



Los Angeles office market report

Q1 2024

**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.

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.

777 S Figueroa is in escrow for \$145/PSF. The 1,024,834 SF building is being sold via note sale to Consus Asset Management, a South-Korea based investment advisor.

\$42.98

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, increasing slightly to \$42.98/SF in the first quarter. Many landlords continue to offer generous concession packages in lieu of decreasing rental rates.

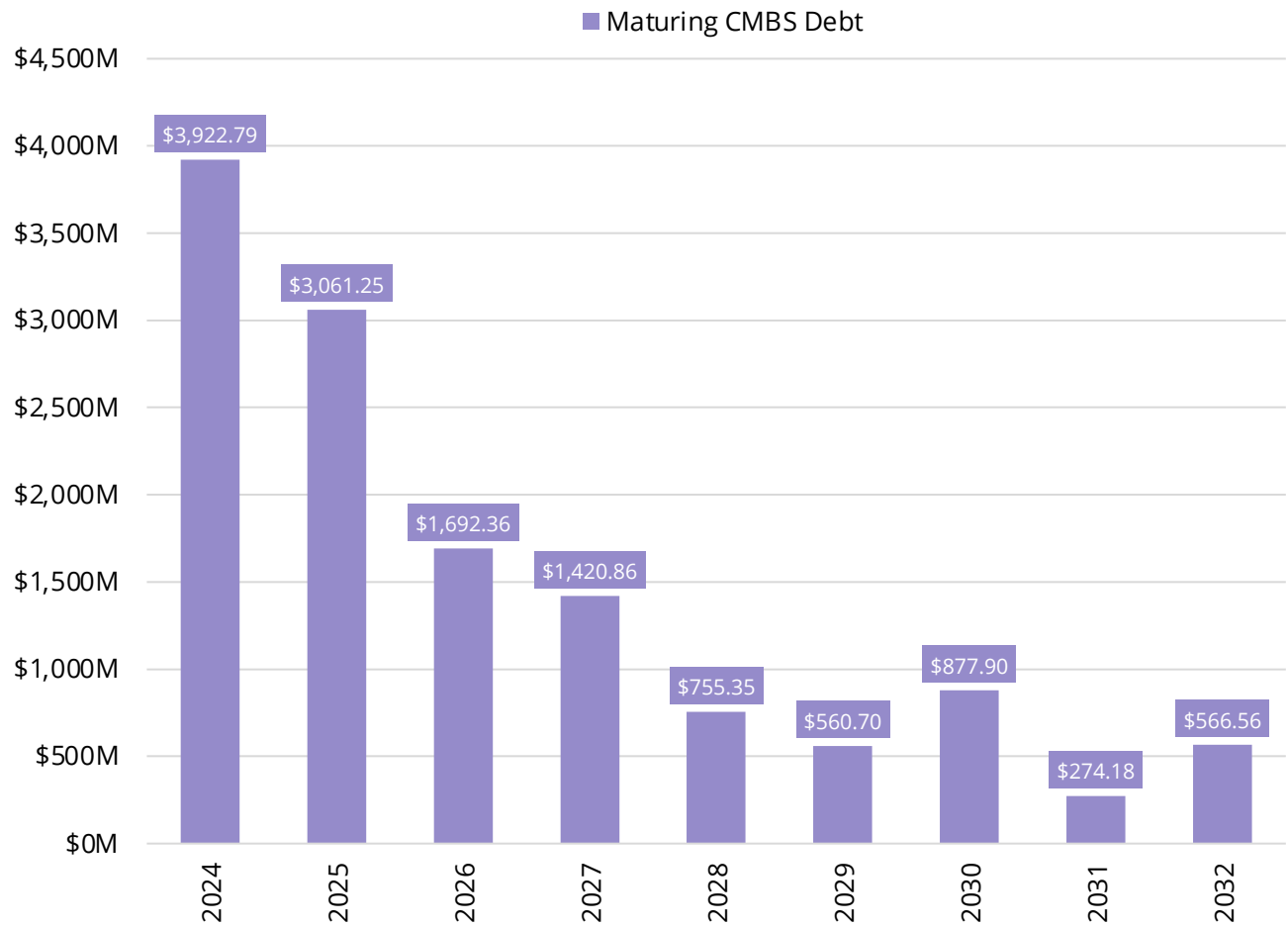
944 deals

Leasing activities continue to decline

The first quarter experienced 944 direct deals equating to 3.5 msf leased. This is up 5.4% from Q4 of last year where there were 902 deals that transacted.

