

A photograph of the Downtown Los Angeles skyline at night. The image shows several prominent skyscrapers, including the US Bank Tower (now 1111 Wilshire) and the Bank of America Tower, illuminated with lights. The foreground shows a residential area with palm trees and houses. The sky is dark blue with some clouds.

Downtown Los Angeles office market report

Q2 2025

**AVISON
YOUNG**

Downtown Los Angeles office market trends

\$49.26

Market Adjustment Trims DTLA Rents

Following four consecutive quarters of growth, Downtown Los Angeles (DTLA) office rents experienced a modest retreat in Q2 2025. Asking rents eased to \$49.26 psf annually, down \$0.18 from Q1 2025's \$49.44 psf. This adjustment occurs despite persistent operating expense growth, flight-to-quality, and rising tenant improvement costs, signaling a balanced market response to broader economic conditions while maintaining relative rate resilience.

32.6%

Total Availability Rate Continues To Rise

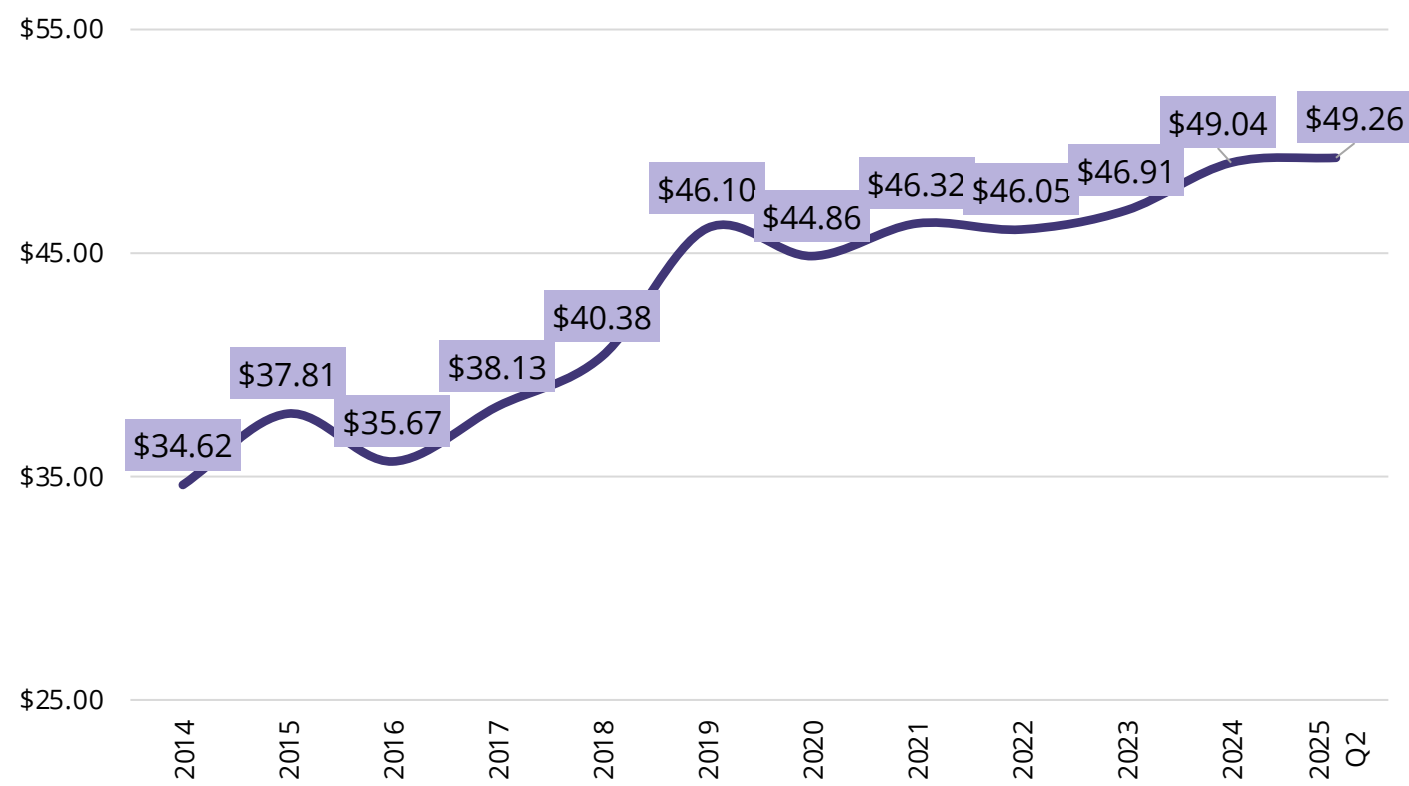
Availability in DTLA increased incrementally to 32.6% in Q2 2025, reflecting an increase of 80 basis points (bps) from Q1 2025. This upward movement coincided with negative net absorption, representing continued tenant right-sizing and space relinquishment. While elevated, the market's trajectory aligns with broader recalibration efforts as demand increasingly concentrates on premium, amenity-driven assets amid hybrid work adoption.

