

2022 MID-YEAR

ORANGE COUNTY CA

Multifamily Report

BERKADIA[®]
INSTITUTIONAL SOLUTIONS

a Berkshire Hathaway and Jefferies Financial Group company





Jobs Added / Lost

LAST 12 MONTHS

65,100

↑ 4.1%

NEXT 12 MONTHS*

32,100

↑ 1.9%

Unemployment

MID-YEAR 2022

3.3%

↓ 300 BPS YOY

MID-YEAR 2023*

2.6%

↓ 70 BPS YOY

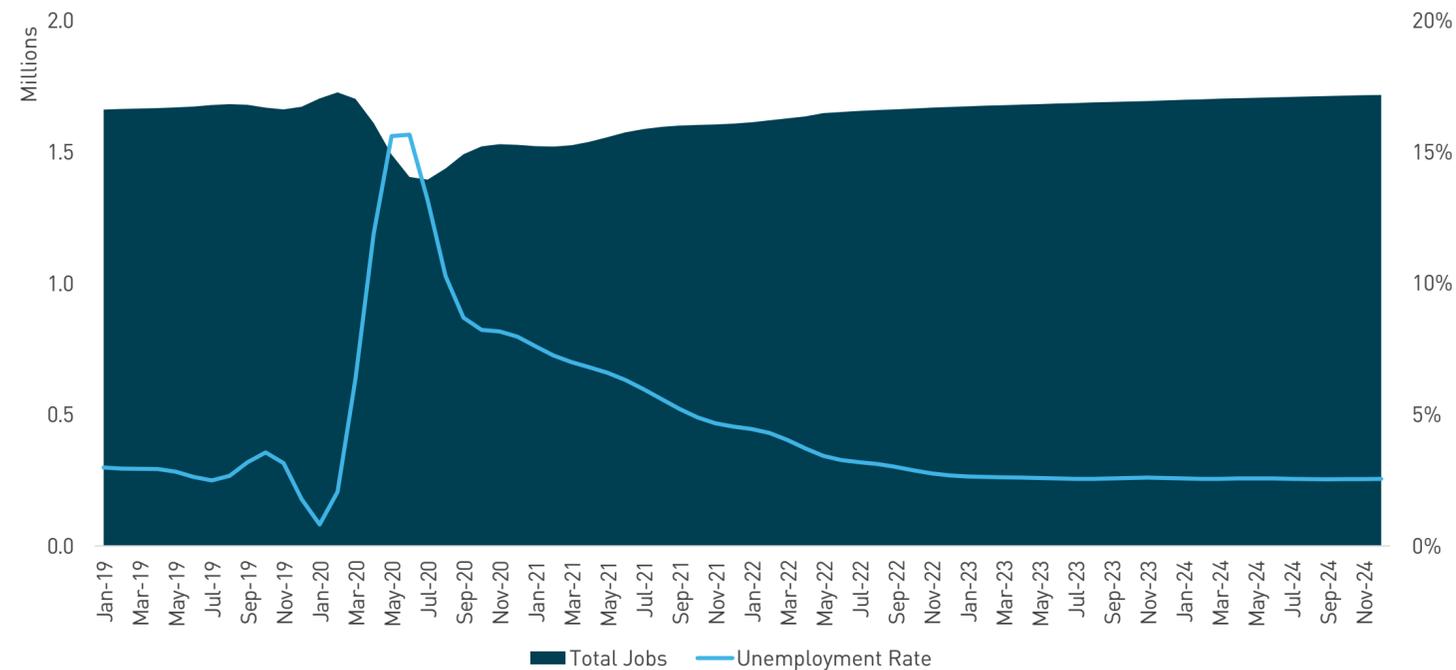
*Projected

ORANGE COUNTY, CA EMPLOYMENT

The rallying leisure and hospitality industry has boosted the Orange County economy in the last year. The overall job market expanded 4.1% in the 12 months ending in June 2022, amid a rise in convention center bookings and tourism revenues beating forecasts for the year. Of the 65,100 net jobs added metrowide, leisure and hospitality employers accounted for more than half or 33,200 jobs. The largest employer in Orange County has long been the Walt Disney Company, which employed roughly 30,000 workers before the pandemic. Contributing to the wave of job losses in the leisure and hospitality sector, Disneyland laid off around 22,000 employees in 2020. The company has not returned all its workers even though the park

