

2022 MID-YEAR

# LOS ANGELES CA

## Multifamily Report

**BERKADIA**<sup>®</sup>  
INSTITUTIONAL SOLUTIONS

a Berkshire Hathaway and Jefferies Financial Group company





## Jobs Added / Lost

### LAST 12 MONTHS

203,800

↑ 4.7%

### NEXT 12 MONTHS\*

89,900

↑ 2.0%

## Unemployment

### MID-YEAR 2022

5.0%

↓ 450 BPS YOY

### MID-YEAR 2023\*

4.1%

↓ 90 BPS YOY

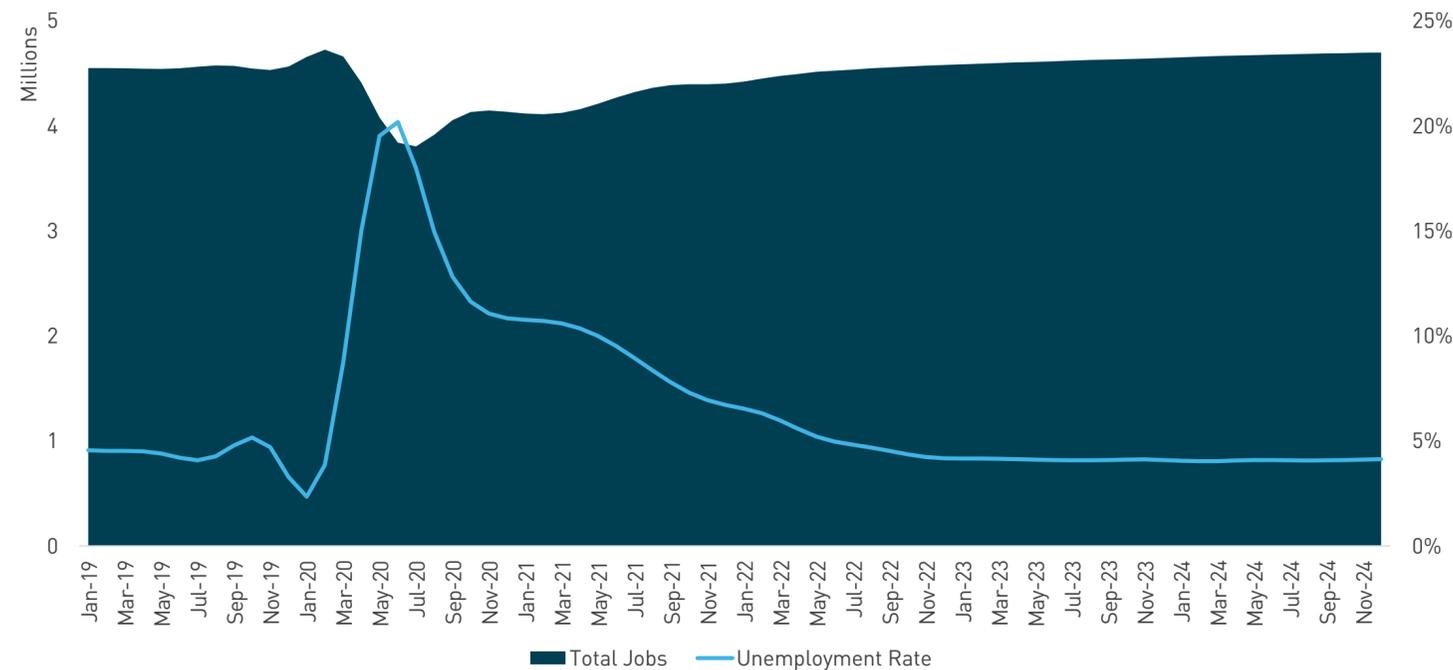
\*Projected

# LOS ANGELES, CA EMPLOYMENT

In 2021, new businesses in Southern California closed a record 831 venture deals, raising nearly \$14 billion in capital, much of it in Los Angeles County. This activity, plus the ongoing rebound from the pandemic-driven downturn, propelled hiring. Businesses and institutions in Los Angeles County employed over 4.5 million people in June 2022, up 2.3% from the end of 2021. This level of employment was at 95.8% of peak, pre-pandemic staffing in January 2020. In June 2022, employment was fully recovered in the local information industry and in the education and health services sector, the largest job sector in the county. The recovery was nearly as great in the construction industry and the professional

