MARKETBEAT

Greater Los Angeles

Office Q3 2019

CUSHMAN & WAKEFIELD

LOS ANGELES OFFICE

Economic Indicators*

	Q3 18	Q3 19	12-Month Forecast
Los Angeles Employment	4.51M	4.57M	▲
Los Angeles Unemployment	4.6%	4.5%	▼
U.S. Unemployment	3.8%	3.7%	▲

*As of May 2019

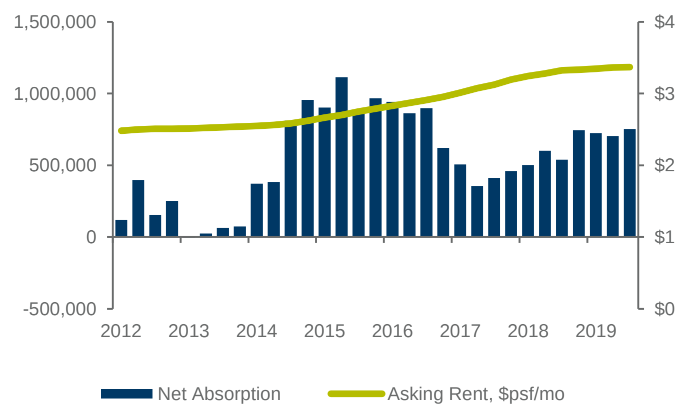
Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	15.2%	14.3%	▬
YTD Net Absorption (sf)	1.7M	1.6M	▬
Under Construction (sf)	2.0M	4.6M	▼
Average Asking Rent*	$3.35	$3.38	▲

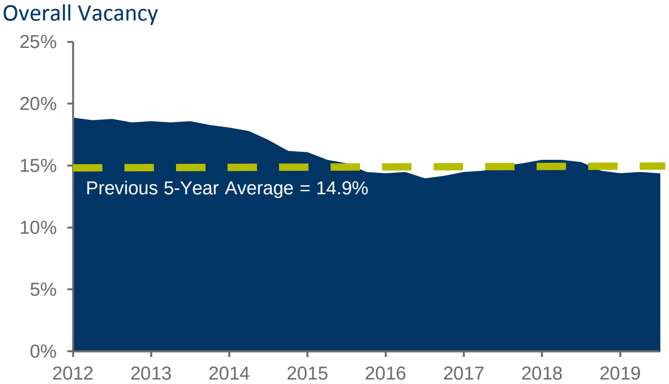
*Rental rates reflect gross asking $psf/mo **Stats not reflective of U.S. MarketBeat Tables

Overall Net Absorption / Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Nonfarm employment in California expanded at a steady pace and the nonfarm jobs increased by 314,200 jobs, which is equivalent to a 1.8% increase. This matches the fastest yearly growth rate out of any month in 2019 and is a better showing than the nation's 1.4% rate. Meanwhile, Los Angeles County increased its nonfarm employment by 59,100 or 1.3% over the last year. Educational and health services saw the highest level of job creation with 25,600 jobs. The collective needs of a growing and aging population continue to drive up employment in this sector. The professional and business services sector continues to expand and added 14,200 jobs in the last year.

Market Overview

Greater Los Angeles's (GLA) office inventory continues to grow, increasing by more than 30.0% since 2011, reaching 202.9 million square feet (msf). The first half 2019 saw few completions of construction projects market-wide, totaling just under the 1.0 msf mark at 966,174 sf of new buildings year-to-date (YTD) by the close of third quarter. Despite limited deliveries since 2017, the amount of office projects under construction has bolstered to record heights of 4.6 msf, more than doubling activity of the previous year. The majority of projects underway are concentrated in the West Los Angeles and Culver City submarkets of LA West, totaling 2.2 msf, as well as Hollywood for a total of 792,147, with most expected to deliver by mid-2020. Overall vacancy rates saw a marginal drop of 10 basis points (bps) to 14.3% from the previous quarter as the 925,131 sf of positive absorption was largely offset by the 848,657 sf of construction and renovation deliveries to the market. LA West topped the markets with 539,800 sf of positive absorption, reducing overall vacancy by 100 bps to 10.2%. Inversely, LA South had occupancy losses of 103,644 sf, increasing vacancy by 70 bps to 18.8%. Overall net absorption was positive for ten consecutive quarters, bringing the YTD total to 1.6 msf. More than half of these occupancy gains were recorded in LA West, where ByteDance occupied 118,975 sf at C3 and LiveNation moved-in at The Post for 95,217 sf.

