Orange County & Los Angeles

Economy and Office Overviews (4Q’20)

Orange County & Los Angeles Office Market

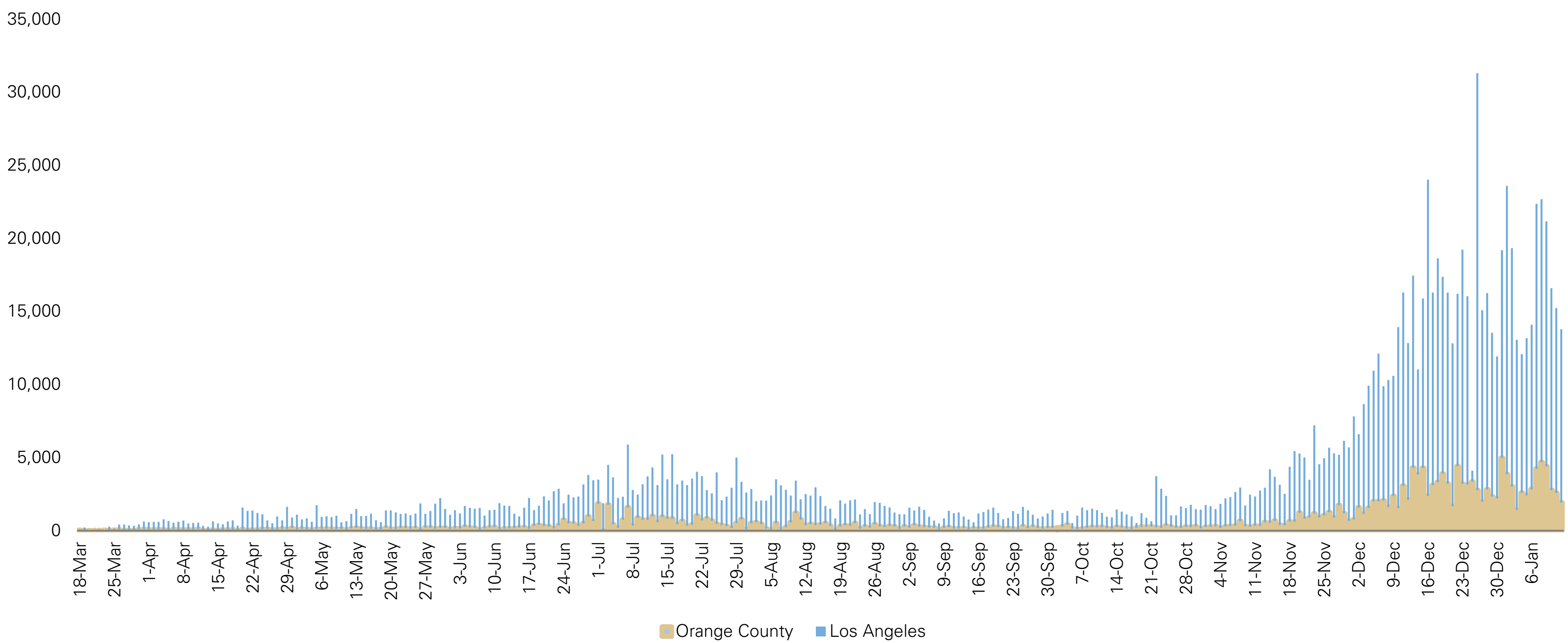
Key Trends

COVID-19 | Orange County & Los Angeles

Daily New Cases

After tapering down in August through early October, daily new cases are rising at a very alarming rate. ICU capacities are maxed out, while county officials have rolled out mobile field hospitals to handle the surge in patients.

Although two vaccines were approved by the FDA for emergency use, it will take many months to inoculate willing citizens due to supply and logistical challenges. Only essential businesses remain open.



