

Los Angeles



Photo by Mott Smith

Market Facts

4.8%

Los Angeles County unemployment rate

1,183,192 SF

Positive net absorption

14.7%

Total vacancy rate

\$3.09 PSF

Weighted average asking rental rate

Market Overview

After first quarter, LA's commercial real estate market looked as if it would be a slow go for 2017. Over a million square feet of negative net absorption and 120 bps increase in vacancy over the previous quarter suggested there might be a slowdown. However, whether it was post-election jitters or some other wait and see hesitations all of that has passed. LA unemployment is 4.8%, per the Bureau of Labor Statistics down from 5.8% a year ago.

In line with optimism from companies willing to hire more employees in LA and fill office spaces, vacancy continued to decrease for a third consecutive quarter. Third quarter vacancy was 14.7% decreasing 40 basis points from the previous quarter. However, vacancy may rise as more developments come on-line near term.

A significant amount of positive net absorption, over 1M SF, was recorded third quarter. These move-ins primarily came from the sub-markets of Culver City, Westwood, and Marina Del Rey/Venice. Downtown LA's Financial District also recorded strong positive net absorption helping add to overall net absorption.

The average asking rental rate was \$3.09 psf on a full service gross basis third quarter, up approximately 1.6% from the previous quarter and up approximately 6.5% from a year ago. The highest sub-market rents are in West LA, with \$4.63 psf, while the next highest rents are in Downtown LA, at \$3.35 psf. Both sub-markets are experiencing a decrease in vacancy which is contributing to the rise in rents. At the opposite end of the pricing spectrum, the most affordable rents continue to be found in San Gabriel Valley, at \$2.17 psf, while LA North follows at \$2.37 psf. Rents are at record highs and forecast to rise amid job growth and low vacancy.

We are not worried at this time with the short-term forecast for LA econometrics and are still bullish as high paying jobs and real estate investors alike continue to drive pricing clamoring to LA's global gateway market status as a place to find the best talent and invest capital in risk adverse sub-markets.

