



Marcus & Millichap
THE NEEMA GROUP

**STATE OF THE LOS ANGELES
APARTMENT MARKET
JULY 2020**

NEEMA AHADIAN
P: (310) 909-5444
E: Neema@Marcusmillichap.com



CoStar[™]
The knowledge market

Los Angeles Apartment

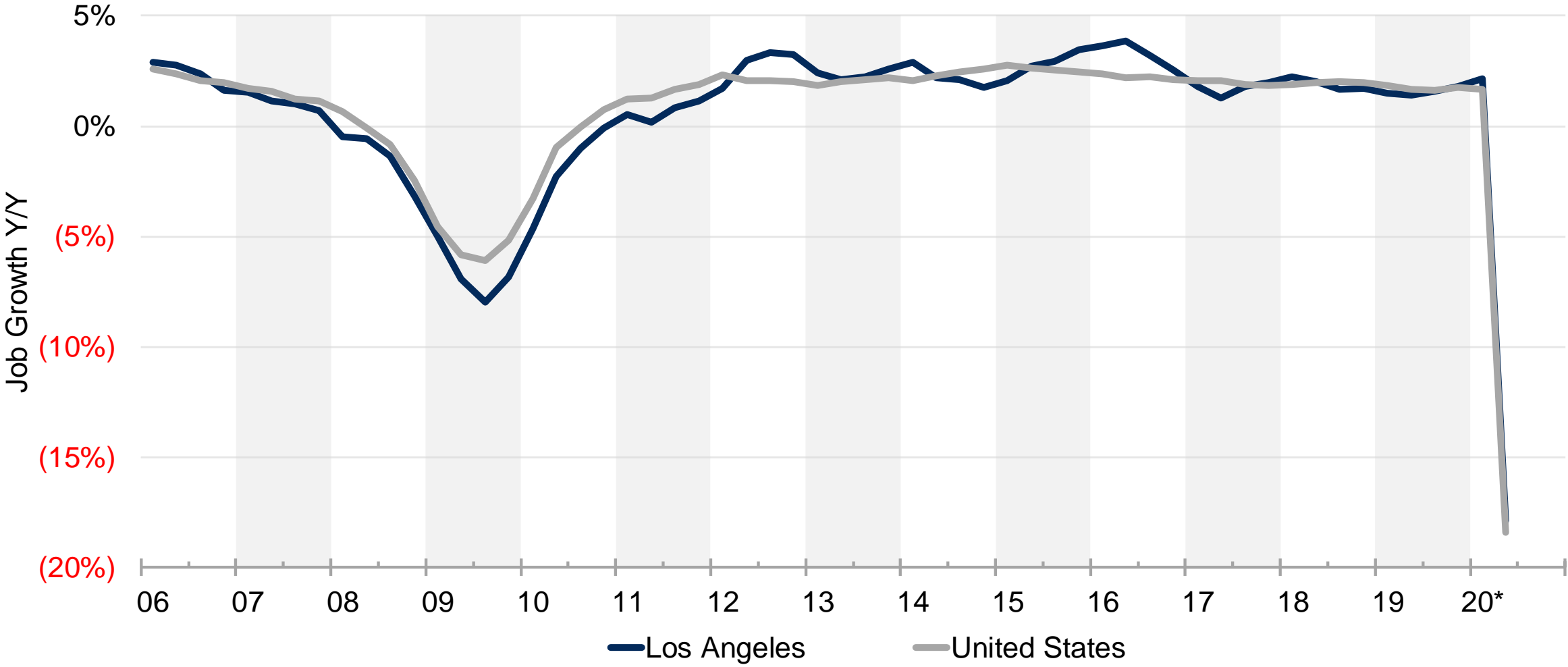
State of the Market

Mid-Year 2020

Steve Basham | Managing Analyst



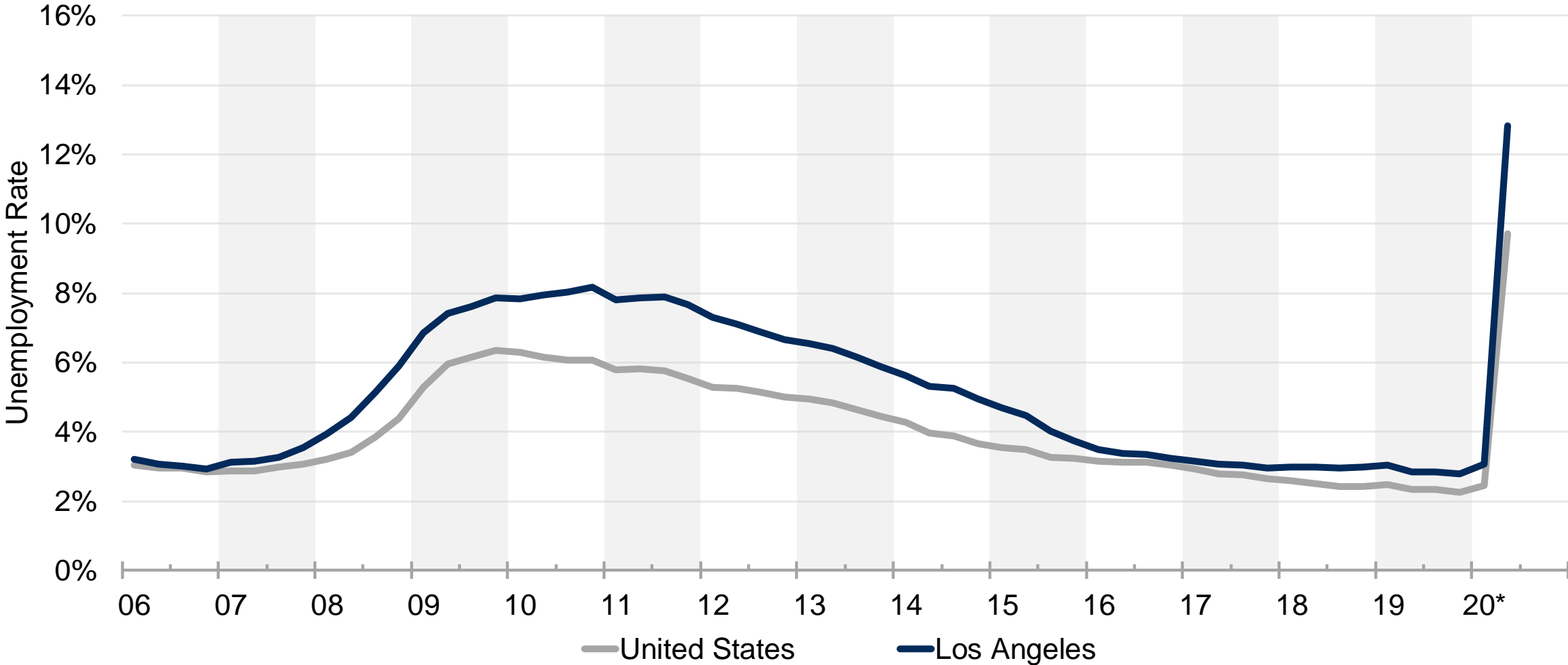
Los Angeles and U.S. Job Growth



Source: CoStar, Oxford Economics
* Year-to-Date

End of 20Q2

Unemployment Rate: Los Angeles vs. US

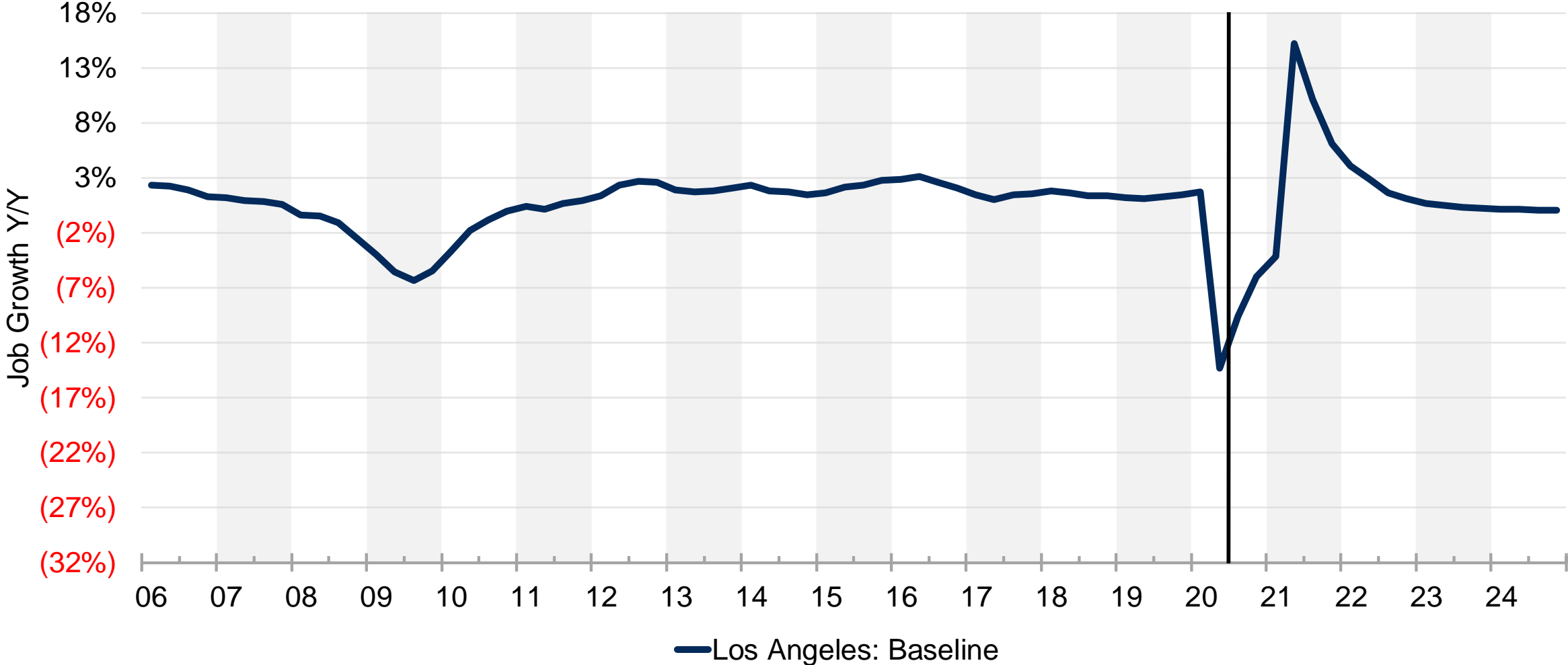


Source: Oxford Economics
* Year-to-Date

End of 20Q2



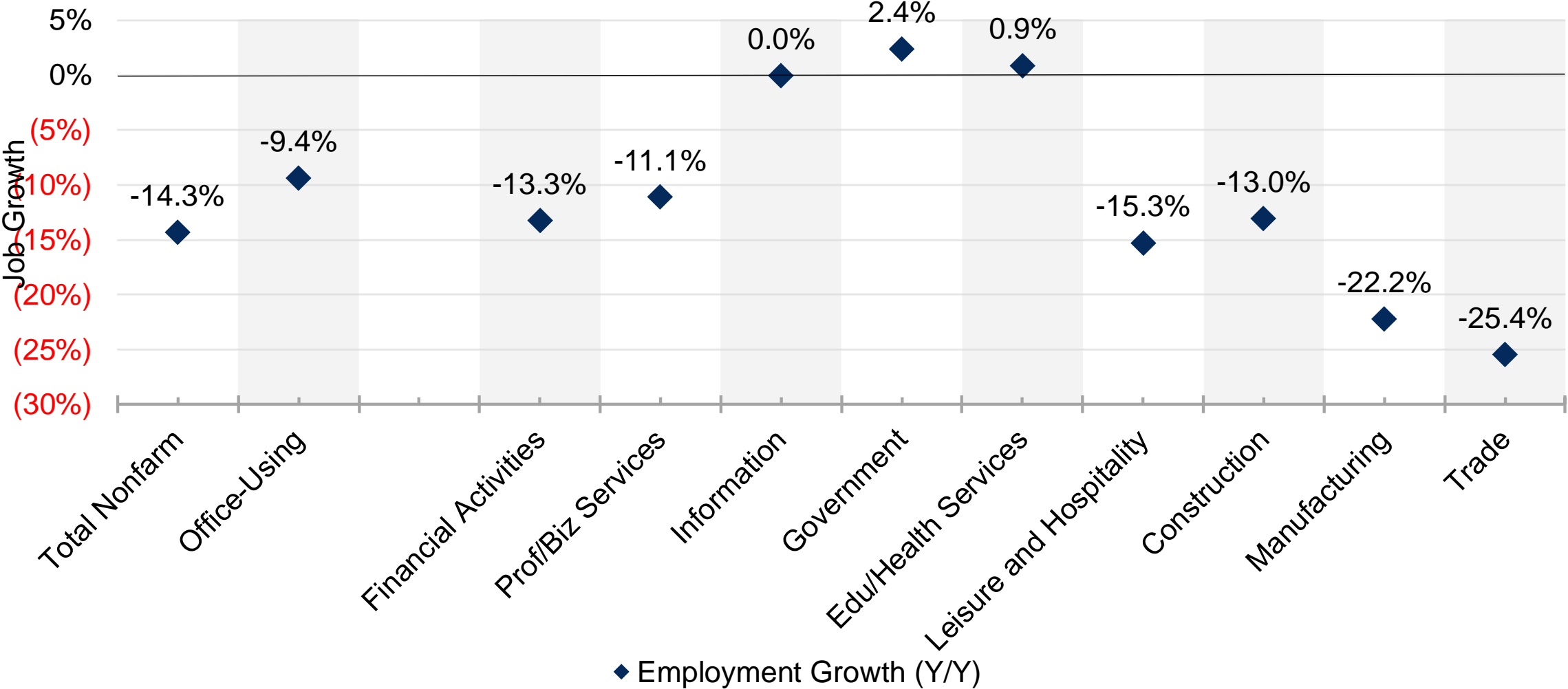
Job Growth Forecast Sees Recovery Through 2022