Source: California Open Data Portal

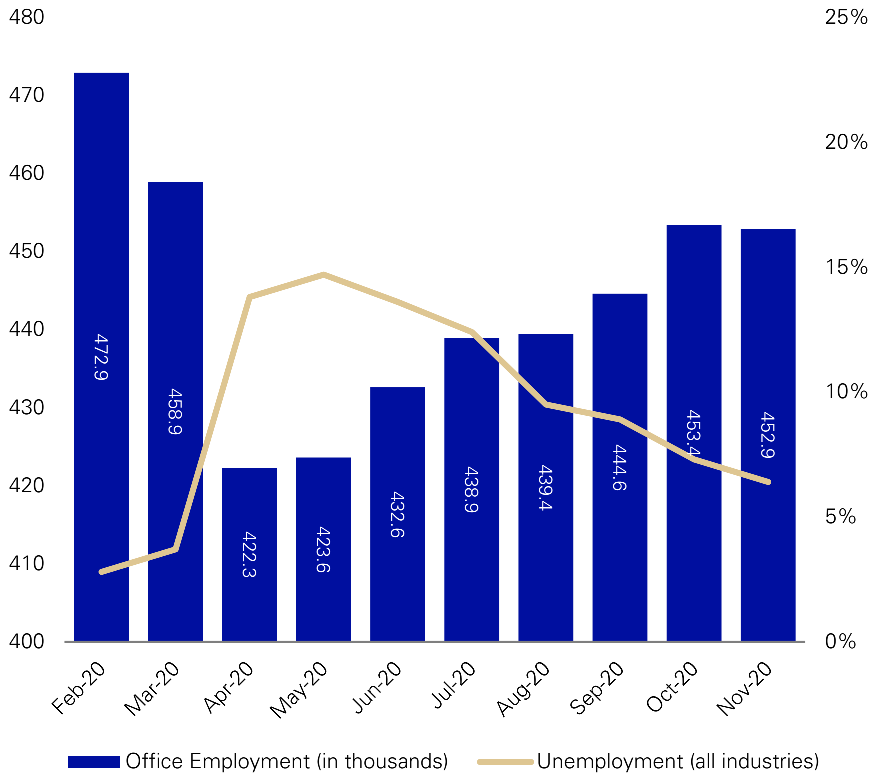
Office-Using Employment

Through November 2020 (jobs in thousands)

ORANGE COUNTY

November's **unemployment** rate of 6.4% was a substantial improvement from May's record high of 14.7%.

Approximately 29,300 office-using jobs were added from May to November. Current **office-using employment** represents 95.8% of what it was in February 2020.



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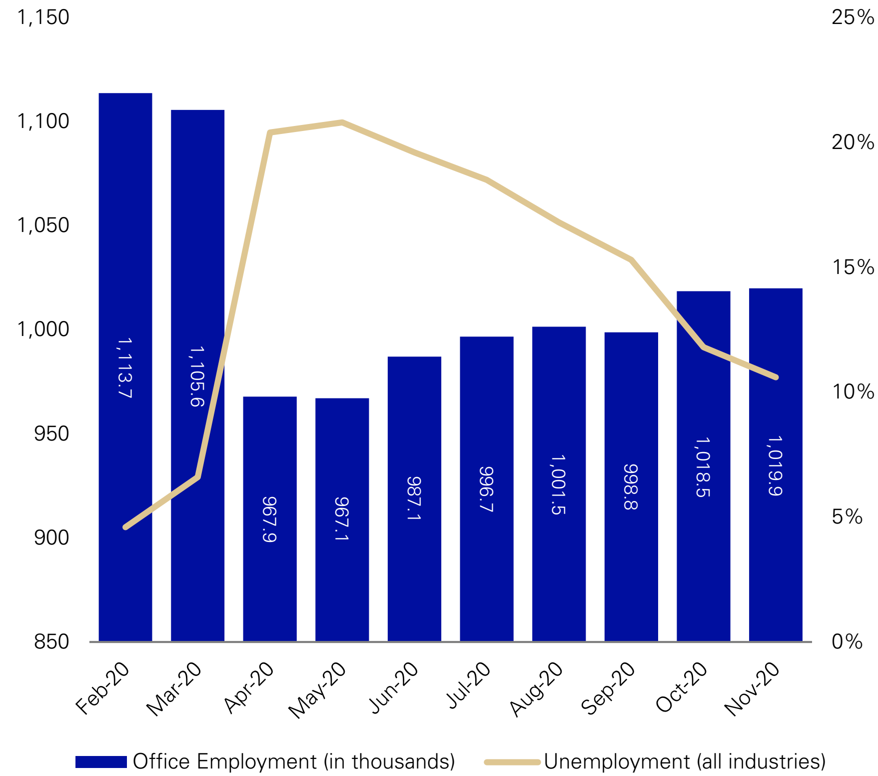
November's **unemployment** rate of 10.6% is about half of the May 2020 peak but still among the highest in the country.

