

**LOS ANGELES**  
4Q17 OFFICE MARKET

# LESS ABSORPTION THAN PRIOR YEARS

- Tech, new media and co-working tenant expansions, coupled with a few right-sizing moves from traditional occupiers, such as banks and law firms, set the tone for the year.
- Net absorption was positive for the sixth consecutive year, while the average asking rent achieved a new high.
- Year-end 2017's average rent of \$3.26/SF was up 4.8% from one year ago; much of this increase was from the newly renovated One Culver, with its asking rent of \$5.25/SF.
- Absorption is progressively decelerating: 2014 posted 3.0 million square feet; 2015 had a gain of 2.4 million square feet; 2016 recorded 2.0 million square feet; and 2017 posted 1.8 million square feet.
- West Los Angeles led other submarkets in annual absorption gains after expansions from Netflix, Snap and Venable. South Bay, a basket market for many tenants priced out of West LA, was not far behind.
- Downtown Los Angeles and Tri-Cities, which are largely home to a traditional occupier pool, experienced negative absorption.
- Available sublease space represented 2.2% of existing inventory, slightly up from last year, but in line with the 15-year average of 2.3%.

### Three Micro-Markets Led in Absorption Activity

Santa Monica, Hollywood and El Segundo/Beach Cities collectively logged 85.1% of Greater Los Angeles' absorption gains in 2017. Santa Monica is the epicenter of Silicon Beach. It commands the priciest rents in the metro and had several large block move-ins from Snap, Oracle, AwesomenessTV and Kite Pharma. Hollywood received a big absorption boost after Netflix settled into 415,226 square feet of new space. El Segundo/Beach Cities, meanwhile, where the Class A rent is substantially less than Santa Monica, Marina Del Rey/Venice and Playa Vista, continued to attract tenants priced out of Silicon Beach.

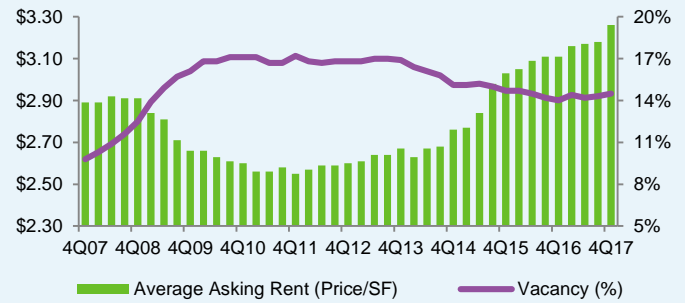
### Culver City is Hot

Culver City finished the year in a big way after landing new leases from Amazon Studios (in what reportedly will be 289,000 square feet) and Apple (85,000 square feet). With large block space options at competitive rental rates, Culver City has been attracting tech, media and other creative tenants from Santa Monica, Marina Del Rey/Venice and Playa Vista. Its Class A asking rent is 21.5% less than Santa Monica's and 12.4% less than Playa Vista's.

Although Culver City took an absorption hit after Sony shed space earlier this year, the micro-market leads the metro in ground-up construction.

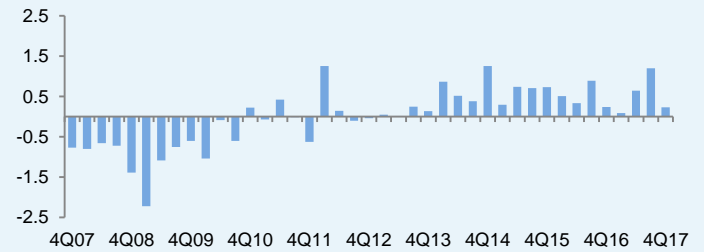
## Market Analysis

### Asking Rent and Vacancy



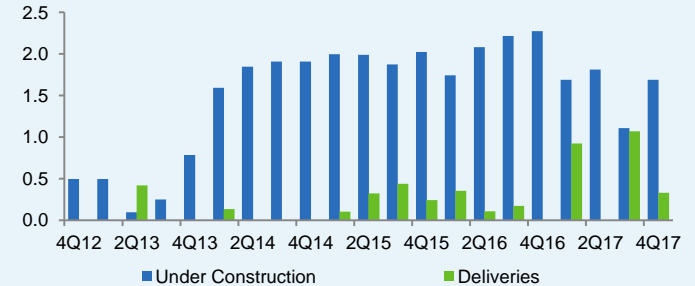
### Net Absorption

Square Feet, Millions



### Construction and Deliveries

Square Feet, Millions



## Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory (SF)	199M	197M	194M	↑
Vacancy Rate (%)	14.5%	14.3%	14.0%	↑
Quarterly Net Absorption (SF)	231,144	1.2M	237,477	↔
Average Asking Rent (\$/SF)	\$3.26	\$3.18	\$3.11	↔
Under Construction (SF)	1.7M	1.1M	2.3M	↔
Ground-Up Deliveries (SF)	329,155	1.1M	0	↔

