

# Los Angeles

## Retail Market Outlook 1Q 2017

### MARKET OVERVIEW

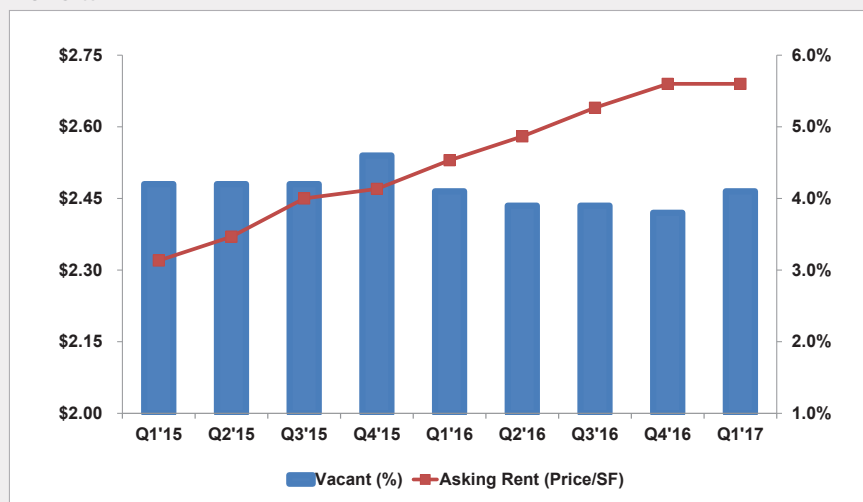
In the first quarter of 2017, the Los Angeles retail market vacancy rate closed at 4.1%, up 30 basis points from the previous quarter and steady from last year. Despite a slight increase in vacancy this quarter, the vacancy rate remains 130 basis points below the 2012 peak. This quarter, six projects totaling 532,756 square feet were delivered to the market, including the largest IKEA in the United States at 470,000 square feet. Average asking rents continue to increase, up 6.3% over last year. At \$2.69/SF, the average asking rent is the highest seen in Los Angeles since the peak in 2008. According to the Conference Board, the Consumer Confidence Index (CCI) sharply increased in March to its highest level since December 2000. CCI is defined as the degree of optimism on the state of the economy that consumers express through their saving and spending. The unemployment rate in Los Angeles fell from 5.2% in March 2016 to 4.3% in March 2017 due to the addition of 84,300 jobs. As consumer confidence and employment continue to drive retail spending, demand will increase heading into 2017.

### TRENDS TO WATCH

Los Angeles County has 1.1 million square feet of retail space in its construction pipeline. At the end of the first quarter, 42 properties continue under construction. Approximately 61% of the space under construction has been spoken for with the majority of construction concentrated in the LA North submarket. The largest project currently under construction is The Vineyards at Porter Ranch, a \$150 million lifestyle center that will provide 215,000 square feet of retail space. This project is an example of the growing trend of Lifestyle and Specialty centers replacing traditional Malls and Power centers as some of the primary upscale retail outlets in the wake of increased competition from e-commerce.

#### Average Asking Rent and Vacancy Rate

All Unit Sizes



Source: NAI Capital Research, CoStar

### MARKET OUTLOOK

Asking Rental Rates



Sale Prices



Availability/Vacancy Rates



Landlord Concessions



Sales/Leasing Volume



New Construction



NAI Capital Research  
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### Market Statistics

