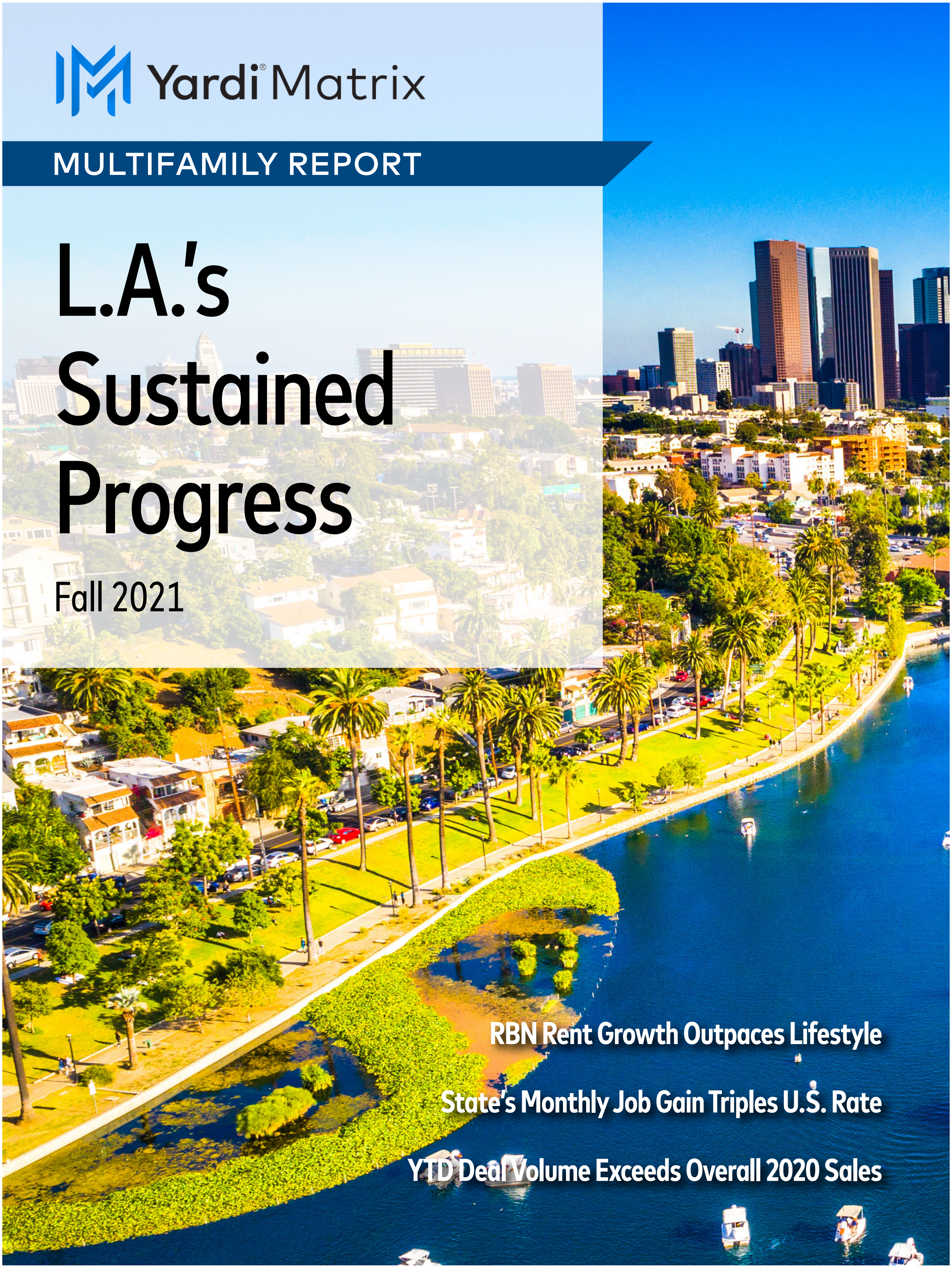
MULTIFAMILY REPORT

L.A.'s Sustained Progress

Fall 2021



RBN Rent Growth Outpaces Lifestyle

State's Monthly Job Gain Triples U.S. Rate

YTD Deal Volume Exceeds Overall 2020 Sales

LOS ANGELES MULTIFAMILY

Yardi Matrix

Rent Evolution Reflects Primary Markets' Trend

As recovery continues at a relatively steady pace and the multifamily industry remains strong, positive rent movement, although slowly softening nationwide, still persists. As of September, rents in metro Los Angeles appreciated 1.1% to $2,328 on a trailing three-month basis, well above the $1,558 U.S. average. Year-over-year, Los Angeles rates increased by 7.2% as of September, a welcome improvement among primary markets where growth is still trailing Southeast and Southwest rent expansion.

