



Multifamily Metro Outlook: Los Angeles Fall 2018

Overview

Even though the Los Angeles metro area has entered job market expansion, job growth in recent quarters continues to expand slowly. As of Q2 2018, the job market within the metro expanded by 1.0 percent (year over year), below the national rate of 1.6 percent.

Apartment fundamentals are performing well. Vacancies remained low at 3.75 percent during Q2 2018, and rent growth continued to move in the right direction, as it was 2.25 percent during the same period. Concessions were also not a big factor, at approximately negative 0.2 percent during Q2 2018.

The tech scene in the Los Angeles area, better known as Silicon Beach, is establishing its footing. Some of Silicon Beach's anchor tenants include Snap Inc., Apple, social media companies, sports e-commerce, and cloud computing firms.

The Construction sector is expected to emerge as an economic crutch for the metro area as it continues to expand. According to Moody's Analytics, commercial construction expanded 13 percent in 2017 compared to 2016. During Q2 2018 the local Construction sector expanded by 3.6 percent compared to 4.1 percent nationally. Much of the rise within the sector can be attributed to the emergence of Silicon Beach as tech institutions continue to expand their footprint. Many residents are priced out of the metro because of the high costs of living, which is 26 percent above the national average. Additionally, the cost of doing business is 13 percent above the national average. As a result of the high living costs, Los Angeles has a negative rate of net migration.

Once one of Los Angeles' economic strengths, the Aerospace industry's presence is continuing to diminish. Boeing, one of the metro's largest employers, is considering closing a production line in Long Beach. Northrop Grumman is also looking to close a facility in El Segundo due to a loss of funding for its F/A-18 fighter jet.

Development

Condo development is beginning to slow. Since 2012 approximately 27,000 condos have completed, but there are nearly 3,000 units underway through 2019.

Development has been robust with approximately 44,700 apartment units completed since 2013. Another 24,700 units are underway, which should help ease the tightness in the market. There are currently close to 109,000 rental units in the planning stages.

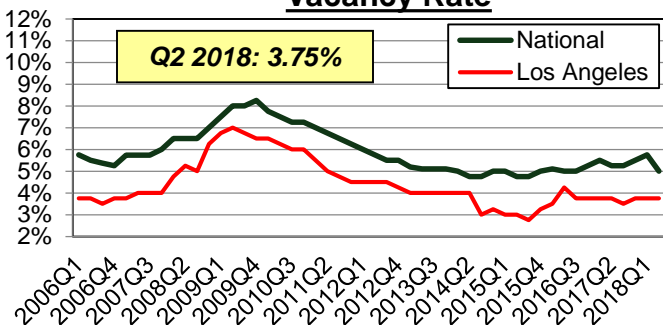
Outlook

Los Angeles is continuing to progress as a result of positive, albeit meager, job growth and improving fundamentals. Favorable demographics should help the absorption of incoming supply. Even though expansion is well underway in the metro, recent quarters of tepid job growth are hampering the metro's success.

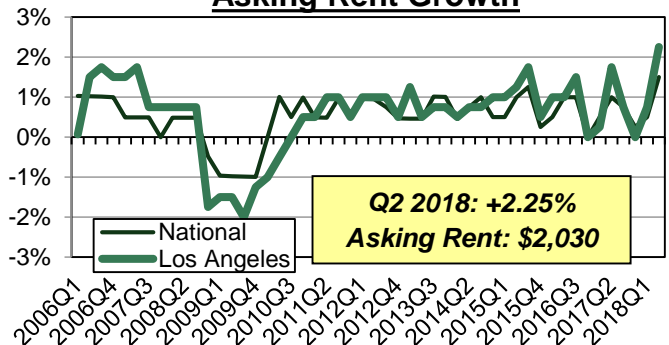
New supply is heating up in the metro. Despite the area's negative net-migration trends, the prime-renter cohort is expanding at one of the fastest rates in the nation and should easily be able to absorb incoming supply. However, the diminishing presence of the Aerospace industry, trade industry uncertainty, and high business and living costs prevent the metro from receiving a higher rating.

