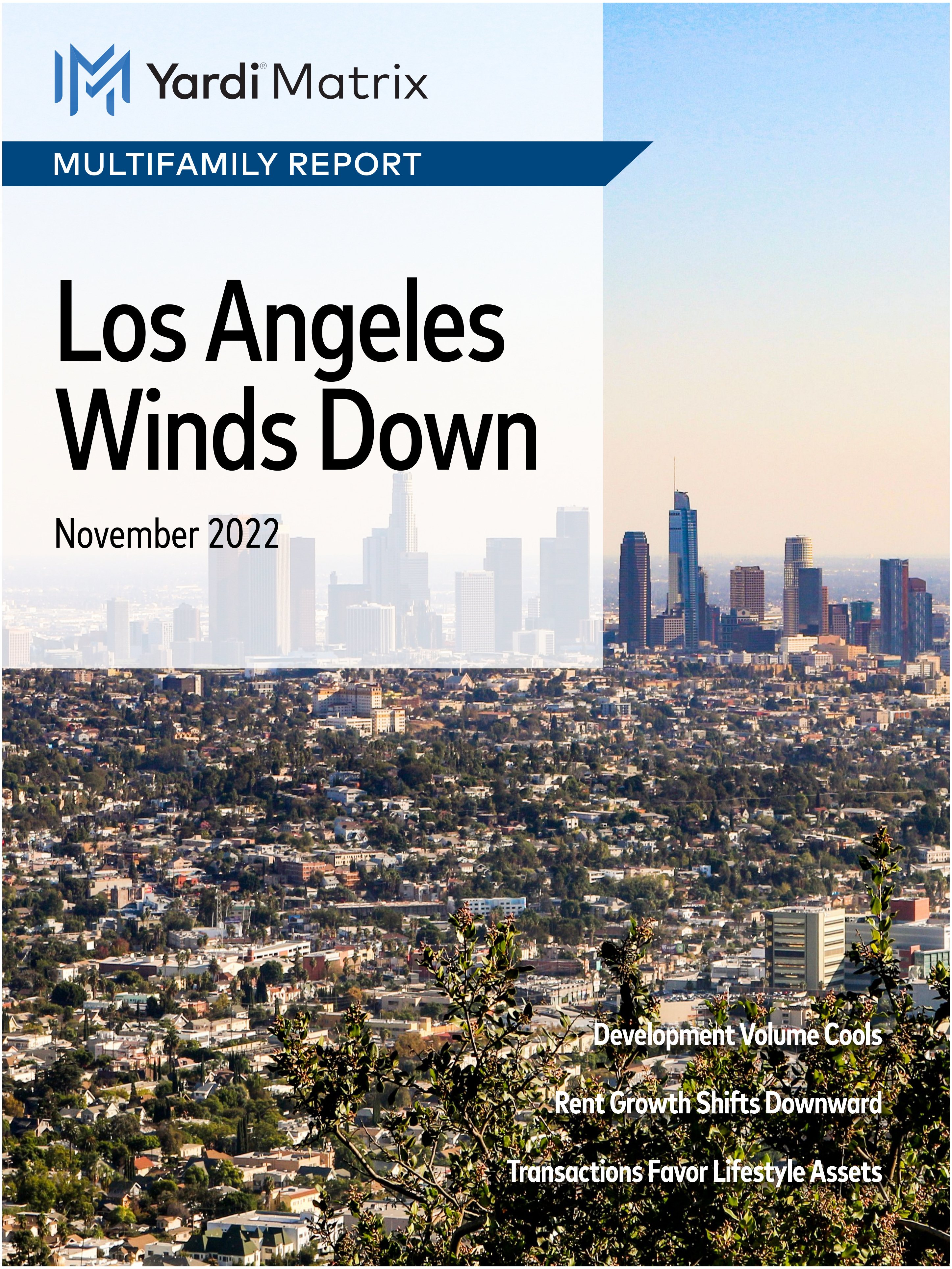
Yardi Matrix

MULTIFAMILY REPORT

Los Angeles Winds Down

November 2022



Development Volume Cools

Rent Growth Shifts Downward

Transactions Favor Lifestyle Assets

LOS ANGELES MULTIFAMILY

Yardi Matrix

Rents, Construction Decelerate

Amid fears of a recession and high inflation, most U.S. metros recorded a slowdown in multifamily rent development, cooling off after record gains last year. Los Angeles followed this pattern, with rent growth at 0.4% on a trailing three-month (T3) basis through September, to an average of $2,588—remaining well above the $1,718 national average. Demand remained relatively strong, however, and the occupancy rate in stabilized properties stood at a healthy 96.7% as of August.

