

An aerial photograph of a city street in North Hollywood, CA. The street is lined with various commercial buildings and parking lots. In the foreground, a new fourplex is under construction, featuring a blue and white exterior and a red roof. The building is surrounded by construction equipment and materials. The background shows a dense urban landscape with many other buildings and trees.

Marcus & Millichap
LAAA Team

Brand New 2020 Construction Fourplex
12000 Runnymede St
North Hollywood, CA 91605

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Expertise | Execution | Excellence

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MARKET OVERVIEW



1 THE OPPORTUNITY

INVESTMENT OVERVIEW

The LA Apartment Advisors are proud to present 12000 Runnymede Street, a very unique opportunity where the front house, built in 1931, has been completely gutted and renovated in 2020. Furthermore, the seller just finished construction on an additional 3 units, built in 2020, just behind the original house, making this property completely turn-key for the buyer to enjoy.

12000 Runnymede is made up of a fully renovated, 1,945 sq.ft. 2-story 5-bed / 3-bath house and three brand new 1,424 sq.ft. 3-story 3-bed / 2-bath, side-by-side town-home style units with a private 2 car garage, in-unit washer/dryer and spacious floor plans.

For an unbeatable price of \$2,200,000, an investor can realistically expect a projected 6.34% cap rate! With today's low interest rates, an investor is projected to achieve more than a 10% cash-on-cash return with a down payment of \$440,000. Furthermore, since this offering is 4 units, an investor can take advantage of residential financing, fixed for up to 30 years!

Also notable is the fact that this property is in a California Opportunity Zone, which means the immediate area is expected to be gentrifying greatly in the near future.

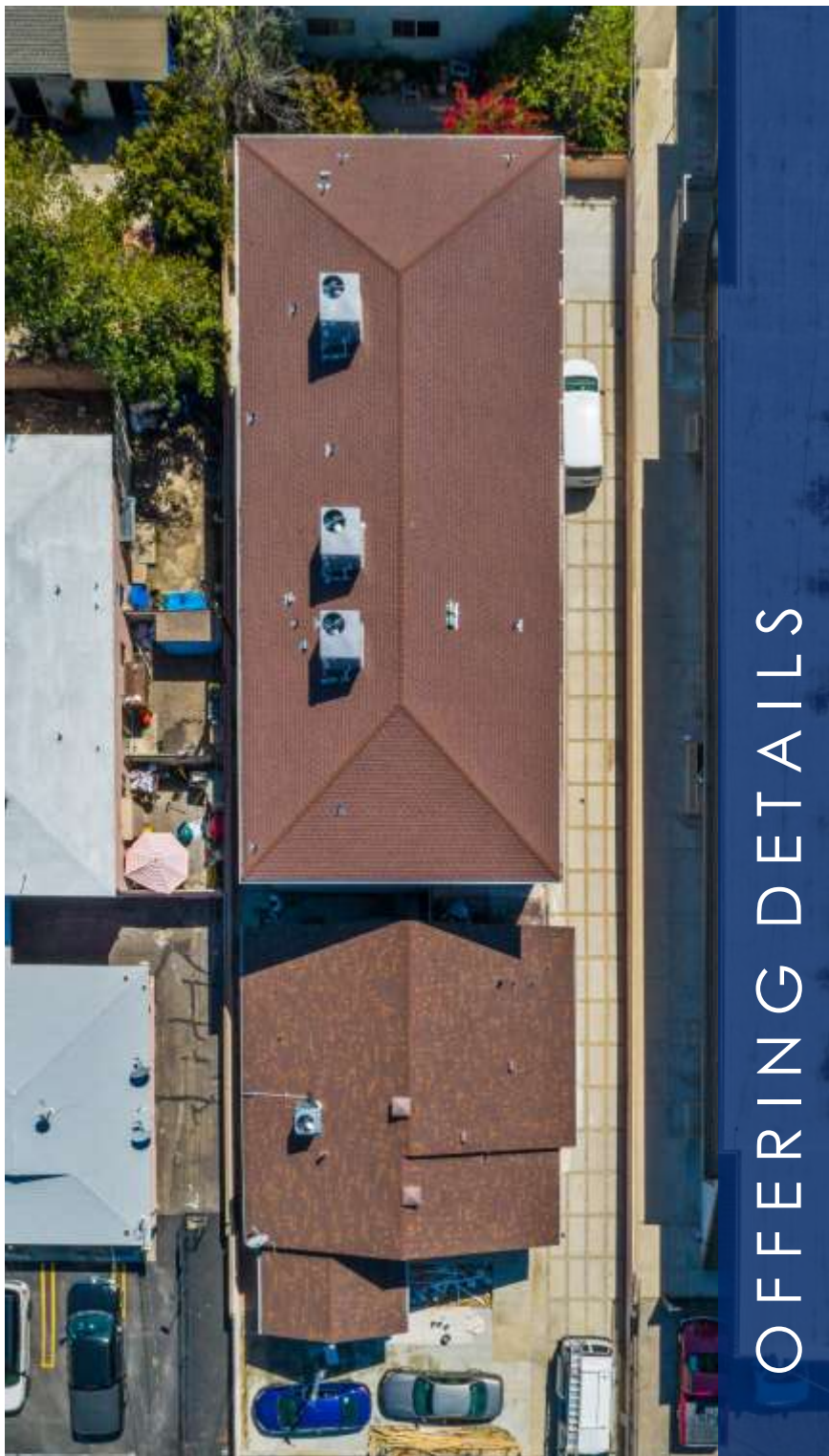
This offering is ideal for the buyer who wants a pride of ownership, brand new construction property with very little maintenance or expenses, in a very dense rental pocket of North Hollywood.

INVESTMENT HIGHLIGHTS

- 5-Bed House Renovated 2020
- 3 New Townhomes Built in 2020
- All Units Delivered Vacant
- Private 2-Car Garages
- Individual Water Heaters
- Individual Trash Bins
- In Unit Washer and Dryer
- Fully Turn-Key Property



12000 Runnymede St
North Hollywood, CA 91605



12000 Runnymede St

North Hollywood, CA 91605

METRICS

Price	\$2,200,000
# of Units	4
Price/SF	\$353.87
Price/Unit	\$550,000
CAP Rate	6.35%
GRM	12.18
Pro Forma CAP	6.35%
Pro Forma GRM	12.18

PROPOSED FINANCING

<u>5 Year Fixed</u>	
Loan Amount	\$1,760,000
Interest Rate	3.50%
Amortization	30 Years
LTV	80%
DCR	1.47

12000 Runnymede St

North Hollywood, CA 91605

As of April, 2020

Unit Type	# of Units	Avg Sq Feet	Rental Range	Current			Potential		
				Average Rent	Average Rent / SF	Monthly Income	Average Rent	Average Rent / SF	Monthly Income
3 Bed / 2 Bath	3	1,424	\$3,350 - \$3,350	\$3,350	\$2.35	\$10,050	\$3,350	\$2.35	\$10,050
5 Bed / 3 Bath (Front House)	1	1,945	\$5,000 - \$5,000	\$5,000	\$2.57	\$5,000	\$5,000	\$2.57	\$5,000
Totals/Weighted Averages	4	1,554		\$3,763	\$2.42	\$15,050	\$3,763	\$2.42	\$15,050

Unit Distribution



Unit Rent



12000 Runnymede St

North Hollywood, CA 91605

As of April,2020

Unit	Unit Type	Square Feet	Current Rent / Month	Current Rent / SF/ Month	Potential Rent / Month	Potential Rent/ SF/ Month
1	3 Bed / 2 Bath	1,424	\$3,350	\$2.35	\$3,350	\$2.35
2	3 Bed / 2 Bath	1,424	\$3,350	\$2.35	\$3,350	\$2.35
3	3 Bed / 2 Bath	1,424	\$3,350	\$2.35	\$3,350	\$2.35
4	5 Bed / 3 Bath (Front House)	1,945	\$5,000	\$2.57	\$5,000	\$2.57
Total		6,217	\$15,050	\$2.42	\$15,050	\$2.42

12000 Runnymede St

North Hollywood, CA 91605

Income	Current		Pro Forma		Notes	Per Unit	Per SF
Gross Current Rent	180,600		180,600			45,150	29.05
Physical Vacancy	(5,418)	3.0%	(5,418)	3.0%		(1,355)	(0.87)
Total Vacancy	(\$5,418)	3.0%	(\$5,418)	3.0%		(\$1,355)	(\$1)
Effective Gross Income	\$175,182		\$175,182			\$43,796	\$28.18

Expenses	Current		Pro Forma		Notes	Per Unit	Per SF
Real Estate Taxes	25,834		25,834		[1]	6,459	4.16
Insurance	2,184		2,184		[2]	546	0.35
Utilities	2,880		2,880		[3]	720	0.46
Repairs & Maintenance	2,000		2,000		[4]	500	0.32
Landscaping	1,200		1,200		[5]	300	0.19
Pest Control	480		480		[6]	120	0.08
Operating Reserves	1,000		1,000		[7]	250	0.16
Total Expenses	\$35,578		\$35,578			\$8,895	\$5.72
Expenses as % of EGI	20.3%		20.3%				
Net Operating Income	\$139,604		\$139,604			\$34,901	\$22.46

NOTES

Notes to Operating Statement

- [1] 1.174279% of the purchase price
- [2] \$0.35 per rentable square feet
- [3] \$60 per unit per month
- [4] \$500 per unit per year
- [5] \$100 per month
- [6] \$40 per month
- [7] \$250 per unit per year

12000 Runnymede St

North Hollywood, CA 91605

Summary

Price	\$2,200,000	
Down Payment	\$440,000	20%
Number of Units	4	
Price Per Unit	\$550,000	
Price Per SqFt	\$353.87	
Rentable SqFt	6,217	
Lot Size	0.19 Acres	
Approx. Year Built	2020	

Returns

	Current	Pro Forma
CAP Rate	6.35%	6.35%
GRM	12.18	12.18
Cash-on-Cash	10.17%	10.17%
Debt Coverage Ratio	1.47	1.47

Financing

	1st Loan
Loan Amount	\$1,760,000
Loan Type	New
Interest Rate	3.50%
Amortization	30 Years
Year Due	2049

Loan information is subject to change. Contact your Marcus & Millichap Capital Corporation representative.

