarter. Projects totaling roughly 1,700 units have come online year to date, representing a 17% increase compared to the same timeframe in 2024. Meanwhile, construction remains active, with approximately 8,800 units currently underway across the market.
- The vacancy rate inched lower during the second quarter, decreasing by 10 basis points to 4.6%. Year over year, vacancy is still up by 10 basis points. Multifamily demand has been consistent in San Diego, with roughly 1,000 units absorbed so far this year, in line with the same point last year.
- Asking rents in San Diego continued to inch lower in recent months, decreasing by 0.2% during the second quarter to $2,591 per month. Year over year, asking rents are down by 0.3%.
- **FORECAST:** New deliveries are forecast to reach roughly 5,500 units in 2025, a cyclical high. Vacancy is forecast to inch higher, ending the year at 4.7%. Rents are expected to end the year at $2,615 per month, or flat from 2024.

MULTIFAMILY SALES

- Following subdued performance in the first halves of 2023 and 2024, market activity has rebounded sharply. The transaction count in the first six months of 2025 is now more than three times higher than levels recorded in the same period of each of the prior two years.
- Although transaction activity has increased, multifamily pricing in San Diego has softened. The year-to-date median sale price is $343,500 per unit, a 5% decline from 2024.
- While pricing for Class A and Class C properties has been elevated this year, the median price for Class B assets is down 17% from 2024. This is primarily because the Class B properties changing hands this year have been 13 years older on average and are primarily located in lower-rent areas such as El Cajon and La Mesa.
- Cap rates held steady at about 4.5% through the second quarter, maintaining resilience despite shifts in the investment landscape over the past two years.

The year-to-date median sale price is $343,500 per unit.

SALES TRENDS



Sources: Northmarq, CoStar

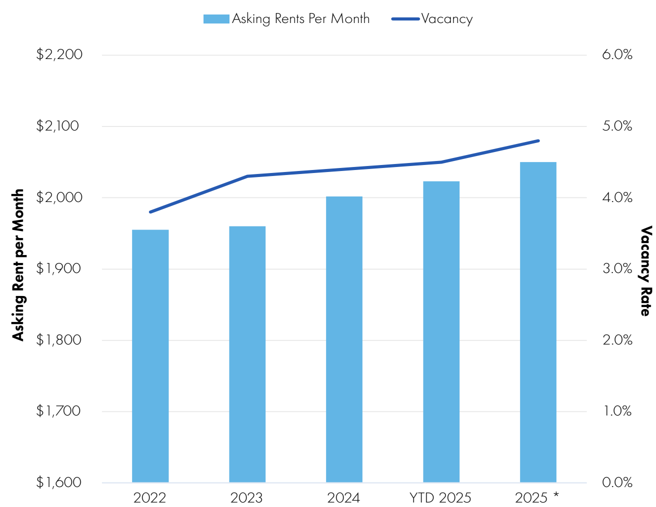
SOUTHERN CALIFORNIA INLAND EMPIRE

CONSTRUCTION | VACANCY | RENTS

- Deliveries in the Inland Empire have been steady to this point in the year with roughly 1,800 units coming online in the first six months. While completions remain strong, the development pipeline has declined by 25% from one year ago, with 4,200 units currently under construction.
- The vacancy rate in the Inland Empire improved during the second quarter, inching lower by 10 basis points after trending higher through the previous six months. Year over year, area vacancy increased by 40 basis points to 4.5%.
- Asking rents increased by 0.3% during the second quarter to $2,023 per month. Over the past year, rents have risen by 2.3%. The strongest rent growth has been in the Fontana, Rialto and Rancho Cucamonga areas.
- **FORECAST:** New deliveries are scheduled to maintain their current pace throughout the second half, with about 4,000 units on track for completion in 2025. As supply growth remains elevated, vacancy is forecast to rise to 4.8% by year-end. Rent growth is expected to stay positive, with rents advancing 2.4% to $2,050 per month.

Over the past year, rents have risen by 2.3%.

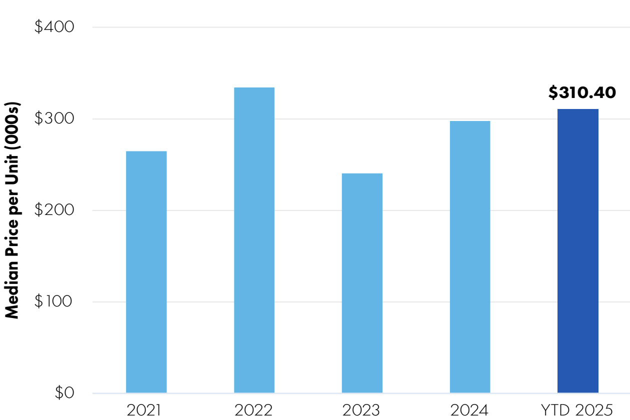
VACANCY & RENT TRENDS



Sources: Northmarq, Reis
** Year-end forecast*

The median sale price has reached $310,400 per unit.

SALES TRENDS



Sources: Northmarq, CoStar

MULTIFAMILY SALES

- Year-to-date transaction activity in the Inland Empire remains relatively subdued, consistent with the region's typical seasonal sales trends. Historically, the first half of the year has lighter sales volume, with the bulk of transactions often concentrated in the second half.
- Despite a slowdown in activity, sale values have shown upward momentum. So far this year, the Inland Empire's median sale price has reached $310,400 per unit, marking a 4% increase compared to 2024.
- The greatest concentration of multifamily transactions took place in the Greater Ontario/Rancho Cucamonga area. The properties that changed hands here were all built between the 1970s and 1980s. These properties were also all recently renovated.
- Year to date, cap rates have held steady in the low-5% range, mirroring 2024 figures and standing roughly 25 to 50 basis points above those recorded in 2023.

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