

LOS ANGELES, CA MULTIFAMILY REPORT

2023 | MIDYEAR



BERKADIA[®]
INSTITUTIONAL SOLUTIONS



Jobs Added / Lost

LAST 12 MONTHS

108,600

↑ 2.4%

NEXT 12 MONTHS*

35,400

↑ 0.8%

Unemployment

MIDYEAR 2023

4.8%

↑ 40 BPS YOY

MIDYEAR 2024*

4.8%

⊖ 0 BPS YOY

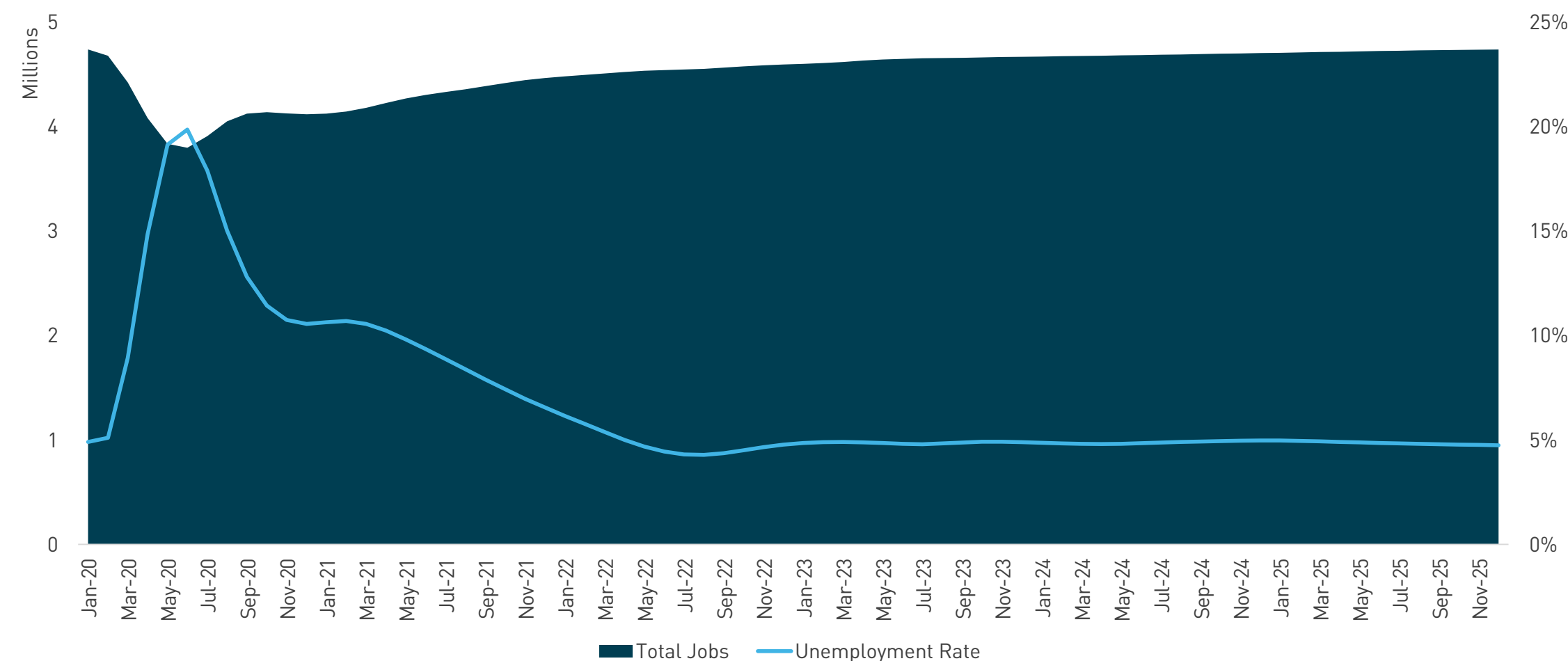
*Projected

LOS ANGELES, CA EMPLOYMENT

Los Angeles County remained a favorite destination for venture capital in the last year, ranking No. 7 among all counties in the U.S. for venture capital volume. According to the latest data, first-time venture capital raised during the fourth quarter of 2022 and the first quarter of 2023 totaled more than \$1.8 billion. This vibrant investment in the area supported the net addition of 108,600 jobs in the county from mid-2022 to mid-2023, equating to a 2.4% increase. The private education and healthcare sector led all other employment segments with 47,300 newly filled jobs, supported in part by aggressive hiring at L.A. Care Health Plan. The greatest contributor to the growth within the sector was the individual and family

services subsector, which expanded with 23,700 net new positions in the last 12 months. Workers in this industry are paid an average of \$47,400 annually—earnings that are insufficient for homeownership where the median home price exceeds \$832,000. The leisure and hospitality industry was another segment with robust growth. The industry expanded 6.4% year over year with 32,800 net new jobs. Tourism boosted restaurants, hotels, and local attractions, as 46.2 million people visited Los Angeles County in 2022, supporting \$34.5 billion in business sales. Leisure and hospitality payrolls in Los Angeles County are at 91% of peak, pre-pandemic employment in January 2020.

