

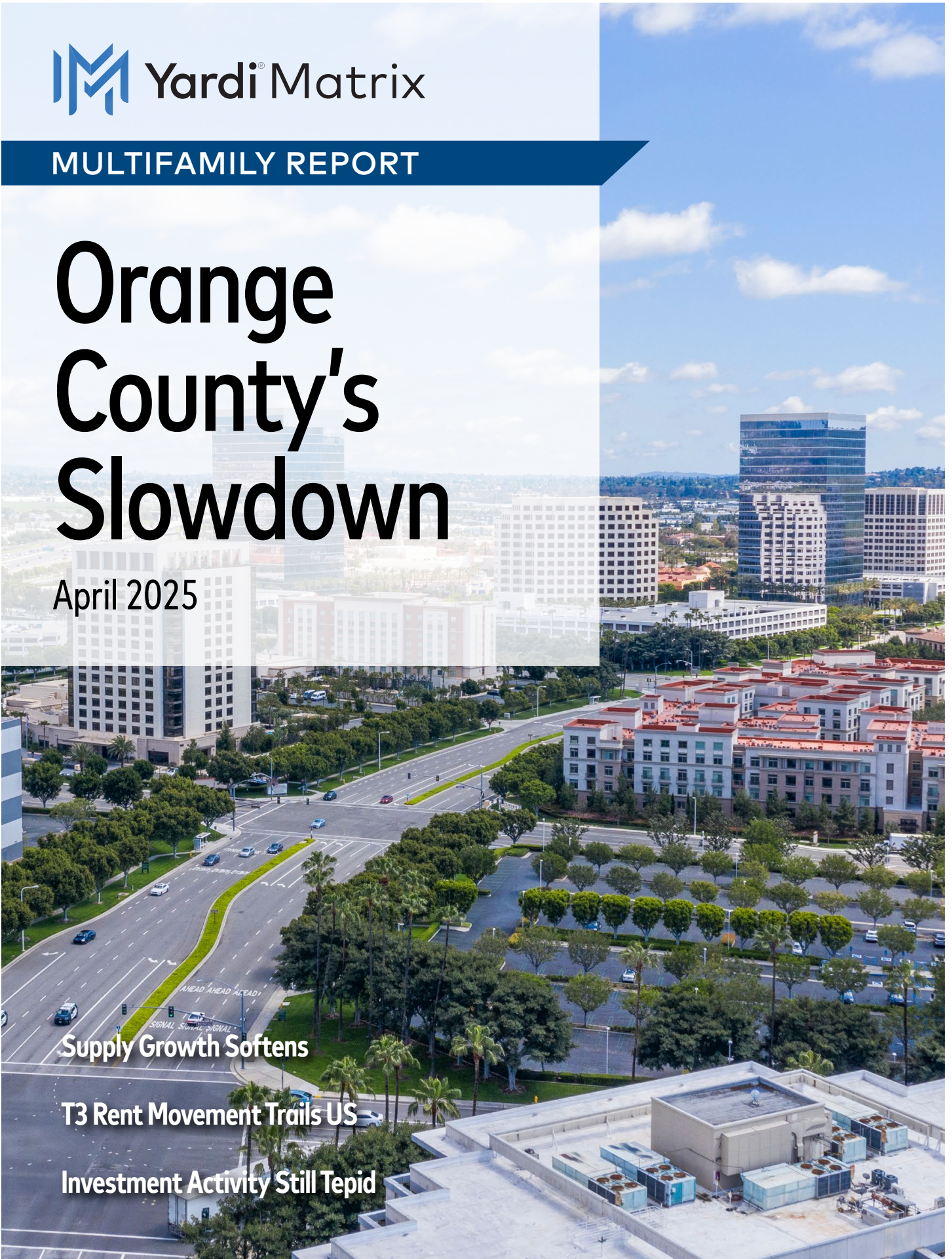
# Orange County's Slowdown

April 2025

Supply Growth Softens

T3 Rent Movement Trails US

Investment Activity Still Tepid



# ORANGE COUNTY MULTIFAMILY



## Moderation Across Fundamentals

Orange County multifamily fundamentals moderated across the board at the start of 2025. The average advertised asking rent fell 0.2%, on a trailing three-month basis through February, to \$2,821, trailing the U.S. rate, which was flat, at \$1,751. Occupancy in stabilized properties inched down 10 basis points year-over-year, to 96.5% as of February, still well above the 94.5% national rate.

