

Los Angeles County

Multifamily Market Outlook Q4 2020

MARKET OVERVIEW

The multifamily housing market continued to be restrained by the effects of an economy that spent nine months of the year under a COVID-19 shutdown. Since the onset of the pandemic's forced closure of non-essential businesses in March 2020, thousands of people lost their jobs. As layoffs skyrocketed, California's Governor extended a statewide eviction moratorium for renters affected by the coronavirus through June 30, 2021. Assistance was also extended to property owners who agreed to waive 20% of unpaid rent. By agreeing to this waiver, property owners become eligible for 80% in rent reimbursements for amounts owed between April 1, 2020 and March 31, 2021.

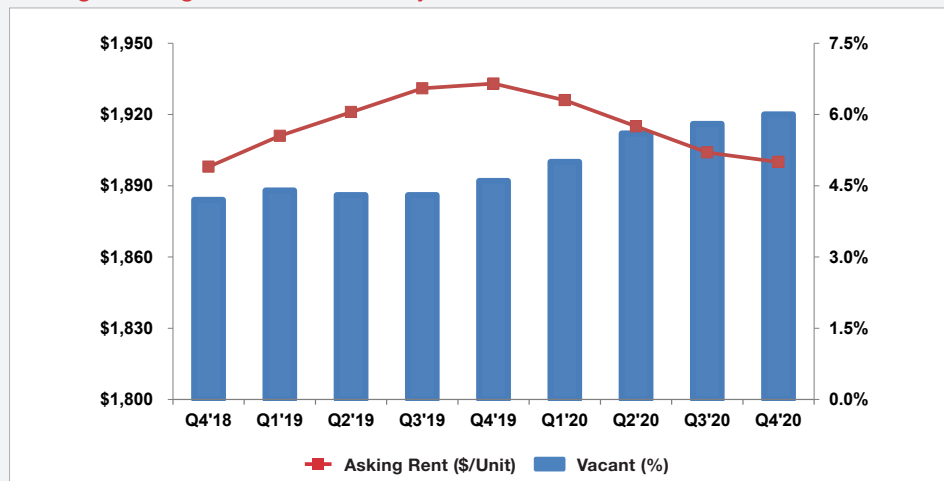
Multifamily housing, especially new construction, lost significant demand due to job losses. Between April and December of 2020, a total of 10,108 units, mostly unrented, were added to the market. The coronavirus pandemic recession hurt the rental market, sending the vacancy rate to an all-time high of 6% in Q4 2020. Back in the second quarter of 2009, vacancy remained at 5% for only two quarters before declining. It's unlikely that rent will roll back 19% to Great Recession levels. Average rent fell 1.7% in Q4 2020 from last year to \$1,900 per month.

TRENDS TO WATCH

While the eviction moratorium created challenges, sales volume increased 20.2% from Q3 2020 as buyers and sellers found ways to price multifamily investments. Struggling to collect rent, the sudden loss of tenant income and the freeze on evictions made it difficult. Investors haven't lost faith in the market's long-term outlook. Buying a home remains out of reach for a large percentage of renters in LA County. While low mortgage rates helped would-be homebuyers, many will remain in the rental market for the foreseeable future.

The unprecedented nature of this pandemic will impact the multifamily housing market, but to what extent is still being played out. An extended eviction moratorium will delay a wave of evictions, rising vacancy, and lower rent into the second half of 2021. While unemployment is improving as the economy begins to recover, it's expected to remain elevated in the near term. Market fundamentals are expected to slow throughout the rest of this year and possibly into next year because of weakened economic drivers. Owners will take this time focus on rent collection and work to maximize revenues.

