

# 2013 USC Casden Multifamily Forecast



USC  
Lusk  
*Casden Real  
Estate Economics  
Forecast*

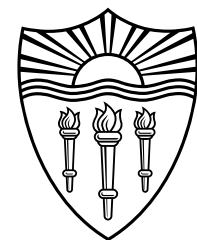
## Casden Multifamily Report Authors

RICHARD K. GREEN | DIRECTOR | USC Lusk Center for Real Estate

VINCENT REINA | RESEARCH ASSOCIATE | USC Casden Real Estate Economics Forecast

SELMA HEPP, Ph.D. | SENIOR ECONOMIST | CALIFORNIA ASSOCIATION of REALTORS

USC Lusk Center For Real Estate  
Casden Real Estate Economics Forecast  
2013 Multifamily Report



**USC** University of  
Southern California

Marshall School of Business

Sol Price School of Public Policy









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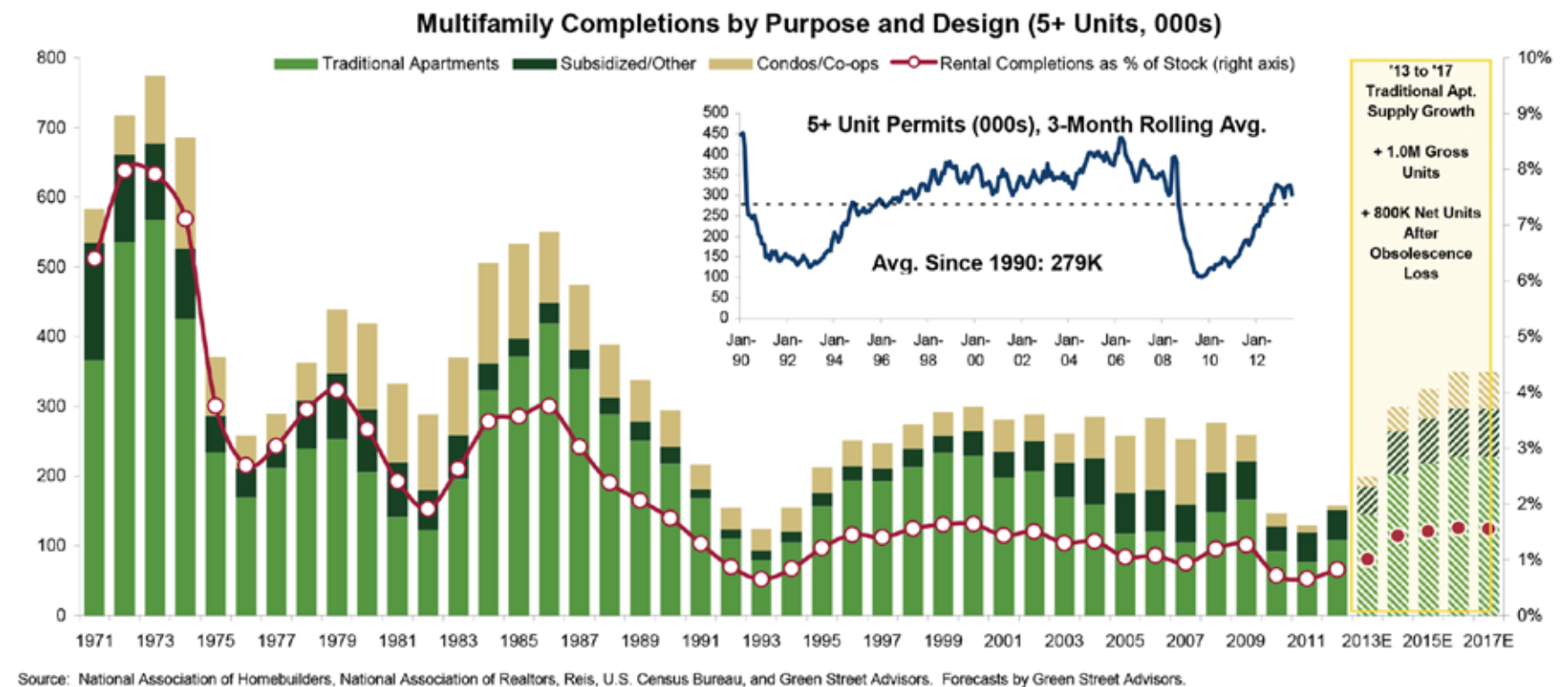
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# U.S. APARTMENT OVERVIEW

By Dave Bragg, Managing Director, Green Street Advisors and Andrew McCulloch, CFA, Managing Director, Green Street Advisors

The U.S. apartment market has been the darling of the real estate world for several years. 2013 marks the fourth year in a row in which the sector witnessed robust rent growth. Strong investor appetite for rental product combined with cheap and available financing has sent asset values for institutional quality product past their previous '07 peaks. A resurgence in transaction activity – capped by the \$16 billion Archstone deal late last year – highlighted the liquidity of the sector even as rent growth had begun to decelerate. As investors look into the future, there is reason for continued optimism given a host of structural and demographic factors that should support rental demand for years to come. However, there is also the realization that the U.S. housing market is unlikely to remain so lopsided in favor of renting over owning, and rising interest rates and a pullback in GSE financing will likely slow the torrid pace of asset appreciation.

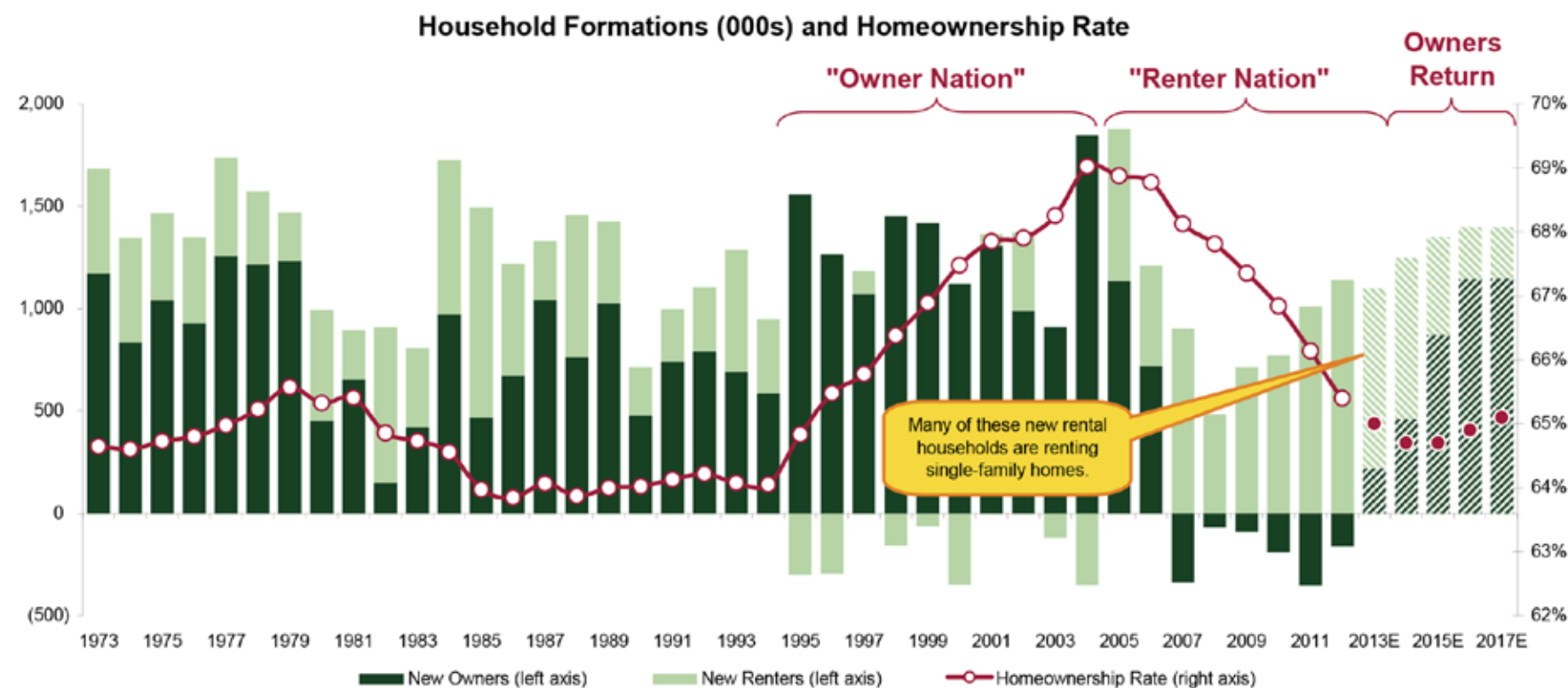
As the apartment market has entered the more mature part of its growth cycle, landlords are seeing increasing pushback to rate hikes after rent growth far outpaced income growth over the past few years. Additionally, new development is resulting in increased competition. National permitting activity has experienced a sharp resurgence, with construction activity returning to long-term averages after hitting a 40-year nadir in 2011. Certain development hot spots like the Washington D.C. area are experiencing oversupply conditions. Luckily for investors, rising construction costs and slowing rent growth have made new projects increasingly difficult to pencil, which has resulted in a plateauing of permitting activity that had previously looked poised to continue its vertical ascent. Unless permitting activity reaccelerates, new supply looks manageable at the national level over the next several years.





With the single-family housing market now firmly rooted in recovery, the significant tailwinds the apartment sector had experienced from households shunning homeownership the over the last several years are abating. Green Street does not subscribe to a common belief that an improvement in the single-family housing market has to result in a negative outlook for apartment demand. An overall economic recovery aided by a healthier single-family market should drive job growth and an increase in total household formations – the first signs of which are already visible. This increase in household formations should create enough overall housing demand to support both the owner and rental markets. Additionally, the echo boomer age cohort is heavily indebted with student loans and is delaying major life decisions such as getting married, having children, and buying homes. This group of twenty- and thirty-somethings look poised to provide steady support for apartments for the foreseeable future.

While there are increasing headwinds for apartment owners today, the outlook for the sector remains bright. The U.S. economy should be strong enough to drive a significant increase in household formations, which will buoy rental demand. Rent growth is likely to continue moderating, but has remained well-above the long-term average in '13 and should at least match inflation in '14-'17. Rising interest rates and the recent mandate by Fannie and Freddie to limit mortgage originations is likely to have a negative impact on debt costs and cap rates. However, higher mortgage rates benefit apartment demand as they make the prospect of homeownership more expensive, and Green Street believes that the government will remain involved in multifamily finance in some capacity well into the future – notably, and most importantly, as a lender of last resort. This lender of last resort helps the sector experience less asset value volatility, which combined with a superior long-term NOI growth profile compared to other commercial real estate sectors, make apartments a good long-term bet as an overweight in many real estate portfolios.



Source: U.S. Census Bureau and Green Street Advisors. Forecasts by Green Street Advisors.

# USC Casden Forecast 2013

## Multifamily Report

The Casden Real Estate Economics Forecast is pleased to present its 2013 report on the Southern California multifamily real estate markets. The Casden Real Estate Economics Forecast is dedicated to analyzing fundamental trends and forecasting real estate market activity in Southern California. The Forecast issues two annual reports: one covering the region's office and industrial markets and the other covering apartment markets. These reports summarize developments in the region's real estate markets during the past year and provide insights as to what might be expected in the near future.

As in previous years, the report first gives an overview of the United States and regional economies, which serve as the foundation for the analysis of the Southern California real estate markets. A comprehensive summary of the fundamental trends in the multifamily markets for Los Angeles County, Orange County, the Inland Empire and San Diego County as well as individual submarkets makes up the main body of the report. The statistical snapshots provide concise summaries of recent movements in quarterly rents, vacancy rates, and net absorption for each county and its submarkets. At the end of each market section we present our two-year forecast for rents and vacancy rates for that market. For the third time in the report's history, we are including statistical confidence bounds on all of our predictions.

A report of this magnitude is only possible through the contributions from many individuals. We thank Marilyn Ellis for her help in graphic design of the report. We are also grateful to the Lusk Center staff for their assistance. We would like to thank Green Street Advisors and Reis, Inc. Finally, we gratefully acknowledge our sponsors: Greystar, Heffernan Insurance Brokers, the National Apartment Association, NNC Apartment Ventures, and R.W. Selby & Company, Inc.

## EXECUTIVE SUMMARY

Demand for multifamily rental housing increased across Southern California, with positive net absorption and increased occupancy rates in the four metro areas: Los Angeles, the Inland Empire, Orange County, and San Diego. Between the second quarters of 2012 and 2013, almost 6,700 multifamily rental units were completed across these four markets, with the most units completed in Los Angeles County. This represents a 113 percent increase in completions from the previous year and the highest number of completions across the four markets in the past three years. In addition, almost 11,900 multifamily units were absorbed across all four markets. Orange County and the Inland Empire absorbed more units than the previous year while Los Angeles and San Diego absorbed fewer units than the previous year.

The vacancy rate decreased in all four markets between 2012Q2 and 2013Q2. San Diego County had the lowest vacancy rate in 2013Q2, 2.3 percent, followed by Los Angeles at 3.2 percent, Orange County at 3.2 percent, and the Inland Empire at 3.6 percent. San Diego also had the largest decrease in vacancy rate in the past year, a 37.1 percent decrease, followed by the Inland Empire with a 17.3 percent decrease, Orange County with a 12.4 percent decrease, and Los Angeles with a 10.6 percent decrease. In this report we analyze 86 submarkets within these four larger markets and find that over the past year, the vacancy rate decreased in 78 of these submarkets, remained the same in two, and increased in only six. The El Cajon, Santee, Lakeside submarket had the lowest vacancy rate of any submarket, at 1 percent, while Victorville had the highest vacancy rate at 7.8 percent. The submarket with the highest decrease in vacancy rate was the North Beaches submarket with a 53.1 percent decrease, and the highest increase was in the Carson, San Pedro, E. Torrance, Lomita submarket with a 33.3 percent increase.

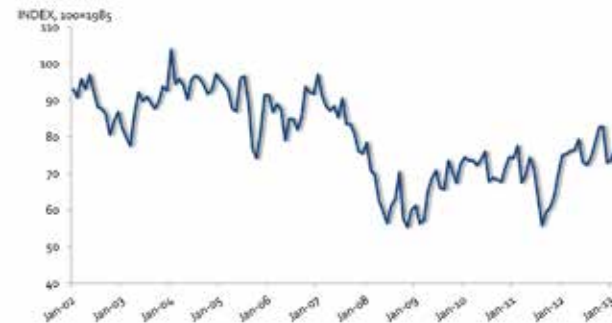
The average rents in all four markets also increased between the second quarters of 2012 and 2013. Orange County had the highest average rent in 2013Q2, at \$1,572, followed by Los Angeles at \$1,435, San Diego at \$1,388, and the Inland Empire at \$1,059. Los Angeles, however, was the market with highest growth in the past year, with the average rent increasing by 2.86 percent, followed by Orange County at 2.80 percent, San Diego County at 2.75 percent and the Inland Empire at 1.90 percent. The submarket with the lowest rent was Victorville at \$755, while the submarket with the highest rent was Santa Monica at \$2,328. Beverly Hills, however, experienced a 7.60 percent increase in average rent, which was the highest percent increase of the submarkets. The Crenshaw submarket experienced a 0.39 percent decrease in average rent and was the only submarket out of the 86 in this study with a lower rent in 2013Q2 than 2012Q2.

Our forecast shows rising rents for all four metro areas over the next two years. We believe that the growth rate for rents will be slower for Los Angeles and Orange County, but will increase slightly for the Inland Empire and San Diego. We expect vacancy rates will decrease across all four markets, however, they will decrease at a slightly slower rate in Los Angeles, the Inland Empire, and San Diego, and at a higher rate in Orange County.

## CURRENT VIEW OF THE ECONOMY

## CONSUMER SENTIMENT

• February 2013: 77.6



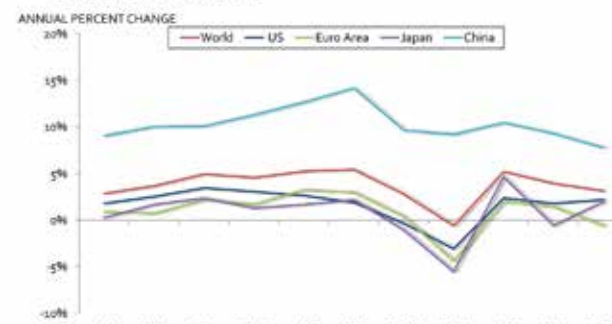
## GROSS DOMESTIC PRODUCT GROWTH

• 2013 Q2: 2.5%



## GROSS DOMESTIC PRODUCT GROWTH

• World, Year 2012: 3.1%

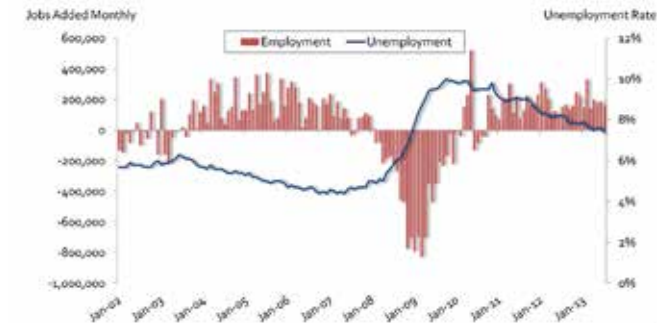


Although improving, the economic growth in 2012 and the first half of 2013 leaves much to be desired. Real Gross Domestic Product (GDP) growth has averaged 2.2 percent annually since the Great Recession, compared to an average of 3.2 percent during the 25 years leading up to it. Growth in several components of GDP have progressed enough over the past year to warrant optimism. There was significant improvement in residential investment and housing starts, which reignited the housing recovery that is underway across most of the nation. Homeowners' equity in real estate rose throughout 2012 and 2013, with a 23 percent annual gain in home prices in the first quarter of 2013. Meanwhile, household balance sheets also improved through the first quarter as a result of gains in the financial market; in the first quarter of 2013, household wealth exceeded the pre-recession peak. Wealth gains coupled with improving employment statistics led to a significant increase in consumer confidence measures, despite the political dysfunction and contractionary policy embodied in the sequester.

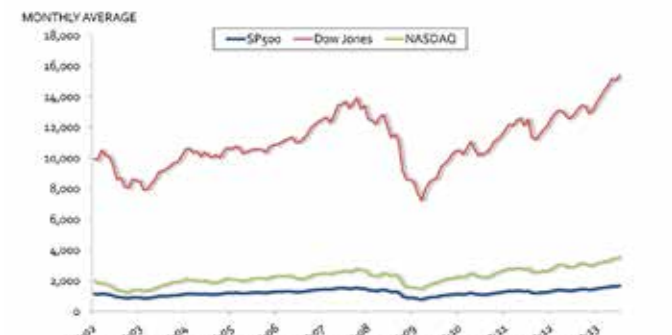
GDP in the second quarter grew at 2.5 percent, which was a higher rate than originally projected. The GDP also underwent a benchmark revision in July of this year, a process that takes place roughly twice a decade. The benchmark showed the economy grew faster in 2012 than previously estimated - 2.8 percent vs. 2.2 percent. Higher consumer spending, greater farm production, and private sector growth contributed to the improved performance. However, cuts in federal spending, tax increases, and sluggish performance of our trading partners moderated these economic gains. In fact, GDP might have expanded by over three percent this year if not for the budget cuts and tax increases, which jointly shaved off about one percent of GDP growth from the economy. While government spending is expected to hinder growth through next year, the effect may have peaked in the first quarter and should steadily weaken going forward.

## U.S. EMPLOYMENT GROWTH

• US, July 2013: 162,000 Jobs Added



## STOCK PRICES

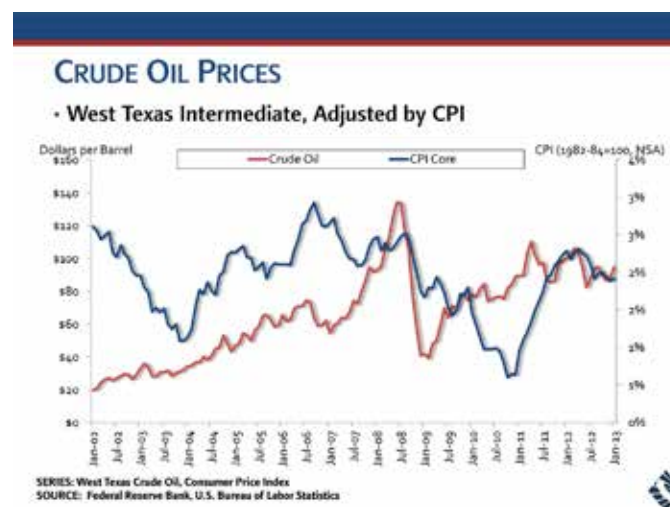


There was steady job creation in the private sector over the last year. The US economy added an average of 190,000 jobs per month since last August, which was similar to the pace recorded at the height of the 2003–2007 expansionary period. The employment report suggests that the labor market, especially private hiring, has weathered the storm from the fiscal drag better than previously anticipated. Despite 7.3 million private sector jobs created since February 2010, the unemployment rate remains relatively high at 7.4 percent. High unemployment is a function of the depth of the recession and fundamental changes in the labor market. Labor market observers are concerned about the quality of the jobs being created, with disproportionately more job creation occurring in lower paying industries. Perhaps more disturbing is the rise in the labor market share of part-time employment. Although this phenomenon may be a result of economic cyclicality, it raises concerns about income growth for the typical American wage earner and, more broadly, income inequality in the United States.

Corporate balance sheets have improved over the recessionary period and provide a solid base for continued economic growth. Although concerns over rising interest rates are growing, corporations have spread interest rate risk over many years and eluded any near-term difficulties though high-grade and high-yield bond issuances. Higher interest rates, however, could slow gains for financial corporations.

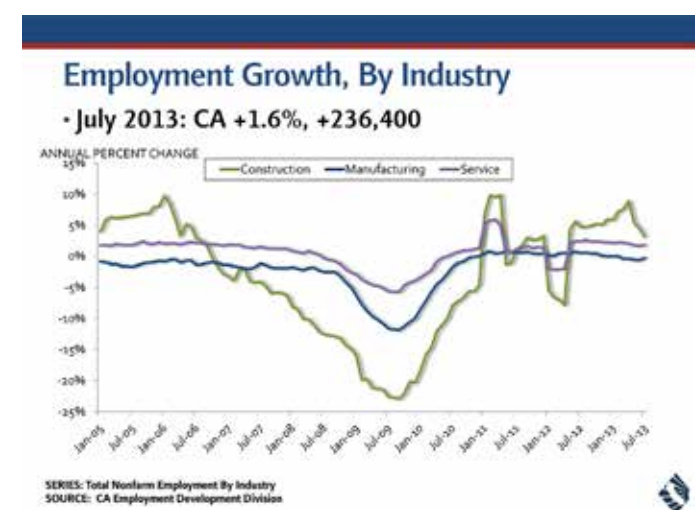
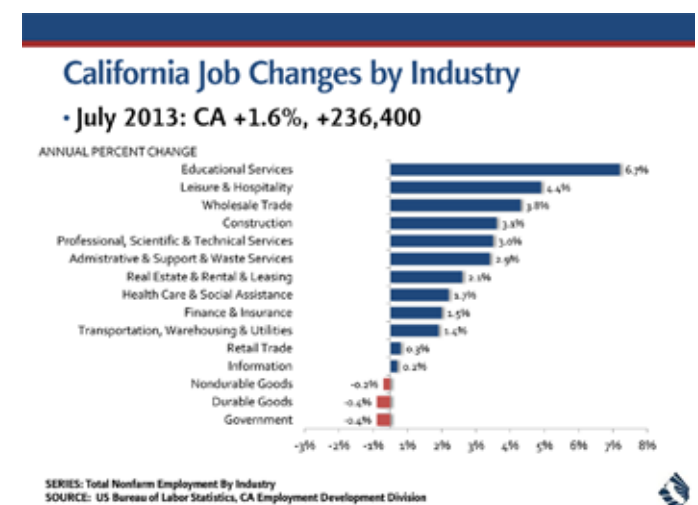
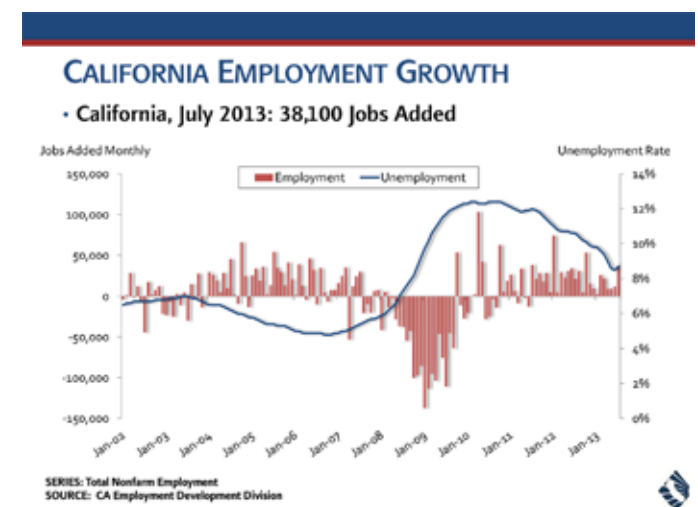


Another bright spot in the economy is domestic energy production across the nation. New discoveries and drilling techniques have improved the feasibility of extracting energy from shale formations. These new techniques, which include horizontal drilling and a process known as hydraulic fracturing, sometimes called “fracking”, helped stimulate economic growth in parts of the country not traditionally associated with energy production. North Dakota benefited the most from horizontal drilling activity in the Bakken Shale. Fracking has been a subject of much debate in California where the Monterey Shale potentially holds more than 15 billion barrels of oil, making it twice the size of the Bakken and more than five times the size of Texas’ Eagle Ford Shale. Developing this rich resource is subject to much discussion for a number of reasons, including the potential climate and environmental impacts of emissions from Monterey Shale development and a lack of current regulations in California to address the practice. Increased energy production across the nation is reducing the nation’s energy dependence on politically unstable regions, however, high oil prices and volatility continue to pose serious obstacles to the economic recovery. For example, crude oil prices reached an 18-month high at the end of August as a result of supply disruptions and increasing fears of war and instability in the Middle East.



In 2012, California’s economic activity increased by 3.5 percent, ahead of the nationwide GDP growth. In fact, last year California ranked seventh in terms of Gross State Product growth. States that ranked higher generally relied on the expansion of mining and extractive industries, which benefited from economic turmoil and rising commodity prices. California, however, grew in other dimensions, particularly in construction, following the housing rebound.

California posted some notable employment gains over the past year with unemployment falling 1.9 percentage points. Hiring accelerated across most key industries, and prospects are improving in many of the industries that trailed in recent years. Employment growth in California can be difficult to estimate and is often understated because its economy relies heavily on new business startups, many of which are not captured in employment surveys. Nevertheless, household employment statistics, which attempt to capture startups, rose 2.8 percent over the past year, generating a net gain of 468,100 new jobs. By contrast, nonfarm employment statistics state that employment increased by only 1.6 percent, or roughly 236,400 jobs, over the past year. The true increase in employment in California lies somewhere between these two measures, but both are well above the one percent gain necessary for a true reduction in unemployment.



## Nonfarm Employment

• Los Angeles County, July 2013: Up 1.6% YTY



## Nonfarm Employment

• Los Angeles County, July 2013: Up 1.6% YTY



## Nonfarm Employment

• Inland Empire, July 2013: 0.4% YTY



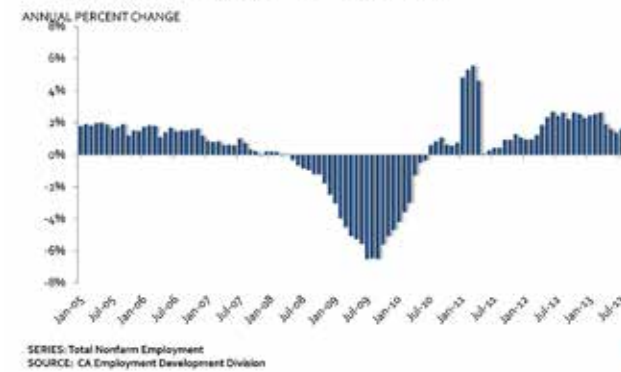
In line with national trends, employment growth in Southern California is largely in construction and industries with relatively lower paying jobs, such as leisure and hospitality. Orange County had the largest labor market gains in the region, gaining higher paying jobs in high-tech manufacturing and services, and professional and business services industries. Manufacturing and government jobs continued contracting statewide over the past year.

Improvement in the economy raised expectations that the Federal Reserve Bank (the Fed) will reduce its monetary stimulus this fall. The Fed kept interest rates down and spurred borrowing and investment by purchasing \$85 billion a month in government securities and mortgage-backed bonds. Even a slightest insinuation that the Fed will pull back on its current policy caused markets to respond with deep drops in bond prices and interest rates increases. Increases in yields on long-term U.S. government bonds caused disruptions in local housing markets and emerging markets because they became relatively less attractive. Accordingly, investors began to sell emerging market assets, contributing to price declines and the depreciation of currencies in relation to the dollar, which in turn made U.S. exports relatively more expensive.

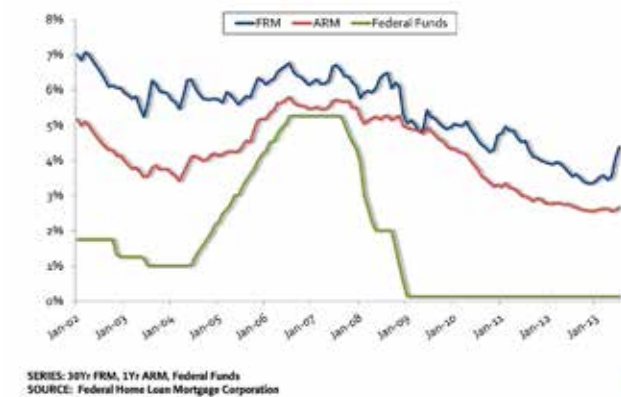
In light of these factors, economic forecasts remain subdued. The Philadelphia Federal Reserve Bank Survey of Professional Forecasters, released before the GDP revision, projected real GDP growth to continue at below the 2.5 percent rate for the remainder of 2013, and to increase to 2.6 percent in 2014. Unemployment is expected to remain at 7.5 percent in 2013, with job gains averaging 183,800 a month in 2013 and 180,100 a month in 2014. Headline inflation is also projected to remain below 2 percent with a 1.2 percent average for this year and a 1.8 percent average in 2014. Given the subdued expectations for the economy moving forward, it is difficult to see the incentive for the Fed to taper its policy this fall, although expectations about Fed behavior may change following the most recent GDP revision. If the Fed alters its policy, and long-term interest rates continue to rise, growth in the housing market could slow.

## Nonfarm Employment

• San Diego County, July 2013: Up 1.6% YTY



## MORTGAGE RATES



## NEW HOME SALES

• US, July 2013 Sales: 394,000 Units; Median Price: \$253,950



Home prices have been on a continuous upward swing since the beginning of 2012. According to the June 2013 S&P/Case-Shiller Home Price Indices, prices are up 10 percent nationally, and 12 percent for the 20-city composite. The Southwest and California have consistently led the recovery with Las Vegas, Los Angeles, Phoenix, and San Francisco posting at least 15 months of price gains. San Francisco showed the strongest rebound, up 25 percent over the year and 47.0 percent from its low in March 2009. Prices in Los Angeles increased 20 percent over the past year and prices in San Diego followed closely with a 19 percent increase. The median single-family house price for California was \$428,510 in June, 74.7 percent above the cyclical bottom of \$245,230 reached in February 2009, and only 27 percent below the peak.

A combination of factors contributed to a strong housing rebound in California, including the large numbers of investors, cash buyers and international buyers, and extremely tight inventory levels. Housing inventory was substantially below the norm last year. Inventory levels, however, vary across markets, with a significant shortage of inventory in lower-priced segments and slightly more slack in higher-priced markets. The low inventory levels led to a contraction in sales activity; according to the California Association of Realtors, sales of existing single-family detached homes for the first half of 2013 fell 4.3 percent compared to last year. Higher-priced markets nevertheless continued to show strong growth on a year-over-year basis, while lower priced markets, now lacking distressed inventory, contracted in volume by over 50 percent in the last year.



Household formation has again returned to pre-recession levels. California added 307,000 new households in 2012, while building only 58,000 housing units, which further increased pressure on the housing market. Appreciating home prices coupled with increases in interest rates will contribute to a significant deterioration of affordability in many of California's housing markets. Reduced affordability will constrain first-time buyers and increase pressure on the multifamily market regardless of the improving employment landscape. Nevertheless, we expect home prices will grow, but at a slower rate of 4 to 5 percent in 2014.

US domestic policies present risks to the economy over the next year. The Fed's eventual unwinding of their bond-buying program may cause an overreaction in the financial world. There is also the continued negative impact of sequestration, although the effects may be waning. Housing-specific reforms related to the GSEs could also adversely affect the stability of the mortgage market and access to financing for multifamily housing, which would negatively affect the housing recovery. Despite efforts from legislators, reform of the GSEs is not imminent, especially because, in recent quarters, the GSEs have returned to being profitable.

Familiar external risks to economic growth still exist. The most imminent risk comes again from instability in the Middle East and potential U.S. involvement with the Syrian crisis. Instability in the Middle East inevitably triggers concerns about oil prices. Although still a concern, some positive news has come from China and Europe. The Eurozone's GDP turned positive in the second quarter of 2013, driven in part by domestic demand, although unresolved sovereign debt remains a potential source of instability in the financial market. In addition, China's manufacturing strengthened again reflecting improving demand abroad and at home.



Sour



Los Angeles Submarket Map

- 1

CHATSWORTH, CANOGA PARK
- 2

GRANADA HILLS, NORTHRIDGE, RESEDA
- 3

PANORAMA HILLS, SAN FERNANDO, PACOIMA
- 4

WOODLAND HILLS, TARZANA, 101 WEST
- 5

VAN NUYS, NORTH HOLLYWOOD
- 6

SHERMAN OAKS, STUDIO CITY, N HOLLYWOOD
- 7

BURBANK, NORTH GLENDALE
- 8

TUJUNGA, LA CRESCENTA, MONTROSE
- 9

SANTA CLARITA VALLEY, CANYON COUNTRY
- 10

PALMDALE, LANCASTER
- 11

PASADENA
- 12

SOUTH GLENDALE, HIGHLAND PARK
- 13

DOWNTOWN
- 14

HOLLYWOOD, SILVER LAKE
- 15

WILSHIRE, WESTLAKE
- 16

BEVERLY HILLS, W HOLLYWOOD, PARK LA BREA
- 17

WEST LA, WESTWOOD, BRENTWOOD
- 18

MAR VISTA, PALMS, CULVER CITY
- 19

SANTA MONICA
- 20

MARINA DEL REY, VENICE, WESTCHESTER
- 21

MID-CITY, WEST ADAMS, PICO HEIGHTS
- 22

INGLEWOOD, CRENSHAW
- 23

SOUTH CENTRAL LA
- 24

HAWTHORNE, NORTH TORRANCE
- 25

EL SEGUNDO, HERMOSA BEACH, REDONDO BEACH
- 26

WEST TORRANCE, RANCHOS PALOS VERDES
- 27

CARSON, SAN PEDRO, E TORRANCE, LOMITA
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WEST LONG BEACH, SIGNAL HILL
- 29

EAST LONG BEACH, LOS ALTOS
- 30

N LONG BEACH, LAKEWOOD, ARTESIA
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PARAMOUNT, DOWNEY, BELLFLOWER, NORWALK
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WHITTIER
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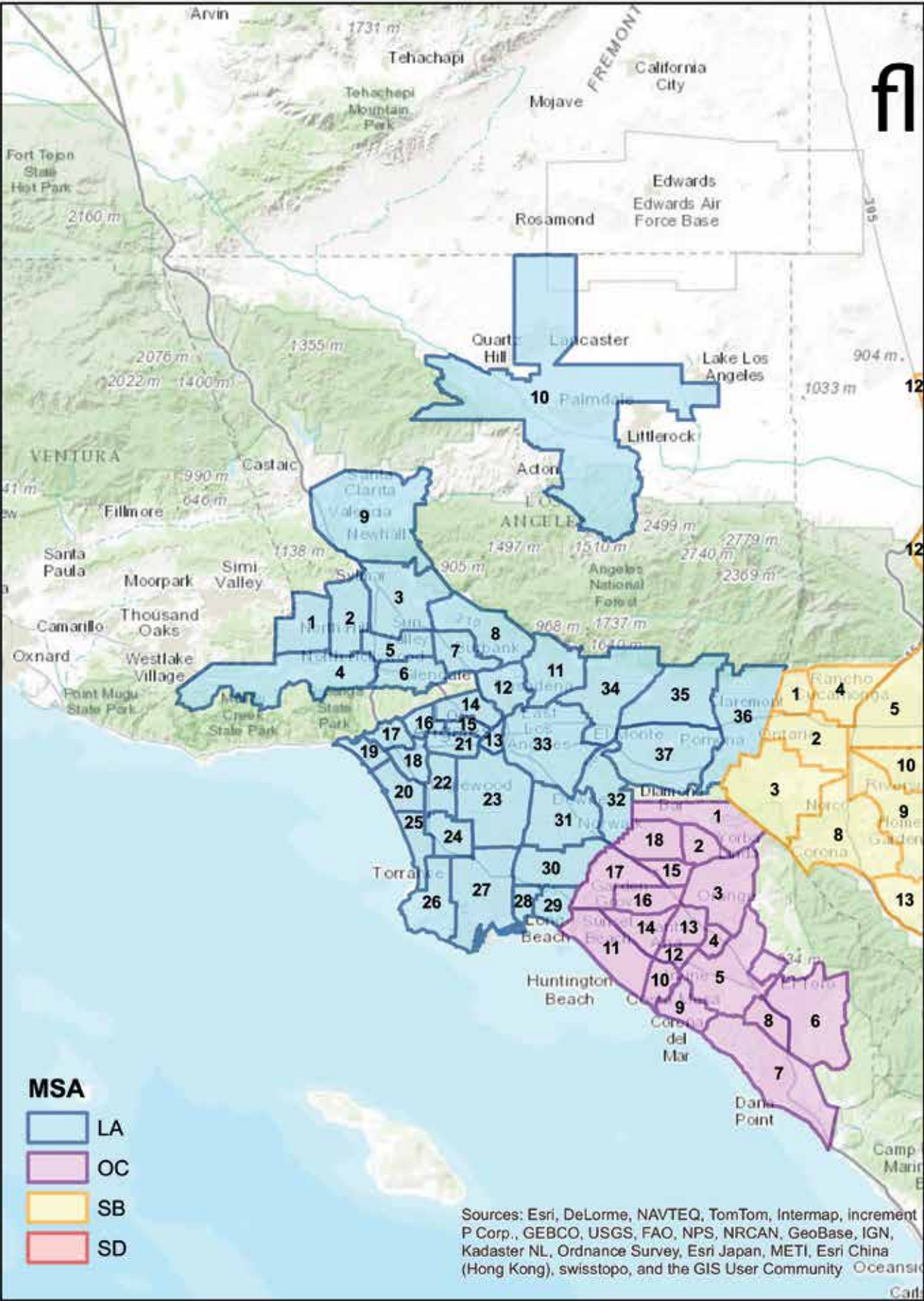
EAST LA, ALHAMBRA, MONTEBELLO, PICO RIVERA
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ARCADIA, DUARTE, EL MONTE
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AZUSA, COVINA, GLENORA
- 36

CLAREMONT, POMONA, LA VERNE
- 37

WEST COVINA, LA PUENTE, ROWLAND HEIGHTS

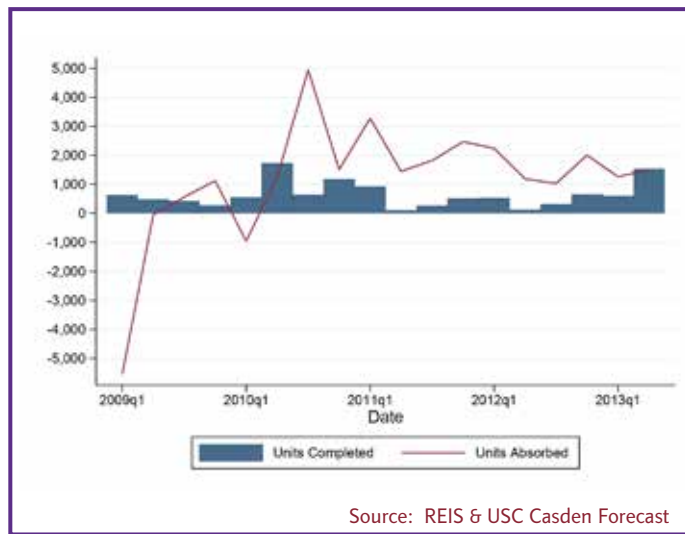




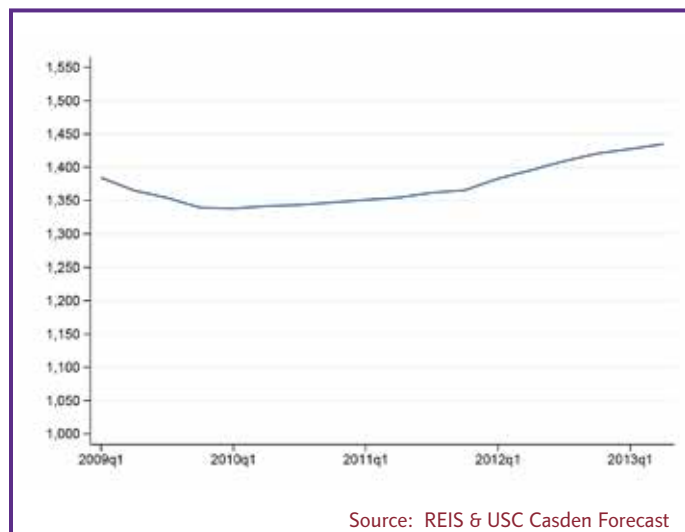
# Los Angeles Multifamily Market Trends

## Submarkets

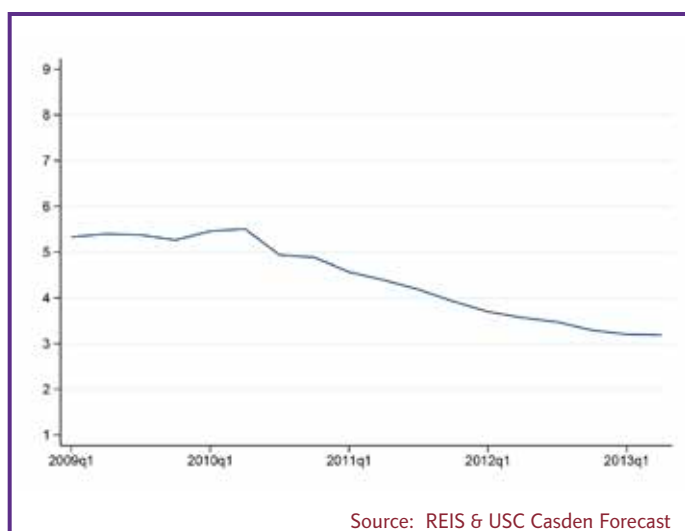
UNITS COMPLETED AND ABSORBED IN LOS ANGELES COUNTY



AVERAGE RENT IN \$ FOR LOS ANGELES COUNTY

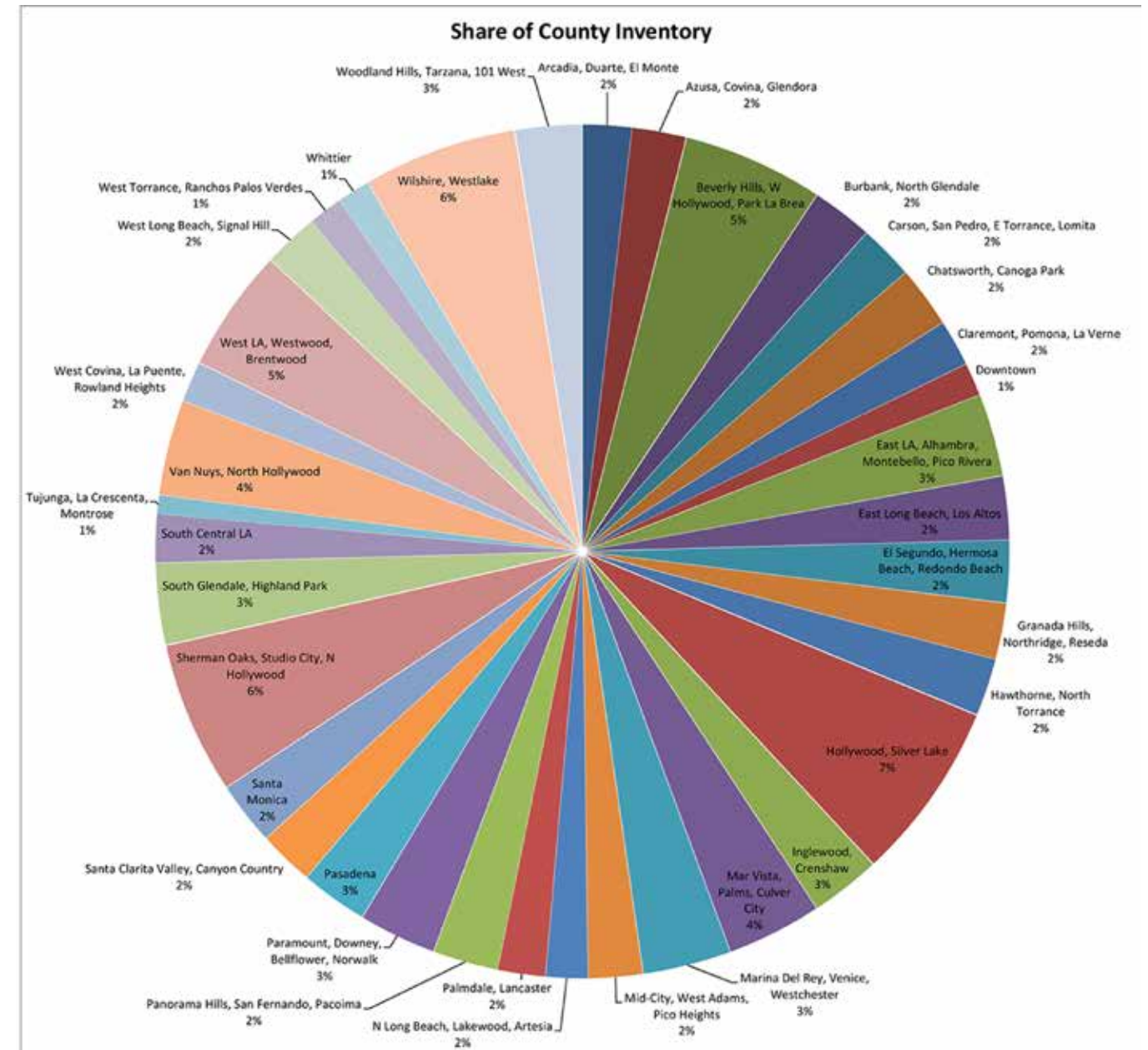


AVERAGE PERCENT VACANT FOR LOS ANGELES COUNTY



## Los Angeles

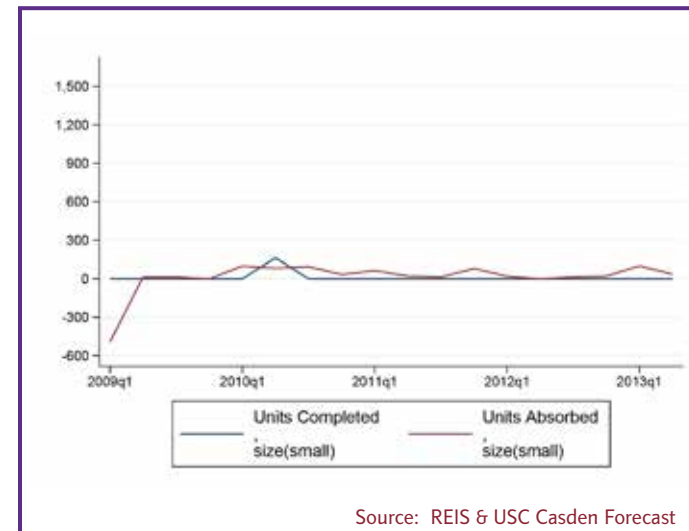
Los Angeles County saw its third straight year of increased demand. Between the second quarters of 2012 and 2013, almost 3,100 new multifamily rental units were completed in the County, which is a 120 percent increase from the number of units completed in the previous year and the highest number of units completed since the recession. In the past year, the supply of multifamily rental units increased in 10 of the 37 submarkets we analyze for the County in this report, with the highest number of new units being completed in Chatsworth and Canoga Park. At the same time, the market absorbed almost 5,800 rental units. Only two of the 37 submarkets in the County had a negative net absorption in the last year. As a result, the countywide vacancy rate dropped to 3.2 percent in the second quarter of 2013, which was a 10.63 percent reduction in the countywide vacancy rate in the previous year. The vacancy rate decreased in 34 of the 37 submarkets in Los Angeles County in the past year, with the largest percent reduction in annual vacancy rate occurring in the Arcadia, Duarte, El Monte submarket. In the second quarter of 2013 the average effective rent for the county increased by 2.9 percent over the previous year to \$1,425, the highest increase in annual rents out of the five Counties in Southern California that we analyze in this study. Annual rents increased in 35 of the 37 submarkets in the County, with the largest percent increase in annual rents occurring in the Beverly Hills, W Hollywood, Park La Brea submarket. Overall, these dynamics point to an increase in the demand for multifamily rental housing, and a tightening rental market, which we explore further in our submarket reports.



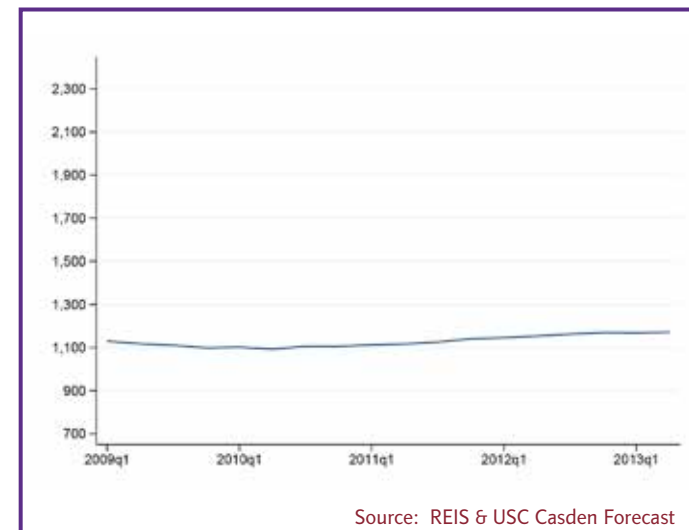
### ARCADIA, DUARTE, EL MONTE

The Arcadia, Duarte, El Monte submarket contains 1.9 percent of the multifamily rental inventory in Los Angeles County. In 2009Q1 there was a negative net absorption of almost 500 units, however between 2009Q2 and 2013Q2 there was a consistent positive absorption of over 700 units. As a result, vacancy rates decreased for all but one quarter during this period, from 6.8 percent in 2009Q1 to 2.9 percent in 2013Q2. This market realized the largest annual decrease in vacancy rate, 29.28 percent, of all submarkets in Los Angeles County between 2012Q2 and 2013Q2. The average effective rent in this market decreased from \$1,130 in 2009Q1 to \$1,093 in 2010Q2. Since then, rents consistently increased and as of 2013Q2 averaged \$1,172.

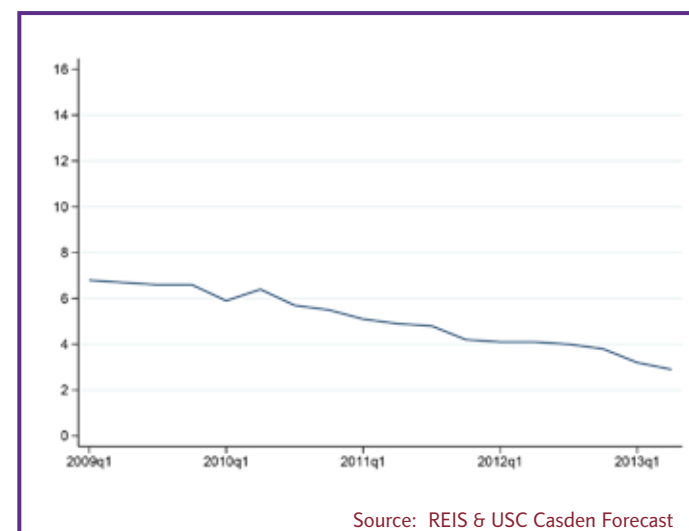
UNITS COMPLETED AND ABSORBED IN: ARCADIA, DUARTE, EL MONTE



AVERAGE RENT IN \$ FOR: ARCADIA, DUARTE, AND EL MONTE



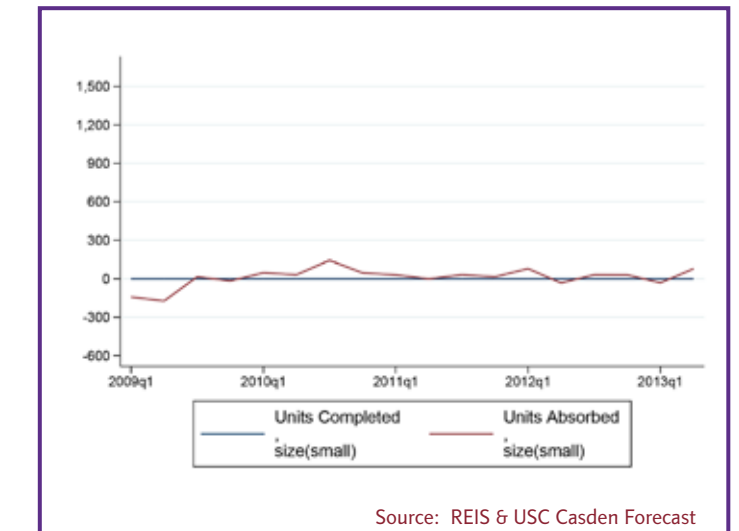
% VACANT IN: ARCADIA, DUARTE, AND EL MONTE



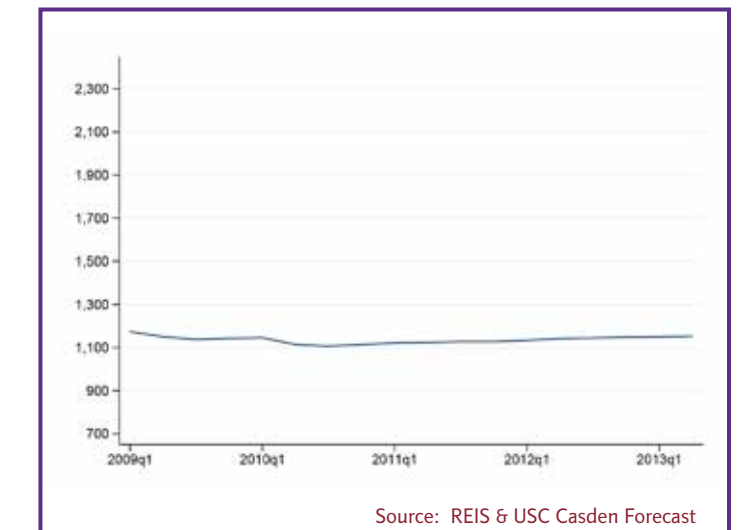
### AZUSA, COVINA, GLENDORA

The Azusa, Covina, Glendora submarket contains 2.1 percent of the multifamily rental inventory in Los Angeles County. In 2009 there was a negative net absorption of almost 80 units, followed by a positive absorption of almost 430 units between 2010Q1 and 2012Q1. Since then, there was a consistent fluctuation between negative and positive absorption. There were zero new units completed in this market between 2009Q1 and 2013Q2. As a result, the vacancy rate fluctuated directly with absorptions. Because of the overall positive net absorption, the vacancy rate decreased from 5.5 percent in 2009Q1 to 3.4 percent in 2013Q2. The current average rent for this submarket is \$1,153, which is a one percent increase from the previous year, however, remains below the average effective rent of \$1,174 for this submarket in 2009Q1.

UNITS COMPLETED AND ABSORBED IN: AZUSA, COVINA, GLENDORA



AVERAGE RENT IN \$ FOR: AZUSA, COVINA, AND GLENDORA



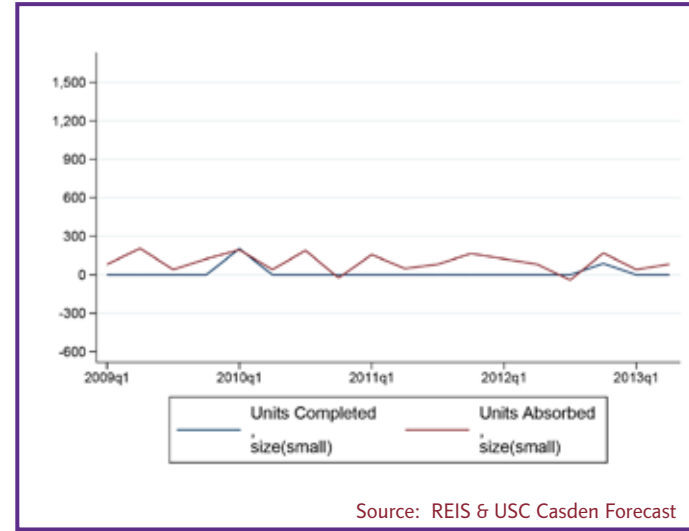
% VACANT IN: AZUSA, COVINA, AND GLENDORA



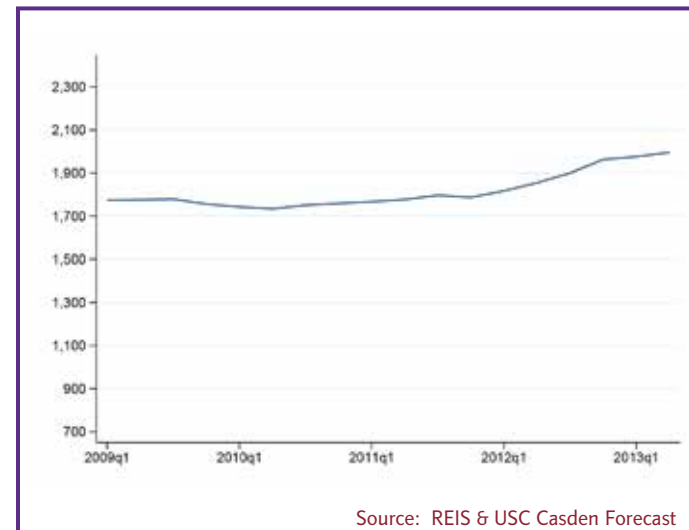
# Los Angeles Multifamily Market Trends

## Submarkets

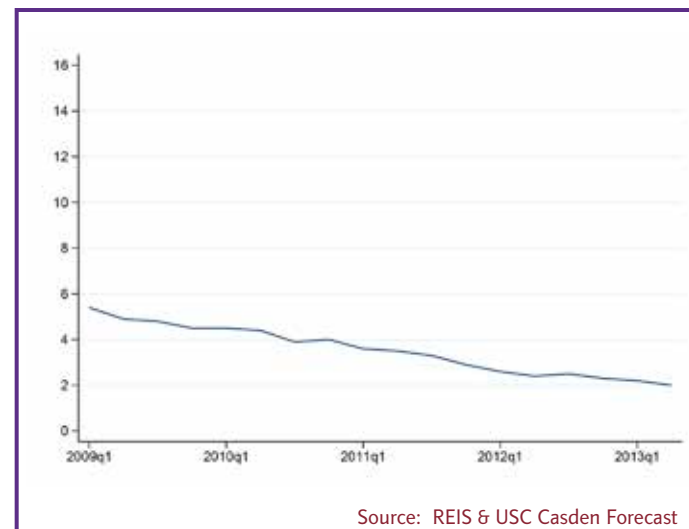
UNITS COMPLETED AND ABSORBED IN: BEVERLY HILLS, W HOLLYWOOD, PARK LA BREA



AVERAGE RENT IN \$ FOR: BEVERLY HILLS, W HOLLYWOOD, AND PARK LA BREA



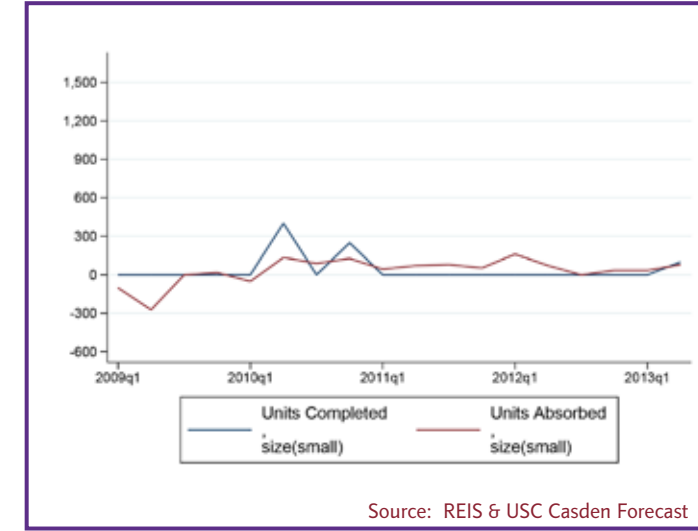
% VACANT IN: BEVERLY HILLS, W HOLLYWOOD, AND PARK LA BREA



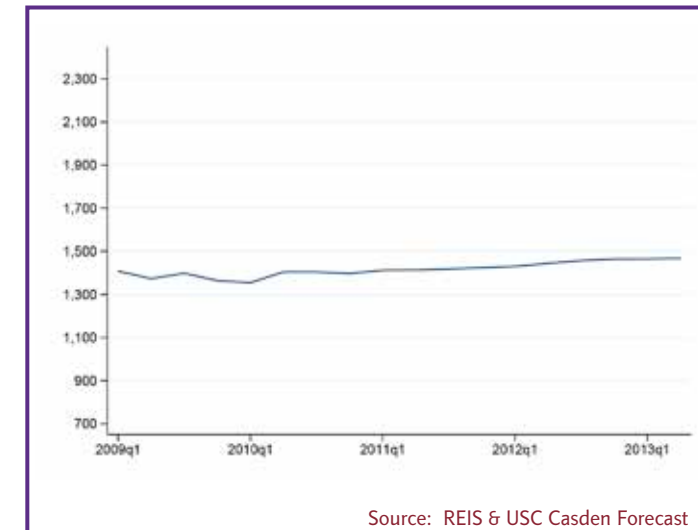
### Beverly Hills, W Hollywood, Park La Brea

The Beverly Hills, W Hollywood, Park La Brea submarket contains 5.4 percent of the multifamily rental inventory in Los Angeles County. Between 2009Q1 and 2013Q2 there were over 1,700 units absorbed into the submarket and almost 300 units completed. Over this period, there was only one quarter where there was a negative net absorption of units. The annual vacancy rate dropped for every quarter between 2009Q1, when it was 5.4 percent, and 2013Q2 when it was 2 percent. As a result, rents increased from \$1,774 in 2009Q1 to \$1,996 in 2013Q2. Between 2012Q2 and 2013Q2, this submarket had the highest annual percent increase in average rent, 7.6 percent, in Los Angeles County.

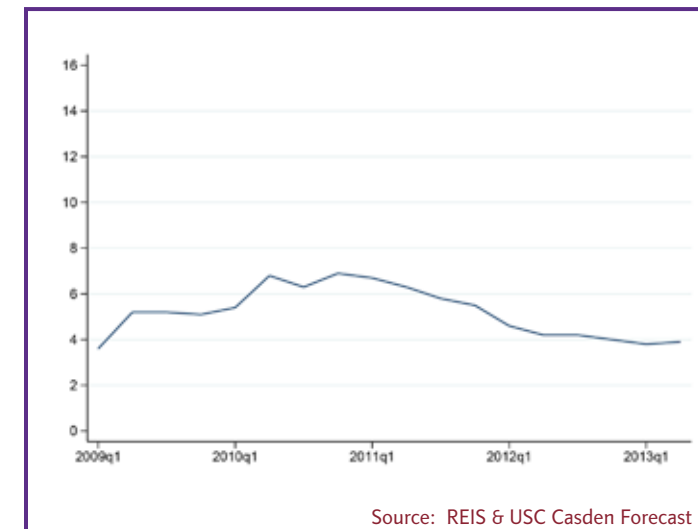
UNITS COMPLETED AND ABSORBED IN: BURBANK, NORTH GLENDALE



AVERAGE RENT IN \$ FOR: BURBANK AND NORTH GLENDALE



% VACANT IN: BURBANK AND NORTH GLENDALE



### Burbank, North Glendale

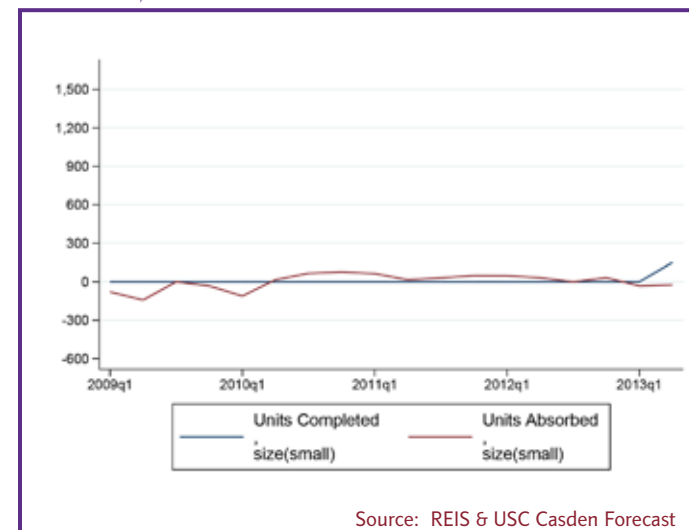
The Burbank and North Glendale submarket contains 2.3 percent of the multifamily rental inventory in Los Angeles County. In the first two quarters of 2009 there was a negative net absorption of 375 units, however between 2009Q3 and 2012Q4 there was a positive net absorption of 940 units. During this period there were also 750 new multifamily rental units completed in the submarket. The vacancy rate increased from 3.6 to 6.9 percent between 2009Q1 and 2010Q4; however, it then decreased every quarter until 2013Q1, when it was 3.8 percent. The vacancy rate increased from 3.8 percent to 3.9 percent between the first two quarters of 2013, likely because almost 100 new rental units were completed in the submarket during this time and were not fully absorbed. As of 2013Q2 the average rent in this submarket was \$1,468, which was a 1.59 percent increase from the average rent in the previous year.



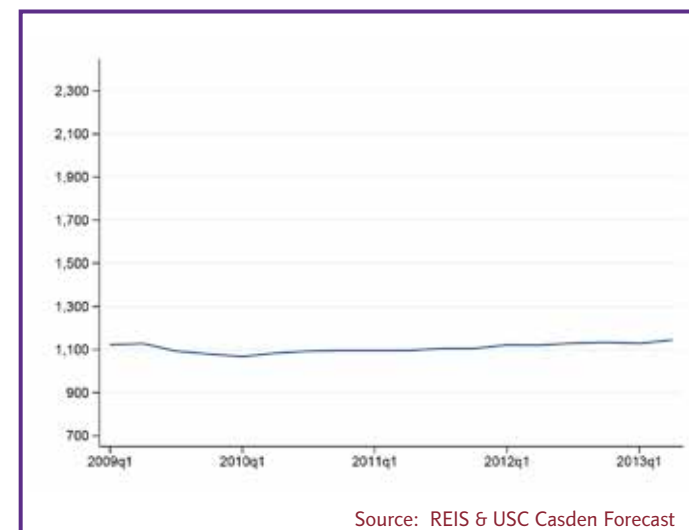
## CARSON, SAN PEDRO, E. TORRANCE, LOMITA

The Carson, San Pedro, E. Torrance, Lomita submarkets contain 2.1 percent of the multifamily rental inventory in Los Angeles County. Between 2009Q1 and 2010Q1, there was a negative absorption of 360 units, however between 2010Q2 and 2012Q4 there were almost 430 units absorbed. In the first two quarters of 2013 the submarket witnessed a negative absorption of 55 units, which was partially driven by the new rental units that entered the submarket at that time. The vacancy rate in this submarket generally followed the same trend as the absorptions, with an increase in vacancy rates from 3.4 percent in 2009Q1 to 5.2 percent in 2010Q1, and then a decrease to 2.5 percent by 2012Q4. In the first two quarters of 2013 the vacancy rate increased considerably, from 2.7 percent to 3.6 percent. The vacancy rate in the most recent quarter is a 33.3 percent increase from the vacancy in the previous year. This represents the largest percent increase in vacancy rate of any submarket in Los Angeles County between 2012Q2 and 2013Q2. Despite the recent increase in the vacancy rate, rents increased between 2012Q2 and 2013Q2 by 2.14 percent to \$1,145.

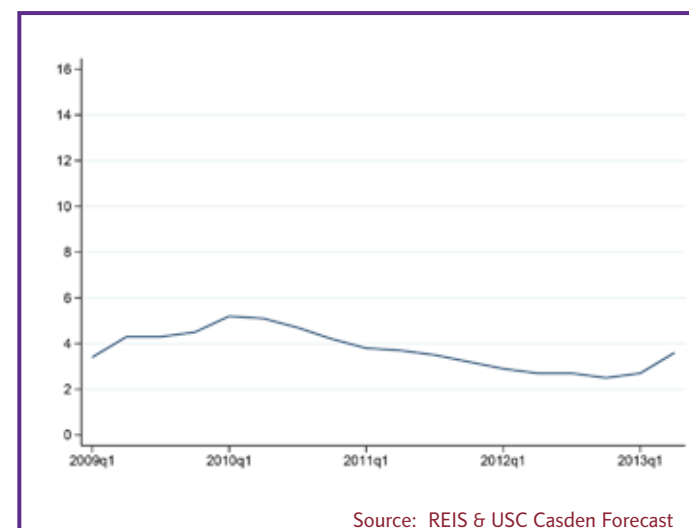
UNITS COMPLETED AND ABSORBED IN: CARSON, SAN PEDRO, E TORRANCE, LOMITA



AVERAGE RENT IN \$ FOR: CARSON, SAN PEDRO, E TORRANCE, AND LOMITA



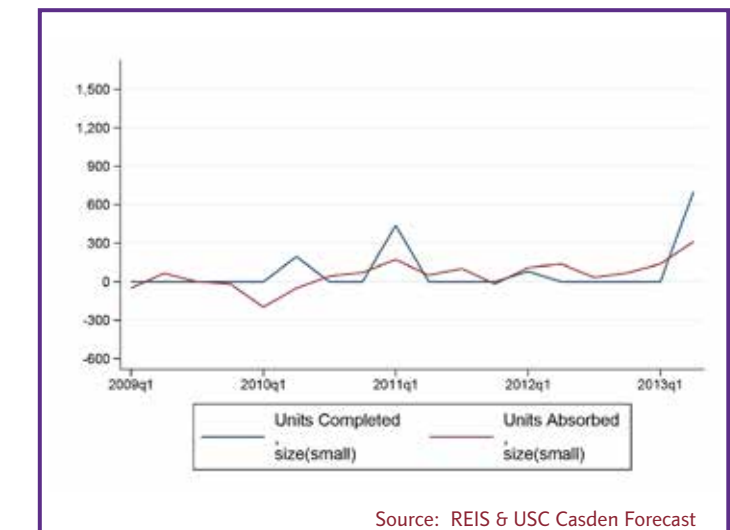
% VACANT IN: CARSON, SAN PEDRO, E TORRANCE, AND LOMITA



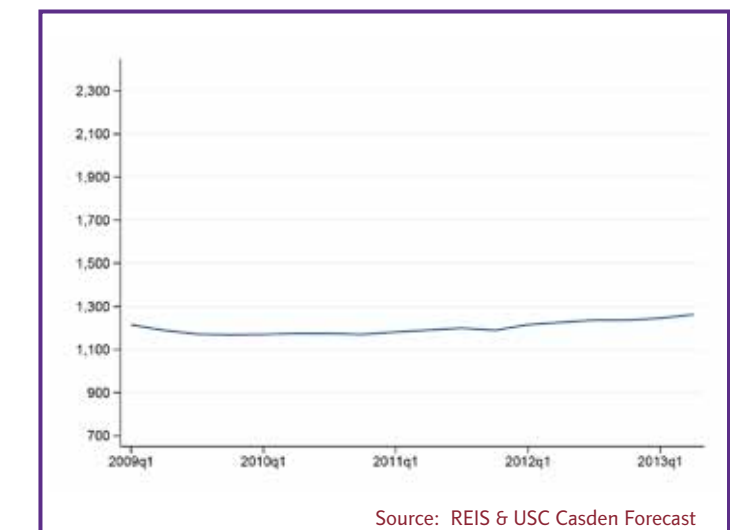
## CHATSWORTH, CANOGA PARK

The Chatsworth and Canoga Park submarket contains 2.3 percent of the rental inventory in Los Angeles County. Over 700 units were completed between 2009 and 2013Q1, and an additional 700 units were completed in 2013Q2. Between 2009Q1 and 2010Q2 there was a negative absorption of almost 250 units in this submarket, however between then and 2013Q2 there were 1,225 units absorbed into the submarket. Year to year vacancy rates increased in this submarket until 2011Q4, and then decreased until 2013Q1. The vacancy rate was 6.4 percent in 2013Q2, which was a 10.34 percent increase from the previous year. As a result, this submarket had the highest vacancy rate in Los Angeles County in 2013Q2. Annually, rents in this submarket increased since 2010Q3. As of 2013Q2, the average rent was \$1,263, which was a 2.93 percent increase from the average rent in the previous year.

UNITS COMPLETED AND ABSORBED IN: CHATSWORTH, CANOGA PARK



AVERAGE RENT IN \$ FOR: CHATSWORTH AND CANOGA PARK



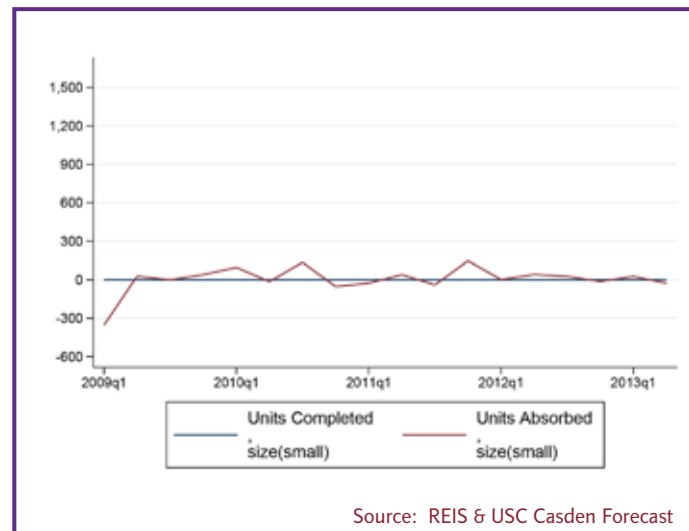
% VACANT IN: CHATSWORTH AND CANOGA PARK



# Los Angeles Multifamily Market Trends

## Submarkets

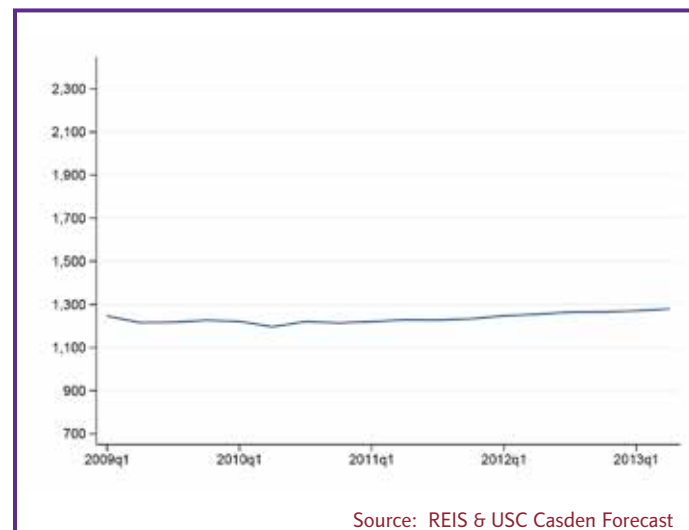
UNITS COMPLETED AND ABSORBED IN: CLAREMONT, POMONA, LA VERNE



### CLAREMONT, POMONA, LA VERNE

The Claremont, Pomona, La Verne submarket contains 1.8 percent of the multifamily rental inventory in Los Angeles County. There were no additional rental units completed in this submarket between 2009Q1 and 2013Q2. In addition, the absorption fluctuated between positive and negative which resulted in only 55 units being absorbed into the submarket during this time. Because the multifamily rental submarket is small in this submarket, the units absorbed reduced the vacancy rate from 8.1 percent in 2009Q1 to 5.1 percent in 2013Q2. As of 2013Q2 the average rent in this submarket was \$1,280 which was a 2 percent reduction from the average rent in the previous year.

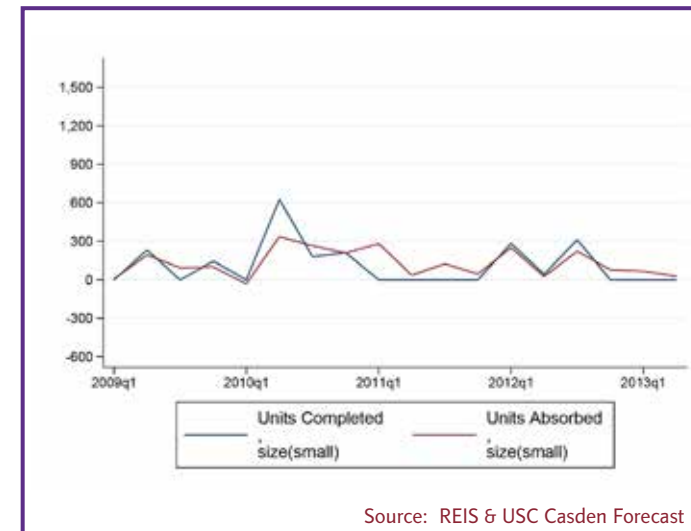
AVERAGE RENT IN \$ FOR: CLAREMONT, POMONA, AND LA VERNE



% VACANT IN: CLAREMONT, POMONA, AND LA VERNE



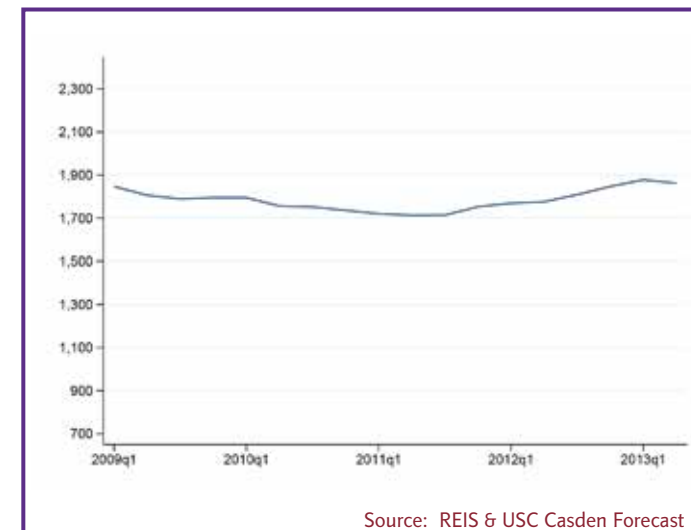
UNITS COMPLETED AND ABSORBED IN: DOWNTOWN



### DOWNTOWN

The Downtown submarket contains 1.2 percent of the multifamily rental inventory in Los Angeles County. Between 2009Q1 and 2013Q2, over 2,000 units were completed in this submarket. During this period there was also a positive absorption of rental units in every quarter except one, which resulted in an overall absorption of over 2,300 units. This represents the most units absorbed out of any submarket in the County between 2009Q1 and 2013Q2. As a result, vacancy rates decreased from 9.7 percent in 2009Q1 to 4.6 percent in 2013Q1. The vacancy rate fell to 4.4 percent in 2013Q2, which was an 18.6 percent reduction from the vacancy rate in the previous year. The average rent in this submarket was \$1,862, which was 4.8 percent higher than the previous year and represents the second highest annual increase in average rent in Los Angeles County.

AVERAGE RENT IN \$ FOR: DOWNTOWN



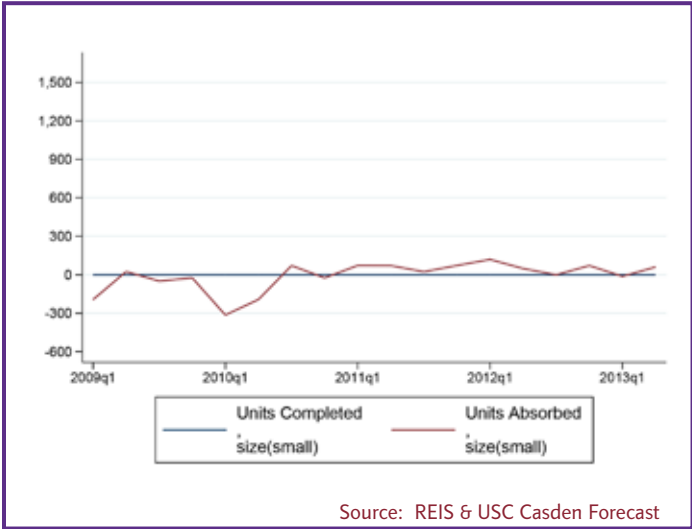
% VACANT IN: DOWNTOWN



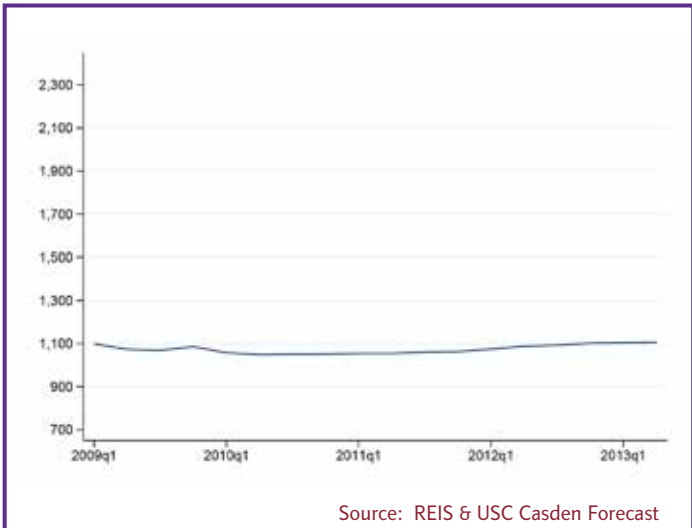
East LA, Alhambra, Montebello, Pico Rivera

The East LA, Alhambra, Montebello, Pico Rivera submarket contains 3.1 percent of the multifamily rental inventory in Los Angeles County. There were no new rental units completed in this submarket between 2009Q1 and 2013Q2. There was a negative absorption of almost 700 units between 2009Q1 and 2010Q4, and a positive absorption of over 530 units between then and 2013Q2, which meant an overall negative absorption of almost 170 units between 2009Q1 and 2013Q2. The vacancy rate in this submarket fluctuated with the number of units absorbed, and as a result increased to 5.7 percent in 201Q4 and decreased to 3.5 percent in 2013Q2. The overall negative number of units absorbed is small compared to the inventory, which explains why the current vacancy rate of 3.5 percent is relatively unchanged from the vacancy rate in 2009Q1. Rents in this submarket decreased from 2009Q1 through 201Q2, from \$1,099 to \$1,049, and then began to increase through 2013Q2 with an average rent of \$1,106.

