Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

DAUM
COMMERCIAL REAL ESTATE SERVICES

Q4 | 2020
Market Report
Los Angeles Office

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MARKET REPORT Q4 | Office 2020 Los Angeles County

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MARKET ACTIVITY

- Direct Vacancy: ^ 15.5%
- Net Absorption: ^ -1,865,634 SF
- Overall Vacancy: ^ 16.8%
- Gross Absorption: ^ 2,516,320 SF
- Under Construction: v 8,026,895 SF
- Rental Rates (FSG): ^ $3.38
- Sale Price Change: ^ 46.7%
- Deal Volume: v 41.7%

KEY TAKE AWAYS

MARKET

- **Vacancy Rate**: Increased by 90 BPS to 16.8% in Q4.
- **Net Absorption**: Improved by 985K SF from low Q3.
- **Office Supply**: Over 8M SF under construction.
- **Sales**: Volume in Q4 fell to $668M. In 2020, total sales volume was $2.95B. A decline of 30% from 2019.
- **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**: After a record low contraction in Q2 of -31.4%, the U.S. economy rebounded in Q3 with a growth rate of 33.4%. With COVID-19 continuing to spread, Q4 GDP is estimated to grow at 5.7%.
- **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 10M jobless.
- **Economic Relief** : In late December, Congress passed a $900B relief package. Included in it is $284B for a 2nd round of PPP funding for businesses. With the election of Joe Biden & Democrats securing the Senate majority, additional economic stimulus is more likely to occur.

ECONOMIC OUTLOOK

- U.S. Employment: v 6.7%
- U6 Rate: v 11.7%
- Interest Rate: v 2.7% (30 year fixed)
- Changing GDP: ^ 5.7%
- Port Traffic Y/Y Δ: ^ 9.5%
- NYSE Performance: ^ 12.4%
- Inflation Change: v 1.16%
- 10 Yr. - 2 Yr. Spread: ^ 80 BPS

EXPERIENCE IN A CHANGING MARKET

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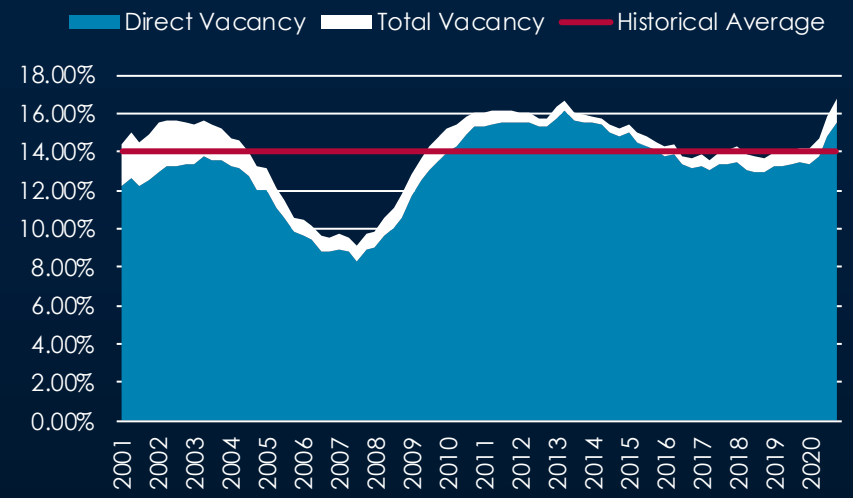
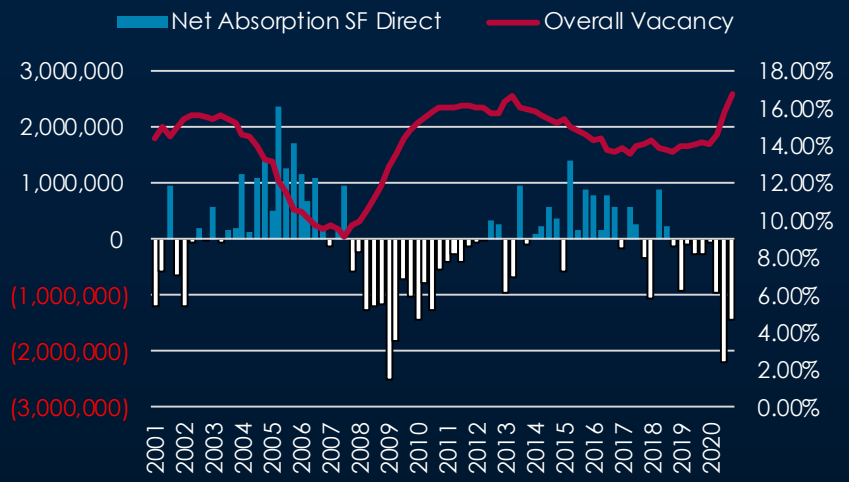
Q4 //////// Market Report

