

Submitted by [Kitty Wallace](#), senior vice president with the West Los Angeles office of Sperry Van Ness. Posted 04/24/08

**What area is your area of expertise?**

My area of expertise is Southern California, but for the purpose of this interview I will focus on Los Angeles County.

**What trends do you see presently in multifamily development in your area?**

The rapid escalation of construction costs has subsided and in some cases is even coming down and labor is more widely available and less expensive. Despite reduced costs, land costs have started to come down. As demand for luxury condos wane, many development sites that were once slated for condo-construction will most likely be redirected to multifamily apartment buildings or mixed-use buildings.



Wallace

**Who are the active multifamily developers in your area?**

A few major multifamily developers in the area are Legacy Partners, Related Development Company, NMS Properties, JPI Development, Lowe Enterprises, Fifield Company, and JSM Development.

**Please name one or two significant multifamily developments in your area. What impact will these projects have on the market?**

One significant multifamily development is the \$600 million mixed-use development on Hollywood and Vine by Legacy Partners. This project is comprised of a hotel, retail space, condominiums, and 375 luxury apartments. It is scheduled for completion in 2009. Another major development is the **NoHo Art Wave** by Lowe Enterprises in North Hollywood. This \$1.3 billion project will include apartment, retail and office space. Overall the project will take place on 15.6 acres and include about 560 apartments. The project is slated to begin construction in 2009. These large-scale developments will bolster the surrounding areas by bringing in new businesses, restaurants, and a higher income tenant base.

**Where is the majority of development taking place? Why is this area doing well?**

The majority of developments have taken place in Hollywood, Koreatown, Downtown Los Angeles, and North Hollywood. Koreatown is a self-sustaining economy due to its large Korean population who both live and work within the area. Downtown has completely turned around in the past five years as a result of billions of dollars in new developments including the new Ralph's Grocery Store, L.A. Live, and the addition of hundreds of luxury condominiums. Hollywood, North Hollywood, and Culver City like Downtown and Koreatown have been revitalized with the goal of providing new housing options in transit-based areas with many employers.

**What area do you expect to be the next big development market? Why?**

City officials are planning major improvements to East/West streets such as Pico Boulevard and Olympic Boulevard. We anticipate improvements to the overall look of the streets and to the flow of traffic with an additional push for the construction of multifamily buildings to these transportation corridors. There is a growing trend for people to live within easy reach of their offices and the city is responding with new initiatives to develop mixed-use projects in these corridors.

**What areas are doing well in terms of apartment leasing? Which areas are struggling with leasing?**

The apartment rental market remains fundamentally strong. In most markets it is now less expensive to rent than it is to pay a mortgage, taxes and insurance. Additionally, it is becoming more difficult to obtain financing increasing the demand for rental living. In C and D markets, as some have lost their homes and/or their jobs, they are temporarily moving back home or rooming together which has increased vacancy and decreased rents slightly in these markets. However, as these renters get re-employed in our diverse job market, occupancy and rent growth shall return to L.A.'s consistently higher than national averages.

**Please give a measure of apartment vacancy rates and note the city/state these rates apply?** Hollywood 2.4 percent, Beverly Hills 5.9 percent, Santa Monica 1.7 percent, Downtown 8.9 percent, West Los Angeles 2.9 percent  
**Los Angeles on Average: 3.88 percent**

**What predictions do you have for interest rates and their effect on multifamily market in the next year?**

Current interest rates have slowed the development market and basic deal flow throughout the United States. I expect interest rates to remain low due to the drastic hits the economy has taken from the mortgage crisis. By the end of 2008 and 2009 things should begin to flush out and we might see an increase in interest rates by mid 2009. Pricing and development should slowly start to ramp back up by the middle of 2009.

**What is the status of job growth/(un)employment rates and what bearing will it have on the multifamily market?** [Click here to see chart](#)

Because Southern California has such a diverse economy it remains fundamentally strong. Currently the unemployment rate in Los Angeles County is 5.3 percent, which is lower than the state at 5.7 percent and slightly higher than the nation at 4.8 percent. We expect the employment rate, rent growth, and occupancy numbers to improve as laid off workers are reabsorbed into other sectors of the market. The industries that took the biggest hit after the mortgage crisis were real estate, construction, and mortgage banking. Fortunately, these fields only comprise a small portion of total employment in Los Angeles and can be redistributed into various other sectors quite easily.