

MARKET TRENDS | LOS ANGELES

OFFICE

MARKET DRIVERS

AS THE FALLOUT is addressed in various ways by office tenants, investors, and owners, the Greater Los Angeles office market is showing early signs of fragmented and slow recovery as businesses shed space at a slower pace in an apparent calculation that better times are ahead.

AFTER REPORTING NEGATIVE GAINS in 1Q 2022, direct net absorption reported positive in 2Q 2022 with 407K SF. The favorable increase in direct net absorption gains was due to tenants leasing space in previous quarters waiting for tenant improvements to be completed.

SUBLEASE AVAILABILITIES have increased slightly to over 9.8M SF in 2Q 2022, lifting it by 4.3% from 9.4M SF in 2Q 2021. Rent growth in West Los Angeles has been fueled by strong lease activity, with tech, media, and entertainment tenants signing large expansions and renewals.

DIRECT ASKING LEASE RATES increased in 2Q 2022, concluding at \$3.51/SF on a full-service basis. Concessions have been reduced slightly, indicating that the economy is stabilizing as businesses shed less space in anticipation of better times ahead.

THE METRO'S EVER-EXPANDING MEDIA and film production space dominated 2021 deals, with tech and medical offices also seeing significant activity. Sales activity remained slightly lower than 2020 average. The average sale price in 2Q 2022 was \$252.51/SF with cap rates at 5.2%.

ECONOMIC REVIEW

AS OF MAY 2022, the unemployment rate increased 30 basis points (bps) from the month prior to 4.3%.

COUNTYWIDE JOB LEVELS increased by 9,700 between April and May with the subsectors of professional, scientific and technical services down 3,000 jobs.

NEAR TERM OUTLOOK

CULVER CITY, which is home to Amazon Studios and Warner Bros. Discovery, is still Los Angeles' hottest entertainment district. West Los Angeles has recovered faster than the rest of the county. The growing popularity of Century City, which is appealing due to its central location, as well as the presence of the Westfield Century City mall and the incipient Fairmont Century Plaza hotel, has contributed to West L.A.'s resurgence.

Market Summary

	2Q22	1Q22	2Q21	Annual Change
Direct Vacancy Rate	13.5%	13.5%	13.1%	3.08%
Total Availability Rate	18.9%	19.0%	18.1%	4.19%
Direct Asking Lease Rate	\$3.51	\$3.52	\$3.45	1.74%
Total SF Leased	3,869,609	3,635,570	5,084,346	-23.89%
Total SF Sold	1,690,976	2,554,730	2,387,512	-29.17%
Direct Net Absorption	407,465	(536,650)	(1,043,955)	N/A

▲ 3.9M SF
LEASING ACTIVITY
▲ 407K SF
NET ABSORPTION (SF)
▲ 13.5%
VACANCY RATE
▲ \$3.51
AVERAGE ASKING RENT
▼ 366K SF
NEW DELIVERIES (SF)
YEAR OVER YEAR TREND

Market Highlights

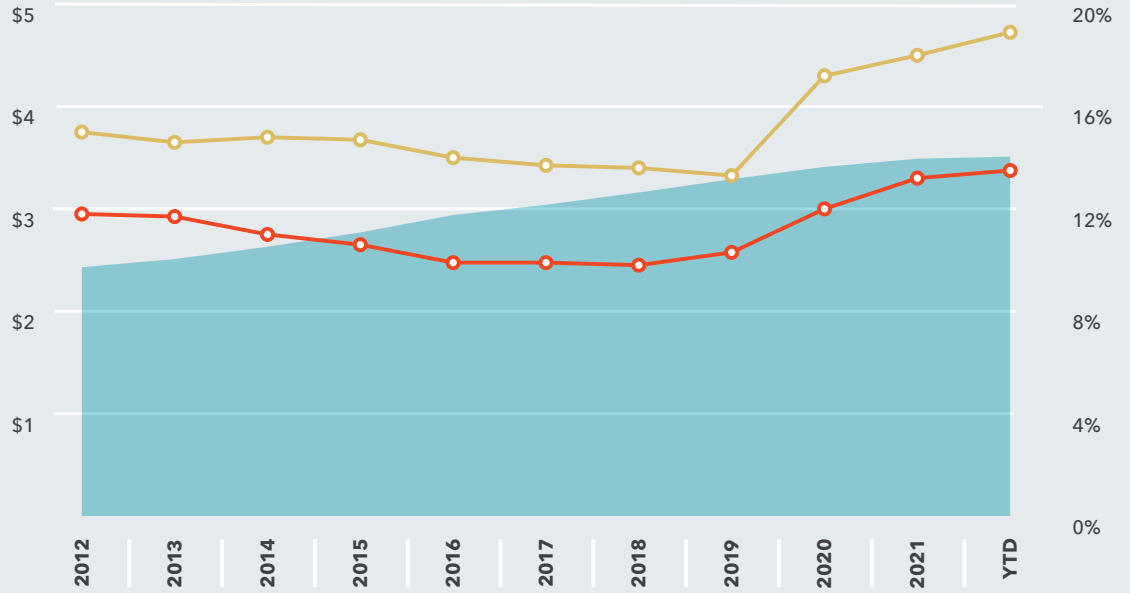
DIRECT VACANCIES market wide concluded the quarter at 13.5%

