

	YoY Chg	12-Mo. Forecast
17.9% Vacancy Rate	▲	▲
-4.5M Net Abs. YTD, SF	▼	▲
\$3.62 Asking Rent, PSF	▲	▼

(Overall psf/mo, 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	▲	▼

Source: BLS, Moody's Analytics
2020Q4 data are based on latest available data

ECONOMIC OVERVIEW: Slow Recovery, 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.

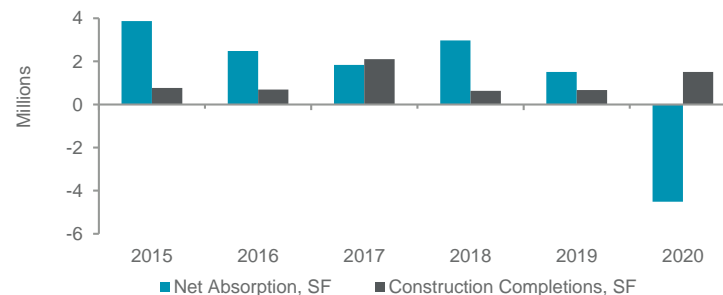
SUPPLY: Office Inventory Rises at Year-end and Asking Rental Rates Not Indicative of the Market

The Greater Los Angeles' (GLA) current office inventory of 205.9 million square feet (msf) has increased by 2.2 msf from this time last year, with 27 office buildings added throughout 2020. There are more than 6.7 msf of new office projects (Under Construction/Under Renovation) still under way, LA Central and LA West lead the market with 2.0 msf and 2.9 msf respectively. While demand remains uncertain in the near future and more available space hits the market, it is expected that most new developments would be on hold until later in 2021.

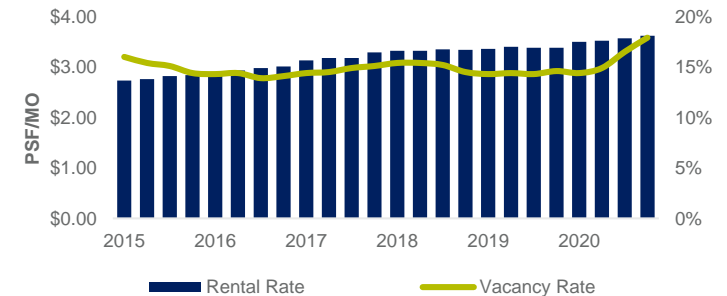
Overall asking rental rates in the region increased 7.1% or \$0.24 price per square foot (psf) from one year ago, closing the fourth quarter at \$3.62 price per square foot per month (psf/mo); however, the growth rate has slowed throughout the year and rose just 1.5% from the third quarter. Despite less demand and diminished leasing activity throughout the year, rents remained intact as landlords/owners have held asking rates in 2020. The fourth quarter increase in asking rates is reflective of the 1.5 msf of new high-end space delivered to the market. Moreover, rising asking rents are not indicative of the market's direction and we believe that they will begin to trend downward in 2021. Submarkets with the highest asking rental rates at year-end were in LA West, with Santa Monica posting the highest asking rates at \$5.96 psf/mo and Century City at \$5.59 psf/mo.

In the fourth quarter, the GLA market posted negative absorption of 1.5 msf, taking the year-end total to negative 4.5 msf. Comparatively, this is 2.1 msf less than the negative net absorption of 6.6 msf posted in 2009 during the last downturn. Consequently, the year's large occupancy losses pushed the overall vacancy rate to increase 330 bps from a year ago to 17.9%. Vacant sublease space increased to 3.3 msf or 1.6% of the market, whereas this time last year vacant sublease totaled 1.5 msf or 0.7%. Meanwhile, available sublease space increased 60 basis points (bps) or 1.4 msf from the previous quarter to 7.5 msf and represents a 3.6% availability rate.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT

