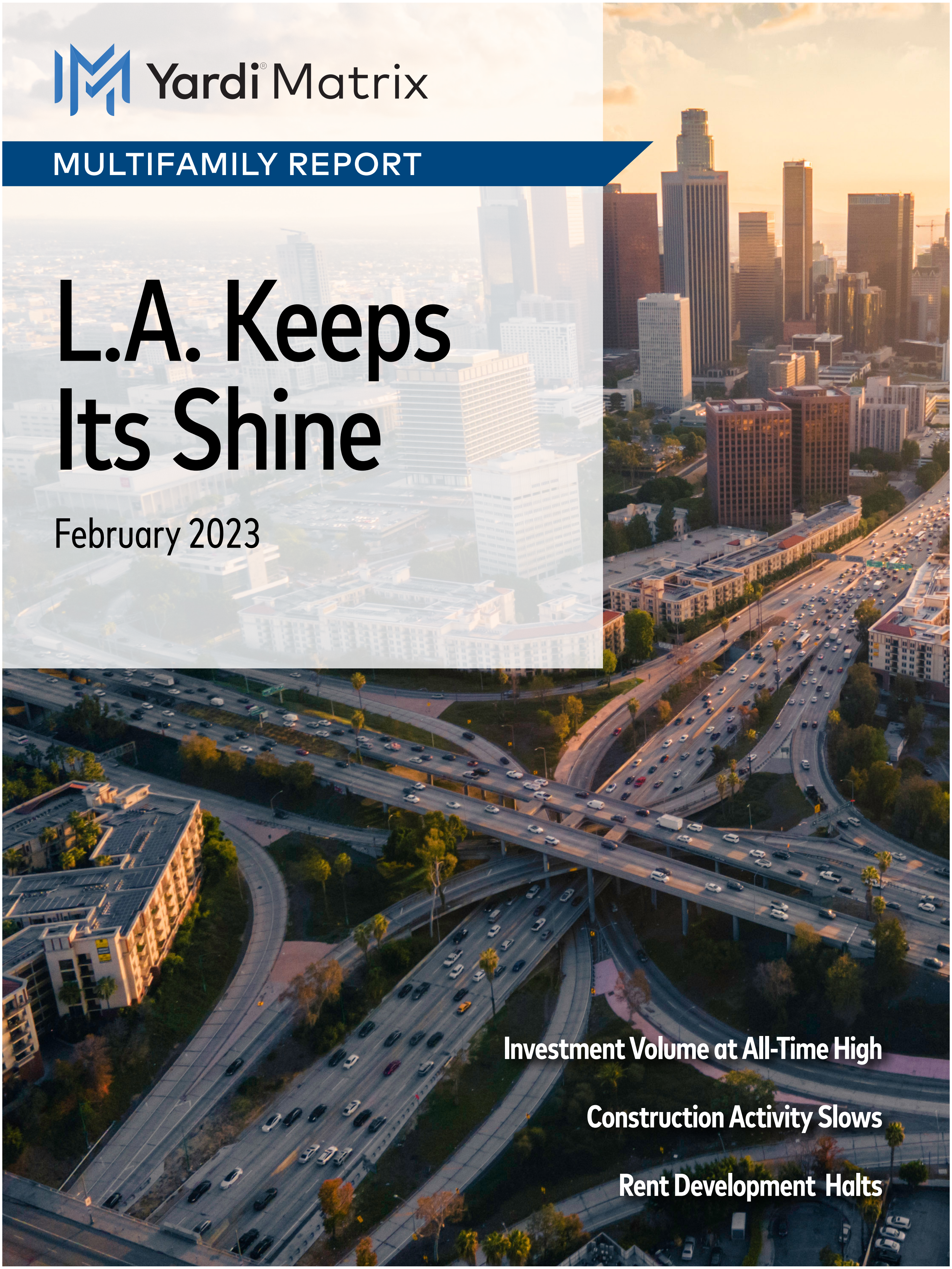
Yardi Matrix

MULTIFAMILY REPORT

L.A. Keeps Its Shine

February 2023



Investment Volume at All-Time High

Construction Activity Slows

Rent Development Halts

LOS ANGELES MULTIFAMILY

Yardi Matrix

Rent Growth Ceases, Investment Expands

Los Angeles ended 2022 on a sluggish note, as the nation prepared for economic headwinds. The L.A. multifamily market reflected this prognosis, with rent growth slowing to a halt—at 0.0% on a trailing three-month basis through December—but still 20 basis points above the national figure. L.A.'s $2,594 average rate was significantly above the $1,715 national figure.