is fully opened. Even with the employment shortfall, Orange County shows promising signs of sustaining the recovery. The local economy is being bolstered by Irvine's electric vehicle and high-tech manufacturing companies. Overair Inc., which announced the expansion of its headquarters and its plans to hire 1,000 employees over the next three to five years, and Rivian Automotive Inc., a Ford Motor Company- and Amazon.com Inc.-backed electric truck manufacturer. These start-ups add to the strong foundation of tech companies already employing thousands of residents, including Alphabet Inc., BlackBerry Ltd., Edwards Lifesciences Corp., Oracle Corp., and AbbVie Inc.

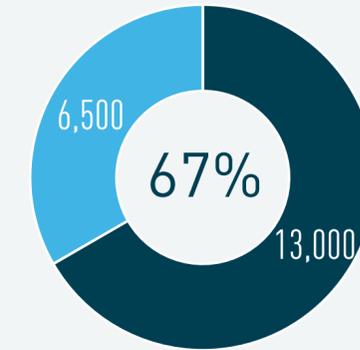
Employment Trends



SOURCE: Moody's Analytics

Who's Hiring?

LEISURE & HOSPITALITY



■ YTD ■ 2022 Forecast

14%
OF ALL JOBS IN THE METRO

\$35,400
AVERAGE ANNUAL SALARY

Leisure & Hospitality Employers



32,000 JOBS



1,000 JOBS



600 JOBS

In The News

- Amazon's SoCal expansion includes 1,000 jobs in Santa Monica
- Apple's wireless unit takes shape in Irvine
- City of Hope's Cancer Outpatient Center hiring 1,200 specialists



