

FIGURES | MULTIFAMILY | Q4 2023

# Multifamily sales show signs of acceleration and asking rents slightly decrease.

▼ 2,872

Construction Deliveries (Units)

▲ 1,528

Net Absorption (Units)

▼ -0.5%

YoY Rent Growth

▼ \$2,790

Average Rent per Unit

▲ 4.8%

Vacancy

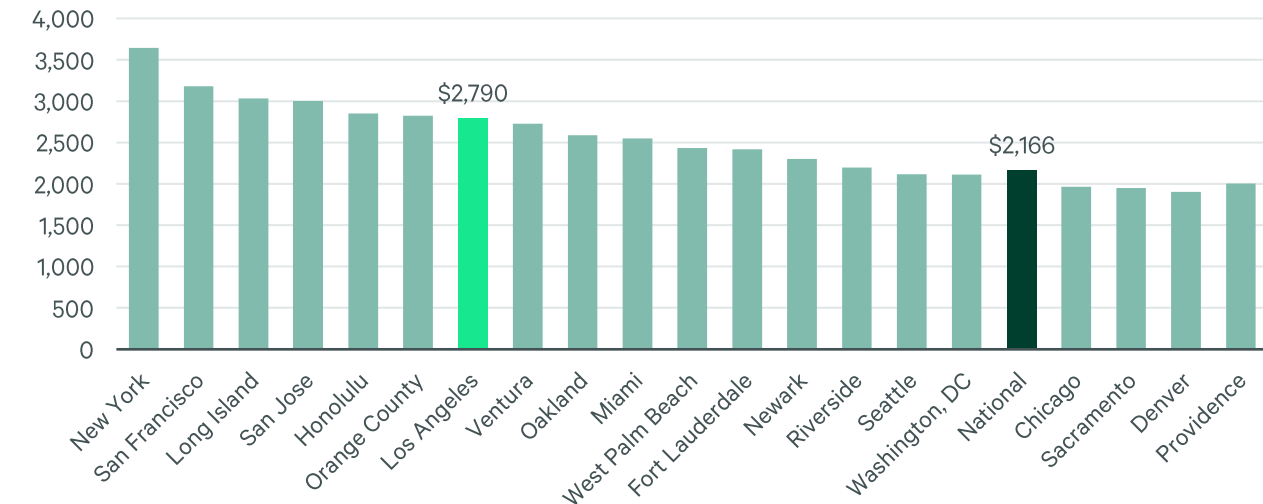
Note: Arrows indicate change from previous quarter.

## Market Summary

- The Greater Los Angeles Multifamily market's vacancy rate increased by 10 basis points (bps) quarter-over-quarter from 4.7% in Q3, and increased by 60 bps year-over-year to 4.8%.
- The average rent per unit decreased by \$26, while net absorption exceeded Q3 by 235 units.
- Construction starts in GLA have decelerated and reported at the lowest levels since 2012.
- Sustained elevated interest rates and stringent debt financing requirements constrained developers and new construction starts.
- Sales volume across GLA's Multifamily market saw an uptick compared to Q2 and Q3 2023, however, remained well below the total volume in 2022.
- The largest sale of Q4 2023 was 6710 Variel Ave, which sold for \$106.7M. Originally purchased in 2019 by Trammel Crow Residential and MG Properties for \$69.3M, this sold 54% higher than its previous purchase price.

FIGURE 1: Top 20 Multifamily Cities

Average Rate (\$/Unit)



Source: CBRE Research, CBRE Econometric Advisors, Q4 2023.

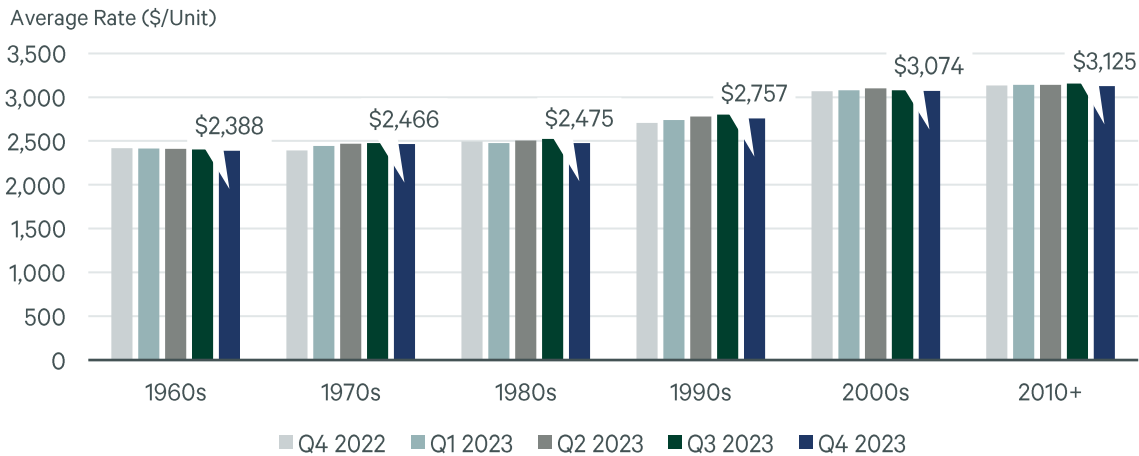
## Market Fundamentals

The Greater Los Angeles Multifamily market reported two consecutive quarters of asking rate declines, which showed signs of softening from its peak in 2022. Sustained elevated interest rates have slowed the flow of investment capital to this sector including a net decrease in development starts in Greater Los Angeles.