In the 12 months ending in July, Los Angeles gained 242,900 net jobs, for a 0.2% expansion. July marked the first month of year-over-year gains in the market since last March. According to the California Employment Development Department, the state's monthly job growth in August was three times the national average of 0.2%, at 0.6%. However, the state had recovered only 62% of the 2.7 million jobs it lost in March and April 2020.

Metro Los Angeles had 28,479 units under construction as of September, 83% of them aimed at high-income renters. Yardi Matrix expects 11,761 units to come online across the metro this year, surpassing both 2020 deliveries and the 11,203-unit decade high of 2016. Meanwhile, investment sales amounted to nearly $2.8 billion year-to-date through September, more than double the sales volume recorded in the same time frame last year.

Market Analysis | Fall 2021

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Recent Los Angeles Transactions

The Retreat

City: Santa Clarita, Calif.
Buyer: Grankol
Purchase Price: $54 MM
Price per Unit: $365,541

Channel Island Village

City: Oxnard, Calif.
Buyer: Pacific Urban Residential
Purchase Price: $58 MM
Price per Unit: $268,519

Bristol Garden

City: Los Angeles
Buyer: MC Investment Partners
Purchase Price: $26 MM
Price per Unit: $255,000

Casa de las Hermanitas

City: Los Angeles
Buyer: Peak Capital Partners
Purchase Price: $28 MM
Price per Unit: $234,667

RENT TRENDS

- Positive rent movement in metro Los Angeles has persisted since March, with rents increasing 1.1% on a trailing three-month basis (T3) as of September, 50 basis points behind the national rate. The average rent in the metro was $2,328, well above the $1,558 U.S. average. Year-over-year, Los Angeles rates appreciated by 7.2% as of September.

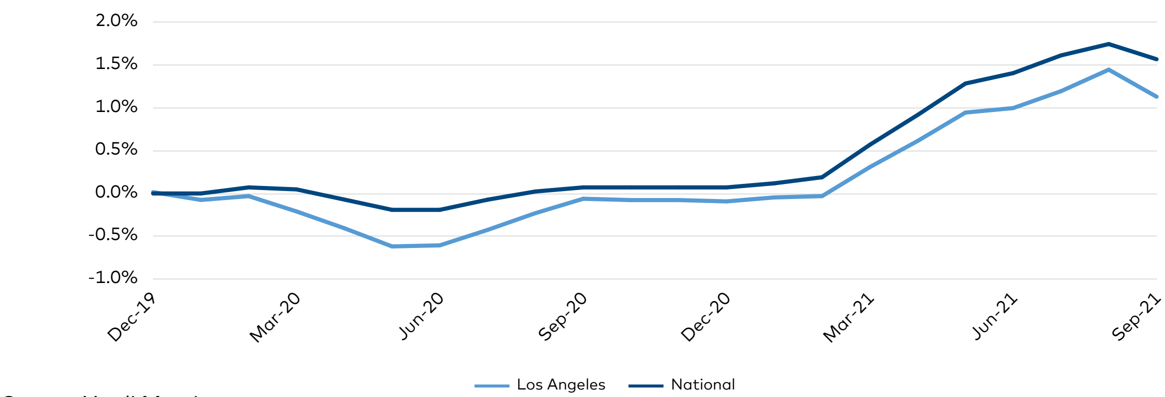
- Working-class Renter-by-Necessity rent growth outpaced Lifestyle rent expansion for the first time this year since rates in both segments started to increase in March. As of September, RBN rents were up 1.2% to $2,026, while Lifestyle rates inched up 1.0%, to $2,965.

- Metro Los Angeles rents in the singe-family rental sector edged up 7.4% year-over-year as of September, below the 14.3% national rate. The average SFR rent in the metro was $2,419, exceeding the $1,899 U.S. figure.

