The analysis presented in this report includes data from the early stages of the COVID-19 outbreak in the United States. The unprecedentedly large and rapid changes in many data series, and the similarly unprecedentedly large policy responses, make analysis of, and longer run predictions for, the economy and housing markets exceptionally difficult and uncertain. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.

COMPREHENSIVE HOUSING MARKET ANALYSIS

Los Angeles Metropolitan Division Series Focus On: Westside, California

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of August 1, 2020

Share on:

Executive Summary

Housing Market Area Description

The Westside Housing Market Area (HMA) is part of Los Angeles County, which is coterminous with the Los Angeles-Long Beach-Glendale, CA Metropolitan Division (hereafter, Los Angeles division).

The current population is estimated at 1,128,000.

The Westside HMA is situated along the Pacific Ocean—south of San Fernando Valley, west of Central Los Angeles, and north of South Bay—in southern California. The HMA is a major center for the entertainment industries, with employers that include 20th Century Studios, Inc.; Google Inc.; Netflix, Inc.; and YouTube, Inc. The HMA has some of the most valuable real estate in the nation and is home to the cities and neighborhoods of Beverly Hills, Hollywood, Malibu, Marina del Rey, Santa Monica, Venice, West Hollywood, and Westwood.

Tools and Resources

Find interim updates for the Los Angeles division and selected geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA and Los Angeles division can be found in this report's supplemental tables.
For information on HUD-supported activity in the HMA, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Weak: Nonfarm payrolls in the Westside HMA account for 12 percent of jobs in the Los Angeles division. Nonfarm payrolls declined significantly in early 2020 in response to countermeasures to slow the contagion of COVID-19, contributing to overall job losses during the 12 months ending July 2020.

Economic conditions in the HMA and Los Angeles division have weakened recently, following 9 consecutive years of economic expansion since the Great Recession. Nonfarm payrolls in the division declined by 142,100 jobs, or 3.1 percent, to nearly 4.41 million during the 12 months ending July 2020. During that period, an 11.8-percent decline in jobs from March 2020 through July 2020 was partially offset by jobs gains from August 2019 through February 2020. During the 3-year forecast period, a portion of lost jobs are expected to be recovered, and nonfarm payroll growth in the division is estimated to average 1.5 percent a year.

Sales Market

Slightly Tight: The average home sales price in the Westside HMA has been rising for more than 8 years, reaching a high of $1,768,000 during the 12 months ending July 2020 as the inventory of available homes for sale continued to decline almost every year since 2010.

The sales housing market in the HMA is slightly tight despite the contraction in the economy, with an estimated 1.2-percent vacancy rate, down from 1.9 percent in 2010. During the next 3 years, demand is estimated for 950 new homes, accounting for nearly 11 percent of the total estimated demand in the Los Angeles division. Demand in the HMA is expected to increase slightly in the second and third years of the forecast period because of improving economic conditions and household growth compared with the first year. The 590 homes under construction in the HMA will satisfy some of the forecast demand.

Rental Market

Slightly Tight: Approximately three-fourths of household growth in the Westside HMA since 2010 resulted from an increase in the number of renter households, contributing to the tightening of rental market conditions.

Rental housing market conditions in the HMA are slightly tight. The overall vacancy rate is estimated at 4.9 percent, down from 6.3 percent in 2010 when conditions were soft. An increase in renter households since 2010 contributed to the absorption of excess vacant rental units. During the forecast period, demand in the HMA is expected for 4,000 rental units, accounting for 19 percent of demand in the Los Angeles division. The 1,650 rental units currently under construction will satisfy a portion of demand during the forecast period.

TABLE OF CONTENTS

3-Year Housing Demand Forecast

	Sales Units		Rental Units	
	Los Angeles Division	Westside HMA	Los Angeles Division	Westside HMA
Total Demand	8,825	950	20,800	4,000
Under Construction	3,765	590	10,850	1,650

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of August 1, 2020. The forecast period is from the current date (August 1, 2020), to August 1, 2023.
Source: Estimates by the analyst

Economic Conditions

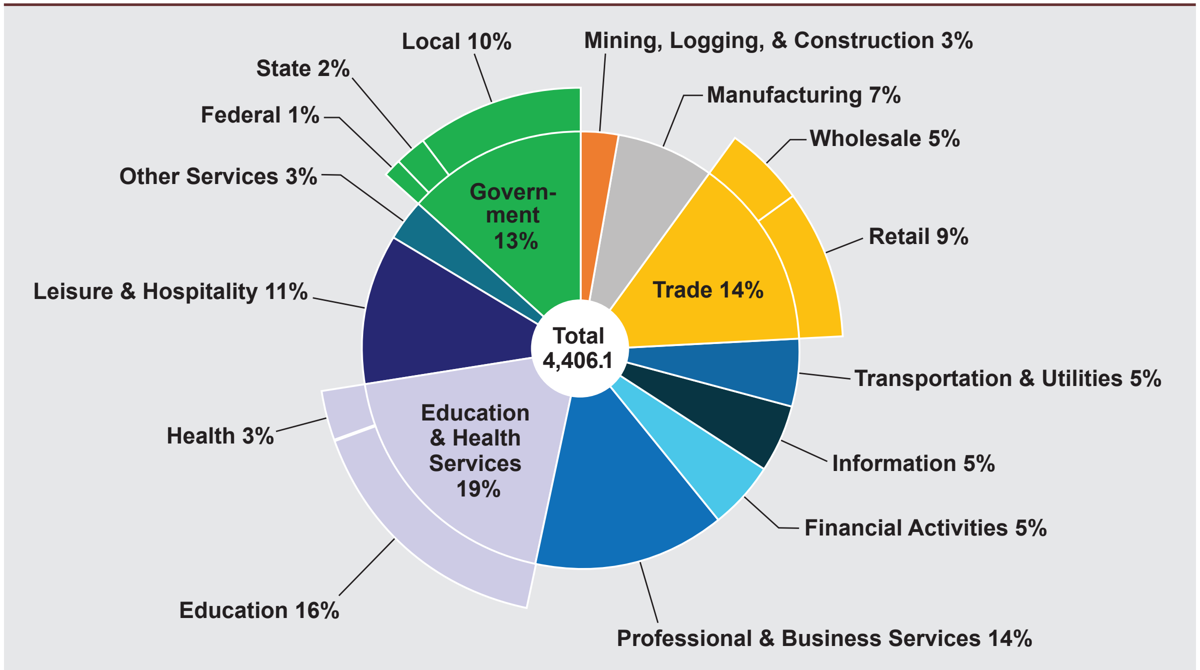
Largest Share of Los Angeles Division Jobs in the HMA: Information Sector

Increased demand for online-streaming entertainment has supported the emerging digital media industry of the information sector in both the Westside HMA and greater Los Angeles division, which has accounted for nearly 14 percent of national job gains in the digital media industry since 2011 (Beacon Economics).

Economic Factors in the HMA

The Westside HMA has been historically known as a center for entertainment and tourism, home to more than 20 miles of beaches and one of the oldest major motion-picture studios in the nation—20th Century Studios, Inc. (formerly 20th Century Fox Film Corporation). Founded in 1935, the studio is among the largest employers in the HMA, with 2,300 employees. It had the fifth-highest revenues among studios in the Los Angles division, with more than $1.08 billion in box office receipts during 2018 (*Los Angeles Business Journal*). The HMA is also home to 3 of the top 10 motion picture distribution companies in the Los Angeles division—Lions Gate Entertainment Corp., Focus Features, and MGM Holdings Inc.—that had a combined $720 million in revenues during 2018. In addition, greater demand for online-streaming entertainment has supported jobs in the emerging digital media industry. Since 2017, the HMA has been home to Netflix, Inc., one of the largest video-streaming companies in the nation, with consumers spending nearly $15 billion for online content during 2019. The company currently employs approximately 1,775 people in the HMA and continues to expand within the HMA and the greater Los Angeles division, increasing production space within the division to more than 1 million square feet. In addition to Netflix, Inc., major facilities of Facebook, Inc., Google Inc., and YouTube, Inc. are also located in the HMA—all within the information sector. Both Facebook, Inc. and Google Inc. have increased their presence in the HMA since 2018, adding a combined 560,000 square feet of office space since 2018. Currently, the information sector is tied for the seventh-largest sector in the division (Figure 1), with the HMA accounting for nearly one-third of those jobs (Table 1). In addition to the information sector, entertainment-industry jobs are also part of the leisure and hospitality sector, including audio-visual

Figure 1. Share of Nonfarm Payroll Jobs in the Los Angeles Division, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through July 2020.
Source: U.S. Bureau of Labor Statistics

Table 1. Current Estimated Share of Los Angeles Division Jobs in the Westside HMA, by Sector

Total Nonfarm Payrolls	**12%**
Mining, Logging, & Construction	6%
Manufacturing	6%
Wholesale & Retail Trade	9%
Transportation & Utilities	6%
Information	**28%**
Financial Activities	17%
Professional & Business Services	19%
Education & Health Services	12%
Leisure & Hospitality	15%
Other Services	11%
Government	7%

Sources: U.S. Bureau of Labor Statistics, U.S. Census Bureau; analyst estimates

consultants and freelance artists, writers, and performers. Collectively, those jobs account for 10 percent of division employment in the leisure and hospitality sector. Currently, the leisure and hospitality sector is the fourth-largest sector in the division, with the HMA accounting for nearly 15 percent of those jobs.

In addition to entertainment and tourism, the HMA is also a center for higher education. There are six universities throughout the HMA, the largest of which are the University of California, Los Angeles (UCLA) (Photo 1), Loyola Marymount University (LMU), and Pepperdine University. Founded in 1919, UCLA is the second-oldest university in the Los Angeles division, following the University of Southern California (USC), and is currently the largest employer in both the Westside HMA and the Los Angeles division, with a total of 48,750 employees (Table 2). LMU and Pepperdine University account for another 4,400 employees combined. The economic impact of UCLA on California is significant, at $11.06 billion during 2017 (UCLA Economic Impact Report 2018). Nonfarm payroll jobs at UCLA are in the government sector, whereas payrolls at private

Photo 1. University of California, Los Angeles

Source: University of California, Los Angeles

Table 2. Major Employers in the Los Angeles Metropolitan Division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of California, Los Angeles	Government	48,750
City of Los Angeles	Government	48,250
Kaiser Permanente®	Education & Health Services	40,300
University of Southern California	Education & Health Services	29,650
Northrop Grumman Corporation	Manufacturing	18,000
Providence Health Systems	Education & Health Services	15,950
Target Corporation	Wholesale & Retail Trade	15,000
Cedars-Sinai Medical Center	Education & Health Services	14,700
The Kroger Company	Wholesale & Retail Trade	13,250
The Walt Disney Company	Information	13,000

Note: Excludes local school districts.
Sources: *Los Angeles Business Journal* Book of Lists, 2020; Los Angeles City Controller, 2019

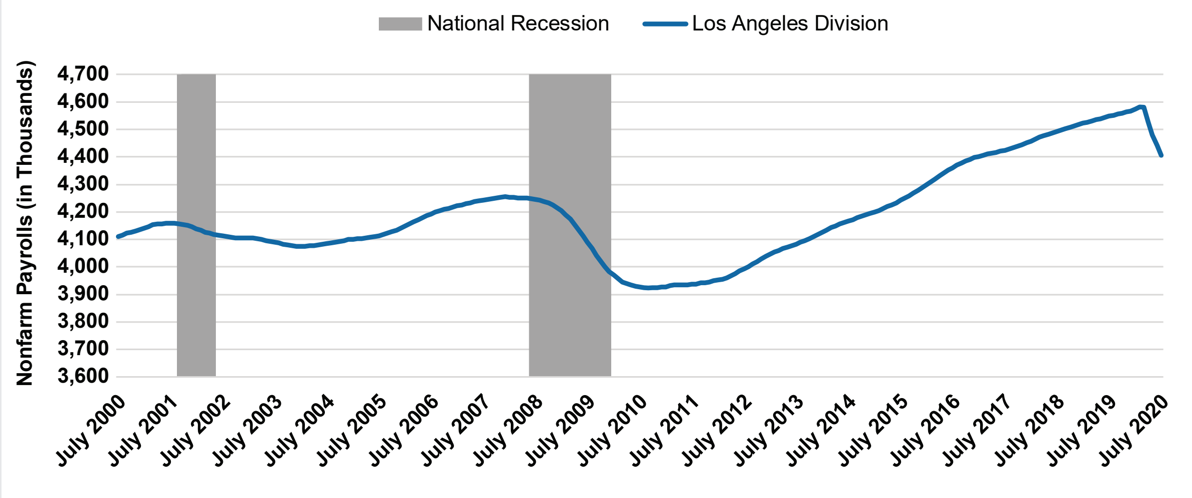
universities LMU and Pepperdine University are in the education and health services sector. The HMA accounts for 7 percent of government and 12 percent of education and health services jobs in the Los Angeles division. Overall, total nonfarm payrolls in the HMA account for an estimated 12 percent of jobs in the division, down from 14 percent in 2000. Likewise, approximately 12 percent of the labor force and resident workers in the division currently live in the HMA, which is also down from 14 percent in 2000. The reduced proportions since 2000 are the result of high land and housing costs in the HMA as people and jobs shifted to relatively lower-cost areas, including the San Fernando Valley area. Generally, economic trends in the Westside HMA have been influenced by growth in the greater Los Angeles division, for which annual data are readily available, as detailed below.