ORANGE COUNTY, CA DELIVERIES & ABSORPTION

2022 Units*

DELIVERED
3,309

ABSORBED
1,206

2023 Units*

DELIVERED
3,978

ABSORBED
338

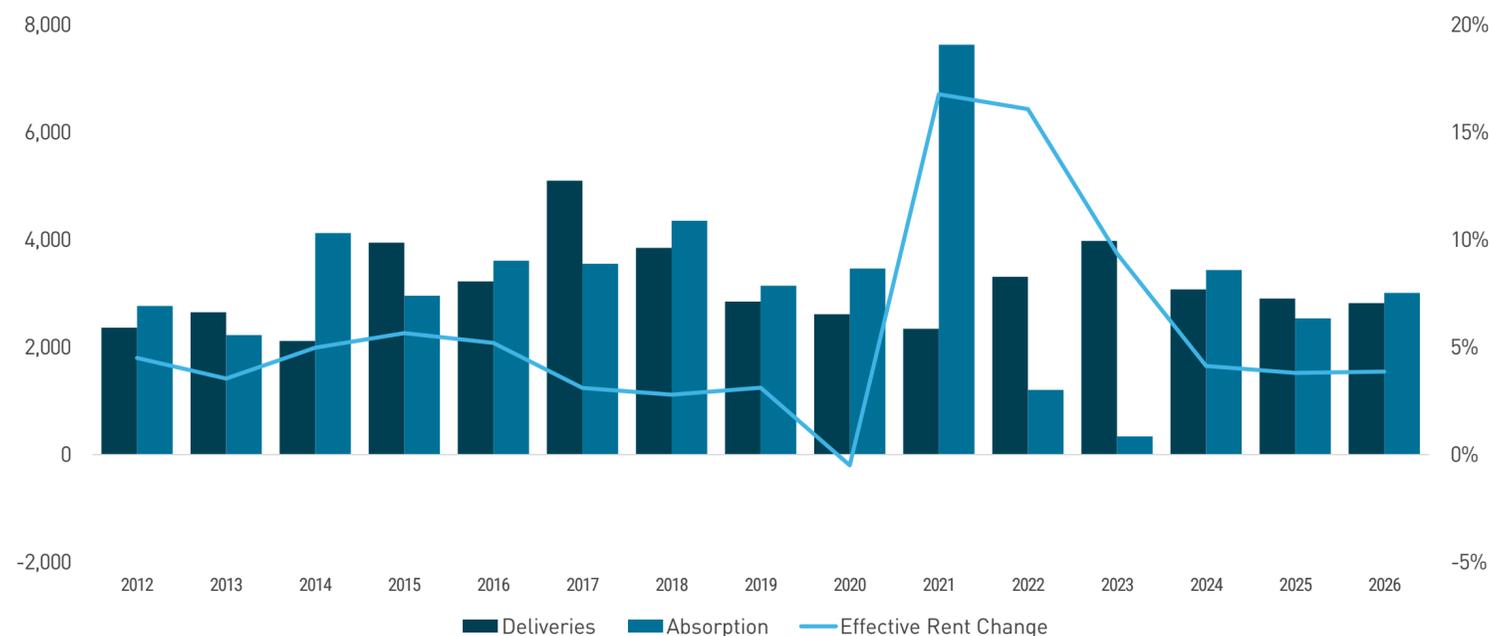
*Projected

Orange County continued to be a focus of activity in terms of capital investment. Approximately 200 Fortune 500 companies have operations within the county, including notable firms such as Amazon.com Inc. and Alphabet Inc. Multifamily demand is also bolstered by the presence of a world-class university, the University of California, Irvine—approximately 24,000 students need off-campus housing each year. Chapman University with 10,000 undergraduate and graduate students is also in Orange County. Since 2015, developers have added approximately 25,500 new units to the county’s apartment inventory. Following the peak of 5,000-plus new deliveries in 2017, multifamily construction activity slowed in the subsequent years. However, to accommodate pent-up demand since then,

developers have ramped up construction in Orange County in recent quarters. In the last year, developers added nearly 3,000 new units in the Orange County apartment market, with another 4,100 units scheduled to come online by year-end 2023.

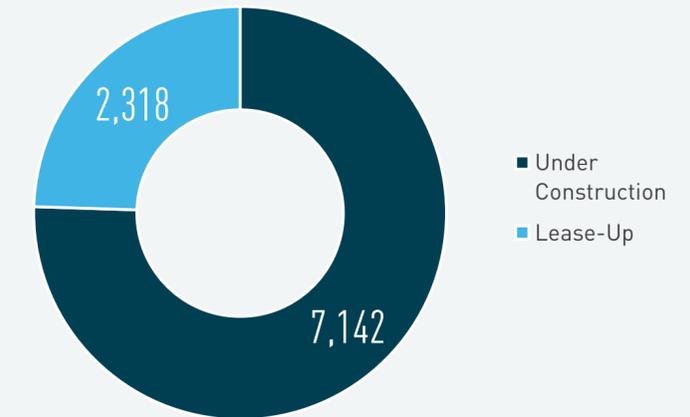
Demand for rental units in the region have kept leasing activity consistently high. The Orange County apartment market registered a net absorption of more than 4,500 units in the prior four quarters, 52% more than the number of new deliveries over the same time. With home values appreciating, O.C. residents are being directed away from homeownership likely to help offset the uptick in deliveries.

