

RETAIL FIGURES | GREATER LOS ANGELES | Q3 2022

Capital markets & absorption report positive figures despite economic challenges

▼ 5.6%

Overall Vacancy Rate

▲ 263,525

SF Net Absorption

▼ 0.3M

SF Under Construction

▲ \$2.77

NNN

▶ 5.2%

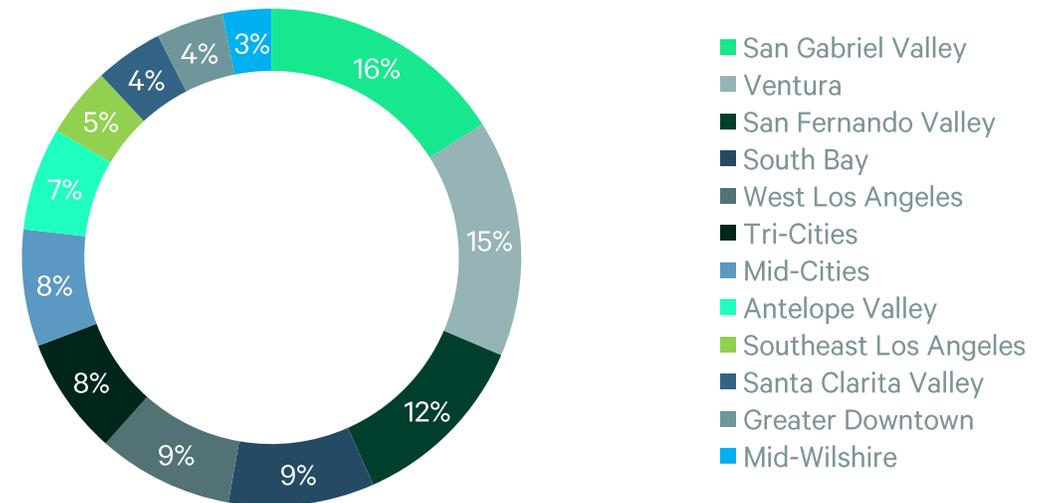
Los Angeles County Unemployment

Note: Arrows indicate change from previous quarter.

Overview

- Freestanding sites continued to drive capital markets activity, closely followed by storefront locations. Sites with higher parking ratios and excess land were targeted. Including auto-dealerships, supermarkets, health clubs and fast-food restaurants.
- Arcadia experienced the largest shopping mall sold in the United States since 2018: Westfield Santa Anita.
- Although port activity has de-congested relative to H1 2022, retail development remains constrained and has grown increasingly more complex with the rise in interest rates and construction costs.
- Ongoing: Los Angeles's housing ordinances have accelerated multi-family investment and development. Multiple sites with existing retail properties throughout Greater Los Angeles were sold for land value with the intention of erecting alternative assets, particularly multi-family complexes and mixed-use properties.
- Ongoing: Capital Markets were driven by private investment firms, institutional capital, developers and high net worth investors. Multiple transactions traded for land value with the intention to hold for redevelopment.
- Rents increased overall, albeit selectively across submarkets in Q3. However, Rents remain below pre-pandemic levels.

FIGURE 1: Overall Vacancy Distribution by Submarket



Source: CBRE Research, Q3 2022

Market Fundamentals

Lease Rate

Greater Los Angeles’s average asking rental rate increased by 1.5% from \$2.73 Q2 2022 to \$2.77 in Q3 2022. Average lease rates are still below pre-pandemic figures across Greater Los Angeles and recovery is in line with local activity, varying greatly by market. The San Gabriel Valley posted the highest change with an asking rate increase of 22% quarter-over-quarter and 47 % year-over-year. Conclusively, Greater Los Angeles rates remained stable with a \$0.04 increase per sq. ft. to \$2.77. This marks a \$0.01 decrease per sq. ft. since Q1 2022.

