

Los Angeles Multifamily

MARKET REPORT

Q4 2023

Market Overview

Los Angeles multifamily investment volume is down 56% year-over-year due to an increase in the cost of capital, creating a price disparity between buyers and sellers. Measure ULA, which adds a 4% tax on sales over \$5 million and a 5.5% tax on sales over \$10 million, has also slowed deal volume. However, upcoming quarters may see a slight uptick in the number of transactions as many multifamily owners are experiencing distress due to increased operating costs and a decrease in property values caused by high interest rates, leading to loan defaults.

Los Angeles apartment rents have increased in the face of inflation and slowed consumer spending, rising by 0.2% year-over-year. Occupancy rates, currently at 95.3%, make Los Angeles one of the tightest markets in the country. With limited supply in the pipeline and the average monthly mortgage payment outweighing the average monthly rental payment, occupancy rates in Los Angeles are expected to increase in Q1 2024.

As prices have fallen, capitalization rates averaged 4.9% in Q4 2023, and the average price per unit has decreased by 18.8% year-over-year to \$288,470. The future of interest rates will determine when and how quickly this trend might reverse course.

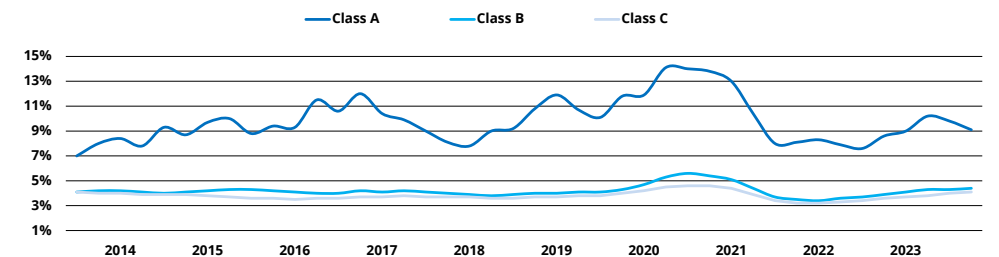
Owners of multifamily properties in California should be highly vigilant about the Justice for Renters Act on the statewide ballot in November 2024, which would eliminate the Costa Hawkins Act, a measure enacted in 1995 that protects property owners. If Justice for Renters is passed, the most significant repercussion for landlords would be that vacancy control would be allowed in California. This would mean that local cities could cap the initial rents that landlords could charge for newly vacant units by tying them to a small increase over what the prior tenant in that unit was paying. This cap would have a substantial negative impact on apartment property values, particularly for older rent-controlled properties that have current rents significantly below market.

Trendlines

	Q4 2022	Q4 2023	ONE-YEAR TREND	12-MONTH FORECAST
UNEMPLOYMENT RATE	4.4%	5.3%	↑	↓
NET ABSORPTION UNITS	(3)	1,370	↑	↑
OVERALL VACANCY RATE	4.2%	4.7%	↑	↓
OVERALL VACANT UNITS	47,546	52,919	↑	↓
UNDER CONSTRUCTION UNITS	36,496	31,490	↓	↓
EFFECTIVE RENT (Unit)	\$2,108	\$2,113	↑	↑
SALES VOLUME (Millions)	\$2,649	\$1,256	↓	↑

