



MULTIFAMILY REPORT

# OC Seeks Growth

October 2024

**Occupancy High, Supply Low**

**Rent Growth On Trend With US**

**Investment Activity Tepid, PPU Rises**

# ORANGE COUNTY MULTIFAMILY



## Solid Rents, Strong Occupancy Pair in OC

Orange County's multifamily market posted steady performance through the first eight months of 2024. Year-over-year, the average advertised asking rent was up 0.7%, to \$2,772. That was just 10 basis point below the U.S. rate. Limited incoming supply has propped up rent growth, especially in a tight rental market like Orange County, which had its occupancy rate in stabilized properties at 96.6% as of July, well above the 94.7% national rate.

Orange County's unemployment rose to 4.4% in July, 10 basis points below the U.S. rate and outpacing California (5.2%) and all other major metros in the state. Meanwhile, job growth continued on an improving trend, up 1.4% year-over-year, or 23,800 added jobs. Four sectors lost 5,300 jobs combined, with manufacturing posting the largest drop, down by 3,200 positions. Gains were led by education and health services (14,600 jobs) and leisure and hospitality (5,700 jobs). Notable projects underway in the market include the revitalization of Dana Point Marina Harbor and the \$4 billion ocV!BE mixed-use development surrounding Honda Center.

Deliveries totaled just 1,453 units in 2024 through August, and the pipeline had 8,591 units under construction. Meanwhile, investors traded \$363 million in multifamily assets, nearly all value-add plays, for a price-per-unit that rose 5.6% year-to-date through August, to \$344,561, while the U.S. average slid 0.3%, to \$184,269.

## Market Analysis | October 2024

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### Recent Orange County Transactions

#### Chateau De Ville



City: Anaheim, Calif.  
Buyer: Palos Verdes Investments  
Purchase Price: \$79 MM  
Price per Unit: \$311,024

#### Arbors



City: Santa Ana, Calif.  
Buyer: Post Investment Group  
Purchase Price: \$41 MM  
Price per Unit: \$254,688

#### Monterey



City: Santa Ana, Calif.  
Buyer: Stratford Residential  
Purchase Price: \$29 MM  
Price per Unit: \$290,500

#### Beach Point



City: Huntington Beach, Calif.  
Buyer: Advanced Real Estate Services  
Purchase Price: \$25 MM  
Price per Unit: \$361,029

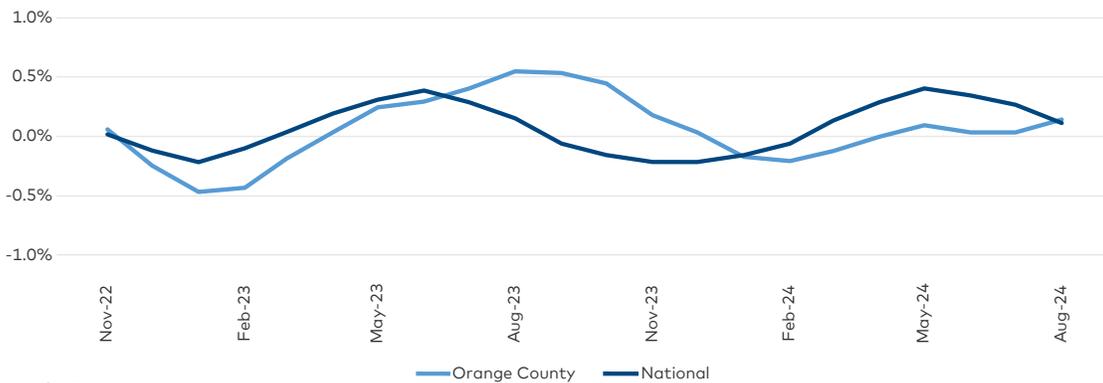
## RENT TRENDS

- ▶ Orange County average advertised asking rents rose 0.1% on a trailing (T3) basis through August, to \$2,772, on par with the 0.3% U.S. rate, which clocked in at \$1,741. Rent growth in the county had a weaker first quarter, when rents declined slightly. Starting in April, rent movement remained virtually flat. On a year-over-year basis, rents rose 0.7% in August, trailing the national rate by 10 basis points and Los Angeles by 20 basis points.
- ▶ Rent growth was positive across property classes. Lifestyle rates improved 0.1% on a T3 basis through August, to \$3,131, while Renter-by-Necessity rents rose 0.2%, to \$2,500. The occupancy rate in stabilized properties was at a solid 96.6% as of July, following a 10-basis-point year-over-year decline that stemmed entirely from the

working-class segment. RBN occupancy fell 20 basis points, to 96.8%, while Lifestyle occupancy rose 20 basis points to 96.5%. Meanwhile, national occupancy was down 30 basis points to 94.7%.