Economic Periods of Significance in the Los Angeles Division

A General Period of Expansion: 2001 through 2007

Nonfarm payrolls generally increased in the Los Angeles division from 2001 through 2007 (Figure 2), up by an average of 17,100 jobs, or 0.4 percent, a year. Overall job growth during the period was limited by one contraction, from 2002 through 2003, when nonfarm payrolls declined by an average of 35,200 jobs, or 0.9 percent, a year to nearly 4.08 million jobs in response to the national downturn in the technology industry. Approximately 38 percent of the net decline in payrolls resulted from layoffs at companies involved in high-tech production, in which industries lost a combined 13,500 jobs, or 7.5 percent, a year. By 2004, the economy began to strengthen, and payroll growth was up by an average of 45,100 jobs, or 1.1 percent, annually

Figure 2. 12-Month Average Nonfarm Payrolls in the Los Angeles Metropolitan Division



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

from 2004 through 2007. Approximately 89 percent of the entire net gain occurred in the education and health services, the professional and business services, and the wholesale and retail trade sectors, up respectively by 19,600, 9,900, and 10,600 jobs, or 3.4, 1.7, and 1.7 percent, annually. The mining, logging, and construction sector had the largest percentage gain, up an average of 3.9 percent, or by 5,700 jobs, annually, entirely because of gains in the construction subsector. Greater residential building activity from strong sales housing market conditions during most of the period partly contributed to the gain in the subsector. Overall, job growth in the division was below the rate of growth in the southern California region and the nation, which expanded at averages of 1.1 and 0.6 percent, respectively, a year from 2001 through 2007.

The Great Recession and the Los Angeles Division: 2008 through 2010

By the end of 2007, the Great Recession began, and payrolls in the division declined by an average of 109,600 jobs, or 2.6 percent, a year from 2008 through 2010 to nearly 3.93 million jobs. Overall, the rate of job loss in the division was slightly below the southern California region, which declined an average of 2.7 percent a year, but was much more severe than in the nation, which was down an average of 1.9 percent a year. Approximately 82 percent of the net losses occurred in the manufacturing; the mining, logging, and construction; the professional and business services; and the wholesale and retail trade sectors. A 15,500-job reduction in apparel manufacturing caused by company relocations accounted for 62 percent of the decline in the manufacturing sector. Three-fourths of the loss in the mining, logging, and construction sector resulted from reductions in the construction subsector because of reduced housing development.

Economic Recovery and Expansion: 2011 through 2019

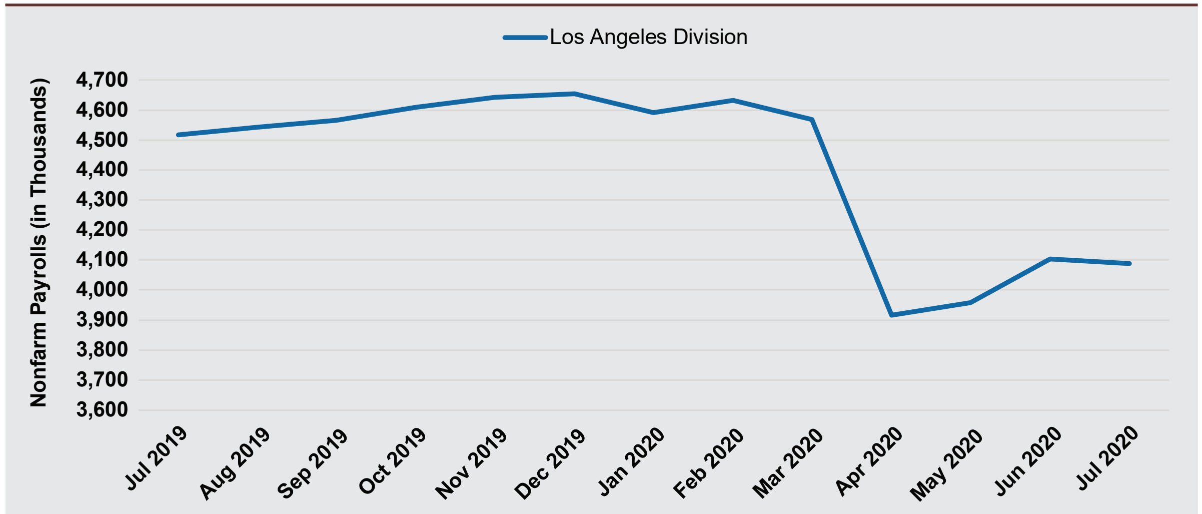
Following the economic contraction, nonfarm payrolls in the division expanded by an average of 71,100 jobs, or 1.7 percent, annually from 2011 through 2019 to nearly 4.47 million jobs, which was faster than growth during the previous decade. This pace led to nonfarm payrolls in the division surpassing prerecessionary levels by the end of 2015. The rate of job growth from 2011 through 2019 in the Los Angeles division was faster than the 1.6-percent rate for the nation but was below the pace of growth in the southern California region, which was 2.1 percent a year. The combination of the education and health services, the leisure and hospitality, and the professional and business services sectors accounted for 71 percent of the total job gain in the division during the period. The $500 million expansion of the Universal Studios Hollywood theme park in 2016 added 2,000 jobs, a portion of which were in the leisure and hospitality sector, contributing to overall gains. In addition, professional staffing agencies, including Robert Half International Inc., added nearly 1,500 jobs throughout the division in response to greater demand for professional services during the period (State of California Employment Development Department). USC and Cedars-Sinai Medical Center added 5,025 and 4,225 employees, respectively, from 2010 to 2018, contributing to gains in the education and health services sector. In addition, UCLA added 5,225 full-time employees from the fall of 2014 to the fall of 2019, contributing to total nonfarm payroll gains in the government sector in both the HMA and the division.

Current Economic Conditions in the Los Angeles Division and the Effects of COVID-19

Nonfarm payrolls in the Los Angeles division continued to increase during the first 2 months of 2020 before contracting significantly in March and April of 2020 (Figure 3) because of interventions taken in mid-March to slow the contagion of COVID-19, including enforcing physical distancing and discouraging nonessential travel. From March 2020 to April 2020, nonfarm payrolls declined by a total of 716,100 jobs, or 15.5 percent, before month-over-month job gains returned as businesses began to reopen gradually. The reopening of those businesses, however, did not offset overall losses, and jobs in the Los Angeles division during the most recent 12-month period decreased at a faster pace than the nation. Nonfarm payrolls in the division declined 3.1 percent, or by 142,100 jobs, during the 12 months ending July 2020 (Table 3), the same rate as the southern California region but faster than the national rate of decline of 2.6 percent. Job losses in the division occurred in nearly all sectors of the economy, with the greatest declines in sectors that rely heavily on nonessential in-person interactions because of the countermeasures to slow the spread of COVID-19. As a result, the leisure and hospitality and the wholesale and retail trade sectors contracted more significantly than the other sectors because those jobs were not as easily adaptable to a telework model; both sectors accounted for a combined 67 percent of the overall loss. Since mid-March 2020, a combined total of 69 hotels, restaurants, casinos, and other recreational venues either temporarily or permanently closed, contributing to nearly 10,900 layoffs in the leisure and hospitality sector (California Employment Development Department, California Worker Adjustment and Retraining Notification). At least 13 of those closures, with nearly 2,100 layoffs total, occurred in the Westside HMA. In the wholesale and retail trade sector, approximately 70 percent of the losses occurred in the retail trade subsector, down by 20,200 jobs, or 4.8 percent, resulting from the closures of 23 establishments throughout the division since mid-March 2020, which led to more than 2,050 combined layoffs.

Gains in the education and health services and the transportation and utilities sectors, which were up by 2,600 and 2,000 jobs, or 0.3 and 1.0 percent, respectively, offset declines during the 12 months

Figure 3. Monthly Nonfarm Payroll Jobs in the Los Angeles Metropolitan Division



Note: Monthly unadjusted data.
Source: U.S. Bureau of Labor Statistics

Table 3. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Los Angeles Division, by Sector

	12 Months Ending July 2019	12 Months Ending July 2020	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**4,548.2**	**4,406.1**	**-142.1**	**-3.1**
Goods-Producing Sectors	490.1	476.3	-13.8	-2.8
Mining, Logging, & Construction	150.2	149.8	-0.4	-0.3
Manufacturing	339.9	326.5	-13.4	-3.9
Service-Providing Sectors	4,058.1	3,929.8	-128.3	-3.2
Wholesale & Retail Trade	642.4	613.4	-29.0	-4.5
Transportation & Utilities	209.8	211.8	2.0	1.0
Information	216.0	210.3	-5.7	-2.6
Financial Activities	223.7	222.9	-0.8	-0.4
Professional & Business Services	640.8	625.5	-15.3	-2.4
Education & Health Services	832.4	835.0	2.6	0.3
Leisure & Hospitality	541.9	476.0	-65.9	-12.2
Other Services	158.3	145.3	-13.0	-8.2
Government	592.8	589.6	-3.2	-0.5