# Of Units	Unit Type	SqFt/Unit	Scheduled Rents	Market Rents
3	3 Bed / 2 Bath	1,424	\$3,350	\$3,350
1	5 Bed / 3 Bath	1,945	\$5,000	\$5,000

Operating Data

Income		Current		Pro Forma
Gross Scheduled Rent		\$180,600		\$180,600
Less: Vacancy/Deductions	3.0%	\$5,418	3.0%	\$5,418
Total Effective Rental Income		\$175,182		\$175,182
Other Income		\$0		\$0
Effective Gross Income		\$175,182		\$175,182
Less: Expenses	20.3%	\$35,578	20.3%	\$35,578
Net Operating Income		\$139,604		\$139,604
Cash Flow		\$139,604		\$139,604
Debt Service		\$94,838		\$94,838
Net Cash Flow After Debt Service	10.17%	\$44,766	10.17%	\$44,766
Principal Reduction		\$33,777		\$34,978
Total Return	17.85%	\$78,542	18.12%	\$79,744

Expenses	Current	Pro Forma
Real Estate Taxes	\$25,834	\$25,834
Insurance	\$2,184	\$2,184
Utilities	\$2,880	\$2,880
Repairs & Maintenance	\$2,000	\$2,000
Landscaping	\$1,200	\$1,200
Pest Control	\$480	\$480
Operating Reserves	\$1,000	\$1,000

Total Expenses	\$35,578	\$35,578
Expenses/Unit	\$8,895	\$8,895
Expenses/SF	\$5.72	\$5.72

MARCUS & MILLICHAP CAPITAL CORPORATION CAPABILITIES

MMCC—our fully integrated, dedicated financing arm—is committed to providing superior capital market expertise, precisely managed execution, and unparalleled access to capital sources providing the most competitive rates and terms.

We leverage our prominent capital market relationships with commercial banks, life insurance companies, CMBS, private and public debt/equity funds, Fannie Mae, Freddie Mac and HUD to provide our clients with the greatest range of financing options.

Our dedicated, knowledgeable experts understand the challenges of financing and work tirelessly to resolve all potential issues to the benefit of our clients.



**Closed 1,678
debt and equity
financings
in 2018**



**National platform
operating
within the firm's
brokerage
offices**



**\$6.24 billion
total national
volume in 2018**



**Access to
more capital
sources than
any other firm
in the industry**

WHY MMCC?

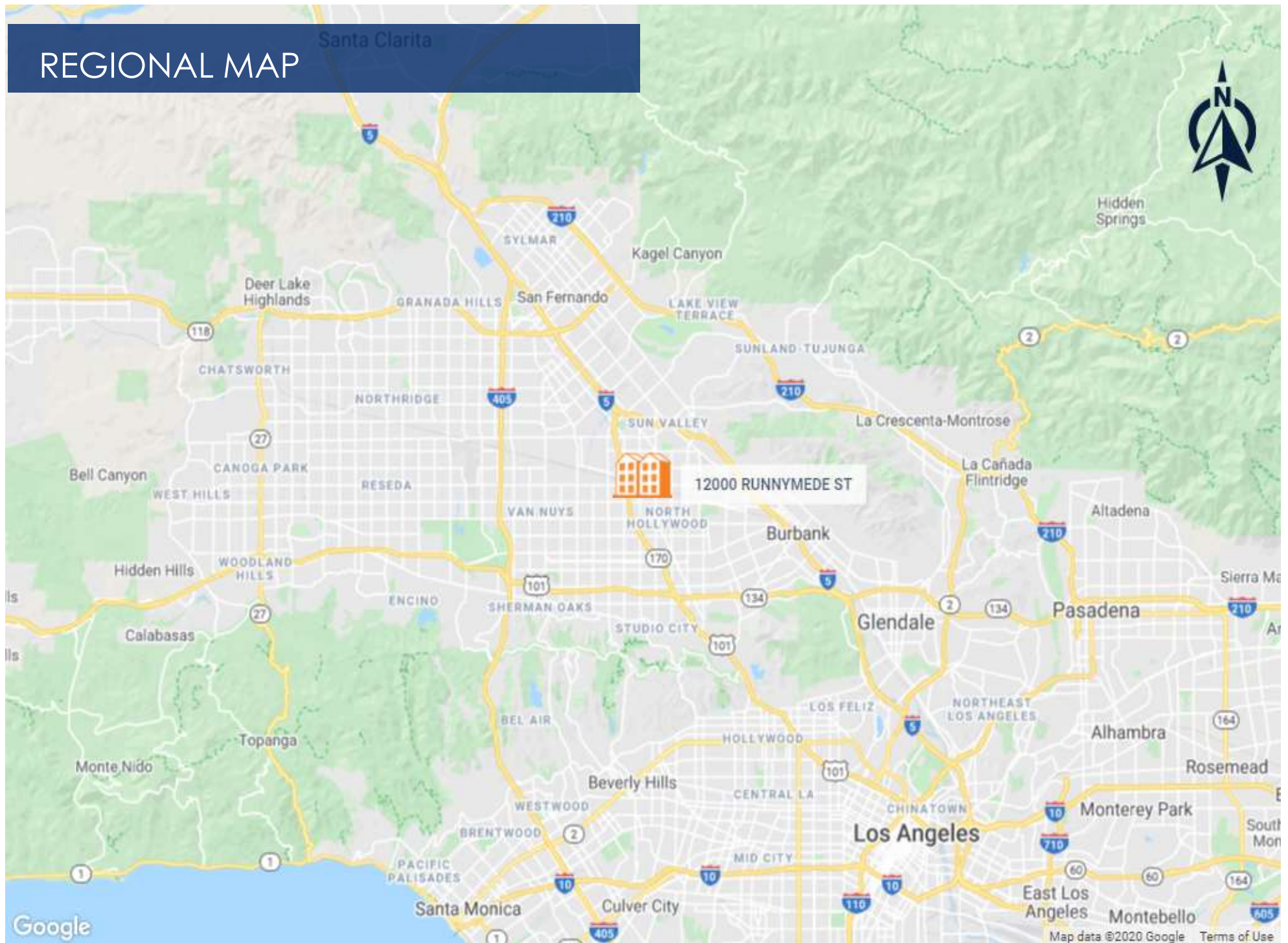
**Optimum financing solutions
to enhance value**

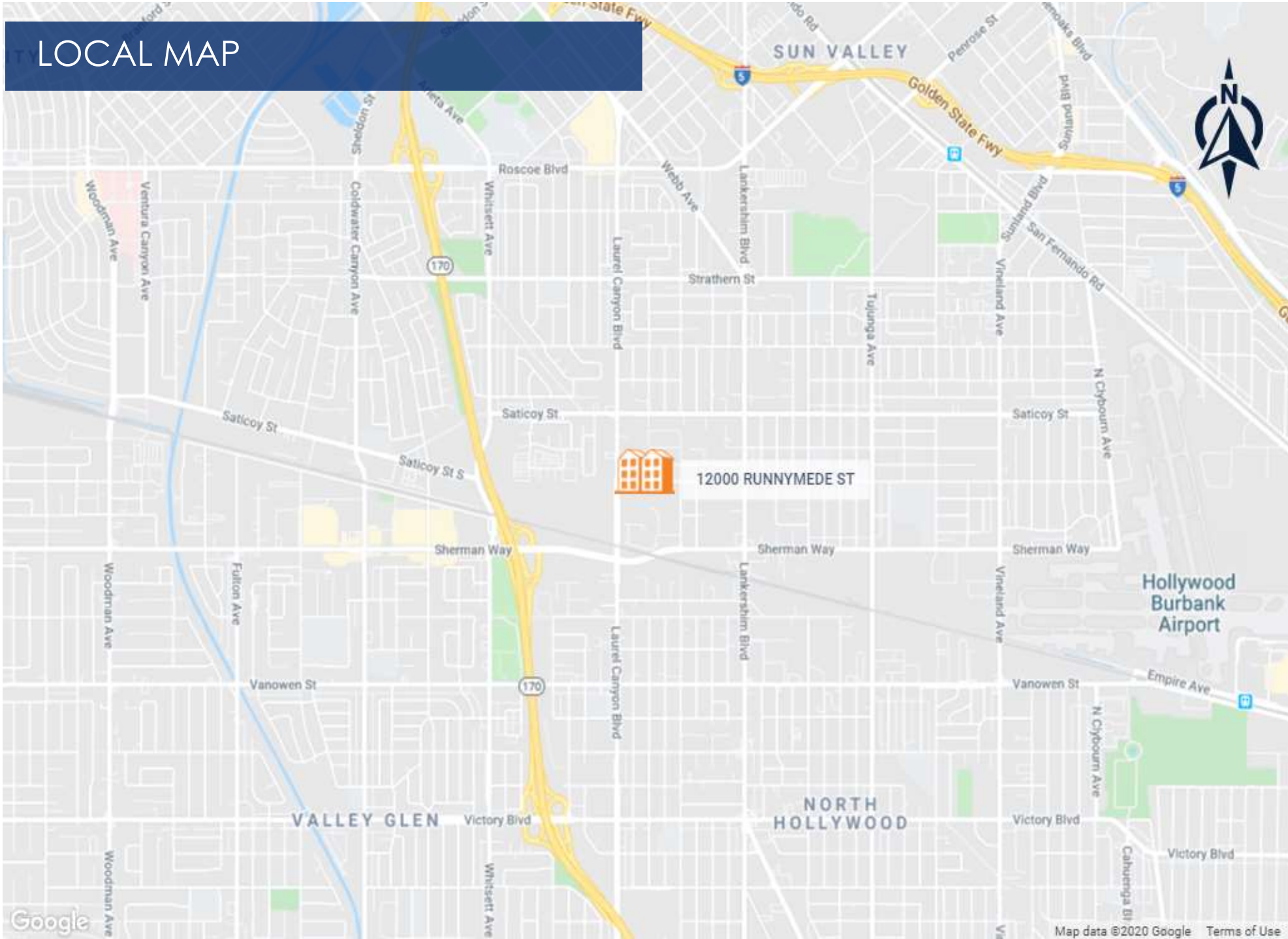
**Our ability to enhance
buyer pool by expanding
finance options**

