

# Los Angeles Office

## MARKET OVERVIEW

### Q2 2023

#### ECONOMIC SNAPSHOT FOR LOS ANGELES

AVERAGE WAGE GROWTH 4.7%

UNEMPLOYMENT RATE 5.0%

INFLATION RATE 4.3%

#### LOS ANGELES OFFICE SNAPSHOT

YTD NET ABSORPTION (1,949,332) SF

UNDER CONSTRUCTION 3,967,694 SF

TOTAL VACANCY RATE 17.6%

SUBLEASE VACANCY 6,112,851 SF

DIRECT ASKING RATE \$41.79/SF

## Struggles continue across the Los Angeles market to conclude the 1st half of 2023

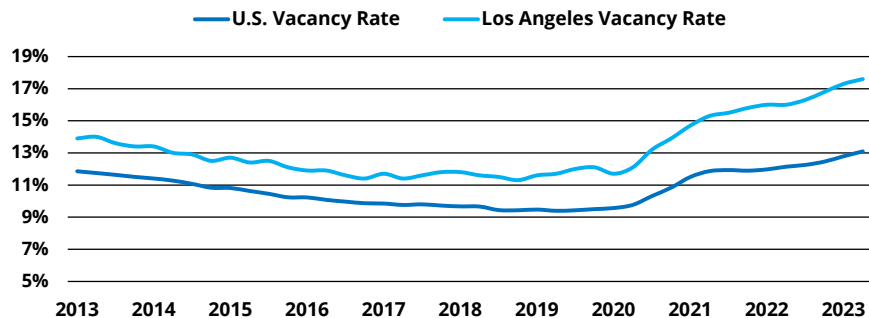
The Los Angeles office market continued to suffer in the second quarter of 2023 as recent economic uncertainty has intensified the already challenging market conditions. The gloom over the sector has caused many landlords to default on loans and the “perceived value” of office properties amongst buyers has decreased significantly. This resulted in many properties selling at discounts from pre-pandemic levels. The newest properties in the market are expected to see the greatest value as tenants are more inclined to upgrade to Class A spaces.

#### Los Angeles Office Trendlines

	Q2 2023	Q2 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	4.8	4.8	↔	7.1	↑
NET ABSORPTION (UNITS)	(729.6)	480.0	↓	(719.7)	↓
OVERALL VACANCY RATE	17.6%	16.0%	↑	14.0%	↑
OVERALL VACANT SF (UNITS)	58.7	53.3	↑	46.4	↑
UNDER CONSTRUCTION (UNITS)	4.0	4.1	↓	4.9	↓
ASKING RENT, NNN (PSF)	\$41.79	\$42.02	↓	\$40.12	↓
SALES VOLUME (MILLIONS)	\$249.3	\$998	↓	\$1,188.6	↓

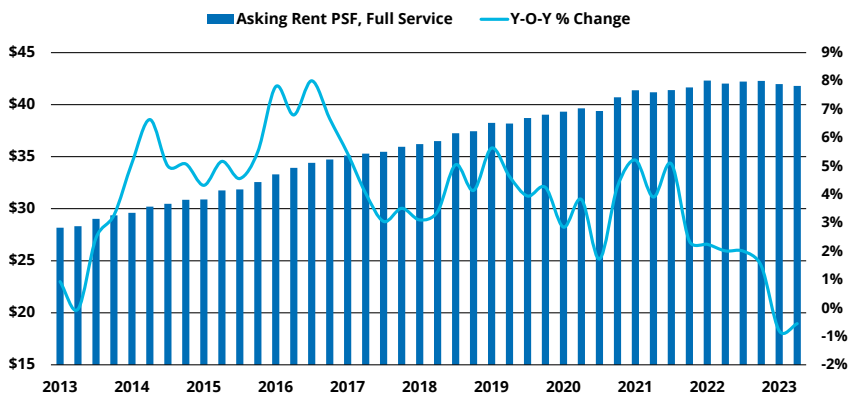
Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