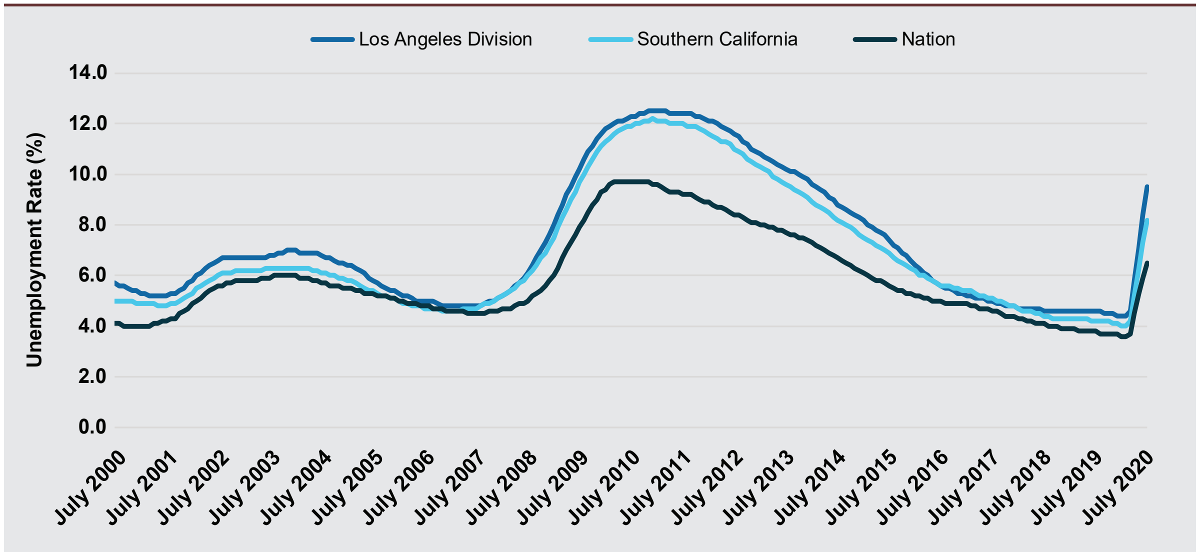
Notes: Based on 12-month averages through July 2019 and July 2020. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

ending July 2020. Job growth in the education and health services sector was mainly supported by gains in colleges, universities, and professional schools, which were up by a combined 3,500 jobs, or 4.9 percent. Significant job losses in dental offices throughout the division, down by 3,300 jobs, or 10.1 percent, partly offset those gains. Dental offices and other private practice medical offices were all impacted because they were limited to emergency response only during most of the period. In the transportation and utilities sector, approximately 80 percent of the gain was in the transportation and warehousing industry, which was up by 1,600 jobs, or 0.8 percent. Greater demand for e-commerce over the past few years was compounded by physical distancing measures and the temporary closure of nonessential brick-and-mortar retail. Demand for local courier services rose dramatically for the delivery of food and other essential items for the home. Courier and messenger jobs contributed the most to overall gains in the transportation and utilities sector, up by 3,800 jobs, or 12.6 percent. Part of the gain was offset by reduced ground passenger transportation due to greater availability of telework and other physical-distancing measures. Southern California commuter rail service provider, Metrolink, cut its service by 30 percent at the end of March 2020 due to a dramatic fall in its ridership. Jobs in ground passenger transportation declined by 1,200, or 9.9 percent, during the 12 months ending July 2020. Despite restrictions on passenger air travel, the air transportation industry in the division remained relatively unchanged from a year ago, increasing by fewer than 100 jobs, or 0.1 percent, as some airlines, including United Airlines, shifted to carrying cargo on an ad hoc basis (CAPA Center for Aviation).

Unemployment Trends

As the economy of the Los Angeles Division contracted during the 12 months ending July 2020, the average unemployment rate increased to 9.5 percent from 4.6 percent a year earlier. The average unemployment rate in the Los Angeles division is higher than both the southern California region and the nation, which have respective rates of 8.2 and 6.5 percent. The increase in the average unemployment rate in the division is in contrast with 9 consecutive years of decline that occurred from 2011 through 2019 (Figure 4). Although high, the current unemployment rate in the division remains below the previous high of 12.5 percent during 2010.

Figure 4. 12-Month Average Unemployment Rate in the Los Angeles Metropolitan Division, Southern California, and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Employment Forecast

During the 3-year forecast period, nonfarm payrolls in the division are expected to increase an average of 1.5 percent annually, reflecting slower growth in the first year before accelerating in the second and third years as more jobs are recovered. Notable payroll gains are expected in the education and health services, the leisure and hospitality, and the information sectors. In the education and health services sector, two expansions currently underway are expected to contribute to overall job growth. The $542 million Providence Cedars-Sinai Tarzana Medical Center expansion will include a six-story patient tower when complete in 2023. In the Westside HMA, Cedars Sinai Marina Del Rey Hospital is currently undergoing a nine-story hospital expansion, which will increase capacity to 160 patients by 2022. In the leisure and hospitality sector, a portion of the jobs lost during the pandemic is expected to return, contributing to overall job gains. There are 18 hotels currently under construction throughout the division that are expected to add approximately 1,025 jobs during the first and second years of the forecast. Three of those hotels will be located in the Westside HMA, adding more than 100 jobs. In the information sector, job growth will be partly supported by growth in the digital media industry. Netflix, Inc. plans to open an animation studio in the San Fernando Valley area in September 2020. By 2022, both Google Inc. and Apple Inc. are expected to complete two expansions that will add more than 1,000 employees; a portion of those will be in the Westside HMA.

Population and Households

Current Population: 1,128,000

Population growth in the HMA has been considerably slower every year since the end of 2017, as rising housing costs contributed to net out-migration from the HMA for the first time since 2011.

The population of the Westside HMA is estimated at nearly 1.13 million as of August 1, 2020 (Table 4). Overall, the HMA accounts for approximately 11 percent of the population in the Los Angeles division, which has a current population estimated at nearly 10.30 million. Approximately 17 percent of the population of the city of Los Angeles is in the HMA, the largest city in the Los Angeles division, with 4.01 million residents as of January 2020 (California Department of Finance). The city includes the HMA neighborhoods of Bel-Air, Playa del Rey, Hollywood, Venice, and Westwood. Other large cities in the HMA include Beverly Hills, Santa Monica, and West Hollywood, each with more than 33,000 residents.

Population and Demographic Trends Since 2000

Overall population growth and trends in migration in both the Westside HMA and the greater Los Angeles division during most of the period since 2000 have been influenced by economic conditions, mortgage lending standards, and housing prices. During the 2000s, population growth in the HMA was generally supported by net natural increase because of net out-migration during most of the period (Figure 5). That had changed during the 2010s, as

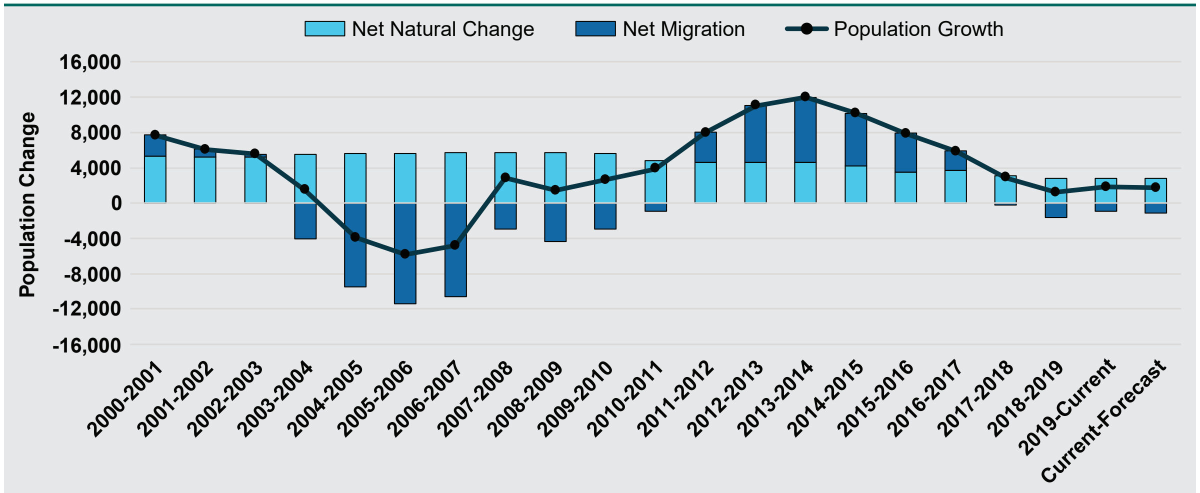
Table 4. Westside HMA Population and Household Quick Facts

Population Quick Facts		2010	Current	Forecast
	Population	1,062,943	1,128,000	1,133,000
	Average Annual Change	1,800	6,300	1,700
	Percentage Change	0.2	0.6	0.2

Household Quick Facts		2010	Current	Forecast
	Households	468,747	509,700	512,100
	Average Annual Change	930	3,050	810
	Percentage Change	0.2	0.6	0.2

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (August 1, 2020), to August 1, 2023.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 5. Components of Population Change in the Westside HMA, 2000 Through the Forecast

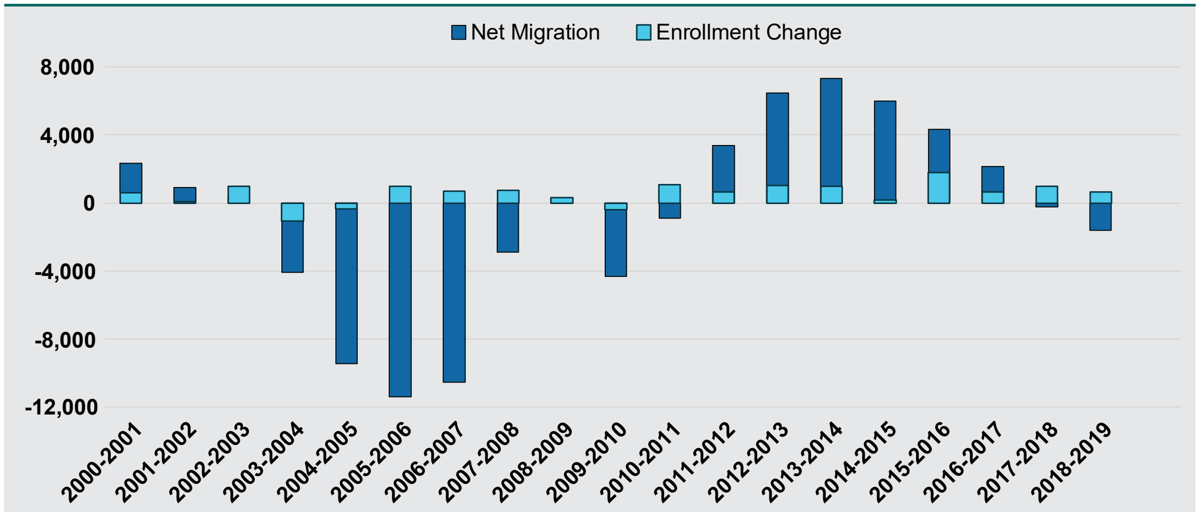


Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (August 1, 2020) to August 1, 2023.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

there was net in-migration during many of the years in that decade. In addition to those factors, changes in university enrollment in the top three largest universities—UCLA, LMU, and Pepperdine University—contribute to migration to the HMA (Figure 6). Since 2010, approximately 50 percent of students attending UCLA were people who relocated to the HMA or surrounding areas, up from 40 percent during the 2000s (UCLA data). At LMU and Pepperdine University, data also indicate an increasing trend, and the number of students that have come from outside of California to attend those schools increased from approximately 24 and 40 percent, respectively, during the early 2010s to 33 and 45 percent, respectively, by 2019 (LMU and Pepperdine University data).

During the early 2000s, population growth in the HMA averaged 7,500 people, or 0.7 percent, a year from 2000 to 2003 (Census Bureau population estimates as of July 1). This was the only period during the 2000s when there was net in-migration to the HMA, which averaged 2,250 people a year. By the end of 2003, lenient mortgage-lending standards and strong economic conditions contributed to increased homebuying, but that led to a surge in residents moving away from the HMA. Residents who were not already homeowners in the HMA generally moved to the adjacent San Fernando Valley area, where new homes and neighborhoods were being developed at prices that averaged $339,900 less than in the HMA. From 2003 to 2004, net out-migration from the HMA reached 4,075 people before surging to an average of 10,450 people annually from 2004 to 2007, leading to a decline in the population by an average of 4,825, or 0.5 percent, annually, the only period of population loss since 2000. By the end of 2007, the draw of residents away from the HMA to purchase homes elsewhere slowed slightly as housing markets in parts of the southern California region began to weaken. Net out-migration slowed from 2007 to 2011 to an average of 2,775 people annually, and the population grew by an average of 2,700 people, or 0.3 percent, a year.

