

1Q25

NEWMARK

Los Angeles Office Market Overview



Market Observations

Economy

- Local unemployment across all industries was 5.9% in February 2025, up 60 bps from 12 months ago. Office-using employment was down by 22,500 jobs, with all related sectors reporting losses.
- [Widespread tariffs](#) on foreign goods from the Trump Administration sent shockwaves across global financial markets in early April. The Fed, which expects rising inflation and lower economic growth, signaled it will not cut interest rates in the near-term.
- Domestic unemployment could rise if a global trade war occurs.
- All federal and state employees were ordered back to the office. California's Governor, Gavin Newsom, is also looking to boost California's economy with a bid to double film and television tax incentives to \$750 million per year.

Major Transactions

- 1601 Vine St in Hollywood sold from Kingsbarn Realty Capital to Snyder Vine, LLC for \$105 million (\$908/SF), with Newmark Capital Markets representing the seller. The eight-story Class-A office building is 100% leased to Skims Body Inc. Built in 2017 by JH Snyder Company, the property was extensively renovated in 2024 for Skims' headquarters.
- Los Angeles County renewed leases across five buildings at The Crossroads Business Park in the City of Industry for a total of 258,625 SF. The county will continue to operate multiple divisions from the Eastern San Gabriel Valley locations.
- Spin Master, a multinational toy and entertainment company, leased 132,300 SF across three buildings at The Collective at Bluff Creek in Playa Vista in a direct deal. The space was formerly occupied and offered for sublease by Yahoo!.

Leasing Market Fundamentals

- Total vacancy (25.1%) and availability (29.4%) increased slightly this quarter by 10 and 40 bps, respectively.
- Trophy buildings are out-performing other asset classes. The segment generally appeals to companies due to its prime location, luxurious amenities, high-end design, and prestige factor, essentially acting as a statement of a company's success and image. The latter is important to lure workers back to the office.
- Leasing activity was down year-over-year as economic concerns and hybrid work contain growth. Some industries, such as legal services who adopted early in-office attendance policies, are seeing stronger employment and leasing.

Outlook

- Companies often take a wait-and-see approach during periods of economic volatility, which can dampen near-term leasing activity. Uncertainty will also give property buyers and sellers pause, which could lead to a readjustment period during which sales volume will slow.
- Tech and media leasing will likely remain soft in 2025. Tech firms are being more conservative with space needs, while media requirements are declining following consolidations after mergers and acquisitions in recent years.
- CEOs plan to increase in-office attendance policies over the next 12-18 months. Higher attendance could result in more space needs, particularly for companies that downsized during the pandemic.

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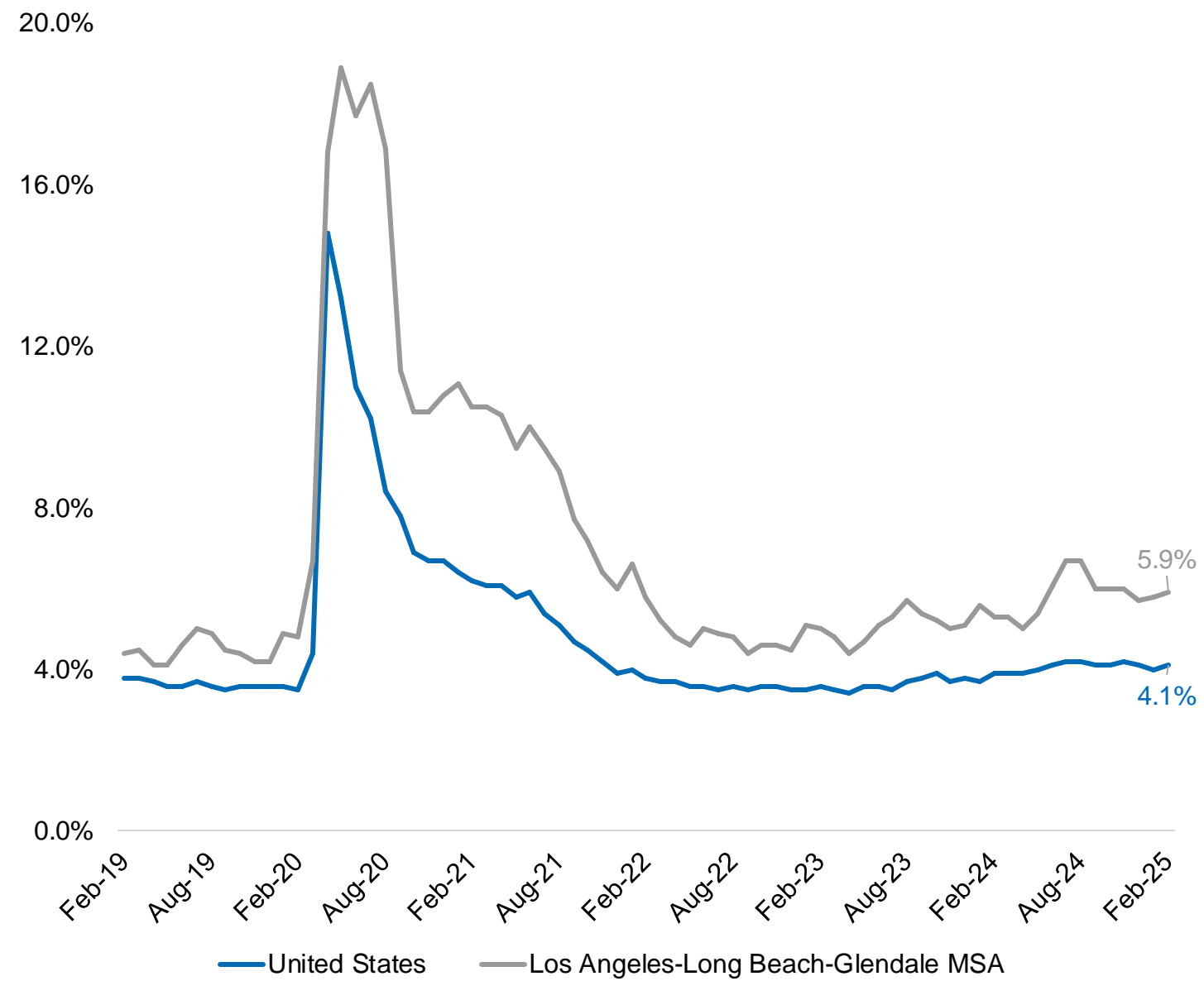
Economy



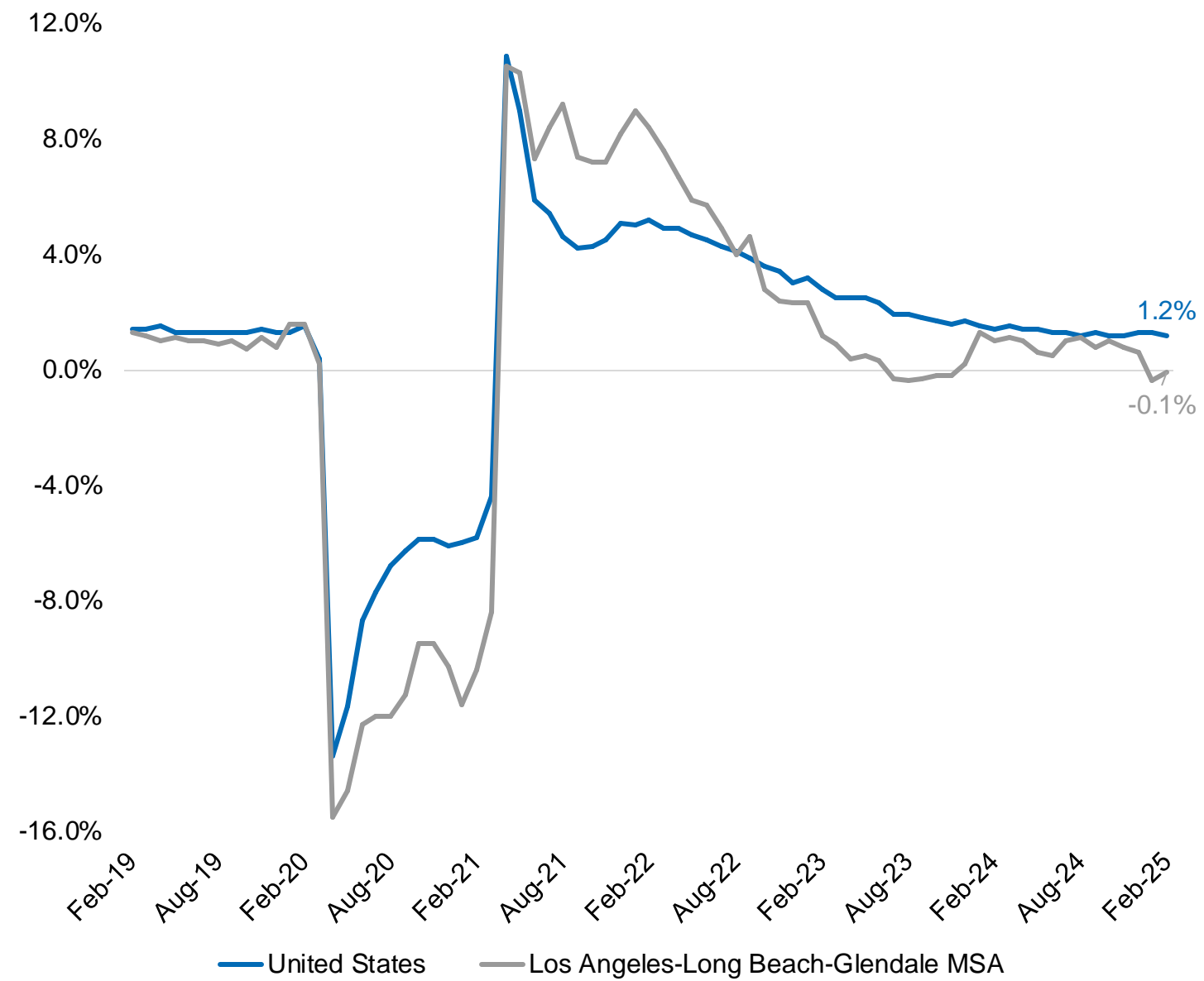
Job Growth Declines in 2025

Local unemployment settled at 5.9% in February 2025, a 60 bps increase from a year prior and above both the rates for California (5.4%) and the nation (4.1%). Local 12-month job growth was negative in the first two months of 2025 following marginal gains throughout 2024. Optimism from last year’s interest rate cuts has been waylaid by current economic instability from the Trump Administration’s tariffs.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