According to CBRE' house view, multifamily loan to value increased quarter-over-quarter, and remained the most preferred property type for alternative lenders. Borrowing costs continued to increase, driven by the 10-Year Treasury yield's 30 bps rise.

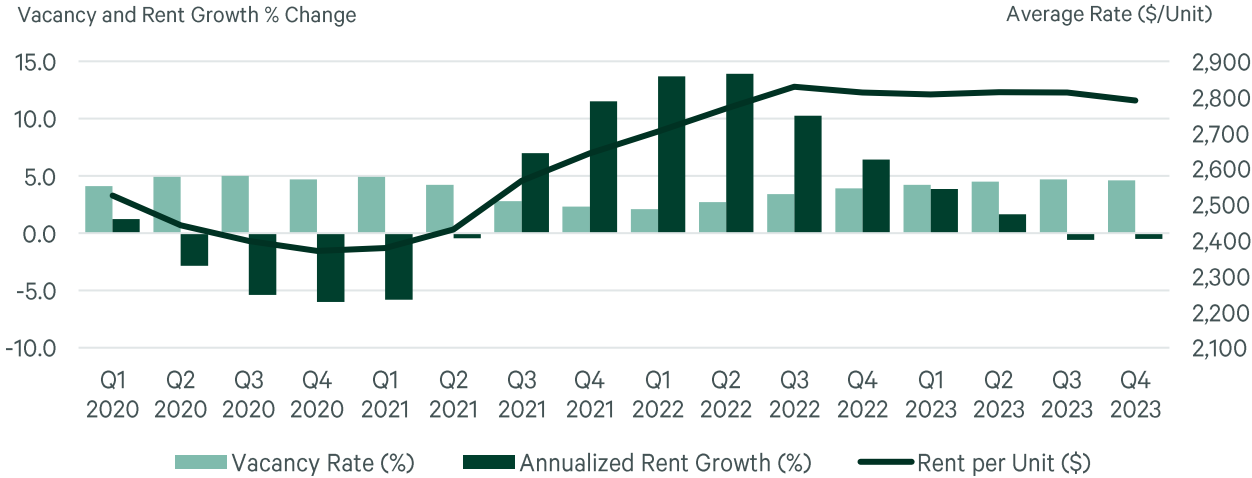
In Q4 2023, Greater Los Angeles experienced a net absorption of 1,528 units while only 2,872 units were delivered. The vacancy rate in Q4 2023 slightly decreased 10 bps quarter-over-quarter to 4.8% and rent decreased year-over-year to \$2,790.29.

FIGURE 2: Average Rent per Unit by Vintage



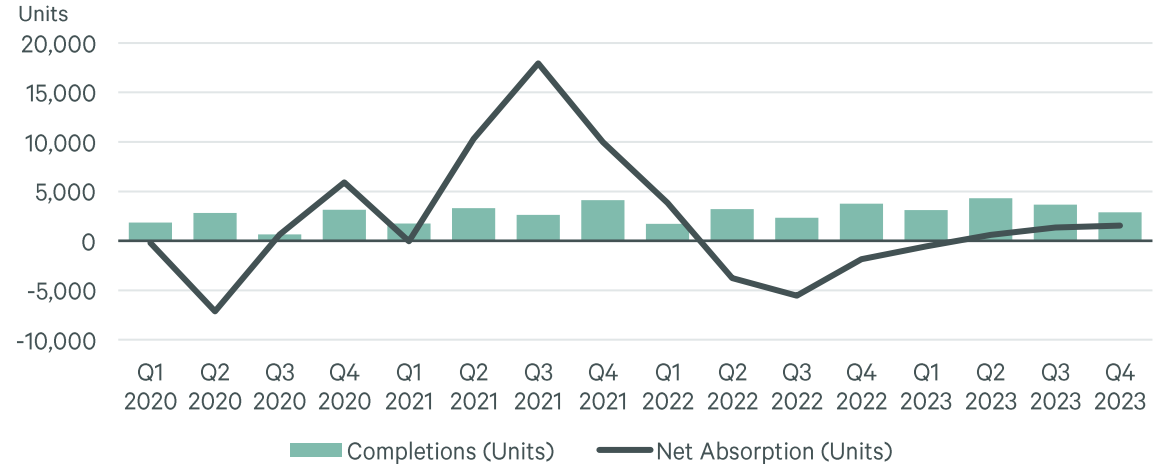
Source: CBRE Research, CBRE Econometric Advisors, Q4 2023.

