



DOWNTOWN L.A.

2649 MARENGO STREET

a 24-unit, newer-constructed value-add opportunity in Los Angeles' Boyle Heights neighborhood

Marcus & Millichap

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INVESTMENT ANALYSIS

EXECUTIVE SUMMARY

PRICING INFORMATION

Offering Price	\$5,950,000
Price/Unit	\$247,917
Price/SF	\$204
Cap Rate (Current)	3.13%
Cap Rate (Market)	7.69%

PROPERTY DETAILS

Address	2649 Marengo Street, Los Angeles, CA 90033
Units	24
Building SF	29,096
Year Built	1988
Lot SF	29,798
APN	5177-002-054
Zoning	LARD1.5

UTILITIES

Electricity	Separate
Gas	Separate
Water	Master





INVESTMENT DESCRIPTION

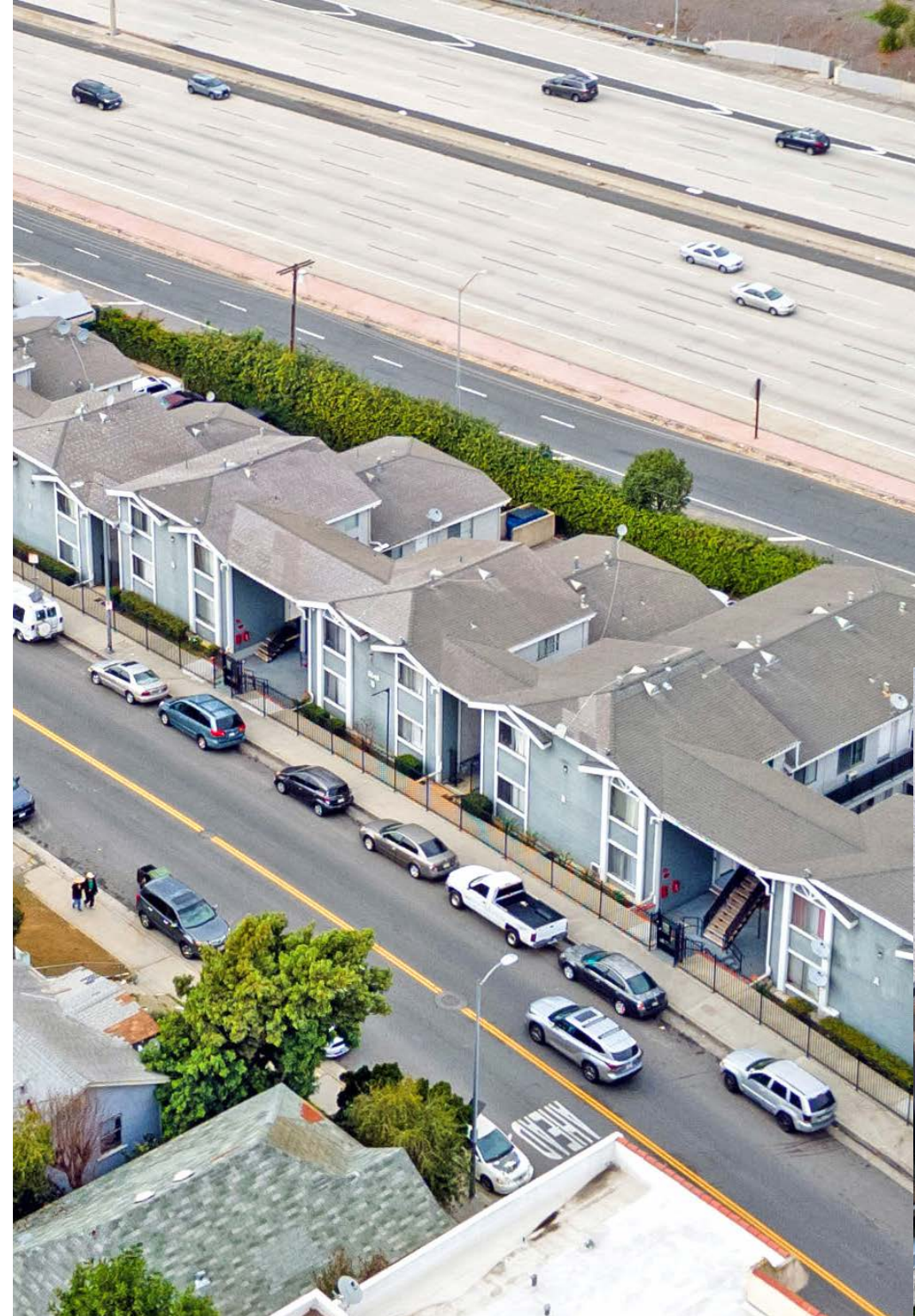
Marcus & Millichap is pleased to present to market 2649 Marengo Street, a 24-unit apartment property for sale in Los Angeles' Boyle Heights neighborhood. The property's desirable unit mix, spacious floor plans, huge upside potential, and great location proximate to Downtown Los Angeles amenities make this an excellent value-add opportunity.

