



# Downtown Los Angeles office market report

Q4 2022

**AVISON  
YOUNG**

# Downtown Los Angeles Key office takeaways



## Recovery rate

- **Return-to-work strategies** are quickly becoming the norm as some of the largest employers announcing that employees are required to be in the office at least 4 days a week (e.g. JPMorgan and Disney).
- Touring and leasing activity have remained strong **as companies are working to adjust** their office space square footage requirements to accommodate ever-changing hybrid work schedules.



## Office supply

- Vacancy in Greater DTLA's 46 msf registered at **27.8% at the end of the fourth quarter**, up 2.0% from the year prior.
- Within the approximate **30 msf Central Business District**, vacancies registered at **25.7%**, up 1.4% from the year prior.
- There were **no new additions** to buildings under construction in the 4<sup>th</sup> quarter. The 295k SF of current buildings under construction are located in the Arts District and Chinatown.



## Office demand

- **Leasing activity finished the year strong, up nearly 28% when compared to 2021's total**, a sign that office demand is recovering.
- Although absorption levels have remained negative for the last 3 years, they have slightly improved from the negative 523k SF posted in 2021 to **negative 405k SF by the end of 2022**.
- Musick Peeler accounted for the largest lease at 333 South Hope Street in the quarter with **53k SF leased in Bunker Hill**. The largest office lease for all of 2022 was Forever 21's 162k SF lease at Cal Mart in the Fashion District.

# Downtown Los Angeles Key office takeaways



## Rental Rate trends

- Office rental rates have **decreased** slightly, at \$46.05 psf full services gross (as compared to \$46.32 at year-end 2021).
- Concession packages have remained relatively **constant** year-over-year with average tenant improvement allowances of ~\$127/RSF and free rent of 12 months on 10+ year deals for Class A & Trophy buildings.



