



RESEARCH Q1 2021

Los Angeles Office Market Report

Some Tenants to Return to the Office

- Vacancy continued to climb, adding 1.6 million square feet this quarter, to reach 17.3%. Vacancy now surpasses the Great Recession's high by 20 basis points.
- Quarterly net absorption was once again in the red, with nearly 1.2 million square feet. Net absorption losses over the past 12 months total nearly 6.3 million square feet.
- Sublet availability reached a new high, topping 9.0 million square feet, or 4.4% of inventory.
- For now, most institutional landlords are holding the line on rents and are using concessions to secure deals.
- Direct asking rents may soften this year due to the large glut of sublet availability.
- Development activity remains high, with 4.0 million square feet of speculative construction underway and 6.6 million square feet under renovation. Over 6.4 million square feet is scheduled to deliver before the end of 2021.

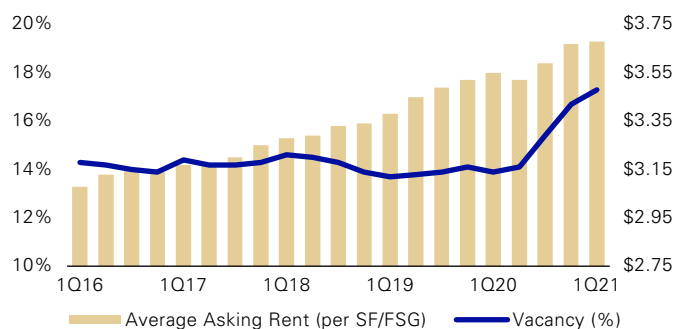
El Segundo Continues to Shine

El Segundo had a reputation as a growth market prior to the pandemic and, as evidenced by leasing activity in early 2021, will continue to net tenants. New leases include Beyond Meat (281,110 square feet) and L'Oréal (68,722 square feet) at 888 North Douglas Street, along with Belkin (65,442 square feet) at 555 Aviation Boulevard.

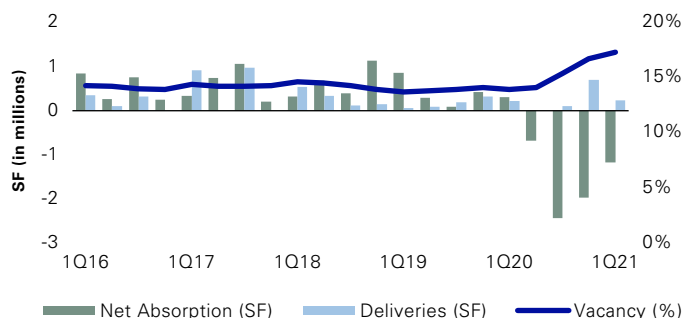
The city benefits as a cost-efficient, coastal community with proximity to Silicon Beach's labor force. Tenant migration that existed prior to COVID-19 will likely persist since El Segundo offers low-rise, campus style product, which is generally more attractive in today's climate than, say, a dense, urban environment. Redevelopment projects were pronounced in recent years, offering modern office product with parking ratios usually higher than most West Los Angeles locations.

Market Analysis

VACANCY AND ASKING RENT



NET ABSORPTION, CONSTRUCTION DELIVERIES AND VACANCY



Market Summary

	Current Quarter	Prior Quarter	Year Ago	12-Month Forecast
Total Inventory (SF)	207M	205M	204M	↑
Total Vacancy Rate	17.3%	16.7%	13.9%	↑
Quarterly Net Absorption (SF)	-1.2M	-2.0M	308,597	→
Average Asking Rent/SF/Month	\$3.68 FSG	\$3.67 FSG	\$3.55 FSG	↓
Deliveries (SF)	235,517	699,296	225,031	↑
Under Construction (SF)	4.0M	4.1M	3.8M	↓

El Segundo was twice named the most business-friendly city in Los Angeles County, and offers tax credits and lower costs of doing business in the region. Both appeal to occupiers.

