

# HANES

SOUTHERN CALIFORNIA  
SPRING 2022 - VOLUME 71

*the essential resource for  
apartment investors*

M U L T I F A M I L Y I N V E S T O R

INTERVENTIONIST POLICY BLOCKADE IS LEAVING OUR SHIPS AT SEA

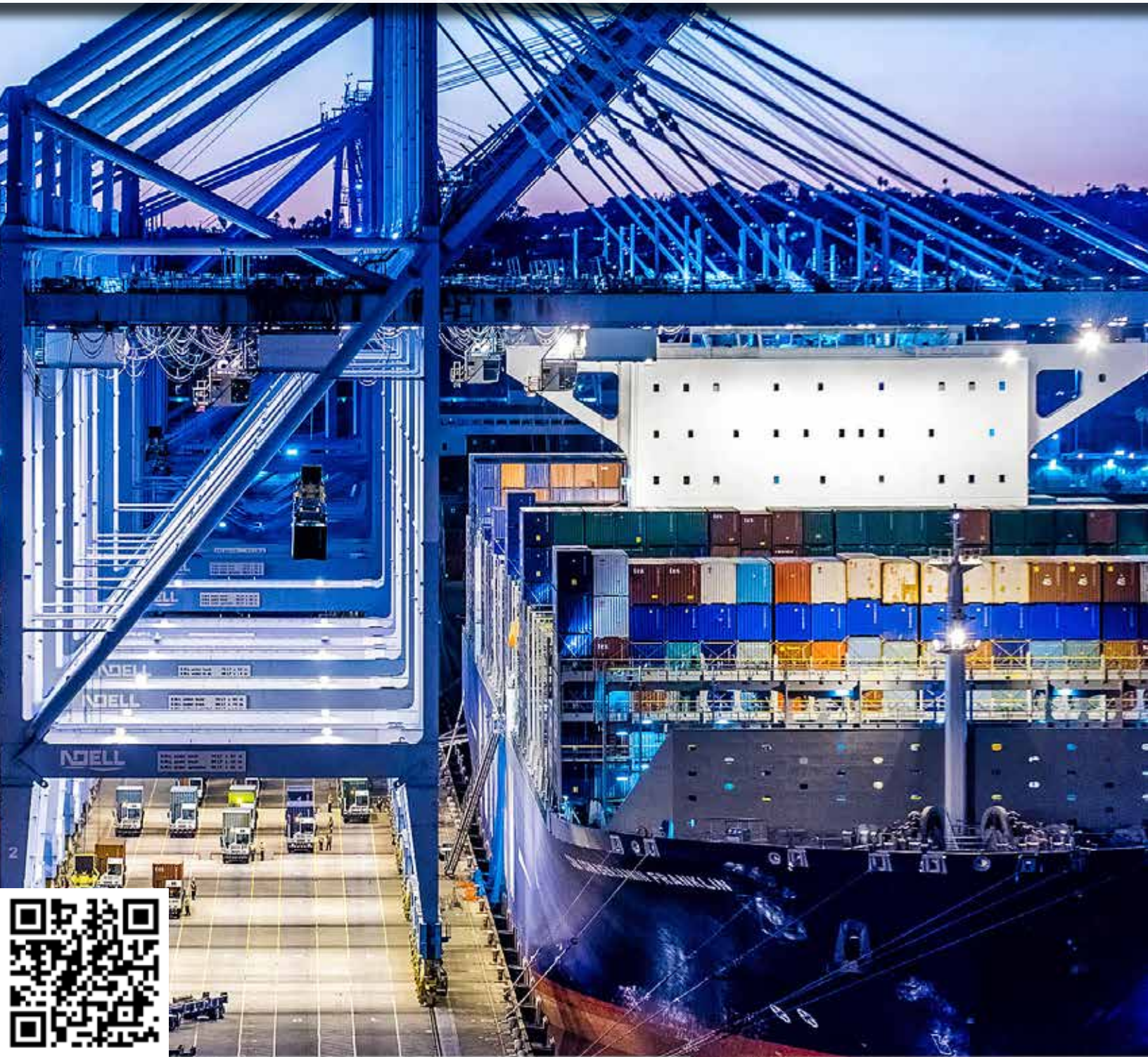


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BY: TODD S. SCHWARTZ

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APM TERMINAL - PORT OF LOS ANGELES  
THE LARGEST CONTAINER PORT  
IN THE WESTERN HEMISPHERE



CIRCULATED TO 20,988 OWNERS OF:

43,212

INDIVIDUAL MULTIFAMILY PROPERTIES IN 5  
SOUTHERN CALIFORNIA REGIONS

If left to a free market, there is no better industry than multifamily investing. Everyone needs a place to live, and so we provide one of the most important services in the world. Unfortunately, our opinion is diametrically opposed to that of the weak leadership in California and sloppy stewards aimlessly wandering the halls in Washington D.C. Politicians at the local, state, and national level believe that if they manipulate the regulations enough, low, or moderate income, even workforce housing, can be willed into existence. They are wrong, it is not happening, and the housing problem is getting worse. The homeless can be found camping on many urban streets in Los Angeles which is the physical result of our politician's failure to successfully encourage and promote low-income housing. **To make matters worse, inflation has risen steeply, absorption outpaces production, regulation is so oppressive that it now costs upwards of \$750,000 to produce one unit of low-income housing and, yes, all that with the interest rates on the rise.**

In a previous issue, April 2021, we discussed our inflation concerns due in part to mounting national debt propagated by massive spending in Washington D.C. As noted, neither political party can claim fiscal restraint and there are no champions for national debt reduction nor a balanced budget. The politicians print money with abandon and are kicking the 'responsibility can' down the road to our children and grandchildren. In addition to inflation, apartment operators are significantly impacted on other fronts including supply and labor shortages (which, of course adds to inflation) and run-away regulation (which ties our hands and prevents us from managing the inflationary pressures). **Fortunately, there are positives for owners including high apartment demand, strong valuations, low turnover, low vacancy, and attractive interest rates (at least for the time being).**

As noted, we anticipated an inflationary economic

environment coming out of the Delta Variant and we were hopeful that it would be transitory. We did not, however, anticipate such a high degree of inflation, exasperated by supply line constraints and labor shortages, which ultimately impact our bottom-line apartment returns. In 2020 inflation averaged 1.40%, below the Fed's target of 2.0%, mostly due to the lock downs. **In January 2022 inflation jumped to its highest level since 1982, 7.5%. The highest in 40 years!** Americans are flush with cash and credit and are competing globally for limited goods and services. Inflation will likely be more persistent than expected,

**Commodities:** While the lumber bubble burst mid-2021 prices have been climbing since and spiked recently. Lumber has increased from \$468 per 1,000 board ft. in August 2021 to \$1,261 in February 2022, **up nearly 169% in six months.**

