

State of the Office Market: Greater Los Angeles

January 2018



Introduction to Savills Studley



US OFFICE FOUNDED IN 1954

DIVERSE TEAM OF OVER 773 PROFESSIONALS DOMESTICALLY

Savills Studley is made up of professionals with backgrounds in law, investment banking, consulting, finance, engineering, science, art, and more. The mix of disciplines within our organization allow us to build diverse teams of professionals who bring their own perspective to solving the unique challenges that Savills Studley's clients face.

PIONEERING HERITAGE – PURITY OF PURPOSE

Our firm maintains a focus on serving solely tenants. We have no conflicts of interest or the risk of being influenced by building owners, landlords, developers or financial institutions.

700 LOCATIONS GLOBALLY

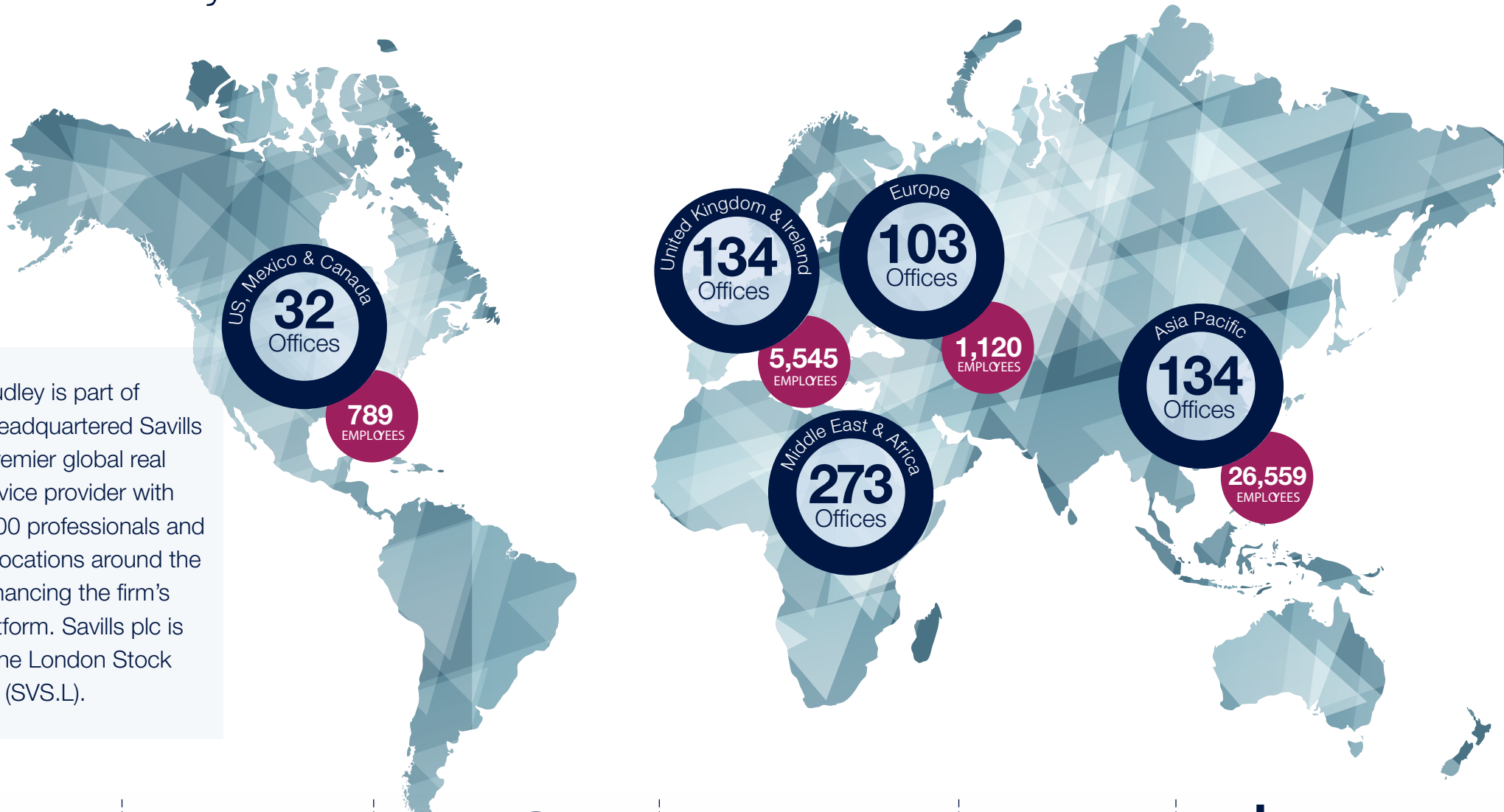
Savills Studley has offices in every major market domestically and an international footprint throughout the world. We provide an integrated product to all of our clients, regardless of transaction or size while our organically-grown office network ensures that our people and services in each of our markets are consistently of the highest standard.

