

GREATER LOS ANGELES | RETAIL

Q1 2019

Accelerating success.

» Market Continues Positive Activity To Start 2019

Greater Los Angeles Retail Market

The Los Angeles Basin retail market closed the first quarter on a positive note as net absorption recorded 794,400 square feet. An additional 564,600 square feet was delivered to the base with new construction completions. The Inland Empire market had the highest amount of new construction deliveries, recording 235,400 square feet, with Orange County following with 168,600 square feet and Los Angeles recording lowest with 160,600 square feet. Two of the three counties recorded positive tenant movement with Inland Empire recording the highest at 629,700 square feet of net absorption and Los Angeles following at 224,500 square feet. Orange County recorded negative movement at 59,800 square feet following suit.

The vacancy rate for the Greater Los Angeles region decreased to 5.2%. Vacancy gains have been minimal both on a year-to-year basis (-20 basis points) and from last quarter (-10 basis points). Orange County recorded the lowest vacancy rate at 3.8%, while Inland Empire recorded a vacancy rate of 8.1%.

The weighted average asking rental rate increased \$0.03 from the previous quarter to \$2.11 per square foot (PSF) triple net (NNN), per month. Asking rents were highest in Los Angeles County at \$2.50 PSF NNN and lowest in the Inland Empire at \$1.73 PSF NNN. Super regional malls in Los Angeles County remains the most expensive space at \$3.95 PSF NNN.

National retail and food services sales for February 2019 increased by 2.7% compared to one year ago. Consumer confidence declined in March after increasing in February. Consumer confidence has been volatile over the past few months due to changes with the financial markets and a weak February job report. Despite these factors, consumers remain confident that the economy will continue to expand at a moderate pace.

Market Indicators | Relative to prior period

	Q1 2019	Forecast
Vacancy	↓	→
Net Absorption	↑	→
Construction	↓	→
Rental Rate	↑	↑
Unemployment: LA 4.2%	↓	→
OC 3.0%	↑	→
IE 4.3%	↑	→

Summary Statistics | Greater Los Angeles, Q1 2019

	GLA Retail Market
Vacancy Rate	5.2%
Change from Q3 '18 (Basis Points)	-10 BPS
Net Absorption	794,400 SF
Construction Completions	564,600 SF
Under Construction	2.8 MSF

Asking Rents | Greater Los Angeles, Q1 2019

	GLA Retail Market
Average Asking Rent (\$/NNN)	\$2.11 PSF
Change from Q4 '18 (\$)	\$0.03
Y.O.Y. Change (%)	2.5%

Labor Force | Greater Los Angeles, February 2019

	Wholesale Trade	Retail Trade	Leisure & Hospitality
12-mo Employment Growth (%)	0.5%	-0.5%	1.4%
12-mo Actual Employment Change	1,700	-3,800	13,100

Los Angeles County

Los Angeles County displayed the highest amount of tenant movement, recording 835,100 square feet of absorption. Total vacancy stayed the same from last quarter at 4.0%. Asking rental rates dropped \$0.02 from last quarter to \$2.50 PSF NNN. The average asking rental rate was highest in the regional and super regional product type at \$3.95 PSF NNN.

A total of 1,965,500 square feet of retail space is under currently under construction in Los Angeles County. The largest project under construction is 6200 E. 2nd Street in Long Beach, consisting of 255,000 square feet. The anchor tenant is Whole Foods and the project is expected to be completed by mid-2019. A notable lease transaction in the Los Angeles County market was Target leasing 194,000 square feet at 5520 W. Sunset Boulevard in Los Angeles.

Orange County

Orange County saw negative tenant movement recording -59,800 square feet of absorption. Total vacancy increased by 30 basis points from last quarter to 4.1%. Demand for retail space in Orange County is expected to remain positive as new multifamily product continues to deliver in the market. The overall average asking rental rate increased 4.2% from last quarter to \$2.22 PSF NNN.

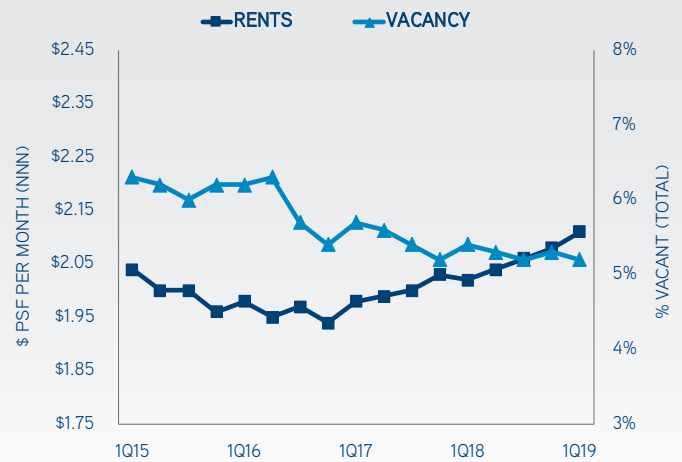
Approximately 276,600 square feet of retail space is under construction in Orange County. The Tustin Legacy, which consists of 220,000 square feet, is the largest property currently being built and is expected to deliver by the end of 2019.

