



Office

Greater Los Angeles

21Q1

## Key Takeaways

- Occupancy losses caused the overall vacancy rate to reach a historic high of 18.3%.
- Sublease availability increased to 4%, adding more competition to direct space.
- Leasing activity totaled 1.9 MSF, on par with Q4 2020.
- Nearly half of new office constructions under way are expected to deliver in 2021.

Vacancy Rate  
18.3%



Net Absorption  
-2.4M SF



Under Construction  
5.4M SF



Overall Class A Asking Lease Rates (FSG)  
\$3.83/SF



## The Trends of H2 2020 Continue

The Greater Los Angeles office market consists of 210.4 MSF of inventory across seven major submarkets. Overall vacancy reached new records and is 50 basis points higher than the previous peak in 2013 when it reached 17.8%. Vast amounts of space being returned to the market over the past few quarters pulled the overall average asking rate up by 4.4% year-over-year to \$3.54 PSF per month. Rent growth during this period was strongest in South Bay where Beyond Meat signed the largest deal. This 281,110-SF lease helped push Greater Los Angeles leasing activity to 1.9 MSF, similar to the total recorded in the previous quarter but short of the 2020 quarterly average of 2.4 MSF. There are 5.5 MSF of new office projects in the development pipeline, which is up by 6.7% from one year ago.

Many firms with upcoming lease expirations have opted to delay commitments with short-term renewals. While market fundamentals have weakened significantly, the federal boost for the COVID vaccine roll-out is driving optimism. This should give tenants the confidence to move forward with their plans and spur more office demand.

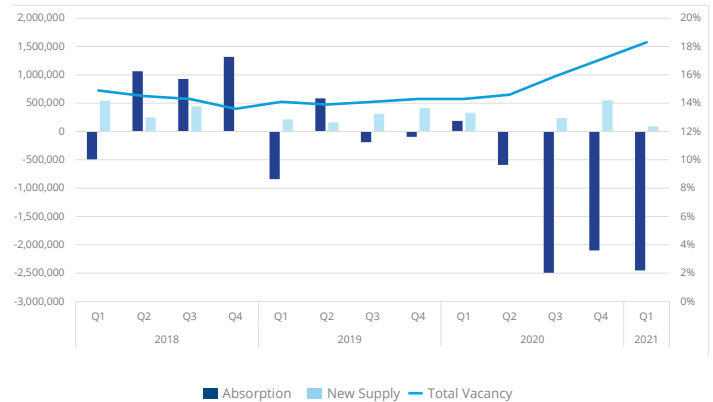
## Market Indicators



## Historical Comparison

	Q1 2020	Q4 2020	Q1 2021
Total Inventory (SF)	209,617,071	210,380,643	210,473,016
New Supply (SF)	329,548	551,636	92,373
Net Absorption (SF)	188,142	(2,099,492)	(2,455,402)
Overall Vacancy	14.3%	17.1%	18.3%
Under Construction (SF)	5,076,709	5,534,265	5,473,333
Overall Asking Lease Rates (FSG)	\$3.39	\$3.50	\$3.54

## Market Graph



Net absorption recorded a loss surpassing 2 MSF for the third consecutive quarter, increasing the overall vacancy rate by 120 basis points to 18.3%.

## Downtown Los Angeles

While vacancy continues to rise across all Greater Los Angeles office markets, Downtown Los Angeles had the lowest year-over-year vacancy rate increase. The overall vacancy rate of 21% is up 130 basis points from one year ago. Nearly 60% of the vacant space in downtown is in the Financial District. Average asking rates were flat over this period, hovering around \$3.36 PSF per month. The Central Business District, which includes Financial District, Bunker Hill and some buildings in South Park maintained an average asking rate of \$3.75 PSF per month. Net absorption was negative with much of the occupancy losses in Financial District and Greater Downtown areas.

