

SOUTH BAY MARKET SUMMARY | Q1 2024

SALES

The first quarter witnessed 11 multifamily buildings worth \$28.9 million sell in the South Bay Submarket, below the 20 buildings worth \$113 million that sold, quarterly, on average, during the past five years. Sales activity during the past 12 months, \$182 million, represents a moderation from the \$272 million worth of sales seen the same time one year ago.

Elevated debt costs have adversely affected apartment pricing in the submarket area. The average market pricing of \$300,000/unit has declined by around 15% from a peak of about \$360,000/unit in 22Q1. Average market cap rates, 4.9%, have risen by 75-100 basis points.

Looking at recent sales, in February, a private buyer acquired Sky South Bay, a 13-unit building at 21721 Moneta Ave. in Torrance, for \$5.26 million (\$404,000/unit) at a 4.4% in-place cap rate. The unit mix comprised six two-bedrooms, three one-bedrooms, and four studios. The property sold for a 9% discount from the initial asking price of \$5.75 million.

In December, a private buyer purchased Madison Park Apartments, a 36-unit community in Torrance, from Unison Investment for \$11.09 million (\$308,000/unit) at around a 5.5% in-place cap rate. The property traded for 7.5% less than the initial asking price of \$12 million. The unit mix included 18 one-bedroom and 18 two-bedroom units.

SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$412,695	\$2,868,587	\$1,761,750	\$23,700,000
Price/Unit	\$68,181	\$273,606	\$263,571	\$607,692
Cap Rate	2.9%	4.9%	4.8%	7.2%
Vacancy Rate At Sale	0%	4.2%	0%	60.0%
Time Since Sale in Months	0.2	6.4	6.9	11.6
Property Size in Units	4	10	6	41
Number of Floors	1	1	2	3
Average Unit SF	251	838	807	1,830
Year Built	1910	1964	1962	2022



KEVIN KAWAOKA
EXECUTIVE VICE PRESIDENT

📞 310.806.6119

✉️ kkawaoka@naicapital.com

📄 Cal DRE #01733613

Your Apartment Investment Specialist

SOUTH BAY MARKET SUMMARY | Q1 2024

RENTS

Average asking rents in the South Bay Submarket witnessed gains of 1.8% during the past 12 months, outperforming movements of 0.2% seen across the Greater Los Angeles apartment market. Current growth represents a deceleration from gains of 2.7% seen a year ago.

Rent growth in the area has also outperformed market- wide averages over the longer term. The South Bay Submarket saw average annual rent growth of 3.6% during the past 10 years, outpacing the gains of 2.9% realized across the Greater Los Angeles apartment market. Outsized rent growth has also been witnessed in other locations in the L.A. metro that offer relatively affordable apartments and have seen modest supply growth.

Rents in the South Bay Submarket average around \$1,950/month, almost 15% less than the market-wide average. Around 75% of apartments in the submarket are lower-quality, 1 & 2 Star units, with rents averaging around \$1,750/month. Properties rated 3 Star, with average rents of \$2,250/month, make up around 20% of units.

VACANCY

The South Bay Submarket has seen historically soft renter demand in recent quarters, with -120 units absorbed, underperforming average annual renter demand of 230 units seen in the submarket during the 10 years. Vacancy has risen from a recent low of 2.4% in 22Q1 to 3.4%; however, it remains favorable compared to the submarket's long-term historical average of 3.4%. It also presently has one of the lower vacancy rates among L.A.'s submarkets, below the Greater Los Angeles apartment average of 5.1%.

The submarket historically has been one of the tighter apartment submarkets in the Los Angeles metro. Vacancy averaged 3.3% during the past decade in the South Bay Submarket, compared to 4.6% across the Greater Los Angeles apartment market. Around 95% of units in the South Bay are rated as 1 & 2 or 3 Star. The concentration of more affordable apartments has been a key driver of below-market vacancy.



KEVIN KAWAOKA
EXECUTIVE VICE PRESIDENT

📞 310.806.6119

✉️ kkawaoka@naicapital.com

📄 Cal DRE #01733613