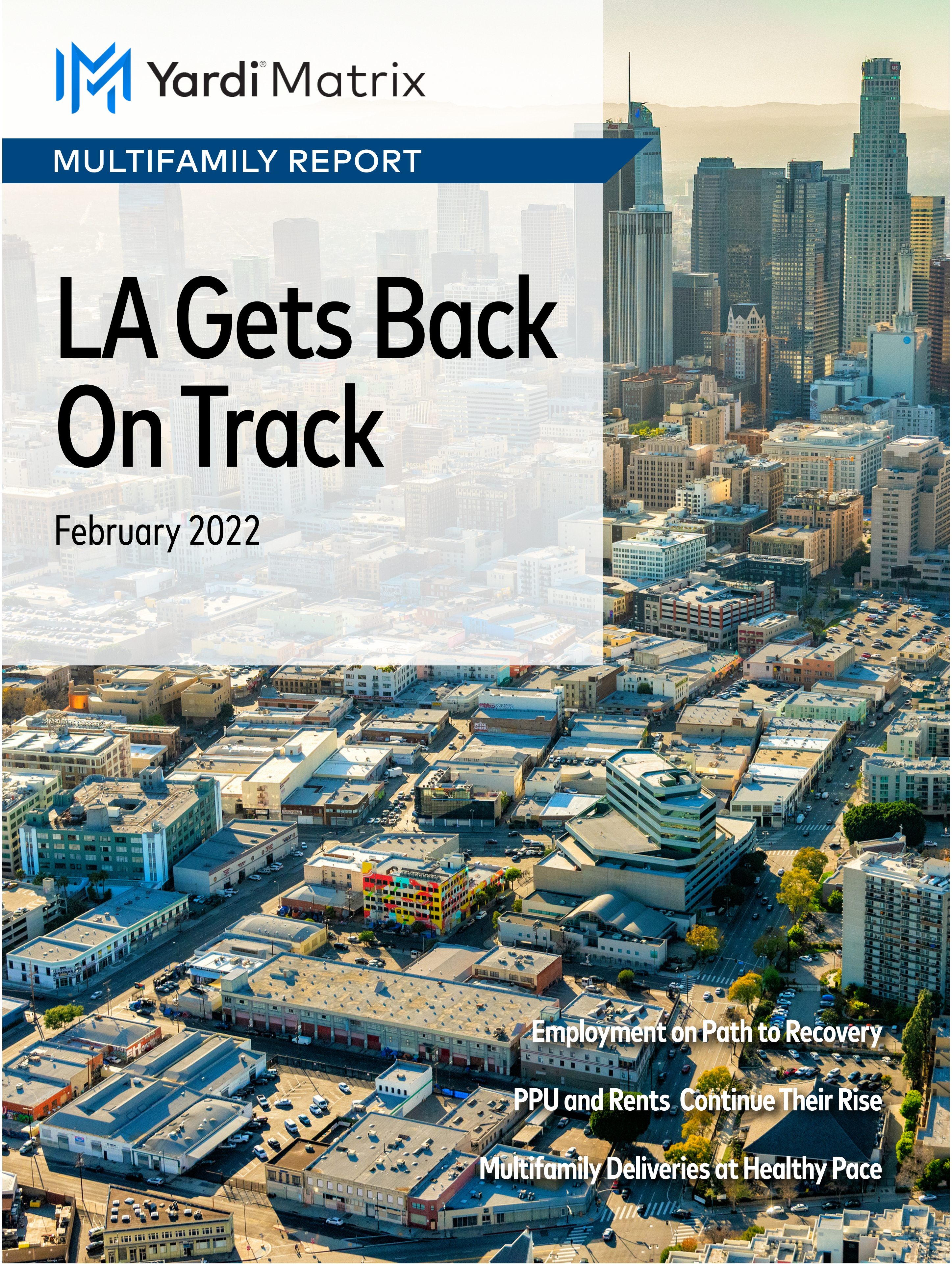
Yardi® Matrix

MULTIFAMILY REPORT

LA Gets Back On Track

February 2022



Employment on Path to Recovery

PPU and Rents Continue Their Rise

Multifamily Deliveries at Healthy Pace

LOS ANGELES MULTIFAMILY

Metro's Economy Set To Regain Its Footing

After struggling to hold its balance, Los Angeles' multifamily market saw a strong rebound across all indicators during the second half of 2021. By the end of the year, the average rent was $2,402, up 0.6% on a trailing three-month basis and far above the $1,594 national average. Both Lifestyle and Renter-by-Necessity properties exceeded pre-pandemic price points for rents, while occupancy recorded new highs across the board.

