



# Office Greater Los Angeles 23Q1

## Key Takeaways

- Q4 leasing activity of 2.7M SF fell short of the previous quarter.
- Negative net absorption increased the overall vacancy rate to 21.7%.
- Sublease availability is above 5% in three office markets.
- The Class A average asking rental rate remained unchanged.



## Greater Los Angeles

Office demand continues to remain well below pre-pandemic levels with another quarter of occupancy losses. Negative net absorption totaled 739,811 SF, which increased the vacancy rate by 60 basis points to 22.5%. This represents nearly 50M SF of vacant office space, 61% more than the amount in 2019 when the vacancy rate was 14.3%. An additional 148,402 SF of sublease space was put on the market in Q1 2023, increasing the sublease availability rate to a new record of 4.7%. Sublease availability now accounts for 17.3% of total available space in Los Angeles. Lower office usage, higher interest rates and economic downturn fears put the office sector in distress.

Los Angeles office leasing volume of 2.7M SF in Q1 2023 was 23.5% lower than the 2022 quarterly average. While the once demand-driving tech industry continues to retrench, significant deals were signed by entertainment and media tenants in West Los Angeles. Approximately half of the 1.8M SF currently in the office development pipeline are scheduled for completion by the end of 2023. Major projects have commenced in West Los Angeles, where developers see an opportunity to attract tenants to the newest space options. Office landlords remain under pressure to provide high-end amenities along with generous concessions and incentives to secure deals.

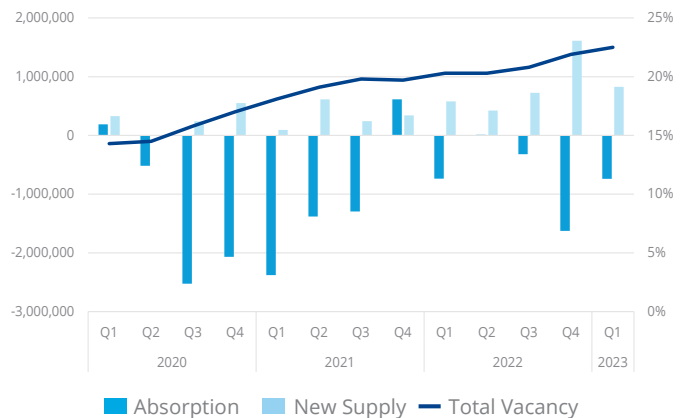
## Economic Indicators



## Historical Statistics

	Q1 2022	Q4 2022	Q1 2023
<b>Total Inventory (SF)</b>	218,934,988	220,446,213	221,149,814
<b>New Supply (SF)</b>	580,584	1,611,013	828,144
<b>Net Absorption (SF)</b>	(736,814)	(1,624,591)	(739,811)
<b>Overall Vacancy</b>	20.3%	21.9%	22.5%
<b>Under Construction (SF)</b>	4,312,029	1,623,491	1,839,343
<b>Overall Asking Lease Rates (FSG)</b>	\$3.86	\$3.78	\$3.78

## Market Graph



## Leasing Activity



## Downtown Los Angeles

The total availability rate in Downtown is the highest of any major office market in Los Angeles. The vacancy rate continued to increase, up 110 basis points over the quarter to 26.2%. High vacancies caused a few prominent Class A towers to be distressed and face foreclosure. Office-users in the CBD continue to re-evaluate space needs, opting to keep only a fraction of their footprint after the leases expire. While there was positive absorption in the Greater Downtown areas, tenants in the Financial District and Bunker Hill gave back 491,238 SF of space. Weakened demand has caused this office market to struggle more than others in Los Angeles, as vacancies were already relatively high prior to the pandemic.

## West Los Angeles

Office construction is most active in West Los Angeles with the commencement of two major developments during this downturn. Over 500,000 SF of projects delivered in Q1 2023, leaving 1.1M SF in the pipeline. This is more than half of the overall Los Angeles total of 1.8M SF. The most prominent project is the 730,000-SF office tower in Century City that will be anchored by Creative Artists Agency. Century City is still a preferred location for top law firms, talent agencies and wealth management. Excluding San Gabriel Valley, Century City's vacancy rate of 12.9% is lowest of any submarket in Los Angeles.

