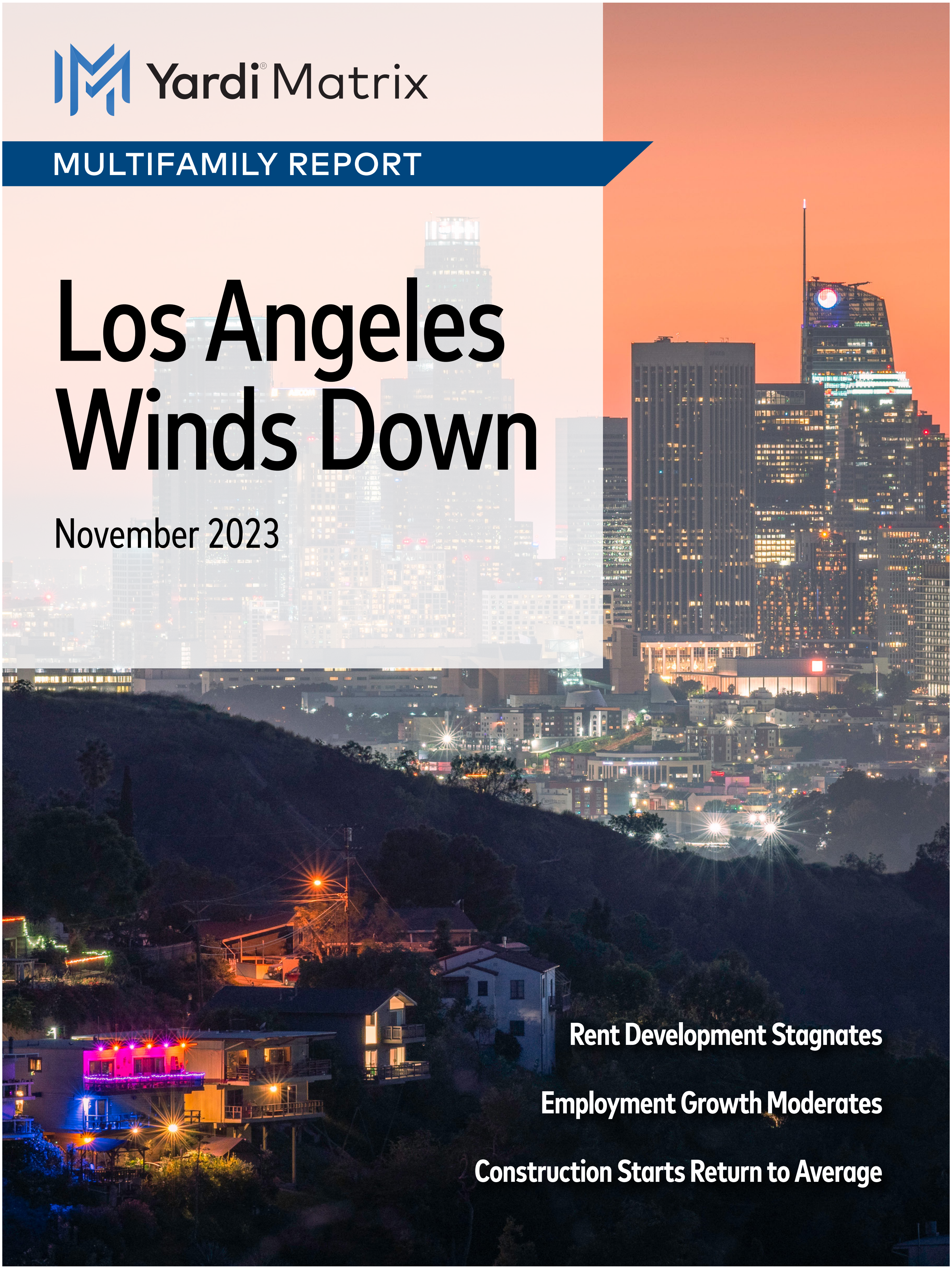


Yardi® Matrix

MULTIFAMILY REPORT

Los Angeles Winds Down

November 2023

Rent Development Stagnates

Employment Growth Moderates

Construction Starts Return to Average

LOS ANGELES MULTIFAMILY

Yardi Matrix

Key Fundamentals Record Declines

Los Angeles is feeling the full brunt of the economic slowdown more than other metros. Through the first three quarters, rent development stood flat on a trailing three-month basis. This continued through September, while U.S. growth was down 0.1%. On a year-over-year basis, rents were up only 0.2%, 60 basis points below the national figure. After two years of above-average supply expansion, occupancy in the metro dropped 40 basis points year-over-year through August, to 96.2%, 120 basis points above the U.S. rate.

