

RETAIL FIGURES | GREATER LOS ANGELES | Q3 2021

Greater Los Angeles experiences first positive quarter since the start of Covid-19

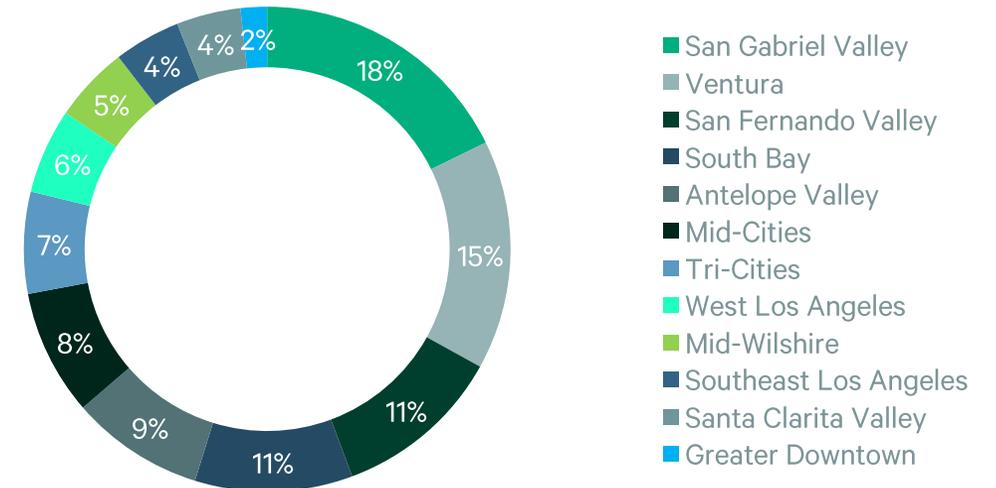


Note: Arrows indicate change from previous quarter.

Overview

- In Q3, absorption was the most positive since Q2 2019 as the continued rollout of the COVID-19 vaccine propelled Los Angeles County’s vaccination rate to 79% (age 12+ with at least 1 dose)
- Smaller retail blocks encountered increased TIs, concessions, and costs. In certain cases, built-to-suits were discussed in negotiations
- Big-box, single-tenant freestanding land/buildings and trophy retail locations attracted the most attention from occupiers in the third quarter
- Capital Markets were driven by investment managers primarily focused on big-box & mixed-use repurpose projects with anchored credit tenants – additionally, non-anchored sales activity increased in Q3
- Los Angeles County issued vaccine verification orders for bars, restaurants, breweries, wineries, distilleries, nightclubs and lounges starting November 1st of 2021
- Vacant freestanding sites in key logistic locations have been targeted for industrial conversion as supply chain disruptions, increased transportation costs, and the mounting backlog at regional ports attract alternative use analysis for properties with applicable zoning

FIGURE 1: Overall Vacancy Distribution by Submarket



Source: CBRE Research, Q3 2021

Market Fundamentals

Lease Rate

Greater Los Angeles' average asking rental rate increased by 18%, increasing from \$2.40 Q2 2021 to \$2.83 in Q3 2021. As a result, year-over-year asking rental rates decreased by 1%. In Q3, most submarkets displayed an increase in asking rental rates, apart from Southeast Los Angeles (where rates decreased from \$2.82 to \$2.10), Ventura (from \$2.57 to \$2.17), and Mid-Wilshire (from \$3.11 to \$2.31). Throughout Greater Los Angeles, interest continued to increase in big-box, mixed-used retail properties and select retail centers. Notable rate increases occurred in West Los Angeles (from \$4.59 to \$6.02), the Tri-Cities (from \$2.84 to \$3.43), the San Fernando Valley (from \$2.30 to \$2.80), and Greater Downtown (from \$2.98 to \$3.06).

Leasing Activity & Absorption

Despite uncertainty regarding the Delta variant, leasing activity increased in the third quarter driven by new leases. The market incurred 184,494 sq. ft. of positive absorption, 133,497 sq. ft. of which came from Ventura County. However, the story of positive absorption differs for smaller retail spaces in select locations in which higher TIs, concessions and incentives were desired by tenants. For example, while the Art's district in DTLA remains active, other neighborhoods, such as the Financial district, have yet to find a path to recovery due to the sustained impacts of the pandemic.

