

THIRD QUARTER 2019 | LOS ANGELES

MULTIFAMILY MARKET



Los Angeles Multifamily Market Remains Strong in Second Half of 2019

OVERVIEW

Economic expansion now the longest on record leading to strong housing demand

In the second half of 2019, the Los Angeles County multifamily investment market remained healthy. Despite the decrease in overall sales volume, apartment investors continue to seek properties for both core and value-add investments, and sale prices market-wide continue to rise. Interest rates continue to be low and real estate debt remains widely available, which are also two factors continuing to fuel the market. Apartment investors understand that Los Angeles continues to be one of the largest rental housing markets in the entire U.S. with still-favorable population and household formation growth, record-high occupancy and solid employment trends due to its well-diversified regional economy moving forward.

According to RealPage Axiometrics, the average effective rental rate in Los Angeles in the third quarter 2019 was \$2,285 per month, up 2.11% year over year. Apartment occupancy increased 25 basis points over the previous quarter to 96.78%. Despite over 27,000 units now under construction county-wide, the Los Angeles apartment market remains severely supply constrained.

TRENDLINES

5-YEAR TREND

CURRENT QUARTER

JOB GROWTH



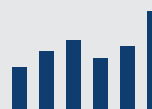
50,500 JOBS
Year-over-year growth
of 1.1%

RENTAL RATE



\$1,863
Year-over-year growth
of 2.1%

SALES VOLUME



\$6.7 BILLION
Year-over-year sales
down 4.3%

OCCUPANCY



96.1%
Occupancy rate gains
20bps over Q2 2019

AVERAGE CAP RATE



4.40
Increase of 15bps
from previous quarter

Apartment sales metrics from January through September 2019 from CoStar are as follows:

- 1,286 single-property sales for properties 5 units and up (down from 1,489 from the same period in 2018)
- Total sale volume of \$6.7 billion (down 4.3% from the same period in 2018).
- Average sale price per unit of \$274,048 (up 5.6% from the same period in 2018).
- Average cap rate of 4.29% (up from 4.13% from the same period in 2018).
- Average Gross Rent Multiplier (GRM) of 15.05 (down from 15.54 from the same period in 2018).

OUTLOOK

Expect supply-constrained conditions to remain for the foreseeable future

With the overall US economy currently in its longest period of expansion ever, the Los Angeles regional economy also continues to grow. Despite anxiety from many market watchers that the current economic expansion is getting long in the tooth, the fact remains that the housing market remains severely supply constrained. On the capital markets side, adequate debt and equity availability bode well for continued, healthy performance, and as a result, expect the Los Angeles apartment market to remain strong going into the first half of 2020 despite the twin challenges of a historically tight labor market and the increasingly high cost of housing and doing business locally.

Largest Sales Transactions - Q3 2019

Property	Sale Price/Price Per Unit	Buyer	Seller	Market	Submarket
Sofia (1106 W 6th St)	\$272,500,000 / \$449,669	The Carlyle Group	Holland Partner Group	Downtown Los Angeles	City West
Grace on Spring (732 S Spring St)	\$203,500,000 / \$678,333	ICONIQ Capital	Holland Partner Group	Downtown Los Angeles	Fashion District
Griffin on Spring (755 S Spring St)	\$199,625,000 / \$725,909	ICONIQ Capital	Holland Partner Group	Downtown Los Angeles	Fashion District
Next on Sixth (620 S Virgil Ave)	\$189,000,000 / \$474,874	Equity Residential	Century West Partners	Mid-Wilshire	Koreatown
The Weddington (11058 Chandler Blvd)	\$169,200,000 / \$514,285	Global Asset Capital	Greystar Development	San Fernando Valley	North Hollywood

Largest Projects Under Construction - Q3 2019

Property	# of Units	Expected Completion	Developer	Market	Submarket
Ferrante (1000 W Temple St)	1,500	Jun-23	GH Palmer Associates	Downtown Los Angeles	Temple-Beaudry
Cumulus (3321 S La Cienega Blvd)	1,218	Feb-23	Carmel Partners	West Los Angeles	Culver City
AVA Hollywood at La Pietra Place (6677 W Santa Monica Blvd)	695	Dec-19	AvalonBay Communities	Hollywood	Hollywood Media District
Hope + Flower (1201 S Hope St)	666	Mar-20	Onni Group	Downtown Los Angeles	South Park
Linea (2441 S Sepulveda Blvd)	595	Mar-20	Carmel Partners	West Los Angeles	West Los Angeles

Los Angeles County Multifamily Market Indicators - January-September 2019

Submarket	No. of Sales	Total Sales Volume	Average Price/Unit	Average Cap Rate	Average GRM
Antelope Valley/Santa Clarita	8	\$206,154,500	\$129,766	5.85	8.33
Beach Communities	24	\$157,690,000	\$439,338	3.63	18.57
Beverly Hills/Century City/Westwood	45	\$217,755,500	\$512,216	3.45	18.39
Downtown Los Angeles	8	\$658,775,000	\$341,268	3.87	14.26
East Hollywood	49	\$170,796,500	\$256,541	4.41	14.90
Greater Culver City	39	\$197,578,000	\$369,019	3.64	16.49
Greater Inglewood	126	\$228,282,000	\$196,639	4.89	13.42
Hollywood	43	\$397,236,500	\$311,865	4.17	14.96
Koreatown	67	\$424,265,150	\$244,403	4.38	13.83
Long Beach/San Pedro	137	\$606,179,700	\$241,927	4.45	14.61
Mid-City	49	\$195,092,760	\$391,854	4.25	16.30
Northeast Los Angeles	46	\$141,133,406	\$254,637	4.04	16.44
San Fernando Valley	162	\$1,089,602,823	\$247,707	4.38	14.58
San Gabriel Valley	74	\$459,163,999	\$252,501	3.95	15.46
Santa Monica	52	\$230,110,500	\$462,231	3.75	17.32
South Bay MF	43	\$112,619,888	\$231,880	4.59	13.91
South Los Angeles	37	\$199,033,500	\$216,104	4.80	13.13
Southeast Los Angeles	142	\$325,656,060	\$196,604	4.65	14.01
Tri-Cities (Burbank-Glendale-Pasadena)	85	\$371,176,000	\$313,972	3.88	16.06
West Hollywood	24	\$209,344,750	\$378,044	3.65	17.25
Westlake	26	\$111,858,500	\$191,826	4.28	14.78
LA Apartment Market Total	1,286	\$6,709,505,036	\$274,048	4.29	15.05

Methodology

The information in this report is the result of a compilation of information on multifamily properties located in the Los Angeles metropolitan area. This report includes all single-property apartment building sales over 5 units, excluding condo sales, dormitories, and mobile homes.

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