



FOURTH QUARTER 2014 GREATER LOS ANGELES RETAIL

Voit
REAL ESTATE SERVICES

MARKET CHANGE

Compared to 2013:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

DOWN

Deliveries

UP

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HIGHLIGHTS

- **Encouraging Numbers** - The Los Angeles County retail market displayed a number of encouraging indicators in the fourth quarter of 2014. Year over year, vacancy and availability continued their downward trend, dropping 7.51% and 3.53% respectively. The market posted over 2.9 million square feet of positive net absorption during the year, producing more than 6.3 million square feet of positive absorption over the last nine quarters.
- **Construction** - There was just over 1.76 million square feet of retail space under construction in Los Angeles County in the fourth 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 fourth quarter at 4.68%, a decrease of eleven basis points from the previous quarter and 7.51% lower than 2013's fourth quarter. At only 3.56%, malls had the lowest vacancy rate, while shopping centers had the highest at 6.22%.
- **Availability** - Direct / sublease space being marketed was 6.28% this quarter, a decrease from the previous quarter's rate of 6.30% and 23 basis points lower than the previous year's rate. Malls displayed the lowest availability rate of all of the retail types, at 4.46%, while the Burbank / Glendale / Pasadena area displayed the lowest rate of all of the submarkets, at 4.59%.
- **Lease Rates** - The average asking triple net lease rate per month per square foot in the Los Angeles retail market was \$2.09 at the end of the fourth quarter of 2014, up nine cents year over year, an indication that the market is improving.
- **Absorption** - The Los Angeles County retail market posted 671,288 square feet of positive net absorption in the fourth quarter, giving the market a total of 3.7 million square feet of positive absorption for the last five quarters and over 6.3 million square feet since the fourth quarter of 2012.
- **Transaction Activity** - Leasing activity checked in at over 9.9 million square feet in 2014, for a total of 23 million square feet leased over the past two years. The market transacted 15.4 million square feet of sales in 2014, producing 35.5 million square feet sold over the past two years. This statistic can have some lag time in being reported, so look for fourth quarter 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 8.0% in November 2014, unchanged from a revised 8.0% in October 2014 and below the previous year's estimate of 9.4%. This compares with an unadjusted unemployment rate of 7.1% 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 60,000 payroll jobs from November 2013 to November 2014. Most sectors showed gains in employment; the largest gains were 22,900 in educational and health services and 21,800 in professional and business services during that same period. Los Angeles County's manufacturing sector suffered the biggest losses over the year — down 10,500 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

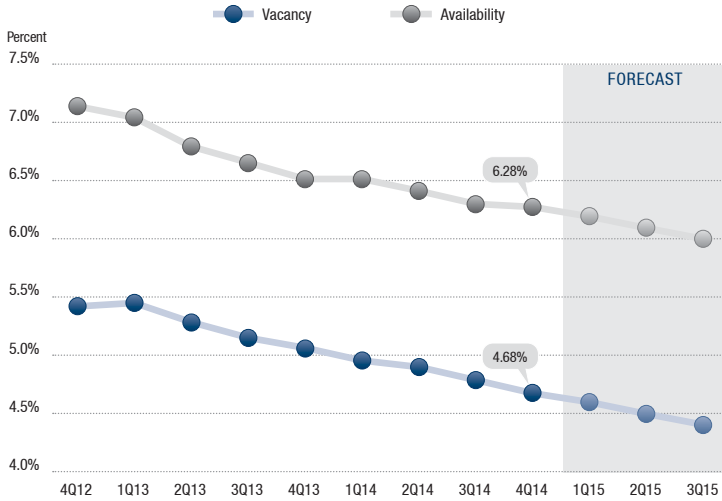
- **Construction** - While we foresee more development projects materializing in coming quarters, we expect land constraints to keep new supply well below demand growth over the next few years.
- **Employment** - We anticipate job growth of around 1.3%, or 58,900 jobs, in the Los Angeles area over the 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 4.40%, by the third quarter of 2015.

