Market Report

MULTIFAMILY 2Q/26

Orange County Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

Metro Remains Least Vacant Market in Southern California Despite Supply Infusion

Delivery volume reaches nine-year high. Apartment vacancy across Orange County has remained below 4 percent since mid-2020, a testament to the consistent demand for local rentals, even amid economic volatility. During the first three months of 2026, vacancy remained unchanged at 3.9 percent, despite the delivery of 1,287 units, the largest quarterly tally this decade. The metro's ability to withstand additional supply waves will be tested in the coming quarters as another 3,000-plus rentals are slated for delivery before year-end. Fortunately for these properties, Orange County has a sizable white-collar workforce that is priced out of homeownership despite maintaining higher incomes, suggesting most new rentals should be well received.

Construction concentrated in one city. The growth of the metro's development pipeline is largely the result of large-scale building activity in Irvine. Here, eight projects totaling more than 5,800 units were underway as of April, accounting for nearly 70 percent of Orange County's active pipeline. Together, these properties will increase the city's apartment inventory by 12.5 percent, suggesting the municipality will record upward vacancy pressure in the near term. Elsewhere, however, the market's remaining pipeline equates to just 1.2 percent of existing stock.

2026 FORECAST

EMPLOYMENT
12,000 — Jobs will be created
0.7% — Increase Y-O-Y

CONSTRUCTION
4,350 — Units will be added
1.6% — Inventory increase Y-O-Y

VACANCY
4.1% — Vacancy rate
20 — BPS increase Y-O-Y

RENT
$2,950 — Average effective rent by year-end
1.2% — Increase Y-O-Y

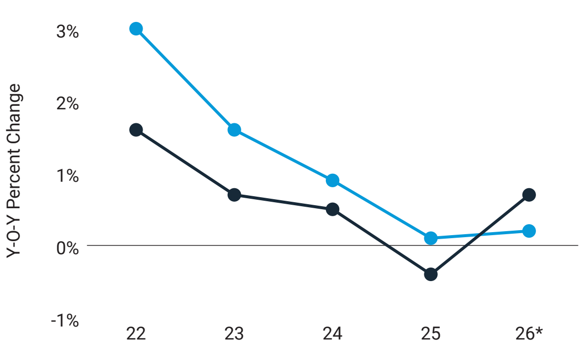
EMPLOYMENT

Employers added 3,300 jobs during the first four months of this year, recouping a portion of the 7,600 positions lost in 2025. Like other Southern California markets, Orange County's employment growth was driven by health services-related hiring. Still, the metro heavily relies on tourism, translating to a sizable leisure and hospitality segment that grew by 1,500 roles over the past four months. This sector may be poised for gains, as hotel occupancy improved during the 12 months ending in March.

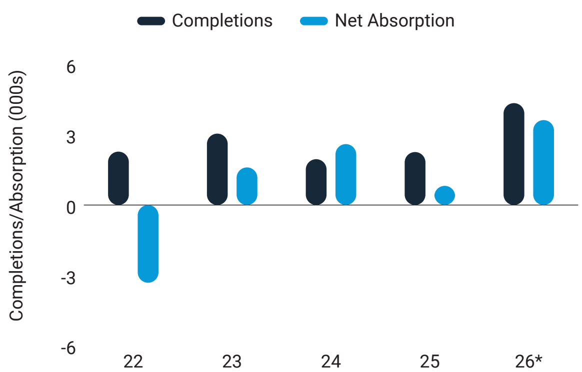
CONSTRUCTION

Developers added 3,060 units over the past year ending in March, expanding local rental stock by 1.1 percent. Completions, however, were absent in 10 of 16 submarkets, including East Anaheim-Orange, which is the metro's largest area by inventory. Entering April, construction was underway on an additional 8,535 units metrowide. Outside of Irvine, active projects are concentrated in Anaheim, Garden Grove, and Santa Ana, with the latter city home to 920 apartments slated for completion in 2027.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



