COMPREHENSIVE HOUSING MARKET ANALYSIS

Los Angeles, California

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of October 1, 2013

Housing Market Area

Note: Brown labels indicate submarkets.

The Los Angeles Housing Market Area (HMA), which is coterminous with Los Angeles County in southern California, is part of the greater Los Angeles-Long Beach-Anaheim, CA Metropolitan Statistical Area (MSA). Los Angeles County, which is the most populous county in the nation and more populous than 42 states, was home to an estimated 9.97 million people as of October 1, 2013. For purposes of this analysis, the HMA is divided into seven submarkets: the North Los Angeles, San Fernando Valley, San Gabriel Valley, Metro, Westside, South Bay, and Gateway submarkets. The HMA is recognized as a center for the entertainment, tourism, trade, and aerospace industries.

Summary

Economy

Economic conditions have strengthened in the Los Angeles HMA since 2010. Nonfarm payrolls increased by 68,000 jobs, or 1.8 percent, to 3.91 million jobs during the 12 months ending September 2013, with the most significant growth occurring in the professional and business services, leisure and hospitality, and education and health services sectors. Nonfarm payrolls are expected to grow an average of 2.3 percent a year during the 3-year forecast period and to be led by expansions in industries related to health care, tourism, entertainment, and business services.

Sales Market

Sales housing market conditions are currently balanced in the HMA. During the 12 months ending September 2013, home sales increased 7 percent, to 77,750 homes. During the forecast period, demand is expected for approximately 17,175 new homes; the 570 homes currently under construction will meet a portion of that demand (Table 1). Some of the 68,800 other vacant units in the HMA may reenter the market and satisfy a portion of the demand.

Rental Market

Rental housing market conditions in the HMA are currently balanced, with a 5.0-percent vacancy rate (Table DP-1). Growth in renter households since 2010 has outpaced the construction of rental units and the conversion of single-family homes to rental units. During the forecast period, demand in the HMA is expected for 27,725 new market-rate rental units; the approximately 8,100 rental units currently under construction will meet a portion of that demand (Table 1).

Housing Market Summary

Submarket	Sales Market	Rental Market
North Los Angeles	Balanced	Balanced
San Fernando Valley	Balanced	Balanced
San Gabriel Valley	Balanced	Tight
Metro	Soft	Balanced
Westside	Balanced	Balanced
South Bay	Tight	Tight
Gateway	Balanced	Tight

Source: Assessments by analysts

Market Details

Economic Conditions 2
Population and Households 7
Housing Market Trends 11
Data Profiles 40

Table 1. Housing Demand in the Los Angeles HMA, 3-Year Forecast, October 1, 2013, to October 1, 2016

	Los Angeles HMA		North Los Angeles Submarket		San Fernando Valley Submarket		San Gabriel Valley Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	17,175	27,725	4,775	1,700	1,850	7,375	3,700	3,075
Under construction	570	8,100	40	460	100	1,600	190	830

	Metro Submarket		Westside Submarket		South Bay Submarket		Gateway Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	1,025	6,725	1,450	4,650	2,650	2,250	1,725	1,950
Under construction	120	2,470	70	2,150	10	150	40	440

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction in the HMA as of October 1, 2013, may not equal the sum of submarket totals because of rounding. A portion of the estimated 68,800 other vacant units in the HMA will likely satisfy some of the forecast demand.
Source: Estimates by analysts

Economic Conditions

The Los Angeles HMA serves as a major employment center in the nation for motion picture and television production, tourism, education, health care, and manufacturing. During the 12 months ending September 2013, employment conditions in the HMA strengthened as nonfarm payrolls increased by 68,000 jobs, or 1.8 percent, from the previous 12 months, to 3.91 million jobs, marking one of the strongest periods of growth since 2000 (Table 2). Notable expansions during the 12 months ending September 2013 occurred in the leisure and hospitality, education and health services, and professional and business services sectors, which increased by a combined 57,700 jobs, or 3.9 percent. As economic conditions improved, the average unemployment rate declined, to an average of 10.1 percent during the 12 months ending September 2013, down from 11.3 percent during the previous 12 months. The current unemployment rate remains higher than the 9.2-percent average rate for California and the 7.6-percent average rate for the nation. Figure 1 shows trends in the labor force, resident employment, and the average unemployment rate in the HMA.

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Los Angeles HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	September 2012	September 2013		
Total nonfarm payroll jobs	3,844,200	3,912,200	68,000	1.8
Goods-producing sectors	477,300	481,500	4,200	0.9
Mining, logging, & construction	111,700	118,900	7,200	6.4
Manufacturing	365,600	362,600	– 3,000	– 0.8
Service-providing sectors	3,366,900	3,430,700	63,800	1.9
Wholesale & retail trade	604,200	609,700	5,500	0.9
Transportation & utilities	153,500	154,000	500	0.3
Information	189,900	193,300	3,400	1.8
Financial activities	209,300	214,400	5,100	2.4
Professional & business services	561,500	582,800	21,300	3.8
Education & health services	540,700	556,900	16,200	3.0
Leisure & hospitality	408,400	428,600	20,200	4.9
Other services	140,000	140,600	600	0.4
Government	559,600	550,300	– 9,300	– 1.7

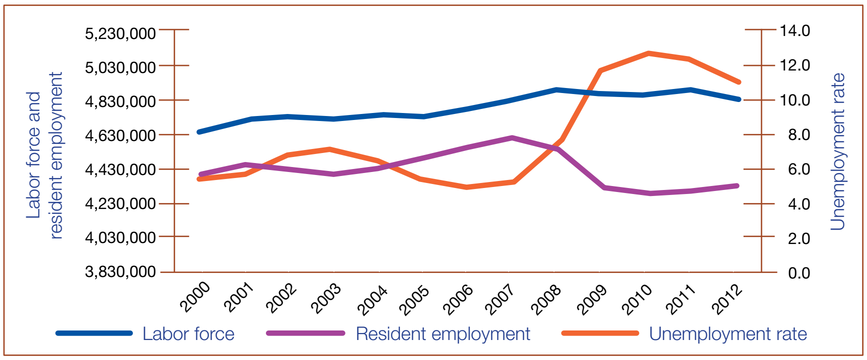
Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through September 2012 and September 2013.
Source: U.S. Bureau of Labor Statistics

Nonfarm payroll growth during the 12 months ending September 2013 was partly offset by declines in the government and manufacturing sectors, the only sectors that experienced job losses, down by 9,300 and 3,000 jobs, or 1.7 and 0.8 percent, respectively. The automatic federal spending cuts under the Budget Control Act of 2011 weakened the federal government subsector, which declined by 1,000 jobs, or 2.1 percent. A $390 million spending cut under the 2012 fiscal plan for the Los Angeles Unified School District contributed the decrease of 8,700 jobs, or 2.0 percent, in the local government subsector.

As it has elsewhere in the country, manufacturing sector employment has declined since the 1980s. The decline in manufacturing sector payrolls during the 12 months ending September 2013 was less than the average decline of 24,200 jobs, or 4.9 percent, annually during the 2000s. Despite the decrease, the HMA continues to account for 70 percent of total manufacturing employment in the greater Los Angeles-Long Beach-Anaheim, CA MSA, the largest manufacturing center in the nation. The largest employers in the manufacturing sector include Northrop Grumman Corporation and The Boeing Company, with 18,000 and 11,250 employees, respectively (Table 3). In addition, the HMA is home to the National Aeronautics and Space Administration's (NASA's) Jet Propulsion Laboratory, with approximately 5,000 employees. The opening of Boeing's new engineering design center for commercial aircraft in early 2015 will partially offset future job losses in the sector by adding 375 jobs in Long Beach, in the Gateway submarket.

Nonfarm payrolls decreased by 90,700 jobs during the economic decline in 2002 and 2003 before fully recovering in 2006 and reaching a new peak number of jobs in 2007. The recent decline in nonfarm payrolls that began during 2008 and continued through 2010 was 286 percent greater than the number of jobs lost during 2002 and 2003. From 2008 through 2010, jobs declined by an average of 116,600, or 2.9 percent, annually as a result of the collapse of the housing and financial markets. Approximately 80 percent of the losses from 2008 through 2010 were in the professional and business services; manufacturing; mining, logging, and construction; and wholesale and retail trade (the

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Los Angeles HMA, 2000 Through 2012



Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Los Angeles HMA

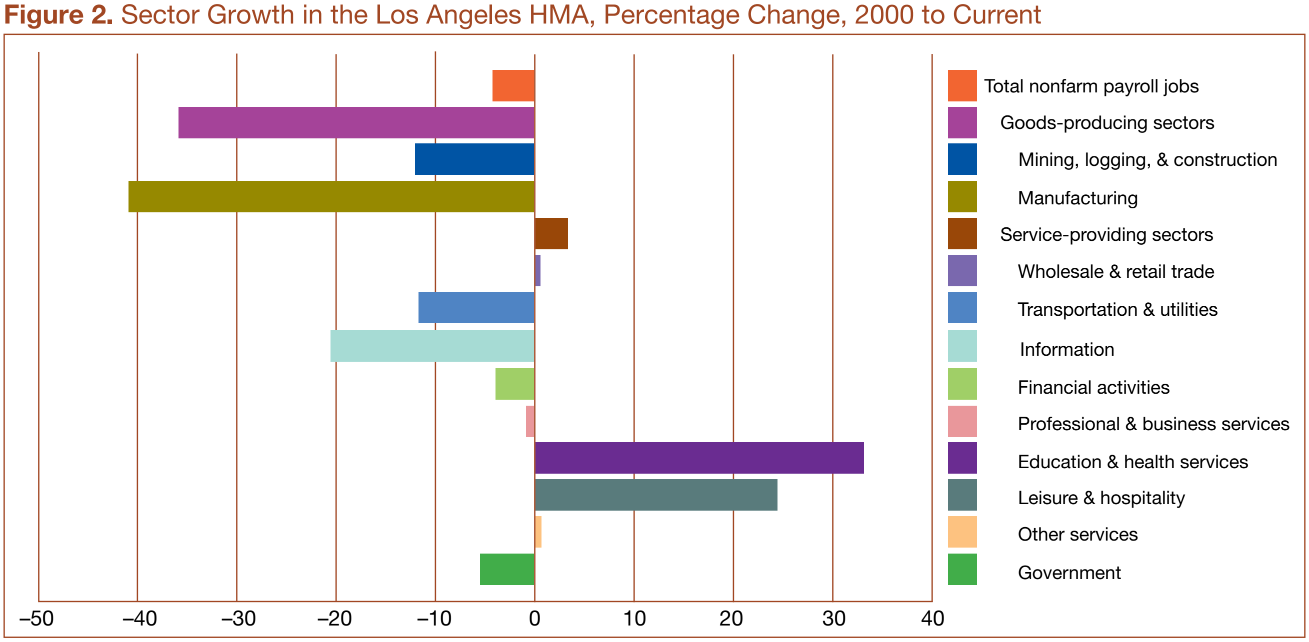
Name of Employer	Nonfarm Payroll Sector	Number of Employees
Kaiser Permanente®	Education & health services	35,500
Northrop Grumman Corporation	Manufacturing	18,000
University of Southern California	Education & health services	16,200
Target Corporation	Wholesale & retail trade	14,250
The Kroger Co.	Wholesale & retail trade	13,200
Bank of America Corporation	Financial activities	12,000
Cedars-Sinai	Education & health services	12,000
Providence Health & Services Southern California	Education & health services	11,400
The Boeing Company	Manufacturing	11,250
The Walt Disney Company	Information	10,500

Note: Excludes local school districts.

Sources: Los Angeles Business Journal, 2012; *State of California, Employment Development Department* largest sector in the HMA) sectors. The HMA has led the southern California region in economic recovery and expansion, accounting for 45 percent of overall payroll growth since 2011. Nonfarm payroll growth since 2011 has averaged 65,800 jobs, or 1.7 percent, annually, greater than from 2004 through 2007, when nonfarm payrolls increased by an average of 41,900 jobs, or 1.0 percent, annually. Figure 2 shows nonfarm payroll growth by sector since 2000.

The entertainment industry is a significant component of the HMA economy. The motion picture and sound recording and the broadcasting industries have an approximately $30 billion economic impact on the southern California region (Los Angeles Economic Development Commission). The HMA has more than 5,200 businesses in the motion picture and sound recording and the broadcasting industries, which are predominately in and influence the economic growth of the San Fernando Valley and Metro submarkets and the southern portion of the North Los Angeles submarket. Nearly 70 percent of jobs in the information sector are in the motion picture and sound recording and the broadcasting industries in the HMA. Employment in the information sector increased by 3,400 jobs, or 1.8 percent, during the 12 months ending September 2013, up from the decline of 2,050 jobs, or 1.1 percent, during the previous 12 months. The sector comprises jobs at leading employers that include The Walt Disney Company, Paramount Pictures Corporation, and Sony Pictures Entertainment Inc. Developments that have been approved by the Los Angeles County Regional Planning Commission include Disney's construction of 12 soundstages called Disney | ABC Studios at The Ranch, in the North Los Angeles submarket near the city of Santa Clarita. The completion date is still uncertain, but Disney | ABC Studios at The Ranch is expected to create 2,800 jobs and generate $530 million in annual economic impact (The Walt Disney Company).

Figure 2. Sector Growth in the Los Angeles HMA, Percentage Change, 2000 to Current



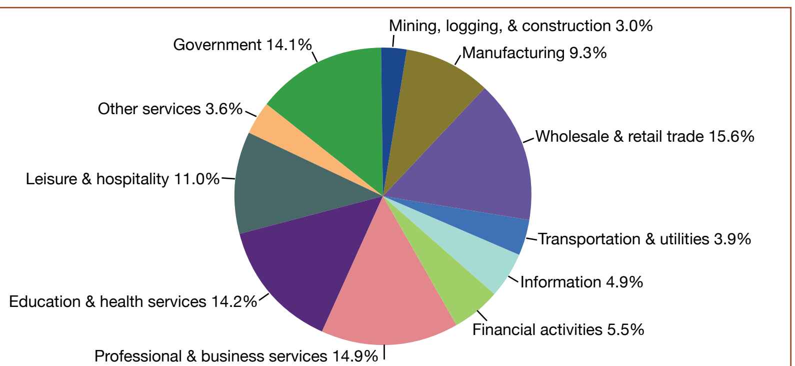
Note: Current is based on 12-month averages through September 2013.
Source: U.S. Bureau of Labor Statistics

The renown of the entertainment industry in the HMA has, in part, helped to spur growth in tourism, with landmarks such as the Chinese Theater and the Hollywood Walk of Fame. During 2012, 41.4 million visitors spent $16.5 billion, up from 40.4 million visitors who spent $15.4 billion during the previous year (LA Tourism & Convention Board). Since 2000, approximately 45 percent of total annual nonfarm payroll gains in the HMA have been in the leisure and hospitality sector. Apart from the decline in employment that averaged 8,400 jobs, or 2.1 percent, annually during 2009 and 2010, payroll growth in the sector was steady during most of the 2000s, averaging 7,300 jobs, or 2.0 percent, annually. During the 12 months ending September 2013, employment in the leisure and hospitality sector increased by 20,200 jobs, or 4.9 percent, a greater increase than during any period in the 2000s and up from the increase of 13,800 jobs, or 3.5 percent, during the previous 12-month period. Approximately 80 percent of the growth was in the food services and drinking places industry; the remaining 20 percent was equally distributed among the accommodation and the arts, entertainment, and recreation industries. Employment growth in the sector is expected to continue during the next 3 years. NBCUniversal, Inc., has a 25-year plan to expand its operations in the San Fernando Valley submarket, which is expected to create 30,000 jobs and generate $2 billion in economic activity for the Los Angeles HMA. As part of the plan, NBCUniversal's $500 million construction of The Wizarding World of Harry Potter at the Universal Studios Hollywood theme park and new television production facilities are currently under way. The completion of this phase of the plan during the next 3 years is expected to add 2,000 jobs each to the information and the leisure and hospitality sectors.