Unemployment

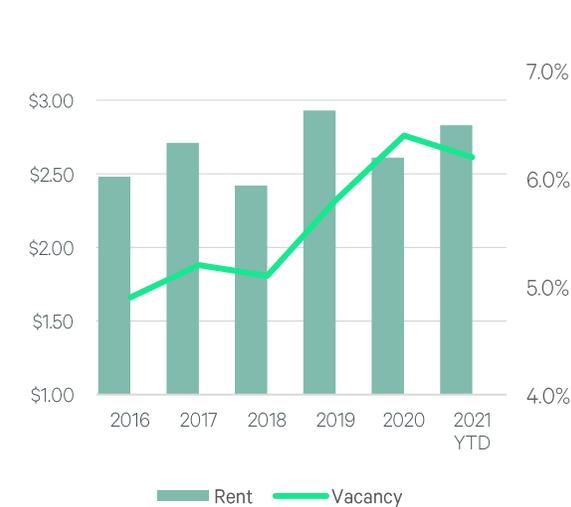
The Los Angeles metro unemployment rate dropped to 9.7% in August, the lowest since the start of the pandemic in Q2 2020. Los Angeles had the second largest year-over-year employment increase in the country with 394,700 employees added to the workforce. The United States, including Los Angeles, is facing a labor shortage in the retail sector. While larger retailers such as Sam's club have had the economic moats to operate in near-to-full capacity, many retailers, particularly quick-serve restaurants, have had more difficulty in securing employees.

FIGURE 2: Largest Leases of the Quarter

Tenant	Submarket	Total Sq. Ft.	Lease Type
Confidential	South Bay	74,000	New Lease
Seafood City	Ventura	37,600	New Lease
Westrux International	Southeast Los Angeles	32,500	Renewal
Confidential	Antelope Valley	24,000	New Lease
The Center Church	Santa Clarita Valley	23,600	New Lease

Source: CBRE Research, Q3 2021

FIGURE 3: Overall Vacancy (%) and NNN Asking Rent



Source: CBRE Research, Q3 2021

FIGURE 4: Net Absorption (MSF)



Source: CBRE Research, Q3 2021

Future of the Market

Development

In the third quarter, there were no 50,000 sq. ft. or larger retail construction completions. Incoming inventory remained at 1.08M sq. ft. The largest developments in the pipeline are Hollywood Park in Inglewood with 320,000 sq. ft. (Q2 2022), Cumulus in West Adams with 100,000 sq. ft. (Q1 2022), The Grand with 176,000 sq. ft. (Q1 2022) and Oceanwide Plaza with 153,000 sq. ft. (Q4 2021).

Outlook

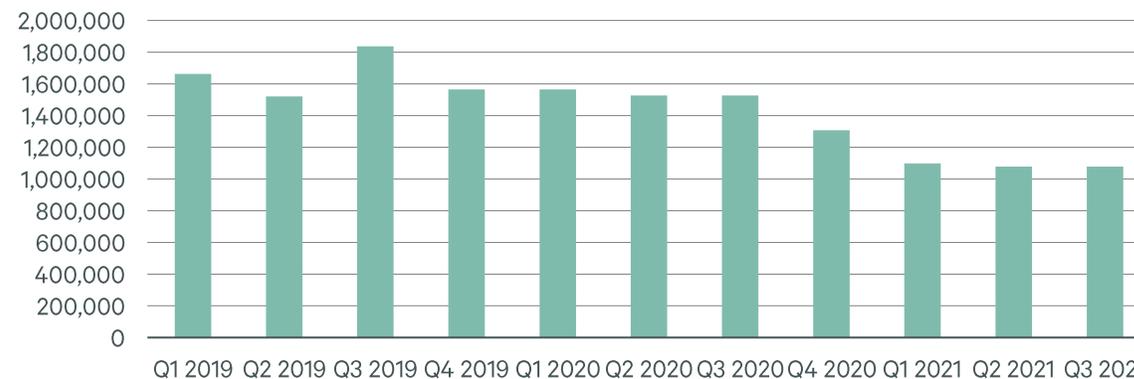
CBRE Econometric Advisors anticipates a decline in vacancy levels and an increase in rental rates through 2026. Q3 sparked the beginning of the anticipated recovery with vacancy rates decreasing to 6.2% and an increase in asking lease rates to \$2.83 MO/NNN. Rental rates are projected to grow at a compound annual growth rate of 2.8% over the next five years. However, there remains uncertainty regarding COVID-19's continued impact on our full return to normalcy, which may affect retail activity. Furthermore, Los Angeles County's vaccine verification order will come into play in Q4 of this year. In the fourth quarter, a longer holiday season is anticipated due to supply chain disruptions at the Ports of Los Angeles & Long Beach.