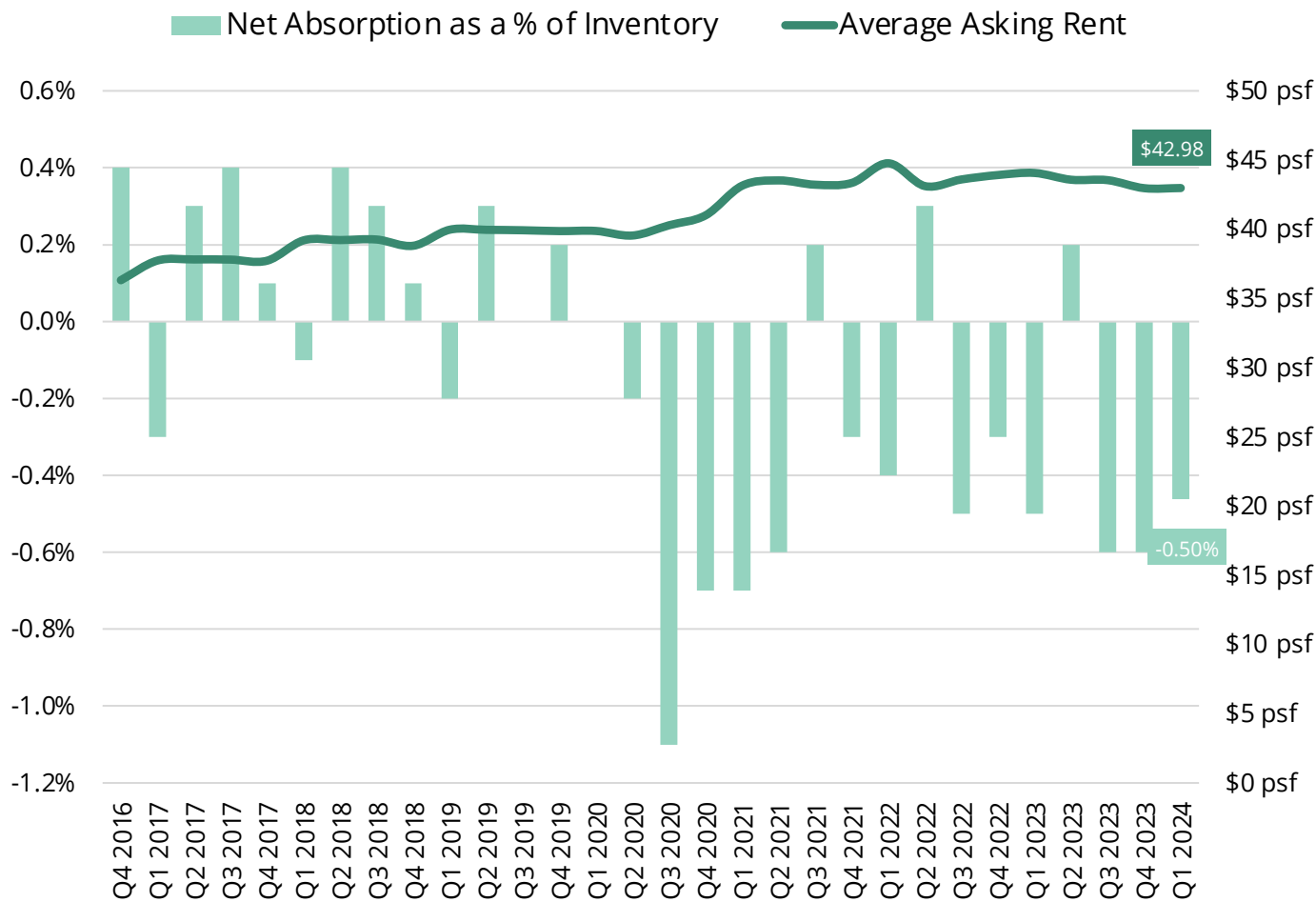
There were a couple noticeable lease transactions in Q1 with Snap Inc. renewing over 400,000 SF of space in Santa Monica.

