



Office

Greater Los Angeles

21Q2

## Key Takeaways

- Occupancy losses caused the overall vacancy rate to reach a historic high of 19.4%.
- Sublease availability stabilized at 4%, unchanged from Q1 2021.
- Leasing activity totaled nearly 3 MSF, outpacing the previous four quarters.
- Average asking rents declined over the quarter but remain higher than one year ago.

Vacancy Rate

19.4%

YOY  
↑  
FORECAST  
—

Net Absorption

-1.9M SF

YOY  
↓  
FORECAST  
—

Under Construction

5.4M SF

YOY  
↑  
FORECAST  
—

Overall Class A Asking Lease Rates (FSG)

\$3.90/SF

YOY  
↑  
FORECAST  
—

## Greater Los Angeles – 25% Availability

Greater Los Angeles leasing activity surged and reached nearly 3 MSF for the quarter. Although higher than the past few quarters, it was significantly lower than the 2019 pre-pandemic quarterly average of 4.6 MSF. Much of the activity occurred in West Los Angeles where large expansions and renewals were signed by tech, media and entertainment tenants. While leasing did ramp up, overall vacancy continued to rise and reached a historic high of 19.4%. This rate, which includes direct and sublease space, is 160 basis points higher than the previous peak in 2013 when it reached 17.8%. Nearly 25% of office space, whether vacant or currently occupied, is available for lease. Sublease availability has been trending up for the past year and has stabilized at 4%, staying flat from the previous quarter. The abundance of available space and new supply caused the average asking rent to decline by 2% over the quarter to \$3.69 PSF per month. Landlord concessions are expected to remain high and favorable for tenants, as there is still 4.8 MSF of new office construction set to deliver within the next two years.

## Market Indicators



10.1%

Unemployment Rate



13.8%

GDP - Quarterly % Change YOY



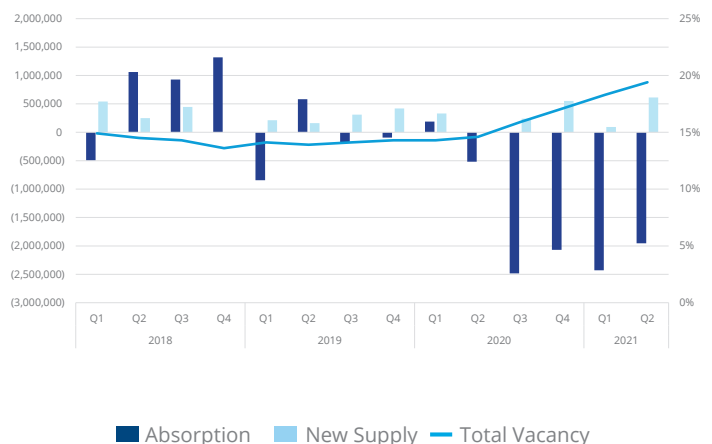
1.47%

U.S. 10-Year Treasury Note

## Historical Comparison

	Q2 2020	Q1 2021	Q2 2021
Total Inventory (SF)	209,120,023	210,473,016	211,322,473
New Supply (SF)	0	92,373	614,157
Net Absorption (SF)	(517,721)	(2,429,252)	(1,953,233)
Overall Vacancy	14.6%	18.3%	19.4%
Under Construction (SF)	5,076,709	5,473,333	5,411,974
Overall Asking Lease Rates (FSG)	\$3.60	\$3.76	\$3.69

## Market Graph



Net absorption recorded another quarter of heavy occupancy losses, increasing the overall vacancy rate by 110 basis points to 19.4%.

## Downtown Los Angeles

Downtown vacancy has steadily increased since the start of the pandemic and is up 270 basis points from one year ago. Aside from San Gabriel Valley, this is the lowest year-over-year increase of any major submarket in Greater Los Angeles. The Central Business District, which includes Financial District and Bunker Hill, maintained an average asking rent of \$3.75 PSF per month during this period. Financial and legal tenants prevalent here continue to right-size, resulting in a slower recovery in Downtown compared to submarkets with a concentration of tech, media and entertainment.