Industry Spotlight: Adaptive Re-Use

The stability of the healthcare market continued to motivate the medical conversion of retail space. Following Radnet's 22,300 sq. ft. occupation in Q2 at Naz Plaza (Lakewood, CA), Fresenius plans to occupy 14,000 sq. ft. in Q1 2022 at The Shops at College Park (Oxnard, CA). Medical fit outs continue to be in-demand solutions for retailers to increase occupancy and cashflow.

In late June of 2021, the City of Montebello approved the development of Costco's former 140,000 sq. ft. site into a delivery facility following years of legal negotiations. Big-Box retail's adaption into Industrial space will continue into Q4. GLA's industrial market demands new inventory while it sits at a vacancy rate of 1.0%.

FIGURE 5: Under Construction



Source: CBRE Research, Q3 2021

FIGURE 6: Change in Vacancy & Lease Rate

Market	Overall Vacancy Rate (%)					Avg. Asking Lease Rate (\$PSF/MO/NNN)				
	Q3 2021	Q2 2021	Q3 2020	QoQ (bps)	YoY (bps)	Q3 2021	Q2 2021	Q3 2020	QoQ	YoY
Antelope Valley	9.0%	9.0%	7.7%	(6)	128	\$3.05	\$1.27	\$1.43	139.5%	113.2%
Greater Downtown	5.4%	4.4%	10.2%	102	(479)	\$3.06	\$2.98	\$2.77	2.5%	10.3%
Mid-Cities	5.6%	6.2%	6.0%	(61)	(44)	\$2.16	\$1.57	\$1.65	37.3%	31.0%
Mid-Wilshire	11.4%	10.0%	9.1%	137	225	\$3.53	\$3.11	\$3.23	13.5%	9.4%
San Fernando Valley	6.2%	5.7%	7.0%	48	(79)	\$2.80	\$2.30	\$2.37	21.7%	18.4%
San Gabriel Valley	7.0%	6.8%	6.6%	22	45	\$1.63	\$1.97	\$2.01	-17.1%	-18.7%
Santa Clarita Valley	5.9%	6.7%	7.4%	(75)	(149)	\$3.63	\$2.03	\$2.37	79.1%	53.2%
South Bay	4.3%	5.1%	3.9%	(87)	37	\$2.31	\$3.06	\$3.06	-24.5%	-24.6%
Southeast Los Angeles	5.0%	5.0%	4.2%	(2)	78	\$2.10	\$2.82	\$3.26	-25.7%	-35.5%
Tri-Cities	6.1%	6.5%	4.2%	(44)	181	\$3.43	\$2.84	\$3.12	20.9%	10.1%
Ventura	5.6%	6.7%	7.0%	(111)	(137)	\$2.17	\$2.57	\$2.49	-15.3%	-12.8%
West Los Angeles	8.7%	7.6%	7.0%	116	178	\$6.02	\$4.59	\$8.96	31.0%	-32.9%
Greater Los Angeles	6.2%	6.4%	6.2%	(25)	(3)	\$2.83	\$2.40	\$2.86	18.0%	-0.9%