## Capital markets

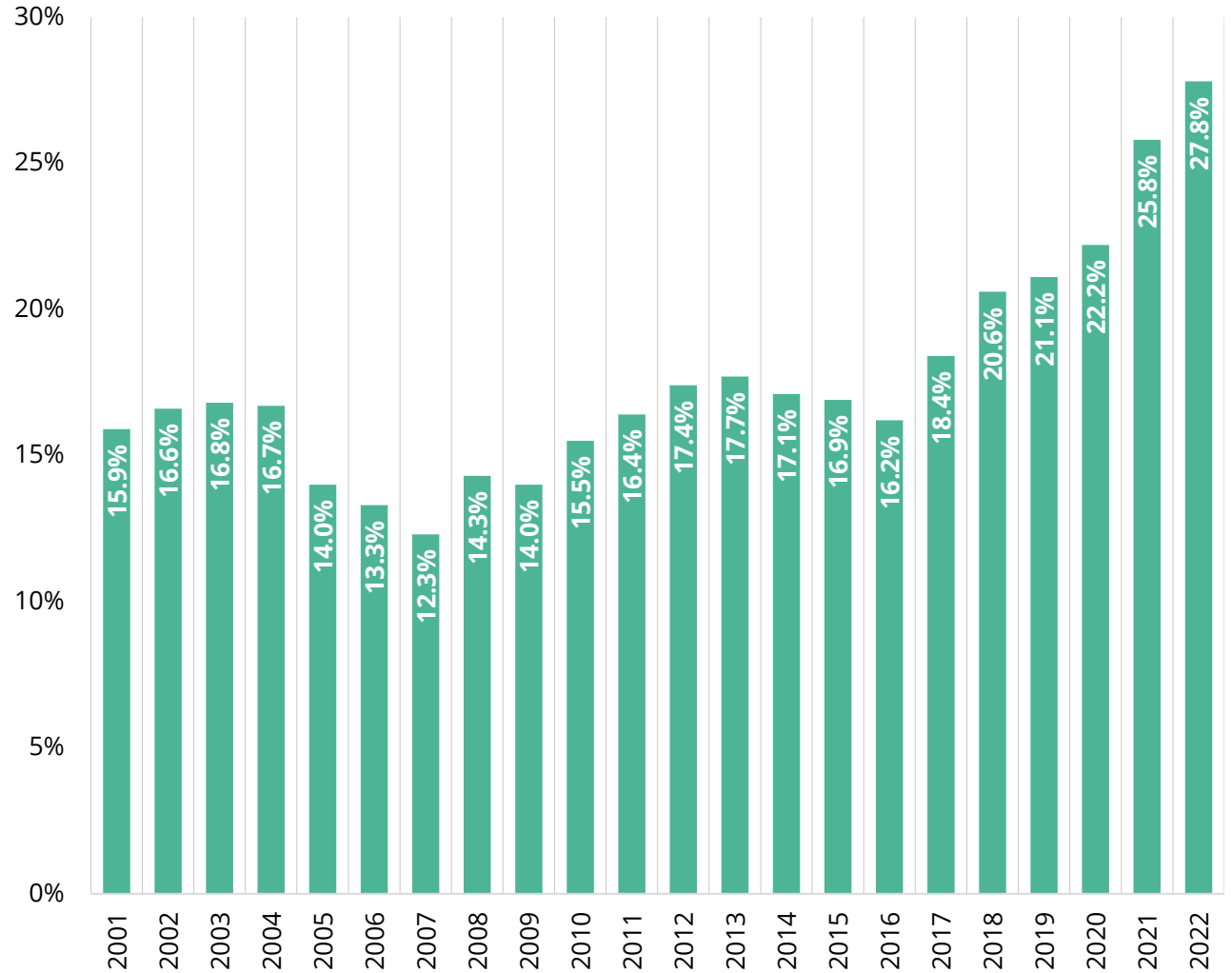
- Due to higher interest rates and institutional investor/lender pessimism towards office as a product type, there were **no completed sales transactions** in the 4<sup>th</sup> quarter or – during all of- 2022.
- There are a number of **institutional office properties** that are current on the market to sell, including the recent additions of 707 Wilshire and PacMutual, in the 4<sup>th</sup> quarter.

# Downtown Los Angeles office overall vacancy rate

# 27.8%

DTLA total vacancies increased to 27.8% in 2022 due to net negative absorption and a substantial increase in office supply (e.g. the completion of the 1.1 MSF Cal Mart).

