

MARKET TRENDS | LOS ANGELES

OFFICE

MARKET DRIVERS

DIRECT NET ABSORPTION for the first time since the start of the pandemic reported positive gains in 4Q 2021 with 637K SF.

SUBLEASE AVAILABILITIES continued to drop after peaking over 9.7M SF in 1Q 2021, falling by 10.5% to 8.7M SF in 4Q 2021. Silicon Beach continues to thrive due to healthy demand fundamentals stemming from the tech industry and the Tri-Cities markets are beginning to experience expansion efforts from media firms and healthcare. Additionally, average asking rates for Class A sublet space are \$0.35/SF less than direct space, making it desirable for tenants.

DIRECT ASKING LEASE RATES remained stagnant, concluding at \$3.45/SF on a full-service basis. Landlords have offered discounted rents and many concessions and incentives to lure or retain tenants.

USER SALES continue to be in high demand as many tenants have applied their focus towards purchases in order to build equity with 54 transactions completed in 4Q 2021. The average sale price in 4Q 2021 was \$486.78/SF with cap rates at 5.4%.

ECONOMIC REVIEW

AS OF NOVEMBER 2021, the unemployment rate fell 70 basis points (bps) from the month prior to 7.1%.

COUNTRYWIDE JOB LEVELS increased by 42,500 between October and November with the retail trade sector expanding by 14,000 jobs.

NEAR TERM OUTLOOK

TECH AND ENTERTAINMENT industries will continue to lead the way in Silicon Beach while Downtown Los Angeles is expected to improve at a slower pace. Rents should remain stagnant with landlords offering concessions in order to maintain rental rates as much as possible. Although it is yet to be seen, with signs of the Omicron Variant across the metro many tenants may further delay returning employees to the office. As signs of normalcy begin to develop, fundamentals will certainly be tested as tenants who made short-term solutions during the pandemic will once again need to assess their real estate footprint in 2022.

Market Summary

	2021	2020	2019	Annual Change
Direct Vacancy Rate	13.1%	11.8%	10.2%	10.97%
Total Availability Rate	18.5%	17.4%	13.5%	6.44%
Direct Asking Lease Rate	\$3.45	\$3.41	\$3.29	1.17%
Total SF Leased	16,741,909	12,930,914	23,484,284	29.47%
Total SF Sold	7,969,002	8,264,809	12,037,897	-3.58%
Direct Net Absorption	(2,508,790)	(4,524,751)	662,173	N/A

▲ 16.7M SF
LEASING ACTIVITY
▼ -2.5M SF
NET ABSORPTION (SF)
▲ 13.1%
VACANCY RATE
▲ \$3.45
AVERAGE ASKING RENT
▲ 2.4M
NEW DELIVERIES (SF)
YEAR OVER YEAR TREND

Market Highlights

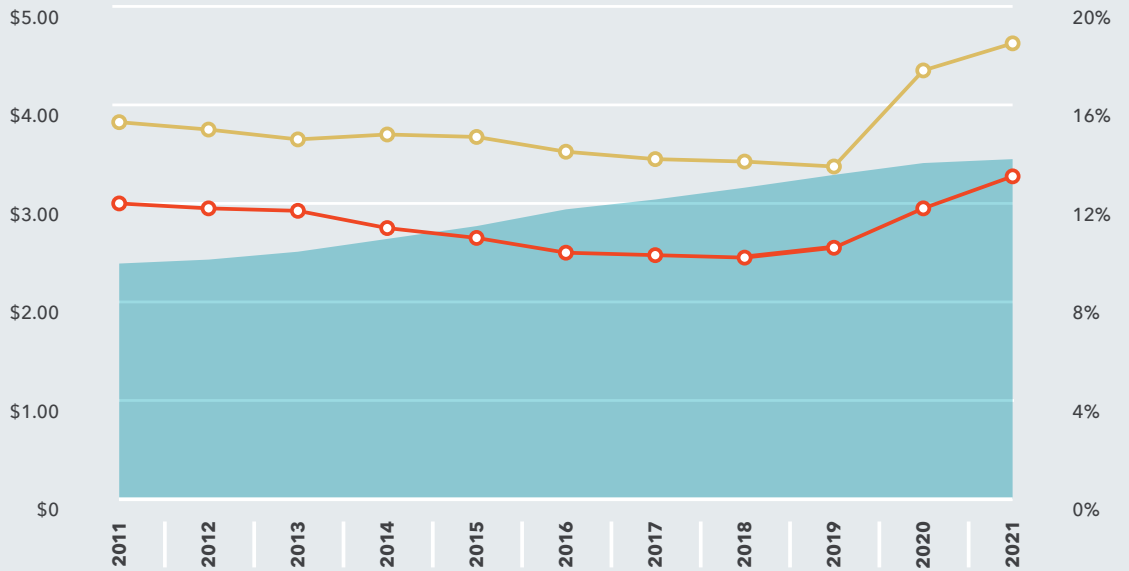
DIRECT VACANCIES market wide concluded the quarter at 13.1%