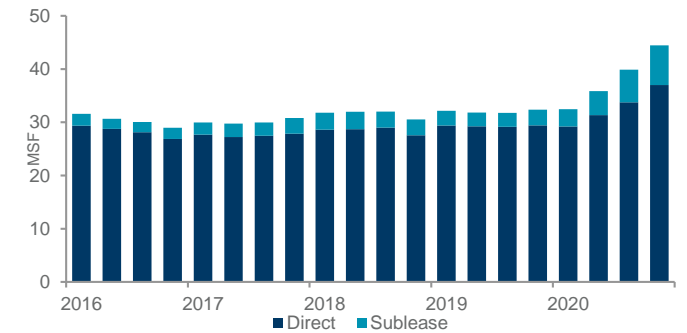


DEMAND: New Leasing Activity Halved and Renewals Up

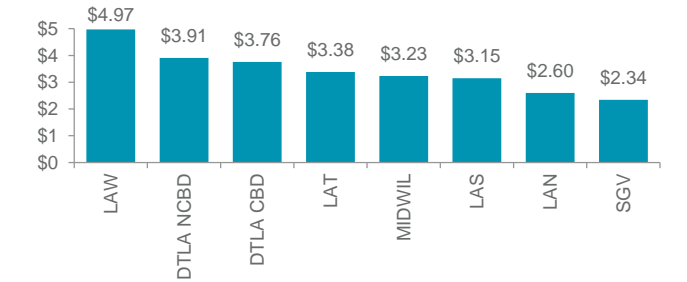
New leasing activity decreased slightly from 1.5 msf in the third quarter to 1.4 msf in the fourth quarter 2020 and the year ended with a total of 6.8 msf, down 54.8% from the 15.1 msf posted this time last year. Fisker Inc., an American electric vehicle automaker signed the largest new deal of the fourth quarter in Manhattan Beach (LA South / El Segundo/Beach Cities) at 1888 Rosecrans Avenue for 73k sf. The largest new deal of the year was held by Netflix in the third quarter with 150k sf inked at 2300 Empire Avenue in the Burbank – City Center (TriCities). Leasing renewals closed at year-end with 3.8 msf of activity, an increase of 79.7% from a year ago. The largest renewal of the quarter was JP Morgan at 2029 Century Park East re-committing to 103k sf, while the largest renewal of the year was Disney reaffirming its full building presence (420,000 sf) at 3800 W Alameda Avenue in the Burbank - Media District (TriCities).

The office market saw investor demand take a momentary pause in the second quarter; however, the third and fourth quarters realized increased activity to bring year-end sale totals to 6.5 msf, a 14.4% decrease from 2019 totals in terms of square footage. The largest sale of the year both in size and price occurred in LA Central in the downtown CBD (Bunker Hill) where OUE selling the 1.4-msf US Bank Tower at 633 West 5th Street to Silverstein Properties for \$430 million or \$300 psf. The second largest sale occurred in LA West (Miracle Mile) at 5900 Wilshire Boulevard where the 465,100-sf building traded at \$312 million or \$671 psf, bought by Rockpoint Group from PGIM, Inc.

DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



SUBMARKET ASKING RENT



OUTLOOK

- With several anticipated notable move-outs slated for mid-2021, additional occupancy losses are expected in the near term. Continued declines in net absorption will place upward pressure on vacancy rates in conjunction with new construction added to the market’s inventory.
- As the market attempts to stabilize, many tenants in the marketplace will hold off on transacting new deals, potentially turning to sublease offerings to satisfy requirements for the short-term. Landlords/owners will adjust accordingly, while concessions have been favorable, asking rents could adjust if demand remains in flux.
- With the lowest level of leasing volume since the Global Financial Crisis (GFC) and the largest loss in occupancy levels since 2009, (although 2.4 msf less) the COVID-19 pandemic has left a prolonged impact on the GLA office market. Although the pandemic’s impact is expected to continue, re-adjusted forecasts indicate a positive economic outlook based on the assumption that mass vaccinations will begin to reopen the economy and allow for many industries to recovery at a quicker pace, albeit on a careful and diligent process that considers the safety of the workforce.

