Orange County, California

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2007

Housing Market Area

The Orange County, California Housing Market Area (HMA) is coterminous with the Orange County, California metropolitan area. Orange County is the fifth most populous county in the nation. Development in the North Orange County submarket, which includes the cities of Anaheim and Santa Ana, typically occurs on infill land, recycled oil fields, and redeveloped land. Large-scale, new communities characterize the development in the South Orange County submarket, which includes the cities of Irvine and Mission Viejo.

Market Details

Summary

Economy

The diverse employment base in the Orange County HMA ranges from agriculture to technology research companies. Except for 2002, nonfarm employment increased every year between 1995 and 2006. For the 12 months ending June 2007, nonfarm employment averaged 1,526,400 jobs, an increase of 20,000 jobs, or 1.3 percent, from the previous 12 months. The professional and business services and education and health services sectors currently have the most job growth. The Walt Disney Company is the leading private-sector employer, with 21,000 employees.

Sales Market

The sales housing market in the HMA is currently balanced. During the past 12 months, existing home sales totaled 22,200, a decline of 5,200 units, or 19 percent, compared with the previous 12 months. Despite the decline in sales, the median sales price of existing single-family homes increased by $34,000, or 6 percent, to $734,000. Employment and household growth are expected to generate an estimated demand for 17,800 new homes during the 3-year forecast period, as shown in Table 1.

Rental Market

The rental market in the HMA is currently tight. The overall rental vacancy rate is estimated to be 3.6 percent. According to data from Reis, Inc., rents increased 6 percent during the 12-month period ending June 2007 compared with the previous 12-month period. Continued household formation will generate an estimated demand for 5,600 new market-rate rental units during the 3-year forecast period, as shown in Table 1.

Table 1. Housing Demand in the Orange County HMA, 3-Year Forecast, July 1, 2007 to July 1, 2010

	Orange County HMA		North Orange County Submarket		South Orange County Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	17,800	5,600	7,200	2,400	10,600	3,200
Under Construction	3,250	3,300	1,900	1,700	1,350	1,600

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Under construction as of July 1, 2007.

Source: Estimates by analyst

Economic Conditions

After experiencing a decline in employment in 2002, the Orange County HMA has continued to add jobs since 2003. During the 12-month period ending June 2007, nonfarm employment increased to 1,526,400, an increase of 20,000 jobs, or 1.3 percent, compared with the previous 12-month period. The unemployment rate in the HMA was 3.8 percent during the past 12 months compared with 4.6 percent for the nation as a whole. The rate for the HMA was down from 4 percent during the previous 12-month period. The unemployment rate in the HMA has been 4 percent or less in 7 of the past 9 years. See Figure 1 for details on trends in labor force, resident employment, and unemployment rate from 1990 to 2006.

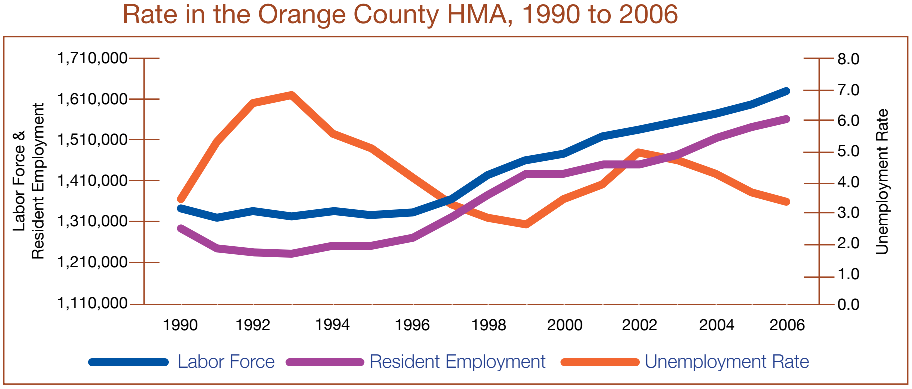
Nonfarm employment fluctuated considerably during the 1990s in the Orange County HMA. From 1990 to 1996, job losses in the construction and manufacturing sectors offset gains in the wholesale trade, education and health services, and professional and business services sectors. As a result, total nonfarm employment in 1996 was only 1 percent above the 1990 level. Beginning in 1997, economic conditions in the HMA improved significantly, and jobs gains averaged 51,700, or 4.2 percent, each year through 2000.

Beginning in mid-2001, the economy experienced a downturn, and nonfarm employment declined by 10,000 jobs, or 1 percent, between 2001 and 2002. The manufacturing sector lost more than 18,000 jobs, with significant losses in the computer and electronic manufacturing industry. From 2003 to 2006, nonfarm employment increased at an average annual rate of 30,400 jobs, or 2.1 percent. The largest gains during this 3-year period occurred in the construction, professional and business services, and financial activities sectors.

During the 12 months ending June 2007, nonfarm employment increased to 1,526,400 jobs, a gain of 20,000 jobs, or 1.3 percent, compared with the previous 12 months. The professional and business services and education and health services sectors both gained more than 7,000 jobs during the past 12 months. Construction employment gains slowed to 3,000 jobs from the 8,700 jobs gained during the 12 months from 2003 to 2004. Commercial construction employment gains were partially offset by job losses in residential construction. The financial activities sector declined by 2,400 jobs because large subprime lending companies headquartered in the HMA downsized or closed. Figure 2 depicts employment growth by sector since 1990.