The metro's unemployment rate held at 4.5% as of August, above the nation's 3.7%. California regained nearly all jobs lost during the height of the pandemic, according to the state's Employment Development Department. During the 12 months ending in July, Los Angeles added 174,000 jobs, representing a 5.8% expansion. All sectors recorded gains, except for government, which lost 5,500 positions. The largest increases were in leisure and hospitality (37,600 jobs), trade, transportation and utilities (34,100 jobs) and education and health services (32,000 jobs).

Investment remained strong, with $4.6 billion in sales year-to-date through September, up more than 50% compared to the same time frame last year. Completions slowed, with 5,773 units added through September, or 1.3% of existing stock, 20 basis points below the U.S. rate and down 36% from 2021.

Market Analysis | November 2022

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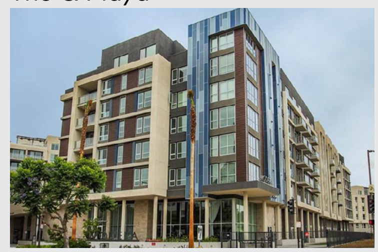
Recent Los Angeles Transactions

The Q Playa



City: Los Angeles
Buyer: Deels Properties
Purchase Price: $231 MM
Price per Unit: $613,564

Santa Rosalia/Santo Tomas

City: Los Angeles
Buyer: Avanath Capital Management
Purchase Price: $220 MM
Price per Unit: $328,849

The Vines at Riverpark

City: Oxnard, Calif.
Buyer: Interstate Equities Corp.
Purchase Price: $93 MM
Price per Unit: $567,073

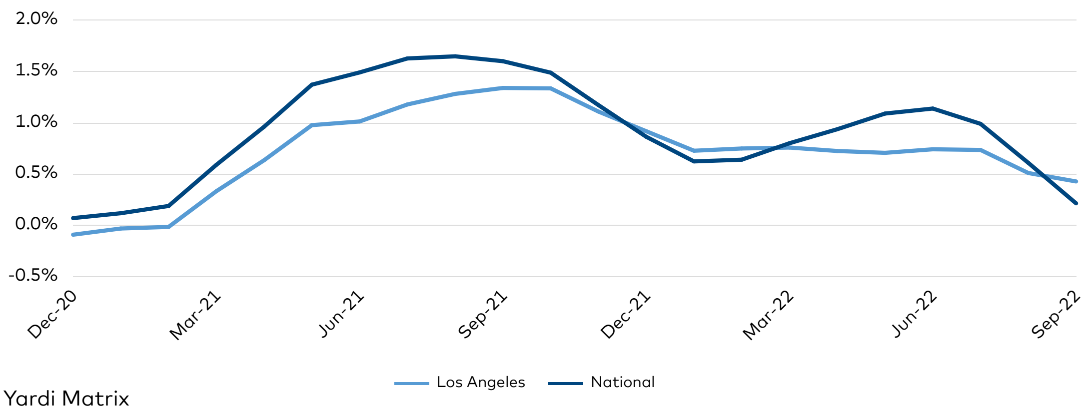
Lexington Apartment Homes

City: Agoura Hills, Calif.
Buyer: Intercontinental Real Estate
Purchase Price: $87 MM
Price per Unit: $490,449

