Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

DAUM
COMMERCIAL REAL ESTATE SERVICES

Q4 | 2021
Market Report
Los Angeles Office

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MARKET REPORT Q4 | Office 2021 Los Angeles County

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MARKET ACTIVITY

- Direct Vacancy: ⩔ 17.4%
- Net Absorption: ⩓ 197,907 SF
- Overall Vacancy: ⩔ 19.1%
- Gross Absorption: ⩓ 3,769,023 SF
- Under Construction: ⩔ 5,718,542 SF
- Rental Rates (FSG): ⩓ $3.48
- Sale Price Change: ⩓ 9.9%
- Deal Volume: ⩓ 30.7%

KEY TAKE AWAYS

MARKET

- **Vacancy Rate**: Fell by 10 BPS to 19.1% in Q4. Year over Year the vacancy rate is up 2.1%.
- **Net Absorption**: Turned positive in Q4, totaling 198K SF. This marks the first positive quarter since Q3-18.
- **Sales**: Volume in Q4 exceeded $1B. Bringing the total volume in 2021 to $2.655B. The median price PSF was $427.23 in Q4.
- **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 hybrid work from home policies.

ECONOMIC OUTLOOK

- **GDP**: The U.S. GDP grew at a rate of 2.3% in Q3. In Q4, the rate of growth is expected to increase at a rate of 7.4%.
- **Inflation**: The latest CPI showed an increase of 6.9%, adding another data point that current inflation is likely more than transitory.
- **Supply Chain**: The historic backlog of ships waiting to dock off the Ports of LA & Long Beach began to ease towards the end of Q4. According to the Freightos Baltic Index, the cost to ship a container from China/East Asia to North America West Coast declined 21.7% over Q4, ending at $14,070 per container.

ECONOMIC OUTLOOK

- U.S. Employment: ⩔ 4.2%
- U6 Rate: ⩔ 7.8%
- Interest Rate: ⩓ 3.1% (30 year fixed)
- Changing GDP: ⩓ 7.4%
- Port Traffic Y/Y Δ: ⩓ 2.3%
- NYSE Performance: ⩓ 8.8%
- Inflation Change: ⩓ 6.90%
- 10 Yr. - 2 Yr. Spread: ⩔ 79 BPS

EXPERIENCE IN A CHANGING MARKET

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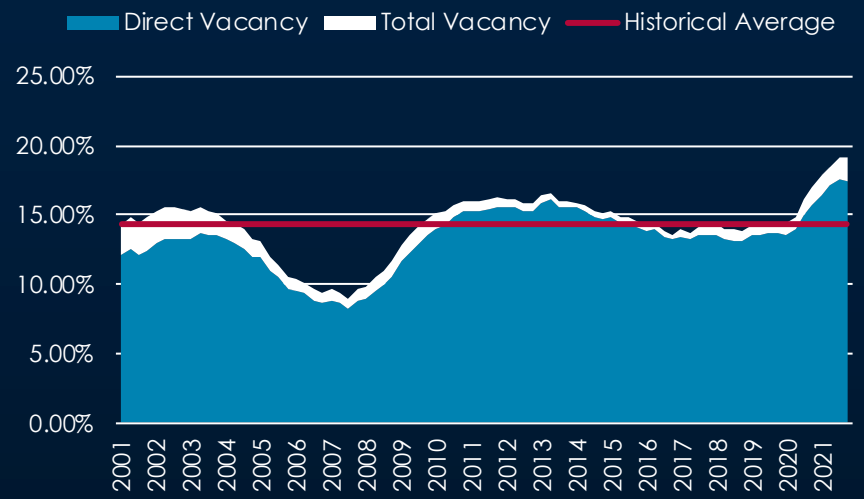
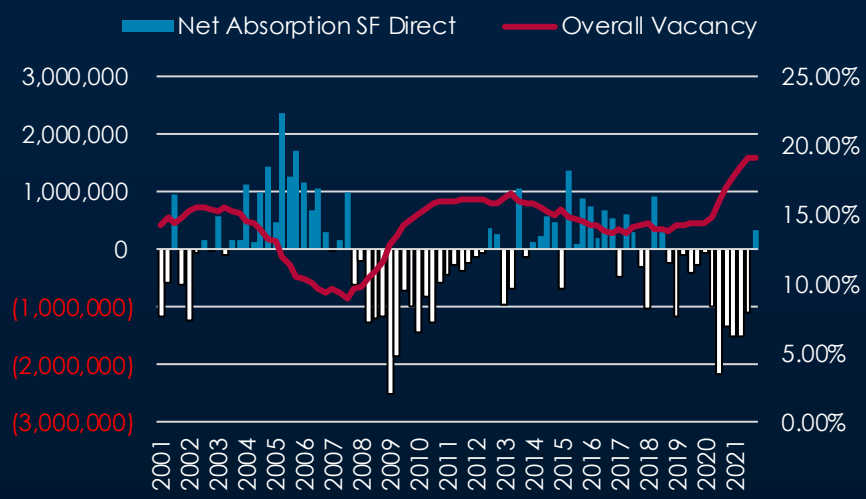
Q4 //////// Market Report

