



# OFFICE

## QUICK STATS

Current Quarter

Direct Vacancy	13.1%
Overall Vacancy	13.8%
Lease Rate FSG	\$3.29
Gross Absorption	4,468,418 SF
Under Construction	2,745,174 SF

## MARKET TRENDS

Change from Last	Quarter	Year
Overall Vacancy	↓	↓
Rental Rates	↑	↑
Gross Absorption	↓	↓
Under Construction	↑	↑

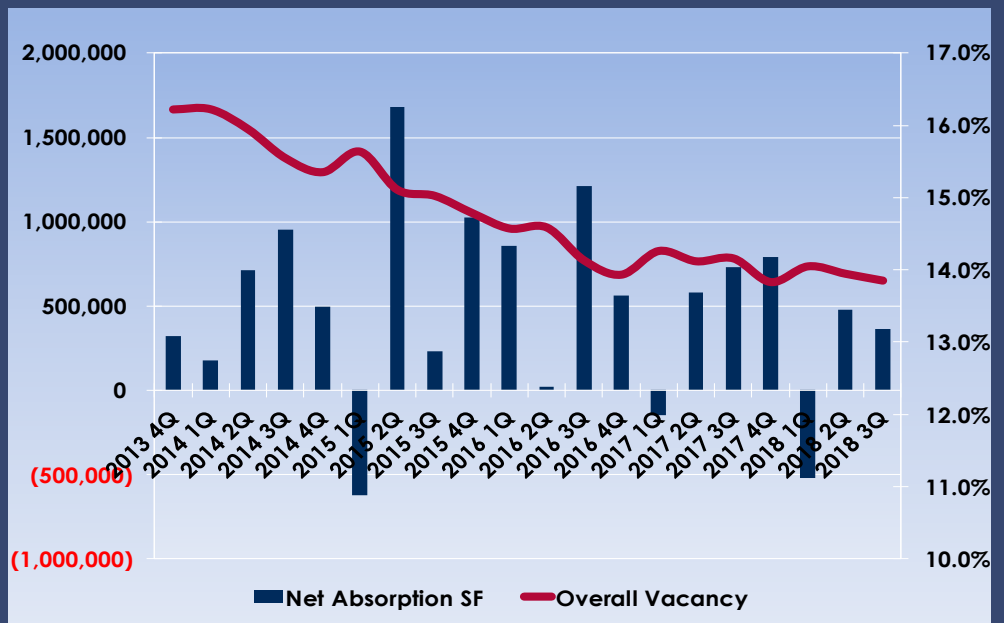
## ECONOMIC STATS

	Current Month	Previous Year
	Sep. '18	Sep. '17
Unemployment Rate (MSA)	4.8%	4.6%
Change in # Of Jobs (MSA)	+21,600	+52,100
% Change for Jobs (MSA)	+0.5%	+1.2%