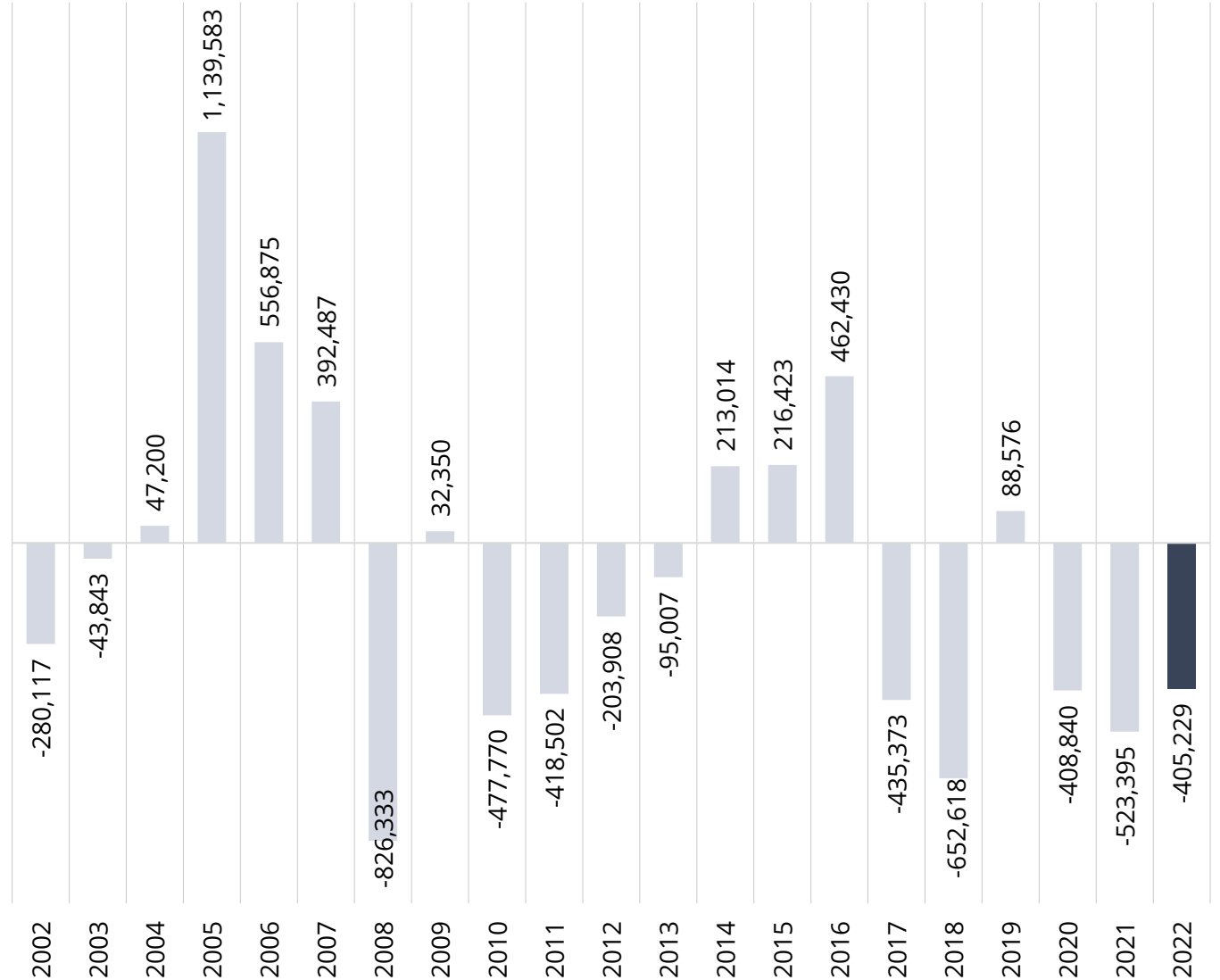
Overall Vacancy



# Downtown Los Angeles Q4 office net absorption

# -17,957 sf

4Q 2022 displayed signs of recovery, with 17,957 SF of net negative absorption. 2022 reported a net negative absorption of 405,229 SF for DTLA, a slight improvement from 2021.

