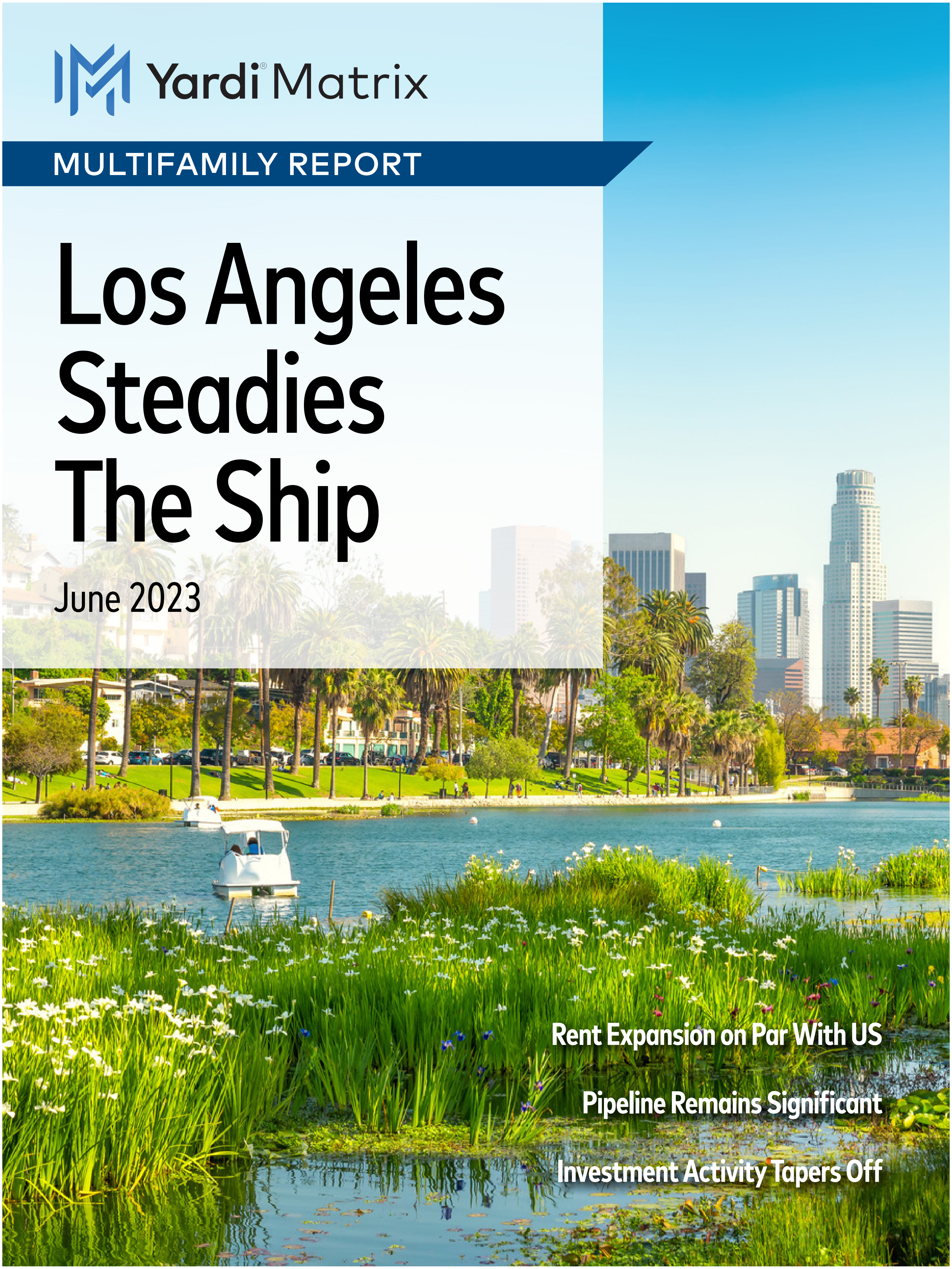
Yardi Matrix

MULTIFAMILY REPORT

Los Angeles Steadies The Ship

June 2023



Rent Expansion on Par With US

Pipeline Remains Significant

Investment Activity Tapers Off

LOS ANGELES MULTIFAMILY

Yardi Matrix

Fundamentals Dampen, Remain Resilient

After a seasonal slowdown, Los Angeles rents grew by 0.2% on a trailing three-month basis through April, to $2,597. Gains were on par with the national T3 rate and on a slight upward trend, while interest-rate hikes and slowing job growth made their mark on the metro. Year-over-year, Los Angeles remained on a fundamentally solid track. Rents were up 3.6%, 40 basis points above the national rate. Occupancy in stabilized assets also remained elevated, at 96.5% as of March—150 basis points above the U.S. figure.

