

Office leasing activity continues to recover but full return to the office remains elusive

In the third quarter 2021, office leasing activity in Los Angeles continued to recover by increasing to 3.2 million square feet (msf). This was a 103% increase over leasing activity of just 1.6 msf reported a year ago, but remains 20% below the 4.0 msf of leasing activity reported in Q1 2020. With the Los Angeles economy now largely reopened, leasing activity is expected to increase, however, a full office market recovery will remain slow and uneven, and largely dependent on the path of the coronavirus. In addition, and as mentioned in previous reports, the effects of work-from-home (WFH) policies on office space demand will continue to provide long-term uncertainty as hybrid workplaces appear to be more common moving forward.

Total availability rate increases to 24.4% while sublease space has leveled off for now

Overall availability increased by another 30 basis points (bps) over last quarter to 24.4% and remains at its highest level in over a decade. Available sublease space, which has been closely watched, ended the quarter at 8.8 msf - down from the 9.2 msf reported last quarter as sublease space has either been leased, pulled off the market, or has become directly vacant. Overall average asking rents increased from last quarter to \$3.87 per square foot (psf) per month, still up 5.7% from a year ago due to higher-priced trophy sublease space, as well as new speculative office projects now under construction. While most landlords have kept asking rents flat over the past year, average asking rents have largely decreased. Combined with higher concessions such as rental abatement and tenant improvement allowances, landlords have remained aggressive at competing for occupancy with leasing activity still below pre-COVID levels.

Growth in office-using employment points to slow recovery as market continues to be tenant-favorable

With a seasonally adjusted unemployment rate of 10.1% in August, unemployment in Los Angeles County remains much higher than the statewide unemployment rate of 7.5%, as well as the national unemployment rate of 5.2%. On the other hand, office-using employment is now 5.4% higher than a year ago indicating that office space demand is recovering from the depths of last year's lockdown-induced recession. However, a full office market recovery will take time and the Los Angeles office market is expected to continue to be tenant-favorable for the foreseeable future.

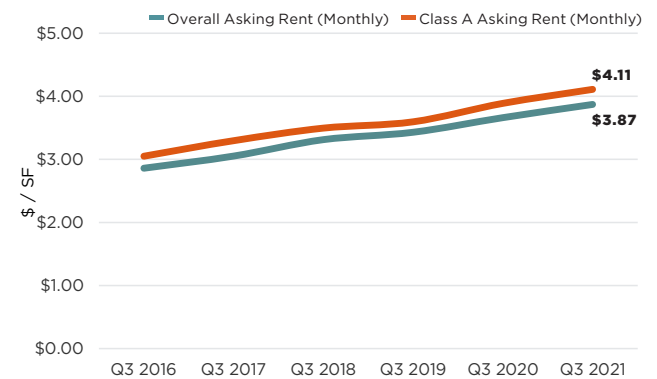
Outlook

- Expect concessions to remain high as landlords continue to aggressively compete for occupancy as leasing activity increases
- Available sublease space has decreased from an all-time high in a sign that occupiers are beginning to take advantage of less expensive built-out options, especially in high-demand submarkets
- Led by technology and entertainment/media companies, office space demand has increased from last year amidst a content creation boom while space utilization questions for traditional office users will remain prevalent with more downsizing and rightsizings to come

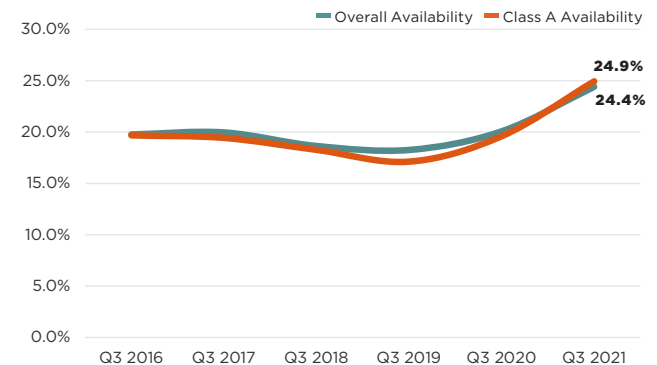
KEY STATISTICS

	Q3 2020	Q3 2021	y-o-y Change
Inventory	215.3 MSF	218.8 MSF	▲
Availability Rate	20.1%	24.4%	▲
Asking Rental Rate (Monthly)	\$3.66	\$3.87	▲
Class A Asking Rental Rate (Monthly)	\$3.89	\$4.11	▲
Quarterly Leasing Activity	1.6 MSF	3.2 MSF	▲