Maturing CMBS Debt



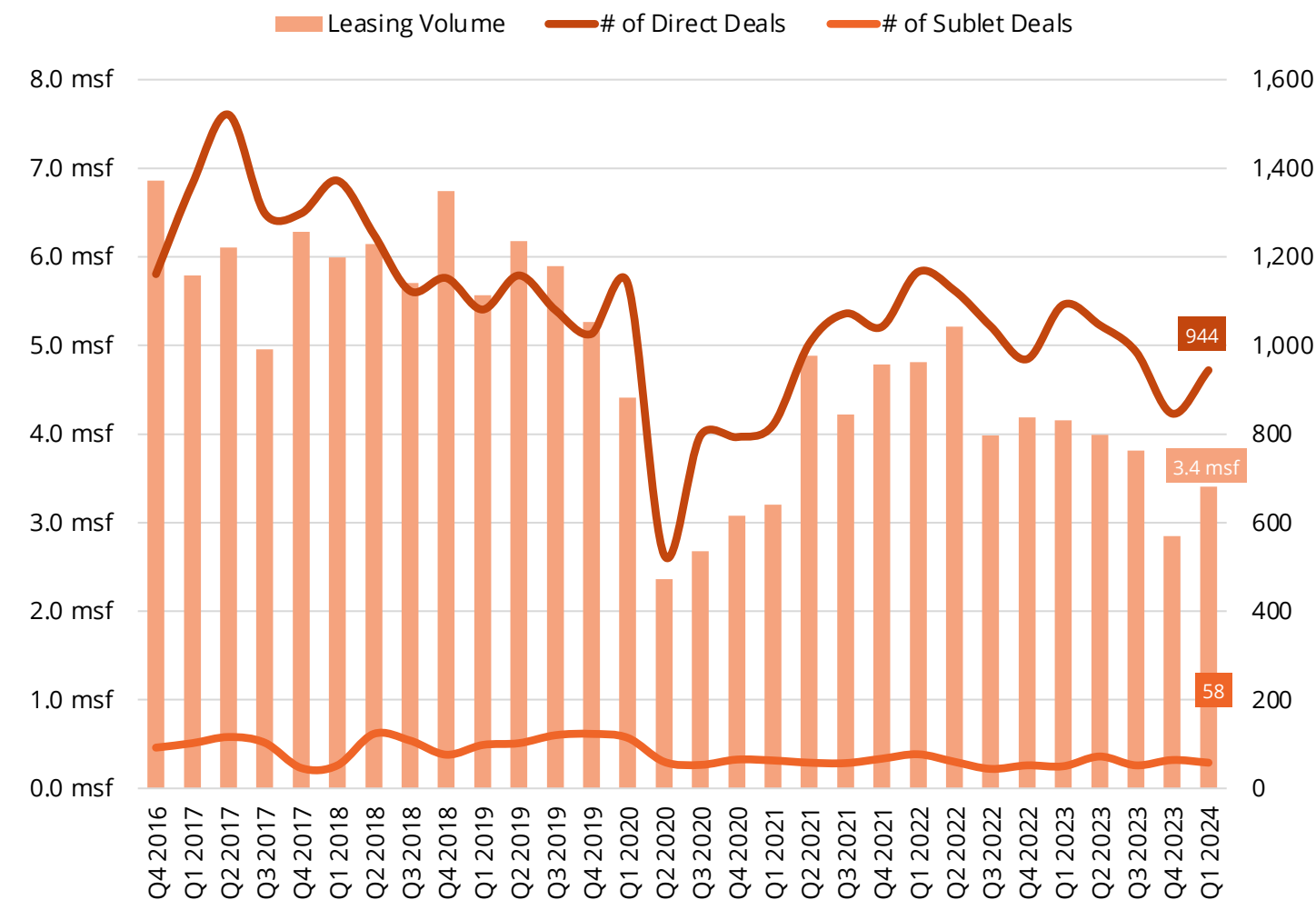
Over the next 3 years there will be over \$10.0 billion dollars set to mature. Owners will need to make quick decisions on the future of their assets.