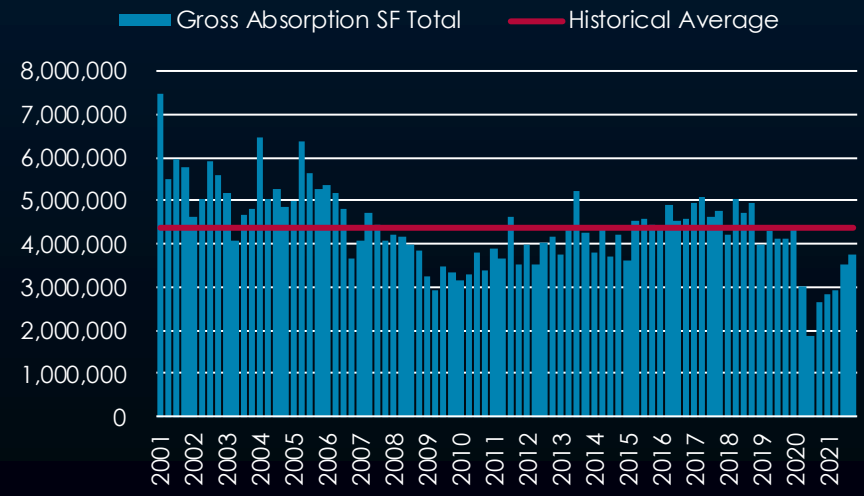
OVERALL VACANCY
FELL BY 10 BPS FROM Q3 TO 19.1% IN Q4