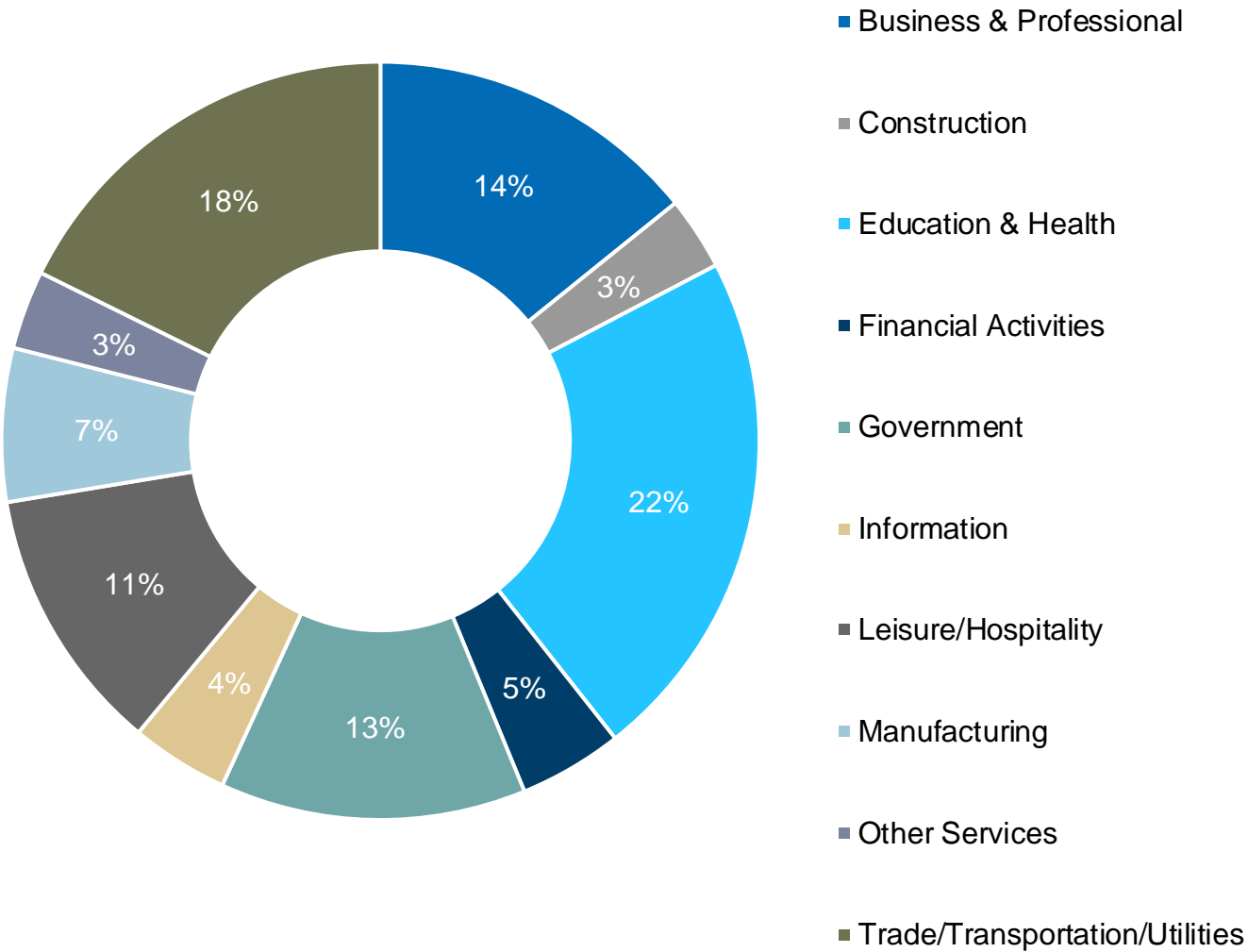


Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale MSA

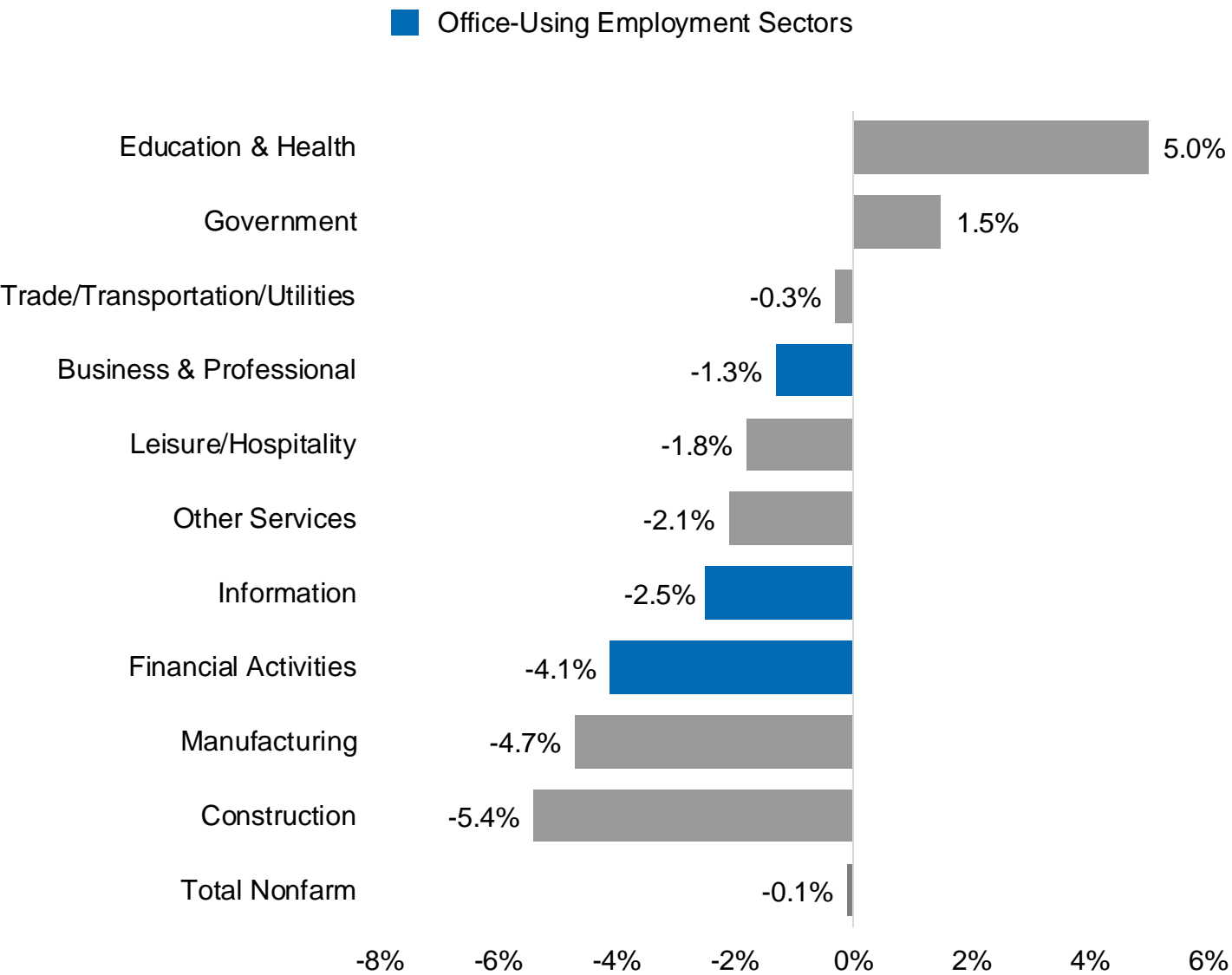
Office-Using Sectors See Annual Employment Reduction

All office-using sectors saw annual job losses: financial activities (-4.1%) had the largest percentage decline followed by information (-2.5%) and business and professional (-1.3%). The net job losses for each totaled 8,700, 5,000, and 8,800, respectively.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

