

Los Angeles County

Multifamily Market Outlook Q2 2022

MARKET OVERVIEW

The vacancy rate for multifamily housing in Los Angeles County fell to 3.3 percent in the second quarter of 2022, down 10 basis points quarter over quarter and 120 basis points year over year. Strong demand for rental housing due to the lack of affordability of single-family homes for sale along with steady gains in employment continued to propel LA County's multifamily housing post pandemic. The median sale price for existing single-family homes in Southern California hit \$830,000 in June of 2022, up 8.4 percent from last year, according to the California Association of Realtors. In LA County, the median sales price in June was \$860,230 up 8.1 percent from last year. The statewide eviction moratorium, which was put in place March of 2020 to September 30, 2021, and extended through January 31, 2022, along with rent regulations, now lifted did not negatively affect occupancy as predicted. The average rent continued rising to new heights, up 6.7 percent year over year to \$2,091 per unit per month. Sales volume year to date increased 47.1 percent from the second quarter of 2021 and construction increased 3.1 percent compared to this time last year, as demand from investors and developers remained strong.

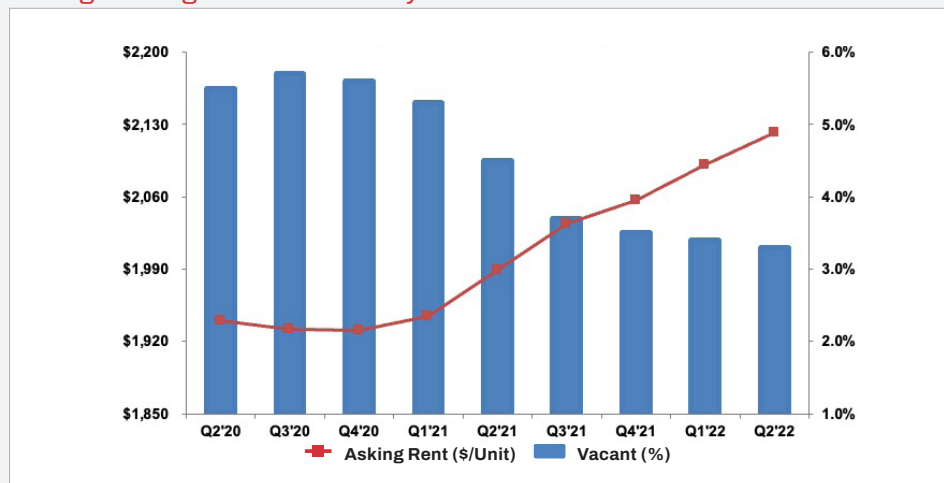
Strong economic conditions have pushed multifamily market fundamentals to record-breaking levels. Inflation has caused concern that the economy is becoming overheated. In June, the national rate of inflation hit a 40-year high of 9.1 percent, housing, which is included in the measure, saw a 5.6 percent increase from the prior year.

TRENDS TO WATCH

Rental rate growth, well above inflation, has kept investment in multifamily housing going strong. However, Federal Reserve officials, to curb inflation, are expected to keep raising interest rates until inflation cools. Investment sales will respond accordingly to the rise in interest rates. Irrespective of the effect of rising interest rates, market fundamentals showed solid demand in the rental market. In LA West, vacant units declined 29.2 percent from the second quarter of 2021 – the largest drop in the LA County year over year. Rent increased the fastest at 7.2 percent from a year ago to an average of \$2,592 per unit. The median sales price per unit registered \$423,148 per unit, up 5.3 percent year over year. The South Bay, vacant units declined 28.1 percent from the second quarter of 2021. Rent increased 5.6 percent from a year ago to an average of \$1,813 per unit, stimulating a 57.3 percent rise in units under construction year over year. The median sales price per unit registered \$295,455 per unit, up 5.5 percent year over year. Central LA, vacant units dropped 20.2 percent and rent grew 5.7 percent over the same time frame. In LA North, vacant units dropped 26.3 percent, rent grew 7.1 percent, and sales volume skyrocketed 165.8 percent year over year with more than \$1.5 billion trading hands.

With strong economic drivers, demand for multifamily housing will continue to be robust. High inflation and interest rates hikes will impact investors as they adjust to a changing financial landscape.

