



# Downtown Los Angeles office market report

Q4 2023

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**AVISON  
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# Downtown Los Angeles office market trends

## \$48.37

### Rental rates/Landlord Concessions

- Office rental rates have slightly ticked up to \$48.37/SF. Downtown Los Angeles Tenant Improvement Allowances have remained firm at \$120/SF for a 10+ year term.
- Rental Abatement allocations have stayed constant with 12 months for a 10+ year term.

### Capital Markets

- One sale was reported in the fourth quarter. 707 Wilshire Blvd (AON Center) was sold to Carolwood LLP for \$148M or \$133/SF.

## 30%

### Office Supply

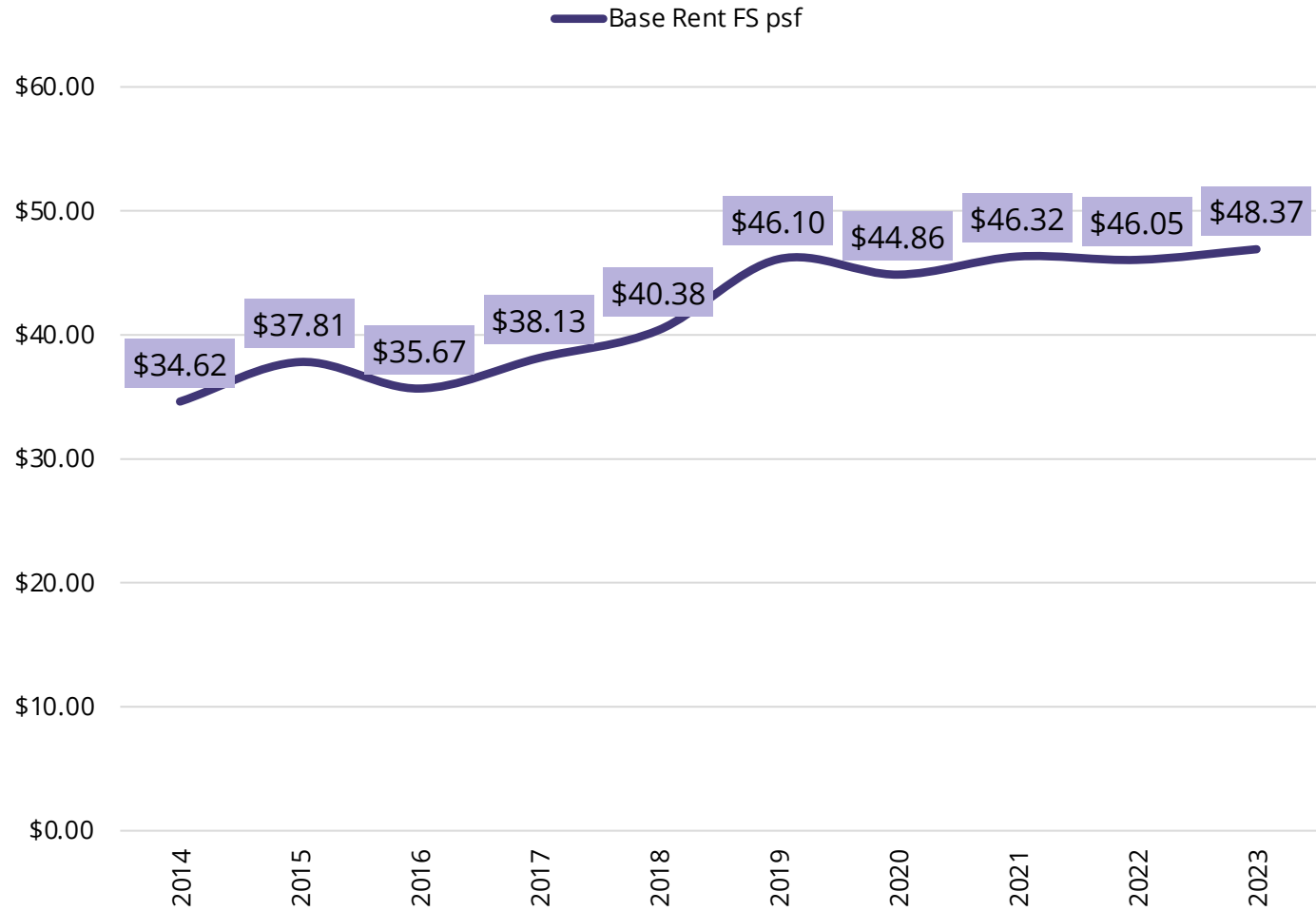
- Overall vacancy in Greater DTLA's 46M SF registered at 30.0% at the end of the fourth quarter.
- Within the approximate 30M SF in the Central Business District, overall vacancies registered at 27.0%.
- Chinatown delivered 127,000 sf in the third quarter located at 843 N Spring. There remains Carmel Partner's 127k SF Forge at Alloy project.