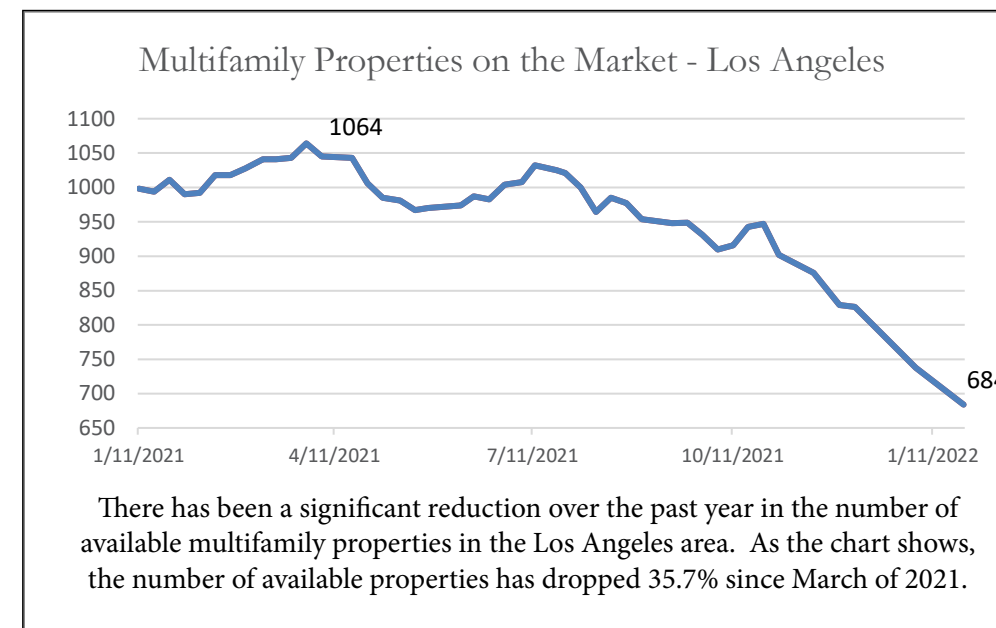
**Services:** Owners in the City of Los Angeles have experienced massive (in no way an exaggeration) trash collection increases since the city handed the operators a scheme of monopolies. For example, at one of our Van Nuys properties fees skyrocketed from \$17/unit to \$63/unit, **an increase of 271%.** Other cities are following suit.

For example, a property we have in Glendale had a trash collection **increase of 384% in one month, \$13/unit to \$65/unit** without any change in service size or frequency.

The above are just three examples and multifamily operating costs are increasing well beyond core inflation numbers on just about every line item.

Labor costs, if you can attract a specialty trade contractor out to your

property, are also increasing rapidly and pressure on tradesman service fees will continue. This becomes understandable when you consider two important factors. 1) The increase in material cost and an overall lack of availability, and 2) A diminishing pool of experienced, highly skilled contractors. The National Association of Home Builders survey reports labor shortages in many areas, some serious. For example, finish carpenters (72% of builders report a shortage), concrete workers (60%), painters, plumbers, and drywall workers (55-56%) and electricians (52%) to name a few. We can only hope that as tradesmen retire en mass they are replaced by



yet experts expect that it will level throughout the year. The Federal Reserve anticipates 2.6% for 2022. Even with a flattening of inflationary pressure, some of the damage could be enduring. Take a look at the following three examples:

**Gasoline Prices:** A recent low point for a gallon of gas in California averaged \$2.48. Last month, it was \$4.60, **an increase of 85.6%**. WTI futures have been hovering in the mid \$80s to low \$90s and there is speculation that \$100 a barrel is on the horizon which will force gasoline prices even further upward. As gas prices go up, so does the cost of most everything else.

# LOS ANGELES

MARKET WATCH		2020 vs 2021 CLOSED TRANSACTIONS							
		Age	GRM	CAP	# of Units	Cost Per Unit	Cost Per SQFT	Rent Per SQFT	# of Sales
Beverly Hills	2020	77.8		2.93	6	\$618,742	\$628.62		5
	2021	70.6	15.09	3.55	11	\$567,814	\$555.84	\$2.75	10
	Change	-7.2		0.62		-8%	-12%		100%
Brentwood	2020	49.0	17.35	3.35	8	\$475,750	\$507.14	\$2.45	2
	2021	63.5	16.48	3.37	11	\$463,393	\$431.22	\$2.17	2
	Change	14.5	-0.87	0.02		-3%	-15%	-11%	
Hawthorne	2020	57.6	13.54	4.78	7	\$261,249	\$277.45	\$1.70	8
	2021	58.6	14.27	4.80	18	\$266,035	\$357.32	\$1.69	11
	Change	1.0	0.73	0.02		1%	29%	-1%	38%
Hollywood	2020	74.2	14.90	4.46	15	\$324,762	\$422.37	\$2.48	40
	2021	60.8	14.53	4.27	21	\$358,558	\$379.47	\$2.17	61
	Change	-13.4	-0.37	-0.19		10%	-10%	-13%	53%
Inglewood	2020	63.0	14.08	4.06	7	\$280,840	\$319.34	\$1.80	6
	2021	62.7	13.44	4.53	11	\$272,875	\$342.02	\$2.35	15
	Change	-0.3	-0.64	0.47		-3%	7%	31%	150%
Koreatown	2020	79.9	15.90	3.99	13	\$219,334	\$296.41	\$1.64	16
	2021	80.2	14.81	4.09	24	\$211,269	\$312.06	\$1.74	18
	Change	0.3	-1.09	0.10		-4%	5%	6%	13%
Mid-Wilshire	2020	61.0	14.50	4.12	24	\$315,665	\$390.57	\$2.37	30
	2021	65.4	15.41	4.21	16	\$290,434	\$337.79	\$1.94	35
	Change	4.4	0.91	0.09		-8%	-14%	-18%	17%
Mid-City/LaFayette	2020	75.8	16.36	4.74	10	\$310,233	\$406.95	\$1.86	16
	2021	75.2	13.40	4.33	14	\$290,962	\$335.23	\$2.03	17
	Change	-0.6	-2.96	-0.41		-6%	-18%	9%	6%
Palms	2020	55.1	16.43	3.76	11	\$301,811	\$357.43	\$2.08	10
	2021	51.3	15.04	4.47	13	\$344,842	\$374.18	\$1.97	19
	Change	-3.8	-1.39	0.71		14%	5%	-5%	90%
Pico/Robertson	2020	46.8	16.40	3.93	7	\$524,762	\$442.16	\$2.53	4
	2021	56.9	18.17	3.65	13	\$333,862	\$378.03	\$2.05	9
	Change	10.1	1.77	-0.28		-36%	-15%	-19%	125%
Santa Monica	2020	67.1	18.58	3.77	13	\$453,427	\$557.69	\$2.97	23
	2021	61.8	16.70	3.96	11	\$507,958	\$591.53	\$2.97	33
	Change	-5.3	-1.88	0.19		12%	6%		43%
Silver Lake / Echo Park	2020	64.8	18.34	3.81	24	\$283,602	\$407.18	\$2.20	16
	2021	92.2	13.59	5.09	10	\$248,240	\$361.57	\$2.38	16
	Change	27.4	-4.75	1.28		-12%	-11%	8%	
Torrance	2020	57.4	14.39	4.54	31	\$269,061	\$367.53	\$1.91	10
	2021	53.4	14.65	4.54	22	\$274,734	\$369.44	\$2.08	9
	Change	-4.0	0.26			2%	1%	9%	-10%
West Los Angeles	2020	56.5	16.00	4.77	10	\$387,058	\$493.20	\$3.03	8
	2021	52.8	15.61	3.90	11	\$479,352	\$515.83	\$2.54	18
	Change	-3.7	-0.39	-0.87		24%	5%	-16%	125%
West Hollywood	2020	71.4	16.61	3.88	10	\$524,812	\$503.54	\$2.42	5
	2021	72.6	15.67	4.24	16	\$372,758	\$447.23	\$2.30	11
	Change	1.2	-0.94	0.36		-1%	-11%	-5%	120%
West Downtown	2020	89.7	11.74	5.25	32	\$148,599	\$289.30	\$2.66	14
	2021	91.9	13.24	4.55	33	\$175,474	\$267.59	\$2.42	16
	Change	2.2	1.50	-0.70		18%	-8%	-9%	14%
Westwood	2020	71.0	23.00	2.50	6	\$516,666	\$566.31	\$2.05	1
	2021	75.7	16.68	3.96	6	\$580,571	\$646.82	\$3.16	7
	Change	4.7	-6.32	1.46		12%	14%	54%	600%