FIGURE 3: Vacancy and Average Rental Rate per Unit



Source: CBRE Research, CBRE Econometric Advisors, Q4 2023.

FIGURE 4: Multifamily Unit Completions



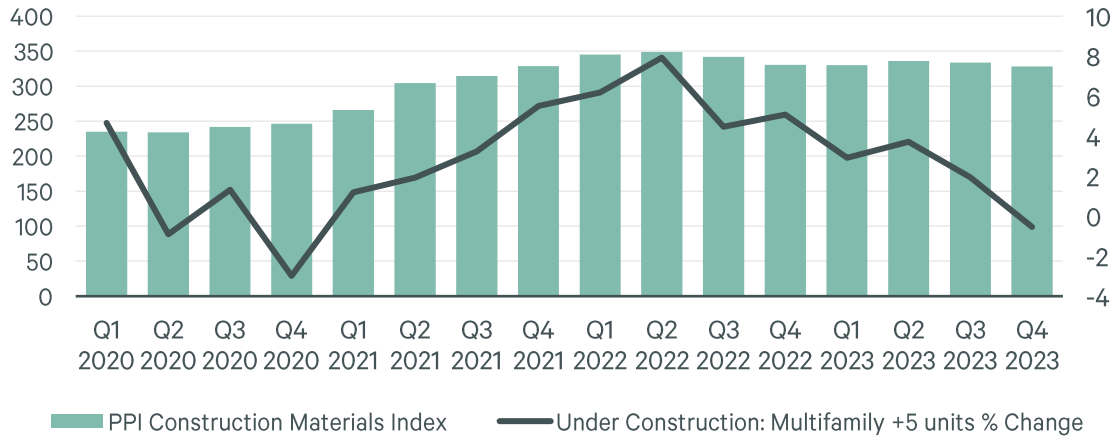
Source: CBRE Research, CBRE Econometric Advisors, Q4 2023.

## Development

Development continued across the Greater Los Angeles region while most activity took place in Mid-Wilshire, Tri-Cities and South LA. As of Q4 2023, there were 9,631 units under construction between these three leading markets. Mid-Wilshire, South LA, and the Tri-Cities are expected to deliver just under 7,000 units in 2024.

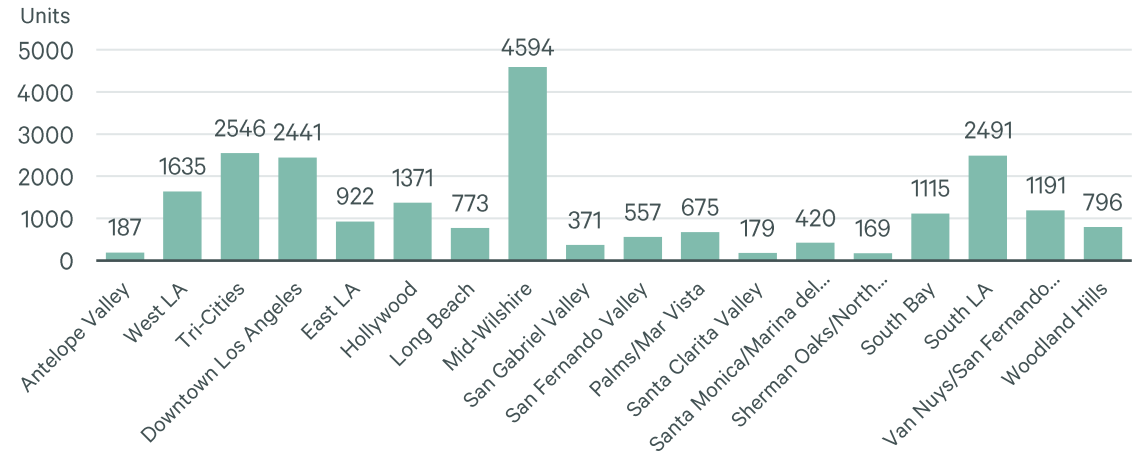
Multifamily construction starts across the Greater Los Angeles market were at their lowest level of starts annually since 2012. The increase in vacancy rates and slight decrease in asking rents resulted in near-term hesitation amongst developers facing increased borrowing costs and difficulty sourcing debt. Conversely, construction costs decreased in Q4 2023.

FIGURE 5: Construction Costs and New Multifamily Supply  
Index Base Year 1982=100



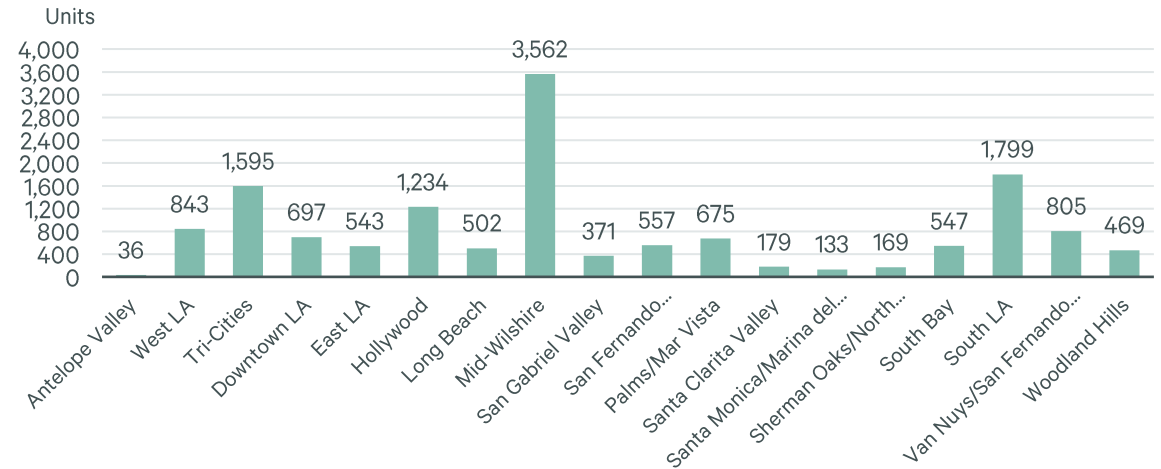
Source: U.S. Census Bureau and U.S. Department of Housing and Urban Development, St. FRED, Q4 2023.

FIGURE 6: Units Under Construction



Source: CBRE Research, CBRE Econometric Advisors, Costar Q4 2023.

FIGURE 7: Expected Deliveries in 2024



Source: CBRE Research, CBRE Econometric Advisors, Costar Q4 2023.

## Capital Markets

Multifamily sales activity picked up in Q4 2023, but levels remain at historic lows. The Greater Los Angeles market had two \$100M+ sales take place in October. Trammel Crow Residential and MG Properties sold a 165-unit apartment complex for \$106.7 million at 6710 Variel Avenue in Canoga Park and Equity Residential sold a 280-unit multi-family building for \$106.7M at 11450 Poema Place in Chatsworth.

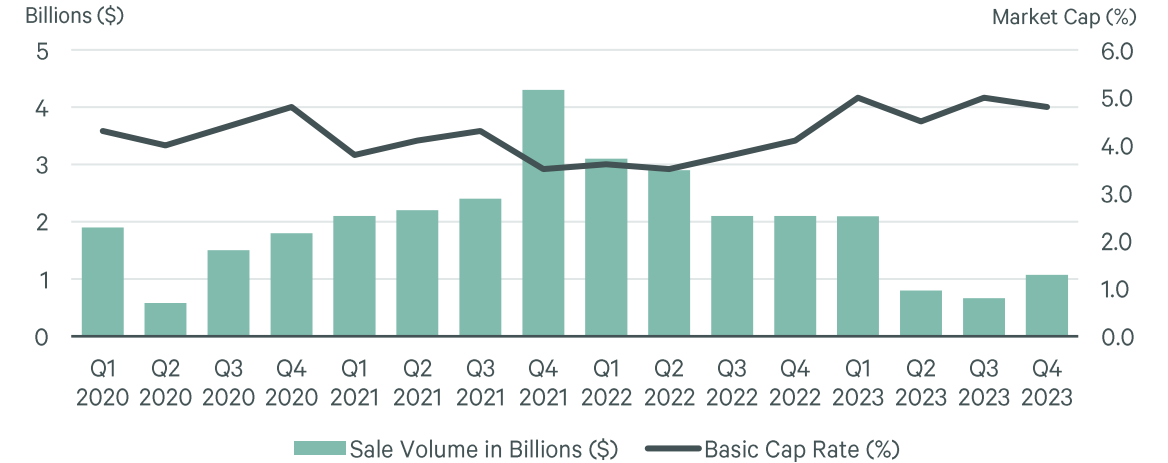
While Multifamily sales saw an uptick in activity quarter-over-quarter, investors continued to track “The Taxpayer Protection and Government Accountability Act.” This statewide initiative will be on the November 2024 ballot. If passed, this will put an end to the recently implemented Measure ULA tax in Los Angeles.

FIGURE 8: Transaction Detail by Year Built

Vintage	Number of Transactions	Total Units	Median Sale Price (\$M)	Median Sale Price (\$/Unit)
<1970s	64	1,763	4,125,000	250,000
1970s	9	457	11,500,000	281,835
1980s	11	547	5,800,000	380,446
1990s	4	161	4,000,750	262,565
2000s	4	443	23,897,996	422,757
2010s	3	36	4,200,000	323,077
2020+	0	0	0	0