Job growth did not outpace the nation throughout the year, with the expansion rate at 2.3% as of July. The previous 12 months saw 104,300 jobs added. Meanwhile, the jobless rate stood at 5.8% as of August, according to preliminary data from the Bureau of Labor Statistics. This was 200 basis points above the U.S. figure and surpassed California by 120 basis points. Education and health services led gains, with 59,500 positions added. Tech continued to shed jobs, as the information sector lost 14,700 positions. Large infrastructure initiatives are continuing throughout the region, including a new, $600 million light rail line in the San Fernando Valley.

Development stood at a healthy rate, with 32,951 units underway across the market as of September. Through the first three quarters, developers added 6,277 units across Los Angeles. Meanwhile, investment activity declined by 77.0% year-over-year, to $1.2 billion in traded assets.

Market Analysis | November 2023

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Ron Brock, Jr.
Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler
Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Tudor Scolca-Seușan
Associate Editor

On the cover: Photo by Trung Pham/iStockphoto.com

Recent Los Angeles Transactions

Cathay Manor

City: Los Angeles
Buyer: Capital Realty Group
Purchase Price: $97 MM
Price per Unit: $359,259

Citrus Court

City: Whittier, Calif.
Buyer: Integrity Housing
Purchase Price: $31 MM
Price per Unit: $224,637

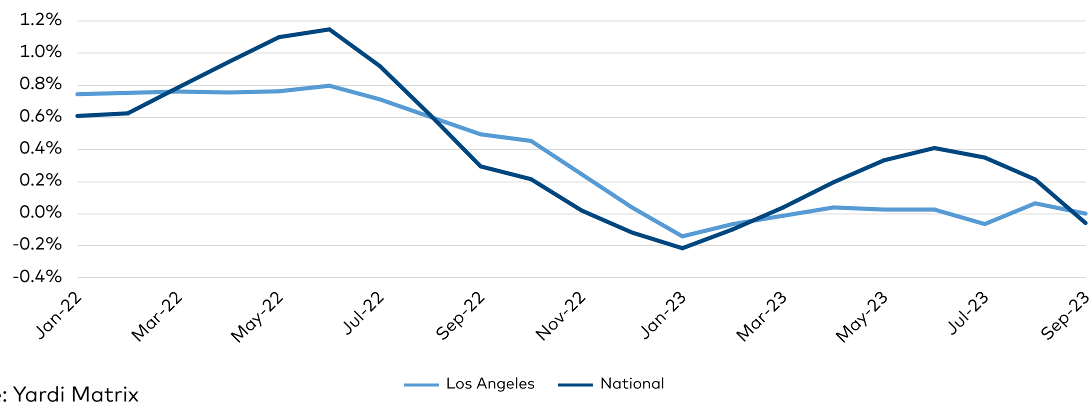
Oxford Park

City: Los Angeles
Buyer: Standard Communities
Purchase Price: $25 MM
Price per Unit: $228,715

RENT TRENDS

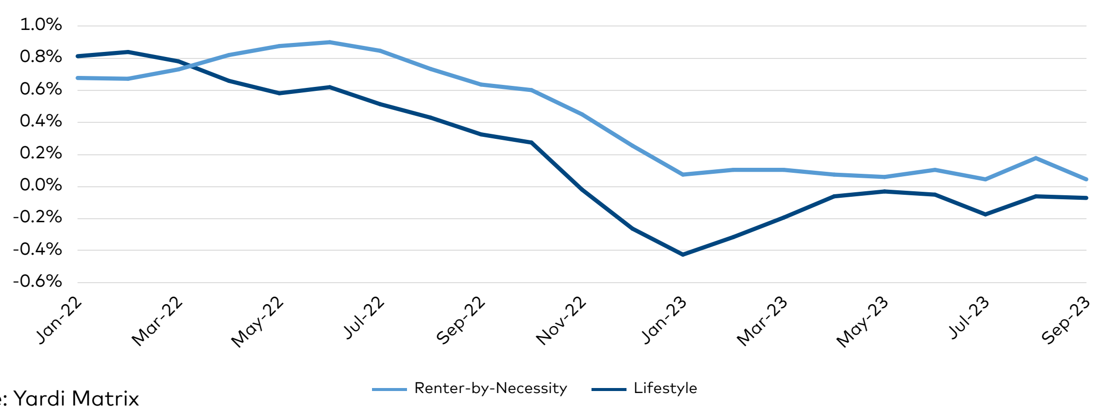
- Los Angeles rent development was stagnant on a trailing three-month (T3) basis through September, while the U.S. rate was down 0.1%. T3 movement across the metro was nearly still throughout the entire year, with some months recording slight contractions. On a year-over-year basis, Los Angeles rates were up only 0.2%, while the U.S. figure stood at 0.8%.
- The average rent in the metro was $2,592 in September, 50.2% higher than the U.S. rate of $1,722. When looking at T3 development by quality segments, the overall stagnation can be attributed to the Lifestyle segment, which saw a 0.1% contraction as of September, to $3,245, while rents for working-class Renter-by-Necessity assets remained at $2,264. Over the first three quarters, the high-quality segment recorded rent contractions, while RBN rates saw improvements.
- Overall occupancy rates in Los Angeles dropped 40 basis points year-over-year, to 96.2% as of August, 120 basis points higher than the U.S. figure. Occupancy for Lifestyle assets dropped 60 basis points, to 95.2%, while RBN properties saw a 40-basis-point decline, to 96.7%.
- Only half of Los Angeles' submarkets recorded positive year-over-year rent gains, led by Hyde Park—up 23.4%, to $2,457 as of September. Notable gains were also recorded in Maywood/Bell/Montebello (up 6.7%, to $1,500), Bellflower/Paramount (6.6%, to $2,207) and Pomona (6.1%, to $2,232).

