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May 15, 2023

TO: Fesia Davenport  
Chief Executive Officer

FROM: Jeffrey Prang  
Assessor

SUBJECT: **2023 ASSESSMENT ROLL FORECAST**

The 2023 Assessment Roll Forecast projects a 5% increase over the prior fiscal year with an estimated net local roll value of nearly \$2 trillion. This projected increase reflects the dynamic market conditions that occurred in 2022. While the real estate market continued to thrive in the first half of the year, conditions quickly changed as increasing interest rates created a market slow-down. Despite the market volatility, property transfers continue to be the largest positive contributor to the Assessment Roll estimated at more than \$63 billion, followed by the annual CPI inflation adjustment mandated under Proposition 13 that reached its full potential of 2%.

These projections are based on the best information available at this time; however, there are several factors that are subject to change as my staff continues to work diligently to process all assessable values and exemptions prior to roll closure. Therefore, we cannot guarantee the accuracy of these estimates until the final release of the Assessment Roll scheduled in July 2023.

If you have any questions or need additional information, please feel free to call me directly or your staff may contact Chief Deputy Assessor, George Renkei at (213) 974-3101.

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Attachments (2)

c: Supervisor Janice Hahn, Chair, Fourth District  
Supervisor Hilda L. Solis, First District  
Supervisor Holly Mitchell, Second District  
Supervisor Lindsey P. Horvath, Third District  
Supervisor Kathryn Barger, Fifth District  
Oscar Valdez, Interim Auditor-Controller  
Keith Knox, Treasurer and Tax Collector  
Celia Zavala, Executive Officer

### 2023 Forecasted Roll Change From 2022 Year-End

Components of Change	Change in Billions	Percent of Roll Change <sup>+</sup>
CPI (2%)	\$36.738	1.88%
Property Transfers	\$63.128	3.23%
New Construction	\$5.156	0.26%
Personal Property & Fixtures	\$2.600	0.13%
Special Property Use Types*	-\$0.388	-0.02%
Decline-in-Value and Other Adjustments	<u>-\$2.300</u>	<u>-0.12%</u>
<b>TOTAL GROSS ROLL</b>	<b>\$104.934</b>	<b>5.38%</b>
Major Exemptions	<u>-\$10.731</u>	
<b>TOTAL LOCAL ROLL (After Major Exemptions)</b>	<b>\$94.203</b>	<b>4.98%</b>
Homeowners' Exemptions	<u>\$0.060</u>	
<b>NET LOCAL ROLL</b>	<b>\$94.263</b>	<b>5.00%</b>

+Percentage breakdown might not add up to total percentage due to rounding.

\*Special Property Use Types are comprised of properties of various use, such as mining rights, water rights, water distribution, possessory interest, and mobile homes.

## 2023 Assessment Roll Forecast

### **Summary**

The 2023 assessment roll is projected to increase 5% from the prior year. Los Angeles County real estate sales slowed in 2022 compared to 2021 due to the rapid increase in interest rates. The County's expansion from five to eight Assessment Appeals Boards has also created workload challenges for the department, which were further exacerbated by twice the normal rate of appraiser attrition.

### **Inflation Adjustment (CCPI)**

The inflation adjustment is one of the most significant contributors to the growth of the assessment roll. This year the California Consumer Price Index trended well beyond the full 2% allowable. This component will add an estimated \$37 billion to the 2023 assessment roll.

### **Property Transfers**

Property Transfers are expected to serve as the largest contributor to the growth of the 2023 assessment roll. Although the market cooled significantly compared to 2021, home prices remained strong through much of the year, reaching a record median price exceeding \$900,000. The continued strength of the single-family residential market through the first three quarters of 2022 is projected to produce a significant increase in property transfer assessments, despite staffing challenges and the fourth-quarter decline in prices. Property Transfers are expected to add more than \$63 billion.

### **New Construction**

Appraiser attrition and increased workloads in assessment appeals have severely curtailed the Assessor's capacity to enroll new construction assessments. As a result, we anticipate moderate assessment growth from this component. New construction is expected to add \$5.2 billion to the 2023 assessment roll.

### **Personal Property & Fixtures**

Early indicators suggest continued but softening investment in personal property and fixtures. Historic inflation and the strong response to counteract it have led to increasing caution, which is expected to slow the rate of growth in this component. In contrast, inflation has also elevated the impact of our trend factors, particularly on older business equipment. Much of the work for this component is processed in May and June and is therefore difficult to predict. Due to this uncertainty, we are projecting that personal property and fixtures will produce a total roll change ranging from a gain of \$500 million to \$5.4 billion, with a midpoint estimate of a \$2.6 billion gain.

### **Special Property Use Types**

Special property use types comprise properties of various use, such as mining rights, water rights, water distribution, possessory interests, and mobile homes. This component is projected to reduce the assessment roll by \$388 million.

### **Decline-in-Value and Other Adjustments**

The increase in Assessment Appeals Board scheduling and the attrition of experienced staff have driven an increase in the number and amount of assessment reductions stemming from appeals. As a result, we expect decline-in-value reductions to remove more than \$2 billion from the assessment roll.