#### Overall Vacancy Rate



Source: CoStar, Transwestern

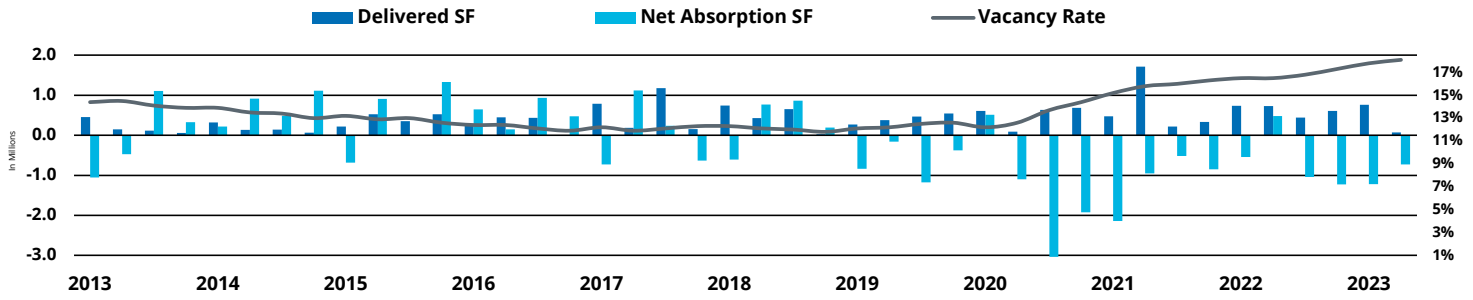
#### Asking Rent



Source: CoStar, Transwestern



# Delivery Impact on Key Indicators



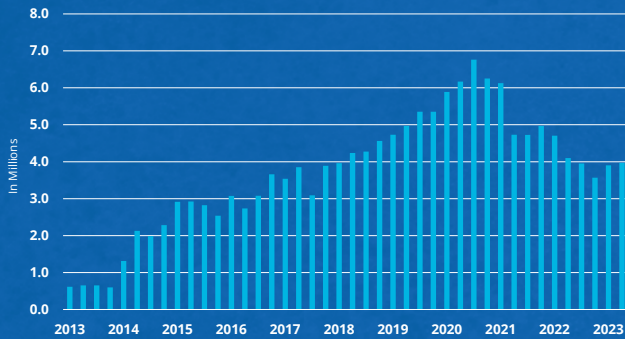
Source: CoStar, Transwestern

## Market Indicators: All Classes of Space | Q2 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
TRI-CITIES	76,345,420	12,874,286	16.9%	19.8%	1,326,458	379,141	(49,452)	\$61.26
WEST LOS ANGELES	54,417,156	8,678,083	15.9%	18.2%	624,112	(163,824)	(1,055,367)	\$38.93
SOUTH BAY	37,269,232	5,000,663	13.4%	15.1%	433,000	(48,529)	(668,349)	\$34.79
SAN FERNANDO VALLEY	28,145,137	2,220,995	7.9%	8.1%	46,000	(32,738)	(209,974)	\$30.63
SAN GABRIEL VALLEY	13,958,759	906,286	6.5%	6.8%	40,000	79,598	(19,654)	\$29.48
MID-CITIES/EASTERN LOS ANGELES	40,439,864	7,224,423	17.9%	19.5%	65,729	49,538	(920,617)	\$39.52
HOLLYWOOD/WILSHIRE CORRIDOR	58,240,235	12,027,261	20.7%	22.5%	293,100	(37,991)	(712,516)	\$37.24
DOWNTOWN LOS ANGELES	14,207,958	2,037,298	14.3%	17.7%	0	(5,905)	(181,897)	\$30.02
CALABASAS/THOUSAND OAKS	364,400,085	56,032,562	14.0%	15.8%	4,057,694	12,674	(359,547)	\$38.36
TOTAL/AVERAGE	364,400,085	56,032,562	14.0%	15.8%	4,057,694	12,674	(359,547)	\$38.36

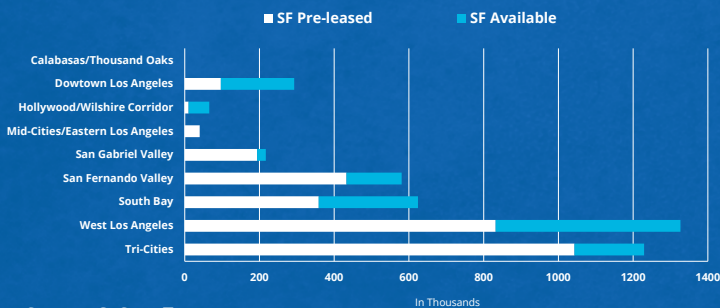
Source: CoStar, Transwestern

## Under Construction



Source: CoStar, Transwestern

## Under Construction by Submarket

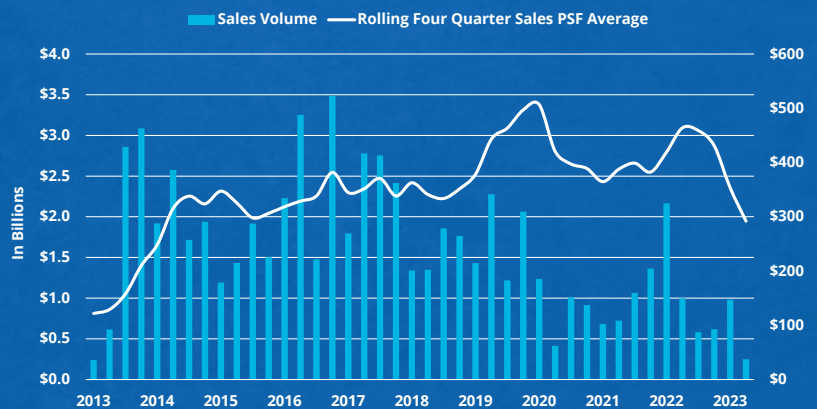


Source: CoStar, Transwestern

## Tenant Demand:

Despite increasing office employment, low tenant demand is anticipated for the remainder of the year. An unpredictable economic future, increasing interest rates, and the adoption of hybrid work arrangements are shrinking the need for office space. Tech firms continue to give back excess space leased prior to COVID-19 and are moving into Class A space.

## Sales Volume



Source: CoStar, Transwestern