



FIRST QUARTER 2015 GREATER LOS ANGELES RETAIL

Voit
REAL ESTATE SERVICES

MARKET CHANGE

Compared to 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 2015. Year over year, vacancy and availability continued their downward trend, dropping 6.85% and 4.92% respectively. The market posted over 438,000 square feet of positive net absorption during the first quarter, producing more than 6.7 million square feet of positive absorption over the last ten quarters.
- **Construction** - There was just over 1.76 million square feet of retail space under construction in Los Angeles County in the first quarter of 2015, 820,000 of which was for malls. Construction levels have not been this high since the second quarter of 2011.
- **Vacancy** - Direct/sublease space (unoccupied) finished the first quarter at 4.62%, a decrease of six basis points from the previous quarter and 6.85% lower than 2014's first quarter. At only 3.64%, malls had the lowest vacancy rate, while shopping centers had the highest at 6.06%.
- **Availability** - Direct/sublease space being marketed was 6.18% this quarter, a decrease from the previous quarter's rate of 6.28% and 32 basis points lower than the previous year's rate. Malls displayed the lowest availability rate of all of the retail types, at 4.56%, while the Burbank/Glendale/Pasadena area displayed the lowest rate of all of the submarkets, at 4.51%.
- **Lease Rates** - The average asking triple net lease rate per month per square foot in the Los Angeles retail market was \$2.14 at the end of the first quarter of 2015, up fourteen cents year over year, an indication that the market is improving.
- **Absorption** - The Los Angeles County retail market posted 438,768 square feet of positive net absorption in the first quarter, giving the market a total of 3.4 million square feet

of positive absorption for the last five quarters and over 6.7 million square feet since the fourth quarter of 2012.

- **Transaction Activity** - Leasing activity checked in at over 1.5 million square feet in first quarter of 2015, for a total of almost 24 million square feet leased over the past two years. The market transacted 4.7 million square feet of sales for the quarter, producing 37.4 million square feet sold over the past two years. This statistic can have some lag time in being reported, so look for this quarter's figures to end up somewhat higher in the next report. Details of the largest transactions can be found on the back page of this report.
- **Employment** - The unemployment rate in Los Angeles County was 7.8% in February 2015, from a revised 7.9% in January 2015 and below the previous year's estimate of 8.7%. This compares with an unadjusted unemployment rate of 6.8% for California and 5.8% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 101,100 payroll jobs from February 2014 to February 2015. Most sectors showed gains in employment; the largest gains were 27,400 in educational and health services and 19,600 in trade, transportation, and utilities during that same period. Los Angeles County's manufacturing sector suffered the biggest losses over the year — down 3,500 jobs.
- **Overall** - We are seeing continued decreases in the amounts of vacant and available space, as well as positive net absorption. Transaction activity has been positive in the last five quarters, and lease rates appear to be increasing also. 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

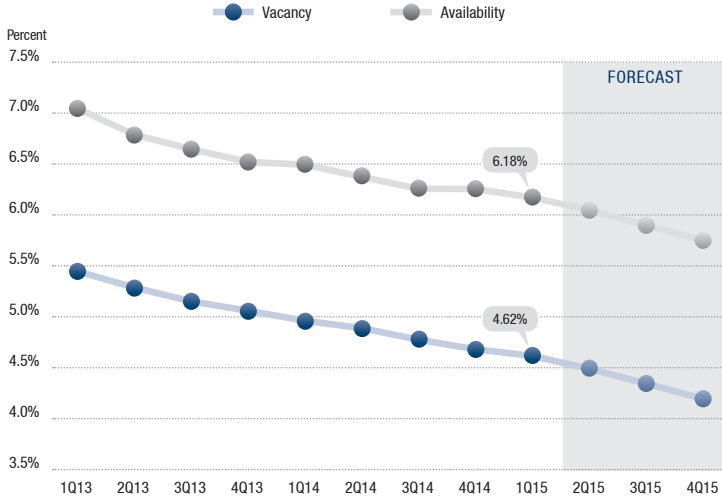
- **Construction** - While we foresee more development projects materializing in coming quarters, we expect land constraints to keep new supply well below demand growth over the next few years.
- **Employment** - We anticipate job growth of around 1.9%, or 79,500 jobs, in the Los Angeles area over the 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 2% to 4% over the next four quarters.
- **Vacancy** - We anticipate vacancy rates continuing to descend in coming quarters, dropping by 40 basis points to around 4.20%, by the fourth quarter of 2015.

