

Los Angeles

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Leasing activity increases to begin 2024 led largely by renewals as availability also rises again

Led by some larger renewals from Snap, Lionsgate, and Riot Games, the Los Angeles office market reported an increase in leasing activity to 3.2 million square feet (msf) in Q1 2024. This was up 45% from just 2.2 msf reported last quarter, as well as up 13% from 2.9 msf reported in Q1 2023. With the pullback in office space demand from the technology and entertainment/media sectors, respectively, leasing activity remains largely expiration-driven although William Morris Endeavor extended their nearly 250,000-square-foot lease in Beverly Hills a few years early.

Total availability rate up to 27.6% as market remains soft

Availability increased another 90 basis points (bps) from 26.7% reported last quarter to 27.6% in Q1 2024. This is another historical high as office space demand has remained below pre-pandemic levels due to hybrid workplace strategies, as well as office-using employment growth that turned negative over the last year. The overall average asking rental rate ticked up to \$3.94 per square foot (psf) per month from last quarter and is up 2.9% from a year ago as higher priced space continues to be available on the market. Finally, it should be noted that after a temporary decrease in available sublease space to 10.4 msf at year-end 2023, sublease space increased again in Q1 2024 ending at 10.8 msf as more companies have put their offices on the market for sublease.

Office building valuations dropping with recent sales

The long-awaited reset in office building valuations in the Los Angeles office market is only starting as recent distressed sales at low valuations has become increasingly common. While there has been an overall flight-to-quality by occupiers relocating into properties in a stronger financial position, for those office properties in a weaker financial position or in a less-desired location, expect fundamentals to continue to deteriorate. As a result, 2024 will be the year that more owners decide to sell their properties at a loss or realize that they need to convert or redevelop their properties to non-office use.

Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	221.1 msf	219.8 msf	-1.3 msf
Availability Rate	26.2%	27.6%	+140 bps
Asking Rental Rate	\$3.83	\$3.94	+2.9%
Class A Asking Rental Rate	\$4.01	\$4.13	+3.0%
Quarterly Leasing Activity	2.9 msf	3.2 msf	+0.3 msf
Available Sublease Space	10.4 msf	10.8 msf	+0.4 msf

Note: Rents quoted are monthly

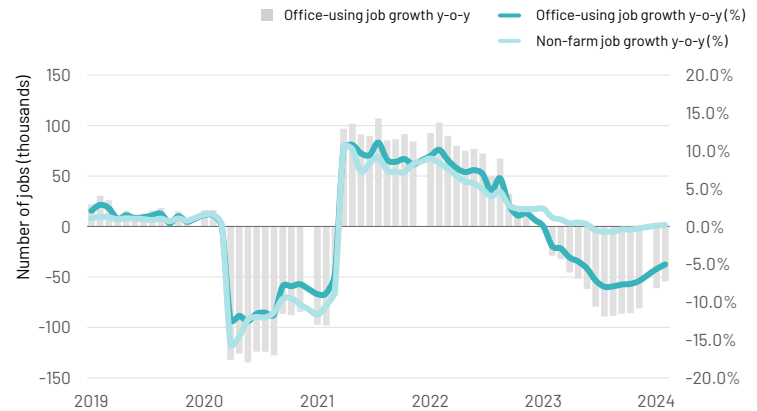
Outlook

01 Leasing activity will remain largely expiration-driven as very few office-using industry sectors are growing right now, especially with the pullback from technology and entertainment/media

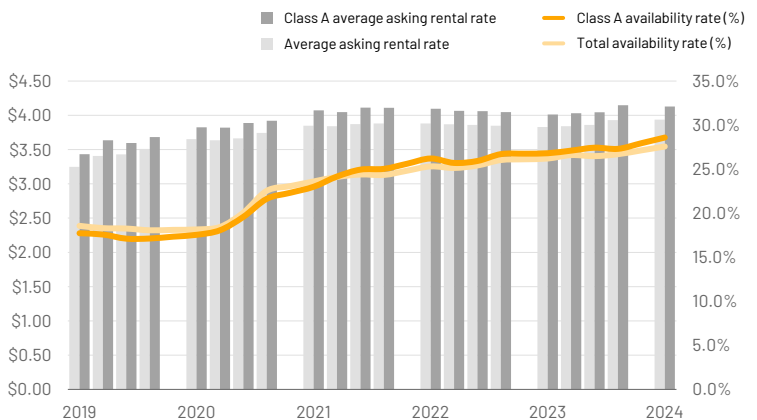
02 Landlord concessions continue to remain at a historic high but expect some landlords this year to drop their asking rents as they get even more aggressive at chasing occupancy

03 Office building valuations are being reset due to distressed sales and will eventually lead to a reset in the overall economics of the leasing market as new owners operate at a lower basis

