



SECOND QUARTER 2014 GREATER LOS ANGELES RETAIL

Voit
REAL ESTATE SERVICES

MARKET CHANGE

Compared to the Previous Quarter:

Vacancy



Net Absorption



Lease Rates



Transactions



Deliveries



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HIGHLIGHTS

- **Encouraging Numbers** - The Los Angeles County retail market displayed a number of encouraging indicators in the second quarter of 2014. Vacancy and availability continued their gradual downward trends, dropping 7.9% and 6.3% respectively, from the second quarter of 2013. The market posted nearly 90,000 square feet of positive net absorption during the quarter, producing a total of 3.9 million square feet of positive absorption over the last five quarters.
- **Construction** - There was almost 1.35 million square feet of retail space under construction in Los Angeles County in the second quarter of 2014, 590,000 of which was for general retail. Construction levels have not been this high since the third quarter of 2011.
- **Vacancy** - Direct/sublease space (unoccupied) finished the second quarter of the year at 5.01%, an increase of one basis point from the previous quarter and 7.90% lower than 2013's second quarter. Malls had the lowest vacancy rate, at only 3.62%, while shopping centers had the highest at 6.67%.
- **Availability** - Direct/sublease space being marketed was 6.51% this quarter, a slight decrease from the previous quarter's rate of 6.53% and 44 basis points lower than the previous year's rate. Specialty centers displayed the lowest availability rates of all of the retail types, at 4.37%, while the Burbank/Glendale/Pasadena area displayed the lowest rate of all of the submarkets, at 4.53%.
- **Lease Rates** - The average asking triple net lease rate per month per square foot in the Los Angeles retail market was \$2.00 at the end of the second quarter of 2014, up four cents from the previous quarter, an indication that the market is improving.
- **Absorption** - The Los Angeles County retail market posted 86,246 square feet of positive net absorption in the second quarter, giving the market a total of 3,944,360 square feet of positive absorption for the last five quarters.
- **Transaction Activity** - Leasing activity checked in at two million square feet in the second quarter of the year, giving a total of 15.2 million square feet leased over the past five quarters. The market transacted three million square feet of sales in the second quarter, producing 24.4 million square feet sold over the past five quarters. This statistic can have some lag time in being reported, so look for second 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 8.2% in May 2014, down from a revised 8.3% in April 2014 and below the previous year's estimate of 10.0%. This compares with an unadjusted unemployment rate of 7.1% for California and 6.1% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 89,300 payroll jobs from May 2013 to May 2014. The largest gains were 36,400 in educational and health services and 32,900 in health care and social assistance. Los Angeles County's largest loss was 1,100 wholesale trade jobs during that same period.
- **Overall** - We are seeing continued decreases in the amounts of vacant and available space, as well as positive net absorption. 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

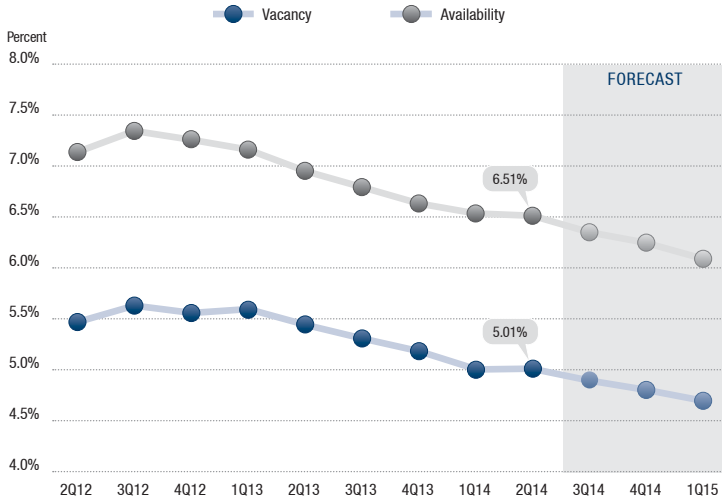
- **Construction** - While we foresee more development projects materializing in coming quarters, we expect land constraints to keep new supply well below demand growth over the next few years.
- **Employment** - We anticipate job growth of around 1.3%, or 58,900 jobs, in the Los Angeles area over the 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 30 basis points to around 4.70%, by the first quarter of 2015.