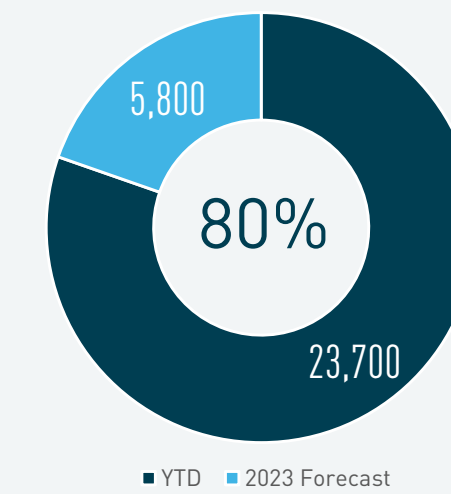
Employment Trends



Source: Moody's Analytics

Who's Hiring?

PRIVATE EDUCATION & HEALTHCARE



20%
OF ALL JOBS IN THE METRO

\$112,100
AVERAGE ANNUAL SALARY

Top Private Education & Healthcare Employers

KAISER PERMANENTE	40,300 JOBS
USC University of Southern California	28,100 JOBS
Cedars Sinai	16,700 JOBS

In The News

- [L.A. County approves 203-bed expansion of Cedars-Sinai Hospital](#)
- [Santa Monica approves St. John's Health Center expansion](#)
- [City of L.A. approves Apple Inc. 536,000 office space development](#)



LOS ANGELES, CA

DELIVERIES & ABSORPTION

2023 Units*

DELIVERIES

15,757

ABSORPTION

5,522

2024 Units*

DELIVERIES

21,043

ABSORPTION

29,812

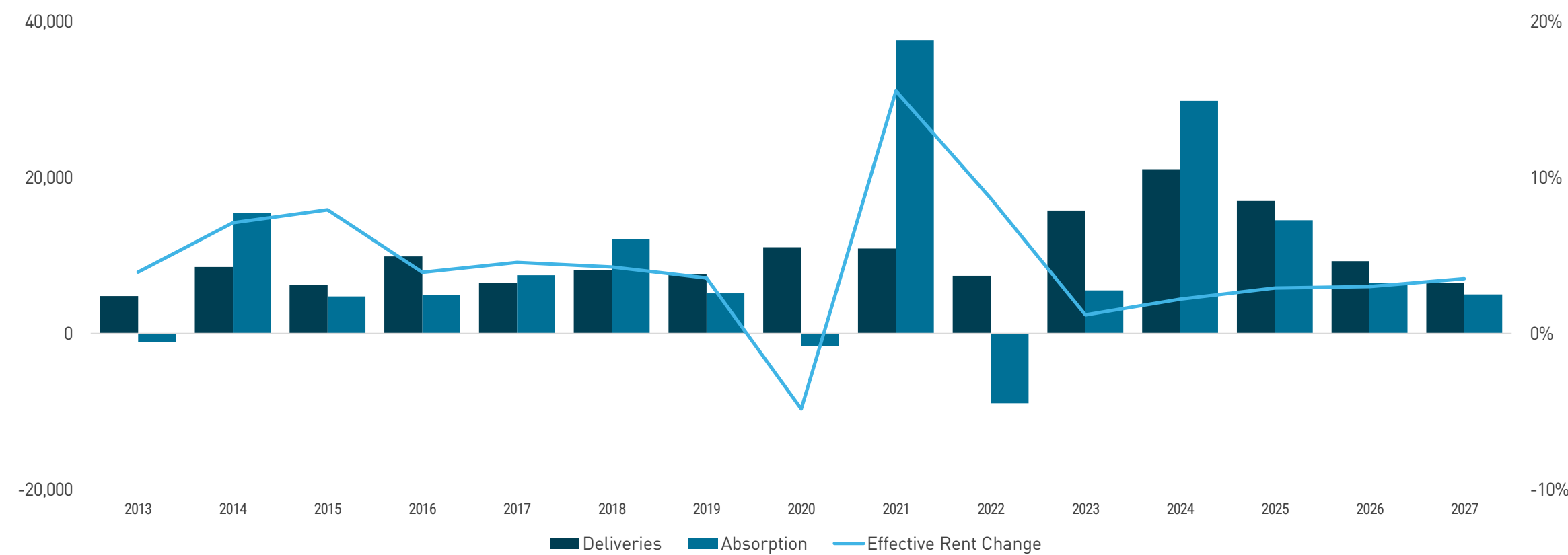
*Projected

Multifamily developers delivered 5,302 apartment units in the first half of 2023, part of the projected total of 15,757 units in 2023. This year's completions will be much greater than the annual average of 7,645 units delivered in the five-year period preceding the pandemic. The heightened completions are due in part to the numerous multifamily developments that have recently finished, many of which were held up by labor shortages and supply chain issues during and immediately after the pandemic. Completions are expected to remain elevated in the county in the next two years as builders continue working through the development backlog. Multifamily deliveries in the county in 2024 and 2025 will represent respective annual inventory increases of 1.8% and 1.4%, well below the

annual rates of inventory growth nationwide during the same period.

