



FOURTH QUARTER 2015 GREATER LOS ANGELES RETAIL

Voit
REAL ESTATE SERVICES

MARKET CHANGE

Compared to Previous Year:

Vacancy



Net Absorption



Lease Rates



Transactions



Deliveries



HIGHLIGHTS

- **Encouraging Numbers** - The Los Angeles County retail market displayed a number of encouraging indicators in 2015. Year over year, vacancy and availability remained stable checking in at 4.58% and 6.11% respectively. The market posted 1.68 million square feet of positive net absorption during the year, producing more than 8.6 million square feet of positive absorption over the last thirteen quarters.
- **Construction** - There was just over 1.73 million square feet of retail space under construction in Los Angeles County at the end of 2015, 367,481 sf of which was for shopping centers. Construction levels have not been this high since the second quarter of 2011.
- **Vacancy** - Direct/sublease space (unoccupied) finished the year at 4.58%, 0.88% higher than from the same quarter last year. At only 3.20%, malls had the lowest vacancy rate, while shopping centers had the highest at 6.45%.
- **Availability** - Direct/sublease space being marketed was 6.11% this quarter, dropping from the previous quarter's rate of 6.15% and 36 basis points lower than the previous year's rate. Malls displayed the lowest availability rate of all of the retail types, at 3.96%, while the Burbank/Glendale/Pasadena area displayed the lowest rate of all of the submarkets, at 4.23%.
- **Lease Rates** - The average asking triple net lease rate per month per square foot in the Los Angeles retail market was \$2.42 at the end of the fourth quarter of 2015, up 42 cents year over year, an indication that the market is improving.
- **Absorption** - The Los Angeles County retail market posted 101,697 square feet of negative net absorption in the fourth quarter, giving the market a total of 1.68 million square feet of positive absorption for 2015 and over 8.6 million square feet since the fourth quarter of 2012.
- **Transaction Activity** - Leasing activity checked in at over 2.3 million square feet in fourth quarter of 2015, for a total of over 29.4 million square feet leased over the past two and a half years. The market transacted 27.8 million square feet of sales and leases for the year, a year over year decline of 5.61% when compared to 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 declined to 5.9% in November 2015, down from a revised 6.1% in October 2015 and below the previous year's estimate of 8.0%. This compares with an unadjusted unemployment rate of 5.7% for California and 4.8% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 73,200 payroll jobs from November 2014 to November 2015. Most sectors showed gains in employment; the largest gains were 22,400 in educational and health services and 19,700 in leisure and hospitality during that same period. Los Angeles County's manufacturing sector suffered the biggest losses over the year — down 7,500 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 increasing in the last two 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 occupancy costs continue to increase. 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 4.30%, by the third quarter of 2016.

OVERVIEW

	2015	2014	2013	% of Change vs. 2014
Total Vacancy Rate	4.58%	4.54%	4.94%	0.88%
Availability Rate	6.11%	6.15%	6.47%	(0.65%)
Average Asking Lease Rate	\$2.42	\$2.09	\$2.00	15.79%
Sale & Lease Transactions	27,792,643	29,443,608	34,639,190	(5.61%)
Gross Absorption	13,831,659	14,549,182	18,994,714	(4.93%)
Net Absorption	1,676,040	3,245,278	2,881,996	N/A

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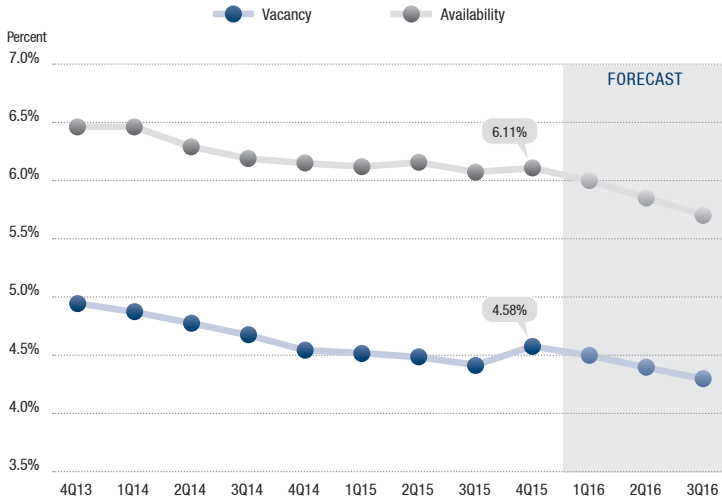
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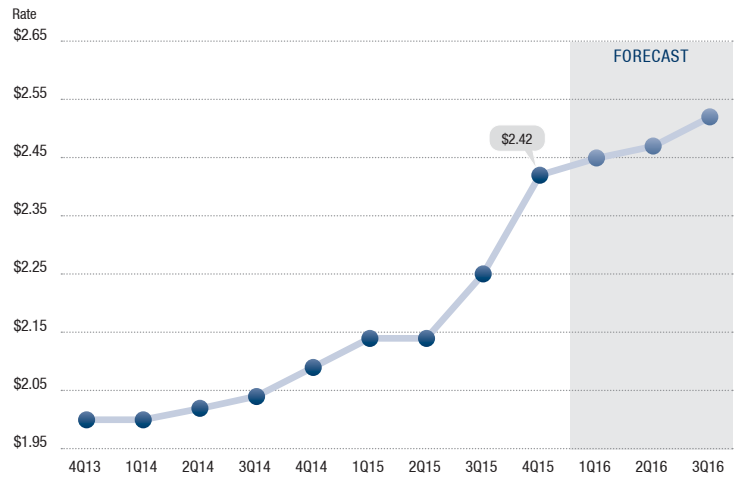
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



