

Leasing activity falls 52% from last quarter as COVID-19 lockdown continues to sow uncertainty

Second-quarter leasing activity totaled just 1.9 million square feet (msf) across Los Angeles, marking the lowest quarter of leasing activity since the Great Recession. With most occupiers putting real estate decision-making on hold due to ongoing uncertainty in the overall economy, demand sharply declined – down 52% from the first quarter. Still, a handful of large transactions that had been in negotiations before the pandemic closed, including the City of L.A.’s Department of Water & Power, which signed for 132,459 square feet (sf) at 233 S Beaudry Avenue, and the U.S. Army Corps of Engineers, which renewed 100,000 sf at 915 Wilshire Boulevard, both in Downtown L.A.

As sublease space hits the market, overall availability sees a modest increase

Overall availability increased to 18.6% in the second quarter – up 20 basis points from Q1, but unchanged from this time last year. Class A availability increased 50 basis points over the quarter to 18.1%, mostly due to a rise in small sublease spaces on market. Little change has been seen in overall asking rents, which remained flat at \$3.64 per square foot (psf) per month. Class A asking rents also remained flat, now at \$3.82 psf per month. However, as demand is likely to remain low near-term, availability will increase further, and downward repricing is expected.

After a long expansion, local economy sees unprecedented contraction and unemployment soars

As seen across the nation, Los Angeles’ local economy has gone through a severe and unprecedented contraction over the past three months. L.A. County’s unemployment rate increased to 20.9% in May, up slightly from April (20.8%) but vastly elevated from one year ago when it sat at 4.5% and the economy was thriving. While early impacts of the global pandemic and related lockdown have mostly fallen on the region’s retail, service and hospitality industries, the second- and third-order effects of a prolonged lockdown will eventually have a more pronounced negative effect on the region’s office market, which so far has not seen an abundance of space return. However, as business slowly re-opens again, there is cautious optimism that leasing activity will resume over the second half of the year as occupiers feel the worst of the economic slowdown is hopefully behind us.

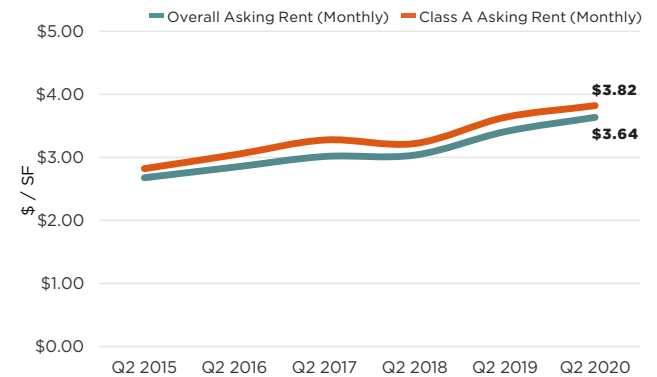
Outlook

- As the market continues to shift to tenants’ favor, a downward repricing is likely and landlord-offered concessions will be increasingly generous
- As work-from-home policies are eased and businesses begin to reoccupy office space, demand is projected to tick up in the second half of 2020
- While usually a painful adjustment, periods of downturn can often advance development of the next generation of hot startups and fast-growing disruptors; this time will be no different

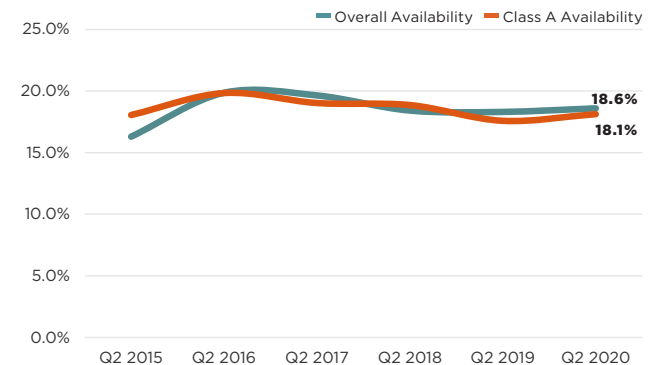
KEY STATISTICS

	Q2 2019	Q2 2020	y-o-y Change
Inventory	212.8 MSF	214.5 MSF	▲
Availability Rate	18.3%	18.6%	▲
Asking Rental Rate (Monthly)	\$3.41	\$3.64	▲
Class A Asking Rental Rate (Monthly)	\$3.63	\$3.82	▲
Quarterly Leasing Activity	5.4 MSF	1.9 MSF	▼