RENT WATCH		ASKING RENT LEVELS				
		Studio	1 Bed	2 Bed	3 Bed	Total Surveyed
Beverly Hills	Minimum	\$1,575	\$1,725	\$1,795	\$4,095	137
	Maximum	\$2,475	\$5,600	\$7,995	\$7,400	
	Average	\$1,792	\$2,592	\$3,917	\$5,286	
Brentwood	Minimum	\$1,420	\$1,680	\$2,295	\$3,800	132
	Maximum	\$2,195	\$3,700	\$7,250	\$6,433	
	Average	\$1,791	\$2,366	\$3,383	\$4,923	
Hawthorne	Minimum	\$1,225	\$1,295	\$1,700	\$2,300	61
	Maximum	\$1,395	\$1,780	\$2,575	\$2,850	
	Average	\$1,326	\$1,530	\$2,005	\$2,598	
Hollywood	Minimum	\$995	\$1,225	\$1,545	\$2,735	624
	Maximum	\$3,500	\$4,550	\$8,900	\$20,240	
	Average	\$1,627	\$2,020	\$2,786	\$4,745	
Inglewood	Minimum	\$1,035	\$1,395	\$1,775	\$2,325	121
	Maximum	\$1,595	\$2,695	\$3,424	\$5,495	
	Average	\$1,312	\$1,724	\$2,198	\$3,178	
Koreatown	Minimum	\$899	\$1,375	\$1,722	\$2,395	248
	Maximum	\$3,035	\$3,200	\$4,136	\$3,340	
	Average	\$1,371	\$1,893	\$2,534	\$2,868	
Mid-Wilshire	Minimum	\$1,175	\$1,425	\$1,800	\$3,200	144
	Maximum	\$2,780	\$5,999	\$5,550	\$6,900	
	Average	\$1,609	\$2,202	\$2,963	\$4,794	
Mid-City	Minimum	\$1,275	\$1,475	\$1,750	\$2,556	204
	Maximum	\$2,491	\$4,499	\$4,650	\$5,700	
	Average	\$1,539	\$1,998	\$2,811	\$3,906	
Palms	Minimum	\$1,195	\$1,580	\$1,895	\$2,750	191
	Maximum	\$2,969	\$3,895	\$5,000	\$5,450	
	Average	\$1,660	\$2,040	\$2,683	\$3,715	
Pico/Robertson	Minimum	\$1,325	\$1,650	\$1,850	\$2,500	126
	Maximum	\$2,000	\$3,250	\$4,795	\$5,250	
	Average	\$1,666	\$2,099	\$2,950	\$3,915	
Santa Monica	Minimum	\$1,095	\$1,700	\$2,095	\$3,054	418
	Maximum	\$4,800	\$9,500	\$9,297	\$9,500	
	Average	\$2,169	\$2,749	\$3,875	\$5,225	
Silver Lake / Echo Park	Minimum	\$1,299	\$1,625	\$1,795	\$2,250	103
	Maximum	\$3,050	\$4,250	\$5,200	\$8,600	
	Average	\$1,823	\$2,225	\$3,076	\$4,999	
Torrance	Minimum	\$795	\$1,295	\$1,750	\$2,695	116
	Maximum	\$1,940	\$4,040	\$3,630	\$4,000	
	Average	\$1,453	\$1,871	\$2,363	\$3,388	
West Los Angeles	Minimum	\$1,395	\$1,787	\$2,295	\$2,895	65
	Maximum	\$2,679	\$2,850	\$4,800	\$6,000	
	Average	\$2,105	\$2,200	\$3,348	\$4,525	
West Hollywood	Minimum	\$995	\$1,653	\$2,150	\$3,695	254
	Maximum	\$5,890	\$7,000	\$8,750	\$9,950	
	Average	\$1,956	\$2,656	\$3,812	\$6,362	
West Downtown	Minimum	\$783	\$1,395	\$1,545	\$1,403	77
	Maximum	\$2,350	\$2,175	\$3,250	\$3,250	
	Average	\$1,370	\$1,687	\$2,272	\$2,568	
Westwood	Minimum	\$1,450	\$1,785	\$2,285	\$3,550	178
	Maximum	\$2,700	\$5,495	\$7,800	\$9,800	
	Average	\$2,016	\$2,664	\$3,706	\$5,868	

<b>Average Asking Rents:</b>	<b>\$1,681</b>	<b>\$2,148</b>	<b>\$2,981</b>	<b>\$4,286</b>
	<b>Total # of Apartments Surveyed: 3,199</b>			

Source: Hanes Investment Realty, Inc. and CoStar Comps, Inc. - Profiling 521 apartment transactions 2020 and 2021 for 17 cities/areas in Los Angeles. The data includes sales reported by CoStar Comps as of August 2021. The data are average indicators only - each property is unique. Contact us at (818) 865-8305 for information specific to your property.

