

Los Angeles County

Retail Market Outlook Q3 2022

MARKET OVERVIEW

LA County's retail market post-pandemic recovery continued in Q3 2022. Easing vacancy, lower construction, and a growing demand for retail space helped landlords contend with the changing economy. Vacated space that was hastily put on the market during the pandemic shutdown is getting occupied as retailers pivot back to brick and mortar. Vacant retail space on the market decreased by 794,622 square feet from last year at this time, cutting the total amount of vacant space on the market to 16.3M square feet this quarter. Still the retail market has a way to go toward getting vacancy back to pre-pandemic levels. Since Q1 2020, at the start of the pandemic, more than 1.4M square feet of retail space was vacated.

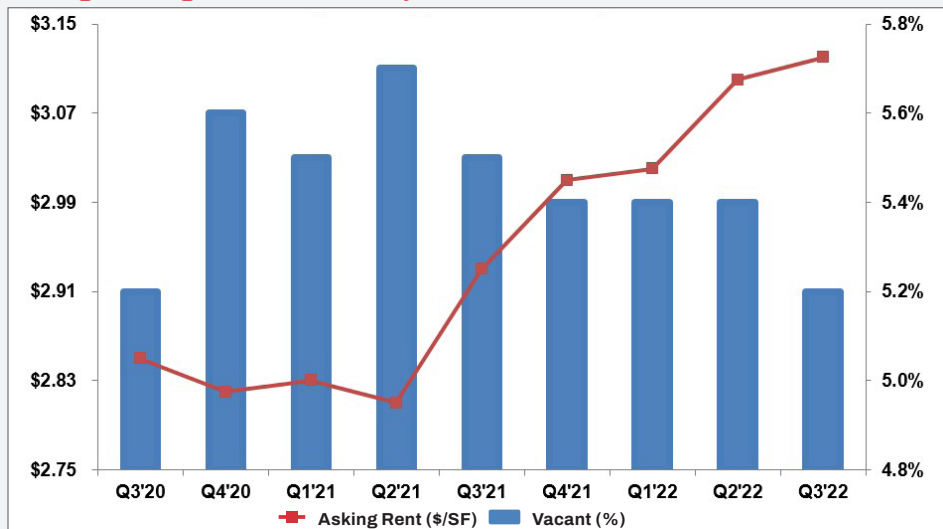
The drop in vacancy quarter over quarter boosted landlord's confidence in holding firm on their asking rent for space listed for lease. The average asking rent for direct space in the region increased six-tenths of a percent from the previous quarter and 6.5 percent from Q3 2021. In contrast, the average asking rent for sublease space, to stimulate tenant demand, dropped 4.7 percent from the prior quarter. Net absorption registered a gain of 840,702 square feet quarter over quarter and 736,753 square feet year to date. Square footage sold increased 62.3 percent year over year and 24.2 percent from the prior quarter as sale transactions surged.

TRENDS TO WATCH

Markets with improving occupancy will continue to adjust asking rent. The LA West submarket, which holds 4.2M square feet of available retail space, the most in the region, witnessed a 3-cent quarter over quarter increase in asking rent for direct space at \$4.76/SF triple net. While LA West captured the most net absorption in Q3 2022, totaling 469,631 square feet, and vacancy declined, the vacancy rate in LA West remained the highest in the region at 6.6 percent. Moreover, sublease space increased 28.4 percent in LA West year over year as the average rent for sublease space dropped 3.9 percent. LA North, experienced a 4-cent increase in the average asking rent for direct space quarter over quarter while rent for sublease space declined 6.8 percent to \$2.19/SF triple net – the lowest average asking rent for sublease space in LA County. Sublease space in LA North increased 26.2 percent from the previous quarter.

Discounted subleases and steady to raising rent for direct space will play out as the competition for tenants rises between landlords and sublessors. Sublessors will aggressively compete to attract stand-ins for their subleases. While the retail sector rallies back to pre-pandemic performance, tenants and investors will search for opportunity.

Average Asking Rent and Vacancy Rate



*Rents reflect buildings of 5,000 SF or greater; quoted in \$/SF NNN on a monthly basis.

