Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	32,304
UNITS DELIVERED	21,589

MARKET FUNDAMENTALS

VACANCY RATE	4.6%
YEAR-OVER-YEAR CHANGE	+10bps
ASKING RENTS	$2,486
YEAR-OVER-YEAR CHANGE	-0.4%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$310,300

SOUTHERN CALIFORNIA MULTIFAMILY

Q4 2025

MARKET INSIGHTS

Transaction activity accelerates from prior year

HIGHLIGHTS

- Multifamily operating conditions in Southern California softened during the past year, with the vacancy rate ticking higher while rents posted a modest decrease. Inventory growth accelerated, with developers completing approximately 21,600 units in 2025.
- The average vacancy rate across Southern California held steady from the third quarter to the fourth quarter, though there was a slight annual increase. Year over year, vacancy rose 10 basis points to 4.6%.
- Asking rents decreased by 0.8% during the fourth quarter to $2,486 per month. Rent growth in the earlier months of the year kept the annual decrease modest, with asking rents declining by just 0.4% in 2025.
- There was a considerable rise in multifamily investment sales in 2025, with the transaction count rising nearly 30% higher than in 2024. The median sale price in 2025 was $310,300 per unit, down 5% from last year.

SOUTHERN CALIFORNIA MULTIFAMILY MARKET OVERVIEW

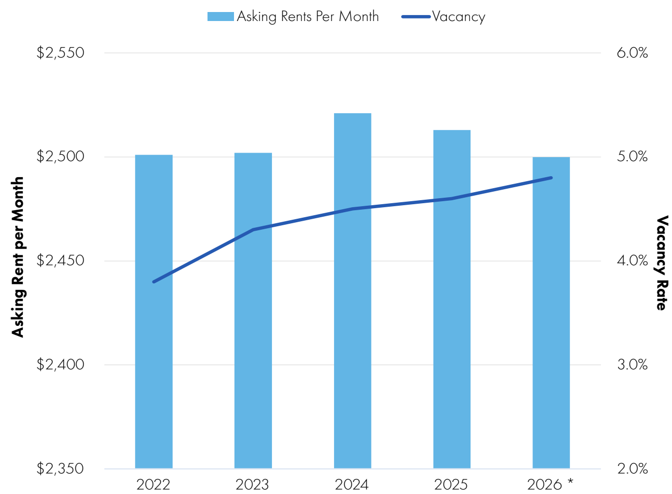
Property performance in Southern California was impacted by a large increase in new construction in 2025. Total completions reached nearly 21,600 units, up 22% from 2024, primarily driven by new development in Los Angeles and San Diego. Demand increased as well, though it still lags the elevated number of deliveries, as roughly 16,200 net move-ins were recorded in 2025. Following some modest rent increases in earlier months, a dip in asking rents during the fourth quarter weighed on annual rent growth. Orange County was the region's top performer, with asking rents rising in 2025 while the vacancy rate went unchanged. Deliveries in 2026 are expected to roughly match the previous year, so market fundamentals are forecast to follow the same trends as they did in 2025, with a slight rise in vacancy and a modest dip in region-wide asking rents.

Multifamily investment activity in Southern California accelerated during the past year, with transaction counts in 2025 surging by nearly 30% from 2024 levels. Despite the rise in activity, pricing softened, with the region's median sale price dipping 5% to $310,300 per unit. This decrease was primarily driven by increased numbers of Class C transactions. Sales of these lower-tier properties spiked by nearly 50% in 2025, and Class C sales accounted for 40% of all transactions, up from about 30% in 2024. Cap rate trends across the Southern California region were mostly steady throughout 2025. San Diego reported the lowest cap rates, averaging around 4.5%. In Orange County, most sales occurred with cap rates at or below 5% depending upon property class. In the Inland Empire, the range for much of the year was between 4.75% to 5.25%, although value-add sales were closer to 6%. Los Angeles was the outlier in the region in 2025. Cap rates rose 70 basis points during the course of the year, reaching 5.6% on average, pushed higher by regulatory measures specific to Los Angeles.

SOUTHERN CALIFORNIA LOS ANGELES

Vacancy in Los Angeles held at 4.6% in the fourth quarter.