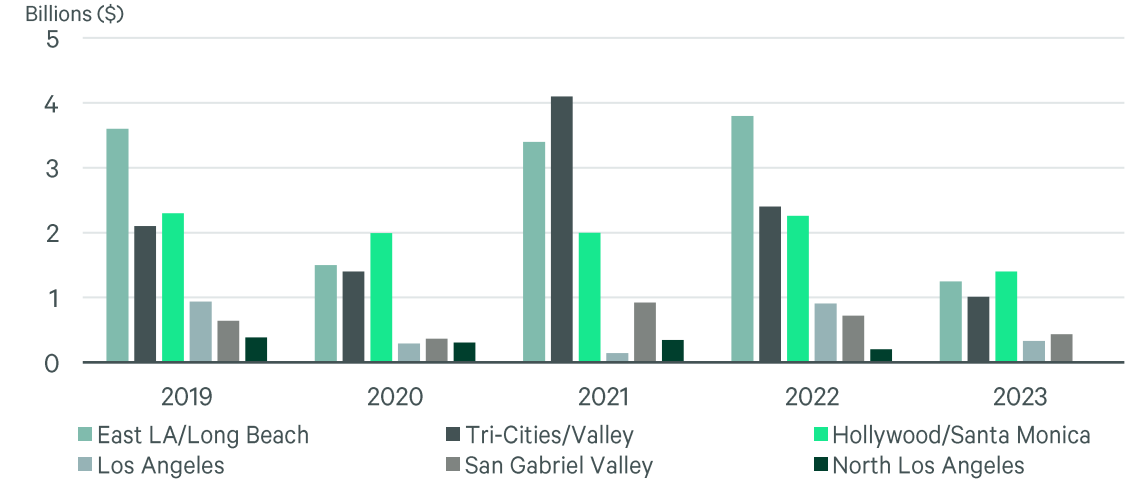
Source: CBRE Research MSCI Real Capital Analytics, Q4 2023.

FIGURE 9: Transaction Volume



Source: CBRE Research, MSCI Real Capital Analytics, Q3 2023.

FIGURE 10: Submarket Transactions (YTD)



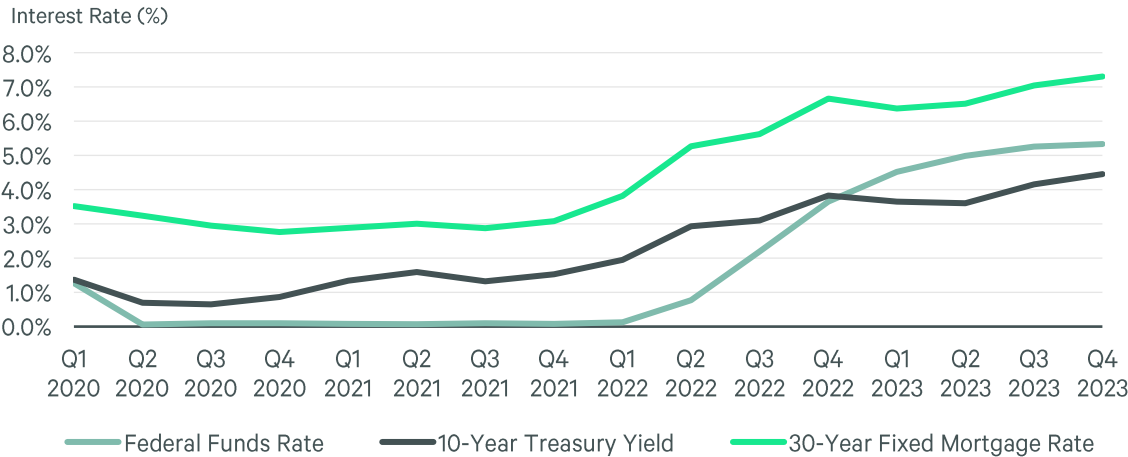
Source: CBRE Research, MSCI Real Capital Analytics, Q4 2023.

## Single Family

Activity across GLA has remained stagnant due to interest rates. The Federal Funds Rate remained in the 5.26 % to 5.35% range, the 10-Year Treasury yield increased by 30-bps, from 4.15% to 4.45%, and 30-Year Fixed Mortgage rates increased by 26-bps from 7.04% to 7.30% quarter-over-quarter.

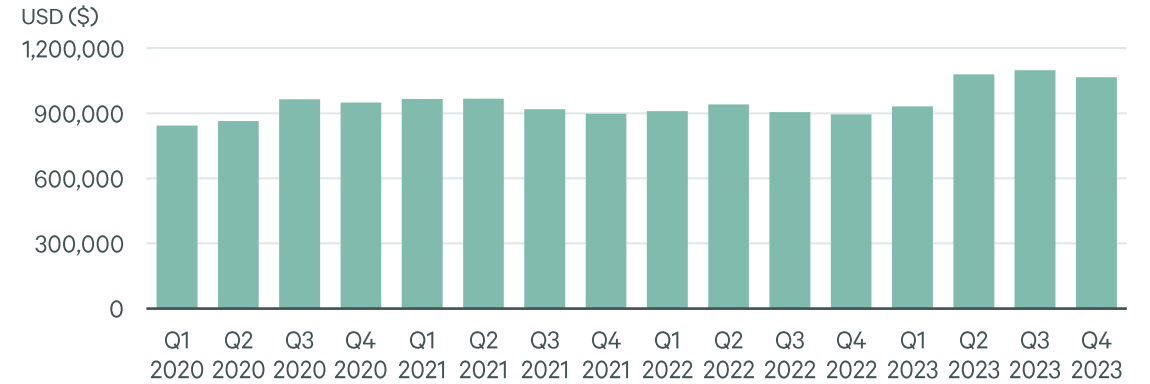
The average median list price reported at \$1,066,125 in Q4 2023, a \$33,042 decrease quarter-over-quarter, partially attributed to the increase in housing inventory to 10,897 active listings. While supply has increased, new residential building permits have declined. During Q4 2023, there were a total of 2,264 new residential building permits issued; 188 less than Q3 2023. This was driven by increased costs associated with debt financing.

