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Forecast Underscores SoCal Multifamily Demand

By Bob Howard

LOS ANGELES-The demand for multifamily rental housing will grow significantly in Southern California in the next 10 years, thanks to demographic trends, the far-reaching effects of the recession and other factors, according to a forecast released Thursday. The study was conducted by the Los Angeles office of Washington, DC-based investment advisory and research firm Rclco and Santa Monica-based Killefer Flammang Architects.

Among the points cited in the forecast are the projected growth of the 20-34-year-old segment of the population in the Southland. That segment will grow by more than 5% to reach nearly four million over the next five years, according to the analysis. The 40-49 age range category--traditionally a major segment of the single-family home market--will decline by about 380,000. The 55-79 bloc will also grow significantly, and those currently renting may well decide to continue to rent unless the economy rebounds strongly, according to the forecast.

One of the far-reaching effects of the recession is that the downturn, along with increased down-payment requirements, will push the home-buying decision to a later age for many would-be buyers, which means that they will be renting for longer periods of time. In addition, "Increasing land prices in urban areas will push up the price of for-sale housing, thereby making rental housing more financially desiorable," the forecast says.

Because housing will increasingly be primarily perceived as shelter rather than an investment vehicle, demand for more apartments in upscale neighborhoods by the over-50 market as well as upper income younger people will increase, according to the forecast. This conclusion is also one of the points that Bob Gardner, managing director of Rclco's Los Angeles office, pointed out to GlobeSt.com in an interview last year.

Another effect of the recession is that a significant percentage of the people who have lost their homes as a result of job loss will remain unemployed for a longer period than in past recessions, according to the forecast. It notes that replacing the lost jobs of this recession is expected to take even longer than it did to replace the jobs lost in the 1990s recession, which took about 19 months.

According to Wade Killefer, principal of Killefer Flammang Architects and an authority on the lofts trend in multifamily development, the forecast statistics translate into a significant niche for really small loft units in desirable neighborhoods. "The trend has already started in Santa Monica," notes Flammang, whose firm designed a 165-unit rental project called Olympic Studios that consists solely of 375-square-foot units. The project was leased in seven months and about 25% percent of the renters were older than 35, Flammang points out. He says the firm has several other projects in progress with similar square footages.

Killefer, whose firm has designed about 20% of the multifamily units in Downtown Los Angeles in the past 10 years, cites "a burgeoning interest in live/work housing," which represent a significant portion of the units that his firm has designed. As a result of the downturn and the growing prevalence as well as acceptance of home-based workers and businesses, the architect emphasizes, "There is no longer a stigma attached to working out of the home," he says.