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

- At 5.8% as of August, Los Angeles' unemployment rate was at its highest point since February 2022, preliminary BLS data shows. The rate climbed 90 basis points since January this year and was 200 basis points higher than the U.S. figure. Meanwhile, California's unemployment stood at 4.6%.
- Over the 12-month period ending in July, Los Angeles' employment growth stood at 2.3%, 30 basis points below the U.S. average. This meant that a total of 104,300 jobs were added during this time frame. Year-to-date through July, the metro's growth stood roughly 30 to 40 basis points below the U.S. rate, as the metro struggled to return to form.
- Gains were led by education and health services, which expanded by 59,500 positions, or 6.9%. Leisure and hospitality also recorded solid growth, up 37,000 jobs, or 7.1%. The information sector recorded significant losses—down 14,700 jobs, or a 6.4% contraction.
- Among the largest investments in public infrastructure this year was the upcoming expansion of the light rail line in the San Fernando Valley. Earlier this year, the California State Transportation Agency awarded $600 million in state grants for the project. A 6.7-mile line is planned, part of the CalSTA's $2.5 billion in funding for 16 projects across the state.

Los Angeles Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	921	20.0%
70	Leisure and Hospitality	557	12.1%
60	Professional and Business Services	674	14.6%
40	Trade, Transportation and Utilities	844	18.3%
80	Other Services	160	3.5%
90	Government	547	11.9%
55	Financial Activities	216	4.7%
30	Manufacturing	322	7.0%
15	Mining, Logging and Construction	153	3.3%
50	Information	216	4.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Between 2016 and 2021, Los Angeles lost 265,321 residents, for a 2.6% contraction. Although the metro was on a declining trend during this time, its population was still around 0.4% higher than a decade ago.

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	10,061,533	9,989,165	9,829,544

Source: U.S. Census

SUPPLY

- As of September, Los Angeles had 32,951 units under construction. Developers remained heavily invested in Lifestyle assets, which accounted for 68.5% of units within that segment. Units in fully affordable assets comprised 28.6% of the total, while the remaining were RBN. The metro also had an additional 159,000 units in the planning and permitting stages.

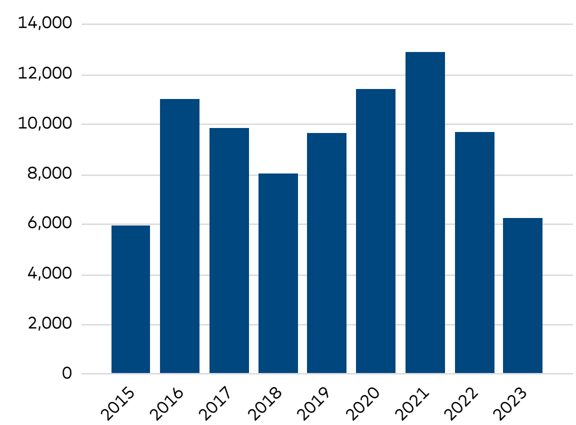
- In the first three quarters, a total of 6,277 units were added to the market, representing a 1.3% expansion of existing stock—20 basis points below the U.S. rate. Deliveries were down 15.9% from the same period last year, as Los Angeles returned closer to historical averages, in line with national trends and a slowing economy. The cycle peak for deliveries occurred in 2021, when 12,885 units were added to the market, while 2022 saw those numbers drop to 9,688 units. On average, Los Angeles added roughly 10,330 units per year over the previous five-year period.

