

	YoY Chg	12-Mo. Forecast
21.2% Vacancy Rate	▲	▲
-117K Net Abs. YTD, SF	▼	▲
\$3.74 Asking Rent, PSF	▲	▼

(Overall psf/mo, All Property Classes)

ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
4.5M Los Angeles County Employment	▲	▲
6.7% Los Angeles County 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.

SUPPLY AND DEMAND: Occupancy Losses Slow as Leasing Velocity Finally Picks Up

The Greater Los Angeles (GLA) office market has seen its share of ups and downs over the last few decades, whether they be economically induced or simply the changing whims of modern-day office occupiers. But by and large, the COVID-19 pandemic has had the largest reaching impact on the region, even two years on from the outset. The first quarter of 2022 marked the eighth consecutive quarter of occupancy losses for the GLA region since the pandemic began with net absorption totaling negative 116,554 square feet (sf) in Q1 2022. Consequently, the overall vacancy rate climbed 600 basis points (bps) quarter-over-quarter (QOQ) to 21.2%. Additional vacant space returning to the market has been a consistent pain point for the region for the last two years, but the scale and pace of it have gradually diminished with time, especially compared to the previous quarter of negative 1.5 million square feet (msf) and the same period the year prior of negative 781,461 sf. The positive momentum achieved in the opening months of the year was thanks to diminishing COVID-19 infections and the easing of mask mandates, leading to several key move-ins in Q1 2022, such as Amazon Studios in Culver City (313,584 sf) at the newly constructed Culver Studios, and Forever 21 and Adidas moving into the California Market Center in Downtown Los Angeles (150,869 sf and 106,303 sf, respectively).

As of Q1 2022, over 3.8 msf of new office product was under construction with more than 61% of the new inventory scheduled to be delivered by mid-year. The most anticipated project includes the conversion of the former Westside Pavilion Mall into a creative office campus (584,000 sf) that will be wholly occupied by tech giant Google. Over 3.9 msf of newly constructed office product was delivered

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



in Q1 2022, including the previously mentioned Culver Studios and CalMart, and Brick and Machine in Culver City (82,553 sf) which was fully pre-leased by Apple. The velocity of leasing activity was muted since the beginning of the pandemic, due in large part to many occupiers pressing pause on major moves or expansions, while remote work became the norm. Q1 2022 marked a major reversal in recent leasing trends with an astonishing 3.2msf of new deals signed. To put this into perspective, this is the first time since 2020 in which GLA leasing activity in Q1 surpassed more than 2.0 msf. Leasing activity increased by 1.3 msf (up 74%) QOQ and climbed further by 1.5 msf YOY (up 84%). Technology and media companies have long been the two greatest drivers of activity in the GLA region, and Q1 2022 proved to be no different. The largest lease signed during this period was by influential film and sports industry talent firm, Creative Arts Agency (CAA), signing a new lease for an estimated 400,000 sf in Century City. This massive deal was signed not long after the company recommitted to its current space in Century City (290,000 sf) last year, bringing the talent firm’s overall footprint to nearly 600,000 sf of office space. Lionsgate, the prominent movie studio, renewed its lease in Santa Monica (192,584 sf) as demand for new content continues to heat up, while apparel companies Forever 21 (150,869 sf) and Nike (93,155 sf) leased space in Downtown LA’s Fashion District and Playa Vista, respectively. The West Los Angeles market, colloquially known as “Silicon Beach”, was the biggest draw among office occupiers in Q1 2022, securing 1.4 msf or 43% of the region’s leasing activity. Rumbblings of remote work fully supplanting the need for in-person work environments seemed to have been overly pessimistic as the recent activity demonstrates that a need and desire among occupiers for physical working space still exists in abundance.

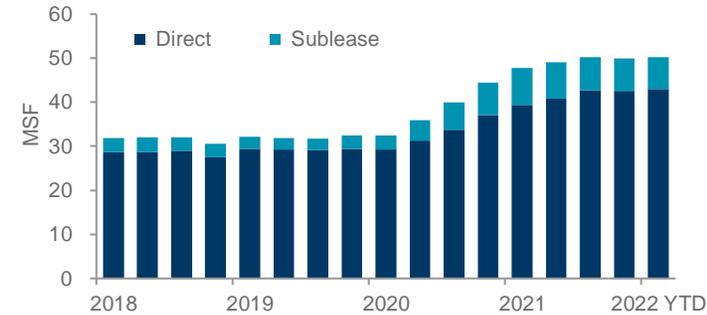
PRICING: Asking Rents Are Still High, But the Climb Is Slowing

Though demand for office space shifted dramatically throughout the course of the last two years, asking lease rates continued to climb with each passing quarter. But as of Q1 2022, the average asking lease rate for GLA was mostly unchanged QOQ, dropping by only \$0.01 to \$3.74 per square foot (psf) on a monthly full-service basis for the region. This marks the first time since the beginning of the pandemic in which rates have fallen, though they are still 2.3% higher than the same period the year prior and 6.6% higher than in Q1 2020. Similarly, rates for Class A product dipped QOQ as well by \$0.05 to \$4.00 psf. Regardless, rates for Class A continue to be exceptionally high due mostly to the amenities and concessions offered and the desire for creative office and high-tech campus settings among top tech and media firms. The average asking rate at \$5.09 psf was the highest in the West Los Angeles market in Q1 2022, with Class A averaging \$5.32 psf.

