

Los Angeles



Photo by Mott Smith

Market Facts

4.0%

Los Angeles County
unemployment rate

404,238 SF

Positive net absorption

15.1%

Total vacancy rate

\$3.04 PSF

Weighted average asking
rental rate

Market Overview

As we pass the midway point of 2017, the Los Angeles County economy remains relatively steady, with a decline in unemployment from 5.1% in January to 4.0% in May; this according to the most recent data available from the Bureau of Labor Statistics. Business growth continues in a broad range of industry sectors, such as technology, media entertainment, finance, professional services, education, and health care.

L.A. County office vacancy decreased to 15.1% second quarter, declining 20 basis points from the previous quarter. With continued job and business growth, we expect office vacancy to continue to decline. However, with increasing rental rates, we expect to see Los Angeles County tenants right size and/or pursue less expensive markets. To that end, we anticipate near term steady leasing activity, especially for media, entertainment, and tech companies curating media content. Los Angeles creative office remains in high demand as well. The bulk of the 6.5 million square feet of office product under construction possesses some level of creative design, as tenants focus more on workspace design and efficiency.

While developers continue to seek pre-leasing prior to project delivery, well established areas, including activated retail corridors and residential development in place, have allowed office and mixed use developers to commence construction prior to some level of lease-up.

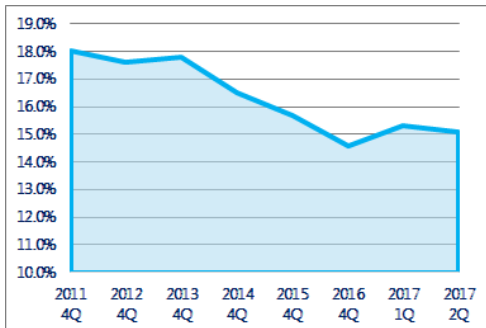
Rising interest rates and general investor uncertainty about “where we are in the cycle” have set the tone for investment sale activity in 2017. While capital remains abundant, investors and lenders are increasingly selective. Consequently, we have seen a slowdown in trading as compared to last year. For example, 1st half investment sales volume of class A and B office buildings in LA County was down 25% compared to last year, even though fundamentals continue to improve. However, we may expect to see more robust activity in the 2nd half of 2017 as the Fed is signaling a curtailment of interest rate increases, and assuming the new administration’s tax and regulatory initiatives become more certain.