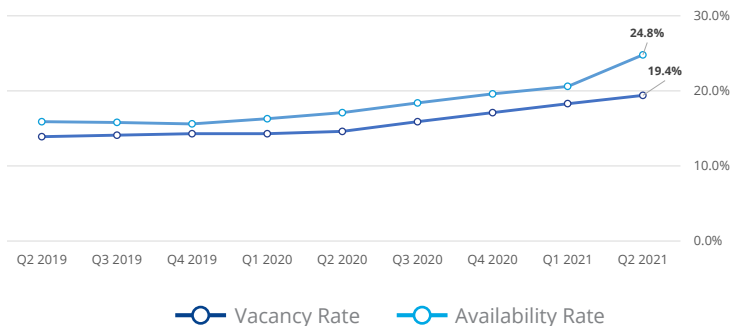
## West Los Angeles

Greater Los Angeles leasing activity accelerated and was credited to the large leases signed in West Los Angeles. Streaming giant Hulu completed a 351,000-SF expansion renewal at Colorado Center in Santa Monica, which comes at the heel of Roku's new 72,000-SF lease in the same complex. Snap Inc. and GoodRx also expanded office footprints in Santa Monica, causing this submarket to record 791,888 SF of leasing activity. This amount accounts for 57.7% of the West Los Angeles total, which finished at 2 MSF for the quarter. Talent agency CAA renewed its lease in Century City, committing to over 290,000 SF at 2000 Avenue of the Stars for another four years. Century City is one of the few submarkets with a single-digit vacancy rate at 9.6% while commanding one of the highest average asking rents in Greater Los Angeles. The notable leases signed in West Los Angeles should boost confidence in this office market heading into the second half of 2021.

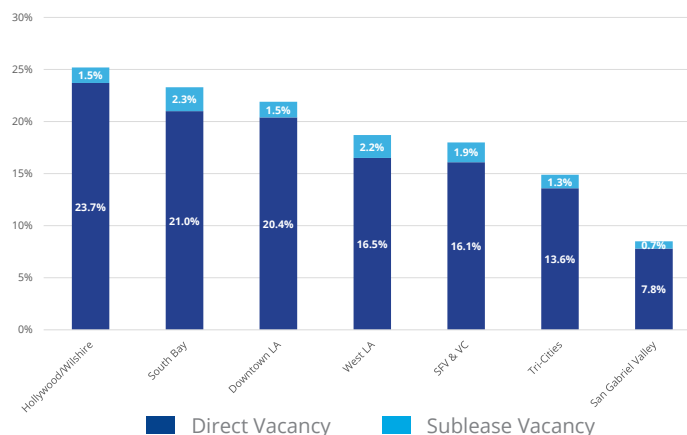
## Hollywood/Wilshire

Studio demand is rising and entertainment tenants looking for this product also drives up the demand for office space in Hollywood. Company 3, a post-production group, leased 70,285 SF at the recently constructed office development Harlow. This complex is surrounded by spacious stages and production offices and integrates onto a historic studio lot. The 355,000-SF Academy on Vine project is the only major office development left in the pipeline, which Netflix will occupy upon completion. These media and entertainment tenants will help fuel occupancy growth for Hollywood/Wilshire Corridor in 2021.

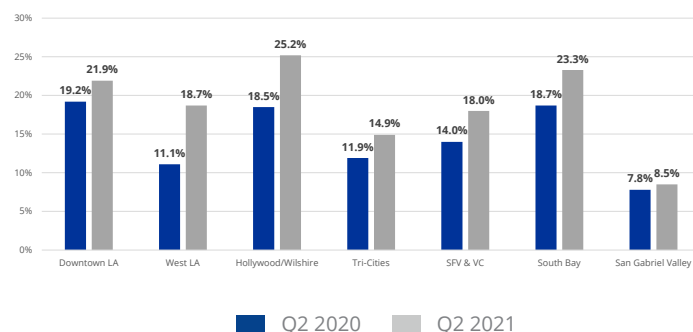
## Vacancy



## Vacancy by Submarket



## Vacancy YoY Comparison



## Tri-Cities

Content-producing tenants attracted to the studio spaces are keeping demand healthy in Tri-Cities. Burbank is one of the few submarkets with single-digit overall vacancy. While average asking rents declined across Greater Los Angeles, rates in Burbank have increased for the past three quarters with Class A average asking rents reaching \$3.90 PSF per month. This is a record for the submarket, and the broad demand for media content amplified during the pandemic is expected to push these rates even higher.

