

YoY Chg 12-Mo. Forecast

22.5%

Vacancy Rate



-409K

Net Absorption, SF



\$45.56

Asking Rent, PSF (FSG)



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2020

YoY Chg 12-Mo. Forecast

4.3M

Los Angeles County Employment



11.0%

Los Angeles County Unemployment Rate



6.7%

U.S. Unemployment Rate



CA EDD – Both LA and U.S. data as of November 2020

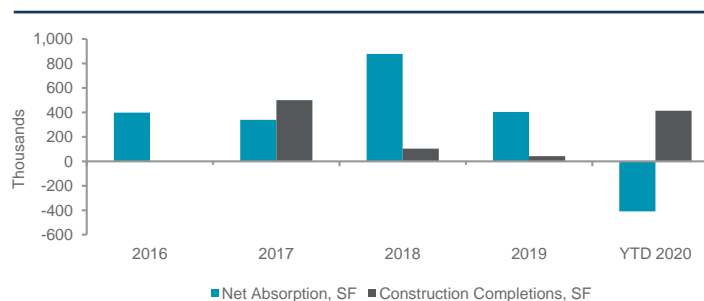
ECONOMIC OVERVIEW: Record Job Losses in 2020 and Vaccine Optimism

Although total nonfarm employment in Los Angeles County increased by 29,800 in November and has since made up 47.6% of the job deficit sustained in March and April, it remained below year-ago levels with every industry sector posting job reductions. With the loss of 386,100 jobs in the last year (-8.3%), Los Angeles County's unemployment rate rose from 4.3% in November 2019 to 11.0% in November 2020. Sectors that fuel the demand for office space posted significant declines with the professional and business services contracting by 47,000 jobs, the information sector losing 36,400 jobs and the educational and health services sector posting the loss of 37,900 jobs.

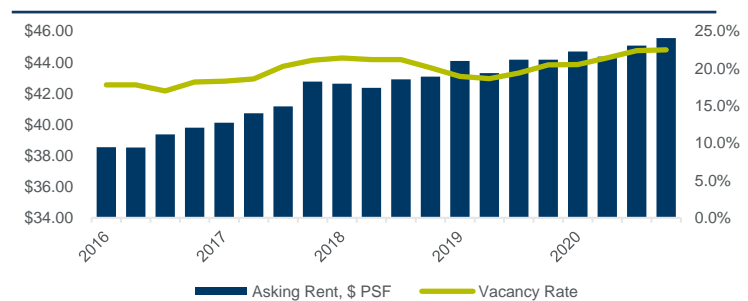
DEMAND: DTLA Asking Rents Up During Down Year for Most Market Fundamentals

The Downtown Los Angeles (DTLA) market, comprised of the Central Business District (CBD) and the Non-CBD, currently contains 38.5 million square feet (msf) of office inventory. COVID-19 caused mass uncertainty in the market with few firms willing to commit to new space long-term. This pull-back caused yearly leasing activity to drop 69.7% year-over-year (YOY) and reached just 805,561 square feet (sf) in 2020. Even with a 20 basis point (bps) downtick quarter-over-quarter, DTLA's overall vacancy rate of 22.5% is 160 bps higher than in the fourth quarter of 2019. Sublease vacancy reached 1.3%, up 60 bps YOY while direct vacancy increased 100 bps during the same time period. Despite solid positive absorption in the first quarter of 2020, large occupancy losses followed the economic downturn with the implementation of social distancing mandates due to COVID-19. With just 24,511 sf of net gains in the fourth quarter, 2020 ended with negative net absorption of 408,840 sf. Asking rates in DTLA have increased with overall asking rents reaching an average of \$45.56 price per square foot per year (psf/yr), for a 3.1% annual increase. Moreover, rising asking rents are not indicative of the market's direction and we believe that they will begin to trend downward in 2021. Owners are likely to give more concessions to hold asking rates, particularly in DTLA which has high concentration of Class-A inventory. It is unlikely landlords will continue to raise face rents. If vacancy rates continue to increase, asking rents are anticipated to decrease in future quarters to come.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



DOWNTOWN LOS ANGELES

Office Q4 2020



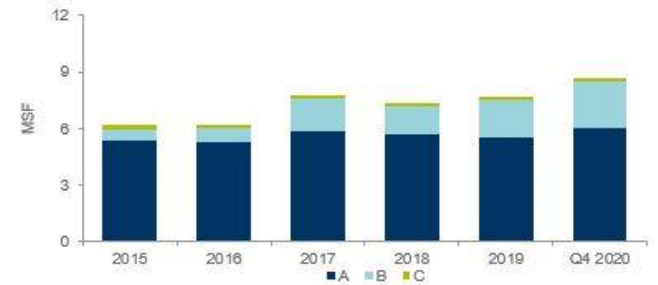
CBD New Leasing Activity Craters in 2020

New leasing activity in 2020 stagnated in the wake of COVID-19 and was further exacerbated with fourth quarter posting just 61,669 sf. Leasing activity dropped 85.3% YOY from the 1.4 msf in 2019 reaching just 535,886 sf by year-end 2020. With the market uncertainty many firms have opted to renew space both short and long term with yearly renewal activity of 688,305 sf outpacing new leasing in 2020. The overall vacancy in the CBD reached 21.5% in the fourth quarter a 30-bps drop quarter-over-quarter, but up 200 bps YOY. Sublease vacancy reached 1.5% in the fourth quarter up 80 bps YOY while sublease availability reached 3.1% to end the year showing that firms continue reassessing their space needs. Despite positive absorption of 73,574 sf in the fourth quarter, heavy occupancy losses throughout the year pushed year-end overall absorption to negative 468,112 sf. Overall asking rents rose 1.6% YOY reaching \$45.10 psf/yr. Landlords continued to hold asking rates showing more willingness to give greater concessions, although it is unlikely to persist if a correction in market conditions doesn't occur in early 2021. The fourth quarter also marked the sale of 915 Wilshire office building, the largest sale on a square foot basis to transact across the Los Angeles market. The Class-A asset was sold by Rockwood Capital and Lincoln Property Company to Deka Immobilien for \$196-million or \$521 psf and is the second Class-A office property to trade hands in the CBD in the second half of 2020.