Leasing Activity & Absorption

Leasing activity moderately decreased in Q3 2022, yet it still exceeded over 2.4M sq. ft. Greater Los Angeles reported 263,525 sq. ft. of positive absorption, the highest level of positive net absorption since Q3 2016. The San Fernando Valley region accounted for 113,647 sq. ft. of this absorption and was home to the largest reported lease in Los Angeles.

Development

There were five statistical deliveries reported in Q3 2022. 2025 Avenue of the Stars, 100 S Grand Ave, Sorenson Ave, N La Brea and 500 Broadway completed for a total of 464,867 sq. ft. This brings our total UC pipeline down to 320,000 sq. ft. The largest remaining project in our pipeline was at 3883 W Century Blvd, adjacent to Sofi Stadium, in Inglewood.

Notably, the ‘Creek at Dominquez Hills’ in Carson is scheduled to commence construction in February 2023. The plans include 518,000 sq. ft. of new construction including a 190,000 sq. ft. indoor sports complex, an education facility, an indoor skydiving facility, an outdoor venue, 110,000 sq. ft. of retail/restaurant space, and an upgraded golf outlay adjacent to an open park.

FIGURE 2: Notable Leases of the Quarter

Tenant	Submarket	Total Sq. Ft.	Lease Type
Target	Sylmar	106,900	New Lease
Target	Huntington Park	56,000	New Lease
Undisclosed	Moorpark	45,000	New Lease
Quick Quack Car Wash	Carson	40,200	New Lease
Clifton Republic	Los Angeles	31,800	Renewal

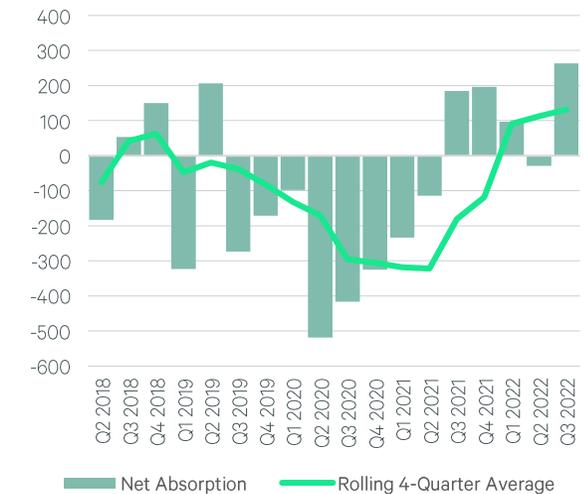
Source: CBRE Research, Q3 2022

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



Source: CBRE Research, Q3 2022

FIGURE 4: Net Absorption (MSF)



Source: CBRE Research, Q3 2022

Market Outlook

The problems associated with inflation continue to run their course. Although the pace of inflation may have started to plateau, the Federal Reserve’s response has been unequivocal in a way that caught markets by surprise. Aggressive rate hikes and Fed balance sheet reductions have successfully resulted in a strong dollar and higher mortgage rates, and the beginning of a slowdown in the U.S. economy.

Higher rates are generating a higher corporate cost of capital, forcing firms to rethink hiring and labor plans. Resilient consumers had driven further economic growth, but now the realities of lower savings rates and poor sentiment suggest excess spending is coming to an end. Consequently, we expect the economy to contract early next year, and unemployment to rise.

