

Los Angeles Office Market Report

West Los Angeles Leasing Leads Recovery Efforts

- The direct average asking rent was unchanged from this time last year.
- For the first time since the onset of the pandemic, quarterly net absorption was in the black, with 592,952 square feet in gains recorded.
- Although quarterly net absorption was positive, vacancy (19.4%) remained unchanged from last quarter. This is due to 743,000 square feet of new speculative and renovation projects delivering this quarter, roughly half of which remains unoccupied and available.
- Construction activity remains high, with 3.1 million square feet in speculative construction and another 3.5 million square feet in renovation projects.
- After a decrease last quarter, sublease availability increased slightly by 44,000 square feet, currently representing 4.3% of existing inventory.
- The addition of a 290,000-square-foot sublease offering from DIRECTV in El Segundo during the fourth quarter of 2021 exceeded withdrawn spaces and sublease deals.
- Space de-listings and the leasing of Class A sublease space were noticeable trends throughout much of 2021.

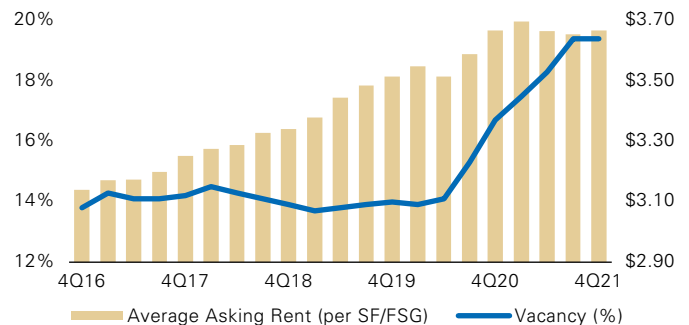
Entertainment Drives Leasing in West LA

While other sectors of the economy struggle during the pandemic, entertainment companies, driven by increased consumer demand for content, are leading the recovery in Los Angeles, particularly on the Westside.

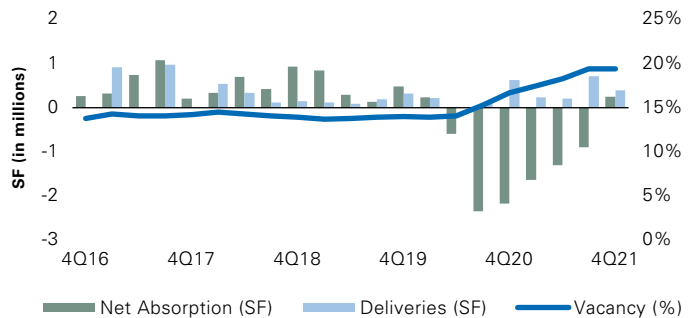
Video game developer Riot Games signed several leases this quarter in a major expansion effort across West Los Angeles. The largest was for 199,882 square feet at Hines' West Edge development in Olympic Corridor, across the street from Riot's headquarters at Element LA where the company already

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)	213M	212M	206M	↑
Total Vacancy Rate	19.4%	19.4%	16.7%	↓
Quarterly Net Absorption (SF)	593K	-895K	-2.2M	↑
Average Asking Rent/SF/Month	\$3.67 FSG	\$3.65 FSG	\$3.67 FSG	→
Deliveries (SF)*	387K	718K	633K	↑
Under Construction (SF)	3.1M	3.5M	4.2M	↓

RESEARCH Q4 2021

occupies 284,000 square feet. Riot also subleased 132,000 square feet at Lantana Media Campus in Santa Monica and directly leased another 80,426 square feet at the Westside Media Center in Olympic Corridor.

Streaming provider Roku has also increased its footprint on the Westside, subleasing 93,926 square feet at the Colorado Center. This deal more than doubles its space at the Santa Monica complex, following a 72,019-square-foot lease in May.

HBO also added more space this quarter by leasing 161,000 square feet of soundstages and supporting offices at CIM Group's The Lot in West Hollywood. This follows HBO's recent lease for 240,000 square feet of office space at Ivy Station in Culver City. HBO took occupancy this quarter, which contributed to absorption gains.