AVERAGE ASKING RATES were at \$3.51/SF on a full-service basis

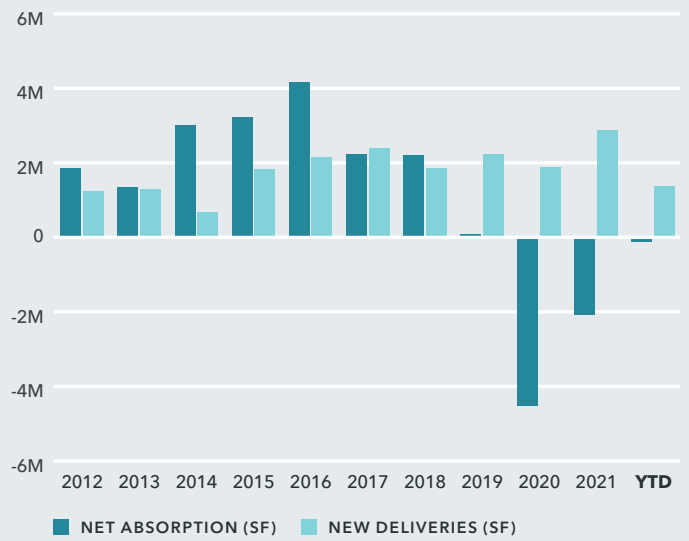
366K SF WAS DELIVERED in the second quarter with 4.4M SF currently under construction