The metro's unemployment rate was 4.5% in November, according to preliminary data from the Bureau of Labor Statistics, down 170 basis points year-over-year. According to the California Employment Development Department, by November 2022, not only had the state regained all the jobs lost during the 2020 lockdowns but it had also added an additional 2.8 million positions. Over a 12-month period through October, L.A.'s workforce expanded by 4.5%, 50 basis points above the U.S. rate. Gains were led by education and health services, which added 51,400 positions. L.A.'s entertainment industry saw massive investments into developing new production space in 2022, with the most significant projects totaling roughly $1.5 billion.

In 2022, 8,619 new units were added to the multifamily stock, accounting for 1.9% of existing inventory, down 100 basis points year-over-year and 20 basis points behind the national average. Transactions were at an all-time high, with volume reaching $5.8 billion in 2022, up 6.7% year-over-year.

Market Analysis | February 2023

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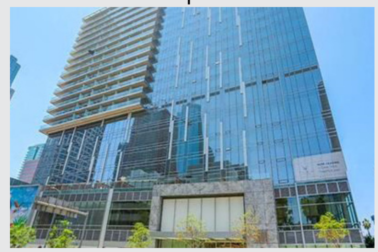
Recent Los Angeles Transactions

THEA at Metropolis



City: Los Angeles
Buyer: Northland Investment Corp.
Purchase Price: $504 MM
Price per Unit: $735,766

Haven at Del Mar Station

City: Pasadena, Calif.
Buyer: Fairfield Residential
Purchase Price: $172 MM
Price per Unit: $496,541

Avery at Moorpark

City: Moorpark, Calif.
Buyer: Pacific Urban Investors
Purchase Price: $127 MM
Price per Unit: $407,051