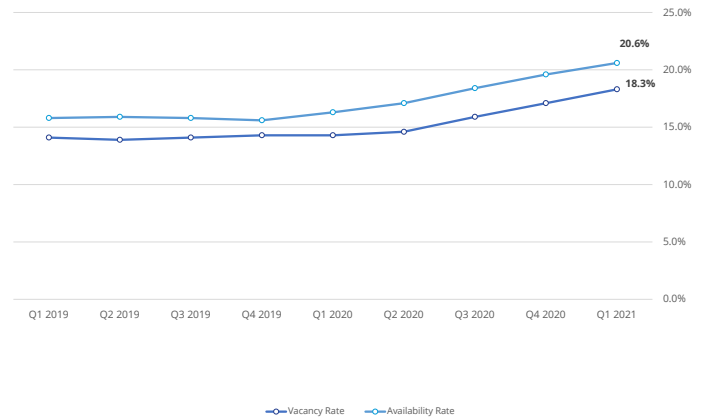
## West Los Angeles

West Los Angeles currently stands out with an elevated sublease availability rate at 6.1%, which is higher than the overall Greater Los Angeles rate of 4%. Sublease space as a percent of overall vacancy is highest in Santa Monica and Culver City. Over 55% of new office construction is occurring in the West Los Angeles submarkets, with a concentration in Culver City. This is where Hackman Capital purchased Sony Pictures Animation Campus located at 9050 Washington Boulevard in the largest sale of the quarter. Vacancy is expected to trend upwards when major office developments come online throughout the rest of the year.

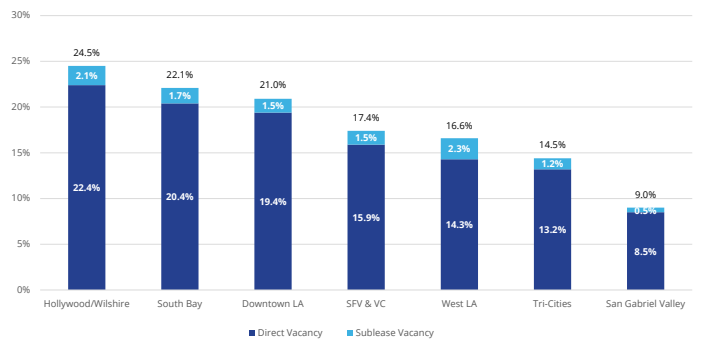
## Hollywood/Wilshire

Although the Hollywood/Wilshire corridor current vacancy rate of 24.5% appears high, this office market contains less inventory, and much of the vacancy is concentrated in Mid-Wilshire rather than Hollywood. The digital streaming industry will help keep Hollywood office demand healthy compared to many other areas of Greater Los Angeles. Media giant Netflix has made indications to have employees back at work soon and will be occupying the entire 355,000-SF Academy on Vine office project upon completion. This move will fuel occupancy growth for this submarket in 2021.

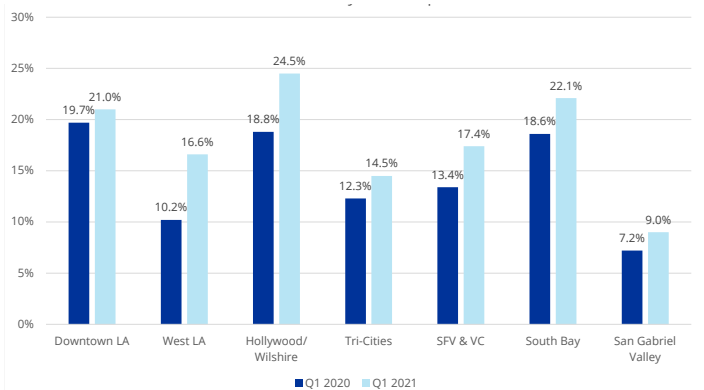
## Vacancy



## Vacancy by Submarket



## Vacancy YoY Comparison



## Tri-Cities

Tri-Cities was less affected by the pandemic compared to many other Greater Los Angeles markets, boasting one of the lowest vacancy rates at 14.5%. The average asking rate increased steadily over the past few years and continued to do so, reaching \$3.37 PSF per month. Rent growth was strongest in Burbank, where the average asking rate for Class A product is \$3.87 PSF per month. Content producing tenants are attracted to creative space near studios, which is keeping office demand healthy in Tri-Cities.

