

Los Angeles County

Multifamily Market Outlook Q3 2022

MARKET OVERVIEW

In Los Angeles County the multifamily housing market continued stomaching remnants of the statewide eviction moratorium, which was put in place March of 2020 thru September 30, 2021, and extended to expire on December 31, 2022. Tenants who can't pay the rent after January 1st, 2023, can face eviction. A strong jobs market in Los Angeles County helped landlords attract new renters, pushing vacancy lower. Vacant units dropped 2.5 percent from the prior quarter and 8.9 percent year over year, as the vacancy rate registered 3.4 percent in the third quarter of 2022. Developers added units under construction, up 1.3 percent year over year.

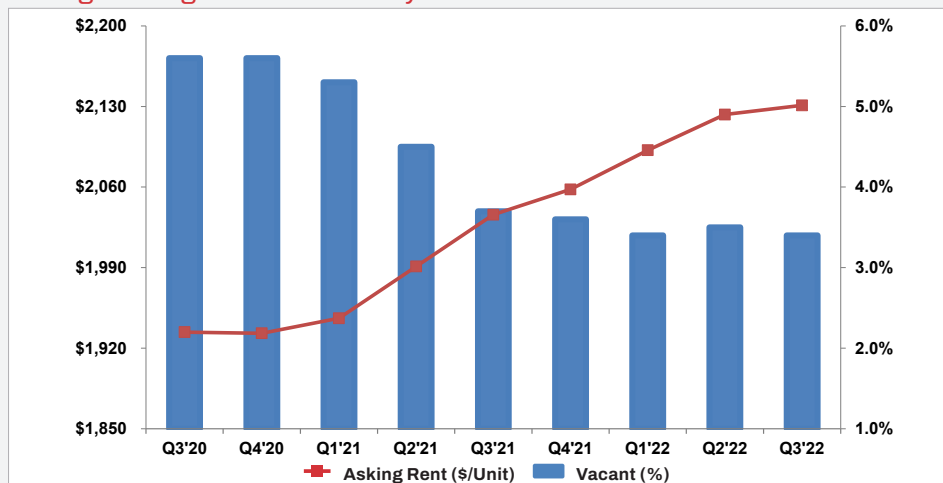
Post pandemic multifamily units that once sat vacant on the market, existing and newly built, found tenants fueled by an enormous surge in demand. Occupied units increased by 15,085 from Q3 2021, causing the total number of vacant units on the market to drop well below pre-pandemic levels to 39,127 units as of Q3 2022. The growth in occupancy annually was still larger than was seen following the Great Recession from 2009 to 2014. The average rent increased to another record high of \$2,131 per unit per month, up 4.7 percent from Q3 2021. The rise in average rent was driven by newly completed multifamily housing units. Institutional landlords have driven up occupancy levels, offering limited move in rent specials. Investors remained confident in the multifamily housing market as sales volume year to date increased 22.5 percent from Q3 2021.

TRENDS TO WATCH

The multifamily housing market will continue to adjust according to economic conditions. With mortgage rates surging to the highest level since 2002, homeownership has become out of reach for many borrowers in the rental market. In LA North, which includes the San Fernando and Santa Clarita Valleys, vacant units decreased 20.4 percent – the largest drop in the region – while the average rent increased 4.9 percent year over year. LA West experienced a 10.2 percent decrease in vacant units as rent there climbed 5.0 percent from Q3 2021 to Q3 2022. In Central LA, vacant units dropped 6.7 percent and rent saw a 3.0 percent increase year over year. On a quarter over quarter basis the market's rate of growth for the average asking rent pointed a lower trajectory: LA North saw rent inch up 0.2 percent, LA West 0.3 percent, and Central LA just 0.1 percent. The average asking rent in LA County grew a mere four tenths of a percent quarter over quarter.

While rents are unlikely to drop significantly anytime soon, a recent sharp rise in inflation and interest rates has made developers as well as investors wary. Multifamily housing units under construction in LA County totaled 34,001 in Q3 – down 1.9 percent quarter over quarter. Sales volume plummeted 33 percent over the same timeframe as the median sale price per unit dipped 1.8 percent. The shift in market conditions and demand for multifamily housing will continue into 2023.