## 341K sf

### Demand

- Leasing activity picked up in Q4 to 341,159 sf, up 76% from Q3.
- Since the pandemic began absorption levels have remained in the red but picked managed to recover in the fourth quarter with 142,821 sf square feet of positive net absorption. Year-to-date the total net absorption for DTLA stands at negative 481,165 sf.

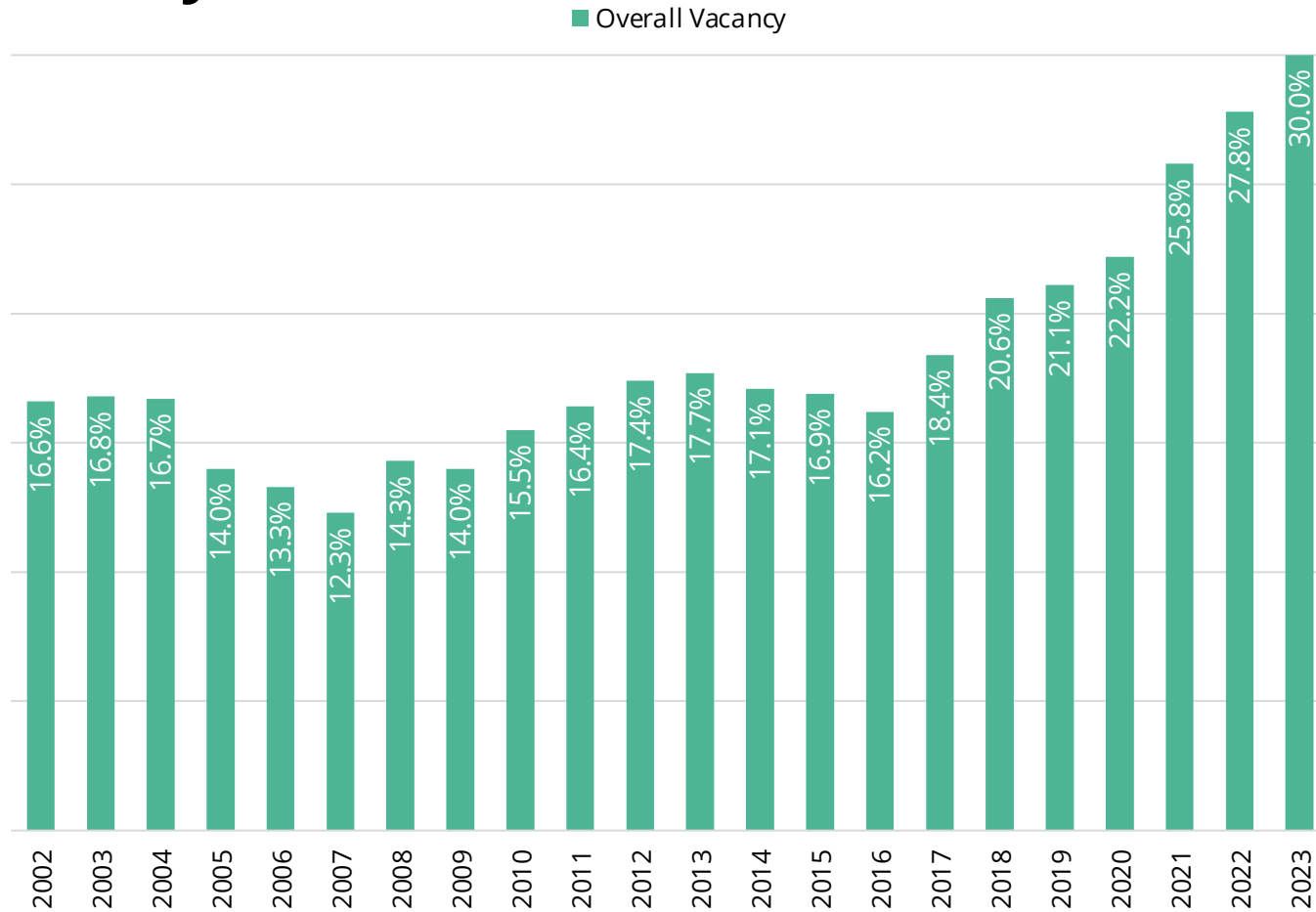
# Downtown Los Angeles office rental rates