Source: CoStar, Oxford Economics

End of 20Q2

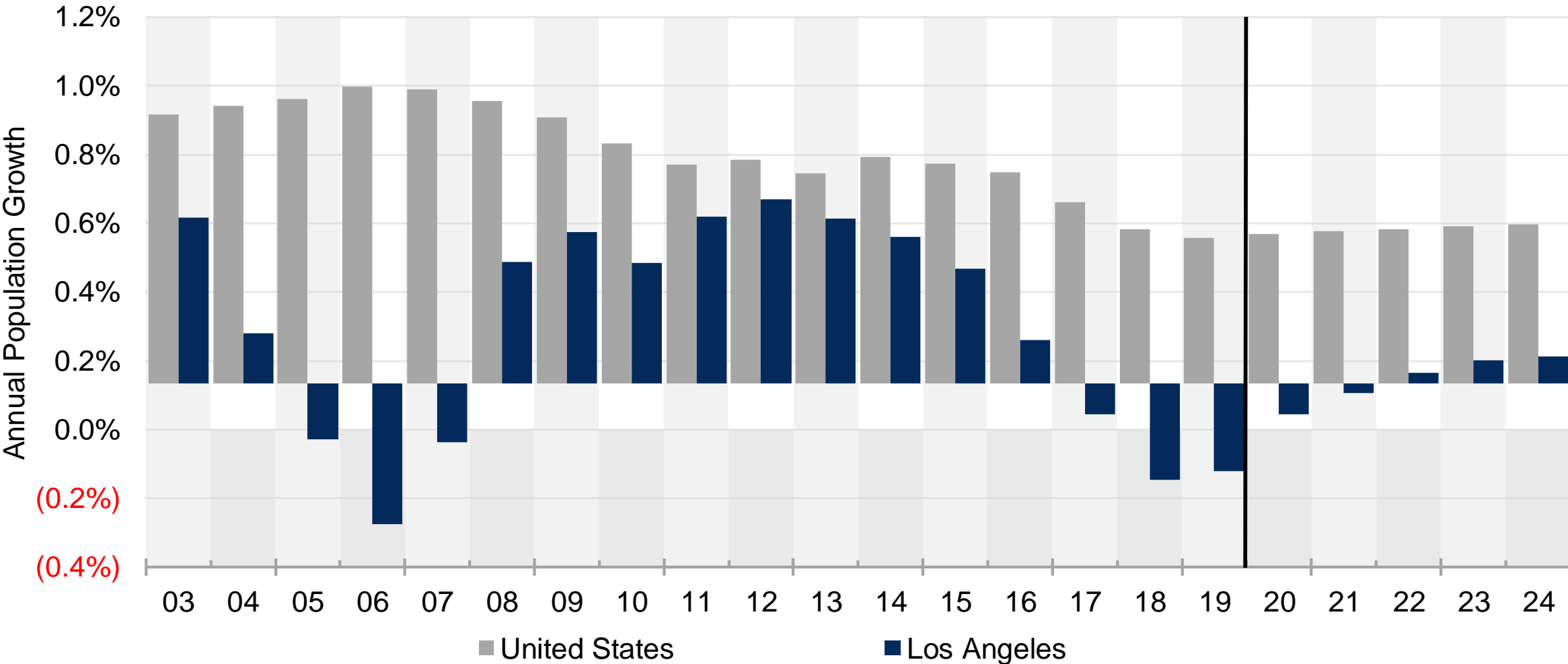
Los Angeles: Job Growth/Losses By Sector



