

# FIRST QUARTER 2014 GREATER LOS ANGELES RETAIL

**Voit**  
REAL ESTATE SERVICES

## MARKET CHANGE

Compared to the Previous Quarter:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

UP



Transactions

DOWN



Deliveries

DOWN



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## HIGHLIGHTS

- **Encouraging Numbers** - The Los Angeles County retail market displayed a number of encouraging indicators in the first quarter of 2014. Vacancy and availability continued their gradual downward trends, dropping 9.3% and 8.2%, respectively, from the first quarter of 2013. The market posted nearly 900,000 square feet of positive net absorption during the quarter, producing a total of 3.3 million square feet of positive absorption over the last four quarters.
- **Construction** - There was just over 900,000 square feet of retail space under construction in Los Angeles County in the first quarter of 2014, 440,000 of which was for the mall market. The slowdown in construction has eased and will continue to ease the upward pressure on vacancy rates and the downward pressure on lease rates, as demand catches up to supply.
- **Vacancy** - Direct/sublease space (unoccupied) finished the first quarter of the year at 5.08%, a decrease of 15 basis points from the previous quarter and 9.29% lower than 2013's first quarter. Specialty centers had the lowest vacancy rate, at only 3.23%, while shopping centers had the highest at 6.66%.
- **Availability** - Direct/sublease space being marketed was 6.63% in the beginning of 2014, a slight decrease from the previous quarter's rate of 6.71% and 59 basis points lower than the previous year's rate. Malls displayed the lowest availability rates of all of the retail types, at 4.58%, while the Burbank/Glendale/Pasadena area displayed the lowest rate of all of the submarkets, at 4.58%.
- **Lease Rates** - The average asking triple-net lease rate per month per square foot in the Los Angeles retail market was \$1.96 at the end of the first quarter of 2014, up one cent from the previous quarter, an indication that the market is stabilizing.
- **Absorption** - The Los Angeles County retail market posted 891,340 square feet of positive net absorption in the first quarter, giving the market a total of 3,296,154 square feet of positive absorption for the last four quarters.
- **Transaction Activity** - Leasing activity checked in at 1.9 million square feet in the first quarter of the year, giving a total of 15.8 million square feet leased over the past five quarters. The market transacted 5.8 million square feet of sales in the first quarter, producing 28.6 million square feet sold over the past five quarters. This statistic can have some lag time in being reported, so look for first quarter figures to end up somewhat higher. Details of the largest transactions can be found on the back page of this report.
- **Employment** - The unemployment rate in Los Angeles County was 8.7% in February 2014 — down from a revised 8.9% in January 2014 and below the previous year's estimate of 10.2%. This compares with an unadjusted unemployment rate of 8.3% for California and 6.6% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 86,100 payroll jobs from February 2013 to February 2014. The largest gains were 27,000 in professional and business services and 25,900 in educational and health services; Los Angeles County's largest loss was 8,800 manufacturing jobs during that same period.
- **Overall** - Overall, we are seeing continued decreases in the amounts of vacant and available space, as well as positive net absorption. Transaction activity has increased overall in the last five quarters, while lease rates appear to be increasing. With comparatively few new deliveries to apply upward pressure, vacancy rates should continue to descend. As long as job creation continues and consumer confidence stabilizes, the Los Angeles retail market will continue to improve.

## FORECAST

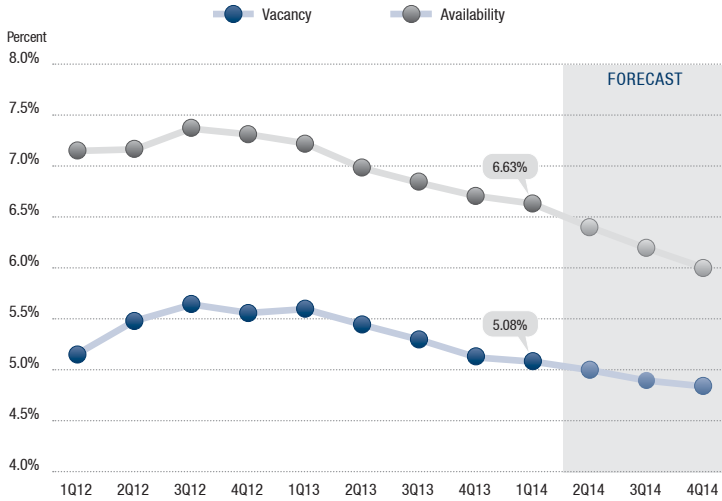
- **Construction** - While we foresee more development projects materializing in coming quarters, we expect land constraints to keep new supply well below demand growth over the next few years, which should help limit downward pressure on vacancy.
- **Employment** - We anticipate job growth of around 1.3%, or 58,900 jobs, in the Los Angeles area over the year. Look for industries like technology and entertainment to outperform sectors that are dependent upon population gains in coming years.
- **Lease Rates** - Expect average asking lease rates to increase by another 1% — 3% by 2015.
- **Vacancy** - We anticipate vacancy rates continuing to descend in coming quarters, dropping by 35 basis points, to around 4.75%, by 2015.

