

Pacific Union Leaders Puzzled Over Lack Of Demand In Los Angeles Condo Market

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Executives from Pacific Union recently reiterated what most Angelenos know — housing is unaffordable for most of the people that live here.

The company hosted its first “Pacific Union Real Estate Economic Forecast Los Angeles Area to 2020,” held at the Skirball Cultural Center, where leaders discussed the current real estate market landscape.

While single-family homes continue to rise in price, Pacific Union officials were somewhat puzzled by the flat demand from buyers for new condominiums.



For the past several years, **developers have invested in this market**, especially in **downtown Los Angeles**, where they were targeting **luxury** buyers.

"Many of them were coming from **China**," **Pacific Union International** Chief Economist **Selma Hepp** said a couple of weeks after the **event**.

"We have seen **some** slowdown from **Chinese buyers** following the restrictions put on **capital** outflow," she said. "I think that has also put some damper on the demand for new **downtown condos**."

In **Los Angeles**, **new construction inventory** is down 30% year-over-year, while prices are up 6% from the previous year, according to **data** from **The Mark Co**.

Los Angeles has about 400 newly constructed condos available **for sale** on a monthly basis. Over the past six months, roughly 20 units on average have closed per month, **Pacific Union CEO Mark A. McLaughlin** said **during the presentation**.

"So that says we have about 20 months worth of inventory in the **condo market**," McLaughlin said.

"It seems like a lot of supply," he said. "In a marketplace where the **affordability** seemingly drives the **absorption** — are these condos priced above **market**? Are they just in non-desirable location? It seems like a lot of supply against the

absorption.”

McLaughlin broke down the numbers:

- 1,000 new **condominium** units under **construction**.
- 11,000 **apartment** units under construction in the city.
- 1,700 to 1,800 upgraded condominium units.
- 3,700 upgraded apartment units.

In the **pipeline**, more **condominiums** and **apartments** are in the review or approval process in municipalities across **Los Angeles County**, McLaughlin said. There are 15,000 apartment units and 5,000 **condo** units that will soon deliver.

“There’s seems to be a lot more supply coming in a marketplace where it’s supply constrained and an absorption that’s not really taking them off **the market** just yet,” he said. “It’s a dynamic that I’m sure frustrates a lot of **developers** and some of **the people** selling condos.”

Hepp said there is continued demand for condos, but buyers may be reaching their affordability ceilings and pricing out of the market.

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