Source: Oxford Economics

End of 20Q2

Population Growth vs. US

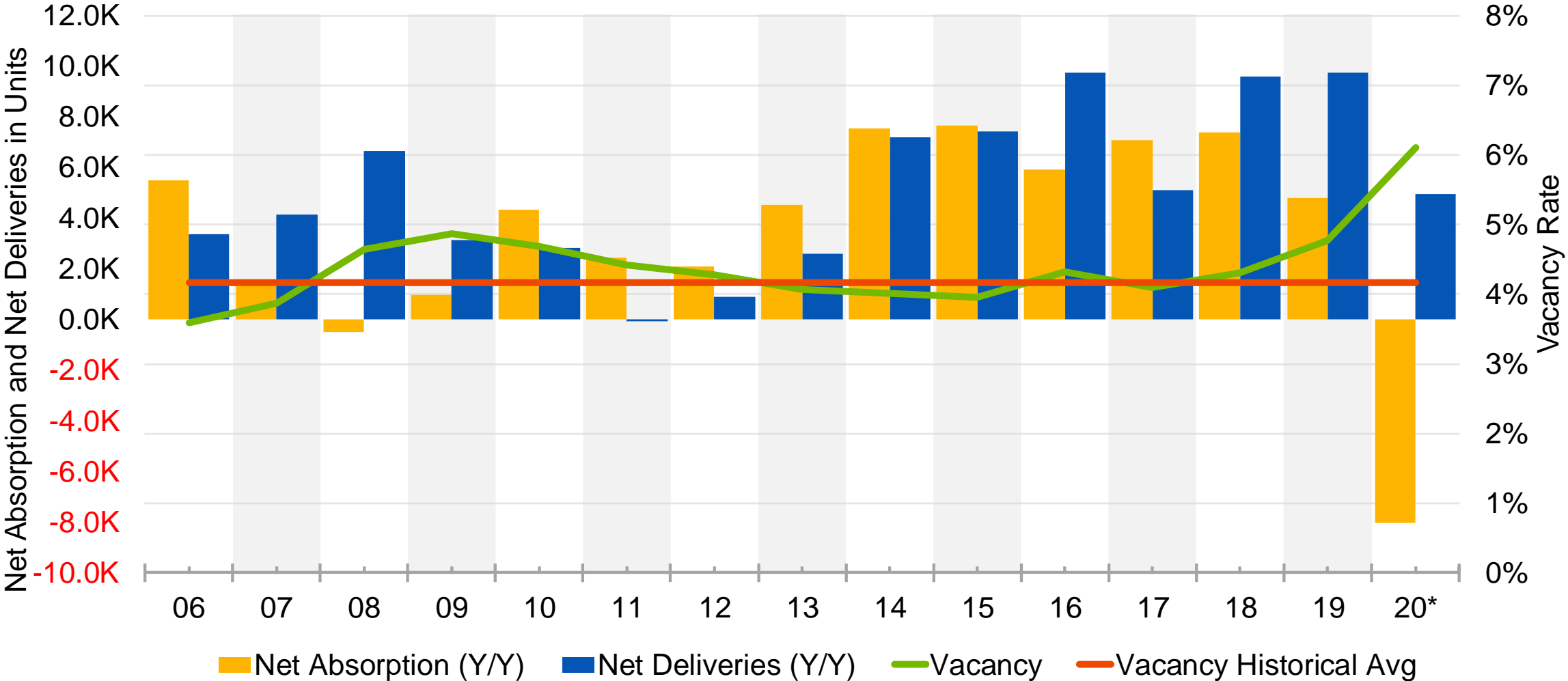


Source: Oxford Economics
* Year-to-Date

End of 20Q2



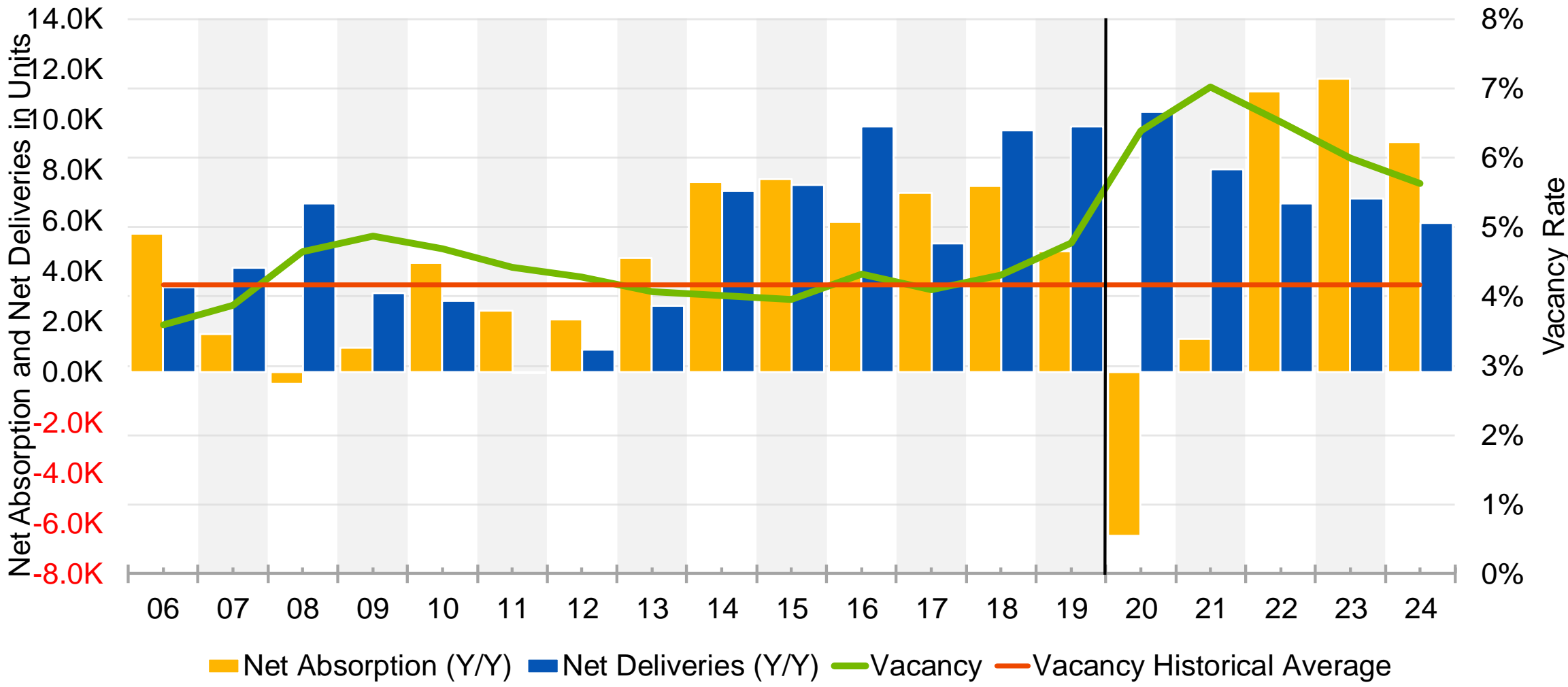
Supply, Demand and Vacancy



Source: CoStar
* Year-to-Date

End of 20Q2

Baseline: Supply, Demand and Vacancy

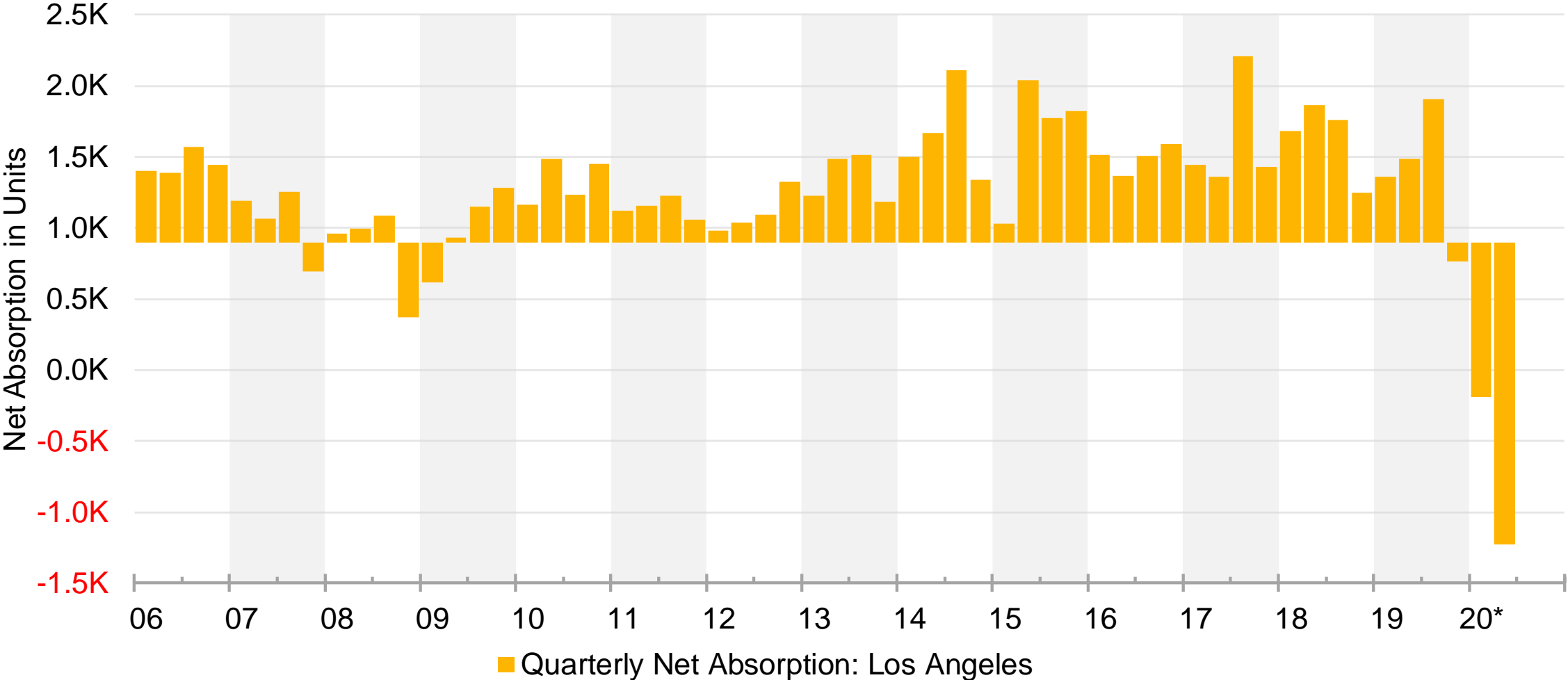


Source: CoStar

End of 20Q2



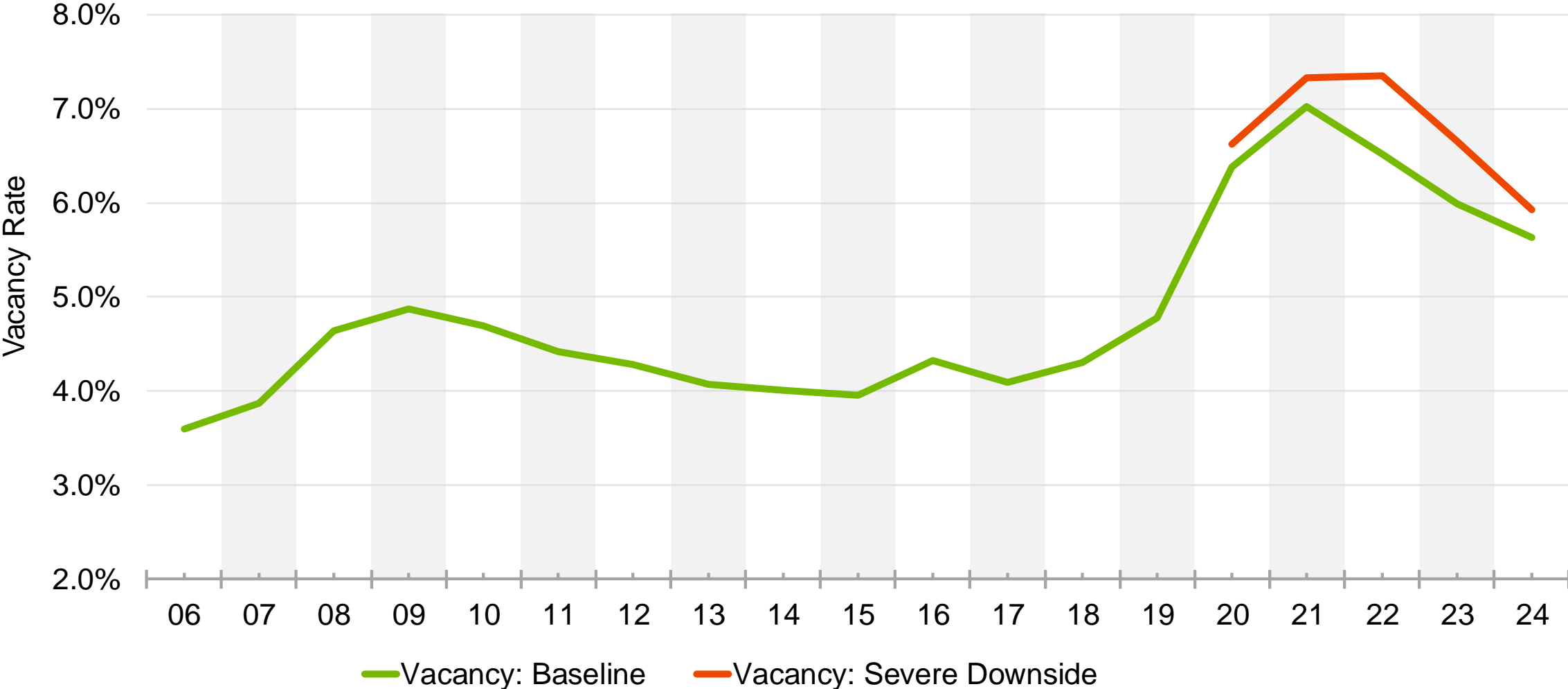
Net Absorption: Quarterly



Source: CoStar
 * Through 20Q2

End of 20Q2

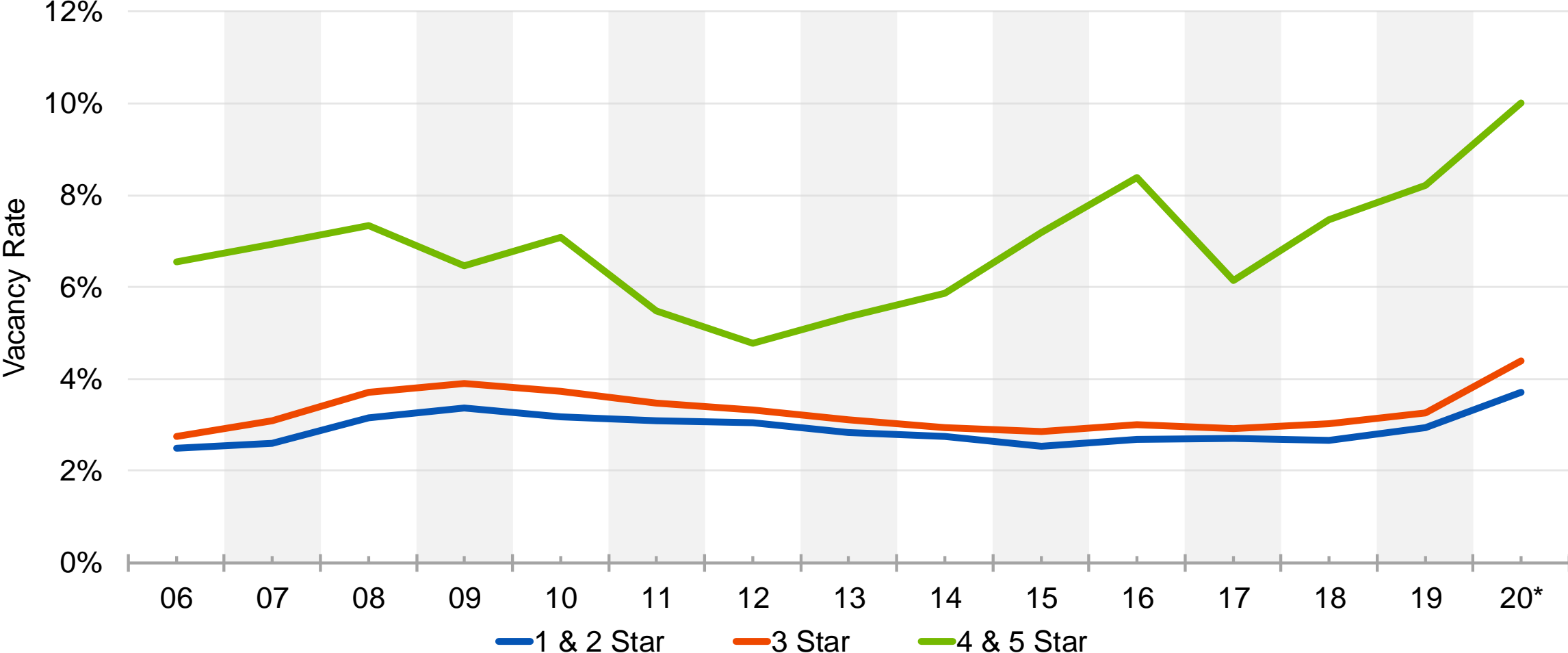
Vacancy: Baseline Vs. Severe Downside Forecasts