On a 12-month basis through February, employment expanded by 3.0%, 40 basis points below the national figure, while the jobless rate stood at 5.0% in March. A total of 102,300 jobs were added in the 12 months ending in February. Education and health services led growth, with 49,700 positions gained, for a 5.8% expansion. On the other hand, significant losses were recorded by the information sector, which lost 23,200 jobs, for a 9.5% contraction. According to the California Employment Development Department, the losses can be mostly attributed to software publishers.

Development in metro LA remains significant, with 31,849 units under construction as of April. Deliveries during the first four months of the year totaled 1,926 units. Meanwhile, investment volume was $674 million, just a third of the amount recorded in 2022 over the same period.

Market Analysis | June 2023

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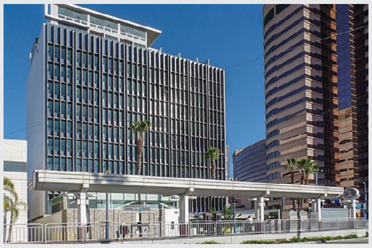
Recent Los Angeles Transactions

Edison



City: Long Beach, Calif.
Buyer: Advanced Real Estate Services
Purchase Price: $58 MM
Price per Unit: $371,795

Haven Warner Center

City: Canoga Park, Calif.
Buyer: LA Apartments
Purchase Price: $54 MM
Price per Unit: $263,415

The LC

City: Los Angeles
Buyer: H&R Investments
Purchase Price: $47 MM
Price per Unit: $553,571

Mountain View Manor

City: Sylmar, Calif.
Buyer: Golden Bee Properties
Purchase Price: $40 MM
Price per Unit: $197,500

RENT TRENDS

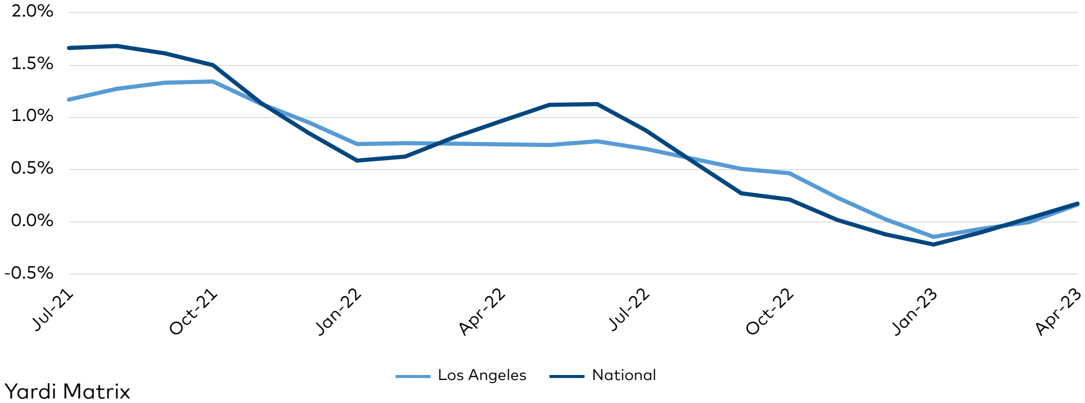
- Los Angeles rents were up 0.2% on a trailing three-month (T3) basis through April, on par with national growth. After a slow winter season, rent development started to improve again in most major metros. Year-over-year, rents in metro LA were up 3.6% as of April, 40 basis points above the national rate, but a far cry from the 12.7% recorded last year. Yardi Matrix expects rent development to remain closer to historic figures, ending the year in metro LA at 2.6%.

- At $2,597, the average rent in Los Angeles stood significantly above the $1,079 national figure. Lifestyle rents were up 0.2% on a T3 basis through April, to $3,280, while growth for the working-class Renter-by-Necessity segment stood at 0.1%, to $2,256.

- Demand in the market remained healthy, with occupancy in stabilized assets down just 40 basis points in 12 months, to 96.5% as of March. Occupancy stood 150 basis points above the national average. The Lifestyle segment saw the rate drop by 20 basis points, to 95.8%, while RBN assets recorded a 40-basis-point decline, to 96.9%.