Slower rent growth year-over-year (YOY) occurred with third quarter 2019 increasing by 0.9%, the overall average asking rental rate finished at $3.38 per square foot per month (psf/mo). Direct Class A rates increased by 0.6% to $3.68 psf/mo over the same period. As select submarkets continued to tighten with less top tier space available, asking rental rates continued to push, but at a less aggressive rate than previous years. LA South remains the highest YOY rental rate growth market with 7.1% increases to $3.00 psf/mo. LA West continues to command the highest overall asking rental rates at $4.71 psf/mo. The Arts District in DTLA posted one of the highest Class A direct asking rates at $5.63 psf/mo, however much of this top tier space has been claimed. Spotify (44,000 sf) and USC (10,025 sf) signed expansions At Mateo (555-581 Mateo St) and are expected to occupy in early 2020. These deals brought At Mateo to 100% occupancy, an uncommon feat for multi-tenant buildings in DTLA.

Technology, Coworking, Media & Entertainment continue to drive the leasing market across LA. The Technology sector surpassed the two sectors with 1.6 msf ytd or 21.6% of the total activity. However, the third quarter was driven by the Media & Entertainment sector with 333k sf or 19.0% of the third quarter totals. Warner Brothers and Disney leases combined for over 300k sf in Burbank. New leasing activity slowed to 2,944,980 sf, dropping 31.8% quarter-over-quarter. Despite this decline ytd leasing activity in the GLA remained strong producing 11,545,009 sf, actually outpacing the same period in 2018 by 7.4%.

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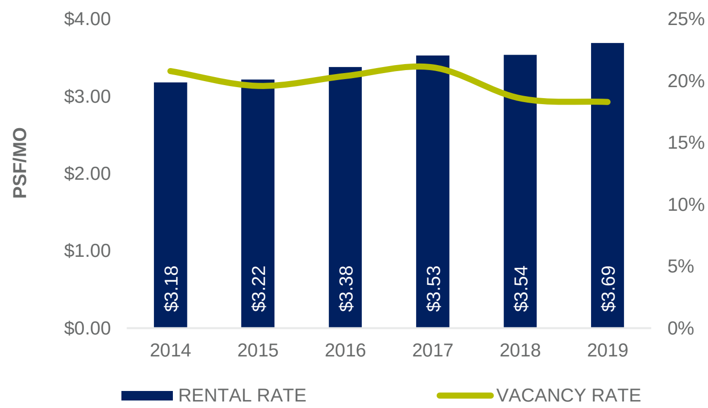
Los Angeles Downtown (CBD)

The CBD posted 91,568 sf of new leasing activity in the third quarter 2019, a 77.1% decline quarter-over-quarter from 400,107 sf. The ytd total of 824,778 sf is also down when compared to the YTD total of 1.2 msf posted in the third quarter 2018. However, the CBD dominated renewal leasing activity in DTLA accounting for the 224,101 sf of this quarter. Overall vacancy declined 190 bps YOY from 20.2% to 18.3%. Overall absorption posted meek numbers ending under 10,000 sf of net move-ins, far below the 158,952 sf in the third quarter 2018. Not all market fundaments slowed, overall asking rents grew 4.5% YOY ending at $3.69 psf/mo. TwoCal Plaza, KPMG Center, and Figueroa Tower have all started spec suite programs to address the growing costs and demand from tenants looking for smaller deals. The office landscape has shifted dramatically from a few years ago in which tenants regularly accepted lower allowances and even came out-of-pocket to build-out their space.