-217k sf

Momentum On Net Absorption Slows Down

Despite seeing a positive net absorption of 602k sf in Q1 2025 (driven by 3 owner-user purchases of office buildings in the CBD), net absorption decreased to -217k sf this quarter, reflecting ongoing market recalibration. Strategic repositioning by key tenants drove a significant portion of this adjustment: Kirkland & Ellis's consolidation and KPMG's footprint optimization collectively contributed -100k sf. These moves exemplify targeted right-sizing with legal/professional services as firms align their portfolios with hybrid work models.

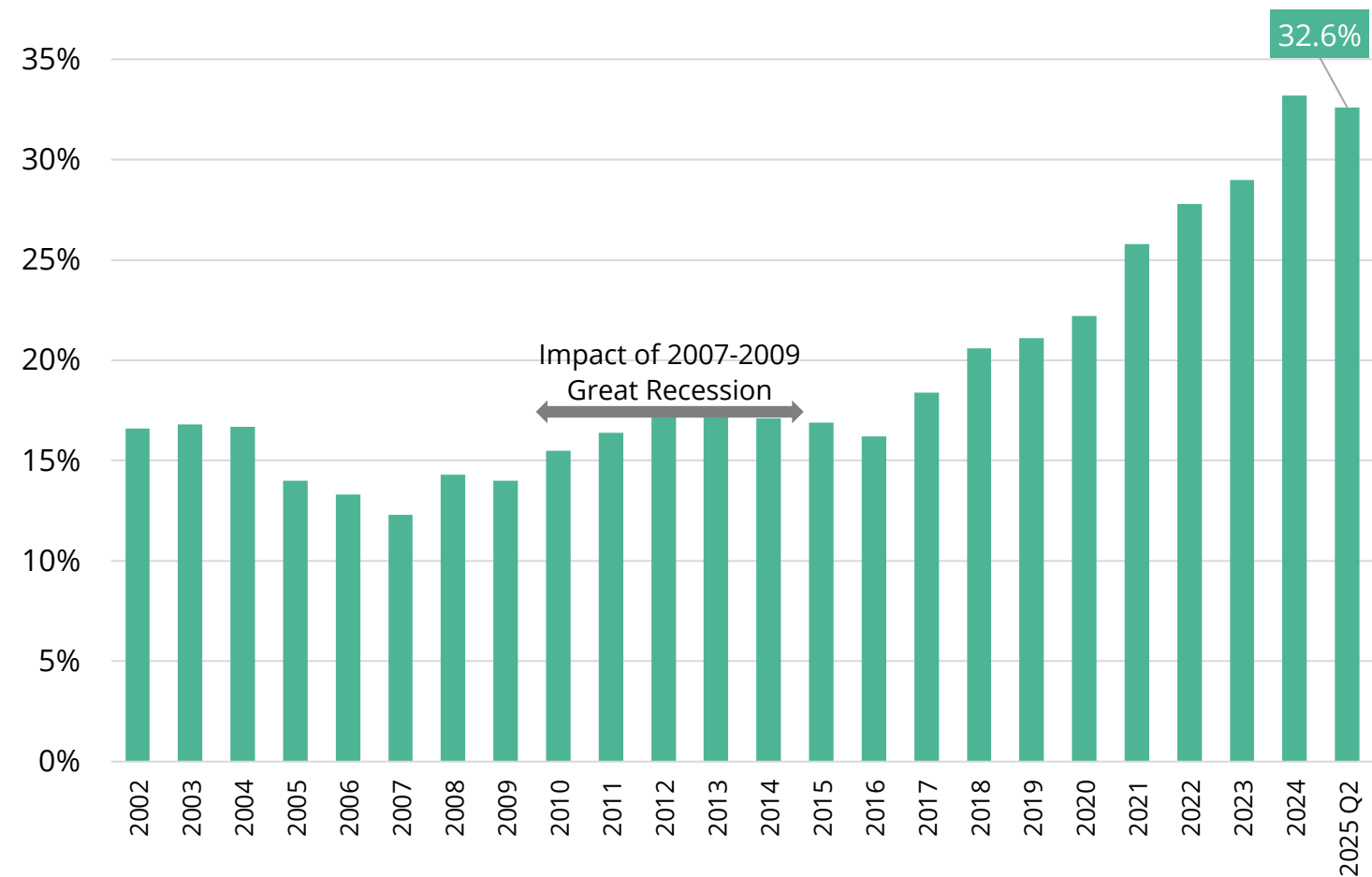
Downtown Los Angeles office rental rates (Trophy & Class A)



The Downtown Los Angeles office market sustained its premium pricing tier in Q2 2025, with average asking rents registering at \$49.26 psf annually – a mere \$0.18 decline from Q1 2025's historic peak (\$49.44) after four consecutive quarterly gains.