## OVERVIEW

	1Q14	4Q13	1Q13	% of Change vs. 1Q13
Vacancy Rate	5.08%	5.23%	5.60%	(9.29%)
Availability Rate	6.63%	6.71%	7.22%	(8.17%)
Average Asking Lease Rate	\$1.96	\$1.95	\$1.94	1.03%
Sale & Lease Transactions	7,646,707	8,125,053	7,654,652	(0.10%)
Gross Absorption	4,061,754	4,377,196	4,433,108	(8.38%)
Net Absorption	891,340	736,031	(53,232)	N/A

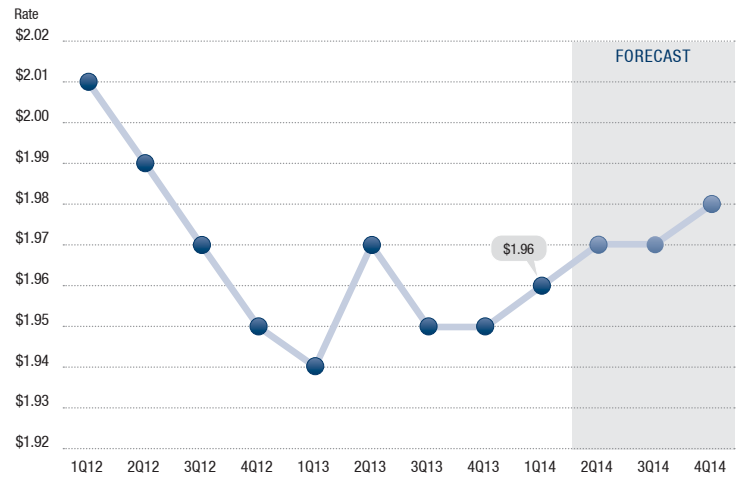
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



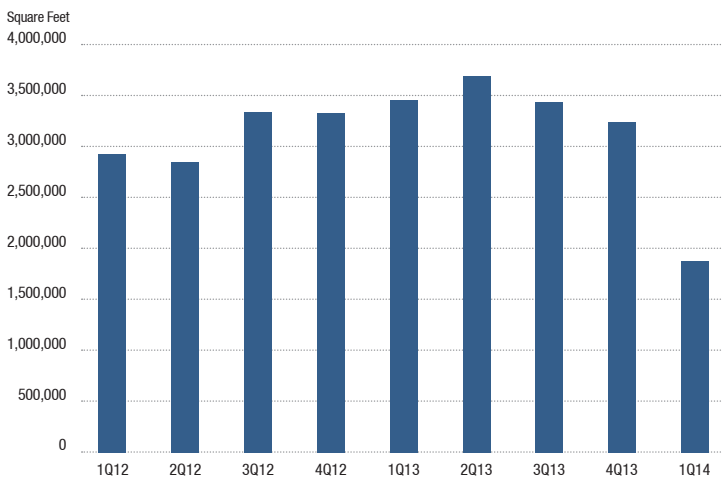
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



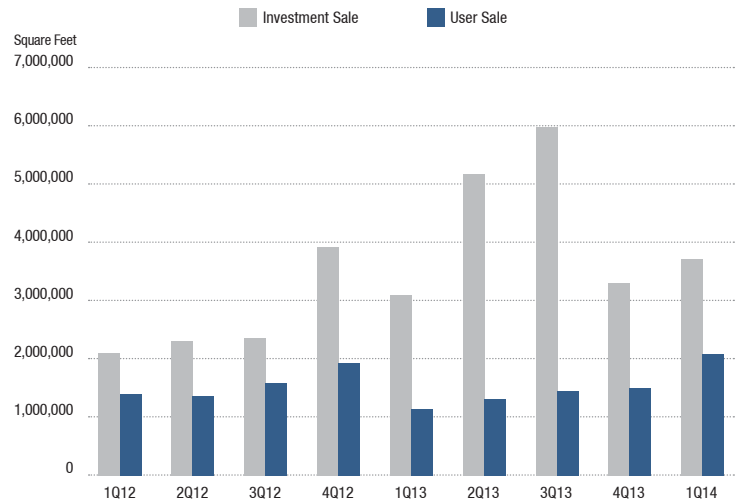
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



