

## MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
<b>24.8%</b> Vacancy Rate	▲	▲
<b>-1.2M</b> Net Absorption, SF	▲	▼
<b>\$3.55</b> Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▼	▼

## ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
<b>4.6M</b> Los Angeles County Employment	▲	▲
<b>5.6%</b> Los Angeles County Unemployment Rate	▲	▼
<b>4.1%</b> U.S. Unemployment Rate <i>Source: BLS</i>	▲	▼

## ECONOMIC OVERVIEW

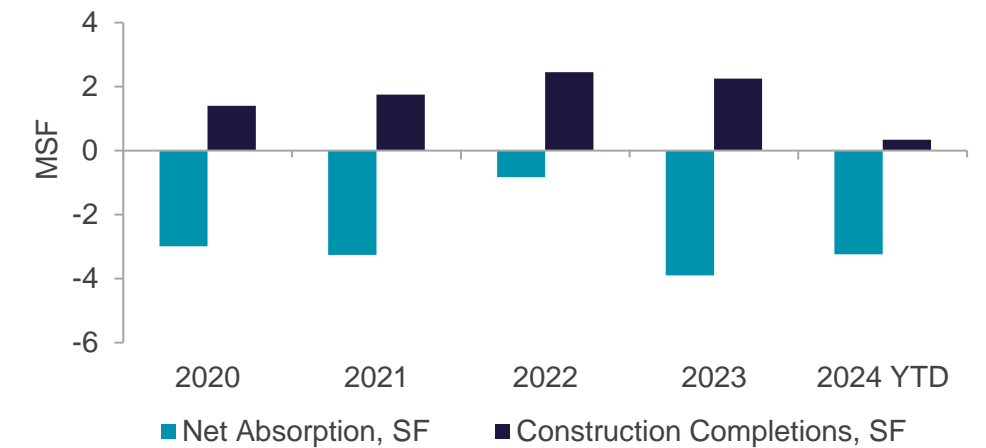
Between August 2023 and August 2024, total nonfarm employment in Los Angeles (LA) County grew by 78,100 jobs or +1.7% year-over-year (YOY). However, the LA monthly unemployment rate increased from 5.6% last year to 6.7% and is currently 110 basis points (bps) above the quarterly average of 5.6%.<sup>1</sup> Private education and health care services led growth with 44,900 new jobs (+4.9% YOY). The government sector grew by 17,700 jobs (+3.2% YOY), most of which came from local government institutions. Other notable sectors included leisure and hospitality (+13,300 jobs, +2.5% YOY) and information (+4,400 jobs, +2.5% YOY). Office-using industries in the professional and business services recorded the largest drop YOY, shedding 8,700 jobs (-1.3% YOY). All employment sectors are projected to grow at a combined growth rate of 1.1% in 2025 and 0.9% in 2026.<sup>2</sup>