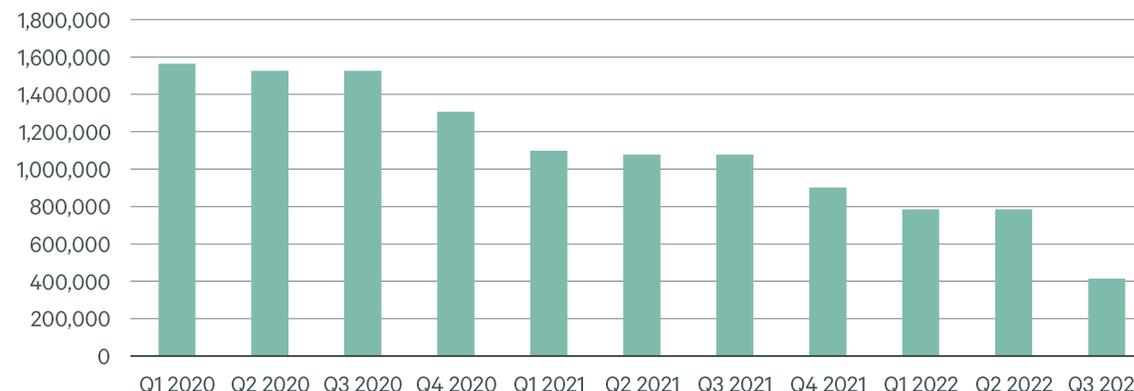
The return to low inflation will be slow and hard. We expect the Fed to remain aggressive in its approach until there are clear signs of easing core inflation. This will keep the Fed on track for a 75-bp rate hike in November and another large increase in December. This should push inflation down toward 3% by year-end 2023. Once inflation is tamed, both capital and real estate markets will become more predictable.

Gasoline prices fell 4.9% in September, which is a boost for the logistics sector. Fewer supply chain constraints and a strong dollar that supports imports will benefit the retail & logistics sectors, but the need for companies to reduce inventories will be a headwind.

Employment

Los Angeles County’s employment rate stands at 5.2%, up from 4.9% in July, stabilizing from 8.5% year-over-year. The Retail Trade industry posted seasonally unadjusted employment growth of 4.1% YoY, with the Food and Beverage industry posting a healthy 5.1% increase. The Accommodation industry saw an impressive 11.8% employment increase YoY, but employee headcount is still down -23.3% from pre-Covid operations. The Food Services & Drinking Places sector has displayed considerable employment recovery from the pandemic—down only -7% from its pre-Covid highwater mark—and increased 5% YoY.