## SUMMARY & OUTLOOK

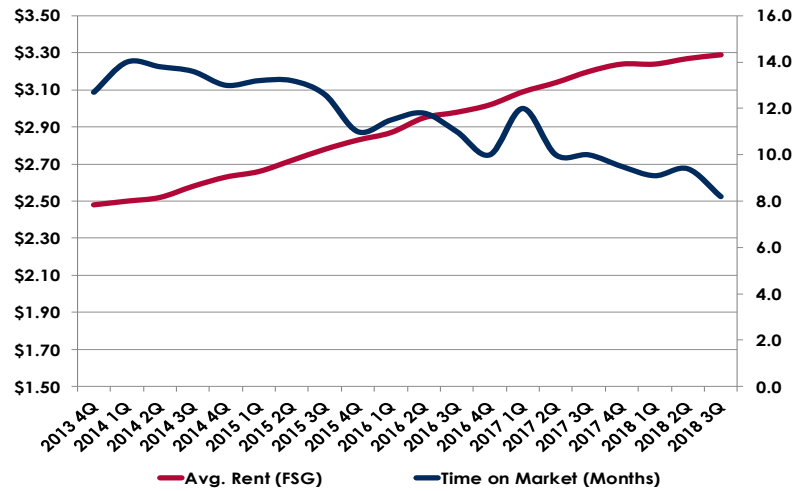
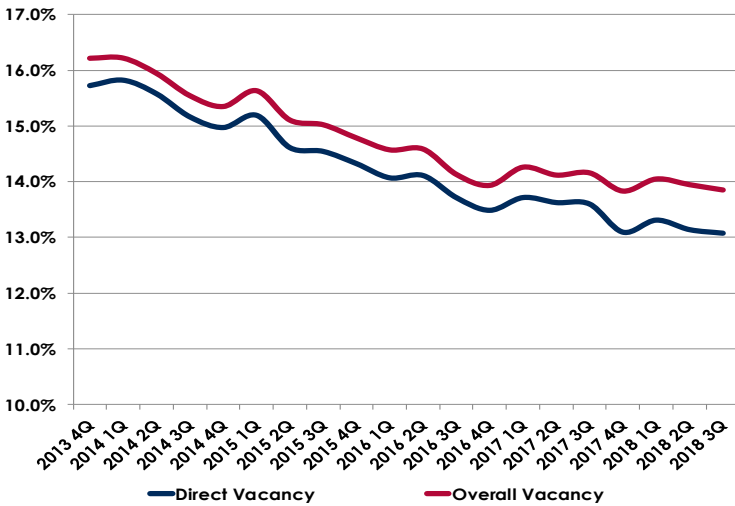
The Los Angeles County office market witnessed vacancy rates edge lower during the quarter, moving from 13.9% to 13.8%. Average rents increased 2.8%, year over year, moving from \$3.20 to \$3.29 FSG. Gross absorption finished the quarter with 4.5 million square feet of activity, while net absorption posted a gain of 361,000 square feet. Under construction activity moved higher during the quarter with 2.75 million square feet currently underway. Unemployment rates in L.A. County edged higher from 4.6% to 4.8%, year over year, and are above California (3.9%) and above the U.S. average of 3.6%. The office market fundamentals remain solid, as the market has recorded positive net absorption in seventeen of the past twenty quarters, totaling 9.9 million square feet. Job creation remains the key to increased office demand. In September, non-farm employment grew by 1.2%, year over year, adding 52,100 new jobs, which should keep vacancy rates trending lower with manageable amounts of new construction. The investment and sale market for office buildings in Los Angeles County continues to see median prices rising through the third quarter of 2018, up 7.8% for the year. Overall transaction volume peaked in 2016 with a record \$9.6 billion and has declined with \$7.9 billion in 2017 and is expected to finish below that level in 2018. The capital markets remain solid, but with the Fed continuing to raise interest rates at a measured pace, we do expect overall price growth and demand to cool in the coming year. We expect vacancy rates to continue to remain near current levels in the coming quarter, as the delivery of new construction should keep pace with current absorption levels. We expect rents to increase 3% to 5% for most markets in the coming year.

## VACANCY & NET ABSORPTION



### VACANCY

### RENTAL RATES & TIME ON THE MARKET

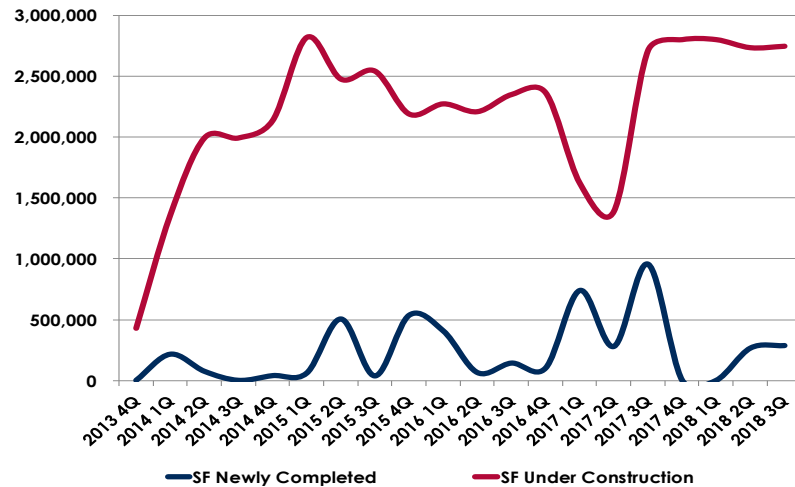
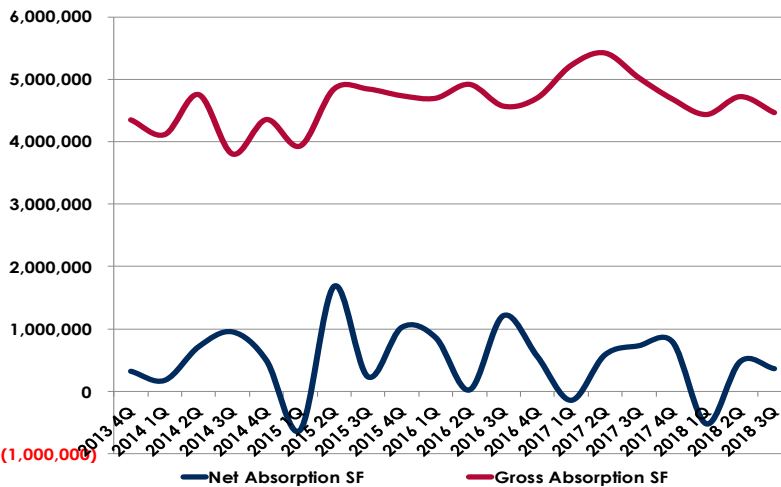