## San Fernando Valley & Ventura County

Net absorption was negative for the sixth consecutive quarter in San Fernando Valley & Ventura County. There were occupancy losses in all submarkets here so far in 2021, except for West Ventura. The overall vacancy rate of 18% is back to peak levels reached in 2011. There are a few major projects in the works, including the redevelopment of Warner Corporate Park, which has proposed over 1 MSF of office space. Less than a mile away would be the Westfield Promenade 2035 complex with a plan to bring 731,500 SF of offices to the Warner Center neighborhood.

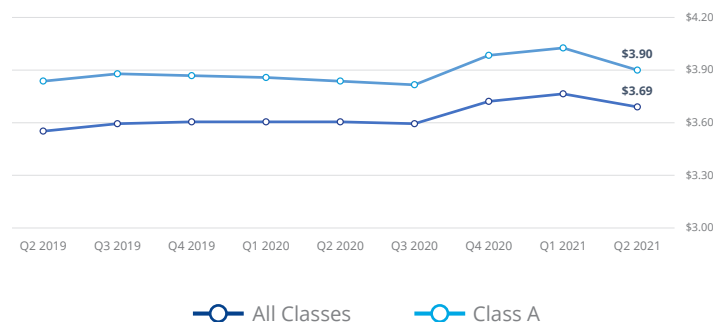
## South Bay

During the pandemic, rent growth was strongest in South Bay compared to all the other major submarkets in Greater Los Angeles. The year-over-year hike of 6.2% in South Bay was more robust than the 2.8% in West Los Angeles, and the average asking rents of the remaining major submarkets were flat or decreased during this period. Year-to-date leasing amounted to over 1.4 MSF, making up 25% of the Greater Los Angeles total. Half of South Bay leasing activity in 2021 was in El Segundo, where the Class A average asking rent hit \$4.27 PSF per month. El Segundo has stayed an active submarket signing several large deals earlier this year. Other submarkets in South Bay have struggled a bit with landlords making more of an effort to retain and attract tenants.

## San Gabriel Valley

San Gabriel Valley average asking rents were down by 3.7% year-over-year, settling at \$2.35 PSF per month. Leasing activity of 121,414 SF was up 69% from the previous quarter and more than double the amount of activity in Q2 2020 near the beginning of the pandemic. While other Greater Los Angeles office markets had occupancy losses in 2021, San Gabriel Valley net absorption was positive at 90,431 SF year-to-date.