LOS ANGELES DOWNTOWN (CBD)

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-bp 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 \$3.76 psf/mo. Landlords continued to hold asking rates showing more wiliness 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 \$196M or \$521 psf and is the second Class-A office property to trade hands in the CBD in the second half of 2020.

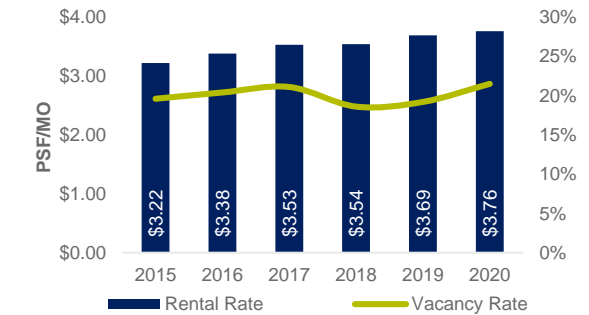
LOS ANGELES DOWNTOWN (NON-CBD)

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 \$3.91 psf/mo in the fourth quarter 2020 while overall Class A rates closed at \$4.68 psf/mo.

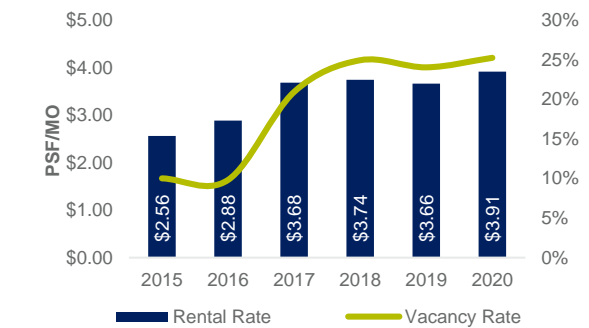
MID-WILSHIRE

The Mid-Wilshire market is comprised of Hollywood, Mid-Wilshire, and Park Mile submarkets and contains 12.9 msf of office inventory. Hollywood has been the driver of activity and demand in the Mid-Wilshire market for several years and its downturn in activity during the pandemic has coincided with the slowdown in Mid-Wilshire. In the fourth quarter new leasing of 25,494 sf brought year-end leasing activity totals to 245,827 sf, a 50.2% decrease YOY. This marks the fourth consecutive quarter in which leasing activity has decreased in the market. Overall vacancy reached 27.2% in the fourth quarter jumping 710 bps YOY. New projects delivered 464,234-sf of vacant space to the market and increased the base inventory to 12.9 msf, this combined with move-outs throughout the year in Hollywood drove the sharp increase in vacancy in the Mid-Wilshire market. It is anticipated that in early 2021 Netflix will occupy their space at 1355 & 1375 Vine Street (Academy North & South) in Hollywood, thus partially offsetting occupancy losses experienced in 2020. Asking rents in Mid-Wilshire held to pre-COVID levels and increased YOY like other submarkets in Los Angeles despite diminished demand. Overall asking rents reached \$3.23 psf/mo at the close of the fourth quarter increasing \$0.16 or 5.2% from the third quarter. If market conditions persist into the first half of 2021 asking rents rate of growth should slow or decrease particularly in parts of the market that have a lull in demand.

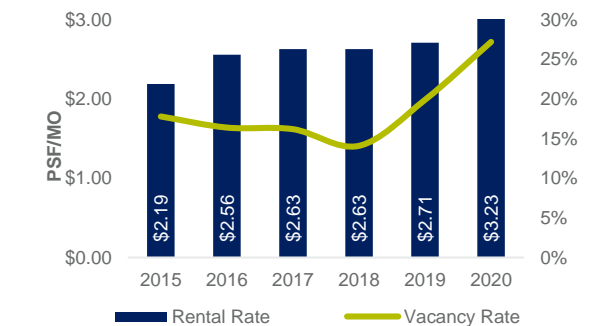
Overall Rental vs. Vacancy Rate
CENTRAL BUSINESS DISTRICT