RENT TRENDS

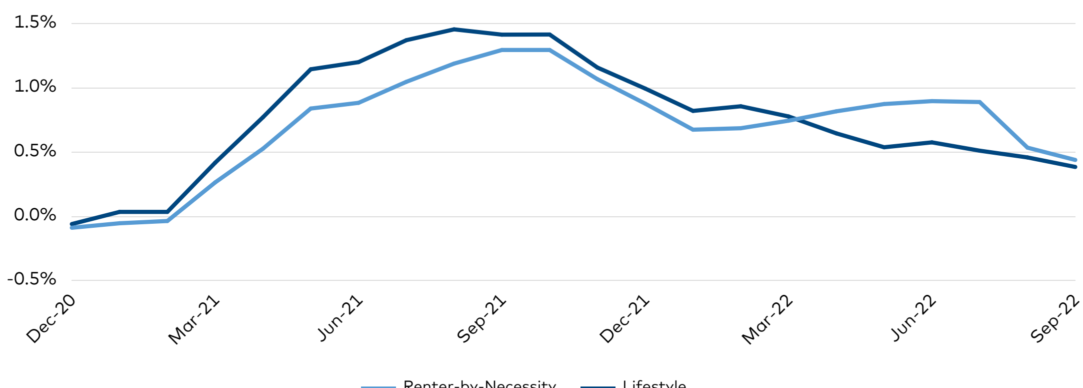
- Los Angeles multifamily rents were up 0.4% on a T3 basis through September, 20 basis points above the U.S. rate. The metro also followed the national trend of rent deceleration. Growth peaked in October last year—at 1.3% on a T3 basis—and subsequently slowed. Year-over-year, rents were up 8.9%, 50 basis points below the U.S. rate.
- The average rate was $2,588 as of September, $870 higher than the $1,718 U.S. figure. On a T3 basis, working-class Renter-by-Necessity figures generally outpaced Lifestyle assets for most of the year, but in September they were even, at 0.4%. The average Lifestyle rent reached $3,316, while the RBN figure grew to $2,223.
- The overall occupancy rate for stabilized properties improved 20 basis points year-over-year, to 96.7% as of August. Occupancy for Lifestyle properties remained unchanged, at 95.8%. The rate for RBN properties, which were in higher demand, was up 30 basis points in 12 months, to 97.2%. All occupancy rates were either above or at pre-pandemic levels.
- Almost all Los Angeles submarkets recorded positive rent gains, led by West Long Beach (up 23.3% year-over-year, to $2,119). Four other submarkets had year-over-year growth of more than 15.0%, including East Hollywood (17.7% to $2,676), Venice (17.3% to $3,526), Adams-Normandie-Hoover (16.4% to $3,094) and Marina del Rey (16.4% to $3,991).

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

- As of August, Los Angeles' unemployment rate stood at 4.5%, according to preliminary data from the Bureau of Labor Statistics. That represented an increase of 120 basis points from January and was above the 3.7% national figure. California's unemployment rate was 4.1% in August. According to the Employment Development Department of California, the state regained 98.3% of the jobs lost during March and April 2020 due to the pandemic.
- Job growth was at 5.8% as of July, down from the 7.3% peak in January. The rate was 130 basis points above the U.S. figure. Over the 12 months ending in July, Los Angeles added 174,000 jobs, with all but one sector recording positive gains.
- Leisure and hospitality gained 37,600 positions, the most out of all sectors, representing an 8.1% expansion. It was followed by trade, transportation and utilities (up 34,100 jobs, 4.2%) and education and health services (32,000 jobs, 3.8%). The government sector lost 5,500 jobs, for a 1.0% contraction.
- In October, the Metro K Line opened in South Los Angeles, connecting the Crenshaw and Westchester neighborhoods through seven new stations. An additional two stations will be constructed in 2023 and 2024. The $2.1 billion transit project represents the largest transportation investment in the area in more than 25 years.

Los Angeles Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	502	11.2%
40	Trade, Transportation and Utilities	850	18.9%
65	Education and Health Services	869	19.3%
60	Professional and Business Services	664	14.8%
80	Other Services	155	3.5%
50	Information	230	5.1%
30	Manufacturing	321	7.1%
15	Mining, Logging and Construction	159	3.5%
55	Financial Activities	215	4.8%
90	Government	528	11.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Los Angeles' population contracted by 1.6% in 2021, losing 159,621 residents. Migration trends toward smaller, more affordable areas continue to affect most large metros across the U.S., accelerated by the popularity of remote and hybrid work.