## SUPPLY AND DEMAND

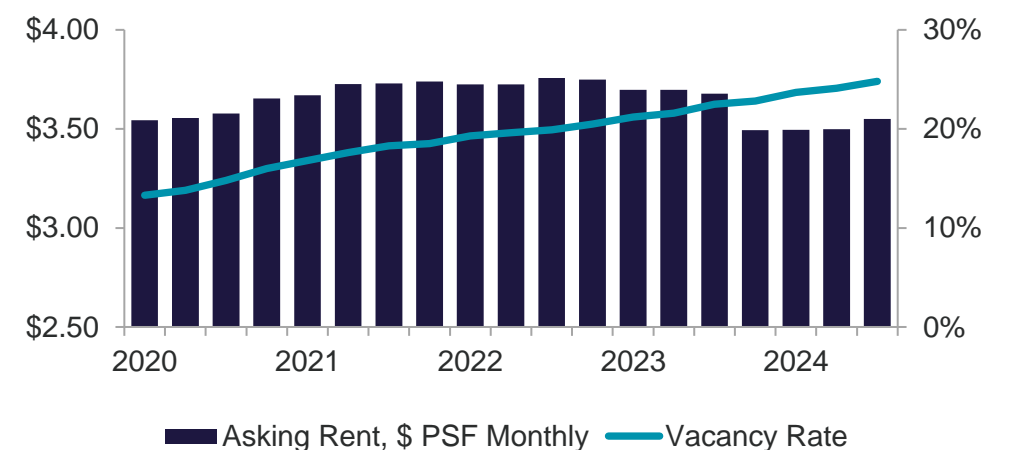
The LA office market continues to feel the impact of shifting occupier demand post-COVID-19, with increasing vacancies as companies move to LA's western areas. Overall vacancy rate has been increasing from 13.8% in Q2 2020 for the last 18 consecutive quarters. In Q3 2024, the overall vacancy rate increased by 70 bps quarter-over-quarter (QOQ) and 230 bps YOY to 24.8%. Overall net absorption was negative 1.2 million square feet (msf), significantly higher than the 292,433 square feet (sf) recorded in the previous quarter. As a result, year-to-date (YTD) net absorption climbed to a negative 3.2 msf for 2024. Q3 2024 marked the ninth consecutive quarter of occupancy losses. Since Q1 2020, the start of the COVID-19, over 25.7 msf of vacant space has returned to the market, a 95% rise in vacant inventory.

The summer months brought with them a handful of notable deals across the LA market, but they did little to offset occupancy losses. New leasing activity totaled 2.3 msf in Q3 2024, up 6.3% QOQ but down 22.9% YOY. Renewals made up 777,137 sf or 34% of deals, though recommitments were weaker than in previous quarters recording a decrease of 49.3% QOQ and 23.1% YOY.