Market By The Numbers

Submarket	Existing Inventory (SF)	Q3 2017 Vacancy %	Q2 2017 Vacancy %	Q3 2017 Net Absorption (SF)	YTD Net Absorption (SF)	Q3 2017 Completions (SF)	U/C & Renovation (SF)	Weighted Avg Asking Lease Rate
DOWNTOWN	34,268,819	18.3%	19.0%	289,979	458,151	556,335	2,494,169	\$3.35
Bunker Hill	8,093,972	13.6%	14.4%	60,279	290,232	-	-	\$3.25
Financial District	19,419,828	20.8%	20.6%	273,702	248,464	372,775	-	\$3.39
Greater Downtown	3,037,436	22.5%	17.0%	(7,550)	(85,903)	183,560	2,494,169	\$3.38
South Park	3,717,583	13.7%	12.8%	(36,452)	5,358	-	-	\$3.08
WEST LA	58,837,319	13.3%	13.7%	666,279	(325,647)	526,474	2,061,710	\$4.63
Beverly Hills	7,010,173	12.5%	13.0%	(27,530)	(8,144)	-	148,800	\$5.24
Brentwood	3,339,045	7.3%	8.1%	26,772	21,277	-	10,347	\$4.26
Century City	10,651,831	9.0%	8.6%	34,914	(35,565)	-	-	\$5.04
Culver City	3,983,215	22.9%	20.8%	246,681	(183,149)	378,247	767,111	\$4.38
Marina Del Rey/Venice	7,393,497	19.8%	21.3%	110,216	60,438	-	550,454	\$4.58
Miracle Mile	5,247,256	15.4%	17.2%	94,161	(241,400)	-	-	\$3.90
Olympic Corridor	3,070,722	4.8%	3.9%	(27,311)	(7,915)	-	80,340	\$4.00
Santa Monica	9,589,544	10.6%	11.3%	61,337	281,493	-	399,946	\$5.36
West Hollywood	3,157,168	19.8%	16.6%	21,328	(91,663)	148,227	89,590	\$4.59
West Los Angeles	871,389	19.5%	19.1%	(3,347)	(4,735)	-	15,122	\$3.53
Westwood	4,851,275	14.2%	16.8%	129,058	(116,284)	-	-	\$4.24
TRI CITIES	23,439,964	13.0%	12.8%	(48,920)	(89,073)	-	31,824	\$2.94
Arcadia	622,000	2.4%	2.0%	(2,480)	(8,881)	-	-	\$2.42
Burbank	6,888,336	9.9%	10.9%	68,790	223,764	-	31,824	\$3.26
Glendale	6,445,734	12.8%	11.8%	(60,519)	(105,868)	-	-	\$2.75
Monrovia	1,139,708	13.8%	11.9%	(21,567)	19,878	-	-	\$2.19
Pasadena	8,344,186	16.4%	16.0%	(33,144)	(217,966)	-	-	\$3.14
SOUTH BAY	33,427,283	15.1%	15.1%	21,475	168,097	-	765,696	\$2.50
190th Street Corridor	3,468,658	24.5%	24.0%	(17,124)	25,925	-	-	\$2.13
Central Torrance	4,467,879	11.4%	9.7%	(76,928)	(48,299)	-	-	\$2.60
Downtown Long Beach	5,087,213	16.3%	16.2%	(2,205)	(5,541)	-	-	\$2.42
El Segundo/Beach Cities	11,507,847	8.8%	9.5%	75,646	54,523	-	715,094	\$3.25
LAX	4,344,224	32.8%	33.5%	31,118	26,682	-	-	\$1.87
Long Beach Airport	4,551,462	9.1%	9.3%	10,968	114,807	-	50,602	\$2.14
LA NORTH	31,358,457	12.7%	13.1%	130,593	295,001	-	151,227	\$2.37
Central SF Valley	4,867,744	10.5%	12.1%	77,590	(19,481)	-	-	\$2.41
Conejo Valley	6,415,738	15.3%	15.8%	30,166	17,702	-	18,112	\$2.29
East SF Valley	2,272,297	11.7%	9.5%	(51,683)	(30,346)	-	-	\$2.54
Santa Clarita Valley	2,304,328	15.3%	17.5%	52,116	25,833	-	133,115	\$2.53
West SF Valley	15,498,350	12.1%	12.2%	22,404	301,293	-	-	\$2.36
SAN GABRIEL VALLEY	10,209,867	14.0%	14.4%	33,836	(12,746)	-	118,285	\$2.17
East San Gabriel Valley	6,525,236	15.7%	16.9%	74,915	(33,516)	-	25,000	\$2.17
West San Gabriel Valley	3,684,631	11.1%	10.0%	(41,079)	20,770	-	93,285	\$2.18
HOLLYWOOD/MID-WILSHIRE	18,367,780	18.2%	18.2%	89,950	436,695	91,953	838,084	\$2.78
Hollywood	7,713,511	17.3%	16.3%	130,616	497,716	91,953	818,514	\$4.51
Mid-Wilshire	10,654,359	19.4%	19.0%	(40,666)	(61,021)	-	19,570	\$2.28
LA COUNTY	207,630,641	14.7%	15.1%	1,183,192	930,478	1,174,762	6,460,995	\$3.09

