

Los Angeles County

Office Market Outlook Q2 2022

MARKET OVERVIEW

Los Angeles County's office market took a step forward as companies continued to work to bring their people back into the office post-pandemic. With the vacancy rate inching downward, since rising in the first quarter of 2022, demand for office space remained mixed across the region in the second half of 2022. Most submarkets regained some occupancy as the overall vacancy rate decreased 20 basis points quarter over quarter to 14.2 percent, up 40 basis points from last year at this time. The average asking rent edged up from the previous quarter as new construction added close 1.1 million square feet in the first half of 2022 to the inventory. Of which most of the newly completed office space remains available.

The buildup in available office space on the market slowed as work from home and space utilization strategies slowly encouraged the usage of office building space. Steady leasing volume this quarter, especially in the LA West office market from tech and media companies, reversed the rapid pace at which available space came on the market. This quarter, total available office space dropped below the all-time high, last quarter, to 69.7 million square feet. However, available sublease space ballooned once again, up 4.0 percent from the prior quarter and 4.8 percent year over year. Available sublease remained well above Great Recession levels at more than 9.8 million square feet. Rents remained persistently high, up 1-cent from the previous quarter and up 8-cents year over year to \$3.49 per square foot, full service gross.

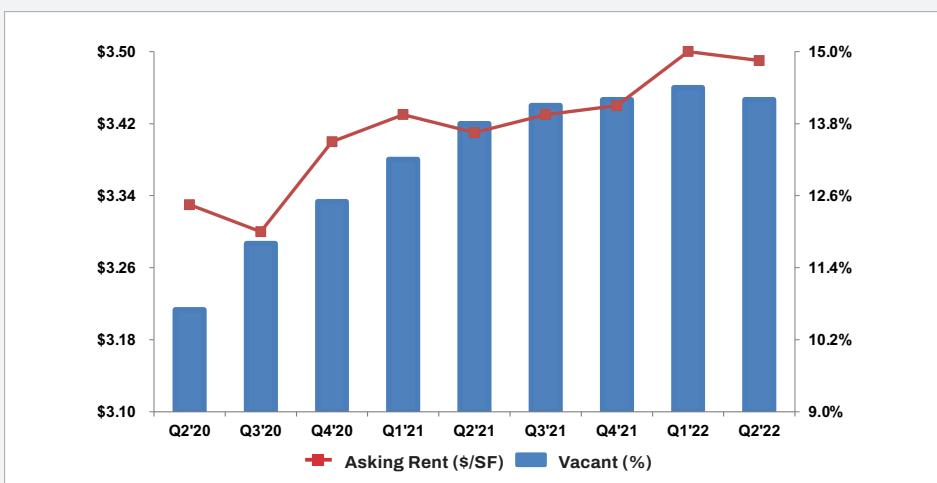
TRENDS TO WATCH

Completed construction continued to be added to the market, mainly in LA West. Of the 1.1 million square of newly completed office space in LA County this year, 676,947 square feet was added in LA West. The vacancy rate for the new construction built over the past two years in LA West registered 40.8 percent, 29.3 percent overall in Los Angeles County. LA County's average asking rent for new construction inched 1.9 percent from the prior quarter, down 1.1 percent year over year, to \$5.37 per square foot, full service gross.

Since the start of the year, low to mid-rise office buildings (categorized as buildings 6-stories and under) gained 1,469,065 square feet of positive net absorption while high-rise buildings (7-stories or higher) experienced 1,914,510 square feet of negative net absorption. The vacancy rate (11.8 Percent) in low to mid-rise office buildings declined while the vacancy (18.4 Percent) in high-rise buildings increased. Rent in low-mid-rise buildings increased 3-cents to \$3.62 per square foot, compared to high-rise office space which saw a 5-cent drop year over year to \$3.36 per square foot.

