MARKETBEAT
LOS ANGELES
OFFICE Q2 2025

MARKET FUNDAMENTALS

	YOY Chg	Outlook
24.1% Vacancy Rate	▲	▲
-130K Net Absorption, SF	▲	▼
$3.64 Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
4.6M Los Angeles County Employment	▲	▲
5.8% Los Angeles County Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMIC OVERVIEW

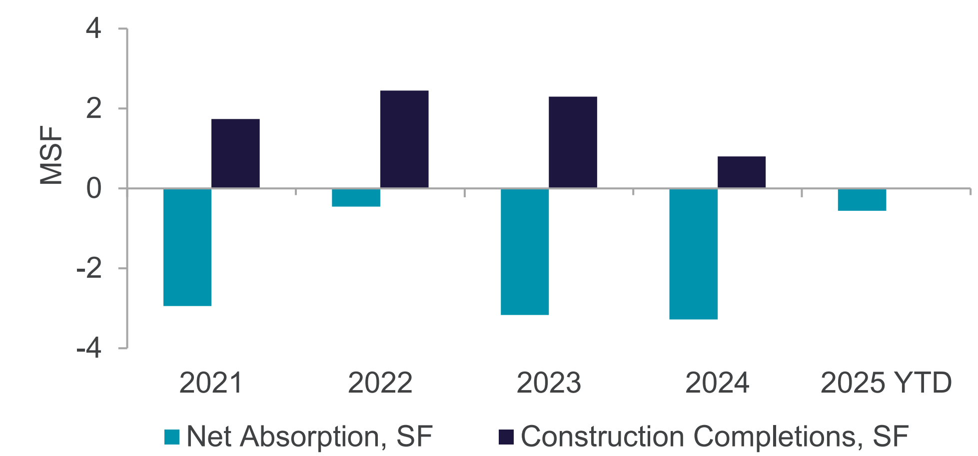
Los Angeles (LA) County's job market recorded mild improvements between May 2024 and May 2025, with total nonfarm employment increasing by 21,800 jobs, a 0.5% year-over-year (YOY) increase. The unemployment rate remained unchanged from April 2025 to May 2025, settling at 5.4% and is 40 basis points (bps) below the quarterly average of 5.8%.[1] Employment growth in private education and health services continued to bolster the labor market. The sector added 49,200 jobs YOY (+5.1%), with healthcare and social assistance accounting for most of the gains. The government sector also reported positive momentum, expanding by 10,500 jobs (+1.8% YOY), largely due to hiring at the local and state levels. Office-using sectors, however, faced stronger headwinds. Financial activities and professional and business services recorded employment losses of 4,700 jobs (-2.3%) and 4,100 jobs (-0.6%) YOY, respectively. All employment sectors are projected to grow at a combined growth rate of 0.9% in 2025 and 0.7% in 2026 compared to the 5-year historical average of 0.0%.[2]

