



Availability increases in Q1, expected to continue as market braces for COVID-19 impact

After four consecutive quarters of declines, overall availability in Los Angeles increased to 18.4% in the first quarter – up 40 basis points over the quarter. Class A availability also increased, up 50 basis points over the quarter to 17.6%. Even with increasing availability, asking rents pushed upwards. Class A asking rents increased 11.4% year over year to \$3.82 per square foot (psf) per month - which reflects a broad market average encompassing high-rent submarkets in West, L.A. and Downtown L.A., as well as lower-rent submarkets in the South Bay, San Fernando Valley, and San Gabriel Valley areas. As economic uncertainty continues to rise due to the ongoing COVID-19 global pandemic, expect availability to increase and rents to plateau as occupiers retrench and the city remains in shelter-in-place with all non-essential businesses closed.

Leasing activity slows, coworking faces new challenges

Quarterly leasing activity totaled just 4.0 million square feet (msf) - down 15.4% annually. Demand was driven by companies in the technology, advertising, media and information (TAMI) sector, but also government agencies and non-profits. Flexible space providers, typically accounting for a substantial share of quarterly activity, ground to a halt and are likely to face additional challenges as the current pandemic situation unfolds. Given the short-term nature of flex memberships and the capital reserve infrastructure required to weather the current economic disruption, it is yet to be seen how providers will fare. With approximately 5.0 msf of flex inventory in the market, the possibility some of this space returning and creating additional tenant options is likely.

In specific submarkets, availability has declined to cyclical lows while Downtown remains soft

Availability in Downtown L.A. remains high while some West L.A. submarkets continue to see options tightening. Overall availability currently stands at 22.9% in Downtown L.A., 14.9% in West L.A., and 16.6% in the Tri-Cities (compared to an overall market average of 18.5%). In Century City, overall availability (7.6%) is now at its lowest point in a decade as law firms and professional services companies that cater to the booming entertainment industry have expanded. In Burbank, overall availability of just 8.1% has been due to Disney and Warner Bros. expanding within the submarket. With large blocks of available space limited, particularly in West L.A., expect developers to become even more aggressive with pre-leasing as the economy slows.

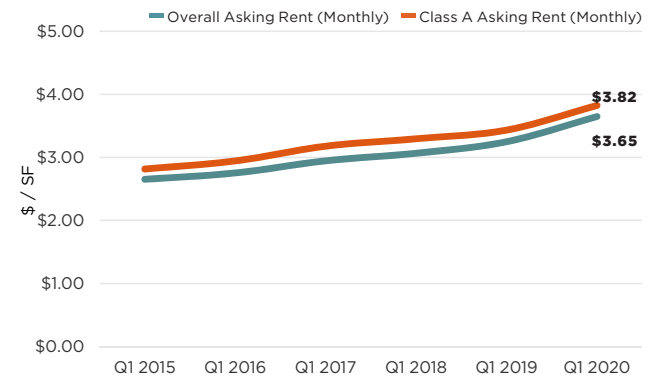
Outlook

- Attracting and retaining tenants will become even more critical as economic uncertainty grows, immediately following the 2008 Global Financial Crisis concessions increased by 23.8%
- The flex space sector could be particularly hard-hit and will be closely watched as closures would result in an increase in large-block options for tenants
- As economic uncertainty persists and misinformation concerning lease obligations spreads, it is imperative that tenants seek out sound advice regarding possible options at this challenging time

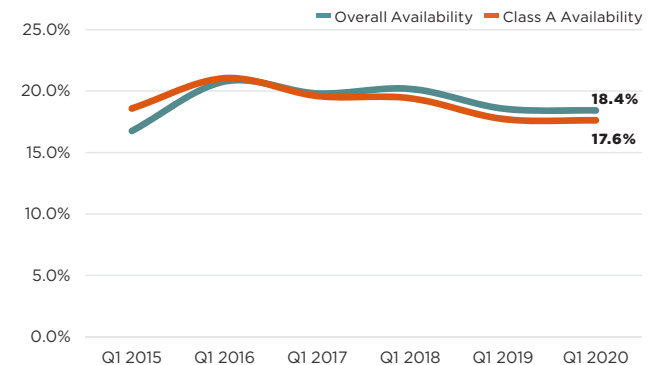
KEY STATISTICS

	Q1 2019	Q1 2020	y-o-y Change
Inventory	212.0 MSF	212.9 MSF	▲
Availability Rate	18.6%	18.4%	▼
Asking Rental Rate (Monthly)	\$3.25	\$3.65	▲
Class A Asking Rental Rate (Monthly)	\$3.43	\$3.82	▲
Quarterly Leasing Activity	4.7 MSF	4.0 MSF	▼