Deliveries, Absorption, & Effective Rent Change

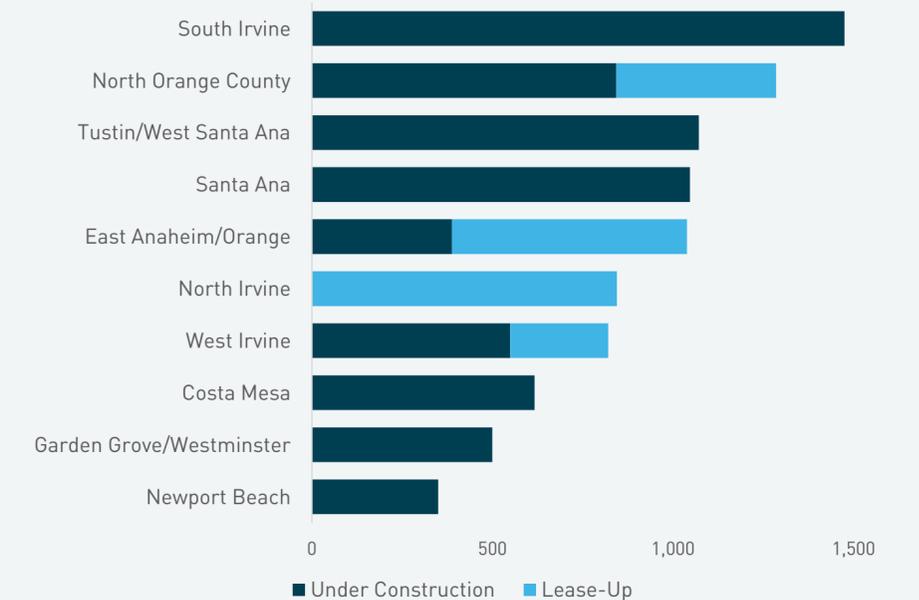


Source: RealPage

Market Pipeline



Top 10 Submarket Pipelines

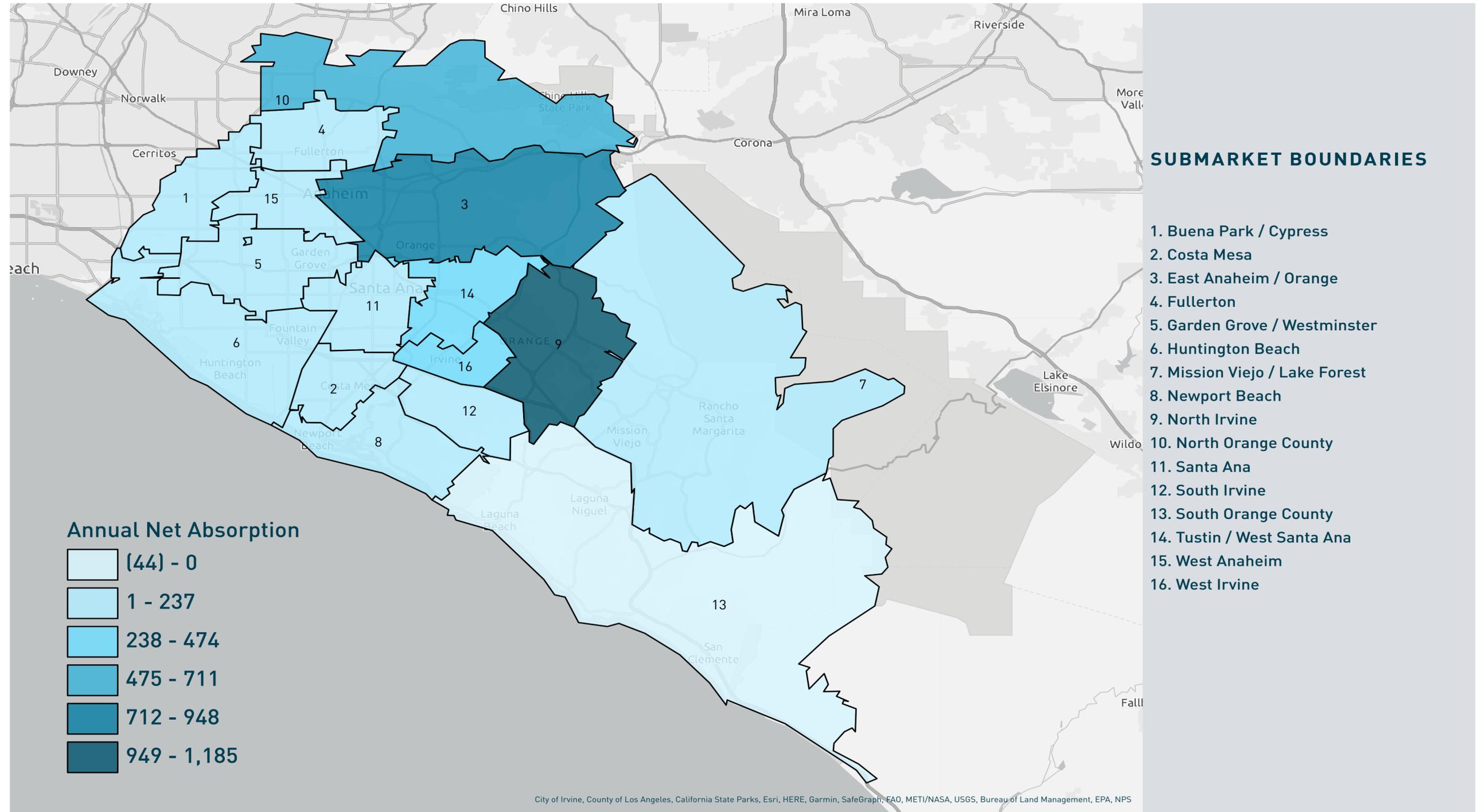




ORANGE COUNTY, CA

SUBMARKET ANNUAL ABSORPTION

Located in the heart of Southern California, Irvine is an economic powerhouse within Orange County. Home to over 22,000 businesses, more than 200,000 jobs, and a growing population, this city is a popular area for living and business. Leasing in the North Irvine submarket has been consistently elevated for most of the past decade, capped by nearly 500 newly leased apartments in the first half of 2022. The submarket is expected to continue to emerge as a hot spot for renters due to continued job creation among high-profile, high-wage employers. Apple Inc. is recruiting for its new local wireless unit that is ramping up. The University of California, Irvine is underway on a \$1.3 billion medical complex—the outpatient Center for Advanced Care and Center for Children’s Health are slated to complete early 2023, with the hospital and cancer center scheduled to open in 2025.