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

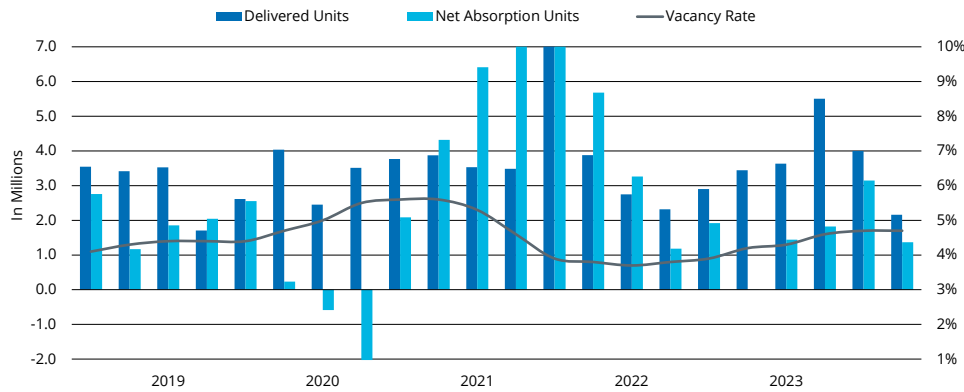
Overall Vacancy Rate by Class



Source: CoStar, Transwestern



Delivery Impact on Key Indicators



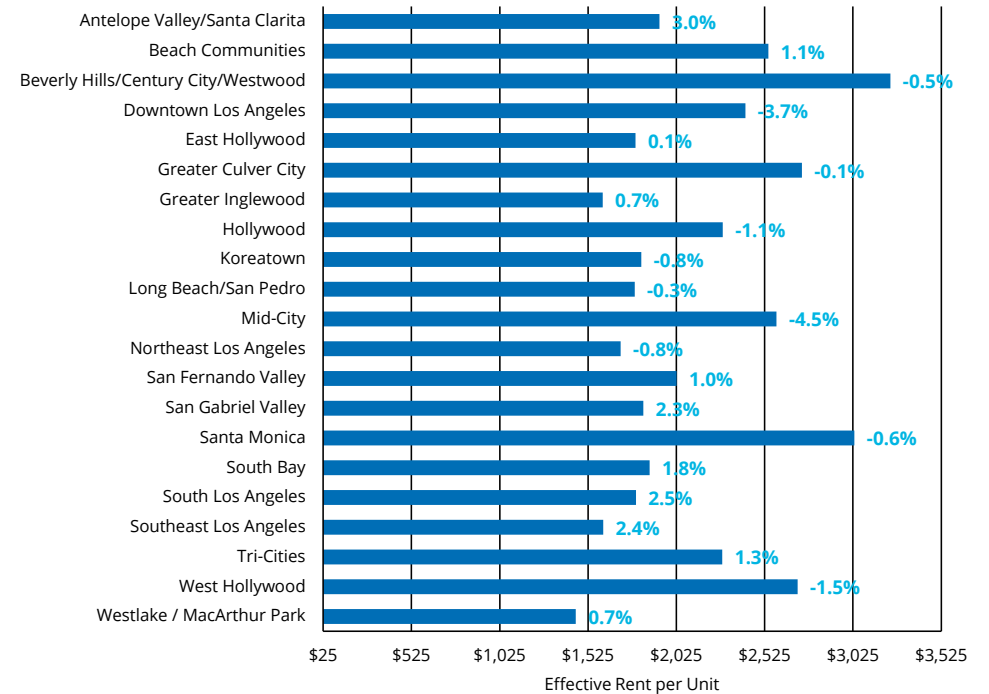
Source: CoStar, Transwestern

MARKET INDICATORS Fourth Quarter 2023

SUBMARKET	NO. OF SALES	TOTAL SALES VOLUME	AVG. PRICE/UNIT	AVG. CAP RATE	AVG. GRM
ANTELOPE VALLEY/SANTA CLARITA	2	\$3,960,000	\$126,227	4.6%	-
BEACH COMMUNITIES	8	\$23,545,000	\$511,848	3.0%	19.0
BEVERLY HILLS/CENTURY CITY/WESTWOOD	13	\$62,203,000	\$471,235	4.2%	16.6
DOWNTOWN LOS ANGELES	0	\$0	-	-	-
EAST HOLLYWOOD	8	\$53,945,000	\$321,101	5.1%	13.6
GREATER CULVER CITY	7	\$19,226,666	\$267,037	4.8%	14.6
GREATER INGLEWOOD	27	\$57,348,350	\$213,986	5.1%	12.0
HOLLYWOOD	7	\$22,927,000	\$160,329	4.9%	13.7
KOREATOWN	14	\$35,930,000	\$182,386	5.6%	11.5
LONG BEACH/SAN PEDRO	28	\$87,739,000	\$249,259	5.3%	13.2
MID-WILSHIRE	14	\$32,423,000	\$272,462	4.9%	14.1
NORTHEAST LOS ANGELES	5	\$9,840,000	\$289,412	5.5%	12.3
SAN FERNANDO VALLEY	40	\$352,628,863	\$335,199	5.0%	13.1
SAN GABRIEL VALLEY	15	\$96,175,000	\$261,345	4.7%	15.5
SANTA MONICA	12	\$90,726,000	\$440,417	4.5%	16.7
SOUTH BAY	16	\$57,365,343	\$349,789	5.0%	13.9
SOUTH LOS ANGELES	8	\$53,968,000	\$310,161	4.4%	14.3
SOUTHEAST LOS ANGELES	26	\$48,497,967	\$210,861	5.0%	12.5
TRI-CITIES	29	\$88,006,000	\$302,426	4.7%	15.1
WEST HOLLYWOOD	12	\$43,925,000	\$363,017	5.0%	14.6
WESTLAKE / MACARTHUR PARK	6	\$15,840,000	\$130,909	3.9%	10.9
TOTAL	297	1,256,219,189	\$288,470	4.8%	14.1