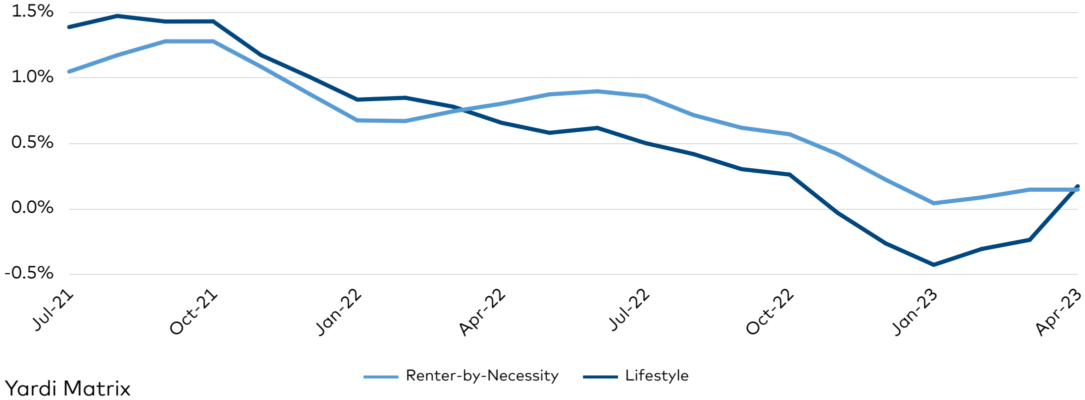
- Hyde Park recorded the highest year-over-year rent growth—27.7% to $2,512. A handful of Eastern Los Angeles County submarkets also saw strong gains, led by East Los Angeles South (up 22.8% to $2,480), City of Industry/Hacienda Heights (up 13.9% to $1,951), Maywood/Bell/Montebello (13.1% to $1,545) and Compton (12.9% to $1,767).

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' unemployment rate inched up to 5.0% as of March, according to preliminary data from the Bureau of Labor Statistics, as layoffs and other economic challenges are impacting the landscape. Last year, the figure steadily improved from 6.5% in January down to 4.4% in December. Meanwhile, California's rate stood at 4.4% as of this March.

- Los Angeles added 102,300 jobs on a 12-month basis through February, representing a 3.0% economic expansion rate, 40 basis points below the national figure. For most of 2022, Los Angeles' employment growth rate outperformed the national average, but was on a downward trend since January's 7.9% figure.

- Job gains were led by education and health services, which added 49,700 positions, for a 5.8% expansion over the 12-month period through February. Leisure and hospitality grew by 8.3%, or 40,300 jobs, while professional and business services added 21,300 positions, up 3.2%. The information sector lost 23,400 jobs, marking a 9.5% contraction.

- Los Angeles is currently undergoing infrastructure expansions and renovations, including the $5.5 billion Landside Access Modernization Program. In March, the airport topped out its Tom Bradley International Terminal Core, which is part of a $490 million series of new terminal cores that are scheduled for completion in 2024.

Los Angeles Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	908	19.8%
70	Leisure and Hospitality	528	11.5%
60	Professional and Business Services	679	14.8%
90	Government	575	12.5%
80	Other Services	156	3.4%
40	Trade, Transportation and Utilities	838	18.3%
55	Financial Activities	216	4.7%
30	Manufacturing	318	6.9%
15	Mining, Logging and Construction	148	3.2%
50	Information	222	4.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Los Angeles' population contracted by 159,621 residents in 2021, for a 1.6% decline. Domestic out-migration was the main cause, as more affordable and less congested cities, including in nearby counties, presented good opportunities. Meanwhile, the U.S. population grew by 0.1%.