LA's unemployment rate reached 7.1% as of November, according to preliminary Bureau of Labor Statistics data. All sectors continued to regain jobs, as the economy is gearing to get back on track. The metro added 227,500 positions over the 12 months ending in October, with employment rates at 6.1%. New opportunities might boost this strong start, but supply chain disruptions and labor shortages are projected to continue playing a part in Southern California's recovery. A report by Micronomics Economic Research and Consulting found that the Super Bowl would generate between $234 million and $477 million in tax revenue for LA, while adding some 2,220 to 4,700 new jobs.

LA multifamily investment amounted to $4.2 billion in 2021, exceeding the average recorded over the past five years. Despite rising costs, development maintains a steady pace, with 30,151 units under construction.

Market Analysis | February 2022

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Recent Los Angeles Transactions

Kings Villages

City: Pasadena, Calif.
Buyer: Jonathan Rose Cos.
Purchase Price: $223 MM
Price per Unit: $712,460

Sofi at Wood Ranch

City: Simi Valley, Calif.
Buyer: Pacific Urban Investors
Purchase Price: $190 MM
Price per Unit: $376,984

The Boulevard

City: Woodland Hills, Calif.
Buyer: Acacia Capital
Purchase Price: $175 MM
Price per Unit: $513,235

Empire Landing

City: Burbank, Calif.
Buyer: Cityview
Purchase Price: $161 MM
Price per Unit: $583,695

RENT TRENDS

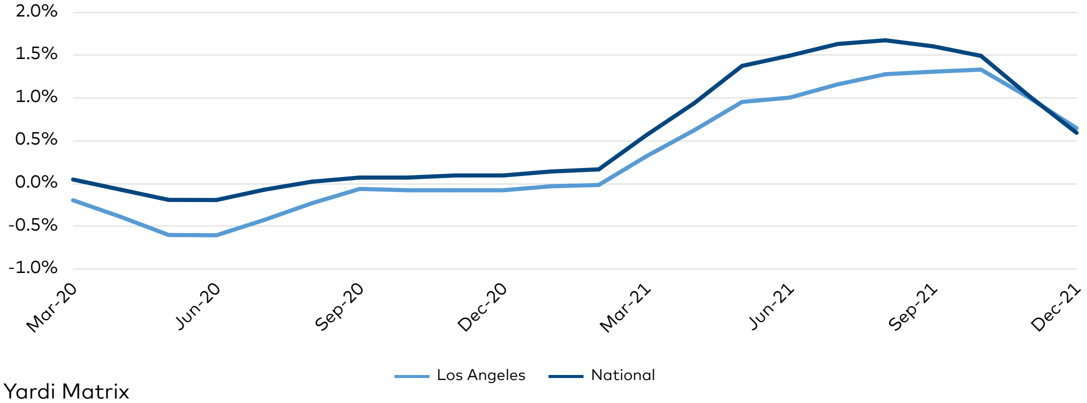
- LA rents were up 0.6% on a trailing three-month basis as of December, right on par with the national rate as gains began to taper toward the end of 2021. The overall average rent was $2,402, well above the $1,594 national figure.

- Last year, average rates for Renter-by-Necessity assets exceeded the $2,000 mark for the first time and were up by 0.8% on a T3 basis, to $2,079. Lifestyle properties were also in demand, with rates going up 0.6%, to $3,070. Rent development rebounded to pre-crisis levels across the quality spectrum. A healthy rate of deliveries combined with increased occupancy will most likely keep figures on an upward path through the new year, should market conditions hold.

- Occupancy in stabilized assets also rebounded to pre-pandemic levels, at 96.4% as of November, up 190 basis points year-over-year. Lifestyle properties had experienced more contractions in occupancy, and as a result, the year-over-year increase was 250 basis points, to 95.7%, while RBN assets were at 96.8%, up 170 basis points.