FIGURE 11: Monetary Policy and Interest Rates



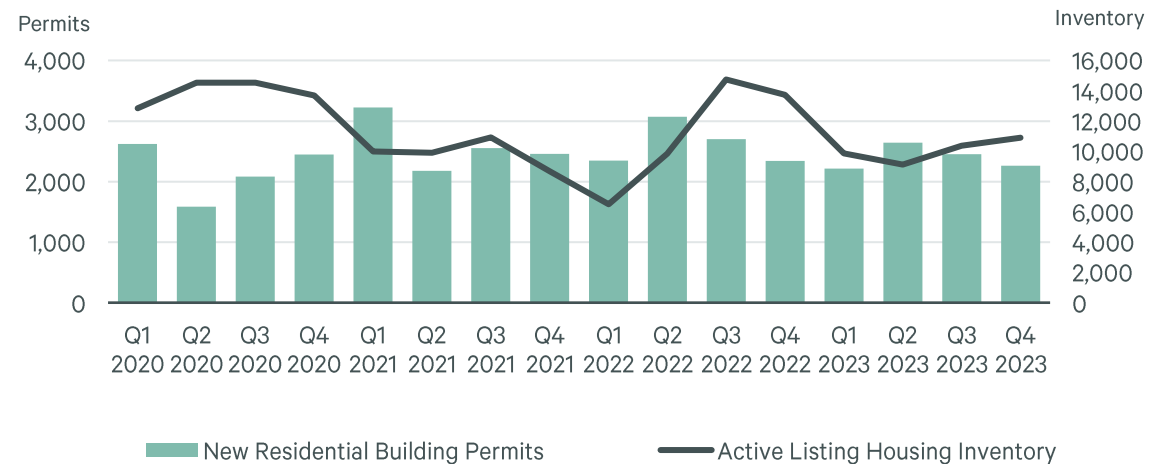
Source: Federal Funds Effective Rate [FEDFUNDS], retrieved from FRED, Federal Reserve Bank of St. Louis, Q4 2023

FIGURE 12: Average Median List Price



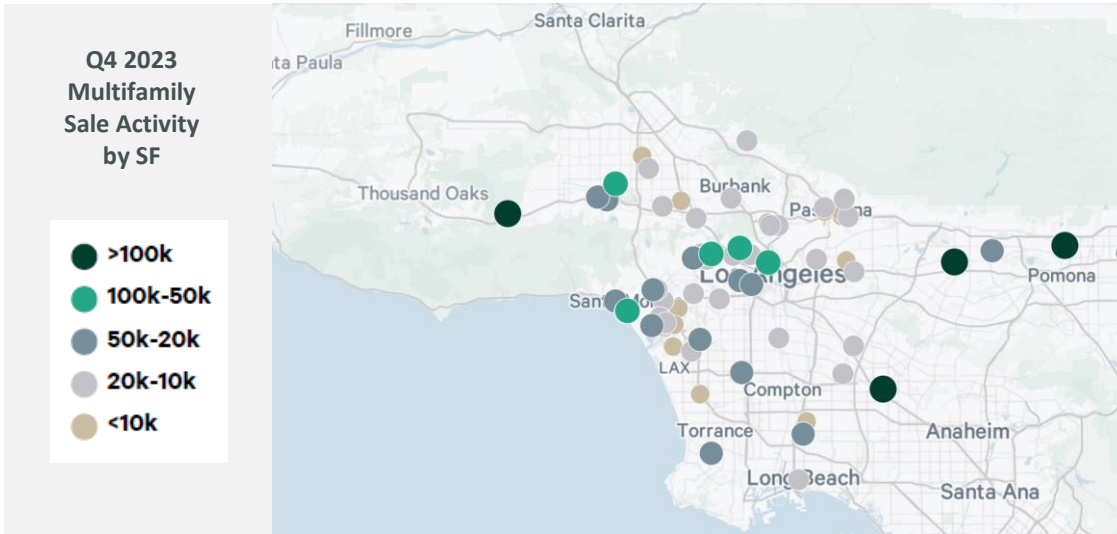
Source: Realtor.com, retrieved from FRED, Q4 2023