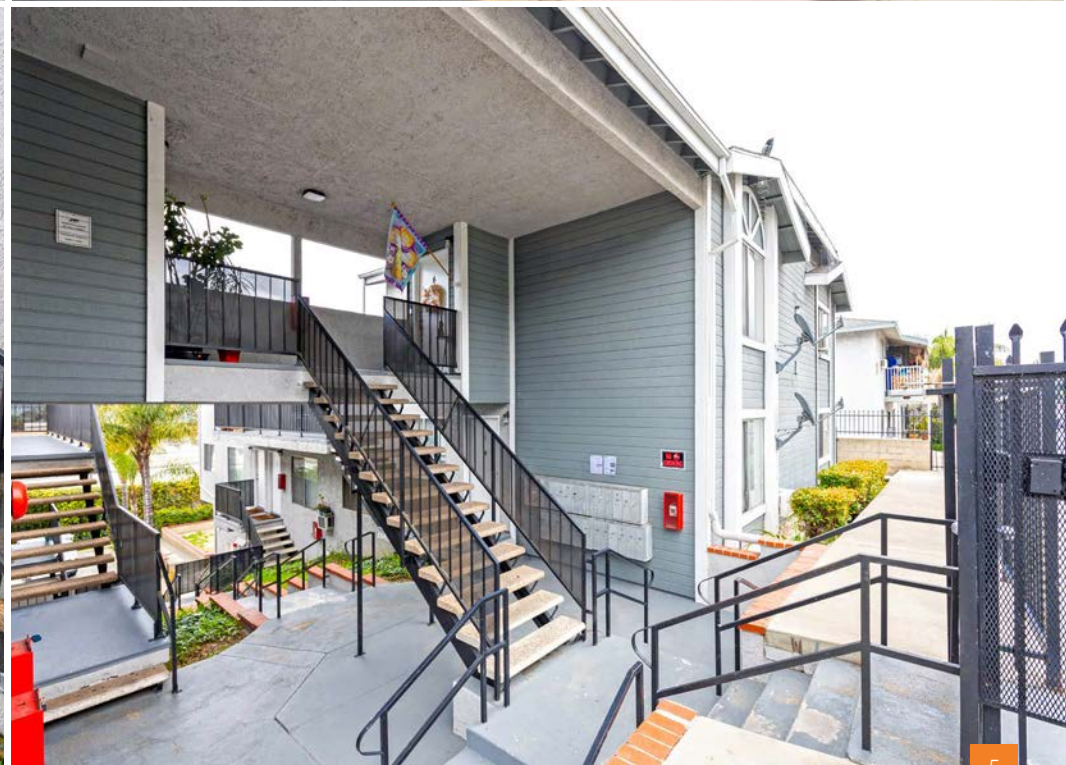
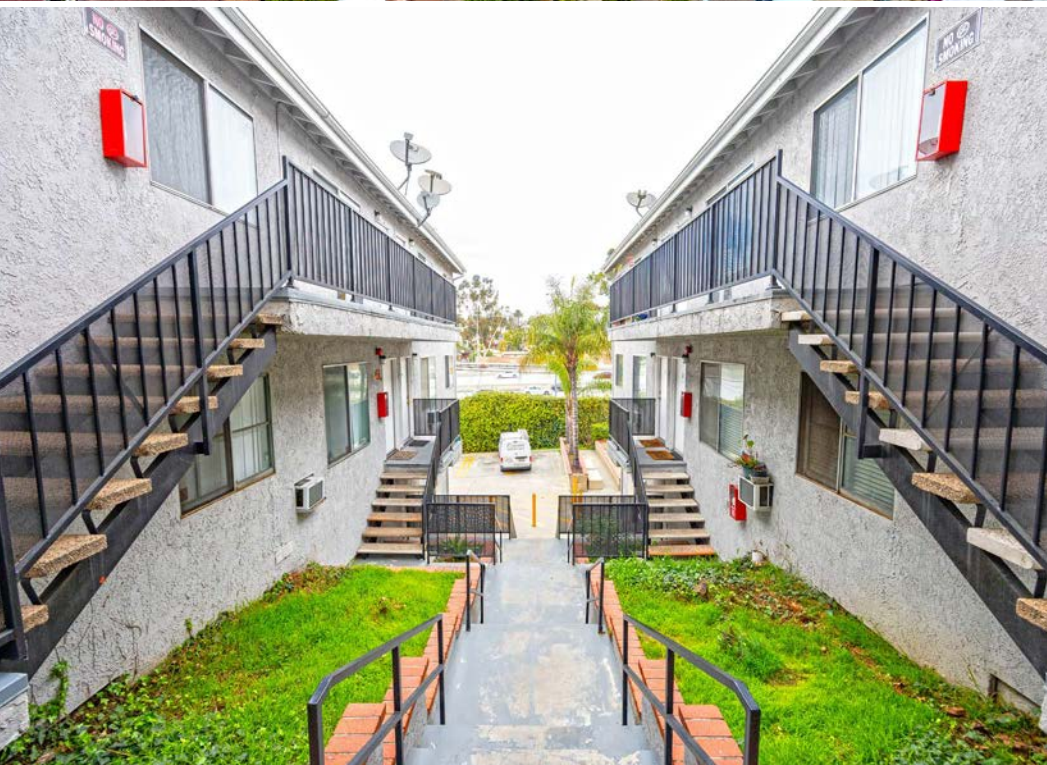
2649 Marengo Street is a three-story, 29,096-square foot 1988 construction with a strong mix of six one-bed/one-bath, 10 two-bed/one-bath, six three-bed/two-bath, and two four-bed/two-bath units. The units boast extra large floor plans, making this property an attractive rental option. Each building has its own laundry room, and the property also offers a playground, 29 surface parking spots, and 22 tuck-under parking spots.

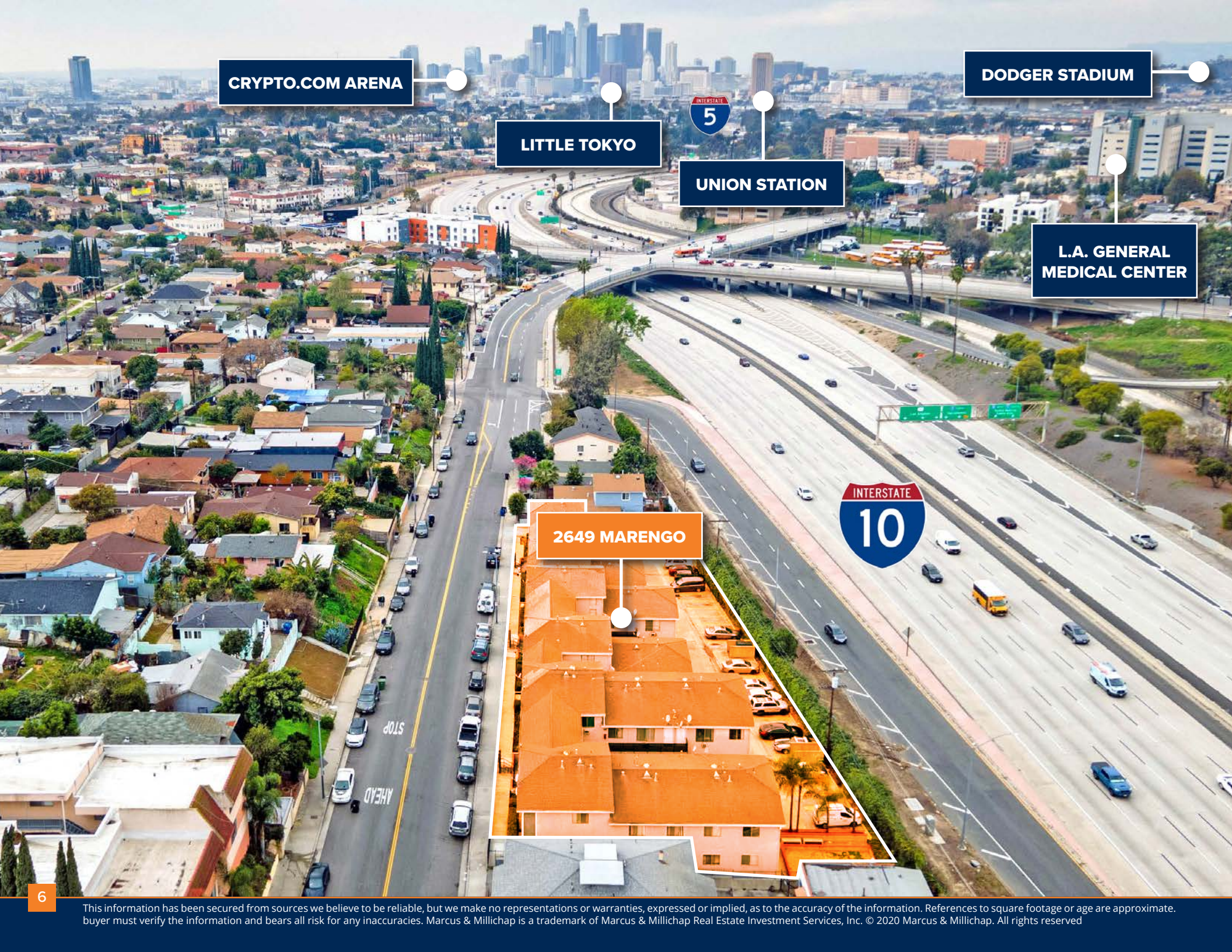
Located in Boyle Heights, the property has easy access to Downtown Los Angeles' entertainment and major employers, such as the nearby USC Medical Center. Boyle Heights' proximity to Downtown has also made it a target of redevelopment in recent years, with nearby developments including new student housing, expansion at the medical center, a new hotel, and more.