Absorption



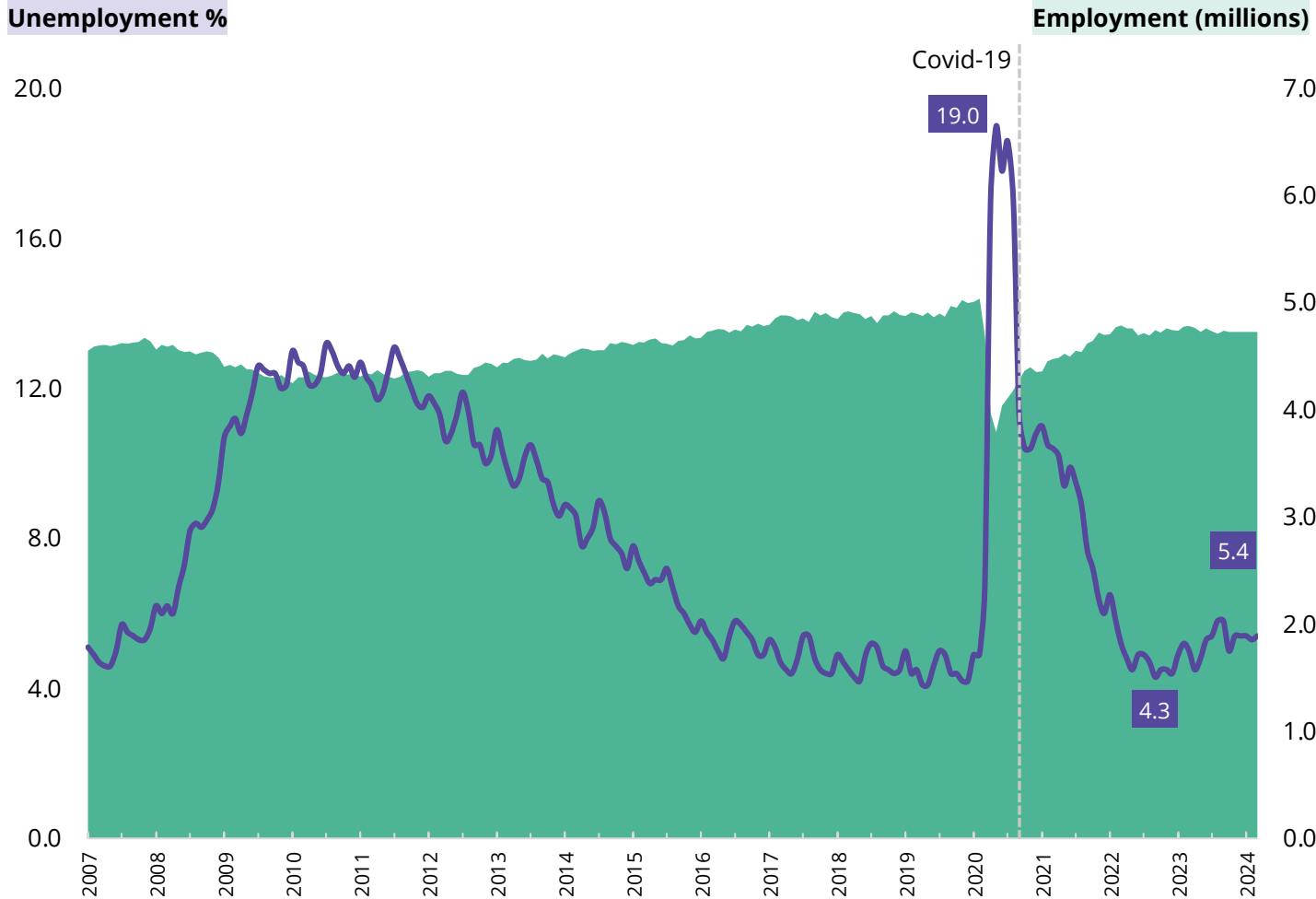
Landlords offer concessions in lieu of decreasing rents in certain submarkets. Average asking rates have increased slightly to \$42.98 /SF in the first quarter.

