

ORANGE COUNTY, CALIFORNIA

DEVELOPERS TO FULFILL PENT-UP DEMAND WITH 4,500 NEW APARTMENTS

As one of the country's first areas hit by COVID-19 economic hardship, Orange County's muted apartment fundamentals reflected the area's weakened state in 2020. A key reason new residents continue to move to the county is the presence of more than 200 Fortune 500 companies. An economic rebound will grind higher this year amid persistent population growth and rising household formation combining to bolster O.C.'s apartment market. Developers will ramp up deliveries countywide in 2021. Construction is scheduled to finish on at least 4,500 units by year-end, part of 18,900 new apartments since 2016, marking a 5.1% supply expansion. Heightened completions will coincide with net absorption of 4,870 units. Helping to drive apartment leasing activity, payrolls are set to expand 10% since breaking out of the employment trough in mid-2020. Orange County, particularly Irvine, has a large share of professional workers, many of whom are working remotely as office-based businesses manage countywide loosening and tightening coronavirus restrictions. The local economy will be further helped by O.C.'s largest employer Disneyland, expected to be back up and running this summer. Pent-up apartment demand is projected to advance occupancy 20 basis points annually to 96.3% by year-end. Moreover, with home values appreciating, many high-income renters are being sidelined from homeownership, provoking the sharpest rise in occupancy among the Class A segment. Healthy absorption and a rebuilding workforce will support a 0.2% boost in effective rent growth, estimated to conclude the year at \$2,105 per month.



2021 MARKET AT A GLANCE



OCCUPANCY RATE

96.3%
Up 20 bps YOY



EFFECTIVE RENT

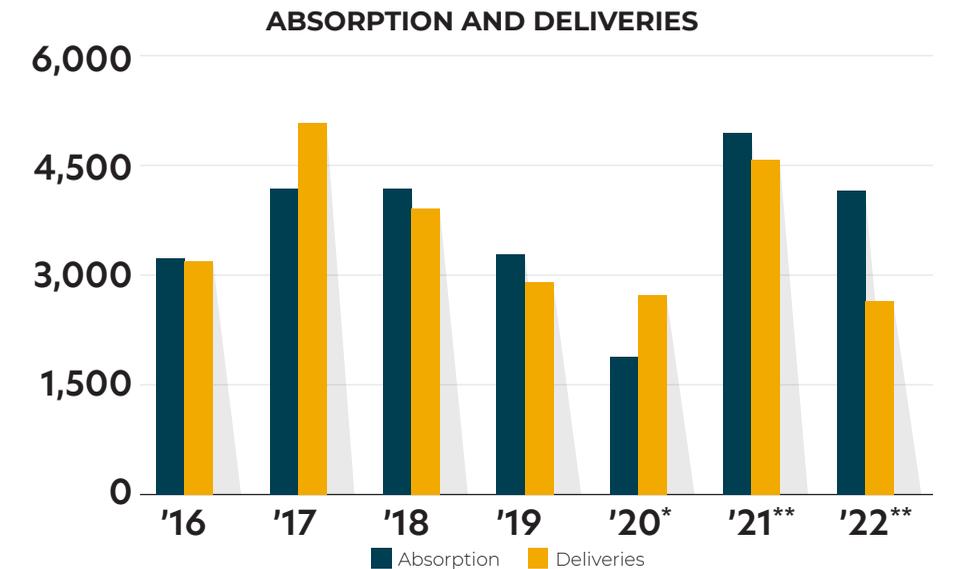
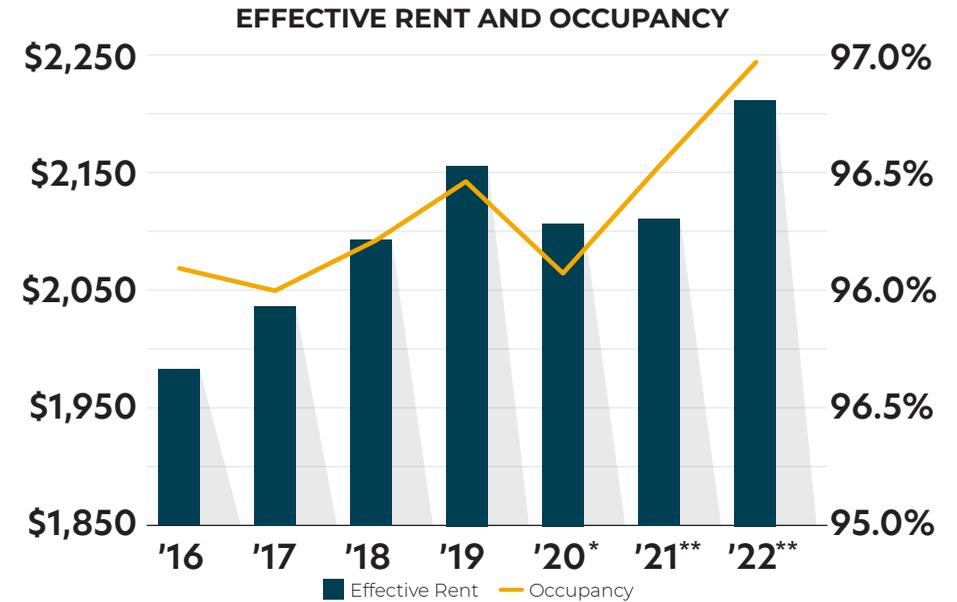
\$2,105
Up 0.2% YOY