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# SAN FERNANDO VALLEY

MARKET WATCH		2020 vs 2021 CLOSED TRANSACTIONS							
		Age	GRM	CAP	# of Units	Cost Per Unit	Cost Per SQFT	Rent Per SQFT	# of Sales
Burbank	2020	49.3	17.00	4.10	12	\$356,620	\$428.23	\$2.12	8
	2021	No Data							
	Change								
Canoga Park	2020	57.5		5.06	33	\$182,933	\$241.75		2
	2021	49.0	12.38	3.80	39	\$191,340	\$362.33	\$2.37	3
	Change	-8.5		-1.26		5%	50%		50%
Chatsworth	2020	No Data							
	2021	No Data							
	Change								
Glendale	2020	54.9	16.65	3.53	12	\$365,711	\$381.20	\$1.83	15
	2021	54.3	16.13	3.97	53	\$346,294	\$415.39	\$2.18	31
	Change	-0.6	-0.52	0.44		-5%	9%	19%	107%
North Hills	2020	54.8	12.54	4.62	29	\$211,790	\$262.04		6
	2021	No Data							
	Change								
North Hollywood	2020	47.0	14.45	4.40	9	\$321,950	\$262.04	\$1.83	12
	2021	47.8	14.17	4.46	11	\$284,587	\$323.22	\$1.97	29
	Change	0.8	-0.28	0.06		-12%	23%	8%	142%
Northridge	2020	51.0	15.09	4.51	18	\$239,697	\$286.99	\$1.66	4
	2021	62.0	13.81	4.50	7	\$200,000	\$271.53	\$1.76	1
	Change	11.0	-1.28	-0.01		-17%	-5%	6%	-75%
Panorama City	2020	57.9	10.87	4.45	41	\$178,455	\$218.45	\$1.19	11
	2021	51.0		3.60	80	\$375,000	\$413.10		1
	Change	-6.9		-0.85		110%	89%		-91%
Reseda	2020	95.0	16.72	3.07	6	\$247,500	\$224.12		1
	2021	59.5	13.31	3.90	41	\$208,056	\$226.06	\$1.16	2
	Change	-35.5	-3.41	0.83		-16%	1%		100%
San Fernando	2020	No Data							
	2021	69.5		4.61	8	\$171,172	\$211.58		4
	Change								
Sherman Oaks	2020	59.5	14.82	4.50	10	\$327,549	\$324.07	\$2.13	15
	2021	58.7	15.02	4.10	16	\$330,637	\$346.44	\$1.79	9
	Change	-0.8	0.20	-0.40		1%	7%		-40%
Studio City	2020	59.5	17.03	4.06	13	\$349,583	\$368.99		2
	2021	68.0	18.17	3.05	20	\$335,000	\$504.29	\$2.31	1
	Change	8.5	1.14	-1.01		-4%	37%		-50%
Tarzana	2020	34.5	12.67	3.60	49	\$260,292	\$316.91	\$2.13	2
	2021	59.0	12.56	4.66	28	\$252,500	\$236.58	\$1.58	1
	Change	24.5	-0.11	1.06		-3%	-25%	-26%	-50%
Toluca Lake	2020	58.0	18.28	3.61	14	\$300,777	\$307.21	\$1.11	3
	2021	61.0	17.29	3.72	12	\$306,667	\$422.50		1
	Change	3.0	-0.99	0.11		2%	38%		-67%
Tujunga	2020	No Data							
	2021	61.7	14.30	4.35	10	\$201,289	\$289.15	\$1.75	3
	Change								
Valley Village	2020	57.7	15.92	3.86	7	\$246,121	\$257.43	\$1.76	3
	2021	55.6	15.19	4.08	11	\$286,214	\$355.87	\$2.02	8
	Change	-2.1	-0.73	0.22		16%	38%	15%	167%
Van Nuys	2020	54.2	13.40	4.46	22	\$177,630	\$252.92	\$1.73	19
	2021	51.8	13.91	4.34	13	\$236,979	\$277.52	\$1.61	17
	Change	-2.4	0.51	-0.12		33%	10%	-7%	-11%

RENT WATCH		ASKING RENT LEVELS				
		Studio	1 Bed	2 Bed	3 Bed	Total Surveyed
Burbank	Minimum	\$1,300	\$1,400	\$1,800	\$2,890	133
	Maximum	\$2,050	\$3,630	\$3,550	\$6,000	
	Average	\$1,640	\$1,960	\$2,604	\$3,963	
Canoga Park	Minimum	\$1,295	\$1,345	\$1,850	\$2,684	55
	Maximum	\$1,700	\$2,500	\$2,841	\$3,950	
	Average	\$1,457	\$1,770	\$2,302	\$3,208	
Chatsworth	Minimum	\$1,748	\$1,690	\$1,895		8
	Maximum	\$1,748	\$1,857	\$3,000		
	Average	\$1,748	\$1,774	\$2,307		
Encino	Minimum	\$1,445	\$1,695	\$1,875	\$2,750	58
	Maximum	\$2,095	\$2,500	\$4,500	\$5,295	
	Average	\$1,643	\$1,974	\$2,683	\$3,990	
Glendale	Minimum	\$1,175	\$1,395	\$1,695	\$2,825	255
	Maximum	\$2,755	\$3,700	\$8,250	\$6,000	
	Average	\$1,790	\$1,941	\$2,562	\$3,700	
North Hills	Minimum	\$1,400	\$1,650	\$1,650	\$2,695	10
	Maximum	\$1,400	\$1,995	\$2,260	\$4,000	
	Average	\$1,400	\$1,832	\$1,990	\$3,348	
North Hollywood	Minimum	\$1,195	\$1,250	\$1,600	\$2,645	167
	Maximum	\$2,514	\$2,880	\$5,500	\$7,000	
	Average	\$1,661	\$1,946	\$2,506	\$3,658	
Northridge	Minimum	\$1,275	\$1,425	\$1,625	\$2,595	66
	Maximum	\$2,095	\$2,480	\$3,575	\$4,495	
	Average	\$1,628	\$1,779	\$2,376	\$3,172	
Panorama City	Minimum	\$1,295	\$1,350	\$1,695		9
	Maximum	\$1,295	\$1,772	\$1,695		
	Average	\$1,295	\$1,601	\$1,695		
Reseda	Minimum	\$1,100	\$1,500	\$1,975	\$2,350	28
	Maximum	\$1,650	\$2,024	\$2,951	\$3,457	
	Average	\$1,488	\$1,693	\$2,307	\$2,904	
Sherman Oaks	Minimum	\$1,190	\$1,495	\$1,750	\$2,695	126
	Maximum	\$1,995	\$2,795	\$4,000	\$7,500	
	Average	\$1,677	\$2,020	\$2,548	\$3,891	
Studio City	Minimum	\$1,195	\$1,595	\$1,995	\$2,595	60
	Maximum	\$2,295	\$2,770	\$4,200	\$5,900	
	Average	\$1,873	\$2,050	\$2,839	\$4,222	
Tarzana	Minimum	\$1,400	\$1,575	\$1,895	\$2,595	25
	Maximum	\$1,595	\$2,000	\$2,685	\$2,595	
	Average	\$1,497	\$1,700	\$2,274	\$2,595	
Toluca Lake	Minimum		\$1,649	\$2,000	\$4,195	16
	Maximum		\$2,498	\$3,650	\$4,195	
	Average		\$2,035	\$2,685	\$4,195	
Valley Village	Minimum	\$1,550	\$1,600	\$1,850	\$3,495	58
	Maximum	\$2,895	\$2,250	\$3,950	\$5,900	
	Average	\$1,999	\$1,865	\$2,372	\$4,124	
Van Nuys	Minimum	\$1,095	\$1,350	\$1,750	\$2,550	77
	Maximum	\$1,695	\$2,430	\$2,950	\$3,600	
	Average	\$1,372	\$1,656	\$2,259	\$2,974	
Woodland Hills	Minimum	\$1,400	\$1,650	\$1,800	\$2,650	86
	Maximum	\$2,625	\$2,997	\$4,412	\$4,235	
	Average	\$1,978	\$2,154	\$2,802	\$3,558	

**Average Asking Rents:** \$1,634    \$1,868    \$2,418    \$3,567

**Total # of Apartments Surveyed:** 1,237

Source: Hanes Investment Realty, Inc. and CoStar Comps, Inc. - Profiling 214 apartment transactions 2020 and 2021 for 17 cities/areas in the San Fernando Valley. The data includes sales reported by CoStar Comps as of August 2021. The data are average indicators only - each property is unique. Contact us at (818) 865-8305 for information specific to your property.

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new, skilled contractors (at least after they try to be internet influencers first). It is not looking promising so far.

As consumers we are all experiencing sticker shock on everything from used cars to restaurants or a trip to the grocery store. If you can find what you are looking for, chances are, the prices have risen and will continue to do so.

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**“Those that fail to learn from history are doomed to repeat it.” - Winston Churchill**

A quick note on **RENT CONTROL** from Walter Block’s brilliant article in *The Concise Encyclopedia of Economics*. “A “romantic conception of SOCIALISM”...destroyed Vietnam’s economy in the years after the Vietnam war, said Foreign Minister Nguyen Co Thach. Mr. Thach admitted that controls ... had artificially encouraged demand and discouraged supply.... House rents had ... been kept low ... so all the houses in Hanoi had fallen into disrepair. The Americans couldn’t destroy Hanoi, but we have destroyed our city by very low rents. We realized it was stupid and that we must change policy.”

