

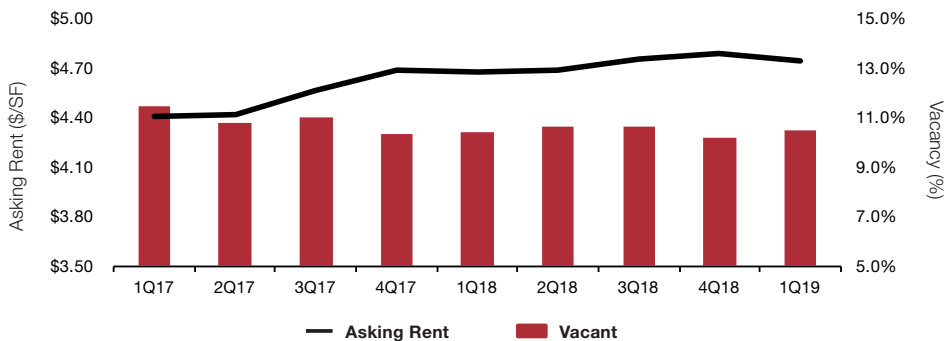
Silicon Beach

Office Market Trends 1Q 2019

Media & Tech Drive Demand For Office Space

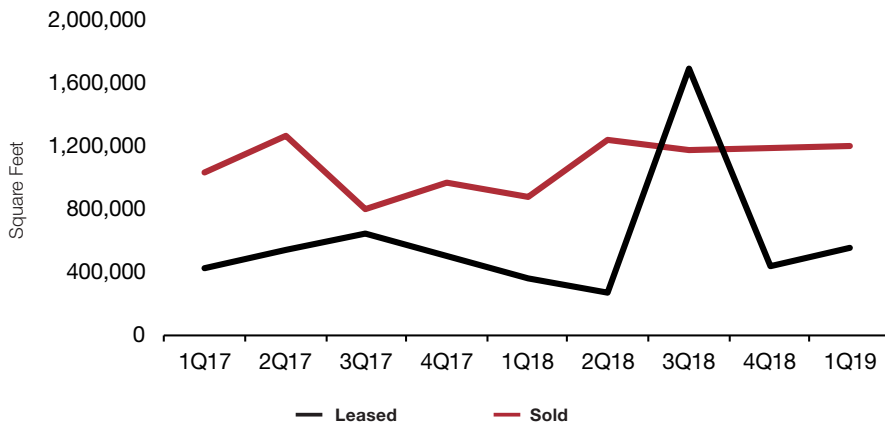
Leasing volume increases 37.7% over 1Q 2018

Asking Rent* and Vacancy



The average asking rent in the Silicon Beach office market dropped in 1Q 2019 after a record-setting 2018. Asking rents declined 1.0% to \$4.74 per square foot, down from the peak last quarter. Still, the average rent remains 1.5% above 2018 and is slightly down from the highest level on record. Over the previous quarter, the vacancy rate inched up 30 basis points to 10.5%.

Leasing and Sales Volume



Demand from tech and media companies drove significant leasing activity in the first quarter. Leasing volume increased 37.7% over 1Q 2018 to more than 1.2M square feet. Several companies leased large blocks of space during the quarter including Google, which took 584,000 square feet of the Westside Pavilion with plans to convert the former mall to a creative office campus called One Westside. HBO preleased 241,205 square feet at Ivy Station, a creative office building in Culver City scheduled to deliver in December 2019. Lastly, WeWork leased 112,000 square feet of creative office space at Lantana Campus in Santa Monica.

Looking ahead, Silicon Beach is expected to remain one of the hottest markets in Southern California. There was no construction added to the inventory this quarter. However, about 1.4M square feet of office space is expected to be completed within the next two years. Culver City, with more than half of the construction underway, is seeing a boom in demand for new space fueled by media and studio production companies.

In addition, there are more than 2.1M square feet of proposed construction projects in the pipeline. As the vacancy rate nears 10% or dips further along with rising rents, developers could gain the confidence to break ground on new projects.

Market Trends

Total Inventory (SF)	43,556,314		
	1Q19	4Q18	1Q18
Asking Rent* (\$/SF)	\$4.74	\$4.79	\$4.67
Vacancy Rate (%)	10.5%	10.2%	10.4%
Leased (SF)	1,205,417	1,194,810	875,342
Sold (SF)	551,964	432,155	365,585
Under Construction (SF)	1,465,369	1,235,161	1,254,856
Deliveries (SF)	0	0	152,084

Market Statistics*

Cities	Total Inventory (SF)	Under Const. (SF)	Total Available (%)	Total Vacant (%)	1Q19 Lease Vol. (SF)	YTD Lease Vol. (SF)	1Q19 Sales Vol. (SF)	YTD Sales Vol. (SF)	Direct Asking Rent \$/SF	Average Sales Price \$/SF
Culver City	7,228,375	751,561	16.6%	11.9%	512,924	512,924	115,023	115,023	\$4.48	\$744
Playa Vista	2,497,157	0	10.9%	18.6%	0	0	0	0	\$5.74	-
Santa Monica	16,057,221	176,059	11.1%	9.1%	318,529	318,529	372,355	372,355	\$5.40	\$1,122
Venice/Marina	5,197,766	227,201	18.5%	11.0%	155,409	155,409	19,659	19,659	\$4.50	\$747
West LA	12,575,795	310,548	15.2%	9.7%	218,555	218,555	44,927	44,927	\$4.34	\$822
Silicon Beach	43,556,314	1,465,369	14.1%	10.5%	1,205,417	1,205,417	551,964	551,964	\$4.74	\$1,084

Select Lease Transactions

Tenant	Address	Square Feet
Google, Inc.	10730-10900 W Pico Blvd, Los Angeles	584,000
HBO	8830-8840 National Blvd, Culver City	241,205
WeWork	3000 W Olympic Blvd, Santa Monica	112,000

Select Sales Transactions

Buyer	Seller	Address	Square Feet	Sale Price (\$/SF)
Skydance Productions, LLC	Artisan Realty Advisors	2900-3000 W Olympic Blvd, Santa Monica	278,687	\$1,152
Alexandria Real Estate Equities, Inc.	The Swig Company	6100-6160 Bristol Pkwy, Culver City	75,418	\$519
Rockwood Capital, LLC	Sorgente Group of America	225 Santa Monica Blvd, Santa Monica	54,470	\$1,064

J.C. Casillas

Vice President
 Research, Marketing and Communications
 (818) 933-2433
 jcasillas@naicapital.com

NAI Capital

15821 Ventura Blvd.
 Suite 320
 Encino, CA 91436
www.naicapital.com