Overall Rental vs. Vacancy Rate
NON-CENTRAL BUSINESS DISTRICT



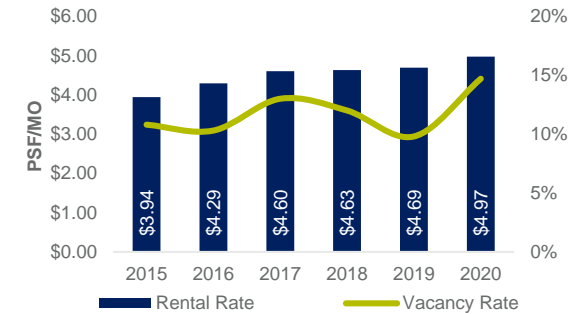
Overall Rental vs. Vacancy Rate
MID-WILSHIRE



LOS ANGELES WEST

With 2.1 msf by year-end, leasing figures amounted to less than half the 4.6 msf recorded in 2019 while falling below the record-low 2.8 msf posted during last recession. Century City, Santa Monica and MDR/Venice accounted for significant amounts of the year's leasing, representing 36.3% of the market's activity. The largest new transactions of the quarter were signed by Electronic Arts to relocate from Playa Vista into 58,034 sf at the recently completed Del Rey Crossing and Rubicon signing for 38,754 sf at Playa District, both in MDR/Venice. Renewals represented the majority of major 2020 deals amounting to 1.3 msf as many tenants chose to recommit to their space with shorter-term extensions, the largest being JP Morgan and Seyfarth Shaw renewing for 103,214 sf and 45,000 sf respectively in Century City. Despite relatively slow leasing momentum, asking rents in the market held at an average of \$4.97 psf/mo, an annual increase of 6.0%, with Class A asking rates recording even greater gains of 6.6% YOY to \$5.16 psf/mo. After recording one of the strongest levels of occupancy gains in 2019 with 1.4 msf of positive net absorption, LA West posted three consecutive quarters of net losses in 2020 ending the year with 1.7 msf in negative absorption. Significant move-outs, primarily in submarkets with premium asking rents, alongside consistent sublease space coming to the market led overall vacancy to rise 490 basis points YOY to 14.7%. However, this was offset slightly by several sizeable occupancies at new construction completions in Q4, including Nike occupying 88,500 sf at WE3 in Playa Vista and Ticketmaster fully occupying the 97,742-sf Courtyard at The Lot in West Hollywood. Construction completions totaled 724,113 sf by the year-end, delivering 46.0% pre-leased, with an additional 2.1 msf of office projects in the pipeline all anticipated to deliver by 2022.

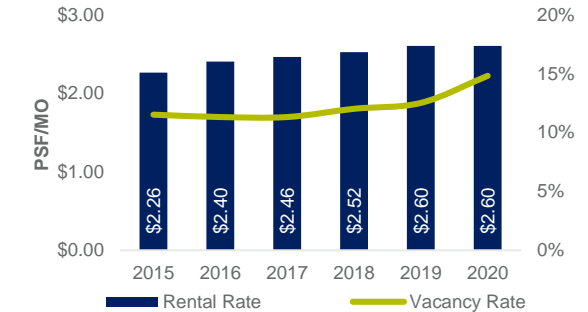
Overall Rental vs. Vacancy Rate
LOS ANGELES WEST



