

# Los Angeles Multifamily

MARKET REPORT

Q2 2023

## Market Overview

The Los Angeles multi-family sector continued to experience softer market conditions throughout the second quarter of 2023. Recent economic uncertainty has unequivocally weighed on overall sales volume and rental growth. Rental growth paused at \$2,162 per unit due to modest renter demand in the face of inflation and overall pessimism over the future of the economy. As anticipated, sales volume experienced a significant decline from \$1.5 billion in Q2 2022 to \$531 million in Q2 2023 because of the rise in debt costs and resulting stricter lending standards.

Rental rates are stabilizing after the previous years' record pace, as inflation continues to erode renters' purchasing power. Occupancy rates remain above the 5-year average, at 95.1%. These rates are projected to remain stable, as a considerable number of individuals are opting to abstain from purchasing homes amidst the current economic climate.

Although there was a net absorption of 1,157 units in Q2, the demand was insufficient to reduce vacancy rates. The market saw an influx of 4,872 newly delivered units during the same period, causing the vacancy rate to rise to 4.9%, representing a 0.4% increase from Q1.

Moderate tenant demand is anticipated for the remainder of the year, coupled with 29,188 units currently under construction, accounting for 3.7% of the existing inventory, it is expected that metro-wide vacancy rates will continue to rise. Hollywood/Wilshire Corridor and West Los Angeles have the most units under construction, with 8,818 and 5,091 units respectively.

## Trendlines

	Q2 2023	Q2 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	4.8	4.8	↔	7.1	↑
NET ABSORPTION UNITS	1,157	1,371	↓	2,501	↑
OVERALL VACANCY RATE	4.9%	3.8%	↑	4.6%	↔
OVERALL VACANT UNITS	39,261	29,618	↑	34,883	↑
UNDER CONSTRUCTION UNITS	29,188	32,413	↓	29,937	↓
EFFECTIVE RENT (Unit)	\$2,162	\$2,141	↑	\$2,017	↔
SALES VOLUME (Millions)	\$531.0	\$2,982	↓	\$1,960	↓

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

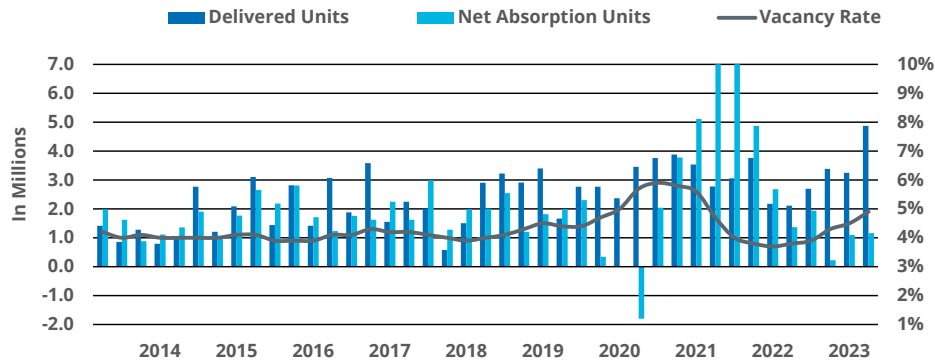


### ECONOMY

Apartment sales metrics for Q2 2023 are as follows:

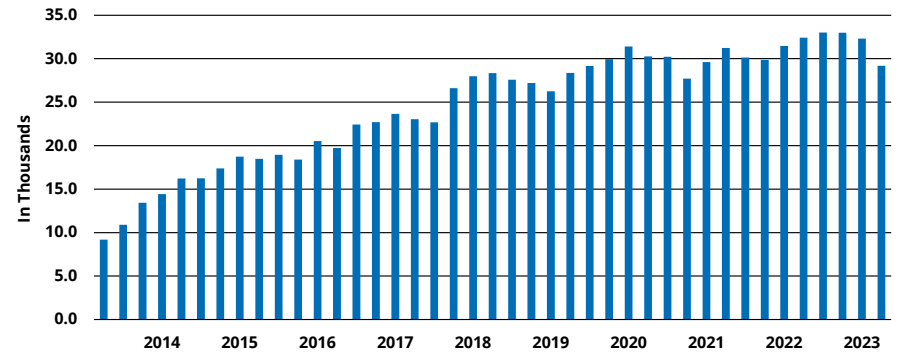
- 211 single-property sales for buildings five units and greater
- Total sales volume was 531M
- Average sale price per unit of \$253,995
- Average cap rate of 4.6%

### DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

### UNDER CONSTRUCTION



Source: CoStar, Transwestern

### MARKET INDICATORS

First Quarter 2023

	INVENTORY UNITS	VACANT UNITS	VACANCY RATE	UNDER CONSTRUCTION UNITS	NET ABSORPTION UNITS	Y-O-Y NET ABSORPTION UNITS	EFFECTIVE RENT PER UNIT
<b>TRI-CITIES</b>	70,455	2,677	3.8%	2,371	11	110	\$2,269
<b>WEST LOS ANGELES</b>	125,785	8,378	6.7%	5,091	1	925	\$3,004
<b>SOUTH BAY</b>	93,601	3,758	4.0%	2,462	(30)	26	\$2,077
<b>SAN FERNANDO VALLEY</b>	170,732	6,665	3.9%	4,188	(121)	(143)	\$2,055
<b>SAN GABRIEL VALLEY</b>	64,978	2,420	3.7%	2,023	137	312	\$1,879
<b>MID-CITIES/EASTERN LOS ANGELES</b>	71,911	2,020	2.8%	1,319	34	(133)	\$1,724
<b>HOLLYWOOD/WILSHIRE CORRIDOR</b>	184,468	9,838	5.4%	8,818	696	2,805	\$2,179
<b>DOWNTOWN LOS ANGELES</b>	42,691	4,202	10.1%	3,285	(35)	(86)	\$2,602
<b>CALABASAS/THOUSAND OAKS</b>	9,413	328	3.5%	0	54	30	\$2,698
<b>TOTAL</b>	<b>834,034</b>	<b>40,286</b>	<b>4.9%</b>	<b>29,557</b>	<b>83</b>	<b>427</b>	<b>\$2,276</b>

Source: CoStar, Transwestern



### NOTABLE PROJECTS UNDER CONSTRUCTION

ADDRESS	SUBMARKET	NUMBER OF UNITS	PROJECTED DELIVERY	OWNER
LATERRA SELECT BURBANK	Tri-Cities	573	2024	Herbert F & Jane Boeckmann
WISTERIA AT WARNER CETER	San Fernando Valley	486	2025	Speiker Senior Development Partners
AVA ARTS DISTRICT	Downtown Los Angeles	475	2023	AvalonBay Communities
ALLOY	Downtown Los Angeles	475	2023	Carmel Partners
ALEXAN MONROVIA	San Gabriel Valley	436	2024	Crow Holdings
THE Q DE SOTO	San Fernando Valley	376	2024	California Home Builders

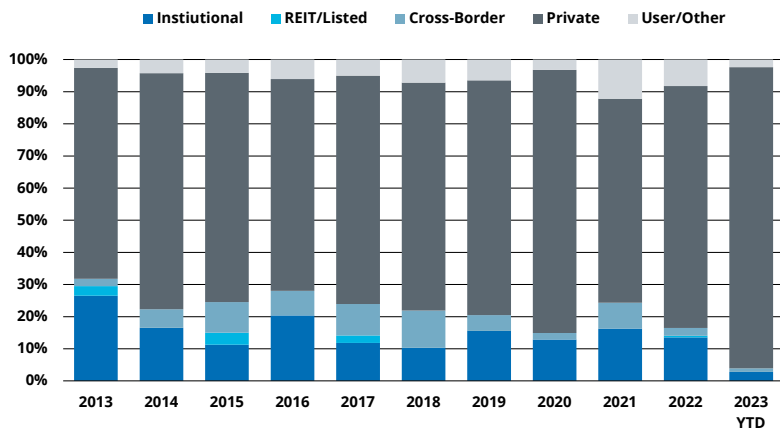
Source: CoStar, Real Capital Analytics, Transwestern

### NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PER UNIT	BUYER	SELLER
433 S SPRING ST	Downtown Los Angeles	\$40,000,000	334,000	\$120	UCLA	Rising Realty Partners
16633 VENTURA BLVD	San Fernando Valley	\$39,230,000	183,402	\$214	TriStar Realty Group LLC	Ventura-Petit East LLC
400 OCEANGATE	South Bay	\$35,000,000	157,683	\$222	David Orenstein	Keesal, Young, & Logan
701 E 28TH ST	South Bay	\$29,000,000	68,845	\$421	Uninational Corporation	Jamison Services, Inc
20285 S WESTERN AVE	South Bay	\$20,100,000	78,839	\$255	Richardson Kontogouris Emerson LLP	Garrison Investment Group
30440-30500 AGUARO RD	Calabasas/Thousand Oaks	\$9,750,000	22,256	\$438	BendPak Inc	Conrad N. Hilton Foundation

