



Office Greater Los Angeles  
**22Q2**

## Key Takeaways

- Leasing activity totaled 3.3M SF, falling short of the 3.8M SF in Q1.
- Net absorption was flat, keeping the overall vacancy rate at 20.3%.
- Sublease availability increased by 20 basis points to 4.2%.
- The average asking rental rate decreased over the quarter by 1.6%.



## Greater Los Angeles

Greater Los Angeles year-to-date leasing surpassed 7.1M SF at the midyear point, 8.8% more than the amount recorded this time last year. While the largest leases were signed by entertainment and tech tenants over the past few quarters, most of the significant deals were completed by finance and legal tenants in Q2. Occupancy growth was offset by move-outs which kept the overall vacancy rate flat at 20.3%. Office availability, which includes vacant and occupied space with expiring leases, increased by another 10 basis points to 25.2%. This was mainly due to an uptick in sublease availability which reached 4.2%, a 20 basis-point increase from the previous quarter. The sublease availability rate is highest in San Fernando Valley & Ventura County, followed by West Los Angeles and Tri-Cities. The abundance of available space and new supply caused the average asking rent to decline by 1.6% to \$3.70 PSF per month. Landlord concessions are expected to remain high and favorable for tenants, as there is still 3.2M SF of new office construction set to deliver over the next year.

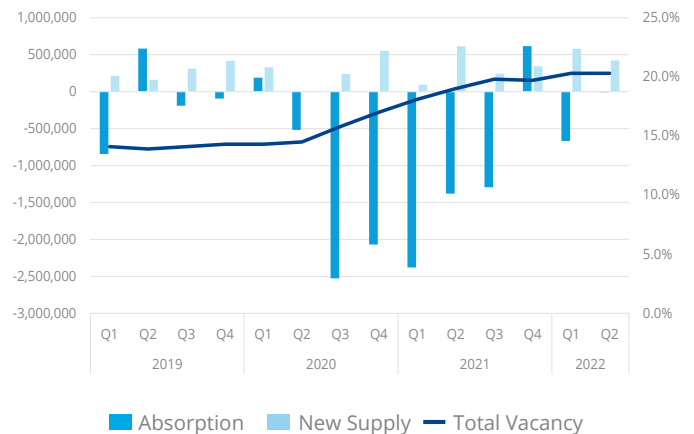
## Economic Indicators



## Historical Statistics

	Q2 2021	Q1 2022	Q2 2022
<b>Total Inventory (SF)</b>	213,113,543	214,691,663	214,691,663
<b>New Supply (SF)</b>	614,157	580,384	422,707
<b>Net Absorption (SF)</b>	(1,380,756)	(668,862)	(7,300)
<b>Overall Vacancy</b>	19.0%	20.3%	20.3%
<b>Under Construction (SF)</b>	4,804,726	3,640,572	3,217,865
<b>Overall Asking Lease Rates (FSG)</b>	\$3.71	\$3.76	\$3.70

## Market Graph



Overall office vacancy is expected to rise, as several major office projects are set to deliver in the coming quarters.

## Downtown Los Angeles

The Downtown Los Angeles availability rate of 29.3% continues to be the highest of any Los Angeles office market. More than half of the available space is in the Financial District where nearly 5.4M SF is for lease. Although the vacancy rate has steadily increased since the start of the pandemic, some occupancy growth in the CBD caused the overall vacancy rate in Downtown to decrease by 10 basis points to 23.7%. Finance and legal tenants signed sizable deals in Downtown, boosting Q2 leasing activity to 405,375 SF. This brought the year-to-date total to 841,588 SF, 35.1% more than the amount of activity recorded by midyear 2021. Recovery is slower Downtown compared to submarkets with a concentration of tech, media and entertainment.