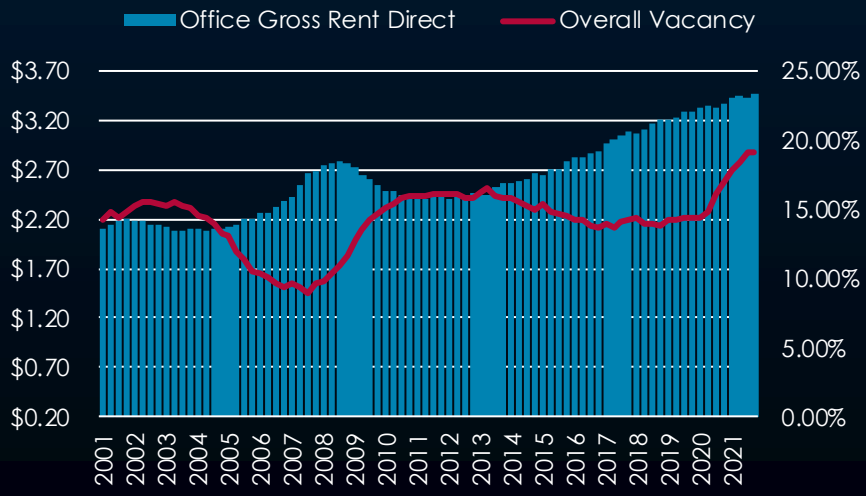
NET ABSORPTION
TURNED POSITIVE IN Q4 TOTALING 198K SF



GROSS ABORPTION
INCREASED BY 6.5% FROM Q3 TO 3.8M SF IN Q4



ASKING RENTS
INCREASED BY $0.04 PSF IN Q4 TO $3.48 PSF



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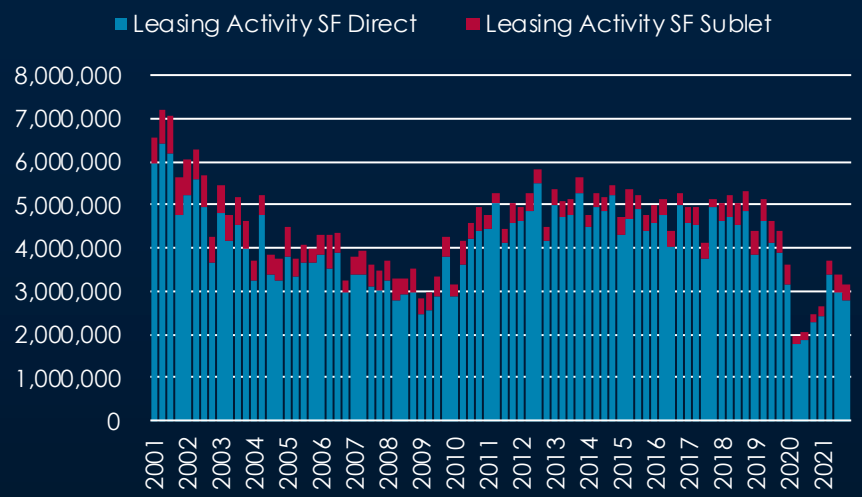
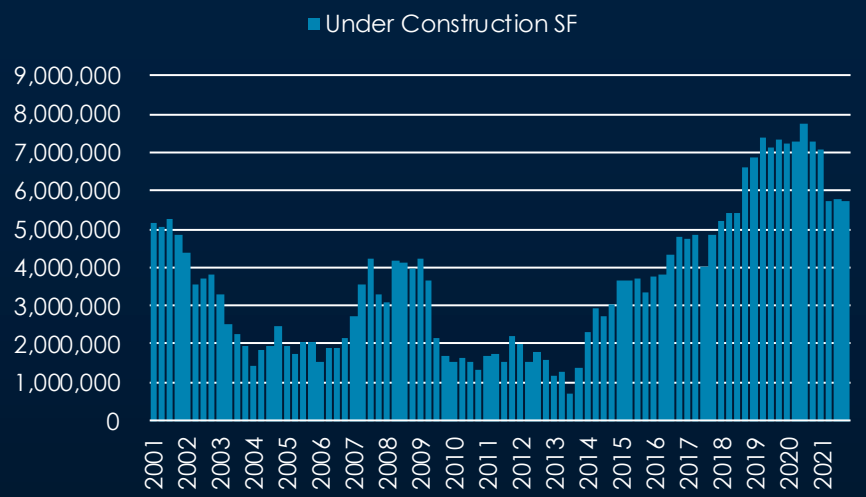
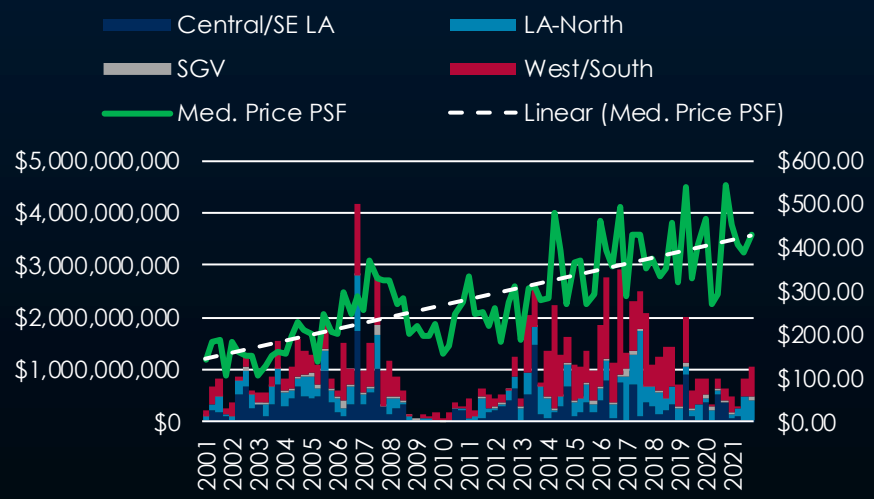
LEASING ACTIVITY
DECLINED BY 7.5% FROM Q3 TOTALING 3.15M SF IN Q4

