

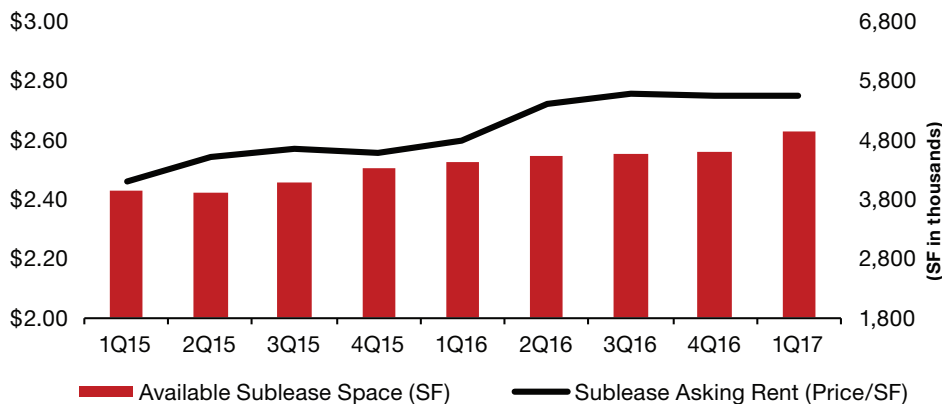
Los Angeles County

Office Market Trends 1Q 2017



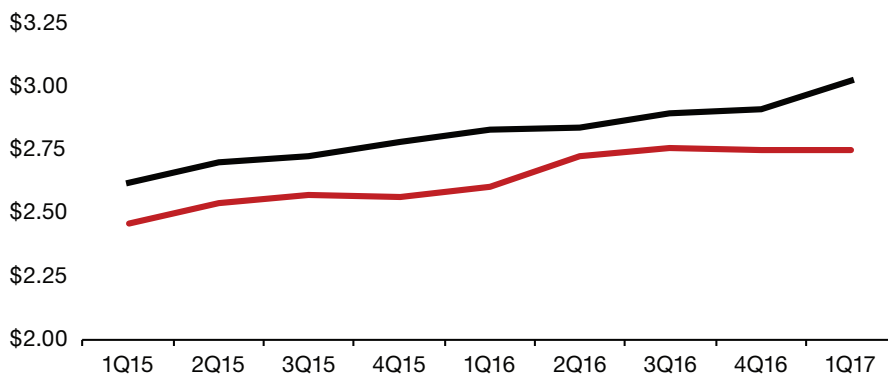
Mounting Sublease Space on the Market Holds Sublease Rents Steady

Sublease Asking Rent and Available Sublease Space



The total amount of available office space for sublease has increased in the first quarter of 2017. As of the first quarter, there were 4.9 million square feet of available sublease space on the market, an increase of 7.6% over the quarter and 11.5% over the prior year. The total inventory of available sublease space is increasing and is being absorbed at a lower rate. This quarter, 390,460 square feet were subleased, which is 22.1% less than a year ago.

Sublease Asking Rent and Direct Asking Rent



While the largest total of sublease space resides in West LA, sublease in the Tri-Cities submarket rose by 82.4% this quarter to over one million square feet. This is because in February, Nestlé USA, Inc. announced that it would be relocating its corporate headquarters from Glendale to Rosslyn, Virginia. Nestlé put nearly 380,000 square feet at 800 N Brand Boulevard on the market for sublease. Children’s Hospital Los Angeles, a tenant in the building, plans to take nearly 50,300 square feet of Nestlé’s space, but the majority remains available.

The average asking rent for sublease space was \$2.75/SF this quarter, up 5.8% from a year ago. Direct rents grew at a larger rate, 6.7% from last year, up 3.8% over the prior quarter. Sublease rents remained flat over the quarter – an indication that the mounting sublease space on the market is holding rents steady – trending lower as sublessors lower their rents in order to attract tenants.

