

Orange County Market Review

December 2023

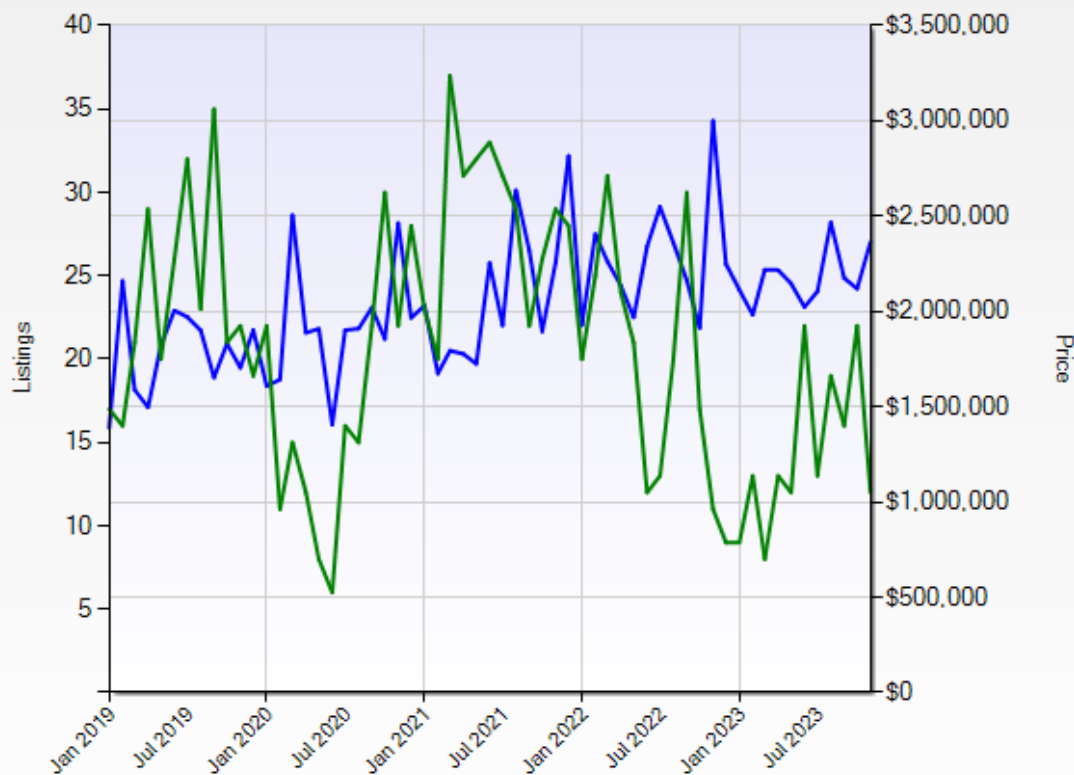




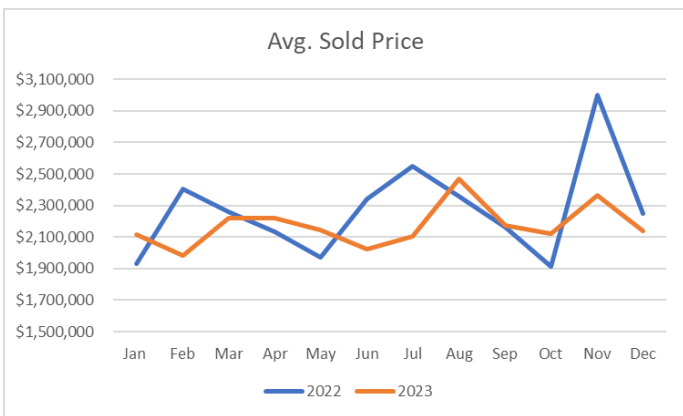
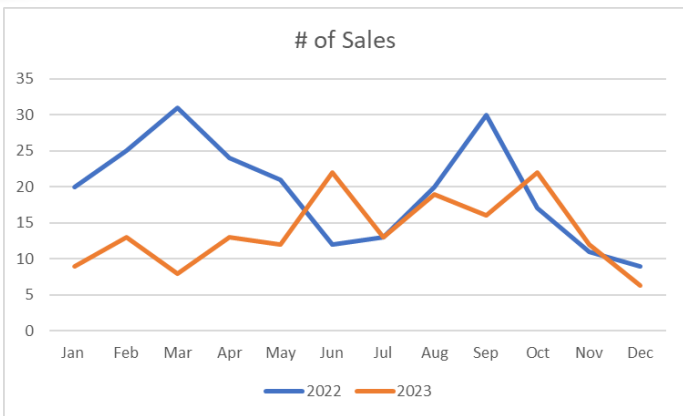
- Orange County Market Specific Data
- Focus on smaller units
 - Combined: 4 – 20 units
 - 4 Units (most common property type)
- Market trends: Number of Sales & Average Sales Price
 - 4 Year Trend
 - Year-over-Year (2023 vs. 2022)
- Current Active Listings
- Insights, predictions & recommendations