- San Fernando Valley-Ventura County submarkets led rent growth year-over-year in the 12 months ending in September: with Camarillo up 20.1% to $2,601, Lancaster up 19.2% to $1,704 and Palmdale up 18.9% to $1,622.

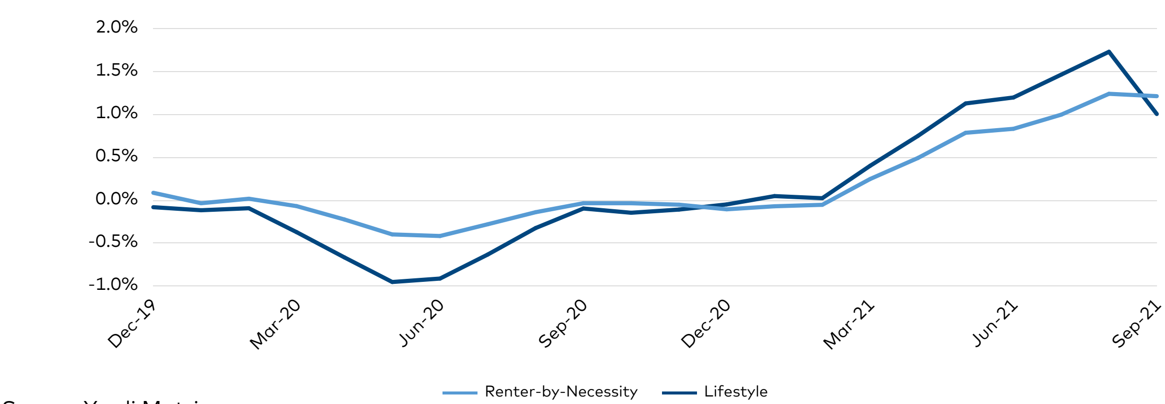
- The $100 billion California Comeback Plan allocates $5.2 billion to cover 100% of qualified tenants' unpaid rent dating to April 2020. It also includes $2 billion for past-due water and utility bills and funding for tenants' legal assistance.

Los Angeles vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Los Angeles Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- In the 12 months ending in July, metro Los Angeles gained 242,900 net jobs, for a 0.2% expansion. July marked the first month of year-over-year gains since last March. Consistent with nationwide trends, leisure and hospitality led growth—the sector added 107,600 jobs for a 30.9% surge, the largest rate of all industries. Trade, transportation and utilities added 42,300 jobs, followed by education and health services, up 34,700 jobs.
- In August, monthly job growth in California was three times the national average of 0.2%, at 0.6%, according to the California Employment Development Department. Payroll jobs climbed by 104,300 in August, to 16.6 million, accounting for 44% of overall employment growth in the U.S. However, by August, the state had recovered just 62% of the 2.7 million jobs it lost in March and April 2020.
- Unemployment in California stood at 7.5% and in metro Los Angeles at 9.7% as of August, with both figures still behind the 5.2% U.S. rate.
- The pace of recovery for office-using employment in Los Angeles is lagging U.S. trends, according to CommercialEdge data. The metro is still far below the total number of office jobs it had prior to the pandemic—as of July, Los Angeles had 108,000 fewer office jobs than it did in February 2020.

Los Angeles Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	456	10.9%
40	Trade, Transportation and Utilities	809	19.3%
65	Education and Health Services	833	19.8%
60	Professional and Business Services	605	14.4%
50	Information	180	4.3%
80	Other Services	131	3.1%
55	Financial Activities	212	5.0%
15	Mining, Logging and Construction	147	3.5%
30	Manufacturing	306	7.3%
90	Government	520	12.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Metro Los Angeles lost roughly 96,000 residents in 2020, for a -1.0% population contraction. Meanwhile, the nation gained more than 1.1 million residents, for a 0.4% increase.
- Over the past decade, the metro's population expanded by 1.2%, well below the 6.5% national growth rate.

