

12/11/20

## SoCal Multifamily Investor Demand & Deal Flow Increasing for 2021



### Shane Shafer

Investment Sales  
949.270.3690  
shafer@northmarq.com

2020 has been the most unique year that I have seen in my 20 years of experience in this business. At the start of 2020, the multifamily market was coming off a very strong 2019 that navigated changes such as the monumental rent control bill known as AB 1482. Investors were poised for another great year until the pandemic began, which inserted widespread uncertainty into the market. Questions began to arise about whether multifamily would be able to sustain its success or if COVID-19 would be as detrimental to the market as it had been to retail and office properties.

As the pandemic erupted and shutdowns were ordered, investor sentiment became wary over a potential shift toward unfavorable market fundamentals. However, for most SoCal owners of multifamily it proved to weather the storm during this pandemic and more confidence was instilled in the apartment market as one of the top asset classes.

### SURPRISING STABILITY IN THE MARKET

The resiliency of the multifamily market, in terms of holding and sometimes increasing property values, has been a welcome surprise this year. This is due to two factors: record low interest rates and the amount of capital chasing multifamily properties. My team and I recently sold and financed a 70-unit property in Anaheim, CA, ([click here for details](#)), signifying the market is active and investors are still buying. 2020 sales velocity has largely decreased year over year but has accelerated in recent months:

2020 DEAL FLOW	Number of Transactions (previous year)			
	Orange County	LA County	Inland Empire	San Diego County
<b>Units</b>				
<b>10-24</b>	47 (42)	487 (638)	36 (55)	81 (128)
<b>25-49</b>	12 (15)	110 (172)	11 (12)	31 (30)
<b>50+</b>	12 (17)	70 (101)	21 (52)	25 (33)

This decrease of sales and increased availability of capital means cap rates have not been as affected as other markets and other product types. Despite higher regulation, and in some cases flat rents, SoCal is still a market that is highly desirable and remains a safety net for investor capital. Investors are targeting Orange County and Inland Empire due to their diversity of jobs and the flight to a suburban living experience. We are seeing renters leave amenity-rich urban cores to have more space with more affordable rents.

Refinances and low rates are also adding to the flow of capital. NorthMarq Newport Beach recently completed the \$240 million refinancing of six multifamily properties that generated more than \$100 million in cash-out proceeds. These proceeds will finance multiple property acquisitions, which will, in turn, generate even more potential 1031 exchange activity.

*(continued on following page...)*

Some SoCal investors are looking to diversify out of the urban core towards more suburban locations. Many want a more diversified portfolio in SoCal to hedge against some of their properties that have experienced more challenging fundamentals due to COVID, while others are looking to take advantage of flat rents to ride the wave of rental increases when the market heats up again. There is still a big belief in the SoCal market and the favorable pre-pandemic fundamentals, as evidenced by its performance during the pandemic to beat investor expectations.

## **2021 EXPECTATIONS**

These markets will continue to surpass expectations in 2021 with multiple vaccines in the pipeline and the overall economy steadily improving. Multifamily will continue to be the asset class that investors seek for stability and consistent returns. I expect more and more capital to seek apartments as interest rates continue to hover around their record lows. There will be more sales activity in 2021 than 2020 as sellers review deals that have closed and can seek benchmarks for values that do not have COVID-19 discounts.

# JUST SOLD & FINANCED



## Villa Del Sol APARTMENTS



**70**  
UNITS



**1966**  
YEAR BUILT



**11.20.2020**  
CLOSING DATE



**FANNIE MAE**  
GREEN EXECUTION

NorthMarq's Newport Beach office is pleased to announce the sale and financing of **Villa Del Sol**, a 70 unit value add apartment building in Anaheim, California. This property was marketed & sold during the COVID-19 pandemic and was financed through NorthMarq's in-house Fannie Mae platform.

### INVESTMENT SALES

Shane Shafer  
Managing Director  
T 949.270.3690  
CA DRE # 01267125  
sshafer@northmarq.com

### DEBT & EQUITY

Brendan Golding  
Vice President  
T 949.717.5202  
CA DRE # 01951433  
bgolding@northmarq.com