As a result of increased hotel occupancy during the past year, to 75.4 percent, surpassing the peak of 75.1 percent during 2006, hotel construction under way or in planning increased, with notable projects near the Los Angeles Convention Center in the Metro submarket. These hotels include the $172 million, 24-story Courtyard by Marriott, with 274 rooms to be complete in 2014, and the 20-story Marriott Residence Inn, with 218 rooms to be complete in 2015. The two Marriott projects will create 800 construction jobs while in progress and 200 permanent positions when complete. The $1 billion Wilshire Grand Center will begin construction by early 2014, adding 900 rooms with a capacity to support 1,700 jobs when complete in 2016.

Like the leisure and hospitality sector, the education and health services sector has provided stability to the HMA economy since 2000. More than one-fourth of the population of California resides in the HMA. The substantial concentration of people has helped to support growth in the education and health services sector, the third largest sector of the economy (Figure 3). Approximately 60 percent of those who work in the healthcare and social assistance industries in the southern California region are employed within the HMA. Employment in the education and health services sector increased by an average of 10,400 jobs, or 2.2 percent, annually during the 2000s despite two economic downturns, the tech-bubble bursting of the early 2000s and the Great Recession of the late 2000s. During the 12 months ending September 2013, the sector increased by 16,200 jobs, or 3.0 percent, compared with an increase of 7,275 jobs, or 1.4 percent, during the previous 12 months. Approximately 65 percent of the growth in the education and health services sector during the 12 months ending September 2013 was in the healthcare and social assistance industries, in which additional growth is expected during the next 3 years. The largest private employers in this sector include Kaiser Permanente®, the University of Southern California (USC), Cedars-Sinai, and Providence Health & Services Southern California, with 35,500, 16,200, 12,000, and 11,400 employees, respectively. Projects in the approval and planning stages that may be complete during the next 3 years include the $300 million expansion of the LAC + USC Medical Center, which would add 150 beds, and the construction of an acute-care building at the Henry Mayo Newhall Memorial Hospital. Job gains resulting from both expansions are currently undetermined.

Figure 3. Current Nonfarm Payroll Jobs in the Los Angeles HMA, by Sector



Note: Based on 12-month averages through September 2013.
Source: U.S. Bureau of Labor Statistics

The professional and business services sector, which added the most jobs during the past year, is the second largest sector in the HMA, accounting for nearly 15 percent of all jobs. The HMA serves as the headquarters for 4 of the top 10 engineering design firms in the nation: Jacobs Engineering Group Inc.; AECOM Technology Corporation; Tetra Tech, Inc.; and Parsons Corporation. During the 12 months ending September 2013, employment in the professional and business services sector increased by 21,300 jobs, or 3.8 percent, up from the 18,600-job, or 3.4 percent, increase during the previous 12-month period. Nonfarm payroll growth in the sector was a significant improvement from the average annual loss of 26,000 jobs, or 4.5 percent, from 2008 through 2010. Employment growth in the past year was partly the result of expansions in the professional, scientific, and technical services industry, which increased by 10,300 jobs, or 3.9 percent. Payroll increases in the professional and business services sector are expected to continue, but at a lower rate, during the next year. Employment announcements for web developers, marketing managers, executive assistants, and software developers totaled approximately during August 2013, 24 percent less than the 13,650 jobs announced a year ago (California Employment Development Department).

During the 3-year forecast period, nonfarm payrolls are expected to increase 2.3 percent annually, or by 88,700 jobs a year. Approximately two-thirds of nonfarm payroll growth is expected to occur in the city of Los Angeles, parts of which are in the San Fernando Valley, Metro, and South Bay submarkets.

Population and Households

The Los Angeles HMA accounts for more than 25 percent of the total population in California. The city of Los Angeles is the county seat and, with 38 percent of the county's population, is Los Angeles County's largest city. Other large population centers include the cities of Glendale, Lancaster, Long Beach, Palmdale, Pomona, Santa Clarita, and Torrance.

The population of the HMA was estimated at nearly 9.97 million as of October 2013, reflecting an average increase of approximately 42,700, or 0.4 percent, a year since 2010, which was up from the average increase of 14,000, or 0.1 percent, annually from July 2008 to July 2010, when employment conditions were weak. From July 2005 to July 2007, the population declined by 17,850, or 0.2 percent, a year. During this period, lending standards were lenient and net out-migration occurred from the HMA to neighboring Riverside and San Bernardino Counties, where housing was relatively more affordable. From July 2000 to July 2005, the population increased by 49,650, or 0.5 percent, a year.

Since 2000, net natural change (resident births minus resident deaths) has accounted for all the net population growth in the HMA. From April 2000 to April 2010, net natural change averaged 91,500 people annually compared with net out-migration averaging 61,600 a year. Both net natural change and net out-migration have declined since April 2010, with net natural change averaging 74,700 people a year and net out-migration averaging 32,050 people annually.

The current population of the North Los Angeles submarket is estimated at 682,000, which represents approximately 7 percent of the total HMA population. Unlike the HMA as a whole, population growth in this submarket is a product of both net natural change and net in-migration. The population gain from April 2000 to April 2010 resulted from an average net natural change of 5,875 people a year and a net in-migration of 9,350 people a year. A primary reason households come to this submarket is for the affordable housing. During the 12 months ending September 2013, the average price for new and existing homes (including single-family homes, townhomes, and condominiums) sold in the North Los Angeles submarket was $300,600, or a 47-percent decrease from the $568,400 average price for all homes sold in the HMA. Since April 2010, net natural change and net migration have remained positive. Net natural change averaged 5,425 people a year and net in-migration averaged 1,475 people a year.

The San Fernando Valley and San Gabriel Valley submarkets currently contain 18 and 19 percent of the population of the county, with 1.79 million and 1.85 million people, respectively. Since April 2010, net natural change has been positive but net migration has been negative in both submarkets. Net natural change averaged 11,200 people a year in the San Fernando Valley submarket and 13,400 people a year in the San Gabriel Valley submarket. During the same period, annual net out-migration was 3,875 people in the San Fernando Valley submarket and 6,350 people in the San Gabriel Valley submarket. From July 2005 to July 2007, net natural change averaged 14,150 people a year and net out-migration averaged 10,750 people a year in the San Fernando Valley submarket. During the same period, net natural change averaged 16,300 people a year and net out-migration averaged 26,500 people a year in the San Gabriel Valley submarket. The out migration from both submarkets was a combination of retirees selling their homes during the peak of the market and households moving to areas with more affordable housing. People are currently attracted to the San Fernando Valley and San Gabriel Valley submarkets because of their proximity to job centers in downtown Los Angeles and throughout the southern portion of the county.

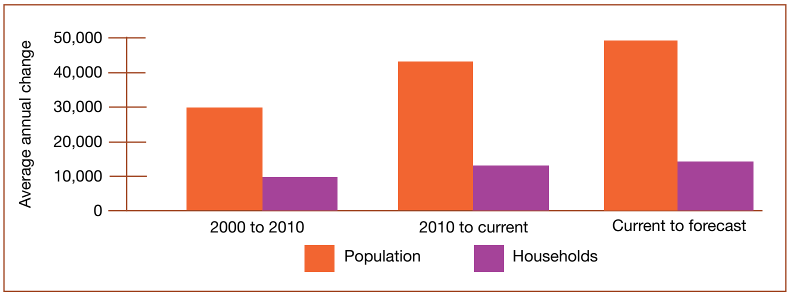
The Metro submarket currently represents 18 percent of the population of the HMA, with a population of 1.84 million. Since April 2010, the population has increased by an average of 7,275, or 0.4 percent, a year compared with an average decrease of 5,750, or 0.3 percent, a year from 2005 through 2007, when people were priced out of the submarket by rising home prices and rents. During the first half of the 2000s and since the beginning of 2010, people were attracted to the downtown and Hollywood portions of the Metro submarket by the conversion of office buildings into lofts for sale and for rent and by the L.A. Live entertainment center, which contains restaurants, theaters, and a museum. As the downtown grew, more retail businesses started opening, which in turn attracted more people. From 2000 through 2007, many residents of the southern portion of the submarket took advantage of less stringent mortgage qualifications to purchase homes in neighboring Riverside and San Bernardino Counties.

The Westside and South Bay submarkets currently represent 10 and 11 percent of the population of the HMA, with populations of 1.04 and 1.08 million, respectively. Since April 2010, the populations of the these two submarkets have increased by averages of 5,575, or 0.5 percent, and 4,600, or 0.4 percent, a year, respectively compared with average decreases of 3,600, or 0.4 percent, and 5,300, or 0.5 percent, a year, respectively from 2005 through 2007. The population declines from 2005 through 2007 were the result of the average annual net out-migration of 11,750 people in the South Bay submarket and 10,850 people in the Westside submarket. People left both of these submarkets because they were priced out by the sharp rises in home prices. People are currently attracted to these two submarkets because of their moderate year-round climates and their proximity to the ocean.

The Gateway submarket currently represents 17 percent of the population of the county, with a population of 1.68 million. Since April 2010, the population has increased by an average of 3,950, or 0.2 percent, a year compared with an average decrease of 6,250, or 0.4 percent, a year from 2005 through 2007, when households moved to adjoining counties to take advantage of lower home sales prices. Since 2008, people have been attracted to this submarket because REO (Real Estate Owned) home sales and short sales made purchasing a home more affordable than in the boom real estate years from 2005 through 2007.

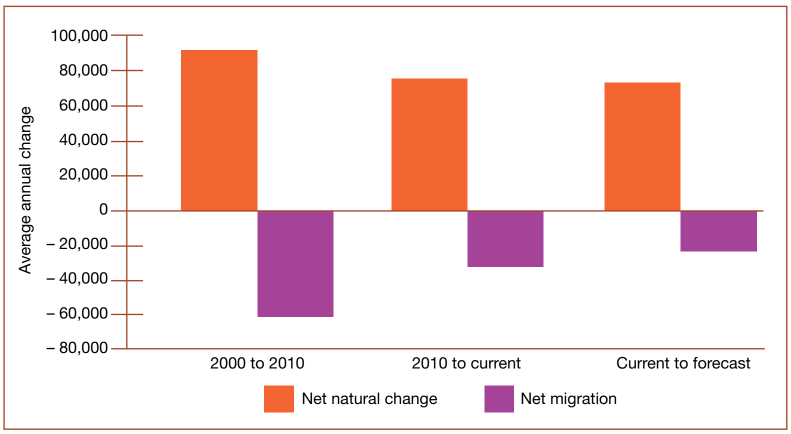
During the next 3 years, population growth in all seven submarkets is expected to increase, averaging 8,375 people, or 1.2 percent, a year for the

Figure 4. Population and Household Growth in the Los Angeles HMA, 2000 to Forecast



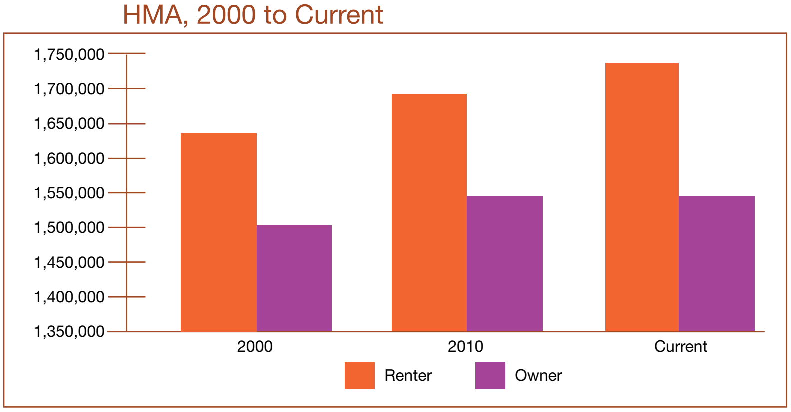
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analysts

Figure 5. Components of Population Change in the Los Angeles HMA, 2000 to Forecast



Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analysts

Figure 6. Number of Households by Tenure in the Los Angeles HMA, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts

North Los Angeles submarket; 9,000 people, or 0.5 percent, a year for the San Fernando Valley submarket; 7,325 people, or 0.4 percent, a year for the San Gabriel Valley submarket; 8,675 people, or 0.5 percent, a year for the Metro submarket; 5,325 people, or 0.5 percent, a year for the Westside submarket; 5,675 people, or 0.5 percent, a year for the South Bay submarket; and 3,675 people, or 0.5 percent, a year for the Gateway submarket. In the HMA as a whole, the population is expected to increase by an average of 48,350, or 0.5 percent, a year during the 3-year forecast period. The population of the HMA is expected to reach 10.11 million by the end of the forecast period. Figure 4 shows population and household growth in the HMA, and Figure 5 shows the components of population change in the HMA, from 2000 to the forecast date.

The number of households in the HMA was estimated at 3.28 million as of October 1, 2013, reflecting an average annual increase of approximately 13,200 households, or 0.4 percent, since 2010 compared with the average of 9,700 households, or 0.3 percent, added annually during the 2000s. Net out-migration occurred in most submarkets during the previous decade, when households sought to purchase relatively more affordable housing in adjacent counties because of the rapidly rising housing prices from 2005 through 2007 and the declining economy from 2008 through 2010 in the HMA. Figure 6 shows the number of households by tenure in the HMA.

The San Fernando Valley submarket, which has increased by an average of 2,900 households, or 0.5 percent, a year since 2010, had the greatest gain in the number of households in the HMA. The improved economy and the variety of home prices helped to attract households to this submarket. The Metro submarket has increased by an average of 2,400 households, or 0.4 percent, a year since April 2010, about the same as the average increase of 2,300 households, or 0.4 percent, a year during the 2000s. The increased supply of sales and rental units, the addition of entertainment centers, and a gain in retail establishments drew young adult households to downtown Los Angeles. From April 2000 to April 2010, 4,050, or 44 percent, of the increased households in the downtown area were less than 35 years old. Tables DP-1 through DP-8 at the end of the report show additional data on households in all the submarkets.

The nonhousehold population in the HMA declined from 175,252 in 2000 to 171,681 in 2010. The institutional population decreased from 77,721 in 2000 to 68,682 in 2010 because of judicial mandates to relieve overcrowding in correctional facilities through early release or other programs. In 2012, the Los Angeles Police Department opened the 1,000-bed Metropolitan Detention Center in downtown to deal with part of the overcrowding. People in correctional facilities and nursing homes accounted for 40 percent of the nonhousehold population in the HMA. A gain in the noninstitutional population, from 97,540 in 2000 to 102,999 in 2010, mainly because the number of students living in college dormitories increased, partially offset the decrease in the institutional population. The nonhousehold population in the HMA is currently 174,000 and represents 1.7 percent of the total population of the HMA. The gains since 2010 have been mainly the result of increases in college dormitory beds in the Metro and Westside submarkets. The Metro submarket, with a nonhousehold population of 45,350, represents 26 percent of the nonhousehold population in the HMA. The Metro submarket is home to USC and several large jails near the downtown area. The Westside submarket, with a current nonhousehold population of 29,600, has 17 percent of the nonhousehold population in the HMA. Approximately 34 percent of the nonhousehold population living in college dormitories resides in the Westside submarket, which includes the University of California, Los Angeles (UCLA). Only a slight expansion of housing for the nonhousehold population is anticipated during the forecast period. The nonhousehold population is expected to increase by 1,125, or 0.6 percent, a year to 177,400 at the end of the forecast period. The increases will mainly be because of increases in people living in college dormitories and in jails. Tables DP-1 through DP-8 at the end of the report show additional data.

Housing Market Trends

Sales Market—North Los Angeles Submarket

The North Los Angeles submarket includes the high-desert cities of Lancaster and Palmdale, in the Antelope Valley at the northern extremity of the Los Angeles HMA, and the city of Santa Clarita, in the Santa Clarita Valley closer to the San Fernando Valley submarket. Relative to the other submarkets in the HMA, the North Los Angeles submarket has an abundance of available land, which has attracted companies involved in aerospace technology since the 1930s, when the Muroc Air Force Base was constructed in the city of Lancaster. The availability of land has also supported the growth of master-planned communities such as Valencia, in the city of Santa Clarita, which continues to be built out.

