

Signs of Life

After initial Covid hit, LA's multifamily sales market begins to recover **By HANNAH MADANS** Staff Reporter

Multifamily sales slowed during the Covid-19 pandemic, but the market began to rebound by late last year. During the previous five years, according to **CBRE Group Inc.** Executive Vice President **Dean Zander**, the multifamily market in Los Angeles County usually saw about 500 sales a year of properties with 20 or more units.

But in 2020, Zander said, the number of sales fell by nearly half.

At the start of Covid, **Newmark Group Inc.** Senior Managing Director **Chris Benton** said, "everything shut down," leading to only \$5.8 billion in sales in L.A. in 2020 compared with \$9.8 billion in 2019.

"Volume really picked up in August, September. There was essentially nothing from May to July," Benton said.

He added that he was seeing more deals in tertiary markets. Two of the largest property sales in the last six months according to **CoStar Group Inc.** data, were in Lancaster.

The largest was the Cordova Park Apartment Homes and Sienna Heights Apartment Homes. **Blackstone Group Inc.** sold them to **Afton Properties** for \$145.4 million.

Blackstone also sold the Granada Villas and Woodlands West Townhomes to **MF Asset Management Inc.** for \$95 million. All four properties are in Lancaster.

Other large sales included Angelene in West Hollywood, which **JPMorgan Chase & Co.** purchased for nearly \$125 million, and Olive DTLA, which **Waterton Associates** pur-

chased for \$121 million.

Experts agree there has been a lack of inventory in the multifamily market.

Stepp Commercial Principal **Kimberly Stepp** said investor interest in multifamily properties is high, but inventory is down about 20% from pre-pandemic inventory levels.

"People are on the fence on what to do," she said. "Everything is in flux with moratoriums on evictions, and everything remains in a holding pattern."

Zander agreed, adding "there's far more interest than there is property to sell."

There's still uncertainty in underwriting properties and knowing what rent collections will look like, he said.

Zander added that current demand is strongest for buildings in submarkets without lots of new properties coming online, as well as for sites in the suburbs.

Newmark's **Anthony Muhlstein** added that he was also seeing "very strong buyer activity on development sites."

Investor demand for multifamily properties is expected to continue, but it remains to be seen how soon the market will be able to return to pre-pandemic sales volume.

Low interest rates, market watchers say, are still driving demand. But there appear to be changes in the types of assets investors want.

Most tenants, and therefore investors, are seeking units with work-from-home spaces. Coliving and micro units, meanwhile, are out of vogue.

"Coliving would have to come back because it can't go any lower in demand than it is right now," Zander said.

“There’s far more interest than there is property to sell.”

DEAN ZANDER
CBRE Group

“Long term, the trend is good for both.”

Benton said it's difficult to get "aggressive on underwriting for those deals," adding that developers are creating larger units and focusing on outdoor space.

Stepp said some buyers are lurking, waiting for better deals on multifamily assets in the future, especially after eviction moratoriums and funding run out. She also expects more inventory to come to the market.

Benton called the eviction moratorium "devastating for landlords" but said the local market "was fundamentally strong," driven by a solid job market, and would still do well in the long term, especially since the costs of buying property is so high that many have to rent.

"I think we are going to see a record-setting year," Zander said.

TOP 10 MULTIFAMILY SALES IN L.A. COUNTY (Sept. 1- March 1)

CORDOVA PARK APARTMENT HOMES AND SIENNA HEIGHTS APARTMENT HOMES

BUYER: Afton Properties
SELLER: Blackstone Group Inc.
ADDRESS: 43530 Gadsden Ave. and 43519 Kirkland Ave., Lancaster
PRICE: \$145.4 million



ANGELENE

BUYER: JPMorgan Chase & Co.
SELLER: Holland Partner Group
ADDRESS: 915 N. La Brea Ave., West Hollywood
PRICE: \$124.7 million



OLIVE DTLA

BUYER: Waterton Associates
SELLER: Wolff Co.
ADDRESS: 1243 Olive St., downtown
PRICE: \$121 million



NOLA624

BUYER: Clarion Partners
SELLER: Benedict Canyon Equities Inc. and Rockpoint Group
ADDRESS: 600-656 S. Glendora Ave., West Covina
PRICE: \$95.8 million