Approximately 52,800 office-using jobs were added from May to November. Current **office-using employment** represents 91.6% of what it was in February 2020.



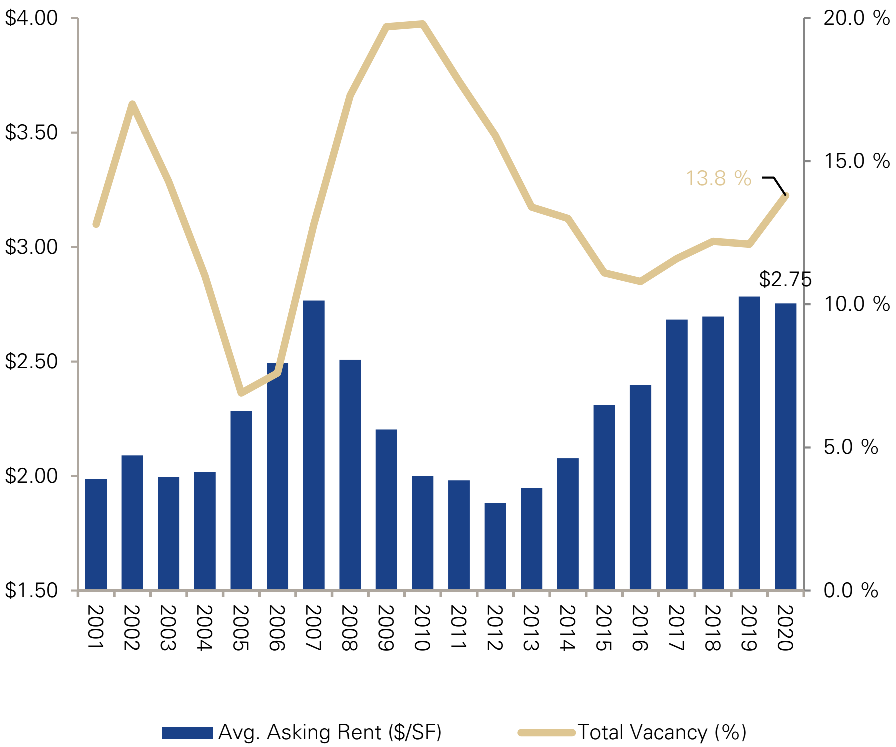
Office-using employment includes professional and business services, financial activities and information sectors

Source: Newmark Research, U.S. Bureau of Labor Statistics (based on the most current data available)

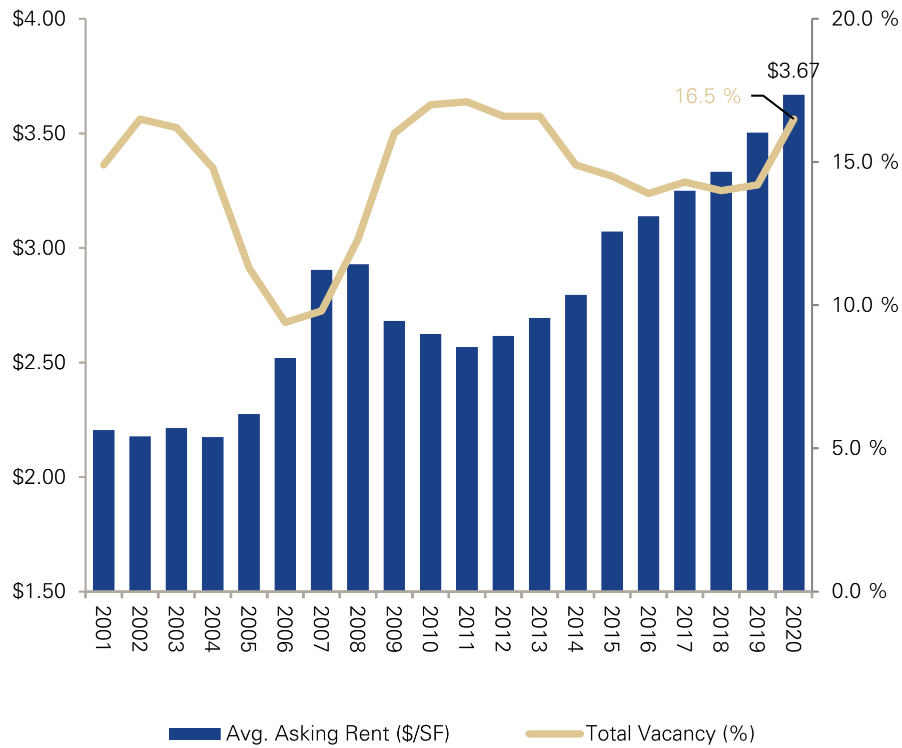
Vacancy and Rent
4Q'20

Vacancy in climbed to its highest point in seven years after ending 2020 with significant net absorption losses in OC & LA markets.