Los Angeles vs. National Population

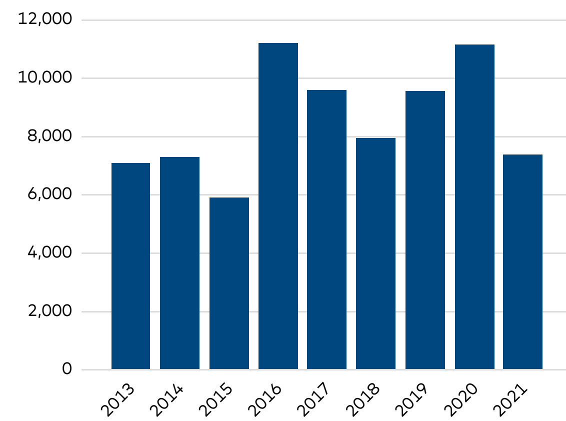
	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Los Angeles Metro	10,118,759	10,105,518	10,039,107	9,943,046

Sources: U.S. Census, Moody's Analytics

SUPPLY

- Metro Los Angeles had 28,479 units under construction as of September, with the vast majority (83%) aimed at high-income renters. Yardi Matrix expects 11,761 units to come online across the metro this year, surpassing both 2020 deliveries and the 11,203-unit decade high of 2016. As of September, the metro had an additional 160,000 apartments in the planning and permitting stages.
- Developers completed 7,388 apartments year-to-date through September, equal to 1.7% of existing inventory and just 10 basis points above the U.S. figure. New deliveries largely favored the Lifestyle segment—82% of the newly completed units were in upscale communities. Completions have fluctuated over the past decade, with developers adding an average 8,700 apartments to stock per year.
- Developers broke ground on 9,511 units across 69 properties in the 12 months ending in September. The figure marks an 11% uptick over the one recorded in the previous 12 months, when developers broke ground on 8,555 units across 63 communities.
- As of September, Koreatown (2,878 units), Downtown Los Angeles (2,435 units) and Westlake North (1,942 units) led development, accounting for a quarter of the pipeline.
- G.H. Palmer Associates' 1,150-unit Ferrante in Westlake North was the largest development underway in the metro as of September. The massive project is slated to open in late 2021.

Los Angeles Completions (as of September 2021)



Source: Yardi Matrix

Los Angeles vs. National Completions as a Percentage of Total Stock (as of September 2021)

Source: Yardi Matrix

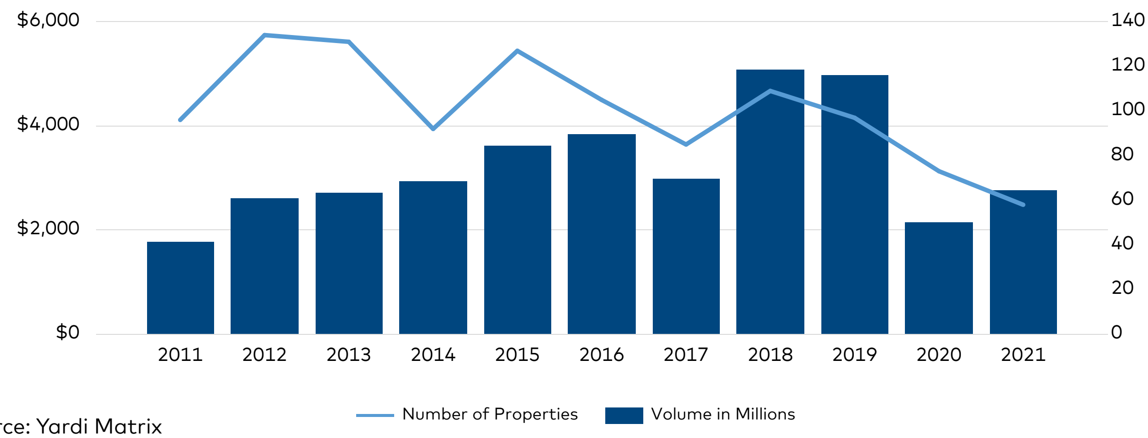
TRANSACTIONS

- Year-to-date through September, 50 assets (8,430 units) traded for nearly $2.8 billion, more than double the volume ($1.2 billion) recorded in the same time frame in 2020. Overall, more than $2.1 billion in rental assets traded in 2020. Over the past decade, deal volume stayed high in metro Los Angeles, with investment sales peaking at $5.1 billion in 2018.

- A total of 16,123 units were sold in the 12 months ending in September. Investor interest was mostly distributed evenly between quality segments—of the 91 assets that traded, 51% were Lifestyle, while 46% were RBN and the remainder fully affordable properties. The average per-unit price stood at $371,385, above the $329,111 average recorded for the same interval last year.