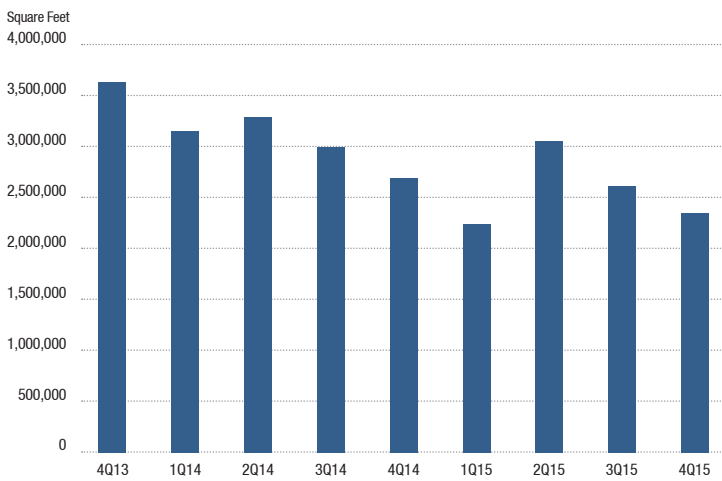
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



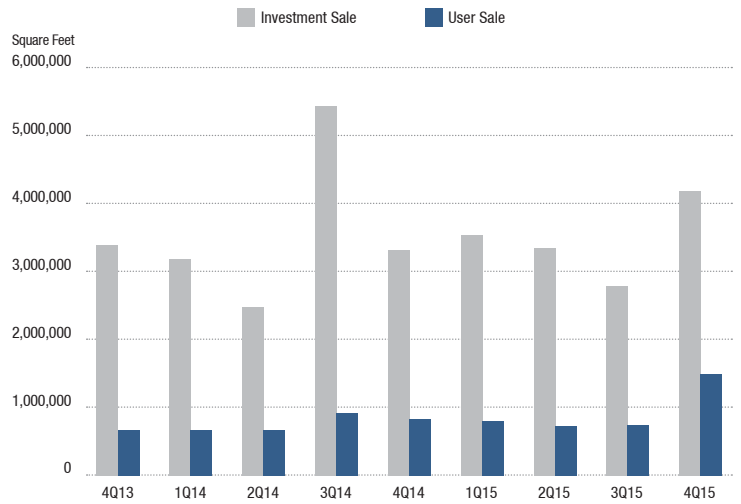
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



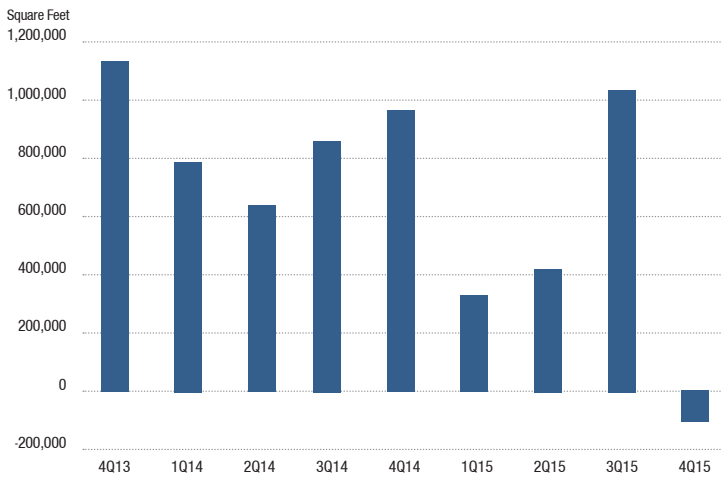
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



