



## Multifamily Metro Outlook: Orange County Fall 2018

### Overview

Orange County's apartment rental market recovered nicely from the Great Recession due to limited development and steady job numbers that provided solid apartment demand. These favorable conditions attracted developers, and the metro's apartment market is likely poised for some easing as good, but not exceptional, demand is outweighed slightly by a generous supply of new units.

Historically, Orange County is a tight apartment market with low vacancy rates that have persisted for many years, never going above 6 percent in the last 10 years and generally staying below 5 percent. Rents had grown at over 4 percent annually prior to the Great Recession. Indicators point to long-term demand for apartment rental housing, especially given the high cost of single-family housing.

Population growth in the year ending Q2 2018 was 0.2 percent, underperforming the national average of 0.7 percent. Forecasts indicate that population growth is likely to continue to be slightly below average through 2022. Job growth in Orange County has returned, though it has slowed: The metro added 9,000 jobs in the year ending Q2 2018, increasing 1.0 percent, compared to 1.6 percent nationally.

Orange County depends disproportionately on both national and local housing conditions. Not only does the metro have a high concentration of construction jobs (6.3 percent of jobs, compared to 4.7 percent nationally), but a significant portion of professional and financial jobs in the metro are (or were) related to mortgage finance, specifically sub-prime financing, many of which will likely never be regained by the metro.

### Development

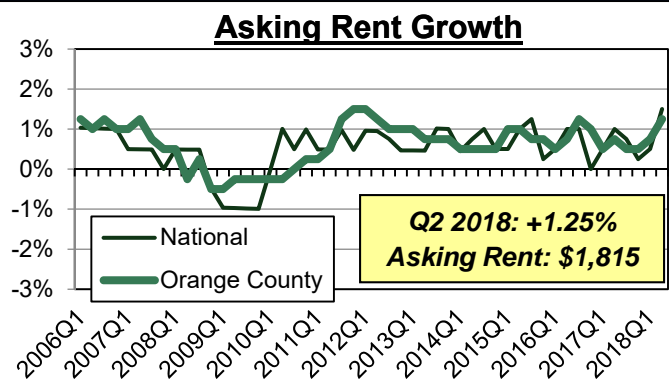
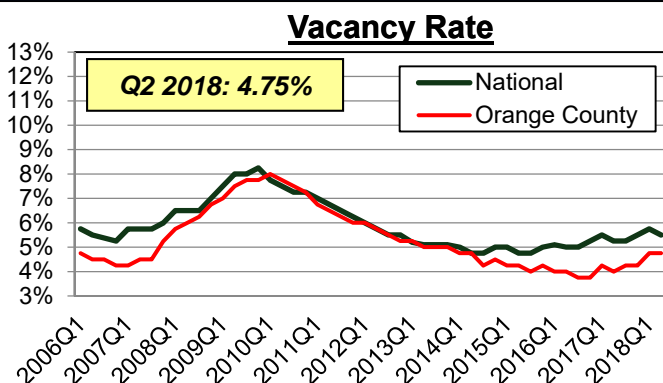
Over 18,100 apartment rental units have been completed since the start of 2012, and another 4,900 units are currently underway. Since the beginning of 2006, approximately 8,000 condo units were completed, though fewer than 1,000 condo units are underway and due to be delivered through Q4 2019. The relatively modest level of condo development in Orange County is not a significant threat to the supply of apartment rental housing. The primary competitive concern for the metro's apartment market is the supply of existing single-family homes for rent, though this concern is minor.

### Outlook

The metro's apartment rental market will likely see some near-term easing as the supply of new units is likely to be marginally greater than the demand for them. However, with the strength of the metro's job growth, the apartment market should remain quite healthy compared to the nation and other parts of Southern California.

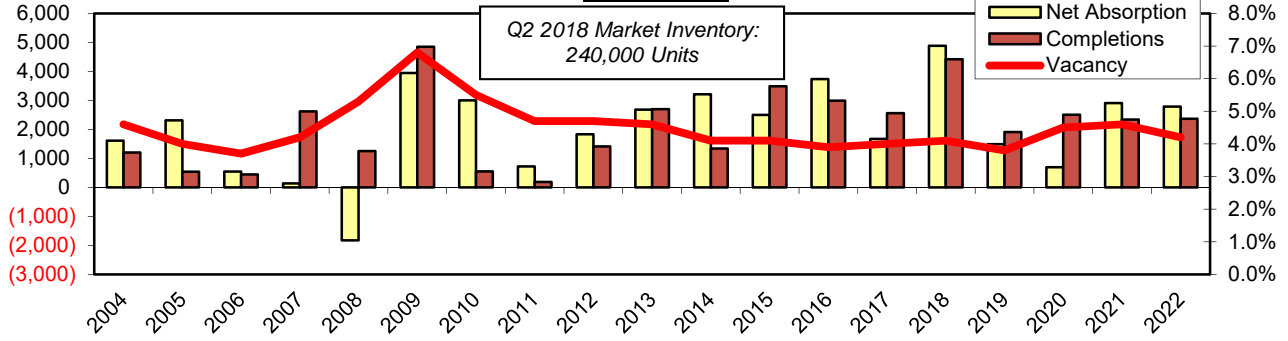
Despite recent inventory additions, Orange County will still likely need a significant number of new rental units to satisfy its long-term expected growth. Little of this inventory is currently underway – just 14 projects with 4,900 units are currently under construction – but enough supply should soon move from planning stages to meet expected demand. Were economic prospects brighter for Orange County and California overall, the apartment market would probably be heading toward a period of tightening.