*From a news report in Journal of Commerce, quoted in Dan Seligman, “Keeping Up,” Fortune, February 27, 1989*

Inflation, under the right circumstances, can benefit the multifamily investor. Rents and values typically increase, and supply may decrease. **In the current environment new apartment deliveries have not kept pace with absorption and demand and multifamily values continue to climb.** Unfortunately, normal supply, demand, and free market fluctuations, do not actually apply to our business. Higher values along with oppressive rent control, combined with additional layers of regulations so numerous they are beyond the scope of this article, have added to the compression of capitalization rates. Runaway government control has tied the hands

of the apartment operator and we no longer can counter severe inflation with corresponding rent increases. Income is basically flat and expenses continue upward.

As we appear to be moving past the deadliest variants of the Corona virus, our hearts remain with the over 900,000 American souls who lost their lives to this pandemic. Our thoughts are with the friends and families they have left behind. Unfortunately, the politicians are using the pandemic in its waning days as an excuse to keep their boots firmly on the necks of apartment owners. One example of overreach, Los Angeles has extended the rent increase moratorium and Covid regulations until 2023 and possibly beyond.

**NEWS FLASH:** California leaders, forever focused on the important issues of the day, have extended the pandemic era “cocktails to go” law for another 5 years, **AND**, you can now legally eat roadkill. On the other hand, AB854 quietly made it out of committee. This bill would have repealed the Ellis Act and would force owners of residential real estate to remain in the business with penalties for removing rental property from the market. Fortunately, AB854 was narrowly defeated, for now. However, instead of incentivizing builders to construct low to moderate income housing, they overregulate until it is impossible for those projects to pencil out which stymies new construction and keeps rents high throughout California. NEWS, on the positive side, Senate Bill 9 provides the potential to develop duplexes in single family zones, but the quagmire of rules makes this extremely challenging, and we can expect battles from the NIMBYs (not in my backyard!). Stay tuned.

**INTEREST RATES have moved up and we anticipate increases throughout the next two years.** The best advice we can give you, if you have not already done so, is to refinance now

with longer term fixed rates. The Feds plan to halt bond purchases in March and have signaled three, quarter point interest rate hikes in 2022 with as many as 3-4 additional increases in 2023. Additionally, and likely concurrently with rate increases or soon thereafter, they will begin to unwind their balance sheet which has **doubled** during the pandemic to nearly **\$9 TRILLION** (an 1150% increase since 2003).

With regards to inflation, apartment operators are at the mercy of macro-economic forces. With regards to regulation, we need to be the squeaky wheel and stay in the face of the leadership. With regards to interest rates, refi now so when you are paying back the loan, you are doing so with money that has less purchasing power than it does today. That is a given.

*For your own portfolio, understand your position, know your after-tax return on equity. Understand*

*how it is changing from year to year and explore where the equity might be better placed for your own goals and maximization of the four returns of investment real estate. 1) Cash Flow 2) Equity Build Up 3) Tax Shelter and 4) Appreciation. We are available to advise on these fronts. It begins with a Hanes Analysis of your current position and alternative investments. Please contact us at (818) 865-8305 ext. 102 or email me at todd@hanesre.com with questions, comments, concerns and an evaluation of your current multifamily portfolio.*



Please use your phone to scan & link to Acquisitions and Dispositions

## WELCOME ETHAN HANES



Our newest associate has the entrepreneurial spirit like so many in the Hanes’ family. As an independent business owner, Ethan dedicates himself to the highest standards of both customer service and service to the community. He is a proven leader on several fronts and consistently demonstrates exemplary organizational skills. An honor student, Ethan was offered the accelerated degree program at his local college where he concentrated on both managerial and financial accounting with a secondary emphasis on client representation. In addition to his business acumen, Ethan led his swim team to the state championship and, creatively, is a skilled professional photographer. His passion for the real estate business is matched only by his fervent work ethic and enthusiasm. Ethan will be a great addition to the Hanes team.

# SAN GABRIEL VALLEY

MARKET WATCH		2020 vs 2021 CLOSED TRANSACTIONS							
		Age	GRM	CAP	# of Units	Cost Per Unit	Cost Per SQFT	Rent Per SQFT	# of Sales
Alhambra	2020	59.5	16.41	4.04	7	\$324,087	\$372.19	\$1.92	6
	2021	60.6	17.11	3.63	21	\$315,579	\$370.18	\$1.75	7
	Change	1.1	0.70	-0.41		-3%	-1%	-9%	17%
Arcadia	2020	68.5	17.91	3.32	14	\$372,881	\$396.98	\$1.81	4
	2021	65.2	17.01	3.11	11	\$392,560	\$496.35	\$1.94	6
	Change	-3.3	-0.90	-0.21		5%	25%	7%	50%
Azusa	2020	No Data							
	2021	72.5	14.59	4.36	6	\$203,429	\$340.28	\$2.17	2
	Change								
Baldwin Park	2020	No Data							
	2021	65.0	14.88	4.81	19	\$183,070	\$353.85	\$2.04	3
	Change								
Covina	2020	68.3	15.85	3.69	9	\$210,486	\$302.18	\$1.56	3
	2021	55.3	16.53	3.72	8	\$267,455	\$301.39	\$1.59	4
	Change	-13.0	0.60	0.03		27%	<0%	2%	33%
El Monte	2020	59.0		3.61	6	\$286,833	\$299.98		2
	2021	63.6	14.71	4.52	15	\$305,585	\$373.05	\$2.42	5
	Change	4.6		0.91		7%	24%		150%
Highland Park	2020	71.3	14.65	4.78	14	\$291,198	\$388.66	\$2.57	9
	2021	72.7	13.68	4.64	13	\$306,674	\$399.74	\$2.31	6
	Change	1.4	-1.00	-0.14		5%	3%	-10%	-33%
La Puente / Industry	2020	29.0		4.45	96	\$186,458	\$266.14		1
	2021	No Data							
	Change								
Monrovia	2020	48.7	20.00	5.14	6	\$426,875	\$400.18		3
	2021	49.3	15.95	3.97	50	\$329,964	\$313.66		6
	Change	0.6	-4.05	-1.17		-23%	-22%		100%
Monterey Park	2020	55.0	16.70	3.59	7	\$295,833	\$291.71	\$1.54	3
	2021	75.5	15.34	4.24	9	\$298,283	\$337.26	\$1.62	4
	Change	20.5	-1.36	0.65		1%	16%	5%	33%
Pasadena	2020	72.1	16.05	3.98	15	\$302,288	\$411.66	\$2.23	14
	2021	59.5	15.90	3.94	56	\$358,122	\$439.69	\$2.01	11
	Change	-12.6	-0.15	-0.04		18%	7%	-10%	-21%
Pomona	2020	73.4	12.50	5.48	11	\$195,305	\$263.96	\$1.95	5
	2021	65.5		4.51	43	\$211,406	\$239.50		6
	Change	-7.9		-0.97		8%	-9%		20%
Rosemead	2020	35.0			18	\$277,777	\$284.45		1
	2021	59.0	19.8	2.91	5	\$300,000	\$420.17	\$1.82	1
	Change	24.0				8%	48%		
San Gabriel	2020	51.3	17.79	3.53	13	\$311,925	\$374.96	\$1.75	4
	2021	53.8	16.43	3.52	12	\$367,708	\$413.40	\$1.82	4
	Change	2.5	-1.36	-0.01		18%	10%	4%	
South El Monte	2020	66.7	15.97	3.93	7	\$260,278	\$296.89	\$1.48	3
	2021	No Data							
	Change								
South Pasadena	2020	79.3			12	\$250,916	\$419.32		3
	2021	80.5	16.31	3.54	9	\$349,820	\$403.20	\$2.24	6
	Change	1.2				39%	-4%		100%
Temple City	2020	No Data							
	2021	55.5	22.36	3.41	19	\$337,554	\$348.60		4
	Change								