LOS ANGELES NORTH

At the close of the fourth quarter leasing activity saw a decline of 16.4% from the previous quarter posting 366,211 sf bringing the year-end totals to 1.6 msf, down 40.1% from a year ago. The largest lease of the fourth quarter was at 4360 Park Terrace Drive with Caldera Medical Inc, taking 27,709 sf in Westlake Village. This submarket accounted for 294,187 sf or 18.8% of deal activity in 2020, however second to the 330,525 sf or 21.2% of activity posted in Encino. Diminishing tenant demand in 2020 due to the pandemic, the fourth quarter posted 52.2% or -374,485 sf of the negative net absorption of 717,319 sf tallied at year-end. Overall vacancy rose 150 bps quarter-over-quarter to 14.8% and increased 230 bps YOY. This shift in demand put downward pressures on the overall asking rent as LA North realized a small decrease of \$0.04 closing the year at \$2.60 psf/mo. The largest change to asking rental rates occurred with Simi Valley/Conejo Valley posting a \$0.15 decrease to \$2.40 psf/mo. Overall Class A asking rents remained flat with a mere \$0.01 decrease to \$2.76 psf/mo. The first and only construction delivery of the year occurred in the fourth quarter as the 4-building office complex ELEVAR delivered 82,252 sf to the market in Tarzana. Prior to completion and earlier in the fourth quarter the project sold to Instil Bio, Inc. for \$37.5 m or \$479 psf. The largest sale of the quarter was in Agoura Hills at 3081 Agoura Road where the 120,526-sf asset sold for \$13.0 m or \$110 psf to Associates Equity Fund.

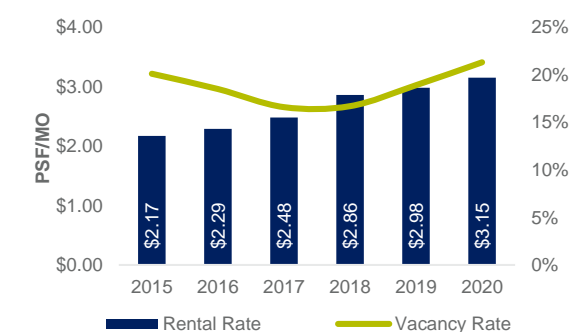
Overall Rental vs. Vacancy Rate
LOS ANGELES NORTH



LOS ANGELES SOUTH

At the final quarter of the year, leasing activity rebounded after a virus-induced pullback with leasing velocity increasing by 77.4% quarter-over-quarter; however, the year ended with the lowest leasing volume in ten years. Fourth quarter's leasing total of 308,664 sf brought the year-end total to 1.0 msf, less than half of 2019's total of 2.3 msf. The El Segundo submarket accounted for the bulk of the activity with 450,499 sf for the year, or 44.3% of the market's total. Seven of the top ten deals in 2020 occurred in this submarket and the top three were signed in Q4. The largest deal of the quarter was Fisker Inc.'s 72,469-sf deal in Manhattan Beach. The former True Religion space will serve as the new HQ for the manufacturer of the world's most eco-friendly electric vehicles. Surprisingly, even with slower demand throughout the year, rents in the South Bay remained relatively healthy with an average record high of \$3.15 psf/mo for an annual increase of 5.7%. After starting the year on solid footing with occupancy gains of 221,373 sf in Q1, the South Bay office market posted three quarters of occupancy losses and 2020 ended with net loss of 625,345 sf and a 240-bp year-over-year increase in vacancy. Suburban Long Beach suffered the worst loss in occupancy levels with 200,405 sf. The bulk of this was due to Epson's move to Orange County and vacated 137,556 sf of space at Kilroy Airport Center. With the lowest level of leasing volume since 2010 and the largest loss in occupancy levels since 2011, the COVID-19 pandemic has left a measurable impact on the South Bay office market. Although the pandemic's impact is expected to continue, the South Bay market had momentum going into this crisis and should make a strong rebound due to its underlying market strengths.