VACANCY & RENT TRENDS



Sources: Northmarq, Reis
* Year-end Forecast

CONSTRUCTION | VACANCY | RENTS

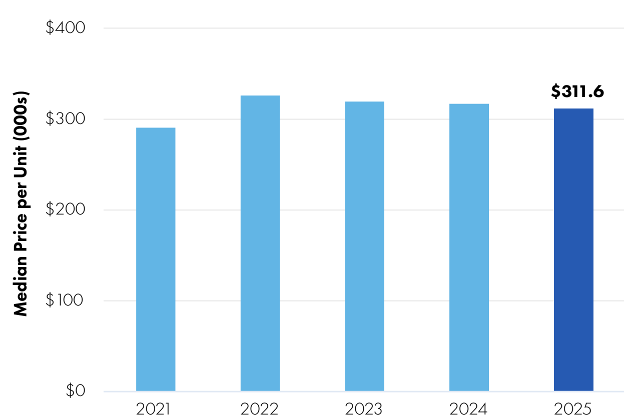
- Multifamily construction activity accelerated in 2025, with nearly 8,600 units completed, up 26% from the prior year. Projects totaling roughly 15,000 units are currently under construction in the area, exceeding levels recorded one year ago by 37%.
- Vacancy in Los Angeles held at 4.6% in the fourth quarter, matching the rate recorded in the previous two quarters. During the past year, area vacancy inched higher by 10 basis points.
- Asking rents softened in the fourth quarter, decreasing by 0.7% following a smaller dip in the previous quarter. In 2025, asking rents in Los Angeles declined by 0.3% to $2,513 per month.
- **FORECAST:** Deliveries are projected to increase again in 2026, with roughly 10,100 units scheduled for completion. Increases in inventory are expected to push vacancy higher in the next year, though only by around 20 basis points. Rents may be impacted as well, with a 0.5% dip forecast for 2026.

MULTIFAMILY SALES

- Multifamily sales activity in Los Angeles surged in 2025, with 52% more transactions taking place than in the prior year. The greatest rise in activity was recorded in Downtown, where the number of properties that sold in the past year doubled from 2024, with 22 individual properties changing hands.
- Pricing edged lower in 2025. In the past 12 months, the median sale price dipped 2% to $311,600 per unit. Among Class A properties, pricing was up 3% at a median price of $367,600 per unit. Median pricing in Class C assets dipped 15% to $169,400 per unit. Since reaching a peak in 2022, median pricing has recorded modest decreases each year.
- Shifts in pricing varied across submarkets. The median sale price in the San Fernando Valley increased by 4% in 2025, rising to $318,200 per unit. In contrast, the median price in Downtown Los Angeles has decreased by nearly 50% in the past year.
- Cap rates ticked higher in 2025 after holding steady throughout 2023 and 2024. During the past year, the average multifamily cap rate in Los Angeles rose 70 basis points to 5.6%.

In 2025, 52% more transactions took place than in the prior year.

