

YoY Chg

22.8%

Vacancy Rate



-137K

Net Absorption, SF



\$45.64

Asking Rent, PSF



(Overall, All Property Classes)
Stats are not reflective of U.S.
Tables

ECONOMIC INDICATORS
Q1 2021

YoY Chg

4.1M

Los Angeles
Employment



11.5%

Los Angeles
Unemployment Rate



6.0%

U.S.
Unemployment Rate



Source: CA EDD and BLS. LA February 2021
data . US is March data

Economy: Slow Recovery for Office Using Employment

Despite Los Angeles County regaining 47,900 jobs between January and February 2021, non-farm employment is down over 557,200 jobs since February 2020. Job gains were strongest in sectors most devastated by the pandemic such as Leisure and Hospitality, which accounted for 82% of the job recoveries in Los Angeles County year-over-year (YOY). Even with these gains, a decline of over half a million non-farm jobs caused the unemployment rate in Los Angeles county to rise from 5.0% in February 2020 to 11.5% in February 2021. Sectors that generate office demand have declined significantly with the information sector down 63,900 jobs, professional and business services declining 63,400 jobs, and financial services diminishing 14,700 jobs YOY.

Downtown Los Angeles: Leasing Remains Stagnant During the Pandemic:

Downtown Los Angeles (DTLA) market, comprised of the Central Business District (CBD) and the Non-CBD, currently contains 38.6 million square feet (msf) of office inventory.

DTLA started 2021 at a slower pace than the previous year with just 115,550 square feet (sf) of new leasing activity in the first quarter, a 71.6% drop YOY. Continued right-sizing in the CBD and increasing tenant vacancies have pushed quarterly absorption to negative 136,973 sf in Q1 2021. Overall vacancy in DTLA steadily increased throughout 2020 reaching 22.8% in the first quarter of 2021, up 240 basis points (bps) YOY. Sublease vacancy increased 90 bps YOY to 1.4%, heights not seen since the previous global recession. The increased sublease space points to the greater financial strain felt by the tenants in the market and uncertainty regarding space needs moving forward. At \$45.64 per square foot per year (psf/yr) overall asking rents in DTLA are up 2.1% YOY despite the downturn. Landlords have been hesitant to lower asking rates and opted for giving increased concessions and shorter terms to incentivize tenants during this period. Although there has been an increased presence of tenants touring the market in the new year, it is unlikely that activity will return rapidly enough to keep pace with new supply hitting the market. Vacancy is likely to increase further with nearly 1.7 msf of projects slated to deliver in the year. Corrections to asking rates are expected in the future with the market continuing to expand and demand declining overall. Additionally, the development pipeline is projected to slow in future years as the DTLA market is currently experiencing excess supply.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



DOWNTOWN LOS ANGELES

Office Q1 2021



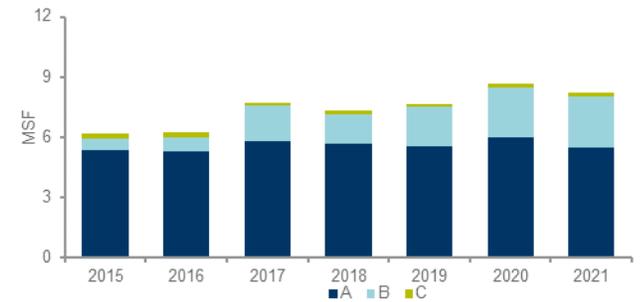
Central Business District (CBD):

Uncertainty remains in the office market as the positive effects of widescale vaccine distribution have yet to be felt. In the first quarter 2021 new leasing activity reached just 60,564 sf in the CBD, down 81.7% YOY. Renewals remain a popular option with tenants as displayed by the Jones Day and Nossaman LLP deals, accounting for 87.9% of the 164,158-sf renewal activity in the CBD. These two renewals also highlighted the trend of larger tenants in the financial, legal, and business services sectors downsizing in DTLA, as both gave back space in these recent transactions. Job losses in the office-using sector continued in 2021 like 2020, forcing more companies to make hard decisions on their real estate footprint, which pushed net absorption in the first quarter to negative 54,292 sf and overall vacancy to 21.6%, a 210-bps increase YOY. Move-outs dotted throughout the CBD washed away the occupancies of the Lucas Museum, Harley Ellis Devereaux, and Hanmi Bank in the first quarter. Despite slow activity, overall asking rents remained stable in Q1 2021, up just 0.7% YOY, reaching \$45.07 psf/yr, with Class A overall asking rents increasing 1.3% YOY to \$46.54 psf/yr. While rents have remained relatively stable YOY, overall asking rents and Class A overall rents declined 0.1% quarter-over-quarter. Even with the slight downtick, landlords have mostly opted for offering greater concessions than to lower asking rents. The sale of 717 W Temple Street for \$15.4 million, or \$281 psf, marked the third property to change hands in the CBD in as many quarters. Although market activity has cooled in recent quarters, more tenants are in the market looking for space in the new year and activity could trend more positively as social and economic conditions return to a sense of normalcy.

