



SECOND QUARTER 2015 GREATER LOS ANGELES RETAIL

Voit
REAL ESTATE SERVICES

MARKET CHANGE

Compared to Previous Quarter:

Vacancy



Net Absorption



Lease Rates



Transactions



Deliveries



HIGHLIGHTS

- **Encouraging Numbers** - The Los Angeles County retail market displayed a number of encouraging indicators in the second quarter of 2015. Year over year, vacancy and availability continued their downward trends, dropping to 4.50% and 6.18% respectively. The market posted 288,624 square feet of positive net absorption during the second quarter, producing more than 6.86 million square feet of positive absorption over the last ten quarters.
- **Construction** - There was just over 1.51 million square feet of retail space under construction in Los Angeles County in the second quarter of 2015, 540,000 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 second quarter at 4.50%, 5.86% lower than from the same quarter last year. At only 3.17%, malls had the lowest vacancy rate, while shopping centers had the highest at 6.08%.
- **Availability** - Direct/sublease space being marketed was 6.18% this quarter, an increase from the previous quarter's rate of 6.07% and 10 basis points lower than the previous year's rate. Malls displayed the lowest availability rate of all of the retail types, at 3.69%, while the Burbank/Glendale/Pasadena area displayed the lowest rate of all of the submarkets, at 4.48%.
- **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 second quarter of 2015, up twelve cents year over year, an indication that the market is improving.
- **Absorption** - The Los Angeles County retail market posted 288,624 square feet of positive net absorption in the second quarter, giving the market a total of 3.9 million square feet of positive absorption for the last six quarters and over 7.7 million square feet since the fourth quarter of 2012.
- **Transaction Activity** - Leasing activity checked in at over 2.1 million square feet in second quarter of 2015, for a total of over 30 million square feet leased over the past two and a half years. The market transacted 6.06 million square feet of sales and leases for the quarter, a year over year slight decline of 4.54% when compared to the second quarter of 2014.
- **Employment** - The unemployment rate in Los Angeles County remained unchanged over the month at 7.6% in May 2015, from a revised 7.6% in April 2015 and below the previous year's estimate of 8.3%. This compares with an unadjusted unemployment rate of 6.4% for California and 5.5% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 100,500 payroll jobs from May 2014 to May 2015. Most sectors showed gains in employment; the largest gains were 30,100 in educational and health services and 20,800 in trade, transportation, and utilities during that same period. Los Angeles County's manufacturing sector suffered the biggest losses over the year—down 2,100 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 4.10%, by the first quarter of 2016.

OVERVIEW

	2Q15	1Q15	2Q14	% of Change vs. 2Q14
Total Vacancy Rate	4.50%	4.50%	4.78%	(5.86%)
Availability Rate	6.18%	6.07%	6.28%	(1.59%)
Average Asking Lease Rate	\$2.14	\$2.14	\$2.02	5.94%
Sale & Lease Transactions	6,061,698	6,396,781	6,349,720	(4.54%)
Gross Absorption	3,285,295	2,774,430	3,766,400	(12.77%)
Net Absorption	288,624	276,509	607,985	N/A

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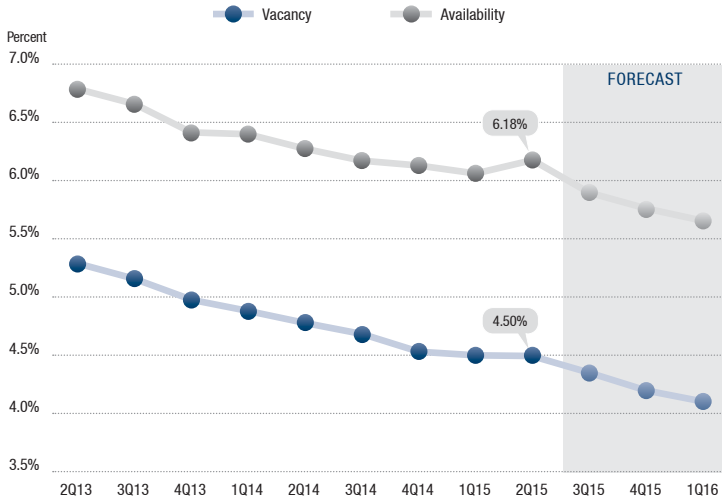
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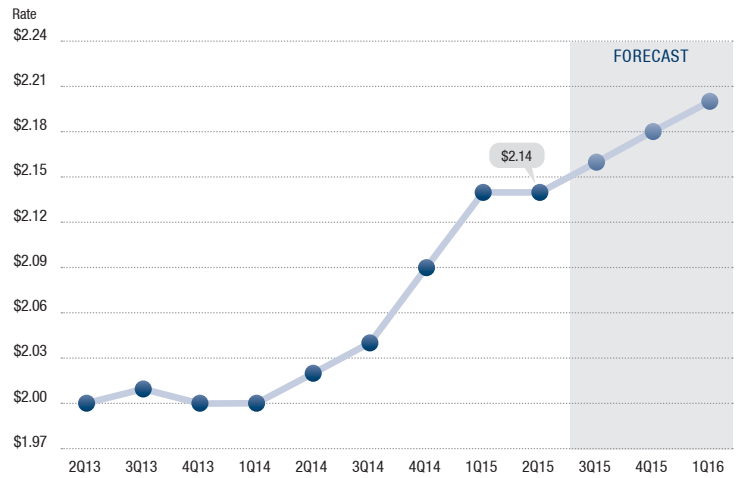
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



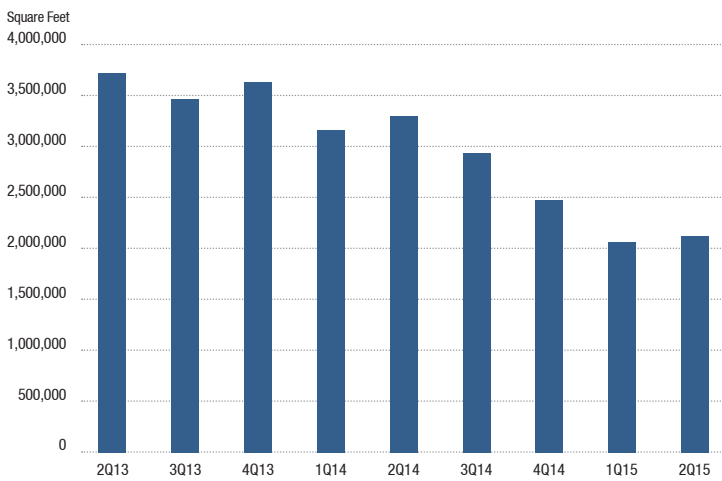
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



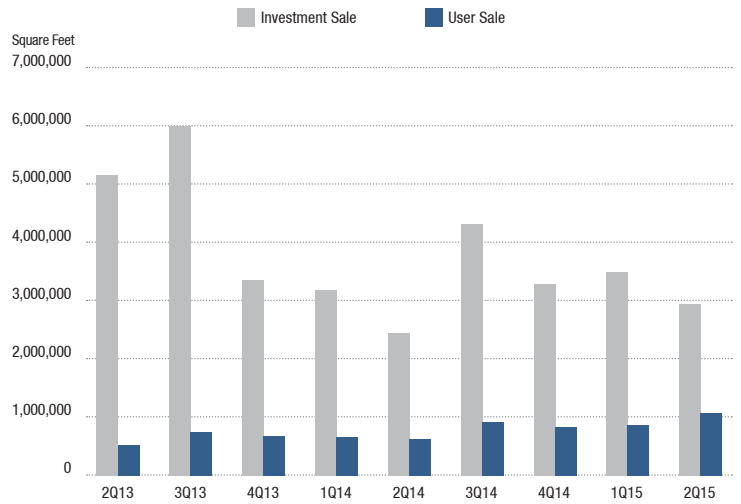
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



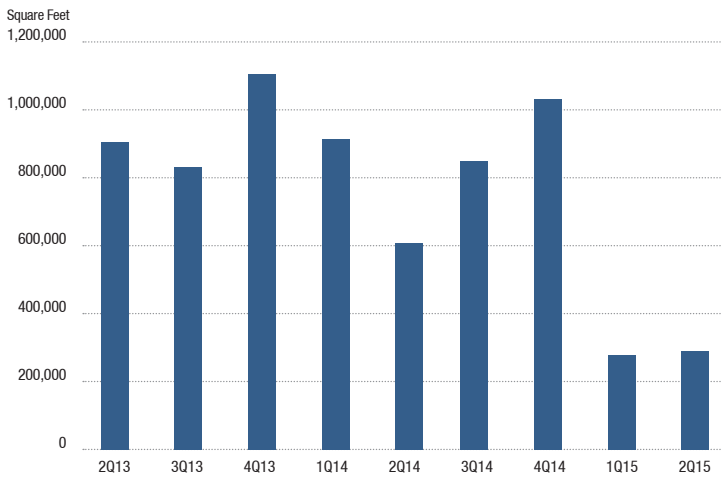
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



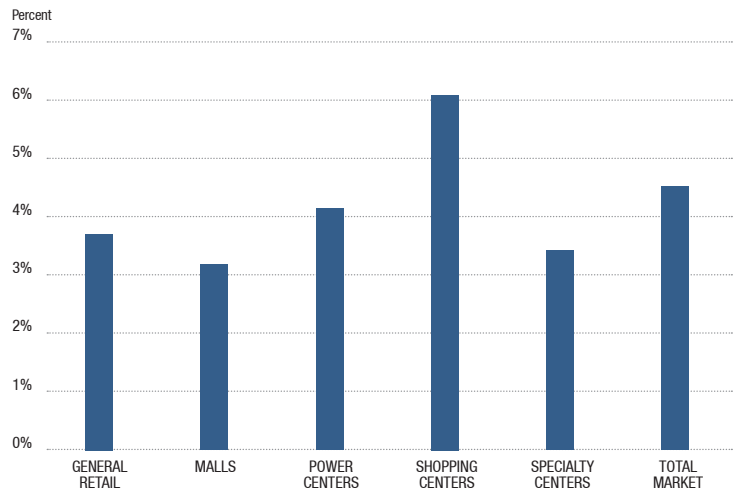
NET ABSORPTION

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



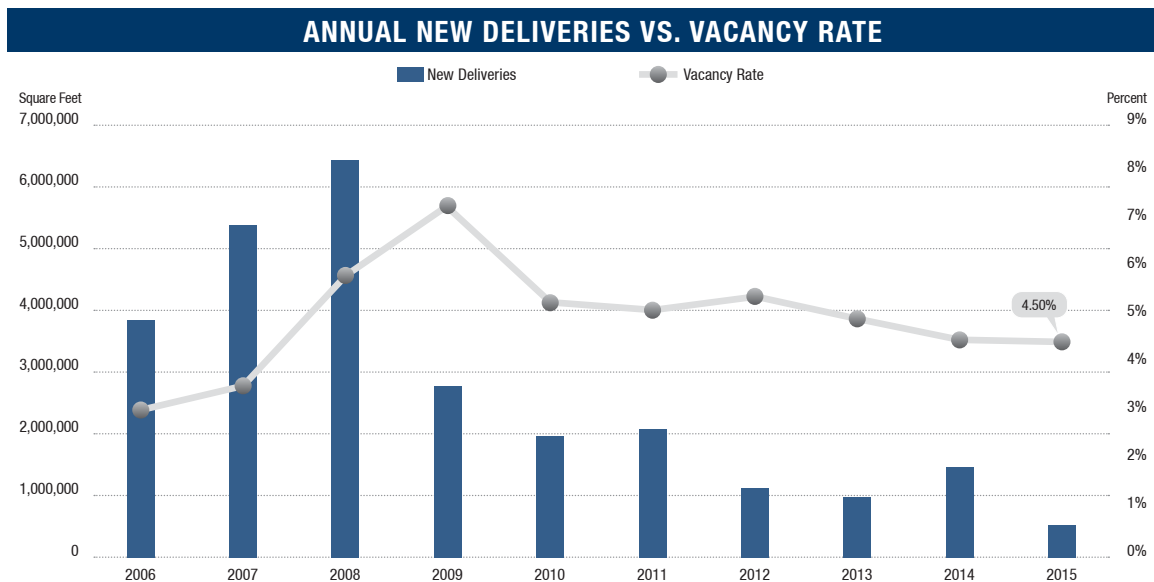
VACANCY RATE BY PRODUCT TYPE

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 2Q2015	Square Feet Available	Availability Rate 2Q2015	Average Asking Lease Rate	Net Absorption 2Q2015	Net Absorption 2015	Gross Absorption 2Q2015	Gross Absorption 2015
Los Angeles Market Total													
Antelope Valley	1,131	15,835,390	0	2,112,684	1,275,050	8.05%	1,548,960	9.78%	\$1.28	3,734	(101,256)	75,699	481,635
Burbank / Glendale / Pasadena	6,320	51,430,607	6,738	949,518	1,889,963	3.67%	2,305,172	4.48%	\$2.82	(149,530)	(183,523)	264,710	1,400,931
Downtown	1,952	21,717,673	278,147	549,432	969,665	4.46%	1,417,998	6.53%	\$2.74	87,111	175,776	182,165	665,570
Mid-Cities	5,513	46,426,068	37,120	1,227,311	2,459,218	5.30%	3,445,072	7.42%	\$1.56	(19,256)	(17,269)	279,991	1,635,468
Mid-Wilshire	3,885	33,938,267	19,343	541,486	1,198,989	3.53%	1,793,394	5.28%	\$3.27	46,470	48,796	366,061	1,150,732
San Fernando Valley	4,528	49,302,872	573,793	219,085	2,374,964	4.82%	3,058,747	6.20%	\$2.30	31,617	33,269	351,519	1,375,015
San Gabriel Valley	5,519	60,257,855	178,858	675,447	2,872,970	4.77%	3,791,248	6.29%	\$1.64	93,023	172,949	432,789	1,873,132
Santa Clarita Valley	735	12,558,553	0	139,046	730,215	5.81%	933,232	7.43%	\$1.77	28,860	76,439	87,487	442,509
South Bay	6,897	66,582,622	340,011	1,051,524	2,417,079	3.63%	3,443,943	5.17%	\$1.97	12,837	177,302	422,484	1,969,007
Southeast LA	1,809	19,116,357	0	212,322	881,875	4.61%	1,331,226	6.96%	\$1.81	20,416	47,101	142,531	539,753
Ventura North	1,769	17,939,702	0	192,956	989,673	5.52%	1,388,180	7.74%	\$1.64	(96,495)	(117,570)	80,478	488,689
Ventura South	1,728	25,551,736	5,725	314,824	1,328,037	5.20%	1,877,890	7.35%	\$1.91	22,463	120,855	150,140	810,155
West LA	4,357	38,780,301	77,358	1,559,813	1,286,049	3.32%	2,056,200	5.30%	\$4.20	207,374	132,264	449,241	1,227,781
Los Angeles Market Total	46,143	459,438,003	1,517,093	9,745,448	20,673,747	4.50%	28,391,262	6.18%	\$2.14	288,624	565,133	3,285,295	14,060,377
General Retail	36,294	228,829,851	389,206	6,390,303	8,477,547	3.70%	12,620,219	5.52%	\$2.41	253,227	356,292	1,884,850	6,834,768
Malls	441	41,351,976	540,869	129,700	1,310,800	3.17%	1,524,146	3.69%	\$4.22	104,327	88,886	194,555	601,067
Power Centers	631	26,836,892	0	0	1,111,707	4.14%	1,164,367	4.34%	\$1.43	(58,789)	(6,755)	47,634	959,352
Shopping Centers	8,739	158,529,733	587,018	2,018,852	9,640,980	6.08%	12,898,832	8.14%	\$1.94	(11,085)	121,962	1,151,443	5,546,238
Specialty Centers	38	3,889,551	0	1,206,593	132,713	3.41%	183,698	4.72%	\$1.04	944	4,740	6,813	118,952
Los Angeles Market Total	46,143	459,438,003	1,517,093	9,745,448	20,673,747	4.50%	28,391,262	6.18%	\$2.14	288,624	565,125	3,285,295	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
6081 Center Dr.	West LA	248,841	\$446.07	Laurus Corporation	PASSCO Companies, LLC
1307-1335 Gladstone St. – 10 Properties	San Gabriel Valley	341,292	\$324.56	UBS Realty Investors, LLC	General Equity Company, LLC
25 E. Alameda Ave. – 2 Properties	Burbank/Glendale/Pasadena	74,391	\$693.63	CBRE Global Investors, Ltd	Invest West Financial Corporation
1 W. Green St. – 3 Properties	Burbank/Glendale/Pasadena	69,300	\$707.00	71 Fair Oaks Ave., LLC	3171 Fair Oaks, LLC
1349-1357 Abbot Kinney Blvd.	West LA	10,796	\$4,145.05	Speedway Group, LLC	Dca Abbot Kinney, LLC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
6240 Foothill Blvd.	San Fernando Valley	53,429	Apr-2015	Haggen	Garrison Investment Group
11022 Aviation Blvd. – Renewal	South Bay	50,000	Jun-2015	The Proud Bird Restaurant	L A City
145 W. Hillcrest Dr.	Burbank/Glendale/Pasadena	40,000	May-2015	Nordstrom Rack	Sears Roebuck & Company
2148 Glendale Galleria	Burbank/Glendale/Pasadena	35,717	May-2015	Zara	General Growth Properties
240 S. Diamond Bar Blvd. – Renewal	San Gabriel Valley	33,262	May-2015	Haggen Food & Pharmacy	GIG TCG Wave Master Property Owner, 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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