Employment growth also moderated slightly, at 1.1% as of December 2024, 20 basis points behind the national rate. The county added 10,900 net jobs over 12 months. Meanwhile, unemployment stood at 4.1% in January, slightly higher than the 4.0% U.S. rate, but well below the 5.4% state figure. Last year, four sectors lost jobs in Orange County, with mining, logging and construction (-4,100 jobs) and manufacturing (-3,000) accounting for most of the losses. During this time, job gains were led by education and health services (9,200) and trade, transportation and utilities and leisure and hospitality (2,400 jobs each). An office-to-industrial redevelopment trend is taking shape in the area. Projects include Terreno Realty Corp.'s redevelopment of an office property into a distribution building in Santa Ana.

Developers had 8,235 units under construction as of February, on the heels of the slowest year for deliveries in at least a decade. Transaction activity also continued at a slower pace. The total for last year hit \$780 million, with the price per unit at \$355,287.

## Market Analysis | April 2025

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On the cover: Photo by MattGush/iStockphoto.com

### Recent Orange County Transactions

#### The Royce



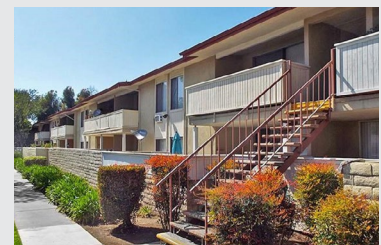
City: Irvine, Calif.  
Buyer: BlackRock  
Purchase Price: \$248 MM  
Price per Unit: \$475,962

#### Horizon



City: Santa Ana, Calif.  
Buyer: Bridge Investment Group  
Purchase Price: \$129 MM  
Price per Unit: \$318,227

#### The Arbors



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

#### Las Palmas

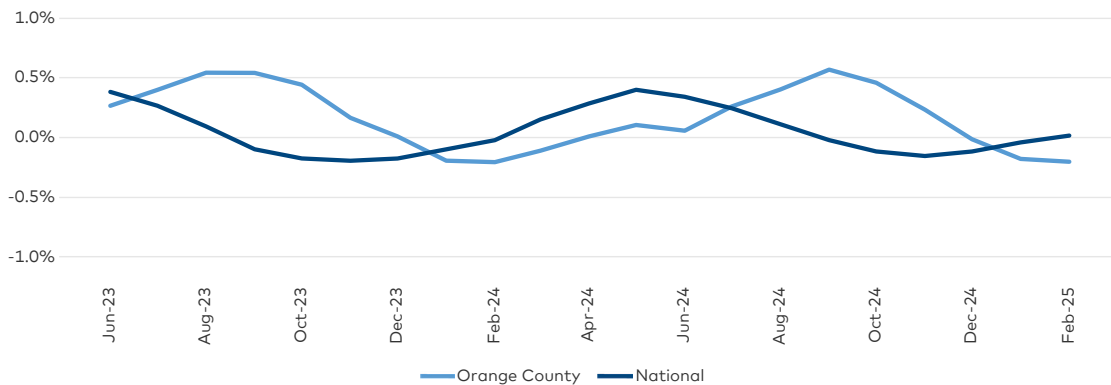


City: Fullerton, Calif.  
Buyer: Borstein Enterprises  
Purchase Price: \$40 MM  
Price per Unit: \$188,679

