



Los Angeles office market report

Q4 2023

**AVISON
YOUNG**

Los Angeles office market trends

\$10B

CMBS debt set to mature in the next 3 years

Landlords will be forced to make decisions with over \$10B of CMBS debt maturing in the next 36 months.

Shorenstein Properties had the largest transaction of the quarter with the decision to sell their 62-floor Aon Center to Carolwood LP.

The building sold at \$133/SF, nearly a 45% discount from the building's prior sale.

We can expect increased investment activity throughout Los Angeles as more loans approach maturity and owners make their decisions to either refinance or sell their assets.

\$42.97

Rental rates remain stable

The Los Angeles office market remained in the red as the office sector continues to struggle.

Occupiers continue to make decisions on office utilization which has resulted in many shutting their doors or decreasing office space.

Average asking rates have remained relatively stable, pulling back to \$42.97/SF in the fourth quarter. Many landlords continue to offer generous concession packages in lieu of decreasing rental rates.

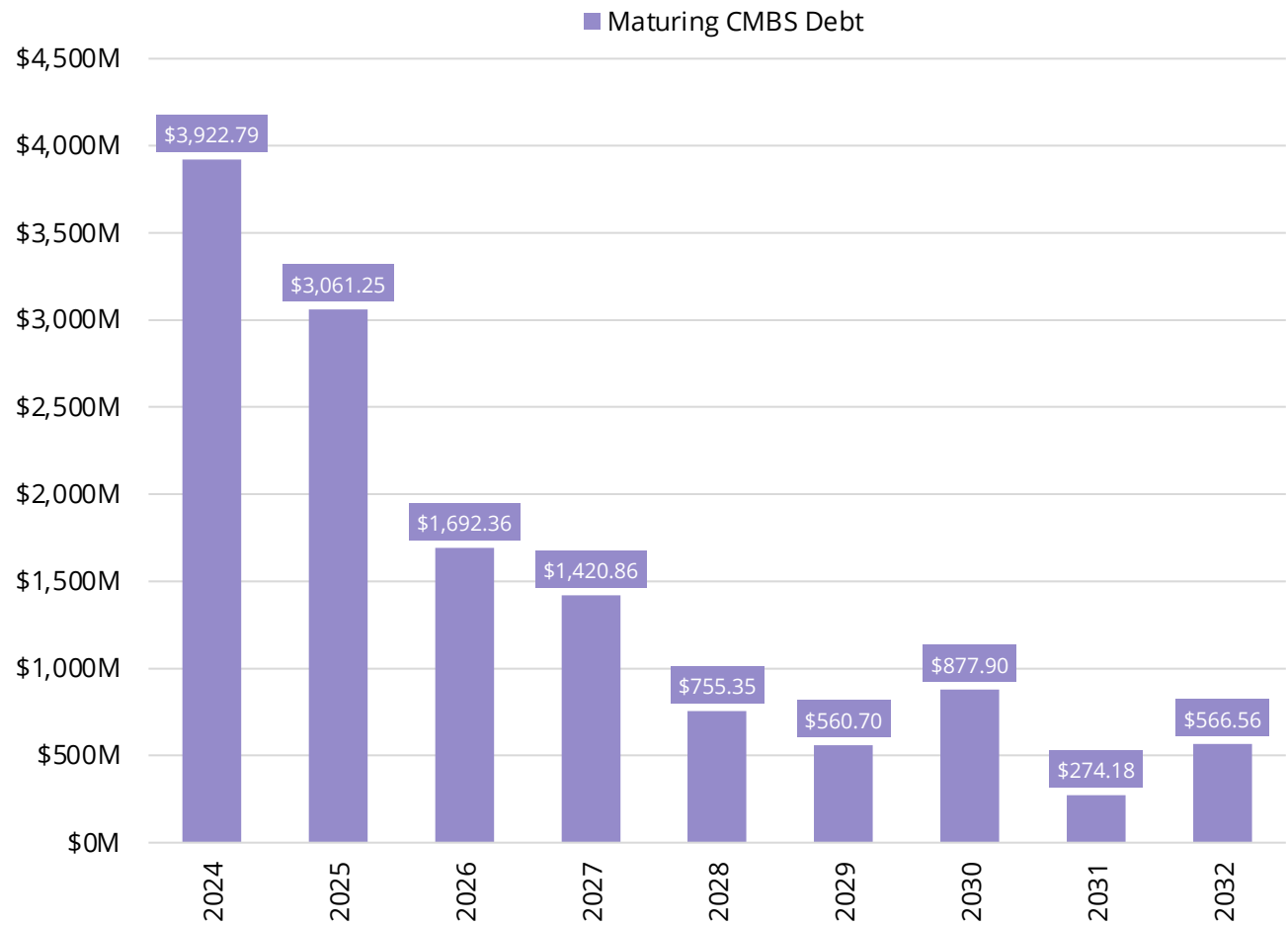
910 deals

Leasing activities continue to decline

The fourth quarter experienced 910 deals equating to 2.9 msf leased. This is down 20.3% from the beginning of the year where there were 1,142 deals that transacted. On a positive note, sublet deals increased to 64 deals in the fourth quarter, up 23.1% from the prior quarter.