Average Asking Rent and Vacancy Rate



MARKET OUTLOOK

Asking Rental Rates



Vacancy Rates



New Construction



Sales Volume



Sales Prices



Cap Rates



J.C. Casillas

Managing Director, Research
jcasillas@naicapital.com
Direct: 818.933.2433

NAI Capital Commercial Research
www.naicapital.com

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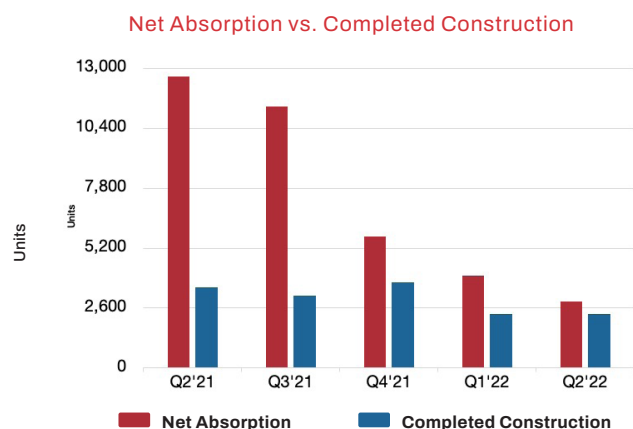
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Market Statistics*

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	207,980	12,523	4.2%	\$2,038	3,741	\$1,063,229,158	\$309,282	4.2%
East	184,993	3,501	2.4%	\$1,891	2,330	\$761,470,821	\$307,372	4.0%
West	298,022	9,763	4.6%	\$2,592	4,990	\$2,498,635,153	\$549,606	3.8%
North	262,368	4,804	2.6%	\$2,044	4,313	\$1,531,472,771	\$354,601	3.9%
South Bay	203,976	4,003	2.4%	\$1,813	5,344	\$1,874,203,765	\$330,117	3.9%
Los Angeles County	1,157,339	34,594	3.3%	\$2,122	20,718	\$7,729,011,668	\$382,724	3.9%

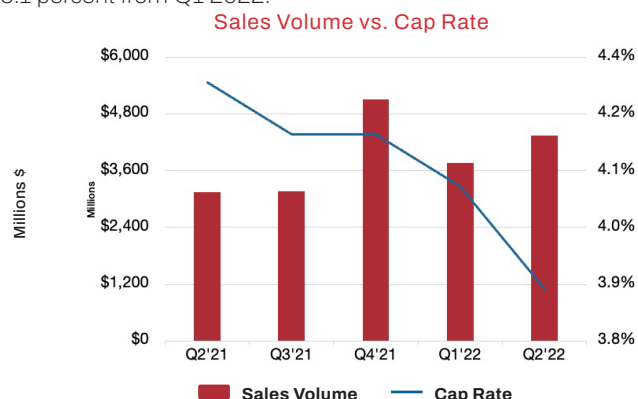
Supply and Demand Trends

Multifamily net absorption depicted the momentum change that happened since second quarter of 2021. Quarter over quarter absorption outperformed supply added to the market, completed construction. From the second quarter of 2021 to the second quarter of 2022 completed construction totaled 15,089 units and positive net absorption totaled 36,632 units.



Sales Trends

The average cap rate dipped 20 basis points from the previous quarter, down 40 basis points year over year to 3.9 percent. Year to date sales volume in the first half of 2022 totaled more than \$8.1 million, increasing a record-breaking 46.3 percent from H1 2021. Second quarter 2022 sales volume totaled more than \$4.3 billion, up 15.1 percent from Q1 2022.



Select Sales Transactions

Building Name/Address	City	Submarket	Units	Sale Price
LA Lofts Portfolio: 5 Multi-Family Properties Sold	Los Angeles	Central	1,037	\$402.07M
5807 Topanga Canyon Blvd - The Villas at Woodland Hills	Woodland Hills	North	324	\$134.5M
285 E Del Amo Blvd - Evolve South Bay	Carson	South Bay	300	\$171M
21601 Erwin St - Fusion Warner Center	Woodland Hills	North	266	\$96M
6355 De Soto Ave - Oceano at Warner Center	Woodland Hills	North	244	\$113.7M
200 N Grand Ave - The Verandas	West Covina	East	209	\$92M
330 N Westlake Ave - Bahay	Los Angeles	Central	200	\$137.75M
240 Chestnut Ave - Plymouth West Apartments	Long Beach	South Bay	196	\$67M
5640 Santa Monica Blvd - Langdon Park At Hollywood Studios	Los Angeles	West	177	\$31.2M
25910 Tournament Rd - Woodglen Apartments	Valencia	North	160	\$60.5M
2301 E Market St	Long Beach	South Bay	153	\$42.83M
1375 W San Bernardino Rd - MountainView Venture Apartments	Covina	East	139	\$38.5M