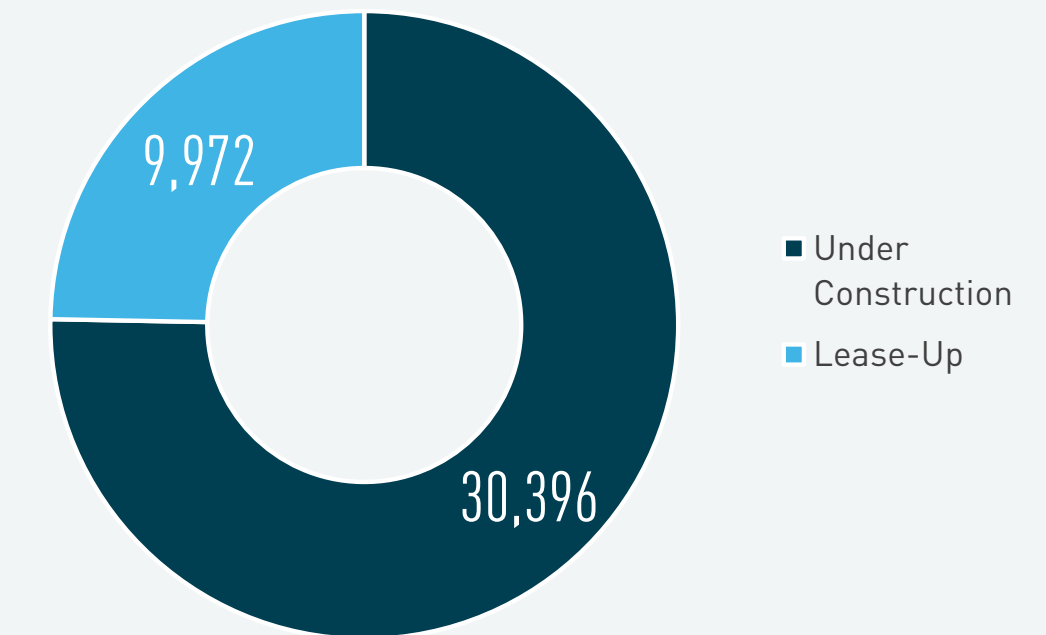
As pandemic-related restrictions were lifted in 2021, renter mobility in Los Angeles County increased, fueling net apartment absorption of 37,552 apartments that year. Many renters, satisfied with their living arrangements, stayed put in 2022. Additionally, rising inflation in 2022 challenged many household budgets, curbing apartment demand. This trend continued in the first half of 2023 but is expected to reverse during the remainder of the year. Continued positive net absorption is anticipated through 2027.

