

INVESTMENT PROPERTY REPORT

The Latest Commercial Real Estate News, Trends & Advice for the San Fernando Valley and Greater Los Angeles

Volume X, Issue 1 ■ 1st Quarter 2012

Multifamily Investors Rank Los Angeles as Top Five Market for 2012



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All indicators point to the positive for Los Angeles' apartment market, which should continue to gain velocity in 2012. And according to the just-released RealShare/Jones Lang LaSalle's *Apartments Outlook 2012 Survey*, Los Angeles is among the top five markets multifamily investors are most likely to invest in this year.

On a national scale, as well, the multifamily landscape is strengthening, with Jones Lang LaSalle proclaiming in a statement on its survey that "the future looks bright for multifamily owners and investors, as cap rates stabilize, interest rates remain low, and home ownership rates decline. Many investors expect demand to continue at a similar pace in 2012

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and beyond for this highly desirable property sector" (December 5, 2011). The survey indicated that properties getting the most attention were value-add (67 percent), transit-oriented (52 percent), and suburban/garden-style (45 percent). Adds Jones Lang LaSalle's managing director and multifamily investment sales team leader, Jubeen Vaghefi, "it's clear that multifamily is the sector to watch...in 2012. During the past year, apartments have shown a vitality that's unparalleled among the other asset classes."

Data from the National Association of Realtors ("Growth in Commercial Real Estate Markets Expected in 2012," November 28, 2011) projects that the apartment rental market should see vacancy rates drop to 4.3 percent in the fourth quarter of 2012, solidifying a landlord's market as demand justifies higher rents. Average apartment rent is expected to rise 3.5 percent in 2012, while multifamily net absorption is likely to be 126,600 in 2012. Darcy Miramontes, executive vice president with JLL's Capital Markets, told *Multi-Housing News* that "the multifamily sector [has] the best fundamentals in commercial real estate today with some of the best financing options available" ("Multifamily Sector to Remain at Top of Investors' List in 2012," December 8, 2011).

As for the California economy, California Economic Forecast's *The Economic Watch* notes that "labor markets are reviving and are contributing to the economic recovery that is now underway. If the current pace of job creation in California can be maintained, calendar 2012 will emerge as the strongest year for job creation since the 2000 tech boom." As far as Los Angeles County's employment growth, it's shown continued gains, up 0.7% in the latest period of July to October 2011. ("Stronger Job Creation Since August," Mark Schniepp, December 2011).

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The multifamily market, and Los Angeles in particular, stand to gain considerably in this new year, perhaps summed up best by Eric Freedman of Coastline Capital Partners in a Jones Lang LaSalle statement: "Outside of cap rates and price per unit, we're focusing on location for our acquisitions. Where are the people going to be, where is the demand always going to be? Even when the market goes down, or when it goes up ... if you can find a place where people want to live and work—that's what we're targeting."

As always, if you would like to meet to discuss these findings or your personalized investment goals, please contact me at your convenience.

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