



NEWMARK

Los Angeles:
Office Market Overview

1Q26



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The expanded version of this report includes:

- **Local Office-Using Employment and Leasing Activity by Industry**
- **The State of Media and Entertainment in the Region**
- **The Current Impact of the Upcoming 2028 Olympics**
- **Capital Markets Sales Information:** An examination of historical sales, active investors, and how office compares to other property sectors.
- **Detailed Submarket Statistics:** A breakdown of rents, vacancy, absorption and construction in the region's office submarkets.

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*Extensive content across 62 slides—a detailed presentation packed with **useful office information and in-depth analysis.***

Los Angeles Office Market Observations



Economy

- Current state and local market employment figures were unavailable due to a partial federal government shutdown in February and subsequent delays from the Bureau of Labor Statistics to collect and process data.
- Los Angeles unemployment across all industries was 5.0% in December 2025, down 70 bps from 12 months ago. Office-using employment contracted by 27,600 jobs over the same period.
- Los Angeles trails other U.S. markets in the recovery of office-using employment; dormancy in the media segment is a key reason.
- The Federal Reserve kept its benchmark rate unchanged at 3.5%–3.75% in March, projecting quarter-point cuts in 2026 and 2027. Officials pointed to concerns over the Iran war's impact, noting surging oil prices and higher inflation while national unemployment remains flat.



Leasing Market Fundamentals

- Total vacancy, which has hovered around the 24-25% range since 2024, settled at 25.1%. Owner-user sales and conversions are tempering the average.
- Sublet availability dropped by 681,266 SF during the first quarter, resulting in the lowest amount of space in the market since 2020.
- Traditional industries such as law and finance now account for most leasing activity. Overall leasing volume is gradually improving as select expansions and new-to-market entrants help offset the broader trend of tenants right-sizing.
- Lease term lengths are increasing amid flat office utilization, suggesting most companies have a grasp on their long-term space needs. Attractive concession packages are a factor, too.
- Trophy product continues to outperform, with a 13.4% vacancy.



Major Transactions

- The non-profit North Los Angeles County Regional Center (NLACRC) signed a 166,867-SF renewal and expansion at the West Valley Corporate Center in Chatsworth. Newmark represented NLACRC, which will expand its footprint by 49%.
- On Location, an event management firm and the official hospitality partner for the 2028 Olympics, was represented by Newmark in a 108,272-SF lease at Union Bank Plaza in Downtown Los Angeles. The upcoming Olympics are providing a short-term lift to leasing demand, while infrastructure upgrades will offer long-term benefits to current and future office occupiers.
- The Irvine Co. sold Western Asset Plaza (385 E Colorado Blvd, 270,000 SF) to East West Bank for \$98 million or \$360/SF, a steep discount from the \$144 million purchase price in 2012. The deal gives the fast-growing bank expansion space next to its existing Pasadena headquarters.

