

LOS ANGELES

Retail Year-End 2020



YoY Chg 12-Mo. Forecast

\$71,700
Median HH Income



0.2%
Population Growth



11.5%
Unemployment Rate



Source: BLS (Economic Indicators are representative of specific county or MSA.)

U.S. ECONOMIC INDICATORS Q4 2020

YoY Chg 12-Mo. Forecast

-2.5%
GDP Growth



-4.7%
Consumer Spending Growth



5.3%
Retail Sales Growth



Source: BLS, BOC, Moody's Analytics
2020Q4 data are based on the latest available data. Growth rates are year-over-year.

ECONOMY: LA Retail Sales Remain Strong Despite Labor Market Losses

Following significant job losses at the peak of the COVID-19 pandemic, the Los Angeles economy began displaying signs of a slow recovery during the second half of 2020. After required retail and dining closures drove unemployment to heights of 18.2% in April 2020, lifts on various restrictions led to improvements of 670-basis points to 11.5% by December 2020. Despite labor market shifts, Los Angeles metro retail sales fell just slightly behind the previous year's totals of \$190 billion to an estimated \$186 billion in 2020 according to Moody's Analytics, indicating improved consumer sentiments since the onset of the downturn and a more optimistic outlook for the near term.

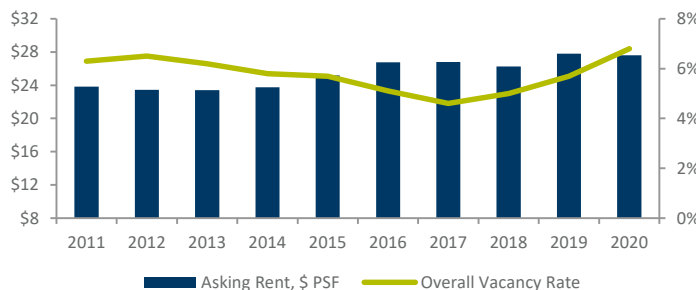
SUPPLY & DEMAND: Permanent Retail Closures Lead to Rising Vacancy

With shelter-in-place mandates imposing retail shutdowns in every Los Angeles shopping district, nearly 8,000 permanent business closures were seen by December 2020, topping the nation in shuttered storefronts. This led to substantial occupancy losses of 744,640 square feet (sf) by the year-end. With restaurants and apparel retailers heavily impacted, small local retailers have been most vulnerable to the effects of the pandemic and at greatest risk. Headwinds existing prior to the downturn, such as competition with e-commerce and evolving consumer preferences have additionally since intensified. As anticipated, retail leasing activity decreased significantly, totaling 3.8 million square feet (msf) in transactions, a 37.0% decline compared to the 6.0 msf leased in 2019. As a result, overall vacancy climbed incrementally over the twelve-month period ending in fourth quarter 2020, recording a 110-basis-point bump year-over-year (YoY) to 6.8% for all shopping center types. Although posting a mere uptick in vacancy over the previous year, strip centers recorded the lowest vacancy rate among retail product types at 5.7%, while relatively high asking rents led to 12.1% vacancy in lifestyle centers. With numerous projects underway pre-pandemic reaching completion, construction deliveries of 717,589 sf by the year-end contributed to the vacancy upswing. An additional 2.2 msf in major retail developments remain under construction, primarily concentrated in LA North and on the Westside.

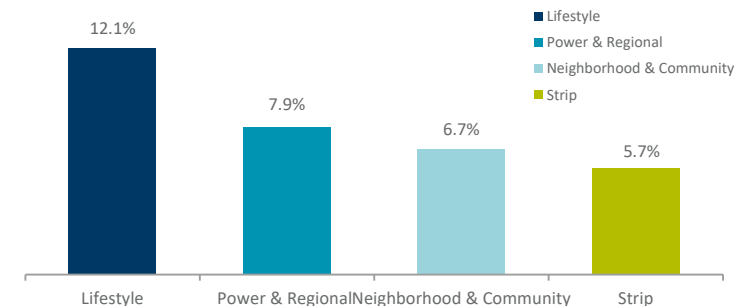
PRICING: Retail Asking Rents Experience Slight Downward Pressure

