

Multifamily Metro Outlook:

Los Angeles - Q3 2023

Overview:

- Prior to 2023, job growth in the Los Angeles metro was trending in the right direction after a period of uneven growth. However, since early this year, one of the economic crutches, the Film and Entertainment industry, has entered a period of uncertainty as both the writer's and actors have gone on strike. As of Q3 2023, both the writer's and actor's strikes both ended, but the impact of work stoppage has been felt by the local economy. For the period ending Q3 2023 local job growth expanded by 1.2% compared to 1.4% nationally.
- Apartment fundamentals in the metro area are beginning to show signs of life after a few periods of decline. Vacancies remained flat after increasing slightly in the previous quarter to 4.25%. However, rent growth is moving in the wrong direction as it contracted during the period ending Q3 2023 at -0.25%.

Market Strengths:

- Los Angeles has a favorable renter composition which should support rental demand. The Los Angeles metro has one of the highest proportion of renters among metros in the U.S., as approximately half of all households are renters. Although home price growth has slowed to below national growth levels, home ownership is still out of reach for many causing unaffordability to increase in the metro.
- According to Moody's Analytics, many of the labor related issues that were impacting output at the Ports of Los Angeles and Long Beach have eased and will ease further. During the earlier part of 2023, an agreement had been reached by the port union and port operators that will increase hiring and increase output. Furthermore, elevated consumer demand is good news for the ports as they continue to do record levels of output.

Market Weaknesses:

- Job growth recovery has been uneven in the metro for quite some time, however there is the chance that below-average levels of growth could be the norm at least for the short-term. One of the metro's economic crutches, the Entertainment industry is in a state of flux as it was already dealing with competition from lower-cost areas to produce content. Even though the strikes have officially ended, it will take a bit of time for the industry to regain its footing.

Development:

- Development has remained elevated with historical levels with approximately 86,000 apartment units completed since 2017. Another 28,000 units are underway with an additional 124,000 units in the planning stages.

Outlook:

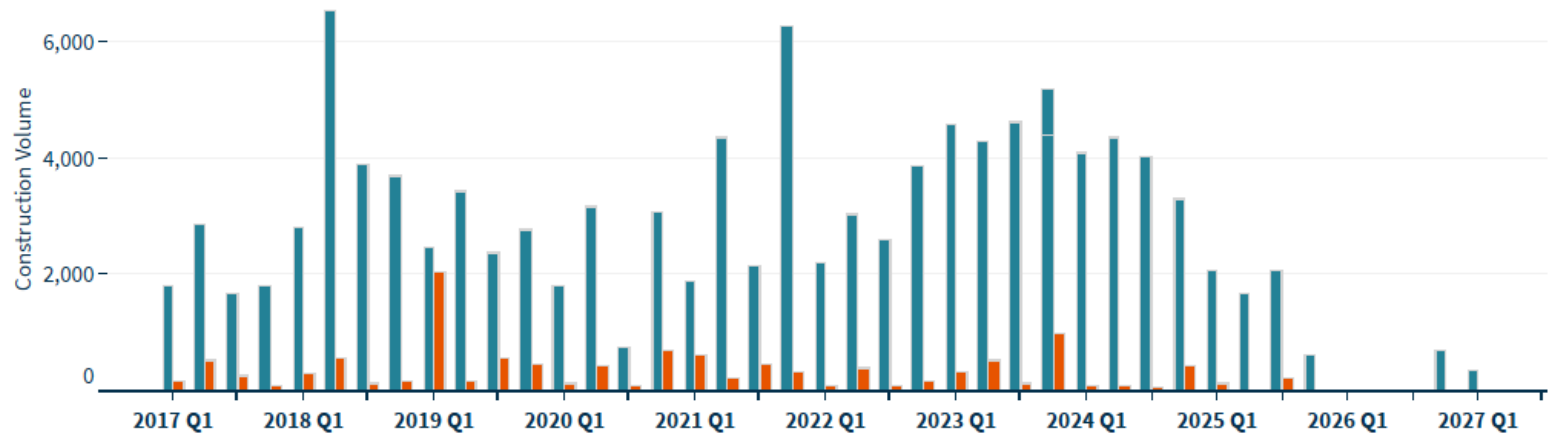
- Los Angeles is a lifestyle metro where renting is much more attainable than home ownership. Although vacancies are drifting upwards, the metro's historic lack of supply and low development will prevent oversupply issues. However, Los Angeles' longer term demographics are worrying as the metro gets more expensive and migration trends worsen.
- Unfortunately, the economic recovery continues be up and down and the ongoing uncertainty regarding one of the metro's economic crutches in the Entertainment industry further clouds economic growth. However, even though the Entertainment industry is in a state of flux, the metro's saving grace is that it is a lifestyle metro that will continue to always attract residents and high-wage earners despite its economic shortcomings.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

