

# Multifamily Metro Outlook

## Los Angeles - Fall 2019

### Overview:

- Los Angeles' metro area job market continues to expand, albeit tepidly. As of June 2019, the job market within the metro expanded by +1.1 percent (year over year), below the national rate of +1.5 percent.
- Apartment fundamentals are performing well overall. During Q2 2019, vacancies remained low at 3.75 percent during Q2 2019, and rent growth continued to stay positive at 0.75 percent.

### Market strengths:

- The local entertainment/motion picture industry has recently been the recipient of a few big (positive) boosts. According to Moody's Analytics, many of 2018's biggest blockbuster movies — including *Avengers: Infinity War*, *Black Panther*, and *Star Wars: A Solo Story* — all shot in the Los Angeles market, which was a boon for the local economy. Furthermore, Amazon Studios and Netflix have also elected to maintain real estate within the Los Angeles metro. Amazon Studios has a space of 75,000 square feet in Culver City, and Netflix is expanding their existing studio in Hollywood.
- Los Angeles has a favorable demographic profile, which should support rental demand. According to CoStar, approximately 52 percent of the metro's households are renters, compared to 35 percent nationally.
- The local tech scene in the Los Angeles area continues to establish its footing within the metro. According to Moody's Analytics, the tech scene in Los Angeles is known as Silicon Beach. Some of Silicon Beach's anchor tenants include Snap Inc., Apple, social media companies, and sports e-commerce and cloud computing firms.

### Market weaknesses:

- Many residents are priced out of the metro because it is such an expensive place: The cost of living is +29 percent above the national average, and the cost of doing business is also +13 percent above the national average. As a result of the high living costs, Los Angeles has a negative rate of net migration.
- The trade industry continues to be in a state of flux. According to Moody's Analytics, there are many political issues — such as Brexit, the current administration's policies regarding tariffs, and the NAFTA agreement — that could have major impacts on the industry and specifically on the metro, since it's one of the major ports on the west.
- As a result of the turmoil in the trade industry, the local sector in Los Angeles contracted by -0.7 percent during Q2 2019. Furthermore, the tariffs on China instituted by the current administration are starting to have profound impacts on both imports and exports. According to a *Wall Street Journal* report, exports at both the Los Angeles and Long Beach ports contracted by -7.4 percent to open 2019. With tension still ongoing, activity could continue to suffer.

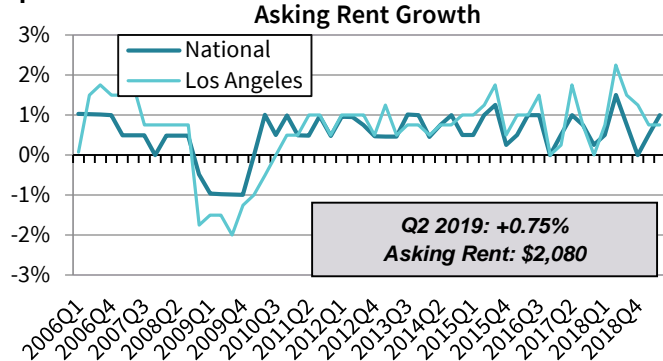
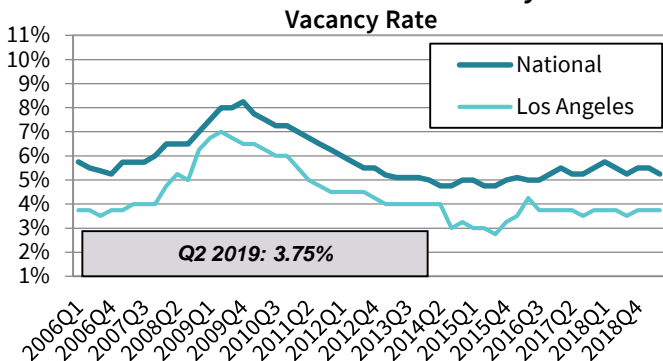
### Development:

- Condo development is beginning to slow. Since 2012, approximately 30,000 condos have completed, but currently there are close to 2,000 units underway through 2020.
- Development has been robust, with approximately 60,000 apartment units completed since 2014. Another 22,000 units are underway, which should help ease the tightness in the market. There are currently close to 103,000 rental units in the planning stages.