Deliveries, Absorption, & Effective Rent Change

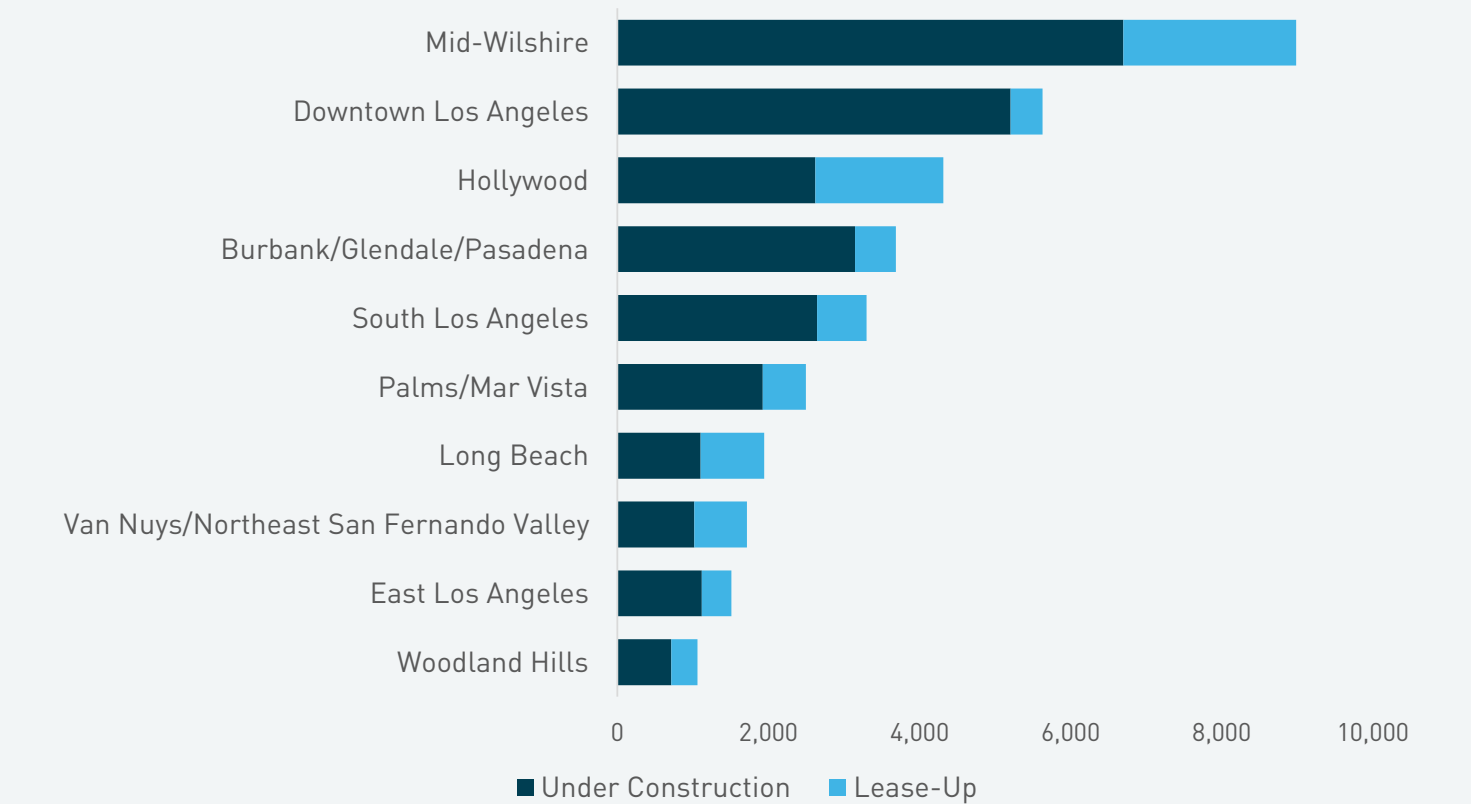


Source: RealPage

Market Pipeline



Top 10 Submarket Pipelines

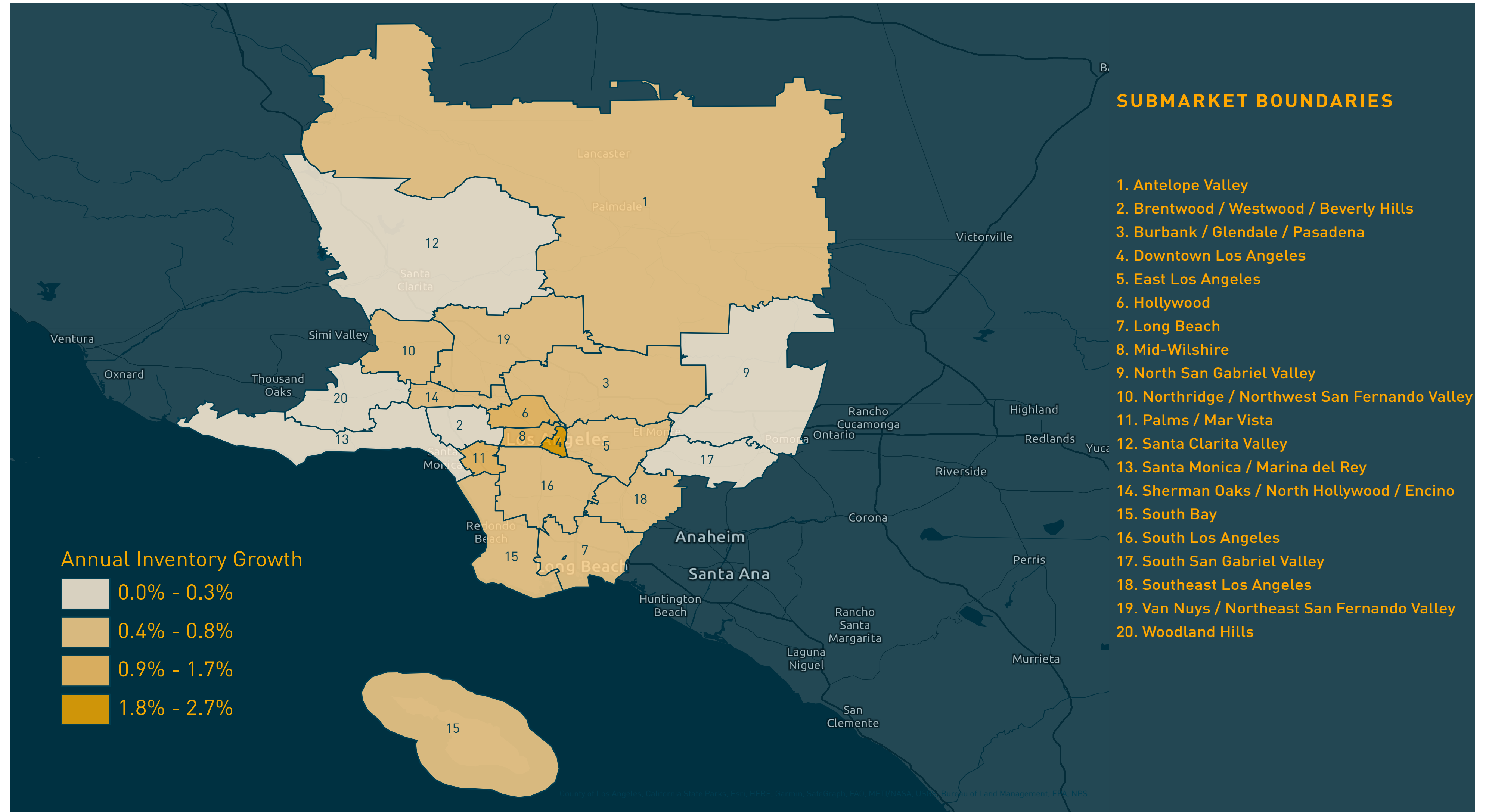




LOS ANGELES, CA

SUBMARKET ANNUAL INVENTORY CHANGE

Builders continued delivering new multifamily inventory in the last 12 months in the Downtown Los Angeles, the Mid-Wilshire, and the Hollywood submarkets. Multifamily development in these high-density areas is made easier by residents and district leaders who are typically amenable to new apartment communities. A generous selection of new inventory also came online in the Palms / Mar Vista and Burbank / Glendale / Pasadena submarkets—areas desirable to renters. Elevated apartment deliveries are expected over the next several quarters in all these submarkets. The South Los Angeles submarket is emerging as a developer choice for new apartment inventory. The submarket is convenient to inner-core jobs and amenities, has easy access to world-renowned beaches, and has lower apartment rent than most of the other submarkets in the county.





