

# Los Angeles

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## Leasing activity ends 2023 lower than 2022 as office space demand remains mostly expiration-driven

In Q4 2023, the Los Angeles office market reported leasing activity of just under 2.2 million square feet (msf). This was down 28% from nearly 3.0 msf reported last quarter, as well as down 26% from 2.9 msf reported in Q4 2022. This brought full-year 2023 total leasing activity to 10.5 msf which is down 15% from 12.3 msf in total leasing activity reported in 2022. In addition, total leasing activity in 2023 is down 42% from 18.0 msf reported in 2019 which was the last full year prior to the pandemic.

### Total availability rate now at 26.7% as market remains soft

Office availability increased 20 basis points (bps) from 26.5% reported last quarter to 26.7% at year-end. Availability is at a record high market-wide as office space demand has decreased post-pandemic due to hybrid workplace strategies and slower office-using employment growth. Available sublease space has decreased from 10.8 msf reported last quarter to 10.4 msf at year-end. However, this is still up from 10.3 msf of available sublease space reported a year ago. The overall average asking rental rate remains high at \$3.93 per square foot (psf) per month, up 2.1% from a year ago as continued new speculative office development and higher priced trophy space is now available. The Class A average asking rental rate also increased to \$4.15 psf as landlord concessions such as free rent and tenant improvement allowances continue to see record highs as landlords aggressively look to preserve occupancy.

### Tenant-favorable conditions remain as landlord struggles expected to continue

As mentioned previously, discretionary leasing has largely remained on the sidelines in 2023 as the majority of deals continue to be largely expiration-driven. However, with the Hollywood strikes now over and the entertainment/media sector expected to generate more demand again, there is cautious optimism that office space demand will increase in 2024. Therefore, expect occupier flight to quality, as well as flight to capital to continue as those who can, lock-in favorable deal terms into the next decade.

## Key Statistics

	Q4 2022	Q4 2023	Y-0-Y
Inventory	221.2 msf	222.0 msf	+0.8 msf
Availability Rate	26.0%	26.7%	+70 bps
Asking Rental Rate	\$3.85	\$3.93	+2.2%
Class A Asking Rental Rate	\$4.05	\$4.15	+2.5%
Quarterly Leasing Activity	2.9 msf	2.2 msf	-0.8 msf
Available Sublease Space	10.3 msf	10.4 msf	+0.1 msf

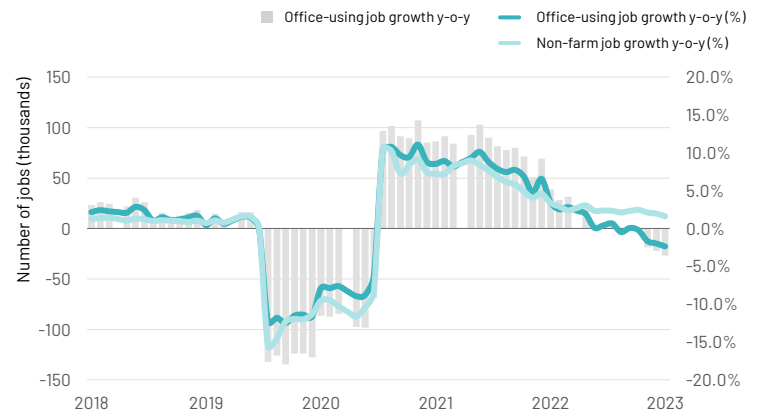
## Outlook

**01** There is cautious optimism that leasing activity will increase in 2024 now that the Hollywood strikes are over but headwinds such as hybrid workplace and economic uncertainty remain

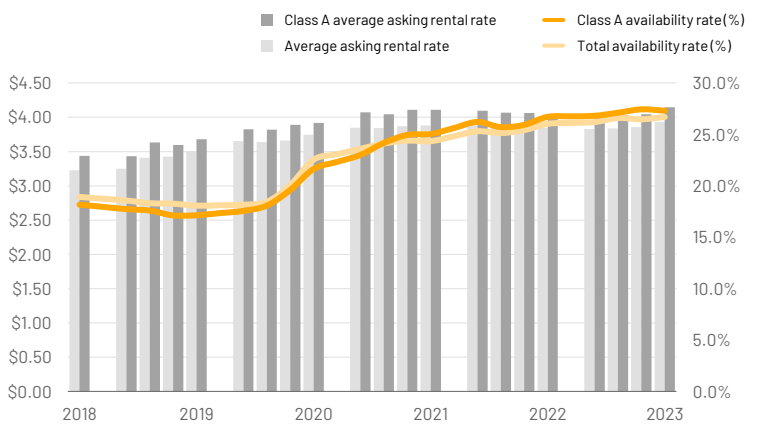
**02** With the Federal Reserve signaling the possibility of three interest rate cuts next year, expect the technology sector to become active again locally, especially in verticals like generative A.I.