During the quarter, overall vacancy decreased from 13.9% to 13.8%. Of the four major markets within Los Angeles County, the LA-North market ended the quarter with the lowest total vacancy of 12.2%, followed by the San Gabriel Valley at 12.6%, the LA-West/South market at 13.7%, and the LA-Central/Southeast market finishing the quarter at 15.2%. Since the third quarter of 2017, overall vacancy has decreased from 14.2% to 13.8%, and remains at its lowest level in more than a decade.

Average countywide asking rates increased 2.8%, year over year, moving from \$3.20 FSG to \$3.29 FSG. Of the four major markets within Los Angeles County, the LA-West/South market ended the quarter with the highest average asking rate of \$3.81 FSG, followed by the LA-Central/Southeast market at \$3.16 FSG, the LA-North market at \$2.83 FSG, and the San Gabriel Valley market finishing the quarter at \$2.36 FSG. During the quarter, average rental rates increased 0.6%, moving from \$3.27 FSG to \$3.29 FSG.

### ABSORPTION

### CONSTRUCTION ACTIVITY

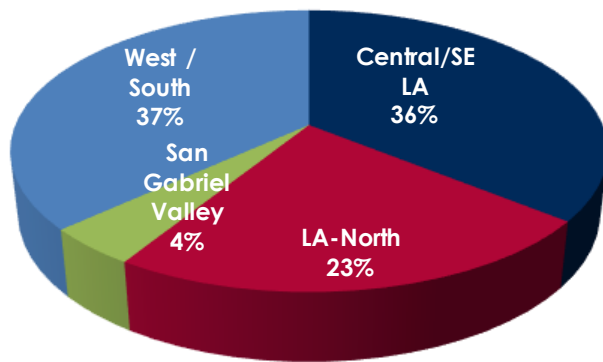
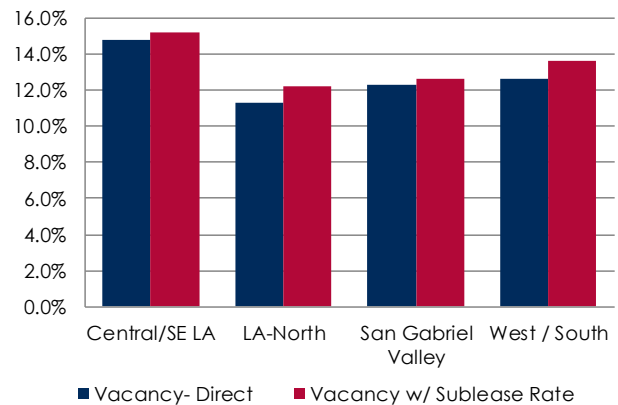


During the quarter, gross absorption finished with 4.5 million square feet of activity, down 5% from the previous quarter, and lower by 11% compared to a year ago. Net absorption finished the quarter with a gain of 361,000 square feet of occupied space and has gained 313,000 square feet for the year. In 2017, the market gained 2.0 million square feet, after gaining 2.6 million square feet in 2016, +2.3 million square feet during 2015 and +2.3 million square feet in 2014. Overall demand still remains positive through the third quarter and we expect the market to remain at similar levels as we close out 2018, as the office sector continues its expansion driven by continued employment growth.