- Glendale ($741 million) and Lancaster ($240 million) in San Fernando Valley-Ventura County were among leading submarkets for transactions in the 12 months ending in September.

Los Angeles Sales Volume and Number of Properties Sold (as of September 2021)



Source: Yardi Matrix

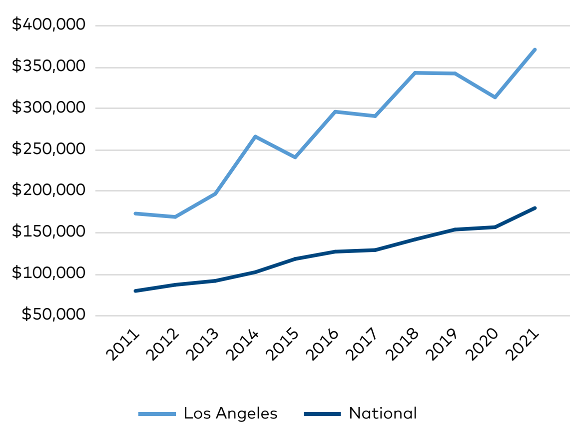
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Glendale	741
Beach Cities	275
Lancaster	240
SW Long Beach	193
Downtown Los Angeles	129
Central Hollywood	125
Camarillo	124

Source: Yardi Matrix

[1] From October 2020 to September 2021

Los Angeles vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

Top California Markets for Multifamily Transactions

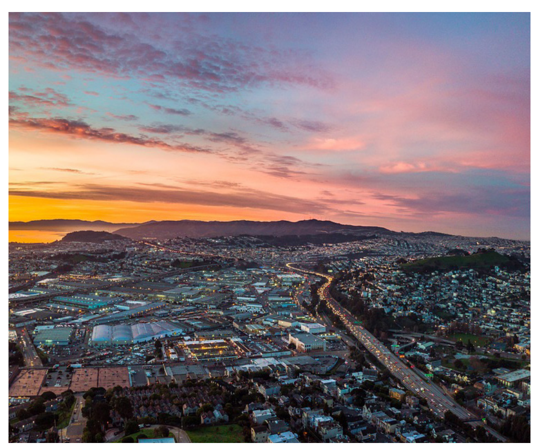
By Evelyn Jozsa

Thanks to solid performance in the multifamily sector, investors continue to forge ahead with notable ventures across the country. Year-to-date through August, California markets saw substantial investment activity, with $7.4 billion in multifamily deals closed in the first eight months of the year, according to Yardi Matrix data. Deal velocity has significantly improved compared to the same period in 2020, when total sales volume amounted to $3.9 billion.