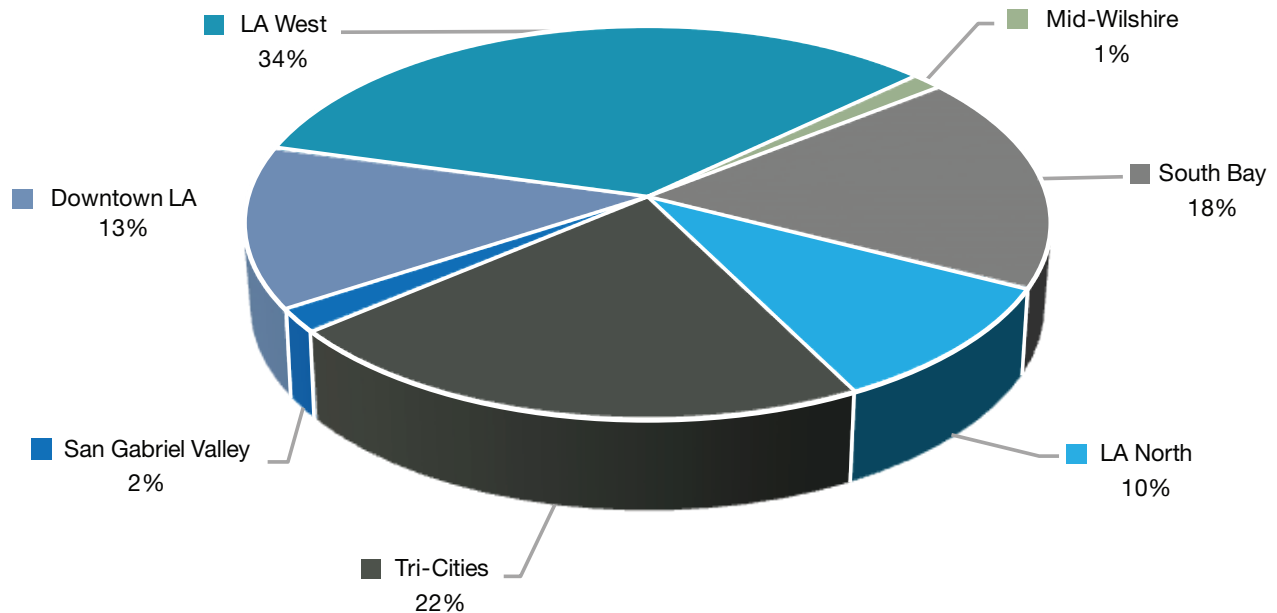
Market Statistics

Sublease	1Q17	4Q16	1Q16
Total Inventory Sublease (SF)	4,952,572	4,603,062	4,440,238
Sublease Asking Rent (Price/SF)	\$2.75	\$2.75	\$2.60
Direct Asking Rent (Price/SF)	\$3.02	\$2.91	\$2.83
Subleased Volume (SF)	390,460	387,080	501,190

Market Statistics

Market	Total Available Sublease SF	Quarterly Change	1Q 2017 Subleasing Volume	YTD 2017 Subleasing Volume	Sublease Asking Rent
Downtown LA	658,814	8.8%	26,462	26,462	\$2.29
Mid-Wilshire	70,964	12.2%	2,460	2,460	\$1.86
LA North	500,060	-6.4%	41,718	41,718	\$2.02
San Gabriel Valley	91,528	-32.2%	1,322	1,322	\$2.22
South Bay	885,240	-9.2%	53,647	53,647	\$2.30
Tri-Cities	1,065,821	82.4%	14,969	14,969	\$2.40
LA West	1,680,145	-4.1%	249,882	249,882	\$3.74
Los Angeles Total	4,952,572	7.6%	390,460	390,460	\$2.75

Percent of Available Sublease Space by Market



Source: NAI Capital Research Department, Costar

J.C. Casillas
Vice President
Research, Marketing, Communications
818.933.2433
jcasillas@naicapital.com

Forrest Blake
Vice President
310.850.2381
CA BRE Lic. #01054174
fblake@naicapital.com

NAI Capital
16001 Ventura Blvd.
Suite 200
Encino, CA 91436
www.naicapital.com