This stability underscores landlords' disciplined approach to balancing elevated operating expenses, including insurance, maintenance, and energy costs—against targeted tenant retention efforts amid flight-to-quality demand.

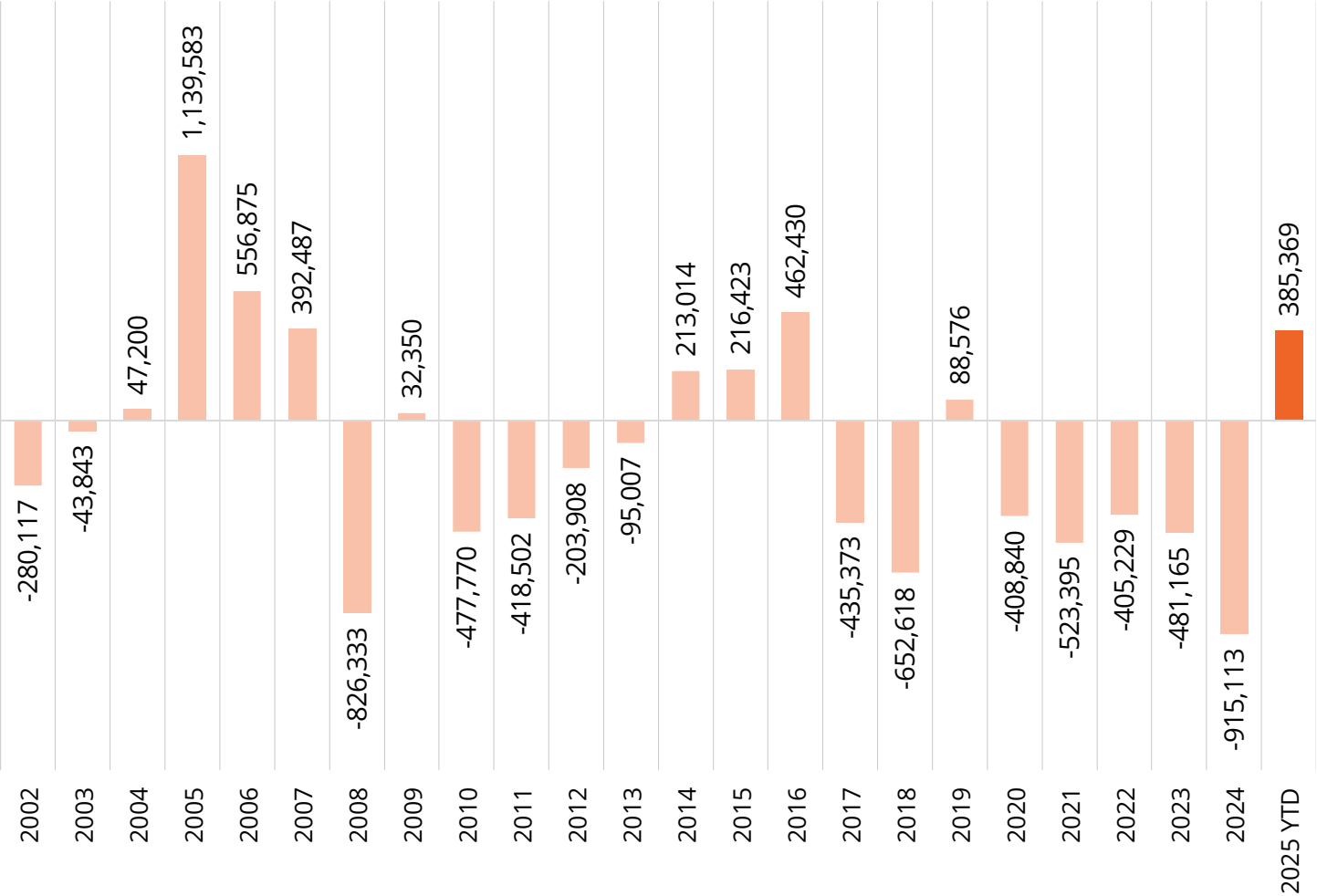
Downtown Los Angeles office overall availability rate (Trophy & Class A)



Downtown Los Angeles office availability registered 32.6% during Q2 2025 – an 80 bps quarterly uptick; but a 60 bps annual retreat from 2024’s peak (33.2%).