Sources: CoStar

End of 20Q2

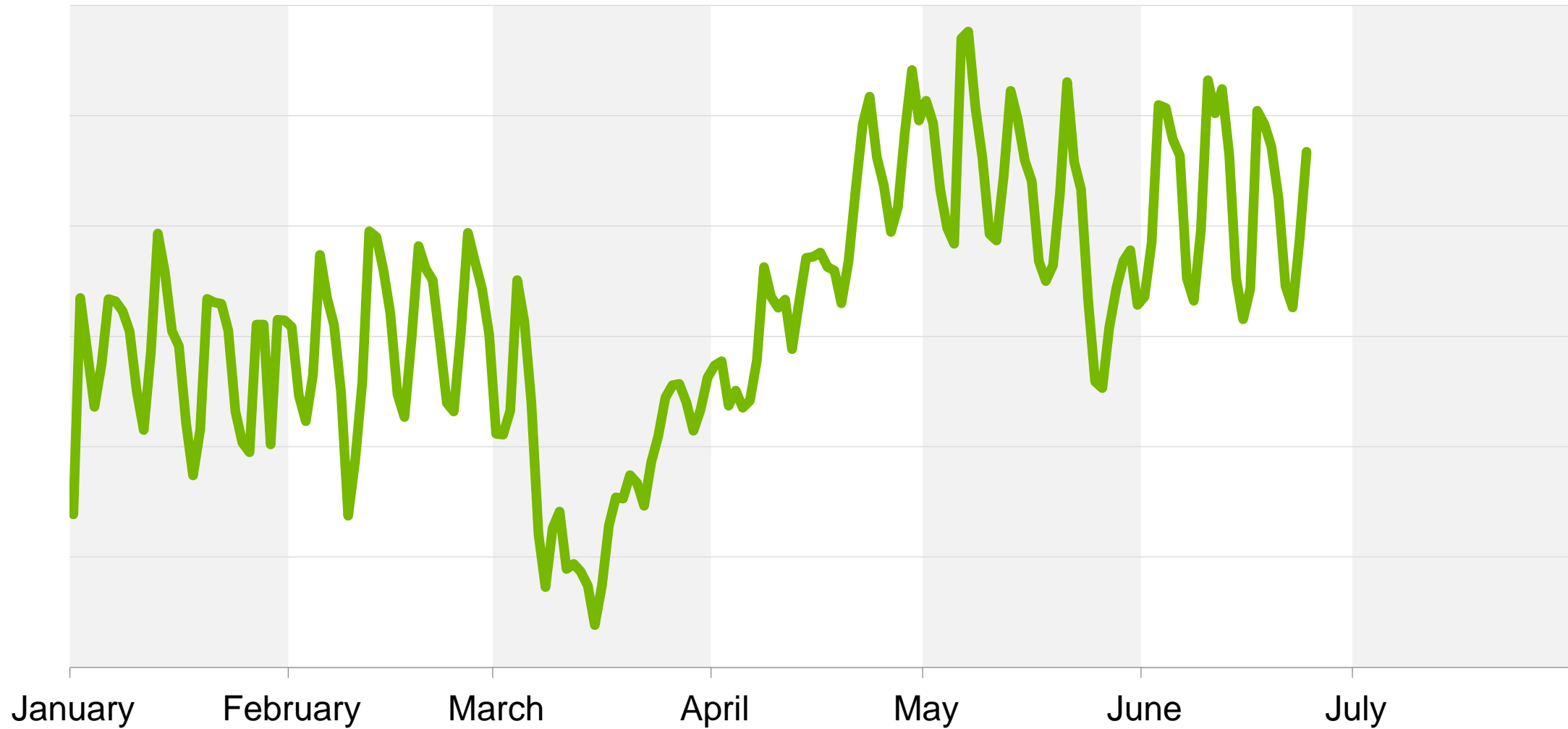
Apartment. Vacancy By Star Rating



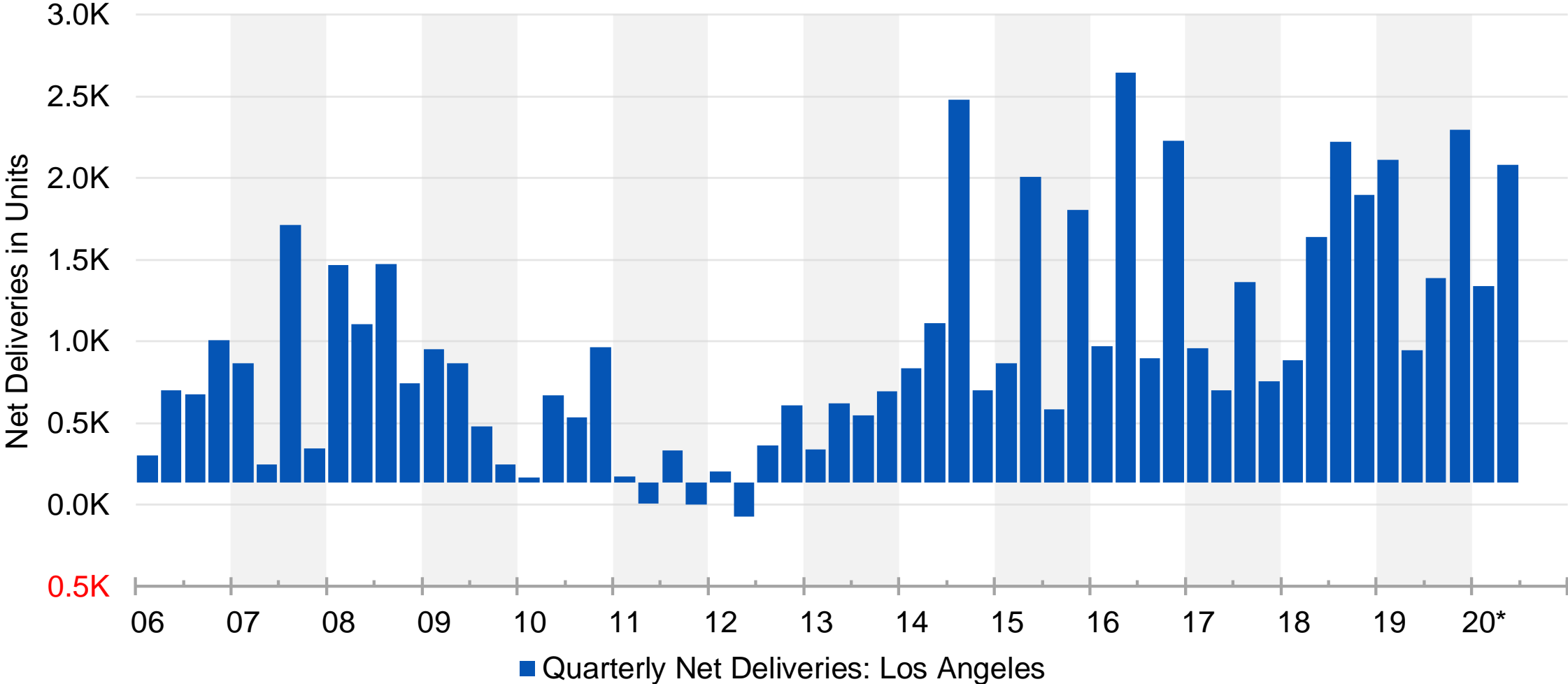
Source: CoStar
* Year-to-Date

End of 20Q2

Apartments.com Search Activity



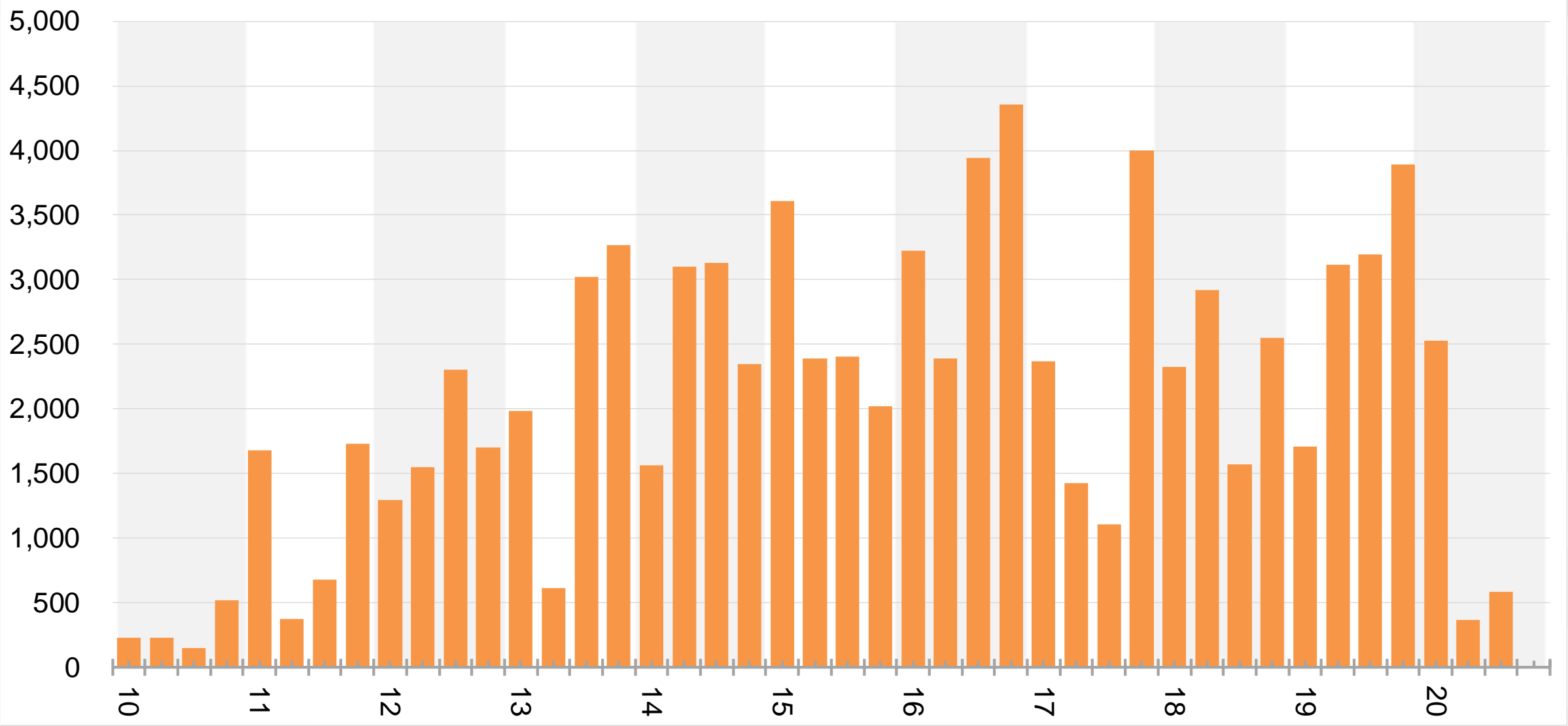
Quarterly Supply Change



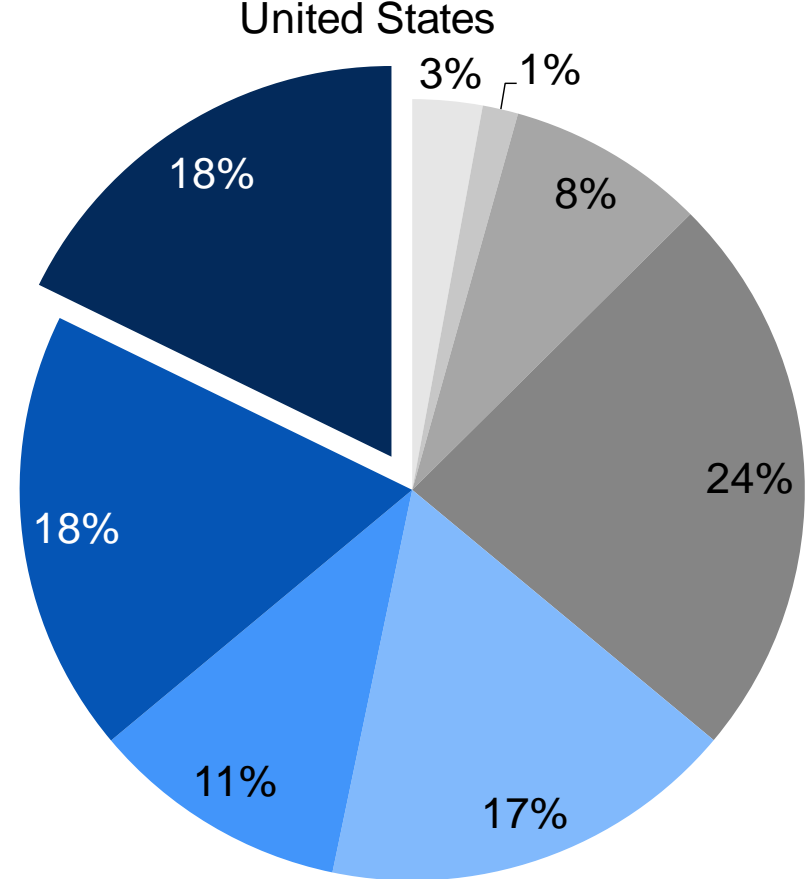
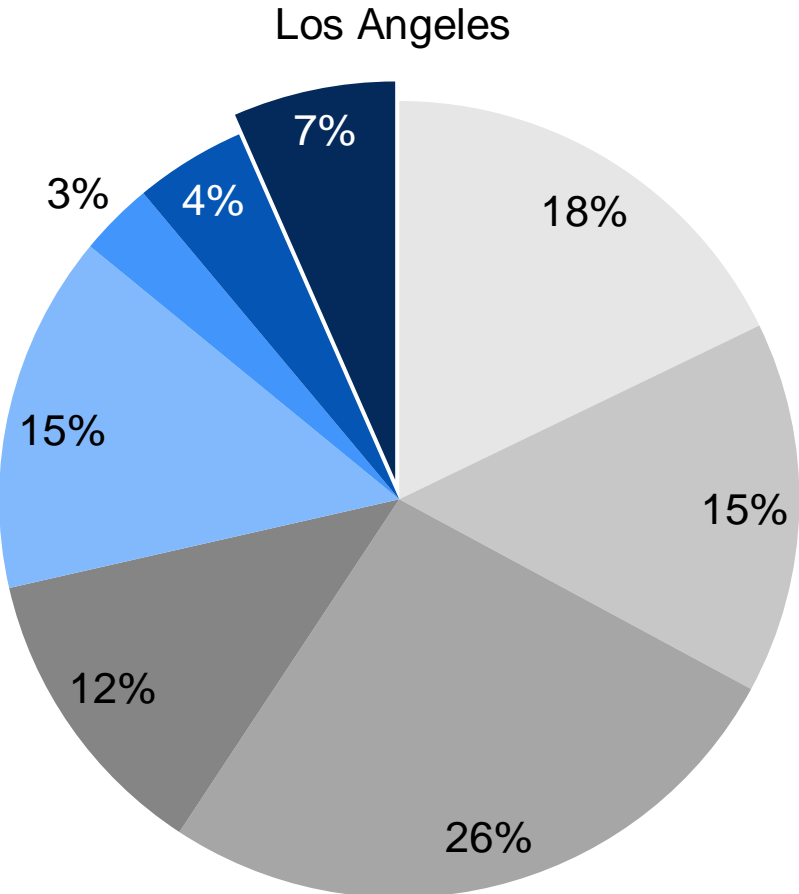
Source: CoStar