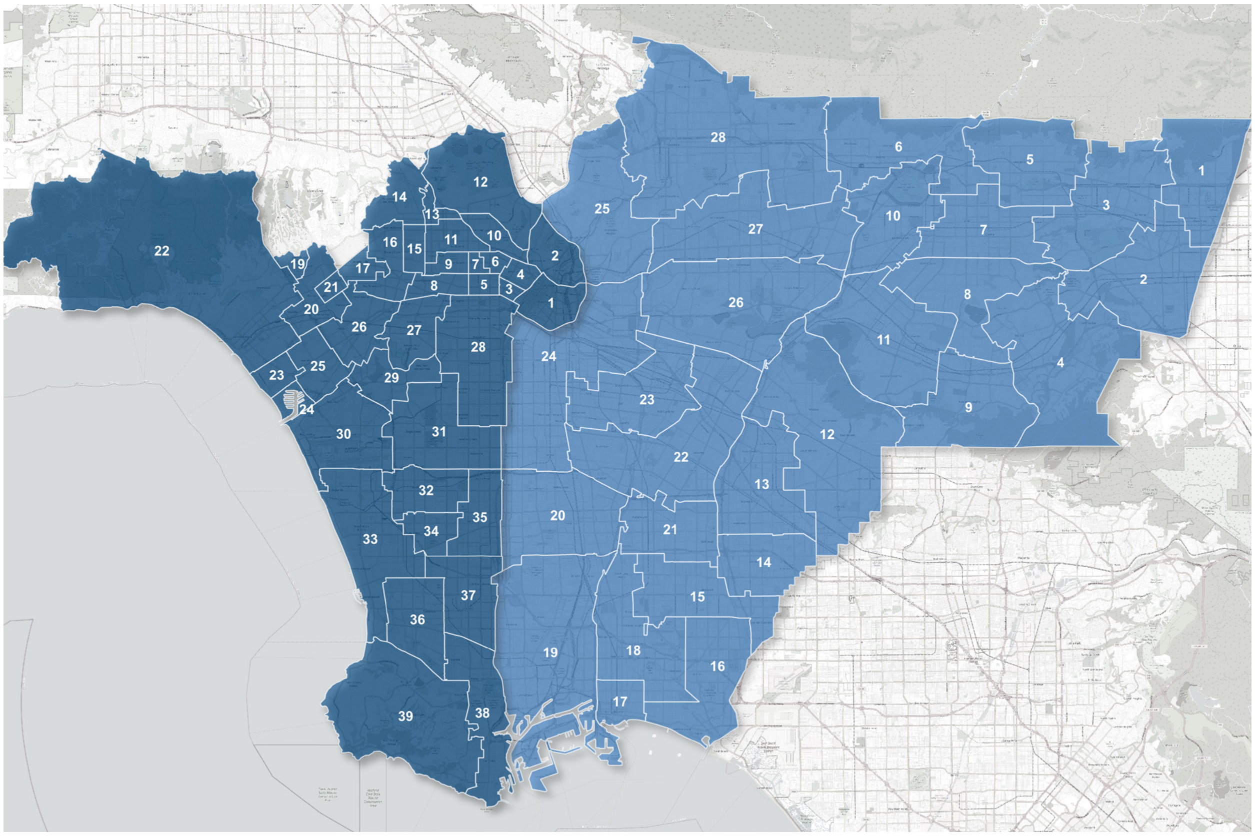
Rank	Market	Units	Transaction Volume (MM)	Price Per Unit
1	Los Angeles	6,858	$2,543.2	$370,834
2	San Francisco	3,653	$1,418.7	$388,365
3	Orange County	2,338	$957.3	$409,454
4	San Diego	2,541	$934.8	$367,893
5	Inland Empire	2,809	$650.3	$231,518

LOS ANGELES

The top metro on our list, Los Angeles, recorded close to $2.55 billion in multifamily deals year-to-date through August, a 144% increase compared to more than $1 billion transacted during the same period last year This year's transaction volume fell slightly short of the $2.6 billion recorded through the first eight months of 2019. A total of 6,858 units sold through August this year, for an average price per unit of $370,834, up 18% compared to the same period in 2020.



LOS ANGELES SUBMARKETS



Area No.	Submarket
1	Downtown Los Angeles
2	Chinatown
3	Westlake South
4	Westlake North
5	Koreatown
6	Mid Wilshire East
7	Mid Wilshire West
8	Park La Brea South
9	Park La Brea North
10	Silverlake
11	East Hollywood
12	Los Feliz–Griffith Park
13	Hollywood Hills East
14	Hollywood Hills West
15	Central Hollywood
16	West Hollywood
17	Beverly Hills South
19	Bel Air
20	Westwood
21	Century City
22	Santa Monica–Brentwood

Area No.	Submarket
23	Venice
24	Marina Del Ray
25	Mar Vista
26	Culver City
27	Hyde Park
28	Adams-Normandie–Hoover
29	Ladera Heights
30	El Segundo–Playa del Rey
31	Inglewood
32	Hawthorne
33	Beach Cities
34	Lawndale
35	Gardena
36	West Torrance
37	East Torrance
38	San Pedro
39	Rolling Hills–Palos Verdes
40	Catalina Island

Area No.	Submarket
1	Claremont
2	Pomona
3	San Dimas/LaVerne
4	Walnut/Diamond Bar
5	Glendora
6	Azusa/Monrovia
7	Covina
8	West Covina
9	Rowland Heights
10	Baldwin Park
11	City of Industry/Hacienda Heights
12	Whittier/La Mirada
13	Sante Fe Springs/Norwalk
14	Artesia
15	Lakewood/Hawaiian Gardens
16	East Long Beach
17	SW Long Beach
18	NW Long Beach
19	West Long Beach
20	Compton
21	Bellflower/Paramount
22	Downey/Southgate
23	Maywood/Bell/Montebello
24	East Los Angeles South
25	East Los Angeles North
26	S El Monte/Rosemead
27	Alhambra/San Gabriel/El Monte
28	Pasadena/Arcadia

OTHER PROPERTY SECTORS

Office

- More than 9 million square feet of office space was under construction in metro Los Angeles, accounting for 2.8% of total stock, 40 basis points above the U.S. figure, according to CommecialEdge data. The metro also saw the most deliveries so far this year, with more than 1.5 million square feet of office space completed between January and August. Nationwide, more than 156.7 million square feet of office space was underway as of August, 2.4% of existing inventory.