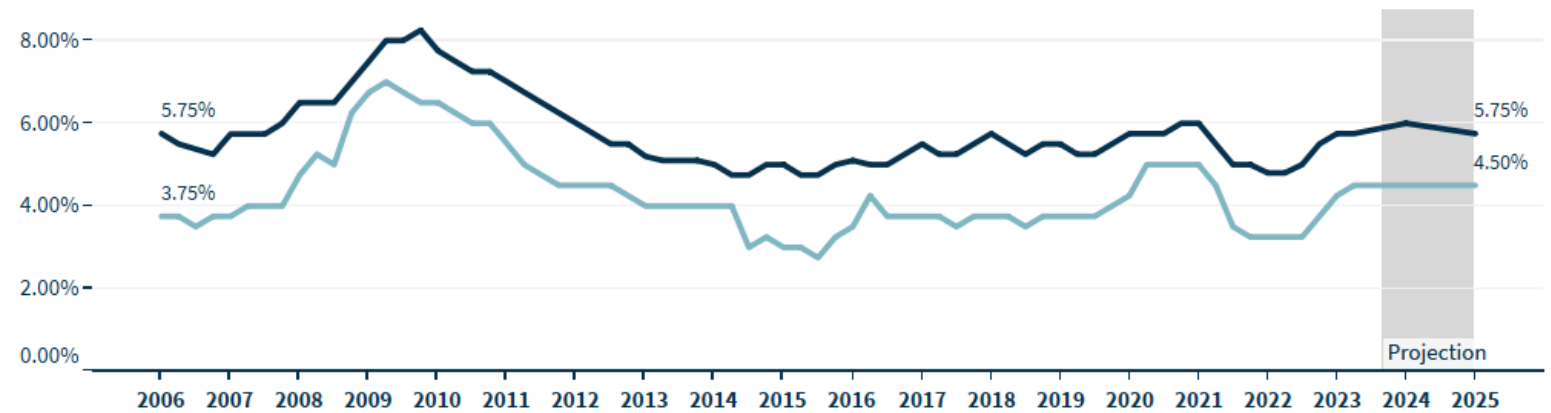
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Los Angeles | National

Q3 2023 Vacancy Rate:

4.50%



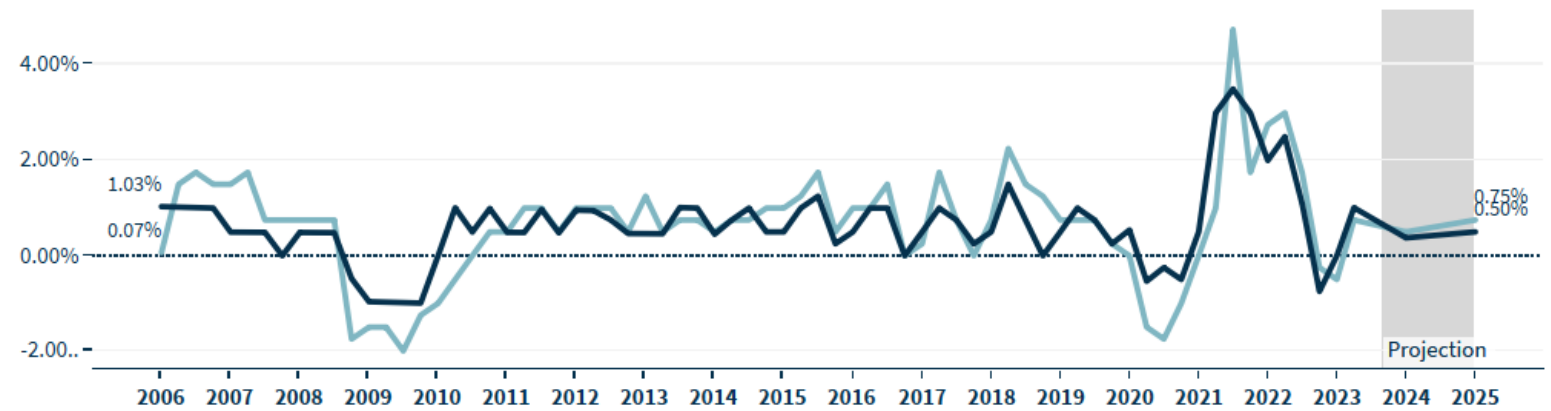
Projection

Asking Rent Growth

Los Angeles | National

Q3 2023 Asking Rent:

\$2,490

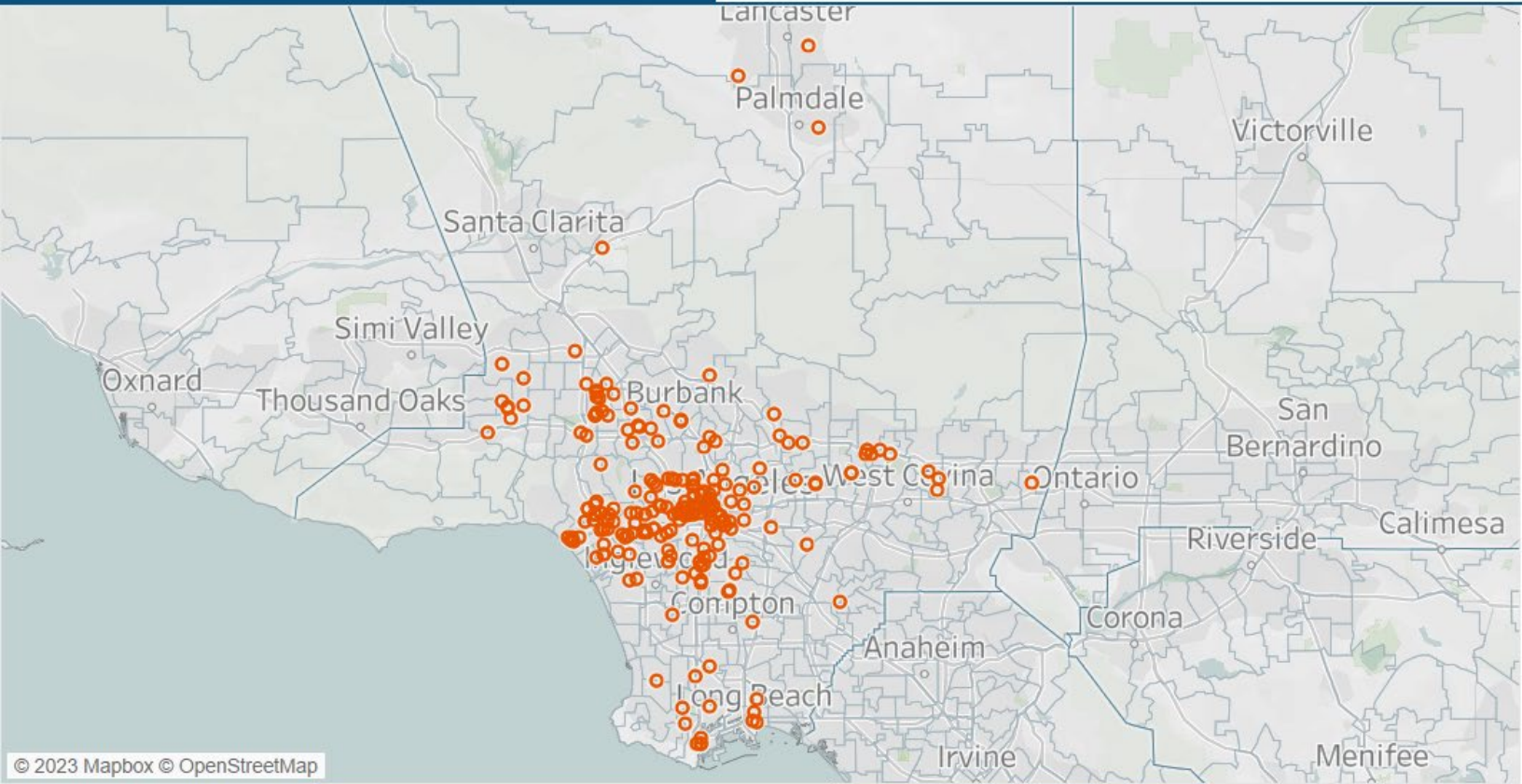


Projection

Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Antelope Valley	3	451
Brentwood/Westwood/Beverly Hills	18	1,764
Burbank/Glendale/Pasadena	19	3,434
Downtown Los Angeles	12	4,071
East Los Angeles	10	1,129
Hollywood	14	1,930
Long Beach	6	776
Mid-Wilshire	40	4,741
North San Gabriel Valley	4	361
Northridge/Northwest San Fernando Valley	4	648
Palms/Mar Vista	14	934
Santa Clarita Valley	1	179
Santa Monica/Marina del Rey	8	758
Sherman Oaks/North Hollywood/Encino	7	497
South Bay	10	1,153
South Los Angeles	30	2,659
Southeast Los Angeles	1	19
Van Nuys/Northeast San Fernando Valley	15	1,224
Woodland Hills	5	975
Grand Total	221	27,703

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

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

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