and business services sector, both exceeding 99% of pre-pandemic staffing. In the county's second largest employment sector—trade, transportation, and utilities—payrolls reached 97.8% of January 2020 employment. The leisure and hospitality sector, which was most affected by the pandemic, shows continual improvement. Employment in the sector rose 4.6% in the first six months of this year. Overall, countywide employment in June 2022 remains about 200,000 jobs shy of a complete rebound, which means runway remains for continued recovery. By year-end 2022, local payrolls are projected to expand another 1.2%, partially bridging that gap.

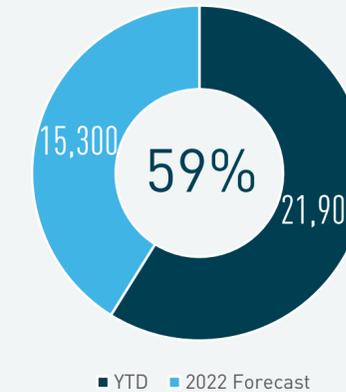
## Employment Trends



SOURCE: Moody's Analytics

## Who's Hiring?

### LEISURE & HOSPITALITY INDUSTRY



■ YTD ■ 2022 Forecast

11%  
OF ALL JOBS IN THE METRO

\$35,430  
AVERAGE ANNUAL SALARY

## Top Leisure & Hospitality Employers



3,000 JOBS



2,000 JOBS



1,600 JOBS

## In The News

- [Hollywood Park retail opening in 2023](#)
- [Amazon.com Inc. bringing 1,000 jobs to Santa Monica](#)
- [Top 10 developments In Los Angeles](#)