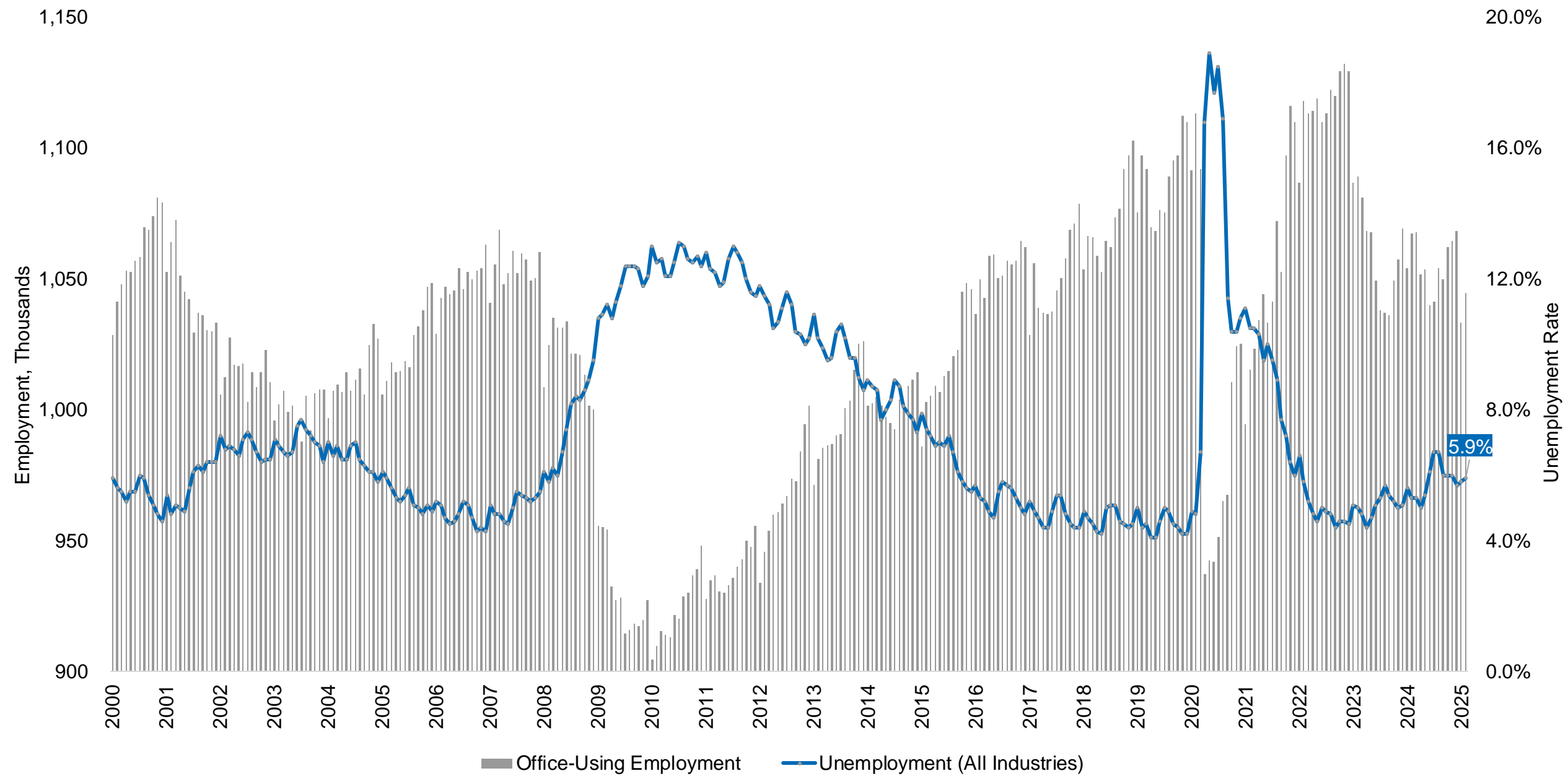


Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale MSA

Overall Office-Using Employment Drops Year-Over-Year

Local office-using employment in February was down by 22,500 jobs compared to the same month in 2024, with all associated sectors reporting losses. Economic uncertainty in the current climate could lead to more losses as recession risks increase.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale, CA
Note: February 2025 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

CEOs Project Increased Office Attendance



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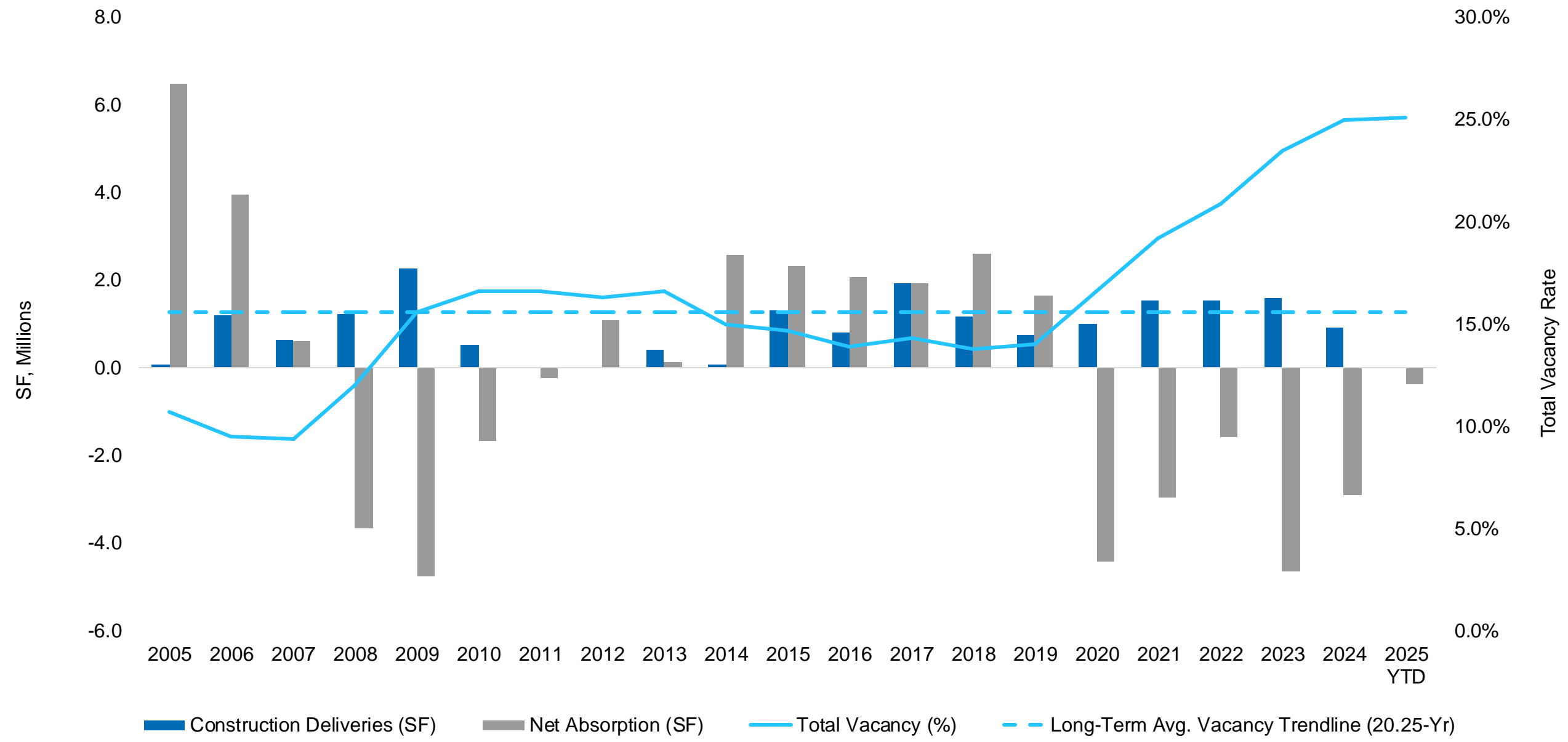
General Leasing Market Fundamentals



A Quarter of Inventory Remains Vacant

Total vacancy has been generally flat since 2024 and settled at 25.1% in the first quarter of 2025. Owner-user acquisitions of high-vacancy properties, along with redevelopments and covered land plays, are slowly reducing the market’s for-lease inventory and tempering overall vacancy.

