

Multifamily Metro Outlook:

Los Angeles - Q4 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 2023, one of the economic crutches, the Film and Entertainment industry, entered a period of uncertainty as both the writer's and actors were on strike. Even though both the writer's and actor's strikes both ended, the impact of the Hollywood work stoppage has been felt by the local economy. For the period ending Q4 2023 local job growth expanded by 1.1% compared to 1.8% nationally.
- Apartment fundamentals in the metro area are also softening. Vacancies inched up by 25 bps from the previous quarter to 4.75% for the period ending Q4 2023. Furthermore, rent growth continues to worsen as it contracted during the same period ending at -1%.

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. For the period ending Q4 2023, the local trade employment sector expanded by 0.4% compared to 0.3% nationally.

Market Weaknesses:

- According to Moody's Analytics, 2023 was not a good year for the Film and Motion Picture industry in the local metro. As a result of both the writer's and actor's strikes taking place simultaneously throughout the year, 2023 was the worst performing year for the industry on record (not accounting for 2020 due to the virus). Furthermore, overall production in 2023 was down by nearly a third compared to production levels in 2022. Now that the strike is over, the industry still faces headwinds as blockbuster hits are harder to come by and streaming is playing a more prominent role within the industry.

Development:

- Development has remained elevated with historical levels with approximately 89,000 apartment units completed since 2017. Another 28,000 units are underway with an additional 126,000 units in the planning stages.

Outlook:

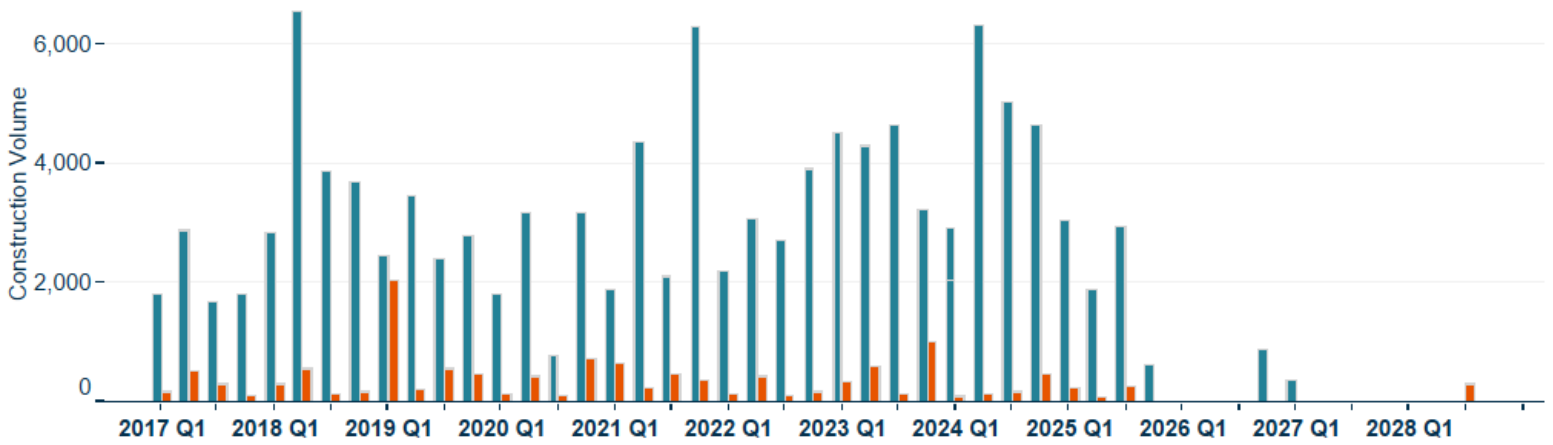
- Los Angeles is a lifestyle metro where renting is much more attainable than home ownership. Although vacancies are softening, the metro's historic lack of supply and low development will prevent oversupply issues. However, Los Angeles' longer term demographics are worrying as the metro gets more expensive 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