Overall Rental vs. Vacancy Rate
CENTRAL BUSINESS DISTRICT



Los Angeles Downtown (Non-CBD)

The Non-CBD continues to fuel new leasing activity, absorption and development across the DTLA market. The Non-CBD remains attractive to creative office tenants on the back of the revitalization of its inventory. The delivery of The Maxwell (1003-1019 E. 4th Place) in the Arts District and renovation of the Trust Building (433 S. Spring Street) in the Historic District contributed 102,916 sf and 320,273 sf of new building inventory respectively. Overall vacancy decreased 220 bps YOY to 22.4%. Despite the drop in YOY vacancy, it rose sharply over the quarter mainly due to the delivery of the Trust Building, as seen in the 40.0% vacancy rate in the Historic District. Overall asking rents fell 3.7% YOY ending at $3.63 psf/mo. Despite the dip in overall rents for the Non-CBD the Arts District is flourishing with redevelopment, garnering $5.02 psf/mo asking rents, the highest in DTLA. Leasing activity ended the third quarter 2019 at 139,979 sf a 65.6% decline YOY. With 1.4 msf of renovated inventory set to deliver by the second quarter 2020, one can expect the Non-CBD to continue its growth in popularity as a creative office market.

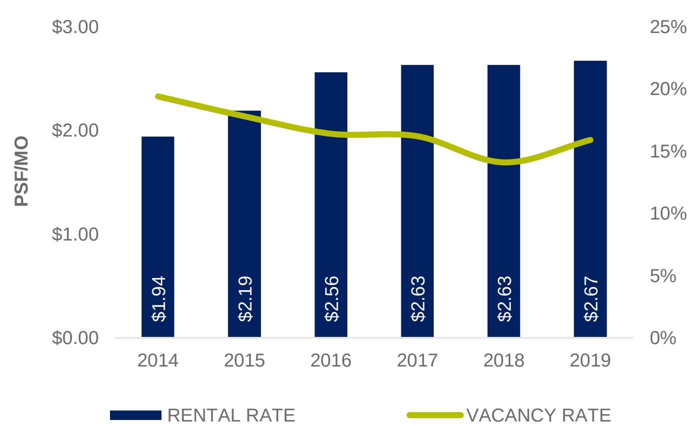
Overall Rental vs. Vacancy Rate
NON-CENTRAL BUSINESS DISTRICT

*Rental and vacancy rates reflect Arts District & Fashion District added to stats in 2017.

Mid-Wilshire

The Mid-Wilshire office market is composed of Hollywood, Mid-Wilshire and Park Mile for a total of 12.0 msf. Hollywood garners the highest overall asking rents at $4.68 psf/mo due in part to increased demand from tech, media and other entertainment tenants in recent quarters. Despite the small uptick in asking rents, overall vacancy increased 110 bps YOY to 15.9%. Much of the increase can be attributed consolidation efforts by Farmers Insurance, vacating the entirety of their 110,975 sf footprint at 4750 Wilshire Blvd in Park Mile to move to Warner Center in the San Fernando Valley. This had a pronounced impact on overall net absorption and was compounded by the negative 70,545 sf of absorption in Mid-Wilshire. Hollywood had nearly 160,000 sf of positive net absorption propelled by Netflix moving into 68,834 sf at the Hollywood Creative (1350 N. Western Ave) and 94,938 sf at the newly delivered Vine Studios (817-827 Vine St). Despite strong occupancy gains in Hollywood, overall absorption ended at -23,345 sf for the third quarter 2019. Hollywood is expected to remain a top office market and will continue to elevate the profile of the Mid-Wilshire submarket.

Overall Rental vs. Vacancy Rate
MID-WILSHIRE



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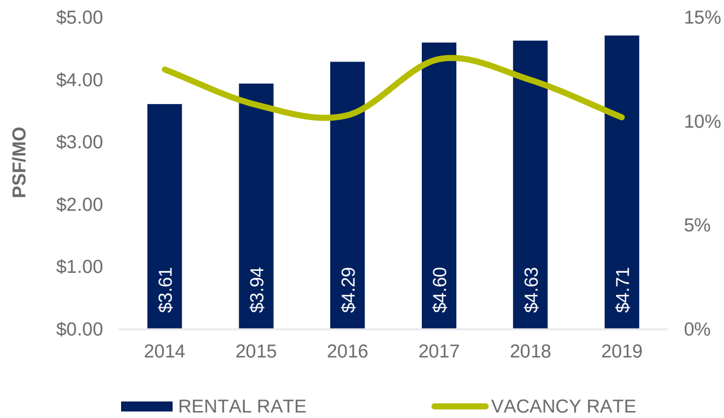
Los Angeles West

