

YARDI® Matrix

Price of Paradise Jumps in the OC

Multifamily Fall Report 2016

Rents Far Outpace Nation

Upscale Units Drive Development

Sales Volume Hits Post-Recession High

ORANGE COUNTY MULTIFAMILY

YARDI® Matrix

Market Analysis

Fall 2016

Contacts

Paul Fiorilla

Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Jack Kern

Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Author

Adriana Pop

Senior Associate Editor

Strong Fundamentals Lead to High Costs

Sunny Orange County's apartment market has a lot going for it. A rising population and healthy economy create demand, while supply growth is tepid, which has pushed rents high and vacancies low. However, that has also bumped rents up to levels that are unaffordable for a large portion of the population.

Employment rose by 3% through July, sustained by the local building boom. Orange County also boasts the highest concentration of science, technology, engineering and math (STEM) jobs in the region, providing a good business climate for fast-growing companies such as SpaceX, Microsemi, Edwards Lifesciences, Masimo Corp. and Universal Electronics. Tourism is also robust, supporting job growth and attracting new projects.

Orange County ranks as one of the most expensive markets in the nation, with the median home price at \$614,000 and average monthly rents at nearly \$1,900. Consequently, many young families and working adults with moderate incomes are being priced out of the market, which lacks adequate workforce housing. And while upcoming supply may be significant, luxury apartments make up the bulk of new construction. Property values continue to rise, and transaction activity hit \$1.3 billion through September. The aggressive pace of investment creates a low cap rate environment, attracting buyers who accept lower yields in exchange for stability and capital appreciation.

Recent Orange County Transactions

Axiom Tustin



City: Tustin, Calif.
Buyer: Raintree Partners
Purchase Price: \$164 MM
Price per Unit: \$260,423

Elan Huntington Beach



City: Huntington Beach, Calif.
Buyer: LaSalle Investment Management
Purchase Price: \$131 MM
Price per Unit: \$478,102

Huntington Villas



City: Huntington Beach, Calif.
Buyer: Lone Star Funds
Purchase Price: \$116 MM
Price per Unit: \$288,815

Adagio



City: Santa Ana, Calif.
Buyer: Decron Properties
Purchase Price: \$96 MM
Price per Unit: \$274,286