The sales housing market in the submarket is balanced, improved from the soft conditions that began during 2008 and lasted through 2011, in response to stringent lending standards and economic decline after the financial crisis. The current estimated vacancy rate is 2.0 percent, down from 2.6 percent during 2010. The decline in the vacancy rate since 2010 has resulted from improved economic conditions that enabled households to purchase homes and a decrease in the number of single-family homes and condominiums being constructed compared with the number built in the early-to-mid 2000s. Since 2010, the sales inventory has increased by 110 homes a year, and the number of owner households in the submarket has increased by 370 a year, to 136,100 (Table DP-2 at the end of the report).

An average of 10,650 new and existing single-family homes, townhomes, and condominiums sold from 2008 through 2011, down 38 percent, or 6,025, from the average of 15,750 homes sold from 2005 through 2007 (Metrostudy, A Hanley Wood Company). At the peak of the sales market during 2005, the North Los Angeles submarket accounted for nearly 20 percent of all sales in the HMA, 60 percent of which occurred in the northernmost cities of Lancaster and Palmdale. The submarket currently accounts for only 12 percent of all home sales, as net in-migration to the submarket, mainly to Lancaster and Palmdale, slowed as declining employment conditions and stringent lending practices curtailed incentives to relocate to the submarket.

During the 12 months ending September 2013, home sales totaled 9,725, relatively unchanged compared with the number of homes sold during the previous 12-month period. A 51-percent, or 2,375-home, increase in regular resales was offset by a 55-percent, or 2,325-home, decline in REO home sales. During the 12 months ending September 2013, the percentage of existing home sales that were REO sales was reduced to 20 from 44 percent during the previous 12-month period, but the REO share of the market remains significantly higher than the average annual 1 percent of existing sales from 2005 through 2007. Approximately 16 percent of all REO sales in the HMA during the 12 months ending September 2013 were in the North Los Angeles submarket, nearly 70 percent of which occurred in Lancaster and Palmdale.

During the 12 months ending September 2013, the average home sales price increased 19 percent, to $268,000, from $225,700 in the previous year and was up 4 percent from the average price of $258,800 a year from 2008 through 2011. The average home sales price was 37 percent less than the average annual price of $427,400 from 2005 through 2007, however. In Santa Clarita, the average sales price was $410,800 during the 12 months ending September 2013, up 16 percent from $355,700 during the previous 12-month period but down 4 percent from the average price of $425,900 from 2008 through 2011. The price of homes in the Santa Clarita Valley is $232,600 higher than the average price of $178,200 in the Antelope Valley.

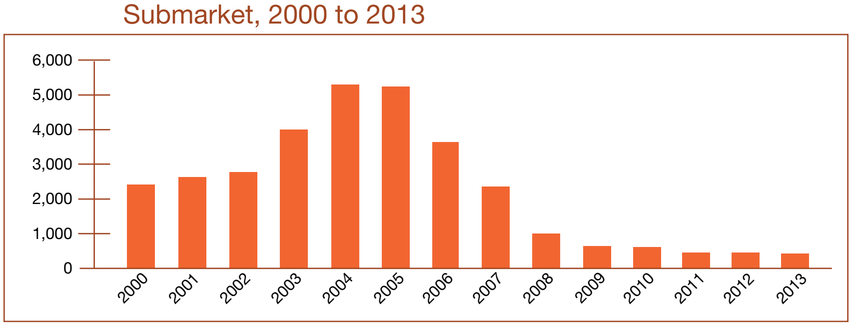
Condominium sales have represented approximately 15 percent of all home sales in the North Los Angeles submarket since the mid-2000s (Metrostudy, A Hanley Wood Company). During the 12 months ending September 2013, condominium sales increased 2 percent, to 1,500 homes, from 1,450 homes during the previous 12 months, and the price of condominiums increased 6 percent, to $237,700 from $224,800. Condominium sales are 29 percent less than the average annual 2,075 homes sold from 2005 through 2007, when sales market conditions were stronger. From 2000 through 2007, condominium construction accounted for approximately 10 percent of all multifamily development in the submarket. Since 2008, no condominiums have been constructed because of soft sales market conditions.

The level of distressed home loans in the HMA is low compared with the levels in other parts of California. As of September 2013, 3.7 percent of home loans in the HMA were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 6.2 percent in September 2012 (Black Knight Financial Services, Inc.). The current rate for the HMA remains higher than the 3.4-percent rate for California but lower than the 6.0-percent rate for the nation. The number of distressed loans was 34,300 in September 2013, a decrease of 32,150, or 48 percent, compared with the number in September 2012. Approximately 20 percent of distressed loans in the HMA are in the North Los Angeles submarket (Metrostudy, A Hanley Wood Company).

Despite improved sales market conditions, homebuilding activity, as measured by the number of single-family homes permitted, remains at low levels. From 2008 through 2011, an average of 660 homes were permitted a year, down 81 percent from an average annual rate of approximately 3,525 homes permitted from 2000 through 2007. During the 12 months ending September 2013, permits were issued for 490 homes, slightly more than the 440 homes permitted during the same period a year earlier (preliminary data). Figure 7 shows the number of single-family homes permitted in the submarket from 2000 to the current date.

The notable single-family developments under construction are in Valencia, a Newhall Land and Farming Company master-planned community in the Santa Clarita

Figure 7. Single-Family Homes Permitted in the North Los Angeles Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through September 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Valley. Developments include River Village, Villa Metro, West Creek, and West Hills, which are expected to have 2,958 homes on completion within the next 7 years. Approximately 1,200 homes have been completed since 2007. The remaining 1,758 homes will be completed in phases and according to the level of demand. Builders currently are able to sell approximately 20 homes a month, or 240 homes a year, in the Santa Clarita Valley. During the peak of the sales market, builders were able to sell approximately 70 homes a month, or 840 homes a year. The newest development under way is Villa Metro, with 315 homes that are smaller than traditional homes in Valencia. Homes at Villa Metro began selling during July 2013 at prices starting at the low $300,000s for a two-bedroom single-family home, at least $150,000 less than the starting prices for larger homes with four bedrooms.

During the next 3 years, demand is estimated for 4,775 new homes in the North Los Angeles submarket (Table 1). Demand is expected to increase from 1,200 homes during the first year of the 3-year forecast period to 1,950 homes during the third year of the forecast period. The 40 homes currently under construction will meet a portion of demand during the first year. In addition, some of the estimated 5,300 other vacant units in the submarket may return to the sales market and satisfy a portion of the demand. Demand is expected to be greatest in the Santa Clarita Valley and for homes priced in the $434,000-to-$524,000 range (Table 4).

Table 4. Estimated Demand for New Market-Rate Sales Housing in the North Los Angeles Submarket, October 1, 2013, to October 1, 2016

Price Range ($)		Units of Demand	Percent of Total
From	To		
254,000	343,999	480	10.0
344,000	433,999	480	10.0
434,000	523,999	1,675	35.0
524,000	613,999	960	20.0
614,000	703,999	960	20.0
704,000	and higher	240	5.0

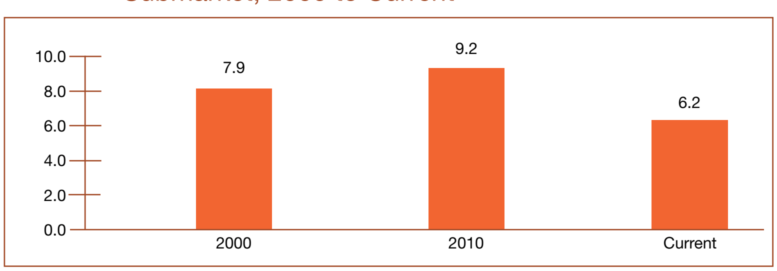
Note: The 40 homes currently under construction and a portion of the estimated 5,300 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analysts

Rental Market—North Los Angeles Submarket

The rental housing market in the North Los Angeles submarket is balanced. The overall rental vacancy rate is currently estimated at 6.2 percent, down from 9.2 percent in 2010 (Figure 8), because renter household growth, mainly to areas in and surrounding the Santa Clarita Valley, exceeded the development of rental properties and the conversion of sales units. The apartment market is also balanced, but conditions vary by area within the submarket. In the Santa Clarita Valley, apartment market conditions are tight despite the number of newly completed apartments in initial leasing that have increased the overall vacancy rate. During the third quarter of 2013, the apartment vacancy rate averaged 7.3 percent compared with 4.3

Figure 8. Rental Vacancy Rates in the North Los Angeles Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts percent during the third quarter of 2012, and market rents increased 3 percent, from $1,540 to $1,579 (MPF Research). In the Antelope Valley, where Lancaster and Palmdale are, apartment market conditions are soft because of more gradual household growth, and the vacancy rate in the Antelope Valley increased from 7.0 to 7.5 percent. The average market rent for apartments in the Antelope Valley was nearly unchanged at $816 from a year ago. Apartment vacancies have increased since 2012 as the number of units in leasing rose and as the sales housing market and employment conditions improved. In addition, the greater proportion of single-family homes for rent competes with apartments. Approximately 15 percent of single-family homes in the submarket were rentals during 2000 compared with 19 percent during the 5-year period ending in December 2012 (U.S. Census Bureau).

Approximately one-third of all apartment developments in the submarket are in the city of Santa Clarita. Since 2008, all the multifamily units constructed in the North Los Angeles submarket have been apartments compared with approximately 90 percent of units built from 2000 to 2007. Multifamily construction activity began to slow considerably during 2009 because of the recession and tighter lending standards. From 2009 through 2011, an average of 110 multifamily units were permitted annually compared with an average of 400 multifamily units permitted annually from 2005 through 2008 (Figure 9). Multifamily development, as measured by the number of units permitted, increased by 150 units, or 44 percent, from the previous 12 months, to 490 units during the 12 months ending September 2013 (CB Richard Ellis; Census Bureau; local planning offices; U.S. Department of Housing and Urban Development [HUD]).

The Lost Canyon, 157 townhome-style apartments in Santa Clarita completed in 2013, is among the newest rental properties, with rents that start at $2,364 for a three-bedroom unit. Developments under construction are predominately in the Santa Clarita Valley and include the 182-unit apartment portion of Esperto At West Creek in Valencia. For the submarket as a whole, apartment rents for newly constructed one-, two-, and three-bedroom units start at $1,450, $1,750, and $2,150, respectively.

During the 3-year forecast period, demand is estimated for 1,700 new market-rate rental units in the North Los Angeles submarket (Table 1). The 460 units currently under construction will satisfy a portion of the rental housing demand during the first year of the forecast period. Demand is expected to be stronger during the second and third years, averaging 600 a year because of increased net in-migration. Table 5 shows estimated demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

Figure 9. Multifamily Units Permitted in the North Los Angeles Submarket, 2000 to 2013

Notes: Excludes townhomes. Includes data through September 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Table 5. Estimated Demand for New Market-Rate Rental Housing in the North Los Angeles Submarket, October 1, 2013, to October 1, 2016

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,450 to 1,649	260	1,750 to 1,949	430	2,150 to 2,349	170
1,650 to 1,849	150	1,950 to 2,149	260	2,350 to 2,549	100
1,850 to 2,049	75	2,150 to 2,349	130	2,550 to 2,749	50
2,050 or more	25	2,350 or more	45	2,750 or more	15
Total	510	Total	850	Total	340

Notes: Numbers may not add to totals because of rounding. The 460 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analysts

Sales Market—San Fernando Valley Submarket

Bordering the North Los Angeles submarket to the south, the San Fernando Valley submarket mainly consists of the city of Los Angeles, which accounts for 80 percent of the incorporated land within the submarket. The submarket also includes the cities of Burbank and Glendale and the neighborhoods of North Hollywood, Studio City, and Van Nuys. Commonly referred to as the "Valley of the Stars," the submarket is a center for motion picture and television production, serving as the headquarters location for The Walt Disney Company; Warner Bros. Entertainment Inc.; Universal Studios, Inc.; and DreamWorks Animation SKG Inc. Since the 1980s, much of the submarket has been built out, and new home developments are typically on infill parcels or redeveloped land. The closure of redevelopment agencies in 2011 is expected to affect the development of new housing.

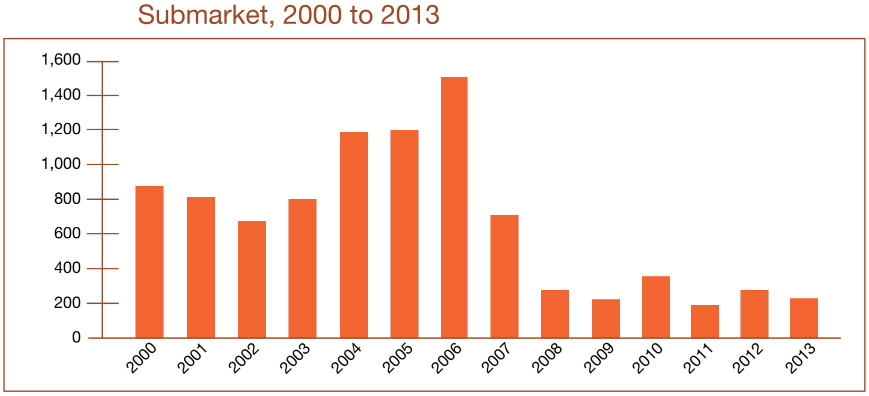
The sales housing market in the San Fernando Valley submarket is balanced, with a current estimated vacancy rate of 1.5 percent, down from 1.7 percent in April 2010. The vacancy rate declined because of increased demand for homes in the existing sales market as the economy strengthened. Since 2010, the sales inventory has increased by an estimated 240 units annually, and the number of owner households has increased by 480 a year, to 297,300 (Table DP-3 at the end of the report). Like the North Los Angeles submarket, the San Fernando Valley submarket recorded improved sales market conditions from the weakness that occurred from 2008 through 2011. An average of 14,800 new and existing single-family homes, townhomes, and condominiums sold from 2008 through 2011, down 31 percent, or 6,500, from the average of 21,300 homes sold from 2005 through 2007 (Metrostudy, A Hanley Wood Company). At the peak of the sales market during 2005, the submarket accounted for 22 percent of all sales in the Los Angeles HMA. The San Fernando Valley submarket currently accounts for 21 percent of all home sales. The strong employment base in the submarket helped to keep the proportion of sales in the submarket relatively stable. During the 12 months ending September 2013, home sales increased 5 percent, to 16,300 homes, compared with the 15,500 homes sold during the previous 12-month period. The entire increase resulted from a 29-percent, or 3,000-home, gain in regular resales; REO sales and new home sales decreased 44 and 37 percent, or by 2,000 and 200 homes, respectively. During the 12 months ending September 2013, the percentage of existing home sales that were REO sales was reduced to 16 percent from 30 percent during the previous 12-month period, but the percentage remains significantly higher than the average annual 2 percent of existing sales from 2005 through 2007. The San Fernando Valley submarket accounted for approximately 21 percent of all REO sales, or 2,500, in the HMA during the 12-months ending September 2013.

The average home sales price increased 23 percent, to $516,700, during the 12 months ending September 2013 from $421,300 during the previous year and was up 6 percent from the average of $488,100 a year from 2008 through 2011. The average sales price was 19 percent less than the average annual price of $640,800 from 2005 through 2007.

Condominiums have represented approximately 25 percent of all home sales in the San Fernando Valley submarket since 2009, down from 30 percent from 2005 through 2008, and are currently priced, on average, $262,500 less than the price of single-family homes (Metrostudy, A Hanley Wood Company). During the 12 months ending September 2013, condominium sales increased less than 1 percent, to 3,925 homes, from 3,900 homes during the previous 12 months, and the sales price of condominiums increased 18 percent, to $296,200, from $250,200. Condominium sales are 36 percent below the average annual 6,250 homes sold from 2005 through 2007. Condominium construction has accounted for 3 percent of all multifamily development since 2008, a decline from 10 percent during 2006 and 2007, when condominium construction was at a peak in the submarket. Condominiums currently under construction in this submarket include 81 homes at Roscoe II in Canoga Park, in the southwestern portion of the submarket, with prices starting in the low $300,000s and 26 homes at Jackson Glen in Glendale, in the southeastern portion of the submarket, with prices starting in the low $400,000s.

