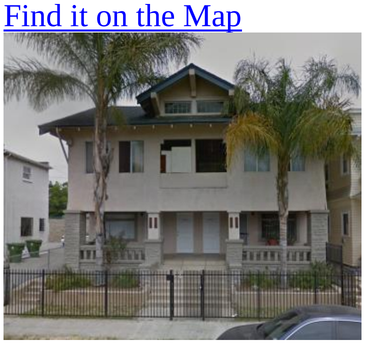
Featured New Development:
370 Apartments Approved in Glassell Park
- Fairfield Residential is the developer and AO is the architect.
- 31 of the units will be reserved as very low-income housing.
- When raising Fund 2, I pitched Glassell Park as an Urban Node similar to West Adams / Mid City. This is because it is a <20-minute commute from the major office markets of DTLA, Glendale & Pasadena. Amenities are starting to pop up in the neighborhood, and you're starting to see larger projects like this one make it through the city approval process.

Find it on the Map

Featured Leasing Update:
MIT Study Shows No Significant Rent Difference Between Co-Working & Traditional Tenant Leases
- Co-working companies pay $4PSF more and had a 6-Year longer lease duration, BUT incentives such as Free Rent & higher Tenant Improvement Allowances ($ to build out space, "TI's") brought effective rent in line with other tenants in the same building.
- This shows that despite WeWork's epic fall, co-working will still have a major impact.
- Going forward, you'll see a more even split between WeWork, Regus, Knotel, Industrious, Serendipity Labs, and others. Enterprise clients will work through these firms to give themselves flexibility, instead of working directly with Landlords.
- This industry change is important to track for LA as a significant amount of office space has been taken by co-working firms over the past few years.

Featured RE Trade:
A 5Plex at 1440 S. Westmoreland Ave has gone under contract for $1.18mm, $255 PSF, $236k / unit. This represents a 13.8x GRM, 4.3% cap rate. The building is fully occupied with a 4Plex (all 1+1s) in front and a small house (2+1) in the back. This is important to track because it's the same type of building in a similar location as a Keystone property at 1330 S. Catalina St. Catalina was purchased for about $200k more on 10/30/2019, but the units were vacant allowing us to immediately bring rents to market without any relocation costs.
Find it on the Map



Local Politics:
Why Does It Cost $750,000 to build a single affordable housing unit in SF? ($500,000 in LA)
Primary Reasons:

1. Labor Costs – a construction worker in SF earns $90 per hour.
2. Land – these projects are being built in high-demand downtown areas where land is scarce and therefore expensive.
3. Fees – 25% of the construction budget is for government fees, permits, & consulting. These are considered "soft costs." "Hard costs" are the construction labor & materials. When I worked at CIM Group, we would assume 10-15% for "soft costs" when doing a budget for a new project. 25% is absurd.
4. Obtaining Funding – comes from many different agencies – state, federal, & local. This takes time and therefore $$. Note that there are also a lot of expensive lawyers involved.
5. California Environmental Quality Act (CEQA) – Anyone can object to a project under this. This can cost a project years of delays and require more environmental studies and project changes.

Implications for Existing Multifamily Business:
- If supply continues to be cost & time constrained and demand stays the same, rental prices on existing units have nowhere to go but up.
- On existing units, we spend $200k-300k to buy them and $25-60k per unit to gut and renovate.
- Our labor costs are $30-50 per hour and our permits are done online for a few hundred dollars.
- We actively avoid involving lawyers, architects or consultants, keeping "soft costs" low.
- Our final product may not be brand new, but it has character and the old Los Angeles feel for $225k-$360k per unit instead of $500k.

Celebrity RE Update:
Rich Barton (Zillow Founder & CEO) has become the latest RE Billionaire.
Thanks to his stake in Zillow, which he increased significantly when it dipped in November 2018. Part of Zillow's recent rise is their entry into the ibuying market, where they actually buy homes and quickly resell them. Barton returned as CEO in Feb 2019 to lead this new business line, which is starting to show signs of success.

Weekly Long-Read Suggestion:
For Black History Month: 24 Black Executives Shaping Commercial Real Estate

Quote of the Week: "Return alone—and especially return over short periods of time—says very little about the quality of investment decisions." – Howard Marks, from his book: The Most Important Thing (Co-Founder of Oaktree Capital Mgmt)

LA Restaurant Feature of the Week:
Honey Bee's House of Breakfast – Tiny El Salvadorian spot across from a property we own in West Adams on West Blvd. I never would have found this without a recommendation from a tenant who has lived there for 20 years. I've only tried the Fajitas so far, but obviously it's known for breakfast.

Real Estate Term of the Week:

Net Operating Income "NOI" – Total revenue minus operating expenses. Very important to note is what is NOT considered operating expenses. Capital improvements, interest and amortization are NOT operating expenses. Typical operating expenses are real estate taxes, utilities, insurance, repairs & maintenance, annual city fees, property mgmt. fees, landscaping, etc. Because interest is not considered in NOI, this is considered an unlevered metric. It allows you to compare the performance of properties without considering the impact of the loan on the property.

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