

	YoY Chg	12-Mo. Forecast
25.0% Vacancy Rate	▲	▲
-861K YTD Absorption, SF	▼	▲
\$45.99 Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
4.3M Los Angeles Employment	▲	▲
9.2% Los Angeles Unemployment Rate	▼	▼
4.2% U.S. Unemployment Rate	▼	▼

Source: BLS, CA EDD and Moody's Analytics
2021Q4 data are based on latest available data

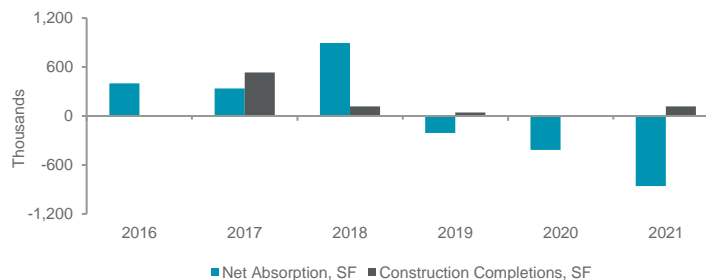
Economy: Improving, but Los Angeles Lags Behind the Rest of U.S.

Total nonfarm employment grew from October to November by 42,800 jobs and pushing the civilian unemployment rate to 7.1%--the lowest level achieved since the start of the pandemic in March of 2020. Compared to the same period the year before, Nonfarm employment across Los Angeles County added 250,900 jobs—an increase of 6.1% year-over-year (YOY). Los Angeles County has made significant progress towards regaining much of the labor force lost during the early days of the pandemic, but there is still quite a way to go before the region fully recovers. The civilian unemployment rate is still 240 basis points (bps) higher than pre-pandemic levels and total Nonfarm employment is still down by 251,500 jobs. For Q4 2021, Los Angeles County's average unemployment rate was 9.2%--or 230 bps higher than the state of California (6.9%) and 500 bps above the national average (4.2%). As office-using employers adjusted their work strategies and moved their staff to remote-work options, Professional and Business Services employment, a measure of office employment, dropped sharply in first few months of the pandemic. But much of the ground lost has since been recovered; office employment from October to November increased by 7,800 jobs and a further 40,300 jobs year-over-year. Overall, Los Angeles County's labor market is moving towards recovery despite the sluggish pace.

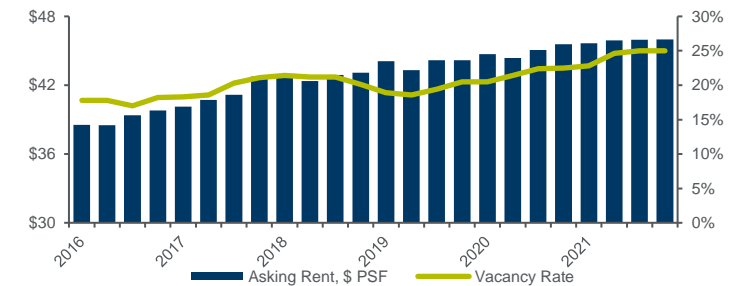
Downtown Los Angeles: Slow Start, Strong Finish

The Downtown Los Angeles (DTLA) market, comprised of the Central Business District (CBD) and the Non-CBD, currently contains 39.1 million square feet (msf) of office inventory. The path to pre-pandemic levels of office activity has been rough, and DTLA is no exception. Occupancy losses persisted into Q4 2021 with an additional 59,931 square feet (sf) of office space re-entering the market. Most of this vacated office square footage was from Class B office buildings as 149,349 sf were vacated quarter-over-quarter (QOQ). The constant influx of COVID-19 cases has made some tenants—the Class B office tenants in particular—reevaluate their space needs. Hence, the overall office vacancy in DTLA has increased 250 basis points (bps) compared to the same period the year prior. The universal availability of the COVID-19 vaccines continues to boost companies' confidence in office space for the future, indicated by the increased leasing activity in Q4 compared to the rest of 2021 (576,660 vs. 537,062 sf). These deals bring the year-to-date (YTD) leasing activity to 1.1 msf. This leasing activity was led by a handful of large transactions, but overall did little to negate the amount of vacant space re-entering the market, leading to a negative net absorption of 160,328 sf for Q4 2021. While the trend of vacated office space remains, there will be firms who want to stay ahead of the curve for when the pandemic comes to an end.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



DOWNTOWN LOS ANGELES

Office Q4 2021



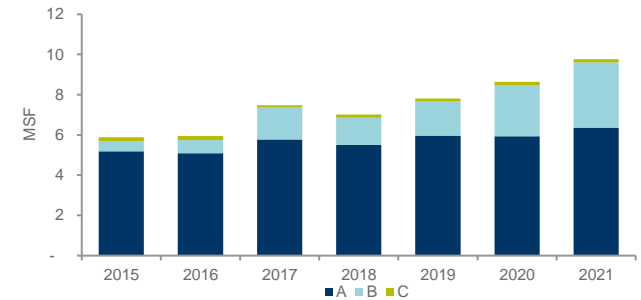
Central Business District (CBD): Uncertainty in Near Future