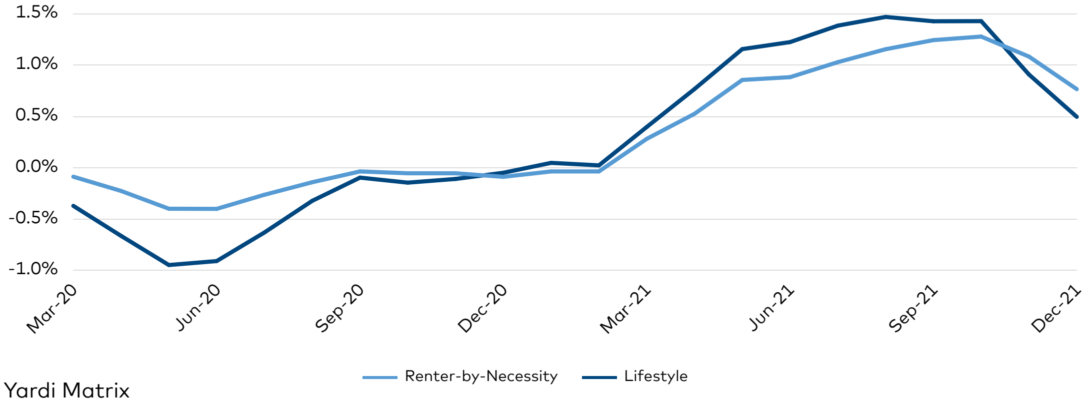
- Prices increased in all submarkets, but spiked higher in smaller ones, led by Calabasas, where the average rent was up 27.4% year-over-year to $3,164, followed by Moorpark (up 26.6%, to $2,864), Camarillo (24.3%, to $2,746) and Ladera Heights (23.7%, to $2,715).

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

- Los Angeles regained its economic footing in 2021, amid headwinds that continue throughout California. Job additions rebounded to 6.1% as of October, 80 basis points above the national rate. The metro added 227,500 positions over the 12 months ending in October. Among gateway markets, Los Angeles job growth was surpassed only by New York (6.6%), while Chicago (4.2%) and San Francisco (5.0%) saw slower recoveries.

- The leisure and hospitality sector, the hardest hit during the pandemic, led gains with 89,100 jobs added, or a 23.9% increase year-over-year. The metro's largest sectors also saw significant increases: trade, transportation and utilities gained 33,200 positions, professional and business services grew by 31,500 jobs, and education and health services expanded by 27,900 positions.

- Unemployment reached 7.1% in November 2021, according to preliminary BLS data, representing the lowest point since the onset of the pandemic. According to a report by the Southern California Association of Governments, LA County is projected to add about 91,000 jobs annually between 2020 and 2025. The report found that Southern California regained about 70% of the jobs lost during the pandemic and estimates that the region might recover all positions lost by mid-2023.

Los Angeles Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	462	10.7%
40	Trade, Transportation and Utilities	823	19.1%
60	Professional and Business Services	619	14.3%
65	Education and Health Services	853	19.8%
90	Government	567	13.1%
80	Other Services	132	3.1%
50	Information	191	4.4%
30	Manufacturing	311	7.2%
15	Mining, Logging and Construction	150	3.5%
55	Financial Activities	209	4.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- The LA metro had been slowly losing residents well before the pandemic exacerbated out-migration to metros with more affordable housing stock and less pandemic-related restrictions. The market had lost 175,713 residents between 2017 and 2021.

Los Angeles vs. National Population

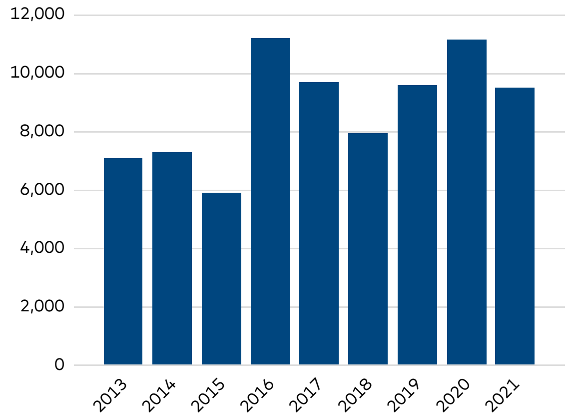
	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Los Angeles	10,118,759	10,105,518	10,039,107	9,943,046

