

Los Angeles

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Leasing activity remains below 5-year quarterly average as discretionary deals are on the sidelines

In Q3 2023, the Los Angeles office market reported leasing activity of just under 3.0 million square feet (msf). This was up 23% from 2.4 msf reported last quarter but still down from 3.1 msf reported in Q3 2022. Despite larger relocations and expansions from Clearlake Capital, Penske Media, and ByteDance all on the Westside, office leasing activity remains largely non-discretionary as most occupiers have put growth on hold in the second half of 2023. In addition, the Hollywood labor strikes have negatively affected leasing activity in the entertainment/ media sector this year. As a result, expect overall leasing activity to most likely remain lower than the 5-year quarterly average of 3.2 msf through year-end.

Total availability rate ticks down to 26.5% but remains high

Office availability decreased 10 basis points (bps) from 26.6% reported last quarter to 26.5% in Q3 2023. Availability remains near record highs as office space demand has decreased post-pandemic due to hybrid work models and slower return to office rates. Available sublease space largely remained flat from last quarter at 10.8 msf. However, this is up sharply from 9.6 msf of available sublease space reported a year ago, as well as up dramatically from just 4.6 msf reported in Q4 2019 before the onset of the pandemic. The overall average asking rental rate ticked up to \$3.86 per square foot (psf) per month but is flat from a year ago. The Class A average asking rental rate remained flat at \$4.04 psf as landlord concessions such as free rent and tenant improvement allowances continue to set record highs.

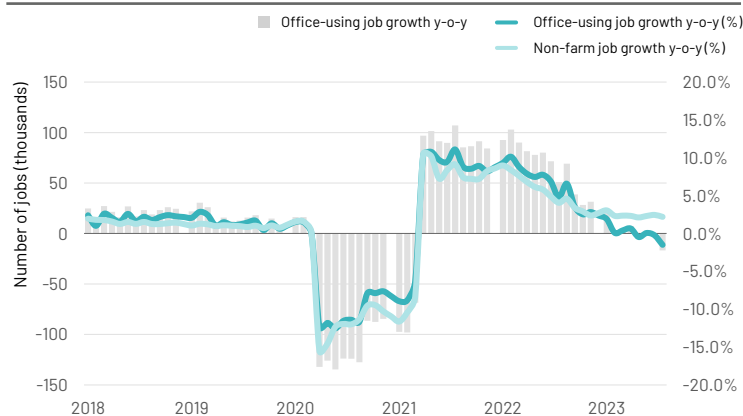
Expect more downsizings and rightsizings as tenants reevaluate long-term space needs

Due to continued economic uncertainty and a focus on controlling costs, many occupiers have taken a wait-and-see approach as it relates to their office space. With hybrid workplace models, many tenants have reevaluated their space demand resulting in more downsizings and rightsizings. As discretionary leasing is expected to largely remain on the sidelines awaiting rental rate re-pricing due to lender write-downs, tenant-favorable market conditions will continue for the foreseeable future.

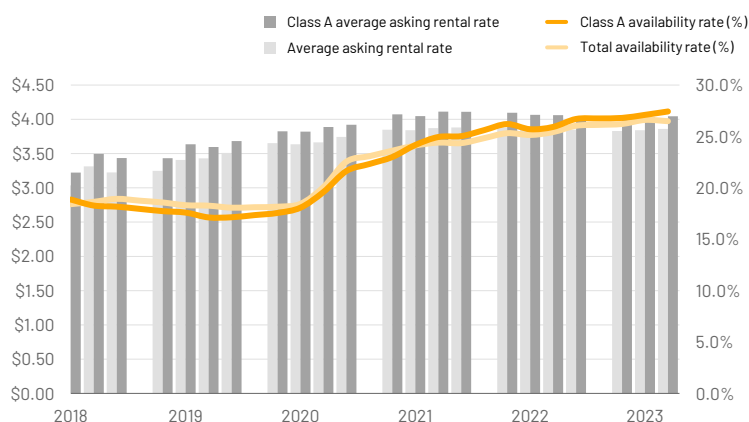
Key Statistics

	Q3 2022	Q3 2023	Y-0-Y
Inventory	221.1 msf	221.5 msf	+0.4 msf
Availability Rate	25.4%	26.5%	+110 bps
Asking Rental Rate	\$3.86	\$3.86	0.0%
Class A Asking Rental Rate	\$4.06	\$4.04	-0.4%
Quarterly Leasing Activity	3.1 msf	3.0 msf	-0.1 msf
Available Sublease Space	9.6 msf	10.8 msf	+1.2 msf

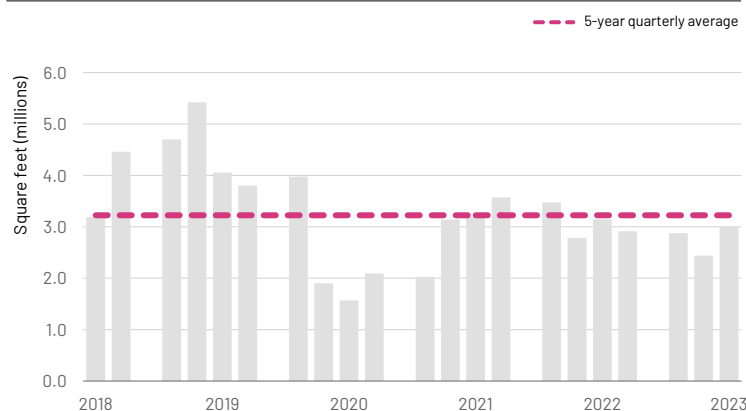
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Outlook