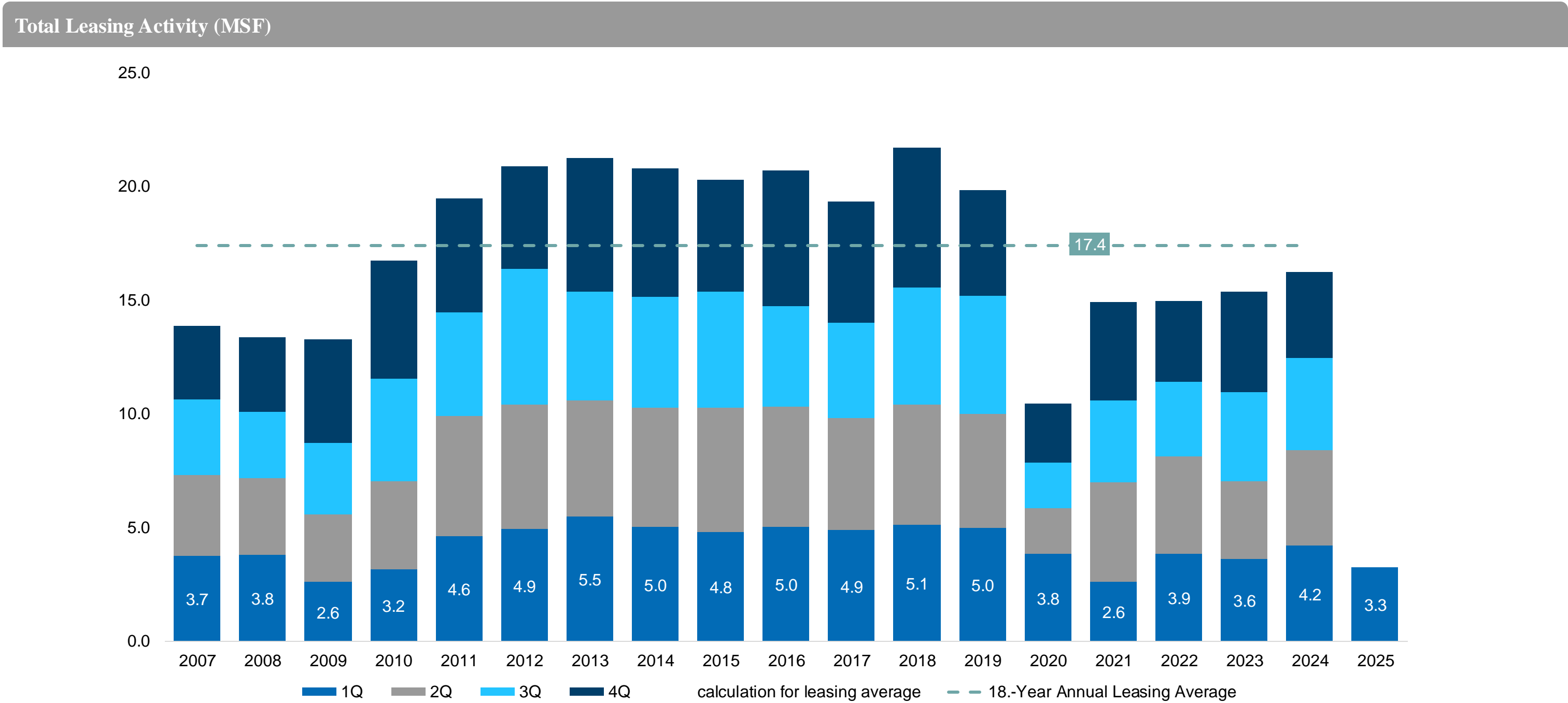
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Leasing Activity Down Year Over Year

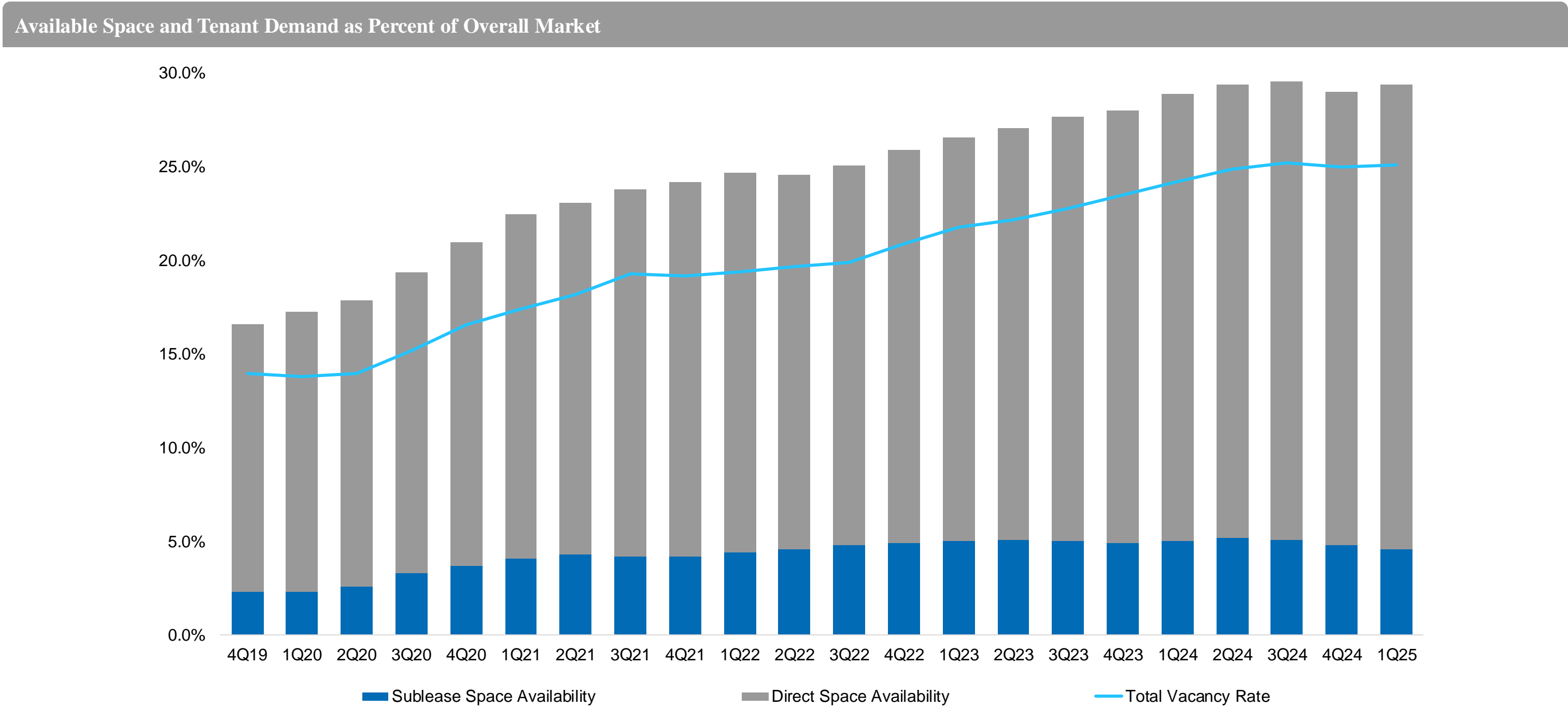
A sluggish economy, still-high interest rates and hybrid work models are constraining leasing momentum. Two things need to happen for leasing activity to reach 2011-2019 levels: 1) More companies mandate full returns to the office and/or 2) Office-using employment increases, whether from business expansions or the emergence of a new industry that aggressively drives occupancy growth.



Source: Newmark Research, CoStar

Direct Availability Rises as Sublease Space Comes to Term

Although sublease availability fell by 501,543 SF, total availability saw a net increase as direct availability rose by 990,347 SF. General economic conditions and telework, which are causing tenant downsizes and consolidations, will limit recovery.