INVESTMENT HIGHLIGHTS

- 1988 Construction, 24-unit apartment complex with with massive upside potential in Los Angeles' redeveloping Boyle Heights neighborhood
- Desirable mix of 75 percent two-, three- and four-bedroom units
- Spacious floor plans: 4-bedrooms approx. 1,600 SF, 3-bedrooms approx. 1,390 SF, 2-bedrooms approx. 1,179 SF, and 1 bedrooms approx. 940 SF
- Amenities include on-site laundry, ample parking - 51 total spaces, and a playground
- Convenient freeway proximity offers tenants enviable access to Downtown Los Angeles' world-class amenities and major employers







CRYPTO.COM ARENA

DODGER STADIUM

LITTLE TOKYO

UNION STATION

L.A. GENERAL MEDICAL CENTER

2649 MARENGO

**HAZARD
RECREATION CENTER**

**USC'S
KECK HOSPITAL**

**INTERSTATE
10**

2649 MARENGO

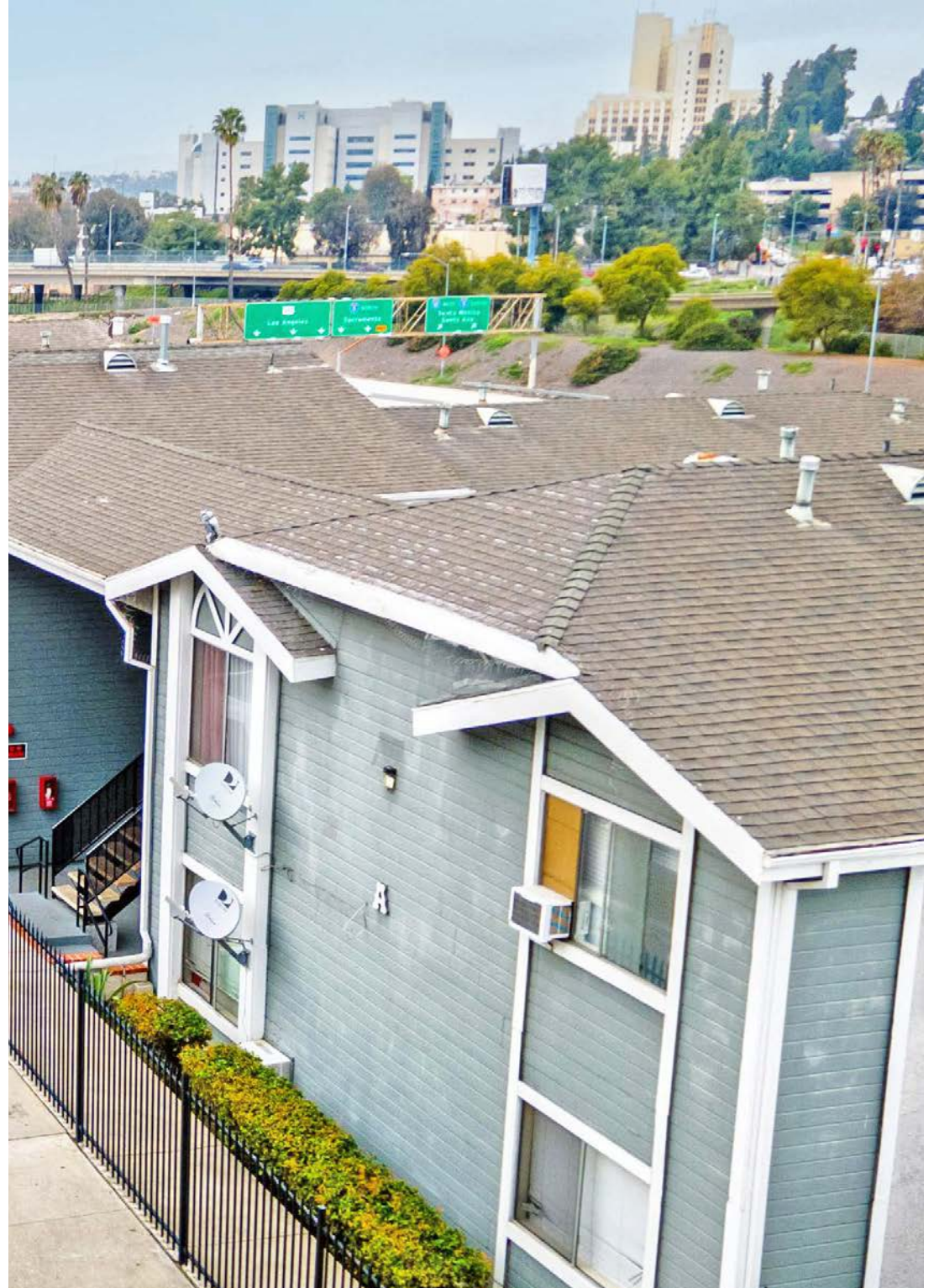


PRICING SUMMARY

PRICING & PROPERTY DETAILS

Address	2649 Marengo Street Los Angeles CA 90033
Offering Price	\$5,950,000
Units	24
Rentable SF	29,096
Price/Unit	\$247,917
Price/SF	\$204.50
Lot Size (SF)	29,798
Year Built	1988

