

Los Angeles Office Market Report

Distress in Downtown LA; Century City Remains a Bright Spot

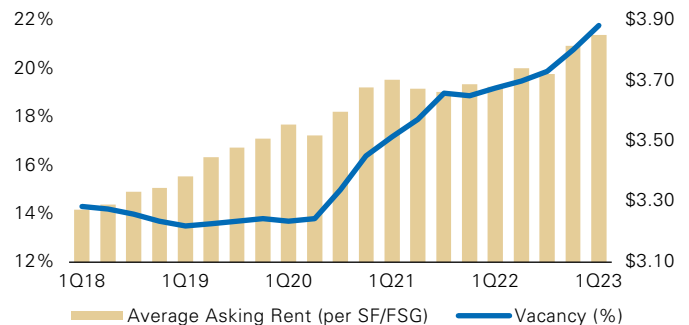
- Vacancy climbed to yet another high, reaching 21.8%. Vacancy will remain elevated amid tenant downsizes and a growing pool of available space transitioning to vacant.
- Available sublease space increased to a new high of 11.3 million square feet, representing 5.1% of current inventory.
- Notable sublease additions include First Citizens Bank with 127,914 square feet in Pasadena, MotorTrend offering 82,246 square feet in El Segundo and Viking Cruises listing an additional 75,919 square feet in Woodland Hills.
- 1950 Avenue of The Stars in Century City began construction this quarter, resulting in an increase in construction volume. The 731,250-square-foot tower will be home to CAA's new headquarters upon delivery in 2026.
- Leasing activity has slowed, with all submarkets down year-over-year. Space reductions, a cloudy economic outlook and tech companies halting expansions are factors.
- Layoff announcements continue to plague the market after Disney, Google, Amazon, Meta, Spotify, Roku, Yahoo! and Microsoft shed staff this quarter.
- Office utilization may be up from earlier in the year, but it has since become stagnant, with a current reading of 47.8%. Most companies have their employees in the office three days a week.

A Tale of Two CBDs

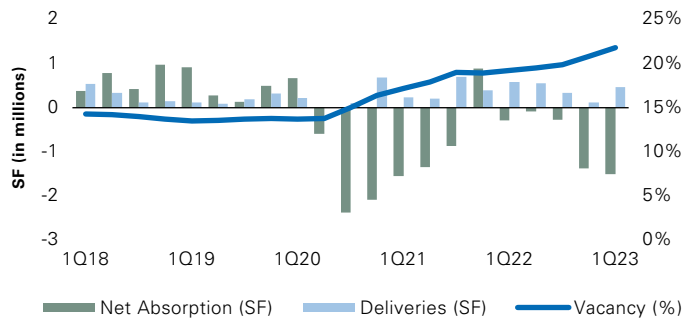
Los Angeles is home to two CBDs, with Downtown Los Angeles (DTLA) and Century City both attracting professional, financial and legal services to high-rise office environments. Traditional occupiers have generally led the push in bringing employees back to the office and are arguably in a better position to make long-term real estate decisions. This segment is expected to shape overall leasing fundamentals this year as many tech firms, which were active in prior years, remain dormant as they contend with lower market capitalizations and cost-cutting initiatives. There has been a disparity in these two

Market Analysis

ASKING RENT AND VACANCY



NET ABSORPTION, CONSTRUCTION DELIVERIES AND VACANCY



Market Summary

| | Current Quarter | Prior Quarter | Year Ago | 12-Month Forecast |
|-------------------------------|-----------------|---------------|------------|-------------------|
| Total Inventory (SF) | 221M | 220M | 218M | ↑ |
| Total Vacancy Rate | 21.8% | 20.8% | 19.2% | ↑ |
| Quarterly Net Absorption (SF) | -1.5M | -1.4M | -293K | → |
| Average Asking Rent/SF/Month | \$3.85 FSG | \$3.82 FSG | \$3.68 FSG | → |
| Deliveries (SF)* | 470K | 114K | 577K | → |
| Under Construction (SF) | 2.5M | 2.2M | 2.8M | ↓ |

* includes ground-up construction and excludes renovation projects

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office markets, with tenant demand, safety issues and debt troubles shaping contrasting fundamentals.

Leasing activity in DTLA was highly inconsistent before the pandemic, and recent issues will further affect demand. Safety concerns (particularly south of 6th Street) have led to tenants exploring their options in the Financial District, Bunker Hill, and, in some cases, exiting the submarket entirely. Those who opt to stay are generally pursuing trophy-grade space as they reduce their footprints by 30% to 60%. Yet, not all trophy buildings will be able to transact.