## LOS ANGELES, CA

# DELIVERIES & ABSORPTION

2022 Units\*

**DELIVERIES**

12,893

**ABSORPTION**

12,295

2023 Units\*

**DELIVERIES**

17,897

**ABSORPTION**

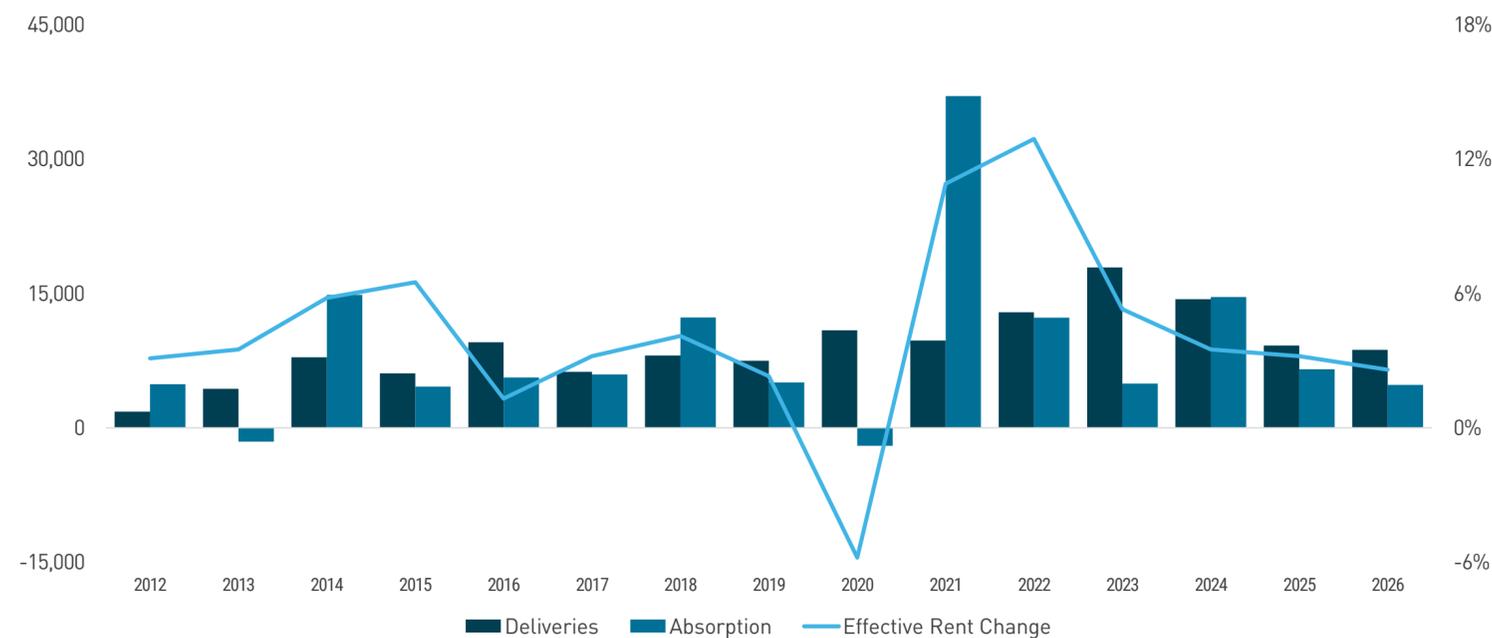
4,930

\*Projected

Households in Los Angeles County face a continual shortage of housing and perpetually increasing home prices. While the availability of new, amenity-rich apartment inventory is important to renters, it is becoming increasingly desirable to investors. For some investors, a shift from targeting value-add opportunities to newer, more expensive properties is underway. This trend has been prompted by the narrowing spread of cap rates between older and newer multifamily properties. According to CoStar, on a national basis, when comparing the average cap rate for apartment communities 15 years and older with newer properties, the 90-basis-point spread in 2014 narrowed to 50 basis points in the first

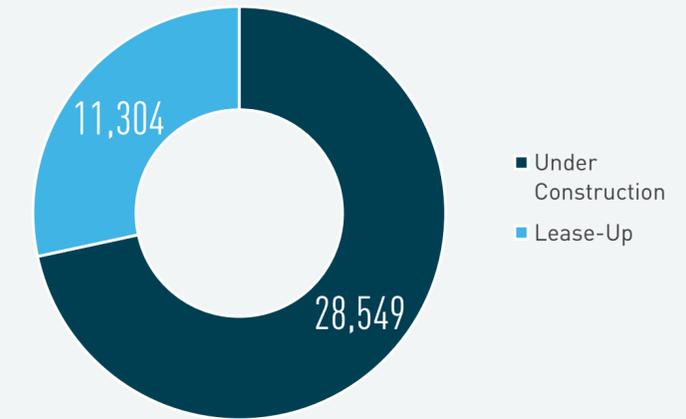
half of 2022. The smaller spread, higher interest rates, and renovation hurdles that include costlier materials and unpredictable labor are causing some investors to concentrate on newer multifamily properties that are put on the market. Multifamily developers in Los Angeles County continue to strive to meet the demand for attractive, new apartment stock. In the last four quarters, developers completed 9,405 apartment units in the county, slightly greater than the number of deliveries in the prior four-quarter period. Reduced pandemic-related restrictions and the recovering economy increased renter mobility, which fueled intense net absorption of 28,178 apartments from mid-2021 to mid-2022.