RENT SHARE OF WALLET

26.4%
Down 50 bps YOY

MARKET TRENDS



Data and images pertaining to employment, income, permits, population, rents, single-family housing, and occupancy are year-end figures. Absorption, construction, and apartment sales figures are full-year totals. *Numbers for 2020 are projected values; **2021/2022 figures are forecast projections. Apartment market data criteria and methodologies vary by market.

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EMPLOYMENT TRENDS



EMPLOYMENT		2019	YOY CHANGE	2020*	YOY CHANGE	2021**
2019		1,695,900	-11.2%	1,505,800	2.9%	1,549,800

UNEMPLOYMENT RATE		2019	YOY CHANGE	2020	YOY CHANGE	2021
2019		1.6%	870 BPS	10.3%	-270 BPS	7.6%

POPULATION		2019	YOY CHANGE	2020	YOY CHANGE	2021
2019		3,173,000	0.2%	3,178,400	0.1%	3,182,900

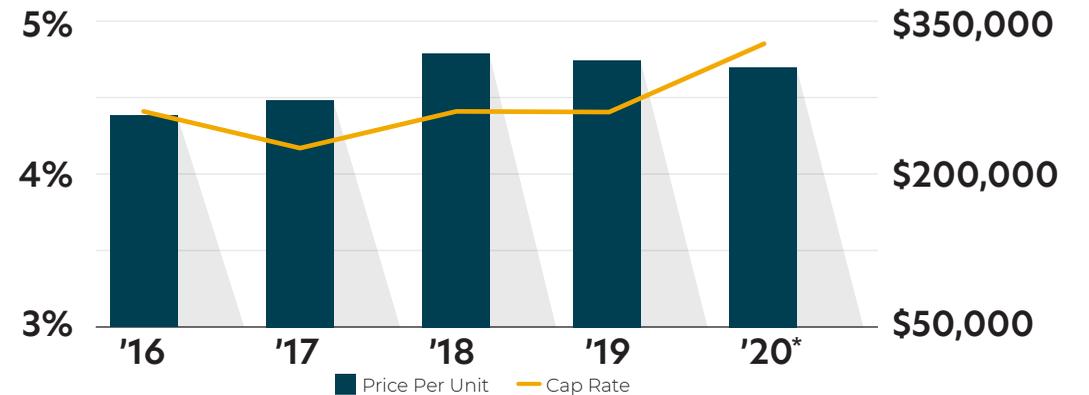
HOUSEHOLDS		2019	YOY CHANGE	2020	YOY CHANGE	2021
2019		1,053,500	0.6%	1,060,300	0.6%	1,066,700

MEDIAN HOUSEHOLD INCOME		2019	YOY CHANGE	2020	YOY CHANGE	2021
2019		\$96,483	-2.7%	\$93,884	2.1%	\$95,841

SALES TRENDS

PRICE PER UNIT		2019	YOY CHANGE	2020*
2019		\$314,592	-2.9%	\$305,490

CAP RATE		2019	YOY CHANGE	2020
2019		4.4%	30 BPS	4.7%



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