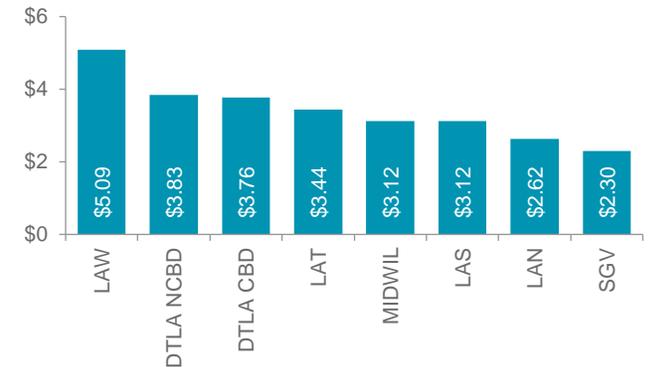
OUTLOOK

- Return to the office is closer than ever: office usage has increased dramatically since the start of the new year thanks to COVID-19 infections dropping and more citizens getting the vaccine. Office occupancy in the Los Angeles metro is estimated to be 41%, the highest level achieved since the beginning of the pandemic.²
- Economic recovery: after the initial economic shock brought on by the pandemic, joblessness has decreased with each passing month and is slowly approaching pre-pandemic levels. Though there is still a ways to go for overall employment in LA County, office-using employment at least has, as of February 2022, exceeded pre-pandemic totals.
- Flight to quality: occupiers have historically leveraged post-recession periods to upgrade their space and lock in attractive rates, concessions and lease terms over a long period. This focus on high-quality assets and new construction has taken place throughout 2022.
- Market trajectory: vacancy will likely continue to climb through the first half of the year but the pace of it is likely to drop off significantly compared to the last two years. As occupiers become more comfortable with their employees returning to the office, expect leasing activity to grow throughout the course of the year. Several key tenants due to move-in are poised to either offset significant move-outs or help to finally fuel some occupancy gains in the coming months.

DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



SUBMARKET ASKING RENT



Office Q1 2022

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)*
LA Downtown CBD	27,750,804	289,819	6,403,169	24.1%	-384,837	-384,837	238,436	0	\$3.76	\$3.88
LA Downtown Non-CBD	12,689,159	287,476	4,310,266	36.2%	151,581	151,581	292,952	214,000	\$3.83	\$4.39
Mid-Wilshire	13,012,615	245,178	3,640,843	29.2%	-24,961	-24,961	184,692	186,524	\$3.12	\$3.01
LA West	56,547,512	1,434,198	9,253,971	18.9%	580,447	580,447	1,372,078	1,994,370	\$5.09	\$5.32
LA North	31,304,001	325,732	4,627,488	15.7%	35,206	35,206	494,220	0	\$2.62	\$2.74
LA South	31,995,455	919,185	7,356,395	25.9%	-251,856	-251,856	276,213	60,000	\$3.12	\$3.41
Tri-Cities	24,771,224	422,530	3,909,348	17.6%	-142,934	-142,934	260,448	1,346,411	\$3.44	\$3.57
San Gabriel Valley	12,523,480	106,082	1,204,863	11.0%	-79,200	-79,200	75,953	62,000	\$2.30	\$2.59
GLA TOTALS	210,594,250	4,030,200	40,706,343	21.2%	-116,554	-116,554	3,194,992**	3,863,305	\$3.74	\$4.00

*Rental rates reflect full service asking \$psf/mo. **Renewals not included in leasing statistics. *** Not reflective of U.S. MarketBeat Tables.

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1950 Avenue of the Stars Century City Center	Century City LA West	CAA	400,000	New
2700 Colorado Ave.	Santa Monica LA West	Lionsgate	192,584	Renewal*
110 East 9 th St. California Market Center DTLA	Fashion District LA Central	Forever 21	150,869	New
5533 S. EA Way Water's Edge – WE3	Playa Vista LA West	Nike, Inc.	93,155	New
5404 Jandy Place	Playa Vista LA West	Walmart	74,583	New