Technology, streaming and video game companies have led leasing activity in 2021, a trend expected to continue. With these tenants attracted to space in West Los Angeles, expect that submarket to lead recovery efforts.

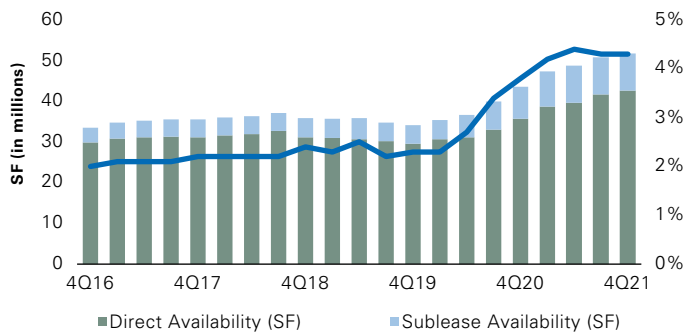
Outlook

Momentum is positive and the office market is on the path to recovery, but ongoing public health concerns continue to create uncertainty. After the Delta variant pushed an expected post-Labor Day return to the office for many companies, the arrival of Omicron will likely further delay many early 2022 re-boardings. Despite all of this, office occupancy progressively trended up in 2021, and will continue to do so in early 2022.

Many tenants are still figuring out their long-term real estate plans and to what degree they adopt work-from-home strategies. A hybrid mix of in-the-office and teleworking will likely be the dominant model. Market areas and industry segments that drove activity prior to the pandemic will continue to lead recovery efforts over the near-term. Vacancy rates may continue to increase with the delivery of new product and right-sizing footprints, but increasing leasing activity and office occupancy, along with a turning point for sublease availability, are reasons for optimism into the new year.

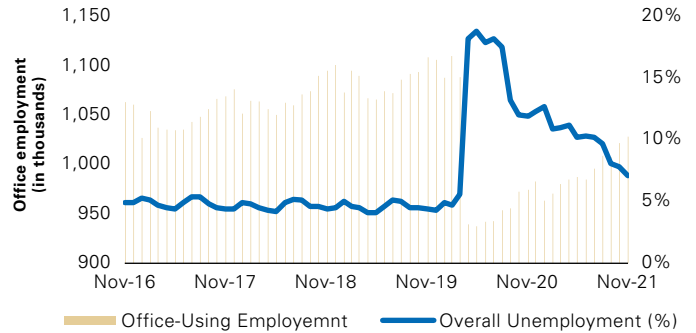
Sublease vs. Direct Availability (SF)

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
Riot Games	12101 W. Olympic Boulevard	Olympic Corridor	Pre-lease	199,882
Los Angeles Chargers	100 S. Nash Street	El Segundo/Beach Cities	Pre-lease	145,000
Riot Games	3301 Exposition Boulevard	Santa Monica	Sublease	132,000

