

**MARKET TRENDS | LOS ANGELES**

# OFFICE

**MARKET DRIVERS**

**LEASING ACTIVITY** ramped up in the second quarter with over 3.8M SF leased, the highest since the pandemic began in the first half of 2020.

**BECAUSE SUBLEASE** availabilities are at all-time highs, the rate at which sublease space was hitting the market has dropped. 2Q21 reported 9.7M SF of available sublet space, over 100K SF lower than the quarter prior.

**ASKING RATES** decreased across the metro, concluding at \$3.44/SF on a full-service basis. Many landlords have offered discounted rents and many concessions and incentives to lure or retain tenants. Asking rates for new sublet space have averaged \$0.22/SF less than direct space.

**KNOWN** as a major tech hub, Silicon Beach received some major deals in the second quarter. Hulu, Snap, and Roku were some of the top deals with 344K SF, 145K SF, and 72K SF leased, respectively.

**LOW INTEREST RATES** and SBA programs have contributed to the increase in demand for purchase opportunities with 43 transactions completed. Tenants who made short-term solutions during the pandemic have applied their focus towards purchases in order to build equity. The average sale price in 2Q21 was \$401.13/SF with cap rates settling at 5.6%.

**ECONOMIC REVIEW**

**AS OF MAY**, the unemployment rate in Los Angeles County remained unchanged at 11.1%.

**COUNTYWIDE JOB LEVELS** increased by 41,000 between April and May with the top sectors being leisure and hospitality (14,400), accommodation and food services (10,000), and educational and health services (7,700).

**NEAR TERM OUTLOOK**

**THE LOS ANGELES** office market will be tested as availabilities remain at all-time highs. Direct asking lease rates are expected to hold steady, but landlords will continue to offer additional incentives to secure deals. With restrictions lifted, leasing activity is expected to increase moving forward as people return to work and tenants continue to reevaluate their space needs.

## Market Summary

	2Q 2021	1Q 2021	2Q 2020	Annual Change
Direct Vacancy Rate	13.0%	12.4%	10.4%	<b>25.06%</b>
Total Availability Rate	18.7%	18.0%	14.9%	<b>25.72%</b>
Direct Asking Lease Rate	\$3.44	\$3.46	\$3.34	<b>2.99%</b>
Total Lease Transactions	3,817,215	3,436,607	2,420,039	<b>57.73%</b>
Sale Transactions	1,579,522	1,409,142	1,506,115	<b>4.87%</b>
Direct Net Absorption	(1,877,488)	(1,658,071)	(792,668)	<b>N/A</b>

**▲ 3.8M**
**LEASING ACTIVITY**
**▼ -1.8M**
**NET ABSORPTION (SF)**
**▲ 13.0%**
**VACANCY RATE**
**▲ \$3.44**
**AVERAGE ASKING RENT**
**▲ 303K**
**NEW DELIVERIES (SF)**
**YEAR OVER YEAR TREND**

## Market Highlights

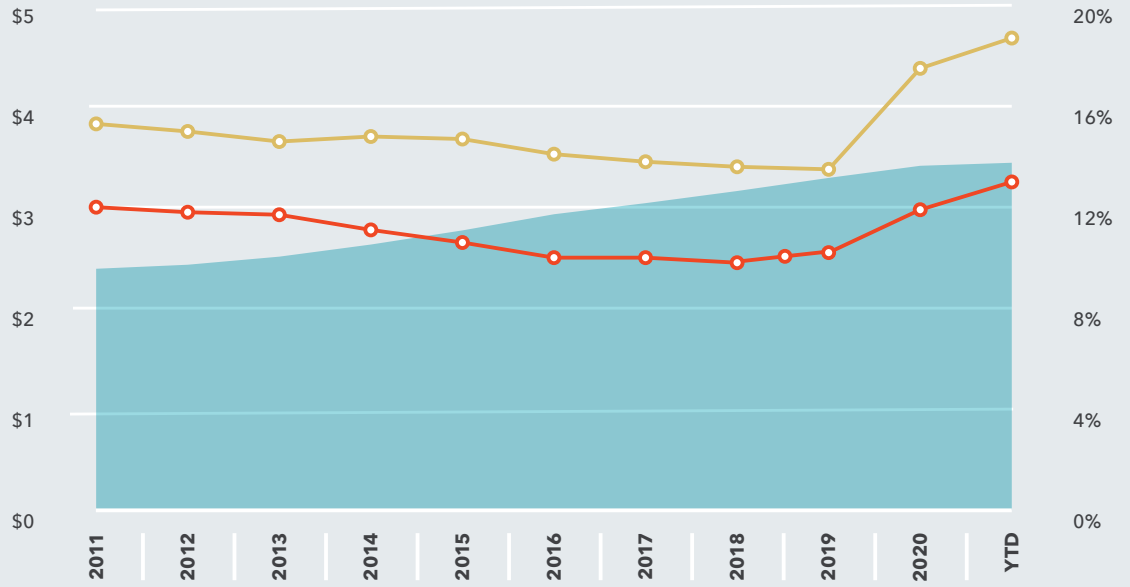
**DIRECT VACANCIES** market wide concluded the quarter at 13.0%.

