

YoY Chg

**22.4%**

Vacancy Rate



**-370K**

Net Absorption, SF



**\$45.07**

Asking Rent, PSF



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q3 2020

YoY Chg

**4.1M**

Los Angeles County Employment



**17.0%**

Los Angeles County Unemployment Rate



**8.8%**

U.S. Unemployment Rate



CA EDD—Both LA and U.S. data as of September

### ECONOMIC OVERVIEW: COVID's Affect on the Economy

Although the job report is showing signs of a slight recovery, job losses remain high. With the loss of 443,900 jobs in the last year (-9.8%), Los Angeles County's unemployment rate rose from 4.3% in August 2019 to 16.1% in August 2020. Sectors that fuel the demand for office space posted significant losses with the professional and business services reporting 53,200 fewer jobs than a year ago. Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#).

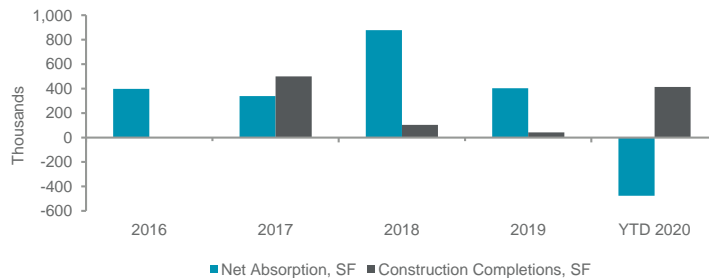
### SUPPLY AND DEMAND: DTLA Leasing Stagnates During Economic Downturn

The Downtown Los Angeles (DTLA) market, comprised of the CBD and the Non-CBD, currently contains 38.5 million square feet (msf) of office inventory. New leasing activity in Q3 2020 stalled to its lowest total in over a decade, with only 62,539 square feet (sf) of new leases in the quarter. Leasing activity is down 85.5% percent year-over-year (YOY) totaling 707,599 sf year-to-date (YTD). The third quarter 2020 occupancy losses (net absorption) in DTLA of negative 370,439 sf brought YTD absorption to negative 476,690 sf. The negative absorption and increase in vacancy stemmed from a number of large right-sizing transactions in the CBD. Overall vacancy in DTLA reached 22.4% up 300 bps compared to one year ago. The sublease availability rate also increased 80 bps quarter-over-quarter (QOQ) to 2.8% which is low relative to the increases in sublease space seen on the Westside of Los Angeles.

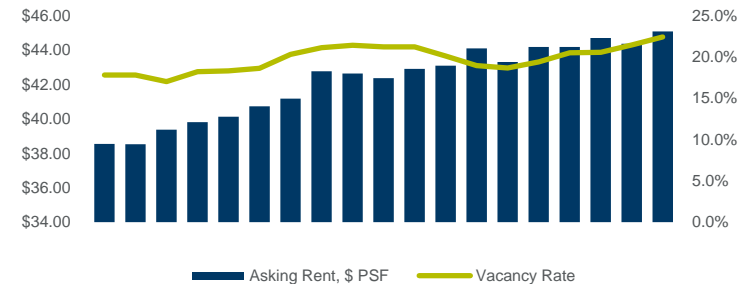
### ABSORPTION: Right-Sizing in CBD Compound Yearly Occupancy Losses

Absorption of negative 362,659 sf marks the largest quarterly loss since 2011 and pushed YTD absorption in the Central Business District (CBD) to negative 534,067 sf. The absorption in the quarter was driven by a number of large right-sizing transactions including financial services tenants Bank of the West, Union Bank, and the law firm Hinshaw Culbertson. Many of the firms that vacated space in the quarter had plans for down-sizing prior to the onset of the pandemic, however increases in vacancy and availability indicate that more firms are considering right-sizing or vacating due to the current economic landscape.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# DOWNTOWN LOS ANGELES

Office Q3 2020



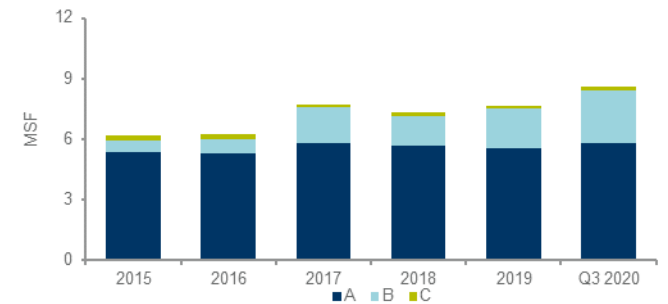
### CBD continued:

Overall vacancy in the CBD rose 130 bps in the third quarter of 2020 to 21.7%, while sublease vacancy reached 1.3% up 90 bps YOY. In the current climate firms are reassessing their space requirements whether for efficiency, social distancing, or for economic-related reasons. With the economic uncertainty, leasing activity stagnated in the CBD producing just 48,030 sf of new leases in Q3 2020. New leasing YTD of 471,614 sf is down 51.5% when compared to this time in 2019. Renewal activity YTD has fared slightly better at 379,025 sf down 45.8% from the 698,772 sf recorded a year ago. Renewals this year have been an attractive option to allow firms time to assess their space requirements in the short and long term. Overall asking rents closed the third quarter of 2020 at \$45.10 per square foot per year (psf/yr). Overall asking rents increased despite the severe slowdown in activity up 1.7% YOY and 1.3% from the second quarter of 2020. Landlords are also operating cautiously and waiting for market conditions to play out further before deciding how much to lower rental terms and concessions. Distinguished NY-based developer-owner Silverstein Properties closed on the iconic U.S. Bank Tower in the third quarter of 2020 marking its first acquisition in the Western U.S.