Average Asking Rent* and Vacancy Rate



MARKET OUTLOOK

Asking Rental Rates



Vacancy Rates



New Construction



Sales Volume



Sales Prices



Cap Rates



NAI Capital Commercial Research
www.naicapital.com

Los Angeles County

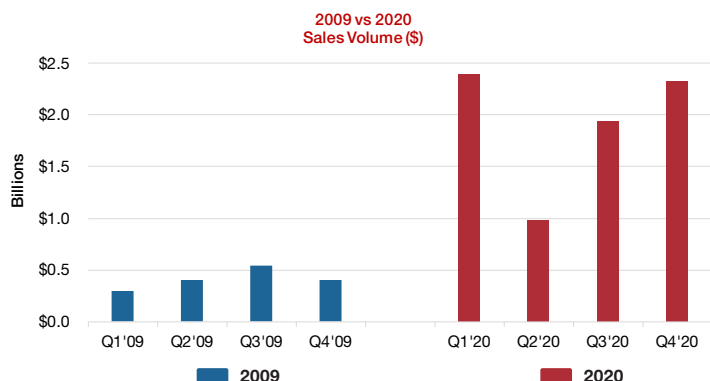
Multifamily Market Outlook Q4 2020

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	197,568	10,740	6.8%	\$1,810	4,763	\$1,187,142,660	\$215,642	4.9%
East	179,403	2,262	4.2%	\$1,690	4,038	\$1,128,973,486	\$312,634	4.5%
West	291,502	7,777	8.2%	\$2,324	6,439	\$2,347,260,592	\$402,776	4.1%
North	257,047	4,254	5.1%	\$1,826	6,645	\$1,581,408,563	\$242,195	4.7%
South Bay	199,122	2,792	4.5%	\$1,643	5,154	\$1,410,053,738	\$306,336	4.7%
Los Angeles County	1,124,642	27,825	6.0%	\$1,900	27,039	\$7,654,839,039	\$299,861	4.6%

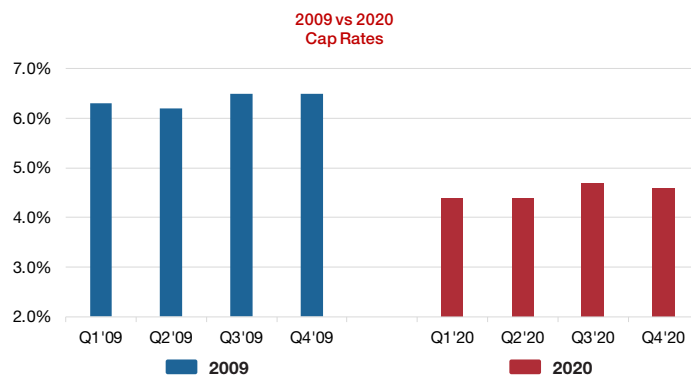
Sales Trends

Sales volume in the second half of 2020 highlighted the momentum swing that occurred from the second quarter of 2020, when the COVID-19 shutdown hit the multifamily housing market. Total sales volume for 2020 of over \$7.6B does not compare to the Great Recession, when the credit market froze, and transaction activity became limited.



Cap Rate Trends

In the fourth quarter, the average cap rate came down 10 basis points from the third quarter of 2020 to 4.6%. Investors remained very active, an indication that the perception of long-term fundamentals continued to be favorable for the multifamily housing market. Interest rates were extremely low and a key driver of property values, which helped to bolster prices.