**03** Office building owners will still contend with the higher cost to refinance in 2024 with more foreclosures and fire sales expected leading to increased occupier flight to capital

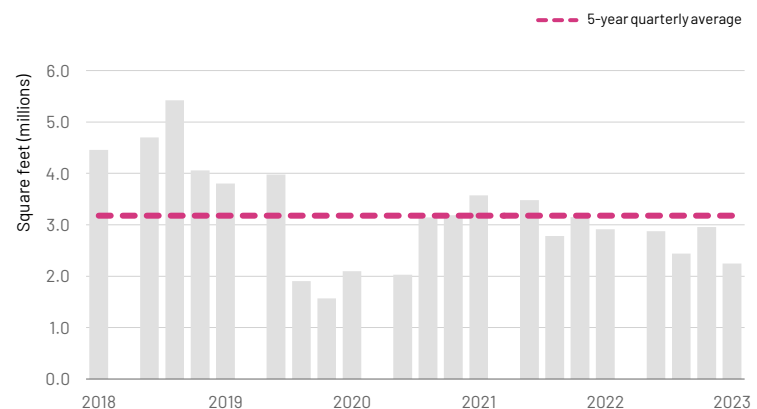
## Office-using Employment Growth



## Asking Rent and Availability



## Leasing Activity



# Top Transactions

\*Trophy Building

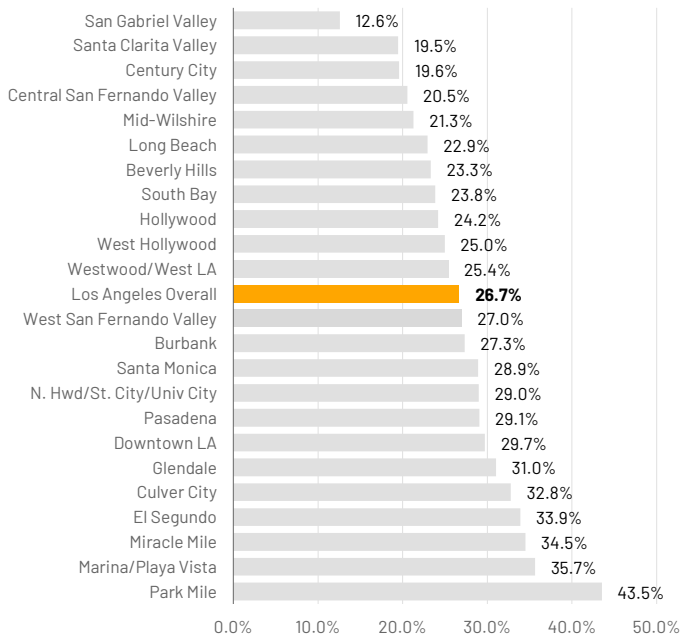
\*\*Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
County of Los Angeles	● Government	Long Beach	1500 Hughes Way	207,289	New Location
Sheppard Mullin	● Legal Services	Downtown LA	350 S Grand Avenue*	119,217	Relocation
Sidley Austin	● Legal Services	Century City	1950 Avenue of the Stars*	75,000	Pre-Lease
County of Los Angeles	● Government	San Gabriel Valley	3179 Temple Avenue	50,756	Renewal
Murad	● Retail	El Segundo	2121 Park Place	45,434	Renewal
Traveler's Insurance	● Financial Services & Insurance	San Gabriel Valley	21680 Gateway Center Drive	41,646	New Location
County of Los Angeles	● Government	Hollywood	5419 W Sunset Boulevard	41,040	New Location
StubHub	● Retail	Santa Monica	120 Broadway	30,681	Relocation**
Riot Games	● TAMI	Westwood/West LA	12233 W Olympic Boulevard	26,910	Extension
Thiel Capital	● Financial Services & Insurance	Century City	2121 Avenue of the Stars*	26,861	Relocation

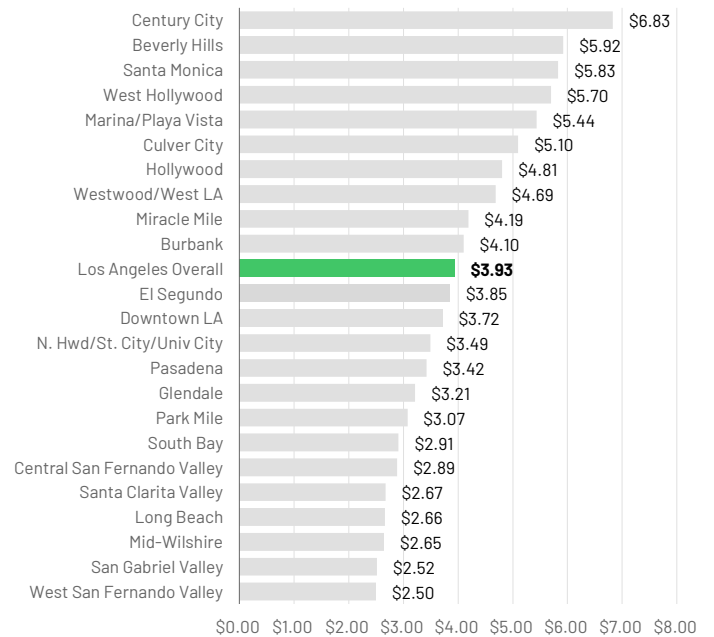
## Availability Rate Comparison (%)

LOS ANGELES SUBMARKETS



## Rental Rate Comparison (\$/sf)

LOS ANGELES SUBMARKETS



## Los Angeles Q4 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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