ORANGE COUNTY
The average asking rent slightly declined this quarter. Landlords, meanwhile, are offering considerable concession packages to attract and retain tenants.



LOS ANGELES
Landlords are offering significant and/or accelerated concession packages but, in large part, holding published asking rents up in anticipation of a recovery.



Source: Newmark Research

Net Absorption and Construction Deliveries

4Q'20

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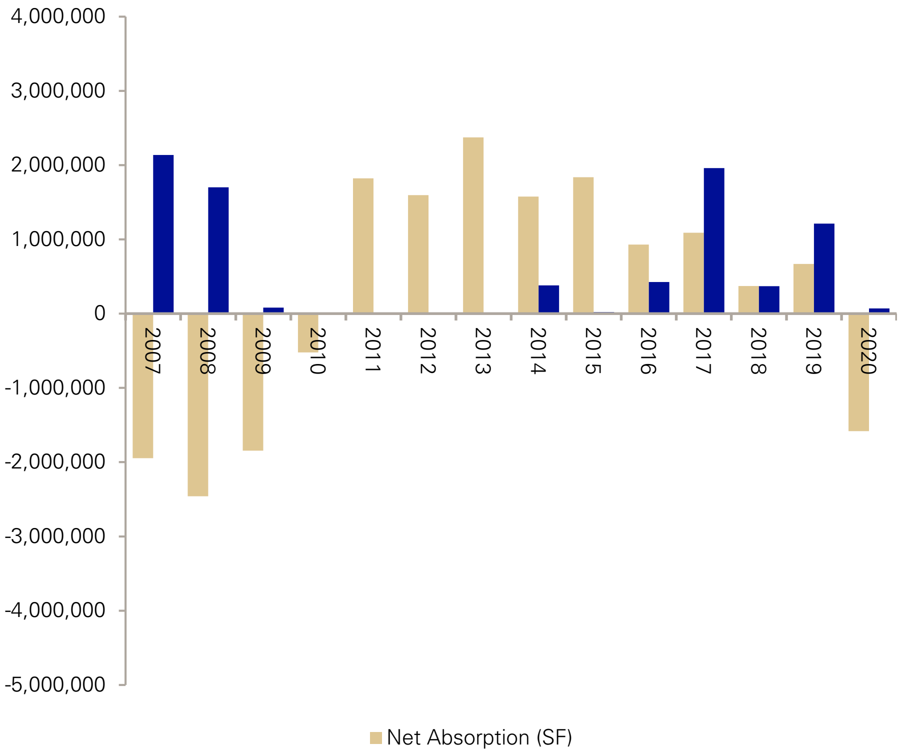
There was nearly 1.6 million square feet in net occupancy losses for the year.

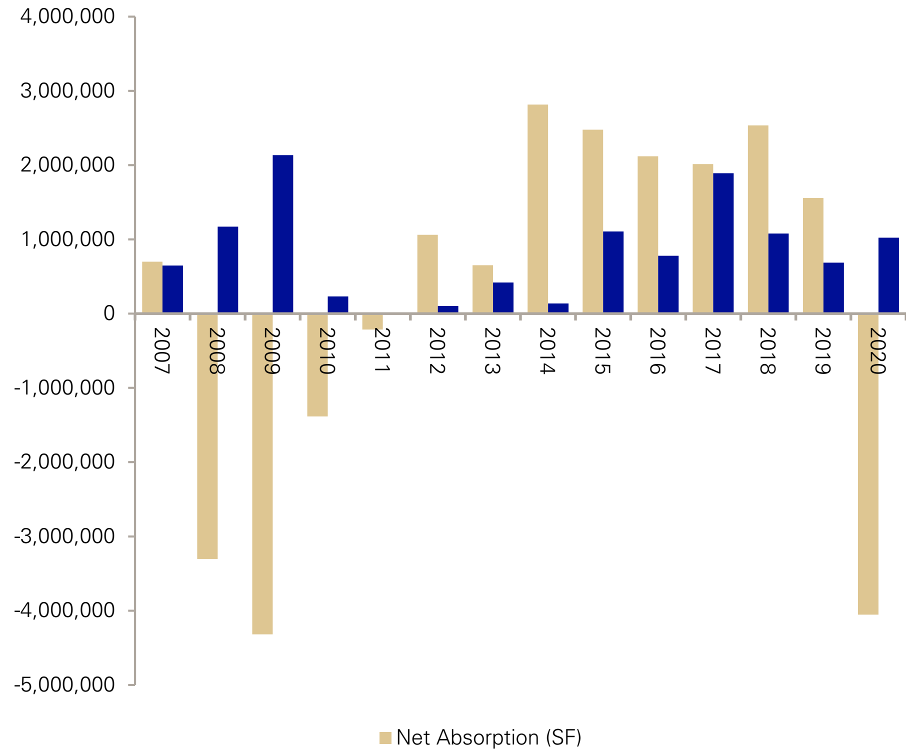
Construction volume remains high, with 1.3 million square feet underway across three developments. All will deliver next year, and, collectively, are 16.1% pre-leased.