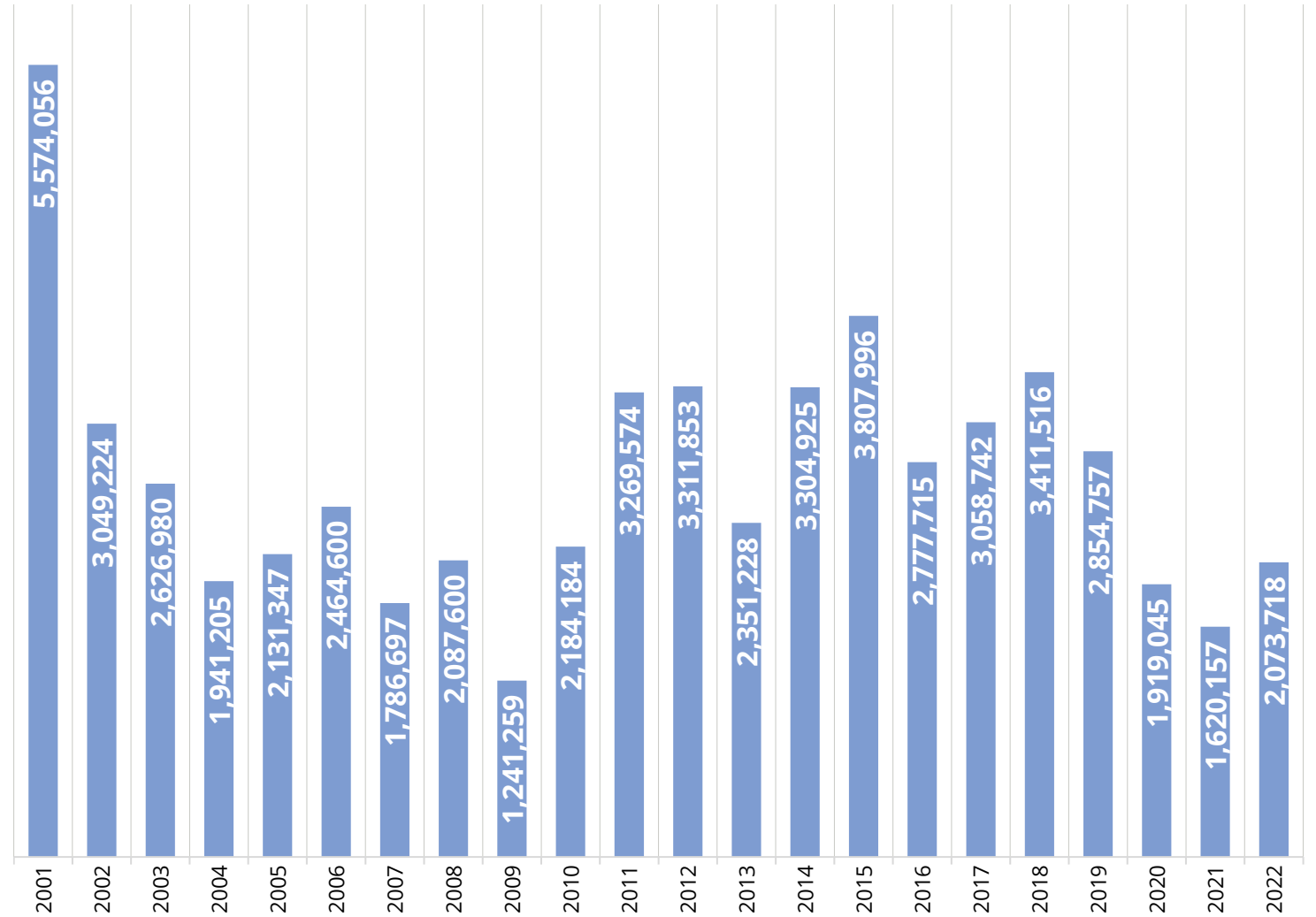


# Downtown Los Angeles office leasing activity

## 2,073,718 sf

Leasing activity in 2022 is up nearly 28% when compared to 2021's total for the year, a sign that there is vibrant and improving leasing activity.

Avg. leasing activity (sf)