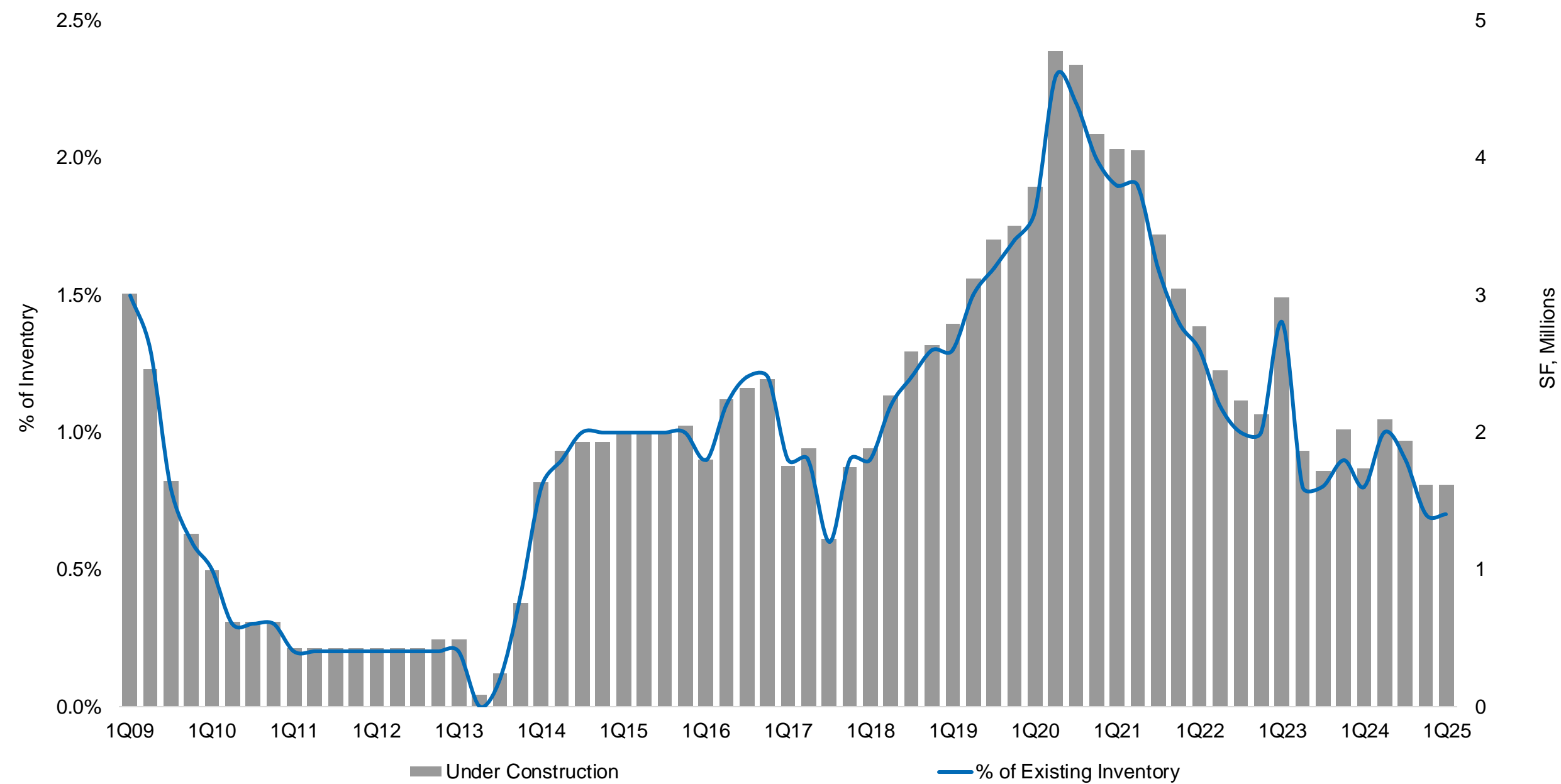


Source: Newmark Research

No Construction Starts or Completions in First Quarter

With no new projects breaking ground this quarter, construction volume remained at its lowest point since 2017. Construction activity will continue to fall as underway projects deliver.

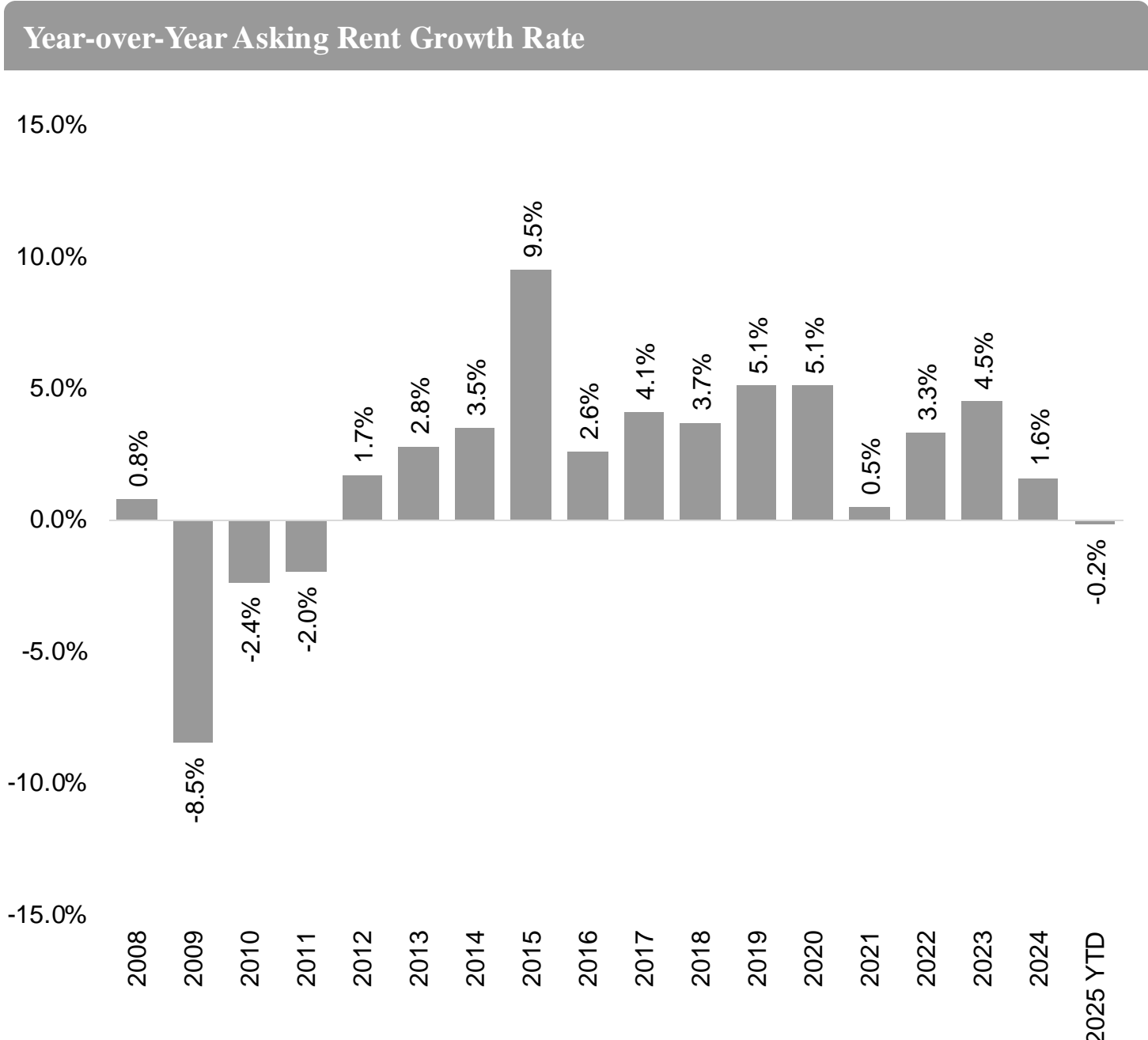
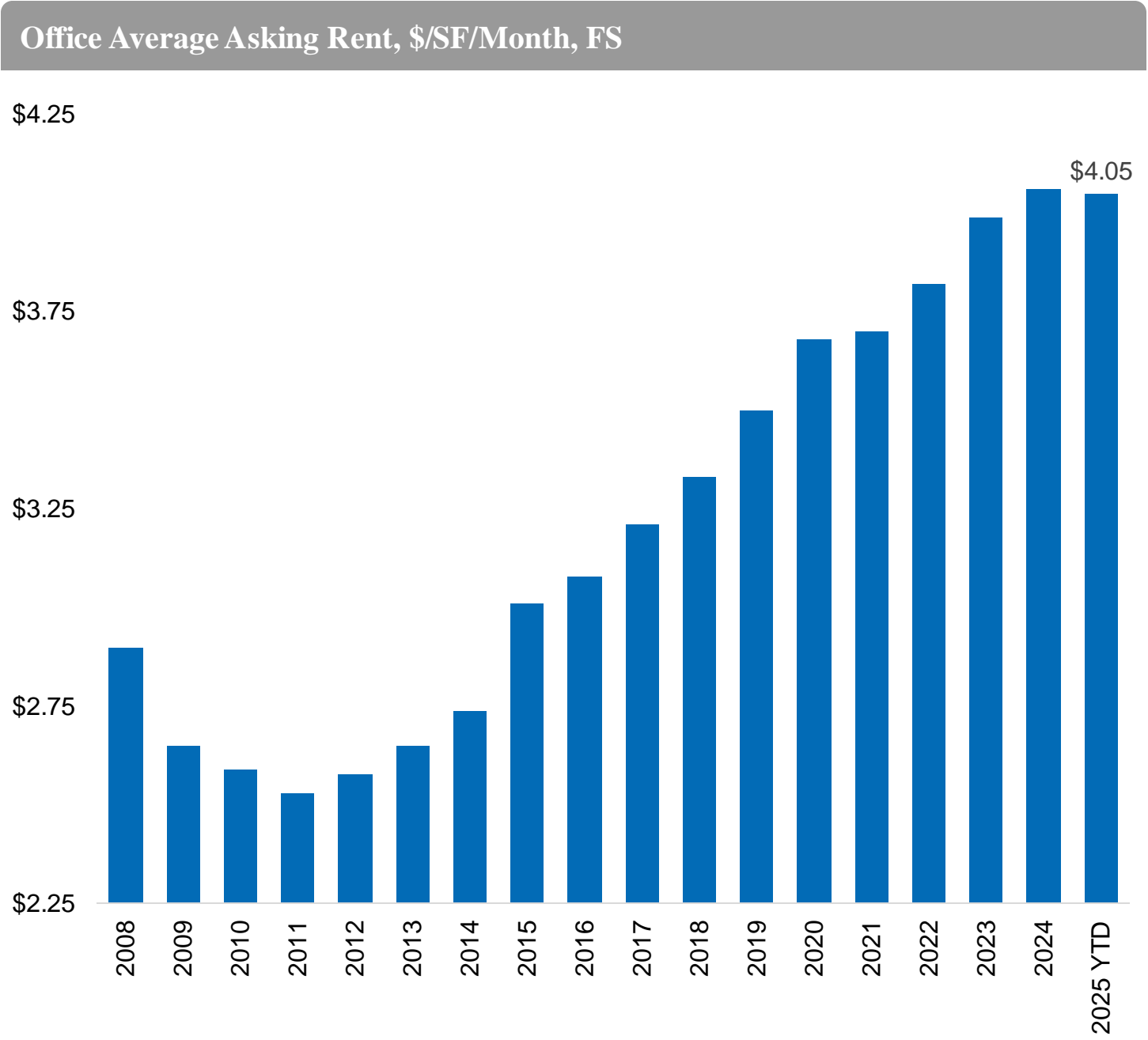
Office Under Construction and % of Existing Inventory