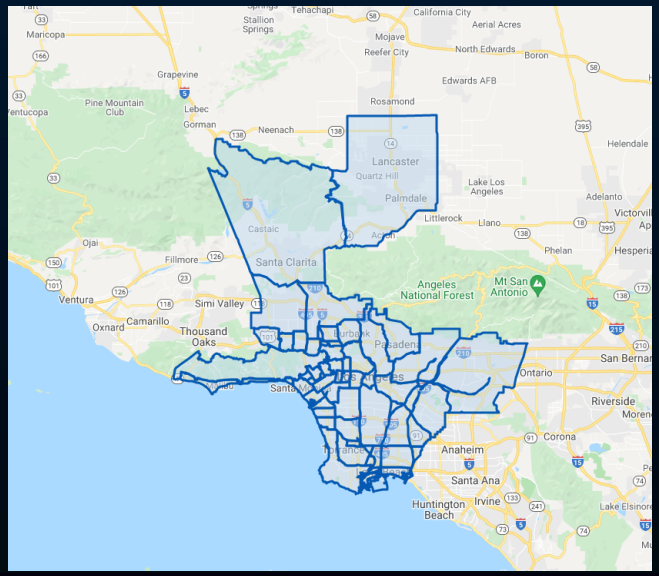


CONSTRUCTION ACTIVITY
591K SF WAS DELIVERED IN Q4. UC REVISED DOWN TO 5.7M SF



SALES
MEDIAN PRICE PSF WAS $427.23 IN Q4. VOLUME OVER $1B





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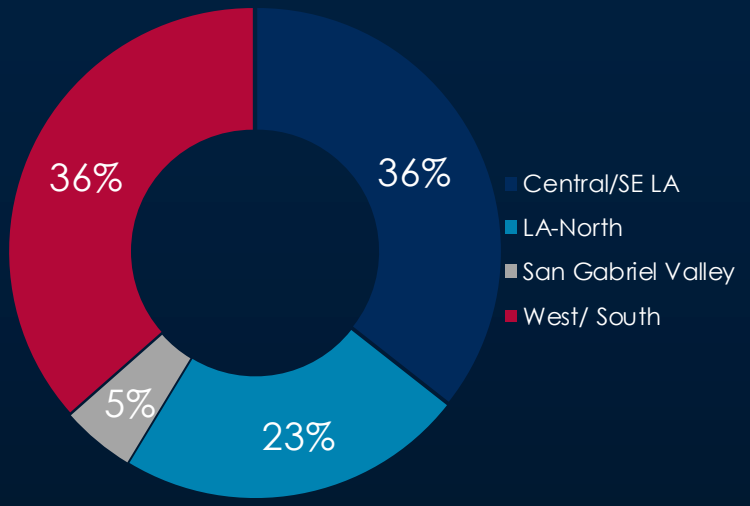
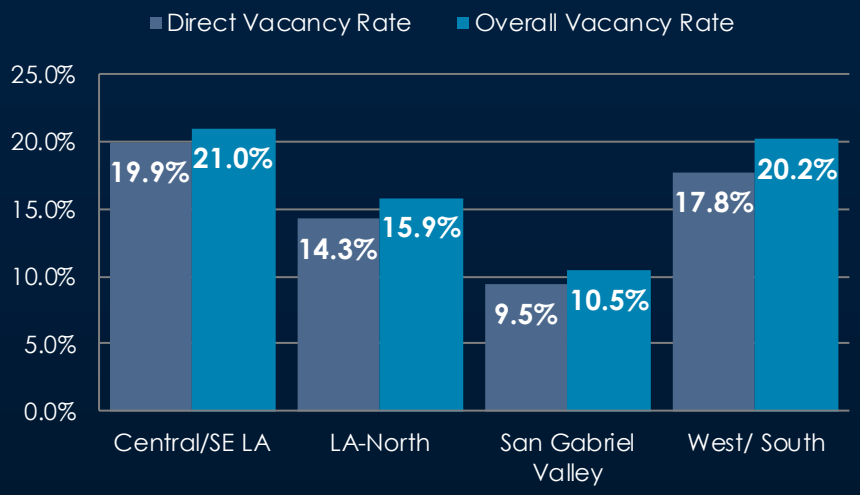
Q4 Market Report