Figure 6. Student Enrollment at the Three Largest Universities and Net Migration Trends in the Westside HMA



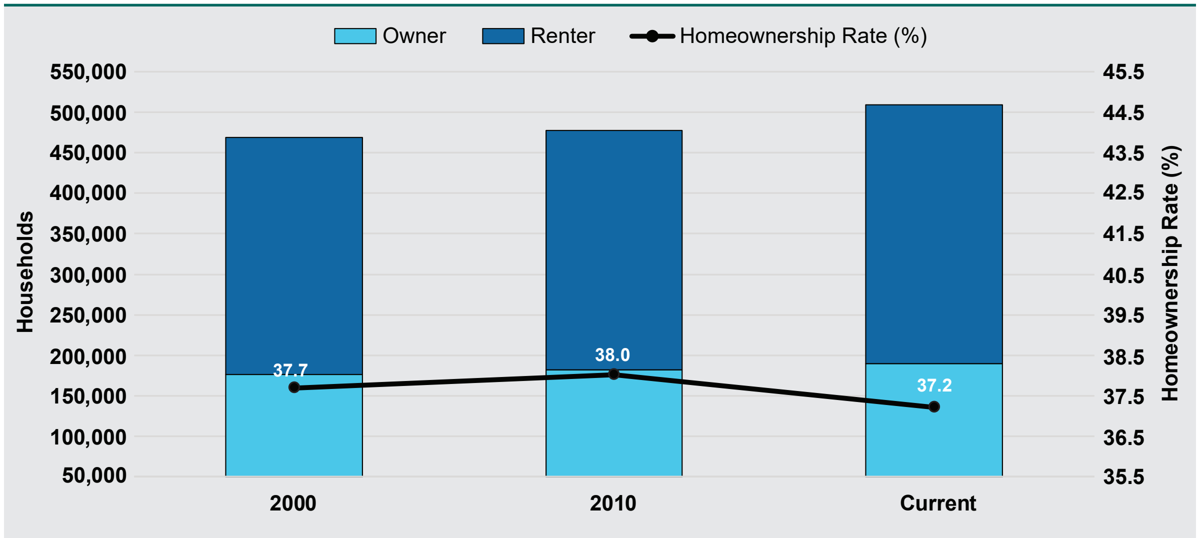
Sources: U.S. Census Bureau; University of California, Los Angeles; Loyola Marymount University; Pepperdine University

As economic conditions improved by the end of 2011 and housing prices in the HMA were reduced from previously high levels, more people moved to the area than were leaving. From 2011 to 2017, net in-migration averaged 4,950 people a year, and population growth averaged 9,175 people, or 0.8 percent, annually. By the end of 2017, population growth in the HMA reached another low, averaging 1,975 people, or 0.2 percent, a year since 2017, the second-lowest growth rate since 2000. The slowdown was due to net out-migration, which averaged 950 people a year, partly due to high housing costs. During that period, people were trading off living in the Westside HMA for relatively more affordable beach areas in the South Bay or to be closer to work in either the San Fernando Valley or Central Los Angeles areas.

Household Trends

Despite net out-migration from the HMA each year since 2017, overall household growth since 2010 has been higher than the 2000s because of net in-migration during most of the 2010s. The number of households in the HMA is currently estimated at 509,700, up an average of 3,050, or 0.6 percent, annually since 2010 compared with an average increase of 930, or 0.2 percent annually during the 2000s. The HMA currently accounts for 15 percent of total households in the Los Angeles division, unchanged from 2010. Among the households in the HMA, a greater proportion have traditionally been renters, a consistent trend for the past two decades (Figure 7). That proportion reflects the difficulties households have in achieving homeownership in the HMA because of the considerably higher prices of homes, which are $917,800 higher than the average for the Los Angeles division and $1,447,000 higher than the average for the nation. Overall, renter households account for 62.8 percent of total households in the HMA, up slightly from 62.0 percent in 2010. In addition, due to an increase in the number of students attending UCLA, LMU, and Pepperdine University from outside the HMA, student renter households have increased by an estimated average of 110 renter households a year since 2010, raising the proportion of student renter households slightly to 2 percent of total renter households in the HMA, up from 1 percent in 2010.

Figure 7. Households by Tenure and Homeownership Rate in the Westside HMA



Note: The current date is August 1, 2020.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Forecast

During the next 3 years, growth in the population of the HMA is expected to slow to an average of 1,700, or 0.2 percent, a year, reflecting continued net out-migration. The overall slowing of growth is anticipated to mainly occur in the first year of the forecast when net out-migration is expected to be highest due to the lingering effects of the pandemic; only a small portion of the recent job losses are forecast to be recovered in that first year. Net out-migration from the HMA is expected to subsequently slow during the second and third years as the economy expands at a faster pace compared with the first year. The population of the HMA is estimated to reach 1.13 million by the end of the 3-year forecast period. It will continue to account for 11 percent of the total population of the Los Angeles division.

The number of households in the HMA is expected to grow during the forecast by an average of 810, or 0.2 percent, annually to 512,100, accounting for 15 percent of the total households in the Los Angeles division. Renter households are expected to increase to 62.9 percent of the total households in the HMA by the end of the forecast period and to account for 17 percent of all renter households in the Los Angeles division, nearly unchanged from the current period. The number of student renter households is expected to decline and account for only 1 percent of total renter households in the HMA by the end of the forecast period because of a significant increase in new dormitory housing, as described in the Rental Market section below.

Home Sales Market

Market Conditions: Slightly Tight

Despite net out-migration from the Westside HMA each year since 2017 and recent job losses, significantly lower levels of inventory of homes for sale have contributed to the tightening of sales market conditions compared with 2010.

Current Sales Market Conditions

The Westside HMA sales housing market is slightly tight, improving from soft conditions in 2010 and from tight conditions that prevailed from 2013 through 2018. The estimated sales vacancy rate is currently 1.2 percent, down from 1.9 percent in 2010. The overall decline in the vacancy rate since 2010 partly resulted from a 37-percent decrease in the inventory of homes for sale, from a peak of 5,600 during 2010 when the market was weakest, to 3,500 during the 12 months ending July 2020 (CoreLogic, Inc.). Recent inventory data also reflects the impact of a greater portion of existing homes for sale taken off the market during the COVID-19 pandemic, which contributed to a 7-percent decrease in available inventory in the past year. In addition, lower levels of home sales construction activity nearly every year since 2009 combined with net in-migration and rising demand during most of the 2010s contributed to the overall decline in inventory and the tightening of the sales housing market. Those lower levels of inventory contributed to sustained tight market conditions despite net out-migration each year since 2017. As sales market conditions tightened, the months of supply declined to 5.5 months in July 2020, compared with 7.0 months in March 2010. Months of supply in the HMA are generally higher than those of the Los Angeles division and the nation (Table 5) because of a smaller pool of qualified buyers for homes priced at the higher end of the market.

New and Existing Home Sales

New and existing home sales in the HMA averaged 8,450 annually during the sales market contraction from 2007 through 2011 (Figure 8; Zonda, with adjustments by the analyst). The number of homes sold was down 33 percent from an average of 12,600 homes sold annually from 2005 through 2006. Lenient mortgage lending standards that allowed a larger proportion of households to finance the purchase of homes during the early to mid-2000s contributed to the higher sales levels. As lending standards tightened and the economy contracted by the end of the 2000s, home sales from 2007 through 2011 declined, and regular resales decreased by an average of 670, or 8 percent, a year. New home sales declined from 1,350 in 2006 to 670 by the end of 2011, or an average of 13 percent a year. This was offset by growth in real estate owned (REO) home sales, which rose by an average of 260, or 96 percent, annually from 2007 through 2011.

Table 5. Home Sales Quick Facts

Home Sales Quick Facts		Westside HMA	Los Angeles Division	Nation
	Vacancy Rate	1.2%	1.2%	NA
	Months of Inventory	5.5	3.2	2.5
	Total Home Sales	8,425	67,200	10,854,400
	1-Year Change	-8%	-7%	-5%
	Total Home Prices	$1,768,000	$862,400	$333,200
	1-Year Change	3%	5%	5%
	New Home Prices	$1,974,000	$875,000	$407,100
	1-Year Change	13%	5%	-1%
	Mortgage Delinquency Rate	3.7%	3.8%	3.6%

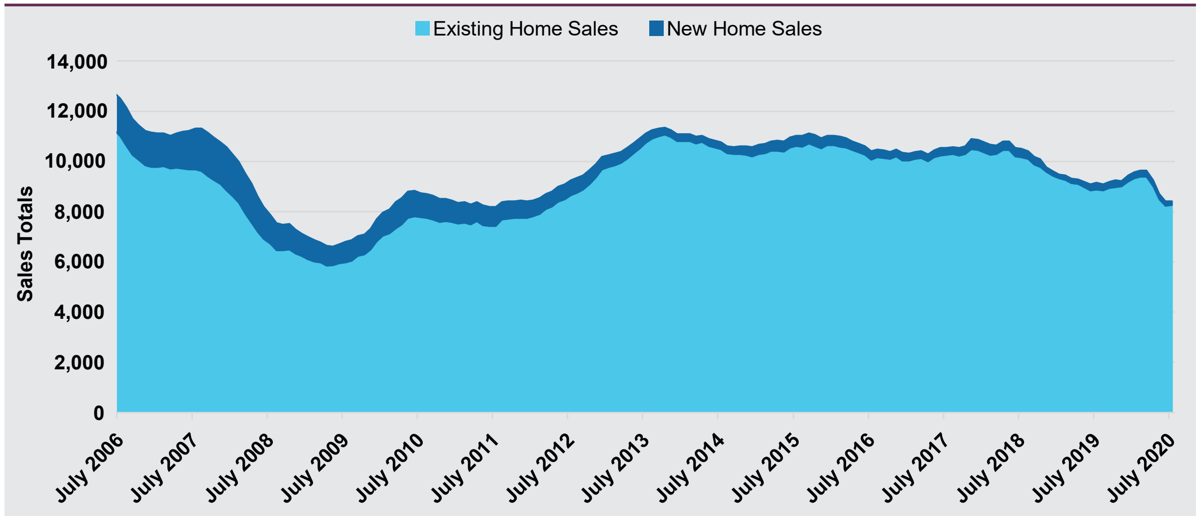
NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending July 2020; and months of inventory and mortgage delinquency data are as of July 2020. The current date is August 1, 2020.
Sources: CoreLogic, Inc.; Zonda, with adjustments by the analyst

The sales market began to improve by 2012, partly from net in-migration and nearly 2 years of stronger economic growth. From 2012 through 2018, new and existing home sales rose to an average of 10,550 homes, annually. The increase was entirely supported by an average annual gain of 410 regular resales, or 5 percent, that offset an average annual decline in REO and new home sales by 170 and 70 homes, or 24 and 17 percent, respectively. Since 2018, home sales have generally declined during most of that period because of lower levels of available inventory; 8,425 homes were sold during the 12 months ending July 2020, down 8 percent from the previous 12 months. Regular resales accounted for 84 percent of the overall decrease, down by 610 homes or 7 percent. Overall, since the mid-2000s, single-family homes and townhomes have accounted for nearly two-thirds of total home sales in the HMA, with condominiums accounting for the remaining one-third.

