



CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **5,881**

UNITS DELIVERED (YTD) **2,799**

MARKET FUNDAMENTALS



VACANCY RATE **4.3%**

YEAR-OVER-YEAR CHANGE **+70bps**

ASKING RENTS **\$2,516**

YEAR-OVER-YEAR CHANGE **+0.7%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$339,600**

ORANGE COUNTY
MULTIFAMILY
4Q 2024

MARKET INSIGHTS

Rents gain momentum in the second half

HIGHLIGHTS

- Multifamily operating conditions in Orange County were favorable in the last three months of 2024 as rents climbed and area vacancy went unchanged from the previous quarter. While the pace of multifamily deliveries slowed in recent months, completions were elevated for the year and more units are expected to come online in 2025.
- The vacancy rate held steady at 4.3 percent during the fourth quarter after trending higher in the preceding 12 months. In 2024, local vacancies rose 70 basis points in response to above-trend deliveries of new units.
- Rents declined during the first half of the year, but growth was strong in both the third and the fourth quarters. Apartment rents finished the year at \$2,516 per month, up 0.7 percent annually.
- Transaction volume in the Orange County multifamily investment market was light in 2024, closely tracking the previous year's figures. The median sale price was \$339,600 per unit, while cap rates averaged 5 percent in 2024.

ORANGE COUNTY MULTIFAMILY MARKET OVERVIEW

Construction of apartment properties has been on an upswing in Orange County during the past few years, after deliveries of new units were limited in 2021 and 2022. While there was a pause in deliveries during the fourth quarter, the nearly 2,800 units that came online in 2024 marked the county's highest annual completions total since 2018. The addition of units to the overall rental supply resulted in a modest vacancy rise in 2024, but demand for units was strong enough to support rent increases in the second half. Performance varied between submarkets, with the North Santa Ana recording solid improvement. North Santa Ana had the largest decrease in vacancy and steepest rent growth of any other submarket in 2024, as recently delivered properties leased-up. Conditions softened a bit in Irvine, but the submarket still leads the area in rent growth over the past three years, with rents rising more than 11.4 percent in that span.

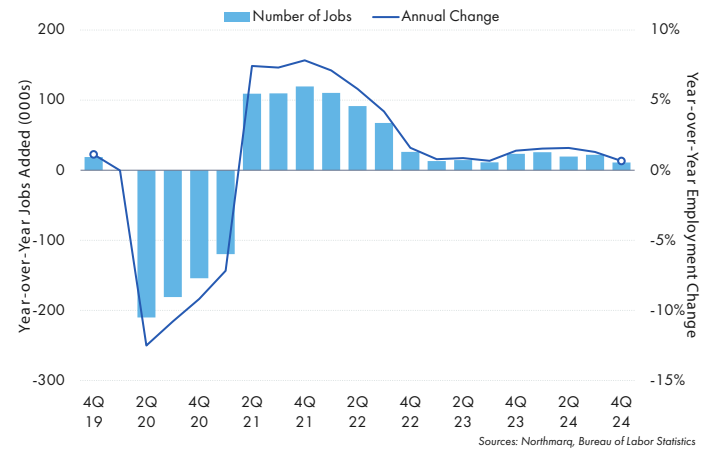
Multifamily investment activity was light in the fourth quarter, continuing trends that began in early 2023. Transaction volume was down across most submarkets including North County which has historically been one of the most active submarkets in Orange County. While activity in North County dipped, Anaheim led the region in trade volume, making up 30 percent of all sales in 2024. The Huntington Beach/Seal Beach submarket also performed well compared to the overall market. While accounting for 20 percent of annual sales, the median price in this submarket was \$385,400 per unit, up 5 percent from last year. This makes Huntington Beach/Seal Beach the only area of Orange County to record an increase in pricing from 2023 to 2024.

EMPLOYMENT

- Employment growth in Orange County was modest during the past year following steady growth in the prior two years. Area employers expanded payrolls by 0.7 percent in 2024 with the addition of 11,100 workers.
- The financial activities sector bounced back in 2024 after recording job losses in recent years. Area financial employment expanded by 1 percent over the past 12 months with the addition of 1,100 workers.
- While overall employment increases were light in 2024, many of the largest employers in Orange County recorded solid growth. During the past 12 months Orange County's three largest employers, Disney, the University of California Irvine, and healthcare provider Providence added a combined 11,500 workers.
- **FORECAST:** Employment growth in Orange County is expected to remain modest in 2025, trailing slightly behind 2024 figures. Local employers are forecast to expand payrolls by 0.5 percent in 2025 with the addition of roughly 8,500 workers.