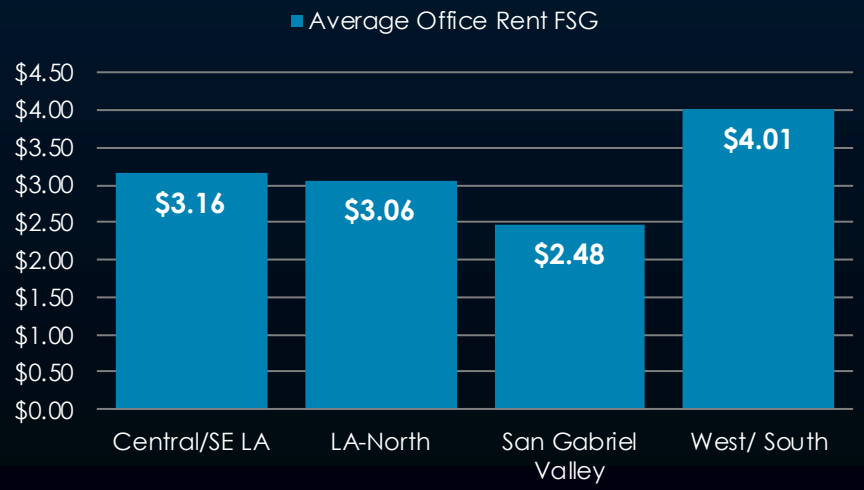
SQUARE FOOT BREAKDOWN– 245,375,866 SF MARKET SIZE



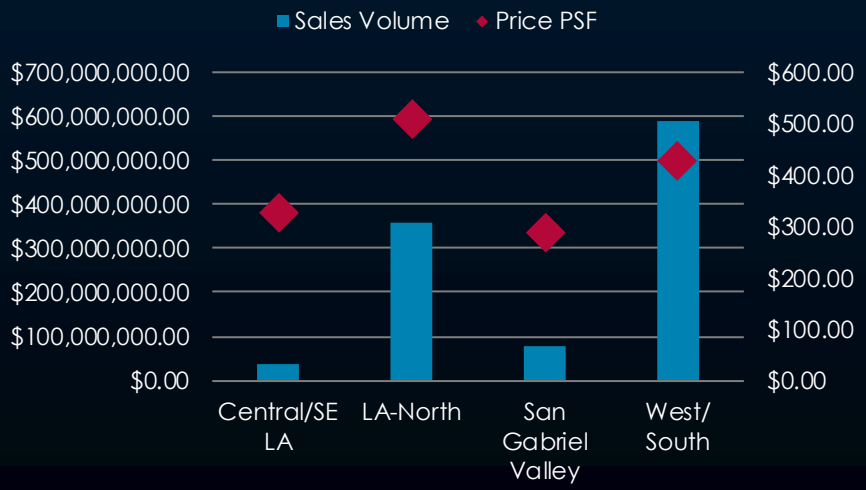
VACANCY BREAKDOWN



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 2021
New buildings with original construction completed in the year 2021 and granted a Certificate of Occupancy. Renovated buildings are not included

