

Los Angeles County

Retail Market Outlook Q4 2020

MARKET OVERVIEW

In the fourth quarter of 2020, Los Angeles County's retail market continued to be challenged by the effects of an economy that spent three quarters of the year under a COVID-19 shutdown. Since the onset of the pandemic's forced closure of non-essential businesses in March 2020, vacancies steadily increased, up 20 basis points from the previous quarter and 80 basis points year over year to 5.5%. As ecommerce volume skyrocketed, brick and mortar retail lost considerable demand. Vacancies hit an eight-year high as the coronavirus pandemic recession continues to slam businesses in Los Angeles County. While vacancy hit 5.6% in the fourth quarter of 2009, the average asking rent would need to fall by 30% to reach Great Recession levels. The average asking rent fell only one cent from the prior quarter to \$2.92 triple net, down 2.3% from the fourth quarter of 2019.

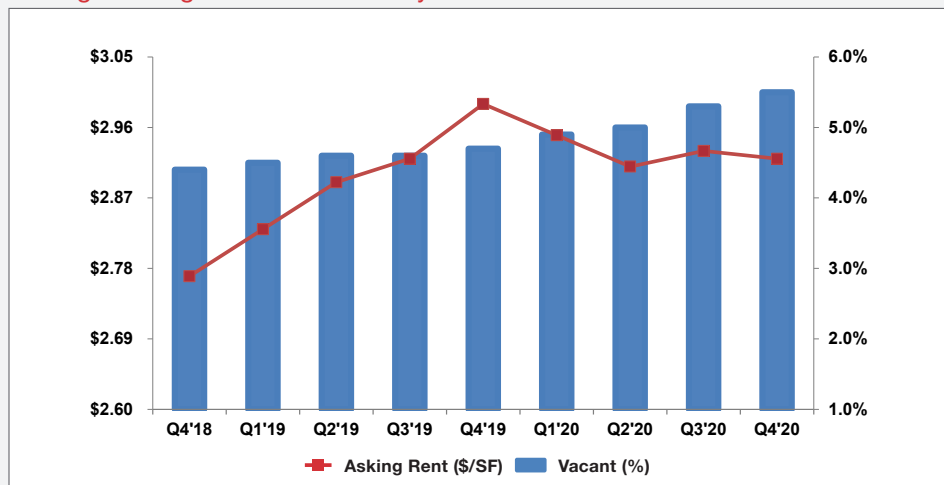
The decline of in-store traffic is creating new challenges for retailers and landlords. Slow growth hurt total leasing volume in 2020, down 34.8% compared to the total for 2019. While total sales volume on a square footage basis suffered in 2020, down 48.2% from the 2019 total, volume in the fourth quarter shot up 121.3% from the third quarter. This demonstrates that buyers saw market conditions as an opportunity to acquire retail real estate as others exit.

TRENDS TO WATCH

The retail market faces some headwinds. Entering a period of enormous transformation, most retailers will need less physical selling space in stores and more warehouse space for ecommerce along with outdoor space for social distancing and curbside pickup. The COVID-19 shutdown noticeably disrupted businesses, causing lower foot traffic and stores going dark. Developers, owners, and investors will take this time to reposition their assets, compete for a smaller tenant base, and strive to maximize revenue.

Los Angeles County year-end figures indicate the beginning of an uneven recovery for retail markets, with rents on a slow, steady descent. Rent negotiations and lease restructuring will continue in 2021 as a lingering symptom of the pandemic's economic impact. For some retailers, closing will be the only option. Qualified tenants, unable to make rent payments, will get deferred rent or abatement and stay open. Others will take advantage of the opportunity for growth – with more quality space available, at lower rental rates, and motivated landlords willing to make a deal.