Overall net absorption in the LA West office market has surpassed 500,000 sf for the second consecutive quarter, with move-ins amounting to 539,800 sf in third quarter 2019. This growth has led the overall vacancy rate to drop by 90 bps to 10.2%. The largest YOY decrease in vacancy was seen in Culver City where Amazon Studios occupied the entirety of the newly-constructed Culver Steps development. Culver City's vacancy rate of 12.1% is down 750 bps from nearly 20.0% one year ago. When Warner Music vacated Atria West, consolidating to their offices in the Arts District, a large premium block became available which caused average asking rents in the West Los Angeles submarket to hike 9.0% YOY. This is the largest rent growth of any submarket in LA West. WeWork signed a lease to backfill the 67,583-sf space making this deal one of the top transactions in this market. The largest lease signed was also by WeWork for over 135,000 sf in Miracle Mile. These coworking deals along with the leases signed at the Pen Factory in Santa Monica by Kite Pharma and GoodRX brought YTD new leasing to 3.7 msf, far outpacing the 2.8 msf of activity recorded this time last year.

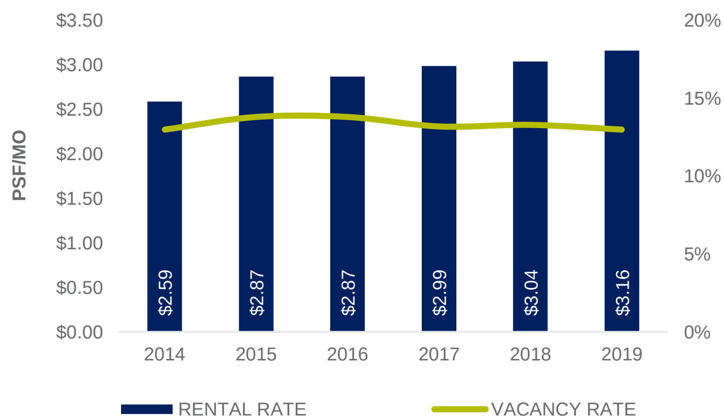
Overall Rental vs. Vacancy Rate
LOS ANGELES WEST



Tri-Cities

Leasing activity gained momentum with 546,846 sf of new deals, bringing the YTD totals to 1,545,251 sf. This surpasses the total leasing activity posted in all of 2018 by 20.4%. Media & Entertainment sectors reemerged by signing the largest deals of the quarter with Disney taking 114,137 sf at 3900 W. Alameda Ave. and Warner Brothers expanding their footprint with 111,624 sf at 3400 W. Olive Ave. In the same building, Disney took another 88,000 sf contributing to Burbank being the most active submarket in Tri-Cities with 524,716 sf ytd. Overall net absorption in third quarter 2019 posted positive 121,523 sf. taking the ytd total to 145,351 sf, a far stretch from the negative 264,285 sf a year ago. A few notable move-ins pushed occupancy gains, PCL Construction took space at 655 N. Central Ave for 31,976 sf and Advanced Digital Services occupied 3575 Cahuenga Blvd W for 20,702 sf. Overall vacancy rates declined 140 bps to 12.7% from a year ago. Strong leasing activity and tenant demand continued to push overall asking rental rates, increasing by 4.1% YOY to $3.16 psf/mo. Glendale recorded the largest rental growth with a 12.0% YOY increase to $3.15 psf/mo.