**\$48.37 psf**

**Office rental rates have ticked up slightly since posting a figure of \$46.05 psf in 2022.**

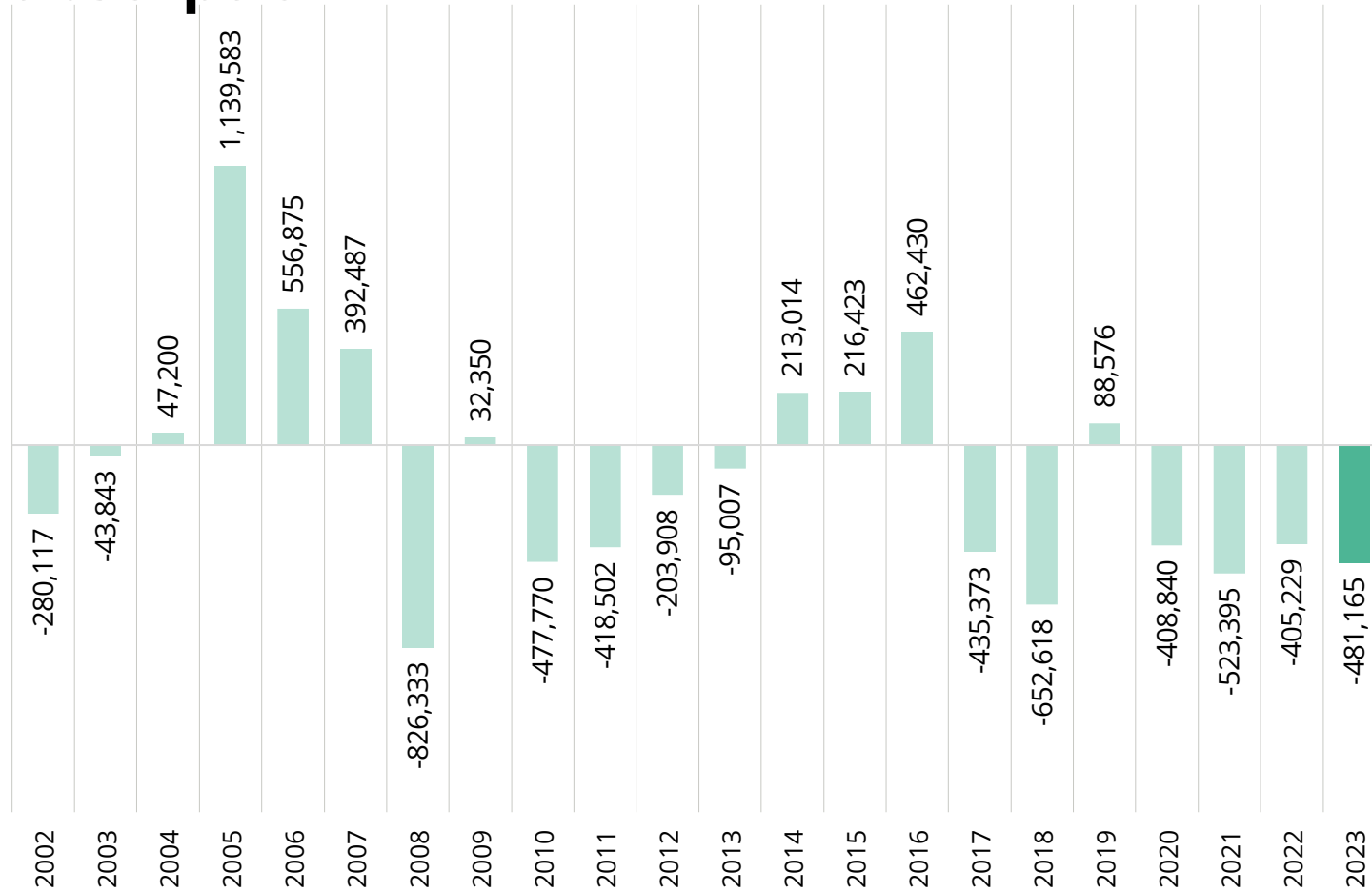
# Downtown Los Angeles office overall vacancy rate



