Northmarq

MARKET INSIGHTS

Vacancy holds steady as supply rises

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	3,450
UNITS DELIVERED (YTD)	3,210

MARKET FUNDAMENTALS

VACANCY RATE	4.6%
YEAR-OVER-YEAR CHANGE	+10bps
ASKING RENTS	$2,655
YEAR-OVER-YEAR CHANGE	+1.1%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$326,700

ORANGE COUNTY MULTIFAMILY **Q2 2026**

HIGHLIGHTS

- Multifamily operating conditions in Orange County were stable during the second quarter as the vacancy rate went unchanged and asking rents climbed. Deliveries are up considerably compared to the same period last year, with roughly 3,200 units completed year-to-date.
- The vacancy rate remained stable in the second quarter, matching the first quarter at 4.6%. In the past 12 months, the vacancy rate has inched higher by 10 basis points.
- Overall average asking rents across all classes, vintages, and locations of multifamily in Orange County combined are up 0.6% in the second quarter, rising to $2,655 per month. Compared to one year ago, asking rents increased 1.1%.
- Multifamily sales activity remained in line with recent periods. The median sale price increased 6% from 2025 to $326,700 per unit. Cap rates on the properties that have sold this year averaged 5.0%, roughly matching the previous three years.

ORANGE COUNTY MULTIFAMILY MARKET OVERVIEW

Orange County multifamily operating conditions are better than they may seem at first glance. Rent growth appears light but is improving compared to recent periods. The 0.6% increase in rent during the second quarter was double the trailing three-year quarterly rent growth average. Vacancy has gone unchanged since the fourth quarter of last year, and the trailing 12-month upward shift in vacancy is still in line with the trailing five-year average. Employment is effectively flat from one year ago, though this is an improvement from the steady decreases that this market posted in prior periods. In the past five years, total inventory has increased by roughly 4%; in the past six months alone, there has been a nearly 1.5% increase in total inventory. This wave of new units is expected to subside during the next year, allowing for any negative impacts to vacancy to be short-term while rent growth is expected to persist.

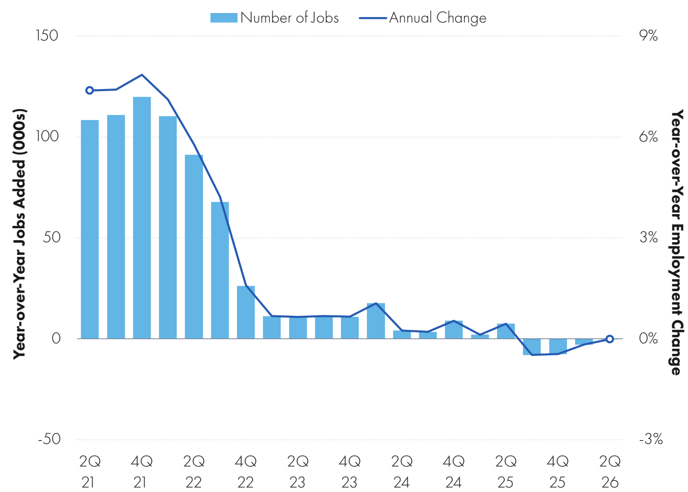
All multifamily investment sales this year have been Class C properties after accounting for 40% of total activity last year. Despite there being a more balanced transaction mix in 2025, median pricing is still up this year, driven by an increase in pricing for Class C assets. When compared only to lower-tier property pricing from last year, these properties are changing hands for 33% more in 2026 and nearly match the 2024 peak for Class C only pricing. Half of all sales this year have been in Anaheim, where only around 10% of trades took place last year. The remaining sales this year have been split between Garden Grove and Brea. Between these three aforementioned submarkets, Class C pricing surpasses the previous Class C peak by 5%. The properties that have changed hands in 2026 are 52 years old on average, compared to 35 years old in 2025. Most properties that have sold this year are within close proximity to Interstate 5.

EMPLOYMENT

- Total employment in Orange County has declined for much of the past year, though the labor market has shown signs of improvement in recent months. Year over year, employment was down by just 200 jobs. The unemployment rate in Orange County currently sits at 4.1%. In comparison, Los Angeles unemployment is currently at 5.3%.
- Despite the overall decrease, payrolls have been growing across most major industries. The government sector has weighed on the overall market, with employment declining by over 10% in the past year.
- The leisure and hospitality industry continued to outperform, adding 7,200 jobs during the past 12 months, a 3.0% increase. Retail trade also posted healthy gains, expanding by 2,100 positions, or 1.5% year over year.
- **FORECAST:** Orange County employment is forecast to grow this year, though the rise is expected to be modest and is not expected to make up for the losses in 2025. In 2026, local employers are forecast to add roughly 2,000 workers to payrolls, an increase of 0.1%.

The government sector has weighed on the overall market.

