

An aerial photograph of West Los Angeles, showing a dense residential area with many trees in the foreground and a city skyline with several skyscrapers in the background under a blue sky with light clouds.

West Los Angeles office market report

Q2 2024

**AVISON
YOUNG**

West Los Angeles office market trends

977K SF

Leasing activity decreases in Q2 2024

The West Los Angeles office market saw lower than normal leasing volume of 977K square feet leased in Q2 2024. This is a decrease following a successful leasing period in Q1 2024 where West LA saw almost 1.5M square feet of gross absorption. The second quarter slowdown can be attributed to many large renewals that occurred earlier in the year, causing leasing volume to be exponentially higher. As vacancy remains high throughout the West LA submarkets, owners are beginning to offer lower rents and additional concessions to motivate occupiers to fill spaces throughout the Westside.

140K

Net Absorption hits positive quarter after three straight negative

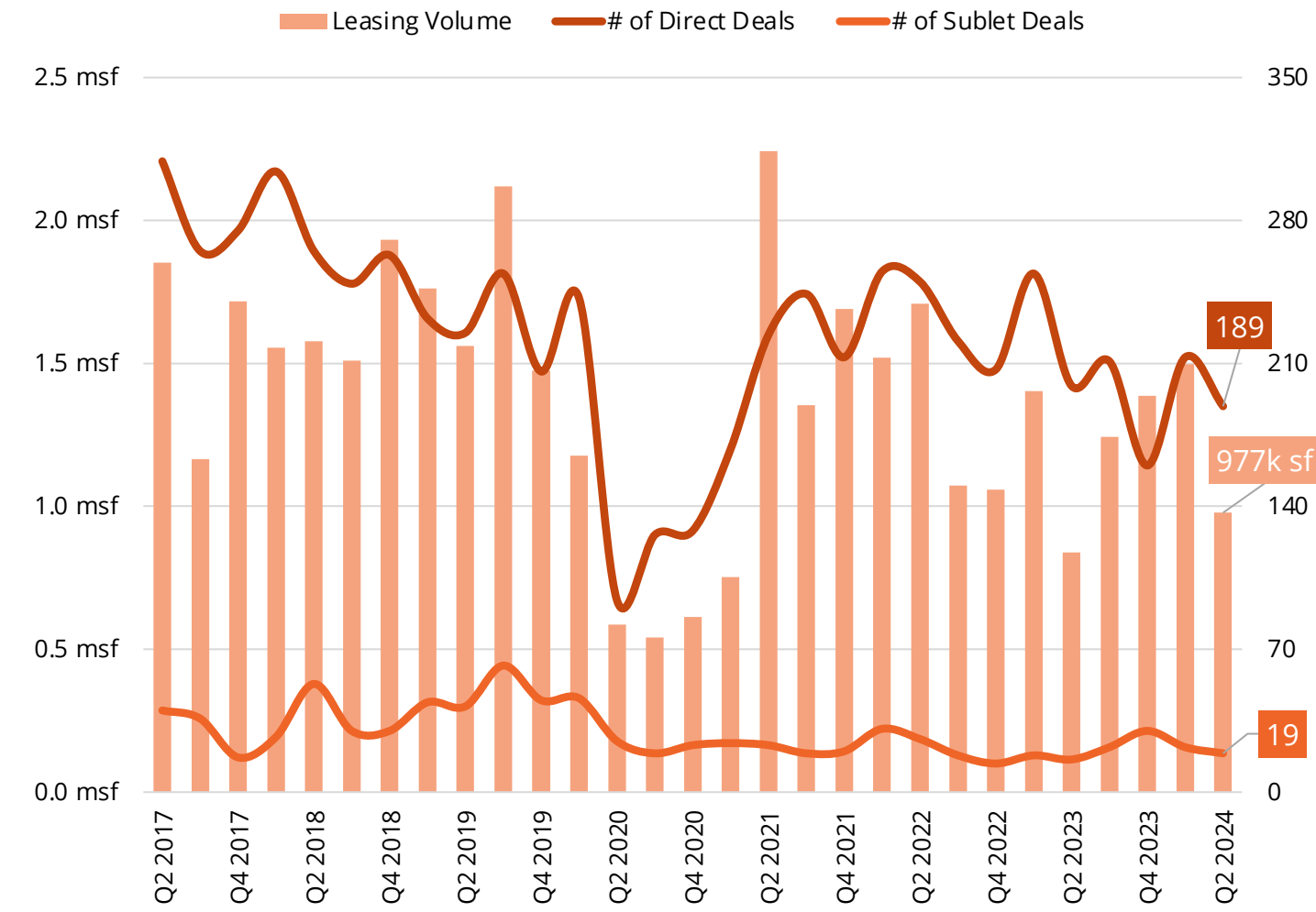
Net absorption for West Los Angeles office submarkets saw positive 140K square feet of net absorption, the first positive quarter since Q2 2023. This can be attributed to the Miracle Mile and Olympic Corridor submarkets, boasting incredibly high net absorption levels, while the other eight Westside submarkets remained lackluster. As owners continue to push office occupiers into their spaces by lowering rents and offering more concessions, net absorption should continue to increase throughout 2024.