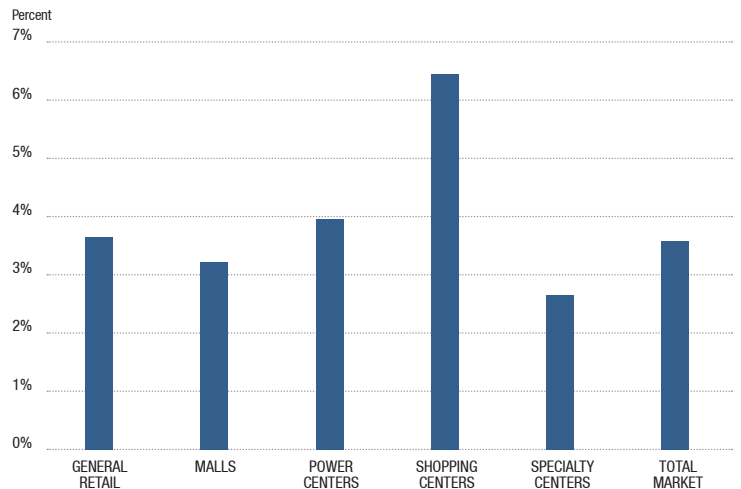
NET ABSORPTION

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



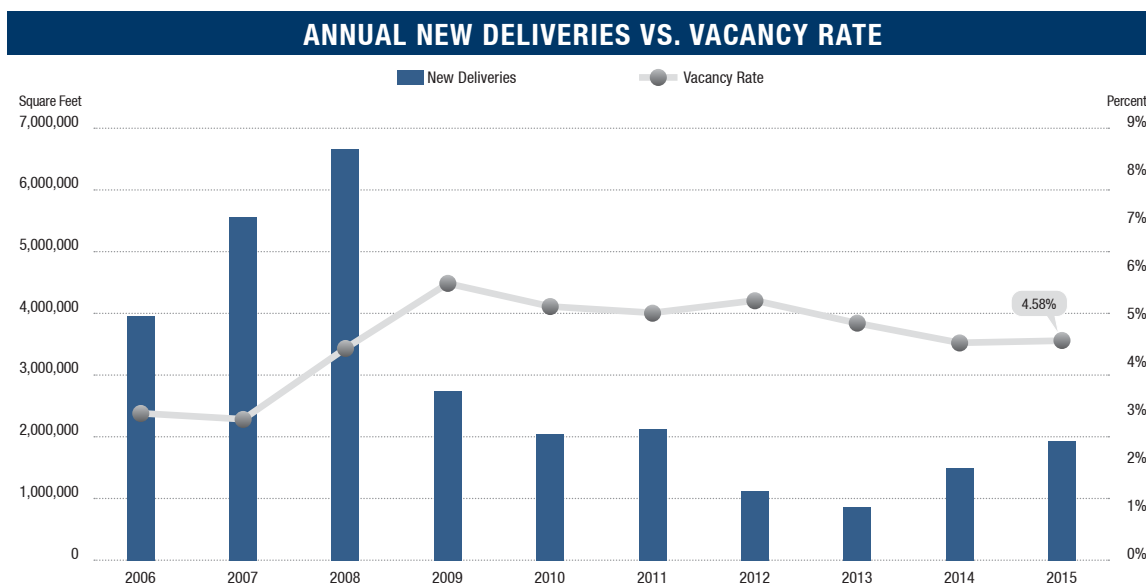
VACANCY RATE BY PRODUCT TYPE

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 4Q2015	Square Feet Available	Availability Rate 4Q2015	Average Asking Lease Rate	Net Absorption 4Q2015	Net Absorption 2015	Gross Absorption 4Q2015	Gross Absorption 2015
Los Angeles Market Total													
Antelope Valley	1,136	15,885,719	28,966	2,241,579	1,286,183	8.10%	1,547,393	9.74%	\$1.28	4,012	(74,991)	123,109	410,376
Burbank / Glendale / Pasadena	6,345	51,685,402	619,177	424,388	1,890,561	3.66%	2,186,086	4.23%	\$2.77	(27,612)	(162,904)	233,440	1,111,512
Downtown	1,987	23,568,062	359,000	609,477	932,778	3.96%	1,325,820	5.63%	\$2.71	187,783	361,677	294,753	796,298
Mid-Cities	5,575	47,281,636	78,522	1,282,882	2,601,197	5.50%	3,528,159	7.46%	\$1.61	58,545	70,652	350,947	1,308,251
Mid-Wilshire	3,933	34,338,127	189,840	514,485	1,356,595	3.95%	1,941,887	5.66%	\$3.85	74,882	146,415	359,905	1,263,261
San Fernando Valley	4,556	50,143,415	13,749	239,985	2,616,298	5.22%	3,088,530	6.16%	\$2.02	(325,626)	340,915	278,159	1,839,880
San Gabriel Valley	5,562	60,526,296	177,214	674,244	2,837,012	4.69%	3,572,976	5.90%	\$1.62	226,122	409,564	592,327	1,884,874
Santa Clarita Valley	743	12,656,934	0	147,688	703,279	5.56%	790,714	6.25%	\$1.92	26,192	167,391	112,180	430,024
South Bay	7,000	67,226,839	97,820	1,232,916	2,441,883	3.63%	3,694,680	5.50%	\$1.98	(97,144)	319,198	392,239	1,817,588
Southeast LA	1,838	19,260,744	3,606	234,822	721,638	3.75%	1,137,934	5.91%	\$1.83	22,911	219,838	183,661	676,012
Ventura North	1,775	18,017,328	4,306	183,675	1,078,683	5.99%	1,590,346	8.83%	\$1.71	(110,681)	(196,157)	124,514	330,353
Ventura South	1,737	25,742,503	86,832	629,709	1,474,317	5.73%	1,905,639	7.40%	\$4.05	(120,924)	(21,181)	197,792	685,889
West LA	4,414	39,030,392	71,123	2,077,462	1,362,360	3.49%	2,115,503	5.42%	\$4.51	(20,157)	95,623	317,803	1,277,341
Los Angeles Market Total	46,601	465,363,397	1,730,155	10,493,312	21,302,784	4.58%	28,425,667	6.11%	\$2.42	(101,697)	1,676,040	3,560,829	13,831,659
