

Large blocks become scarce with flight to quality and strong pre-leasing

Overall availability in greater Los Angeles ended Q1 at 19.1%, a 50-basis-point increase over the year. Class A availability, however, decreased to 17.9%, down 110 basis points over the same period. New construction remains a top choice for tenants looking for larger contiguous blocks, as evidenced by the 60.0% pre-leasing rate of the 4.1 million square feet (msf) currently under construction. With the influx of new inventory, asking rents continue to rise, closing out the first quarter at \$39.69 per square foot (psf), a 3.5% increase over the same time period.

TAMI and coworking continue to drive demand

Quarterly leasing activity totaled 4.6 msf. The technology, advertising, media and information (TAMI) and coworking sectors dominated first quarter leasing with a total of 1.5 msf of activity. On the heels of a massive fourth quarter leasing spree by Netflix and Facebook, Google announced its commitment to 580,000 sf at One Westside, the former Westside Pavilion shopping mall that will be redeveloped into a creative office campus. Coworking companies WeWork, Spaces and Industrious added a combined 500,000 sf of new locations in the market. WeWork alone grew by 360,000 sf, signing leases in Downtown L.A., Santa Monica, Beverly Hills, and North Hollywood. Coworking now occupies a total of 3.7 msf within the L.A. office market inventory.

Strong demand reduces availability in Westside submarkets, Downtown holds flat

As availability remains flat in Downtown L.A., several Westside submarkets are seeing some tightening due to stronger leasing activity. Overall availability currently stands at 25.0% in Downtown L.A., 13.9% on the Westside, and 17.4% in the Tri-Cities submarket (compared to an overall market average of 19.1%). Demand is particularly strong in the Santa Monica submarket, where availability decreased by 310 basis points over the year, with tenants like WeWork and Spaces removing large blocks from the available inventory. Despite Downtown L.A.'s lack of recent major leases, there are several new projects coming online that will be sure to attract attention back towards the CBD in the near-future.

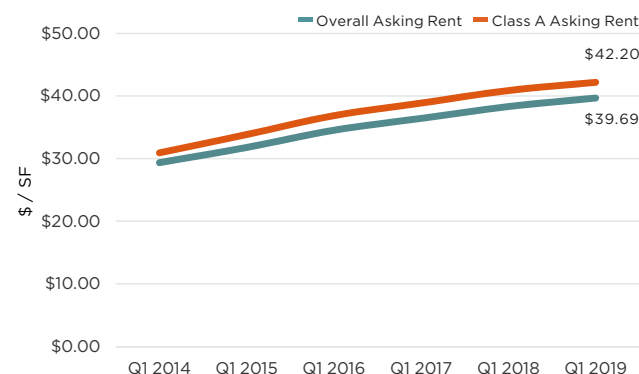
Outlook

- Large tenants may be faced with fewer options, particularly in new product, as the current development pipeline continues to be quickly – and eagerly – pre-leased
- Options in both new and existing space on the Westside are at an all-time low, while conditions in the South Bay, El Segundo, and Tri-Cities submarkets remain in the tenant's favor
- Recent increases in asking rent have been offset by generous concession offerings, keeping effective rents in check

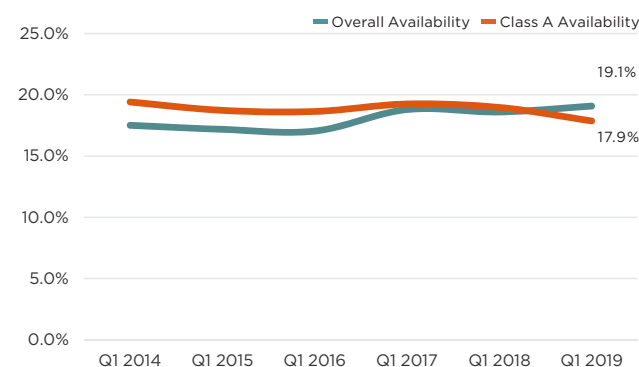
KEY STATISTICS

	Q1 2018	Q1 2019	y-o-y Change
Inventory	208.3 MSF	209.4 MSF	▲
Availability Rate	18.6%	19.1%	▲
Asking Rental Rate	\$38.33	\$39.69	▲
Class A Asking Rental Rate	\$40.89	\$42.20	▲
Quarterly Leasing Activity	3.4 MSF	4.6 MSF	▲

