



# Downtown Los Angeles office market report

Q1 2024

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**AVISON  
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# Downtown Los Angeles office market trends

**\$48.38**

## Rental Rates and Concessions Show Healthy Figure

Office rental rates ticked up slightly in Q1 2024 to over \$48 per square foot compared to \$46 in Q1 2023. Part of this is, due to increases in operating expenses across various assets. The increase in operating expenses can be credited to rising utility costs, increased maintenance expenses, and inflation affecting the cost of goods and services.

Downtown Los Angeles tenant improvement allowances remained competitive at \$120 per square foot for an average 10 year term. Tenants have also seen consistently 12 months of rent abatements for deals that exceed 10 years in length. These lengthy abatement periods are key for encouraging tenants to sign new leases.

**29.20%**

## Office Vacancy Rate

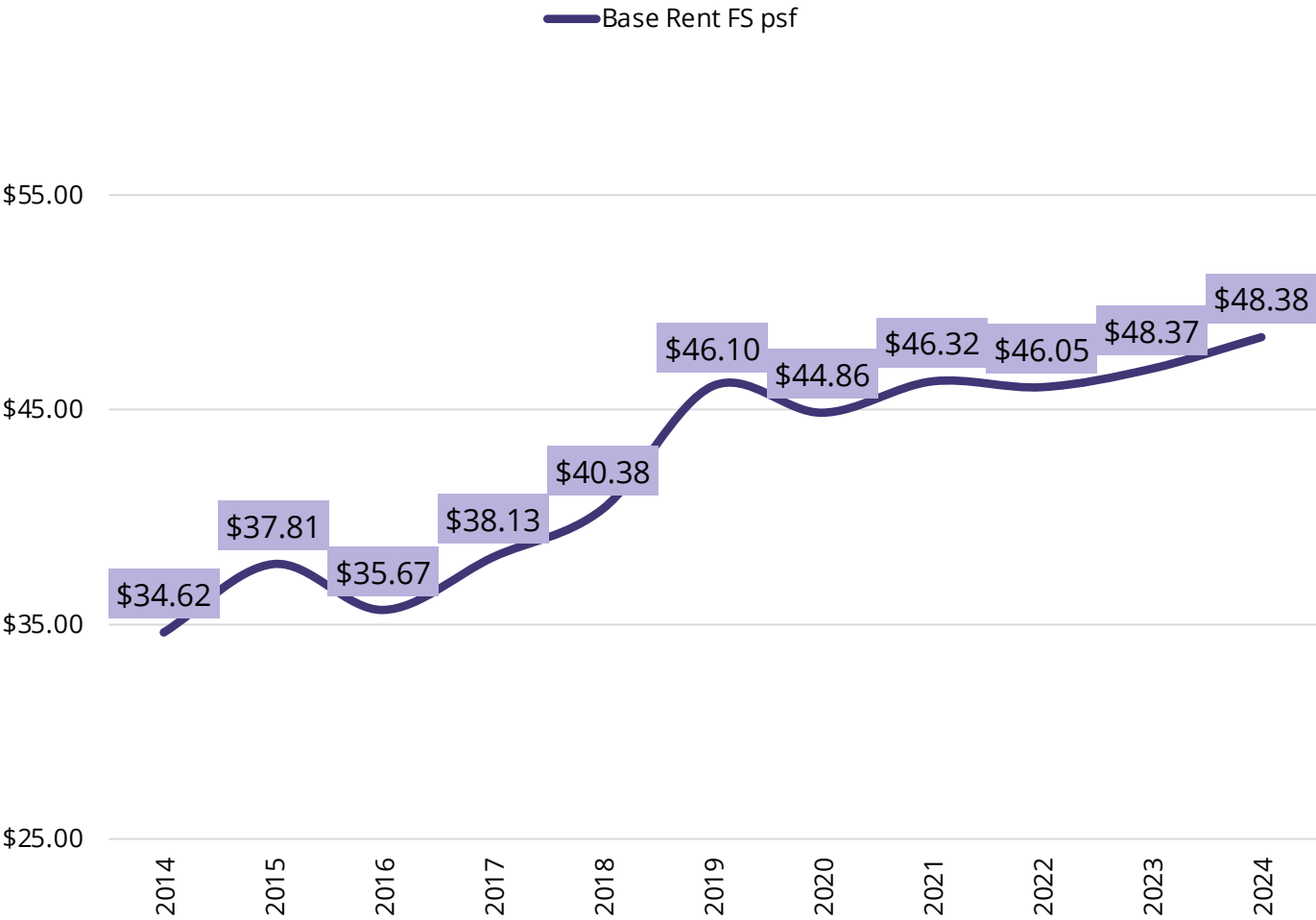
Overall vacancy in the greater Downtown Los Angeles submarket reported 29.2% vacancy at the end of Q1 2024, up 100 bps from the year prior. The Central Business District showed a 29.1% vacancy rate, an increase of 270 bps during the same time frame (26.4% Q1 2023). The Central Business District accounts for over 60% of office space inventory, in Downtown Los Angeles.