Service-providing employment accounts for more than 80 percent of nonfarm jobs in the HMA. The largest service-providing sector is

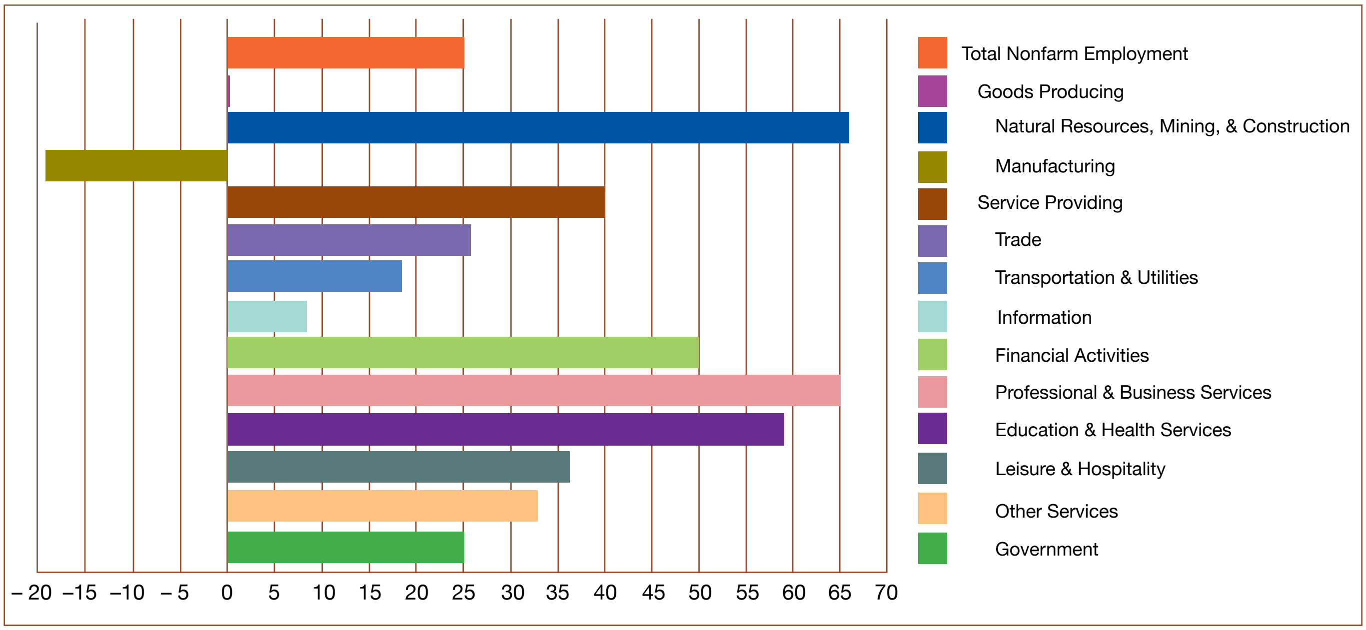
Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Orange County HMA, 1990 to 2006



Source: California Employment Development Department professional and business services, with 18 percent of all nonfarm jobs. Employment in the professional and business services sector rose by an average annual rate of 3,800 jobs, or 1.6 percent, since 2000, reaching 276,300 jobs as of the current date. Wholesale and retail trade is the second largest service-providing sector, with more than 15 percent of all nonfarm jobs. See Figure 3 for current employment by sector and Table 2 for the average employment in the HMA by sector for the two most recent 12-month periods.

Tourism and aerospace are major components in the economic base of the HMA. Orange County is home to the 2nd, 7th, and 13th busiest amusement parks in the United States. The Walt Disney Company, with 21,000 employees, is the leading private employer in the HMA. The Anaheim Convention Center, located adjacent to Disneyland, is the largest exhibition facility on the West Coast. Tourism increased from 41 million visitors in 2001 to 45 million in 2006. According to the Anaheim/Orange County Visitor and Convention Bureau, tourists spent $8 billion in Orange County in 2006, which supported 160,000 direct and indirect jobs. The Boeing Company has 12,000 workers employed in the HMA in aerospace product and parts manufacturing. The Boeing facility in Huntington Beach, which produces

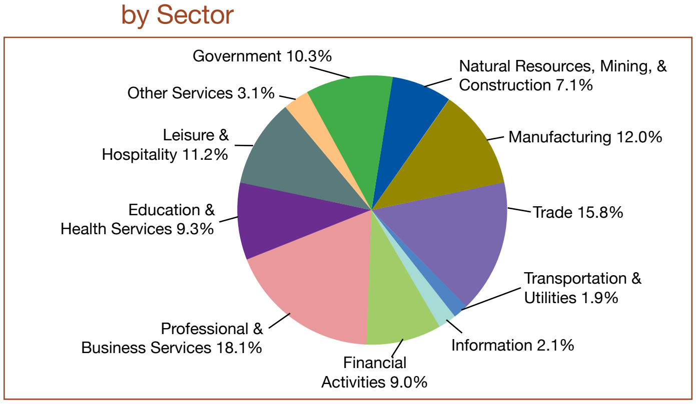
Figure 2. Sector Growth in the Orange County HMA, Percentage Change, 1990 to Current



Note: Current data are based on 12-month averages through June 2007.

