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By Joshua Ohl (johl@costar.com)

Orange County Multifamily Investment Heating Up in 2018

CoStar Market Insights: Sales Volume in Orange County This Year is Up 20% Compared with Last Year



The 324-unit Alexan Aspect, which was acquired by JPMorgan Chase for \$404,000 per unit.

Orange County's multifamily sector ended a scorching first half of 2018.

Investment volume was up 20 percent compared with the same period last year, after notching \$1.05 billion in sales. In fact, it was the biggest first half of any year this cycle. Orange County might be running toward a cyclical high in volume in 2018, after 2016 recorded the current high of \$1.87 billion in transactions.

At the same time, pricing continued its upswing. The average unit price through the first half of 2018 reached \$325,000. That's up from \$266,000 per unit last year and \$43,000 per unit more than the high-water mark set in 2016.

And as pricing has picked up, average transactional cap rates have settled at 4 percent this year. The first quarter averaged the lowest yields this cycle, falling to 3.9 percent before returning to 4 percent for the second quarter.

But one metric that 2018 hasn't matched with last year is the number of recorded transactions. In the first six months of 2017, CoStar tracked 190 multifamily deals. That compares with only 130 this year.

So what's behind the surge in volume?

Already, four deals have closed in 2018 in excess of \$100 million. During all of 2017, only two deals were that large (among non-bulk portfolio sales). Those four sales also served as bookends for the first half, with two in January and another two in June. Last year, the metropolitan area exhibited a similar slowdown as the national trend; however, 2018 has shown that investors interested in exposure in Southern California still find Orange County a hospitable market.

The sale of one of Fullerton's newest communities, Alexan Aspect, in June set a new pricing record in North County for a property with more than 25 units. The 2017 vintage, 323-unit Trammell Crow Co. development sold for \$131 million, or \$404,320 per unit, at a 4.25 percent cap rate to JPMorgan Chase.

That transaction beat the previous high for North County, set by Malden Station, another new property Fullerton. Built in 2016, the 201-unit complex sold for \$388,158 per unit in February 2017 at a 4.3 percent cap rate.

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