FIGURE 13: Residential Housing



Source: U.S. Census Bureau & Realtor.com, retrieved from FRED, Q4 2023

FIGURE 14: Sales Activity Map by SF



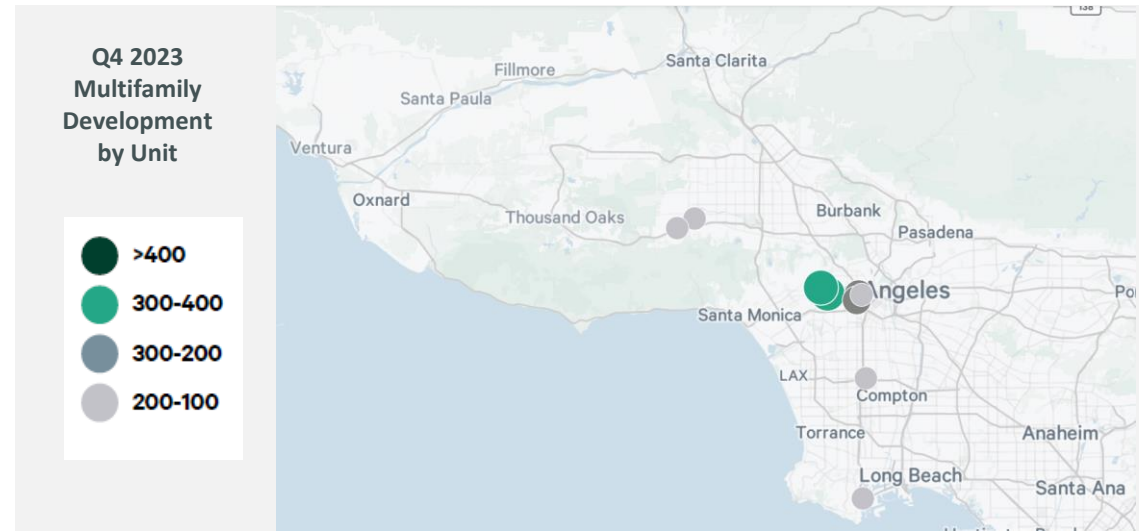
Source: MSCI Real Capital Analytics, Q4 2023

FIGURE 15: Capital Market Transactions

Building Name	City	Sale Price	Units	Buyer	Seller
The Enclave at Warner Center	Encino	\$106,650,000	241	Undisclosed	MG Properties
IMT Summerset Village	Calabasas	\$106,525,000	280	Investors Management	Equity Residential
Sunset Square Apartments	West Covina	\$40,000,000	140	BAG Investments	LM Group, Stratford Partners
Capistrano Gardens	Norwalk	\$38,300,000	123	Cirrus Asset Management	Hisako Hayashi
Terramonte Apartments	Pomona	\$35,500,000	138	Positive Investments	MG Properties

Source: MSCI Real Capital Analytics, Q4 2023

FIGURE 16: New Construction



Source: MSCI Real Capital Analytics, Q4 2023

FIGURE 17: Major Developments Started in Q4 2023

Building Name	City	Sq. Ft.	Units	Developer	Est Completion
Mirabel Residential Tower	Los Angeles	476,777	348	Walter N Marks Inc	Q1 2027
3 <sup>rd</sup> & Fairfax	Los Angeles	402,721	331	Holland Partners	Q2 2026
1000 South Vermont Avenue	Los Angeles	373,466	228	Grubb Properties	Q2 2025
3020 Wilshire	Los Angeles	253,800	262	Jamison	Q1 2025
111 Harbor	Los Angeles	121,400	120	SP Harbor QOF LP	Q1 2025

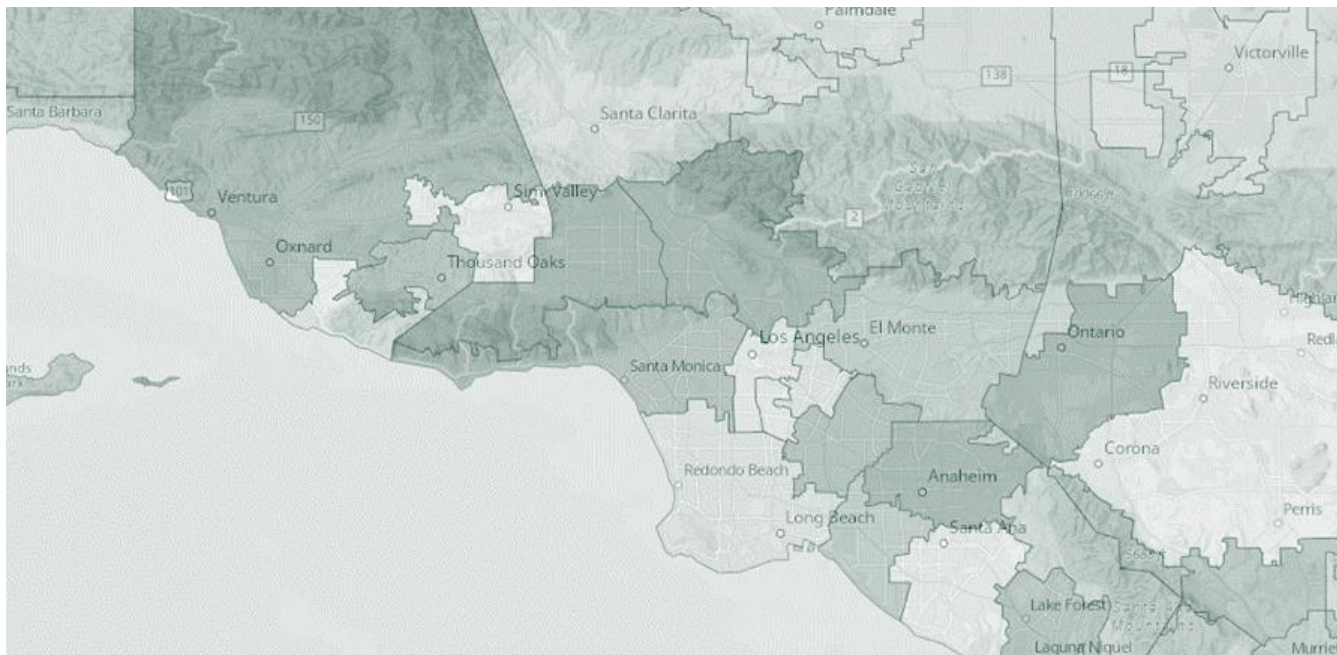
Source: MSCI Real Capital Analytics, Q4 2023