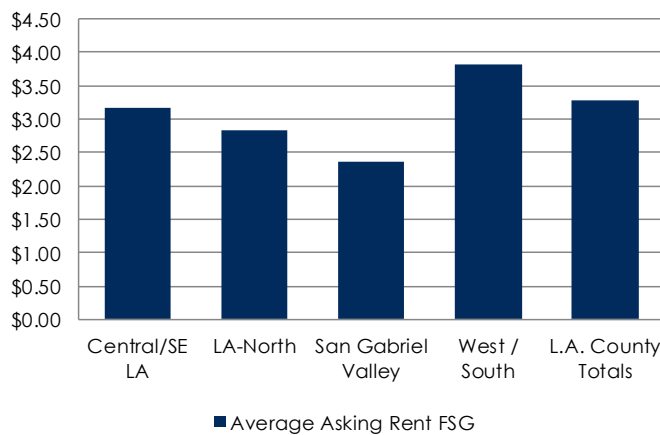
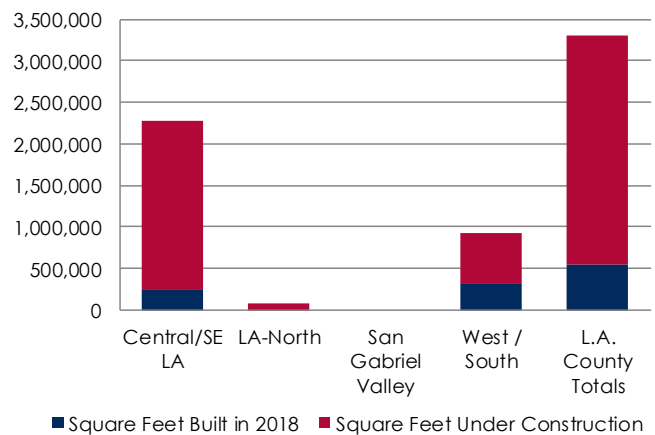
Under construction activity edged higher during the quarter with 2.7 million square feet currently underway, as the market has delivered 553,000 square feet of new space for the year. In 2017, the market added 2.0 million square feet, after delivering 716,000 square feet in 2016, 1.1 million square feet in 2015 and 329,000 square feet during 2014. During the past 5-years, the market has averaged 945,000 square feet of new construction, annually. We expect new construction activity to begin to trend lower in the coming quarters..

**MARKET SNAPSHOT**

SUBMARKETS	Total Inventory Square Footage	Direct Vacant Square Footage	Direct Vacancy Rate	Total Vacant w/ Sublet Square Footage	Total Vacant w/ Sublet Rate
Central/SE LA	86,358,402	12,732,761	14.7%	13,137,699	15.2%
LA-North	55,691,182	6,310,298	11.3%	6,814,509	12.2%
San Gabriel Valley	10,513,706	1,292,756	12.3%	1,329,251	12.6%
West / South	88,699,874	11,222,863	12.7%	12,120,212	13.7%
<b>L.A. County Totals</b>	<b>241,263,164</b>	<b>31,558,678</b>	<b>13.1%</b>	<b>33,401,671</b>	<b>13.8%</b>

**Office Market Inventory**

**Office Vacancy Rates**


SUBMARKETS	Average Asking Rent FSG	Low-High Asking Rent Range FSG	Square Feet Built in 2018	Square Feet Under Construction	Gross Absorption Square Feet Current Quarter
Central/SE LA	\$3.16	\$1.00-\$5.75	235,166	2,049,535	1,368,660
LA-North	\$2.83	\$1.00-\$4.50	0	89,158	1,115,104
San Gabriel Valley	\$2.36	\$1.45-\$3.45	0	0	152,499
West / South	\$3.81	\$1.00-\$7.50	317,847	606,481	1,832,155
<b>L.A. County Totals</b>	<b>\$3.29</b>	<b>\$1.00-\$7.50</b>	<b>553,013</b>	<b>2,745,174</b>	<b>4,468,418</b>

**Office Rental Rates**

**New Construction Activity**


**SOUTHERN CALIFORNIA OFFICE BUILDING SALE TREND ANALYSIS**
**TOTAL SALES TRANSACTIONS**

Market	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	351	357	550	752	779	895	1,059	987	1,158	734
Orange County	102	150	205	294	348	334	421	390	410	336
Inland Empire	168	156	249	266	328	370	430	401	507	332
Ventura County	24	29	54	59	58	107	86	110	109	99
<b>Totals</b>	<b>645</b>	<b>692</b>	<b>1,058</b>	<b>1,371</b>	<b>1,513</b>	<b>1,706</b>	<b>1,996</b>	<b>1,888</b>	<b>2,184</b>	<b>1,501</b>

