

MARKET TRENDS

# LOS ANGELES OFFICE

### FACTORS INFLUENCING THE MARKET

The Los Angeles office market continues to face challenges in the first quarter of 2024, as tenant activity remains relatively subdued, leading to a persistent shortage of leasing activity and an increase in vacancy rates. In light of the current market conditions, landlords must maintain reasonably consistent rent levels while still maintaining the standard of their properties, interior amenities, and mortgages.

Tenants are still assessing their needs for offices, even as many are thinking about subleasing spaces, downsizing, or looking for alternate office locations. This reflects the ongoing struggle for companies to balance their requirements with the demands of their workforce.

Landlords provide a different viewpoint, therefore there is some speculation. As a source of market confidence, they point to the media and post-production sectors.

### ECONOMIC REVIEW

In 2024, the Los Angeles office market will continue to be an important commercial hub for many industries, including commerce, finance, entertainment, technology, aerospace, and tourism. The city benefits from its huge and diversified population, its strategic West Coast position, and its ties to international markets. The overall state of the economy might influence business decisions about the requirements for office space. Notwithstanding any encouraging developments, tenants may continue to exercise caution because of general economic uncertainties.

### NEAR-TERM OUTLOOK

The local office market has a dismal prognosis; total availability and vacancies could rise. In Downtown districts, it appears that tenants are moving out of less appealing buildings and congregating in higher-quality spaces. This highlights the importance of building class and location, and the little decrease in sublease availability suggests some stabilization.

Several causes, such as the return to work and the expansion of the tech sector in Los Angeles, are driving demand for office space. Several important sources of talent include prestigious colleges like USC, UCLA, and Cal Tech, which sustain an expanding innovation community.

## Market Summary

	1Q24	4Q23	1Q23	YOY Change
Direct Vacancy Rate	15.4%	15.0%	14.2%	<b>8.79%</b>
Total Availability Rate	20.5%	19.5%	19.3%	<b>6.28%</b>
Direct Asking Lease Rate	\$3.49	\$3.47	\$3.50	<b>-0.29%</b>

	1Q24	2023 Total	1Q23	YOY Change
Total Lease Transactions	2,603,639	3,886,445	4,450,785	<b>-41.50%</b>
Sale Transactions	358,610	2,920,300	3,509,090	<b>-89.78%</b>
Direct Net Absorption	(1,251,718)	(1,427,180)	(646,123)	<b>N/A</b>

↓ **2.6M SF**  
LEASING ACTIVITY

↓ **-1.3M SF**  
NET ABSORPTION

↑ **15.4%**  
VACANCY RATE

↓ **\$3.49**  
ASKING RENT (AVG)