Sublet Availability Reaches New High, Again

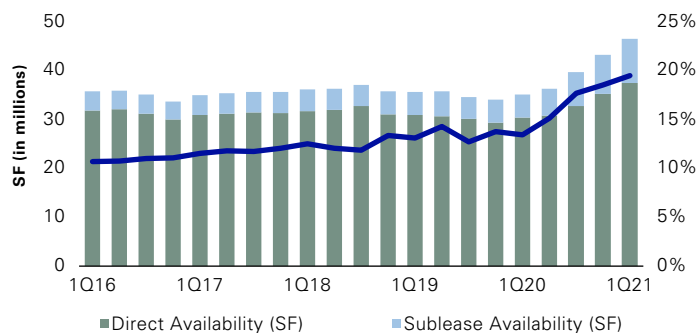
After a lull at the end of 2020, new space additions this quarter pushed sublet availability to just over 9 million square feet, or 4.4% of current inventory. West Los Angeles represents the bulk of overall availability with nearly 4.3 million square feet, 1.2 million of which is based in Santa Monica.

Regional sublet availability increased by nearly 4.4 million square feet since the onset of the pandemic; stark, but not as severe as the run up in other markets like San Francisco.

Sublease listings, especially in West Los Angeles, are beginning to see more touring activity as prospective tenants circle high-quality, move-in ready space at discounted rents in desirable market areas. It is also important to note that some larger sublet blocks are being offered at considerable term lengths; these blocks compete against direct space.

Sublease vs. Direct Availability (SF)

AND SUBLEASE AS A % OF OVERALL AVAILABLE SF



Outlook

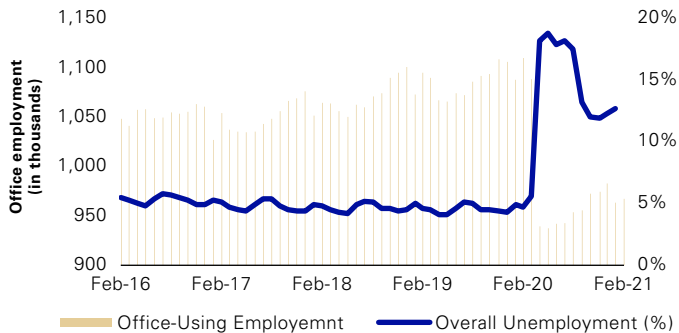
Vaccination counts are increasing, the economy is progressively reopening and tenants are beginning to make long-term decisions. They are essentially weighing projected space needs with that of pricing, which may recover faster than expected once the county authorizes the full return of workers to the office. When exactly this occurs is unknown, but many are hopeful for substantial improvement by autumn.

While the lasting effects of teleworking remain to be seen, many workers are eager to return to the office. Large companies such as Netflix and Google have expressed a strong desire to bring employees back and are already taking the necessary steps; smaller occupiers may follow suit.

The office market is positioned for a recovery as this public health crisis is contained and effectively managed. There are hints of normalcy returning.

Office-Using Employment

LOS ANGELES-LONG BEACH-GLENDALE



Source: U.S. Bureau of Labor Statistics (Preliminary data, not seasonally adjusted). Includes information, financial activities and professional and business services jobs.

Lease Transactions

Tenant	Building	Market Area	Lease Type	Square Feet
Beyond Meat	888 N. Douglas Street	El Segundo/Beach Cities	New	281,110
Los Angeles County DPSS	20101 Hamilton Avenue	190 th Street Corridor	New	133,272
Jones Day	555 S. Flower Street	Downtown Los Angeles	Renewal	109,120