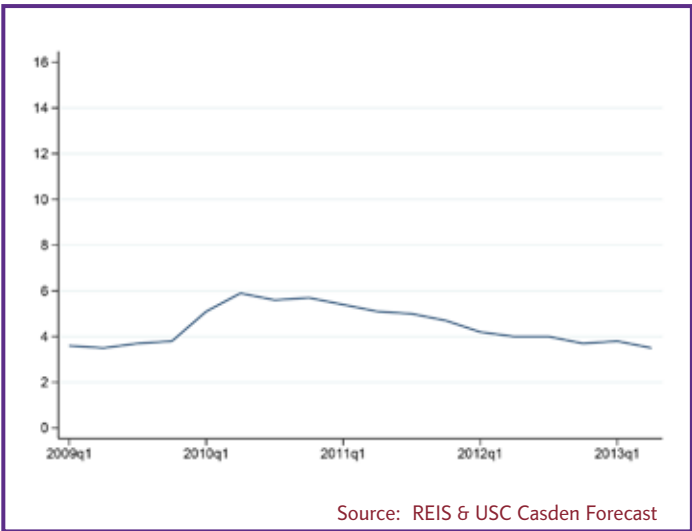
UNITS COMPLETED AND ABSORBED IN: EAST LA, ALHAMBRA, MONTEBELLO, PICO RIVERA



AVERAGE RENT IN \$ FOR: EAST LA, ALHAMBRA, MONTEBELLO, AND PICO RIVERA



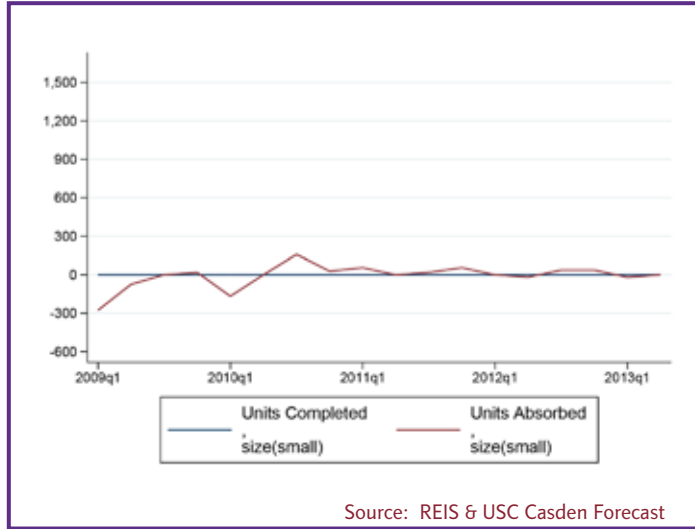
% VACANT IN: EAST LA, ALHAMBRA, MONTEBELLO, AND PICO RIVERA



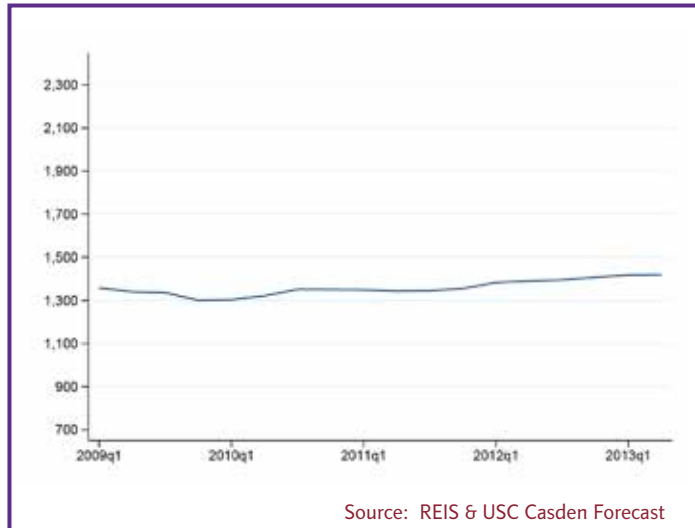
East Long Beach, Los Altos

The East Long Beach, Los Altos submarket contains 2.4 percent of the multifamily rental inventory in Los Angeles County. There were no new rental units completed in this submarket between 2009Q1 and 2013Q2. The number of units absorbed in the submarket varied from positive to negative and sums to a negative net absorption of almost 150 units between 2009Q1 and 2013Q2. As of 2013Q2, the vacancy rate in this submarket was 3.6 percent, which was a 7.62 percent lower than the vacancy rate in the previous year. The average rent in this submarket fluctuated by quarter, however between 2009Q1 and 2013Q2 increased from \$1,359 to \$1,420.

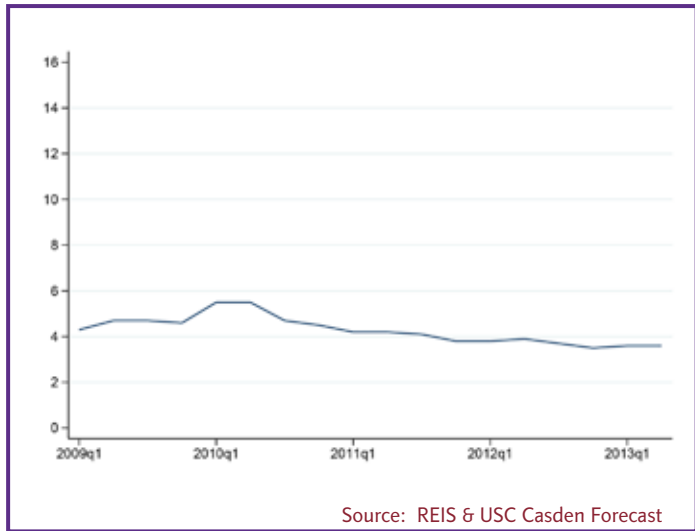
UNITS COMPLETED AND ABSORBED IN: EAST LONG BEACH, LOS ALTOS



AVERAGE RENT IN \$ FOR: EAST LONG BEACH AND LOS ALTOS



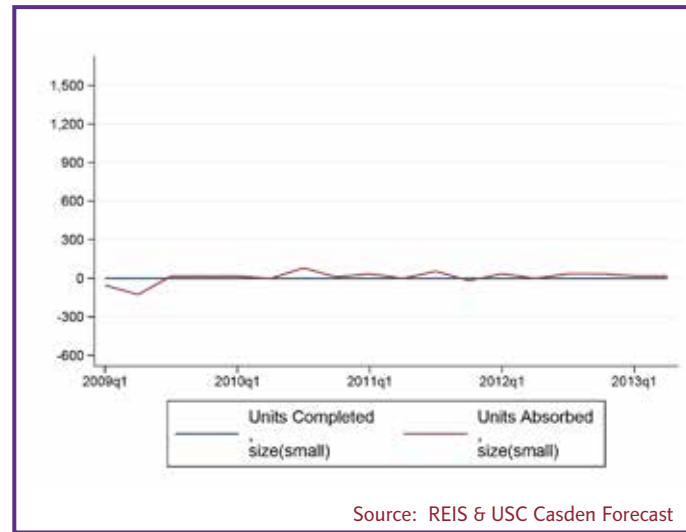
% VACANT IN: EAST LONG BEACH, AND LOS ALTOS



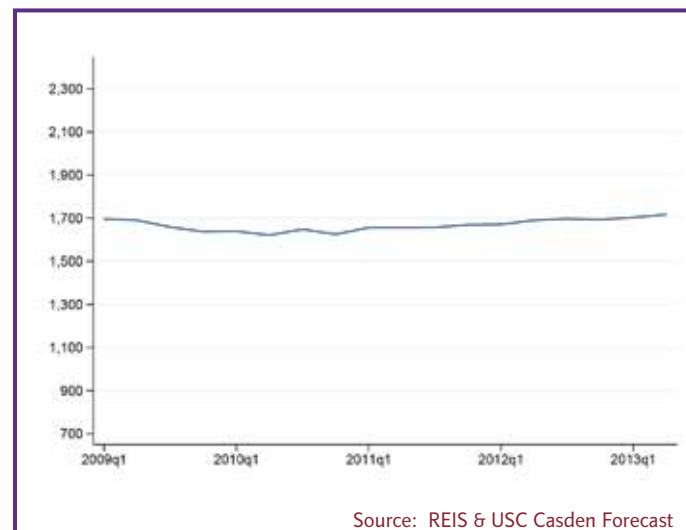
# Los Angeles Multifamily Market Trends

## SUBMARKETS

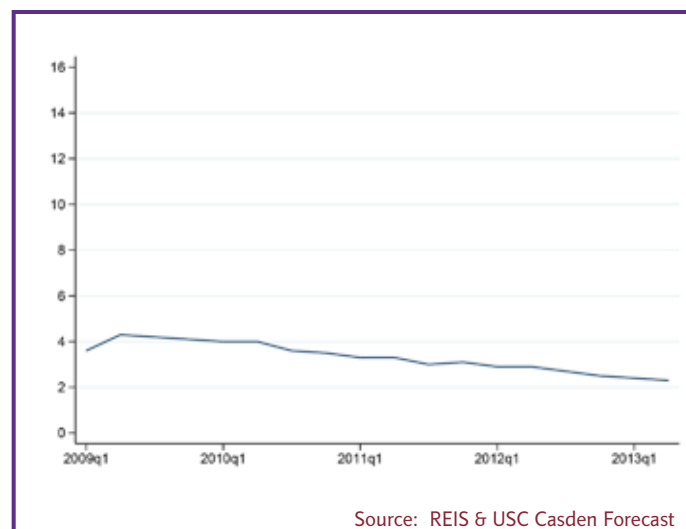
UNITS COMPLETED AND ABSORBED IN: EL SEGUNDO, HERMOSA BEACH, REDONDO BEACH



AVERAGE RENT IN \$ FOR: EL SEGUNDO, HERMOSA BEACH, AND REDONDO BEACH



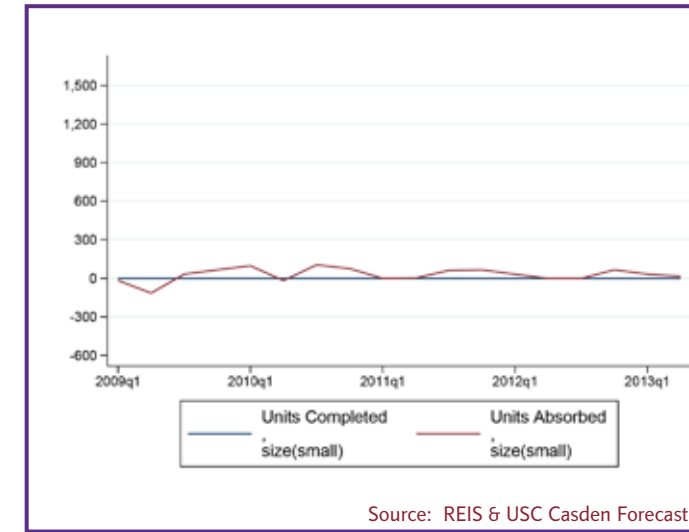
% VACANT IN: EL SEGUNDO, HERMOSA BEACH, AND REDONDO BEACH



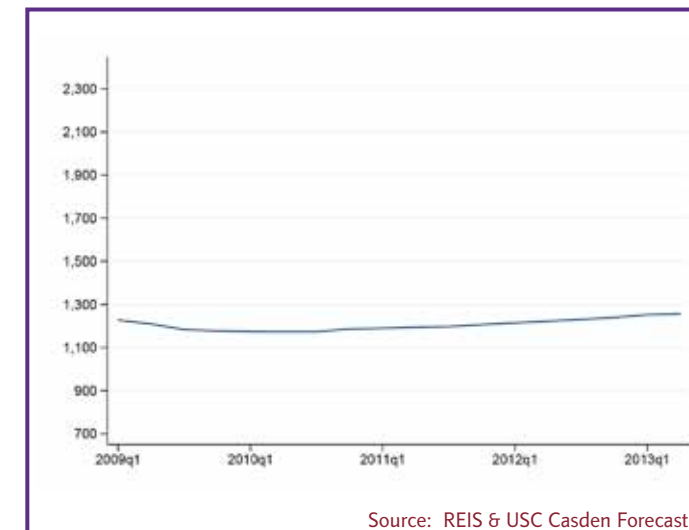
### El Segundo, Hermosa Beach, Redondo Beach

The El Segundo, Hermosa Beach, Redondo Beach submarket contains 2.4 percent of the multifamily rental inventory in Los Angeles County. There were no multifamily rental units completed in this submarket between 2009Q1 and 2013Q2. In the first two quarters of 2009 there was a negative absorption of 180 units, however since then the submarket absorbed 360 units. As a result, vacancy rates decreased every quarter from 4.3 percent in 2009Q2 to 2.3 percent in 2013Q2. The average rent in this submarket in 2013Q2 was \$1,717, which was a 1.6 percent increase from the average rent in the previous year.

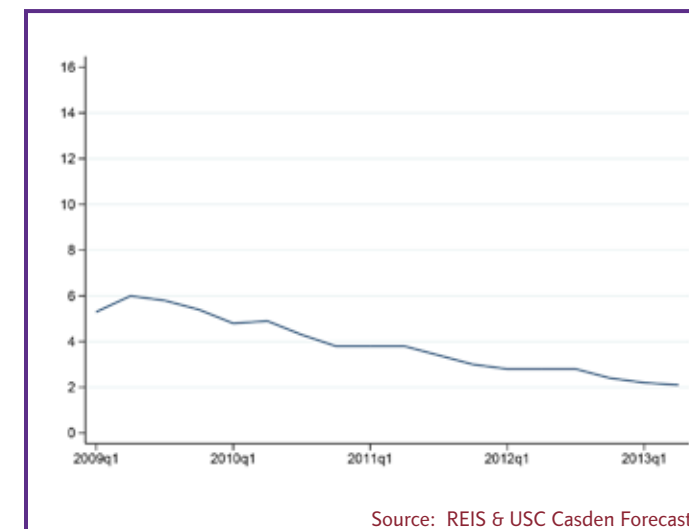
UNITS COMPLETED AND ABSORBED IN: GRANADA HILLS, NORTHRIDGE, RESEDA



AVERAGE RENT IN \$ FOR: GRANADA HILLS, NORTHRIDGE, AND RESEDA



% VACANT IN: GRANADA HILLS, NORTHRIDGE, AND RESEDA



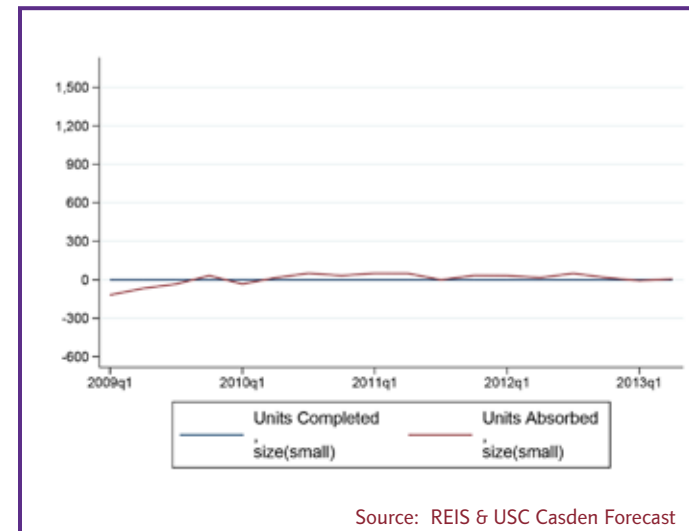
### Granada Hills, Northridge, Reseda

The Granada Hills, Northridge, Reseda submarket contains 2.1 percent of the multifamily rental inventory in Los Angeles County. There were no new multifamily rental units completed in this submarket between 2009Q1 and 2013Q2. In the first two quarters of 2009 there was a negative absorption of over 130 units; however, since then almost 650 units were absorbed. As a result, the vacancy rate decreased from 6 percent in 2009Q2 to 2.1 percent in 2013Q2. This submarket witnessed the second highest percent decrease in vacancy rate, 25 percent, out of all submarkets in Los Angeles County between 2012Q2 and 2013Q2. The change in the average rent in this submarket lagged the change in the vacancy rate, with an initial decreased in the average rent from \$1,228 in 2009Q1 to \$1,174 in 2010Q1. The average rent then increased in each subsequent quarter, and was \$1,257 in 2013Q2.

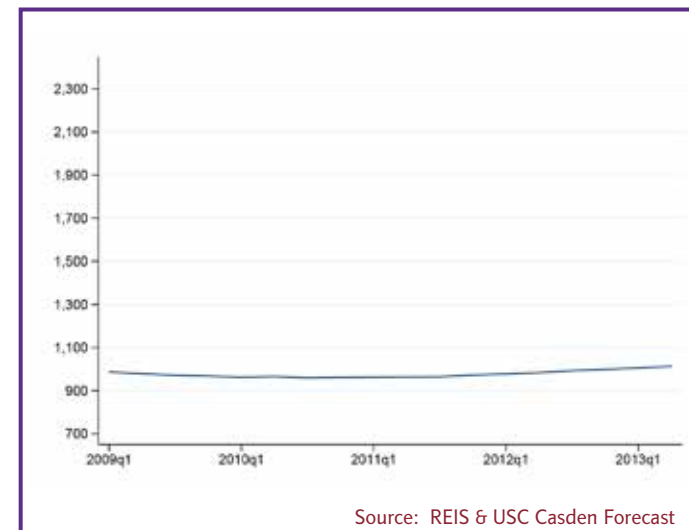
## Hawthorne, North Torrance

The Hawthorne, North Torrance submarket contains 2.2 percent of the multifamily rental inventory in Los Angeles County. There were no new multifamily rental units completed in this submarket between 2009Q1 and 2013Q2. There was a negative net absorption of almost 200 units between 2009Q1 and 2010Q1, however since then the market absorbed 350 units. As a result, the vacancy rate decreased from 4 percent in 2010Q1 to 1.9 percent in 2013Q2. As of 2013Q2, this submarket had the fourth lowest vacancy rate and the third lowest average rent out of all submarkets in Los Angeles County. In 2013Q2, the average rent was \$1,103 which was a 3 percent increase from the average rent in the previous year.

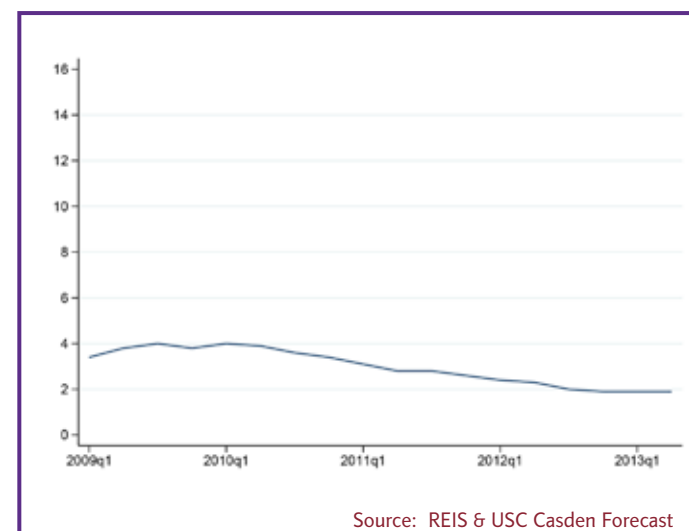
UNITS COMPLETED AND ABSORBED IN: Hawthorne, North Torrance



AVERAGE RENT IN \$ FOR: Hawthorne and North Torrance



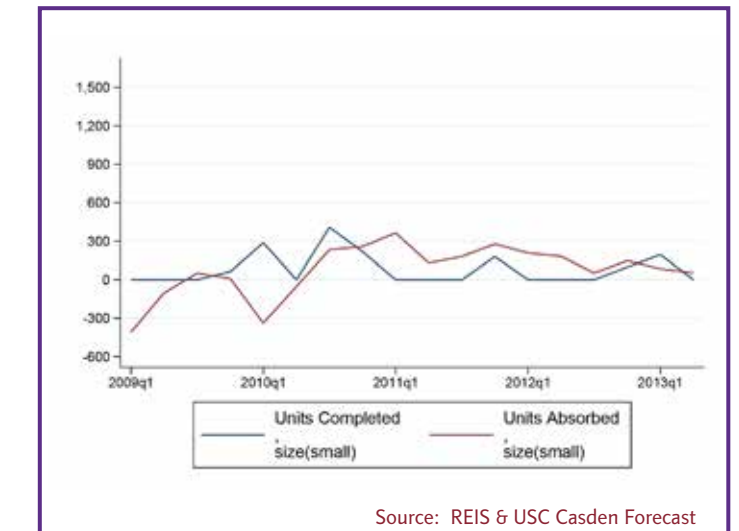
% VACANT IN: Hawthorne and North Torrance



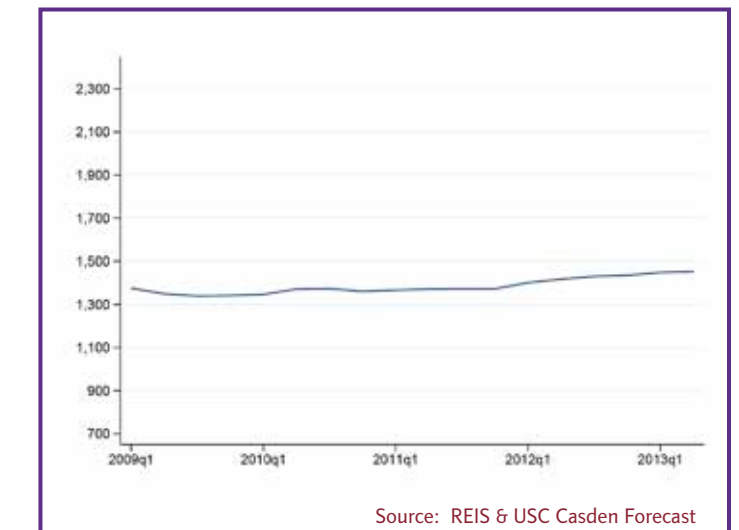
## Hollywood, Silver Lake

The Hollywood and Silver Lake submarket contains 6.8 percent of the multifamily rental inventory in Los Angeles County, the highest share of rental units of any submarket in the County. There were no units completed in this submarket in the first two quarters of 2009 and a negative net absorption of 500 units, which led to an increase in the vacancy rate from 3.3 percent to 3.5 percent. The vacancy rate increased to a peak of 5.1 percent in 2010Q4 due to an increase in units completed in the submarket and poor absorption. Since then over 1,000 units were completed and over 2,100 units were absorbed, and the vacancy rate decreased to 2.8 percent. As of the 2013Q2, the average effective rent for a unit in this submarket was \$1,453, which was a 2.5 percent increase from the previous year and 7.6 percent increase from 2009Q2.

UNITS COMPLETED AND ABSORBED IN: Hollywood, Silver Lake



AVERAGE RENT IN \$ FOR: Hollywood and Silver Lake



% VACANT IN: Hollywood and Silver Lake

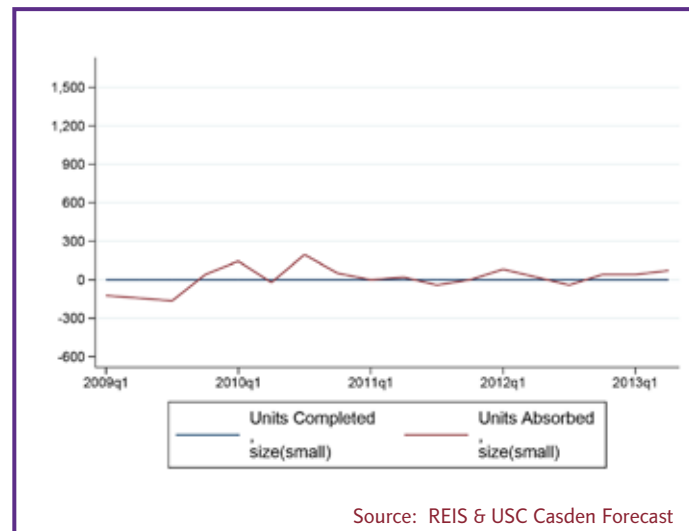




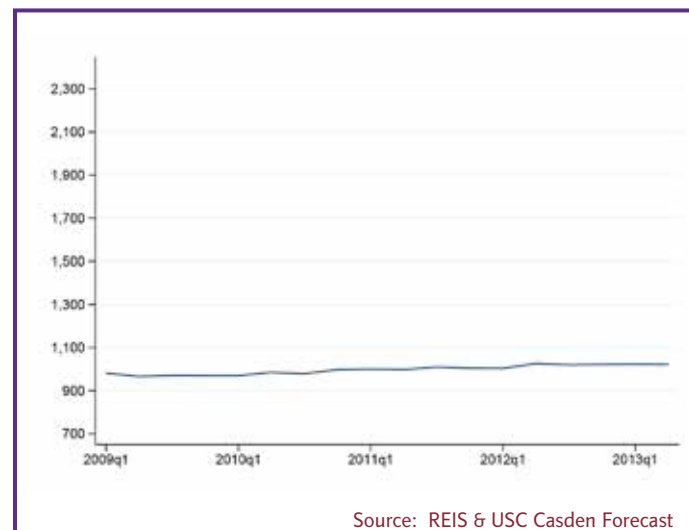
# Los Angeles Multifamily Market Trends

## Submarkets

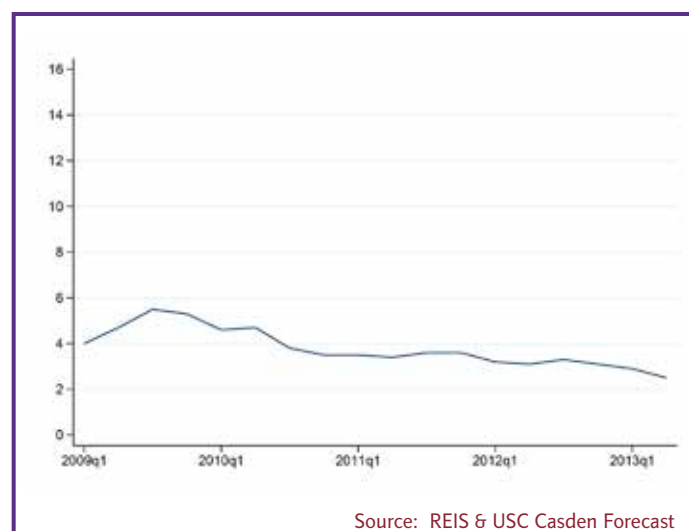
UNITS COMPLETED AND ABSORBED IN: INGLEWOOD, CRENSHAW



AVERAGE RENT IN \$ FOR: INGLEWOOD AND CRENSHAW



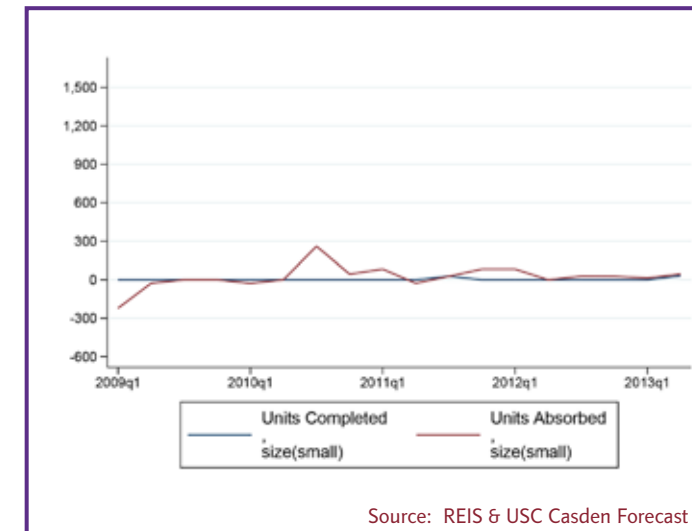
% VACANT IN: INGLEWOOD AND CRENSHAW



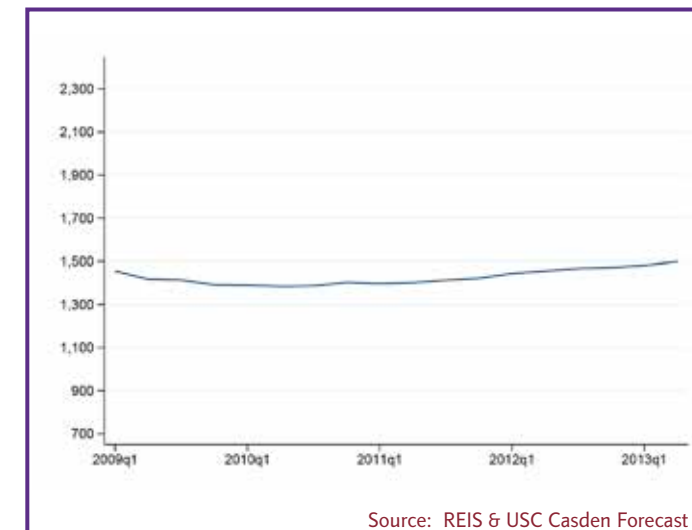
### Inglewood, Crenshaw

The Inglewood, Crenshaw submarket contains 2.7 percent of the multifamily rental inventory in Los Angeles County. There were no new multifamily rental units completed in this submarket between 2009Q1 and 2013Q2. In the first three quarters of 2009 there was a negative absorption of almost 430 units; however, since then over 600 units were absorbed in the submarket. As a result, the vacancy rate decreased from 5.5 percent in 2009Q3 to 2.5 percent in 2013Q2. The average rent decreased from \$982 in 2009Q2 to \$970 in 2010Q1, and then increased to \$1,026 in 2012Q2. In 2013Q2 the average rent in this submarket was \$1,022, which is a .4 percent decrease from the previous year, and the fourth lowest average rent for a submarket in Los Angeles County. In addition, this is the only submarket of the 86 analyzed in this report with a negative annual percent change in the average rent.

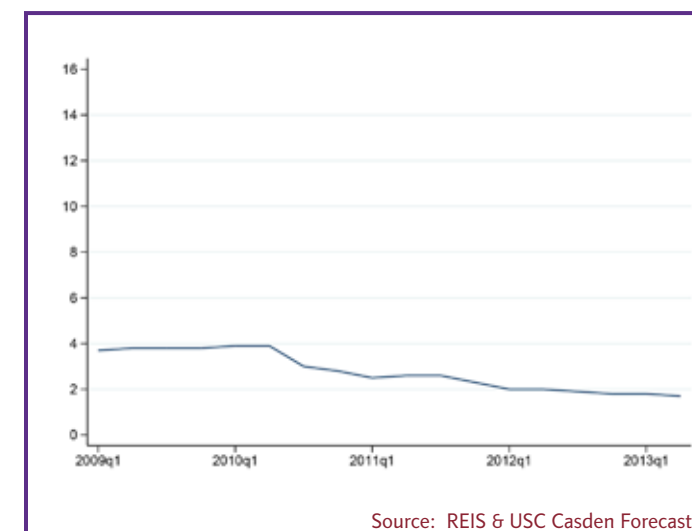
UNITS COMPLETED AND ABSORBED IN: MAR VISTA, PALMS, CULVER CITY



AVERAGE RENT IN \$ FOR: MAR VISTA, PALMS, AND CULVER CITY



% VACANT IN: MAR VISTA, PALMS, AND CULVER CITY



### Mar Vista, Palms, Culver City

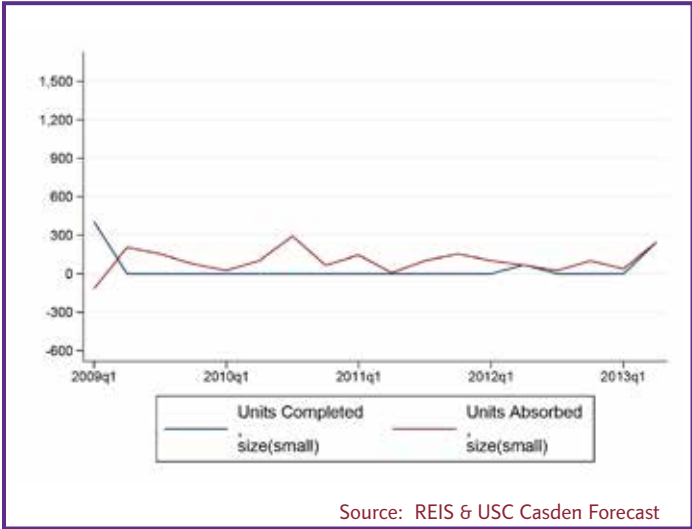
The Mar Vista, Palms, Culver City submarket contains 3.6 percent of the multifamily rental inventory in Los Angeles County. There were almost 60 new multifamily rental units completed in this submarket between 2011Q3 and 2013Q2. In the first two quarters of 2009 there was a negative absorption of almost 250 units; however, since then almost 650 units were absorbed in the submarket. As a result, the vacancy rate decreased from 3.9 percent in 2010Q2 to 1.7 percent in 2013Q2, making it the submarket with the second lowest vacancy rate in Los Angeles County. The average rent decreased from \$1,455 in 2009Q1 through 2010Q2, when it was \$1,385, and since then increased every quarter through 2013Q2. The average rent in this submarket was \$1,499 in 2013Q2, which was a 3 percent increase from the average rent in the previous year.



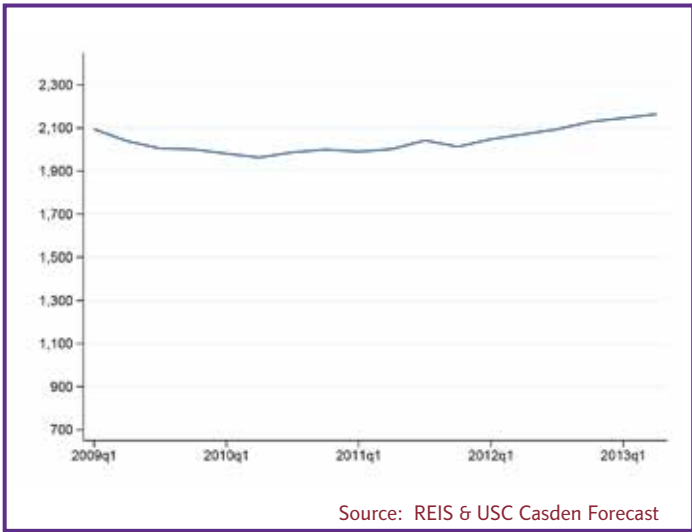
MARINA DEL REY, VENICE, WESTCHESTER

The Marina Del Rey, Venice, Westchester submarket contains 3.4 percent of the multifamily rental inventory in Los Angeles County. There were almost 720 new multifamily rental units completed in this submarket between 2009Q1 and 2013Q2. In the first quarter of 2009 there was a negative absorption of almost 120 units; however, since then almost 1,000 units were absorbed into the submarket. As a result, the vacancy rate decreased from 11 percent in 2009Q1 to 4.7 percent in 2013Q2, making it the submarket with the largest percentage point decrease in vacancy rate in Los Angeles County in the last 4.5 years. Despite the reduction in vacant units, this submarket still had the fifth highest vacancy rate in the County. The average rent in this submarket was \$2,164 in 2013Q2, which is a 4.5 percent increase from the average rent in the previous year, making it the submarket with the third highest average rent in Los Angeles County.

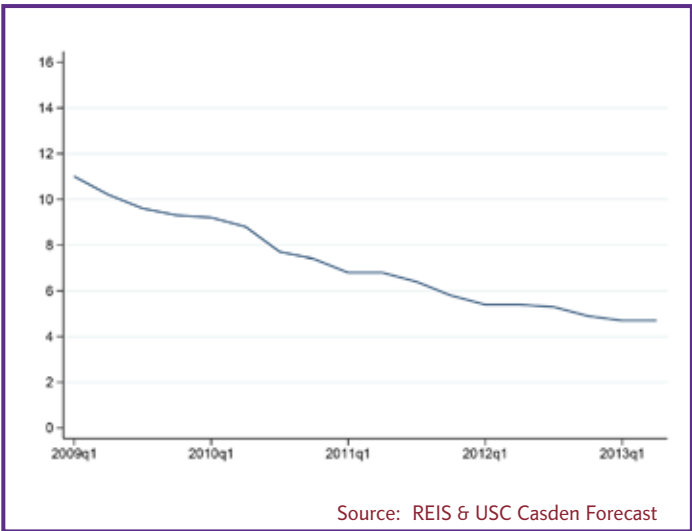
UNITS COMPLETED AND ABSORBED IN: MARINA DEL REY, VENICE, WESTCHESTER



AVERAGE RENT IN \$ FOR: MARINA DEL REY, VENICE, AND WESTCHESTER



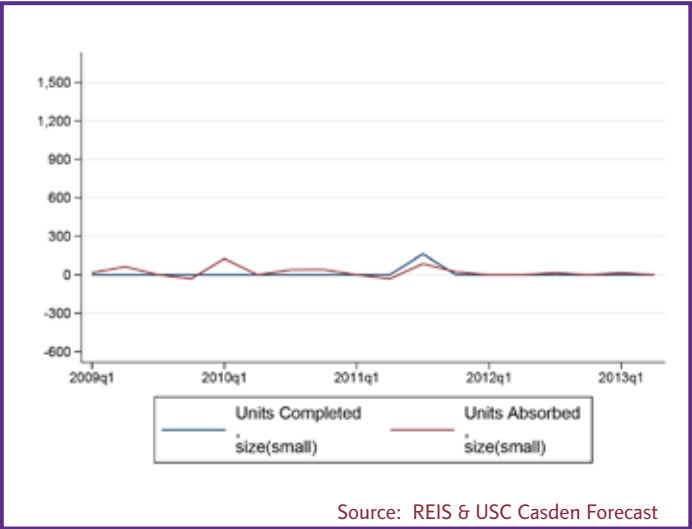
% VACANT IN: MARINA DEL REY, VENICE, AND WESTCHESTER



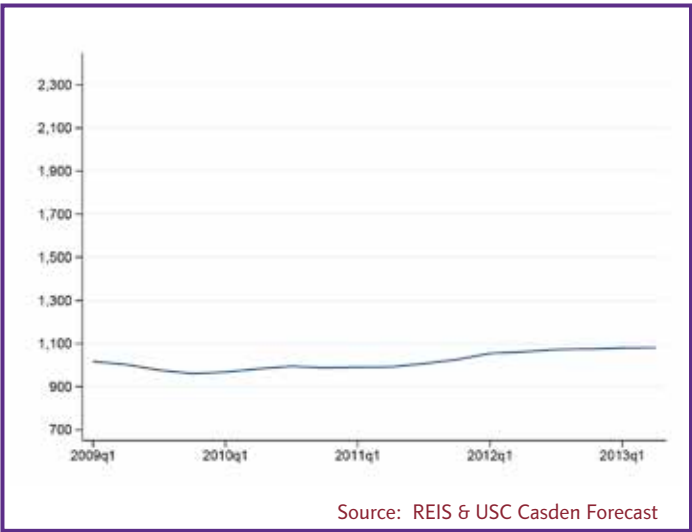
Mid-City, West Adams, Pico Heights

The Mid-City, West Adams, Pico Heights submarket contains 2.1 percent of the multifamily rental inventory in Los Angeles County. There were over 160 new multifamily rental units completed in this submarket between 2011Q3 and 2013Q2. There was a positive absorption of units in all but two quarters between 2009Q1 and 2013Q2, with a net absorption of over 360 units. As a result, the vacancy rate decreased from 3.8 percent in 2009Q1 to 2.6 percent in 2013Q2. The average rent decreased from \$1,017 in 2009Q1 through 2011Q2, when it was \$992, and since then increased every quarter through 2013Q2. The average rent in this submarket was \$1,082 in 2013Q2, which was a 1.9 percent increase from the average rent in the previous year.

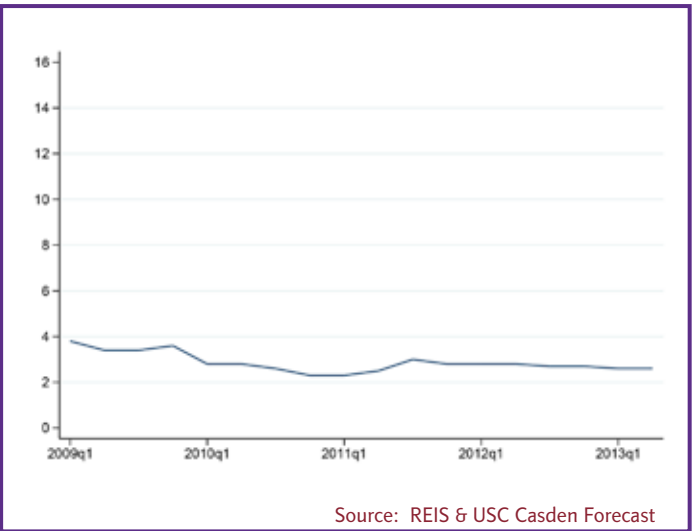
UNITS COMPLETED AND ABSORBED IN: MID-CITY, WEST ADAMS, PICO HEIGHTS



AVERAGE RENT IN \$ FOR: MID-CITY, WEST ADAMS, AND PICO HEIGHTS



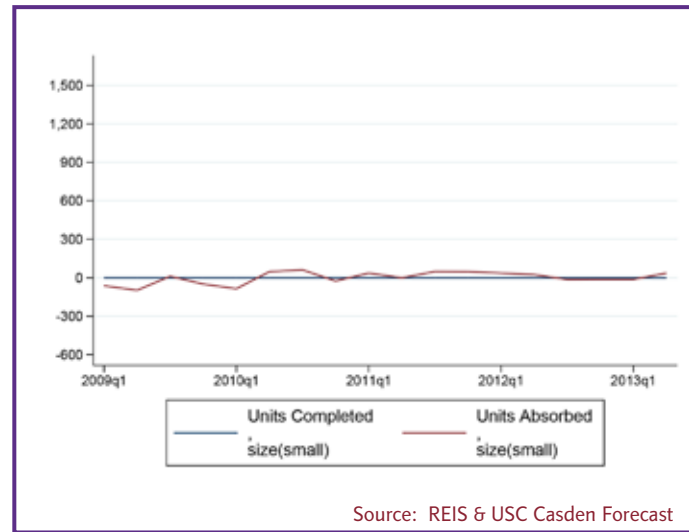
% VACANT IN: MID-CITY, WEST ADAMS, AND PICO HEIGHTS



# Los Angeles Multifamily Market Trends

## Submarkets

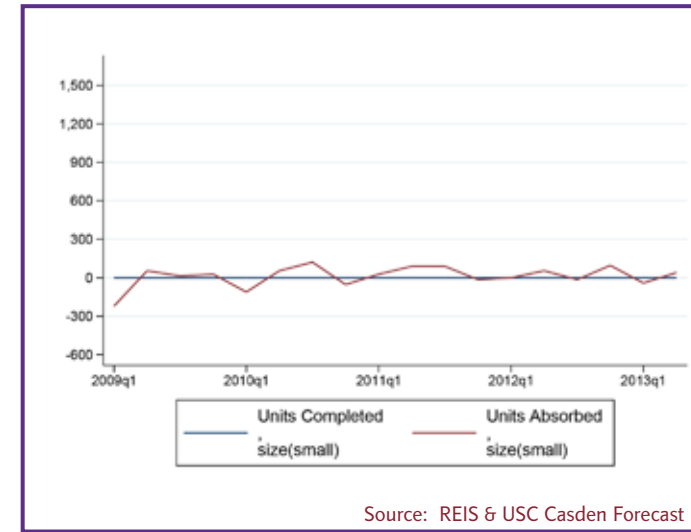
UNITS COMPLETED AND ABSORBED IN: N LONG BEACH, LAKEWOOD, ARTESIA



### N Long Beach, Lakewood, Artesia

The N Long Beach, Lakewood, Artesia submarket contains 1.6 percent of the multifamily rental inventory in Los Angeles County. There were no new multifamily units completed in this submarket between 2009Q1 and 2013Q2. The number of units absorbed in this submarket fluctuated from positive to negative over the past 4.5 years, leading to a net of zero units being absorbed during this period. The vacancy rate fluctuated with the absorption rate, and as of 2013Q2 was 3.9 percent. The average rent in this submarket in 2013Q3 was \$1,115, which was a .4 percent increase from the previous year.

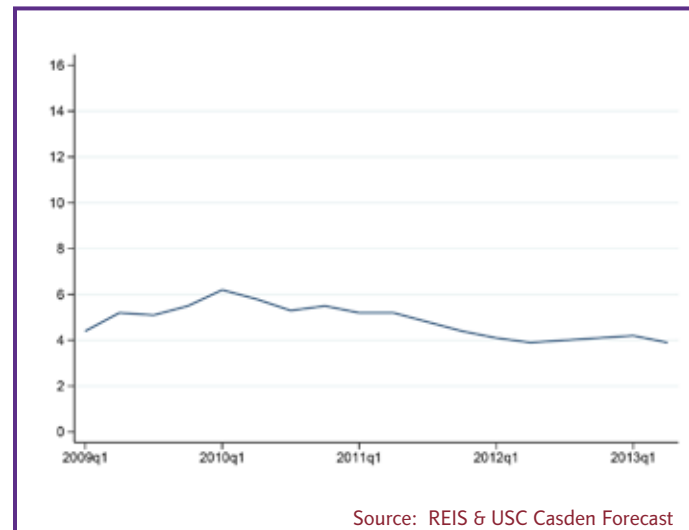
UNITS COMPLETED AND ABSORBED IN: PALMDALE, LANCASTER



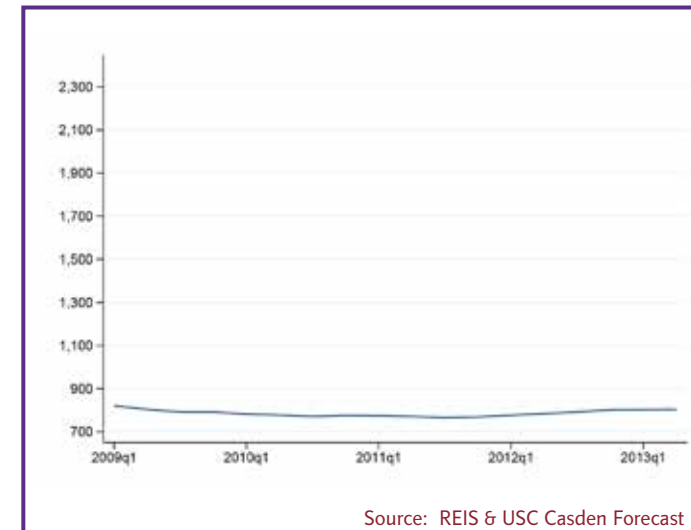
### Palmdale, Lancaster

The Palmdale, Lancaster submarket contains 1.8 percent of the multifamily rental inventory in Los Angeles County. There were no new multifamily units completed in this submarket between 2009Q1 and 2013Q2. During this time, over 220 units were absorbed in the submarket. As a result, the vacancy rate decreased from 9.5 percent in 2009Q1 to 6.3 percent in 2013Q2. Despite reduced vacancy, this submarket had the second highest vacancy rate in Los Angeles County. The average rent in this submarket was \$804 in 2013Q2, which was the lowest average rent of any submarket in Los Angeles County.

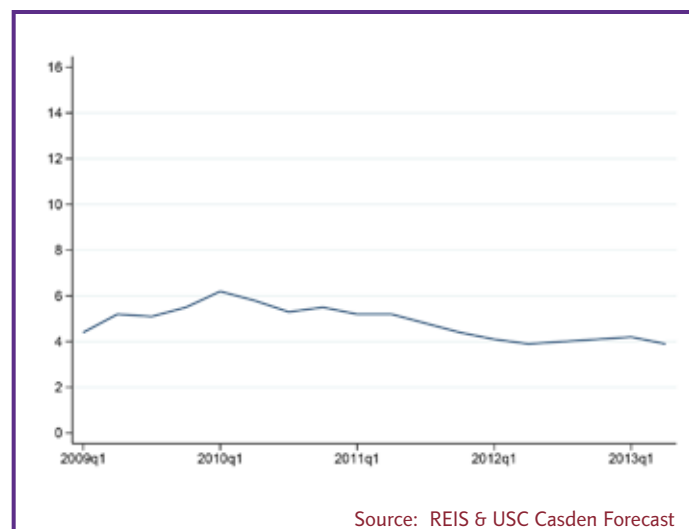
AVERAGE RENT IN \$ FOR: N LONG BEACH, LAKEWOOD, AND ARTESIA



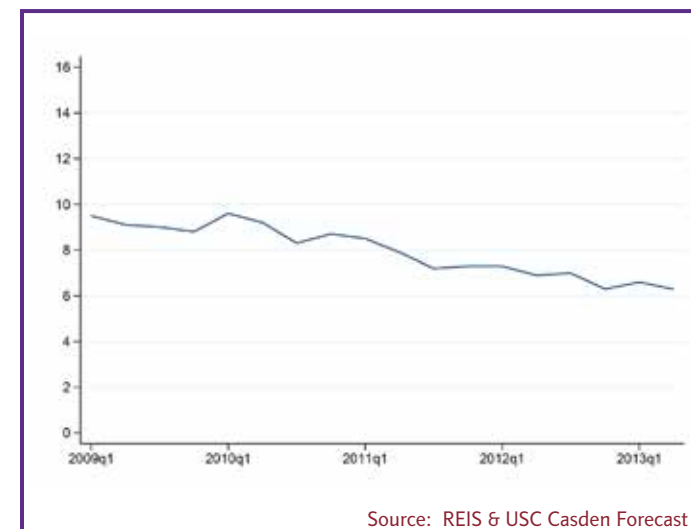
AVERAGE RENT IN \$ FOR: PALMDALE AND LANCASTER



% VACANT IN: N LONG BEACH, LAKEWOOD, AND ARTESIA



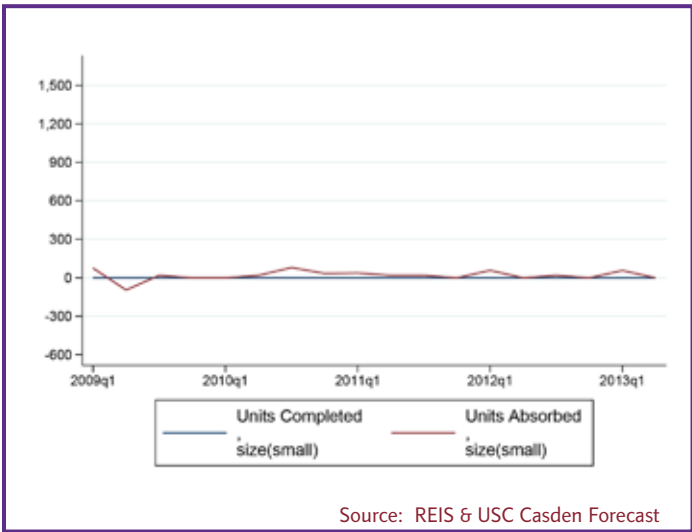
% VACANT IN: PALMDALE AND LANCASTER



PANORAMA Hills, SAN FERNANDO, PACOIMA

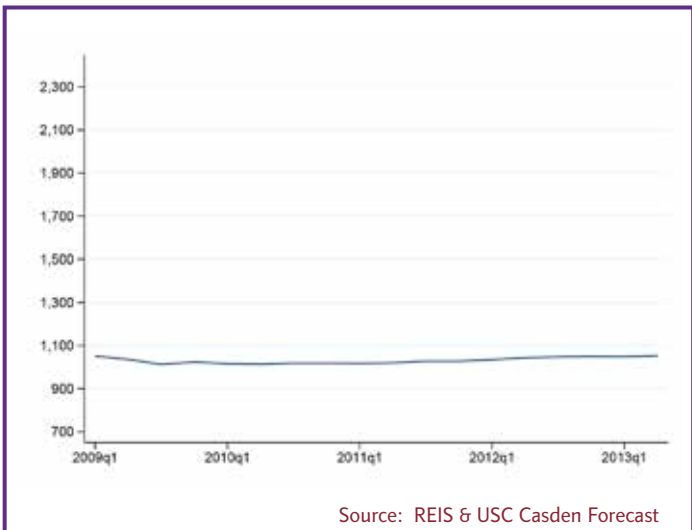
The Panorama Hills, San Fernando, Pacoima submarket contains 2.5 percent of the multifamily rental inventory in Los Angeles County. There were no new multifamily units completed in this submarket between 2009Q1 and 2013Q2. In the first two quarters of 2009 there was a negative net absorption of 20 units, however between then and 2013Q2 over 350 units were absorbed in the submarket. As a result, vacancy rates decreased from 3.4 percent in 2009Q2 to 1.5 percent in 2013Q2. This submarket had the lowest vacancy rate in Los Angeles County in 2013Q2. The average rent was \$1,053, which was a .9 percent increase from the previous year.

UNITS COMPLETED AND ABSORBED IN: PANORAMA HILLS, SAN FERNANDO AND PACOIMA



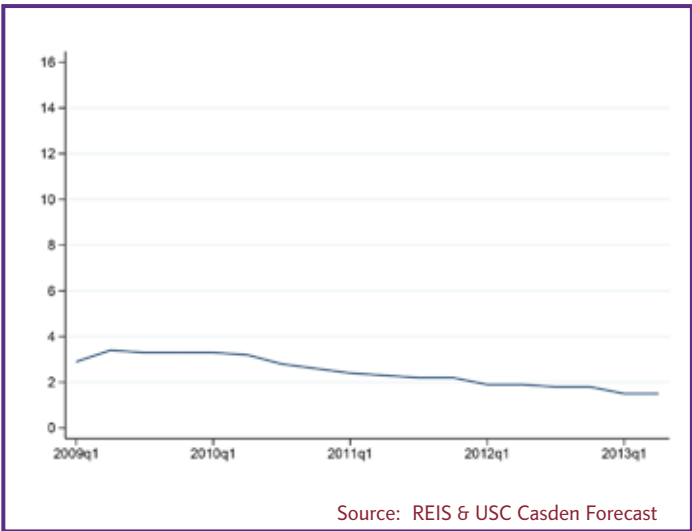
Source: REIS & USC Casden Forecast

AVERAGE RENT IN \$ FOR: PANORAMA HILLS, SAN FERNANDO, AND PACOIMA



Source: REIS & USC Casden Forecast

% VACANT IN: PANORAMA HILLS, SAN FERNANDO, AND PACOIMA

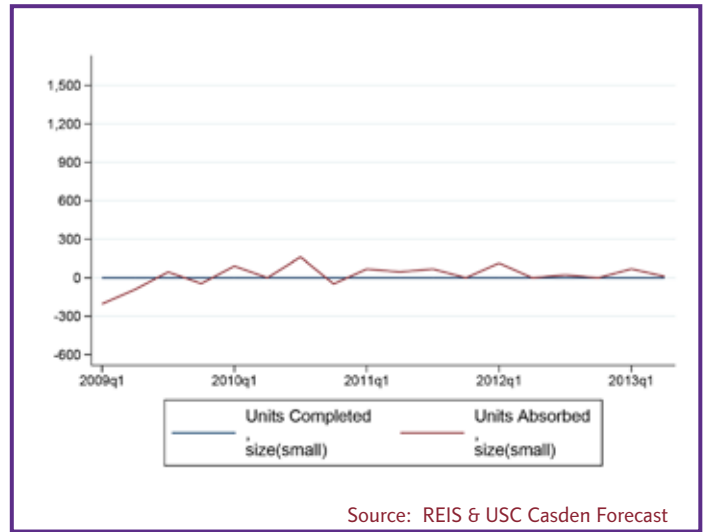


Source: REIS & USC Casden Forecast

PARAMOUNT, DOWNEY, BELLFLOWER, NORWALK

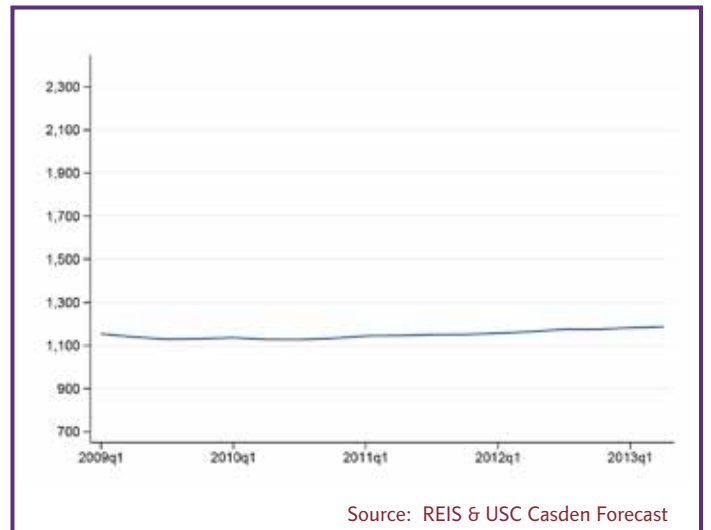
The Paramount, Downey, Bellflower, Norwalk submarket contains 3 percent of the multifamily inventory in Los Angeles County. There were no new multifamily units completed in this submarket between 2009Q1 and 2013Q2. In the first two quarters of 2009 there was a negative net absorption of almost 300 units, however between then and 2013Q2 over 600 units were absorbed in the submarket. The vacancy rate in this submarket decreased from 4.6 percent in 2009Q4 to 1.8 percent in 2013Q2. The vacancy rate in 2013Q2 was the third lowest in the County and was also 25 percent lower than the vacancy rate in the previous year, which was the third largest decrease in vacancy rate in the County. The average rent in this submarket decreased from \$1,155 in 2009Q1 to \$1,128 in 2010Q3, then increased every quarter through 2013Q2 to \$1,188.

UNITS COMPLETED AND ABSORBED IN: PARAMOUNT, DOWNEY, BELLFLOWER AND NORWALK



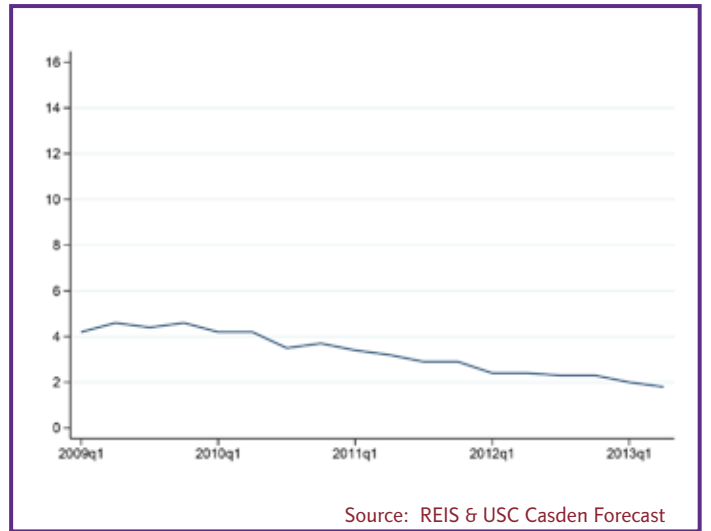
Source: REIS & USC Casden Forecast

AVERAGE RENT IN \$ FOR: PARAMOUNT, DOWNEY, BELLFLOWER, AND NORWALK



Source: REIS & USC Casden Forecast

% VACANT IN: PARAMOUNT, DOWNEY, BELLFLOWER, AND NORWALK

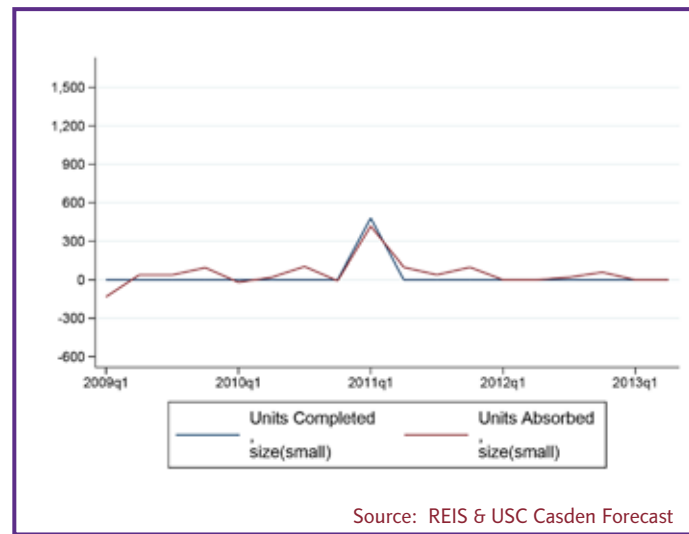


Source: REIS & USC Casden Forecast

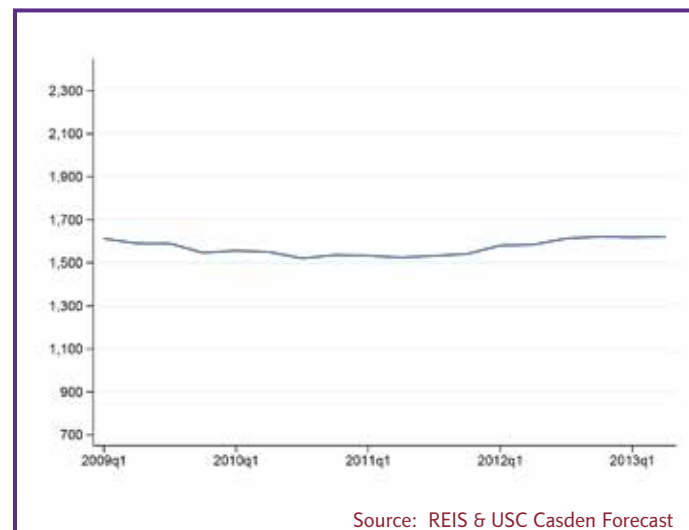
# Los Angeles Multifamily Market Trends

## SUBMARKETS

UNITS COMPLETED AND ABSORBED IN: PASADENA



AVERAGE RENT IN \$ FOR: PASADENA



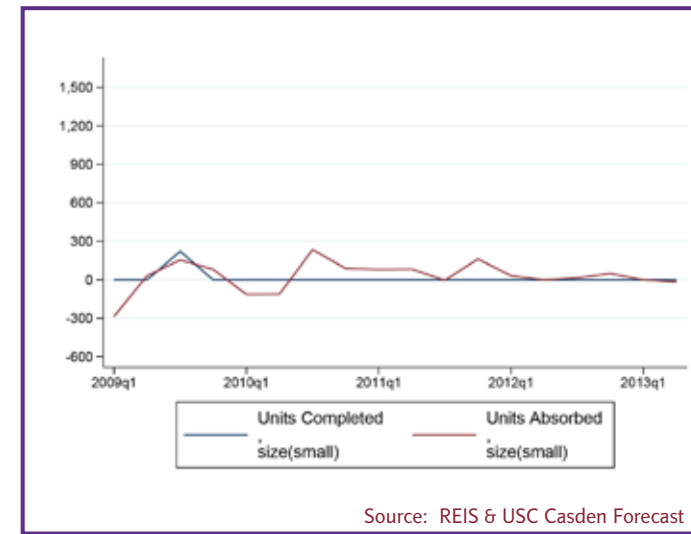
% VACANT IN: PASADENA



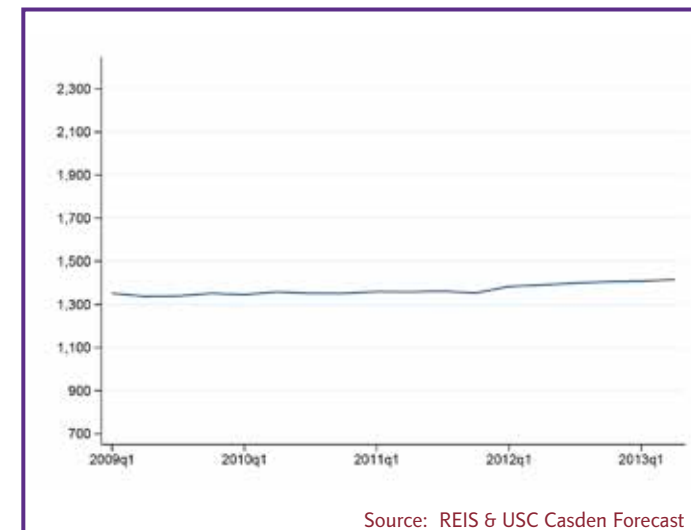
### PASADENA

The Pasadena submarket contains 2.6 percent of the multifamily rental inventory in Los Angeles County. There were 480 new units of multifamily housing completed in this submarket between 2009Q1 and 2013Q2. In the first quarter of 2009 there a negative absorption of 130 units, however since then almost 1,000 units were absorbed in the submarket. As a result, the vacancy rate fell from 6.3 in 2009Q1 to 3.5 in 2013Q2. The average rent in Pasadena decreased from \$1,612 in 2009Q1 to \$1,520 in 2010Q3, and then increased to \$1,621 in 2013Q2.

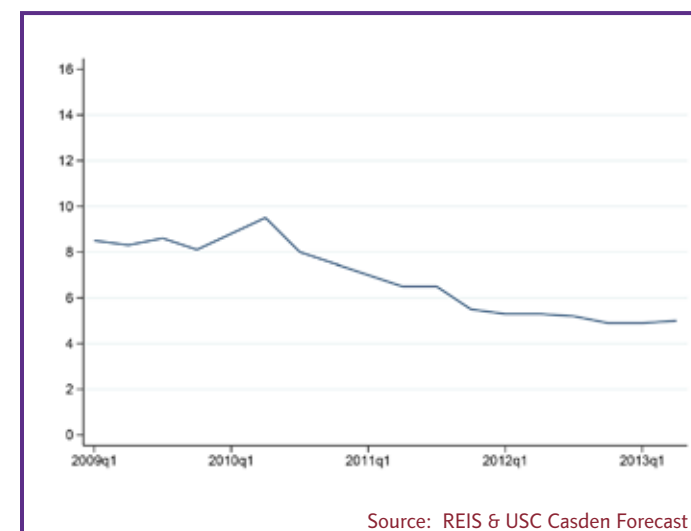
UNITS COMPLETED AND ABSORBED IN: SANTA CLARITA VALLEY, CANYON COUNTRY



AVERAGE RENT IN \$ FOR: SANTA CLARITA VALLEY AND CANYON COUNTRY



% VACANT IN: SANTA CLARITA VALLEY AND CANYON COUNTRY



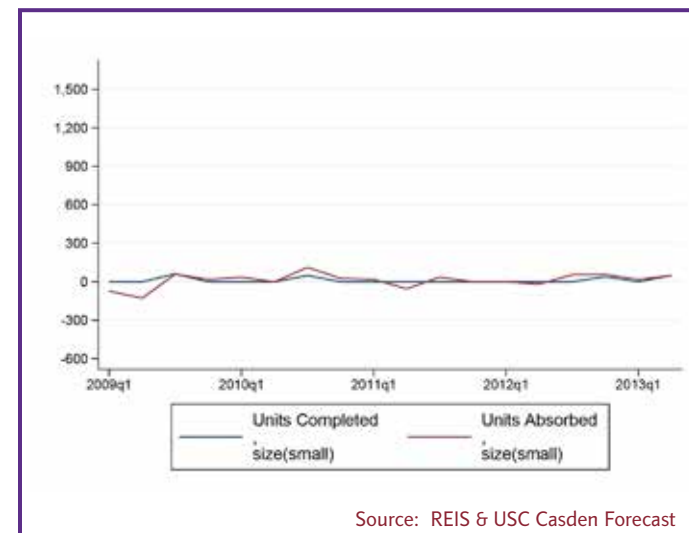
### SANTA CLARITA VALLEY, CANYON COUNTRY

The Santa Clarita Valley, Canyon County submarket contains 2.1 percent of the multifamily rental inventory in Los Angeles County. There were 220 units completed in this submarket since 2009Q3. In the first quarter of 2009 there was a negative absorption of almost 300 units; however, since then the submarket absorbed over 750 units. The vacancy rate decreased from 9.5 percent in 2010Q2 to 5 percent in 2013Q2. Despite this decline, this submarket had the fourth highest vacancy rate in the county in 2013Q2. As of 2013Q2, the average rent was \$1,416, which was a 1.8 percent increase from the average rent in the previous year.

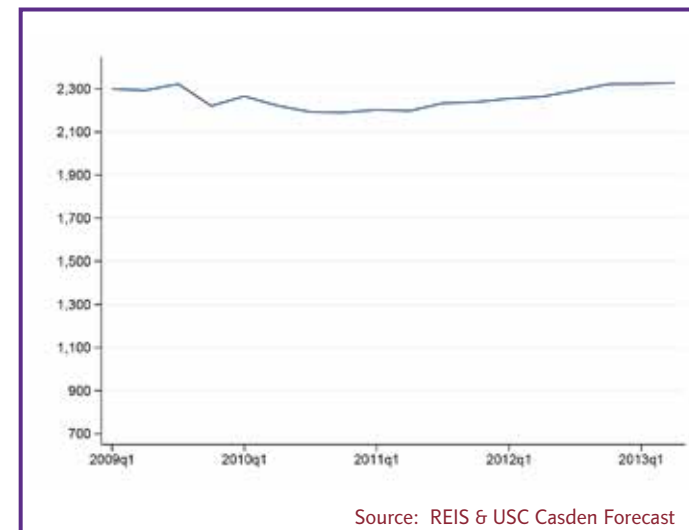
## SANTA MONICA

The Santa Monica submarket contains 2.4 percent of the multifamily rental inventory in Los Angeles County. Over 200 new multifamily rental units were completed in the submarket since 2009Q3. In the first two quarter of 2009 there was a negative absorption of over 200 units; however, since then 415 units were absorbed in the submarket. As a result, the vacancy rate declined from 4.1 percent in 2009Q3 to 2.9 percent in 2013Q2. The average rent in Santa Monica was \$2,328 in 2013Q2, which was a 2.8 percent increase from the rent in the previous year, and was the highest average rent in all of the submarkets in the County.

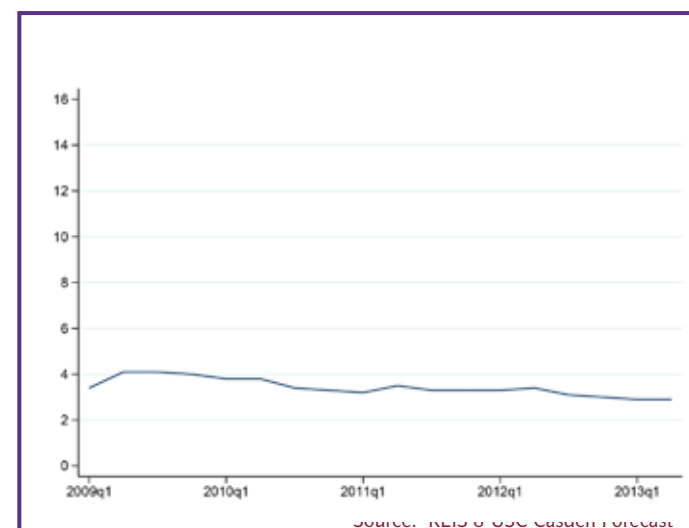
UNITS COMPLETED AND ABSORBED IN: SANTA MONICA



AVERAGE RENT IN \$ FOR: SANTA MONICA



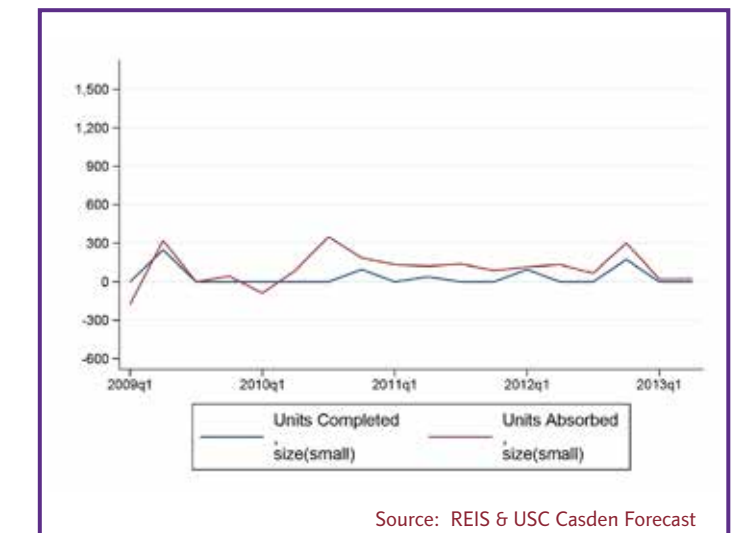
% VACANT IN: SANTA MONICA



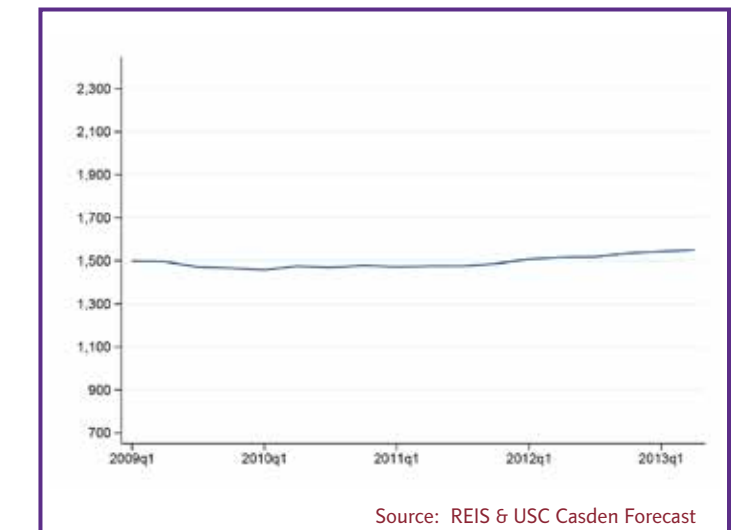
## SHERMAN OAKS, Studio City, N Hollywood

The Sherman Oaks, Studio City, N Hollywood submarket contains 5.8 percent of the multifamily rental inventory in Los Angeles County, making it the submarket with the third largest share of inventory in the County. There were over 650 units completed in the submarket since 2009Q2. In the first quarter of 2009 there was a negative absorption of nearly 180 units; however, since then over 2,000 units were absorbed in the submarket. This submarket had the third highest number of units absorbed between 2009Q1 and 2013Q2 in Los Angeles County. The vacancy rate decreased from 6.3 percent in 2009Q1 to 3.1 percent in 2013Q2. The average rent in this submarket decreased from \$1,499 in 2009Q1 to \$1,476 in 2011Q3 and have since increased to \$1,550 in 2013Q2.

UNITS COMPLETED AND ABSORBED IN: SHERMAN OAKS, STUDIO CITY, N HOLLYWOOD



AVERAGE RENT IN \$ FOR: SHERMAN OAKS, STUDIO CITY AND N HOLLYWOOD



% VACANT IN: SHERMAN OAKS, STUDIO CITY, AND N HOLLYWOOD

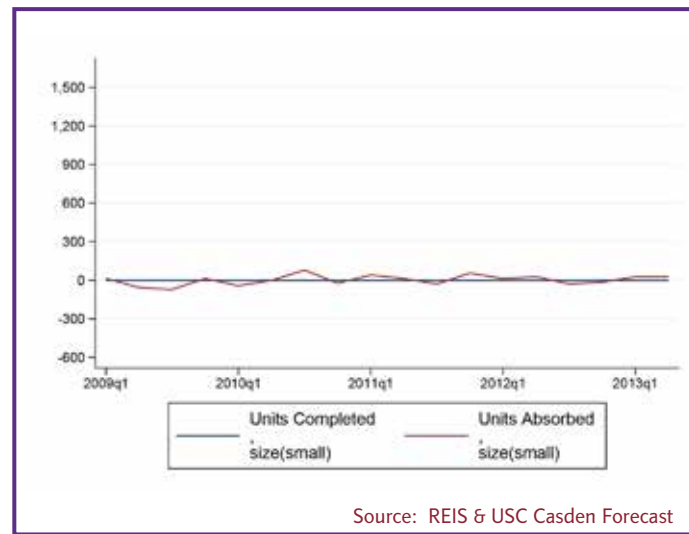




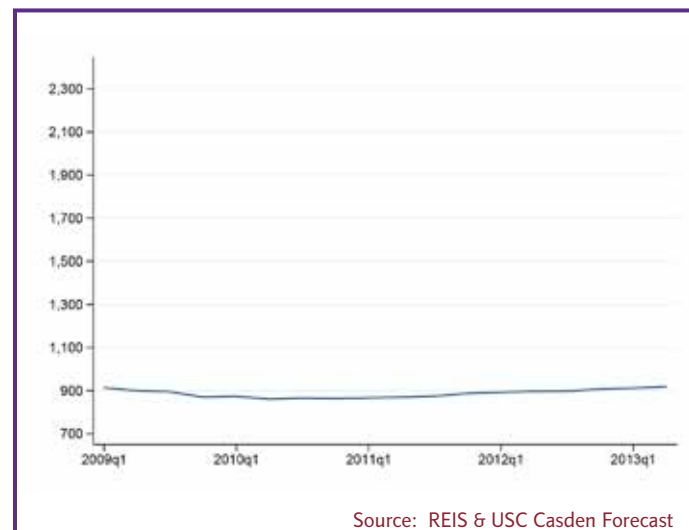
# Los Angeles Multifamily Market Trends

## Submarkets

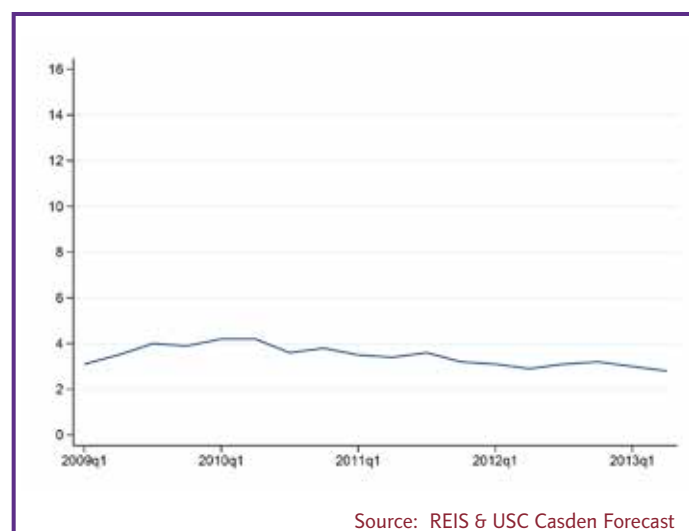
UNITS COMPLETED AND ABSORBED IN: SOUTH CENTRAL LA



AVERAGE RENT IN \$ FOR: SOUTH CENTRAL LA



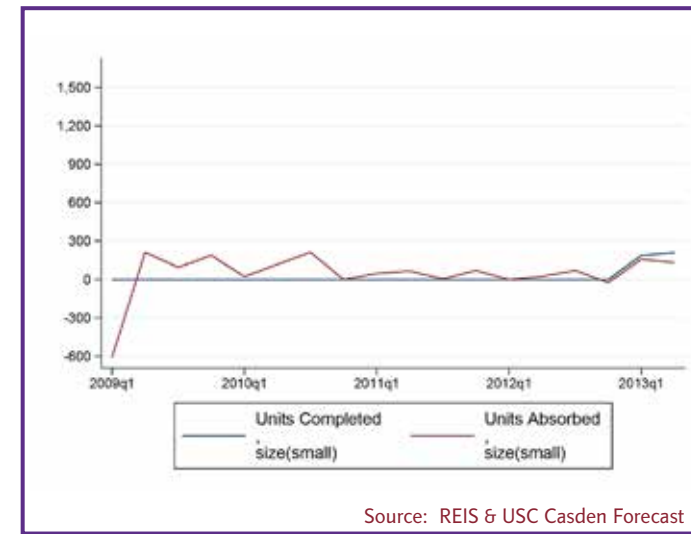
% VACANT IN: SOUTH CENTRAL LA



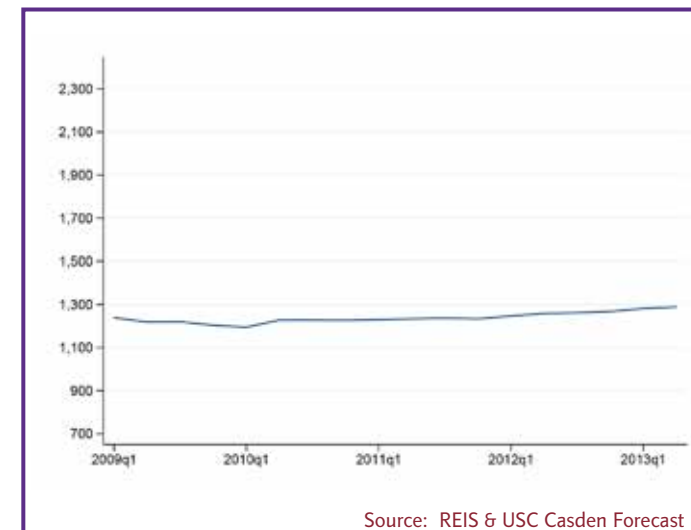
### SOUTH CENTRAL LA

The South Central LA submarket contains 1.8 percent of the multifamily rental inventory in Los Angeles County. There were no new units completed in this submarket between 2009Q1 and 2013Q2. There was fluctuation between positive and negative absorptions from quarter to quarter over the last 4.5 years, which resulted in overall positive absorption of almost 60 units during this period. As a result, the vacancy rate decreased from 3.1 percent in 2009Q1 to 2.8 percent in 2013Q2. The average rent in this submarket was \$919 in 2013Q2, which was a 2.5 percent increase from average rent in the previous year, but was still the second lowest average rent of all submarkets in the County.

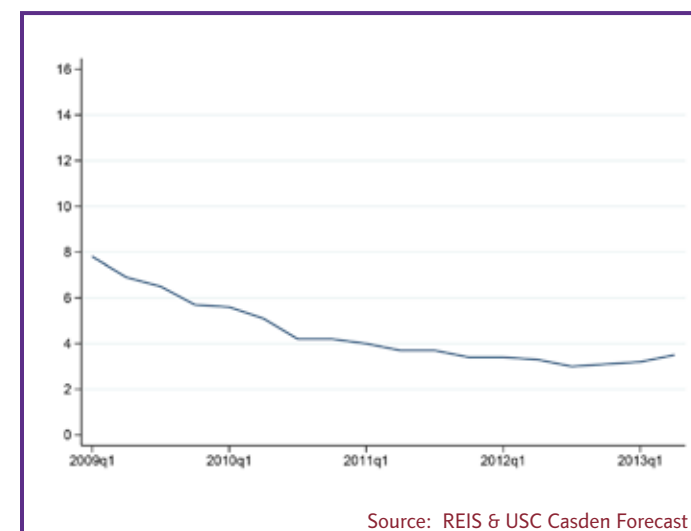
UNITS COMPLETED AND ABSORBED IN: SOUTH GLENDALE AND HIGHLAND PARK



AVERAGE RENT IN \$ FOR: SOUTH GLENDALE, AND HIGHLAND PARK



% VACANT IN: SOUTH GLENDALE AND HIGHLAND PARK



### SOUTH GLENDALE, HIGHLAND PARK

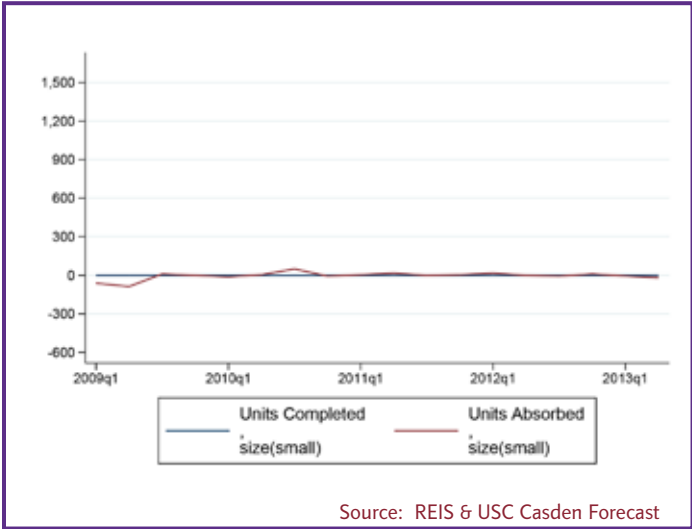
The South Glendale, Highland Park submarket contains 3.1 percent of the multifamily rental inventory in Los Angeles County. Nearly 400 new rental units were completed in this submarket in the first two quarters of 2013. In the first quarter of 2009 there was a negative net absorption of over 600 units; however, since then there was a positive absorption of almost 1,400 units. As a result, the vacancy rate declined from 7.8 percent in 2009Q1 to 3.2 percent in 2013Q1. The vacancy rate increased to 3.5 percent in 2013Q2, which was a 6.1 percent increase from the vacancy rate in the previous year and the third largest increase in vacancy rate in the County. This increase was likely due to the entry of new units into the submarket during this time. The average rent declined from \$1,239 in 2009Q1 to \$1,195 in 2010Q1, however since then increased to \$1,289 in 2013Q2.