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

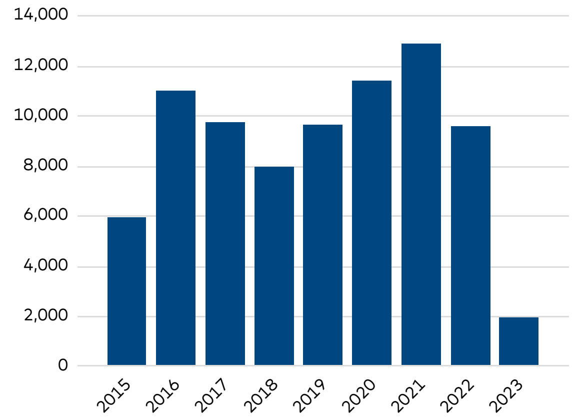
- As of April, Los Angeles had 31,849 units under construction. Developers continued to focus on projects in the Lifestyle segment, which comprised 70.4% of the pipeline, while fully affordable units accounted for 27.8%. The metro's pipeline could rise significantly in coming years, as 160,000 more units were in the planning and permitting stages. Some of these, however, might be significantly delayed or axed due to economic challenges.

- Year-to-date through April, 1,926 units, or 0.4% of stock, came online. That was 10 basis points below the U.S. figure and down 30 basis points from the rate recorded for the same period in 2022. After hitting a peak in 2021 (12,885 units), completions started to slow down in the metro. This was due to market conditions returning to normal after accelerated growth immediately following the pandemic. On average, Los Angeles' inventory grew by 10,301 units annually over the past five years. Yardi Matrix anticipates a total of 13,064 units will be added this year across metro LA, should market conditions hold. That would mark a new decade high.

- Construction starts in the market have slowed down, with many developers focused on delivering units that are currently underway. A total of 1,126 units broke ground during the first four months of the year, down 70% year-over-year.

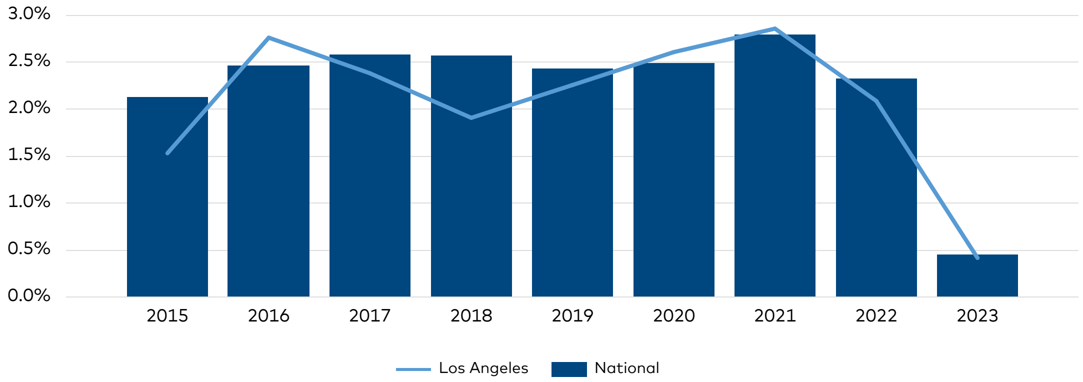
- The immediate Los Angeles area had the largest share of the pipeline, with 19,410 units underway, followed by San Fernando Valley–Ventura County (6,928 units) and Eastern LA County (5,511). On a submarket basis, downtown Los Angeles led with 3,869 units underway, followed by Koreatown (2,174 units), Westlake North (1,648) and East Los Angeles South (1,313).

Los Angeles Completions (as of April 2023)



Source: Yardi Matrix

Los Angeles vs. National Completions as a Percentage of Total Stock (as of April 2023)