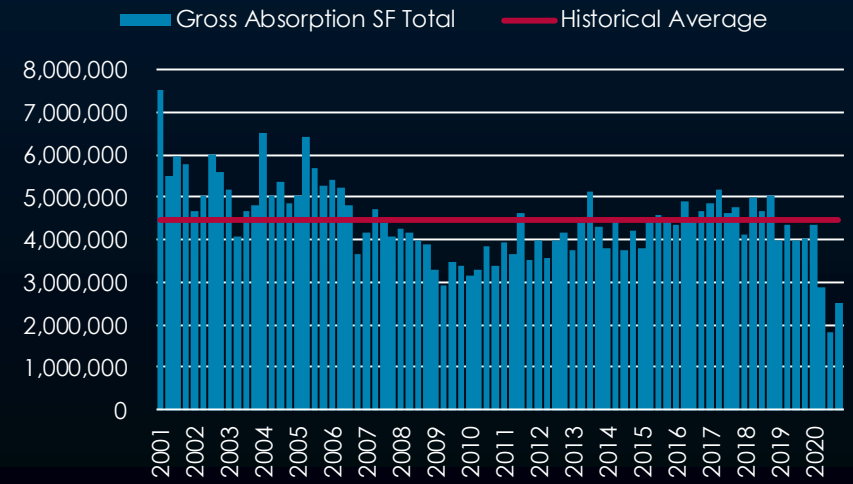
OVERALL VACANCY
INCREASED BY 90 BPS FROM Q3 TO 16.8%