This quarter, Brookfield defaulted on 777 Figueroa Street and the Gas Company Tower. The company is expected to do the same at Wells Fargo Center later this year. Smaller tenant footprints, coupled with higher interest rates when loans are up for refinancing, are major challenges for several DTLA landlords, especially those with debt maturing over the next 24 months. Those trophy towers able to perform and offer competitive T.I. allowances, such as City National Plaza (where occupancy is roughly 90% and loans are due in 2030), will net tenants.

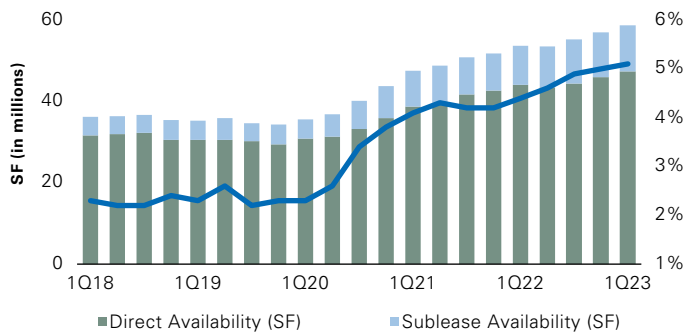
Century City, whose occupier base primarily supports the region's entertainment industry, is the direct opposite of DTLA. Trophy-grade vacancy is 8.2% relative to DTLA's 17.9% average. Century City's starting rents easily top \$7.00/SF relative to DTLA's \$4.00/SF baseline, and safety concerns are comparatively faint. This quarter, Century City recorded some large leases, with Ares Management committing to 206,000 square feet at 1800 Avenue of the Stars and Skadden taking 57,887 square feet at 2000 Avenue of the Stars in a DTLA relocation. The groundbreaking of 1950 Avenue of The Stars further enhances the submarket as Los Angeles' premier CBD.

Outlook

Rising interest rates and the implementation of Measure ULA will further dampen sales activity, and falling office valuations will limit leasing options for landlords and tenants at buildings with debt issues. Buildings with low occupancy will be particularly vulnerable to debt issues in the coming years. Traditional occupiers are expected to continue to drive leasing activity this year, while most tech firms sit on the sidelines.

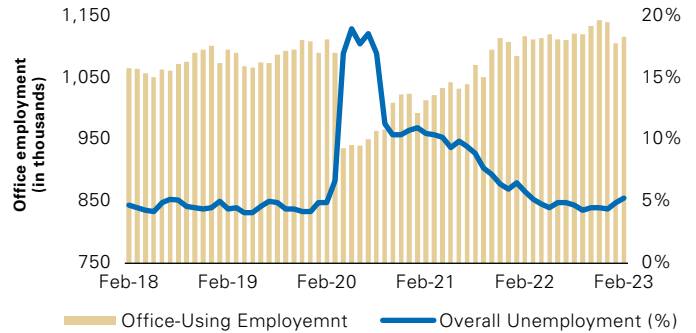
Sublease vs. Direct Availability (SF)

AND SUBLEASE AS A% OF OVERALL AVAILABLE SF



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 |
|-------------------------|---------------------------|--------------|------------|-------------|
| Sony Pictures Animation | 5750 Wilshire Boulevard | Miracle Mile | New | 225,239 |
| Ares Management | 1800 Avenue of the Stars | Century City | New | 206,000 |
| LA County DCFS | 611 North Brand Boulevard | Glendale | New | 82,723 |