Orange County 4 – 20 Unit Building Analysis



— Sales, Number of
— Sale Price, Average



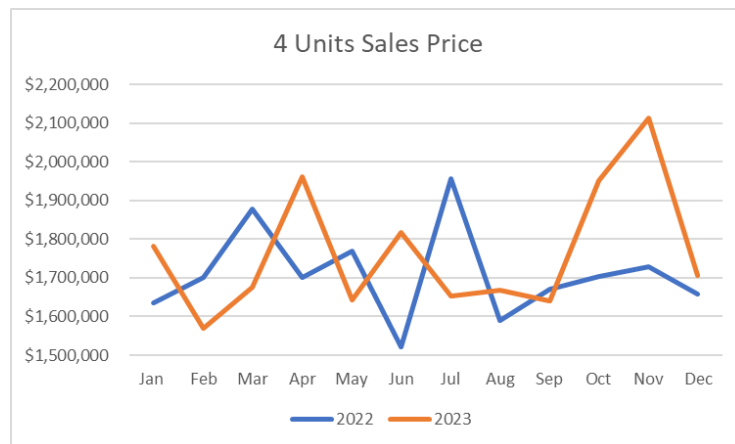
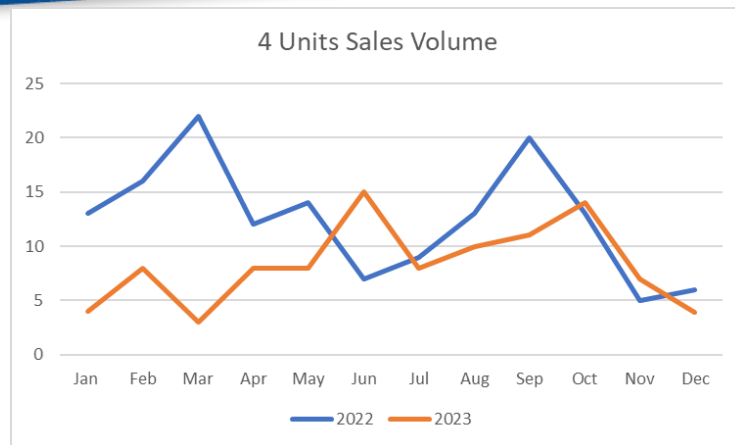
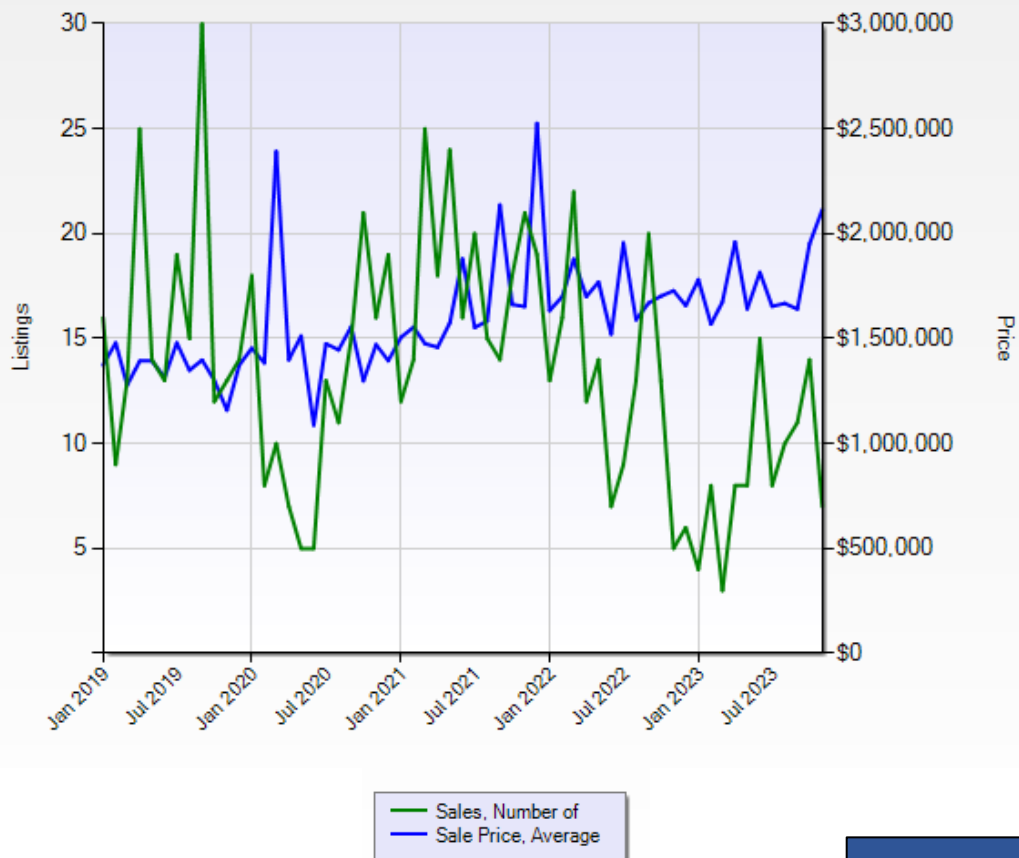
Year over Year Change