↓ **566K SF**  
NEW DELIVERIES

Year-Over-Year Trend

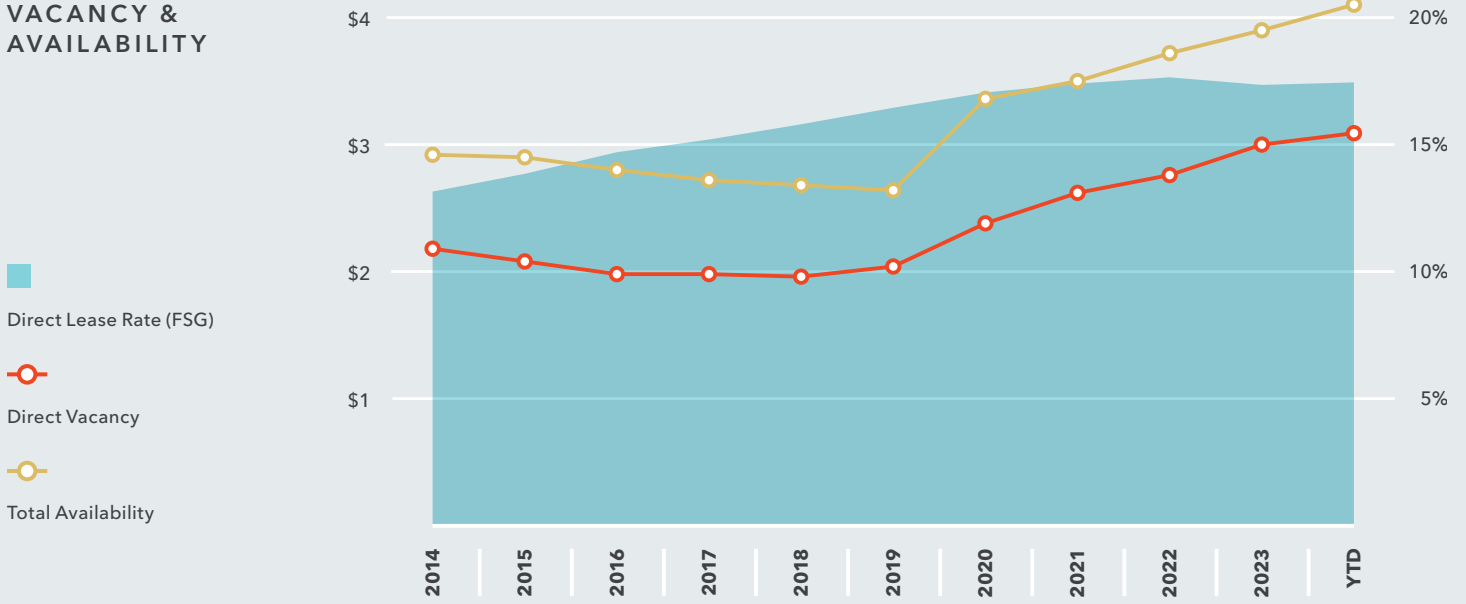
## Market Highlights

**DIRECT VACANCY** rate in Los Angeles at the beginning of 2024 was 15.4%

**AVERAGE ASKING RATES** settled at \$3.49/SF on a full-service basis

**UNDER CONSTRUCTION** 2.9M SF is anticipated to remain in the Los Angeles pipeline

## LEASE RATE, VACANCY & AVAILABILITY



## BIGGEST SALE OF THE QUARTER

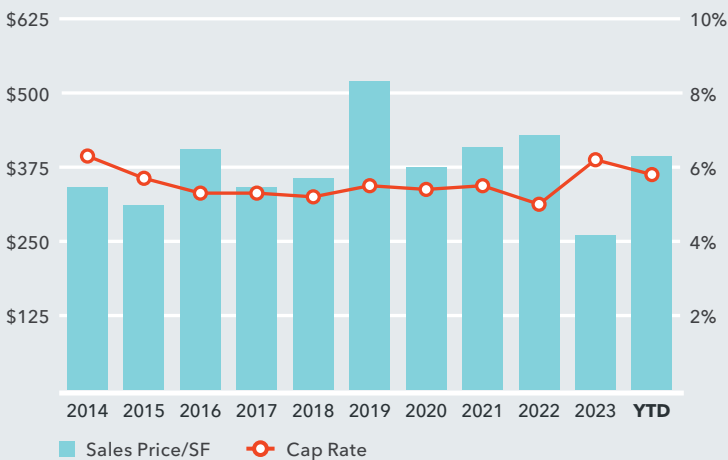
*501 S Beverly Dr – Medical Office  
Beverly Hills, CA*