Sale Transactions

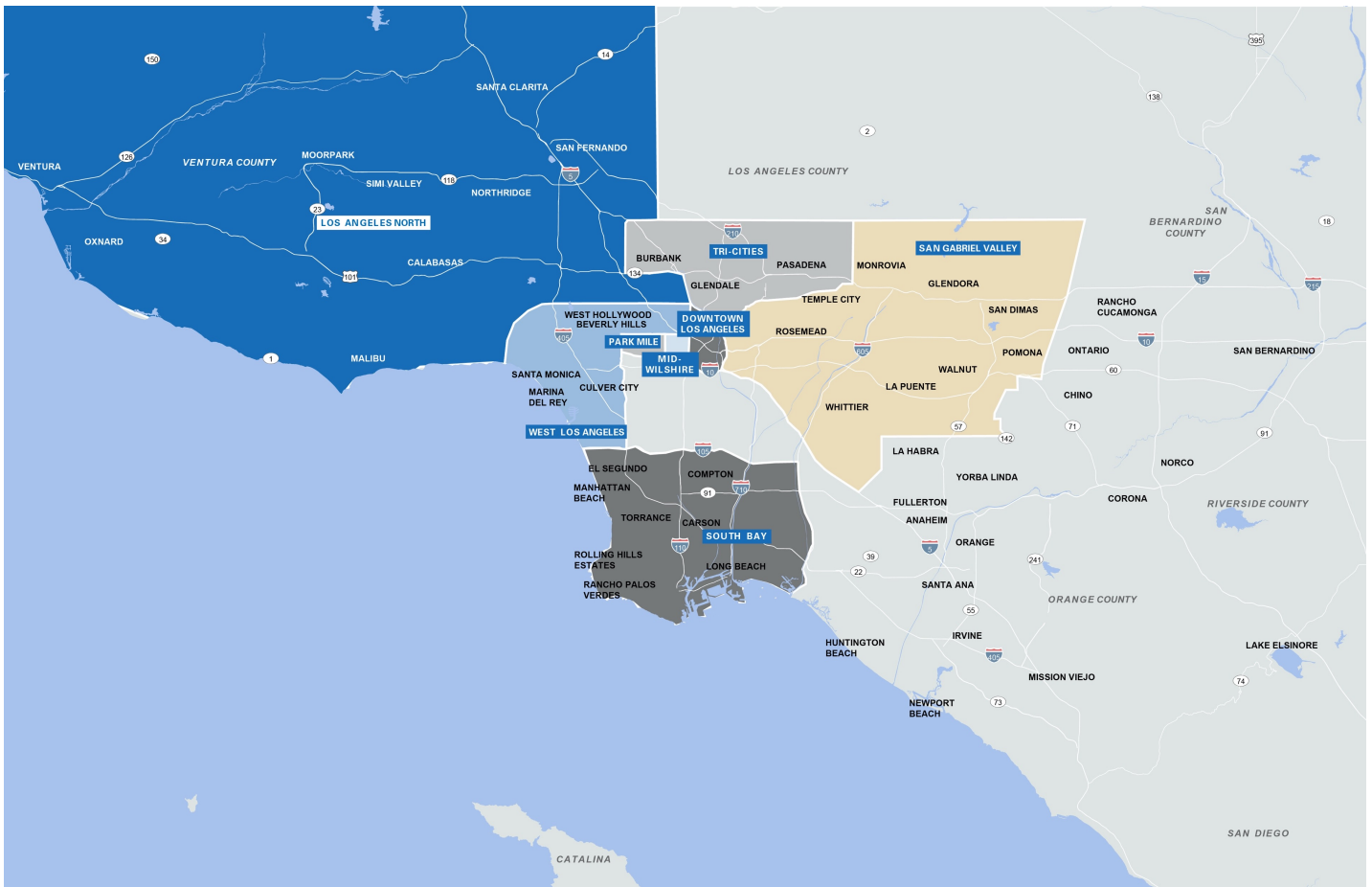
| Buyer | Building(s) | Market Area | Sale Price (PSF) | Square Feet |
|---------------------------------|---------------------------|----------------------|--------------------------|-------------|
| Waterbridge Capital, LLC | 445 South Figueroa Street | Downtown Los Angeles | \$110,500,000 (\$163/SF) | 675,945 |
| Elat Properties | 801 South Grand Avenue | Downtown Los Angeles | \$45,876,000 (\$213/SF) | 215,097 |
| Montana Avenue Capital Partners | 2777 North Ontario Street | Burbank | \$37,000,000 (\$291/SF) | 127,140 |