VITAL DATA	CURRENT	PRO FORMA
NOI	\$186,192	\$457,316
Cap Rate	3.13%	7.69%
GRM	16.15	8.90



INCOME & EXPENSES

UNITS	UNIT TYPE	% OF UNITS	CURRENT RENT	TOTAL RENT	PRO FORMA RENT	TOTAL RENT
10	2BR / 1BA	42%	\$1,246	\$12,462	\$2,450	\$24,500
6	3BR / 2BA	25%	\$1,492	\$8,949	\$2,631	\$15,786
6	1BR / 1BA	25%	\$1,047	\$6,280	\$1,289	\$7,737
2	4BR / 2BA	8%	\$1,504	\$3,008	\$3,850	\$7,700
24	Total			\$30,699		\$55,722

EXPENSES	CURRENT	PRO FORMA
Real Estate Taxes	\$74,571	\$74,571
Insurance	\$17,900	\$17,900
Utilities	\$41,790	\$41,790
Repairs & Maintenance	\$15,000	\$15,000
On-Site Payroll	\$6,870	\$6,870
Management Fee	\$16,555	\$29,330
Contract Services	\$1,800	\$1,800
Turnover Costs	\$2,400	\$2,400
CAPEX/Reserves	\$4,800	\$4,800
Total	\$181,686	\$194,461
Per Unit	\$7,570	\$8,103
Per SF	\$6.24	\$6.68
% EGI	49.39%	29.84%

OPERATING DATA	CURRENT	PRO FORMA
All Units at Market Rent	\$668,668	\$668,668
Less: Loss to Lease	\$300,275	\$0
Gross Potential Rent	\$368,393	\$668,668
Less: Vacancy Allowance	\$3,684	\$20,060
Other Income	\$3,169	\$3,169
Effective Gross Income	\$367,878	\$651,777
Less: Expenses	\$181,686	\$194,461
Net Operating Income	\$186,192	\$457,316

RENT ROLL

UNIT NO.	UNIT TYPE	CURRENT RENT	PRO FORMA RENT
A-01	2BR / 1BA	\$1,229	\$2,450
A-02*	3BR / 2BA	\$1,036	\$1,036
A-03*	1BR / 1BA	\$994	\$994
A-04	2BR / 1BA	\$1,238	\$2,450
A-05	3BR / 2BA	\$2,950	\$2,950
A-06	1BR / 1BA	\$996	\$1,800
B-07	2BR / 1BA	\$1,284	\$2,450
B-08	3BR / 2BA	\$1,369	\$2,950
B-09*	1BR / 1BA	\$994	\$994
B-10	2BR / 1BA	\$1,333	\$2,450
B-11	3BR / 2BA	\$1,367	\$2,950
B-12*	1BR / 1BA	\$1,153	\$1,153
C-13	4BR / 2BA	\$1,478	\$3,850
C-14	2BR / 1BA	\$1,229	\$2,450
C-15	2BR / 1BA	\$1,229	\$2,450
C-16	4BR / 2BA	\$1,531	\$3,850

UNIT NO.	UNIT TYPE	CURRENT RENT	PRO FORMA RENT
D-17	2BR / 1BA	\$1,229	\$2,450
D-18	2BR / 1BA	\$1,231	\$2,450
E-19	3BR / 2BA	\$1,035	\$2,950
E-20*	1BR / 1BA	\$994	\$994
E-21	2BR / 1BA	\$1,229	\$2,450
F-22	3BR / 2BA	\$1,194	\$2,950
F-23	1BR / 1BA	\$1,148	\$1,800
F-24	2BR / 1BA	\$1,229	\$2,450
24	Total	\$30,699	\$55,722

**Five of the units are subject to a land use restriction, which limits the maximum rents allowed for units*

UNIT BREAKDOWN

UNIT TYPE	PRO FORMA RENT	AVG. RENT	MAX RENT	MIN RENT	% MIX
2BR / 1BA	\$2,450	\$1,246	\$1,333	\$1,229	42%
3BR / 2BA	\$2,950	\$1,492	\$2,950	\$1,035	25%
1BR / 1BA	\$1,800	\$1,047	\$1,153	\$994	25%
4BR / 2BA	\$3,850	\$1,504	\$1,531	\$1,478	8%

10-YEAR CASH FLOW

	APR-25	APR-26	APR-27	APR-28	APR-29	APR-30	APR-31	APR-32	APR-33	APR-34
Income										
All Units at Market Rent	\$695,415	\$723,232	\$752,161	\$782,247	\$813,537	\$846,079	\$879,922	\$915,119	\$951,723	\$989,792
Gain (Loss)-to-Lease	\$276,253	\$254,153	\$233,820	\$215,115	\$197,906	\$182,073	\$167,507	\$154,107	\$141,778	\$130,436
Gross Potential Rent	\$419,162	\$469,079	\$518,340	\$567,132	\$615,631	\$664,005	\$712,414	\$761,012	\$809,945	\$859,356
Vacancy Allowance	(\$4,192)	(\$4,691)	(\$5,183)	(\$5,671)	(\$6,156)	(\$6,640)	(\$7,124)	(\$7,610)	(\$8,099)	(\$8,594)
Other Income	\$3,264	\$3,362	\$3,462	\$3,566	\$3,673	\$3,783	\$3,897	\$4,014	\$4,134	\$4,258
Effective Gross Income	\$418,234	\$467,750	\$516,619	\$565,027	\$613,148	\$661,149	\$709,187	\$757,416	\$805,980	\$855,021
Expenses										
Taxes	\$76,063	\$77,584	\$79,135	\$80,718	\$82,333	\$83,979	\$85,659	\$87,372	\$89,119	\$90,902
Insurance	\$17,900	\$18,437	\$18,990	\$19,560	\$20,147	\$20,751	\$21,374	\$22,015	\$22,675	\$23,355
Utilities	\$41,790	\$43,044	\$44,335	\$45,665	\$47,035	\$48,446	\$49,899	\$51,396	\$52,938	\$54,526
Repairs & Maint	\$15,000	\$15,450	\$15,914	\$16,391	\$16,883	\$17,389	\$17,911	\$18,448	\$19,002	\$19,572
On-Site Payroll	\$6,870	\$7,076	\$7,288	\$7,507	\$7,732	\$7,964	\$8,203	\$8,449	\$8,703	\$8,964
Management Fee	\$18,821	\$21,049	\$23,248	\$25,426	\$27,592	\$29,752	\$31,913	\$34,084	\$36,269	\$38,476
Contract Services	\$1,800	\$1,854	\$1,910	\$1,967	\$2,026	\$2,087	\$2,149	\$2,214	\$2,280	\$2,349
Turnover Costs	\$2,400	\$2,472	\$2,546	\$2,623	\$2,701	\$2,782	\$2,866	\$2,952	\$3,040	\$3,131
CAPEX/Reserves	\$4,800	\$4,944	\$5,092	\$5,245	\$5,402	\$5,565	\$5,731	\$5,903	\$6,080	
Total Expenses	\$185,443	\$191,909	\$198,458	\$205,102	\$211,850	\$218,715	\$225,706	\$232,833	\$240,107	\$241,275
Net Operating Income	\$232,791	\$275,840	\$318,161	\$359,926	\$401,298	\$442,434	\$483,482	\$524,583	\$565,873	\$613,746