LOS ANGELES, CA RENT & OCCUPANCY

Effective Rent

Q2 2023
\$2,803
↑ 3.9% YOY

Occupancy

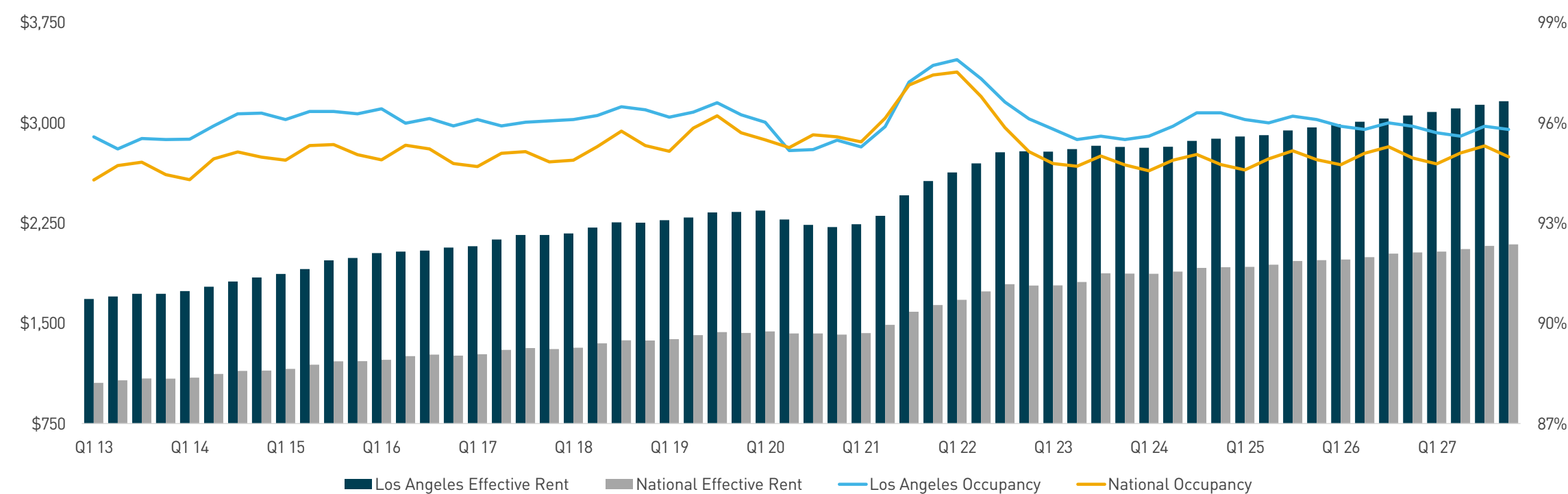
Q2 2023
95.5%
↓ 180 BPS YOY

New lease trade-outs that averaged 11.0% in the last half of 2022 had a dampening effect on apartment demand in Los Angeles County. New lease trade-out rates did not approximate renewal trade-out rates until the first quarter of 2023. In the Downtown Los Angeles submarket, new lease trade-outs were markedly lower than renewal trade-outs in each of the three most recent quarters, as operators sought to generate leasing activity amid a wave of deliveries. This trend was not present in any other submarket in the county. By the second quarter of 2023, apartment operators recorded 95.5% average occupancy countywide, down 180 basis points year over year. Despite the decrease, second-quarter occupancy in the county was 80 basis points higher than the nationwide rate of

