

# INVESTMENT FORECAST

Retail  
Los Angeles

IPA

INSTITUTIONAL  
PROPERTY  
ADVISORS

2022

## Resurgence of Longstanding Demand Drivers Lift Los Angeles' Retail Outlook and Boost Transaction Velocity

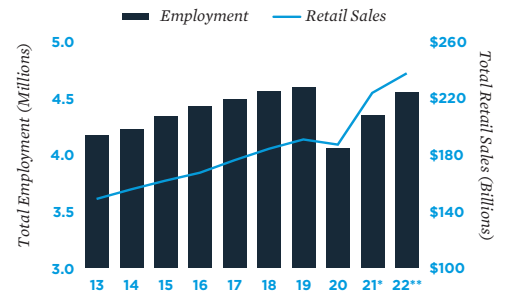
**Major submarkets record positive leasing momentum.** Despite entering the year with above-average retail vacancy and one of the nation's highest unemployment rates, Los Angeles County vendors and property owners have reasons for optimism. In 2021, retailers absorbed nearly 1.4 million square feet metrowide amid some of the most stringent COVID-19 mandates in the nation. Recent momentum was highlighted by positive annual absorption in the San Fernando Valley, South Bay and Greater Downtown Los Angeles, local regions that together account for half the market's inventory. Further improvements in consumer spending are anticipated in these locales, as well as tech-heavy West Los Angeles. Retail sales should rise here as employees return to offices, companies grow their staff and tourism rebounds. Necessity and experiential retailers motivated to expand will comb through the county's existing stock during a period of minimal inventory expansion, supporting a second straight year of moderate vacancy compression.

**County remains top market for retail trading.** Sales activity advanced by 20 percent on a year-over-year basis in 2021, with the nearly \$5.7 billion in sales volume representing the highest tally among major U.S. markets. This performance reflects investors' renewed confidence in Los Angeles' long-term outlook, a sentiment that will only strengthen as retail fundamentals and the overall economy improve. Home to robust housing demand and some of the lowest retail vacancy in the metro, the San Fernando Valley is a target for single-tenant buyers. Here, dining establishments and smaller multi-use properties, with a mix of retail and office or residential, trade at 3 percent to high-4 percent cap rates. Similar assets are also coveted in Mid-Wilshire and West Los Angeles, where first-year returns fall into the 2 percent band. Elsewhere, lower price points and above-average yields are luring investors to strip and neighborhood centers in the San Gabriel Valley, where listings below \$300 per square foot and returns above 6 percent are available.

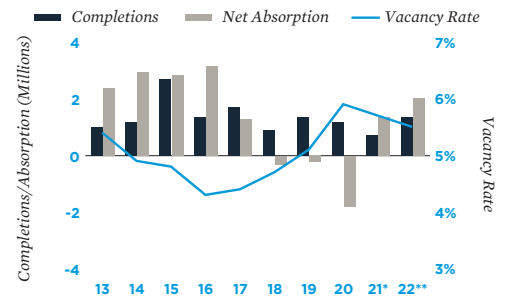
## 2022 Market Forecast

- Employment**  
up 4.6%  
Employers add 200,000 positions in 2022; the metro's year-end job count, however, trails the pre-pandemic mark by 1 percent.
- Construction**  
1,370,000 sq. ft.  
Retail inventory increases by less than 1 percent on an annual basis for the 14th straight year. Approximately 45 percent of this year's supply additions are in West Los Angeles.
- Vacancy**  
down 20 bps  
Retailers absorb 2 million square feet in 2022, lowering vacancy to 5.5 percent. Still, availability in the metro is 40 basis points above the rate recorded at the end of 2019.
- Rent**  
up 2.5%  
An improvement in vendor demand allows the pace of rent growth to accelerate beyond last year's 1.9 percent gain, lifting the mean marketed rate to \$32.20 per square foot.
- Investment**  
Candidates for repurposing or demolition account for a larger percentage of deal flow, as robust industrial and multifamily demand fuel competition for redevelopment opportunities.

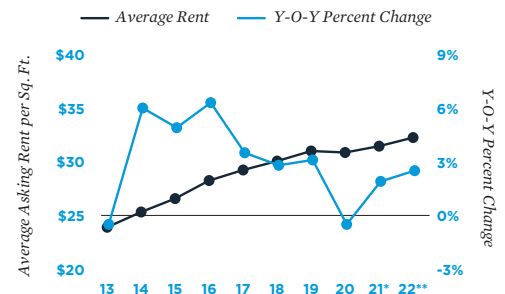
### Economic Trends



### Supply and Demand



### Rent Trends



\* Estimate; \*\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.