There were two leases over 100K sf square feet that transacted in the fourth quarter, with LA County leasing 175K sf in South Bay and Sheppard Mullin leasing 119K sf in DTLA.

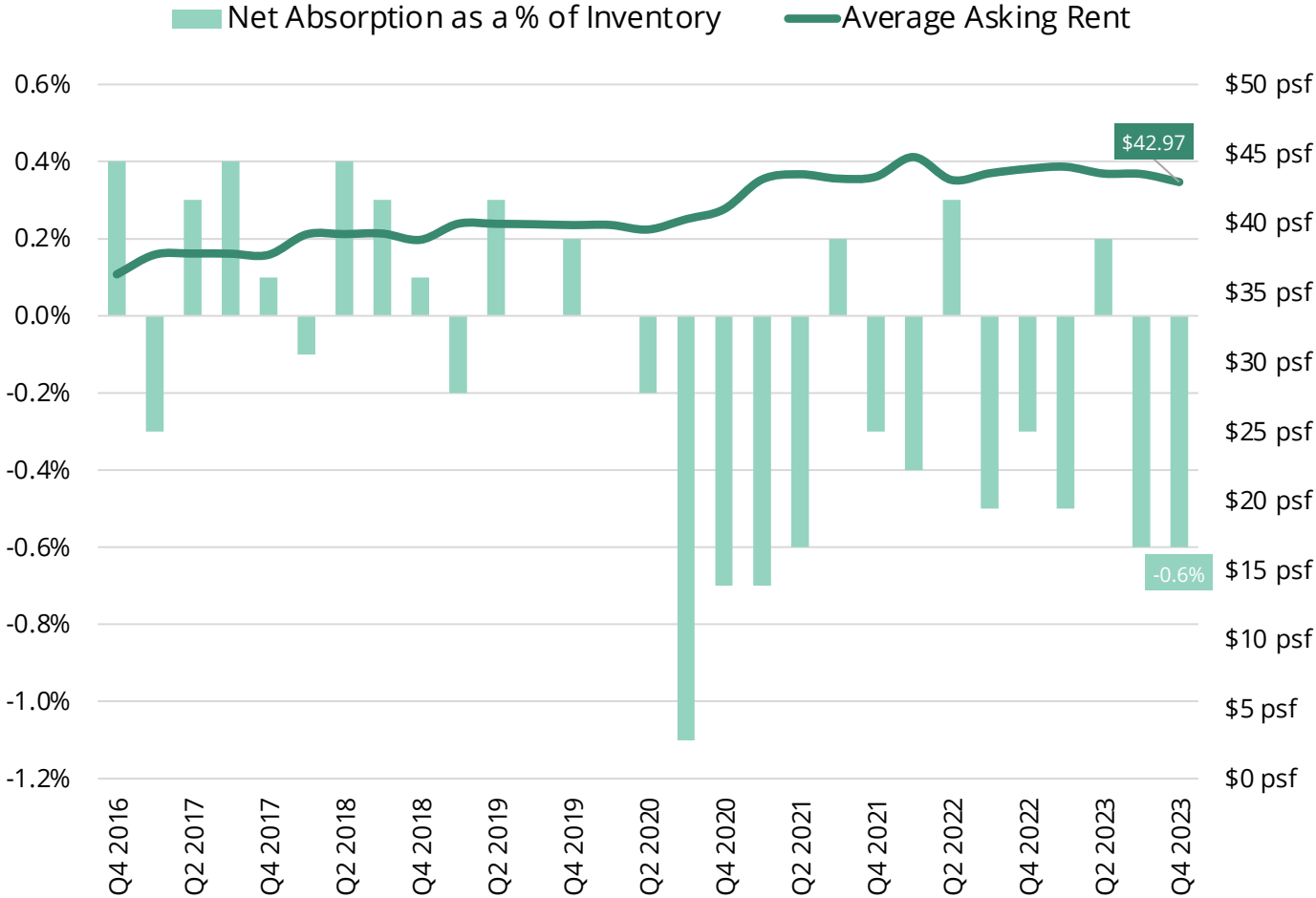
Maturing CMBS Debt



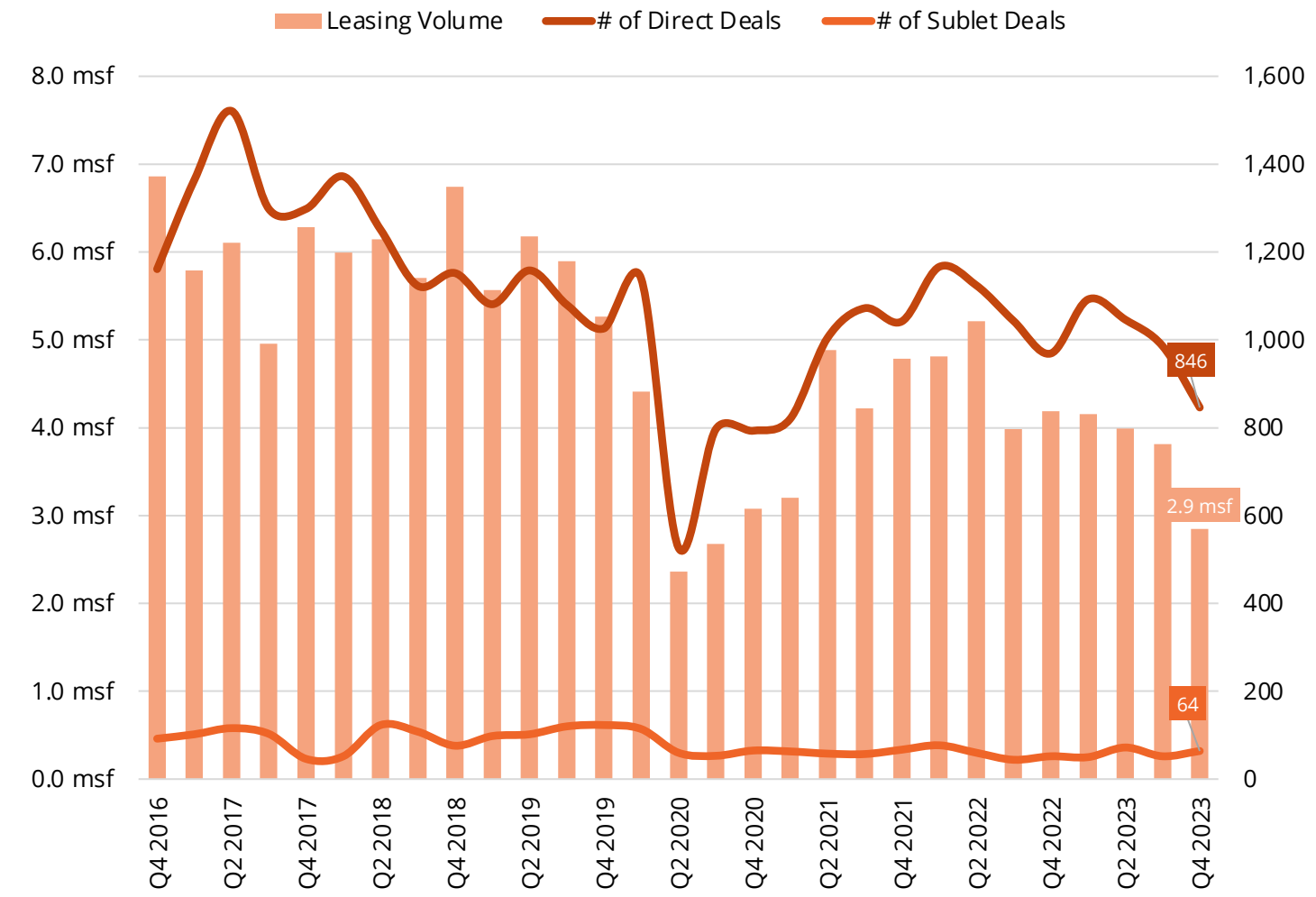
Over the next 3 years there will be over \$10.0 billion dollars set to mature. Owners will need to make quick decisions on the future of their assets.

Absorption

Landlords offer concessions in lieu of decreasing rents in certain submarkets. Average asking rates pull back slightly to \$42.97/SF in the fourth quarter.

