Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

DAUM
COMMERCIAL REAL ESTATE SERVICES

Q3 | 2020
Market Report
Los Angeles Office

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MARKET REPORT Q3 | Office 2020 Los Angeles County

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MARKET ACTIVITY

Direct Vacancy ^ 14.3%	Net Absorption v -2,842,179 SF
Overall Vacancy ^ 15.4%	Gross Absorption v 1,720,413 SF
Under Construction ^8,096,126 SF	Rental Rates (FSG) v $3.33
Sale Price Change ^ 66.7%	Deal Volume ^ 262.2%

KEY TAKE AWAYS

MARKET

- **Vacancy Rate**: Increased by 130 BPS to 15.4% in Q3.
- **Net Absorption**: Fell to lowest level at -2.8M SF.
- **Office Supply**: Construction activity continues to rise with now over 8M SF under construction.
- **Sales**: Volume surpassed $1B for first time since Q2 19.
- **Trends**: The impact of COVID-19 has already begun to transpire. This market will face challenges when companies begin to reduce their space requirements due to permanent work from home policies.

ECONOMIC OUTLOOK

- **GDP**: Q2 finished slightly better than estimates, but still worst on record with a -31.4% contraction. Estimates for Q3 show growth of over 20% as economies continue opening up.
- **Employment**: The unemployment rate continues to decline, but the employment situation is bleak for millions of Americans as thousands of business are permanently closing, leaving more than 20M jobless.
- **Economic Relief** : A new round of much needed economic stimulus is working its way through congress. The HEROES Act is another $2.2 Trillion stimulus proposal. Included in it is a 2nd round of PPP funding that will be targeted more to small businesses that continue to struggle.

ECONOMIC OUTLOOK

U.S. Employment v 7.9%	U6 Rate v 12.8%
Interest Rate v 2.9% (30 year fixed)	Changing GDP ^ 24.3%
Port Traffic Y/Y Δ v -11.8%	NYSE Performance ^ 9.0%
Inflation Change ^ 1.32%	10 Yr. - 2 Yr. Spread ^ 56 BPS

EXPERIENCE IN A CHANGING MARKET

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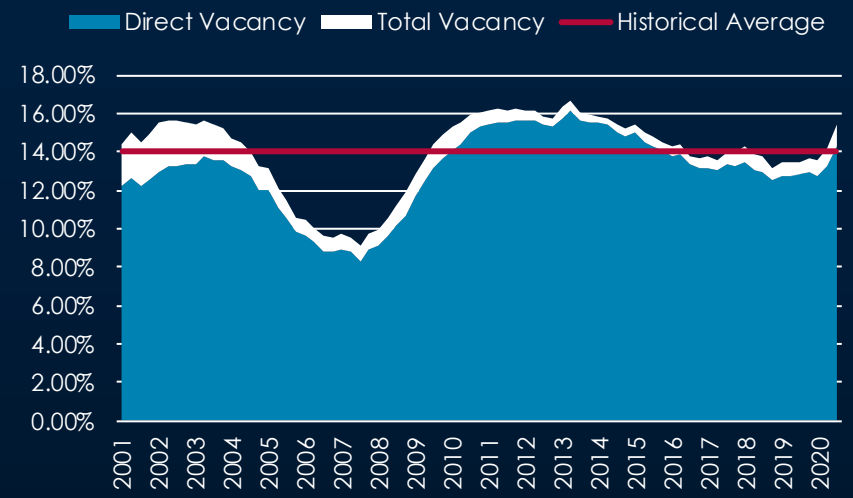
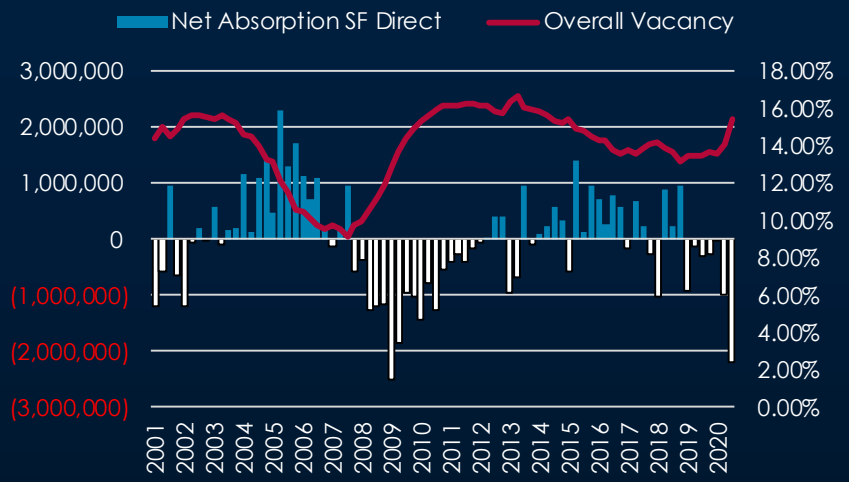
Q3 //////// Market Report

