

Sign of Suburban Demand: Los Angeles Apartments Sell After Luring Almost 100 Offers

Renters Drawn to Units Not Near Crowded City Core During Coronavirus

By Jacquelyn Ryan | CoStar News



Raintree Partners bought a portfolio that includes the 137-unit Canyon Drive Manor in Hollywood, California. (CoStar)

A local family that owned five suburban apartment complexes for decades has almost 100 reasons to show why rentals outside city centers are popular in the pandemic. In short, that's how many offers the sale generated.

Raintree Partners bought the properties in greater Los Angeles for \$142 million after a bidding war for the portfolio that underscores spiking demand for rentals in less crowded suburbs.

The real estate investment company based in Dana Point, California, bought the properties in Camarillo, Canoga Park, Glendale and Hollywood from a local family that has owned them for an average of 34 years, according to CBRE Group, which brokered the deal.

Strong apartment demand has helped offset some of the worst effects of the COVID-19 pandemic on Los

Angeles real estate, CBRE's Dean Zander, who represented the seller, told CoStar News. Apartments in L.A. suburbs such as Glendale in the San Gabriel Valley and Camarillo in Ventura County 50 miles northwest of downtown show better financial performance than properties in some of L.A.'s densely populated and expensive neighborhoods.

"The pandemic is having a ripple effect on both the office and multifamily markets because people just aren't inclined now to go into central business districts to live, work and play," Zander said. "People used to define quality of life as access to entertainment, nightlife and jobs in the urban core. We've seen a switch now to larger garden-style units, away from luxury high-rises. It's much more about the need for space, distance and quality of life now, and suburban areas are really benefiting more than ever before."

The properties received the almost 100 offers to buy either the whole portfolio or individual properties before selling to Raintree for an average cost per unit of about \$257,713, CBRE said. That's well below the Los Angeles average asking price of \$372,000 a unit, according to CoStar.

The sale and accompanying bidding war reflects the growing popularity of multifamily properties outside of urban metropolitan centers as renters seek more space and less expensive units on the outskirts of major cities during the pandemic, Zander said.

A tight market for suburban apartments powered the strongest third quarter in the United States on record as renters leased a net total of more than 110,000 units, according to CoStar's latest Multifamily National Report.

The vacancy rate in established downtown apartment properties availability has increased to more 9% from 6% prior to the outbreak while availability of suburban units has fallen below recent trends, according to data from Apartments.com, owned by CoStar Group.

Rents in expensive coastal markets continue to post their worst losses since their peak at the beginning of the pandemic in March while many suburban and affordable regional markets have posted rent gains.

The sale marks Raintree's third portfolio transaction in 18 months. The company is underway on a large-

scale acquisition strategy in major West Coast cities that is expected to continue through next year.

The acquisition increases Raintree's suburban holdings in Ventura County, Hollywood and the San Fernando Valley, which all have ample well-paying jobs and local entertainment options, Mathew Barbiasz, vice president of acquisitions for Raintree, said in a statement.

Raintree plans to upgrade the apartments which were built between 1964 and 1985 to increase the property values.

According to CoStar, the properties totaling 551 units are:

- Mountain View Apartments, a 106-unit property 659 N. Las Posas Road in Camarillo.
- Perigee Apartments, a 200-unit complex at 21041 Parthenia St. in Canoga Park.
- Canyon Drive Manor Apartments, a 137-unit property at 1738 Canyon Drive in Hollywood.
- Imperial Crest, an 18-unit building at 1120 Thompson Ave. in Glendale.
- Imperial Manor Strathern Apartments, a 32-unit complex at 21601 Strathern St. in Canoga Park.

For the Record

Dean Zander, Stew Weston and John Montakab of CBRE represented the seller.