SALES TRENDS



Sources: Northmarq, CoStar

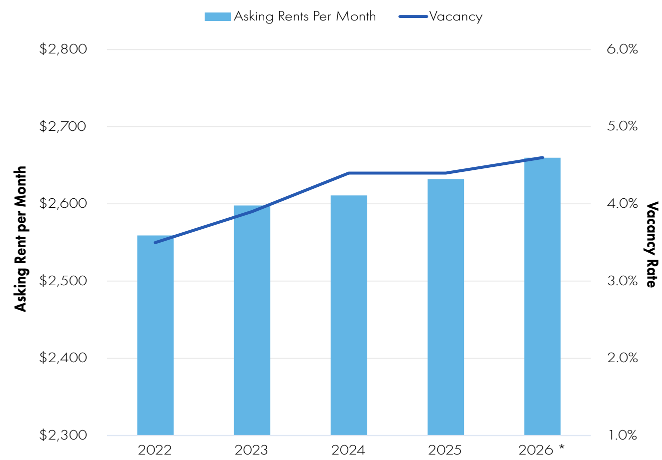
SOUTHERN CALIFORNIA ORANGE COUNTY

CONSTRUCTION | VACANCY | RENTS

- Multifamily development in Orange County picked up in the fourth quarter, though a slower pace of deliveries earlier in the year kept annual completions down 4% from 2024. In 2025, roughly 2,700 units were delivered.
- Vacancy went unchanged throughout most of the year, ending 2025 at 4.4%, matching the year-end 2024 figure. There was a slight increase in vacancy at the start of 2025, before dipping back down to current levels in the third quarter.
- Orange County asking rents recorded a 0.7% decrease in the fourth quarter to $2,632 per month. Despite this recent dip, rents were steadily increasing throughout the earlier months of the year, keeping annual rent growth positive, up 0.8% annually.
- **FORECAST:** In 2026, approximately 4,400 units are scheduled for completion, a cyclical high for Orange County. The vacancy rate is forecast to rise 20 basis points as increased development puts further pressure on occupancy. Asking rents are expected to improve, rising roughly 1.0% during the next year.

Vacancy in Orange County ended 2025 at 4.4%.

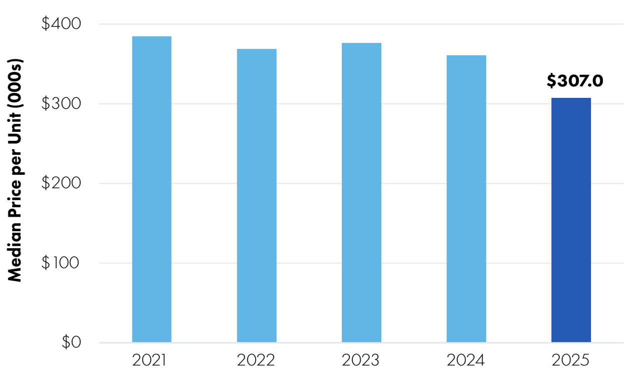
VACANCY & RENT TRENDS



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

Class A assets sold at a median price of $460,000 per unit.

SALES TRENDS



Sources: Northmarq, CoStar

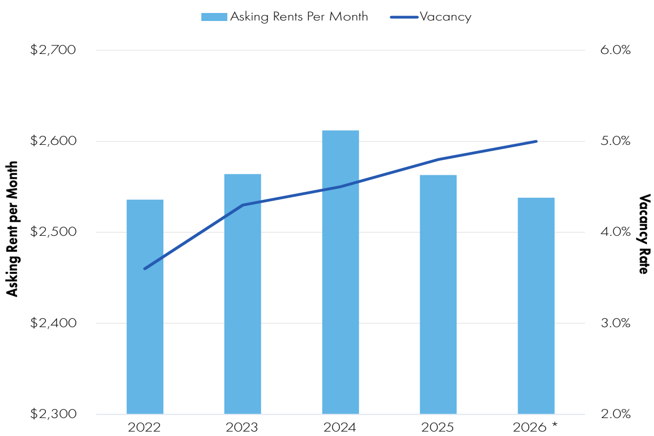
MULTIFAMILY SALES

- Transaction activity slowed in the fourth quarter, following a comparatively stronger pace of sales in the first half of the year. Total multifamily trades in 2025 were roughly in line with 2024 but 25% below 2023's transaction count.
- The median sale price in 2025 dipped 15% to $307,000 per unit. The decline was largely driven by Class C assets which posted a 27% decrease in median pricing while making up nearly half of all transactions. Class B properties recorded a 20% dip in pricing while making up a limited share of sales. Class A properties sold at a median price of $460,00 per unit, up 11% from 2023, after no Class A properties sold in 2024.
- Santa Ana continued to be the most active submarket for trades, with around half of all sales concentrated in this area in 2025. In prior years, Anaheim and the North County area contained the bulk of transactions.
- The average cap rate held steady at 5.1% in the fourth quarter. Cap rates in Orange County remained close to 5.0% in both 2023 and 2024, while in 2022 the average cap rate was closer to 4.0%. Among Class C properties, cap rates rose to nearly 6% in some cases, while Class A and Class B remained at 5.0% or lower.

SOUTHERN CALIFORNIA SAN DIEGO

In 2025, developers brought nearly 6,400 units online.