	Q3 2017 Inventory (SF)	Q3 2017 Vacancy %	Q2 2017 Vacancy %	Q3 2017 Net Absorption (SF)	YTD Net Absorption (SF)	Q3 2017 Completions (SF)	U/C & Renovation (SF)	Weighted Avg Asking Lease Rate
DOWNTOWN	34,151,219	18.3%	17.8%	289,979	458,151	556,335	2,494,169	\$3.35
Class A	28,914,679	16.5%	16.0%	311,021	588,440	372,775	-	\$3.42
Class B	4,867,120	27.8%	27.5%	(15,049)	(66,492)	183,560	2,494,169	\$3.15
Class C	369,420	29.9%	28.3%	(5,993)	(63,797)	-	-	\$2.83
WEST LA	59,027,829	13.3%	13.7%	666,279	(325,647)	526,474	2,061,710	\$4.63
Class A	46,457,180	14.2%	14.6%	598,807	(391,513)	526,474	1,629,260	\$4.76
Class B	11,384,774	10.3%	10.6%	69,993	81,573	-	971,967	\$4.10
Class C	1,185,875	6.3%	6.0%	(2,521)	(15,707)	-	-	\$3.70
TRI CITIES	23,439,964	13.0%	12.8%	(48,920)	(89,073)	-	31,824	\$2.94
Class A	17,249,109	14.1%	13.6%	(85,109)	29,719	-	-	\$3.11
Class B	5,684,235	9.8%	10.4%	29,985	(100,533)	-	31,824	\$2.40
Class C	506,620	9.5%	10.7%	6,204	(18,259)	-	-	\$2.20
SOUTH BAY	33,427,283	15.1%	15.1%	21,475	168,097	-	765,696	\$2.50
Class A	21,089,855	15.7%	15.7%	19,528	(12,014)	-	715,094	\$2.60
Class B	11,069,600	14.7%	14.7%	(5,878)	173,675	-	50,602	\$2.35
Class C	1,267,828	8.6%	9.2%	7,825	6,436	-	-	\$2.15
LA NORTH	31,358,457	12.7%	13.1%	130,593	295,001	-	151,227	\$2.37
Class A	19,733,056	12.5%	13.1%	112,801	136,260	-	133,115	\$2.54
Class B	10,745,740	13.4%	13.5%	5,057	152,978	-	18,112	\$2.20
Class C	879,661	8.8%	10.2%	12,735	5,763	-	-	\$1.90
SAN GABRIEL VALLEY	10,209,867	14.0%	14.4%	33,836	(12,746)	-	118,285	\$2.17
Class A	2,684,888	9.0%	9.7%	18,235	49,101	-	-	\$2.46
Class B	7,087,881	16.3%	16.4%	11,769	(55,091)	-	118,285	\$2.14
Class C	437,098	8.5%	9.4%	3,832	(6,756)	-	-	\$1.65
HOLLYWOOD/ MID-WILSHIRE	18,367,780	18.2%	18.2%	89,950	436,695	91,953	838,084	\$2.78
Class A	11,475,473	17.8%	17.7%	89,945	456,977	91,953	818,514	\$2.76
Class B	6,450,922	20.9%	20.8%	(791)	(10,792)	-	19,570	\$2.88
Class C	441,385	9.8%	10.0%	796	(9,490)	-	-	\$2.96
LA COUNTY	207,630,641	14.7%	15.1%	1,183,192	930,478	1,174,762	6,460,995	\$3.09
Class A	147,959,769	14.8%	14.9%	1,065,228	946,703	842,975	4,340,292	\$3.34
Class B	56,934,588	14.8%	15.0%	95,086	85,585	331,787	2,120,703	\$2.61
Class C	5,088,132	9.8%	10.3%	22,878	(101,810)	-	-	\$2.50

Vacancy Rate



Asking Rent



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
PARADIGM TALENT AGENCY	NEW	8942 WILSHIRE BLVD, BEVERLY HILLS	WEST LA	82,886
WEWORK	NEW	750 SAN VICENTE BLVD, WEST HOLLYWOOD	WEST LA	69,534
MITCHELL SILBERBERG & KNUPP LLP	NEW	2049 CENTURY PARK E, LOS ANGELES	WEST LA	62,776
STARZ	NEW	2834 COLORADO AVE, SANTA MONICA	WEST LA	60,166
AT&T	NEW	2200 E IMPERIAL HWY, EL SEGUNDO	SOUTH BAY	55,962