**TOTAL TRANSACTION DOLLAR VALUE (MILLIONS)**

Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	\$755.3	\$1,163.2	\$2,050.9	\$3,251.5	\$5,974.4	\$7,343.7	\$4,808.9	\$9,596.4	\$7,868.2	\$4,881.2
Orange County	\$362.4	\$501.6	\$629.2	\$783.3	\$1,386.4	\$1,596.8	\$2,762.5	\$2,503.9	\$2,291.3	\$1,697.3
Inland Empire	\$85.6	\$98.8	\$130.6	\$166.8	\$236.1	\$331.5	\$637.5	\$463.1	\$472.8	\$427.2
Ventura County	\$29.6	\$81.3	\$56.4	\$43.2	\$57.1	\$246.9	\$164.5	\$169.8	\$150.1	\$217.2
<b>Totals</b>	<b>\$1,232.9</b>	<b>\$1,844.9</b>	<b>\$2,867.1</b>	<b>\$4,244.7</b>	<b>\$7,653.9</b>	<b>\$9,519.0</b>	<b>\$8,373.5</b>	<b>\$12,733.1</b>	<b>\$10,782.3</b>	<b>\$7,223.0</b>

**TOTAL SQUARE FEET SOLD**

Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	5,586,548	6,264,038	9,680,756	15,191,009	23,822,433	23,625,749	17,446,723	25,101,191	26,196,580	15,872,832
Orange County	2,006,822	3,404,048	3,896,963	6,081,582	7,190,681	8,132,668	12,114,535	11,818,719	9,101,010	7,488,049
Inland Empire	958,664	1,103,908	1,731,566	2,323,023	2,422,231	2,867,846	5,264,416	3,458,114	5,066,634	3,936,833
Ventura County	141,646	307,079	397,973	517,872	679,367	1,551,821	1,066,791	1,187,820	1,038,975	1,612,890
<b>Totals</b>	<b>8,693,680</b>	<b>11,079,073</b>	<b>15,707,258</b>	<b>24,113,486</b>	<b>34,114,712</b>	<b>36,178,084</b>	<b>35,892,465</b>	<b>41,565,844</b>	<b>41,403,199</b>	<b>28,910,604</b>

**AVERAGE PRICE / SF**

Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	\$227.26	\$234.56	\$255.72	\$264.93	\$280.24	\$343.93	\$305.40	\$428.33	\$356.50	\$355.75
Orange County	\$195.73	\$181.97	\$191.81	\$211.44	\$212.11	\$208.88	\$259.38	\$263.93	\$273.67	\$258.79
Inland Empire	\$181.23	\$128.47	\$122.12	\$135.31	\$132.79	\$144.35	\$140.64	\$170.34	\$157.73	\$173.07
Ventura County	\$248.34	\$328.13	\$182.62	\$130.87	\$104.53	\$208.57	\$189.67	\$179.75	\$190.44	\$166.63
<b>Averages</b>	<b>\$215.25</b>	<b>\$210.43</b>	<b>\$223.28</b>	<b>\$236.07</b>	<b>\$251.91</b>	<b>\$291.94</b>	<b>\$262.26</b>	<b>\$353.02</b>	<b>\$309.80</b>	<b>\$295.21</b>

**MEDIAN PRICE / SQUARE FOOT**

Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	\$259.65	\$211.87	\$204.57	\$245.12	\$233.03	\$265.09	\$284.48	\$297.75	\$302.50	\$326.06
Orange County	\$226.25	\$195.05	\$216.15	\$190.00	\$204.61	\$224.24	\$246.57	\$279.36	\$289.58	\$312.40
Inland Empire	\$187.29	\$165.00	\$135.00	\$119.49	\$126.81	\$135.05	\$133.10	\$159.99	\$166.99	\$167.35
Ventura County	\$297.09	\$202.17	\$215.19	\$183.47	\$175.15	\$180.41	\$213.19	\$187.17	\$202.82	\$247.24
<b>Median Average</b>	<b>\$244.57</b>	<b>\$201.76</b>	<b>\$200.04</b>	<b>\$217.79</b>	<b>\$218.35</b>	<b>\$241.97</b>	<b>\$247.36</b>	<b>\$277.90</b>	<b>\$280.58</b>	<b>\$296.51</b>