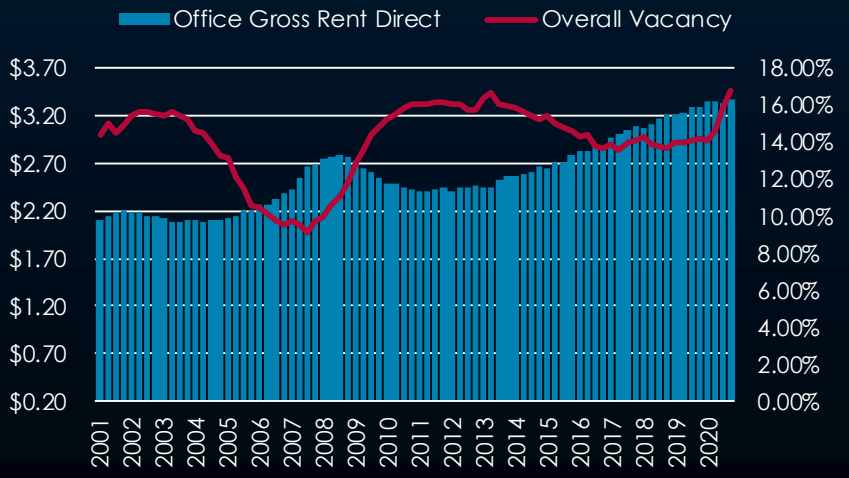
NET ABSORPTION
IMPROVED BY 985K SF FROM LOW Q3 TO -1.87M SF IN Q4



GROSS ABORPTION
INCREASED BY 37% FROM Q3 TO 2.5M SF IN Q4



ASKING RENTS
INCREASED BY $0.05 PSF IN Q4 TO $3.38 PSF



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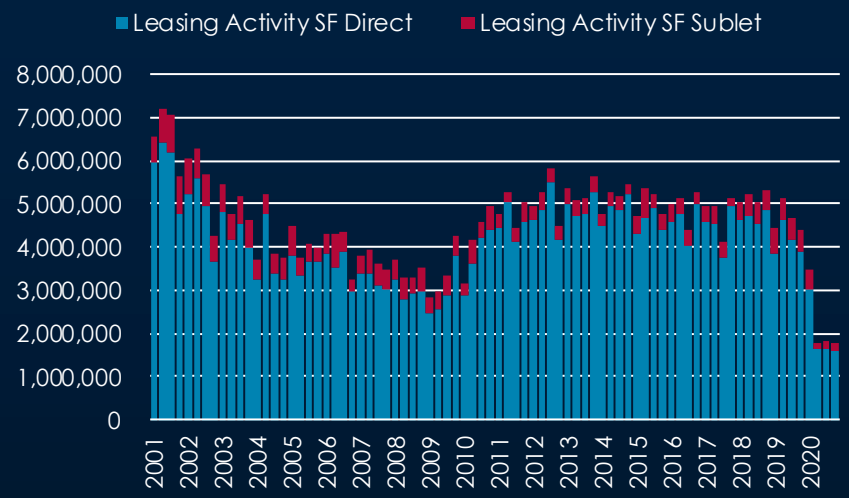
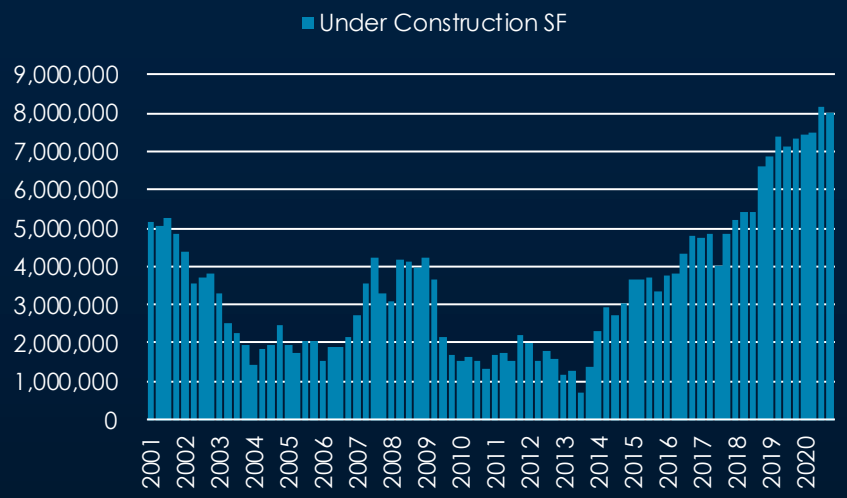
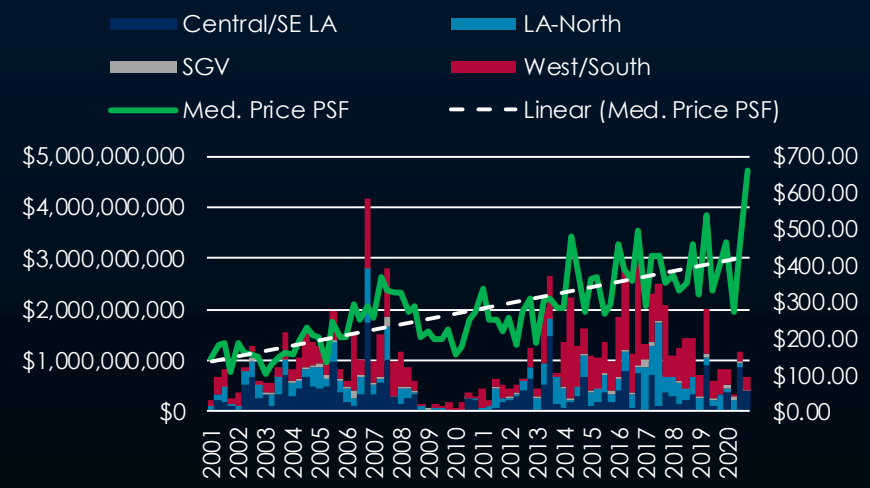
LEASING ACTIVITY
CONTINUES TO BE AT RECORD LOW LEVEL WITH ONLY 1.77M SF