Market By The Numbers

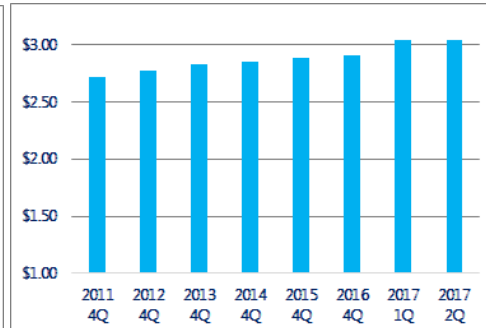
Submarket	Existing Inventory (SF)	Q2 2017 Vacancy %	Q1 2017 Vacancy %	Q2 2017 Net Absorption (SF)	YTD Net Absorption (SF)	Q2 2017 Completions (SF)	U/C & Renovation (SF)	Weighted Avg Asking Lease Rate
DOWNTOWN	33,582,484	19.0%	18.4%	(168,040)	(249,482)	130,000	2,661,704	\$3.25
Bunker Hill	8,093,972	16.9%	15.8%	(88,925)	22,320	-	-	\$3.25
Financial District	19,047,053	21.7%	21.1%	(113,677)	(234,009)	-	372,775	\$3.31
Greater Downtown	2,723,876	17.0%	17.4%	7,412	(78,353)	130,000	2,172,929	\$2.87
South Park	3,717,583	12.8%	13.5%	27,150	41,810	-	116,000	\$3.06
WEST LA	58,386,089	13.7%	14.2%	248,214	(991,189)	32,450	2,601,227	\$4.54
Beverly Hills	6,977,723	13.0%	13.9%	78,761	19,386	32,450	319,532	\$5.15
Brentwood	3,339,045	8.1%	8.6%	(33,241)	(366)	-	10,347	\$4.13
Century City	10,651,831	9.3%	8.6%	(92,662)	(77,357)	-	-	\$4.75
Culver City	3,983,215	20.8%	21.9%	19,668	(385,336)	-	995,348	\$4.19
Marina Del Rey/Venice	6,974,715	21.6%	21.3%	(26,457)	(49,778)	-	433,367	\$4.56
Miracle Mile	5,300,964	17.2%	17.0%	(12,405)	(335,561)	-	-	\$3.84
Olympic Corridor	3,070,722	3.9%	3.5%	(15,549)	19,396	-	38,869	\$3.71
Santa Monica	9,361,521	10.8%	13.2%	230,386	220,156	-	600,943	\$5.37
West Hollywood	3,009,176	18.0%	20.0%	75,025	(154,999)	-	202,821	\$4.83
West Los Angeles	869,701	19.1%	18.4%	(5,684)	(1,388)	-	-	\$3.56
Westwood	4,847,476	16.8%	15.8%	(35,764)	(245,342)	-	-	\$4.21
TRI CITIES	23,418,595	12.8%	13.5%	133,516	(40,123)	-	43,240	\$2.82
Arcadia	622,000	2.0%	1.3%	(4,421)	(6,401)	-	-	\$2.41
Burbank	6,889,044	10.9%	13.2%	150,803	154,974	-	43,240	\$3.19
Glendale	6,409,491	11.8%	10.9%	(77,493)	(45,349)	-	-	\$2.69
Monrovia	1,139,708	11.9%	12.8%	10,351	41,445	-	-	\$2.22
Pasadena	8,358,352	16.1%	16.7%	54,276	(184,822)	-	-	\$2.96
SOUTH BAY	33,518,382	15.6%	15.6%	23,190	138,355	44,706	709,827	\$2.42
190th Street Corridor	3,469,129	24.9%	26.0%	29,368	43,049	-	-	\$2.13
Central Torrance	4,462,804	9.7%	10.1%	14,667	28,629	-	-	\$2.55
Downtown Long Beach	5,074,266	16.2%	16.0%	(13,052)	(3,336)	-	-	\$2.39
El Segundo/Beach Cities	11,579,365	9.5%	8.6%	(104,138)	(21,123)	10,880	709,827	\$3.17
LAX	4,416,768	34.8%	34.8%	(1,343)	21,958	-	-	\$1.89
Long Beach Airport	4,516,050	10.2%	11.7%	97,688	70,013	33,826	-	\$2.11
LA NORTH	31,374,602	13.3%	13.7%	130,704	128,908	-	186,555	\$2.34
Central SF Valley	4,840,995	12.2%	13.4%	29,694	(97,071)	-	-	\$2.40
Conejo Valley	6,478,926	16.4%	14.9%	(87,864)	(47,964)	-	26,800	\$2.28
East SF Valley	2,272,559	9.5%	9.5%	709	21,337	-	26,640	\$2.52
Santa Clarita Valley	2,298,139	17.5%	16.4%	(13,337)	(26,283)	-	133,115	\$2.47
West SF Valley	15,483,983	12.2%	13.5%	201,502	278,889	-	-	\$2.31
SAN GABRIEL VALLEY	10,214,373	14.6%	15.1%	80,376	(46,582)	-	122,787	\$2.18
East San Gabriel Valley	6,527,415	17.1%	17.4%	2,669	(108,431)	-	28,787	\$2.17
West San Gabriel Valley	3,686,958	10.0%	11.2%	77,707	61,849	-	94,000	\$2.18
HOLLYWOOD/MID-WILSHIRE	14,896,554	17.9%	18.0%	(43,722)	405,072	115,591	239,214	\$2.75
Hollywood	4,337,232	15.5%	15.7%	(54,637)	415,329	115,591	183,522	\$4.48
Mid-Wilshire	10,559,322	18.9%	18.9%	10,915	(10,257)	-	55,692	\$2.27
LA COUNTY	205,391,079	15.1%	15.3%	404,238	(655,041)	322,747	6,564,554	\$3.04