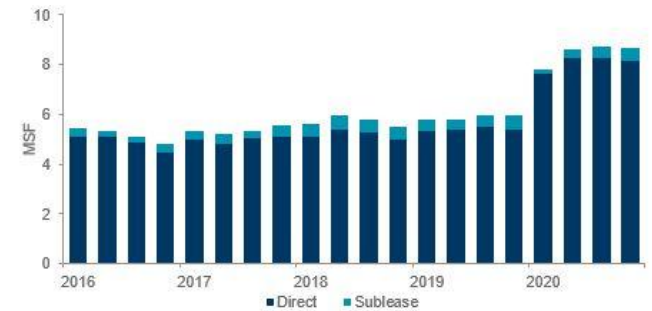
Overdevelopment in the Non-CBD Could Cause Future Jumps in Vacancy

The Non-CBD struggled to regain momentum as new leasing slowed to a standstill in the fourth quarter of 2020 with just 32,912 sf of lease activity. Year-end totals of 282,794 sf mark an 80.7% drop from the 1.5 msf of new leasing that recorded at the close of 2019. The impact of COVID-19 put further strain on the already high vacancy in the Non-CBD reaching 25.2% in the fourth quarter, up 260 bps from this time last year. The completion of the 310,453-sf vacant building at 757 South Alameda Street (ROW DTLA Building III) in the first quarter contributed to the high vacancy at year-end. The drop in tenant demand, lack of new leasing and increased vacancy could further hinder the market as there are currently 1.8 msf of projects under construction with 1.7 msf projected to deliver in 2021, creating the potential for overdevelopment. Minimal preleasing activity at any of the projects in the development pipeline and tenant demand down overall, vacancy is likely to climb in 2021 as projects deliver to the market. Like the CBD, asking rents continued to rise throughout the year despite the downturn in market conditions. A 3.3% increase YOY brought overall asking rents to \$46.87 psf/yr in the fourth quarter 2020 while overall Class A rates closed at \$45.42 psf/yr.

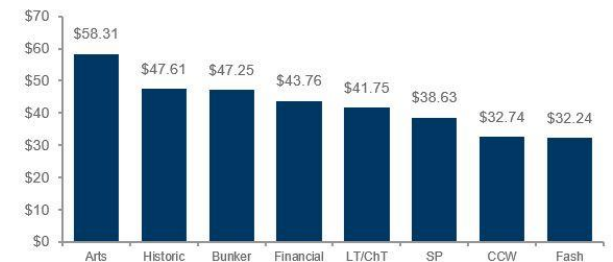
VACANT SPACE BY CLASS



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	149,861	2,078,172	20.3%	12,697	-220,733	206,205	0	\$47.25	\$47.25
Financial District	16,732,825	257,888	3,466,463	22.3%	60,850	-247,379	316,562	0	\$43.76	\$45.99
CBD TOTALS	27,696,147	407,749	5,544,635	21.5%	73,547	-468,112	522,767	0	\$45.10	\$46.57
South Park	2,181,744	31,991	434,227	21.4%	-356	38,974	25,773	82,200	\$38.63	\$41.21
Little Tokyo/Chinatown	516,253	10,927	53,920	12.6%	-11,883	27,435	8,047	0	\$41.75	\$43.20
Central City West	3,980,809	23,190	515,414	13.5%	6,009	-123,893	168,705	0	\$32.74	N/A
Historic District	1,995,525	0	768,999	38.5%	-12,179	-40,094	43,640	156,726	\$47.61	\$60.60
Fashion District	177,342	2,823	97,808	56.7%	-2,500	-1,542	8,502	1,256,697	\$32.24	N/A
Arts District	1,938,575	28,127	756,782	40.5%	-28,127	158,392	28,127	305,000	\$58.31	\$57.00
Non-CBD TOTALS	10,792,699	97,058	2,627,150	25.2%	-32,825	59,272	282,794	1,800,623	\$46.87	\$56.12
DTLA TOTALS	38,486,395	504,807	8,171,785	22.5%	24,511	-408,840	805,561	1,800,623	\$45.56	\$47.45

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
707 Wilshire Boulevard / AON Center	CBD / Financial District	Wells Fargo	65,610	Renewal*
300 South Grand Avenue / OneCal	CBD / Bunker Hill	JP Morgan	30,000	Renewal*
1580 Jesse Street / The Artfield	Non-CBD / Arts District	Centric Brands	28,127	New Lease
523 West 6 th Street / PacMutual	CBD / Financial District	Hueston Hennigan LLP	26,984	Renewal*
515 South Flower Street / Paul Hastings Tower	CBD / Financial District	Jenner & Block	26,341	New Lease
700 South Flower Street / The Bloc	CBD / Financial District	Lucas Museum of Narrative Art	24,097	Sublease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS YTD 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
633 West 5th St / U.S. Bank Tower	CBD / Bunker Hill	OUE Limited / Silverstein Properties	1,432,607	\$430M/\$300
915 Wilshire Blvd / NineFifteen	CBD	Rockwood Capital & Lincoln Property Company / Deka Immobilien	374,000	\$196M/\$530

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