

LOS ANGELES OFFICE MARKET

CONSTRUCTION DELIVERIES PROPEL WEST LA GROWTH

- The average asking rent continued its upward trajectory, reaching a new all-time high of \$3.46/SF. The third quarter marks a 28.1% increase in rent over the past five years.
- Vacancy remained at a cyclical low of 13.7%. Continued demand, along with speculative development and renovation projects delivering with tenants in place, kept vacancy balanced.
- Net absorption recorded a gain of 610,278 square feet in the third quarter, bringing the year-to-date total to more than 2.0 million square feet. West Los Angeles continued to drive absorption, accounting for 75.3% of the county's gains this quarter; large tech, media and coworking firms remain active.
- WeWork committed to seven leases this quarter totaling roughly 370,000 square feet. Yet concerns loom regarding the company's withdrawal of their IPO, the resignation of its CEO and its mounting debt as the company aggressively expands.
- Los Angeles North recorded an absorption loss after renovation work commenced on a handful of buildings.
- Developers remain bullish on the market, with pronounced ground-up speculative development and renovation projects. Almost 3.5 million square feet is under construction, while another 5.4 million square feet is under renovation.
- Fifty-nine percent of under construction space is pre-leased.

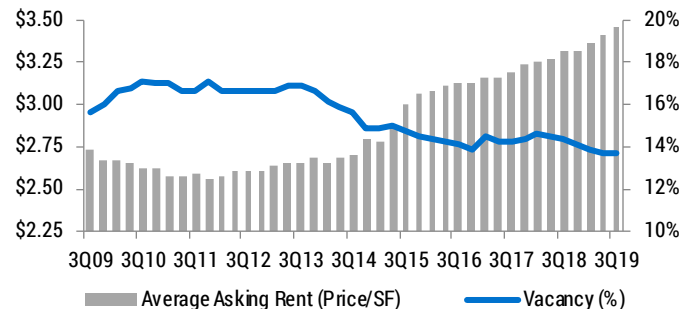
TECH AND MEDIA FUEL ABSORPTION GAINS

FAANG and media tenants are driving leasing activity and absorption gains this real estate cycle, as they pre-lease new offices long before they are completed. Activity is heavy in West Los Angeles, where 73.0% of its absorption over the past two years came from buildings that delivered over the same period. This quarter alone, five of the seven buildings that delivered were fully leased to Amazon, Netflix, Sirius XM and Universal Music Group. Notable completions included Vine Studios at 817 and 827 Vine Avenue, with 95,000 square feet leased to Netflix, and Culver Steps at 9300 Culver Boulevard, with 75,000 square feet leased to Amazon.

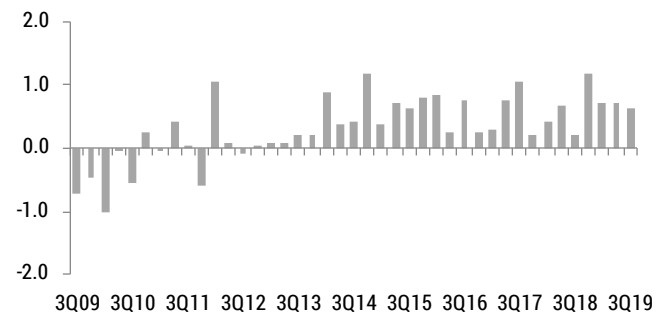
As large, modern blocks become scarce, tenant interest is growing in less established areas such as West Adams, Inglewood and the Westside, and opportunities arise for repositioned assets such as the retail to office conversions of the Westside Pavilion and the old Sears

MARKET ANALYSIS

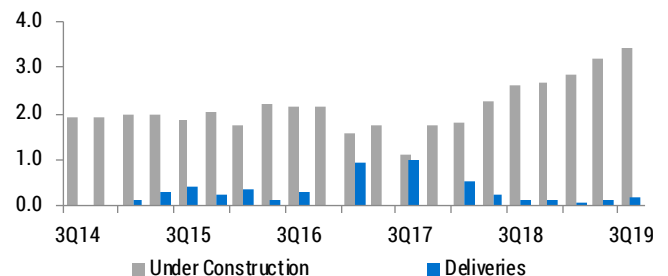
Asking Rent and Vacancy



Net Absorption (SF, Millions)



Construction and Deliveries (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	202 MSF	201 MSF	200 MSF	↑
Vacancy Rate	13.7%	13.7%	14.4%	↑ ↓
Quarterly Net Absorption	610,278	698,645	195,770	↑ ↓
Average Asking Rent	\$3.46	\$3.41	\$3.31	↑
Under Construction	3.5 MSF	3.2 MSF	2.6 MSF	↑ ↓
Deliveries	197,726	94,938	125,299	↑

building in Santa Monica. The voracious appetite (and space commitments) of household name tech and media companies will help insulate the market—from a statistical standpoint—as new supply delivers and is occupied.

