

Los Angeles County

Retail Market Outlook Q4 2022

MARKET OVERVIEW

LA County's retail market post-pandemic recovery moved slowly in Q4 2022. Vacancy, sublease space, and slack demand for retail space confronted landlords contending with a changing economy. While vacated space that was hastily put on the market during the pandemic shutdown is getting occupied as retailers pivot back to brick and mortar, it's been gradual. Vacant retail space on the market decreased by a mere 11,162 square feet from last year at this time, keeping the total amount of vacant space on the market to 16.8M square feet at yearend. The retail market has a way to go toward getting vacancy back to pre-pandemic levels. At yearend retail market occupancy remained 308,331 square feet short of where it was in Q1 2020, pre-pandemic, as space began getting vacated.

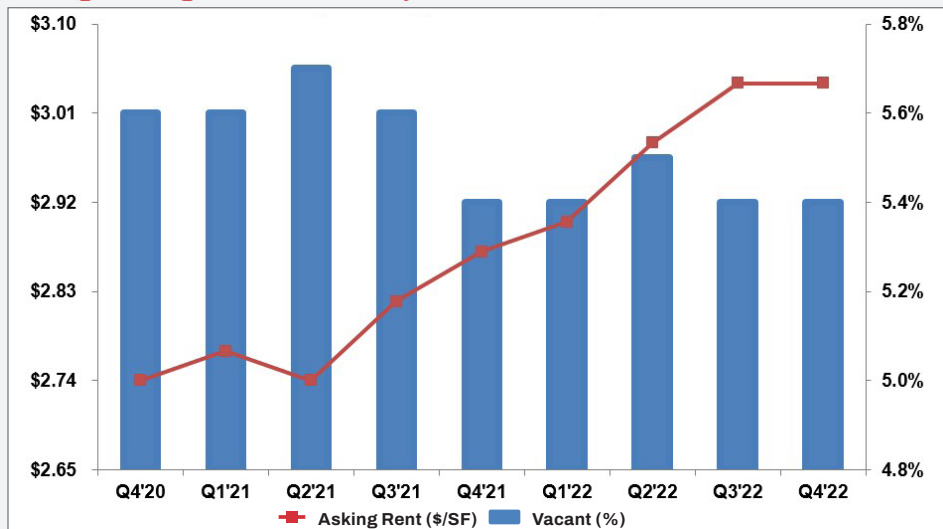
Landlord's confidence in holding firm on asking rent for space listed for lease was buoyed by vacancy not rising precipitously over the past year. The average asking rent for direct space in the region didn't budge from the previous quarter yet was up 5.6 percent from Q4 2021. In contrast, the average asking rent for sublease space, to stimulate tenant demand, dropped 4.7 percent from the prior quarter. Net absorption registered a loss of 106,280 square feet quarter over quarter but remained positive year to date at 128,910 square feet. In the fourth quarter sale volume dropped 21 percent quarter over quarter as retail property sales slid due to rising interest rates. Total sale volume still managed to closeout 2022 16.7 percent above 2021.

TRENDS TO WATCH

Landlords to improve occupancy will continue to adjust rent. The LA West submarket, which holds approximately 3.9M square feet of available retail space, witnessed a 22-cent quarter over quarter increase in rent for direct space at \$4.76/SF triple net. With the highest average rent and vacancy, LA West netted the most negative net absorption of 2022. Moreover, sublease space increased 83.6 percent in LA West year over year as the average rent for sublease space declined 3.5 percent. LA North saw no movement in the average asking rent for direct space quarter over quarter while rent for sublease space declined 19.1 percent year over year to \$2.24/SF triple net – the lowest average rent for sublease space in LA County. Sublease space in LA North dropped 48 percent year over year.

Discounted sublease rent versus higher rent for direct space will play out as the competition for tenants remains between landlords and sublessors. Sublessors will continue aggressively competing to attract stand-ins for their subleases. As the retail sector recovers, tenants and investors will continue their search for opportunity.