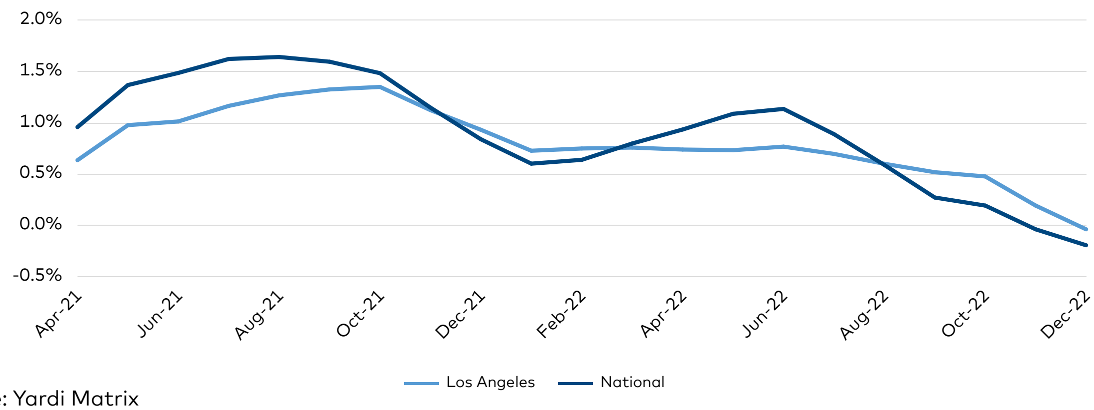
Lexington Apartment Homes

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

RENT TRENDS

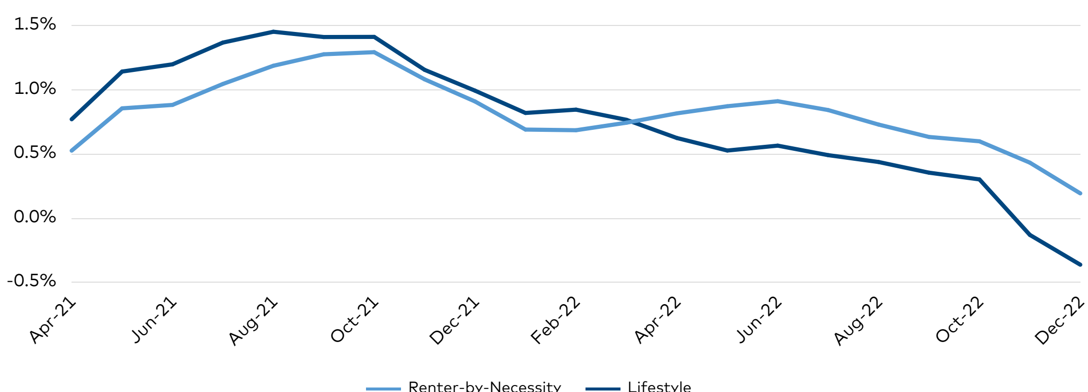
- Los Angeles rents followed national trends, with growth slowing to a halt in the latter half of the year. Rents plateaued on a trailing three-month (T3) basis as of December, 20 basis points above the national rate, which slid 0.2% on a T3 basis. The first half of 2022 saw the highest rent growth, peaking in June at 0.8%. On a year-over-year basis, rates were up 6.2%.
- The average rent in L.A. was $2,594 in December, 51.3% higher than the U.S. average, which fell $4 from the previous month, to $1,715. Lifestyle rents were down by 0.4% on a T3 basis through December, to $3,276, with the sector recording its highest growth during the first three months of the year (up 0.8% in March). RBN assets recorded a steadier growth pattern, with rents up 0.2%, at an average of $2,251.
- The overall average occupancy rate in stabilized properties declined 20 basis points year-over-year, to 96.5% as of November, holding above the national average of 95.4%. RBN assets recorded a 40-basis-point downtick, to 96.8%, while occupancy for Lifestyle properties was down 30 basis points, to 95.7%.
- Out of Los Angeles' 96 submarkets, 19 recorded double-digit rent growth on a year-over-year basis. Gains were led by Hyde Park (up 32.4%, to $2,519), West Long Beach (up 23.8%, to $2,204), Compton (13.8%, to $1,741), Lawndale (13.8%, to $1,917) and Gardena (13.2%, to $1,828).

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

- The unemployment rate in Los Angeles reached 4.5% in November, according to preliminary data from the Bureau of Labor Statistics. Although the figure dropped 170 basis points year-over-year, it remained 90 basis points above the nationwide average.

- Over the 12-month period ending in October, L.A. gained 196,600 jobs, a 4.5% expansion of the workforce or 50 basis points higher than the U.S. rate. According to the California EDD, by November 2022 the state had recovered all 2.8 million nonfarm jobs lost in 2020 due to the pandemic and gained a surplus of 101.1% jobs.

- Growth was led by the education and health services sector, which added 51,400 jobs (6.0% expansion) in the 12-month period through October. Leisure and hospitality added 37,400 jobs (7.9%), followed by professional and business services (32,700, 5.0%) and trade, transportation and utilities (30,300, 3.7%).

- According to the EDD, almost all the jobs added in the information sector came from growth in the motion picture and video production industry subsector. The year saw a slew of investments into production space development, including $500 million by Silver Lake, $600 million by a joint venture of Bardas Investment and Bain Capital, and a $190 million commitment by Hudson Pacific and Blackstone.

Los Angeles Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	905	19.6%
70	Leisure and Hospitality	511	11.1%
60	Professional and Business Services	681	14.8%
40	Trade, Transportation and Utilities	856	18.6%
80	Other Services	158	3.4%
30	Manufacturing	321	7.0%
15	Mining, Logging and Construction	159	3.4%
55	Financial Activities	216	4.7%
50	Information	236	5.1%
90	Government	569	12.3%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Although Los Angeles' population remains higher than it was a decade ago, the metro has seen a decline in residents over the past few years. In 2021, as residents sought more affordable locations, the metro's population dropped by 1.6% year-over-year.