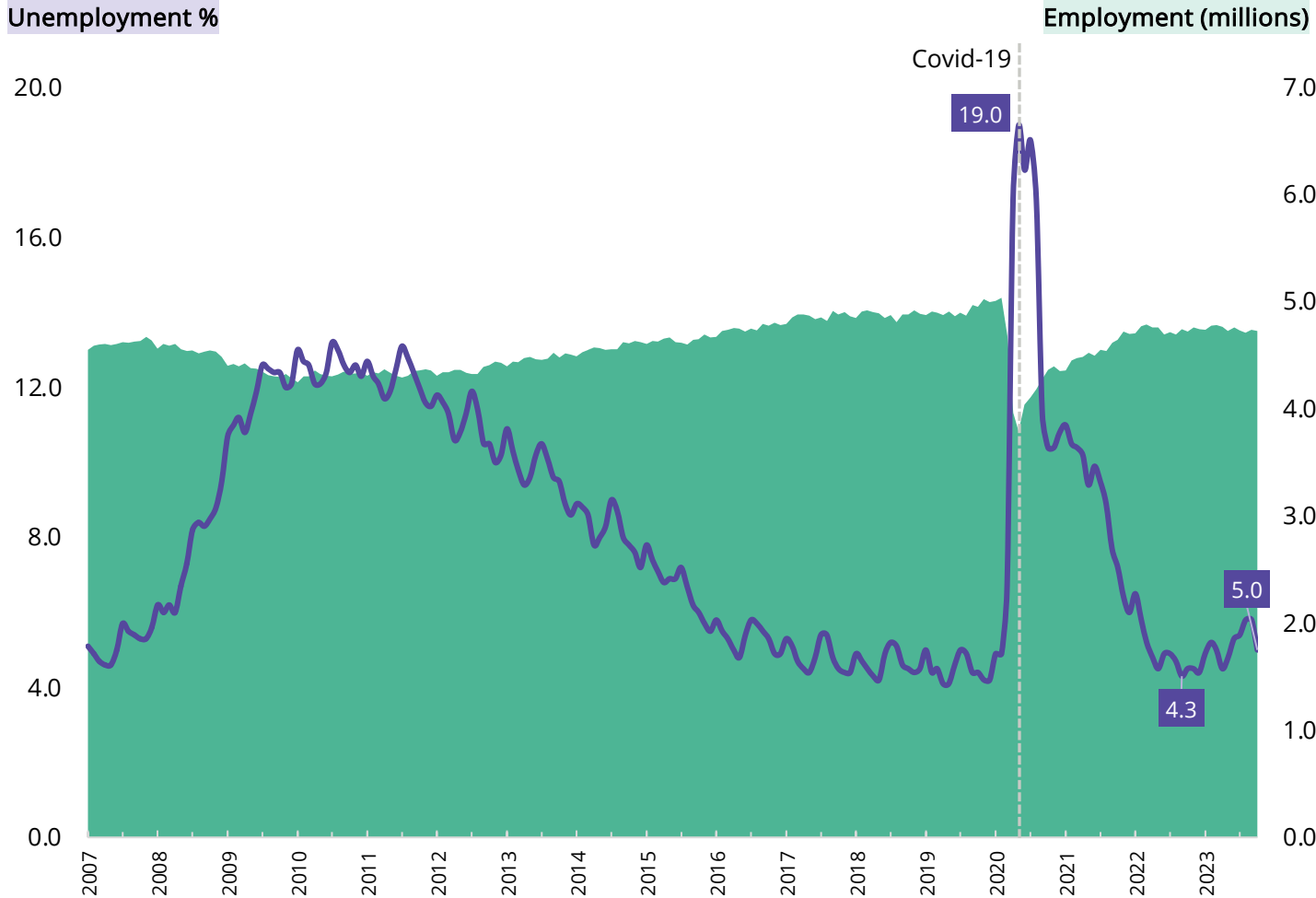


Leasing activities



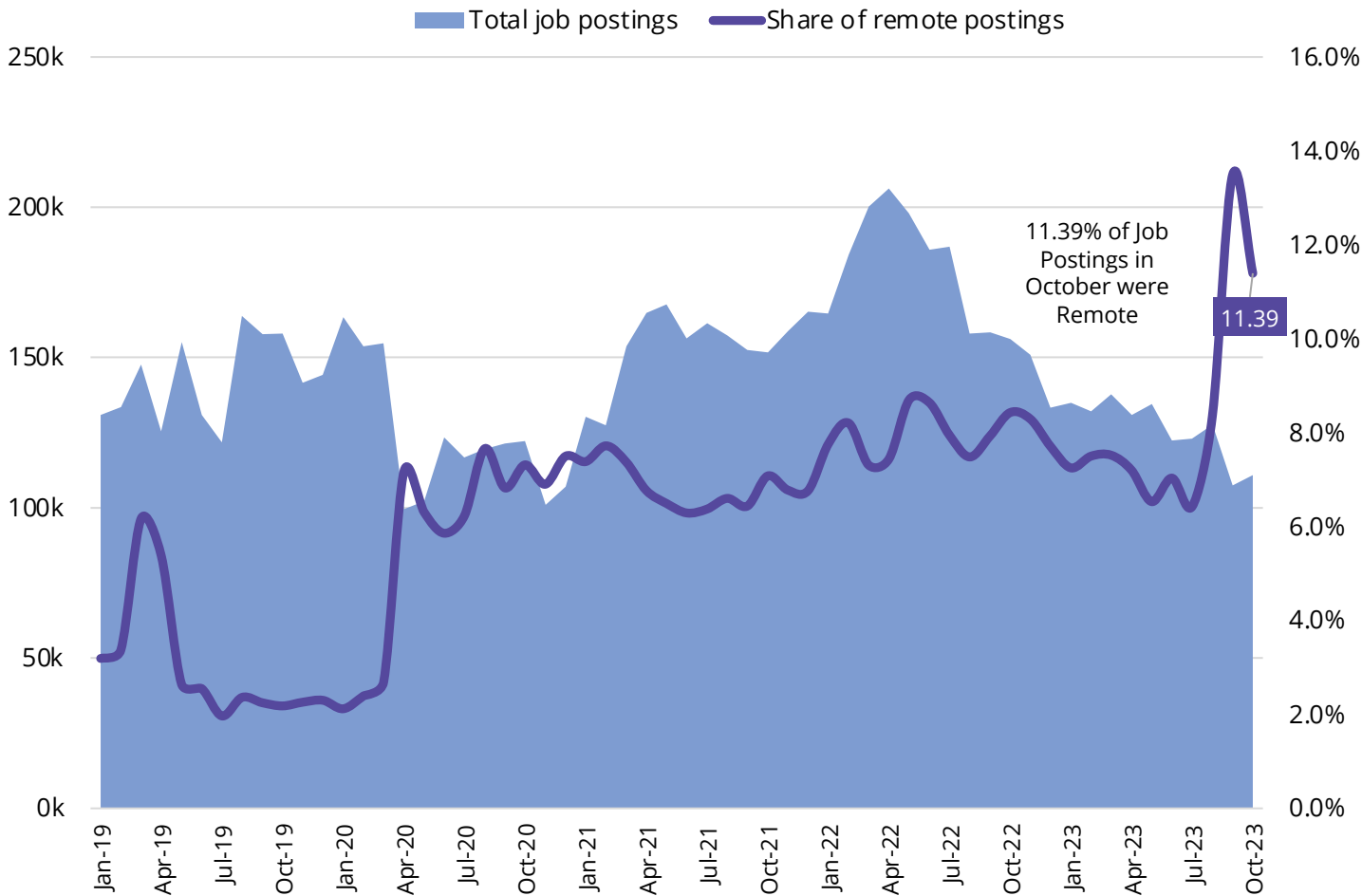
Leasing activities continued to cooldown with 910 deals, down 12.3% from the prior quarter. Two leases were signed over 100K SF.

Unemployment rate and employment



Los Angeles's unemployment rate sits at 5.0%, 70 bps higher than September 2022, where the market reached a post pandemic low of 4.3%.

Office Job Postings



The decline in office-using job postings suggests that either positions have been filled or are no longer needed due to cost-cutting initiatives or right-sizing efforts. More than 10% of job listings are remote only, compared to just 6% of postings in July of 2023.

Note: Total job postings includes remote and non-remote jobs
Source: AVANT by Avison Young, Lightcast
Note: remote postings defined as fully remote

