

LOS ANGELES



OVERVIEW

The Los Angeles office market is unique in that it is very decentralized in the location and nature of its stock. Submarket vacancies and rental rates vary widely based on each submarket's access to ideal labor. Overall the L.A. office market is a "Landlord's Market," with vacancy below 10%. Rent growth is moderating but still positive. As older leases roll, tenants are experiencing a sharp uptick in occupancy costs.

Entertainment and Technology firms are driving large amounts of leasing. Google, Amazon, and Netflix, among others, are vying for the best locations. WeWork committed to 11 leases in Los Angeles for a total of more than 750,000 square feet in 2019.

Over 6,000,000 SF of office space is under construction in Los Angeles. These deliveries should more than accommodate current demand.

FUNDAMENTALS

Forecast

YTD net absorption	209,182	▲
Under construction	7,322,182	▲
Average asking rent (gross)	\$45.96	▲
Concessions	Stable	▶

Market Size	Largest Office Deal	Total Vacancy
420,272,000	600,000	41,368,000

TOTAL VACANCY



AVERAGE ASKING RENTS



OUTLOOK

- The most prestigious and sought after locations such as Beverly Hills, Century City, Silicon Beach and Culver City, continue to shine as the Tech and Entertainment giants fight for the best locations. Most of the development in Century City and Hollywood has been pre-leased whereas Downtown Los Angeles has not seen hyper levels of pre-leasing.
- We expect that, due to the continued shortage of labor and recession fears, leasing absorption will cool more than the addition of new supply and vacancies will

- thereby rise. We anticipate that rental rates will stabilize in 2020 and concessions will become more prevalent.
- Capital markets continue to be active and fast paced, but not at the levels seen in 2016 and 2017. Talk of recession may cause concern in the development community, but the low vacancy rates and available capital should support continued development activity. We expect pricing to stabilize in the short term as capitalization rates are forecast to remain stable.

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