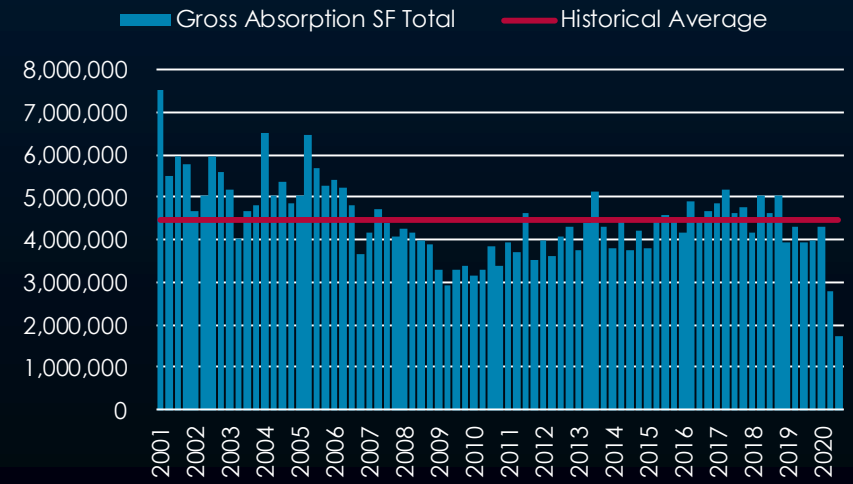
OVERALL VACANCY
INCREASED BY 130 BPS FROM Q2 TO 15.4%