	<u>2022</u>	<u>2023</u>	<u>% Change</u>	<u>% Change</u>
Avg. Sales Price	\$2.27	\$2.17	-\$100K	-4.4%
Total Number of Sales	233	165	-68	-29.1%

Source: MLS
 Orange County 4 -20 Unit Buildings
 Time frame is from Jan 2019 to Nov 2023
 Property Type is 'Residential Income'
 Results calculated from approximately 1,200 listings
 December results estimated using YTD averages and past year Dec. actual results



Orange County 4 Unit Building Analysis



Year over Year Change

	<u>2022</u>	<u>2023</u>	<u>% Change</u>	<u>% Change</u>
Avg. Sales Price	\$1.71	\$1.77	+\$56K	3.3%
Total Number of Sales	150	99	-51	-33.4%

Source: MLS
 Orange County 4 Unit Buildings
 Time frame is from Jan 2019 to Nov 2023
 Property Type is 'Residential Income'
 Results calculated from approximately 800 listings
 December results estimated using YTD averages and past year Dec. actual results



Orange County Active 4 Units

- Inventory comparable to 2022
 - (45 current, versus 49 in 2022)
- Prices remain relatively steady
 - *Current list price of \$1.72M vs. 2023 average of \$1.77M.*

Insights / Predictions for Next Year

- Sales volume has been picking up back half of year.
- Feb & March see a typical uptick in listings, look to see if current trend holds.
- Watch to see if there is any decline in price similar to overall market.
- Interest rates might seem to “normalize” in owners minds.
- Action will increase naturally due to transfer, death, exchange or other factors forcing sale

Source: MLS

Orange County 4 Unit Buildings

Time frame is December 13th 2023

Property Type is 'Residential Income'

Results calculated from approximately 45 listings (14 removed)

St#	St Name	City	Units	GSI	GRM	L/C Price	DOM	Date
234 S	Knott AVE	ANA	4	\$95,760	18.79	\$1,799,000	281	2/23/2023
231 S	Laxore ST	ANA	4	\$124,800	15.79	\$1,970,000	89	9/14/2023
1811 W	Gramercy AVE	ANA	4	\$94,320	18.55	\$1,750,000	50	10/24/2023
2041 S	Sprague LN	ANA	4	\$84,060	19.93	\$1,675,000	49	10/25/2023
1401 E	Lincoln AVE	ANA	4	\$109,584	18.22	\$1,997,000	148	7/18/2023
1030 W	Romneya DR	ANA	4	\$61,200	19.61	\$1,200,000	71	10/3/2023
1818 W	Glenoaks AVE	ANA	4	\$82,500	19.39	\$1,599,900	7	12/4/2023
3435 W	Ariel PL	ANA	4	\$82,200	20.68	\$1,700,000	39	11/2/2023
Anaheim Total			8	\$91,803	18.87	\$1,711,363	92	
3133	Pearl DR	FUL	4	\$76,800	20.57	\$1,580,000	12	11/29/2023
17190	San Mateo ST #28	FV	4	\$104,520	14.35	\$1,500,000	23	11/19/2023
8582	Emerson CIR	GG	4	\$81,000	22.58	\$1,829,000	88	9/15/2023
13281	Fletcher ST	GG	4	\$97,140	20.07	\$1,950,000	82	9/14/2023
7731	Slater AVE	HB	4	\$88,272	16.43	\$1,450,000	23	11/20/2023
920 E	Stearns AVE	LH	4	\$96,600	18.43	\$1,780,000	30	11/3/2023
402 W	Fairway DR	ORG	4	\$91,200	24.12	\$2,200,000	69	10/4/2023
1026 N	SHATTUCK PL	ORG	4	\$126,588	15.78	\$1,997,000	147	7/18/2023
331 W	Rosewood AVE	ORG	4	\$126,420	18.11	\$2,290,000	12	12/1/2023
10530	Lowden ST	STAN	4	\$97,200	18.49	\$1,797,000	58	10/16/2023
14182	Chestnut ST	WTM	4			\$1,220,000	40	11/3/2023
4609	Lakeview AVE	YL	4	\$72,000	34.72	\$2,500,000	67	9/10/2023
Other Cities Total			12	\$96,158	20.33	\$1,841,083	54	
1722	Evergreen ST	SA	4	\$88,800	13.51	\$1,199,500	153	5/22/2023
1818	Evergreen ST	SA	4	\$72,100	17.34	\$1,250,000	95	9/8/2023
2619 W	Orion AVE	SA	4	\$68,704	25.47	\$1,750,000	42	10/23/2023
3801 S	Ross ST	SA	4			\$1,800,000	55	10/2/2023
2232	E. Joana Drive	SA	4	\$74,616	18.76	\$1,400,000	8	11/24/2023
1039 W	Central AVE	SA	4	\$79,200	19.57	\$1,550,000	294	1/11/2023
3317 W	Camille ST	SA	4	\$94,308	16.97	\$1,599,999	50	10/24/2023
2248	2250 N Bristol ST	SA	4	\$141,600	11.72	\$1,660,000	70	10/3/2023
2236	Joana Drive	SA	4	\$106,521	16.79	\$1,789,000	46	10/25/2023
1104	French ST	SA	4	\$143,400	12.55	\$1,799,000	123	8/3/2023
1102	French ST	SA	4	\$142,200	12.65	\$1,799,000	168	6/19/2023
Santa Ana Total			11	\$101,145	16.53	\$1,599,682	100	
OC Total			31	\$96,676	18.62	\$1,721,948	80	