Leasing activities



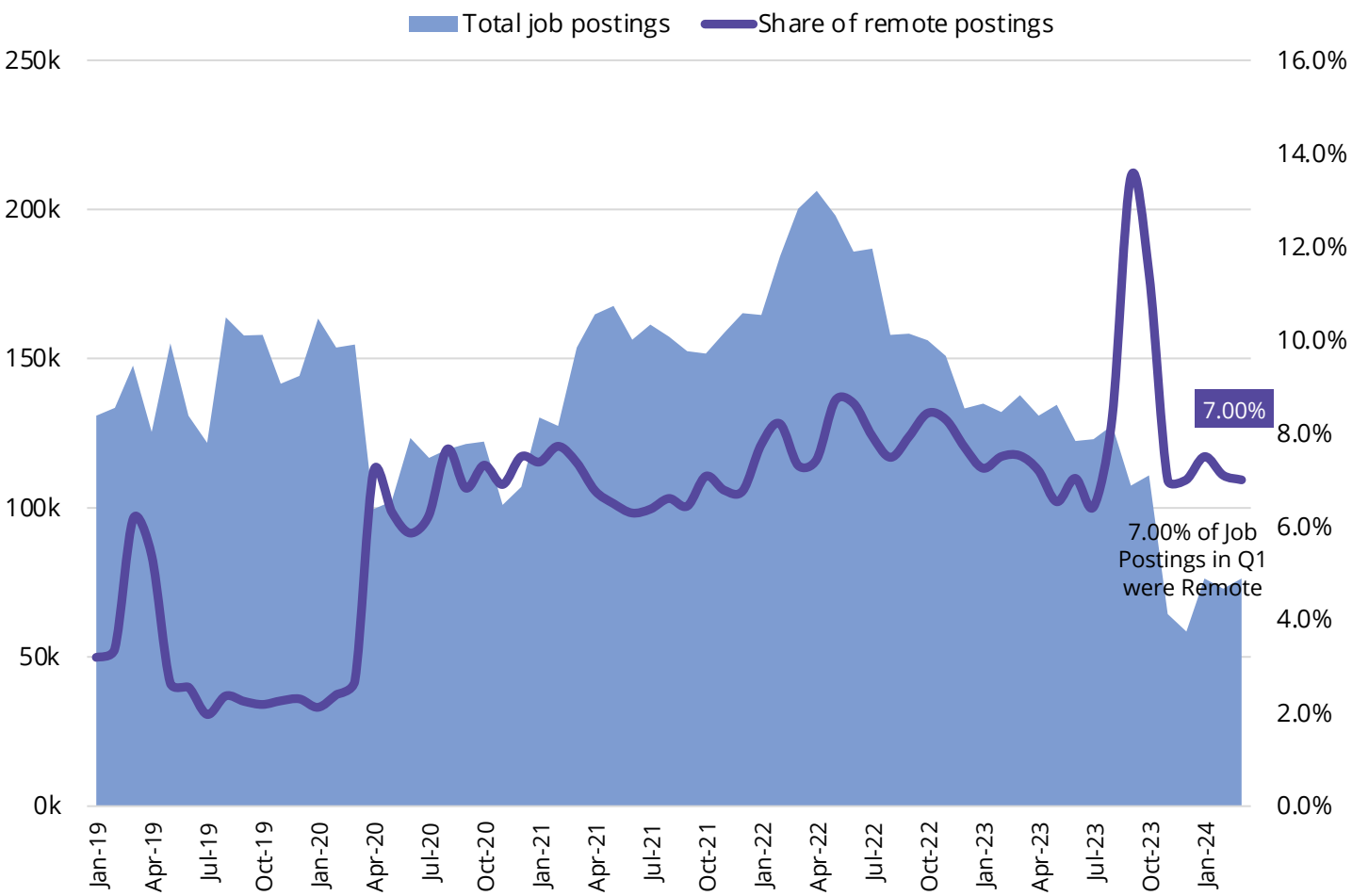
Direct leasing activity picked up compared to Q4 to with 944 deals, up 10%.

Unemployment rate and employment



Los Angeles's unemployment rate sits at 5.4%, 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 7% 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

