

# Los Angeles

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## Leasing activity spikes to highest level post-pandemic but availability continues to rise

In Q3 2024, the Los Angeles office market reported its highest quarterly leasing activity post-pandemic with 3.8 million square feet (msf). Led by Southern California Gas Company's nearly 200,000-square-foot lease at 2Cal Plaza in Downtown LA, leasing activity is up 27% from the same period a year ago, while being the highest amount of reported leasing activity since nearly 4.0 msf was leased in Q1 2020. However, it should be noted that demand from occupiers in the tech and entertainment/media sectors remain largely muted as most deal volume continues to be largely expiration-driven.

### Availability rate up to 28.3% despite higher leasing activity

Availability increased 90 basis points (bps) from 27.4% reported last quarter to 28.3%. This is also up 180 bps from the availability rate of 26.5% reported a year ago as many corporate occupiers, especially in the tech sector, continue to downsize their office space footprints around the region. The overall average asking rental rate remained flat from last quarter at \$3.90 per square foot (psf) per month. This was still up 1.0% from \$3.86 psf reported a year ago. The Class A average rental rate of \$4.11 psf was up 1.7% from a year ago, especially as trophy office buildings in Century City have increased their asking rents to historically high levels.

### Cautious optimism that office space demand is returning

With the spike in leasing activity seen in Los Angeles this quarter combined with increasing return to office rates, there is cautious optimism that space demand could be returning to higher levels. Unlike in other top tier office markets around the U.S. such as Manhattan, leasing activity in Los Angeles has been slow to recover post-pandemic amidst hybrid work. In addition, office-using employment growth has been negative over the past year, especially as the tech and entertainment/media sectors have corrected after years of adding workers. Moving forward, leasing activity will be very closely watched to see if the Los Angeles office market has turned the corner or if recovery is further away.

## Key Statistics

	Q3 2023	Q3 2024	Y-0-Y
Inventory	221.3 msf	217.9 msf	-3.4 msf
Availability Rate	26.5%	28.3%	+180 bps
Asking Rental Rate	\$3.86	\$3.90	+1.0%
Class A Asking Rental Rate	\$4.04	\$4.11	+1.7%
Quarterly Leasing Activity	3.0 msf	3.8 msf	+0.8 msf
Available Sublease Space	10.8 msf	11.0 msf	+0.2 msf

Note: Rents quoted are monthly

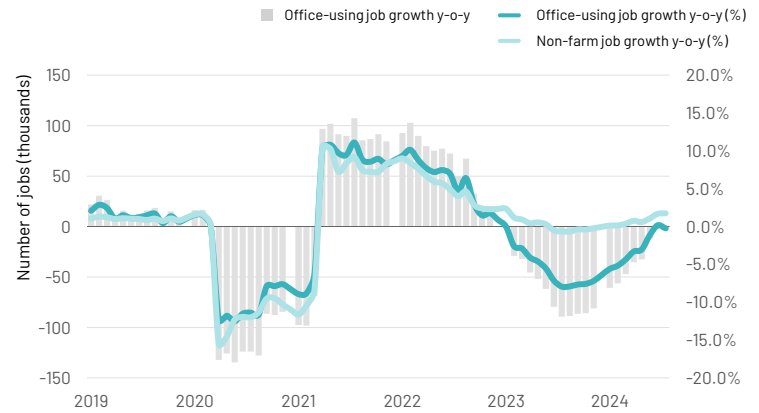
## Outlook

**01** Expect leasing activity to remain mostly expiration-driven as office-using employment growth has turned negative over the past year

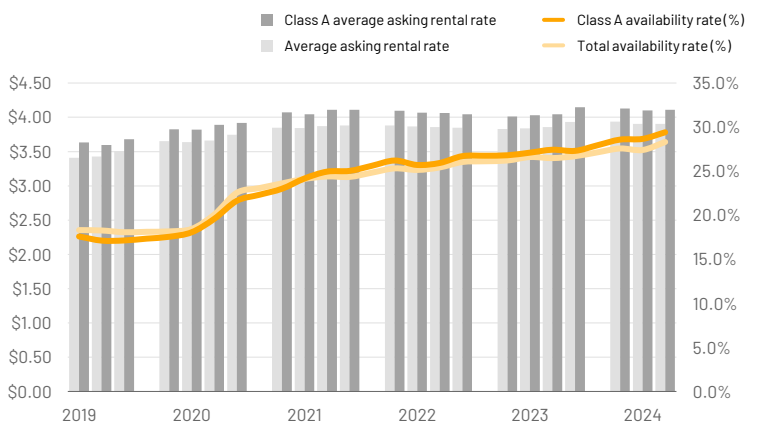
**02** Landlord concessions are expected to remain high as landlords aggressively compete for occupancy amidst still-record high availability levels

**03** Despite the Federal Reserve recently cutting interest rates, expect troubled office properties to continue to be given back to lenders as the distressed wave remains largely unresolved