Condominium Sales

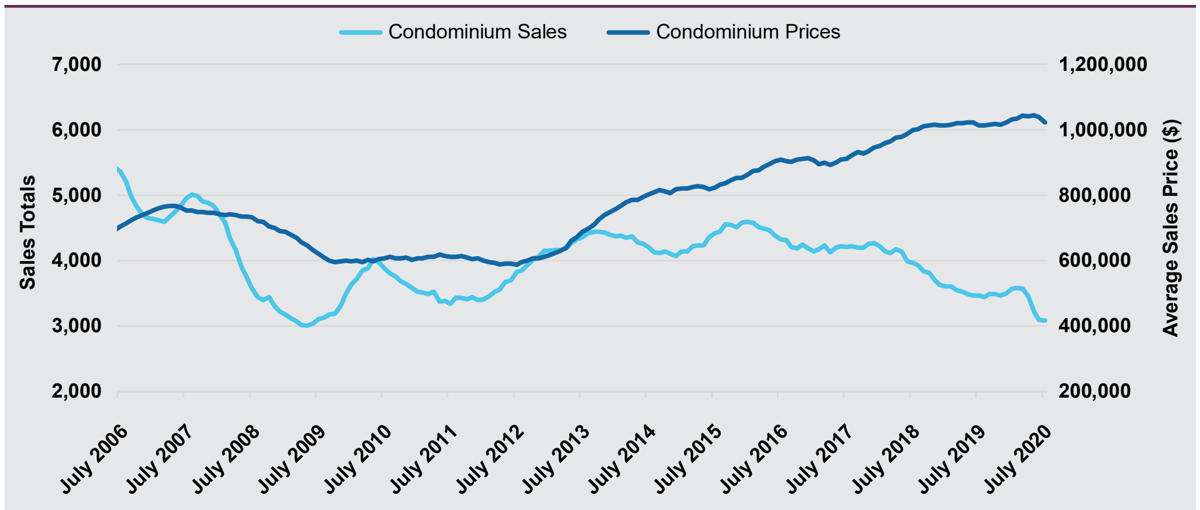
Overall, condominium sales trends since the mid-2000s have been similar to total home sales; however, condominium sales have declined more dramatically in recent years as condominium prices rose (Figure 9), pricing out many entry-level buyers in the market. From 2005 through 2006, new and existing condominium sales averaged 5,450 homes sold annually before declining most years by an average of 250 homes, or 6 percent,

Figure 8. 12-Month Sales Totals by Type in the Westside HMA



Note: Includes single-family homes, townhomes, and condominiums.
Source: Zonda, with adjustments by the analyst

Figure 9. 12-Month Condominium Sales Totals and Prices in the Westside HMA



Note: Includes existing and new condominium sales.
Source: Zonda, with adjustments by the analyst

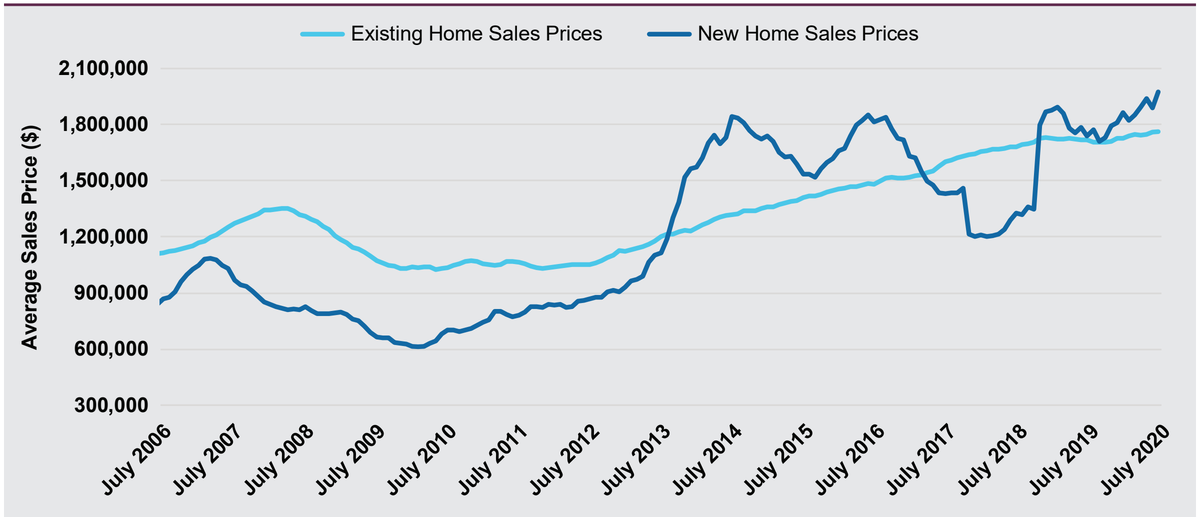
annually from 2007 through 2011, a period that spans the housing market crisis through the Great Recession and a year of recovery. As the economy began to recover, condominium sales increased by an average of 300 homes, or 8 percent, a year from 2012 through 2015 before declining once more nearly every year since 2016 at an average of 270 homes, or 6 percent, annually. During the 12 months ending July 2020, condominium sales declined by 390 homes, or 11 percent, to 3,075 from the previous 12-month period.

The overall decline in sales since 2016 was partly due to condominium prices increasing an average of 5 percent a year from 2016 through 2019, pricing many potential buyers out of the market. As condominium sales slowed and the economy contracted, the increase in prices decelerated during the 12 months ending July 2020 to 1 percent, reaching $1,023,500, but condominium prices are still considerably lower than overall home sales prices in the HMA.

New and Existing Home Sale Prices

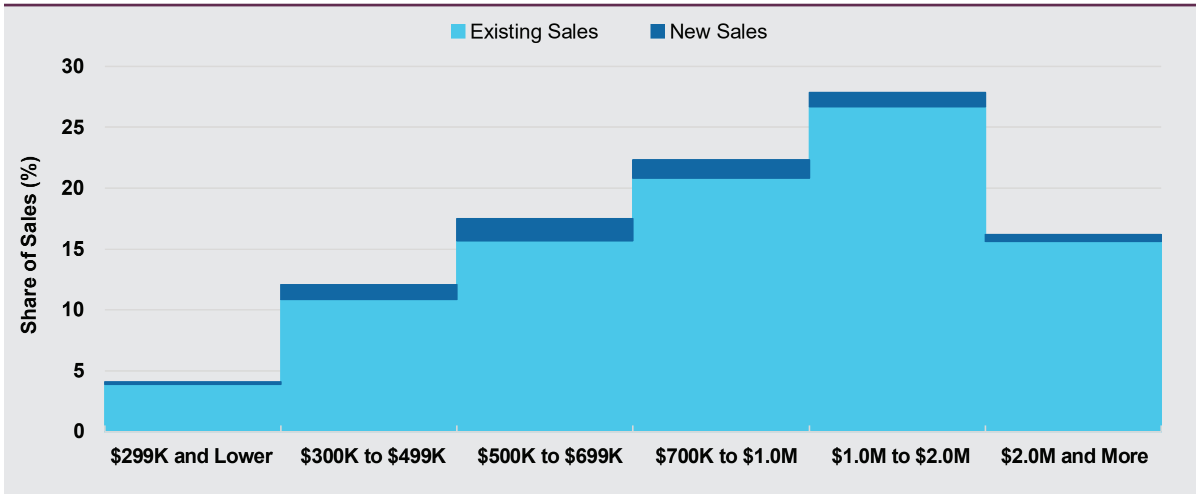
Despite the recent decline in home sales, home prices in the HMA continued to rise due to low inventory levels; however, the growth in home prices has moderated recently. The average new and existing home sales price rose 3 percent during the 12 months ending July 2020, to $1,768,000, following 7 consecutive years of price growth that averaged 8 percent annually from 2012 through 2018 (Figure 10). New home prices averaged $1,974,000 during the 12 months ending July 2020, whereas existing home prices averaged $1,764,000—up 13 and 3 percent, respectively, from a year ago. During the sales housing market downturn from 2007 through 2011, new and existing home prices averaged $1,091,000 a year, down 4 percent from the average price of $1,137,000 during 2006, when market conditions were stronger. Distressed homes, which were priced an average of 48 percent below regular resales, contributed to the overall decline in home sales prices during the housing market downturn. As overall prices for homes rose from 2012 onward, the spread between home prices in the HMA and other areas within the Los Angeles division rose. The current average sales price in the HMA is at least $889,100 higher than the average price of homes in neighboring San Fernando Valley and Central Los Angeles areas, up from an average of at least $610,200 higher in those two areas from 2007 through 2011. The increase in the difference in home prices partly contributed to some residents moving away from the HMA in recent years. The HMA, nonetheless, attracts buyers who are interested in the highest segments of the sales market; homes priced from $1,000,000 to $2,000,000 accounted for a notable share of total home sales in the HMA during the most recent 12-month period (Figure 11).

Figure 10. 12-Month Average Sales Price by Type of Sale in the Westside HMA



Note: Includes single-family homes, townhomes, and condominiums.
Source: Zonda, with adjustments by the analyst

Figure 11. Share of Sales by Price Range During the 12 Months Ending July 2020 in the Westside HMA



K= thousand. M = million.
Note: New and existing sales include single-family homes, townhomes, and condominiums.
Source: Zonda

Delinquent Mortgages, REO Properties, and Pre-Foreclosures

The overall improvement in sales housing market conditions in the HMA since 2010 has led to a reduction in the rate of seriously delinquent mortgages and REO properties. As of July 2020, 3.7 percent of home loans in the HMA were seriously delinquent or had transitioned into REO status, down from a peak of 5.8 percent in June 2010 (CoreLogic, Inc.). The current rate is below the 3.8-percent rate for the Los Angeles division and above the 3.6-percent rate for the nation. The overall rate in the HMA, however, increased notably from a year ago when the percentage was very low, at 0.5 percent. The recent increase in the rate only began in June 2020 as some homeowners struggled with mortgage payments during the pandemic. In terms of pre-foreclosure filings, after increasing 9 percent during the 12 months ending March 2020 from a year ago, filings have been decreasing at an accelerated rate every month and were down 10 percent during the 12 months ending July 2020, to 730 from 820 during the 12 months ending July 2019.

Housing Affordability in the HMA and Los Angeles Division: Owner

The rapid increase in sales prices nearly every year since 2012 has become a barrier to homeownership in the HMA and the Los Angeles division. Despite improved economic conditions, the homeownership rate in the HMA declined 0.8 percentage point since 2010. The decline in the HMA, however, was notably less than the Los Angeles division, where the homeownership rate was down 1.5 percentage points since 2010.

The decline in the homeownership rate was partly due to reduced affordability, particularly in areas within the division that have relatively lower-income households. Overall, the affordability of buying a home in the HMA and Los Angeles division has declined since 2010, when a large number of distressed home sales entered the market during the housing market downturn. The excess inventory of homes for sale has since been absorbed, and low inventory levels have placed upward pressure on home sales prices. The National Association of Home Builders (NAHB)/Wells Fargo Housing Opportunity Index (HOI), which represents the share of homes sold that would have been affordable to a family earning the local median income, for the Los Angeles division was 10.8 during the second quarter of 2020, down from 11.4 during the second quarter of 2019 and from a peak of 47.4 during the second quarter to 2012 (Figure 12). The Los Angeles division was the second least affordable area in the nation, following the San Francisco-Redwood City-South San Francisco division, which had an HOI of 8.5 during the second quarter of 2020.