**284K sf**

## Leasing Activity

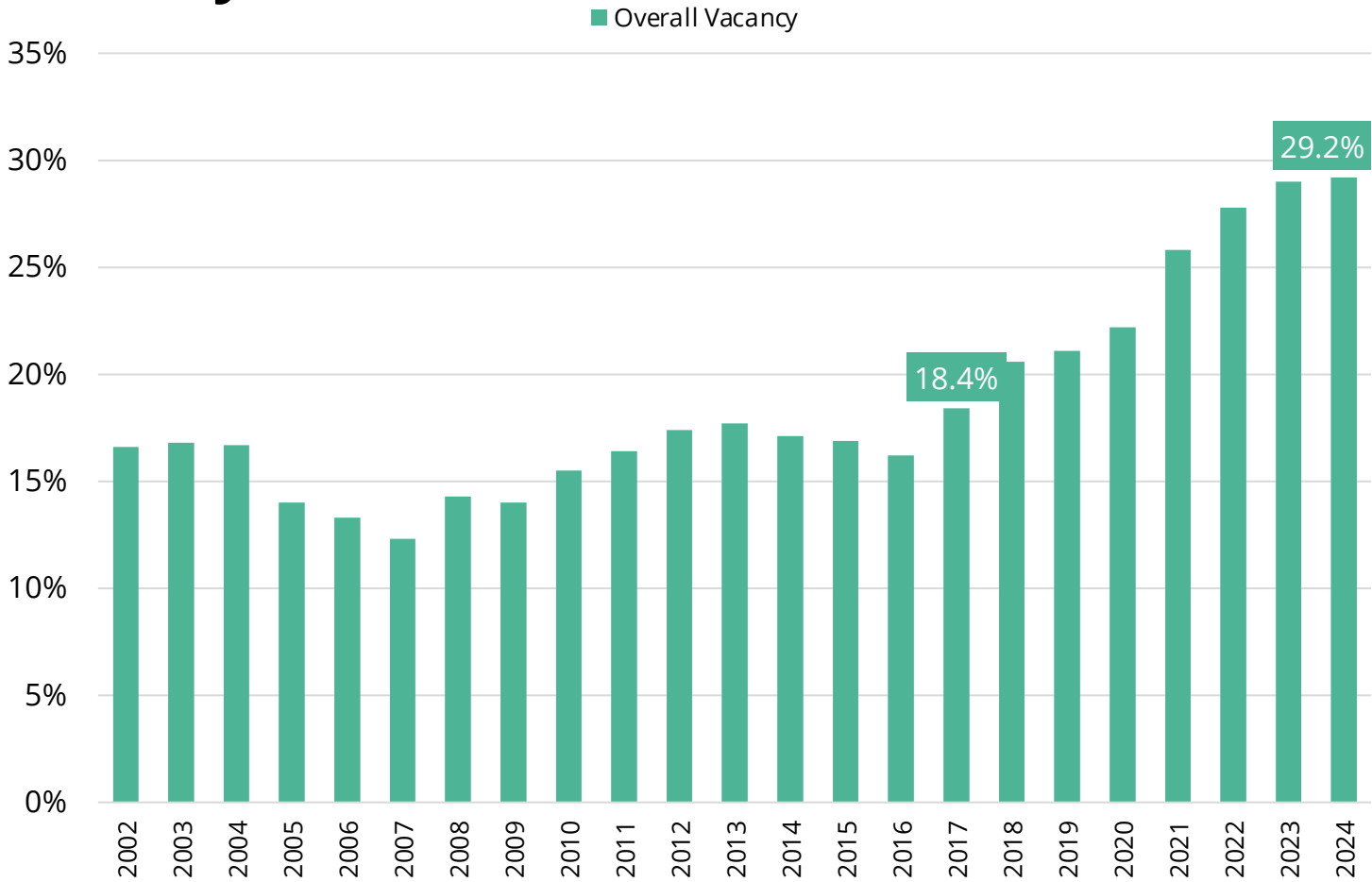
Leasing activity increased slightly in Q1 2024 with 284,859 square feet of activity compared to 227,782 square feet from Q1 2023. This is a step in right direction compared to leasing activity in 2023 but extrapolating this quarter's activity over the course of a full year would nearly mimic the meager results that were posted in year-end 2023. The latest tenants in the market data illustrates that financial & legal service tenants are the most activity industry now with over 1.1 million square feet of space in Downtown Los Angeles.

