

# Los Angeles Regional Multi-Family Market Topics & Trends – Q1 2021

## Multi-Family Market Trends

This report analyzes the trends in market fundamentals and investment sales in the Los Angeles-Long Beach, CA Regional multi-family market.

### FEATURE: COVID-19 and its Impact on the Market

In Mid-March 2020, the Global COVID-19 Pandemic brought much of the world to a halt. The spread of the virus was so rapid, that nations, states, and local municipalities were forced to take drastic measures. Conditions improved in the summer months, but a second surge in the winter brought about new restrictions and further economic hardship for individuals and businesses alike. On the forefront as we enter Q2 2021 is the rollout of the three approved vaccines to the public and the short and long-term effects this has on the performance of different asset classes.

## Short Term Impact

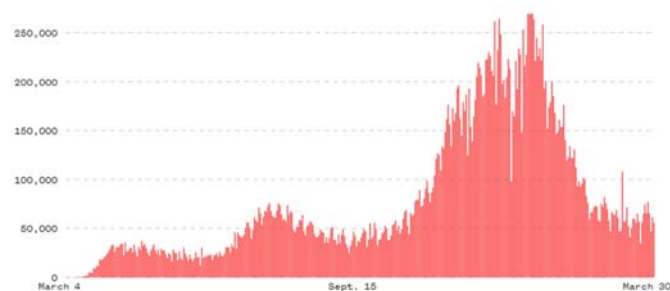
A bright spot for investors in the Los Angeles regional multi-family market is that vacancy levels have dipped back below 5% and asking rents continue to increase despite the Covid-19 Pandemic. Also, after a brief dip in Q4 2020, new construction starts have reached their highest level in four years. The market has begun to deliver on some of these projects, and there remains a substantial amount of space under construction.

## Long Term Impact

The Los Angeles Regional multi-family market has witnessed some of the devastating effects that have besieged other asset classes during COVID. While the city of Los Angeles has always been a beacon for investment, we have seen suburban areas outside the city become more popular due to remote working, along with a shift in preference to less congested environments.

### New cases per day in the U.S.

The U.S. has set multiple daily records since the start of November.



Source: NBC News

**MARKET FUNDAMENTALS: Average Asking Rents & Vacancy**

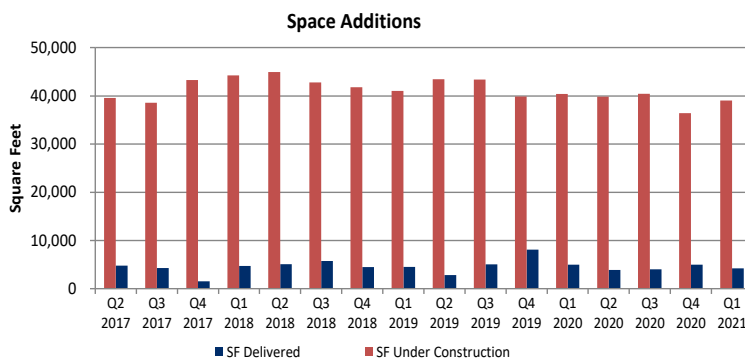
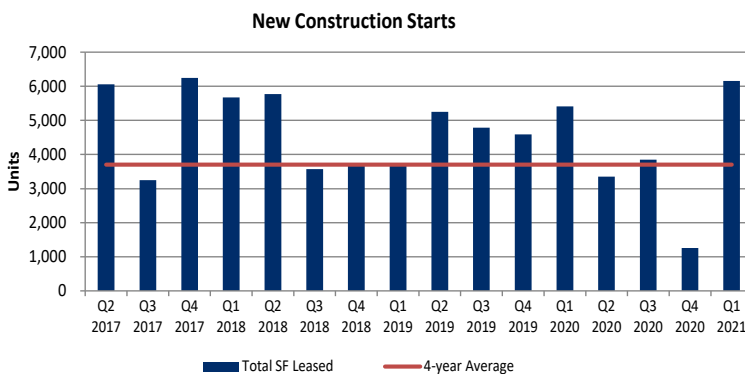
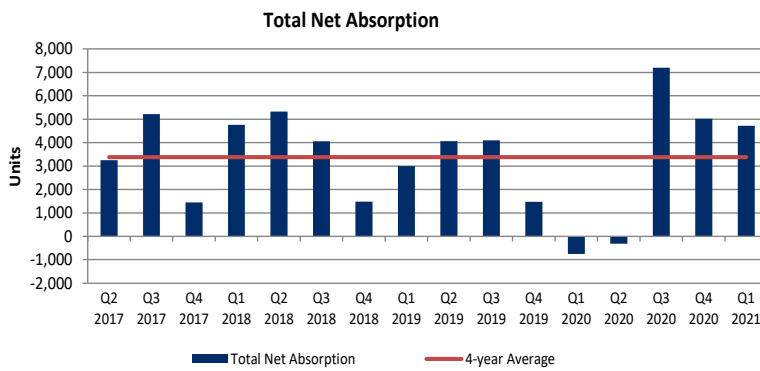
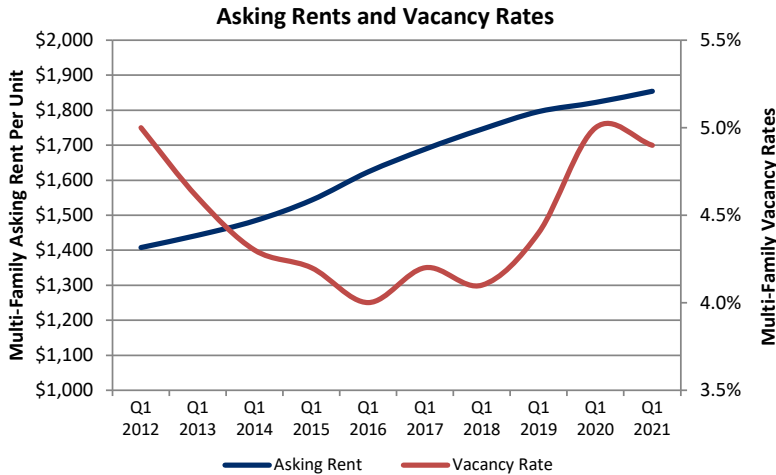
From Q1 2012 to Q1 2021, vacancy rates fluctuated between 4.0% (Q1 2016) and 5.0% (Q1 2020). Q1 2021 marks a slight decrease (4.9%) from its highest point in the analysis period in Q1 2020. Over the same period, asking rents ranged from \$1,408 (Q1 2012) to \$1,854 (Q1 2021) representing a consistent year over year increase over the analysis period.

**Net Absorption**

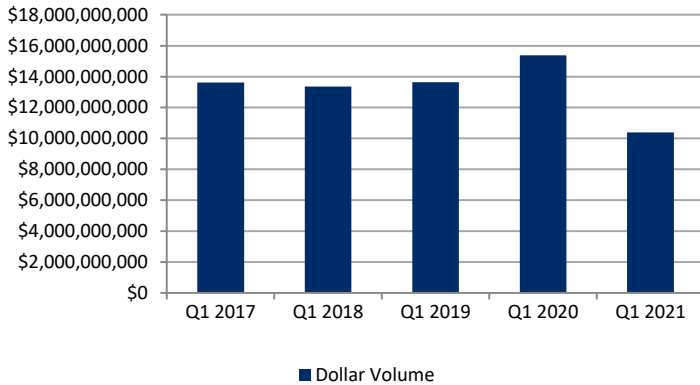
Total net absorption in the Los Angeles regional market has been well above the 4-year average for the past three quarters. While Q1 2020 and Q2 2020 dipped into net negative units absorbed, Q3 2020 marked a strong rebound with the highest net absorption level in the analysis period.

**New Construction and Space Additions**

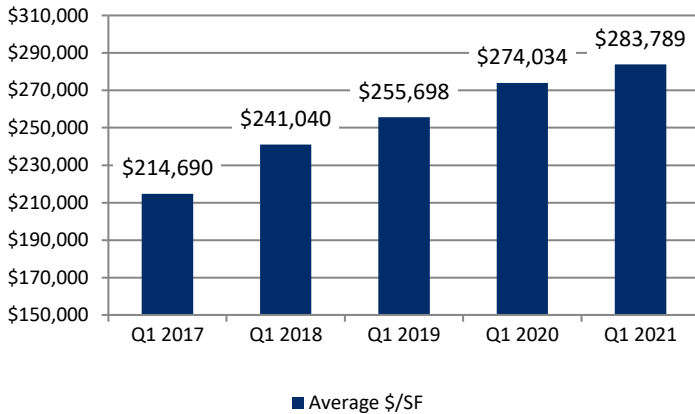
The number of new construction starts has fluctuated over time, but slowed noticeable in Q4 2020 due to the COVID-19 Pandemic. This trend reversed in Q1 2021. Q4 2020 marked the lowest number of new construction starts in the analysis period (1,258, Q1 2021 represented a strong rebound with the second highest amount of new starts in the analysis period (6,156). There is still a substantial amount of space under construction that is waiting to be delivered, indicating an active construction pipeline. Developers will look to profit on these projects over the upcoming quarters, so long as they remain financially feasible.



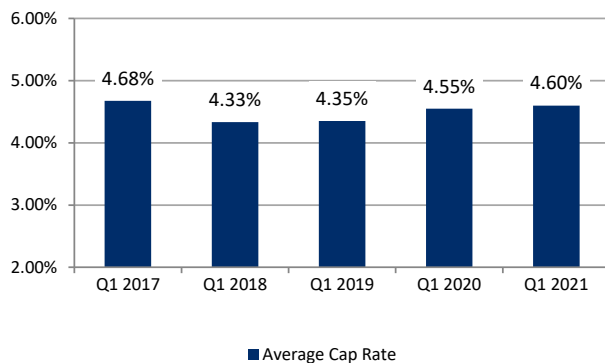
LOS ANGELES-LONG BEACH, CA  
MULTI-FAMILY BUILDING DOLLAR VOLUME



LOS ANGELES-LONG BEACH, CA  
MULTI-FAMILY AVERAGE \$/UNIT



LOS ANGELES-LONG BEACH, CA  
MULTI-FAMILY BUILDING AVERAGE CAP RATE



**SALES (5 YEAR TREND – YE Q1): Volume**

Total dollar volume for investment sales of multi-family assets in the Los Angeles Region was consistent from Year End Q1 2017 to Year End Q1 2019, ranging from \$13.36 billion to \$13.64 billion. Year End Q1 2020 represented a strong increase in dollar volume (\$15.37 billion). However, dollar volume in Year End Q1 2021 marked the lowest point in the analysis period (\$10.38 billion) due to the impact of the Covid-19 Pandemic.

**Average Pricing Per Unit (YE Q1)**

Average pricing increased from \$214,690 per unit in Year End Q1 2017 to \$283,789 per unit in Year End Q1 2021. Pricing per unit has continued to grow despite rising vacancy and cap rates, although the rate of growth has slowed over the past two years. Market participants will be watching this metric carefully in 2021.

**Capitalization Rates (YE Q1)**

The average cap rate in Year End Q1 2021 was 4.60%, indicating a 5 basis point increase from the prior year. Cap rates in the Los Angeles region have exhibited a slow increase since Year End Q1 2018 and changing market fundamentals in the COVID-19 era only continued that trend. Previously, it was expected cap rates would remain stable due to a forecasted lack of transactions; however, the increase seen over the past year shows otherwise.

SOURCE: CoStar and Marshall & Stevens



**Patrick T. Craig, MAI, MRICS**  
Executive Managing Director  
Real Estate Valuation Practice  
212.897.9481  
ptcraig@marshall-stevens.com



**Gino Alosco**  
Director  
Real Estate Valuation Practice  
201.390.5274  
galosco@marshall-stevens.com



**Conner Bianchini**  
Associate  
Real Estate Valuation Practice  
646.438.7607  
cbianchini@marshall-stevens.com