Despite consistent retailer closures and rising vacancies, shopping center asking rents remained flat during the second half of 2020, while exhibiting a minimal 0.7% decline YoY to an average of \$27.60 per square foot per year (psf/yr) triple net. Premium asking rents in Los Angeles' prominent high-street retail corridors held fairly strong, recording a 6.8% dip on average from the peak rates seen in the previous year. Beverly Hills continues to set the ceiling for retail rents in the market as demand persists, with Rodeo Drive attaining rates as high as \$850 psf/yr, while West Hollywood commands rents up to \$240 psf/yr. Although landlords have remained reluctant to soften asking rates for space on the market prior to the downturn, asks for new availabilities coming online have placed slight downward pressure on the market's average rents. With Los Angeles having an underlying advantage of relatively low retail inventory per capita, the influx of product on the market may potentially make way for new rent models to emerge. Looking forward, ongoing retail consolidations and delayed real estate decisions will alter the market's landscape; however, national retailers will strive to maintain their major footprints in Los Angeles.

ASKING RENT & OVERALL VACANCY RATE



VACANCY BY PRODUCT TYPE



*Statistics include shopping center retail space only. Methodology varies from previous versions of this report.

HIGH STREET MARKET STATISTICS

CORRIDOR/SUBMARKET	Q4 2020 ASKING RENT LOW	Q4 2020 ASKING RENT HIGH	Q4 2020 AVERAGE ASKING RENT	% CHANGE YOY AVERAGE	Q4 2020 AVAILABILITY RATE	% PT. CHANGE YOY
Rodeo Drive	\$700	\$850	\$775	0.0%	3.0%	-5.1%
Canon Drive	\$90	\$120	\$105	0.0%	9.2%	3.4%
North Beverly Drive	\$96	\$144	\$120	-33.3%	10.1%	3.4%
BEVERLY HILLS GOLDEN TRIANGLE	\$90	\$850	\$333	-5.7%	7.3%	-1.8%
Robertson Boulevard	\$72	\$108	\$90	-6.3%	22.2%	9.3%
Melrose Avenue	\$144	\$216	\$180	-14.3%	14.6%	-0.6%
Melrose Place	\$162	\$240	\$201	-4.3%	11.6%	0.0%
Beverly Boulevard	\$96	\$120	\$108	0.0%	4.7%	0.0%
WEST HOLLYWOOD	\$72	\$240	\$122	-21.8%	13.5%	1.3%
Third Street Promenade (Santa Monica)	\$120	\$240	\$180	0.0%	24.5%	10.8%
Abbot Kinney Boulevard (Venice)	\$144	\$180	\$162	-12.9%	5.6%	-1.2%

*Rental rates reflect observed NNN asking \$PSF/Year.

KEY LEASE TRANSACTIONS 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
337 North Rodeo Drive	Beverly Hills	Ermenegildo Zegna	10,500	Renewal
461 North Rodeo Drive	Beverly Hills	AMIRI	4,359	New Lease, Sublease
101 North Robertson Boulevard	West Hollywood	Kitson Kids	3,526	New Lease
8408 Melrose Place	West Hollywood	Solemate	2,200	New Lease
202-270 N. Rodeo Drive / Two Rodeo	Beverly Hills	Golden Goose	1,415	New Lease

KEY SALES TRANSACTIONS 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
457 N. Rodeo Drive (Alexander McQueen & Brioni)	Beverly Hills	Crown Equity & Ascendent Capital Partners / Reuben Brothers	11,600	\$122M/\$10,517
449-453 North Beverly Drive	Beverly Hills	Hershenson Investments / LVMH	6,020	\$30M/\$4,938
8532 Melrose Avenue (Lululemon)	West Hollywood	Third Point Management / Blatteis & Schnur Inc.	6,252	\$20.6M/\$4,160

KEY CONSTRUCTION COMPLETIONS 2020

PROPERTY	SUBMARKET	MAJOR TENANTS	SF	OWNER / DEVELOPER
6150 Laurel Canyon Boulevard / NOHO West (Phase I)	North Hollywood	Trader Joes, 24 Hour Fitness, Regal Cinemas, Ulta	190,000	Merlone Geier Partners
2025 Avenue of the Stars / The Collection at Century Plaza	Century City	TBD	93,000	Woodridge Capital
8650 Melrose Avenue	West Hollywood	TBD	20,497	Plus Development Group

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