Source: California Employment Development Department

Figure 3. Current Employment in the Orange County HMA, by Sector



Note: Based on 12-month averages through June 2007.

Source: California Employment Development Department space rockets, is the administrative headquarters of the Sea Launch program, which launches commercial satellites from a mobile ocean platform. Although agricultural jobs declined from 7,600 jobs in 2000 to 4,800 during the 12-month period ending June 2007, agriculture still has a large economic impact on the local economy. Since 2000, the total annual economic impact of the agricultural industry has been more than $1 billon. See Table 3 for a list of the major private employers in the HMA.

The combined employment at the University of California at Irvine (UCI) and the UCI Medical Center totals 16,200 jobs. UCI is the largest university in the HMA, with more than 21,000 undergraduate and graduate students. Enrollment at another 21 colleges and universities in Orange County totals more than 125,000 students.

Most of the commercial land in the North Orange County submarket was developed before 1990. Current commercial development in the submarket generally is on infill properties or redeveloped land. South Coast Plaza, located in the submarket, is one of the largest retail malls in the world; it contains 3 million square feet of retail space and has sales exceeding $1 billion annually.

In the South Orange County submarket, business and industrial areas are mainly characterized by large, planned developments. Large parcels of land remain available for commercial development in the submarket.

Table 2. 12-Month Average Employment in the Orange County HMA, by Sector

Employment Sector	12 Months Ending June 2006	12 Months Ending June 2007	Percent Change
Total Nonfarm Employment	1,506,400	1,526,400	1.3
Goods Producing	287,900	291,800	1.4
Natural Resources, Mining, & Construction	105,300	108,200	2.8
Manufacturing	182,600	183,600	0.5
Service Providing	1,218,500	1,234,600	1.3
Trade	242,600	241,600	– 0.4
Transportation & Utilities	28,300	28,500	0.7
Information	32,200	31,400	– 2.5
Financial Activities	139,900	137,600	– 1.6
Professional & Business Services	269,000	276,300	2.7
Education & Health Services	135,300	142,400	5.2
Leisure & Hospitality	167,100	170,900	2.3
Other Services	48,300	48,000	– 0.6
Government	155,800	157,900	1.3

Notes: Based on 12-month averages through June 2006 and June 2007. Numbers may not add to totals because of rounding.

Source: California Employment Development Department

Table 3. Major Employers in the Orange County HMA

Name of Employer	Employment Sector	Number of Employees
The Walt Disney Company	Leisure & Hospitality	21,000
The Boeing Company	Manufacturing	12,000
St. Joseph Health System	Health Services	9,300
Yum! Brands, Inc.	Retail Trade	6,600
PacifiCare Health Systems	Health Services	5,000
The Home Depot, Inc.	Retail Trade	5,000
Tenet Healthcare Corporation	Health Services	5,000
Albertsons	Retail Trade	5,000
Target Corporation	Retail Trade	4,900
Memorial Health Services	Health Services	4,700

Note: The table does not include government employment.

Source: Economy.com

Population and Households

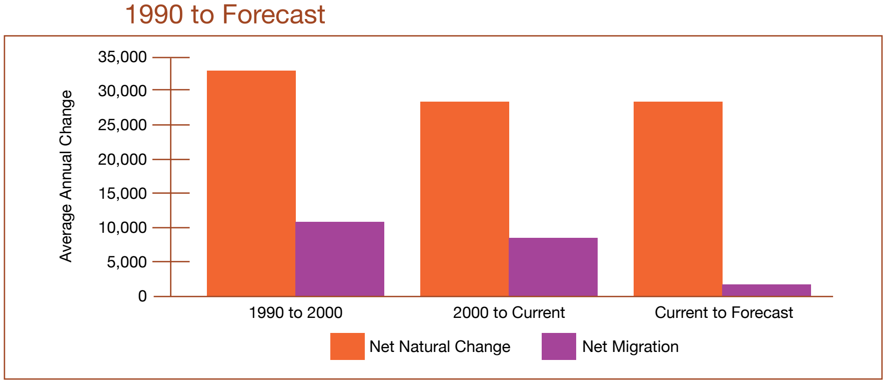
As of July 1, 2007, the population of the Orange County HMA is estimated to be 3,112,300. This estimated population indicates an average annual gain of 36,700, or 1.2 percent, since the 2000 Census. The annual growth rate was slower than it was between 1990 and 2000, when the average annual gain was 43,573, or 1.7 percent.

Based on annual data from the California Department of Health Services Center for Health Statistics and the California Department of Finance, 76 percent of the population growth in the HMA between 1990 and 2000 resulted from net natural change (resident births minus resident deaths), averaging 33,100 a year. From 2000 to the current date, population gains resulting from net natural change declined to an average annual rate of 28,000 as younger households moved to more affordable housing areas in Riverside and San Bernardino Counties. Net natural change continues to account for about 76 percent of the population growth

Net in-migration averaged only 10,400 people a year between 1990 and 2000 due to significant domestic out-migration caused by an economic downturn that occurred before 1996. From 2000 to the current date, net in-migration dropped to 8,700 a year because of the high level of domestic out-migration from the North Orange County submarket. During the forecast period, net migration into the North Orange County submarket will continue to decline because slower job growth will result in lower international migration, and net migration into the South Orange County submarket will continue to slow because move-up homebuyers from other counties will have problems selling their current homes. See Figure 4 for additional data on components of population change from 1990 to the forecast date.