Vacancy and Rent Composite Estimates

Vacancy Rate

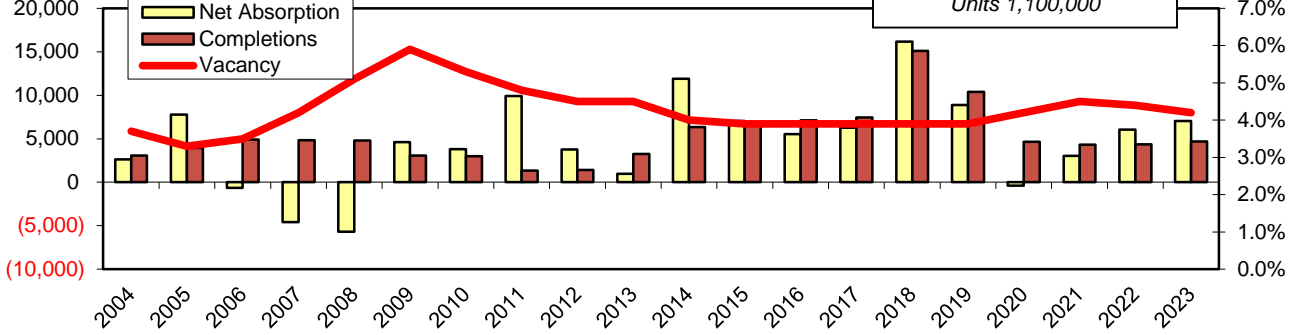


Asking Rent Growth

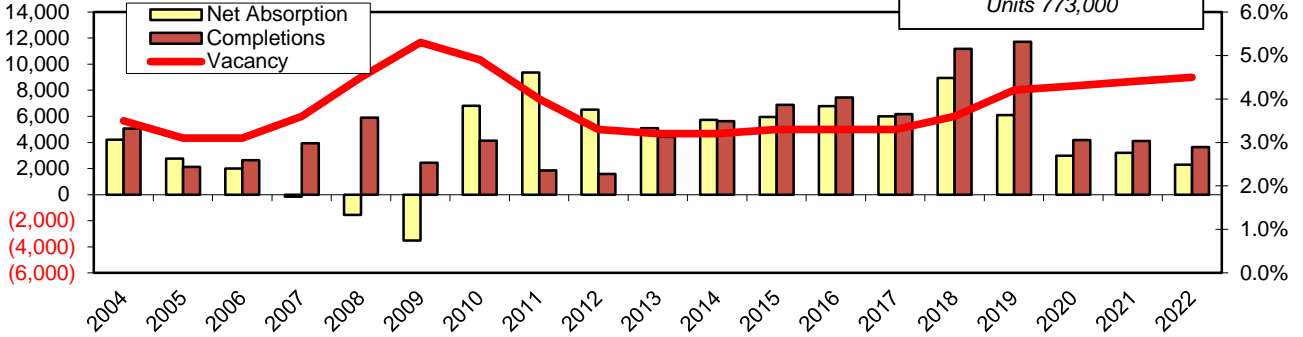


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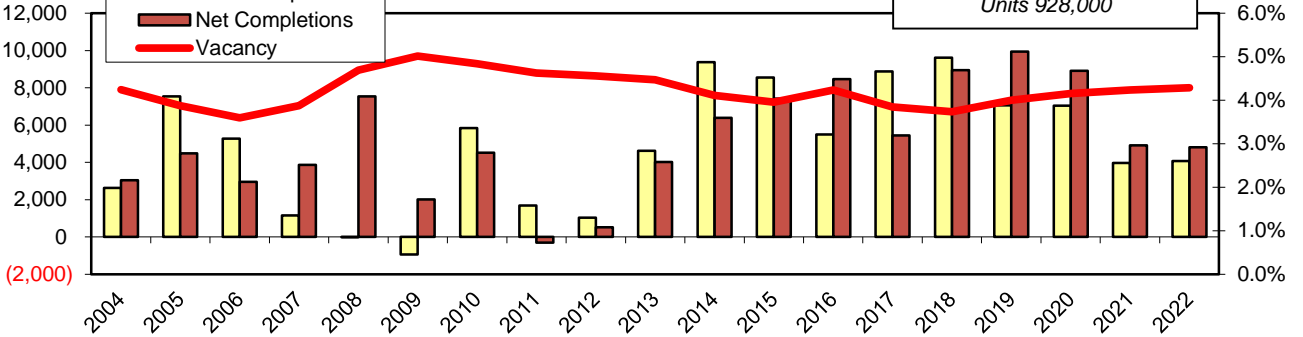
CBRE-EA