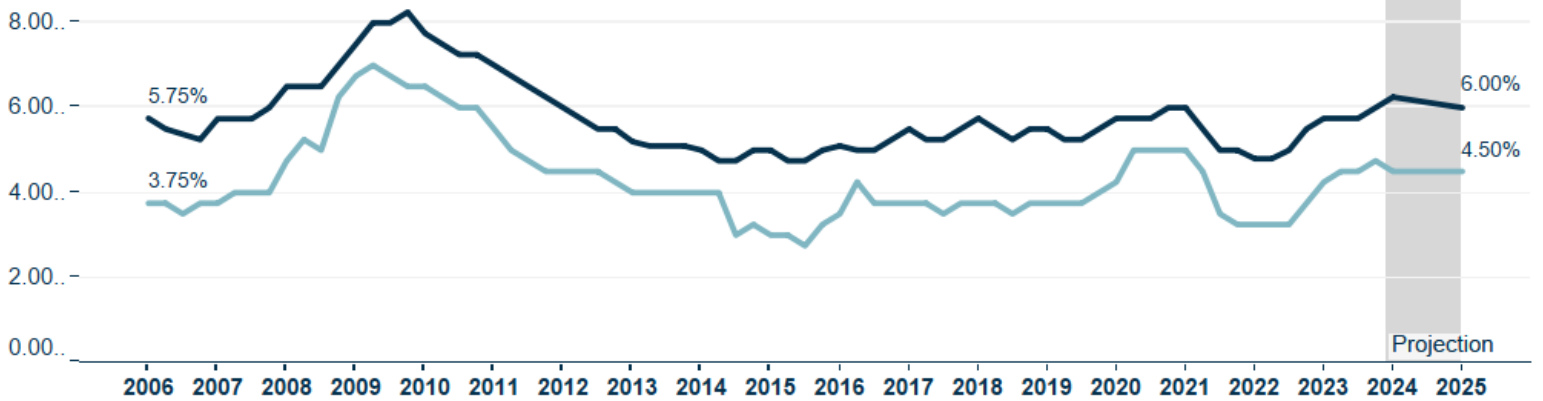
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Los Angeles | National

Q4 2023 Vacancy Rate:

4.75%

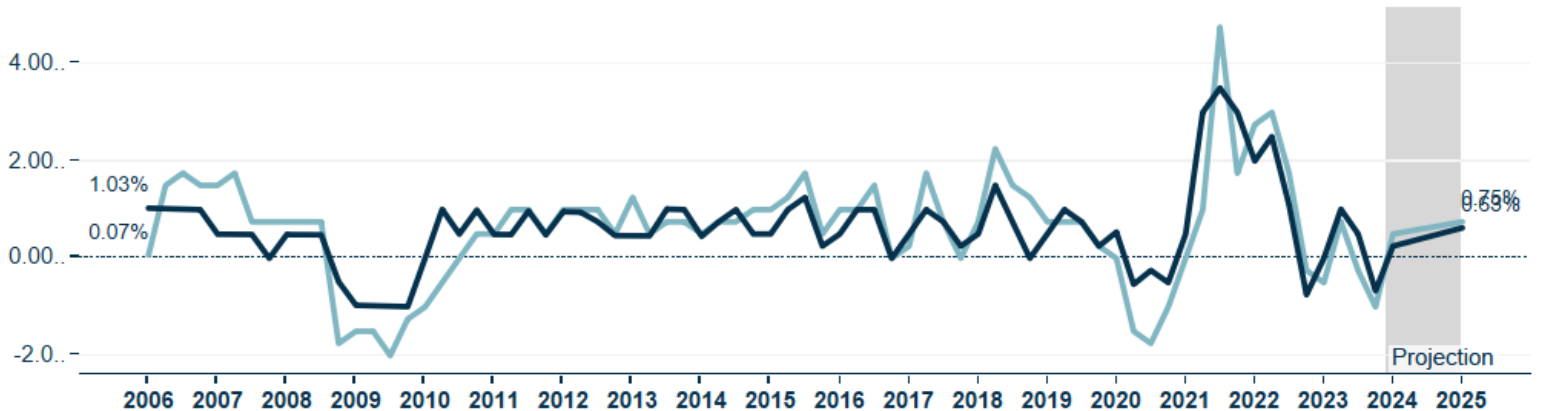


Asking Rent Growth

Los Angeles | National

Q4 2023 Asking Rent:

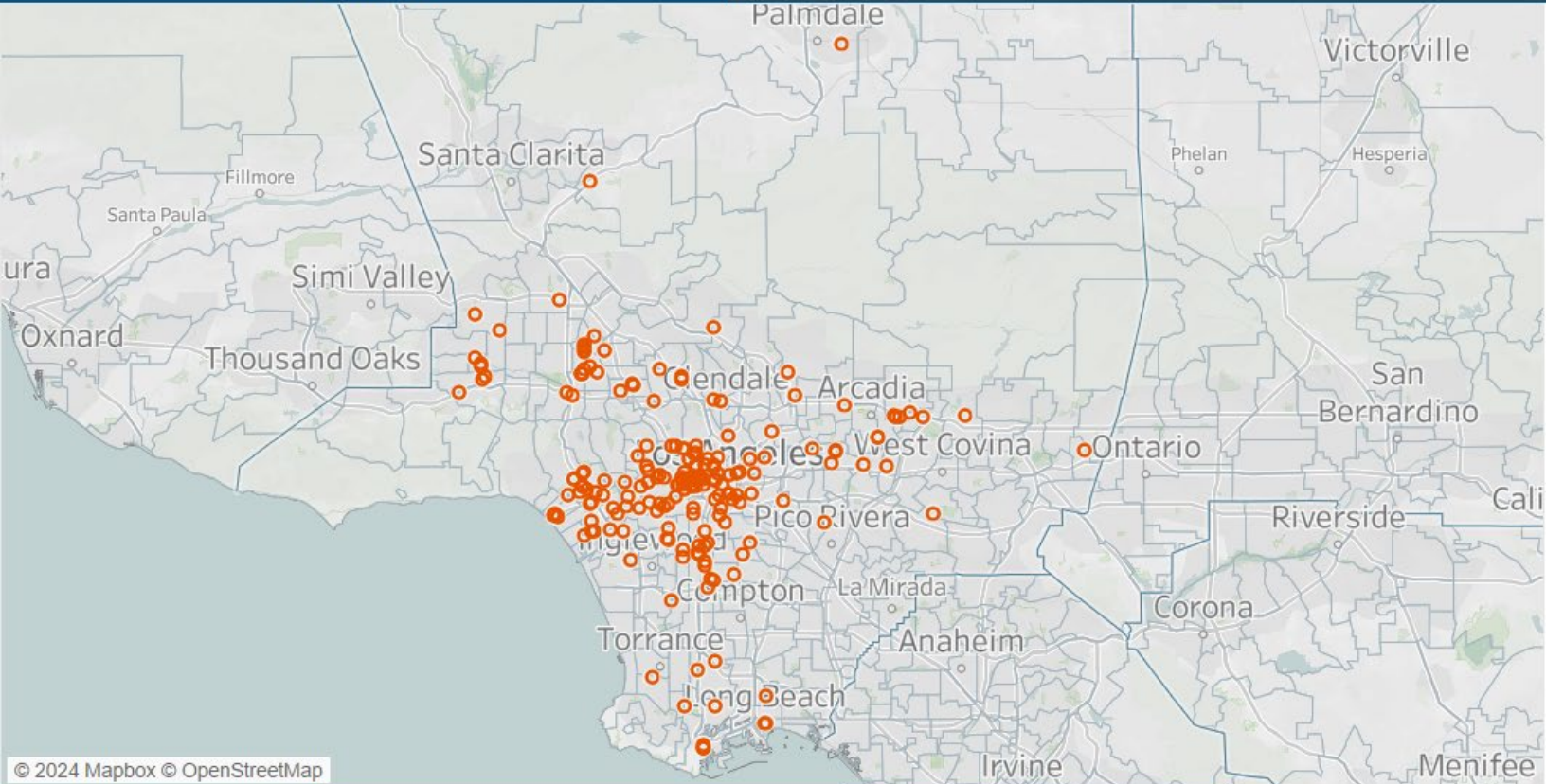
\$2,470



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



© 2024 Mapbox © OpenStreetMap

MultiHousingSubmarketName	Apartments	Units
Antelope Valley	1	151
Brentwood/Westwood/Beverly Hills	14	1,721
Burbank/Glendale/Pasadena	18	3,573
Downtown Los Angeles	12	4,018
East Los Angeles	12	1,262
Hollywood	10	1,921
Long Beach	5	740
Mid-Wilshire	36	5,148
North San Gabriel Valley	2	337
Northridge/Northwest San Fernando Valley	3	557
Palms/Mar Vista	12	874
Santa Clarita Valley	1	179
Santa Monica/Marina del Rey	6	660
Sherman Oaks/North Hollywood/Encino	5	444
South Bay	7	1,025
South Los Angeles	31	2,717
South San Gabriel Valley	1	34
Van Nuys/Northeast San Fernando Valley	14	1,199
Woodland Hills	6	1,148
Grand Total	196	27,708

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

Multifamily Metro Outlook: Los Angeles Q4 2023

Multifamily Economics and Market Research Team

Francisco Nicco-Annan, Economic and Strategic Research - Economics – Advisor

Sources Used

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

Opinions, analyses, estimates, forecasts, and other views of Fannie Mae's Economic and Strategic Research (ESR) Group included in these materials should not be construed as indicating Fannie Mae's business prospects or expected results, are based on a number of assumptions, and are subject to change without notice. How this information affects Fannie Mae will depend on many factors. Although the ESR Group bases its opinions, analyses, estimates, forecasts, and other views on information it considers reliable, it does not guarantee that the information provided in these materials is accurate, current, or suitable for any particular purpose. Changes in the assumptions or the information underlying these views could produce materially different results. The analyses, opinions, estimates, forecasts, and other views published by the ESR Group represent the views of that group as of the date indicated and do not necessarily represent the views of Fannie Mae or its management.