VACANCY & RENT TRENDS



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

CONSTRUCTION | VACANCY | RENTS

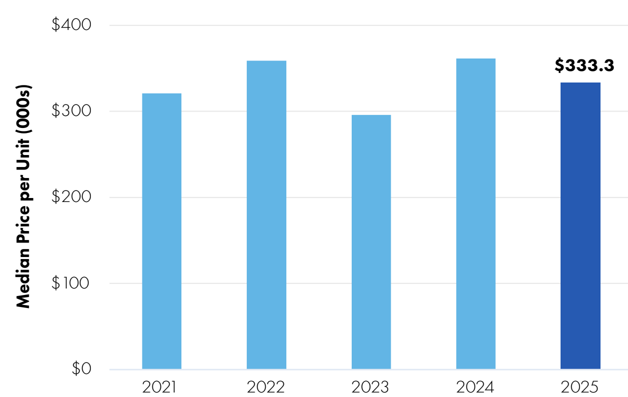
- Construction activity in San Diego maintained a strong pace through the final months of the year. In 2025, developers brought nearly 6,400 units online, a cyclical peak for this market. There are currently more than 9,800 units under construction, up 26% from one year ago.
- Vacancy continued to tick higher during the fourth quarter, rising by 10 basis points to 4.8%. Year over year, vacancy is up 30 basis points. Absorption is down slightly from 2024, with net move-ins totaling approximately 3,100 units in 2025.
- Asking rents softened in the final three months of the year, decreasing by 1.0% to $2,563 per month. During the past 12 months, asking rents declined by 1.9%.
- **FORECAST:** Multifamily development will remain elevated in 2026 compared to historical norms, though total deliveries are projected to lag 2025 by 14%, with 5,500 units scheduled for completion. Vacancy is forecast to rise 20 basis points during the next year while rents tick lower by around 1.0%.

MULTIFAMILY SALES

- There was an increase in multifamily investment sales in San Diego throughout the past year, with 13% more properties changing hands in 2025 than in 2024. Still, the transaction count lagged the trailing five-year average.
- The median sale price dipped 8% in 2025 to $333,300 per unit. Performance varied across asset classes, with Class A properties recording a 31% increase in median pricing, while Class B and Class C apartment pricing declined.
- A few submarkets greatly outperformed the rest of the market. The median sale price in Chula Vista rose 38% in 2025 to $409,500 per unit. The South I-15 corridor posted a 17% increase in median pricing in the same period, elevated by high-end transactions in the Mount Carmel area.
- Cap rates in San Diego averaged 4.5% in 2025, consistent with both 2023 and 2024. The range of cap rates across individual transactions remains tight, with most reported cap rates falling between the low-4% and low-5% range.

Class A properties posted a 31% increase in median pricing.

SALES TRENDS



Sources: Northmarq, CoStar

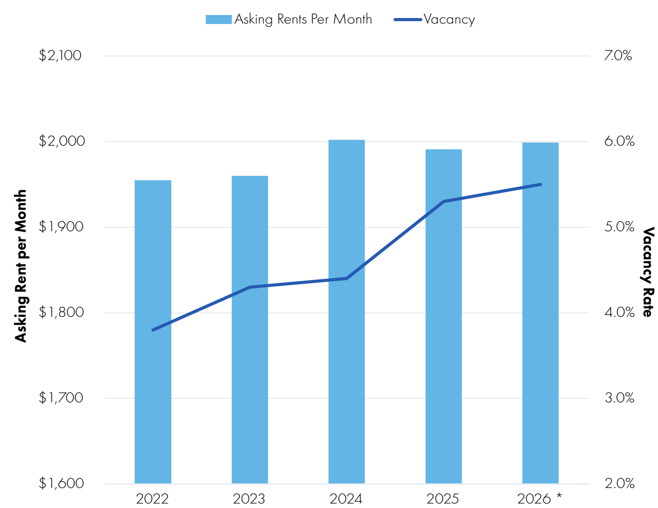
SOUTHERN CALIFORNIA INLAND EMPIRE

CONSTRUCTION | VACANCY | RENTS

- Developers in the Inland Empire completed projects totaling more than 3,900 units in 2025, in line with 2024. Approximately 2,500 units are currently under construction in the market, down 43% from 12 months ago.
- The vacancy rate in the Inland Empire climbed 20 basis points in the closing three months of the year, ending 2025 at 5.3%. Year over year, vacancy increased by 90 basis points.
- Asking rents trended lower in the second half of the year after posting modest growth in the first half. Rents dipped 0.6% in the fourth quarter to $1,991 per month. Since the end of 2024, asking rents have decreased by 0.5%.
- **FORECAST:** The pace of multifamily completions is expected to slow in 2026, with around 2,500 units on track for completion. The vacancy rate is forecast to rise 20 basis points over the next year, while rents are projected to tick slightly higher to $1,999 per month.