Source: Newmark Research

Asking Rents Stabilize

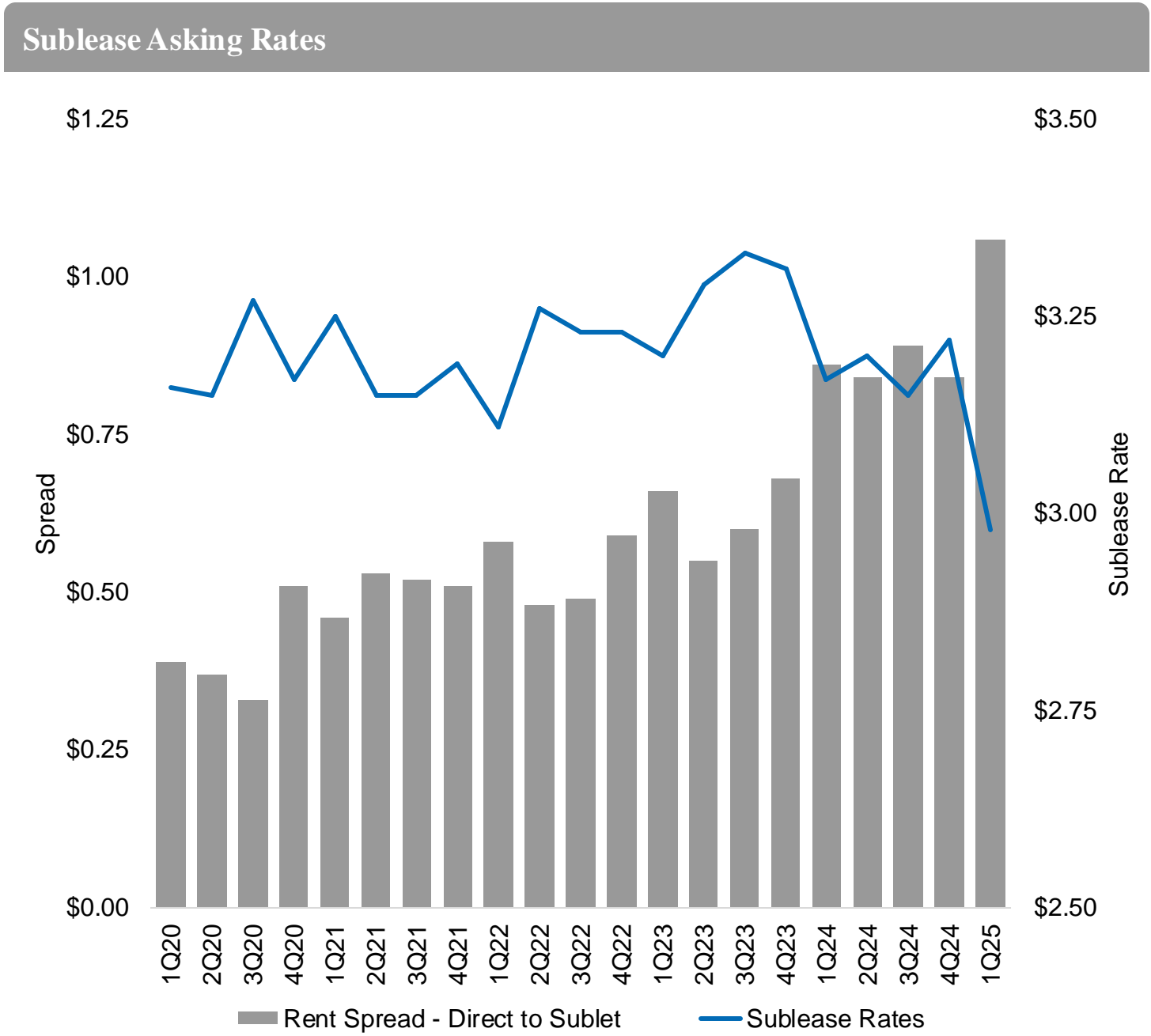
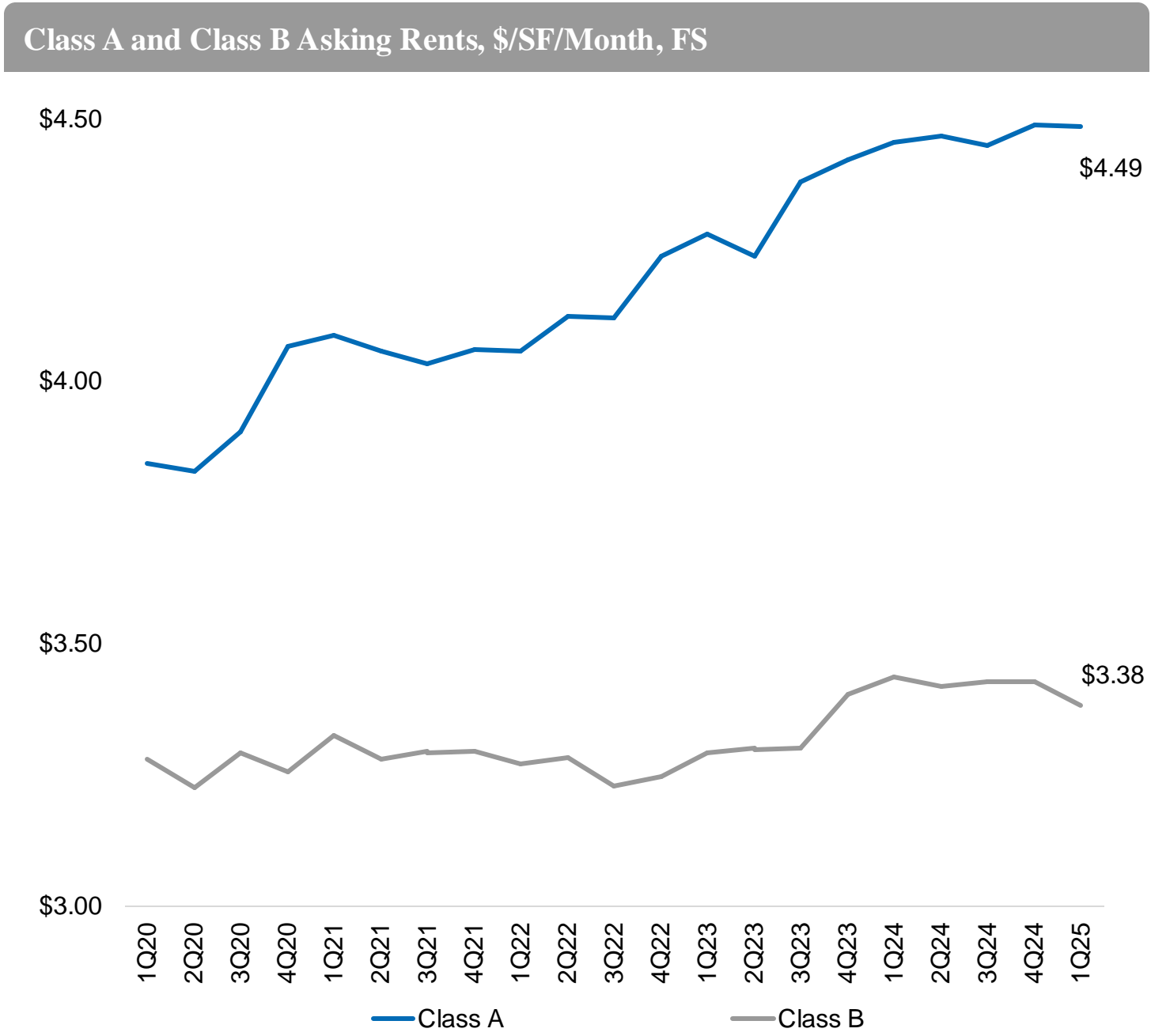
Asking rates are slightly down over the first quarter of 2025, but landlords remain reluctant to devalue their buildings and rates remain elevated. Though, rent growth from 2021-2025 has generally underperformed the rate of inflation.



Source: Newmark Research

Class A and B Asking Rents Nominally Decreased in First Quarter

While both Class A and B rents were slightly down in the first quarter of 2025, Class A rents remain just above the average at this time last year. Class B rents, however, saw an annual decline as flight-to-quality trends continue. Sublease asking rents remain competitive as tech and entertainment companies that leased excess trophy space prior to the pandemic and now have overcapacity to shed.

