Third Quarter 2019 / Office Market Report

Los Angeles

Quick Stats

4.0%
Los Angeles County Unemployment Rate

(140,508) SF
Net Absorption

13.1%
Total Vacancy Rate

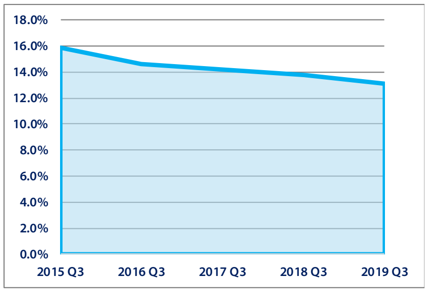
$3.31 PSF
Weighted FSG Average Asking Rental Rate

Los Angeles County delivered 987,541 SF of office product to the market in Q3. Despite robust investment volume supporting product delivery, vacancy continued to decrease, dropping 20 basis points from 13.3% in Q2 to 13.1% in Q3. The tightening vacancy is reflected in the rental rate as it continues to increase, moving $0.05 from last quarter to $3.31 PSF. The unemployment rate has remained steady quarter-over-quarter at a 4.0% adjusted rate. With foreign direct investment providing approximately 425,000 jobs, the political atmosphere going into 2020 is forecast to prompt a drop in that number.

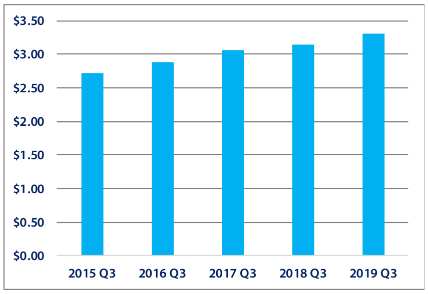
Development in the Los Angeles County Office Market continues to increase with 344% more product delivered in Q3 than Q2, with an additional 957,387 SF under construction. There has been a geographic shift to more affordable markets, the Tri City Submarket cluster being an example.

More than half of the office product delivered this quarter, 51.3%, or 507,000 SF, was delivered to the South Bay submarket cluster. Additionally, 26.4% of the construction underway in Q3 is in the South Bay Submarket cluster. The major industry drivers continue to be tech and entertainment companies. With over 500,000 SF of office product delivered to market, it is no surprise El Segundo continues to see a migration of tech tenants; TechStyle signed a lease to take 87,795 SF of space at 555 S. Aviation Boulevard and the telecom company BT Infonet signed a lease to take 157,049 SF of space at 2160 E. Grand. Burbank is slowly establishing itself as an entertainment hub after Walt Disney Animation signed a lease to take 115,673 SF of space at 3900 W. Alameda and Warner Bros signed a lease to take 108,167 SF of space at 3400 W. Olive Avenue.

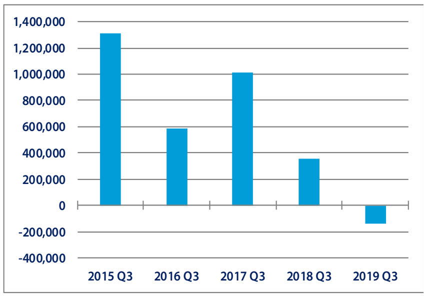
Vacancy Rent



Asking Rate



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
BT Infonet	New	2160 E Grand Avenue	El Segundo/ Beach Cities	157,049
WeWork	New	5750 Wilshire Boulevard	Miracle Mile	135,000
Walt Disney Animation Studios	New	3900 W Alameda	Burbank	115,673
Warner Brothers	New	3400 W Olive Avenue	Burbank	108,167
MUFG Union Bank	Renewal	445 S Figueroa	Downtown	88,074

Top Sales

Address	Buyer	Seller	Price	SF	P/SF ($)
5900 Wilshire Boulevard	Rockpoint Group	PGIM Real Estate, AXA IM - Real Assets, Ratkovich Co	$310,000,000	452,800	$685
3003 Exposition Boulevard	Starwood Capital	Brightstone, Artisan Realty Advisors	$215,432,500	203,000	$1,061
200 Oceangate Boulevard	Fortress	Angelo, Gordon	$162,406,000	459,636	$353
5200 Lankershim Boulevard	Rockwood Capital, Artisan Realty Advisors	Swift Realty Partners	$91,250,000	175,175	$521
604 Pine Avenue	Fortress	Angelo, Gordon	$90,046,000	208,500	$431