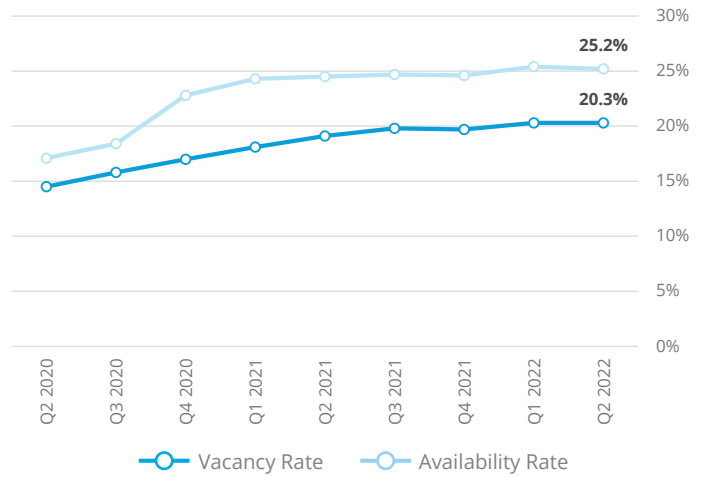
## West Los Angeles

West Los Angeles overall vacancy decreased by 20 basis points to 19.8% after reaching a peak high of 20% in Q1. Sublease availability remains elevated, increasing by another 50 basis points to 5.2%. Occupancy growth in Santa Monica and Century City helped this office market post 88,532 SF of net absorption. The largest leases signed in Q2 were in these Westside submarkets. Amazon signed a 207,000-SF lease in Santa Monica, expanding its footprint at the Water Garden complex which has become a prime location for media and technology office tenants. The West Los Angeles development pipeline has diminished, falling below 2M SF of office projects.

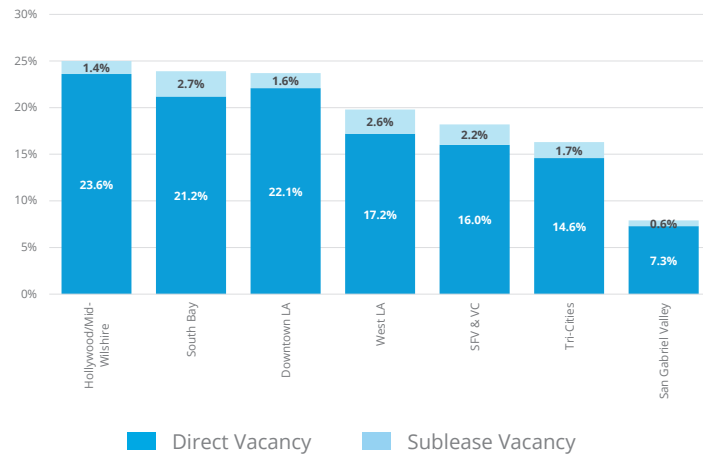
## Hollywood/Mid-Wilshire

Hollywood/Mid-Wilshire posted the highest amount of net absorption in Q2 compared to any other major Los Angeles office market. Studio demand remains high and entertainment tenants looking for this product drives occupancy growth in Hollywood. While Hollywood vacancy continues to decline, recovery is sluggish in Mid-Wilshire where overall availability is at 30%, equating to nearly 2.9M SF for lease in this submarket. There are no office developments in Hollywood/Mid-Wilshire, as major projects that were in the pipeline have completed. With new supply dampened, demand from media and entertainment tenants should decrease vacancy further in this office market.

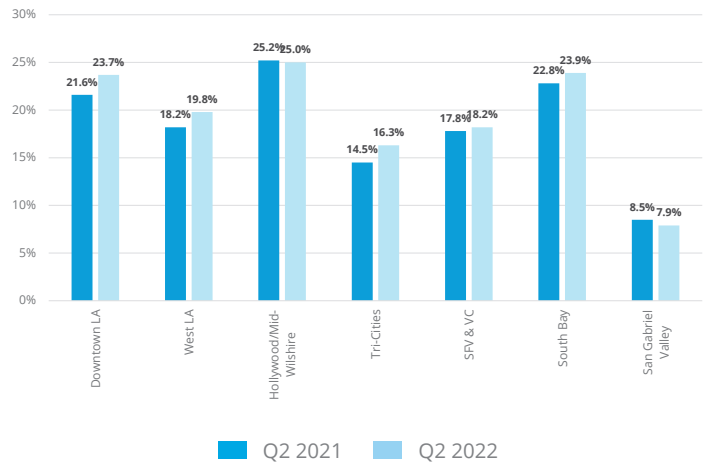
## Vacancy



## Vacancy by Submarket



## Vacancy YoY Comparison



## Tri-Cities

Office construction in Tri-Cities is active with major projects under way in Burbank, Glendale and Pasadena. The first phase of the 10 West ground-up development in Pasadena was completed, and ownership already signed its first tenant. Dine Brands committed to occupy 92,670 SF at this campus, where it will be the global headquarters for this franchisor of dining companies. More supply contributed to more vacant office space in Pasadena which increased the Tri-Cities overall vacancy rate by 60 basis points to 16.3%. With over 1M SF in the development pipeline, office vacancy is expected to increase in Tri-Cities in the coming quarters.