## Deliveries, Absorption, & Effective Rent Change



Source: RealPage

## Market Pipeline



## Top 10 Submarket Pipelines

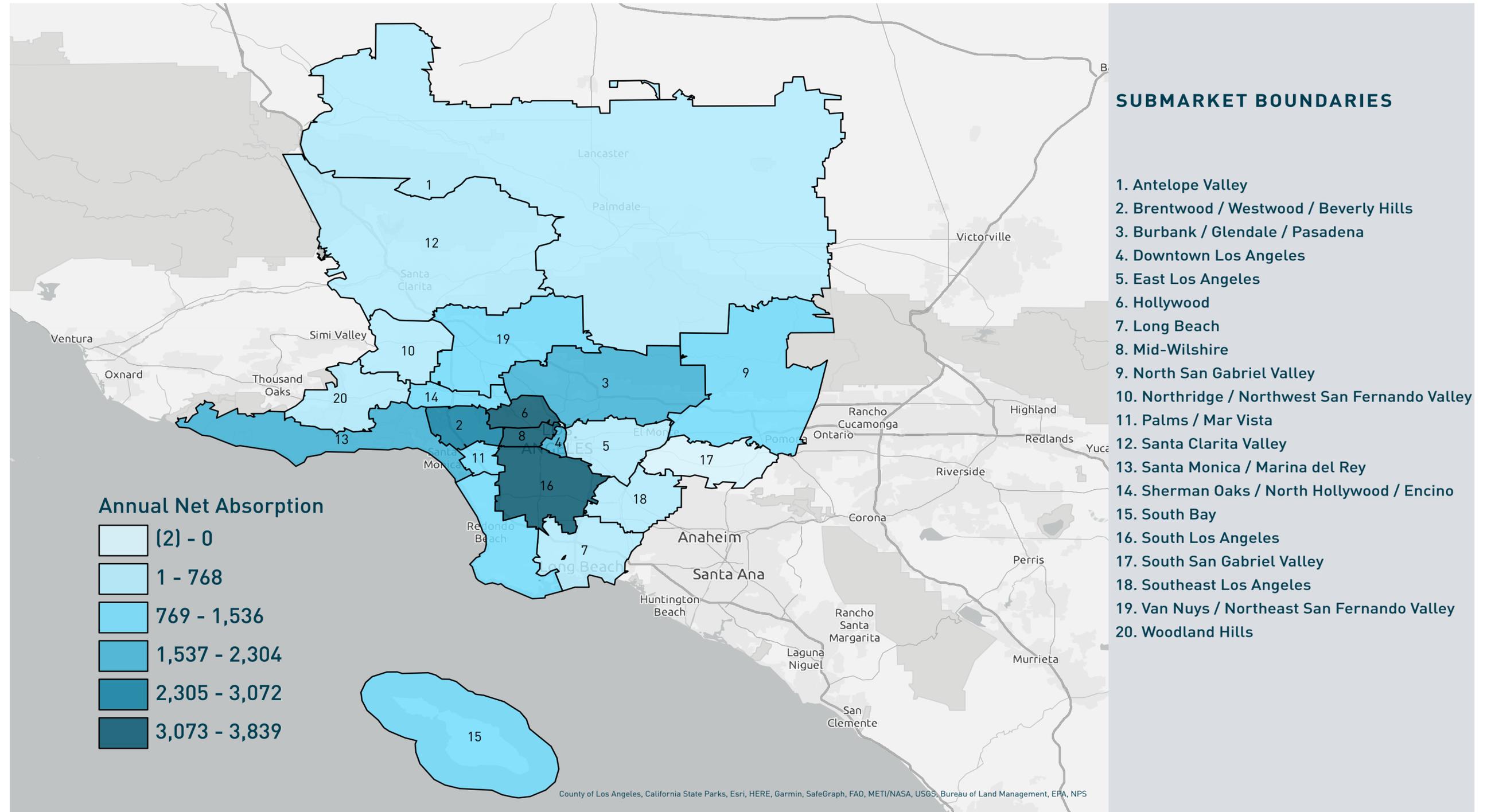




## LOS ANGELES, CA

# SUBMARKET ANNUAL ABSORPTION

Residents in the urban core of Los Angeles are typically more accepting of new multifamily developments compared to their suburban counterparts. This ongoing sentiment has enabled more robust multifamily development in the Downtown Los Angeles, Mid-Wilshire, Hollywood, and South Los Angeles submarkets. These projects have spurred leasing activity in these areas. In the last four quarters, combined net absorption in these submarkets totaled 12,794 units—accounting for 45% of all net absorption in the county during that period. Another factor in the brisk apartment demand has been the return of some renters from outlying areas. As pandemic restrictions lifted and attractions reopened in the urban core, some renters who moved to the suburbs in the early days of the pandemic migrated back to the inner city to return to their preferred environment.