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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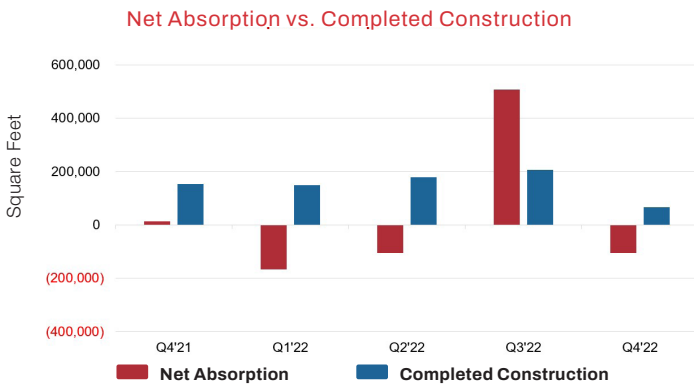
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Market Statistics*

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	16,199,982	227,169	7.3%	6.2%	53,789	47,198	12,880	177,297	\$2.89	\$255
Mid-Wilshire	7,789,037	0	4.8%	4.5%	44,857	24,289	91,806	434,597	\$3.44	\$379
LA North	73,457,731	187,917	5.3%	4.9%	420,093	216,919	955,282	2,266,621	\$2.67	\$366
San Gabriel Valley	68,804,485	145,787	5.0%	4.3%	306,348	205,666	538,376	3,515,609	\$2.13	\$382
South Bay	62,998,839	216,811	6.3%	5.7%	252,710	257,282	582,165	2,045,653	\$2.64	\$292
Tri-Cities	28,668,119	2,583	5.4%	5.1%	110,441	83,529	85,234	701,223	\$3.00	\$521
LA West	53,456,205	49,533	7.8%	7.2%	443,546	321,797	138,102	881,491	\$4.81	\$1,146
Los Angeles County	311,374,398	829,800	6.0%	5.4%	1,631,784	1,156,680	2,403,845	10,022,491	\$3.04	\$408

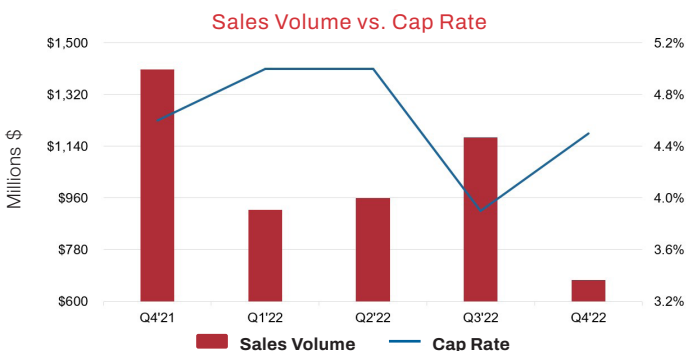
Net Absorption Trends

In the fourth quarter retail market net absorption depicted the change in momentum. As the market added construction, demand slipped below the new supply added to the market. Over the past five quarters 750,749 square feet of retail space was completed while 141,564 square feet was absorbed.



Sales Trends

Sales volume plummeted 42.4 percent in Q4 2022 from Q3 2022 as investors adjusted to buying and selling into a changing market environment, impacted by rising interest rates and lackluster occupancy. The average cap rate increased 60 basis points from the third quarter to end the year at 4.9 percent.



Select Lease Transactions

ADDRESS/TENANT	CITY	SUBMARKET	SQUARE FEET
17206-17228 Lakewood Blvd: Community Center	Bellflower	South Bay	64,039
1230 Santa Monica Blvd: Auto Dealership	Santa Monica	LA West	62,725
21243 S Avalon Blvd: Auto Dealership*	Carson,	South Bay	21,781
5031-5041 Lakewood Blvd: Community Center**	Lakewood	South Bay	29,766
28150 Newhall Ranch Rd: Neighborhood Center**	Valencia	LA North	14,164