## Vacancy and Rent Composite Estimates

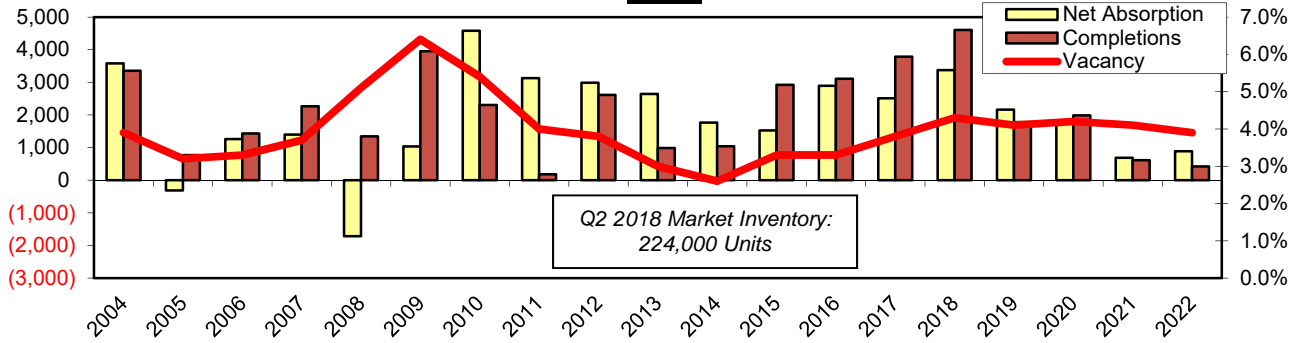


Source: Fannie Mae Multifamily and Economics Research

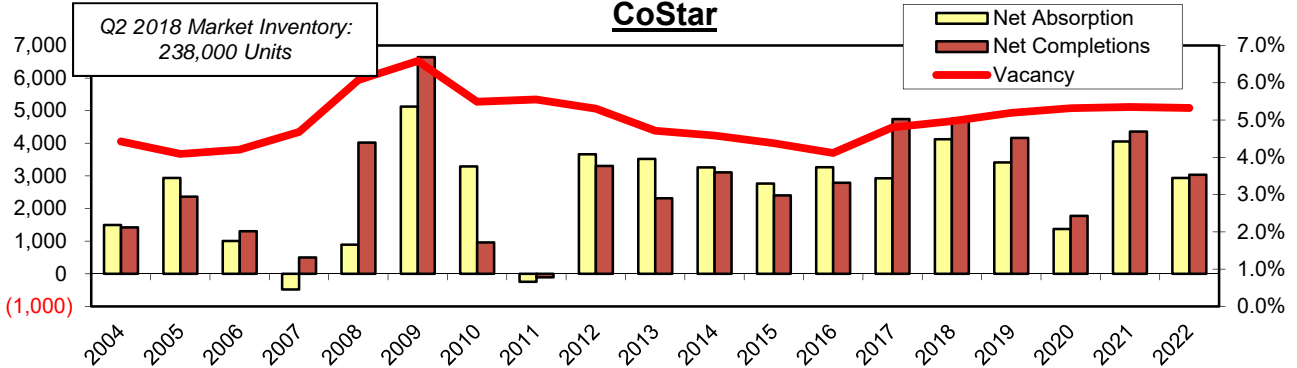
### CBRE-EA



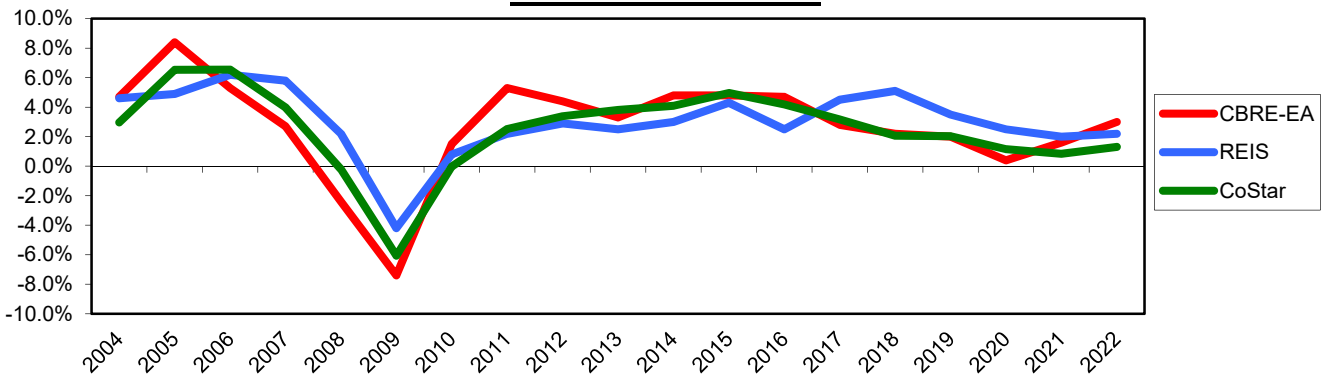
### REIS



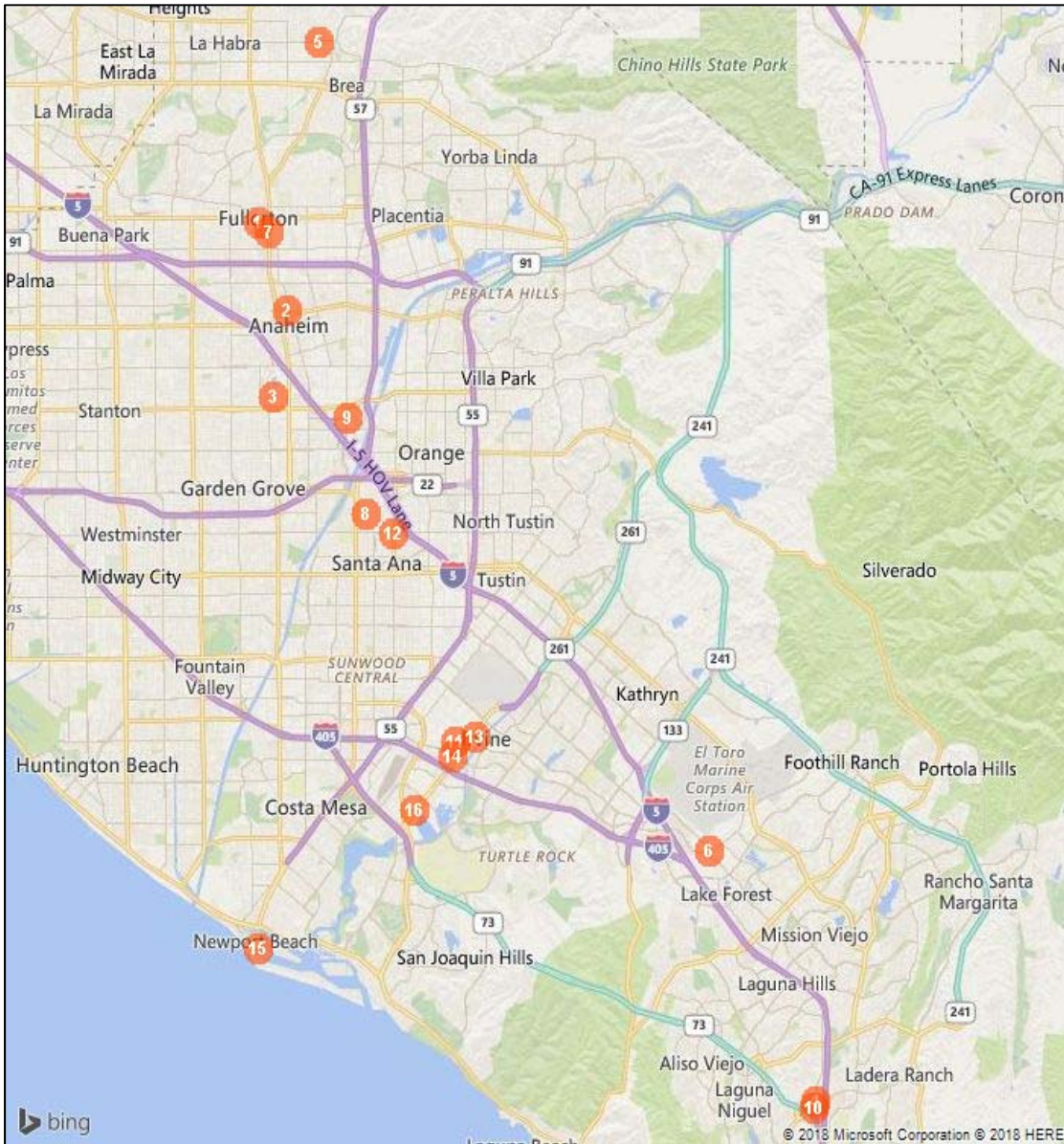
### CoStar



### Annual Rent Growth



**Construction Bidding/Underway**  
**(16 projects/5,200 Units/4.8 M Sq. Feet)**



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Brea	1	206	206
Fullerton	2	265	196
Irvine	5	1620	2691
Laguna Hills	2	812	772
Newport Beach	1	11	7
North Anaheim	1	220	220
North Santa Ana	2	67	58
South Anaheim	2	1642	1097



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### Fannie Mae Multifamily Economics and Market Research

Tim Komosa, Economist

#### Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

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