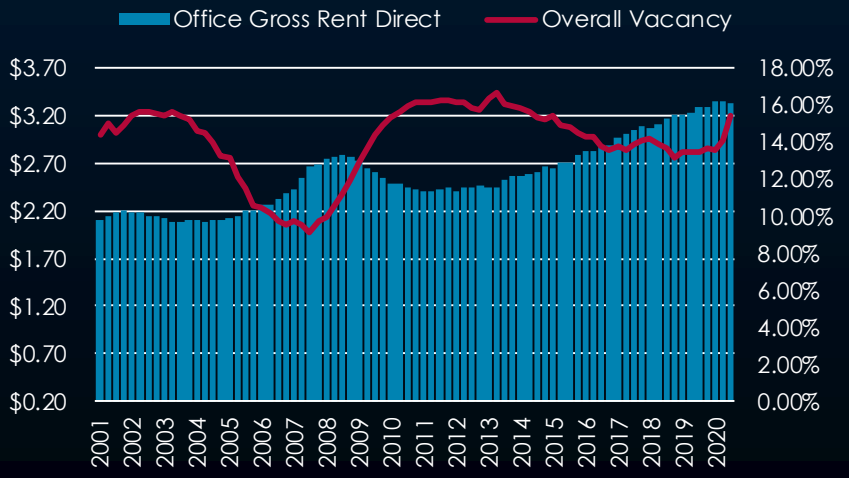
NET ABSORPTION
LOWEST TOTAL NET ABSORPTION ON RECORD AT -2.8M SF



GROSS ABORPTION
FELL BY 38.8% FROM Q2 TO LOWEST RECORDED LEVEL



ASKING RENTS
DECLINED BY $0.03 PSF IN Q3 TO $3.33 PSF



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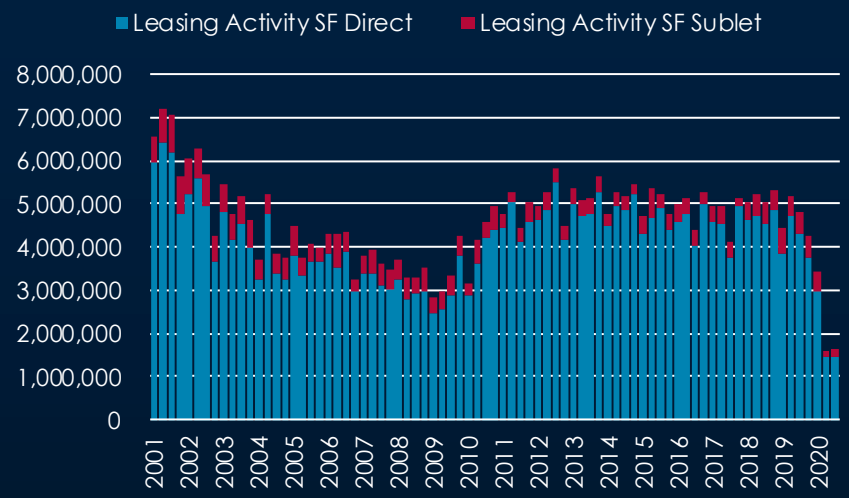
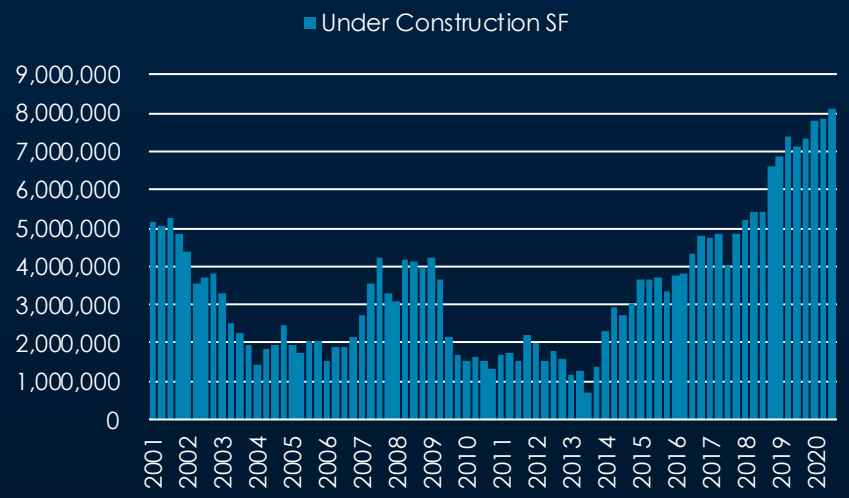
Q3 //////// Market Report