RENT WATCH		ASKING RENT LEVELS				
		Studio	1 Bed	2 Bed	3 Bed	Total Surveyed
Alhambra	Minimum	\$1,175	\$1,400	\$1,750	\$2,550	32
	Maximum	\$1,500	\$1,800	\$2,200	\$3,468	
	Average	\$1,373	\$1,623	\$1,968	\$2,989	
Arcadia	Minimum		\$1,500	\$1,750	\$2,600	16
	Maximum		\$2,549	\$3,175	\$3,400	
	Average		\$1,836	\$2,269	\$3,033	
Azusa	Minimum	\$1,619	\$1,140	\$1,895		10
	Maximum	\$1,619	\$1,750	\$2,450		
	Average	\$1,619	\$1,549	\$2,095		
Baldwin Park	Minimum	\$1,350		\$2,200		2
	Maximum	\$1,350		\$2,200		
	Average	\$1,350		\$2,200		
Covina	Minimum		\$1,450	\$2,000	\$2,100	11
	Maximum		\$1,799	\$2,500	\$2,350	
	Average		\$1,648	\$2,240	\$2,233	
El Monte	Minimum		\$1,395	\$1,750	\$2,195	10
	Maximum		\$1,600	\$2,000	\$2,300	
	Average		\$1,485	\$1,863	\$2,248	
Highland Park	Minimum	\$850	\$1,500	\$1,870	\$2,450	35
	Maximum	\$1,800	\$2,275	\$2,899	\$2,450	
	Average	\$1,448	\$1,747	\$2,171	\$2,450	
La Puente / Industry	Minimum		\$1,650		\$2,150	2
	Maximum		\$1,650		\$2,150	
	Average		\$1,650		\$2,150	
Monrovia	Minimum	\$1,375	\$1,500	\$2,100	\$2,800	21
	Maximum	\$1,375	\$2,815	\$3,175	\$3,920	
	Average	\$1,375	\$2,061	\$2,599	\$3,359	
Monterey Park	Minimum	\$995	\$1,600	\$1,750	\$1,977	12
	Maximum	\$1,000	\$1,900	\$2,750	\$1,977	
	Average	\$998	\$1,750	\$2,042	\$1,977	
Pasadena	Minimum	\$1,375	\$1,300	\$995	\$3,195	126
	Maximum	\$2,690	\$3,200	\$4,450	\$5,500	
	Average	\$2,066	\$2,080	\$2,709	\$4,112	
Pomona	Minimum	\$1,295	\$909	\$1,775		23
	Maximum	\$1,655	\$2,790	\$2,735		
	Average	\$1,433	\$1,568	\$1,994		
Rosemead	Minimum		\$1,300	\$1,795		5
	Maximum		\$1,950	\$1,810		
	Average		\$1,583	\$1,803		
San Gabriel	Minimum		\$1,600	\$1,750		8
	Maximum		\$1,900	\$2,199		
	Average		\$1,733	\$2,009		
South El Monte	Minimum	\$760				1
	Maximum	\$760				
	Average	\$760				
South Pasadena	Minimum	\$1,295	\$1,650	\$1,795	\$2,800	34
	Maximum	\$3,300	\$2,600	\$3,295	\$2,950	
	Average	\$2,073	\$1,852	\$2,406	\$2,875	
Temple City	Minimum			\$2,200		1
	Maximum			\$2,200		
	Average			\$2,200		

**Average Asking Rents:**                      \$1,449                      \$1,726                      \$2,171                      \$2,743

**Total # of Apartments Surveyed:**                      349

Source: Hanes Investment Realty, Inc. and CoStar Comps, Inc. - Profiling 136 apartment transactions 2020 and 2021 for 17 cities/areas in the San Gabriel Valley. The data includes sales reported by CoStar Comps as of August 2021. The data are average indicators only - each property is unique. Contact us at (818) 865-8305 for information specific to your property.

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# VENTURA COUNTY

# NORTH LOS ANGELES COUNTY

MARKET WATCH		2020 vs 2021 CLOSED TRANSACTIONS							
		Age	GRM	CAP	# of Units	Cost Per Unit	Cost Per SQFT	Rent Per SQFT	# of Sales
Camarillo	2020	55.0	11.92	5.18	33	\$244,696	\$297.52	1	
	2021	61.0	14.48	4.43	8	\$256,250	\$315.38	1	
	Change	6.0	2.56	-0.75		5%	6%		
Moorpark	2020	No Data							
	2021	No Data							
	Change								
Oxnard	2020	45.7	12.01	4.51	99	\$241,385	\$240.84	\$1.76	3
	2021	62.7		4.33	7	\$257,792	\$377.89		3
	Change	17.0		-0.18		7%	57%		
Port Hueneme	2020	44.0		5.50	5	\$193,000	\$273.14		1
	2021	No Data							
	Change								
Simi Valley	2020								
	2021	17.0			324	\$324,074	\$337.73		1
	Change								
Thousand Oaks/ Westlake Village	2020	15.0	15.58	4.42	28	\$498,438	\$422.94		2
	2021	38.5	13.64	4.41	28	\$388,200	\$346.63	\$1.91	2
	Change	23.5	-1.94	-0.01		-22%	-18%		
Ventura	2020	58.7		4.25	7	\$316,398	\$414.41		3
	2021	44.5	12.94	5.04	54	\$267,698	\$257.27	\$1.56	2
	Change	-14.2		0.79		-15%	-38%		-33%

Source: Hanes Investment Realty, Inc. and CoStar Comps, Inc. - Profiling 19 apartment transactions in Ventura County from 2020 and 2021. The data includes sales reported as of August 2021. The data are average indicators only - each property is unique. Contact us at (818) 865-8305 for information specific to your property.

MARKET WATCH		2020 vs 2021 CLOSED TRANSACTIONS							
		Age	GRM	CAP	# of Units	Cost Per Unit	Cost Per SQFT	Rent Per SQFT	# of Sales
Canyon Country/ Acton	2020	No Data							
	2021	No Data							
	Change								
Castaic	2020	No Data							
	2021	No Data							
	Change								
Lancaster	2020	45.5			12	\$102,795	\$118.41		4
	2021	No Data							
	Change								
Palmdale	2020	No Data							
	2021	53.3			10	\$129,954	\$180.18		3
	Change								
Quartz Hill	2020	34.0		5.40	6	\$158,333	\$176.51		1
	2021	No Data							
	Change								
Santa Clarita/ Newhall	2020	No Data							
	2021	54.3		5.10	24	\$218,399	\$270.24		6
	Change								
Valencia	2020	No Data							
	2021	No Data							
	Change								

Source: Hanes Investment Realty, Inc. and CoStar Comps, Inc. - Profiling 14 apartment transactions in Ventura County from 2020 and 2021. The data includes sales reported as of August 2021. The data are average indicators only - each property is unique. Contact us at (818) 865-8305 for information specific to your property.