# LOS ANGELES, CA RENT & OCCUPANCY

## Effective Rent

2Q 2022  
\$2,628  
↑ 13.6% YOY

## Occupancy

2Q 2022  
97.5%  
↑ 170 BPS YOY

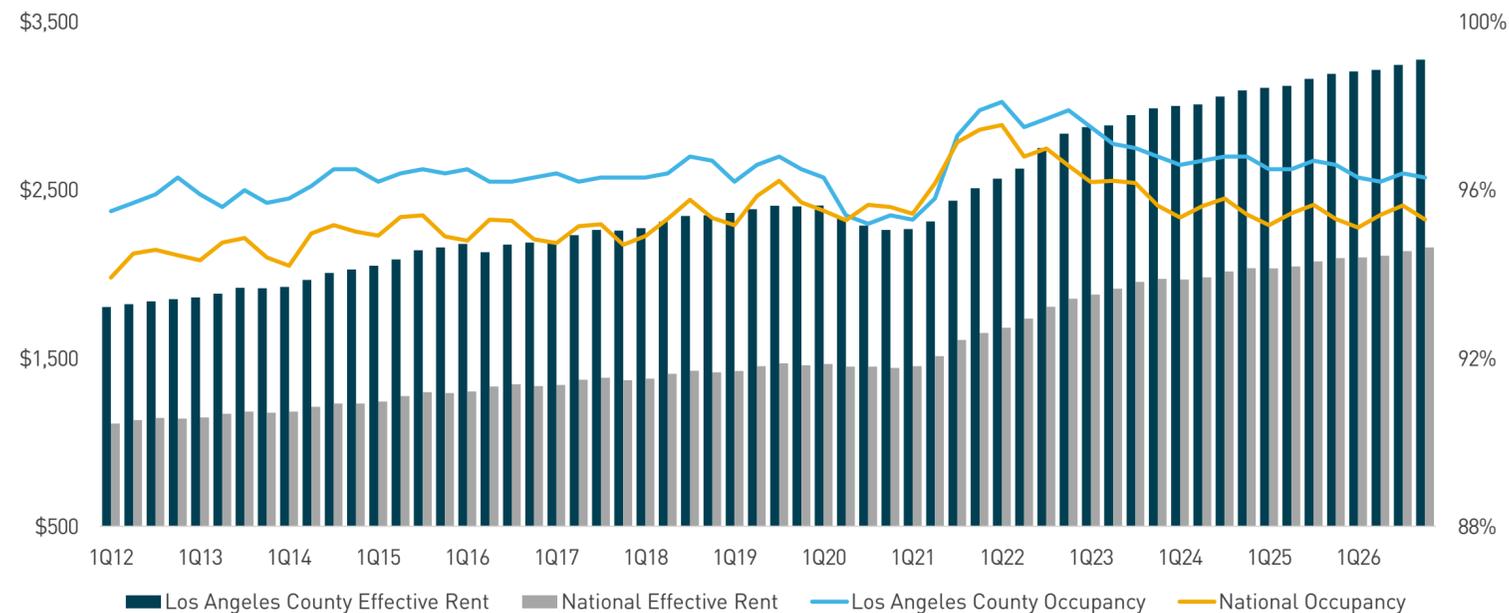
Historically, Los Angeles County apartment market occupancy has been healthy. Over the last five years, quarterly average apartment occupancy has stayed above 95%. In the second quarter of 2022, multifamily operators recorded occupancy of 97.5%, 170 basis points higher than one year prior. According to the February 2022 Economic Forecast by the Los Angeles County Economic Development Corporation, 51% of renter households in California are rent burdened, and many of those households are in the Southland. Realtor.com indicates Los Angeles County has the second-highest rent share of income in the country. With this backdrop, it is easy to see why seven of the eight lowest-rent submarkets

in the county had second quarter 2022 occupancy of at least 98%—averaging 98.2%—while occupancy averaged 96.9% in the seven highest-rent submarkets. Metrowide, effective rent averaged \$2,628 per month in the second quarter of 2022, up 13.6% year over year. Annual effective rent growth was 14% or higher in nine of the 20 submarkets in the county. While rent in Los Angeles County is higher than most metros in the country, it is a bargain compared to the typical single-family monthly mortgage payment of over \$4,700 in the county. Even average effective rent at Class A apartments is considered a value—about 25% less than the typical monthly mortgage.

