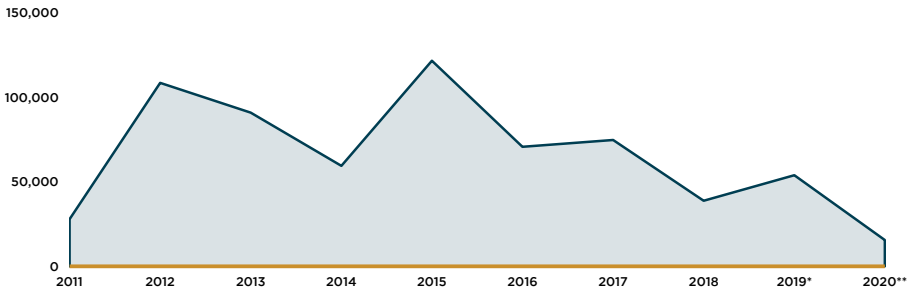
LOS ANGELES-NORTH

BERKADIA

2019 REVIEW

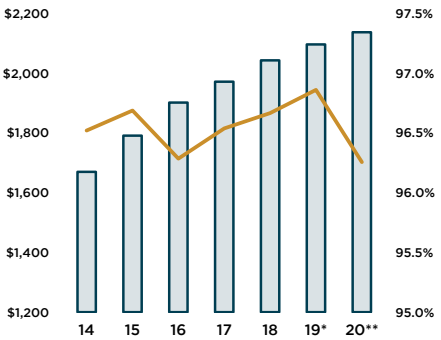
As the countywide single-family median home price approached $600,000 in 2019, the Southland Regional Association of Realtors noted home buyers in the San Fernando Valley were faced with a median price exceeding $700,000. The inability of many renters to attain homeownership persisted, which kept apartment fundamentals healthy in Los Angeles North. Renters occupied 2,196 additional apartments in 2019, up 32.7% annually. Builders simultaneously completed 1,551 new units, favoring the two-highest rent submarkets in the north county, Burbank/Glendale/Pasadena and neighboring Sherman Oaks/North Hollywood/Encino, where approximately three-quarters of new inventory emerged. Apartment occupancy in Los Angeles North reached 96.9% in December, increasing 20 basis points since year-end 2018. At the same time, monthly effective rent advanced 2.6% to $2,096 in December. Continued employment expansion in Los Angeles County aided the apartment market. Businesses and institutions added 53,900 workers to payrolls in 2019, a 1.2% year-over-year gain, up from 0.9% annual growth in 2018.

EMPLOYMENT CHANGE



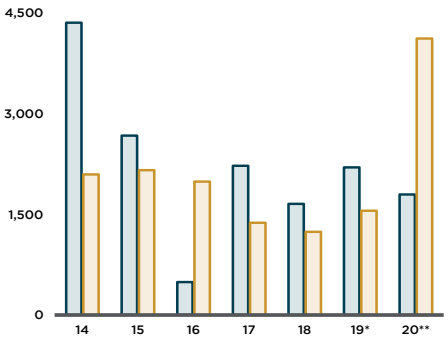
*Estimate; **Forecast | Source: Berkadia, Moody's Analytics

EFFECTIVE RENT AND OCCUPANCY



*Estimate; **Forecast | Source: Berkadia, Axiometrics

ABSORPTION AND DELIVERIES

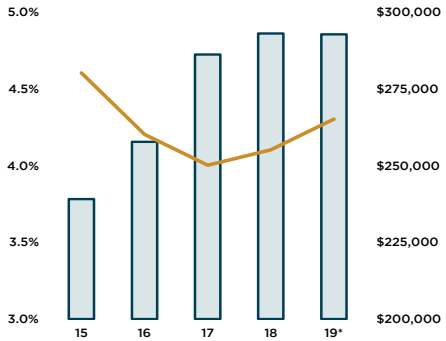


*Estimate; **Forecast | Source: Berkadia, Axiometrics

2019 PERFORMANCE HIGHLIGHTS

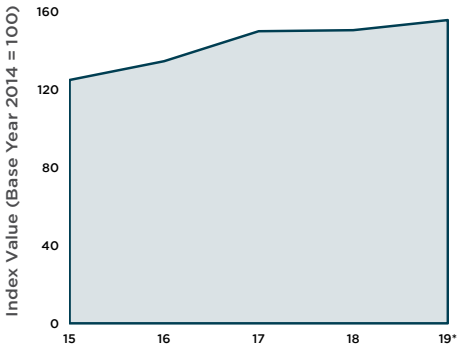
COUNTY EMPLOYMENT CHANGE	COUNTY UNEMPLOYMENT RATE	OCCUPANCY
53,900	4.4%	96.9%
▲1.2% YOY	▼30 BPS YOY	▲20 BPS YOY
EFFECTIVE RENT	**ABSORPTION**	**CONSTRUCTION**
$2,096	2,196 Units	1,551 Units
▲2.6% YOY		▲25.3% YOY

CAP RATE | PRICE PER UNIT



*Estimate | Source: Berkadia, CoStar Group

SALES ACTIVITY INDEX



*Estimate | Source: Berkadia, CoStar Group

MARKET FACTS

COUNTY POPULATION	COUNTY HOUSEHOLDS	MEDIAN HOUSEHOLD INCOME	RENT SHARE OF WALLET
10,114,600	3,480,900	$67,952	37.0%
YE 2019 ▲ 0.1% YOY	YE 2019 ▲ 0.9% YOY	YE 2019 ▲ 4.8% YOY	YE 2019 ▼ 80 BPS YOY

2020 PREVIEW

Like many parts of the U.S., countywide employment expansion is predicted to decelerate in 2020. Local employers in the county are projected to create 15,500 net new jobs this year, a 0.3% annual gain. Lingering trade and tariff issues will have a diminishing effect on job growth. Trends in the job market will trickle to the local apartment market. While absorption in Los Angeles North is expected to remain positive, it will subside about 18% from 2019. The moderating demand will coincide with peaking apartment deliveries. Builders are slated to bring 4,113 apartments online, which will widely exceed anticipated leasing activity and spur a 60-basis-point decline in occupancy to 96.3% in December. The excess supply will also rein in rent growth. Monthly effective rent is projected to increase 1.9% in 2020 to $2,137 by year-end.

The prevalence of aging apartment stock in Los Angeles North means that at any given time a sizable portion of that stock is undergoing significant renovation, often requiring eviction. Owners and operators need to be aware that in cases of no-fault eviction following 12 months of tenancy, the recently passed AB 1482 requires the evicted renter must be paid one-month's rent relocation or rent waiver.

Data and images pertaining to employment, income, permits, population, rents, single-family housing, and occupancy are year-end figures. Absorption, construction, and apartment sales figures are full-year totals. Numbers for 2019 are estimated values, while 2020 figures are forecast projections. Apartment market data criteria and methodologies vary by market.