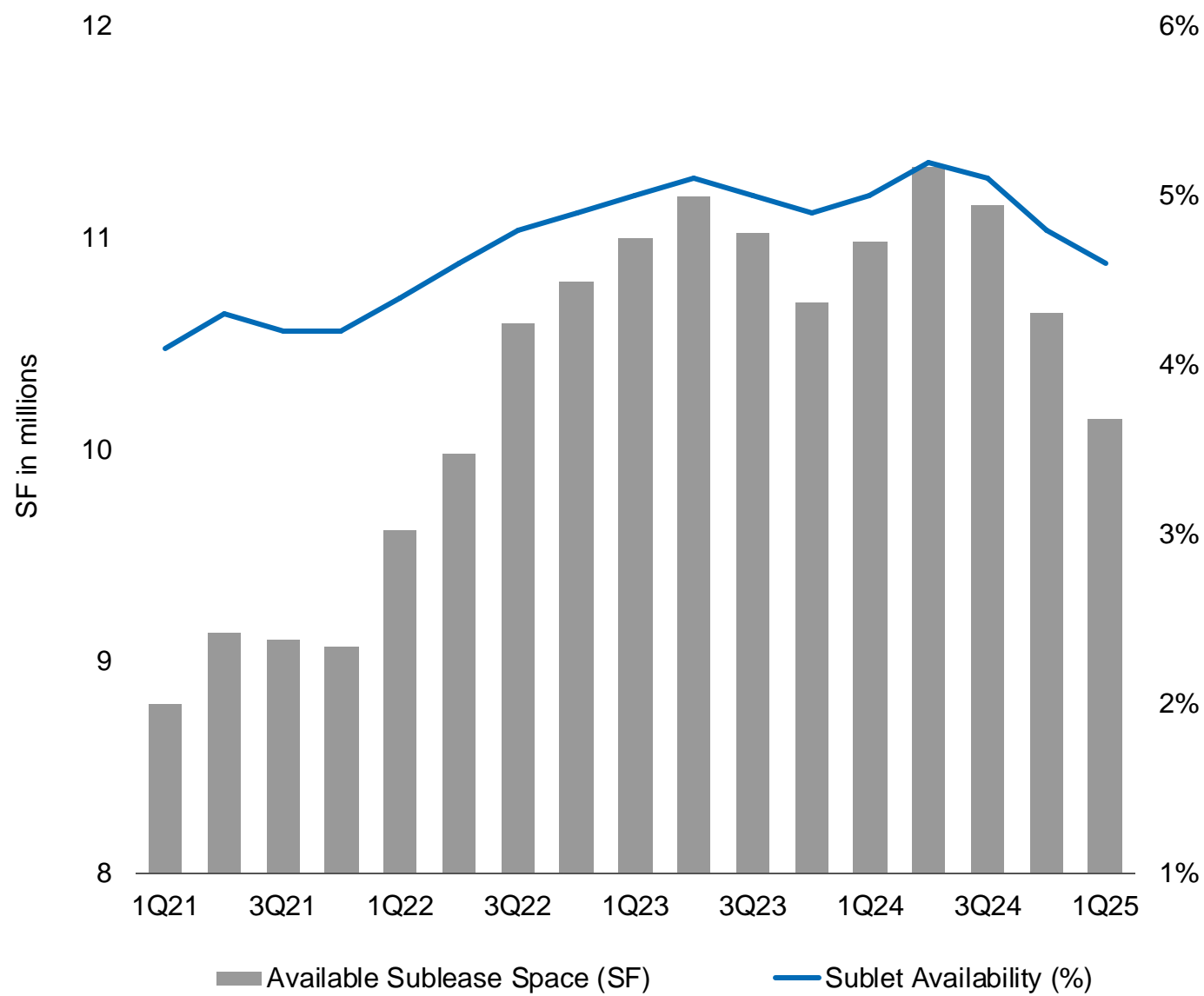


Source: Newmark Research, CoStar

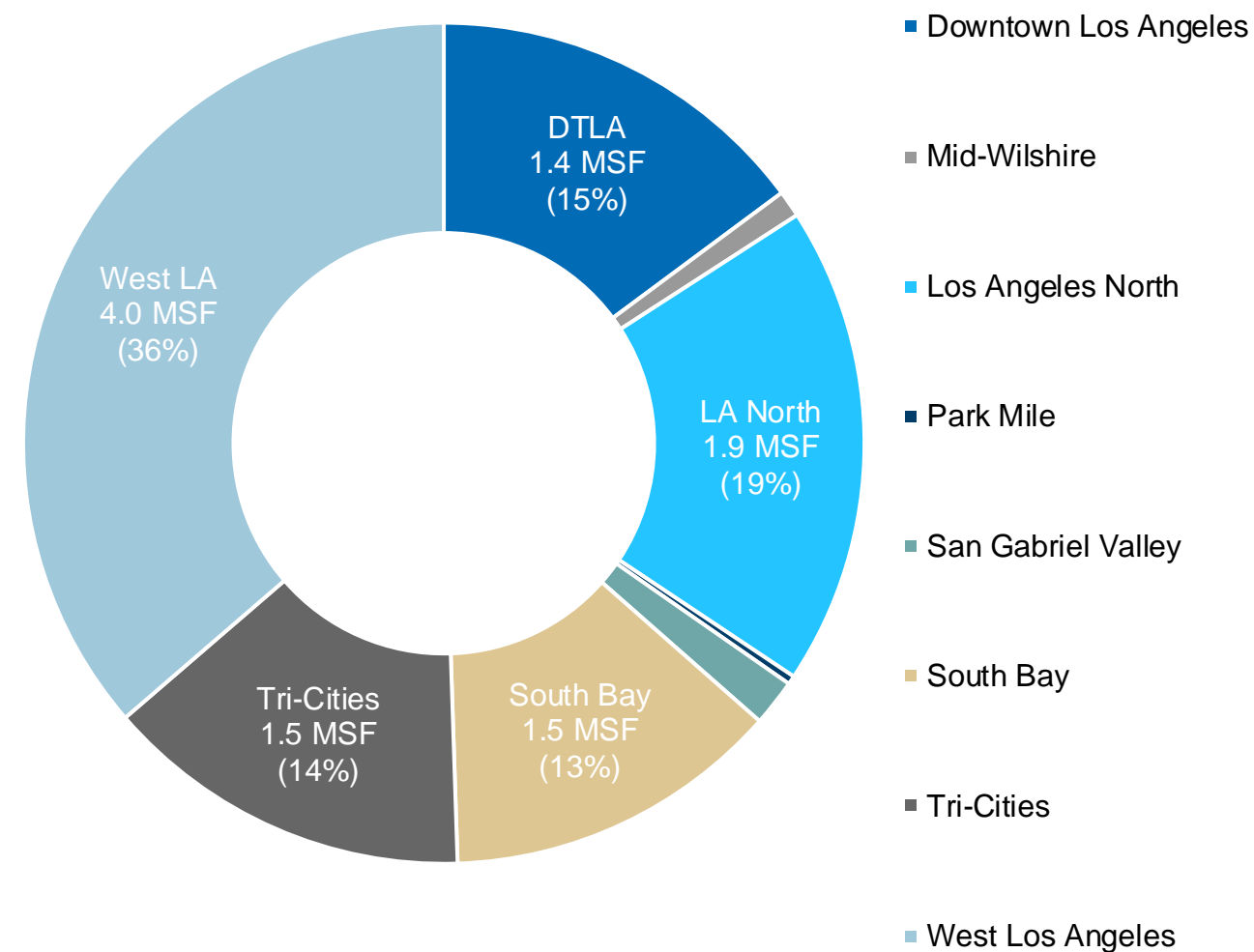
Sublease Availability Continues to Trend Down

Removals that contributed to this quarter’s decline included Yahoo! (132,300 SF leased in a direct deal at The Collective at Playa Vista), Sweetgreen (94,081 SF withdrawn in Culver City) and Paradigm Talent Agency (82,886 SF listed direct in Beverly Hills). Edmunds.com also withdrew 65,930 SF of their 128,486-SF sublease listing for temporary occupancy by schools displaced by Los Angeles’ January 2025 fires.