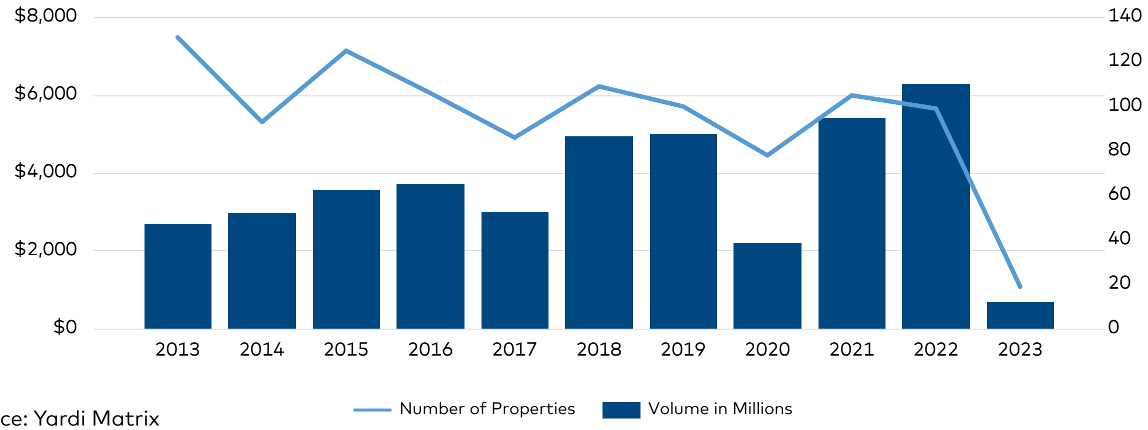


Source: Yardi Matrix

TRANSACTIONS

- Multifamily investment sales in metro Los Angeles totaled $674 million year-to-date through April, marking a significant tempering since last year. The sum represented just over a third of the $1.9 billion recorded over the same period in 2022. Los Angeles followed nationwide trends of slowing investment activity, after two years of record-breaking volume.
- The average price per unit in the first four months stood at $383,810, down 11.5% from 2022's figure, but significantly ahead of the $178,275 national rate. RBN assets traded for 12.6% less since the end of last year, to an average of $296,563 per unit. Lifestyle properties traded for $593,905 per unit, down 21.3%.
- Over a 12-month period ending in April, the immediate Los Angeles area registered $2.2 billion in multifamily sales, followed by Eastern Los Angeles County ($1.1 billion) and San Fernando Valley–Ventura County ($1 billion).

Los Angeles Sales Volume and Number of Properties Sold (as of April 2023)



Source: Yardi Matrix

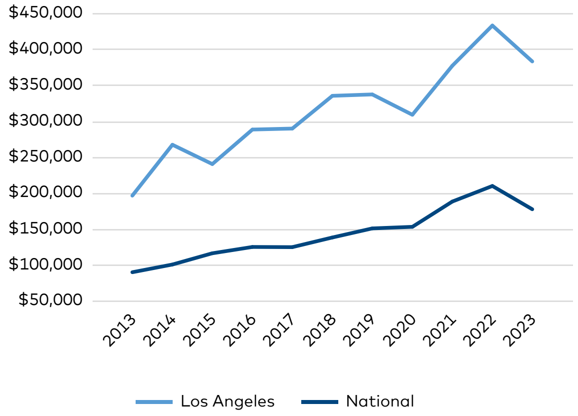
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Downtown Los Angeles	504
El Segundo–Playa del Rey	304
Woodland Hills	302
Hyde Park	296
Koreatown	235
S.W. Long Beach	212
Pasadena/Arcadia	210