Overall Rental vs. Vacancy Rate
LOS ANGELES SOUTH





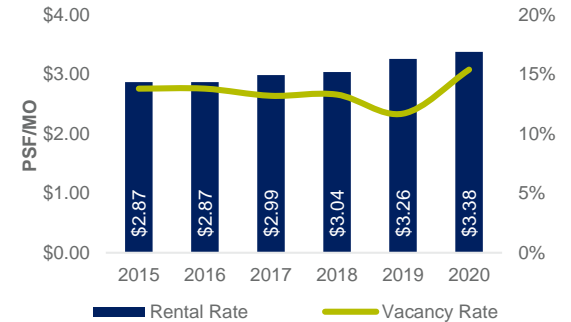
TRI-CITIES

At the close of the fourth quarter 2020 Tri-Cities new leasing market fell off the previous quarters' healthier activity by 72.8% posting a meager 66,963 sf. The largest new deal of the fourth quarter was at 800 East Colorado Boulevard where Innova Medical Group signed for 15,024 sf in Pasadena. Leasing activity at year-end posted 854,430 sf to close out 2020 and hales in comparison to the 1.9 msf recorded a year ago down 53.9%. Renewal activity in the fourth quarter almost doubled that of new deals posting 124,407 sf bringing year-end totals to 761,436 sf a 34.1% increase YOY. The largest renewal of the fourth quarter was at 655 North Central Avenue with State Farm re-committing to 46,312 sf in Glendale. Tri-Cities fared better than many markets experiencing positive net absorption in the first half 2020, but as the pandemic lingered in the second half 2020 occupancy losses overpowered previous gains closing year-end with negative net absorption of 467,216 sf. Couple occupancy losses with the delivery of the 235,547-sf NOHO West at 6150 Laurel Canyon Boulevard in North Hollywood overall vacancy rose to 15.4%, a 370-bps increase from a year ago. Two projects totaling 357,750 sf remain in the development pipeline with anticipated delivery dates in 2021, without tenant demand and preleasing these projects are likely to deliver vacant. Overall asking rents softened slightly decreasing by \$0.02 or 0.7% from the previous quarter but increased by \$0.12 or 3.8% YOY. Uncharacteristic of the market sales activity in the fourth quarter halt. The largest sale of the year was in Pasadena with the 360,000-sf asset at 101 South Marengo Avenue (Pasadena Center) selling to Atlas Capital Group for \$72-million or \$200 psf.

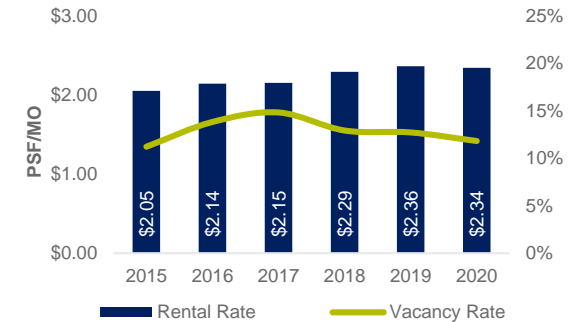
SAN GABRIEL VALLEY

San Gabriel Valley (SGV) recorded a slight decrease quarter-over-quarter in leasing activity with 65,866 sf posted in the fourth quarter 2020. This brings the YTD total to 265,614 sf, which is a 61.8% drop-off from the end of the year in 2019. The largest lease of the quarter was signed by Curative Inc. for 24,211 sf at 555-605 East Huntington Drive in Monrovia. The largest move-out in the fourth quarter was at 21950 East Copley Drive in Diamond Bar, where Allstate Insurance vacated the entire 71,739-sf building. Although the SGV posted negative net absorption for the quarter of 86,443 sf, due to the strength of the first quarter, the market was able to post a positive YTD total of 8,320 sf for the year. The overall vacancy rate increased 30-bps from the previous quarter to 11.2% but is down 150-bps from the end of 2019. Under current conditions move-in delays are expected and the market will see positive occupancy gains in the near future with the City of Hope taking their expanded space at 4910 Rivergrade Road for 159,678 sf. SGV realized another small decrease in overall asking rents by 0.7% from the previous quarter to \$2.34 psf/mo marking two consecutive quarters of softening rates. Overall Class A asking rents also had a slight decrease from Q3 with a 0.8% reduction to \$2.57 psf/mo. while Overall Class A asking rents are down 1.9% year-over-year. The Covina/West Covina market experienced the largest rent decrease by 3.4% or \$0.09 taking this submarket to \$2.44 psf/mo. The City of Industry/Diamond Bar submarket remains highest with the overall asking rent at \$2.56 psf/mo. The largest sale of the fourth quarter was the portfolio sale of the 64,480 sf office buildings at 4399 & 4401 Santa Anita Avenue transacting for \$15.4 million or \$239 psf where a current tenant, Fulgent Genetics Inc., purchased the asset from TDA Investment Group with the intent to occupy the entirety of the project.