Los Angeles vs. National Population

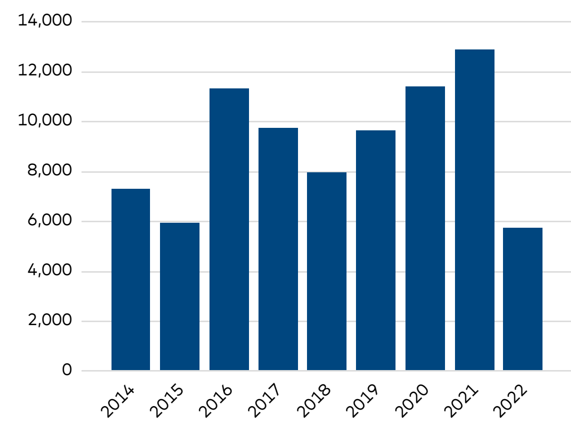
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Los Angeles	10,061,533	10,011,602	9,989,165	9,829,544

Source: U.S. Census

SUPPLY

- Los Angeles had 32,832 units under construction across 233 properties as of September. Developers continued to favor Lifestyle properties, which comprised almost three-quarters of the pipeline—72.5% of units—while 21.4% were in fully affordable developments. An additional 145,000 units were in the planning and permitting stages.
- Year-to-date through September, 5,773 units were completed, representing 1.3% of stock, 20 basis points below the national rate. Completions decreased by 35.5% compared to the same time frame last year, with L.A. following the nationwide deceleration trend. The metro is cooling off after hitting a peak for deliveries in 2021, when 12,887 units were completed (2.8% of stock), significantly above the 10,328 five-year average.
- Los Angeles' core continued to be the most active in terms of new development, accounting for 62.4% of the pipeline (20,503 units). It was followed by San Fernando Valley-Ventura County (7,210 units, 22.0%) and Eastern Los Angeles County (5,119 units, 15.6%).
- The top three submarkets for development were all in core areas—Downtown Los Angeles had the most units underway (3,532), followed by Koreatown (2,470 units) and Westlake North (1,930 units).
- The largest property to reach full completion in the third quarter was The Grand by Gehry, in Downtown Los Angeles. The 436-unit luxury property was developed by Related Cos. and designed by Frank Gehry. The LEED Gold building contains 89 affordable units, as well as 215,000 square feet of retail.

Los Angeles Completions (as of September2022)



Source: Yardi Matrix

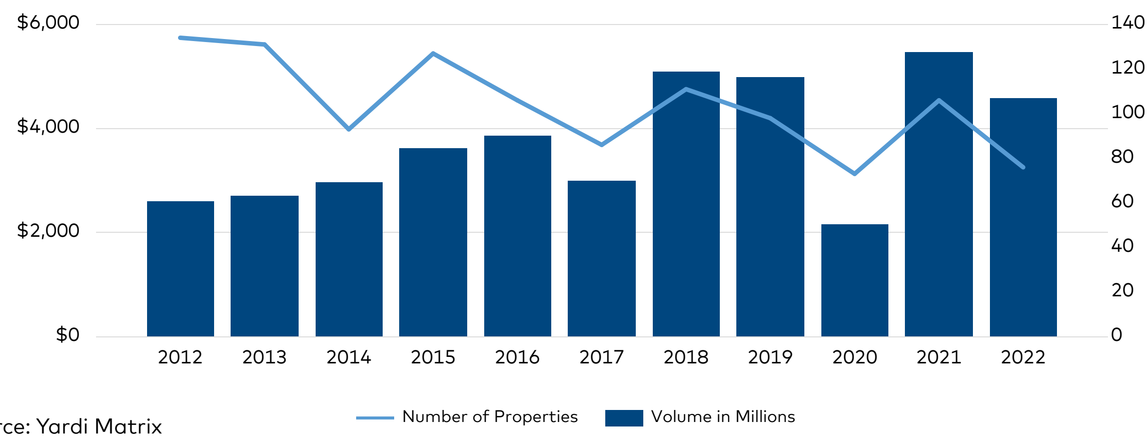
Los Angeles vs. National Completions as a Percentage of Total Stock (as of September 2022)