INCOME & EXPENSE NOTES

Pro forma rents represent all units at adjusted market rents. Market rents are underwritten using comparable market rents and assume that the buyer will continue to upgrade the units to market levels, with similar features, upgrades, and amenities as surrounding area properties.

Other income is based on historic operations. Laundry income is underwritten at \$3,168.57 per year.

Pro forma vacancy loss is underwritten at 3%, which is common for an asset located in this area. Loss-to-lease is underwritten as market rents, less the properties current rent roll.

Real estate taxes are calculated on proposed pricing at an ad valorem rate of 1.175208% on the full value of the land and improvements and \$4646.2628684 for special assessments which was obtained from the LA County Tax Assessor's Office.

Pro forma insurance is underwritten as provided from historical operations.

Pro forma utilities is underwritten as provided from historical operations.

Pro forma repairs and maintenance expense is estimated at \$625 per unit. A standard amount for a building of this size, age, and condition.

Pro forma on-site payroll is underwritten as provided from historical operations.

Pro forma management fee expense is underwritten at 4.5% of gross operating income.

Pro forma pest control expense is underwritten as provided from historical operations and is rolled into contract services.

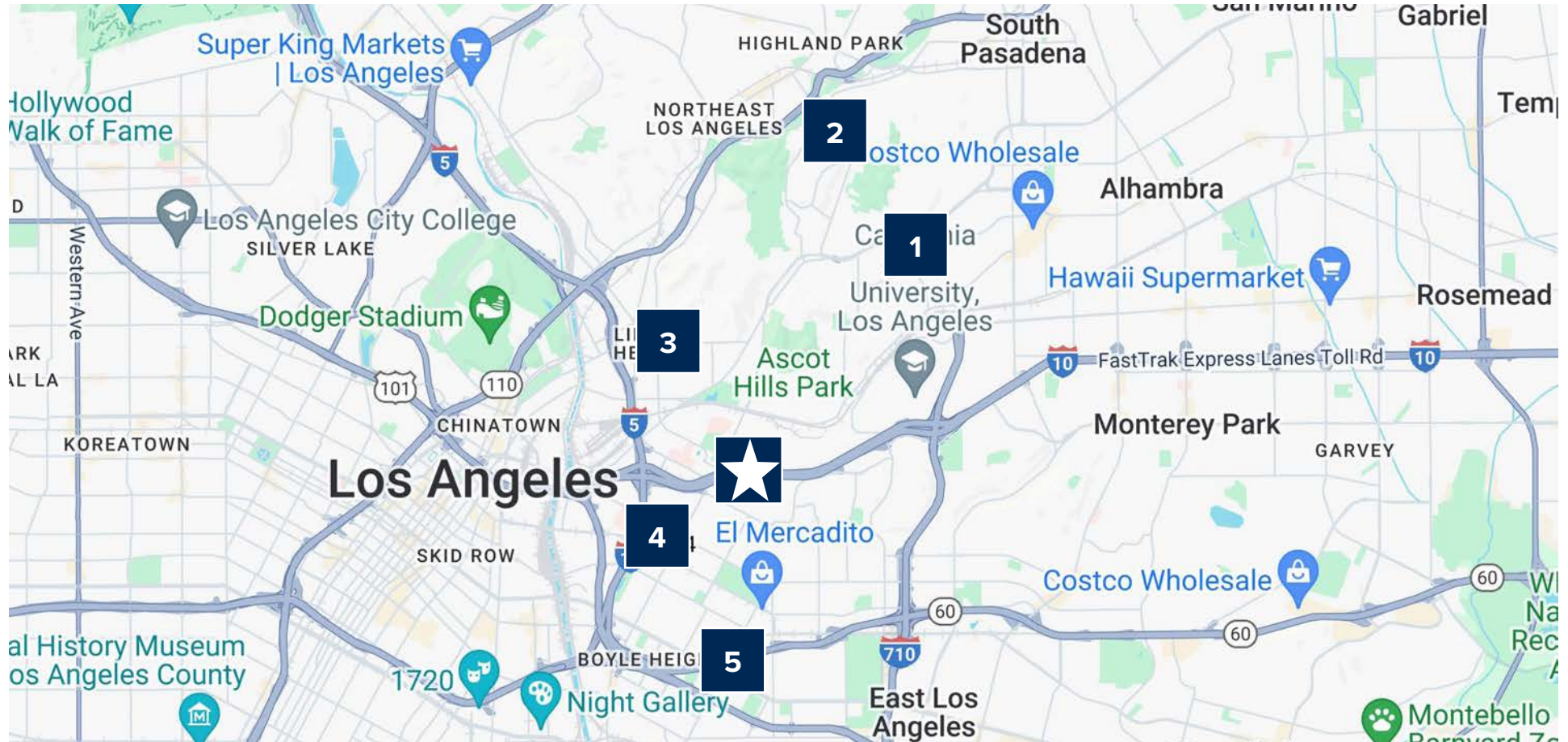
Pro forma turnover cost is underwritten at \$100 per unit.

Pro forma replacements and reserves is underwritten at \$200 per unit, and represents industry standards for an asset of this size and age.