**Our ability to enhance
seller control**

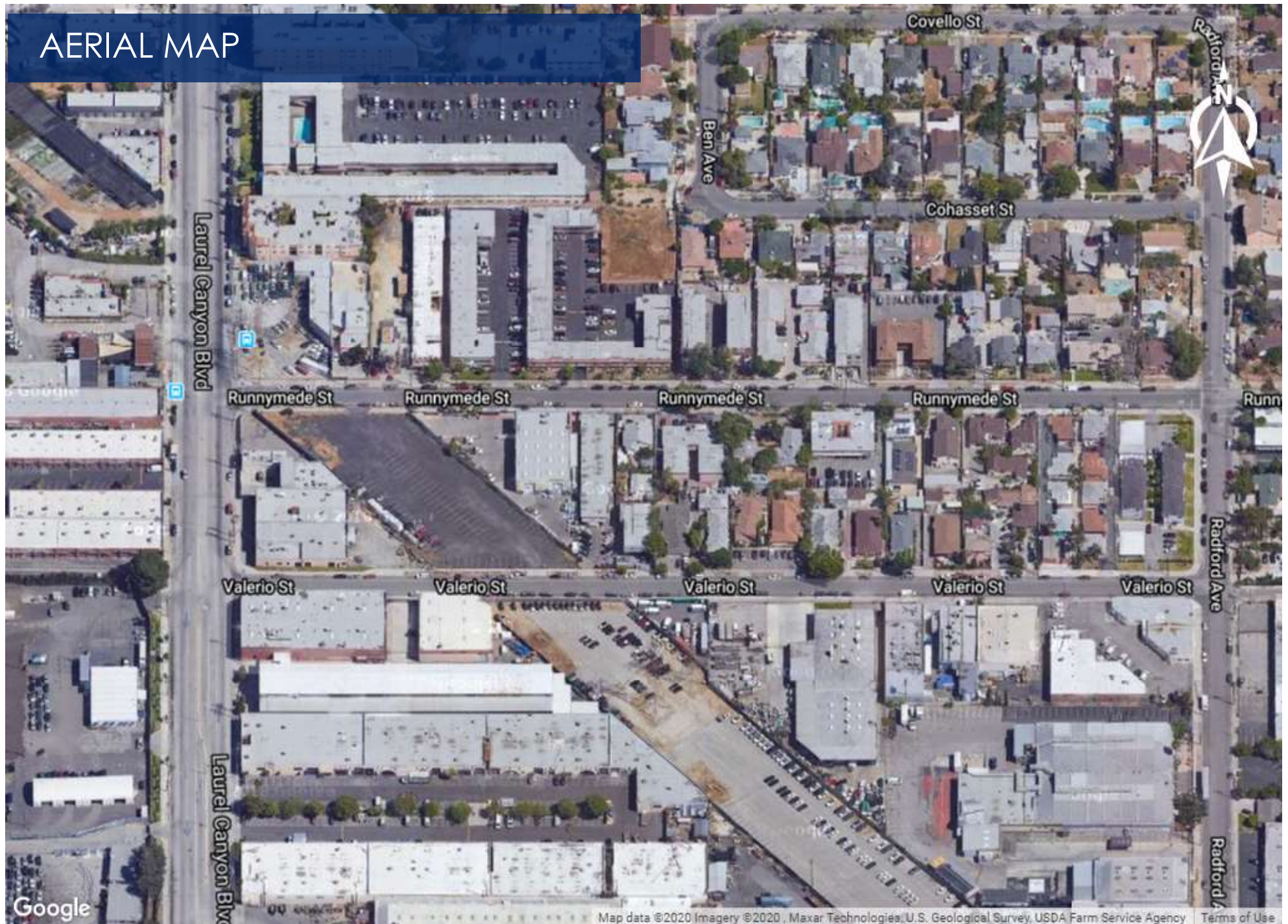
- Through buyer qualification support
- Our ability to manage buyers finance expectations
- Ability to monitor and manage buyer/lender progress, insuring timely, predictable closings
- By relying on a world class set of debt/equity sources and presenting a tightly underwritten credit file