End of 20Q2

Construction Starts Down Sharply Since Outbreak



Apartment Inventory: Units Built by Decade

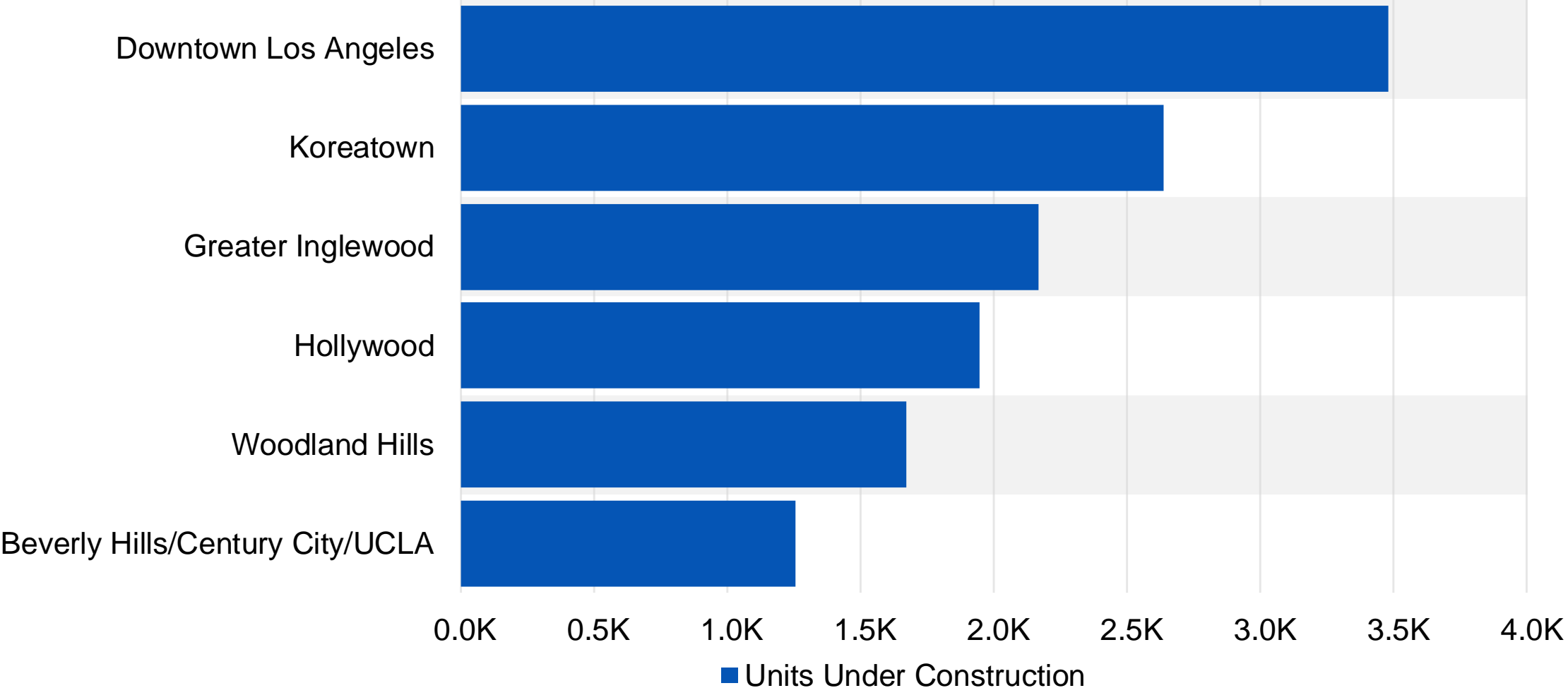


- Pre-1950
- 1950's
- 1960's
- 1970's
- 1980's
- 1990's
- 2000's
- 2010-Present

Source: CoStar

End of 20Q2

L.A. Submarkets With The Most Construction



Source: CoStar

As of July 2020

Construction Highlights



Ferrante
1,500 Units
G.H. Palmer & Associates

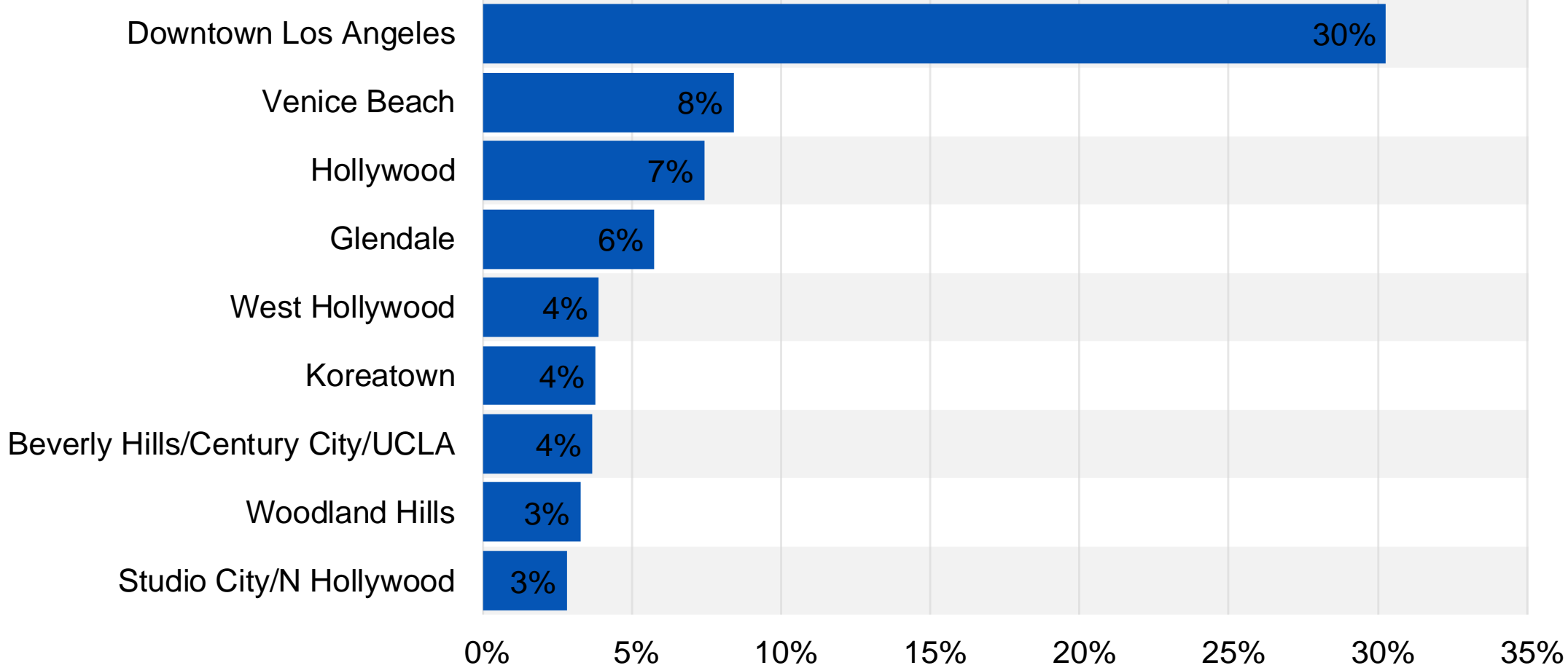


VOX
918 Units
Carmel Partners



2900 Wilshire
644 Units
Jamison Services

Most Heavily Developed Submarkets Since 2017 (%)

