

**YARDI**<sup>®</sup> Matrix

# L.A.: Affordable Housing Wanted

Multifamily Report Spring 2017

**Working-Class Property Deficit Drives Up Rents**

**Downtown Leads Construction Spree**

**High Prices Produce Low Yields**



# LOS ANGELES MULTIFAMILY

**YARDI**® Matrix

## Market Analysis

Spring 2017

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## Lack of Affordability Rears Ugly Head

Rent growth in Los Angeles is continuing at a rate double the national average, largely due to solid gains in a few key employment sectors and renter interest pivoting toward the area's suburbs. Although rents averaged \$1,947 as of April, among the highest in the nation, new stock is focused on the upscale segment and affordability issues are deepening.

Los Angeles enjoys a deep pool of highly skilled professionals and a thriving economy. Overall cargo volume at its two ports grew by 1.8% in 2016, keeping trade transportation and utilities as the area's economic backbone. Health and education added 31,000 jobs in the 12 months ending in February, accounting for nearly half of job growth. Following the passing of Senate Bill 1 by the California Legislature, infrastructure funding will be supplemented by a gas tax increase and the introduction of new vehicle fees. Meanwhile, the National Football League's Chargers confirmed their relocation from San Diego, the second major sports franchise to do so in less than a year.

Multifamily inventory increased by 2.6% in 2016, a cycle high. The pipeline consists of nearly 100,000 units in all phases of development, pointing to further expansion in coming years. With the bulk of units aimed at the Lifestyle segment and occupancy in working-class assets rising steadily, we expect rent growth to be driven by Renter-by-Necessity assets in 2017.

### Recent Los Angeles Transactions

Trio



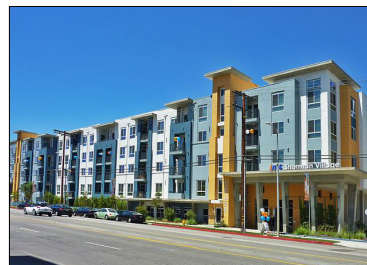
City: Pasadena, Calif.  
Buyer: Panda Restaurant Group  
Purchase Price: \$154 MM  
Price per Unit: \$506,579

1724 Highland



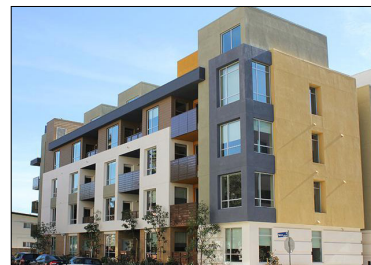
City: Hollywood, Calif.  
Buyer: Redwood Partners  
Purchase Price: \$133 MM  
Price per Unit: \$490,741

Ashton Sherman Village



City: Valley Village, Calif.  
Buyer: Essex Property Trust  
Purchase Price: \$118 MM  
Price per Unit: \$446,970

Rubix Hollywood



City: Hollywood, Calif.  
Buyer: New York Life Real Estate Investors  
Purchase Price: \$109 MM  
Price per Unit: \$500,000