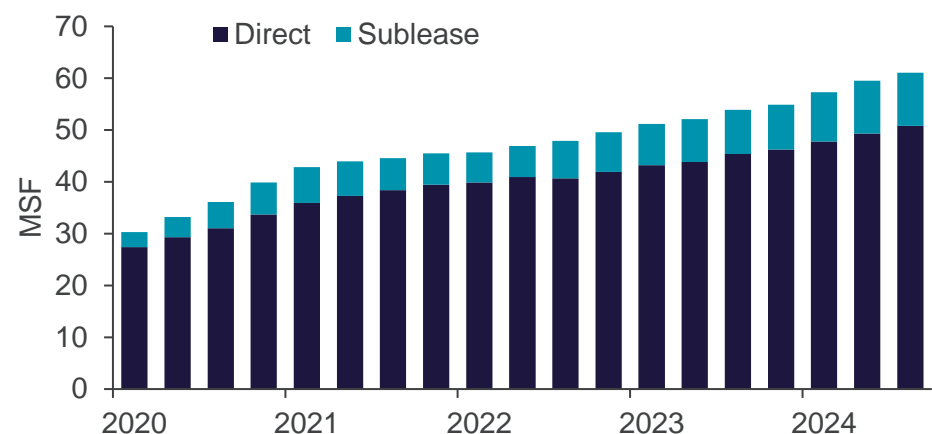
## SPACE DEMAND / DELIVERIES



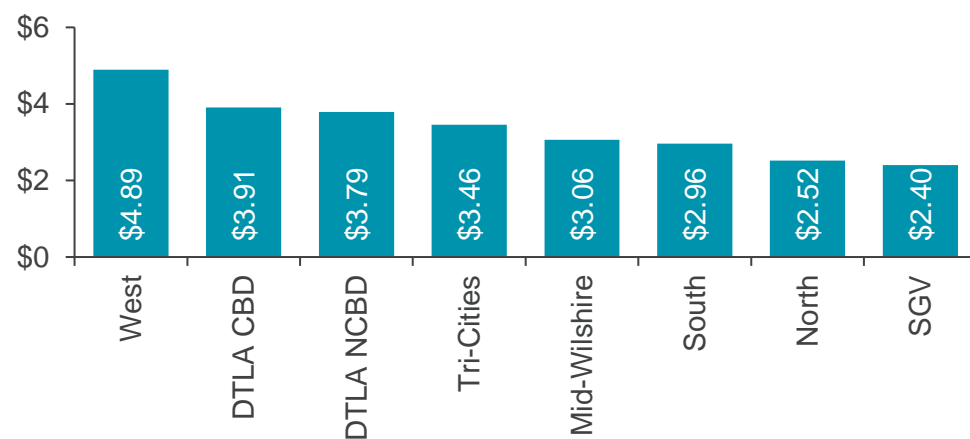
## OVERALL VACANCY & ASKING RENT



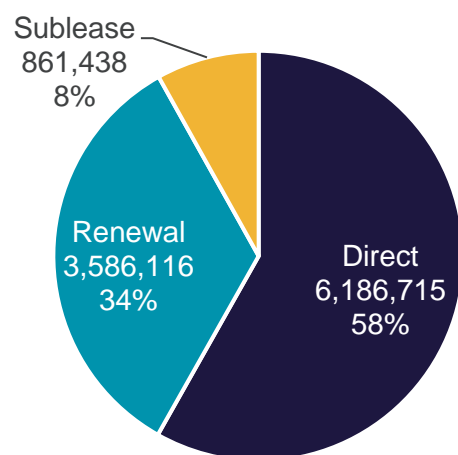
**DIRECT VS. SUBLEASE AVAILABLE SPACE**



**AVERAGE OVERALL ASKING RENT \$PSF MONTHLY**



**LEASING VELOCITY 2024 YTD**



Far and away the largest lease signed in Q3 2024 was the high-profile deal struck by SoCalGas at 2Cal Plaza in Downtown LA. The utility company will be occupying eight floors for 198,553 sf when they take occupancy in 2026, taking some space currently occupied by City National Bank.

While at first glance this would seem to be a significant win for a submarket that has consistently struggled to retain occupancy, it is a far more complicated situation. As part of the deal, SoCalGas will leave its namesake tower at 555 W. 5th St. and reduce its overall footprint by roughly 52%. Another notable deal in Q3 2024 includes owner-occupier Herbalife parting with their building at 950 W. 190th St. in a sale-leaseback to Rexford Industrial for \$43.1 million. Herbalife will continue to occupy 186,030 sf in the building with a lease spanning the next 24 months.

LA’s effervescent legal sector has long been a critical pillar for the region’s leasing activity, and this trend has permeated much of the industry’s makeup of completed deals. Legal services leased 237,463 sf of space across direct deals and renewals. Some of the more notable deals completed in Q3 2024 included the renewal of Polsinelli Shughart in Century City (52,000 sf), the new lease signed by Gibson, Dunn & Crutcher at 2000 Avenue of the Stars (39,208 sf), also in Century City and Ferrone Law Group in Westlake Village (17,202 sf).

Four buildings completed construction in Q3 2024, totaling 191,393 sf of new inventory for the quarter and 340,094 sf YTD. These include a trio of buildings at 4204 Glencoe Ave. in the Marina Del Rey area (148,406 sf combined) and the long-anticipated Reframe project in Glendale (42,987 sf), the latter of which was fully pre-leased by Fremantle in 2021.

**PRICING**

The overall average asking rent in LA was \$3.55 per square foot (psf) on a monthly full-service basis in Q3 2024, up 1.5% QOQ down 3.5% YOY. Despite the dip in rates from the year before, it should be noted that asking rents are roughly in parity with pre-pandemic rents from Q1 2020 (\$3.54 psf).

Class A space, meanwhile, recorded a notable uptick in average rent, increasing by 2.0% QOQ to \$3.79 psf. Demand for high-quality space in the LA West portion of the market pushed the average asking rent to \$5.13 psf, an increase of 3.0% QOQ.