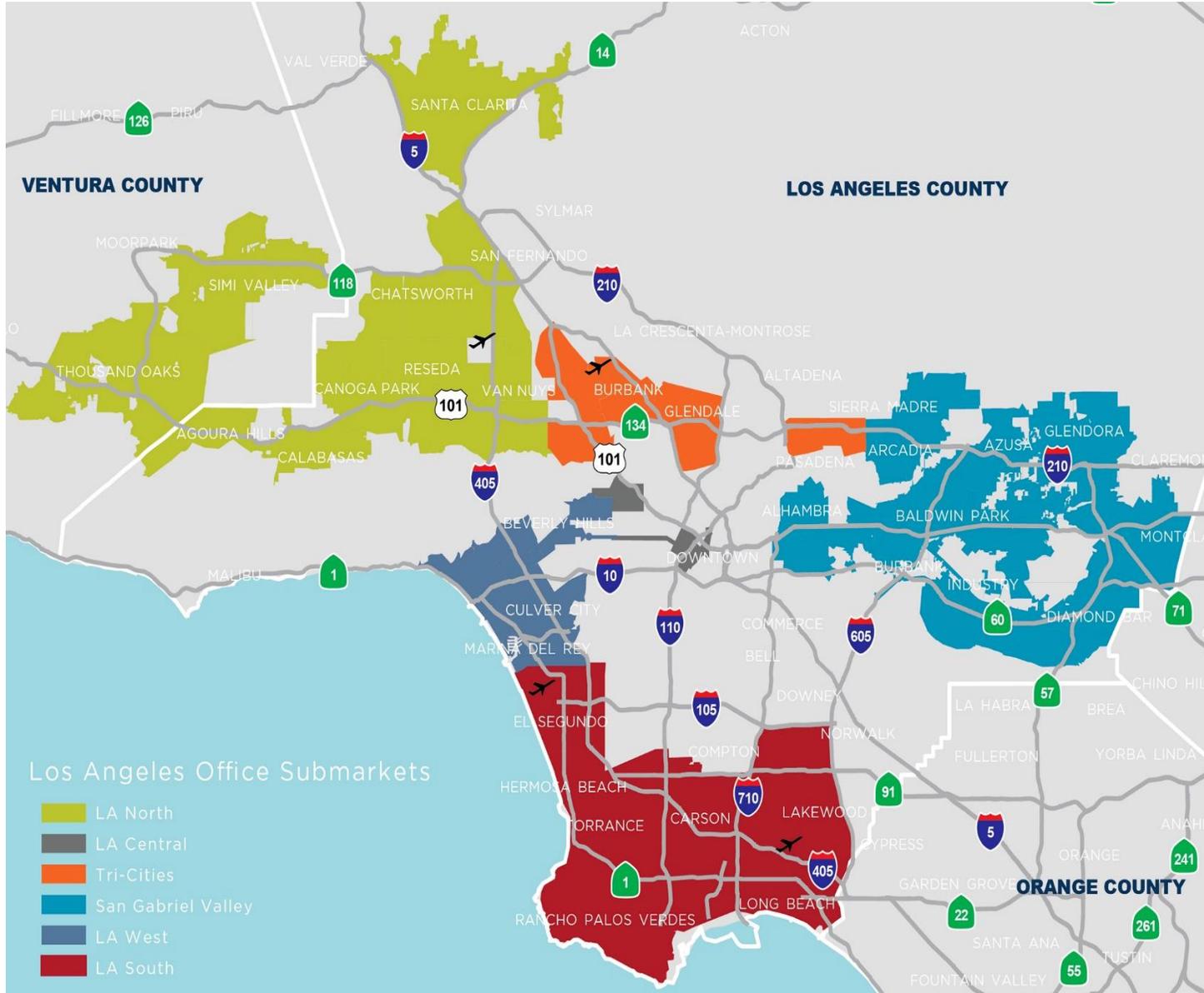
KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE / \$ PSF
301 East Ocean Blvd.	Downtown Long Beach LA South	Parallel Capital Partners Jack Sitt Real Estate LLC	396,927	\$85.5M / \$215
19701 Hamilton Ave.	190 th Street Corridor LA South	Montana Avenue Capital Partners LLC Brookfield Properties	124,962	\$36.1M / \$289
30801 Agoura Rd.	Agoura Hills LA North	Associates Equity Funds Barefoot Dreams, Inc.	120,000	\$18.5M / \$154
5601 Lindero Canyon Rd.	Westlake Village LA North	Blackstone Group Garden Commercial Properties	105,830	\$32.0M / \$302
123 South Marengo Ave.	Pasadena LA Tri-Cities	Wescom Credit Union The Meyer Shaffer Company LLC	91,770	\$59.0M / \$643

KEY CONSTRUCTION COMPLETIONS 2022 YTD

PROPERTY	SUBMARKET	MAJOR TENANTS	SF	OWNER / DEVELOPER
9336 Washington Blvd.	Culver City LA West	Amazon Studios	574,584	Hackman Capital Partners Hackman Capital
9735 Washington Blvd.	Culver City LA West	Apple	82,553	Clarett West Development Clarett West

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