RENT WATCH		ASKING RENT LEVELS				
		Studio	1 Bed	2 Bed	3 Bed	Total Surveyed
Camarillo	Minimum		\$913	\$2,065	\$2,960	23
	Maximum		\$2,895	\$3,480	\$3,176	
	Average		\$2,157	\$2,651	\$3,068	
Moorpark	Minimum		\$2,421	\$2,574	\$3,162	4
	Maximum		\$2,421	\$2,575	\$3,162	
	Average		\$2,421	\$2,575	\$3,162	
Oxnard	Minimum	\$2,001	\$1,495	\$1,945	\$2,845	28
	Maximum	\$2,098	\$2,572	\$3,738	\$4,832	
	Average	\$2,050	\$2,023	\$2,759	\$3,796	
Port Hueneme	Minimum			\$1,875		1
	Maximum			\$1,875		
	Average			\$1,875		
Simi Valley	Minimum	\$1,395	\$1,550	\$1,945	\$3,250	21
	Maximum	\$1,500	\$2,935	\$3,190	\$3,495	
	Average	\$1,448	\$2,202	\$2,432	\$3,373	
Thousand Oaks/ Westlake Village	Minimum	\$1,650	\$1,850	\$2,400	\$2,750	52
	Maximum	\$2,025	\$2,658	\$3,450	\$3,825	
	Average	\$1,845	\$2,328	\$2,783	\$3,432	
Ventura	Minimum		\$1,575	\$1,700	\$4,815	35
	Maximum		\$3,103	\$3,815	\$4,815	
	Average		\$2,186	\$2,597	\$4,815	

Average Asking Rents: \$1,781    \$2,220    \$2,525    \$3,608

Total # of Apartments Surveyed: 164

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RENT WATCH		ASKING RENT LEVELS				
		Studio	1 Bed	2 Bed	3 Bed	Total Surveyed
Canyon Country/Acton	Minimum		\$1,550	\$1,925		3
	Maximum		\$1,750	\$1,925		
	Average		\$1,650	\$1,925		
Castaic	Minimum	\$2,115	\$1,705	\$1,199	\$2,253	23
	Maximum	\$2,115	\$2,385	\$3,060	\$3,665	
	Average	\$2,115	\$1,955	\$2,168	\$2,950	
Lancaster	Minimum		\$1,000	\$1,495	\$2,200	12
	Maximum		\$1,728	\$2,224	\$2,200	
	Average		\$1,401	\$1,838	\$2,200	
Palmdale	Minimum	\$1,400	\$1,250	\$1,950		5
	Maximum	\$1,450	\$1,660	\$1,950		
	Average	\$1,425	\$1,455	\$1,950		
Quartz Hill	Minimum					
	Maximum					
	Average					
Santa Clarita/Newhall	Minimum	\$2,115	\$1,575	\$1,199	\$2,253	64
	Maximum	\$2,115	\$2,577	\$3,445	\$3,665	
	Average	\$2,115	\$1,917	\$2,264	\$2,809	
Valencia	Minimum		\$1,697	\$1,861	\$2,404	17
	Maximum		\$2,577	\$3,445	\$3,500	
	Average		\$2,115	\$2,526	\$2,952	

Average Asking Rents: \$1,885    \$1,749    \$2,112    \$2,182

Total # of Apartments Surveyed: 124

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# VALUE INDICATORS 10 YEAR TREND ANALYSIS

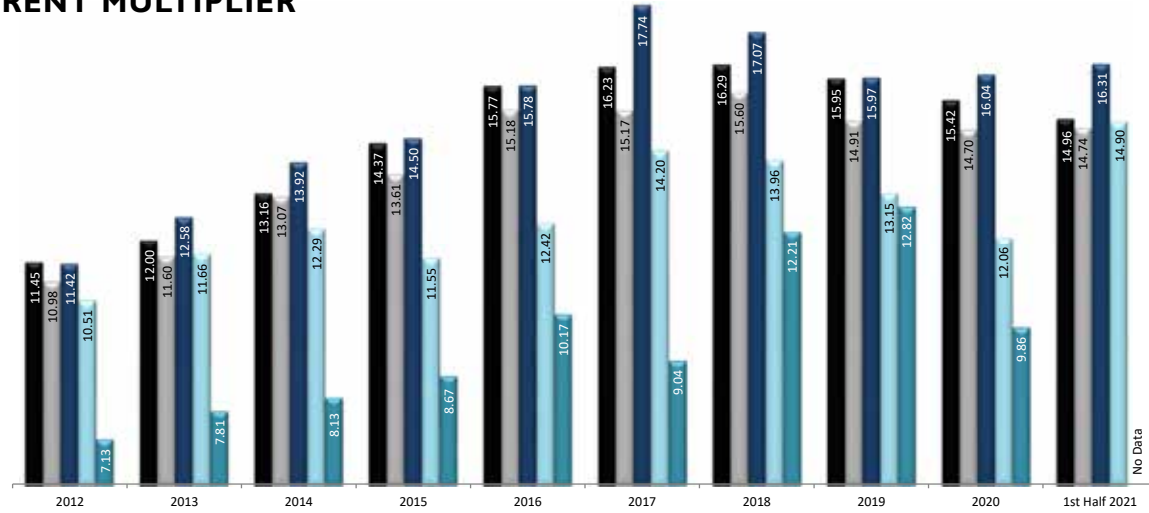
BY: BRAEMON M. HANES, CCIM

# SOUTHERN CALIFORNIA

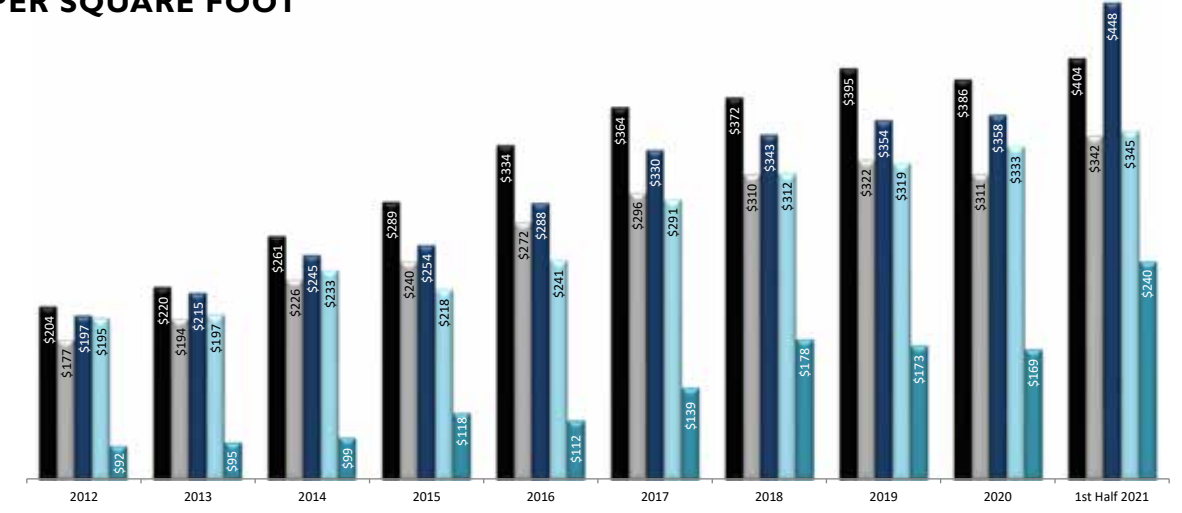
LOS ANGELES, SAN FERNANDO VALLEY, SAN GABRIEL VALLEY, VENTURA, N. LOS ANGELES COUNTY

