

Los Angeles



Photo by Mott Smith

Market Facts

4.1%Los Angeles County
unemployment rate**134,085 SF**

Positive net absorption

14.5%

Total vacancy rate

\$3.10 PSFWeighted FSG average
asking rental rate

Market Overview

As 2017 came to a close, not an administration change, international affair issues, nor anything else could thwart the economic recovery. Los Angeles continued to see prosperity in its economy as employers continued to grow and office vacancy in Los Angeles decreased for a fourth year. Unemployment decreased to 4.1% in fourth quarter of 2017 as compared to 5.1% at the beginning of the year and was down 4.8% from a year ago.

Over the past year business growth has witnessed a marked increase in financial services in Los Angeles. This was especially noticeable in the last few months of 2017 as more jobs were added fourth quarter than any other quarter since the end of 2008. Education and health services also continue to contribute significant job additions. As a result, office vacancy decreased to 14.5% fourth quarter, declining 10 basis points from the previous quarter. With continued business growth, we expect office vacancy to continue to decline further this year.

As employers are actively looking for more space to expand into, it comes as no surprise that availabilities for office space are contracting. As occupancy levels continue to inch up each quarter, we expect the hunt for space to continue to be increasingly challenging as emboldened landlords continue to nudge up asking rates. The average asking rental rate accordingly has increased six percent overall in LA. With increasing rental rates, we expect to see tenants right size and/or pursue less expensive markets. To that end, we anticipate near term steady leasing activity, especially for media, entertainment, and tech companies curating media content. This is already evident with the announcements from companies like Amazon, Google, Apple, and Netflix looking for or taking more space.

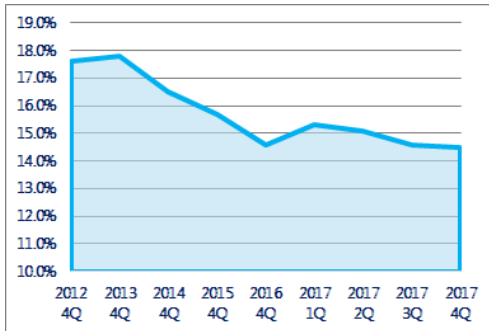
The LA market continues to be an option for local as well as global investors who try to place capital. However, as the pricing and yield for the hottest office sub-markets continues to make investing challenging, investors are looking to secondary and tertiary office sub-markets for better pricing and better returns.