REGIONAL MAP





AERIAL MAP



PROPERTY PHOTOS



PROPERTY PHOTOS



PROPERTY PHOTOS



PROPERTY PHOTOS



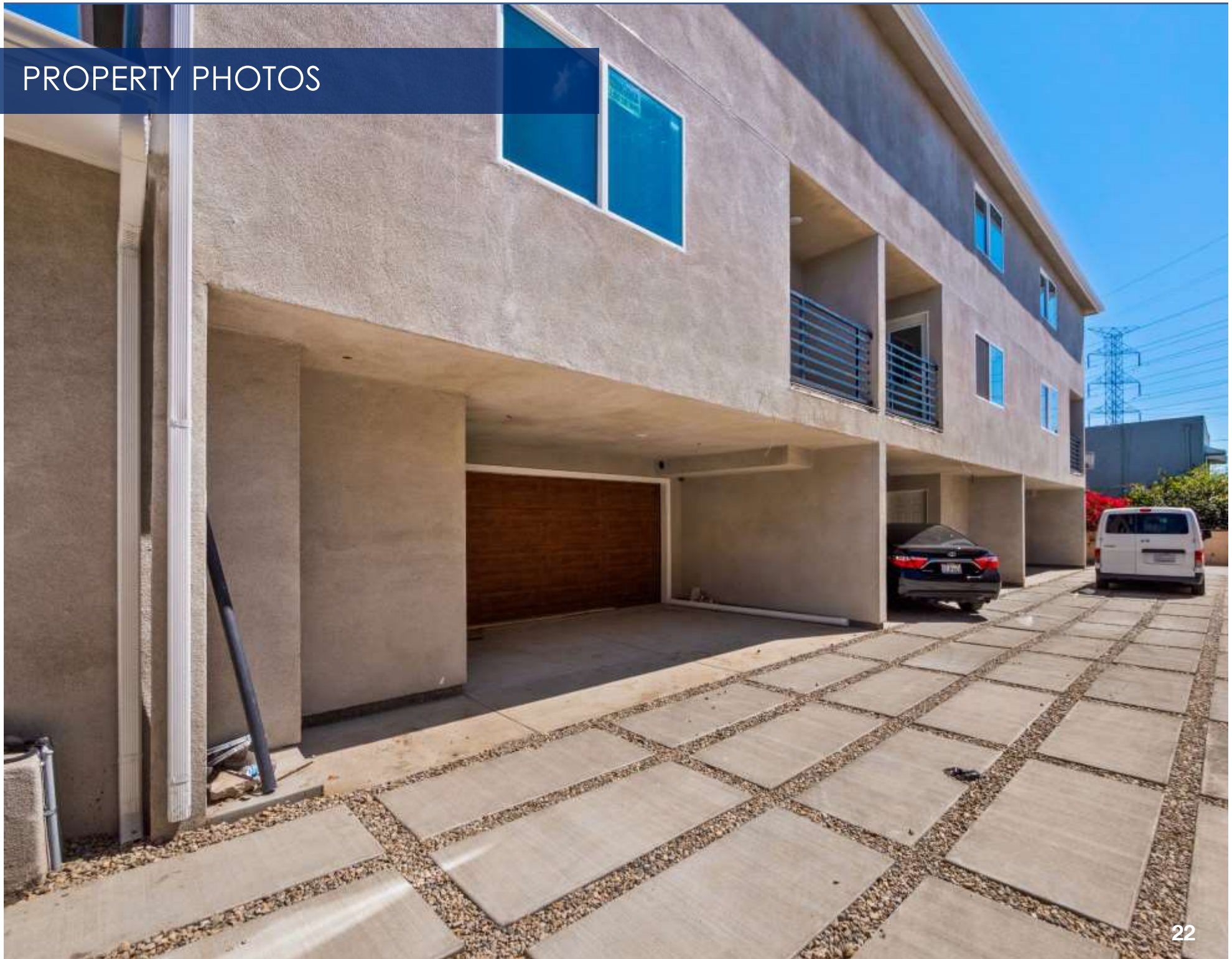
PROPERTY PHOTOS



PROPERTY PHOTOS



PROPERTY PHOTOS



PROPERTY PHOTOS



PROPERTY PHOTOS



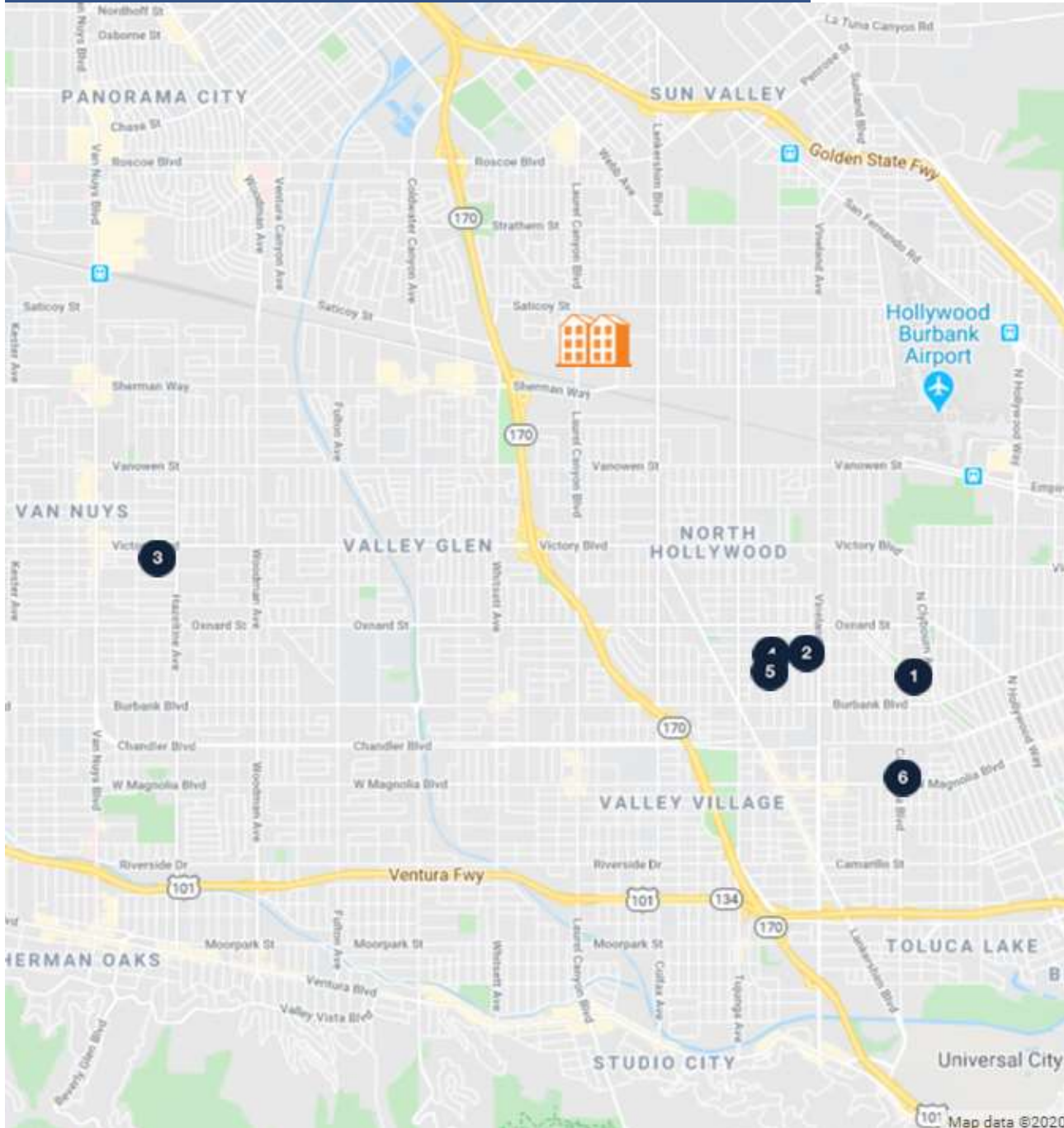


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MARKET COMPARABLES



SALES COMPARABLES



12000 RUNNYMEDE ST

North Hollywood, CA 91605

SALES COMPARABLES

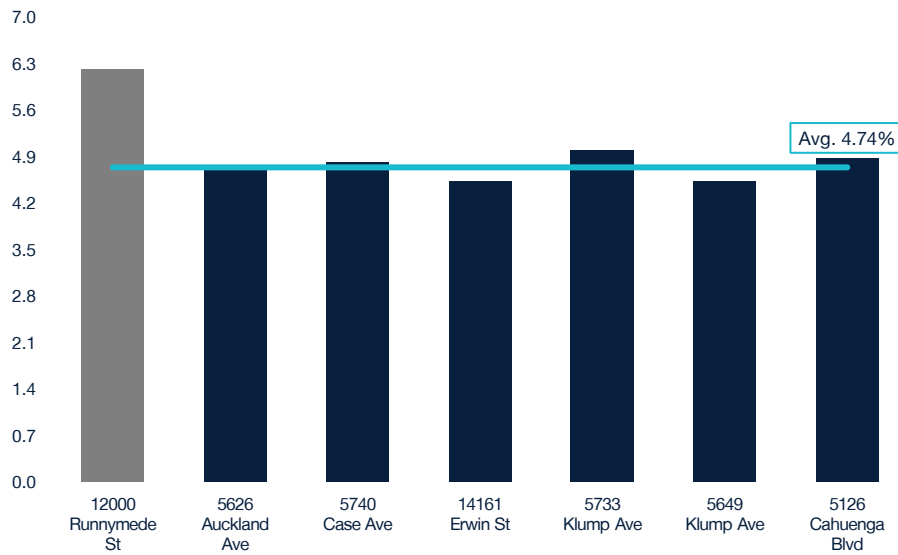
1. 5626 Auckland Ave
2. 5740 Case Ave
3. 14161 Erwin St
4. 5733 Klump Ave
5. 5649 Klump Ave
6. 5126 Cahuenga Blvd

12000 Runnymede St

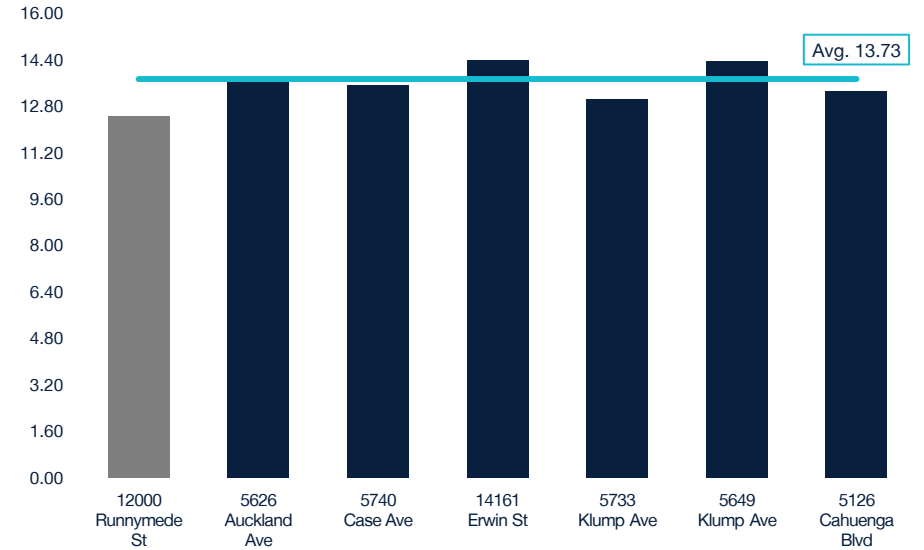
North Hollywood, CA 91605

METRICS

Average Cap Rate



Average GRM

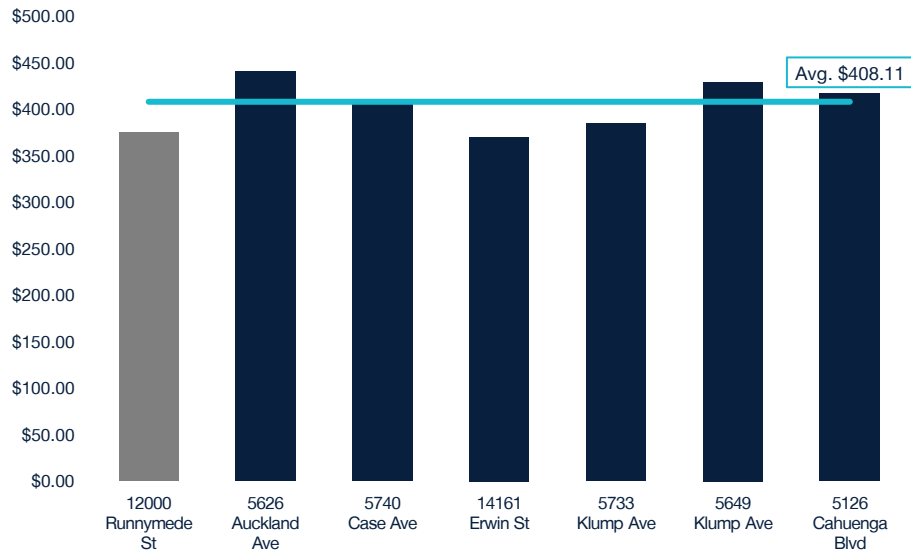


12000 Runnymede St

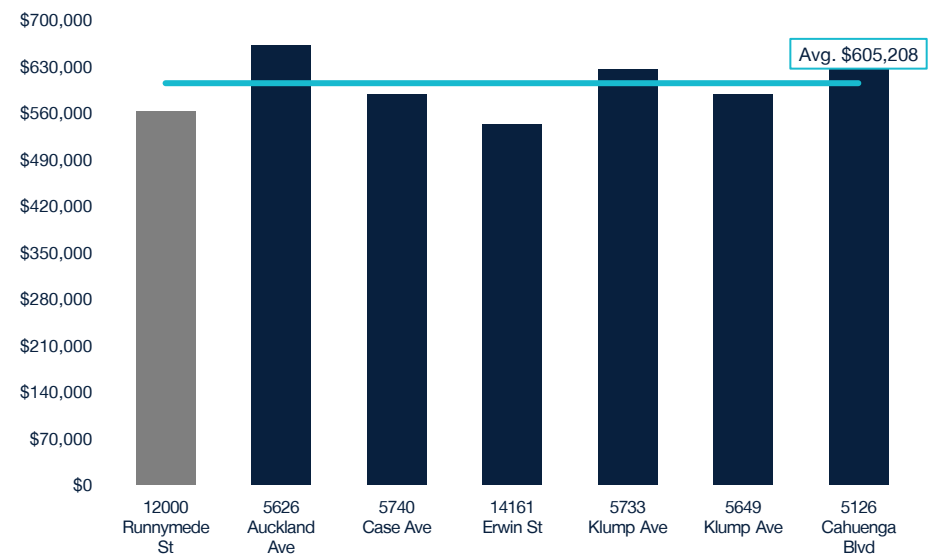
North Hollywood, CA 91605

METRICS CONTINUED

Average Price Per Square Foot



Average Price Per Unit



SALES COMPARABLES

12000 RUNNYMEDE ST

12000 Runnymede St, Los Angeles, CA, 91605



		Units	Unit Type
Offering Price:	\$2,250,000	3	3 Bed 2 Bath
Price/Unit:	\$562,500	1	5 Bed 3 Bath
Price/SF:	\$375.00		
CAP Rate:	6.21%		
GRM:	12.46		
Total No. of Units:	4		
Year Built:	2019		

