

Los Angeles

Multifamily Market Outlook 3Q 2018

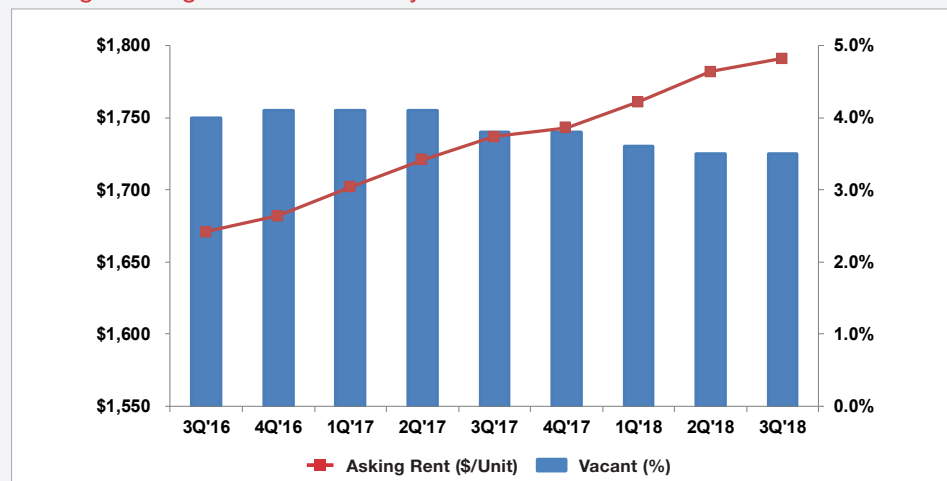
MARKET OVERVIEW

The Los Angeles multifamily housing market has continued to shatter records in 3Q 2018. This quarter saw the average asking rent reach \$1,791 per unit—the highest on record. This is a 50-basis point increase over the prior quarter, and a 3.1% increase over 3Q 2017. This quarter had the highest average asking rent on record and remains 27.4% above the prior peak in 3Q 2008. The vacancy rate registered at 3.5%, which was down 30 basis points over 3Q 2017 and steady over the prior quarter. This is the lowest vacancy rate seen since 3Q 2001. As of 3Q 2018, there are 29,820 units under construction, with over 112,727 addition units either proposed or planned to be built by 2024. However, 95.0% of the proposed construction projects are Luxury Class A units, with asking rents considerably above the market average. This quarter, asking rent for Class A units was \$2,913, up 2.6% over 3Q 2017. While rising rents impact affordability, this has made the Los Angeles multifamily market ideal for investment. Over the past three years, sales volume has remained above 10,000 units per quarter, with nearly \$2.3 billion in dollar volume per quarter over the same time.

TRENDS TO WATCH

Over the past 10 years, demand for multifamily housing has soared. Tight lending restrictions, and elevated single-family home prices have pushed virtually all new household formation into the rental market. According to the U.S. Census Bureau, between 2009 and 2018, 193,340 renter households were added in Los Angeles County, making up 74.4% of all new household growth. Over the same time, the multifamily housing stock has only increased by 5.7%, or 68,229 housing units. This has placed incredible pressure on the multifamily housing market, pushing asking rents to their highest levels on record. While this has created an affordability crisis for renters, this has benefited landlords, developers, and multifamily investors and has kept the Los Angeles multifamily housing market very hot. An additional 112,727 units could be completed by 2024; however, due to rising construction costs, new construction starts could plateau. This is the result of several factors, including rising steel prices due to tariffs, new zoning and affordable housing requirements, and measures that require developers to hire union labor and pay prevailing wages.

Average Asking Rent and Vacancy Rate



MARKET OUTLOOK

Asking Rental Rates



Vacancy Rates



New Construction



Sales Volume



Sales Prices



Cap Rates



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Market Statistics

SUBMARKET	Inventory (Units)	Under Constr. (Units)	Vacancy (%)	Asking Rent \$
CENTRAL	194,776	9,592	3.9%	\$1,663
Downtown	41,340	6,076	6.5%	\$2,273
Mid-City/W Adams	41,679	539	2.4%	\$1,341
South/Central LA	49,673	785	2.3%	\$1,017
Wilshire/Westlake	62,084	2,192	4.5%	\$1,667
EAST	174,741	2,353	3.5%	\$1,549
Arcadia/Duarte	18,938	295	4.4%	\$1,403
Azusa/Covina	13,659	0	2.9%	\$1,466
Claremont/Pomona	13,845	-	3.1%	\$1,432
E LA/Alhambra	38,155	1,153	2.7%	\$1,310
Pasadena	27,001	73	3.7%	\$1,970
South Glendale	38,844	706	4.1%	\$1,709
W Covina/La Puente	13,767	0	3.8%	\$1,598
Whittier	10,532	126	2.4%	\$1,382
WEST	277,459	8,993	4.1%	\$2,381
Beverly Hills	55,054	720	3.7%	\$2,512
Hollywood	91,783	3,851	3.8%	\$1,773
Mar Vista/Palms	41,231	959	3.0%	\$2,086
Marina Del Rey	26,502	1,083	7.4%	\$3,069
Santa Monica	28,473	688	4.1%	\$2,644
West LA/Westwood	34,416	1,692	4.2%	\$2,908