30.0%

**DTLA total vacancies concluded the year at 30.0%.**

# Downtown Los Angeles annual office net absorption



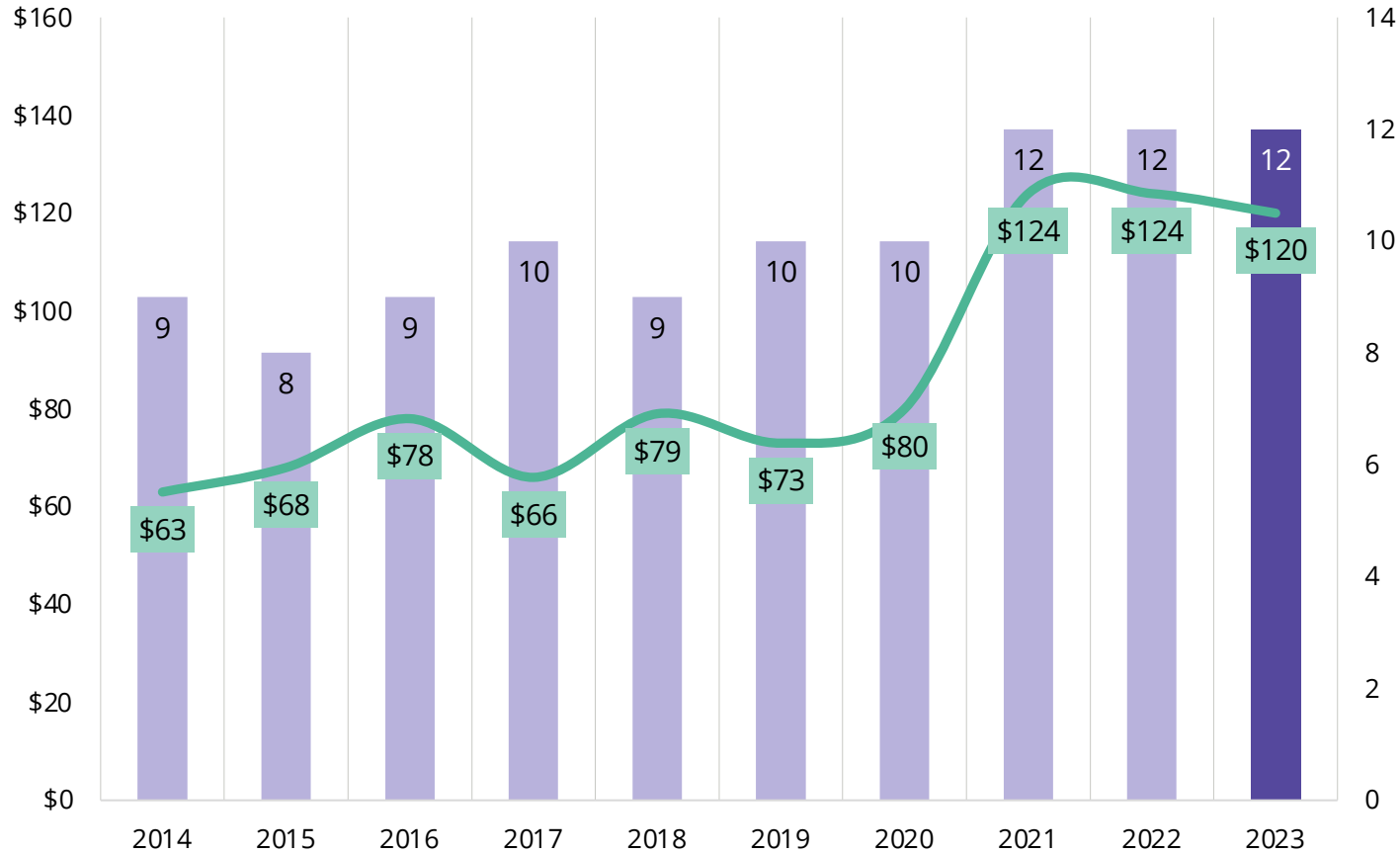
**-481K**

Despite the annual negative net absorption figure, Q4 reporting a positive net absorption of 142k SF, up from the prior quarter's negative net absorption of 211k SF.