CONSTRUCTION ACTIVITY
NEARLY 600K SF WAS DELIVERED IN Q4. UC DOWN TO 8M SF



SALES
MEDIAN PRICE PSF WAS $663.10 IN Q4. VOLUME DOWN 41.7%



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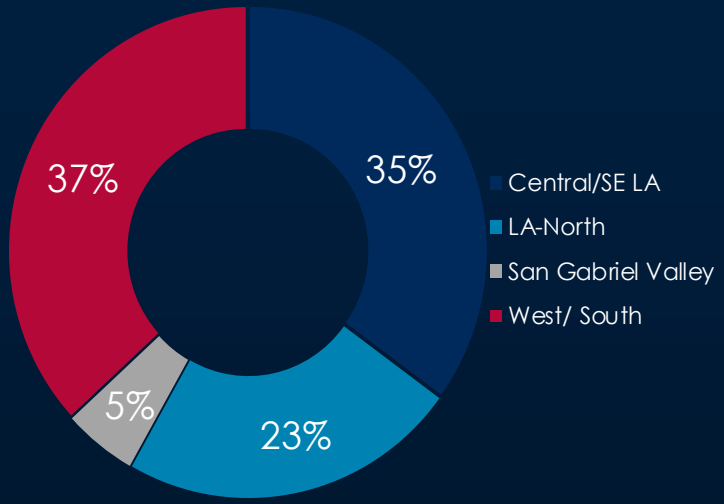
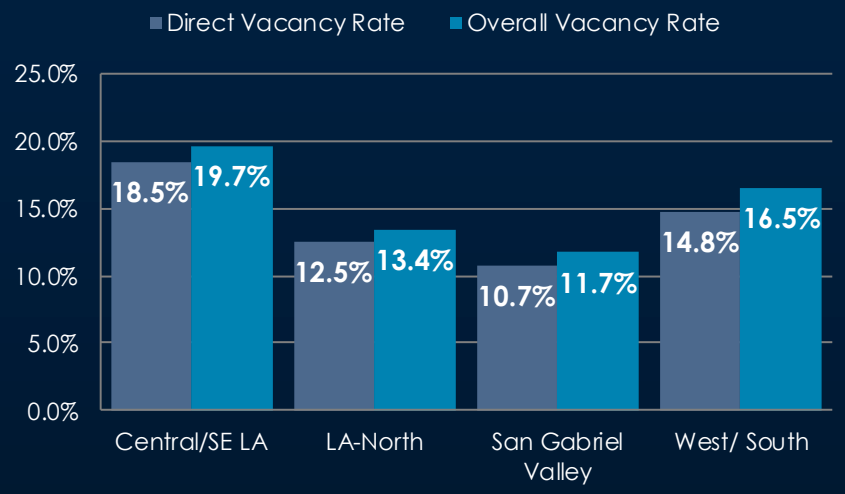
Q4 Market Report

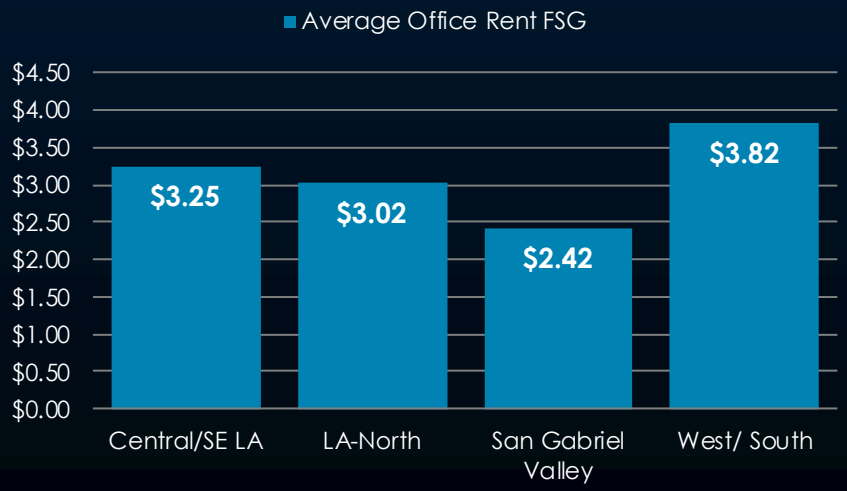
SQUARE FOOT BREAKDOWN– 243,525,868 SF MARKET SIZE