Los Angeles vs. National Population

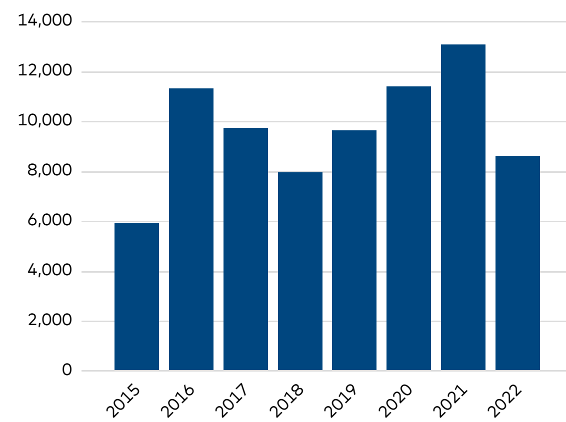
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Los Angeles	10,061,533	10,011,602	9,989,165	9,829,544

Source: U.S. Census

SUPPLY

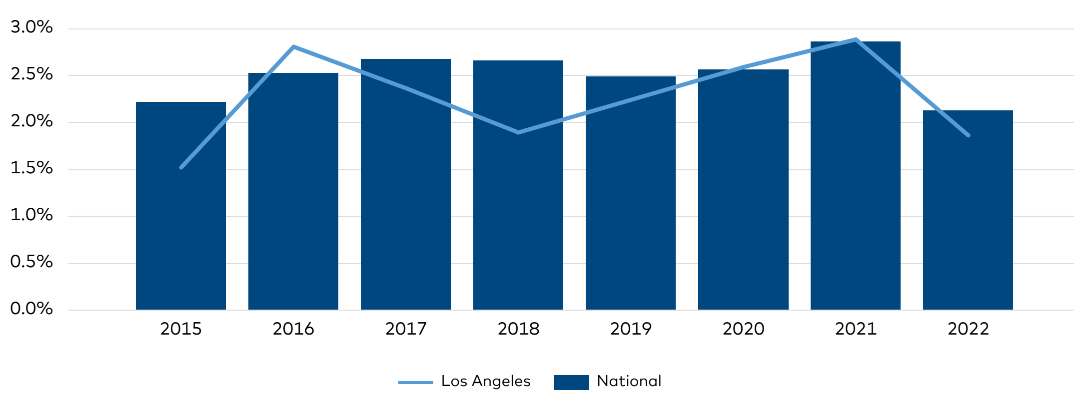
- At the end of the year, Los Angeles had 31,763 units under construction across 230 properties. Most of the pipeline remained geared toward the Lifestyle segment, with 71.9% of the units in this category. Fully affordable units comprised 25.2% of the pipeline. An additional 152,000 units were in the planning and permitting stages.
- Developers brought 8,619 units online in 2022, representing a 1.9% expansion of existing stock—down 100 basis points year-over-year and 20 basis points behind the national average. Completions slowed from the peak recorded in 2021 (13,104 units) and were also below the previous five-year average of 10,372 units. The slower pace of development was also evidenced by the reduction in construction starts—2022 saw 9,945 units break ground, representing a 24.8% drop year-over-year.
- Metro L.A. had the largest share of the development pipeline (60.4%) with 19,192 units underway, followed by San Fernando Valley-Ventura County (22.9%, 7,259 units) and Eastern L.A. County (16.7%, 5,312 units).
- The top three submarkets for development were all in Metro L.A.—Downtown Los Angeles (3,482 units), Koreatown (2,091) and Westlake North (1,876).
- Carmel Partners developed the largest multifamily property to come online in 2022—the 910-unit Vox. The Class A building is part of a mixed-use development that includes 200,000 square feet of office and 100,000 square feet of retail. The developer is building the asset using a $462.7 million construction loan.

Los Angeles Completions (as of December 2022)