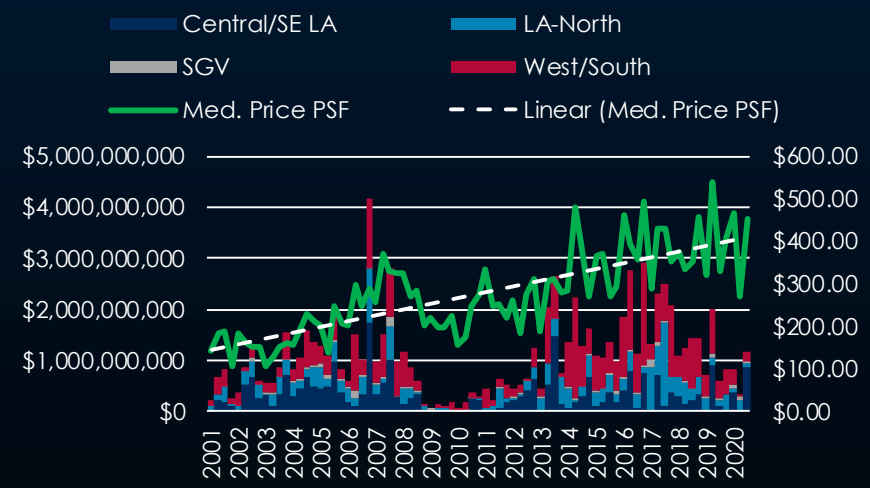
LEASING ACTIVITY
CONTINUES TO BE AT RECORD LOW LEVEL WITH ONLY 1.6M SF



CONSTRUCTION ACTIVITY
EXPANDED IN Q3 TO NEARLY 8.1M SF



SALES
MEDIAN PRICE PSF WAS $452.10 IN Q3. VOLUME UP 262%



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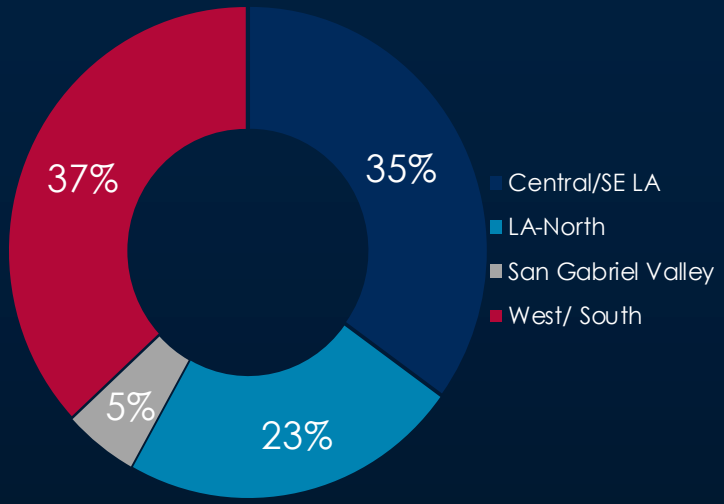
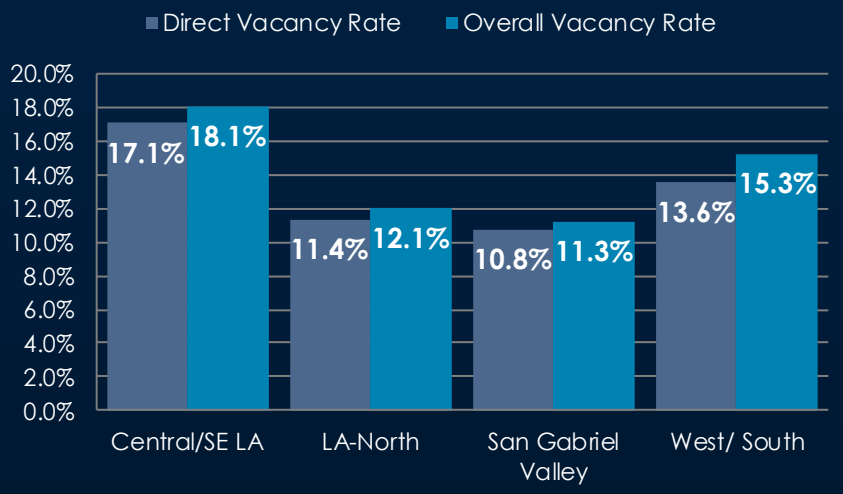
Q3 //////// Market Report