OVERVIEW

	2014	2013	2012	% of Change vs. 2013
Total Vacancy Rate	4.68%	5.06%	5.42%	(7.51%)
Availability Rate	6.28%	6.51%	7.14%	(3.53%)
Average Asking Lease Rate	\$2.09	\$2.00	\$2.01	4.50%
Sale & Lease Transactions	25,327,525	34,311,030	26,664,455	(26.18%)
Gross Absorption	14,060,377	19,062,320	15,452,008	(26.24%)
Net Absorption	2,931,718	2,536,876	(138,763)	N/A

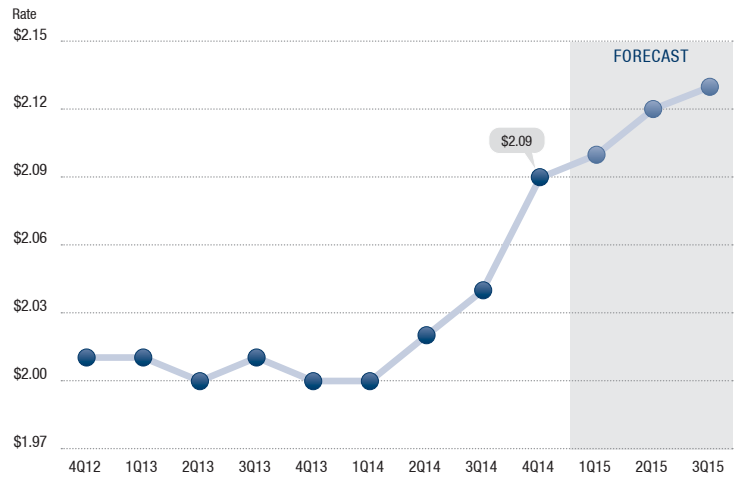
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



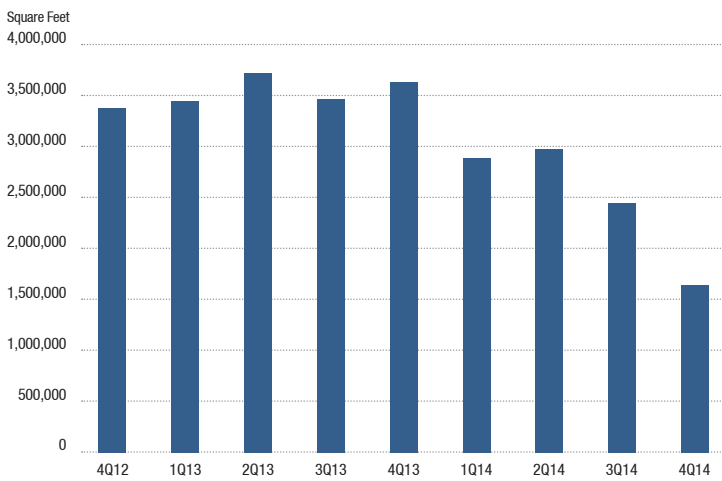
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



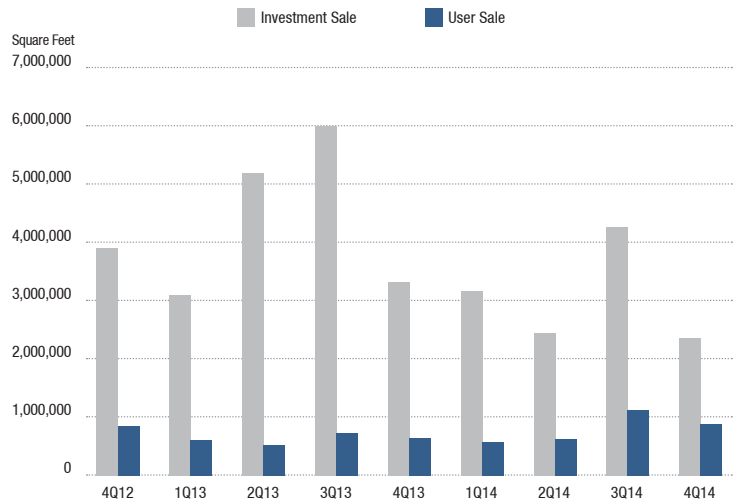
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



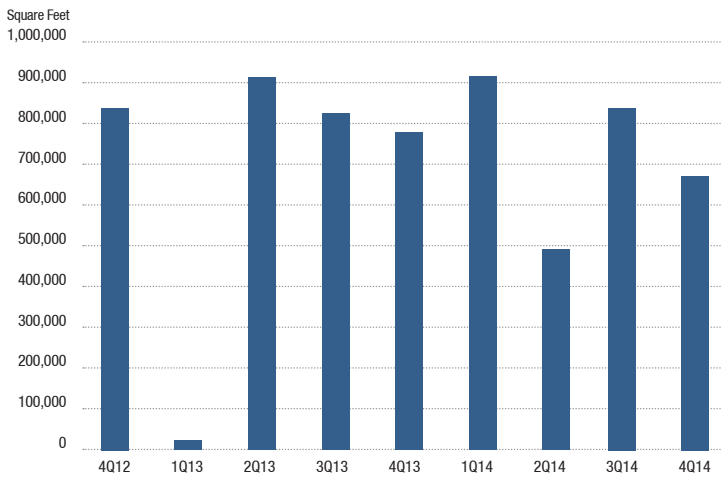
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