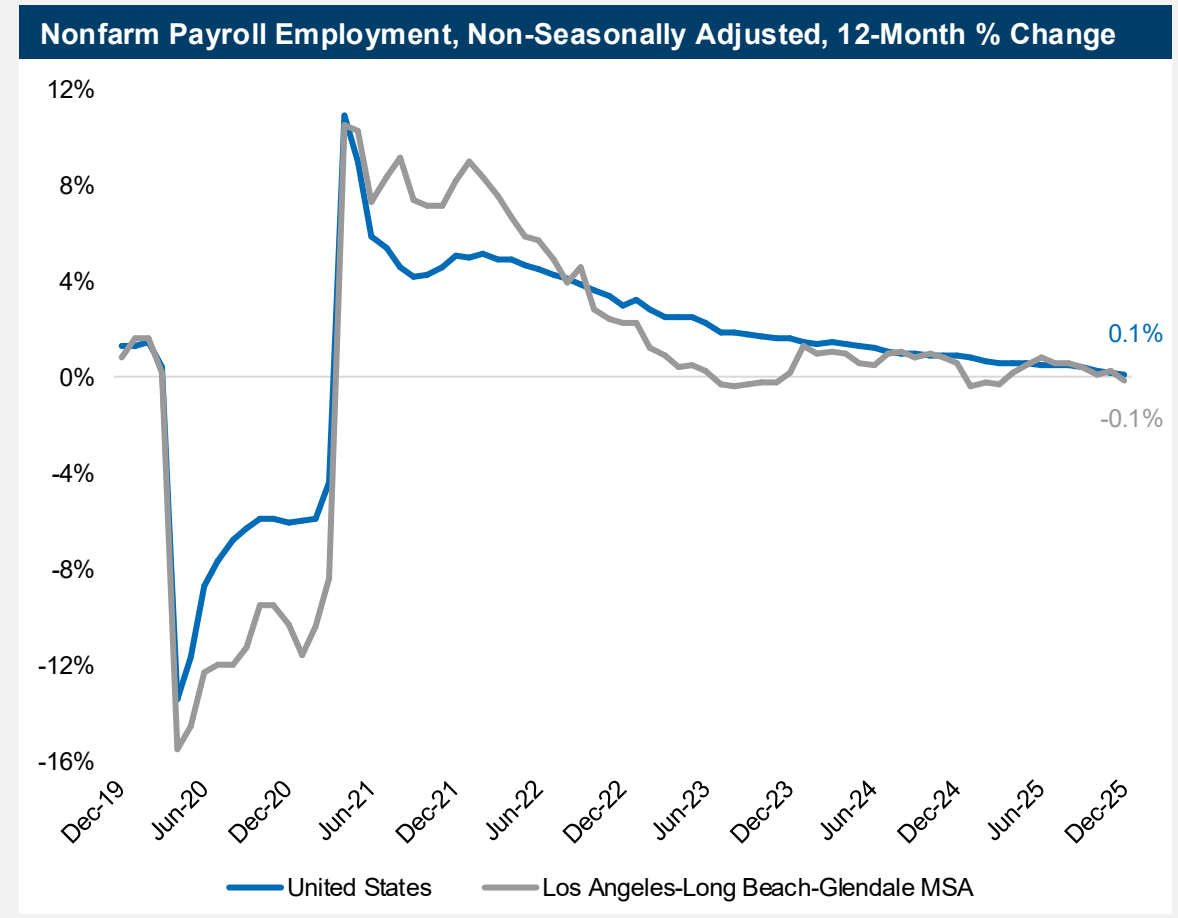
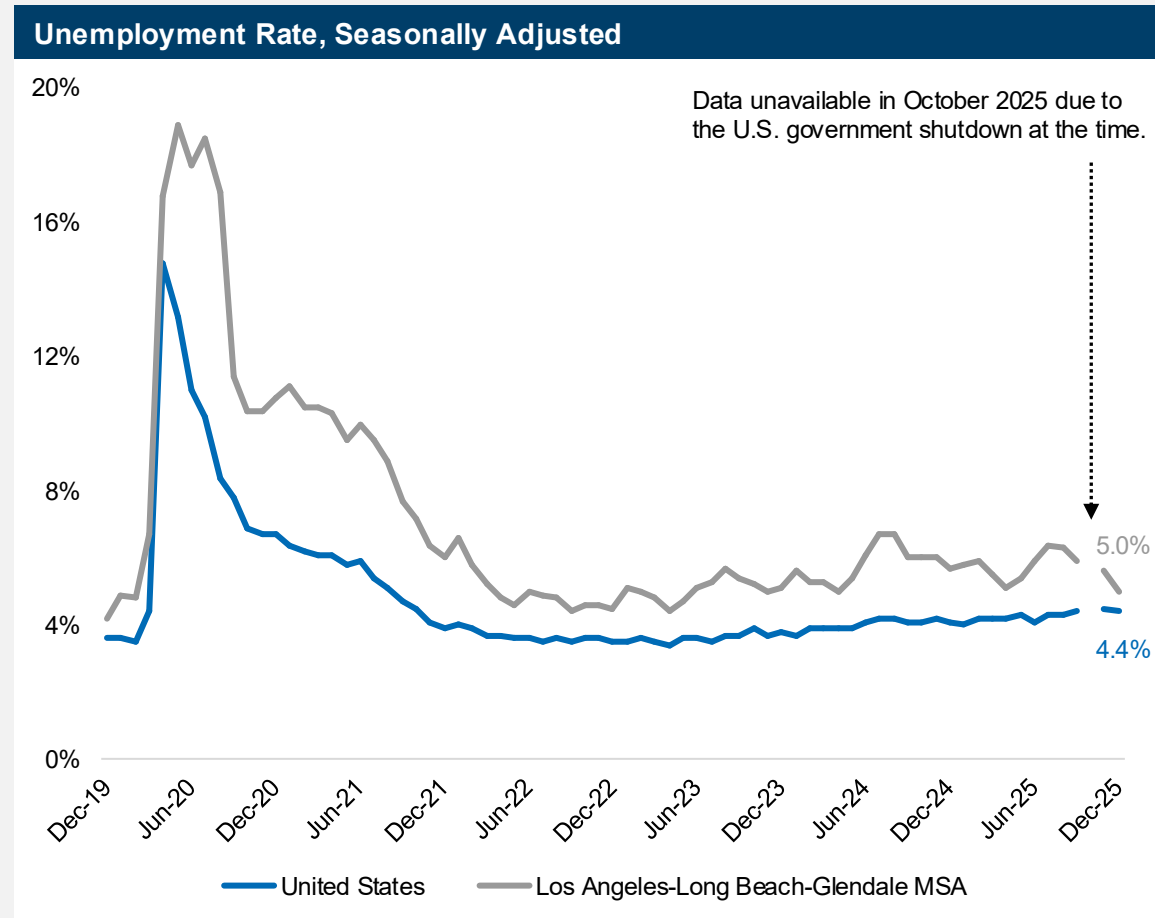


Outlook

- Attention is centered on the pending acquisition of Warner Bros. Discovery by Paramount Skydance. The deal, which could close later this year, would combine the companies' studio and streaming assets. Both firms currently maintain sizable office footprints in the market.
- U.S. defense spending has risen substantially in recent years, and President Trump's proposed \$1.5 trillion defense budget for 2027 would mark an unprecedented step-up if enacted. Los Angeles' South Bay, with its deep aerospace and defense base—particularly in satellite production and uncrewed aircraft and defense systems—is well-positioned to benefit from government contracts.
- Owner-user sales will allow occupiers to take advantage of discount pricing in the near term and secure their own buildings amidst high inflation and capital costs.
- Corporate occupiers will continue to reduce their footprints (often trading up into higher-tiered space), while a handful will expand. Leasing activity will fluctuate based on what transacts.

Slow Job Growth Turns Negative

Local unemployment stood at 5.0% in December 2025, 70 basis points lower than a year earlier. December's average was below the state's (5.5%) but still above the nation's (4.4%). Twelve-month job growth in Los Angeles turned negative in December after eight months of modest gains, and unemployment is expected to rise while job growth slows further as new data becomes available.