## San Fernando Valley & Ventura County

Asking rental rates are up in every San Fernando Valley & Ventura County submarket over the quarter. The largest increase was in East San Fernando Valley where the average asking rent is now up 5.6% year over year, ending at \$3.56 PSF per month. The average asking rent in Sherman Oaks continues to climb, reaching an all-time high of \$2.86 PSF per month. Year-to-date leasing activity in San Fernando Valley & Ventura County reached nearly 1.2M SF, outpacing the amount recorded at midyear 2020 by 61%.

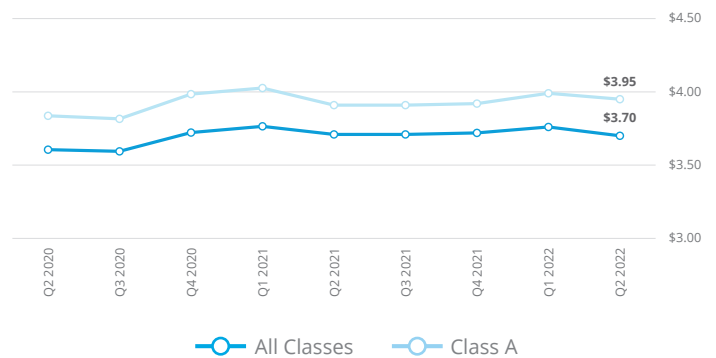
## South Bay

Rent growth was strong throughout the pandemic in South Bay compared to other major Los Angeles office markets. In Q2 however, the average asking rent decreased slightly to \$3.25 PSF per month. Demand was healthy, as year-to-date leasing surpassed 1.0M SF with over half of the activity in El Segundo & Beach Cities. In El Segundo, Skyrise leased 27,160 SF at 2030 Maple, bringing the office building to full occupancy. The aerospace startup is expanding its headquarters in El Segundo, which is the aerospace and defense hub in Los Angeles. Demand for office space is high among this industry, with large amounts of active requirements in South Bay.

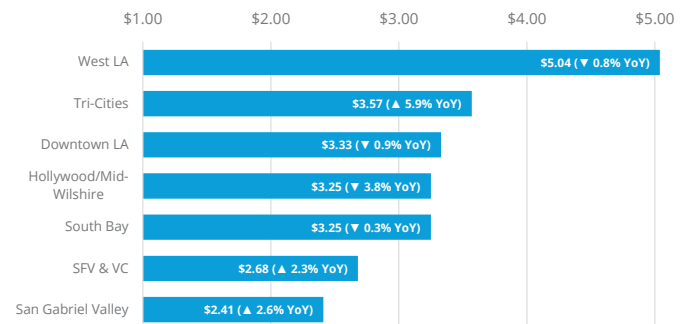
## San Gabriel Valley

San Gabriel Valley office fundamentals were least affected by the pandemic, maintaining a low vacancy rate since 2019. Much of the activity continues to be in East San Gabriel Valley which contains a majority of the office inventory. The overall vacancy in this submarket decreased by 40 basis points to 9.2%, while the rate in West San Gabriel Valley stayed flat at 5.6%. The average asking rent of the overall San Gabriel Valley office market remained unchanged at \$2.41 PSF per month over the quarter.