	Q2 2017 Inventory (SF)	Q2 2017 Vacancy %	Q1 2017 Vacancy %	Q2 2017 Net Absorption (SF)	YTD Net Absorption (SF)	Q2 2017 Completions (SF)	U/C & Renovation (SF)	Weighted Avg Asking Lease Rate
DOWNTOWN	33,582,484	19.0%	18.4%	(168,040)	(249,482)	130,000	2,661,704	\$3.25
Class A	18,291,733	15.6%	14.6%	(174,720)	(45,703)	-	1,997,027	\$3.50
Class B	13,421,753	23.0%	23.0%	1,657	(129,212)	130,000	664,677	\$3.22
Class C	1,868,998	25.4%	25.8%	5,023	(74,567)	-	-	\$2.75
WEST LA	58,386,089	13.7%	14.2%	248,214	(991,189)	32,450	2,601,227	\$4.54
Class A	45,482,636	14.9%	15.7%	199,975	(1,016,031)	32,450	1,629,260	\$4.53
Class B	11,708,721	9.8%	9.8%	33,048	31,817	-	971,967	\$4.05
Class C	1,194,732	5.9%	6.7%	15,191	(6,975)	-	-	\$3.22
TRI CITIES	23,418,595	12.8%	13.5%	133,516	(40,123)	-	43,240	\$2.82
Class A	16,739,268	13.6%	14.7%	146,157	12,653	-	-	\$2.96
Class B	6,014,980	9.9%	9.9%	(3,679)	9,279	-	43,240	\$2.44
Class C	664,347	17.3%	15.8%	(8,962)	(62,055)	-	-	\$2.10
SOUTH BAY	33,518,382	15.6%	15.6%	23,190	138,355	44,706	709,827	\$2.42
Class A	13,397,424	13.9%	12.9%	(111,614)	(173,856)	-	623,744	\$2.74
Class B	17,180,903	17.7%	18.4%	115,810	346,093	44,706	86,083	\$2.19
Class C	2,940,055	10.5%	11.2%	18,994	(33,882)	-	-	\$1.92
LA NORTH	31,374,602	13.3%	13.7%	130,704	128,908	-	186,555	\$2.34
Class A	18,255,077	14.0%	14.2%	44,611	(10,154)	-	96,115	\$2.48
Class B	12,046,907	12.3%	13.0%	82,001	128,082	-	90,440	\$2.17
Class C	1,072,618	12.1%	12.5%	4,092	10,980	-	-	\$1.84
SAN GABRIEL VALLEY	10,214,373	14.6%	15.1%	80,376	(46,582)	-	122,787	\$2.18
Class A	4,120,835	9.8%	10.6%	29,125	59,118	-	-	\$2.44
Class B	5,360,041	19.1%	20.3%	61,735	(97,863)	-	122,787	\$2.13
Class C	733,497	8.2%	6.3%	(10,484)	(7,837)	-	-	\$1.92
HOLLYWOOD/ MID-WILSHIRE	14,896,554	17.9%	18.0%	(43,722)	405,072	115,591	239,214	\$2.75
Class A	7,020,456	12.0%	12.4%	(24,285)	418,152	115,591	97,705	\$3.27
Class B	6,781,897	22.9%	22.9%	394	8,287	-	141,509	\$2.41
Class C	1,094,201	22.5%	22.7%	(19,831)	(21,367)	-	-	\$2.58
LA COUNTY	205,391,079	15.1%	15.3%	404,238	(655,041)	322,747	6,564,554	\$3.04
Class A	123,307,875	14.5%	14.5%	109,249	(755,791)	148,041	4,443,851	\$3.43
Class B	72,515,202	16.8%	16.8%	290,966	289,055	174,706	2,120,703	\$2.61
Class C	9,568,002	14.9%	14.9%	4,023	(188,305)	-	-	\$2.30

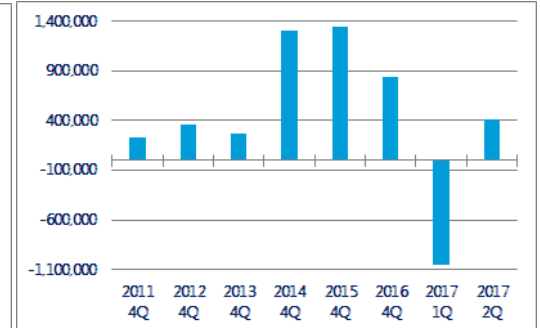
Vacancy Rate



Asking Rent



Net Absorption



Top Lease

Tenant	Type	Address	Submarket	SF
MARSH & MCLENNAN COMPANIES	NEW	633 W 5TH ST, LOS ANGELES	DOWNTOWN LA	71,094
HENKEL	NEW	5800 BRISTOL PARKWAY, CULVER CITY	WEST LA	48,445
ANALYSIS GROUP INC.	RENEWAL	333 S HOPE ST, LOS ANGELES	DOWNTOWN LA	37,125
HCC SURETY GROUP	NEW	601 S FIGUEROA ST, LOS ANGELES	DOWNTOWN LA	35,000
DENTSU AEGIS NETWORK	NEW	5800 BRISTOL PARKWAY, CULVER CITY	WEST LA	34,000