FIGURE 5: Under Construction



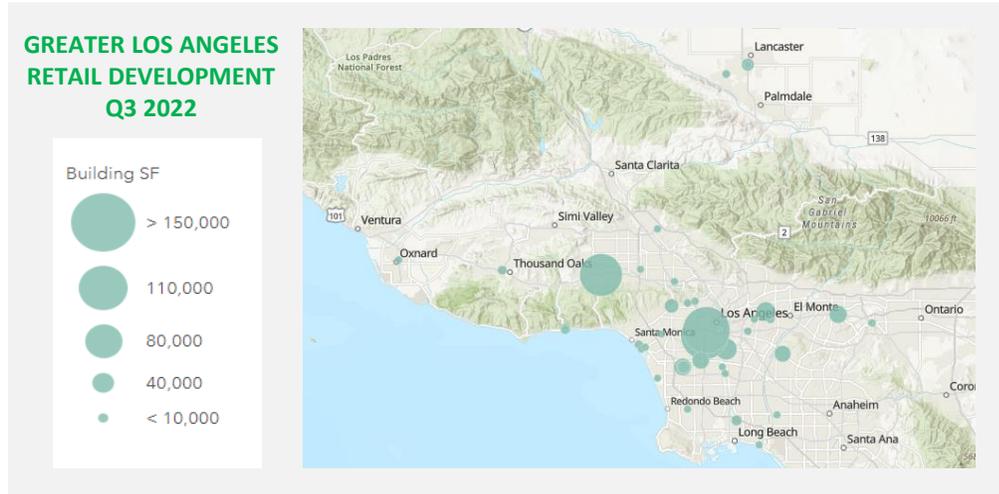
Source: CBRE Research, Q3 2022

FIGURE 6: Change in Vacancy & Lease Rate

Market	Overall Vacancy Rate (%)					Avg. Asking Lease Rate (\$PSF/MO/NNN)				
	Q3 2022	Q2 2022	Q3 2021	QoQ (bps)	YoY (bps)	Q3 2022	Q2 2022	Q3 2021	QoQ	YoY
Antelope Valley	6.1%	7.9%	9.0%	(234)	(320)	\$1.53	\$1.47	\$3.05	5%	-50%
Greater Downtown	12.1%	12.0%	5.4%	11	1,231	\$2.94	\$3.00	\$3.06	-2%	-4%
Mid-Cities	4.6%	4.5%	5.6%	1	(185)	\$2.45	\$2.40	\$2.16	2%	13%
Mid-Wilshire	6.4%	10.4%	11.4%	(388)	(438)	\$3.40	\$3.28	\$3.53	4%	-4%
San Fernando Valley	5.9%	6.6%	6.2%	(114)	(50)	\$2.83	\$2.81	\$2.80	1%	1%
San Gabriel Valley	5.7%	5.7%	7.0%	3	(189)	\$2.40	\$1.96	\$1.63	22%	47%
Santa Clarita Valley	5.5%	5.8%	5.9%	(38)	(66)	\$2.54	\$2.54	\$3.63	0%	-30%
South Bay	3.5%	3.6%	4.3%	(37)	(189)	\$2.88	\$3.16	\$2.31	-9%	25%
Southeast Los Angeles	4.6%	4.8%	5.0%	(42)	(77)	\$2.05	\$2.16	\$2.10	-5%	-2%
Tri-Cities	6.1%	6.2%	6.1%	(7)	15	\$3.57	\$3.10	\$3.43	15%	4%
Ventura	5.1%	5.3%	5.6%	(42)	(88)	\$2.74	\$2.52	\$2.17	9%	26%
West Los Angeles	12.2%	13.0%	8.7%	(64)	397	\$5.67	\$6.41	\$6.02	-12%	-6%
Greater Los Angeles	5.6%	6.0%	6.2%	(70)	(100)	\$2.77	\$2.73	\$2.83	1%	-2%

Source: CBRE Research, Q3 2022

FIGURE 7: Major Developments



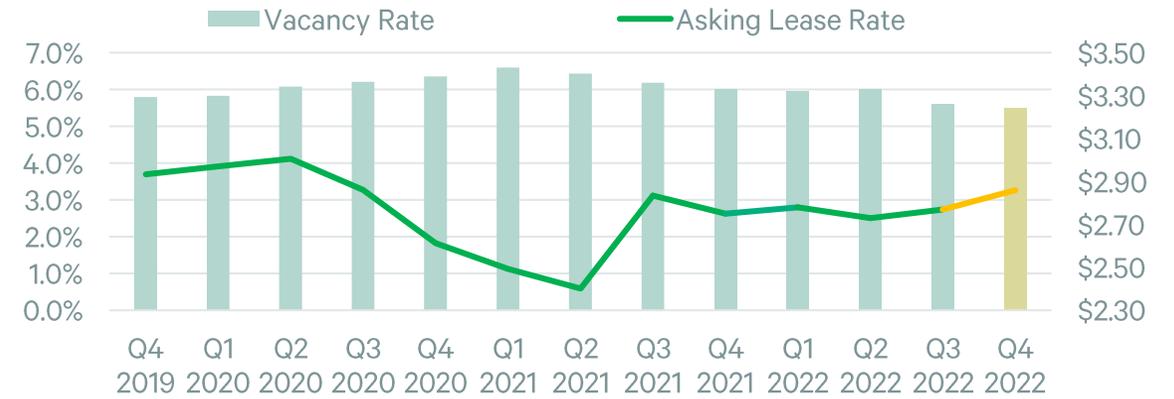
Source: CBRE Research, Q3 2022

FIGURE 9: Key Retail Sale Transactions

Building Name	City	Sale Price	Sq. Ft.	Buyer	Seller
Westfield Santa Anita	Arcadia	\$537,500,000	1.48M	JVP Investment Inc.	Unibail-Rodamco-Westfield
Plaza Mexico	Lynwood	\$164,625,000	403.3K	Sterling Organization	M+D Properties
Koreatown Plaza	Los Angeles	\$91,000,000	200.7K	INI Investment Corp.	Korean Shopping Center, Inc.
47 th Street Pavilion	Palmdale	\$56,750,000	268.3K	Riviera Center Management, Inc.	Merlone Geier
Fox Hills Plaza	Culver City	\$56,000,000	273.1K	HSH Management	M.C. Strauss Company