occupancy. Over the next eight quarters, countywide apartment occupancy is projected to remain between 95.5% and 96.3%, even amid heightened deliveries.

Monthly effective rent in Los Angeles County averaged \$2,803 in the second quarter of this year, up 3.9% from one year earlier. Class C effective rent—considerably lower than Class A and Class B effective rent—had more runway for rent growth. Class C 12.6% year-over-year rent appreciation through the second quarter of 2023 widely outpaced the rate of rent growth among Class A and B apartments.

Los Angeles vs. National Effective Rent & Occupancy



Source: RealPage

Submarket Performance

SUBMARKET NAME	Q2 2023 OCCUPANCY	YOY (BPS)	Q2 2023 EFFECTIVE RENT	YOY
Antelope Valley	95.2%	-230	\$1,898	3.8%
Brentwood/Westwood/Beverly Hills	94.4%	-210	\$3,657	3.3%
Burbank/Glendale/Pasadena	95.8%	-150	\$2,931	4.9%
Downtown Los Angeles	93.5%	-250	\$2,945	0.9%
East Los Angeles	96.6%	-190	\$2,091	7.2%
Hollywood	95.1%	-140	\$2,954	-0.5%
Long Beach	95.2%	-220	\$2,601	5.1%
Mid-Wilshire	95.6%	-170	\$2,895	5.0%
Northridge/Northwest San Fernando Valley	95.4%	-260	\$2,377	3.1%
North San Gabriel Valley	96.3%	-170	\$2,274	5.4%
Palms/Mar Vista	95.7%	-140	\$3,244	2.1%
Santa Clarita Valley	95.8%	-180	\$2,745	4.0%
Santa Monica/Marina del Rey	95.8%	-150	\$3,904	1.9%
Sherman Oaks/North Hollywood/Encino	96.2%	-150	\$2,755	5.1%
South Bay	95.7%	-150	\$3,154	4.7%
Southeast Los Angeles	96.2%	-220	\$2,337	7.3%
South Los Angeles	96.4%	-210	\$2,341	16.3%
South San Gabriel Valley	95.7%	-290	\$2,302	3.0%
Van Nuys/Northeast San Fernando Valley	97.3%	-70	\$2,177	7.3%
Woodland Hills	95.8%	-160	\$2,775	3.0%