## RENT TRENDS

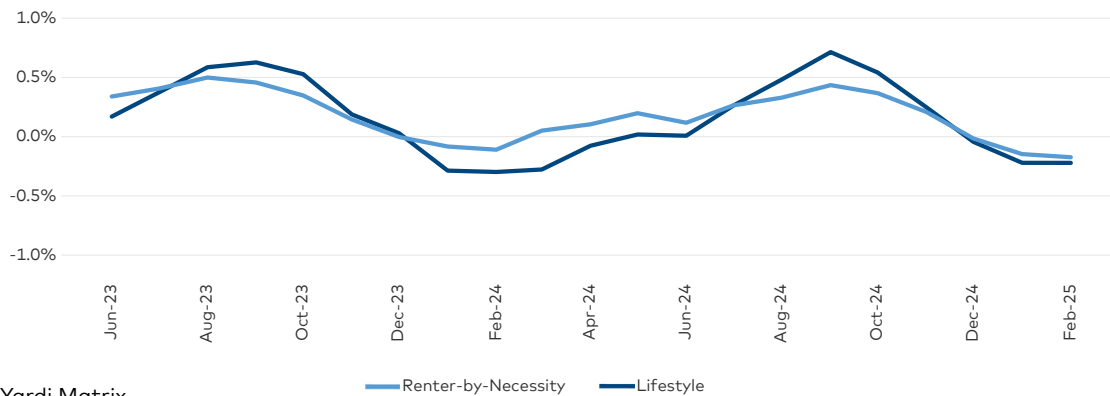
- ▶ Orange County's rate deceleration shifted to a contraction, with advertised asking rents down 0.2%, on a trailing three-month (T3) basis through February, to \$2,821. The national rate remained unchanged, at \$1,751. Typically, the metro's rent performance follows the national trend, with about a two-month lag. Year-over-year, rents in the county posted a 1.7% increase, outperforming the 1.2% U.S. average.
- ▶ Rent performance was even across quality segments, down 0.2% on a T3 basis—to \$3,186 for Lifestyle, and \$2,522 in the working-class Renter-by-Necessity segment.
- ▶ The occupancy rate in stabilized properties remained healthy at 96.5% as of February, following a 10-basis-point downtick year-over-year. Occupancy was down 10 basis points across segments—to 96.7% in RBN and 96.3% in Lifestyle. Meanwhile, the average U.S. occupancy rate remained unchanged over 12 months, at 94.5%.
- ▶ Average advertised asking rents in Orange County declined year-over-year through February in only four of the 26 submarkets tracked by Yardi Matrix. This included the top two most expensive submarkets: Newport Beach (-2.1% to \$3,555) and South Irvine (-0.1% to \$3,260). The strongest rent gains were recorded in Placentia (5.6% to \$2,592), La Habra (5.4% to \$2,353) and Yorba Linda (5.2% to \$2,816). Six of Orange County's submarkets had advertised asking rents above the \$3,000 threshold, with the number unchanged from a year ago.

**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

- ▶ Employment growth decelerated to 1.1% as of December, trailing the 1.3% U.S. average. The area added 10,900 net jobs last year. Orange County's unemployment rate ranged from 3.3% to 4.5% in 2024, clocking in at 4.1% in January 2025, according to data from the Bureau of Labor Statistics. That put the metro 10 basis points above the U.S. rate. The metro also outperformed the state and Los Angeles (both at 5.4%).
- ▶ Orange County job growth was mainly led by the area's second-largest sector, education and health services, which added 9,200 jobs. Next in line were trade, transportation and utilities and leisure and hospitality (each 2,400 jobs). The area's largest sector, professional and business services, gained just 2,100 jobs. Meanwhile, four sectors lost 8,100 jobs combined, with the largest losses recorded in mining, logging and construction (-4,100 jobs) and manufacturing (-3,000 jobs).
- ▶ Recent activity includes Terreno Realty Corp.'s redevelopment of a 4.9-acre office property in Santa Ana into a 92,000-square-foot industrial distribution building. The trend is set to continue, with three other outdated office buildings and a vacant parcel in south Santa Ana, which received approval to be replaced with an industrial campus. Meanwhile, Related is getting closer to breaking ground on a \$3 billion mixed-use project dubbed Related Bristol. It is set to include nearly 4,000 residential units, among other uses.

