LOS ANGELES COUNTY CALIFORNIA

18 PERCENT

The **percentage of California's non-farm jobs which were contributed** by Los Angeles County, alone, in the twelve-month period from October 2015 to October 2016.

2016

- DIGITAL MEDIA HUB
- CONSUMER SPENDING UP
- UNEMPLOYMENT DOWN

OVERALL MARKET

From old favorites to burgeoning new industries, Los Angeles has the diversity to sustain growth in the coming year.

LARGEST LEASE SIGNINGS

As of Q3 2016

	LEASE TYPE	LEASE LOCATION	SIZE (SF)
UPS	Industrial	The Brickyard - Bldg A	521,816
T.J. Maxx	Industrial	660 & 700 W Artesia Blvd	457,960
FAA	Office	777 S Aviation Blvd	155,000
Disney	Office	3355 W Empire Ave	128,267
Netflix	Office	5808 W Sunset Blvd	123,221

TOP MULTI-FAMILY SUBMARKETS

As of Q3 2016

	UNITS SOLD	TRANSACTION VOLUME ($ MILLIONS)	PRICE PER UNIT ($ THOUSANDS)
Hollywood	1,808	$495,000,000	$273,779
Sherman Oaks	857	$273,000,000	$318,149
West Torrance	592	$246,000,000	$414,986
Willshire/Westlake	1,364	$212,000,000	$155,255
Beverly Hills	457	$193,000,000	$421,757
Downtown	428	$188,000,000	$440,315
Woodland Hills	465	$177,000,000	$380,000

SUMMARY & FORECAST

Long heralded as one of the most diverse regions in the nation, the Los Angeles market has seen an eight-point decrease in unemployment since the statistic's high-water mark in 2010. Jobs in traditional sectors such as health services, professional and business services, leisure/hospitality and information services are being met with growth in the up-and-coming transportation and fuel, bioscience and digital media/entertainment sectors. All told, Los Angeles County was the site of more than 70,000 new jobs in the period between October 2015 and October 2016. While the new industries will develop and grow in the coming years, traditional service sector jobs will continue to provide the greatest number of opportunities in 2017. Employment is predicted to grow at a rate of 1.5 percent over the next five years, adding over 300,000 jobs across all industry sectors.

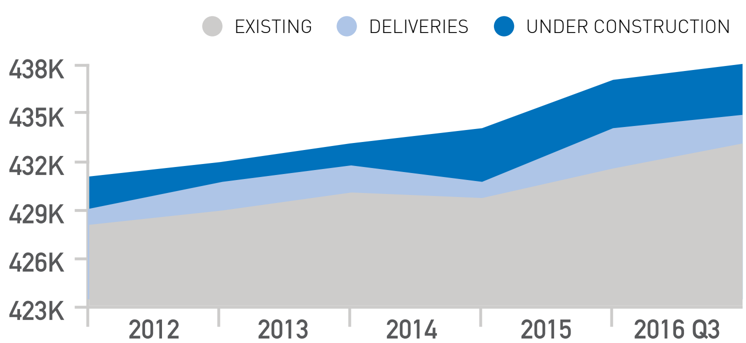
The commercial real estate market stands to benefit from the region's diverse employment opportunities and job growth. Office leasing activity will remain constant but modest in 2017. Rental rates will increase in some submarkets but remain flat, in the $32 to $34 per square foot per year range, across all submarkets and classes of space. This figure represents a roughly three percent increase over the close of 2015. The highest Los Angeles office rents are found in West Hollywood, where asking rates for Class A properties reached $50 per square foot per year. The most affordable office properties were found in the Antelope Valley where, at $20.61 per square foot per year, space was being marketed at roughly sixty percent less. While tenants in the finance, insurance and real estate industries will experience growth in 2017, the number of tenants still trying to right-size will offset gains, rendering net absorption modest. Several projects currently under construction and scheduled for delivery in the first half of 2017, will exert additional upward pressure on vacancy rates, further contributing to the, ultimately, flat office market.

The industrial market remained a steady performer in 2016, vacancy rising just ten basis points over the close of 2015. At over $27 per square foot per year, the highest asking rents were found in the Westside Industrial area. Asking rents across all Los Angeles submarkets averaged $9.46 per square foot per year at the end of the third quarter. Consistent demand held throughout the first nine months of the year and net absorption remained positive. Expect steady, even performance in 2017. Net absorption will slow, however, as the market tightens further and demand outweighs supply. This will hold especially true in some of the older and infill submarkets where few to no construction deliveries are scheduled for the first half of 2017. In these submarkets, investment activity will increase as buyers with capital look to the steady income stream provided by industrial users as security.