ORANGE COUNTY, CA RENT & OCCUPANCY

Effective Rent

2Q 2022

\$2,618

↑ 18.0% YOY

Occupancy

2Q 2022

98.2%

↑ 60 BPS YOY

Rapid population growth and a diversifying economy has bolstered Orange County's apartment fundamentals. Of the 1.1 million housing units in O.C., 39% are renter occupied compared to 31% nationwide. A key reason people continue to move to the area are corporate relocations and expansions across multiple job sectors including finance, technology, and business services.

With apartment construction slowing and the cost of homeownership continuing to rise, Orange County's average apartment occupancy rate increased 60 basis points over the past year. Landlords recorded the average occupancy rate in the second quarter 2022 at 98.2%, signaling one of the tightest rental markets in the country.

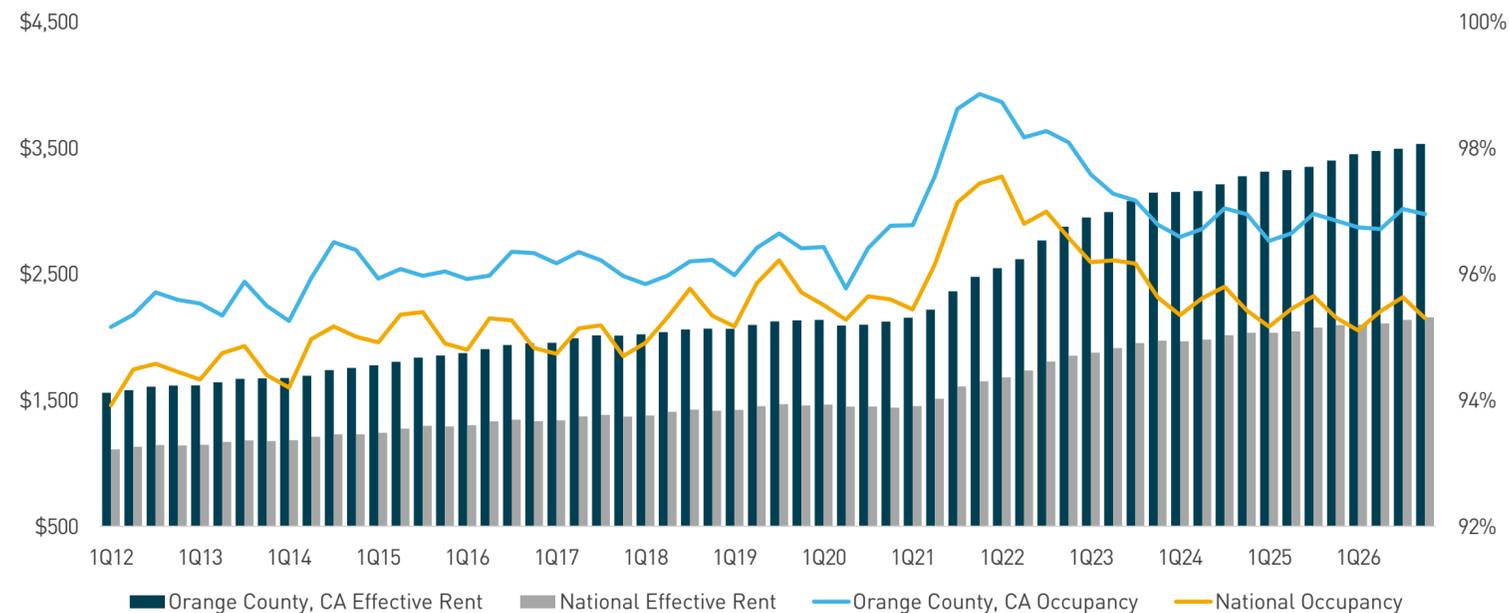
Exorbitant home prices will keep many people in the rental market, especially in Irvine and high-end coastal areas. According to Chapman University, less than a quarter of the county's households earn the requisite income to afford a median-priced home.

