

Los Angeles

Multifamily Market Outlook 1Q 2018



Commercial Real Estate Services, Worldwide.

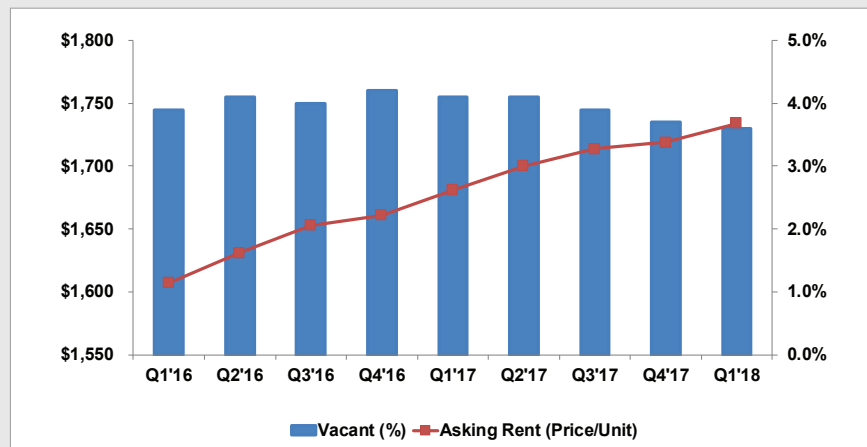
MARKET OVERVIEW

The Los Angeles multifamily housing market set records in 1Q 2018, with historic asking rents and the lowest vacancy rate on record. Asking rent averaged \$1,734 per unit, which represented a 1.0% increase over 4Q 2017 and a 3.2% increase over 1Q 2017. The average asking rent was 23.6% higher than the prior peak reached in 3Q 2008. The vacancy rate was 3.6%, down 50-basis points over 1Q 2017. Since 2008, the multifamily housing stock has grown by 5.6%, while demand continued to soar, and deliveries were unable to keep pace. As of 1Q 2018, there were 37,660 new multifamily units under construction, with over 35,000 expected to be completed by 4Q 2018. However, most of these are luxury units that are out of reach for the average renter. The average asking rent for new class A apartments registered at \$2,833 per unit in 1Q 2018, up 2.3% from 1Q 2017. While this has exacerbated the affordable housing crisis in Los Angeles, the multifamily market has also become ideal for investment. Sale volume has remained above 10,000 units per quarter for the last three years, while cap rates fell to 4.2%, the lowest on record for any property type in Los Angeles.

TRENDS TO WATCH

Despite Los Angeles County's strong underlying economy, solid wage growth, and low unemployment, affordable housing remains out of reach for many households. There is simply not enough supply to fulfill demand. Since the 2010 Census, approximately 47.7% of households owned their homes. By 2016, this number had declined to 45.7%. According to the California Association of Realtor's Housing Affordability Index, only 25% of residents could afford to purchase a home in Los Angeles County at the minimum qualifying income of \$111,730 annually. As virtually all new household growth is concentrated in the rental market, this has pushed multifamily vacancy rates to record lows, and asking rents to historic heights. This trend is expected to continue for the foreseeable future, with a report from the USC Casden Economics Forecast predicting that asking rents will increase by an average of \$136 per month over the next two years.

Average Asking Rent and Vacancy Rate



Source: NAI Capital Research, CoStar

MARKET OUTLOOK

Asking Rental Rates



Vacancy Rates



New Construction



Sales Volume



Sales Prices



Cap Rates



NAI Capital Research
www.naicapital.com

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Market Statistics:

| SUBMARKET | Inventory (SF/Units) | Under Constr. (Units) | Vacancy % | Asking Rent \$ |
|--------------------|----------------------|-----------------------|-------------|----------------|
| CENTRAL | 196,054 | 16,596 | 3.8% | \$1,572 |
| Downtown | 44,717 | 10,621 | 5.3% | \$2,081 |
| Mid-City/W Adams | 39,085 | 887 | 2.9% | \$1,329 |
| South/Central LA | 47,722 | 652 | 2.8% | \$1,008 |
| Wilshire/Westlake | 64,530 | 4,436 | 4.1% | \$1,609 |
| EAST | 178,520 | 3,698 | 3.1% | \$1,506 |
| Arcadia/Duarte | 18,525 | 469 | 3.6% | \$1,364 |
| Azusa/Covina | 13,902 | 0 | 3.0% | \$1,432 |
| Claremont/Pomona | 14,375 | 56 | 3.1% | \$1,405 |
| E LA/Alhambra | 38,483 | 1,131 | 2.8% | \$1,295 |
| Pasadena | 28,092 | 442 | 3.3% | \$1,932 |
| South Glendale | 41,005 | 1,474 | 3.1% | \$1,620 |
| W Covina/La Puente | 13,597 | 0 | 3.9% | \$1,546 |
| Whittier | 10,541 | 126 | 2.7% | \$1,356 |
| WEST | 280,659 | 10,672 | 3.9% | \$2,306 |
| Beverly Hills | 56,324 | 897 | 3.5% | \$2,424 |
| Hollywood | 92,338 | 4,560 | 3.8% | \$1,704 |
| Mar Vista/Palms | 42,172 | 730 | 3.4% | \$2,020 |
| Marina Del Rey | 28,536 | 2,504 | 4.3% | \$3,002 |
| Santa Monica | 29,377 | 611 | 4.7% | \$2,583 |
| West LA/Westwood | 31,912 | 1,370 | 4.5% | \$2,776 |