SUPPLY AND DEMAND

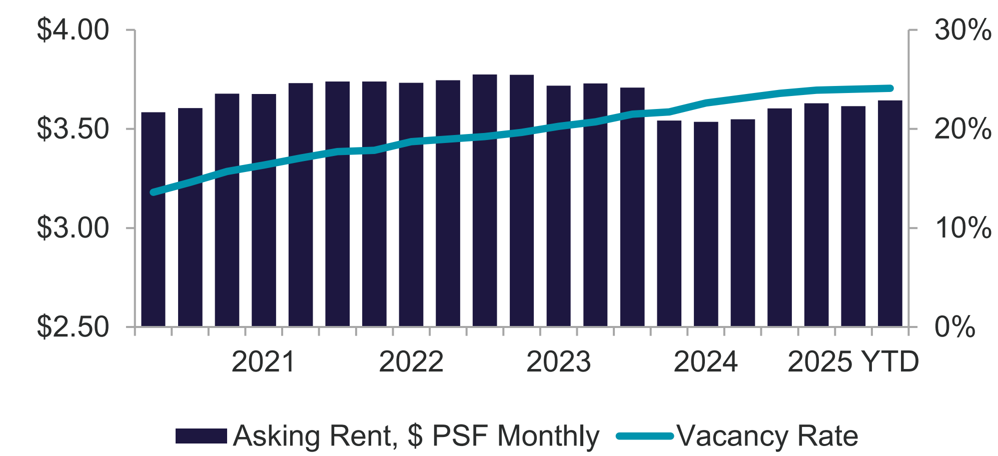
The LA office market remained under pressure in Q2 2025, as vacancy and weak tenant demand continued to weigh on fundamentals. The overall vacancy rate edged up to 24.1%, a modest 10-bps increase quarter-over-quarter (QOQ) but up a full percentage point YOY. This marks the twelfth consecutive quarter of negative net absorption, with 129,639 square feet (sf) of space returned to the market during the quarter. Year-to-date net absorption now stands at negative 560,688 sf. Leasing activity remained sluggish, totaling just 1.4 million square feet (msf), representing a sharp 50% drop QOQ and nearly 35.9% below the volume recorded one year ago. Direct leasing fared no better, falling 46.4% QOQ and 36.6% YOY, as tenants continued to recalibrate space needs and delay decision-making amidst evolving workplace strategies.

Amid an otherwise quiet quarter, one of the standout transactions was Oaktree Capital's new lease for approximately 220,000 sf in Downtown LA. Already a major tenant at Wells Fargo Center North, Oaktree's move just a few blocks away to City National Bank Tower marks one of the largest new commitments and a vote of confidence in the Downtown core.