\$3.97B

CMBS debt set to mature in the next 3 years

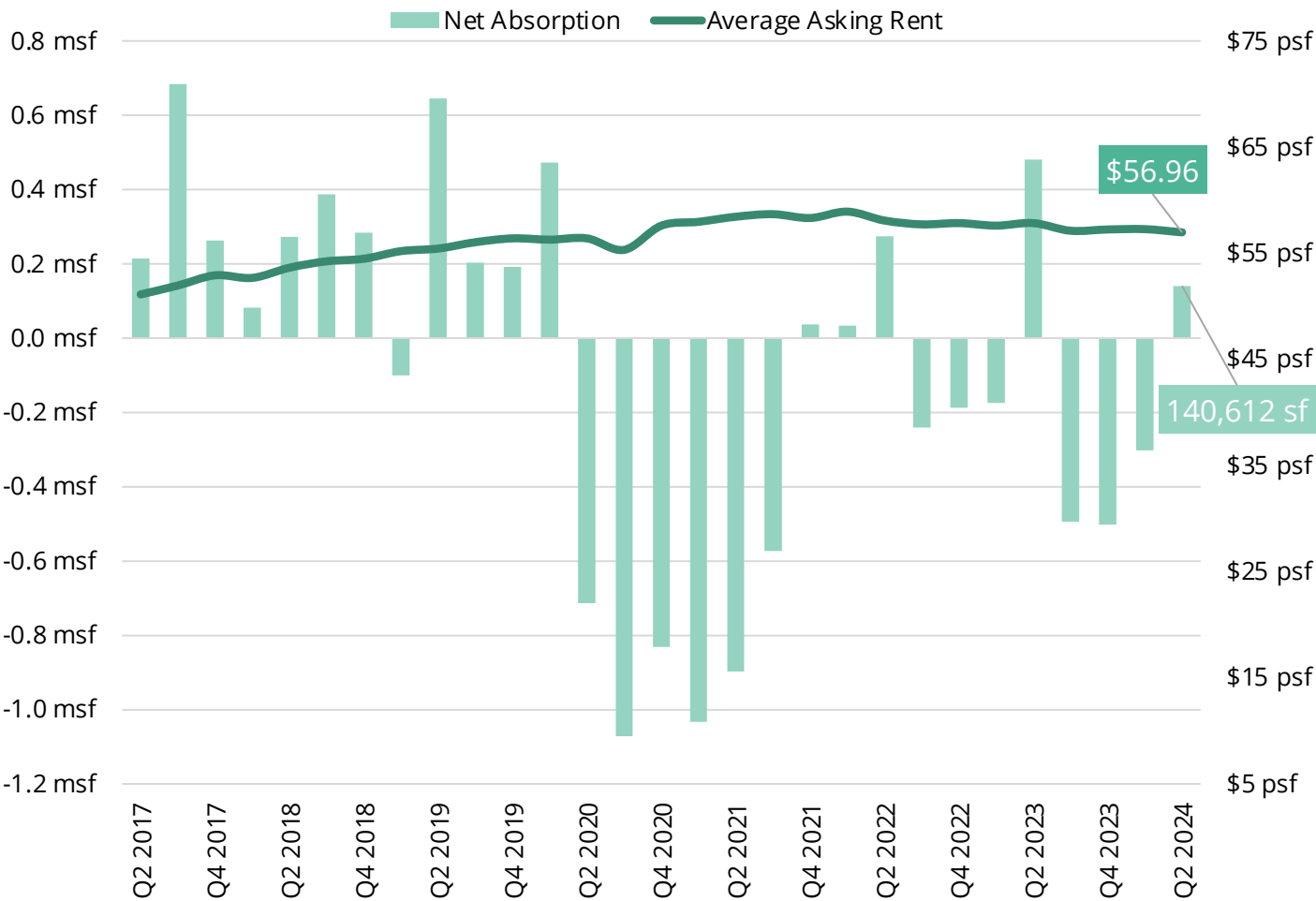
Over the course of the next three years, there is almost \$4 billion dollars in CMBS loans set to mature. With a large sum of these being large office and development loans taken out during the pandemic and post-pandemic quarters, we see a record high amount of loans coming to maturity. West Los Angeles poses one of the largest loan markets in the Southern California area, as many major companies are seeking to move office headquarters into the West Los Angeles market due to more affordable rents compared to Downtown Los Angeles.