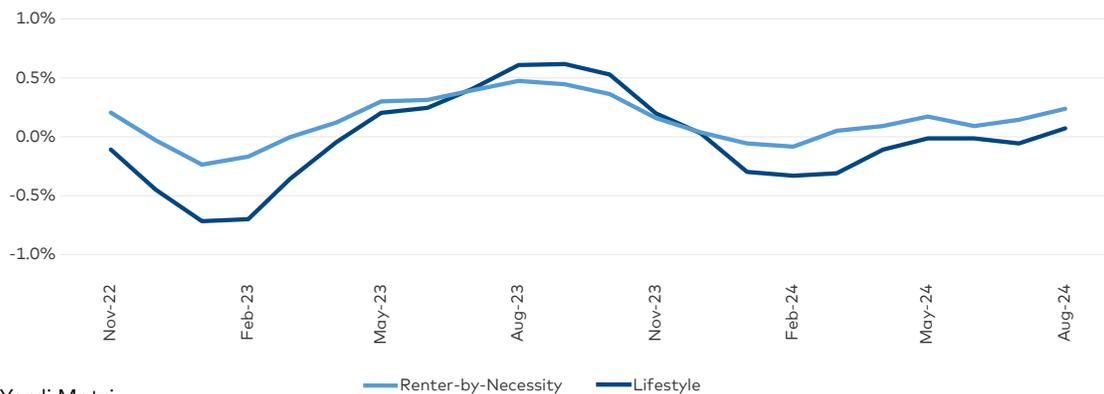
- ▶ On a year-over-year basis, advertised asking rents declined in four submarkets, which were also the most expensive. Newport Beach (-1.7% to \$3,588), South Irvine (-3.1% to \$3,177) and North Irvine (-1.8% to \$3,093) remained the most sought-after. Overall, five submarkets had an average rent above the \$3,000 mark in August.
- ▶ Rent growth above 4.0% year-over year was registered in Buena Park—Cypress (4.4% to \$2,445), Orange (4.3% to \$2,663) and Anaheim Hills (4.1% to \$2,892).

### Orange County vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

### Orange County Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- Orange County's jobless rate rose to 4.4% in July, the highest point since October 2021, according to Bureau of Labor Statistics data. Despite the rise, the rate was just 10 basis points above the U.S. average and outperformed California (5.2%) and all other major metros in the state—Los Angeles (6.0%), Sacramento (5.1%), San Diego (4.9%), San Francisco (4.6%) and San Jose (4.5%).
- Employment growth marked a 1.4% increase, or 23,800 jobs, year-over-year in the 12 months ending in June, 10 basis points ahead of the U.S. rate. Job growth has been steadily improving since October 2023. Four sectors lost 5,300 jobs combined, led by manufacturing (-3,200 jobs) and information (-1,300 jobs). Education and health services (14,600 jobs) led gains, followed by leisure and hospitality, up by 5,700 positions.
- Several notable projects underway will further enhance local amenities. One is the revitalization of Dana Point Marina Harbor, which in addition to reviving the marina and the existing restaurants and retail, will add two new hotels and fully rebuilt docks. Another is ocV!BE, a 4\$ billion, 95-acre, mixed-use community and live entertainment district surrounding Honda Center in Anaheim, which will include 1.1 million square feet of office space, 1,500 residential units, 230,000 square feet of retail space, two hotels, a 5,700-capacity concert venue, a 5-acre riverfront park and 20 acres of open space.

### Orange County Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	276.2	16.2%
70	Leisure and Hospitality	238.4	14.0%
90	Government	166.3	9.7%
40	Trade, Transportation and Utilities	262.9	15.4%
80	Other Services	57.7	3.4%
15	Mining, Logging and Construction	106.4	6.2%
55	Financial Activities	103.9	6.1%
60	Professional and Business Services	321.6	18.8%
50	Information	21.5	1.3%
30	Manufacturing	153.9	9.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- In 2022, Orange County marked its first population drop since 2010, down 7,696 residents for a 0.2% decline. Meanwhile the U.S. rate rose 0.4%.
- Between 2010 and 2022, the county's population rose 7.1%, trailing the 8.9% national average.