FIGURE 18: Market Statistics by Submarket

SUBMARKET	Inventory (Units)	Under Construction (Units) YTD	Deliveries (Units) YTD	Net Absorption (Units) QTD	Vacancy Rate (%)	Avg. Rent (\$/Unit)	YoY Rent Change (%)
Antelope Valley	15,050	187	512	204	4.0	1,871	3.5
Brentwood/Westwood/Beverly Hills	59,672	1,635	643	867	4.7	3,601	0.0
Burbank/Glendale/Pasadena	106,139	2,546	779	(35)	4.3	2,956	0.3
Downtown Los Angeles	48,442	2,441	1,167	392	7.1	2,875	(3.4)
East Los Angeles	49,961	922	446	185	3.2	2,086	(0.2)
Hollywood	93,327	1,371	1,491	(234)	5.7	2,879	(2.2)
Long Beach	75,274	773	564	(577)	5.5	2,643	(0.2)
Mid-Wilshire	121,089	4,594	2,043	327	4.7	2,834	(6.5)
North San Gabriel Valley	30,246	337	40	20	3.9	2,277	1.8
Northridge/Northwest San Fernando Valley	35,307	557	307	222	4.6	2,377	1.2
Palms/Mar Vista	43,318	675	570	(130)	4.5	3,398	0.7
Santa Clarita Valley	14,621	179	0	6	4.9	2,669	1.4
Santa Monica/Marina del Rey	47,506	420	406	(3)	4.6	3,856	(0.4)
Sherman Oaks/North Hollywood/Encino	48,019	169	149	(78)	4.1	2,735	(0.6)
South Bay	60,700	1,115	698	83	4.5	3,116	(0.8)
South Los Angeles	134,020	2,472	2,544	995	3.8	2,711	3.4
South San Gabriel Valley	10,956	34	0	58	3.9	2,315	(0.1)
Southeast Los Angeles	38,598	19	164	86	3.9	2,390	2.0
Van Nuys/Northeast San Fernando Valley	87,823	1,191	1,412	(264)	3.7	2,206	1.9
Woodland Hills	20,855	796	21	(29)	4.4	2,694	(1.8)
<b>Total: Los Angeles</b>	<b>1,140,923</b>	<b>22,433</b>	<b>13,956</b>	<b>1,528</b>	<b>4.8</b>	<b>2,790</b>	<b>(0.9)</b>

Source: CBRE Research, CBRE Econometric Advisors, Q4 2023.

## Market Area Overview



## Definitions

**Absorption Rate:** Expressed as a percent of rentable stock. **Annualized Growth:** In quarterly data, this is the Y-o-Y percentage change. In annual data this is the Q4-to-Q4 percentage change. **Completion Rate:** Expressed as a percent of rentable stock. **Real Rent:** Rent measure adjusted for inflation. Inflation is measured by the national CPI figure. **Net Absorption:** Change in occupied stock from one period to the next. **Stock:** Total count of market-rate, multifamily units in structures containing five or more units. Does not include condos. **Occupied Stock:** Total count of occupied multifamily units. **Rentable Completions:** Change in rentable stock from one period to the next due to the construction of new multifamily units. A structure is considered complete when 60% or more of the building has been occupied. **Percentage Growth:** Measures the percentage change from one period to the next. In quarterly data, this is the Q-o-Q percentage change. **Vacancy Rate:** Unoccupied units expressed as a percent of rentable stock. **Rent:** Average price for multifamily space. Properties must appear in current and previous quarterly sample ("same-store") to count toward this average.

## Survey Criteria

Includes market rate multifamily buildings 5 units and greater in size in Los Angeles County. Buildings which have begun construction as evidenced by site excavation or foundation work.

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