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Economic Overview

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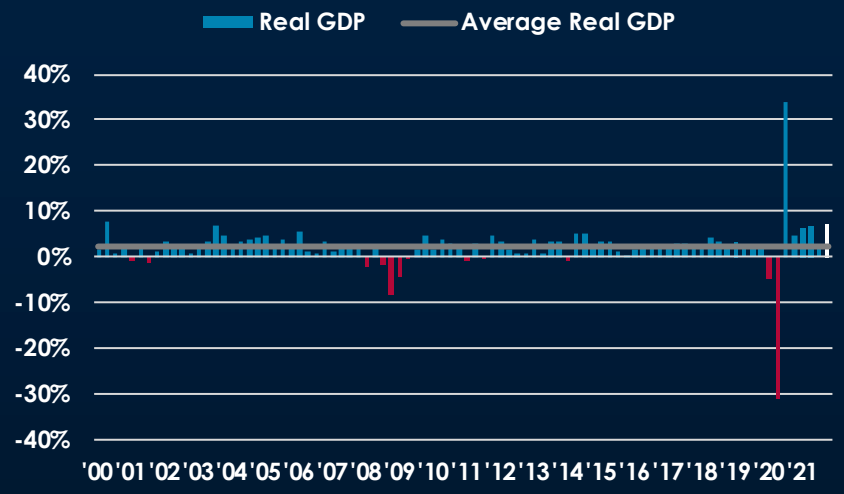
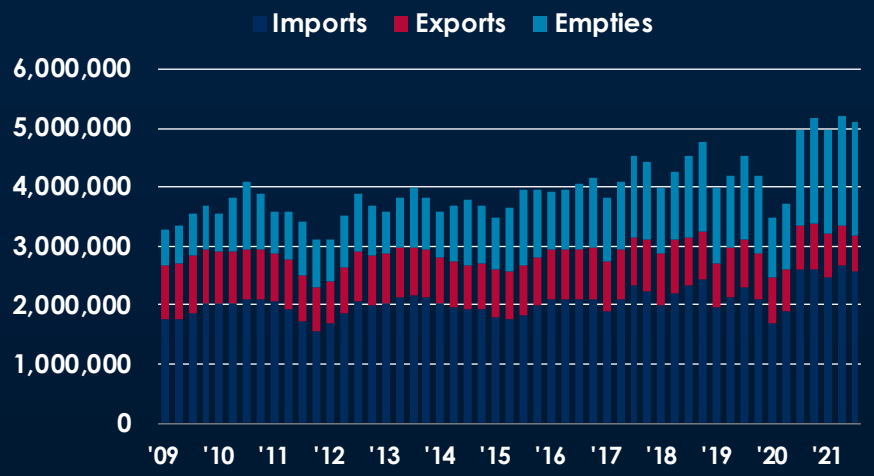
GDP IN Q3 FINISHED AT 2.3%. Q4 EST. TO GROW AT 7.4%