SUBMARKET	EXISTING TOTAL RBA (SF)	UNDER CONSTRUCTION (SF)	TOTAL AVAILABLE (%)	TOTAL VACANCY (%)	1Q17 LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	1Q17 SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT \$/PSF NNN	AVERAGE SALE PRICE \$/PSF
Central	15,986,726	230,251	9.6%	5.4%	107,410	107,410	116,393	116,393	\$2.71	\$288
Mid-Wilshire	4,853,753	0	5.6%	3.7%	22,349	22,349	24,575	24,575	\$2.64	\$730
LA North	70,075,997	472,878	5.6%	4.3%	363,339	363,339	474,098	474,098	\$2.17	\$411
San Gabriel Valley	63,486,865	210,485	5.8%	4.4%	375,599	375,599	552,713	552,713	\$1.82	\$330
South Bay	63,012,924	129,603	6.1%	4.2%	501,070	501,070	678,129	678,129	\$2.16	\$348
Tri-Cities	28,504,066	25,480	4.3%	2.7%	121,589	121,589	591,239	591,239	\$2.77	\$197
LA West	53,032,480	71,350	6.1%	3.8%	285,771	285,771	557,847	557,847	\$4.84	\$616
<b>Total</b>	<b>298,952,811</b>	<b>1,140,047</b>	<b>6.0%</b>	<b>4.1%</b>	<b>1,777,127</b>	<b>1,777,127</b>	<b>2,994,994</b>	<b>2,994,994</b>	<b>\$2.69</b>	<b>\$369</b>

RBA includes retail buildings of all sizes and classes. Rents reflect buildings of at least 5,000 square feet.

### Leasing

Leasing activity totaled more than 1.7 million square feet in the first quarter, which is a decline of 13.7% from last year at this time. Average asking rents have increased 6.3% over the year, mostly coming from Shopping, Community, Neighborhood, and Lifestyle centers. In particular, Lifestyle Centers saw a significant increase in asking rents this quarter, jumping 38% from the prior quarter to \$3.64/SF. This increase is the result of landlords, such as the Rodeo Collection and Promenade on the Peninsula, increasing their asking rates for new tenants. In contrast, over the quarter the average asking rent for Power Centers fell by 9.6%, while the vacancy rate increased 180 basis points to 5.3%. For example, The Streets, a power center in downtown Long Beach, and the Heights, another power center in West Covina, lowered their asking rents to attract tenants. This quarter, Mitsuwa Marketplace, the largest Japanese supermarket chain in the United States, leased 56,682 square feet of retail space in Torrance.

### Sales

This quarter, the Los Angeles retail market saw an increase in total sales volume as falling vacancies and rising rents have bolstered investor confidence in the market. Sales activity rose 36.6% over the quarter and 5.2% over the year, totaling 2.9 million square feet of retail space. This quarter, average sale prices registered \$369/SF, as a larger volume of smaller properties traded hands. Compared to last quarter, the average transaction size was 15% smaller, at 6,504 square feet in 409 total transactions this quarter. The largest sale transaction this quarter saw Federal Realty Investment Trust, a Public REIT, purchase the 273,581 square foot Hastings Ranch Plaza in Pasadena for \$107.83/SF.

### Significant Lease Transactions

TENANT	ADDRESS	SUBMARKET	ASKING RENT \$/PSF*	SQUARE FEET
Mitsuwa Marketplace	21515 S Western Ave	South Bay	Withheld	56,682
H&M	280 E Colorado Blvd	San Gabriel Valley	Withheld	29,469
Sprouts	249 S Diamond Bar Blvd	San Gabriel Valley	Withheld	29,366
Howard's	2121 W Main St	San Gabriel Valley	\$3.00	14,145
Frida Mexican Cuisine	15301 Ventura Blvd	LA North	\$3.75	7,980

