

# Los Angeles County

## Office Market Outlook Q1 2022

### MARKET OVERVIEW

Los Angeles County's office market took one step back as companies continued to struggle to bring their people back into the office after the pandemic shutdown. With the vacancy rate inching upward, since dropping in the fourth quarter of 2021, demand for office space remained inconsistent across the region. Many submarkets lost gains in occupancy as vacancy increased 20 basis points quarter over quarter to 14.4 percent, up 120 basis points from last year. The average asking rent edged up from the previous quarter as new construction added 1 million square feet, mostly vacant, to the inventory.

The accumulation of available office space on the market built up this quarter, while work from home and space utilization strategies continue to play out. A burst of leasing activity took place, in the LA West office market from tech and media companies, but it was not enough to overcome the tide of available space coming on the market. This quarter, total available office space was back up to an all-time high of 70.4 million square feet. Similarly, available sublease space swelled 6.4 percent from the prior quarter, slightly lower than last year but above Great Recession levels, at more than 9.6 million square feet. Rents remained stubbornly high, up 5-cents from the previous quarter and 6-cents year over year to \$3.49/SF, full service gross.

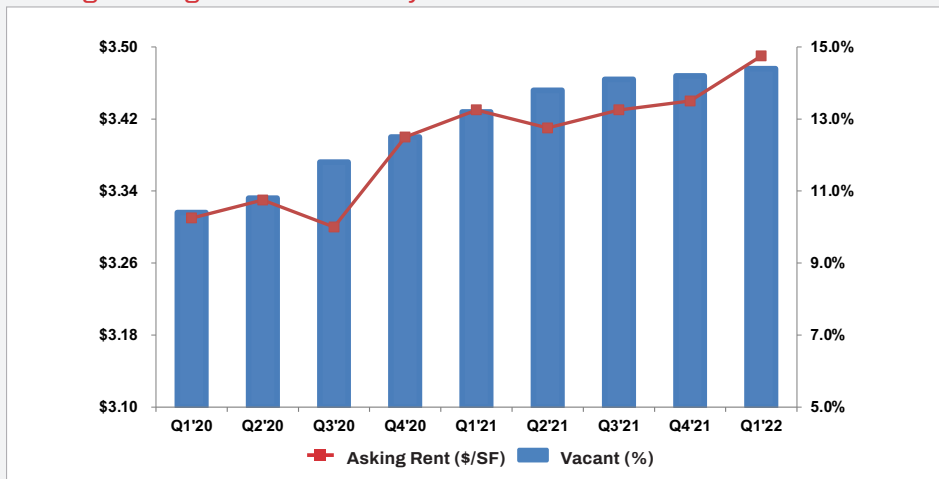
### TRENDS TO WATCH

Completed construction continued to be added to the market, mainly in LA West. Of the 1 million square of newly completed office space LA County, 631,704 square feet was added in LA West. The vacancy rate for the new construction built over the past two years in LA West registered 39 percent, 31.6 percent overall in Los Angeles County. The average asking rent for new construction fell 3.3 percent from the prior quarter, down 2.2 percent year over year, to \$5.27/SF, full service gross,

Quarter over quarter low-mid-rise office buildings (buildings 6-stories and under) gained 754,507 square feet of positive net absorption while high-rise buildings (7-stories or higher) experienced 931,434 square feet of negative net absorption. Vacancy in low-mid-rise office buildings declined while in high-rise buildings it increased. Rent in low-mid-rise buildings increased 3.2 percent to \$3.59/SF, compared to 1.2 percent for high-rise office space at \$3.41/SF, year over year.

Work from home and trends toward physical distancing post pandemic has shifted demand for office space significantly, forging a preference toward low-mid-rise office buildings within less dense suburban office markets. Predominantly low-mid-rise office buildings saw improvement, whereas high-rises, so far, lagged in the recovery.

Average Asking Rent and Vacancy Rate



### MARKET OUTLOOK

#### Asking Rental Rates



#### Sale Prices



#### Availability/Vacancy Rates



#### Landlord Concessions



#### Sales/Leasing Volume



#### New Construction



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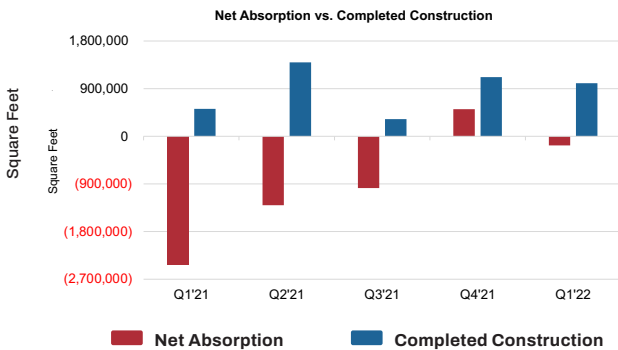
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### Market Statistics\*