23 properties

under construction

2.08 msf

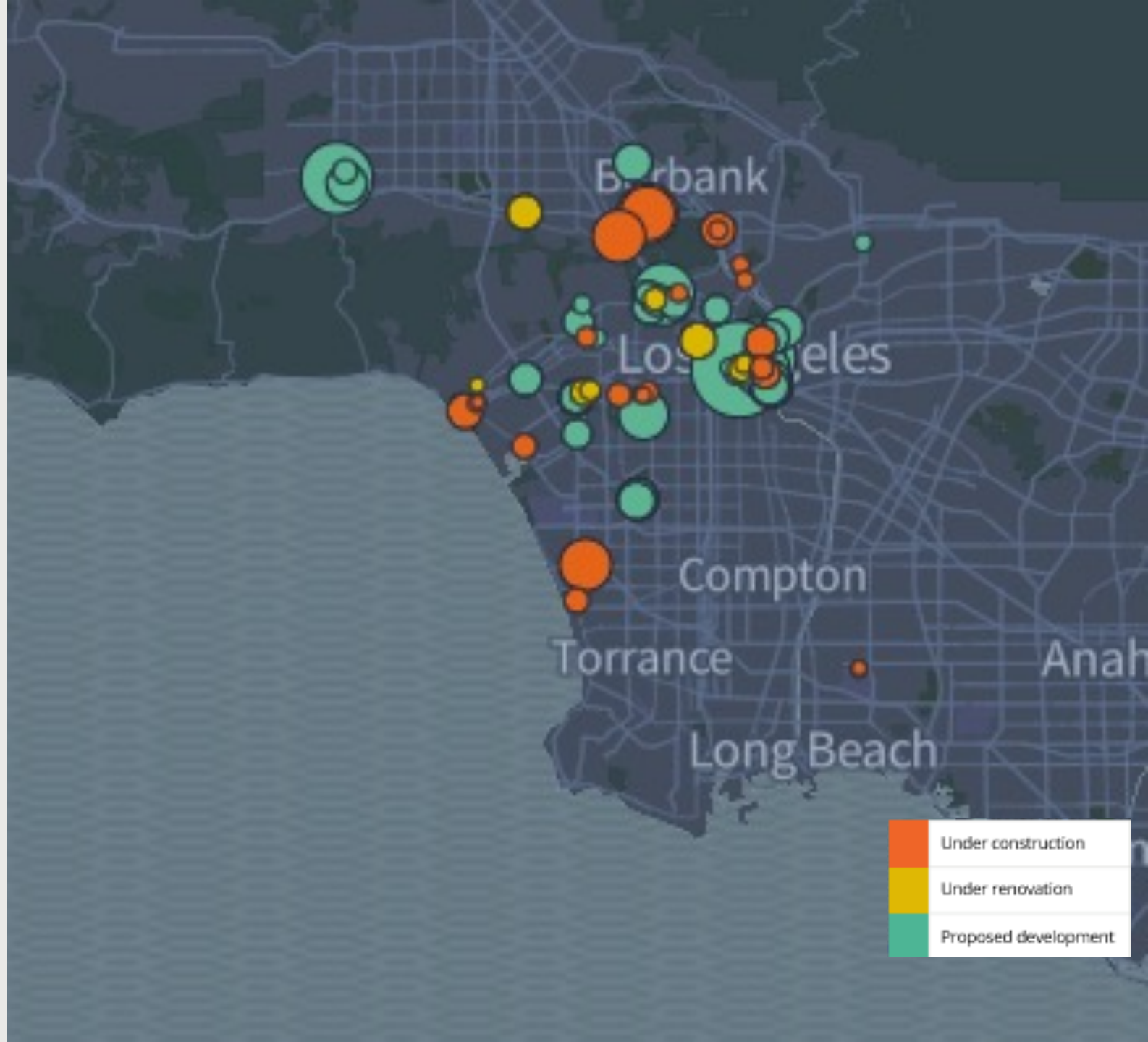
under construction

0.8%

share of office inventory

April 2024

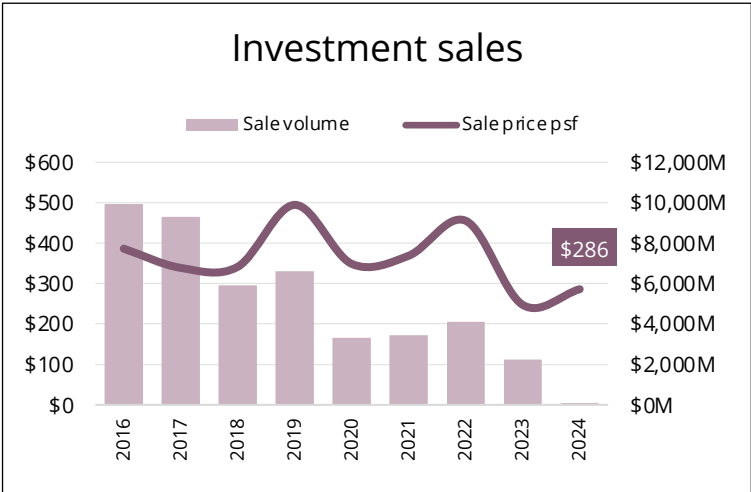
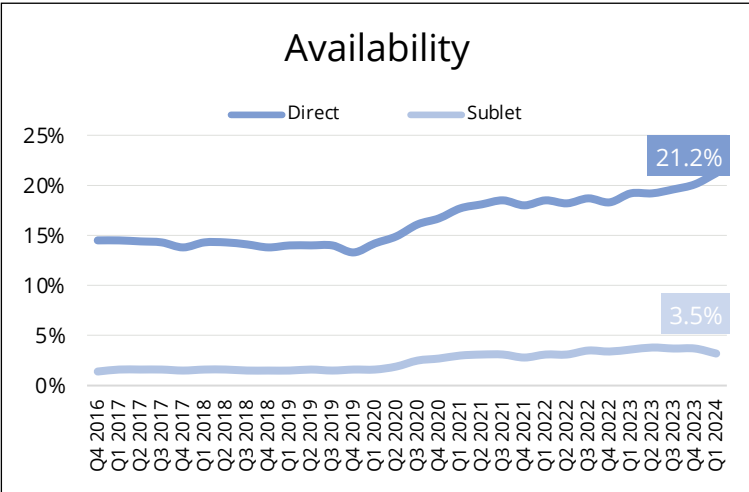