## Submarket Performance

SUBMARKET NAME	2022 OCCUPANCY	YOY (BPS)	2022 EFFECTIVE RENT	YOY
Antelope Valley	97.5%	-30	\$1,829	14.3%
Brentwood/Westwood/Beverly Hills	96.5%	320	\$3,530	7.9%
Burbank/Glendale/Pasadena	97.3%	150	\$2,788	13.3%
Downtown Los Angeles	96.0%	290	\$2,910	15.7%
East Los Angeles	98.5%	60	\$1,944	12.7%
Hollywood	96.7%	260	\$2,943	15.0%
Long Beach	97.4%	20	\$2,466	10.9%
Mid-Wilshire	97.3%	170	\$2,763	19.1%
North San Gabriel Valley	98.0%	150	\$2,168	12.9%
Northridge/Northwest San Fernando Valley	98.0%	150	\$2,308	12.9%
Palms/Mar Vista	97.0%	220	\$3,174	12.8%
Santa Clarita Valley	97.7%	-70	\$2,633	14.2%
Santa Monica/Marina del Rey	97.2%	250	\$3,818	17.5%
Sherman Oaks/North Hollywood/Encino	97.8%	260	\$2,623	12.8%
South Bay	97.2%	200	\$3,013	16.3%
South Los Angeles	98.5%	150	\$1,992	10.0%
South San Gabriel Valley	98.6%	0	\$2,234	14.0%
Southeast Los Angeles	98.4%	120	\$2,177	13.1%
Van Nuys/Northeast San Fernando Valley	98.0%	140	\$2,028	9.6%
Woodland Hills	97.4%	70	\$2,696	15.7%