Under Construction

Address	Developer	SF	Completion
801 S Broadway	Waterbridge Capital	627,564	Early 2020
888 N Douglas	Hackman Capital Partners	550,000	Mid 2020
510-550 S Vermont Avenue	Trammell Crow Company	468,000	Mid-Late 2021
900 District Drive	Wilson Meany	450,872	Mid 2021
5901 W Sunset Boulevard	Hudson Pacific Properties	302,102	Early 2020

Los Angeles By The Numbers

Submarket	Existing Inventory (SF)	Q3 2019 Vacancy %	Q2 2019 Vacancy %	Q3 2019 Net Absorption (SF)	YTD Net Absorption (SF) (Below + Q3)	Q3 2019 Completions (SF)	U/C (SF)	Avg Asking Rate
Downtown	34,236,284	17.6%	17.2%	(185,646)	(61,017)	144,937	1,105,522	$3.37
Class A	30,111,799	15.2%	14.8%	(127,589)	(30,177)	-	740,546	$3.43
Class B	3,789,346	32.9%	30.9%	(1,319)	(3,622)	144,937	364,976	$3.27
Class C	335,139	65.3%	51.0%	(43,538)	(14,018)	-	-	$2.96
West LA	59,022,043	10.1%	10.7%	144,200	752,730	212,967	1,824,627	$4.83
Class A	45,775,867	10.5%	11.4%	218,681	648,431	181,526	1,373,800	$4.96
Class B	12,171,088	9.2%	8.7%	(72,709)	102,890	31,441	450,827	$4.34
Class C	1,075,088	2.5%	2.4%	(1,772)	1,409	-	-	$3.79
Tri Cities	23,360,361	11.7%	12.5%	61,142	40,253	90,000	487,897	$3.26
Class A	16,135,355	12.9%	14.2%	64,569	(32,025)	90,000	340,067	$3.44
Class B	6,737,512	9.1%	9.0%	(4,686)	8,372	-	147,830	$2.56
Class C	487,494	4.5%	4.8%	1,259	2,764	-	-	$2.22
South Bay	33,390,182	15.3%	15.6%	(16,715)	(423,174)	507,000	1,977,771	$2.95
Class A	19,471,237	16.3%	17.4%	57,160	(296,310)	507,000	1,816,872	$3.21
Class B	12,589,317	14.8%	13.8%	(68,443)	(128,136)	-	160,899	$2.54
Class C	1,329,628	5.3%	4.9%	(5,432)	1,272	-	-	$2.04
LA North	31,153,554	12.0%	11.4%	(219,166)	(707,376)	-	607,290	$2.62
Class A	16,673,739	13.1%	17.8%	(69,658)	(191,354)	-	227,556	$2.84
Class B	13,662,168	11.0%	10.4%	(148,355)	(340,353)	-	379,734	$2.40
Class C	817,647	5.0%	6.5%	(1,153)	6,630	-	-	$1.96
San Gabriel Valley	10,339,024	8.5%	8.8%	25,525	171,599	32,637	93,160	$2.39
Class A	1,930,725	11.1%	9.7%	(37,877)	(11,378)	-	-	$2.56
Class B	8,012,423	8.1%	8.9%	60,473	85,038	32,637	93,160	$2.35
Class C	395,876	2.1%	3.2%	2,929	10,800	-	-	$1.74
Hollywood / Mid-Wilshire	17,862,294	17.1%	17.0%	50,152	(213,184)	-	1,371,734	$3.00
Class A	13,798,081	16.9%	16.7%	71,622	20,520	-	903,734	$2.92
Class B	3,597,828	18.8%	19.4%	(4,129)	(214,265)	-	486,000	$3.59
Class C	466,385	13.7%	9.7%	(17,341)	(19,439)	-	-	$2.83
LA County	**209,363,742**	**13.1%**	**13.3%**	**(140,508)**	**(297,470)**	**987,541**	**7,468,001**	**$3.31**
Class A	143,896,803	13.4%	13.8%	176,908	193,289	778,526	5,402,575	$3.54
Class B	60,559,682	12.6%	12.2%	(251,468)	(486,147)	209,015	2,065,426	$2.83
Class C	4,907,257	9.0%	8.8%	(65,948)	(4,612)	-	-	$2.51