SUBMARKET	EXISTING TOTAL RBA (SF)	UNDER CONSTRUCTION (SF)	TOTAL AVAILABLE (%)	TOTAL VACANCY (%)	LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT (\$/SF FSG)	AVERAGE SALE PRICE (\$/SF)
Central	65,381,813	295,100	19.4%	15.5%	535,849	535,849	85,242	85,242	\$3.30	\$359
Mid-Wilshire	16,210,840	0	20.9%	19.7%	60,231	60,231	42,861	42,861	\$2.46	\$630
LA North	61,362,390	362,391	18.0%	13.6%	941,007	941,007	734,687	734,687	\$2.76	\$297
San Gabriel Valley	34,901,574	138,997	8.4%	7.0%	253,005	253,005	326,340	326,340	\$2.59	\$293
South Bay	65,801,867	175,000	18.3%	15.5%	813,034	813,034	829,768	829,768	\$3.26	\$267
Tri-Cities	42,102,304	924,182	15.8%	11.4%	436,599	436,599	161,805	161,805	\$3.50	\$493
LA West	103,271,270	1,746,695	20.9%	16.3%	2,015,459	2,015,459	1,417,957	1,417,957	\$5.04	\$887
<b>Los Angeles County</b>	<b>389,032,058</b>	<b>3,642,365</b>	<b>18.1%</b>	<b>14.4%</b>	<b>5,055,184</b>	<b>5,055,184</b>	<b>3,598,660</b>	<b>3,598,660</b>	<b>\$3.49</b>	<b>\$555</b>

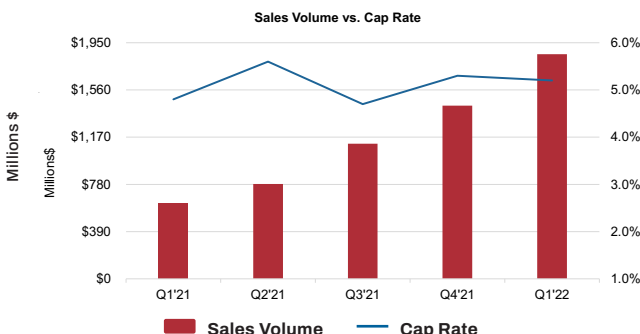
### Net Absorption, Completed Construction Trends

Office market net absorption depicted the momentum change that happened in the first quarter of 2022. After a positive fourth quarter, net absorption turned negative as completed construction added supply to the market. From the first quarter of 2021 to the first quarter of 2022 completed construction totaled 4,363,284 square feet and net absorption totaled a negative 4,364,504 square feet.



### Sales and Cap Rate Trends

Sales volume increased in the first quarter, up 29.6 percent from the fourth quarter of 2021 to \$1,854,867,301 as users and investors sought opportunity in the market considering the uncertainty of increased vacancy. The average cap rate dipped 10 basis points from the previous quarter, up 40 basis points year over year to 5.2 percent. The average sale price per square foot in the first quarter of 2022 increased 14.8 percent year over year.



### Select Lease Transactions

TENANT	ADDRESS	CITY	SUBMARKET	SQUARE FEET
Nike	5533 Waters Edge Way	Playa Vista	LA West	93,121
Buchalter	1000 Wilshire Blvd	Los Angeles	Central LA	82,335
National Veterinary Associates, Inc.	2201 Rosecrans Ave	El Segundo	South Bay	80,000
Company 3	1001 N Seward St	Hollywood	LA West	59,646
Google	12181 Bluff Creek Dr	Playa Vista	LA West	52,782