Overall Rental vs. Vacancy Rate
TRI-CITIES



San Gabriel Valley

San Gabriel Valley (SGV) continued to record relatively slow leasing activity in the third quarter 2019, totaling 344,718 sf YTD, nearly half of that recorded during the same period of the previous year. Leasing activity was comprised of small-scale transactions, totaling a mere 50,939 sf. Despite minimal activity this quarter, overall vacancy has shown notable YOY improvements, declining 130 bps to 12.2%. The 28,445-sf move-in of Jollibee Foods Corporation at 100 North Barranca Street was the largest of third quarter. Overall net absorption remained solid, with 154,060 sf taken off the market YTD, just shy of the positive 187,297-sf figure recorded by third quarter 2018. Overall average asking rents posted quarterly increases of $0.07 psf/mo, or 3.0%, with more significant rises of 3.9% YOY to $2.38 psf/mo. The 210 Corridor continued to lead the market in rent growth, recording increases of $0.24 psf/mo YOY, or 10.7%, to $2.51 psf/mo. Despite slow third quarter activity, SGV continues to display consistent improvements in its fundamentals, signifying increasing demand for office product in the market.

Overall Rental vs. Vacancy Rate
SAN GABRIEL VALLEY

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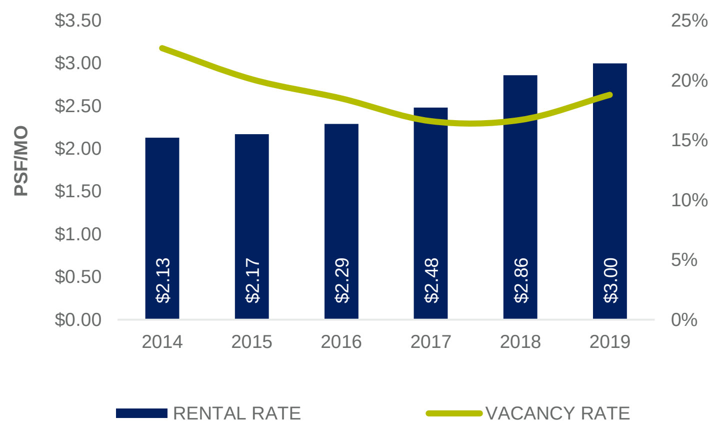
Los Angeles South

The South Bay office market posted net occupancy losses of 414,847 sf, resulting in a 200-bp YOY increase in vacancy. The Port of Long Beach moved its headquarters to Downtown Long Beach and vacated 176,375 sf at 4801 Airport Drive in Suburban Long Beach. Even with increasing vacancy since fourth quarter 2017, rents in the South Bay have been on an upward trajectory, influenced by the strong growth in El Segundo. With only a 7.1% annual increase in rents in the third quarter, there has been a deceleration in rent growth; however, average rent for the South Bay has seen a 23.5% increase in the last two years. Although there was softening in absorption, leasing has been relatively healthy. As expected, leasing activity was strongest in the El Segundo submarket, which accounted for 40.1% of the South Bay's YTD leasing. Totaling 680,966 sf, this was 16.4% higher than the same period a year ago. Strong demand has resulted in upward pressure on rents and this submarket's average rent jumped to $3.98 psf/mo, 7.9% higher than a year ago. El Segundo has become an increasingly attractive area for companies and investors who are looking to take advantage of its lower prices compared to Playa Vista and Santa Monica. Global advertising giant Saatchi & Saatchi will relocate its Torrance headquarters to El Segundo, joining a growing number of media and technology firms that have relocated to this former aerospace and industrial hub.

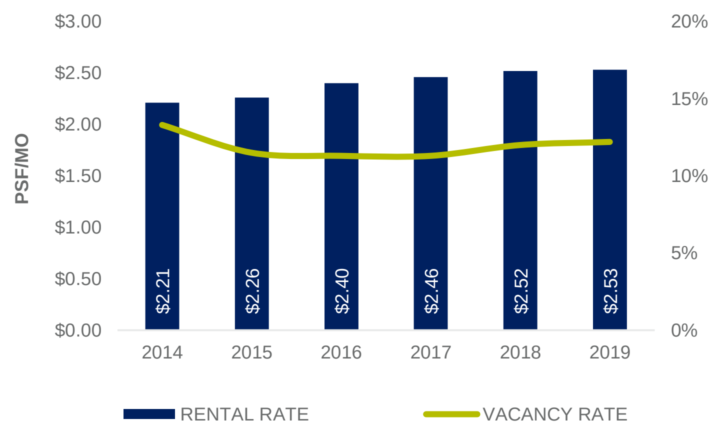
Overall Rental vs. Vacancy Rate
LOS ANGELES SOUTH