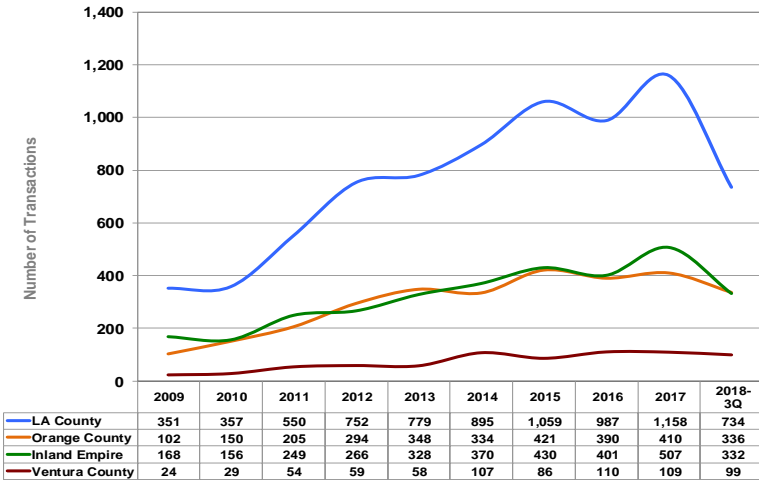
**MEDIAN \$ PSF INCREASE**

Bldg. SF	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	-18.4%	-3.4%	19.8%	-4.9%	13.8%	7.3%	4.7%	1.6%	7.8%
Orange County	-13.8%	10.8%	-12.1%	7.7%	9.6%	10.0%	13.3%	3.7%	7.9%
Inland Empire	-11.9%	-18.2%	-11.5%	6.1%	6.5%	-1.4%	20.2%	4.4%	0.2%
Ventura County	-31.9%	6.4%	-14.7%	-4.5%	3.0%	18.2%	-12.2%	8.4%	21.9%
<b>Totals</b>	<b>-17.5%</b>	<b>-0.9%</b>	<b>8.9%</b>	<b>0.3%</b>	<b>10.8%</b>	<b>2.2%</b>	<b>12.3%</b>	<b>1.0%</b>	<b>5.7%</b>

