Northmarq

MARKET INSIGHTS

# Rents continue to climb while vacancy holds

## CONSTRUCTION ACTIVITY

| | |
|---|---|
| UNDER CONSTRUCTION | 7,383 |
| UNITS DELIVERED (YTD) | 3,178 |

## MARKET FUNDAMENTALS

| | |
|---|---|
| VACANCY RATE | 4.6% |
| YEAR-OVER-YEAR CHANGE | +20bps |
| ASKING RENTS | $2,670 |
| YEAR-OVER-YEAR CHANGE | +0.6% |

## TRANSACTION ACTIVITY (YTD)

| | |
|---|---|
| MEDIAN PRICE PER UNIT | $365,200 |

ORANGE COUNTY
MULTIFAMILY
**Q3 2026**

## HIGHLIGHTS

- Conditions in the Orange County multifamily market remained stable in the third quarter, with vacancy flat while rents ticked higher.
- The vacancy rate held steady at 4.6% for the third consecutive quarter and is 20 basis points higher year over year.
- Combined asking rents for all classes, vintages, and locations of multifamily in Orange County increased 0.2% during the third quarter to $2,670 per month. Year over year, asking rents are up 0.6%.
- Year to date, multifamily investment sales activity is outpacing 2025, while the median sale price has increased nearly 20% to $365,200 per unit. The average cap rate across all property classes is 5.0%.

## ORANGE COUNTY MULTIFAMILY MARKET OVERVIEW

Property fundamentals in the Orange County multifamily market were little changed in the third quarter, with rents remaining near previous levels and vacancy holding steady. Deliveries remain elevated compared with last year, though the pace of completions slowed. This deceleration in supplt growth occurred at the same time as a decline in absorption in recent months, keeping the vacancy rate flat for the third quarter in a row. Rent trends have been mixed in recent periods. While rents declined in several submarkets, the largest decreases occurred in Santa Ana and Anaheim, which had recently been among the strongest areas for rent growth. The recent decline appears to be more of a correction following outsized gains than evidence of a broader pullback in achievable rents.

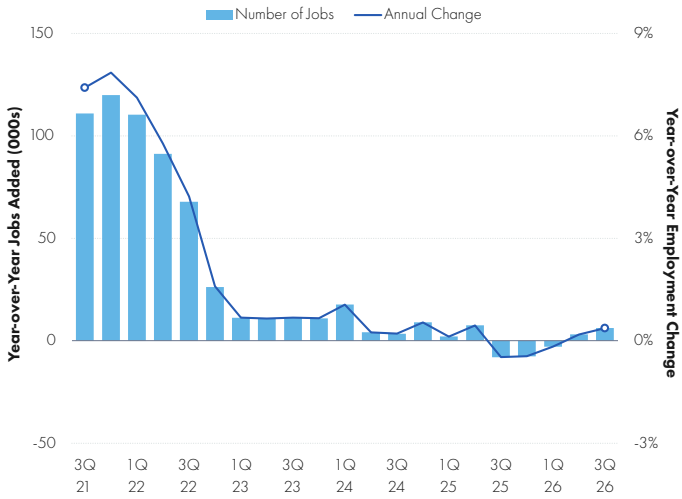
Multifamily investment activity has increased this year, with the market on pace to record its highest transaction count since 2022. Median pricing is also up from last year, although trends have varied by property class. Class A properties are trading at a median price of $425,500 per unit, down 7% from last year, while Class C pricing has increased 32% to $325,900 per unit. Class C assets have accounted for roughly two-thirds of all transactions this year, while only one Class B property has changed hands. More than half of all transactions have occurred in Anaheim, while Garden Grove has accounted for approximately one-quarter of total activity. Anaheim sales have been particularly concentrated, with every transaction occurring within a five-mile radius. Cap rates are generally ranging from the mid-4% to mid-5% range depending on property class and vintage.

## EMPLOYMENT

- Orange County employment growth accelerated during the third quarter, more than offsetting some earlier losses. Employment increased by 6,300 jobs year over year, a 0.4% gain.
- The leisure and hospitality sector remained one of Orange County's fastest-growing industries. Employment in this sector increased 2.1% year over year, with 5,100 new positions filled.
- The retail trade sector also posted stronger growth than has been typical in recent years. In the past 12 months, total employment in this sector increased 0.9%, with the addition of 1,300 jobs.
- **FORECAST:** The current pace of employment growth is forecast to continue throughout the remaining months of the year. In 2026, total employment in Orange County is expected to rise 0.5% with the addition of roughly 8,400 jobs.