Source: Yardi Matrix

[1] From May 2022 to April 2023

Los Angeles vs. National Sales Price per Unit



Source: Yardi Matrix

MULTI-HOUSING NEWS
data by Yardi Matrix

Top 10 Markets for Multifamily Construction

By Anca Gagiuc

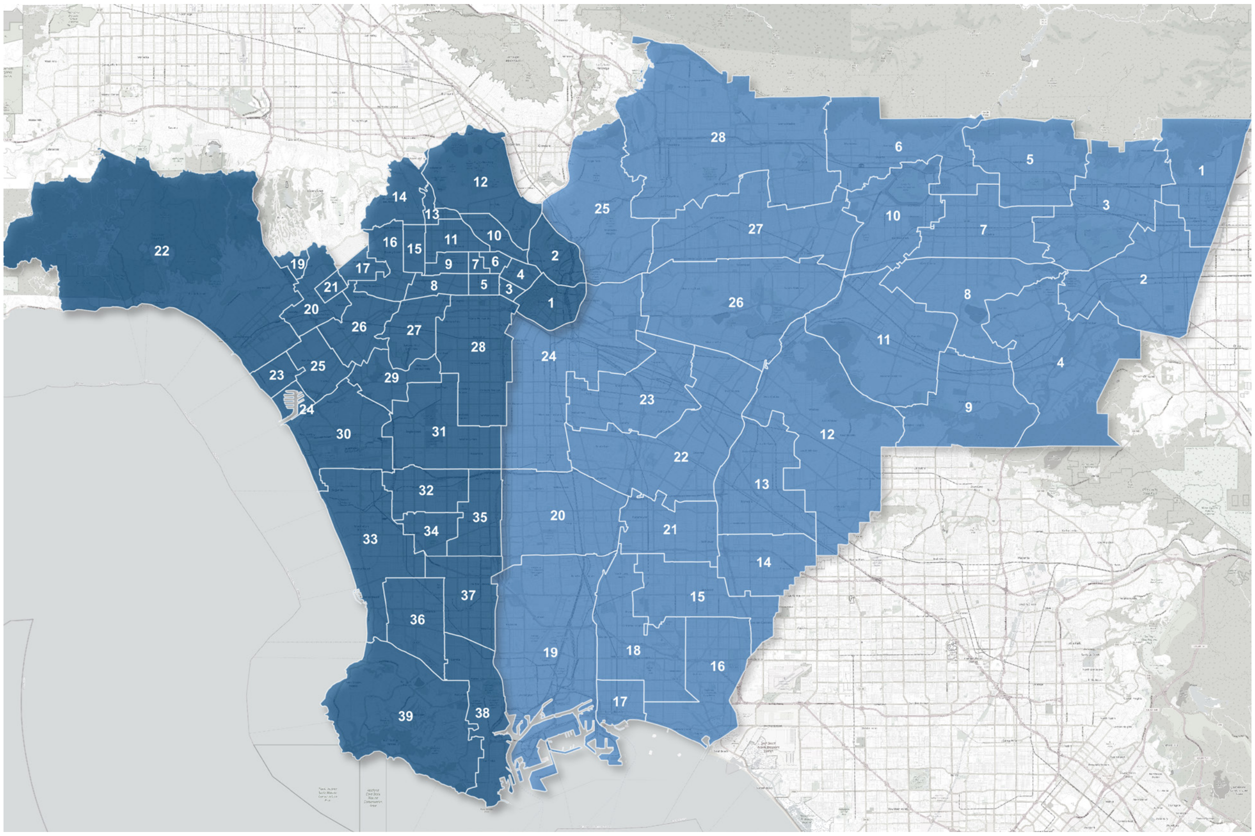
U.S. multifamily construction was robust at the start of a new leasing season, with the pipeline amounting to nearly 1.1 million units underway across 4,910 properties, according to Yardi Matrix. However, deliveries were slow, with just 73,506 units coming online this year through April. That's less than 7% of the national pipeline, and accounts for 20% of last year's 369,827-unit total.

Metro	Units Under Construction	Units Completed Year-to-Date	Construction Starts/Units January - March 2023
Austin	61,873	2,547	6,013
Dallas	60,532	2,016	5,864
Miami	44,533	2,732	3,612
Atlanta	41,204	2,679	4,120
Phoenix	39,875	3,811	1,985
New York City	38,859	137	3,304
Denver	35,893	1,696	1,580
Houston	34,709	1,686	1,660
Los Angeles	32,306	1,926	814
Charlotte	32,188	1,538	1,459

Los Angeles

The only California metro on this list, Los Angeles gained a spot with 32,306 units under construction and another 160,000 in the planning and permitting stages. By the number of properties underway, it ranked first in this list of metros with 239 properties. Meanwhile, deliveries amounted to 1,926 units, the equivalent of 2.7% of existing inventory. Just 814 units broke ground in Los Angeles during the first quarter of 2023, the lowest volume in the top 10. The volume marked a 61.4% decrease from the 2,110 units that started construction during the same time last year.

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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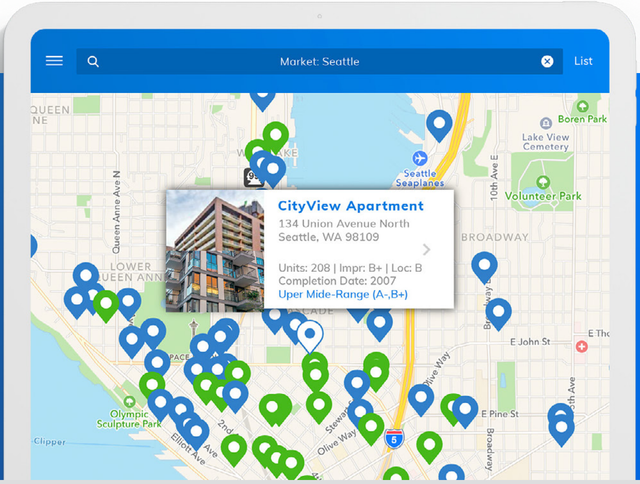
MULTIFAMILY KEY FEATURES

- 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



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 **19.7+ million units**, covering over **92% of the U.S. population.**

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Learn more at yardimatrix.com/**multifamily**

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