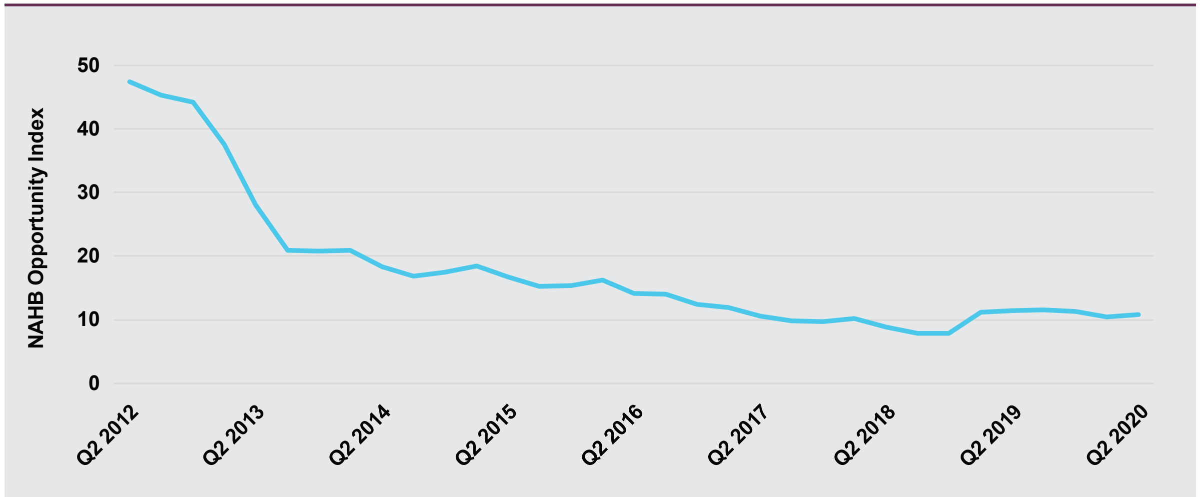
First Time Homebuyers in the HMA and Los Angeles Division

Low housing affordability in the HMA and the Los Angeles division has made it difficult for first-time homebuyers to enter homeownership. The HUD First-Time Homebuyer Affordability Index measures the median household income for householders ages 25 to 44 years old relative to the income needed to purchase the 25th percentile-priced home. The index has declined nearly every year since reaching a peak of 0.94 in 2012 when the median income for householders ages 25 to 44 years old was still less than the income needed to afford the 25th-percentile-priced home (Figure 13). During 2018, the Los Angeles division index was 0.65, down from 0.70 in 2017, reflecting an 8-percent over-the-year increase in the 25th-percentile-priced home to $448,500, but only a 5-percent gain in the median income of householders aged 25 to 44 years. The national index also declined from 1.90 in 2017 to 1.81 in 2018 but has remained above 1.00 every year during the past decade.

Sales Construction Activity

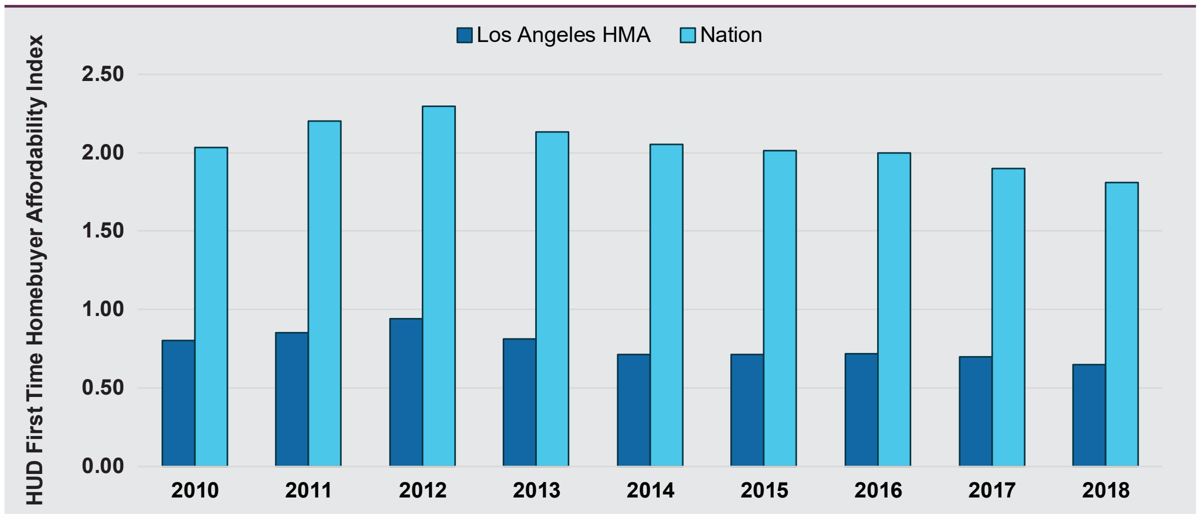
Since 2000, home sales construction in the HMA has been concentrated in the city of Santa Monica and neighborhoods in either the city of Los Angeles or unincorporated areas, including Hollywood and Marina del Rey. Overall, homebuilding activity, as measured by the

Figure 12. Los Angeles Division Housing Opportunity Index



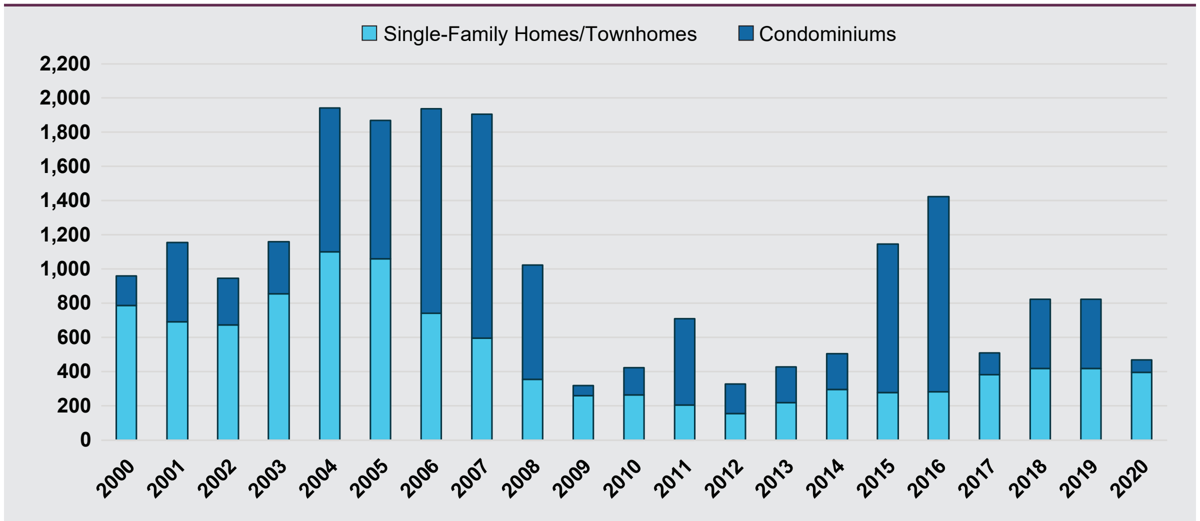
NAHB = National Association of Home Builders. Q2 = second quarter.
Sources: NAHB; Wells Fargo

Figure 13. Los Angeles Division HUD First Time Homebuyer Index



Sources: American Community Survey, 1-year data; Federal Housing Finance Agency; Zonda number of single-family homes, townhomes, and condominiums (hereafter, homes) permitted, in the HMA has accounted for only 13 percent of all home construction in the Los Angeles division since 2000, partly because of limitations on the amount of available land needed for low-density residential construction. Despite the limited availability of land, approximately 57 percent of sales construction activity in the HMA since 2000 have been lower-density single-family homes or townhomes rather than higher-density condominiums. During the early 2000s, an average of 1,050 homes were permitted annually from 2000 through 2003 (Figure 14) before increasing to an average of 1,925 units from 2004 through 2007, when sales housing market conditions were strong during most of that period. The share of condominiums rose to 54 percent of all sales development from 2004 through 2007, compared with an average of 29 percent from 2000 through 2003. Sales construction activity slowed notably by 2008, to 1,025 homes, before slowing further to an average of only 450 homes permitted annually from 2009 through 2014. As sales market conditions tightened, home construction activity increased to average 1,275 homes during 2015 and 2016, and the proportion of condominiums rose to an average of 78 percent of total home construction. As household growth slowed from net out-migration in 2017, construction activity slowed once more to an average of 720 homes annually from 2017 through 2019. Homebuilding activity has remained at lower levels; 810 homes were permitted during the 12 months ending July 2020, similar to the 820 homes permitted during the same period a year earlier (preliminary data; estimates by the analyst). Overall, condominium construction since 2017 has accounted for 38 percent of home construction.

Figure 14. Average Annual Sales Permitting Activity in the Westside HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2020 are through July 2020.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

Notable developments currently underway are concentrated in locations that have available infill land and tend to have higher density. Currently, there are three townhome developments underway in the neighborhood of Hollywood in the city of Los Angeles—Skye Curson, Fairfax at Sunset, and Sol Hollywood—that will have a combined 37 townhomes at buildout, with 10 homes already completed. Prices for homes in Skye Curson range from $1,475,000 to $1,565,000 for three-bedroom townhomes. Fairfax at Sunset offers a similar price point, with prices ranging from $1,499,000 to $1,599,000 for three-bedroom townhomes. At Sol Hollywood, home prices are slightly lower, with three-bedroom townhomes ranging from $1,240,000 to $1,299,000. The development also offers a mix of a different number of bedrooms, and prices for two- and four-bedroom townhomes start at $1,099,000 and $1,385,000.

In addition, there are several condominium developments underway, including 9200 Wilshire, which will add a total of 54 condominium units in the city of Beverly Hills in 2021. The development will be the first large-scale condominium property in the city in nearly a decade. In the city of Santa Monica, 10604 Santa Monica Boulevard will have a total of 28 condominium units, also expected to be completed in 2021. Prices for both condominium developments have yet to be announced. Prices for newly completed condominiums in Santa Monica range from $1,180,000 for a two-bedroom unit to $3,460,000 for a three-bedroom unit, whereas prices for new condominiums in Beverly Hills range from $2,900,000 to $5,890,000 for three-bedroom units.

Forecast

During the next 3 years, demand is estimated for 950 new homes in the HMA (Table 6), accounting for 11 percent of total demand in the Los Angeles division. Demand is expected to increase slightly in the second and third years of the 3-year forecast period in response to slightly improving population growth. The 590 homes currently under construction will meet a portion of the demand through the second year of the forecast.

Table 6. Demand for New Sales Units in the Westside HMA During the Forecast Period

	Sales Units
Demand	950 Units
Under Construction	590 Units

Note: The forecast period is from the current date (August 1, 2020) to August 1, 2023.
Source: Estimates by the analyst

Rental Market

Market Conditions: Slightly Tight

Rental market conditions tightened in the Westside HMA since 2010 because growth in renter households was greater than the increase in the supply of new rental units.

Current Conditions

The rental housing market in the Westside HMA is slightly tight. The overall rental vacancy rate is currently estimated at 4.9 percent, down from 6.3 percent in 2010 (Table 7) when conditions were soft. Despite significant levels of apartment completions and net out-migration in recent years, the vacancy rate declined because renter household growth exceeded growth in the rental inventory, leading to the absorption of excess vacant rental units during most of the 2010s. Some of the rental inventory growth was offset by a decrease in single-family homes available for rent as sales market conditions tightened. Approximately 11 percent of occupied single-family homes in the HMA were rentals in 2018, down slightly from 12 percent in 2010, representing a decrease of 2,075 rental homes during the period.