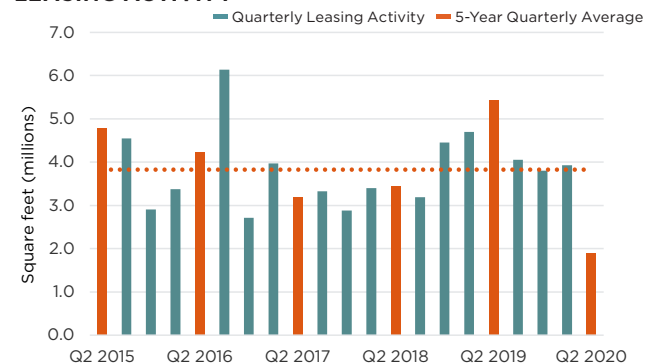
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

6 of 10

top transactions were renewals

68.0%

of major transactions occurred in Downtown LA submarket

39.2%

Government tenants represented 39.2% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Los Angeles Department of Water and Power	132,459	233 S Beaudry Avenue	New Location	Downtown LA	Government
U.S. Army Corps of Engineers	100,000	915 Wilshire Boulevard	Renewal	Downtown LA	Government
Facebook	84,616	12105 W Waterfront Drive	Expansion	Fox Hills/Marina	TAMI
Allen Matkins	63,000	865 S Figueroa Street	Renewal and Expansion	Downtown LA	Legal Services
Pillsbury Winthrop Shaw Pittman LLP	56,839	725 S Figueroa Street	Relocation	Downtown LA	Legal Services
Armata Pharmaceuticals	35,453	4503-4509 Glencoe Avenue	Renewal	Fox Hills/Marina	Pharmaceuticals
New York Life Insurance	35,017	6300 Wilshire Boulevard	Renewal	Miracle Mile	Financial Services
Liebert Cassidy Whitmore	34,887	6033 W Century Boulevard	Renewal	South Bay	Legal Services
Dykema	25,502	333 S Grand Avenue	Renewal	Downtown LA	Legal Services
California Fair Plan Association	25,315	725 S Figueroa Street	Relocation	Downtown LA	Financial Services

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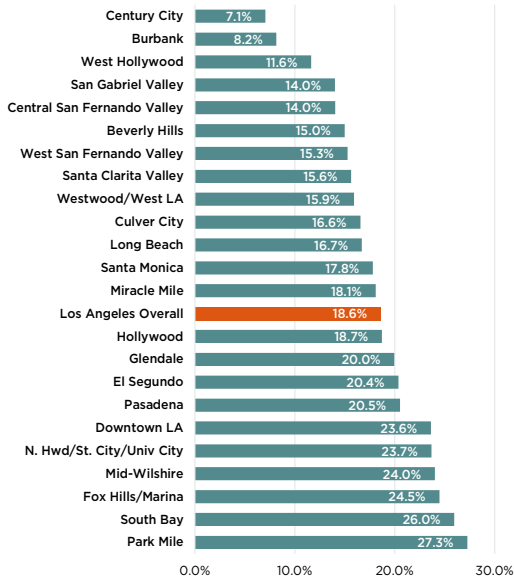
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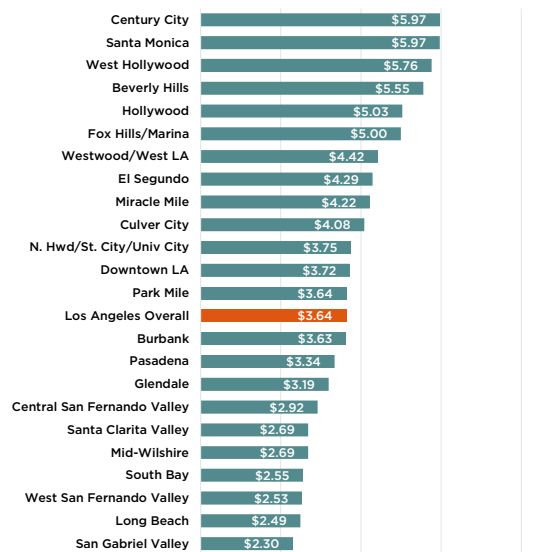
AVAILABILITY RATE COMPARISON

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.

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