Los Angeles office development pipeline

24 properties

under construction

2.3 msf

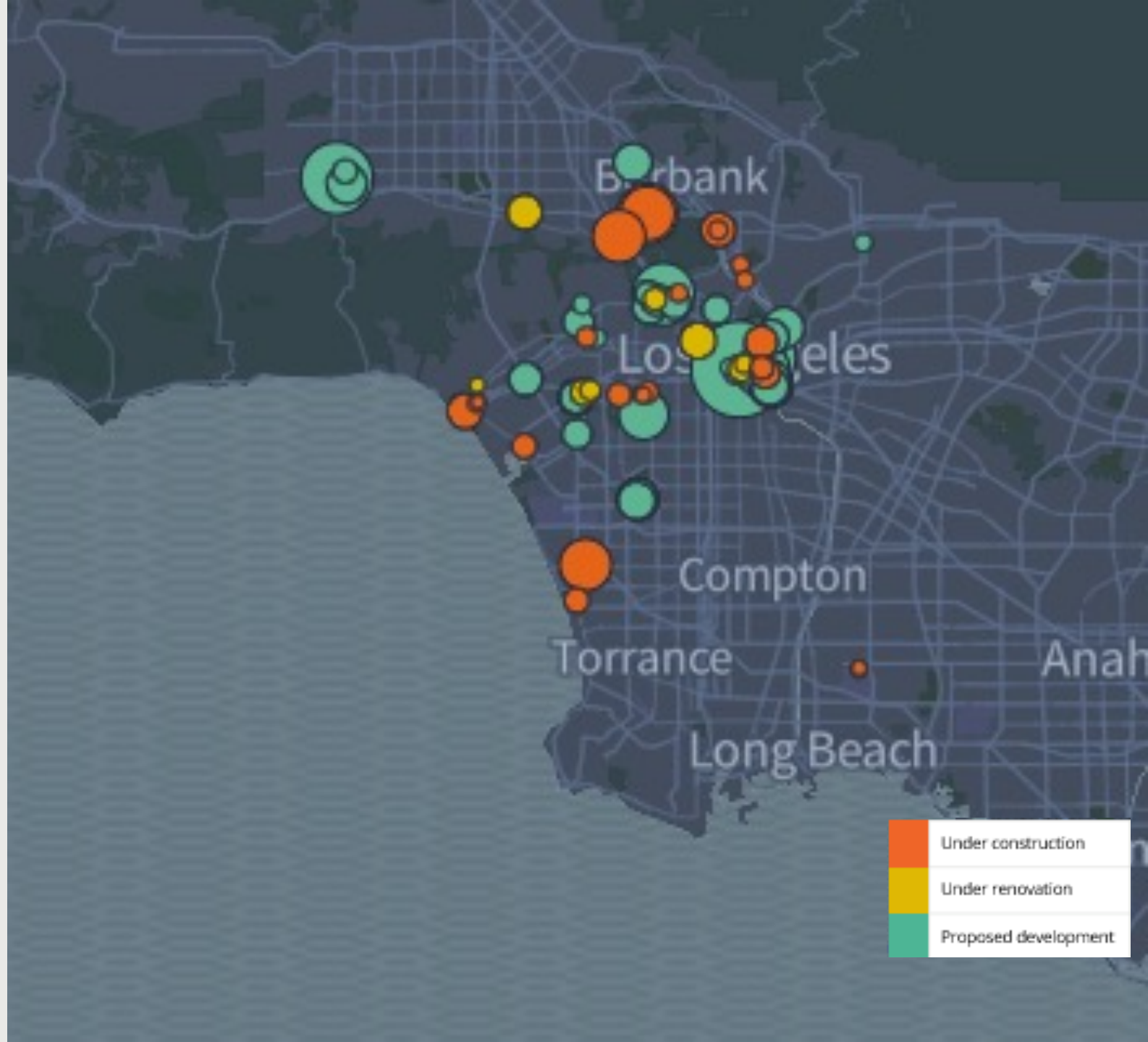
under construction

0.8%

share of office inventory

April 2024

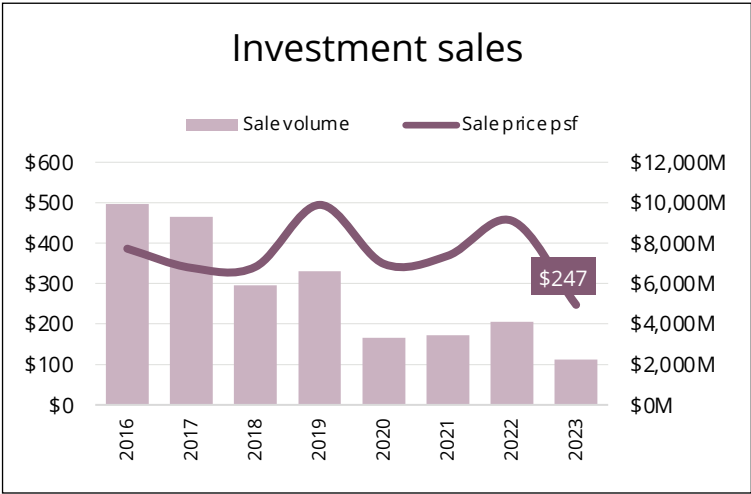