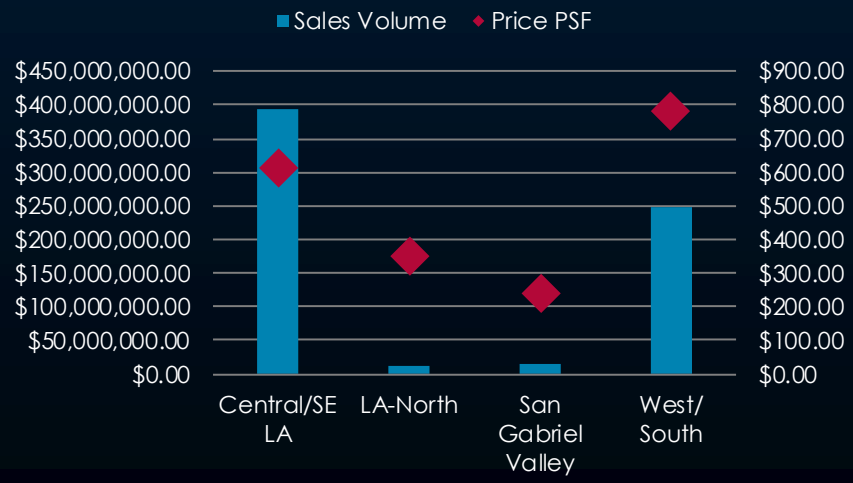
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



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Q4 //////// 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

Q4 2020

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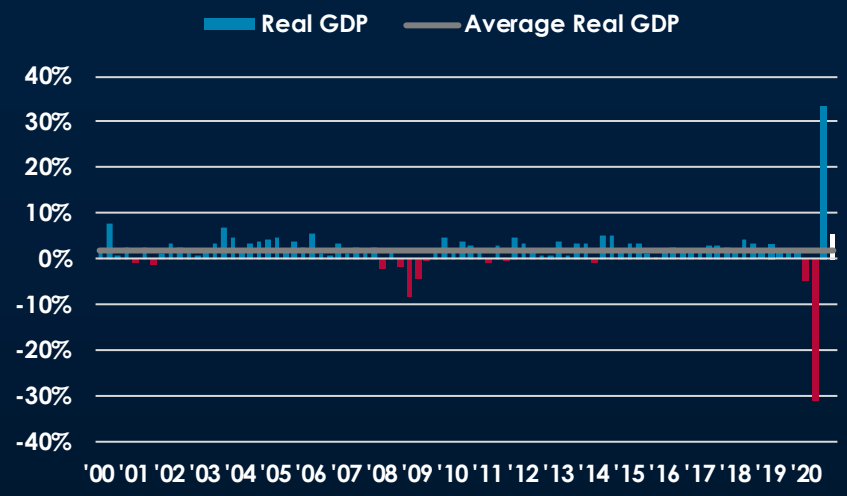
Q4 Market Report