### Select Sales Transactions

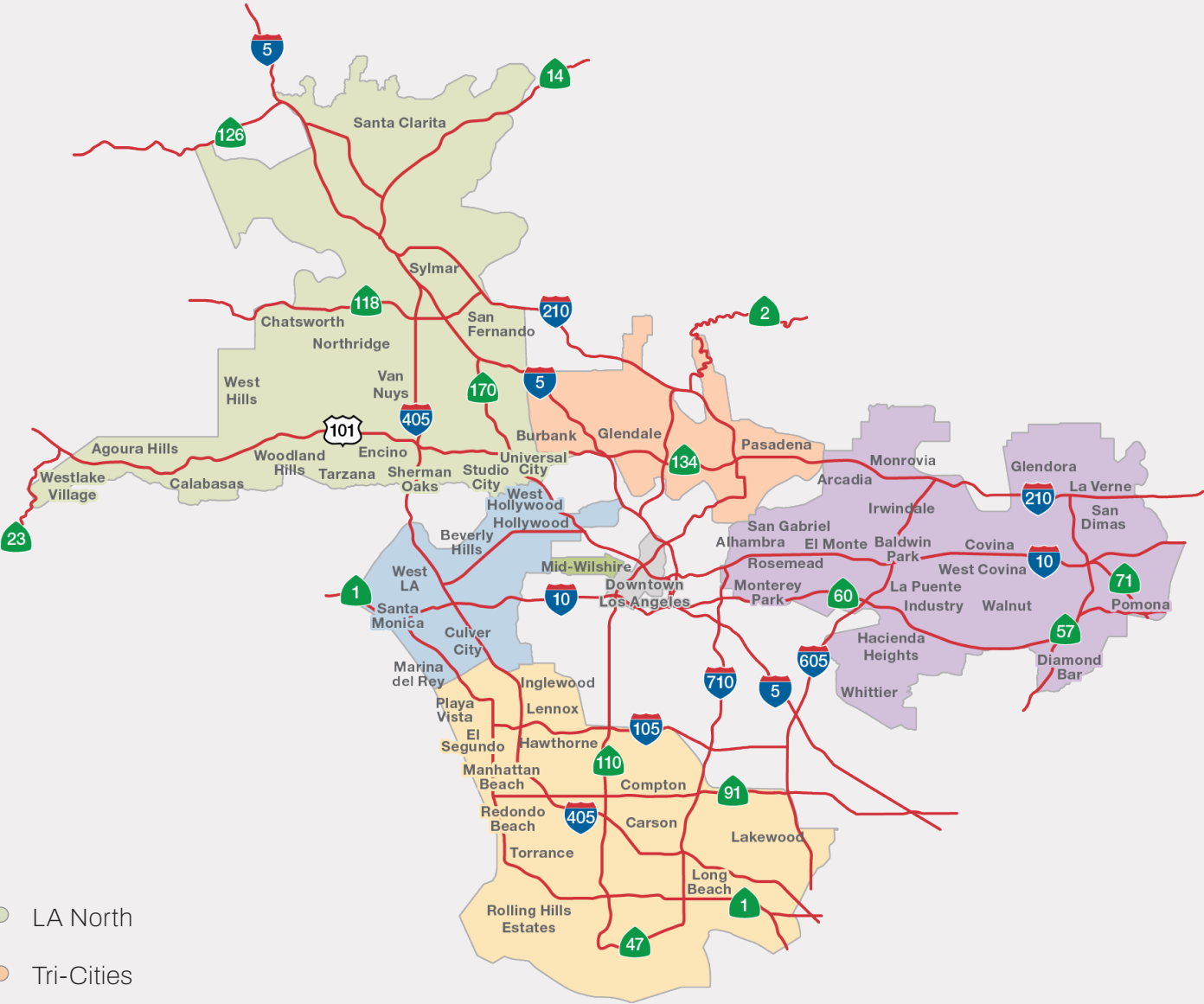
BUYER	ADDRESS	CITY	SUBMARKET	SQUARE FEET
BARDAS Investment Group	6311 Romaine St	Los Angeles	LA West	238,325
Brookfield Properties	19701 Hamilton Ave	Torrance	South Bay	122,277
CIM Commercial Trust Corporation	1910 W Sunset Blvd	Los Angeles	LA West	99,761
CCM Properties One LLC	123 S Marengo Ave	Pasadena	Tri-Cities	91,770
Buck Design Inc	120 S San Pedro St	Los Angeles	Central LA	79,242

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## Office Market Outlook Q1 2022



COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE



- LA North
- Tri-Cities
- San Gabriel Valley
- LA West
- Central
- Mid-Wilshire
- South Bay

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## Office Market Outlook Q1 2022



### NAI Capital Commercial Southern California Office Locations

#### Headquarters

15821 Ventura Blvd., Ste. 320  
Los Angeles, CA 91436  
818.905.2400

#### Los Angeles County

##### Downtown LA

707 Wilshire Blvd., Ste. 5125  
Los Angeles, CA 90017  
213.632.7700

##### West Los Angeles

11835 Olympic Blvd., Ste. 700E  
Los Angeles, CA 90064  
310.440.8500

##### Torrance

970 W. 190th St., Ste. 100  
Torrance, CA 90502  
310.532.9080

##### Pasadena

225 S. Lake Ave., Ste. 1170  
Pasadena, CA 91101  
626.564.4800

##### Valencia

25060 Avenue Stanford., Ste. 165  
Valencia, CA 91355  
661.705.3550

##### Diamond Bar

21660 E. Copley Dr., Ste. 320  
Diamond Bar, CA 91765  
909.348.0600

#### Ventura County

##### Oxnard

300 Esplanade Dr., Ste. 470  
Oxnard, CA 93036  
805.278.1400

##### Westlake Village

2555 Townsgate Rd., Ste. 320  
Westlake Village, CA 91361  
805.446.2400

#### Inland Empire

##### Ontario

800 N. Haven Dr., Ste. 400  
Ontario, CA 91764  
909.945.2339

##### Victorville

13911 Park Ave., Ste. 206  
Victorville, CA 92392  
760.780.4200

#### Orange County

##### Irvine

1920 Main St., Ste. 100  
Irvine, CA 92614  
949.854.6600

#### Coachella Valley

##### Palm Desert

75-410 Gerald Ford Dr., Ste. 200  
Palm Desert, CA 92211  
760.346.1566