Leasing activity



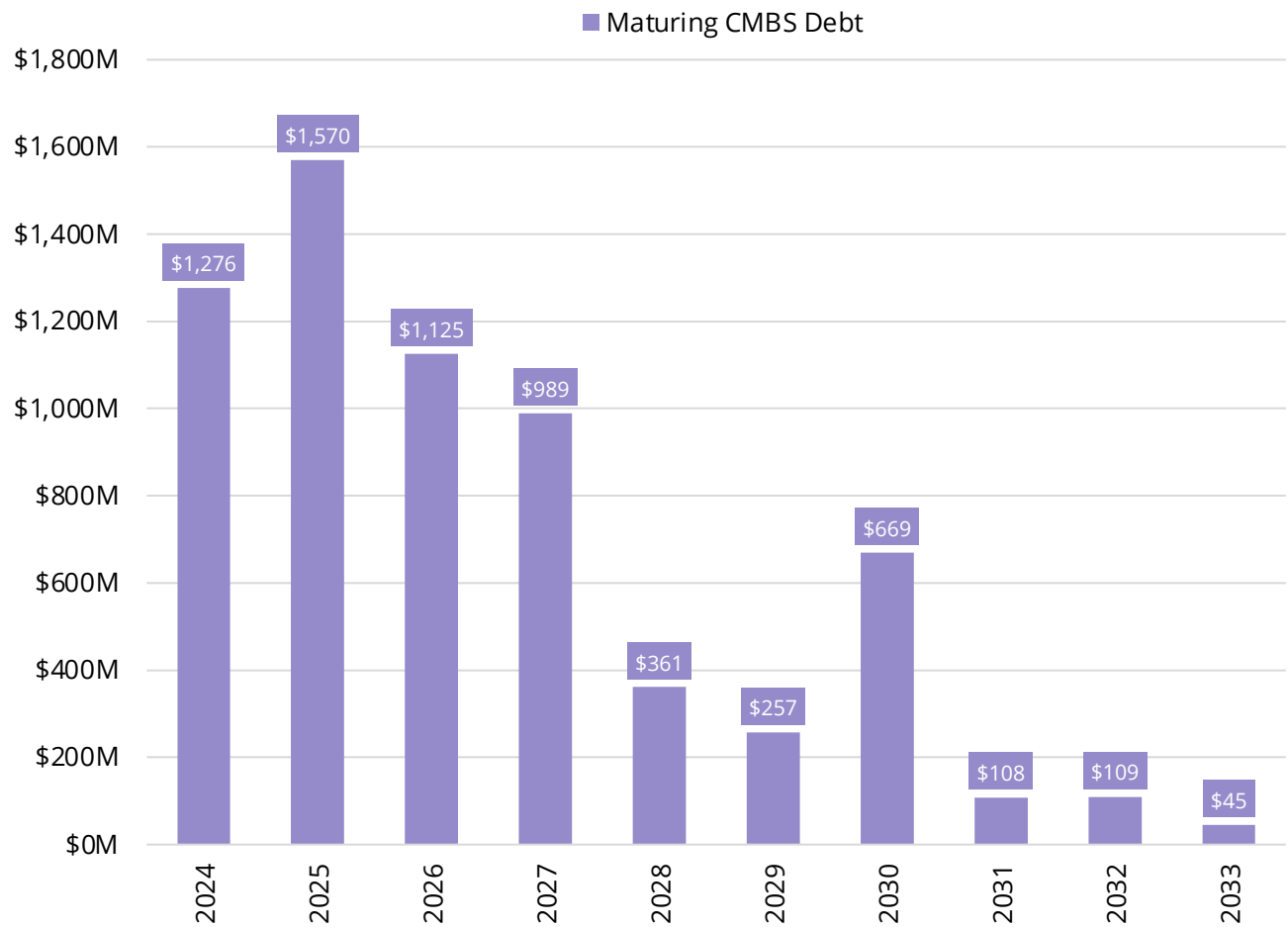
Leasing activity for Q2 2024 has noticeably decreased by 500K square feet from Q1 2024. Only 977,672 square feet of West LA office space was leased for Q2 2024, showing a slowdown in tenant activity in the market.