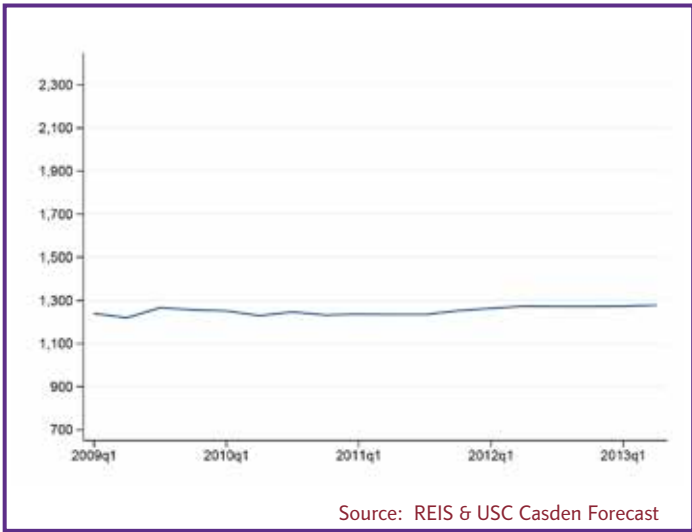
Tujunga, La Crescenta, Montrose

The Tujunga, La Crescenta, Montrose submarket contains .7 percent of the multifamily rental inventory in Los Angeles County, the smallest share in the County. There were no new units completed in this submarket between 2009Q1 and 2013Q2. During this time there was a negative net absorption of over 70 units. Due to some conversions, the vacancy rate fell from 3.5 percent in 2009Q1 to 3.2 percent in 2013Q2. The average rent in this submarket was \$1,279, which was a .4 percent increase from the average rent in the previous year, the second lowest annual change in average rent in the County.

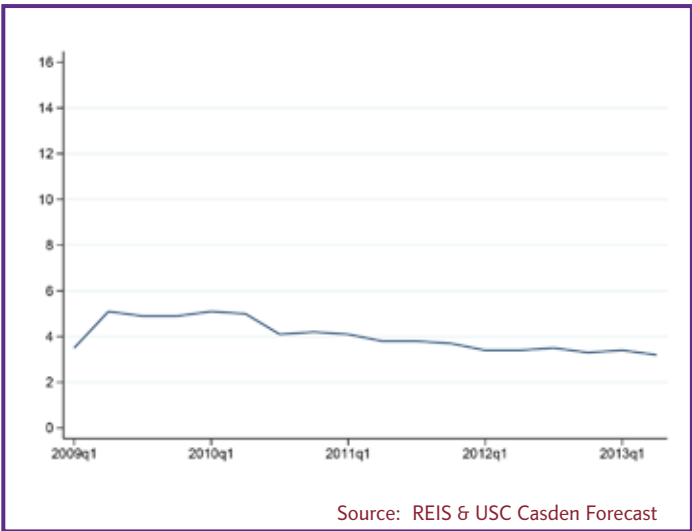
UNITS COMPLETED AND ABSORBED IN: TUJUNGA, LA CRESCENTA, MONTROSE



AVERAGE RENT IN \$ FOR: TUJUNGA, LA CRESCENTA, AND MONTROSE



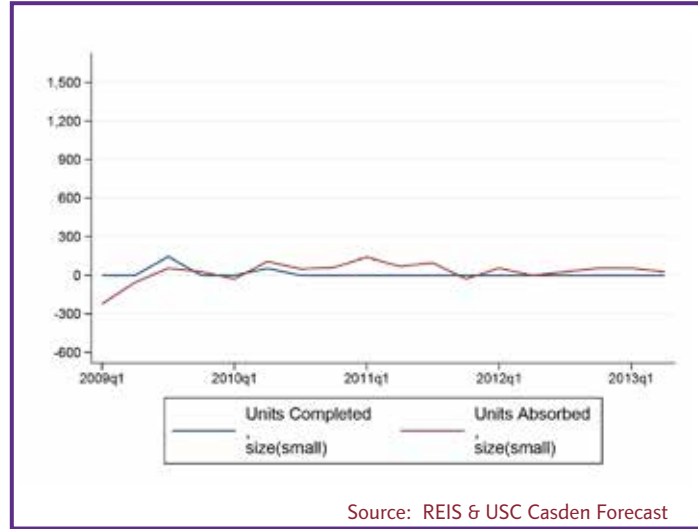
% VACANT IN: TUJUNGA, LA CRESCENTA, AND MONTROSE



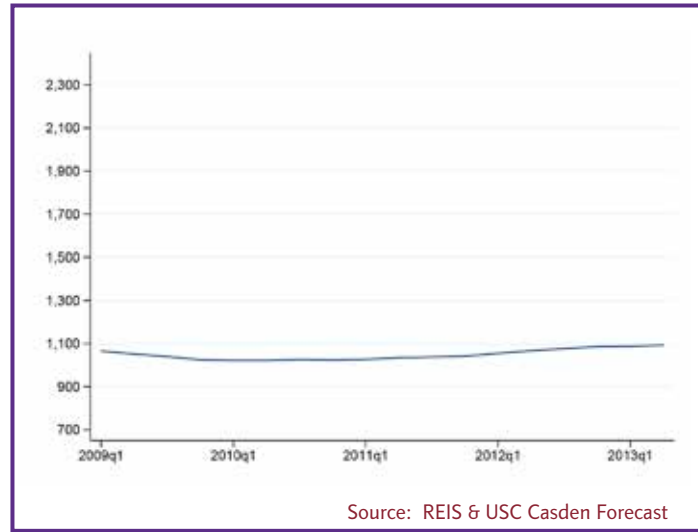
Van Nuys, North Hollywood

The Van Nuys, North Hollywood submarket contains 3.6 percent of the multifamily rental inventory in Los Angeles County. Almost 200 new units were completed in this submarket since 2009Q3. There was a negative absorption of over 220 units between 2009Q1 and 2010Q1; however, since then over 700 units were absorbed by the submarket. As a result, the vacancy rate increased from 3.9 percent in 2009Q1 to 4.4 percent in 201Q1, and then declined to 2 percent in 2013Q2, the fifth lowest vacancy rate in the County. The average rent in this submarket declined from \$1,066 in 2009Q1 to \$1,024 in 2010Q4 and has since increased to \$1,093 in 2013Q2.

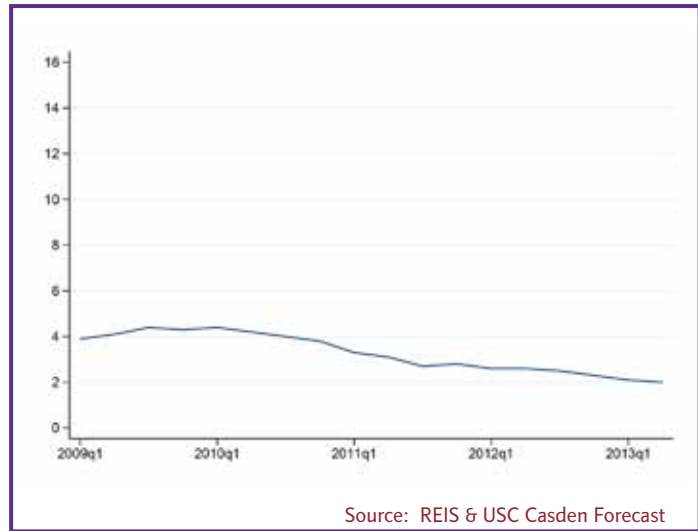
UNITS COMPLETED AND ABSORBED IN: VAN NUYS, NORTH HOLLYWOOD



AVERAGE RENT IN \$ FOR: VAN NUYS AND NORTH HOLLYWOOD



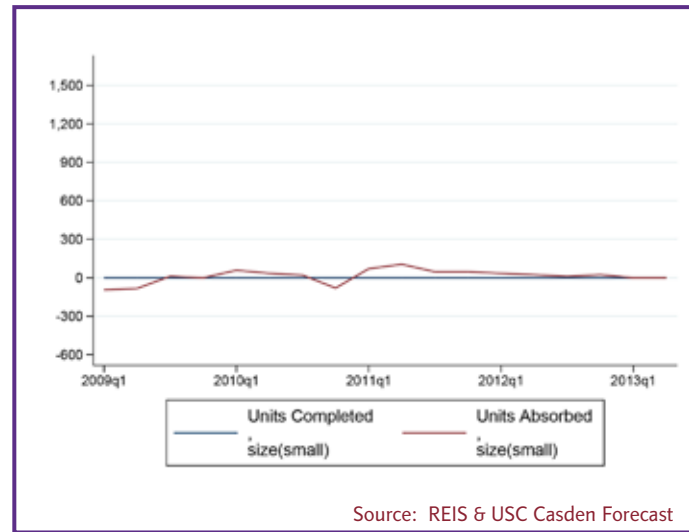
% VACANT IN: VAN NUYS AND NORTH HOLLYWOOD



# Los Angeles Multifamily Market Trends

## SUBMARKETS

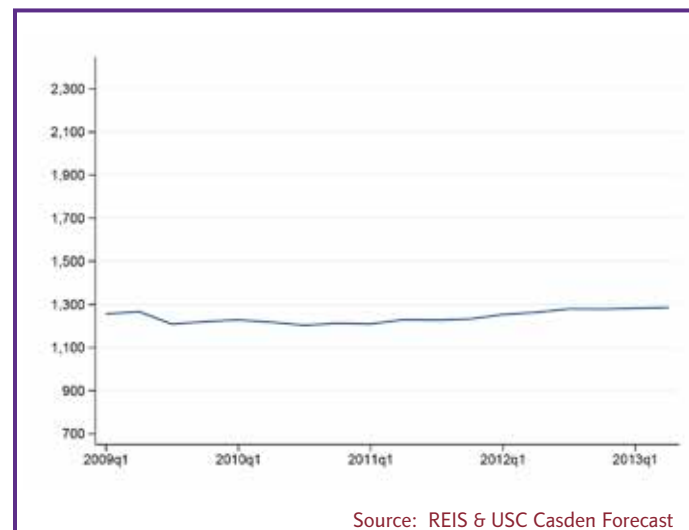
UNITS COMPLETED AND ABSORBED IN: WEST COVINA, LA PUENTE, ROWLAND HEIGHTS



### WEST COVINA, LA PUENTE, ROWLAND HEIGHTS

The West Covina, La Puente, Rowland Heights submarket contains 1.5 percent of the multifamily rental inventory in Los Angeles County. There were no new units completed in this submarket between 2009Q1 and 2013Q2. In the first two quarters of 2009 there was a negative absorption of almost 180 units; however, since then over 400 units were absorbed by the submarket. As a result, the vacancy rate decreased from 6.5 percent in 2009Q2 to 3.0 percent in 2013Q2. The average rent decreased from \$1,257 in 2009Q1 to \$1,204 in 2010Q3, and since then increased to \$1,286 in 2013Q2.

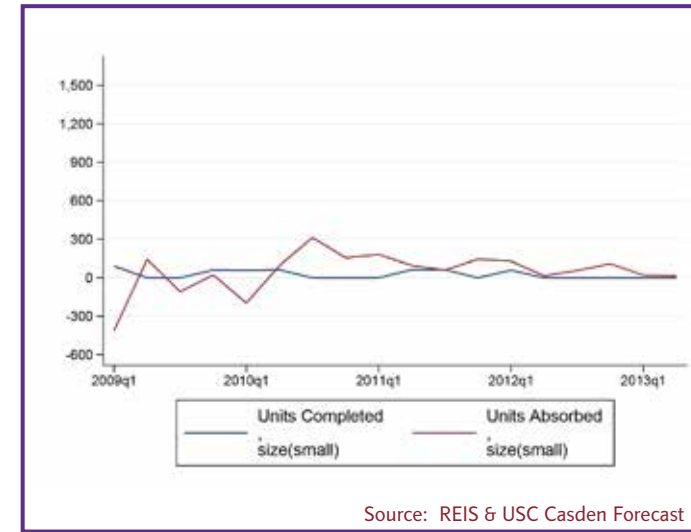
AVERAGE RENT IN \$ FOR: WEST COVINA, LA PUENTE, AND ROWLAND HEIGHTS



% VACANT IN: WEST COVINA, LA PUENTE, AND ROWLAND HEIGHTS



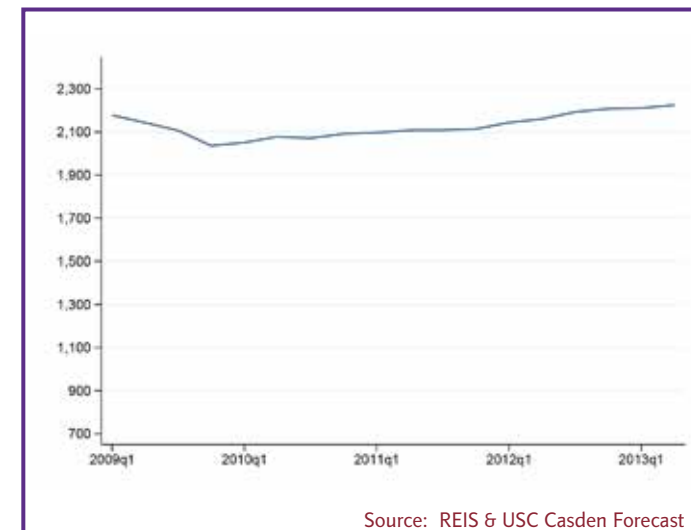
UNITS COMPLETED AND ABSORBED IN: WEST LA, WESTWOOD, BRENTWOOD



### WEST LA, WESTWOOD, BRENTWOOD

The West LA, Westwood, Brentwood submarket contains 4.7 percent of the multifamily rental inventory in Los Angeles County, which is the fifth highest share in the County. Over 450 units were completed in the submarket between 2009Q1 and 2013Q2. There was a negative absorption of over 550 units between 2009Q1 and 2010Q1; however, since then almost 1,400 units were absorbed. As a result, vacancy rates fell from 6.5 percent in 2010Q1 to 3.3 percent in 2013Q2. The average rent decreased from \$2,178 in 2009Q1 to \$2,071 in 2010Q3 and increased to \$2,225 in 2013Q2. The average rent in 2013Q2 was a 3 percent increase from the average rent in the previous year.

AVERAGE RENT IN \$ FOR: WEST LA, WESTWOOD, AND BRENTWOOD



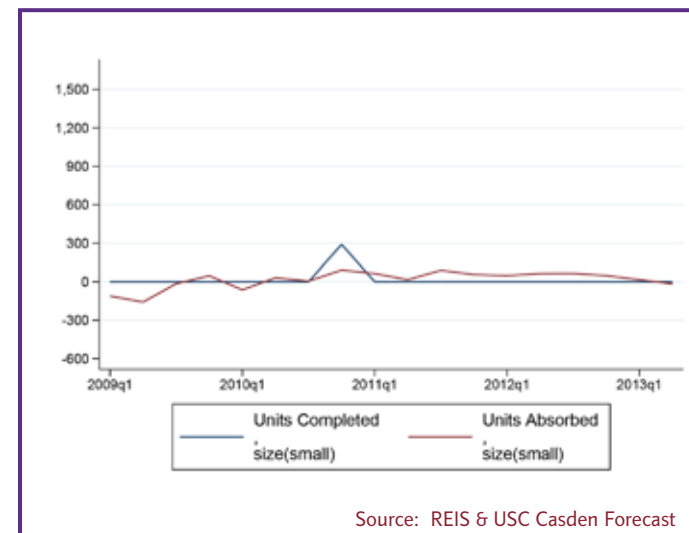
% VACANT IN: WEST LA, WESTWOOD, AND BRENTWOOD



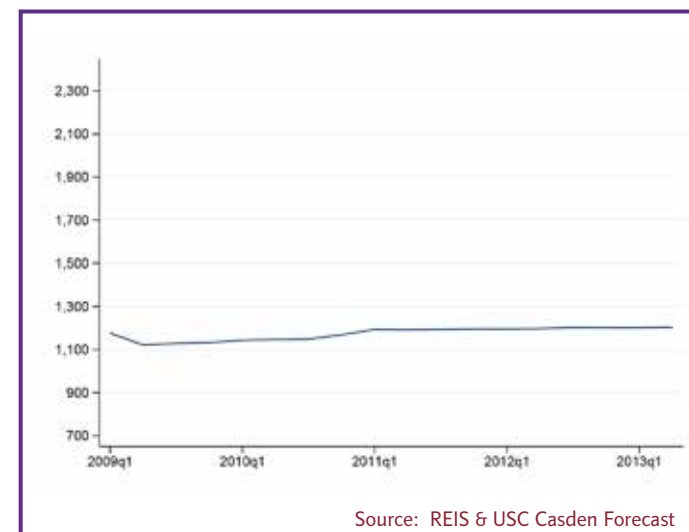
## WEST LONG BEACH, SIGNAL HILL

The West Long Beach, Signal Hill submarket contains 2.1 percent of the multifamily rental inventory in Los Angeles County. There were 290 units completed in the submarket between 2010Q4 and 2013Q2. There was a negative net absorption of almost 300 units between 2009Q1 and 2010Q1; however, since then nearly 600 units were absorbed in the submarket. The vacancy rate increased from 5.1 percent in 2009Q1 to 7.2 percent in 2010Q4, and since then declined to 4.4 percent in 2013Q2. The average rent in the submarket declined from \$1,177 in 2009Q1 to \$1,144 in 2010Q1 and then increased to \$1,204 in 2013Q2.

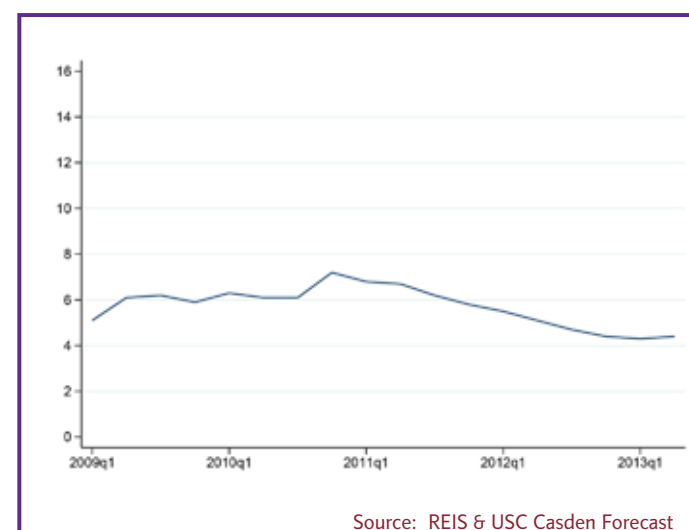
UNITS COMPLETED AND ABSORBED IN: WEST LONG BEACH, SIGNAL HILL



AVERAGE RENT IN \$ FOR: WEST LONG BEACH, AND SIGNAL HILL



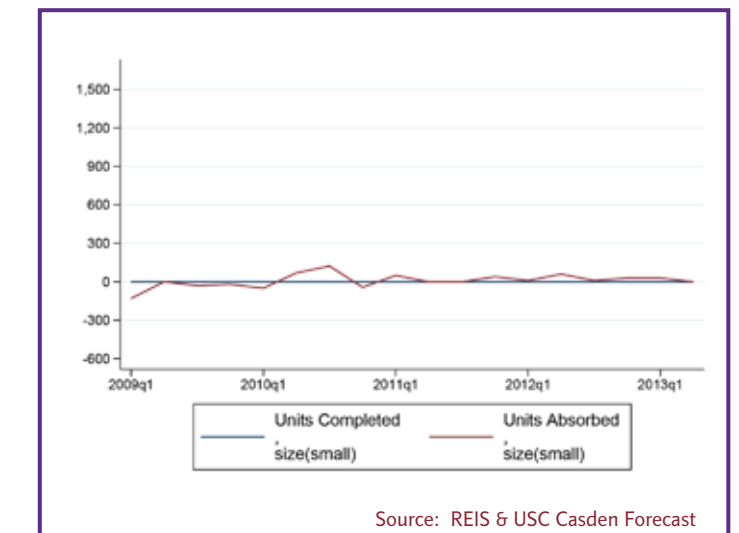
% VACANT IN: WEST LONG BEACH, AND SIGNAL HILL



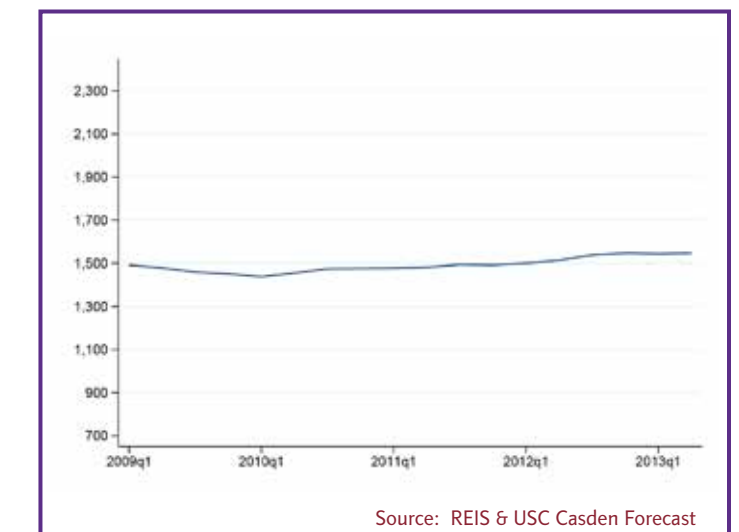
## WEST TORRANCE, RANCHOS PALOS VERDES

The West Torrance, Ranchos Palos Verdes submarket contains 1.3 percent of the multifamily rental inventory in Los Angeles County, the fourth smallest share in the county. There were no new units completed in this submarket between 2009Q1 and 2013Q2. Between the first quarters of 2009 and 2010 there was a negative absorption of 230 units, however since then 380 units were absorbed in the submarket. As a result, the vacancy rate increased from 5.3 percent in 2009Q1 to 6.3 percent in 2010Q1, and then declined to 2.5 percent in 2013Q2. The vacancy rate in 2013Q2 was 21.9 percent less than the vacancy rate in the previous year, which was the fifth largest percent decrease in vacancy rate in the County. The average rent in this submarket in 2013Q2 was \$1,547, which was a 2.2 percent increase from the average rent in the previous year.

UNITS COMPLETED AND ABSORBED IN: WEST TORRANCE, RANCHOS PALOS VERDES



AVERAGE RENT IN \$ FOR: WEST TORRANCE AND RANCHOS PALOS VERDES



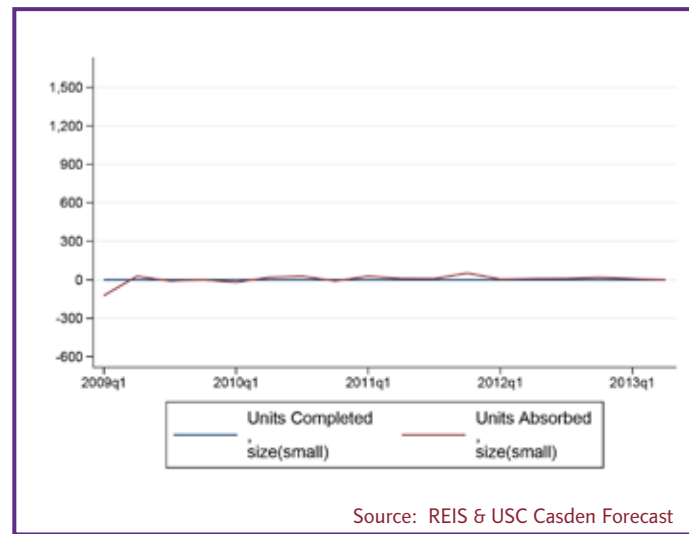
% VACANT IN: WEST TORRANCE, AND RANCHOS PALOS VERDES



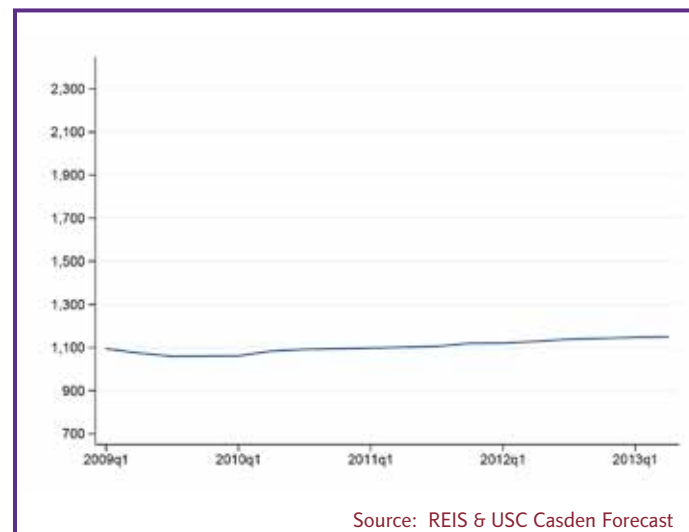
# Los Angeles Multifamily Market Trends

## SUBMARKETS

UNITS COMPLETED AND ABSORBED IN: WHITTIER



AVERAGE RENT IN \$ FOR: WHITTIER



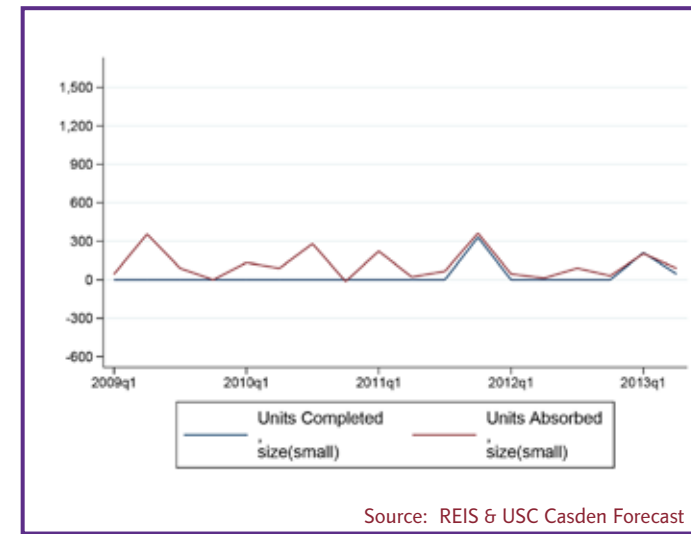
% VACANT IN: WHITTIER



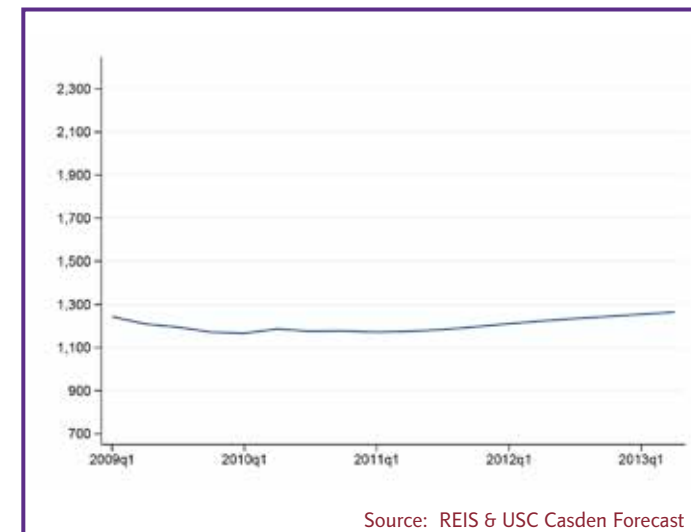
### Whittier

The Whittier submarket contains 1.2 percent of the multifamily inventory in Los Angeles County, the second lowest share in the County. There were no new units completed in this submarket between 2009Q1 and 2013Q2. In the first quarter of 2009 there was a negative absorption of over 120 units and since then the submarket absorbed almost 190 units. This means there was an overall absorption of 70 units, which resulted in a decline in the vacancy rate from 5.9 percent in 2009Q1 to 3.9 percent in 2013Q2. The average rent in the submarket was \$1,150 in 2013Q2, which was a 1.9 percent increase from the average rent in the previous year.

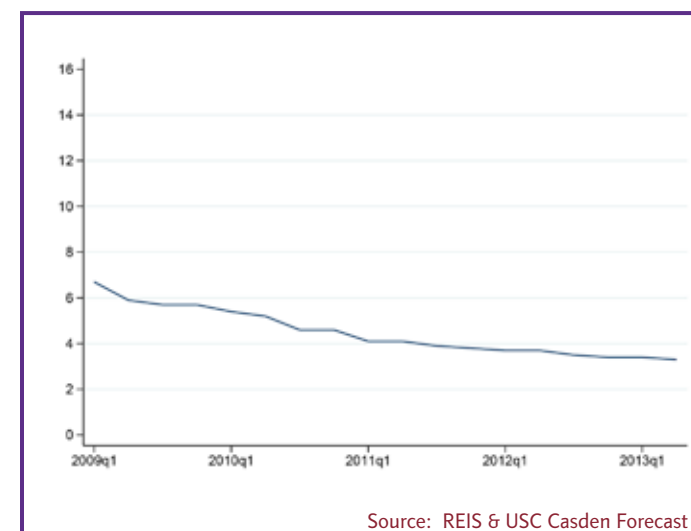
UNITS COMPLETED AND ABSORBED IN: WILSHIRE, WESTLAKE



AVERAGE RENT IN \$ FOR: WILSHIRE AND WESTLAKE



% VACANT IN: WILSHIRE AND WESTLAKE



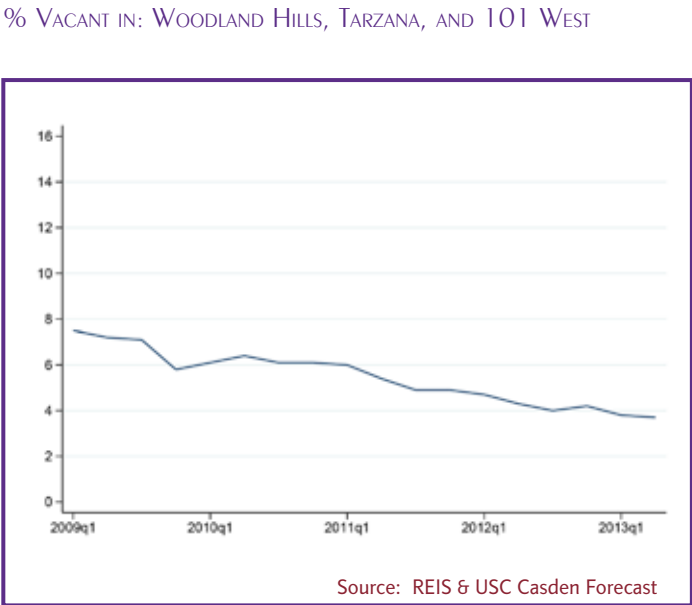
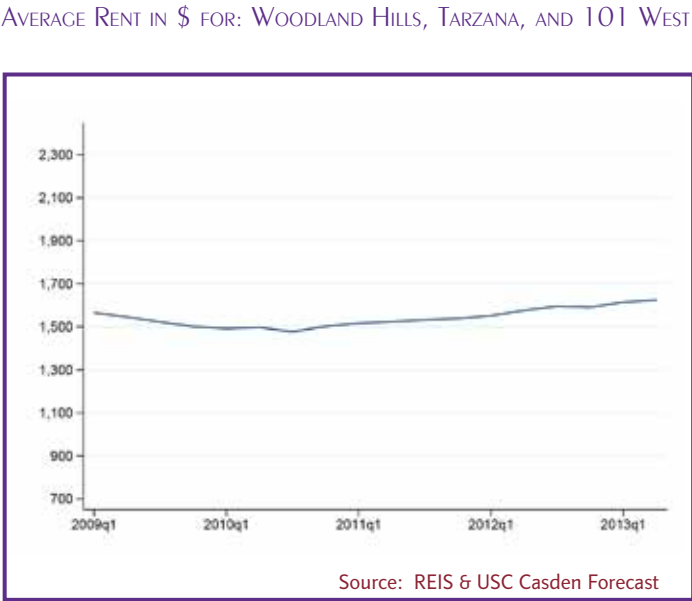
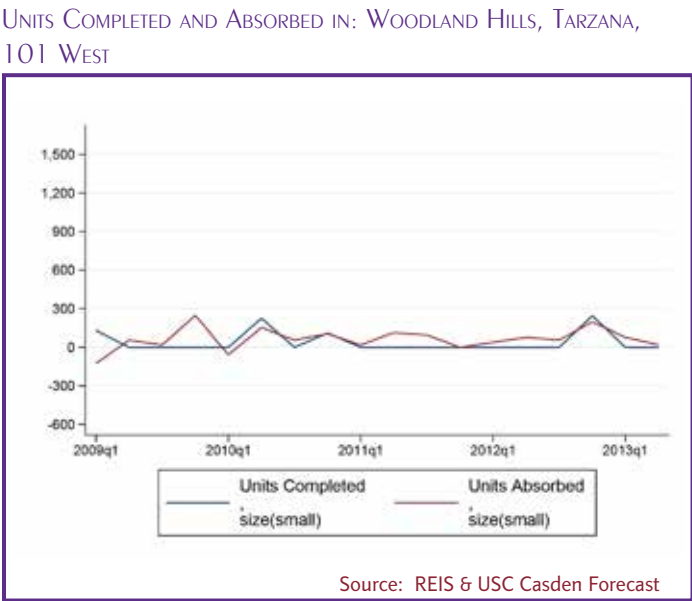
### Wilshire, Westlake

The Wilshire, Westlake submarket contains 5.9 percent of the multifamily rental inventory in Los Angeles County, which is the second highest share in the County. Nearly 600 units were completed in this submarket since 2011Q4. During this period there was a positive absorption of rental units in every quarter except one, which resulted in an overall absorption of over 2,120 units. This represents the second highest number of units absorbed between 2009Q1 and 2013Q2 in the County. As a result, the vacancy rate decreased from 6.7 percent in 2009Q1 to 3.3 percent in 2013Q2. The average rent in this submarket was \$1,265 in 2013Q2, which was a 3.4 percent increase from the average rent in the previous year and the fourth highest percent change in average rent in the County.



Woodland Hills, Tarzana, 101 West

The Woodland Hills, Tarzana, 101 West submarket contains 2.5 percent of the multifamily rental inventory in Los Angeles County. There were over 700 units completed in the submarket between 2009Q1 and 2013Q2. In the first quarter of 2009 there was a negative absorption of 125 units; however, since then almost 1,300 units were absorbed by the submarket. As a result, the vacancy rate decreased from 7.5 percent in 2009Q1 to 3.7 percent in 2013Q2. The average rent in this submarket was \$1,624 in 2013Q2, which was a 3 percent increase from the average rent in the previous year and the fifth highest percent change in average rent in the County.



# LOS ANGELES Multifamily FORECAST

## LOS ANGELES FORECAST

### WHAT THE ECONOMETRIC MODEL PREDICTS

#### RENTS

- Our econometric models report a 1.8 percent increase in the average rent between 2013Q2 and 2014Q2 and a 3.8 percent increase between 2013Q2 and 2015Q2.
- As the graphs below highlight, rents may decline in some quarters in some submarkets across the County; however, by 2015Q2 the average rent in all 37 submarkets will likely be higher than 2013Q2.
- The largest percent increase in annual rents will likely take place in the Panorama Hills, San Fernando, Pacoima and the Mar Vista, Palms, Culver City submarkets.

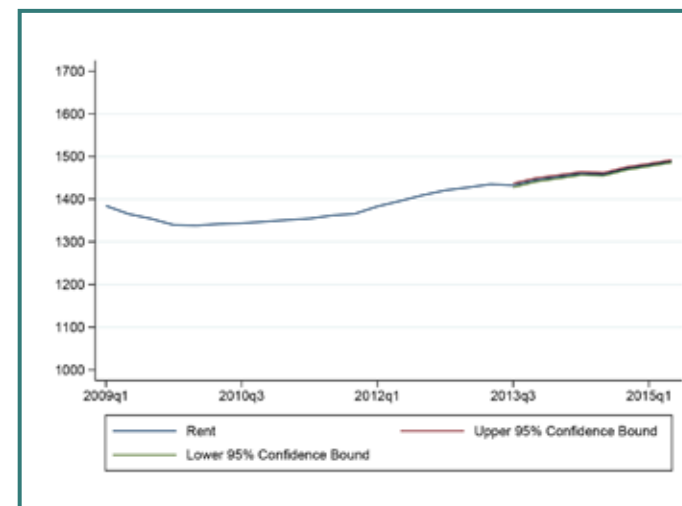
#### VACANCY RATE

- The average vacancy rate in the county will likely decrease by 10.6 percent between 2013Q2 and 2014Q2 to 2.9 percent, and decrease again in the following year to 2.6 percent.
- As seen below, vacancy rates may increase in some quarters for some submarkets; however, by 2015Q2 the vacancy rate in 36 submarkets will likely be lower than 2013Q2 and only the Panorama Hills, San Fernando, Pacoima submarket will witness a slight increase.
- The largest percentage decrease in the annual vacancy rate will likely happen in the Marina Del Rey, Venice, Westchester and the Santa Monica submarkets.

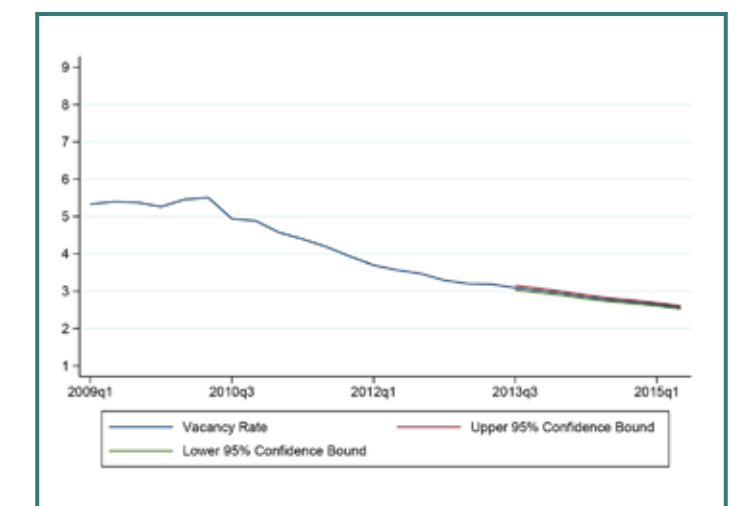
## OUR “TAKE”

Our forecast predicts an overall increase in demand for multifamily rental units over the next two years. In the end, much will depend upon the employment picture and completions over this time. As previously noted, the number of units completed in the past year is a significant increase from the number of units completed in previous years. If the share of units completed continues to increase at the current rate then rents may not increase, and vacancy rates may not decline, as much in some submarkets. In addition, our model assumes a two percent annual increase in the CPI and any deviation from that assumption would affect our forecast.

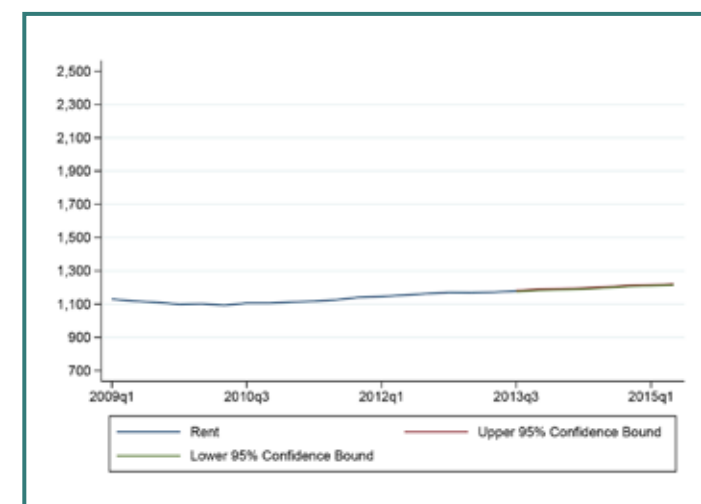
FORECAST AVERAGE RENT IN \$ FOR LOS ANGELES COUNTY



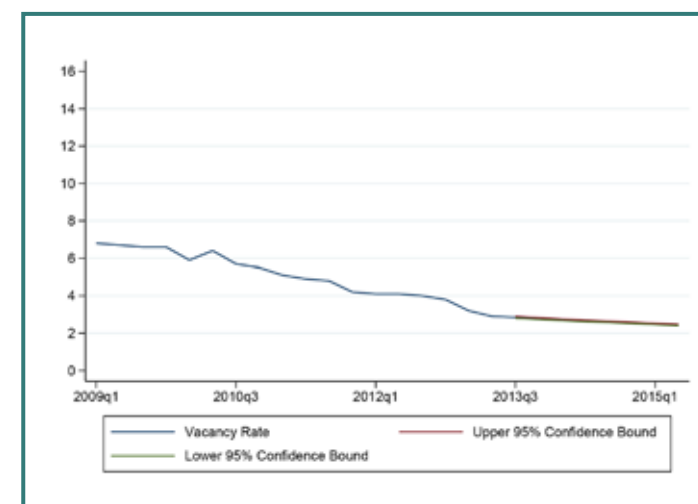
FORECAST AVERAGE % VACANT IN LOS ANGELES COUNTY



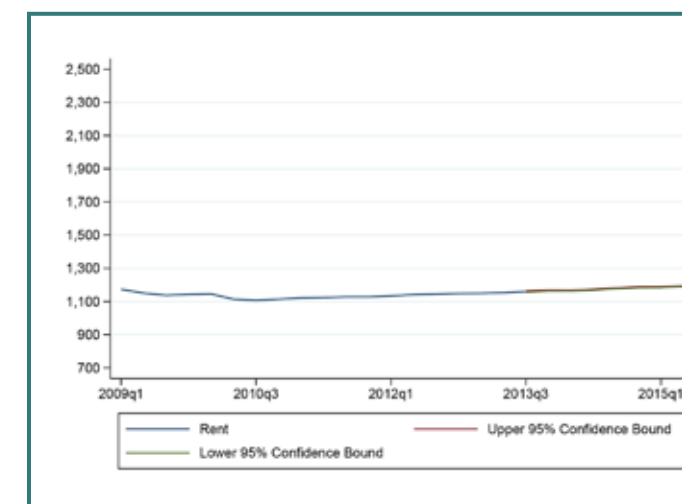
FORECAST AVERAGE RENT IN \$ FOR: ARCADIA, DUARTE, AND EL MONTE



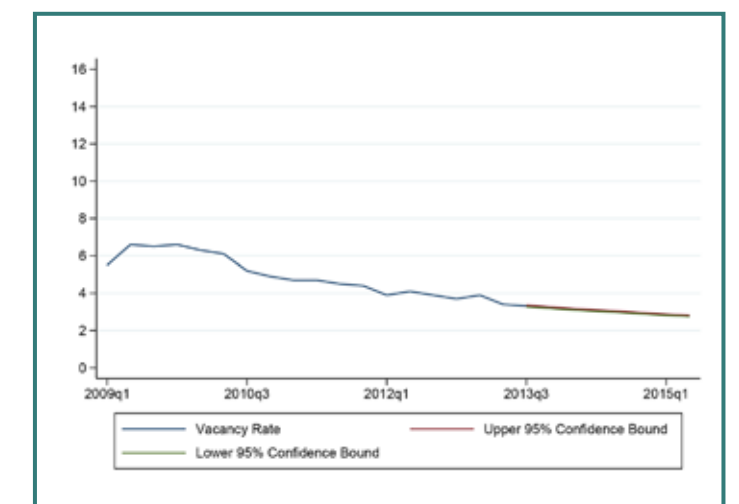
FORECAST % VACANT IN: ARCADIA, DUARTE, AND EL MONTE



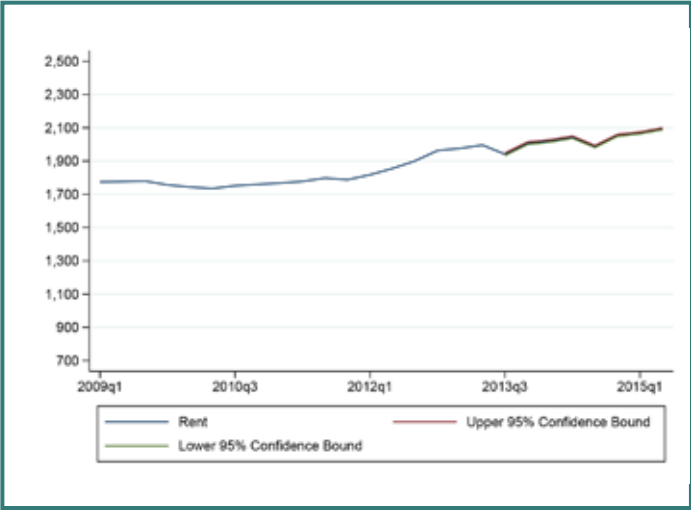
FORECAST AVERAGE RENT IN \$ FOR: AZUSA, COVINA, AND GLENDORA



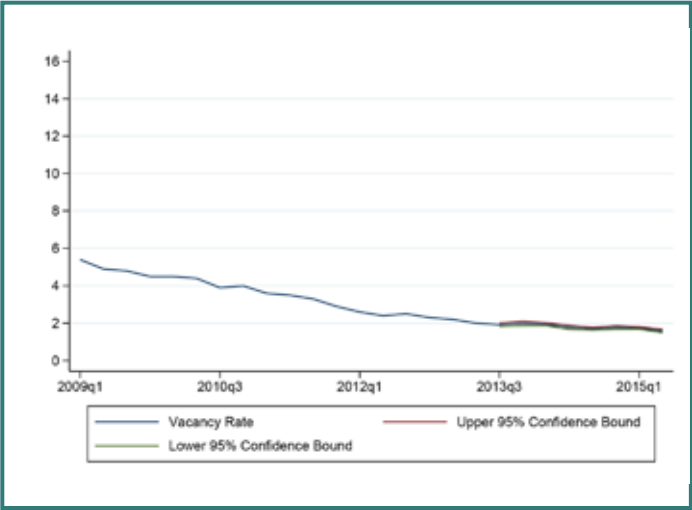
FORECAST % VACANT IN: AZUSA, COVINA, AND GLENDORA



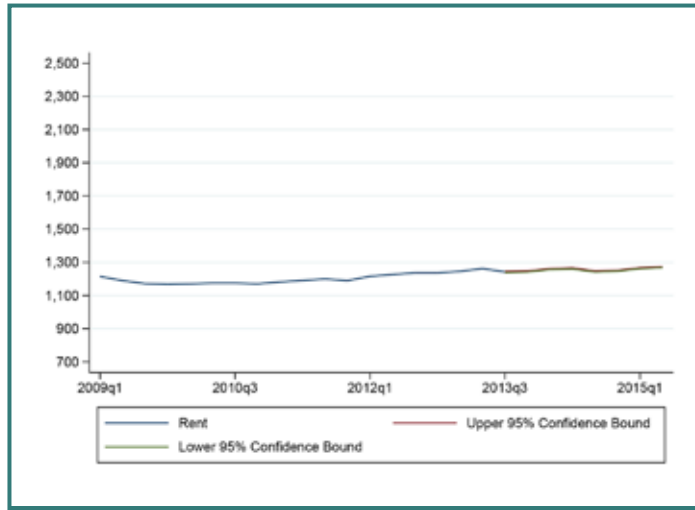
FORECAST AVERAGE RENT IN \$ FOR: BEVERLY HILLS, W HOLLYWOOD, AND PARK LA BREA



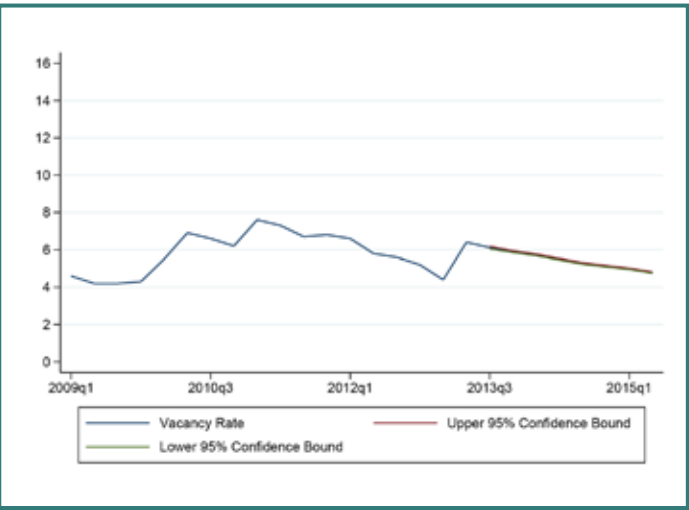
FORECAST % VACANT IN: BEVERLY HILLS, W HOLLYWOOD, AND PARK LA BREA



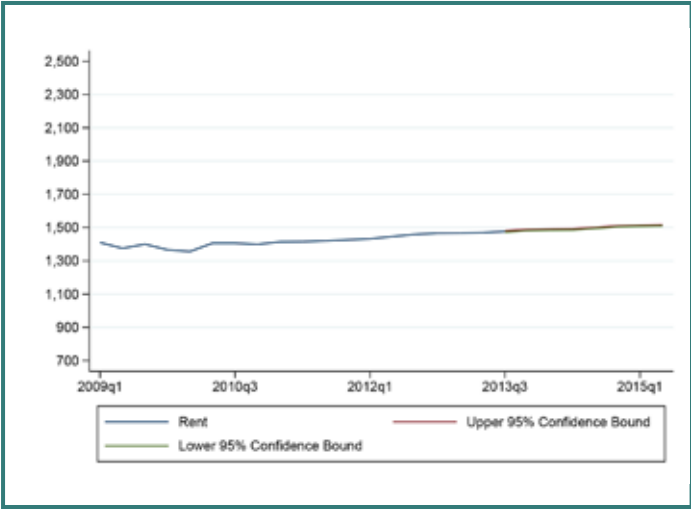
FORECAST AVERAGE RENT IN \$ FOR: CHATSWORTH AND CANOGA PARK



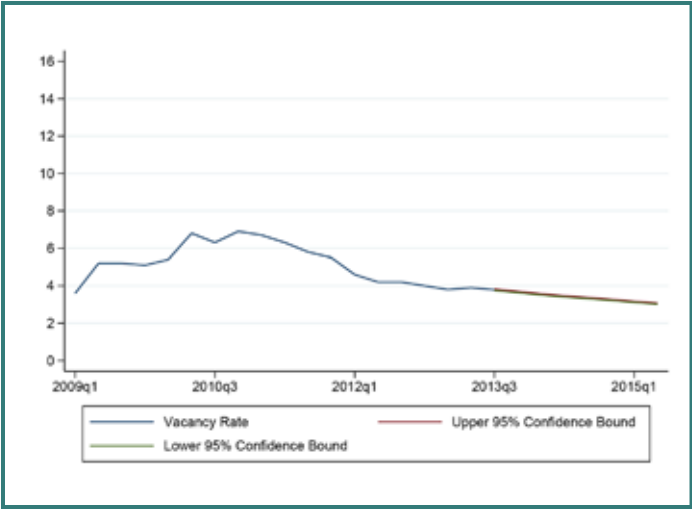
FORECAST % VACANT IN: CHATSWORTH AND CANOGA PARK



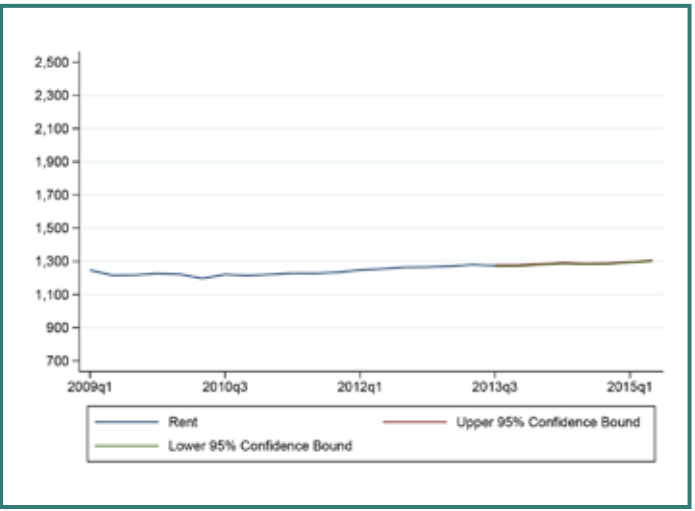
FORECAST AVERAGE RENT IN \$ FOR: BURBANK AND NORTH GLENDALE



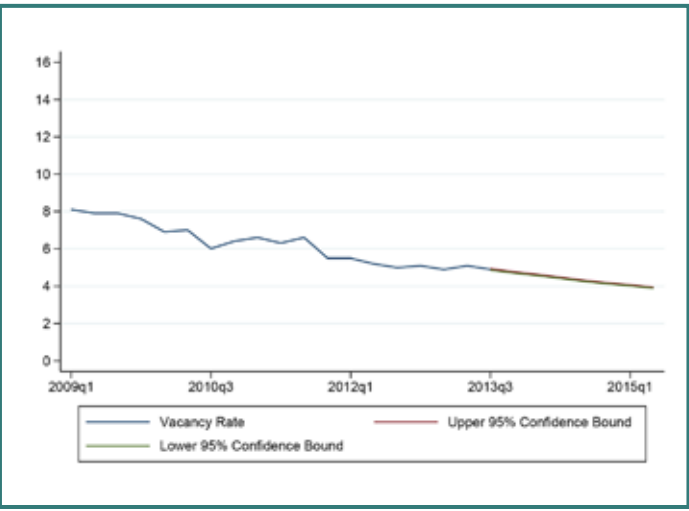
FORECAST % VACANT IN: BURBANK AND NORTH GLENDALE



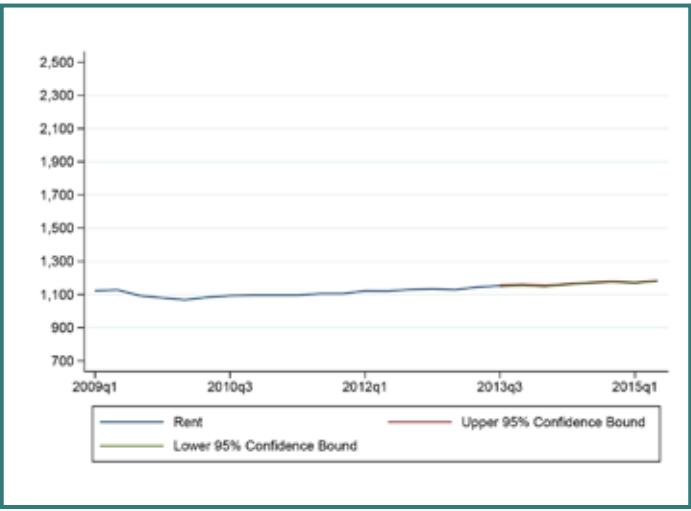
FORECAST AVERAGE RENT IN \$ FOR: CLAREMONT, POMONA AND LA VERNE



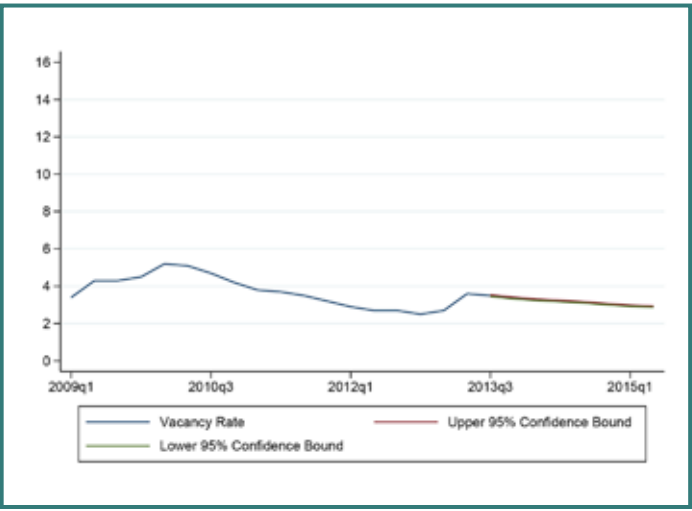
FORECAST % VACANT IN: CLAREMONT, POMONA, AND LA VERNE



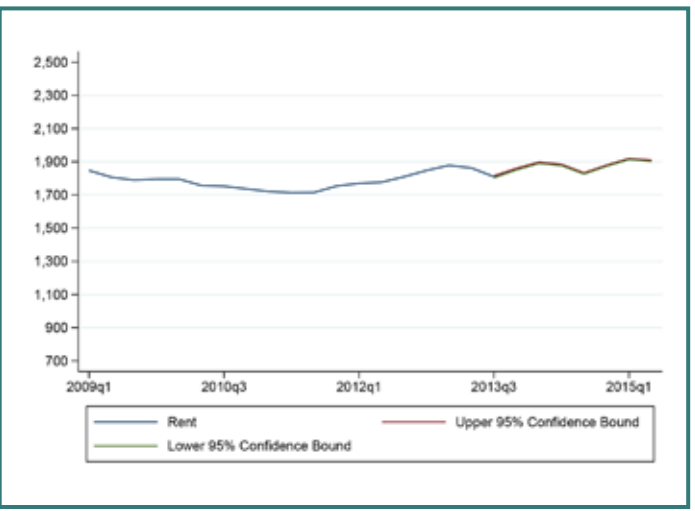
FORECAST AVERAGE RENT IN \$ FOR: CARSON, SAN PEDRO, E TORRANCE, AND LOMITA



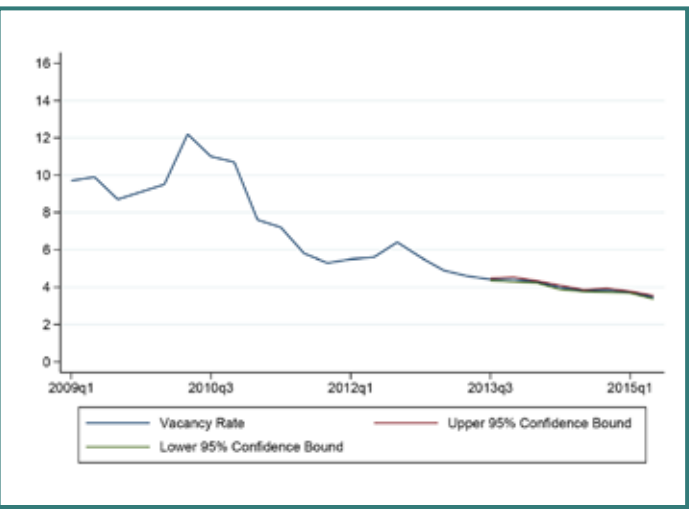
FORECAST % VACANT IN: CARSON, SAN PEDRO E TORRANCE, AND LOMITA



FORECAST AVERAGE RENT IN \$ FOR: DOWNTOWN

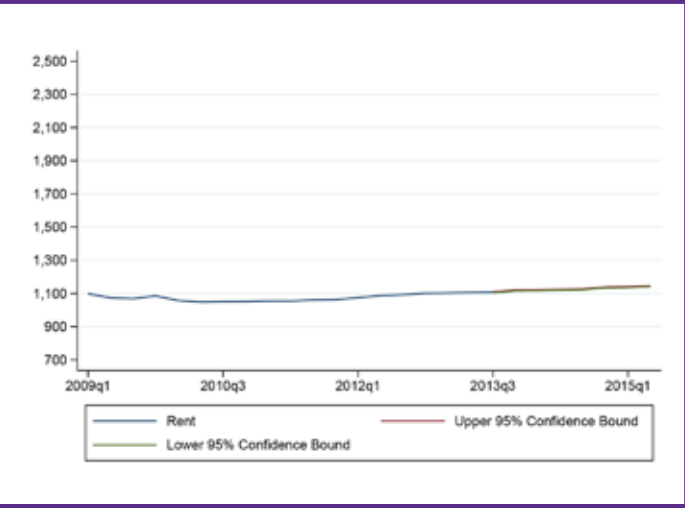


FORECAST % VACANT IN: DOWNTOWN

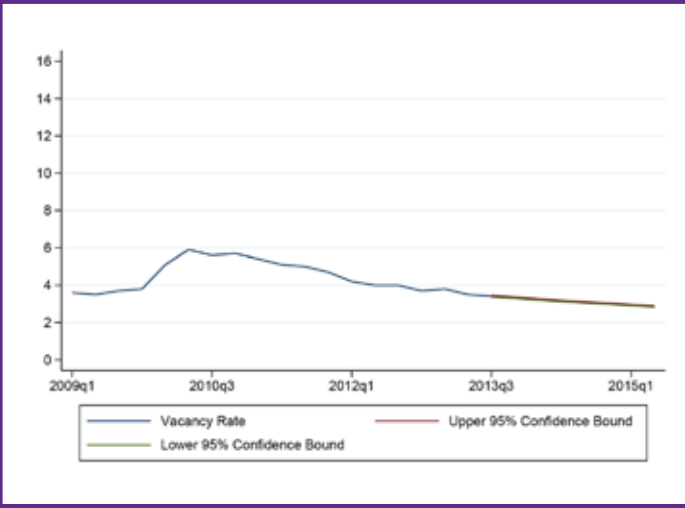


# Los Angeles Multifamily Forecast

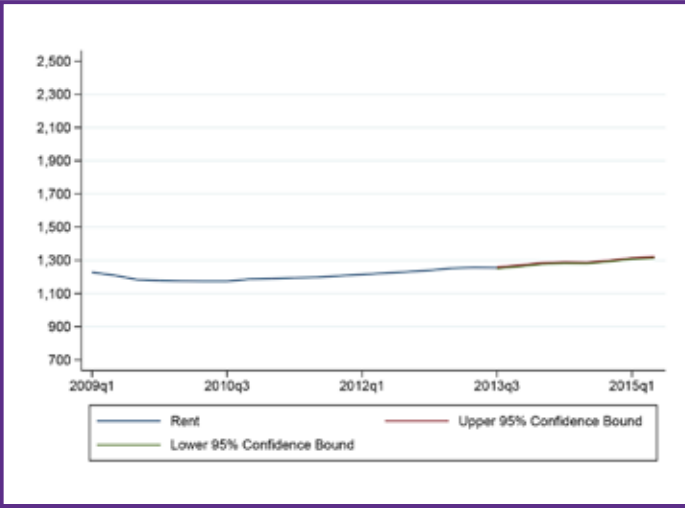
FORECAST AVERAGE RENT IN \$ FOR: EAST LA, ALHAMBRA, MONTEBELLO AND PICO RIVERA



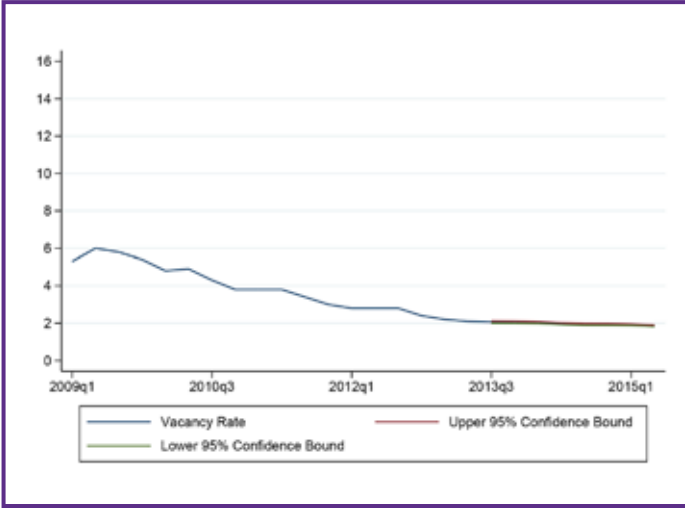
FORECAST % VACANT IN: EAST LA, ALHAMBRA, MONTEBELLO AND PICO RIVERA



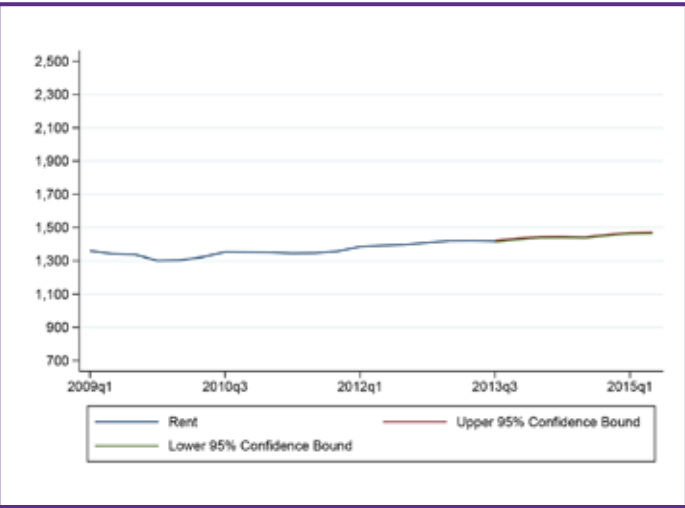
FORECAST AVERAGE RENT IN \$ FOR: GRANADA HILLS, NORTHRIDGE AND RESEDA



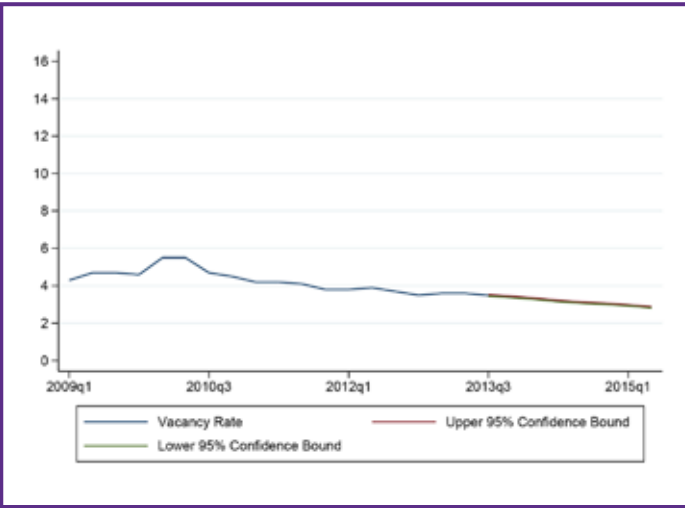
FORECAST % VACANT IN: GRANADA HILLS, NORTHRIDGE AND RESEDA



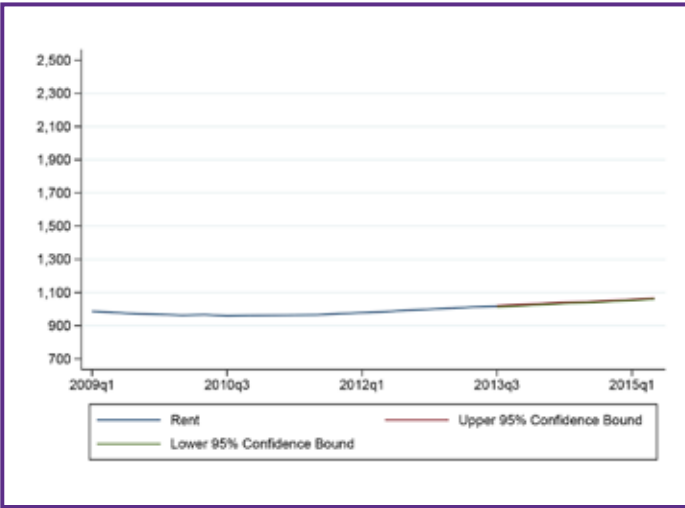
FORECAST AVERAGE RENT IN \$ FOR: EAST LONG BEACH, AND LOS ALTOS



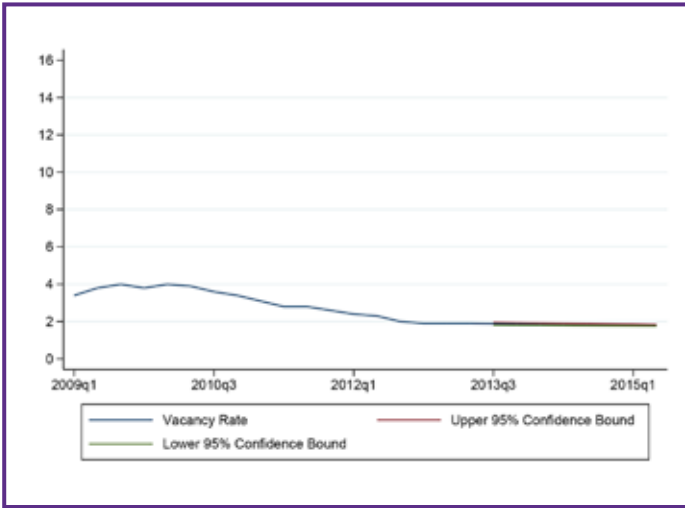
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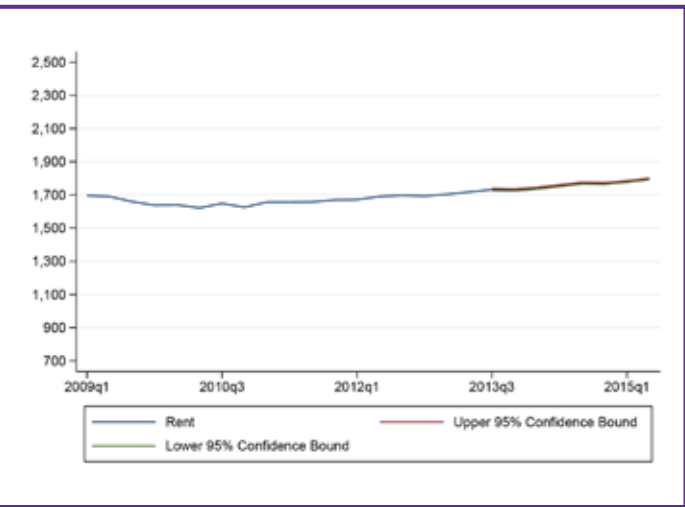
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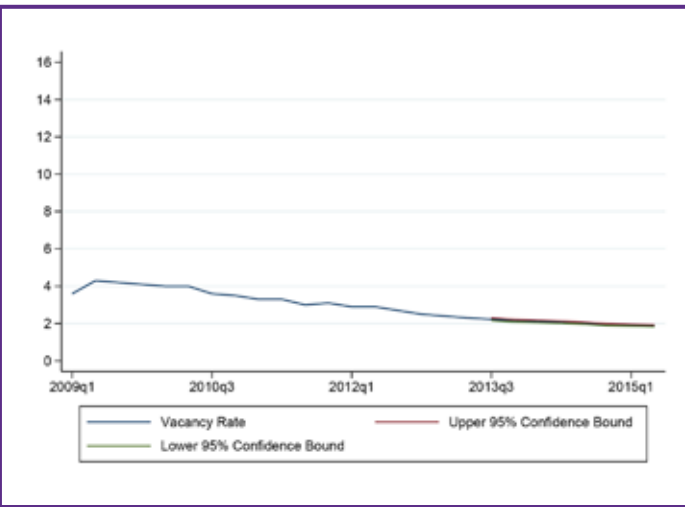
FORECAST % VACANT IN: HAWTHORNE AND NORTH TORRANCE



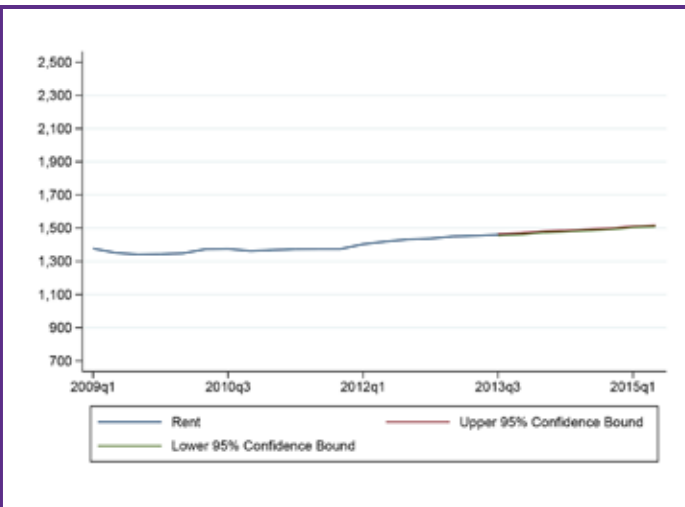
FORECAST AVERAGE RENT IN \$ FOR: EL SEGUNDO, HERMOSA BEACH AND REDONDO BEACH



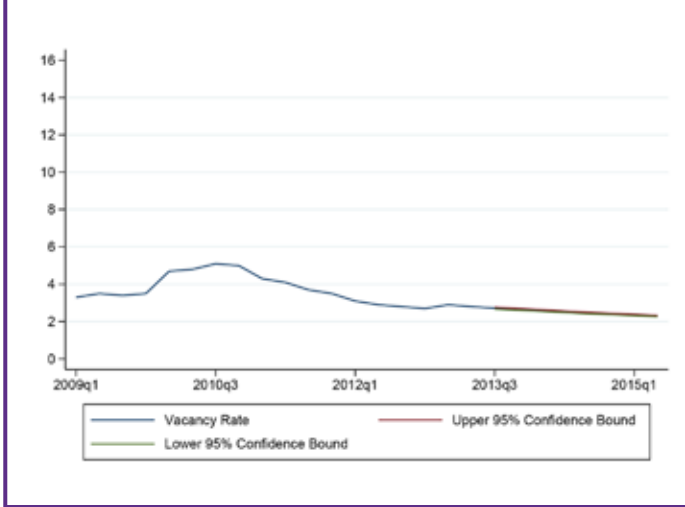
FORECAST % VACANT IN: EL SEGUNDO, HERMOSA BEACH AND REDONDO BEACH



FORECAST AVERAGE RENT IN \$ FOR: HOLLYWOOD AND SILVER LAKE

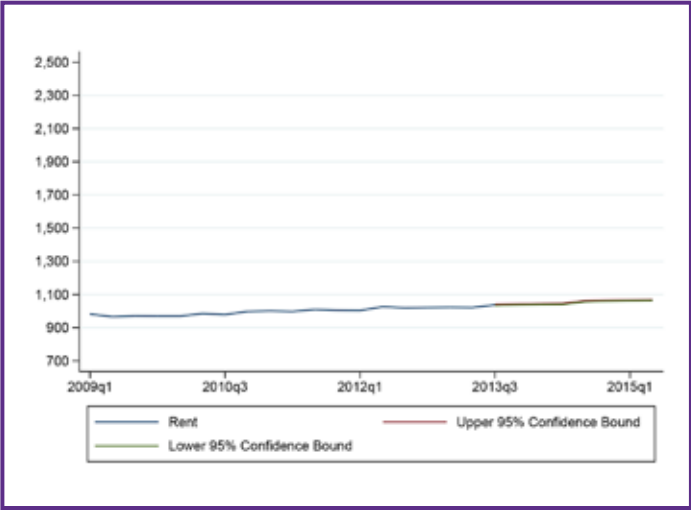


FORECAST % VACANT IN: HOLLYWOOD AND SILVER LAKE

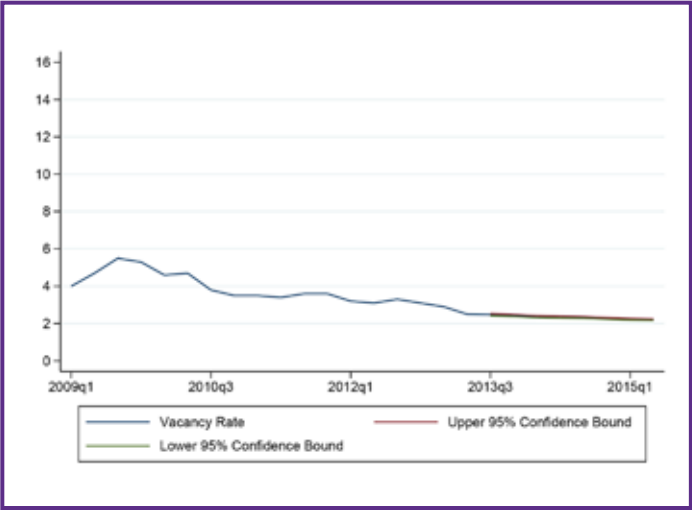




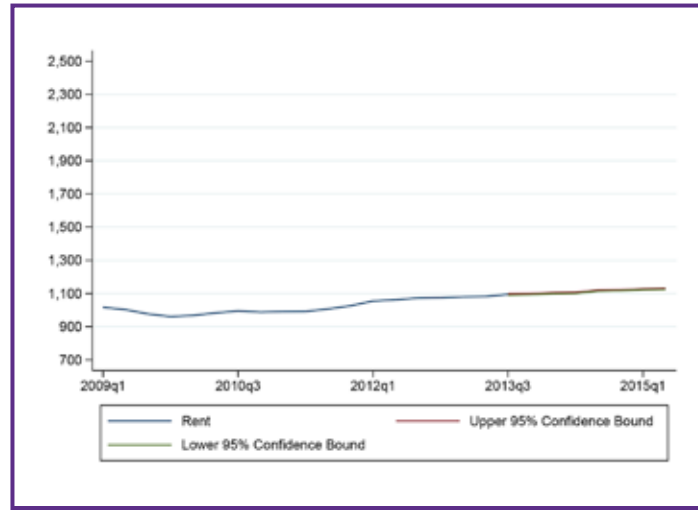
FORECAST AVERAGE RENT IN \$ FOR: INGLEWOOD AND CRENSHAW



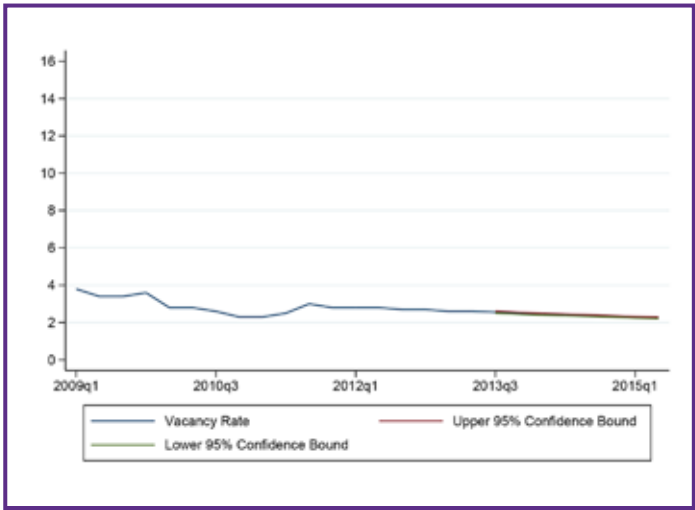
FORECAST % VACANT IN: INGLEWOOD AND CRENSHAW



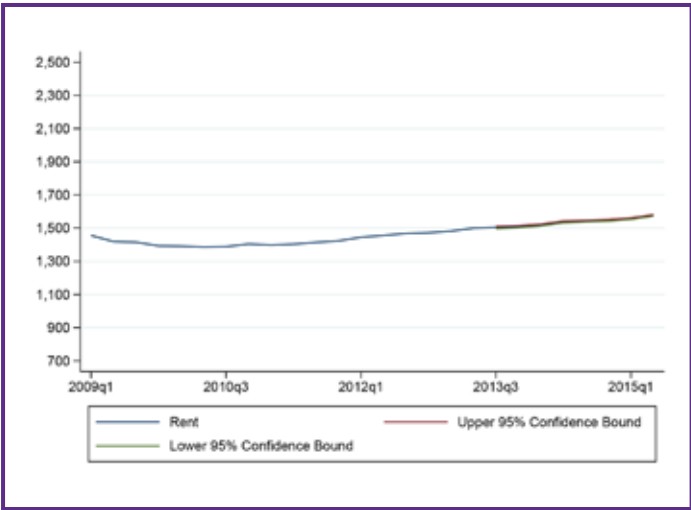
FORECAST AVERAGE RENT IN \$ FOR: MID-CITY, WEST ADAMS AND PICO HEIGHTS



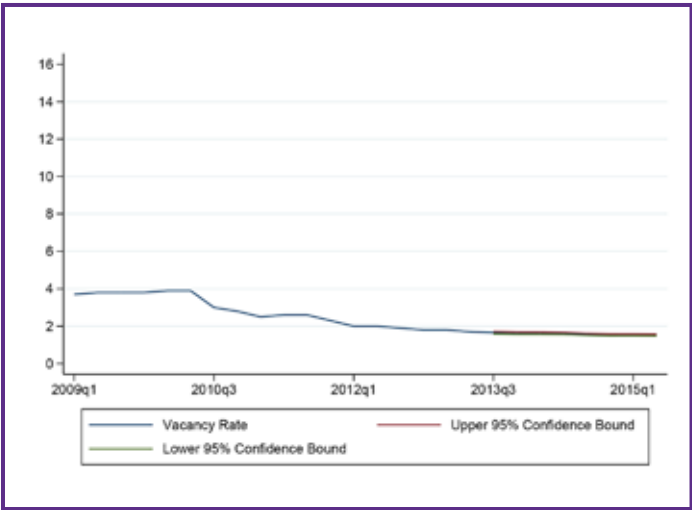
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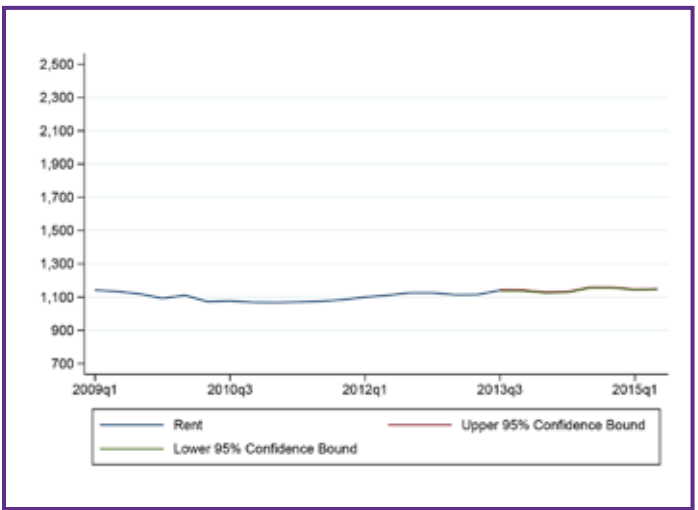
FORECAST AVERAGE RENT IN \$ FOR: MAR VISTA, PALMS, AND CULVER CITY



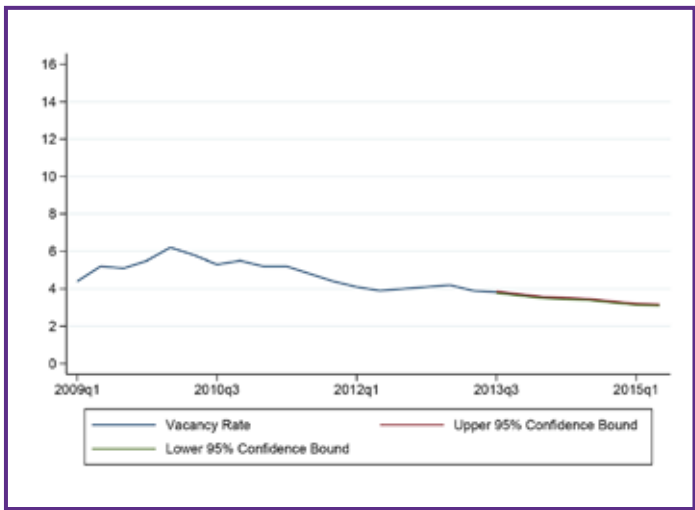
FORECAST % VACANT IN: MAR VISTA, PALMS, AND CULVER CITY



