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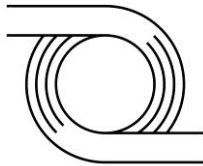
Real Estate and Development

Real Estates Bullets #32

Hello to our **7,929 familiar faces** from last week, and a **warm welcome** to all our **new readers!**

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D & D ENGINEERING, INC.



Bullets #32:

Developers Detach From LA

Developers are finding things more difficult than ever in the City of Los Angeles according to a recent **The Real Deal** article. Here are some insights into the evolving landscape of multifamily development in Los Angeles, particularly with the recent legislative challenges posed by Measure ULA.

- **Measure ULA Overview:**
 - Imposes significant transfer taxes: 4% on sales over \$5 million, 5.5% on sales over \$10 million.
 - Resulting in decreased transaction volume and a cautious investment approach within the city.
- **LaTerra Development's Response:**
 - Temporarily halted the sale of assets in the city.
 - Slowed down development due to various challenges after 15 years of operation in Los Angeles
- **Financing Trends:**
 - Recent slowdown in financing deals for multifamily projects.
 - Growing trend towards rescue deals to support builders in completing ongoing projects.
 - Active exploration of alternative financing tools, including subordinate capital and alternative loans.
- **Acquisitions Focus:**
 - Anticipation of near-term acquisitions focusing more on existing assets than development projects.
- **Market Outlook:**
 - Federal Reserve's indication of potential interest rate cuts.
 - Hopes for Measure ULA's rejection by voters in November 2024 contribute to developers' positive outlook.
- **Persistent Challenges:**
 - High construction costs.
 - Difficulty securing favorable financing terms.
 - Continued exodus of people and companies from the state affecting demand for new projects.
- **Changing Lending Market:**
 - Higher-cost and more structured lenders impacting developers' decisions.
 - Necessitating a search for additional equity.
- **Regional Opportunities:**
 - Areas around L.A.'s border, like Burbank, deemed appealing.
 - Exemptions from certain taxes and high jobs to housing ratios contribute to attractiveness.

- **2024 Focus:**

- Acknowledgment that deals in 2024 may differ from traditional market-rate deals.
- Increased focus on affordable housing projects aligned with specific directives.

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