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

SUPPLY

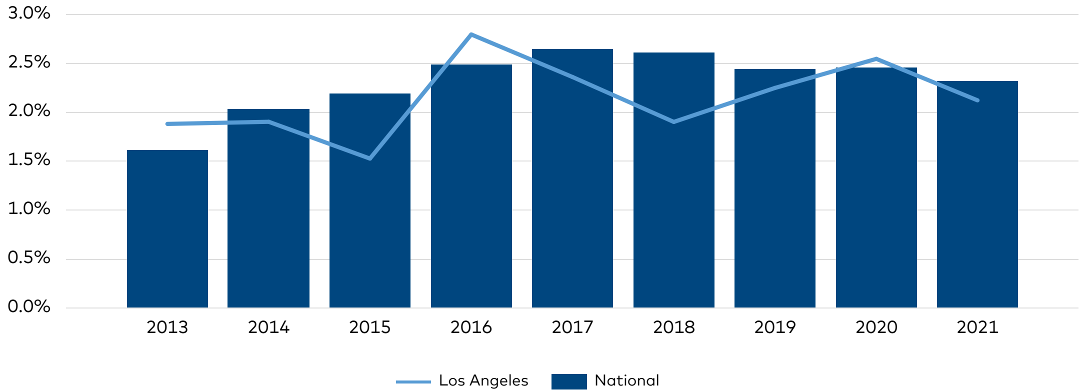
- Los Angeles had 30,151 units under construction as of December, with developers eager to meet the market's strong demand. Another 150,000 units were in the planning and permitting stages. More than 24,000 units, or 80.2% of the pipeline, were in Lifestyle properties, while fully affordable assets comprised roughly 15.7%, or just over 4,700 units.
- Deliveries continued at a healthy pace in Los Angeles. The metro's inventory grew by 9,525 units in 2021, just under the average number of units added yearly for the past five years (9,932) and representing 2.1% of total stock at 20 basis points below the national figure.
- LA metro proper accounted for roughly 62% of the pipeline (over 18,600 units underway), while the rest was split between San Fernando Valley-Ventura County and East LA County.
- Construction activity was highest in Koreatown (2,828 units underway), Downtown Los Angeles (2,435), Westlake North (2,185), and South-West Long Beach (1,481).
- GH Palmer Associates' Ferrante is the largest property underway, comprising 1,150 units and located on the former site of a data center in Westlake North. The project will include units up to 1,138 square feet in size and will feature a 30,000-square-foot retail component. It is expected to come online in 2022's first quarter.

Los Angeles Completions (as of December 2021)