Market By The Numbers

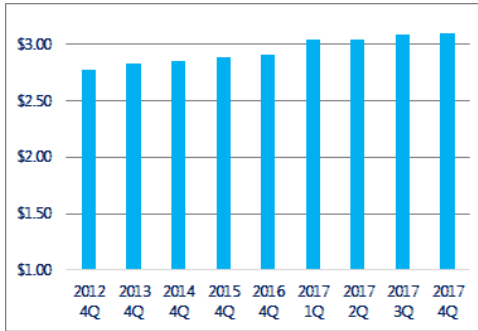
Submarket	Existing Inventory (SF)	Q4 2017 Vacancy %	Q3 2017 Vacancy %	Q4 2017 Net Absorption (SF)	YTD Net Absorption (SF)	Q4 2017 Completions (SF)	U/C & Renovation (SF)	Weighted Avg Asking Lease Rate
DOWNTOWN	34,268,819	17.8%	18.3%	128,633	586,784	38,557	2,452,833	\$3.33
Bunker Hill	8,093,972	13.7%	13.6%	(2,440)	287,792	-	-	\$3.29
Financial District	19,419,828	20.0%	20.8%	140,820	389,284	-	-	\$3.38
Greater Downtown	3,037,436	20.6%	22.5%	52,465	(33,438)	38,557	2,452,833	\$3.35
South Park	3,717,583	14.3%	13.7%	(62,212)	(56,854)	-	-	\$3.07
WEST LA	58,837,319	13.6%	13.3%	(213,805)	(248,319)	-	2,179,080	\$4.67
Beverly Hills	7,010,173	13.7%	12.5%	(87,461)	(95,605)	-	148,800	\$5.25
Brentwood	3,339,045	8.7%	7.3%	(48,721)	(27,444)	-	10,347	\$4.47
Century City	10,651,831	9.3%	9.0%	(27,741)	(63,306)	-	-	\$4.93
Culver City	3,983,215	22.1%	20.7%	(58,762)	(222,585)	-	678,271	\$4.33
Marina Del Rey/Venice	7,393,497	20.7%	19.8%	(54,165)	6,273	-	708,318	\$4.79
Miracle Mile	5,247,256	16.3%	15.4%	(47,856)	(289,256)	-	-	\$3.87
Olympic Corridor	3,070,722	5.6%	4.8%	(25,336)	(101,344)	-	87,047	\$4.02
Santa Monica	9,589,544	10.3%	11.5%	71,414	285,656	-	432,993	\$5.46
West Hollywood	3,157,168	18.4%	19.8%	39,600	158,400	-	113,304	\$4.67
West Los Angeles	871,389	17.2%	19.5%	15,643	62,572	-	-	\$3.58
Westwood	4,851,275	13.9%	14.1%	9,580	38,320	-	-	\$4.22
TRI CITIES	23,439,964	13.3%	12.8%	(114,428)	(67,743)	20,624	-	\$3.02
Arcadia	622,000	3.5%	2.4%	(7,185)	(28,740)	-	-	\$2.38
Burbank	6,888,336	11.2%	9.9%	(92,453)	131,311	20,624	-	\$3.45
Glendale	6,445,734	12.9%	12.8%	(8,319)	(114,187)	-	-	\$2.76
Monrovia	1,139,708	12.5%	13.8%	14,876	34,754	-	-	\$1.97
Pasadena	8,344,186	16.2%	15.9%	(21,337)	(90,881)	-	-	\$3.21
SOUTH BAY	33,427,283	14.5%	14.9%	127,167	347,571	11,062	715,399	\$2.50
190th Street Corridor	3,468,658	23.1%	24.5%	49,339	75,264	-	-	\$2.15
Central Torrance	4,467,879	9.2%	11.3%	93,906	45,607	-	-	\$2.60
Downtown Long Beach	5,087,213	16.1%	16.3%	9,337	3,796	-	-	\$2.42
El Segundo/Beach Cities	11,507,847	9.0%	8.4%	(78,401)	25,429	11,062	715,399	\$3.28
LAX	4,344,224	32.3%	32.8%	19,092	48,774	-	-	\$1.87
Long Beach Airport	4,551,462	8.3%	9.0%	33,894	148,701	-	-	\$2.17
LA NORTH	31,358,457	12.8%	12.9%	22,356	317,357	-	737,145	\$2.39
Central SF Valley	4,867,744	9.7%	10.5%	41,564	22,083	-	89,158	\$2.46
Conejo Valley	6,415,738	16.4%	15.3%	(66,325)	(48,623)	-	26,800	\$2.29
East SF Valley	2,272,297	10.5%	11.7%	28,398	(1,948)	-	232,257	\$2.66
Santa Clarita Valley	2,304,328	15.6%	15.2%	(9,124)	16,709	-	133,115	\$2.53
West SF Valley	15,498,350	12.2%	12.4%	27,843	329,136	-	255,815	\$2.39
SAN GABRIEL VALLEY	10,209,867	13.4%	14.4%	101,755	(37,822)	-	87,000	\$2.20
East San Gabriel Valley	6,525,236	17.1%	16.3%	(53,449)	(213,796)	-	25,000	\$2.19
West San Gabriel Valley	3,684,631	6.9%	11.1%	155,204	175,974	-	62,000	\$2.22
HOLLYWOOD/MID-WILSHIRE	18,367,780	17.9%	18.2%	82,407	585,726	13,044	388,831	\$2.77
Hollywood	7,713,511	16.4%	17.3%	68,534	566,250	-	388,831	\$4.58
Mid-Wilshire	10,654,359	18.4%	18.5%	13,873	19,476	13,044	-	\$2.29
LA COUNTY	209,909,489	14.5%	14.6%	134,085	1,483,554	83,287	6,560,288	\$3.10