### Orange County Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	283.1	16.5%
40	Trade, Transportation and Utilities	272.6	15.9%
70	Leisure and Hospitality	233.9	13.6%
60	Professional and Business Services	324.7	18.9%
90	Government	165.5	9.6%
55	Financial Activities	105.4	6.1%
50	Information	21.4	1.2%
80	Other Services	55.5	3.2%
30	Manufacturing	153.4	8.9%
15	Mining, Logging and Construction	103.2	6.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ Between 2010 and 2022, Orange County's population rose 7.1%, trailing the 8.9% national figure.
- ▶ The county's population decreased in 2022 for the first time since the 2010 U.S. Census, down 0.2%, or 7,696 residents. Meanwhile, the U.S. rate rose 0.4%.

### 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

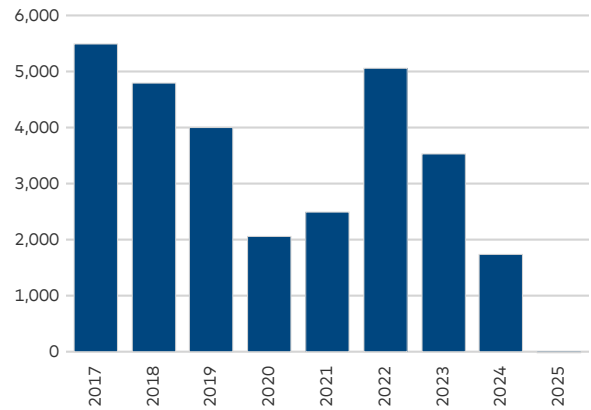
## SUPPLY

- ▶ Developers had 8,235 units under construction in Orange County as of February, and another 33,000 in the planning and permitting stages. The under-construction pipeline comprised Lifestyle units (93.1%) and fully affordable communities (6.9%).
- ▶ Last year, supply growth moderated in Orange County, amounting to 1,738 units, or 0.8% of existing stock. This marked the smallest inventory expansion in the past decade. Meanwhile, the U.S. stock expanded 3.5% in 2024, clocking the highest rate of the decade. Orange County deliveries in 2024 included only Lifestyle (60.9%) and fully affordable (39.1%) units.
- ▶ New development moderated in Orange County, with construction starts dropping to 1,173 units across five properties in 2024, from 3,533 units across nine properties in 2023. Four of the projects that broke ground in 2024 were fully affordable communities, with the fifth being a Lifestyle project—Irvine Co.'s 896-unit property in North Irvine, dubbed Pacifica Place, which will include 150 affordable units.
- ▶ Developers were active in 15 of the 26 submarkets tracked by Yardi Matrix, and more than half of the units under construction were in three

submarkets: North Irvine (2,157 units), South Irvine (2,063 units) and Tustin (1,100 units).

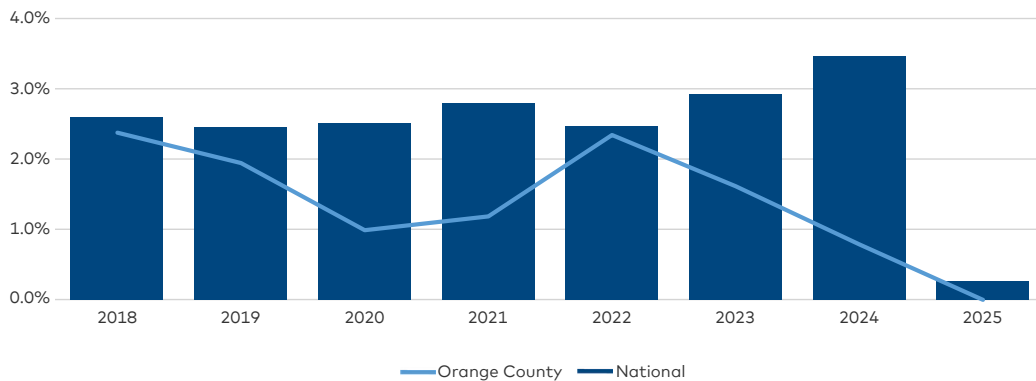
- ▶ North Irvine had the largest project under construction as of February, a partially affordable, 1,261-unit Lifestyle property, also owned by Irvine Co. The development includes 211 affordable units. Irvine broke ground on The Market Place in December 2023, with completion scheduled for 2026.

