

Overall availability continues to increase as occupiers adjust to the post-pandemic office market

In the first quarter 2022, office availability in Los Angeles increased 90 basis points (bps) from last quarter to 25.3%. Led by Farmers Insurance putting over 500,000 square feet (sf) on the market for sublease in Woodland Hills, occupiers continue to reevaluate their space needs as they adjust to a post-pandemic office market which now has the new normal of hybrid workplace and increased flexibility of where employees choose to work. While Los Angeles office occupancy data from access card swipes now reports 39% of employees are back in the office in early March according to Kastle Systems, just below the national average of 40.0%, the overall office market will continue to see an uneven recovery with large technology firms and entertainment/media companies leading growth in the market.

Despite higher availability levels, average rental rates remain high

The overall average asking rent remained flat from last quarter at \$3.88 per square foot (psf) per month, still up 0.9% from \$3.85 psf reported a year ago. For Class A space, the average rent of \$4.10 psf is up 0.7% from \$4.07 psf reported a year ago. Due to new speculative development projects and higher-priced Class A space available on the market, asking rents continue to increase despite the lower level of leasing activity due to the pandemic. In addition, tenant flight to quality has continued with CAA pre-leasing at JMB Realty's new office tower at 1950 Avenue of the Stars in Century City for a 2026 occupancy. This was followed by Lionsgate signing a short term extension for 192,584 sf at 2600-2800 Colorado Avenue in Santa Monica and Nike expanding by 93,121 sf at 5533 Waters Edge Way in Playa Vista.

Expect leasing activity to increase as occupiers settle on return-to-office plans

First-quarter leasing activity of 3.5 million square feet (msf) was down 2.7% from 3.6 msf reported last quarter but still up 71.6% from 2.0 msf reported a year ago. With the Los Angeles regional economy now largely reopened, hiring has been robust with the seasonally adjusted unemployment rate dropping to 6.4% in February from 10.7% a year ago. As a result, leasing activity is expected to increase this year as technology firms and entertainment/media companies heavily involved in content creation are active and looking to expand again. Still, with availability high and tenant options plentiful, market conditions will remain mostly tenant-favorable for the near-term.

Outlook

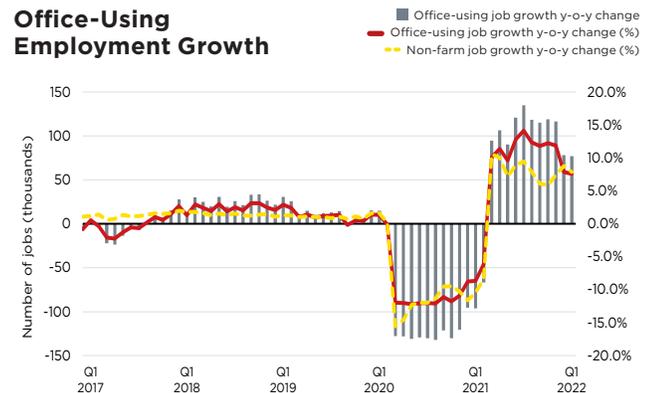
- Available sublease space continues to be stubbornly high as growing occupiers mostly prefer newer, fully-amenitized office projects, with space built out to their specifications
- Concessions such as rental abatement and tenant improvement allowances are expected to continue to increase as landlords remain highly aggressive in chasing occupancy while keeping their face rents high
- Most occupiers are operating with cautious optimism that the pandemic is now in the rear-view mirror but getting employees back into the office will continue to be a challenge as the hybrid workplace is highly desired by employees, and here to stay for now

Key Statistics

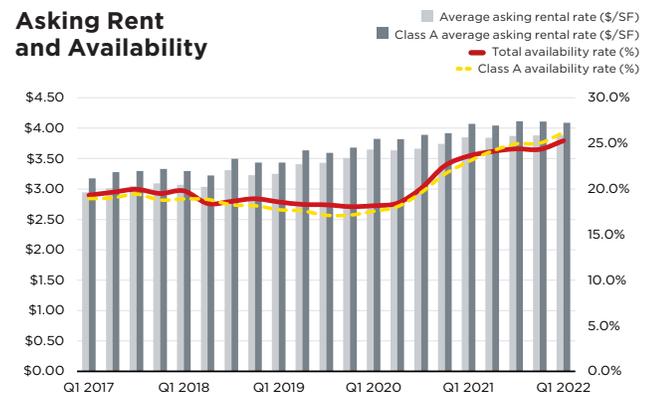
	Q1 2021	Q1 2022	Y-o-Y Change
Inventory	216.6 MSF	220.0 MSF	▲
Availability Rate	23.6%	25.3%	▲
Asking Rental Rate*	\$3.85	\$3.88	▲
Class A Asking Rental Rate*	\$4.07	\$4.09	▲
Quarterly Leasing Activity	2.0 MSF	3.5 MSF	▲
Available Sublease Space	8.3 MSF	9.1 MSF	▲