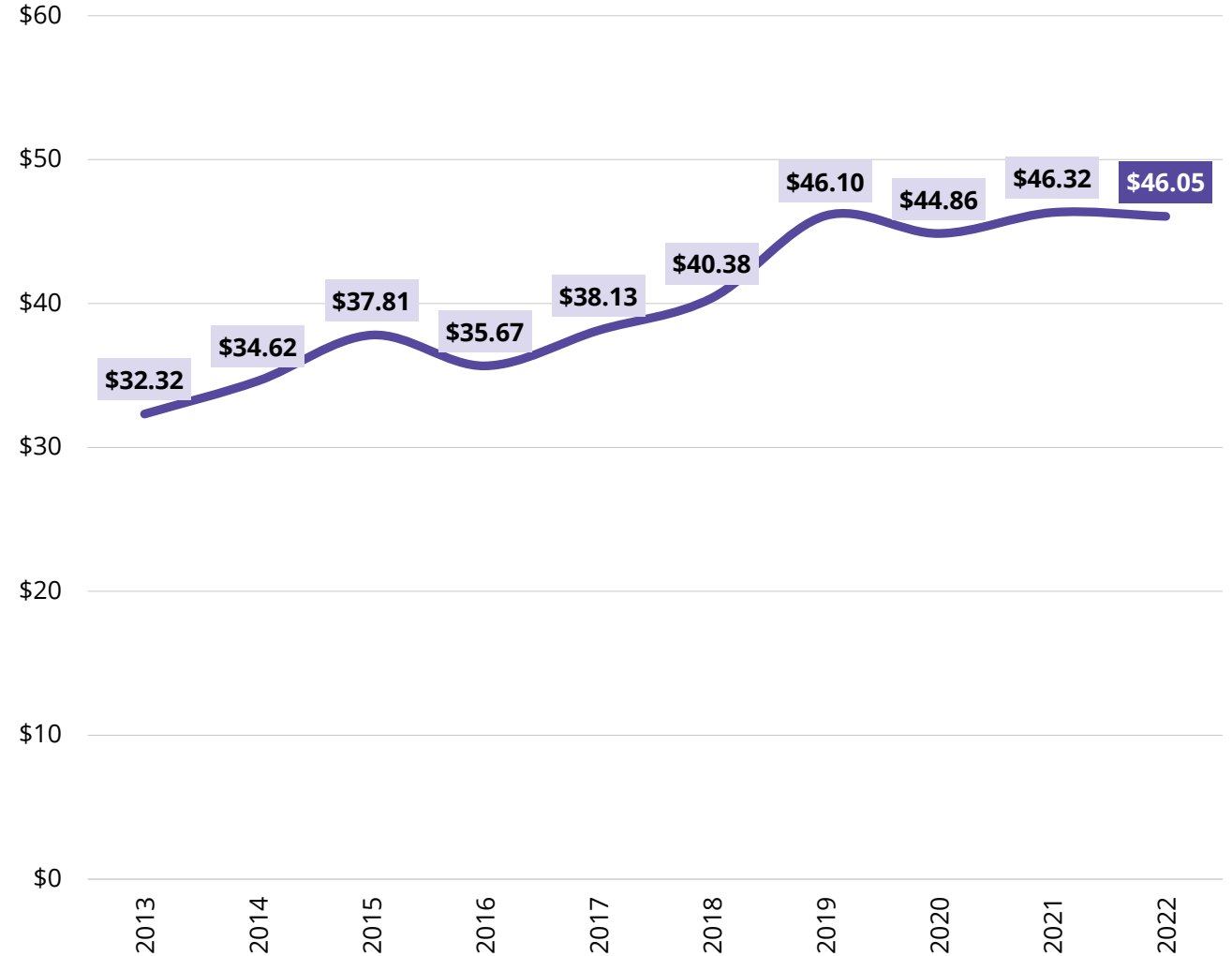


# Downtown Los Angeles office rental rates

# \$46.05 psf

Office rents have continued to hold relatively steady through the end of 2022.