Source: CBRE Research, Q3 2021

FIGURE 7: Major Developments

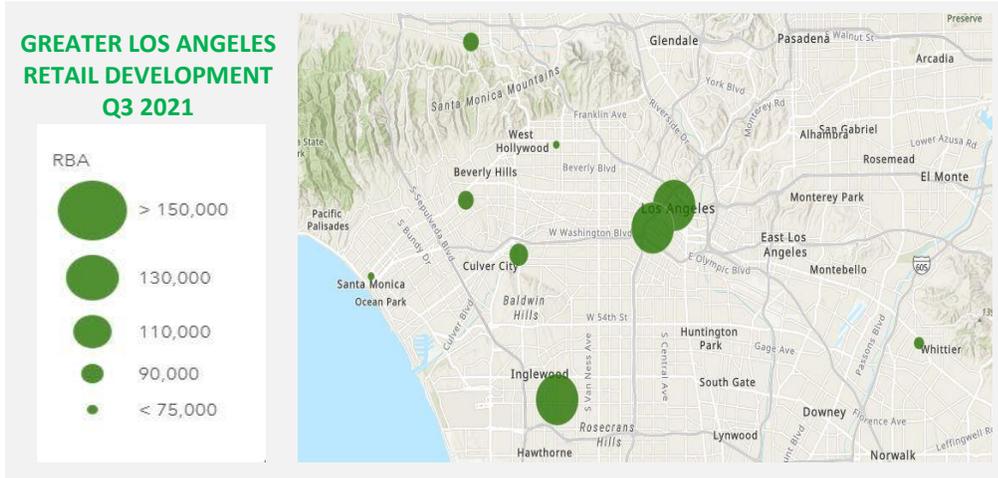
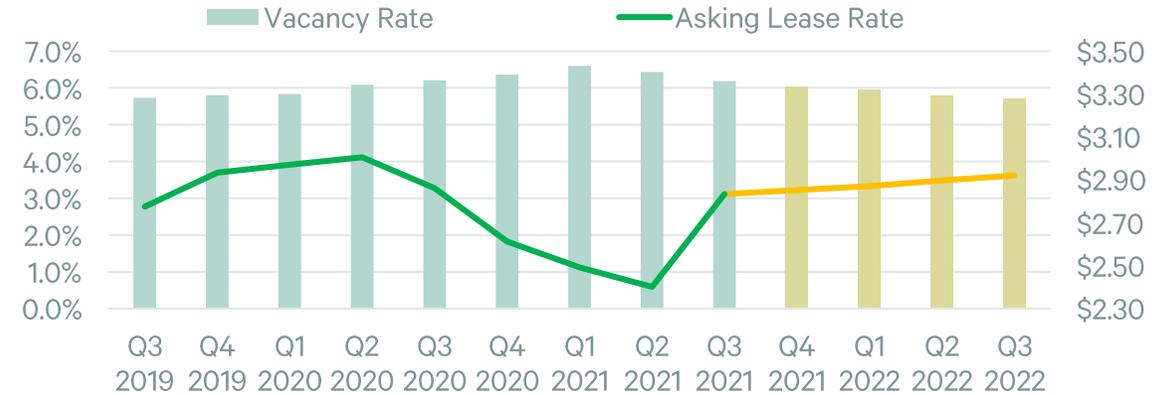