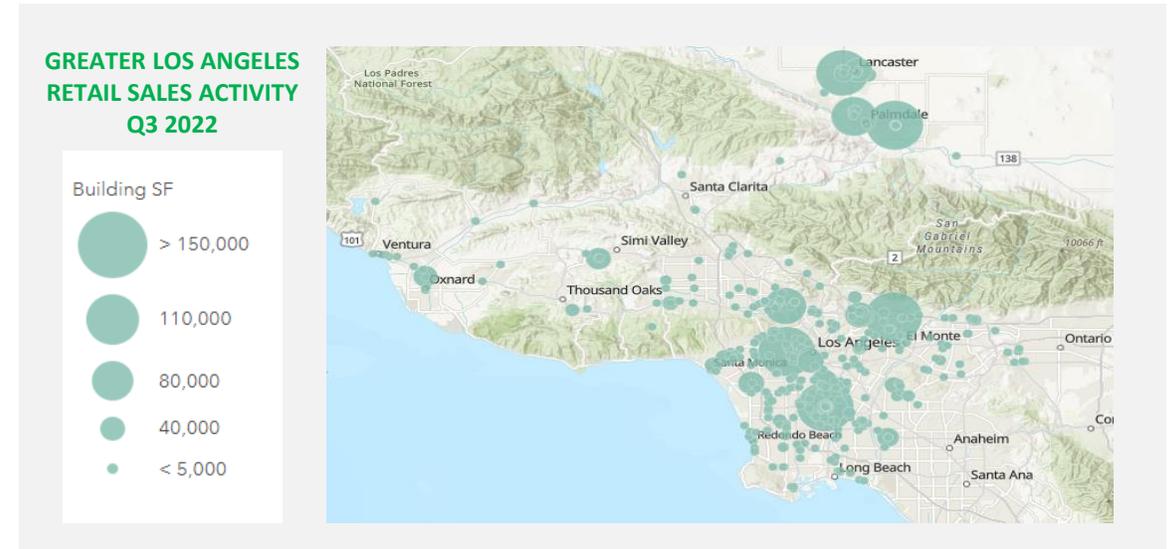
Source: CBRE Research, Q3 2022

FIGURE 8: 12-Month Market Forecast



Source: CBRE Research, CBRE Econometric Advisors, Q3 2022

FIGURE 10: Retail Sales Activity Map



Source: CBRE Research, Q3 2022

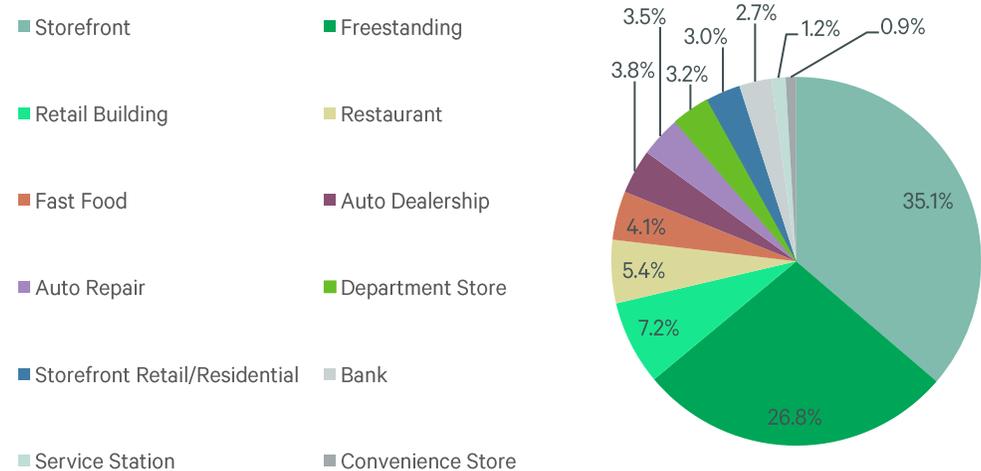
Future of the Market

Outlook

As the cost and complexity in securing debt continues to grow in response to the Fed's interest rate hikes, we expect sales volumes to be impacted. Buyers appear to be taking a pause, waiting for interest rates to decline and cap rates to decompress in order for the cost of the purchase to be more in line with the cost of debt. Private capital seeking best in class properties with credit worthy tenants are expected to remain active.

Capital Markets