# Downtown Los Angeles office rental rates



Office rental rates have trended higher since posting a figure of \$46.00 per square foot in Q1 of 2023. Rental rates have continued on this trend due to the overall increase in operating expenses. Landlords, in turn, have raised rental rates to offset the increase in operating expenses.

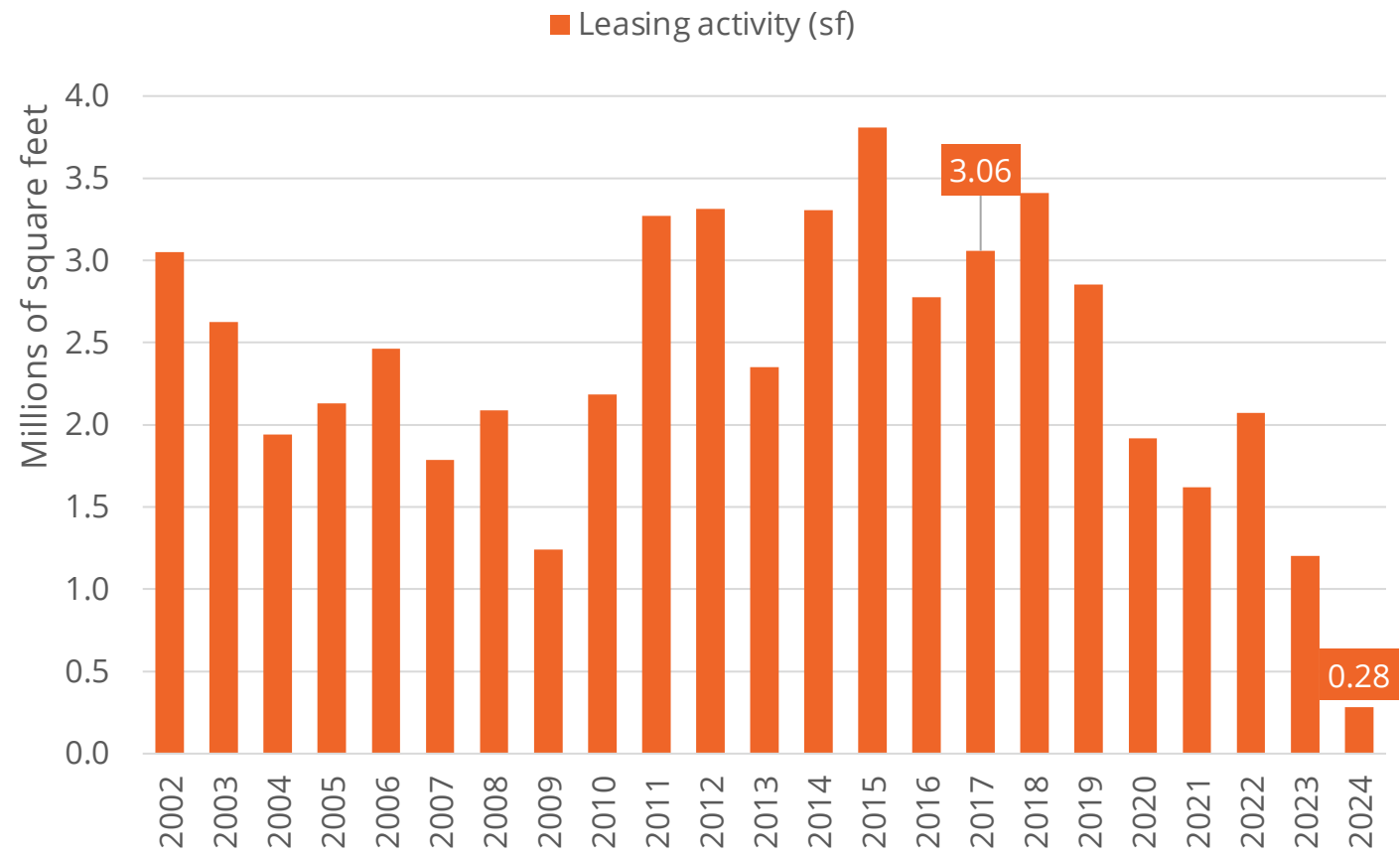
# Downtown Los Angeles office overall vacancy rate