Underwriting Criteria

Income	\$175,182	Expenses	\$35,445
NOI	\$139,737	Vacancy	(\$5,418)

5626 AUCKLAND AVE

5626 Auckland Ave, North Hollywood, CA, 91601



		Units	Unit Type
Close Of Escrow:	12/20/2019	4	3 Bdr 3 Bath
Sales Price:	\$2,650,000		
Price/Unit:	\$662,500		
Price/SF:	\$440.86		
CAP Rate:	4.71%		
GRM:	13.80		
Total No. of Units:	4		
Year Built:	2019		

Underwriting Criteria

Income	\$192,000		
NOI	\$124,800		

5740 CASE AVE

5740 Case Ave, North Hollywood, CA, 91601



		Units	Unit Type
Close Of Escrow:	6/28/2019	4	3 Bdr 3 Bath
Sales Price:	\$2,350,000		
Price/Unit:	\$587,500		
Price/SF:	\$406.57		
CAP Rate:	4.81%		
GRM:	13.51		
Total No. of Units:	4		
Year Built:	2018		

Underwriting Criteria

Income	\$174,000		
NOI	\$113,100		

SALES COMPARABLES

14161 ERWIN ST

14161 Erwin St, Van Nuys, CA, 91401

3



		Units	Unit Type
Close Of Escrow:	10/31/2019	4	3 Bdr 3 Bath
Sales Price:	\$2,175,000		
Price/Unit:	\$543,750		
Price/SF:	\$370.21		
CAP Rate:	4.52%		
GRM:	14.38		
Total No. of Units:	4		
Year Built:	2019		

Underwriting Criteria

Income	\$151,200
NOI	\$98,280

5733 KLUMP AVE

5733 Klump Ave, North Hollywood, CA, 91601

4



		Units	Unit Type
Close Of Escrow:	6/28/2019	2	3 Bdr 3 Bath
Sales Price:	\$2,500,000	2	4 Bdr 4 Bath
Price/Unit:	\$625,000		
Price/SF:	\$384.62		
CAP Rate:	4.99%		
GRM:	13.02		
Total No. of Units:	4		
Year Built:	2019		

Underwriting Criteria

Income	\$192,000
NOI	\$124,800

5649 KLUMP AVE

5649 Klump AVE, North Hollywood, CA, 91601

5



		Units	Unit Type
Close Of Escrow:	8/27/2019	4	3 Bdr 3 Bath
Sales Price:	\$2,350,000		
Price/Unit:	\$587,500		
Price/SF:	\$429.46		
CAP Rate:	4.53%		
GRM:	14.35		
Total No. of Units:	4		
Year Built:	2019		

Underwriting Criteria

Income	\$163,800
NOI	\$106,470

SALES COMPARABLES

5126 CAHUENGA BLVD

5126 Cahuenga Blvd, .14, CA, 91601

6

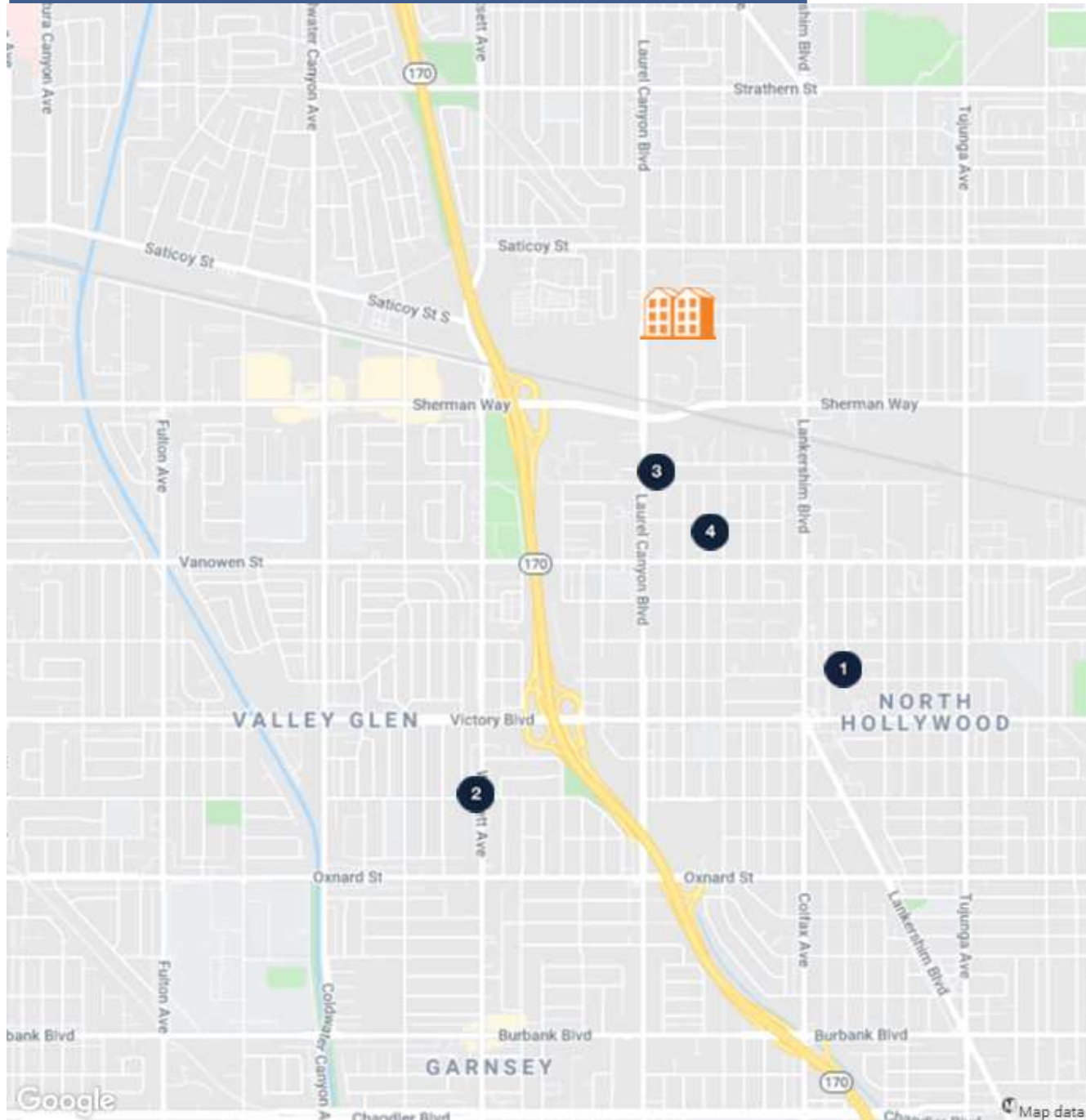


		Units	Unit Type
Close Of Escrow:	3/13/2019	2	3 Bdr 2 Bath
Sales Price:	\$2,500,000	2	3 Bdr 3 Bath
Price/Unit:	\$625,000		
Price/SF:	\$416.94		
CAP Rate:	4.88%		
GRM:	13.31		
Total No. of Units:	4		
Year Built:	2018		

Underwriting Criteria

Income	\$187,800
NOI	\$122,070

RENT COMPARABLES



12000 RUNNYMEDE ST

North Hollywood, CA 91605

RENT COMPARABLES

1. 11630 Hamlin St
2. 6145 Whitsett Ave
3. 12042 Hart St
4. 6818 Gentry Ave

12000 RUNNYMEDE ST

12000 Runnymede St, Los Angeles, CA, 91605



Unit Type	Units	SF	Rent	Rent/SF
3 Bed 2 Bath	3		\$3,350	\$0.00
5 Bed 3 Bath	1		\$5,000	\$0.00
Total/Avg.	4		\$3,763	

YEAR BUILT: 2019

11630 HAMLIN ST

11630 Hamlin St, North Hollywood, CA, 91606



Unit Type	Units	SF	Rent	Rent/SF
3 Bdr 3 Bath	1	1,992	\$3,400	\$1.71
Total/Avg.	1	1,992	\$3,400	\$1.71

YEAR BUILT: 2008

6145 WHITSETT AVE

6145 Whitsett Ave, North Hollywood, CA, 91606



Unit Type	Units	SF	Rent	Rent/SF
3 Bdr 2.5 Bath	1	1,443	\$3,200	\$2.22
Total/Avg.	1	1,443	\$3,200	\$2.22

YEAR BUILT: 1979

12042 HART ST

12042 Hart St, North Hollywood, CA, 91605



Unit Type	Units	SF	Rent	Rent/SF
3 Bdr 3 Bath	1	1,350	\$3,500	\$2.59
Total/Avg.	1	1,350	\$3,500	\$2.59

YEAR BUILT: 2009

6818 GENTRY AVE

6818 Gentry Ave, North Hollywood, CA, 91605



Unit Type	Units	SF	Rent	Rent/SF
3 Bdr 2 Bath	1		\$3,295	
Total/Avg.	1		\$3,295	

YEAR BUILT: 2019



3 MARKET OVERVIEW

MARKET OVERVIEW

SAN FERNANDO VALLEY OVERVIEW

Approximately 2.5 million people reside in the San Fernando Valley, which includes the submarkets of Northridge-Northwest San Fernando Valley, Van Nuys-Northeast San Fernando Valley, Woodland Hills, Burbank-Glendale-Pasadena and Sherman Oaks-North Hollywood-Encino. The area's population is expected to increase by 36,000 residents through 2023. Many people are attracted by the region's more affordable home prices.



