

MARKET TRENDS | LOS ANGELES

OFFICE

MARKET DRIVERS

DIRECT VACANCIES and sublease availabilities across the metro continue to increase as a result of COVID-19, reaching an all-time high of 12.6% and 2.6% respectively, in 1Q21.

AVERAGE asking rental rates increased in the first quarter, concluding at \$3.48/SF on a full-service basis. Yet, as sublease availabilities rise, many landlords are beginning to offer discounted rents and many concessions to lure in tenants. Currently, asking rates for new sublet space entering the market have averaged \$0.25/SF less than direct space.

LEASING ACTIVITY reported a decrease of 43.36% YOY, with just over 2.6M SF leased in 1Q21. The top lease for the quarter was Beyond Meat leasing 281,110 SF at 888 N. Douglas which is scheduled to be completed later this year.

DEMAND for owner/user office buildings have increased recently as tenants who made short-term solutions during the pandemic begin to look for purchase opportunities. Employees prefer the single tenant environment when restrictions lift, and principals are able to build equity instead of paying rent on unused space.

ECONOMIC OVERVIEW

AS OF FEBRUARY 2020, the unemployment rate in Los Angeles County was at 11.5%, down from a revised 12.6% from the month prior.

COUNTYWIDE job levels increased by 47,900 between January 2021 and February 2021 with steady job additions from leisure and hospitality (39,300), accommodation and food services (32,500), and lastly restaurants (28,700).

NEAR-TERM OUTLOOK

THE LOS ANGELES office market will continue to face challenges. Vacancies and sublease availabilities will be tested in 2021 as companies will soon face a post-pandemic office world and need to quickly determine their office footprint and layout requirements. Direct asking lease rates are expected to hold firm, but with the increasing amount of sublease space becoming available, rent growth may soften in the coming months.

Market Summary

	1Q 2021	4Q 2020	1Q 2020	Annual Change
Direct Vacancy Rate	12.6%	11.9%	10.2%	23.21%
Availability Rate	18.8%	17.5%	13.6%	38.38%
Direct Asking Lease Rate	\$3.48	\$3.43	\$3.31	5.14%
Leasing Activity (SF)	2,624,087	2,983,518	4,633,108	-43.36%
Sale Volume (SF)	987,356	1,647,011	2,224,275	-55.61%
Net Absorption (SF)	(2,256,453)	(1,545,615)	361,154	N/A

▼ **2.6M**
LEASING ACTIVITY

▼ **-2.3M**
NET ABSORPTION (SF)

▲ **12.6%**
VACANCY RATE

▲ **\$3.48**
AVERAGE ASKING RENT

▼ **302K**
NEW DELIVERIES (SF)

YEAR OVER YEAR TREND

Market Highlights

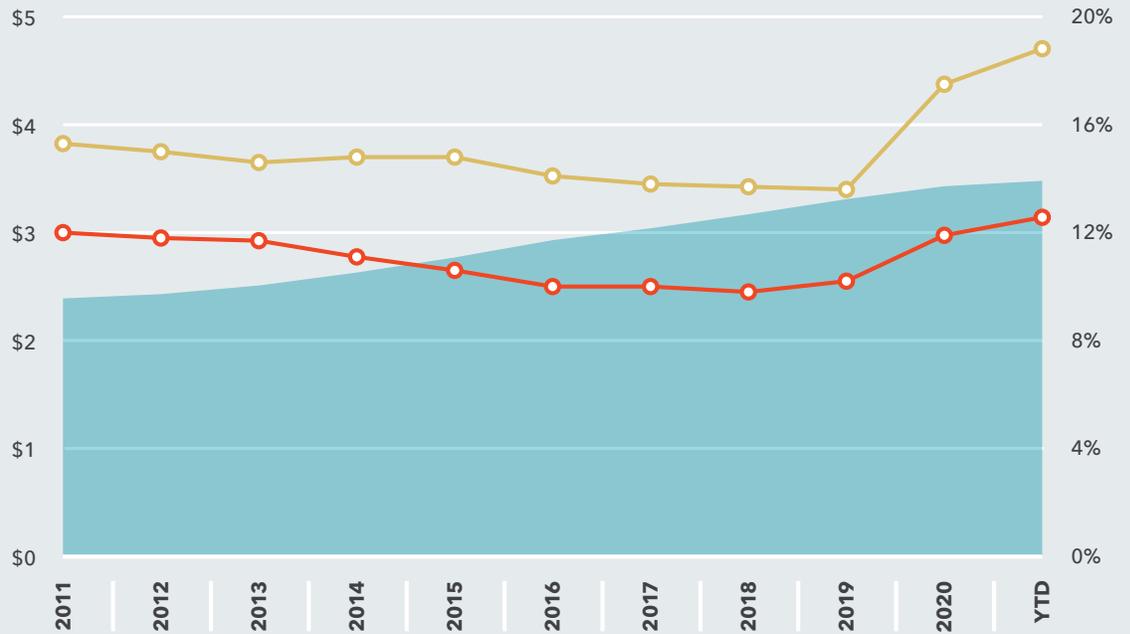
DIRECT VACANCIES market wide concluded the first quarter at 12.6%