UNIQUE AND INNOVATIVE CULTURE

Our firm seeks out the best talent in our industry from various backgrounds—providing the inventive and entrepreneurial spirit that defines Savills Studley.

Introduction to Savills Studley

Savills Studley is part of London-headquartered Savills plc, the premier global real estate service provider with over 34,000 professionals and over 700 locations around the world, enhancing the firm's global platform. Savills plc is listed on the London Stock Exchange (SVS.L).



1855
Savills
Founded

1954
Studley
Founded

**Conflict
Free**
Tenant Representation

34,000
Professionals
Worldwide

773
Professionals
Domestically

\$276M
Annual Domestic
Revenue

Overview of the Office Market

Market Highlights

- 211,000,000 SF of office space in greater LA area
- 145,000,000 SF Class A
- Average direct asking rental rate \$3.38
- Average Class A direct asking rental rate \$3.65
- Downtown CBD and Westside make up two largest submarkets of Los Angeles
- Westside 55,000,000 SF (average rents nearing \$5.00 PSF)
- Downtown CBD 35,000,000 SF (average rents \$3.46 PSF)
- Westside continues to drive all activity
- Nearly 2 million SF of new construction set to hit the Westside in 2018

Overview of the Office Market

Downtown CBD Overview

- Downtown CBD 35,000,000 SF
 - » Direct Vacancy 17.7%
 - » Average asking rents \$3.46 PSF
 - » Class A asking rents \$3.55 PSF
- Positive momentum Downtown due to increase in new construction for both residential and hotel product
- Currently 38,000 residential units in Downtown LA
- 12,000 residential units under construction
- DTW LA has 4,000 rooms within a mile of convention center
- LA has historically lacked residential units relative to size of Downtown and employee base
- Historically tenant base in Downtown CBD is made up of financial services firms, health care, professional services, government and education users
- Consulting, Engineering and Design firms have shown increased interest in opening or relocating office to Downtown LA based on construction boom and are receiving substantial concession packages in relocation scenarios
- As ground up, mixed use projects come to completion office market should begin to strengthen as tech companies remain interested in the Arts District

Overview of the Office Market

Westside Overview

- Westside 55,000,000 SF
 - » Direct Vacancy 11.2%
 - » Average asking rents \$4.85 PSF
 - » Class A asking rents \$5.15 PSF
- Nearly every Westside submarket experiencing positive net absorption due to media, tech and advertising tenants that focus on content creation
- Approximately 1.2 million SF of new construction set to be delivered in '18
- Landlord's demanding premiums for new construction driving rental rates up
- Concessions packages are Landlord specific and driven by quality of tenant
- Culver City continues to create buzz attracting high demand for new construction with investment grade quality tenants (Apple, Amazon)

Select Large Deals in the Market



Wilshire Grand
900 Wilshire Blvd.

SCAG / Metrolink

4 floors

- Same rent as the existing 1980s/1990s Class A inventory
- \$100+ TI Allowance
- 12-24 months free rent



Ford Factory
777 S. Santa Fe Ave.