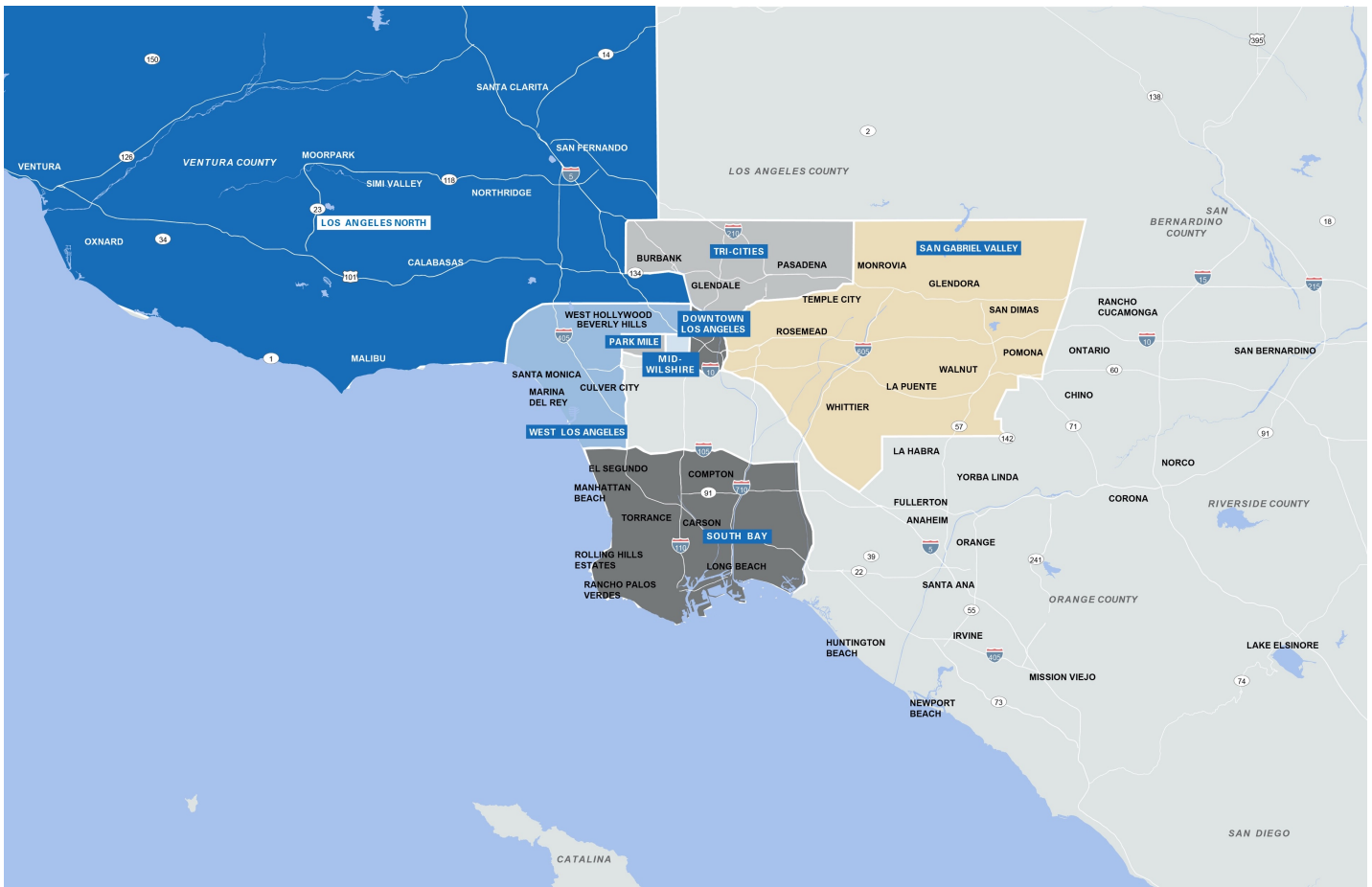
Sale Transactions

Buyer	Building(s)	Market Area	Sale Price (PSF)	Square Feet
Brookfield Properties	Dreamworks Animation Campus	Glendale	\$326,500,000 (\$656/SF)	497,404
IRA Capital	325 N. Maple Drive	Beverly Hills	\$153,200,000 (\$1,495/SF)	102,500
Pacshore Partners	2600 W. Olive Avenue	Burbank	\$90,500,000 (\$592/SF)	152,834