*Employment increased by 6,300 jobs year over year.*

EMPLOYMENT OVERVIEW



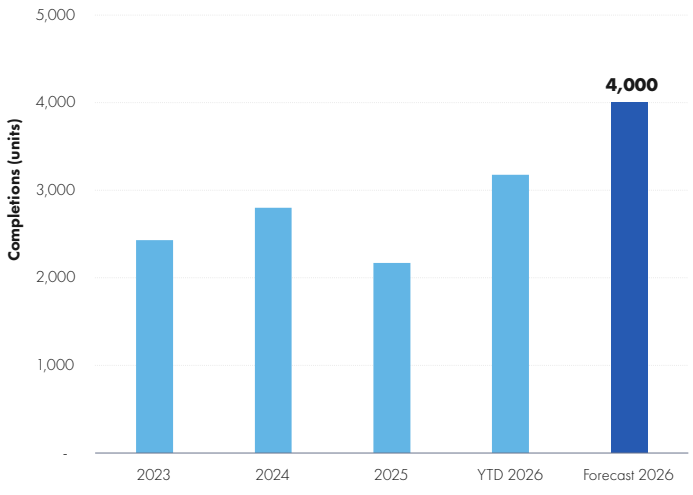

*Sources: Northmarq, Bureau of Labor Statistics*

## DEVELOPMENT & PERMITTING

- The pace of deliveries in Orange County slowed during the third quarter, though year-to-date completions have already surpassed the 2025 total. Roughly 3,200 units have been delivered in 2026, more than double the amount recorded during the same period last year.
- The construction pipeline spiked in recent months, with projects totaling nearly 4,000 units breaking ground in the past three months. There are now nearly 7,400 units underway, up 16% from one year ago.
- Multifamily permitting slowed during the third quarter, though strong activity earlier in the year has kept year-to-date totals elevated. Through the first nine months of 2026, permits were issued for more than 2,500 units, roughly 50% above the same period last year.
- **FORECAST:** Completion dates have been pushed back on a few properties, reducing the number of units that are expected to be delivered this year. In 2026, approximately 4,000 units are forecast to come online, up from nearly 2,200 units delivered in 2025.