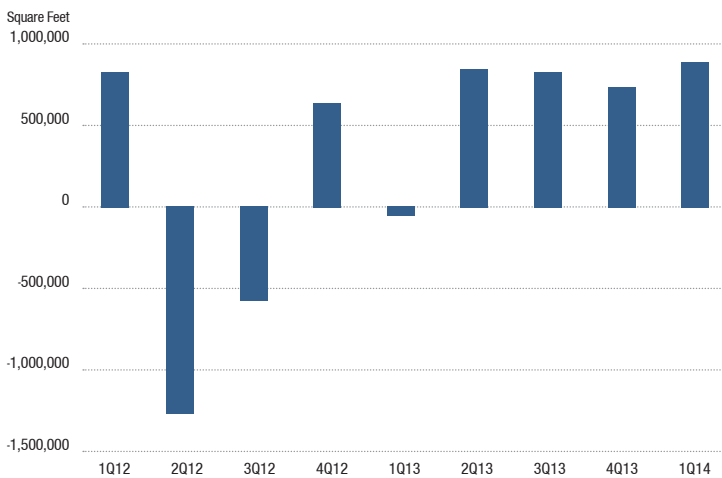
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



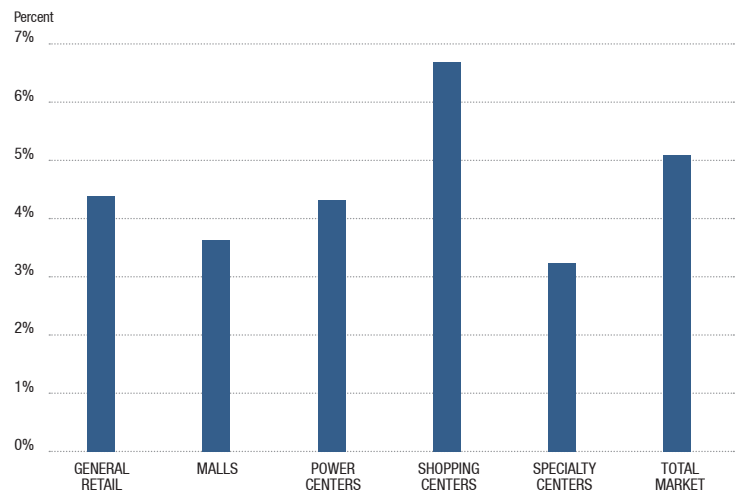
## NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