## San Fernando Valley & Ventura County

Rent growth faltered in San Fernando Valley & Ventura County overall, declining by 1.9% year-over-year back to levels in mid-2019. Vacancy is up by 400 basis points year-over-year, with much of the losses this quarter in Conejo Valley. Conejo Valley dragged overall net absorption down for San Fernando Valley & Ventura County to a loss of 348,174 SF. In East San Fernando Valley, a 400,000-SF campus containing a 331,000-SF office building is in the works at Universal Studios back lot. The space will be geared towards new production to match the amplified demand in streaming services and is scheduled for completion in 2023.

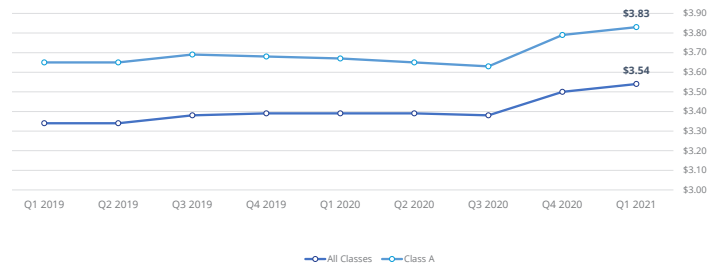
## South Bay

South Bay was a bright spot amidst a weakened leasing market, as the largest office deal of the quarter was signed in El Segundo. Beyond Meat, a producer of plant-based meat substitutes, committed to 281,000 SF at 888 N. Douglas for research and development. This headquarters expansion was one of the largest deals signed in Greater Los Angeles since the pandemic and put South Bay at the top in leasing activity. South Bay recorded 674,442 SF of leasing, making up 35.3% of the Greater Los Angeles total.

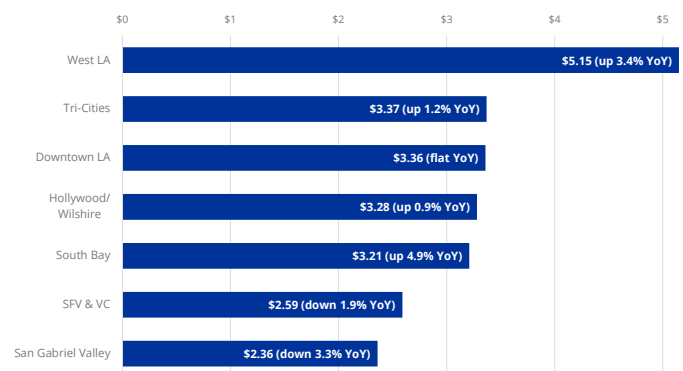
## San Gabriel Valley

San Gabriel Valley is the smallest office submarket in terms of inventory and has the lowest vacancy rate at 9.0%, which is less than 1 MSF vacant. While other Greater Los Angeles submarkets had occupancy losses, San Gabriel Valley net absorption was positive at 33,714 SF.