| 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 | 39,195,498 | 230,000 | 24.1% | -365,378 | -365,378 | \$3.57 | \$3.36 | \$3.42 |
| Mid-Wilshire | 6,761,054 | 0 | 31.0% | 41,224 | 41,224 | \$2.46 | \$2.32 | \$2.36 |
| Los Angeles North | 33,499,623 | 0 | 19.3% | -695,416 | -695,416 | \$2.89 | \$2.57 | \$2.74 |
| Central Valley | 8,440,582 | 0 | 16.4% | -16,086 | -16,086 | \$2.70 | \$2.78 | \$2.70 |
| Conejo Valley | 8,780,877 | 0 | 18.6% | -41,861 | -41,861 | \$2.92 | \$2.61 | \$2.78 |
| East Valley | 3,424,935 | 0 | 17.1% | 4,991 | 4,991 | \$4.05 | \$2.97 | \$3.28 |
| Santa Clarita Valley | 2,677,720 | 0 | 16.0% | -29,786 | -29,786 | \$2.84 | \$2.23 | \$2.73 |
| West Valley | 10,175,509 | 0 | 24.1% | -612,674 | -612,674 | \$2.66 | \$2.44 | \$2.54 |
| Park Mile | 1,468,592 | 0 | 35.2% | 12,604 | 12,604 | \$3.34 | \$3.57 | \$3.44 |
| San Gabriel Valley | 13,475,418 | 0 | 10.1% | 5,260 | 5,260 | \$2.92 | \$2.59 | \$2.70 |
| Eastern SGV | 7,229,093 | 0 | 9.5% | -15,063 | -15,063 | \$2.82 | \$2.48 | \$2.63 |
| Western SGV | 6,246,325 | 0 | 10.8% | 20,323 | 20,323 | \$3.06 | \$2.67 | \$2.78 |
| South Bay | 34,498,491 | 265,051 | 25.1% | -457,887 | -457,887 | \$3.56 | \$2.99 | \$3.28 |
| 190th Street Corridor | 3,833,890 | 0 | 17.9% | -36,701 | -36,701 | \$3.10 | \$2.80 | \$2.94 |
| Carson | 1,005,640 | 0 | 28.9% | 11,260 | 11,260 | \$2.75 | \$2.28 | \$2.74 |
| El Segundo/Beach Cities | 13,622,403 | 205,000 | 25.7% | -522,855 | -522,855 | \$4.26 | \$3.99 | \$4.19 |
| LAX/Century Blvd | 3,761,617 | 0 | 36.7% | 44,809 | 44,809 | \$2.53 | \$2.29 | \$2.45 |
| Long Beach Downtown | 4,486,539 | 0 | 25.3% | -43,679 | -43,679 | \$3.17 | \$2.35 | \$2.70 |
| Long Beach Suburban | 4,650,986 | 60,051 | 25.5% | 55,875 | 55,875 | \$2.83 | \$2.87 | \$2.82 |
| Torrance Central | 3,137,416 | 0 | 14.8% | 33,404 | 33,404 | \$3.28 | \$2.69 | \$2.79 |

| 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 | 22,568,345 | 917,543 | 20.9% | 2,882 | 2,882 | \$3.82 | \$3.46 | \$3.71 |
| Burbank | 7,282,850 | 800,000 | 19.1% | -62,587 | -62,587 | \$4.58 | \$3.92 | \$4.42 |
| Glendale | 6,239,634 | 117,543 | 23.6% | -12,946 | -12,946 | \$3.31 | \$2.81 | \$3.27 |
| Pasadena | 9,045,861 | 0 | 20.6% | 78,415 | 78,415 | \$3.83 | \$3.37 | \$3.60 |
| West Los Angeles | 69,784,658 | 1,046,530 | 21.4% | -50,384 | -50,384 | \$5.74 | \$4.71 | \$5.44 |
| Beverly Hills | 6,769,466 | 89,523 | 17.3% | 44,965 | 44,965 | \$6.19 | \$4.70 | \$5.46 |
| Brentwood | 3,502,547 | 0 | 19.4% | 3,870 | 3,870 | \$4.64 | - | \$4.64 |
| Century City | 10,989,200 | 731,250 | 12.3% | 23,841 | 23,841 | \$6.34 | - | \$6.34 |
| Culver City | 8,645,574 | 127,457 | 30.1% | -52,009 | -52,009 | \$5.52 | \$4.62 | \$5.24 |
| Hollywood | 5,652,076 | 61,800 | 23.2% | -67,811 | -67,811 | \$5.13 | \$4.62 | \$4.93 |
| Marina Del Rey/Venice | 1,821,535 | 0 | 23.0% | 43,662 | 43,662 | \$5.20 | \$5.57 | \$5.44 |
| Miracle Mile | 5,117,274 | 0 | 25.8% | -1,238 | -1,238 | \$4.24 | \$3.43 | \$4.08 |
| Olympic Corridor | 3,142,632 | 0 | 32.3% | 11,532 | 11,532 | \$6.94 | \$3.49 | \$6.63 |
| Playa Vista | 4,147,785 | 0 | 22.7% | 126,088 | 126,088 | \$6.28 | \$4.81 | \$6.05 |
| Santa Monica | 9,825,723 | 36,500 | 19.3% | -12,057 | -12,057 | \$6.13 | \$5.57 | \$5.75 |
| West Hollywood | 3,023,867 | 0 | 17.8% | -107,489 | -107,489 | \$5.35 | \$3.66 | \$5.06 |
| Westside Other | 3,813,360 | 0 | 20.3% | -10,585 | -10,585 | \$5.51 | \$4.17 | \$4.97 |
| Westwood | 3,333,619 | 0 | 27.0% | -53,153 | -53,153 | \$6.34 | \$3.48 | \$5.11 |
| Market | 221,251,679 | 2,459,124 | 21.8% | -1,507,095 | -1,507,095 | \$4.29 | \$3.29 | \$3.85 |

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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