### Outlook:

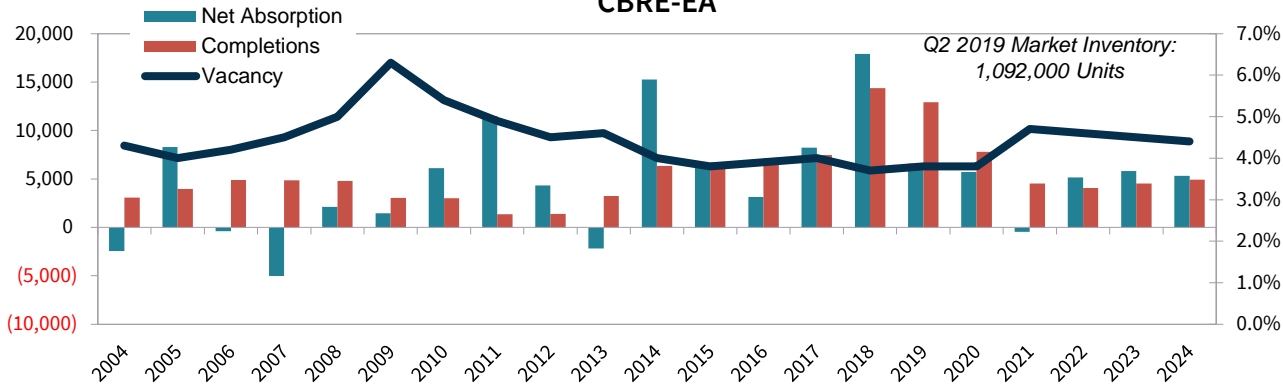
- Multifamily outlook:** Steady. Los Angeles' favorable demographics will help incoming supply continue to be absorbed. The apartment market continues to be in a healthy state, even though many residents are priced out due to high costs. Los Angeles' reputation as a lifestyle city will always help fuel demand for the multifamily sector.
- Economic outlook:** Stable. Even though the local job market has been expanding at a meager pace over the last few quarters, there are some signs for optimism. The Los Angeles market continues to expand on its pre-recession job totals, and the emergence of the local tech scene is a positive for the local economy. However, although the retail trade sector doesn't make up a large portion of the local economy, the ongoing trade turmoil between the U.S. and China is already (negatively) impacting the local ports. Without a resolution in sight, the local economy could continue to suffer.