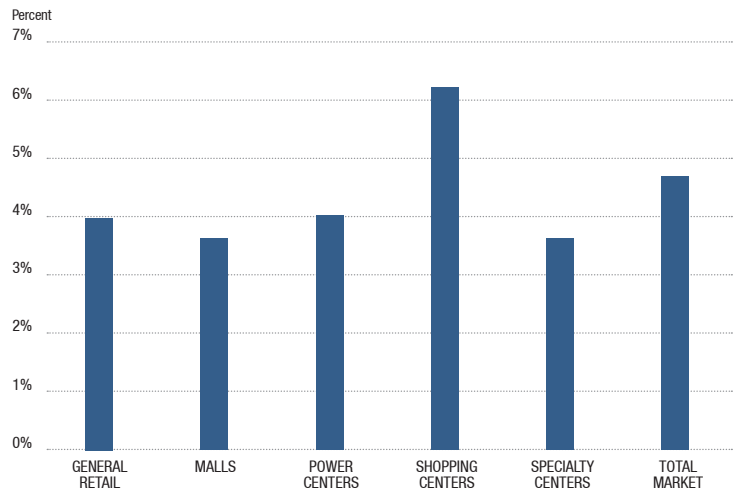
NET ABSORPTION

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



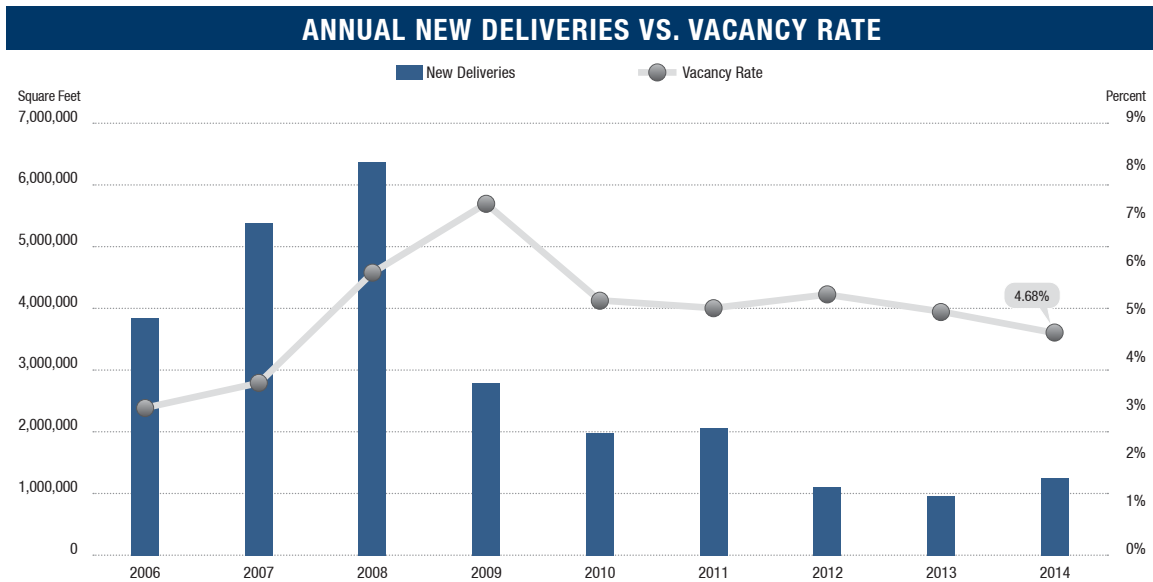
VACANCY RATE BY PRODUCT TYPE

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 4Q2014	Square Feet Available	Availability Rate 4Q2014	Average Asking Lease Rate	Net Absorption 4Q2014	Net Absorption 2014	Gross Absorption 4Q2014	Gross Absorption 2014
Los Angeles Market Total													
Antelope Valley	1,118	15,657,886	80,563	1,931,534	1,106,160	7.06%	1,502,278	9.59%	\$1.26	35,582	149,316	131,291	481,635
Burbank / Glendale / Pasadena	6,282	51,189,434	17,370	143,544	1,642,354	3.21%	2,347,168	4.59%	\$2.63	40,400	266,415	281,698	1,400,931
Downtown	1,922	22,107,492	148,147	461,143	1,769,913	8.01%	2,046,616	9.26%	\$2.65	4,255	52,208	186,920	665,570
Mid-Cities	5,407	45,637,919	21,031	1,198,112	2,487,896	5.45%	3,142,410	6.89%	\$1.66	31,150	545,091	188,325	1,635,468
Mid-Wilshire	3,827	33,807,247	305,688	156,050	1,219,354	3.61%	1,799,169	5.32%	\$3.00	159,492	238,528	302,136	1,150,732
San Fernando Valley	4,487	48,674,741	564,634	294,496	2,460,386	5.05%	3,073,210	6.31%	\$1.97	38,395	127,948	297,247	1,375,015
San Gabriel Valley	5,444	60,201,080	105,089	702,665	3,015,596	5.01%	3,829,548	6.36%	\$1.52	48,998	394,553	439,302	1,873,132
Santa Clarita Valley	728	12,441,521	0	173,046	805,674	6.48%	956,306	7.69%	\$1.81	2,966	(1,656)	95,354	442,509
South Bay	6,803	66,311,060	139,555	906,015	2,578,561	3.89%	3,516,163	5.30%	\$2.02	98,049	396,458	409,838	1,969,007
Southeast LA	1,773	18,950,556	0	193,923	898,638	4.74%	1,375,997	7.26%	\$1.73	36,908	108,786	110,579	539,753
Ventura North	1,763	17,949,286	0	112,271	850,306	4.74%	1,335,725	7.44%	\$1.60	33,358	77,144	93,087	488,689
Ventura South	1,719	25,377,230	92,332	640,222	1,322,407	5.21%	1,707,562	6.73%	\$1.90	84,142	440,738	178,542	810,155
West LA	4,293	37,970,169	287,297	1,498,036	1,188,968	3.13%	2,031,352	5.35%	\$4.19	57,593	136,189	247,560	1,227,781