# Decrease in Downtown tenant concessions

Tenant allowance psf

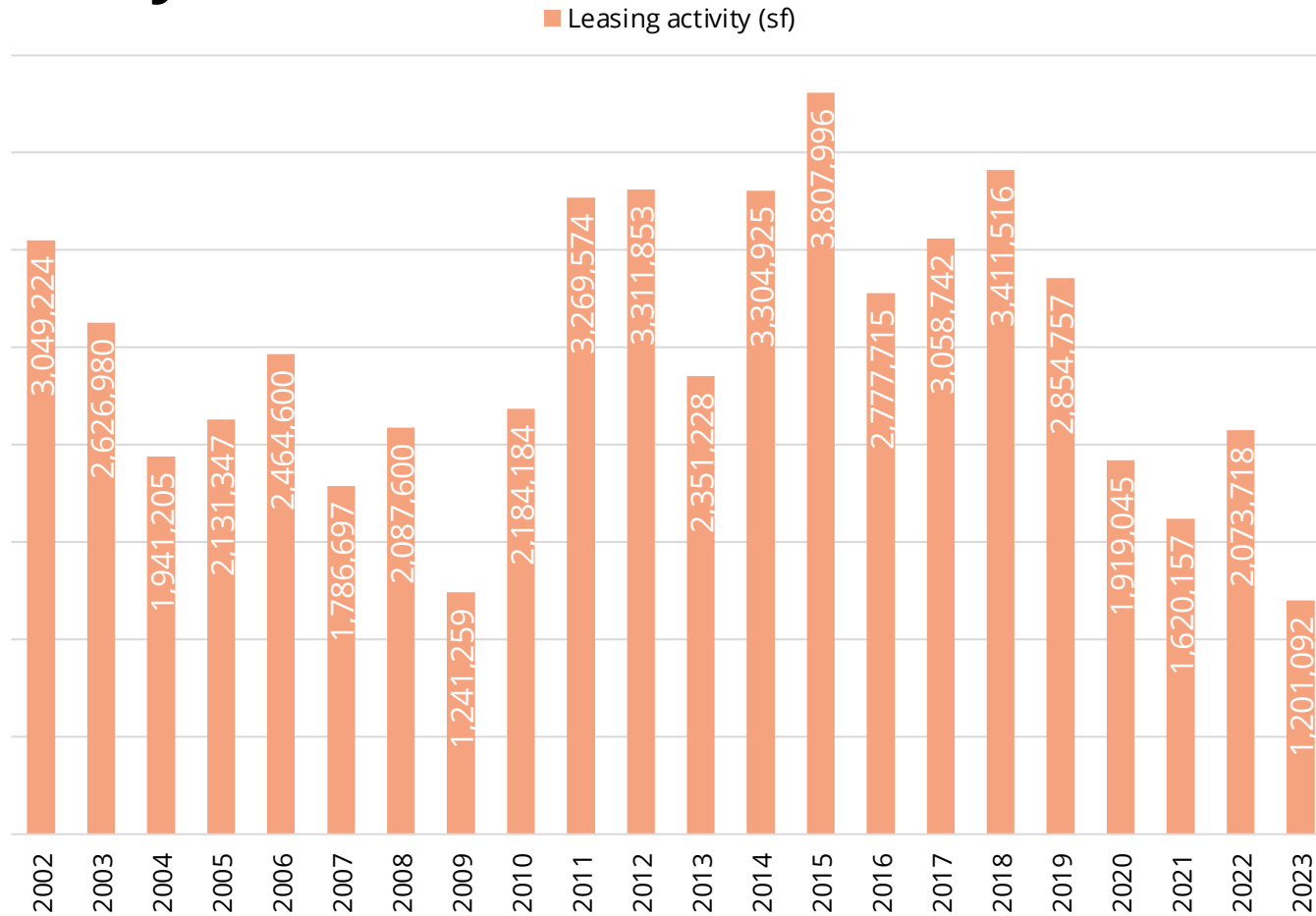
# of months rent free



**-3.2%**

**Tenant allowances remain constant to conclude the year at \$120/SF.**

# Downtown Los Angeles office leasing activity



1,201,092 SF

Leasing activity in 2023 dropped 42% compared to 2022.