*The construction pipeline spiked in recent months.*

DEVELOPMENT TRENDS

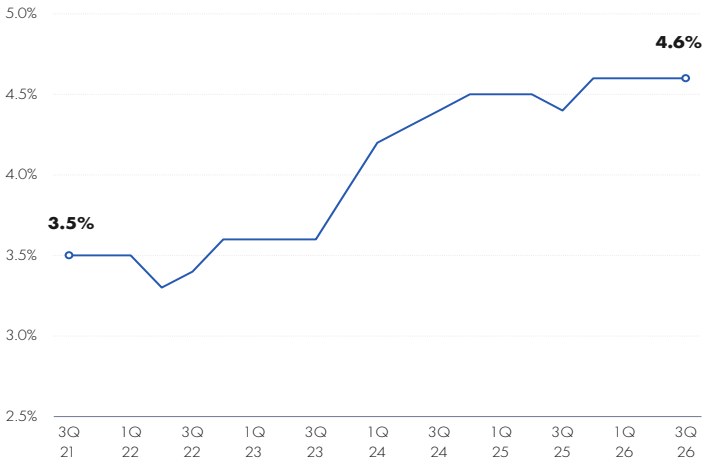



*Sources: Northmarq, CoStar*

## VACANCY

*Vacancy went unchanged for the third consecutive quarter.*

VACANCY TRENDS




*Sources: Northmarq, REIS*

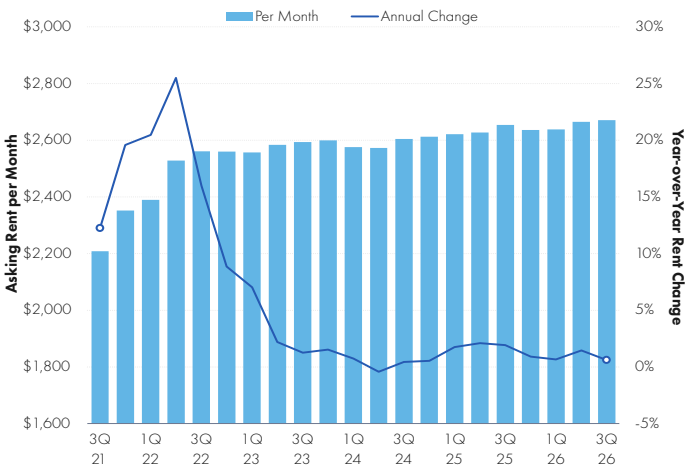
- The vacancy rate in Orange County was unchanged for the third consecutive quarter, remaining at 4.6%. Year over year, vacancy is 20 basis points higher.
- The city of Anaheim continued to be one of the best areas for vacancy performance in Orange County. Year over year, Anaheim's vacancy rate declined by 60 basis points to 3.7%.
- Vacancies have also tightened in Anaheim, where the rate has declined by 40 basis points during the past 12 months, ending the third quarter at 7.6%.
- **FORECAST:** Orange County multifamily vacancy is expected to rise modestly as absorption moderates, though market fundamentals should remain resilient. The vacancy rate is forecast to reach 4.8% by year-end, up 20 basis points from one year ago.

## RENTS

- Following a second-quarter rise, rent growth continued in the third quarter, with the average asking rent increasing 0.2% to $2,670 per month. Year over year, asking rents are up 0.6%. Asking rents are now $3.09 per square foot per month.
- Mission Viejo took the lead as the submarket with the strongest rent growth. In the past 12 months, asking rents in this area increased 3.4% to $2,774 per month. Laguna Hills trailed close behind, with rents rising 3.3% in the same period to $3,005 per month.
- Santa Ana was one of the only areas to record a decrease in asking rents. While this submarket posted a 1.3% dip in recent months, asking rents are still up 4.5% from the beginning of 2025.
- **FORECAST:** Rent growth is expected to remain modest through the end of the year. Asking rents are forecast to reach approximately $2,675 per month, representing a 1.5% increase from one year earlier.

*Mission Viejo has the strongest rent growth.*

RENTS TRENDS



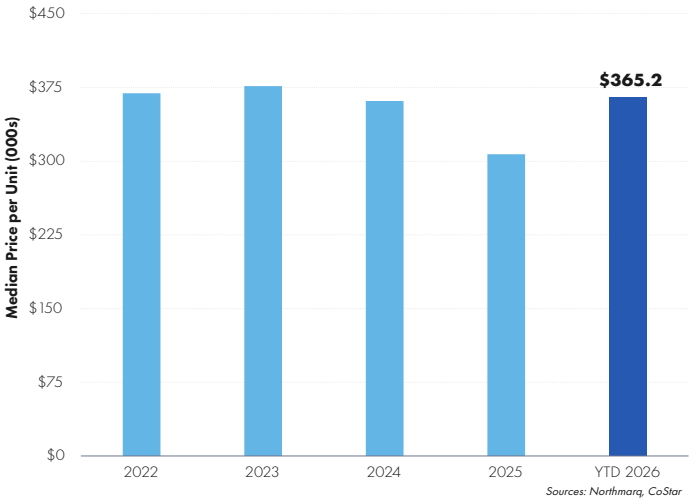

*Sources: Northmarq, REIS*

## MULTIFAMILY SALES

- Orange County multifamily sales activity accelerated in the third quarter. While still below levels recorded in 2021 and 2022, the number of sales completed through the first nine months of 2026 has already surpassed the full-year transaction counts recorded in both 2024 and 2025.
- The median sale price has pushed higher in 2026. Year-to-date pricing reached $365,200 per unit, up 19% from 2025. Even so, pricing remains 5% below the peak recorded in 2021.
- Cap rates have remained within a relatively narrow range for roughly three years. Recently, Class A properties have traded in the mid-4% range, while Class C assets have averaged closer to 5.5%. Class B properties have generally transacted near 5.0%.