## Hollywood/Mid-Wilshire

Net absorption in Hollywood/Mid-Wilshire was slightly positive with some occupancy growth in Mid-Wilshire. The average asking rental rate has decreased from pre-pandemic levels by 4.5% in Hollywood and 13.6% in Mid-Wilshire. Although there haven't been any significant lease transactions recently in this central Los Angeles office market, investment firms are seeing opportunities here. Along with the acquisition of an office tower in Downtown Los Angeles, Elat Properties purchased the 126,000-SF Taft Building in Hollywood. High-vacancy properties are viewed as long-term investments as there are no new developments and office supply is constrained in Hollywood.

## Tri-Cities

After 10 consecutive quarters of rising vacancies in Tri-Cities, the vacancy rate held at 20% in Q1 2023. Burbank is home to entertainment giants that have been cutting costs over the past few quarters. This submarket entered the pandemic with a low vacancy rate of 4.6% which ran up to 14.8% by the end of Q1 2023. The influx of sublease options on the market caused the average asking rental rate in Burbank to decrease 1.4% over the quarter after reaching a peak high of \$4.40 PSF per month at the end of 2022. With 406,204 SF in the Tri-Cities pipeline set to deliver this year, vacancy is expected to increase further over the next few quarters.

## San Fernando Valley & Ventura County

Although the San Fernando Valley & Ventura County availability rate of 25.3% is one of the lowest in Los Angeles, this office market has the highest sublease availability at 6.4%. Sublease makes up approximately a quarter of total available space on the market in San Fernando Valley & Ventura County. West San Fernando Valley is the only submarket with a double-digit sublease availability rate of 11.3%, caused by more offerings in Woodland Hills. The average asking rental rate is up 1.5% year over year with noticeable growth in the smaller submarkets of West Ventura, Santa Clarita and East San Fernando Valley.

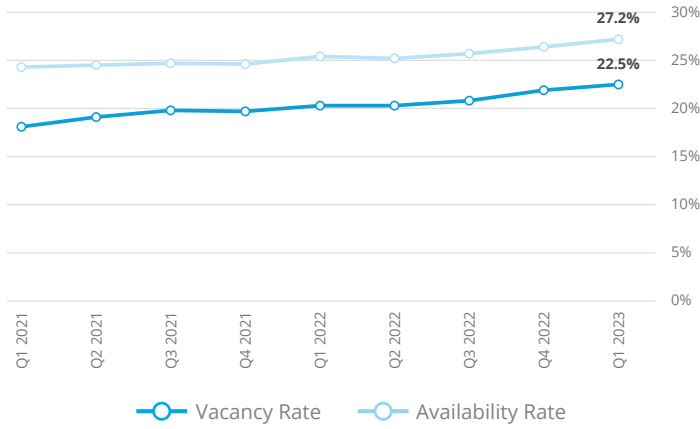
## South Bay

Negative net absorption of 328,219 SF in Q1 2023 caused the vacancy rate in South Bay to reach 25.1%. El Segundo & Beach Cities sublease availability rate increased another 40 basis points to 8.2%. In this submarket, Beyond Meat put up 53,000 SF for sublease after a decline in revenue. This is part of its headquarters which was a 12-year deal signed in 2021. MotorTrend, an auto-inspired entertainment company, is also subleasing its headquarters which added another 80,000 SF of office availability in El Segundo.

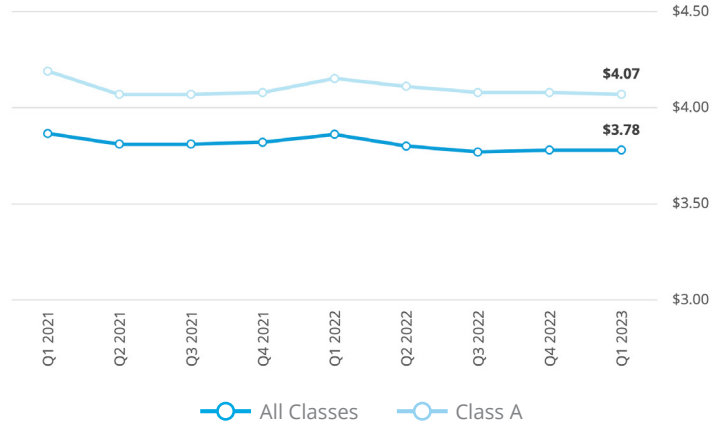
## San Gabriel Valley

San Gabriel Valley office vacancy was relatively flat over the quarter with occupancy growth in East San Gabriel Valley offset by the negative net absorption in West San Gabriel Valley. Leasing activity has been consistent in this office market throughout the pandemic. The 108,911 SF recorded in Q1 2023 was higher than the previous eight-quarter rolling average.

