

Los Angeles

Multifamily Market Outlook 1Q 2017

MARKET OVERVIEW

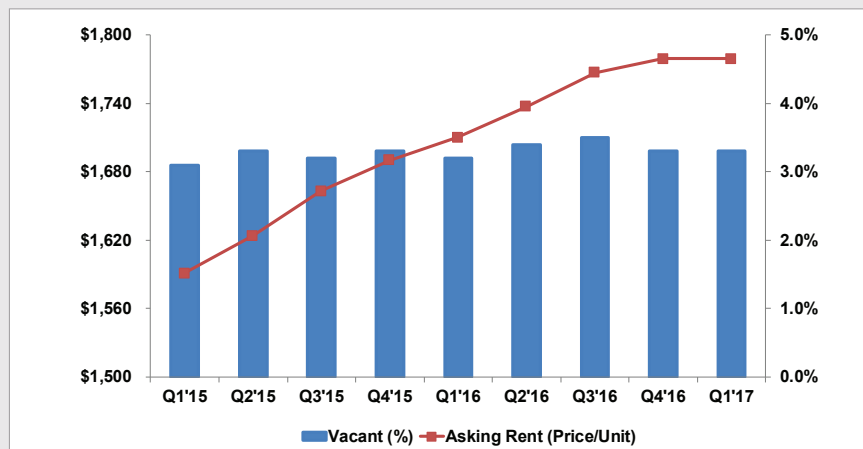
The Los Angeles multifamily housing market remained strong in the first quarter of 2017. The average asking rent is the highest on record at \$1,778/unit, up by 4.0% over last year. Average asking rents have consistently grown year over year and are up 27.2% since bottoming out in 2009 during the recession. From 2009, the inventory has grown by only 4.4% or 33,415 units while demand has soared. According to Moody's Analytics, Households in Los Angeles County over the same period have grown at 6.8% or 222,630 Households added. The vacancy rate then was 5.3%, as of the first quarter 2017 it is a low 3.3%. The growth in household formation exceeds the supply of housing units which is causing vacancy to remain at historic lows and rents to hit record highs. Market fundamentals remain strong and investors and developers are taking notice. There are 18,570 units under construction, 45,898 units planned, and an additional 30,090 units proposed. These market dynamics drive investor activity. This quarter 14,065 units were sold, up 19.0% over the prior year. Sale prices averaged \$233,061 per unit, which was 9.8% higher than last year, while cap rates fell 26 basis points over the year to 4.4%.

TRENDS TO WATCH

The Los Angeles multifamily market is expected to remain tight in 2017. The 9,061 units delivering this year are expected to raise the vacancy rate a mere 30 basis points. The majority of construction is concentrated in Downtown Los Angeles. There, the volume of luxury deliveries is spurring landlords to compete for tenants in new projects, offering incentives such as free rent or parking. The California Association of Realtors estimates that only 28% of residents can afford to purchase a home in Los Angeles County. Los Angeles Economic Development Corporation forecasts that per capita income will reach \$55,800 in Los Angeles County this year, putting the median home price of \$520,000 out of reach for many and keeping them in the rental market.

Average Asking Rent and Vacancy Rate

All Unit Sizes



Source: NAI Capital Research, CoStar, REIS

MARKET OUTLOOK

Asking Rental Rates



Vacancy Rates



New Construction



Sales Volume



Sales Prices



Cap Rates



NAI Capital Research
www.naicapital.com

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Market Statistics:

SUBMARKET	Inventory (Units)	Under Constr. (Units)	Asking Rent \$	Vacancy (%)
CENTRAL	91,155	9,206	\$1,548	4.0%
Downtown	14,193	5,949	\$2,413	8.0%
Mid-City/W Adams	15,680	79	\$1,252	2.1%
South/Central LA	14,065	21	\$958	2.4%
Wilshire/Westlake	47,217	3,157	\$1,562	4.0%
EAST	136,349	3,059	\$1,486	3.5%
Arcadia/Duarte	14,250	15	\$1,335	2.0%
Azusa/Covina	16,035	0	\$1,379	3.4%
Claremont/Pomona	14,286	-	\$1,527	3.4%
E LA/Alhambra	24,464	1,290	\$1,259	2.3%
Pasadena	20,473	859	\$1,813	5.4%
South Glendale	25,147	819	\$1,578	4.6%
W Covina/La Puente	12,216	-	\$1,603	3.3%
Whittier	9,478	76	\$1,321	2.3%
WEST	209,632	4,016	\$2,431	3.3%
Beverly Hills	42,030	344	\$2,410	2.4%
Hollywood	54,341	2,000	\$2,114	3.8%
Mar Vista/Palms	28,292	235	\$2,126	2.2%
Marina Del Rey	29,569	653	\$3,075	5.4%
Santa Monica	18,870	463	\$2,743	3.2%
West LA/Westwood	36,530	321	\$2,478	2.7%