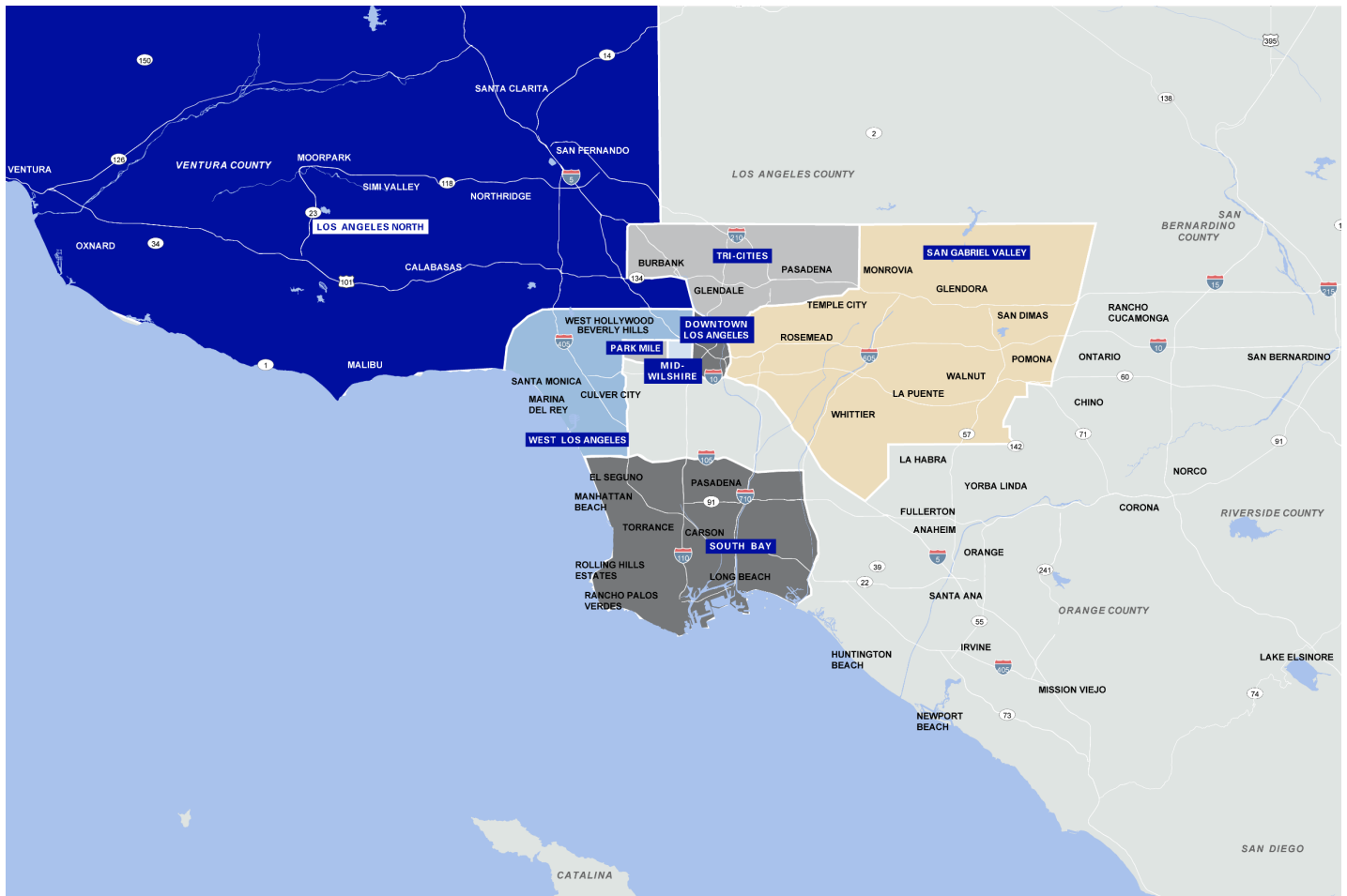
Sale Transactions

Buyer	Building(s)	Market Area	Sale Price/SF	Square Feet
Hackman Capital Partners	Sony Pictures Animation Campus	Culver City	\$906	182,176
LaSalle Investment Management	9033 Wilshire Boulevard	Beverly Hills	\$1,467	50,730
The Wonderful Company	2835 N. Naomi Street	Burbank	\$449	94,066