- In August, office vacancy in metro Los Angeles continued its capricious trajectory, climbing 50 basis points month-over-month to 13.5%. The metro was still below the national average—at 15.4%—but was nearing the 13.6% recorded in January. Year-over-year, vacancy edged up 660 basis points, with some uncertainty still ahead for urban core properties.

- July office-using employment figures paint an uneven recovery across the country. While 11 of the top 50 markets have fully recovered to February 2020 levels, Los Angeles—along with New York City—is at the other end of the spectrum. The metro had 108,000 fewer office jobs than it did in February 2020 (a decrease of 9.2%), while New York had 157,000 fewer (a decrease of 7.3%). Recovery in these markets indicates a lengthy return to pre-pandemic levels: Los Angeles had only 28,000 more office jobs than the end of 2020 and New York, 14,000.

Industrial

- In the first half of 2021, Los Angeles ranked as the top market for industrial transactions in the U.S., according to CommercialEdge data. Upwards of $2 billion in transactions closed in the metro between January and June, at an average of $190 per square foot. The ongoing surge in demand, coupled with low vacancies nationwide, has benefited industrial properties. Investors have deployed significant capital to take advantage of rapid rent growth.

- The industrial market stayed in overdrive in September, with demand for distribution space remaining at an all-time high, even despite a massive development pipeline across the country. Due to lack of land available for industrial development, new supply in port markets is not able to keep pace with demand: As of September, 7.8 million square feet was under construction in Los Angeles, representing 1.2% of stock. Rent growth has consistently been highest in port markets this year, with rents in Los Angeles up 6.5% over the 12 months ending in August.

Self Storage

- Up 1.0% month-over-month, self storage properties under construction or in the planning stages in metro Los Angeles accounted for 9.5% of total stock, according to Yardi Matrix. In August, self storage properties under construction or in the planning stages across the nation were equal to 8.6% of existing inventory, marking a 20-basis-point uptick from July.

- Similar to trends observed in previous months, it appears storage development activity has started to pick up slightly across the nation, likely due to the asset type's continued strong performance. However, while on a national level the new-supply pipeline has increased, approximately half of the top markets saw development activity remain flat from July to August.

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students,* who also December span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households,* composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households,* which December barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, December extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

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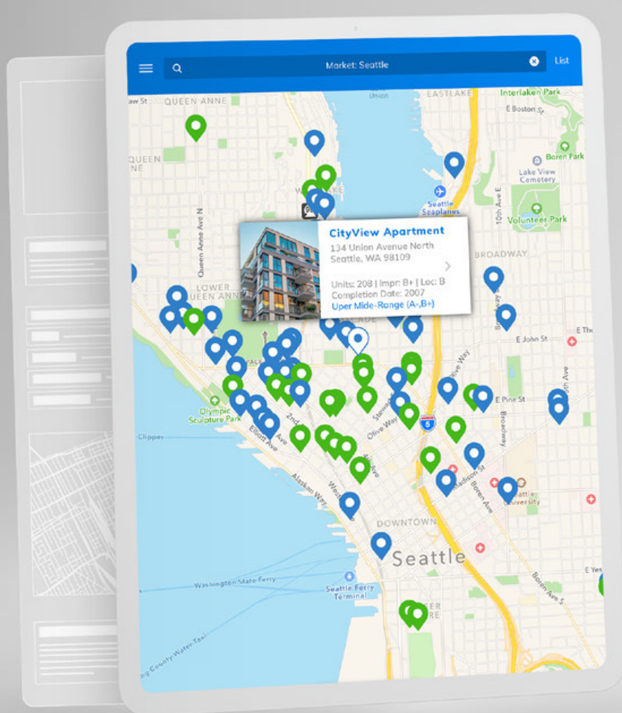

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