*Sublease
**Renewal

Select Sales Transactions

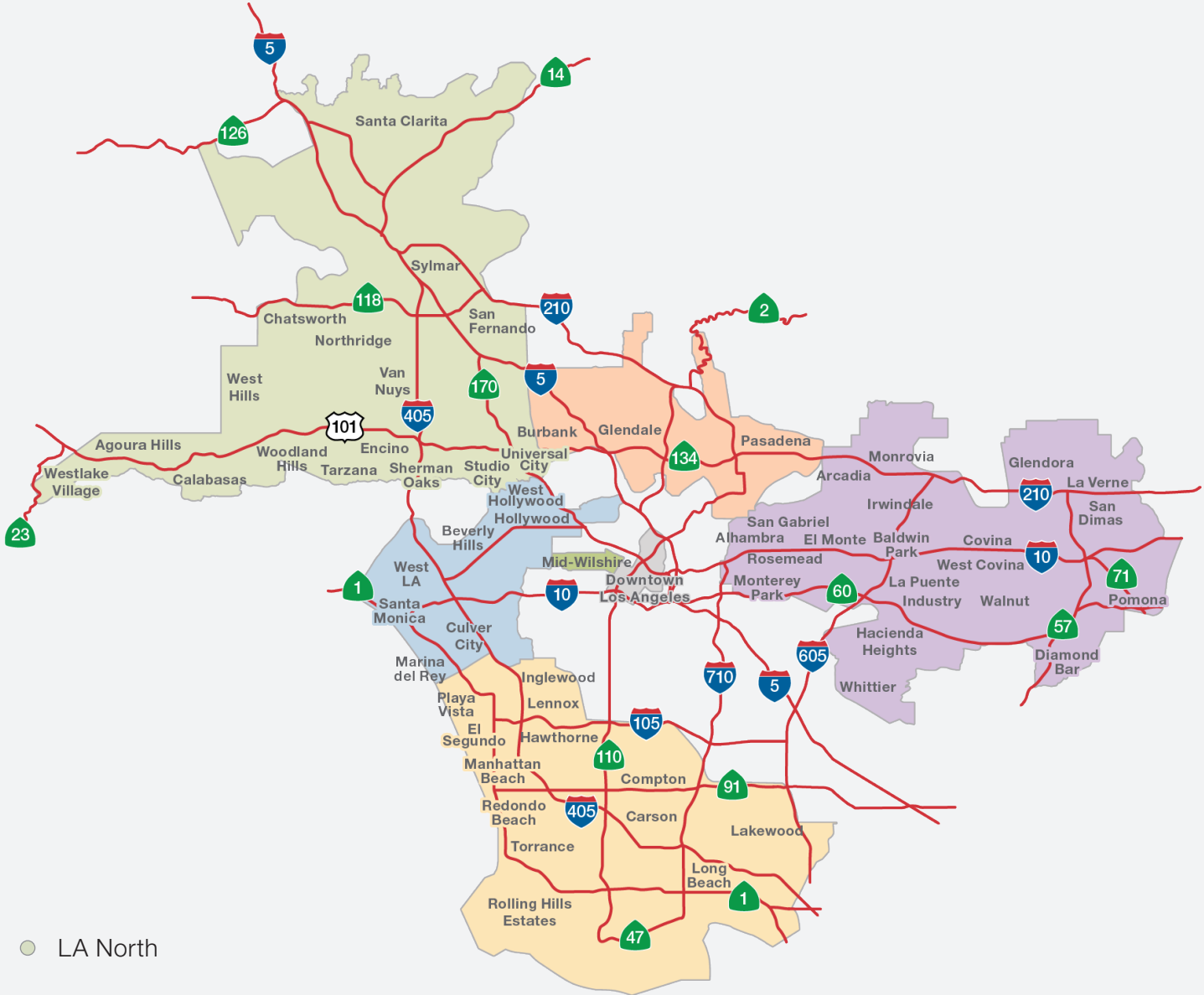
ADDRESS/PROPERTY TYPE	CITY	SUBMARKET	SQUARE FEET
The Village: Regional Mall	Woodland Hills	LA North	595,630
14 Retail Property Portfolio	La Verne, Montebello	San Gabriel Valley	401,630
Promenade on the Peninsula: Lifestyle Center	Rolling Hills Estates	South Bay	371,125
International Plaza Shopping Center	Los Angeles	Mid-Wilshire	85,306
Glendora East Shopping Center	Glendora	San Gabriel Valley	65,171

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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 Q4 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