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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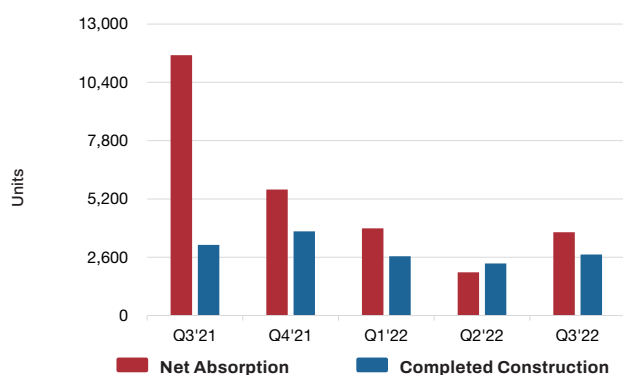
Market Statistics*

SUBMARKET	INVENTORY (UNITS)	UNDER CONSTRUCTION (UNITS)	TOTAL VACANCY (%)	AVERAGE ASKING RENT (\$/UNIT)	YTD UNITS SOLD	YTD SALES VOLUME (\$)	AVERAGE SALE PRICE (\$/UNIT)	AVERAGE CAP RATE (%)
Central	209,737	11,833	4.1%	\$2,021	4,954	\$1,463,122,158	\$325,963	4.7%
East	185,820	3,314	2.4%	\$1,914	4,733	\$1,661,438,509	\$332,553	3.9%
West	299,365	10,052	4.7%	\$2,610	6,494	\$3,157,593,987	\$426,221	4.2%
North	263,348	4,734	2.5%	\$2,051	7,344	\$2,571,102,560	\$347,287	4.1%
South Bay	204,629	4,068	2.6%	\$1,827	7,344	\$2,571,102,560	\$347,287	4.1%
Los Angeles County	1,162,899	34,001	3.4%	\$2,131	30,869	\$11,424,359,774	\$357,453	4.2%

Supply and Demand Trends

The past five quarters pointed to the strength in the rental market, responding positively to the added inventory. In Q2 2022, a supply/demand imbalance hit the market as supply exceeded demand. This quarter, again demand got back to exceeding supply – setting investor expectations heading into yearend 2022.

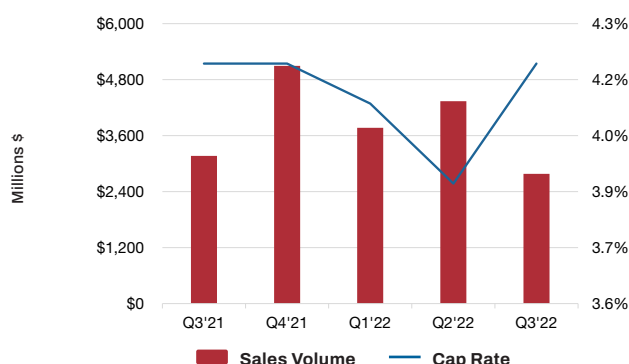
Net Absorption vs. Completed Construction



Sales Trends

Given the economic uncertainty, sales volume has been mixed over the past five quarters as investors adjusted to buying and selling into a changing market environment. Sales volume totaled approximately \$2.8B this quarter, down 12.2 percent from Q3 2021. The average cap rate increased 30 bps from the second quarter of 2022 to 4.2 percent this quarter.

Sales Volume vs. Cap Rate



Select Sales Transactions

Building Name/Address	City	Submarket	Units	Sale Price
2 Multifamily Properties Sold: Baldwin Village	South Bay	South Bay	669	\$220M
5901-5921 Center Dr: The Q Playa	Los Angeles	LA West	375	\$230.66M
3 Multifamily Properties Sold: The Alamitos, The Linden, The Pacific	Long Beach	South Bay	348	\$180M
265-275 S Arroyo Pky: Avalon Del Mar Station	Pasadena	East	347	\$172.3M
30856 Agoura Rd: The Lexington	Agoura Hills	North	178	\$87.3M
17200 Burbank Blvd: Brookside Terrace Apartments	Encino	North	154	\$51.25M
4041 Radford Ave: The Thomas Apartments	Studio City	North	149	\$76M
1829 E Workman Ave: Langdon Park At West Covina	West Covina	East	138	\$48.6M
1408-1430 N Citrus Ave: South Pointe Apartments	Covina	East	130	\$25.57M
341-385 N Rockvale Ave: Iris Gardens	Azusa	East	119	\$31.3M
10751 Rose Ave: The Diplomat Apartments	Los Angeles	West	118	\$10.8M
13200 Bromont Ave: Valley Pride Village	Sylmar	North	88	\$18.5M