MARKET OUTLOOK

Asking Rental Rates



Sale Prices



Availability/Vacancy Rates



Landlord Concessions



Sales/Leasing Volume



New Construction



J.C. Casillas

Managing Director, Research
jcasillas@naicapital.com
Direct: 818.933.2433

NAI Capital Commercial Research
www.naicapital.com

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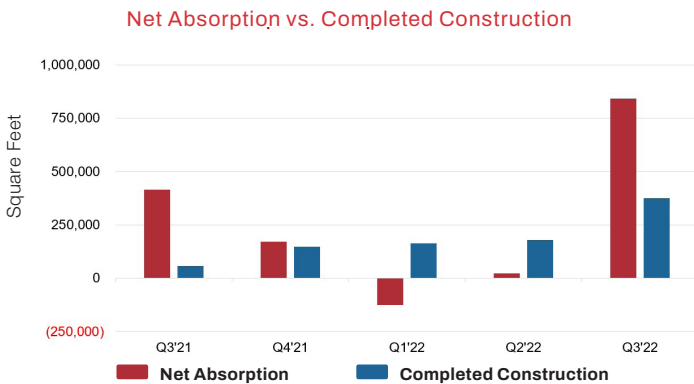
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Market Statistics*

| 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 | 16,171,556 | 227,169 | 7.6% | 6.2% | 53,789 | 201,190 | 75,228 | 164,417 | \$3.01 | \$222 |
| Mid-Wilshire | 7,814,208 | 0 | 4.9% | 5.2% | 44,857 | 136,910 | 221,927 | 342,791 | \$3.45 | \$462 |
| LA North | 73,416,410 | 157,604 | 5.4% | 5.0% | 420,093 | 1,359,941 | 212,021 | 1,288,187 | \$2.67 | \$464 |
| San Gabriel Valley | 68,739,383 | 111,407 | 4.9% | 4.4% | 306,348 | 855,758 | 1,818,020 | 2,977,152 | \$2.07 | \$363 |
| South Bay | 62,861,084 | 245,101 | 6.3% | 5.4% | 252,710 | 947,852 | 200,561 | 1,469,975 | \$2.68 | \$495 |
| Tri-Cities | 28,673,446 | 0 | 4.7% | 4.5% | 110,441 | 321,744 | 396,524 | 621,548 | \$3.49 | \$301 |
| LA West | 53,940,251 | 65,602 | 7.8% | 6.6% | 443,546 | 1,348,844 | 141,892 | 743,389 | \$4.76 | \$699 |
| Los Angeles County | 311,616,338 | 806,883 | 5.9% | 5.2% | 1,631,784 | 5,172,239 | 3,066,173 | 7,607,459 | \$3.12 | \$390 |

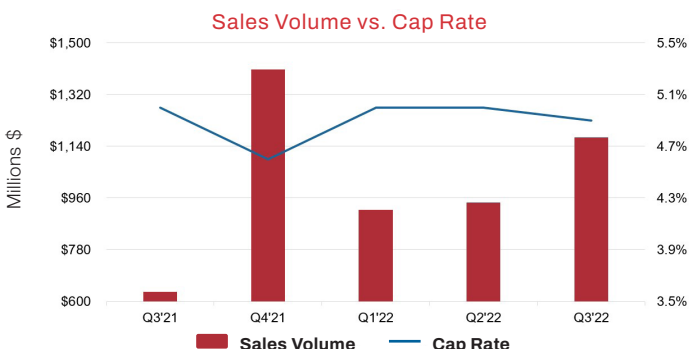
Net Absorption Trends

In the third quarter retail market net absorption depicted the change in momentum. As the market added construction, demand stayed ahead of new supply added. Over the past five quarters 919,525 square feet of retail space was completed while 1,324,024 square feet was absorbed.



Sales Trends

Sales volume increased 24.1 percent in Q3 2022 from Q2 2022 approaching \$1.2B as users and investors sought opportunity in the market considering the positive outlook in demand for brick and mortar retail. The average cap rate inched down 10 bps from the previous quarter and from the third quarter of 2021 to 4.9 percent.



Select Lease Transactions

| ADDRESS/TENANT | CITY | SUBMARKET | SQUARE FEET |
|---|-----------------|--------------------|-------------|
| 12920 Foothill Blvd: Community Center* | Sylmar, | LA North | 106,911 |
| 5731 Bickett St: Freestanding Retail | Huntington Park | San Gabriel Valley | 56,000 |
| 648-654 S Broadway: Restaurant** | Los Angeles | LA Central | 46,578 |
| 71 Aquarium Way: Regional Mall | Long Beach | South Bay | 29,766 |
| 19317-19415 Soledad Canyon Rd: Community Center | Santa Clarita | LA North | 25,062 |

