

Orange County

Multifamily Market Outlook 1Q 2018

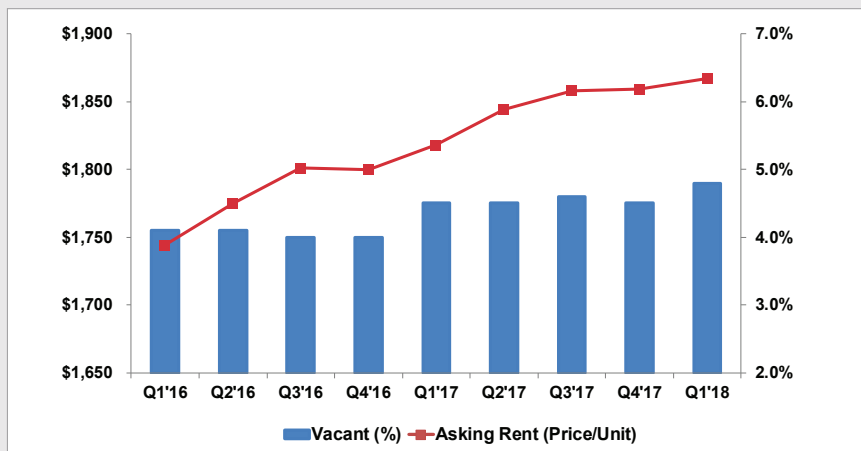
MARKET OVERVIEW

Orange County's multifamily housing market showed no signs of slowing down in 1Q 2018. The average asking rent rose 2.7% over 1Q 2017 to \$1,867 per unit. The vacancy rate totaled 4.6%, representing a 30-basis point jump over 4Q 2017, and a 10-basis point uptick over 1Q 2017. New deliveries contributed to the uptick in vacancy as 10 projects added 1,489 units. Construction volume totaled 9,744 units at the end of the quarter, which included the 1,950 unit Los Olivos development in Irvine. The project is scheduled to be completed in February 2021. Rising rents spurred significant investment sale activity in 1Q 2018. Sale volume totaled 1,771 units, a 33.5% surge over the prior quarter. The average sale price hit \$301,820 per unit, up 19.9% over 1Q 2017, with an average cap rate of 4.10%. The average cap rate fell nearly 30 basis points over 1Q 2017, indicating confidence in the Orange County multifamily market.

TRENDS TO WATCH

Orange County anticipates a multifamily construction boom in 2018. These new construction projects intend to meet Orange County's insatiable appetite for multifamily housing, although construction will be concentrated primarily in the County's main urban centers, such as Irvine, Anaheim, and Santa Ana. Despite supply increases, average asking rent is expected to continue climbing as most construction projects are market rate developments. The Orange County market will also see a rise in mixed-use developments to accommodate the growing demand. Mixed-use developments touting luxurious amenities built around lifestyle centers justify higher asking rents and attract Millennials. The Heritage Village in Santa Ana is an example of a development that will include 1,221 apartments, retail and restaurant space. The city of Westminster Planning Commission also voted in February 2018 to move forward with the proposed Bolsa Row project, a mixed-use development with a 201-unit multifamily component.

Average Asking Rent and Vacancy Rate



Source: NAI Capital Research, CoStar

MARKET OUTLOOK

Asking Rental Rates



Vacancy Rates



New Construction



Sales Volume



Sales Prices



Cap Rates



NAI Capital Research
www.naicapital.com

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Market Statistics:

SUBMARKET	Inventory (Units)	Under Construction (Units)	Vacancy %	Asking Rent \$
AIRPORT	72,905	3,562	5.0%	\$2,147
Costa Mesa	19,041	426	5.11%	\$1,931
Irvine	43,708	2,674	4.8%	\$2,175
Newport Beach	10,156	462	5.6%	\$2,488
CENTRAL	37,192	1,736	3.8%	\$1,709
North Santa Ana	12,789	515	2.7%	\$1,337
South Santa Ana	8,880	0	3.5%	\$1,916
Tustin	15,523	1,221	4.8%	\$1,830
SOUTH	38,153	1,165	4.7%	\$2,015
Laguna Bch/Dana Pt	19,271	1,015	5.6%	\$2,092
Laguna Hills	3,844	0	2.6%	\$1,933
Mission Viejo	15,038	150	4.1%	\$1,937
NORTH	70,484	2,500	5.3%	\$1,700
Brea	11,599	260	6.7%	\$1,616
Fullerton	16,679	241	3.7%	\$1,634
North Anaheim	24,690	1,739	6.5%	\$1,700
Placentia	3,654	0	3.9%	\$1,749
Orange	13,862	260	4.3%	\$1,824
WEST	78,983	781	3.9%	\$1,670
Buena Park	33,717	75	3.2%	\$1,521
Huntington Beach	25,934	510	5.3%	\$1,961
South Anaheim	6,652	180	3.1%	\$1,564
Westminster	12,680	16	3.3%	\$1,551

Total	Inventory (Units)	Under Construction (Units)	Vacancy %	Asking Rent \$
Orange County	297,717	9,744	4.6%	\$1,867

Select Sales Transactions:

Address	Submarket	Units	Cap Rate	Sale Price	Price/Unit	Price/SF
Surf at 39	Huntington Beach	400	-	\$134,000,000	\$335,000	\$379
Pacific Shores	Huntington Beach	264	4.60%	\$90,500,000	\$342,803	\$434
Carlton Plaza & The Windsor	Santa Ana	74	-	\$16,000,000	\$216,216	\$239
Fenway Apartments	Westminster	61	-	\$17,607,000	\$288,639	\$307
Park Ridge Apartments	Westminster	54	-	\$12,650,000	\$234,259	\$483

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