Multifamily Metro Outlook:

Los Angeles – Q1 2021

Overview:

- Los Angeles was a metro that had a very turbulent time dealing with the virus over the last year. Fortunately, the worst of the virus seems to be subsiding and the metro has finally regained its fitting. According to CoStar, as of Q1 2021 the local job market has expanded by 5 percent although still below the pace of the national rate at 6.2 percent.
- Apartment fundamentals which also had a rough time with the virus are also finally turning the corner. Vacancies remained constant at 5 percent and rent growth is on par with the national rate at 0.5 percent as of Q1 2021.

Market Strengths:

- Los Angeles has a favorable renter composition which should support rental demand. According to CoStar, approximately 52 percent of the metro's households are renters compared to 35 percent nationally. Furthermore, home ownership is out of reach for many as the median home price in the metro is close to $700,000 and the virus has increased unaffordability in the metro according to Moody's Analytics.
- According to CoStar, both the Port of Los Angeles and Long Beach ports had their highest volumes and fourth highest volume output years (respectively) during 2020. Due to the shift in consumption of goods, the ports have been so busy that they have had to shift some output to smaller ports in order to meet demand and deadlines.
- One of the metro's economic crutches, the Entertainment sector has had a rough few years due to work stoppages and cheaper alternative locations to produce content. However, the rough period seems to be over as production has resumed and there is pent up demand to produce content as more and more entities are getting involved in the "content wars" according to CoStar.

Market Weaknesses:

- According to Moody's Analytics, while unemployment and job numbers were trending in the right direction nationwide, unemployment remains elevated in Los Angeles. As of March 2021, the unemployment rate in the metro was 10 percent compared to 6.2 percent nationally. The elevated unemployment rate indicates a metro that has not fully found its footing as it continues to deal with the ripple effects of the virus.
- Even though the Leisure/Hospitality sector is not the leading economic crutch for the Los Angeles metro, the virus has done a fair amount of damage to the prospects of this employment sector. The ripple effects from the struggling Leisure/Hospitality sector has led to less than 1/3 of the jobs in the sector being recovered, whereas nationally more than half the jobs in this sector have returned. Furthermore, since Los Angeles is such an expensive place to live, many of the workers who have been displaced in this sector may not return as they have looked to cheaper places to make a living.
- According to Moody's Analytics, the demographic profile of the metro could present some issues going forward as the metro attempts to recover from the virus. The metro has a population growth rate of approximately 0.1 percent compared to 0.5 percent nationally. Los Angeles was already an expensive place to live pre-virus, and the virus has only exacerbated the unaffordability in the metro as many low wage workers have been forced out. Fortunately, Los Angeles is a lifestyle metro that has lured more high-wage earners than it has lost over the last few years.

Development:

- Condo development is beginning to slow. Since 2012 approximately 30,000 condos have completed, but currently there are few units underway through the first half of 2022.
- Development has been robust with approximately 52,000 apartment units completed since 2016. Another 27,000 units are underway, which should help ease the tightness in the market. There are currently close to 108,000 rental units in the planning stages.

Outlook:

- Los Angeles is a lifestyle metro where renting is much more attainable than ownership. Furthermore, the apartment market is in decent shape despite vacancies being higher than normal and rent growth is finally trending in the right direction. Even with robust supply being delivered, the demand will continue to support the supply since most can only afford to rent.
- The local job market was already under performing before the onset of COVID-19. Fortunately, after a tumultuous 2020, the economic recovery is trending in the right direction although it is expanding at a pace that is slower than the national rate. Much of the recovery in the metro can be attributed to the record years of the local ports and the Entertainment industry getting its footing back. However, longer term the demographic profile of the metro is something to watch over as the metro continues to get more expensive and low-wage earners are forced to leave as their jobs have not fully returned. Furthermore, the metro's saving grace is that it is a lifestyle metro that will continue to always attract residents despite its economic shortcomings.