Source: Yardi Matrix

TRANSACTIONS

- Year-to-date through September, Los Angeles' multifamily sales volume was $4.6 billion, a 52.6% increase from the amount recorded over the same period last year. A total of 76 sales were recorded, of which 54 involved RBN assets—which generated $2.2 billion—while 22 were Lifestyle properties, totaling $2.4 billion.
- The average per-unit price for year-to-date sales reached $421,006 in September, up 11.5% since the end of last year—nearly double the national average of $216,578. Both quality segments saw price increases, but Lifestyle properties jumped 64.6% year-over-year, to $844,711 per unit. For RBN assets, the average price increased 15.7%, to $356,455.
- Douglas Emmett & Co. purchased the 120-unit 1221 Ocean Ave. in Santa Monica for $330 million through a joint venture. Irvine Co. sold the property in the second quarter of 2022 at a record $2.8 million per unit.

Los Angeles Sales Volume and Number of Properties Sold (as of September 2022)



Source: Yardi Matrix

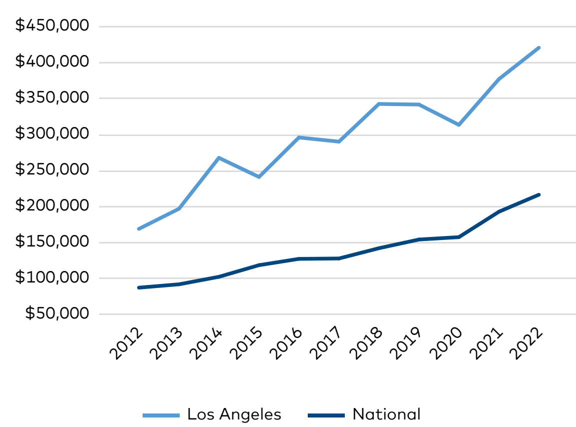
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Woodland Hills	$750
Downtown Los Angeles	$414
Pomona	$365
Santa Monica-Brentwood	$358
Santa Clarita	$340
El Segundo-Playa del Rey	$304
Camarillo	$301