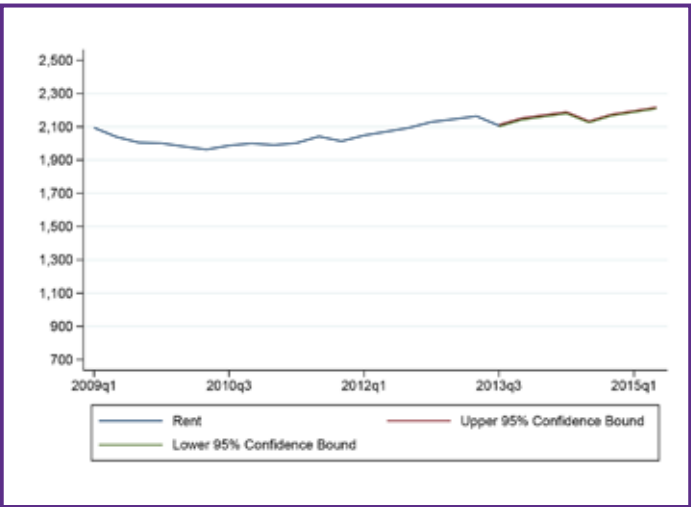
FORECAST AVERAGE RENT IN \$ FOR: N LONG BEACH, LAKEWOOD AND ARTESIA



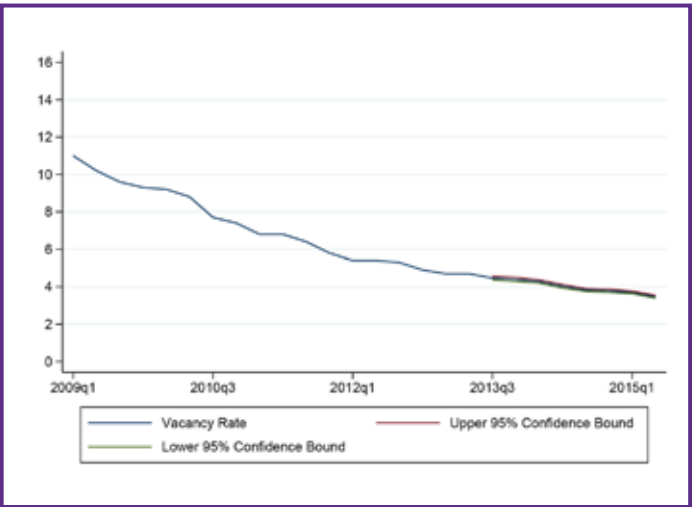
FORECAST % VACANT IN: N LONG BEACH, LAKEWOOD AND ARTESIA



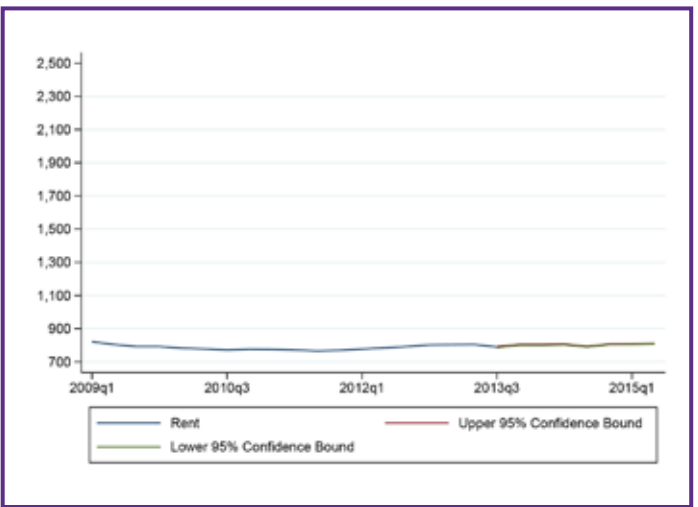
FORECAST AVERAGE RENT IN \$ FOR: MARINA DEL REY, VENICE AND WESTCHESTER



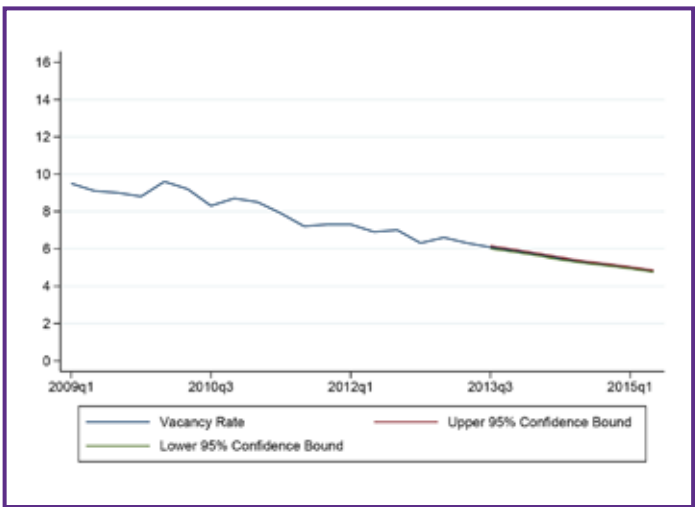
FORECAST % VACANT IN: MARINA DEL REY, VENICE AND WESTCHESTER



FORECAST AVERAGE RENT IN \$ FOR: PALMDALE AND LANCASTER

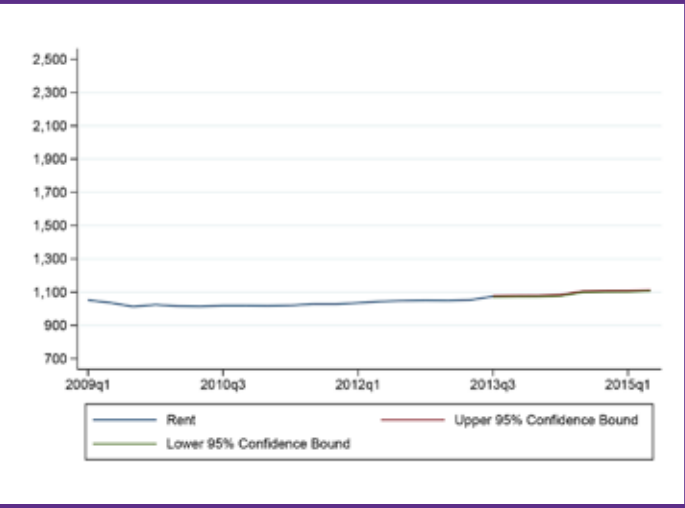


FORECAST % VACANT IN: PALMDALE AND LANCASTER

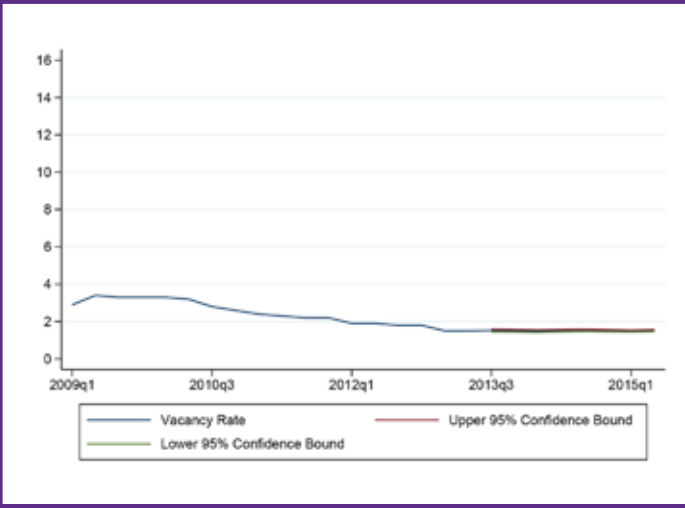


# Los Angeles Multifamily Forecast

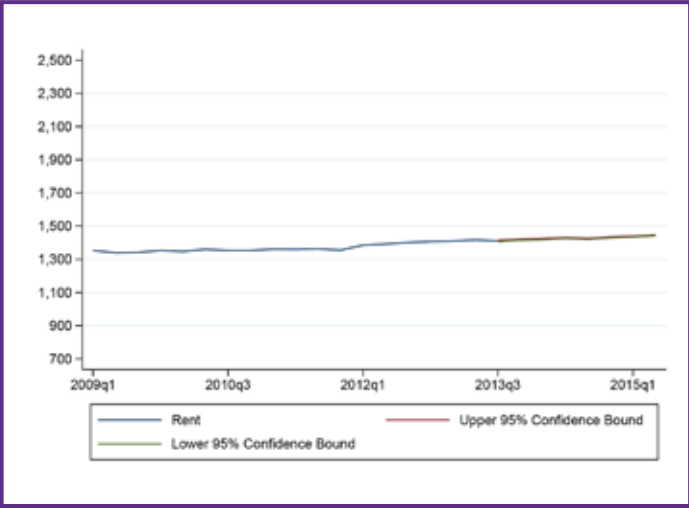
FORECAST AVERAGE RENT IN \$ FOR: PANORAMA HILLS, SAN FERNANDO AND PACOIMA



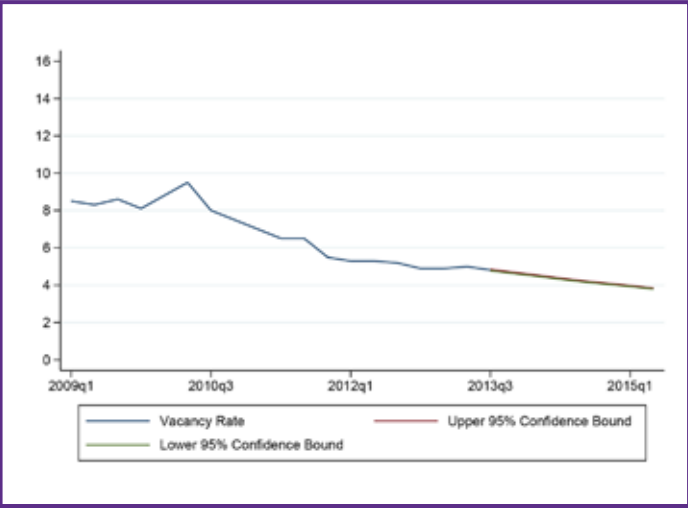
FORECAST % VACANT IN: PANORAMA HILLS, SAN FERNANDO AND PACOIMA



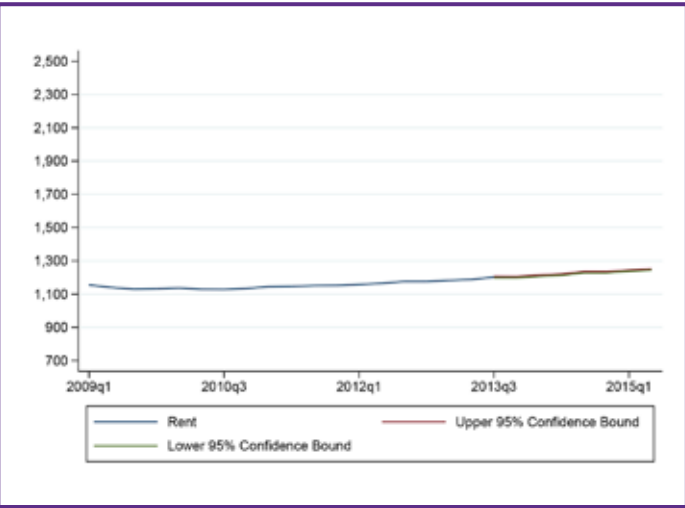
FORECAST AVERAGE RENT IN \$ FOR: SANTA CLARITA VALLEY AND CANYON COUNTRY



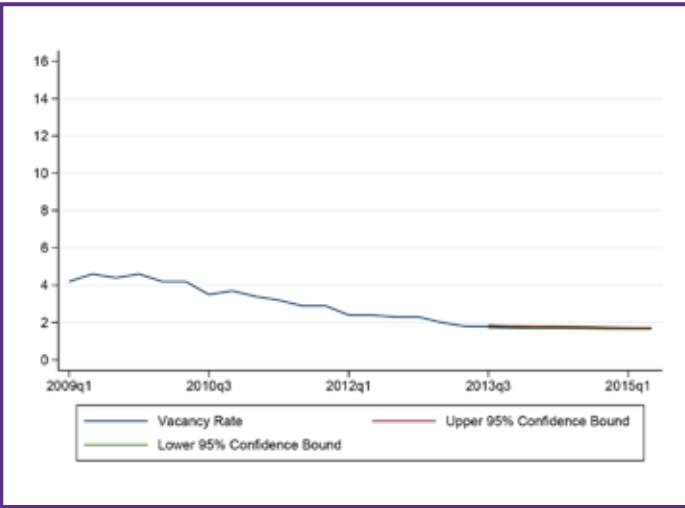
FORECAST % VACANT IN: SANTA CLARITA VALLEY AND CANYON COUNTRY



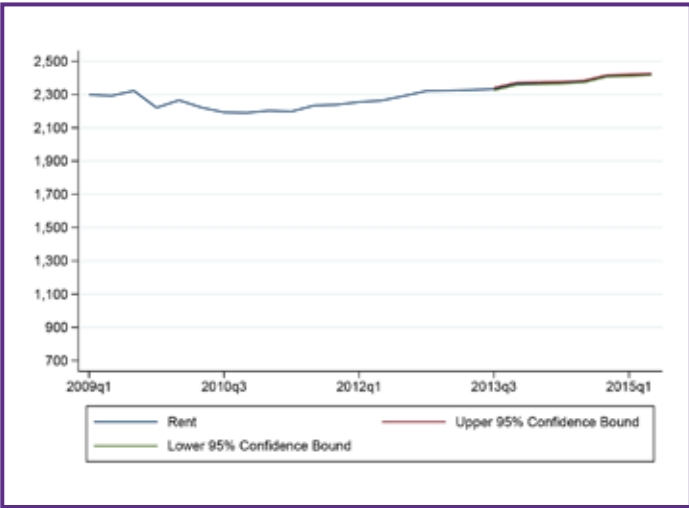
FORECAST AVERAGE RENT IN \$ FOR: PARAMOUNT, DOWNEY, BELLFLOWER AND NORWALK



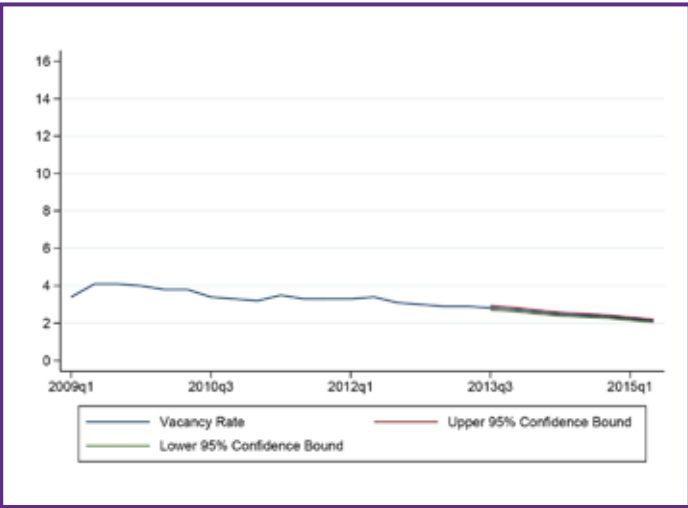
FORECAST % VACANT IN: PARAMOUNT, DOWNEY, BELLFLOWER AND NORWALK



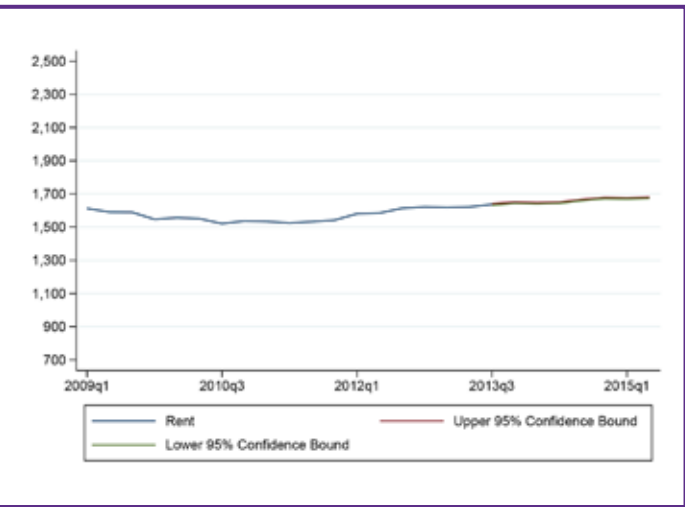
FORECAST AVERAGE RENT IN \$ FOR: SANTA MONICA



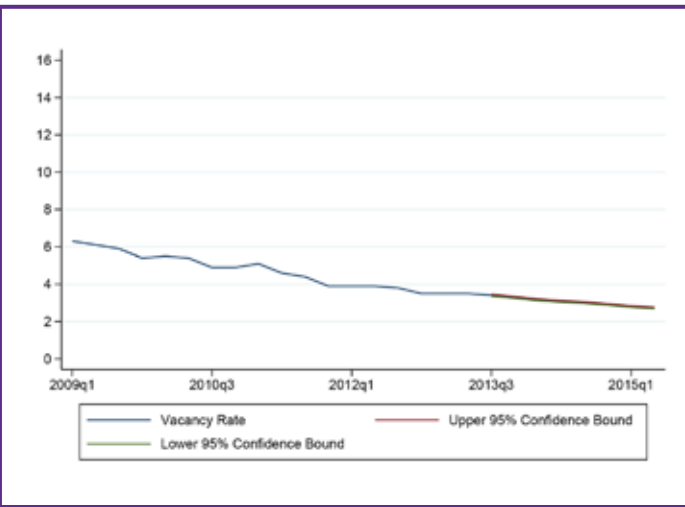
FORECAST % VACANT IN: SANTA MONICA



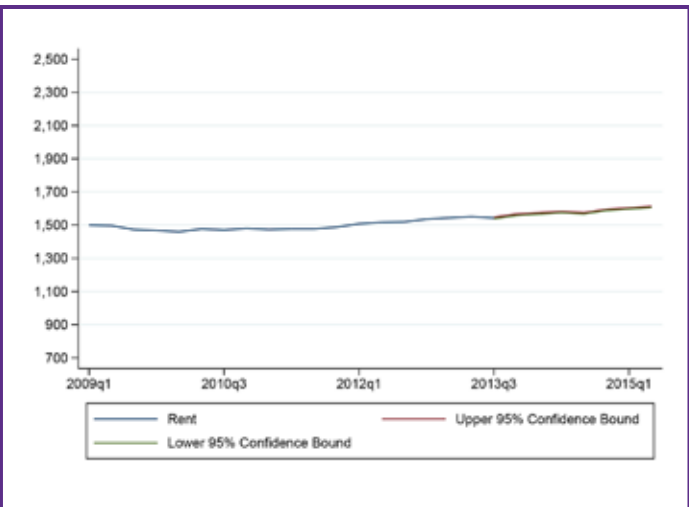
FORECAST AVERAGE RENT IN \$ FOR: PASADENA



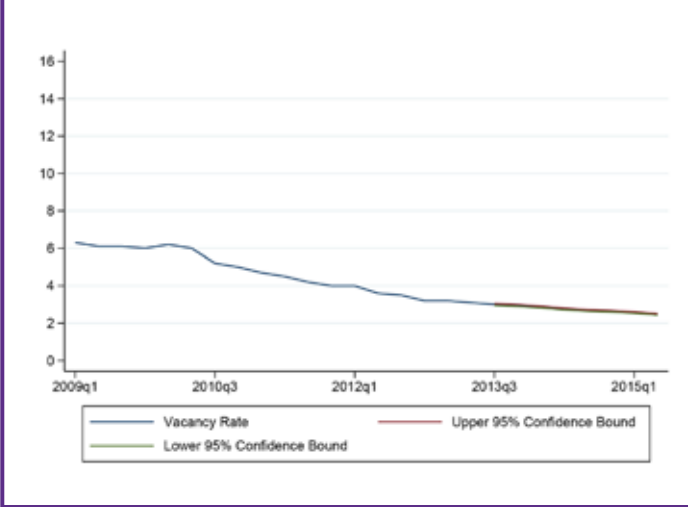
FORECAST % VACANT IN: PASADENA



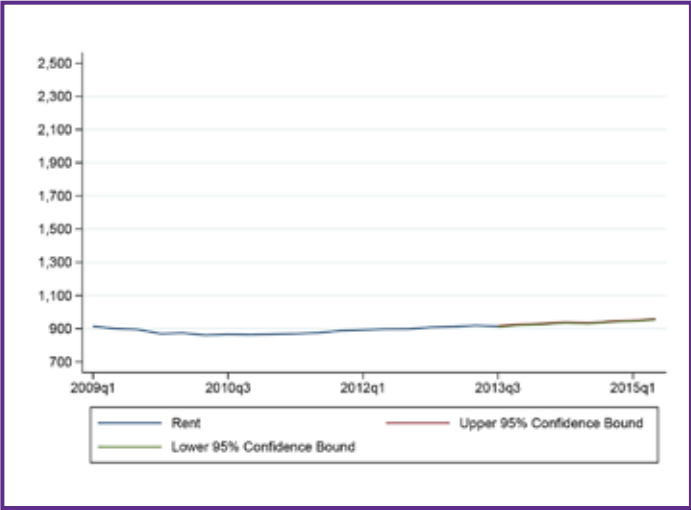
FORECAST AVERAGE RENT IN \$ FOR: SHERMAN OAKS, STUDIO CITY AND N HOLLYWOOD



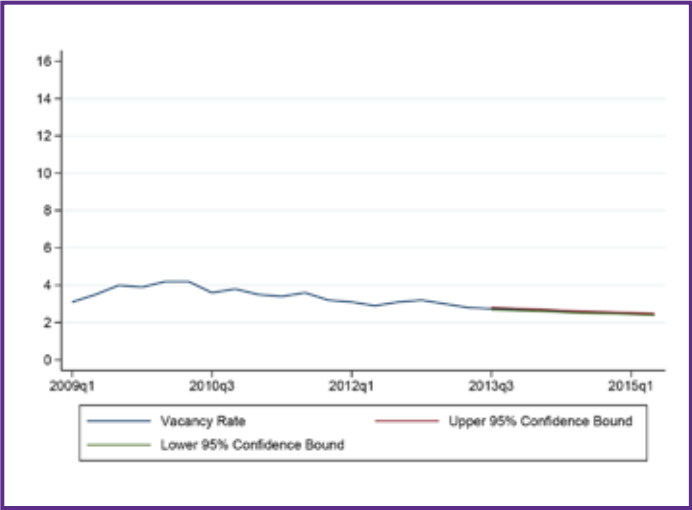
FORECAST % VACANT IN: SHERMAN OAKS, STUDIO CITY AND N HOLLYWOOD



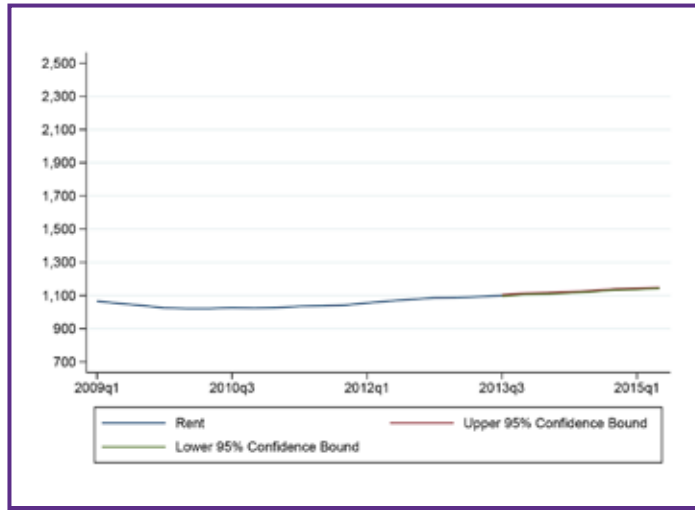
FORECAST AVERAGE RENT IN \$ FOR: SOUTH CENTRAL LA



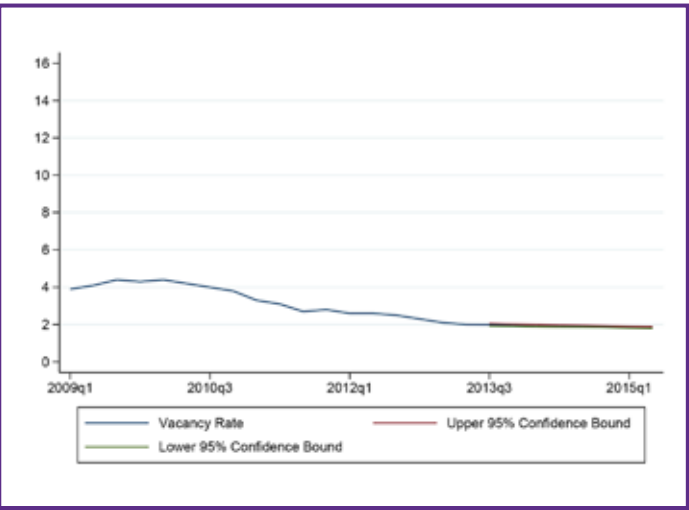
FORECAST % VACANT IN: SOUTH CENTRAL LA



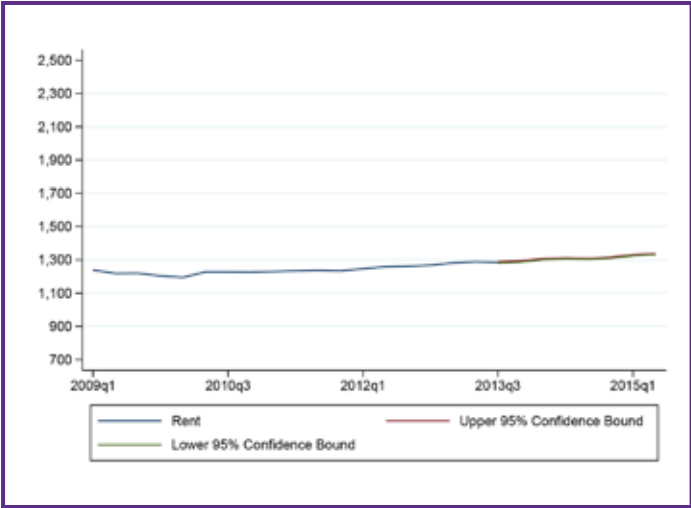
FORECAST AVERAGE RENT IN \$ FOR: VAN NUYS AND NORTH HOLLYWOOD



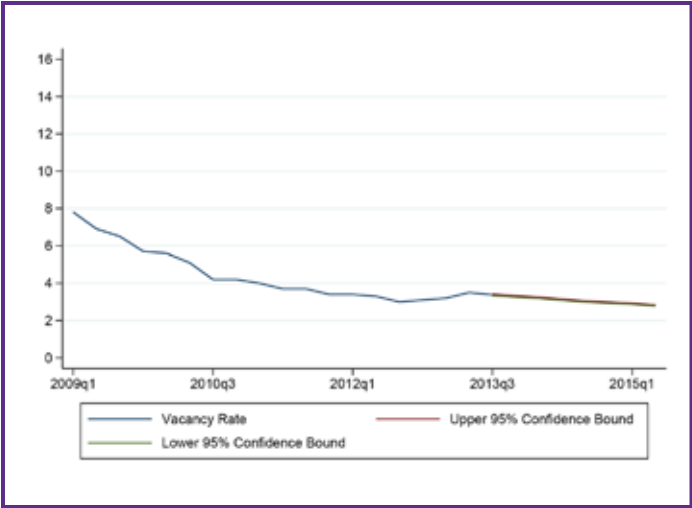
FORECAST % VACANT IN: VAN NUYS AND NORTH HOLLYWOOD



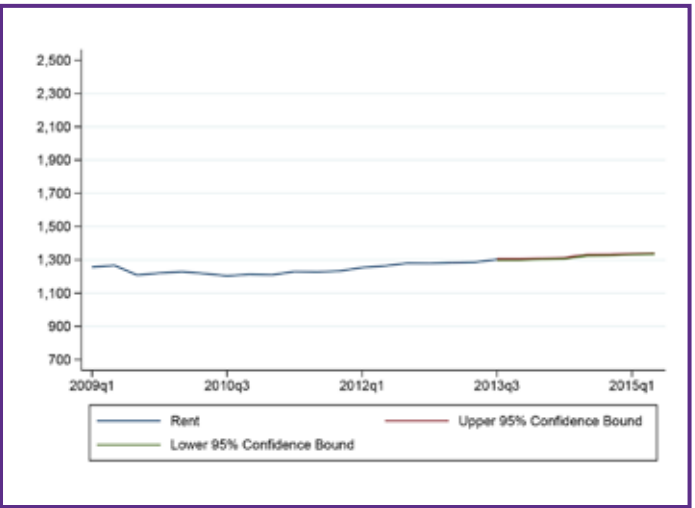
FORECAST AVERAGE RENT IN \$ FOR: SOUTH GLENDALE AND HIGHLAND PARK



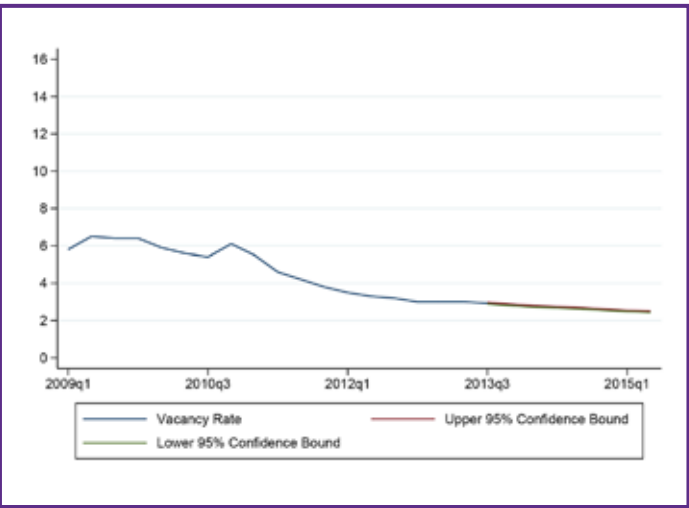
FORECAST % VACANT IN: SOUTH GLENDALE AND HIGHLAND PARK



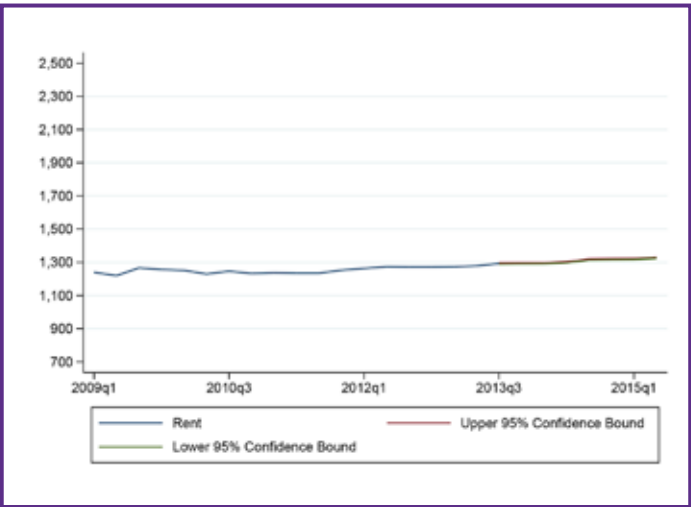
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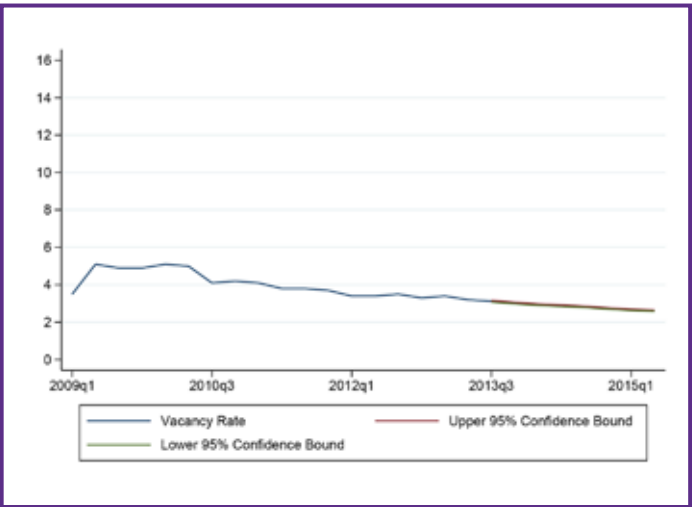
FORECAST % VACANT IN: WEST COVINA, LA PUENTE, AND ROWLAND HEIGHTS



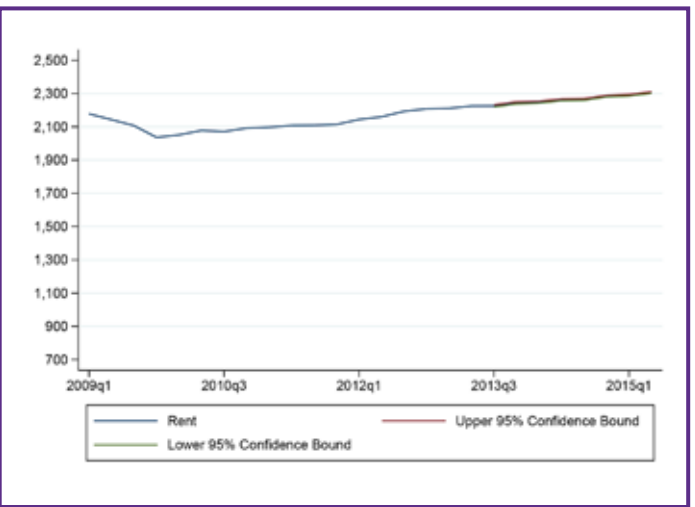
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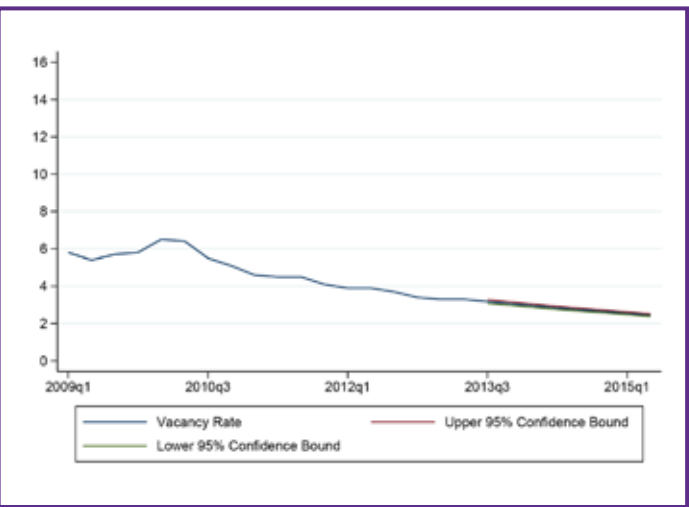
FORECAST % VACANT IN: TUIJUNGA, LA CRESCENTA, AND MONTROSE



FORECAST AVERAGE RENT IN \$ FOR: WEST LA, WESTWOOD, AND BRENTWOOD

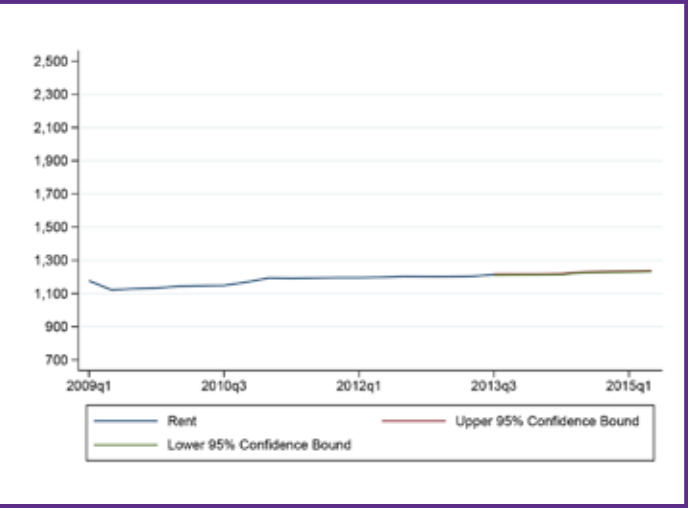


FORECAST % VACANT IN: WEST LA, WESTWOOD, AND BRENTWOOD

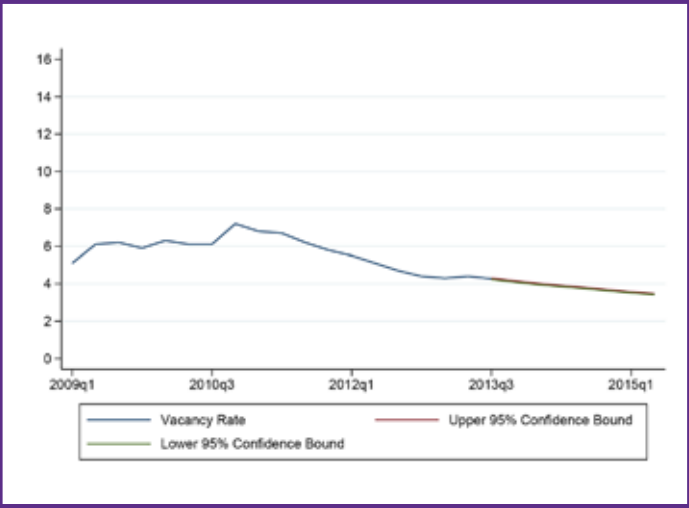


# Los Angeles Multifamily Forecast

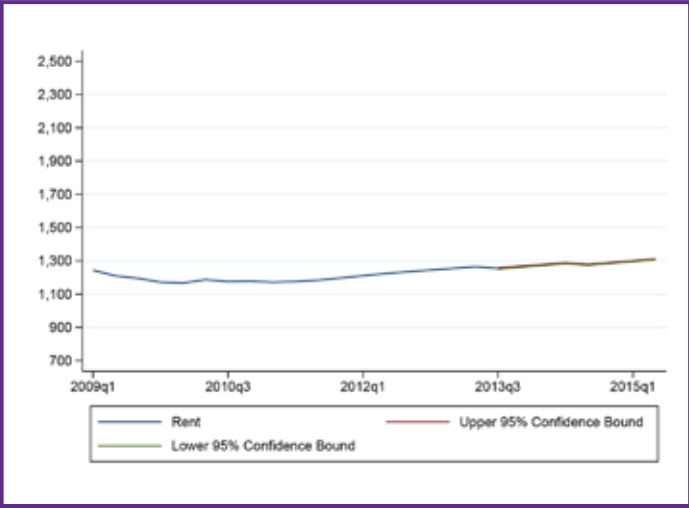
FORECAST AVERAGE RENT IN \$ FOR: WEST LONG BEACH, AND SIGNAL HILL



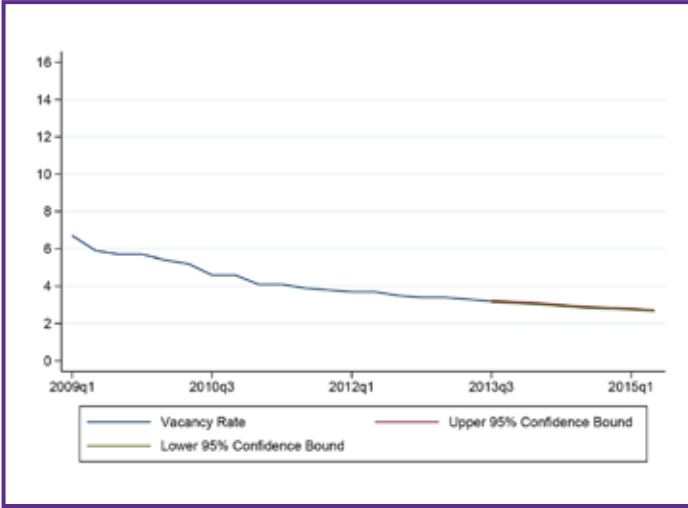
FORECAST % VACANT IN: WEST LONG BEACH, AND SIGNAL HILL



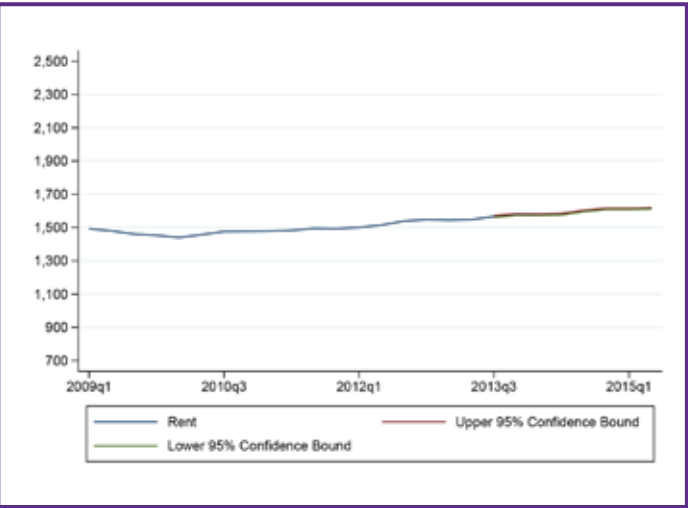
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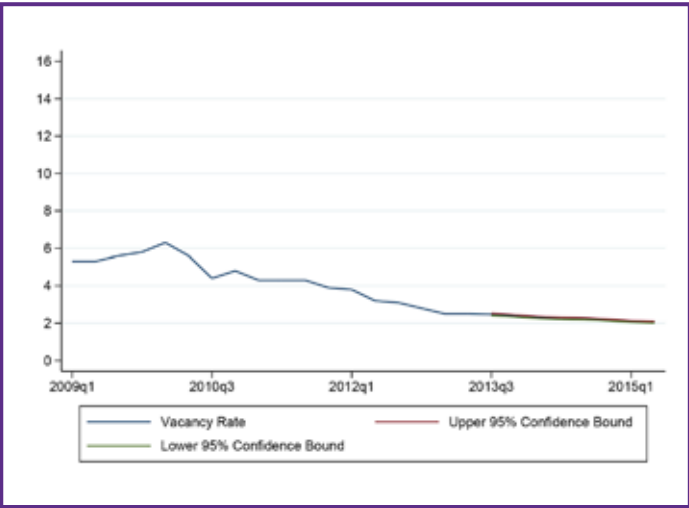
FORECAST % VACANT IN: WILSHIRE AND WESTLAKE



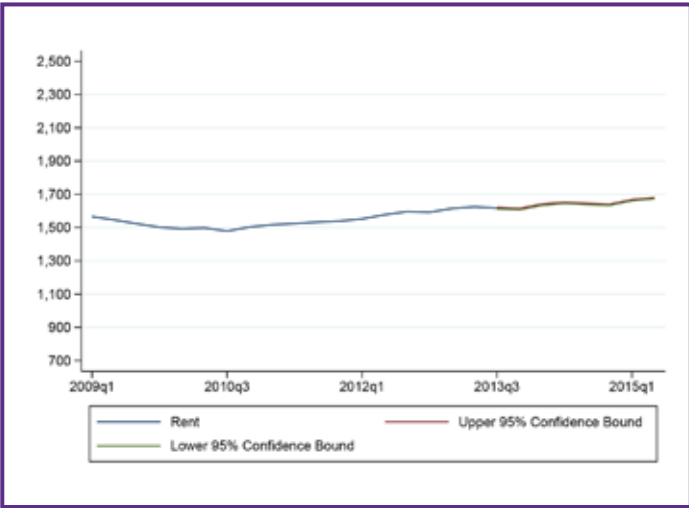
FORECAST AVERAGE RENT IN \$ FOR: WEST TORRANCE, AND RANCHOS PALOS VERDES



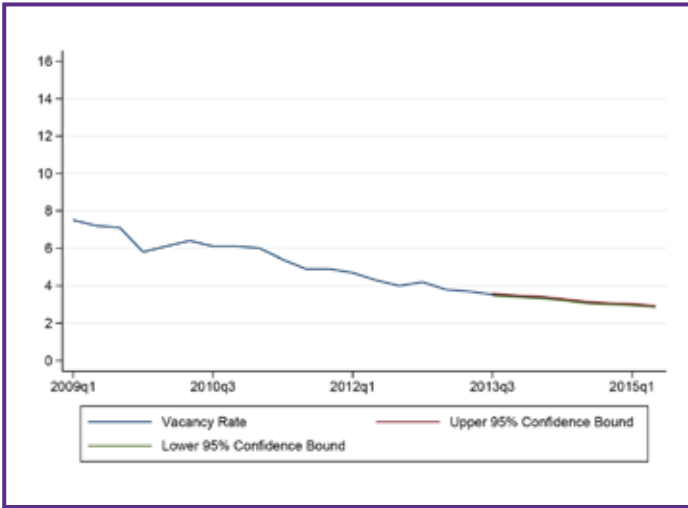
FORECAST % VACANT IN: WEST TORRANCE, AND RANCHOS PALOS VERDES



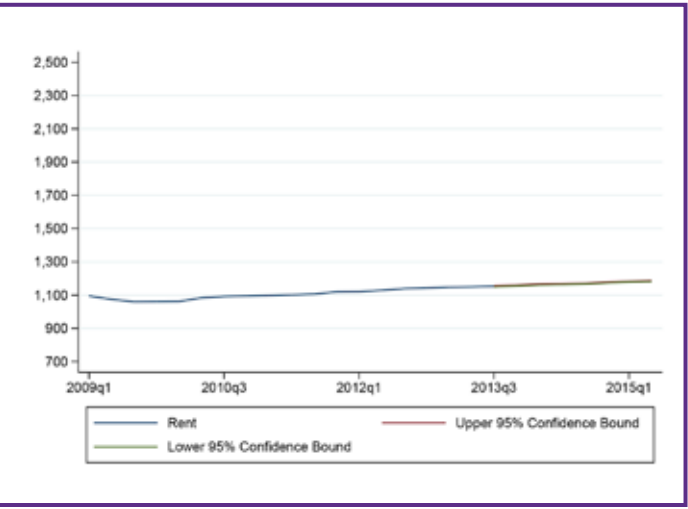
FORECAST AVERAGE RENT IN \$ FOR: WOODLAND HILLS, TARZANA AND 101 WEST



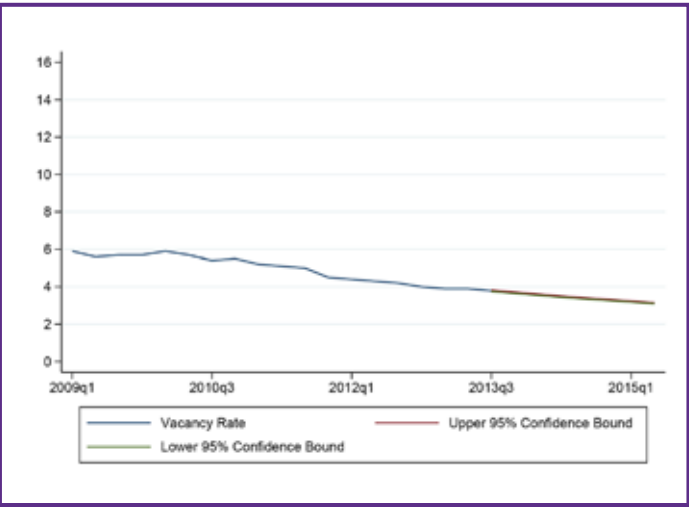
FORECAST % VACANT IN: WOODLAND HILLS, TARZANA AND 101 WEST



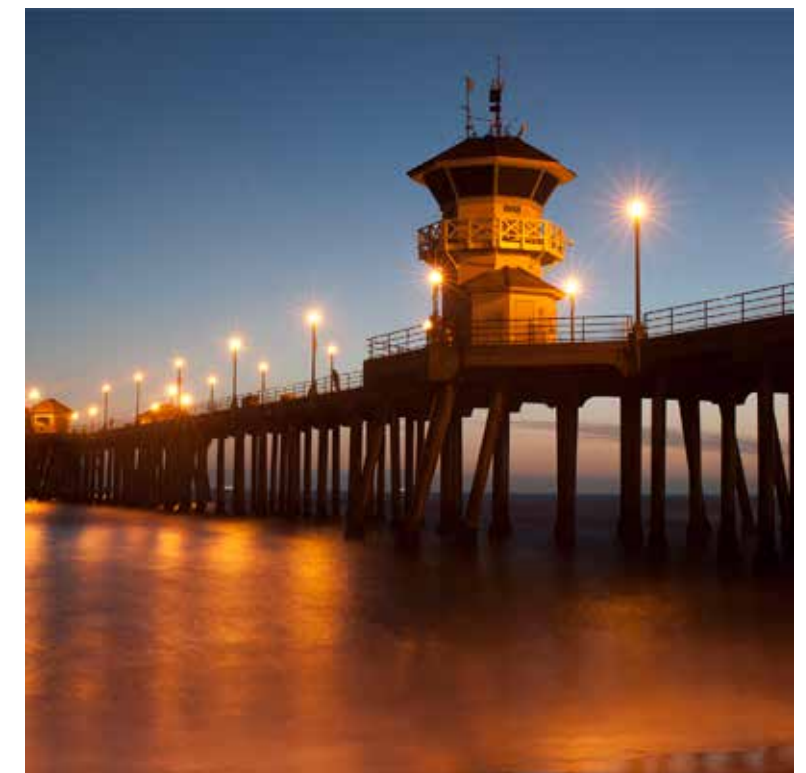
FORECAST AVERAGE RENT IN \$ FOR: WHITTIER



FORECAST % VACANT IN: WHITTIER







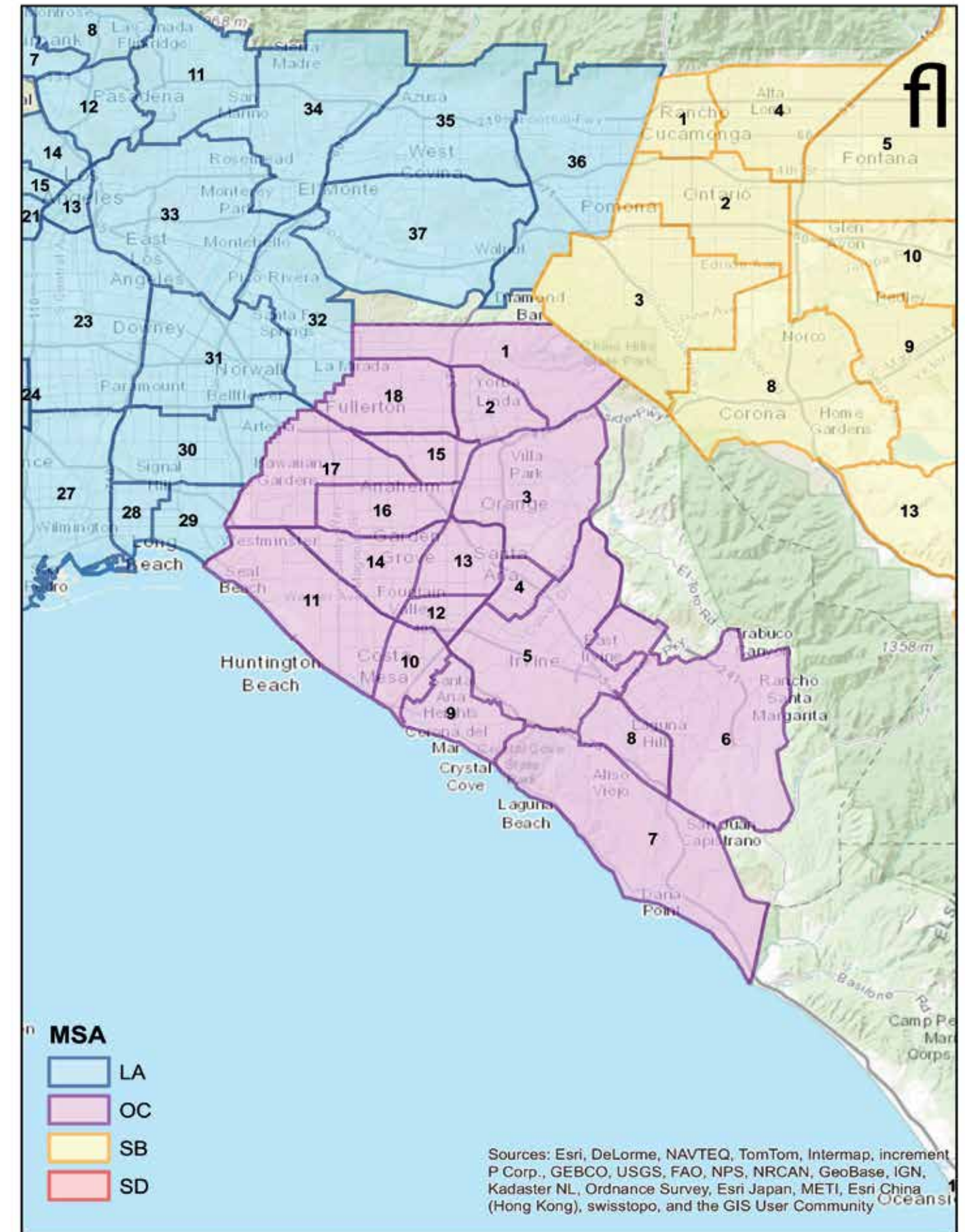


# ORANGE COUNTY Multifamily Market Trends

## SUBMARKETS

### ORANGE COUNTY Submarket Map

- 1 BREA
- 2 PLACENTIA, NORTHEAST ANAHEIM
- 3 ORANGE
- 4 TUSTIN
- 5 IRVINE
- 6 MISSION VIEJO
- 7 LAGUNA BEACH, DANA POINT
- 8 LAGUNA HILLS
- 9 NEWPORT BEACH
- 10 COSTA MESA
- 11 HUNTINGTON BEACH
- 12 SOUTH SANTA ANA
- 13 NORTH SANTA ANA
- 14 WESTMINSTER, FOUNTAIN VALLEY
- 15 NORTH ANAHEIM
- 16 SOUTH ANAHEIM
- 17 BUENA PARK
- 18 FULLERTON

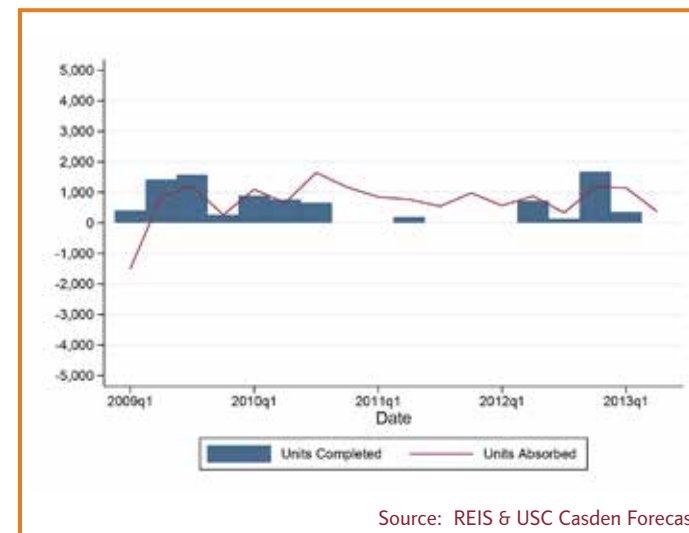


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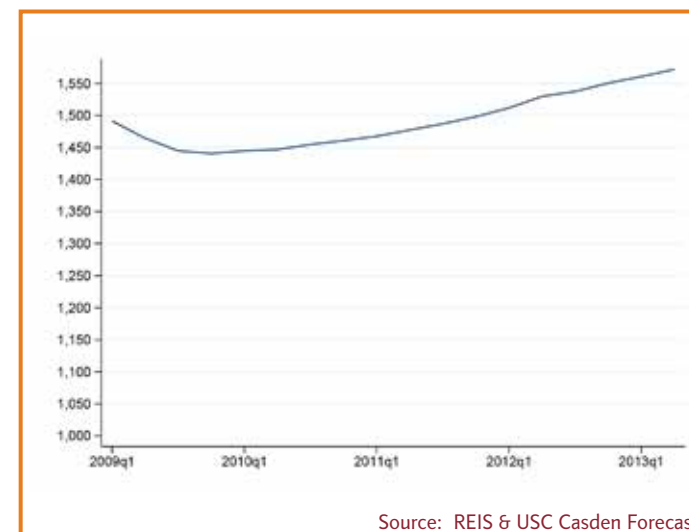
## ORANGE COUNTY

Orange County saw another year of increased demand. Between the second quarters of 2012 and 2013, over 2,150 new multifamily rental units were completed in the County, which is almost a 200 percent increase from the number of units completed in the previous year and the most units completed in the past three years. In the past year, the supply of multifamily rental units increased in 8 of the 18 submarkets we analyze for the County in this report, with the highest number of new units completed in Irvine. At the same time, the market absorbed almost 3,000 rental units. All 18 submarkets in the County had a positive net absorption in the last year. As a result, the countywide vacancy rate dropped to 3.2 percent in the second quarter of 2013, which was a 12.4 percent reduction from the countywide vacancy rate in the previous year. The vacancy rate decreased in 17 of the 18 submarkets in Orange County in the past year, with the largest percent reduction in vacancy rate between 2012Q2 and 2013Q2 occurring in the Buena Park submarket. In the second quarter of 2013 the average effective rent for the County increased by 2.8 percent over the previous year to \$1,572, making it the County with the highest average rent in Southern California. Annual rents increased in all 18 submarkets in the County, with the largest percent increase in rents between 2012Q2 and 2013Q2 occurring in the Orange submarket. Overall, these dynamics point to an increase in the demand for multifamily rental housing, and a tightening rental market which we explore further in our submarket reports.

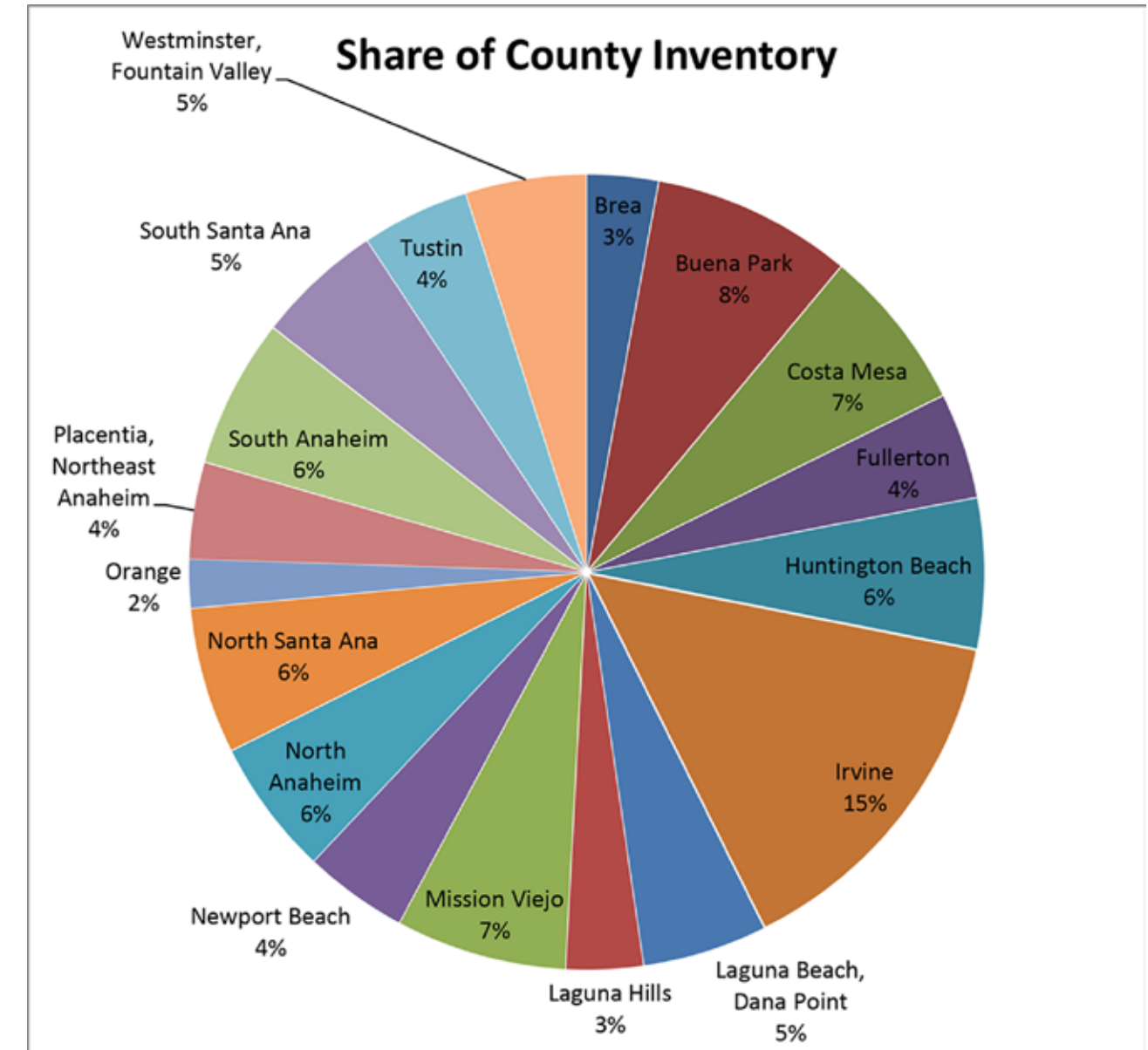
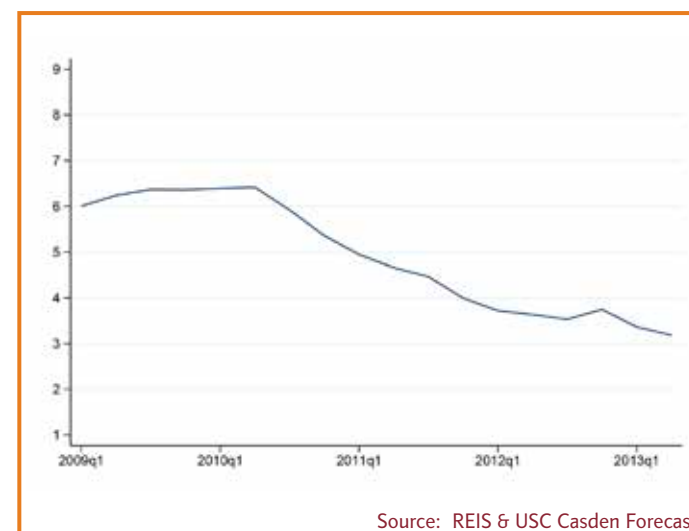
UNITS COMPLETED AND ABSORBED IN ORANGE COUNTY



AVERAGE RENT IN \$ FOR ORANGE COUNTY



AVERAGE PERCENT VACANT FOR ORANGE COUNTY

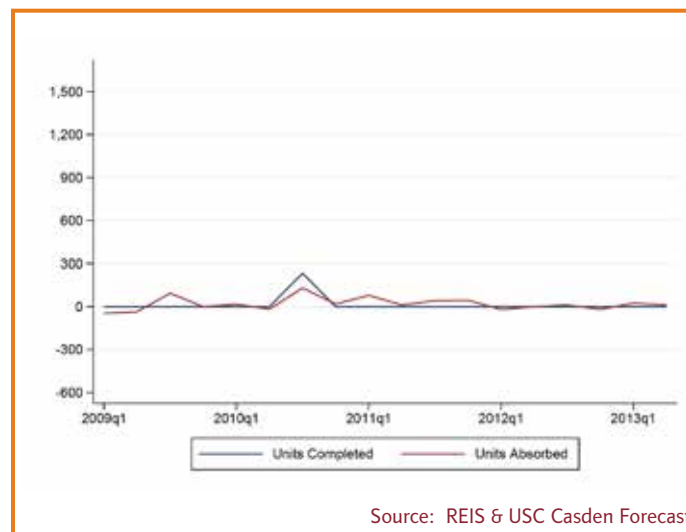




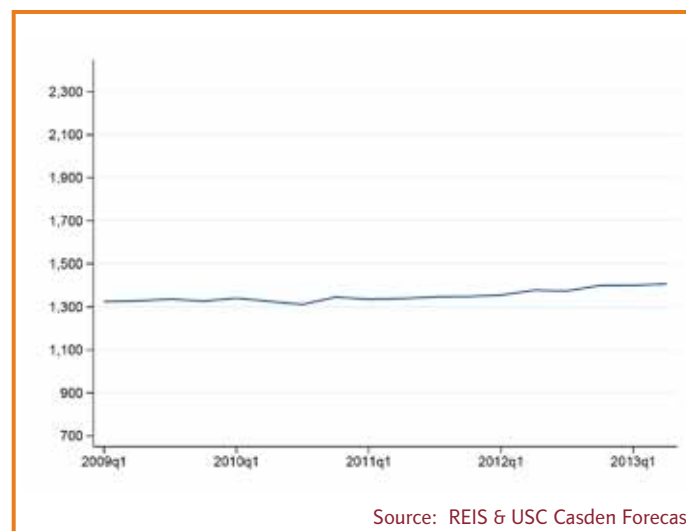
# ORANGE COUNTY MULTIFAMILY MARKET TRENDS

## SUBMARKETS

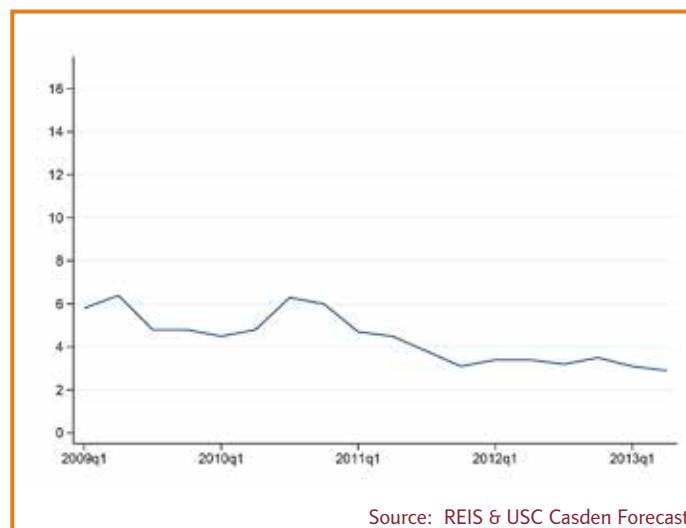
Units Completed and Absorbed in: BREA



OC RENT AVERAGE RENT IN \$ FOR: BREA



% VACANT IN: BREA



### BREA

The Brea submarket contains 2.9 percent of the multifamily rental inventory in Orange County, the second smallest share of the inventory in the County. Between 2009Q1 and 2013Q2 there were over 230 multifamily rental units completed in this submarket. In the first two quarters of 2009 there was a negative net absorption of over 80 units; however, between 2009Q2 and 2013Q2 the marked absorbed over 430 units. As a result, the vacancy rate decreased from 6.4 percent in 2009Q2 to 2.9 percent in 2013Q2. The average rent in this submarket was \$1,407 as of 2013Q2, which was a 2.1 percent increase from the average rent in the previous year.

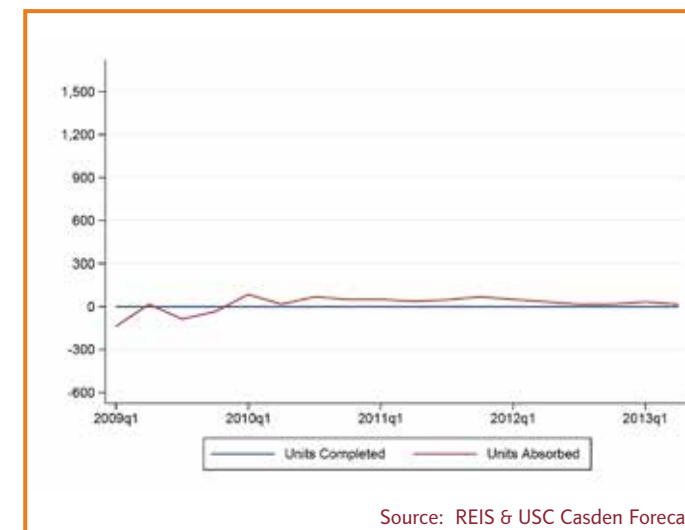
### BUENA PARK

The Buena Park submarket contains 8.2 percent of the multifamily rental inventory in Orange County, which is the second largest share in the County. There were no new multifamily rental units completed in this submarket between 2009Q1 and 2013Q2. In the first quarter of 2009 there was a negative absorption of almost 140 units; however, since then almost 500 units were absorbed. As a result, the vacancy rate in this submarket decreased from 4.9 percent in 2009Q4 to 1.4 percent in 2013Q2. The vacancy rate in 2013Q2 was 26.4 percent lower than the vacancy rate in the previous year, which was the largest decrease in vacancy rate in the County, and resulted in Buena Peak having the lowest overall vacancy rate in the County. The average rent in this submarket was \$1,342 in 2013Q2, which was a 1.4 percent increase from the previous year, the lowest annual increase in average rent in the County.

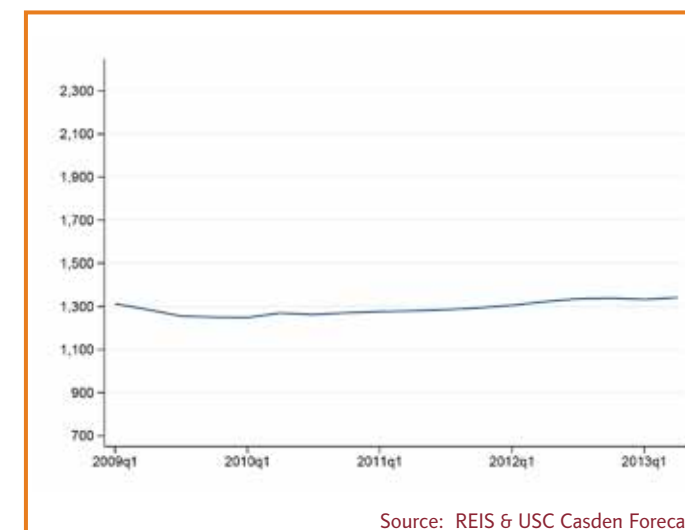
### COSTA MESA

The Costa Mesa submarket contains 6.6 percent of the multifamily rental inventory in Orange County. Between 2009Q1 and 2013Q2 there were almost 900 multifamily rental units completed in this submarket. In the first quarter of 2009 there was a negative absorption of over 180 units; however, since then almost 1,100 units were absorbed. As a result, the vacancy rate in this submarket decreased from 9.1 percent in 2009Q3 to 3 percent in 2013Q2. The average rent followed a similar trend, with an average rent of \$1,583 in 2009Q1 that decreased to \$1,510 in 2009Q3 and increased every quarter since then to \$1,688 in 2013Q2. In 2013Q2 Costa Mesa had the fourth highest average rent in Orange County.

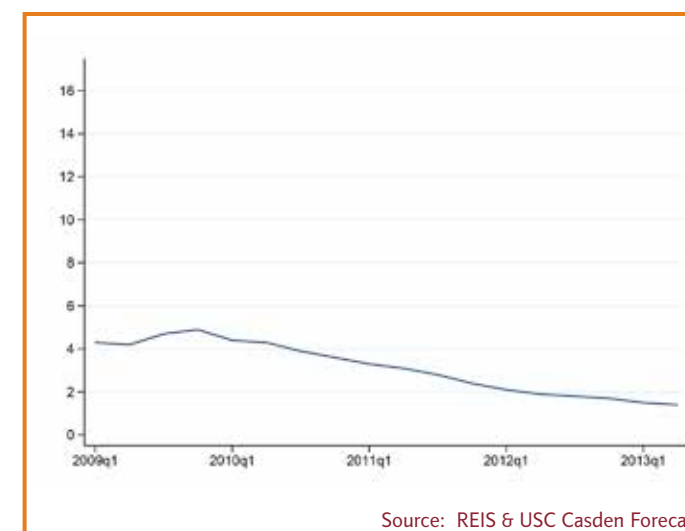
Units Completed and Absorbed in: BUENA PARK



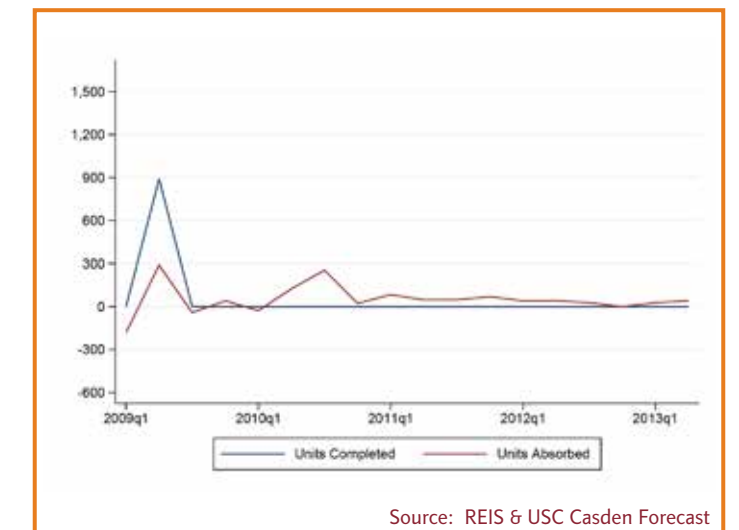
OC RENT AVERAGE RENT IN \$ FOR: BUENA PARK



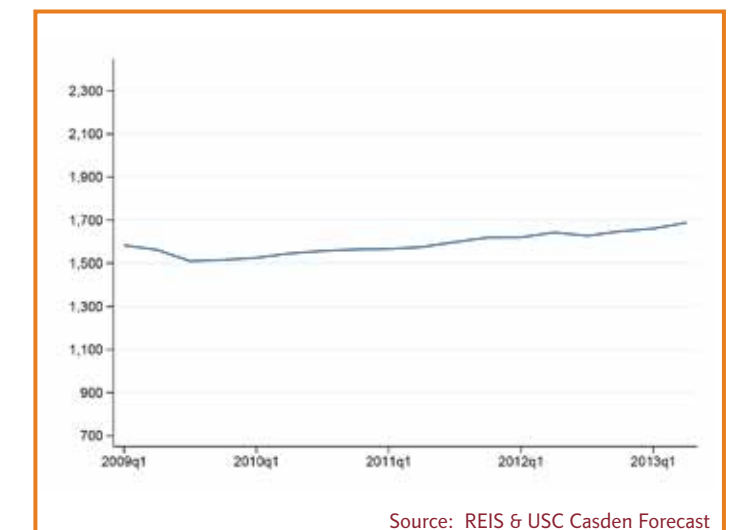
% VACANT IN: BUENA PARK



Units Completed and Absorbed in: COSTA MESA



OC RENT AVERAGE RENT IN \$ FOR: COSTA MESA



% VACANT IN: COSTA MESA

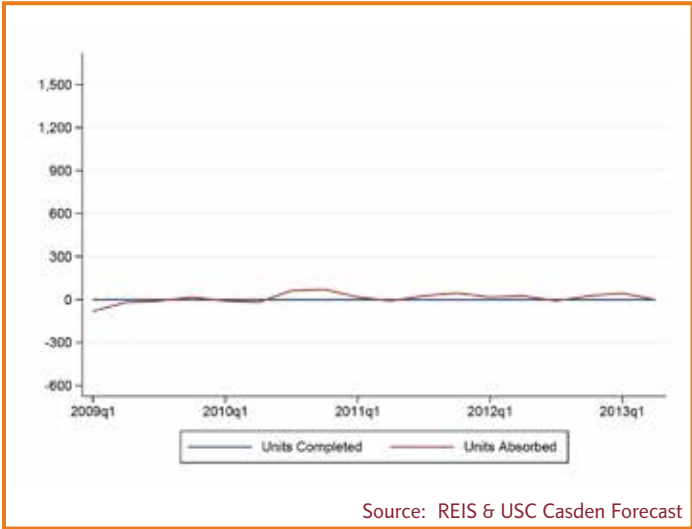




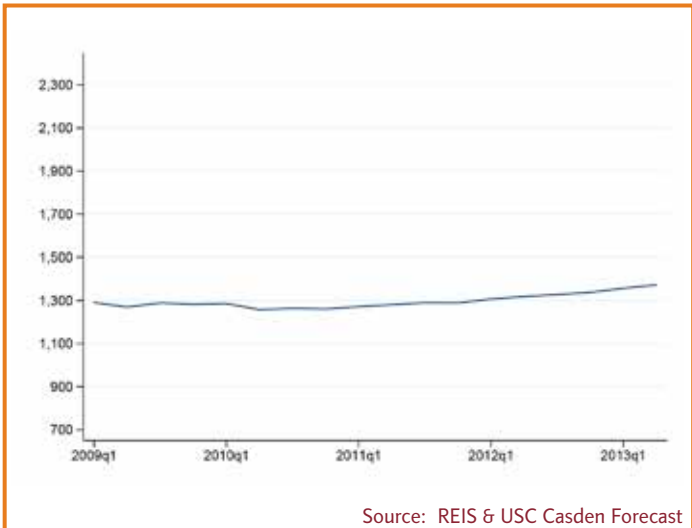
Fullerton

The Fullerton submarket contains 4.3 percent of the multifamily rental inventory in Orange County. There were no new multifamily rental units completed in this submarket between 2009Q1 and 2013Q2. Between 2009Q1 and 2010Q2 there was a negative absorption of almost 120 units, however since then over 320 units were absorbed in this submarket. As a result, the vacancy rate increased from 5.6 percent in 2009Q1 to 6 percent in 2010Q2, and then decreased to 2.4 percent in 2013Q2. The average rent in Fullerton in 2013Q2 was \$1,373, which was a 4.1 percent increase from the previous year. Fullerton had the second highest percent increase in average rent in the County since 2012Q2.

Units Completed and Absorbed in: Fullerton



OC RENT AVERAGE RENT IN \$ FOR: Fullerton



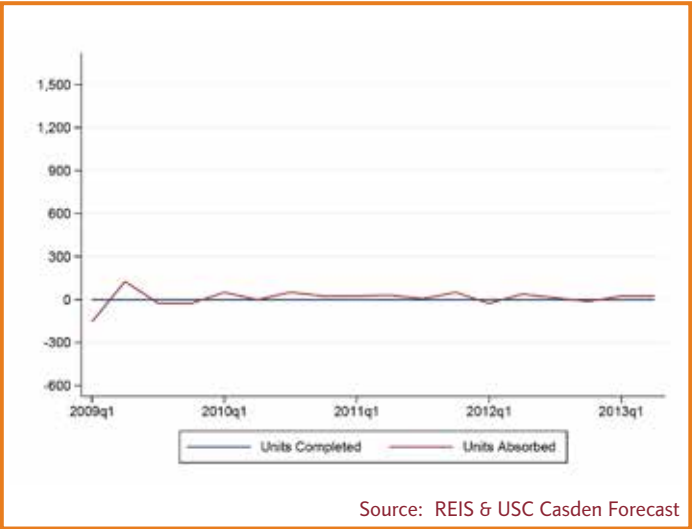
% VACANT in: Fullerton



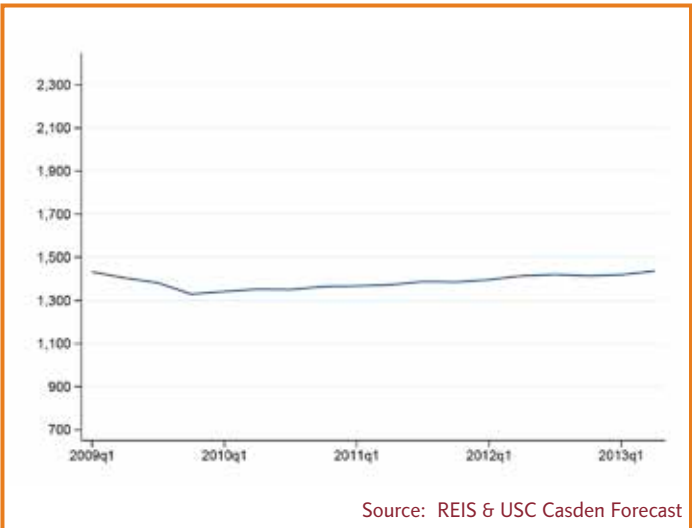
Huntington Beach

The Huntington Beach submarket contains 6.1 percent of the multifamily rental inventory in the County. There were no new multifamily rental units completed in this submarket between 2009Q1 and 2013Q2. In the first quarter of 2009 there was a negative net absorption of over 150 units; however, since then almost 390 units were absorbed. As a result, the vacancy rate decreased from 5.3 percent in 2009Q1 to 2.3 percent in 2013Q2. Huntington Beach had the fourth lowest vacancy rate in the County in 2013Q2. The average rent in this submarket decreased from \$1,433 in 2009Q1 to \$1,330 in 2009Q4, and then increased to \$1,437 in 2013Q2.

Units Completed and Absorbed in: Huntington Beach



OC RENT AVERAGE RENT IN \$ FOR: HUNTINGTON BEACH



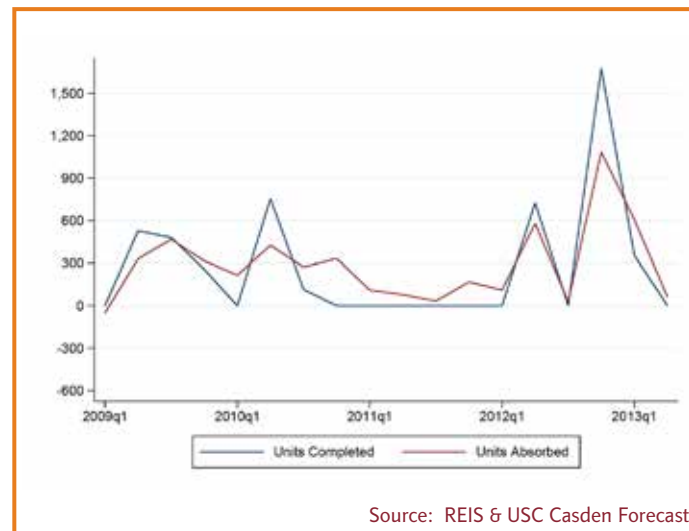
% VACANT in: HUNTINGTON BEACH



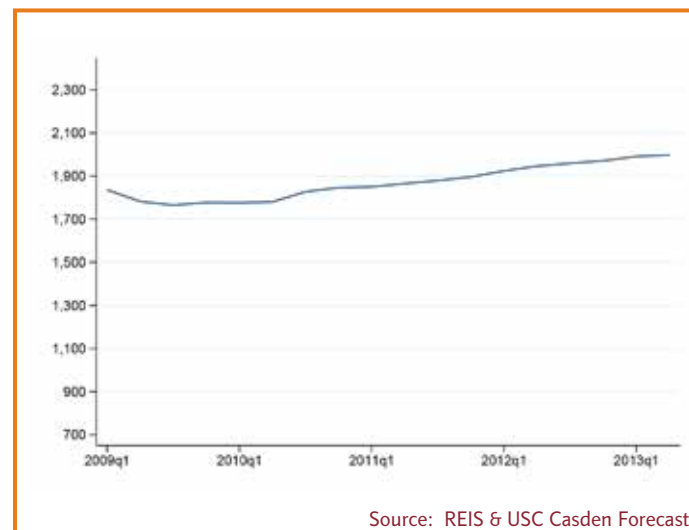
# ORANGE COUNTY MULTIFAMILY MARKET TRENDS

## SUBMARKETS

### Units Completed and Absorbed in: IRVINE



### OC RENT AVERAGE RENT IN \$ for: IRVINE



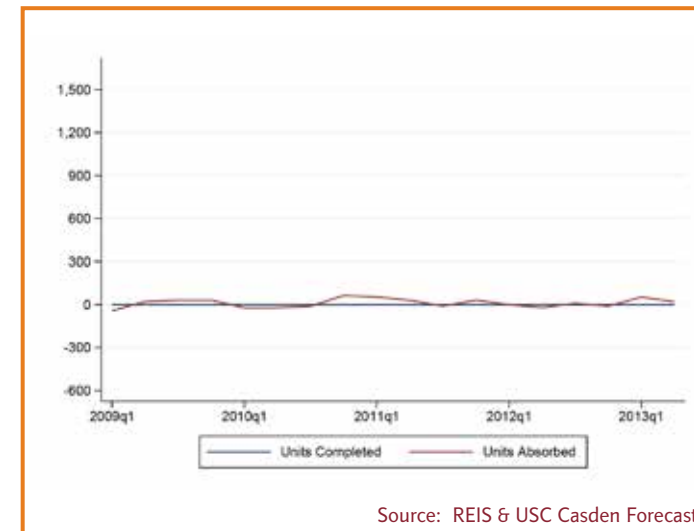
### % VACANT in: IRVINE



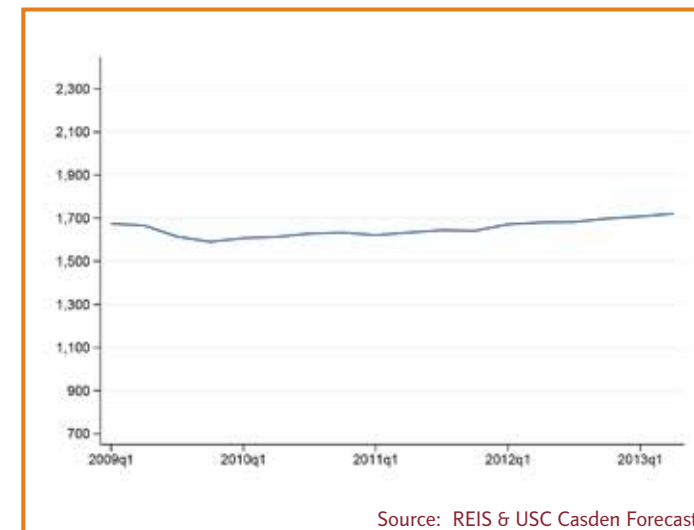
### IRVINE

The Irvine submarket contains 14.5 percent of the multifamily rental inventory in Orange County, the largest share of any submarket in the County. There were nearly 4,900 multifamily rental units completed in this submarket between 2009Q1 and 2013Q2, the largest number of completions in the County, and almost 5,200 units absorbed. As a result, the vacancy rate decreased from 7.6 percent in 2009Q1 to 5.3 percent in 2013Q2, however increased in certain quarters in between due to the large number of completions. Despite a slight reduction in the overall vacancy rate during this period, Irvine had the highest vacancy rate in the county in 2013Q2. The average rent in Irvine decreased from \$1,836 in 2009Q1 to \$1,780 in 2010Q2, and then increased to \$1,998 in 2013Q2, which makes it the submarket with the second highest average rent in the County.

