

Los Angeles County

Retail Market Outlook Q1 2022

MARKET OVERVIEW

LA County's retail market continued to feel the drag from the post-pandemic shutdown. Vacancy, lower construction, and slack demand for bricks and mortar retail has landlords contending with retailers coming back little by little. While some of the vacant space that was quickly put on the market during the shutdown began to get occupied in the second half of 2021, the first quarter of 2022 showed retail space sat mostly vacant. Quarter over quarter, vacant retail space on the market increased by 76,313 square feet, edging up a bit the total amount of vacant space on the market to just over 17 million square feet. The retail market has a way to go toward getting occupancy back to pre-pandemic levels. Since the first quarter of 2020, the start of the pandemic, close to 2 million square feet of retail space was vacated.

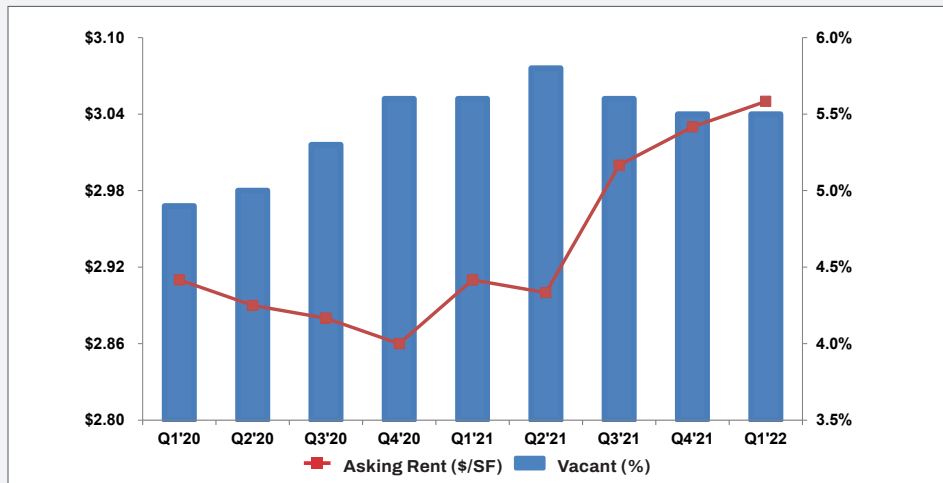
With basically no change in vacancy quarter over quarter, most markets, for now, held firm on asking rent. The average asking rent in the region remained flat from the previous quarter, 4.8 percent above last year. However, a couple of markets eased rents to stimulate demand. Leasing volume compared to last year at this time showed an increase of 12.1 percent, quarter over quarter it declined 7 percent. Square footage sold dropped 48 percent from the prior quarter, up 52.4 percent from the year before. The average sales price registered \$479/SF, up 26.4 percent year over year.

TRENDS TO WATCH

Neighborhood and community centers will remain resilient, while vacant malls provide redevelopment opportunities. The pandemic forced shoppers and retailers to change the way they operate. As shoppers gradually returned to physical stores, open-air neighborhood and community centers thrived as the go-to-retail to meet increased demand from residents and communities. Neighborhood and community centers benefited from the shift toward work from home and people spending more time near their homes. Grocery, pharmacies, banks, fast food drive-thrus, clothing, and other retailer types all are found in local neighborhood and community centers. Enclosed malls, with their large parking structures, proved to be less attractive. Neighborhood and community centers in LA County gained close to 435,267 square feet of positive net absorption year over year. Malls, on the other hand, had a negative net absorption of 586,982 square feet over the same timeframe. Neighborhood and community centers saw the vacancy rate decrease 40 basis points to 6.1 percent, year over year. Over the same timeframe, the vacancy rate in malls climbed 200 basis points to 10.2 percent.

Brisk demand for neighborhood and community centers drove up rent in that segment of the market at a faster rate of 6.8 percent to \$2.68/SF, compared to a drop of 6.7 percent year over year for mall space at \$4.21/SF. This trend is expected to continue.

Average Asking Rent and Vacancy Rate



MARKET OUTLOOK

Asking Rental Rates



Sale Prices



Availability/Vacancy Rates



Landlord Concessions



Sales/Leasing Volume



New Construction



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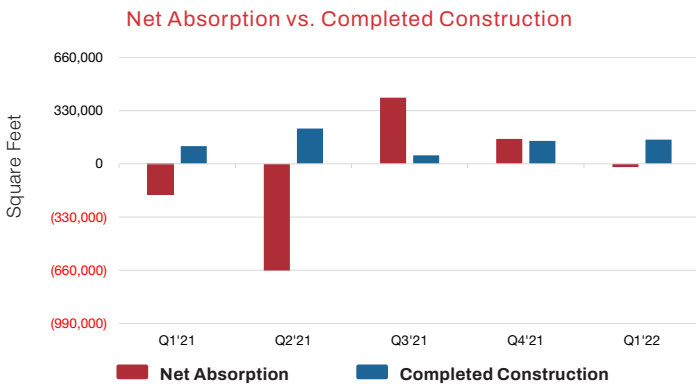
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Market Statistics*