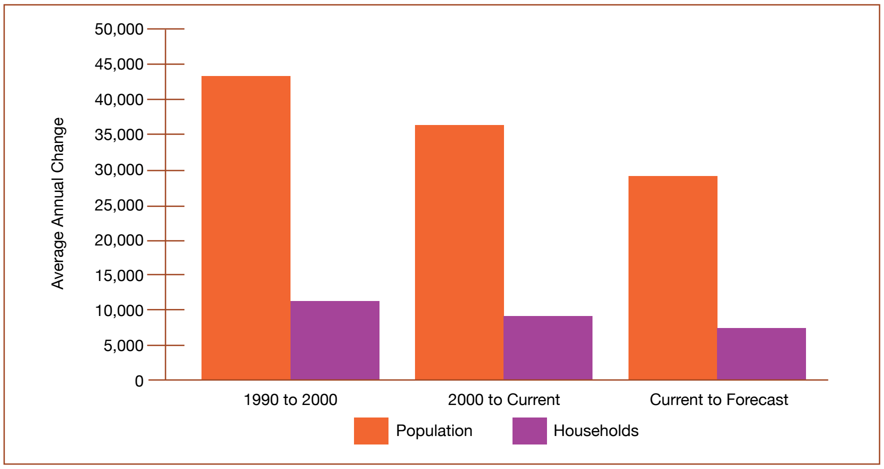
The major population centers of the HMA are in the North Orange County submarket. This submarket has five cities with populations exceeding 100,000. Anaheim and Santa Ana, with populations of 347,000 and 354,100, respectively, as of July 1, 2007, are the largest cities in the submarket. Between 2000 and the current date, the population in the North Orange County submarket increased at an average annual rate of 18,500, or 0.8 percent. The current population in the submarket is 2,264,200. Irvine is the only city in the South Orange County submarket with a population of more than 100,000. Between 2000 and the current date, the population in the South Orange County submarket increased at an average annual rate of 18,200, or 2.4 percent, to 885,900. Both submarkets are forecast to increase at slower rates during the forecast period as international migration continues to slow. The population of the North Orange County submarket is expected to grow by 16,800, or 0.7 percent, annually; the population of

Figure 4. Components of Population Change in the Orange County HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst the South Orange County submarket is forecast to grow by 12,600, or 1.5 percent, a year. See Figure 5 for detailed data on population and household growth in the HMA from 1990 to the forecast date.

Figure 5. Population and Household Growth in the Orange County HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

Between 1990 and 2000, annual household growth in the HMA averaged 10,800 households, or an annual increase of 1.2 percent. As with population growth, household growth was slower during the first half of the 1990s because of out-migration; it has continued to grow at a slower rate since 2000. An estimated 1,000,300 households were in the HMA as of the current date, reflecting an average annual increase of 9,000 households, or 0.9 percent, since 2000. The rate of household growth during the forecast period is expected to decline to 7,300 households, or 0.7 percent, a year. See Tables DP-1, DP-2, and DP-3 at the end of this report for detailed information about population and household growth in the HMA and the two submarkets.

Housing Market Trends

Sales Market—North Orange County Submarket

New home developments in the North Orange County submarket generally are built on infill parcels, former oil fields, or redeveloped land. The Platinum Triangle development in Anaheim will convert one-story warehouses into 9,500 dwelling units and 5 million square feet of office and commercial space. The Historic Downtown Anaheim area also is being redeveloped. These two areas will be a source of developable land for large-scale, new sales housing construction during the forecast period. More than 600 sales housing units are currently under construction in these two areas.

The sales housing market in the North Orange County submarket is currently balanced. The sales vacancy rate is a low 0.8 percent; however, existing home sales declined 29 percent to 17,200 units for the 12 months ending June 2007 compared with 24,300 units in the 12 months ending June 2006. Although the number of sales is down, the June 2007 median price of an existing home increased to $673,100, up $39,400 or 6 percent, during the past 12 months. Even with the sales declines, current home prices are more than double what they were in 2002. The slowdown in home sales resulted from stricter lending policies and higher median home prices.

The homeownership rate in the North Orange County submarket increased slightly, from 57 percent in 1990 to 58 percent as of the current date. The percentage of owner households is expected to stay constant during the forecast period. See Figure 6 for the number of households by tenure for 1990, 2000, and the current date in this submarket.

During the 12-month period ending June 2007, single-family home construction activity, as measured by the number of single-family building permits issued, declined to 1,300 units, down 1,000 units, or 44 percent, compared with the 12-month period ending June 2006. The current 12-month level is 46 percent less than the average 2,600 units permitted each year between 1996 and 2006. Builders slowed or stopped construction as new home sales in this submarket declined 20 percent to 1,850 units during the past 12-month period. Between 1996 and 2006, new home sales averaged 2,500 units a year. New single-family home prices start at $600,000. See Figure 7 for annual single-family building permit trends for the North Orange County submarket from 1990 to the current date.