Los Angeles Market Total	45,566	456,275,621	1,761,706	8,411,057	21,346,213	4.68%	28,663,504	6.28%	\$2.09	671,288	2,931,718	2,961,879	14,060,377
General Retail	35,785	226,299,763	603,777	4,641,492	8,848,668	3.91%	12,957,701	5.73%	\$2.37	168,326	875,194	1,431,017	6,834,768
Malls	426	41,180,909	819,876	143,600	1,466,895	3.56%	1,835,812	4.46%	\$4.24	199,260	273,728	217,811	601,067
Power Centers	631	27,230,831	0	1,454,834	1,089,856	4.00%	1,347,767	4.95%	\$1.51	(39,767)	565,078	77,469	959,352
Shopping Centers	8,684	157,571,342	330,453	2,148,631	9,796,173	6.22%	12,328,612	7.82%	\$1.88	363,996	1,176,726	1,229,118	5,546,238
Specialty Centers	40	3,992,776	7,600	22,500	144,621	3.62%	193,612	4.85%	\$1.18	(20,527)	40,992	6,464	118,952
Los Angeles Market Total	45,566	456,275,621	1,761,706	8,411,057	21,346,213	4.68%	28,663,504	6.28%	\$2.09	671,288	2,931,718	2,961,879	14,060,377

Lease rates are on a triple-net basis.



MAJOR TRANSACTIONS OF 2014

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
300 N. Sepulveda Blvd.	El Segundo	339,098	\$221.17	DWF IV 300 N Sepulveda, LLC	300 N Sepulveda Associates, LLC
11113-11211 183rd St. – 11 Properties	Mid-Cities	357,240	\$172.99	Cerritos Retail Centercal, LLC	Cerritos Best Plaza, LLC
461-469 N. Beverly Dr.	Beverly Hills	26,523	\$1,781.47	465 North Beverly Owner, LLC	William E. & Mary Corinth Woods Trust
18506-18598 E.Gale Ave.	Eastern SGV	80,000	\$537.50	Cooper Investors Properties, LLC	America West Investment, Inc.

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
450 Long Beach Blvd.	South Bay	59,179	Jun-14	El Super	Abs Ca-GI, LLC
222-252 S. Citrus St.	Eastern SGV	53,097	Jan-14	85 Degrees	Wlm Country Club, LLC
12629-12717 Glenoaks Blvd.	Eastern SFV	42,520	Jan-14	Food 4 Less	Prime Of Crdf Sylmar, LLC
1001-1023 N. Grand Ave.	Eastern SGV	42,390	May-14	Stater Bros.	Grand Covina Plaza, LLC
12000 Firestone Blvd.	Mid-Cities	40,598	Aug-14	Enterprise Rent A Car	Lisa Vernola

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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