Los Angeles North

LA North recorded strong leasing activity in third quarter 2019, bringing YTD totals to 2.1 msf, outpacing that of the previous year by 21.3%. Third quarter totals of 584,507 sf, however, fell short of the 2018 quarterly average of 629,558 sf. The largest lease of the quarter was signed by AmaWaterways, taking 48,750 sf at 4500 Park Granada in Calabasas. While overall vacancy recorded an uptick of 20 bps over the previous quarter to 12.4%, a 50-bp improvement was seen ytd. The declining trend in vacancy is attributed to several noteworthy move-ins this quarter and last, including the 50,000-sf expansion of Viking River Cruises at Hines Warner Center and the 41,595-sf move-in of SFV Community Mental Health Center at Republic Center in Van Nuys. These sizeable move-ins were offset by several mid-sized move-outs, bringing LA North's overall net absorption to just 44,257 sf ytd. Despite recording only slight positive absorption, improvements were seen from the negative figures of 104,163 sf posted third quarter 2018. Overall average asking rents remained steady since the previous quarter at $2.53 psf/mo, recording 1.6% YOY growth. Van Nuys recorded the most notable rent increase this quarter, with a bump of 8.5% YOY to $2.57 psf/mo. Looking forward, anticipated large-scale move-ins will bring substantial occupancy gains, offsetting occupancy losses over the start of the year.

Overall Rental vs. Vacancy Rate
LOS ANGELES NORTH



Outlook

Across Greater Los Angeles there are 8.4 msf of projects in the development pipeline, including new office constructions (4.6 msf) and renovations (3.8 msf). Nearing the 1.0 msf mark, the third quarter delivered 966,174 sf of new buildings. An anticipated 1.7 msf of developments could complete before yearend. New deliveries can expect strong demand as occupiers relocate from lower quality product and seek space that aligns with business needs and cultural identity. Vacancy is expected to remain mostly steady; albeit slightly higher as the new supply comes online.

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CONSTRUCTION (SF)	DIRECT ASKING RENT (CLASS A)*	OVERALL ASKING RENT (ALL CLASSES)*
Los Angeles Downtown CBD	27,574,918	147,139	4,888,153	18.3%	9,693	24,556	824,778	0	$3.81	$3.69
Los Angeles Downtown (Non-CBD)	9,712,252	7,500	2,166,118	22.4%	192,549	556,371	1,012,578	100,000	$3.89	$3.63
Mid-Wilshire	12,021,236	68,068	1,840,107	15.9%	(23,345)	(152,303)	343,512	792,147	$2.59	$2.67
Los Angeles West	53,799,197	560,187	4,922,940	10.2%	539,800	1,249,744	3,699,077	2,176,349	$4.96	$4.71
Los Angeles North	31,632,048	175,628	3,759,600	12.4%	163,404	44,257	2,077,760	284,374	$2.60	$2.53
Los Angeles South	31,035,509	233,961	5,593,469	18.8%	(103,644)	(414,847)	1,697,335	841,872	$3.42	$3.00
Tri-Cities	24,463,942	230,666	2,874,487	12.7%	121,523	146,351	1,545,251	433,767	$3.40	$3.16
San Gabriel Valley	12,681,137	23,445	1,524,513	12.2%	(10,736)	154,060	344,718	0	$2.59	$2.38
GREATER LOS ANGELES	**202,920,239**	**1446,594**	**27,569,387**	**14.3%**	**889,244**	**1,608,189**	**11,545,009**	**4,628,509**	**$3.68**	**$3.38**

SUMMARY BY CLASS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CONSTRUCTION (SF)	AVERAGE ASKING RENT DIRECT*	AVERAGE ASKING RENT OVERALL*
Class A	134,917,958	1,274,992	18,888,973	14.9%	968,911	2,123,650	8,888,676	4,572,855	$3.68	$3.63
Class B	61,126,040	162,509	7,881,992	13.2%	(49,233)	(492,811)	2,498,912	55,654	$2.93	$2.93
Class C	6,876,241	9,896	798,422	11.8%	5,453	(22,650)	157,421	0	$2.20	$2.20