Source: Yardi Matrix

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

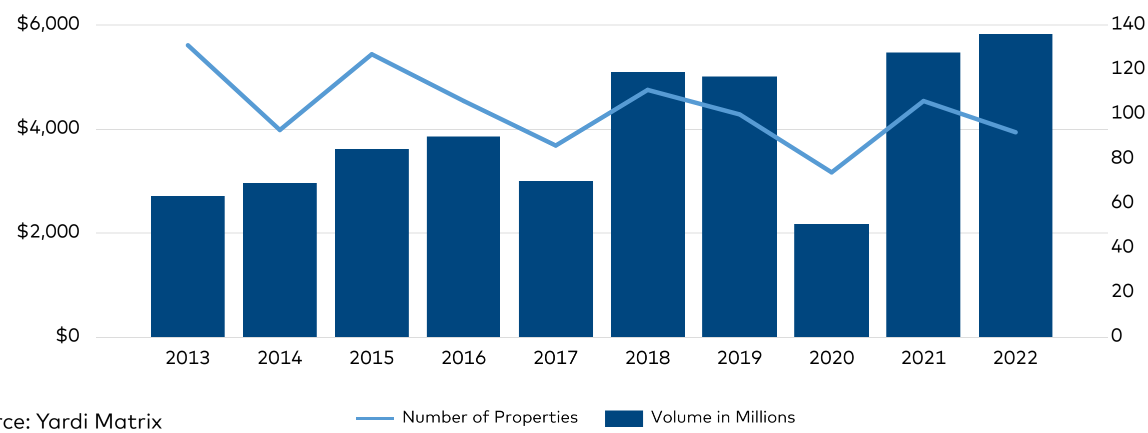


Source: Yardi Matrix

TRANSACTIONS

- In 2022, Los Angeles' transaction volume reached its highest point in 10 years—$5.8 billion from 92 transactions and 6.7% expansion year-over-year. Investors preferred RBN assets, which accounted for 64 sales ($2.4 billion). Twenty-eight transactions were in the Lifestyle segment, which generated $3.5 billion.
- The average price per unit reached $445,600, or 18% higher year-over-year, surpassing the $400,000 mark for the first time. Lifestyle assets traded for $790,126 per unit on average, a figure which increased 53.9% year-over-year. Prices in the RBN segment grew 15.1% year-over-year, to $354,474.
- The acquisition of THEA at Metropolis by Northland Investment Corp. was the largest sale of 2022. The 685-unit property traded for $504 million, or $735,766 per unit. Completed in 2020, the Downtown Los Angeles asset was granted a $281.9 million CMBS loan for the sale.

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



Source: Yardi Matrix

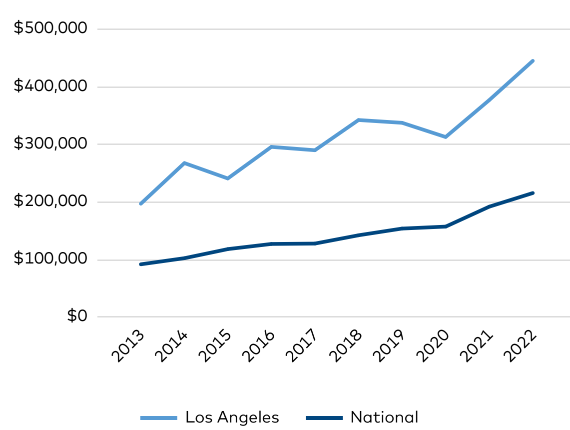
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Downtown Los Angeles	918
Woodland Hills	558
Santa Monica-Brentwood	385
SW Long Beach	358
Santa Clarita	340
El Segundo-Playa del Rey	304
Pasadena/Arcadia	277