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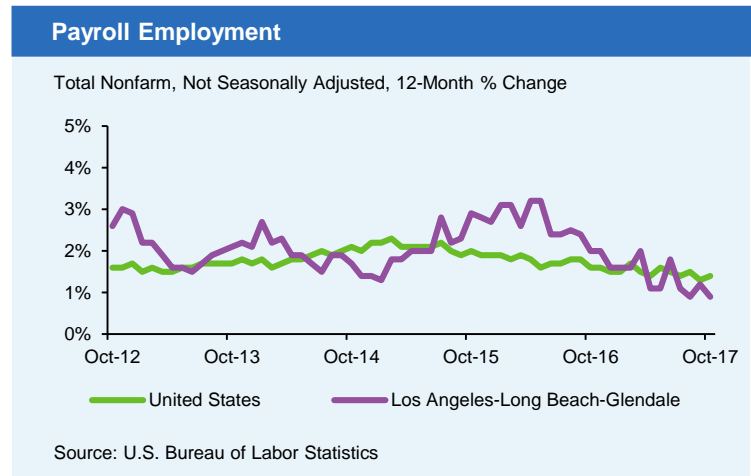
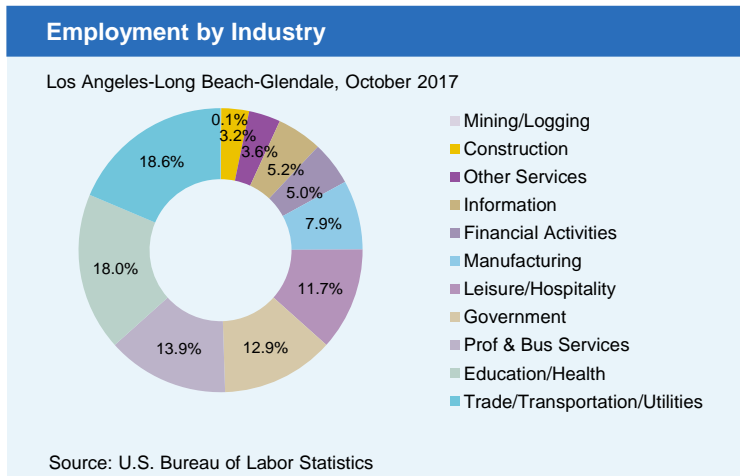
## Outlook

Active tenant requirements totaled 14.6 million square feet by year-end, led by two industry segments: entertainment and technology, which accounted for nearly one-third of overall demand. Half of requirements across all industry segments were in West LA. Since active demand is a precursor to leasing activity, West LA will likely experience another healthy year in 2018. Many property owners will tighten concession packages, and new construction will find tenants.

The same cannot be said for Downtown Los Angeles where expected tenant downsizes will play tug-of-war with tenant moves. To compound

matters, approximately 2.2 million square of under renovation product is set to deliver. Property owners will be more aggressive with concession packages to win and retain tenants.

Moderate, albeit slower, growth for the metro is expected next year as big move-ins, such as Google's 319,000 square feet in Playa Vista, are weighed against move-outs, like Nestlé USA shedding 378,452 square feet in Glendale. In addition, new job creation is slowing amid a tight unemployment rate; fewer new white-collar jobs suggests a reduction in new requirements for office space.