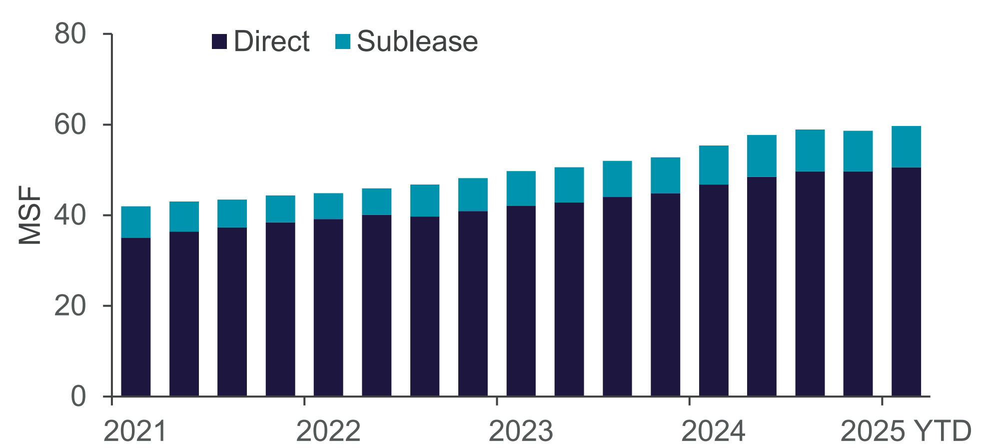
SPACE DEMAND / DELIVERIES



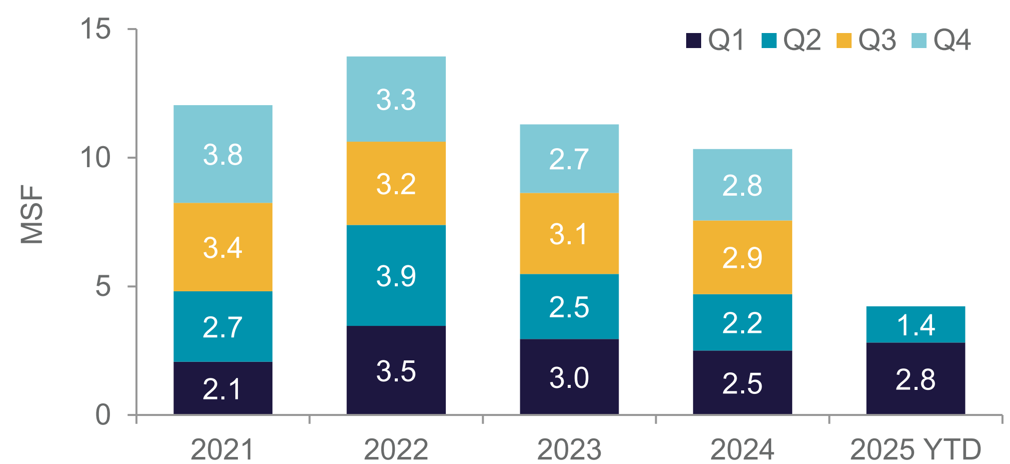
OVERALL VACANCY & ASKING RENT



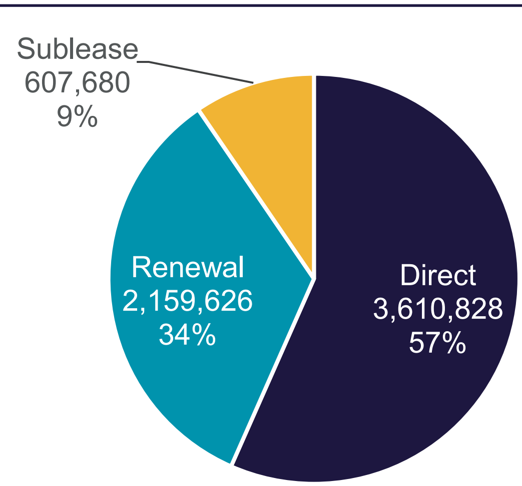
DIRECT VS. SUBLEASE AVAILABLE SPACE



NEW LEASING ACTIVITY



LEASING VELOCITY 2025 YTD



Outside of this headline lease, most activity was renewal-driven. Key renewals included Princess Cruises' 138,000 sf in Valencia/Newhall, Amerihome Mortgage's 81,000 sf in Westlake Village and Universal Music Group's 74,000 sf recommitment at Warner Center. These deals underscore a cautious but steady trend of tenants opting to stay in place as they navigate hybrid work transitions and economic uncertainty.

By industry, financial activities dominated leasing volume, accounting for 584,207 sf in both new deals and renewals, bolstered significantly by Oaktree's lease. The legal services sector also remained active, contributing 287,192 sf of leasing during the quarter, further reinforcing demand from sectors with established in-office cultures.

On the capital markets side, Q2 2025 was marked by a major Downtown sale. Uncommon Developers acquired 601 S. Figueroa St. - also known as Figueroa at Wilshire - from Brookfield for $210 million. The 52-story tower, once under financial stress, is now poised for repositioning under its new ownership, signaling investor interest in value-add opportunities despite broader market headwinds.

FUTURE INVENTORY

No new office deliveries occurred during Q2 2025, a reflection of continued caution among developers amid persistent vacancy and subdued tenant demand. Still, development hasn't come to a halt. Roughly 2.1 msf of new office product remains under construction, with completions expected between Q4 2025 and Q4 2026.

Importantly, this pipeline is heavily weighted toward prime submarkets and pre-leased space, a sign that demand persists but only for the right product in the right location. A standout example is 1950 Avenue of the Stars in Century City. The 825,000-sf tower is already over 90% pre-leased, underscoring the bifurcation in the market: while much of LA grapples with excess space, trophy properties in core areas continue to attract strong tenant commitments.

PRICING

Overall average asking rent in LA continued to edge upward, increasing to $3.64 per square foot (psf) on a monthly full-service basis, reflecting a 0.8% gain QOQ and a 2.7% increase YOY. This rise was primarily driven by sustained demand for premium space, with Class A average asking rent climbing 1.7% QOQ and up 4.6% YOY. Class B average rent by contrast, declined 1.6% QOQ and 2.6% YOY to $2.97 psf, as cost-conscious occupiers focus on downsizing or shifting to flexible space alternatives.