Source: Yardi Matrix

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

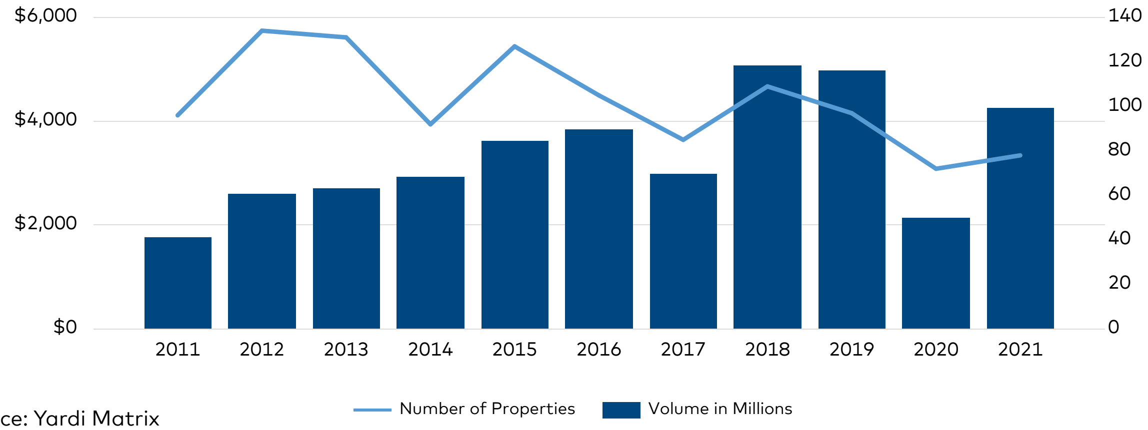


Source: Yardi Matrix

TRANSACTIONS

- LA's multifamily sales volume was $4.2 billion in 2021, a 97.7% increase from the previous year. The figure exceeded the average amount recorded over a five-year period ($3.9 billion), highlighting renewed confidence from investors. The peak of this period was in 2018, when multifamily sales generated over $5 billion.
- The average price per unit reached $386,781 in December, up 23.3% year-over-year and more than double the national figure. By number of units traded (13,300), there is an even split between Renter-by-Necessity and Lifestyle stock. RBN assets stood at $316,569, representing an increase of 18.3% year-over-year. The Lifestyle segment remained strong, but following little improvement, prices averaged $513,312.
- Glendale led transaction activity ($681 million), followed by the Pasadena/Arcadia ($321 million), Simi Valley ($295 million) and Beach Cities ($275 million) submarkets.

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



Source: Yardi Matrix

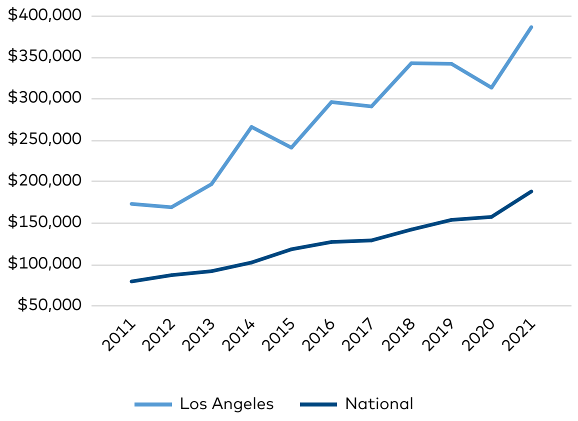
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Glendale	681
Pasadena / Arcadia	321
Simi Valley	295
Beach Cities	275
Canoga Park	262
Pomona	196
SW Long Beach	175

Source: Yardi Matrix

[1] From January 2021 to December 2021

Los Angeles vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Multifamily Markets by Units Delivered in 2021

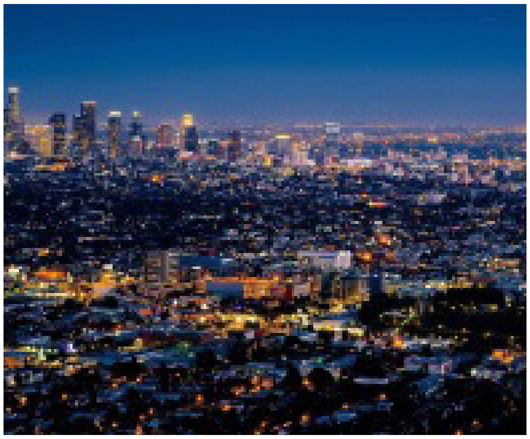
By Anca Gagiuc

Multifamily development had an exceptional year in 2021, with more than 350,000 units delivered nationally. The volume was boosted in part by projects initially slated to come online in 2020 that were delayed by the onset of the pandemic, but mainly by mobility and job-recovery-induced demand. Lingering concerns about overbuilding have largely dissipated thanks to this significant increase in demand—despite consistent deliveries over the past few years, the average occupancy rate rose above the 96% mark.