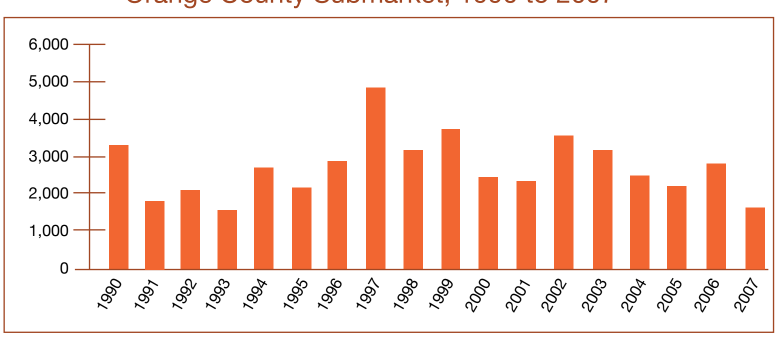
Condominiums currently represent about 21 percent of the total existing home sales market, down from 23 percent a year ago. The median price of an existing condominium is currently $446,300 compared with $429,700 in the previous year. Since 2000, the number of new condominiums constructed is estimated at 600 annually. As of the current date, approximately 71 percent of the 600 unsold new homes in this submarket are condominiums. Most of the new condominiums are in attached units or lowrise buildings. The asking price for new condominiums starts at $450,000.

Demand for new homes in the North Orange County submarket is forecast to be 7,200 units during the next 3 years. Approximately 17 percent of the forecast demand will be for condominiums. Table 1 presents the total demand for sales housing. Table 4 breaks out the estimated demand by price range for new market-rate sales housing during the forecast period.

Figure 6. Number of Households by Tenure in the North Orange County Submarket, 1990 to Current

Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Figure 7. Single-Family Building Permits Issued in the North Orange County Submarket, 1990 to 2007



Notes: Includes only single-family units. Includes data through June 2007.
Source: U.S. Census Bureau, Building Permits Survey

Table 4. Estimated Demand for New Market-Rate Sales Housing in the North Orange County Submarket, July 1, 2007 to July 1, 2010

Price Range ($)		Units of Demand	Percent of Total
From	To		
450,000	499,999	650	9.8
500,000	549,999	650	9.8
550,000	599,999	650	9.8
600,000	649,999	1,325	20.1
650,000	699,999	850	12.9

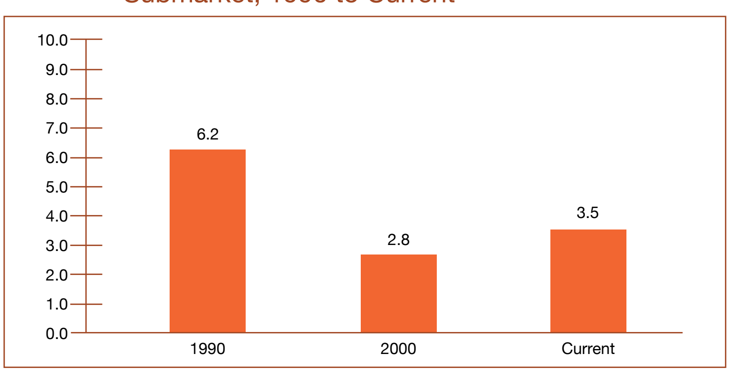
Source: Estimates by analyst

Rental Market—North Orange County Submarket

As with new sales housing, new rental unit construction is built primarily on infill parcels, former oil fields, or redeveloped land. Besides providing a source of developable land for new sales housing, the Platinum Triangle and the Historic Downtown Anaheim areas will also be a source of available land for apartment construction. More than 1,000 apartment units are currently under construction in these two areas.

The rental housing market is currently tight. The overall rental vacancy rate in the North Orange County submarket is 3.5 percent, as shown in Figure 8. The vacancy rate in units completed before 1970 is less than 2 percent. The highest vacancy rate is in units built after 2000. These units have a vacancy rate of about 4 percent. The slowdown in home sales will result in additional single-family and condominium units being available for short-term rentals. Approximately 17 percent, or 71,200 units, of the rental stock at the time of the 2000 Census was in single-family homes and condominiums. During the first half of the 2000s, new single-family homes or condominiums being used as rentals in this submarket were increasing at 100 units a year. Since 2005, the number of new single-family and condominium units being used as rentals increased to 700 units a year

Figure 8. Rental Vacancy Rates in the North Orange County Submarket, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

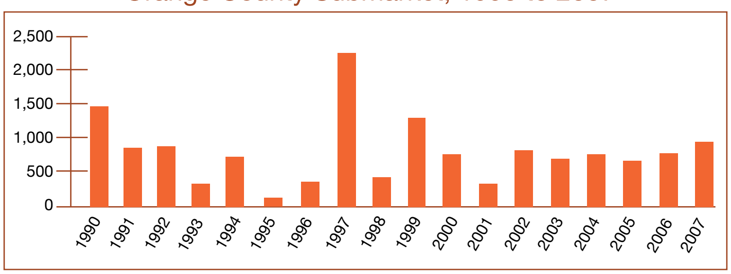
Multifamily construction activity, as measured by the number of units permitted, increased during the 12 months ending June 2007 to 2,450, up 1,200 units, or 96 percent, from the previous 12 months. Between July 2006 and June 2007, condominiums accounted for 60 percent of the multifamily units permitted. Between January 2000 and December 2006, multifamily construction activity averaged 1,200 annually. During the 7-year period, condominiums accounted for 51 percent of multifamily construction. See Figure 9 for annual multifamily building permit trends in the North Orange County submarket from 1990 to 2006.

The rent for new two-bedroom units in this submarket starts at $1,600. The rent for a new one-bedroom unit is $1,100 and for a three-bedroom unit is $2,100. New rental units are primarily targeted to young professionals with two wage earners in the household.