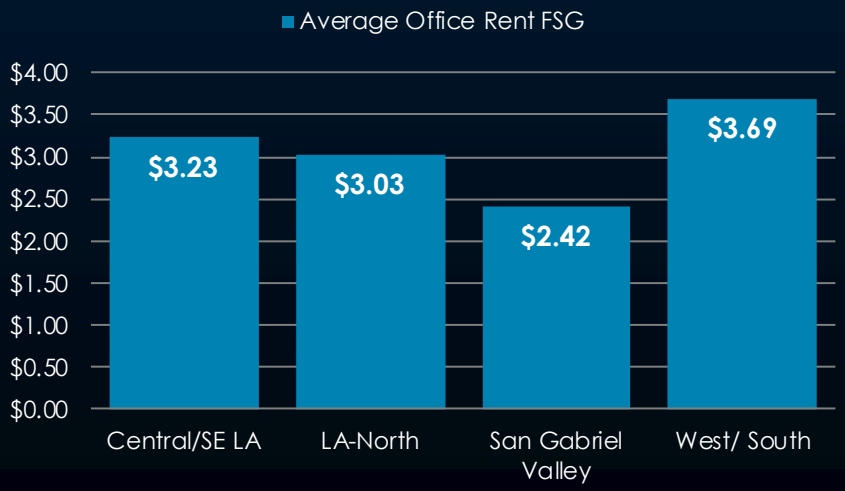
SQUARE FOOT BREAKDOWN– 243,225,509 SF MARKET SIZE



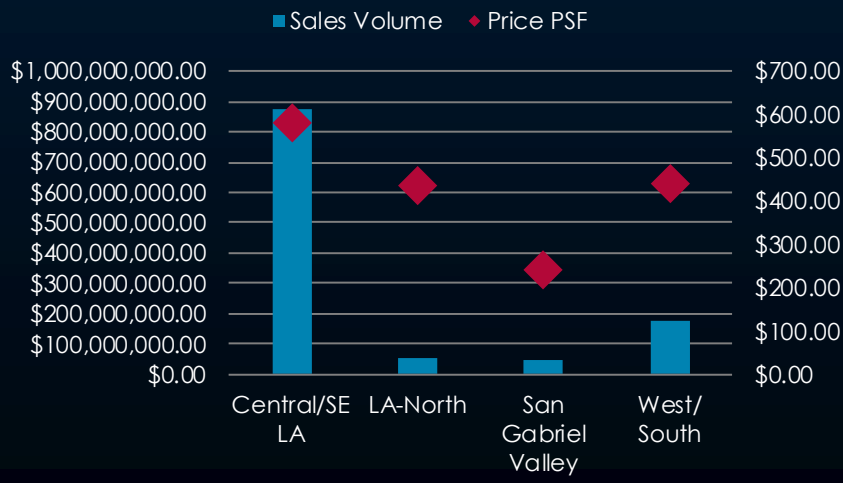
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



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Q3 //////// Market Report

METHODOLOGY & TERMINOLOGY

Methodology
Non-Owner occupied, multi-tenant office buildings that are 30,000 square feet & 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 2020
New buildings with original construction completed in the year 2020 and granted a Certificate of Occupancy. Renovated buildings are not included