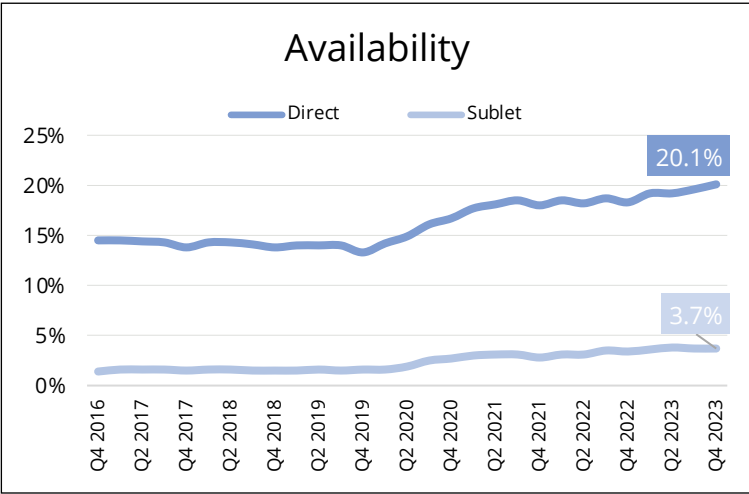
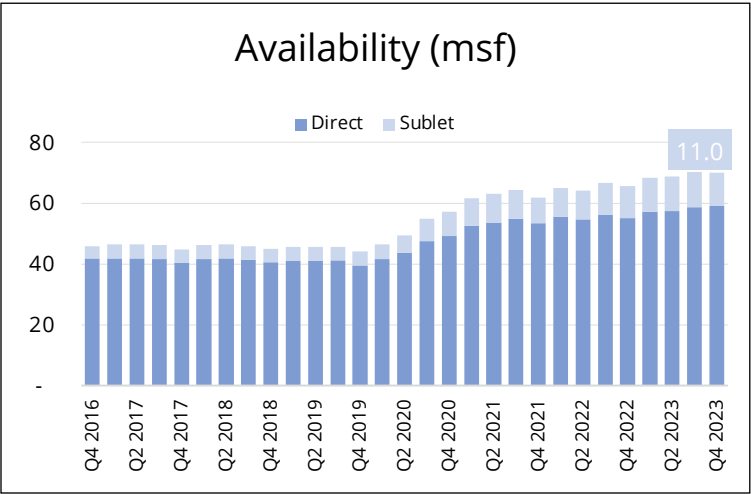
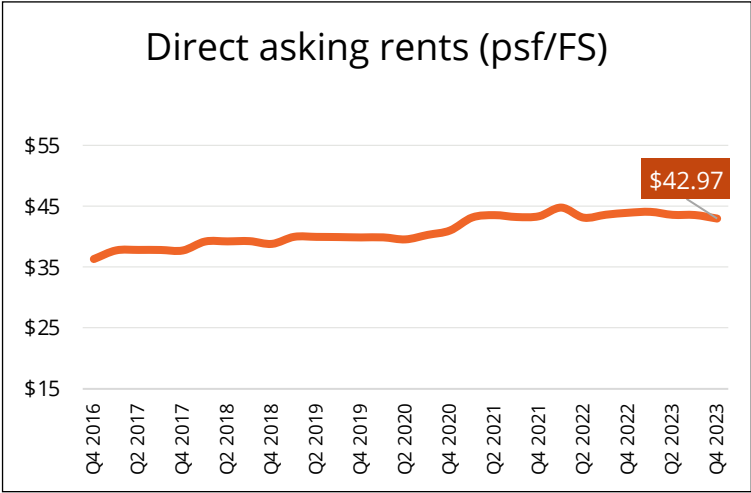
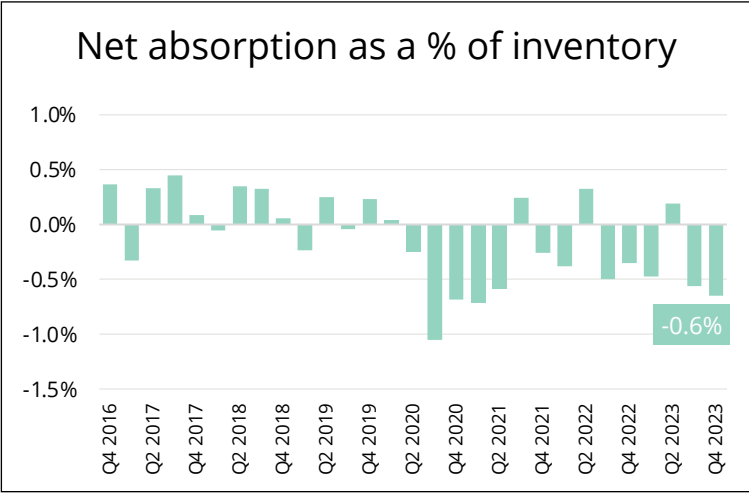
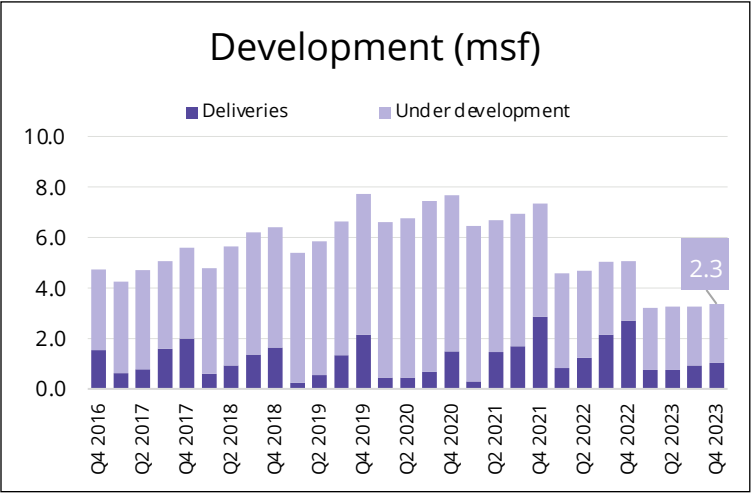
average delivery date of buildings currently under construction