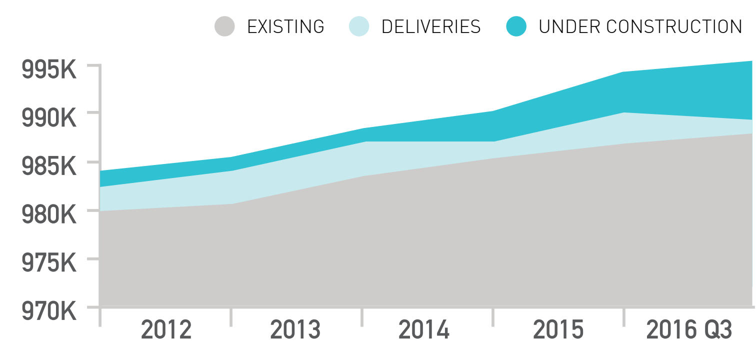
The vibrant retail market saw flat to slightly declining vacancy rates across virtually all submarkets in 2016. At the close of the third quarter, vacancy stood at 4.0 percent, down from 4.8 percent at the end of 2015. Net absorption across all submarkets and property types was positive through the third quarter of 2016. Several large retail leases were executed prior to the close of the third quarter. Of note, Best Buy executed a lease for 58,200 square feet on Moorpark Rd and Hobby Lobby committed to 55,000 square feet at Destination 08-10th Street. Retail asking rates averaged $28.63 per square foot per year at the end of the third quarter, up almost 6.5 percent since the close of 2015. Consumer spending increased across all categories, which, coupled with the tourist expenditure dollars recorded in the year, bodes well for the 2017 retail market. Look for further decreasing vacancy, positive net absorption and climbing rental rates in 2017, as job growth increases, personal wages and individual spending rises and demand for retail space begins to outpace supply.

There is a strong demand by renters and investors for apartment space. A lack of affordable housing continues to drive rental demand while strong investor demands are due to continued high occupancy and a modest rent growth.

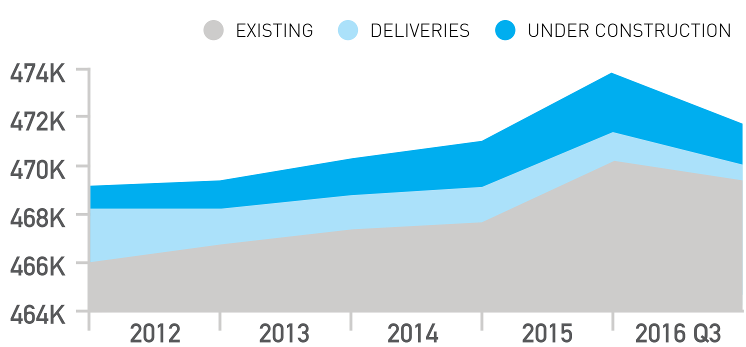
OFFICE INVENTORY GROWTH



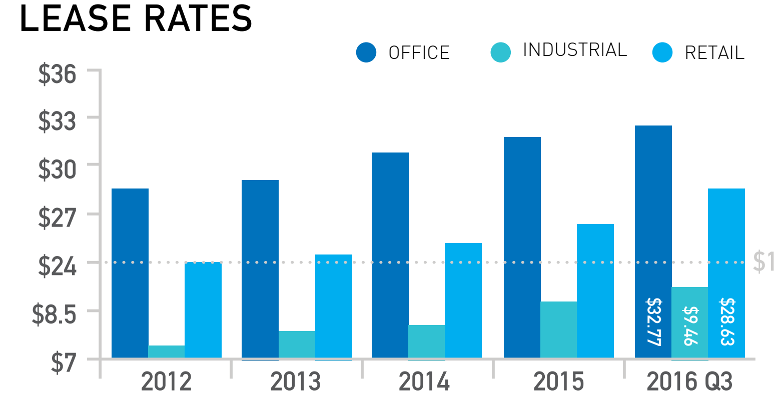
INDUSTRIAL INVENTORY GROWTH



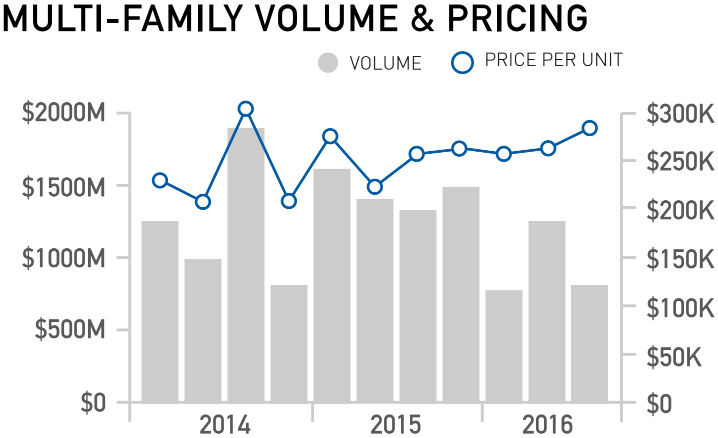
RETAIL INVENTORY GROWTH



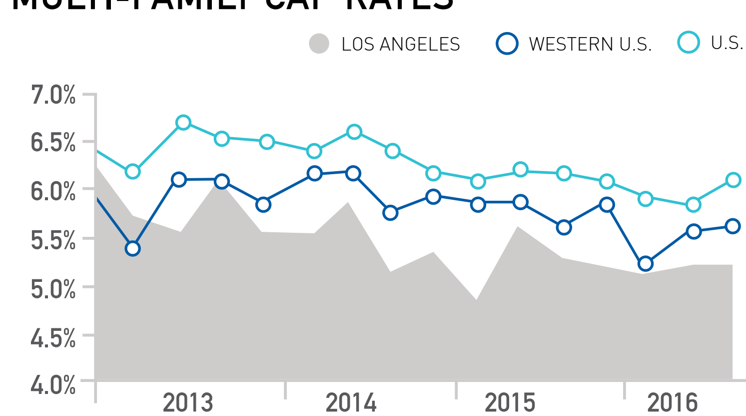
LEASE RATES



MULTI-FAMILY VOLUME & PRICING



MULTI-FAMILY CAP RATES



SOURCES: REIS, CoStar, Beacon Economics Winter 2016 Update, BLS, Los Angeles County Economic Development Corporation, Center for Applied Economics Dec. 2016 Update