**AVERAGE ASKING RATES** in 2Q21 were at \$3.44/SF on a full-service basis.

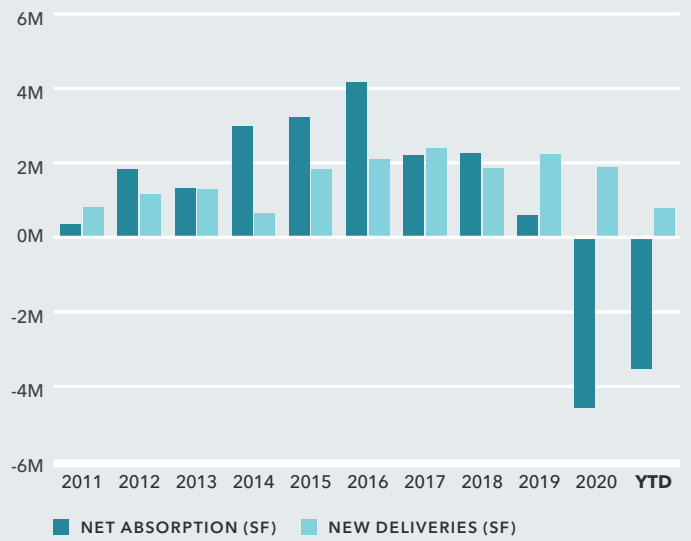
**303K SF WAS DELIVERED** in the second quarter with 6.6M SF currently under construction.