Despite improved sales market conditions, homebuilding activity, as measured by the number of single-family homes permitted, remains at low levels. From 2008 through 2011, an average of 270 homes were permitted a year, down from an average of 980 homes permitted a year from 2000 through 2007 (Figure 10). During the 12 months ending September 2013, permits were issued for 300 homes, up from the 240 homes permitted during the previous 12-month period (preliminary data). Developments under way include Cortile at Porter Ranch and Bella Vista, which are in the master-planned community of Porter Ranch. The 263-home Cortile at Porter Ranch has completed 46 single-family homes since 2007, with

Figure 10. Single-Family Homes Permitted in the San Fernando Valley Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through September 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

prices starting in the $400,000s. Bella Vista has 282 single-family homes planned and 71 homes completed since 2010. Prices at Bella Vista start in the high $700,000s. Approximately 12 homes have been completed per quarter at Cortile at Porter Ranch and 16 homes per quarter at Bella Vista since the beginning of 2013. At the current rate of construction and demand, total buildout at these two developments is expected by 2018.

Demand is estimated for 1,850 new homes in the submarket during the next 3 years (Table 1). The 100 homes currently under construction will meet a portion of this demand. In addition, some of the estimated 10,200 other vacant units in the submarket may return to the sales market and satisfy a portion of the forecast demand. Demand is expected to be stronger during the second and third years of the 3-year forecast period and greatest in the $450,000-to-$539,999 price range. Table 6 illustrates estimated demand for new sales housing in the submarket by price range.

Table 6. Estimated Demand for New Market-Rate Sales Housing in the San Fernando Valley Submarket, October 1, 2013, to October 1, 2016

Price Range ($)		Units of Demand	Percent of Total
From	To		
270,000	359,999	380	20.0
360,000	449,999	280	15.0
450,000	539,999	560	30.0
540,000	629,999	190	10.0
630,000	719,999	95	5.0
720,000	809,999	95	5.0
810,000	899,999	95	5.0
900,000	and higher	190	10.0

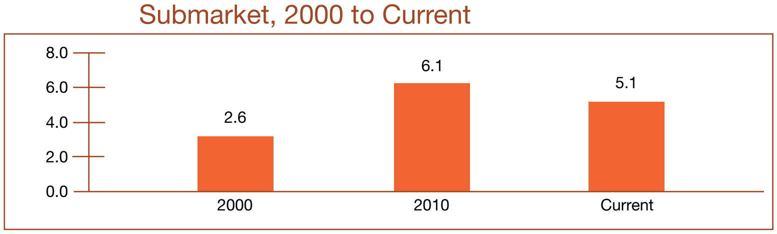
Note: The 100 homes currently under construction and a portion of the estimated 10,200 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analysts

Rental Market—San Fernando Valley Submarket

Rental housing market conditions in the San Fernando Valley submarket are currently balanced. The estimated 5.1-percent vacancy rate is down from the 6.1-percent rate in 2010 (Figure 11). The tightening rental market conditions resulted because the increase in renter households by an average of 2,400 annually outpaced the growth in renter housing units by an average of 780 annually since 2010. The market for apartments is tight and is tighter than the overall rental market in the submarket. A greater proportion of single-family homes for rent partly kept the overall rental vacancy rate higher than the apartment vacancy rate in the submarket. Approximately 18 percent of single-family homes were rentals during 2000 compared with 20 percent during the 5-year period ending in December 2012 (Census Bureau). During the third quarter of 2013, the apartment vacancy rate averaged 3.4 percent compared with 3.3 percent during the third quarter of 2012 and 5.0 percent during the third quarter of 2010 (MPF Research). The average effective apartment rent increased by $71, or 5 percent, to $1,594 during the same period but is $58, or 4 percent, less than the current average effective rents for the Los Angeles HMA as a whole. The tightest segment of the San Fernando Valley submarket was in the Van Nuys-Northeast area, with a vacancy rate of 2.1 percent as of the

Figure 11. Rental Vacancy Rates in the San Fernando Valley Submarket, 2000 to Current

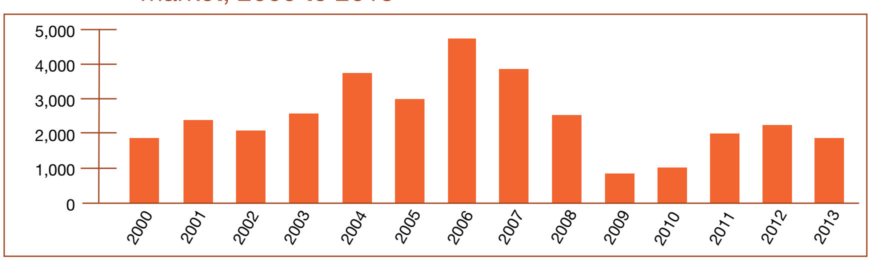


Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts third quarter of 2013. The average effective apartment rent in the Van Nuys-Northeast area was $1,234 during the third quarter of 2013, a $63, or 5-percent, increase from the previous year.

As rental market conditions have tightened since 2010, multifamily construction activity, as measured by the number of units permitted, has increased. The number of multifamily units permitted averaged 3,625 a year from 2004 through 2008 before declining to 850 during 2009 (Figure 12). Multifamily building permitting increased by an average of 640 units a year from 2010 through 2012. Approximately 2,500 multifamily units were permitted compared with the 2,250 units permitted during the previous 12-month period (CB Richard Ellis; Census Bureau; local planning offices). Since 2000, 95 percent or more of multifamily building development each year has been for apartments, except during 2006 and 2007, when 90 percent of multifamily development was apartments. Apartment developments that were completed in 2013 include the 88-unit Mosaic in Sherman Oaks, the 308-unit Ferrara in North Hollywood, the 208-unit Elevé Lofts in Glendale, and the 287-unit Warner Park in Canoga Park. Both the Mosaic and Ferrara were originally planned as condominiums. Approximately 74 percent of apartment developments under construction are in Burbank, Glendale, Northridge, and Woodland Hills. Notable developments currently under construction include the 408-unit Terrana Apartments in Northridge, the 310-unit Lex on Orange in Glendale, and the 340-unit Infinity in Woodland Hills. These three developments are expected to be complete during the second quarter of 2014. In the San Fernando Valley submarket, rents for newly completed one-, two-, and three-bedroom apartments start at $1,500, $1,725, and $2,475, respectively.

During the 3-year forecast period, demand is estimated for 7,375 new market-rate rental units in the San Fernando Valley submarket (Table 1). The 1,600 units currently under construction will meet a portion of this demand. Demand is expected to be stronger during the second and third years of the forecast period, increasing from 2,175 during the first year to an average of 2,600 a year during the second and third years. Table 7 shows estimated demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

Figure 12. Multifamily Units Permitted in the San Fernando Valley Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through September 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Table 7. Estimated Demand for New Market-Rate Rental Housing in the San Fernando Valley Submarket, October 1, 2013, to October 1, 2016

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,500 to 1,699	1,175	1,725 to 1,924	1,475	2,475 to 2,674	300
1,700 to 1,899	890	1,925 to 2,124	1,100	2,675 to 2,874	220
1,900 to 2,099	590	2,125 to 2,324	740	2,875 to 3,074	150
2,100 or more	300	2,325 or more	370	3,075 or more	75
Total	2,950	Total	3,700	Total	740

Notes: Numbers may not add to totals because of rounding. The 1,600 units currently under construction will satisfy some of the estimated demand.
Source: Estimates by analysts

Sales Market—San Gabriel Valley Submarket

The San Gabriel Valley submarket is east of major employment centers in downtown Los Angeles, southeast of the San Fernando Valley submarket, and adjacent to San Bernardino County. The submarket includes the foothill cities of Arcadia, Azusa, Glendora, and Pasadena. Leading research facilities, including NASA's Jet Propulsion Laboratory and California Institute of Technology are in Pasadena. As in the San Fernando Valley submarket, the San Gabriel Valley submarket is largely built out, and new home developments are typically on infill parcels or redeveloped land.

The sales housing market in the submarket is balanced with a current estimated vacancy rate of 1.0 percent, down from 1.2 percent during 2010 (Table DP-4). The decline in the vacancy rate resulted from a decrease in sales inventory by 190 units annually, whereas the number of owner households decreased at a lower rate, by 30 a year, to 335,700. The sales inventory declined because the number of homes lost, in part because of demolitions and from existing sales inventory shifting to the rental market, was greater than the additions to inventory from single-family and condominium construction activity.

The sales market was soft during 2008 through 2011 before conditions improved. An average of 12,550 new and existing single-family homes, townhomes, and condominiums sold during 2008 through 2011, down 27 percent, or 4,550, from the average of 17,100 homes sold from 2005 through 2007 (Metrostudy, A Hanley Wood Company). During the 12 months ending September 2013, home sales increased 12 percent, to 14,900 homes, compared with the 13,300 homes sold during the previous 12-month period. In the city of Pasadena, home sales increased 15 percent, or by 210, to 1,650 homes compared with the 1,425 homes sold a year ago, and were up 17 percent from the average of 1,400 homes sold a year during 2008 through 2011. Home sales have recovered in the foothill areas of Arcadia, Monrovia, Azusa, and Glendora, in the northern parts of the submarket. Home sales in these areas totaled 2,450 during the 12 months ending September 2013, up 25 percent from a year ago, and up 3 percent, or 70 homes, from the average of 2,375 homes sold during the strong sales market period from 2005 through 2007. In the southeastern areas of the San Gabriel Valley submarket, including Hacienda Heights, Rowland Heights, Diamond Bar, and Walnut, home sales totaled 1,950 during the 12 months ending September 2013, up 14 percent, or 280 homes, from the previous year, but still down 12 percent from the 2,225 homes sold from 2005 through 2007.

The entire increase in sales in the San Gabriel Valley submarket during the 12 months ending September 2013 resulted from a 32-percent, or 3,075-home, gain in regular resales; REO and new home sales declined 44 and 11 percent, or by 1,450 and 60 homes, respectively. The percentage of existing home sales that were REO sales declined to 13 percent during the 12 months ending September 2013, down from 26 percent during the previous 12-month period, but remains significantly higher than the average annual rate of 1 percent of existing sales that was reported from 2005 through 2007. Approximately

15 percent of all REO sales in the Los Angeles HMA during the 12-months ending September 2013 were in the submarket.

The average home sales price during the 12 months ending September 2013 increased 20 percent to $566,800 from $471,400 during the previous year, and was up 13 percent from the average of $502,800 a year during 2008 through 2011. The increase in the average price resulted, in part, from the decline in REO sales as a proportion of total sales during the past year. Since 2008, the average price of an REO home has been $216,500 less than the average price of a regular resale. The average home sales price is 6 percent less than the average annual price of $604,800 from 2005 through 2007. In the city of Pasadena, the average price of homes was $722,200 during the 12 months ending September 2013, up 10 percent from $659,500 during the previous 12-month period, and was up 8 percent from the average price of $670,200 during 2008 through 2011. From 2005 through 2007, the average price of homes in Pasadena was $750,900 a year. In the foothill areas of Arcadia, Monrovia, Azusa, and Glendora, home sale prices averaged $696,900 during the 12 months ending September 2013, up 22 percent from a year ago, and up 10 percent, from the average price of $635,700 from 2005 through 2007. In the south-eastern portion of the submarket which includes Hacienda Heights, Rowland Heights, Diamond Bar, and Walnut, home sale prices averaged $573,400 during the 12 months ending September 2013, up 11 percent from the average annual price of $514,800 during previous year, but down 5 percent from the average annual price of $605,500 from 2005 through 2007.

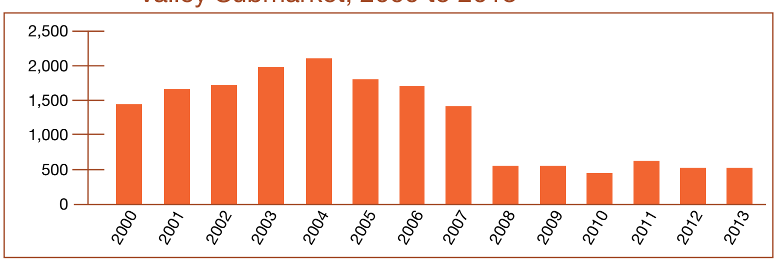
Condominium sales have represented approximately 20 percent of all home sales in the San Gabriel Valley submarket since the mid-2000s and are currently priced, on average, $196,900 less than the price of single-family homes (Metrostudy, A Hanley Wood Company). During the 12 months ending September 2013, condominium sales increased by 18 percent to 2,650 homes from 2,250 homes during the previous 12 months and the price of condominiums increased 18 percent to $376,800 from $319,900. Condominium sales are 28 percent below the average annual rate of 3,675 homes sold from 2005 through 2007 when sales market conditions were stronger and prices are 12 percent less than the average price of $429,000 from 2005 through 2007. From 2000 through 2005, condominium construction accounted for 3 percent of total multifamily development. During 2006 through 2011, condominium construction accounted for 15 percent of multifamily development. The increase in development occurred as single-family home construction slowed because of a weakening sales market conditions. Developers expected that lower priced condominium homes would be an affordable option; however, as sales market conditions worsened, many, if not all, of these condominiums were converted to apartments. Condominium development currently is limited. The Burton, with 34 homes in the city of Pasadena, is the only condominium complex currently under construction in the submarket. The Burton is expected to be complete by February 2014.

Despite improved sales market conditions, homebuilding activity, as measured by the number of single-family homes permitted, remains at low levels. From 2008 through 2011, an average of 560 homes were permitted a year, down 68 percent from an average of approximately 1,725 homes permitted annually from 2000 through 2007. During the 12 months ending September 2013, permits were issued for 670 homes, slightly more than the 550 homes permitted during the same period a year earlier (Census Bureau; local planning offices). Figure 13 shows the number of single-family homes permitted in the submarket from 2000 to the current date.

The notable single-family developments under construction are concentrated in the city of Azusa, in the Rosedale master-planned community. This concentration is influenced, in part, by the construction of the Metro Gold Line Foothill Extension, a commuter rail line that will facilitate commuting to and from greater downtown Los Angeles. The expansion of the Metro Gold Line to Azusa is scheduled to be complete in September 2015. Developments under construction in the Rosedale master-planned community include Avenswood, Palmetto, Parsons Place, Tamarind Lane II, and Wisteria. When complete, these developments will add 337 homes to the Rosedale community; 46 homes have been completed since January 2013, and 110 homes are currently under construction. The remaining 181 homes will be completed in phases and according to the level of demand. Homes in Palmetto, Parsons Place, and Tamarind Lane are currently selling, with home prices starting in the mid-$300,000s for a two-bedroom townhome, at least $150,000 less than the starting prices for three-bedroom homes in the same community. Additional developments include Citrus Crossing, with 102 townhomes, and The Colony, with 87 townhomes. Citrus Crossing is expected to start construction during late 2013 or early 2014; The Colony has 25 homes already completed.

During the next 3 years, demand is estimated for 3,700 new homes in the San Gabriel Valley submarket (Table 1). Demand is expected to increase from 1,050 homes during the first year of the 3-year forecast period to 1,525 homes during the third year of the forecast period. The 190 homes currently under construction will meet a portion of demand during the first year. In addition, some of the estimated 8,900 other vacant units in the submarket may return to the sales market and satisfy a portion of the demand. Demand is expected to be greatest in the $360,000-to-$484,999 price range (Table 8).

Figure 13. Single-Family Homes Permitted in the San Gabriel Valley Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through September 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Table 8. Estimated Demand for New Market-Rate Sales Housing in the San Gabriel Valley Submarket, October 1, 2013, to October 1, 2016

Price Range ($)		Units of Demand	Percent of Total
From	To		
360,000	484,999	1,850	50.0
485,000	609,999	740	20.0
610,000	734,999	370	10.0
735,000	859,999	190	5.0
860,000	984,999	190	5.0
985,000	and higher	370	10.0

Note: The 190 homes currently under construction and a portion of the estimated 8,900 other vacant units in the submarket will likely satisfy some of the forecast demand.