LOS ANGELES

2020 ended with nearly 4.1 million square feet in net occupancy losses in Los Angeles.

Los Angeles has more than 4.1 million square feet under construction across thirty new buildings, representing 2.0% of existing inventory, double the 15-year average of 1.0%



Source: Newmark Research

Current Sublet Availability, by Submarket | Orange County

1,000+ SF Blocks

The majority of space in both the OC and LA markets has been listed by **tech** occupiers, which as an industry, is arguably better suited for the teleworking model than more traditional tenant profiles.

Orange County

Submarket	Sublet Available (SF)	# of Blocks	Sublet Available % of Total Market	# of Blocks % of Total Market
Airport Area	**1,834,748**	**189**	**61.4%**	**56.1%**
Central County	333,370	41	11.2%	12.2%
North County	234,809	22	7.9%	6.5%
South County	524,097	77	17.5%	22.8%
West County	60,698	8	2.0%	2.4%
Orange County	2,987,722	337	100%	100%

Los Angeles

Submarket	Sublet Available (SF)	# of Blocks	Sublet Available % of Total Market	# of Blocks % of Total Market
Downtown LA	1,252,699	135	15.8%	12.7%
Mid-Wilshire	40,355	9	0.5%	0.8%
LA North	816,845	136	10.3%	12.8%
Park Mile	11,937	4	0.2%	0.4%
San Gabriel Valley	153,871	35	1.9%	3.3%
South Bay	1,041,827	134	13.2%	12.6%
Tri-Cities	938,585	109	11.9%	10.2%
West LA	**3,660,039**	**504**	**46.2%**	**47.3%**
Los Angeles	7,916,158	1,066	100%	100%