OVERVIEW

	2Q14	1Q14	2Q13	% of Change vs. 2Q13
Vacancy Rate	5.01%	5.00%	5.44%	(7.90%)
Availability Rate	6.51%	6.53%	6.95%	(6.33%)
Average Asking Lease Rate	\$2.00	\$1.96	\$1.96	2.04%
Sale & Lease Transactions	4,974,205	7,721,462	9,384,367	(46.99%)
Gross Absorption	3,763,029	4,161,456	5,225,274	(27.98%)
Net Absorption	86,246	1,320,308	813,965	N/A

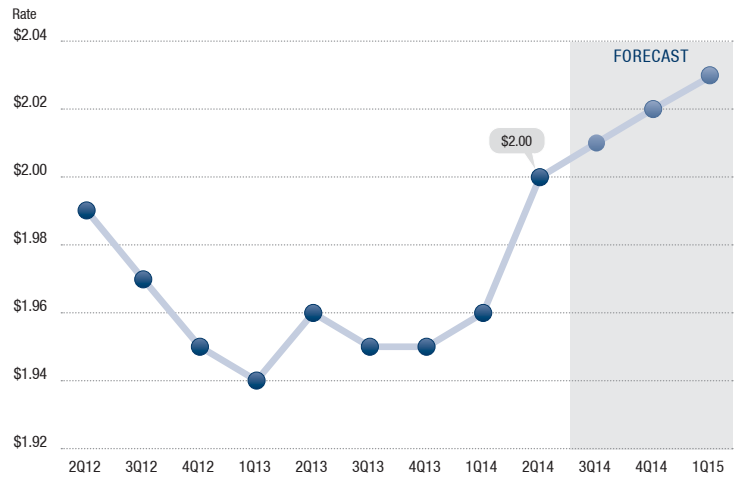
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



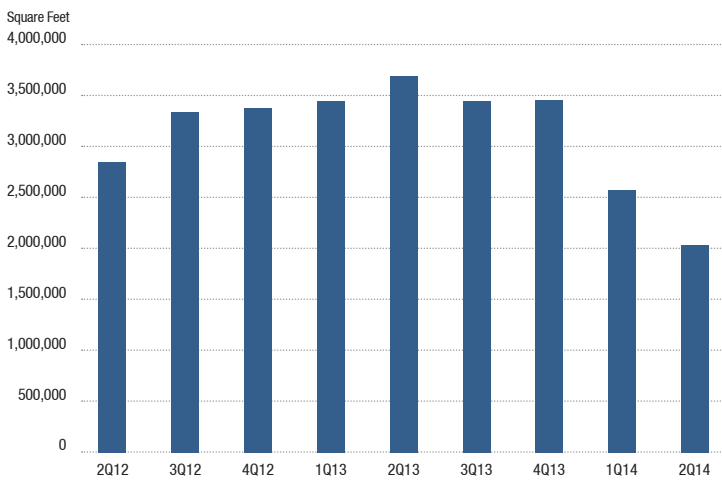
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



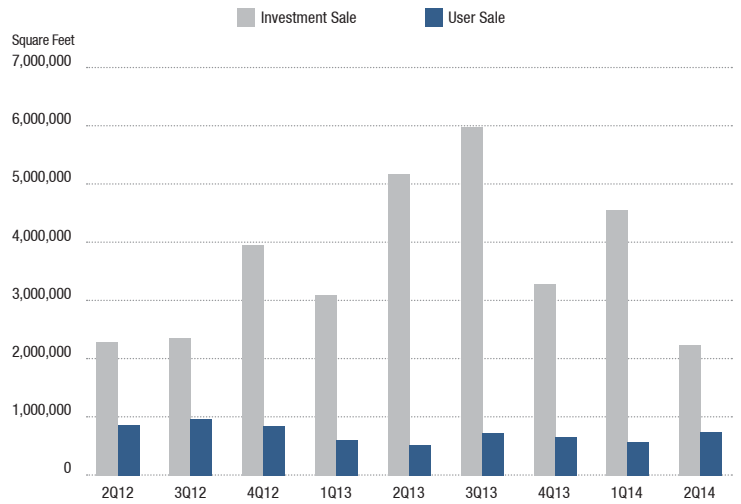
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



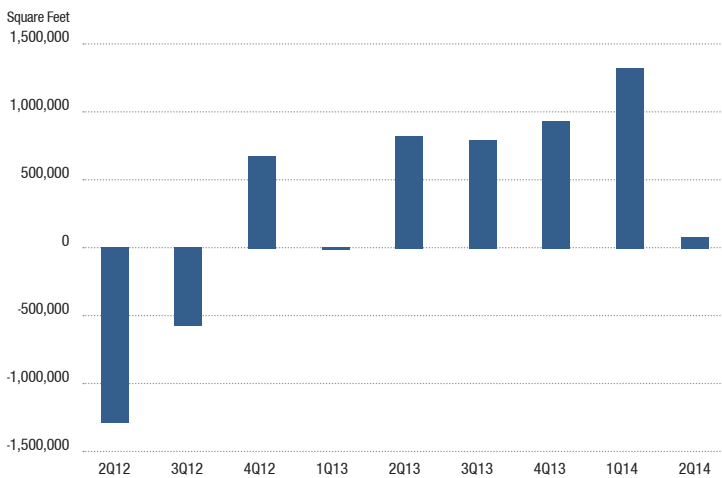
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