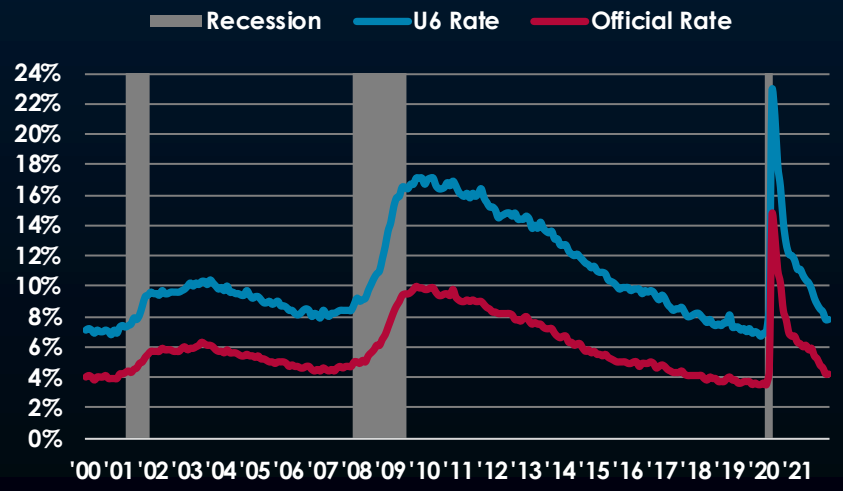


*7.4% for 4Q21 based on the Federal Reserve Bank of Atlanta GDPNow

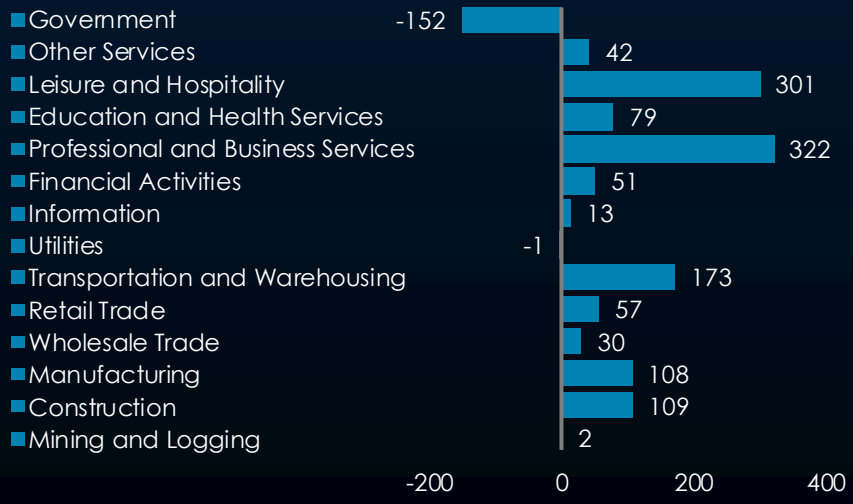
PORT ACTIVITY UP 2.3% Y/Y IN Q3, BUT DOWN 2.4% FROM Q2



