



THIRD 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

UP



Deliveries

UP



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VOIT Real Estate Services

HIGHLIGHTS

- **Encouraging Numbers** - The Los Angeles County retail market displayed a number of encouraging indicators in the third quarter of 2014. Vacancy and availability continued their gradual downward trends, dropping 6.78% and 5.11% respectively, from the third quarter of 2013. The market posted 637,000 square feet of positive net absorption during the quarter, producing a total of 3.6 million square feet of positive absorption over the last five quarters.
- **Construction** - There was just over 1.76 million square feet of retail space under construction in Los Angeles County in the third quarter of 2014, 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 third quarter at 4.81%, a decrease of nine basis points from the previous quarter and 6.78% lower than 2013's third quarter. Malls and General Retail had the lowest vacancy rate, at only 4.0%, while shopping centers had the highest at 6.38%.
- **Availability** - Direct/sublease space being marketed was 6.32% this quarter, a decrease from the previous quarter's rate of 6.43% and 34 basis points lower than the previous year's rate. Specialty centers displayed the lowest availability rates of all of the retail types, at 4.29%, while the Burbank/Glendale/Pasadena area displayed the lowest rate of all of the submarkets, at 4.41%.
- **Lease Rates** - The average asking triple net lease rate per month per square foot in the Los Angeles retail market was \$2.04 at the end of the third 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 636,568 square feet of positive net absorption in the third quarter, giving the market a total of 3,597,237 square feet of positive absorption for the last five quarters.
- **Transaction Activity** - Leasing activity checked in at 1.86 million square feet in the third quarter of the year, giving a total of 14.5 million square feet leased over the past five quarters. The market transacted 4.3 million square feet of sales in the third quarter, producing 23 million square feet sold over the past five quarters. This statistic can have some lag time in being reported, so look for third 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 8.1% in August 2014, unchanged from a revised 8.1% in July 2014 and below the previous year's estimate of 9.9%. This compares with an unadjusted unemployment rate of 7.4% for California and 6.3% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 69,100 payroll jobs from August 2013 to August 2014. The largest gains were 31,800 in professional and business services and 20,700 in educational and health services. Los Angeles County's only loss was 15,500 manufacturing 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. Transaction activity has increased in the last five quarters, while 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

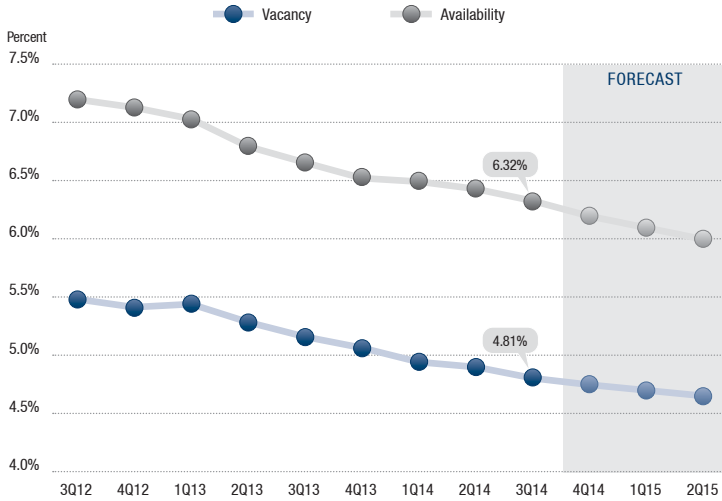
- **Construction** - While we foresee more development projects materializing in coming quarters, we expect land constraints to keep new supply well below demand growth over the next few years.
- **Employment** - We anticipate job growth of around 1.3%, or 58,900 jobs, in the Los Angeles area over the 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 2% to 4% over the next four quarters.
- **Vacancy** - We anticipate vacancy rates continuing to descend in coming quarters, dropping by 30 basis points to around 4.50%, by the second quarter of 2015.

OVERVIEW

	3Q14	2Q14	3Q13	% of Change vs. 3Q13
Vacancy Rate	4.81%	4.90%	5.16%	(6.78%)
Availability Rate	6.32%	6.43%	6.66%	(5.11%)
Average Asking Lease Rate	\$2.04	\$2.00	\$1.95	4.62%
Sale & Lease Transactions	6,115,825	5,787,699	10,160,090	(39.81%)
Gross Absorption	3,078,097	3,701,274	4,809,625	(36.00%)
Net Absorption	636,568	457,033	764,075	N/A

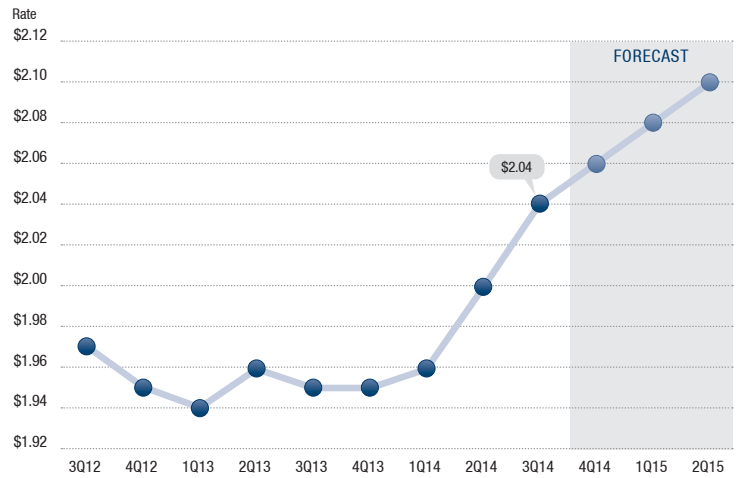
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



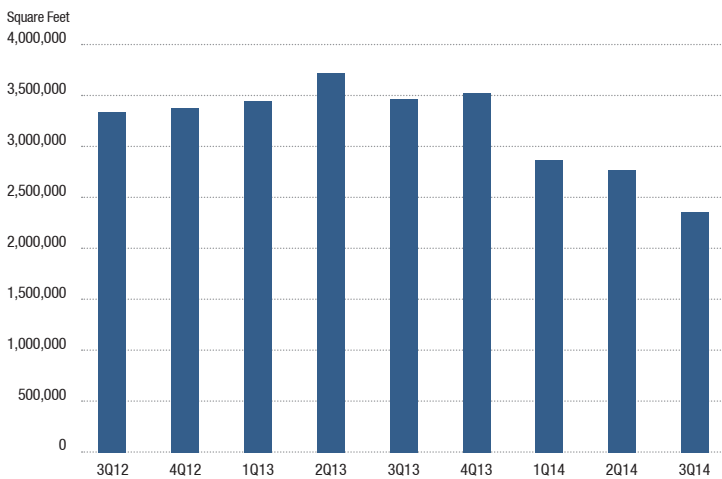
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



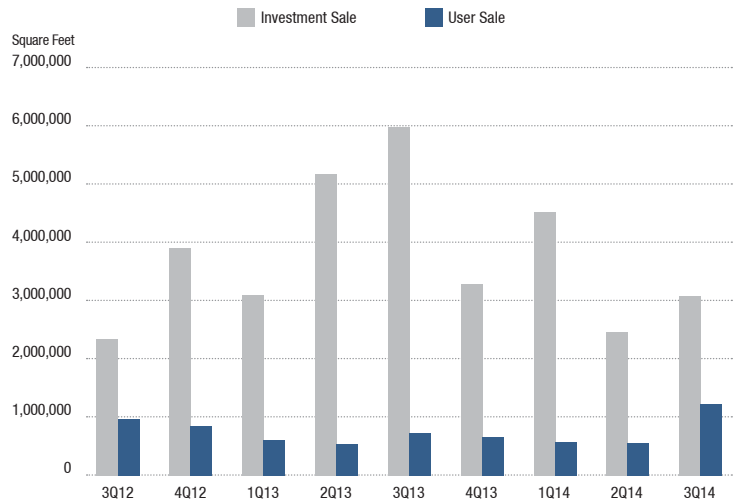
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



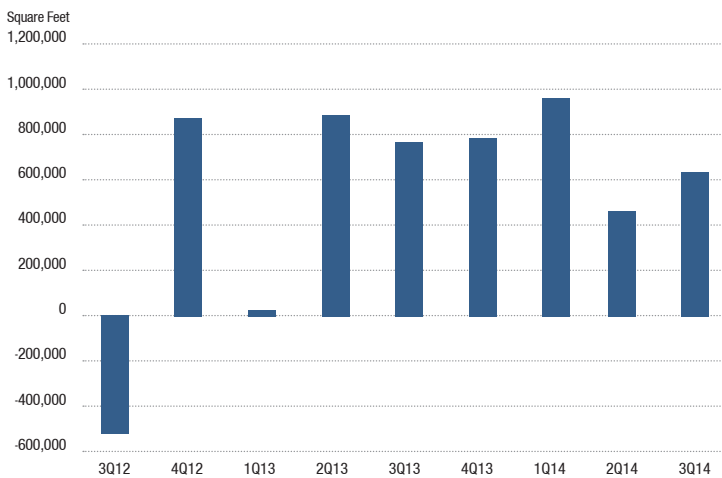
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



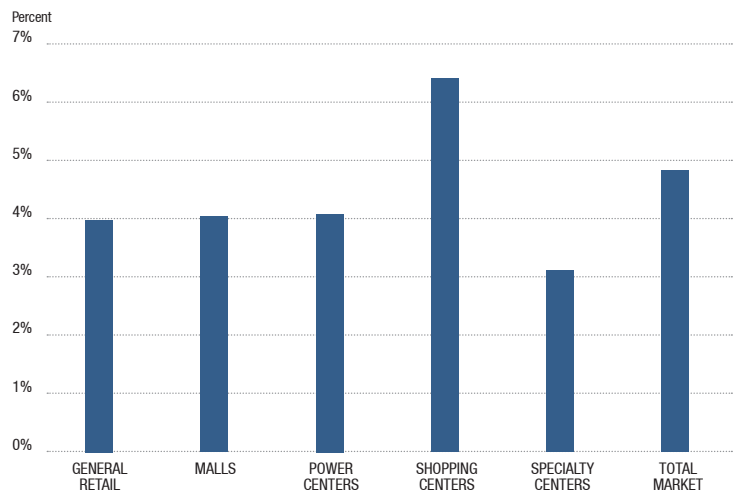
NET ABSORPTION

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



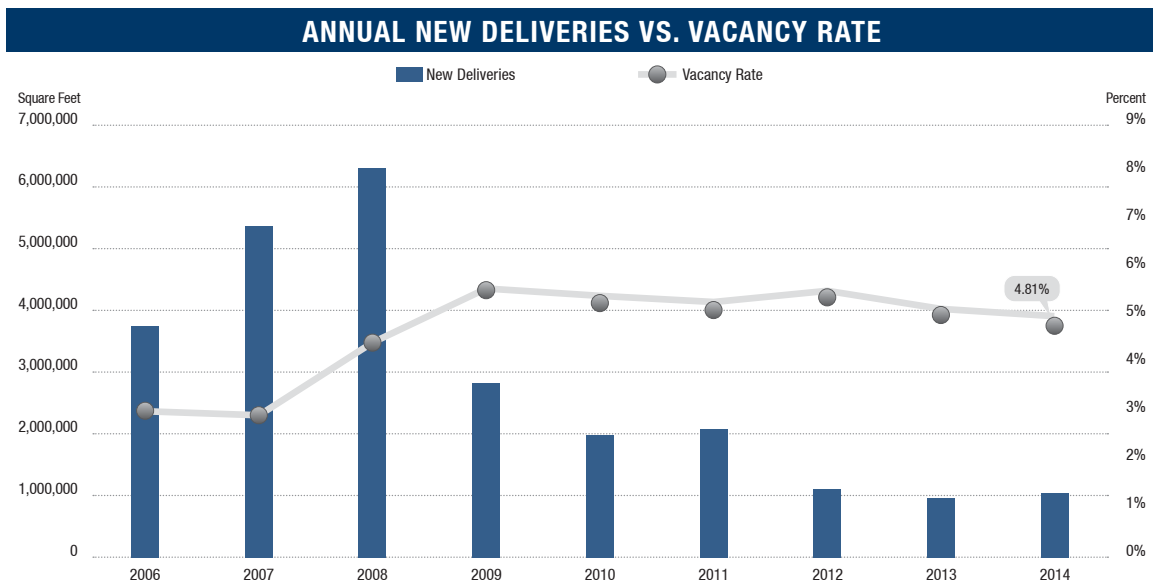
VACANCY RATE BY PRODUCT TYPE

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 3Q2014	Square Feet Available	Availability Rate 3Q2014	Average Asking Lease Rate	Net Absorption 3Q2014	Net Absorption 2014	Gross Absorption 3Q2014	Gross Absorption 2014
Los Angeles Market Total													
Antelope Valley	1,112	15,516,468	80,563	1,931,534	1,064,658	6.86%	1,364,691	8.80%	\$1.19	(22,170)	90,585	85,979	324,244
Burbank / Glendale / Pasadena	6,271	51,054,213	17,370	143,544	1,671,290	3.27%	2,249,555	4.41%	\$2.55	51,230	227,329	274,941	1,106,302
Downtown	1,919	22,160,525	148,147	461,143	1,783,452	8.05%	2,094,145	9.45%	\$2.43	(54,615)	57,564	105,359	490,345
Mid-Cities	5,379	45,657,115	21,031	1,198,112	2,631,081	5.76%	3,285,059	7.20%	\$1.71	59,108	436,748	269,794	1,378,026
Mid-Wilshire	3,808	33,565,310	305,688	156,050	1,277,514	3.81%	1,761,806	5.25%	\$3.10	9,569	94,888	236,014	845,372
San Fernando Valley	4,465	48,426,048	564,634	294,496	2,487,310	5.14%	3,099,815	6.40%	\$1.95	109,769	77,001	343,167	1,015,304
San Gabriel Valley	5,420	60,121,642	105,089	702,665	3,063,041	5.09%	3,913,609	6.51%	\$1.54	160,028	334,059	452,225	1,387,098
Santa Clarita Valley	728	12,476,761	0	173,046	804,410	6.45%	972,266	7.79%	\$1.87	12,777	(2,464)	114,838	345,583
South Bay	6,762	66,372,220	139,555	906,015	2,707,161	4.08%	3,572,623	5.38%	\$1.99	163,561	245,124	479,960	1,521,190
Southeast LA	1,757	18,889,117	0	193,923	921,123	4.88%	1,396,305	7.39%	\$1.72	(14,452)	71,471	108,480	415,290
Ventura North	1,762	17,931,186	0	112,271	885,628	4.94%	1,309,459	7.30%	\$1.65	(8,936)	39,656	110,899	390,702
Ventura South	1,714	25,307,372	92,332	640,222	1,395,236	5.51%	1,781,514	7.04%	\$1.86	168,084	310,973	267,705	590,777
West LA	4,271	37,850,887	287,297	1,498,036	1,223,434	3.23%	1,993,389	5.27%	\$3.77	2,615	69,365	228,736	979,172
Los Angeles Market Total	45,368	455,328,864	1,761,706	8,411,057	21,915,338	4.81%	28,794,236	6.32%	\$2.04	636,568	2,052,299	3,078,097	10,789,405
General Retail	35,636	225,790,620	603,777	4,641,492	9,004,732	3.99%	12,673,189	5.61%	\$2.30	226,658	647,737	1,460,565	5,336,813
Malls	423	41,038,824	819,876	143,600	1,642,162	4.00%	1,911,806	4.66%	\$3.37	73,312	54,686	213,815	363,256
Power Centers	632	27,485,834	0	1,454,834	1,119,002	4.07%	1,447,155	5.27%	\$1.50	73,504	512,235	144,924	792,273
Shopping Centers	8,637	157,020,810	330,453	2,148,631	10,025,348	6.38%	12,590,769	8.02%	\$1.89	242,106	776,122	1,235,978	4,184,575
Specialty Centers	40	3,992,776	7,600	22,500	124,094	3.11%	171,317	4.29%	\$1.21	20,988	61,519	22,815	112,488
Los Angeles Market Total	45,368	455,328,864	1,761,706	8,411,057	21,915,338	4.81%	28,794,236	6.32%	\$2.04	636,568	2,052,299	3,078,097	10,789,405

Lease rates are on a triple-net basis.



MAJOR TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Price Per SF	Buyer	Seller
100 N. La Cienega Blvd. – 2 Properties	Burbank / Glendale / Pasadena	335,845	\$774.17	Ashkenazy Acquisition Corp.	Vornado Realty Trust
1415 3rd St. Promenade	West LA	17,550	\$5,698.01	KLM Construction Corporation	Jordache Enterprises, Inc.
65 W. Dayton St. – 4 Properties	Burbank / Glendale / Pasadena	124,947	\$341.18	Sun D. Chang	JSM Management
11674 Santa Monica Blvd. – 3 Properties	West LA	53,214	\$704.70	United El Segundo, Inc.	Safeway, Inc.
2600 E. Vineyard Ave. – 4 Properties	Ventura South	121,659	\$164.39	Loja Group LLC	Rich Development Enterprises

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
101-275 W. Los Angeles Ave. – Renewal	Venturan North	49,986	Jul-14	Ralphs	Sunbelt Enterprises
7902-7940 Imperial Hwy.	Mid-Cities	30,000	Jul-14	Vallarta Food Enterprises, Inc.	Beach Grocery Company, Inc.
12629-12717 Glenoaks Blvd. – Renewal	San Fernando Valley	26,873	Jul-14	CVS Pharmacy	Sylmar-Glenoaks, LLC
19317-19415 Soledad Canyon Rd.	Santa Clarita Valley	25,357	Sep-14	Super Fresh Market	Fred Shakib
17020 Chatsworth St. – Renewal	San Fernando Valley	24,000	Jul-14	Staples	Mspn, 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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