SUBMARKET	EXISTING TOTAL RBA (SF)	UNDER CONSTRUCTION (SF)	TOTAL AVAILABLE (%)	TOTAL VACANCY (%)	LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT (\$/SF NNN)	AVERAGE SALE PRICE (\$/SF)
Central	15,719,704	403,169	8.3%	6.3%	57,885	57,885	67,399	67,399	\$2.86	\$254
Mid-Wilshire	7,764,593	0	5.7%	5.7%	29,282	29,282	61,928	61,928	\$3.24	\$440
LA North	73,345,166	40,080	5.5%	5.0%	381,732	381,732	381,893	381,893	\$2.58	\$480
San Gabriel Valley	68,757,209	118,087	5.1%	5.0%	279,916	279,916	789,796	789,796	\$1.95	\$281
South Bay	62,842,276	237,016	6.6%	5.6%	429,795	429,795	266,453	266,453	\$2.74	\$656
Tri-Cities	28,371,703	0	4.6%	4.7%	69,738	69,738	122,709	122,709	\$3.28	\$693
LA West	53,585,124	276,151	8.8%	6.9%	436,537	436,537	332,316	332,316	\$4.60	\$881
Los Angeles County	310,385,775	1,074,503	6.3%	5.5%	1,684,885	1,684,885	2,022,494	2,022,494	\$3.05	\$479

Net Absorption Trends

Net absorption depicted the momentum change that happened in the first quarter of 2022. After a positive second half in 2021, net absorption turned negative as completed construction added supply to the market. From the first quarter of 2021 to the first quarter of 2022 completed construction totaled 674,725 square feet and net absorption totaled a negative 309,361 square feet.



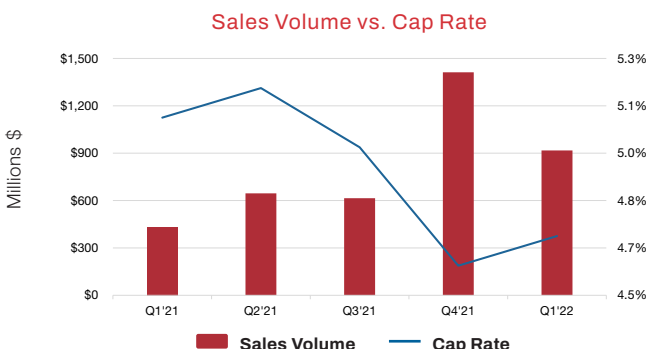
Select Lease Transactions

ADDRESS/TENANT	CITY	SUBMARKET	SQUARE FEET
22020 Recreation Rd: Auto Dealership*	Carson	South Bay	72,000
5665 Rosemead Blvd: Community Center	Temple City	San Gabriel Valley	52,310
4317 Beverly Blvd: Freestanding**	Los Angeles	LA West	47,080
8830-8840 National Blvd: Ground Floor	Culver City	LA West	42,721
8550 Santa Monica Blvd: Ground Floor	West Hollywood	LA West	40,000

*Sale Leaseback
**Sublease

Sales Trends

Sales volume in the first quarter decreased 35.1 percent from the Q4 of 2021 to \$917,284,604 as economic uncertainty weighed on buyers and sellers. The average cap rate bumped up 10 basis points from the previous quarter, down 40 basis points year over year to 4.7 percent. The average sale price per square foot in the first quarter of 2022 increased 12.4 percent quarter over quarter.



Select Sales Transactions

ADDRESS/PROPERTY TYPE	CITY	SUBMARKET	SQUARE FEET
17070 E Gale Ave: Auto Dealership	City Of Industry	San Gabriel Valley	107,401
22020 Recreation Rd: Auto Dealership*	Granada Hills	LA North	72,000
1515 N Hacienda Blvd: Auto Dealership	La Puente	San Gabriel Valley	61,806
3818-3858 Peck Rd: Neighborhood Center	El Monte	San Gabriel Valley	60,279
1310 3rd Street Promenade: Movie Theatre	Santa Monica	LA West	41,214