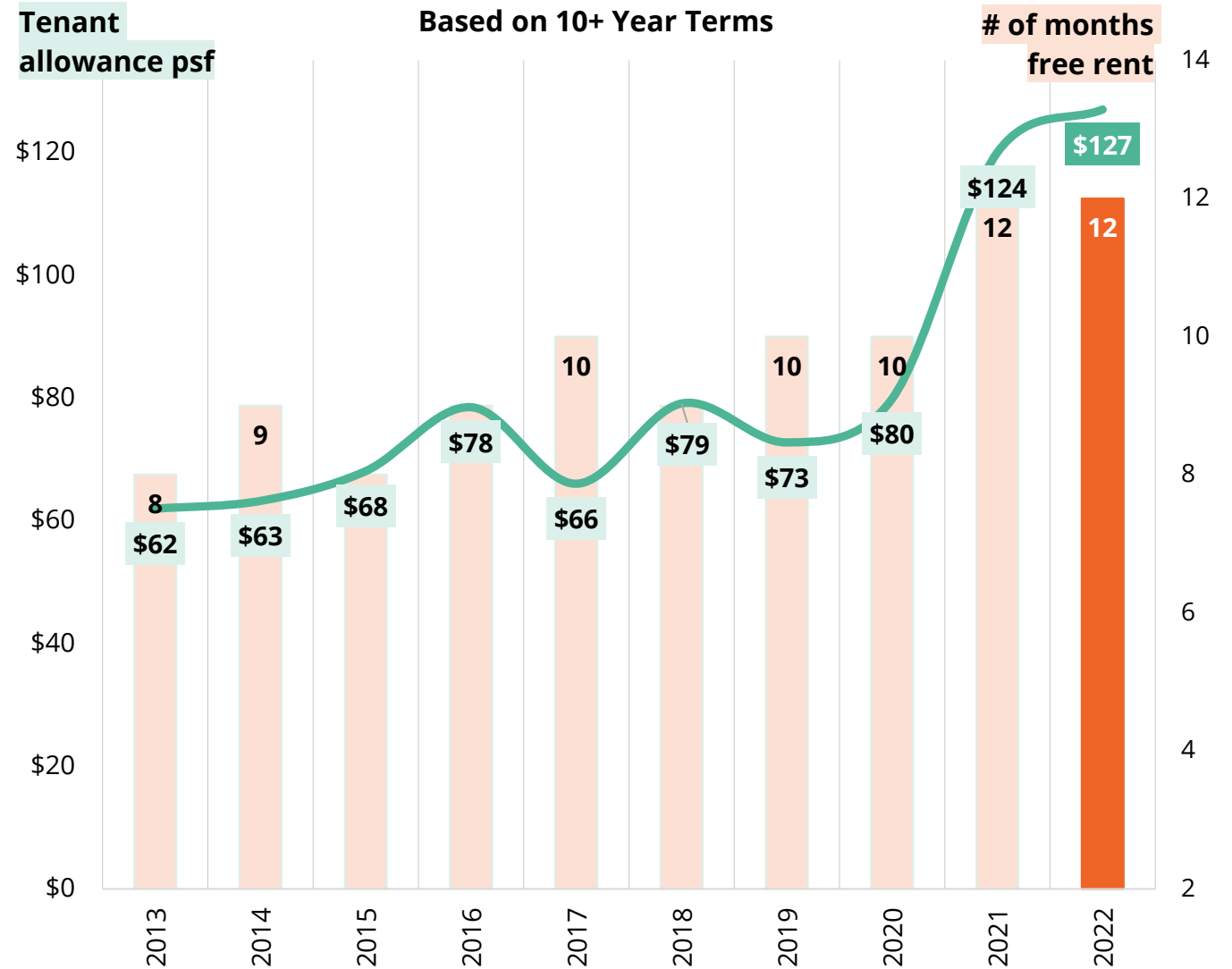
Base rent FS psf



# Increase in Downtown Los Angeles tenant concessions

# 5.8%

The post-COVID increases in T.I. and free rent concession packages have begun to moderate considerably.