Remote work is here to stay. With many companies planning to permanently reduce office space, a flight to quality low to mid-rise office buildings, which offer open-air and walkability to ground floor amenities, is leading 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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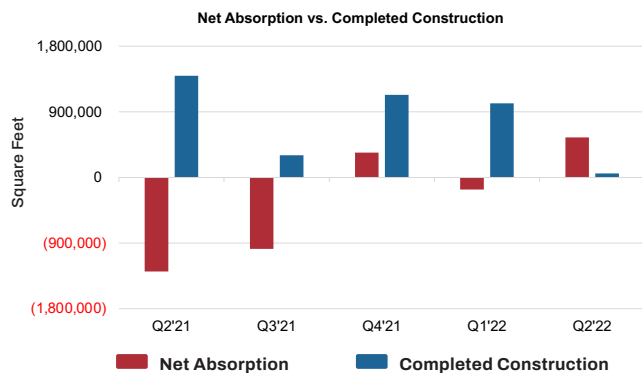
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Market Statistics*

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	65,361,917	295,100	19.1%	15.4%	447,877	1,016,115	36,728	121,970	\$3.29	\$353
Mid-Wilshire	16,159,798	0	21.9%	19.5%	86,533	146,764	5,638	48,499	\$2.46	\$612
LA North	61,280,881	362,391	17.6%	13.5%	661,313	1,602,320	512,008	1,245,152	\$2.78	\$329
San Gabriel Valley	34,907,940	138,997	8.2%	6.6%	233,714	486,719	245,117	571,457	\$2.57	\$194
South Bay	65,992,804	175,000	17.7%	15.5%	605,174	1,420,594	1,289,352	2,113,503	\$3.21	\$381
Tri-Cities	42,262,280	924,182	16.1%	11.6%	370,569	810,492	253,133	420,047	\$3.52	\$354
LA West	103,212,455	1,731,452	20.9%	16.0%	2,017,559	4,041,488	397,743	1,816,111	\$4.99	\$1,039
Los Angeles County	389,178,075	3,627,122	17.9%	14.2%	4,422,739	9,524,492	2,739,719	6,336,739	\$3.49	\$419

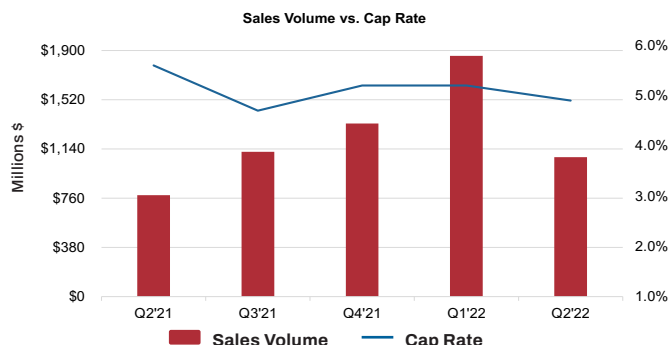
Net Absorption, Completed Construction Trends

Office market net absorption depicted the momentum change that happened in the fourth quarter of 2021. After a positive fourth quarter, net absorption turned negative as completed construction added supply to the market. From the second quarter of 2021 to the second quarter of 2022 completed construction totaled 3,905,468 square feet and net absorption totaled a negative 1,543,285 square feet.



Sales and Cap Rate Trends

Sales volume slowed in the second quarter, down 42.1 percent from the first quarter of 2022 to \$1,076,103,583 as users and investors sought to reprice opportunities in the market considering the uncertainty of increased vacancy. The average cap rate dipped 30 basis points from the previous quarter, down 70 basis points year over year to 4.9 percent. The average sale price per square foot in Q2 2022 increased 23.9 percent year over year.



Select Lease Transactions

TENANT	ADDRESS	CITY	SUBMARKET	SQUARE FEET
Amazon	2450 Colorado Ave	Santa Monica	LA West	207,821
Forever 21	110 E 9th St	Los Angeles	Central LA	162,275
TCW Group, Inc.	515 S Flower St	Los Angeles	Central LA	129,317
First Republic Bank	1888 Century Park E	Los Angeles	Century City	107,889
Dine Brands Global	10 W Walnut St	Pasadena	Tri-Cities	92,671