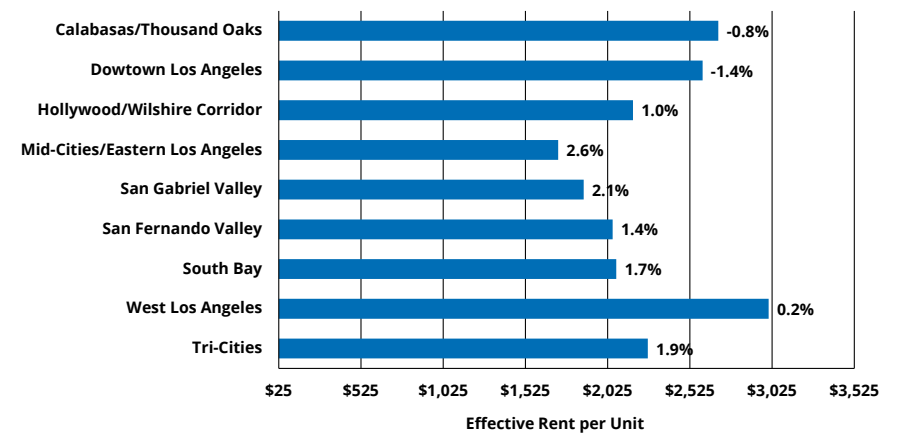
Source: CoStar, Real Capital Analytics, Transwestern

### BUYER CAPITAL COMPOSITION



Source: CoStar, Real Capital Analytics, Transwestern

### EFFECTIVE RENTS BY SUBMARKET AND Y-O-Y GROWTH

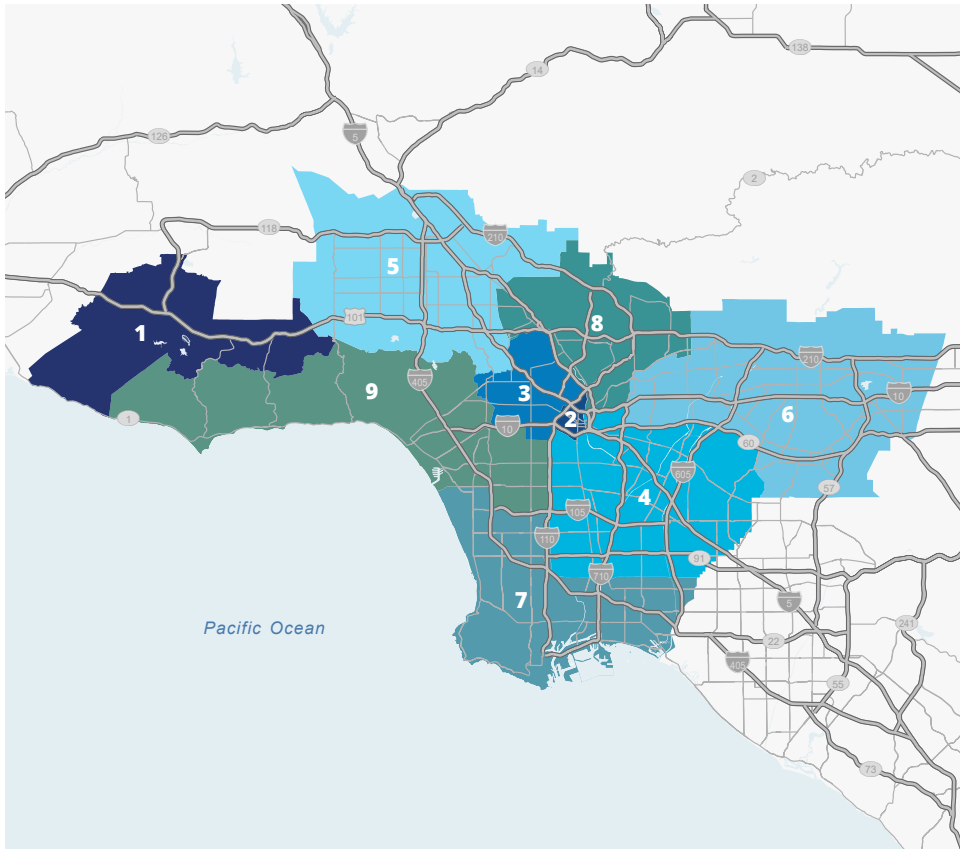


Source: CoStar, Real Capital Analytics, Transwestern



### Los Angeles Multifamily Submarkets

- 1** Calabasas/Thousand Oaks
- 2** Downtown Los Angeles
- 3** Hollywood/Wilshire Corridor
- 4** Mid Cities/Eastern LA
- 5** San Fernando Valley
- 6** San Gabriel Valley
- 7** South Bay
- 8** Tri-Cities
- 9** West LA



### FOR MORE INFORMATION



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### RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on multifamily properties five units and greater located in the Los Angeles metropolitan area. This report analyzes all leasing and representative investment sales activity.

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