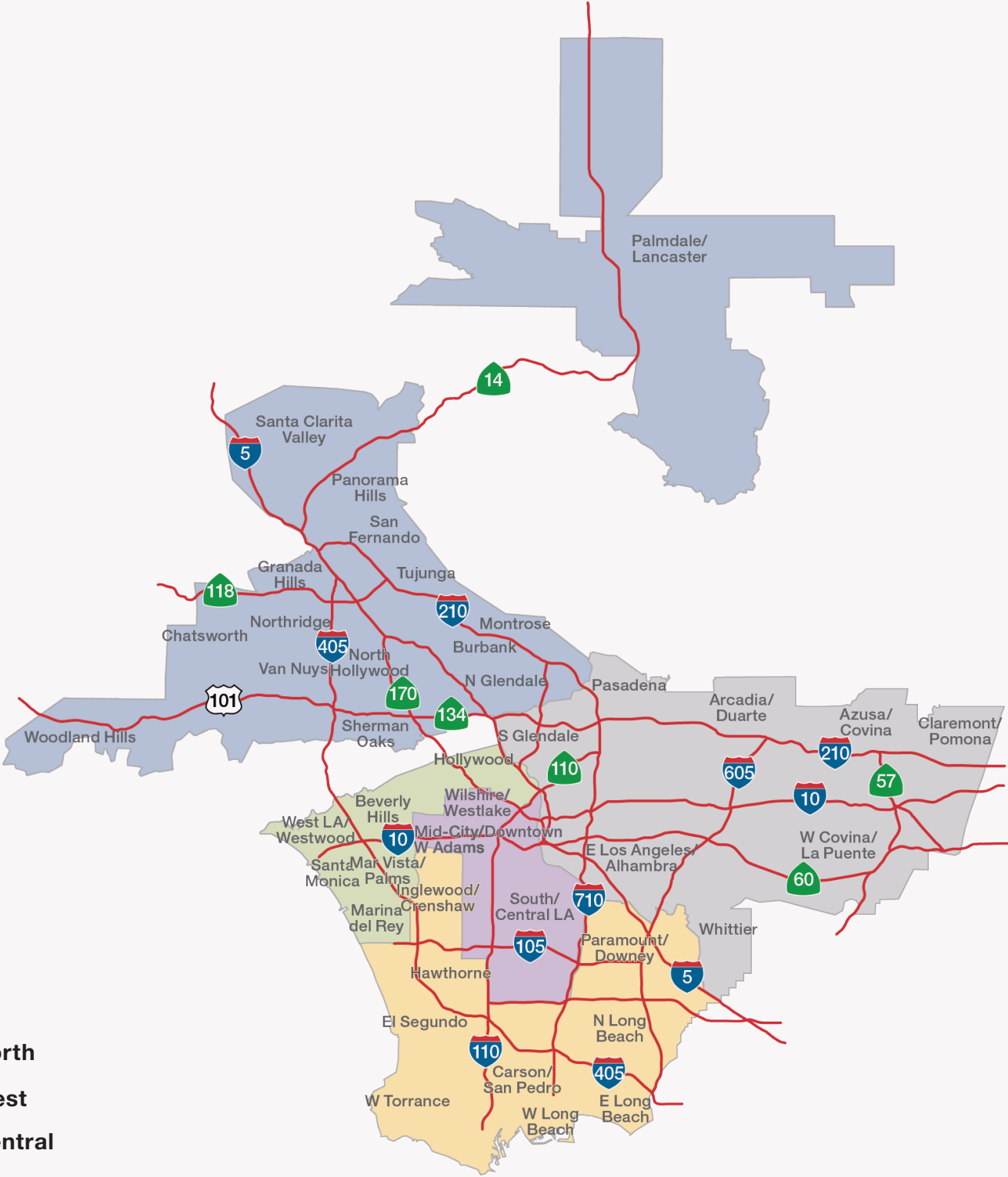
*Existing inventory includes all apartment buildings. Rent reflects market rate units of all sizes.

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COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE



- North
- West
- Central
- East
- South Bay

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Multifamily Market Outlook Q3 2022



NAI Capital Commercial Southern California Office Locations

Headquarters

15821 Ventura Blvd., Ste. 320
Los Angeles, CA 91436
818.905.2400

Los Angeles County

Downtown LA

707 Wilshire Blvd., Ste. 5125
Los Angeles, CA 90017
213.632.7700

West Los Angeles

11835 Olympic Blvd., Ste. 700E
Los Angeles, CA 90064
310.440.8500

Torrance

970 W. 190th St., Ste. 100
Torrance, CA 90502
310.532.9080

Pasadena

225 S. Lake Ave., Ste. 1170
Pasadena, CA 91101
626.564.4800

Valencia

25060 Avenue Stanford., Ste. 165
Valencia, CA 91355
661.705.3550

Diamond Bar

21660 E. Copley Dr., Ste. 320
Diamond Bar, CA 91765
909.348.0600

Ventura County

Oxnard

300 Esplanade Dr., Ste. 470
Oxnard, CA 93036
805.278.1400

Westlake Village

2555 Townsgate Rd., Ste. 320
Westlake Village, CA 91361
805.446.2400

Inland Empire

Ontario

800 N. Haven Dr., Ste. 400
Ontario, CA 91764
909.945.2339

Victorville

13911 Park Ave., Ste. 206
Victorville, CA 92392
760.780.4200

Orange County

Irvine

1920 Main St., Ste. 100
Irvine, CA 92614
949.854.6600

Coachella Valley

Palm Desert

75-410 Gerald Ford Dr., Ste. 200
Palm Desert, CA 92211
760.346.1566