Sales Volume grew for the 3rd consecutive quarter, achieving the 2nd highest level in asset history. The volume of Class A retail sale transactions saw a 640% increase quarter-over-quarter and was driven by JVP investment's \$537.5 M (\$358 \$PSF) acquisition of the Westfield Santa Anita shopping center in Arcadia from Unibail-Rodamco. This was the largest shopping mall sold in the United States since 2018, and positive sign for the state of the retail market in Greater Los Angeles.



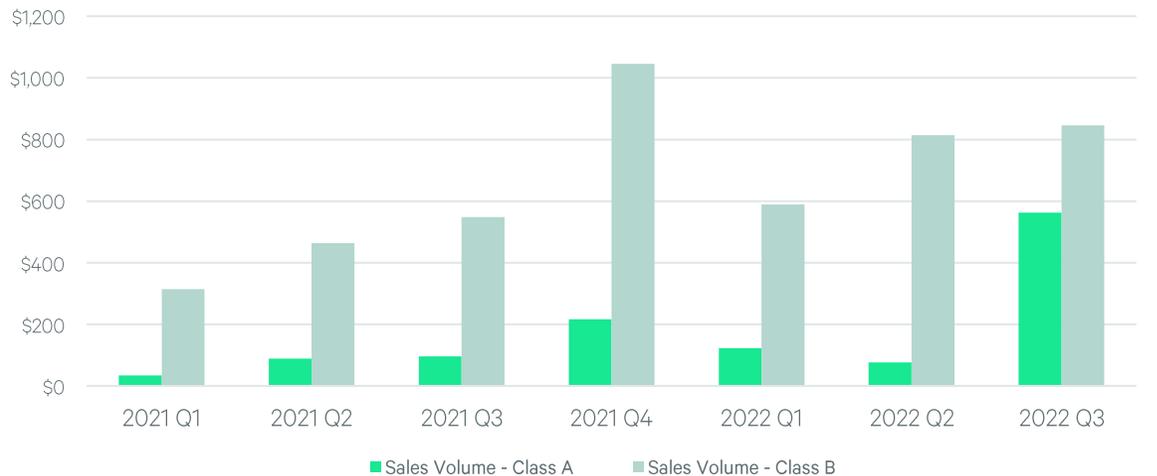
Source: Public Record, CBRE Research, Q3 2022 (excludes the Westfield Santa Anita shopping center sale)

FIGURE 12: Sales Volume (M), Cap Rate (%)



Source: Public Record, CBRE Research, Q3 2022

FIGURE 13: Class A & B, Sales Volume (M)