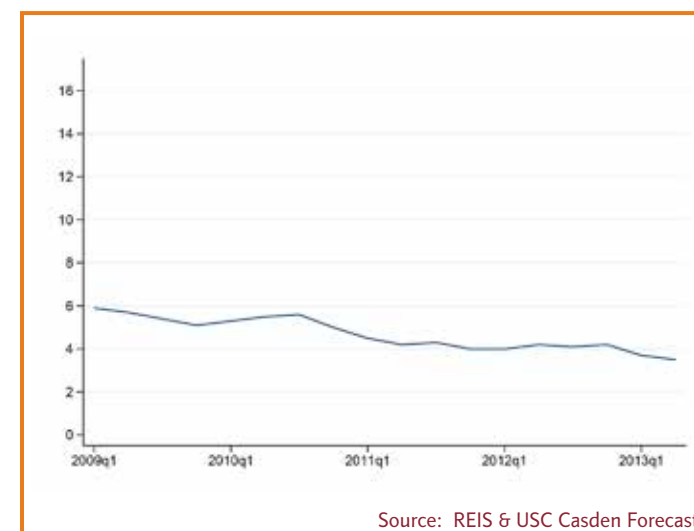
### Units Completed and Absorbed in: LAGUNA BEACH, DANA POINT



### OC RENT AVERAGE RENT IN \$ for: LAGUNA BEACH AND DANA POINT



### % VACANT in: LAGUNA BEACH AND DANA POINT



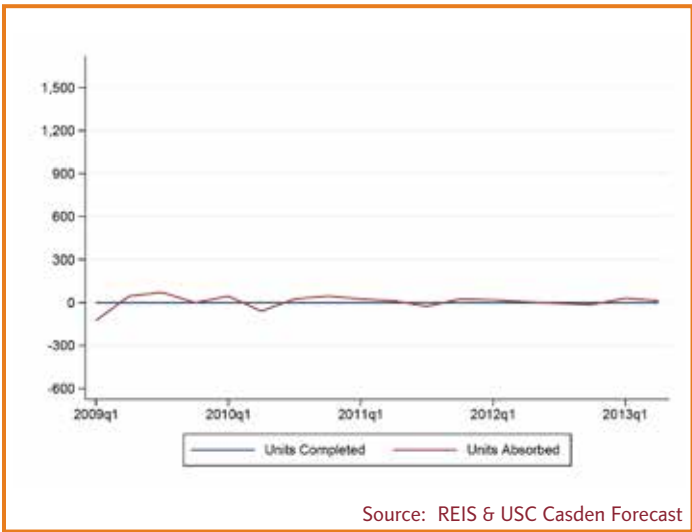
### LAGUNA BEACH, DANA POINT

The Laguna Beach, Dana Point submarket contains 5.1 percent of the multifamily rental inventory in the County. There were no new multifamily rental units completed in this submarket between 2009Q1 and 2013Q2. There was fluctuation between negative and positive absorption of units during this time; however, in sum over 200 units were absorbed in the submarket. The vacancy rate in this submarket followed the same trends as absorptions, which resulted in a decrease in the overall vacancy rate by 16.5 percent between 2012Q2 and 2013Q2 to 3.5 percent. In 2013Q2 the average rent in this submarket was \$1,721, which was the third highest average rent in the County.

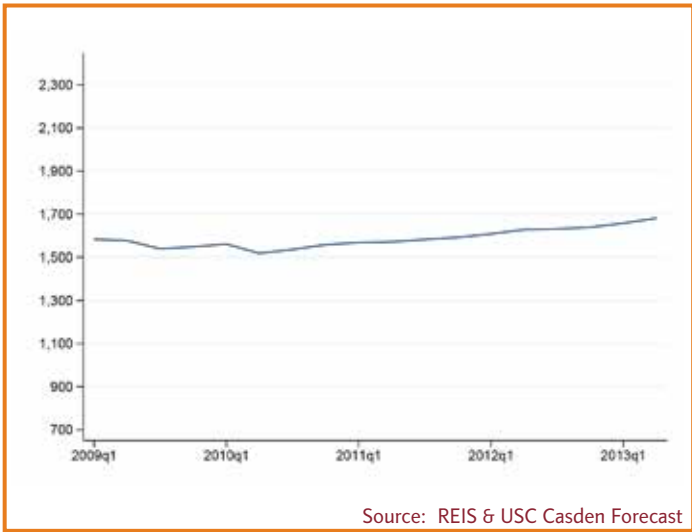
Laguna Hills

The Laguna Hills submarket contains 3.1 percent of the multifamily rental inventory in the County. There were no new multifamily rental units completed in this submarket between 2009Q1 and 2013Q2. In the first quarter of 2009 there was a negative absorption of over 120 units; however since then almost 270 units were absorbed in the submarket. As a result, the vacancy rate decreased from 8.4 percent in 2009Q1 to 4.3 percent in 2013Q2. The average rent in Laguna Hills decreased from \$1,583 in 2009Q1 to \$1,539 in 2009Q3, and increased to \$1,681 in 2013Q2.

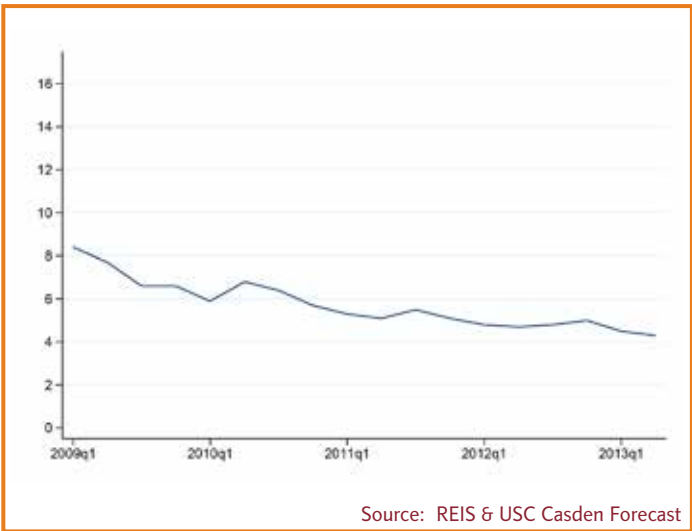
Units Completed and Absorbed in: Laguna Hills



OC RENT AVERAGE RENT IN \$ FOR: Laguna Hills



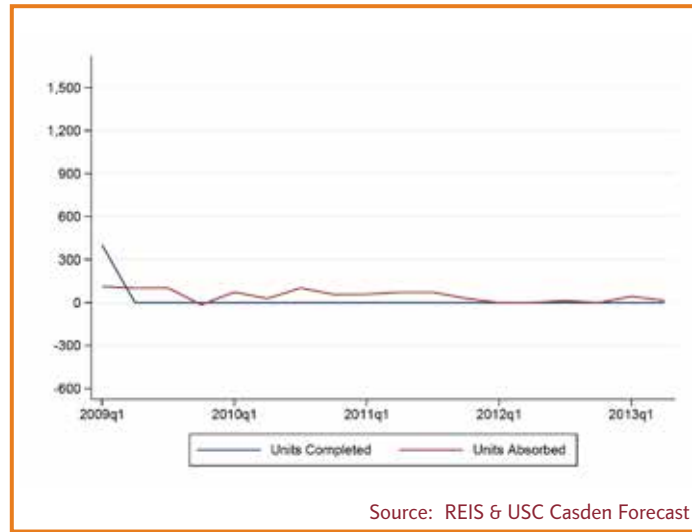
% VACANT in: Laguna Hills



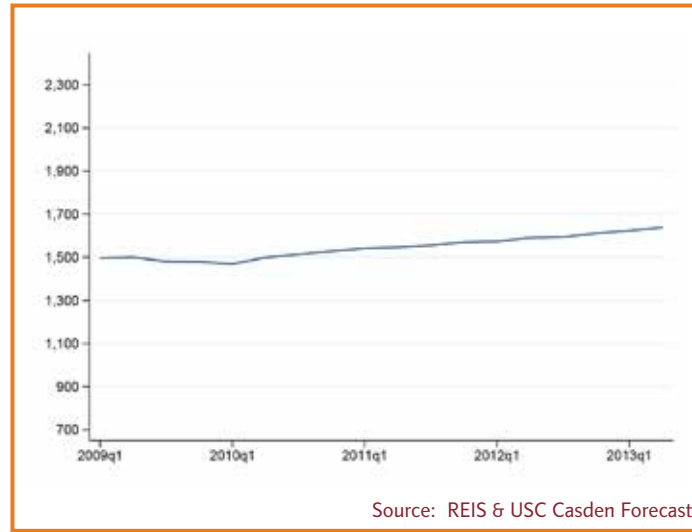
Mission Viejo

The Mission Viejo submarket contains 7 percent of the multifamily rental inventory in Orange County, the third highest share in the County. There were over 400 units completed in the first quarter of 2009, but no new units have been completed since then. There was a positive absorption of almost 880 units in this submarket between 2009Q1 and 2013Q2. As a result, the vacancy rate decreased from 7.8 percent in 2009Q1 to 2.6 percent in 2013Q2. The average rent in Mission Viejo was \$1,638 in 2013Q2, which was a 3 percent increase from the average rent in the previous year.

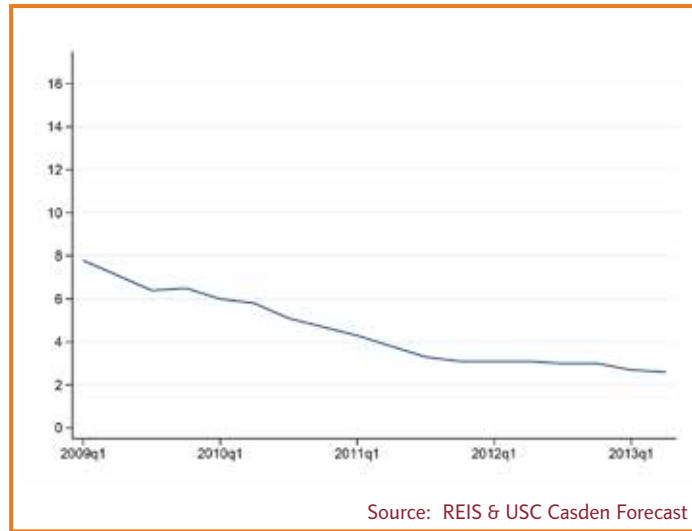
Units Completed and Absorbed in: Mission Viejo



OC RENT AVERAGE RENT IN \$ FOR: Mission Viejo



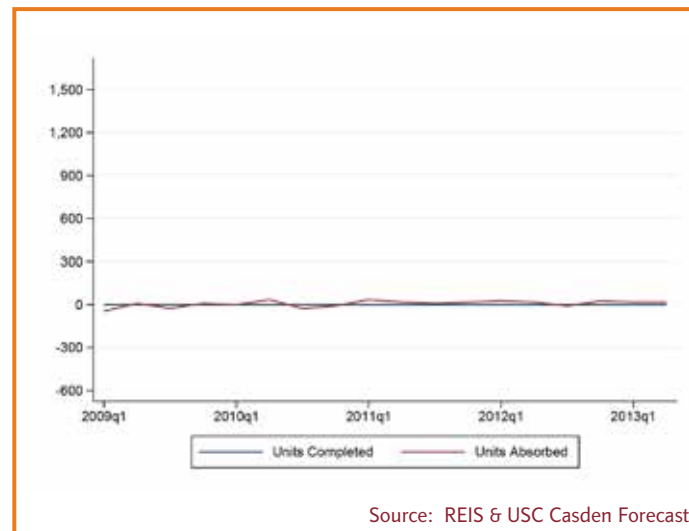
% VACANT in: Mission Viejo



# ORANGE COUNTY MULTIFAMILY MARKET TRENDS

## SUBMARKETS

Units Completed and Absorbed in: Newport Beach

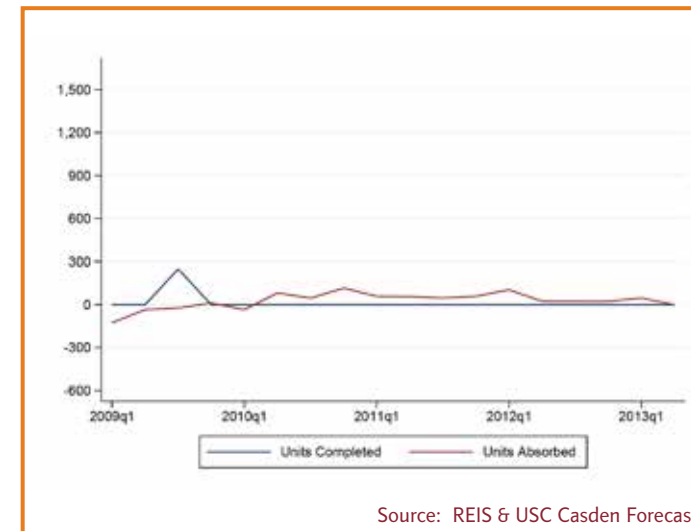


Source: REIS & USC Casden Forecast

### NEWPORT BEACH

The Newport Beach submarket contains 4.2 percent of the multifamily rental inventory in Orange County. There were no new multifamily units completed in this submarket between 2009Q1 and 2013Q2; however 160 units were absorbed during this time. As a result, the vacancy rate in this submarket fell from 4.4 percent in 2009Q3 to 2.3 percent in 2013Q2. The average rent in 2013Q2 was \$2,094, which was the highest average rent in the County. The average rent was also 3.9 percent higher than the previous year, which meant Newport Beach had the third largest increase in annual average rent in the County.

Units Completed and Absorbed in: North Anaheim

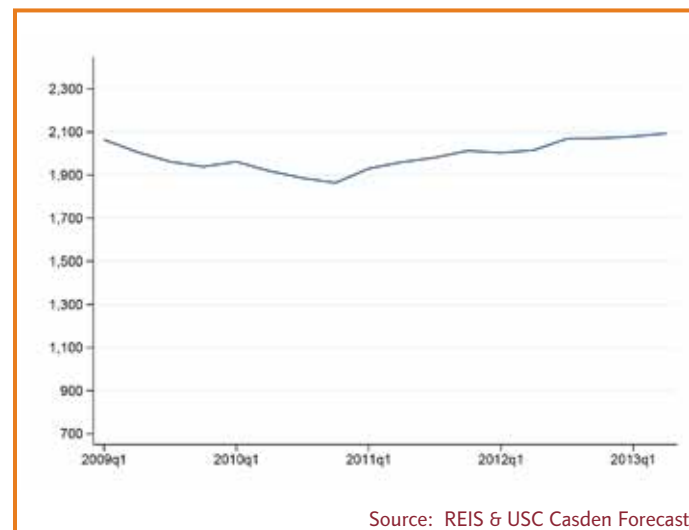


Source: REIS & USC Casden Forecast

### NORTH ANAHEIM

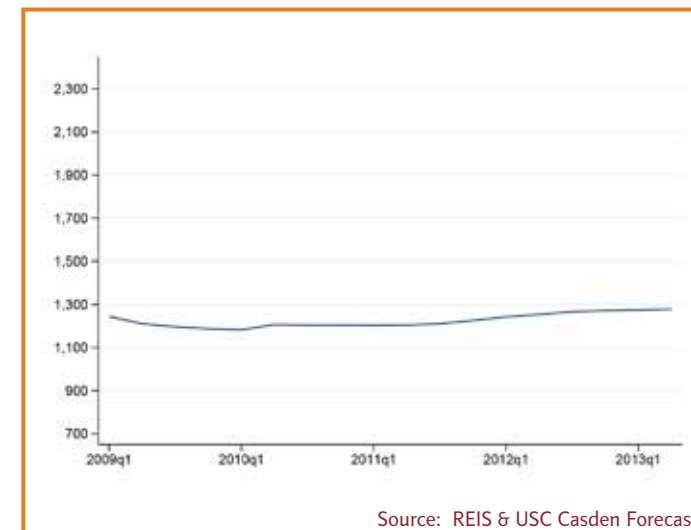
The North Anaheim submarket contains 5.5 percent of the multifamily rental inventory in Orange County. There were 250 multifamily rental units completed in this submarket in 2009Q3. In the first three quarters of 2009 there was a negative absorption of almost 190 units; however, since then over 660 units were absorbed. As a result, the vacancy rate increased from 6.5 percent in 2009Q to 9.2 percent in 2010Q1, and then decreased to 3.3 percent in 2013Q2. The average rent in this submarket decreased from \$1,245 in 2009Q1 to \$1,183 in 2010Q1 and then increased to \$1,279 in 2013Q2. North Anaheim had the lowest average rent in Orange County in 2013Q2, and the third smallest increase in average rents between 2012Q2 and 2013Q2.

OC RENT AVERAGE RENT IN \$ for: Newport Beach



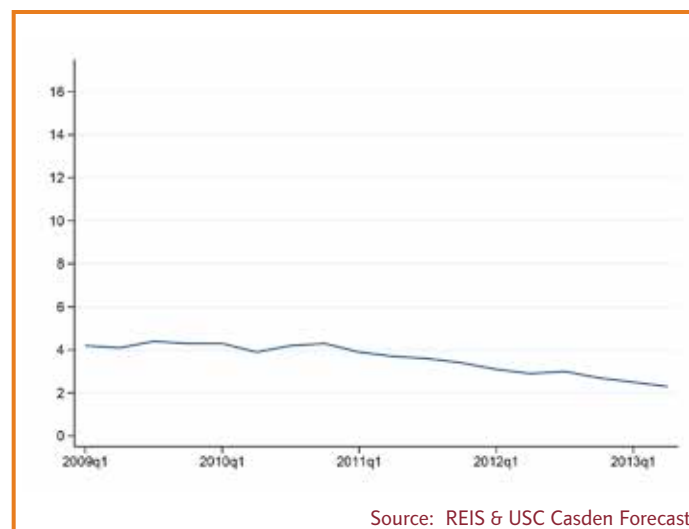
Source: REIS & USC Casden Forecast

OC RENT AVERAGE RENT IN \$ for: North Anaheim



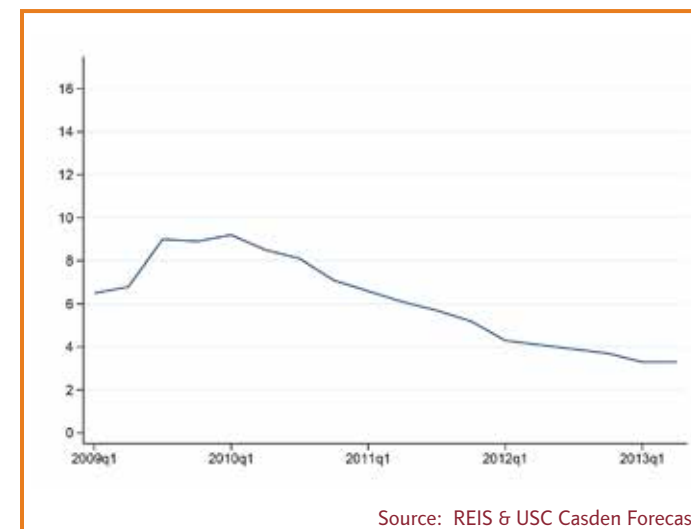
Source: REIS & USC Casden Forecast

% VACANT in: Newport Beach



Source: REIS & USC Casden Forecast

% VACANT in: North Anaheim



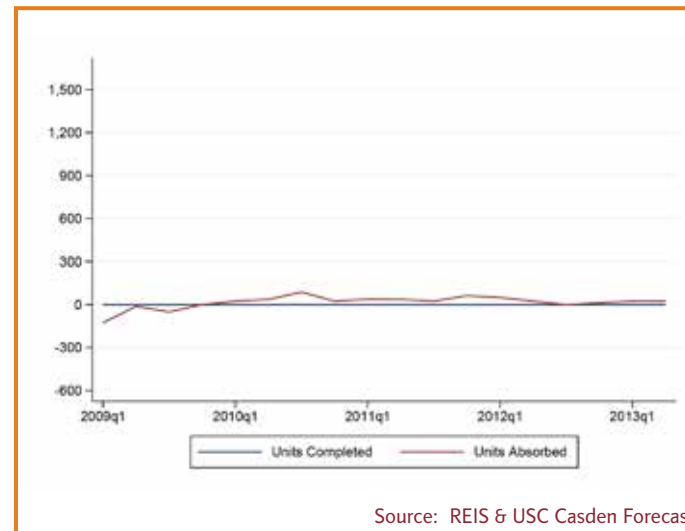
Source: REIS & USC Casden Forecast



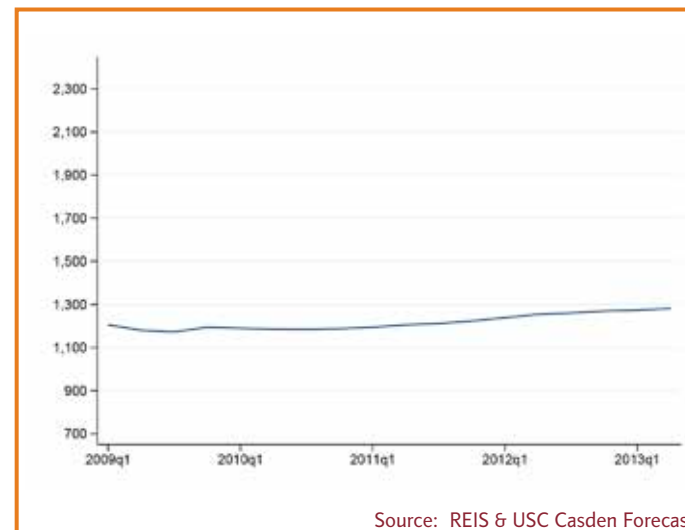
### NORTH SANTA ANA

The North Santa Ana submarket contains 6 percent of the multifamily rental inventory in Orange County. There were no new multifamily rental units completed in this submarket between 2009Q1 and 2013Q2. In the first three quarters of 2009 there was a negative absorption of almost 190 units, however since then over 470 units were absorbed. As a result, the vacancy rate decreased from 5.3 percent in 2009Q4 to 1.5 percent in 2013Q2, making it the submarket with the second lowest vacancy rate in the County. Despite such a low vacancy rate, the average rent in this submarket was \$1,282 in 2013Q2, which was the second lowest average rent of any submarket in Orange County.

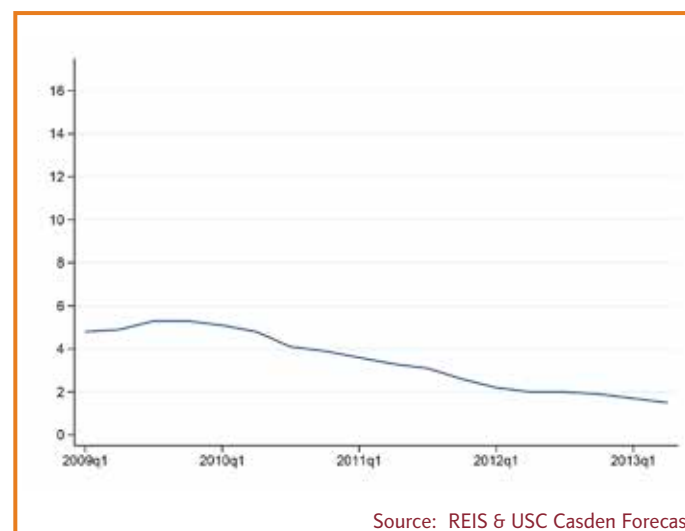
### Units Completed and Absorbed in: NORTH SANTA ANA



### OC RENT AVERAGE RENT IN \$ FOR: NORTH SANTA ANA



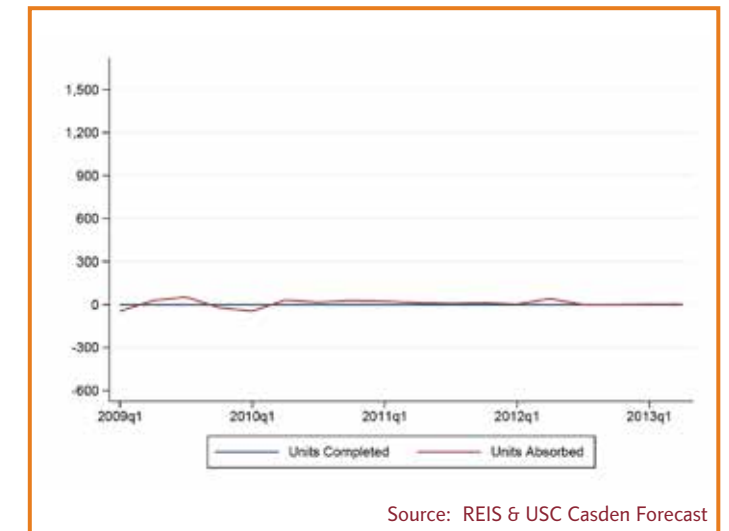
### % VACANT in: NORTH SANTA ANA



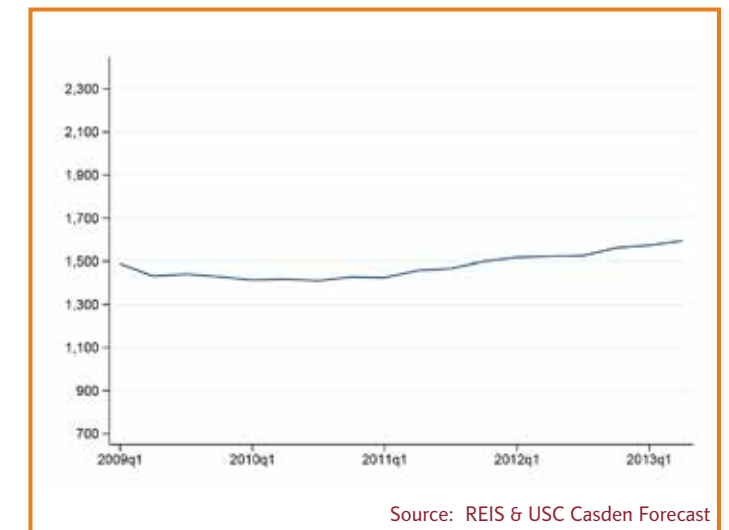
### ORANGE

The Orange submarket contains 2 percent of the multifamily rental inventory in Orange County, the smallest share of any submarket in the County. There were no new multifamily rental units completed in this submarket between 2009Q1 and 2013Q2, however over 160 units were absorbed during this time. The vacancy rate in 2009Q1 was 6.7 percent and decreased to 1.7 percent by 2013Q2, the third lowest in the County. The average rent in 2013Q2 was \$1,595, which was a 4.7 percent increase from the average rent in 2012Q2 and the highest percent increase in average rent in the County.

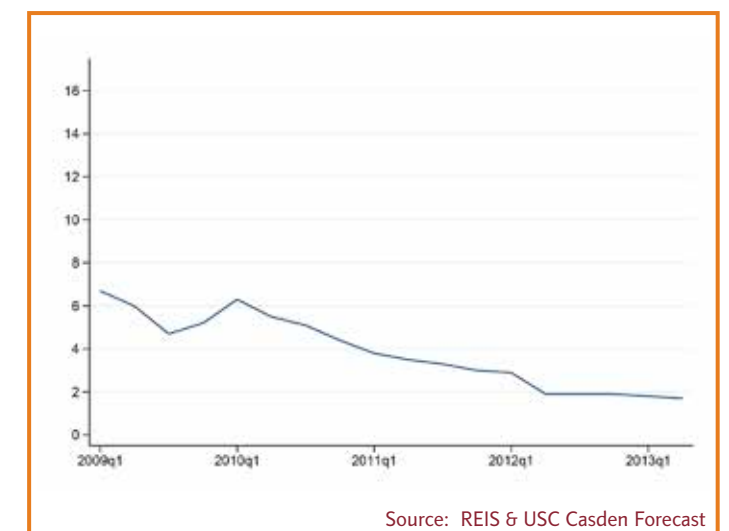
### Units Completed and Absorbed in: ORANGE



### OC RENT AVERAGE RENT IN \$ FOR: ORANGE



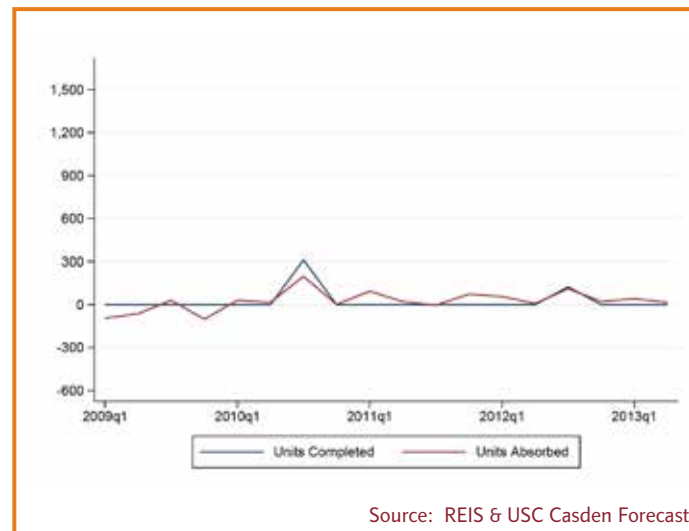
### % VACANT in: ORANGE



# ORANGE COUNTY MULTIFAMILY MARKET TRENDS

## SUBMARKETS

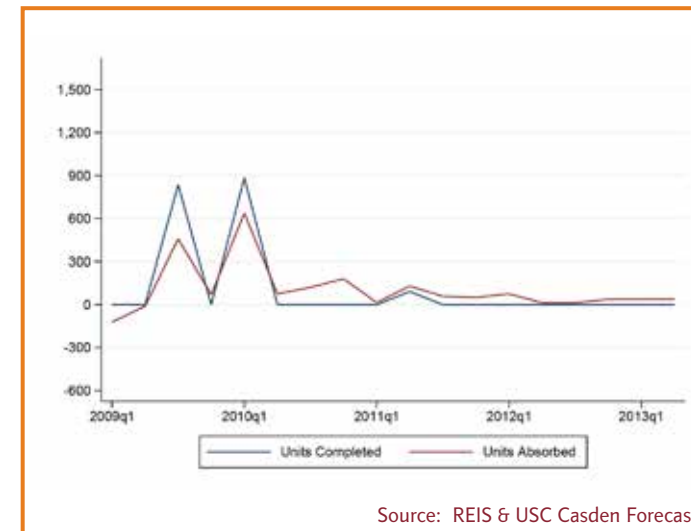
Units Completed and Absorbed in: PLACENTIA, NORTHEAST ANAHEIM



### PLACENTIA, NORTHEAST ANAHEIM

The Placentia, Northeast Anaheim submarket contains 3.9 percent of the multifamily rental inventory in Orange County. There were almost 440 units completed in this submarket between 2009Q1 and 2013Q2. In 2009 there was a negative absorption of almost 230 units, however since then 690 units were absorbed. The vacancy rate in this submarket in 2013Q2 was 4.7 percent, which was a 16 percent decrease from the previous year, but was still the second highest vacancy rate in the County. The average rent in this submarket was \$1,296, which was a 2.7 percent increase from the previous year but still the third lowest in the County.

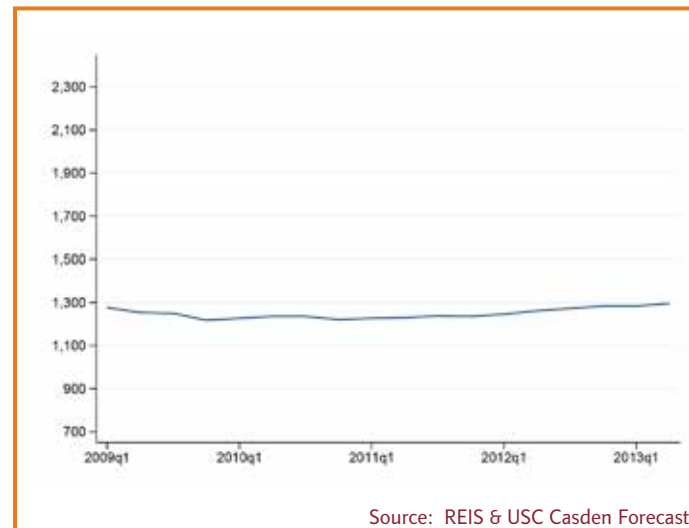
Units Completed and Absorbed in: SOUTH ANAHEIM



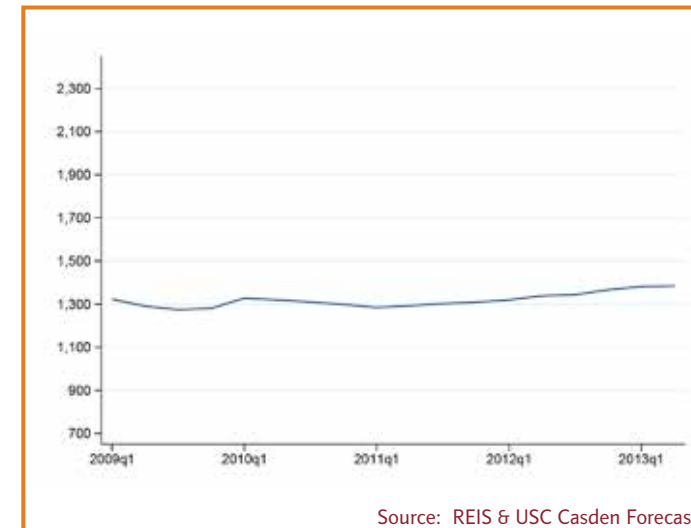
### SOUTH ANAHEIM

The South Anaheim submarket contains 6.1 percent of the multifamily rental inventory in Orange County. There were over 1,800 units completed in this submarket between 2009Q1 and 2013Q2. In the first two quarters of 2009 there was a negative absorption of over 130 units; however, since then over 2,000 units were absorbed. As a result, the vacancy rate increased from 5.7 percent in 2009Q1 to 9.4 percent in 2010Q1, and then decreased every quarter to 3.4 percent in 2013Q2. The average rent in South Anaheim was \$1,385 in 2013Q2, which was a 3.4 percent increase from the previous year and a 4.7 percent increase from the average rent in 2009Q1.

OC RENT AVERAGE RENT IN \$ FOR: PLACENTIA AND NORTHEAST ANAHEIM



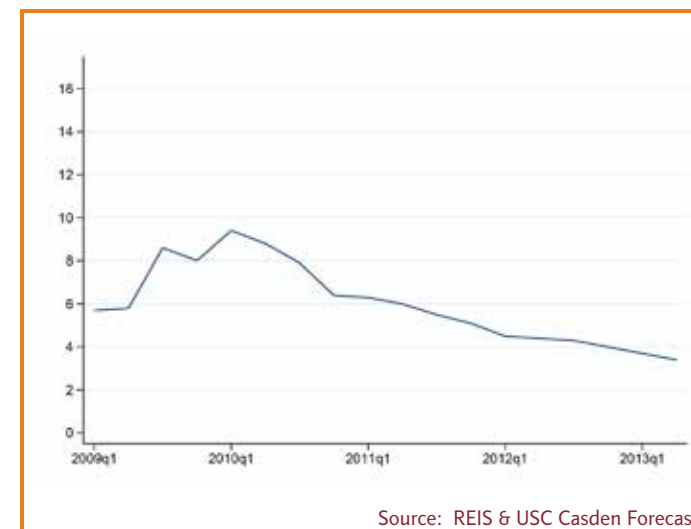
OC RENT AVERAGE RENT IN \$ FOR: SOUTH ANAHEIM



% VACANT IN: PLACENTIA AND NORTHEAST ANAHEIM



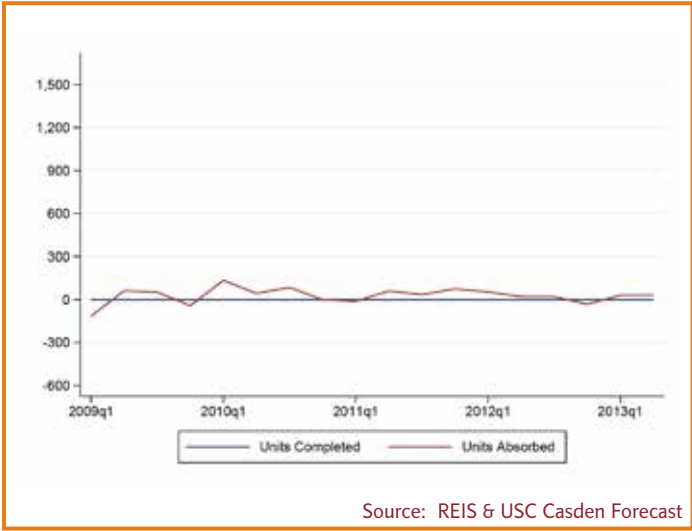
% VACANT IN: SOUTH ANAHEIM



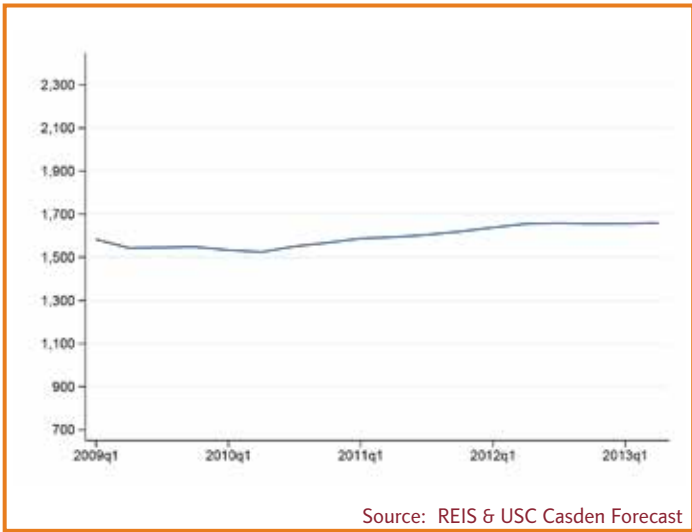
South Santa Ana

The submarket of South Santa Ana contains 5.1 percent of the multifamily rental inventory in Orange County. There were no new multifamily rental units completed in this submarket between 2009Q1 and 2013Q2. There was a negative absorption of almost 120 units in this submarket in the first quarter of 2009, however since then 630 units were absorbed. In 2013Q2 the vacancy rate in this submarket was 3.9 percent, which was 11.4 percent lower than the previous year. In 2013Q2, South Santa Ana had the fourth highest vacancy rate and fourth lowest decrease in vacancy rate in the County. The average rent in this submarket was \$1,659 in 2013Q2, which was a 0.2 percent increase from the previous year, representing the lowest annual increase in average rent in the County.

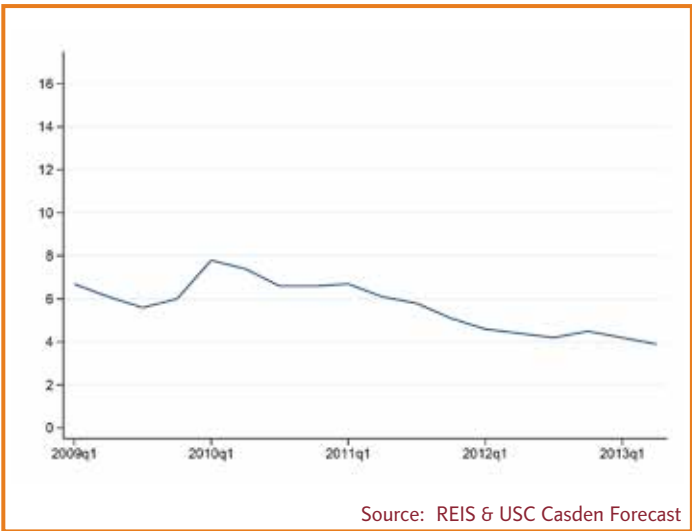
Units Completed and Absorbed in: South Santa Ana



OC RENT AVERAGE RENT IN \$ FOR: South Santa Ana



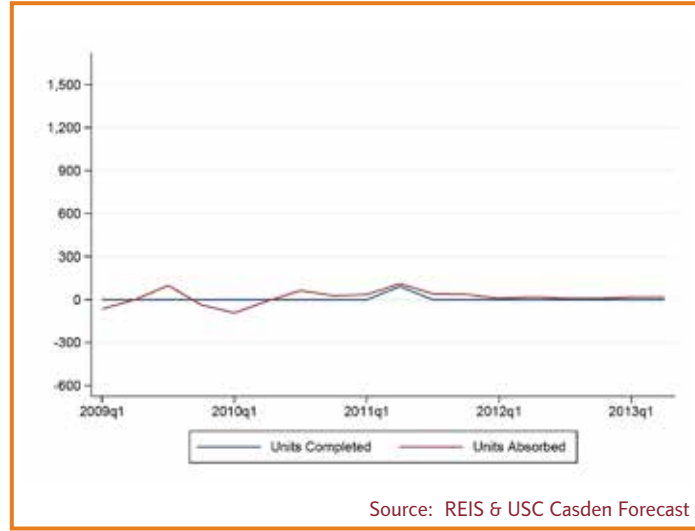
% VACANT in: South Santa Ana



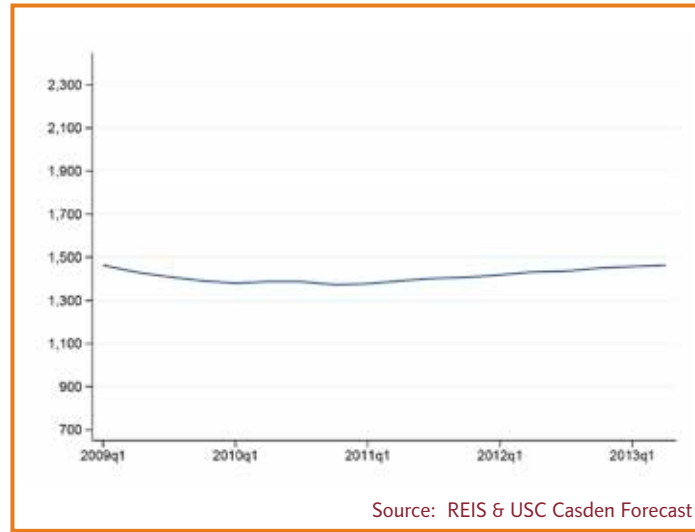
Tustin

The Tustin submarket contains 4.4 percent of the multifamily rental inventory in Orange County. There were over 790 units completed in this submarket between 2009Q1 and 2013Q2. During this time, 300 units were absorbed in the submarket. As a result, the vacancy rate decreased from 5.8 percent in 2009Q1 to 2.8 percent in 2013Q2. The average rent in this submarket decreased from \$1,464 in 2009Q1 to \$1,374 in 2010Q4, and then increased to \$1,464 in 2013Q2. This means that Tustin was the only submarket in Orange County where the average rent in 2013Q2 was not higher than the average rent in 2009Q1.

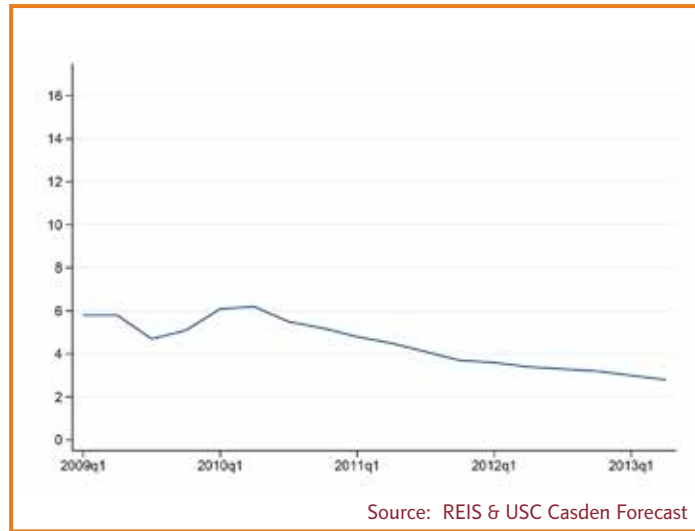
Units Completed and Absorbed in: Tustin



OC RENT AVERAGE RENT IN \$ FOR: Tustin



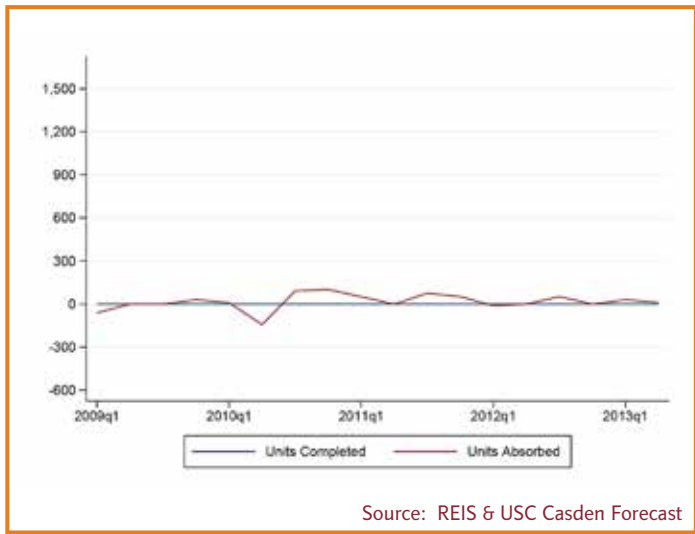
% VACANT in: Tustin



# ORANGE COUNTY MULTIFAMILY MARKET TRENDS

## SUBMARKETS

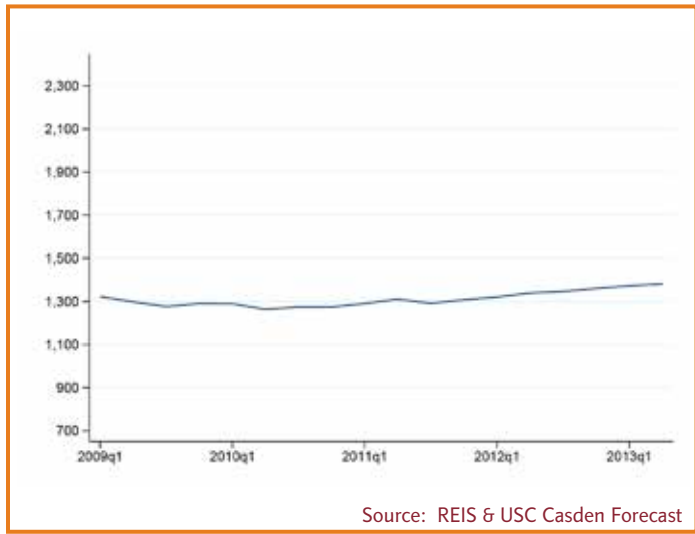
Units Completed and Absorbed in: WESTMINSTER, Fountain Valley



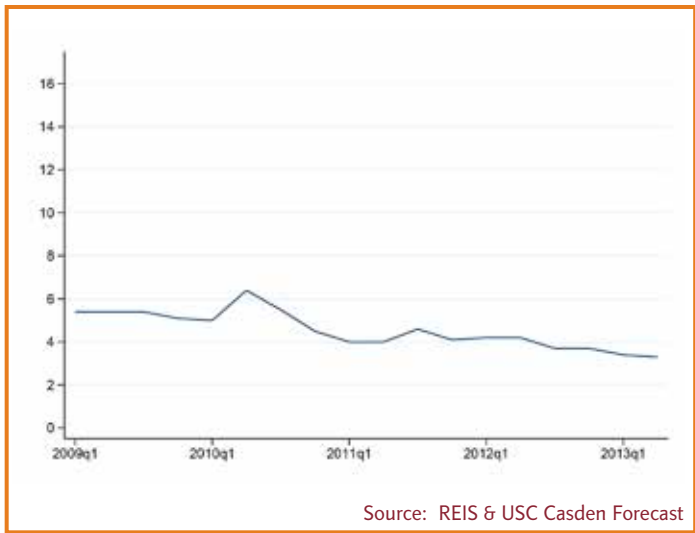
### WESTMINSTER, Fountain Valley

The Westminster, Fountain Valley submarket contains 4.9 percent of the multifamily rental inventory in Orange County. There were no new multifamily rental units completed in this submarket between 2009Q1 and 2013Q2. During this time, there were over 290 units absorbed in the submarket. As a result, the vacancy rate decreased from 5.4 percent in 2009Q1 to 3.3 percent in 2013Q2. The average rent in 2013Q2 was \$1,382, which was a 3.1 percent increase from the average rent in the previous year.

OC RENT AVERAGE RENT IN \$ FOR: WESTMINSTER AND Fountain Valley



% Vacant in: WESTMINSTER AND Fountain Valley





## ORANGE COUNTY FORECAST

### WHAT THE ECONOMETRIC MODEL PREDICTS

#### RENTS

- Our econometric models report a 2.2 percent increase in the average rent between 2013Q2 and 2014Q2 and a 4.6 percent increase between 2013Q2 and 2015Q2.
- As the graphs below highlight, rents may decline in some quarters in some submarkets across the County; however, by 2015Q2 the average rent in all 18 submarkets will likely be higher than 2013Q2.
- The largest percent increase in annual rents over the next two years will likely take place in the Buena Park and the North Santa Ana submarkets.

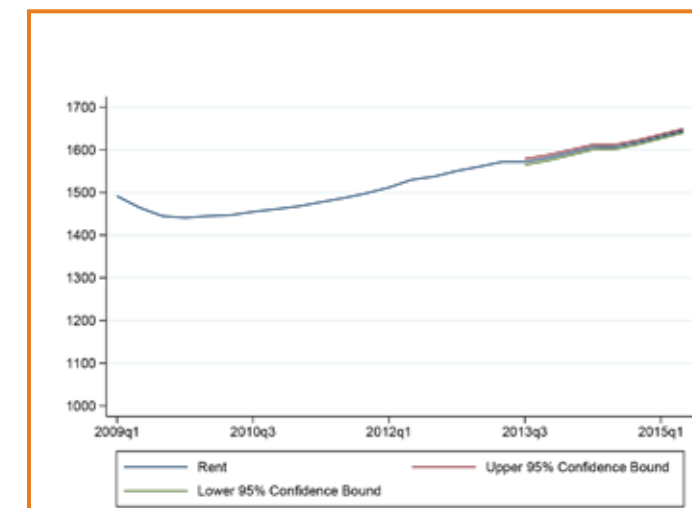
#### VACANCY RATE

- The average vacancy rate in the county will likely decrease by 13.5 percent between 2013Q2 and 2014Q2 to 2.8 percent, and decrease again in the following year to 2.4 percent.
- The largest percent decrease in the annual vacancy rate over the next two years will likely happen in the Placentia, Northeast Anaheim and the North Anaheim submarkets.

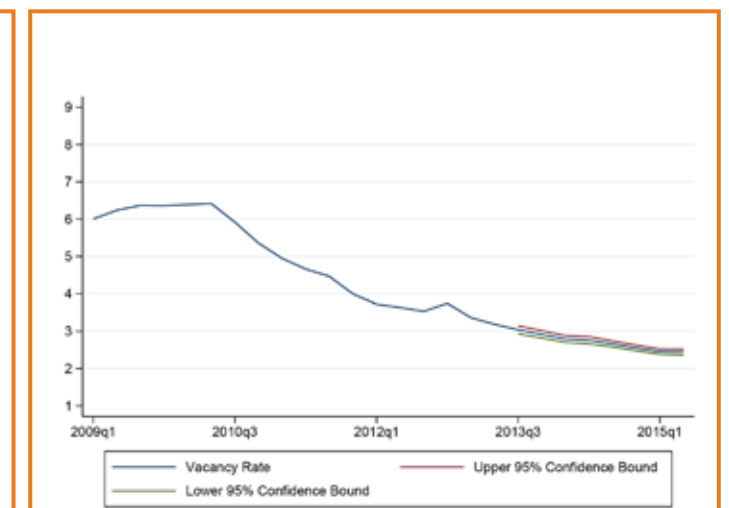
### OUR "TAKE"

Our forecast predicts an overall increase in demand for multifamily rental units over the next two years. In the end, much will depend upon the employment picture and completions over this time. As previously noted, the number of units completed in the past year is a significant increase from the number of units completed in previous years. If the share of units completed continues to increase at the current rate then rents may not increase, and vacancy rates may not decline, as much in some submarkets. In addition, our model assumes a two percent annual increase in the CPI and any deviation from that assumption would affect our forecast.

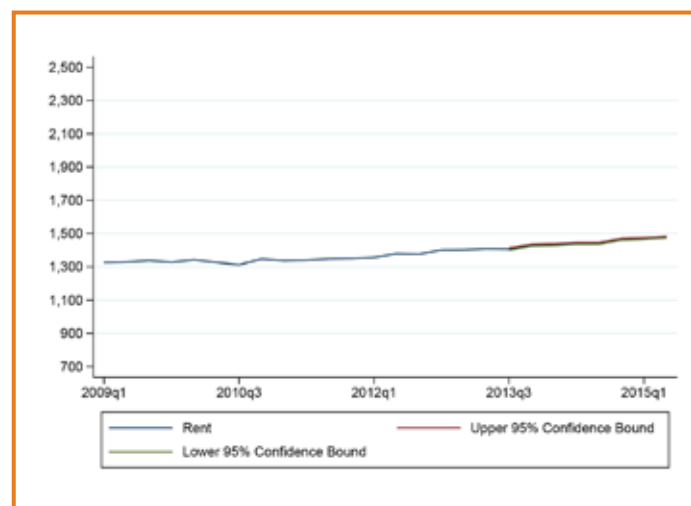
FORECAST AVERAGE RENT IN \$ FOR ORANGE COUNTY



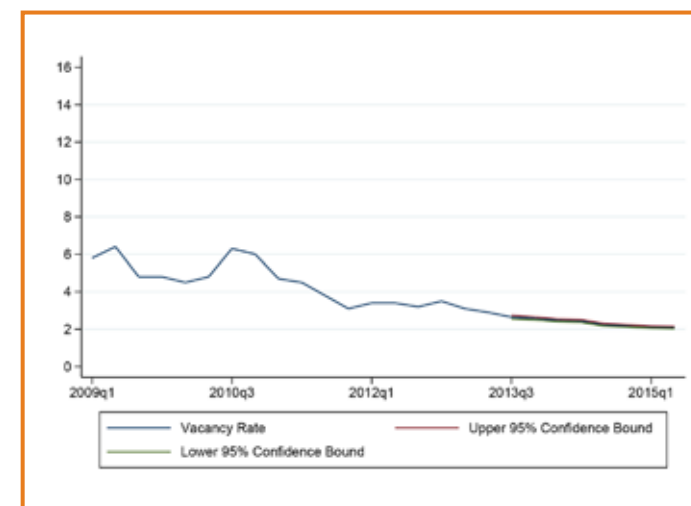
FORECAST AVERAGE % VACANT IN ORANGE COUNTY



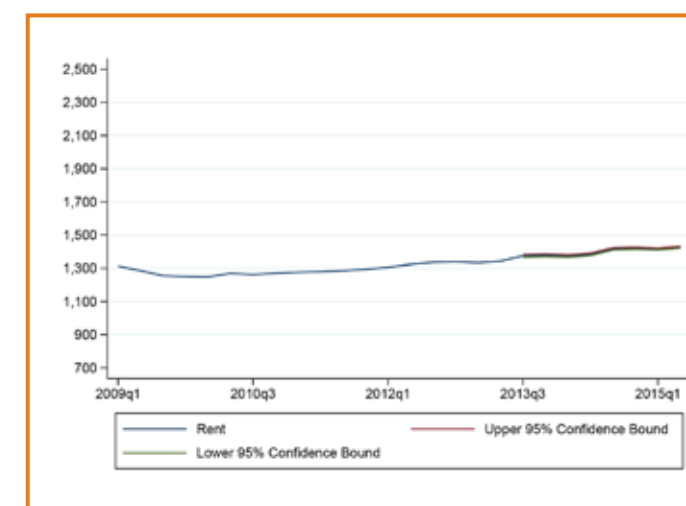
FORECAST AVERAGE RENT IN \$ FOR: BREA



FORECAST % VACANT IN: BREA



FORECAST AVERAGE RENT IN \$ FOR: BUENA PARK

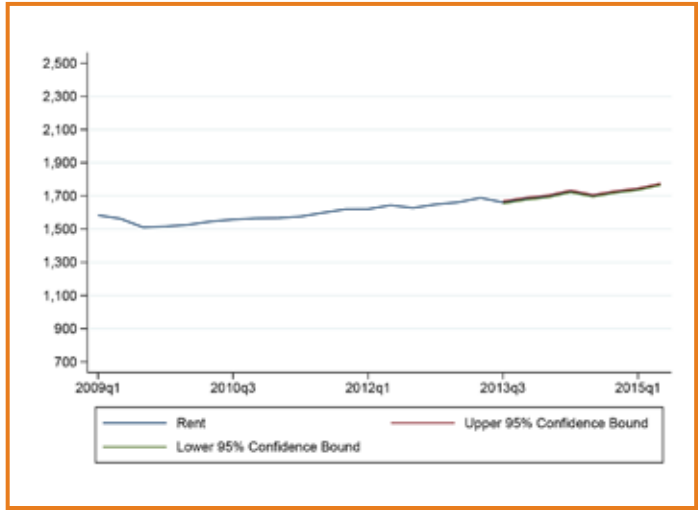


FORECAST % VACANT IN: BUENA PARK

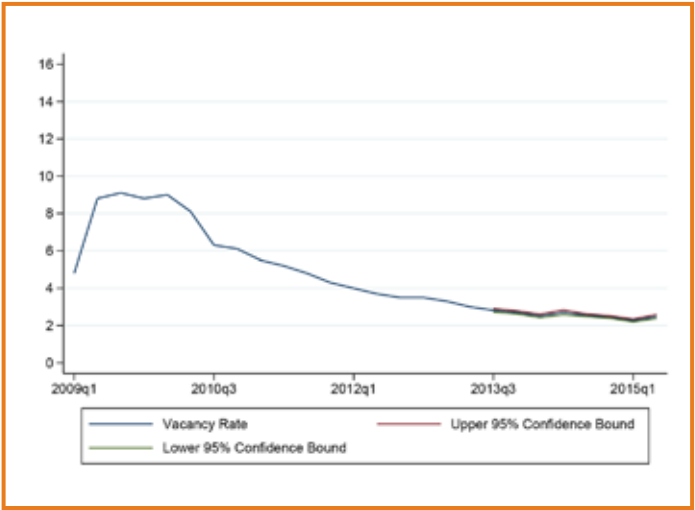


# ORANGE COUNTY Multifamily FORECAST

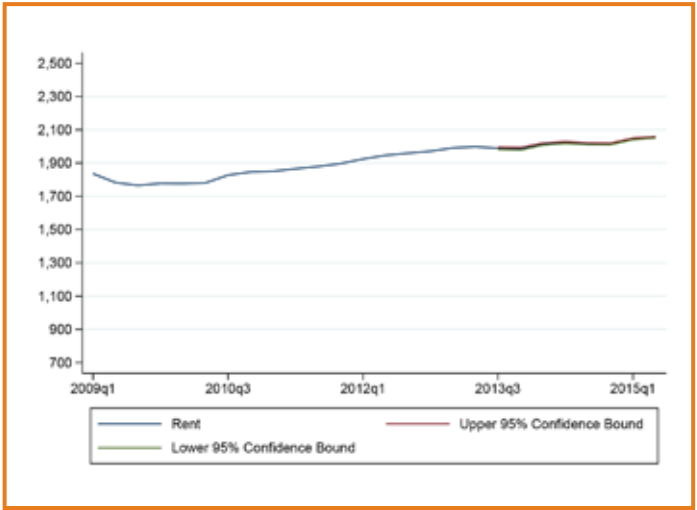
FORECAST AVERAGE RENT IN \$ FOR: COSTA MESA



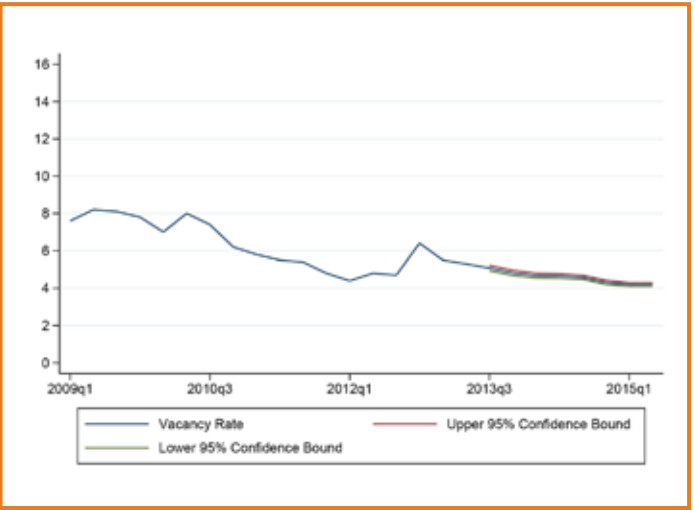
FORECAST % VACANT IN: COSTA MESA



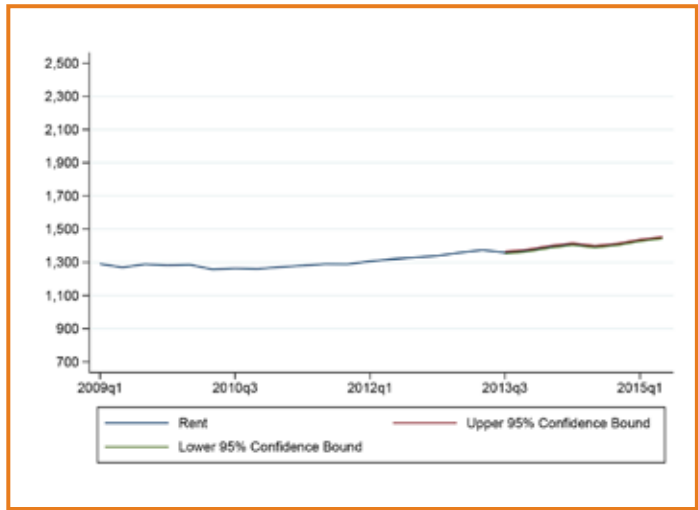
FORECAST AVERAGE RENT IN \$ FOR: IRVINE



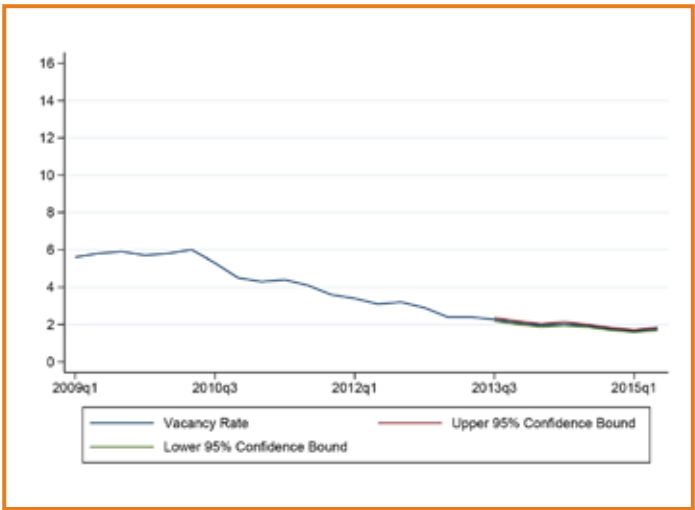
FORECAST % VACANT IN: IRVINE



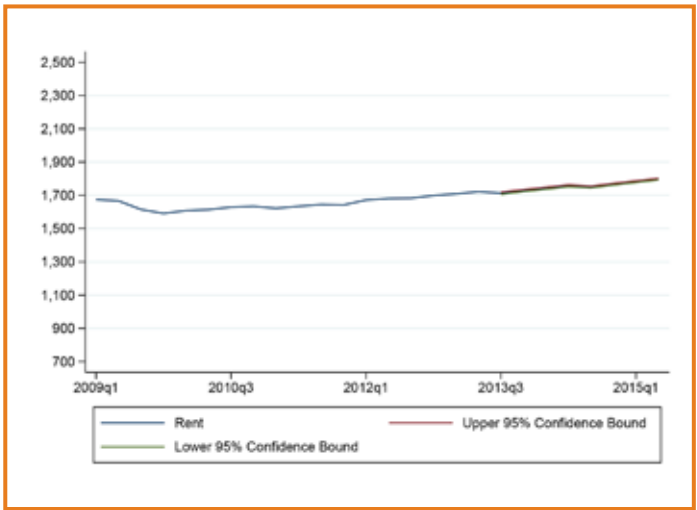
FORECAST AVERAGE RENT IN \$ FOR: FULLERTON



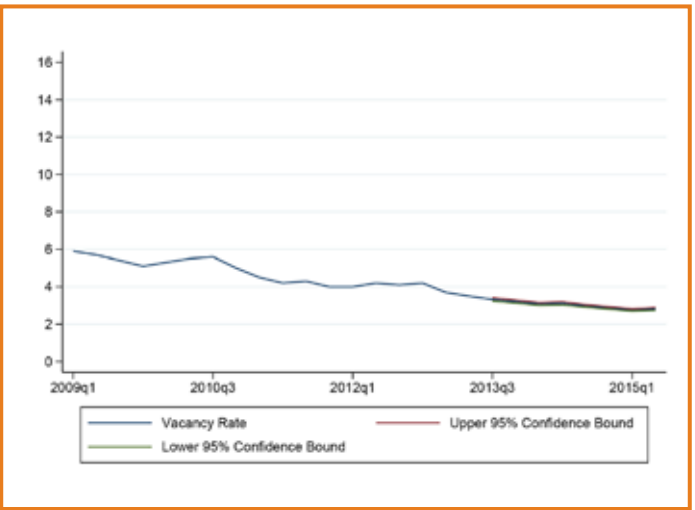
FORECAST % VACANT IN: FULLERTON



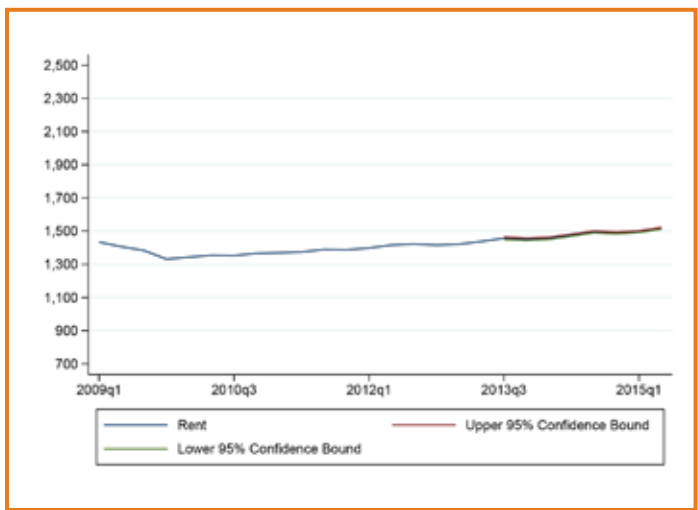
FORECAST AVERAGE RENT IN \$ FOR: LAGUNA BEACH AND DANA POINT



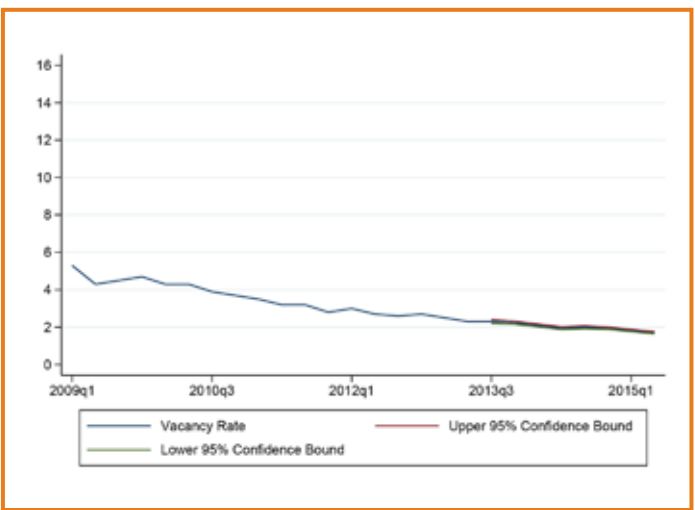
FORECAST % VACANT IN: LAGUNA BEACH AND DANA POINT



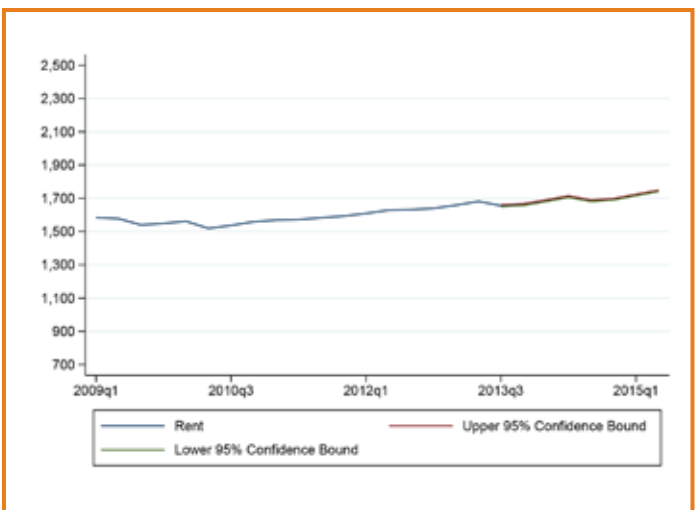
FORECAST AVERAGE RENT IN \$ FOR: HUNTINGTON BEACH



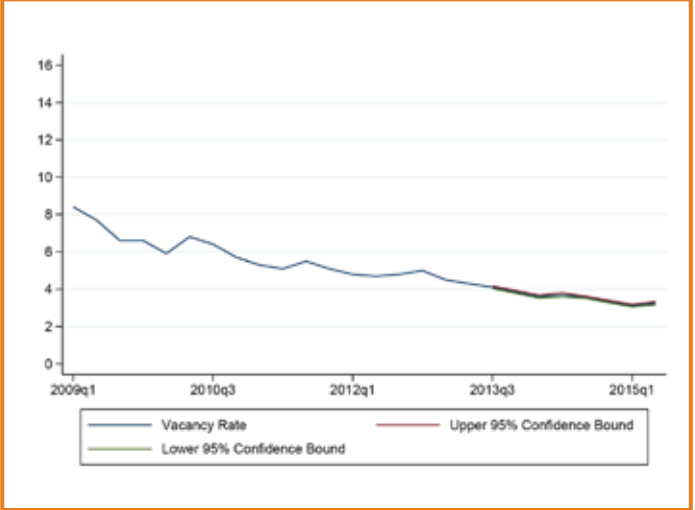
FORECAST % VACANT IN: HUNTINGTON BEACH



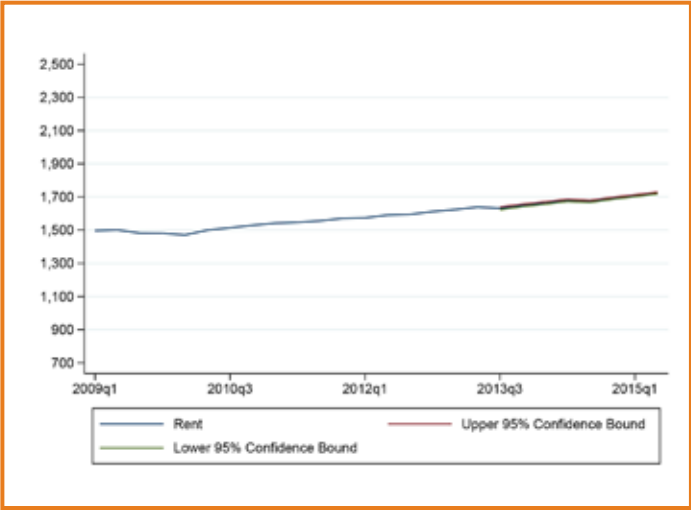
FORECAST AVERAGE RENT IN \$ FOR: LAGUNA HILLS



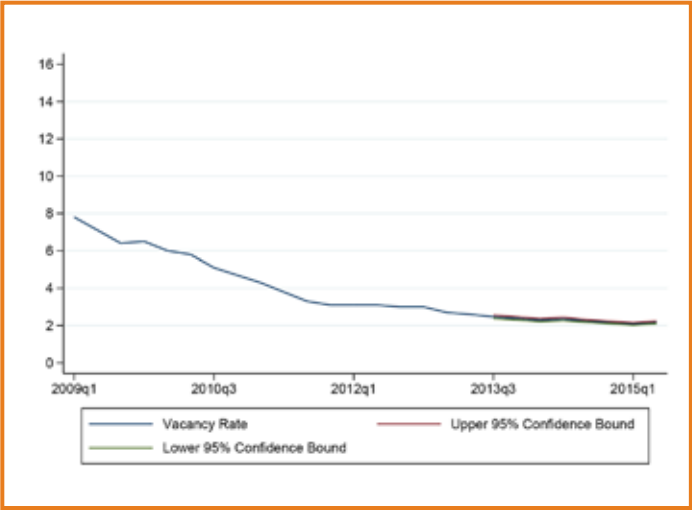
FORECAST % VACANT IN: LAGUNA HILLS



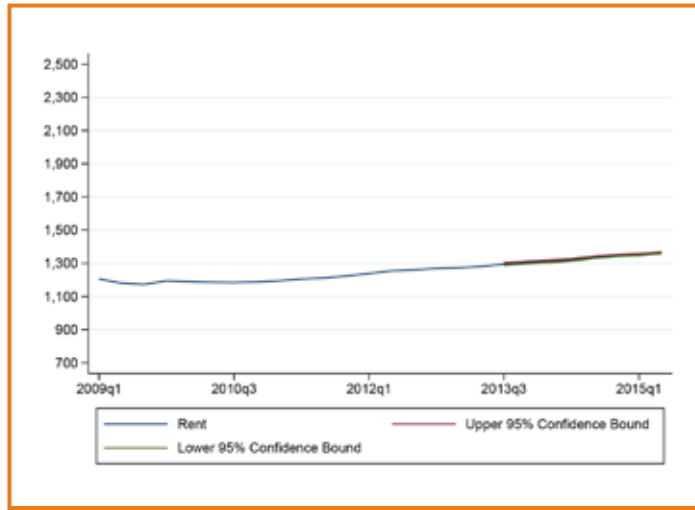
FORECAST AVERAGE RENT in \$ for: Mission Viejo



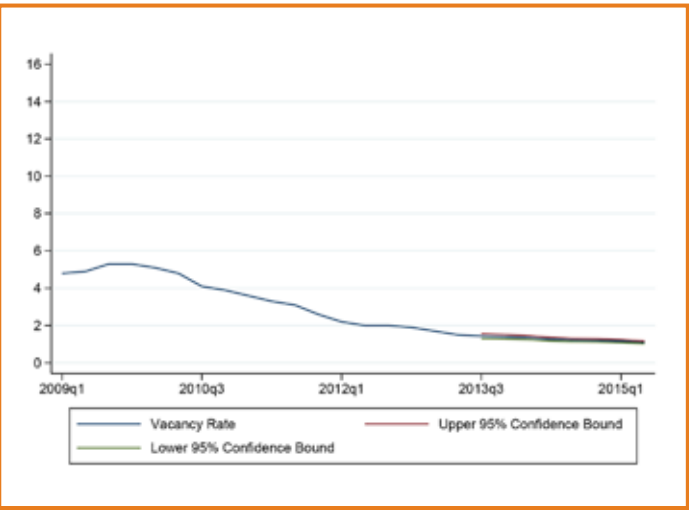
FORECAST % VACANT in: Mission Viejo



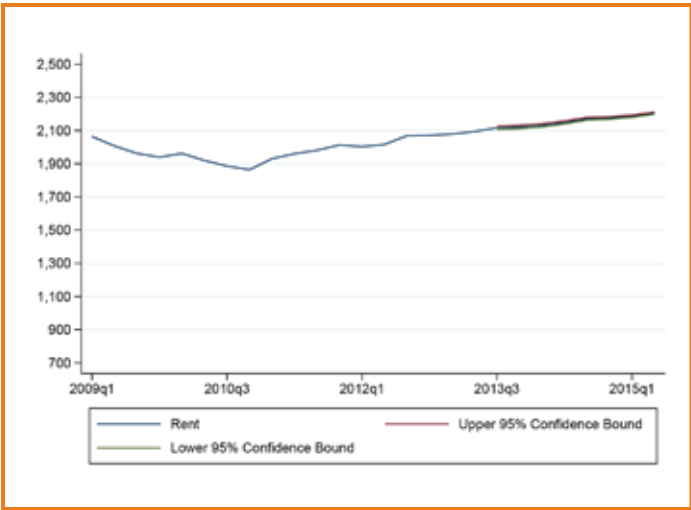
FORECAST AVERAGE RENT in \$ for: North Santa Ana



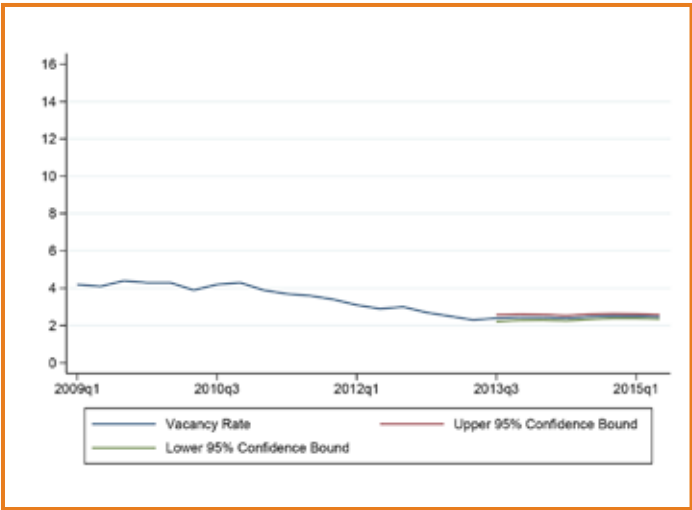
FORECAST % VACANT in: North Santa Ana



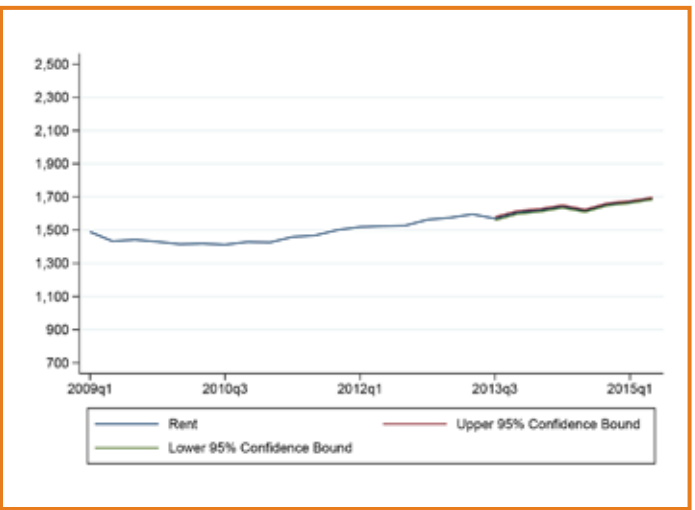
FORECAST AVERAGE RENT in \$ for: Newport Beach



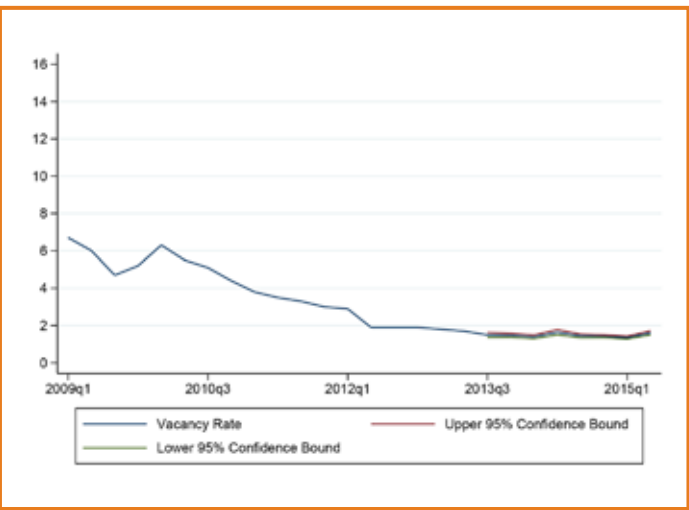
FORECAST % VACANT in: Newport Beach



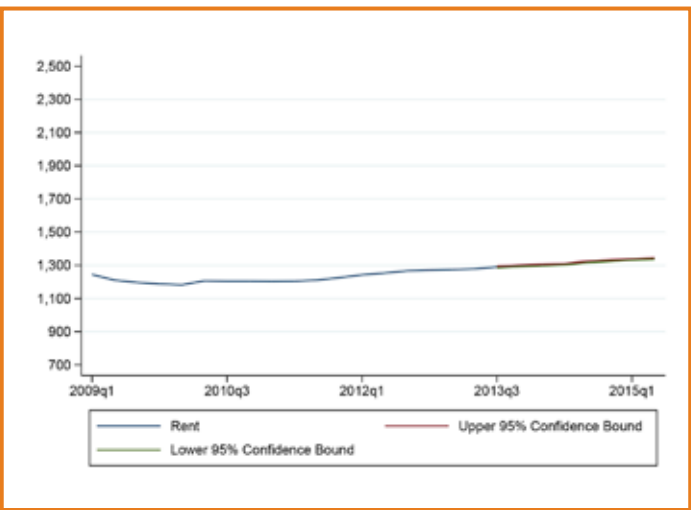
FORECAST AVERAGE RENT in \$ for: Orange



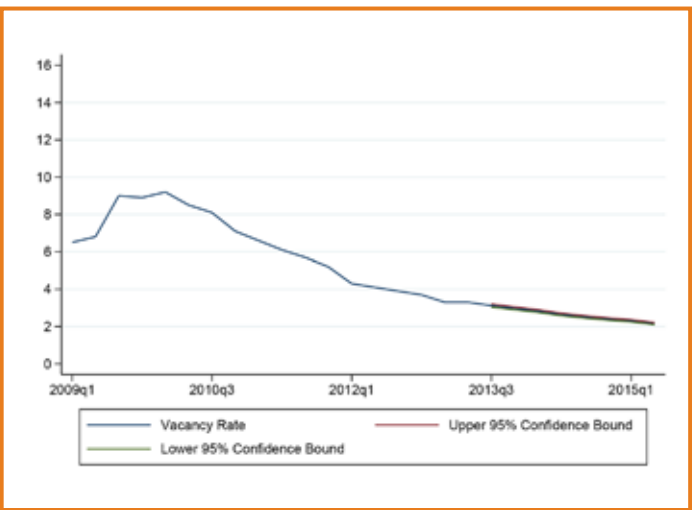
FORECAST % VACANT in: Orange



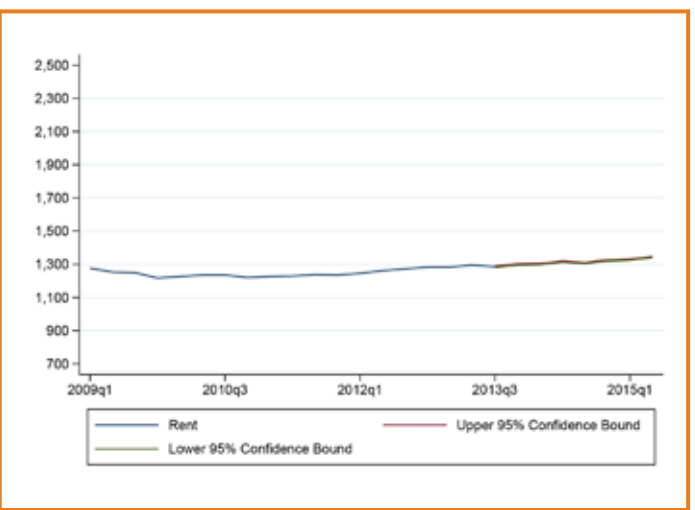
FORECAST AVERAGE RENT in \$ for: North Anaheim