■ Los Angeles ■ San Fernando Valley ■ San Gabriel Valley ■ Ventura County ■ N. Los Angeles County

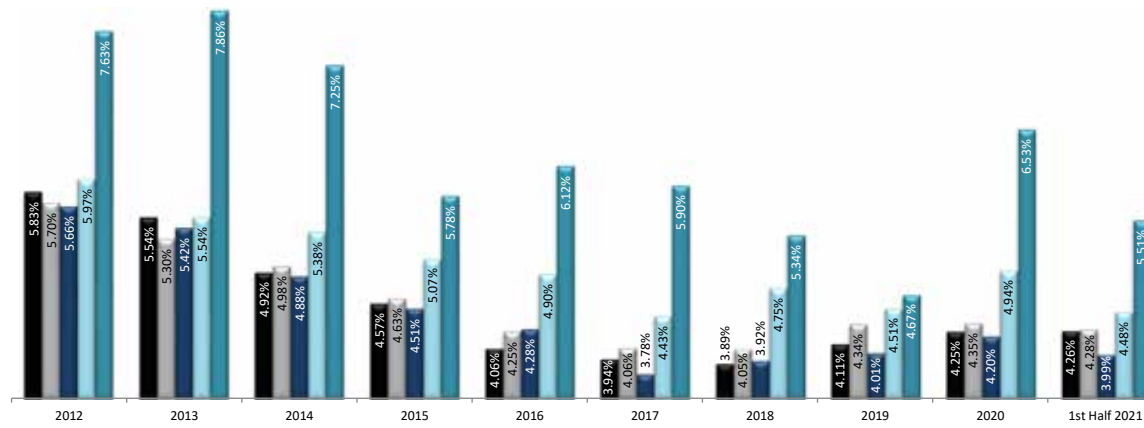
## GROSS RENT MULTIPLIER



## COST PER SQUARE FOOT



## CAPITALIZATION RATE

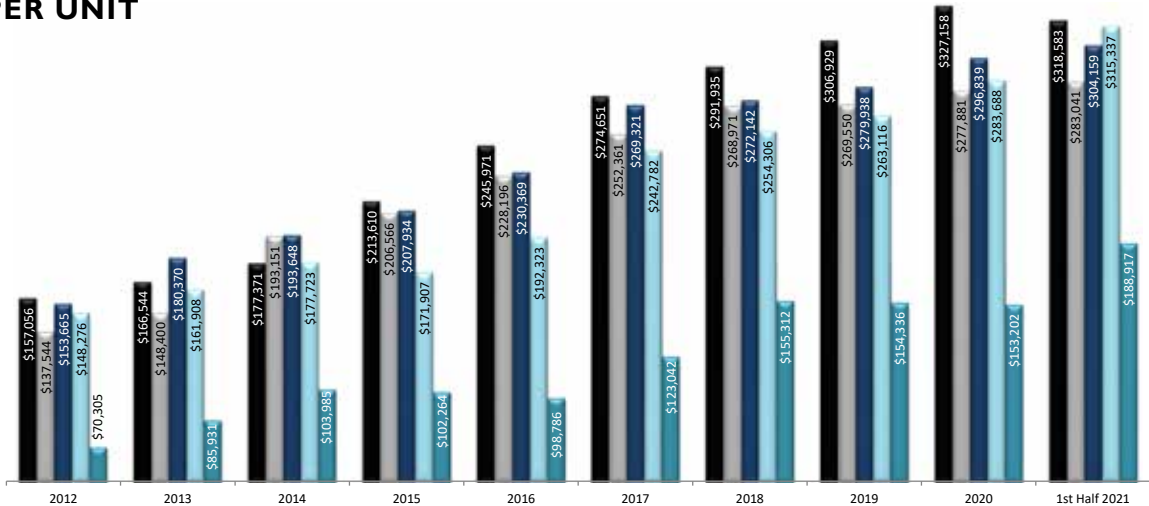


## TROUGH TO PEAK

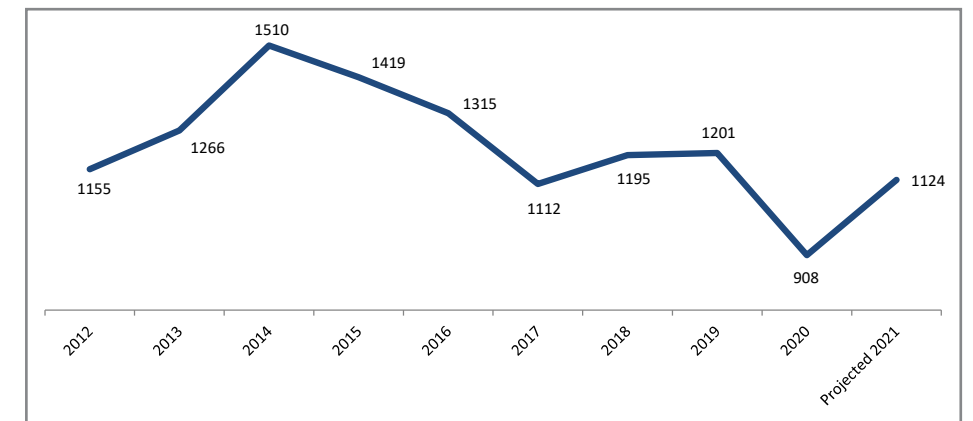
Region	GRM	CAP	CPU	CPSF
Los Angeles	11.45	5.83%	\$166,544	\$204
	16.29	3.89%	\$342,074	\$401
	42%	-33%	105%	97%
San Fernando Valley	10.98	5.70%	\$137,544	\$177
	15.60	4.05%	\$290,984	\$342
	42%	-29%	112%	93%
San Gabriel Valley	11.42	5.66%	\$153,665	\$197
	17.74	3.78%	\$296,839	\$383
	55%	-33%	93%	94%
Ventura County	10.51	5.97%	\$148,276	\$195
	14.21	4.43%	\$325,430	\$342
	35%	-26%	119%	75%
N. Los Angeles County	7.13	7.86%	\$70,305	\$92
	12.82	4.67%	\$188,917	\$240
	80%	-41%	169%	161%

The above chart demonstrates the variance for each value indicator from the lowest point to the highest point in the most recent 10 year period.

## COST PER UNIT



## CLOSED MULTIFAMILY TRANSACTIONS



There has been an 25.6% decrease in multifamily transaction velocity since 2014.



# HANES INVESTMENT REALTY, INC.

INVESTMENT REAL ESTATE BROKERS AND ADVISORS

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  - Value add, distressed opportunities preferred
- No Nonsense Experienced Investor
- Sole decision maker with ability to execute due diligence quickly, and can be flexible with the closing to accomodate your exchange

Contact: Braemon M. Hanes  
(818) 865-8305  
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