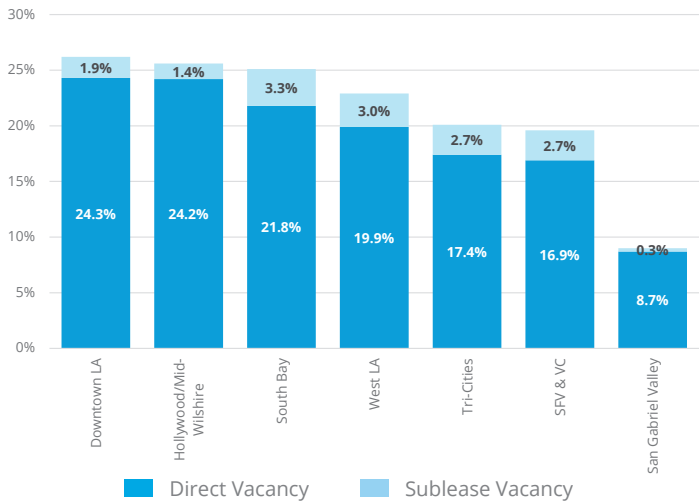
### Vacancy



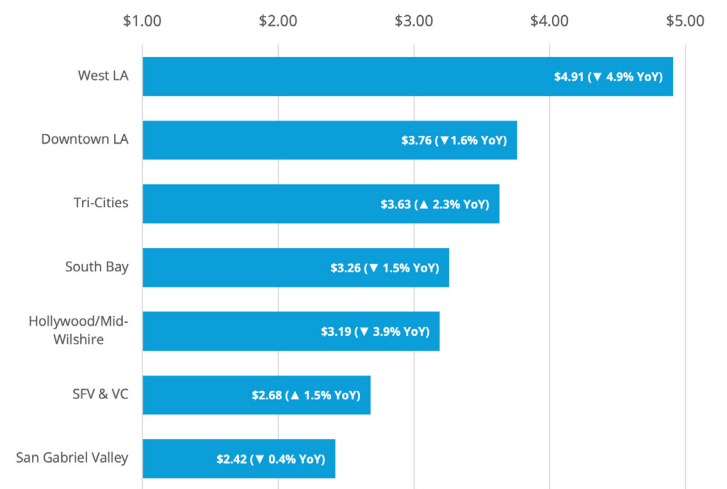
### Average Asking Rate



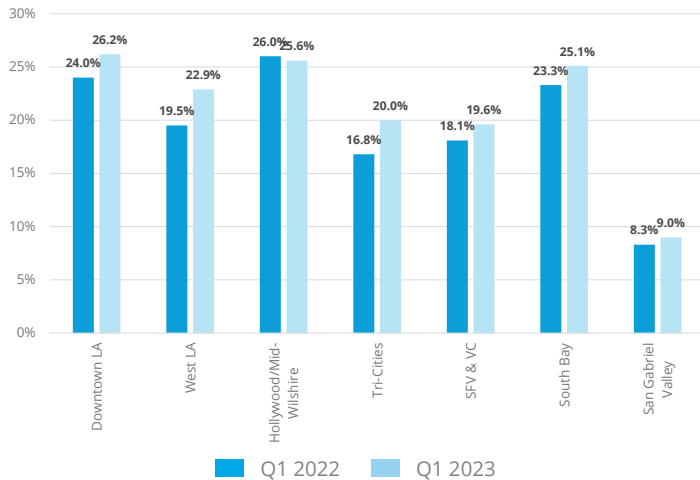
### Vacancy by Submarket



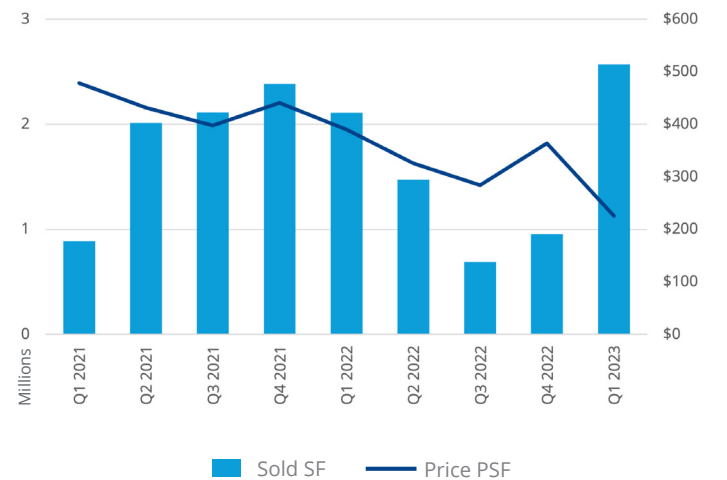
### Average Asking Rate by Submarket



### Vacancy YoY Comparison



### Sales Activity



## Greater Los Angeles | Q1 2023 | Office | Market Statistics

Market	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Prior Qtr	Lease Activity Current	Lease Activity YTD	Net Absorption Current	Net Absorption YTD	Under Construction	Avg Asking Rate (All Classes)	Avg Asking Rate (Class A)
Downtown LA	37,855,281	27.1%	3.7%	30.8%	26.2%	25.1%	225,858	225,858	(403,495)	(403,495)	230,000	\$3.76	\$4.37
West LA	63,781,239	22.5%	5.3%	27.7%	22.9%	22.1%	1,191,943	1,191,943	(33,057)	(33,057)	1,083,139	\$4.91	\$5.09
Hollywood/Mid-Wilshire	15,792,221	25.9%	1.9%	27.8%	25.6%	25.7%	65,729	65,729	17,138	17,138	0	\$3.19	\$3.23
Tri-Cities	24,166,178	20.9%	5.5%	26.4%	20.0%	20.0%	306,776	306,776	57,615	57,615	406,204	\$3.63	\$3.77
SFV & VC	35,667,902	18.9%	6.4%	25.3%	19.6%	19.5%	523,834	523,834	(44,180)	(44,180)	0	\$2.68	\$2.92
South Bay	33,575,426	24.3%	4.8%	29.1%	25.1%	24.1%	271,703	271,703	(328,219)	(328,219)	80,000	\$3.26	\$3.65
SGV	10,311,567	12.2%	0.6%	12.8%	9.0%	8.9%	108,991	108,991	(5,613)	(5,613)	40,000	\$2.42	\$2.55