### Orange County vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Orange County	3,168,044	3,170,345	3,182,923	3,175,227

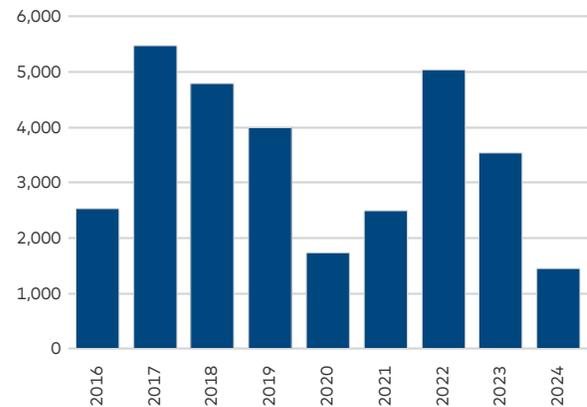
Source: U.S. Census

## SUPPLY

- Supply expansion was moderate in Orange County this year, totaling just 1,453 units through the first eight months. That's 0.7% of existing stock, well below the 1.7% U.S. rate. Nearly 30% of new deliveries were fully affordable projects and 70% upscale properties.
- The construction pipeline comprised 8,591 units underway in August, and another 30,000 in the planning and permitting stages. Fully affordable projects account for just 8.6% of the units underway, while the Lifestyle segment's share is almost 90%.
- Development activity continued to soften and the volume of new projects breaking ground through August dropped to 1,085 units across four properties, from 2,521 units across eight properties in 2023, and below the 1,900 units across four properties that started during the same period in 2022.
- Leading submarkets by units under construction remained North Irvine (2,157 units), South Irvine (2,063 units) and Tustin (1,100 units). The first two had average asking rents above the \$3,000 mark as of August.

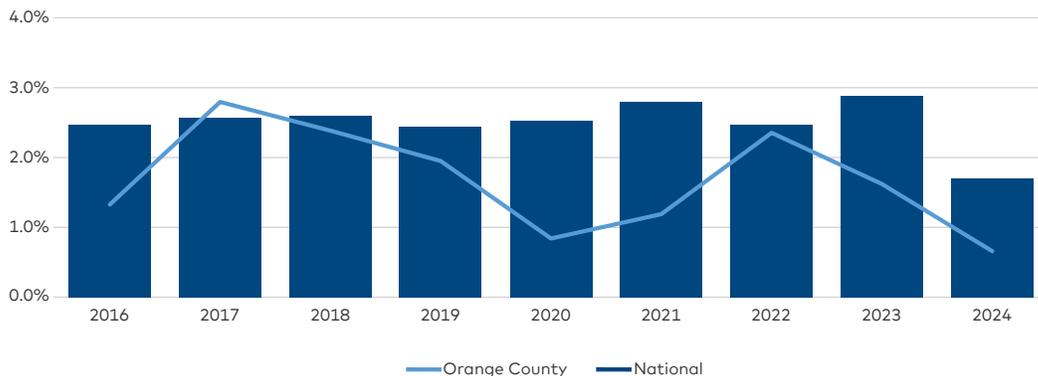
- The largest project underway by the third quarter of 2024, was The Market Place in North Irvine. Totalling 1,261 units, the asset broke ground in December 2023 and is owned by Irvine Co. It includes 211 affordable units and is slated for completion in the second quarter of 2026. The 1,100-unit Row at Red Hill in Tustin is second largest. Owned by Greystar, the property has a \$188 million construction loan attached, originated by Bank of America, and is slated for completion in 2025.