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Economic Overview

Q3 2020

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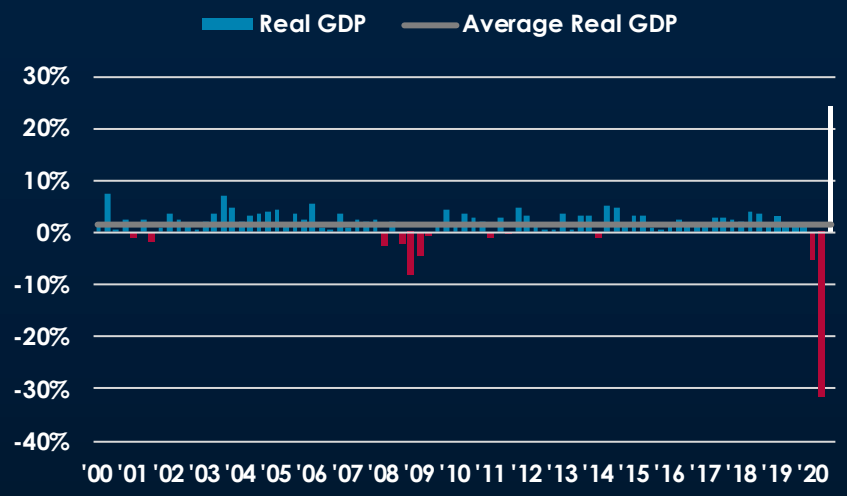
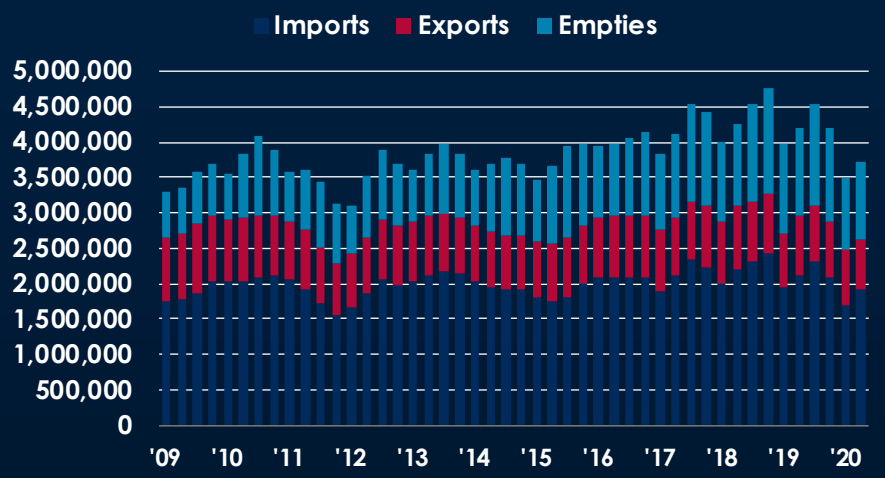
GDP IN Q2 FINISHED AT -34.4%. Q3 EST. TO GROW AT 24.3%