Apartment Market Trends

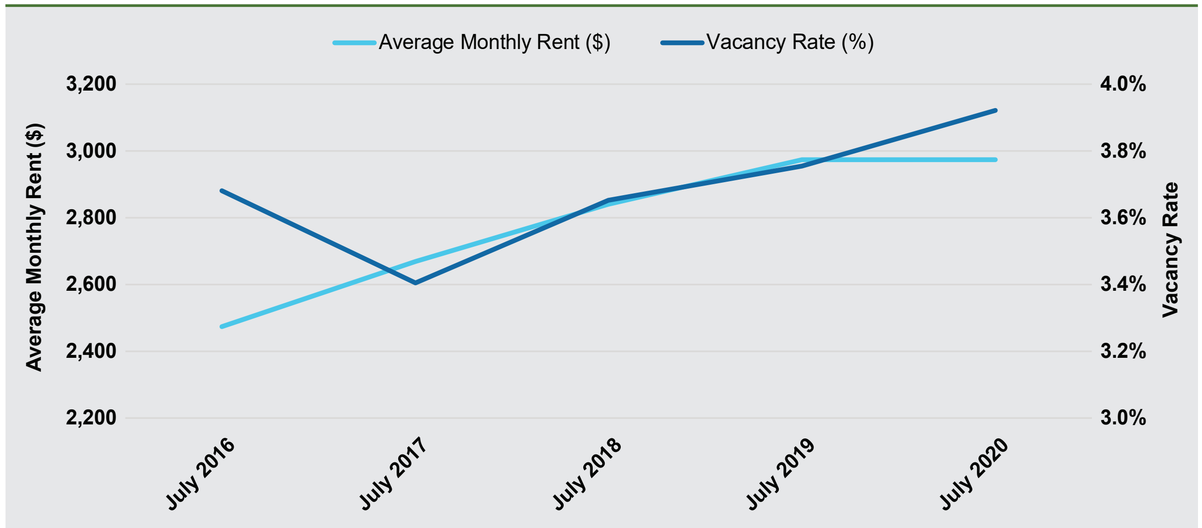
Approximately 89 percent of renters in the HMA live in apartments or buildings with two or more units (2013–2018 American Community Survey 5-year data, with estimates by the analyst). In terms of the apartment market for buildings with 20 or more units, conditions are tight with a vacancy rate of 3.9 percent as of July 2020, up slightly from 3.8 percent a year ago and from a low of 3.4 percent in July 2017 (Figure 15; Reis, Inc., with estimates by the analyst). The apartment vacancy rate was at the highest during 2009 when the rate was 5.4 percent. Since 2009,

Table 7. Rental and Apartment Market Quick Facts in the Westside HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	6.3	4.9
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	12	11
	Multifamily (2–4 Units)	13	15
	Multifamily (5+ Units)	75	74
	Other (Including Mobile Homes)	0	0

Notes: The current date is August 1, 2020. Percentages may not add to 100 due to rounding.
Source: 2010 and 2018 American Community Survey, 5-year data, with estimates by the analyst

Figure 15. Apartment Rents and Vacancy Rates in the Westside HMA



Source: Reis, Inc., with estimates by the analyst reduced affordability in the sales housing market has contributed to renter household growth, outpacing the number of apartment completions, causing the apartment vacancy rate to generally decline. Despite the slight increase in the vacancy rate in the most recent data, average rents grew 2 percent to $2,943 in July 2020 from a year ago, although slower than the 6-percent average annual increase from July 2017 to July 2019. The slowdown in rent growth was partly in response to reduced rents at newly completed luxury properties. During the COVID-19 pandemic, new luxury apartments in the HMA have become more challenging to lease-up due to job losses. Areas where rents declined the most were in the highest-rent areas of the HMA, whereas rents increased modestly in the relatively lower-rent areas. In the Reis, Inc.-defined Santa Monica market area, the average rent is $3,237, the highest among market areas in the HMA. The average rent in that market area was down less than 1 percent from a year ago, while vacancy rates rose slightly from 3.9 to 4.0 percent. The Brentwood/Westwood market area had the second-highest rents in the HMA at $3,169, down 4 percent from a year earlier. Despite relatively high rents, vacancy rates were among the lowest in the HMA, at 3.4 percent, down from 3.5 percent a year ago. The Brentwood/Westwood market area includes UCLA, and rental demand surrounding the school contributed to the relative tightness. The tightest market area in the HMA was the Mar Vista market area, with a vacancy rate of 2.7 percent, unchanged from a year ago. The market area is located east of Venice Beach and remains the most affordable market area in the HMA because of relatively fewer new rental developments; rents in the area increased 1 percent to $2,314 from $2,300 a year ago.

Student Housing

Approximately 55 percent of all students that attend UCLA come from outside commuting distance, or beyond 50 miles. This includes those coming from within California and out of state (UCLA data). The university currently has a mix of 15,000 student beds and bedrooms in residence halls, suites, and apartments that meet a portion of student housing needs. Student enrollment has generally increased an average of 1 percent, or by 610 students, a year since 2016 and will likely continue to increase slightly during the next 3 years. The university has a long-term goal to house all undergraduate students for the first 4 years and transfer students for the first 2 years. Housing capacity at UCLA is currently able to accommodate undergraduate students for the first 3 years. Three developments are currently underway: Lot 15 Residence Hall, Southwest Campus Apartments, and 10995 Le Conte Avenue Apartments. Combined, these developments will add a total of 2,948 undergraduate and 2,279 graduate beds. The completion of all three developments is expected by the fall of 2021; student housing costs at UCLA typically range from $3,950 to $8,600 per semester.

At LMU and Pepperdine University, approximately 33 and 45 percent of respective students come from outside of California (LMU and Pepperdine University data). Enrollment at LMU and Pepperdine University has increased by a combined average of 400 students, or 2 percent, a year in the past 2 years. To meet student housing needs, LMU has a mix of residence halls, apartments, and single-family homes that provide 3,300 beds to undergraduate and graduate students. Currently, Palm North and Palm South are underway, which will add a combined 630 LMU beds when completed by the fall of 2020. Pepperdine University has three resident halls, three apartments, and one suite that house nearly 2,200 students. Seaside Hall, with 458 beds, is the most recently completed development at Pepperdine University, which opened in 2018. Student housing costs per semester typically range from $5,750 to $6,900 at LMU and from $6,800 to $8,800 at Pepperdine University.

Housing Affordability: Rental

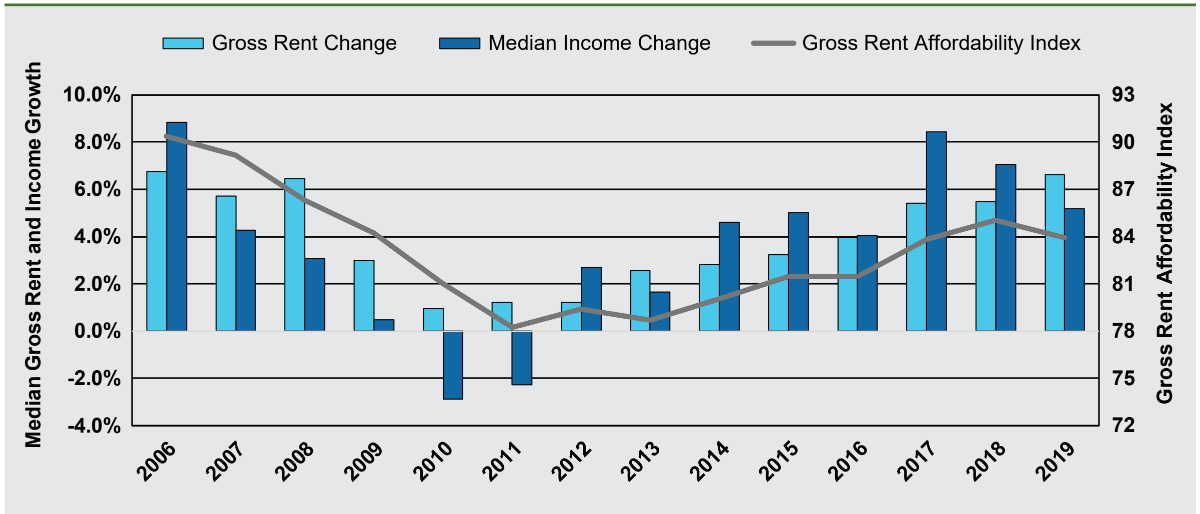
Overall Affordability Issues

Rental housing in parts of the HMA and the Los Angeles division is expensive, although overall affordability in the division had been generally improving since the Great Recession because growth in the median income had been greater than the increase in the median gross rent during most of the 2010s (Figure 16). From the available data for the Los Angeles division, the median renter household income increased 39 percent, from a low of $36,332 in 2011 to $50,323 by 2018, whereas the median gross monthly rent rose 27 percent from $1,161 to $1,479. As a result, the HUD Rental Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, increased from 78.2 in 2011 to 85.1 in 2018. The index, however, remained below the high of 90.4 in 2006. By 2019, renter affordability declined because the median income grew at a slower pace relative to the median rent, although the HUD Rental Affordability Index, at 83.9, was still higher than any year from 2009 through 2016.

Renter Cost Burdens

Despite the general improvement in rental affordability in the Los Angeles division compared with the late 2000s to early 2010s, an estimated 23.7 percent of all renter households in parts of the HMA—including Beverly Hills, Malibu, Marina del Rey, Santa Monica, West Hollywood, and Westwood—were severely cost-burdened during the 2013-through-2017 period, slightly higher than the nation (Table 8). These households were spending more than 50 percent of their income toward rent, whereas those who were cost burdened, spending between 30 and 49 percent of their income on rent, accounted for a smaller proportion, 20.6 percent.

Figure 16. Los Angeles Division Gross Rent Affordability Index



Notes: Rental affordability is for the larger Los Angeles Division. The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website. It is based on combined rent and utilities expenditure.
Source: American Community Survey, 1-year data

Table 8. Percentage of Cost Burdened Renter Households by Income in the Westside HMA, the Los Angeles Metropolitan Division, and the Nation, 2013–2017

	Cost Burdened			Severely Cost Burdened		
	Westside HMA*	Los Angeles Division	Nation	Westside HMA*	Los Angeles Division	Nation
Renter Households with Income <50% HAMFI	15.6	25.7	25.6	66.3	57.4	50.1
Total Renter Households	20.6	24.8	21.8	23.7	29.3	22.9

HAMFI = HUD area median family income.
Notes: "Cost-burdened" households spend between 30–49 percent of their income on rent, and "severely cost-burdened" households spend over 50 percent of their income on rent. For the Westside HMA, the above data only reflect selected areas where data are available, which includes Beverly Hills, Malibu, Marina del Rey, Santa Monica, West Hollywood, and Westwood.
Sources: Consolidated Planning/CHAS Data; 2013–2017 American Community Survey, 5-year estimates. (huduser.gov)

The greater percentage of those who are severely cost burdened reflects the high rents typical in areas throughout the HMA, whereas the smaller percentage compared with the Los Angeles division reflects that households in the HMA generally have higher incomes. The proportion of cost burdened and severely cost-burdened renter households in the Los Angeles division was 24.8 and 29.3 percent, respectively. Nationwide, a lower proportion of renter households was cost-burdened and severely cost-burdened than the Los Angeles division, at 21.8 and 22.9 percent, respectively. Severe cost burdens were a greater proportion for lower-income renter households, or those with incomes less than 50 percent of the Area Median Family Income (AMFI). Approximately 66.3 percent of renter households in parts of the HMA with incomes less than 50 percent of the AMFI were paying more than 50 percent of their incomes toward rent, compared with 57.4 percent in the Los Angeles division and 50.1 percent nationwide.

Homelessness

There were approximately 56,250 homeless people throughout the Los Angeles division in 2019 (Point-in-Time Count, Los Angeles Homeless Services Authority), a portion of which resided in the HMA. Of the number of people that were homeless in the division, approximately 75 percent were unsheltered, which is a higher percentage compared with approximately 72 percent in California and 37 percent throughout the nation, Puerto Rico, and the United States territories.

Policy Initiatives

Several local and statewide policy initiatives have been implemented to address homelessness and housing affordability issues in the HMA, and cities have pledged to add housing to address those issues. The city of West Hollywood has been working to address homelessness by implementing initiatives since mid-2019 to facilitate access to transitional and permanent supportive emergency housing by the homeless population and create links between housing and key services that include mental health and job resources. In addition, to meet the growing need for affordable housing, the city has implemented an inclusionary housing zoning ordinance, which requires 20 percent of multifamily rental developments with 10 or more units to be reserved for low- to moderate-income households or pay an in-lieu-of fee that will go toward the future development of affordable housing. Overall, the city of West Hollywood is home to more than 1,100 affordable units and six non-profit housing organizations, including the West Hollywood Community Housing Corporation (WHCHC). The WHCHC currently has 17 properties throughout the city with a total of 589 affordable units. WHCHC is currently developing two properties that will add 116 units by 2021. The newest development, Westmore Linden (Photo 2), was completed earlier in 2020 and added 93 units; 15 units were reserved as permanent supportive housing for the homeless with special needs.