MIRACLE MILE ON THE RISE

Miracle Mile, situated along Wilshire Boulevard and known for its entertainment-focused tenant presence, has received renewed interest from developers and tenants alike. Capital markets activity surged in the corridor with the sale of 5900 Wilshire Boulevard for \$310.0 million to the Rockpoint Group, in what was the largest trade of the quarter. This transaction follows the sale of the Wilshire Courtyard in June to Onni Group for \$630.0 million.

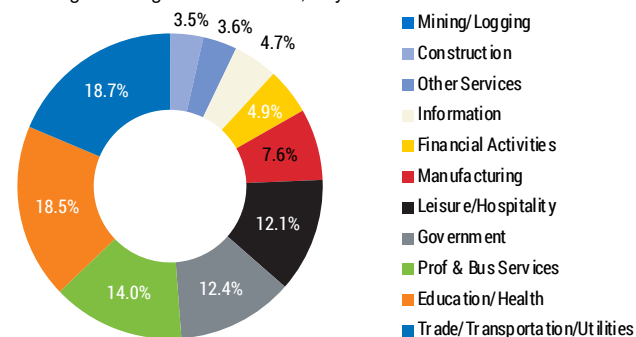
Wilshire Courtyard was renovated (after E! Entertainment shed 385,000 square feet in 2017) prior to its sale and has since garnered strong tenant interest. The third quarter saw leases at the project from coworking giant WeWork (135,000 square feet) and media company ATTN: (25,000 square feet), while FabFitFun was in final negotiations for 170,000 square feet.

Historically, Miracle Mile is a cost-effective alternative to Century City, offering a 36.1% discount in average asking rates. Along with affordability, the LA Metro's Purple Line rail extension (scheduled for 2023 completion) will increase tenants' interest in the area. Attractions also include Museum Row, which includes the under-construction Academy Museum of Motion Pictures and the planned renovation of the La Brea Tar Pits.

EMPLOYMENT BY INDUSTRY

Not Seasonally Adjusted

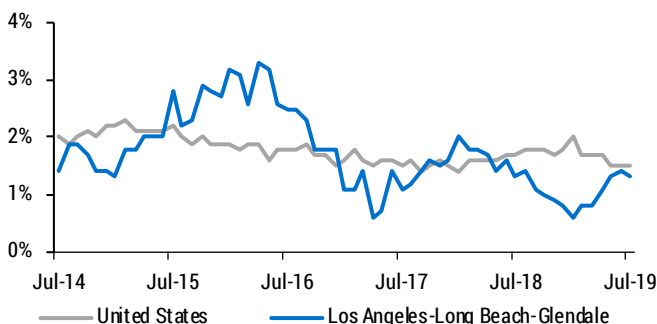
Los Angeles-Long Beach-Glendale, July 2019



Source: U.S. Bureau of Labor Statistics (Preliminary Data)

PAYROLL EMPLOYMENT

Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics (Preliminary Data)

LEASE TRANSACTIONS

Tenant	Building	Market Area	Type	Square Feet
WeWork	5750 Wilshire Blvd	Miracle Mile	New Lease	135,000
Disney	3400 W Olive Ave	Burbank	New Lease	90,000
Kite Pharma	2701 Olympic Blvd	Santa Monica	Sublease	88,000
TechStyle Fashion Group	555 S Aviation Blvd	El Segundo/Beach Cities	New Lease	87,226
Saatchi & Saatchi	555 S Aviation Blvd	El Segundo/Beach Cities	New Lease	80,000