# Lease Rate, Vacancy & Availability

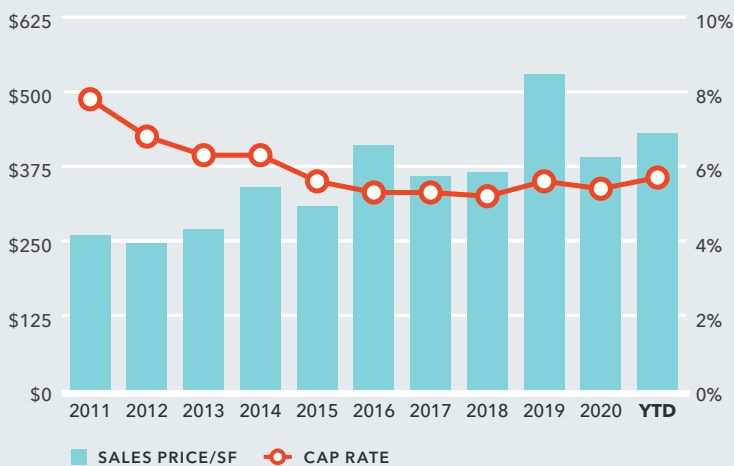
- DIRECT LEASE RATE (FSG)
- DIRECT VACANCY
- TOTAL AVAILABILITY



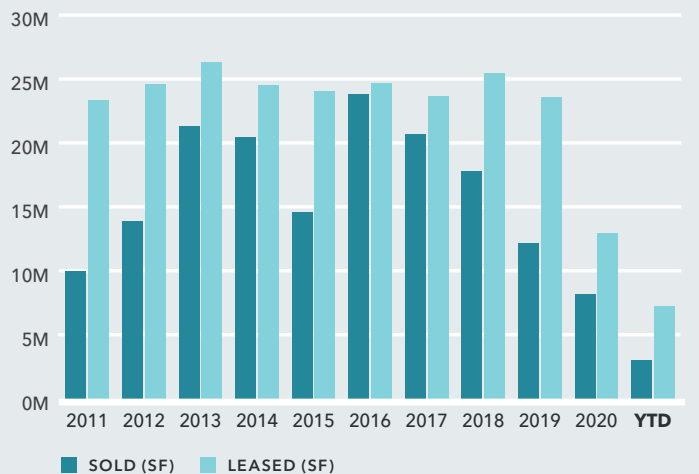
# Net Absorption & New Deliveries



# 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	2Q Direct Net Absorption	YTD Direct Net Absorption	2Q Leasing Activity	YTD Leasing Activity	Average Rental Rate (FS)
<b>Tri-Cities</b>	<b>40,947,339</b>	<b>10.2%</b>	<b>0.8%</b>	<b>10.9%</b>	<b>16.6%</b>	<b>27,975</b>	<b>(14,248)</b>	<b>508,964</b>	<b>762,740</b>	<b>\$3.35</b>
Burbank	13,332,388	5.4%	0.9%	6.2%	9.9%	99,033	88,679	173,424	234,000	\$3.71
Glendale	11,296,434	13.4%	0.6%	14.0%	17.2%	9,200	(74,031)	127,502	196,850	\$3.23
Pasadena	16,318,517	11.9%	0.8%	12.7%	21.6%	(80,258)	(28,896)	208,038	331,890	\$3.23
<b>Downtown Los Angeles</b>	<b>67,909,780</b>	<b>15.8%</b>	<b>0.9%</b>	<b>16.7%</b>	<b>21.6%</b>	<b>(95,872)</b>	<b>(8,458)</b>	<b>241,246</b>	<b>620,700</b>	<b>\$3.27</b>
<b>Mid-Cities</b>	<b>8,551,920</b>	<b>7.9%</b>	<b>0.1%</b>	<b>8.0%</b>	<b>9.2%</b>	<b>126,728</b>	<b>109,741</b>	<b>54,057</b>	<b>147,299</b>	<b>\$2.25</b>
<b>Mid-Wilshire</b>	<b>41,747,282</b>	<b>16.0%</b>	<b>1.2%</b>	<b>17.2%</b>	<b>19.3%</b>	<b>(387,156)</b>	<b>(751,502)</b>	<b>314,126</b>	<b>575,740</b>	<b>\$3.22</b>
East Hollywood/Silver Lake	2,878,003	5.2%	1.3%	6.4%	13.0%	5,832	7,557	10,314	17,489	\$2.62
Hollywood	9,339,656	16.7%	2.7%	19.4%	20.6%	(96,915)	(212,571)	42,261	137,271	\$4.78
Mid-Wilshire	15,074,673	16.4%	0.2%	16.5%	17.8%	(48,572)	(74,460)	85,694	145,103	\$2.36
Miracle Mile	5,757,344	24.6%	0.9%	25.5%	27.1%	(132,177)	(269,176)	99,675	141,899	\$4.09
Park Mile	1,807,680	22.1%	0.3%	22.4%	25.9%	(25,920)	(43,404)	11,589	12,739	\$3.13
West Hollywood	6,889,926	10.1%	1.9%	12.0%	15.4%	(89,404)	(159,448)	64,593	121,239	\$4.44
<b>San Fernando Valley</b>	<b>45,632,070</b>	<b>11.2%</b>	<b>1.0%</b>	<b>12.2%</b>	<b>16.0%</b>	<b>(96,266)</b>	<b>(181,490)</b>	<b>371,225</b>	<b>872,870</b>	<b>\$2.64</b>
Calabasas/Westlake Village	6,958,168	10.6%	1.7%	12.3%	17.7%	(17,567)	19,425	40,099	171,571	\$2.65
Eastern SFV	5,411,157	6.2%	0.1%	6.4%	8.1%	21,568	(13,563)	25,536	44,003	\$2.31
Encino	4,826,975	14.5%	1.4%	15.9%	19.4%	(3,694)	(48,160)	66,688	133,142	\$2.75
North Hollywood	2,575,607	18.7%	2.1%	20.8%	23.2%	(14,226)	(25,752)	9,315	11,739	\$3.59
Sherman Oaks	3,564,004	15.4%	0.7%	16.0%	22.2%	(79,881)	(65,757)	50,399	100,738	\$2.67
Studio/Universal Cities	3,441,764	7.7%	2.5%	10.2%	14.1%	(14,719)	(34,562)	33,050	77,770	\$3.14
Tarzana	1,735,058	9.9%	0.5%	10.4%	14.5%	(13,059)	(28,075)	13,034	30,865	\$2.78
Western SFV	7,792,995	10.0%	0.4%	10.4%	13.0%	51,053	97,613	53,548	127,994	\$2.49
Woodland Hills/Warner City	9,326,342	11.6%	0.9%	12.4%	16.6%	(25,741)	(82,659)	79,556	175,048	\$2.47
<b>San Gabriel Valley</b>	<b>28,385,121</b>	<b>7.5%</b>	<b>0.5%</b>	<b>7.9%</b>	<b>9.2%</b>	<b>38,495</b>	<b>65,701</b>	<b>239,946</b>	<b>382,245</b>	<b>\$2.43</b>
<b>South Bay</b>	<b>57,338,690</b>	<b>14.4%</b>	<b>1.4%</b>	<b>15.8%</b>	<b>18.3%</b>	<b>(454,278)</b>	<b>(623,938)</b>	<b>600,670</b>	<b>1,566,807</b>	<b>\$3.15</b>
190th Street Corridor	5,098,733	13.2%	0.6%	13.8%	10.3%	(130,177)	80,656	62,540	203,399	\$2.70
Beach Cities/Palos Verdes	4,574,057	7.5%	2.5%	10.0%	14.7%	(19,413)	41,817	26,456	48,363	\$3.17
El Segundo	17,290,115	14.9%	2.3%	17.2%	23.2%	(293,454)	(516,824)	255,533	661,608	\$4.21
Hawthorne/Gardena	2,092,597	9.3%	0.0%	9.3%	10.6%	(26,724)	7,444	24,774	29,414	\$2.11
LAX	4,052,045	38.0%	0.4%	38.4%	31.2%	(22,326)	(97,313)	19,191	85,226	\$2.30
Downtown Long Beach	7,515,218	14.6%	0.9%	15.6%	17.3%	45,267	(808)	79,290	262,209	\$2.43
Suburban Long Beach	8,604,850	12.9%	0.4%	13.3%	15.8%	(54,516)	(187,754)	49,334	91,846	\$2.50
Torrance	8,111,075	8.9%	1.7%	10.6%	13.8%	47,065	48,844	83,552	184,742	\$2.84
<b>Southeast Los Angeles</b>	<b>7,579,368</b>	<b>5.4%</b>	<b>0.4%</b>	<b>5.8%</b>	<b>9.1%</b>	<b>26,789</b>	<b>60,542</b>	<b>21,815</b>	<b>67,817</b>	<b>\$2.31</b>
<b>West Los Angeles</b>	<b>73,081,089</b>	<b>13.8%</b>	<b>2.2%</b>	<b>16.0%</b>	<b>24.8%</b>	<b>(1,063,903)</b>	<b>(2,190,915)</b>	<b>1,465,166</b>	<b>2,257,604</b>	<b>\$5.17</b>
<b>Los Angeles Total</b>	<b>371,172,659</b>	<b>13.0%</b>	<b>1.2%</b>	<b>14.2%</b>	<b>18.7%</b>	<b>(1,877,488)</b>	<b>(3,534,567)</b>	<b>3,817,215</b>	<b>7,253,822</b>	<b>\$3.44</b>
Class A	178,375,460	15.9%	1.6%	17.5%	23.3%	(1,646,683)	(2,680,612)	2,233,383	4,074,163	\$3.63
Class B	148,789,897	11.3%	0.9%	12.2%	16.1%	(140,576)	(695,316)	1,325,362	2,683,106	\$3.17
Class C	43,996,900	6.9%	0.3%	7.3%	9.1%	(90,229)	(158,639)	258,470	496,553	\$3.17
<b>Class Total</b>	<b>371,172,659</b>	<b>13.0%</b>	<b>1.2%</b>	<b>14.2%</b>	<b>18.7%</b>	<b>(1,877,488)</b>	<b>(3,534,567)</b>	<b>3,817,215</b>	<b>7,253,822</b>	<b>\$3.44</b>