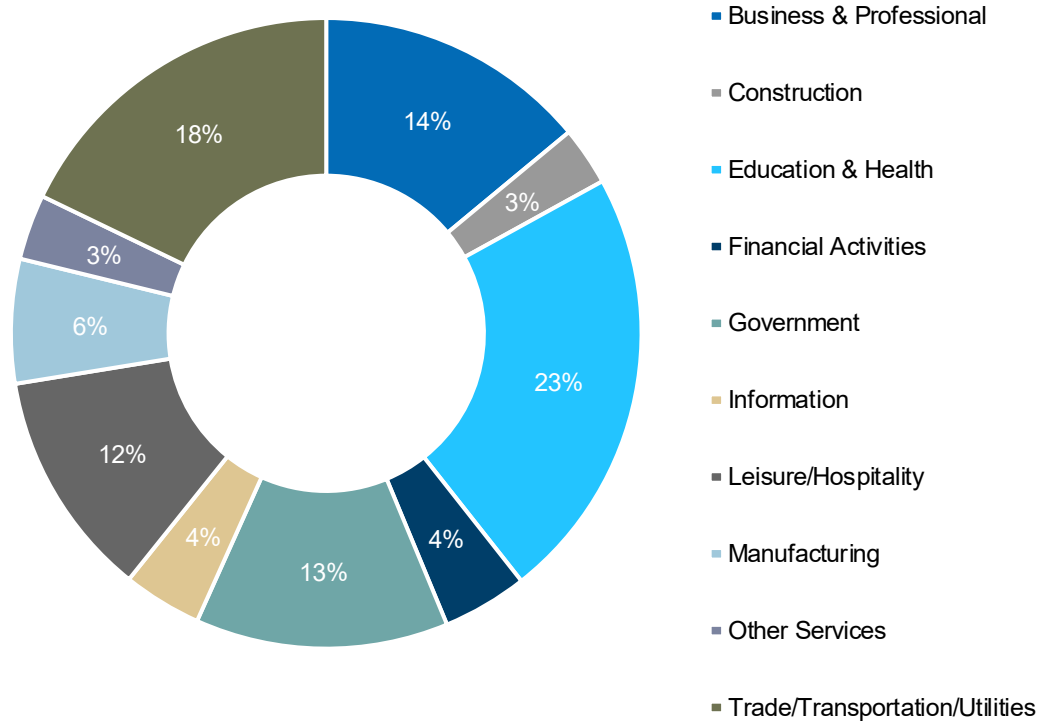


Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale MSA
 Note: Due to a lapse in federal appropriations and a government shutdown in early 2026, the BLS has delayed or suspended the release of various employment reports. Early 2026 employment data was unavailable at the time of writing.

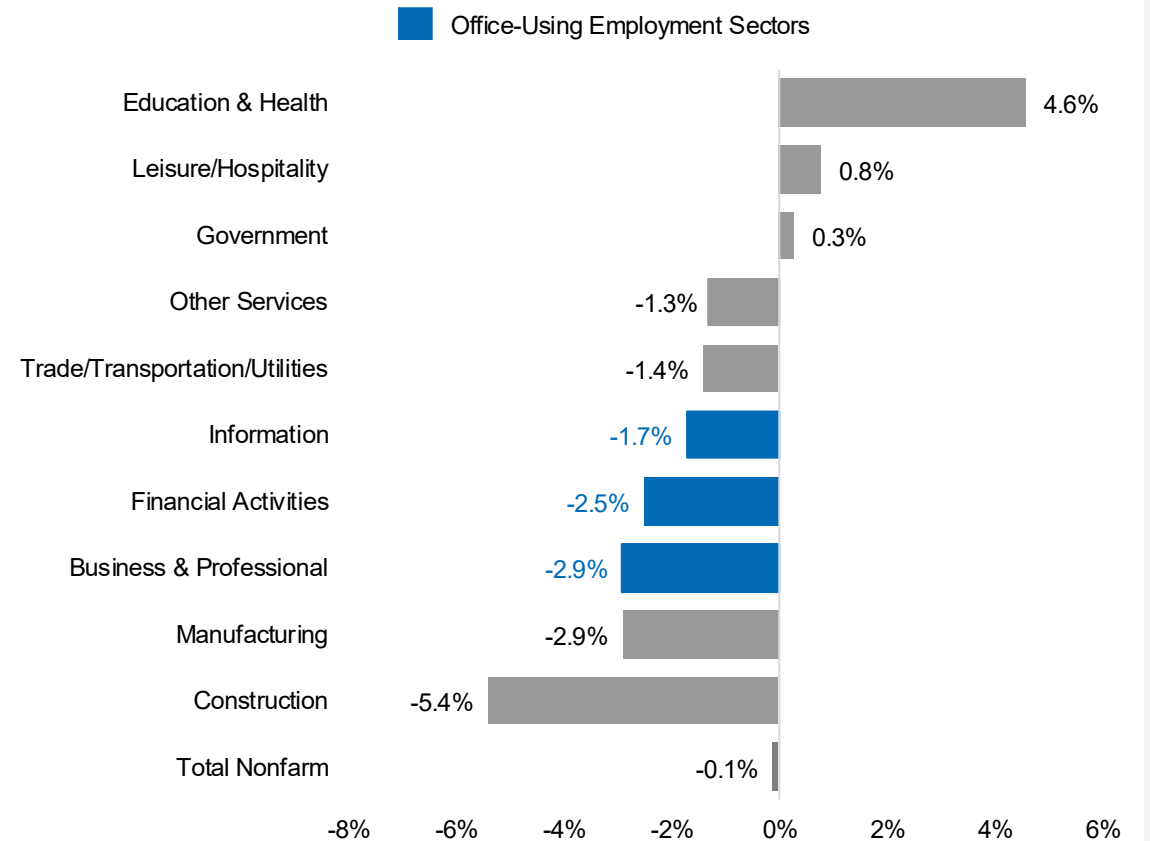
All Office-Using Sectors See Losses

All office-using sectors saw annual job losses: business and professional (-2.9%) had the largest percentage decline followed by financial activities (-2.5%) and information (-1.7%). Net job losses for each totaled 19,200, 5,200, and 3,200, respectively.