Downtown Los Angeles total vacancy closed Q1 2024 first quarter at 29.2%, up 100 bps from 28.2% in Q1 2023. Vacancy has been on the rise each year since the beginning of 2017 with the previous most recent stretch of multi-year vacancy increases occurring between 2009-2013. The lingering effects of COVID-19, which brought on the “hybrid work schedule” to prominence, has been a contributor to the hike in vacancy and suppression of leasing activity.



# Downtown Los Angeles office leasing activity



Leasing activity in Q1 '24 has picked up with 284K+ SF leased compared to 227K in Q1 of '23. "Tenant in the market data" shows that over 60 tenants are searching for space in DTLA, amassing to 1.6 Million SF of potential leasing activity on the near horizon.

# Appendix

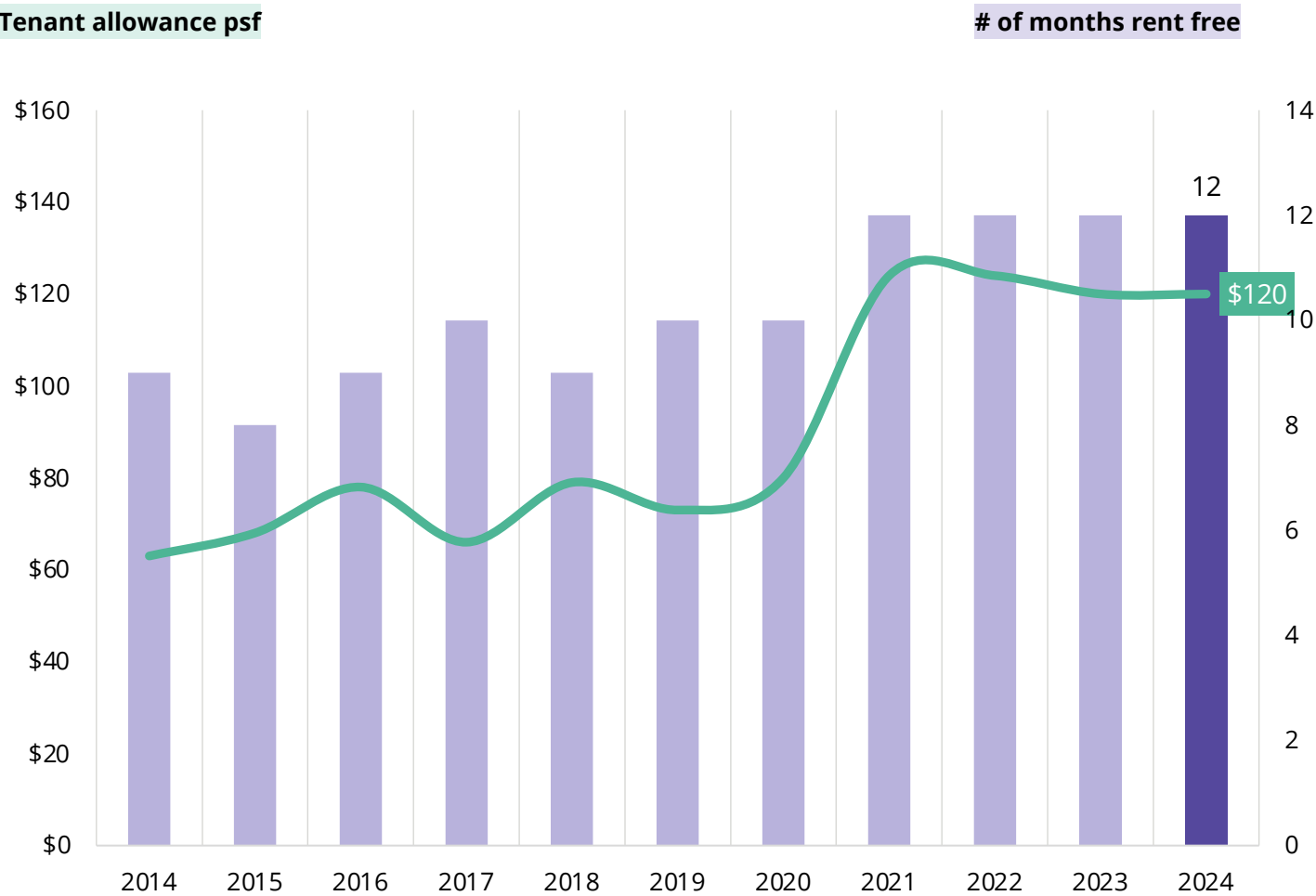


# Downtown Los Angeles annual office net absorption



Q1 2024 ended with over 200,000 SF of negative net absorption, for all property classes. Despite the negative net absorption for the quarter, Class A & Trophy properties posted a positive net absorption of 45,649 SF.

# Stability in Downtown tenant concessions



Downtown Los Angeles Tenant Improvement Allowances have remained firm at \$120/SF for a 10+ year term. Tenants have consistently received 12 months of rent abatements for deals that exceed 10 years in length.



