

INVESTMENT FORECAST

Office
Los Angeles Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Improving Multifamily Landscape Aids Retailers in One of the Most Active U.S. Investment Markets

Higher overall vacancy level belies local dynamics. Los Angeles retailers are continuing to find opportunities in areas of residential growth. Multifamily vacancy dropped by 50 basis points or more last year in the Santa Clarita Valley, Southeast Los Angeles and the South San Gabriel Valley, allowing these submarkets to retain some of the lowest retail vacancy rates in the county in 2024. That momentum is set to continue this year amid numerous upcoming move-ins, including from tenants like Dollar Tree and Planet Fitness. Vacancy, meanwhile, remains elevated in Downtown Los Angeles. The local rate jumped 220 basis points last year to 9.1 percent. That pressure may begin to ease in the near future, however, as more than 2,000 new rental households entered the submarket last year. The loss of retail properties along stretches of Sunset Boulevard, Fair Oaks Avenue and Lake Avenue from the January wildfires will also increase tenant competition for suitable floorplans in nearby neighborhoods.

Investment ongoing across much of the market. Despite hurdles such as Measure ULA, Los Angeles continues to be one of the most active markets for investment sales nationally, with investors frequently pursuing sub-\$5 million deals. The San Fernando Valley recorded the most trades among submarkets last year, as local buyers pursued storefronts, drug stores and restaurants, among other floorplans. The Mid-Cities area also noted frequent sub-\$3 million trades, with mixed-use storefronts a common option. Both submarkets should see similar interest this year. Investors seeking to outlay additional capital are more likely to look outside the city of Los Angeles due to ULA. Beverly Hills and Santa Monica draw buyers willing to incur a premium, while South Bay attracts with per-square-foot sale prices closer to the metro mean.

2025 MARKET FORECAST

+0.7%



EMPLOYMENT: Job growth eases from 2024 as 30,000 positions are expected to be created this year. Recent hiring momentum has been strongest in the education and health service sectors.

690,000
sq. ft.



CONSTRUCTION: Deliveries climb to a four-year high, led by shopping centers in Rowland Heights and San Pedro. Downtown Los Angeles will also welcome its first notable project in four years.

+30 bps



VACANCY: After a combined 90-basis-point rise in 2023 and 2024, metrowide vacancy will shift up slightly to 6.5 percent by December. Vacancy is tightest southeast and north of Los Angeles proper.

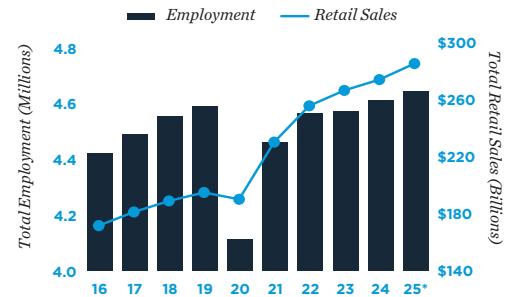
+1.1%



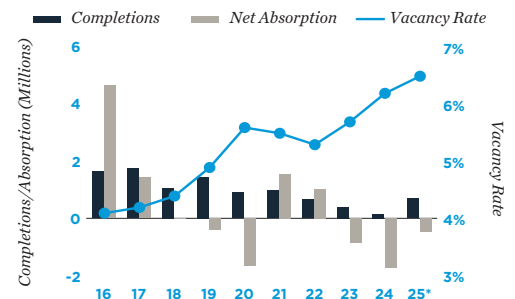
RENT: Less net space relinquishment and a smaller increase in vacancy will both help asking rents improve mildly on average. The market mean rate will inch up to \$34.00 per square foot in 2025.

INVESTMENT: Housing displacement from the January wildfires could lead to greater retail foot traffic in surrounding neighborhoods such as Santa Monica and Pasadena, further drawing investors to these areas.

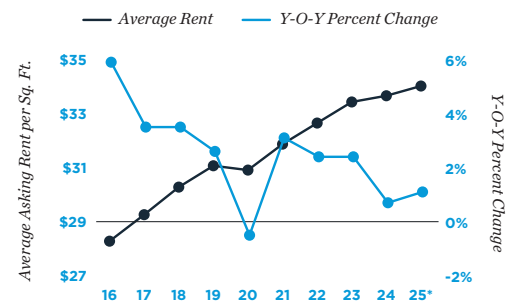
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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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 December 2024. Effective rent is equal to asking rent less concessions. 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. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth 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 guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.