- Through the first three quarters, a total of 6,153 units broke ground in Los Angeles, down 40.5% year-over-year. However, this is an expected correction, after 2022 and 2021 recorded above-average increases in supply.

- Downtown Los Angeles remained the top submarket for development, with 4,346 units underway, followed by Westlake-North (1,970 units) and Koreatown (1,436 units).

- The largest property underway was the 700-unit South Park Tower in Downtown Los Angeles. The 60-story tower is developer Onni Group's largest project yet. The building will include 15,000 square feet of ground-floor retail and restaurants and is set to open in 2025.

Los Angeles Completions (as of September 2023)



Source: Yardi Matrix

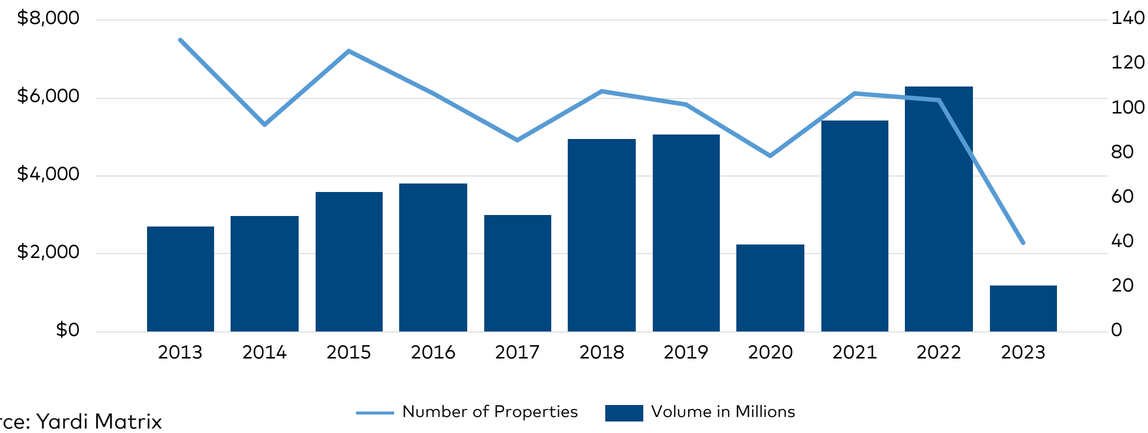
Los Angeles vs. National Completions as a Percentage of Total Stock (as of September 2023)

Source: Yardi Matrix

TRANSACTIONS

- During the first nine months of 2023, Los Angeles investors traded 40 properties for a total of $1.2 billion—a 77.0% decline compared to the same period last year. Of the 40 sales completed, 28 were for RBN properties and 12 were Lifestyle. After two years of strong performance, investment activity slowed down, largely due to unfavorable lending conditions.
- Through September, properties traded on average for $325,294 per unit, nearly double the U.S. average, but down 25% compared to last year's figure. Lifestyle assets traded on average at $601,427 per unit—down 20.3%—while the price for RBN properties stood at $258,262—down 24.1%.
- The top three sales during this period all occurred within the first six months of the year. Virtu Investments' $130 million acquisition of the 185-unit Ardence & Bloom in Silverlake was the largest.

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



Source: Yardi Matrix

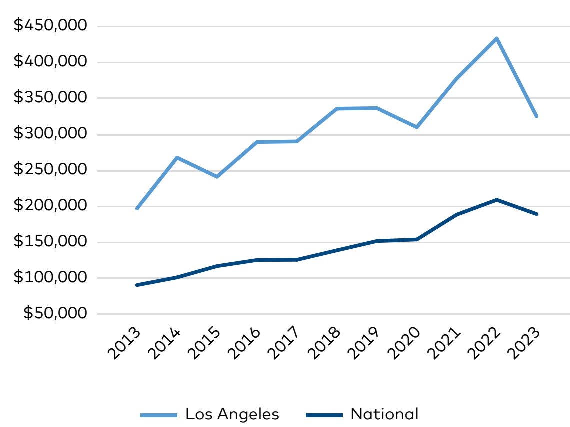
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Downtown Los Angeles	504
Koreatown	235
Silverlake	149
Santa Monica-Brentwood	142
Moorpark	127
Central Hollywood	113
Chinatown	97

