TRANSWESTERN

Los Angeles Multifamily

MARKET REPORT

Q1 2024

Market Overview

Los Angeles multifamily investment volume remains muted, at $850 million in Q1 2024, down 54.5% year-over-year, and well below the five-year quarterly average of $2.5 billion. Elevated debt costs and Measure ULA have negatively impacted asset pricing, with buyers currently expecting around a 10-25% discount on assets compared to early 2022 pricing before interest rates began to increase dramatically. However, upcoming quarters may see an uptick in transactions as many multifamily owners will experience increased operating costs and additional legislative headwinds, potentially leading to more owners exiting the market.

Los Angeles' vacancy rate increased by 0.5% to 4.8% year-over-year. However, a steady labor market, minimal new supply, and the average monthly mortgage payment outweighing the average monthly rental payment will reverse this trend in the coming quarters.

Rents have grown in Los Angeles by 0.85% year-over-year to an average of $2,129 per unit despite high interest rates and increasing vacancy. Over the past five years, rents have grown by 10.9% in Los Angeles while the national metro average has grown by 19.4%. This is due to many factors, including renters leaving town for more affordable markets and the longest COVID-era rent freeze on rent-stabilized units in the entire U.S.

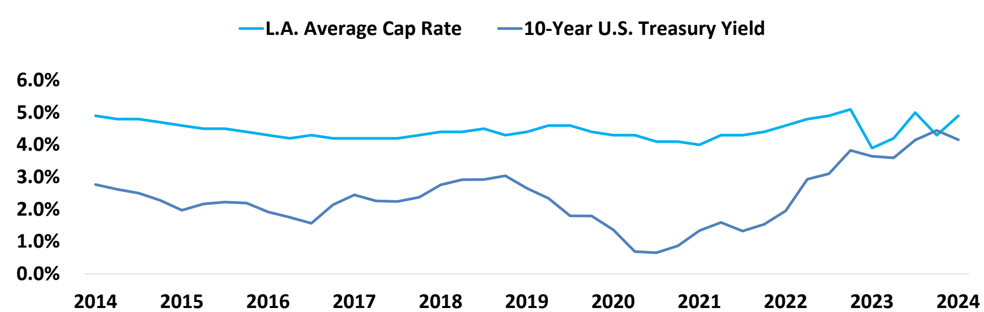
Class B & C properties with fewer than 15 units will account for the majority of transactions as many investors want to be short of the $5 million threshold due to Measure ULA. Rent growth in Class B & C assets has increased by 10% since Q1 2021, while vacancy has remained steady at 4.3%. The major reason for the low vacancy is that only 12,000 new Class B & C units have been delivered since Q1 2021, or only 1% of the apartment inventory, and deliveries will slow even further due to Measure ULA. The rental conditions for Class B & C properties in Los Angeles remains one of the tightest in the country.

Los Angeles capitalization rates averaged 4.9% in Q1 2024, up from 4.1% in early 2022. The average price per unit has increased by 1.7% year-over-year to $305,155.

Trendlines	Q1 2024	Q1 2023	ONE-YEAR TREND	12-MONTH FORECAST
UNEMPLOYMENT RATE	5.3%	4.8%	↑	↓
NET ABSORPTION UNITS	1,511	1,452	↑	↑
OVERALL VACANCY RATE	4.8%	4.3%	↑	↓
OVERALL VACANT UNITS	57,498	51,127	↑	↓
UNDER CONSTRUCTION UNITS	31,832	36,221	↓	↓
EFFECTIVE RENT (Unit)	$2,129	$2,111	↑	↑
SALES VOLUME (Millions)	$849.6	$1,866	↓	↑

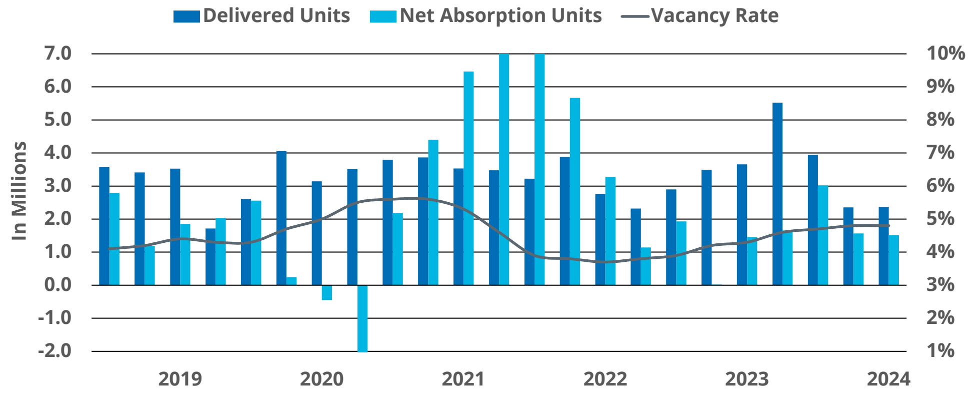
Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

