

27.9%
Vacancy Rate



-233K
YTD Absorption, SF



\$45.30
Asking Rent, PSF



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

ECONOMIC INDICATORS Q1 2022

4.5M
Los Angeles
Employment



6.7%
Los Angeles
Unemployment Rate



3.6%
U.S.
Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

Coming out of the ebb and flow the labor force typically undergoes following the holidays, non-farm employment grew from January to February by 61,100 jobs pushing the civilian unemployment rate down to 6.7%. Compared to the same time period twelve months prior, non-farm employment for Los Angeles County added 324,200 jobs, an increase of 8.1% year-over-year (YOY). This puts the County above the state of California's unemployment rate (5.4%) and continues to lag the national average (3.6%) as of February 2022. Though overall employment levels have improved dramatically since the initial onset of the COVID-19 pandemic, non-farm employment is still down 158,000 jobs compared to February 2020.¹

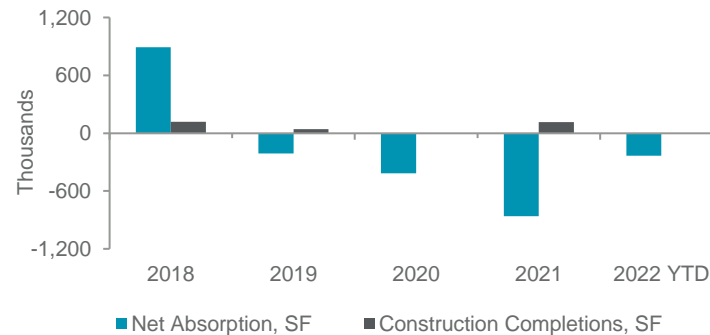
With the widespread proliferation of COVID-19 vaccines and diminishing infections, office-using employment has improved over the course of last year. Office-using employment grew by 43,300 jobs YOY, finally surpassing pre-pandemic employment levels for this category. Notably, firms specializing in scientific and technical services (24,000) and administrative services (17,500) were the key drivers of growth over the last 12 months. Overall, after two long years, the labor market of Los Angeles County has begun to stabilize in a meaningful way, making the market seem, at least for now, that some sense of normalcy has finally returned.

DOWNTOWN LOS ANGELES

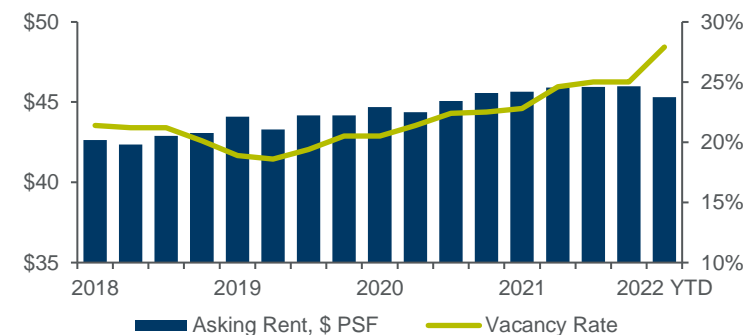
The Downtown Los Angeles (DTLA) market, comprised of the Central Business District (CBD) and the Non-CBD, currently contains 40.4 million square feet (msf) of office inventory. While the economy is trending upwards, the DTLA office market concluded Q1 2022 with mixed results. In the first three months of the new year, 531,388 square feet (sf) of activity took place in DTLA, an increase of 360% compared to the year prior (115,550 sf). Additionally, landlords in DTLA have been resistant to lowering asking rates for available space; however, the average asking rate dropped slightly from \$45.99 per square foot (psf) on an annual full-service basis to \$45.30 psf quarter-over-quarter (QOQ). Conversely, these tailwinds will take time before the results are fully realized in the DTLA market.

As shown in the Overall Vacancy & Asking Rent chart, the vacancy rate has continued to rise steadily since Q3 2019 regardless of gradually escalating asking rates. Landlords struggled to retain occupancy into the new year as net absorption was negative 233,256 sf for Q1 2022. Most of the occupancy losses derived from newly vacant direct spaces as there were 68,764 sf less vacant sublease space than in the previous quarter. In addition, with the reopening of the California Market Center, the vacancy rate jumped by 290 basis points (bps) from the previous quarter from 25.0% to 27.9%.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



DOWNTOWN LOS ANGELES

Office Q1 2022



CENTRAL BUSINESS DISTRICT (CBD)

The flight from LA's Central Business District continued as the amount of vacant space rose for the fifth consecutive quarter by 308,097 sf QOQ. The overall vacancy rate for the CBD increased to 24.1%, an increase of 110 bps compared to the previous quarter and an increase of 250 bps compared to a year ago.