SALES
COMPARABLES

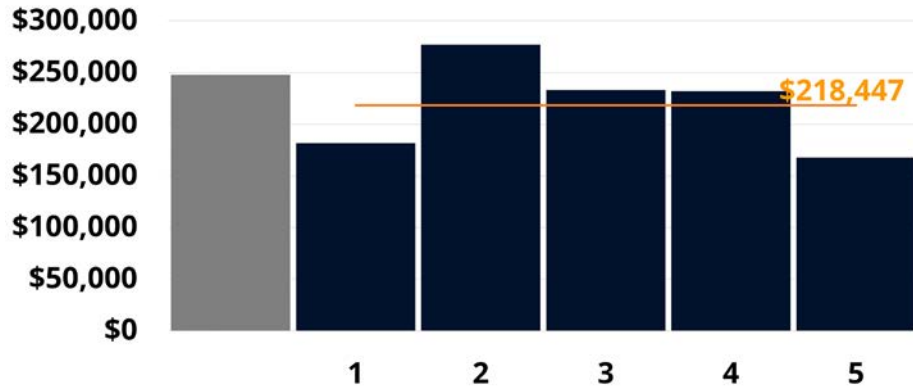
SALES COMPARABLES



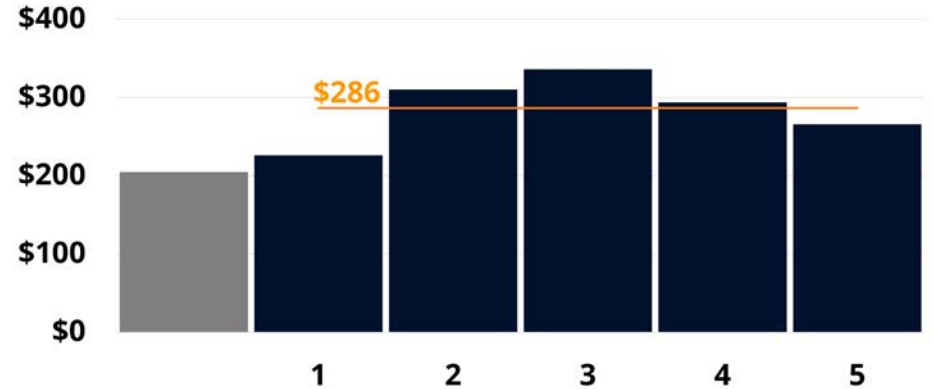
NO	ADDRESS	PRICE	UNITS	PRICE/UNIT	PRICE/SF	CAP RATE	GRM	COE
1	5200 Oakland Street	\$4,000,000	22	\$181,818	\$226.05	4.72%	14.10	12/29/2023
2	5301 Via Marisol	\$13,300,000	48	\$277,083	\$310.07	4.50%	12.31	9/22/2023
3	2422 Johnston Street	\$2,100,000	9	\$233,333	\$336.22	4.38%	14.84	7/18/2023
4	2202-2208 Michigan Avenue	\$6,500,000	28	\$232,143	\$293.80	7.35%	8.50	1/27/2023
5	725 S Bernal Avenue	\$1,175,000	7	\$167,857	\$265.72	N/A	N/A	12/18/2023
Comparables Average				\$218,447	\$286.37	5.24%	12.44	
Subject	2649 Marengo Street	\$5,950,000	24	\$247,917	\$204.50	3.13%	16.15	

SALES COMPARABLES

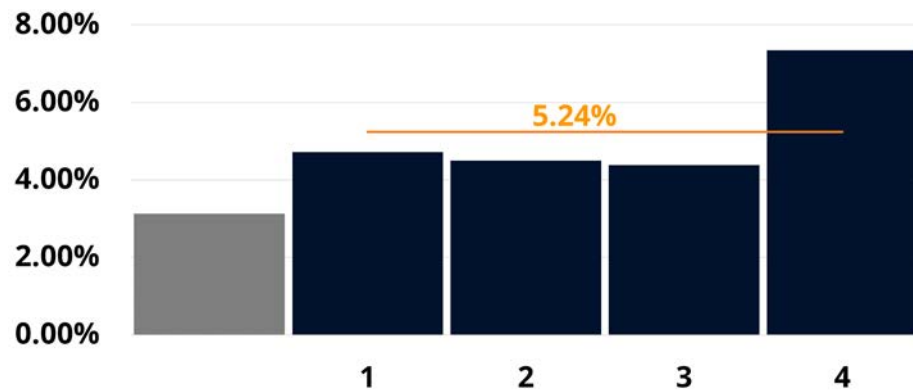
Price Per Unit



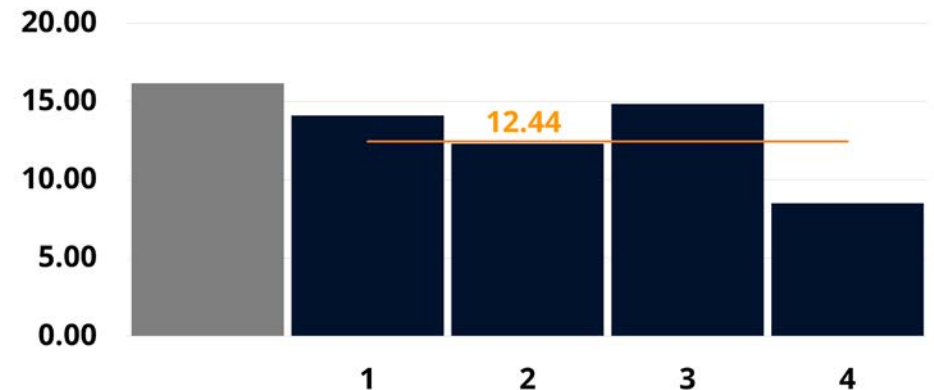
Price Per SF



Cap Rate



GRM



SALES COMPARABLES



5200 Oakland Street
Los Angeles, CA 90032

Sale Date	12/29/2023
Price	\$4,000,000
Units	22
Price/Unit	\$181,818
Price/SF	\$226.05
Cap Rate	4.72%
GRM	14.10
Year Built	1993

Unit Mix	
21	Two-Bedroom
1	Three-Bedroom



5301 Via Marisol
Los Angeles, CA 90042

Sale Date	9/22/2023
Price	\$13,300,000
Units	48
Price/Unit	\$277,083
Price/SF	\$310.07
Cap Rate	4.50%
GRM	12.31
Year Built	1981

Unit Mix	
48	One-Bedroom



2422 Johnston Street
Los Angeles, CA 90031

Sale Date	7/18/2023
Price	\$2,100,000
Units	9
Price/Unit	\$233,333
Price/SF	\$336.22
Cap Rate	4.38%
GRM	14.84
Year Built	1986

Unit Mix	
4	One-Bedroom
5	Two-Bedroom

SALES COMPARABLES



2202-2208 Michigan Avenue
Los Angeles, CA 90033-2968

Sale Date	1/27/2023
Price	\$6,500,000
Units	28
Price/Unit	\$232,143
Price/SF	\$293.80
Cap Rate	7.35%
GRM	8.50
Year Built	1985

Unit Mix

3	Studio
1	One-Bedroom
24	Two-Bedroom



725 S Bernal Avenue
Los Angeles, CA 90023-1643

Sale Date	12/18/2023
Price	\$1,175,000
Units	7
Price/Unit	\$167,857
Price/SF	\$265.72
Cap Rate	N/A
GRM	N/A
Year Built	1988