Five Year Metro Area Growth Forecast

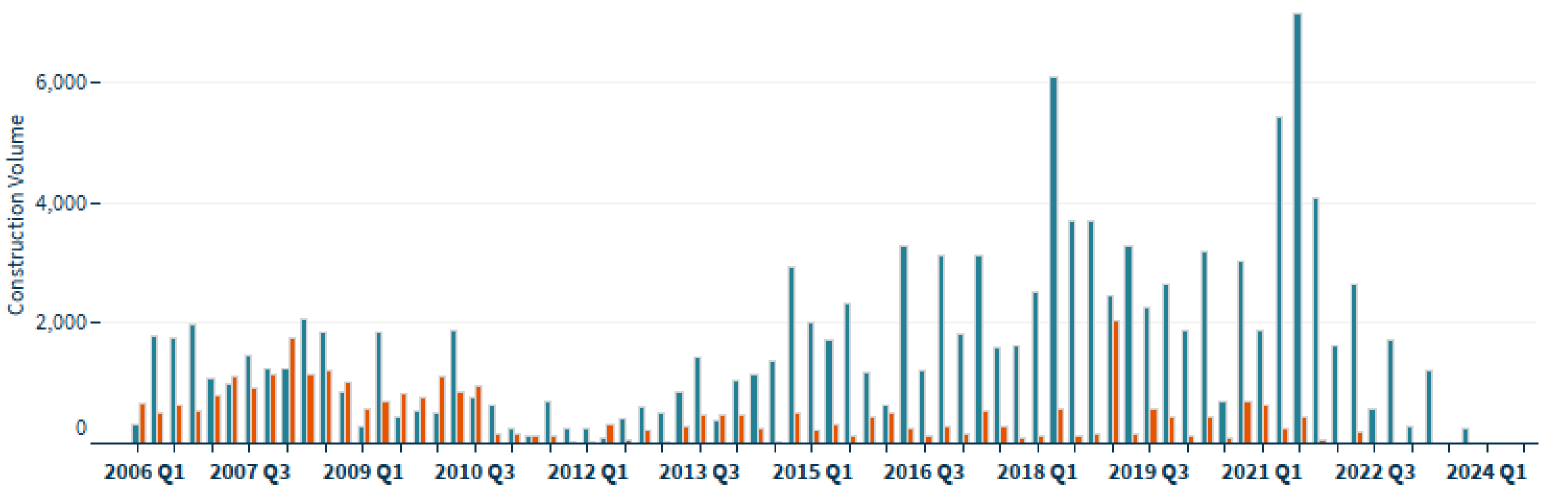
	Q4 2020	Q4 2025	Los Angeles (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	13,236	13,331	0.14%	0.52%
Households (000s)	4,401	4,665	1.17%	1.41%
Renting Cohort (Ages 20-34) (000s)	2,963	2,840	-0.85%	-0.26%
Total Employment (000s)	5,743	6,338	1.99%	1.71%
Median Household Income	$75,159	$88,136	3.24%	2.83%
Median SF Home Price	$763,829	$1,102,825	7.62%	4.30%
Net Migration	-33,228	-40,452		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