# Downtown Los Angeles office market stats (All Property Classes)

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct Vacancy	Sublet Vacancy	Total Vacancy	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Bunker Hill	10,235,677	0	0	24.90%	1.8%	24.9%	(71,481)	(0.71%)	\$46.15
Financial District	19,836,439	0	0	28.50%	2.7%	30.2%	7,044	0.04%	\$47.65
<b>CBD</b>	<b>29,956,155</b>	<b>0</b>	<b>0</b>	<b>26.7%</b>	<b>2.4%</b>	<b>29.1%</b>	<b>(64,437)</b>	<b>(0.22%)</b>	<b>\$47.05</b>
South Park	2,921,867	0	0	27.8%	1.7%	29.6%	(143,923)	(4.93%)	\$42.05
Historic Core	4,040,984	0	0	23.6%	0.2%	23.8%	(30,797)	(0.76%)	\$44.55
Arts District	2,506,295	0	168,100	37.0%	5.6%	42.6%	5,996	0.24%	\$65.17
Little Tokyo	415,435	0	0	11.0%	6.8%	17.8%	(18,467)	(4.45%)	\$42.82
Chinatown	342,721	0	0	11.3%	0.0%	11.3%	7,229	2.11%	\$42.00
Fashion District	3,530,533	0	0	36.4%	0.9%	37.3%	19,721	0.56%	\$52.75
Central City West	2,361,682	0	0	16.5%	2.00%	18.6%	(11,311)	(0.48%)	\$39.22
<b>Non CBD</b>	<b>16,119,517</b>	<b>0</b>	<b>0</b>	<b>29.5%</b>	<b>1.9%</b>	<b>29.5%</b>	<b>(171,552)</b>	<b>(1.06%)</b>	<b>\$49.17</b>
<b>Overall DTLA</b>	<b>46,075,672</b>	<b>0</b>	<b>168,100</b>	<b>29.2%</b>	<b>2.2%</b>	<b>29.2%</b>	<b>(235,989)</b>	<b>(0.51%)</b>	<b>\$48.38</b>