AVERAGE ASKING RATES were at \$3.45/SF on a full-service basis.

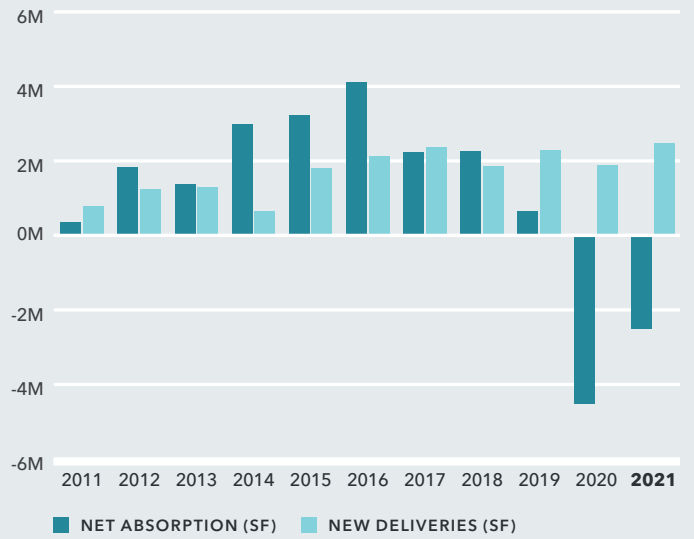
699K SF WAS DELIVERED in the 4th quarter with 6.2M SF currently under construction.