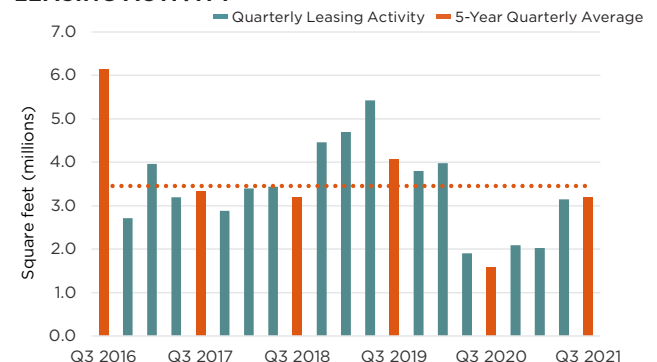
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

43.7%

of top transactions were **relocation** by square footage

25.7%

of major transactions occurred in the **El Segundo** submarket by square footage

43.1%

TAMI tenants represented 43.1% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Fabletics	137,000	2150 Park Place	Extension	El Segundo	Retail
Xencor	129,543	465 N Halstead Street	Relocation	Pasadena	Pharmaceuticals
Activision Blizzard	87,822	2701 Olympic Boulevard	Relocation	Santa Monica	TAMI
Activision Blizzard	87,526	5454 Beethoven Street	Relocation	Marina/Playa Vista	TAMI
Alo Yoga	73,000	9830 Wilshire Boulevard	New Location	Beverly Hills	Retail
Apollo Insurance Services	72,157	2101-2151 Rosecrans Avenue	Expansion	El Segundo	Financial Services
Sony Interactive Entertainment	62,839	2425 Olympic Boulevard	Renewal	Santa Monica	TAMI
Technicolor	60,875	8888 Washington Boulevard	New Location	Culver City	TAMI
Scopely	52,065	3501-3505 Hayden Avenue	New Location	Culver City	TAMI
MedPoint Management	51,000	15301 Ventura Boulevard	Relocation	Central San Fernando Valley	Professional Services

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, Director,
Western Region Lead
msullivan@savills.us

Joshua D. Gorin
Vice Chairman,
LA Office Lead
jgorin@savills.us

Savills
West Los Angeles
1100 Glendon Avenue
Suite 1800
Los Angeles, CA 90024
+1 310 444 1000

Mike Catalano
Vice Chairman,
West LA Office Lead
mcatalano@savills.us

Michael Soto
Research Director
msoto@savills.us

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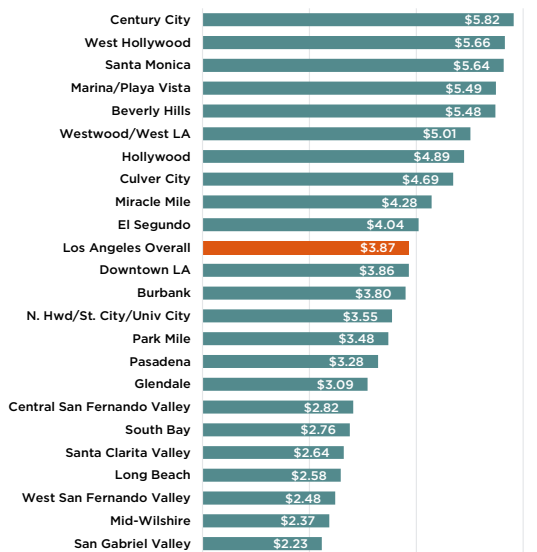
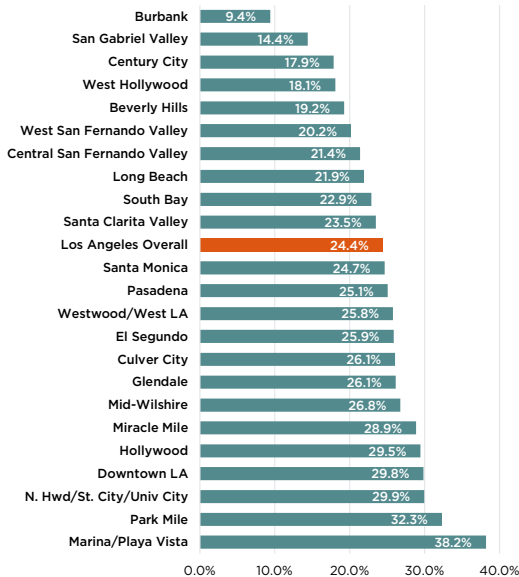
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AVAILABILITY RATE COMPARISON

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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