L.A. Apartment Cap Rates vs. 10-Year U.S. Treasury Yield



Source: CoStar, Transwestern

Delivery Impact on Key Indicators



Source: CoStar, Transwestern

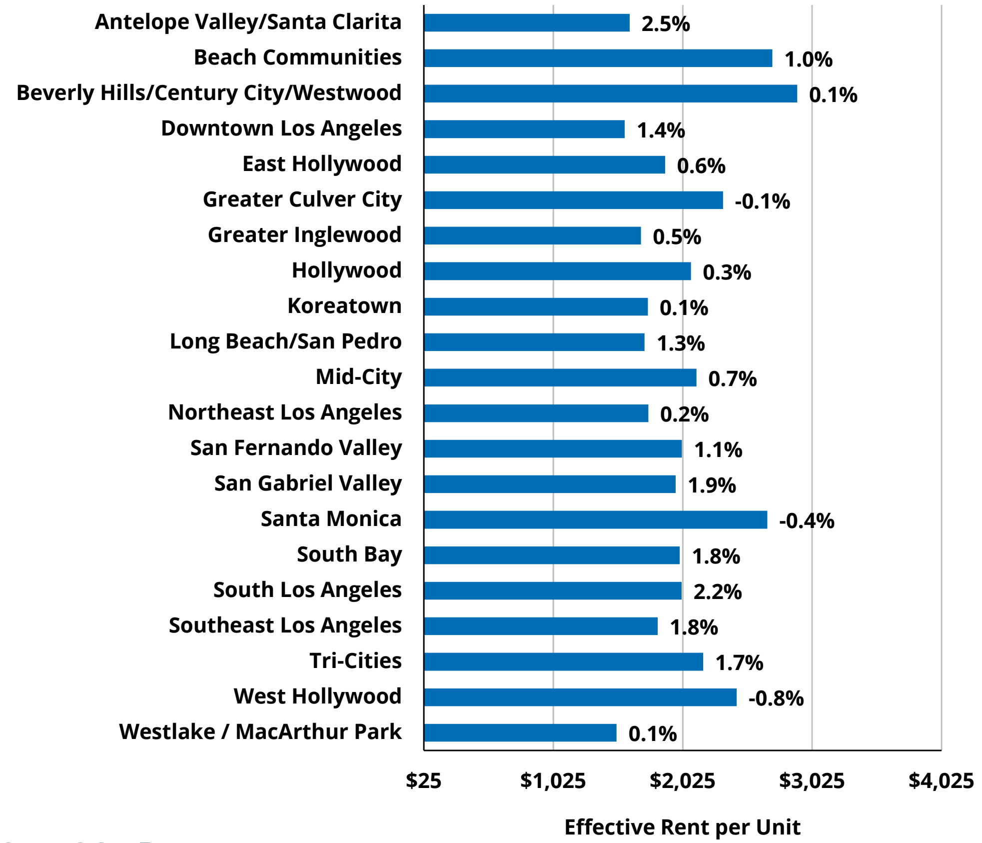
MARKET INDICATORS

First Quarter 2024

SUBMARKET	NO. OF SALES	TOTAL SALES VOLUME	AVG. PRICE/ UNIT	AVG. CAP RATE	AVG. GRM
BEACH COMMUNITIES	3	$10,100,000	$594,053	3.1%	16.1
BEVERLY HILLS/CENTURY CITY/WESTWOOD	9	$60,002,600	$759,527	4.4%	15.6
DOWNTOWN LOS ANGELES	2	$189,000,000	$345,353	5.8%	10.6
EAST HOLLYWOOD	4	$19,800,000	$353,571	3.9%	13.4
GREATER CULVER CITY	6	$86,100,000	$430,507	4.2%	15.8
GREATER INGLEWOOD	17	$30,400,000	$245,315	6.0%	11.6
HOLLYWOOD	6	$13,200,000	$197,284	5.7%	12.8
KOREATOWN	11	$24,365,000	$165,748	5.6%	12.9
LONG BEACH/SAN PEDRO	30	$84,900,000	$272,266	5.4%	12.3
MID-WILSHIRE	10	$19,700,000	$299,362	4.6%	14.7
NORTHEAST LOS ANGELES	3	$6,000,000	$200,167	4.1%	12.6
SAN FERNANDO VALLEY	29	$92,000,000	$251,980	5.0%	13.6
SAN GABRIEL VALLEY	17	$44,800,000	$274,982	5.0%	15.6
SANTA MONICA	4	$11,200,000	$328,971	4.8%	13.4
SOUTH BAY	10	$27,500,000	$267,005	4.8%	13.2
SOUTH LOS ANGELES	7	$12,200,000	$217,116	4.8%	12.5
SOUTHEAST LOS ANGELES	13	$27,300,000	$192,324	5.6%	12.6
TRI-CITIES	27	$66,900,000	$286,918	4.7%	15.0
WEST HOLLYWOOD	3	$7,900,000	$272,414	5.1%	12.6
WESTLAKE / MACARTHUR PARK	5	$16,200,000	$148,240	5.9%	10.5
TOTAL	**216**	**849,567,600**	**$305,155**	**4.9%**	**13.4**

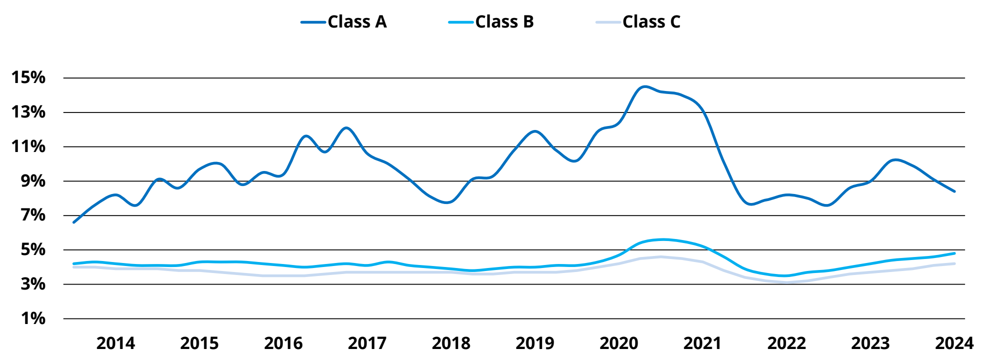
Source: CoStar, Transwestern

Effective Rents by Submarket and Y-O-Y Growth



Source: CoStar, Transwestern

Overall Vacancy Rate by Class



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