The average monthly rent for an existing two-bedroom apartment is $1,300. Rents in the beach cities, such as Huntington Beach, are $150 higher on average than inland cities because of the proximity to the ocean and more moderate temperatures. Rents for existing units increased 7 percent between the 12-month period ending June 2007 and the previous 12-month period. Rental units built before 1980 generally rent for $400 less than units built after 2000. Approximately 74 percent of the rental stock in the North Orange County submarket was constructed before 1980 compared with 37 percent in the South Orange County submarket. Only 2 percent of the rental stock in the North Orange County submarket was constructed after 2000 compared with 12 percent for the South Orange County submarket.

Based on current and anticipated rental housing market conditions, the total 3-year forecast demand for new rental housing is 2,400 units. Demand is expected to be strongest for two-bedroom units. See Table 1 for forecast demand by submarket and Table 5 for estimated demand for new market-rate rental units in the North Orange County submarket by rent range and number of bedrooms.

Figure 9. Multifamily Building Permits Issued in the North Orange County Submarket, 1990 to 2007



Notes: Includes all multifamily units in structures with two or more units. Includes data through June 2007.

Source: U.S. Census Bureau, Building Permits Survey

Table 5. Estimated Demand for New Market-Rate Rental Housing in the North Orange County Submarket, July 1, 2007 to July 1, 2010

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,100	600	1,600	1,675	2,100	125
1,150	530	1,650	1,400	2,150	110
1,200	490	1,700	1,300	2,200	100
1,250	440	1,750	1,150	2,250	80
1,300	380	1,800	1,000	2,300	70
1,350	320	1,850	850	2,350	60
1,400	270	1,900	700	2,400	50
1,500	220	2,000	550	2,500	40
1,600	170	2,100	350	2,600	30
1,700	140	2,200	250	2,700	20
1,800 and higher	110	2,300 and higher	100	2,800 and higher	10

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Sales Market—South Orange County Submarket

In contrast with the North Orange County submarket, new sales housing in the South Orange County submarket during the next 3 years will be built primarily on large parcels of vacant land. These homes will be built mainly in master-planned communities such as Irvine.

The largest cities in the South Orange County submarket are Irvine, Mission Viejo, and Lake Forest. Most of the residential development in this submarket, which occurred after 1970 in master-planned communities, primarily consists of single-family homes.

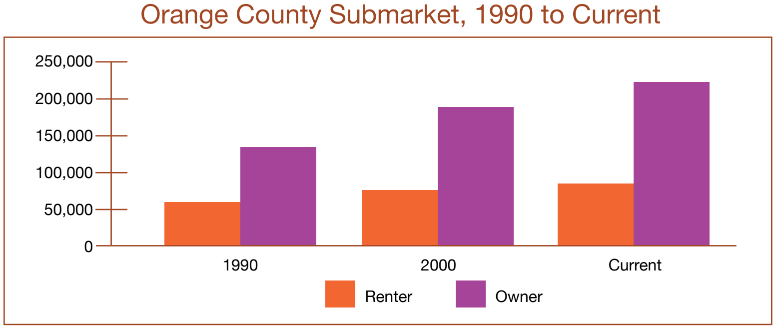
The sales housing market in the submarket is currently balanced. The sales vacancy rate is a very low 0.8 percent; however, existing home sales have declined by 27 percent to 11,000 units in the 12-month period ending June 2007 compared with 15,100 units in the previous 12-month period. Even with the sales slowdown, the June 2007 median price of an existing single-family detached home in South Orange County is estimated to be $820,000, up $12,800, or 1.6 percent, during the past 12 months. As with the North Orange County submarket, high home prices in the South Orange County submarket, combined with tighter lending standards, have resulted in buyers finding it harder to qualify for loans.

The homeownership rate in the South Orange County submarket increased slightly from 70 percent in 1990 to 72 percent as of the current date. The percentage of owner households is expected to stay constant during the forecast period because fewer first-time buyers will be able to qualify for homes due to the stricter lending standards. See Figure 10 for the number of households by tenure for 1990, 2000, and the current date in this submarket.

Single-family construction activity, as measured by the number of residential building permits issued, totaled 850 units during the 12-month period ending June 2007, a decline of 1,500 units, or 64 percent, compared with the previous 12-month period. During the same period, new single-family home sales declined 26 percent to 2,450 units from 3,350 units. Builders slowed or stopped construction in the submarket in response to the overall decline in new and existing home sales, an increasing inventory of unsold new homes, and tighter lending practices. Unsold new homes increased to more than 600 homes in June 2007 compared with fewer than 500 new homes in June 2006. See Figure 11 for annual single-family building permit trends in the South Orange County submarket from 1990 to the current date.