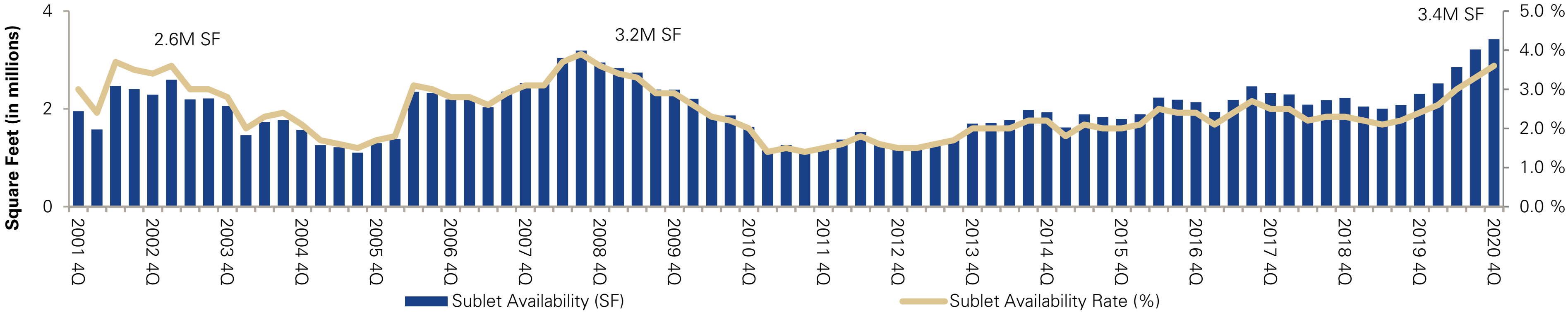
Source: Newmark Research

Historical Sublet Availability

All Size Segments

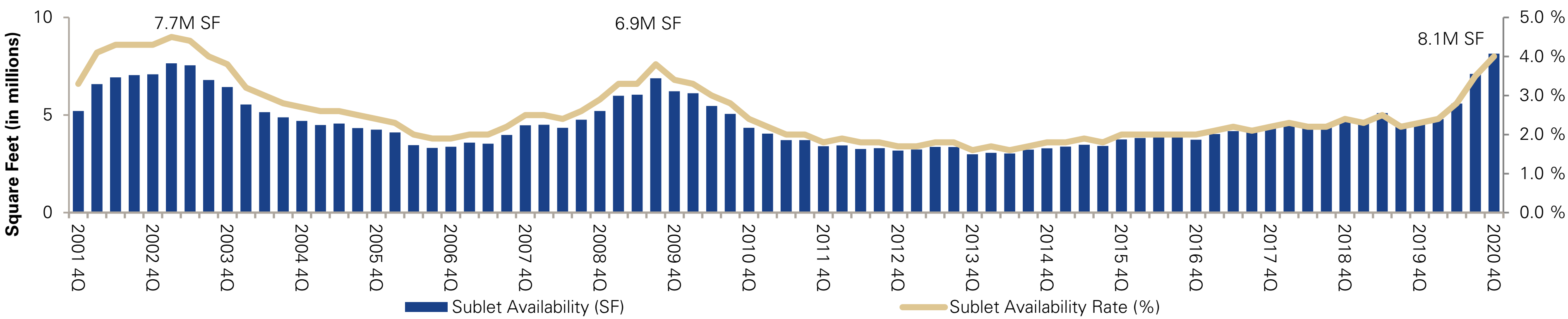
Orange County sublet availability is at a record high on a square footage basis, and occurred swiftly compared with past cycles. It took 7 quarters in the early-2000s recession to reach its peak (2.6M SF) and 6 quarters during the Great Recession (3.2M SF).

Sublet availability, expressed as a percentage of existing inventory, is currently 3.6%, still below the 2008 market high of 3.9%.



Los Angeles sublet availability is also at a record high on a square footage basis, and occurred just as swiftly as Orange County. 47% of sublet availability is in the West LA submarket despite it accounting for only 30% of existing office inventory.

As a percentage of existing inventory, current sublease availability at 4.0% is well below the 2003 high of 4.5%.

