



## Increased leasing activity indicates a slowly recovering office market led by technology firms and content creators

At year-end 2021, Los Angeles office leasing activity increased to a quarterly pandemic-high of 3.6 million square feet (msf). This brought total 2021 leasing activity up to 11.9 msf, up 25% from the 9.5 msf in leasing activity reported in 2020 but still down 34% from the 18.0 msf in leasing activity reported in 2019 and down 18% from the 14.5 msf in leasing activity reported in 2018. Despite the overall Los Angeles economy now reopened, a more robust office market recovery continues to depend on the path of the coronavirus as many workers remain at home, especially in light of the recent Omicron variant at year-end. Nevertheless, now more than ever the primary drivers of office space demand in Los Angeles are technology firms and entertainment/media companies heavily involved in content creation.

### Availability levels remain elevated as sublease space continues to be high

The total availability rate remained flat at 24.4% and remains at its highest level in over a decade. Available sublease space, which has been closely watched, ended the year at 8.6 msf, down from 8.8 msf last quarter but still up 9% from a year ago. Overall average asking rents increased from last quarter to \$3.88 per square foot (psf) per month, still up 3.6% from a year ago mostly due to new speculative office projects under construction. However, the market continues to see highly uneven conditions with some submarkets mainly on the Westside seeing record taking rents while other submarkets have seen taking rents decrease relative to pre-COVID. Overall, the tenant flight to quality into trophy Class A properties, as well as new creative office projects in the most in-demand submarkets is expected to continue into next year.

### Overall office market recovery will be highly uneven going into 2022

With a seasonally adjusted unemployment rate of 8.9% in November, unemployment in Los Angeles County remains higher than the statewide unemployment rate of 6.9%, as well as the national unemployment rate of 4.2%. On the other hand, office-using employment is now 5.6% higher than a year ago, contributing to recovery in the office market over the past year with a few submarkets, mostly on the Westside, reporting rents at all-time highs. As a result, expect the overall office market recovery to continue to be largely uneven across Los Angeles and that with few exceptions, tenant-favorable conditions will remain for the foreseeable future.

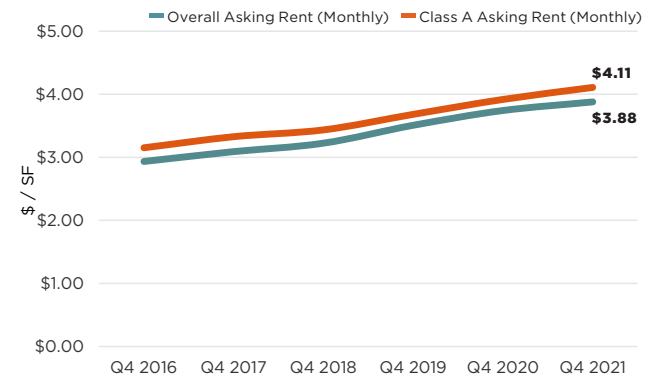
### Outlook

- Available sublease space continues to decrease as space becomes leased, is pulled off the market, or master lease terms expire and the space becomes directly available
- Concessions such as rental abatement and tenant improvement allowances remain at an all-time high as landlords aggressively compete for occupancy
- The long-term effect of work-from-home remains largely unknown as workers slowly begin to get back into the office, however, hybrid workplace strategies and employee flexibility appear to be sticking

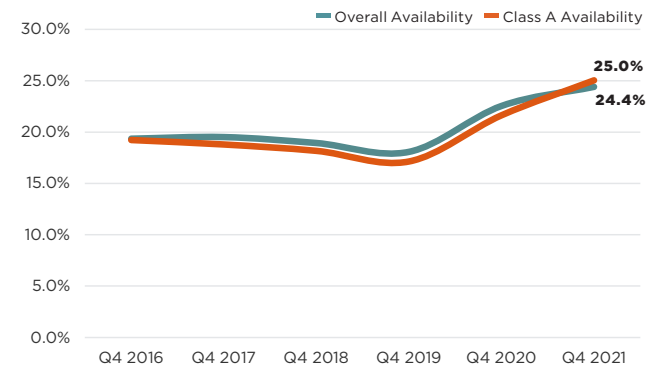
### KEY STATISTICS

	Q4 2020	Q4 2021	y-o-y Change
Inventory	216.1 MSF	<b>218.5 MSF</b>	▲
Availability Rate	22.5%	<b>24.4%</b>	▲
Asking Rental Rate (Monthly)	\$3.74	<b>\$3.88</b>	▲
Class A Asking Rental Rate (Monthly)	\$3.92	<b>\$4.11</b>	▲
Quarterly Leasing Activity	2.1 MSF	<b>3.6 MSF</b>	▲