SALE TRANSACTIONS

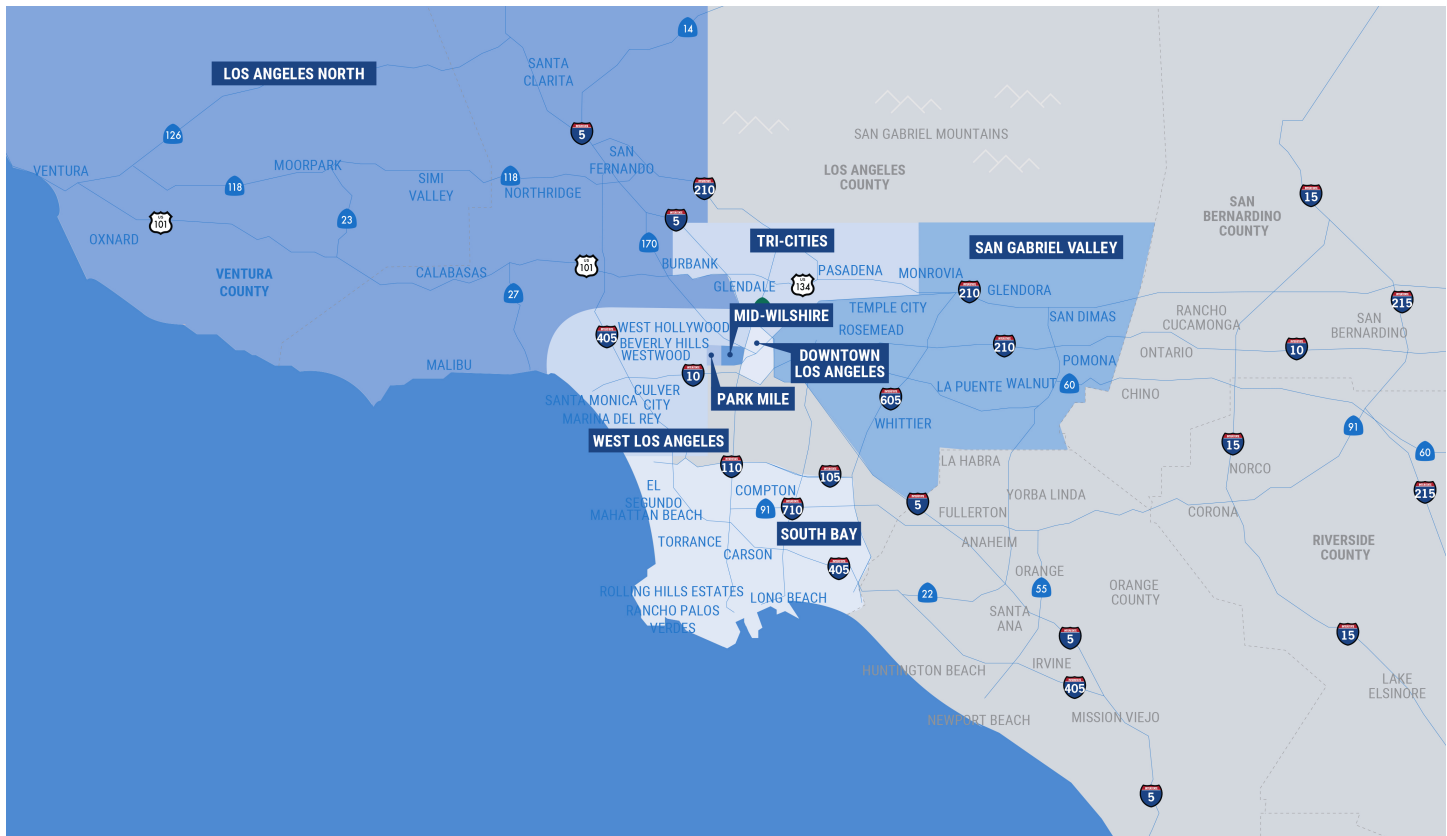
Building(s)	Market Area	Sale Price	Price/SF	Square Feet
5900 Wilshire Blvd	Miracle Mile	\$310,000,000	\$629	492,868
606-654 Venice Blvd	Marina Del Rey/Venice	\$51,750,000	\$1,005	51,474
650 & 700 Pacific Coast Hwy	El Segundo/Beach Cities	\$50,800,000	\$254	200,220
Eaton Canyon Tech Center	Pasadena	\$30,000,000	\$137	219,377
24151 Ventura Blvd	Conejo Valley	\$24,000,000	\$314	76,496