Employment by Industry, December 2025

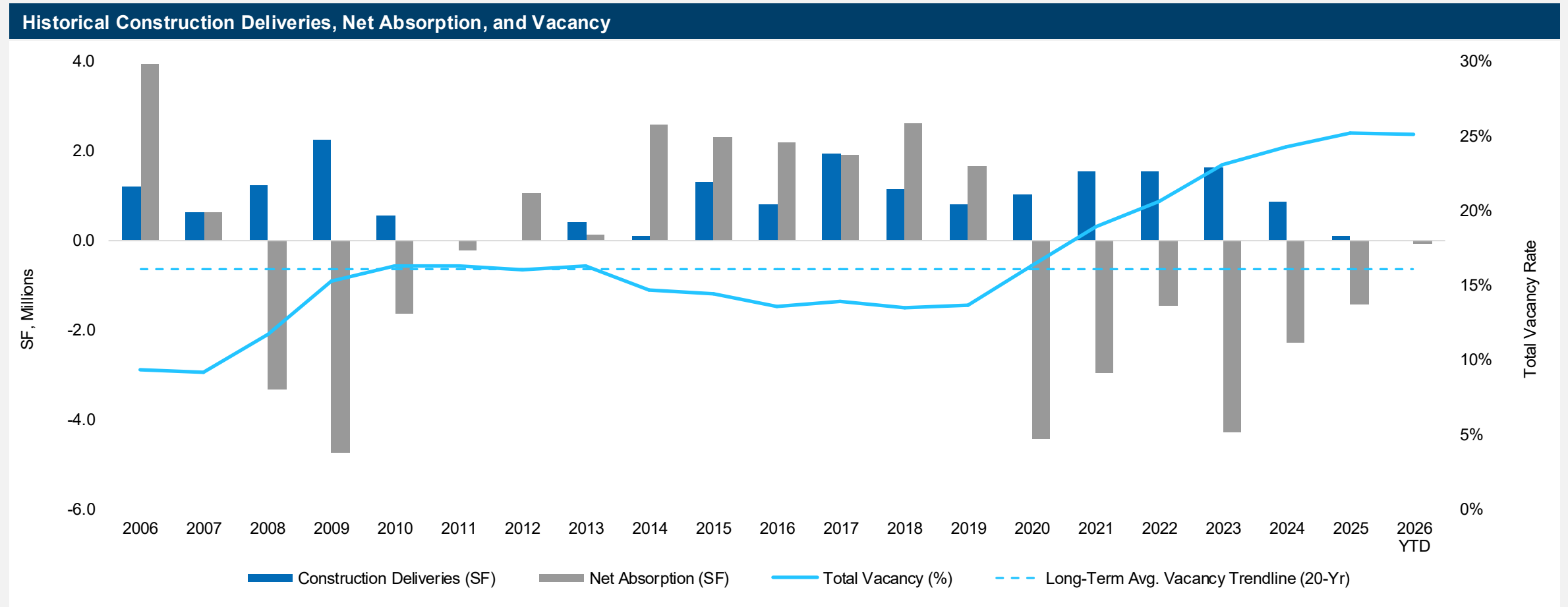


Employment Growth by Industry, 12-Month % Change, December 2025



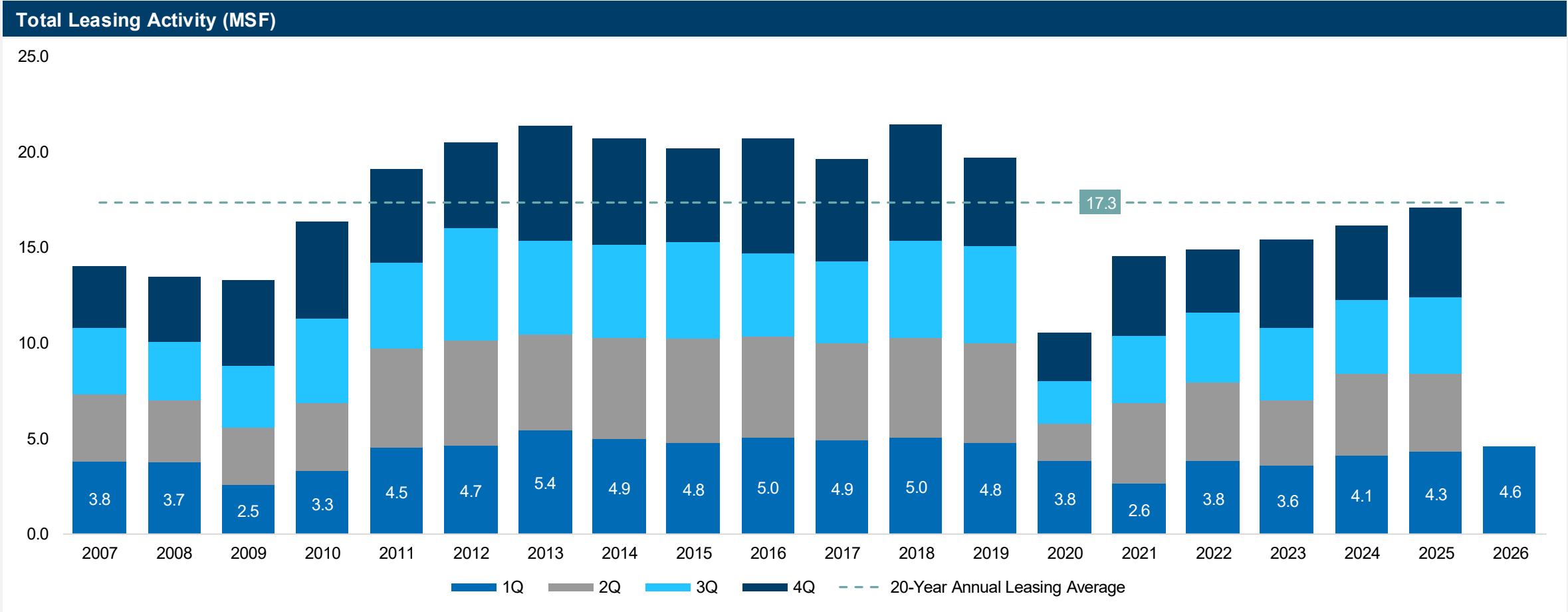
Vacancy Holds Steady in Early 2026

Total vacancy remained relatively flat through the first quarter of 2026, decreasing by only 10 basis points over the last three months. 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.