METRO HIGHLIGHTS



DIVERSE ECONOMY

While the entertainment industry underpins the economy, other economic drivers include aerospace, insurance and healthcare.



EDUCATED WORKFORCE

Roughly 36 percent of San Fernando Valley residents who are age 25 and older hold a bachelor's degree and 13 percent also obtained a graduate or professional degree.



GROWTH

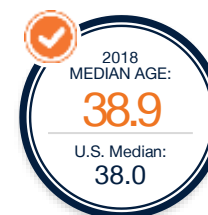
Population and household growth will increase faster than other large metros in Southern California, generating a demand for housing, and goods and services.



ECONOMY

- Known for its entertainment industry, the Valley boasts more than 100 soundstages. Entertainment giants calling the Valley home include Walt Disney Co., Universal Studios, Warner Brothers, DreamWorks and Paramount Ranch.
- Aerospace giants Boeing and Northrop Grumman as well as 21st Century Insurance generate numerous well-paying jobs.
- Healthcare is also a major source of employment and providers here include Kaiser Permanente and Providence Health & Services. As a result of its large concentration of high salaries and successful companies, household incomes are above the national average.

DEMOGRAPHICS



* Forecast

Sources: Marcus & Millichap Research Services; BLS; Bureau of Economic Analysis; Experian; Fortune; Moody's Analytics; U.S. Census Bureau

MARKET OVERVIEW



LOS ANGELES COUNTY

Heightened Delivery Volume Impacts Primary Regions;

Investor Demand Bolsters Asset Values

Vacancy holds below 4 percent for a sixth consecutive year. The volume of supply additions in Los Angeles County has remained historically elevated since the third quarter of last year, yet a notable shift in vacancy has not occurred. Instead, unit availability in the metro compressed slightly over the past 12 months ending in June as net absorption matched delivery volume. With the number of project completions slated to intensify during the next six months, demand for luxury units will be further tested. A strong rate of household formation during the second half coupled with near cyclically low Class A vacancy suggests the sizable wave of upcoming apartments should be well received. Additionally, diverse economic expansion and steady income growth should allow more households and individuals to afford these higher-priced rentals; however, concessions usage is likely to rise as nearly 50 properties enter lease-up.

Widespread deliveries equate to historic six-month span. The metro's apartment inventory will swell by 9,400 units during the second half of 2019, a figure that exceeds the number of units completed during each of the previous two years. Five submarkets' rental stocks will grow by at least 1,000 dwellings, led by Downtown Los Angeles and Hollywood, where 1,700 and 1,600 units will come online, respectively. Santa Monica/Marina del Rey, the San Fernando Valley and Mid-Wilshire round out the list, with Long Beach welcoming more than 700 apartments following two years of no supply additions. This upcoming influx of rentals has yet to generate oversupply concerns as construction began on 36 additional projects, totaling 8,700 units, over the past four quarters.



* Cap rate trailing 12-month average through 2Q
Sources: CoStar Group, Inc.; Real Capital Analytics

Multifamily 2019 Forecast

Metro	Vacancy	Y-O-Y BasisPoint Change	Effective Rent	Y-O-Y Change
Greater Downtown Los Angeles	4.6%	90	\$2,440	2.0%
Westside Cities	3.4%	50	\$3,263	3.2%
San Fernando Valley/Tri-Cities	3.4%	20	\$2,156	3.0%
South Bay/Long Beach	3.5%	10	\$2,317	2.9%
Overall Metro	3.8%	30	\$2,290	3.2%

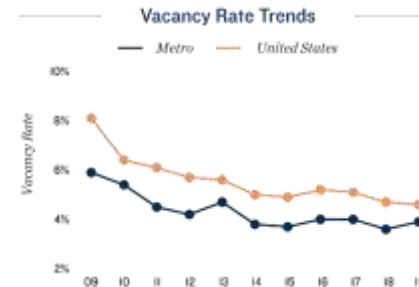
Investment Trends

- Cyclically low Class C vacancy throughout Los Angeles County is prompting local private investors and high-net-worth individuals to acquire pre-1980s-built apartments that provide steady NOI growth following moderate property upgrades. Robust demand for value-add opportunities has many buyers willing to pay more than \$300,000 per unit for available complexes, often acquiring these assets via 1031 exchanges.
- Most trades fall in the \$8 million to \$15 million range, providing investors with an average cap rate in the low-4 percent band. Buyers with higher yield thresholds target listings in the San Gabriel and San Fernando valleys, where first-year returns can reach the high-4 to mid-5 percent range.
- While an influx of new rentals places upward pressure on vacancy in Greater Downtown Los Angeles, the region witnessed a pronounced uptick in deal flow over the past year. Heightened transaction velocity in Hollywood supported the rise in closings. The submarket appeals to a diverse pool of buyers as it is home to an equal distribution of Class A, B and C listings requiring capital deployments beyond \$10 million.

MARKET OVERVIEW



LOS ANGELES COUNTY



2Q19 – 12-Month Period

* Forecast

EMPLOYMENT

1.2% increase in total employment Y-O-Y

- Employment growth moderated over the past 12 months ending in June as organizations added 56,200 positions after expanding payrolls by 69,200 workers during the prior period. Amid recent hiring, metro unemployment fell 10 basis points to 4.5 percent.
- The number of education and health services positions grew by 21,700 over the past year, while the count of professional and tech services jobs elevated by 6,900.

CONSTRUCTION

10,680 units completed Y-O-Y

- Delivery volume doubled over the past four quarters, notably eclipsing the 5,300 units finalized during the prior yearlong span. Of the recently completed rentals, 60 percent were in Greater Downtown Los Angeles.
- At the end of June, construction was underway on 27,900 units with completion extending into 2021. The projects Ferrante in City West and Cumulus in West Adams each feature more than 1,000 rentals.

VACANCY

10 basis point increase in vacancy Y-O-Y

- The county's vacancy rate fell to 3.6 percent in June following the absorption of 10,700 units over the past 12 months. During the prior year, unit availability compressed by 30 basis points.
- Demand for lower-cost rentals reduced Class C vacancy in the metro 40 basis points to 2.3 percent, while strong leasing velocity at luxury complexes slashed availability to 4.4 percent, equating to a year-over-year decline of 10 basis points.

RENTS

3.8% increase in effective rents Y-O-Y

- The average effective rent reached \$2,259 per month in the second quarter after posting a 4.1 percent increase a year ago. Spanning the past 12 months, 10 percent of available units offered concessions.
- Rent growth was most exaggerated in the Class C sector, where the average rate climbed 4.1 percent to \$1,556 per month. Effective rates at Class A apartments were subdued, rising 1.7 percent following a 3.6 percent uptick during the previous 12-month span.

MARKET OVERVIEW



LOS ANGELES COUNTY

Demographic Highlights



*Mortgage payments based on quarterly median home price with a 30-year fixed-rate conventional mortgage, 90% LTV, taxes, insurance and PMI. **2019-2024 ♦ Annualized Rate

Sales Trends

Class C Listings Generate Robust Buyer Competition as Renters Seek Lower-Cost Housing

- Transaction velocity rose by 2 percent over the past 12 months ending in June, yet sales volume decreased by \$500 million as Class C transactions accounted for nearly 60 percent of total deal flow.
- Amid the uptick in sales activity, the metro's average pricing rose 8.3 percent over the past year, reaching \$284,000 per unit. Increasing property values did not impact overall cap rates as the county's average first-year return held at 4.3 percent.



* Trailing 12 months through 2Q19

** Only submarkets with a rental stock of more than 20,000 units were included.

Pricing trend sources: CoStar Group, Inc.; Real Capital Analytics

Outlook: Assets near recent and future light-rail extensions remain in high demand among buyers as more renters seek to avoid freeway commutes.

Submarket Trends

Lowest Vacancy Rates 2Q19**

Submarket	Vacancy Rate	Y-O-Y BasisPoint Change	Effective Rent	Y-O-Y % Change
South Los Angeles	2.2%	30	\$1,649	2.0%
East Los Angeles	2.7%	-250	\$1,625	6.6%
Southeast Los Angeles	2.7%	-10	\$1,791	4.9%
Van Nuys/Northeast San Fernando Valley	2.7%	20	\$1,746	4.2%
Brentwood/Westwood/Beverly Hills	2.8%	-50	\$3,405	4.2%
Northridge/Northwest San Fernando Valley	2.9%	10	\$1,962	5.1%
Palms/Mar Vista	3.2%	-30	\$2,685	3.6%
South Bay	3.5%	-50	\$2,619	2.7%
Burbank/Glendale/Pasadena	3.6%	-20	\$2,406	3.4%
Long Beach	3.6%	-50	\$1,981	3.3%
Mid-Wilshire	3.6%	0	\$2,305	3.4%
Overall Metro	3.6%	-10	\$2,259	3.8%

** Includes submarkets with more than 30,000 units of inventory

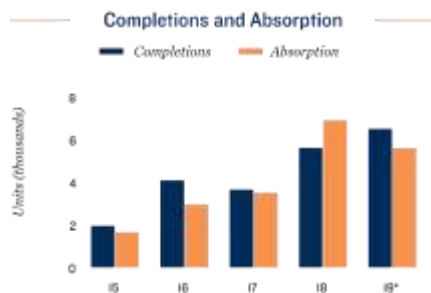
MARKET OVERVIEW



LOS ANGELES METRO AREA: GREATER DOWNTOWN LOS ANGELES

Investment Trends

- Spanning the past two years ending in June, Greater Downtown's apartment inventory climbed by nearly 9,700 units, yet vacancy compressed by 60 basis points, signaling strong leasing activity at newly delivered properties. Concessions usage is aiding the absorption of luxury units so far this year, with more than 20 percent of rentals in Downtown Los Angeles and Hollywood offering incentives during the second quarter. Demand for high-end apartments will be further tested during the second half as more than 4,300 doors are finalized. This upcoming influx of supply, and the resulting short-term rise in vacancy, is not deterring project starts as construction began on 10 properties during the first half of 2019, including five in Hollywood.
- Transaction velocity rose over the past four quarters, aided by increased sales activity in Hollywood, where a variety of listings were available for acquisition. Here, Class B and C properties of various vintages provide investors with low-3 to 4 percent initial returns, with most complexes trading for more than \$10 million. Koreatown and East Hollywood represent additional locales for Class C deals, as pricing remains below \$300,000 per unit for most assets.
- Hollywood and Downtown Los Angeles provide institutional investors with select opportunities to acquire buildings constructed within the past five years, with pricing exceeding \$700,000 per unit.