Inland Empire

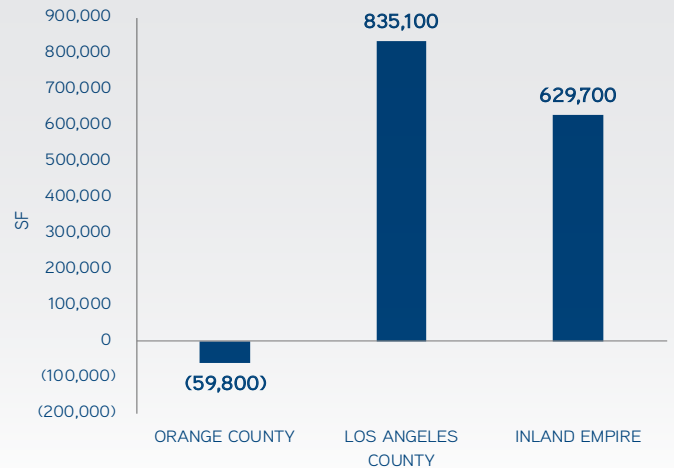
Inland Empire recorded 629,700 square feet of absorption as vacancy decreased by 40 basis points from last quarter to 7.9%. Much of this positive movement stemmed from tenant move-ins in the community/neighborhood centers category. Average asking rents increased \$0.05 PSF NNN from last quarter to end the fourth quarter at \$1.73.

Currently, 823,700 square feet of new retail inventory is under construction in the Inland Empire. The largest project under construction is the 354,900 square foot Northgate Crossing project located in Indio. The project is expected to be completed by the end of quarter 2019.

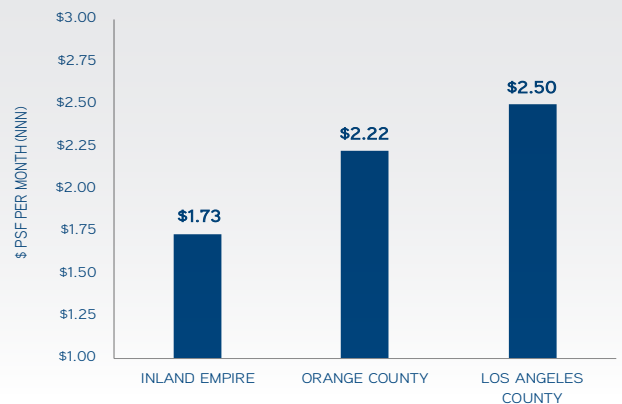
Historical Vacancy v. Rents | GLA Retail Market Q1 '15-'19



Net Absorption by Market | GLA Retail Market Q1 2019



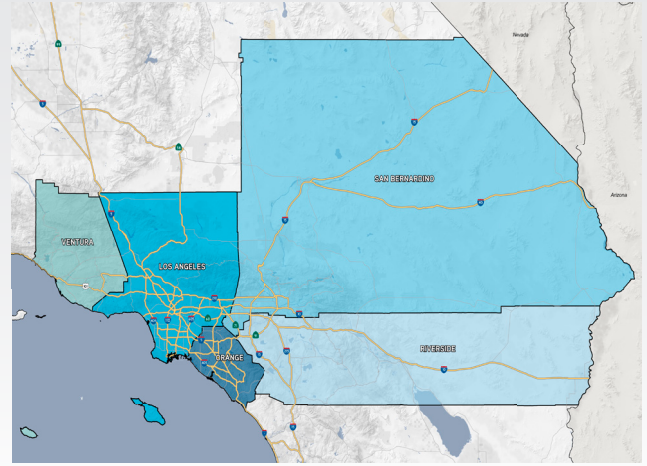
Weighted Average Asking Lease Rates by Market | GLA Retail Market Q1 2019