Absorption



The West Los Angeles office market hit its first positive quarter of net absorption in Q2 2024 after 3 straight negative quarters. Absorption currently sits at positive 140K square feet, following the completion of a few large construction projects. Asking rents have dropped \$0.30 down to \$56.96, as owners have offered lower rents to entice tenants to fill vacant spaces.

Maturing CMBS Debt

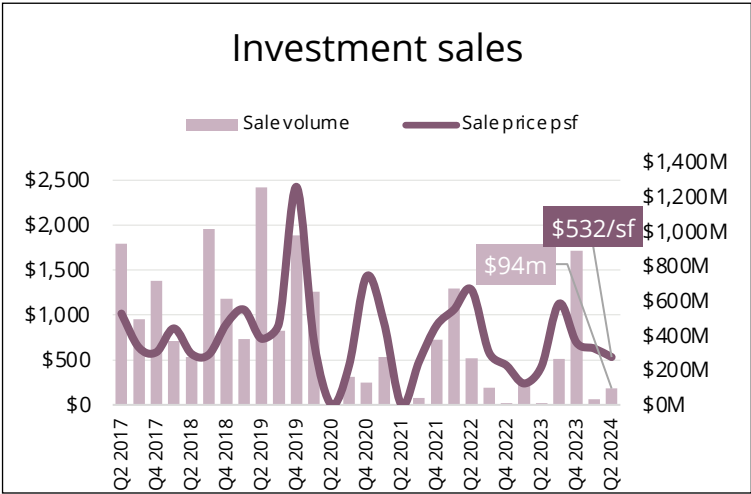
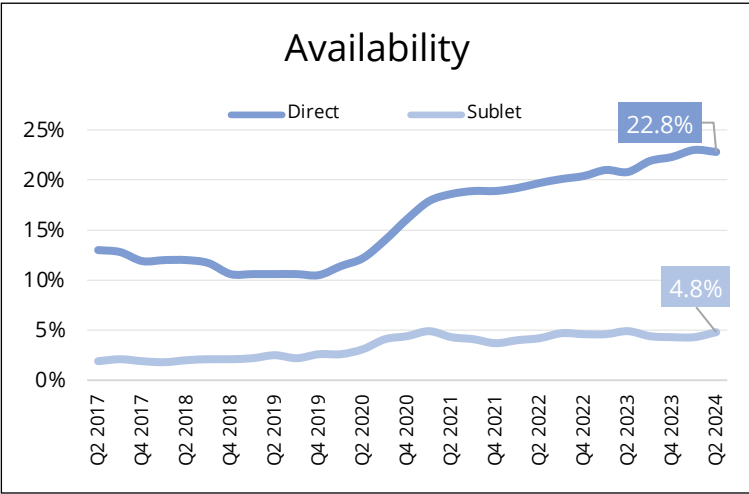
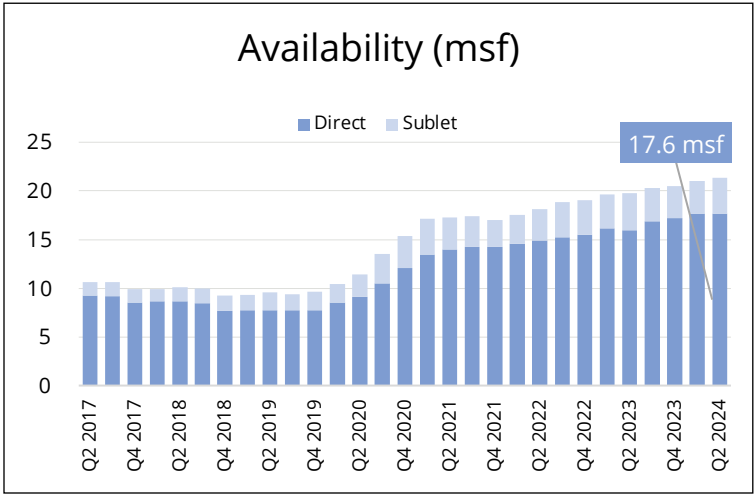
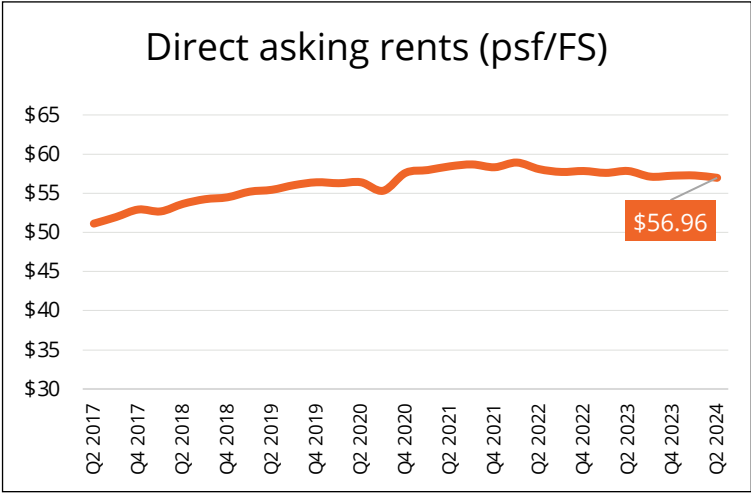
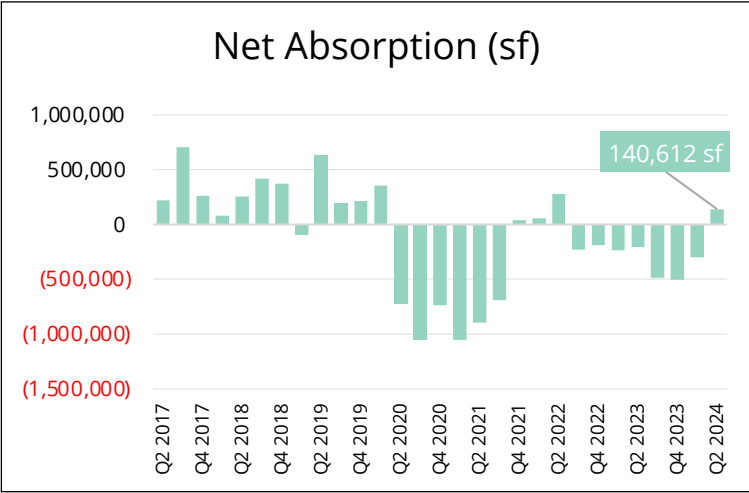
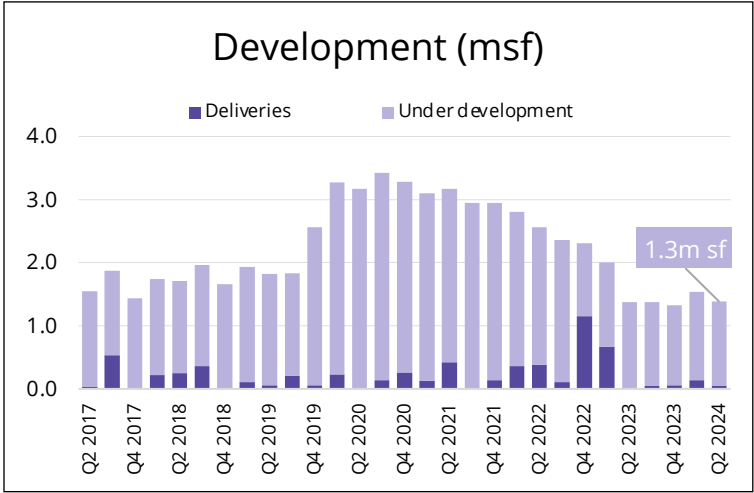