FIGURE 8: 12-Month Market Forecast

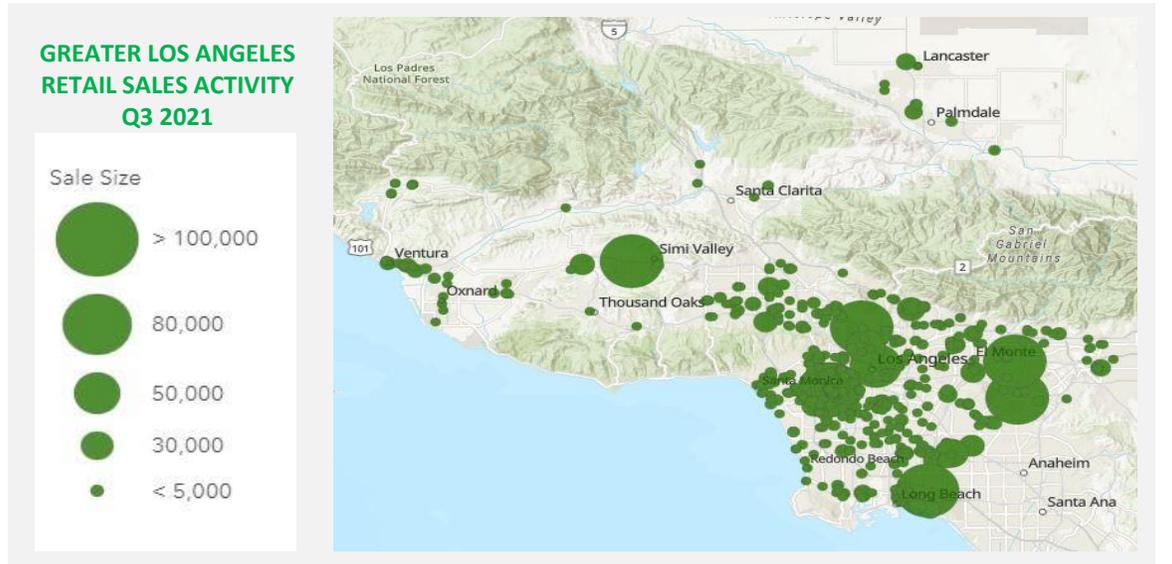


Source: CBRE Econometric Advisors, Q3 2021

FIGURE 9: Key Shopping Center Sale Transactions

Building Name	City	Sale Price	Sq. Ft.	Buyer	Seller
Crenshaw Plaza	Los Angeles	\$131,627,000	1,028,000	Harridge Development Group	Capri Investment Group
The Home Depot	Glendale	\$61,750,000	111,600	Charing Cross Partners LLC	Robert & Stefanie Stevenson Family Trust
Amazon Fresh	Los Angeles	\$35,000,000	29,500	M. David Family Holdings	Red Mountain Retail Group, Inc.
Dynasty Shopping Center	Los Angeles	\$29,500,000	79,500	Redcar Properties LTD	De Young Kim Living Trust
Westrux International	Santa Fe Springs	\$27,430,000	32,500	CenterPoint Properties	Westrux International

FIGURE 10: Retail Sales Activity Map



Source: CBRE Research, Q3 2021

Market Area Overview



Definitions

Average Asking Lease Rate: The rate determined by multiplying the asking Net Lease rate for each building in the summary by its associated available space, summing the products, then dividing by the sum of the available spaces with gross lease rates for all buildings in the summary. Direct leases only; excludes sublease space.. **Gross Leasable Area (GLA):** The total leasable area in the property designed for tenant's occupancy. **Net Absorption:** The change in Occupied Shop Space Sq. Ft. from one period to the next. Positive absorption is reflected when a lease is signed, which may not coincide with the date of occupancy. **Net Leases** Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property including utilities, insurance and/or maintenance expenses. **Occupied Sq. Ft.:** Total Sq. Ft. not considered Vacant. **Shop Space** The total leasable area in the property excluding anchor tenants. **Vacancy Rate:** Vacant Sq. Ft. divided by the total GLA. **Vacant Sq. Ft.** Portion of Available Sq. Ft. which is either physically vacant or immediately available. Includes Subleases.

Survey Criteria

CBRE's market report analyzes all retail centers 50,000 sq. ft. and greater in size. New construction includes buildings which have begun construction as evidenced by site excavation or foundation work.

Contacts

Kevin Wittig

Associate Research Director
+1 213 613 3035
kevin.wittig@cbre.com

Alex Hall

Research Analyst
+1 818 502 6700
alex.hall1@cbre.com

Taylor Stucky

Sr. Research Analyst
+1 213 613 3212
taylor.stucky@cbre.com

Bradford Ortlund

Sr. Research Analyst
+1 213 613 3352
bradford.ortlund@cbre.com

Kyle Widener

Research Analyst
+1 310 550 2500
kyle.widener@cbre.com

JB Kam

Research Analyst
+1 310 363 4909
jb.kam@cbre.com

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FIGURE 7: Key Market Statistics