For the fourth quarter in a row, occupancy decreased in the heart of LA, with 247,828 sf of newly vacant space in Q4 2021. The overall vacancy rate in the CBD increased to 25.0%—a 170 bps rise from the previous quarter and 250 bps higher than Q4 of last year. The uncertain direction of the pandemic lockdown policies has pushed lessees to downsize their office space with an additional 66,743 sf of vacant sublease space added QOQ. Q4 2021 has continued the narrative of underachievement from the year, but there were still some highpoints as gleaned by the leasing activity and rising lease rates. Activity in the legal sector occurred with Buchalter renewing their space (87,000 sf) at 1000 Wilshire Blvd. The law firm of White & Case renewed and expanded their lease as they added 25,531 sf to their already 61,007 sf office space at City National Plaza. The clothing brand Johnny Was signed a new lease (31,153 sf) at 712 S Olive St. Demand remained for Downtown LA’s high-rises as overall leasing activity was identical to the previous quarter and year. Year-to-date leasing activity for the CBD came to 528,663 sf—almost equal to the year prior—but still far from the lofty levels of activity achieved before the pandemic. Rents in the CBD continue to faintly rise as the average asking rate increased by 0.20% QOQ to \$45.30 price per square foot per year (psf/yr) in Q4 2021. The asking lease rate for Class A products also rose to 46.81 psf/yr—a minimal increase of 0.23% from Q3 and 0.52% from Q4 2021. The constant rise in asking rates can be attributed by landlords opting to improve concession and amenities to establish the benefits of the office compared to working from home.

Non-CBD: Fashion District is In

What seemed to be a down year for the Non-CBD has become quite the opposite, as the Non-CBD drove most of Q4 2021’s leasing activity for Downtown Los Angeles. For the first time in six quarters, the Non-CBD area had six-digit overall leasing activity totaling 385,855 sf in Q4 2021. Office leasing activity YTD totaled 585,059 sf—which was a 107% increase from the same period the year prior, but still a 54% decrease when compared to Q4 2019. Clothing brands Forever 21 and Adidas signed new leases for 150,869 sf and 106,303 sf, respectively, at California Market Center. Additionally, another new lease occurred in the Fashion District with Bambee signing at 755 S. Los Angeles Street (Fabric) for 45,000 sf and will occupy the top three floors. This recommitment to the Fashion District led the way for the improvement in leasing activity compared to 2020. The wave of new leases will not affect occupancy for some time, and thus the vacancy rate grew to 29.9% or a 60-bps increase. Even though leasing activity improved and there was positive absorption (61,503 sf), the overall asking lease rates continued to decrease from the previous quarter from \$47.66 psf/yr to \$47.54 psf/yr. Rates in DTLA’s Non-CBD are however still higher than the previous YOY rate of \$46.87 psf/yr and pre-pandemic high of \$44.15 psf/yr in Q4 2019. Rates for Class A space also decreased slightly \$56.00 psf/yr to \$55.52 psf/yr but could increase with the expected delivery of the 1.3 msf of office space from California Market Center.

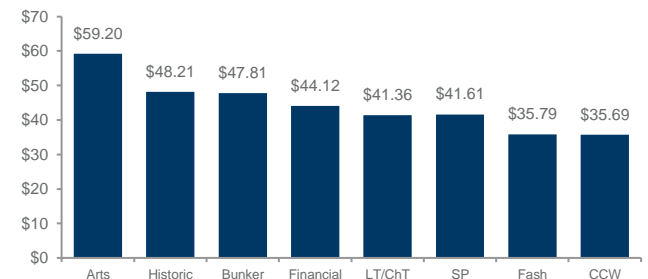
VACANT SPACE BY CLASS



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	83,025	2,190,623	20.6%	-36,932	-106,757	123,479	0	\$47.77	\$47.89
Financial District	16,732,825	272,251	3,838,992	24.6%	-77,711	-490,444	405,184	0	\$43.87	\$45.95
CBD TOTALS	27,750,804	355,276	6,029,615	23.0%	-114,643	-597,201	528,663	0	\$45.30	\$46.81
South Park	2,284,984	129,626	515,149	28.2%	5,167	-57,562	48,692	0	\$39.73	\$37.17
Little Tokyo/Chinatown	516,253	0	51,922	10.1%	-603	1,998	5,489	0	\$41.36	\$35.53
Central City West	3,980,809	42,357	626,406	16.8%	-11,809	-109,282	56,104	0	\$35.79	N/A
Historic District	2,185,911	0	950,612	43.5%	-59,391	-111,463	49,521	0	\$48.21	\$60.60
Fashion District	264,842	2,823	184,596	70.8%	1,907	712	306,895	0	\$34.57	N/A
Arts District	2,078,841	115,977	762,793	42.3%	19,044	11,306	118,358	214,000	\$59.21	\$63.92
Non-CBD TOTALS	11,311,640	290,783	3,091,478	29.9%	-45,685	-264,291	585,059	214,000	\$47.54	\$55.52
DTLA TOTALS	39,062,444	646,059	9,121,093	25.0%	-160,328	-861,492	1,113,722	214,000	\$45.99	\$47.79

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
110 East 9th Street California Market Center	Fashion District	Forever 21	150,869	Direct
110 East 9th Street California Market Center	Fashion District	Adidas	106,303	Direct
1000 Wilshire Blvd Wedbush	Financial District	Buchalter	87,000	Renewal*
555 South Flower Street City National Plaza South Tower	Financial District	White & Case	86,538	Renewal/Expansion*
755 South Los Angeles Street Fabric	Fashion District	Bambee	45,000	Direct
712 South Olive Street	Financial District	Johnny Was	31,153	Direct

*Renewals not included in leasing statistics

KEY CONSTRUCTION COMPLETIONS YTD 2021

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

KEY SALES TRANSACTIONS YTD 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
717 West Temple Avenue	Bunker Hill	California Community Foundation 1st City Savings Federal Credit	56,657	\$15.4M/\$261

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