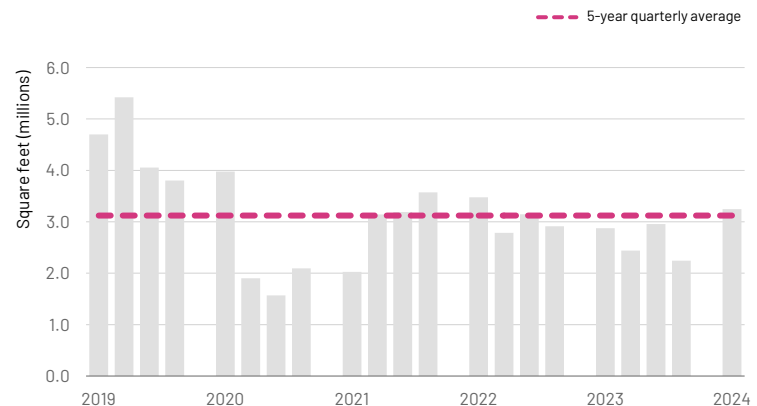
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

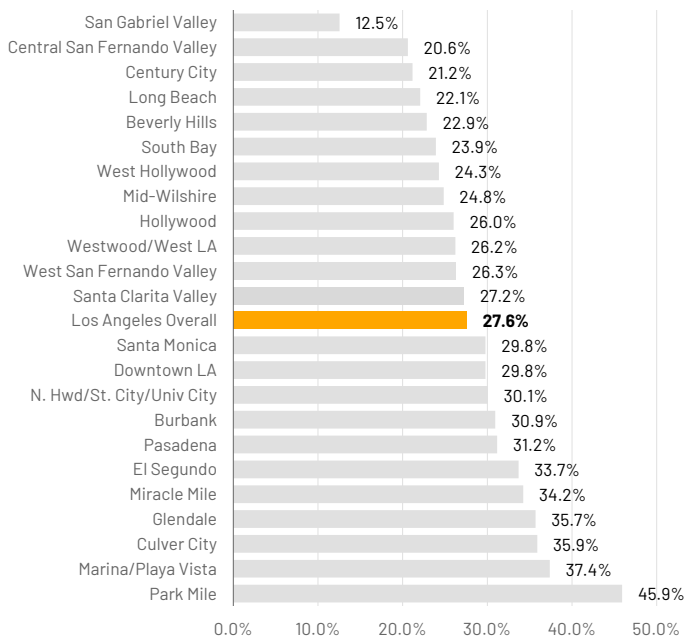
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Snap	TAMI	Santa Monica	SMBP (Multiple buildings)	466,733	Renewal
William Morris Endeavor	Business, Professional and Consulting Services	Beverly Hills	9601 Wilshire Boulevard*	247,768	Extension
Lionsgate	TAMI	Santa Monica	2600-2800 Colorado Avenue*	153,210	Renewal
Riot Games	TAMI	Westwood/West LA	12312 W Olympic Boulevard	78,000	Renewal
Fab Factory Entertainment	TAMI	Hollywood	1350 N Western Avenue	68,834	New Location
Bank of Tokyo-Mitsubishi UFJ	Financial Services and Insurance	Downtown LA	555 S Flower Street*	61,983	Relocation
IPC Healthcare	Healthcare	West San Fernando Valley	8511 Fallbrook Avenue	51,290	Renewal
Cox Castle & Nicholson	Legal Services	Century City	2029 Century Park East*	45,980	Renewal
AXS Group	Personal Services and Recreation	Downtown LA	110 E 9 th Street	41,534	New Location
Davis Wright Tremaine	Legal Services	Downtown LA	350 S Grand Avenue*	39,657	Relocation

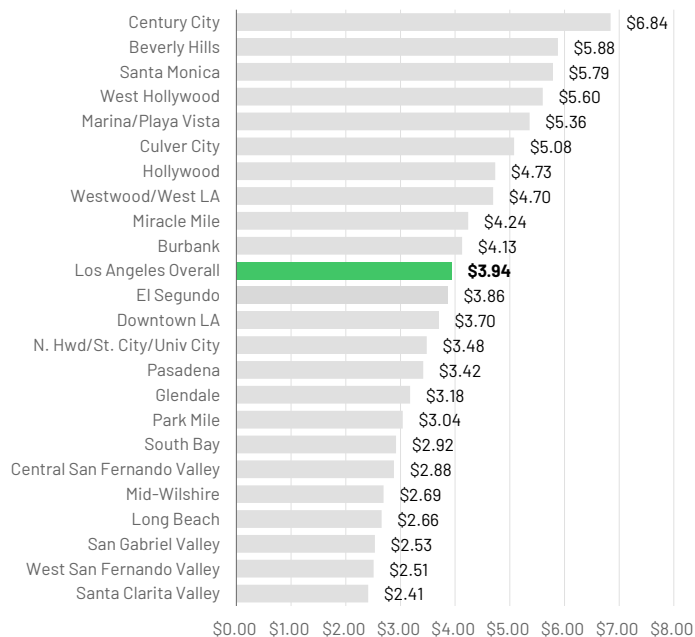
Availability Rate Comparison (%)

LOS ANGELES SUBMARKETS



Rental Rate Comparison (\$/sf)

LOS ANGELES SUBMARKETS



Los Angeles Q1 2024 - Office

Note: Rents quoted are monthly

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Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

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