**OUTLOOK**

- **Government Expansions:** As occupiers continue to exit Downtown LA in favor of LA West, government agencies could be a prime candidate for backfilling newly vacant space. At one point this year, LA considered purchasing the beleaguered Gas Company Tower. Since 2021, government tenants have expanded in the CBD by over 81,000 sf.
- **Modest Rent Growth:** After months of falling asking rents, Q3 2024 saw some mild growth in asking rents QOQ despite ever-climbing vacancy. Given the recent Fed rate cut and the likelihood of inflation finally softening, there may be room for additional rent growth in the coming months.
- **High-Rises, Steep Discounts:** 801 S. Figueroa was the latest in a recent string of downtown high-rises to trade well below its previous sale price (\$60 million vs. \$197 million in 2014). With a handful of buildings amid special servicing and others with rapidly maturing loans, the possibility of more high-rises in LA’s skyline selling at a bargain is likely.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Downtown CBD	27,797,027	641,472	7,783,856	30.3%	-764,417	-1,274,244	911,964	0	\$3.91	\$4.10
Downtown Non-CBD	12,713,451	416,287	3,739,205	32.7%	37,141	-148,423	218,161	168,100	\$3.79	\$4.77
Mid-Wilshire	12,789,241	259,949	3,605,316	30.2%	20,407	-3,918	351,759	0	\$3.06	\$3.04
LA West	58,716,119	2,346,208	13,024,827	26.2%	-293,158	-539,079	2,382,844	1,078,000	\$4.89	\$5.13
LA North	30,671,397	1,224,011	5,147,118	20.8%	-221,438	-528,804	1,523,347	646,000	\$2.52	\$2.57
LA South	32,178,212	821,790	6,181,150	21.8%	101,916	127,987	549,641	145,000	\$2.96	\$3.26
Tri-Cities	26,433,303	933,514	5,623,901	24.8%	-113,150	-851,605	821,584	425,674	\$3.46	\$3.54
San Gabriel Valley	12,142,366	76,150	1,038,693	9.2%	25,029	-22,688	288,853	0	\$2.40	\$2.62
<b>GLA GRAND TOTAL</b>	<b>213,441,116</b>	<b>6,719,381</b>	<b>46,144,066</b>	<b>24.8%</b>	<b>-1,207,670</b>	<b>-3,240,774</b>	<b>7,048,153</b>	<b>2,462,774</b>	<b>\$3.55</b>	<b>\$3.79</b>

\*Rental rates reflect full service asking, psf monthly. \*\*Renewals not included in leasing statistics.

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
350 S. Grand Ave.	Bunker Hill	SoCalGas	198,553	New Lease
950 West 190 <sup>th</sup> St.	190 <sup>th</sup> Street Corridor	Herbalife	186,030	Renewal**
4920 Rivergrade Rd.	210 Corridor	City of Hope	170,512	Renewal**
2049 Century Park E.	Century City	Polsinelli Shughartt LLP	52,000	Renewal**
6181 Centinela Ave.	Culver City	Jazwares	51,123	New Lease

