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Craig Lieberman, CCIM | Director of The Apartment Specialists

Managing Director of the Multi-Family Sales Division

BS, MS Real Estate Appraisal & Investment Analysis

Cell: (805) 320-6646 / Office: (805) 687-5557 x. 105

Email: Craig@TASCommercial.com

Broker License Number: 00682741

www.TASCommercial.com

Experts Predict Very Strong Demand for Multi-Family Units in Future

A recent study conducted by the Los Angeles office of DC-based investment advisory and research firm and Santa Monica-based Killefer Architects **forecast that demand for apartment units in Southern California will grow significantly** over the next ten years as a consequence of demographic issues and the far-reaching recessionary effects.

One of the primary points of the forecast addresses the projected growth of the 20-34 year old segment of the population (commonly referred to as Generation X and Y). The population cohort is expected to grow by more than 5% to reach nearly four million over the next five years, while the major segment of the home-buying market will decline by about 380,000. The older baby-boomers (55-79 years olds) will also grow significantly, with those currently renting will likely continue to rent unless the depressed economy grows significantly.

The other factor leading to increased apartment demand, the effects of the far-reaching recessionary downturn and the smaller household net worth that would otherwise support down payments for housing, is expected to delay home buying to a later age making them renters for longer periods of time. Eventually, increased land prices will push the price of housing, making renting a cheaper alternative.

Because housing will be viewed by most, after this massive downturn in house prices, as strictly shelters rather than investment vehicles, demand for rentals in upscale neighborhoods by the 50+ crowd as well as the younger upper income population will push demand for rental housing that much greater.

Another effect of this massive recession is that people who have lost their homes due to job losses will remain unemployed and, therefore, renters, that much longer in the post recessionary times. Replacing jobs after this recession will take longer than it did in the 1990s recession, when the average was 19 months.

Another trend that these statistics will portend is that rentals of smaller units (i.e. studios, one-bedrooms and lofts) will generate much stronger demand than in the past when the economy and employment was stronger permitting larger family households that preferred two- to three-bedroom rental units.