

INVESTMENT FORECAST

Marcus & Millichap

MULTIFAMILY

Orange County Metro Area

2026

Consistent Employment Gains Keep Market Tight and Poised for Long-Term Growth

Property fundamentals remain healthy, despite an uptick in apartment deliveries. Orange County is projected to be one of only five major U.S. metros where 2026 deliveries exceed those in 2025, though the total remains relatively small. Limited land availability has supported a consistent pipeline in the 2,000- to 3,000-unit range since 2018, helping keep metrowide vacancy below 4 percent. This year's completions are concentrated in North and South Irvine, the two submarkets with the highest average rents in the metro after Newport Beach. Absorption of these new units is expected to be strong, as Class A vacancy held flat and rents climbed faster than other tiers last year. Looking ahead, Orange County's concentration of high-income, office-based employment — reinforced by return-to-office trends — should continue to underpin multifamily demand. The metro is expected to remain the second-least vacant market on the West Coast.

Private buyers are increasingly active, drawn by minimal lease-up risk. Due to the Irvine Company's tight control over land in Irvine, most multifamily transactions occur in other parts of the metro, which is supported by lower near-term supply pressure. Transaction activity has notably increased in Garden Grove, Santa Ana, and Anaheim. These submarkets also posted the metro's strongest rent growth at approximately 5 percent year-over-year, with the Class C pace outdistancing Class A. Median household incomes here are comparatively lower than the rest of the metro. Investors pursuing value-add strategies focused on workforce housing are expected to remain active in these areas, as housing affordability remains a key policy issue in Southern California. Strong local renter demand, limited supply risk, and outperforming rent growth underscore potential opportunities for long-term growth, even with an average cap rate below 5 percent in 2025 and despite broader economic uncertainty.

2026 MARKET FORECAST

+0.4%



Employment: Orange County is expected to add approximately 7,500 jobs in 2026, tying with San Diego and Seattle-Tacoma for the fastest employment growth among West Coast metros.

3,000 units



Construction: The metro will see its second-highest level of deliveries since 2018, though completions align with its prior decade-long average, underscoring the steady nature of the pipeline.

+20 bps



Vacancy: With increased new supply entering the market, the metrowide vacancy rate is projected to edge up to 3.7 percent, still ranking as the seventh lowest among major U.S. markets.

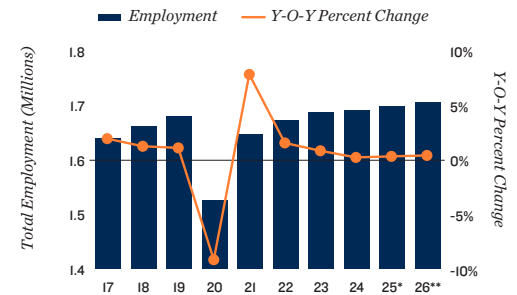
+1.9%



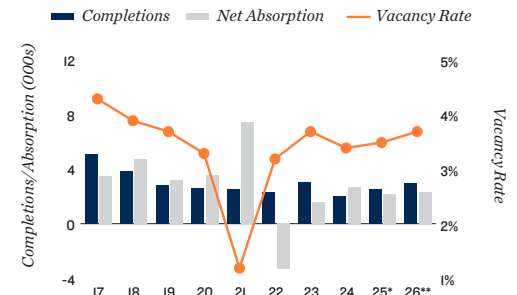
Rent: The increase in vacancy may place some downward pressure on rent growth, but the average monthly rent will still reach \$2,980 by year-end — the highest among all Southern California metros.

INVESTMENT: OC Streetcar's 2026 launch, combined with SB 79's transit-oriented upzoning, positions Santa Ana and Garden Grove for stronger renter demand and creates opportunities for investors locally.

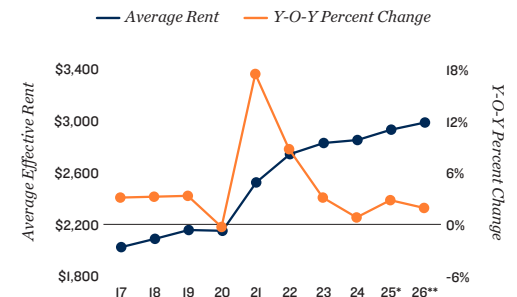
Employment Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.