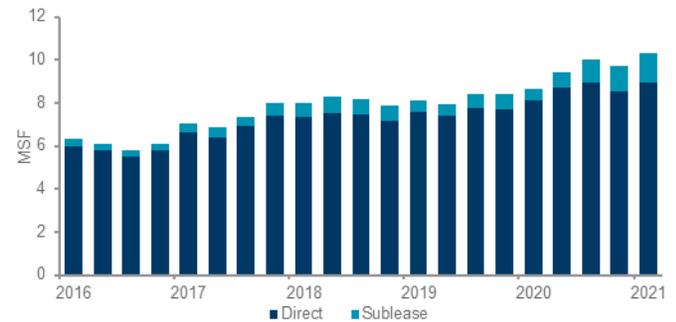
Non-CBD:

Leasing activity remains low in the Non-CBD for the third consecutive quarter with less than 100,000 sf of new leasing. New leasing activity in Q1 2021 reached just 54,986 sf, nearly as much as the 55,622-sf totaled in the Non-CBD in the second half of 2020. Even with the uptick in activity from the previous quarter, new leasing dropped 27.5% YoY. Occupancies from Spotify and G Fashion couldn't curtail the large move-outs from Lucky Brand, Blizzard Entertainment, the LA County Bar Association and others in the first quarter of 2021. Moderate occupancy losses caused overall net absorption in the Non-CBD to post negative 82,681 sf. The pandemic has put a strain on the office market causing move-outs and vacancy to rise. Overall vacancy reached 25.9% in Q1 2021, up 330 bps from one year ago and up 70 bps from the previous quarter. Much of the jump in vacancy is attributed to an increase in sublease space which reached 1.4%, up 60 bps from the end of 2020. Overall asking rents are up 6.0% YOY to \$47.10 psf/yr, while direct asking rents closed the quarter at \$47.76 psf/yr, a 7.3% increase from Q1 2020. Given the high levels of development of creative office in the market in recent years, landlords have been eager to retain face rents, particularly in newly renovated or constructed properties. However, vacancy is expected to spike with the projected delivery of the 1.2 msf California Market Center and rent corrections are expected in the future particularly if tenant demand remains low.

VACANT SPACE BY CLASS



DIRECT VS SUBLEASE AVAILABLE SPACE



SUBMARKET DIRECT 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	11,017,979	143,835	2,119,595	20.5%	1,117	1,117	38,146	0	\$47.18	\$47.25
Financial District	16,732,825	251,845	3,471,929	22.3%	-55,409	-55,409	22,418	0	\$43.79	\$45.99
CBD TOTALS	27,750,804	395,680	5,591,524	21.6%	-54,292	-54,292	60,564	0	\$45.07	\$46.54
South Park	2,181,744	45,249	433,422	21.9%	-10,892	-10,892	17,355	82,200	\$39.62	\$37.75
Little Tokyo/Chinatown	516,253	10,927	52,066	12.2%	1,854	1,854	3,800	0	\$44.59	\$43.20
Central City West	3,980,809	81,044	588,213	16.8%	-107,334	-107,334	7,193	0	\$34.02	N/A
Historic District	1,995,525	0	769,531	38.6%	-15,102	-15,102	0	156,726	\$48.11	\$60.60
Fashion District	177,342	2,823	102,878	59.6%	-5,070	-5,070	2,500	1,355,690	\$36.52	N/A
Arts District	1,962,713	15,220	704,865	36.7%	53,863	53,863	24,138	305,000	\$57.99	\$55.39
Non-CBD TOTALS	10,814,386	155,263	2,650,975	25.9%	-82,681	-82,681	54,986	1,899,516	\$47.10	\$54.84
DTLA TOTALS	38,565,190	550,943	8,242,499	22.8%	-136,973	-136,973	115,550	1,899,516	\$45.64	\$47.35

*Rental rates reflect full service asking

Note: Stats above are not reflection of the U.S. MarketBeat stats tables

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
555 South Flower Street	Financial District	Jones Day	109,120	Renewal*
1212 South Flower Street	South Park	Clippers	45,905	Expansion/Renewal*
777 South Figueroa Street	Financial District	Nossaman LLP	35,317	Renewal*
1245 Factory Place	Arts District	G Fashion	24,138	New Lease
601 South Figueroa Street	Financial District	Fidelity National Law	16,222	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
717 West Temple Avenue	Bunker Hill	California Community Foundation / 1st City Savings Federal Credit	56,657	\$15.4M/\$281

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