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	37,811,964	345,000	21.6%	-31,504	-204,136	\$3.73	\$3.32	\$3.48
Mid-Wilshire	7,053,531	0	29.5%	-50,874	-192,385	\$2.37	\$2.28	\$2.31
Los Angeles North	32,652,026	0	16.5%	3,304	-910,031	\$2.81	\$2.54	\$2.69
Central Valley	8,376,308	0	18.4%	40,257	-214,917	\$2.70	\$2.71	\$2.71
Conejo Valley	8,794,178	0	18.7%	-101,231	-442,723	\$2.85	\$2.58	\$2.72
East Valley	3,357,456	0	17.9%	23,071	-42,842	\$3.61	\$2.73	\$2.97
Santa Clarita Valley	2,669,293	0	16.9%	-27,881	-109,927	\$2.77	\$2.38	\$2.70
West Valley	9,454,791	0	12.2%	69,088	-99,622	\$2.56	\$2.42	\$2.47
Park Mile	1,439,663	0	32.7%	-3,304	-123,987	\$3.19	\$3.63	\$3.40
San Gabriel Valley	13,817,026	0	10.9%	-6,183	56,035	\$2.70	\$2.42	\$2.48
Eastern SGV	7,486,624	0	10.8%	27,796	57,655	\$2.66	\$2.36	\$2.43
Western SGV	6,330,402	0	11.1%	-33,979	-1,620	\$2.78	\$2.50	\$2.55
South Bay	33,789,822	0	22.4%	249,639	-377,558	\$3.33	\$3.12	\$3.15
190th Street Corridor	3,790,608	0	18.3%	-7,752	-45,727	\$3.03	\$2.62	\$2.78
Carson	1,004,949	0	28.1%	5,532	15,872	\$2.49	\$1.94	\$2.47
El Segundo/Beach Cities	13,011,181	0	20.6%	326,737	-67,487	\$4.23	\$4.05	\$4.14
LAX/Century Blvd	3,803,503	0	36.8%	-5,467	167,228	\$2.47	\$2.26	\$2.35
Long Beach Downtown	4,474,175	0	23.5%	-33,034	-91,869	\$3.10	\$2.25	\$2.55
Long Beach Suburban	4,650,045	0	23.0%	-29,035	-224,426	\$2.88	\$2.75	\$2.71
Torrance Central	3,055,361	0	13.3%	-7,342	-131,149	\$3.40	\$2.57	\$2.86

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	21,433,776	1,017,976	16.4%	32,809	-186,182	\$3.51	\$3.14	\$3.40
Burbank	7,102,969	800,000	11.6%	80,962	73,331	\$4.19	\$3.39	\$4.01
Glendale	6,300,874	0	20.7%	-26,518	-167,148	\$3.28	\$2.64	\$3.18
Pasadena	8,029,933	217,976	17.3%	-21,635	-92,365	\$3.59	\$3.28	\$3.43
West Los Angeles	64,792,421	1,721,552	19.5%	399,065	-1,294,043	\$5.63	\$4.70	\$5.31
Beverly Hills	6,743,060	50,148	17.2%	25,354	-146,605	\$5.95	\$5.03	\$5.46
Brentwood	3,424,855	0	17.3%	24,620	-78,775	\$4.83	\$3.80	\$4.72
Century City	10,719,283	0	12.9%	23,357	-608,492	\$6.25	\$5.63	\$6.23
Culver City	6,371,190	1,378,891	22.6%	243,848	45,784	\$4.23	\$4.39	\$4.31
Hollywood	5,010,348	0	25.9%	11,666	513,108	\$5.20	\$4.97	\$5.07
Marina Del Rey/Venice	2,009,867	0	26.0%	82,942	77,566	\$5.26	\$5.54	\$5.44
Miracle Mile	4,962,592	0	20.8%	-4,046	56,015	\$4.22	\$3.54	\$4.06
Olympic Corridor	2,395,926	200,000	12.8%	3,420	21,749	\$6.05	\$3.44	\$5.29
Playa Vista	3,983,532	0	31.0%	7,530	-571,792	\$6.45	\$4.46	\$6.04
Santa Monica	9,402,048	45,243	18.3%	-61,265	-274,373	\$6.19	\$5.12	\$5.58
West Hollywood	2,862,532	0	16.7%	96,734	30	\$5.20	\$5.06	\$5.14
Westside Other	3,634,783	0	21.7%	-48,344	-200,930	\$5.51	\$3.83	\$4.95
Westwood	3,272,405	47,270	21.5%	-6,751	-127,328	\$4.50	\$3.44	\$3.88
Market	212,790,229	3,084,528	19.4%	592,952	-3,232,287	\$4.07	\$3.26	\$3.67

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.



Dain Fedora
 Director of Research
 dain.fedora@nrmk.com

Kevin Watson
 Research Manager
 kevin.watson@nrmk.com

Colin Harmony
 Research Analyst
 colin.harmony@nrmk.com

nrmk.com

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