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Downtown Los Angeles	36,731,708	343,200	20.2%	-78,361	-78,361	\$3.92	\$3.40	\$3.58
Mid-Wilshire	7,053,531	0	26.9%	-14,827	-14,827	\$2.90	\$2.62	\$2.69
Los Angeles North	32,601,135	0	14.4%	-211,207	-211,207	\$2.79	\$2.55	\$2.66
Central Valley	8,342,328	0	15.8%	-26,238	-26,238	\$2.63	\$2.56	\$2.61
Conejo Valley	8,677,267	0	15.3%	-124,362	-124,362	\$2.85	\$2.70	\$2.75
East Valley	3,357,456	0	18.6%	-35,432	-35,432	\$3.57	\$2.79	\$2.93
Santa Clarita Valley	2,769,293	0	13.2%	-6,270	-6,270	\$2.73	\$2.41	\$2.67
West Valley	9,454,791	0	11.2%	-18,905	-18,905	\$2.54	\$2.38	\$2.43
Park Mile	1,718,951	0	25.4%	-21,237	-21,237	\$3.25	\$3.95	\$3.66
San Gabriel Valley	13,492,986	32,064	11.1%	18,664	18,664	\$2.61	\$2.46	\$2.49
Eastern SGV	7,452,805	32,064	11.0%	10,443	10,443	\$2.57	\$2.43	\$2.47
Western SGV	6,040,181	0	11.2%	8,221	8,221	\$2.68	\$2.48	\$2.52
South Bay	32,181,001	450,872	19.5%	-416,364	-416,364	\$3.30	\$2.94	\$3.05
190th Street Corridor	3,786,369	0	16.8%	9,750	9,750	\$2.98	\$2.56	\$2.72
Carson	1,004,949	0	29.6%	193	193	\$2.49	\$1.50	\$2.46
El Segundo/Beach Cities	11,862,229	0	16.0%	-221,786	-221,786	\$4.24	\$3.90	\$4.09
LAX/Century Blvd	3,352,631	450,872	33.5%	-7,328	-7,328	\$2.46	\$2.28	\$2.35
Long Beach Downtown	4,474,175	0	22.3%	-50,887	-50,887	\$3.06	\$2.23	\$2.52
Long Beach Suburban	4,649,160	0	19.6%	-22,750	-22,750	\$2.84	\$2.69	\$2.62
Torrance Central	3,051,488	0	13.1%	-123,556	-123,556	\$3.46	\$2.60	\$2.85

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Tri-Cities	21,151,316	1,161,250	14.4%	-21,204	-21,204	\$3.45	\$3.08	\$3.35
Burbank	6,863,122	942,250	9.7%	-6,924	-6,924	\$3.96	\$3.27	\$3.80
Glendale	6,259,206	0	17.9%	-41,293	-41,293	\$3.18	\$2.78	\$3.10
Pasadena	8,028,988	219,000	15.8%	27,013	27,013	\$3.59	\$3.19	\$3.42
West Los Angeles	62,640,359	2,027,631	17.0%	-426,242	-426,242	\$5.66	\$4.75	\$5.34
Beverly Hills	6,690,788	43,925	14.8%	-40,516	-40,516	\$6.18	\$5.30	\$5.66
Brentwood	3,433,629	0	15.0%	-67,599	-67,599	\$4.33	\$4.05	\$4.30
Century City	10,668,807	0	9.3%	-225,991	-225,991	\$6.43	-	\$6.43
Culver City	5,851,897	1,619,853	19.0%	-96,581	-96,581	\$4.03	\$4.17	\$4.09
Hollywood	4,646,543	79,847	30.0%	311,139	311,139	\$5.17	\$4.74	\$4.97
Marina Del Rey/Venice	1,750,113	0	36.9%	-88,009	-88,009	\$5.01	\$5.59	\$5.40
Miracle Mile	4,683,304	0	22.2%	-28,246	-28,246	\$4.20	\$2.87	\$4.00
Olympic Corridor	2,395,926	200,000	12.9%	18,921	18,921	\$5.23	\$3.50	\$4.82
Playa Vista	3,828,120	0	14.0%	56,867	56,867	\$6.49	\$4.41	\$6.08
Santa Monica	9,283,261	36,736	17.9%	-212,230	-212,230	\$6.32	\$5.31	\$5.89
West Hollywood	2,740,349	0	17.1%	-1,175	-1,175	\$5.17	\$3.94	\$4.83
Westside Other	3,395,217	0	11.0%	-12,820	-12,820	\$4.36	\$3.76	\$4.11
Westwood	3,272,405	47,270	17.9%	-40,002	-40,002	\$5.50	\$3.90	\$4.73
Market	207,570,987	4,015,017	17.3%	-1,170,778	-1,170,778	\$4.10	\$3.28	\$3.68

Under construction totals include ground-up construction only; under renovation and/or converted product is excluded. The same applies to construction deliveries.
 Net absorption is the change in physically occupied space. A hypothetical vacant and available space could lease this quarter with the tenant set to take occupancy six months later; positive absorption is not recorded until this physical move-in occurs. The space will remain vacant, but not available, until occupancy.



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