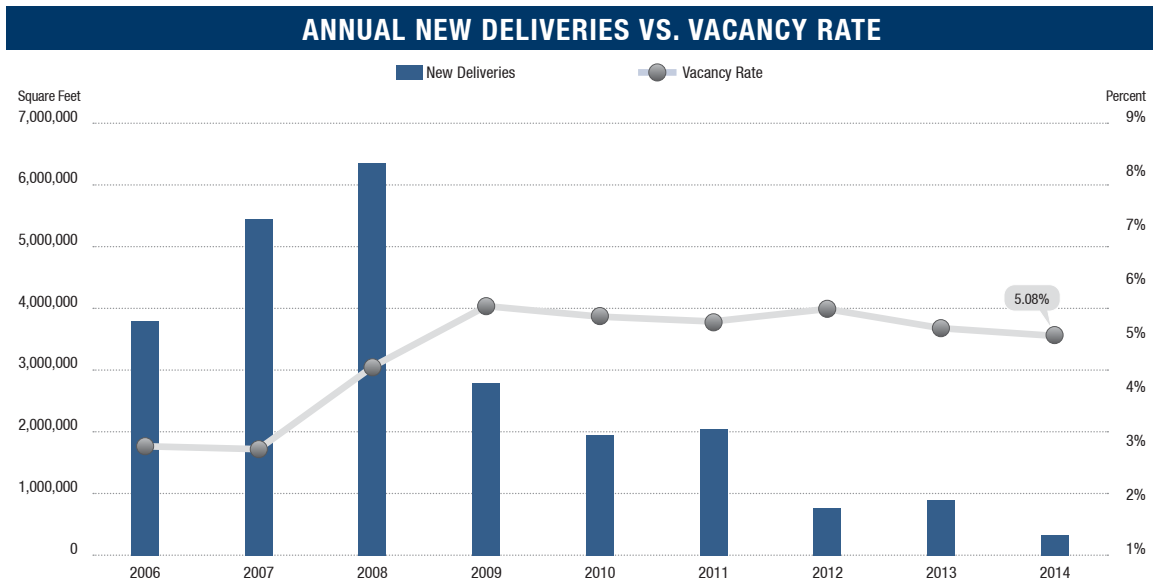
## VACANCY RATE BY PRODUCT TYPE

VACANCY – UNOCCUPIED SPACE



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2014	Square Feet Available	Availability Rate 1Q2014	Average Asking Lease Rate	Net Absorption 1Q2014	Net Absorption 2013	Gross Absorption 1Q2014	Gross Absorption 2013
<b>Los Angeles Market Total</b>													
Antelope Valley	1,106	15,604,900	0	1,982,359	1,130,861	7.25%	1,483,424	9.51%	\$1.15	61,582	60,374	114,403	359,305
Burbank / Glendale / Pasadena	6,254	50,946,713	1,500	103,496	1,883,326	3.70%	2,330,860	4.58%	\$2.50	69,905	427,099	442,089	1,878,553
Downtown	1,903	22,140,019	0	56,943	1,720,508	7.77%	1,994,599	9.01%	\$2.20	97,663	(648,012)	206,154	923,798
Mid-Cities	5,300	45,055,240	178,693	1,464,473	2,636,082	5.85%	3,583,572	7.95%	\$1.63	108,110	373,498	458,251	1,789,709
Mid-Wilshire	3,767	32,967,170	89,886	300,403	1,302,373	3.95%	1,826,008	5.54%	\$3.13	80,381	337,616	332,232	1,862,332
San Fernando Valley	4,449	48,301,916	12,850	809,721	2,455,102	5.08%	3,139,891	6.50%	\$1.84	67,789	228,848	411,730	2,180,914
San Gabriel Valley	5,383	60,128,864	116,950	579,003	3,452,588	5.74%	4,272,798	7.11%	\$1.58	86,215	679,332	474,014	2,719,571
Santa Clarita Valley	723	12,355,459	4,500	167,521	817,484	6.62%	1,113,474	9.01%	\$1.60	(20,956)	42,262	107,764	505,494
South Bay	6,594	65,776,822	41,423	869,611	2,751,164	4.18%	3,701,009	5.63%	\$1.93	92,879	261,967	582,456	2,446,309
Southeast LA	1,680	18,646,021	20,460	106,672	907,460	4.87%	1,187,910	6.37%	\$1.81	64,395	69,700	194,962	671,562
Ventura North	1,757	17,923,804	1,798	122,615	949,016	5.29%	1,365,089	7.62%	\$1.62	(21,810)	105,315	92,955	580,787
Ventura South	1,710	25,225,316	209,273	693,924	1,431,111	5.67%	1,696,002	6.72%	\$1.87	86,357	28,375	220,599	700,984
West LA	4,192	38,030,454	238,702	1,495,033	1,602,732	4.21%	2,339,880	6.15%	\$3.44	118,830	257,863	424,145	1,989,024
<b>Los Angeles Market Total</b>	<b>44,818</b>	<b>453,102,698</b>	<b>916,035</b>	<b>8,751,774</b>	<b>23,039,807</b>	<b>5.08%</b>	<b>30,034,516</b>	<b>6.63%</b>	<b>\$1.96</b>	<b>891,340</b>	<b>2,224,237</b>	<b>4,061,754</b>	<b>18,608,342</b>
<b>Los Angeles Market Total</b>													
General Retail	35,171	222,924,295	188,595	2,845,647	9,782,607	4.39%	13,497,899	6.05%	\$2.17	411,893	943,463	2,186,683	9,893,402
Malls	498	44,845,004	439,273	1,673,641	1,617,550	3.61%	2,053,491	4.58%	\$2.55	84,450	(9,709)	132,430	1,046,661
Power Centers	534	24,098,921	90,000	1,891,333	1,037,117	4.30%	1,364,646	5.66%	\$1.53	6,485	202,547	195,653	623,073
Shopping Centers	8,576	157,326,692	198,167	2,311,053	10,476,221	6.66%	12,926,172	8.22%	\$1.86	329,211	1,085,172	1,485,531	6,969,718
Specialty Centers	39	3,907,786	0	30,100	126,312	3.23%	192,308	4.92%	\$1.22	59,301	2,764	61,457	75,488
<b>Los Angeles Market Total</b>	<b>44,818</b>	<b>453,102,698</b>	<b>916,035</b>	<b>8,751,774</b>	<b>23,039,807</b>	<b>5.08%</b>	<b>30,034,516</b>	<b>6.63%</b>	<b>\$1.96</b>	<b>891,340</b>	<b>2,224,237</b>	<b>4,061,754</b>	<b>18,608,342</b>