2Q19 – 12-Month Period

CONSTRUCTION



6,490 units completed Y-O-Y

- The number of units completed over the past 12 months ending in June doubled on a year-over-year basis, with at least eight properties comprising more than 300 units finalized. Deliveries were concentrated in Downtown Los Angeles, where nearly 4,400 apartments came online.
- The construction of 12,770 units is currently underway, with completions extending into the second quarter of 2021.

VACANCY



20 basis point increase in vacancy Y-O-Y

- The absorption of 3,300 units partially negated the impact of 6,500 new units, with regional vacancy rate rising to 4.2 percent.
- Vacancy was unchanged or rose in each of Greater Downtown Los Angeles' three submarkets, driven by rising Class A unit availability. Downtown Los Angeles registered the largest increase, 70 basis points, while vacancy in Mid-Wilshire held at 3.6 percent on net absorption of 1,200 units.

RENTS



2.8% increase in effective rents Y-O-Y

- The region's average effective rate reached \$2,420 per month in June, after rising 4.4 percent during the previous 12-month span.
- Increased concessions usage in Downtown Los Angeles hindered overall rent growth over the past year. The submarket's average effective rate rose 0.6 percent to \$2,515 per month. Mid-Wilshire registered the most pronounced rent gain, 3.4 percent.

* Forecast

MARKET OVERVIEW



LOS ANGELES METRO AREA: WESTSIDE CITIES

Investment Trends

- Consistent growth by high-profile tech, entertainment and financial firms continues to bolster the number of high-paying jobs in the Westside. Many of these positions are held by affluent millennials that historically rent and desire proximity to regional employment hubs. An increase in this age cohort's population has heightened demand for Class A apartments, reducing the availability of these units in both Santa Monica/Marina del Rey and Brentwood/Westwood/Beverly Hills over the past 12 months. Demand for luxury rentals will be further tested in the next two quarters as 1,900 apartments are slated for finalization. This total includes more than 1,200 doors in Santa Monica/Marina del Rey. While the overall influx of supply additions during the second half will have a short-term impact on regional vacancy, unit availability should not exceed the low-3 percent band, supporting consistent rent growth in the metro's highest-priced rental market.
- In-county buyers are targeting smaller Class B and C properties that feature a high concentration of either studios, one-bedroom or two-bedroom units. Throughout the Westside, these complexes are trading for \$8 million to \$15 million, providing investors with 3 to low-4 percent first-year cap rates. Class C assets priced around \$300,000 per unit remain available in Culver City and West Hollywood, while pricing for Class B properties exceeds \$500,000 per unit throughout the region.



2Q19 – 12-Month Period

CONSTRUCTION



800 units completed Y-O-Y

- Supply additions rose moderately over the past four quarters following a 12-month span where 650 units were finalized. The recent uptick in completions was supported by the delivery of 480 rentals in Santa Monica/Marina del Rey.
- The development pipeline consists of 4,600 units currently under construction. At least 1,000 apartments are being built in each of the region's three submarkets, with deliveries planned into 2021.

VACANCY



40 basis point decrease in vacancy Y-O-Y

- Vacancy compressed for a third consecutive 12-month period, reaching 3.2 percent in June on net absorption of 1,280 units.
- Unit availability fell in each of the region's three submarkets led by Brentwood/Westwood/Beverly Hills, where vacancy dipped 50 basis points to 2.8 percent. Leasing velocity was strongest in Santa Monica/Marina del Rey, as 650 apartments were absorbed over the past year, lowering vacancy to 3.7 percent.

RENTS



3.3% increase in effective rents Y-O-Y

- Consistent rate growth lifted the region's average effective rent to \$3,218 per month in June, a figure that eclipses the metro average by nearly \$1,000 per month.
- Home to the tightest vacancy in the region, Brentwood/Westwood/Beverly Hills recorded a 4.2 percent uptick in rent over the past year to \$3,405 per month.

* Forecast

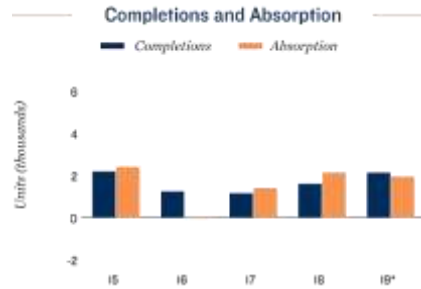
MARKET OVERVIEW



LOS ANGELES METRO AREA: SAN FERNANDO VALLEY/TRI-CITIES MARKET

Investment Trends

- South Bay/Long Beach represents a locale of revitalization, as older industrial properties in El Segundo are being converted into creative office space and redevelopment efforts in Downtown Long Beach are significant. These regional upgrades are bringing tech and entertainment companies priced out of Silicon Beach into the market, equating to an uptick in higher-paying job creation. A percentage of individuals filling these new positions are opting to live locally to avoid lengthy commutes and above-average rental rates elsewhere, which has increased demand for available apartments. As of June, vacancy in both South Bay and Long Beach sat in the mid-3 percent band. These rates are unlikely to shift during the second half, as supply additions are minimal in South Bay and the 735 units delivered in Downtown Long Beach are well received following a recent dearth of completions.
- Mid-size and larger complexes with an equal mix of one- and two-bedroom units accounted for the majority of deal flow over the past 12 months ending in June. In Long Beach and San Pedro, these Class B and C properties trade for \$10 million to \$20 million-plus, providing private investors and 1031-exchange buyers with mid-3 to mid-4 percent initial returns. Similar properties in beach communities can trade at sub-3 percent minimum returns, with pricing often above \$500,000 per unit.



2Q19 – 12-Month Period

CONSTRUCTION



1,140 units completed Y-O-Y

- Supported by the finalization of 1,500 units in Tri-Cities, supply additions rose by nearly 600 apartments over the past four quarters ending in June.
- The region's development pipeline consists of 5,330 apartments currently under construction. Woodland Hills represents an epicenter for building activity as more than 2,400 rentals are ongoing, with projects featuring an average of 300 units.

VACANCY



no change in vacancy Y-O-Y

- After falling 20 basis points during the prior yearlong span, vacancy held steady during the past 12 months, sitting at 3.3 percent in June.
- On absorption of roughly 1,500 units, vacancy in Burbank/Glendale/Pasadena fell 20 basis points to 3.6 percent. The Sherman Oaks/North Hollywood/Encino submarket was the only section of the San Fernando Valley to record a decline in vacancy.

RENTS



3.7% increase in effective rents Y-O-Y

- Unchanged vacancy and growing earnings allowed for a slight uptick in year-over-year rent growth, pushing the region's average effective rate to \$2,131 per month during the second quarter.
- The most pronounced rent gain was noted in Northridge/Northwest San Fernando Valley, where the average effective rate rose 5.1 percent to \$1,962 per month amid sub-3 percent vacancy.

* Forecast

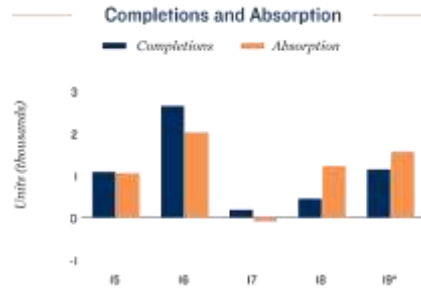
MARKET OVERVIEW



LOS ANGELES METRO AREA: SOUTH BAY/LONG BEACH

Investment Trends

- South Bay/Long Beach represents a locale of revitalization, as older industrial properties in El Segundo are being converted into creative office space and redevelopment efforts in Downtown Long Beach are significant. These regional upgrades are bringing tech and entertainment companies priced out of Silicon Beach into the market, equating to an uptick in higher-paying job creation. A percentage of individuals filling these new positions are opting to live locally to avoid lengthy commutes and above-average rental rates elsewhere, which has increased demand for available apartments. As of June, vacancy in both South Bay and Long Beach sat in the mid-3 percent band. These rates are unlikely to shift during the second half, as supply additions are minimal in South Bay and the 735 units delivered in Downtown Long Beach are well received following a recent dearth of completions.
- Mid-size and larger complexes with an equal mix of one- and two-bedroom units accounted for the majority of deal flow over the past 12 months ending in June. In Long Beach and San Pedro, these Class B and C properties trade for \$10 million to \$20 million-plus, providing private investors and 1031-exchange buyers with mid-3 to mid-4 percent initial returns. Similar properties in beach communities can trade at sub-3 percent minimum returns, with pricing often above \$500,000 per unit.



1Q19 – 12-Month Period

CONSTRUCTION



1,140 units completed Y-O-Y

- Delivery volume over the past 12 months ending in June rose by 1,000 units on a year-over-year basis, driven by the finalization of 600 apartments during the second quarter of 2019.
- Entering the second half, construction is underway on 2,600 units with deliveries extending into early 2021. Approximately 60 percent of these rentals are underway in Long Beach, where ongoing projects comprise an average of 160 apartments.