OVERVIEW

	1Q15	4Q14	1Q14	% of Change vs. 1Q14
Total Vacancy Rate	4.62%	4.68%	4.96%	(6.85%)
Availability Rate	6.18%	6.28%	6.50%	(4.92%)
Average Asking Lease Rate	\$2.14	\$2.09	\$2.00	7.00%
Sale & Lease Transactions	6,203,744	6,484,865	7,039,973	(11.88%)
Gross Absorption	3,051,503	3,014,649	4,051,756	(24.69%)
Net Absorption	438,768	650,265	905,904	N/A

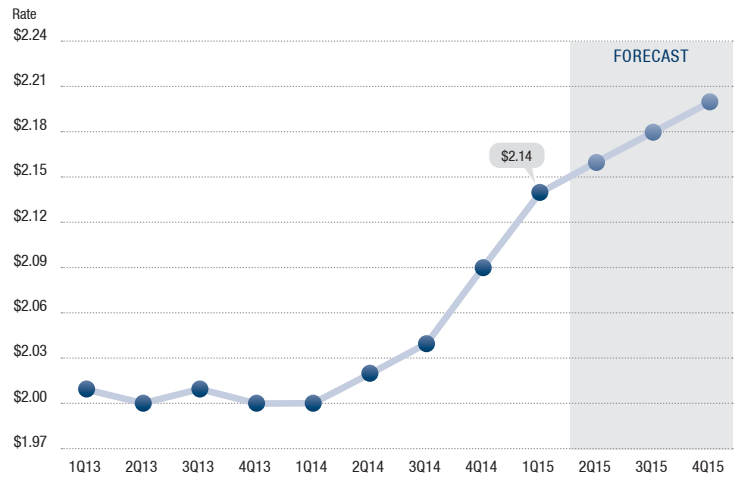
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



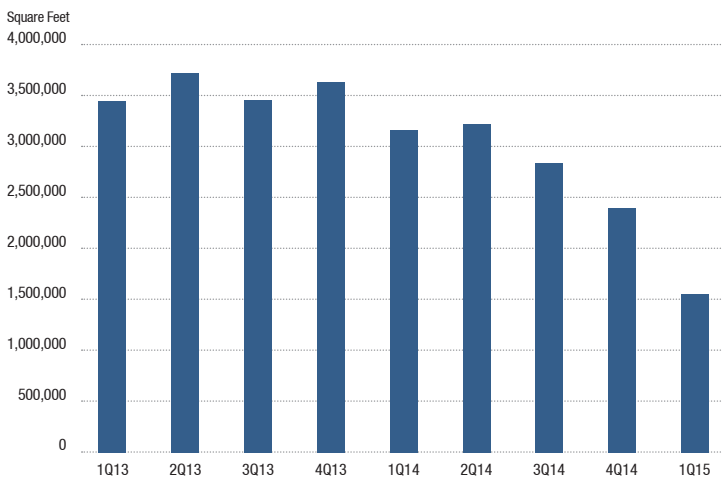
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



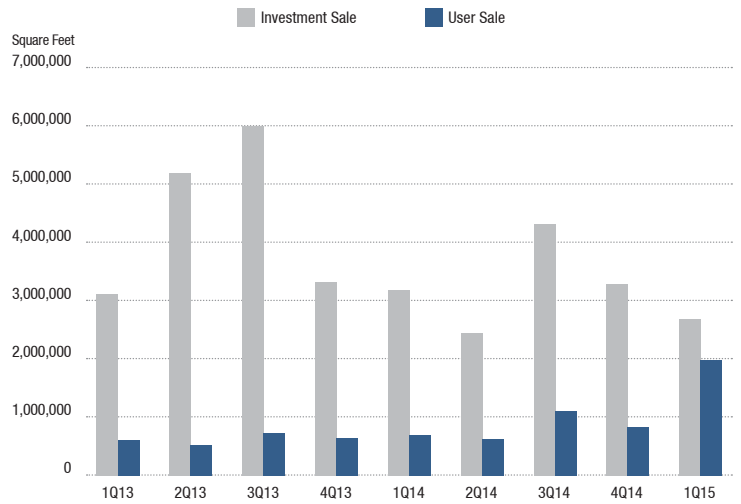
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



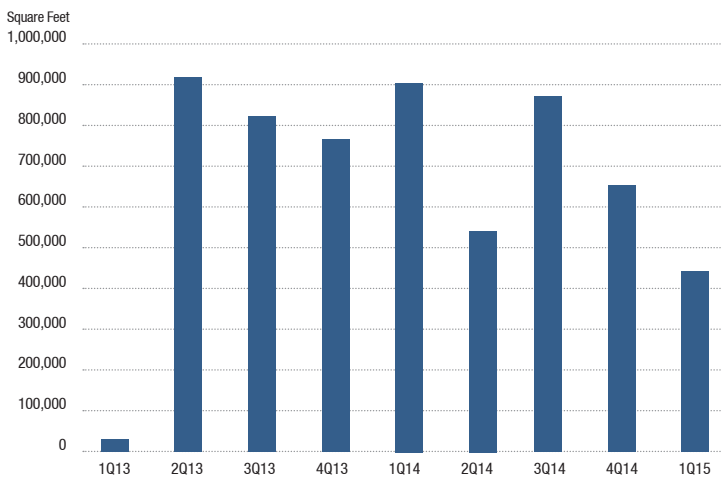
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