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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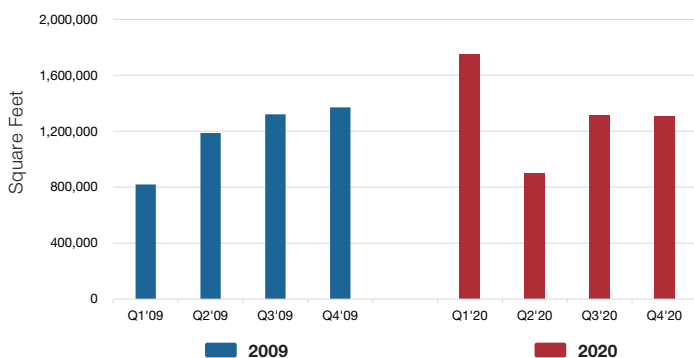
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Market Statistics*

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	16,209,630	329,192	9.3%	6.3%	67,468	245,187	243,390	347,795	\$2.83	\$259
Mid-Wilshire	7,879,890	0	5.4%	5.7%	47,541	133,821	31,791	84,405	\$3.08	\$332
LA North	73,260,616	238,903	6.4%	5.6%	407,585	1,377,781	379,594	1,040,159	\$2.54	\$324
San Gabriel Valley	68,554,837	67,527	5.7%	4.7%	241,461	1,077,836	314,242	1,052,395	\$1.95	\$279
South Bay	64,251,088	1,100,462	6.8%	5.6%	215,421	882,508	230,973	1,029,891	\$2.44	\$434
Tri-Cities	28,576,143	30,000	5.3%	4.5%	92,987	463,365	113,947	384,158	\$3.15	\$371
LA West	53,927,005	164,321	8.9%	6.6%	234,251	1,089,209	180,848	501,624	\$4.79	\$1,462
L.A. County	312,659,209	1,930,405	6.8%	5.5%	1,306,714	5,269,707	1,494,785	4,440,427	\$2.92	\$427

Leasing

Leasing volume in the second half of 2020 emphasized the change in momentum that occurred from the first quarter to the second quarter of 2020, when officials implemented the COVID-19 shutdown. However, total leasing volume in 2020 outdid the Great Recession in 2009 by 12.2%.

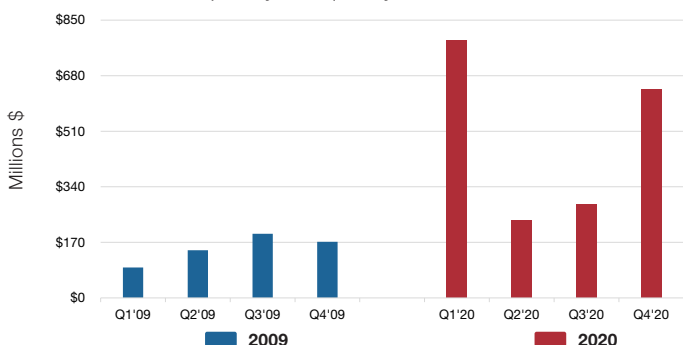


Select Lease Transactions

TENANT	ADDRESS	SUBMARKET	ASKING RATE \$/SF	SQUARE FEET
WSS	18247 Sherman Way	LA North	\$2.10	22,400
Michael Torres Medicare Insurance	23401-23565 S. Avalon Blvd.	South Bay	\$1.30	22,275
Grocery Outlet	19315 Plum Canyon Rd.	LA North	\$1.85	18,000
Grocery Outlet	111-165 E. Foothill Blvd.	San Gabriel Valley	\$2.88	17,400
Grocery Outlet	140 E. Live Oak Ave.	San Gabriel Valley	\$2.45	14,178

Sales

Sales volume jumped in the fourth quarter, rising 121.3% from the previous quarter with more than \$630M changing hands. Buyers saw an opportunity to acquire retail real estate while others divested. Sales volume during the COVID-19 pandemic shutdown outpaced the Great Recession due to record-low interest rates and plenty of liquidity in the market.