	Q4 2017 Inventory (SF)	Q4 2017 Vacancy %	Q3 2017 Vacancy %	Q4 2017 Net Absorption (SF)	YTD Net Absorption (SF)	Q4 2017 Completions (SF)	U/C & Renovation (SF)	Weighted Avg Asking Lease Rate
DOWNTOWN	34,268,819	17.8%	18.3%	128,633	586,784	38,557	2,452,833	\$3.33
Class A	29,028,779	16.2%	16.5%	107,815	695,255	-	-	\$3.40
Class B	4,867,120	27.5%	27.8%	12,968	(53,524)	38,557	2,452,833	\$3.14
Class C	372,920	16.3%	18.7%	7,850	(54,947)	-	-	\$2.83
WEST LA	58,837,319	13.6%	13.3%	(213,805)	(248,319)	-	2,179,080	\$4.67
Class A	45,100,366	14.3%	14.2%	(40,940)	(88,534)	-	1,158,809	\$4.84
Class B	12,551,078	11.3%	10.3%	(157,029)	(128,242)	-	1,020,271	\$4.05
Class C	1,185,875	7.6%	6.3%	(15,836)	(31,543)	-	-	\$3.49
TRI CITIES	23,439,964	13.3%	12.8%	(114,428)	(67,743)	20,624	-	\$3.02
Class A	17,249,109	15.1%	14.0%	(190,853)	(42,798)	-	-	\$3.18
Class B	5,684,235	8.3%	9.8%	86,312	(14,221)	20,624	-	\$2.38
Class C	506,620	8.0%	6.1%	(9,887)	(10,724)	-	-	\$1.80
SOUTH BAY	33,427,283	14.5%	14.9%	127,167	347,571	11,062	715,399	\$2.50
Class A	20,393,523	15.0%	15.5%	101,162	101,132	-	715,399	\$2.64
Class B	11,741,345	14.3%	14.5%	23,035	237,033	11,062	-	\$2.28
Class C	1,292,415	8.2%	8.5%	2,970	9,406	-	-	\$2.29
LA NORTH	31,358,457	12.8%	12.9%	22,356	317,357	-	737,145	\$2.39
Class A	18,730,569	13.2%	13.2%	(1,255)	349,556	-	403,540	\$2.52
Class B	11,805,486	12.6%	12.8%	(35,106)	(40,149)	-	333,605	\$2.24
Class C	822,402	7.8%	8.1%	58,717	7,950	-	-	\$1.98
SAN GABRIEL VALLEY	10,209,867	13.4%	14.4%	101,755	(37,822)	-	87,000	\$2.20
Class A	2,684,888	8.9%	9.0%	4,143	53,244	-	-	\$2.50
Class B	7,087,284	15.5%	16.8%	91,721	(50,419)	-	87,000	\$2.17
Class C	437,695	7.2%	8.5%	5,891	(40,647)	-	-	\$1.66
HOLLYWOOD/ MID-WILSHIRE	18,367,780	17.9%	18.2%	82,407	585,726	13,044	388,831	\$2.77
Class A	11,475,473	17.2%	17.2%	39,833	532,506	-	299,519	\$2.76
Class B	6,450,922	18.0%	19.9%	63,704	83,840	13,044	89,312	\$2.91
Class C	441,385	14.6%	9.8%	(21,130)	(30,620)	-	-	\$3.11
LA COUNTY	209,909,489	14.5%	14.6%	134,085	1,483,554	83,287	6,560,288	\$3.10
Class A	147,886,769	14.9%	14.8%	(21,872)	1,133,533	-	4,439,585	\$3.33
Class B	56,934,588	14.2%	14.5%	144,322	297,806	83,287	2,120,703	\$2.61
Class C	5,088,132	9.1%	8.5%	(26,955)	(111,343)	-	-	\$2.48

