ORANGE COUNTY MULTIFAMILY

YARDI MATRIX
Data provided by Pierce-Eislen

Market Analysis

Spring, 2015

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Job Growth, Housing Gains Fuel O.C.

Orange County's multifamily market hasn't grown at the frothy rate of some of its West Coast peers, but its solid performance looks to be sustainable due to robust demand, moderate supply growth, expensive single-family housing and a rebounding economy. Employment in the metro grew by 51,000 over the past year, a 3.5% increase, with gains coming from expanding segments such as: professional services, construction, education and health care and tourism. Following the job gains, the metro's population has grown by 1% per year over the past few years, more than the national average. Although developers are expected to add 5,700 units, or 3.1% of total stock, the increase in supply follows several years of below-average growth, meaning there is a considerable pent-up demand.

What's more, Orange County's single-family housing is among the most expensive in the nation, which gives renters few options if they are looking for affordable housing. With vacancy rates already at paper-thin levels, landlords have the pricing power they need to implement rent increases. We expect rents to rise in the 5-6% range in 2015.

That said, even strong markets have limits, and affordability is expected to be an issue going forward. Job growth is bifurcated between high-paying professional jobs and low-paying jobs in the segments such as hospitality. Over the past year, some of the submarkets with the highest rents – such as Newport Beach and West Irvine – have seen the lowest increases.

Top 5 Submarkets for Rent Growth (Fall 2014 to Spring 2015[1])
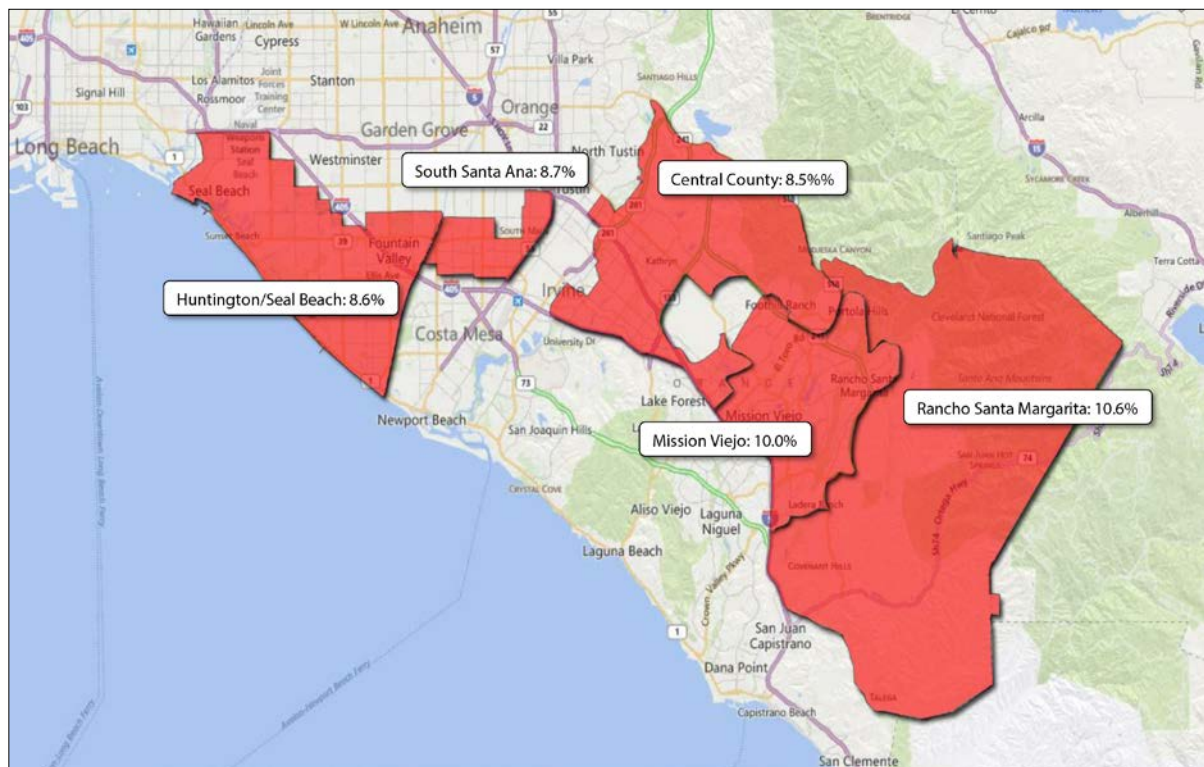
[1] YardiMatrix™ surveys over 1,000 properties in Orange County, three times a year during the Spring, Summer & Fall.