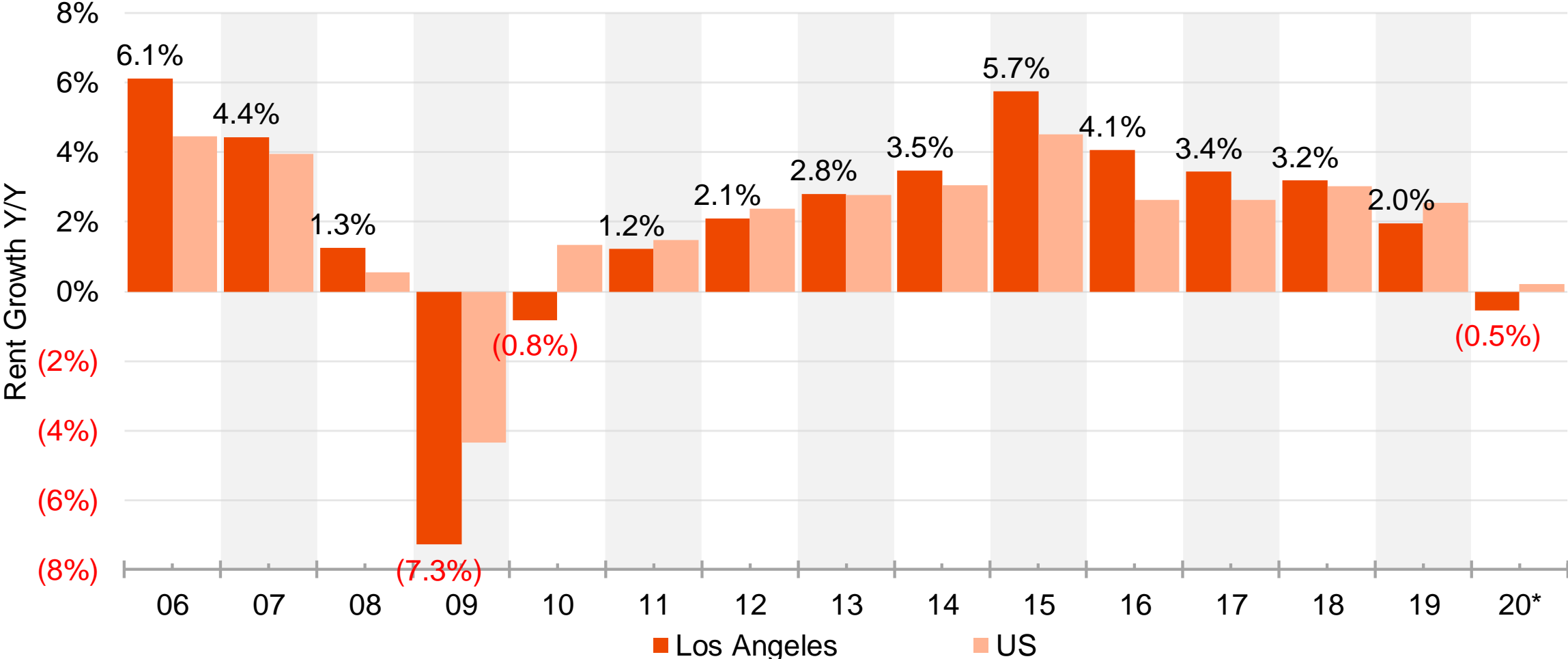


Source: CoStar

■ Percentage of Total Inventory Growth

End of 20Q2

Rent Growth: Los Angeles vs. U.S. Average

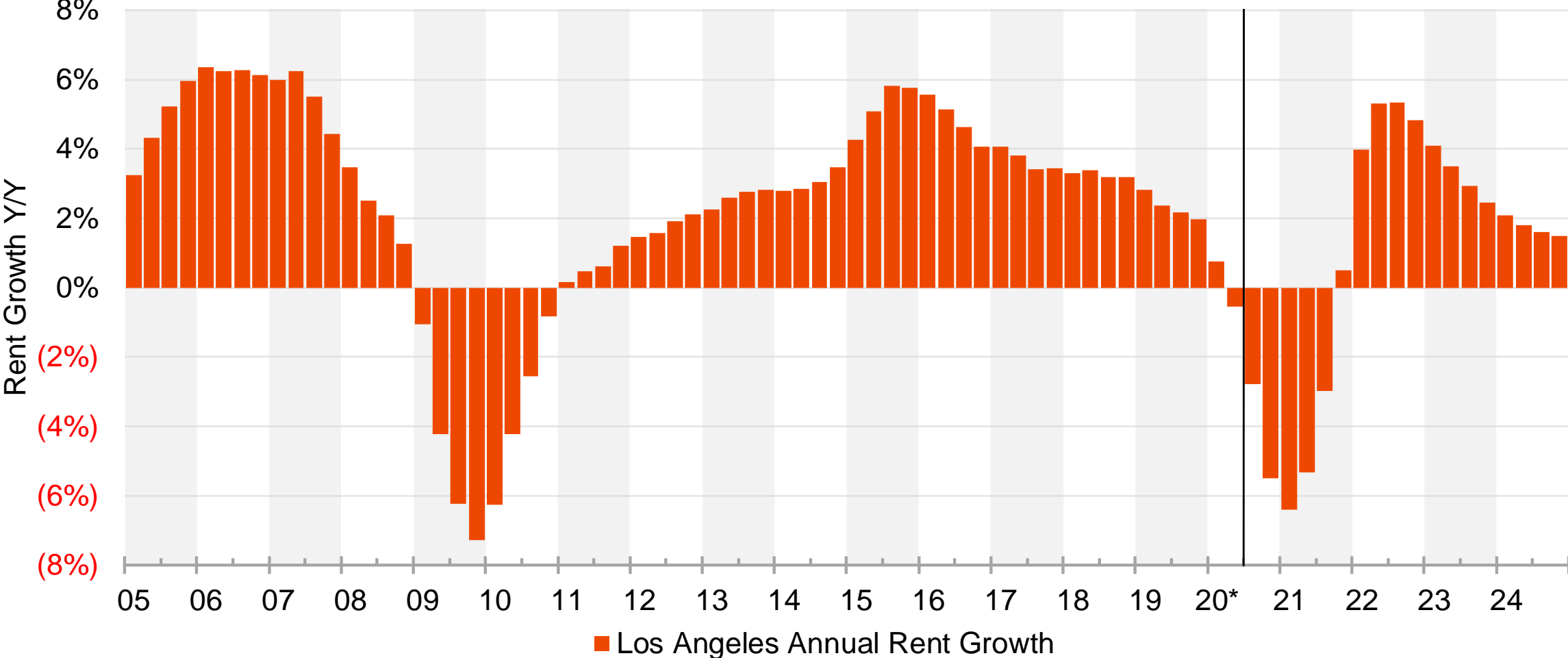


Source: CoStar
 * Y/Y as of 20Q2

End of 20Q2



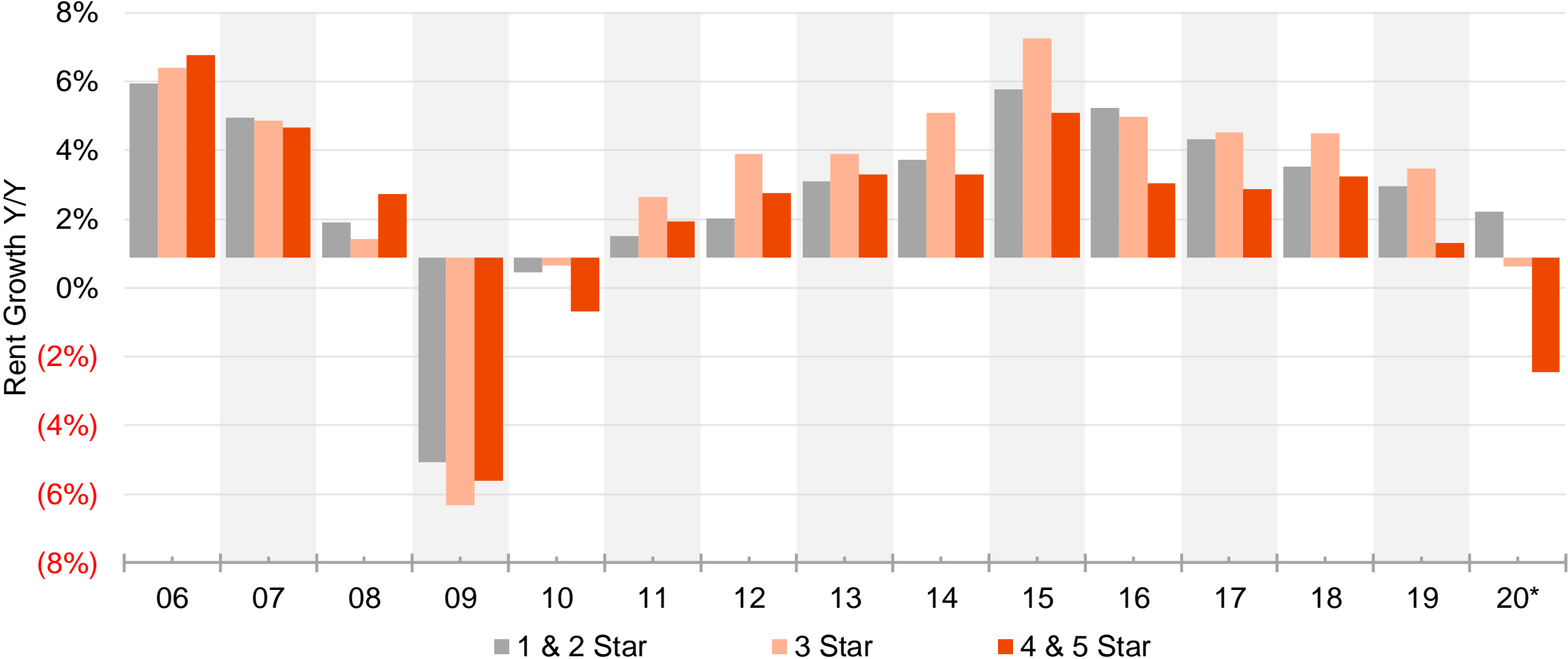
Rent Growth, BaselineForecast



Source: CoStar