# Downtown Los Angeles office market stats

| Submarket          | Existing Inventory (SF) | Direct Vacancy % | Sublet Vacancy % | Total Vacancy % | Q4 2022 Net Absorption (SF) | YTD 2022 Net Absorption (SF) | YTD 2022 Deliveries (SF) | Under Construction (SF) | Weighted Class A Avg Asking Lease Rate FS |
|--------------------|-------------------------|------------------|------------------|-----------------|-----------------------------|------------------------------|--------------------------|-------------------------|---|
| Bunker Hill        | 10,119,716              | 23.9%            | 1.4%             | 25.3%           | 22,117                      | (365,627)                    | 0                        | 0                       | \$48.41                                   |
| Financial District | 19,836,439              | 24.7%            | 1.5%             | 26.2%           | (42,706)                    | (281,257)                    | 0                        | 0                       | \$45.06                                   |
| <b>CBD</b>         | <b>29,956,155</b>       | <b>24.3%</b>     | <b>1.4%</b>      | <b>25.7%</b>    | <b>(20,589)</b>             | <b>(646,884)</b>             | <b>0</b>                 | <b>0</b>                | <b>\$46.11</b>                            |
| South Park         | 2,921,867               | 25.1%            | 1.3%             | 26.4%           | 13,882                      | (53,565)                     | 0                        | 0                       | \$39.35                                   |
| Historic Core      | 4,047,473               | 35.1%            | 1.4%             | 36.5%           | (19,412)                    | 116,743                      | 138,000                  | -                       | \$47.79                                   |
| Arts District      | 2,530,787               | 36.8%            | 6.7%             | 43.5%           | 18,065                      | (117,990)                    | 109,139                  | 168,100                 | \$60.53                                   |
| Little Tokyo       | 415,435                 | 12.5%            | 8.9%             | 21.4%           | (15,008)                    | 46,420                       | -                        | -                       | \$40.80                                   |
| Chinatown          | 215,721                 | 25.0%            | 0.0              | 25.0%           | 4,306                       | 25,070                       | -                        | 127,000                 | \$42.50                                   |
| Fashion District   | 3,530,533               | 34.3%            | 1.1%             | 35.4%           | (10,969)                    | 299,945                      | -                        | -                       | \$54.12                                   |
| Central City West  | 2,361,682               | 19.6%            | 1.5%             | 21.1%           | 11,768                      | (74,968)                     | -                        | -                       | \$33.21                                   |
| <b>DTLA</b>        | <b>45,979,653</b>       | <b>25.6%</b>     | <b>2.2%</b>      | <b>27.8%</b>    | <b>(17,957)</b>             | <b>(405,229)</b>             | <b>247,139</b>           | <b>295,100</b>          | <b>\$46.05</b>                            |