## Lease/User Transactions

Tenant	Building	Micro-Market	Type	Square Feet
Tesla	4729-4755 Alla Rd	Marina Del Rey/Venice	New	131,071
Apple	5500 W Jefferson Blvd	Culver City	Pre-lease	85,000
Facebook	8500 Balboa Blvd	West Valley	New	60,166
Mitchell Silberberg & Knupp LLP	2049 Century Park E	Century City	New	69,000
Spaces	1800 N Vine St	Hollywood	New	60,684

## Select Sales Transactions

Building(s)	Micro-Market	Sale Price	Price/SF	Square Feet
100, 200, 222 N Sepulveda Blvd	El Segundo/Beach Cities	\$605,454,000	\$381	1,588,089
Campus 2010 & Parking Garage	El Segundo/Beach Cities	\$117,100,000	\$440	266,096
21250 Hawthorne Blvd	Torrance Central	\$106,750,000	\$348	306,765
700 N Brand Blvd	Glendale	\$55,300,000	\$260	212,504
150 N Orange Grove Blvd	Pasadena	\$50,000,000	\$453	110,456

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**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)
<b>Downtown Los Angeles</b>	<b>33,562,715</b>	<b>93,000</b>	<b>19.5%</b>	<b>-93,254</b>	<b>-173,792</b>	<b>\$3.67</b>	<b>\$3.30</b>	<b>\$3.47</b>
<b>Mid-Wilshire</b>	<b>7,871,548</b>	<b>0</b>	<b>18.6%</b>	<b>133,490</b>	<b>114,204</b>	<b>\$2.45</b>	<b>\$2.07</b>	<b>\$2.11</b>
Central Valley	8,006,677	0	9.4%	78,468	-31,897	\$3.05	\$2.44	\$2.91
Conejo Valley	8,268,614	0	12.8%	5,875	188,799	\$2.57	\$2.55	\$2.56
East Valley	3,116,213	218,267	6.1%	-3,519	6,553	\$3.12	\$2.30	\$2.80
Santa Clarita Valley	2,741,551	0	12.6%	-6,553	37,793	\$2.59	\$2.14	\$2.49
West Valley	9,661,439	0	10.9%	33,333	277,255	\$2.51	\$2.30	\$2.50
<b>Los Angeles North</b>	<b>31,794,494</b>	<b>218,267</b>	<b>10.7%</b>	<b>107,604</b>	<b>478,503</b>	<b>\$2.68</b>	<b>\$2.43</b>	<b>\$2.63</b>
<b>Park Mile</b>	<b>1,686,837</b>	<b>0</b>	<b>20.8%</b>	<b>18,831</b>	<b>-30,520</b>	<b>\$2.79</b>	<b>\$2.97</b>	<b>\$2.72</b>
Eastern SGV	7,706,322	77,250	12.7%	-9,956	160,118	\$2.57	\$2.20	\$2.27
Western SGV	6,270,066	0	13.2%	-30,966	66,678	\$2.62	\$2.38	\$2.29
<b>San Gabriel Valley</b>	<b>13,976,388</b>	<b>77,250</b>	<b>12.9%</b>	<b>-40,922</b>	<b>226,796</b>	<b>\$2.58</b>	<b>\$2.26</b>	<b>\$2.28</b>
190th Street Corridor	3,305,802	0	18.8%	35,647	61,585	\$2.66	\$2.21	\$2.40
Carson	995,656	0	34.2%	-4,475	44,488	\$2.14	\$2.34	\$2.16
El Segundo/Beach Cities	11,424,010	0	7.8%	2,622	364,308	\$3.46	\$3.14	\$3.30
LAX/Century Blvd.	3,845,397	0	35.7%	41,957	91,474	\$1.97	\$1.73	\$1.89
Long Beach Downtown	4,070,026	0	15.6%	-17,730	-5,683	\$2.81	\$2.19	\$2.37
Long Beach Suburban	4,850,781	0	9.1%	43,538	41,043	\$2.81	\$2.14	\$2.22
Torrance Central	3,017,426	0	6.6%	78,696	54,986	\$3.07	\$2.49	\$2.59
<b>South Bay</b>	<b>31,509,098</b>	<b>0</b>	<b>14.3%</b>	<b>180,255</b>	<b>652,201</b>	<b>\$2.66</b>	<b>\$2.33</b>	<b>\$2.44</b>
Burbank	6,532,310	0	11.8%	-74,561	147,949	\$3.37	\$2.84	\$3.28
Glendale	6,327,067	0	12.7%	-63,126	-109,815	\$2.80	\$2.35	\$2.72
Pasadena	7,731,998	0	14.7%	-23,126	-241,525	\$3.35	\$3.17	\$3.29
<b>Tri-Cities</b>	<b>20,591,375</b>	<b>0</b>	<b>13.1%</b>	<b>-160,813</b>	<b>-203,391</b>	<b>\$3.15</b>	<b>\$2.89</b>	<b>\$3.09</b>
Beverly Hills	6,287,615	40,274	11.0%	-79,060	39,075	\$5.31	\$4.85	\$5.21
Brentwood	3,329,333	0	8.2%	-10,720	-47,441	\$3.89	\$3.65	\$3.89
Century City	10,383,273	0	8.9%	15,900	-29,474	\$4.47	-	\$4.47
Culver City	4,664,029	565,393	29.3%	-56,325	-330,291	\$4.61	\$3.17	\$4.27
Hollywood	3,274,662	460,601	12.8%	85,773	587,333	\$4.53	\$3.62	\$4.29
Marina Del Rey/Venice	1,332,501	155,000	16.2%	75,466	159,227	\$4.42	\$4.46	\$4.44
Miracle Mile	4,390,712	0	14.8%	20,293	-264,127	\$4.08	\$2.61	\$3.96
Olympic Corridor	2,535,449	80,340	4.3%	23,942	14,769	\$4.49	\$3.29	\$4.30
Playa Vista	3,295,726	0	29.9%	-12,898	37,587	\$5.26	\$3.44	\$4.99
Santa Monica	8,834,216	0	12.4%	-467	604,095	\$5.87	\$5.30	\$5.59
West Hollywood	2,685,307	0	16.6%	10,932	108,710	\$4.17	-	\$4.17
Westside Other	3,643,955	0	8.7%	-8,796	-70,358	\$3.71	\$3.59	\$3.68
Westwood	3,147,809	0	17.3%	21,913	-44,986	\$4.86	\$3.65	\$4.83
<b>West Los Angeles</b>	<b>57,804,587</b>	<b>1,301,608</b>	<b>13.9%</b>	<b>85,953</b>	<b>764,119</b>	<b>\$4.65</b>	<b>\$4.17</b>	<b>\$4.54</b>
<b>Los Angeles</b>	<b>198,797,042</b>	<b>1,690,125</b>	<b>14.5%</b>	<b>231,144</b>	<b>1,828,120</b>	<b>\$3.60</b>	<b>\$2.84</b>	<b>\$3.26</b>