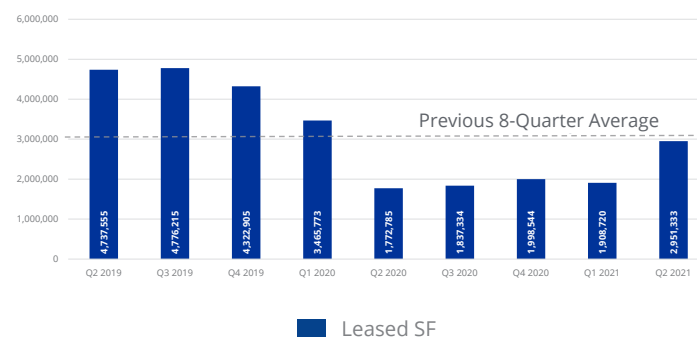
## Average Asking Rate



## Average Asking Rate by Submarket



## Leasing Activity



## Sales Activity



Market	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Prior Qtr	Lease Activity Current	Lease Activity YTD	Net Absorption Current	Net Absorption YTD	Under Construction	Avg Asking Rate (All Classes)	Avg Asking Rate (Class A)
Downtown LA	35,443,216	25.5%	3.5%	29.0%	21.9%	21.1%	144,705	436,938	(176,341)	(486,767)	356,000	\$3.36	\$3.64
West LA	60,597,309	21.3%	5.5%	26.8%	18.7%	16.5%	1,371,310	2,004,925	(1,309,298)	(2,423,484)	2,731,862	\$5.08	\$5.30
Hollywood/Wilshire	15,424,848	24.7%	1.9%	26.5%	25.2%	24.7%	110,334	221,856	(79,533)	(278,143)	347,631	\$3.38	\$3.41
Tri-Cities	22,909,597	16.0%	4.2%	20.2%	14.9%	14.5%	318,023	469,771	(89,992)	(130,393)	860,000	\$3.37	\$3.49
SFV & VC	33,649,941	18.5%	3.8%	22.3%	18.0%	17.5%	352,210	744,516	(177,557)	(532,839)	706,591	\$2.62	\$2.80
South Bay	32,944,385	22.9%	3.4%	26.3%	23.3%	22.2%	533,337	1,408,813	(150,757)	(621,290)	409,890	\$3.26	\$3.58
SGV	10,353,177	9.3%	0.8%	10.0%	8.5%	8.8%	121,414	193,246	30,245	90,431	0	\$2.35	\$2.44
Total	211,322,473	20.9%	4.0%	24.8%	19.4%	18.3%	2,951,333	5,480,065	(1,953,233)	(4,382,485)	5,411,974	\$3.69	\$3.90

## Leasing Activity

Address	Submarket	Tenant	Size (SF)	Type
2450 & 2500 Broadway / Colorado Center	Santa Monica	Hulu	351,000	Expansion Renewal
2000 Avenue of the Stars	Century City	Creative Artists Agency	290,000	Renewal
465 N. Halstead Street	Burbank	Xencor	148,000	New
3100 Ocean Park Boulevard / Santa Monica Business Park	Santa Monica	Snap Inc.	145,060	Expansion
13031 W. Jefferson Boulevard / The Reserve	Playa Vista	Sony	107,751	Renewal
300 S. Grand / One California Plaza	Bunker Hill	Skadden	104,000	Renewal
2425-2501 Colorado Avenue / Colorado Center	Santa Monica	Roku	72,019	New
2701 Olympic Boulevard / Pen Factory	Santa Monica	GoodRx	57,880	Expansion
865 S. Figueroa Street	South Park	Allen Matkins	54,248	Renewal

## Major Developments

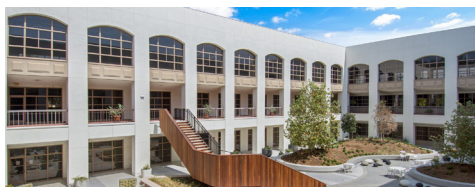
Project	Submarket	Developer	Size (SF)	Completion Year
10800-10900 W. Pico Boulevard / One Westside	West Los Angeles	Hudson Pacific	584,000	2022
11355-11377 W. Olympic Boulevard / LUMEN	Olympic Corridor	McCarthy Cook & Co.	553,475	2022
6181 Centinela Avenue / Entrada	Marina Del Rey / Venice	Lincoln Property	315,000	2021
8830-8840 National Boulevard / Ivy Station	Culver City	Lowe Enterprises	241,205	2021
10730 W. Pico Boulevard / West End	West Los Angeles	GPI Companies	229,208	2021

## Significant Sales Activity



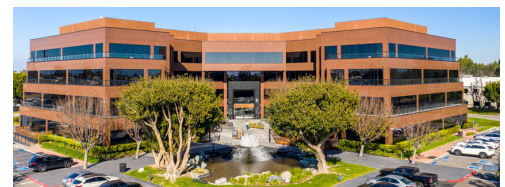
### 465 N. Halstead Street | Pasadena

Lincoln Property purchased the 238,837-SF office campus from EverWest for \$72,500,000 | \$303 PSF



### 4500 Park Granada | Calabasas

Gemdale USA purchased the 222,524-SF Park Calabasas from Rising Realty for \$79,000,000 | \$355 PSF



### 2050 W. 190th Street | Torrance

Kingsbarn Realty purchased the 158,367-SF Gramercy Plaza from Preylock for \$45,000,000 | \$284 PSF

### FOR MORE INFORMATION

Matt Nelson  
Senior Research Director  
Greater Los Angeles  
+1 949 724 5519  
matt.nelson@colliers.com

Jodie Poirier  
Executive Managing Director  
Greater Los Angeles  
+1 213 532 3205  
jodie.poirier@colliers.com

Vincent Chang  
Research Manager  
Greater Los Angeles  
+1 626 532 3253  
vincent.chang@colliers.com

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