*Sale Leaseback
**Sublease

Select Sales Transactions

| ADDRESS/PROPERTY TYPE | CITY | SUBMARKET | SQUARE FEET |
|--|-------------|--------------------|-------------|
| Westfield Santa Anita: Super Regional Mall | Arcadia | San Gabriel Valley | 1,475,732 |
| 928 S Western Ave: Lifestyle Center | Los Angeles | LA Central | 200,719 |
| 921 W Riverside Dr: Bowling Alley | Burbank | Tri-Cities | 106,464 |
| The Ranch Shopping Center: Neighborhood Center | Diamond Bar | San Gabriel Valley | 60,022 |
| 648-654 S Broadway: Restaurant* | Los Angeles | Central LA | 46,578 |

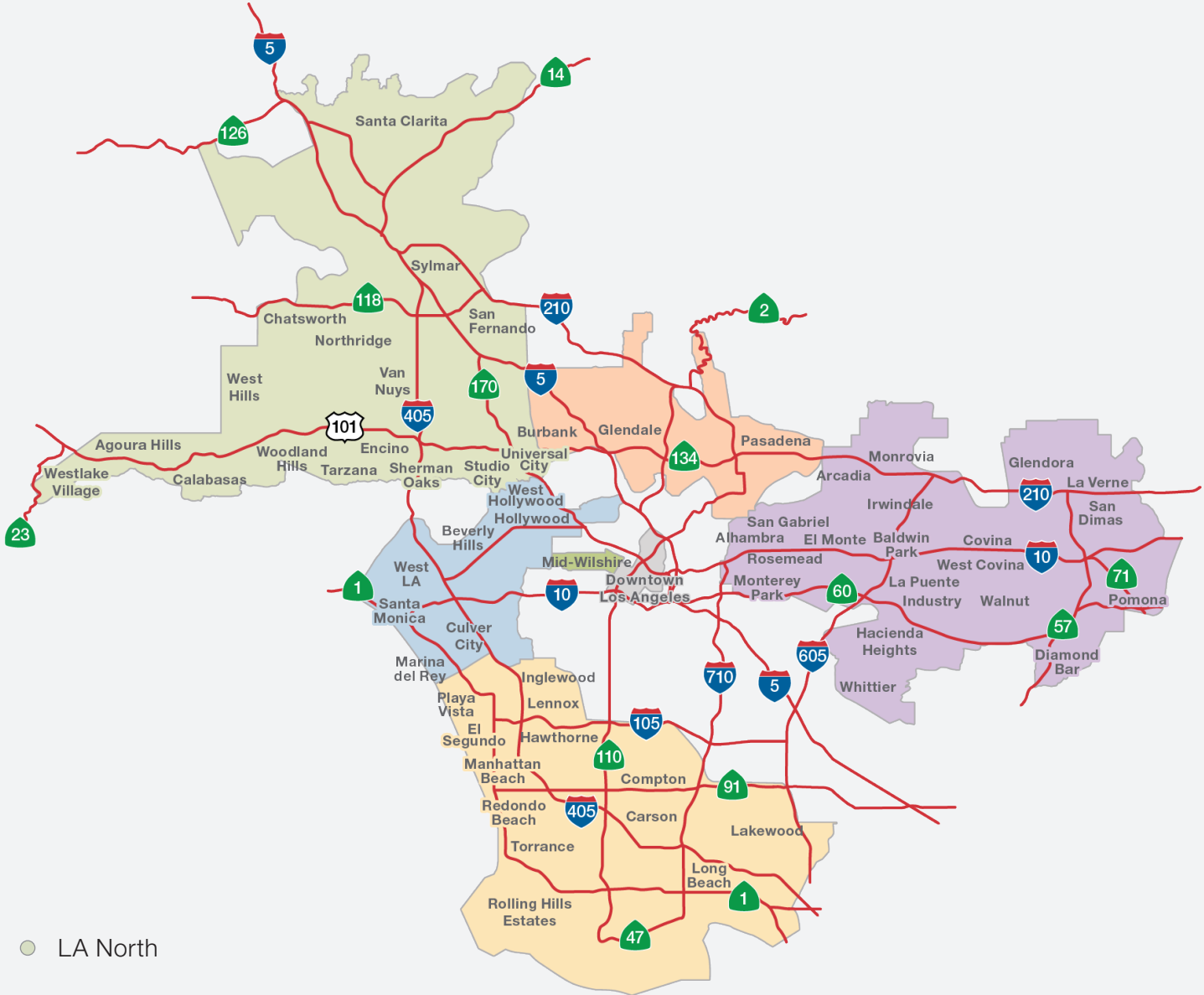
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COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE



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

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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