Select Sales Transactions

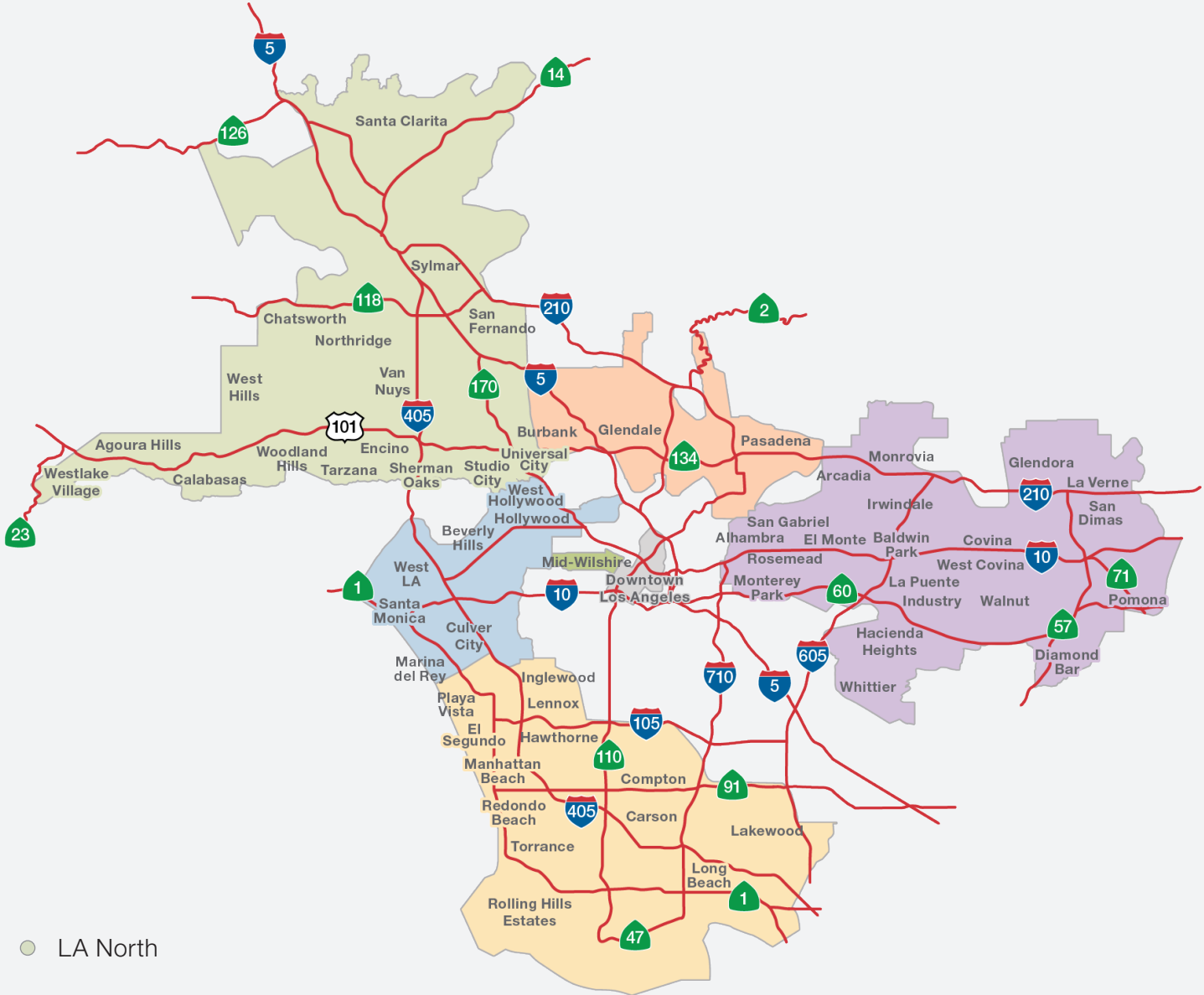
BUYER	ADDRESS	SUBMARKET	SALE PRICE \$/SF	SQUARE FEET
Waterford Property Company	940-970 Lakes Dr.	San Gabriel Valley	\$195	95,628
Dayani Partners	21405-21515 Devonshire St.	LA North	\$237	62,941
Paragon Commercial Group	11275-11321 Ventura Blvd.	LA North	\$427	32,500
Vista Investment Group, LLC	1334 3rd Street Promenade	LA West	\$845	22,131
Reuben Brothers	457-459 N. Rodeo Dr.	LA West	\$10,495	11,625

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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 Research

J.C. Casillas

Managing Director, Research
jcasillas@naicapital.com

Katherine Tattersfield

Associate Director of Marketing Services
ktattersfield@naicapital.com

NAI Capital Commercial Southern California Office Locations

Headquarters

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

Property Management

120^{1/2} South El Camino Real, Ste. 210
San Clemente, CA 92674
949.874.0415

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