Appendix



Los Angeles office market indicators



Los Angeles office market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Los Angeles County	1500 Hughes Way	South Bay	Dec 2023	175,302	Direct	New
Sheppard Mullin	350 S Grand Ave	Bunker Hill	Dec 2023	119,200	Direct	New
Sidley Austin(Pre-Leased)	1950 Avenue of the Stars	Century City	Dec 2023	75,000	Direct	New

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Carolwood LP	707 Wilshire Blvd	Dec 2023	1,110,264	\$147,800,000	\$133	Shorenstein Properties
First Citizens	1540 2 nd St	Dec 2023	76,892	\$86,680,000	\$1,127	Realty Bancorp Equities
Undisclosed	9000 Wilshire Blvd	Dec 2023	50,267	\$71,000,000	\$1,412	Skanska

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
1950 Avenue of the Stars	Century City	Jan 2026	731,250	31%	JMB Realty
3000 W Alameda Ave	Burbank	Apr 2024	355,000	100%	Worthe Real Estate Group
100 Universal City Plz	Universal City	Feb 2024	331,000	100%	Aurora Development

Los Angeles office market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption % of inventory (QTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Downtown	57,288,691	127,000	127,456	21.3%	2.5%	23.8%	(0.1%)	(1.7%)	\$46.95
East LA	4,434,081	0	40,000	7.8%	0.8%	8.6%	0.4%	(1.1%)	\$30.72
LA North	37,091,500	21,391	331,000	17.6%	5.8%	23.4%	(0.7%)	(1.1%)	\$34.05
Mid-Cities	4,737,606	0	0	9.1%	0.7%	9.8%	(0.3%)	1.5%	\$28.17
Mid-Wilshire	22,319,922	0	40,000	17.0%	4.4%	21.4%	(0.2%)	(4.8%)	\$37.15
San Gabriel Valley	17,157,477	0	0	10.4%	0.5%	10.9%	0.7%	1.0%	\$30.67
South Bay	41,803,071	0	0	16.6%	3.2%	19.8%	(0.3%)	(1.1%)	\$34.65
South LA	874,396	0	0	30.8%	0.0%	30.8%	0.0%	(5.1%)	\$46.45
Tri Cities	29,684,116	103,366	538,621	22.5%	4.5%	27.0%	(1.7%)	(3.1%)	\$44.27
West LA	75,598,724	767,209	1,272,008	22.3%	4.3%	26.6%	(0.7%)	(0.9%)	\$57.24
Market total	290,989,584	1,018,966	2,349,085	20.1%	3.7%	23.8%	(0.6%)	(1.6%)	\$42.97

Los Angeles office market stats by class

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption % of inventory (QTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Trophy	26,817,604	180,550	730,000	23.5%	3.1%	26.6%	(0.5%)	(2.4%)	\$49.70
Class A	134,582,365	713,659	1,434,970	23.8%	5.1%	28.9%	(0.8%)	(1.5%)	\$45.98
Class B	110,320,516	124,757	184,115	16.9%	2.8%	19.7%	(0.2%)	(1.3%)	\$38.98
Class C	19,269,099	0	0	8.9%	1.4%	10.1%	(0.6%)	(1.4%)	\$33.23
Market total	290,989,584	1,018,966	2,349,085	20.1%	3.7%	23.8%	(0.6%)	(1.6%)	\$42.97



Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
information visit avisonyoung.com

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