

Los Angeles County

Office Market Outlook Q4 2020

MARKET OVERVIEW

The Los Angeles County Office market ended the year feeling the effects of an economy that spent three quarters of 2020 under a COVID-19 shutdown. Since the onset of the pandemic's forced closure of non-essential businesses in March 2020, vacancy steadily increased, up 70 bps from the previous quarter and 210 bps higher than Q4 2019 to 12.6%. Office space lost significant demand from extended stay-at-home orders, which pushed vacancy to an eight-year high. In Q4 2009, vacancy hit 12% and peaked mid-2013 at 13.2%. Rent would need to fall by more than 29% to match that point in time in the wake of the Great Recession. Rent remained stubbornly high, for now, despite office space being slow to lease. The average asking rent increased 11 cents from the prior quarter to \$3.44/SF FSG, up 3.9% from Q4 2019.

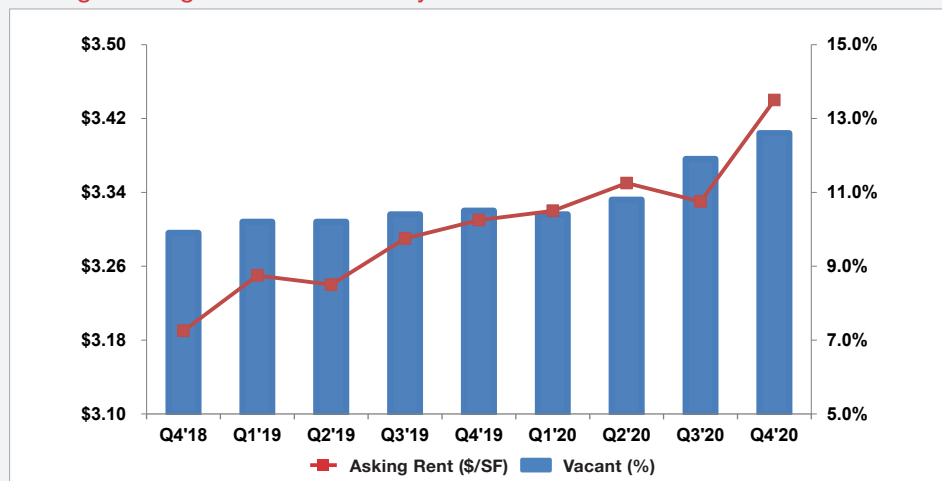
The drop off in office space use created challenges for tenants and landlords. Slack demand hurt total leasing volume in 2020, down 49.5% compared to 2019. More tenants are looking to unload square footage they no longer need than are looking for space. Available sublease space shot up 72% year over year to more than 8.7M SF.

TRENDS TO WATCH

The office market faces a sizeable post-pandemic change. Entering a period of adaptation, office space users will have to balance social distancing and work-from-home policies to reconfigure their space needs. An uncertain economy means expansion for some businesses, downsizing for others, and shutting down for many. This indicates that tenants will be more selective about office space needs and look to sign short-term leases to maintain flexibility. Landlords will be much more flexible with lease terms, taking this time to position their buildings for the office of the future to attract tenants, and strive to maximize occupancy revenue.

Year-end figures signified the beginning of a gradual recovery for the office market with asking rent at an all-time high and steadily rising vacancy. Rent negotiations and lease restructuring will continue in 2021, as a lingering symptom of the pandemic's economic impact. Qualified credit tenants, unable to make rent payments, will get deferred rent or abatement to maintain their occupancy. Landlords will be motivated to lower rental rates and make a deal, with more space on the market for tenants to choose from.