KEY SALES TRANSACTIONS Q3 2024

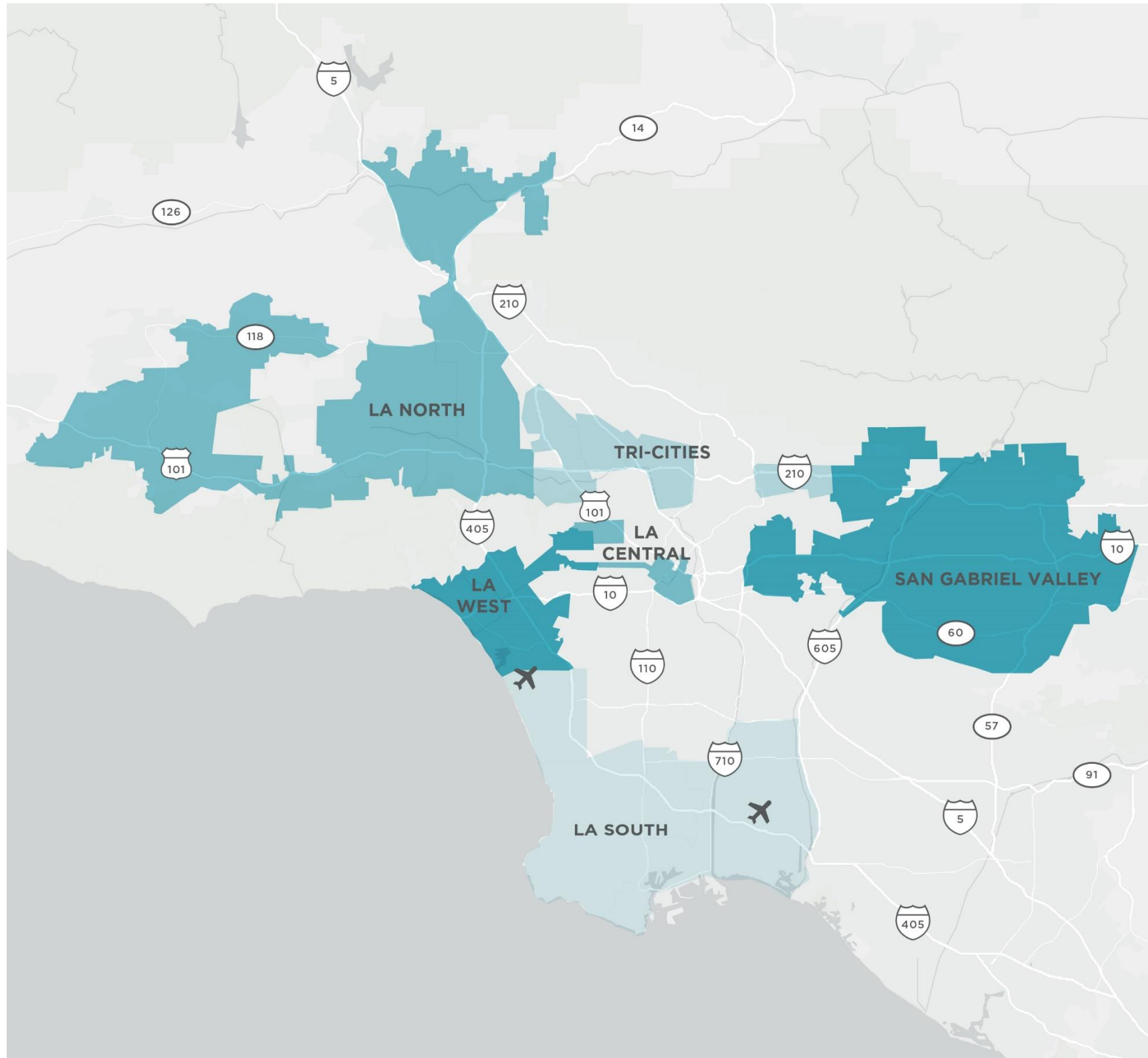
PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
801 S. Figueroa St.	Financial District	Barings   Meiloon Investment & Development	462,626	\$60.0M / \$130
112 S. Lakeview Canyon Rd.	Westlake Village	LBA Realty, Inc.   Glendon Capital	261,000	\$29.4M / \$112
950 West 190 <sup>th</sup> St.	190 <sup>th</sup> Street Corridor	Herbalife   Rexford Industrial Realty, Inc.	186,030	\$41.3M / \$222
407 N. Maple Dr.	Beverly Hills	Tishmen Speyer   Fashion Nova	174,847	\$118.0M / \$675
2160 E. Grand Ave.	El Segundo/Beach Cities	New York Life Real Estate Investors   Mattel	164,360	\$59.2M / \$360

KEY CONSTRUCTION COMPLETIONS 2024 YTD

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
4204 Glencoe Ave., Bldg. 1, 2, & 3	MDR/Venice	N/A	148,406	Bradmore Realty / Bradmore Realty
4561 Colorado Blvd.	Glendale	Fremantle	42,987	Westbrook Partners / Westbrook Partners

Sources: <sup>1</sup>www.bls.gov Los Angeles-Long Beach-Glendale, CA <sup>2</sup>Lightcast Forecast for Los Angeles County, CA as of 10/2024.

OFFICE SUBMARKETS



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