Over the course of the next three years, there are almost \$4 billion dollars in CMBS loans set to mature in West LA. This is due to a plethora of large office development loans in West LA. As we see more offices complete construction, we see an influx of new Class A and Trophy class offices throughout West Los Angeles’s major submarkets.

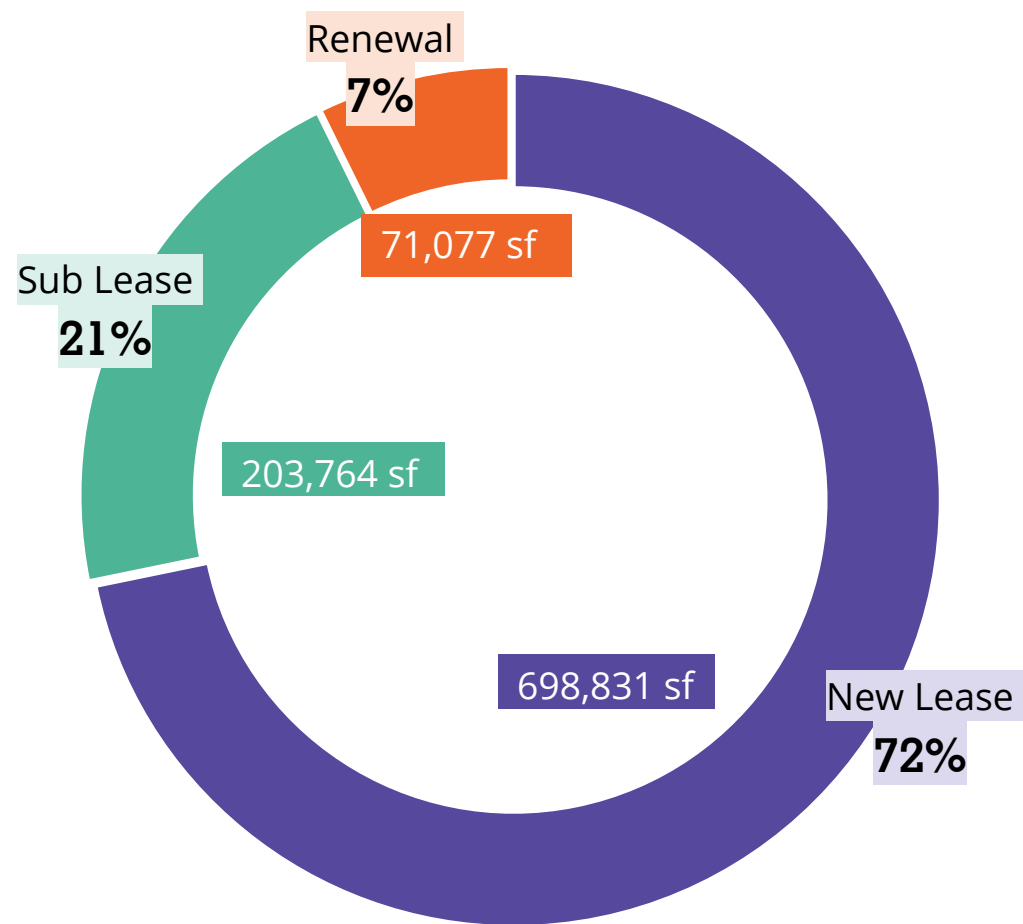
Appendix



West Los Angeles office market indicators