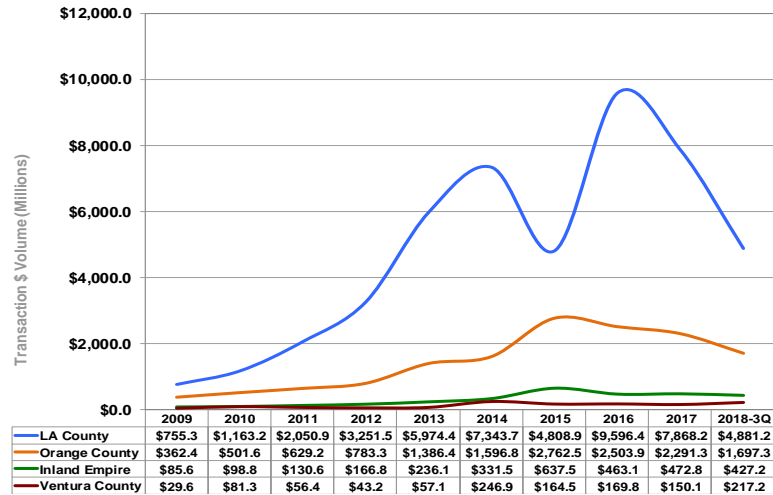


**SOUTHERN CALIFORNIA OFFICE BUILDING SALE TREND ANALYSIS**

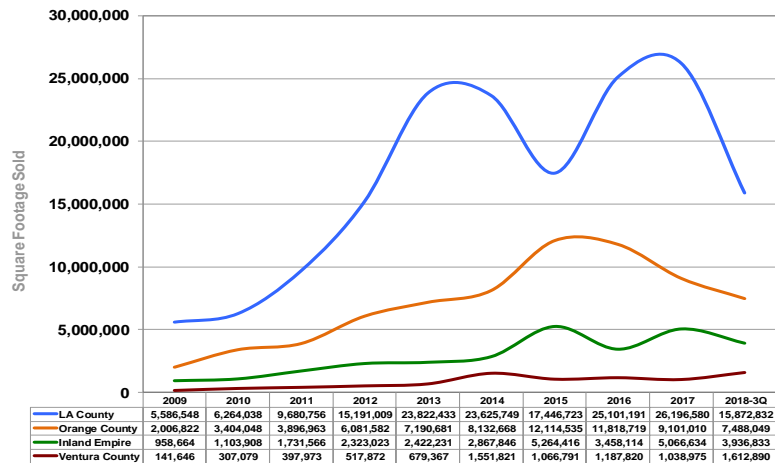
**Number of Transactions**



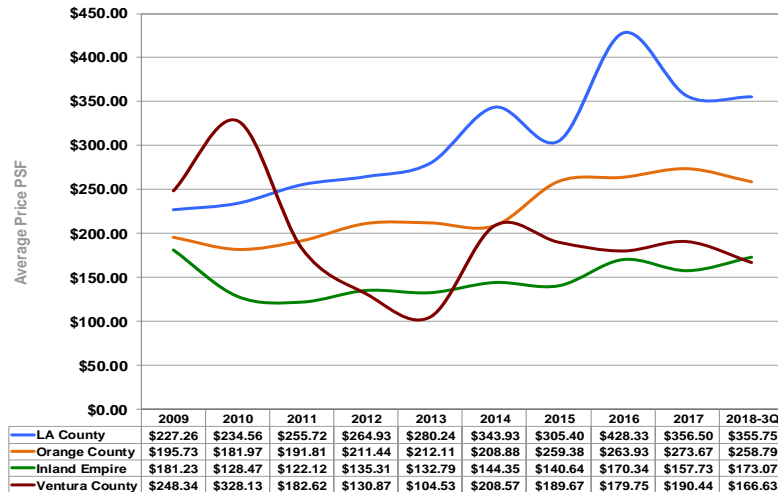
**Transaction Volume \$**



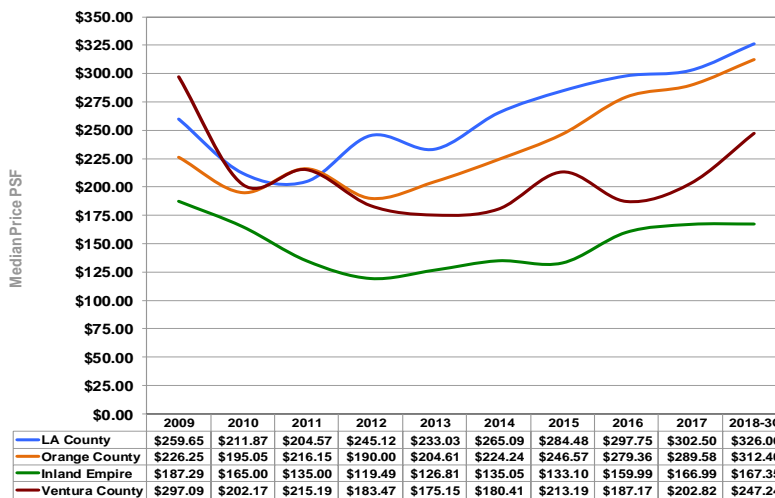
**Square Footage Sold**



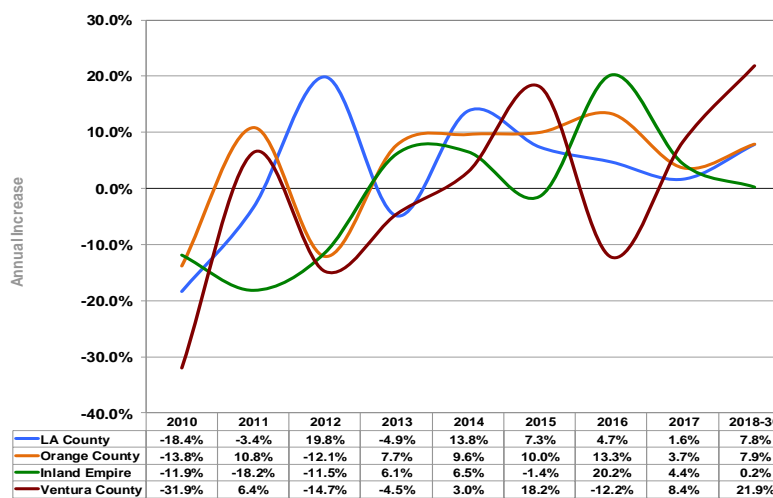
**Average Price PSF**



**Median Price PSF**



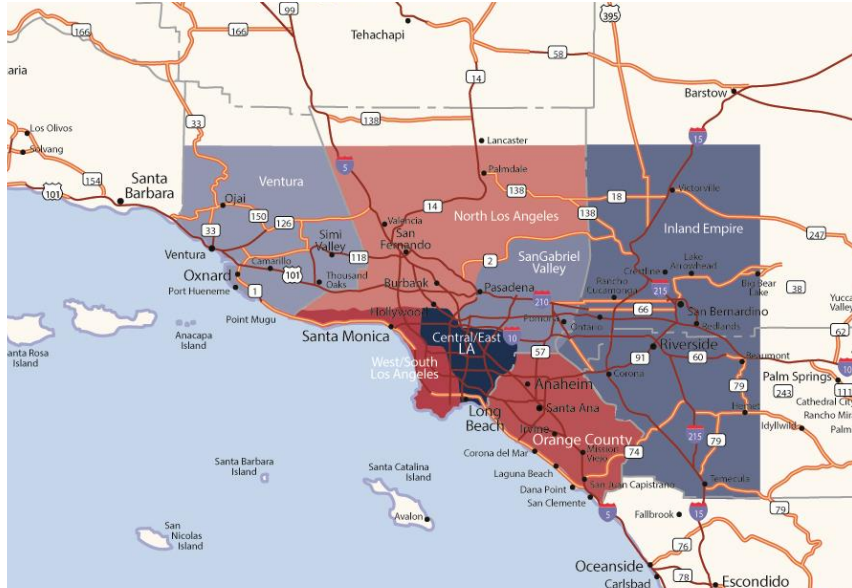
**% Change Median Price PSF**





**MARKET REPORT OVERVIEW**

**SOUTHERN CALIFORNIA MARKET MAP**



**DAUM OFFICES**

**LOS ANGELES, CALIFORNIA**

801 S. Figueroa Street, Suite 600  
Los Angeles, CA 90017  
213-626-9101

**LOS ANGELES NORTH, CALIFORNIA**

21820 Burbank Boulevard, Suite 201  
Woodland Hills, CA 91367  
818-887-3600

**SANTA CLARITA VALLEY, CALIFORNIA**

28494 Westinghouse Place, Suite 312  
Valencia, CA 91355  
661-705-2299

**SAN GABRIEL VALLEY, CALIFORNIA**

13181 Crossroads Pkwy. N, Suite 100  
City of Industry, CA 91746  
562-695-7244

**SOUTH BAY, CALIFORNIA**

1025 W. 190th Street, Suite 420  
Gardena, CA 90248  
310-538-6700

**MID-COUNTIES, CALIFORNIA**

13810 Cerritos Corporate Drive, Suite C  
Cerritos, CA 90703  
562-207-3300

**ORANGE COUNTY, CALIFORNIA**

4400 MacArthur Boulevard, Suite 950  
Newport Beach, CA 92660  
949-724-1900

**VENTURA & SANTA BARBARA, CALIFORNIA**

751 Daily Drive, Suite 105  
Camarillo, CA 93010  
805-987-8866

**INLAND EMPIRE, CALIFORNIA**

3595 E. Inland Empire Boulevard, Bldg. 5  
Ontario, CA 91764  
909-980-1234

**PHOENIX ARIZONA**

1702 E. Highland Avenue, Suite 120  
Phoenix, AZ 85016  
602-957-7300

*The information contained in this report has been obtained from sources deemed reliable and has incorporated fourth-party data which has not been independently verified by DAUM. While we do not doubt its accuracy, DAUM makes no guarantee or warranty as to its completeness or accuracy. Due to the dynamic (constantly changing) database which DAUM uses to compile and analyze markets contained in this