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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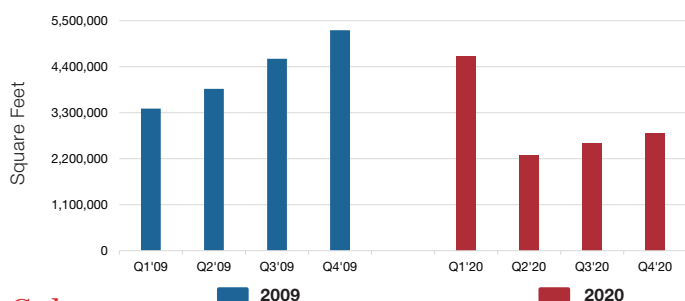
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Market Statistics*

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	64,614,947	403,000	18.6%	14.5%	293,026	1,651,972	454,671	1,947,672	\$3.26	\$466
Mid-Wilshire	15,782,260	468,000	19.1%	17.4%	71,553	338,026	2,362	43,968	\$2.75	\$667
LA North	61,356,190	333,729	15.5%	11.8%	579,140	2,515,326	278,024	1,283,582	\$2.66	\$371
San Gabriel Valley	34,765,043	121,024	9.0%	7.3%	311,260	832,341	187,597	846,966	\$2.36	\$248
South Bay	65,566,083	1,431,119	17.6%	13.2%	459,055	1,622,652	483,637	1,396,015	\$3.14	\$281
Tri-Cities	41,960,280	1,046,550	13.8%	10.7%	376,002	1,598,942	59,115	1,031,898	\$3.36	\$360
LA West	100,859,444	3,571,920	21.0%	13.2%	722,213	3,766,267	514,901	2,250,666	\$5.03	\$1,014
Los Angeles County	384,904,247	7,375,342	17.2%	12.6%	2,812,249	12,325,526	1,980,307	8,800,767	\$3.44	\$539

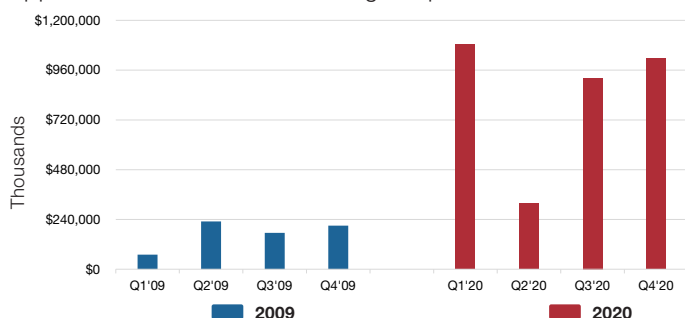
Leasing

Leasing volume in the second half of the year emphasized the change in momentum that occurred from the first quarter, when the COVID-19 shutdown started, to the second quarter of 2020. While quarterly leasing trended upward, total leasing volume for 2020 came in 28% below 2009 levels. Compared to the Great Recession, this revealed the severe effect of the pandemic's shutdown on the office market.



Sales

Sales volume increased in Q4 2020, up 10.2% from Q3 2020 to more than \$1B. Users and investors saw current conditions as an opportunity to acquire good office real estate. Total sales volume in 2020 outpaced 2009 by over 386% due to low interest rates, plenty of liquidity in the market, and the tremendous price appreciation that occurred during the past decade.



Select Lease Transactions

TENANT	ADDRESS	SUBMARKET	ASKING RENT \$/SF	SQUARE FEET
Fisker, Inc.	1888 Rosecrans Ave.	South Bay	\$3.75	72,649
Snap, Inc	3250 Ocean Park Blvd.	LA West	\$4.35*	60,656
Electronic Arts, Inc.	4820 Alla Rd.	LA West	\$4.75*	58,034
Ghost Management Group	767 S Alameda St.	Central	\$3.66*	46,589
Cogent Communications	2947 Bradley St.	Tri-Cities	\$1.75	42,757