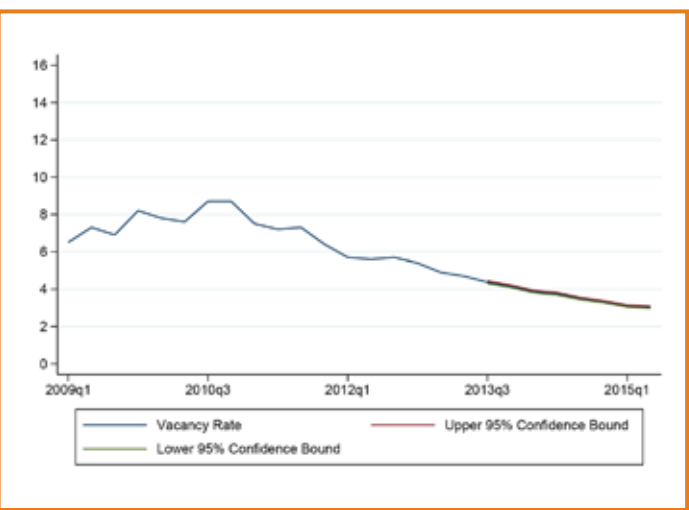
FORECAST % VACANT in: North Anaheim



FORECAST AVERAGE RENT in \$ for: Placentia and Northeast Anaheim

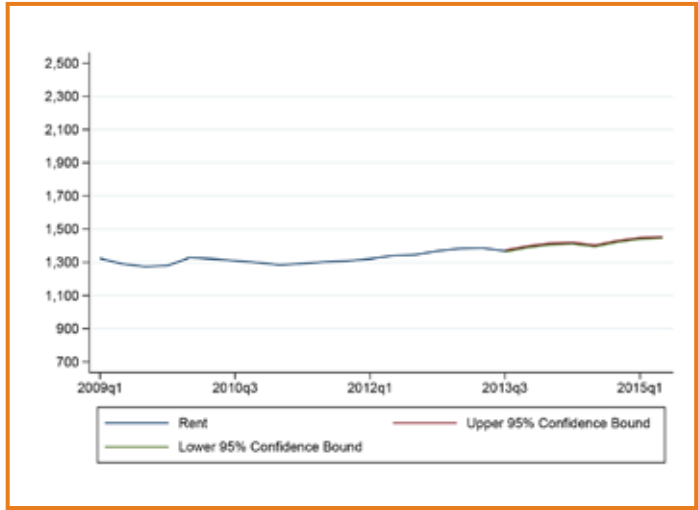


FORECAST % VACANT in: Placentia and Northeast Anaheim

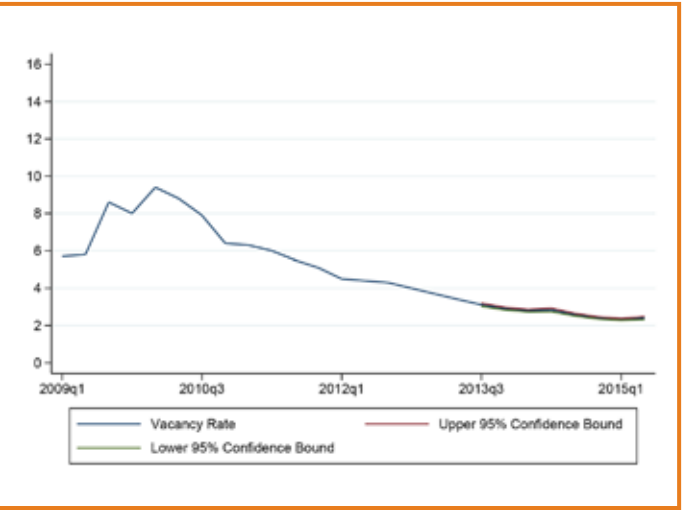


# Orange County Multifamily Forecast

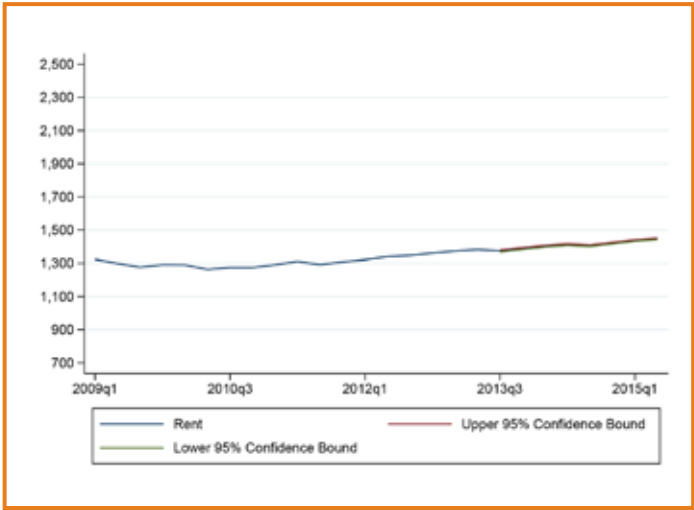
FORECAST AVERAGE RENT IN \$ FOR: SOUTH ANAHEIM



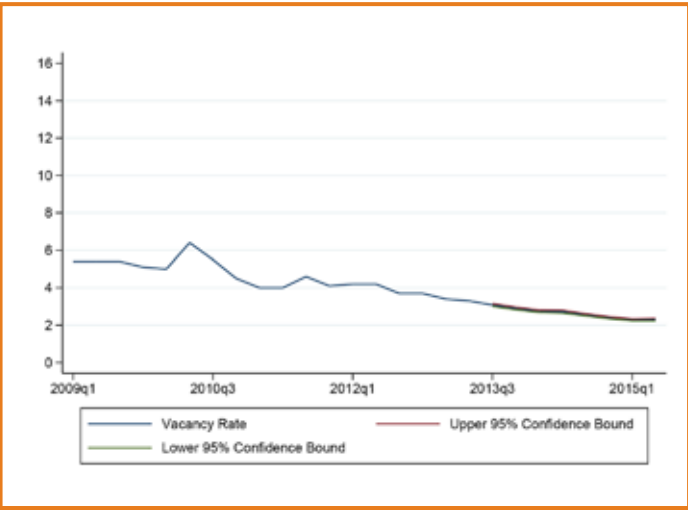
FORECAST % VACANT IN: SOUTH ANAHEIM



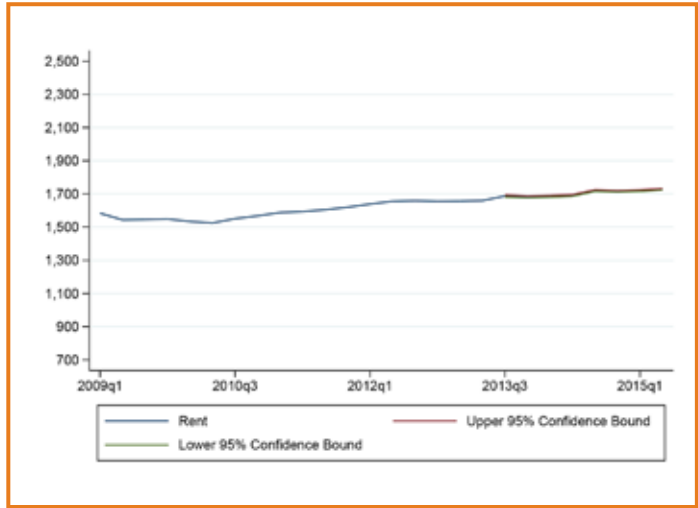
FORECAST AVERAGE RENT IN \$ FOR: WESTMINSTER AND FOUNTAIN VALLEY



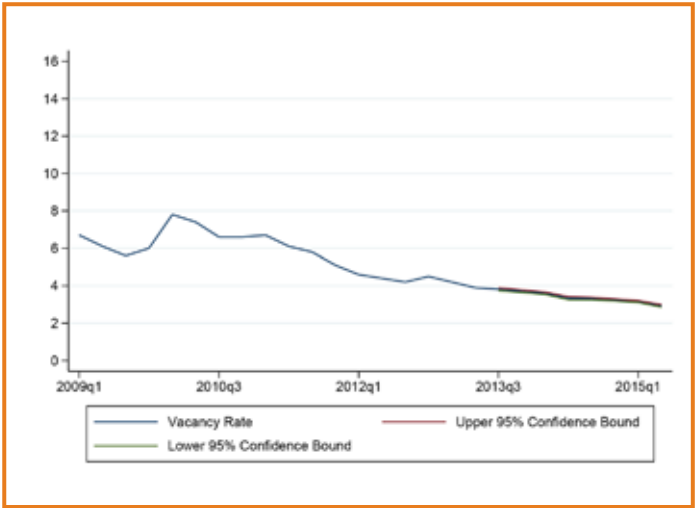
FORECAST % VACANT IN: WESTMINSTER AND FOUNTAIN VALLEY



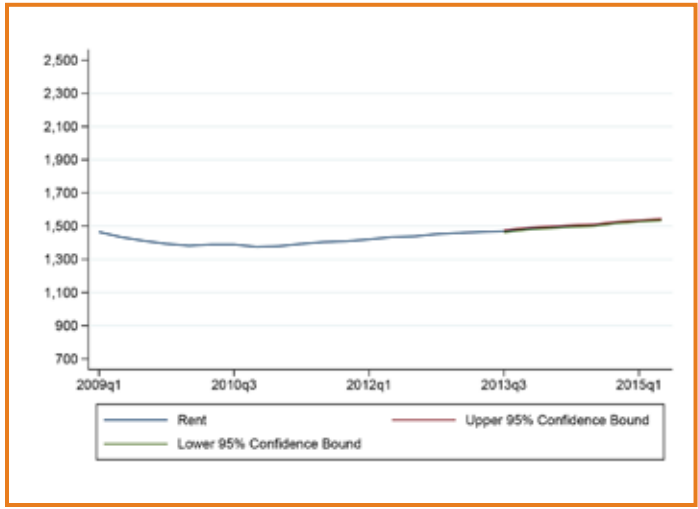
FORECAST AVERAGE RENT IN \$ FOR: SOUTH SANTA ANA



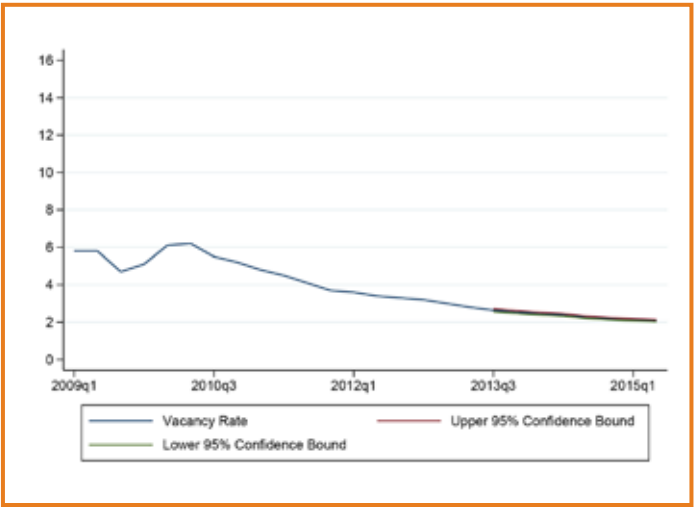
FORECAST % VACANT IN: SOUTH SANTA ANA



FORECAST AVERAGE RENT IN \$ FOR: TUSTIN



FORECAST % VACANT IN: TUSTIN







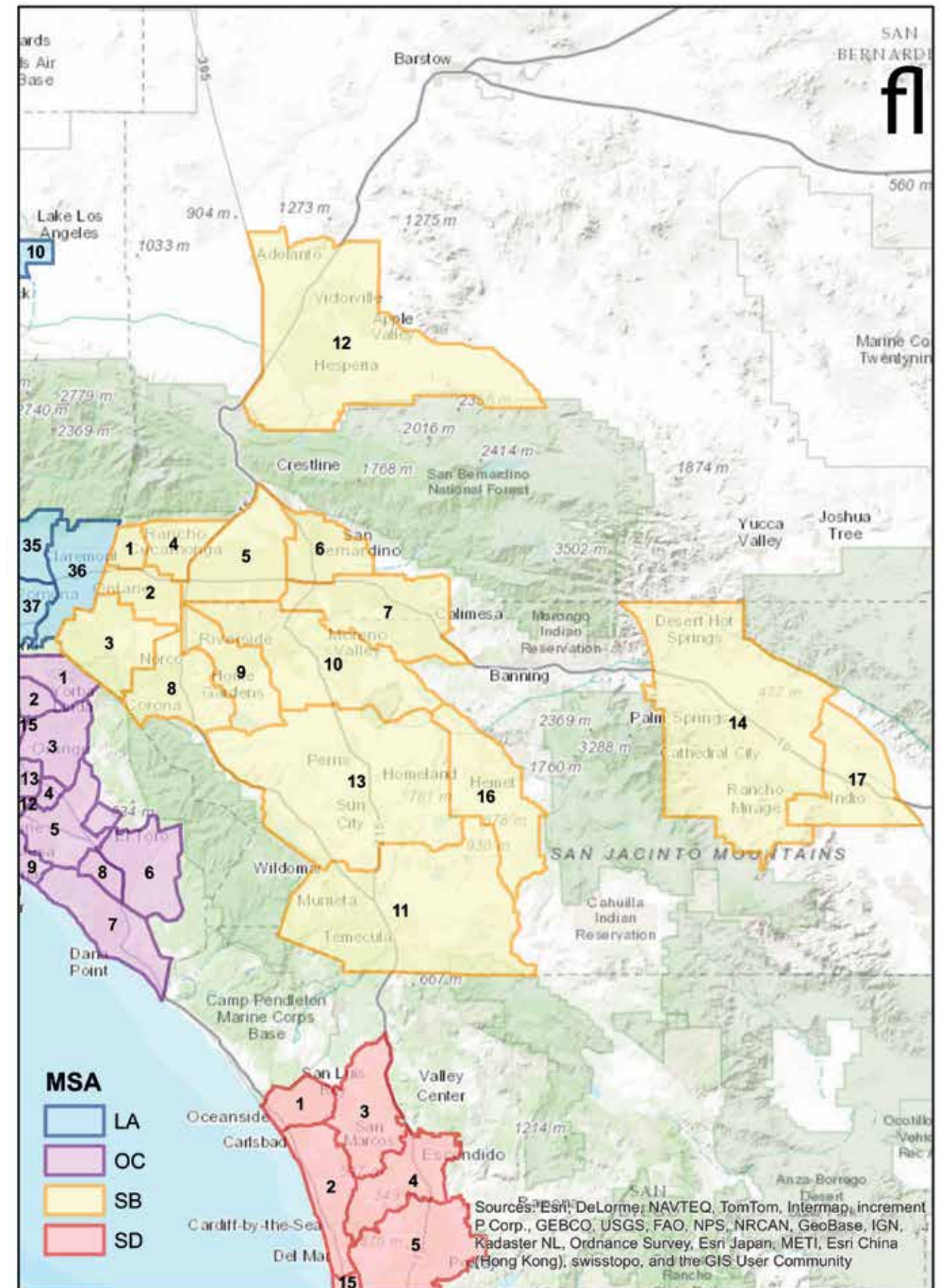


# Inland Empire Multifamily Market Trends

## SUBMARKETS

### Inland Empire Submarket Map

- 1 Upland
- 2 North Ontario
- 3 South Ontario, Chino
- 4 Rancho Cucamonga
- 5 Fontana, Rialto
- 6 San Bernardino
- 7 Colton, Loma Linda
- 8 Corona
- 9 North Magnolia
- 10 University City, Moreno Valley
- 11 SW Riverside County
- 12 Victorville
- 13 Perris
- 14 Palm Springs, Palm Desert
- 16 Hemet
- 17 Indio, La Quinta, Coachella



0 5 10 20 Miles

## Inland Empire

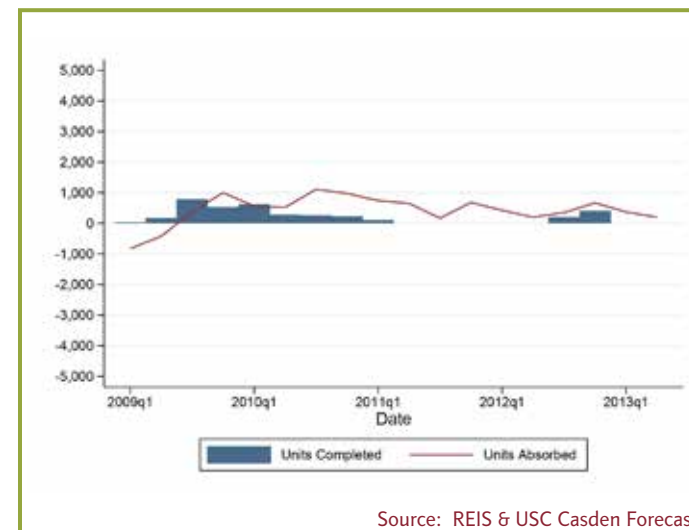
The Inland Empire, which includes San Bernardino and Riverside counties, suffered greatly as a result of the housing bust. As in other markets in Southern California, housing demand has since increased in the Inland Empire. Significant contraction in the housing inventory helped draw vacancy rates down and increased pressure on multifamily rents. The area gained almost 600 rental units between the second quarters of 2012 and 2013, the highest increase since 2010. Between 2011 and 2012, there were no rental units added in this area. The majority of the multifamily units built over the past year, over two thirds, were built in Corona, while the rest were completed in Rancho Cucamonga. The other 14 submarkets in the Inland Empire did not add any new multifamily rental units over the past year.

At the same time, the market absorbed over 1,550 rental units, with only Victorville showing net negative absorption in the last year. The lack of new inventory led to a drop in vacancy rates across the submarkets, except for an increase in Victorville and no change in Southwest Riverside County. The vacancy rate in the region dropped to 3.6 percent in the second quarter of 2013, a 17.3 percent decrease from the previous year. The largest reduction in vacancy rate occurred in the Indio, La Quinta, and Coachella submarket.

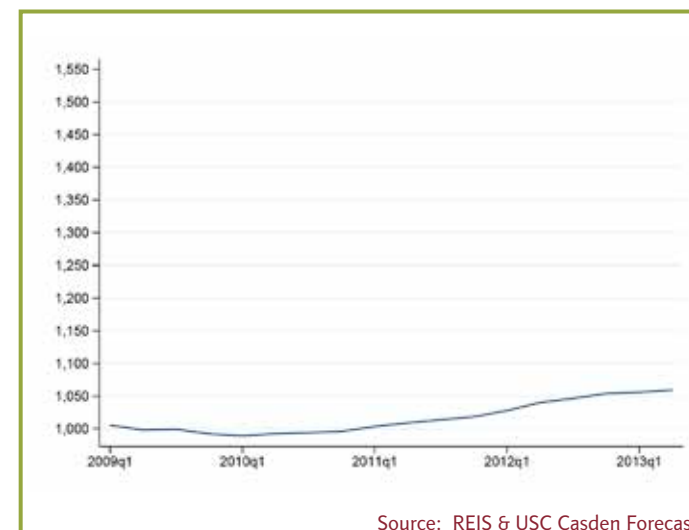
After a significant increases in rent in 2012, the rent growth in this market slowed in 2013. Given the relative abundance of land and distance from major urban centers, rents in the Inland Empire were substantially lower than Los Angeles, Orange County, and San Diego. The average rent in the Inland Empire was \$1,059 per month, which was a 1.9 percent increase from the previous year. The Indio, La Quinta, and Coachella submarket again led with the strongest gain in rent growth with a 3.1 percent increase between 2012Q2 and 2013Q2.

Overall, the lack of new multifamily and single-family construction during the recession led to significant tightening of the housing supply and a consequent increase in rents. Future household formation, along with an improving job market will lead to increased demand for housing and put more pressure on rents and occupancy rates. We explore these dynamics further in our submarket report.

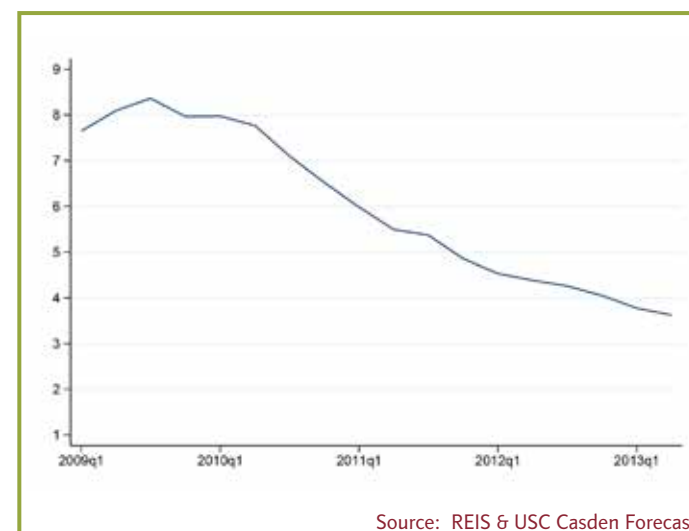
UNITS COMPLETED AND ABSORBED IN INLAND EMPIRE



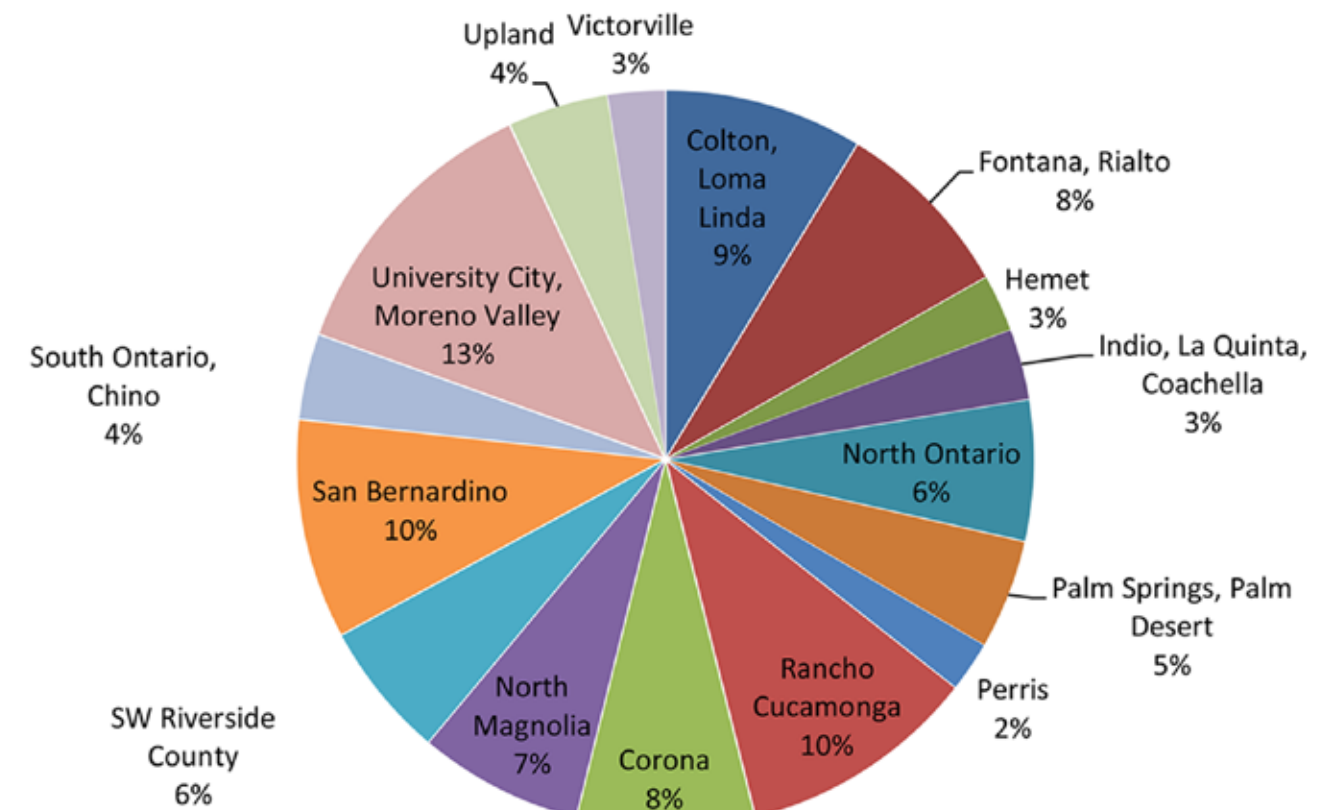
AVERAGE RENT IN \$ FOR INLAND EMPIRE



AVERAGE PERCENT VACANT FOR INLAND EMPIRE



## Share of County Inventory

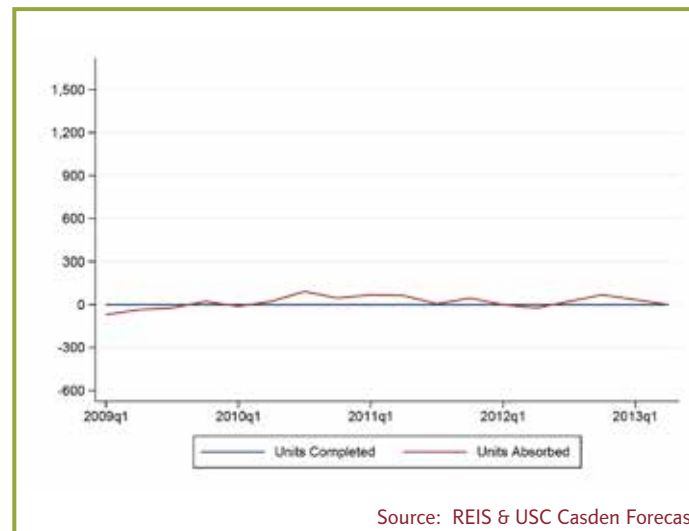




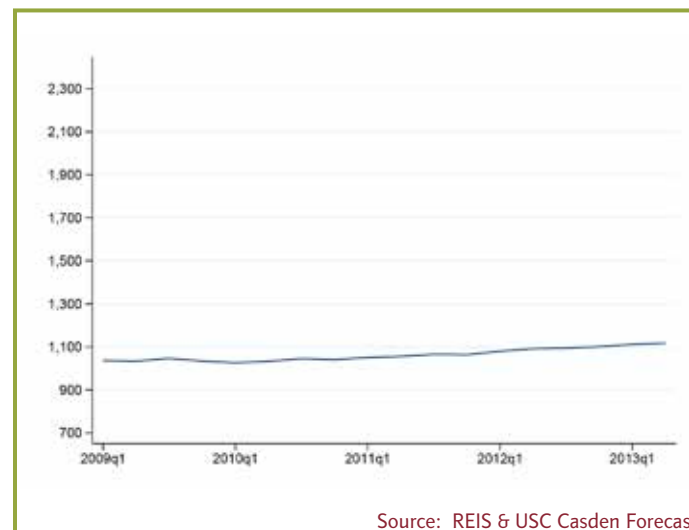
# Inland Empire Multifamily Market Trends

## SUBMARKETS

UNITS COMPLETED AND ABSORBED IN: COLTON AND LOMA LINDA



AVERAGE RENT IN \$ FOR: COLTON AND LOMA LINDA



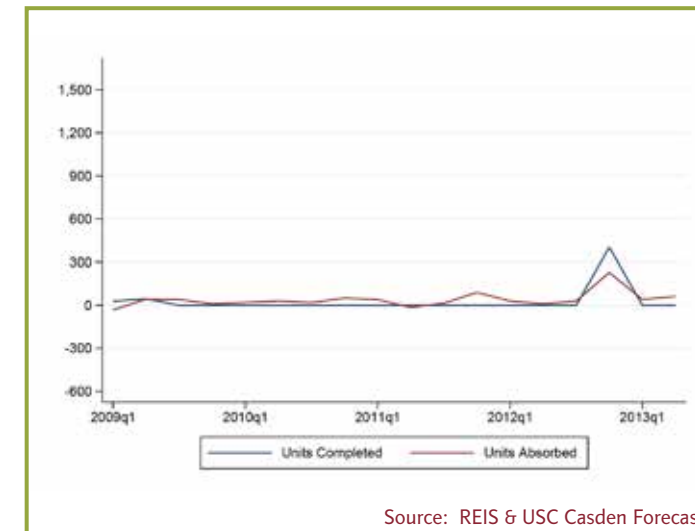
% VACANT IN: COLTON AND LOMA LINDA



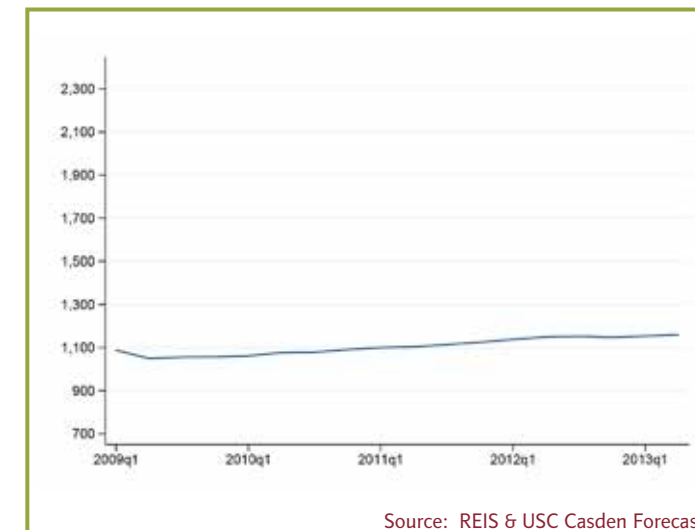
### Colton, Loma Linda

The Colton, Loma Linda submarket contains 8.7 percent of the multifamily rental inventory in the Inland Empire. From the first quarter of 2009 through the first quarter of 2010, there was negative absorption, however since the beginning of 2010, there was almost consistent positive absorption of 450 units. Consequently, vacancy rates declined from 6.8 percent in 2010Q1 to 2.9 percent in 2013Q2, one of the lowest vacancy rates in the Inland Empire. There was a 27.5 percent decrease in the vacancy rates over the past year in this submarket. The effective rent also increased from \$1,037 in 2009 to \$1,118 in 2013Q2. Over the past year rents increased by 2.4 percent.

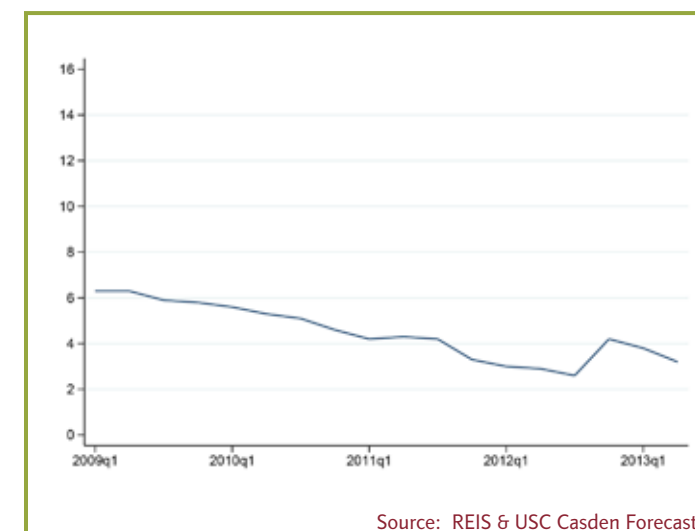
UNITS COMPLETED AND ABSORBED IN: CORONA



AVERAGE RENT IN \$ FOR: CORONA



% VACANT IN: CORONA



### CORONA

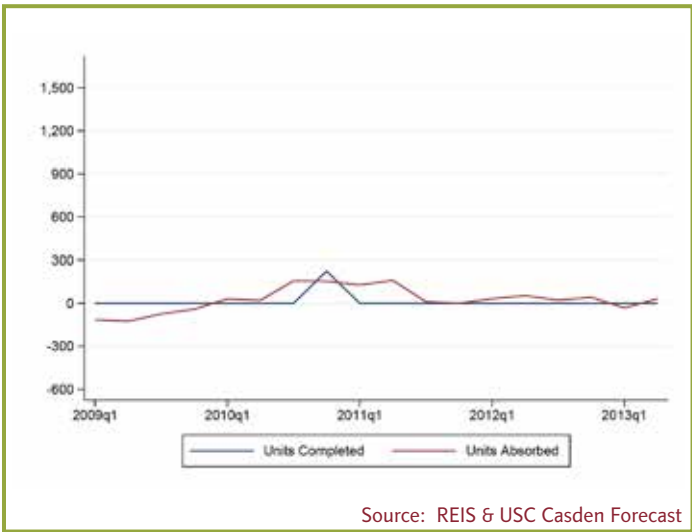
The Corona submarket contains 7.8 percent of the multifamily rental inventory in the Inland Empire. Over the last year, most of the new rental stock in the Inland Empire was completed in Corona, which added over 400 new units. The area had continuous positive absorption rates since 2009Q2. Only 2011Q2 recorded a net negative absorption of 15 units. And while the annual vacancy rates decreased since 2009, the vacancy rate increased from 2.6 percent in 2012Q3 to 4.2 percent in 2012Q4 because of the new units completed in the market. Since then, the vacancy rate decreased to 3.2 percent in 2013Q2. As of 2013Q2 the average rent in this submarket was \$1,160. Between 2012Q2 and 2013Q2, along with Palm Springs, this submarket had the smallest annual percent increase in average rent, 0.9 percent, in the Inland Empire.



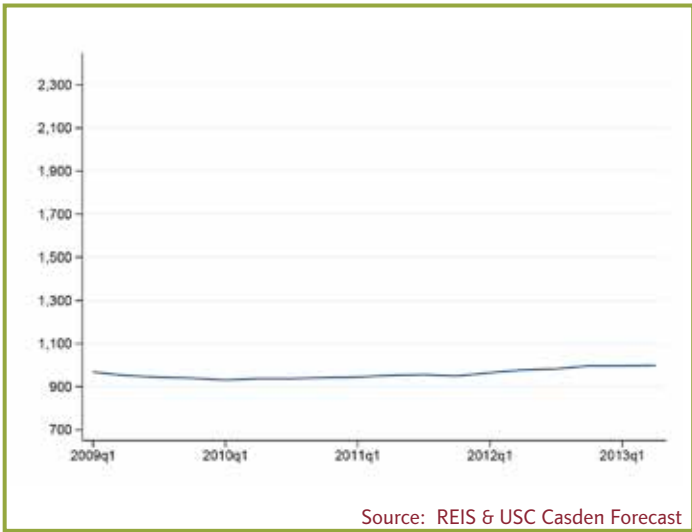
Fontana, Rialto

The Fontana and Rialto submarkets contain 8.1 percent of the multifamily rental inventory in the Inland Empire. Following 2009, when there was a net negative absorption of over 350 units, there was a positive absorption of 810 units. After 2010Q4, vacancy rates declined from 8.4 percent to 4.2 in 2013Q2. Over the past year, the vacancy rate decreased 12.5 percent, despite a small jump between 2012Q4 and 2103Q1. Annually, rents in this submarket increased since 2010Q4. As of 2013Q2, the average rent was \$999, which was a 2.1 percent increase from the average rent in the previous year.

UNITS COMPLETED AND ABSORBED IN: FONTANA, RIALTO



AVERAGE RENT IN \$ FOR: FONTANA AND RIALTO



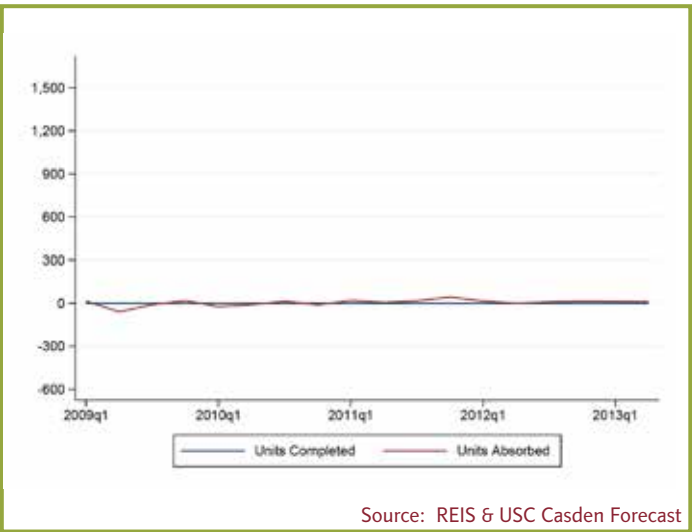
% VACANT IN: FONTANA AND RIALTO



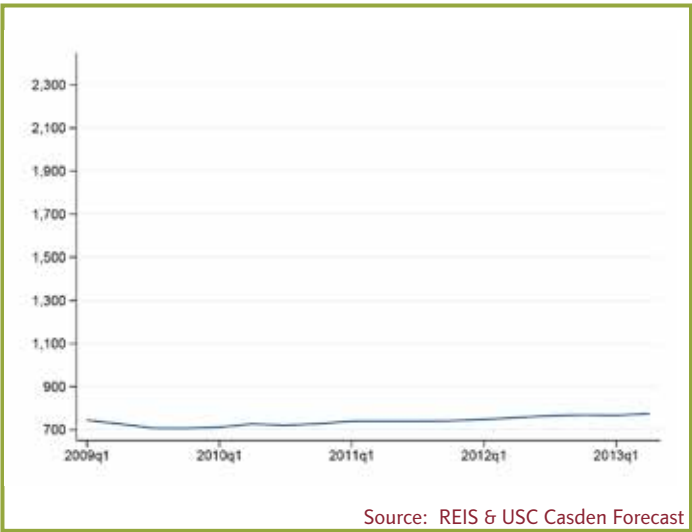
Hemet

The Hemet submarket contains 2.5 percent of the multifamily rental inventory in the Inland Empire, ranking this area among the smallest in the region. There were no multifamily rental units completed in this submarket between 2009Q1 and 2013Q2. From 2009Q1 to 2010Q4 there was net negative absorption of over 60 units, however since then the submarket absorbed almost 150 units. Accordingly, vacancy rates decreased every quarter from 9.3 percent in 2010Q4 to 4.8 percent in 2013Q2. Over the last year alone, vacancy rates fell by almost 23 percent. Hemet was one of the most affordable submarkets in the Inland Empire, with an average rent of \$775 in 2013Q2. The average rent increased 2.4 percent in the previous year.

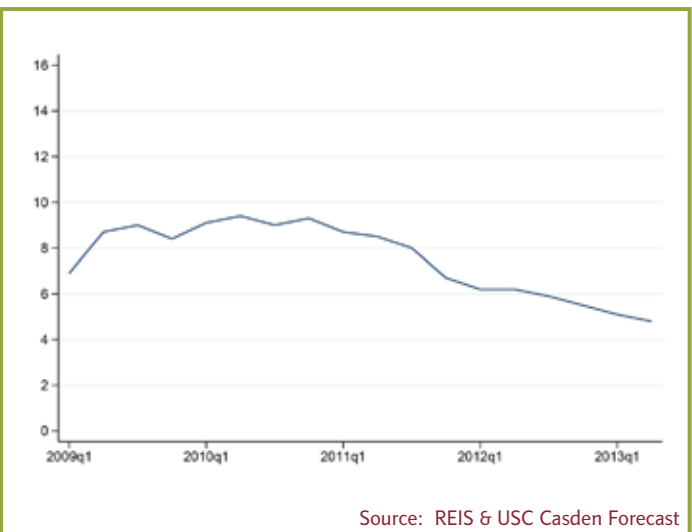
UNITS COMPLETED AND ABSORBED IN: HEMET



AVERAGE RENT IN \$ FOR: HEMET



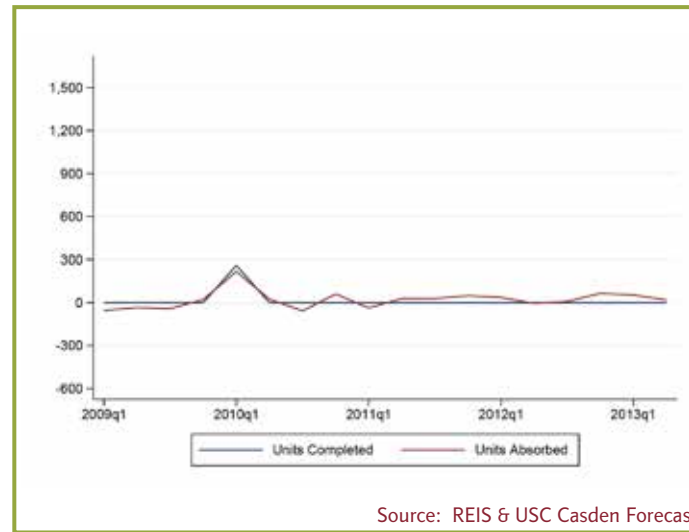
% VACANT IN: HEMET



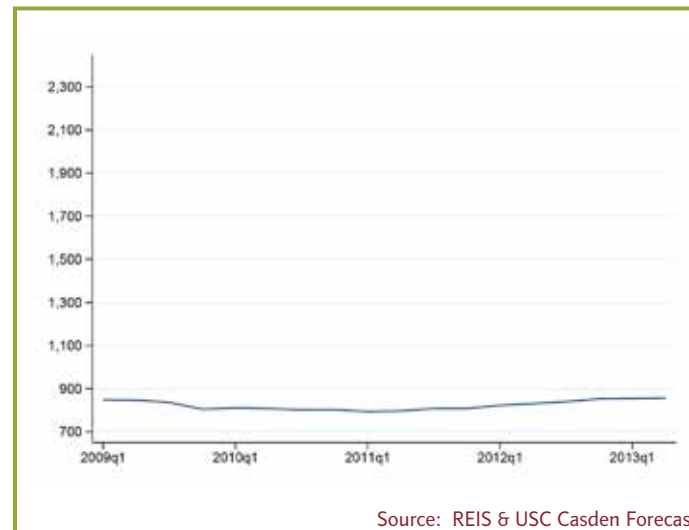
# Inland Empire Multifamily Market Trends

## SUBMARKETS

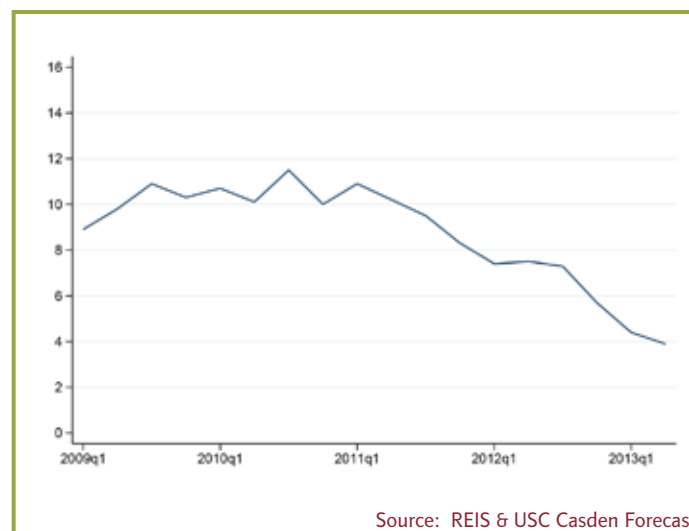
UNITS COMPLETED AND ABSORBED IN: INDIO, LA QUINTA, AND COACHELLA



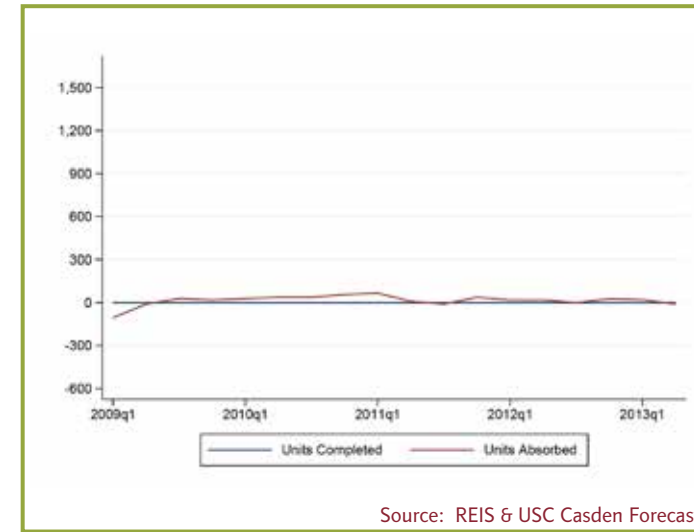
AVERAGE RENT IN \$ FOR: INDIO, LA QUINTA, AND COACHELLA



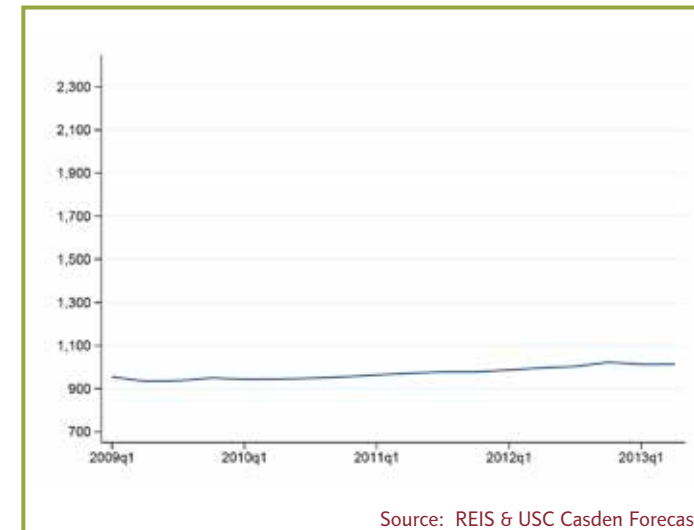
% VACANT IN: INDIO, LA QUINTA, AND COACHELLA



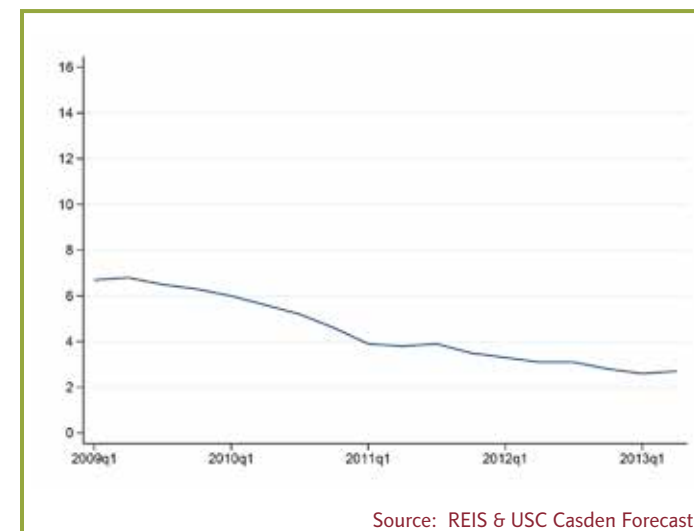
UNITS COMPLETED AND ABSORBED IN: NORTH MAGNOLIA



AVERAGE RENT IN \$ FOR: NORTH MAGNOLIA



% VACANT IN: NORTH MAGNOLIA



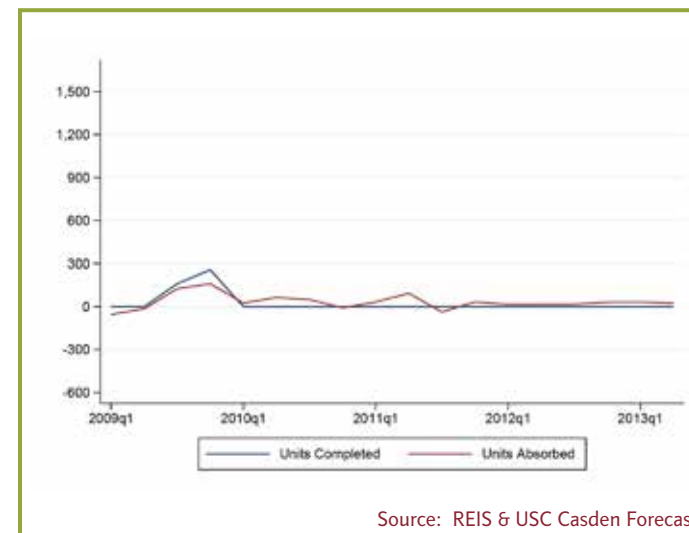
### NORTH MAGNOLIA

The North Magnolia submarket contains 7.2 percent of the multifamily rental inventory in the Inland Empire. There were no new rental units completed in this submarket between 2009Q1 and 2013Q2. There was positive net absorption of almost 280 units between 2009Q1 and 2013Q2. This submarket has remained relatively stable over the last few years with little change in vacancies and rents. The vacancy rate is among the lowest in the region, at 2.7 percent. The vacancy rate fell 12.8 percent in the previous year, and has been on a continuous decline since 2009. The average rent has been on a continuous upward trend; however it increased the least in the last year. The effective rent was \$1,014 in 2013Q2, a 1.7 percent increase from the previous year. Previous annual rent increases averaged almost 3 percent.

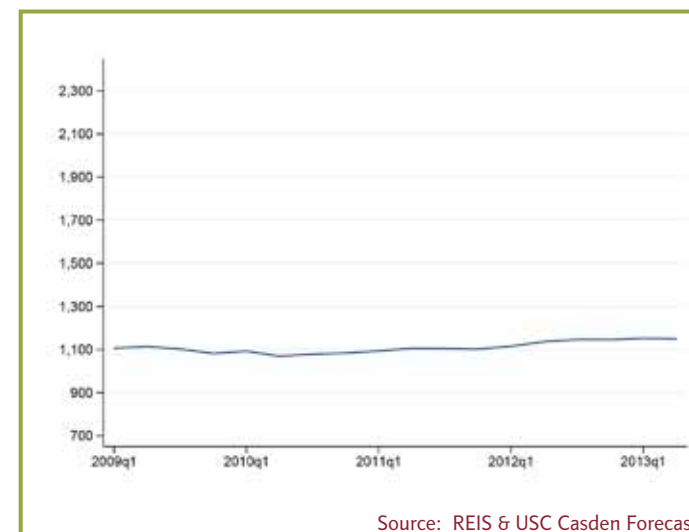
### NORTH ONTARIO

The North Ontario submarket contains 6.2 percent of the multifamily rental inventory in the Inland Empire. There were no new multifamily rental units completed in this submarket since 2009 when almost 420 rental units were completed. Net absorption has generally been positive in this submarket. In the first two quarters of 2009 there was a net negative absorption of almost 70 units; however, since then almost 680 units were absorbed. As a result, the vacancy rate decreased from 7 percent in 2010Q1 to 2.5 percent in 2013Q2, which is one of the lowest vacancy rates in the region. This submarket witnessed the third highest percent decrease in vacancy rate out of all submarkets in the Inland Empire between 2012Q2 and 2013Q2. The average rent, at \$1,150 in 2013Q2, did not fully follow the extent of the drop in vacancy rates, increasing only 1.1 percent over the past year, which was the third smallest increase in the average rent in the Inland Empire.

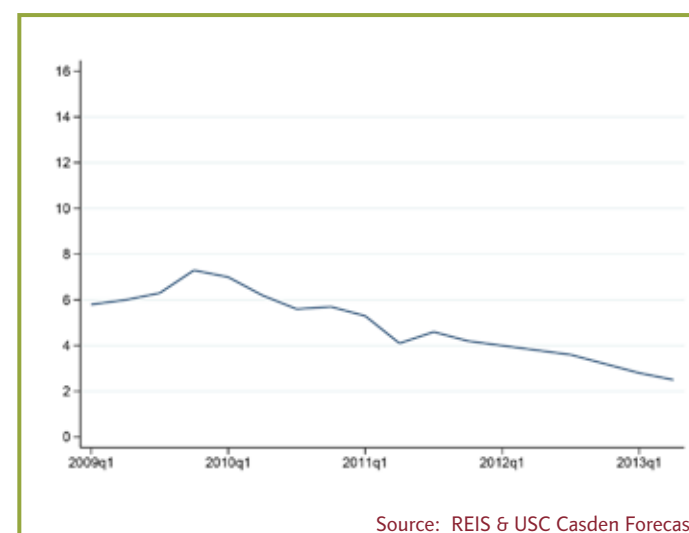
UNITS COMPLETED AND ABSORBED IN: NORTH ONTARIO



AVERAGE RENT IN \$ FOR: NORTH ONTARIO



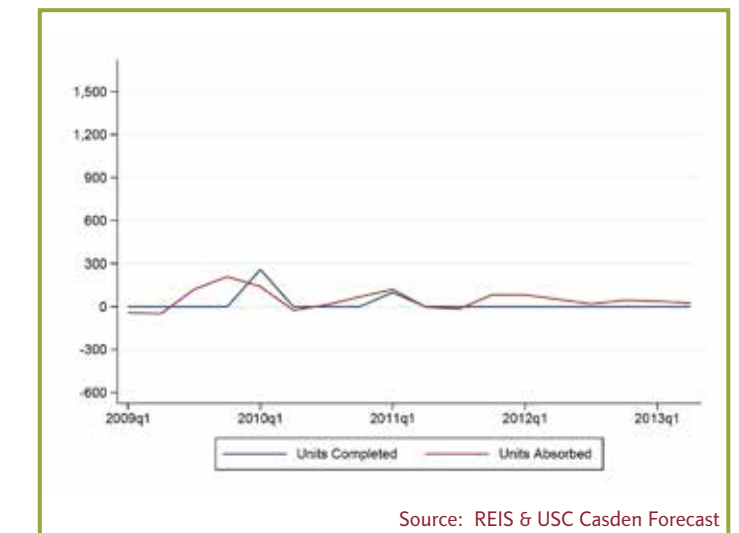
% VACANT IN: NORTH ONTARIO



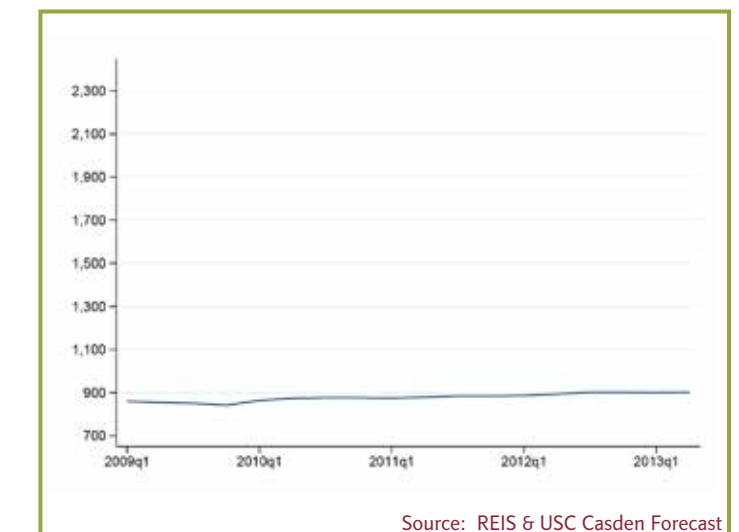
### Palm Springs, Palm Desert

The Palm Springs and Palm Desert submarket contains 4.8 percent of the multifamily rental inventory in the Inland Empire. There were 360 new multifamily rental units completed in this submarket between 2010Q2 and 2011Q1, however no new units were added since. Net absorption has trended positive in this submarket aside from negative absorption in the first half of 2009 and couple of quarters since then. As a result, since 2009Q2, there were almost 980 units absorbed. Accordingly, vacancy rates decreased significantly in this market over the last few years. In the middle of 2009, vacancy rates reached 15 percent, but have since fallen to 4.5 percent. Only the Perris submarket recorded higher historic vacancy rates. Over the last year, the vacancy rate dropped 30.7 percent, among the largest decreases in the Inland Empire. On the contrary, average rents have not had a comparable increase. The annual change in effective rents averaged 1.3 percent over the last three years, with a 0.9 percent increase between 2012Q2 and 2013Q2.

UNITS COMPLETED AND ABSORBED IN: PALM SPRINGS AND PALM DESERT



AVERAGE RENT IN \$ FOR: PALM SPRINGS AND PALM DESERT



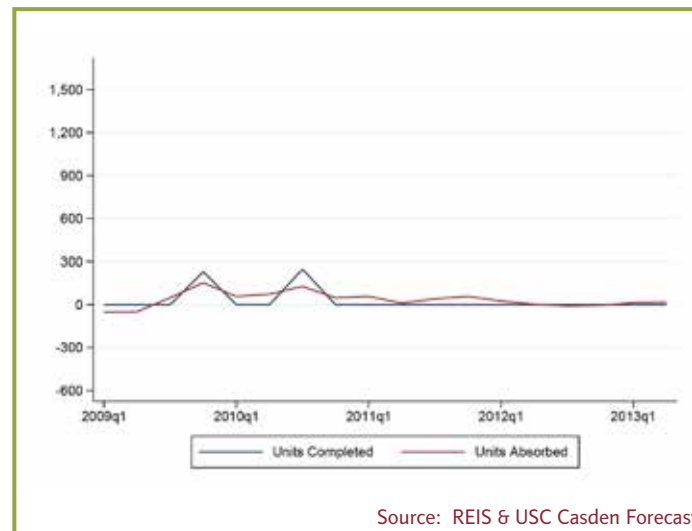
% VACANT IN: PALM SPRINGS AND PALM DESERT



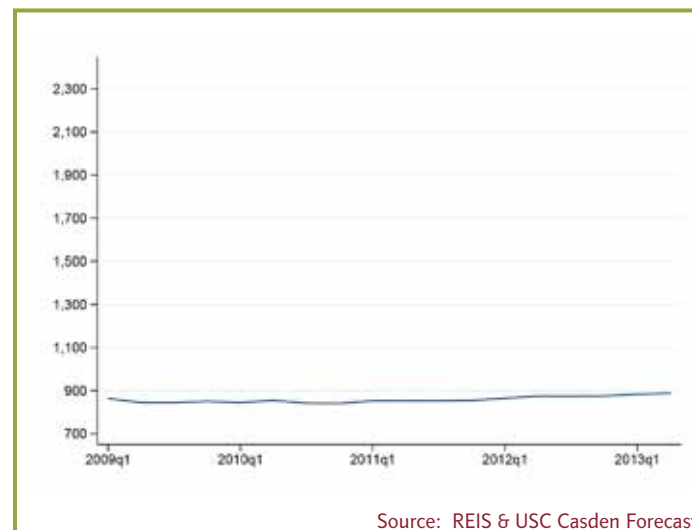
# Inland Empire Multifamily Market Trends

## SUBMARKETS

UNITS COMPLETED AND ABSORBED IN: PERRIS



AVERAGE RENT IN \$ FOR: PERRIS



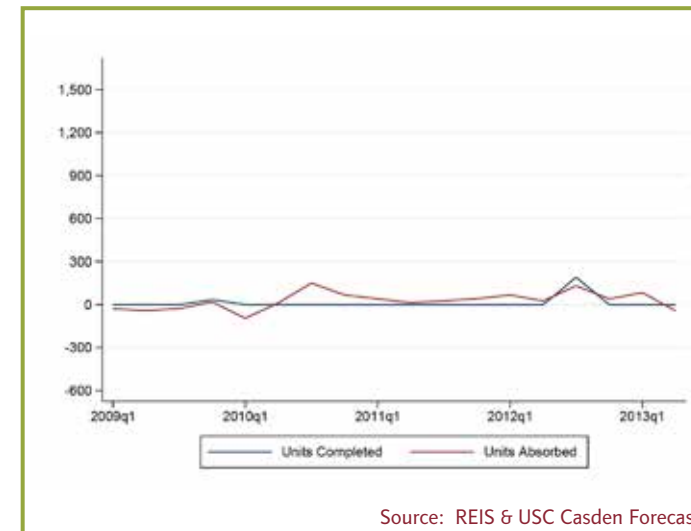
% VACANT IN: PERRIS



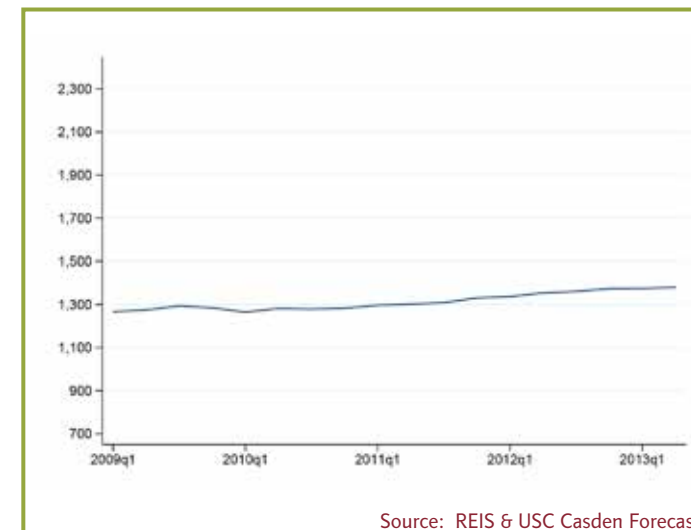
### PERRIS

The Perris submarket contains the smallest share of the multifamily rental inventory in the Inland Empire, 2.2 percent. There were 480 multifamily rental units completed in 2009 and 2010, which increased the inventory of this small submarket by almost 20 percent. Perris already had the highest vacancy rates in the Inland Empire, and that rate increased further when these units were introduced. In 2009, vacancy rates reached 17 percent. While the vacancy rate has decreased considerably, it was still 5.8 percent in 2013Q2, which was the highest in Inland Empire. The period between the middle of 2011 and 2012 recorded the largest annual decrease in vacancy rates of almost 45 percent. Over the last year, the vacancy rate decreased by 9.7 percent. The average effective rent has generally increased since the middle of 2011 and increased by 1.5 percent over the past year, to \$888, ranking it as the fourth lowest average rent in the Inland Empire.

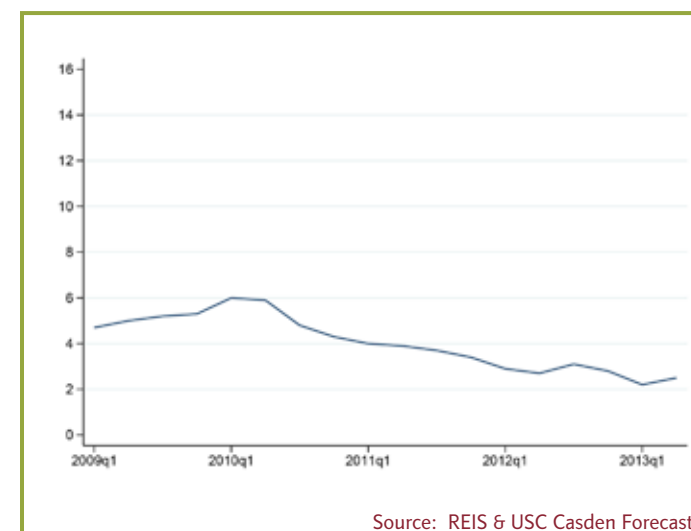
UNITS COMPLETED AND ABSORBED IN: RANCHO CUCAMONGA



AVERAGE RENT IN \$ FOR: RANCHO CUCAMONGA



% VACANT IN: RANCHO CUCAMONGA



### RANCHO CUCAMONGA

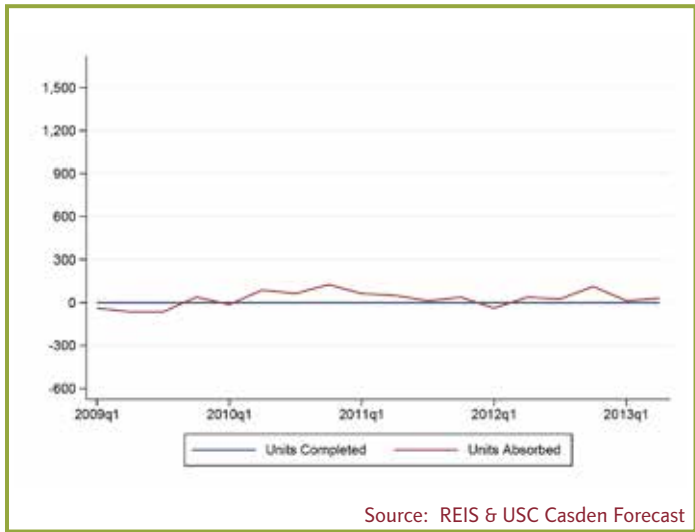
The Rancho Cucamonga submarket is the second largest in the Inland Empire containing 10.5 percent of the multifamily rental inventory in the Inland Empire. The submarket added relatively few units to its inventory over the last 4 years, almost 230 units, which was a 2 percent increase to its existing inventory. After net negative absorption through 2010Q1, this market experienced a trend of positive net absorptions until 2013Q2 when it showed a net negative absorption of over 40 units. On the whole, there were almost 500 units absorbed since the beginning of 2009. The vacancy rate remained relatively low in this submarket, reaching its highest rate of 6 percent in 2010Q1. The vacancy rate has since declined to one of the lowest in the region. Over the past year, the vacancy rate decreased by 7.5 percent in 2013Q2 to 2.5 percent. This submarket also recorded the highest average rents in the Inland Empire, averaging \$1,380 in 2013Q2. The average rent increased 1.9 over the previous year, which was the lowest annual increase for this submarket since the middle of 2011. The annual increase in average rents has generally slowed down across all of the submarkets in the Inland Empire between 2012Q2 and 2013Q2.



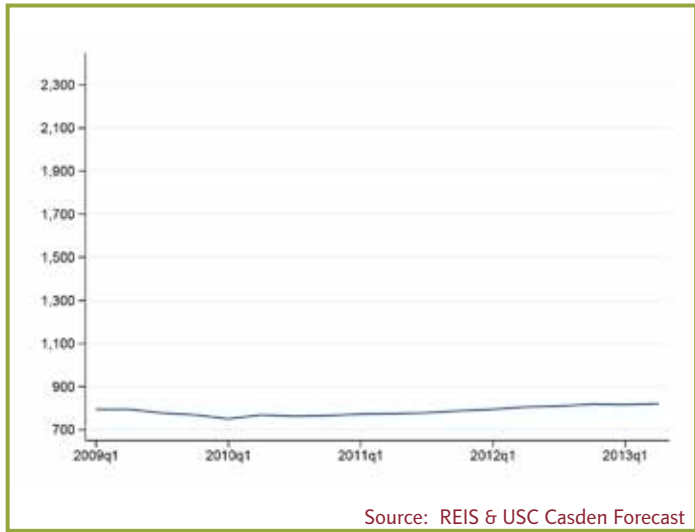
SAN BERNARDINO

The San Bernardino submarket is the third largest in the Inland Empire containing 9.6 percent of the multifamily rental inventory. There were, however, no new multifamily units completed in this submarket between 2009Q1 and 2013Q2. Similar to other submarkets, this area had net negative absorptions in 2009 but positive absorption since then. From 2010Q1 to 2013Q2, there were almost 660 units absorbed. As a result, the vacancy rate also dropped significantly over the past year, decreasing by 25.4 percent from 5.7 in 2012Q2 to 4.3 in 2013Q2. Still, the vacancy rate remains among the highest in the Inland Empire. The average rent, however, is among the lowest in the Inland Empire. The effective rent increased 1.9 percent over the past year to \$821 for 2013Q2.

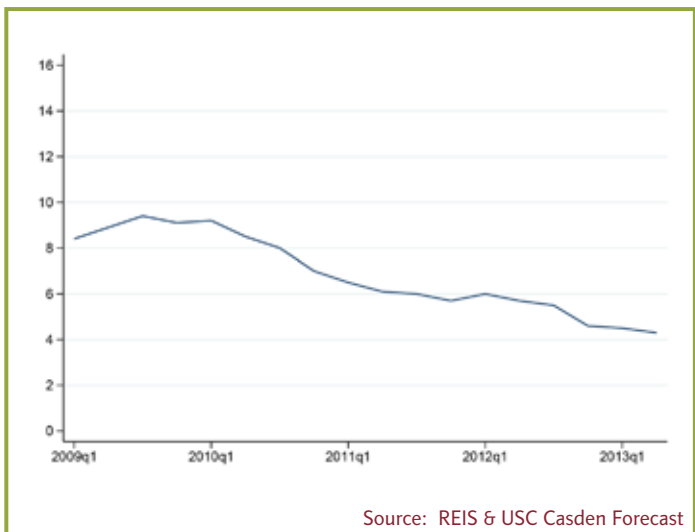
UNITS COMPLETED AND ABSORBED IN: SAN BERNARDINO



AVERAGE RENT IN \$ FOR: SAN BERNARDINO



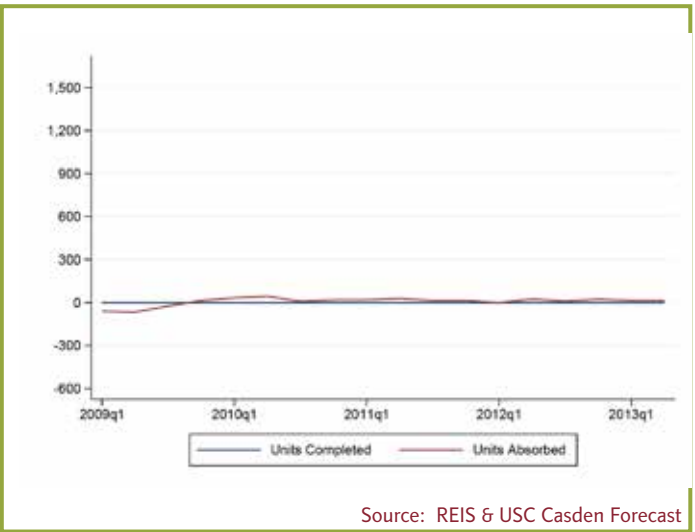
% VACANT IN: SAN BERNARDINO



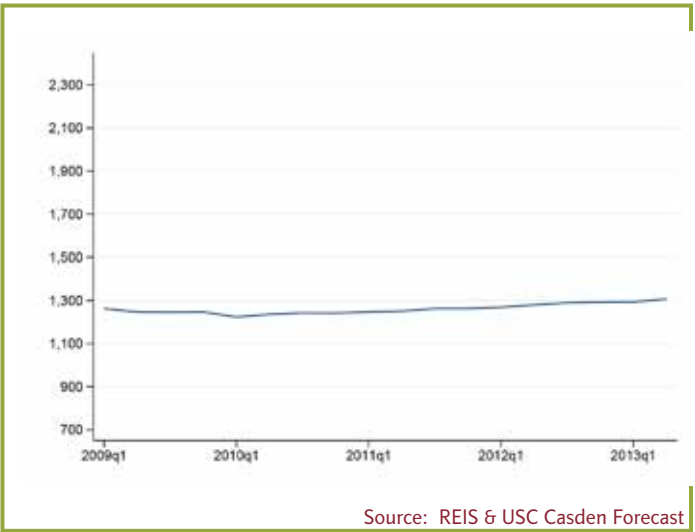
SOUTH ONTARIO AND CHINO

The South Ontario and Chino submarket contains 3.7 percent of the multifamily rental inventory in the Inland Empire. There were no new multifamily rental units added to this submarket since 2009Q1. Net absorptions trended positive since the third quarter of 2009, totaling over 290 units absorbed. The vacancy rate in this submarket peaked at 7.7 percent in 2009Q3, and then decreased significantly. This submarket recorded the lowest vacancy rate in Inland Empire, 1.8 percent in 2013Q2. Over the past year alone, the vacancy rates had the second largest decrease in the region, falling by almost 42 percent. The average rent is the second highest in the area. The rent in South Ontario and Chino was \$1,307 in 2013Q2, which was a 2.1 increase from the rent in the previous year.

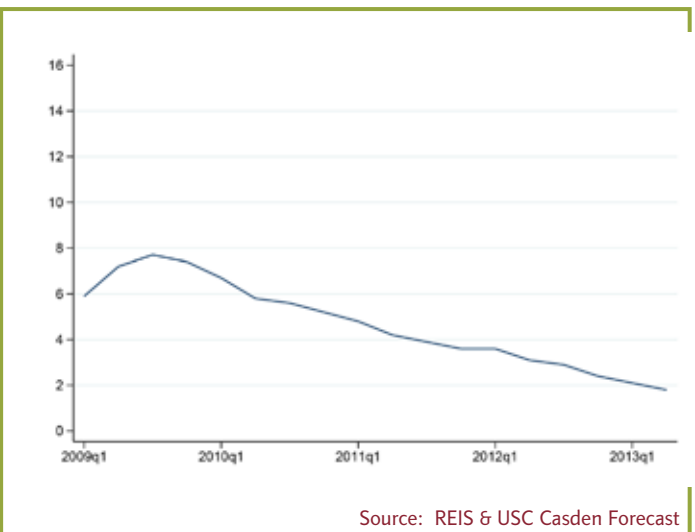
UNITS COMPLETED AND ABSORBED IN: SOUTH ONTARIO AND CHINO



AVERAGE RENT IN \$ FOR: SOUTH ONTARIO AND CHINO



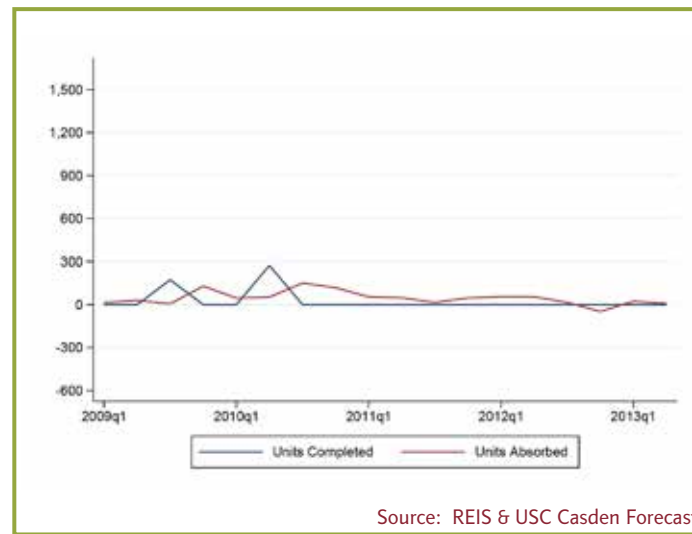
% VACANT IN: SOUTH ONTARIO AND CHINO



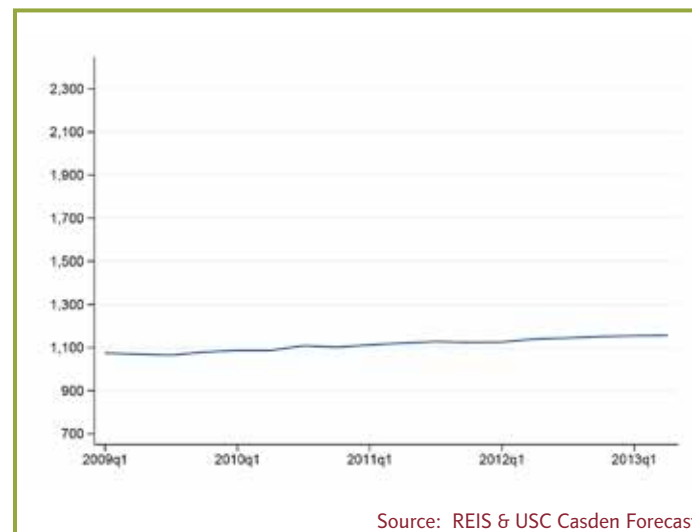
# Inland Empire Multifamily Market Trends

## SUBMARKETS

UNITS COMPLETED AND ABSORBED IN: SW RIVERSIDE COUNTY



AVERAGE RENT IN \$ FOR: SW RIVERSIDE COUNTY



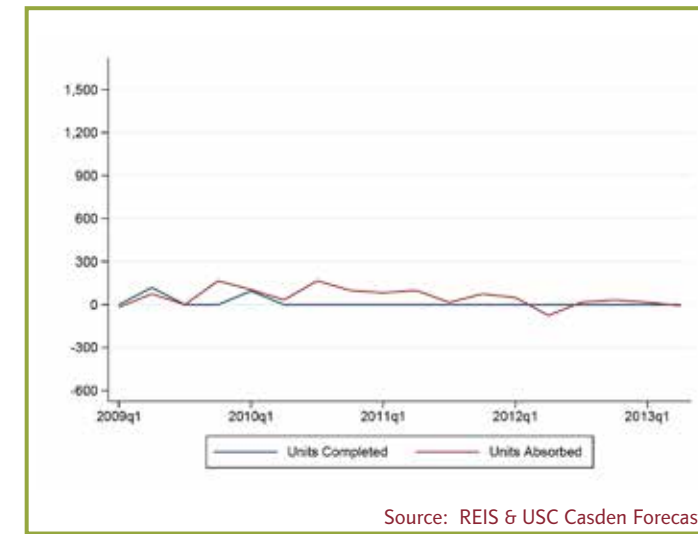
% VACANT IN: SW RIVERSIDE COUNTY



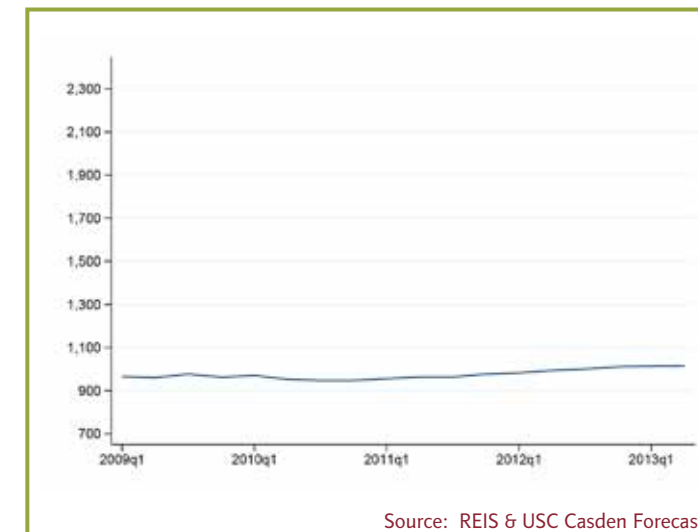
### Southwest Riverside County

The Southwest Riverside County submarket contains 6.0 percent of the multifamily rental inventory in the Inland Empire. There were about 450 rental units completed between 2009 and 2010, however there were no new units added since then. These new units added 6 percent to the existing multifamily inventory. There was a large net absorption of almost 830 units between 2009Q1 and 2013Q2. The rental vacancy rate, however, has remained steady in the past year and hovered around 3.9 percent. Most of the impact from high absorptions occurred in 2011 and 2012 when the annual vacancy rate fell by 40 percent. The average rent in this submarket increased from \$1,145 in 2012Q2 to \$1,157 in 2013Q2, a 1.5 percent increase over the period.

UNITS COMPLETED AND ABSORBED IN: UNIVERSITY CITY AND MORENO VALLEY



AVERAGE RENT IN \$ FOR: UNIVERSITY CITY AND MORENO VALLEY



% VACANT IN: UNIVERSITY CITY AND MORENO VALLEY



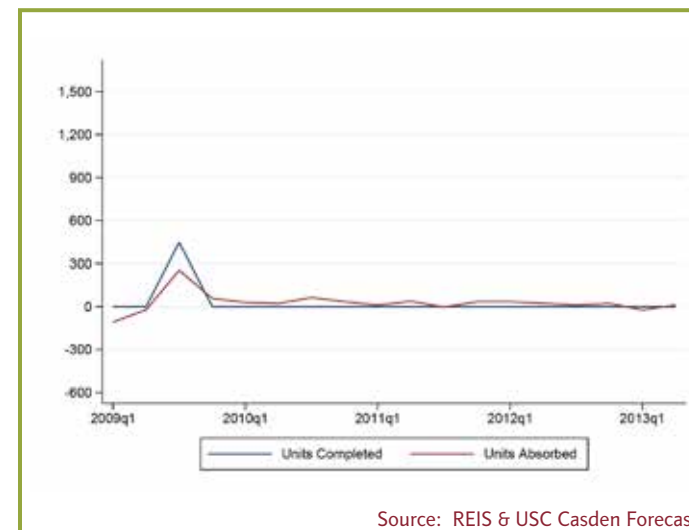
### University City, Moreno Valley

The University City and Moreno Valley submarket contains the largest share of the multifamily rental inventory in the Inland Empire, accounting for 12.6 percent of the market. There were relatively few units added to this submarket since 2009. In total, almost 220 units were added, increasing the inventory by 1.3 percent. During the same time, there were almost 940 units absorbed. There was a small net negative absorption in only three quarters between 2009Q1 and 2013Q2. While the absorptions decreased the vacancy rate, these decreases have slowed significantly over the past few years. The vacancy rate decreased by 7.7 percent between 2012Q2 and 2013Q2, to 4.3 percent. The average rent in this submarket increased by 2.1 percent over the same period to \$1,015.

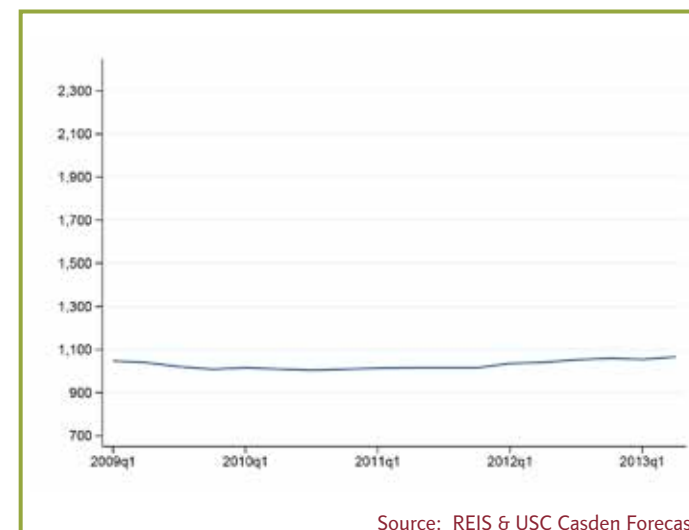
## Upland

The Upland submarket contains 4.4 percent of the multifamily rental inventory in the Inland Empire. The submarket gained a relatively significant share of its inventory in 2009, when almost 450 new rental units were completed, although no new units were completed since then. There was a net positive absorption of almost 500 units since 2009, which is not much larger than the number of units completed. The vacancy rate in Upland increased after the introduction of the new rental units in 2009 and has since been on a steady decline. Over the last year, the vacancy rate fluctuated between 3.5 and 3.1 percent and settled at 3.3 percent in 2013Q2, indicating 10.7 percent decline from the second quarter of 2012. This submarket also experienced among the highest increases in rent, increasing 2.4 percent over the year to \$1,066. There were only two other submarkets in the Inland Empire that showed similar increases over the same period.

