

# Multifamily Metro Outlook:

## Orange County - Q2 2024

### Overview:

- Orange County's economy has been rebounding and generally growing more robustly than the rest of California. The core of the metro's economic engine is well-paying professional and business service jobs that account for a large portion of the area's jobs, which grew 1.2% in the year ending Q2 2024, which was well above the 0.8% national average. However, Orange County is home to a significant tourism sector (headlined by Disneyland and Knott's Berry Farm), which still has activity levels modestly below 2019, especially for business and convention travel, though these travel components may further rebound in 2025.
- Strong economic and apartment market conditions attracted developers prior to the pandemic, and the metro's apartment market was poised for some easing as good, but not exceptional, demand was slightly outweighed by a generous supply of new units. The market has robustly rebounded, with exceptionally low vacancy rates and unprecedented rates of rent growth, but the rebound began to ease in late 2023.
- Housing affordability remains a significant concern in the metro area. Home prices remain unaffordable to three-quarters of the metro's population, which has resulted in the area experiencing modest levels of out-migration. The area's soft job growth prior to the pandemic was partially attributable to this lack of affordability: while many employers were seeking new hires, not enough workers wanted to move to the metro due to the high cost of living and housing.

### Market Strengths:

- Low vacancy rates have persisted for many years, never going above 6% in the last 10 years and historically staying below 5%. Indicators all point to strong long-term demand for multifamily rental housing, especially given the high cost of single-family housing.
- Job growth in Orange County has been steady: in the year ending Q2 2024, the number of jobs in the market grew 1.7%, which was equal to the national average, though better than most of California. The metro is forecasted to see near-average job growth over the next five years, with Oxford Economics estimating annual growth of 0.59%, compared to 0.57% growth nationally.

### Market Weaknesses:

- Population growth in the year ending Q2 2024 was 0.2%, underperforming the national average of 0.5% growth. Forecasts indicate that the population will likely lag national average growth rates over the next five years, a trend driven by the unaffordability of housing.
- The cost of housing in Orange County is so high that many new employees must find housing outside of Orange County, limiting the impact of a strengthening job market on the local apartment market.

### Development:

- Nearly 23,100 apartment units have been completed since the start of 2017, and another 7,790 units are currently underway. The relatively modest level of condo development in Orange County is not a significant threat to the supply of rental housing in the metro. The primary concern for the metro is the supply of existing single-family homes for rent, though this concern is minor considering the exceptionally high prices of single-family homes.

### Outlook:

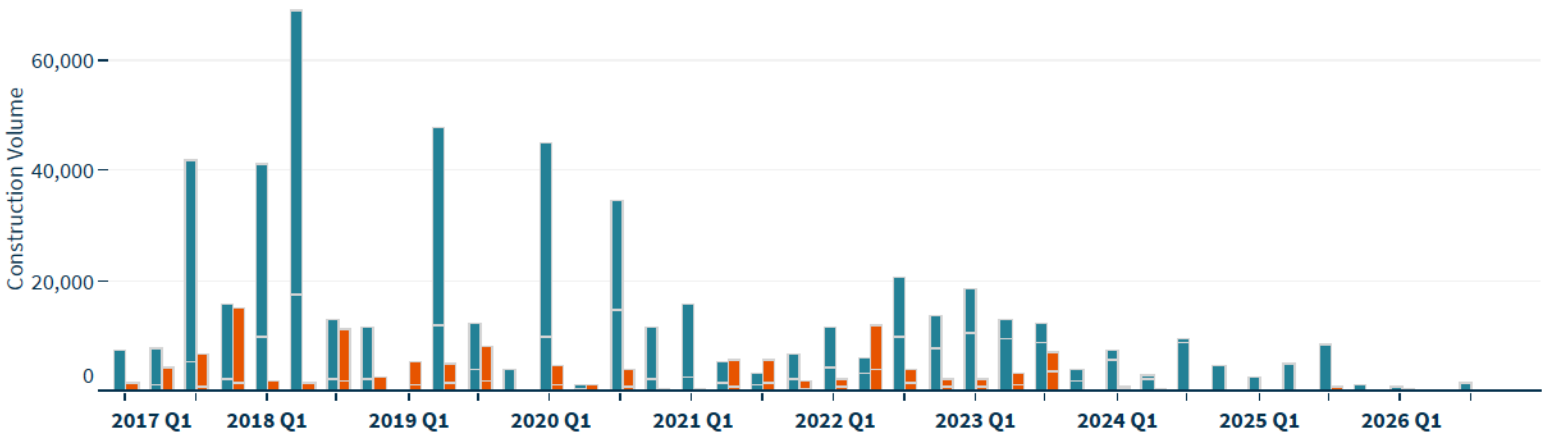
- The metro's rental market had exceptional demand in the rebound of 2022 and early 2023, but conditions have softened. With the recovery of the metro's job market nearly complete and the nation experiencing modest but positive job growth, the apartment market should return to being quite healthy compared to the nation and other parts of Southern California, though some brief periods of negative fundamental measures may occur after the recent rebound subsides. Despite modest out-migration, over the long term, Orange County still will likely need a significant number of new rental units to satisfy its expected growth and make housing in the area more affordable.
- Orange County is a world-class destination metro, with several economic engines, including low-paid tourism jobs and high-paid professional and business services jobs. Its attractiveness is also one of its most important weaknesses: the desirability of living in the metro has resulted in it being a very expensive place to live, work, and do business. The pandemic temporarily stalled the metro's economic engines, but its foundational industries aren't going anywhere in the near term, and Orange County is very likely to continue growing economically, albeit it at a slower pace than the national average.



