

YoY Chg

24.6%

Vacancy Rate



-673K

Net Absorption, SF



\$45.91

Asking Rent, PSF



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

ECONOMIC INDICATORS
Q2 2021

YoY Chg

4.2M

Los Angeles
Employment



11.1%

Los Angeles
Unemployment Rate



5.9%

U.S.
Unemployment Rate



Source: BLS

Economy: Surge in Employment Gains

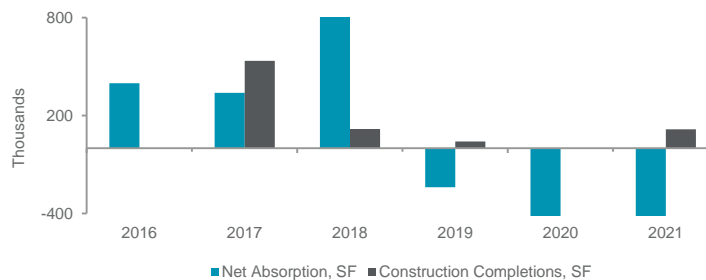
Employment growth in Los Angeles County continued its impressive momentum in May with the addition of 294,000 (up 7.6%) jobs over the last 12 months. Although the county's unemployment rate decreased from 18.8% a year ago to 11.1% in May, it was still much higher than the statewide level of 7.9% and nearly double the national rate of 5.8%, showing that the county is still feeling the effects of the pandemic-induced layoffs. May marked the fourth consecutive month of job gains exceeding 30,000 and the county has added a total of 158,000 jobs during this time frame. However, the road to recovery is long as the county still has to gain back the 716,000 jobs lost during the COVID-19 lockdown during March and April 2020. To date, the county has added back 338,000, or 47.2%, of those jobs. Given that the state fully reopened its economy, the recent surge in hiring is expected to continue and will result in more rapid growth.

Downtown Los Angeles: Occupancy Losses Persist During COVID Recovery

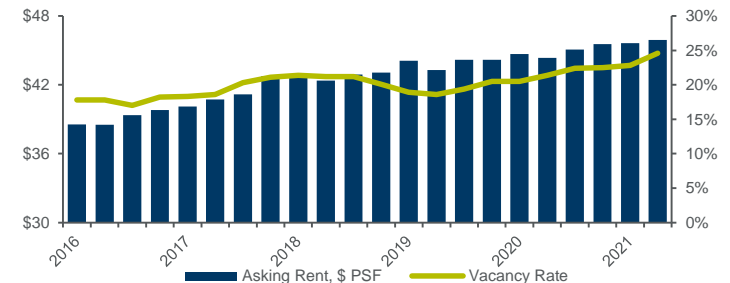
Downtown Los Angeles (DTLA) market, comprised of the Central Business District (CBD) and the Non-CBD, currently contains 38.8 million square feet (msf) of office inventory.

DTLA continued a slow trajectory towards recovery with occupancy losses of 510,122 sf in the second quarter bringing mid-year overall net absorption to negative 673,107 sf. Compared to this time last year DTLA had yet to realize the impacts of the economic downturn due to COVID-19 and the right-sizing in the market posting positive net absorption 56,265 sf. The combination of occupancy losses and the delivery of new inventory pushed the overall vacancy in DTLA to 24.6%, a 240-basis point (bp) increase year-over-year (YOY). Sublease vacancy crept upward reaching 1.6% in the second quarter 2021, up 80 bps YOY. The higher amount of sublease space indicates tenants attempting to shed space and stabilize as they adapt to changing space requirements and economic hardships. Overall asking rents reached \$45.91 per square foot per year (psf/yr) in Q2 2021, a 3.5% increase YOY, but a mere 0.6% increase from the previous quarter. Many of the landlords committed to increased concessions to incentivize deals over lowering face rents. While tenants interest returned to the market for space in DTLA, it is unlikely that the scale of activity will keep up with new supply hitting the market causing vacancy to increase as the year progresses.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



DOWNTOWN LOS ANGELES

Office Q2 2021



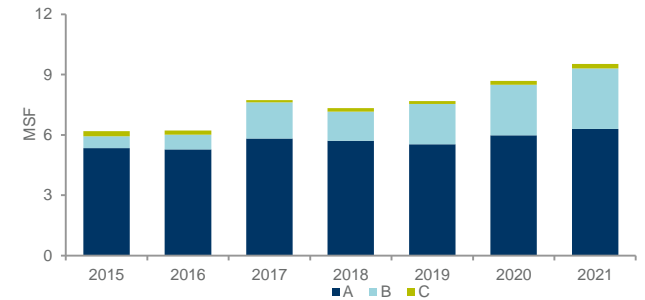
Central Business District (CBD):

At mid-year 2021, the CBD has posted net occupancy losses of 400,849 resulting in a 230-bp increase YoY in overall vacancy. Second quarter overall vacancy of 22.8% reached its highest peak since 2014. Move-outs throughout the quarter pushed occupancy losses to 319,605 sf with WeWork (66,558 sf) at the Fine Arts Building being the most notable given the company's restructuring post-IPO. Right-sizing trends continued in the CBD with Skadden downsizing their space requirements with the recent 104,000-sf renewal at One California Plaza, similar to Jones Day and Nossaman LLP earlier this year. Union Bank and Pillsbury Winthrop had previously negotiated downsizes that brought more vacant space to the market in the second quarter. Uncertainty remains in the office market as leasing activity has yet to show indications of recovery towards pre-pandemic levels. The second quarter leasing activity of 92,111 sf brought the mid-year total to just 218,888 sf marking a 52.0% drop YOY. Renewals have been favored over relocating during these unprecedented times, an additional 178,703 sf of deals posted in Q2 2021 bringing the mid-year total to 359,792 sf. Despite slower activity the overall asking rents remained stable in Q2 2021 up 1.0% YOY, reaching \$45.07 psf/yr. Class A overall asking rents increased 1.1% YOY to \$46.53 psf/yr. While rents have remained relatively stable YOY, both overall asking rents and Class A overall rents declined \$0.01 quarter-over-quarter (QOQ). DTLA typically recovers at a slower pace and more incrementally than other submarkets across Los Angeles and as economic and social conditions improve and office using jobs return the CBD should realize positive shifts to market fundamentals.