Lease Rate, Vacancy & Availability

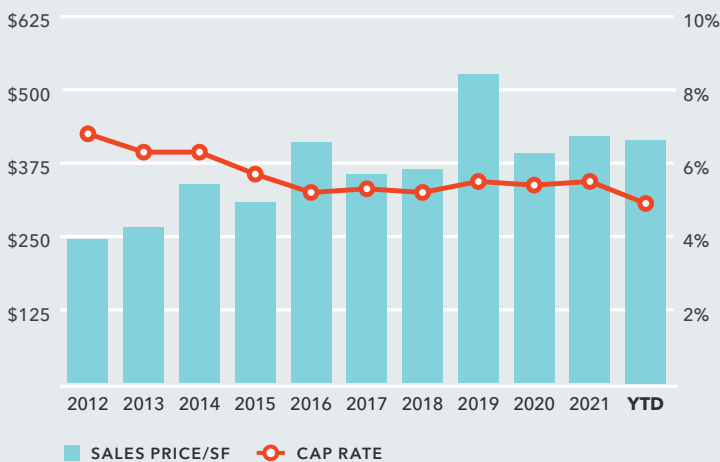
■ DIRECT LEASE RATE (FSG)
○ DIRECT VACANCY
○ TOTAL AVAILABILITY



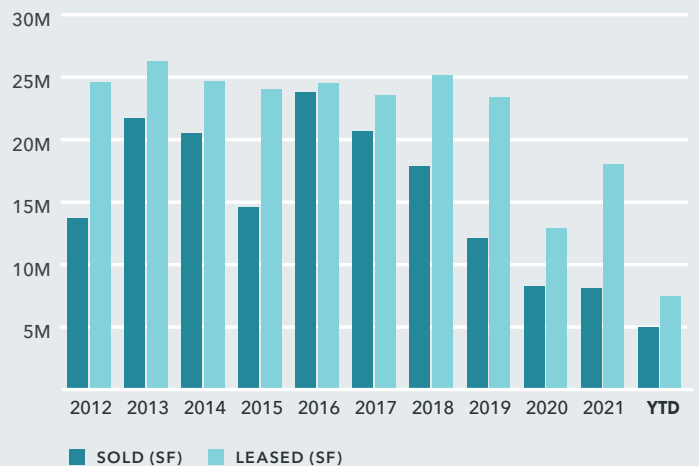
Net Absorption & New Deliveries



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	2QQ Direct Net Absorption	YTD Direct Net Absorption	2Q Total Leasing Activity	YTD Leasing Activity	Average Rental Rate (FS)
Tri-Cities	41,537,347	11.6%	1.0%	12.5%	17.6%	(211,784)	(270,213)	403,084	785,416	\$3.50
Burbank	13,476,767	5.7%	1.2%	6.9%	13.9%	(16,122)	(16,410)	60,543	101,156	\$4.13
Glendale	11,402,785	14.4%	0.9%	15.3%	19.2%	(26,140)	(91,439)	128,945	240,844	\$3.29
Pasadena	16,657,795	14.4%	0.7%	15.2%	19.6%	(169,522)	(162,364)	213,596	443,416	\$3.24
Downtown Los Angeles	68,444,025	16.5%	0.9%	17.4%	21.4%	151,705	(100,503)	436,043	741,572	\$3.25
Mid-Cities	8,678,498	6.3%	0.7%	7.0%	8.4%	101,561	68,524	41,217	88,034	\$2.50
Mid-Wilshire	42,393,165	15.9%	1.0%	16.9%	19.5%	43,453	(1,172)	357,942	760,333	\$3.29
East Hollywood/Silver Lake	2,896,576	7.9%	0.1%	8.0%	9.5%	(42,704)	(44,624)	20,175	22,729	\$2.96
Hollywood	9,571,611	14.6%	2.1%	16.7%	18.1%	149,890	202,755	131,489	288,432	\$4.78
Mid-Wilshire	15,424,640	17.2%	0.1%	17.4%	19.4%	70,797	(19,979)	65,547	126,684	\$2.40
Miracle Mile	5,644,648	24.0%	1.2%	25.2%	31.2%	(175,695)	(182,473)	60,637	92,926	\$4.13
Park Mile	1,796,994	25.4%	1.7%	27.1%	31.6%	(13,080)	(8,347)	10,187	11,736	\$3.08
West Hollywood	7,058,696	9.0%	1.6%	10.6%	13.5%	54,245	51,496	69,907	217,826	\$4.64
San Fernando Valley	46,154,608	12.3%	1.3%	13.7%	17.4%	(41,713)	(179,439)	488,259	1,121,600	\$2.81
Calabasas/Westlake Village	7,015,941	14.9%	2.2%	17.0%	20.3%	(45,524)	(106,008)	64,535	166,444	\$2.67
Eastern SFV	5,312,022	6.8%	0.2%	7.0%	8.1%	(18,374)	(53,068)	47,878	71,322	\$2.37
Encino	4,832,467	9.2%	0.0%	9.2%	10.3%	(4,348)	78,706	800	117,264	\$3.69
North Hollywood	2,575,607	17.0%	0.0%	17.0%	20.8%	(800)	(1,600)	78,330	156,660	\$3.68
Sherman Oaks	3,587,220	17.5%	2.2%	19.7%	21.7%	24,180	61,663	80,603	174,636	\$3.91
Studio/Universal Cities	3,455,358	5.6%	1.5%	7.0%	11.7%	37,178	24,224	22,654	60,651	\$3.35
Tarzana	1,723,554	9.8%	0.1%	9.9%	14.7%	(2,866)	(12,466)	7,893	11,902	\$3.20
Western SFV	7,887,647	9.9%	0.4%	10.2%	14.9%	31,263	(2,419)	77,685	148,542	\$2.54
Woodland Hills/Warner City	9,764,792	14.6%	2.0%	16.6%	22.4%	(62,422)	(168,471)	107,881	214,179	\$2.53
San Gabriel Valley	28,453,546	7.0%	0.5%	7.5%	9.2%	37,993	9,858	186,060	377,704	\$2.56
South Bay	57,442,119	14.4%	1.8%	16.2%	18.7%	35,544	57,710	475,241	1,005,448	\$3.20
190th Street Corridor	4,561,198	16.1%	2.5%	18.6%	13.8%	(33,443)	2,206	53,964	72,509	\$2.90
Beach Cities/Palos Verdes	4,538,206	7.2%	2.3%	9.5%	13.2%	10,733	11,411	14,271	32,147	\$3.22
El Segundo	18,162,785	15.2%	2.4%	17.6%	23.0%	35,136	65,443	110,482	366,799	\$4.22
Hawthorne/Gardena	2,156,881	8.8%	0.3%	9.1%	11.7%	5,973	(12,312)	14,521	27,450	\$2.14
LAX	4,028,049	32.5%	0.6%	33.0%	26.8%	3,255	16,906	11,005	19,952	\$2.43
Downtown Long Beach	7,800,502	15.8%	0.9%	16.7%	22.2%	(37,993)	(90,883)	32,234	75,262	\$2.50
Suburban Long Beach	8,693,975	12.2%	1.4%	13.7%	14.1%	22,015	117,002	116,067	239,327	\$2.53
Torrance	7,500,523	8.8%	1.9%	10.7%	13.7%	29,868	(52,063)	122,697	172,002	\$2.93
Southeast Los Angeles	7,577,491	4.8%	0.1%	4.9%	6.2%	48,950	26,724	30,402	57,062	\$2.49
West Los Angeles	74,571,831	14.7%	2.4%	17.0%	24.1%	241,756	259,326	1,451,361	2,568,010	\$5.15
Los Angeles Total	375,252,630	13.5%	1.3%	14.8%	18.9%	407,465	(129,185)	3,869,609	7,505,179	\$3.51
Class A	177,833,262	16.9%	1.8%	18.7%	23.5%	155,680	(391,797)	2,237,257	4,217,623	\$3.64
Class B	153,472,739	11.9%	1.1%	13.0%	16.5%	140,591	122,050	1,376,841	2,708,130	\$3.36
Class C	43,946,629	5.5%	0.4%	5.8%	8.0%	111,194	140,562	255,511	579,426	\$3.22
Class Total	375,252,630	13.5%	1.3%	14.8%	18.9%	407,465	(129,185)	3,869,609	7,505,179	\$3.51