## Multifamily Apartment Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

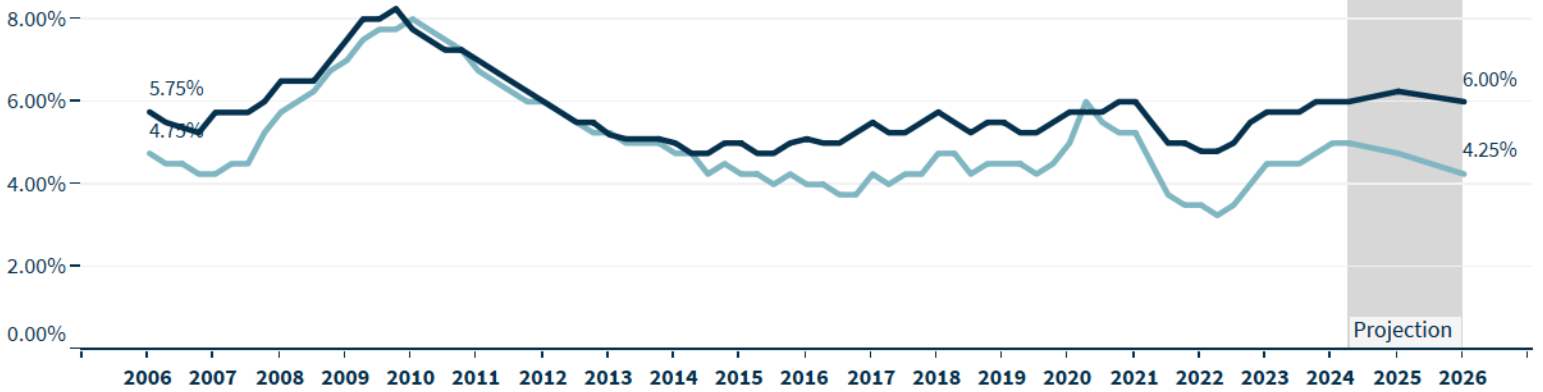
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Orange County | National

Q2 2024 Vacancy Rate:

5.00%



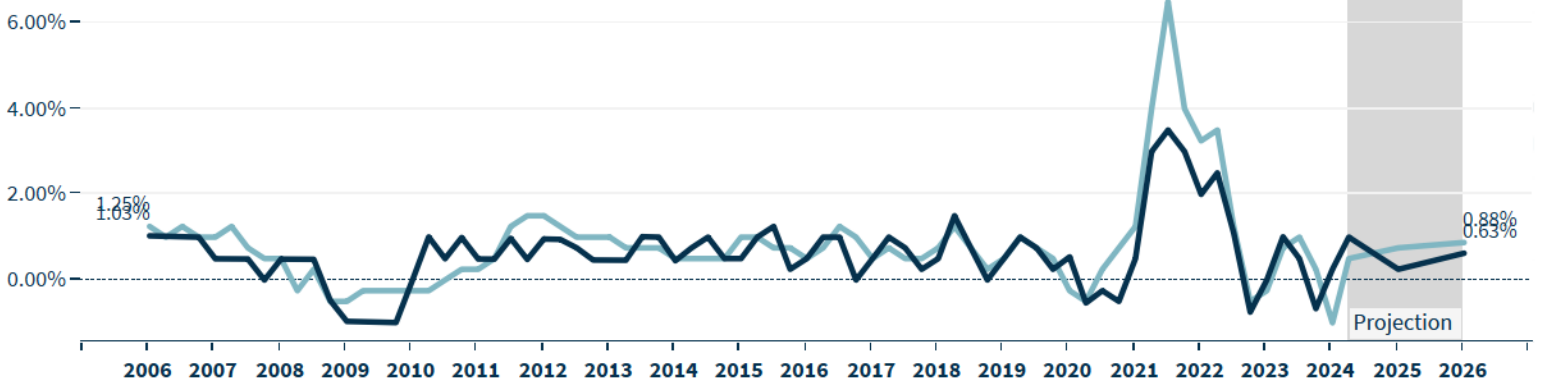
Projection

### Asking Rent Growth

Orange County | National

Q2 2024 Asking Rent:

\$2,480

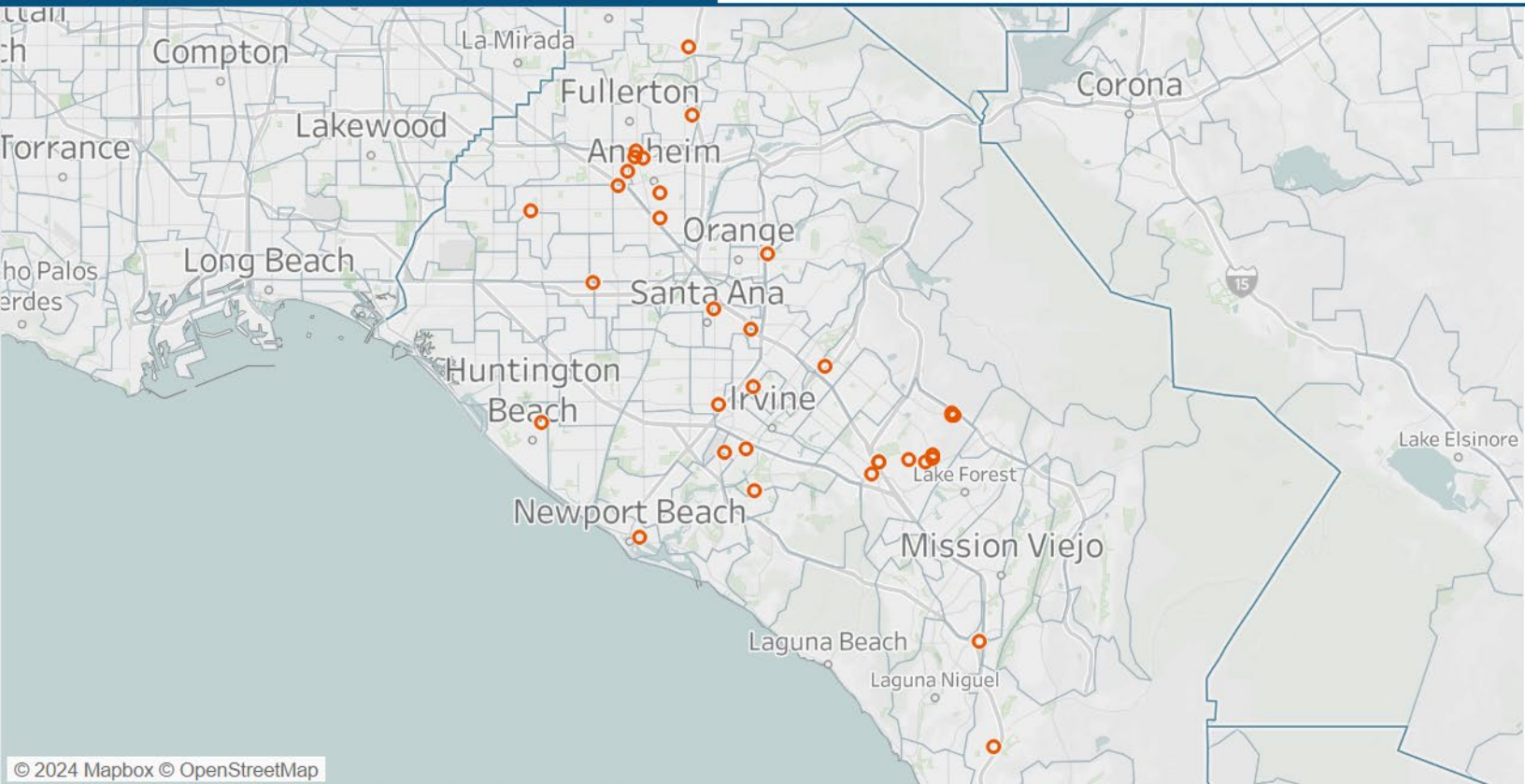


Projection

Source: Fannie Mae Multifamily Economics and Research



## Multifamily Construction: Bidding & Underway



<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
East Anaheim/Orange	3	364
Fullerton	1	377
Garden Grove/Westminster	1	460
Huntington Beach	1	346
Newport Beach	1	36
North Irvine	11	2,106
North Orange County	1	380
Santa Ana	1	48
South Irvine	4	921
South Orange County	2	359
Tustin/West Santa Ana	3	1,423
West Anaheim	6	908
<b>Grand Total</b>	<b>35</b>	<b>7,728</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

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## Multifamily Economics and Market Research Team

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### Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

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