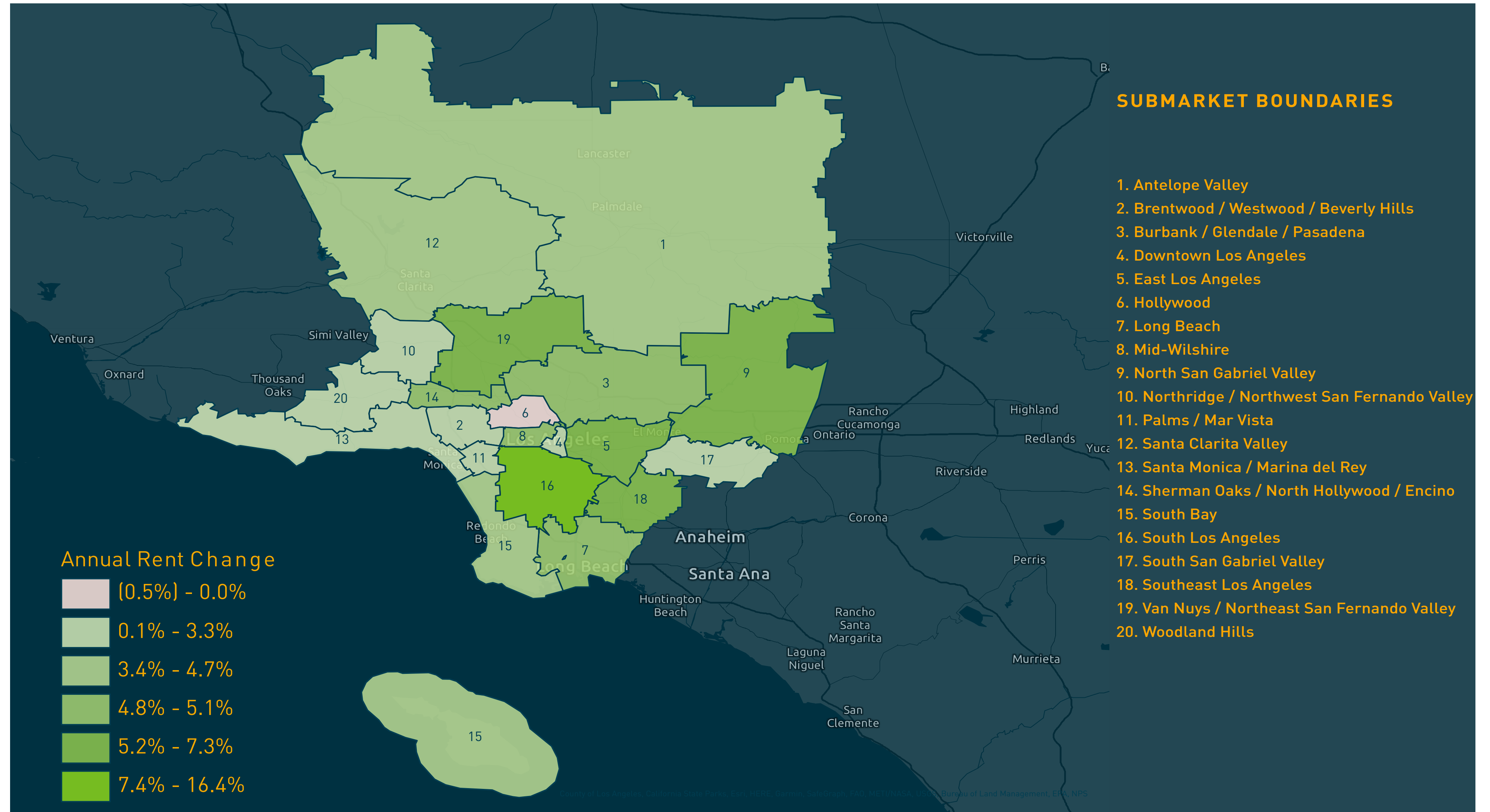


LOS ANGELES, CA

SUBMARKET ANNUAL RENT CHANGE

Renter fatigue and the competition fueled by new, high-end apartments prompted slower rent growth in the highest-rent submarkets. Annual rent growth through the second quarter of 2023 averaged 2.1% among the six highest-rent submarkets, compared to 5.7% among the six lowest-rent submarkets. Average effective rent is projected to rise 0.6% from mid-2023 to mid-2024, with rent appreciation in the lowest-rent submarkets exceeding the countywide increase.

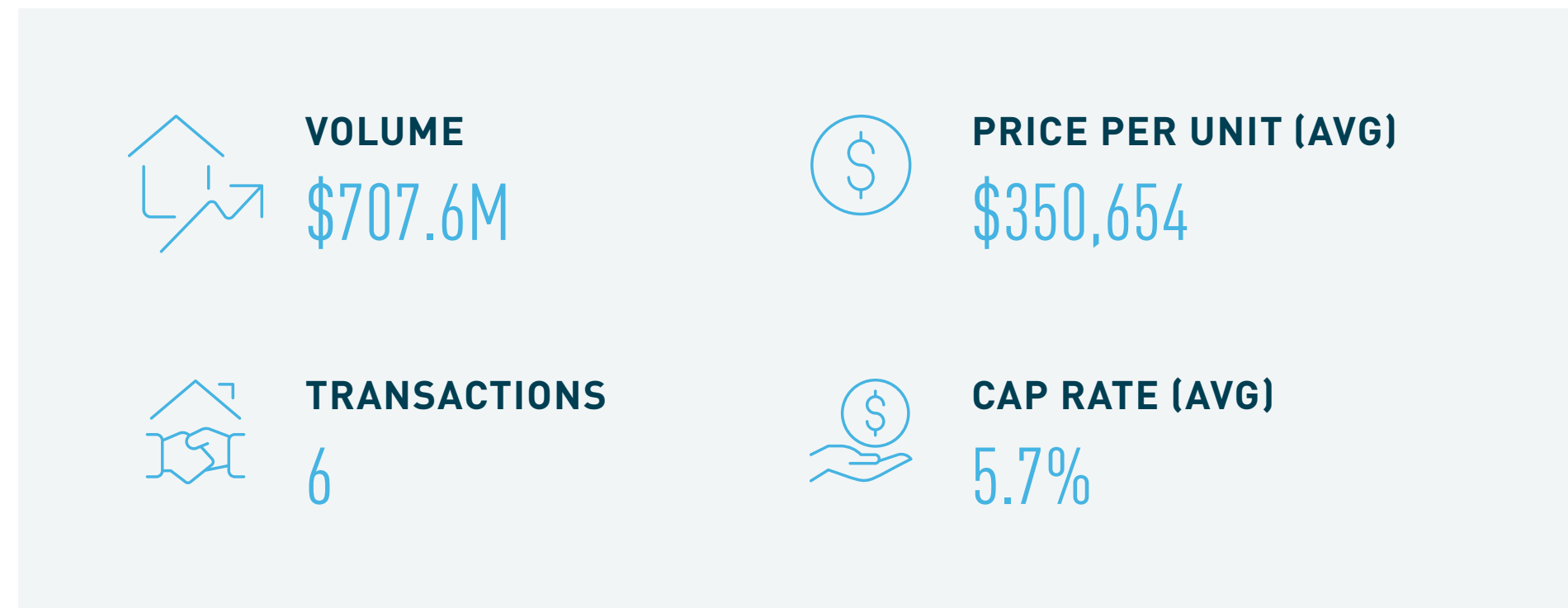
Rent growth is just one aspect of multifamily investing that is taking on greater meaning in Los Angeles County following residential and commercial property transfer tax measures passed in the cities of Los Angeles and Santa Monica in November 2022. Multifamily buyers—particularly those who hold properties for short periods—will need to account for transfer taxes in their underwriting process when considering properties in these two cities.