Lease type differentiation



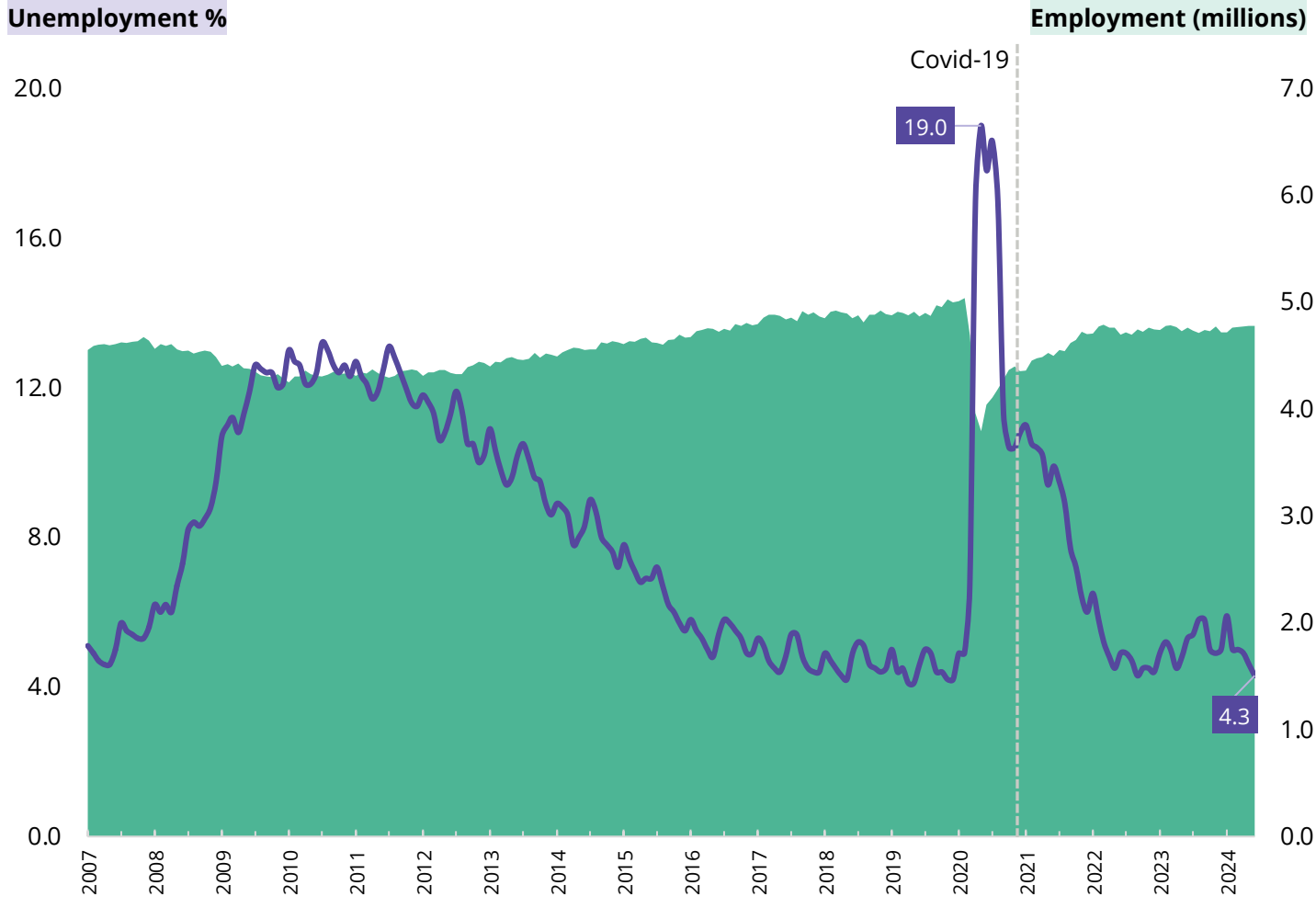
The West Los Angeles office market experienced a leasing deficit in Q2 2024. The second quarter experienced a 500K square foot leasing drop, for a total of 977K square feet leased. 698K square feet were new leases, making up 72% of all leasing. Renewals were extremely low at 71K square feet, mainly due to almost 500k square feet of renewals in the first quarter.