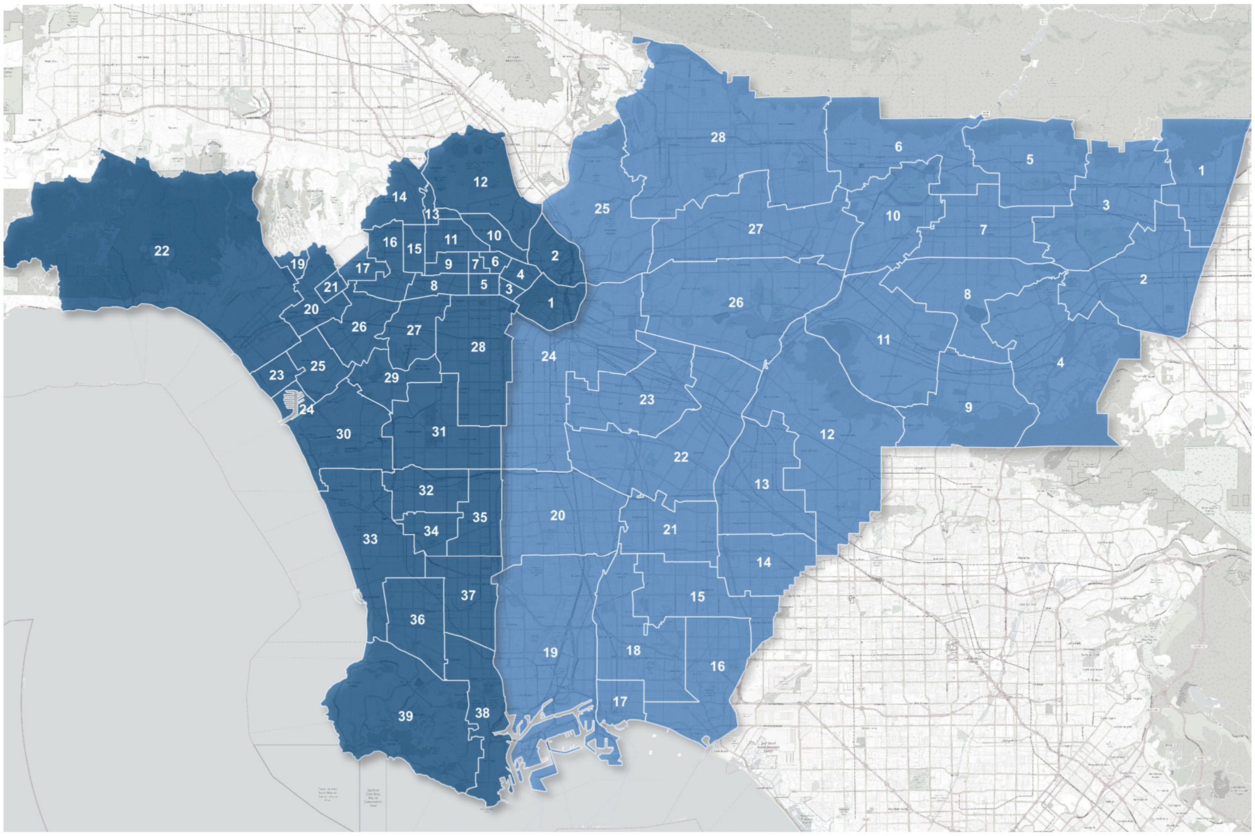
Rank	Metro	Units Delivered 2021	Percentage of Stock 2021	Units Delivered 2020	Percentage of Stock 2020
10	Phoenix	10,058	2.9	9,143	2.7
9	Charlotte	10,692	5.5	6,151	3.3
8	Los Angeles	10,883	2.4	11,369	2.6
7	Orlando	12,948	5.0	6,864	2.8
6	Washington DC	13,148	2.3	12,822	2.3
5	Atlanta	13,653	2.9	10,540	2.3
4	Austin	14,367	5.3	13,363	5.2
3	Miami Metro	16,221	4.7	11,132	3.4
2	Houston	19,878	2.9	14,403	2.2
1	Dallas	24,635	3.0	26,734	3.4

Los Angeles

Multifamily deliveries in Los Angeles totaled 10,883 units last year, 2.4 percent of total stock, reflecting a slight softening compared with 2020 when 11,369 units were added, but above the 9,774 units brought online in 2019. Completions have been uneven over the past decade, the average per year hovering around 8,700 units. Although its economic recovery is lagging that of inland metros, LA is bouncing back at a steady pace and the occupancy rate advanced by a solid 180 basis points year-over-year through November, to 96.4 percent, which also signals increasing demand for rentals.



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

- Office investment sales amounted to over $77.5 billion in 2021, 38.6% more than the figure recorded in 2020, according to CommercialEdge data, while the average price per square foot remained virtually unchanged—$293.