Following a short period of rent losses at the beginning of the pandemic, rent levels have recovered quickly and are now at record highs. Monthly effective rent in the Orange County apartment market reached \$2,618 in the second quarter, up 18.0% annually. Many of the luxury units in O.C. are not impacted by the statewide rent cap since they are less than 15 years of age.

Submarket Performance

SUBMARKET NAME	2022 OCCUPANCY	YOY (BPS)	2022 EFFECTIVE RENT	YOY
Buena Park/Cypress	98.8%	90	\$2,137	10.1%
Costa Mesa	98.3%	60	\$2,605	17.7%
East Anaheim/Orange	98.0%	70	\$2,503	13.5%
Fullerton	97.9%	40	\$2,337	17.4%
Garden Grove/Westminster	99.0%	80	\$2,179	13.4%
Huntington Beach	97.9%	80	\$2,741	19.1%
Mission Viejo/Lake Forest	97.9%	20	\$2,710	21.9%
Newport Beach	98.8%	50	\$3,296	16.1%
North Irvine	98.6%	170	\$3,024	15.4%
North Orange County	97.7%	30	\$2,440	17.3%
Santa Ana	97.5%	30	\$2,530	23.5%
South Irvine	98.4%	90	\$3,109	22.4%
South Orange County	97.1%	-50	\$2,988	24.3%
Tustin/West Santa Ana	98.5%	60	\$2,495	17.3%
West Anaheim	98.9%	100	\$2,063	13.2%
West Irvine	98.2%	10	\$2,968	23.4%