The vacancy rate ended 2025 at 5.3%.

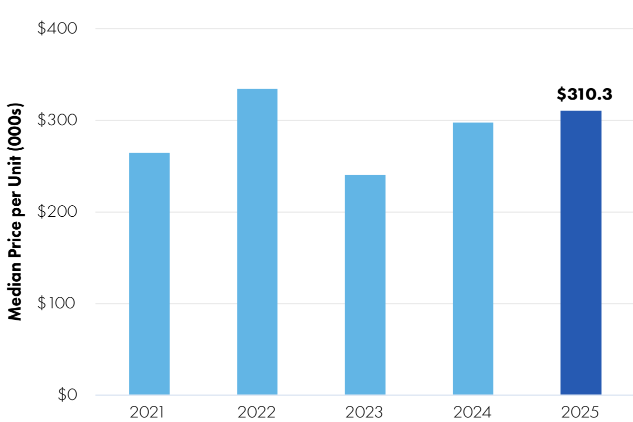
VACANCY & RENT TRENDS



Sources: Northmarq, Reis
* Year-end Forecast

The median sale price climbed to $310,300 per unit.

SALES TRENDS



Sources: Northmarq, CoStar

MULTIFAMILY SALES

- In 2025, multifamily investment activity remained muted, staying in line with the pace of the prior two years. Transaction volume was concentrated in the Greater Ontario/Rancho Cucamonga submarket.
- While the pace of multifamily transactions remained light, pricing on the properties that changed hands in the past year trended higher. The median sale price in 2025 was $310,300 per unit, a 13% increase from 2024.
- The rise in pricing was largely driven by an upward shift in the mix of properties that traded. In 2025, there was a greater proportion of Class A assets changing hands, particularly those located in higher-income submarkets.
- Cap rates for stabilized assets generally traded in the high-4% to low-5% range, while value-add properties generally traded closer to 6.0%.

FOR MORE INFORMATION, **PLEASE CONTACT**

LOS ANGELES INVESTMENT SALES

VINCE NORRIS
Regional Managing Director
818.519.3445
vnorris@northmarq.com

JIM FISHER
Managing Director
818.515.4277
jfisher@northmarq.com

STEVEN GOLDSTEIN
Senior Vice President
424.422.0904
sgoldstein@northmarq.com

ALEX PETERSON
Associate
310.525.5340
apeterson@northmarq.com

BRENT SPRENKLE
Managing Director
424.334.7005
bspenkle@northmarq.com

ELLIOT HASSAN
Senior Vice President
424.334.7009
ehassan@northmarq.com

MIKE HANASSAB
Senior Vice President
424.334.7011
mhanassab@northmarq.com

PARKER BOEHLE
Associate
424.502.0239
pboehle@northmarq.com

ORANGE COUNTY INVESTMENT SALES

PETER HAUSER
Managing Director
949.270.3690
phauser@northmarq.com

MIKE SMITH
Managing Director
818.903.4676
msmith@northmarq.com

TOMMY YATES
Associate
415.408.1019
tyates@northmarq.com

SAN DIEGO INVESTMENT SALES

BENN VOGELSANG
Senior Vice President
858.675.7869
bvogelsang@northmarq.com

PETE O'NEIL, *Director of 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

ABOUT **NORTHMARQ**

Northmarq is one of the largest privately held commercial real estate firms in the United States, combining a nationwide presence with deep local expertise. With more than 50 offices across the country, we provide a full suite of debt, equity, investment sales, loan servicing and fund management solutions for a comprehensive range of property types. Our unique structure allows us to connect clients with the best opportunities, yet be nimble enough to ensure access to every expert across our company. The firm manages a loan servicing portfolio of over $78 billion and has completed $69.5 billion in transactions over the past three years. At Northmarq, collaboration fuels results, helping clients achieve success in every market, nationwide. For more information, visit www.northmarq.com.