

Los Angeles County

Multifamily Market Outlook Q1 2020

MARKET OVERVIEW

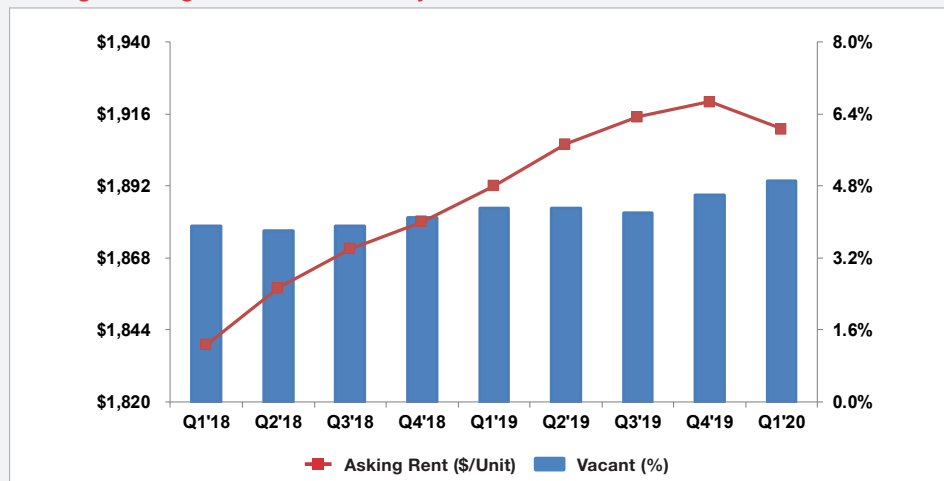
Los Angeles County's multifamily market showed signs of softening leading up to the COVID-19 shutdown. After 10 years of growth, the average asking rent dipped 0.5% from the prior quarter to \$1,911/Unit, up 1% compared to Q1 2019. This represented the first quarterly decline in rent since Q4 2010. Central and West, the County's priciest markets, spurred the decline as rent slipped 2.1% and 0.6%, respectively, from Q4 2019. Total market vacancy ticked up 30 bps from the previous quarter and 60 bps from Q1 2019 to 4.9% - the highest rate since Q4 2009. Vacancy increased as 13,584 units were completed in the market during the past year, primarily in the West and Central markets. Despite solid fundamentals, LA County's multifamily market will be impacted by the unprecedented COVID-19 shutdown. Temporary policies designed to prevent evictions in certain cases weighs on investors while said policies remain in place. Many investors are taking a wait-and-see approach until the path forward becomes clearer.

TRENDS TO WATCH

Population, income and affordability are key drivers of tenant demand for multifamily housing. LA County's population did not grow in 2019 and the COVID-19 shutdown will likely augment outmigration due to job losses and the high cost of living. Other tenants will stay in the area yet move in with relatives or roommates to save money. At the same time, most households are still priced out of home ownership and will continue to spur demand in the rental market. According to the California Association of Realtors®, the minimum qualifying income to purchase a median-priced single-family home in LA County sat at \$121,600/Year in Q4 2019 while the County's median annual household income registered well below at \$69,507. Fewer homes listed for sale and tighter lending conditions make purchasing more difficult for prospective buyers. Affordability challenges and undersupply should sustain the County's multifamily market long term.

Nevertheless, the pandemic shutdown will have a lasting impact on tenant and investor demand for multifamily housing throughout LA County. NAI Capital multifamily market professionals anticipate rent will decrease as landlords offer more concessions to attract new tenants and hold off on raising rates to maintain existing tenants. Vacancy will rise in the coming quarters, especially in areas with a large amount of supply in the pipeline, such as Central, West and North markets.

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	191,716	11,518	5.8%	\$1,835
Downtown	34,463	3,928	9.8%	\$2,635
Mid-City/W Adams	42,155	2,277	5.2%	\$1,476
South/Central LA	52,147	1,072	4.0%	\$1,087
Wilshire/Westlake	62,951	4,241	5.5%	\$1,785
EAST	177,574	1,588	4.2%	\$1,675
Arcadia/Duarte	19,466	423	4.2%	\$1,552
Azusa/Covina	13,678	0	3.3%	\$1,609
Claremont/Pomona	13,964	81	3.7%	\$1,586
E LA/Alhambra	39,239	312	3.8%	\$1,441
Pasadena	26,915	480	4.5%	\$2,021
South Glendale	39,619	53	5.2%	\$1,810
W Covina/La Puente	13,808	0	3.6%	\$1,745
Whittier	10,885	239	3.4%	\$1,562
WEST	286,223	8,094	5.8%	\$2,406
Beverly Hills	55,865	1,007	4.9%	\$2,533
Hollywood	95,101	3,305	6.4%	\$1,857
Mar Vista/Palms	42,249	1,295	4.3%	\$2,147
Marina del Rey	28,030	394	7.2%	\$3,001
Santa Monica	29,470	1,213	5.3%	\$2,945
West LA/Westwood	35,508	880	6.8%	\$2,960