Source: Public Record, CBRE Research, Q3 2022

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	482,859	12,200	495,059	5.9%	6.1%	\$1.53
GREATER DOWNTOWN	15	2,658,807	281,894	39,956	321,850	10.6%	12.1%	\$2.94
MID-CITIES	96	12,308,795	559,494	953	560,447	4.5%	4.6%	\$2.45
MID-WILSHIRE	23	3,661,314	228,232	5,187	233,419	6.2%	6.4%	\$3.40
SAN FERNANDO VALLEY	110	15,014,978	781,926	97,010	878,936	5.2%	5.9%	\$2.83
SAN GABRIEL VALLEY	158	20,703,457	1,147,299	34,984	1,182,283	5.5%	5.7%	\$2.40
SANTA CLARITA VALLEY	44	5,905,323	321,959	5,014	326,973	5.5%	5.5%	\$2.54
SOUTH BAY	125	20,150,801	688,514	8,883	697,397	3.4%	3.5%	\$2.88
SOUTHEAST LOS ANGELES	35	7,269,313	335,520	0	335,520	4.6%	4.6%	\$2.05
TRI-CITIES	61	9,204,962	565,631	0	565,631	6.1%	6.1%	\$3.57
VENTURA	139	22,339,323	1,074,615	64,174	1,138,789	4.8%	5.1%	\$2.74
WEST LOS ANGELES	41	5,320,161	606,180	43,628	649,808	11.4%	12.2%	\$5.67
GREATER LOS ANGELES	893	132,673,664	7,074,123	311,989	7,386,112	5.3%	5.6%	\$2.77

Source: CBRE Research, Q3 2022

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	482,859	12,200	495,059	5.9%	6.1%	\$1.53	24,659
GREATER DOWNTOWN	15	2,658,807	281,894	39,956	321,850	10.6%	12.1%	\$2.94	(3,571)
MID-CITIES	96	12,308,795	559,494	953	560,447	4.5%	4.6%	\$2.45	(644)
Hollywood/Silver Lake	6	629,544	8,480	980	9,460	1.3%	1.5%	\$3.37	(1,520)
Mid-Wilshire	7	1,061,096	87,651	0	87,651	8.3%	8.3%	\$3.81	(10,466)
Miracle Mile	2	273,000	0	0	0	0.0%	0.0%	-	0
Park Mile	2	341,072	57,122	0	57,122	16.7%	16.7%	\$2.76	15,106
West Hollywood	6	1,356,602	74,979	4,207	79,186	5.5%	5.8%	\$6.00	(10,676)
MID-WILSHIRE	23	3,661,314	228,232	5,187	233,419	6.2%	6.4%	\$3.40	(7,556)
Eastern SFV	41	5,044,239	273,844	21,600	295,444	5.4%	5.9%	\$2.49	69,289
Encino	8	709,630	19,930	0	19,930	2.8%	2.8%	\$4.11	780
Sherman Oaks	4	558,635	88,871	58,692	147,563	15.9%	26.4%	\$2.25	39,894
Tarzana	8	611,751	81,982	0	81,982	13.4%	13.4%	\$2.58	(2,233)
Western SFV	36	4,910,626	255,243	0	255,243	5.2%	5.2%	\$3.13	953
Woodland Hills/Warner Ctr	13	3,180,097	62,056	16,718	78,774	2.0%	2.5%	-	4,964
SAN FERNANDO VALLEY	110	15,014,978	781,926	97,010	878,936	5.2%	5.9%	\$2.83	113,647
Eastern SGV	122	16,027,765	920,968	34,984	955,952	5.7%	6.0%	\$2.15	(4,276)
Western SGV	36	4,675,692	226,331	0	226,331	4.8%	4.8%	\$3.61	(3,311)
SAN GABRIEL VALLEY	158	20,703,457	1,147,299	34,984	1,182,283	5.5%	5.7%	\$2.40	(7,587)
SANTA CLARITA VALLEY	44	5,905,323	321,959	5,014	326,973	5.5%	5.5%	\$2.54	13,019
190th Street Corridor	1	266,124	0	0	0	0.0%	0.0%	\$5.11	0
Beach Cities/Palos Verdes	29	4,078,155	246,915	2,862	249,777	6.1%	6.1%	\$3.59	1,894
Hawthorne/Gardena	25	3,448,367	27,759	0	27,759	0.8%	0.8%	\$2.50	11,948