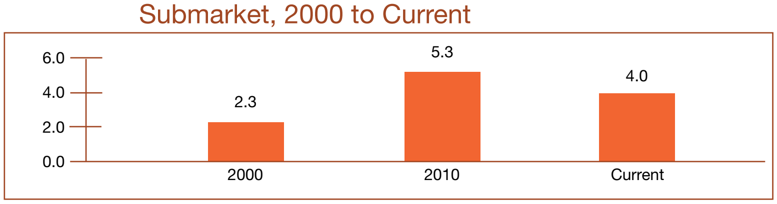
Source: Estimates by analysts

Rental Market—San Gabriel Valley Submarket

The rental housing market in the San Gabriel Valley submarket is tight. The overall rental vacancy rate is currently estimated at 4.0 percent, down from 5.3 percent in 2010 (Figure 14), because renter household growth exceeded the development of rental properties and the conversion of sales units to the rental inventory. The apartment market in the submarket is tighter than the overall rental market. A slightly greater proportion of single-family homes for rent partly kept the overall rental vacancy rate higher than the apartment vacancy rate in the San Gabriel Valley submarket. Approximately 23 percent of single-family homes were rentals during 2000 compared with 24 percent during the 5-year period ending in December 2012 (Census Bureau). During the third quarter of 2013, the apartment vacancy rate averaged 3.0 percent compared with 3.2 percent during the third quarter of 2012 (MPF Research). Market rents were $1,349, down slightly from $1,356 a year ago. As of the third quarter of 2013, apartment market conditions are tightest in the north San Gabriel Valley area, which includes the cities of Azusa and Glendora, with a vacancy rate was 2.9 percent and in the greater Pasadena area, which includes the cities of Arcadia, San Marino, and Sierra Madre, with a vacancy rate of 3.1 percent. Market rents in the north San Gabriel Valley area averaged $1,225, declining from $1,236 a year ago. In the greater Pasadena area, market rents declined 4 percent, from $1,827 to $1,754.

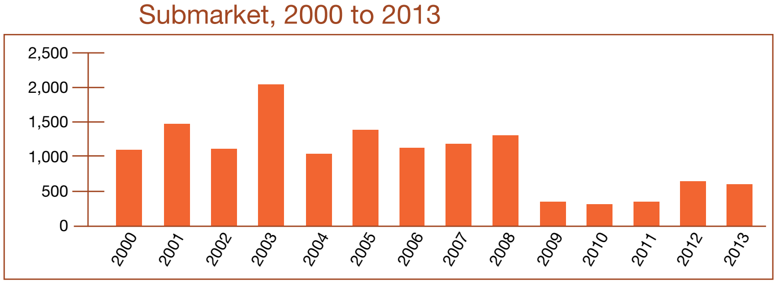
The city of Pasadena has the greatest concentration of apartments in the San Gabriel Valley submarket, accounting for 31 percent of all apartment development. Since 2009, more than 95 percent of the multifamily units constructed in the submarket have been apartments compared with approximately 80 percent of units built during 2006 and 2007. As in the North Los Angeles submarket, multifamily construction activity began to slow considerably during 2009 because of the recession and tighter lending standards. From 2009 through 2011, an average of 330 units were permitted annually compared with an average of 1,300 units permitted annually from 2000 through 2008 (Figure 15). Multifamily construction activity, as measured by the number of multifamily units permitted, increased by 170 units, or 29 percent, from the previous 12 months to 750 units during the 12 months ending September 2013 (CB Richard Ellis; Census Bureau; local planning offices; HUD).

Figure 14. Rental Vacancy Rates in the San Gabriel Valley Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts

Figure 15. Multifamily Units Permitted in the San Gabriel Valley Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through September 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

The developments under construction are predominately in Pasadena, including Westgate Apartments, with 480 units expected to be complete during October 2013. Rents are expected to start at $1,650 for a studio unit and $2,340 for a two-bedroom unit. In Glendora, The AvalonBay, a 256-unit mixed-use development, is expected to be under construction from November 2013 to August 2015. For the submarket as a whole, apartment rents for newly constructed studio, one-bedroom, and two-bedroom units start at $1,600, $1,900, and $2,300, respectively.

During the 3-year forecast period, demand is estimated for 3,075 new market-rate rental units in the San Gabriel Valley submarket (Table 1). The 830 units currently under construction will satisfy a portion of the rental housing demand during the first year of the forecast period. Demand is expected to be stronger during the second and third years, averaging 1,100 a year. Table 9 shows estimated demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

Table 9. Estimated Demand for New Market-Rate Rental Housing in the San Gabriel Valley Submarket, October 1, 2013, to October 1, 2016

Zero Bedrooms		One Bedroom		Two Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,600 to 1,799	150	1,900 to 2,099	770	2,300 to 2,499	620
1,800 to 1,999	120	2,100 to 2,299	620	2,500 to 2,699	490
2,000 to 2,199	15	2,300 to 2,499	75	2,700 to 2,899	60
2,200 or more	15	2,500 or more	75	2,900 or more	60
Total	310	Total	1,550	Total	1,225

Notes: Numbers may not add to totals because of rounding. The 830 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analysts

Sales Market—Metro Submarket

East of the Westside submarket and west of the San Gabriel Valley submarket, the Metro submarket encompasses downtown Los Angeles, parts of Hollywood, and South Los Angeles. The Metro submarket is home to USC; the L.A. Live entertainment area; movie and television facilities; the flower, fashion, toy, jewelry, and produce districts; and several large jails.

Owners currently represent only 28.5 percent of the households in the submarket, down from 29.5 percent in 2010. Most of the owner-occupied homes are in new or rehabilitated midrise or highrise buildings.

The sales housing market in the Metro submarket is soft but improving, with an estimated vacancy rate of 2.6 percent, down slightly from 2.7 percent in April 2010. Since 2010, the sales inventory has decreased by an estimated 860 units annually, and the number of owner households has decreased by 830 a year, to 157,900, (Table DP-5 at the end of the report). During the 12 months ending September 2013, 10,550 new and existing homes (including single-family homes, townhomes, and condominiums) sold, down 80 homes, or 0.8 percent, from the previous 12-month period. Although sales were down during the past 12 months, they improved from the 2008-through-2011 period. An average of 9,300 homes sold a year from 2008 through 2011, down 26 percent, or 3,175, from the average of 12,500 homes sold a year from 2005 through 2007 (Metrostudy, A Hanley Wood Company). The submarket currently accounts for 13 percent of all home sales in the Los Angeles HMA, unchanged from 2005, at the peak of the sales market. The employment base in the submarket and its proximity to employment throughout the HMA helped to maintain the submarket's proportion of total sales in the HMA.

REO sales decreased by 1,550 homes during the 12-month period ending September 2013, to 2,525 homes, from 4,075 homes a year ago. This decline in REO sales resulted in the percentage of existing home sales that were REO sales dropping from 41 percent a year ago to 25 percent during the most recent 12-month period. During the peak home sales years from 2005 through 2007, this rate was only 2 percent. REO sales in the Metro submarket currently account for approximately 21 percent of all REO sales in the HMA.

During the 12 months ending September 2013, the average home sales price in the submarket increased 26 percent, to $406,300, from $322,900 in the previous year. The average sales price was up 25 percent from the average price of $324,800 a year from 2008 through 2011 but $113,800, or 22 percent, less than the average annual price of $520,000 from 2005 through 2007.

Sales within the submarket varied by area during the 12 months ending September 2013. Sales in the downtown portion of the submarket were down 200 homes, or 28 percent, to 530 homes from 730 homes during the previous year. The 530 sales were down 45 percent, or 430 homes, from the average of 950 home sales from 2005 to 2007. Rising prices are the main reason for the decline in sales. In the Hollywood portion of the submarket, home sales during the past 12 months increased by 230 homes, or 25 percent, to 1,150 compared with the 920 home sales during the 12 months ending September 2012 and down 4 percent from 2005 through 2007, when home sales averaged 1,200. Sales in the remainder of the submarket, which accounted for more than 80 percent of all home sales in the submarket, were down 9 percent, to 8,850 homes sold, during the 12 months ending September 2013 compared with the number sold a year ago, and sales were down 15 percent from the average of 10,350 homes sold annually from 2005 through 2007. Higher interest rates combined with higher prices make it difficult for many households who could have purchased a home a year ago to qualify for loan currently.

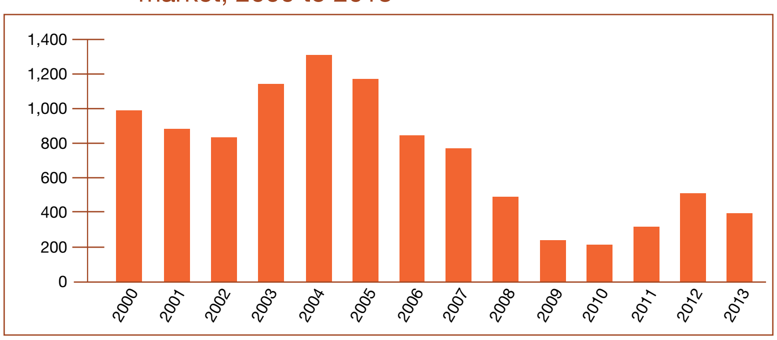
The highest priced segments of the submarket are in the Hollywood and downtown areas. In Hollywood, the average sales price of homes during the 12 months ending September 2013 was $881,800, up 13 percent from $781,400 a year earlier but down 6 percent from the average annual price of $934,700 from 2005 through 2007. In the downtown area, the average price of homes sold during the 12 months ending September 2013 was $651,600, up 48 percent from $439,200 a year earlier and up 18 percent from the average annual price of $553,800 from 2005 through 2007. The average price of all homes sold in the downtown area is currently up because of the limited production of additional units since 2008. In the remainder of the submarket, the average sales price during the 12 months ending September 2013 was up $62,500, or 24 percent, from the previous year, to $329,250; however, the average price was down 30 percent from the average sales price of $468,600 from 2005 to 2007. One of the few single-family developments currently selling in the Hollywood area is the Artìs, with 15 total units, with prices for three-bedroom, two-bathroom homes starting at $694,900.

Condominium sales have represented 57 percent of all home sales in the Metro submarket since 2005 and are priced, on average, $208,900 less than the price of single-family homes (Metrostudy, A Hanley Wood Company). During the 12 months ending September 2013, condominium sales decreased 7 percent, to 3,750 units, from 4,025 units during the previous 12 months, and the average sales price of condominiums increased $86,700, or 26 percent, to $416,300 from $329,600. Condominium sales are 30 percent below the average of 4,625 homes sold a year from 2005 through 2007. Condominium construction has accounted for less than 1 percent of all multifamily development in the submarket since 2008, a significant decline from 36 percent of all multifamily development from 2003 through 2008. Evo South, with list prices averaging $880,000, and the Ritz-Carlton Residences at L.A. Live, with list prices averaging $2,026,500, are currently selling in downtown Los Angeles.

Homebuilding activity, as measured by the number of single-family homes permitted, remains at low levels. From 2008 through 2011, an average of 320 homes were permitted a year, down 68 percent from an average of 990 homes permitted a year from 2000 through 2007 (Figure 16). During the 12 months ending September 2013, permits were issued for 530 homes, up slightly from the 460 homes permitted during the previous 12-month period (preliminary data).

During the next 3 years, demand is estimated for 1,025 new homes in the submarket (Table 1). The 120 homes currently under construction will meet a portion of this demand. In addition, some of the estimated 13,700 other vacant units in the submarket may return to the sales market and satisfy a portion of the demand. Demand is expected to be stronger during the second and third years of the 3-year forecast period as a result of an expected decline in net out-migration, and demand will likely be greatest in the $325,000-to-$574,999 price range. Although most of the new homes selling for between $200,000 and $249,999 are one-bedroom condominium units, a few new four-bedroom, single-family detached homes are selling in this price range. Table 10 illustrates estimated demand for new sales housing in the submarket by price range.

Figure 16. Single-Family Homes Permitted in the Metro Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through September 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Table 10. Estimated Demand for New Market-Rate Sales Housing in the Metro Submarket, October 1, 2013, to October 1, 2016

Price Range ($) From	Price Range ($) To	Units of Demand	Percent of Total
200,000	324,999	210	20.0
325,000	449,999	310	30.0
450,000	574,999	310	30.0
575,000	699,999	100	10.0
700,000	and higher	100	10.0

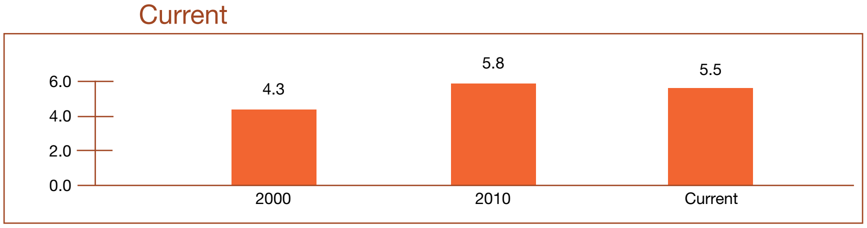
Note: The 120 homes currently under construction and a portion of the estimated 13,700 other vacant units in the submarket will likely satisfy some of the forecast demand.
Source: Estimates by analysts

Rental Market—Metro Submarket

Rental housing market conditions in the Metro submarket are currently balanced. The estimated 5.5-percent vacancy rate is down from the 5.8-percent rate in 2010 (Figure 17). The improvement in rental market conditions resulted from an increase in renter households, by an average of 3,250, or 0.8 percent, annually that has outpaced the growth in renter housing units by an average of 125 annually since 2010. Although the overall rental market is balanced, the apartment market is tight. During the third quarter of 2013, the apartment vacancy rate averaged 3.2 percent, up from 2.5 percent during the third quarter of 2012 but down from 6.3 percent during the third quarter of 2010 (MPF Research). The average effective apartment rent remained the same, at $1,875, during the third quarters of 2012 and 2013 and was $175, or 10 percent, more than the current average effective rent for the Los Angeles HMA as a whole. In the downtown area of the submarket, the apartment vacancy rate was 3.4 percent, up from 2.1 percent a year ago. The average effective apartment rent was $2,050 during the third quarter of 2013, a $50, or more than 2-percent, increase from the previous year. In the Hollywood area of the submarket, the vacancy rate was 2.7 percent, the same as a year ago. The average effective apartment rent was $1,875 during the third quarter of 2013, a $25, or more than 1-percent, increase from the previous year. In the South Los Angeles area of the submarket, the vacancy rate was 2.4 percent, down from 3.7 percent a year ago. The average effective apartment rent was $1,375, a $75, or nearly 6-percent, gain from the third quarter of 2012.

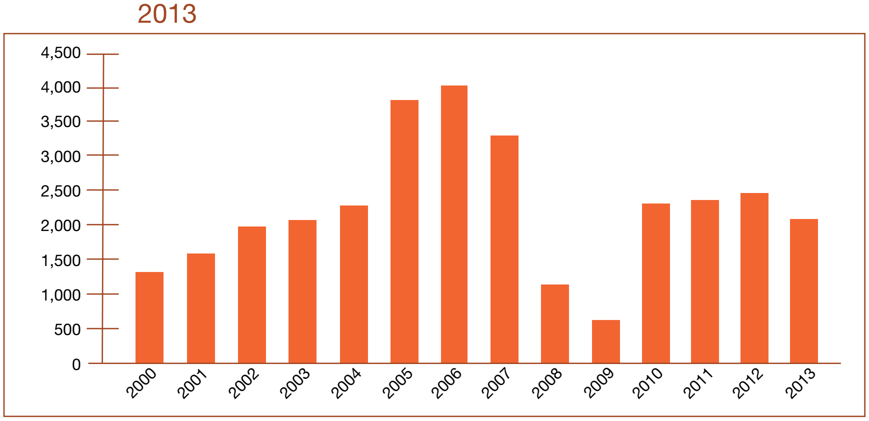
As rental market conditions have improved since 2010, multifamily construction activity, as measured by the number of units permitted, has increased. The number of multifamily units permitted averaged 2,925 a year from 2002 through 2007 before declining to an average of 910 a year during 2008 and 2009 (Figure 18). Multifamily building permitting increased to an average of 2,425 units permitted a year during 2010, 2011, and 2012. Approximately 2,750 multifamily units were permitted during the 12 months ending September 2013 compared with the 2,475 units permitted during the previous 12-month period (CB Richard Ellis; Census Bureau; local planning offices). Since 2008, apartment construction has represented more than 95 percent of multifamily development in this submarket. The proportion of single-family

Figure 17. Rental Vacancy Rates in the Metro Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts

Figure 18. Multifamily Units Permitted in the Metro Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through September 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

homes being rented out increased from 44 percent in 2000 to 45 percent during the 2008–2012 American Community Survey (ACS) 5-year period. Apartment developments currently under way and expected to be complete in 2014 include One Santa Fe, with 438 units, in downtown Los Angeles and Blvd 6200, with 500 units, in Hollywood. In the Metro submarket, rents for newly completed studio, one-bedroom, and two-bedroom apartments start at $1,400, $1,650, and $2,100, respectively.