*The median sale price is $365,200 per unit.*

INVESTMENT TRENDS




*Sources: Northmarq, CoStar*

## **RECENT TRANSACTIONS** MULTIFAMILY SALES ACTIVITY

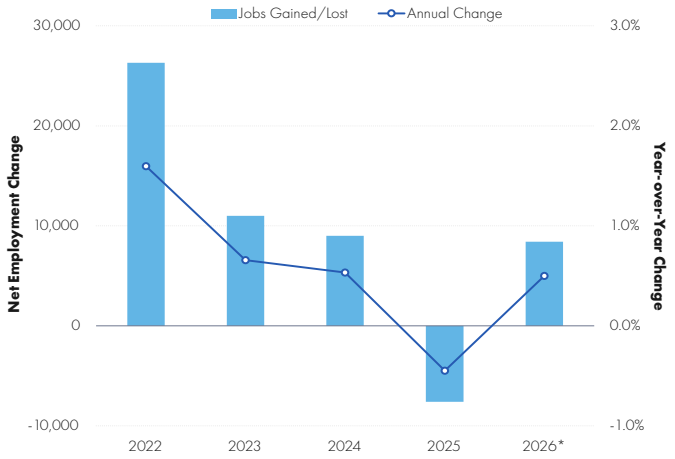
| PROPERTY NAME | STREET ADDRESS | YEAR BUILT | UNITS | SALES PRICE | PRICE/UNIT |
|---|---|---|---|---|---|
| Rise | 1910 South Union Street, Anaheim | 2019 | 376 | $160,000,000 | $425,532 |
| Edge | 1921 Union Street, Anaheim | 2019 | 371 | $153,550,000 | $413,881 |
| Zia Apartments | 1600 West Lincoln Avenue, Fullerton | 2024 | 315 | $147,500,000 | $468,254 |
| Castlewood Park Apartments | 6968 Campus Drive, Buena Park | 1963 | 184 | $53,125,000 | $288,723 |

## LOOKING AHEAD

Shifts in multifamily operating conditions in Orange County are expected to track fourth quarter trends of recent years. Despite delays in some completions, deliveries are on pace to reach a near-decade high at roughly 4,000 units, which will continue to put upward pressure on vacancy, though only a slight shift is expected since this market generally resists any sharp movement in the vacancy rate. Improving employment conditions should help support renter demand for units, which will also keep vacancy increases light and allow operators to continue pushing rents modestly. New apartments are breaking ground across Orange County, though the largest share of new properties are located in Irvine, with more than 4,600 units currently underway.

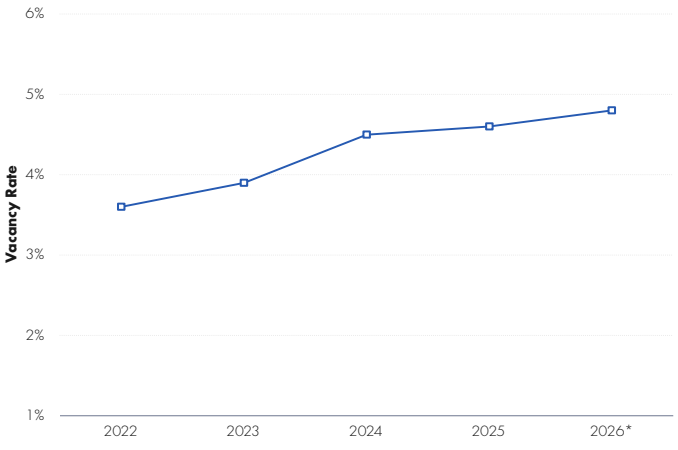
The concentration of multifamily investment sales is expected to remain largely unchanged through the remainder of the year, with most activity continuing to occur in the Anaheim and Garden Grove areas. Class C assets are also forecast to account for most of the transaction mix, though a modest increase in Class B sales is possible. The total number of transactions is now projected to surpass 2025 by a wider margin than previously anticipated, putting 2026 on pace to be the most active year for investment sales since 2022. With the current wave of construction expected to continue through 2027, investor interest will likely remain concentrated in older-vintage and lower-tier properties, where lower vacancy and greater potential for rent growth may provide attractive investment opportunities.