## Vacancy and Rent Composite Estimates

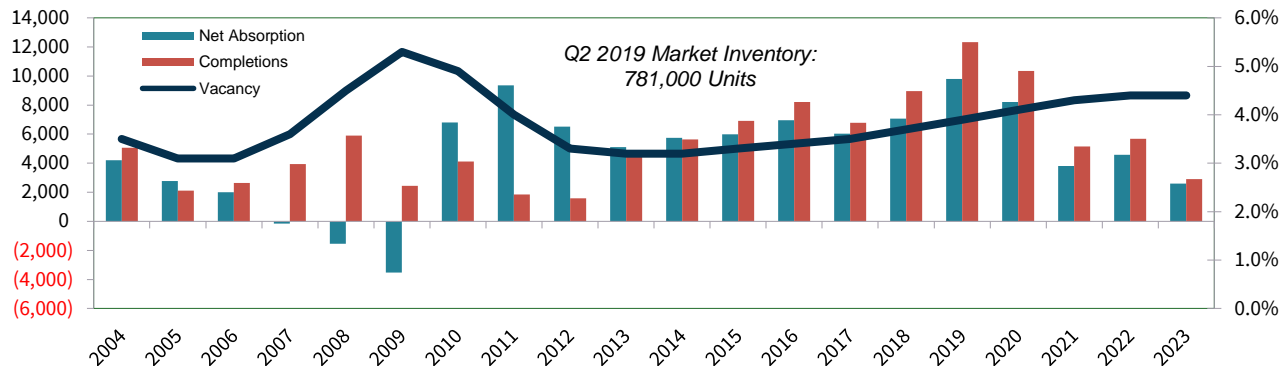


Source: Fannie Mae Multifamily and Economics Research

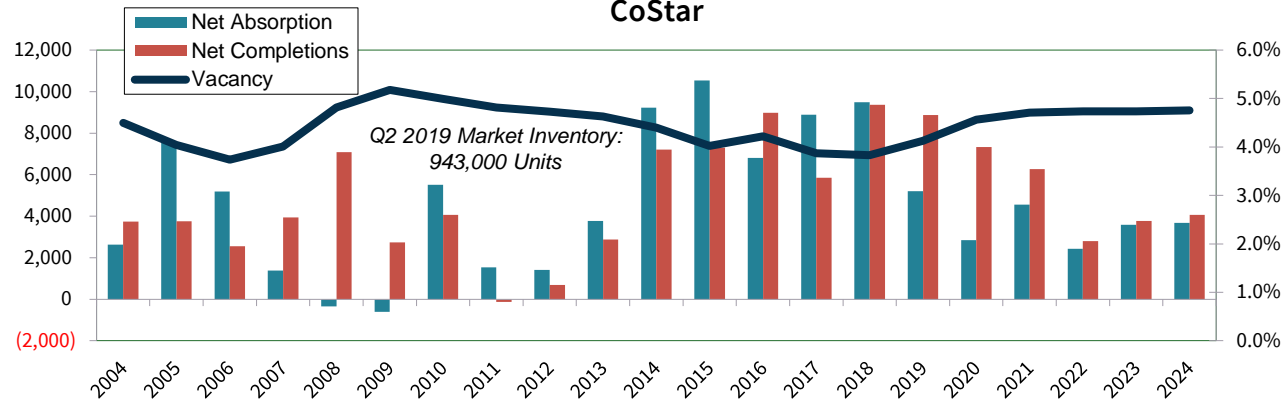
CBRE-EA



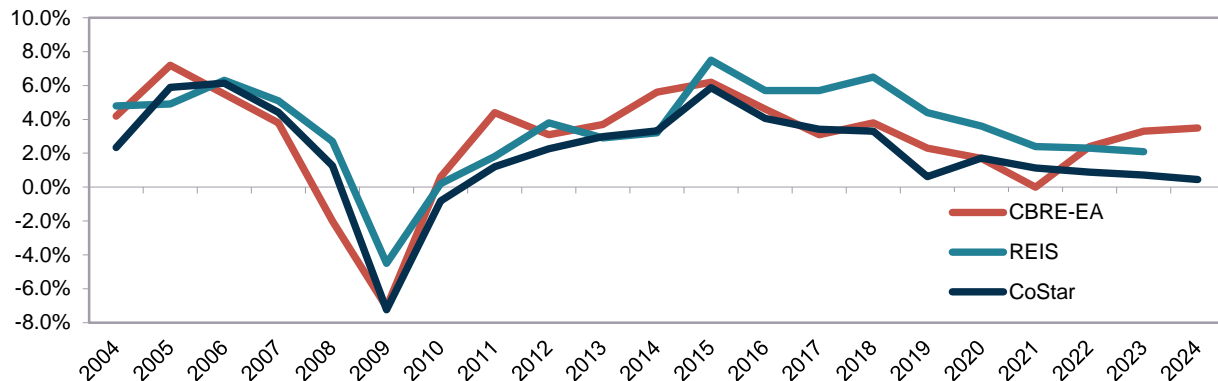
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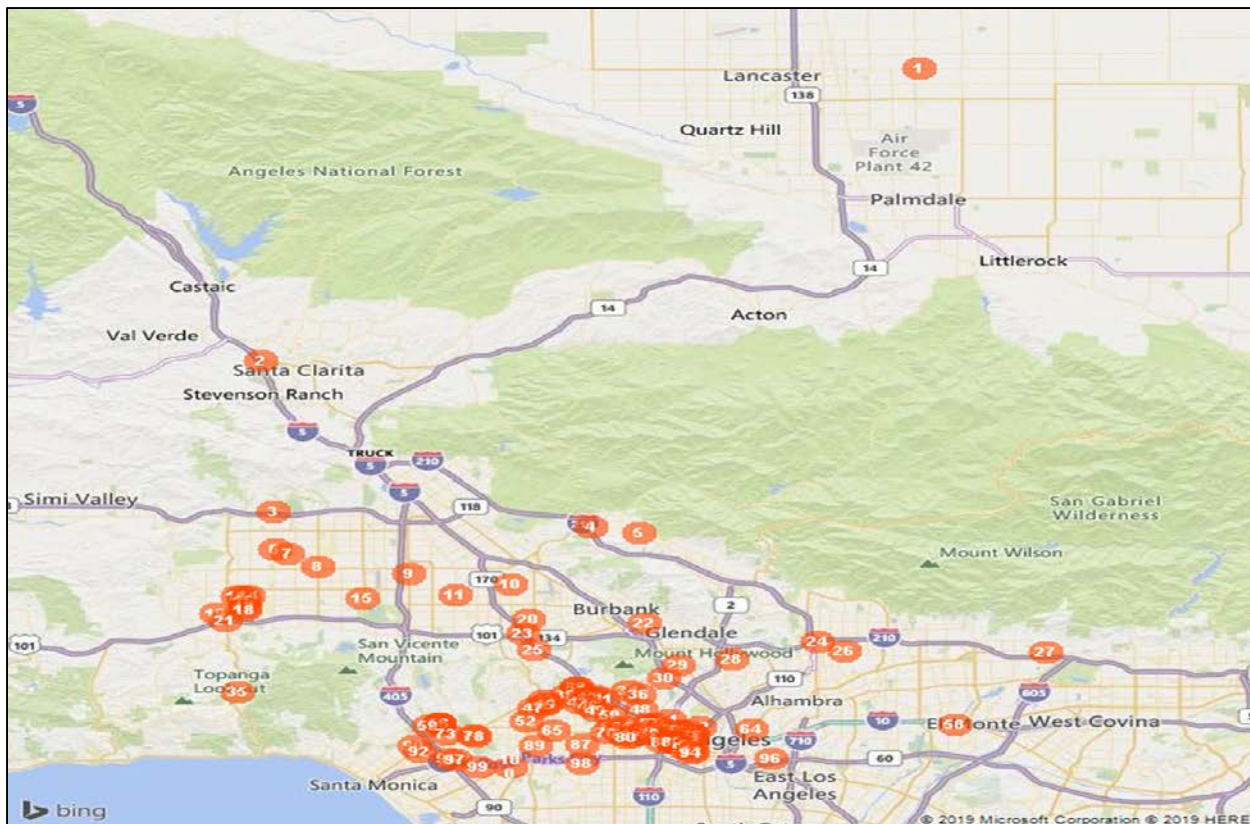
CoStar