Top Sales

Address	Buyer	Seller	Price	SF	P/SF
9665 WILSHIRE BLVD, BEVERLY HILLS	DOUGLAS EMMETT/QATAR	THE BLACKSTONE GROUP LP	\$177,000,000	171,114	\$1,034
300 & 400 CONTINENTAL BLVD, EL SEGUNDO	STARWOOD CAPITAL GROUP	DIVCOWEST	\$169,000,000	489,756	\$345
177 E COLORADO BLVD, PASADENA	ROCKPOINT GROUP LLC	SAUNDERS PROPERTY CO.	\$161,500,000	315,410	\$512
800 CORPORATE POINTE, CULVER CITY	NORTHWOOD INVESTORS LLC	VORNADO REALTY TRUST	\$150,000,000	242,731	\$618
3800 W ALAMEDA AVE, BURBANK	THE BLACKSTONE GROUP LP	CENTURION R.E. PARTNERS	\$143,000,000	421,990	\$339

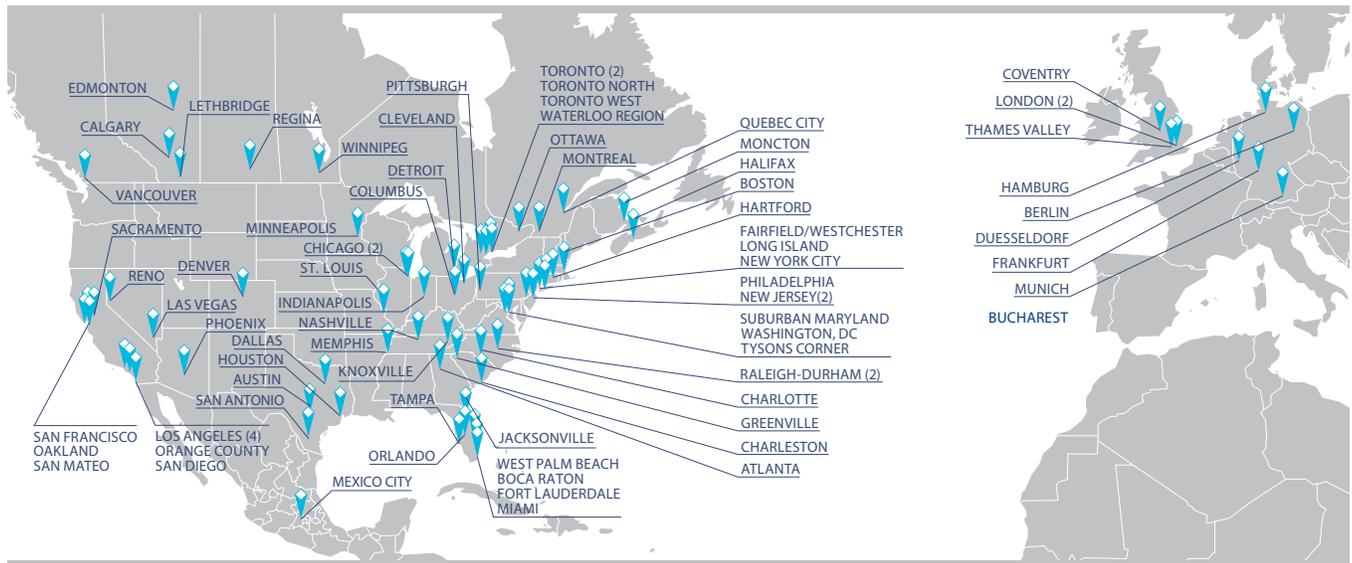
Top Under Construction/Renovation

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 2018
10000 W WASHINGTON BLVD, CULVER CITY	LBA REALTY	363,000	Q4 2017
1311 N CAHUENGA BLVD, LOS ANGELES	CAL COAST DEVELOPMENT CORP.	352,000	Q4 2019
433 S SPRING ST, LOS ANGELES	RISING REALTY PARTNERS/LIONSTONE	320,273	Q2 2018

Avison Young at a Glance

Founded: **1978**
 Total Real Estate Professionals: **2,400**
 Offices: **80**
 Brokerage Professionals: **1,000+**
 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 2,400 real estate professionals in 80 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.



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