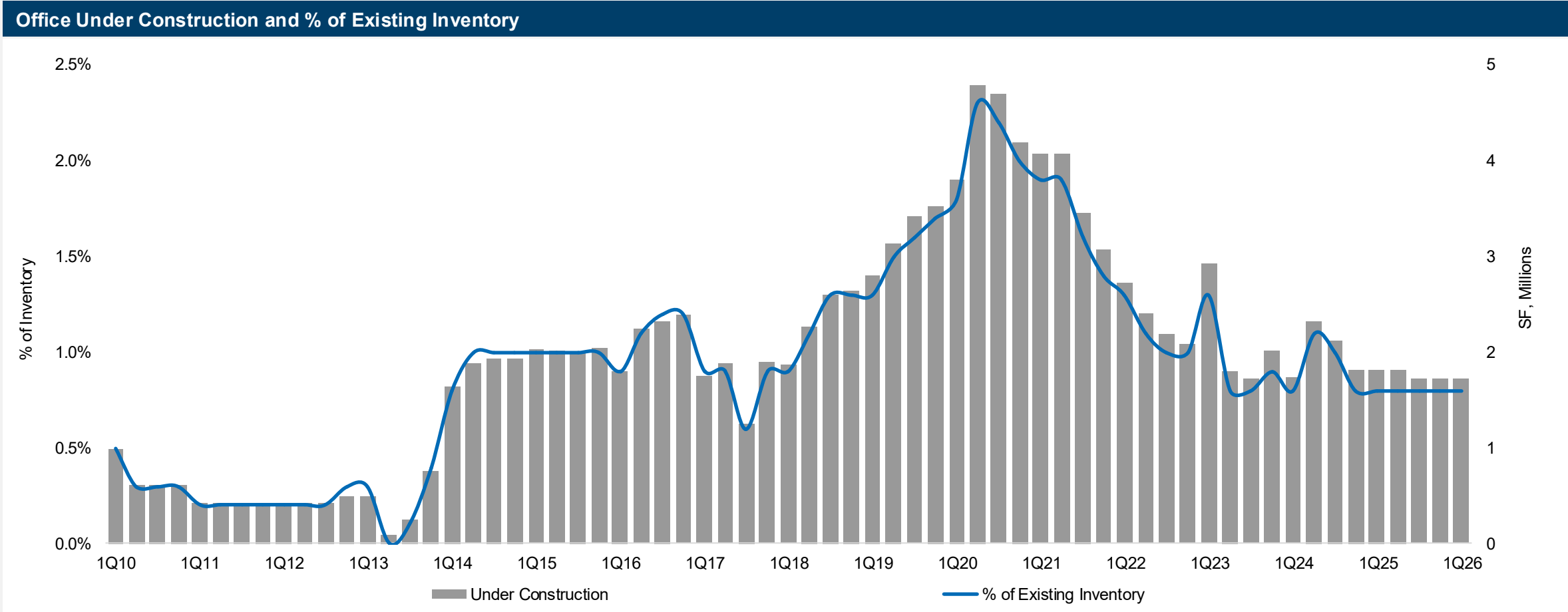
Leasing Activity Increases

First-quarter leasing (4.8 MSF) rose 7.7% year-over-year, marking the strongest first-quarter total since 2019. Recent volume reflects