New single-family detached homes start at $650,000 and new condominiums start at $400,000. Since 1970, most of the homes in this submarket have been built in master-

Figure 10. Number of Households by Tenure in the South Orange County Submarket, 1990 to Current



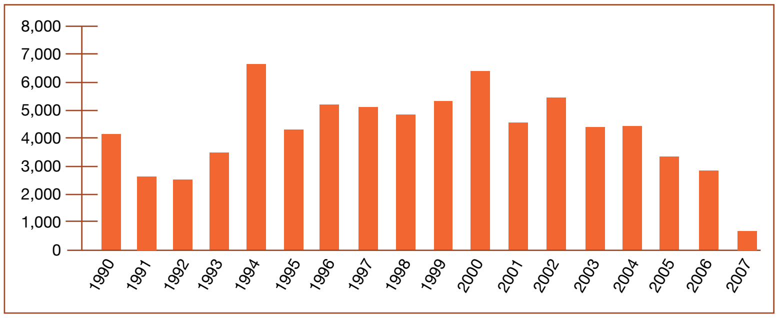
Sources: 1990 and 2000—U.S. Census; current—estimates by analyst planned communities. Large land parcels are still available in this submarket. The former Marine Corps Air Station El Toro is being transformed into several large-scale residential developments that are expected to add more than 2,000 homes during the forecast period.

Condominiums currently represent more than 37 percent of the total existing home sales market, down from 39 percent a year ago. The median price of an existing condominium is currently $460,600 compared with $477,500 a year ago. Since 2000, approximately 1,400 condominium units have been constructed annually.

About 60 percent, or 600, of the unsold new homes in this submarket are condominiums. The unsold new condominiums are in attached units, lowrise buildings, and highrise buildings. Asking prices for these unsold condominiums start at $400,000.

Demand for 10,600 new homes in the South Orange County submarket is forecast during the next 3 years. Approximately 27 percent of the demand will be for condominiums. Table 1 presents the total demand for sales housing. Table 6 breaks out the estimated demand for new market-rate sales housing by price range during the forecast period.

Figure 11. Single-Family Building Permits Issued in the South Orange County Submarket, 1990 to 2007



Notes: Includes only single-family units. Includes data through June 2007.
Source: U.S. Census Bureau, Building Permits Survey

Table 6. Estimated Demand for New Market-Rate Sales Housing in the South Orange County Submarket, July 1, 2007 to July 1, 2010

Price Range ($)		Units of Demand	Percent of Total
From	To		
400,000	449,999	1,050	9.9
450,000	499,999	1,050	9.9
500,000	549,999	1,050	9.9
550,000	599,999	2,125	20.0
600,000	649,999	1,400	13.2

Source: Estimates by analyst

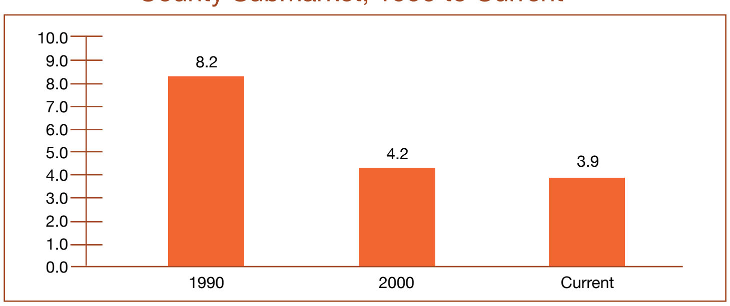
Rental Market—South Orange County Submarket

The North Orange County submarket started developing about 100 years before the South Orange County submarket. The northern submarket was mostly developed before 1990 while most of the southern submarket did not develop until after 1970. For this reason, the South Orange County submarket still has vacant land available for constructing rental housing. Most apartment construction in this submarket since 2000 has been in Irvine.

The rental housing market in the South Orange County submarket is currently tight. The overall rental vacancy rate in the submarket is 3.9 percent, as shown in Figure 12. The vacancy rate in units completed before 1970 is less than 2 percent. The highest vacancy rate—4 percent—is in units built after 2000. The slowdown in home sales will result in additional single-family units being available for short-term rentals. At the time of the 2000 Census, approximately 12 percent, or 22,600 units, of the rental stock was in single-family homes and condominiums. During the first half of the 2000s, new single-family homes or condominiums being used as rentals increased by less than 100 units a year. Since 2005, the number of new single-family and condominium units being used as rentals increased to 300 units a year.

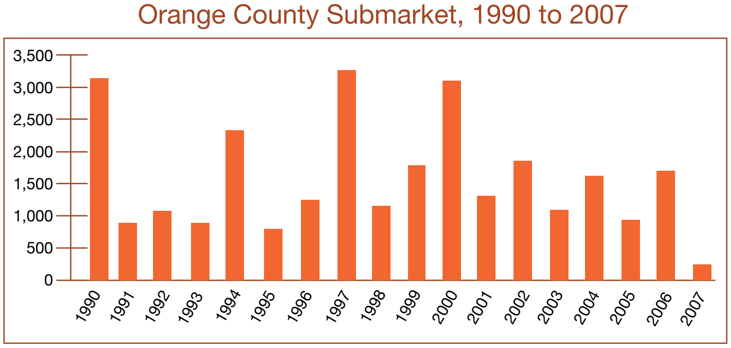
Multifamily construction activity, as measured by the number of units permitted, decreased to 1,950 units during the 12 months ending June 2007, down 300 units, or 13 percent, compared with the 12 months ending June 2006. The percentage drop would have been higher, but the slowdown in the sale of condominiums resulted in some multifamily builders returning to the construction of rental units. Even with some of the builders switching to building apartments, more than 48 percent of the multifamily units currently under construction are condominiums. Between 2000 and 2006, rental unit construction averaged 1,900 units annually compared with the 1,600 rental units currently estimated to be under construction. See Figure 13 for annual multifamily building permit trends from 1990 to the current date.