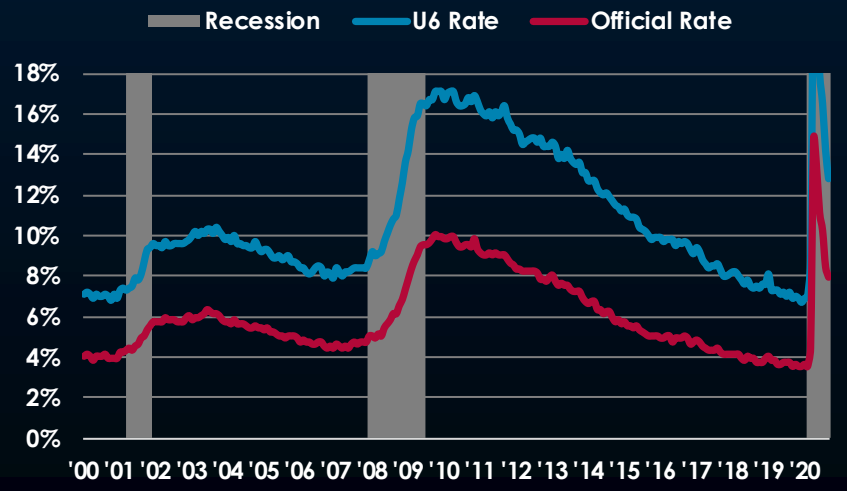


*24.3% for 3Q20 based on CNBC/Moody's Analytics Rapid Update Survey

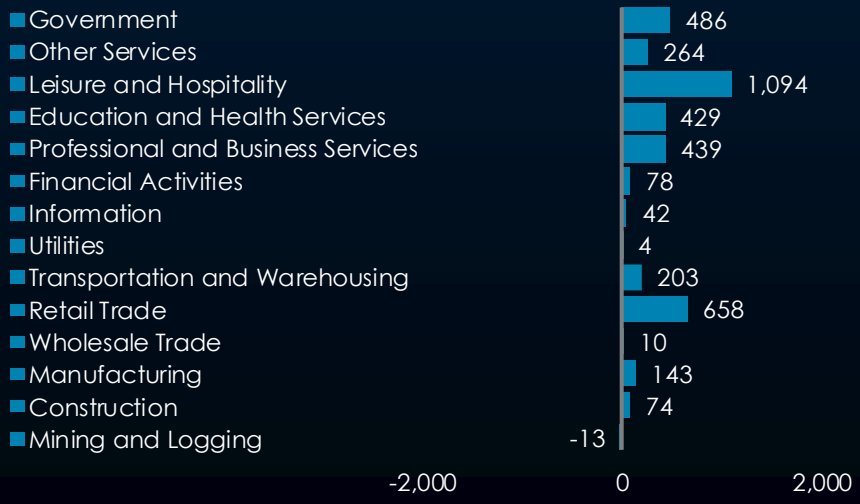
PORT ACTIVITY INCREASED 6.6% IN Q2 FROM Q1