OUTLOOK

- **LA South's Rising Prominence:**

  The South Bay submarket is emerging as a rising star in LA's office scene. Increased activity from aerospace, professional services and tech tenants is driving demand in the area, thanks to its newer office stock, better affordability compared to LA West and convenient access to major transportation corridors. As companies increasingly weigh cost efficiency alongside workspace quality, the South Bay could see sustained growth and perhaps a rebalancing of LA's traditionally Westside-heavy demand patterns.

- **Shifting Investment Strategies**:

  Investment activity remains cautious, with many investors sidelined by high vacancies and tighter lending environments. However, a growing appetite for distressed and value-add opportunities is emerging, particularly among long-term buyers willing to reposition assets in recovering submarkets. Markets like Century City and the South Bay, which demonstrate tenant resiliency, are expected to attract greater investor focus moving forward.

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	26,429,032	530,349	7,950,281	32.1%	-159,430	-289,651	495,591	0	$3.93	$4.13
Downtown Non-CBD	12,844,141	495,649	3,711,280	32.8%	-92,286	-176,846	80,749	0	$3.78	$4.91
Mid-Wilshire	12,897,137	169,727	3,327,591	27.1%	-23,439	-31,015	94,515	0	$3.02	$3.05
LA West	58,646,583	1,888,364	12,199,799	24.0%	264,295	38,735	1,271,527	1,078,000	$5.14	$5.39
LA North	30,463,499	970,549	5,257,993	20.5%	21,586	-149,845	945,034	646,000	$2.52	$2.60
LA South	32,158,852	892,696	5,972,116	21.4%	-169,554	66,344	401,461	0	$3.07	$3.41
Tri-Cities	26,546,741	892,741	6,029,385	26.1%	2,117	-56,415	611,423	320,000	$3.61	$3.75
San Gabriel Valley	12,308,421	32,568	840,817	7.1%	27,072	38,005	318,208	0	$2.51	$2.80
LOS ANGELES TOTALS	**212,294,406**	**5,872,643**	**45,289,262**	**24.1%**	**-129,639**	**-560,688**	**4,218,508**	**2,044,000**	**$3.64**	**$3.93**

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

KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
555 S. Flower St.	Financial District	Oaktree Capital	220,000	New
24200 Magic Mountain Pkwy.	Valencia/Newhall	Princess Cruises	138,973	Renewal**
1 Baxter Way	Westlake Village	Amerihome Mortgage	80,671	Renewal**
21301 Burbank Blvd.	Warner Center	Universal Music Group	74,354	Renewal**
5999 Center Dr.	Culver City	Univision Television	74,046	Renewal**