Orange County vs. National Effective Rent & Occupancy



Source: RealPage

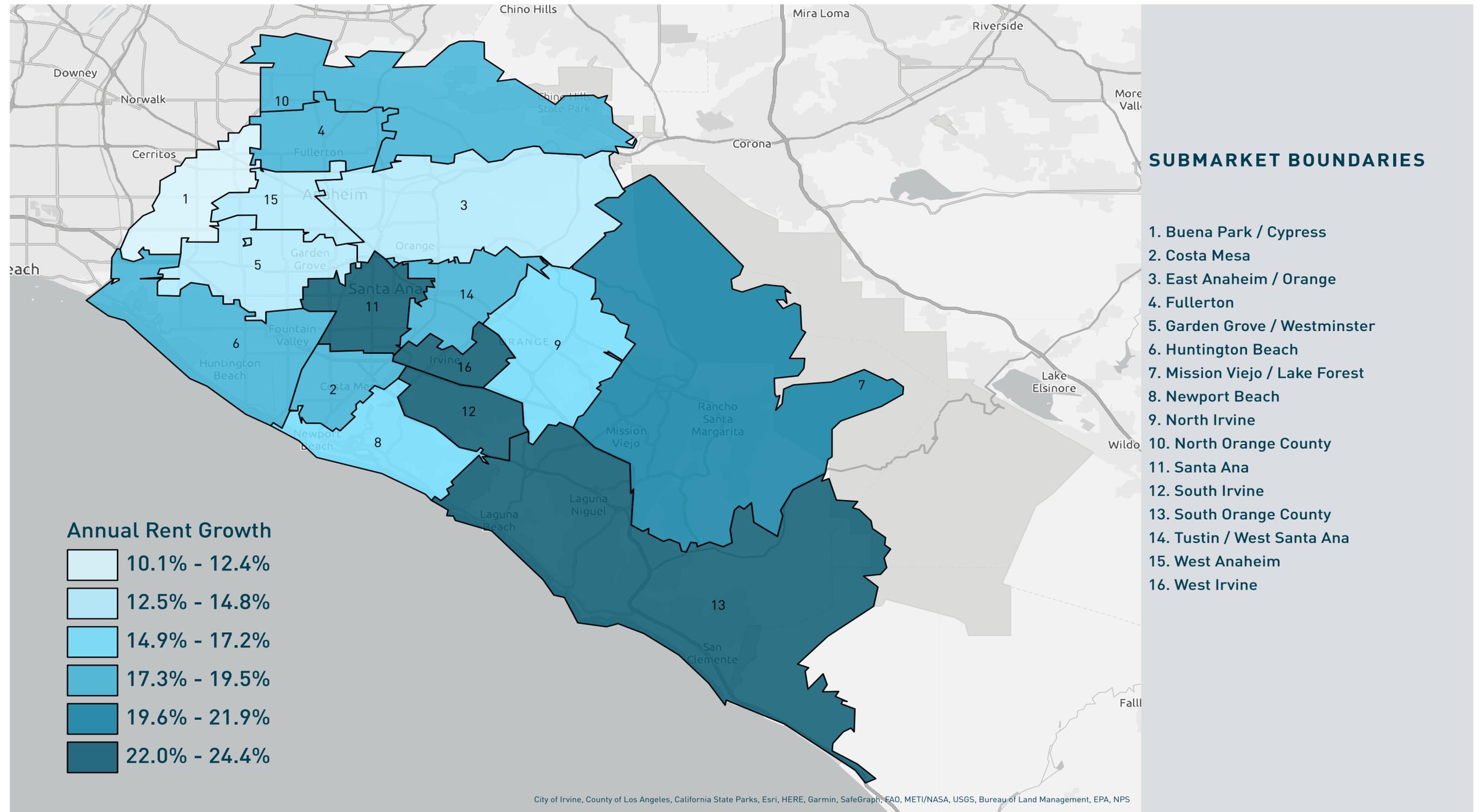


ORANGE COUNTY, CA

SUBMARKET ANNUAL RENT CHANGE

All 16 apartment submarkets posted double-digit annual rent increases. Newport Beach remained the most expensive area, with rents up 16.1%, to \$3,296. The South Orange County submarket recorded the best year-over-year rent performance, up 24.3%, to \$2,988 per month, followed by Santa Ana, up 23.5%, as renters can save money on luxury units.