321 W OCEAN BLVD	Long Beach	580	2025	City of Long Beach
LATERRA SELECT BURBANK - 777 N FRONT ST	Tri-Cities	573	2024	Northridge Properties LLC
5500 CANOGA AVE	San Fernando Valley	486	2025	Spieker Senior Development Partners
ALLOY - 530 MATEO ST	Downtown Los Angeles	475	2024	Carmel Partners

Source: CoStar, Real Capital Analytics, Transwestern

NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE/UNIT	BUYER	SELLER
888 S HOPE ST	Downtown Los Angeles	$186,000,000	600,000	$354,286	Trinity Property Consultants	CIM Group, LP
10601 WASHINGTON BLVD	Culver City	$67,700,000	136,840	$501,481	Cobalt Bldg LLC	Greystar
10351 WILSHIRE BLVD	Beverly Hills/Westwood/UCLA	$28,000,000	61,821	$1,647,059	3D Investments	Arcadium Management, Inc
14755 BURBANK BLVD	San Fernando Valley	$28,000,000	37,419	$583,333	Valeriy Karakenyan	Daniel Kleinberger Irrevocable Trust
1741-1761 PARK AVE	South Bay	$18,850,000	48,450	$362,500	Lun Wang	Miramar Capital Advisors
4804 OAKWOOD AVE	East Hollywood	$13,350,000	29,166	$445,000	Sanford Mann	Luminor Properties

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

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. Through an integrated, customized approach that begins with fresh ideas, the firm drives value for clients across commercial real estate services, development, and investment management. Operating from 33 U.S. office, Transwestern extends its platform capabilities globally through strategic alliance partners whose unique geographic, cultural, and business expertise fuels creative solutions. Learn more at transwestern.com.

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