# Downtown Los Angeles office construction pipeline

**3 properties**

under construction

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**295K sf**

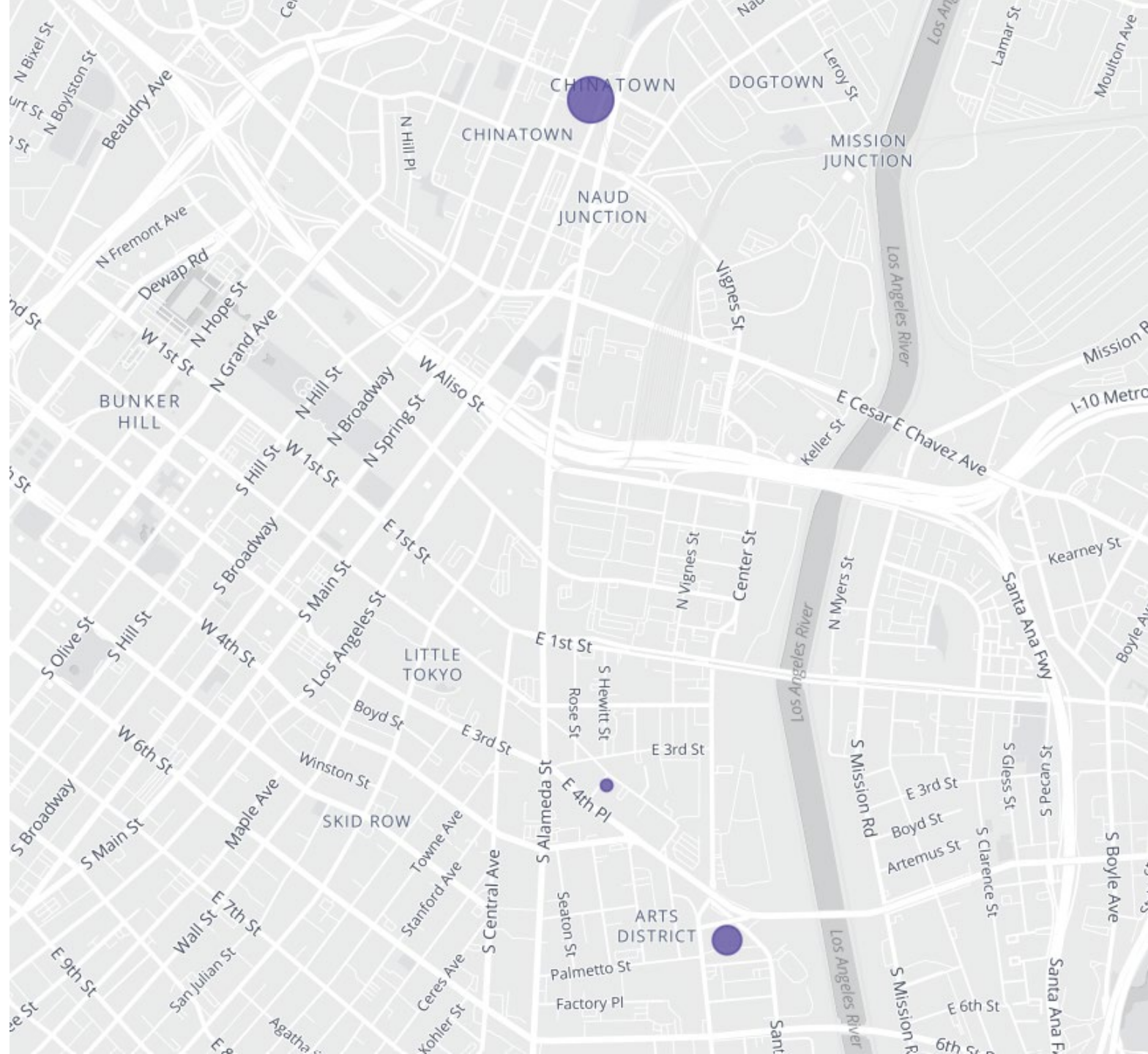
under construction

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**0.64%**

share of office inventory

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# Downtown Los Angeles office market activity

## 2022 Q4 leasing activity

| Tenant                            | Type                 | Address                  | Submarket          | RSF    |
|-----------------------------------|----------------------|--------------------------|--------------------|--------|
| Musick Peeler                     | New Deal             | 333 S Hope St            | Bunker Hill        | 52,966 |
| Larson LLP                        | Expansion/Extension  | 555 S Flower             | Financial District | 26,386 |
| Lincoln International             | Expansion/Extension  | 633 W 5 <sup>th</sup> St | Bunker Hill        | 27,117 |
| McKinsey & Company                | New Deal             | 633 5 <sup>th</sup> St   | Bunker Hill        | 19,208 |
| Ivie McNeil Wyatt Purcell & Diggs | Extension/Relocation | 444 S Flower             | Financial District | 12,848 |

## 2022 Q4 sales activity

| Property                 | Rsf       | Submarket          | Seller                 | Status         |
|--------------------------|-----------|--------------------|------------------------|----------------|
| 707 Wilshire Blvd        | 1,207,589 | Financial District | Shorenstine Properties | Marketing      |
| 601 S Figueroa St        | 1,151,488 | Financial District | Brookfield Properties  | Marketing      |
| 445 S Figueroa St        | 701,888   | Financial District | Waterbridge Capital    | Under Contract |
| 523 W 6 <sup>th</sup> St | 464,200   | Financial District | Ivanhoe Cambridge      | Marketing      |
| 433 S Spring St          | 334,366   | Historic Core      | Rising Realty Partners | Marketing      |
| 801 S Grand              | 215,097   | Financial District | CIM Group              | Marketing      |

For more market insights  
and information visit  
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