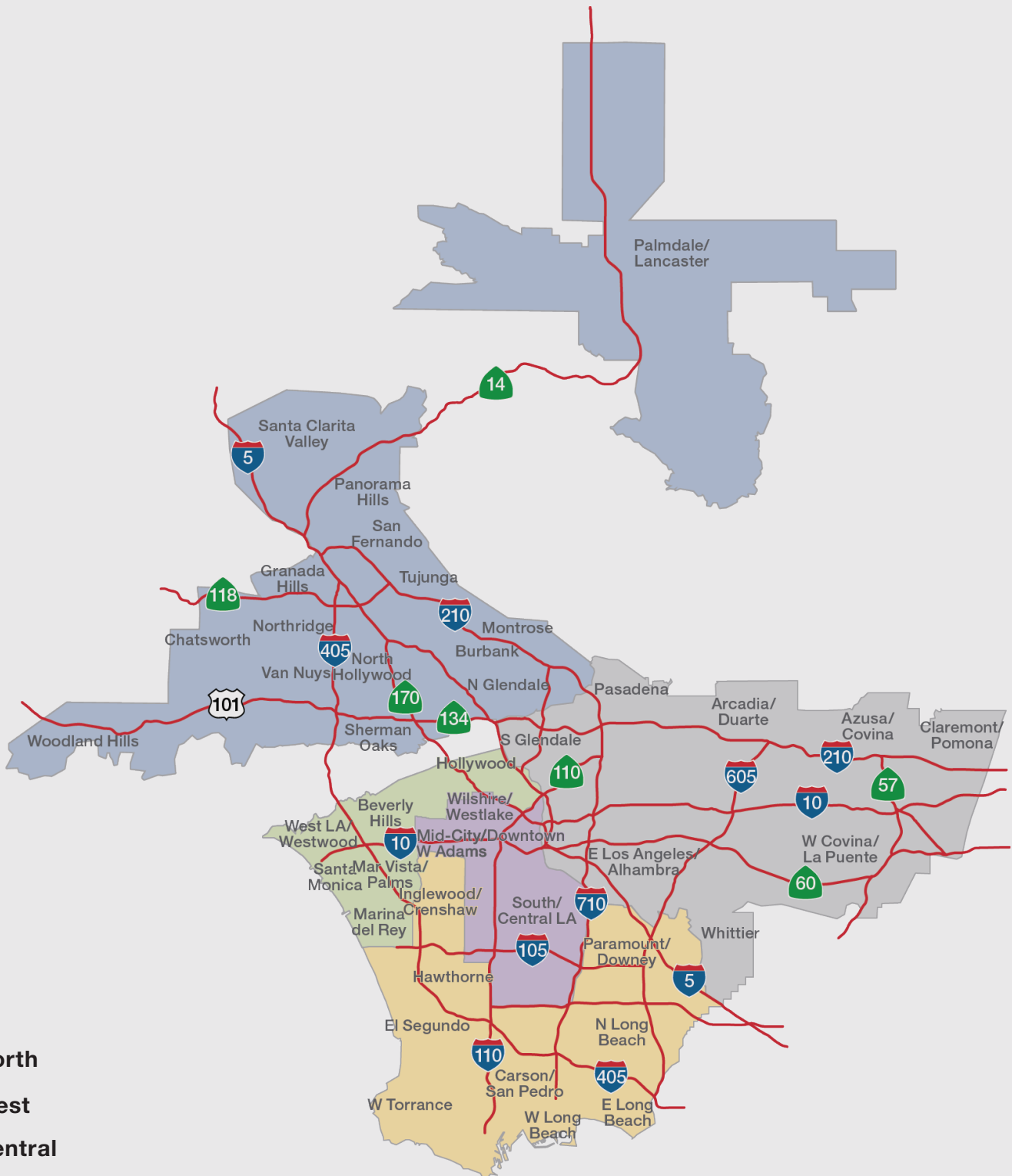
| SUBMARKET | Inventory (SF/Units) | Under Constr. (Units) | Vacancy % | Asking Rent \$ |
|----------------------|----------------------|-----------------------|-------------|----------------|
| NORTH | 258,949 | 4,655 | 3.2% | \$1,646 |
| Burbank/N Glendale | 30,275 | 250 | 3.0% | \$1,863 |
| Chatsworth | 20,787 | 1187 | 3.2% | \$1,620 |
| Granada Hills | 28,731 | 64 | 3.1% | \$1,558 |
| Palmdale/Lancaster | 16,522 | 161 | 3.4% | \$1,119 |
| Panorama Hills | 22,539 | 164 | 2.4% | \$1,347 |
| Santa Clarita Vly | 15,005 | 0 | 4.0% | \$1,865 |
| Sherman Oaks | 48,231 | 1113 | 3.8% | \$1,973 |
| Tujunga/Montrose | 6,066 | 68 | 2.4% | \$1,429 |
| Van Nuys/N Hollywood | 49,141 | 324 | 3.1% | \$1,411 |
| Woodland Hills | 21,652 | 1324 | 3.2% | \$2,084 |
| SOUTH BAY | 191,300 | 2,039 | 3.2% | \$1,458 |
| Carson/San Pedro | 21,245 | 836 | 2.8% | \$1,448 |
| E Long Beach | 17,056 | 0 | 4.0% | \$1,532 |
| El Segundo | 11,927 | 0 | 3.3% | \$2,059 |
| Hawthorne | 28,260 | 46 | 2.5% | \$1,270 |
| Inglewood/Crenshaw | 28,466 | 40 | 2.8% | \$1,285 |
| N Long Beach | 14,343 | 0 | 4.0% | \$1,459 |
| Paramount/Downey | 27,887 | 0 | 2.9% | \$1,427 |
| W Long Beach | 30,173 | 1117 | 4.0% | \$1,304 |
| West Torrance | 11,943 | 0 | 3.1% | \$1,944 |

| Total | Inventory (SF/Units) | Under Construction (Units) | Vacancy % | Asking Rent \$ |
|--------------------|----------------------|----------------------------|-------------|----------------|
| Los Angeles | 1,105,482 | 37,660 | 3.5% | \$1,734 |

| Complex | Submarket | Units | Cap Rate | Sale Price | Price/Unit | Price/SF |
|--|----------------------|-------|----------|---------------|------------|----------|
| 14500 Sherman Cir, Van Nuys | Van Nuys/N Hollywood | 354 | N/A | \$115,000,000 | \$324,858 | \$345 |
| 5807 Topanga Canyon Blvd, Woodland Hills | Woodland Hills | 324 | 3.70% | \$96,500,000 | \$297,839 | \$264 |
| 1234 W Cameron Ave, West Covina | W Covina/La Puente | 183 | N/A | \$44,850,000 | \$245,081 | \$249 |
| 1900 E Cienega Ave, Covina | Azusa/Covina | 180 | N/A | \$44,300,000 | \$246,111 | \$191 |
| Gemdale USA Corporation | Santa Clarita Valley | 130 | 4.50% | \$45,900,000 | \$353,076 | \$84 |

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- North
- West
- Central
- East
- South Bay

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