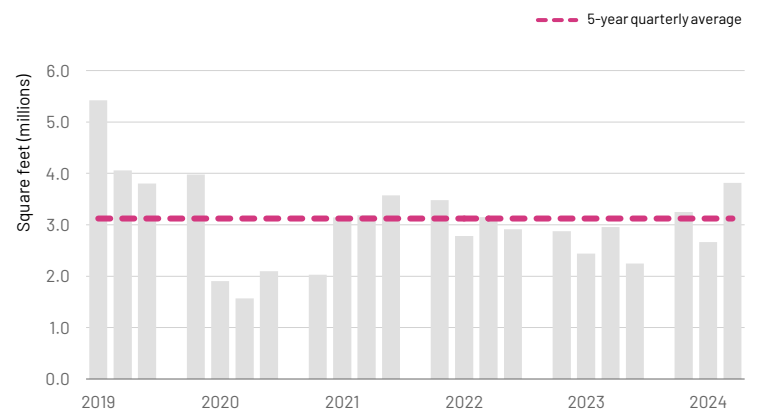
## Office-using Employment Growth



## Asking Rent and Availability



## Leasing Activity



# Top Transactions

\*Trophy Building

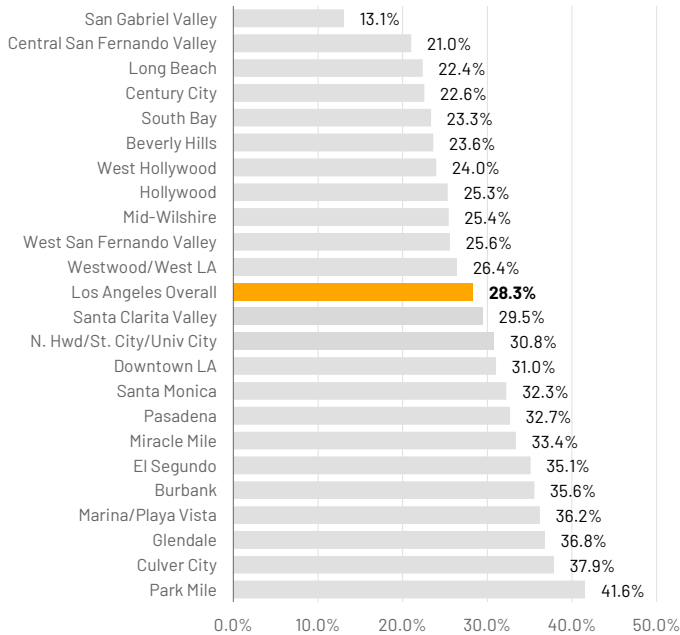
\*\*Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Southern California Gas Company	Energy & Utilities	Downtown LA	350 S Grand Avenue	198,553	Relocation
Herbalife	Retail	South Bay	950 W 190 <sup>th</sup> Street	188,545	Sale-Leaseback
City of Hope	Healthcare	San Gabriel Valley	4920 Rivergrade Road	170,512	Renewal
JPMorgan Chase	Financial Services and Insurance	Century City	2029 Century Park East*	162,713	Renewal and Expansion
County of Los Angeles	Government	San Gabriel Valley	725 S Grand Avenue	109,018	Renewal
The Trade Desk	TAMI	Marina/Playa Vista	6181 Centinela Avenue	74,502	Relocation
County of Los Angeles	Government	San Gabriel Valley	12440 Imperial Highway	68,840	New Location
Westside Regional Center	Associations and Non-Profit Organizations	El Segundo	777 S Aviation Boulevard	63,823	Relocation
Carnegie Science	Associations and Non-Profit Organizations	Pasadena	75 N Fair Oaks Avenue	58,309	New Location
Polsinelli	Legal Services	Century City	2049 Century Park East	57,655	Renewal

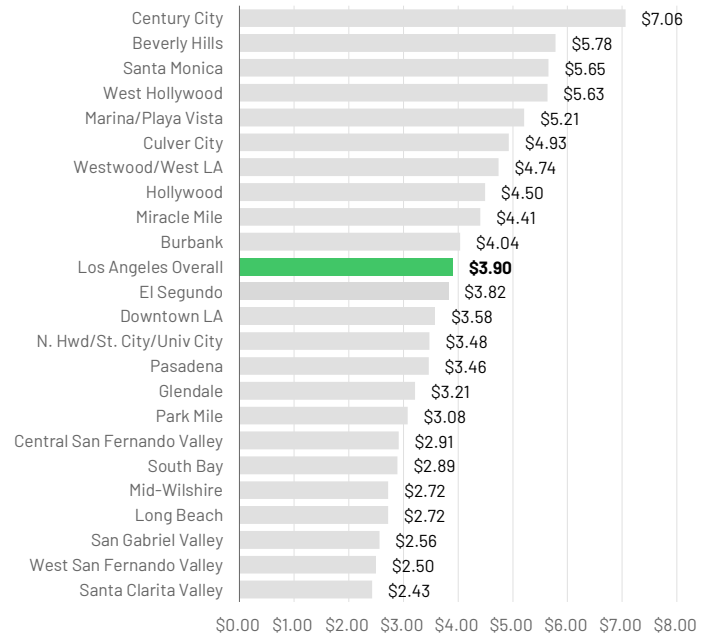
## Availability Rate Comparison (%)

LOS ANGELES SUBMARKETS



## Rental Rate Comparison (\$/sf)

LOS ANGELES SUBMARKETS



## Los Angeles Q3 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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