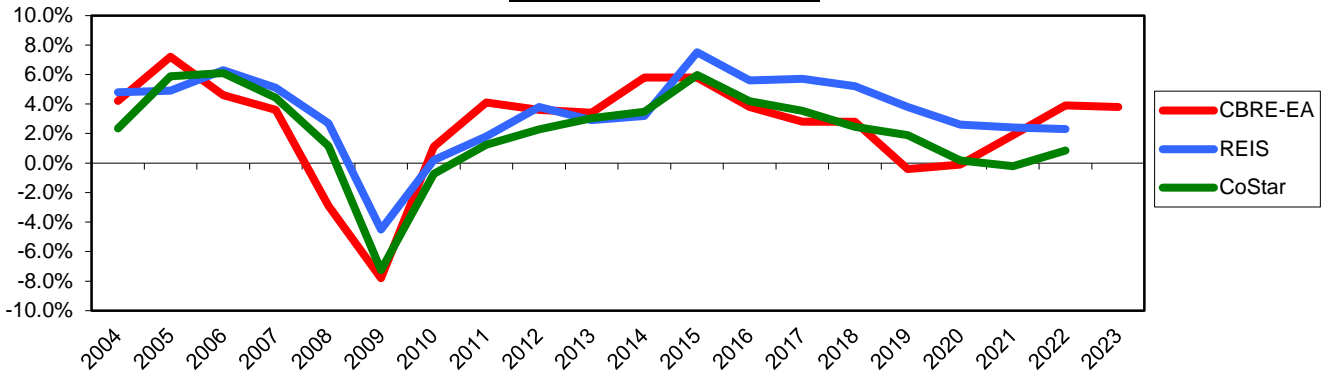
REIS



CoStar

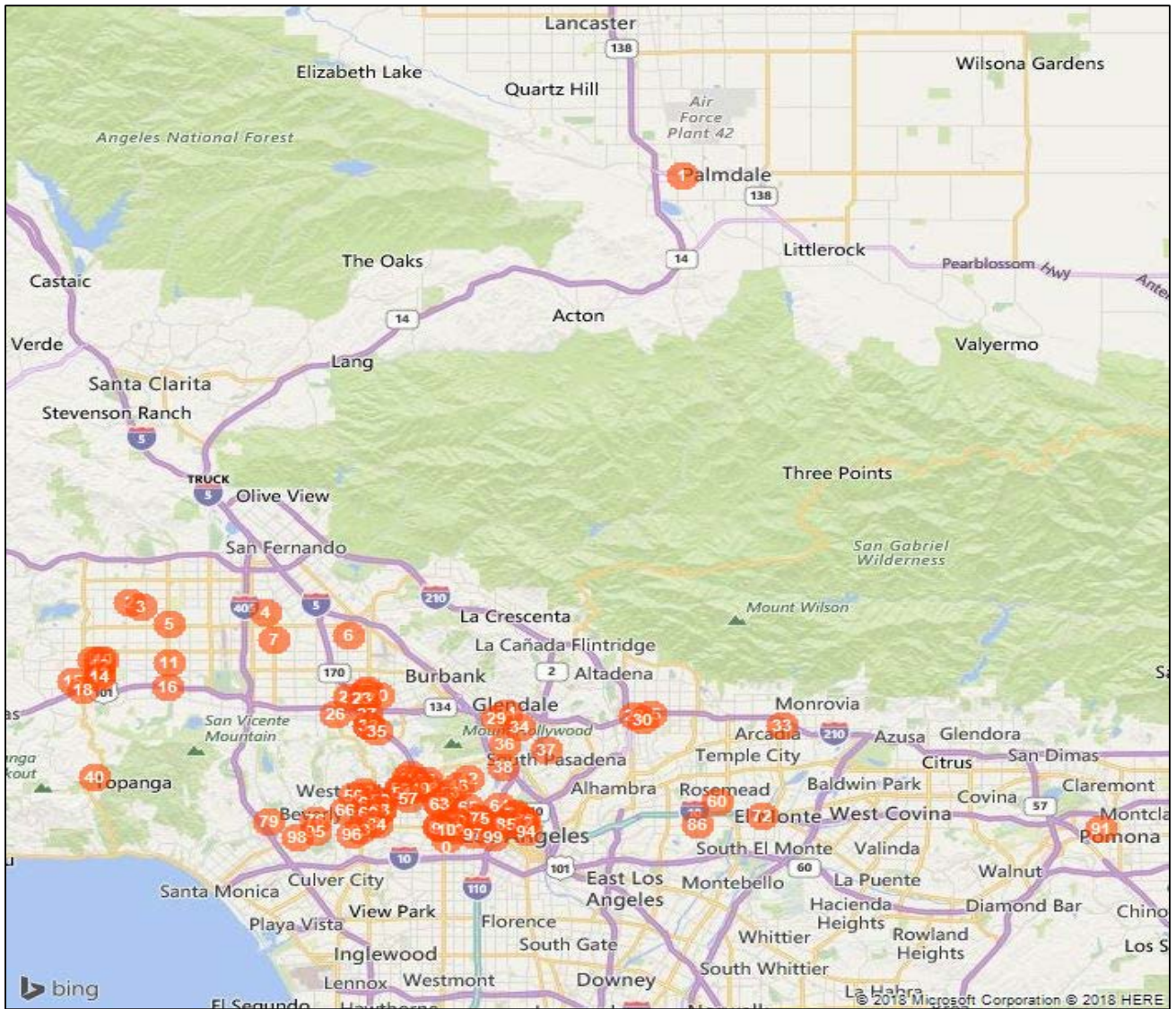


Annual Rent Growth



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Construction Bidding/Underway (169 projects/25,000 Units/32.7 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Arcadia/Duarte/El Monte	2	264	246
Beverly Hills/W Hollywood/Park La Brea	13	1005	615
Carson/San Pedro/E Torrance/Lomita	4	1382	829
Central LA	12	3908	2887
Chatsworth/Canoga Park	5	2116	1203
Claremont/Pomona/La Verne	1	50	26
Downtown	12	4964	4281
East LA/Alhambra/Montebello/Pico Rivera	5	231	196
Granada Hills/Northridge/Reseda	3	1035	823
Hollywood/Silver Lake	23	3029	2853
Inglewood/Crenshaw	3	201	194
Los Angeles County/Other	2	502	355
Mar Vista/Palms/Culver City	7	811	721

CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Marina Del Rey/Venice/Westcheste	5	1672	1202
Mid-City/West Adams/Pico Heights	9	355	301
Palmdale/Lancaster	1	117	81
Panorama Hills/San Fernando/Paco	1	20	14
Pasadena	3	574	377
Santa Monica	4	564	423
Sherman Oaks/Studio City/N Hollywood	11	1521	1305
South Glendale/Highland Park	5	893	881
Van Nuys/North Hollywood	2	137	86
West LA/Westwood/Brentwood	9	3487	1968
West Long Beach/Signal Hill	7	754	678
Wilshire/Westlake	15	1550	1631
Woodland Hills/Tarzana/Encino	5	1598	1206



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Fannie Mae Multifamily Economics and Market Research

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Sources Used

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

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