Market Description

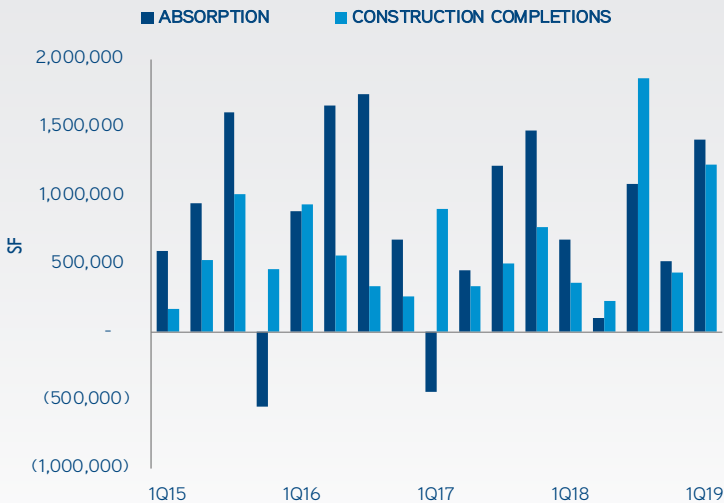
The Greater Los Angeles retail market is comprised of 474 million square feet of multi-tenant shopping centers and single-tenant properties. Community and neighborhood centers represent the majority of space (38%) among the different property types. The market attracts both affordable retailers and high-end stores due to a population that demands a wide variety of product. High median income households and strong population growth contribute to make this region attractive to retailers.

Submarket Map



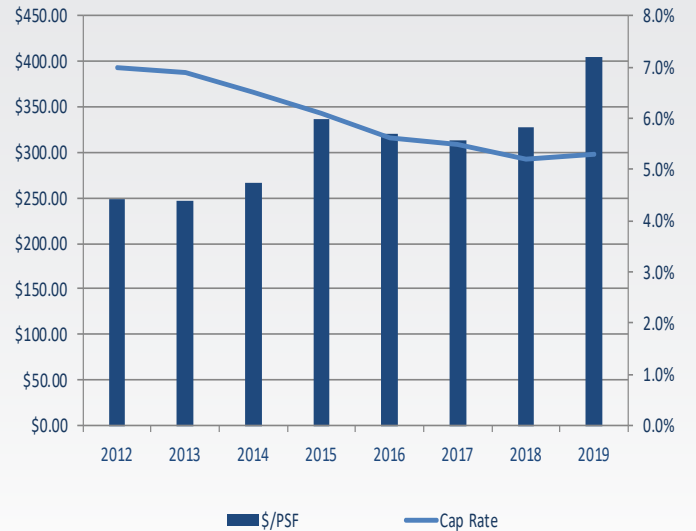
Historical Net Absorption & Construction Completions

GLA Retail Market Q1 '15-'19



Investment Trends

GLA Retail Market 2012-2019



RETAIL OVERVIEW

GLA Retail Market
Q1 2019

EXISTING PROPERTIES		VACANCY		ABSORPTION		CONSTRUCTION		RENTS
Market/ Property Type	Total Inventory SF	Total Vacancy	Total Vacancy Prior Qtr	Net Absorption Current Qtr SF	Net Absorption YTD SF	Completions Current Qtr SF	Under Construction SF	Weighted Avg Asking Lease Rates
LOS ANGELES COUNTY								
SUPER REGIONAL/REGIONAL MALLS	25,384,100	2.9%	2.7%	28,900	28,900	81,100	21,900	\$3.95
POWER CENTERS	14,342,000	4.0%	4.1%	25,000	25,000	16,000	20,000	\$2.21
LIFESTYLE/THEME-FESTIVAL CENTERS	6,194,300	5.6%	7.8%	634,400	634,400	536,900	1,221,300	\$3.95
COMMUNITY/NEIGHBORHOOD CENTERS	80,652,100	6.1%	6.0%	78,200	78,200	157,600	498,000	\$2.21
STRIP CENTERS	31,295,900	4.7%	4.7%	25,100	25,100	26,300	188,600	\$2.20
SINGLE TENANT BLDGS.	78,514,100	1.9%	1.9%	43,500	43,500	0	15,700	\$2.80
SUBTOTAL	236,382,500	4.0%	4.0%	835,100	835,100	817,900	1,965,500	\$2.50
ORANGE COUNTY								
SUPER REGIONAL/REGIONAL MALLS	9,288,100	0.6%	0.5%	(5,400)	(5,400)	0	220,000	\$2.92
POWER CENTERS	8,385,500	3.1%	4.1%	89,500	89,500	0	0	\$2.31
LIFESTYLE/THEME-FESTIVAL CENTERS	2,921,600	9.0%	9.1%	2,500	2,500	0	48,200	\$2.71
COMMUNITY/NEIGHBORHOOD CENTERS	43,346,200	5.0%	4.4%	(110,200)	(110,200)	168,600	8,400	\$2.31
STRIP CENTERS	10,447,300	4.9%	4.9%	0	0	0	0	\$1.97
SINGLE TENANT BLDGS.	24,504,900	3.1%	2.9%	(36,200)	(36,200)	0	0	\$1.89
SUBTOTAL	98,893,600	4.1%	3.8%	(59,800)	(59,800)	168,600	276,600	\$2.22
INLAND EMPIRE								
SUPER REGIONAL/REGIONAL MALLS	11,071,300	9.0%	8.9%	8,900	8,900	21,400	124,900	\$3.79
POWER CENTERS	11,252,900	9.3%	11.2%	275,300	275,300	75,000	0	\$1.59
LIFESTYLE/THEME-FESTIVAL CENTERS	2,333,400	11.0%	9.1%	(43,000)	(43,000)	0	429,900	\$3.04
COMMUNITY/NEIGHBORHOOD CENTERS	54,566,200	10.9%	11.3%	305,700	305,700	115,500	212,000	\$1.31
STRIP CENTERS	12,691,900	6.8%	8.3%	203,900	203,900	14,100	56,900	\$1.50
SINGLE TENANT BLDGS.	43,585,300	3.8%	3.5%	(121,100)	(121,100)	9,400	0	\$2.00
SUBTOTAL	135,501,000	7.9%	8.3%	629,700	629,700	235,400	823,700	\$1.73
LA BASIN TOTAL								
SUPER REGIONAL/REGIONAL MALLS	45,743,500	3.9%	3.7%	32,400	311,300	102,500	366,800	\$3.83
POWER CENTERS	33,980,400	5.5%	6.5%	389,800	(76,600)	91,000	20,000	\$1.88
LIFESTYLE/THEME-FESTIVAL CENTERS	11,449,300	7.5%	8.5%	593,900	173,300	536,900	1,699,400	\$3.30
COMMUNITY/NEIGHBORHOOD CENTERS	178,564,500	7.3%	7.1%	273,700	1,179,000	441,700	718,400	\$1.82
STRIP CENTERS	54,435,100	5.2%	5.6%	229,000	217,000	40,400	245,500	\$1.95
SINGLE TENANT BLDGS.	146,604,300	2.6%	2.6%	(113,800)	56,800	9,400	15,700	\$2.28
TOTAL	470,777,100	5.2%	5.3%	1,405,000	1,405,000	1,221,900	3,065,800	\$2.11