6	One-Bedroom
1	Two-Bedroom





RENT
COMPARABLES

RENT COMPARABLES



NO.	ADDRESS	UNIT TYPE	RENT
1	1216 N Soto Street	1BR / 1BA	\$1,795
2	2736 Pomeroy Avenue	1BR / 1BA	\$1,795
3	2916 Marengo Street	1BR / 1BA	\$2,000
4	2743 Fairmont Street	2BR / 1BA	\$2,395
5	1102 N Alma Avenue	2BR / 1BA	\$2,400
6	1023 Tremont Street	2BR / 1BA	\$2,545

NO.	ADDRESS	UNIT TYPE	RENT
7	2447 Malabar Street	3BR / 1BA	\$3,200
8	1024 Dundas Street	3BR / 2.5BA	\$2,975
9	1456 N Soto Street	3BR / 2BA	\$3,300
10	667 Echandia Street	3BR / 3BA	\$2,950
11	1452 N Soto Street	4BR / 2BA	\$3,925

RENT COMPARABLES



1216 N Soto St, Los Angeles, CA

1BR / 1BA \$1,795



2736 Pomeroy Ave, Los Angeles, CA

1BR / 1BA \$1,795



2916 Marengo St, Los Angeles, CA

1BR / 1BA \$2,000



2743 Fairmont St, Los Angeles, CA

2BR / 1BA \$2,395



1102 N Alma Ave, Los Angeles, CA

2BR / 1BA \$2,400



1023 Tremont St, Los Angeles, CA

2BR / 1BA \$2,545

RENT COMPARABLES



2447 Malabar St, Los Angeles, CA

3BR / 1BA \$3,200



1024 Dundas St, Los Angeles, CA

3BR / 2.5BA \$2,975



1456 N Soto St, Los Angeles, CA

3BR / 2BA \$3,300



667 Echandia St, Los Angeles, CA

3BR / 3BA \$2,950



1452 N Soto St, Los Angeles, CA

4BR / 2BA \$3,925



MARKET
OVERVIEW

MARKET OVERVIEW

DOWNTOWN LOS ANGELES

Greater Downtown Los Angeles consists of the Downtown, Mid-Wilshire and Hollywood submarkets. The market has been the epicenter of multifamily development in the county over the past five years, as nearly 21,000 units were added during this span. The market's sizable development pipeline will support continued revitalization that will boost the local populace, which is projected to reach 840,000 residents by 2027. Downtown's numerous corporations, retail and entertainment venues are positioned to benefit from this growth.

Metro Highlights

- Downtown Renaissance: the Downtown area has undergone a major renaissance, due to the light rail expansion, the revitalization of the arts district and a notable development pipeline.
- Rapid household growth: household formation will increase briskly during the next five years, with the addition of 13,400 households.
- Robust health sector: health care provides many jobs in the downtown area, employing thousands of workers and supported by public health care initiatives.

Economy Highlights

- Major employers in the market include Farmers Insurance, Kaiser Permanente, Paramount Pictures, Deloitte, Ernst & Young, the University of Southern California and Transamerica Insurance.
- Building conversions and mixed-use developments that include housing are bringing residents back into the area. Young professionals desiring shorter commutes and downsizing households seeking to live near amenities are absorbing these units.
- A well-educated population provides companies with a skilled workforce. Roughly 40% of people ages 25 and older hold a bachelor's degree; among those residents, 12% have also earned a graduate or professional degree.



POPULATION

821K

▲ 2.4% by 2027



HOUSEHOLDS

352K

▲ 3.8% by 2024



MEDIAN AGE

37.3

US Median: 38.6



MEDIAN HH INCOME

\$59,800

US Median: \$66,400

Sources: Marcus & Millichap Research Services; BLS; Bureau of Economic Analysis; Experian; Fortune; Moody's Analytics; U.S. Census Bureau

LOCAL DEMOGRAPHICS

POPULATION	1 MILE	3 MILES	5 MILES
2026 Projection	50,605	333,122	947,247
2021 Estimate	50,162	327,024	929,506
2010 Census	50,163	317,196	900,382
2000 Census	51,574	315,013	902,983
Growth 2021 - 2026	0.88%	1.86%	1.91%
Growth 2010 - 2020	-0.00%	3.10%	3.23%
Growth 2000 - 2010	-2.74%	0.69%	-0.29%
2021 Daytime Population	43,958	414,139	1,085,617
2021 Median Age	31.0	35.0	35.2

HOUSEHOLDS	1 MILE	3 MILES	5 MILES
2026 Projection	12,531	95,249	301,237
2021 Estimate	12,393	92,555	291,846
2010 Census	12,211	87,815	274,709
2000 Census	12,274	80,938	258,359
Growth 2021 - 2026	1.11%	2.91%	3.22%
Growth 2000 - 2010	-0.52%	8.50%	6.33%

2021 HOUSEHOLD INCOME	1 MILE	3 MILES	5 MILES
\$200,000 or More	2.64%	4.61%	6.43%
\$150,000 - \$199,999	3.09%	4.83%	5.68%
\$100,000 - \$149,999	11.05%	13.40%	14.07%
\$75,000 - \$99,999	11.54%	12.15%	12.44%
\$50,000 - \$74,999	18.99%	15.61%	15.77%
\$35,000 - \$49,999	13.92%	11.92%	11.42%
\$25,000 - \$34,999	11.57%	9.52%	9.26%
\$15,000 - \$24,999	12.52%	11.11%	10.71%
\$10,000 - \$14,999	7.08%	7.69%	6.32%
Under \$9,999	7.60%	9.16%	7.90%
Average Household Income	\$66,204	\$75,538	\$84,496
Median Household Income	\$46,937	\$50,932	\$56,703
Per Capita Income	\$16,962	\$22,666	\$27,173

2021 HOUSING UNITS	1 MILE	3 MILES	5 MILES
Owner-Occupied	26.2%	29.6%	29.0%
Renter-Occupied	73.8%	70.5%	71.0%
Vacant	6.43%	7.15%	7.54%