AVERAGE asking rental rates increased to \$3.48/SF on a full-service basis.

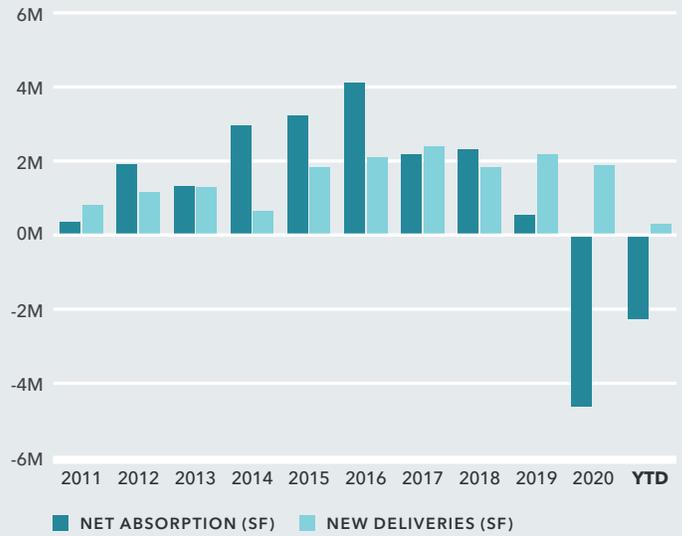
NEW DELIVERIES slowed down this quarter with 300K SF coming to market. Over 7.3M SF is currently under construction.