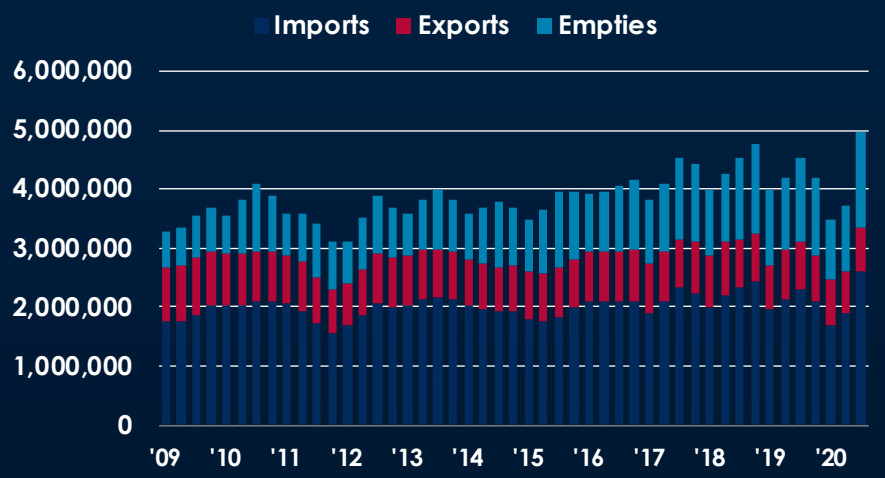
National Economic Overview //// Q4 2020

GDP IN Q3 FINISHED AT 33.4%. Q4 EST. TO GROW AT 5.7%

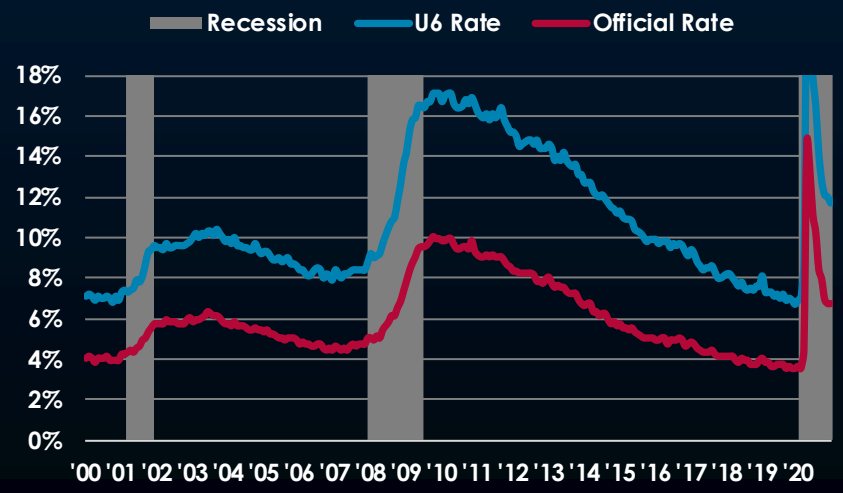


*5.7% for 4Q20 based on CNBC/Moody's Analytics Rapid Update Survey

PORT ACTIVITY INCREASED 34% IN Q3 FROM Q2



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



PROFESSIONAL AND BUSINESS SERVICES SAW LARGEST GAINS IN Q4