Lease Rate, Vacancy & Availability

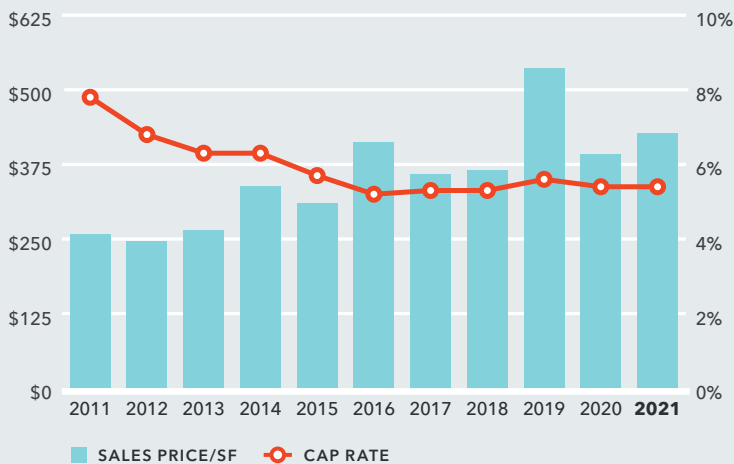
- DIRECT LEASE RATE (FSG)
- DIRECT VACANCY
- TOTAL AVAILABILITY



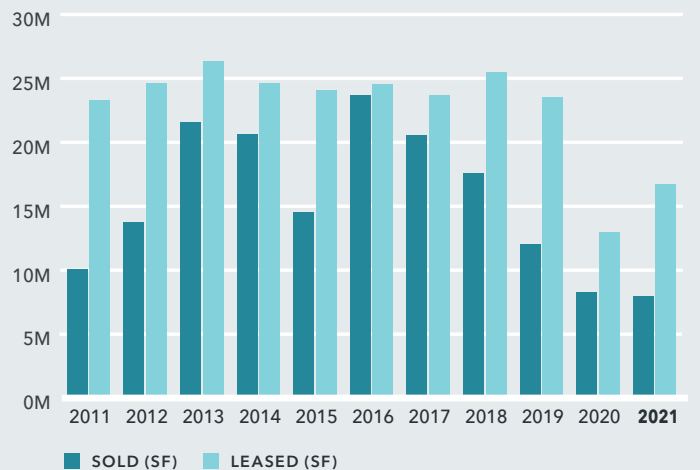
Net Absorption & New Deliveries



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	4Q Direct Net Absorption	2021 Direct Net Absorption	4Q Total Leasing Activity	2021 Leasing Activity	Average Rental Rate (FS)
Tri-Cities	41,199,750	10.6%	1.0%	11.5%	17.6%	(147,210)	(94,262)	317,673	1,475,621	\$3.38
Burbank	13,483,793	5.4%	1.2%	6.6%	12.0%	(76,133)	174,266	111,611	418,722	\$3.85
Glendale	11,399,265	13.8%	0.9%	14.7%	18.2%	(31,163)	(130,579)	92,887	384,147	\$3.21
Pasadena	16,316,692	12.6%	0.8%	13.4%	21.9%	(39,914)	(137,949)	113,175	672,752	\$3.31
Downtown Los Angeles	68,343,338	16.1%	0.8%	16.9%	21.6%	(69,638)	(272,350)	398,012	1,640,035	\$3.24
Mid-Cities	8,717,710	7.3%	0.6%	7.9%	8.5%	48,127	224,732	57,480	285,919	\$2.48
Mid-Wilshire	42,049,999	16.1%	0.9%	17.0%	19.6%	260,626	(417,771)	313,307	1,387,868	\$3.23
East Hollywood/Silver Lake	2,907,687	6.2%	1.2%	7.5%	16.4%	(31,946)	(18,910)	11,590	29,079	\$2.80
Hollywood	9,337,748	17.2%	2.2%	19.4%	20.6%	2,371	(268,049)	88,478	329,843	\$4.73
Mid-Wilshire	15,354,348	17.2%	0.1%	17.4%	18.3%	331,861	193,234	16,499	284,717	\$2.35
Miracle Mile	5,643,648	21.1%	0.9%	22.0%	28.7%	(46,398)	(175,168)	38,144	224,199	\$4.01
Park Mile	1,802,158	23.7%	0.1%	23.7%	26.6%	697	(71,691)	7,474	34,218	\$3.15
West Hollywood	7,004,410	10.1%	0.8%	10.9%	13.4%	4,041	(77,187)	151,122	485,812	\$4.64
San Fernando Valley	45,484,573	11.2%	1.3%	12.5%	16.1%	229,747	(92,588)	739,849	2,265,659	\$2.64
Calabasas/Westlake Village	6,939,656	14.0%	2.0%	16.0%	20.4%	(74,168)	(213,201)	103,730	365,234	\$2.63
Eastern SFV	5,320,054	6.0%	0.2%	6.2%	7.8%	4,868	3,455	29,203	99,098	\$2.32
Encino	4,812,436	13.5%	1.8%	15.2%	16.9%	51,912	4,844	121,944	344,437	\$2.89
North Hollywood	2,575,607	16.2%	1.8%	18.0%	21.9%	42,353	26,440	765	71,071	\$3.59
Sherman Oaks	3,439,649	17.0%	2.0%	19.0%	21.7%	33,088	(102,701)	177,893	366,236	\$2.78
Studio/Universal Cities	3,442,542	6.0%	2.1%	8.2%	12.1%	22,346	24,194	12,065	130,570	\$3.16
Tarzana	1,735,058	9.2%	0.1%	9.3%	13.6%	(1,794)	(26,903)	16,611	106,016	\$2.66
Western SFV	7,883,745	10.1%	0.4%	10.5%	14.4%	22,685	179,621	92,121	281,669	\$2.48
Woodland Hills/Warner City	9,335,826	10.5%	1.4%	12.0%	16.6%	128,457	11,663	185,517	501,328	\$2.49
San Gabriel Valley	28,460,414	7.0%	0.5%	7.5%	8.9%	(12,637)	211,424	196,009	780,270	\$2.48
South Bay	57,265,933	14.0%	1.3%	15.3%	17.5%	239,500	90,868	421,443	2,767,716	\$3.17
190th Street Corridor	5,140,309	14.0%	0.6%	14.6%	10.5%	(36,496)	37,055	19,666	293,934	\$2.74
Beach Cities/Palos Verdes	4,529,312	7.2%	2.3%	9.5%	12.8%	(9,722)	45,661	32,696	145,631	\$3.18
El Segundo	17,789,712	14.0%	2.0%	16.0%	21.3%	37,061	(5,149)	225,256	1,294,566	\$4.21
Hawthorne/Gardena	2,153,736	8.6%	0.3%	8.9%	13.4%	55,464	77,461	8,321	50,453	\$2.12
LAX	4,028,049	32.9%	0.6%	33.5%	27.5%	209,241	117,450	11,371	111,586	\$2.39
Downtown Long Beach	7,534,450	15.2%	1.0%	16.2%	17.8%	(33,649)	(27,517)	40,837	367,719	\$2.46
Suburban Long Beach	8,576,289	13.8%	0.1%	13.9%	15.3%	890	(256,187)	32,304	201,470	\$2.51
Torrance	7,514,076	8.2%	1.9%	10.1%	13.9%	16,711	102,094	50,992	302,357	\$2.85
Southeast Los Angeles	7,527,191	5.1%	0.1%	5.3%	6.8%	35,945	113,452	52,265	224,022	\$2.45
West Los Angeles	73,722,546	14.3%	2.4%	16.8%	23.9%	52,417	(2,272,295)	1,531,109	5,914,799	\$5.23
Los Angeles Total	372,771,454	13.1%	1.2%	14.3%	18.5%	636,877	(2,508,790)	4,027,147	16,741,909	\$3.45
Class A	176,888,118	16.2%	1.7%	17.9%	23.3%	596,813	(2,095,361)	2,204,816	9,226,859	\$3.65
Class B	151,979,587	11.5%	1.0%	12.4%	16.0%	(145,261)	(614,680)	1,510,159	6,350,988	\$3.31
Class C	43,903,749	6.2%	0.2%	6.4%	8.1%	185,325	201,251	312,172	1,164,062	\$3.28
Class Total	372,771,454	13.1%	1.2%	14.3%	18.5%	636,877	(2,508,790)	4,027,147	16,741,909	\$3.45