THE IMPACT FROM COVID-19 SHOWING SLOW SIGNS OF JOB RECOVERY



LEISURE & HOSPITALITY SHOWS GROWTH AS RESTRICTIONS BEGIN TO EASE



National Economic Overview //// Q3 2020

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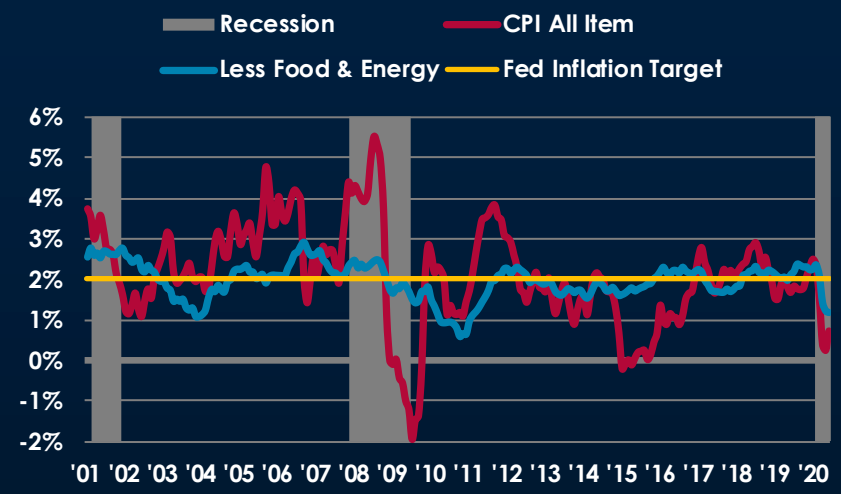
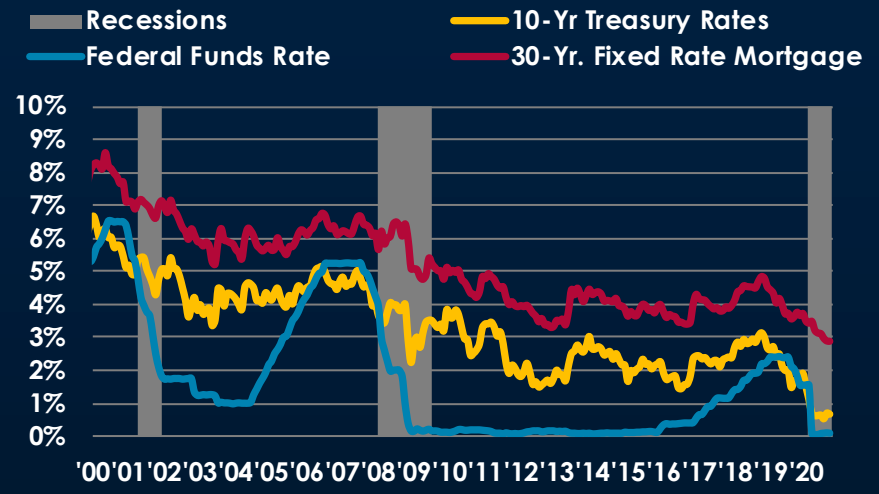
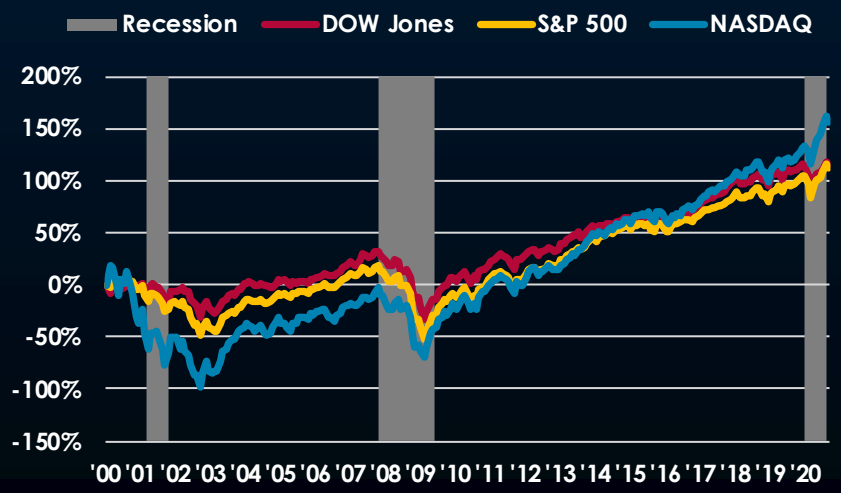
CPI REMAINS BELOW TARGET BUT PICKING UP



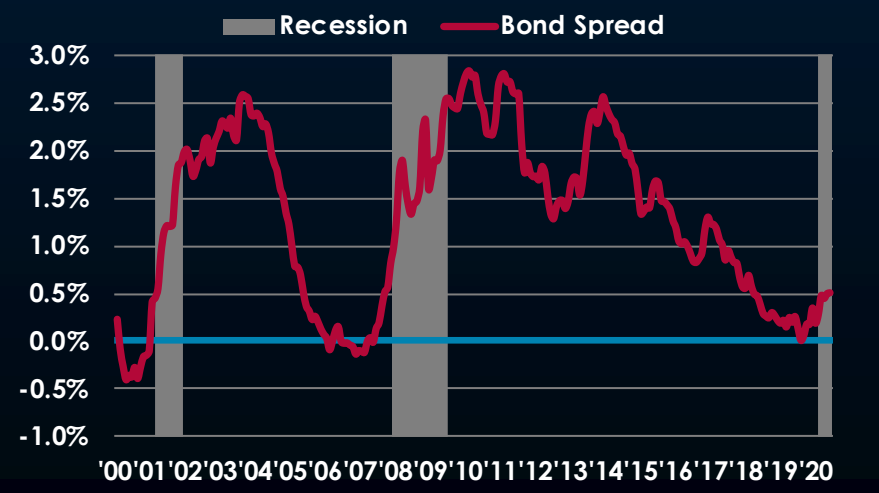
THE FEDERAL RESERVE CUT THE FED FUNDS RATE TO 0.0-0.25%



THE STOCK MARKET CONTINUES TO RISE



10-2 YEAR BOND SPREAD INCREASED AGAIN IN Q3



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