UNEMPLOYMENT CONTINUES TO DECLINE. STILL ABOVE PRE COVID LEVELS



PROFESSIONAL & BUSINESS SERVICES SHOWED THE STRONGEST GROWTH



National Economic Overview //// Q4 2021

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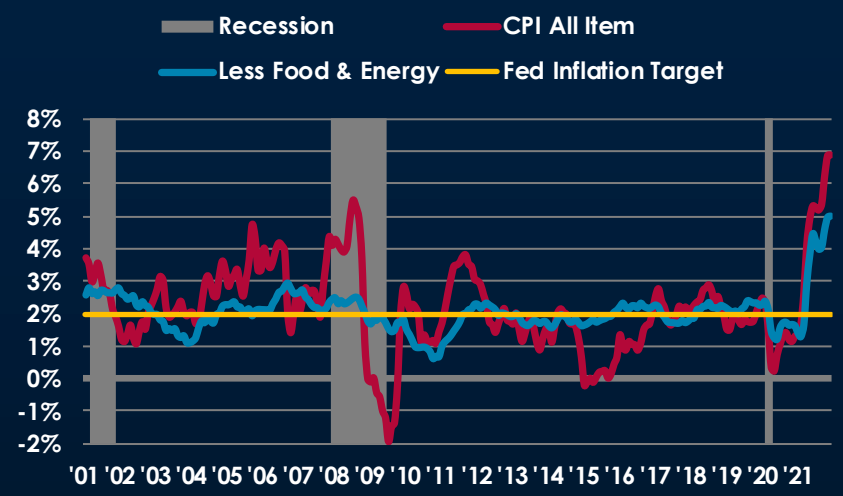
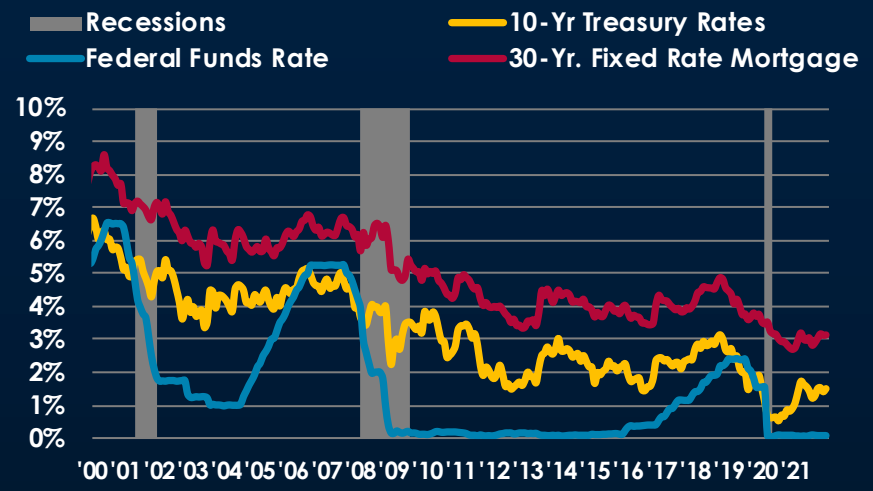
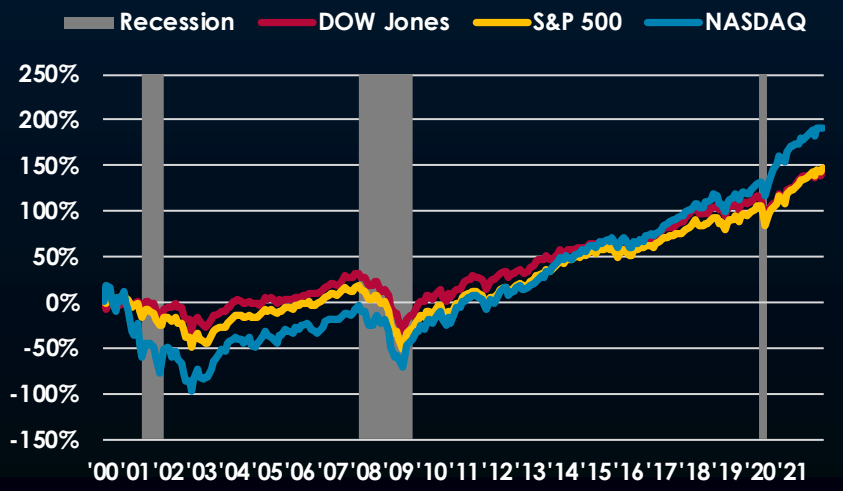
CPI INCREASES LARGEST IN THE LAST 30 YEARS



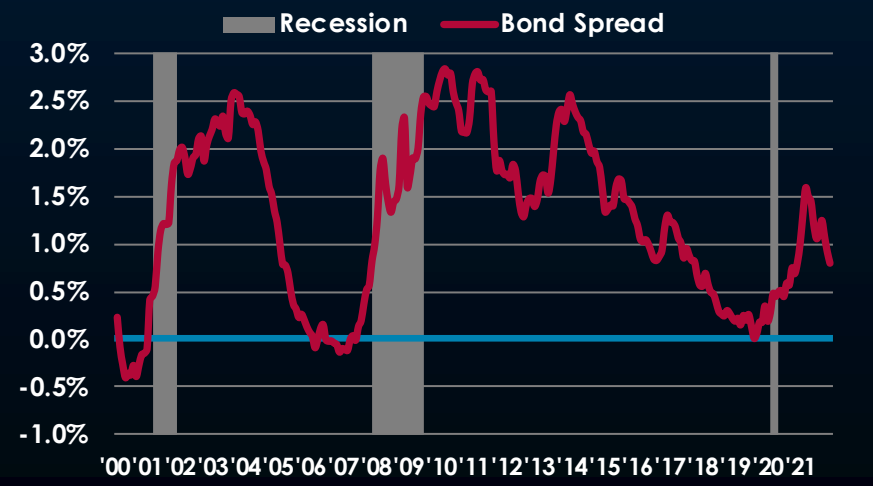
THE 10 YEAR WAS UNCHANGED OVER Q4 ENDING AT 1.52%



THE STOCK MARKET FINISHED Q4 AT ALL TIME HIGHS



10-2 YEAR BOND SPREAD DECLINED BY 45 BPS IN Q4



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