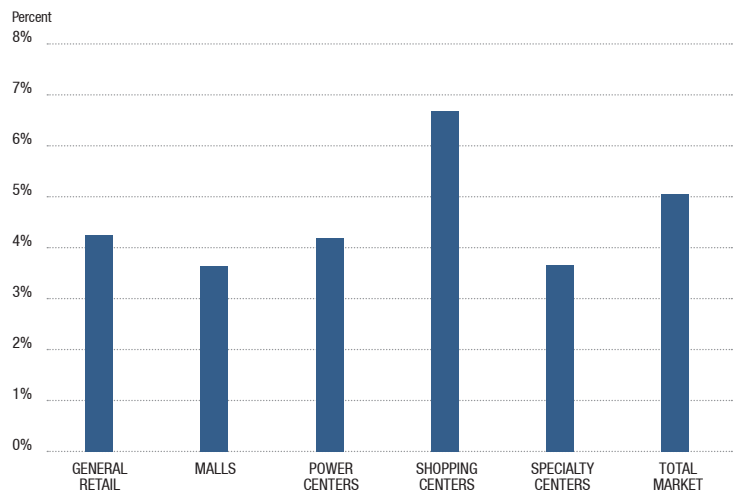
NET ABSORPTION

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



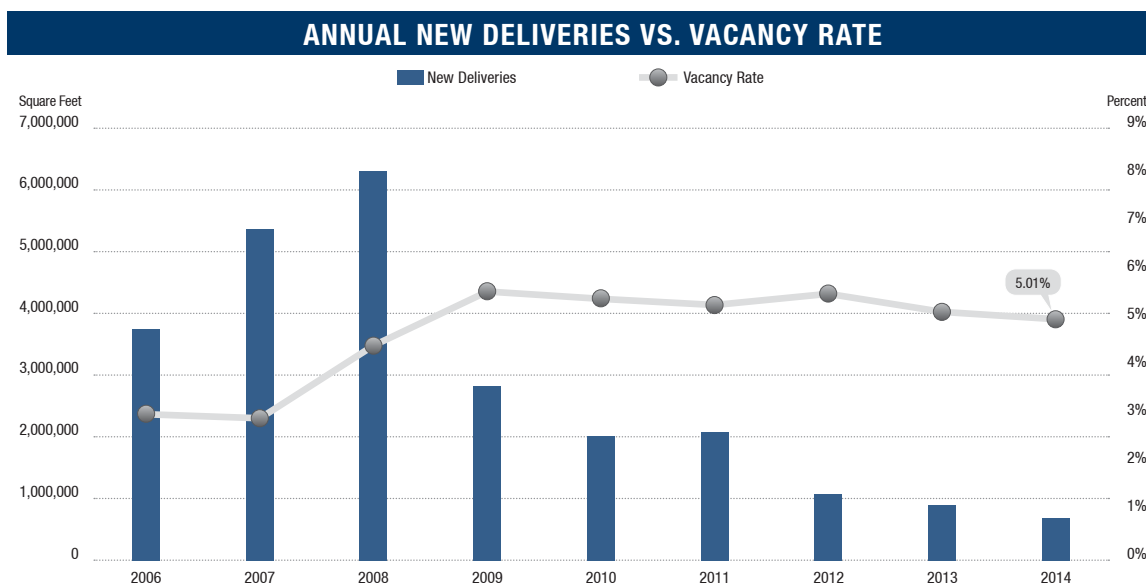
VACANCY RATE BY PRODUCT TYPE

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 2Q2014	Square Feet Available	Availability Rate 2Q2014	Average Asking Lease Rate	Net Absorption 2Q2014	Net Absorption 2014	Gross Absorption 2Q2014	Gross Absorption 2014
Los Angeles Market Total													
Antelope Valley	1,111	15,513,937	0	2,004,757	1,039,032	6.70%	1,392,261	8.97%	\$1.16	86,717	154,411	154,567	268,343
Burbank / Glendale / Pasadena	6,259	51,088,984	1,500	134,933	1,814,592	3.55%	2,311,859	4.53%	\$2.57	10,018	129,619	367,315	793,487
Downtown	1,907	21,975,195	148,147	470,807	1,705,315	7.76%	2,060,140	9.37%	\$2.32	22,756	115,656	185,965	389,519
Mid-Cities	5,329	45,260,222	199,379	1,440,802	2,563,193	5.66%	3,281,852	7.25%	\$1.65	77,210	370,489	454,087	1,108,919
Mid-Wilshire	3,791	33,321,474	289,122	140,567	1,282,000	3.85%	1,766,776	5.30%	\$3.02	44,048	112,450	367,844	679,081
San Fernando Valley	4,460	48,310,253	17,150	852,571	2,573,608	5.33%	3,192,930	6.61%	\$1.90	(234,937)	(46,625)	274,568	663,599
San Gabriel Valley	5,408	60,644,984	45,585	656,005	3,367,248	5.55%	4,089,725	6.74%	\$1.55	62,137	185,401	543,412	1,105,851
Santa Clarita Valley	722	12,375,589	4,500	173,046	813,369	6.57%	1,086,644	8.78%	\$1.81	(50,996)	(16,841)	114,003	221,767
South Bay	6,728	66,264,890	79,000	943,037	2,788,992	4.21%	3,725,571	5.62%	\$1.95	31,363	106,005	496,723	1,041,071
Southeast LA	1,742	18,963,701	3,718	181,897	908,645	4.79%	1,254,841	6.62%	\$1.80	23,428	75,740	124,117	294,946
Ventura North	1,761	17,916,006	1,798	112,271	954,134	5.33%	1,361,137	7.60%	\$1.64	(18,421)	(30,128)	119,837	211,706
Ventura South	1,711	25,246,758	241,626	658,821	1,394,100	5.52%	1,727,839	6.84%	\$1.84	55,643	195,627	172,846	384,955
West LA	4,251	38,073,210	316,100	1,501,842	1,608,992	4.23%	2,362,680	6.21%	\$3.75	(22,720)	54,420	387,745	761,241
Los Angeles Market Total	45,180	454,955,203	1,347,625	9,271,356	22,813,220	5.01%	29,614,255	6.51%	\$2.00	86,246	1,406,224	3,763,029	7,924,485