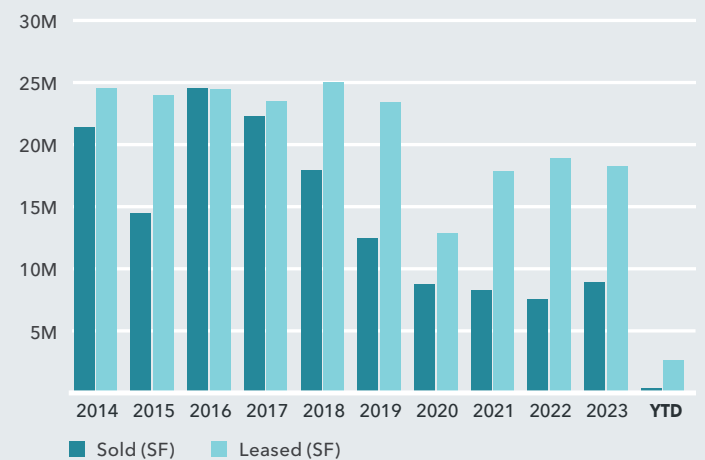
## NET ABSORPTION & NEW DELIVERIES



## AVERAGE SALES PRICE/SF & CAP RATE



## SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	1Q24 Total Net Absorption	YTD Total Net Absorption	1Q24 Leasing Activity	YTD Leasing Activity	Direct Rental Rate
Burbank	14,576,212	14.6%	17.7%	24.0%	69,040	69,040	61,552	61,552	\$4.28
Glendale	12,172,185	16.8%	19.0%	23.0%	(67,586)	(67,586)	35,094	35,094	\$3.22
Pasadena	16,928,985	13.2%	14.2%	21.8%	(92,500)	(92,500)	44,245	44,245	\$3.42
<b>Tri-Cities</b>	<b>43,677,382</b>	<b>14.7%</b>	<b>16.7%</b>	<b>22.9%</b>	<b>(91,046)</b>	<b>(91,046)</b>	<b>140,891</b>	<b>140,891</b>	<b>\$3.62</b>
<b>Downtown Los Angeles</b>	<b>70,020,524</b>	<b>18.5%</b>	<b>19.9%</b>	<b>21.7%</b>	<b>(364,452)</b>	<b>(364,452)</b>	<b>203,468</b>	<b>203,468</b>	<b>\$3.04</b>
<b>Mid-Cities</b>	<b>8,738,672</b>	<b>5.8%</b>	<b>6.1%</b>	<b>8.5%</b>	<b>(8,701)</b>	<b>(8,701)</b>	<b>57,220</b>	<b>57,220</b>	<b>\$2.51</b>
East Hollywood/Silver Lake	3,408,408	6.4%	8.8%	8.4%	7,942	7,942	116,799	116,799	\$3.30
Hollywood	8,906,521	17.8%	20.0%	22.6%	5,541	5,541	25,684	25,684	\$4.24
Mid-Wilshire	15,463,082	19.1%	19.3%	17.2%	(293,533)	(293,533)	56,975	56,975	\$2.64
Miracle Mile	5,757,038	30.8%	32.1%	31.0%	(49,758)	(49,758)	52,915	52,915	\$4.10
Park Mile	1,637,087	26.4%	30.3%	33.9%	(2,427)	(2,427)	2,474	2,474	\$2.97
West Hollywood	7,288,355	11.8%	14.3%	17.8%	(63,732)	(63,732)	15,937	15,937	\$5.00
<b>Mid-Wilshire</b>	<b>42,460,491</b>	<b>18.4%</b>	<b>19.9%</b>	<b>20.2%</b>	<b>(395,967)</b>	<b>(395,967)</b>	<b>270,784</b>	<b>270,784</b>	<b>\$3.47</b>
Calabasas/Westlake Village	6,836,010	13.2%	16.9%	20.5%	(29,917)	(29,917)	57,499	57,499	\$2.56
Eastern SFV	5,372,111	7.2%	7.8%	9.6%	13,646	13,646	9,506	9,506	\$2.40
Encino	4,960,873	15.1%	17.0%	19.3%	(18,322)	(18,322)	70,419	70,419	\$2.95
North Hollywood	2,604,395	17.3%	19.2%	18.0%	14,597	14,597	23,986	23,986	\$3.59
Sherman Oaks	3,413,872	14.4%	17.0%	19.8%	(61,125)	(61,125)	51,782	51,782	\$3.02
Studio/Universal Cities	3,493,400	9.8%	11.5%	13.3%	(15,117)	(15,117)	25,227	25,227	\$3.29
Tarzana	1,709,991	10.3%	10.4%	11.3%	(2,409)	(2,409)	5,476	5,476	\$3.29
Western SFV	7,973,841	10.7%	11.5%	15.2%	34,683	34,683	38,836	38,836	\$2.52
Woodland Hills/Warner City	9,657,659	18.1%	22.7%	29.7%	(75,064)	(75,064)	140,148	140,148	\$2.47
<b>San Fernando Valley</b>	<b>46,022,152</b>	<b>13.2%</b>	<b>15.6%</b>	<b>19.0%</b>	<b>(139,028)</b>	<b>(139,028)</b>	<b>422,879</b>	<b>422,879</b>	<b>\$2.72</b>
<b>San Gabriel Valley</b>	<b>29,762,949</b>	<b>7.1%</b>	<b>7.3%</b>	<b>8.7%</b>	<b>12,199</b>	<b>12,199</b>	<b>130,537</b>	<b>130,537</b>	<b>\$2.60</b>
190th Street Corridor	4,068,470	15.2%	18.1%	12.7%	68,356	68,356	35,210	35,210	\$2.88
Beach Cities/Palos Verdes	4,907,263	10.5%	10.5%	8.3%	(8,049)	(8,049)	40,221	40,221	\$3.45
El Segundo	18,008,837	16.6%	18.9%	26.5%	48,150	48,150	81,318	81,318	\$4.12
Hawthorne/Gardena	2,179,491	6.6%	6.9%	5.5%	13,518	13,518	32,926	32,926	\$2.17
LAX	4,386,905	37.6%	37.7%	32.0%	(91,085)	(91,085)	6,653	6,653	\$2.44
Downtown Long Beach	7,921,231	16.5%	19.0%	21.8%	54,596	54,596	12,472	12,472	\$2.54
Suburban Long Beach	8,917,737	9.6%	11.8%	13.1%	(36,075)	(36,075)	105,440	105,440	\$2.80
Torrance	7,735,812	7.8%	10.0%	12.8%	22,083	22,083	28,241	28,241	\$3.01
<b>South Bay</b>	<b>58,125,746</b>	<b>14.9%</b>	<b>16.8%</b>	<b>19.1%</b>	<b>71,494</b>	<b>71,494</b>	<b>342,481</b>	<b>342,481</b>	<b>\$3.21</b>
<b>Southeast Los Angeles</b>	<b>7,735,334</b>	<b>7.0%</b>	<b>7.8%</b>	<b>8.1%</b>	<b>(33,764)</b>	<b>(33,764)</b>	<b>20,837</b>	<b>20,837</b>	<b>\$2.49</b>
<b>West Los Angeles</b>	<b>76,315,820</b>	<b>18.4%</b>	<b>21.0%</b>	<b>27.4%</b>	<b>(302,453)</b>	<b>(302,453)</b>	<b>1,014,542</b>	<b>1,014,542</b>	<b>\$5.13</b>
<b>Los Angeles Total</b>	<b>382,859,070</b>	<b>15.4%</b>	<b>17.2%</b>	<b>20.5%</b>	<b>(1,251,718)</b>	<b>(1,251,718)</b>	<b>2,603,639</b>	<b>2,603,639</b>	<b>\$3.49</b>
Class A	178,155,565	20.0%	22.6%	26.9%	(596,441)	(596,441)	1,171,876	1,171,876	\$3.69
Class B	159,366,718	12.9%	14.0%	16.7%	(501,591)	(501,591)	1,262,609	1,262,609	\$3.27
Class C	44,982,563	6.5%	7.3%	8.7%	(141,610)	(141,610)	158,263	158,263	\$3.07