SUBMARKET	Inventory (Units)	Under Constr. (Units)	Asking Rent \$	Vacancy (%)
NORTH	202,467	1,797	\$1,570	3.0%
Burbank/N Glendale	18,628	0	\$1,806	5.2%
Chatsworth	18,061	379	\$1,459	3.0%
Granada Hills	16,490	0	\$1,562	2.1%
Palmdale/Lancaster	13,822	0	\$1,084	4.2%
Panorama Hills	19,352	0	\$1,193	1.2%
Santa Clarita Vly	16,245	0	\$1,590	3.0%
Sherman Oaks	45,602	543	\$1,807	2.6%
Tujunga/Montrose	5,448	10	\$1,531	2.7%
Van Nuys/N Hollywood	28,449	810	\$1,365	2.2%
Woodland Hills	20,370	55	\$1,900	4.3%
SOUTH BAY	152,473	492	\$1,555	3.0%
Carson/San Pedro	16,421	13	\$1,351	2.9%
East Long Beach	18,551	0	\$1,572	3.2%
El Segundo	18,407	0	\$2,131	4.9%
Hawthorne	16,786	0	\$1,232	1.1%
Inglewood/Crenshaw	20,488	36	\$1,279	2.0%
N Long Beach	12,411	132	\$1,411	4.6%
Paramount/Downey	22,838	0	\$1,421	1.6%
West Long Beach	16,576	311	\$1,967	5.7%
West Torrance	9,995	0	\$1,713	2.0%

Total	Inventory (Units)	Under Construction (Units)	Asking Rent \$	Vacancy %
Los Angeles	792,076	18,570	\$1,778	3.3%

Select Sales Transactions:

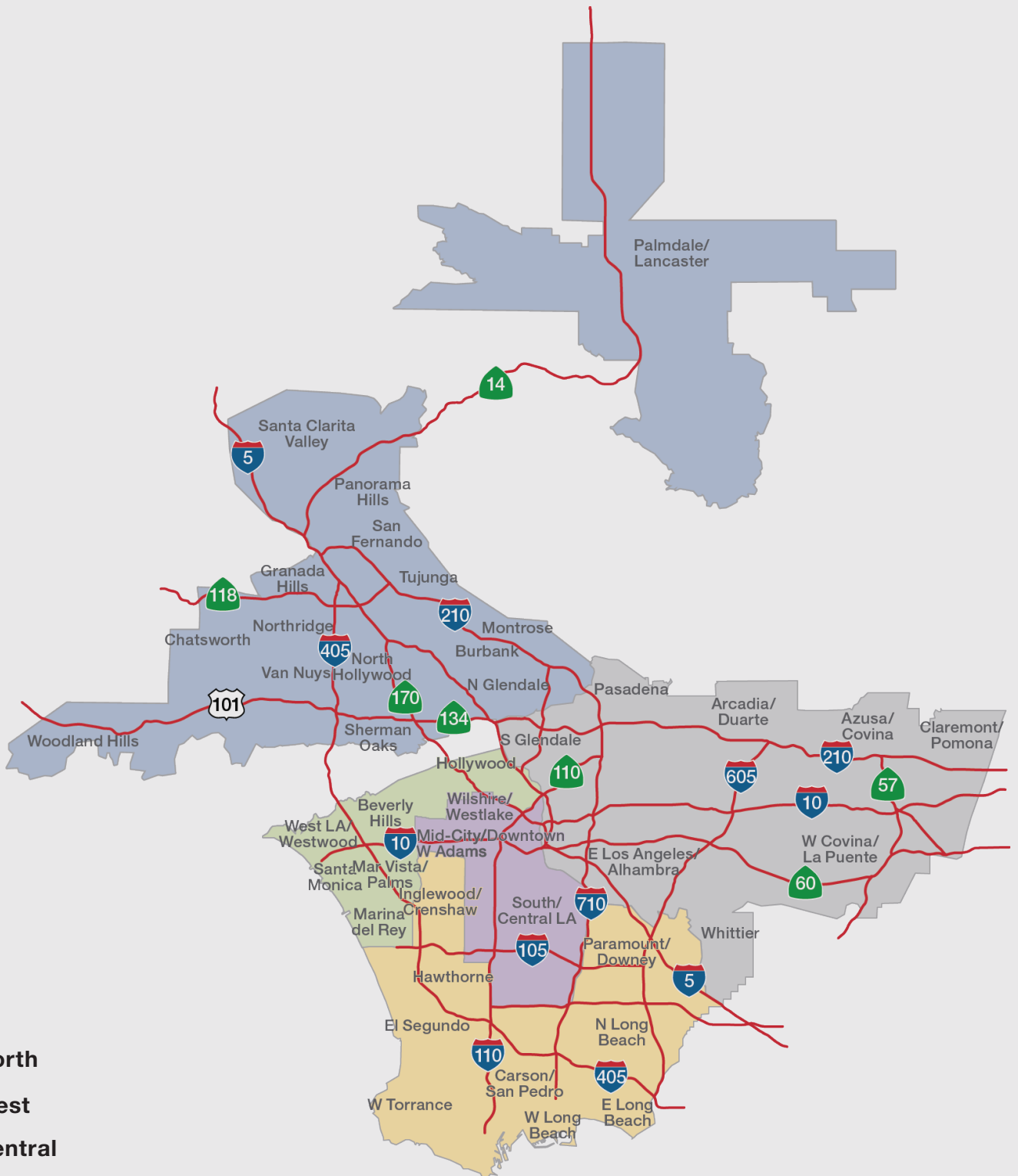
Property Name/Address	Submarket	Units	Cap Rate	Sale Price	Price/Unit	Price/SF
Monterey Station	Claremont/Pomona	349	4.60%	\$84,500,000	\$242,120	\$206
1724 Highland	Hollywood	270	3.70%	\$132,500,000	\$490,740	\$556
Portofino Townhomes	Carson/San Pedro	200	5.13%	\$67,750,000	\$339,750	\$269
The Desmond at Wilshire	Wilshire/Westlake	175	4.25%	\$105,000,000	\$600,000	\$525
Marathon Towers	Hollywood	93	3.31%	\$34,300,000	\$368,817	\$320

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Commercial Real Estate Services, Worldwide.



- North
- West
- Central
- East
- South Bay

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Commercial Real Estate Services, Worldwide.

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