

MarketPulse 2011

Integra Realty Resources – Los Angeles

Q2 Report — Los Angeles, CA



As of Second Quarter 2011, the Los Angeles commercial real estate market is demonstrating increased demand for Class A “trophy” properties. The substantial market appeal of these assets — and their scarcity — is reflected in capitalization rates, which are approaching levels near the market peak in 2005-2007. Financing is more readily available for these assets, as well as for high quality apartment properties. However, lower asset classes continue to suffer from depressed values and higher capitalization rates. Loan-to-value ratios for these assets, in some cases, range from 60% to 65%. Meanwhile, demand for multifamily land has increased significantly over the last several months. In some areas, multifamily land values have increased nearly 50% since the beginning of the year. With decreases in the state and county unemployment rate and decreasing or stable vacancy rates in all four major property classes, the Los Angeles commercial real estate market is showing continuing signs of a moderate recovery.

LA Area Vital Signs

Property Class	Metric	Value	Change
OFFICE	Avg Rental Rate – \$/SF/Mo	\$2.28 FSG	↔
	Vacancy Rate	12.3%	↔
	Inventory — SF	395,000,000	▼
	Q Net Absorption — SF	220,000	▲
	Under Construction — SF	1,200,000	▲
	Capitalization Rate	7.0%	▼
MULTI-FAMILY	Avg Monthly Rent	\$1,401	↔
	Vacancy Rate	4.4%	▼
	Inventory — Units	760,000	↔
	Q Net Absorption — Units	1,300	▼
	Completions — Units	60	▲
	Capitalization Rate	5.25%	▼
RETAIL	Avg Rental Rate – \$/SF/Mo	\$2.13 NNN	▼
	Vacancy Rate	4.7%	▼
	Inventory — SF	391,000,000	▼
	Q Net Absorption — SF	200,000	▼
	Under Construction — SF	320,000	▼
	Capitalization Rate	7.25%	↔
INDUSTRIAL	Avg Rental Rate – \$/SF/Mo	\$0.54 NNN	↔
	Vacancy Rate	4.8%	↔
	Inventory — SF	944,000,000	▼
	Q Net Absorption — SF	570,000	▲
	Under Construction — SF	1,500,000	▲
	Capitalization Rate	6.75%	↔

DEMOGRAPHICS

Population

LA County	9.82 million
Annual	.30% ▼

Unemployment Rate

LA County	11.8%	▼
California	11.4%	▼
United States	9.3%	▼

Avg Household Income

LA County	\$77,656	↔
California	\$80,819	↔
United States	\$68,914	↔

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