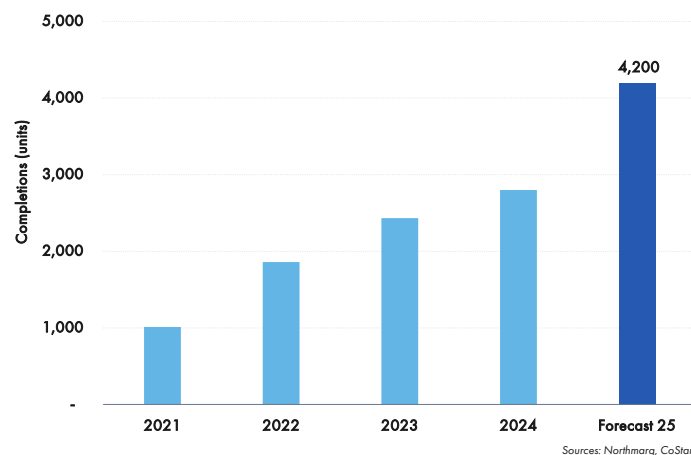
Area employers expanded payrolls by 0.7 percent in 2024.

EMPLOYMENT OVERVIEW



Fewer than 5,900 units are currently under construction.

DEVELOPMENT TRENDS

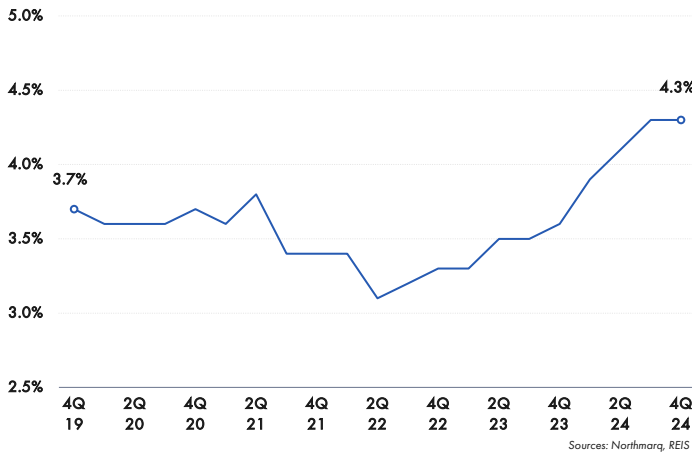


DEVELOPMENT & PERMITTING

- Multifamily completions slowed in the fourth quarter, though strong delivery levels recorded earlier in the year brought annual completions to a five-year high. In 2024, developers in Orange County completed nearly 2,800 units, up 15 percent from 2023.
- The construction pipeline has contracted in recent quarters since peaking at nearly 7,400 units in the second quarter of 2024. Projects totaling fewer than 5,900 units are currently under construction, down 18 percent from one year ago.
- Multifamily permitting in Orange County ended the year on an upswing, with developers pulling permits for more than 1,300 units during the fourth quarter. During the course of the year, permits for projects totaling roughly 3,800 units were issued, up 9 percent from 2023 levels.
- **FORECAST:** Multifamily deliveries are forecast to accelerate again in 2025, as development continues to gain momentum in Orange County. Projects totaling 4,200 units are scheduled to come online over the next 12 months, the highest annual total in the region since 2018.

The local vacancy rate was unchanged during the fourth quarter.

VACANCY TRENDS



VACANCY

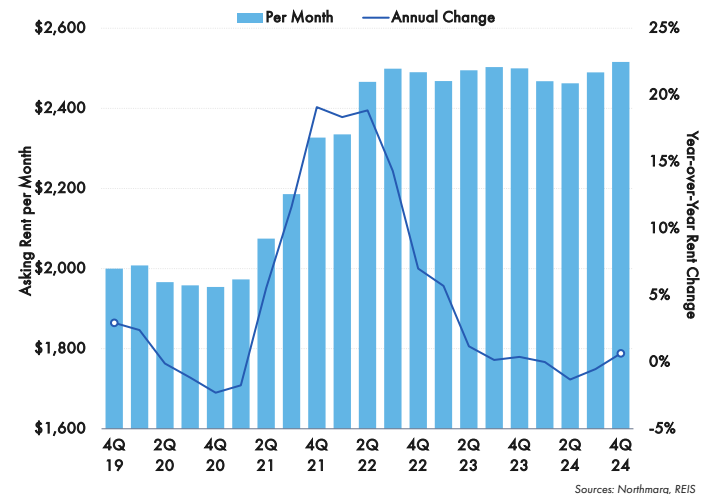
- The local vacancy rate was unchanged during the fourth quarter after trending higher in recent periods. Over the past 12 months, the vacancy rate rose by 70 basis points to 4.3 percent.
- Vacancy conditions in middle-tier and lower-tier apartments continue to be resilient. The combined vacancy rate for Class B and Class C properties inched higher by just 10 basis points over the past year, ending 2024 at 2.8 percent. There is some softness in the Class A segment, where vacancy rose 90 basis points during the past 12 months to end the year at 6.1 percent.
- The North Santa Ana submarket posted the greatest vacancy improvement in Orange County in 2024. The submarket's vacancy rate decreased by 70 basis points to 7 percent, fueled by strong absorption. Further improvement is likely; the submarket's long-term vacancy average is closer to 5 percent, and the rate should tighten as units are leased.
- FORECAST:** Renter demand for apartment units is expected to be steady in 2025, but the pace of deliveries will likely result in a modest vacancy increase. The vacancy rate in Orange County is forecast to rise 40 basis points in 2025, ending the year at 4.7 percent.