SUBMARKET	Inventory (Units)	Under Constr. (Units)	Vacancy (%)	Asking Rent \$
NORTH	248,364	6,486	3.0%	\$1,685
Burbank/N Glendale	27,921	241	2.6%	\$1,923
Chatsworth	19,980	1182	3.1%	\$1,648
Granada Hills	27,981	774	2.8%	\$1,611
Palmdale/Lancaster	16,161	161	3.3%	\$1,138
Panorama Hills	22,004	132	1.9%	\$1,377
Santa Clarita Vly	14,754	99	4.0%	\$1,903
Sherman Oaks	46,744	1184	3.5%	\$2,008
Tujunga/Montrose	5,919	88	2.2%	\$1,447
Van Nuys/N Hollywood	48,443	1029	2.6%	\$1,449
Woodland Hills	18,457	1596	3.5%	\$2,139
SOUTH BAY	189,947	2,396	3.0%	\$1,492
Carson/San Pedro	20,556	602	2.9%	\$1,497
East Long Beach	16,480	0	4.2%	\$1,569
El Segundo	12,012	0	3.0%	\$2,121
Hawthorne	28,306	0	2.6%	\$1,296
Inglewood/Crenshaw	28,973	234	2.2%	\$1,302
N Long Beach	14,573	0	3.3%	\$1,484
Paramount/Downey	28,752	0	2.5%	\$1,463
West Long Beach	29,146	1375	3.8%	\$1,336
West Torrance	11,149	185	3.3%	\$1,975

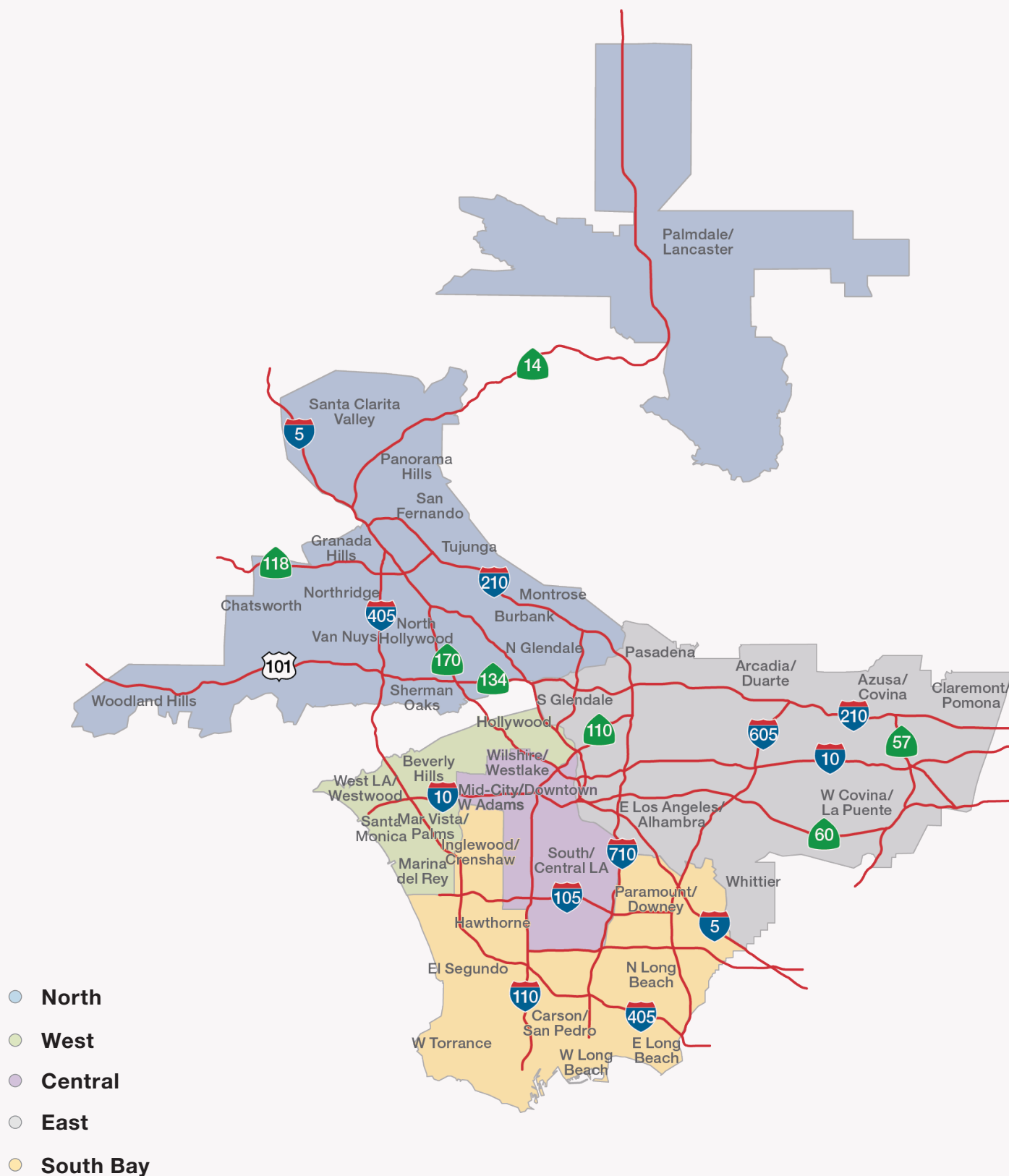
Total	Inventory (Units)	Under Construction (Units)	Vacancy %	Asking Rent \$
Los Angeles County	1,085,287	29,820	3.5%	\$1,791

Select Sales Transactions:

Complex	Submarket	Units	Cap Rate	Sale Price	Price/Unit	Price/SF
NOHO West	Van Nuys/N Hollywood	642	-	\$70,940,000	\$110,498	\$87
IMT Stevenson Ranch	Santa Clarita	510	4.15%	\$166,515,000	\$326,500	\$398
Triana at Warner Center	Woodland Hills	362	3.90%	\$157,000,000	\$433,701	\$324
IMT Gallery 421	W Long Beach	291	3.51%	\$124,300,000	\$427,147	\$430
Trails at San Dimas	Claremont/Pomona	288	4.60%	\$78,500,000	\$272,569	\$367

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