**Orange County Completions** (as of August 2024)



Source: Yardi Matrix

**Orange County vs. National Completions as a Percentage of Total Stock** (as of August 2024)



Source: Yardi Matrix

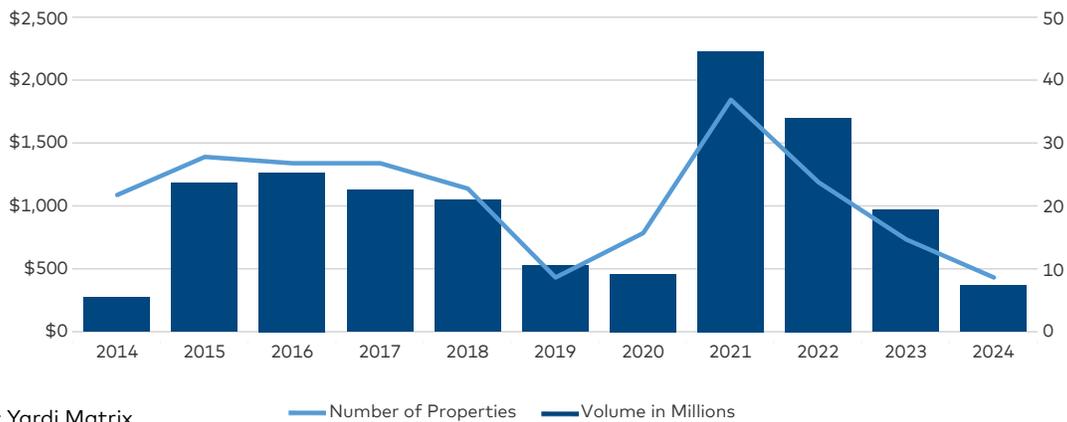
## TRANSACTIONS

- ▶ Investment activity in Orange County was slow through the first eight months of the year, totaling \$363 million across nine transactions. With investor focus settling on value-add opportunities, all but one of the assets that traded were RBN properties.
- ▶ The drop in sales volume stems not only from the low number of properties that changed hands but also from the sales composition. Even so, the price per unit increased 5.6% year-to-

date, to \$344,561, nearly double the \$184,269 U.S. figure, which fell 0.3%.

- ▶ Notable recent transactions include Cliff Warren Investments' sale of Arbors, a 160-unit RBN property in Santa Ana. Post Investment Group in partnership with Integrity Housing acquired the asset for \$41 million, or \$254,688 per unit, with aid from a \$30 million Freddie Mac loan originated by CBRE Capital Markets.

### Orange County Sales Volume and Number of Properties Sold (as of August 2024)



Source: Yardi Matrix

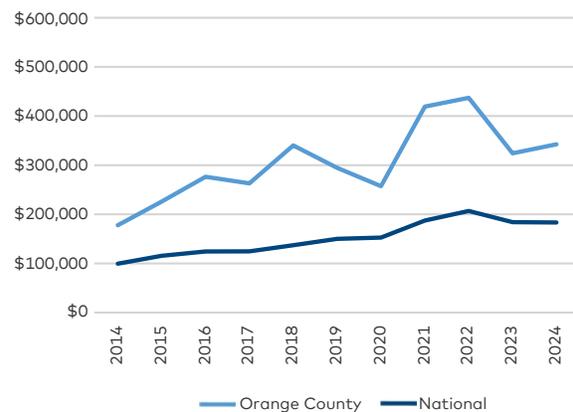
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Huntington Beach	285
Costa Mesa	232
Santa Ana	210
Anaheim–West	106
Placentia	63
Buena Park–Cypress	35
Orange	30