RENTS

- Rents in Orange County continued to post healthy gains in recent months, rising by 1.1 percent in both the third quarter and the fourth quarter. Asking rents ended the year at \$2,516 per month, up 0.7 percent from one year earlier.
- The Irvine submarket posted the highest rents in Orange County, at nearly \$3,200 per month, but rents in Irvine crept lower in the fourth quarter after above-average increases in 2022 and 2023.
- Rent trends were mixed throughout the region, but Huntington Beach posted a modest uptick in 2024 due to strong performance in the second half of the year. Asking rents in this area advanced by 0.9 percent in 2024 to \$2,420 per month. The submarket's average rents gained more than 3 percent in the second half.
- FORECAST:** Apartment rents in Orange County are expected to climb at an accelerating pace in 2025. Over the next 12 months asking rents are forecast to increase by 1.7 percent to roughly \$2,560 per month.

Asking rents ended the year at \$2,516 per month.

RENTS TRENDS

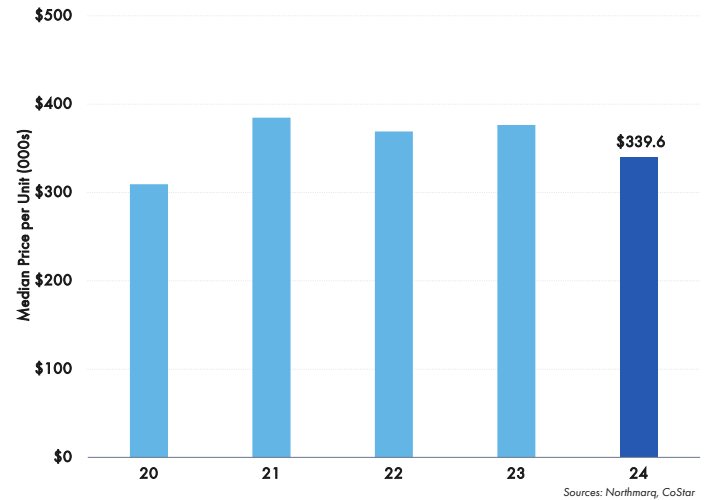


MULTIFAMILY SALES

- Sales activity was light throughout 2024, tracking trends recorded in the previous year. Transaction volume in 2024 lagged annual averages recorded from 2018 to 2022 by approximately 50 percent.
- The median price in Orange County was \$339,600 per unit in 2024, down 10 percent from the 2023 figure. Prices peaked at approximately \$385,000 per unit in 2021.
- Sales for 1960s- and 1970s-vintage properties regained momentum in 2024 after being limited in the prior year. In 2024, the median price for these older assets was about \$315,000 per unit, with a few trades closing above \$350,000 per unit. These vintages were popular with investors in 2021 and 2022, and traded at a median price of \$333,000 per unit in those years.
- Cap rates were largely unchanged throughout the year, and have been fairly steady since initially trending higher in 2023. Orange County multifamily cap rates averaged roughly 5 percent in 2024.

The median price in Orange County was \$339,600 per unit.