## Average Asking Rate



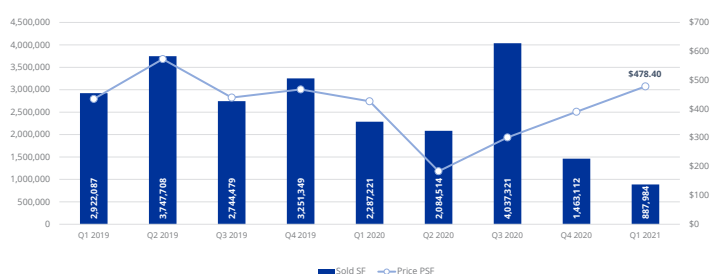
## Average Asking Rate by Submarket



## Leasing Activity



## Sales Activity



Market	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Prior Qtr	Lease Activity Current	Lease Activity YTD	Net Absorption Current	Net Absorption YTD	Under Construction	Avg Asking Rate (All Classes)	Avg Asking Rate (Class A)
Downtown LA	35,313,346	24.3%	3.5%	27.8%	21.0%	20.3%	106,872	106,872	(231,420)	(231,420)	376,200	\$3.36	\$3.64
West LA	60,415,789	20.8%	6.1%	26.7%	16.6%	14.5%	548,113	548,113	(1,275,129)	(1,275,129)	3,041,064	\$5.15	\$5.36
Hollywood/Wilshire	15,279,491	25.4%	2.9%	28.4%	24.5%	23.3%	28,567	28,567	(180,614)	(180,614)	427,478	\$3.28	\$3.30
Tri-Cities	22,888,210	16.1%	4.5%	20.0%	14.5%	14.4%	128,487	128,487	(22,142)	(22,142)	860,000	\$3.37	\$3.49
SFV & VC	33,622,375	18.6%	3.2%	21.8%	17.4%	16.4%	356,898	356,898	(348,174)	(348,174)	77,591	\$2.59	\$2.74
South Bay	32,600,868	22.7%	2.8%	25.4%	22.1%	20.5%	674,442	674,442	(431,637)	(431,637)	691,000	\$3.21	\$3.51
SGV	10,352,937	9.0%	0.7%	9.5%	9.0%	9.4%	65,341	65,341	33,714	33,714	0	\$2.36	\$2.46
<b>Total</b>	<b>210,473,016</b>	<b>20.6%</b>	<b>4.0%</b>	<b>24.5%</b>	<b>18.3%</b>	<b>17.1%</b>	<b>1,908,720</b>	<b>1,908,720</b>	<b>(2,455,402)</b>	<b>(2,455,402)</b>	<b>5,473,333</b>	<b>\$3.54</b>	<b>\$3.83</b>

## Leasing Activity

Address	Submarket	Tenant	Size (SF)	Type
888 N. Douglas St	El Segundo	Beyond Meat	281,000	New
301 E. Ocean Blvd/ Shoreline Square Tower	Downtown Long Beach	U.S. General Services Admin	144,016	Renewal
1000 S. Fremont Ave / The Alhambra	West San Gabriel Valley	Dept. of Public Health	117,846	Renewal
555 S. Flower St / City National Plaza	Financial District	Jones Day	109,120	Renewal
555 Aviation	El Segundo	Belkin International	65,442	New
2425-2501 Colorado Avenue	Santa Monica	Roku	58,403	New

## Major Developments

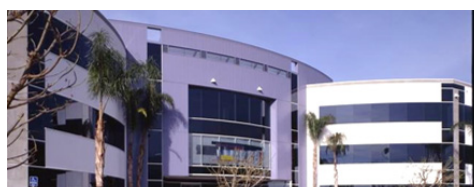
Project	Submarket	Developer	Size (SF)	Completion Year
10800-10900 W. Pico Blvd / One Westside	West Los Angeles	Hudson Pacific	584,000	2022
11355-11377 W. Olympic Blvd / LUMEN	Olympic Corridor	McCarthy Cook & Co.	553,475	2022
888 N. Douglas Street	El Segundo	Hackman Capital	550,000	2021
6181 Centinela Avenue / Entrada	Marina Del Rey / Venice	Lincoln Property	315,000	2021
8830-8840 National Blvd / Ivy Station	Culver City	Lowe Enterprises	241,205	2021
10730 W. Pico Blvd / West End	West Los Angeles	GPI Companies	229,208	2021

## Significant Sales Activity



### 9050 Washington Blvd | Culver City

Hackman Capital purchased the 182,176-SF Sony Campus from H&R Real Estate Investment Trust for \$165,000,000 | \$906 PSF



### 2835 N. Naomi Street | Burbank

The Wonderful Company purchased the fully leased 94,066-SF Media Center North from Goldstein Planting Investments for \$42,200,000 | \$449 PSF



### 924 Overland Court | San Dimas

SAR Enterprises purchased the 98,505-SF office building within San Dimas Corporate Park from Menlo Equities for \$28,930,000 | \$294 PSF

### FOR MORE INFORMATION

Matt Nelson  
Senior Research Director  
Greater Los Angeles  
+1 949 724 5519  
matt.nelson@colliers.com

Jodie Poirier  
Executive Managing Director  
Greater Los Angeles  
+1 213 532 3205  
jodie.poirier@colliers.com

Vincent Chang  
Research  
Greater Los Angeles  
vincent.chang@colliers.com

Copyright © 2021 Colliers  
The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.