Annual Rent Growth



### Construction Bidding/Underway (136 projects/22,700 Units/28.3 M Sq. Feet)



Source: Dodge Data & Analytics SupplyTrack

CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Arcadia/Duarte/EI Monte	2	402	369
Beverly Hills/W Hollywood/Park La Brea	5	457	437
Burbank/North Glendale	1	204	76
Carson/San Pedro/E Torrance/Lomita	2	1272	732
Central LA	9	850	707
Chatsworth/Canoga Park	5	2177	1262
Downtown East	7	1712	1465
LA/Alhambra/Montebello /Pico Rivera	3	326	227
Granada Hills/Northridge/Reseda	3	768	573
Hawthorne/North Torrance	1	100	110
Hollywood/Silver Lake	18	3008	2747
Inglewood/Crenshaw	4	796	607
Los Angeles County/Other	3	856	715
Mar Vista/Palms/Culver City	6	1776	1634
Marina Del Rey/Venice/Westchester	2	55	61

CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Mid-City/West Adams/Pico Heights	5	193	156
Panorama Hills/San Fernando/Pacoima	1	35	32
Paramount/Downey/Bellflower/Norwalk	1	56	60
Pasadena	2	813	488
Santa Clarita Valley/Canyon Country	1	480	480
Santa Monica	2	453	380
Sherman Oaks/Studio City/N Hollywood	3	383	341
South Glendale/Highland Park	2	156	146
Tujunga/La Cresenta/Montrose	2	130	63
Van Nuys/North Hollywood West	2	139	132
LA/Westwood/Brentwood	10	3321	2165
West Long Beach/Signal Hill	7	1844	1223
West Torrance/Ranchos Palos Verdes	1	251	248
Whittier	1	190	189
Wilshire/Westlake	21	3549	3668
Woodland Hills/Tarzana/Encino	4	1584	1193

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**Fannie Mae Multifamily Economics and Research**  
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## Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics SupplyTrack
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

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