Source: Yardi Matrix

[1] From January 2022 to December 2022

Los Angeles vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

data by

Top California Markets for Multifamily Construction Activity

By Anda Rosu

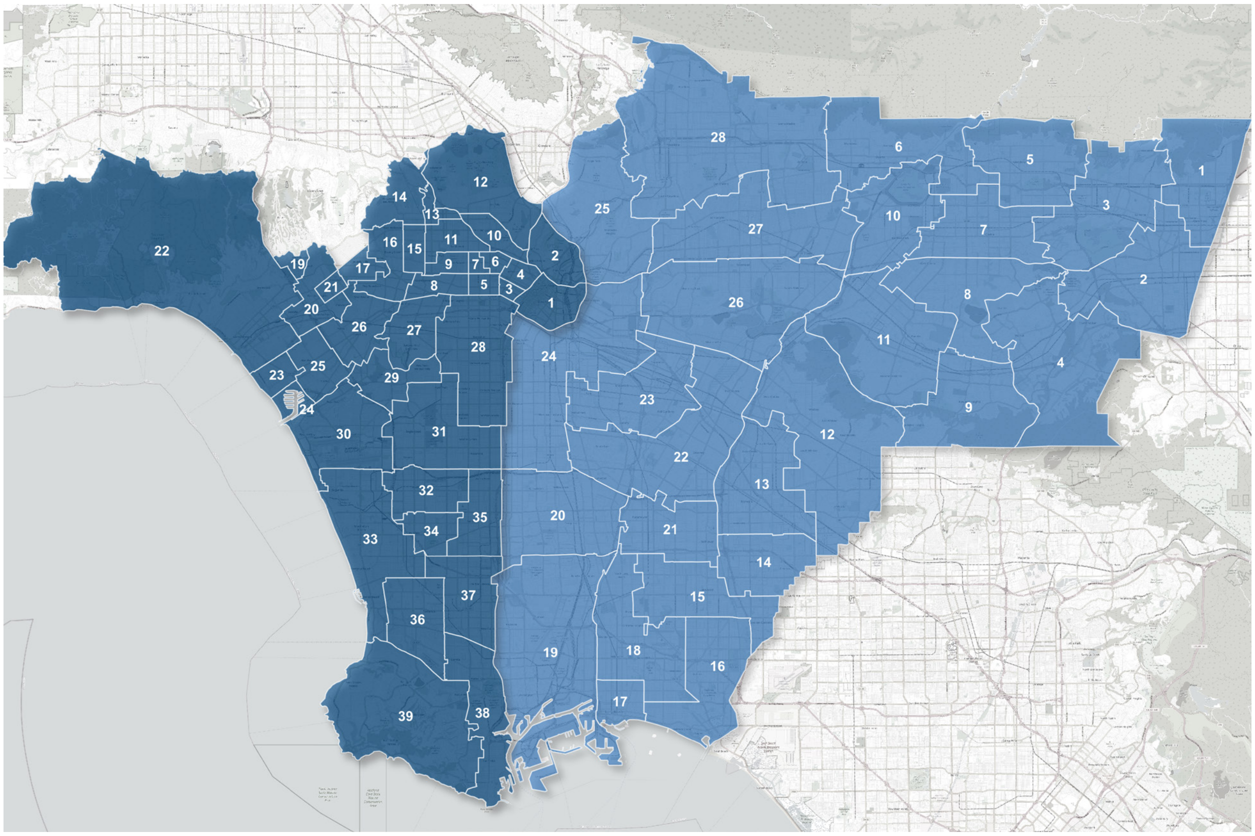
While metros such as Dallas, Austin and Phoenix have seen improved rental market performance since the onset of the health crisis, most California markets are still in a housing crisis. California has recovered at a slower pace, with developers struggling to meet the demand for housing, especially in the affordable segment. In the list below, we've highlighted the top multifamily markets in California using Yardi Matrix data as of October 2022.

Rank	Metro	Units Under Construction	Units Delivered 2022 YTD	Units Delivered 2021
1	Los Angeles	33,114	6,487	13,037
2	San Francisco	20,244	5,740	10,820
3	Bay Area	8,908	1,124	7,230
4	Orange County	8,407	1,497	2,616
5	San Diego	7,138	2,862	3,417
6	Sacramento	7,104	1,588	2,120
7	Inland Empire	4,737	404	2,136
8	Central Valley	3,851	1,071	2,780
9	Central Coast	1,467	254	728

Los Angeles

The Los Angeles multifamily market had 33,114 units under construction, a 35% share of California's units under construction as of October 2022. With 6,487 units already delivered year-to-date, accounting for 30% of statewide deliveries, the metro remains the strongest market in California. In 2022, construction started on 8,852 units, down by one-third from last year's overall numbers, making it largely unlikely for 2022 to keep up with 2021's figures.

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.

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MULTIFAMILY KEY FEATURES

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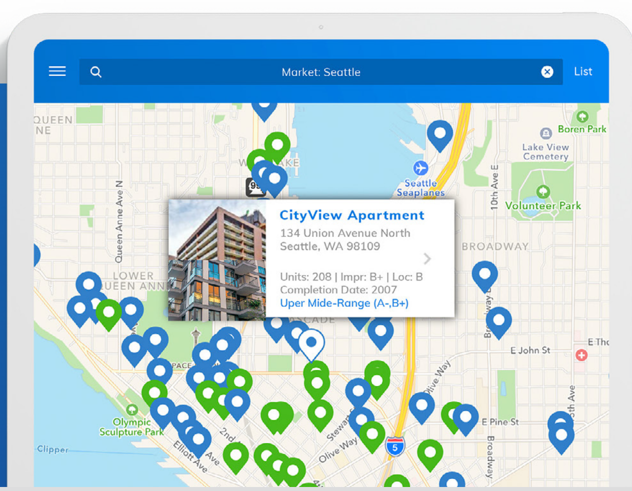
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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