### EMPLOYMENT FORECAST



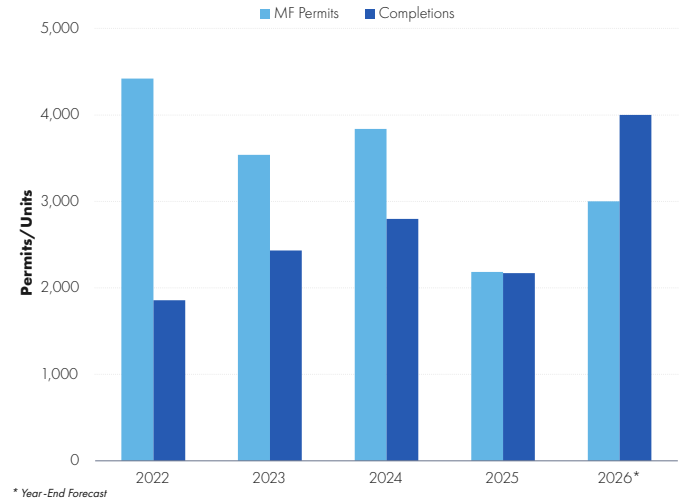

** Year-End Forecast*
*Sources: Northmarq, Bureau of Labor Statistics*

### VACANCY FORECAST



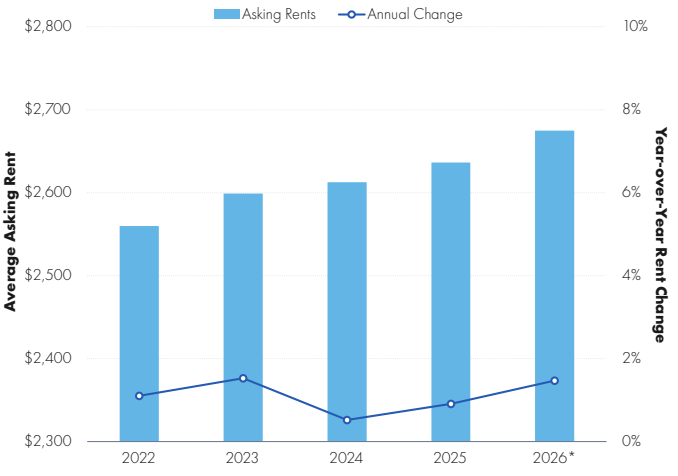

** Year-End Forecast*
*Sources: Northmarq, REIS*

### CONSTRUCTION & PERMITTING FORECAST




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

### RENTS FORECAST




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

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## FOR MORE INFORMATION, **PLEASE CONTACT**


VINCE NORRIS
*EVP - Executive Managing Director*
818.519.3435
vnorris@northmarq.com

MATT HAUSER
*Senior Associate, Investment Sales*
949.500.9565
mhauser@northmarq.com

DAVID BLUM
*Managing Director, Debt + Equity*
949.717.5215
dblum@northmarq.com

MORGAN MACHADO
*Vice President, Debt + Equity*
949.717.5209
mmachado@northmarq.com

PETER HAUSER
*Senior Vice President, Investment Sales*
949.302.1400
phauser@northmarq.com

JORDAN HAUSER
*Associate, Investment Sales*
949.793.1315
jhauser@northmarq.com

JOE GIORDANI
*Managing Director, Debt + Equity*
949.717.5208
jgiordani@northmarq.com

BRENDAN GOLDING
*Senior Director, Debt + Equity*
949.717.5202
bgolding@northmarq.com

JIM FISHER
*Managing Director, Investment Sales*
818.515.4277
jfisher@northmarq.com

TOMMY YATES
*Associate, Investment Sales*
415.408.1019
tyates@northmarq.com

MATT RADICH
*Vice President, Debt + Equity*
949.717.5205
mradich@northmarq.com

ALEX KANE
*Senior Director, Debt + Equity*
424.422.0912
akane@northmarq.com

MIKE A SMITH
*Managing Director, Investment Sales*
818.903.4676
msmith@northmarq.com

SCOTT BOTSFORD
*Senior Vice President, Debt + Equity*
949.717.5206
sbotsford@northmarq.com

CHARLIE BUCKINGHAM
*Vice President, Debt + Equity*
949.717.5207
cbuckingham@northmarq.com

TAYLOR FRANCIS
*Associate Producer, Debt + Equity*
949.270.3684
tfrancis@northmarq.com

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

JOHN TAGG, *Research Manager* | 972.455.4916 | jtagg@northmarq.com

LUCAS BAUM, *Market Analyst* | 602.598.7351 | lbaum@northmarq.com


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