<b>Total</b>	<b>221,149,814</b>	<b>22.6%</b>	<b>4.7%</b>	<b>27.2%</b>	<b>22.5%</b>	<b>21.9%</b>	<b>2,694,834</b>	<b>2,694,834</b>	<b>(739,811)</b>	<b>(739,811)</b>	<b>1,839,343</b>	<b>\$3.78</b>	<b>\$4.07</b>

## Significant Lease Activity

Address	Submarket	Tenant	Size (SF)	Type
5750 Wilshire Boulevard / Wilshire Courtyard West	Miracle Mile	Sony Pictures Entertainment	225,000	New
1800 Avenue of the Stars / Anderson Towers	Century City	Ares Management	206,222	New
12035 Waterfront Drive / Campus at Playa Vista	Playa Vista	Apple	93,949	New
11355-11377 W. Olympic Boulevard / Lumen	MDR / Venice	Fifth Season	67,000	New
6080 Center Drive / Playa District	MDR / Venice	Sony Corporation	54,462	Renewal
200 N. Pacific Coast Highway / PCT	El Segundo	Nooks	50,000	New
8407 Fallbrook Avenue / Corporate Pointe at West Hills	West SF Valley	Quest Diagnostics	49,141	Expansion
400 Continental Boulevard / Continental Grand Plaza	El Segundo	Regus	42,275	Extension

## Significant Sales Activity



**445 S. Figueroa Street**  
**Bunker Hill | Downtown**  
 KBS sold the Union Bank Plaza to Waterbridge Capital for  
**\$111,000,000 | \$158 PSF**



**9911 W. Pico Boulevard**  
**Century City | West Los Angeles**  
 Blackstone sold the 250,000-SF vacant office tower for  
**\$35,000,000 | \$140 PSF | Redevelopment**



**801 S. Grand Avenue**  
**Bunker Hill | Downtown**  
 CIM Group sold the 215,097-SF Class A office building for  
**\$47,000,000 | \$218 PSF | 80% Leased**

FOR MORE INFORMATION

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