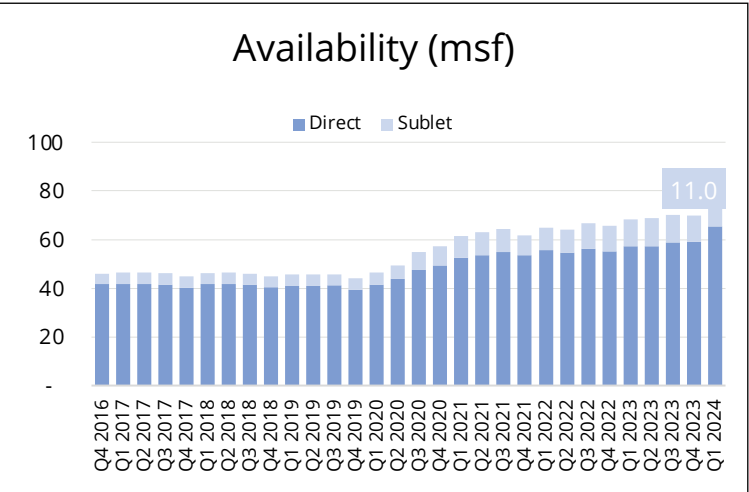
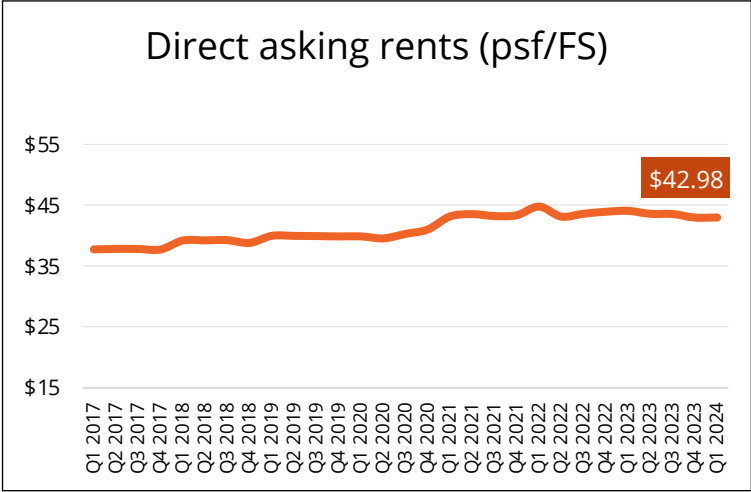
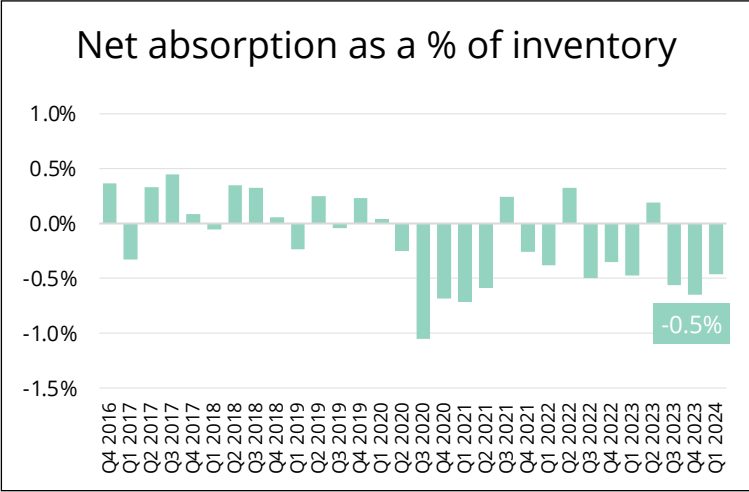
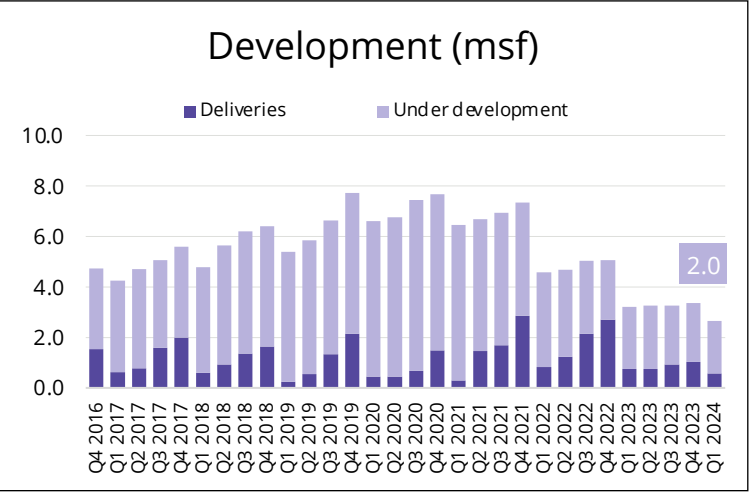
average delivery date of buildings currently under construction