Source: Yardi Matrix

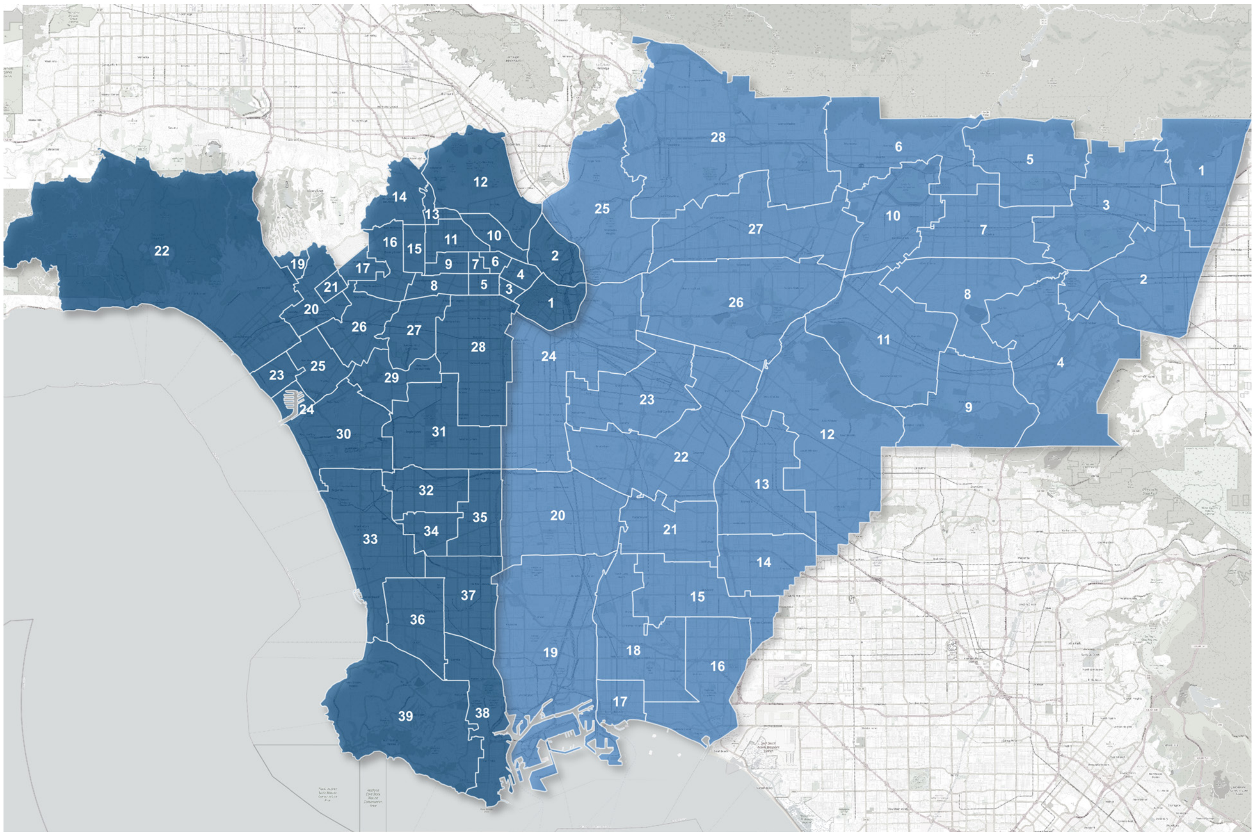
[1] From October 2022 to September 2023

Los Angeles vs. National Sales Price per Unit



Source: Yardi Matrix

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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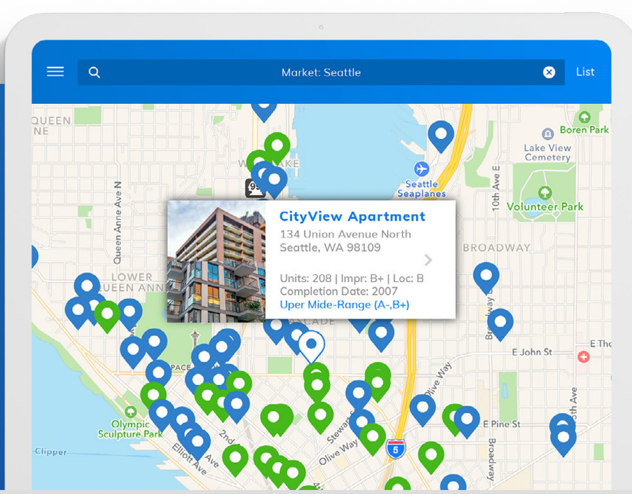
MULTIFAMILY KEY FEATURES

- 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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