Los Angeles Market Total													
General Retail	35,475	225,046,713	590,186	4,817,082	9,547,672	4.24%	13,230,955	5.88%	\$2.27	100,020	522,389	1,916,226	4,070,828
Malls	495	44,213,080	471,626	245,645	1,602,694	3.62%	1,992,039	4.51%	\$3.37	18,245	95,806	134,641	260,869
Power Centers	544	24,147,488	177,133	1,428,233	1,007,394	4.17%	1,282,826	5.31%	\$1.53	49,540	337,338	132,834	583,603
Shopping Centers	8,626	157,555,146	108,680	2,287,196	10,510,048	6.67%	12,933,893	8.21%	\$1.84	(90,238)	410,490	1,551,112	2,919,512
Specialty Centers	40	3,992,776	0	493,200	145,412	3.64%	174,542	4.37%	\$1.21	8,679	40,201	28,216	89,673
Los Angeles Market Total	45,180	454,955,203	1,347,625	9,271,356	22,813,220	5.01%	29,614,255	6.51%	\$2.00	86,246	1,406,224	3,763,029	7,924,485

Lease rates are on a triple-net basis.



MAJOR TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Price Per SF	Buyer	Seller
6609-6653 Fallbrook Ave. – 3 Properties	Burbank/Glendale/Pasadena	344,149	\$610.20	Retail Opportunity Investment Corp.	GGP, Inc.
3880-3896 Cross Creek Rd. – 3 Properties	West LA	50,628	\$2,370.23	Jamestown Premier Malibu Village	DKR Malibu Village, LLC
300 N. Sepulveda Blvd. – 5 Properties	South Bay	339,098	\$221.17	DivcoWest	J.H. Snyder Company
123 S. Onizuka St.	Downtown LA	69,405	\$413.51	Peykar Family Trust	Dellford, LLC
1413 Hawthorne Blvd.	South Bay	69,649	\$315.87	Safco Capital Corp.	Arvel Redondo, LLC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
26565 Bouquet Canyon Rd.	Burbank/Glendale/Pasadena	46,038	Jun-14	Hobby Lobby	Bouquet Canyon II, LLC
1001-1023 N. Grand Ave.	San Gabriel Valley	42,390	May-14	Stater Bros.	Grand Covina Plaza, LLC
2001-2351 N. Rose Ave.	Ventura South	40,000	May-14	Hobby Lobby	Horowitz, Ralph & Eileen
44226 10th St. W	Antelope Valley	25,930	May-14	Antelope Valley Partners for Health	Jaime L. Santana
15423-15441 Amar Rd.	San Gabriel Valley	24,339	May-14	Smart & Final	Astani Enterprises, Inc.

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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