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Orange County Economy Remains on Mostly Solid Footing

CoStar Market Insights: Fewer High-Paying Jobs, Slight Downtick in Employment Casts Some Shade, Though

Orange County's unemployment rate reached a near 20-year low earlier this year, and remains remarkably tight, even though it has inched above 3 percent at the end of June.

Annual employment growth here has outpaced the national benchmark since 2012, and last quarter was the first time it dipped below the national average since the first quarter 2012.

Nearly 20,000 jobs were added to the labor force in the 12 months ending in June and annual income growth ticked up to 2.6 percent at the end of the second quarter, the biggest number since the beginning of 2017.

But the jobs being added aren't particularly high-paying ones. In the past 12 months, professional and business services reported the strongest growth with nearly 10,000 new jobs. But of those, more than 95 percent were in administrative and support services, buoyed by temporary employment services. Educational and health services added 8,900 jobs in the past year, with healthcare and social assistance accounting for more than 80 percent of the gains.

Even in a tight labor market, the burden on households continues to mount. Since the beginning of 2010, income growth has lagged the nation's rate, cumulatively, by more than 8 percent and rent growth has outpaced wage growth by 17 percent during that same stretch.

The U.S. Department of Housing and Urban Development (HUD) released a study in 2018 that showed Orange County had one of the highest low-income thresholds in the nation -- eighth overall -- for a family of four. With a median household income of almost \$86,000 across all of Orange County, a family of four qualifies as low-income if it brings in less than \$87,450 annually, or about \$1,500 above the overall median household income of the market.

In the last five-year window provided by U.S. Census Bureau data, net migration trends between 2012 to 2016 show a demonstrable flight to affordability. Inland Empire, Dallas, Phoenix, San Diego and Sacramento are the top five destinations for out-migration from Orange County.

Even the high-cost-of-living San Diego provides an outlet for those priced out of Orange County. Comparatively, average rents in San Diego fall about \$200 below Orange County's average rents, and median home prices sit about \$200,000 less than Orange County's.

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