TOP SALE TRANSACTIONS FOR 2Q22

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
1350 N Western Ave	West Los Angeles	48,915	\$97,750,000	\$1,998	The Carlyle Group	Harrison Street Capital
Shoreline Square Tower	South Bay	620,523	\$60,606,000	\$98	Greenlaw Partners	iStar Financial Inc.
123 S Marengo Ave	West Los Angeles	54,930	\$58,550,000	\$1,066	The Carlyle Group	Harrison Street Capital
5005 McConnell Ave	South Bay	73,000	\$37,800,000	\$518	Tormed Medical Buildings	Cedars-Sinai
Fillmore Raymond MOB	Pasadena	39,810	\$35,000,000	\$893	The Walton Associated Companies	Healthcare Realty
Glendale Financial Square	Glendale	126,509	\$27,500,000	\$217	3D Investments	Hyun 1996-2 Family LP

TOP LEASE TRANSACTIONS FOR 2Q22

Property	Submarket	SF	Sign Date	Landlord	Tenant
2450 Colorado Ave	West Los Angeles	207,821	April 2022	J.P. Morgan Asset Management	Amazon
515 S. Flower St	Downtown Los Angeles	129,317	May 2022	CommonWealth Partners, LLC	TCW Group, Inc.
10 W., Walnut St	Pasadena	92,671	May 2022	Lincoln Property Company	Dine Brands Global
3840 Kilroy Airport Way	Suburban Long Beach	71,753	May 2022	Kilroy Realty Corporation	Blue Shield of California

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.	September 22
LUMEN West LA	11355-11377 W Olympic Blvd	Olympic Corridor	553,475	Northwood Investors, LLC	August 2022
3000 W Alameda Ave Bldg. 1	3000 W Alameda Ave	Burbank	445,000	Worthe Real Estate Group	January 2023
3000 W Alameda Ave Bldg. 2	3000 W Alameda Ave	Burbank	355,000	Worthe Real Estate Group	January 2023
100 Universal City Plz	100 Universal City Plz	Studio/Universal City	331,000	NBCUniversal	April 2023

DATA SOURCE: EDD, COSTAR

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

**Commercial
Brokerage**

\$10.9B
TRANSACTION
VOLUME (ANNUAL)

49.7M **43.7M**
SALES SF (ANNUAL) LEASING SF (ANNUAL)

**Valuation
Advisory**

2,600+
ASSIGNMENTS
ANNUALLY

50/25
TOTAL NO.
APPRAISERS/MAI'S

**Asset
Services**

62M
MANAGEMENT
PORTFOLIO SF

\$11B
IN ASSETS UNDER
MANAGEMENT

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