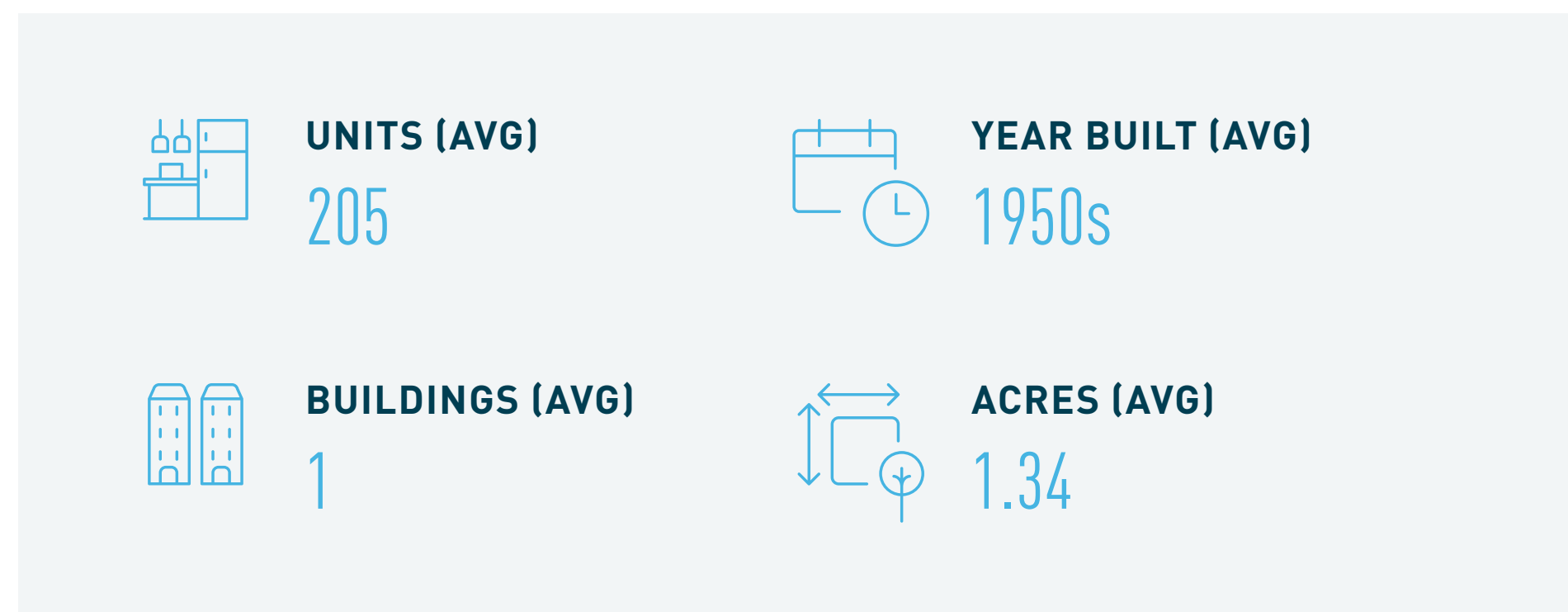


LOS ANGELES, CA SALES

2023 Year to Date*



What's Trading?*



Source: Real Capital Analytics
*\$50m+

Top Buyers**

BUYER	LOCATION
CSCDA	Walnut Creek, CA
Harbor Group International	Norfolk, VA
Standard Communities	Los Angeles
Northland	Newton, MA
Waterford Property Co.	Newport Beach, CA

Top Sellers**

SELLER	LOCATION
Equity Residential	Chicago
Greenland Holdings	Shanghai, China
SB Properties	Los Angeles
TIAA	New York
JPI	Irving, TX

**Past 24 Months



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

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