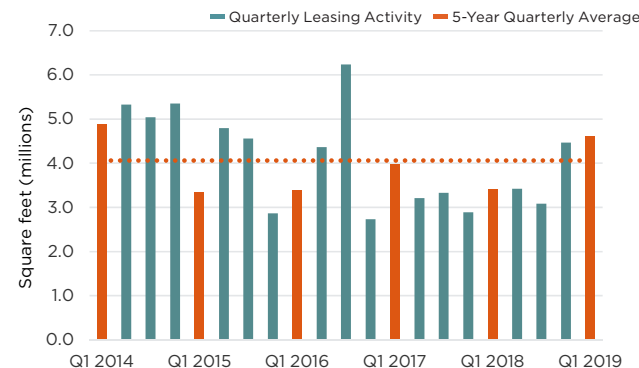
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

86.6%

of major transactions were new **market entrants or relocations**

57.8%

TAMI represented 57.8% of major transactions

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Coworking accounted for 4 of the 10 top transactions (24.2% of total sf)

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Google	580,000	10730-10900 W Pico Boulevard	New Location	Westwood/West LA	TAMI
WeWork	112,000	3000 W Olympic Boulevard	New Location	Santa Monica	Coworking
All3Media	105,831	6060 Center Drive	Renewal	Fox Hills/Marina	TAMI
ServiceTitan	103,966	800 N Brand Boulevard	Relocation	Glendale	TAMI
Lereta	99,455	901 Corporate Center Drive	Relocation	San Gabriel Valley	Financial Services
WeWork	80,000	1031 S Broadway	New Location	Downtown LA	Coworking
Ares Management Corporation	73,880	2000 Avenue of the Stars	Renewal	Century City	Financial Services
Canyon Capital Realty Advisors	72,465	2000 Avenue of the Stars	New Location	Century City	Financial Services
Spaces	69,208	2450 Colorado Avenue	New Location	Santa Monica	Coworking
WeWork	69,035	9830 Wilshire Boulevard	New Location	Beverly Hills/West Hollywood	Coworking

Source Savills Research

For more information, please contact us:

Savills

Downtown Los Angeles
777 S. Figueroa Street
30th Floor
Los Angeles, CA 90017
+1 213 553 3800

Mark T. Sullivan

Vice Chairman
msullivan@savills.us

Joshua D. Gorin

Vice Chairman
jgorin@savills.us

Savills

West Los Angeles
110 Glendon Avenue
Suite 1800
Los Angeles, CA 90024
+1 310 444 1000

Mike Catalano

Vice Chairman
mcatalano@savills.us

Matt Nelson

Research Manager
mnelson@savills.us

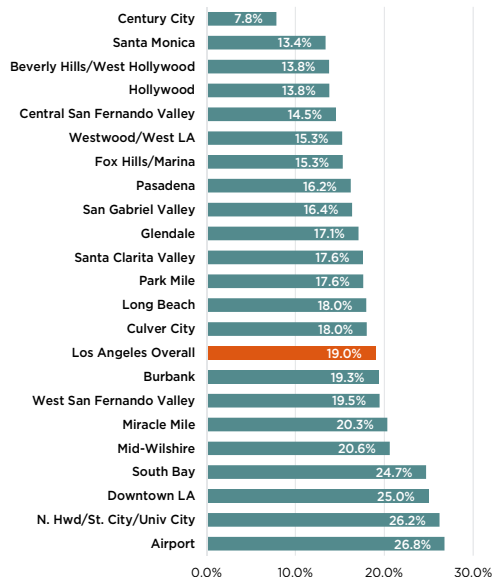
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AVAILABILITY RATE COMPARISON

Los Angeles Submarkets



RENTAL RATE COMPARISON (\$/SF)

Los Angeles Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents psf. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

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