SUBMARKET	Inventory (Units)	Under Constr. (Units)	Vacancy (%)	Asking Rent \$
NORTH	252,556	6,358	4.4%	\$1,808
Burbank/N Glendale	28,245	0	4.0%	\$2,129
Chatsworth	20,276	1,203	4.9%	\$1,761
Granada Hills	28,159	1,139	3.8%	\$1,760
Palmdale/Lancaster	16,469	51	4.5%	\$1,292
Panorama Hills	22,520	188	3.5%	\$1,494
Santa Clarita Vly	14,783	586	5.3%	\$2,027
Sherman Oaks	47,756	1,489	5.1%	\$2,060
Tujunga/Montrose	6,145	20	3.0%	\$1,562
Van Nuys/N Hollywood	48,827	406	3.8%	\$1,521
Woodland Hills	19,376	1,276	5.5%	\$2,196
SOUTH BAY	195,121	3,670	4.2%	\$1,622
Carson/San Pedro	21,847	1,077	4.1%	\$1,654
East Long Beach	16,559	0	4.6%	\$1,625
El Segundo	12,383	0	4.6%	\$2,310
Hawthorne	28,650	293	3.1%	\$1,407
Inglewood/Crenshaw	29,762	753	5.5%	\$1,376
N Long Beach	15,159	0	3.6%	\$1,633
Paramount/Downey	29,114	4	3.2%	\$1,574
West Long Beach	30,492	1,358	5.3%	\$1,515
West Torrance	11,155	185	3.7%	\$2,049

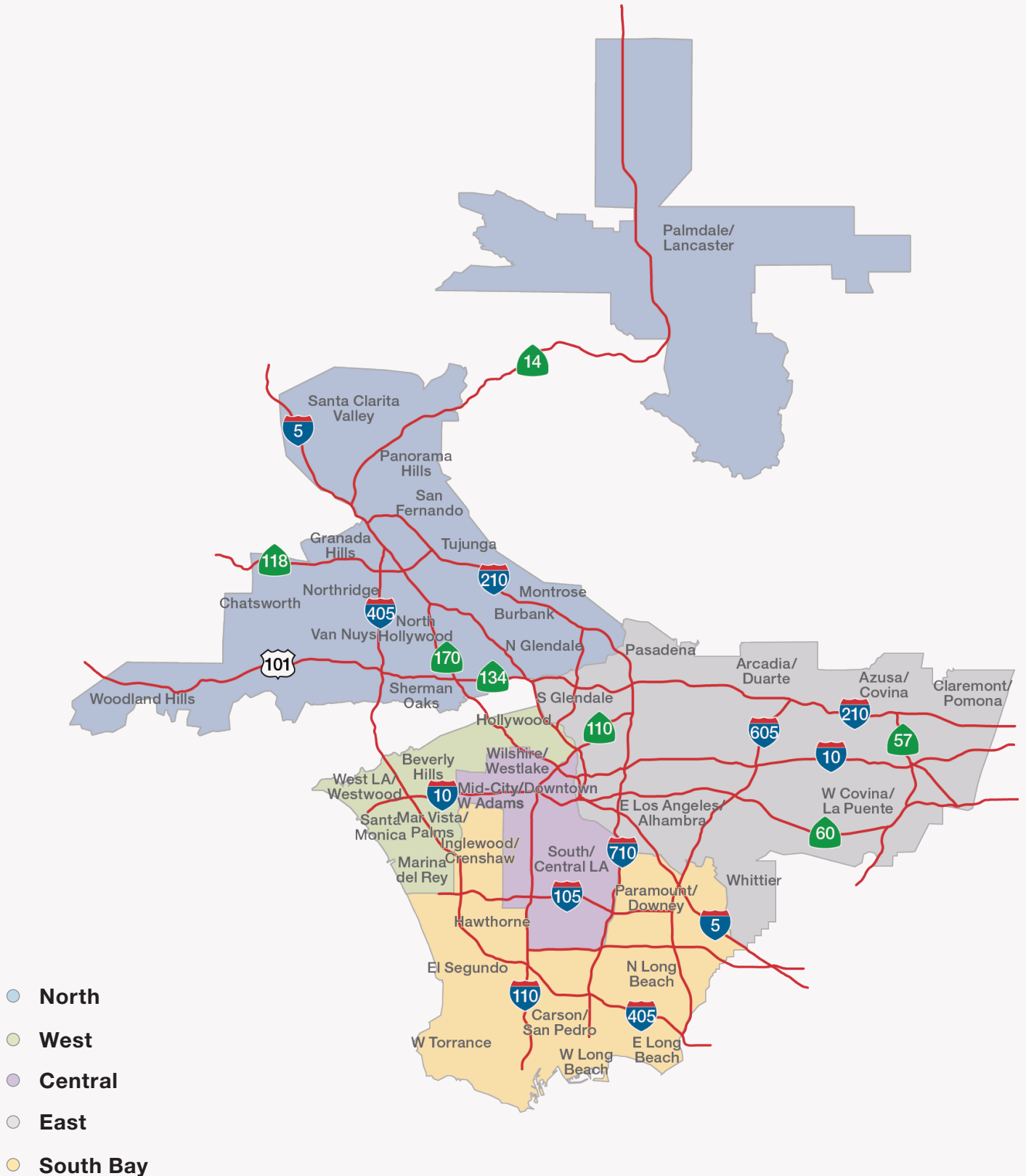
	Inventory (Units)	Under Construction (Units)	Vacancy %	Asking Rent \$
Los Angeles County	1,103,190	31,228	4.9%	\$1,911

Select Sales Transactions:

Complex	Submarket	Units	Cap Rate	Sale Price	Price/Unit	Price/SF
Wakaba	Central	240	4.6%	\$115,750,000	\$482,291	\$551
The Preston Miracle Mile	West	169	-	\$86,776,000	\$516,523	\$516
Four Trees	East	150	5.0%	\$48,600,000	\$324,000	\$376
The Montecito	North	85	-	\$48,500,000	\$570,588	\$229
410 Rossmore Ave.	West	78	2.0%	\$29,000,000	\$371,794	\$445

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