While still elevated by historical standards, early stabilization is taking hold within the trophy class, fueled by accelerated flight-to-quality momentum (tenants consolidating into premium spaces) and a consistent leasing pace. This trajectory shift signals that the post-pandemic reset is transitioning toward market recalibration, paving the way for gradual recovery amid ongoing structural adaptation.

Downtown Los Angeles annual office net absorption (Trophy & Class A)



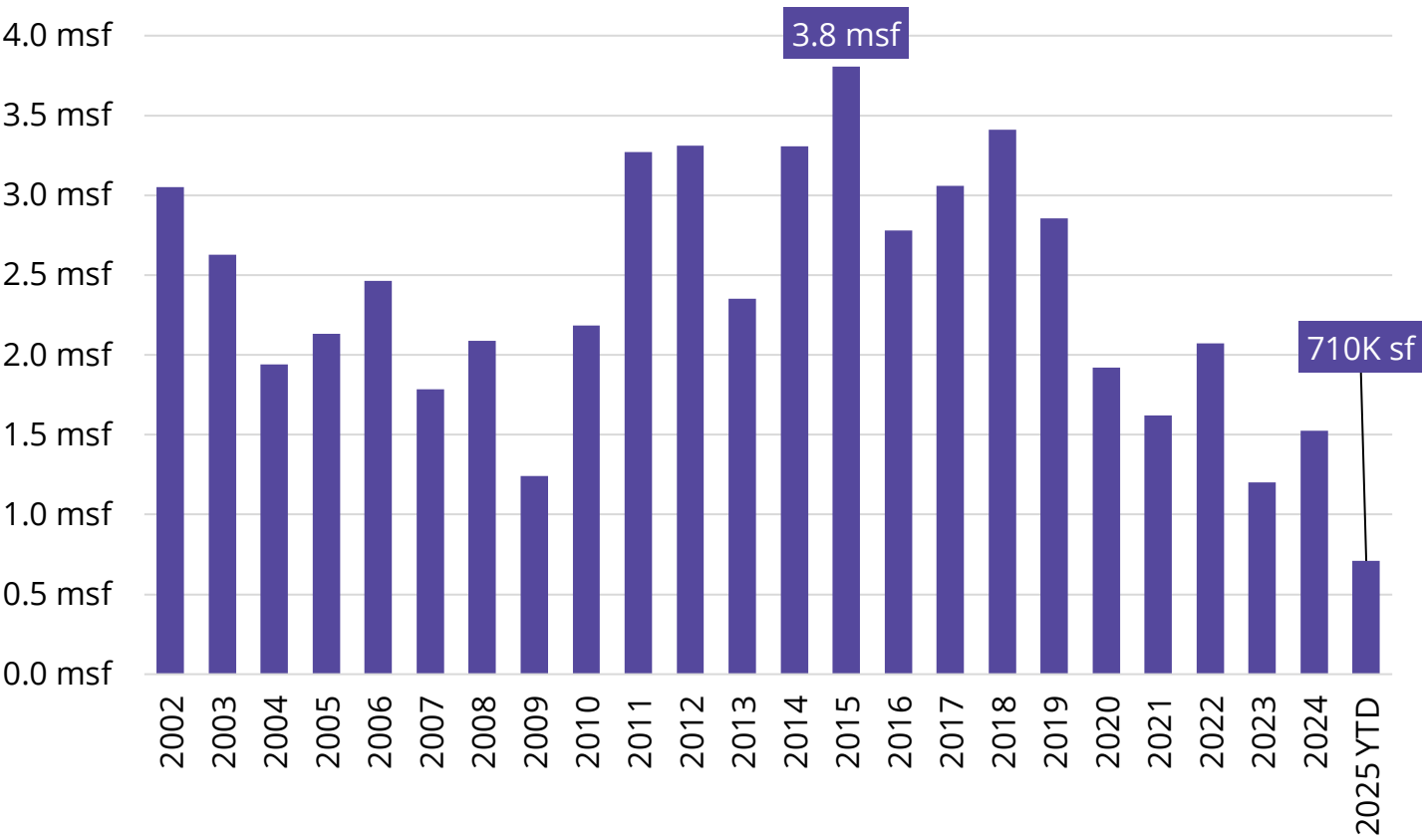
Q2 2025 net absorption registered -217,122 sf, partially offsetting Q1 2025's robust 602,491 sf and bringing year-to-date (YTD) absorption to 385,369 sf.