Overall Rental vs. Vacancy Rate
TRI-CITIES



Overall Rental vs. Vacancy Rate
SAN GABRIEL VALLEY



Office Q4 2020

MARKET STATISTICS

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)	OVERALL ASKING RENT (ALL CLASSES)*	OVERALL ASKING RENT (CLASS A)*
Los Angeles Downtown CBD	27,696,147	407,749	5,544,635	21.5%	73,547	-468,112	522,767	0	\$3.76	\$3.88
Los Angeles Downtown Non-CBD	10,790,248	97,058	2,627,150	24.3%	-49,036	59,272	282,794	305,000	\$3.91	\$4.68
Mid-Wilshire	12,473,229	205,874	2,798,954	24.1%	-284,816	-579,639	207,336	464,234	\$3.07	\$2.93
Los Angeles West	54,724,730	1,442,398	6,610,973	14.7%	-464,127	-1,679,067	2,089,913	2,659,131	\$4.97	\$5.16
Los Angeles North	31,303,892	243,376	4,384,806	14.0%	-374,485	-717,319	1,558,713	50,814	\$2.60	\$2.76
Los Angeles South	31,303,891	598,329	6,070,657	21.3%	-110,600	-625,345	1,017,817	902,872	\$3.15	\$3.41
Tri-Cities	24,603,571	272,709	3,527,677	15.4%	-470,855	-467,216	854,430	357,750	\$3.38	\$3.50
San Gabriel Valley	12,582,365	60,268	1,421,707	11.8%**	-86,443**	8,320**	265,614	62,000	\$2.34	\$2.57
GRAND TOTAL	205,893,785	3,314,876	36,824,020	17.9%**	-1,548,297**	-4,515,244 **	6,837,875	4,524,091	\$3.62	\$3.90

*Rental rates reflect full service asking \$psf/mo **Stats do not match National numbers

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2029 Century Park East / Century Plaza – North Tower	LA West / Miracle Mile	JP Morgan	103,214	Renewal*
1888 Rosecrans Avenue	LA South / El Segundo/Beach Cities	Fisker Inc.	72,649	Direct
4820 Alla Road – Del Rey Crossing Bldg. 2	LA West / MDR/Venice	Electronic Arts	58,034	Direct
655 North Central Avenue – Glendale Plaza	LA Tri-Cities / Glendale	State Farm	46,312	Renewal*
2029 Century Park East / Century Plaza – North Tower	LA West / Miracle Mile	Seyfarth Shaw	45,000	Renewal*
6080 Center Drive	LA West / MDR/Venice	Rubicon Project	38,754	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2020

