



Los Angeles Retail Asking Rates Continue to Increase

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In the first quarter of 2017, the Los Angeles retail market vacancy rate ticked up 30 basis points to 4.1% as 532.8k Sq. Ft. were delivered to the market, according to the latest research from NAI Capital. This new space includes the largest IKEA in the United States, at 470k sf, in the City of Burbank. Los Angeles County has 1.1 msf of retail space under construction. Approximately 61% of the space under construction has been taken.

The average asking rent continues to increase, up 6.3% over last year. At \$2.69/sf/mo, it is the highest seen in Los Angeles County since the peak in 2008. Lifestyle centers saw a significant increase in asking rents this quarter, jumping 38% from the prior quarter to \$3.64/sf/mo. This significant rental increase is the result of lifestyle center landlords, such as Rodeo Collection and Promenade on the Peninsula, increasing their asking rates for new tenants. In contrast, some traditional malls and power centers have been forced to lower average asking rents in light of rising vacancies.

According to Fariba Kavian, Executive Vice President with NAI Capital's West Los Angeles office, "As some retail investors across the nation are reconsidering their portfolio concerned for the future of retail centers, those fears are far from Los Angeles retail owner's minds. Supported by rising rental rates and continued growth in population, density large box vacancies are in demand and landlords are willing to hold out on their smaller vacancies for the right tenant at the right rental rate."

According to the Conference Board, the Consumer Confidence Index (CCI) sharply increased in March to its highest level since December 2000. CCI is defined as the degree of optimism on the state of the economy that consumers express through their saving and spending. The unemployment rate in Los Angeles fell from 5.2% in March 2016 to 4.3% in March 2017 due to the addition of 84,300 jobs. As consumer confidence and employment continue to drive retail spending, demand will increase heading into 2017.



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