Los Angeles Market Total													
General Retail	36,687	232,919,060	1,328,049	6,483,657	8,508,191	3.65%	12,239,761	5.25%	\$2.60	245,198	858,884	1,770,307	6,825,849
Malls	445	42,680,025	0	246,200	1,367,408	3.20%	1,689,580	3.96%	\$4.08	49,785	745,035	62,377	965,701
Power Centers	633	26,742,178	34,625	1,179,698	1,056,256	3.95%	1,190,492	4.45%	\$1.59	27,639	55,144	108,030	352,912
Shopping Centers	8,798	159,132,583	367,481	2,553,757	10,268,773	6.45%	13,154,571	8.27%	\$2.27	(452,433)	(18,328)	1,590,860	5,632,440
Specialty Centers	38	3,889,551	0	30,000	102,156	2.63%	151,263	3.89%	\$1.05	28,114	35,305	29,255	54,757
Los Angeles Market Total	46,601	465,363,397	1,730,155	10,493,312	21,302,784	4.58%	28,425,667	6.11%	\$2.42	(101,697)	1,676,040	3,560,829	13,831,659

Lease rates are on a triple-net basis.



MAJOR TRANSACTIONS OF 2015

Sales Transactions

Property Address	Submarket	Square Feet	Price Per SF	Buyer	Seller
4550 W. Pico Blvd. (4 Properties)	Mid-Wilshire	315,388	\$591.75	MEPT Midtown Crossing, LLC	CIM / Pico, LP
19350 Nordhoff St. (5 Properties)	San Fernando Valley	268,362	\$428.53	TKG-Nordhoff-Tampa Plaza, LLC	AG-CorAmerica Nordhoff Owner, LP
1307–1335 Gladstone St. (10 Properties)	San Gabriel Valley	341,292	\$325.24	1301 East Gladstone Street Investors	Diamond Ridge Development, LLC
6081 Center Dr.	Burbank / Glendale / Pasadena	248,841	\$446.07	HH Promenade Partners, LLC	Passco Hughes Promenade H, LLC
2200–2224 Sawtelle Blvd.	West LA	94,125	\$759.63	MCP One Westside, LLC	Champion WLA, Ltd

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
21720 Victory Blvd.	San Fernando Valley	56,500	Jan-2015	REI	West Valley Partnership
14610 Hindry Ave. – Renewal	South Bay	56,110	Oct-2015	AutoNation, Inc.	Mike Sullivan Auto Group
11022 Aviation Blvd. – Renewal	South Bay	50,000	Jun-2015	The Proud Bird Restaurant	L A City
13021 Whittier Blvd.	Mid-Cities	41,629	Apr-2015	Smart & Final	Kimco Realty Corporation
1104–1188 S. Diamond Bar Blvd.	San Gabriel Valley	40,755	Aug-2015	Wal-Mart Stores, Inc.	ROIC DBTC, 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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