Market Report

MULTIFAMILY 2Q/26

Los Angeles Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

2026 FORECAST

EMPLOYMENT
29,500 — Jobs will be created
0.6% — Increase Y-O-Y

CONSTRUCTION
8,500 — Units will be added
0.7% — Inventory increase Y-O-Y

VACANCY
5.0% — Vacancy rate
20 — BPS increase Y-O-Y

RENT
$2,880 — Average effective rent by year-end
1.0% — Increase Y-O-Y

Comparable Vacancy Across Submarkets, Class Cuts Support Notable Sales Activity

Regional vacancy rates reflect broader consistency. Since reaching 5.2 percent in the first half of 2024, Los Angeles County apartment vacancy has declined by 40 basis points. This compression highlights the sector's ability to withstand a period of economic volatility, which has reduced international relocations to the metro and furthered domestic out-migration. Fortunately for apartment properties, local barriers to homeownership exist for many households, with renter movement between property tiers and submarkets prohibited by sizable rent disparities. As such, vacancy ranges from 4.6 to 5.2 percent across the metro's four primary regions: Greater Downtown Los Angeles, South Bay-Long Beach, San Fernando Valley, and Westside Cities.

Supply pressure varies by region. The number of units added in 2026 will align with the prior five-year average of 8,800 units. At least half of this year's deliveries, however, will be spread across Greater Downtown Los Angeles, with the largest concentration in Mid-Wilshire, expanding the submarket's inventory by 2.3 percent. These rentals appear warranted as the area's Class A vacancy rate fell by 150 basis points over the past year ended in March. Elsewhere, the metro's three other primary regions are slated to record stock growth of 0.5 to 0.8 percent this year.

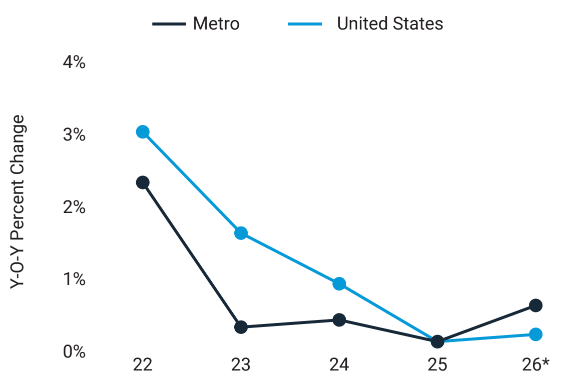
EMPLOYMENT

Employers added 12,100 jobs over the first four months of this year, after creating just 2,600 positions in 2025. Growth of the local healthcare sector is offsetting moderate job loss across most traditional office-using segments, including the film and television industry. This dynamic holds through 2026, with the metro's workforce projected to grow by nearly 30,000 roles. Beyond this year, demand for health services will increase, as the county's population of residents 65 and older continues to rise.

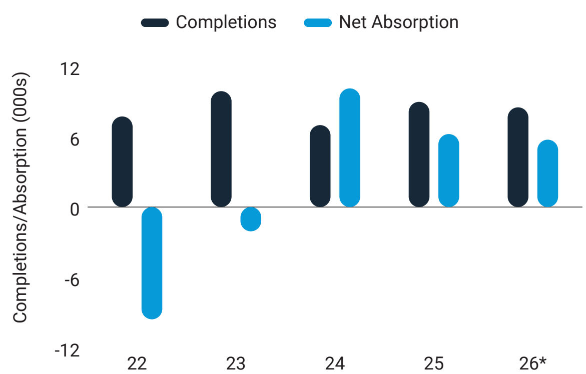
CONSTRUCTION

Approximately 1,950 units were delivered across the county in the first quarter of this year, part of 8,850 rentals completed over the past 12 months. Another 21,130 apartments were under construction at the start of April, accounting for just 1.8 percent of existing stock. Among submarkets, South Bay and South Los Angeles had the largest active pipelines at 1,650 and 1,590 rentals, respectively, suggesting a more even distribution of deliveries going forward.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