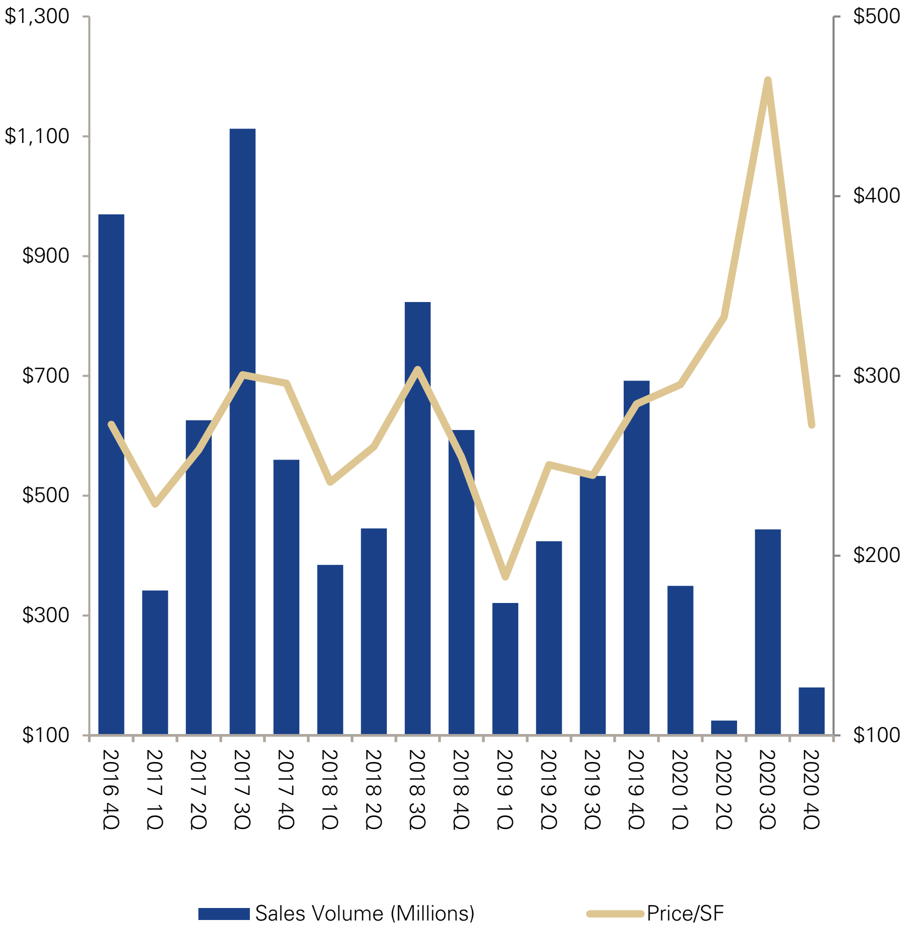


Source: Newmark Research

Sales Volume and Price/SF

Last 5 Years, Buildings 15,000 SF and Greater

ORANGE COUNTY



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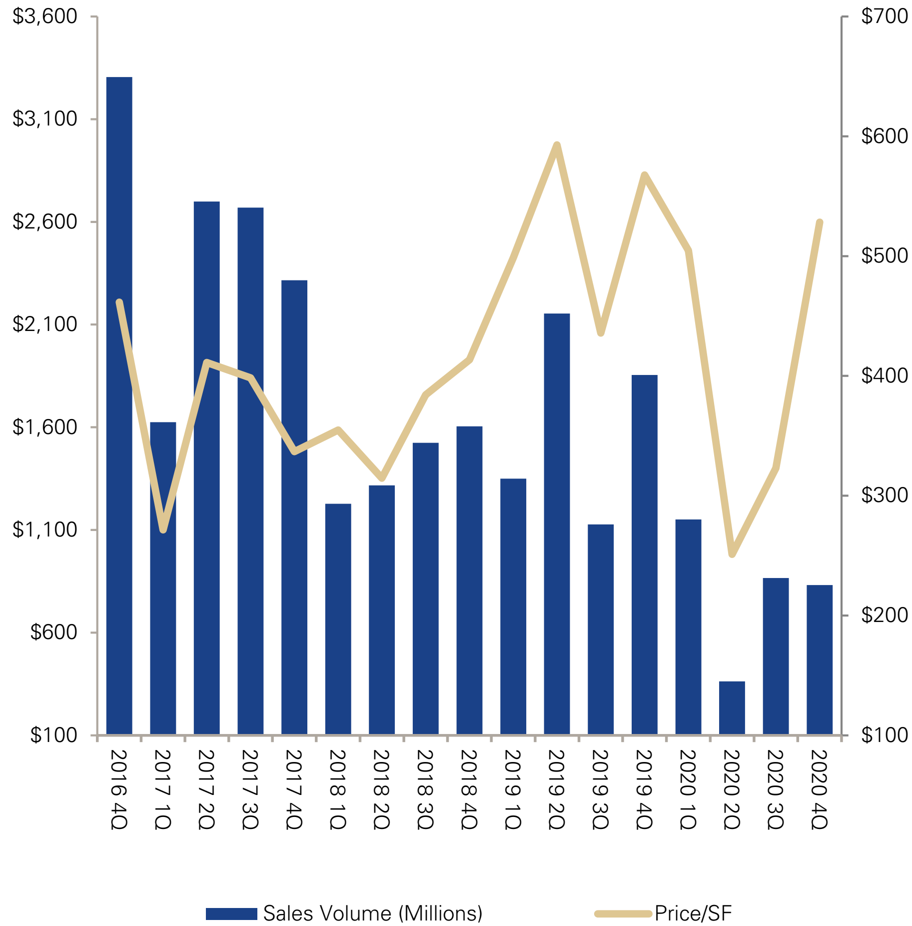