EMPLOYMENT OVERVIEW



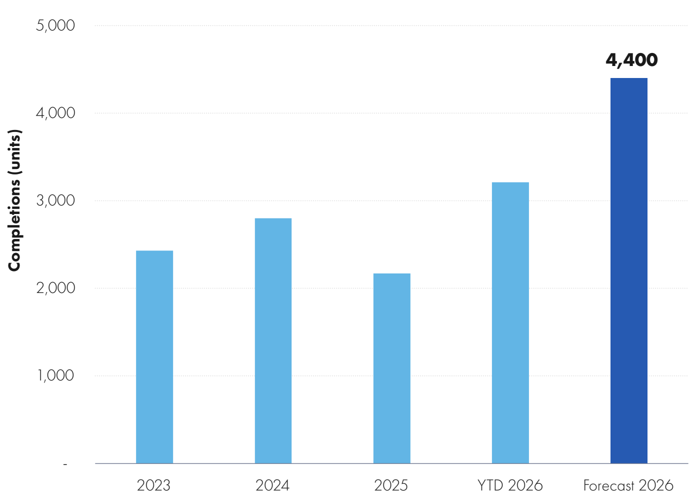
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- Multifamily completions in Orange County nearly quadrupled during the first half of 2026 compared with the same period last year, with approximately 3,200 units delivered. While the number of new units is high, just four projects were completed, including three communities with more than 800 units.
- With the recent completion of a few large properties, the construction pipeline contracted. Projects totaling 3,450 units are currently under construction in Orange County, down roughly 40% year over year.
- While the construction pipeline has dwindled, permitting activity accelerated. Year to date, permits for projects totaling roughly 2,000 units have been issued. In the first half of 2025, permits for just over 1,600 units were issued.
- **FORECAST:** Multifamily deliveries in Orange County are on pace to reach a cyclical high in 2026. Projects totaling approximately 4,400 units are set to come online this year, around twice the number of units that were delivered in 2025.

The construction pipeline is down 40% year over year.

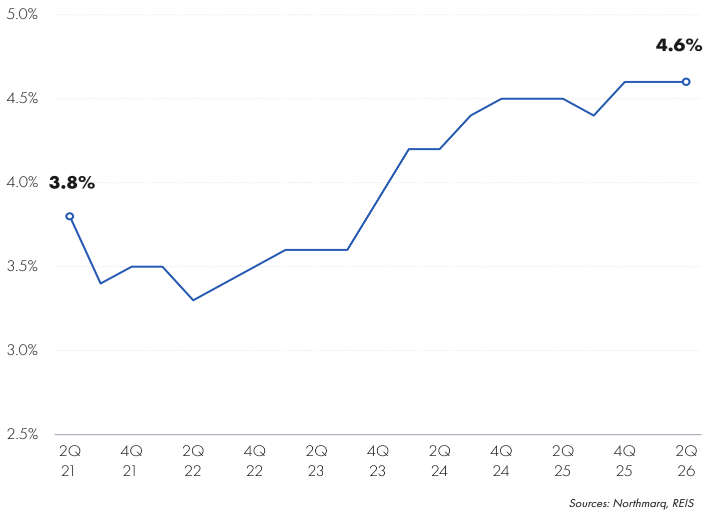
DEVELOPMENT TRENDS



Sources: Northmarq, CoStar

Vacancy in Orange County remained at 4.6%.

VACANCY TRENDS



VACANCY

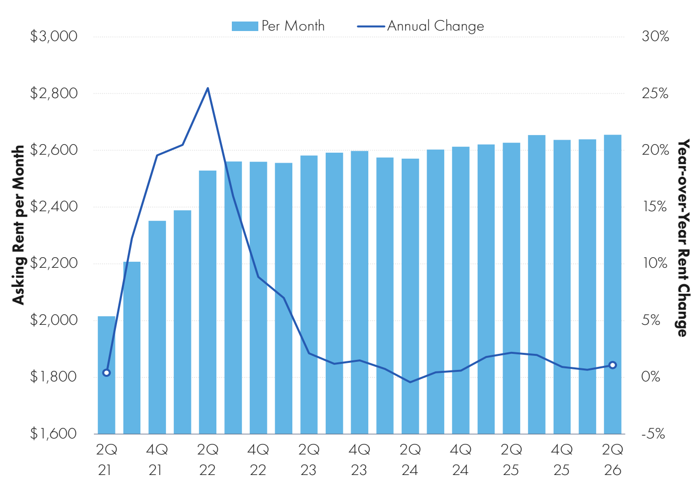
- Orange County apartment vacancy went unchanged from the first quarter to the second quarter, remaining at 4.6%. Year over year, the vacancy rate has inched higher, increasing by just 10 basis points.
- The city of Anaheim posted the greatest improvement in vacancy in the past year. During the past 12 months, vacancy in Anaheim declined 60 basis points to 3.6%.
- Costa Mesa and Buena Park both posted decreases in vacancy while already having the tightest vacancy conditions in Orange County. Vacancy in Costa Mesa dipped 30 basis points in the past 12 months to 1.3%, while vacancy in Buena Park dipped 20 basis points to 1.8%.
- **FORECAST:** Absorption has slowed in Orange County but remains positive with roughly 1,100 net move-ins in the past 12 months. Vacancy is expected to rise as the current cycle of elevated deliveries continues to stabilize, reaching 4.8% by year-end 2026, up 20 basis points year over year.