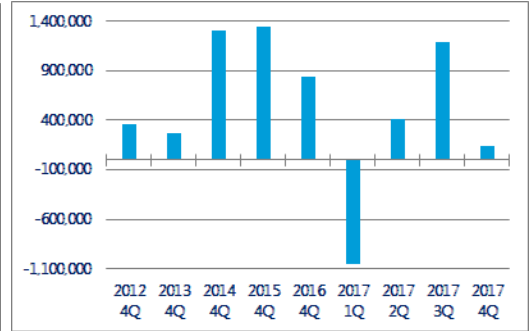
Vacancy Rate



Asking Rent



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
EPSON	RENEWAL	3840 KILROY AIRPORT WAY, LONG BEACH	SOUTH BAY	136,026
TESLA	NEW	4729-4755 ALLA RD, MARINA DEL REY	WEST LA	131,071
PHARMAVITE	NEW	8531 FALLBROOK AVE, WEST HILLS	LA NORTH	98,397
APPLE	NEW	5500 W JEFFERSON BLVD, LOS ANGELES	WEST LA	85,000
SPACES	NEW	1800 N VINE ST, LOS ANGELES	WEST LA	60,166

Top Sales

Address	Buyer	Seller	Price	SF	P/SF
PACIFIC CORPORATE TOWERS, EL SEGUNDO	STARWOOD CAPITAL GROUP	GENERAL MOTORS PENSION TR	\$605,454,000	1,588,089	\$381
9401 WILSHIRE BLVD, BEVERLY HILLS	DOUGLAS EMMETT, INC	MGM MANAGEMENT COMPANY	\$143,600,000	146,300	\$982
801 N BRAND & 700 N CENTRAL, GLENDALE	CBRE GLOBAL INVESTORS	BLACKSTONE GROUP	\$122,000,000	414,000	\$295
CAMPUS 2100, EL SEGUNDO	DEUTSCHE ASSET & WEALTH	MARSHALL PROPERTY & DEV	\$117,100,000	266,096	\$440
520 BROADWAY, SANTA MONICA	OLIVE HILL GROUP, LLC	TISHMAN SPEYER	\$117,000,000	112,987	\$1,036