*Rental rates reflect gross asking $psf/mo **Leasing Activity does not include Renewals ***Stats not reflective of U.S. MarketBeat Tables

Key Lease Transactions Q3 2019

PROPERTY	OFFICE SF	TENANT	TRANSACTION TYPE	MARKET / SUBMARKET
445 South Figueroa Street / Union Bank Plaza	161,903	Union Bank	Renewal	LA Central / CBD
5750 Wilshire Boulevard	135,000	WeWork	New Lease	LA West / Miracle Mile
3900 West Alameda Avenue / The Tower	114,137	Disney	New Lease	Tri-Cities / Burbank
3400 West Olive Avenue / The Pinnacle	111,624	Warner Brothers	New Lease	Tri-Cities / Burbank
3400 West Olive Avenue / The Pinnacle	88,000	Disney	New Lease	Tri-Cities / Burbank
2701 Olympic Boulevard / Pen Factory	87,882	Kite Pharma	Sublease	LA West / Santa Monica
555 South Aviation Boulevard	87,229	JustFab	New Lease	LA South / El Segundo
555 South Aviation Boulevard	80,568	Saatchi & Saatchi	New Lease	LA South / El Segundo
2701 Olympic Boulevard / Pen Factory	73,869	GoodRX	New Lease	LA West / Santa Monica
10585 Santa Monica Boulevard / Atria West	67,583	WeWork	New Lease	LA West / West Los Angeles

*Renewals not included in leasing statistics

Key Sales Transactions Q3 2019

PROPERTY	OFFICE SF	SELLER / BUYER	PRICE / $PSF	MARKET / SUBMARKET
200 Oceangate Avenue / Molina Center	461,263	Angelo, Gordon & Co / Fortress Investment	$81,203,176 / $352	LA South / Downtown Long Beach
5901 Century Boulevard / Airport Center III	306,234	The Ruth Group / North Sea Capital	$45,000,000 / $147	LA South / LAX & Century
222 West Sixth Street / Topaz	289,834	Jupiter Holdings / Harbor Associates	$43,500,000 / $150	LA South / San Pedro
5200 Lankershim Boulevard / The Academy Tower	160,197	Swift Real Estate Partners / Rockwood Capital	$45,000,000 / $280	Tri-Cities / North Hollywood
650 Pacific Coast Highway	121,484	650 Segue Investments / Vella Group	$30,822,920 / $254	LA South / El Segundo
10505 Valley Boulevard / Pacific Place	90,243	PI Properties 158 / Hongixing Investment	$10,500,000 / $116	San Gabriel Valley / El Monte
955 Overland Court / San Dimas Corporate Park	87,210	Asset Management Consultants / Next Frontier	$18,818,301 / $228	San Gabriel Valley / San Dimas
18321 Ventura Boulevard / Tarzana Tower	80,500	Elat Properties / Optimus Properties	$22,000,000 / $273	LA North / Tarzana