RENTS

- Overall average asking rents for all combined classes and vintages of multifamily units in Orange County climbed during the second quarter, rising 0.6% to $2,655 per month. Year over year, asking rents increased by 1.1%. Asking rents per square foot increased by 1.4% during this time to $3.08 per square foot per month.
- The Laguna Beach/Dana Point and Laguna Hills submarkets lead the market in rent growth. Laguna Beach/Dana Point asking rents increased 2.8% in the past year to $3,133 per month. Laguna Hills rents are up 2.7% from one year ago to $2,977 per month.
- Combined asking rents for Class B and Class C apartments outpaced Class A assets in year-over-year growth. In the past 12 months, Class B and Class C combined average asking rent per square foot rose 1.2% to $2.65 per square foot per month. The same figure increased by just 0.2% in Class A product to $3.43 per square foot.
- **FORECAST:** Rent gains are expected to continue through the second half of the year. Asking rents are forecast to reach approximately $2,660 per month by year-end, with annual growth of about 1.0%, modestly exceeding last year's increase.

Year over year, asking rents increased by 1.1%.

RENTS TRENDS

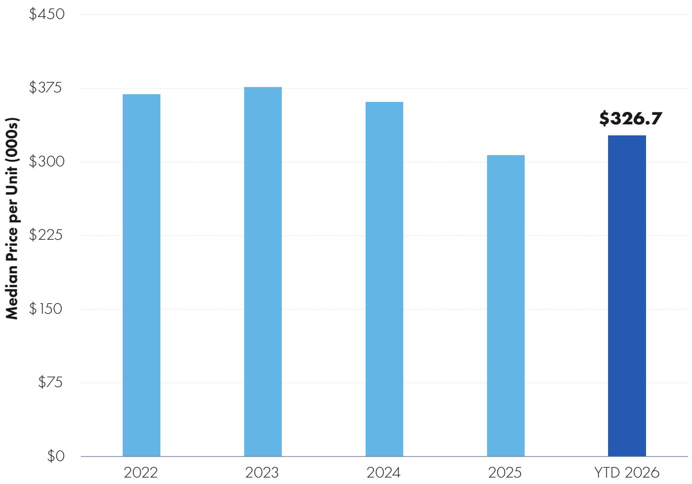


MULTIFAMILY SALES

- The total number of multifamily transactions during the first half of 2026 roughly matched the first half activity over the previous three years. Compared with the first halves of 2019 through 2022, however, activity remains about 25% lower.
- Multifamily pricing has rebounded following a decline in 2025. Year to date, the median sale price in Orange County has increased 6% to $326,700 per unit. Compared to the peak recorded in 2021, multifamily pricing is still down 15%.
- Cap rates have remained within a relatively narrow range since 2023. In recent months, Class C properties located in more affordable submarkets have sold with cap rates close to 5.5%. Recent sales of Class A and well-located Class B properties have posted cap rates in the mid-4% range. Year to date, the overall average cap rate in Orange County is 5.0%. In 2022, cap rates averaged closer to 4.0%.

The median sale price is $326,700 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

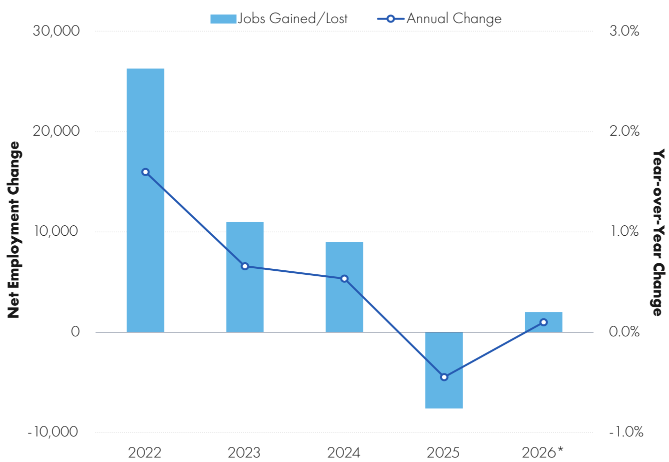
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Crystal View Apartment Homes	12021-12156 Bayport St., Garden Grove	1968	402	$132,500,000	$329,602
Brea Grove Residences	319 West Lambert Road, Brea	1969	68	$27,250,000	$400,735

LOOKING AHEAD

Absorption has slowed recently in Orange County, coinciding with the downward trend in total employment. As employment begins to improve in the coming quarters, so should multifamily demand. This rise in demand is likely to trail the pace of increasing supply, pushing the vacancy rate higher, though the rise should be relatively modest and short lasting. Rents are forecast to continue ticking higher at a steady rate, supported by the bulk of new units coming to market and vacancy conditions below 5%. Many of the new apartments that are set to deliver this year are in Anaheim, so that area will likely give up the lead spot for vacancy improvement, though rents in this area are expected to improve.

