

Los Angeles

Office | Q1 2024 Market Report

Quarterly Snapshot

↑ Average Rent
\$3.84/SF

↑ Vacancy
20.9%

↓ Net Absorption
-1,216,051 SF

Occupier's Perspective

Near-term supply growth outlook is limited with high vacancy and many buildings presenting depressed valuation, often below replacement costs.

Net out-migration and hiring pullbacks in the tech industry continue to weigh on office demand, with employers continuing to define work-from-home models. Tenants are finding there is still demand for high-quality space with some users fighting to lock in favorable lease rates in A+ assets.

Fed officials have remained consistent with the guidance of rate hikes being over, however with inflation remaining persistent, some sources have hinted that rate hikes could return if the Fed can't get inflation under control.

The Los Angeles Metro office market remains volatile. Current net absorption for the first quarter of 2024 was negative 1.2 million square feet, bringing the 12-month net absorption down to negative 3.9 million square feet. Tri-Cities, West Los Angeles, Downtown Los Angeles, and Wilshire District contributed 1.7 million square feet of additional unoccupied space to their submarkets. The San Fernando Valley added the largest amount of positive net absorption in the first quarter with 261,859 square feet. Weaker leasing has been insufficient to offset the numerous tenants vacating or downsizing their office footprints, whether upon lease expiration or by putting space on the sublease market.

Overall, most of the submarkets remained relatively unchanged in rental rates with some modest growth overall from \$3.75 to \$3.84 per square foot per month, largely due to the West Los Angeles market increasing from \$5.20 to \$5.29 per square foot.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Snap	145,060 SF	Santa Monica	Renewal	Office
Snap	126,129 SF	Santa Monica	Renewal	Office
Snap	124,288 SF	Santa Monica	Renewal	Office
Riot Games	78,900 SF	Olympic Corridor	Renewal	Office
Executive Office for Immigration Review	68,232 SF	El Segundo	New Lease	Office
Snap	60,656 SF	Santa Monica	Renewal	Office
L.A. County Dept. of Mental Health	43,000 SF	Downtown Los Angeles	New Lease	Office
Davis Wright Tremaine LLP	39,677 SF	Downtown Los Angeles	New Lease	Office

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
20.9%	▲	\$3.09	Downtown Los Angeles
30.5%	▲	\$3.18	Wilshire District
18.8%	▲	\$3.28	San Fernando Valley
16.2%	▼	\$3.60	South Bay
21.4%	▲	\$3.86	Tri-Cities
15.2%	▼	\$4.91	Hollywood
20.2%	▲	\$5.29	West Los Angeles