While Q1's surge stemmed from one-time owner/user acquisitions, Q2's contraction reflects organic tenant adjustments. Key moves included KPMG's downsizing by 37K sf (relinquishing 97K at 550 S Hope St.) following their relocation into a 60K sf lease at US Bank Tower; and Kirkland & Ellis's full exit from DTLA (a 70K sf consolidation into Century City which was reabsorbed by Oaktree Capital's lease at 555 S. Flower St.). Despite the quarterly reversal, YTD absorption remains the strongest since 2016, underscoring how flight-to-quality relocations and strategic repositioning continue to support incremental stabilization amid broader market headwinds.

Appendix



Downtown Los Angeles office leasing activity (Trophy & Class A)



Q2 2025 saw leasing volume reach 452,678 sf, a 76.2% increase QoQ, lifting YTD activity to 709,570 sf.

While still subdued compared to pre-2020 norms, demand concentrated heavily on premium assets, highlighted by Oaktree’s 220,000 sf relocation to City National Plaza. Supporting activity included Fisher & Philips’ 39K sf lease at 515 S. Flower St. and HNTB Corporation’s 21,905 sf expansion at 777 Tower.

Though 2025’s pace remains below historical averages, this quarter’s flight-to-quality momentum confirms strategic tenants are selectively pursuing top-tier opportunities, establishing organic foundations for recovery.

Q2 2025 Downtown Los Angeles office market stats (Trophy & Class A)

Submarket	Existing inventory sf	Deliveries sf (QTD)	Under development sf	Direct Availability (%)	Sublet Availability (%)	Total Availability (%)	2025 Net absorption sf (Q2)	Annual direct asking rent psf FS
Financial District	16,223,803	0	0	28.1%	3.5%	31.6%	(24,191)	\$ 47.02
Bunker Hill	10,235,677	0	0	23.1%	2.1%	25.2%	(167,319)	\$ 51.92
CBD	26,459,480	0	0	26.1%	3.0%	29.1%	(191,510)	\$ 48.92
Arts District	2,776,013	0	105,000	39.9%	10.5%	50.3%	(39,877)	\$ 63.85
Fashion District	1,937,247	0	0	61.3%	3.2%	64.5%	0	\$ 48.00
South Park	1,722,646	0	0	18.3%	6.0%	24.4%	9,626	\$ 44.83
Central City West	450,000	0	0	13.9%	0.0%	13.9%	7,623	\$ 42.28
Historic Core	800,387	0	0	37.7%	0.4%	38.2%	(4,746)	\$42.00
Little Tokyo	264,315	0	0	19.2%	3.8%	23.0%	0	\$49.09
Chinatown	251,308	0	0	38.3%	0.0%	38.3%	1,762	-
Non-CBD	8,201,916	0	0	38.0%	5.7%	43.8%	(25,612)	\$ 50.28
Overall DTLA	34,661,396	0	105,000	29.0%	3.6%	32.6%	(217,122)	\$ 49.26

Downtown Los Angeles office market activity

Recent leasing activity

Tenant	Address	Submarket	Type	Size (sf)
Oaktree Capital	555 S Flower St.	Financial District	New Lease	220,000
KPMG	633 W 5 th St.	Financial District	New Lease	60,000
Fisher & Philips, LLP	515 S. Flower St.	Financial District	New Lease	40,000
Cooley, LLP	350 S. Grand Ave.	Financial District	New Lease	28,297
JP Morgan Chase	515 S. Flower St.	Financial District	New Lease	27,157

Recent sales activity

Address	Size (sf)	Submarket	Seller	Buyer	Sales Date	Sales Price	Sale price psf	Status
601 S Figueroa St.	1,042,332	Financial District	Mass Mutual/Nuveen (Lenders) Brookfield Properties	Uncommon Developers, LLC	6/6/2025	\$210,000,000	\$201.47	Sold
725 S. Figueroa St. (EY Plaza)	915,316	Financial District	Morgan Stanley & Wells Fargo (Lender)	N/A	N/A	N/A	N/A	On Market
1150 S. Olive St. (USC Tower) & 1149 S. Hill St.	870,930	South Park	LBA Realty	N/A	N/A	N/A	N/A	On Market
523 W, 6 th St. (PacMutual)	464,179	Financial District	Ivanhoe Cambridge	N/A	N/A	N/A	N/A	In Escrow

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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