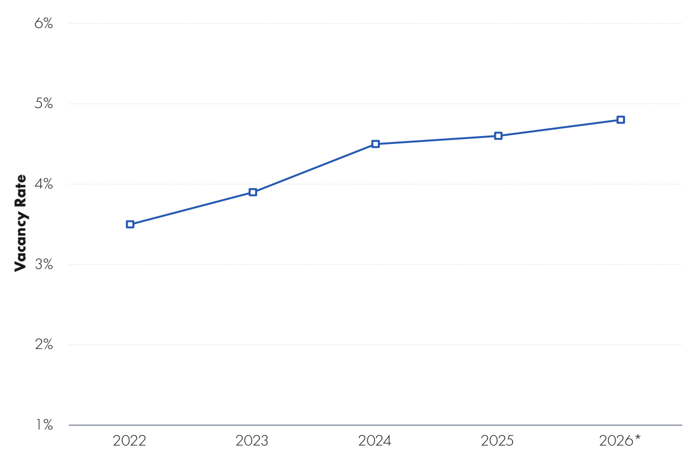
While there may be some activity in other submarkets, the majority of multifamily sales in the second half of the year are expected to be within the Anaheim and Garden Grove areas where most of the activity has already been concentrated this year. Similarly, Class C assets are forecast to account for most of the transaction mix this year, though some Class B properties should come into the mix. The total number of multifamily transactions this year is expected to surpass 2025, though likely by a small margin. As the wave of new construction begins to ease, investor interest in newer and higher-quality assets may rise, pushing transaction volume higher and creating more diversity in the mix of submarkets that contain activity.

EMPLOYMENT FORECAST



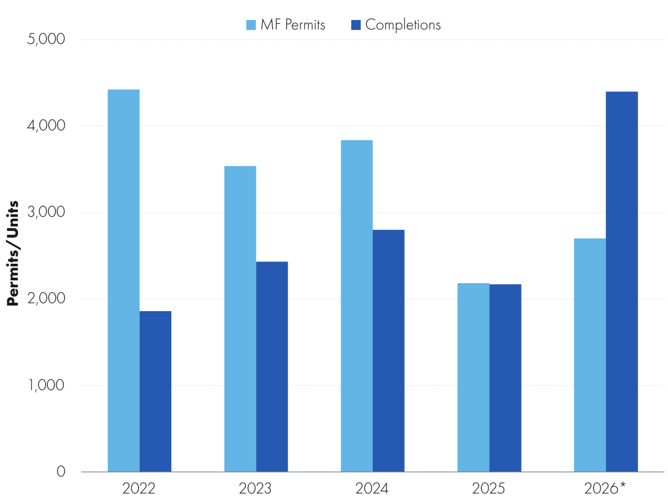
** Year-End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



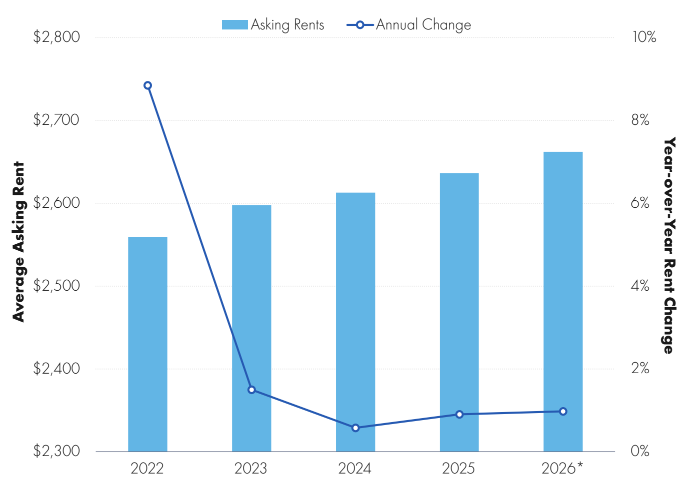
** Year-End Forecast*
Sources: Northmarq, REIS

CONSTRUCTION & PERMITTING FORECAST



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

RENTS FORECAST



** Year-End Forecast*
Sources: Northmarq, REIS

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