Top Sales

Address	Buyer	Seller	Price	SF	P/SF
*1999 AVENUE OF THE STARS, LOS ANGELES	JMB FINANCIAL ADVISORS	THE BLACKSTONE GROUP LP	\$860,000,000	825,200	\$1,042
1299 OCEAN AVE, SANTA MONICA	DOUGLAS EMMETT	THE BLACKSTONE GROUP LP	\$285,000,000	205,713	\$1,385
110 E 9TH ST, LOS ANGELES	BROOKFIELD OFFICE PROP.	JAMISON SERVICES	\$194,973,221	1,837,247	\$212
400 & 450 N BRAND BLVD, GLENDALE	KENNEDY-WILSON PROP.	METLIFE	\$144,000,000	437,057	\$329
2300 W EMPIRE AVE, BURBANK	NEW YORK LIFE REAL ESTATE	WALTON STREET CAPITAL	\$133,217,000	351,300	\$379

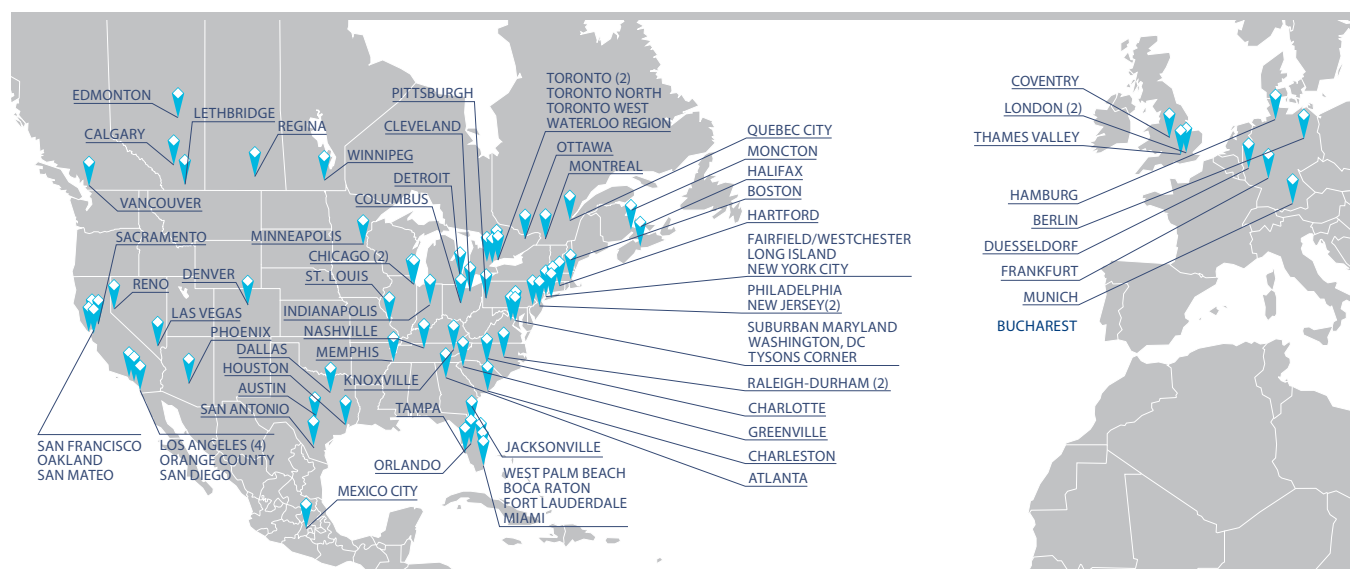
Under Construction/Renovation

Address	Developer	SF	Completion
801 S BROADWAY, LOS ANGELES	WATERBRIDGE CAPTIAL	955,561	Q1 2018
757 S ALAMEDA ST, LOS ANGELES	ATLAS CAPITAL GROUP	425,131	Q1 2018
900 WILSHIRE BLVD, LOS ANGELES	KOREAN AIRLINES/AC MARTIN PARTNERS	372,775	Q3 2017
10000 W WASHINGTON BLVD, CULVER CITY	LBA REALTY	363,000	Q4 2017
777 S AVIATION BLVD, EL SEGUNDO	WESTBROOK PTRS/EMBARCADERO CAPITAL	318,182	Q3 2017

*1999 AVENUE OF THE STARS SALE REPRESENTS A PARTIAL INTEREST TRANSFER, RECAPITALIZATION

Founded: **1978**
Total Real Estate Professionals: **2,400**
Offices: **80**
Brokerage Professionals: **1,000+**
Property Under Management: **100 million sf**

Founded in 1978, the company comprises 2,400 real estate professionals in 80 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial, multi-family and hospitality properties.



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