- In metro Los Angeles, the average price per square foot was $426 at the end of 2021, 8.9% higher year-over-year and 45.4% higher than the national figure. Office sales amounted to $3.4 billion in 2021, an increase of 2.7% year-over-year, but still below pre-crisis levels. Vacancy in the metro was steady, at 13.2% by the end of the fourth quarter, down 10 basis points year-over-year.

- LA's demand for high quality space continued to push prices up, driven in no small part by tech and entertainment. The average full-service equivalent listing rate was $42.33 in December, up by 6.0% year-over-year. Some of the largest leases of 2021 included Hulu's 351,000-square-foot expansion in Santa Monica and Beyond Meat's 281,110-square-foot new headquarters in El Segundo.

Industrial

- The global health crisis pushed demand for more industrial space to an all-time high last year. Over 293.9 million square feet of new industrial space came online in 2021's first 11 months, with another 555.4 million underway. Sales volume also broke records, with $61.6 billion generated through November, an all-time high. Several massive transactions were completed across primary markets, such as Blackstone's $2.8 billion deal with Cabot Properties. The new year will not be without challenges for the sector, though, as concerns related to land availability in gateway markets continue, among other issues.

- Southern California continued to dominate industrial markets by most metrics, as the ports of Los Angeles and Long Beach broke more records in 2021. The Inland Empire boasted the lowest vacancy in the U.S., at 1.0% as of November, and the fastest rate of rental growth - up 6.2% year-over-year, 240 basis points above the national rate.

Self Storage

- The self storage sector had another strong year in 2021, according to by Yardi Matrix. Development hit an all-time high, with projects under construction or in the planning stages comprising 8.9% of existing inventory as of December. Some 719 projects were under construction across the U.S. by the end of the year. New York led development activity by far, with projects under construction or in the planning stages making up 18.7% of existing stock.

- Rent growth maintained itself high through the year and decelerated by December. Street rates for 10x10 non-climate-controlled (NON CC) units were up 6.7%, while for climate-controlled (CC) units the figure was at 7.4%.

- Los Angeles remained somewhat of an undersupplied market, with less than 5 net square feet available per capita, under the 7 net-square-foot national average. Developers are eager to meet demand and by December, spacee under construction and in the planning stages accounted for 9.7% of total stock.

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.

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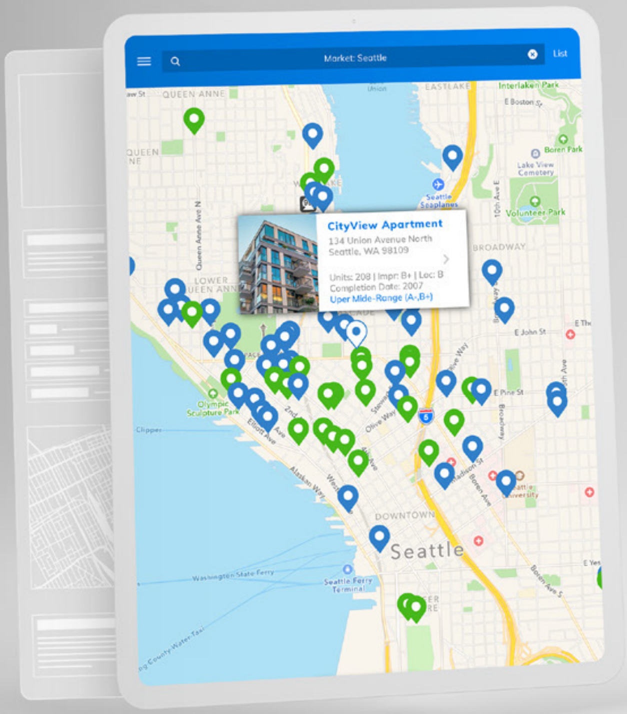

Market: Seattle

CityView Apartment
134 Union Avenue North
Seattle, WA 98109

Units: 208 | Impr: B+ | Loc: B
Completion Date: 2007
Uper Mide-Range (A-,B+)

Yardi Matrix Multifamily provides accurate data on **19+ million units**, covering over **90% of the U.S. population.**

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