## Los Angeles vs. National Effective Rent & Occupancy



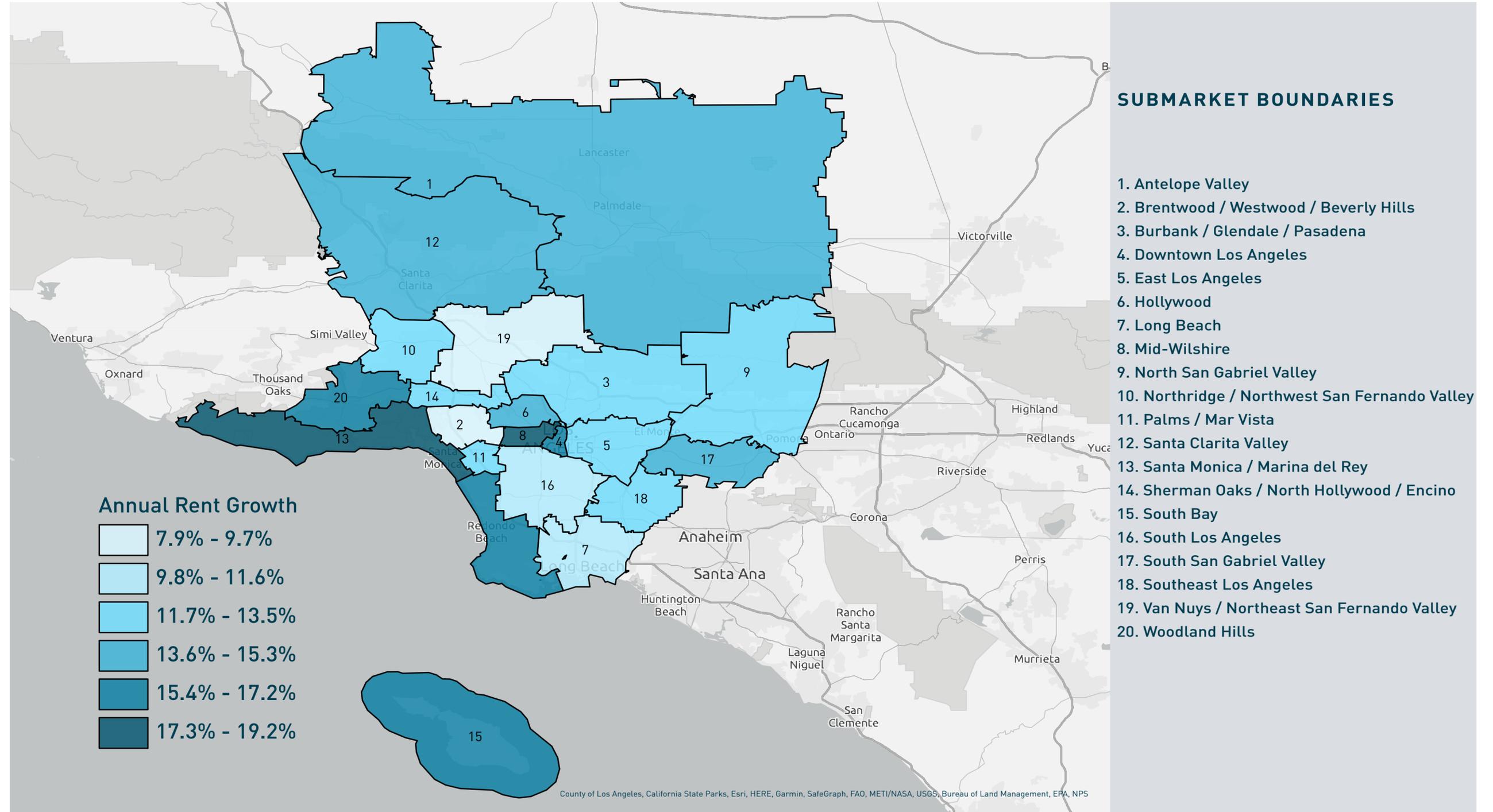
Source: RealPage



## LOS ANGELES, CA

# SUBMARKET ANNUAL RENT CHANGE

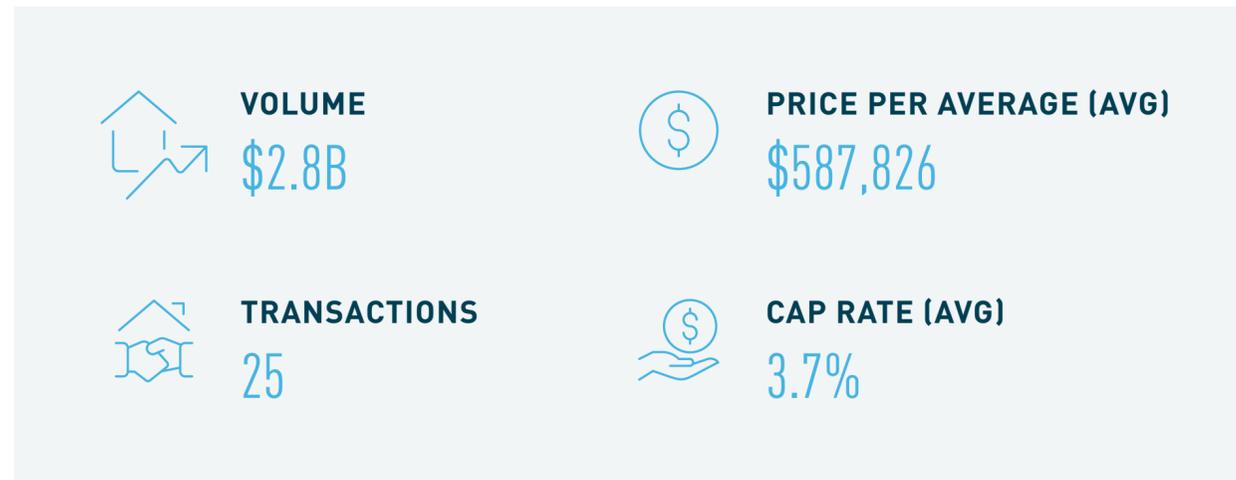
While countywide average effective rent rose at a 13.6% annual rate by the second quarter of 2022, the rate of increase was notably higher in the Downtown Los Angeles, Mid-Wilshire, Santa Monica/Marina del Rey, and South Bay submarkets. Annual rent appreciation in these areas ranged from 15.7% to 19.1%. These submarkets have one thing in common: convenient access to great amenities. Residents living in the Downtown Los Angeles and Mid-Wilshire submarkets are close to numerous famous museums, cultural attractions, and dining destinations. Those living in the Santa Monica/Marina del Rey and South Bay submarkets have easy access to world-renowned beaches. Additionally, all four submarkets are a short drive from Sofi Stadium and the adjacent, emerging entertainment destination, LA Stadium and Entertainment District at Hollywood Park.