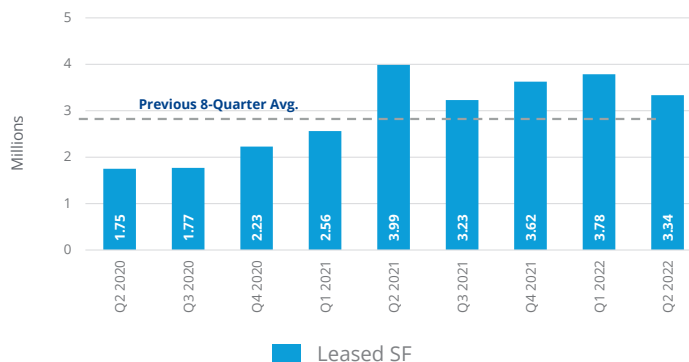
## Average Asking Rate



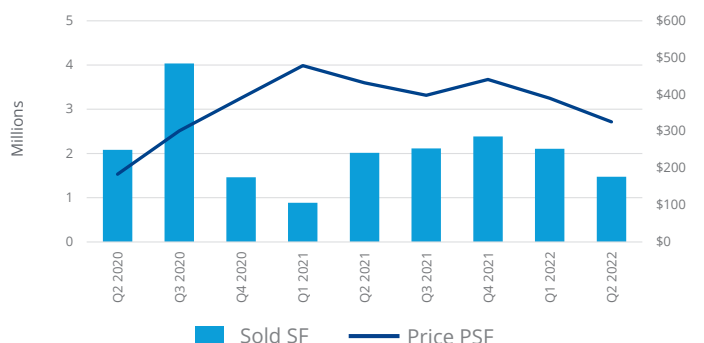
## Average Asking Rate by Submarket



## Leasing Activity



## Sales Activity



## Greater Los Angeles | Q2 2022 | Office | Market Statistics

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	36,006,407	26.0%	3.3%	29.3%	23.7%	23.8%	405,375	841,588	38,792	(457,885)	125,000	\$3.33	\$3.60
West LA	61,962,501	21.0%	5.2%	25.8%	19.8%	20.0%	1,475,367	2,911,306	88,532	297,185	1,919,929	\$5.04	\$5.33
Hollywood/Mid-Wilshire	15,801,499	25.7%	1.9%	27.4%	25.0%	26.0%	151,407	340,727	149,188	141,531	0	\$3.25	\$3.28
Tri-Cities	23,600,523	18.8%	4.4%	23.1%	16.3%	15.7%	321,584	679,246	(141,096)	(231,769)	1,007,936	\$3.57	\$3.68
SFV & VC	33,626,284	17.9%	5.3%	23.2%	18.2%	18.0%	498,748	1,177,136	(64,494)	(148,756)	0	\$2.68	\$2.86
South Bay	33,341,183	22.3%	4.0%	26.3%	23.9%	23.5%	417,740	1,038,735	(115,947)	(238,159)	165,000	\$3.25	\$3.63
SGV	10,353,266	10.3%	0.8%	11.0%	7.9%	8.3%	65,886	130,744	37,725	(38,309)	0	\$2.41	\$2.58
<b>Total</b>	<b>214,691,663</b>	<b>21.1%</b>	<b>4.2%</b>	<b>25.2%</b>	<b>20.3%</b>	<b>20.3%</b>	<b>3,336,107</b>	<b>7,119,482</b>	<b>(7,300)</b>	<b>(676,162)</b>	<b>3,217,865</b>	<b>\$3.70</b>	<b>\$3.95</b>

## Significant Lease Activity

Address	Submarket	Tenant	Size (SF)	Type
2450 Colorado Avenue / The Water Garden	Santa Monica	Amazon	207,000	New
1888 Century Park East / Century Park East	Century City	First Republic Bank	156,000	Renewal Expansion
865 S. Figueroa Street / TCW	South Park	Quinn Emanuel	135,000	Renewal
515 S. Flower Street / City National Plaza	Financial District	TCW	129,317	New
10 W. Walnut / 10 West	Pasadena	Dine Brands	92,670	New
3840 Kilroy Airport Way / Aero	Long Beach Airport	Blue Shield of California	71,753	New
333 S. Grand Avenue / Wells Fargo Center North	Bunker Hill	Mayer Brown LLP	54,018	New
1999 Avenue of the Stars	Century City	Bain & Company	50,982	Renewal Expansion
750 & 800 Royal Oaks Drive / Monrovia Tech Campus	Monrovia	Terray Therapeutics	49,017	New
811 W. 7th Street / Fine Arts Building	Financial District	Spaces	38,383	New
2110 Colorado Avenue / Santa Monica Media Center	Santa Monica	Ithaca Holdings	38,162	Renewal Expansion
2030 E. Maple Avenue / 2030 Maple	El Segundo	Skyryse	27,160	New
444 S. Flower Street / FourFortyFour	Financial District	Dykema Gossett	21,750	New
10250 Constellation Boulevard / Constellation Place	Century City	PNC Bank	21,452	Sublease
555 S. Aviation Boulevard	El Segundo	Fabletics	15,173	Renewal
5990 Sepulveda Boulevard	Central SF Valley	iLLi Commercial Real Estate	11,181	Sublease

## Significant Sales Activity



### 555 S. Aviation Boulevard | El Segundo

FS Investments purchased the creative office campus from Tishman Speyer for

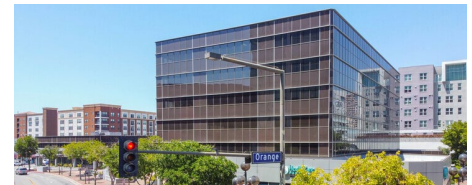
\$205,500,000 | \$791 PSF



### 2625 Townsgate Road | Westlake Village

The Harkham Family purchased Gate One from Lineage Family Office for

\$35,100,000 | \$266 PSF



### 225 W. Broadway | Glendale

3D Investments purchased the 126,500-sf Glendale Financial Square for

\$26,000,000 | \$244 PSF

FOR MORE INFORMATION

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