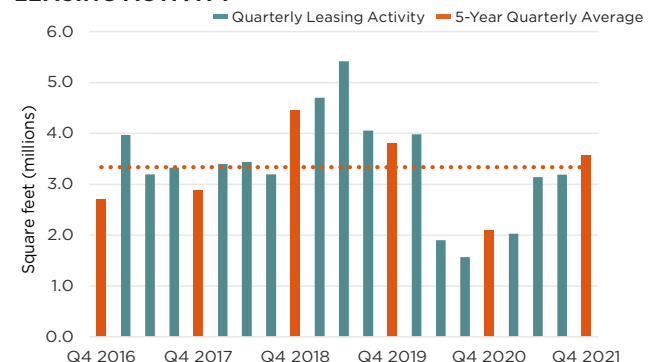
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

42.9%

of top transactions were **new locations** by square footage, demonstrating growth in the market

25.0%

of major transactions occurred in the **Westwood/West LA** submarket by square footage

58.2%

**TAMI** tenants represented 58.2% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Riot Games	199,882	12101 W Olympic Boulevard	New Location	Westwood/West LA	TAMI
Los Angeles Chargers	145,000	100 S Nash Street	Relocation	El Segundo	Personal Services & Recreation
Riot Games *	132,000	3301 Exposition Boulevard	New Location	Santa Monica	TAMI
USC Information Sciences Institute	127,000	4676 Admiralty Way	Renewal	Marina/Playa Vista	Education
Adidas	106,303	110 E 9th Street	Relocation	Downtown LA	Retail
Roku *	93,926	2525 & 2425-2501 Colorado Avenue	Expansion	Santa Monica	TAMI
Jeffer Mangels Butler & Mitchell LLP	90,000	1900 Avenue of the Stars	Renewal	Century City	Legal Services
Riot Games	80,426	12100 W Olympic Boulevard	New Location	Westwood/West LA	TAMI
Age of Learning	77,500	101 N Brand Boulevard	Renewal	Glendale	TAMI
Carvana	67,886	12959 Coral Tree Place	New Location	Marina/Playa Vista	TAMI

\* Sublease

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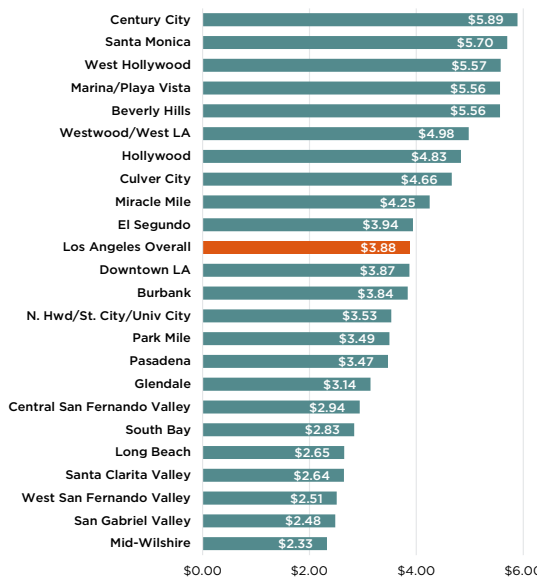
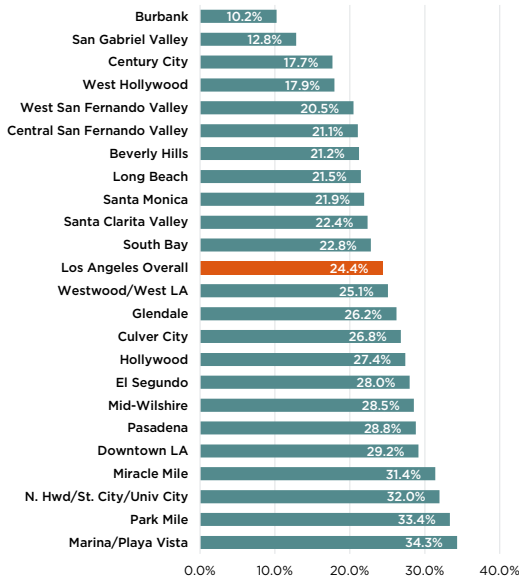
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AVAILABILITY RATE COMPARISON

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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