*Monthly

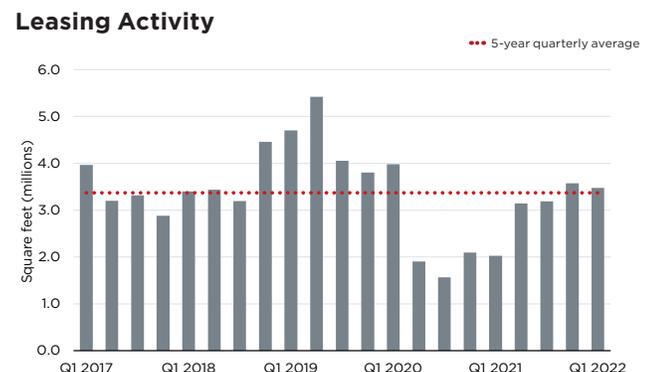
Office-Using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

6.4%

LA County unemployment rate (as of Feb. 2022)

7.6%

Office-using employment growth year-over-year (as of Feb. 2022)

6.3 msf

Office space currently under construction

Top Transactions

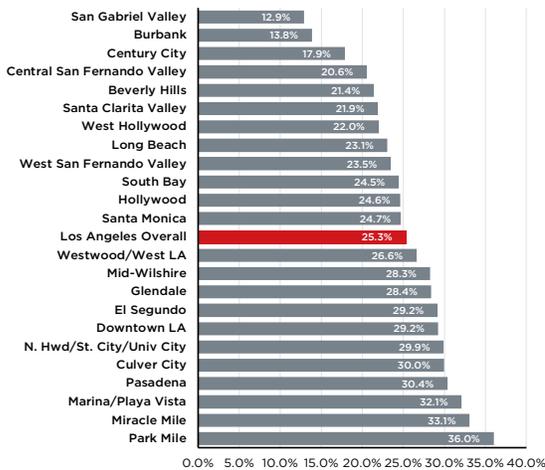
Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
CAA	400,000	1950 Avenue of the Stars	Relocation	Century City	Professional Services
Lionsgate Entertainment	192,584	2600-2800 Colorado Avenue	Extension	Santa Monica	TAMI
Nike	93,121	5533 Waters Edge Way	Expansion	Marina/Playa Vista	Retail
Buchalter	87,217	1000 Wilshire Boulevard	Relocation	Downtown LA	Legal Services
National Veterinary Association	80,000	2201 Rosecrans Avenue	Relocation	El Segundo	Non-profit
Walmart	74,583	5404 Jandy Place	New Location	Marina/Playa Vista	Retail
Company 3	59,646	1001 N Seward Street	Expansion	Hollywood	TAMI
Google	52,782	12181 Bluff Creek Drive	New Location	Marina/Playa Vista	TAMI
Jackson Lewis	49,508	725 S Figueroa Street	Relocation	Downtown LA	Legal Services
SAIC	43,109	200 N Pacific Coast Highway	Renewal	El Segundo	Professional Services

*Sublease

Source: Savills Research

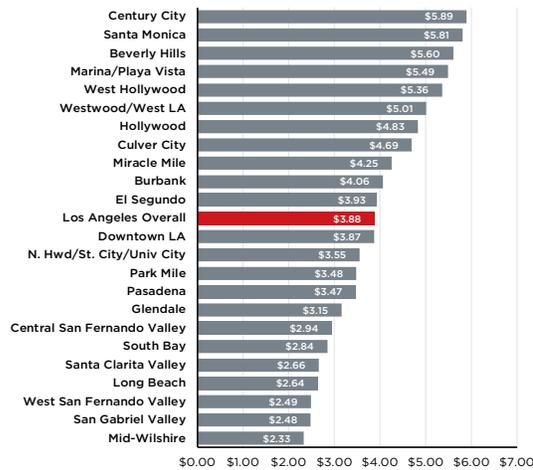
Availability Rate Comparison (%)

Los Angeles Submarkets



Rental Rate Comparison (\$/SF)

Los Angeles Submarkets



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 Chair, Director,
Western Region Lead
msullivan@savills.us

Joshua D. Gorin

Vice Chair,
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 Chair,
West LA Office Lead
mcatalano@savills.us

Michael Soto

Director, Head of
Office Research
+1 213 553 3833
msoto@savills.us

About Savills Inc.

Savills helps organizations find the right solutions that ensure employee success. Sharply skilled and fiercely dedicated, the firm's integrated teams of consultants and brokers are experts in better real estate. With services in tenant representation, workforce and incentives strategy, workplace strategy and occupant experience, project management, and capital markets, Savills has elevated the potential of workplaces around the corner, and around the world, for 160 years and counting.

For more information, please visit Savills.us and follow us on LinkedIn, Twitter, Instagram and Facebook.



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.

Copyright © 2022 Savills