Greater Los Angeles Sublet Availability



Available Sublease Space by Submarket

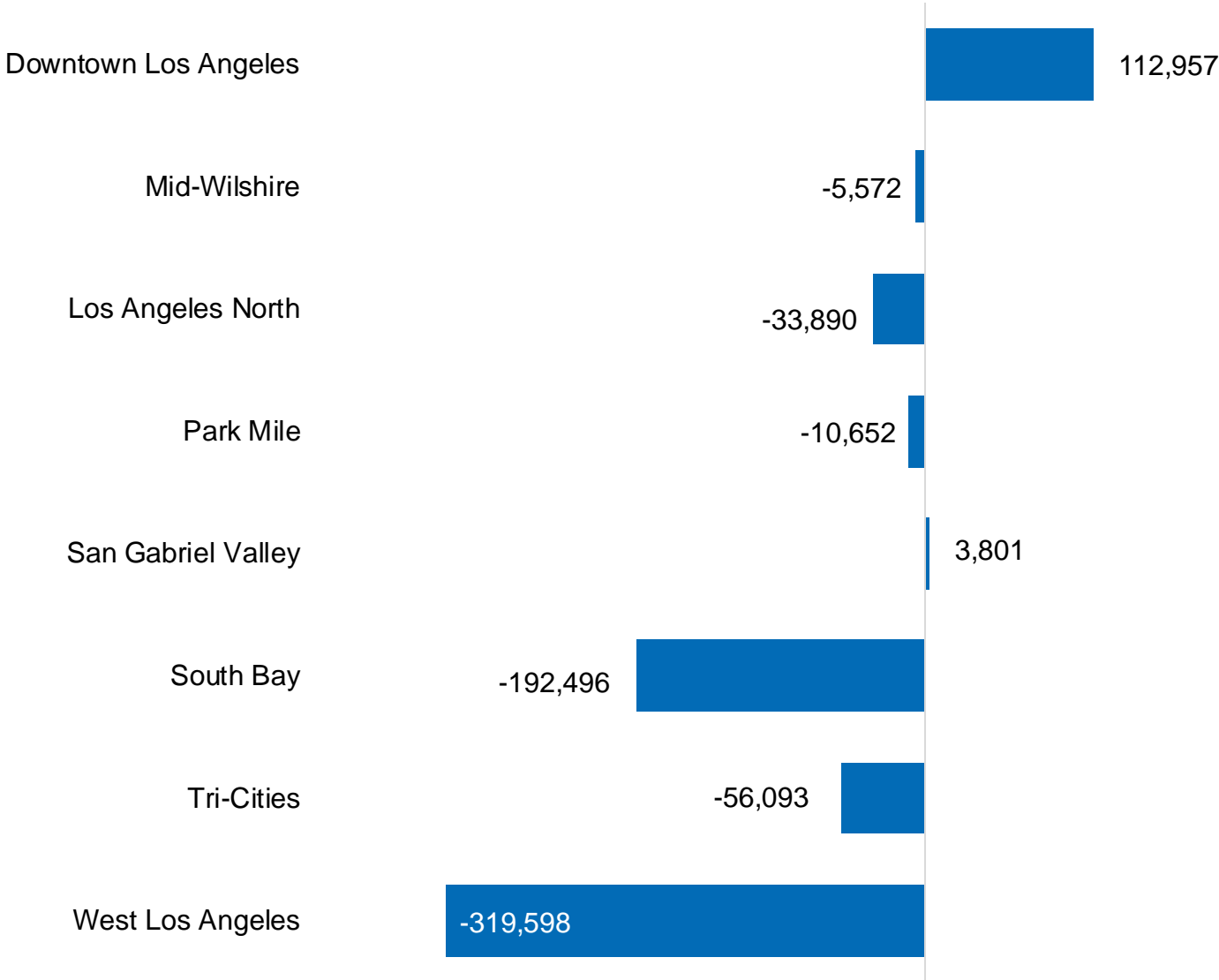


Source: Newmark Research

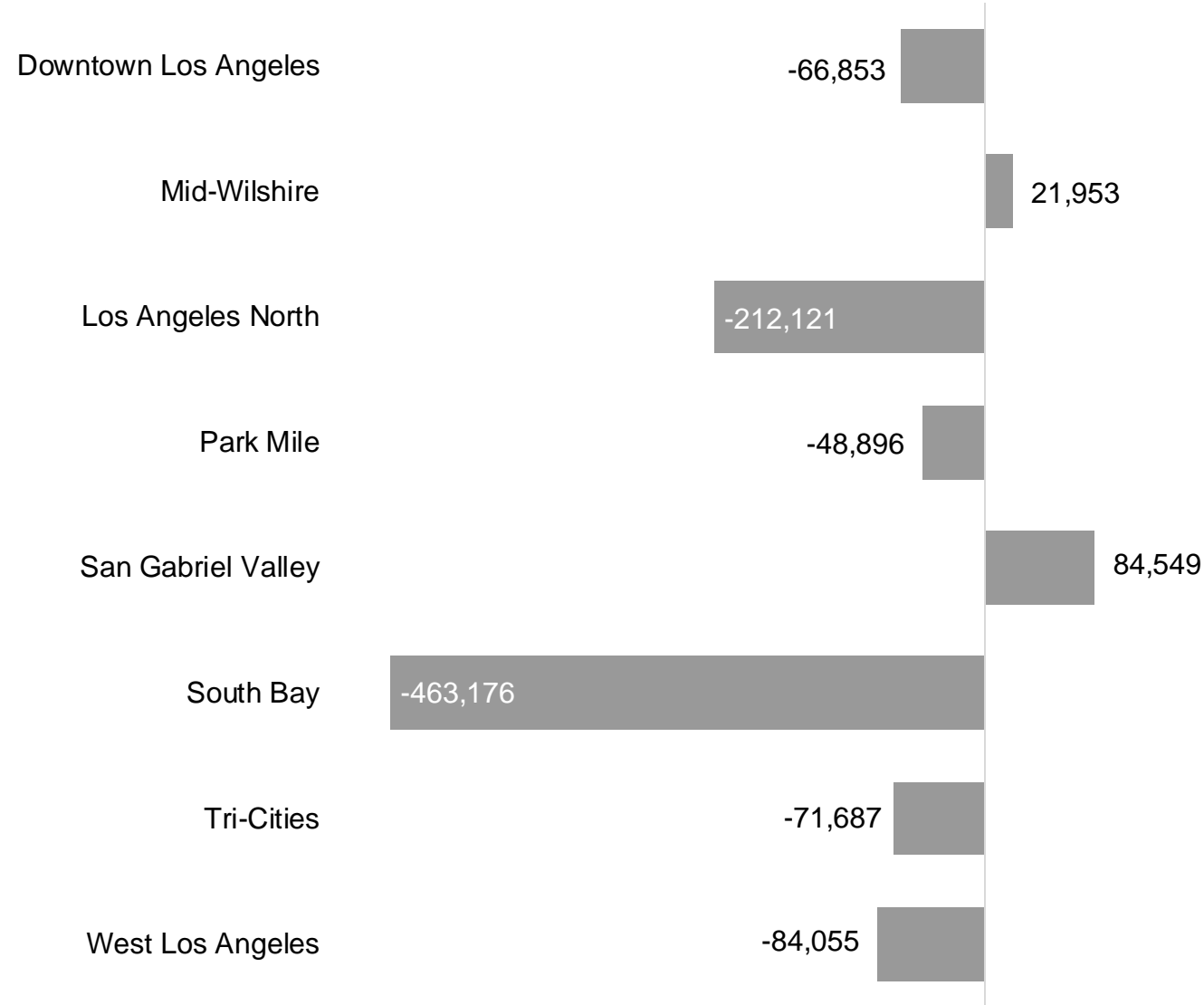
West Los Angeles and South Bay Lead Quarterly Declines

Although most submarkets in the Los Angeles region saw a decline in sublease availability in the first quarter, notable additions over the last three months included Riot Games (80,426 SF at 12100 W Olympic Blvd in Olympic Corridor), City of Los Angeles Housing Department (78,282 SF at 1200 W 7th St in Downtown LA) and Lewis Brisbois (49,507 SF at the US Bank Tower in Downtown LA).

3-Month SF Change in Available Sublease Space, By Submarket



12-Month SF Change in Available Sublease Space, By Submarket



Source: Newmark Research

Start of 2025 Sees Diverse Leasing Activity Across Industries and Market Areas

Notable 1Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
County of Los Angeles	Crossroads Business Park	San Gabriel Valley: Eastern SGV	Lease Renewal	258,625
Los Angeles County renewed five leases for multiple departments at the Crossroads Business Park in the City of Industry.				
Regal Medical Group	8501 Fallbrook Ave	Los Angeles North: West Valley	Direct Lease	156,198
The healthcare network signed a lease at Corporate Pointe at West Hills, relocating from The Mix in Northridge.				
Spin Master	11975-11995 W Bluff Creek	West Los Angeles: Playa Vista	Direct Lease	132,300
The multinational toy and entertainment company leased three buildings at The Collective at Bluff Creek in a direct deal for space formerly occupied and offered for sublease by Yahoo!				
PennyMac	3043 & 3059 Townsgate Rd	Los Angeles North: Conejo Valley	Renewal/Expansion	121,000
The financial company renewed and expanded their headquarters at Westlake Park Place in Westlake Village.				
Dentons	601 S Figueroa St	Downtown Los Angeles: CBD	Lease Renewal	62,683
The law firm renewed their space at Figueroa at Wilshire, opting for an early renewal due to a termination option.				

Source: Newmark Research

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Closer Looks at Office Employment and Leasing



Los Angeles' Recovery in Office-Using Employment Trails Other U.S. Markets

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Office Tenants are Making Do With Less Space



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Leasing Activity as a Percentage of Inventory Highest in the Trophy Set



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Legal Services Leasing Activity Up Since 2021



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Legal Service Employment Continues to Rise Despite Seasonal Volatility



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Where Leasing Activity is Concentrated



Post-COVID Leasing Activity Strongest in West Los Angeles



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Century City May be a Top-Performer, But Not All Buildings are on Equal Footing



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Streaming Media



M&A Activity Has Allowed Big Players to Quickly Grow their Film Libraries



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Filming Activity Remains Tepid



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California's Governor Seeks to Double Film and TV Incentives to \$750 Million a Year



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Tech



The Stock Market and Local Venture Capital Funding



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Footprints Have Declined for Some of the Region's MAANG Occupiers



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Sales Activity and Distress



Office Comprised 16.1% of Sales Volume in the First Quarter of 2025

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Office Sales Volume: Up Close



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Private, Opportunistic Buyers Remain Active



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47% of the Region's Office Market is Obsolete or Unable to Service Debt

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Office Loan Defaults are Growing; So are the Number of Vulnerable Properties

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Opportunistic Buyers Are Taking Advantage of Discounted Pricing



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Submarket Snapshots



Downtown Los Angeles



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Los Angeles North



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South Bay

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Tri-Cities

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West Los Angeles

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Appendix



Los Angeles Office Submarket Map and High-level Statistics | 1Q25



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High-Level Stats and Sublease Figures, By Submarket | 1Q25



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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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