Select Sales Transactions

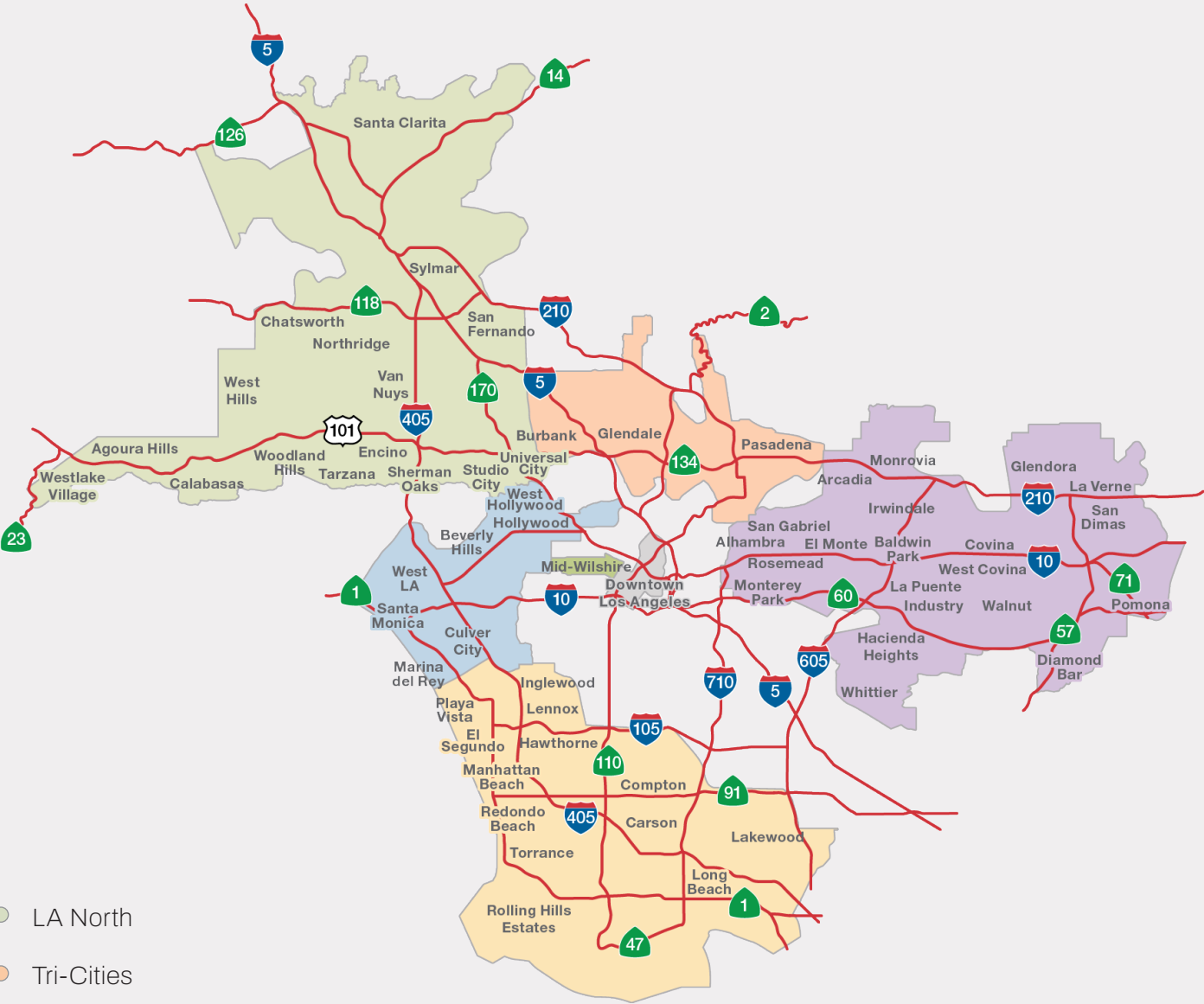
BUYER	ADDRESS	CITY	SUBMARKET	SQUARE FEET
FS Investments	555 S Aviation Blvd	El Segundo	South Bay	259,754
Cedars-Sinai (2 Office Portfolio)	3440 Lomita Blvd	Torrance	South Bay	135,000
Efrem Harkham Trust	2625 Townsgate Rd	Westlake Village	LA North	132,037
3D Investments	225 W Broadway	Glendale	Tri-Cities	126,509
BH Properties, LLC (2 Office Portfolio)	601 Potrero Grande Dr	Monterey Park	San Gabriel Valley	120,191

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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 Q2 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