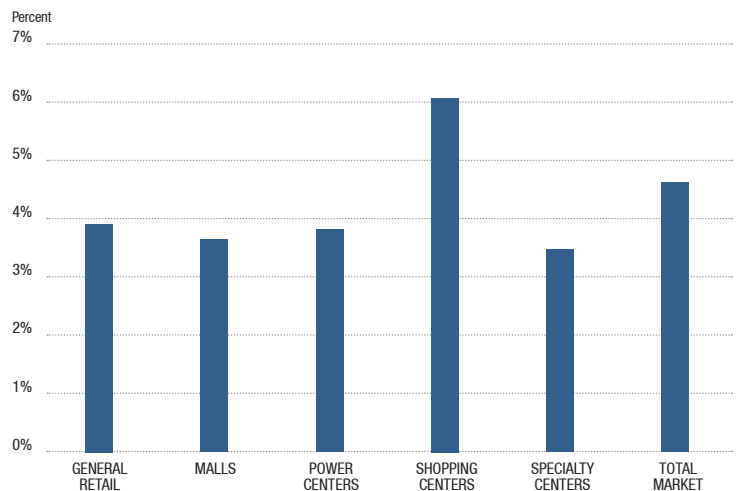
NET ABSORPTION

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



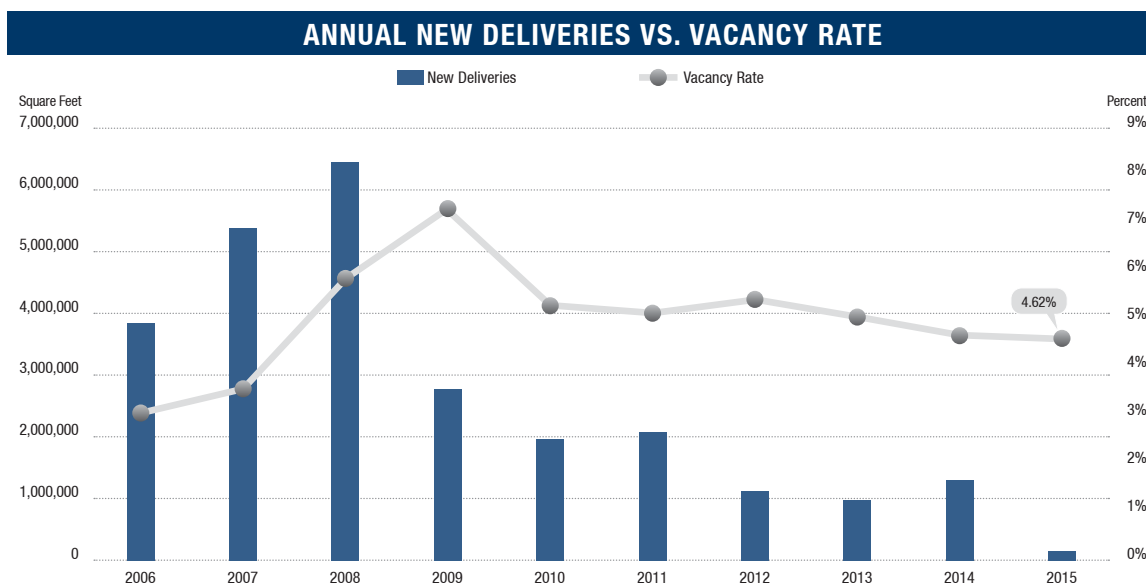
VACANCY RATE BY PRODUCT TYPE

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 1Q2015	Square Feet Available	Availability Rate 1Q2015	Average Asking Lease Rate	Net Absorption 1Q2015	Net Absorption 2014	Gross Absorption 1Q2015	Gross Absorption 2014
Los Angeles Market Total													
Antelope Valley	1,125	15,811,458	80,563	1,931,534	1,272,334	8.05%	1,525,370	9.65%	\$1.26	(69,220)	149,316	131,032	481,635
Burbank / Glendale / Pasadena	6,291	51,269,853	17,370	143,544	1,772,978	3.46%	2,309,784	4.51%	\$2.70	(61,447)	266,415	227,168	1,400,931
Downtown	1,942	22,284,178	148,147	461,143	1,657,033	7.44%	2,034,025	9.13%	\$2.79	114,729	52,208	193,564	665,570
Mid-Cities	5,426	45,954,852	21,031	1,198,112	2,454,625	5.34%	3,211,788	6.99%	\$1.71	(39,542)	545,091	276,817	1,635,468
Mid-Wilshire	3,843	33,952,501	305,688	156,050	1,248,875	3.68%	1,776,117	5.23%	\$3.28	(17,901)	238,528	240,865	1,150,732
San Fernando Valley	4,504	48,733,499	564,634	294,496	2,409,095	4.94%	2,972,901	6.10%	\$1.37	69,263	127,948	331,501	1,375,015
San Gabriel Valley	5,470	60,232,414	105,089	702,665	2,891,847	4.80%	3,678,501	6.11%	\$1.55	124,058	394,553	462,248	1,873,132
Santa Clarita Valley	733	12,485,946	0	173,046	761,075	6.10%	907,400	7.27%	\$1.78	44,379	(1,656)	118,404	442,509
South Bay	6,837	66,411,835	139,555	906,015	2,454,257	3.70%	3,462,340	5.21%	\$2.05	175,115	396,458	439,086	1,969,007
Southeast LA	1,779	18,959,211	0	193,923	865,984	4.57%	1,309,389	6.91%	\$1.71	59,652	108,786	142,816	539,753
Ventura North	1,767	17,969,232	0	112,271	895,907	4.99%	1,333,777	7.42%	\$1.65	(18,204)	77,144	39,718	488,689
Ventura South	1,722	25,421,689	92,332	640,222	1,232,590	4.85%	1,671,378	6.57%	\$1.89	101,274	440,738	189,084	810,155
West LA	4,311	38,307,729	287,297	1,498,036	1,220,544	3.19%	2,091,738	5.46%	\$4.16	(43,388)	136,189	259,200	1,227,781
Los Angeles Market Total	45,750	457,794,397	1,761,706	8,411,057	21,137,144	4.62%	28,284,508	6.18%	\$2.14	438,768	2,931,718	3,051,503	14,060,377