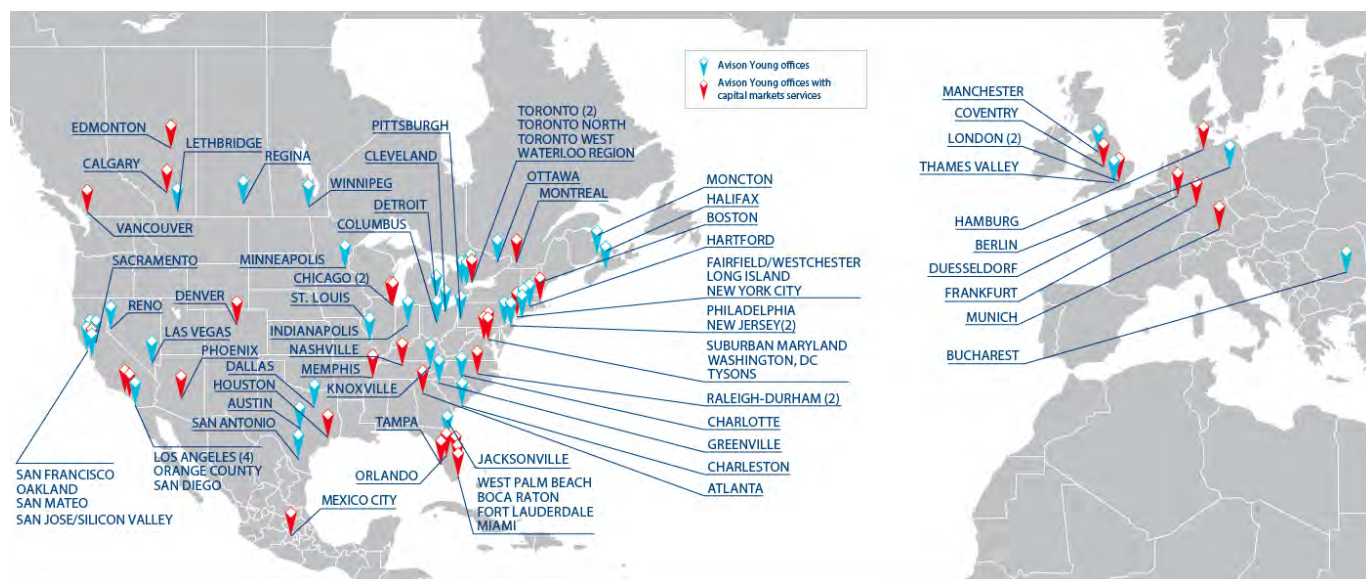
Top Under Construction/Renovation

Address	Developer	SF	Completion
801 S BROADWAY, LOS ANGELES	WATERBRIDGE CAPTIAL LLC	955,561	Q1 2018
757 S ALAMEDA ST, LOS ANGELES	ATLAS CAPITAL GROUP LLC	425,131	Q1 2019
433 S SPRING ST, LOS ANGELES	LORE LAC SPRING STREET, LP	320,273	Q2 2018
777 S AVIATION BLVD, EL SEGUNDO	WESTBROOK PTNRS & EMBARCADERO CAPITAL	318,182	Q1 2018
5865 S CAMPUS CENTER DR, PLAYA VISTA	ALKMENA MAGNVS LAP, LLC	310,000	Q4 2018

Avison Young at a Glance

Founded: **1978**
 Total Real Estate Professionals: **2,600**
 Offices: **82**
 Brokerage Professionals: **1,100+**
 Property Under Management: **100 million sf**

Avison Young is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its principals. Founded in 1978, the company comprises 2,600 real estate professionals in 82 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial, multi-family and hospitality properties.



Contact Information

Los Angeles - Downtown
 555 S Flower St, Ste 3200
 Los Angeles, CA 90071
 Primary Contact: Ted Simpson
 ted.simpson@avisonyoung.com
 213.935.7430

Los Angeles - West
 10940 Wilshire Blvd, Ste 800
 Los Angeles, CA 90024
 Primary Contact: Jonathan Larsen
 jonathan.larsen@avisonyoung.com
 213.471.1069

Los Angeles - North
 6711 Forest Lawn Dr
 Los Angeles, CA 90068
 Primary Contact: Mark Evanoff
 mark.evanoff@avisonyoung.com
 323.851.6666

Regional Managing Director:
 Chris Cooper - Corporate
 555 S Flower St, Ste 3200
 Los Angeles, CA 90071
 chris.cooper@avisonyoung.com
 213.935.7435

Orange County - Irvine
 2030 Main St, Ste 150
 Irvine, CA 92614
 Primary Contact: Keith Kropfl
 keith.kropfl@avisonyoung.com
 949.757.1190

San Diego
 4655 Executive Dr, Ste 325
 San Diego, CA 92121
 Primary Contact: Jerry Keeney
 jerry.keeney@avisonyoung.com
 858.201.7077

Los Angeles - Santa Monica
 301 Arizona Ave, Ste 303
 Santa Monica, CA 90401
 Primary Contact: Randy Starr
 randy.starr@avisonyoung.com
 310.899.1800

Research Manager:
 Arty Maharajh
 555 S Flower St, Ste 3200
 Los Angeles, CA 90071
 arty.maharajh@avisonyoung.com
 213.618.3818



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