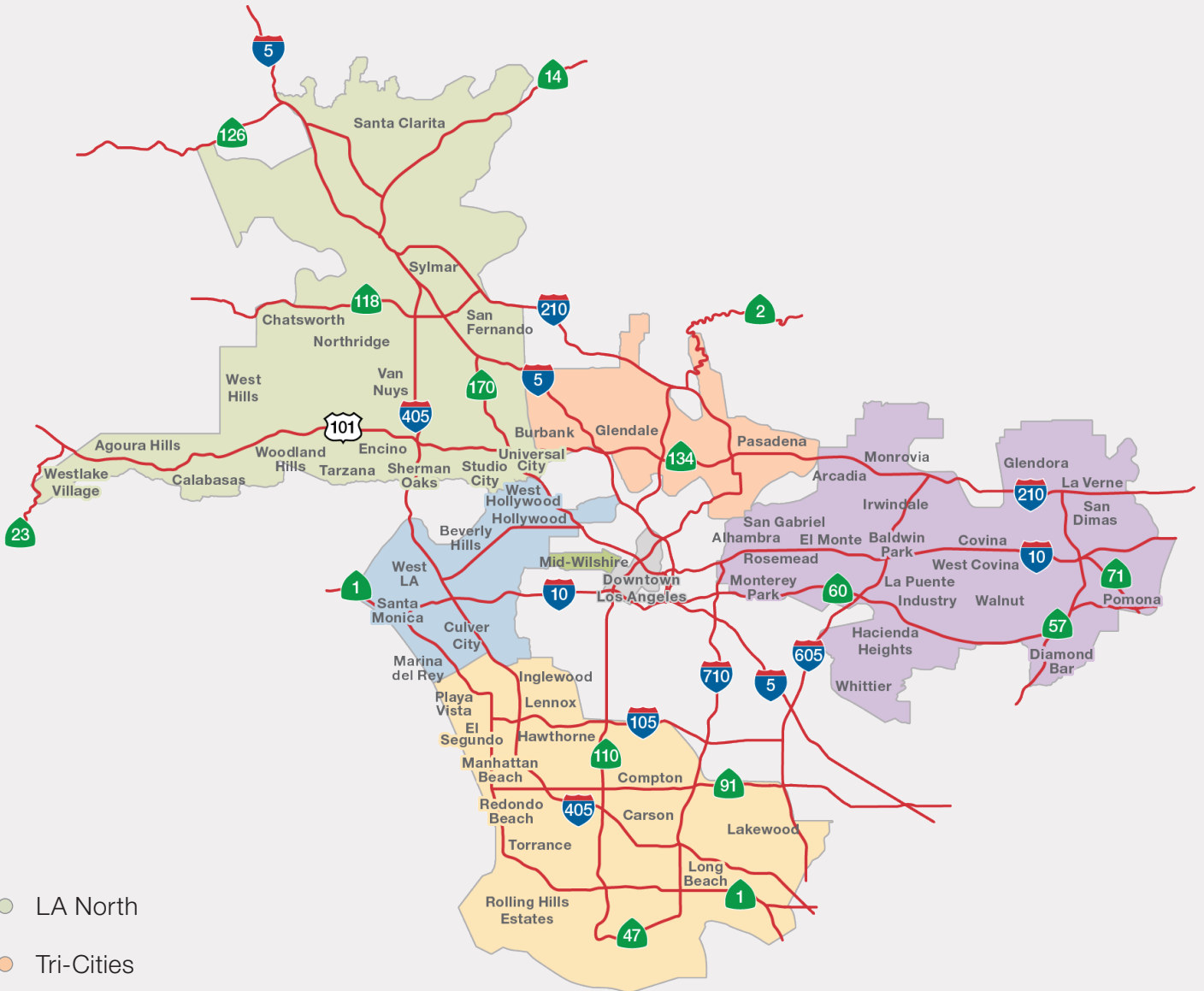
*Estimated; all rents are FSG unless otherwise stated

Select Sales Transactions

BUYER	ADDRESS	SUBMARKET	SALE PRICE \$/SF	SQUARE FEET
Deka Immobilien	915 Wilshire Blvd.	Central	\$505	388,126
Geyser Holdings, LLC	555 Burton Ave. & 959 Seward S.	LA West	\$719	258,526
Nome Technologies Inc	19191 S. Vermont Ave.	South Bay	\$234	237,145
Montana Avenue Capital Partners LLC	1940 E. Mariposa Ave.	South Bay	\$311	85,000
Laskey Family Trust	24151 Ventura Blvd.	North	\$314	76,496

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

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Property Management

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San Clemente, CA 92674
949.874.0415

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