TOP SALE TRANSACTIONS 1Q 2024

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
501 S Beverly Dr – Medical Office	West Los Angeles	23,075	\$21,300,000	\$923.08	1650 Adams LLC	Abady Holdings Corporation
Variel Court Office Plaza Portfolio	San Fernando Valley	68,178	\$20,000,000	\$293.35	6330 Variel Avenue LLC	Brasa Capital Management
2014-2022 E 7th St – Mixed-Use Building	Downtown Los Angeles	22,851	\$11,900,000	\$520.76	Watershed Properties, LLC	ASB Real Estate Investments
Wilshire Westgate Medical Building	West Los Angeles	16,000	\$11,500,000	\$718.75	Reproductive Fertility Center	Beitler Commercial Realty
5995 S Sepulveda Blvd – Auction Sale	West Los Angeles	27,090	\$10,200,000	\$376.52	Caster Modelo LLC	Reading International, Inc.

TOP LEASE TRANSACTIONS 1Q 2024

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Santa Monica Business Park	West Los Angeles	330,004	January 2024	BXP	Snap Inc. (Renewal)
Westside Media Center	West Los Angeles	78,900	February 2024	Kilroy Realty Corporation	Undisclosed
The Hollywood Creative	Mid-Wilshire	68,864	January 2024	The Georgetown Company	Undisclosed (Sublease)
Pacific Concourse	South Bay	68,232	January 2024	G & N Managment Inc	Executive Office of Immigration Review
1500 Hughes Way	South Bay	46,915	February 2024	Omninet Capital	Undisclosed

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Century City Center	1950 Avenue of the Stars	West Los Angeles	731,250	JMB Financial Advisors LLC	January 2026
NBCUniversal Plaza	100 Universal City Plz	San Fernando Valley	331,000	NBCUniversal	May 2024
Impact At Nash	200 S Nash St	South Bay	324,000	Continental Development Corporation	August 2024
3401 La Cienega – Mixed-Use	3401 S La Cienega Blvd	West Los Angeles	253,491	La Cienega Owner LLC	January 2026
42XX Glencoe	4204 Glencoe Ave	West Los Angeles	151,067	Bradmore Realty Investment Co Ltd	July 2024

Data Source: EDD, CoStar



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The information in this report was composed by the Kidder Mathews Research Group.

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<b>COMMERCIAL BROKERAGE</b>	<i>\$10B</i> 3-YEAR AVERAGE TRANSACTION VOLUME	<i>31.7M</i> ANNUAL SALES SF	<i>42.4M</i> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<i>51M SF</i> MANAGEMENT PORTFOLIO SIZE	<i>750+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> CLIENTS SERVED
<b>VALUATION ADVISORY</b>	<i>2,600+</i> 3-YEAR AVERAGE ASSIGNMENTS	<i>43</i> TOTAL APPRAISERS	<i>25</i> WITH MAI DESIGNATIONS

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