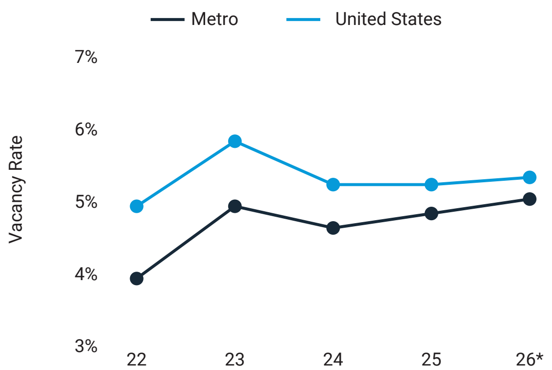
* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

VACANCY

Metro vacancy was unchanged at 4.8 percent during the first quarter of this year, with no property tier registering an increase in its rate. At 5.0 percent, Class A vacancy entered April higher than the other class cuts; however, this rate is only 20 basis points above its long-term average. Meanwhile, Class B and C rates of 4.9 and 4.3 percent were 60 and 80 basis points above their respective means. With significant disparities in average rents across sectors, renter movement between property tiers should remain minimal.

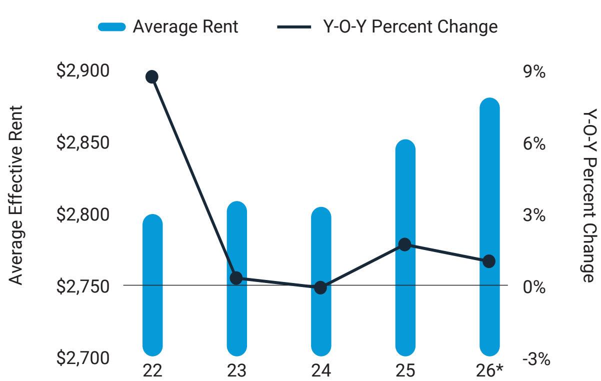
VACANCY TRENDS



RENT

Driven by rent increases at renewal, Los Angeles County's average effective rate rose 1.4 percent over the past year to $2,853 per month. Recent Class A vacancy compression supported a more pronounced rent growth rate, lifting the property tier's mean monthly metric to $3,780. Entering April, this average exceeded the local Class B mean by more than $1,000 per month. Among major U.S. markets, only Boston, New York City, San Francisco, and West Palm Beach have a larger disparity between luxury and mid-tier rent.

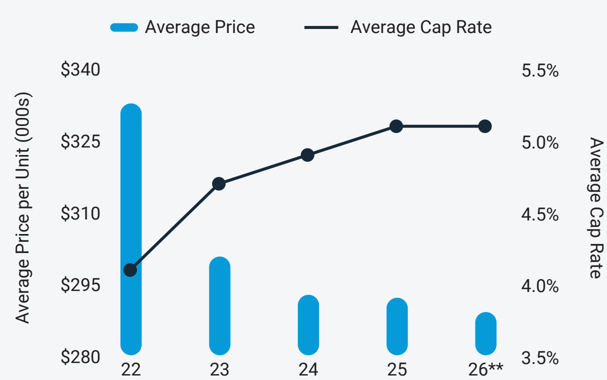
RENT TRENDS



INVESTMENT HIGHLIGHTS

- Los Angeles continues to attract significant investor attention, despite domestic out-migration and a historically above-average vacancy rate. As such, multifamily deal flow in the metro improved roughly 25 percent over the year ending in March, with local transactions accounting for more than 20 percent of all trades across primary U.S. markets.
- Private investors were responsible for the recent improvement in deal flow, with most targeting smaller Class C complexes in the $1 million to $5 million tranche. One-third of these transactions were in Los Angeles proper, with Long Beach, San Gabriel Valley, and San Fernando Valley the most active areas outside the city.
- Measure ULA continues to limit sales activity in Los Angeles proper, specifically transactions above $10 million. The number of trades above this threshold during the 12 months ended this March trailed the yearlong period just before the measure's enactment in 2023 by 50 percent.
- A Los Angeles County ordinance enacted in April has doubled the minimum rent debt required before a landlord can pursue eviction for nonpayment to two months from one. The amendment applies to all unincorporated communities, totaling roughly 1 million residents. Many of these areas are outlying, but some are also central, including East Los Angeles and portions of the San Gabriel Valley.

SALES TRENDS



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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