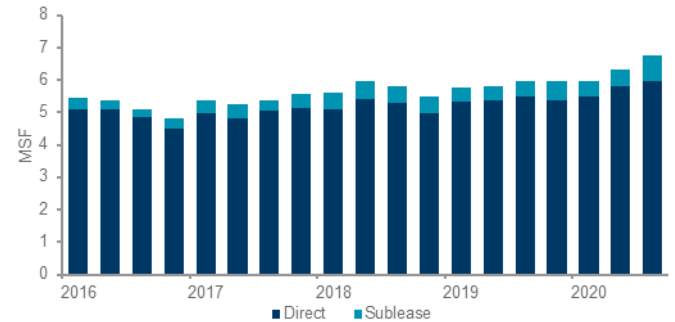
### Non-CBD: New Leasing Slows to a Trickle

Activity in the Non-CBD nearly halted in the third quarter of 2020 with just 14,509 sf of new leasing. Non-CBD leasing plummeted in 2020 as YTD leasing activity of 235,985 sf marks a 80.1% reduction compared to the near 1.2 msf of leasing activity a year ago. Asking rents in the Non-CBD have also held firm with the downturn in activity. Overall asking rent reached \$44.97 psf/yr increasing 2.7% from the second quarter and up 3.3% YOY. The Arts District and Historic District asking rates sit well above the Non-CBD rates at \$63.07 psf/yr and \$48.40 psf/yr respectively and account for the high asking rates in the submarket. The Arts District and Historic District have also contributed the most to vacancy in the Non-CBD with overall vacancy rates 41.1% and 37.1% respectively. Unlike the CBD, vacancy in the Non-CBD is a result of aggressive adaptive reuse conversions to office inventory over the past few years which haven't leased to capacity. COVID-19 has compounded that as overall vacancy in the Non-CBD ticked up 30 bps in the third quarter of 2020 to 24.4% and 270 bps YOY. Much of the vacancy in the Non-CBD is Class-B space posting a 29.1% overall vacancy and contributing over 1.8 million vacant sf. Class-A vacancy has fallen YOY down 830 bps to 23.1% from 31.4% in the third quarter 2019. Occupancy losses continued in the third quarter 2020 with just negative 32,825 sf of absorption with YTD absorption remaining positive at 57,377 sf. Absorption in the Non-CBD is held positive due to large occupancy gains in the Arts District in the first quarter of 2020 but could swing negative by year-end.

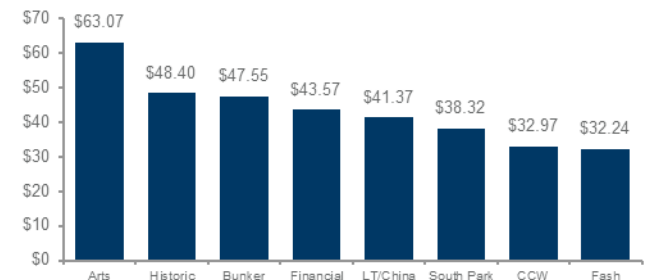
### VACANT SPACE BY CLASS



### DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



### SUBMARKET ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Bunker Hill	10,963,322	136,405	2,084,644	20.3%	-151,448	-237,030	232,055	0	\$47.55	\$47.55
Financial District	16,732,825	226,254	3,553,450	22.6%	-186,166	-297,037	239,559	0	\$43.57	\$45.54
<b>CBD TOTALS</b>	<b>27,696,147</b>	<b>362,659</b>	<b>5,638,094</b>	<b>21.7%</b>	<b>-337,614</b>	<b>-534,067</b>	<b>471,614</b>	<b>0</b>	<b>\$45.10</b>	<b>\$46.46</b>
South Park	2,181,744	31,991	434,117	21.4%	-22,524	39,084	23,984	82,200	\$38.32	\$41.24
Little Tokyo/Chinatown	610,753	5,381	47,583	8.7%	-5,381	39,318	8,047	0	\$41.37	\$43.20
Central City West	3,980,809	14,770	531,540	13.7%	3,126	-131,599	163,567	0	\$32.97	N/A
Historic District	1,970,904	0	732,189	37.1%	-7,089	-27,905	40,387	683,512	\$48.40	N/A
Fashion District	109,914	2,823	36,382	35.7%	-6,769	-7,544	0	1,256,697	\$32.24	N/A
Arts District	1,938,575	41,000	756,278	41.1%	5,812	146,023	0	305,000	\$63.07	\$56.83
<b>Non-CBD TOTALS</b>	<b>10,792,699</b>	<b>95,965</b>	<b>2,538,089</b>	<b>24.4%</b>	<b>-32,825</b>	<b>57,377</b>	<b>235,985</b>	<b>2,327,409</b>	<b>\$44.97</b>	<b>\$46.83</b>
<b>DTLA TOTALS</b>	<b>38,488,846</b>	<b>458,624</b>	<b>8,176,183</b>	<b>22.4%</b>	<b>-370,439</b>	<b>-476,690</b>	<b>707,599</b>	<b>2,327,409</b>	<b>\$45.07</b>	<b>\$46.47</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
333 South Grand Ave / Wells Fargo	CBD / Bunker Hill	Yukevich Cavanaugh	25,850	Renewal*
801 South Grand Ave / 801 Grand	CBD / Financial District	California State University Los Angeles	21,017	Renewal*
515 South Flower St / City National Plaza	CBD / Financial District	McCarthy Building Company	15,000	New Lease

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
633 West 5th St / U.S. Bank Tower	CBD / Bunker Hill	QUE Limited / Silverstein Properties	1,432,607	\$430M/\$300

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