Source: Yardi Matrix

[1] From October 2021 to September 2022

Los Angeles vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

data by Yardi Matrix

Top 10 Multifamily Markets by Sales Volume in 2022 H1

By Anca Gagiuc

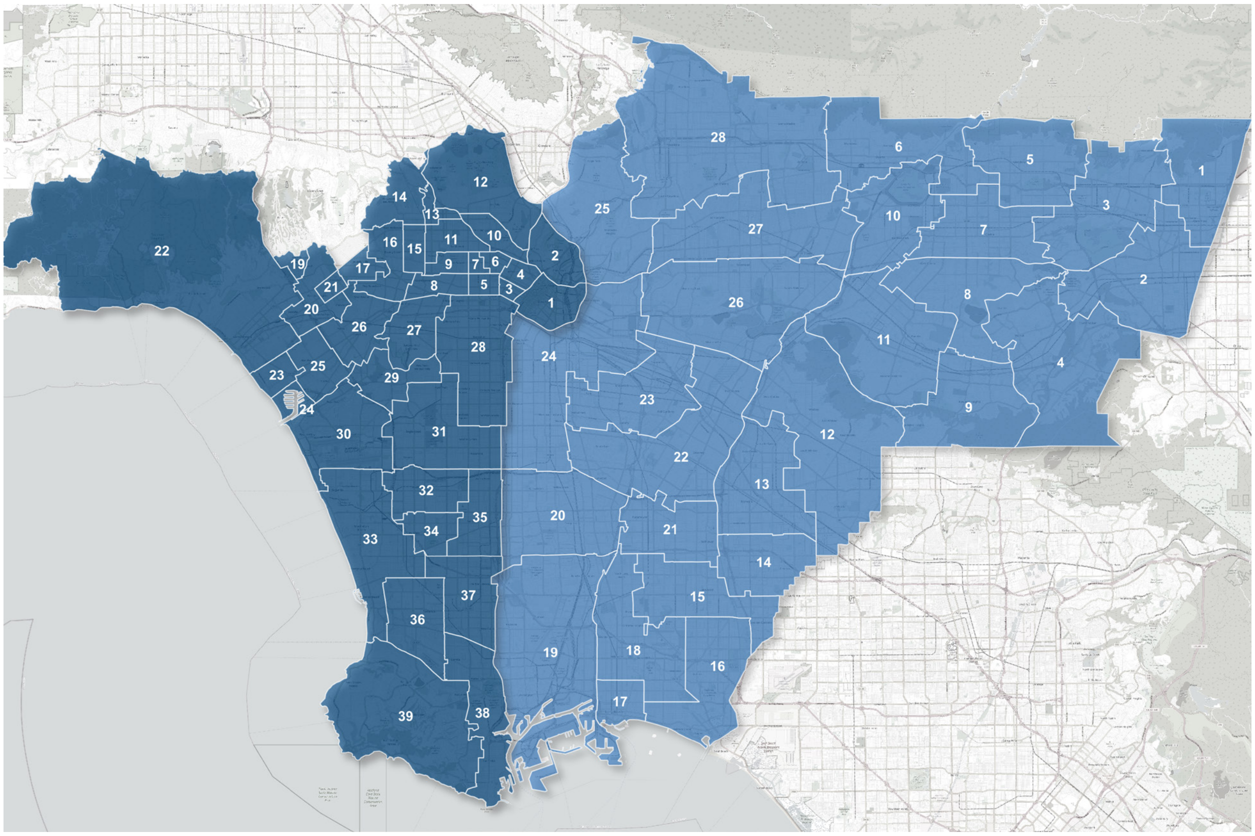
The U.S. multifamily market had an exceptional performance from an investment standpoint during the first half of the year, according to Yardi Matrix data. Overall national multifamily sales volume surpassed $101 billion in the first six months of 2022, outperforming the $67 billion volume registered in 2021 during the same interval, while the average price per unit rose 28.4 percent year-over-year, to a new high of $218,377.

Metro	Sales Volume $ H1 2022	Price Per Unit H1 2022	PPU Evolution YoY	Units Sold H1 2022
Phoenix	$7,351,109,167	$339,622	58.3%	24,787
Atlanta	$7,012,412,048	$204,312	27.0%	39,113
Dallas	$6,568,096,859	$186,049	22.7%	64,213
Houston	$6,401,791,606	$155,780	25.6%	56,895
New York	$3,997,523,782	$642,482	-7.8%	7,524
Orlando	$3,827,154,801	$253,975	32.6%	16,222
Los Angeles	$3,714,402,840	$444,200	17.9%	8,812
Miami	$3,581,485,100	$350,816	43.6%	14,701
Washington, D.C.	$2,647,298,705	$276,249	6.5%	11,944
Denver	$2,621,243,333	$340,687	14.2%	10,635

Los Angeles

The second newcomer in this ranking, also a gateway market, Los Angeles registered a $3.7 billion multifamily sales volume through June, well above the $2.1 billion amount recorded during the first half of 2021. The increase resulted from a higher number of traded assets—61 properties (8,812 units) during 2022's first half from 48 properties (7,154 units) during 2021's first half—but also from an increase in the average price per unit.

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

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 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 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, 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.

Yardi Matrix

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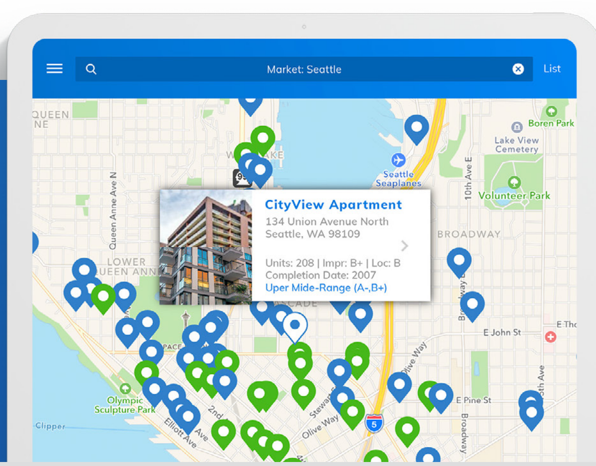
MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

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