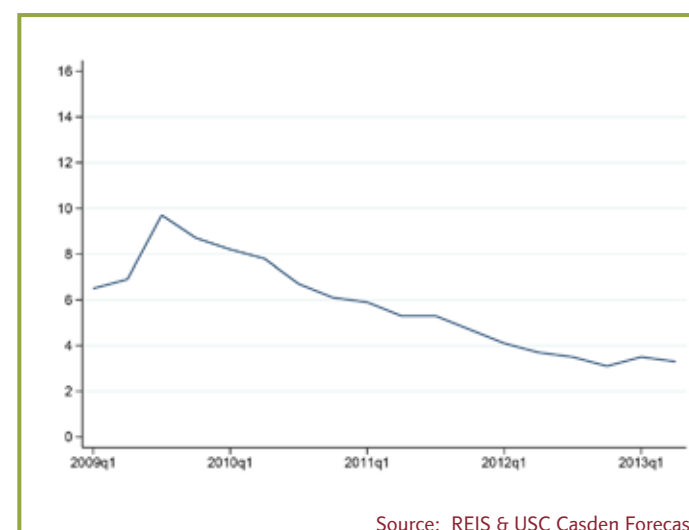
UNITS COMPLETED AND ABSORBED IN: UPLAND



AVERAGE RENT IN \$ FOR: UPLAND



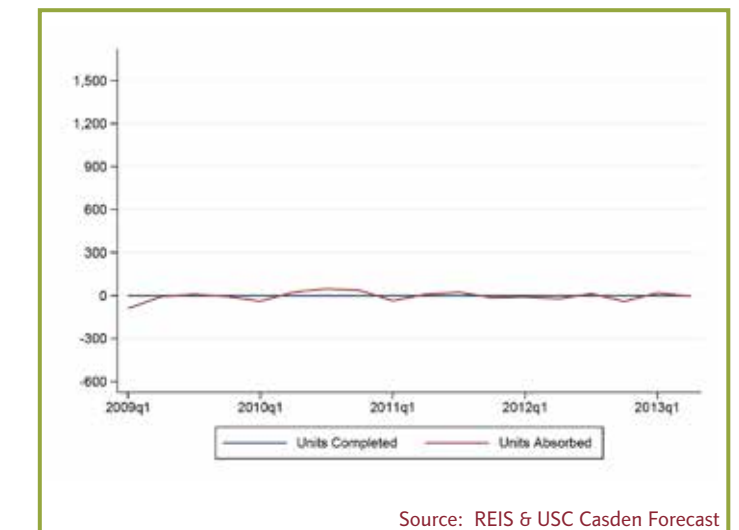
% VACANT IN: UPLAND



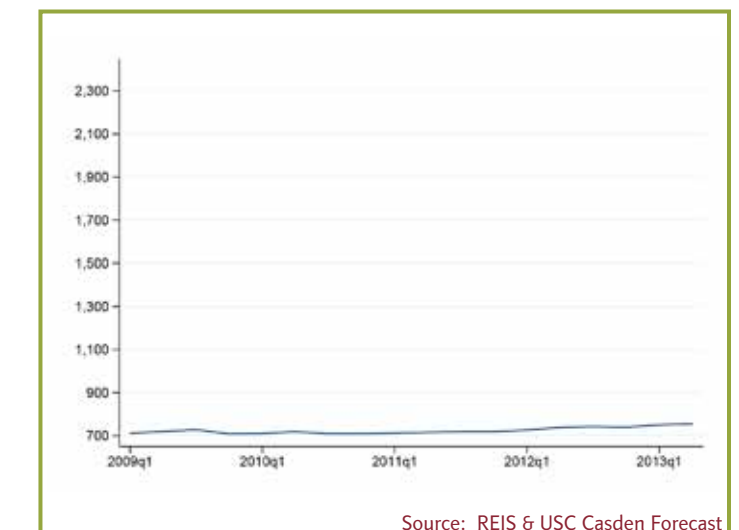
## Victorville

The Victorville submarket, among the smallest in the region, contains 2.5 percent of the multifamily rental inventory in the Inland Empire. It is the poorest performing submarket in the Inland Empire. There were no new multifamily rental completions in this submarket between 2009Q1 and 2013Q2, however there were almost 70 conversions in the first quarter of 2011. The conversions reduced the rental stock by roughly 2 percent. Victorville was the only market in Inland Empire with net negative absorptions between 2009 and today, with a negative absorption of almost 80 units. While few quarters showed net positive absorptions, particularly in 2010, net absorption fluctuated considerably since then. Accordingly, this was also the only market where the vacancy rate increased over the last year, increasing by 4 percent between 2012Q2 and 2013Q2. The average rent of \$755 in 2013Q2 was the lowest in the Inland Empire. The average rent did increase by 2.2 percent over the last year, which is slightly higher than the average increase for all submarkets in the Inland Empire.

UNITS COMPLETED AND ABSORBED IN: VICTORVILLE



AVERAGE RENT IN \$ FOR: VICTORVILLE



% VACANT IN: VICTORVILLE



# INLAND EMPIRE Multifamily FORECAST

## INLAND EMPIRE FORECAST

### WHAT THE ECONOMETRIC MODEL PREDICTS

#### RENTS

- Our econometric models report a 2.2 percent increase in the average rent between 2013Q2 and 2014Q2 and a 4.5 percent increase between 2013Q2 and 2015Q2.
- As the graphs below highlight, rents will continue increasing in all submarkets across the region. By 2015Q2 the average rent in all 16 submarkets will likely be higher than 2013Q2.
- The largest percent increase in annual rents will likely take place in the South Ontario, Chino and the Rancho Cucamonga submarkets.

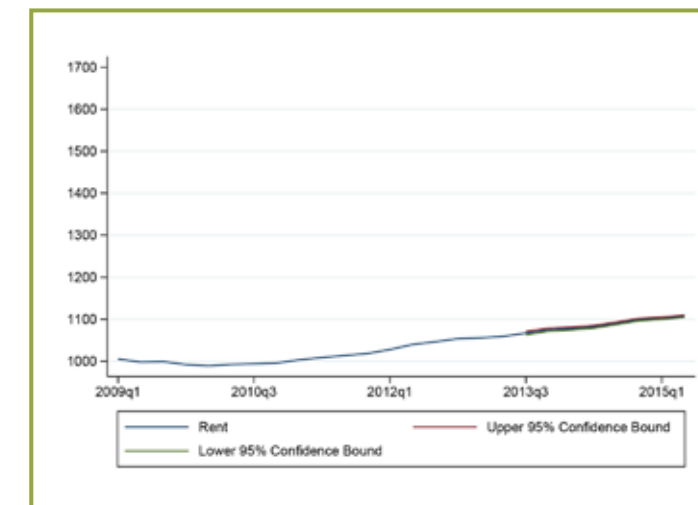
#### VACANCY RATE

- The average vacancy rate in the County will likely decrease by 15.7 percent between 2013Q2 and 2014Q2 to 3.1 percent, and decrease again in the following year to 2.6 percent.
- As seen below, vacancy rates may increase in some quarters for some submarkets; however, by 2015Q2 the vacancy rate in all 16 submarkets will likely be lower than 2013Q2.
- The largest percentage decrease in the annual vacancy rate will also likely happen in the South Ontario, Chino and the Rancho Cucamonga submarkets.

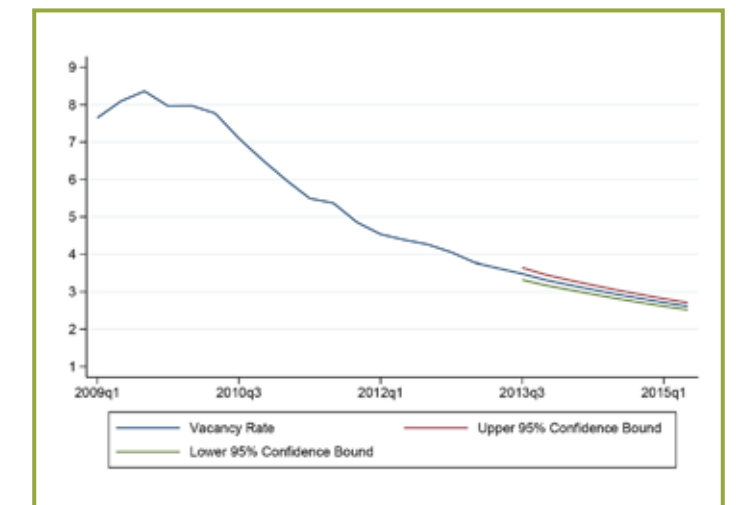
## “OUR TAKE”

Our forecast predicts an overall increase in demand for multifamily rental units over the next two years. In the end, much will depend upon the employment picture and completions over this time. As previously noted, the number of units completed in the past year is an increase from the number of units completed in previous years, however these units were only added in two submarkets. If the share of units completed begins to increase across all submarkets then rents may not increase, and vacancy rates may not decline, as much. In addition, our model assumes a two percent annual increase in the CPI and any deviation from that assumption would affect our forecast.

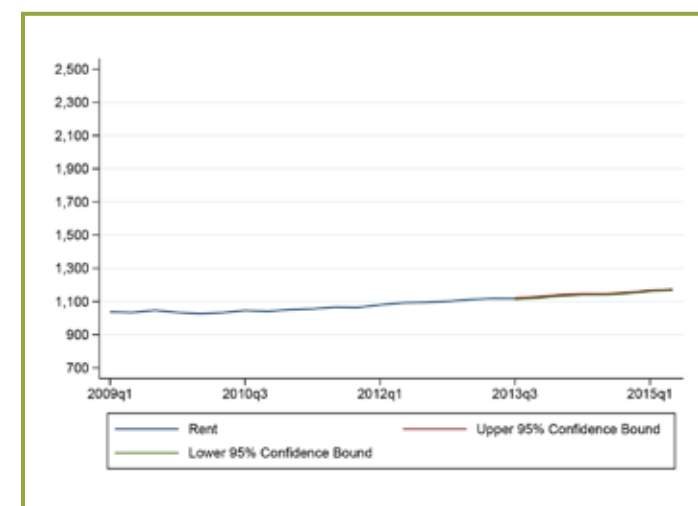
FORECAST AVERAGE RENT IN \$ FOR INLAND EMPIRE



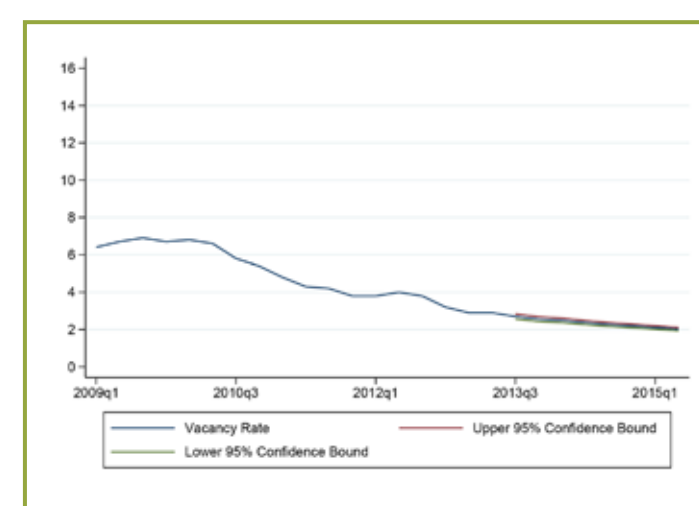
FORECAST AVERAGE % VACANT IN INLAND EMPIRE



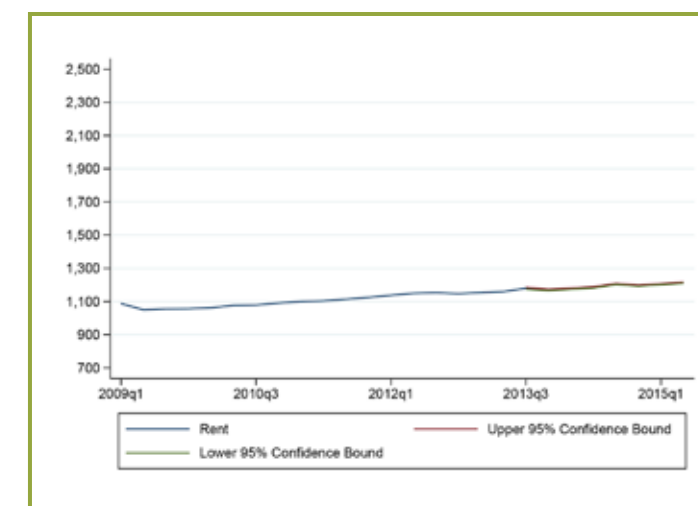
FORECAST AVERAGE RENT IN \$ FOR: COLTON, LOMA LINDA



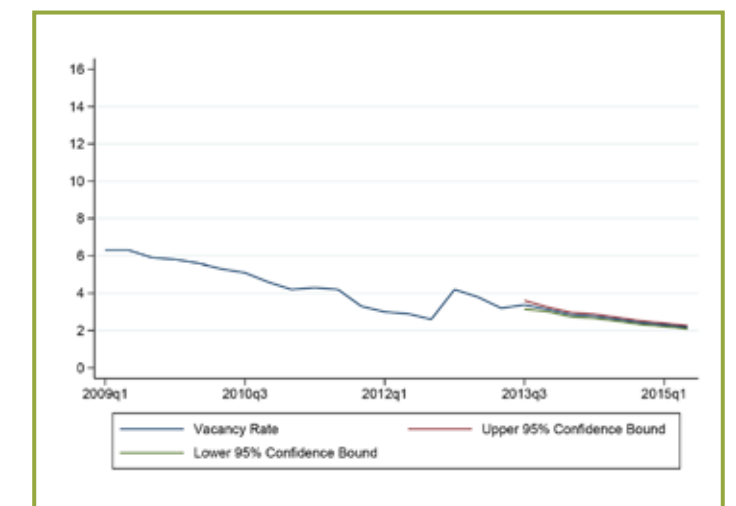
FORECAST % VACANT IN: COLTON, LOMA LINDA



FORECAST AVERAGE RENT IN \$ FOR: CORONA

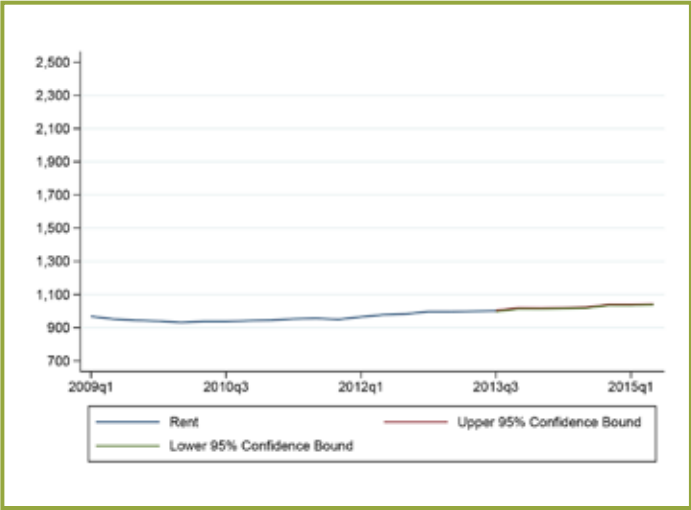


FORECAST % VACANT IN: CORONA

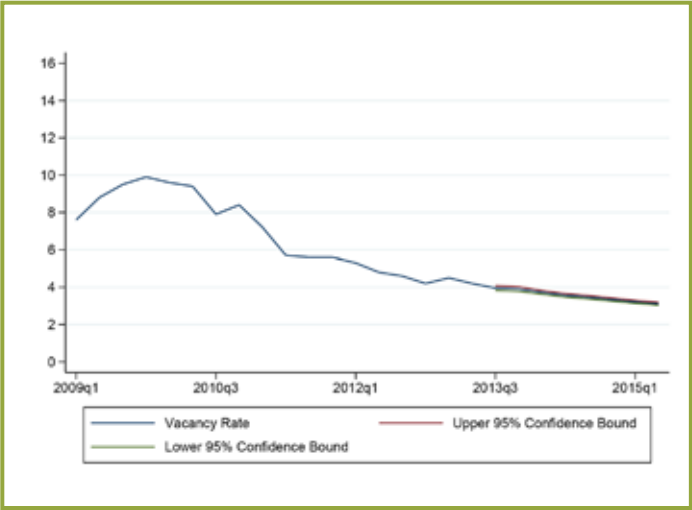




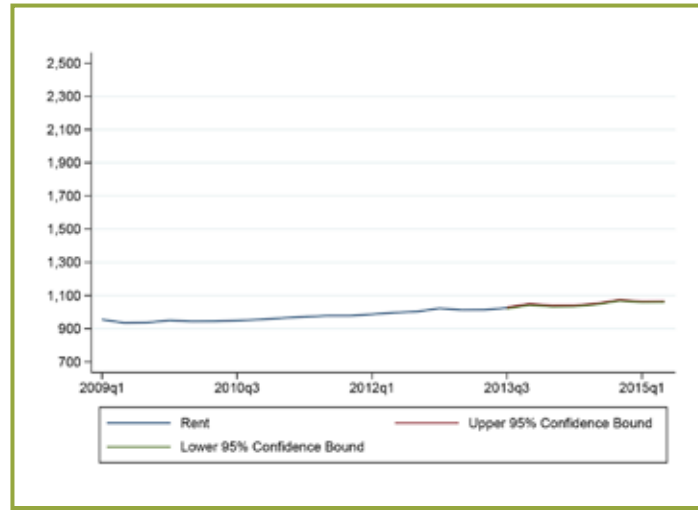
FORECAST AVERAGE RENT IN \$ FOR: FONTANA AND RIALTO



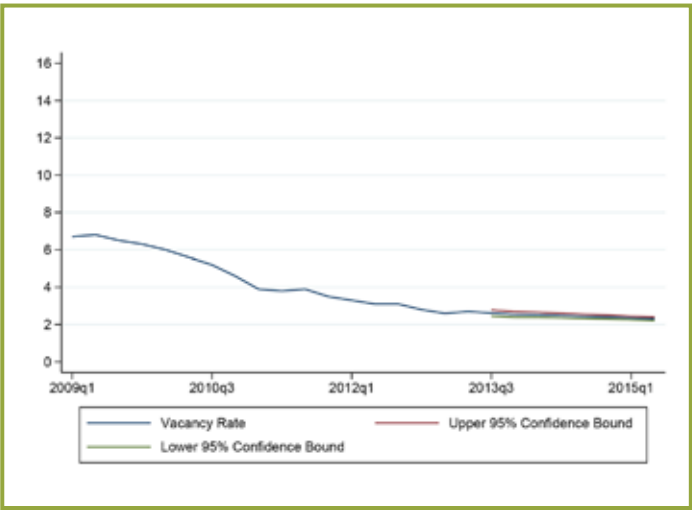
FORECAST % VACANT IN: FONTANA AND RIALTO



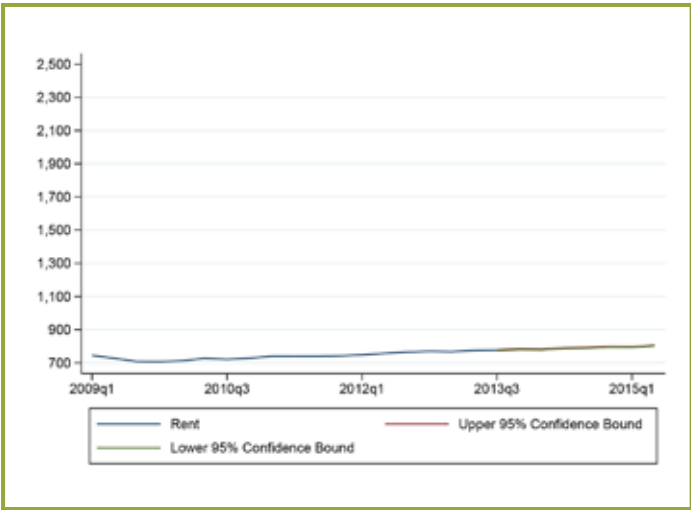
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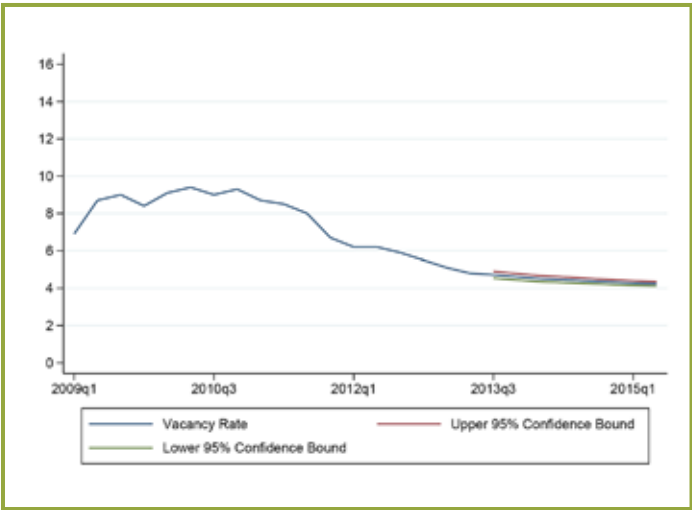
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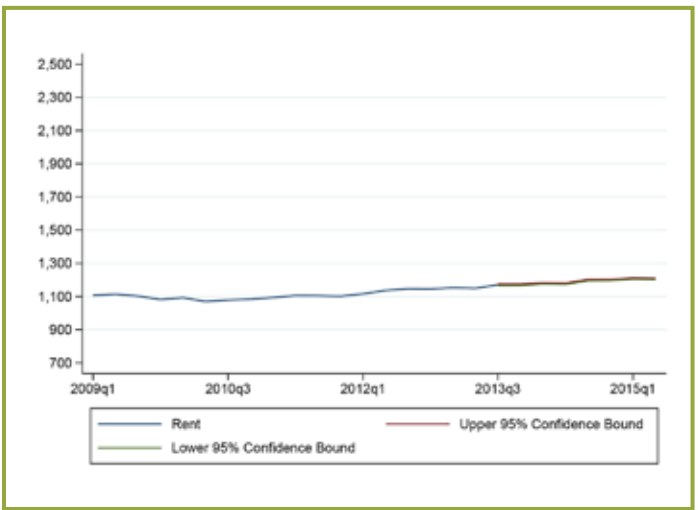
FORECAST AVERAGE RENT IN \$ FOR: HEMET



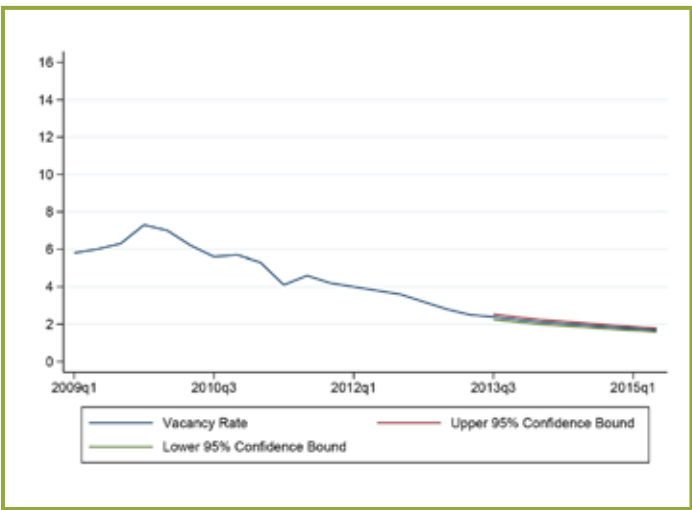
FORECAST % VACANT IN: HEMET



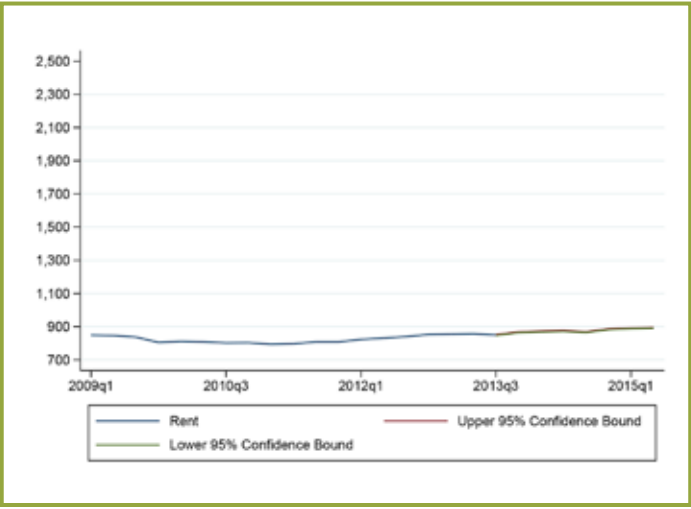
FORECAST AVERAGE RENT IN \$ FOR: NORTH ONTARIO



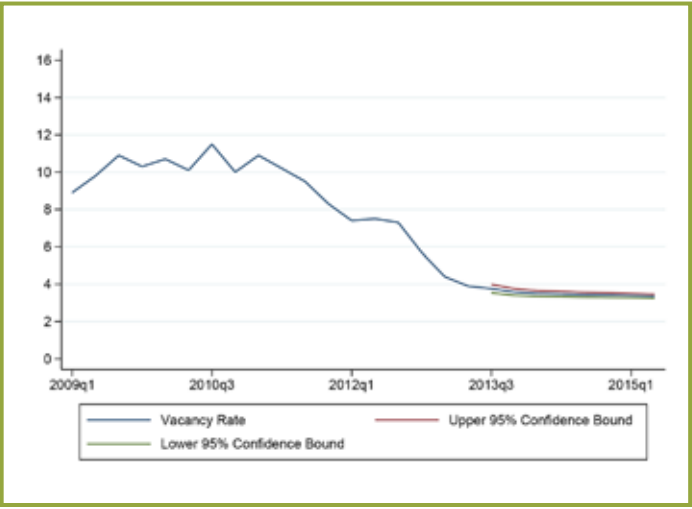
FORECAST % VACANT IN: NORTH ONTARIO



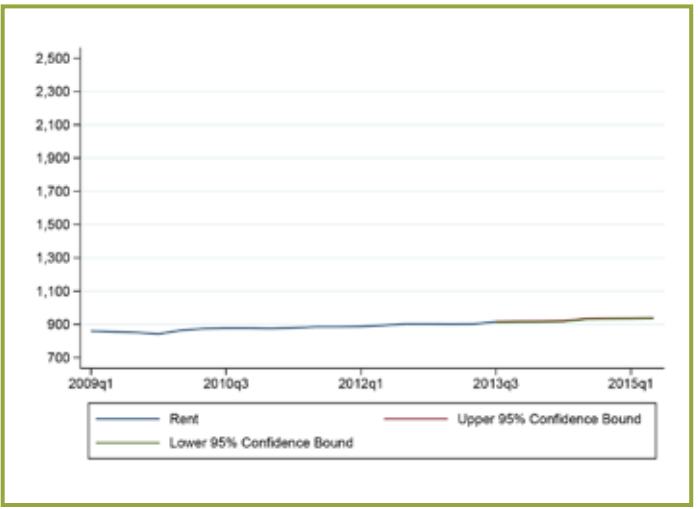
FORECAST AVERAGE RENT IN \$ FOR: INDIO, LA QUINTA, AND COACHELLA



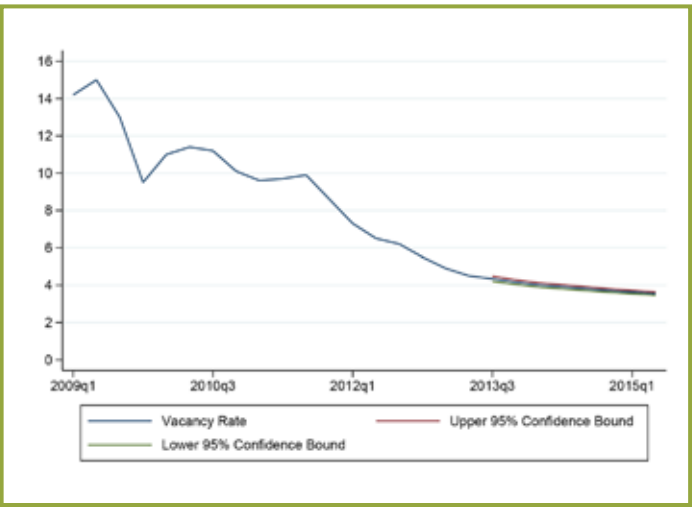
FORECAST % VACANT IN: INDIO, LA QUINTA, AND COACHELLA



FORECAST AVERAGE RENT IN \$ FOR: PALM SPRINGS AND PALM DESERT

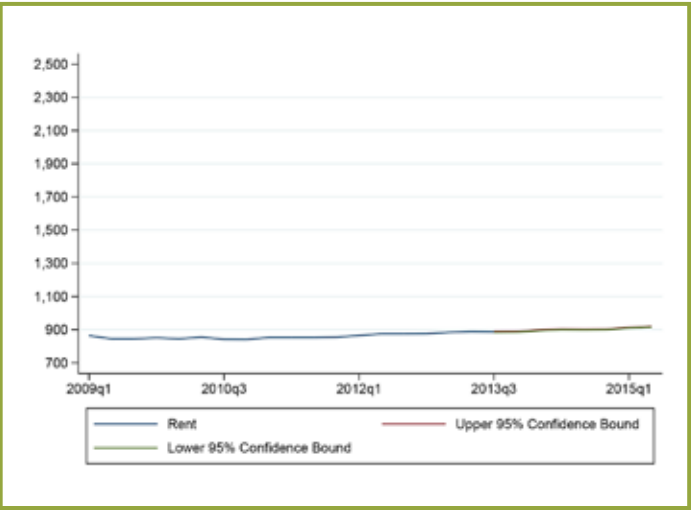


FORECAST % VACANT IN: PALM SPRINGS AND PALM DESERT

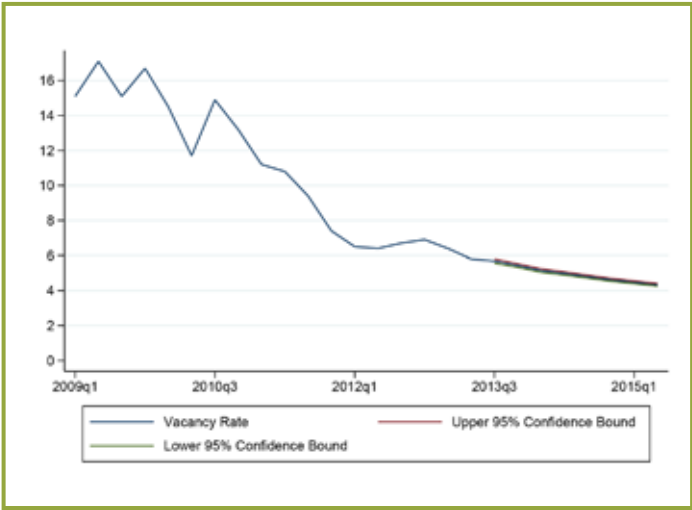


# Inland Empire Multifamily FORECAST

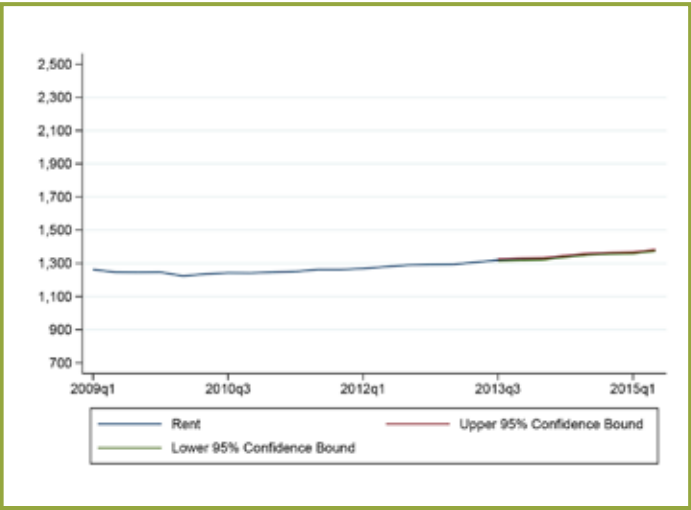
FORECAST AVERAGE RENT IN \$ FOR: PERRIS



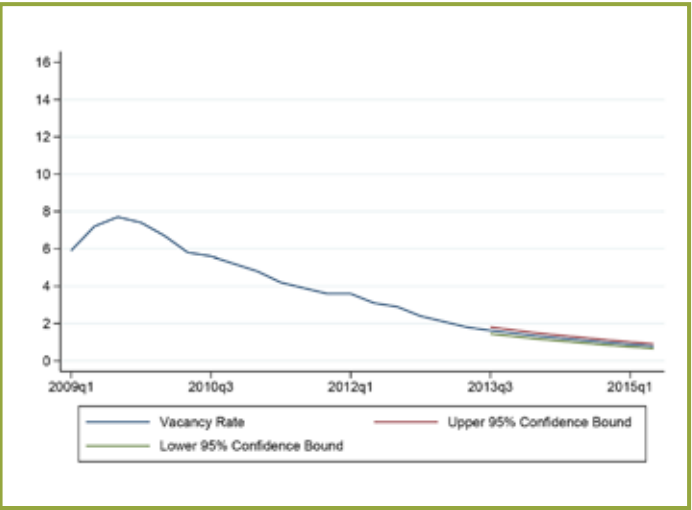
FORECAST % VACANT IN: PERRIS



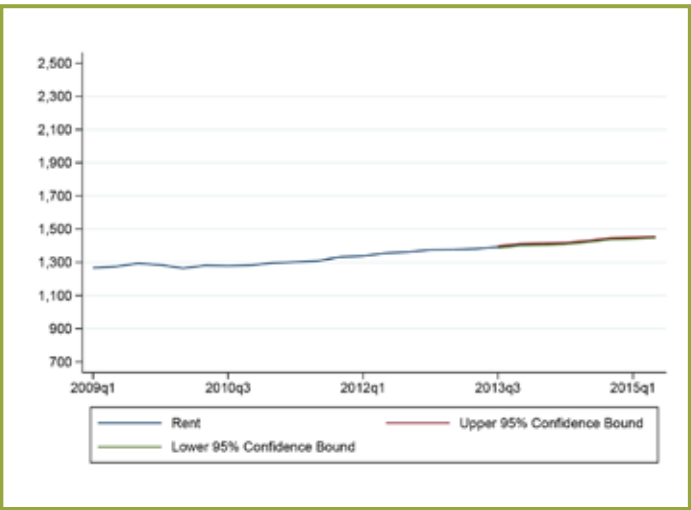
FORECAST AVERAGE RENT IN \$ FOR: SOUTH ONTARIO AND CHINO



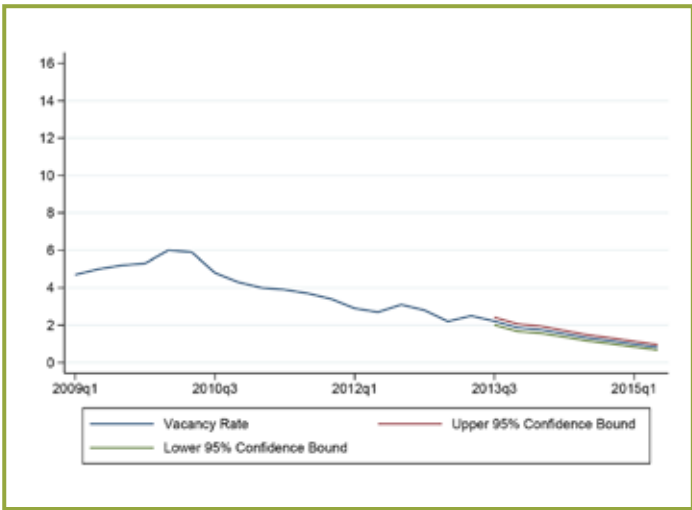
FORECAST % VACANT IN: SOUTH ONTARIO AND CHINO



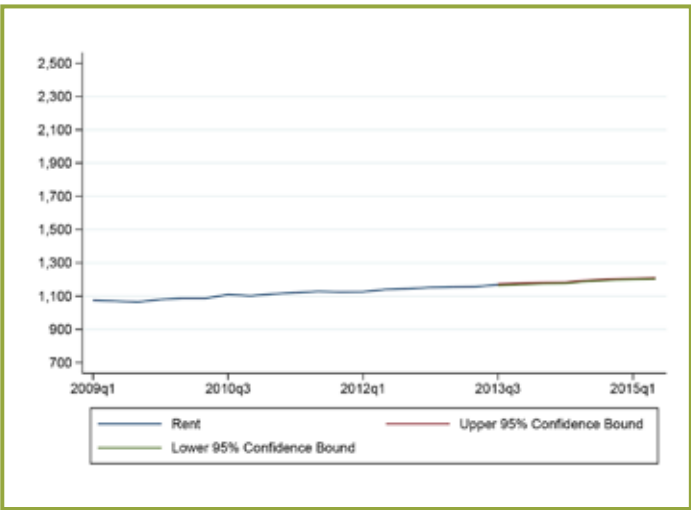
FORECAST AVERAGE RENT IN \$ FOR: RANCHO CUCAMONGA



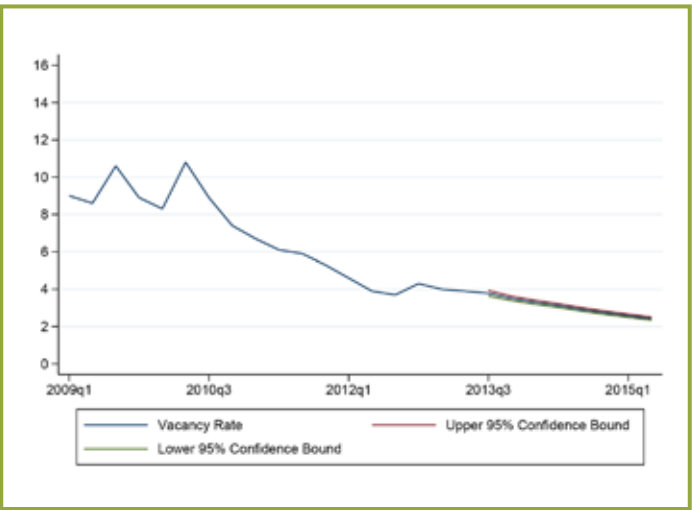
FORECAST % VACANT IN: RANCHO CUCAMONGA



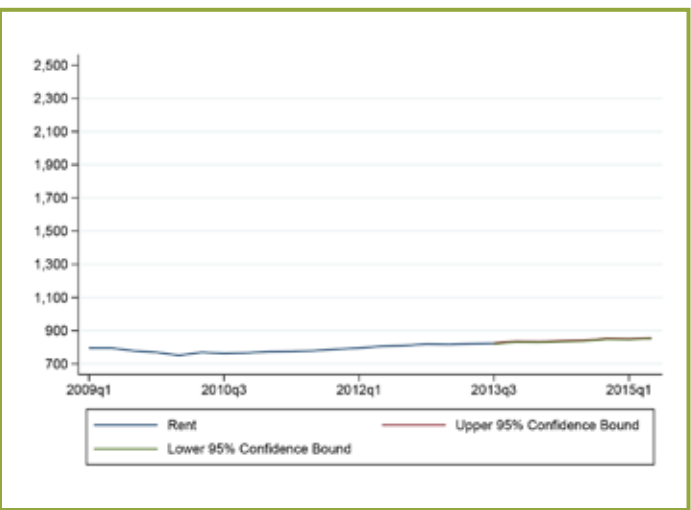
FORECAST AVERAGE RENT IN \$ FOR: SW RIVERSIDE COUNTY



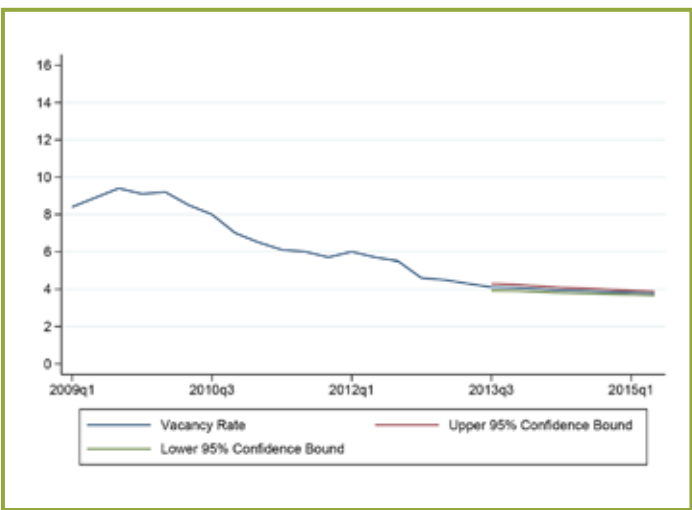
FORECAST % VACANT IN: SW RIVERSIDE COUNTY



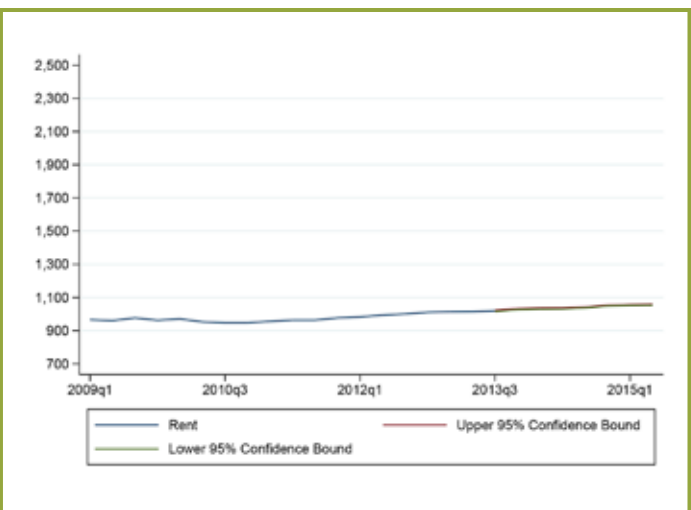
FORECAST AVERAGE RENT IN \$ FOR: SAN BERNARDINO



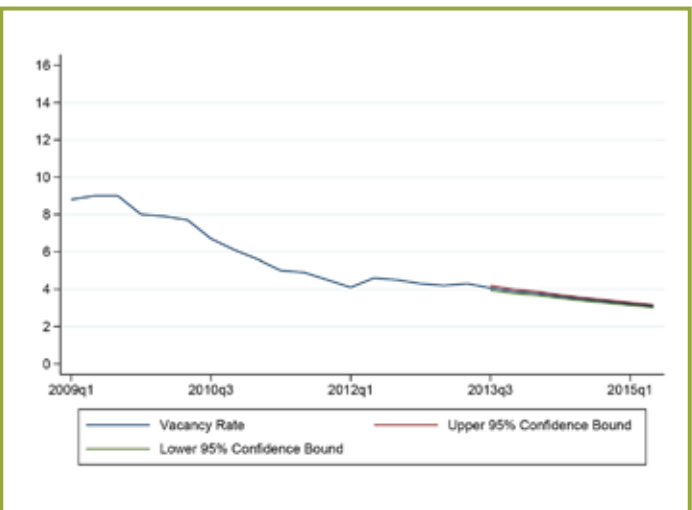
FORECAST % VACANT IN: SAN BERNARDINO



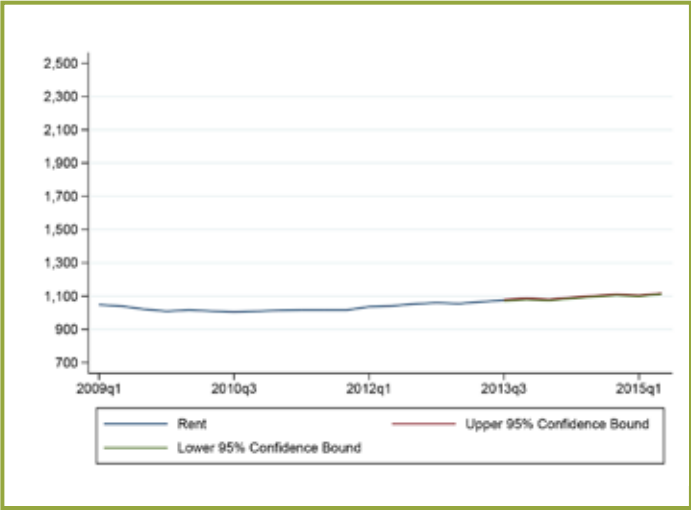
FORECAST AVERAGE RENT IN \$ FOR: UNIVERSITY CITY AND MORENO VALLEY



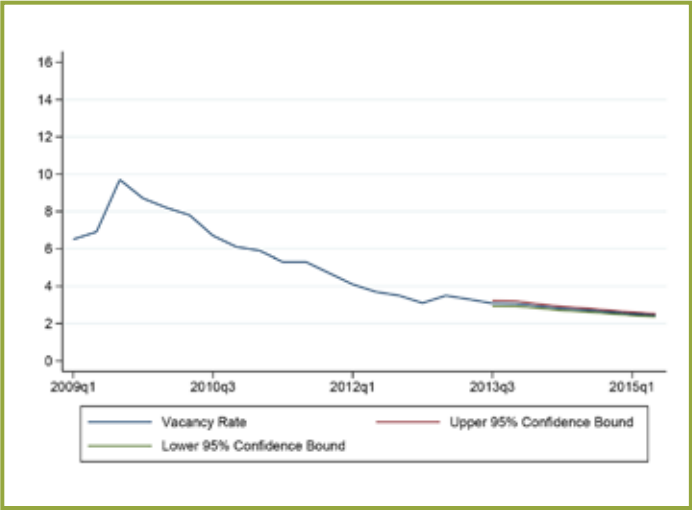
FORECAST % VACANT IN: UNIVERSITY CITY AND MORENO VALLEY



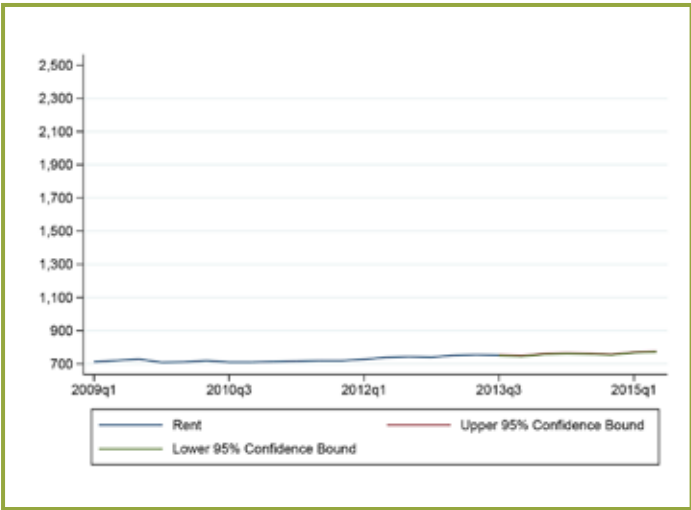
FORECAST AVERAGE RENT IN \$ FOR: UPLAND



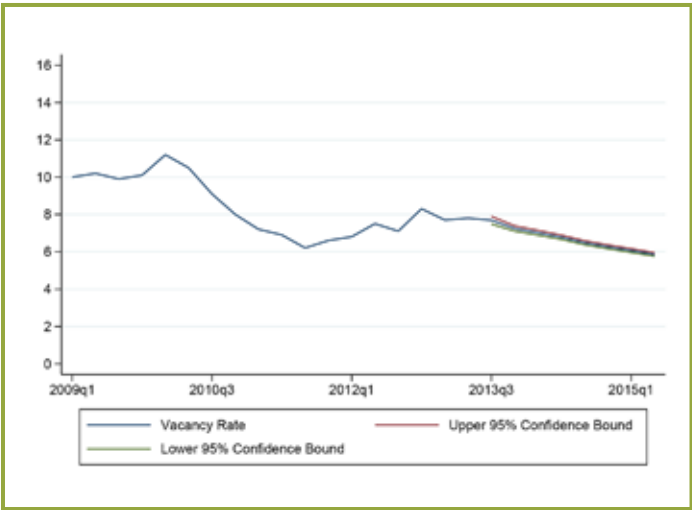
FORECAST % VACANT IN: UPLAND



FORECAST AVERAGE RENT IN \$ FOR: VICTORVILLE



FORECAST % VACANT IN: VICTORVILLE



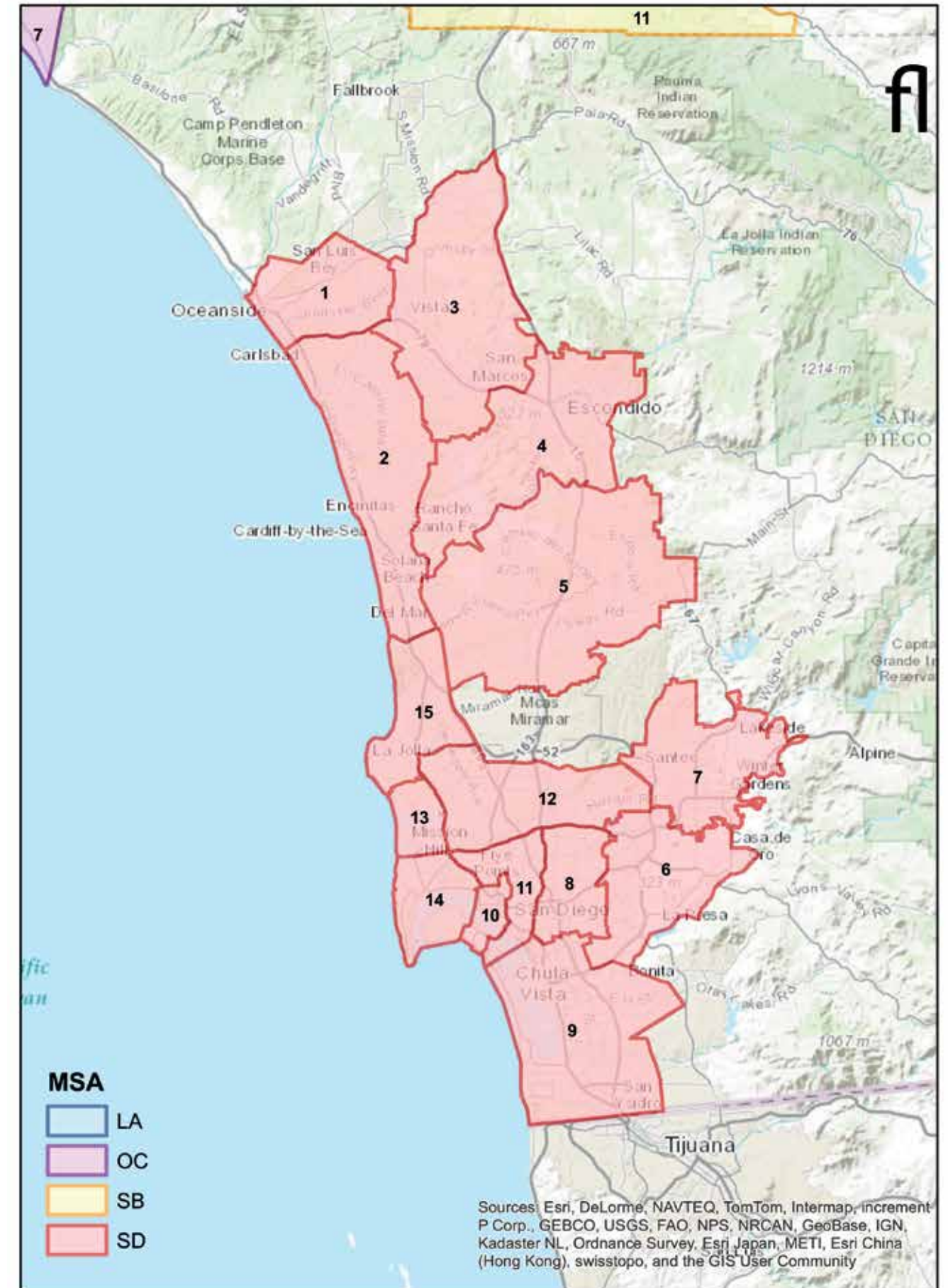






### SAN DIEGO SUBMARKET MAP

- 1 OCEANSIDE
- 2 NORTH BEACHES
- 3 VISTA
- 4 ESCONDIDO, SAN MARCOS
- 5 MIRA MESA, RANCHO BERNARDO
- 6 LA MESA, SPRING VALLEY, LEMON GROVE
- 7 EL CAJON, SANTEE, LAKESIDE
- 8 SAN DIEGO EAST of I-15
- 9 NATIONAL CITY, CHULA VISTA
- 10 DOWNTOWN SAN DIEGO
- 11 BALBOA PARK, WEST of I-15
- 12 CLAIREMONT, LINDA VISTA, MISSION
- 13 MISSION BAY, PACIFIC BEACH
- 14 OCEAN BEACH, POINT LOMA Blvd
- 15 LA JOLLA, UNIVERSITY CITY



0 5 10 20 Miles

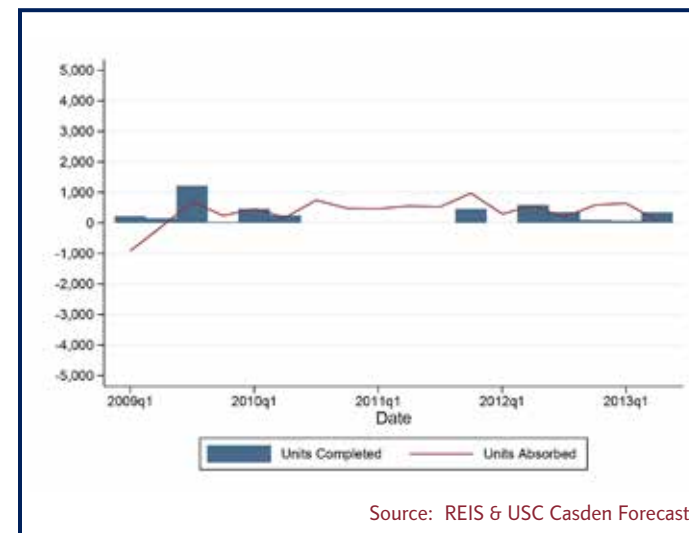


## SAN DIEGO

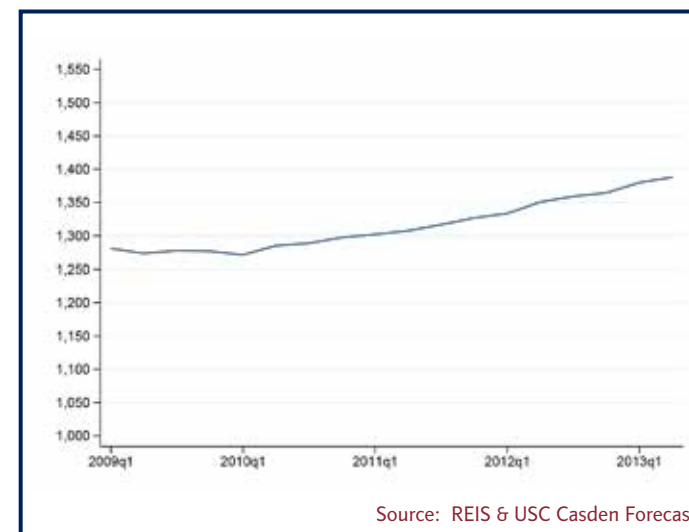
San Diego County saw vacancies fall and rents rise across all submarkets between the second quarters of 2012 and 2013. Over 830 units were built in the County, and over 390 were removed, for a net addition of 440 units, which was a drop of almost 2/3 from the previous year.

At the same time, the market absorbed 1,490 rental units. Only one of the 15 submarkets in the County had a negative net absorption in the last year, and that was Downtown, where the number of units available for rent fell because of conversions out of rental housing. Vacancies dropped considerably. As a result, the countywide vacancy rate dropped to an almost absurd 2.3 percent in the second quarter of 2013, which was a 37 percent reduction from the countywide vacancy rate in the previous year. The vacancy rate decreased in all submarkets in San Diego County in the past year, with the largest percent reduction in annual vacancy rate occurring in the North Beach submarket. In the second quarter of 2013 the average effective rent for the county increased by 2.8 percent over the previous year, landing at an average of \$1,388. Annual rents increased in all 15 submarkets in the County, with the largest percent increase in annual rents occurring in the Mira Mesa, Rancho Bernardo submarket. Overall, these dynamics point to an increase in the demand for multifamily rental housing, and a tightening rental market, which we explore further in our submarket reports.

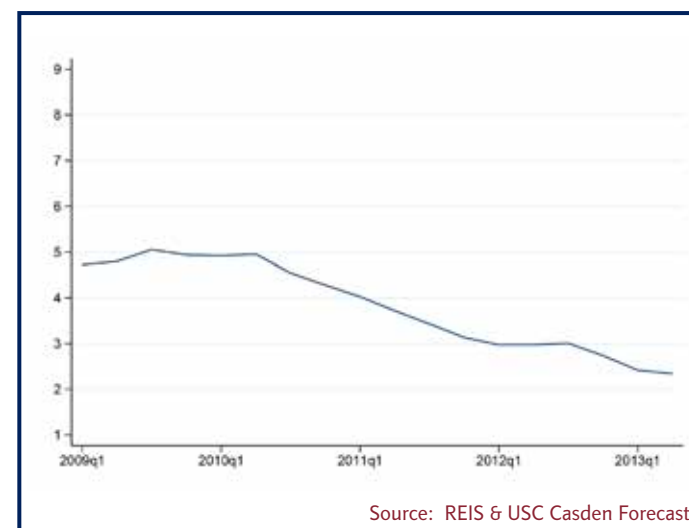
UNITS COMPLETED AND ABSORBED IN SAN DIEGO COUNTY



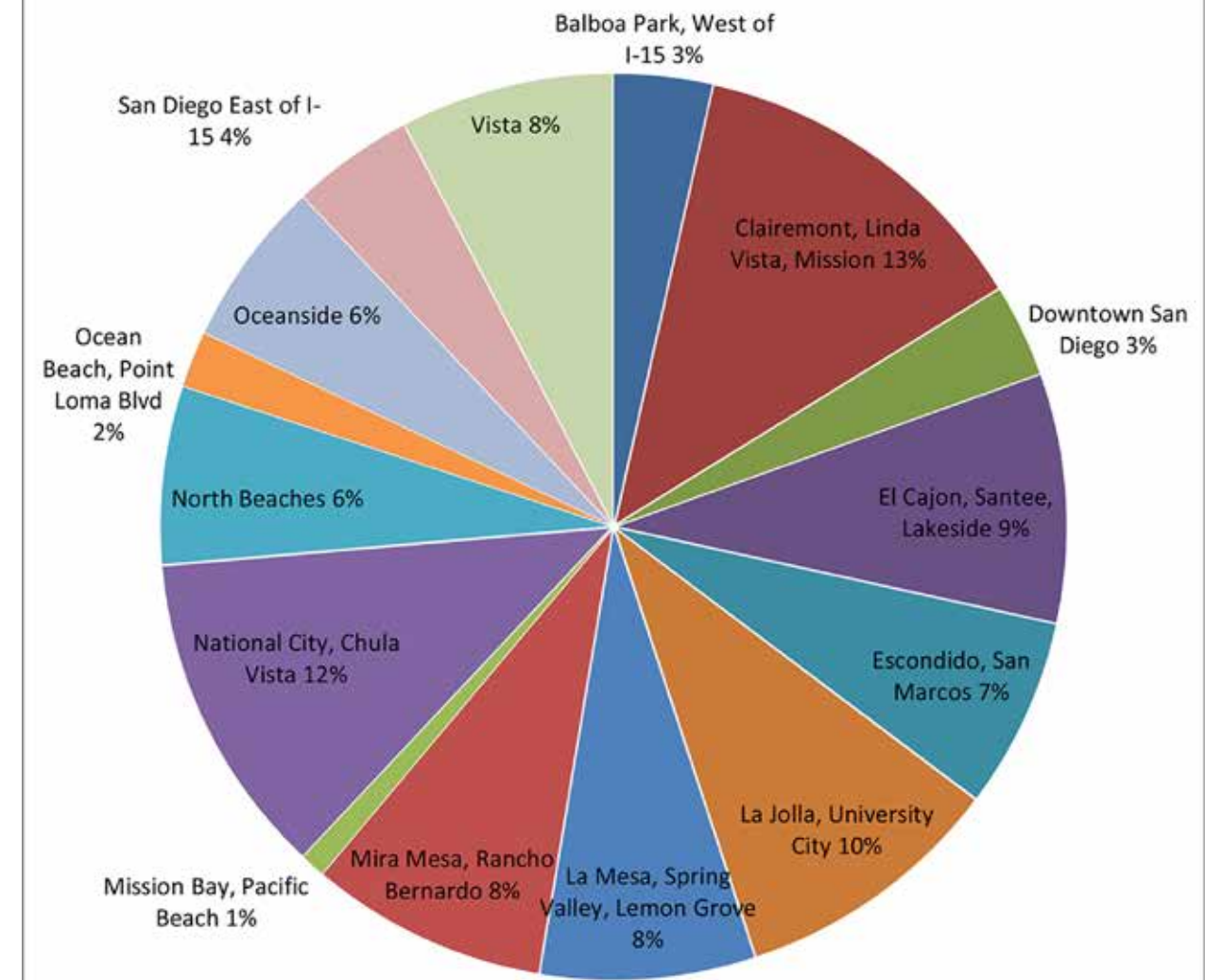
AVERAGE RENT IN \$ FOR SAN DIEGO COUNTY



AVERAGE PERCENT VACANT FOR SAN DIEGO COUNTY



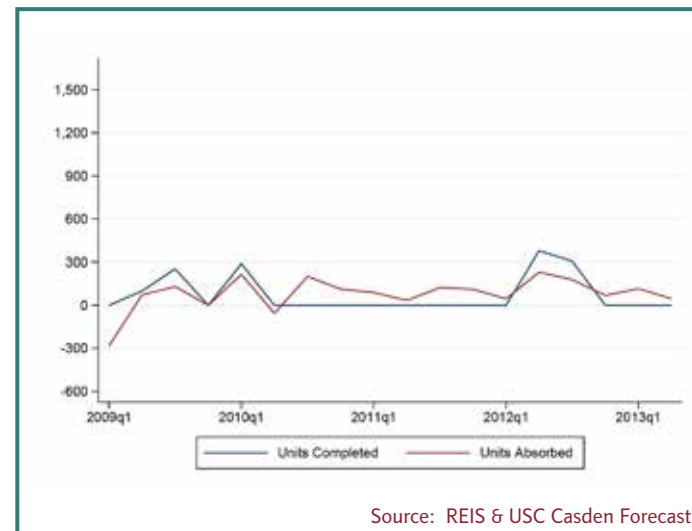
Share of County Inventory



# SAN DIEGO MULTIFAMILY MARKET TRENDS

## SUBMARKETS

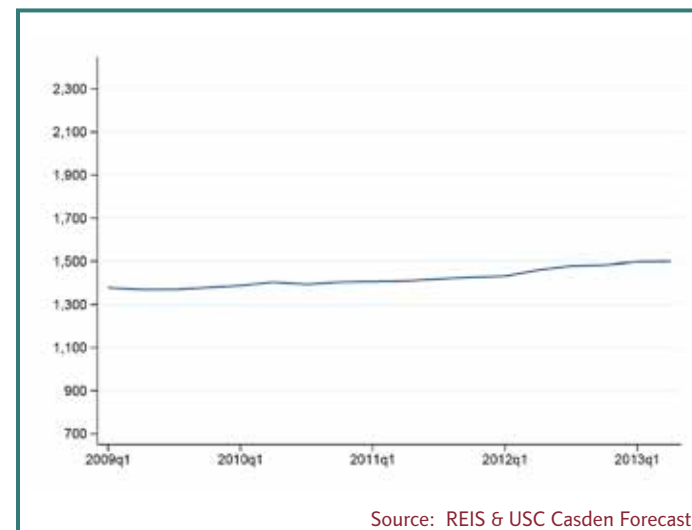
UNITS COMPLETED AND ABSORBED IN: BALBOA PARK, WEST OF I-15



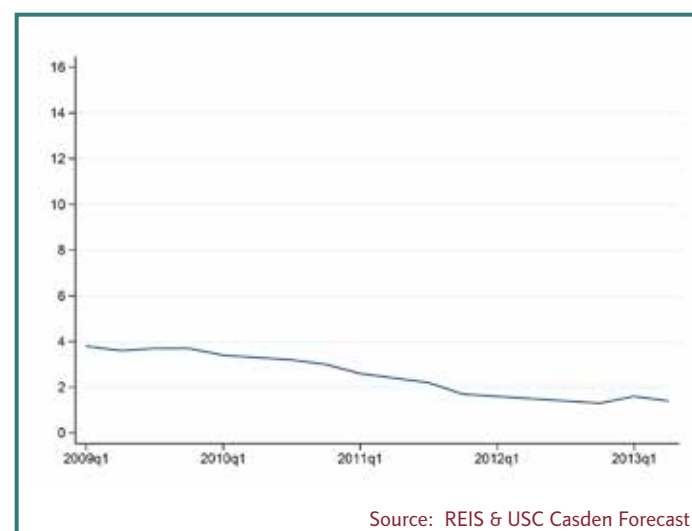
### Balboa Park

Balboa Park, west of I-15, makes up 3.5 percent of San Diego County's inventory. No new units were completed in this submarket since 2009Q1, and like many other submarkets, the number of units absorbed (almost 130 units since 2009Q1) has brought down vacancy from 3.8 percent to 1.4 percent. This area had the lowest rents in the San Diego area, at an average of \$1,081 in 2013Q2. The median household income in Balboa parks sits at 2/3 the income for the San Diego region, at a little under \$30,000, which makes it difficult to think how rents could get pushed much higher.

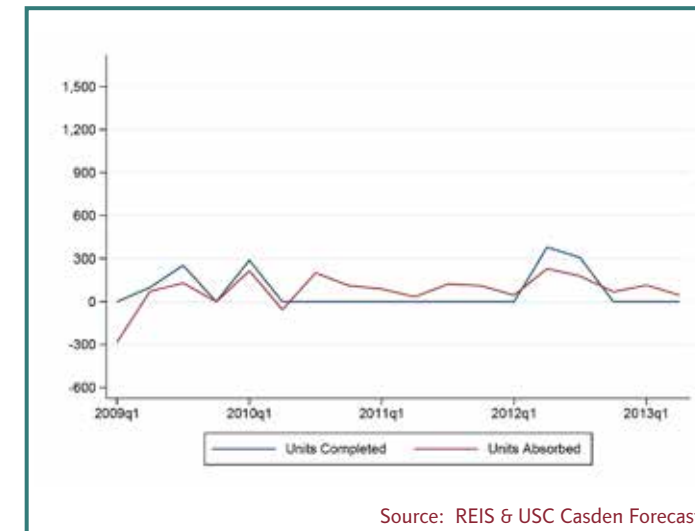
AVERAGE RENT IN \$ FOR: BALBOA PARK AND WEST OF I-15



% VACANT IN: BALBOA PARK AND WEST OF I-15



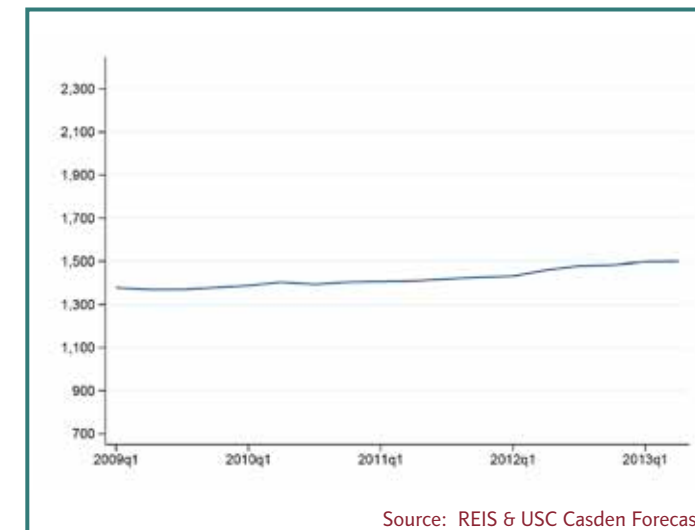
UNITS COMPLETED AND ABSORBED IN: CLAIREMONT, LINDA VISTA, MISSION



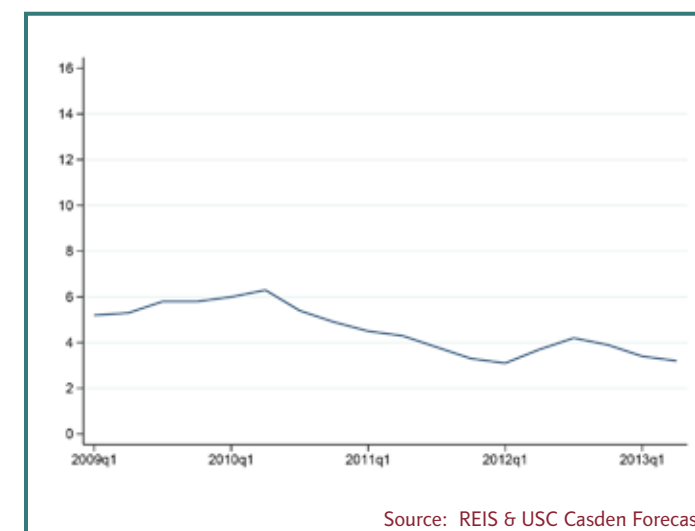
### Clairemont, Linda Vista, Mission

Clairemont, Linda Vista, and Mission make up a large rental market—12.7 percent of San Diego County's inventory is within this market. Since 2009Q1, over 1,400 units have been absorbed into a market that added over 1,300 units. The vacancy rate in this area, as in the rest of the County, fell to very low levels, from 5.2 percent to 3.2 percent. As of 2013Q2, the average rent was \$1,500, which was a 2.7 percent increase from the prior year's average rent.

AVERAGE RENT IN \$ FOR: CLAIREMONT, LINDA VISTA, AND MISSION



% VACANT IN: CLAIREMONT, LINDA VISTA, AND MISSION

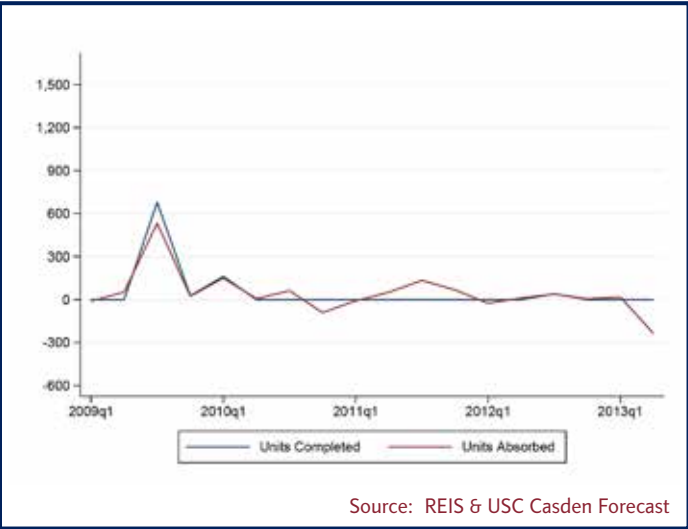




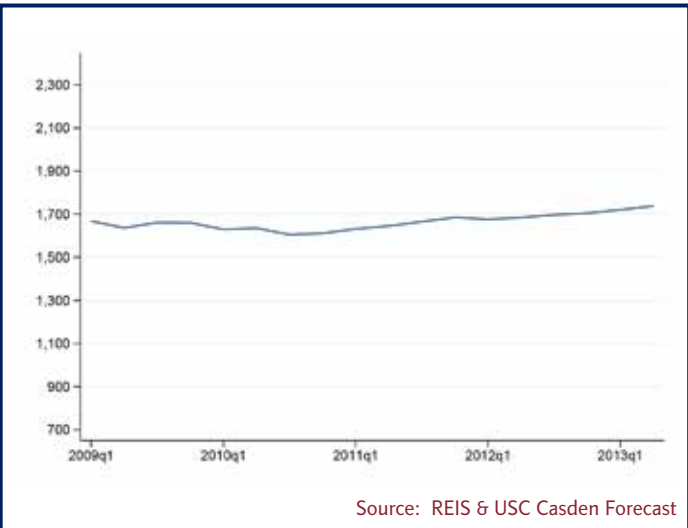
Downtown San Diego

Downtown San Diego still has a relatively small share of the market’s inventory, at 3.3 percent. The stock has grown by over 900 units since 2009 off a base of over 5,300 units. The market absorbed those units, with net occupancy rising by almost 800 units. 2013Q2 had negative absorption, reflecting a conversion of 230 units away from rental. The vacancy rate in downtown San Diego was a bit high for the standard of the region, but dropped from 8.4 to 5.4 percent since 2009Q1. The Downtown vacancy rate did increase by 30 basis points from 2013Q1 to 2013Q2, again making it a bit of an outlier for the region. Despite this recent increase in the vacancy rate, rents increased between 2012Q2 and 2013Q2 by 3.2 percent to \$1,738, reflecting that fact that while the Downtown submarket is a bit looser than the rest of the region, it is still quite tight by normal, national standards.

UNITS COMPLETED AND ABSORBED IN: DOWNTOWN SAN DIEGO



AVERAGE RENT IN \$ FOR: DOWNTOWN SAN DIEGO



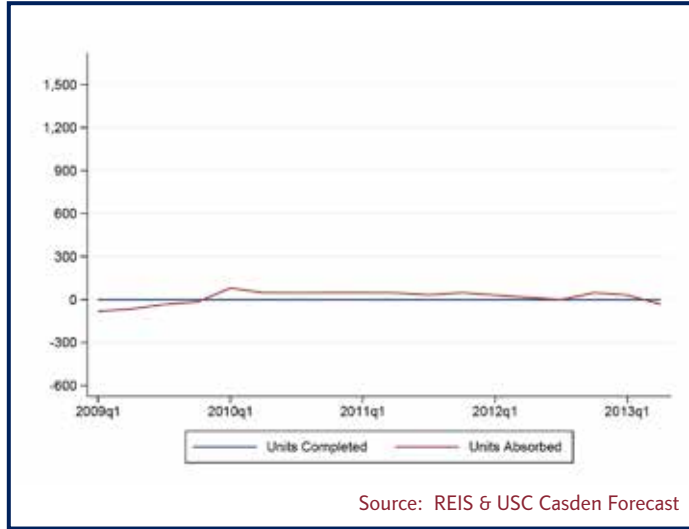
% VACANT IN: DOWNTOWN SAN DIEGO



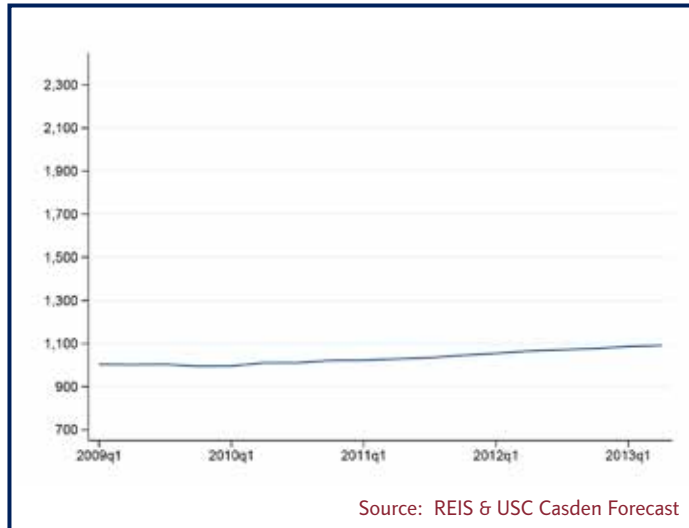
El Cajon, Santee, Lakeside

El Cajon, Santee and Lakeside contain 8.9 percent of the multifamily rental market in San Diego County. There were no new rental units added to this submarket between 2009Q1 and 2013Q2. There was a positive absorption of over 300 units between 2009Q1 and 2013Q2. The vacancy rate in this market dropped from a peak of 4.1 percent in 2009Q4 to 1.0 percent in 2013Q2. Rents from 2009Q1 through 2013Q2 increased from \$1,004 to \$1,092; rent in the last year has risen by 2.4 percent.

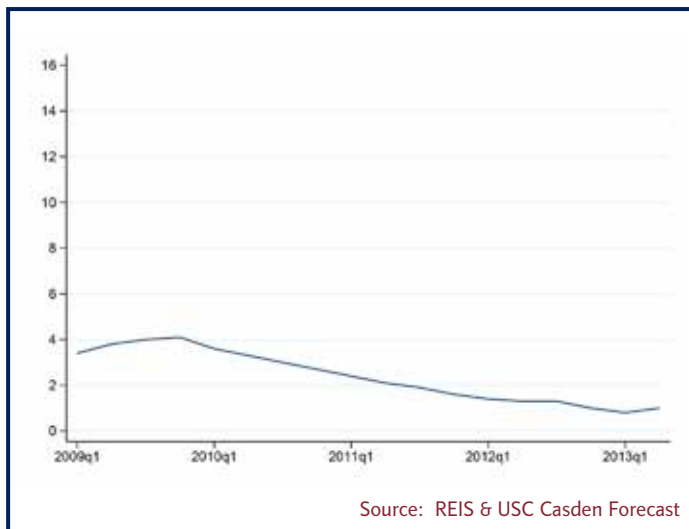
UNITS COMPLETED AND ABSORBED IN: EL CAJON, SANTEE, LAKESIDE



AVERAGE RENT IN \$ FOR: EL CAJON, SANTEE, AND LAKESIDE



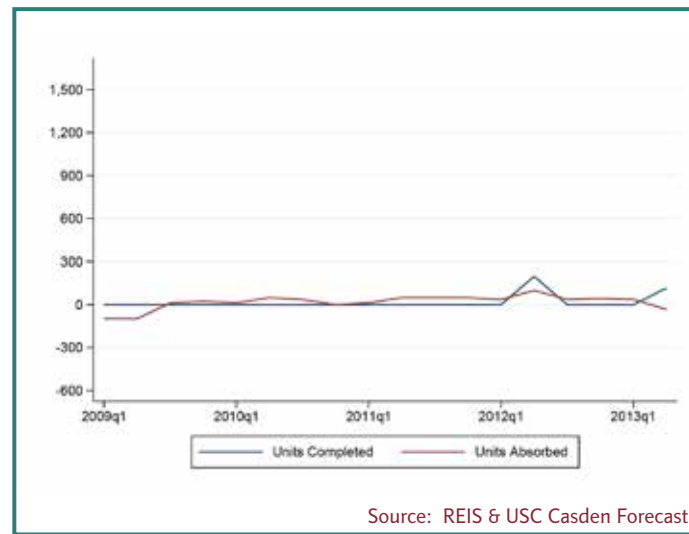
% VACANT IN: EL CAJON, SANTEE, AND LAKESIDE



# SAN DIEGO MULTIFAMILY MARKET TRENDS

## SUBMARKETS

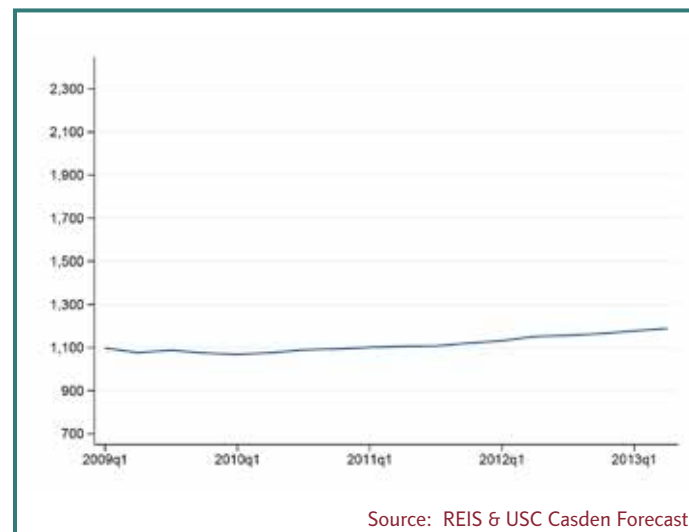
UNITS COMPLETED AND ABSORBED IN: ESCONDIDO, SAN MARCOS



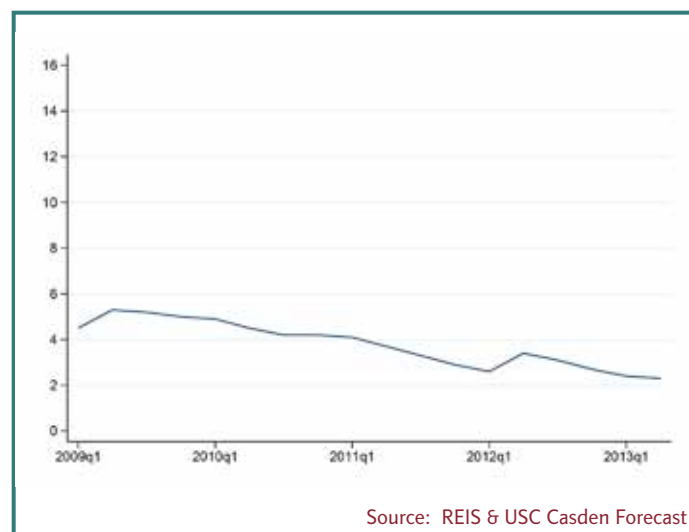
### Escondido, SAN MARCOS

Escondido and San Marcos, in the northeastern part of the San Diego metropolitan area, contains 6.8 percent of MSAs' inventory. Between 2009Q1 and 2012Q4 there was net absorption of almost 320 units. This period saw the completions of over 310 units, including almost 120 in the most recent quarter. As a result, this submarket appears to be among the few places in Southern California where supply and demand have been in sync for the past four years, although conversions reduced the size of the stock by over 160 units. The vacancy rate dropped from 5.3 to 2.3 percent between 2009Q2 and 2013Q2. Rents have risen by 3.2 percent over the past year, with an average rent of \$1,189 in 2013Q2.

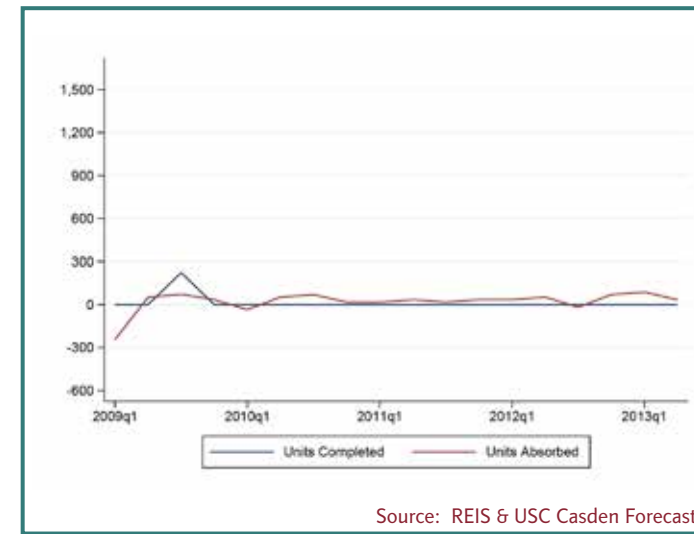
AVERAGE RENT IN \$ FOR: ESCONDIDO, AND SAN MARCOS



% VACANT IN: ESCONDIDO, AND SAN MARCOS



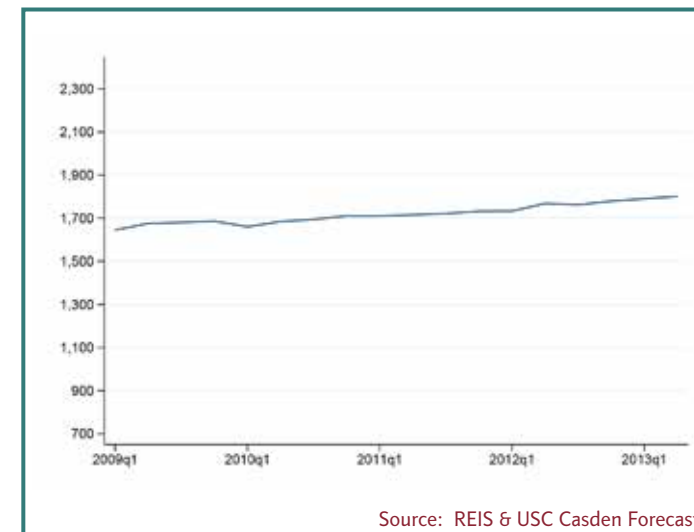
UNITS COMPLETED AND ABSORBED IN: LA JOLLA, UNIVERSITY CITY



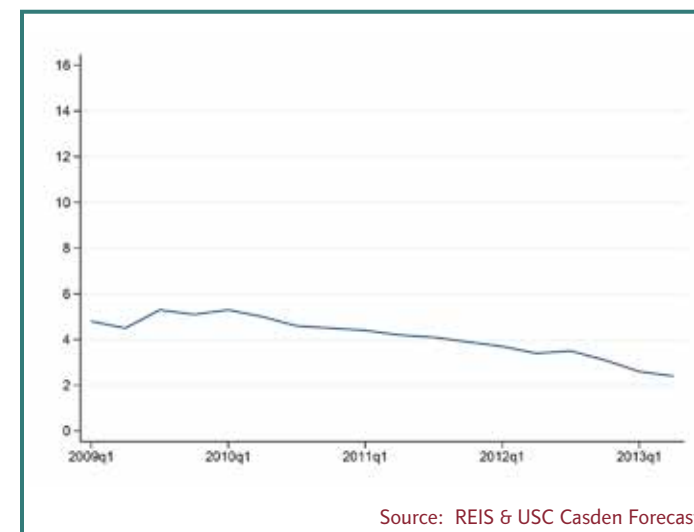
### LA JOLLA AND UNIVERSITY CITY

La Jolla is a large, expensive market, containing UCSD, amenity rich La Jolla Village and 9.7 percent of the multifamily rental market. La Jolla had no completions since 2009Q3, when over 220 units opened. The market absorbed over 390 units between 2009Q1 and 2013Q2. Current vacancy is 2.4 percent, and average rents, at \$1,801, are the highest in the County.