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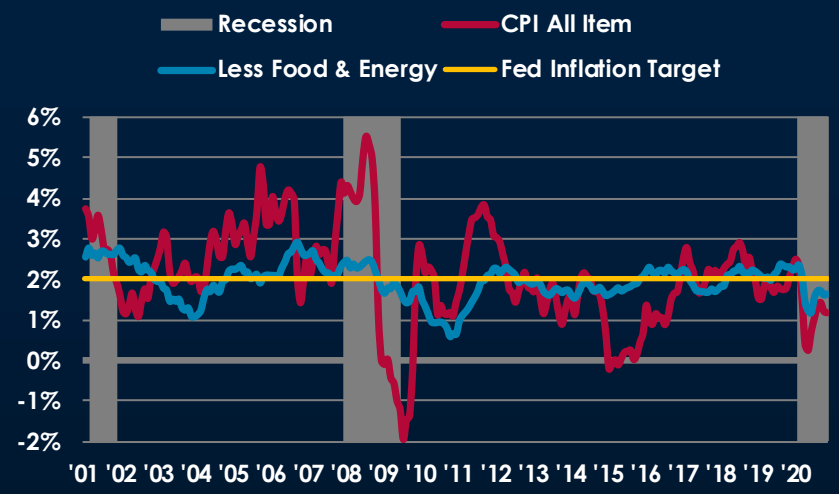
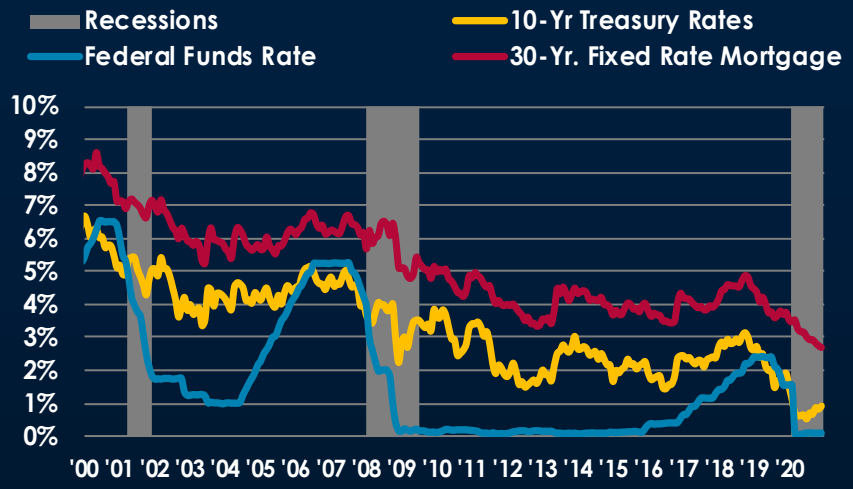
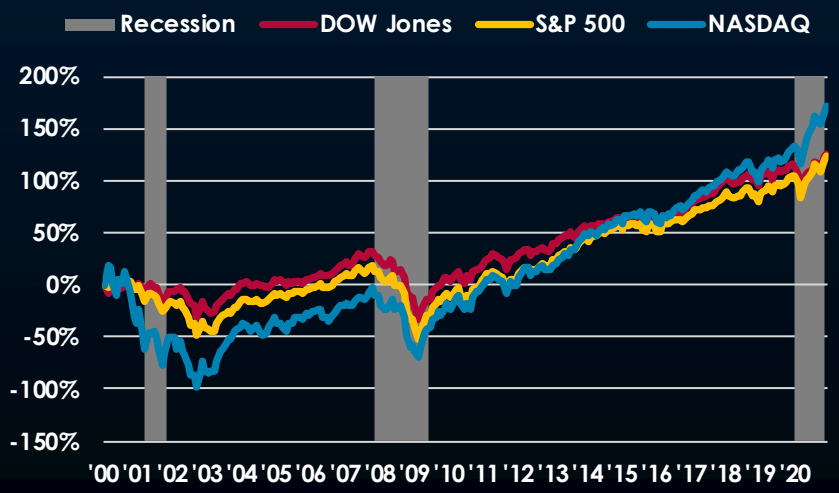
CPI REMAINS BELOW TARGET BUT PICKING UP



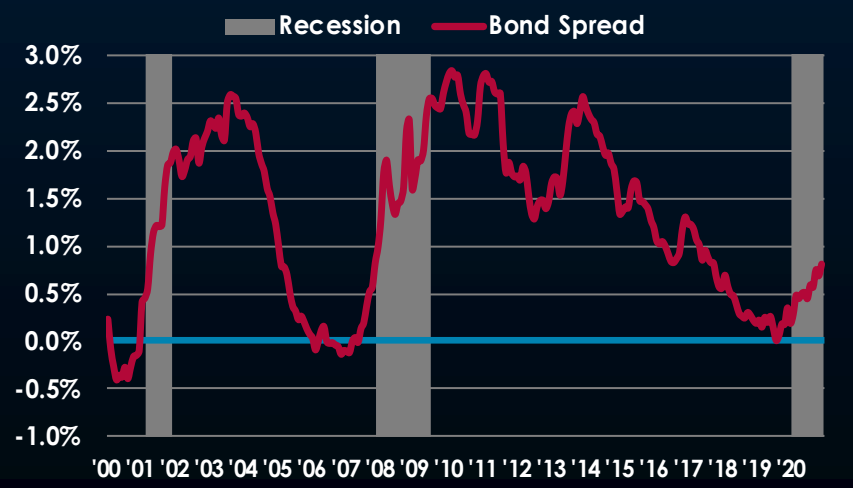
THE FEDERAL RESERVE CUT THE FED FUNDS RATE TO 0.0-0.25%



THE STOCK MARKET CONTINUES TO RISE



10-2 YEAR BOND SPREAD INCREASED AGAIN IN Q4



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