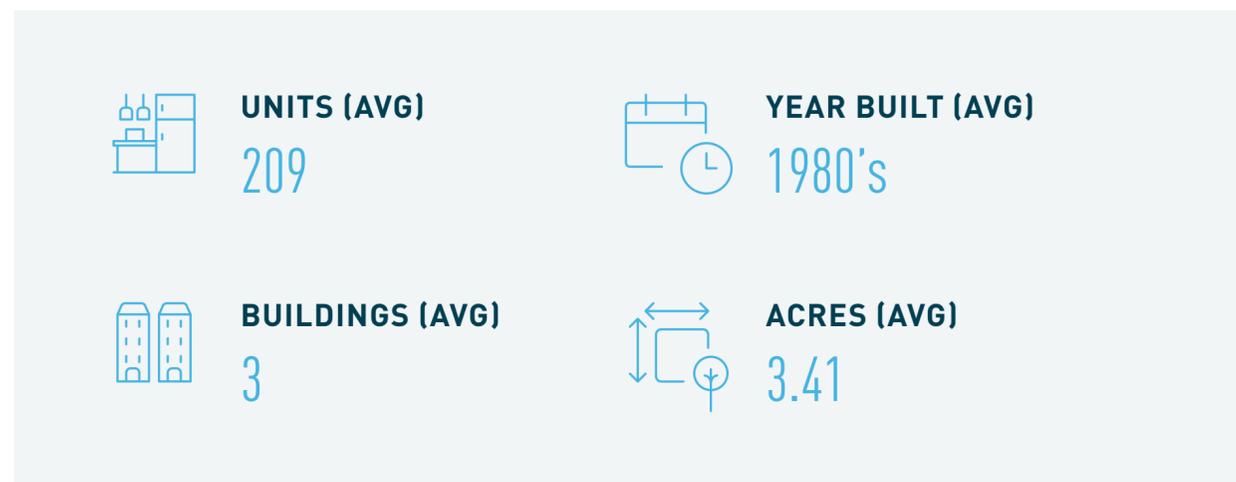


# LOS ANGELES, CA SALES

2022 Year to Date\*



What's Trading?\*



Source: Real Capital Analytics  
\*\$50m+

Top Buyers\*\*

BUYER	LOCATION
California Statewide Communities Development Authority	Walnut Creek, CA
Waterford Property Company	Newport Beach, CA
Standard Communities	Los Angeles, CA
Laguna Point Properties	Laguna Hills, CA
California Community Housing Agency	Hanford, CA

Top Sellers\*\*

SELLER	LOCATION
Equity Residential	Chicago, IL
Brookfield AM	Toronto, Ontario, CAN
SB Properties	Los Angeles, CA
TIAA	New York, NY
Greystar	Charleston, SC

\*\*Past 24 Months



Sources: RealPage; Moody's Analytics; Real Capital Analytics

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