

YARDI® Matrix

Demand Takes The Wheel in L.A.

Multifamily Fall Report 2016

Port-Driven Growth Fuels Housing Demand

Completions to Top 10,000 Units

Investors Eye Suburbs for Repositioning Options

LOS ANGELES MULTIFAMILY

YARDI® Matrix

Market Analysis

Fall 2016

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City of Angels Continues to Soar

The Los Angeles multifamily market is in the sweet spot of the cycle, producing strong rent growth as robust investor interest and solid employment gains drive up demand across asset classes. However, the high cost of housing is effectively pricing out residents, and the market will have to brace for a robust multifamily development pipeline in the coming years.

With both ports operating at some of the highest levels ever recorded, wholesale trade and warehousing have been on the rise in the metro, adding jobs that in turn are fueling demand for Renter-by-Necessity units. Meanwhile, development projects are having an immediate impact: The Los Angeles Rams' new City of Champions stadium project, for instance, has driven up submarket rents by more than 10% since the original announcement. Meanwhile, the city is doing slightly better at attracting major tech companies to the area known as Silicon Beach.

Investment continues to be high in Los Angeles, although strong demand and high occupancy have made property owners reluctant to sell while their assets rise in value. L.A. cap rates are among the lowest in the entire country, as the metro is a favored target for institutional and foreign investors. As completions finally start catching up to demand, the impact of the supply pipeline will slowly become visible. Yardi Matrix is forecasting that rent growth will decelerate toward the end of the year, which will keep rent appreciation to 7.1% for 2016.

Recent Los Angeles Transactions

Runway at Playa Vista



City: Playa Vista, Calif.
Buyer: Invesco Real Estate
Purchase Price: \$472 MM
Price per Unit: \$1,124,011

Roosevelt Lofts



City: Los Angeles
Buyer: LivCor
Purchase Price: \$135 MM
Price per Unit: \$612,647

Avana Rancho Palos Verdes



City: Rancho Palos Verdes, Calif.
Buyer: Greystar
Purchase Price: \$106 MM
Price per Unit: \$490,698

Vantage at Hollywood Hills



City: Los Angeles
Buyer: Equity Residential
Purchase Price: \$98 MM
Price per Unit: \$328,859