Despite the occupancy losses, the CBD had a strong showing in terms of leasing velocity as there was a 177,872-sf increase in leasing activity in Q1 2022 compared to Q1 2021 (238,436 sf vs. 60,564 sf). These new leases were punctuated by law firms, such as Orrick, who leased 25,658 sf at 355 S Grand Ave, and Jackson Lewis who leased 49,508 sf at 725 S Figueroa St. Pacific Western Bank also signed a new lease for 11,714 sf at 900 Wilshire Blvd. In addition, some of the largest deals this quarter were renewals from Chinatrust Bank (38,354 sf at 801 S Figueroa St.) and Yekeovich/Cavanaugh (25,986 sf at 355 S Grand Ave).

Despite this quarter's leasing activity, there was an overall negative net absorption of 384,837 sf. The average asking rate in the CBD decreased from \$45.30 psf per year to \$45.09 psf QOQ. The asking rate for Class A product also decreased from \$46.81 to \$46.54 psf QOQ, less than 1.0% change for both overall and Class A. The CBD continues to be the hub for national law and financial firms, but only time will tell if the tenant make up of old will be enough to both bolster current occupancy and attract new occupiers post-pandemic.

NON-CBD

The Non-CBD region, led by the revamped Fashion District, is gearing up for some large moves in 2022. For the second consecutive quarter, the Non-CBD region recorded a 6-digit-sf leasing activity with 292,952 sf of new deals signed in Q1 2022. Comparatively, Q1 2021 only had 54,986 sf of leasing activity, an increase of 237,966 sf.

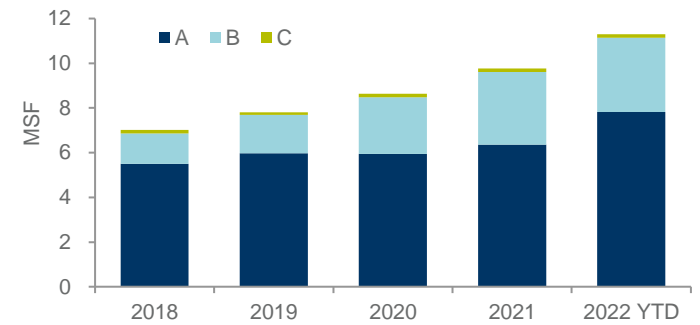
The headline transactions for this quarter were from the clothing brands, Revolve, who leased 42,248 sf at 1318 E 7th St. (ROW DTLA), and Forever 21, who leased 150,869 sf at 110 E 9th St. Still, vacancy rates for Q1 2022 rose to 36.2%, an increase of 630 bps from the previous quarter.

Most of this surge in vacancy comes from the 1.4 msf addition of the newly renovated California Market Center. Joining Forever 21, Adidas also pre-leased at this mixed-use complex in Q4 2021 for 106,303 sf; both companies are projected to move in Q4 2022. Paving the way for creative and tech-based firms to the Non-CBD, California Market Center and ROW DTLA (renovated in 2018) are prime examples of the DTLA landlord's commitment to attracting tenants with a unique office environment.

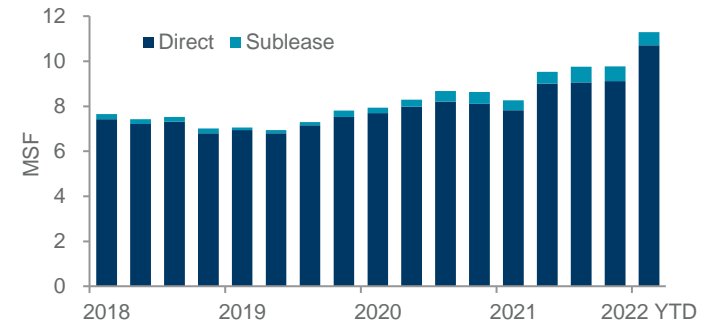
While the average asking rate has lowered in the Non-CBD QOQ from \$47.54 psf on an annual basis to \$45.95 psf, the Arts District average asking rate remains high at \$69.57 psf. Newly available creative office and Class A product, exemplified by The Switchyard, increased the asking rate for the Arts District by 17.5% QOQ.

Sources: ¹www.bls.gov ²Los Angeles-Long Beach-Anaheim, CA MSA. Moody's Analytics economy.com 2/2022.