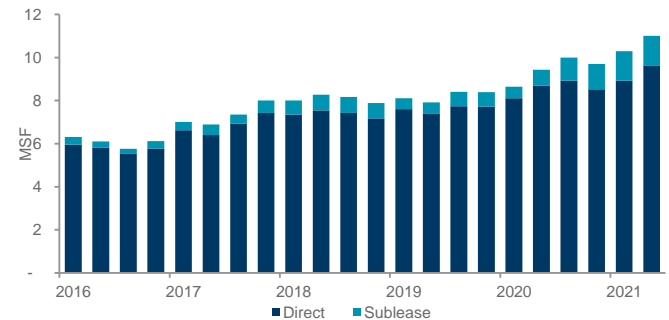
Non-CBD:

Leasing activity in 2021 remains below the norm in the Non-CBD and for the fourth consecutive quarter posted new leasing activity under 100,000 sf. New leasing activity in Q2 2021 softened to just 57,416 sf, bringing mid-year leasing to 125,703 sf marking a 46.3% drop YOY. The sizable 79,000 sf WeWork move-out at the Western Pacific compounded vacancies in the market pushing net absorption to negative 190,517 sf. Even with renewed optimism, vaccinations and restrictions being lifted, the strain on the DTLA office market is still being felt and vacancies continue to rise. The overall vacancy rate reached 29.0% in Q2 2021, up 600 pbs from a year ago and up 310 bps from the previous quarter. Move-outs can be partially attributed to this increase but have been further exacerbated by the delivery of new space. With no preleasing activity, ProduceLA at 640 South Santa Fe Avenue in the Arts District delivered 125,200-sf vacant space to the market. Despite the lack of leasing demand overall asking rents in the Non-CBD increased 9.4% YOY to \$47.89 psf/yr, while direct asking rents posted a 7.3% increase YOY to \$48.85 psf/yr. This growth can be attributed to the increased inventory of creative office product in recent years with landlords keen on retaining that value of newly renovated or constructed high-end properties. With vacancy continuing to rise and the projected delivery of the near 1.4 msf California Market Center in the year, asking rents could drop if demand remains low. Investment activity showed signs of recovery as the sale of the Switchyard, the two-building creative office campus, sold to SteelWave from C.E.G. Construction for \$80M or approx. \$509 psf and was vacant at the time of sale.

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	153,686	2,174,466	21.1%	-68,967	-67,850	87,431	0	\$47.08	\$47.17
Financial District	16,732,825	263,348	3,735,851	23.9%	-250,638	-332,999	131,457	0	\$43.88	\$46.02
CBD TOTALS	27,750,804	417,034	5,910,317	22.8%	-319,605	-400,849	218,888	0	\$45.07	\$46.53
South Park	2,181,744	103,370	516,855	28.4%	-117,178	-136,252	21,803	103,240	\$40.02	\$36.41
Little Tokyo/Chinatown	516,253	10,927	43,871	10.6%	0	10,049	5,489	0	\$41.58	\$35.40
Central City West	3,980,809	61,021	606,540	16.8%	-746	-108,080	14,527	0	\$34.26	N/A
Historic District	2,090,025	0	884,762	42.3%	-28,074	-61,081	8,999	138,112	\$48.68	\$60.60
Fashion District	177,342	2,823	100,739	58.4%	2,139	-2,931	4,639	1,453,400	\$37.55	N/A
Arts District	2,078,841	17,658	846,381	41.6%	-46,658	26,037	70,246	214,000	\$59.57	\$63.60
Non-CBD TOTALS	11,025,014	195,799	2,999,148	29.0%	-190,517	-272,258	54,986	1,908,752	\$47.89	\$56.00
DTLA TOTALS	38,775,818	612,833	8,909,465	24.6%	-510,122	-673,107	115,550	1,908,752	\$45.91	\$47.58

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
300 South Grand Avenue / One Cal	Financial District	Skadden, Arps, Slate, Meagher & Flom LLP	104,000	Renewal*
1055 Wilshire Boulevard / Wilshire Bixel	Central City West	Pacific Asian Consortium in Employment (PACE)	37,830	Renewal*
523 West 6 th Street / PacMutual	Financial District	Hueston Hennigan	33,703 (8,516)	Expansion/Renewal*
1019 East 4 th Place / Maxwell	Arts District	Califia Farms	29,000	New Lease
300 South Grand Avenue / One Cal	Financial District	Husch Blackwell	24,609	Sublease

*Renewals not included in leasing statistics

KEY CONSTRUCTION COMPLETIONS Q2 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
640 South Santa Fe Avenue / ProduceLA	Arts District	N/A	116,128	Continuum Partners

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
500 & 540 South Santa Fe Avenue / Switchyard	Arts District	C.E.G. Construction / SteelWave	152,586	\$80.0M/\$509

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