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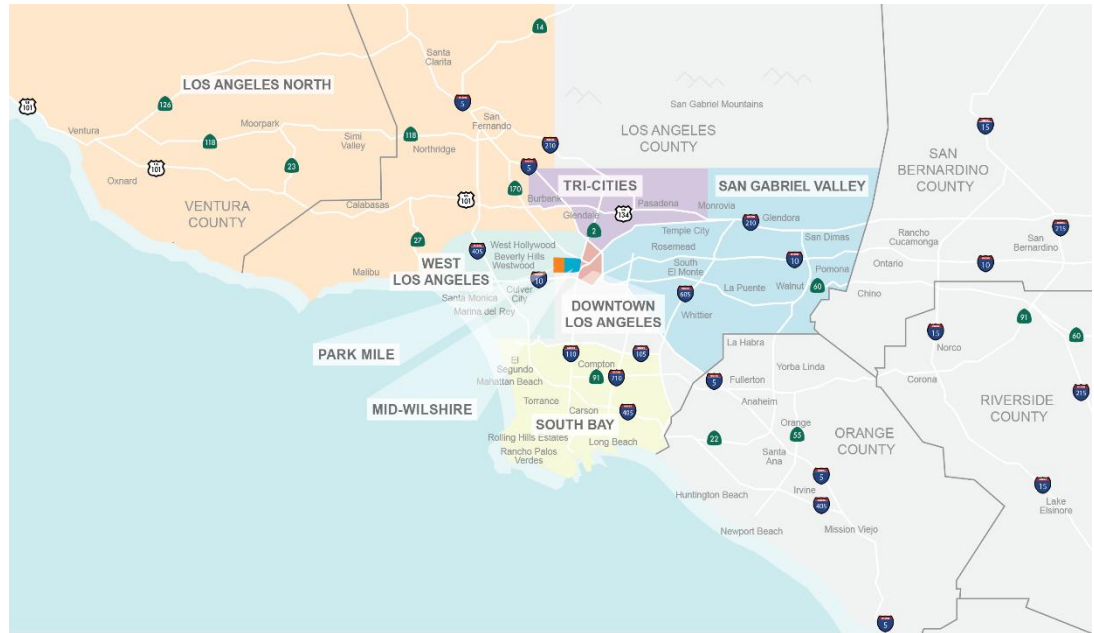
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### Los Angeles Office Submarkets



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