During the 3-year forecast period, demand is estimated for 6,725 new market-rate rental units in the Metro submarket (Table 1). The 2,470 units currently under construction will meet a portion of this demand. Demand is expect to be slightly greater during the second and third years of the forecast period, increasing from 2,175 during the first year to an average of 2,275 a year during the second and third years. Net out-migration is expected to decrease in the second and third years. Table 11 shows estimated demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

Table 11. Estimated Demand for New Market-Rate Rental Housing in the Metro Submarket, October 1, 2013, to October 1, 2016

Zero Bedrooms		One Bedroom		Two Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,400 to 1,599	500	1,650 to 1,849	1,525	2,100 to 2,299	1,350
1,600 to 1,799	400	1,850 to 2,049	1,200	2,300 to 2,499	1,075
1,800 or more	100	2,050 or more	300	2,500 or more	270
Total	1,000	Total	3,025	Total	2,700

Notes: Numbers may not add to totals because of rounding. The 2,470 units currently under construction will satisfy some of the estimated demand.
Source: Estimates by analysts

Sales Market—Westside Submarket

West of the Metro submarket and southwest of the San Fernando Valley submarket, the Westside submarket encompasses inland areas that include Beverly Hills and coastal areas including Malibu and Santa Monica. The submarket is also home to three major studios (Paramount, Sony, and Twentieth Century Fox Film Corporation), UCLA, and approximately 36 miles of beaches, making it a center for the education, entertainment, and tourism industries in southern California.

The sales housing market in the Westside submarket is balanced, with a current estimated vacancy rate of 1.6 percent, down from 1.9 percent in April 2010. As the economy strengthened, sales market conditions improved, leading to a decline in the vacancy rate. Since 2010, the sales inventory has increased by an estimated 270 units annually, and the number of owner households has increased by 420 a year, to 183,200 (Table DP-6 at the end of the report). The sales market in the submarket improved from the weakness that occurred from 2008 through 2011. An average of 7,850 new and existing single-family homes, townhomes, and condominiums sold during 2008 through 2011, down 30 percent, or 3,350, from the average of 11,200 homes sold from 2005 through 2007 (Metrostudy, A Hanley Wood Company). At the peak of the sales market during 2005, the submarket accounted for 11 percent of all sales in the Los Angeles HMA. The Westside submarket currently accounts for 13 percent of all home sales. The employment base in the submarket and its proximity to employment in the San Fernando Valley and Metro submarkets, has helped to maintain the proportion of sales to the HMA total since the mid-2000s.

During the 12 months ending September 2013, home sales increased 17 percent, or by 1,500, to 10,450 homes compared with the 8,950 homes sold during the previous 12-month period. The entire increase resulted from a 31-percent, or 2,200-home, gain in regular resales; REO sales and new home sales decreased 31 and 58 percent, or by 400 and 300 homes, respectively. The percentage of existing home sales that were REO sales declined to 9 percent during the 12 months ending September 2013 from 15 percent during the previous 12-month period but remained significantly higher than the average annual rate of 1 percent of existing sales from 2005 through 2007. The Westside submarket accounted for approximately 7 percent of all REO sales in the HMA during the 12 months ending September 2013.

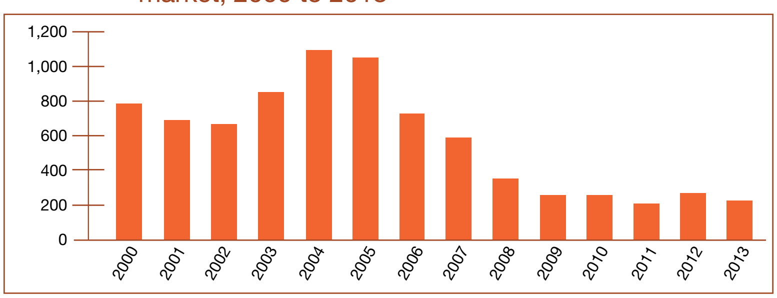
The average sales price in the Westside submarket, which includes neighborhoods that are among the highest priced in the nation, is the highest among all submarkets in the HMA. The average price of homes in the submarket increased 15 percent, to $1,224,000, during the 12 months ending September 2013 compared with $1,062,000 during the previous year. The average price was up 14 percent from the $1,079,000 average annual price from 2008 through 2011 and was up 7 percent from the $1,145,000 average annual price from 2005 through 2007. The highest priced segments of the submarket are along the coast, including Malibu and Santa Monica, or around the Santa Monica Mountains and Hollywood Hills, in the north-inland area of the submarket. In the coastal areas, the average sales price of homes during the 12 months ending September 2013 was $1,401,000, up 14 percent from $1,232,000 a year earlier and up 3 percent from the average annual price of $1,355,000 from 2005 through 2007. Sales in the coastal areas, which accounted for nearly 20 percent of all home sales in the submarket, were up 14 percent from a year ago, to 1,925 homes sold during the 12 months ending September 2013. In the north-inland area of the submarket, the average sales price of homes during the 12 months ending September 2013 was $1,729,000, up 13 percent from $1,532,000 a year earlier and up 16 percent from the average annual price of $1,494,000 from 2005 through 2007. During the 12 months ending September 2013, sales in the north-inland area, which accounted for more than 30 percent of all home sales in the submarket, were up 21 percent from a year ago, to 2,800 homes sold, but down 7 percent from the average of 3,000 homes sold annually from 2005 through 2007.

Condominiums have represented 44 percent of all home sales in the Westside submarket since 2005 and are priced, on average, $886,300 less than single-family homes (Metrostudy, A Hanley Wood Company). During the 12 months ending September 2013, condominium sales increased 10 percent, to 4,250 homes, from 3,875 homes during the previous 12 months, and the sales price of condominiums increased 17 percent, to $701,800, from $598,400. Condominium sales were 14 percent less than the average annual 4,925 homes sold from 2005 through 2007. Condominium construction has accounted for 5 percent of all multifamily development in the Westside submarket since 2008, a slight decline from 8 percent of all multifamily development from 2003 through 2007 and down from 13 percent of all development during 2001 and 2002, when condominium construction was at its peak in the submarket. The most recently completed condominium is La Terrasse, in Beverly Hills, with 20 homes made available in 2010. Prices for homes in La Terrasse start at $1,075,000.

Despite improved sales market conditions, homebuilding activity, as measured by the number of single-family homes permitted, remains at low levels. From 2008 through 2011, an average of 270 homes were permitted a year, down 67 percent from an average annual 810 homes permitted from 2000 through 2007 (Figure 19). During the 12 months ending September 2013, permits were issued for 290 homes, up slightly from 260 homes during the previous 12-month period (preliminary data). Single-family developments under way are predominately custom homes on redeveloped land throughout the submarket. Developments under construction, concentrated in particular neighborhoods and communities, are condominiums. The Seychelle and The Waverly, in Santa Monica's Ocean Avenue South community, offer 96 and 63 homes, respectively, and Villa Hamilton Park, in Beverly Hills, offers 25 homes. The Village Hamilton Park has sold 4 homes with an average price of $550,000. Homes in The Seychelle will start from $800,000 for a one-bedroom home, and homes at The Waverly will start at $1,225,000 for a one-bedroom home when complete during 2014.

During the next 3 years, demand is estimated for 1,450 new homes in the submarket (Table 1). The 70 homes currently under construction will meet a portion of this demand. Some of the estimated 16,700 other vacant units in the submarket may return to the sales market, satisfying a portion of the forecast demand. Demand is expected to be stronger during the second and third years of the 3-year forecast period, averaging approximately 600 homes a year, as a result of increased net in-migration. Demand is estimated to be greatest in the $675,000-to-$924,999 price range, with another significant demand cluster for homes priced at $1,175,000 and more. Table 12 illustrates the estimated demand for new sales housing in the submarket by price range.

Figure 19. Single-Family Homes Permitted in the Westside Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through September 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Table 12. Estimated Demand for New Market-Rate Sales Housing in the Westside Submarket, October 1, 2013, to October 1, 2016

Price Range ($) From	Price Range ($) To	Units of Demand	Percent of Total
300,000	424,999	220	15.0
425,000	549,999	150	10.0
550,000	674,999	150	10.0
675,000	799,999	360	25.0
800,000	924,999	220	15.0
925,000	1,049,999	75	5.0
1,050,000	1,174,999	75	5.0
1,175,000	and higher	220	15.0

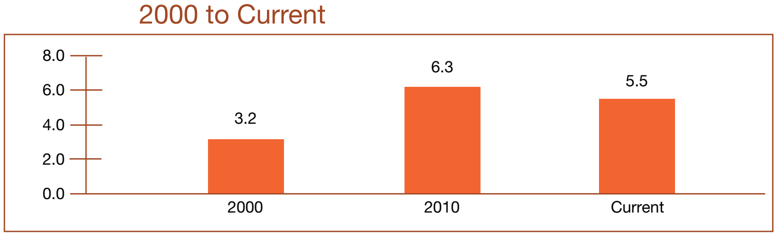
Note: The 70 homes currently under construction and a portion of the estimated 16,700 other vacant units in the submarket will likely satisfy some of the forecast demand.
Source: Estimates by analysts

Rental Market—Westside Submarket

Rental housing market conditions in the Westside submarket are currently balanced. The estimated 5.5-percent vacancy rate is down from the 6.3-percent rate in 2010 (Figure 20). The improvement in rental market conditions resulted from an increase in renter households, by an average of 1,575 annually, that has outpaced the growth in rental housing units by an average of 660 annually since 2010. The market for apartments is tight and is tighter than the overall rental market. During the third quarter of 2013, the apartment vacancy rate averaged 3.3 percent, up from 2.8 percent during the third quarter of 2012 but down from 4.9 percent during the third quarter of 2010 (MPF Research). The average effective apartment rent increased by $61, or nearly 3 percent, to $2,214 during the same period and is $526, or 31 percent, more than the current average effective rents for the Los Angeles HMA as a whole. Along the coastal areas of the Westside submarket, the apartment vacancy rate was 4.1 percent, up from 3.6 percent a year ago. The average effective apartment rent in the coastal areas was $2,690 during the third quarter of 2013, a $45, or nearly 2-percent, increase from the previous year. In the north-inland area of the submarket, the vacancy rate was 2.5 percent, up from 2.3 percent a year ago. The average effective apartment rent in the north-inland area was $2,587 during the third quarter of 2013, a $200, or more than 8-percent, increase from the previous year because of the completion of higher end apartment complexes in the Beverly Hills, Brentwood, and Mid-Wilshire neighborhoods.

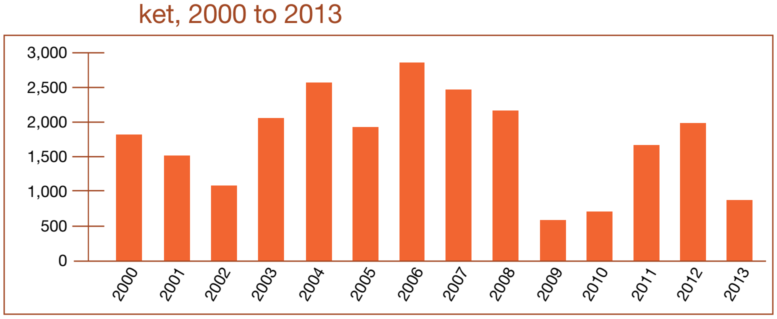
As rental market conditions have tightened since 2010, multifamily construction activity, as measured by the number of units permitted, has increased. The number of multifamily units permitted averaged 2,325 a year from 2003 through 2008 before declining to an average of 650 units a year during 2009 and 2010 (Figure 21). Multifamily permitting increased to an average of 1,825 units a year during 2011 and 2012. Approximately 1,400 multifamily units were permitted during the 12 months ending September 2013 compared with 1,900 units during the previous 12-month period (CB Richard Ellis; Census Bureau; local planning offices). Since 2003, 90 percent or more of multifamily development has been apartments. Apartment developments under way include the 160-unit apartment portion of the Ocean Avenue South community in Santa

Figure 20. Rental Vacancy Rates in the Westside Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts

Figure 21. Multifamily Units Permitted in the Westside Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through September 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Monica, the 482-unit Wilshire La Brea in the Mid-Wilshire area, and 464-unit The Vermont, also in the Mid-Wilshire area. These developments will be complete by early to mid-2014. In the Westside submarket, rents for newly completed studio, one-bedroom, two-bedroom, and three-bedroom market-rate apartments start at $1,950, $2,200, $2,900, and $4,500, respectively.

Approximately 3,000 graduate students reside in six UCLA-owned apartment complexes, accounting for 26 percent of UCLA graduate and professional students as of 2007, the most recent data available. The undergraduate residential community, The Hill, is on the edge of the campus and consists of 5 lowrise residential complexes and 17 highrise towers, 2 of which were completed in the fall of 2013, adding 710 beds. Residences on The Hill presently house nearly 11,000 undergraduate students. Incoming first-year students are guaranteed 3 years of on-campus housing, and incoming transfer students are guaranteed 1 year of housing. The UCLA Housing Master Plan will guarantee housing to all undergraduate students for 4 years by 2014. To reach this goal, UCLA undertook an infill project that will add 1,525 beds and 10 faculty in-residence apartments in 4 residential towers, increasing the total housed undergraduates to 12,000 by 2014. These 4 residential towers include Holly Ridge, with 496 beds in 252 rooms completed in 2012; Gardenia Way, with 307 beds in 156 rooms completed in 2012; Sproul Cove, with 400 beds in 200 rooms expected to be complete by 2014; and Sproul Landing, with 310 beds in 152 rooms expected to be complete by 2014. Approximately 25,300 students currently live off campus; 90 percent or more of those students are renters.

During the 3-year forecast period, demand is estimated for 4,650 new market-rate rental units in the Westside submarket (Table 1). The 2,150 units currently under construction will meet a portion of this demand. Demand is expected to be stronger during the second and third years of the forecast period, increasing from 1,450 during the first year to an average of 1,600 a year during the second and third years. Table 13 shows estimated demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

Table 13. Estimated Demand for New Market-Rate Rental Housing in the Westside Submarket, October 1, 2013, to October 1, 2016

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,950 to 2,149	80	2,200 to 2,399	810	2,900 to 3,099	650	4,500 to 4,699	80
2,150 to 2,349	70	2,400 to 2,599	700	3,100 to 3,299	560	4,700 to 4,899	70
2,350 to 2,549	60	2,600 to 2,799	580	3,300 to 3,499	470	4,900 to 5,099	60
2,550 or more	25	2,800 or more	230	3,500 or more	190	5,100 or more	25
Total	230	Total	2,325	Total	1,850	Total	230

Notes: Numbers may not add to totals because of rounding. The 2,150 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analysts

Sales Market—South Bay Submarket

The South Bay submarket is southwest of the major employment center in downtown Los Angeles, south of the Westside submarket, and adjacent to the Gateway submarket. The South Bay submarket includes the beach cities of Hermosa Beach, Manhattan Beach, Redondo Beach, and Torrance and the cities of Carson, Gardena, Inglewood, and Palos Verdes. The submarket includes the headquarters for Toyota Motor Sales, U.S.A., Inc., and Honda North America, Inc., and divisions of Boeing, Chevron Corporation, Lockheed Martin Corporation, Mattel, Inc., and Raytheon Company.

About 50 percent of the households currently are owners and 50 percent currently are renters, unchanged from 2010. As in most of the submarkets, except the North Los Angeles submarket, the South Bay submarket is largely built out, and new home developments are typically on infill parcels or redeveloped land.

