

INVESTMENT FORECAST

Retail
Los Angeles

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Cautious Optimism Surrounds Local Retail Market After Encouraging Close of Last Year

Shopping center leasing a bright spot. Following three consecutive years of vacancy increase, Los Angeles' retail sector enters 2026 with historically high availability. This, along with another round of store closures, including 10 Amazon Fresh locations, will create a challenging near-term stretch for certain property types. Still, there is reason to be optimistic. Across shopping centers, tenants absorbed 620,000 square feet of space during the second half of 2025, an indication that experiential retailers, supermarkets, and off-price stores are backfilling a share of big-box spaces vacated over the past two years. Single-tenant demand, meanwhile, returned to positive territory during the final three months of last year, following seven quarters of negative net absorption. Still, a combined 24 million square feet of multi- and single-tenant space sits vacant across the county. Fortunately, pressure from new supply will be nominal as inventory expands by just 0.1 percent, with deliveries scant in Greater Downtown Los Angeles and West Los Angeles — areas with elevated local vacancy.

Investors undeterred by vacancy movement. Despite its issues, Los Angeles' deal flow increased 32 percent last year, the third-largest rise among major primary metros. Private investors with knowledge of the metro's many neighborhoods were active, resulting in a more pronounced increase in trades between \$1 million and \$10 million. In 2026, many buyers may acquire net-leased restaurants and quick-service assets, often via 1031 exchange, after each property type noted positive absorption and vacancy compression last year. Multi-tenant trading, meanwhile, should primarily involve strip centers and neighborhood-community centers along major thoroughfares, with 7 percent-plus cap rates available for properties with vacancy issues.

2026 MARKET FORECAST

+0.2%



Employment: The county is projected to recoup nearly all of the 10,300 positions lost last year, with healthcare-related hiring and moderate gains in certain blue-collar sectors driving growth.

510,000
sq. ft.



Construction: Delivery volume increases on an annual basis; however, inventory growth is nominal. Nearly 80 percent of 2026 supply additions are in the South Bay and the San Gabriel Valley.

+30 bps



Vacancy: Local vacancy rises for a fourth straight year as store closures continue to impact fundamentals. At 6.9 percent, the metro's year-end mark is 160 basis points above the prior 10-year mean.

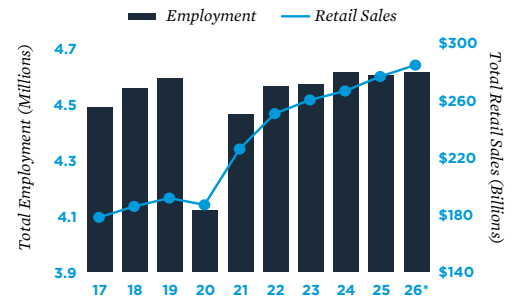
-0.5%



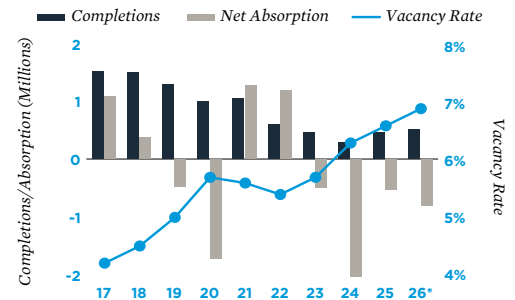
Rent: The average asking rent changes little amid a period of historically high vacancy. This brings Los Angeles' year-end mark to \$32.66 per square foot, roughly \$2 below Orange County.

INVESTMENT: *San Gabriel Valley retail is supported by some of the metro's lowest apartment and office vacancy, which is driving investor interest in net-leased assets and necessity-anchored centers.*

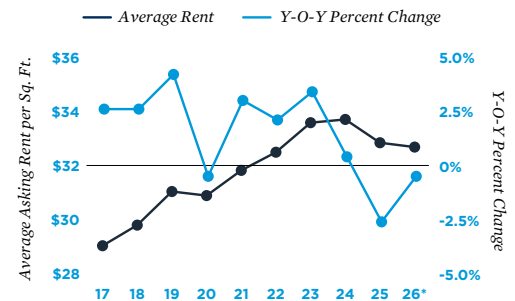
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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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 January 2026. 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 office 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.