Lease Rate, Vacancy & Availability

■ DIRECT LEASE RATE (FSG)
○ DIRECT VACANCY
○ TOTAL AVAILABILITY



Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume & Leasing Activity



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Available Rate	QTR Direct Net Absorption	2020 Direct Net Absorption	QTR Leasing Activity	2020 Leasing Activity	Average Rental Rate (FS)
Tri-Cities	40,846,017	10.5%	0.7%	11.2%	16.7%	(98,301)	(600,053)	211,403	1,451,446	\$3.35
Burbank	13,311,342	6.3%	0.6%	6.9%	9.6%	(34,370)	(56,678)	48,362	638,262	\$3.68
Glendale	11,226,128	13.7%	0.6%	14.4%	16.9%	(98,831)	(259,074)	61,748	408,187	\$3.24
Pasadena	16,308,547	11.7%	1.0%	12.7%	22.4%	34,900	(284,301)	101,293	404,997	\$3.27
Downtown Los Angeles	67,770,515	15.5%	1.0%	16.4%	21.1%	161,642	(272,335)	152,548	1,656,678	\$3.26
Mid-Cities	8,678,233	8.7%	0.1%	8.8%	9.8%	(4,125)	41,719	41,599	183,209	\$2.33
Mid-Wilshire	41,546,312	15.3%	1.5%	16.7%	19.6%	(461,044)	(992,051)	148,848	1,071,495	\$3.48
East Hollywood/Silver Lake	2,890,183	5.3%	1.3%	6.7%	13.5%	2,585	(13,922)	3,500	110,003	\$2.69
Hollywood	9,155,142	16.6%	3.7%	20.3%	24.8%	(234,801)	(224,449)	24,725	218,754	\$4.89
Mid-Wilshire	15,059,673	15.9%	0.2%	16.0%	17.6%	9,320	(301,851)	32,808	327,002	\$2.72
Miracle Mile	5,757,344	22.3%	0.8%	23.1%	24.7%	(136,026)	(287,090)	30,866	226,317	\$4.04
Park Mile	1,806,759	20.7%	0.3%	20.9%	21.7%	(17,484)	(5,377)	1,150	11,359	\$3.22
West Hollywood	6,877,211	9.0%	2.3%	11.4%	14.7%	(84,638)	(159,362)	55,799	178,060	\$4.61
San Fernando Valley	45,588,542	11.2%	0.8%	12.0%	15.7%	(192,723)	(479,207)	436,148	1,910,218	\$2.61
Calabasas/Westlake Village	6,963,490	11.2%	1.5%	12.7%	16.4%	(19,742)	(165,630)	114,261	377,045	\$2.64
Eastern SFV	5,397,861	6.7%	0.1%	6.8%	9.5%	(38,731)	68,298	18,467	136,744	\$2.34
Encino	4,826,975	14.8%	0.7%	15.5%	19.6%	(63,316)	(290,353)	55,282	373,184	\$2.73
North Hollywood	2,575,375	18.2%	0.9%	19.1%	21.6%	(11,526)	23,015	991	80,076	\$3.46
Sherman Oaks	3,562,773	13.5%	0.5%	14.0%	20.9%	500	(226,806)	43,355	208,588	\$2.72
Studio/Universal Cities	3,441,352	7.1%	2.7%	9.8%	14.4%	(12,243)	(62,917)	42,220	84,788	\$3.21
Tarzana	1,724,873	8.9%	0.5%	9.4%	13.7%	(9,690)	100,022	7,587	77,107	\$2.92
Western SFV	7,789,964	10.8%	0.2%	11.0%	13.5%	36,462	193,361	63,172	240,102	\$2.45
Woodland Hills/Warner City	9,305,879	11.5%	0.5%	12.1%	16.0%	(74,437)	(118,197)	90,813	332,584	\$2.37
San Gabriel Valley	28,468,542	7.8%	0.5%	8.3%	9.1%	(37,342)	(214,244)	126,136	566,918	\$2.42
South Bay	57,348,106	14.1%	1.1%	15.1%	19.3%	(423,323)	(577,163)	745,128	1,323,461	\$3.11
190th Street Corridor	5,109,605	12.7%	0.7%	13.4%	25.1%	108,362	62,802	147,580	176,707	\$2.63
Beach Cities/Palos Verdes	4,583,865	7.3%	2.5%	9.8%	14.6%	52,900	(105,236)	19,832	89,889	\$3.14
El Segundo	17,311,549	13.7%	1.2%	14.9%	22.1%	(307,156)	169,159	389,804	405,601	\$4.22
Hawthorne/Gardena	2,074,512	10.5%	0.0%	10.5%	14.2%	(16,382)	(46,327)	3,658	24,456	\$2.11
LAX	4,052,046	37.2%	0.3%	37.6%	29.9%	(65,739)	(184,366)	13,981	34,436	\$2.30
Downtown Long Beach	7,515,218	15.2%	1.1%	16.3%	18.0%	(50,456)	(304,302)	37,903	144,151	\$2.44
Suburban Long Beach	8,591,332	12.3%	0.2%	12.6%	14.8%	(135,529)	(88,083)	42,512	210,076	\$2.54
Torrance	8,109,979	9.6%	1.6%	11.2%	14.4%	(9,323)	(80,810)	89,858	238,145	\$2.82
Southeast Los Angeles	7,810,615	5.6%	0.5%	6.1%	8.9%	29,348	17,698	37,679	243,936	\$2.30
West Los Angeles	72,575,967	12.2%	2.3%	14.5%	24.9%	(1,230,585)	(1,565,806)	724,598	2,781,598	\$5.22
Los Angeles Total	370,632,849	12.6%	1.2%	13.7%	18.8%	(2,256,453)	(4,641,442)	2,624,087	11,188,959	\$3.48
Class A	177,913,934	14.9%	1.5%	16.5%	23.2%	(1,324,289)	(2,099,687)	1,246,643	6,123,357	\$3.68
Class B	147,778,891	11.4%	1.0%	12.4%	16.4%	(813,971)	(1,987,702)	1,170,651	4,323,537	\$3.21
Class C	44,940,024	7.0%	0.3%	7.3%	9.2%	(118,193)	(554,053)	206,793	742,065	\$3.22
Class Total	370,632,849	12.6%	1.2%	13.7%	18.8%	(2,256,453)	(4,641,442)	2,624,087	11,188,959	\$3.48