VACANCY



50 basis point increase in vacancy Y-O-Y

- On net absorption of nearly 1,600 units over the past four quarters, vacancy compressed to 3.6 percent in June. During the prior yearlong period, unit availability rose 20 basis points.
- Vacancy declined by 50 basis points in both Long Beach and the South Bay submarkets over the past year, falling to 3.6 percent and 3.5 percent, respectively. Class C availability is notably limited in Long Beach, entering the second half at 1.5 percent following a 190-basis-point decline.

RENTS



3.1% increase in effective rents Y-O-Y

- The average effective rent reached \$2,282 per month in June, with less than 10 percent of units offering concessions as of the second quarter of 2019. In the prior 12-month period, the average monthly rate rose 4.1 percent.
- Rent growth was most pronounced in Long Beach, where the average effective rate rose 3.3 percent to \$1,981 per month.

* Forecast

MARKET OVERVIEW

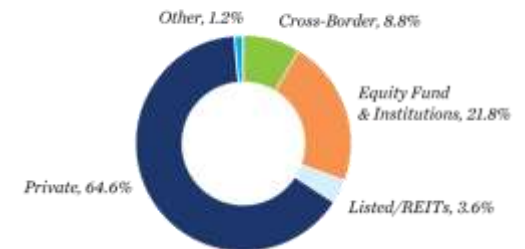


LOS ANGELES METRO AREA

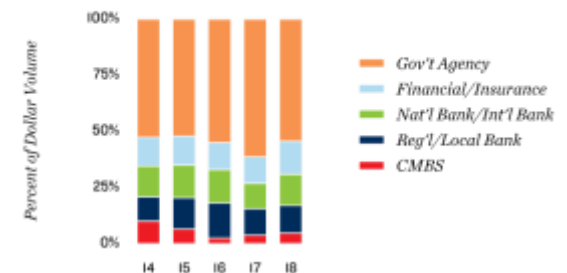
Capital Markets

- **Fed takes action to sustain economic momentum.** The combination of trade disputes between the U.S. and China together with slowing European growth converged to weigh on the global economic outlook, sparking action by the Federal Reserve. To combat the restraints on growth, largely driven by uncertainty surrounding international trade, the Federal Reserve cut its overnight rate by 25 basis points and halted its balance sheet reductions, known as quantitative tightening. Though this action runs the risk of lifting inflation pressure, the Fed has communicated its willingness to let the economy “run hot.” Many believed the Fed action would offer a boost to domestic markets until the trade war was escalated immediately after the Fed announcement. This new bout of uncertainty pushed the 10-year Treasury yield below 2 percent for the first time since 2016. Though domestic growth has moderated, the nation’s economic foundation remains solid, headlined by the tight labor market and muted inflationary pressure. Fed officials will continue to focus on economic risks spilling over from the trade war with China, potentially calling for additional rate reductions this year.
- **Abundant liquidity balances conservative underwriting.** Debt financing for apartment assets remains strong, supported by a variety of lenders. However, Fannie Mae and Freddie Mac, two mainstay apartment capital sources, will step to the sidelines in the second half of the year as they reach their lending caps on market rate assets. The Government Sponsored Enterprises will remain active lenders for “uncapped business,” including environmentally sustainable and affordable housing properties. A wide range of local, regional and national banks; pension funds; insurance companies and CMBS sources will remain active. All have responded to the falling interest rate climate by reducing mortgage rates, but lender spreads have widened as the 10-year Treasury rate has fallen. Given the downward pressure on interest rates, lender caution has risen, particularly for construction loans. Though lending is still available for these types of projects, investors may need to blend mezzanine debt with other capital sources until they prove out their concepts and substantially fill units. For stabilized existing assets in most major markets, financing remains plentiful.

2Q19* Apartment Acquisitions
By Buyer Type



Apartment Mortgage Originations
By Lender



* Trailing 12 months through 2Q19
Includes sales \$2.5 million and greater
Sources: CoStar Group, Inc.; Real Capital Analytics

MARKET OVERVIEW

Created on March 2020

POPULATION	1 Miles	3 Miles	5 Miles
■ 2024 Projection			
Total Population	41,066	285,459	762,394
■ 2019 Estimate			
Total Population	40,590	280,952	742,208
■ 2010 Census			
Total Population	39,291	271,085	705,789
■ 2000 Census			
Total Population	40,339	268,941	684,300
■ Daytime Population			
2019 Estimate	30,512	248,269	691,612
HOUSEHOLDS	1 Miles	3 Miles	5 Miles
■ 2024 Projection			
Total Households	11,279	90,414	261,436
■ 2019 Estimate			
Total Households	11,062	88,515	253,195
Average (Mean) Household Size	3.57	3.13	2.89
■ 2010 Census			
Total Households	10,557	84,067	236,647
■ 2000 Census			
Total Households	10,492	82,486	231,517
Growth 2015-2020	1.96%	2.15%	3.25%
HOUSING UNITS	1 Miles	3 Miles	5 Miles
■ Occupied Units			
2024 Projection	11,279	90,414	261,436
2019 Estimate	11,449	91,671	262,471
Owner Occupied	3,726	33,075	93,445
Renter Occupied	7,337	55,440	159,750
Vacant	387	3,156	9,276
■ Persons In Units			
2019 Estimate Total Occupied Units	11,062	88,515	253,195
1 Person Units	17.47%	23.25%	27.22%
2 Person Units	19.35%	23.85%	25.92%
3 Person Units	16.31%	15.89%	15.26%
4 Person Units	17.56%	15.38%	13.80%
5 Person Units	12.69%	9.87%	8.14%
6+ Person Units	16.62%	11.75%	9.66%

HOUSEHOLDS BY INCOME	1 Miles	3 Miles	5 Miles
■ 2019 Estimate			
\$200,000 or More	1.81%	3.78%	6.76%
\$150,000 - \$199,000	2.99%	4.62%	5.77%
\$100,000 - \$149,000	11.12%	12.94%	13.84%
\$75,000 - \$99,999	12.61%	12.08%	12.49%
\$50,000 - \$74,999	15.10%	17.00%	17.20%
\$35,000 - \$49,999	14.24%	13.65%	12.72%
\$25,000 - \$34,999	13.52%	10.64%	9.26%
\$15,000 - \$24,999	14.37%	12.11%	10.49%
Under \$15,000	14.25%	13.16%	11.47%
Average Household Income	\$60,624	\$72,594	\$87,635
Median Household Income	\$42,788	\$50,560	\$58,697
Per Capita Income	\$16,827	\$23,041	\$30,032
POPULATION PROFILE	1 Miles	3 Miles	5 Miles
■ Population By Age			
2019 Estimate Total Population	40,590	280,952	742,208
Under 20	27.59%	24.52%	24.20%
20 to 34 Years	26.78%	25.11%	25.13%
35 to 39 Years	7.27%	7.47%	7.93%
40 to 49 Years	13.15%	13.58%	14.09%
50 to 64 Years	16.33%	17.98%	17.38%
Age 65+	8.86%	11.37%	11.28%
Median Age	32.30	35.23	35.39
■ Population 25+ by Education Level			
2019 Estimate Population Age 25+	26,129	191,648	512,075
Elementary (0-8)	17.36%	12.13%	11.50%
Some High School (9-11)	13.38%	10.70%	9.36%
High School Graduate (12)	24.02%	23.13%	20.97%
Some College (13-15)	17.19%	19.52%	19.08%
Associate Degree Only	7.03%	7.62%	6.85%
Bachelors Degree Only	12.30%	17.21%	20.87%
Graduate Degree	3.80%	5.99%	7.94%
■ Population by Gender			
2019 Estimate Total Population	40,590	280,952	742,208
Male Population	51.13%	50.12%	49.96%
Female Population	48.87%	49.88%	50.04%

MARKET OVERVIEW



Population

In 2018, the population in your selected geography is 22,147. The population has changed by 8.53% since 2000. It is estimated that the population in your area will be 22,559.00 five years from now, which represents a change of 1.86% from the current year. The current population is 50.17% male and 49.83% female. The median age of the population in your area is 41.86, compare this to the US average which is 37.95. The population density in your area is 7,048.28 people per square mile.



Households

There are currently 8,205 households in your selected geography. The number of households has changed by 9.27% since 2000. It is estimated that the number of households in your area will be 8,391 five years from now, which represents a change of 2.27% from the current year. The average household size in your area is 2.69 persons.



Income

In 2018, the median household income for your selected geography is \$57,617, compare this to the US average which is currently \$58,754. The median household income for your area has changed by 46.22% since 2000. It is estimated that the median household income in your area will be \$65,882 five years from now, which represents a change of 14.34% from the current year.

The current year per capita income in your area is \$29,163, compare this to the US average, which is \$32,356. The current year average household income in your area is \$78,319, compare this to the US average which is \$84,609.



Race and Ethnicity

The current year racial makeup of your selected area is as follows: 70.07% White, 1.93% Black, 0.06% Native American and 9.40% Asian/Pacific Islander. Compare these to US averages which are: 70.20% White, 12.89% Black, 0.19% Native American and 5.59% Asian/Pacific Islander. People of Hispanic origin are counted independently of race.

People of Hispanic origin make up 29.71% of the current year population in your selected area. Compare this to the US average of 18.01%.



Housing

The median housing value in your area was \$500,857 in 2018, compare this to the US average of \$201,842. In 2000, there were 3,527 owner occupied housing units in your area and there were 3,982 renter occupied housing units in your area. The median rent at the time was \$588.



Employment

In 2018, there are 2,890 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 62.97% of employees are employed in white-collar occupations in this geography, and 37.15% are employed in blue-collar occupations. In 2018, unemployment in this area is 5.60%. In 2000, the average time traveled to work was 33.00 minutes.

MARKET OVERVIEW