Source: CBRE Research, Q3 2022

Appendix 2

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	11,906	1,460	13,366	2.2%	2.5%	\$2.69	(1,215)
Long Beach: Downtown	9	1,715,973	65,965	3,661	69,626	3.8%	4.1%	\$3.50	12,379
Long Beach: Suburban	28	5,770,566	181,127	900	182,027	3.1%	3.2%	\$2.24	148
Torrance	29	4,329,823	154,842	0	154,842	3.6%	3.6%	\$2.85	1,305
SOUTH BAY	125	20,150,801	688,514	8,883	697,397	3.4%	3.5%	\$2.88	26,459
SOUTHEAST LOS ANGELES	35	7,269,313	335,520	0	335,520	4.6%	4.6%	\$2.05	14,806
Burbank	11	2,495,736	20,057	0	20,057	0.8%	0.8%	\$4.55	(1,453)
Glendale	12	1,804,878	30,686	0	30,686	1.7%	1.7%	\$3.42	(1,279)
North Hollywood	8	1,107,558	134,510	0	134,510	12.1%	12.1%	\$3.64	1,776
Pasadena/Arcadia/Monrovia	27	3,519,049	377,723	0	377,723	10.7%	10.7%	\$3.23	3,086
Studio/Universal Cities	3	277,741	2,655	0	2,655	1.0%	1.0%	\$3.63	1,837
TRI-CITIES	61	9,204,962	565,631	0	565,631	6.1%	6.1%	\$3.57	3,967
Agoura Hills	7	684,935	61,058	0	61,058	8.9%	8.9%	\$2.38	(252)
Calabasas	4	458,741	16,064	3,210	19,274	3.5%	4.2%	\$4.29	(87)
Camarillo	13	2,750,304	73,585	2,116	75,701	2.7%	2.8%	\$2.42	7,902
Fillmore	2	157,614	7,850	0	7,850	5.0%	5.0%	\$1.75	0
Moorpark	6	1,045,207	37,329	0	37,329	3.6%	3.6%	\$2.05	45,022
Newbury Park	9	1,226,428	47,834	0	47,834	3.9%	3.9%	\$2.37	400
Oxnard / Port Hueneme	28	4,763,264	203,390	30,914	234,304	4.3%	4.9%	\$1.76	7,891
Santa Paula	2	232,245	0	0	0	0.0%	0.0%	-	0
Simi Valley	26	3,173,164	249,386	18,491	267,877	7.9%	8.4%	\$1.70	(297)
Thousand Oaks	13	3,060,658	152,065	5,800	157,865	5.0%	5.2%	\$4.98	7,710
Ventura	21	3,566,227	151,317	1,800	153,117	4.2%	4.3%	\$2.14	1,004
Westlake Village	8	1,220,536	74,737	1,843	76,580	6.1%	6.3%	\$5.05	(5,874)
VENTURA	139	22,339,323	1,074,615	64,174	1,138,789	4.8%	5.1%	\$2.74	63,419

Source: CBRE Research, Q3 2022

Appendix 3

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	21,530	550	22,080	9.7%	10.0%	-	(2,885)
Brentwood	1	65,000	17,000	0	17,000	26.2%	26.2%	-	2,148
Culver City	16	2,036,898	127,220	0	127,220	6.2%	6.2%	\$3.85	13,403
Marina Del Rey/Venice	6	838,645	26,756	0	26,756	3.2%	3.2%	-	(4,916)
Olympic Corridor	3	418,936	53,324	0	53,324	12.7%	12.7%	-	(594)
Pacific Palisades/Malibu	2	194,758	22,485	0	22,485	11.5%	11.5%	\$9.33	0
Santa Monica	3	779,141	231,389	9,820	241,209	29.7%	31.0%	\$5.71	15,598
West Los Angeles	6	647,645	54,257	20,769	75,026	8.4%	11.6%	\$3.50	2,158
Westwood	2	117,820	52,219	12,489	64,708	44.3%	54.9%	\$5.13	(2,005)
WEST LOS ANGELES	41	5,320,161	606,180	43,628	649,808	11.4%	12.2%	\$5.67	22,907
GREATER LOS ANGELES	893	132,673,664	7,074,123	311,989	7,386,112	5.3%	5.6%	\$2.77	263,525

Source: CBRE Research, Q3 2022

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.

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