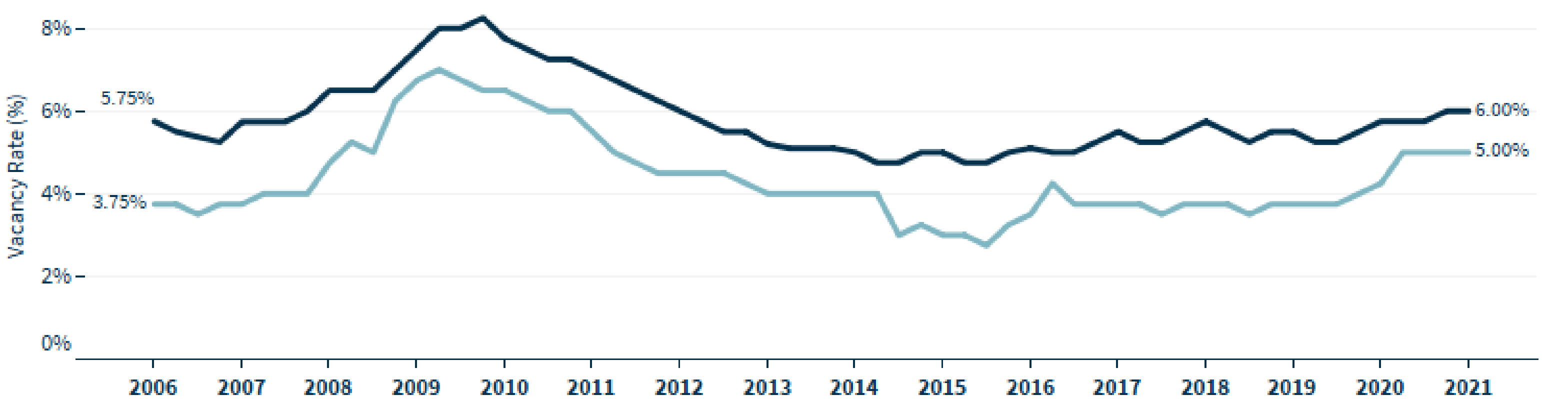
Vacancy & Rent Composite Estimates

Vacancy Rates

Los Angeles | National

Q1 2021 Vacancy Rate:

5.00%

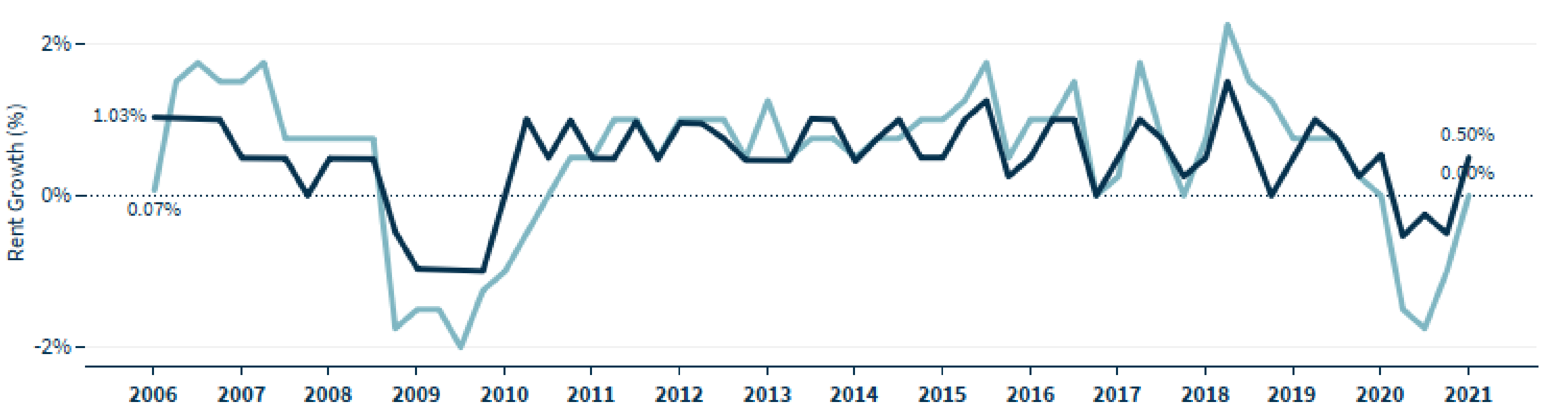


Asking Rent Growth

Los Angeles | National

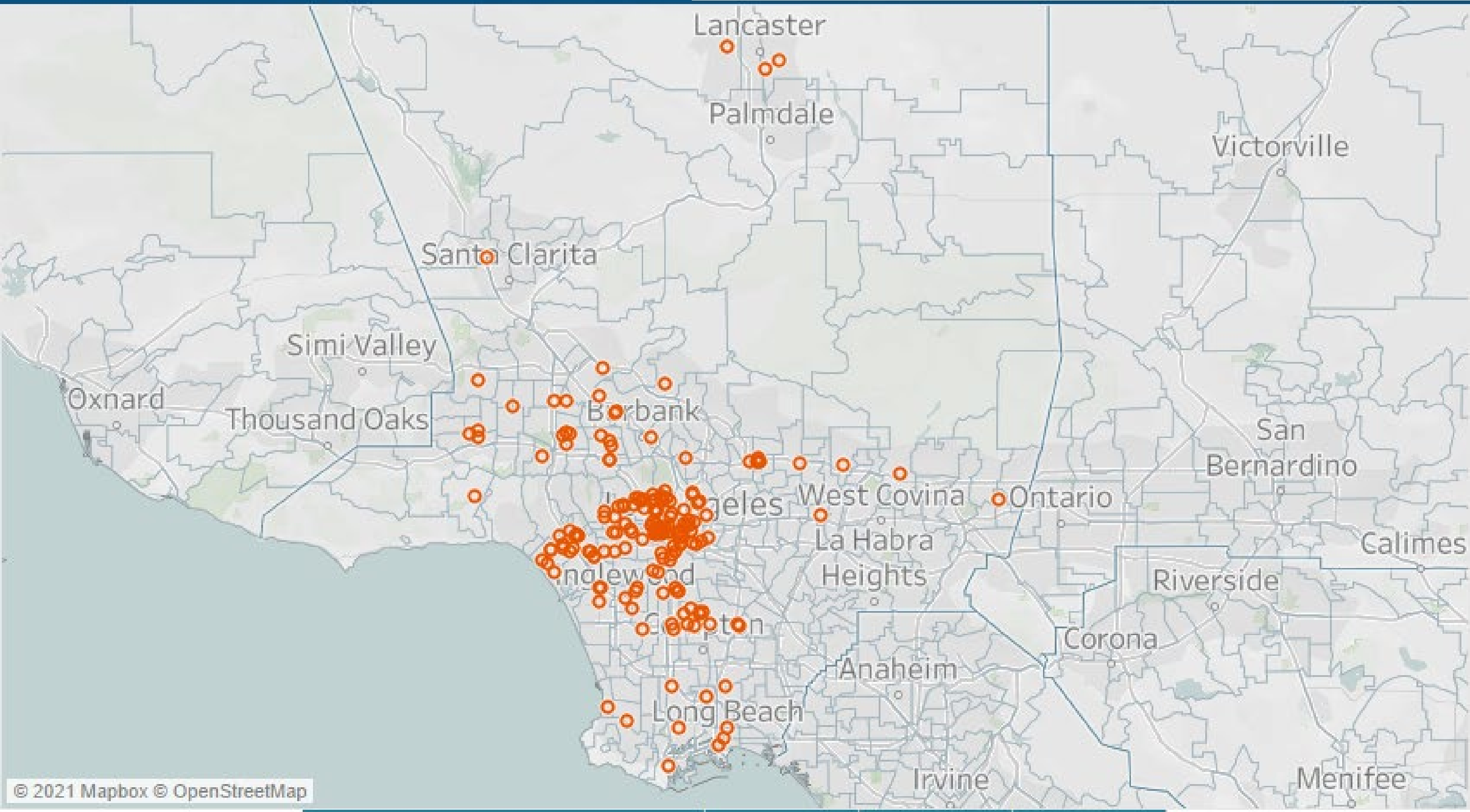
Q1 2021 Asking Rent:

$2,050



Source: Multifamily Economics and Research

Construction: Bidding & Underway



Sub-Market	*Projects*	*Units*	*Sq. Ft. (M)*
Antelope Valley	3	641	0.53M
Brentwood/Westwood/Beverly Hills	10	830	0.94M
Burbank/Glendale/Pasadena	10	1,376	2.00M
Downtown Los Angeles	15	5,473	6.03M
East Los Angeles	4	329	0.29M
Hollywood	24	2,685	3.21M
Long Beach	7	866	1.31M
Mid-Wilshire	32	3,327	3.96M
North San Gabriel Valley	2	475	0.58M
Northridge/Northwest San Fernando Valley	2	172	0.33M
Palms/Mar Vista	8	1,143	1.53M
Santa Clarita Valley	1	480	0.48M
Santa Monica/Marina del Rey	6	763	0.90M
Sherman Oaks/North Hollywood/Encino	5	217	0.26M
South Bay	6	837	1.04M
South Los Angeles	31	4,540	5.17M
Van Nuys/Northeast San Fernando Valley	12	1,419	1.54M
Woodland Hills	3	1,012	1.14M
Grand Total	**181**	**26,585**	**31.23M**

Multifamily: ESR Team

We welcome your feedback! Please give us a call or send an email with any comments, suggestions, or insight you may have or information you'd like covered in future editions.

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Multifamily Economics and Market Research Team

Francisco Nicco-Annan, Economic and Strategic Research

Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi