

# THIRD 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

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 2015. Year over year, vacancy and availability continued their downward trends, dropping 5.94% and 2.56% respectively. The market posted 1,217,366 square feet of positive net absorption during the third quarter, producing more than 8.78 million square feet of positive absorption over the last twelve quarters.
- **Construction** - There was just over 1.88 million square feet of retail space under construction in Los Angeles County in the third quarter of 2015, 380,000 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 4.43%, 5.94% lower than from the same quarter last year. At only 3.31%, malls had the lowest vacancy rate, while shopping centers had the highest at 5.98%.
- **Availability** - Direct/sublease space being marketed was 6.08% this quarter, dropping from the previous quarter's rate of 6.23% and 16 basis points lower than the previous year's rate. Malls displayed the lowest availability rate of all of the retail types, at 4.03%, while the Burbank/Glendale/Pasadena area displayed the lowest rate of all of the submarkets, at 4.45%.
- **Lease Rates** - The average asking triple net lease rate per month per square foot in the Los Angeles retail market was \$2.25 at the end of the third quarter of 2015, up 23 cents year over year, an indication that the market is improving.
- **Absorption** - The Los Angeles County retail market posted 1,217,366 square feet of positive net absorption in the third quarter, giving the market a total of 3.7 square feet of positive absorption for the last six quarters and over 8.78 million square feet since the fourth quarter of 2012.
- **Transaction Activity** - Leasing activity checked in at over two million square feet in third quarter of 2015, for a total of over 26.2 million square feet leased over the past two and a half years. The market transacted almost 5.2 million square feet of sales and leases for the quarter, a year over year decline of 36.7% when compared to the third quarter of 2014. This statistic can have some lag time in being reported, so look for this quarter's figures to end up somewhat higher on the next report.
- **Employment** - The unemployment rate in Los Angeles County remained unchanged at 6.9% in August 2015, down from a revised 7.2% in July 2015 and below the previous year's estimate of 8.1%. This compares with an unadjusted unemployment rate of 6.1% for California and 5.1% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 76,300 payroll jobs from August 2014 to August 2015. Most sectors showed gains in employment; the largest gains were 22,500 in educational and health services and 16,800 in leisure and hospitality during that same period. Los Angeles County's manufacturing sector suffered the biggest losses over the year — down 4,700 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

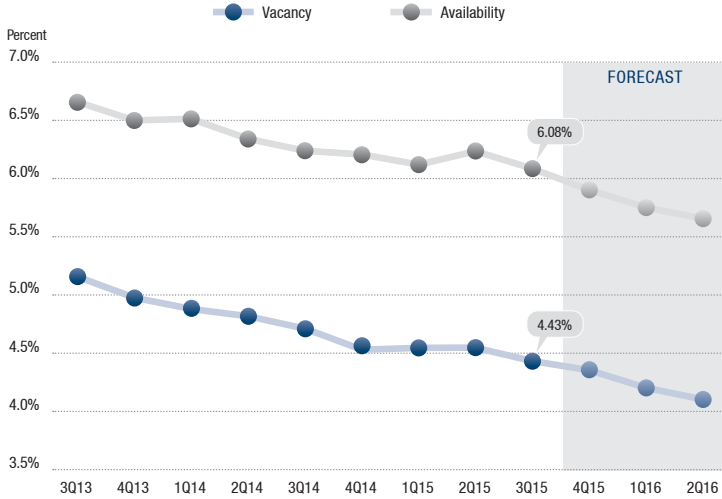
- **Construction** - While we foresee more development projects materializing in coming quarters, we expect land constraints to keep new supply well below demand growth over the next few years.
- **Employment** - We anticipate job growth of around 1.9%, or 79,500 jobs, in the Los Angeles area over the 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 5% to 7% over the next four quarters.
- **Vacancy** - We anticipate vacancy rates continuing to descend in coming quarters, dropping by 30 basis points to around 4.10%, by the second quarter of 2016.

## OVERVIEW

	3Q15	2Q15	3Q14	% of Change vs. 3Q14
Total Vacancy Rate	4.43%	4.55%	4.71%	(5.94%)
Availability Rate	6.08%	6.23%	6.24%	(2.56%)
Average Asking Lease Rate	\$2.25	\$2.14	\$2.02	11.39%
Sale & Lease Transactions	5,197,662	7,007,479	8,210,681	(36.70%)
Gross Absorption	3,995,904	3,327,740	3,451,504	15.77%
Net Absorption	1,217,366	251,298	854,305	N/A

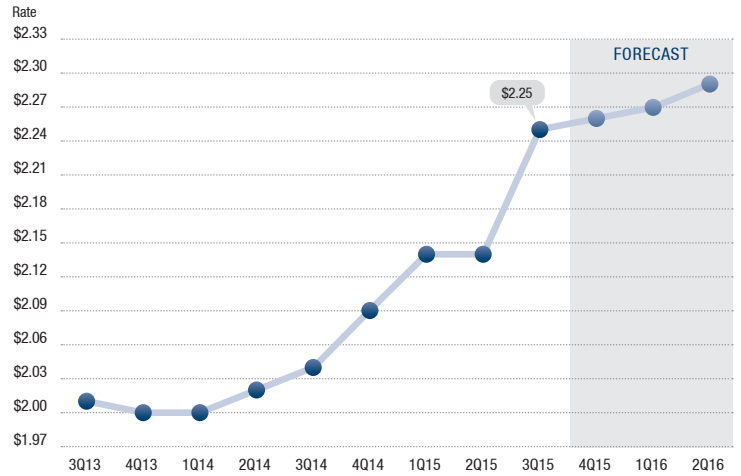
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



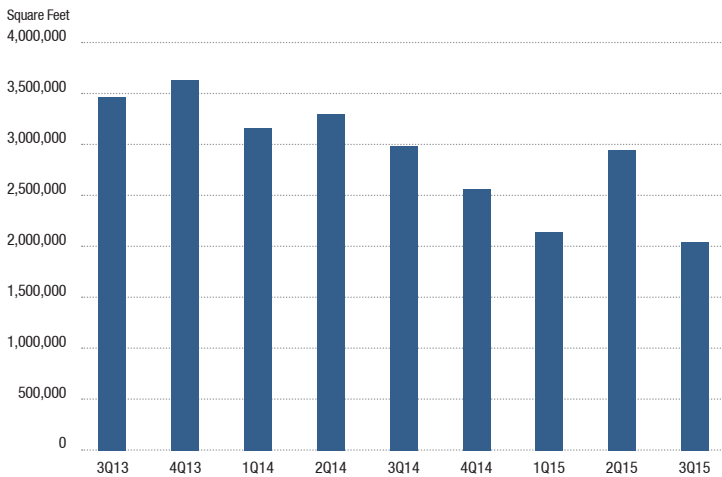
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



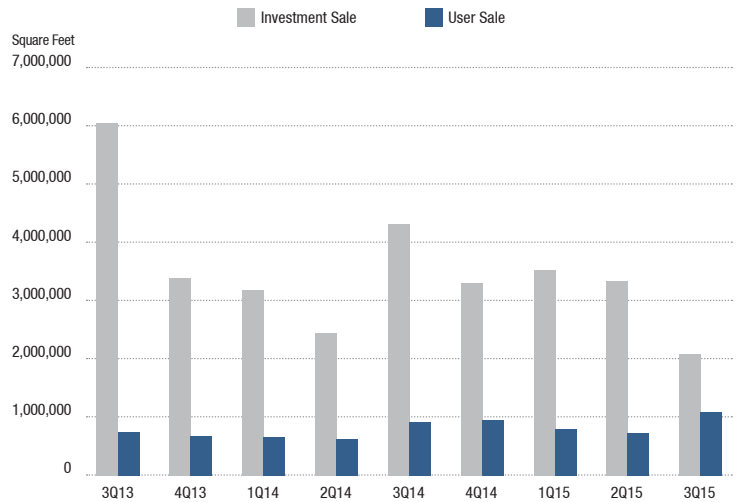
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



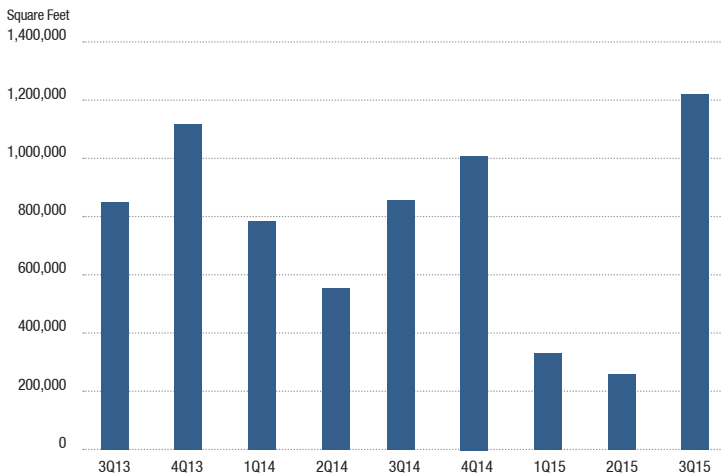
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



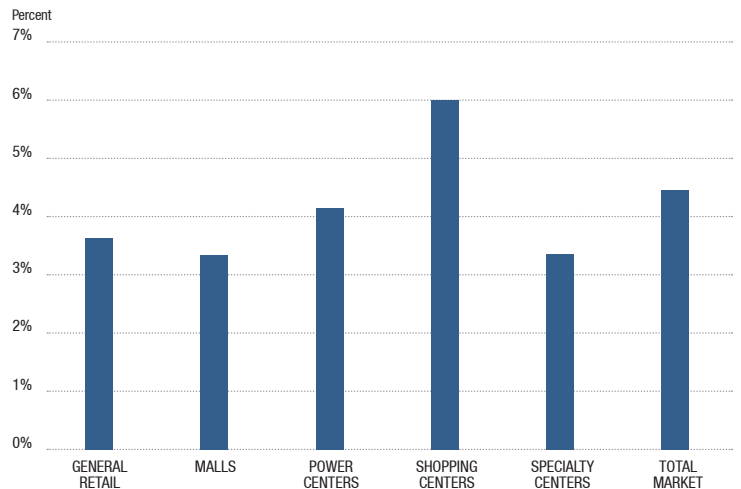
## NET ABSORPTION

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



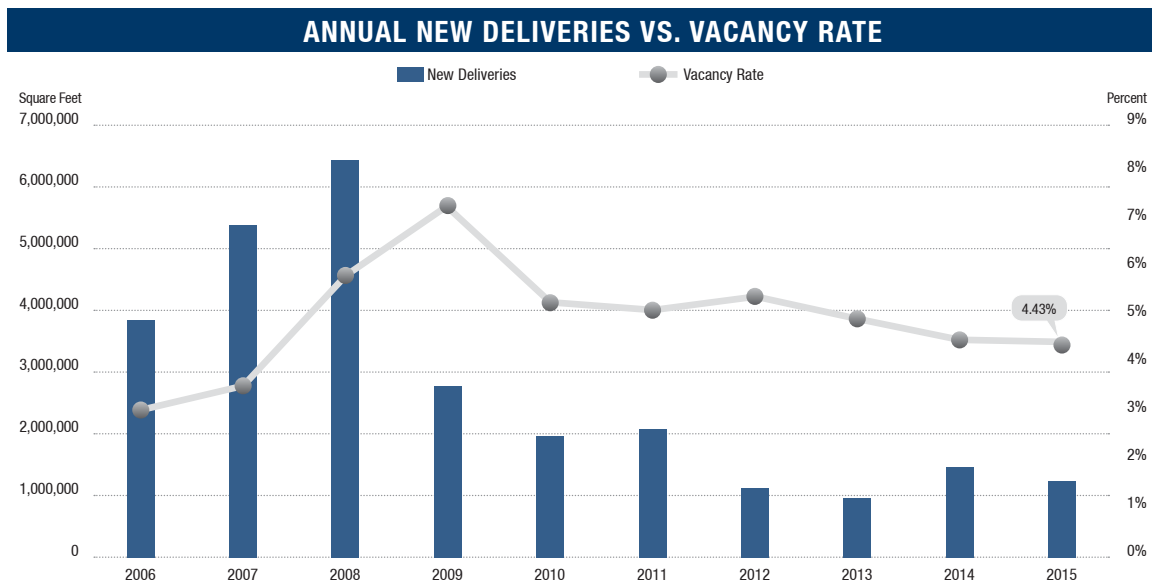
## VACANCY RATE BY PRODUCT TYPE

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 3Q2015	Square Feet Available	Availability Rate 3Q2015	Average Asking Lease Rate	Net Absorption 3Q2015	Net Absorption 2015	Gross Absorption 3Q2015	Gross Absorption 2015
<b>Los Angeles Market Total</b>													
Antelope Valley	1,133	15,858,162	4,567	2,087,833	1,289,047	8.13%	1,477,797	9.32%	\$1.30	1,115	(95,968)	120,925	310,705
Burbank / Glendale / Pasadena	6,335	51,528,101	566,485	456,944	1,874,811	3.64%	2,292,243	4.45%	\$2.82	10,905	(151,729)	374,364	890,229
Downtown	1,971	22,208,347	362,147	714,477	962,240	4.33%	1,386,070	6.24%	\$2.66	13,877	190,056	129,311	501,629
Mid-Cities	5,549	47,033,337	37,708	1,227,712	2,628,870	5.59%	3,577,322	7.61%	\$1.57	75,312	51,441	389,695	926,965
Mid-Wilshire	3,921	34,396,560	279,840	509,491	1,275,482	3.71%	1,936,547	5.63%	\$3.72	386	58,828	311,631	920,686
San Fernando Valley	4,552	50,061,492	8,249	228,385	2,303,589	4.60%	2,913,669	5.82%	\$2.09	623,206	661,404	943,821	1,564,716
San Gabriel Valley	5,541	60,244,774	333,722	647,758	2,756,747	4.58%	3,555,746	5.90%	\$1.61	93,667	238,835	425,015	1,265,545
Santa Clarita Valley	737	12,581,599	10,330	133,716	713,711	5.67%	894,656	7.11%	\$1.76	22,004	95,943	71,023	282,614
South Bay	6,949	67,075,970	78,449	1,141,147	2,356,788	3.51%	3,549,827	5.29%	\$1.96	204,136	414,008	533,140	1,427,435
Southeast LA	1,829	19,231,888	0	217,822	764,844	3.98%	1,218,241	6.33%	\$1.81	121,275	176,632	228,384	480,110
Ventura North	1,771	17,979,128	47,222	173,361	961,529	5.35%	1,428,636	7.95%	\$1.64	43,980	(88,926)	82,493	202,289
Ventura South	1,734	25,565,052	73,577	266,579	1,290,965	5.05%	1,754,356	6.86%	\$2.03	39,209	145,564	133,728	504,070
West LA	4,393	38,951,103	87,333	1,676,553	1,307,229	3.36%	2,132,770	5.48%	\$4.56	(31,706)	105,244	252,374	920,477
<b>Los Angeles Market Total</b>	<b>46,415</b>	<b>462,715,513</b>	<b>1,889,629</b>	<b>9,481,778</b>	<b>20,485,852</b>	<b>4.43%</b>	<b>28,117,880</b>	<b>6.08%</b>	<b>\$2.25</b>	<b>1,217,366</b>	<b>1,801,332</b>	<b>3,995,904</b>	<b>10,197,470</b>
General Retail	36,525	230,700,256	1,506,344	6,108,782	8,342,430	3.62%	12,489,127	5.41%	\$2.54	183,004	604,731	1,732,645	5,038,874
Malls	444	42,645,681	383,285	2,033,598	1,413,501	3.31%	1,719,143	4.03%	\$4.54	617,210	693,942	671,551	883,516
Power Centers	633	26,742,684	0	129,700	1,101,947	4.12%	1,181,253	4.42%	\$1.57	11,601	9,453	91,364	244,882
Shopping Centers	8,775	158,737,341	0	30,000	9,499,032	5.98%	12,550,532	7.91%	\$1.98	401,780	484,687	1,493,059	4,004,696
Specialty Centers	38	3,889,551	0	1,179,698	128,942	3.32%	177,825	4.57%	\$1.05	3,771	8,519	7,285	25,502
<b>Los Angeles Market Total</b>	<b>46,415</b>	<b>462,715,513</b>	<b>1,889,629</b>	<b>9,481,778</b>	<b>20,485,852</b>	<b>4.43%</b>	<b>28,117,880</b>	<b>6.08%</b>	<b>\$2.25</b>	<b>1,217,366</b>	<b>1,801,332</b>	<b>3,995,904</b>	<b>10,197,470</b>

Lease rates are on a triple-net basis.



## MAJOR TRANSACTIONS

## Sales Transactions

Property Address	Submarket	Square Feet	Price Per SF	Buyer	Seller
1219 Stanford Ave.	Downtown LA	197,208	\$699.26	LAFM LLC	JADE Enterprises
357 N. Beverly Dr.	West LA	13,952	\$2,866.97	Harbor Group International, LLC	Engine Real Estate Services, Inc.
4732-4744 Telephone Rd. (6 Properties)	Ventura North	107,660	\$269.37	JH Real Estate Partners, Inc.	Riviera Shopping Center, Ltd.
1116-1120 S. Main St. (4 Properties)	Downtown LA	67,450	\$355.82	JADE Enterprises	IDS Real Estate Group
22631-22645 Ventura Blvd. (2 Properties)	San Fernando Valley	44,567	\$459.98	SHWH, LLC	Yong Sup Song

## Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
1104-1188 S. Diamond Bar Blvd.	San Gabriel Valley	40,755	Aug-2015	Wal-Mart Stores, Inc.	ROIC DBTC, LLC
1235-1355 Channel Islands Blvd.	Ventura South	37,000	Aug-2015	LA Fitness	Series IV Channel Island Busn
1235-1355 Channel Islands Blvd.	Ventura South	31,000	Aug-2015	Smart & Final	Series IV Channel Island Busn
4203-4299 Maine Ave.	San Gabriel Valley	23,700	Sep-2015	Grocery Outlet Bargain Market	JGKallins Investments, LP
16209 Paramount Blvd.	Mid-Cities	17,250	Sep-2015	WSS	Sam Jung

**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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