www.REBusinessOnline.com

January 2015 · Volume 12, Issue 5

WESTERN REAL ESTATE BUSINESS®

Connecting Real Estate in the West

MARKET HIGHLIGHT: ORANGE COUNTY

Fritz Grim

Vice President,
Newmark Realty Capital

COST TO OWN VS. COST TO BUY DOMINATES OC'S HOUSING MARKET

Southern California's population continues to expand and, predictably, demand for housing is following in its footsteps. The region is also experiencing steady job growth with climbing payrolls, which is now putting many residents in a position to purchase their first single-family home. However, the delta between median home prices and minimum qualifying household income in Orange County remains large. These metrics are contributing factors to the region's new multifamily deliveries, increasing rents and tightening vacancy rates, in what is a perennially strong multifamily market.

Every submarket in Orange County experienced rent growth this year. Like Los Angeles, Orange County also experienced rent growth every year since 2010, to a reported average rent of $1600 per unit, according to the USC Casden Forecast 2014 Multifamily Report. About 5,800 units will come online in the country in 201, with even more expected in 2015. Vacancies are going to be affected nominally in the near term and should not rise above 4 percent, due primarily to the increasing gap in the country's affordability between rentals and single-family homes. This affordability dichotomy could result in Orange County landlords increasing their rents for a fifth consecutive year in 2015.

Orange County remains one of the strongest multifamily markets in the United States in terms of growth, absorption, and demand. Continued economic improvements, along with a limited supply of developable land, now have many developers moving forward with multifamily projects in nearly all Southern California markets. While new deliveries may have an impact on rent growth and vacancies, the continued widening gap between the cost to rent in Orange County, should bode well for the multifamily market's future.