# Downtown Los Angeles office market stats (Trophy & Class A)

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct Vacancy	Sublet Vacancy	Total Vacancy	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Bunker Hill	10,235,677	0	0	28.82%	1.82%	24.64%	53,737	0.52%	\$46.15
Financial District	15,494,570	0	0	27.26%	2.99%	30.24%	(8,081)	(0.05%)	\$47.64
<b>CBD</b>	<b>25,730,247</b>	<b>0</b>	<b>0</b>	<b>25.5%</b>	<b>2.5%</b>	<b>28.0%</b>	<b>45,656</b>	<b>0.18%</b>	<b>\$47.05</b>
South Park	1,722,646	0	0	28.09%	2.28%	30.37%	(2,094)	(0.12%)	\$43.01
Historic Core	879,332	0	0	26.84%	0.39%	27.37%	(5,493)	(0.62%)	\$44.55
Arts District	1,808,261	0	168,100	38.50%	1.60%	40.10%	5,373	0.30%	\$66.96
Little Tokyo	264,315	0	0	12.42%	3.84%	16.27%	13,518	5.11%	\$42.82
Chinatown	411,308	0	0	34.77%	0.00%	34.77%	0	0.00%	\$42.00
Fashion District	1,937,247	0	0	51.53%	0.33%	51.86%	0	0.00%	\$48.00
Central City West	1,067,919	0	0	52.53%	0.00%	52.31%	(11,311)	(1.06%)	\$39.22
<b>Non CBD</b>	<b>8,091,028</b>	<b>0</b>	<b>0</b>	<b>38.9%</b>	<b>1.1%</b>	<b>40.0%</b>	<b>(7)</b>	<b>(0.00%)</b>	<b>\$49.17</b>
<b>Overall DTLA</b>	<b>33,821,275</b>	<b>0</b>	<b>168,100</b>	<b>28.7%</b>	<b>2.2%</b>	<b>30.9%</b>	<b>45,649</b>	<b>0.13%</b>	<b>\$47.55</b>

# Downtown Los Angeles office market activity

## Recent leasing activity

Tenant	Address	Submarket	Type	Size (sf)
Bank of Tokyo Mitsubishi	555 S Flower St	Bunker Hill	New Lease	61,983
AXS Group	110 E 9 <sup>th</sup> St	Fashion District	New Lease	41,534
Davis Wright Tremaine	350 S Grand Ave	Bunker Hill	New Lease	39,657
ArentFox Schiff	555 S Flower St	Financial District	New Lease	27,280
Sanders Roberts LLP	515 S Flower St	Financial District	New Lease	25,537

## Recent sales activity

Address	Size (sf)	Submarket	Seller	Buyer	Sale price psf	Status
777 S. Figueroa St	1,024,834	Financial District	Wells Fargo, Brookfield	Consus Asset Management	\$145	Fell Out of Escrow
801 S. Figueroa St	465,222	Financial District	New York & Barings	TBD	NA	On Market
660 S. Figueroa St	283,000	Financial District	Jade Enterprises	TBD	NA	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  
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