 * Y/Y as of 20Q2

End of 20Q2

Rent Growth By Star Rating



Source: CoStar
 * Y/Y as of 20Q2

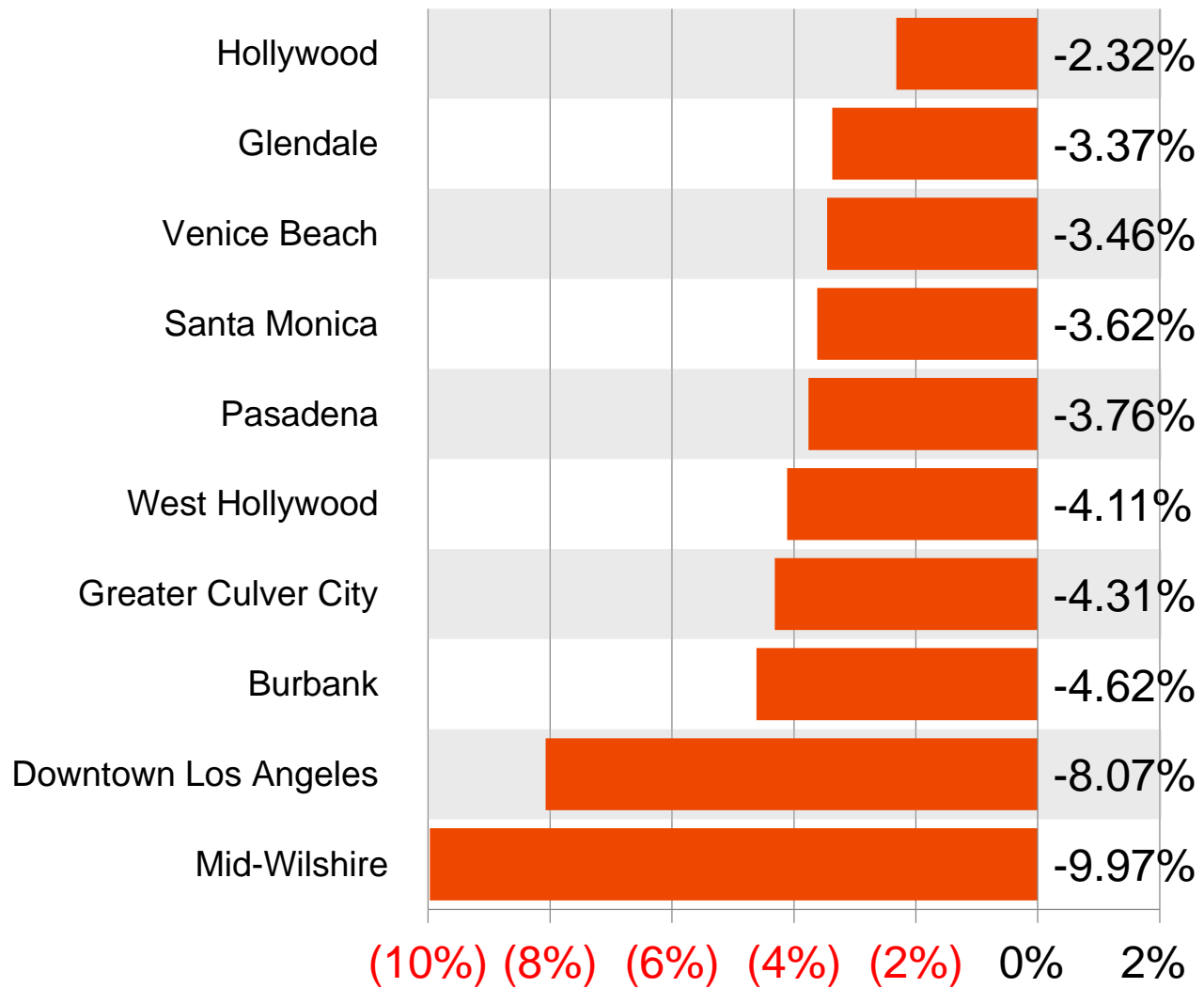
End of 20Q2



Daily Asking Rents

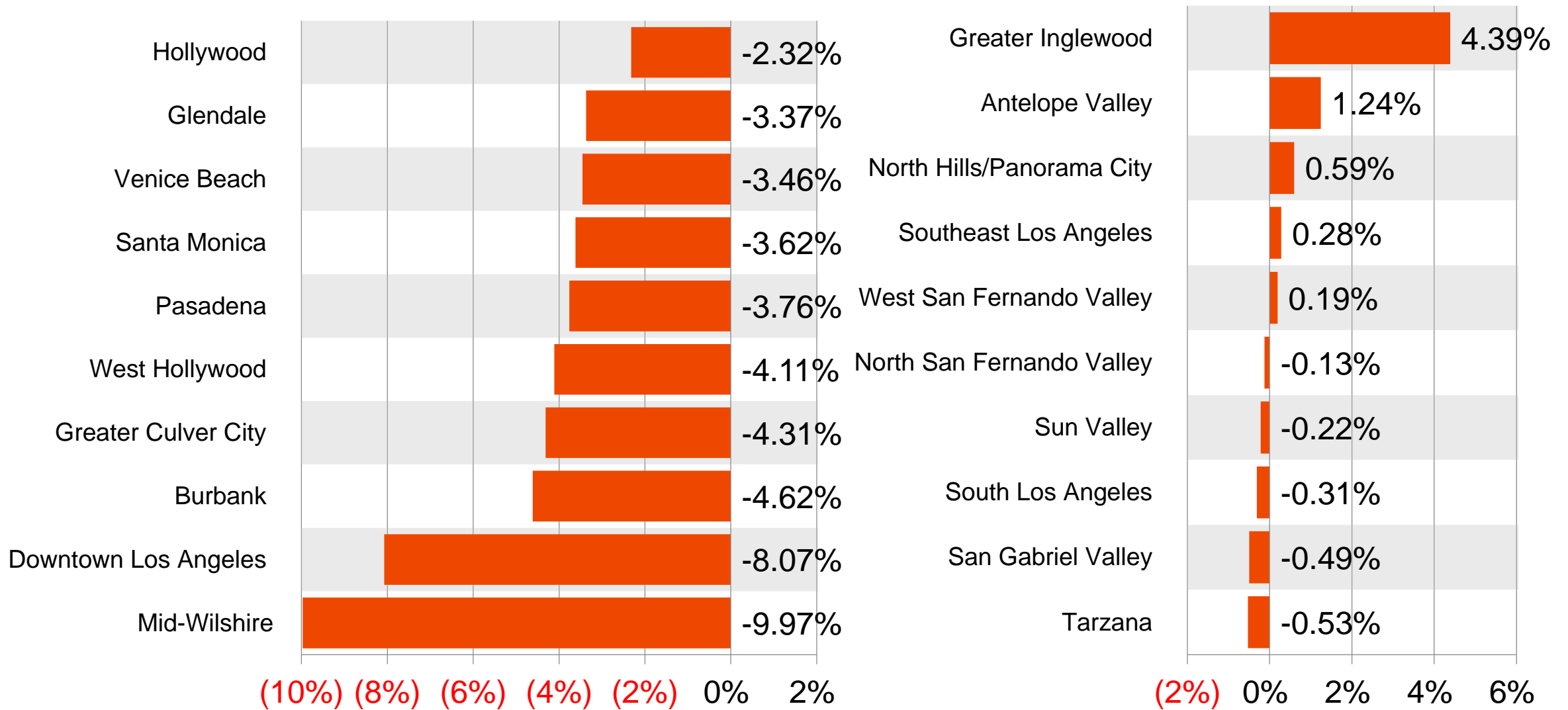


Change in Rent from March Peak, by Submarket



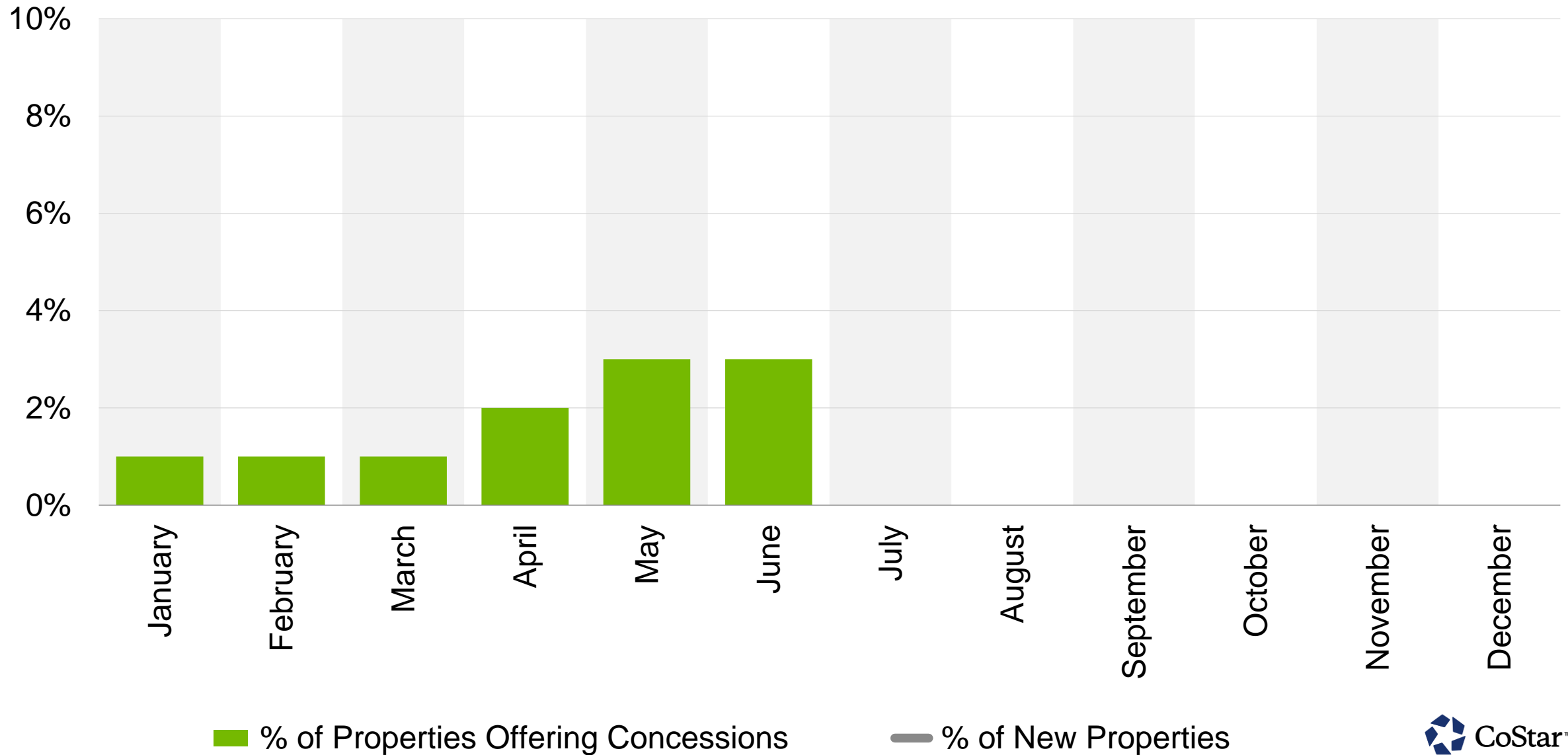
Change in Asking Rent
Since March 2020 Peak