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
Snap Inc.	2850, 3100, 3340 Ocean Park Blvd	Santa Monica	Jan 2024	400,000	Direct	Renewal
Bank of Tokyo Mitsubishi	555 S. Flower St	DTLA	Jan 2024	61,983	Direct	New
Davis Wright Tremaine	350 S. Grand Avenue	DTLA	Jan 2024	39,657	Direct	New

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
NantBio, LLC	1940 E Mariposa	March 2024	83,411	\$25,000,000	\$299	Montana Avenue Capital Partners
Dr. Daniel Barrett	501 S Beverly Dr	Jan 2024	23,075	\$21,300,000	\$923	Abady Holdings Corporation
Sean Andrade	2014-2022 E 7 th St	Jan 2024	22,851	\$11,900,000	\$520	ASB Real Estate Investments

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

Los Angeles office market stats

	Existing inventory sf	Deliveries sf	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	48,061,554	127,000	168,000	26.54%	2.1%	28.55%	(0.06%)	(0.06%)	\$49.83
East LA	4,434,081	0	40,000	8.1%	0.7%	8.8%	(1.38%)	(1.38%)	\$30.66
LA North	36,996,070	0	331,000	18.2%	6.2%	24.4%	(1.14%)	(1.14%)	\$33.85
Mid-Cities	4,380,593	0	0	8.1%	0.7%	8.8%	0.86%	0.86%	\$27.83
Mid-Wilshire	21,405,404	0	0	21.7%	1.4%	23.1%	(1.28%)	(1.28%)	\$40.60
San Gabriel Valley	17,124,538	0	0	10.3%	0.5%	10.8%	0.26%	0.26%	\$30.38
South Bay	37,902,794	0	0	21%	4.1%	25.1%	1.06%	1.06%	\$38.48
South LA	874,396	0	0	22.5%	0.0%	22.5%	0.0%	0.0%	\$47.40
Tri Cities	30,032,913	397,987	140,634	23.8%	5.2%	29.0%	(0.65%)	(0.65%)	\$44.11
West LA	73,395,270	137,130	1,401,704	23%	4.3%	27.3%	(0.7%)	(0.9%)	\$57.27
Market total	274,607,613	662,117	2,081,338	21.22%	3.49%	24.71%	(0.21%)	(0.21%)	\$42.98

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	26,187,985	90,000	770,500	23.46%	3.67%	27.14%	0.32%	0.32%	\$44.18
Class A	124,132,563	500,000	1,100,000	24.51%	5.04%	29.38%	(0.66%)	(0.66%)	\$45.13
Class B	89,681,189	72,117	119,994	15.86%	2.54%	18.28%	0.11%	0.11%	\$37.13
Class C	34,605,876	0	90,800	8.20%	1.20%	9.40%	0.50%	0.50%	\$39.09
Market total	274,607,613	662,117	2,081,338	21.22%	3.49%	24.71%	(0.21%)	(0.21%)	\$42.98



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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