## TOP SALE TRANSACTIONS FOR 2Q 2021

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
The Switchyard(2 Bldgs.)	Downtown Los Angeles	157,247	\$80,000,000	\$508.75	SteelWave, Inc.	C.E.G. Construction
The Park	Calabasas	222,524	\$79,000,000	\$355.02	Gemdale USA Corp.	Rising Realty Partners
The Link	Burbank	124,785	\$61,500,000	\$492.85	Pendulum Property Partners	Fortress Investment Group LLC
Victory Media Campus	Burbank	67,712	\$45,111,000	\$666.22	Nuveen Real Estate	LLJ Ventures
1020 El Centro St	Pasadena	16,098	\$12,500,000	\$776.49	Gangi Development	South Pasadena Unified School District

## TOP LEASE TRANSACTIONS FOR 2Q 2021

Property	Submarket	SF	Sign Date	Landlord	Tenant
Colorado Center	Santa Monica	344,436	June 2021	Boston Properties, Inc.	Hulu
3100 Ocean Park Blvd	Santa Monica	145,060	June 2021	Boston Properties, Inc.	Snap, Inc.
888 N Douglas St	El Segundo	107,878	April 2021	Hackman Capital Partners	L'oreal USA
2425-501 Colorado Ave	Santa Monica	72,019	April 2021	Boston Properties, Inc.	Roku, Inc.

## TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery Date
3000 W Alameda Ave(2 Bldgs.)	3000 W Alameda Ave	Burbank	800,000	Worthe Real Estate Group	January 2023
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
LA County Dept. Mental Health	510-550 S. Vermont Ave.	Koreatown	468,000	County of Los Angeles	October 2021
Entrada	6181 Centinela Ave	Marina Del Rey/Venice	315,000	Lincoln Property Company	July 2021

DATA SOURCE: EDD, COSTAR

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

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**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

**Asset  
Services**

**70M**  
MANAGEMENT  
PORTFOLIO SF

**\$12B**  
IN ASSETS UNDER  
MANAGEMENT

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