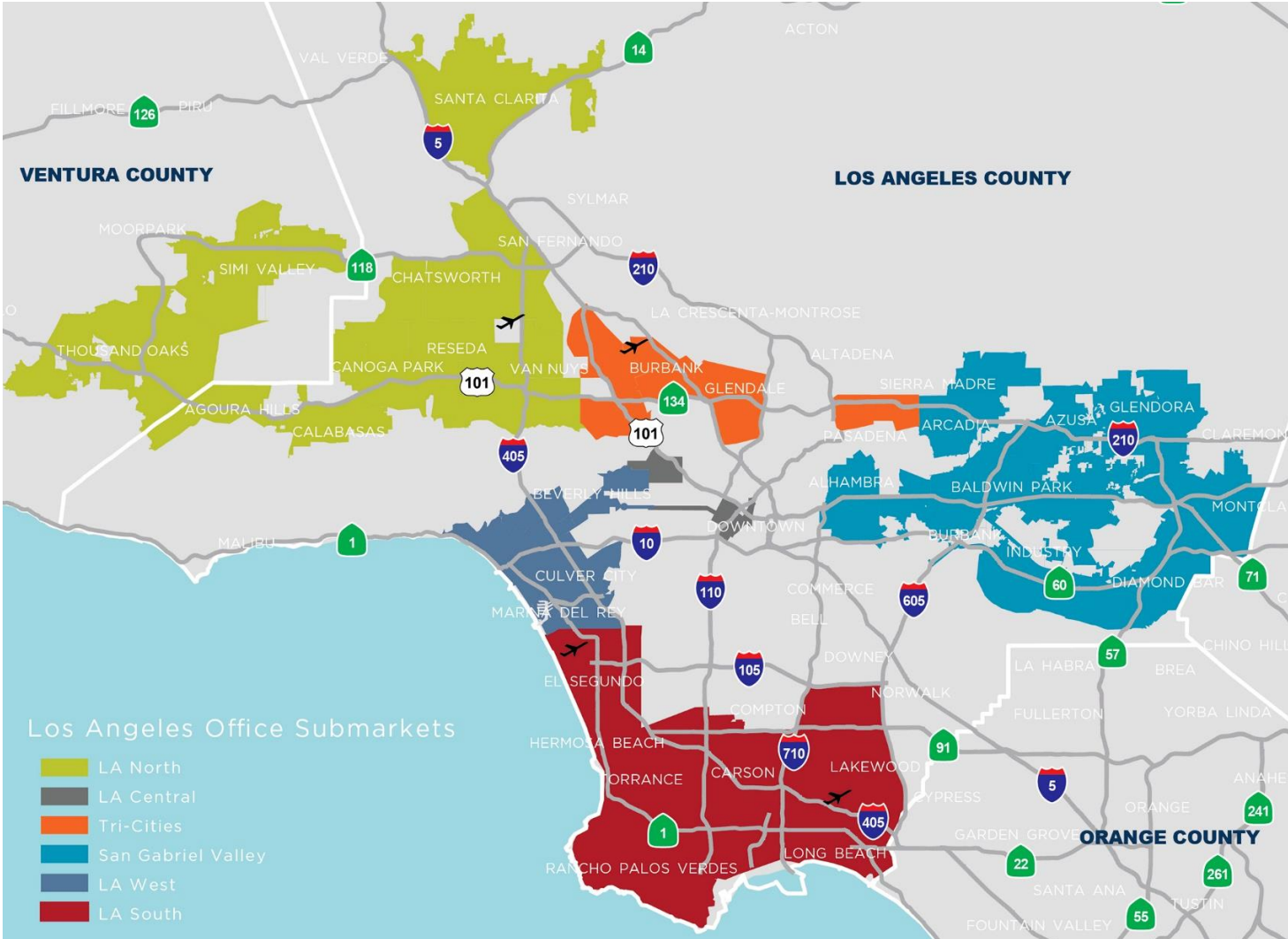
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
915 Wilshire Boulevard	LA Downtown CBD / Financial District	Lincoln Property Company / Deka Immobilien	374,000	\$196M/\$521
6555 Barton Avenue & 959 Seward Street / Hollywood 959	Mid-Wilshire / Hollywood	J.H. Snyder Company / Lincoln Property Company	258,526*	\$186M/\$719
19191 South Vermont Avenue	San Gabriel Valley / 190 th Street Corridor	The Blackstone Group / Nome Technologies Inc.	223,731	\$56M/\$234
30801 Agoura Road	LA North / Agoura Hills	Farmers Insurance. / Associates Equity Fund	120,526	\$13M/\$110

*Portfolio sale

KEY CONSTRUCTION COMPLETIONS Q4 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1355 & 1375 Vine Street / Academy North & South	Mid-Wilshire / Hollywood	Netflix	335,509	Kilroy Realty
6150 Laurel Canyon Boulevard / NOHO West	Tri-Cities / North Hollywood	Vacant	235,547	Merlone Geier Management, Inc / Goldstein Planting Investments
5533 S. EA Way / Water's Edge - WE3	LA West / Playa Vista	Nike	190,000	DivcoWest

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