Los Angeles By The Numbers

Submarket	Existing Inventory (SF)	Q3 2019 Vacancy %	Q2 2019 Vacancy %	Q3 2019 Net Absorption (SF)	YTD Net Absorption (SF) (Below + Q3)	Q3 2019 Completions (SF)	U/C (SF)	Weighted Avg Asking Lease Rate
DOWNTOWN	34,236,284	17.6%	17.2%	(185,646)	(61,017)	144,937	1,105,522	$3.37
Bunker Hill	8,044,645	12.7%	12.4%	(22,289)	95,401	-	-	$3.42
Financial District	19,574,837	20.0%	19.2%	(166,807)	(284,283)	-	765,546	$3.40
Greater Downtown	2,918,375	15.2%	16.1%	25,245	134,817	85,392	279,976	$3.27
South Park	3,735,665	18.3%	19.0%	(20,895)	(1,581)	59,545	60,000	$3.20
WEST LA	59,022,043	10.1%	10.7%	144,200	752,730	212,967	1,824,627	$4.83
Beverly Hills	7,052,205	12.1%	11.5%	(47,894)	(76,380)	-	-	$5.68
Brentwood	3,478,341	11.5%	11.2%	(9,865)	(29,636)	-	-	$4.91
Century City	10,551,415	5.1%	4.4%	(90,675)	64,390	-	-	$5.34
Culver City	4,408,217	9.6%	13.5%	148,702	239,817	116,356	901,075	$4.17
Marina Del Rey/Venice	7,035,924	12.7%	14.6%	119,386	284,434	65,170	344,986	$5.15
Miracle Mile	5,190,597	18.0%	18.4%	19,297	(35,813)	-	-	$4.22
Olympic Corridor	3,108,677	8.1%	12.2%	(3,556)	(148,549)	-	80,340	$4.77
Santa Monica	9,642,484	7.4%	7.5%	10,329	338,444	31,441	170,276	$5.62
West Hollywood	3,065,847	10.8%	9.5%	40,425	158,062	-	97,742	$5.00
West Los Angeles	629,130	10.2%	12.9%	17,013	(17,411)	-	230,208	$3.65
Westwood	4,859,206	12.1%	13.2%	21,888	19,328	-	-	$4.38
TRI CITIES	23,360,361	11.7%	12.5%	61,142	40,253	90,000	487,897	$3.26
Arcadia	623,885	10.3%	10.7%	2,162	(35,171)	-	-	$2.87
Burbank	6,881,193	9.3%	8.9%	22,521	81,899	-	100,000	$3.71
Glendale	6,317,995	16.4%	18.0%	43,596	17,699	90,000	86,897	$3.15
Monrovia	1,136,463	7.6%	8.7%	12,445	16,878	-	-	$2.46
Pasadena	8,392,936	12.4%	12.7%	(19,588)	(41,058)	-	301,000	$3.20
SOUTH BAY	33,390,182	15.3%	15.6%	(16,715)	(423,174)	507,000	1,977,771	$2.95
190th Street Corridor	3,517,978	20.8%	20.4%	(11,186)	68,265	-	450,872	$2.30
Central Torrance	4,486,802	9.4%	9.2%	(12,757)	(25,579)	-	-	$2.84
Downtown Long Beach	5,062,668	17.7%	20.4%	74,315	18,469	507,000	-	$2.40
El Segundo/Beach Cities	11,624,236	13.4%	12.9%	(50,309)	(370,316)	-	1,526,899	$4.00
LAX	4,145,667	28.1%	27.7%	(33,184)	(50,794)	-	-	$2.26
Long Beach Airport	4,552,821	7.7%	8.9%	16,406	(63,219)	-	-	$2.37
LA NORTH	31,153,554	12.0%	11.4%	(219,166)	(707,376)	0	607,290	$2.62
Central SF Valley	4,904,666	9.8%	9.2%	(26,755)	(165,416)	-	-	$2.59
Conejo Valley	6,238,059	15.6%	15.0%	(69,701)	(100,396)	-	-	$2.63
East SF Valley	2,198,295	12.8%	13.2%	7,578	(80,224)	-	-	$3.38
Santa Clarita Valley	2,299,609	11.8%	10.4%	(40,194)	15,297	-	351,475	$2.62
West SF Valley	15,512,925	11.1%	10.6%	(90,094)	(206,057)	-	255,815	$2.45
SAN GABRIEL VALLEY	10,339,024	8.5%	8.8%	25,525	171,599	32,637	93,160	$2.39
East San Gabriel Valley	6,652,033	10.2%	10.7%	16,800	142,002	32,637	-	$2.38
West San Gabriel Valley	3,686,991	5.3%	5.5%	8,725	29,597	-	93,160	$2.44
HOLLYWOOD/MID-WILSHIRE	17,862,294	17.1%	16.9%	50,152	(213,184)	0	1,371,734	$3.00
Hollywood	7,622,582	11.2%	10.9%	(41,587)	(114,024)	-	903,734	$5.01
Mid-Wilshire	10,239,712	19.6%	19.3%	51,314	(21,948)	-	468,000	$2.59
LA COUNTY	**209,363,742**	**13.1%**	**13.3%**	**(140,508)**	**(297,470)**	**987,541**	**7,468,001**	**$3.31**