	Building Count	Inventory (SF)	Direct Vacant (Sq. Ft.)	Sublease Vacant (Sq. Ft.)	Overall Vacant (Sq. Ft.)	Direct Vacancy (%)	Overall Vacancy (%)	Avg. Asking Lease Rate (\$/SF/mo)
ANTELOPE VALLEY	46	8,136,430	716,295	12,200	728,495	8.8	9.0	\$3.05
GREATER DOWNTOWN	15	2,658,807	136,795	7,486	144,281	5.1	5.4	\$3.06
MID-CITIES	96	12,308,795	684,889	2,378	687,267	5.6	5.6	\$2.16
MID-WILSHIRE	23	3,661,314	403,690	11,890	415,580	11.0	11.4	\$3.53
SAN FERNANDO VALLEY	110	15,014,978	786,973	138,521	925,494	5.2	6.2	\$2.80
SAN GABRIEL VALLEY	158	20,703,457	1,385,276	72,890	1,458,166	6.7	7.0	\$1.63
SANTA CLARITA VALLEY	44	5,905,323	348,568	1,514	350,082	5.9	5.9	\$3.63
SOUTH BAY	125	20,150,801	855,188	4,581	859,769	4.2	4.3	\$2.31
SOUTHEAST LOS ANGELES	35	7,269,313	363,653	0	363,653	5.0	5.0	\$2.10
TRI-CITIES	61	9,204,962	554,385	2,800	557,185	6.0	6.1	\$3.43
VENTURA	139	22,343,164	1,227,340	28,002	1,255,342	5.5	5.6	\$2.17
WEST LOS ANGELES	41	5,320,161	453,804	11,416	465,220	8.5	8.7	\$6.02
GREATER LOS ANGELES	893	132,676,505	7,916,856	293,678	8,210,534	6.0	6.2	\$2.83

Source: CBRE Research, Q3 2021

Appendix 1

Submarket	Building Count	Inventory (SF)	Direct Vacant SF	Sublease Vacant SF	Overall Vacant SF	Direct Vacancy Rate (%)	Overall Vacancy Rate (%)	Avg Asking Lease Rate	Net Absorption
ANTELOPE VALLEY	46	8,136,430	716,295	12,200	728,495	8.8	9.0	\$3.05	5,217
GREATER DOWNTOWN	15	2,658,807	136,795	7,486	144,281	5.1	5.4	\$3.06	(27,148)
MID-CITIES	96	12,308,795	684,889	2,378	687,267	5.6	5.6	\$2.16	45,576
Hollywood/Silver Lake	6	629,544	19,319	980	20,299	3.1	3.2	-	1,830
Mid-Wilshire	7	1,061,096	102,001	0	102,001	9.6	9.6	\$3.85	(12,513)
Miracle Mile	2	273,000	147,860	0	147,860	54.2	54.2	\$2.87	0
Park Mile	2	341,072	58,572	0	58,572	17.2	17.2	\$2.12	0
West Hollywood	6	1,356,602	75,938	10,910	86,848	5.6	6.4	\$5.12	(39,431)
MID-WILSHIRE	23	3,661,314	403,690	11,890	415,580	11.0	11.4	\$3.53	(50,114)
Eastern SFV	41	5,044,239	224,138	104,261	328,399	4.4	6.5	\$1.88	18,215
Encino	8	709,630	23,461	14,681	38,142	3.3	5.4	\$3.48	8,202
Sherman Oaks	4	558,635	171,568	18,529	190,097	30.7	34.0	\$3.35	(2,716)
Tarzana	8	611,751	23,585	0	23,585	3.9	3.9	\$3.52	4,408
Western SFV	36	4,910,626	277,583	0	277,583	5.7	5.7	\$1.89	50,252
Woodland Hills/Warner Ctr	13	3,180,097	66,638	1,050	67,688	2.1	2.1	\$3.43	7,555
SAN FERNANDO VALLEY	110	15,014,978	786,973	138,521	925,494	5.2	6.2	\$2.80	85,916
Eastern SGV	122	16,027,765	1,130,100	35,400	1,165,500	7.1	7.3	\$1.72	(49,551)
Western SGV	36	4,675,692	255,176	37,490	292,666	5.5	6.3	\$1.41	3,685
SAN GABRIEL VALLEY	158	20,703,457	1,385,276	72,890	1,458,166	6.7	7.0	\$1.63	(45,866)
SANTA CLARITA VALLEY	44	5,905,323	348,568	1,514	350,082	5.9	5.9	\$3.63	44,568
190th Street Corridor	1	266,124	0	0	0	0.0	0.0	-	0
Beach Cities/Palos Verdes	29	4,078,155	214,349	3,681	218,030	5.3	5.3	\$2.41	(12,815)
Hawthorne/Gardena	25	3,448,367	71,062	0	71,062	2.1	2.1	\$2.37	7,432