The sales housing market in the South Bay submarket is tight, with a current estimated vacancy rate of 0.9 percent, down from 1.2 percent during 2010 (Table DP-7). The decline in the vacancy rate resulted from a decrease in the sales inventory by 140 units annually, whereas the number of owner households decreased by 25 a year, to 181,000. Table DP-7 shows the number of households by tenure in the submarket. As in most other submarkets, the sales inventory declined because the number of homes lost—in part because of demolitions and from existing sales inventory shifting to the rental housing market—was greater than the additions to inventory from single-family and condominium construction activity.

Home sales in the South Bay submarket represented 10 percent of the total home sales in the Los Angeles HMA in 2005 and represent 11 percent of the total home sales in the HMA currently. The sales market was soft from 2008 through 2011 before conditions improved. An average of 6,675 homes sold from 2008 through 2011, down 32 percent, or 3,200 homes, from the average of 9,875 homes sold from 2005 through 2007 (Metrostudy, A Hanley Wood Company). During the 12 months ending September 2013, home sales increased 12 percent, to 8,250 homes, compared with the 7,325 homes sold during the previous 12-month period. In Torrance, home sales increased 6 percent, or by 480, to 8,925 homes compared with the 8,450 homes sold a year ago and up 12 percent from the average of 7,950 homes sold a year from 2008 through 2011. Home sales in Inglewood decreased 6 percent, or by 40 homes, to 690 during the 12 months ending September 2013 compared with the 730 homes sold during the previous 12 months. Current home sales are 10 percent more than the average of 620 homes a year from 2008 through 2011.

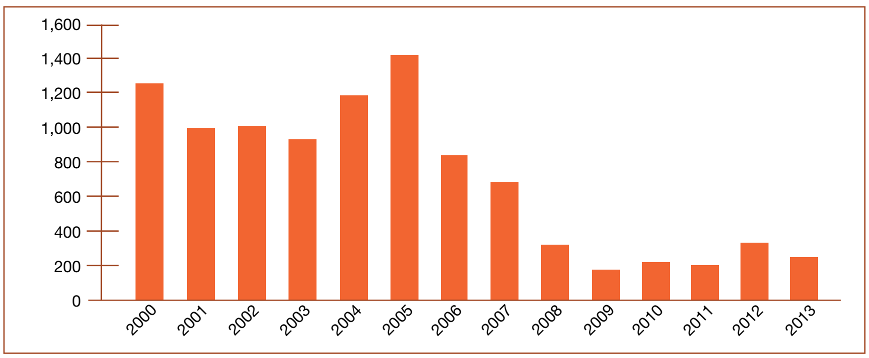
In Hermosa Beach, Manhattan Beach, and Redondo Beach, in the western portion of the submarket, home sales totaled 1,800 during the 12 months ending September 2013, up 19 percent from 1,500 a year ago but down 13 percent, or 260 homes, from the average of 2,050 homes sold during the strong sales market period from 2005 through 2007. Current sales in the beach cities are 27 percent, or 380 homes, more than the average of 1,410 homes sold from 2008 through 2011. After about a 5-year delay because of the recession, the 174-home Parkside Village in Hawthorne is currently selling three- and four-bedroom single-family homes starting in the low-$400,000 range. Parkside Village was built on land that was formerly an aerospace facility. Magnolia Walk, in Carson, has three-bedroom single-family homes starting at about $242,000. The low price was possible because the project was built in conjunction with a redevelopment agency. After several years of delays caused by the recession, ThreeSixty at South Bay, with more than 600 single-family homes and condominiums in Hawthorne, is currently selling two-bedroom single-family homes starting in the low-$700,000 range. The increase in sales in the South Bay submarket during the 12 months ending September 2013 resulted from a 33-percent, or 1,675-home, gain in regular resales and a 23-percent, or 50-home, gain in new home sales; REO sales declined by 41 percent, or 820 homes. The percentage of existing home sales that were REO sales declined to 15 percent during the 12 months ending September 2013, down from 28 percent during the previous 12-month period but significantly higher than the average annual rate of 1 percent of existing sales from 2005 through 2007. Approximately 10 percent of all REO sales in the HMA during the 12-months ending September 2013 were in the submarket.

The average sales price during the 12 months ending September 2013 increased 17 percent, to $667,800, from $572,500 during the previous year and was up 12 percent from the average of $595,300 a year from 2008 through 2011. The average sales price of homes was 9 percent less than the average annual price of $735,800 from 2005 through 2007. The increase in the average price resulted, in part, from the decline in REO sales as a proportion of total sales during the past year. Since 2008, the average price of an REO home has been $360,200 less than the average price of a regular resale.

Sales prices vary throughout this submarket. In the beach cities of the submarket, the average sales price of homes during the 12 months ending September 2013 was up $116,100, or 11 percent, from the previous 12 months, to $1,168,300, which was also more than the average of $1,164,200 a year from 2005 to 2007. In Torrance, the average sales price of homes during the 12 months ending September 2013 was $494,200, up 18 percent from $419,200 a year earlier but down 17 percent from the average annual price of $593,600 from 2005 through 2007. In Inglewood, the average sales price of homes during the 12 months ending September 2013 was $296,000, up 11 percent from $264,700 a year earlier but down 38 percent from the average annual price of $474,900 from 2005 through 2007.

Condominiums have represented approximately 32 percent of all home sales in the South Bay submarket since the mid-2000s and are priced an average of $248,200, or 33 percent, less than the $750,000 average price of a single-family home (Metrostudy, A Hanley Wood Company). During the 12 months ending September 2013, condominium sales increased 15 percent, to 2,475 units, from 2,150 units during the previous 12 months, and the price of condominiums increased 21 percent, to $493,200, from $408,600. Current condominium sales are 25 percent less than the average of 3,325 units sold a year from 2005 through 2007, when sales market conditions were stronger. From 2000 through 2008, condominium construction accounted for 81 percent of total multifamily development. Since 2009, condominium construction has accounted for 28 percent of multifamily development. ThreeSixty at South Bay offers studio homes starting at $392,990. The 97-unit 1600 at Artesia Square, built on former commercial property in Gardena, currently has sales prices starting in the mid-$500,000s.

Figure 22. Single-Family Homes Permitted in the South Bay Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through September 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Table 14. Estimated Demand for New Market-Rate Sales Housing in the South Bay Submarket, October 1, 2013, to October 1, 2016

Price Range ($)		Units of Demand	Percent of Total
From	To		
250,000	374,999	270	10.0
375,000	499,999	530	20.0
500,000	624,999	930	35.0
625,000	749,999	270	10.0
750,000	874,999	130	5.0
875,000	999,999	270	10.0
1,000,000	and higher	270	10.0

Note: The 10 homes currently under construction and a portion of the estimated 6,600 other vacant units in the submarket will likely satisfy some of the forecast demand.
Source: Estimates by analysts

Despite improved sales market conditions, homebuilding activity, as measured by the number of single-family homes permitted, remains at low levels. From 2008 through 2011, an average of 220 homes were permitted a year, down 79 percent from an average of 1,025 homes permitted a year from 2000 through 2007. During the 12 months ending September 2013, permits were issued for 310 homes, slightly more than the 280 homes permitted during the same period a year earlier (Census Bureau; local planning offices). Figure 22 shows the number of single-family homes permitted in the submarket from 2000 to the current date.

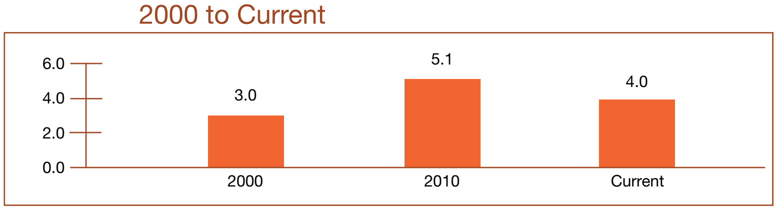
During the next 3 years, demand is estimated for 2,650 new homes in the South Bay submarket (Table 1). Demand is expected to increase from 790 homes during the first year of the 3-year forecast period to 920 homes a year during the second and third years. The 10 homes currently under construction will meet a portion of demand during the first year. In addition, some of the estimated 6,600 other vacant units in the submarket may return to the sales market and satisfy a portion of the demand. Demand is expected to be greatest in the $500,000-to-$624,999 price range (Table 14). A few new one-bedroom condominiums are selling for approximately $250,000 on the east side of the submarket.

Rental Market—South Bay Submarket

The rental housing market in the South Bay submarket is tight. The overall rental vacancy rate is currently estimated at 4.0 percent, down from 5.1 percent in 2010 (Figure 23). The apartment market is tighter than the overall rental market in the submarket. The apartment vacancy rate was 3.0 percent in the third quarter of 2013, up from 2.6 percent during the third quarter of 2012 (MPF Research). The lowest average apartment vacancy rate in the submarket currently is 2.5 percent, for two-bedroom units, and the highest average apartment vacancy rate currently is 5.0 percent, for efficiencies.

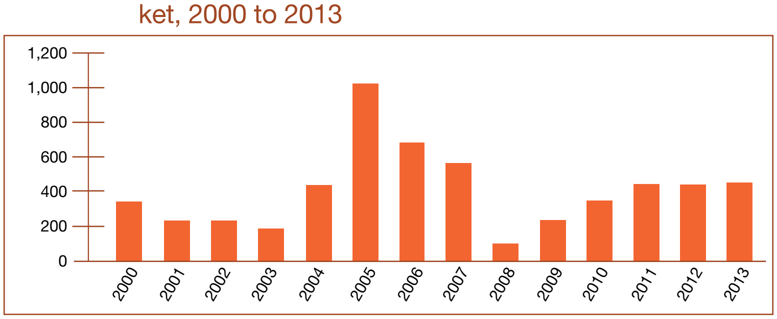
Multifamily construction activity, as measured by the number of units permitted, increased by 120 units, or 27 percent, from the previous 12 months to 570 units during the 12 months ending September 2013 (CB Richard Ellis; Census Bureau; local planning offices; HUD). The number of multifamily units permitted peaked at 1,025 in 2005. The number of multifamily units permitted started to decline in 2006 and fell to 110 units in 2008. Multifamily permitting started to increase gradually in 2009 and by the end of 2012 the number of units permitted reached 450 units (Figure 24).

Figure 23. Rental Vacancy Rates in the South Bay Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts

Figure 24. Multifamily Units Permitted in the South Bay Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through September 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

The only apartment development under construction in the South Bay submarket is the Pacific Avenue Arts Colony, with 49 units set for completion in December 2014. For the submarket as a whole, apartment rents for newly constructed studio, one-bedroom, two-bedroom, and three-bedroom units start at $1,250, $1,450, $1,775, and $2,750, respectively.

During the 3-year forecast period, demand is estimated for 2,250 new market-rate rental units in the South Bay submarket (Table 1). The 150 units currently under construction will satisfy a portion of rental housing demand during the first year of the forecast period. Demand is expected to be stronger during the second and third years of the forecast period, averaging 800 units a year as the local economy improves. Table 15 shows the estimated demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

Table 15. Estimated Demand for New Market-Rate Rental Housing in the South Bay Submarket, October 1, 2013, to October 1, 2016

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,250 to 1,449	90	1,450 to 1,649	410	1,775 to 1,974	360	2,750 to 2,949	90
1,450 to 1,649	15	1,650 to 1,849	410	1,975 to 2,174	360	2,950 to 3,149	90
1,650 or more	5	1,850 or more	200	2,175 or more	180	3,150 or more	45
Total	110	Total	1,025	Total	900	Total	230

Notes: Numbers may not add to totals because of rounding. The 150 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analysts

Sales Market—Gateway Submarket

Southeast of the Metro submarket and east of the South Bay submarket, the Gateway submarket encompasses the cities of Bellflower, Cerritos, Downey, Lakewood, Long Beach, Norwalk, and Southgate. The submarket is home to the Ports of Long Beach and Los Angeles, logistic and warehousing centers, rail yards, and a Boeing assembly plant.

As in the adjoining South Bay submarket, owners and renters each occupy about 50 percent of the occupied homes in the Gateway submarket, unchanged from 2010.

The Gateway submarket has one of the lowest average household incomes in the Los Angeles HMA. At $65,700, the average household income during 2008 through 2012 was $11,900, or 15 percent, less than the county's average of $77,600 and $25,200, or 38 percent, less than the $90,900 average in the adjoining South Bay submarket (ACS). The lower income in the Gateway submarket is reflected in both the price of homes and rents.

The sales housing market in the Gateway submarket is balanced, with a vacancy rate of 1.4 percent, down from 1.5 percent in April 2010. Since 2010, the vacancy rate in the submarket has declined as the sales inventory has decreased by an estimated 170 homes a year, whereas the number of owner households has decreased by only 110 a year, to 250,800 (Table DP-8 at the end of the report). Sales improved by 400 homes, or 4 percent, to 12,300 homes during the 12 months ending September 2013 from 11,900 homes during the previous year (Metrostudy, A Hanley Wood Company). This submarket improved from the slow sales period from 2008 through 2011, when 11,150 homes a year sold; however, it is still down from 2005 through 2007, when sales averaged 15,250 homes a year. The submarket currently accounts for 16 percent of all home sales in the HMA, the same percentage for which the submarket has accounted since 2005. In Long Beach, home sales increased by 150, or 4 percent, to 4,150 homes compared with the 4,000 homes sold a year ago and were up 13 percent from the average of 3,675 homes sold a year from 2008 through 2011. Although home sales improved, they are still 1,175, or 22 percent, less than the 5,325 average sales a year from 2005 through 2007. Home sales in Southgate increased by 10, or 2 percent, to 460 homes during the 12 months ending September 2013 compared with the 450 homes sold during the previous 12 months. Current home sales are 27 percent less than the average of 630 homes a year from 2005 through 2007. In Cerritos, in the eastern portion of the submarket, home sales totaled 330 during the 12 months ending September 2013, up 16 percent from 290 a year ago but down 18 percent, or 70 homes, from the average of 400 homes sold a year during the strong sales market period from 2005 through 2007. The employment base in the submarket, and its proximity to employment centers in the Metro and South Bay submarkets, has helped the submarket maintain its proportion of sales in the HMA since the mid-2000s.

REO sales decreased by 1,625 homes, or 41 percent, to 2,350 homes during the 12 months ending September 2013 from 3,975 during the previous year. The percentage of existing home sales that were REO sales was reduced to 20 percent from 34 percent during the previous 12-month period but remained significantly higher than the average of 2 percent of existing sales a year from 2005 through 2007. REO sales represented only 11 percent of the existing sales in Cerritos. In Bellflower and Southgate, REO sales represented 23 and 26 percent, respectively, of existing sales during the 12 months ending September 2013.

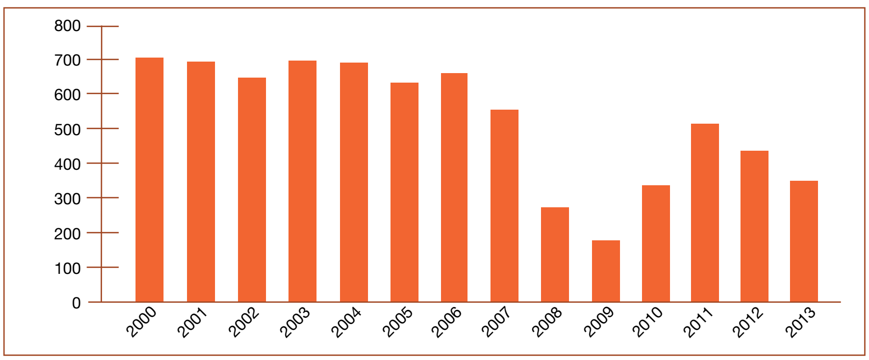
The average sales price in the Gateway submarket is one of the lowest among all submarkets in the HMA. The average price of homes in the submarket increased 15 percent, to $366,400, during the 12 months ending September 2013 compared with $318,000 during the previous year. The average price was up 8 percent from the average price from 2008 through 2011, which was $338,600 a year, but down 28 percent from the average price from 2005 through 2007, which was $511,400 a year. In Long Beach, the average sales price of homes during the 12 months ending September 2013 was up $59,750, or 17 percent, from the previous 12 months to $409,100. Although the sales price improved from the average of $349,400 a year from 2008 through 2011, it is still significantly less than the average of $530,800 a year from 2005 to 2007. In Cerritos, the average sales price of homes during the 12 months ending September 2013 was up $7,275, or 1 percent, to $519,200 compared with the average price during the previous 12 months and down 20 percent from the average annual price of $645,400 from 2005 through 2007. In Southgate, the average sales price of homes during the 12 months ending September 2013 was $293,200, up 21 percent from $241,900 a year earlier but down 36 percent from the average annual price of $457,900 from 2005 through 2007. The average sales prices in Bellflower also improved, but they are still significantly less than in the peak years. In Bellflower, the average sales price was up 12 percent, or $35,250, to $331,450 from $296,200 in the previous year but down 36 percent from the average price of $516,000 a year from 2005 through 2007.