SUBMARKET STATISTICS

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Downtown Los Angeles	35,665,470	0	19.0%	53,975	479,169	\$3.79	\$3.37	\$3.58
Mid-Wilshire	7,168,812	0	22.8%	-49,533	-121,066	\$2.65	\$2.41	\$2.46
Los Angeles North	31,670,725	235,547	10.8%	-102,325	-92,041	\$2.86	\$2.54	\$2.74
Central Valley	7,886,147	0	12.1%	-61,683	-57,034	\$2.86	\$2.59	\$2.80
Conejo Valley	8,268,614	0	10.8%	-4,287	3,936	\$2.76	\$2.63	\$2.69
East Valley	3,026,213	235,547	8.8%	10,466	-15,454	\$3.66	\$2.59	\$3.47
Santa Clarita Valley	2,773,907	0	14.1%	6,784	28,280	\$2.72	\$2.28	\$2.64
West Valley	9,715,844	0	9.3%	-53,605	-51,769	\$2.66	\$2.44	\$2.53
Park Mile	1,686,837	0	20.3%	175	51,647	\$3.12	\$3.43	\$3.31
San Gabriel Valley	13,830,700	0	9.6%	29,514	131,954	\$2.70	\$2.35	\$2.43
Eastern SGV	7,809,345	0	8.8%	6,530	107,017	\$2.59	\$2.33	\$2.38
Western SGV	6,021,355	0	10.7%	22,984	24,937	\$2.82	\$2.38	\$2.50
South Bay	32,602,806	450,872	16.0%	118,949	-165,423	\$3.17	\$3.03	\$3.01
190th Street Corridor	3,671,530	0	21.0%	20,417	67,300	\$2.84	\$2.39	\$2.49
Carson	978,257	0	31.8%	-4,457	38,938	\$2.10	\$2.19	\$2.11
El Segundo/Beach Cities	12,116,654	0	15.0%	59,837	-233,385	\$4.11	\$4.09	\$4.10
LAX/Century Blvd.	3,408,238	450,872	30.6%	11,879	-4,757	\$2.41	\$2.11	\$2.25
Long Beach Downtown	4,510,208	0	14.5%	17,466	-41,954	\$2.95	\$2.17	\$2.50
Long Beach Suburban	4,876,080	0	9.0%	22,072	15,971	\$2.79	\$2.61	\$2.59
Torrance Central	3,041,839	0	6.0%	-8,265	-7,536	\$3.67	\$2.65	\$2.96

SUBMARKET STATISTICS

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Tri-Cities	20,669,013	219,000	11.8%	99,799	311,961	\$3.35	\$3.06	\$3.28
Burbank	6,665,056	0	9.0%	31,133	133,159	\$3.70	\$3.17	\$3.57
Glendale	6,225,067	0	15.0%	36,584	50,499	\$3.09	\$2.58	\$3.03
Pasadena	7,778,890	219,000	11.6%	32,082	128,303	\$3.49	\$3.17	\$3.37
West Los Angeles	58,684,735	2,550,679	11.0%	459,724	1,428,049	\$5.27	\$4.69	\$5.09
Beverly Hills	6,477,694	0	10.3%	94,352	69,585	\$6.04	\$4.62	\$5.50
Brentwood	3,329,333	0	10.4%	5,983	9,189	\$4.41	\$5.10	\$4.44
Century City	10,383,273	0	4.9%	-50,173	169,091	\$5.69	-	\$5.69
Culver City	4,945,709	1,173,870	15.6%	275,758	515,956	\$4.78	\$3.92	\$4.16
Hollywood	3,504,226	844,626	11.3%	38,448	14,410	\$5.15	\$4.60	\$4.93
Marina Del Rey/Venice	1,407,624	162,031	15.3%	15,574	113,314	\$5.79	\$5.34	\$5.59
Miracle Mile	4,390,712	0	18.5%	-38,165	-16,655	\$4.32	\$3.16	\$4.18
Olympic Corridor	2,535,449	80,340	9.8%	-28,398	-60,291	\$4.59	\$3.80	\$4.57
Playa Vista	3,606,568	192,070	13.0%	889	177,365	\$5.59	\$4.29	\$5.15
Santa Monica	8,975,492	0	10.9%	119,127	375,681	\$6.39	\$5.85	\$6.12
West Hollywood	2,588,054	97,742	8.3%	19,334	87,292	\$5.34	\$5.02	\$5.27
Westside	3,392,792	0	9.3%	30,602	-22,473	\$4.38	\$3.98	\$4.26
Westwood	3,147,809	0	15.6%	-23,607	-4,415	\$4.85	\$4.13	\$4.74
Los Angeles	201,979,098	3,456,098	13.7 %	610,278	2,024,250	\$3.79	\$3.14	\$3.46



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