TOP SALE TRANSACTIONS FOR 1Q 2021

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Sony Pictures Animation	Culver City	130,356	\$119,784,587	\$918.90	Hackman Capital Partners	H&R Real Estate Investment Trust
9033 Wilshire Blvd	Beverly Hills	50,730	\$74,400,000	\$1,466.59	LaSalle Investment Management	UBS Realty Investors LLC
Media Center North	Burbank	94,066	\$42,200,000	\$448.62	The Wonderful Company	Goldstein Planting Investments
924 Overland Ct.	Eastern SGV	98,505	\$28,928,000	\$293.67	SAR Enterprises	Menlo Equities
10150-10200 Jefferson Blvd.	Culver City	42,368	\$26,000,000	\$613.67	Hackman Capital Partners	Barry Katz

TOP LEASE TRANSACTIONS FOR 1Q 2021

Property	Submarket	SF	Sign Date	Landlord	Tenant
888 N. Douglas St.	El Segundo	281,110	January 2021	Northrop Grumman	Beyond Meat
20101 Hamilton Ave.	190th Street Corridor	133,272	January 2021	Omninet Capital	County of Los Angeles
555 S. Aviation Blvd.	El Segundo	65,442	March 2021	Tishman Speyer	Belkin International
12777 W. Jefferson Blvd.	Marina Del Rey/Venice	49,187	March 2021	Rockwood Capital LLC	Facebook

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery Date
One Westside	10800-10900 W. Pico Blvd.	West Los Angeles	584,000	Hudson Pacific Properties, Inc.	April 2022
Lumen West LA	11355-11377 W. Olympic Blvd.	Olympic Corridor	553,475	Northwood Investors, LLC	January 2022
888 N. Douglas St.	888 N. Douglas St.	El Segundo	550,000	Northrop Grumman Corp.	May 2021
LA County Dept. Mental Health	510-550 S. Vermont Ave.	Koreatown	468,000	County of Los Angeles	October 2021
Burbank Studios	3000 W. Alameda Ave.	Burbank	445,000	Worthe Real Estate Group	January 2023

DATA SOURCE: EDD, COSTAR, LOS ANGELES BUSINESS JOURNAL, NY TIMES

Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 21 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, property management, consulting, project and construction management, and debt equity finance services for all property types.

The information in this report was composed by the Kidder Mathews Research Group.

GARY BARAGONA

Director of Research
415.229.8925

gary.baragona@kidder.com

MARK READ

Regional President, Brokerage
Southern California & Southwest
213.421.1400

mark.read@kidder.com

LIC N° 00572743

**Commercial
Brokerage**

\$8B
TRANSACTION
VOLUME (ANNUAL)

23M
SALES SF
(ANNUAL)

42M
LEASING SF
(ANNUAL)

**Valuation
Advisory**

1,800+
ASSIGNMENTS
ANNUALLY

40/19
TOTAL NO.
APPRAISERS/MAI'S

**Property
Management**

70M+
MANAGEMENT
PORTFOLIO SF

\$12B+
IN ASSETS UNDER
MANAGEMENT

**km Kidder
Mathews**