KEY SALES TRANSACTIONS Q2 2025

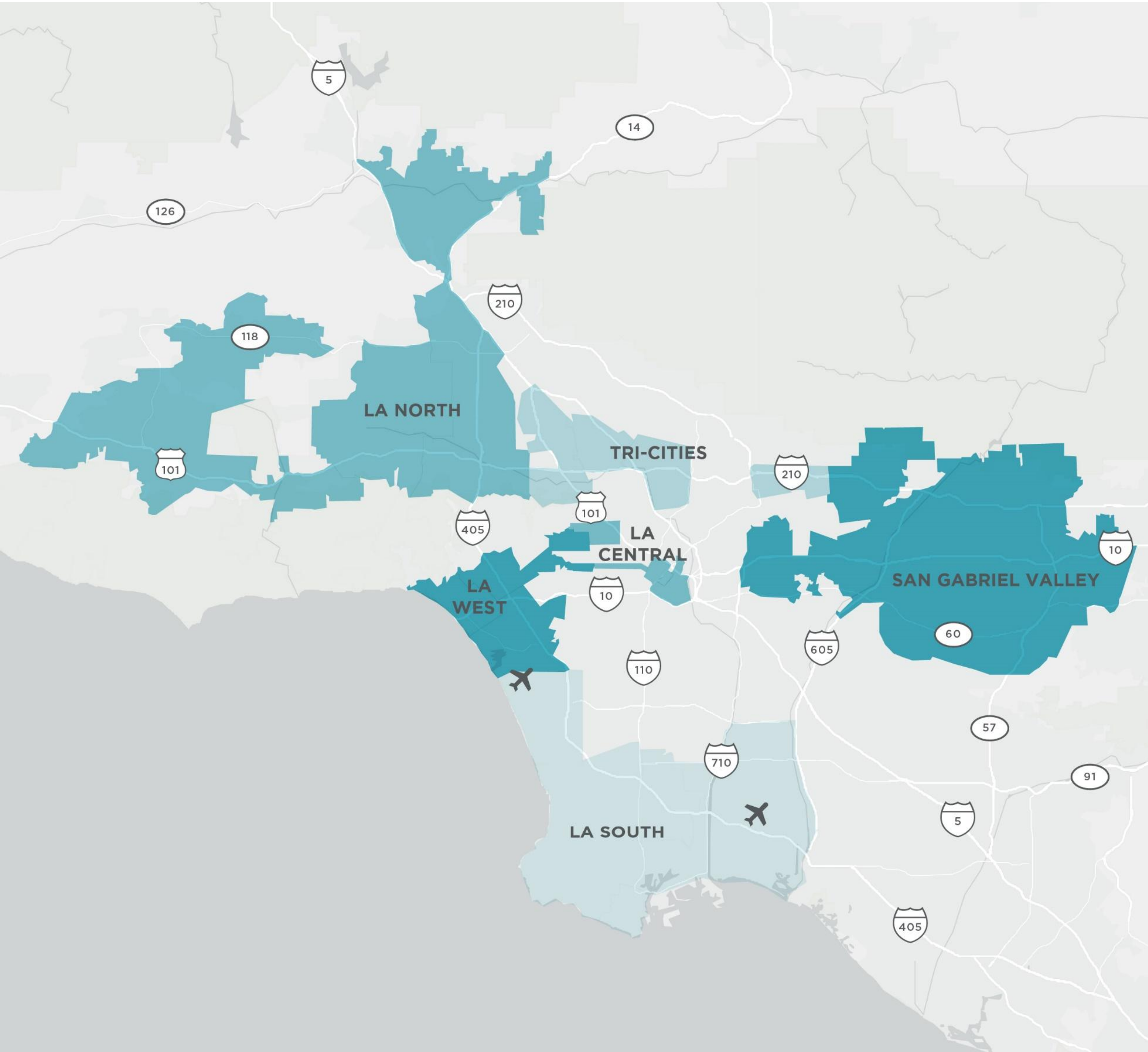
PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
601 S. Figueroa St.	Financial District	Brookfield Properties | Uncommon Developers LLC	1,038,971	$210.0M / $202
6181 Centinela Ave.	Culver City	Goldman Sachs Asset Management | Fenway Capital Advisors, LLC	280,000	$172.0M / $614
12130 Millennium Dr.	Playa Vista	Clarion Partners | Barings	194,050	$94.8M / $488
700 N. Central Ave.	Glendale	Harbor Associates, LLC | Garibian Investments LLC	130,666	$20.0M / $153
1601 N. Vine St.	Hollywood	JH Snyder | Kingsbarn Realty	113,568	$105.0M / $925

KEY CONSTRUCTION COMPLETIONS 2025

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
N/A	N/A	N/A	N/A	N/A

Sources: [1]www.bls.gov Los Angeles-Long Beach-Glendale, CA [2] Lightcast Forecast for Los Angeles County, CA as of 6/2025.

OFFICE SUBMARKETS



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