report, previously published statistics may vary from the data published in this report. Statistics and data have been revised to reflect changes in the following categories: existing buildings being verified and added to the database, new or revised occupancy information gathered, new construction being added to the inventory, building demolitions and renovations, as well as other factors that would necessitate revisions to the data and the properties surveyed. This methodology allows us to present the most current and up-to-date information, trend analysis and comparative statistics for this report.*

**METHODOLOGY & TERMINOLOGY**

**Methodology**

Non-owner occupied, multi-tenant, office buildings that are 30,000 square feet and greater.

**Direct Vacant SF**

Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale directly from the landlord.

**Total Vacant W/ Sublet SF**

Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale by the landlord or for sublease by the current tenant.

**Direct Vacancy Rate**

Total vacant direct space (vacant space for lease or sale from the landlord or owner) divided by the total rentable square footage for existing buildings only.

**Vacancy W/ Sublet Rate**

Total vacant direct space and sublease space divided by the total rentable square footage for existing buildings only.

**Gross Absorption**

The total change in occupied space over a given period of time, counting space that is occupied but not space that is vacated by tenants. Gross absorption differs from leasing activity, which is the sum of all space leased over a certain period of time.

**Net Absorption**

The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

**Under Construction**

Planned buildings for which construction has started but have not yet been granted a Certificate of Occupancy. Planned buildings are not included.

**Completed in 2018**

New buildings with original construction completed in the year 2018 and granted a Certificate of Occupancy. Renovated buildings are not included.