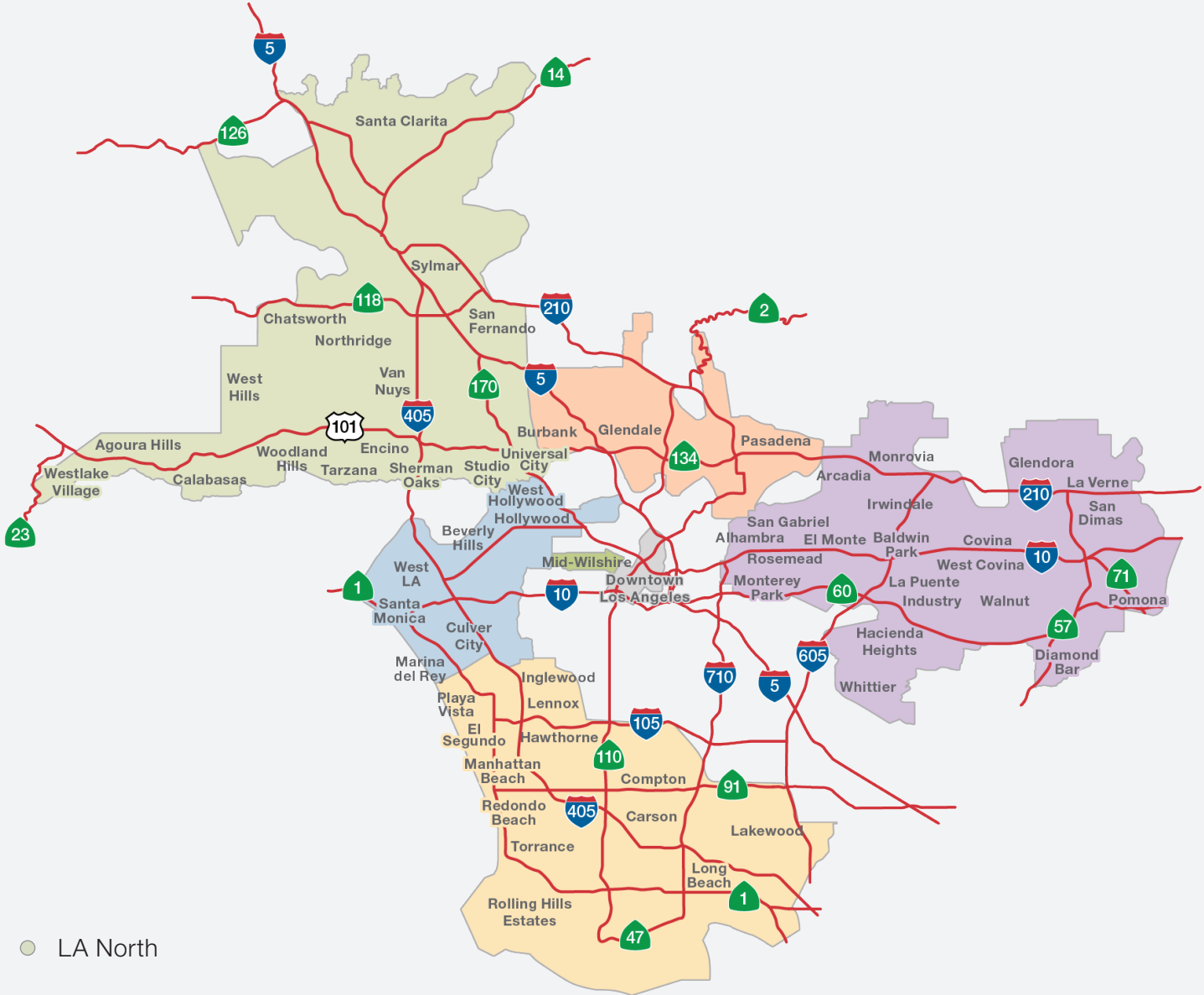
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COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE



- LA North
- Tri-Cities
- San Gabriel Valley
- LA West
- Central
- Mid-Wilshire
- South Bay

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Retail Market Outlook Q1 2022



NAI Capital Commercial Southern California Office Locations

Headquarters

15821 Ventura Blvd., Ste. 320
Los Angeles, CA 91436
818.905.2400

Los Angeles County

Downtown LA

707 Wilshire Blvd., Ste. 5125
Los Angeles, CA 90017
213.632.7700

West Los Angeles

11835 Olympic Blvd., Ste. 700E
Los Angeles, CA 90064
310.440.8500

Torrance

970 W. 190th St., Ste. 100
Torrance, CA 90502
310.532.9080

Pasadena

225 S. Lake Ave., Ste. 1170
Pasadena, CA 91101
626.564.4800

Valencia

25060 Avenue Stanford., Ste. 165
Valencia, CA 91355
661.705.3550

Diamond Bar

21660 E. Copley Dr., Ste. 320
Diamond Bar, CA 91765
909.348.0600

Ventura County

Oxnard

300 Esplanade Dr., Ste. 470
Oxnard, CA 93036
805.278.1400

Westlake Village

2555 Townsgate Rd., Ste. 320
Westlake Village, CA 91361
805.446.2400

Inland Empire

Ontario

800 N. Haven Dr., Ste. 400
Ontario, CA 91764
909.945.2339

Victorville

13911 Park Ave., Ste. 206
Victorville, CA 92392
760.780.4200

Orange County

Irvine

1920 Main St., Ste. 100
Irvine, CA 92614
949.854.6600

Coachella Valley

Palm Desert

75-410 Gerald Ford Dr., Ste. 200
Palm Desert, CA 92211
760.346.1566