Lease rates are on a triple-net basis.



## MAJOR TRANSACTIONS

## Sales Transactions

Property Address	Submarket	Square Feet	Price Per SF	Buyer	Seller
11113-11211 183rd St. – 11 Properties	Mid-Cities	357,240	\$172.99	CenterCal Properteis, LLC	HR Barros Family, LP
6150 Laurel Canyon Blvd. – 2 Properties	Burbank/Glendale/Pasadena	376,050	\$132.96	Goldstein Planting Investments	Macy's, Inc.
2196-2358 Tapo St. – 2 Properties	Ventura North	149,308	\$208.17	Gerrity Atlantic Retail Partners, LLC	Lubert-Adler Partners, LP
400-408 W. Huntington Dr. – 4 Properties	Burbank/Glendale/Pasadena	57,154	\$463.66	ASB Property Management	Van's Investment Group, Inc.
13750-13778 Foothill Blvd. – 4 Properties	San Fernando Valley	142,855	\$117.25	Levy Affiliated Holdings, LLC	C-III Asset Management

## Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
10861 Weyburn Ave.	West LA	33,657	Feb-14	Verizon	TIAA-CREF
515-655 W. Arrow Hwy.	San Gabriel Valley	20,709	Mar-14	Rockin' Jump	Meiloon Investment & Development, LLC
3060 Crenshaw Blvd.	West LA	16,319	Feb-14	99 Cent Store	CIM Group, LP
527 S. Lake Ave.	Burbank/Glendale/Pasadena	9,500	Jan-14	California Credit Union	California Credit Union

**General Retail:** Typically single-tenant freestanding general purpose commercial buildings with parking. Many single retail buildings fall into this use code, especially when they don't meet any of the more detailed use code descriptions.

**Mall:** Retail centers which provide shopping goods, general merchandise, apparel, furniture, and home furnishings in full depth and variety. Malls are generally built around one or more full-line department stores as the major drawing powers. However, some malls, such as lifestyle centers, lack major anchors and instead rely on trendier, upscale retail to draw business from nearby affluent neighborhoods.

**Power Center:** The center typically consists of several freestanding anchors and only a minimum amount of small specialty tenants. 250,000–600,000 SF and is dominated by several large anchors, including discount department stores, off-price stores, and warehouse clubs.

**Shopping Center:** Combination of the following retail types:

**Strip Center:** An attached row of stores or service outlets managed as a coherent retail entity. May be configured in a straight line, L, or U shape. On-site parking usually in front of stores.

**Neighborhood Center:** Centers providing convenience goods (food, drugs, etc.) and personal services (laundry, dry cleaning, etc.) for day-to-day needs of surrounding neighborhood. Generally 30,000–100,000 square feet in size.

**Community Center:** Centers offering a wider range of apparel and goods than community centers. Often anchored by supermarkets, super drugstores, or discount department stores. Usually configured in a straight line or L or U shape. Generally 100,000–350,000 square feet in size.

**Specialty Center:** Centers focused on a particular specialty or theme. Examples include Airport Retail (a center using an airport as its main draw), Outlet Center (a center of bigger chain stores often found in malls selling their own merchandise at a discount), and Theme / Festival Center (centers built around a unifying theme, often appealing most to tourists).

## SUBMARKETS

Antelope Valley  
 Burbank / Glendale / Pasadena  
 Downtown  
 Mid-Cities  
 Mid-Wilshire  
 San Fernando Valley  
 San Gabriel Valley  
 Santa Clarita Valley  
 South Bay  
 Southeast LA  
 Ventura North  
 Ventura South  
 West LA

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