General Retail	35,939	227,369,517	603,777	4,641,492	8,878,225	3.90%	12,750,318	5.61%	\$2.43	49,258	875,194	1,398,317	6,834,768
Malls	433	41,352,612	819,876	143,600	1,506,979	3.64%	1,884,727	4.56%	\$4.06	(13,835)	273,728	20,758	601,067
Power Centers	631	27,248,446	0	1,454,834	1,040,393	3.82%	1,058,028	3.88%	\$1.51	77,179	565,078	127,727	959,352
Shopping Centers	8,709	157,934,271	330,453	2,148,631	9,576,620	6.06%	12,402,879	7.85%	\$1.94	316,032	1,176,726	1,494,567	5,546,238
Specialty Centers	38	3,889,551	7,600	22,500	134,927	3.47%	188,556	4.85%	\$1.11	10,134	40,992	10,134	118,952
Los Angeles Market Total	45,750	457,794,397	1,761,706	8,411,057	21,137,144	4.62%	28,284,508	6.18%	\$2.14	438,768	2,931,718	3,051,503	14,060,377

Lease rates are on a triple-net basis.



MAJOR TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Price Per SF	Buyer	Seller
4550 W. Pico Blvd. – 4 Properties	Mid-Wilshire	315,338	\$591.75	NewTower Trust Company	CIM Group, LP
19350 Nordoff St. – 5 Properties	San Fernando Valley	268,362	\$428.53	The Kroenke Group	AG-CorAmerica Nordhoff Owner, LP
21801 Oxnard St.	San Fernando Valley	129,822	\$328.91	Westfield Group	EPR Properties REIT
21851 Vicotry Blvd.	San Fernando Valley	100,204	\$424.13	Westfield Group	Sears Holding Corporation
1771-1789 S. Alameda St. – 3 Properties	Mid-Cities	82,301	\$328.06	Invesco Real Estate	Prism Realty Corporation

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
11022 Aviation Blvd. – Renewal	South Bay	50,000	Mar-2015	The Proud Bird Restaurant	L A City
4903-4947 Eagle Rock Blvd.	Glendale/Burbank/Pasadena	25,183	Jan-2015	Sprouts	Continental Eagle Rock, LLC
21721-21725 Vanowen St.	San Fernando Valley	16,161	Feb-2015	Howard Electronics	Se Warner, LLC
28503-28505 Canwoods St.	Ventura South	15,000	Jan-2015	Pacific Patio Furniture	jKim Group, Inc.
2700 Broadway	Downtown LA	10,660	Mar-2015	Dollar Tree	Rsr Investments, LLC

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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