AVERAGE RENT IN \$ FOR: LA JOLLA AND UNIVERSITY CITY

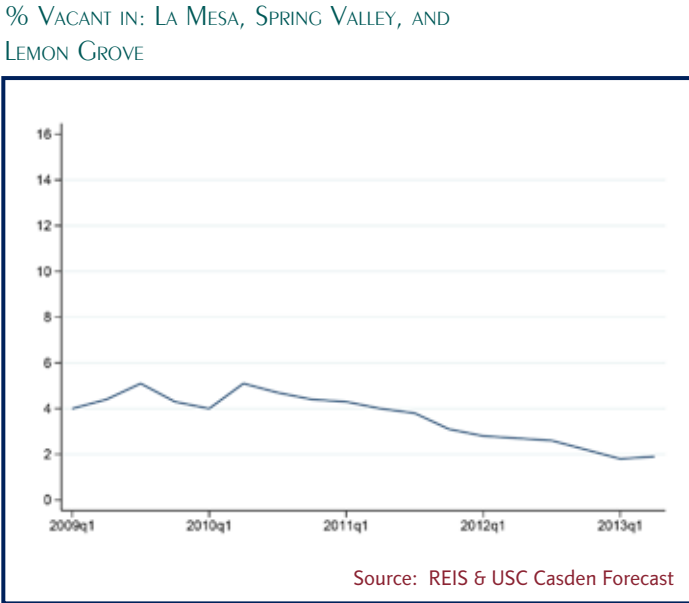
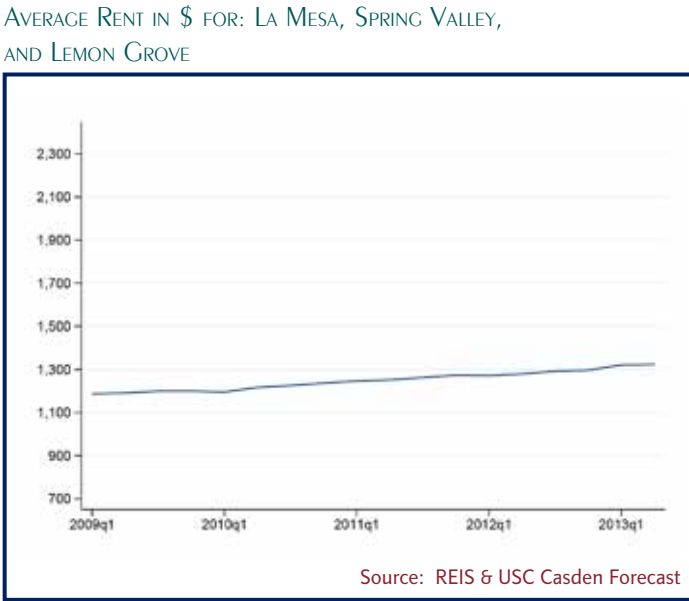
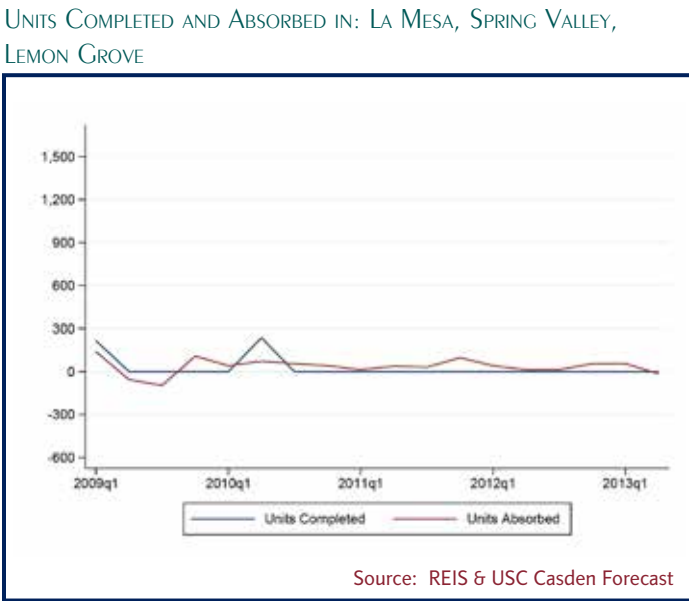


% VACANT IN: LA JOLLA AND UNIVERSITY CITY



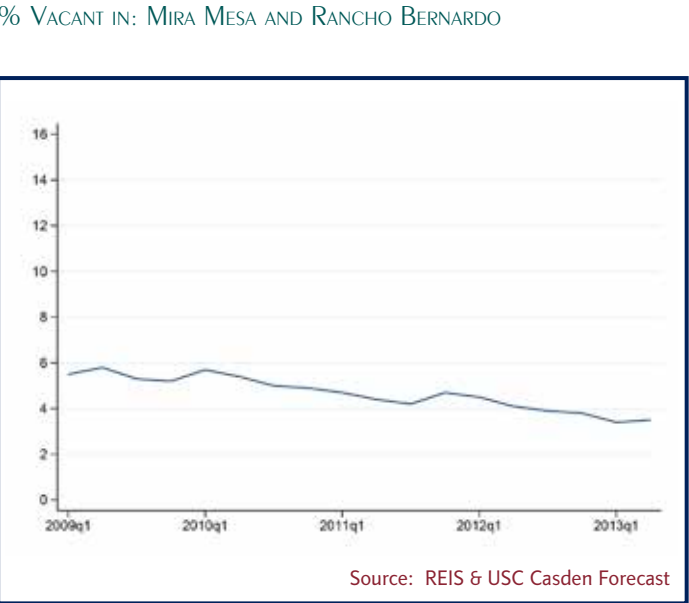
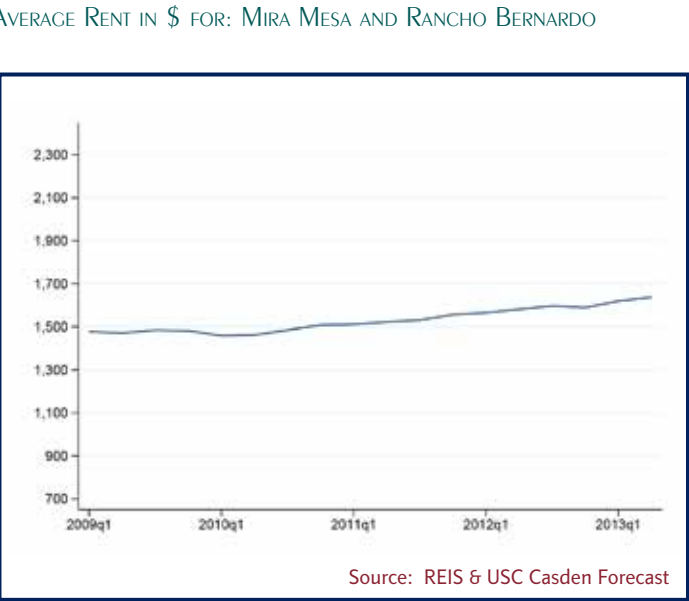
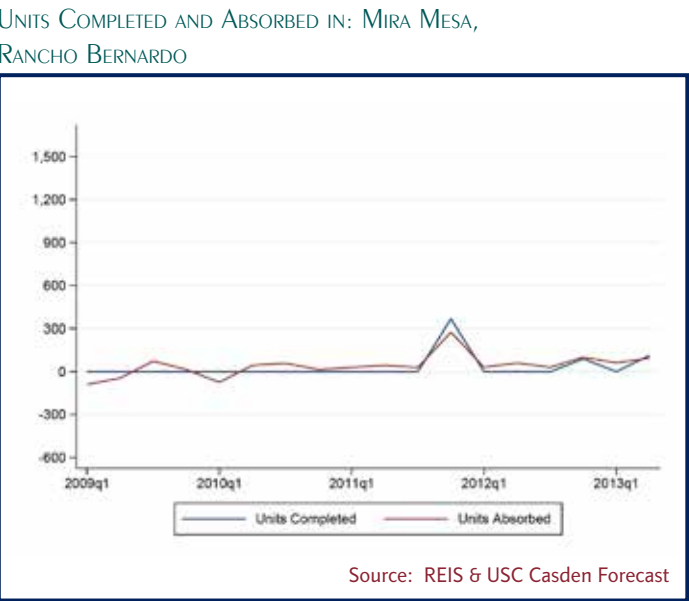
LA MESA, SPRING VALLEY,  
LEMON GROVE

La Mesa, Spring Valley and Lemon Grove make up 7.7 percent of the multifamily rental inventory in San Diego County. Between 2009Q1 and 2013Q2 there were over 660 units absorbed into the market and over 450 units completed. The annual vacancy rate dropped for every quarter between 2010Q2, when it was 5.1 percent, and 2013Q1 when it was 1.8 percent (it ticked up to 1.9 percent in 2013Q2). As a result, rents increased from \$1,211 in 2009Q1 to \$1,324 in 2013Q2. As vacancy is close to zero, it cannot drop much further.



MIRA MESA, RANCHO BERNARDO

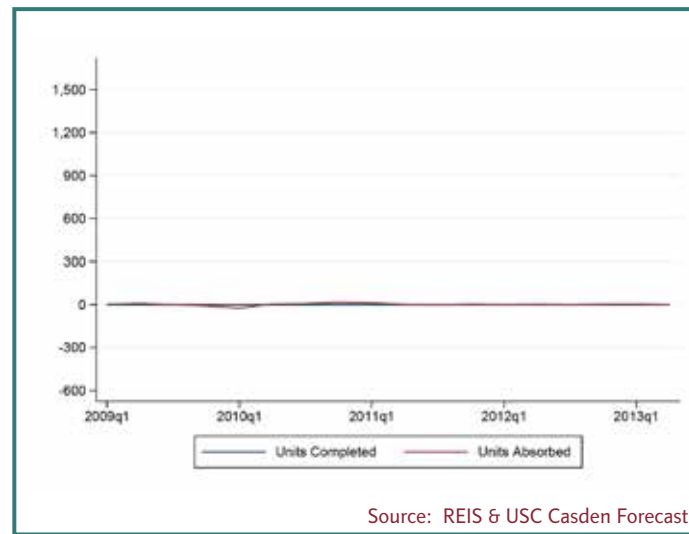
Mira Mesa and Rancho Bernardo contain 8.5 percent of the rental inventory in San Diego County. Since 2009, the area had a total of 570 completions, while net absorption over that time was over 760 units. As a result, vacancy rates decreased during this period, from 5.5 percent in 2009Q1 to 3.5 percent in 2013Q2. The vacancy rate fell by 17 percent between 2012Q2 and 2013Q2. The average effective rent in this market increased from \$1,478 in 2009Q1 to \$1,581 in 2012Q2. Since then, rents have consistently increased and as of 2013Q2 averaged \$1,637.



# SAN DIEGO MULTIFAMILY MARKET TRENDS

## SUBMARKETS

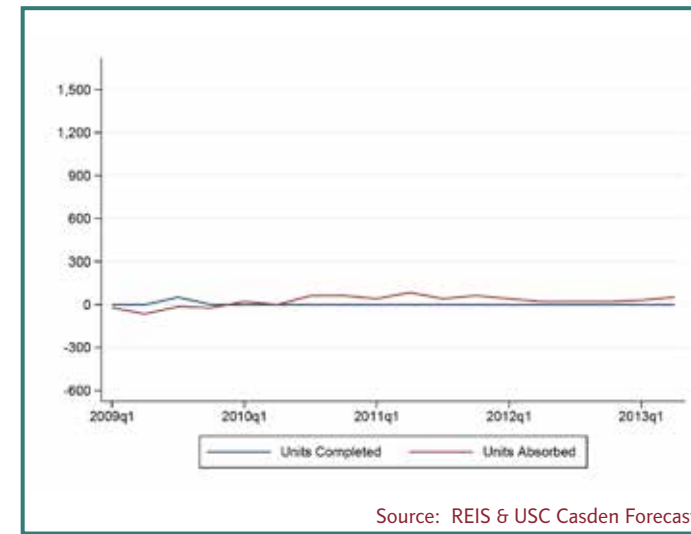
UNITS COMPLETED AND ABSORBED IN: MISSION BAY, PACIFIC BEACH



### Mission Bay and Pacific Beach

Mission Bay and Pacific Beach are a small, expensive market, making up less than one percent of the multifamily rental stock in San Diego County. No new units were completed in this submarket since 2009Q1. Absorption has been small, because there was little inventory to absorb. The current vacancy rate is 1.3 percent, and rents, at \$1,601, are well above average for the County.

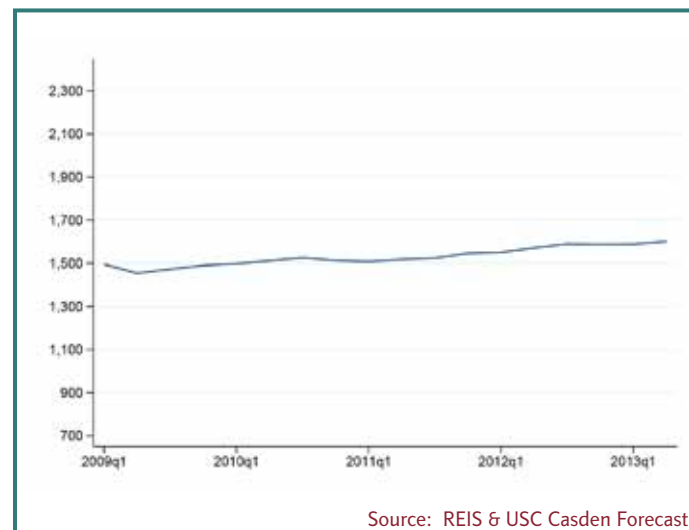
UNITS COMPLETED AND ABSORBED IN: NATIONAL CITY, CHULA VISTA



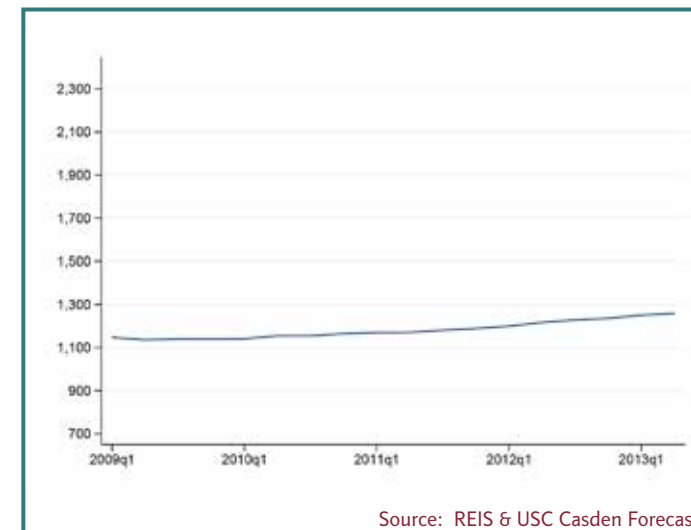
### National City, Chula Vista

The National City and Chula Vista submarket contains 11.7 percent of the multifamily rental inventory in San Diego County. Since 2010, the market had a positive absorption of over 570 units, and no units were completed during that time. The vacancy rate decreased from 3.4 percent to a miniscule 1.4 percent between 2009Q1 and 2013Q2. The current average rent for this market was \$1,259 in 2013Q2, which was a 3.5 percent increase from the previous year, and an all-time high.

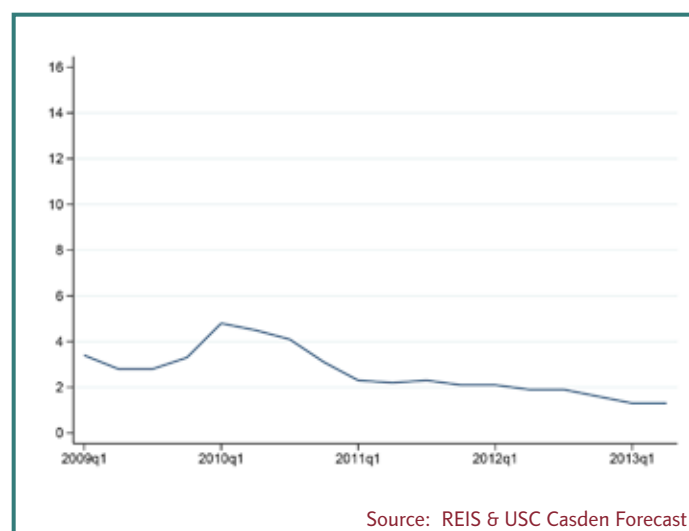
AVERAGE RENT IN \$ FOR: MISSION BAY AND PACIFIC BEACH



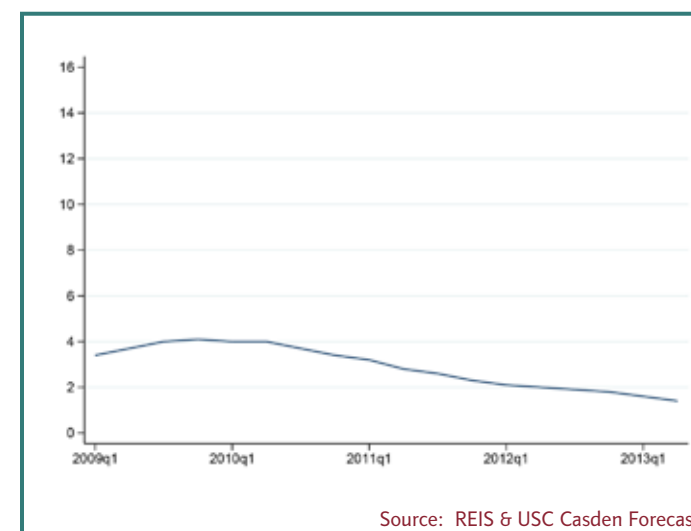
AVERAGE RENT IN \$ FOR: NATIONAL CITY AND CHULA VISTA



% VACANT IN: MISSION BAY AND PACIFIC BEACH



% VACANT IN: NATIONAL CITY AND CHULA VISTA

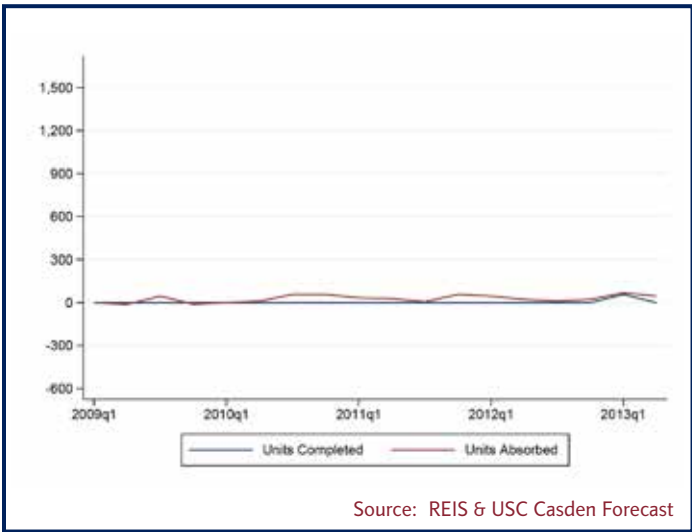




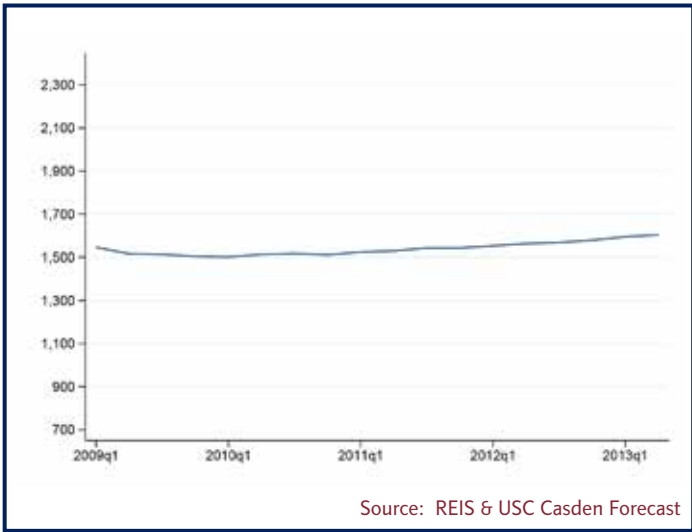
North Beaches

The North Beaches submarket contains 6.4 percent of the multifamily rental inventory in San Diego County. Between 2009Q1 and 2013Q2, almost 60 units entered this market, while almost 500 units were absorbed. As a result, vacancy rates decreased from 5.3 percent in 2009Q1 to 1.5 percent in 2013Q2. The average rent in this market was \$1,604, which was 2.6 percent higher than the previous year.

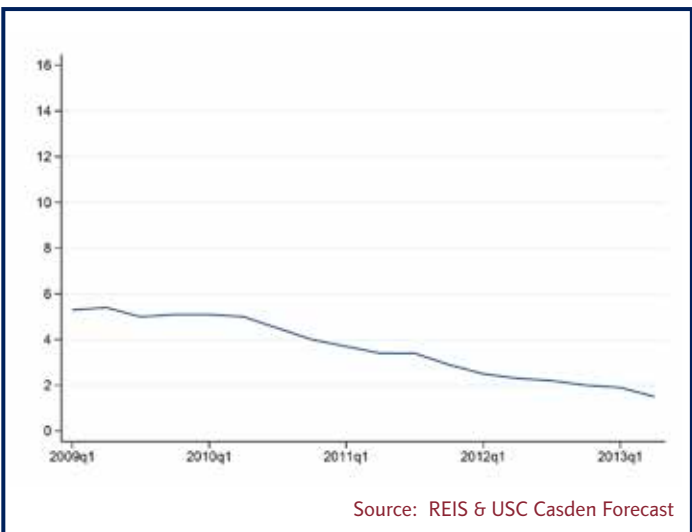
UNITS COMPLETED AND ABSORBED IN: NORTH BEACHES



AVERAGE RENT IN \$ FOR: NORTH BEACHES



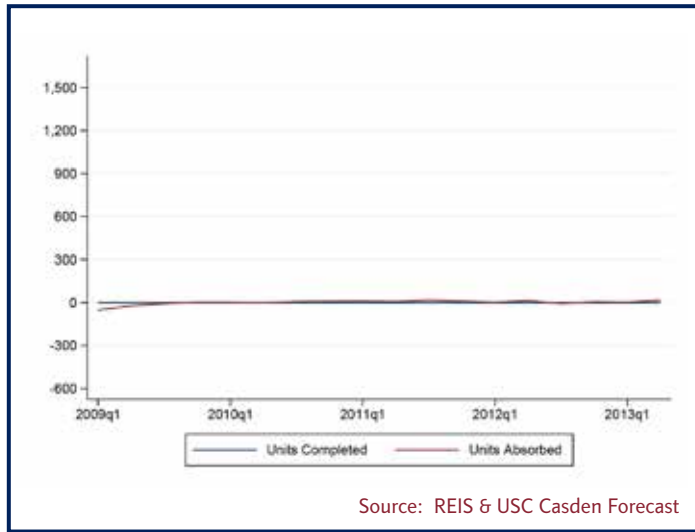
% VACANT IN: NORTH BEACHES



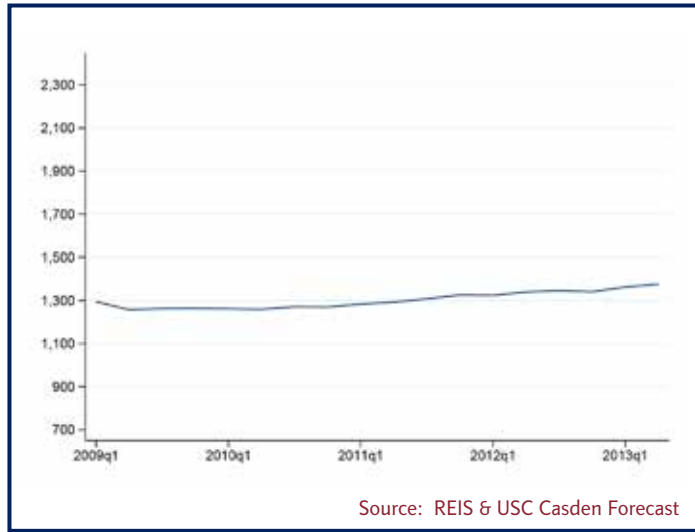
Ocean Beach, Point Loma Blvd

Ocean Beach and Point Loma is a small, if picturesque, part of the San Diego market, with 2 percent of the inventory. Absorptions have been modest, because there is little space to absorb: vacancy is low and there have been no additional rental units added to this submarket between 2009Q1 and 2013Q2. The vacancy rate dropped from 3.6 percent in 2009Q1 to 1.3 percent (!) in 2013Q2. As of 2013Q2, the average rent in this submarket was \$1,376, which was a 2.7 percent increase from the average rent in the prior year.

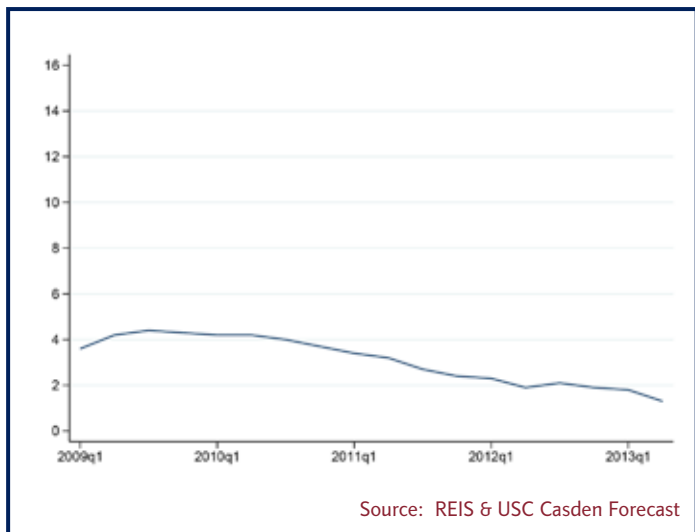
UNITS COMPLETED AND ABSORBED IN: OCEAN BEACH, POINT LOMA BLVD



AVERAGE RENT IN \$ FOR: OCEAN BEACH AND POINT LOMA BLVD



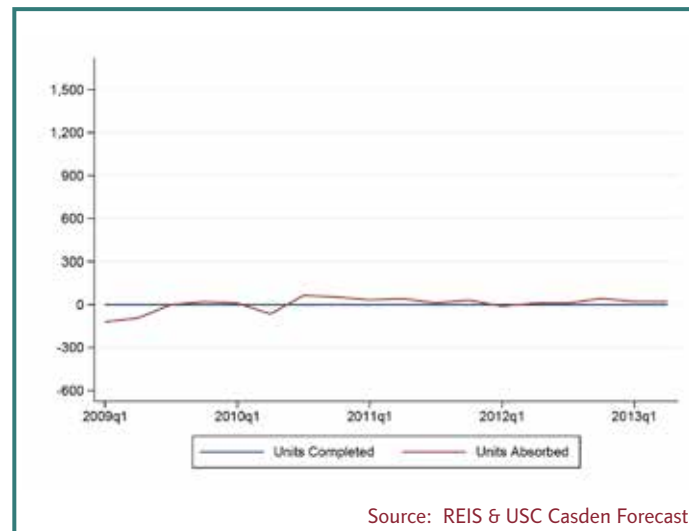
% VACANT IN: OCEAN BEACH AND POINT LOMA BLVD



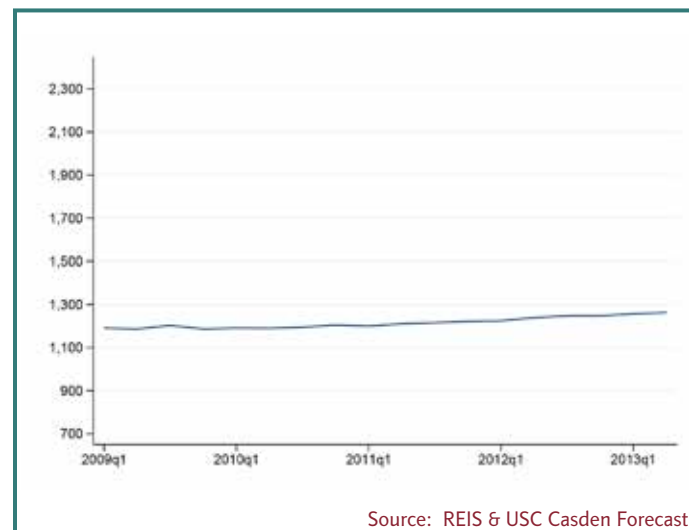
# SAN DIEGO MULTIFAMILY MARKET TRENDS

## SUBMARKETS

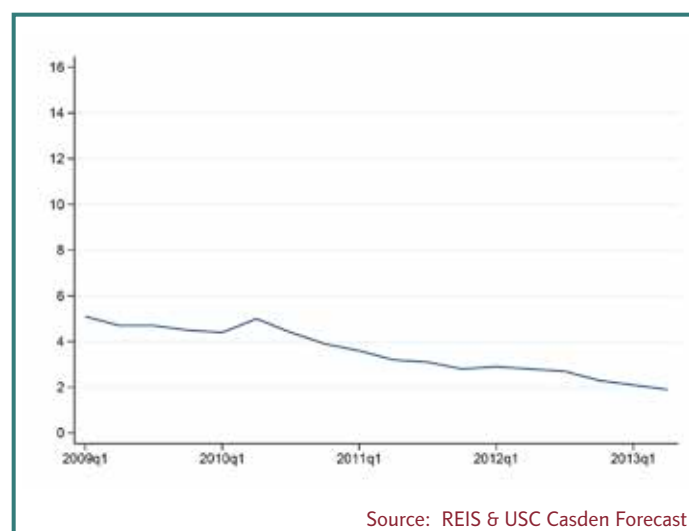
UNITS COMPLETED AND ABSORBED IN: OCEANSIDE



AVERAGE RENT IN \$ FOR: OCEANSIDE



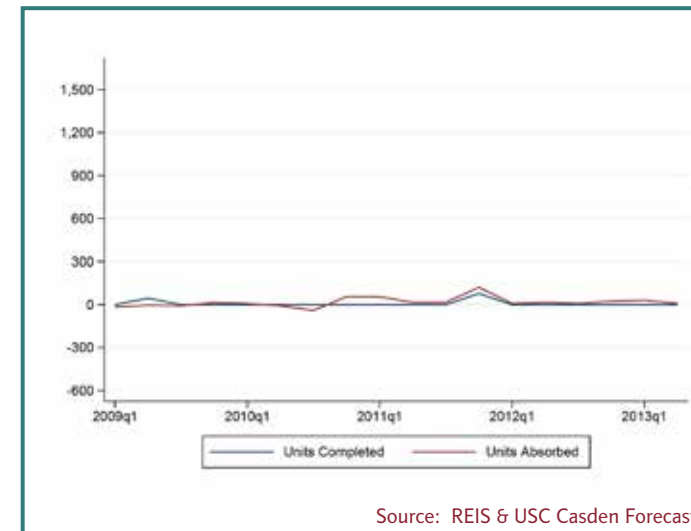
% VACANT IN: OCEANSIDE



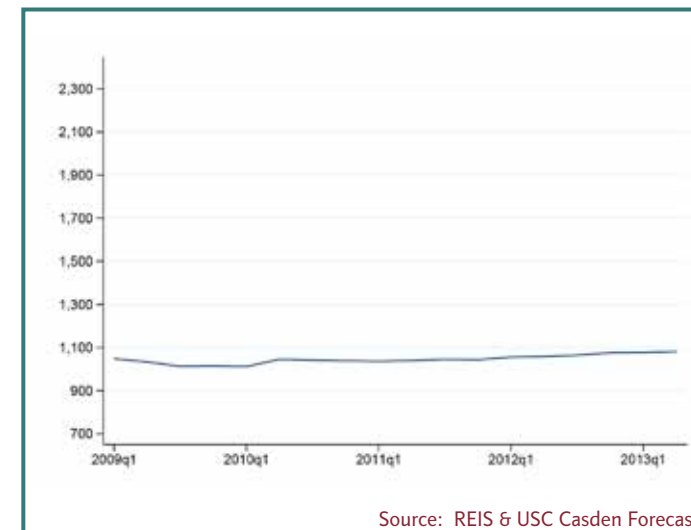
### OCEANSIDE

The Oceanside submarket contains 6 percent of the multifamily rental inventory in San Diego County. There were no units completed in this market between 2009Q1 and 2013Q1, and over 140 units converted out of rental; almost 90 units were absorbed over that time. Like everywhere else in the County, the combination of few completions and positive absorption led to a decline in the vacancy rate, however, over the long-term rents have been flat. Vacancies dropped from a peak of 5.1 percent in 2009Q1 to 1.9 percent in 2013Q2. Effective rents rose slightly over that period from \$1,191 to \$1,263. With its proximity to Camp Pendleton, Oceanside likely relies heavily on the military's Basic Allowance for Housing Program, meaning that its market dynamics are affected by government policy.

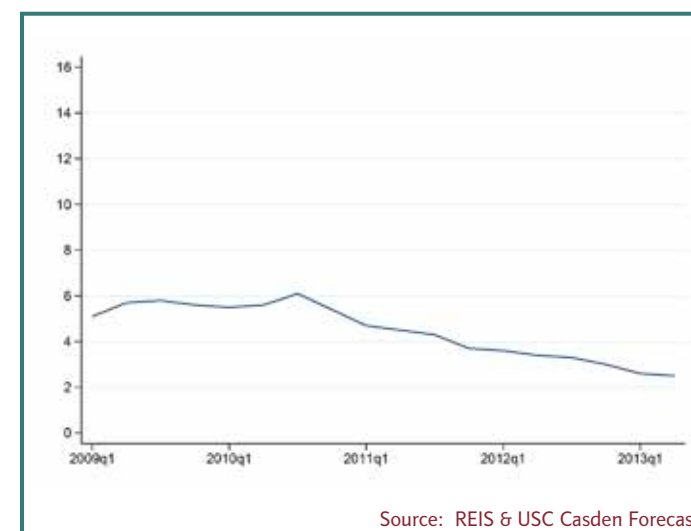
UNITS COMPLETED AND ABSORBED IN: SAN DIEGO EAST OF I-15



AVERAGE RENT IN \$ FOR: SAN DIEGO EAST OF I-15



% VACANT IN: SAN DIEGO EAST OF I-15



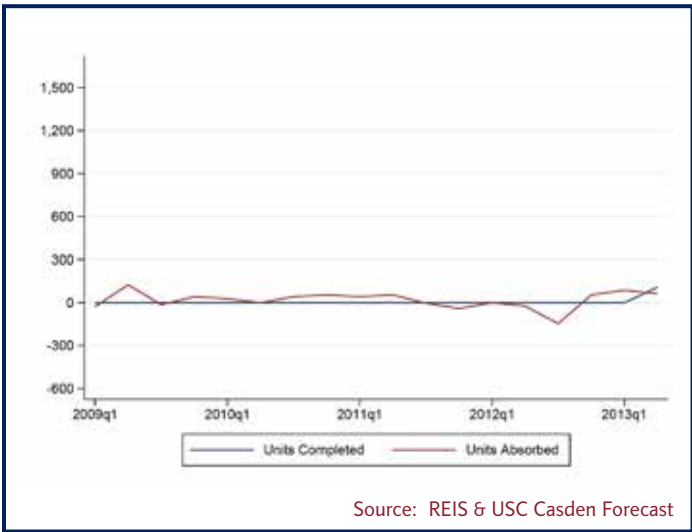
### SAN DIEGO EAST OF I-15

The eastern San Diego submarket contains 4.4 percent of the multifamily rental inventory in San Diego County. There were over 120 units completed in this market between 2009Q1 and 2013Q1; there were almost 310 units absorbed over that time. Like everywhere else in the County, the combination of few completions and positive absorptions led to a decline in the vacancy rate, however, over the long-term rents have been flat. Vacancies dropped from a peak of 6.1 percent in 2010Q3 to 2.5 percent in 2013Q2. Effective rents rose slightly over that period from \$1,049 to \$1,082.

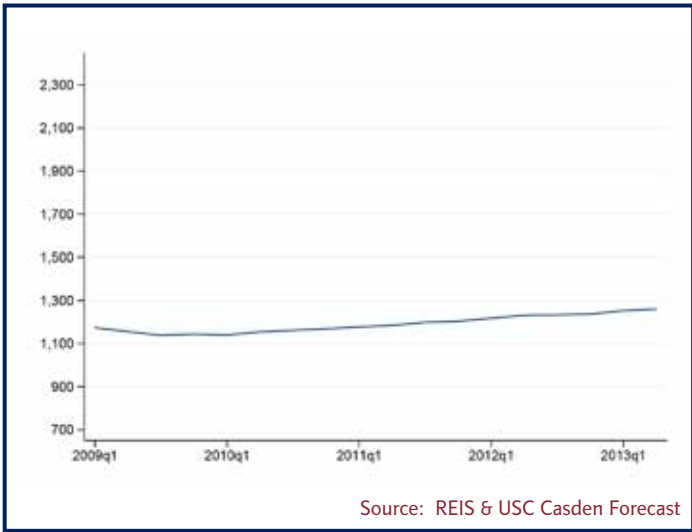
VISTA

The Vista submarket contains 7.7 percent of the multifamily rental inventory in San Diego County. There were no new units completed in this market between 2009Q1 and 2013Q1. The second quarter of 2013 saw the first completions, almost 110 units, since the financial crisis. Like everywhere else in the County, the combination of few completions and positive absorption led to a decline in the vacancy rate and increasing rents. The vacancy rate dropped from a peak of 6.0 percent in 2009Q1 to 3.5 percent in 2012Q2. The average rent rose over that period from \$1174 to \$1261.

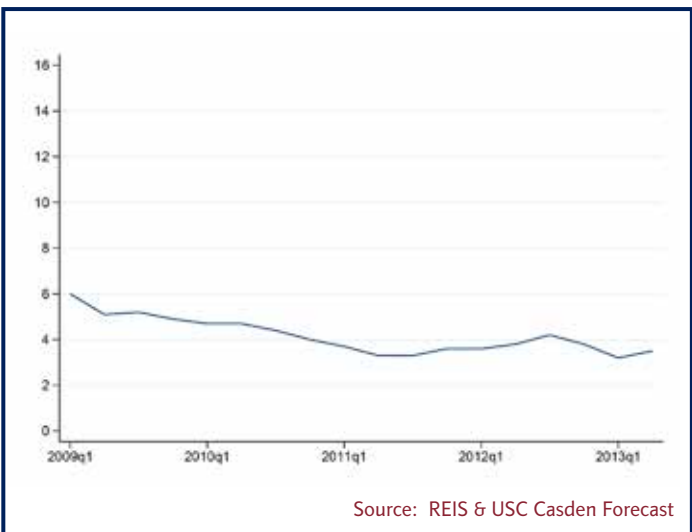
UNITS COMPLETED AND ABSORBED IN: VISTA



AVERAGE RENT IN \$ FOR: VISTA



% VACANT IN: VISTA



# SAN DIEGO MULTIFAMILY FORECAST

## SAN DIEGO FORECAST

### WHAT THE ECONOMETRIC MODEL PREDICTS

#### RENTS

- Our econometric models report an increase in average rents of 2.9 percent between 2013Q2 and 2014Q2 and a 6.2 percent increase between 2013Q2 and 2015Q2.
- As the graphs below highlight, rents may decline in some quarters in some markets across the County; however, by 2015Q2 the average rent in all 15 submarkets will likely be higher than 2013Q2.
- We expect the El Cajon, Santee, Lakeside and the Ocean Beach, Point Loma Blvd submarkets to have the largest percentage rent increase between 2013Q2 and 2015Q2.

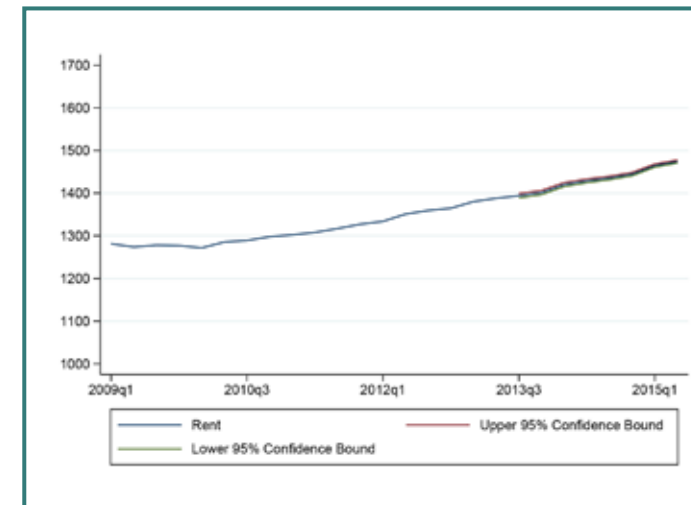
#### VACANCY RATE

- The average vacancy rate in the county will likely between 2013Q2 and 2014Q2 to 1.9 percent, and decrease in the following year to 1.6 percent.
- Again, as seen below, vacancy rates may increase in some quarters for some markets; however, by 2015Q2 the vacancy rate in all 15 submarkets will likely be lower than 2013Q2.
- The largest percentage decrease in the annual vacancy rate will likely happen in the Balboa Park, West of I-15 and the El Cajon, Santee, Lakeside submarkets.

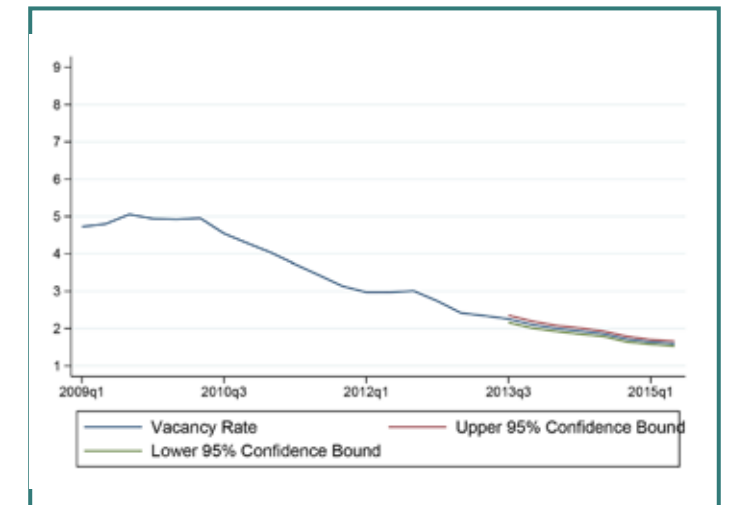
## OUR “TAKE”

Our forecast predicts an overall increase in demand for multifamily rental units over the next two year. In the end, much will depend upon the employment picture and completions over the next two years. San Diego’s net addition to its stock has been very small by historical standards, and is not enough to satisfy demand from household formations. On the other hand, affordability is a major issue, and will likely put a lid on the ability of landlords to raise rents, even though vacancies are very low at the moment. In addition, our model assumes a two percent annual increase in the CPI and any deviation from that assumption would affect our forecast.

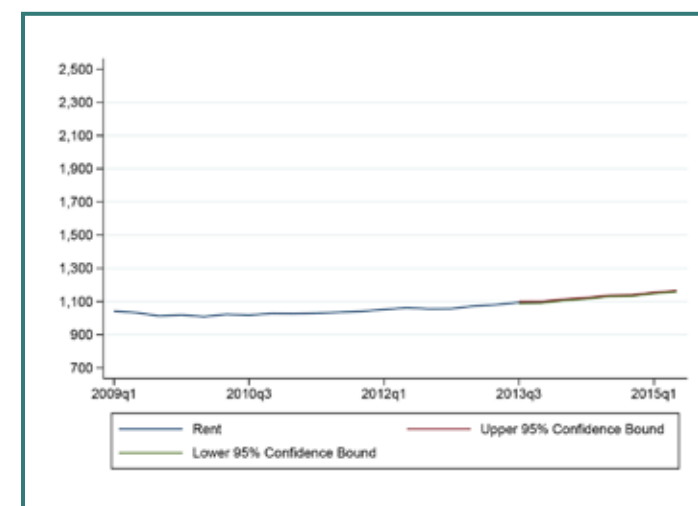
FORECAST AVERAGE RENT IN \$ FOR SAN DIEGO



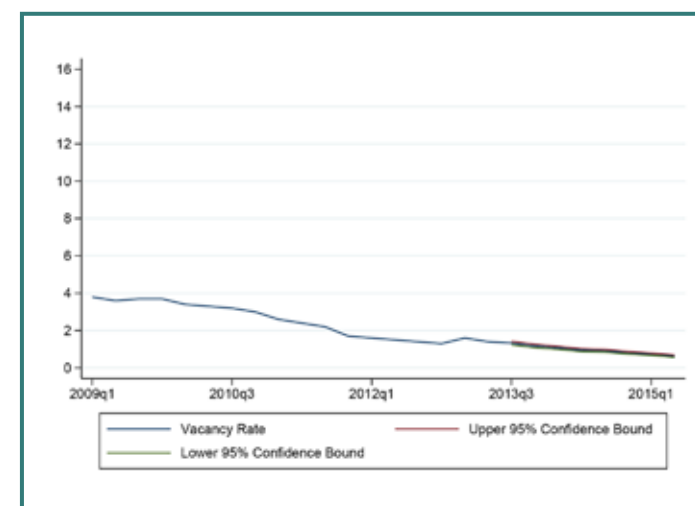
FORECAST AVERAGE % VACANT IN SAN DIEGO



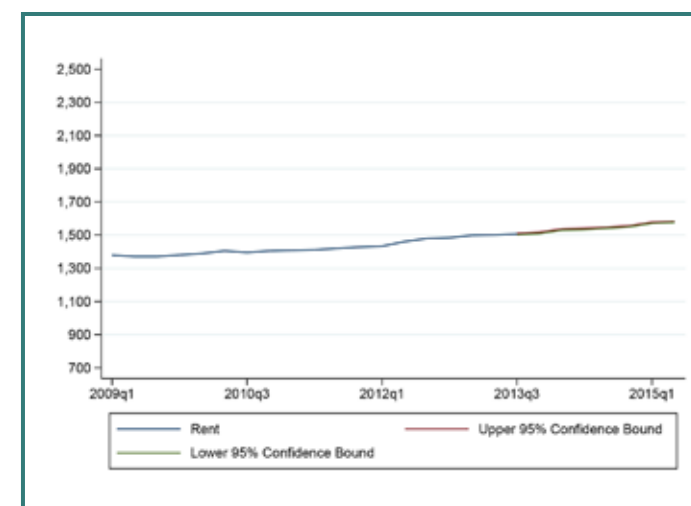
FORECAST AVERAGE RENT IN \$ FOR: BALBOA PARK AND WEST OF I-15



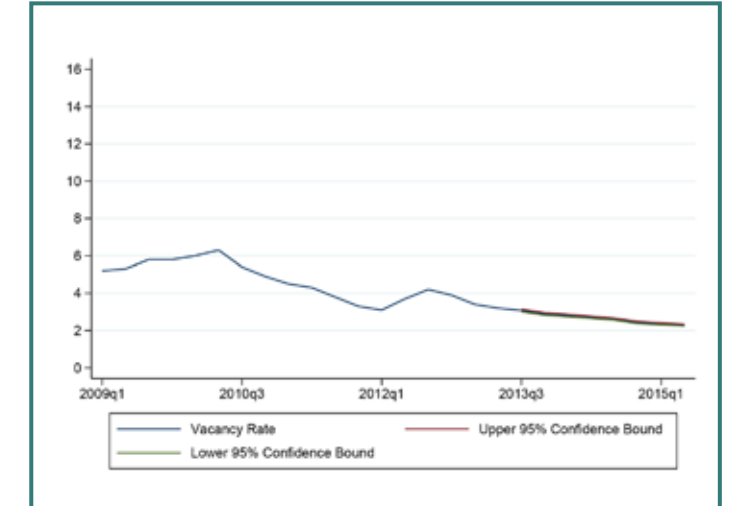
FORECAST % VACANT IN: BALBOA PARK AND WEST OF I-15



FORECAST AVERAGE RENT IN \$ FOR: CLAIREMONT, LINDA VISTA, AND MISSION

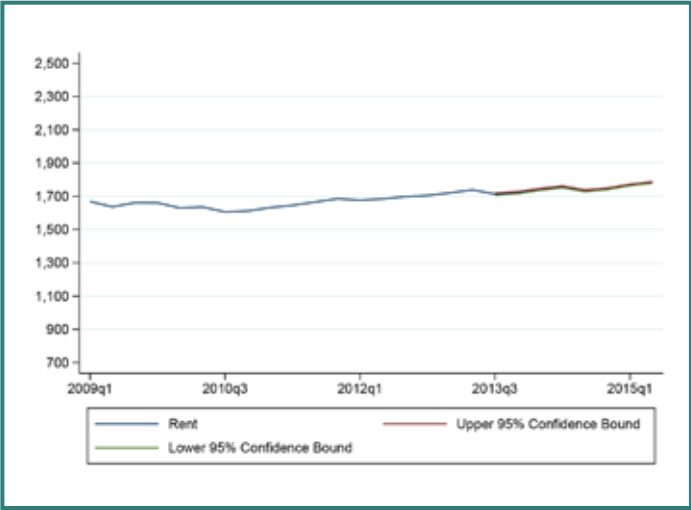


FORECAST % VACANT IN: CLAIREMONT, LINDA VISTA, AND MISSION

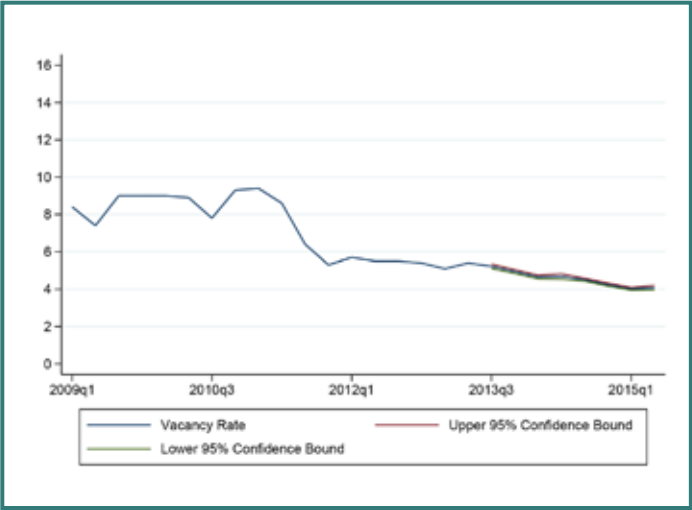




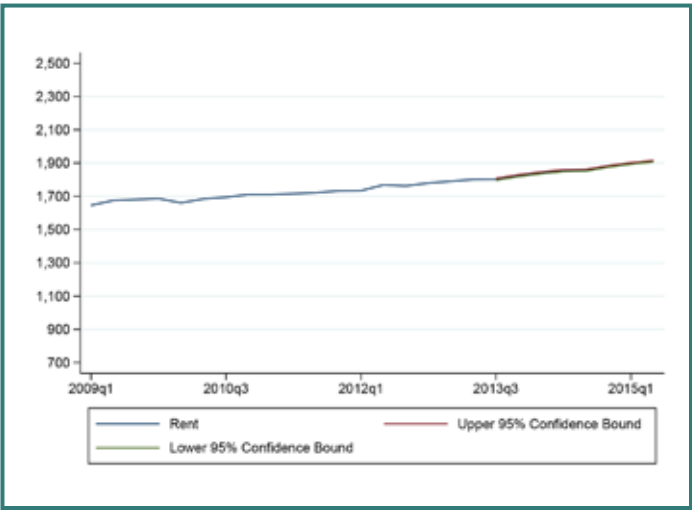
FORECAST AVERAGE RENT IN \$ FOR: DOWNTOWN SAN DIEGO



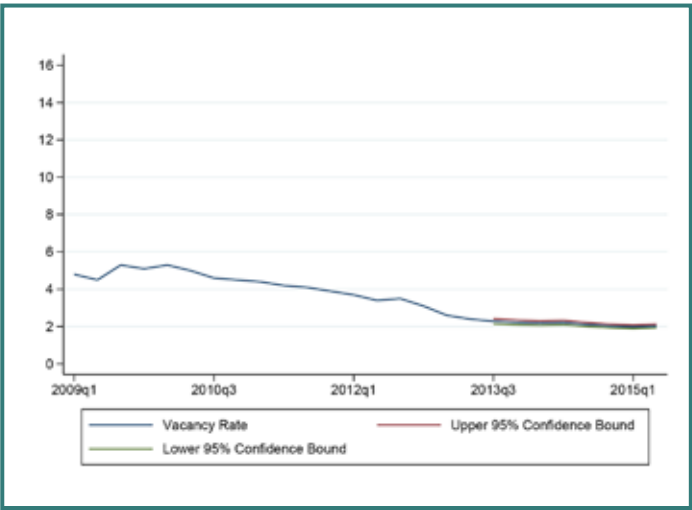
FORECAST % VACANT IN: DOWNTOWN SAN DIEGO



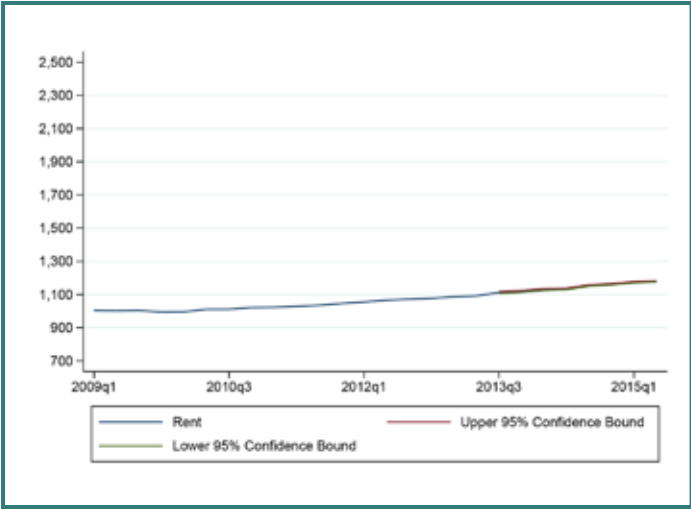
FORECAST AVERAGE RENT IN \$ FOR: LA JOLLA AND UNIVERSITY CITY



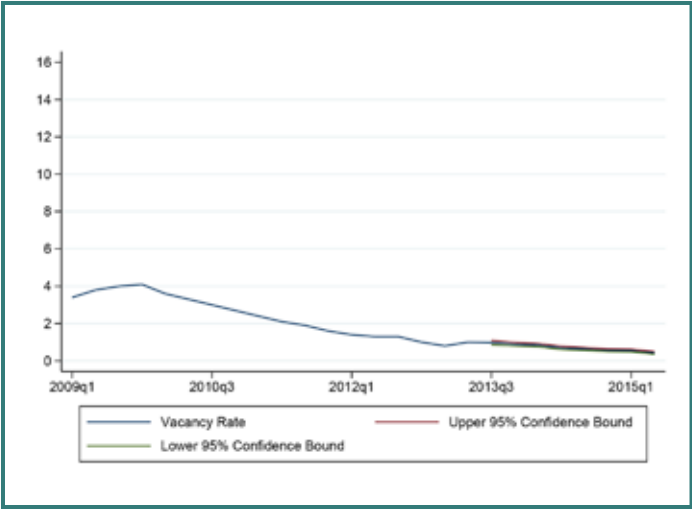
FORECAST % VACANT IN: LA JOLLA AND UNIVERSITY CITY



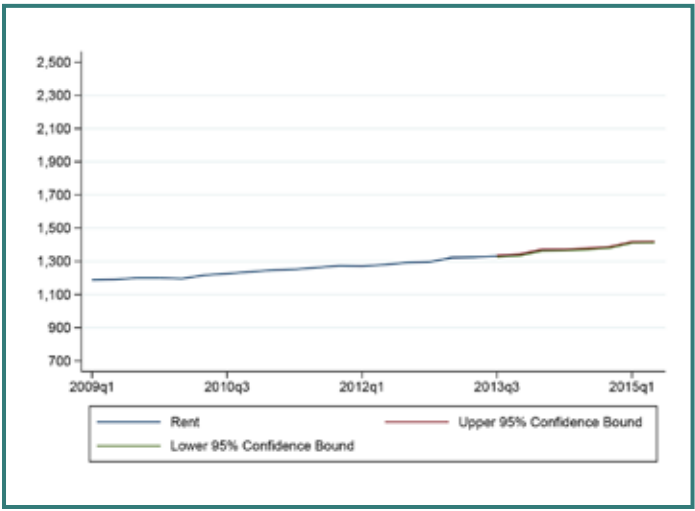
FORECAST AVERAGE RENT IN \$ FOR: EL CAJON, SANTEE, AND LAKESIDE



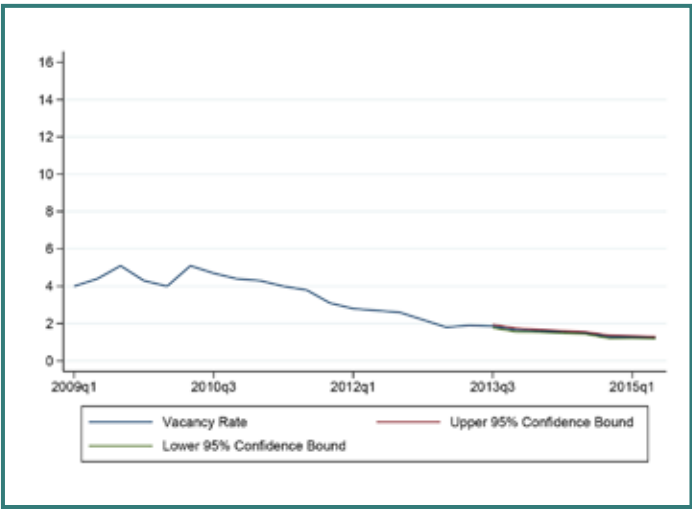
FORECAST % VACANT IN: EL CAJON, SANTEE, AND LAKESIDE



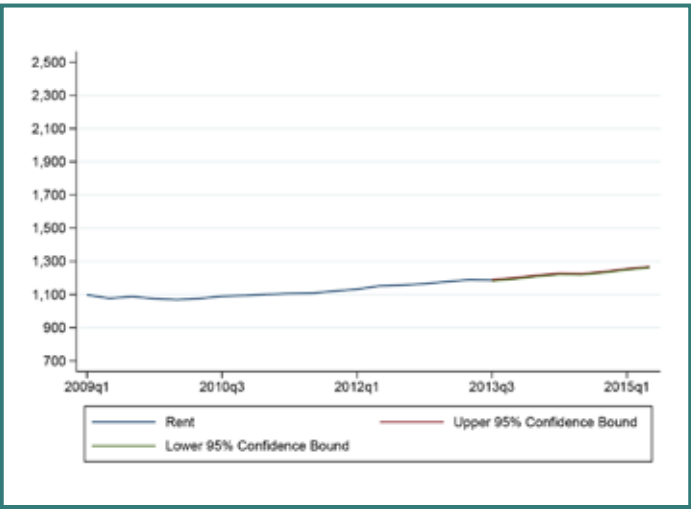
FORECAST AVERAGE RENT IN \$ FOR: LA MESA, SPRING VALLEY, AND LEMON GROVE



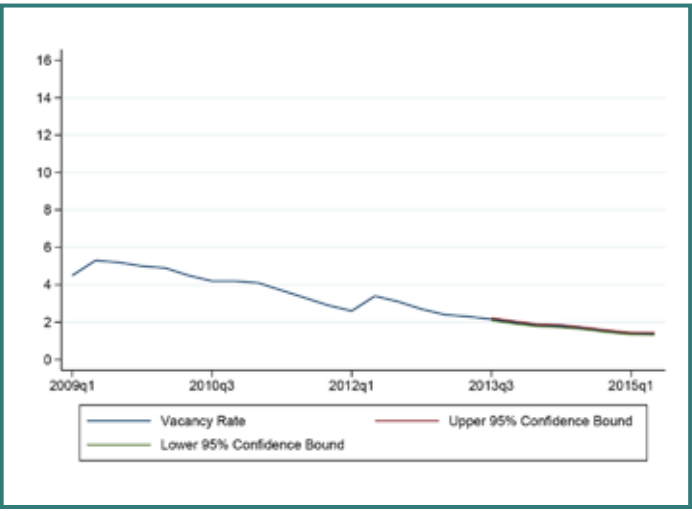
FORECAST % VACANT IN: LA MESA, SPRING VALLEY, AND LEMON GROVE



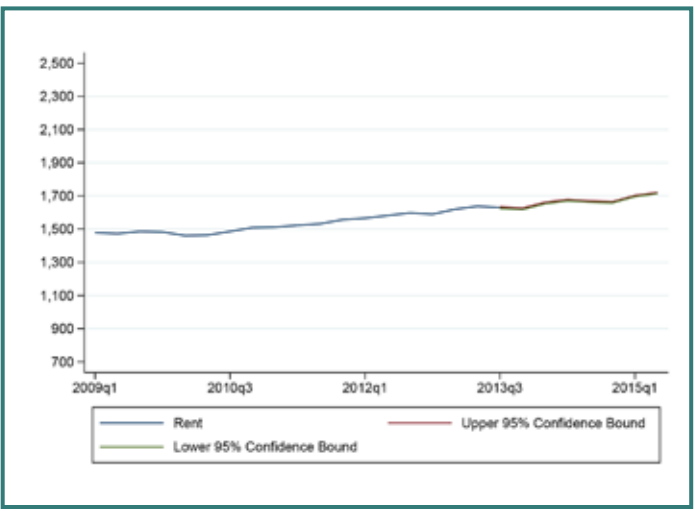
FORECAST AVERAGE RENT IN \$ FOR: ESCONDIDO, AND SAN MARCOS



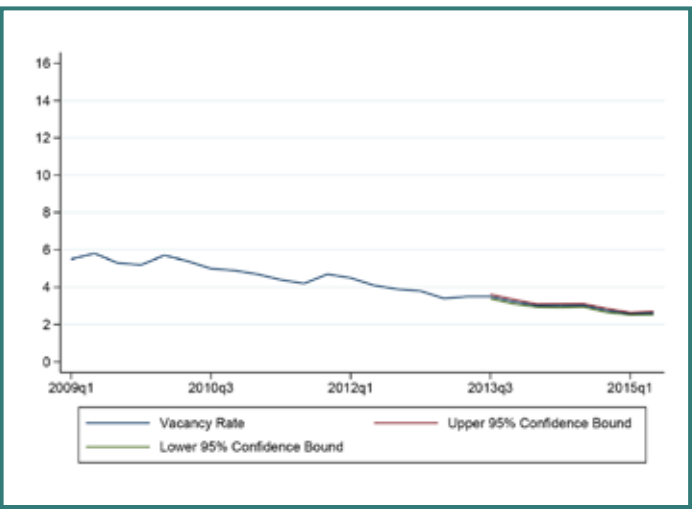
FORECAST % VACANT IN: ESCONDIDO, AND SAN MARCOS



FORECAST AVERAGE RENT IN \$ FOR: MIRA MESA AND RANCHO BERNARDO

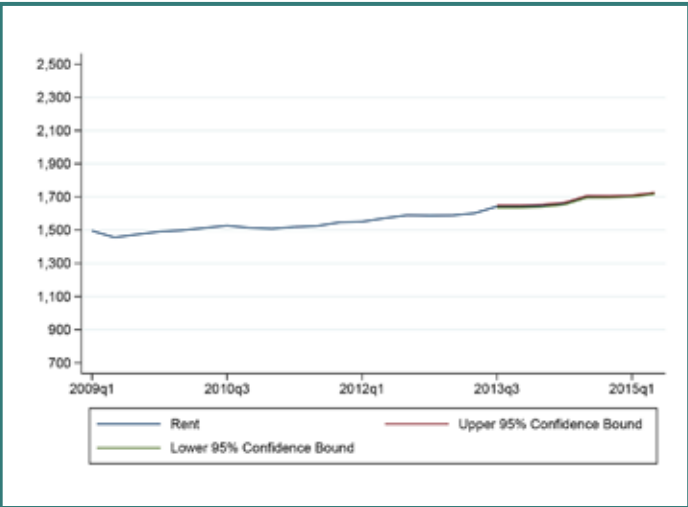


FORECAST % VACANT IN: MIRA MESA AND RANCHO BERNARDO

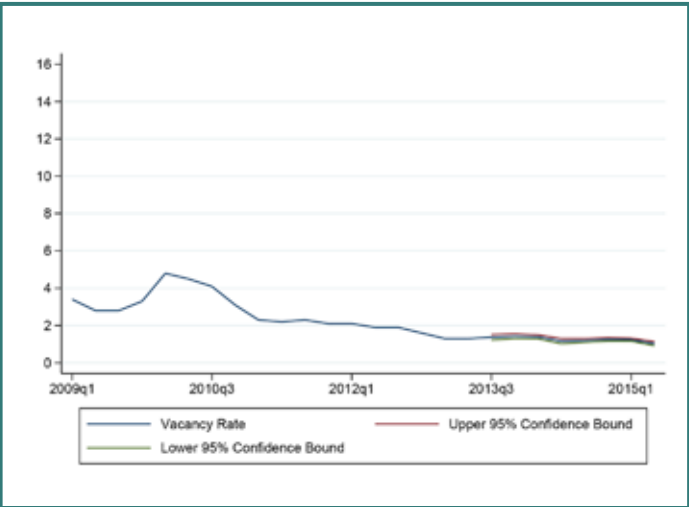


# SAN DIEGO Multifamily FORECAST

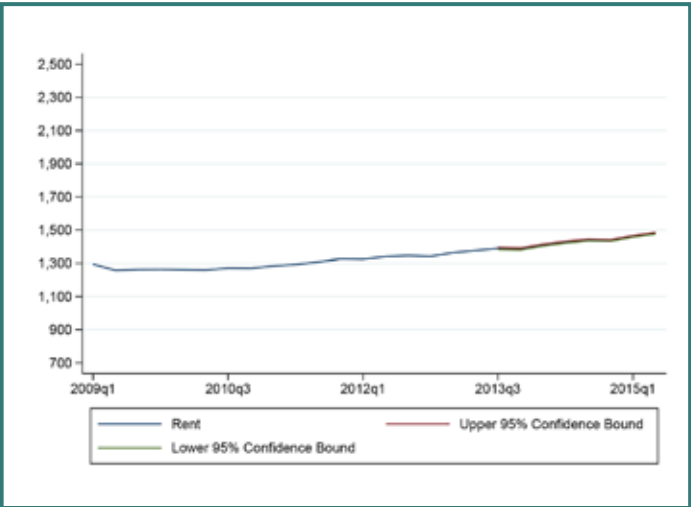
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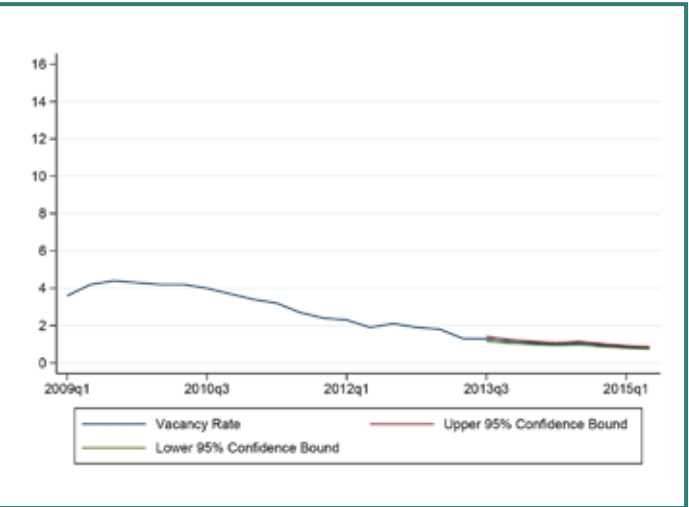
FORECAST % VACANT IN: MISSION BAY AND PACIFIC BEACH



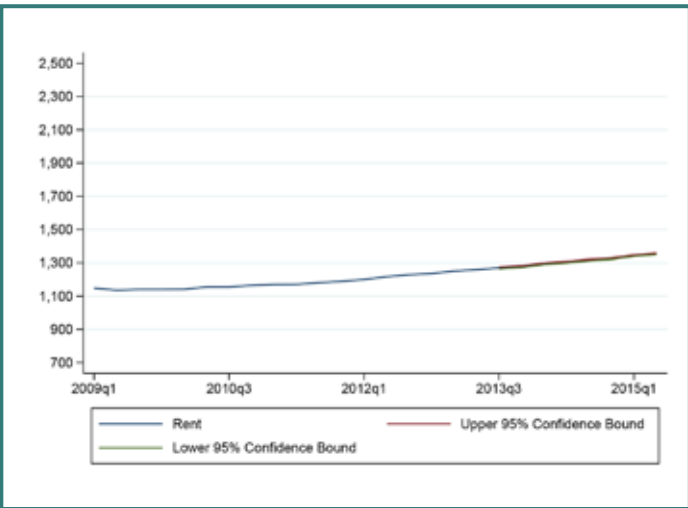
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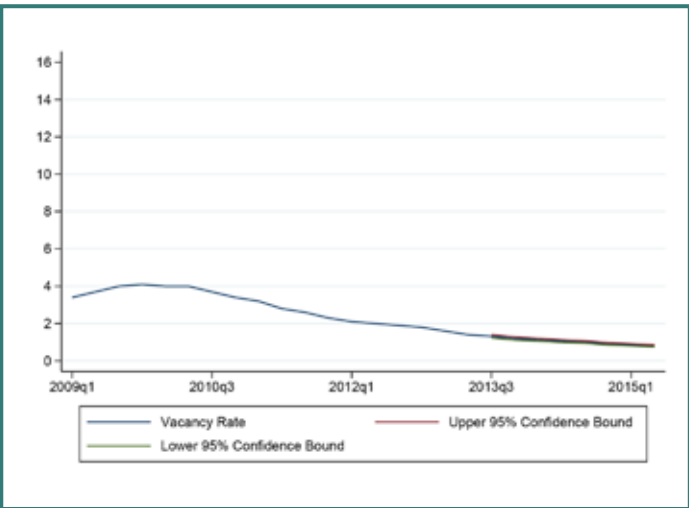
FORECAST % VACANT IN: OCEAN BEACH AND POINT LOMA BLVD



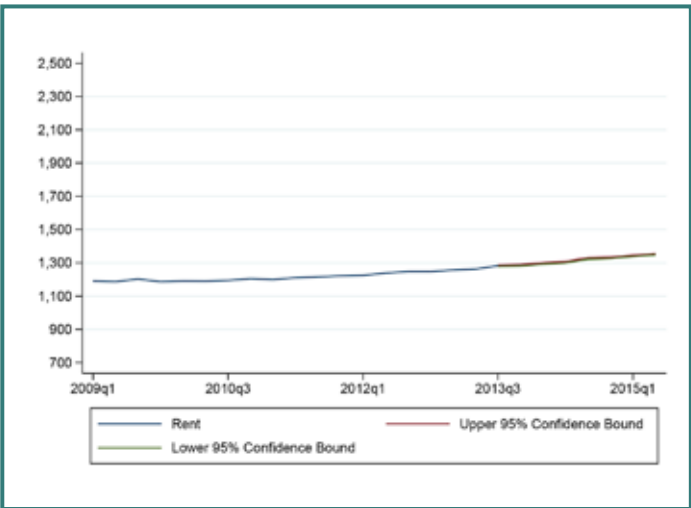
FORECAST AVERAGE RENT IN \$ FOR: NATIONAL CITY AND CHULA VISTA



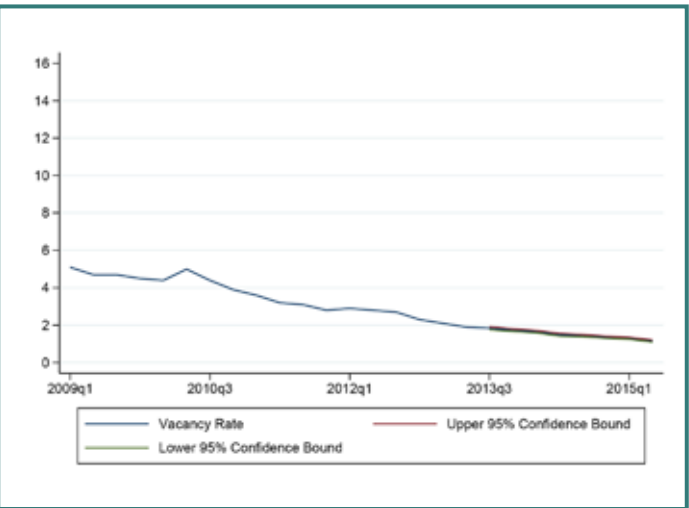
FORECAST % VACANT IN: NATIONAL CITY AND CHULA VISTA



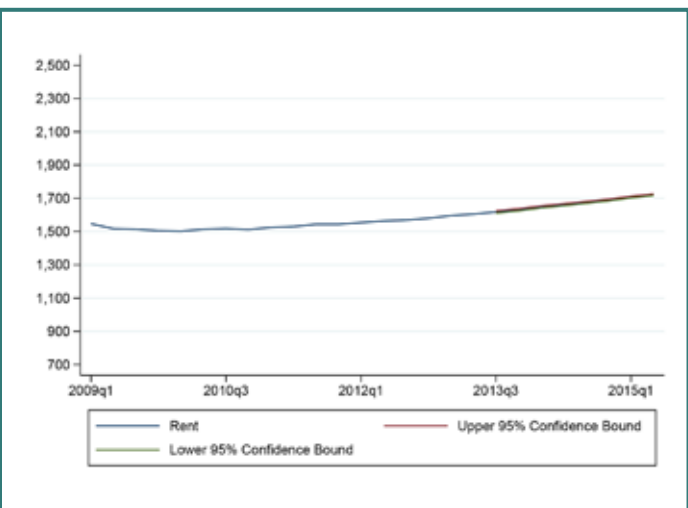
FORECAST AVERAGE RENT IN \$ FOR: OCEANSIDE



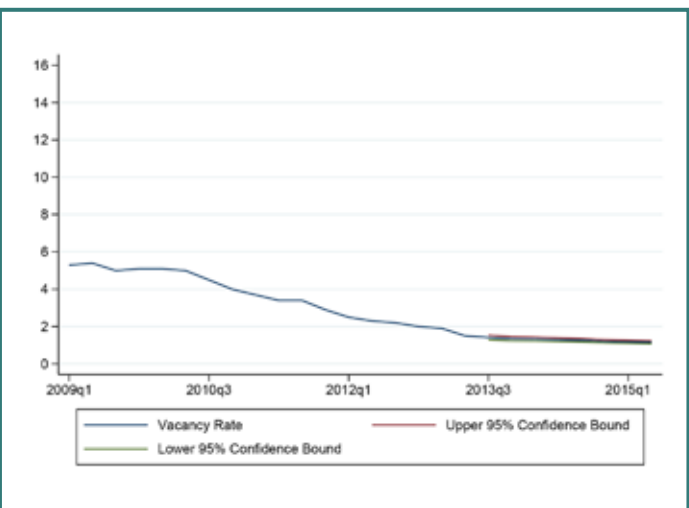
FORECAST % VACANT IN: OCEANSIDE



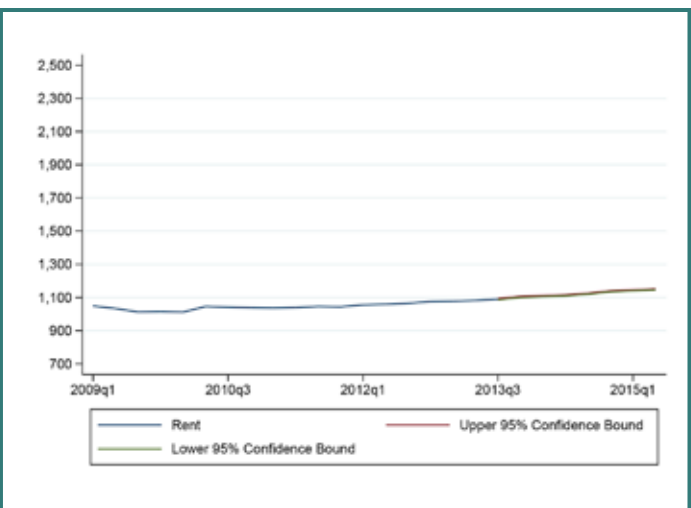
FORECAST AVERAGE RENT IN \$ FOR: NORTH BEACHES



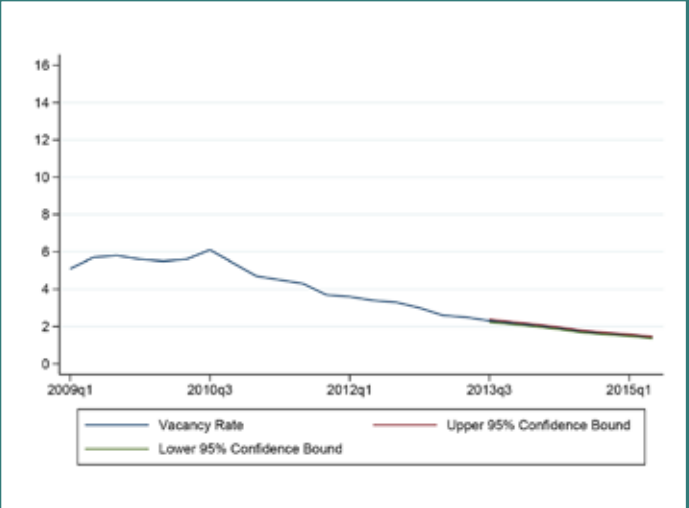
FORECAST % VACANT IN: NORTH BEACHES



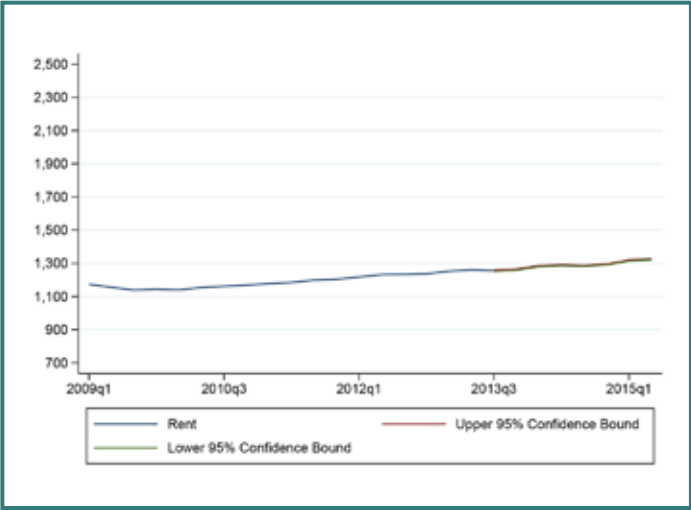
FORECAST AVERAGE RENT IN \$ FOR: SAN DIEGO EAST OF I-15



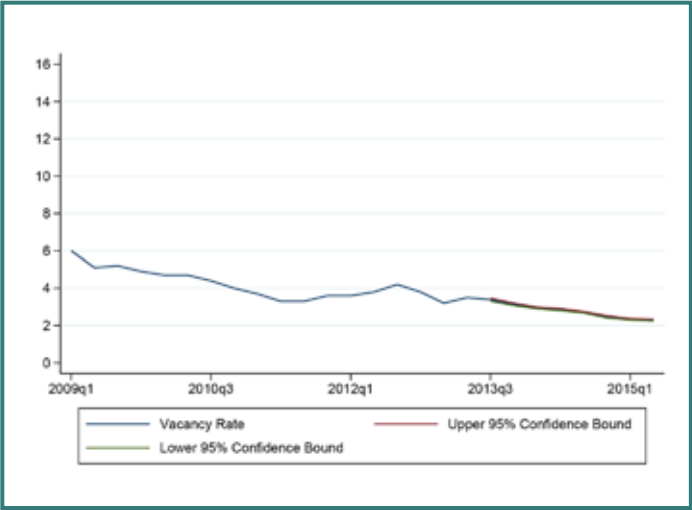
FORECAST % VACANT IN: SAN DIEGO EAST OF I-15



FORECAST AVERAGE RENT IN \$ FOR: VISTA



FORECAST % VACANT IN: VISTA



# TECHNICAL NOTES

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FORECAST

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## Multifamily DATA

**Inventory:** The Reis, Inc. database includes multifamily rental properties with over 15-20 units. For the most part, these are traditional apartment communities. All of the analysis on the multifamily rental market in this report is based on these data.

**Absorption/Demand:** Absorption, or demand, is defined as the increase in physically occupied units from one period to another. Absorption calculations in this report exclude preleasing to avoid double counting residents now occupying units and simultaneously preleasing other units.

**Absorption of New Completions:** Frequently, management of apartment communities under construction will begin leasing units as they are finished out. For consistency purposes, units are not counted as absorbed until the period that the entire property is completed. Thus, absorption will tend to be somewhat undercounted in the periods preceding completion of the property.

**Completions:** Reis, Inc. collects construction permit data each quarter from all of the municipalities in the metropolitan area. Developers or contractors are called to verify the number of units and the month when all units are expected to be completed.

**Occupancy:** Occupancy reflects the share of the existing stock physically occupied at any point in time. Preleased units are not part of the occupancy calculation.

**Rental Rates:** The rental rates presented reflect a property's rent structure at the point of time of the survey, rather than the property's actual revenues (which would be shaped by rents in place when ongoing leases were signed). The rents included in this report reflect the weighted average of all units, in properties with 20 or more units, in a market or submarket. Unless noted otherwise, all rents are effective rates, to the degree possible. Thus, the impact of concessions that include free rent periods or discounts over the term of the lease, are calculated into the rent structure.

**Inventory/Multifamily Rental Unit:** In this report, we use the terms "multifamily rental unit" and "inventory" to denote all properties with 20 or more units. We believe the rent levels and vacancy rates of these properties reflect the values and trends in the larger rental market.

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## OVERALL DISCLAIMER

Some of the data in this report was gathered from third party sources and was not independently verified. Neither Reis, Inc. nor the Casden Forecast make any warranties or representations as to the completeness or accuracy thereof.