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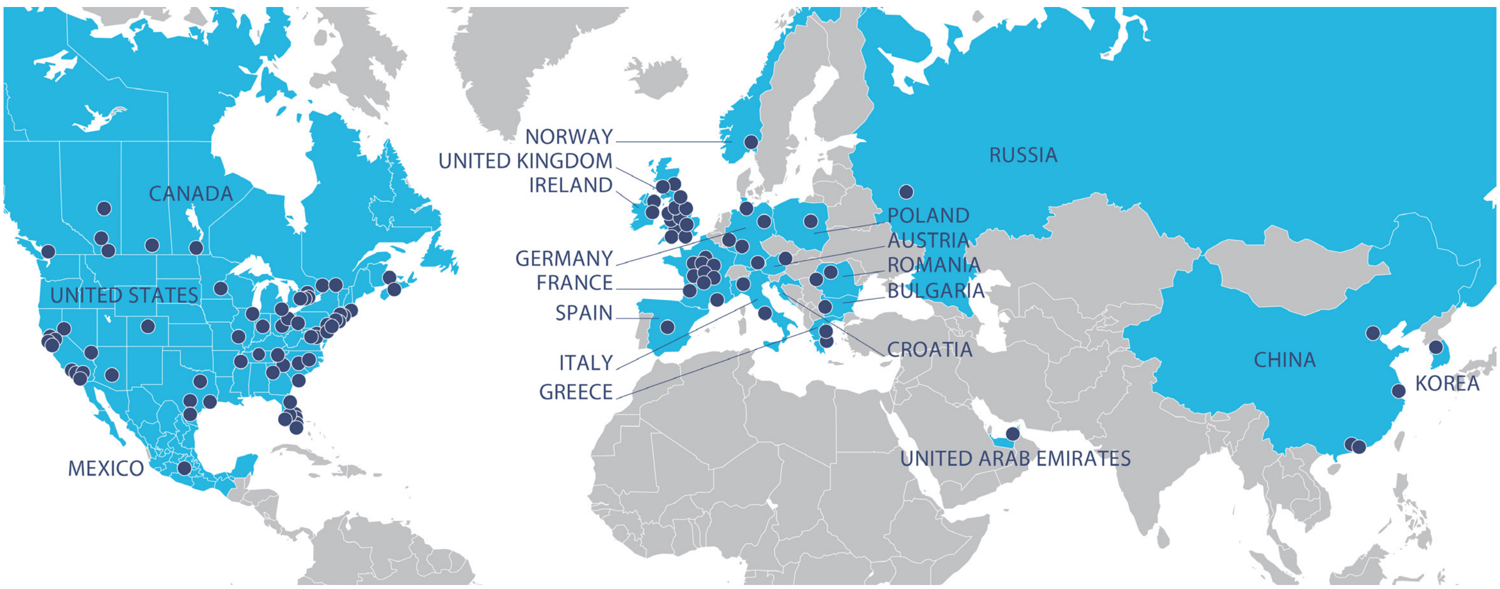

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