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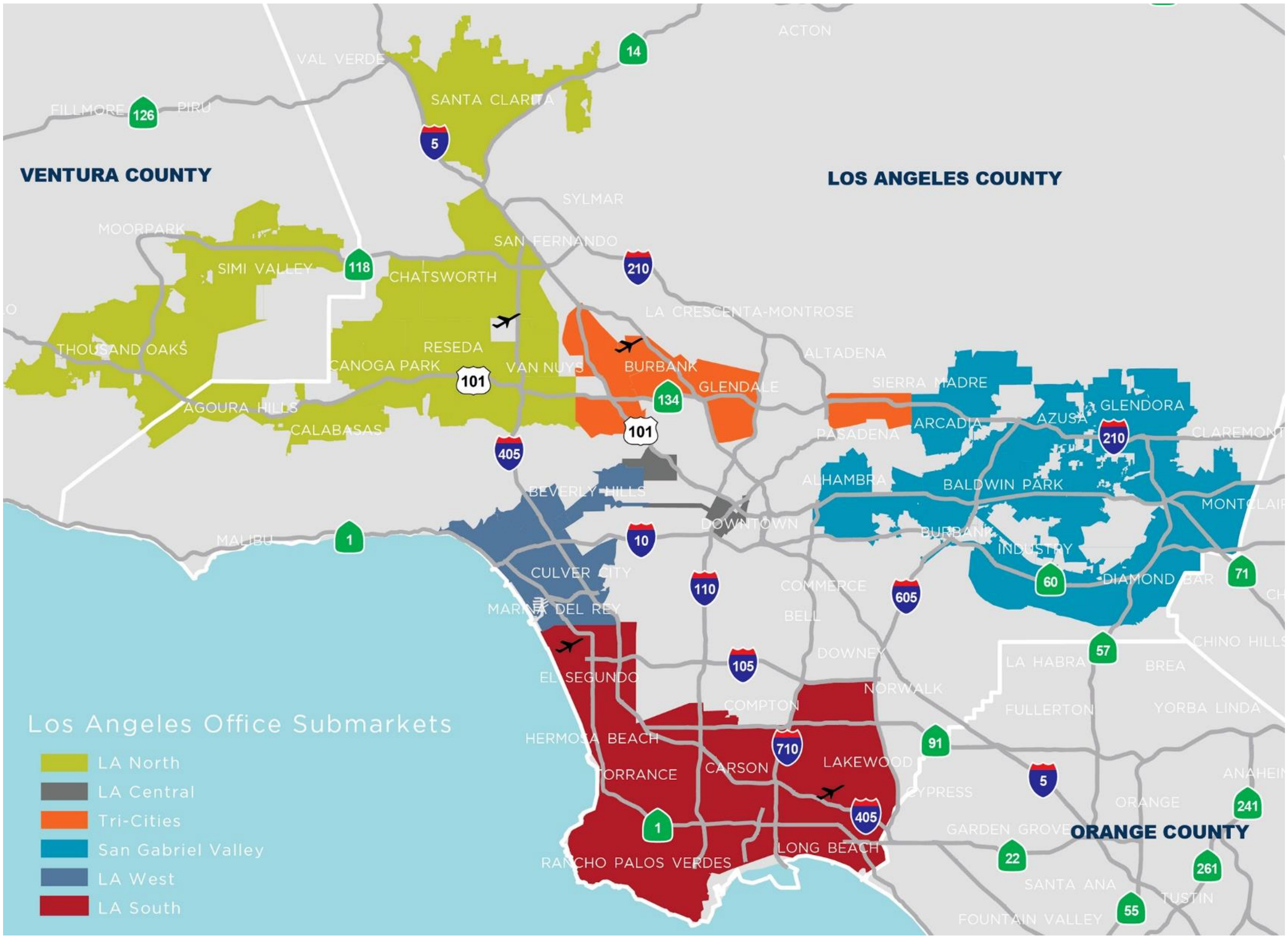

Explanation of Terms

Total Inventory: The total amount of office space (in buildings of a predetermined size by market) that can be rented by a third party.

Overall Vacancy Rate: The amount of unoccupied space (new, relet, and sublet) expressed as a percentage of total inventory.

Direct Vacancy Rate: The amount of unoccupied space available directly through the landlord (excludes sublease space).

Absorption: The net change in occupied space between two points in time. (Total occupied space in the present quarter minus total occupied space from the previous quarter, quoted on a net, not gross, basis.)

Leasing Activity: The sum of all leases over a period of time. This includes pre-leasing activity as well as expansions. It does not include renewals.

Under Construction: Industrial and office square footage that are being built and have not received certificates of occupancy (C of O). Projects which are beyond site preparation (concrete slab poured and construction is actively progressing). For C&W statistical purposes, these buildings will not be complete by the last day of the reporting quarter.

Under Renovation: Office and industrial buildings that are undergoing renovation, rehabilitation or conversion and require a certificate of occupancy to be habitable.

Overall Weighted Asking Rents: Gross average asking rents weighted by the amount of available direct and sublease space in Class A, B and C properties.

Class A Asking Rents: Gross average asking rents weighted by the amount of available Class A direct and sublease space.

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