**Orange County Completions**  
(as of February 2025)



Source: Yardi Matrix

**Orange County vs. National Completions as a Percentage of Total Stock** (as of February 2025)



Source: Yardi Matrix

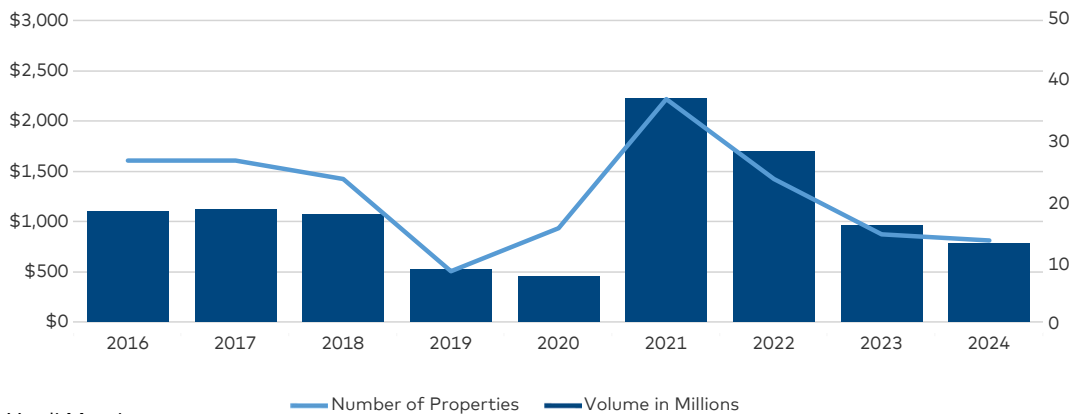
## TRANSACTIONS

- ▶ Orange County multifamily sales totaled \$780 million in 2024, down almost 20% year-over-year. It was also below the \$900 million 10-year average, even when excluding 2021 and 2022, which were clear outliers. Last year's sales total was the third lowest for the decade, above only 2019 (\$532 million) and 2020 (\$457 million).
- ▶ The metro's sales composition in 2024 comprised 62% RBN, 28% Lifestyle and 9% fully affordable units. Orange County's average price per unit rose 9.7% year-over-year to \$355,287 in 2024,

well above the national figure, which clocked in at \$194,060 last year.

- ▶ Two deals accounted for nearly half the volume last year: Sares Regis Group's sale of The Royce, a 520-unit asset South Irvine, which traded for \$247.5 million to BlackRock; and Bascom Group's sale of Horizon, a 406-unit asset in Santa Ana, with Bridge Investment Group paying \$129.2 million. The latter holds an \$85.6 million, five-year CMBS loan originated by JLL.

### Orange County Sales Volume and Number of Properties Sold (as of February 2025)



Source: Yardi Matrix

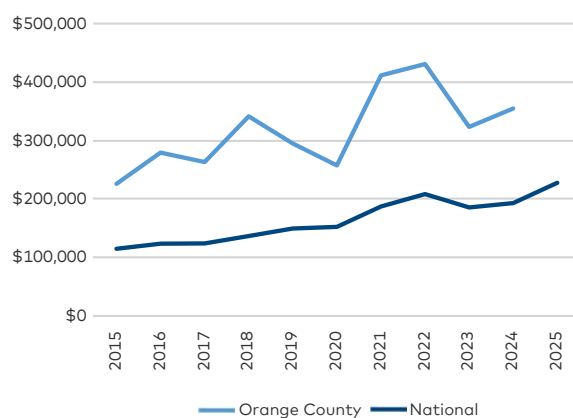
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
South Irvine	248
Santa Ana	199
Fullerton-North	40
Anaheim-West	27
Huntington Beach	25

