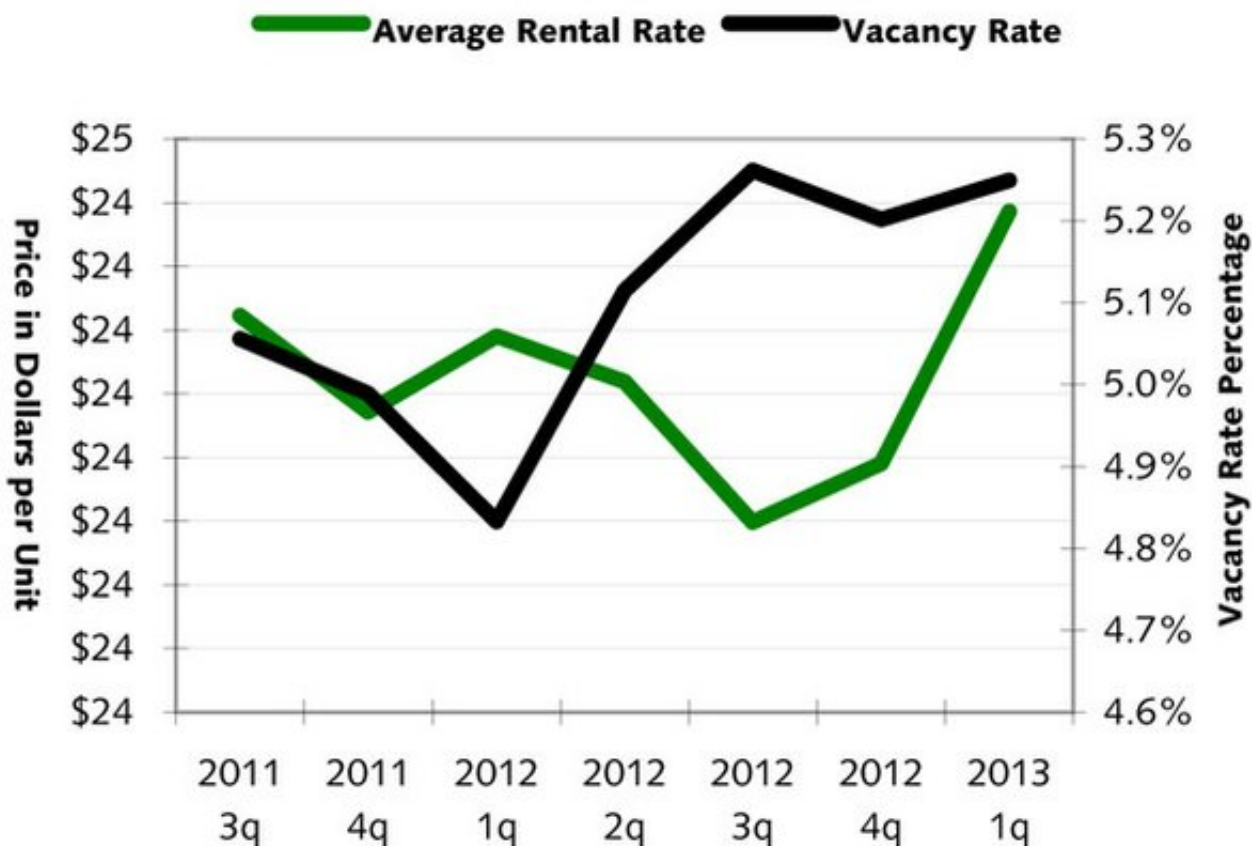


Retail Real Estate Recovers in LA

Real Estate

VACANCY & RENT

Past 7 Quarters



Source: CoStar Property•

By **Andrew Asch** As of Thursday, June 6, 2013

Retailers are betting on Los Angeles again, and real estate prices are climbing.

High-profile fashion houses and retailers such as **Isabel Marant**, **Scoop**, **Intermix** and **Topshop** have opened new stores in the Los Angeles area in the past year, and landlords are raising rents because they are feeling confident enough in both the economy and the growing demand for commercial retail space, according to economists and real estate dealmakers.

“It is the first time in five years where activity has come back and where tons of tenants want to be in Los Angeles,” said Jay Luchs, a prominent player in retail real estate and executive vice president of the Los Angeles office of real estate advisory company **Newmark Grubb Knight Frank**.

The current market for commercial real estate is different than the one during The Great Recession, when many companies shuttered stores and were cautious on expanding. However, Luchs did not see

companies dropping their bearish stance altogether. “To say that the entire market is back, that is hard to say,” he said.

During a tough recovery period after the financial crisis of 2008, many landlords cut rents so tenants would not close and leave vacant space to fill in a tough economy. Despite a revival, prices have not come back to pre-recession levels. At their peak, prices for the most popular commercial spaces on Robertson Boulevard in Los Angeles were \$25 per square foot per month. Currently, prices range from \$12 to \$17 per square foot per month. Prices on iconic shopping strip Rodeo Drive did not drop much during the recession, and they currently range from \$45 to \$50 per square foot per month on Rodeo’s popular 300 block.

Price increases have been steady, according to **CoStar Group**, a real estate information company. Los Angeles rents have increased 1.1 percent in the first quarter of 2013 compared with the first quarter of 2012, said Ryan McCullough, CoStar senior real estate economist. Retailers have been able to absorb the rent increases because consumers have been spending more, he said.

This proverbial tide has lifted many boats, said Glenn Rudy, director of capital markets, Southwest region, for **Cushman Wakefield**. Landlords have filled in vacancies at major shopping centers. “They are willing to take more of a chance with mom-and-pop retailers to increase overall occupancy,” Rudy said.