Change in Rent from March Peak, by Submarket

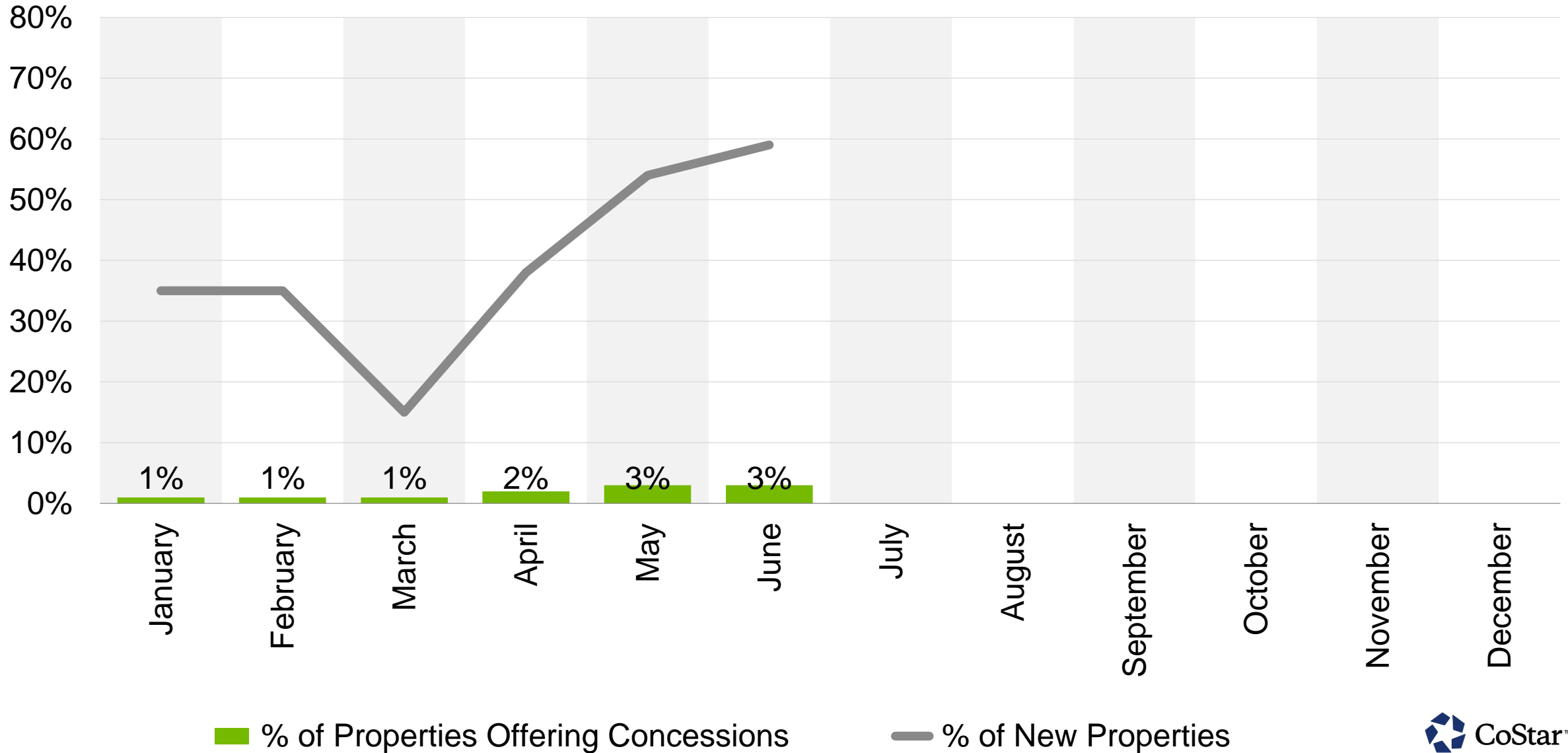


Change in Asking Rent
Since March 2020 Peak

Concessions



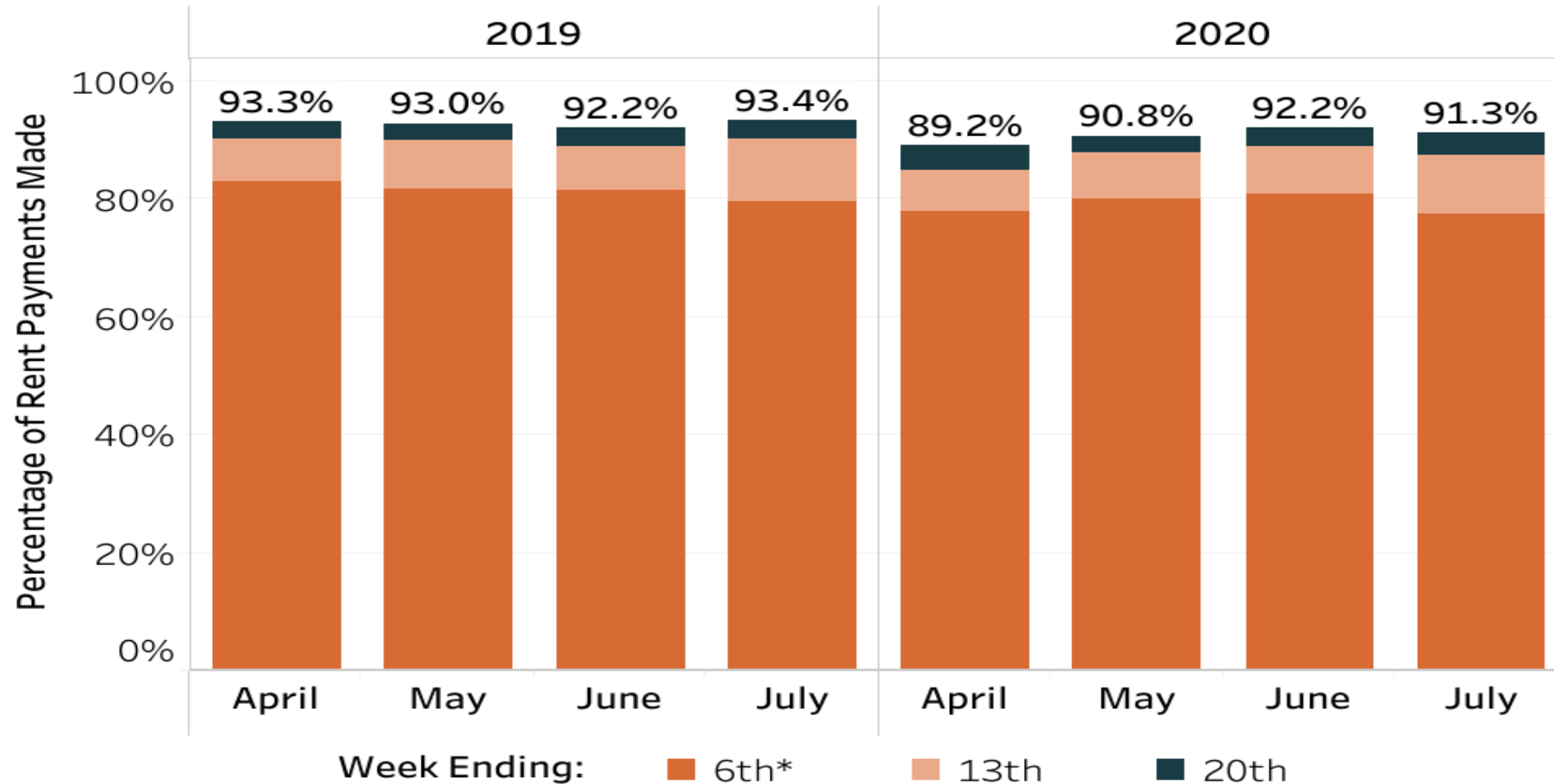
Concessions at New Properties



NMHC Rent Payment Tracker

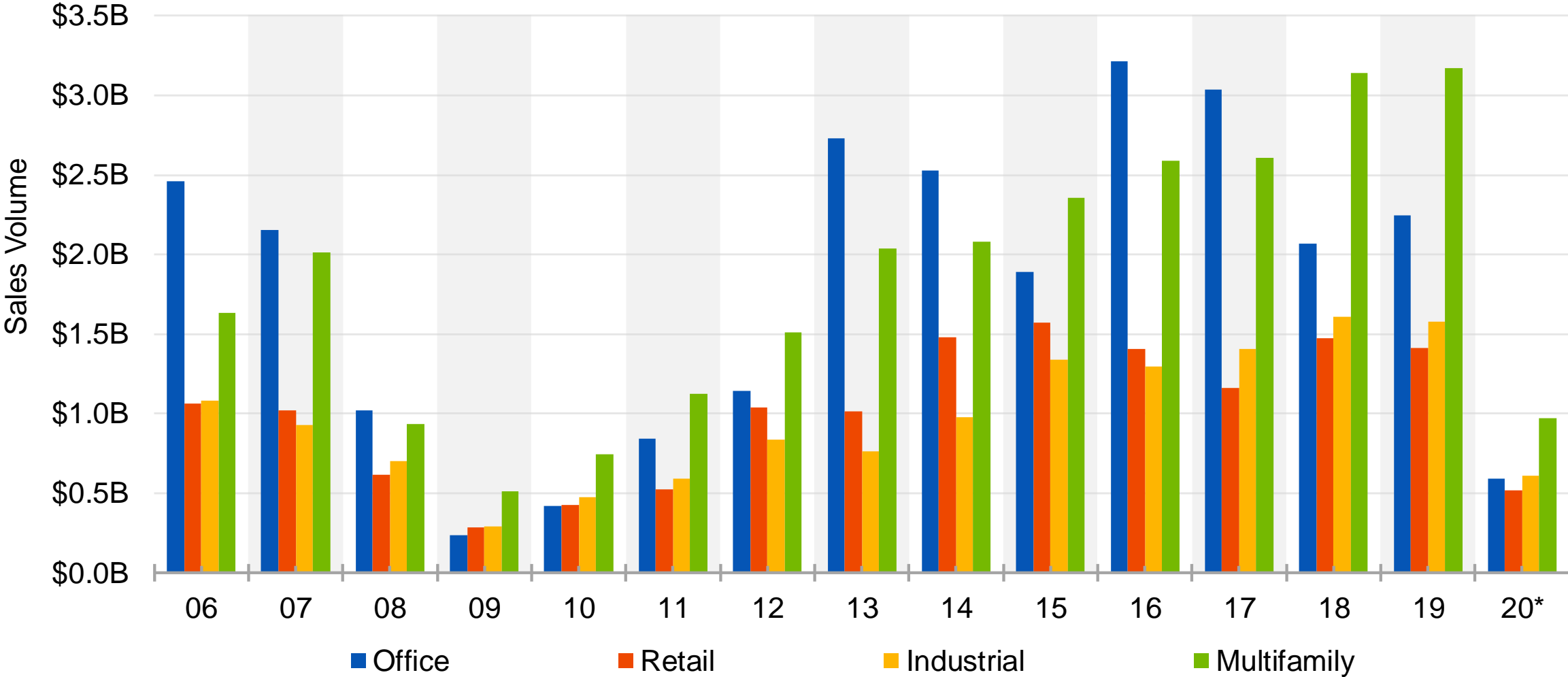
Rent Payment Tracker: Weekly Results

**Data collected from between 11.1 - 11.4 million apartment units in April, May, June and July



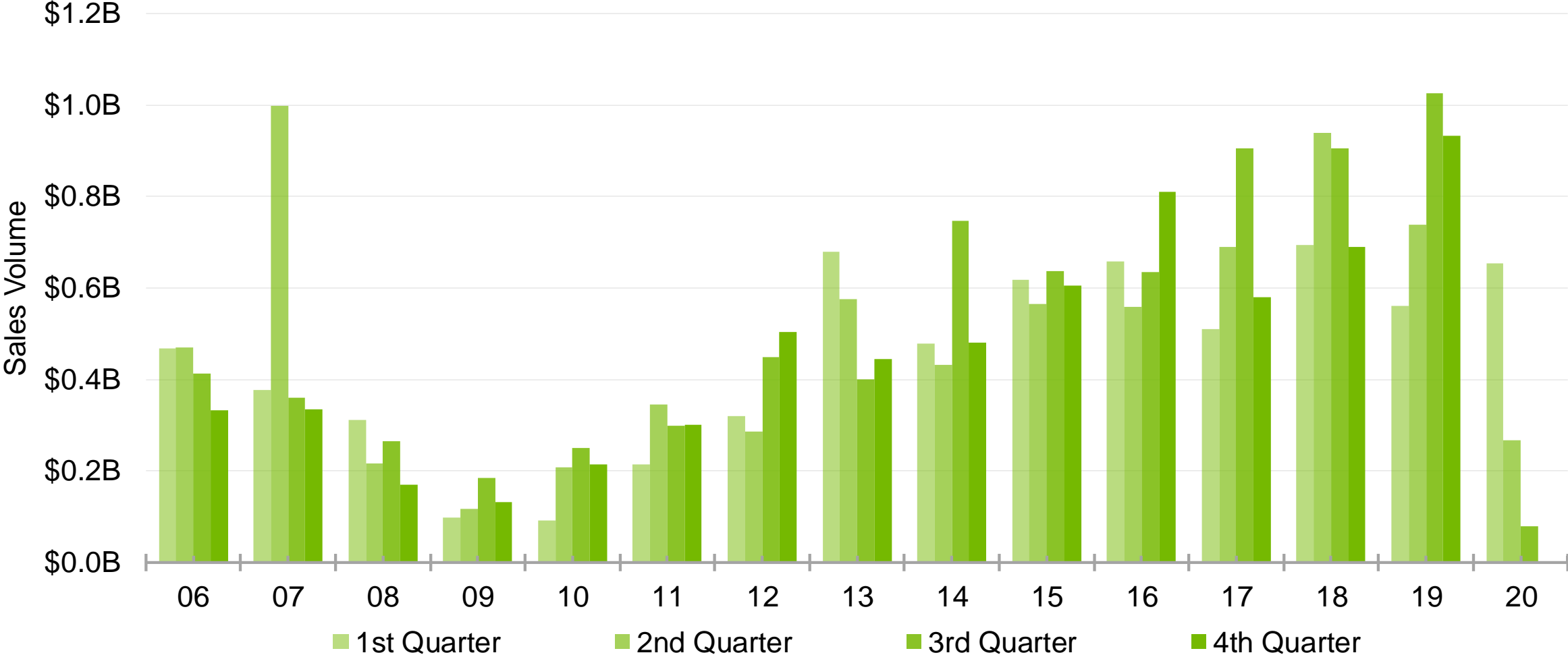
Source: National Multifamily Housing Council
<https://www.nmhc.org/>

Los Angeles Sales Volume By Property Type



Source: CoStar
 * Year-to-Date as of July 2020

Quarterly Sales Volume

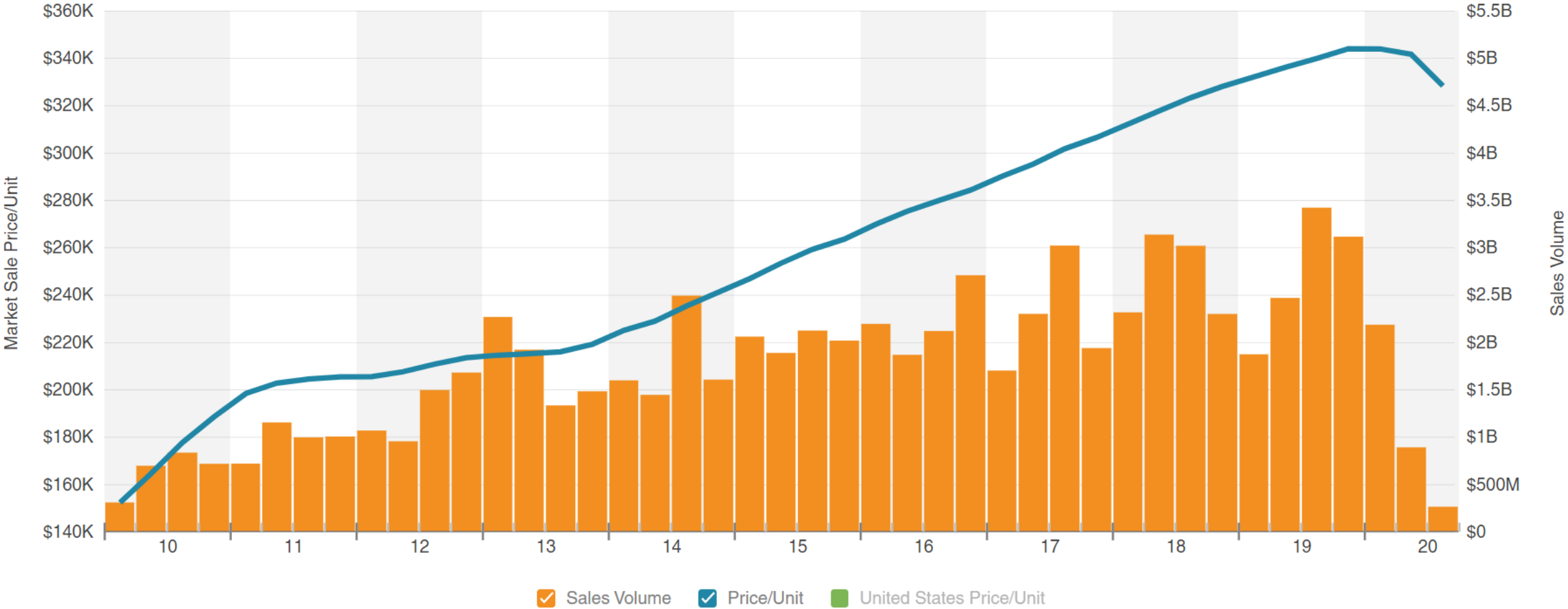


Source: CoStar
 * Year-to-Date as of July 2020

End of 20Q2



Pricing Down About 4% in Limited Trading



Key Takeaways

- **More clarity about new stimulus effort should come soon, but the severity of the ongoing outbreak makes the near-term outlook uncertain**
- **Apartment demand is contracting even with an eviction moratorium in place. Vacancies are up sharply in high-end, 4 & 5 Star units**
- **Asking rents fell for most of Q2 before stabilizing near mid-year. Rent losses most pronounced in 4 & 5 units, while 1 & 2 Star rents are holding stable**
- **Sales activity has not completely evaporated, but is only a fraction of pre-pandemic levels**
- **The timing of a recovery is unclear, but when it arrives, L.A.s long-term imbalance between housing demand and housing supply may be even more pronounced**

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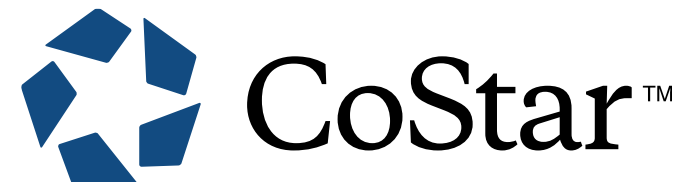
STEVE BASHAM
Managing Analyst
866.834.4096
sbasham@costar.com

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Marcus & Millichap
THE NEEMA GROUP

Neema Ahadian

Senior Managing Director Investments

Direct: 310-909-5444

Neema@MarcusMillichap.com

TheNeemaGroup.com

12100 West Olympic Boulevard, Suite 305
Los Angeles, California 90064

@TheNeemaGroup Neema Ahadian

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