

Los Angeles

Office | Q2 2024 Market Report

Quarterly Snapshot

↑ Average Rent
\$3.86/SF

↑ Vacancy
21.0%

↑ Net Absorption
-578,616 SF

Occupier's Perspective

Near-term supply growth outlooks continue to remain limited with high vacancy rates and many buildings presenting depressed valuations, often below replacement costs.

Inflation has fallen 60 percent from its peak of 9 percent in 2022 but has remained higher than the fed would like to see with 3.3 percent reported for May 2024, causing some economists to be concerned about potential hikes despite the fed holding rates during the June 2024 meeting.

Reports indicate an estimated 60 percent of employers are considering layoffs in 2024, with many tech companies reducing their labor force by 20 to 50 percent.

The Los Angeles Metro office market saw a slowing of the pain with a 580,000 square foot decrease in net absorption in the second quarter, compared to the 1.2 million square feet last quarter. Further, average rents ticked higher, increasing from \$3.84 per square foot last quarter to \$3.86 per square foot this quarter. Most submarket rates saw less than a one percent change to the positive or negative. Submarkets with notable changes were Downtown LA and San Fernando Valley with 4 percent rate increases, while West Los Angeles rates dropped 3 percent.

Notable vacancy changes were seen within West Los Angeles/Tri-Cities/DTLA experiencing between 200,000 and 400,000 square feet increases in vacancy while Wilshire district saw 400,000 square feet get absorbed this quarter. Overall, the 12-month negative net absorption has continued to increase, totaling 4.5 million square feet.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
U.S. Bank	105,000 SF	Downtown Los Angeles	Renewal	Office
FPM Development	94,081 SF	Culver City	New Lease	Office
Spectrum Enterprise	52,507 SF	Mid-Cities	New Lease	Office
Industrious	44,536 SF	Downtown Los Angeles	New Lease	Office
Lions Gate Entertainment	39,374 SF	Santa Monica	Renewal	Office
Tokio Marine	33,464 SF	Pasadena	New Lease	Office
Barrister Executive Suites	30,823 SF	Century City	Renewal	Office
Stockdale Capital Partners	11,437 SF	Beverly Hills	Renewal	Office

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
27.4%	▼	\$3.17	Wilshire District
21.0%	▲	\$3.24	Downtown Los Angeles
18.7%	▼	\$3.42	San Fernando Valley
16.1%	▼	\$3.59	South Bay
23.3%	▲	\$3.83	Tri-Cities
15.2%	▼	\$4.93	Hollywood
20.8%	▲	\$5.13	West Los Angeles