Definitions of key terms in this report

Anchor Tenant:

A large national or regional retailer that serves as a primary draw for a shopping center.

Capitalization (Cap) Rate:

A calculation that shows the relationship between one year's net operating income and the current market value of a property. Is calculated by dividing the annual net operating income by the sales price.

Community Center:

Typically has a total square footage between 100,000 - 350,000 square feet. Often will have 2-3 large anchored tenants, which include supermarkets and drugstores. Other tenants may include retailers that sell items such as apparel, home improvement/furnishings, toys, electronics, or sporting goods.

Direct Vacancy:

Space in existing buildings that is vacant and immediately available during the quarter for direct lease, plus space that is vacant but not available for direct lease or sublease (for example, that is being held for a future commitment).

Lifestyle Center:

An upscale specialty store shopping center that has a total square footage between 150,000 - 500,000 square feet. The center usually has an outdoor setting with dining and entertainment.

Neighborhood Center:

Focuses on retailers that sell convenience items and personal services. The center will often have a supermarket as an anchor tenant. The size range is 30,000 - 300,000 square feet.

Power Center:

The center often consists of several freestanding anchors with a minimum number of small tenants. The size of the property is typically between 250,000 - 600,000 square feet. The anchor tenants are usually discount department stores, off-price stores, and warehouse clubs.

Regional/SuperRegional Mall:

Provides shopping goods, general merchandise, apparel, and furniture. Often consists of multiple department stores. Regional Malls usually are between 400,000 - 800,000 square feet, and Super Regional Malls typically are greater than 800,000 square feet.

Theme/Festival Center:

Predominantly has a unifying theme based on tenants and architectural design. Focuses on restaurants and entertainment while appealing to tourists. The size range is 80,000 - 250,000 square feet.

Single Tenant Free Standing Building:

Retail building occupied by only one tenant.

Space Added (Net):

Total square feet added during the quarter via construction completions, including renovated space returned to market, less total square feet taken off-market due to demolitions or conversions.

Strip Center:

An attached row of stores or service outlets while usually being less than 30,000 square feet.

Under Construction:

Includes buildings that are in some phase of construction, beginning with foundation work and ending with the issuance of a Certificate of Occupancy.

Weighted Average Asking Rental Rates:

Weighted by the total square feet available for direct lease. Data is based on triple net rents, which excludes costs associated with taxes, insurance, maintenance, janitorial service and utilities. Reported on a monthly, per square foot basis.

Technical Note:

Colliers International is continuously refining its database. The data shown in the historical tables and graphics in this report have been adjusted to take into account these changes in the database.

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