Figure 12. Rental Vacancy Rates in the South Orange County Submarket, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Figure 13. Multifamily Building Permits Issued in the South Orange County Submarket, 1990 to 2007



Notes: Includes all multifamily units in structures with two or more units. Includes data through June 2007.

Source: U.S. Census Bureau, Building Permits Survey

Before 1990, most apartment construction in the Orange County HMA was in the North Orange County submarket. As the availability of large parcels of vacant land in the northern submarket diminished, developers started to build more rental units in the South Orange County submarket. From 1990 to the current date, approximately 65 percent of new apartments in the HMA have been constructed in the southern submarket.

The rent for new two-bedroom units in the South Orange County submarket starts at $1,700. The rent starts at $1,200 for a new one-bedroom unit and at $2,200 for a three-bedroom unit. The new rental units are marketed primarily to young professionals with two wage earners in the household.

The average rent for an existing two-bedroom unit is $1,500. The lowest rents are in the units built before 1970. With the western boundary of the submarket being adjacent to the Pacific Ocean, rents in beach cities, such as Laguna Beach, are $200 higher on average than rents in inland cities because of the proximity to the ocean and moderate temperatures. Rents for existing units increased 4 percent between June 2006 and June 2007.

Based on current and anticipated rental housing market conditions, estimates of demand for new rental housing are for 3,200 units during the 3-year forecast period. Demand is expected to be strongest for two-bedroom units. See Table 1 for forecast demand by submarket and Table 7 for estimated demand for new rental units by rent range and number of bedrooms.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the South Orange County Submarket, July 1, 2007 to July 1, 2010

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,200	960	1,700	2,080	2,200	160
1,250	850	1,750	1,725	2,250	140
1,300	780	1,800	1,575	2,300	130
1,350	700	1,850	1,400	2,350	110
1,400	610	1,900	1,225	2,400	90
1,450	520	1,950	1,050	2,450	80
1,500	430	2,000	875	2,500	70
1,600	350	2,100	700	2,600	50
1,700	280	2,200	450	2,700	40
1,800	220	2,300	300	2,800	30
1,900 and higher	170	2,400 and higher	200	2,900 and higher	20

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.
Source: Estimates by analyst

Data Profiles

Table DP–1. Orange County HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%) 1990 to 2000	Average Annual Change (%) 2000 to Current
Total Resident Employment	1,306,200	1,428,700	1,575,800	0.9	1.4
Unemployment Rate (%)	3.5	3.5	3.5		
Nonfarm Employment	1,172,400	1,388,900	1,526,400	1.7	1.3
Total Population	2,410,556	2,846,289	3,112,300	1.7	1.2
Total Households	827,066	935,287	1,000,300	1.2	0.9
Owner Households	496,824	574,193	627,500	1.5	1.2
Percent Owner (%)	60.1	61.4	62.7		
Renter Households	330,242	361,094	372,800	0.9	0.4
Percent Renter (%)	39.9	38.6	37.3		
Total Housing Units	875,072	969,483	1,035,900	1.0	0.9
Owner Vacancy Rate (%)	1.8	1.0	0.8		
Rental Vacancy Rate (%)	6.6	3.1	3.6		
Median Family Income	$51,167	$64,611	$78,700	2.4	2.8

Note: Median family incomes are for 1989, 1999, and 2007.
Source: Estimates by analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development

Table DP–2. North Orange County Submarket Data Profile, 1990 to Current

				Average Annual Change (%)	
	1990	2000	Current	1990 to 2000	2000 to Current
Total Population	1,890,239	2,130,326	2,264,200	1.2	0.8
Total Households	628,813	668,701	690,000	0.6	0.4
Owner Households	358,039	384,694	404,800	0.7	0.7
Percent Owner (%)	56.9	57.5	58.7		
Rental Households	270,774	284,007	285,200	0.5	0.1
Percent Renter (%)	43.1	42.5	41.3		
Total Housing Units	660,582	690,126	712,700	0.4	0.4
Owner Vacancy Rate (%)	1.4	1.0	0.8		
Rental Vacancy Rate (%)	6.2	2.8	3.5		
Median Family Income	NA	NA	NA	NA	NA

Notes: Median family incomes are for 1989, 1999, and 2007. NA = data are not available.
Sources: Estimates by analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development

Table DP–3. South Orange County Submarket Data Profile, 1990 to Current

				Average Annual Change (%)	
	1990	2000	Current	1990 to 2000	2000 to Current
Total Population	520,317	715,963	848,100	3.2	2.4
Total Households	198,253	266,586	310,300	3.0	2.1
Owner Households	138,785	189,499	222,700	3.2	2.3
Percent Owner (%)	70.0	71.1	71.8		
Rental Households	59,468	77,087	87,600	2.6	1.8
Percent Renter (%)	30.0	28.9	28.2		
Total Housing Units	214,490	279,357	323,200	2.7	2.0
Owner Vacancy Rate (%)	3.1	1.0	0.8		
Rental Vacancy Rate (%)	8.2	4.2	3.9		
Median Family Income	NA	NA	NA	NA	NA

Notes: Median family incomes are for 1989, 1999, and 2007. NA = data are not available.
Sources: Estimates by analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 7/1/2007—Analyst's estimates

Forecast period: 7/1/2007–7/1/2010—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_OrangeCountyCA.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.