Photo 2. Westmore Linden

Source: West Hollywood Community Housing Corporation

The city of Santa Monica offers connections to various organizations that can help the homeless population, some of which provide permanent supportive housing. In addition, the city also has a housing ordinance that requires 30 percent of all new multifamily developments with two or more units to be affordable to low- and moderate-income households or pay an in-lieu fee that will go towards their Housing Trust Fund. Each year, the fund is expected to generate at least $15 million to develop new affordable housing. During 2019, approximately 59 percent of all completed multifamily developments in the city were affordable. Currently, there are 147 affordable units under construction and another 129 units in planning.

In the city of Los Angeles, a portion of which is in the HMA, public funds under Proposition HHH, a $1.2 billion bond measure approved in late 2016, were allocated to the construction of 112 properties that will have a combined total of 7,484 units. Approximately 5,773 of those units will be set aside for chronically homeless people, veterans, and young adults, and another 1,587 units will be reserved for low-income households. The first of those developments, with 63 units, was completed in early 2020 in Central Los Angeles, with at least five more developments expected to be completed by 2021, all within Central Los Angeles.

Statewide measures include a 15-bill comprehensive housing package that has funding sources, tools, and regulatory measures to increase the production of housing units, which was signed into law in September 2017. Some of the measures include reaffirming inclusionary zoning practices to require that a certain percentage of new construction be targeted towards lower-income households and streamlining of zoning guidelines to allow developments to move forward promptly.

Current Affordable Housing Options: LIHTC, PBRA, HVC

The Low-Income Housing Tax Credit (LIHTC) program is the primary funding source for new affordable rental housing in the nation. Since 2010, approximately 1,100 LIHTC units have been placed in service in the HMA, accounting for 15 percent of all LIHTC units placed in the Los Angeles division. By comparison, from 2000 through 2009, nearly 1,300 LIHTC units were placed in service in the HMA, accounting for only 8 percent of all units placed in the Los Angeles division. Approximately 44 percent of LIHTC units placed in service in the HMA since 2010 have been in the portions of the city of Los Angeles that are in the HMA; another 40 percent are located in the cities of Santa Monica and West Hollywood. Recently completed developments include the 160-unit Belmar Apartments, which was placed in service in 2014.

In addition to LIHTC, income-eligible residents may qualify for project-based rental assistance (PBRA) or housing choice vouchers (HCVs) through the local public housing authority (PHA). There are 11,550 subsidized units through project-based rental assistance and other programs in the HMA (Picture of Subsidized Households). In addition, PHAs in the HMA administered 5,250 HCVs in 2019, accounting for 6 percent of all HCVs administered in the Los Angeles division (Table 9). The number of households with an HCV in the HMA has increased 8.8 percent since 2010, greater than the 0.4-percent increase

Table 9. Picture of Subsidized Households, 2019

	Westside HMA	HMA Change Since 2010	Los Angeles Division	Los Angeles Division Change Since 2010	National Total	National Change Since 2010
Total Assisted Households (2019)	9,920	NA	135,051	0.2%	4,619,488	4.3%
Total Housing Voucher Households (2019)	5,254	8.8%	83,708	0.4%	2,299,617	12.7%
Average HCV Tenant Monthly Contribution	$400	-8.9%	$460	-5.5%	$390	2.0%
Average Monthly HUD Subsidy	$1,047	2.1%	$1,136	-0.7%	$807	-1.7%

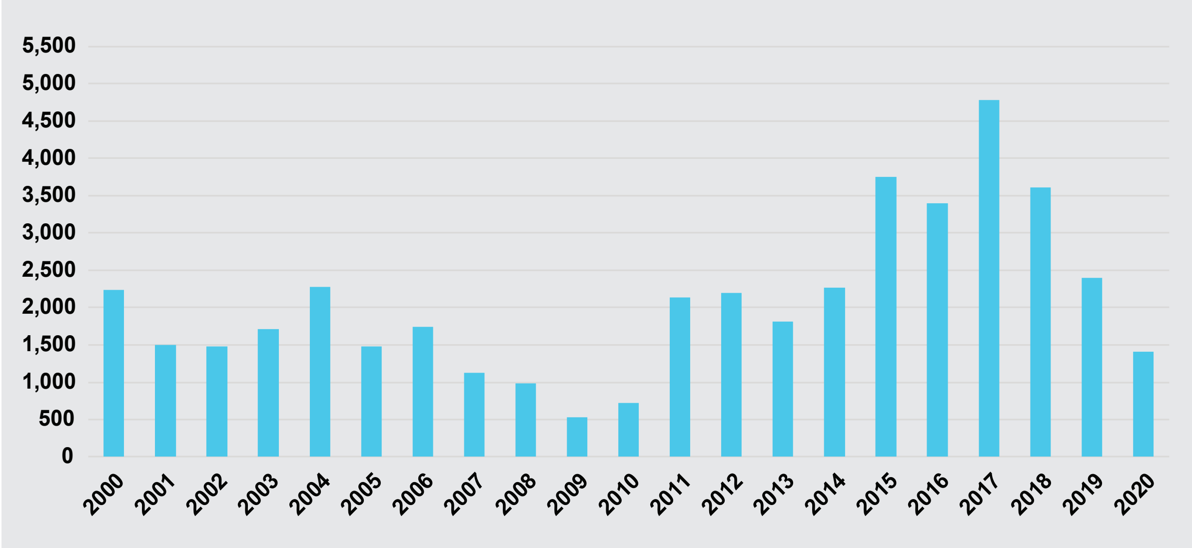
HCV = housing choice voucher. NA = data not available.
Note: Dollar changes are inflation adjusted using the Consumer Price Index for All Urban Consumers (CPI-U).
Source: HUD Picture of Subsidized Households

in the Los Angeles division but less than the 12.7-percent increase in the nation. In terms of tenant contributions and monthly HUD subsidies, the inflation-adjusted rent subsidy from HUD increased 2.1 percent since 2010 in the HMA, whereas the inflation-adjusted tenant contribution for HCVs declined 8.9 percent. By comparison, the inflation-adjusted HUD subsidy declined 0.7 and 1.7 percent in the Los Angeles division and nation, respectively, while the inflation-adjusted tenant contribution declined 5.5 percent in the division but increased 2.0 percent in the nation. In the city of Los Angeles, demand for HCVs is high, and the waiting list for those vouchers is closed indefinitely, with a waiting time of up to 4 years for those on the list. In the city of Santa Monica, the waiting list for HCVs is also closed, with an average wait time of 1 year. HCVs in the city of West Hollywood are administered through the Housing Authority of the County of Los Angeles, where the waiting list is closed and the average wait time is 2 to 3 years.

Rental Construction Activity

Since 2000, the HMA has accounted for approximately 20 percent of all rental construction activity, as measured by the number of rental units permitted, in the Los Angeles division. Since 2015, rental construction activity has generally surpassed the higher levels of development that prevailed during most of the 2000s (Figure 17). From 2001 through 2004,

Figure 17. Average Annual Rental Permitting Activity in the Westside HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2020 are through July 2020.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

rental construction activity averaged 1,850 units permitted a year before slowing to an average of 1,325 units a year from 2005 through 2008. Construction activity slowed further during the recession, averaging 630 units permitted annually during 2009 and 2010. As economic conditions began to improve along with greater renter household growth, the number of rental units permitted began to increase by 2011. Rental construction activity rose to an average of 2,100 units a year from 2011 through 2014 before rising even further to an average of 3,875 units a year from 2015 through 2018. Since 2019, rental construction has slowed in response to slower household growth. During the 12 months ending July 2020, approximately 2,400 units were permitted in the HMA, down from 2,900 units permitted during the previous 12-month period (U.S. Census Bureau and estimates by the analyst).

Market-rate apartments currently under construction in the HMA account for approximately 10 percent of total market-rate units underway in the Los Angeles division. These units are concentrated in the city of Santa Monica and the portion of the city of Los Angeles that is within the HMA, both accounting for a combined 76 percent of all new rental units underway in the HMA. Within the city of Los Angeles, developments are concentrated within 5-miles of either Santa Monica, West Hollywood, or Westwood. Developments underway include the 231-unit MR2 Lofts that will open in 2021 in the city of Los Angeles. In addition, there are four apartment developments underway in the city of Santa Monica, including the 356-unit The Millennium Santa Monica, which is expected to be complete later in 2020, and the 249-unit The Park, with completion expected in 2021. Recent completions in Santa Monica include the 90-unit Catherine Santa Monica, with rents for studio, one-, two-, and three-bedroom units that start from $2,625, $3,874, $4,799, and $5,500, respectively.

Forecast

During the forecast period, demand is estimated for 4,000 new rental units in the HMA (Table 10), accounting for 19 percent of demand in the Los Angeles division. Demand is expected to increase slightly in the second and third year of the forecast due to higher population growth. The 1,650 units currently under construction in the HMA represent 15 percent of all rental units underway in the division. The number of units under construction will satisfy a portion of demand through the second year of the forecast.

Table 10. Demand for New Rental Units in the Westside HMA During the Forecast Period

Rental Units	
Demand	4,000 Units
Under Construction	1,650 Units

Note: The forecast period is from the current date (August 1, 2020) to August 1, 2023.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

California Worker Adjustment and Retraining Notification Act	Requires covered employers, or those that employ or have employed in the preceding 12 months 75 or more full and part-time employees, to provide advance notice to employees affected by plant closings and mass layoffs. Employees must have been employed for at least 6 months of the 12 months preceding the date of required notice in order to be counted. [California Labor Code Section 1400 (a) and (h)].
Chronically Homeless	According to the McKinney-Vento Act, it refers to an individual or family that is homeless and resides in a place not meant for human habitation, a safe haven, or in an emergency shelter, and has been homeless and residing in such a place for at least 1 year or at least on four separate occasions in the last 3 years. The statutory definition also requires that the individual or family has a head of household with a diagnosable substance use disorder, serious mental illness, developmental disability, post-traumatic stress disorder, cognitive impairments resulting from a brain injury, or chronic physical illness or disability.
Cost Burdened	Spending more than 30 percent of household income on housing costs.
Demand	The demand estimates in the analysis are not a forecast of building activity. They estimate 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.
Distressed Home Sales	Short sales and real estate owned (REO) sales.
Forecast Period	8/1/2020–8/1/2023—Estimates by the analyst.

Home Sales/ Home Sales Prices	**Includes single-family home, townhome, and condominium sales.**
Homes/ Units Under Construction	**Units under construction represent sales or rental housing for year-round residents of the HMA and do not include units that would be intended for occasional visitors to the HMA.**
Low-Density Residential Construction	**Low-density residential zones consist of one to five dwelling units per acre. The purpose of this zone is to create a living environment primarily for single-family dwellings.**
Net Natural Change	**Net natural change is resident births minus resident deaths.**
Other Vacant Units	**In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), 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 U.S. Census Bureau.**
Regular Resales	**These are existing home sales that exclude distressed home sales.**
Rental Market/ Rental Vacancy Rate	**Includes apartments and other rental units such as single-family homes, multifamily homes, and mobile homes.**

Residential Building Permits	Residential building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some residential units may be constructed with a different type of building permit. For example, some residential units might be classified as commercial structures and would not be reflected in the residential building permits. The building permits in this report includes an estimate of this additional construction activity. The sales and rental permits in this report may also include a portion of residential structures that are intended for the seasonal sales or rental markets.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
Southern California Region	A 10-county area that stretches from San Luis Obispo to the Mexican border and includes: Imperial; Kern; Los Angeles; Orange; Riverside; San Bernardino; San Diego; San Luis Obispo; Santa Barbara; and Ventura Counties.
Student Renter Households	These are student households in the rental market and do not include students living in university-affiliated housing, either on or off campus.

B. Notes on Geography

1.	The metropolitan division definition noted 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.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	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 determine the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.

D. Photo/Map Credits

Cover Photo	Mitch Diamond

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