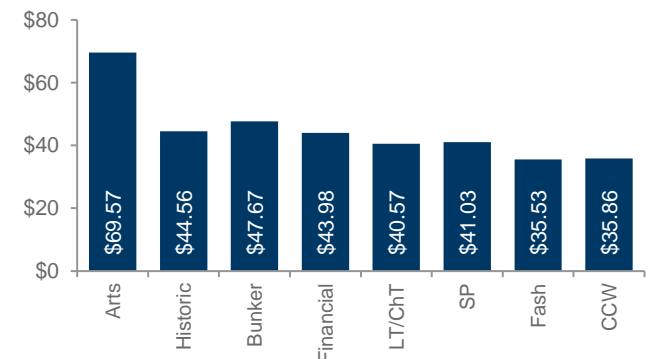
VACANT SPACE BY CLASS



DIRECT VS. SUBLEASE AVAILABLE SPACE



AVERAGE OVERALL ASKING RENT \$PSF BY SUBMARKET



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 | 58,349 | 2,375,375 | 22.1% | -190,304 | -190,304 | 74,720 | 0 | \$47.48 | \$47.57 |
| Financial District | 16,732,825 | 231,470 | 4,027,794 | 25.5% | -194,533 | -194,533 | 163,716 | 0 | \$43.68 | \$45.72 |
| CBD TOTALS | 27,750,804 | 289,819 | 6,403,169 | 24.1% | -384,837 | -384,837 | 238,436 | 0 | \$45.09 | \$46.54 |
| South Park | 2,284,984 | 129,626 | 546,264 | 29.6% | -31,115 | -31,115 | 28,684 | 0 | \$39.34 | \$37.03 |
| Little Tokyo/Chinatown | 516,253 | 0 | 60,448 | 11.7% | -8,526 | -8,526 | 457 | 0 | \$40.57 | \$35.49 |
| Central City West | 3,980,809 | 38,857 | 624,301 | 16.7% | 1,142 | 1,142 | 10,438 | 0 | \$35.95 | N/A |
| Historic District | 2,185,911 | 0 | 973,581 | 44.5% | -22,969 | -22,969 | 25,189 | 0 | \$44.56 | \$52.20 |
| Fashion District | 2,599,259 | 118,993 | 1,731,513 | 71.2% | 164,821 | 164,821 | 224,157 | 0 | \$35.53 | N/A |
| Arts District | 1,121,943 | 0 | 374,159 | 33.3% | 48,228 | 48,228 | 4,027 | 214,000 | \$69.57 | \$75.07 |
| Non-CBD TOTALS | 12,689,159 | 287,476 | 4,310,266 | 36.2% | 151,581 | 151,581 | 292,952 | 214,000 | \$45.95 | \$52.69 |
| DOWNTOWN LA TOTALS | 40,439,963 | 577,295 | 10,713,435 | 27.9% | -233,256 | -233,256 | 531,388 | 214,000 | \$45.30 | \$47.20 |

*Rental rates reflect full service asking. **Renewals not included in leasing statistics.

KEY LEASE TRANSACTIONS Q1 2022

| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|---|--------------------|---------------------|---------|----------|
| 110 East 9 th St. California Market Center | Fashion District | Forever 21 | 150,869 | Direct |
| 725 South Figueroa St. Ernst & Young Plaza | Financial District | Jackson Lewis | 49,508 | Direct |
| 1318 East 7 th St. Row DTLA | Fashion District | Revolve | 42,248 | Direct |
| 801 South Figueroa St. 801 Tower | Financial District | Chinatrust Bank | 38,354 | Renewal* |
| 355 South Grand Ave. Well Fargo Center – South | Bunker Hill | Yekeovich/Cavanaugh | 25,986 | Renewal* |
| 355 South Grand Ave. Well Fargo Center – South | Bunker Hill | Orrick | 25,658 | Direct |

KEY PROJECTS UNDER CONSTRUCTION 2022 YTD

| PROPERTY | SUBMARKET | TENANT | SF | OWNER |
|-----------------|---------------|--------|---------|-----------------|
| 2130 Violet St. | Arts District | N/A | 109,000 | Lowe |
| 520 Mateo St. | Arts District | N/A | 105,000 | Carmel Partners |

KEY CONSTRUCTION COMPLETIONS 2022 YTD

| PROPERTY | SUBMARKET | MAJOR TENANT | SF | OWNER / DEVELOPER |
|--|------------------|--------------------|-----------|-----------------------|
| 110 East 9 th Street California Market Center | Fashion District | Adidas, Forever 21 | 1,365,900 | Brookfield Properties |

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