Leasing activity picked up in Q4 with 341k SF, up from the prior quarter's 193k SF.

# Appendix





# Downtown Los Angeles office market stats

	Existing inventory (sf)	Direct Vacancy (%)	Sublet Vacancy (%)	Total Vacancy (%)	Q4 2023 Net absorption (sf)	2023 Net absorption (sf)	YTD Deliveries (sf)	Under Construction (SF)	Weighted Avg Asking Lease Rate FS	Q4 2023 Leasing	2023 Leasing Activity
Bunker Hill	10,119,716	28.2%	1.4%	29.6%	143,845	(31,052)	0	0	\$49.63	125,962	306,159
Financial District	19,836,439	24.9%	1.6%	27.3%	(49,033)	(230,235)	0	0	\$47.65	53,519	351,075
<b>CBD</b>	<b>29,956,155</b>	<b>26.04%</b>	<b>1.55%</b>	<b>27.59%</b>	<b>94,812</b>	<b>(261,287)</b>	<b>0</b>	<b>0</b>	<b>\$48.32</b>	<b>179,481</b>	<b>657,234</b>
South Park	2,921,867	28.2%	1.4%	29.6%	17,166	(88,769)	0	0	\$42.50	63,579	140,870
Historic Core	4,040,984	37.8%	1.9%	39.7%	(6,738)	(113,077)	0	0	\$46.80	25,979	135,298
Arts District	2,486,335	35.9%	4.3%	40.2%	(942)	61,684	0	127,456	\$65.17	36,877	133,063
Little Tokyo	415,435	8.2%	8.9%	17.1%	1,152	18,118	0	0	\$40.35	0	31,657
Chinatown	342,721	48.5%	0.0%	48.5%	7,229	14,731	127,000	0	\$42.00	7,229	7,229
Fashion District	3,530,533	35.6%	0.8%	36.4%	17,835	(45,289)	0	0	\$52.75	18,143	43,113
Central City West	2,361,682	20.0%	3.9%	23.9%	12,307	(67,276)	0	0	\$37.08	9,871	52,628
<b>DT</b>	<b>16,099,557</b>	<b>32.15%</b>	<b>2.34%</b>	<b>34.49%</b>	<b>48,009</b>	<b>(219,878)</b>	<b>127,000</b>	<b>127,456</b>	<b>\$48.47</b>	<b>161,678</b>	<b>543,858</b>
<b>Overall DTLA</b>	<b>46,055,712</b>	<b>28.17%</b>	<b>1.83%</b>	<b>30.00%</b>	<b>142,821</b>	<b>(481,165)</b>	<b>127,000</b>	<b>127,456</b>	<b>\$48.37</b>	<b>341,159</b>	<b>1,201,092</b>

# Downtown Los Angeles office market activity

## Recent leasing activity

Tenant	Address	Submarket	Type	RSF
Sheppard Mullin	350 S Grand Ave	Bunker Hill	New Lease	119,200
MTA	865 S Figueroa St	South Park	New Lease	45,428
Hospital Association of Southern CA	515 S Figueroa St	Financial District	Renewal	22,079
Burke, Williams, & Sorenson	444 S Flower St	Financial District	Renewal	16,000

## Recent sales activity

Property	Rsf	Submarket	Seller/Buyer	Status
707 Wilshire Blvd (Aon Center)	1,110,264	Financial District	Mesa West/Shorenstein Properties Carolwood LP	Sold \$148M (\$133/SF)
777 S. Figueroa Street	1,024,843	Financial District	Wells Fargo/Brookfeild	On Market
617 W. 7th Street	215,469	Financial District	The Swig Company	On Market

# 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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