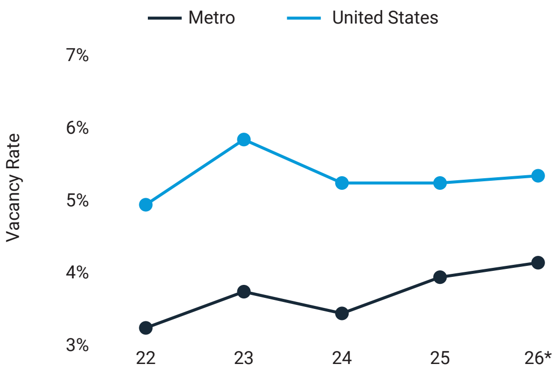
* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

VACANCY

Orange County apartments recorded a renewal conversion rate of nearly 59 percent over the past 12 months, on par with the previous 12 months. Consistent renewal activity helped keep vacancy increases to just 20 basis points over the past four quarters. Conversions have been significantly more pronounced across Class C properties, with the sector registering a 69 percent retention rate over the past year, a measure more than 10 percentage points above the other property tiers.

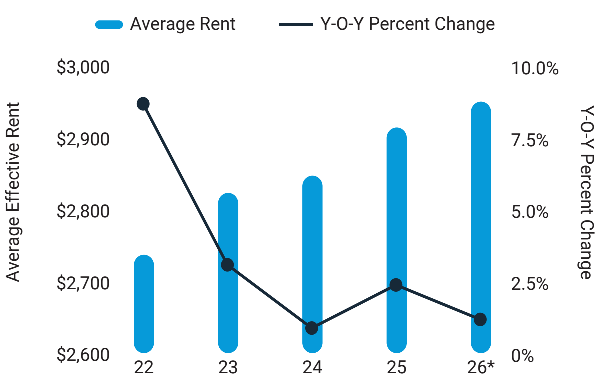
VACANCY TRENDS



RENT

Sub-4 percent vacancy across much of the metro supported moderate overall rent growth during the past 12 months, lifting the metro's average to just over $2,900 per month. Among property tiers, increases ranged from 1.8 to 3.5 percent, preserving notable disparities between class cuts on average — highlighted by a $470-per-month gap between Class A and B rents. These disparities will likely lock many residents into specific renter pools, limiting movement among certain tenants.

RENT TRENDS



* Forecast ** Through 1Q

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

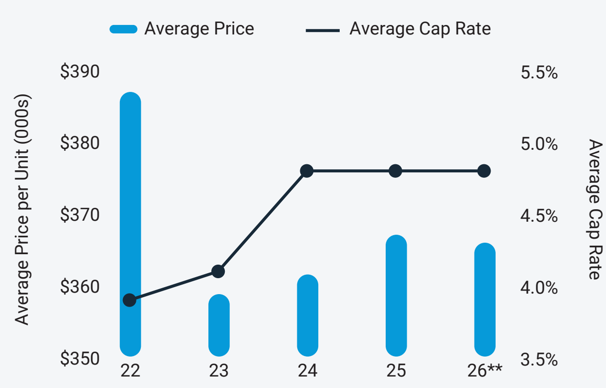
INVESTMENT HIGHLIGHTS

- Limited vacancy, upward rent momentum, and an average local price point that has shifted nominally over the past two years contributed to noteworthy investor activity during the 12 months ending in March. The nearly 30 percent year-over-year rise in deal flow was largely driven by an increase in Class C trades, specifically those involving smaller properties built before 1990. Often acquired by private investors via 1031 tax-deferred exchanges, these assets traded at a 4.7 percent average cap rate, an indication these properties carry minimal perceived risk amid a period of high-2 to low-3 percent Class C vacancy.

- Sales in Anaheim, Santa Ana, and Garden Grove accounted for 40 percent of Class C deal flow over the past year, with many properties trading well below the metro's average price point of $366,000 per unit. These cities' mean Class C rents — which range from $2,200 to $2,400 per month — rank among the most affordable locally, supporting segment vacancy rates in the low-2 to mid-3 percent range. These dynamics bode well for future rental demand and investors' ability to capture upside across the central portion of the metro.

- Investors targeting similar Class C apartments along Highway 1 were most active in Huntington Beach, Costa Mesa, and San Clemente over the past year. Across these coastal areas, pricing below $400,000 per unit is rare for lower-tier assets as land values, above-average rents, and scant development pipelines require larger capital commitments from buyers. That said, most properties still traded below the $5 million threshold.

SALES TRENDS



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