

Yardi® Matrix

Orange County: A Tale of Contrast

Multifamily Report Summer 2018

RBN-Lifestyle Rent Growth Gap Widens

High Cost of Owning Boosts Rental Demand

Developers Target Most Expensive Submarkets

ORANGE COUNTY MULTIFAMILY

Yardi® Matrix

Market Analysis

Summer 2018

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

New Supply Matches Lifestyle Demand

Household formation, along with job and population gains, underpin multifamily demand in Orange County, where expensive single-family homes remain unattainable for many working families.

Education and health services (9,000 jobs) led job growth in the 12 months ending in May, followed by professional and business services (8,900) and leisure and hospitality (3,000). A strong economic engine has brought the county near full employment, but the high cost of housing is burdening middle-class workers, some of whom choose to commute. Not surprisingly, the only group expected to grow as a percentage of the county's population over the next 20 years consists of residents age 65 and over.

Last year's supply reached a cycle peak, with more than 5,400 apartments delivered. Another 2,400 were delivered this year through July, moderating rent growth, especially for the Lifestyle asset class, where the bulk of new construction falls. New supply has put pressure on occupancy, which nevertheless remains above its historical average. Developers are focusing on expensive submarkets, including West Irvine and Anaheim-Central, while transaction activity is slowing in the context of rising property values. As the RBN-Lifestyle rent growth spread is likely to persist, we expect the metro's average rent increase to remain at 1.7% for the whole of 2018.

Recent Orange County Transactions

Surf at 39



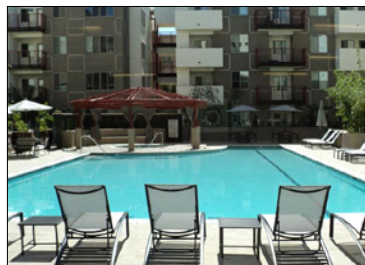
City: Huntington Beach, Calif.
Buyer: Interstate Equities Corp.
Purchase Price: \$134 MM
Price per Unit: \$335,000

Stadium House



City: Anaheim, Calif.
Buyer: Advanced Real Estate
Purchase Price: \$112 MM
Price per Unit: \$444,622

The Crossing



City: Anaheim, Calif.
Buyer: RedHill Realty Investments
Purchase Price: \$106 MM
Price per Unit: \$339,744

Pacific Shores



City: Huntington Beach, Calif.
Buyer: TruAmerica Multifamily
Purchase Price: \$91 MM
Price per Unit: \$344,106