Source: Yardi Matrix

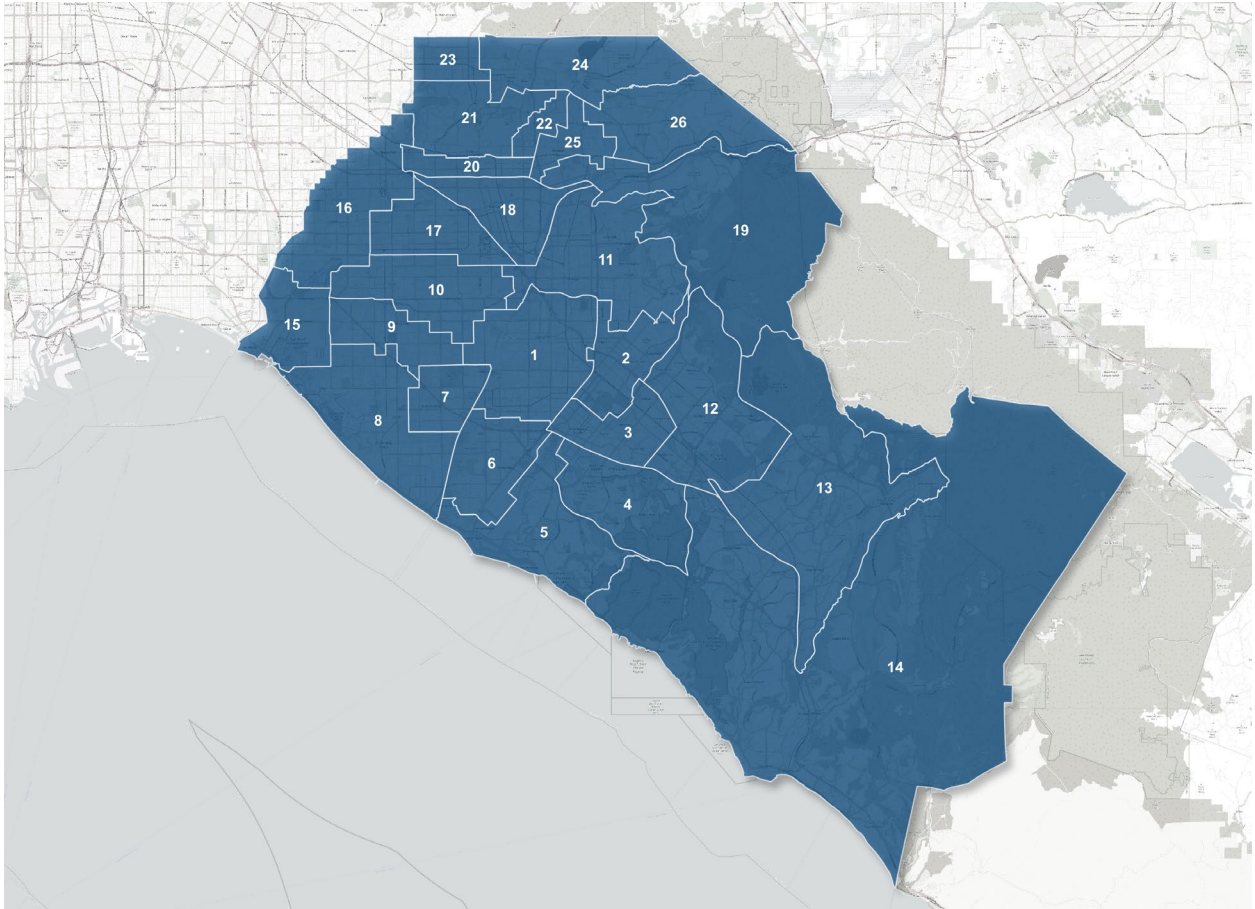
<sup>1</sup> From March 2024 to February 2025

### 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.

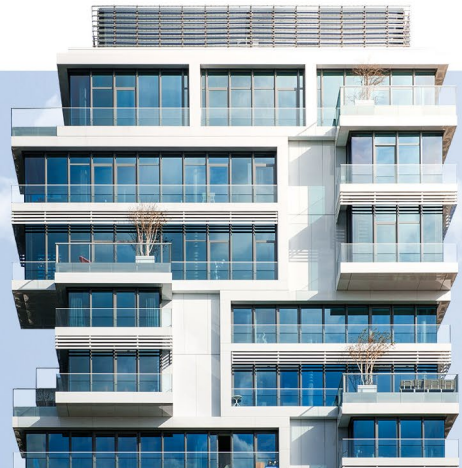
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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