Condominiums have represented 28 percent of all home sales in the Gateway submarket since 2005 and are priced, on average, $50,900 less than the price of single-family homes (Metrostudy, A Hanley Wood Company). During the 12 months ending September 2013, condominium sales increased 9 percent, to 3,250 homes, from 3,000 homes during the previous 12 months, and the sales price of condominiums increased 19 percent, to $317,400, from $266,900. Condominium sales were 31 percent less than the average of 4,750 homes sold a year from 2005 through 2007. Condominium construction has accounted for 18 percent of all multifamily development in the submarket since 2008, a decline from 27 percent of all multifamily development from 2003 through 2007. The 81-unit Aragon on the Hill is currently offering two-bedroom units starting in the low $400,000s in Signal Hill, and the 95-unit Gables of Whittier is currently offering prices starting in the mid-$200,000s for one-bedroom units in Whittier.

As in most of the other submarkets, homebuilding activity, as measured by the number of single-family homes permitted, remains at low levels in the Gateway submarket (Figure 25). During the 12 months ending September 2013, permits were issued for 470 homes, up slightly from the 460 homes permitted during the previous 12-month period (preliminary data). The permitting level was above the average of 330 homes permitted annually from 2008 through 2011 but down 25 percent from the average of 625 homes permitted a year from 2005 through 2007. Single-family developments under way are predominately on redeveloped land and former parking lots. Only one major single-family home development is currently selling in the submarket. The 133-home Harbor Highlands, in the San Pedro area, currently has three-bedroom single-family homes starting at $557,400.

During the next 3 years, demand is estimated for 1,725 new homes in the submarket (Table 1). The 40 homes currently under construction will meet a portion of this demand. In addition, some of the estimated 7,500 other vacant units in the submarket may return to the sales market and satisfy a portion of the demand. Demand is estimated to increase from approximately 500 during the first year to 700 during the third year of the 3-year forecast period as net out-migration decreases. Demand is estimated to be greatest in the $300,000-to-$389,999 price range. Table 16 illustrates estimated demand for new sales housing in the submarket by price range.

Figure 25. Single-Family Homes Permitted in the Gateway Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through September 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Table 16. Estimated Demand for New Market-Rate Sales Housing in the Gateway Submarket, October 1, 2013, to October 1, 2016

Price Range ($)		Units of Demand	Percent of Total
From	To		
210,000	299,999	260	15.0
300,000	389,999	780	45.0
390,000	479,999	350	20.0
480,000	569,999	170	10.0
570,000	and higher	170	10.0

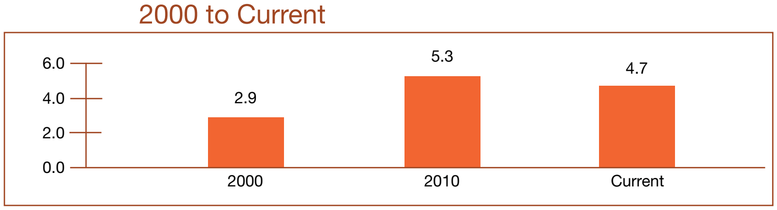
Note: The 40 homes currently under construction and a portion of the estimated 7,500 other vacant units in the submarket will likely satisfy some of the forecast demand.
Source: Estimates by analysts

Rental Market—Gateway Submarket

Rental housing market conditions in the Gateway submarket are currently tight. The estimated 4.7-percent vacancy rate is down from the 5.3-percent rate in 2010 (Figure 26). The improvement in rental market conditions resulted from an increase in renter households by an average of 1,300 a year that has outpaced the 870-a-year growth in rental housing units since 2010. Foreclosures, short sales, and stricter mortgage loan qualifications resulted in increased renter households. As with the overall rental market, the apartment market is tight. During the third quarter of 2013, the apartment vacancy rate averaged 3.5 percent compared with 3.8 percent during the third quarter of 2012 and down from 4.6 percent during the third quarter of 2010 (MPF Research). Average effective apartment rents increased nearly 2 percent, to $1,375, from $1,350. The average effective apartment rent in this submarket is currently $325, or 19 percent, less than the current average effective rents for the Los Angeles HMA as a whole. The Long Beach market area had an apartment vacancy rate of 3.8 percent in the third quarter of 2013, down from 4.0 percent a year ago, and the average effective apartment rent in the Long Beach area was $1,450 during the third quarter of 2013, a $25, or nearly 2-percent, increase from the third quarter of 2012. In the East Los Angeles area of the submarket, the apartment vacancy rate was 3.3 percent in the third quarter of 2013, up significantly from 1.9 percent in the third quarter of 2012, and the average effective rent in the third quarter of 2013 was up $35, or nearly 4 percent, to $1,375 compared with the average rent during the third quarter of 2012.

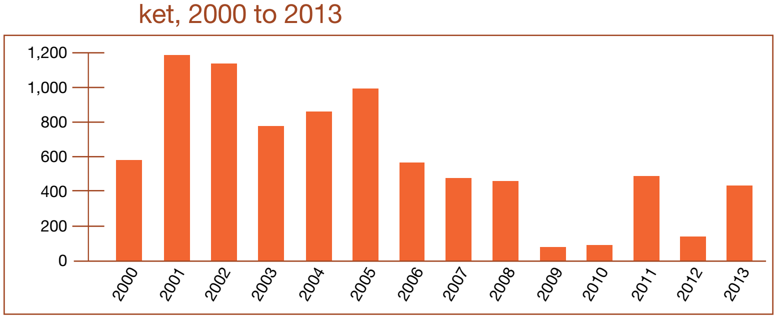
During 2001 and 2002, the number of multifamily units permitted averaged 1,175 a year (Figure 27). From 2003 through 2008, multifamily permitting declined to an average of 700 units a year. The average number of units permitted declined to 80 a year during 2009 and 2010 then increased to an average of 320 a year during 2011 and 2012. Approximately 480 multifamily units were permitted during the 12 months ending September 2013 compared with 240 units during the previous 12-month period (CB Richard Ellis; Census Bureau; local planning offices). The proportion of single-family homes being rented out increased from 27 percent in 2000 to 29 percent during the 2008–2012 ACS 5-year period. Apartment developments currently under way include the 69-unit Pacific Court Apartments and the 129-unit Urban Village, both in Long Beach. These developments

Figure 26. Rental Vacancy Rates in the Gateway Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts

Figure 27. Multifamily Units Permitted in the Gateway Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through September 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

are expected to be complete by early to mid-2014. In the Gateway submarket, rents for newly completed studio, one-bedroom, and two-bedroom apartments start at $1,175, $1,350, and $1,875, respectively.

During the 3-year forecast period, demand is estimated for 1,950 new market-rate rental units in the submarket (Table 1). The 440 units currently under construction will meet a portion of this demand. Demand is expect to be stronger during the second and third years of the forecast period, increasing from 600 during the first year to an average of 675 a year during the second and third years. Table 17 shows estimated demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

Table 17. Estimated Demand for New Market-Rate Rental Housing in the Gateway Submarket, October 1, 2013, to October 1, 2016

Zero Bedrooms		One Bedroom		Two Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,175 to 1,374	50	1,350 to 1,549	490	1,875 to 2,074	440
1,375 to 1,574	40	1,550 to 1,749	390	2,075 to 2,274	350
1,575 or more	10	1,750 or more	100	2,275 or more	90
Total	100	Total	980	Total	880

Notes: Numbers may not add to totals because of rounding. The 440 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analysts

Data Profiles

Table DP-1. Los Angeles HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	4,424,894	4,294,202	4,438,000	– 0.3	1.2
Unemployment rate	5.4%	12.6%	10.1%		
Nonfarm payroll jobs	4,072,100	3,772,500	3,912,000	– 0.8	1.3
Total population	9,519,338	9,818,605	9,968,000	0.3	0.4
Nonhousehold population	175,252	171,681	174,000	– 0.2	0.4
Total households	3,133,774	3,230,823	3,278,000	0.3	0.4
Owner households	1,499,694	1,541,045	1,542,000	0.3	0.0
Percent owner	47.9%	47.7%	47.0%		
Renter households	1,634,080	1,689,778	1,736,000	0.3	0.8
Percent renter	52.1%	52.3%	53.0%		
Total housing units	3,270,909	3,434,638	3,461,000	0.5	0.2
Owner vacancy rate	1.6%	1.7%	1.5%		
Rental vacancy rate	3.3%	5.8%	5.0%		
Median Family Income	$51,300	$62,100	$64,000	1.9	1.5

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through August 2013. Median Family Incomes are for 1999, 2009, and 2011.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analysts

Table DP-2. North Los Angeles Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total resident employment	4,424,894	4,294,202	4,407,000	– 0.3	0.9
Unemployment rate	5.4%	12.6%	10.2%		
Nonfarm payroll jobs	4,072,100	3,772,500	3,904,000	– 0.8	1.3
Total population	505,554	657,847	682,000	2.7	1.0
Nonhousehold population	17,137	18,254	18,800	0.6	0.8
Total households	160,152	191,081	197,150	1.8	0.9
Owner households	113,660	134,797	136,100	1.7	0.3
Percent owner	71.0%	70.5%	69.0%		
Renter households	46,492	56,284	61,050	1.9	2.3
Percent renter	29.0%	29.5%	31.0%		
Total housing units	171,755	206,854	209,200	1.9	0.3
Owner vacancy rate	2.5%	2.6%	2.0%		
Rental vacancy rate	7.9%	9.2%	6.2%		

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through August 2013.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analysts

Table DP-3. San Fernando Valley Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total resident employment	4,424,894	4,294,202	4,421,000	– 0.3	1.1
Unemployment rate	5.4%	12.6%	10.2%		
Nonfarm payroll jobs	4,072,100	3,772,500	3,908,000	– 0.8	1.3
Total population	1,698,187	1,768,331	1,794,000	0.4	0.4
Nonhousehold population	21,578	18,318	18,500	– 1.6	0.3
Total households	585,764	600,878	611,000	0.3	0.5
Owner households	292,158	295,611	297,300	0.1	0.2
Percent owner	49.9%	49.2%	48.7%		
Renter households	293,606	305,267	313,700	0.4	0.8
Percent renter	50.1%	50.8%	51.3%		
Total housing units	604,247	636,352	642,600	0.5	0.3
Owner vacancy rate	1.2%	1.7%	1.5%		
Rental vacancy rate	2.6%	6.1%	5.1%		

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through August 2013.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analysts

Table DP-4. San Gabriel Valley Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	4,424,894	4,294,202	4,421,000	– 0.3	1.1
Unemployment rate	5.4%	12.6%	10.2%		
Nonfarm payroll jobs	4,072,100	3,772,500	3,908,000	– 0.8	1.3
Total population	1,817,695	1,827,308	1,852,000	0.1	0.4
Nonhousehold population	31,381	28,124	28,550	– 1.1	0.4
Total households	550,459	560,422	566,400	0.2	0.3
Owner households	332,134	335,804	335,700	0.1	0.0
Percent owner	60.3%	59.9%	59.3%		
Renter households	218,325	224,618	230,700	0.3	0.8
Percent renter	39.7%	40.1%	40.7%		
Total housing units	567,235	586,664	588,500	0.3	0.1
Owner vacancy rate	1.1%	1.2%	1.0%		
Rental vacancy rate	2.3%	5.3%	4.0%		

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through August 2013.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analysts

Table DP-5. Metro Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	4,424,894	4,294,202	4,421,000	– 0.3	1.1
Unemployment rate	5.4%	12.6%	10.2%		
Nonfarm payroll jobs	4,072,100	3,772,500	3,908,000	– 0.8	1.3
Total population	1,792,854	1,811,533	1,837,000	0.1	0.4
Nonhousehold population	43,502	44,907	45,350	0.3	0.3
Total households	521,932	544,939	553,400	0.4	0.4
Owner households	157,550	160,798	157,900	0.2	– 0.5
Percent owner	30.2%	29.5%	28.5%		
Renter households	364,382	384,141	395,500	0.5	0.8
Percent renter	69.8%	70.5%	71.5%		
Total housing units	557,024	586,636	594,400	0.5	0.4
Owner vacancy rate	3.4%	2.7%	2.6%		
Rental vacancy rate	4.3%	5.8%	5.5%		

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through August 2013.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analysts

Table DP-6. Westside Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total resident employment	4,424,894	4,294,202	4,421,000	– 0.3	1.1
Unemployment rate	5.4%	12.6%	10.2%		
Nonfarm payroll jobs	4,072,100	3,772,500	3,908,000	– 0.8	1.3
Total population	1,044,823	1,062,943	1,079,000	0.2	0.4
Nonhousehold population	26,483	28,802	29,600	0.8	0.8
Total households	468,747	478,031	485,000	0.2	0.4
Owner households	176,725	181,746	183,200	0.3	0.2
Percent owner	37.7%	38.0%	37.8%		
Renter households	292,022	296,285	301,800	0.1	0.5
Percent renter	62.3%	62.0%	62.2%		
Total housing units	492,250	518,260	522,400	0.5	0.2
Owner vacancy rate	1.4%	1.9%	1.6%		
Rental vacancy rate	3.2%	6.3%	5.5%		

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through August 2013.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analysts

Table DP-7. South Bay Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total resident employment	4,424,894	4,294,202	4,421,000	– 0.3	1.1
Unemployment rate	5.4%	12.6%	10.2%		
Nonfarm payroll jobs	4,072,100	3,772,500	3,908,000	– 0.8	1.3
Total population	998,440	1,020,499	1,040,000	0.2	0.5
Nonhousehold population	10,357	10,914	11,000	0.5	0.2
Total households	351,337	356,817	361,700	0.2	0.4
Owner households	176,418	181,082	181,000	0.3	0.0
Percent owner	50.2%	50.7%	50.0%		
Renter households	174,919	175,735	180,700	0.0	0.8
Percent renter	49.8%	49.3%	50.0%		
Total housing units	365,156	375,616	377,500	0.3	0.1
Owner vacancy rate	1.1%	1.2%	0.9%		
Rental vacancy rate	3.0%	5.1%	4.0%		

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through August 2013.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analysts

Table DP-8. Gateway Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total resident employment	4,424,894	4,294,202	4,421,000	– 0.3	1.1
Unemployment rate	5.4%	12.6%	10.2%		
Nonfarm payroll jobs	4,072,100	3,772,500	3,908,000	– 0.8	1.3
Total population	1,661,785	1,670,145	1,684,000	0.1	0.2
Nonhousehold population	24,814	22,351	22,250	– 1.0	– 0.1
Total households	495,383	498,655	502,800	0.1	0.2
Owner households	251,049	251,207	250,800	0.0	0.0
Percent owner	50.7%	50.4%	49.9%		
Renter households	244,334	247,448	252,000	0.1	0.5
Percent renter	49.3%	49.6%	50.1%		
Total housing units	513,242	524,256	526,300	0.2	0.1
Owner vacancy rate	1.5%	1.5%	1.4%		
Rental vacancy rate	2.9%	5.3%	4.7%		

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through August 2013.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analysts

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 10/1/2013—Analysts' estimates
Forecast period: 10/1/2013–10/1/2016—
Analysts' estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analysts, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to http://www.huduser.org/publications/pdf/CMARtables_LosAngelesCA_14.pdf.

Contact Information

Wendy Lynn Ip, Economist
Los Angeles HUD Office
213–534–2676
wendy.l.ip@hud.gov

Ikuo J. Nakano, Economist
Los Angeles HUD Office
213–534–2464
ikuo.j.nakano@hud.gov

This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/portal/ushmc/chma_archive.html.