Select Sales Transactions

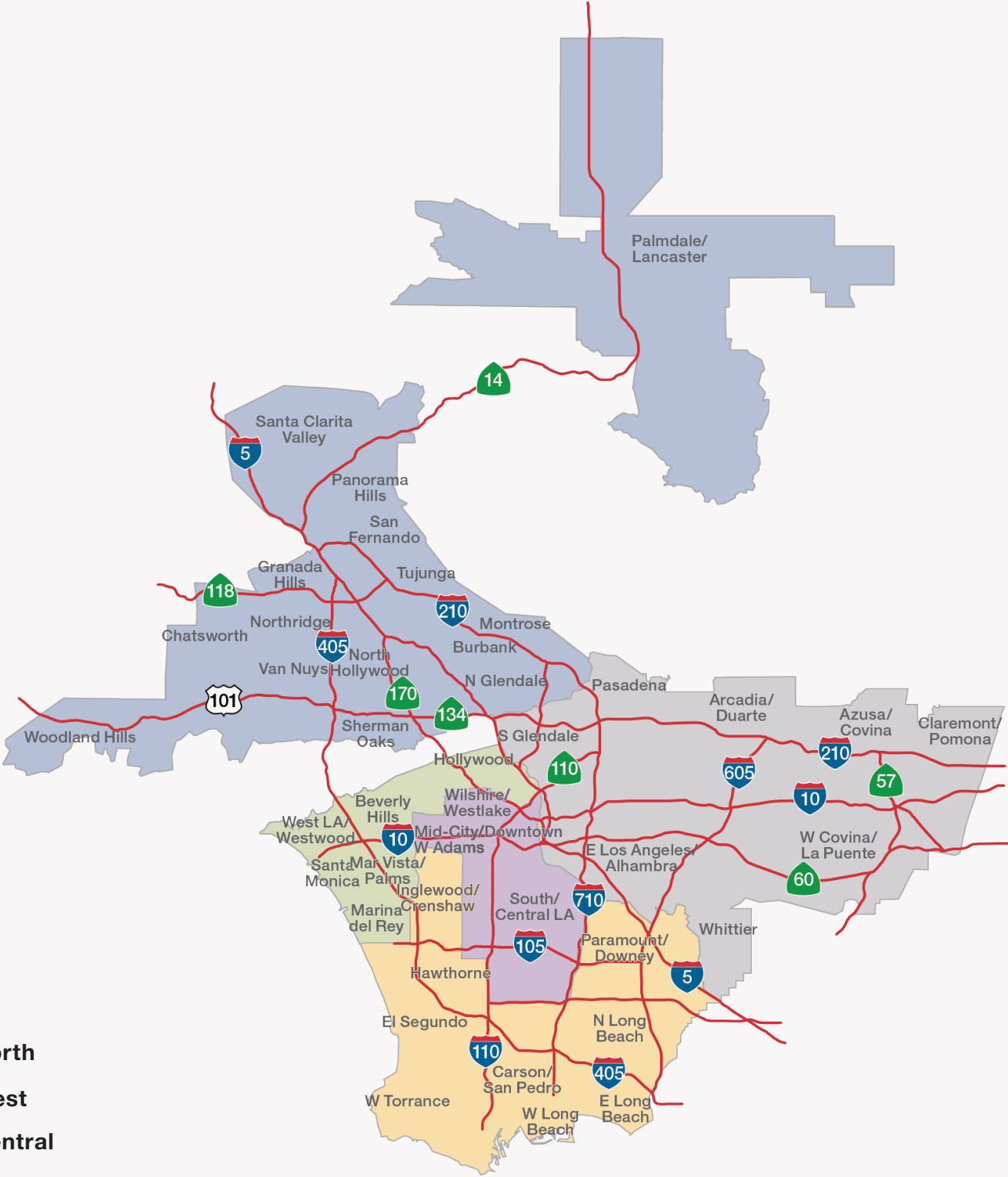
Building Name/Address	Submarket	Units	Cap Rate	Sale Price	Price/Unit	Price/SF
Angelene	West	179	4.0%	\$124,650,000	\$696,368	\$518
Nola624	East	259	4.3%	\$95,800,000	\$369,884	\$286
Woodley West Townhomes/ Granada Villas Apartment Homes	North	460	5.0%	\$95,000,000	\$206,521	\$239
Renaissance at City Center	South Bay	150	N/A	\$66,000,000	\$440,000	\$455
910 Grand View St.	Central	40	5.7%	\$8,650,000	\$216,250	\$302

Los Angeles County

Multifamily Market Outlook Q4 2020



COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE



- North
- West
- Central
- East
- South Bay

Los Angeles County

Multifamily Market Outlook Q4 2020



NAI Capital Commercial Research

J.C. Casillas

Managing Director, Research
jcasillas@naicapital.com

Katherine Tattersfield

Associate Director of Marketing Services
ktattersfield@naicapital.com

NAI Capital Commercial Southern California Office Locations

Headquarters

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

Property Management

120^{1/2} South El Camino Real, Ste. 210
San Clemente, CA 92674
949.874.0415

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. 185
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