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Rents Slip as Luxury Apartments Sit Vacant in LA County

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"Developers that are hoping to get these high rents haven't been able to get them"

By Dana Bartholomew

(Illustration be The Real Deal with Getty)

Rents have slipped across greater Los Angeles with fewer apartment vacancies except the luxury market, where the vacancy has hit 13.1 percent. Rents across Los Angeles County dipped 0.3 percent in the third quarter to $2,232 from the prior period, while they rose 0.6 percent from $2,218 a year earlier, Bisnow reported, citing figures from NAI Capital.

At the same time, apartment vacancy fell to 4.7 percent, from 5 percent, and a smidgeon lower than last year.

Despite fewer vacancies overall, NAI Capital Executive Vice President Tim Steuernol said there was diminishing demand for newer, luxury apartments at the top of the market.

Among the 65,809 luxury units built since 2020, 8,510 are empty, putting the vacancy at 13.1 percent. That means potential renters either can't or won't pay for fancier apartments.

"Things are so much more expensive these days, and there's less discretionary income out there" to spend on housing, Steuernol told Bisnow. "A lot of the newer construction apartments have been sitting on the market for longer periods of time.

"Developers that are hoping to get these high rents haven't been able to get them. … They're having to offer up some concessions to get tenants in."

A slowing construction pipeline for multifamily projects may increase demand — and raise rents — in the years ahead.

NAI Capital reported a 25 percent drop in new unit completions this fall, from summer, and a 29.7 percent year-over-year decline.

Since 2020, the amount of newly built apartments has been 12.4 percent below pre-pandemic levels, according to USC's latest Casden Real Estate Economics Forecast, which predicted near-term rent growth of 1 percent next year and 2 percent in 2026.

The Casden forecast, released this month, forecasts rents in the next few years would rise between $110 and $148 a month across the five-county Southland, with tenants paying $58 more per month in Los Angeles County.

In Los Angeles County, the average apartment rent is expected to rise to $2,334 a month by mid-2026, a 3 percent increase from $2,276 a month last summer, according to the forecast.

For investors, Newmark Vice Chairman Dean Zander said to focus on a lack of new supply and the county's shortage of rental housing, and the implications for future rents.

"We're well-positioned for meaningful rent growth over the next couple of years" because of the trickle of new supply in the pipeline, Zander told Bisnow.