Source: CBRE Research, Q3 2021

Appendix 1

Submarket	Building Count	Inventory (SF)	Direct Vacant SF	Sublease Vacant SF	Overall Vacant SF	Direct Vacancy Rate (%)	Overall Vacancy Rate (%)	Avg Asking Lease Rate	Net Absorption
LAX	4	541,793	19,821	0	19,821	3.7	3.7	-	6,645
Long Beach: Downtown	9	1,715,973	59,309	0	59,309	3.5	3.5	\$2.88	46,620
Long Beach: Suburban	28	5,770,566	313,955	900	314,855	5.4	5.5	\$2.30	(18,815)
Torrance	29	4,329,823	176,692	0	176,692	4.1	4.1	\$1.93	(16,156)
SOUTH BAY	125	20,150,801	855,188	4,581	859,769	4.2	4.3	\$2.31	12,911
SOUTHEAST LOS ANGELES	35	7,269,313	363,653	0	363,653	5.0	5.0	\$2.10	1,412
Burbank	11	2,495,736	24,418	0	24,418	1.0	1.0	\$3.93	850
Glendale	12	1,804,878	32,055	0	32,055	1.8	1.8	\$2.99	28,030
North Hollywood	8	1,107,558	141,726	0	141,726	12.8	12.8	\$3.09	(3,194)
Pasadena/Arcadia/Monrovia	27	3,519,049	352,062	2,800	354,862	10.0	10.1	\$3.52	9,756
Studio/Universal Cities	3	277,741	4,124	0	4,124	1.5	1.5	-	4,885
TRI-CITIES	61	9,204,962	554,385	2,800	557,185	6.0	6.1	\$3.43	40,327
Agoura Hills	7	684,935	61,288	0	61,288	8.9	8.9	\$3.38	15,032
Camarillo	4	458,741	17,094	900	17,994	3.7	3.9	-	(3,165)
Fillmore	2	157,614	7,850	0	7,850	5.0	5.0	\$1.75	0
Moorpark	6	1,045,207	97,982	0	97,982	9.4	9.4	\$1.35	83,156
Newbury Park	9	1,226,428	59,109	0	59,109	4.8	4.8	\$3.10	182
Oxnard / Port Hueneme	28	4,763,264	219,482	0	219,482	4.6	4.6	\$2.03	43,675
Santa Paula	2	232,245	0	0	0	0.0	0.0	-	0
Simi Valley	26	3,173,164	232,687	21,007	253,694	7.3	8.0	\$2.07	26,568
Thousand Oaks	13	3,060,658	181,395	0	181,395	5.9	5.9	\$1.68	(16,408)
Ventura	21	3,566,227	153,381	0	153,381	4.3	4.3	\$2.31	3,743
Westlake Village	9	1,223,377	77,314	3,979	81,293	5.8	6.1	\$3.72	(13,089)
VENTURA	139	22,343,164	1,227,340	28,002	1,255,342	5.5	5.6	\$2.17	133,497

Source: CBRE Research, Q3 2021

Appendix 1

Submarket	Building Count	Inventory (SF)	Direct Vacant SF	Sublease Vacant SF	Overall Vacant SF	Direct Vacancy Rate (%)	Overall Vacancy Rate (%)	Avg Asking Lease Rate	Net Absorption
Beverly Hills	2	221,318	12,227	630	12,857	5.5	5.8	\$12.56	1,953
Brentwood	1	65,000	2,148	0	2,148	3.3	3.3	\$2.50	852
Culver City	16	2,036,898	61,808	0	61,808	3.0	3.0	\$2.63	7,937
Marina Del Rey/Venice	6	838,645	54,793	0	54,793	6.5	6.5	-	11,126
Olympic Corridor	3	418,936	51,330	0	51,330	12.3	12.3	-	2,723
Pacific Palisades/Malibu	2	194,758	22,485	0	22,485	11.5	11.5	\$2.19	0
Santa Monica	3	779,141	169,509	10,786	180,295	21.8	23.1	\$6.04	(80,754)
West Los Angeles	6	647,645	30,450	0	30,450	4.7	4.7	\$3.97	(4,747)
Westwood	2	117,820	49,054	0	49,054	41.6	41.6	-	(892)
WEST LOS ANGELES	41	5,320,161	453,804	11,416	465,220	8.5	8.7	\$6.02	(61,802)
GREATER LOS ANGELES	893	132,676,505	7,916,856	293,678	8,210,534	6.0	6.2	\$2.83	184,494

Source: CBRE Research, Q3 2021