a mix of lease rollovers, select tenant expansions, and a few new-to-market entrants.



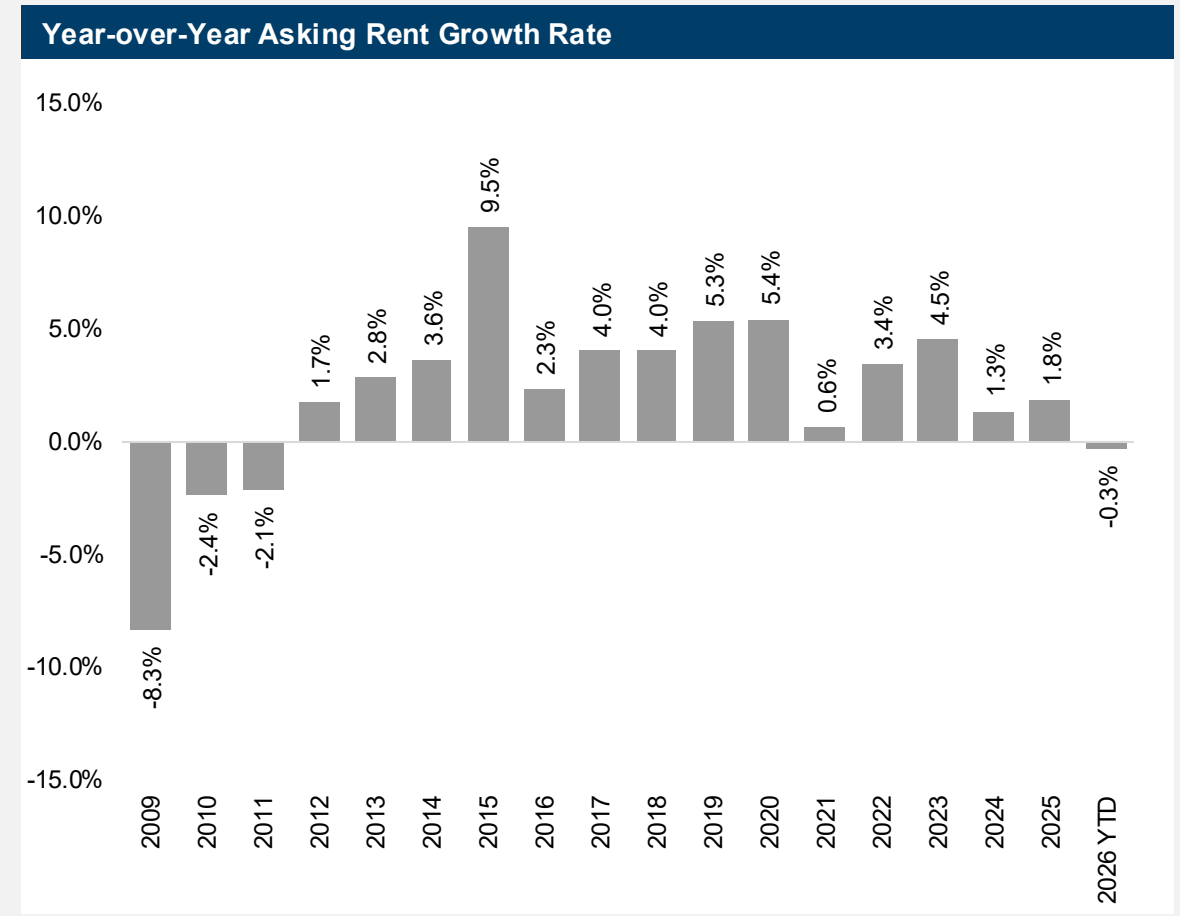
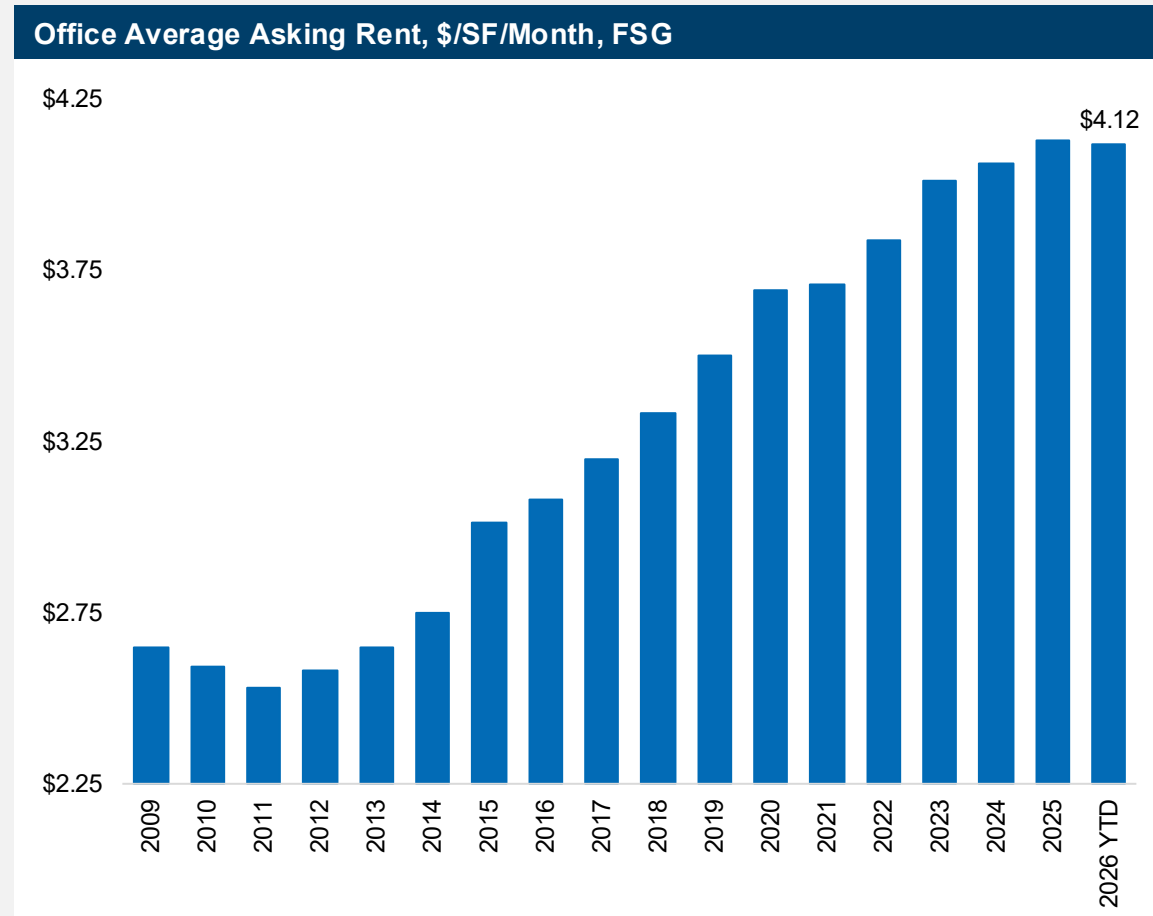
Construction Volume Remains Muted