Warner Music

257,000 SF

- Relocation from Burbank resulting in a transformative Arts District transaction
- Adaptive re-use of old Ford Factory
- Occupy early 2018
- 13-Year Lease
- Roughly \$10 million in annual rent



**Santa Monica
Business Park**

Snapchat

300,000 SF

- Roughly 100,000 SF of hangar space at Santa Monica Airport
- Option to take any space not encumbered at Santa Monica Business Park
- Large presence remains in Venice

Creative Tenants in Upcoming Projects & Availabilities

Market Snapshot: Culver City



CREATIVE TENANTS

1. 10202 Washington Blvd
LL: Sony Pictures Entertainment
Total SF: 913,890


2. 8550 Higuera St
LL: IDS real Estate Group
Total SF: 199,647


3. 10912 Washington Blvd
LL: Hudson
Total SF: 137,243


4. 8680 Hayden Pl
LL: 8680 Hayden Place Lic
Total SF: 59,200


5. 3532 Hayden Ave
Total SF: 50,000


6. 5860 W Jefferson Blvd
Total SF: 49,000


7. 8833 National Blvd
Total SF: 43,647


8. 5792 W Jefferson Blvd
LL: Samitaur Constructs
Total SF: 39,726


9. 3318-3322 La Cienega Place
Total SF: 35,000


10. 3233 S La Cienega Blvd
LL: LCCP Blackwelder Fee Owner
Total SF: 35,000


11. 5764 W Jefferson
Total SF: 30,000


12. 3530 Hayden Ave A
Total SF: 28,199


13. 10441 Jefferson Blvd.
LL: Steaven Jones Development
Total SF: 28,000


14. 3525 Eastham Dr
Total SF: 26,000


15. 3650 Holdrege Ave
LL: BDF Properties
Total SF: 26,000


16. 10451 Jefferson Blvd
Total SF: 26,000


17. 9909 Jefferson Blvd
LL: NPR
Total SF: 25,000


18. 9530 Jefferson Blvd
LL: 9530 Jefferson Lic
Total SF: 24,000


19. 8549 Higuera St
LL: Northern Trust Co
Total SF: 23,000


20. 3555 Hayden Ave
LL: Frederick Smith Trust
Total SF: 22,831


21. 5890 W Jefferson Blvd.
Total SF: 21,274


22. 3582 Eastham Dr
LL: PAS Trust
Total SF: 21,000


23. 3960 Ince Blvd
LL: Samitaur Constructs
Total SF: 20,363


24. 8500 Steller Dr #5
Total SF: 20,000


25. 3641 S Holdrege Ave, Suite 100
Total SF: 19,216


26. 3644 Eastham Dr
LL: IDS Real Estate Group
Total SF: 17,800


27. 3523 Eastham Dr
LL: PMI Properties
Total SF: 15,544


28. 3111 S La Cienega
Total SF: 15,000


29. 3540 Hayden Ave
LL: Conjointive Points Props II LP
Total SF: 12,730


30. 8825 National Blvd
Total SF: 10,000


31. 3585 Hayden Ave
Total SF: 10,000


32. 9920 Jefferson Blvd
Total SF: 8,000



AVAILABLE SF

33. 8824 National Blvd
LL: Lowe Enterprises
Available SF: 500,000


34. 10000 W Washington Blvd
LL: LBA Realty
Available SF: 304,643


35. 9336 Washington Blvd
LL: Hackman Capital Partners
Available SF: 254,714


36. 3321 S La Cienega
LL: Carmel Partners
Available SF: 200,000


37. 5790 W Jefferson Blvd
LL: Samitaur Constructs
Available SF: 169,755


38. 9300 Culver Blvd
LL: Hackman Capital Partners
Available SF: 115,000


39. 5500 W Jefferson Blvd
LL: Hackman Capital Partners
Available SF: 82,000


40. 8850 Washington Blvd
LL: Runyon Group
Available SF: 80,000


41. 3562 Eastham Dr
LL: PAS Trust
Available SF: 55,446


42. 5830 Rodeo Rd
LL: Newcastle Partners & Westport Capital Partners, LLC
Available SF: 40,000





What to Expect in 2018 and Beyond

- Pent up demand for TAMI (Technology, Advertising, Media & Information) users driving new construction on West Side
- Demographics dramatically shifting work force changing the way office is designed and used. Amenities, amenities, amenities.
- Metrolink expansion spurs new office development within walking distance to mass transit
- Los Angeles will continue to see substantial foreign investment in spite of rising rental rents and record PSF pricing