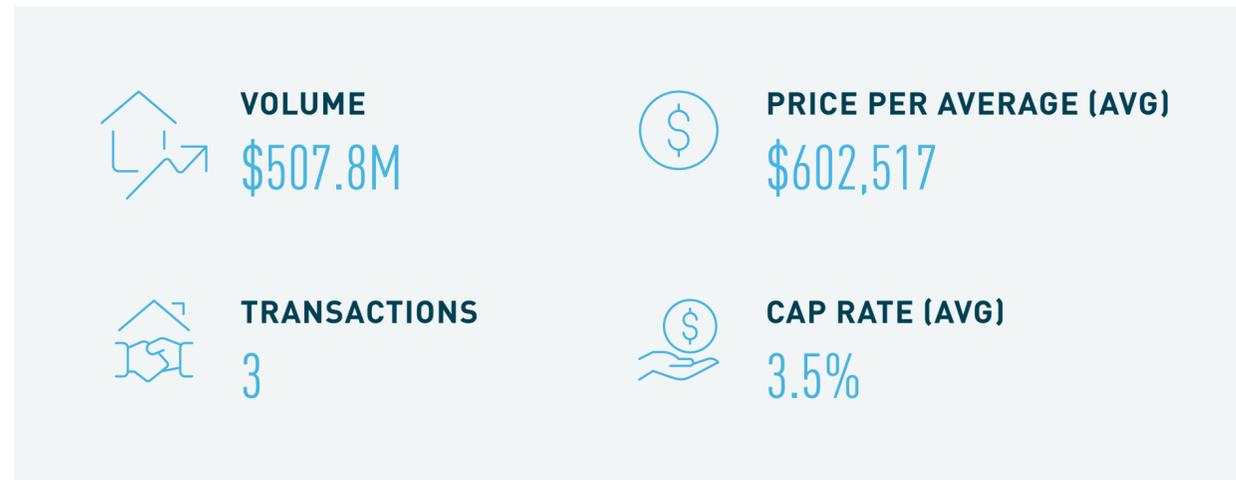
Facilitated by a tech ecosystem, the jobs migration to Irvine has been a boom for local apartment fundamentals. Effective rent in the North Irvine submarket reached \$3,024 per month in the second quarter of 2022, now one of three O.C. submarkets where renters pay more than \$3,000 per month. The contiguous submarkets of West Irvine and South Irvine were among the top five best performing annual job growth submarkets at 23.4% and 22.4%, respectively.



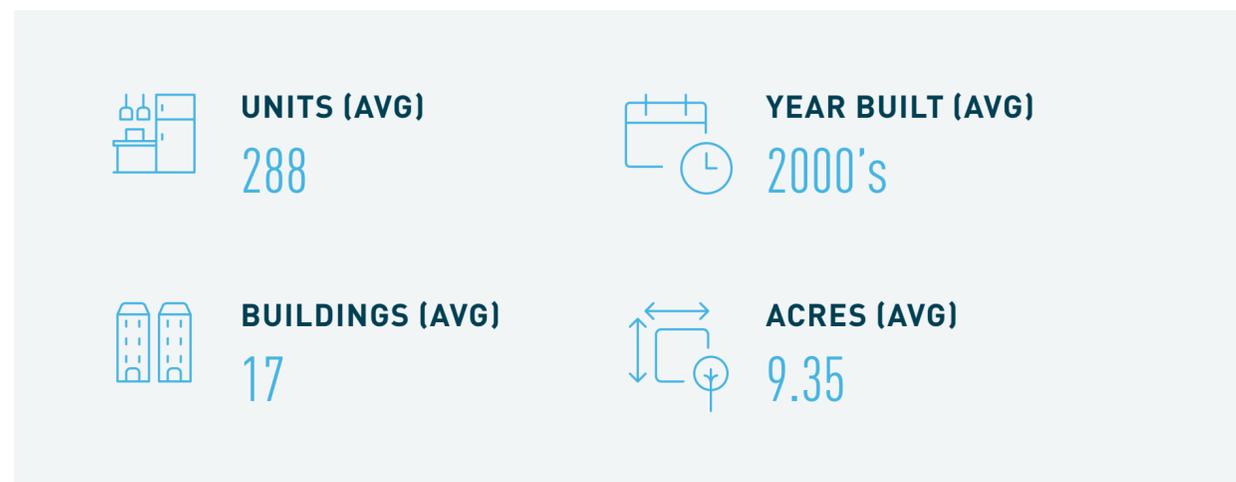


ORANGE COUNTY, CA SALES

2022 Year to Date*



What's Trading?*



Source: Real Capital Analytics
*\$50m+

Top Buyers**

BUYER	LOCATION
California Statewide Communities Development Authority	Walnut Creek, CA
Waterford Property Company	Newport Beach, CA
PGIM Inc.	Newark, NY
Teachers Insurance and Annuity Association of America	New York, NY
Interstate Equities Corp	Los Altos, CA

Top Sellers**

SELLER	LOCATION
JPI	Irving, TX
Grand China Fund	Beijing, CHN
United Sominion Realty Trust Inc.	Highlands Ranch, CO
Intracorp	Seattle, WA
Resource REIT Inc.	Philadelphia, PA

**Past 24 Months



Sources: RealPage; Moody's Analytics; Real Capital Analytics

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