Construction volume has fallen to its lowest level since 2017, while the sole delivery in the past year was 83,500 SF of unleased space at 717 Seward St in Hollywood, completed in September 2025. As remaining projects under construction deliver and speculative office development remains infeasible, overall construction activity is expected to decline further, aside from a handful of building renovations.



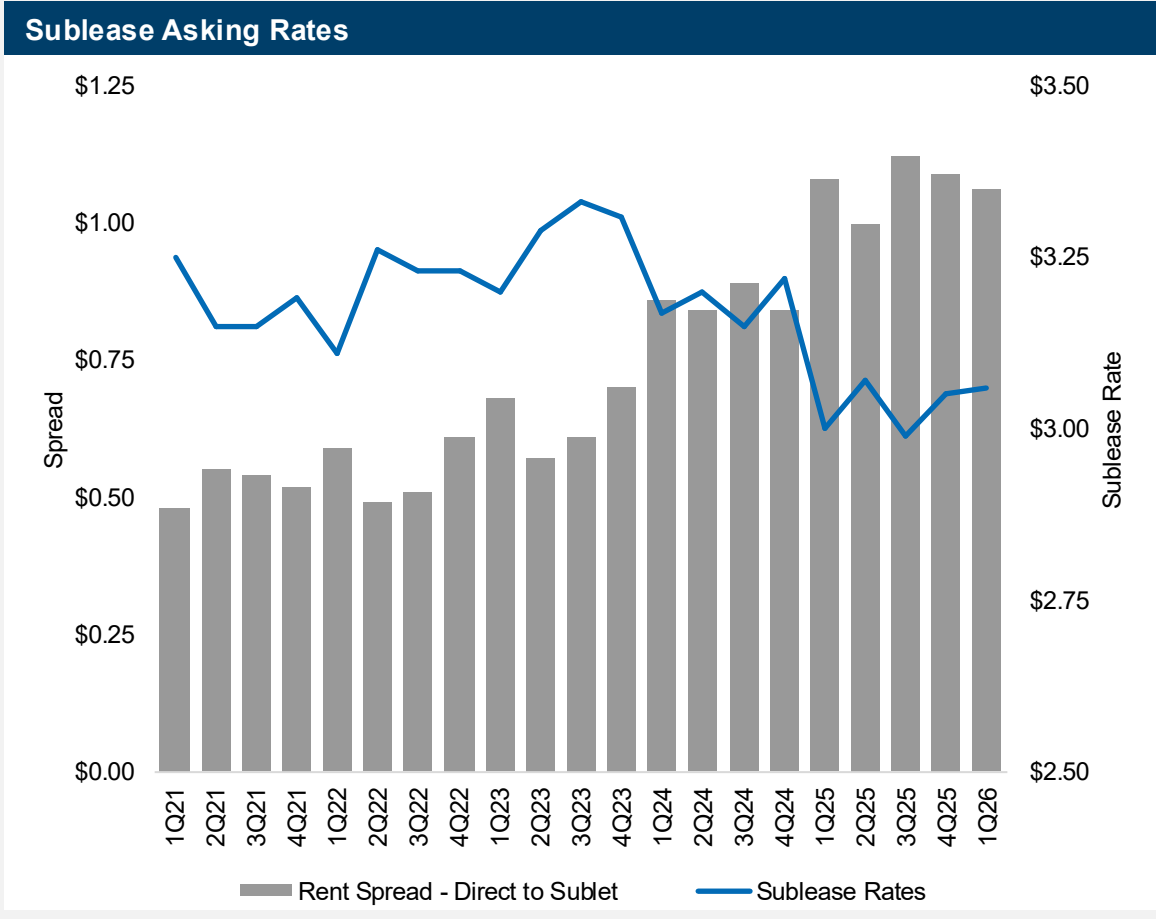
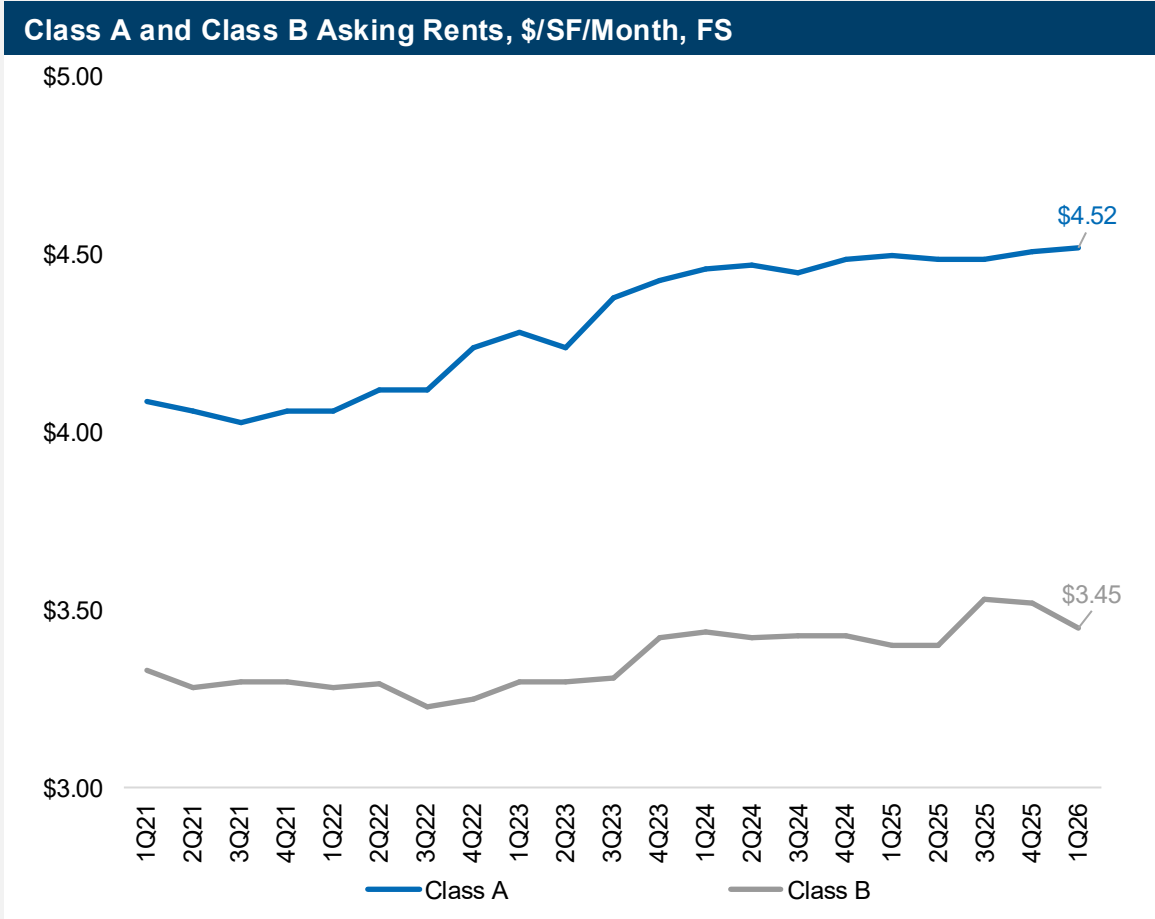
Stable Asking Rents Amid Mild Softening

Although the average rental rate declined slightly in the first quarter of 2026, annual rent growth remains essentially flat, with a 0.3% decrease in the last twelve months. Rents are expected to remain broadly stable, with only modest movements driven by shifts in availability. From 2021 to 2026, rent growth has generally trailed inflation.