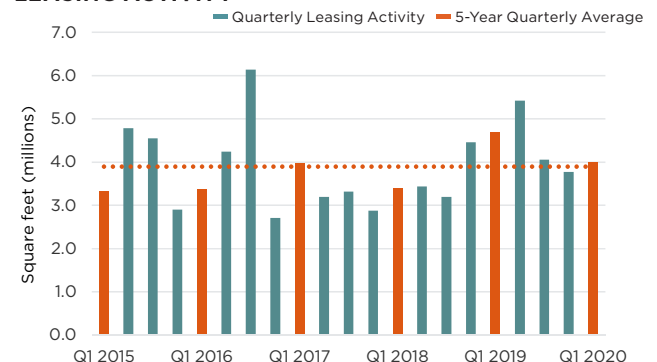
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

61.8%

of top transactions were renewals

22.8%

of major transactions occurred in Mid-Wilshire submarket

38.2%

TAMI tenants represented 38.2% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Rubin Postaer and Associates	186,894	2425 and 2525 Colorado Avenue	Extension	Santa Monica	TAMI
Crystal Stairs	101,938	5100-5110 W Goldleaf Circle	Renewal and Expansion	Culver City	Non-profit
Morgan Lewis & Bockius LLP	101,000	300 S Grand Avenue	Renewal and Expansion	Downtown LA	Legal Services
Titmouse	94,163	2835 N Naomi Street	Relocation	Burbank	TAMI
ServiceTitan	80,046	800 N Brand Boulevard	Expansion	Glendale	TAMI
Kanye Anderson Capital Advisors, L.P.	74,985	1800 Avenue of the Stars	Renewal	Century City	Financial Services
L.A. County Department of Public Social Services	70,791	2601 Wilshire Boulevard	Renewal	Mid-Wilshire	Government
L.A. County Department of Public Health	66,644	3530 Wilshire Boulevard	Renewal and Expansion	Mid-Wilshire	Government
L.A. County Department of Public Social Services	60,172	9800 S La Cienega Boulevard	Renewal	South Bay	Government
HCT Packaging	58,959	2800 28th Street	Relocation	Santa Monica	Manufacturing

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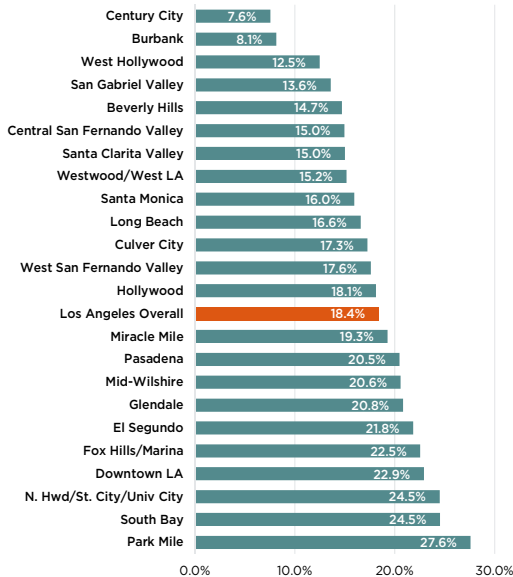
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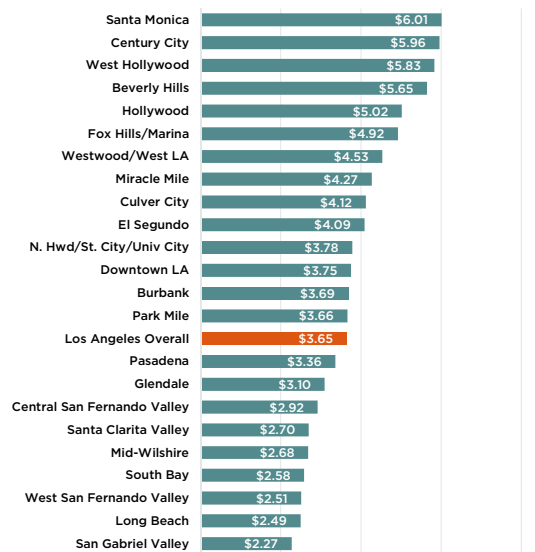
AVAILABILITY RATE COMPARISON

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 per square foot. 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.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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