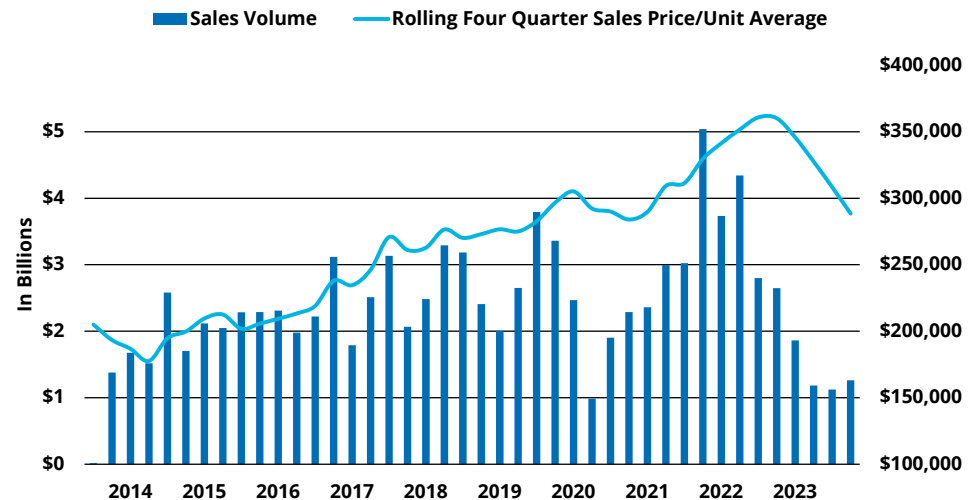
Source: CoStar, Transwestern

Effective Rents by Submarket and Y-O-Y Growth



Source: CoStar, Transwestern

Sales Volume



Source: CoStar, Transwestern



NOTABLE PROJECTS UNDER CONSTRUCTION

ADDRESS	SUBMARKET	NUMBER OF UNITS	PROJECTED DELIVERY	OWNER
5240 W SUNSET BLVD	Hollywood	735	2026	American Commercial Equities
1000 HILL - 1000 S HILL ST	Downtown Los Angeles	700	2025	Onni Group
LATERRA SELECT BURBANK - 777 N FRONT ST	Tri-Cities	573	2024	Northridge Properties LLC
SAGE LA - 200 N VERMONT AVE	Koreatown	490	2024	Hankey Investment Company
ALLOY - 530 MATEO ST	Downtown Los Angeles	475	2024	Carmel Partners
141 W AVENUE 34	Tri-Cities	468	2024	The Pinyon Group

Source: CoStar, Real Capital Analytics, Transwestern

NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE/UNIT	BUYER	SELLER
SUMMERSET VILLAGE - 11450 N POEMA PL	San Fernando Valley	\$106,650,000	280,000	\$380,893	IMT Residential	Equity Residential
SUNSET SQUARE APARTMENTS - 745 N SUNSET AVE	San Gabriel Valley	\$40,000,000	120,000	\$285,714	B.A.G Investments	Stratford Partners
CAPISTRANO GARDENS - 13811 SHOEMAKER AVE	South Los Angeles	\$38,300,000	102,000	\$319,167	Cirrus Asset Management	Gota Ueshima
TERRAMONTE APARTMENT HOMES - 150 W FOOTHILL BLVD	San Gabriel Valley	\$35,500,000	125,000	\$257,246	Positive Investments, Inc	MG Properties
321 E FAIRVIEW AVE	Tri-Cities	\$35,000,000	86,724	\$324,074	Raintree Partners	Golden Horizon Enterprises
TOWER AT HOLLYWOOD HILLS - 1800 N NORMANDIE AVE	East Hollywood	\$27,470,000	55,350	\$343,375	R.W. Selby & Company, Inc	Clarion Partners

Source: CoStar, Real Capital Analytics, Transwestern

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.

ABOUT TRANSWESTERN

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