INVESTMENT TRENDS

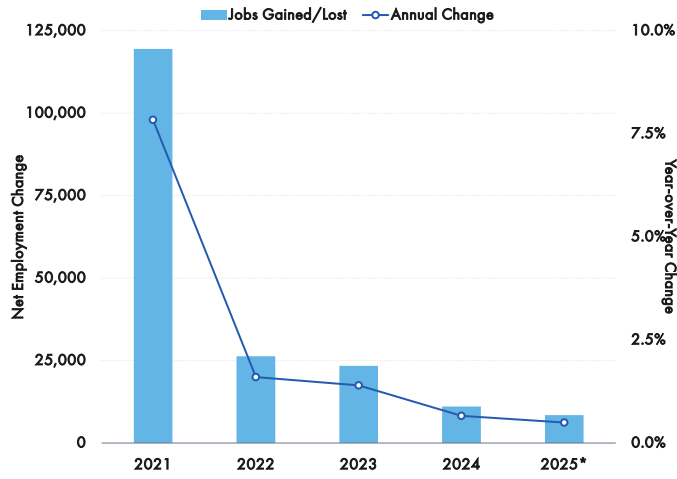


LOOKING AHEAD

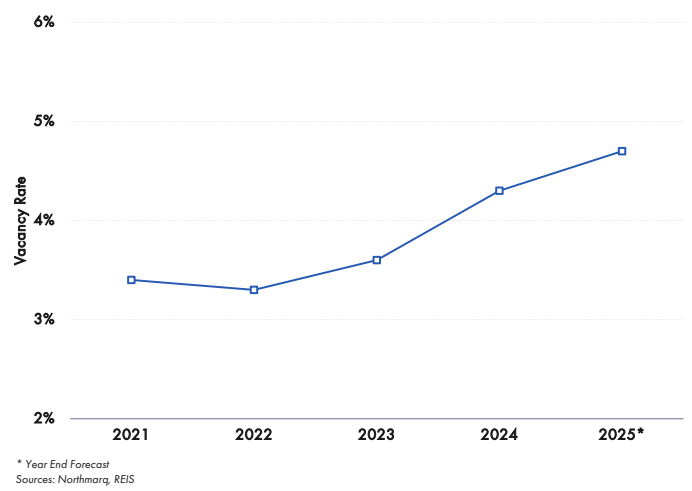
The Orange County multifamily market is expected to record another healthy year of operating conditions in 2025, although a rise in deliveries will likely result in a vacancy uptick. This year will mark the fourth consecutive year where the pace of deliveries will accelerate, after new apartment construction stalled in the period immediately after the Covid disruption. While deliveries are increasing, additions to the overall market inventory will be fairly modest. Still the pace of supply growth will likely exceed the rate of economic expansion and demand growth. Rents should continue to push higher across Orange County, although there could be an uptick in concessions in areas such as Irvine and Anaheim, where the bulk of the new construction projects are located.

Investors targeting low multifamily vacancies and rising rents are expected to pursue opportunities in Orange County in the coming year. Real estate markets across Southern California were severely impacted by wildfires in January, which has added uncertainty to the local investment market. There will likely be some additional demand for housing across the region by people displaced by the fires, but the availability and costs of insurance will be a primary consideration for multifamily investors. Cap rates in Orange County have been stable since 2023 and average levels will likely not shift much during the next year. The increase in new development in recent years could drive a bit of transaction activity as developers execute exit strategies on recently completed properties.

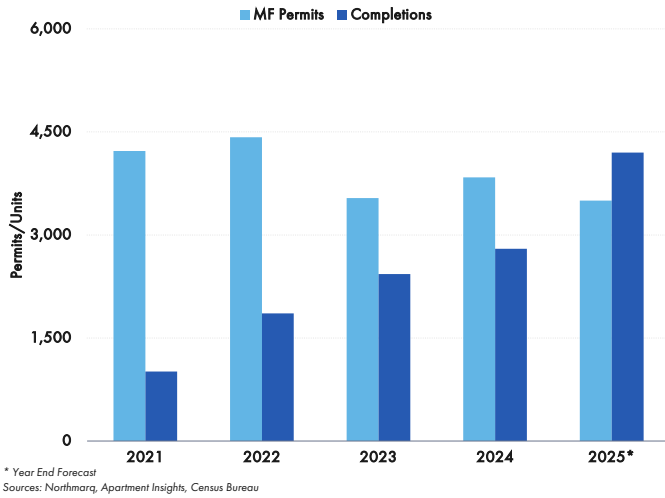
EMPLOYMENT FORECAST



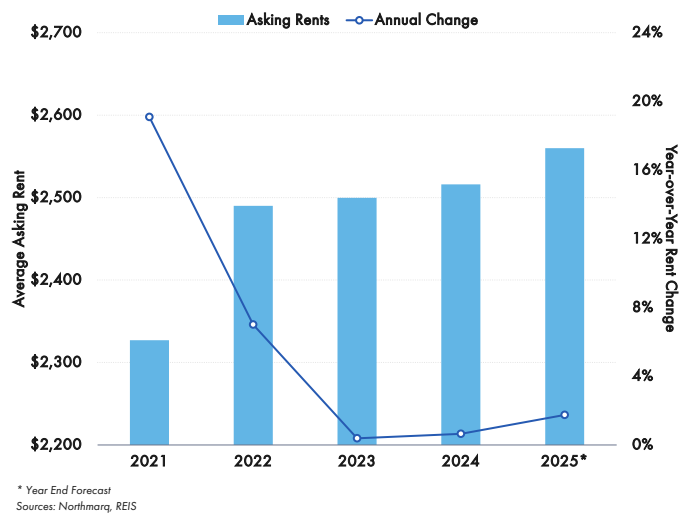
VACANCY FORECAST



CONSTRUCTION & PERMITTING FORECAST



RENTS FORECAST





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