

# Orange County

## Multifamily Market Outlook 3Q 2018

### MARKET OVERVIEW

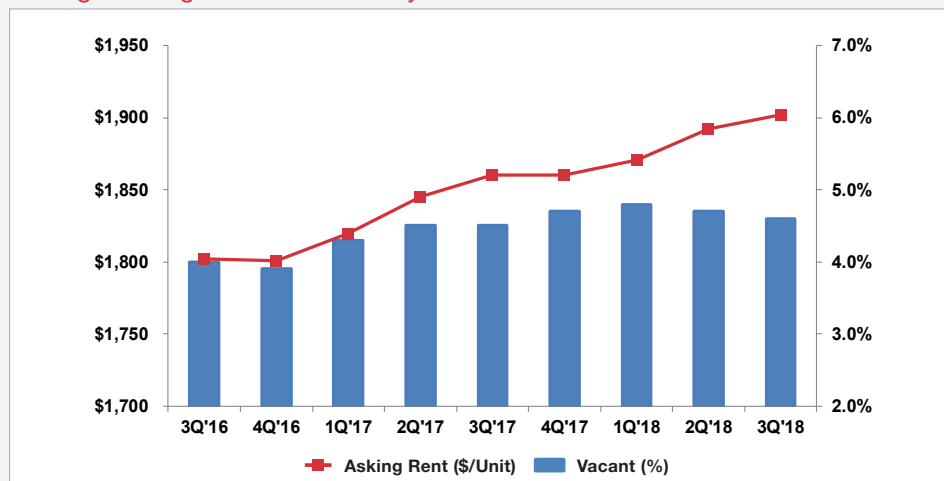
Orange County's multifamily housing market gained ground in 3Q 2018. The average asking rent climbed to a record high \$1,902 per unit, up 2.3% year over year. The vacancy rate remained 4.6%, holding steady over 2Q 2018 despite five projects with 943 units of new inventory added to the market. These properties are leasing up quickly. Luxaura, a 157-unit class A senior housing complex in Irvine, was 96.2% occupied upon completion. Construction volume totaled 9,456 units across 29 projects at the end of 3Q 2018. The 1,950-unit expansion within Los Olivos, a class A project at Irvine Spectrum Village scheduled to deliver 1Q 2021, was the largest project in the construction pipeline.

Sales volume totaled 1,087 units and the average sales price registered \$333,747 per unit with an average cap rate of 4.05%. The Airport submarket posted the lowest cap rate at 2.60%. Most investment activity took place in the Huntington Beach submarket where conditions are tightening up after two straight quarters without any new construction projects.

### TRENDS TO WATCH

Population and employment growth will sustain Orange County's multifamily housing market for the remainder of the year. Anaheim and Irvine, the local population centers witnessing the strongest demand, are projected to add 5,725 and 5,441 households by 2023, respectively. Overall construction activity cooled down this quarter with 29 projects expected to add 9,456 units by 2Q 2021. These projects will increase the total multifamily inventory by only 3.3%, which will barely put a dent in long-term demand. According to the MLS, the median sold price for single family homes in Orange County reached \$820,000 in September 2018, which means most households will continue to rent rather than make the move to homeownership. Orange County's unemployment rate dipped to 3.1% in August 2018, well below California's 4.3% rate. Total nonfarm employment gained 11,000 jobs from August 2017 to August 2018 as well. These solid fundamentals will keep rents rising and sales prices strong throughout the fourth quarter.

Average Asking Rent and Vacancy Rate



### MARKET OUTLOOK

#### Asking Rental Rates



#### Vacancy Rates



#### New Construction



#### Sales Volume



#### Sales Prices



#### Cap Rates



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### Market Statistics

SUBMARKET	Inventory (Units)	Under Construction (Units)	Vacancy (%)	Asking Rents (\$/Unit)
<b>AIRPORT</b>	<b>72,949</b>	<b>4,361</b>	<b>5.2%</b>	<b>\$2,216</b>
Costa Mesa	18,357	0	5.4%	\$1,984
Irvine	44,613	3,899	5.1%	\$2,227
Newport Beach	9,979	462	4.8%	\$2,521
<b>CENTRAL</b>	<b>34,976</b>	<b>1,673</b>	<b>3.8%</b>	<b>\$1,745</b>
North Santa Ana	12,246	452	2.9%	\$1,373
South Santa Ana	8,128	0	3.9%	\$1,987
Tustin	14,602	1,221	4.5%	\$1,852
<b>SOUTH</b>	<b>34,098</b>	<b>1,034</b>	<b>5.2%</b>	<b>\$2,025</b>
Laguna Bch/Dana Pt	18,490	1,034	5.9%	\$2,082
Laguna Hills	1,912	0	5.1%	\$1,956
Mission Viejo	13,696	0	4.2%	\$1,973
<b>NORTH</b>	<b>68,631</b>	<b>2,125</b>	<b>4.8%</b>	<b>\$1,738</b>
Brea	11,211	310	4.8%	\$1,696
Fullerton	15,909	186	4.2%	\$1,656
North Anaheim	24,486	1,367	4.6%	\$1,735
Placentia	3,385	0	3.2%	\$1,804
Orange	13,640	262	6.0%	\$1,872
<b>WEST</b>	<b>77,085</b>	<b>263</b>	<b>3.9%</b>	<b>\$1,697</b>
Buena Park	33,492	67	3.2%	\$1,552
Huntington Beach	24,827	0	5.5%	\$1,976
South Anaheim	6,242	180	3.0%	\$1,636
Westminster	12,524	16	3.0%	\$1,571

Total	Inventory (Units)	Under Construction (Units)	Vacancy (%)	Asking Rents (\$/Unit)
<b>Orange County</b>	<b>286,455</b>	<b>9,456</b>	<b>4.6%</b>	<b>\$1,902</b>

### Select Sales Transactions:

Address	Submarket	Units	Cap Rate	Sale Price	Price/Unit	Price/SF
Corte Bella	West	251	4.40%	\$85,750,000	\$341,633	\$403
Bellecour Way	South	131	-	\$56,250,000	\$429,389	\$391
Cypress Village	West	88	4.20%	\$26,500,000	\$301,136	\$327
222 Arch St	South	13	3.50%	\$10,500,000	\$807,692	\$853
560 Hamilton	Airport	13	2.99%	\$3,130,000	\$240,769	\$374

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#### Orange County

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