INVESTMENT FORECAST

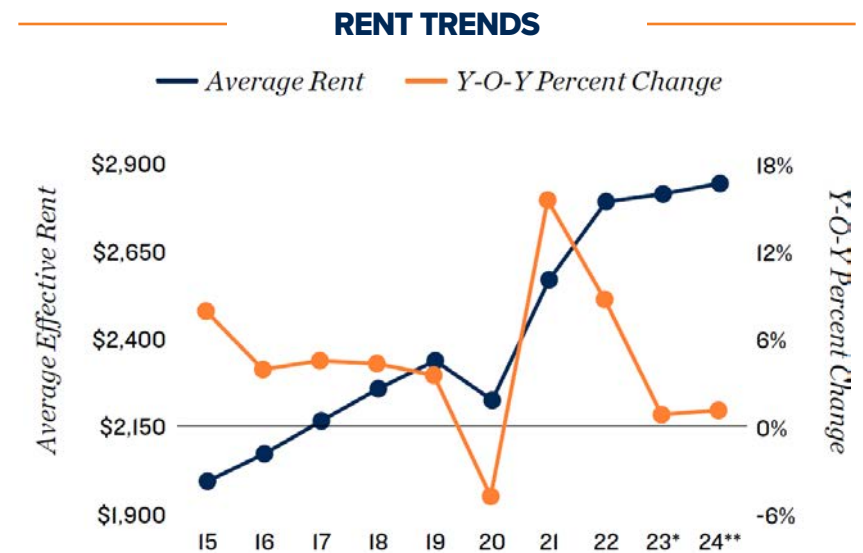
LOS ANGELES METRO 2024

Pullback in Local Deliveries Contrasts National Trend; Future of Measure ULA on Investors' Minds

Household formation tally to set near-term record in nation's second-largest market. Since matching its historically low mark of 2.1 percent in early 2022, Los Angeles County's vacancy rate has steadily risen, reaching the low-5 percent band at the end of last year. This streak, however, ends during 2024. The metro's record total job count, and expectations for positive near-term hiring, are positioned to support the formation of 21,500 households this year, the highest total in more than a decade. This standout growth occurs alongside a slowdown in apartment deliveries, with 21 other major U.S. markets slated to add more units than Los Angeles County this year. Entering 2024 with vacancy rates below the metrowide average, the San Fernando Valley and South Bay-Long Beach will register annual stock expansions of just 0.4 and 0.7 percent, respectively, suggesting these areas will remain among the county's tightest rental markets.

Lower-tier fundamentals outperform, eliciting investment. Class C transactions accounted for 80 percent of metro deal flow last year. Near double-digit rent growth in the sector and a metrowide Class C vacancy rate nearly on par with the long-term average should continue to funnel 1031 exchange capital into lower-tier rentals. Home to some of the tightest Class C conditions, the San Fernando Valley, Westside Cities and Southeast Los Angeles submarkets should remain top targets. Sales activity in Los Angeles proper, however, may trail these areas. Since the enactment of Measure ULA, deal flow above the \$5 million threshold has been scant here.

Still, the potential for change exists. A new referendum will appear on the California ballot in 2024 that would invalidate local special tax increases imposed after January 2022 that received less than two-thirds voter approval; Measure ULA netted 58 percent. Also, the Los Angeles City Council voted to lift a rent freeze on rent-controlled units late last year.



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

2024 Market Forecast



0.9
percent
increase

EMPLOYMENT

After surpassing its 2019 tally last year, the metro's job count increases by 40,000 positions in 2024. Additions in white collar employment sectors, albeit moderate, may aid Class A demand.



7,300
units

CONSTRUCTION

Delivery volume in 2024 trails the prior 10-year average by roughly 1,300 units. Among key areas of the metro, Great-er Downtown Los Angeles is slated to add the most apartments.



40
basis point
decrease in vacancy

VACANCY

Demand outpaces supply for the first time since 2020, dropping vacancy to 4.9 percent. While 100 basis points above its long-term mean, the metro's rate ranks among the nation's lowest.

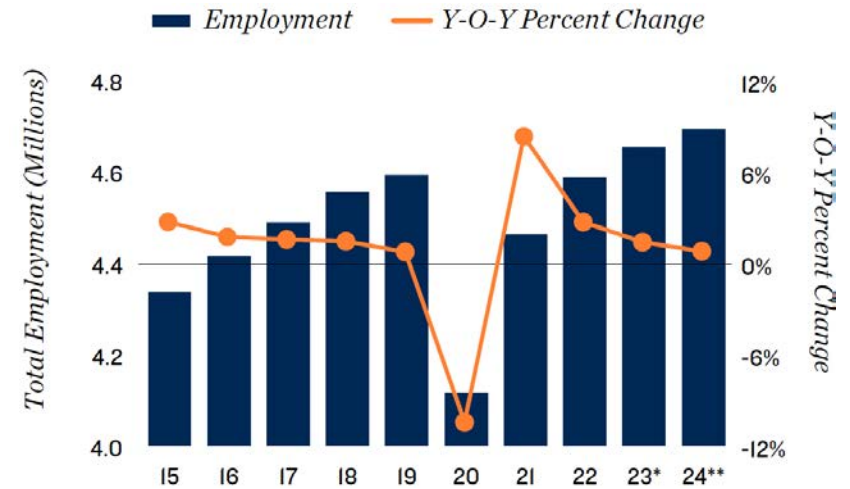


1.1%
increase in
effective rent

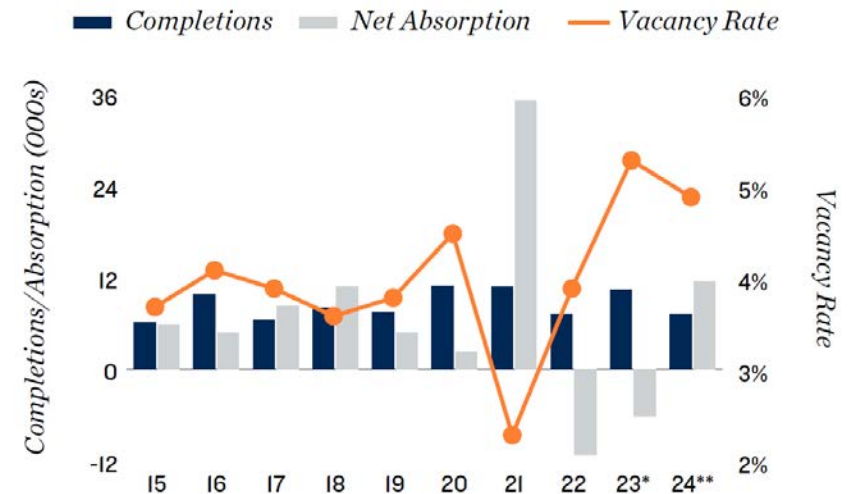
RENT

vacancy compression supports a second straight year of moderate rent growth. At \$2,840 per month, the average effective rate will trail that of Orange County for the first time in 21 years.

EMPLOYMENT TRENDS



SUPPLY & DEMAND



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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