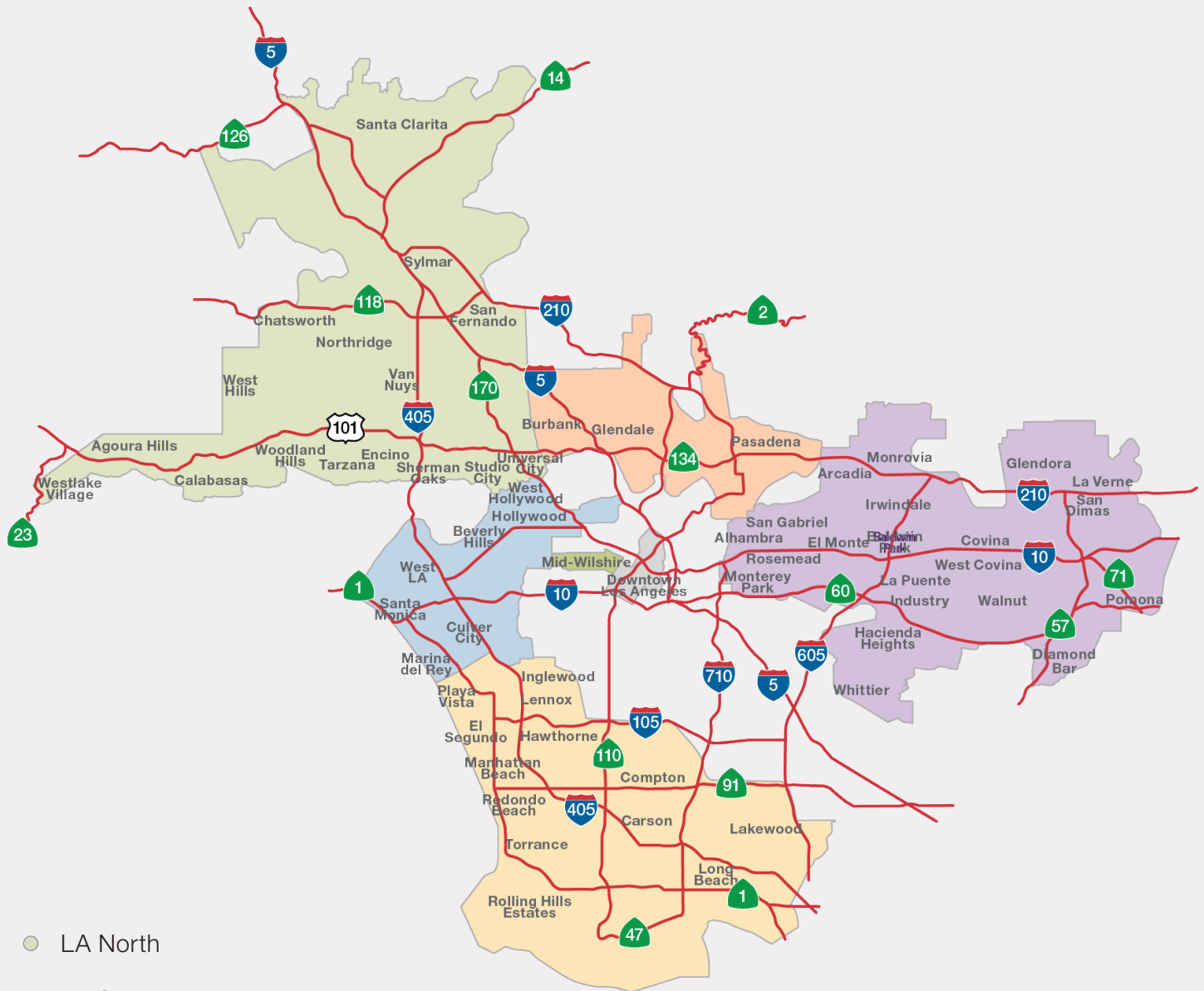
\*All rents are FSG unless otherwise stated

### Significant Sales Transactions

BUYER	ADDRESS	SUBMARKET	SALE PRICE \$/PSF	SQUARE FEET
Federal Realty Investment Trust	3801 E Foothill Blvd	San Gabriel Valley	\$108	273,581
Retail Opportunity Investments, Corp	28821-28901 S Western Ave	South Bay	\$313	172,913
America Ke Qi International Inc	300-430 E Hungtington Dr	San Gabriel Valley	\$398	43,578
Saeco Capital Corporation	261 S Burlington Ave	Mid Wilshire	\$730	24,575
Pier Property LLC	81 Pier Ave	South Bay	\$2,418	3,909

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## Retail Market Outlook 1Q 2017



- LA North
- Tri-Cities
- San Gabriel Valley
- LA West
- Central
- Mid-Wilshire
- South Bay

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