Source: Newmark Research

Sales Analysis by Building Size

Based on Office Building Sales from Jan. 2020 - Dec. 2020

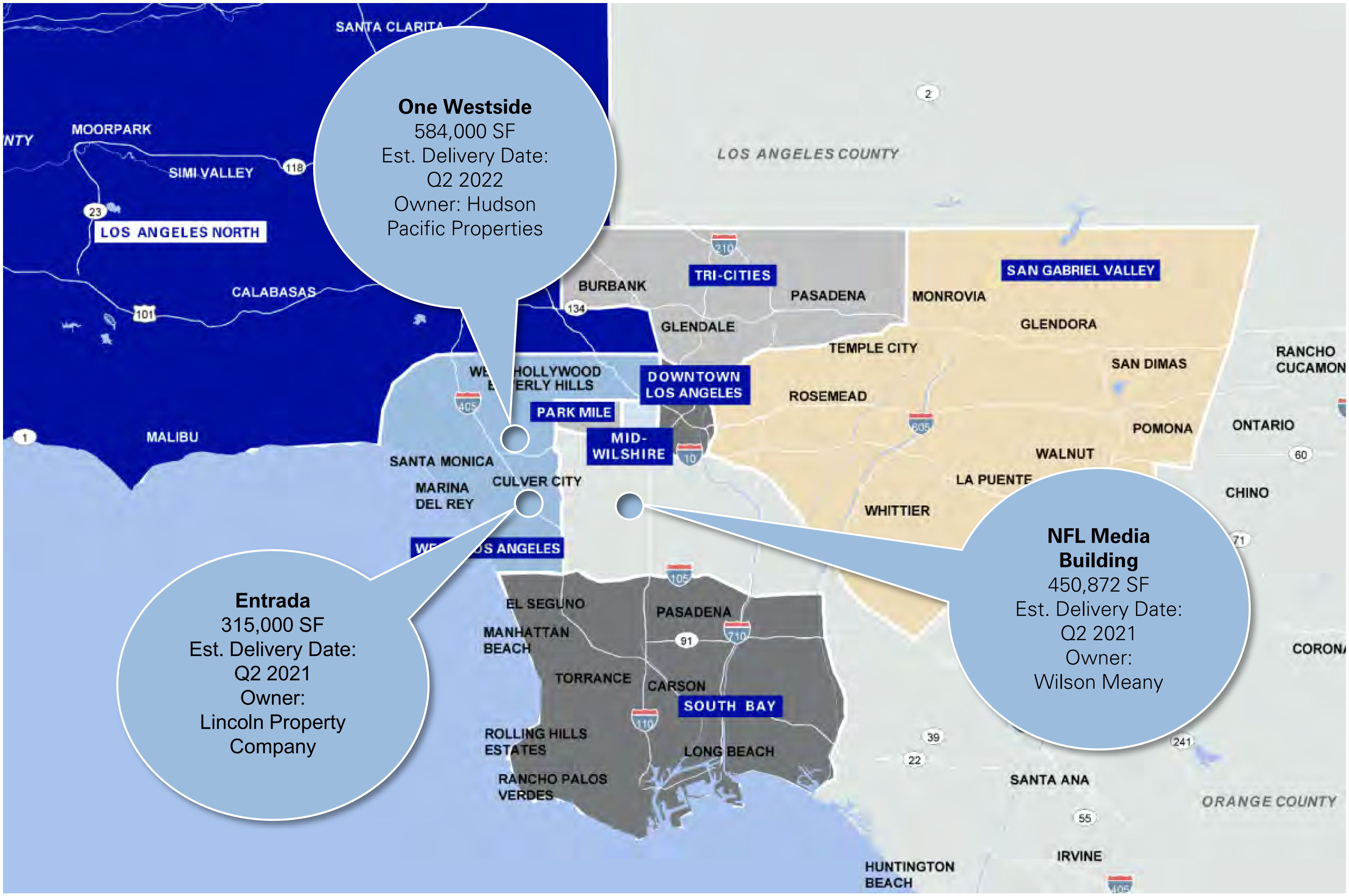
	ORANGE COUNTY				LOS ANGELES			
Building Size	#	RBA	$ Volume	Price/SF	#	RBA	$ Volume	Price/SF
< 50,000 SF	135	1,078,272	$309M	$300	366	2,987,806	$1.6B	$527
50K-249K SF	13	1,686,488	$482M	$286	27	2,655,455	$986M	$371
250K-499K SF	3	963,490	$254M	$264	7	2,233,362	$928M	$416
> 500K SF	1	660,893	$355M	$537	1	1,432,607	$430M	$300

Source: Newmark Research

Future Development | Orange County

Source: Newmark Research

Future Development | Los Angeles



Source: Newmark Research

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