

Orange County

Multifamily Market Outlook 1Q 2017

MARKET OVERVIEW

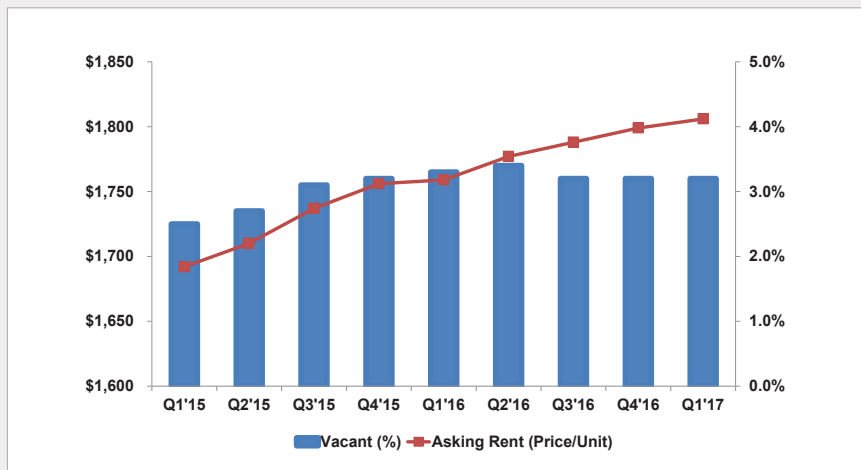
The Orange County multifamily housing market is one of the tightest in Southern California. In the first quarter of 2017, vacancy held tight as rents continued to rise. Vacancy was 3.2%, steady from the prior quarter and down 10 basis points from last year. Average asking rents for multifamily units rose this quarter, continuing a trend that has seen growth for the past 22 consecutive quarters. Apartment renters in Orange County this quarter paid an average of \$1,806 per unit, 2.7% more than the average this time last year. Population and employment growth are driving up demand for apartments in Orange County, with more supply underway to meet the demand. Developers are building more than 6,700 units, with the highest concentrations in Irvine and South Anaheim. On the investment side, 3,047 units were sold, with an average price of \$239,723 per unit. The average cap rate was 4.43%, 20 basis points lower than a year ago, which indicates that the Orange County multifamily market continues to be viewed as a solid market for investment.

TRENDS TO WATCH

Demand for multifamily housing is expected to remain strong in 2017. Southern California is experiencing a shortage of available housing units, particularly in Orange County. In the construction pipeline, 4,000 units are scheduled to deliver this year. Residential permits are expected to grow by 4.0% in 2017 over last year to reach 12,500, according to the Los Angeles Economic Development Corporation. More than 8,000 of those permits will be for multifamily housing with the remainder for single-family homes. More available single family housing stock allows some to exit the rental market, freeing up units that are desperately needed throughout Orange County. For landlords, rising single family home prices has kept many would be first time home buyers in the rental market longer. As of March, the median sale price of all homes was \$665,000, up 6.4% from the prior year - tying the record reached in December 2016, according to CoreLogic.

Average Asking Rent and Vacancy Rate

All Unit Sizes



Source: NAI Capital Research, REIS

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)	Asking Rent \$	Vacancy %
AIRPORT	55,528	3,642	\$2,213	3.1%
Costa Mesa	14,027	240	\$1,882	2.30%
Irvine	32,630	2,878	\$2,307	4.5%
Newport Beach	8,871	524	\$2,451	2.6%
CENTRAL	33,606	432	\$1,727	2.7%
North Santa Ana	12,784	182	\$1,434	2.6%
South Santa Ana	11,103	250	\$1,912	3.8%
Tustin	9,719	0	\$1,836	1.7%
SOUTH	33,206	501	\$1,920	4.1%
Laguna Bch/Dana Pt	10,849	0	\$1,903	3.1%
Laguna Hills	7,200	351	\$2,000	7.0%
Mission Viejo	15,157	150	\$1,856	2.1%
NORTH	39,658	286	\$1,559	2.4%
Brea	6,071	204	\$1,539	0.9%
Fullerton	9,550	0	\$1,551	4.4%
North Anaheim	11,640	0	\$1,400	2.3%
Northeast Anaheim	8,272	0	\$1,474	2.7%
Orange	4,125	82	\$1,830	1.8%
WEST	56,177	2,088	\$1,597	3.1%
Buena Park	17,139	0	\$1,490	1.2%
Huntington Beach	14,632	510	\$1,723	4.1%
South Anaheim	13,916	1,350	\$1,657	5.0%
Westminster	10,490	228	\$1,519	2.2%
Total	Inventory (Units)	Under Construction (Units)	Asking Rent \$	Vacancy %
Orange County Total	218,175	6,949	\$1,806	3.2%

Select Sales Transactions:

Address	Submarket	Units	Cap Rate	Sale Price	Price/Unit	Price/SF
Villas at Tustin	Tustin	406	5.35%	\$94,000,000	\$231,527	\$288
Malden Station Apartment Homes	Fullerton	200	4.30%	\$77,631,500	\$388,157	\$453
Windmill Apartments	Westminster	186	6.74%	\$17,200,000	\$92,473	\$115
Miracle Terrace Apartments	Buena Park	179	5.48%	\$37,375,000	\$208,798	\$298
El Paseo	Tustin	160	4.90%	\$43,600,000	\$272,500	\$362

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- North
- West
- Central
- Airport
- South

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Commercial Real Estate Services, Worldwide.

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