- In 2023, the multifamily real estate market showed signs of returning to a more normal seasonal pattern, albeit slightly weaker than pre-pandemic years.
- The average 30-year, fixed mortgage interest rate will decline from 6.7 percent in 2023 but remain elevated at 6.0 percent in 2024.
- The economy maintained positive momentum but was slowing, with a resilient labor market.
- Higher interest rates, declining property values, and price disagreements between sellers and buyers led to a slowdown in multifamily origination volume.
- Freddie Mac expects the multifamily market to slow in the short term but remain strong in the long run due to favorable long-term trends.
- In Southern California, the USC Lusk Center for Real Estate projected rent increases in the next two years in Los Angeles County, Orange County, the Inland Empire, Ventura County, and San Diego County.
- For 2024, the California Association of Realtors (C.A.R.) predicts a rebound in the California housing market as mortgage rates decrease.
- Single-family home sales are forecasted to increase by 22.9 percent in 2024 compared to 2023.
- California's median home price is expected to rise by 6.2 percent to \$860,300 in 2024, following a projected 1.5 percent decrease in 2023.
- Housing affordability is expected to remain flat at 17 percent in 2024, similar to the projected rate for 2023.
- The U.S. gross domestic product (GDP) is predicted to increase by 0.7 percent in 2024, following a projected uptick of 1.7 percent in 2023.
- California's nonfarm job growth rate will be 0.5 percent in 2024, leading to an increase in the state's unemployment rate to 5.0 percent from the projected 4.6 percent in 2023.
- Inflation is expected to gradually decline, with the Consumer Price Index (CPI) registering 2.6 percent in 2024, down from 3.9 percent in 2023.



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2024 Recommendations

Market Awareness

- **Stay Informed:** Stay informed about economic and market developments. Keep an eye on trends in interest rates, new laws, job growth, and inflation, as these factors can impact the real estate market. Attend local real estate events and network with other investors to gain insights.
- **Monitor Rental Rates:** Given the projection of continuing rent increases over the next two years in Southern California, property owners should regularly monitor rental rates in their local markets. Watch out for rent control limits!

Portfolio Analysis

- **Divest Underperforming Properties:** Regularly evaluate your property portfolio and consider divesting underperforming properties, those with excessive legal exposure, or assets facing anticipated local market challenges. Free up capital for better investment opportunities and reduce headaches.
- **Diversify Portfolio:** Consider diversifying your real estate portfolio across different Southern California markets to spread risk. Diversification can help you mitigate potential downturns in specific areas and benefit from growth in others.
- **Consider Tax Implications:** Consult with a tax advisor to understand any potential tax implications of your real estate investments. Tax strategies can help you optimize your financial outcomes.

Operations

- **Tenant Retention:** Focus on tenant retention by providing excellent customer service and addressing tenant concerns promptly.
- **Investment in Property Upkeep:** Maintain and invest in the upkeep and maintenance of your multifamily properties.
- **Budget and Plan for Increased Expenses:** Be prepared for potential increases in operating expenses.

Long Term Strategy

- **Evaluate Long-Term Strategy:** Multifamily properties are considered a favored asset class in the long run, so consider your investment horizon and whether you want to hold or potentially sell properties based on your financial goals. Recognize the goal for each property.
- **Plan for Your Legacy:** Develop a comprehensive legacy plan that outlines how you intend to pass down your real estate assets to the next generation or beneficiaries



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through real estate*



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- **PROPERTY MANAGEMENT** alternatives and options.
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building generational wealth through real estate



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