Source: Yardi Matrix

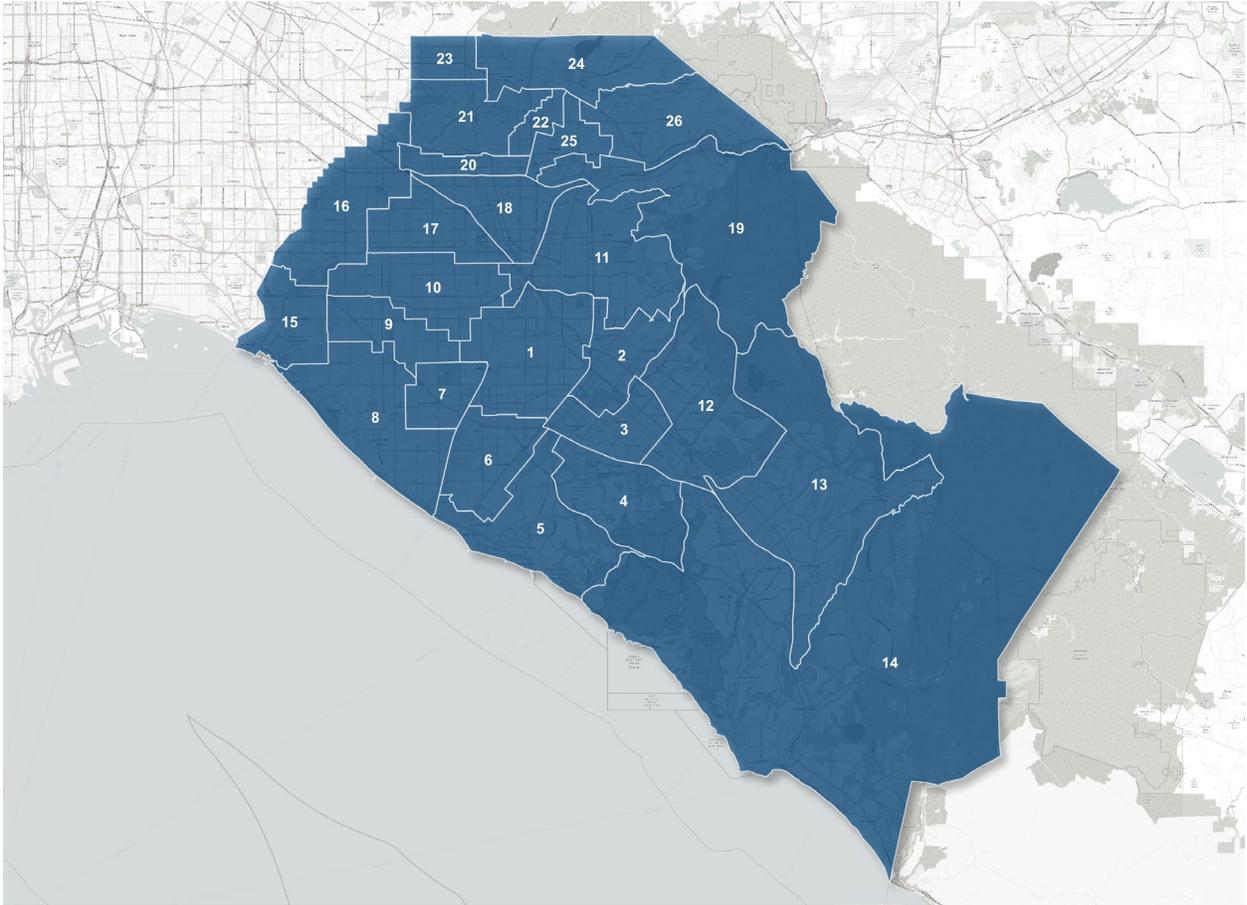
<sup>1</sup> From September 2023 to August 2024

### Orange County vs. National Sales Price per Unit



Source: Yardi Matrix

# ORANGE COUNTY SUBMARKETS



Area No.	Submarket
1	Santa Ana
2	Tustin
3	Central Irvine
4	South Irvine
5	Newport Beach
6	Costa Mesa
7	Fountain Valley
8	Huntington Beach
9	Westminster
10	Garden Grove
11	Orange
12	West Irvine
13	Mission Viejo-Lake Forest

Area No.	Submarket
14	South Orange County
15	Seal Beach
16	Buena Park-Cypress
17	Anaheim-West
18	Anaheim-Central
19	Anaheim Hills
20	Fullerton-South
21	Fullerton-North
22	Fullerton-University
23	La Habra
24	Brea
25	Placentia
26	Yorba Linda

## DEFINITIONS

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter-by-Necessity households** span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit [www.yardimatrix.com](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x14006.



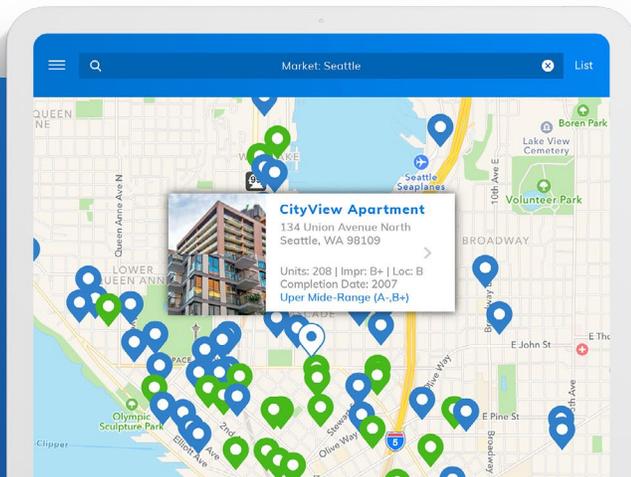
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