TOP SALE TRANSACTIONS FOR 2021

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
The Post	Beverly Hills	102,500	\$153,200,000	\$1,494.63	IRA Capital, LLC	Worthe Real Estate Group
9050 Washington Blvd	Culver City	130,356	\$119,784,587	\$918.90	Hackman Capital Partners	H&R Real Estate Investment Trust
Lankershim Plaza	North Hollywood	179,741	\$92,000,000	\$511.85	Divco West Services, LLC	J.H. Snyder Co.
2600 W Olive Ave	Burbank	152,834	\$90,500,000	\$592.15	Pacshore Partners	Granite Properties, Inc.

TOP LEASE TRANSACTIONS FOR 2021

Property	Submarket	SF	Sign Date	Landlord	Tenant
2000 Avenue of the Stars	Century City	302,911	June 21	Hines	Creative Artists Agency
888 N Douglas St	El Segundo	281,110	January 21	Hackman Capital Partners	Beyond Meat Inc.
12101 W Olympic Blvd	Olympic Corridor	199,882	November 21	Hines	Riot Games, Inc.
2450 Broadway	Santa Monica	185,787	June 21	Boston Properties, Inc.	Hulu

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery Date
Burbank Studios Bldg. 1&2	3000 W Alameda Ave	Burbank	800,000	Worthe Real Estate Group	January 23
One Westside	10800-10900 W Pico Blvd	West Los Angeles	584,000	Hudson Pacific Properties, Inc.	April 22
LUMEN West LA	11355-11377 W Olympic Blvd	Olympic Corridor	553,475	Northwood Investors, LLC	January 22
100 Universal City Plz	100 Universal City Plz	Studio/Universal Cities	331,000	Aurora Development, Inc.	April 23
Entrada	6181 Centinela Ave	Marina Del Rey/Venice	306,000	Lincoln Property Company	January 22

DATA SOURCE: EDD, COSTAR

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, asset services, consulting, project and construction management, and debt equity finance services for all property types.

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**Commercial
 Brokerage**

\$8B
 TRANSACTION
 VOLUME (ANNUAL)

23M
 SALES SF
 (ANNUAL)

42M
 LEASING SF
 (ANNUAL)

**Valuation
 Advisory**

1,800+
 ASSIGNMENTS
 ANNUALLY

45/23
 TOTAL NO.
 APPRAISERS/MAI'S

**Asset
 Services**

64M
 MANAGEMENT
 PORTFOLIO SF

\$11B
 IN ASSETS UNDER
 MANAGEMENT

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