Remote job postings



Remote job postings currently sit at 85K as of June 2024 for Los Angeles. We see a peak of 176k in January of 2022 which gradually decreased until Q2 2024 as office occupiers were making an effort to establish in office work policies.

Unemployment rate and employment



The Los Angeles unemployment rate **currently sits at 4.3%**, the lowest rate since September 2022, where the market saw a post-pandemic increase in jobs being secured. As we continue to push away from the pandemic era, employment throughout Los Angeles continues to trend in the right direction, as companies make an effort to provide in- person, hybrid, and remote jobs in order to keep their employees secure.

West Los Angeles office market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
FPM Development	3101 W Exposition Blvd	Culver City	04/30/2024	94,081	New Lease	Sublease
Undisclosed	5252 W Adams Blvd	Culver City	04/29/2024	32,629	New Lease	Direct
Barrister Executive Suites	1801 Century Park E	Century City	04/15/2024	30,823	Renewal	Direct

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Westside Neighborhood School	5340 Alla Rd	5/20/2024	131,942	\$50,250,000	\$380.85	Pacshore Partners
A2 Investors LLC	12901 W Jefferson Rd	4/26/2024	48,412	\$23,321,500	\$481.73	LaSalle Investment Management

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
1950 Avenue of the Stars	Century City	January 2026	731,250	31%	JMB Realty
3401 S La Cienega Blvd	Culver City	January 2026	253,491	0%	Shop Architects
4204 Glencoe Ave(3 Bldgs)	Santa Monica	July 2024	151,067	0%	The Macerich Company

West Los Angeles office market stats

	Existing inventory sf	Deliveries sf (QTD)	Under development (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Net absorbtion (QTD)	Net Absorption (YTD)	Annual direct asking rent psf FS
Beverly Hills	10,090,981	26,130	0	19.7%	3.5%	23.2%	(195,451)	(257,282)	\$67.62
Brentwood	3,935,717	0	0	22.2%	3.8%	26.0%	(68,587)	(102,593)	\$58.72
Century City	11,101,442	0	731,250	18.6%	3.6%	22.2%	(98,530)	(191,973)	\$73.33
Culver City	8,473,512	21,704	317,480	30.6%	3.7%	34.3%	(57,570)	65,534	\$54.37
Marina Del Rey/Venice	9,271,516	0	151,067	28.0%	8.9%	36.9%	(21,054)	(90,181)	\$55.85
Miracle Mile	5,686,569	0	0	28.1%	1.7%	29.8%	404,743	415,317	\$48.38
Olympic Corridor	4,637,984	0	0	23.3%	1.7%	25.0%	126,253	125,580	\$44.47
Santa Monica	13,464,096	0	132,683	20.5%	6.9%	27.4%	(19,652)	(312,827)	\$58.07
West Los Angeles	1,876,021	0	0	28.1%	2.4%	30.5%	29,977	43,060	\$44.07
Westwood	7,508,563	0	0	17.1%	4.9%	22.0%	40,483	(23,365)	\$52.43
Market total	76,046,401	47,834	1,332,480	22.8%	4.8%	27.6%	140,612	(328,730)	\$56.96

West Los Angeles office market stats by class

	Existing inventory (sf)	Deliveries sf (YTD)	Under development (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Net absorption sf (QTD)	Net absorption sf (YTD)	Annual direct asking rent psf FS
Class A	49,379,622	0	1,301,120	24.1%	5.1%	29.2%	(44,856)	(436,375)	\$60.21
Class B	23,492,343	47,834	31,360	20.9%	4.1%	25.0%	221,579	117,226	\$54.17
Class C	3,174,436	0	0	16.7%	4.6%	21.3%	(36,111)	(9,581)	\$43.64
Market total	76,046,401	47,834	1,332,480	22.8%	4.8%	27.6%	140,612	(328,730)	\$56.96



Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
information visit **avisonyoung.com**

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