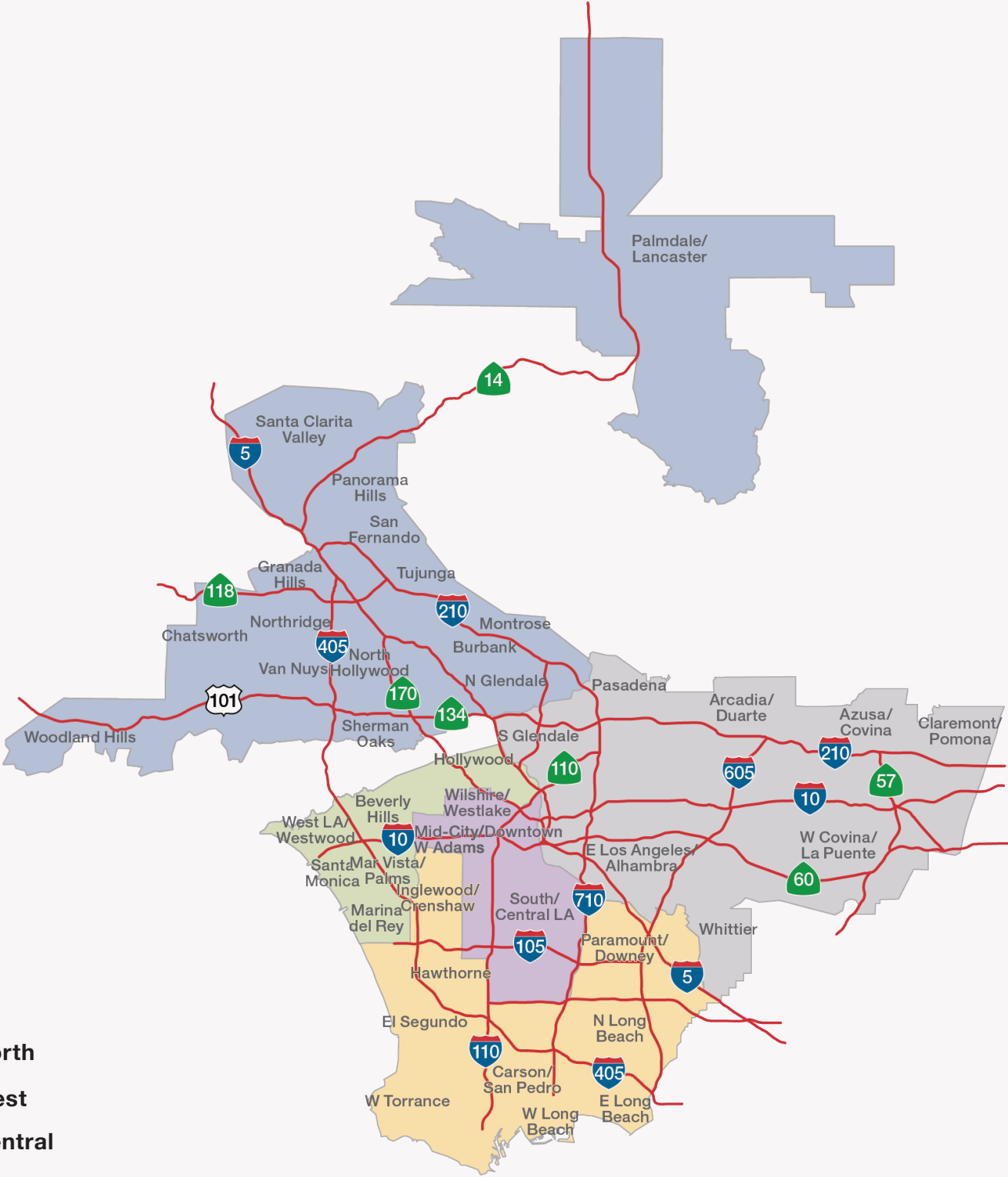
*Existing inventory includes all apartment buildings. Rent reflects market rate units of all sizes.

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COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE



- North
- West
- Central
- East
- South Bay

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Multifamily Market Outlook Q2 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