01 Leasing activity will remain lower than pre-pandemic levels due to increasing economic uncertainty and most occupiers focused on controlling costs

02 Available sublease space remains historically high but could be plateauing as more space is pulled off the market and existing lease terms expire

03 Occupier flight to quality will continue as newer, amenitized buildings in the most desirable submarkets outperform the rest of the market

Top Transactions

*Trophy Building

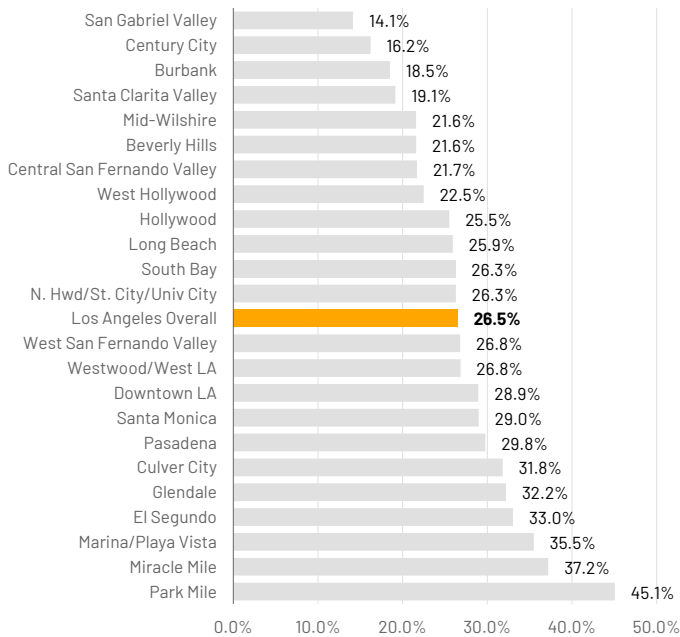
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Clearlake Capital	Financial Services & Insurance	Century City	1950 Avenue of the Stars*	151,104	Pre-Lease
Penske Media	TAMI	Westwood/West LA	11355-11377 W Olympic Boulevard*	125,000	Relocation
SKIMS	Retail	Hollywood	1601 Vine Street	101,143	Relocation
ByteDance	TAMI	Culver City	900 Corporate Pointe	90,049	New Lease**
BlackLine Systems	TAMI	West San Fernando Valley	21300 Victory Boulevard	88,926	Renewal
Houlihan Lokey	Financial Services & Insurance	Century City	10250 Constellation Boulevard*	66,430	Renewal
ByteDance	TAMI	Culver City	5800 Bristol Parkway	53,202	Expansion
Audacy	TAMI	Miracle Mile	5670 Wilshire Boulevard	42,229	Renewal
Crescent Capital	Financial Services & Insurance	Westwood/West LA	11100 Santa Monica Boulevard	41,899	Renewal
AIG	Financial Services & Insurance	West San Fernando Valley	21650 Oxnard Street	40,625	Renewal

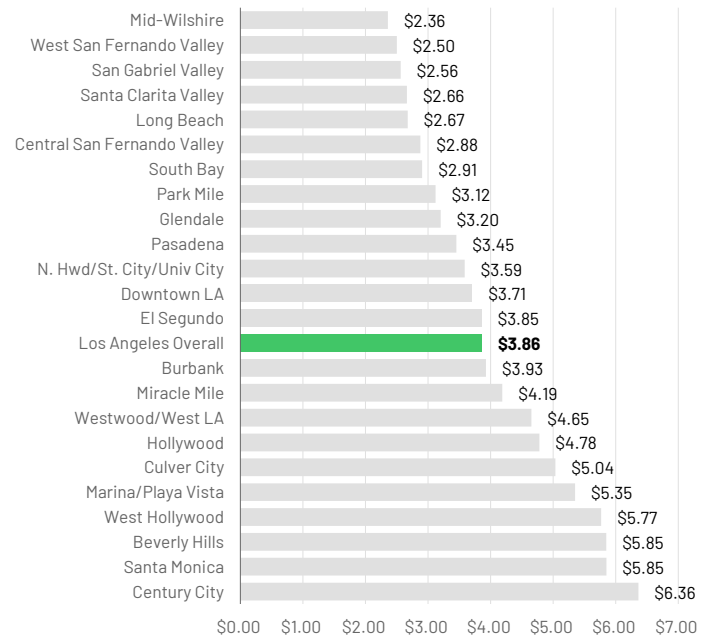
Availability Rate Comparison (%)

LOS ANGELES SUBMARKETS



Rental Rate Comparison (\$/sf)

LOS ANGELES SUBMARKETS



Los Angeles Q3 2023 - 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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