

LOS ANGELES MULTIFAMILY

Market Analysis

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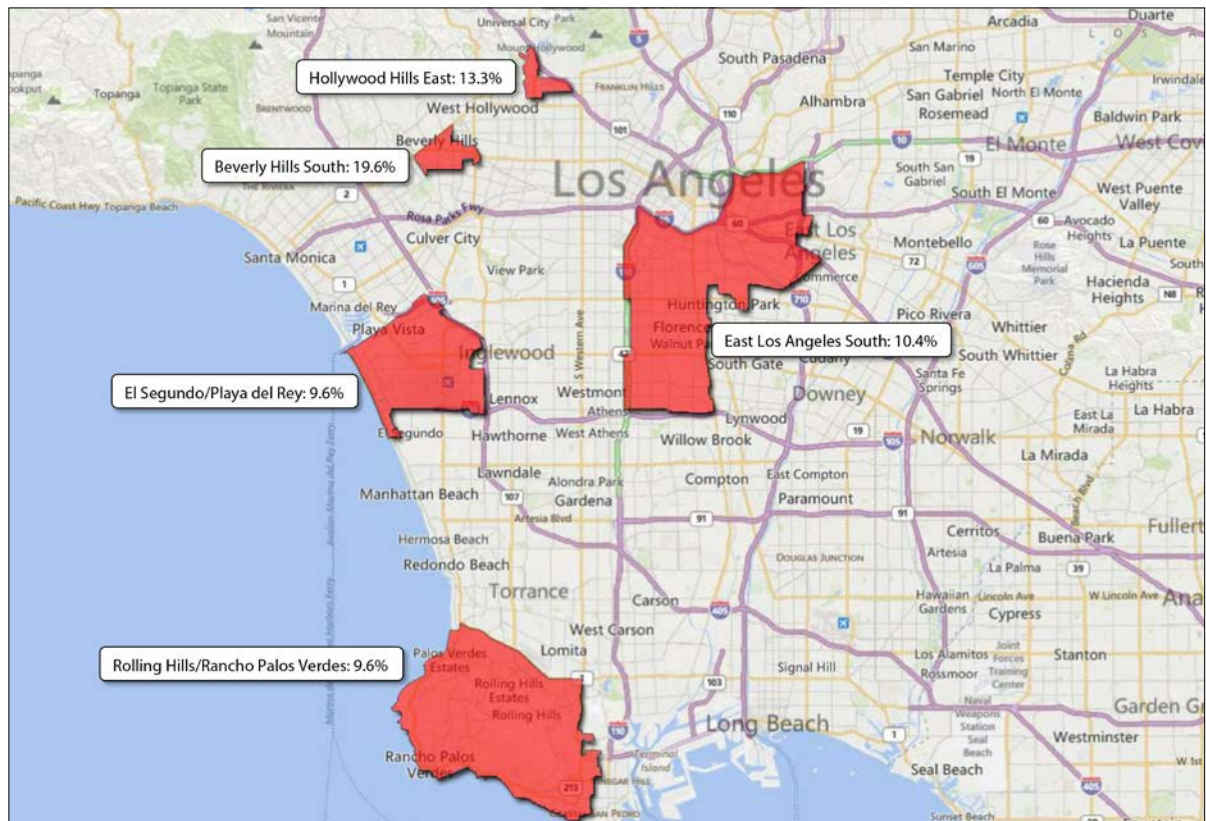
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Los Angeles: Riding the Wave

Riding a wave of strong economic growth and demand for housing, Los Angeles' multifamily market is in the midst of a rapid expansion. According to Yardi Matrix's latest February 2015 benchmark survey, rents increased by 0.9% from the last survey in October 2014, 6% year-over-year and 16% over a three-year period. Fundamentals in the metro are positive: job growth was a solid 2.4% year-over-year as of February, largely due to the strength of major industries such as international trade, tourism and entertainment, amid steady population growth. As a result, we expect rents to continue rising by 5% in 2015. Meanwhile, low interest rates and intense investor demand for the metro's multifamily product are driving up prices to all-time highs.

Issues that could derail the momentum in rents include the rapid buildup of new supply, along with the area's lack of affordable housing. Developers are expected to complete more than 10,000 units in the metro in 2015, and another 40,000 units are in the planning stages. Development is concentrated in the Civic Center submarket, where nearly 7,000 units are under construction and 14,000 units are planned. Although new stock is needed in the metro because housing stock hasn't kept up with demand, much of the new supply consists of luxury units that are unaffordable to the middle class. As it stands, the metro's average monthly rent of \$1,780 is among the highest in the nation.

Top 5 Submarkets for Rent Growth (Fall 2014 to Spring 2015¹)



¹ YardiMatrix™ surveys over 1,000 properties in Los Angeles, three times a year during the Spring, Summer & Fall.