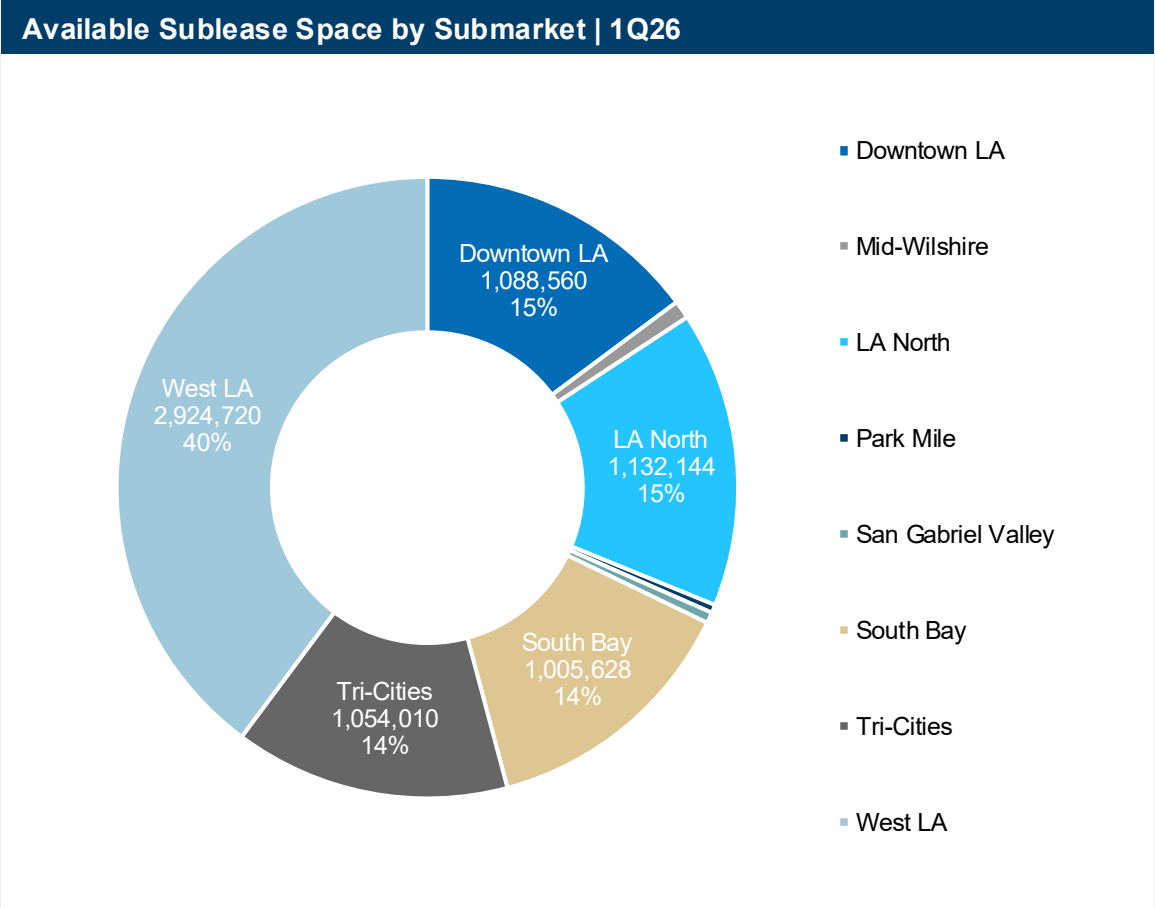
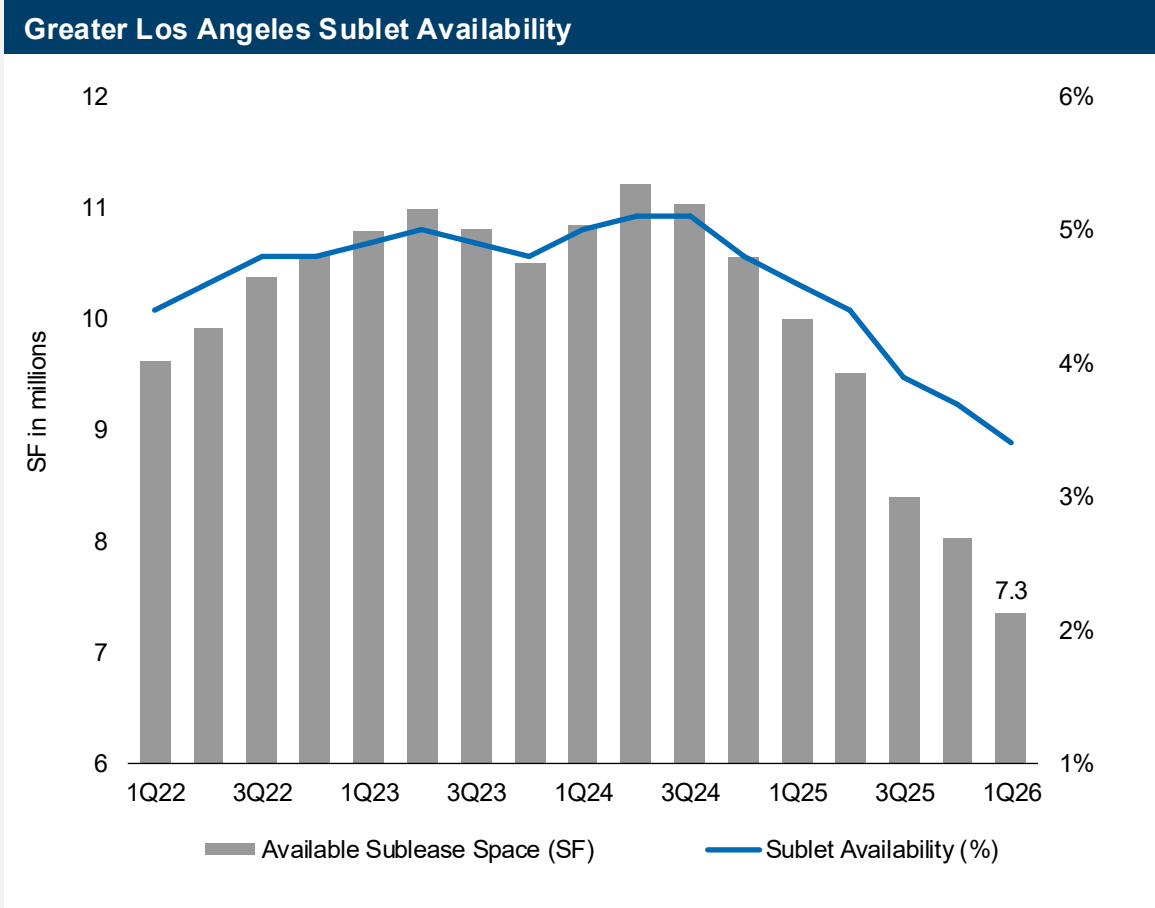
Class A and B Asking Rents Show Minimal Movement

Rental rates saw nominal changes in the first quarter, with Class A rents edging up 0.2% and Class B rents declining 1.9%. Class A and B rents were effectively flat year over year, rising 0.5% and 1.4%, respectively. Sublease asking rents remain competitive, although the spread between direct and sublet rates remains high.



Sublease Availability At Lowest Point Since 2020

Available sublease space fell to 7.3 MSF, or 3.4% of inventory, the lowest level in five years. This quarter's decline was driven by several removals, including Stamps.com's 99,600 SF sublease to Faraday Future in El Segundo/Beach Cities and the conversion of space to direct availability for Farmers Insurance (65,770 SF in West Valley), Vubiquity (56,055 SF in Burbank), and Atara Biotherapeutics (51,160 SF in Conejo Valley).



Diverse Leasing Activity Across Industries Continues

Notable 1Q26 Lease Transactions

Tenant	Building(s)	Submarket	Lease Type	Square Feet
North Los Angeles County Regional Center	9200 Oakdale Ave	Los Angeles North: West Valley	Renewal/Expansion	166,867
<i>The non-profit signed a 166,867-SF lease for 156 months, renewing its existing 112,115-SF premises and expanding its footprint by 49%</i>				
Herbalife	990 W 190 th St	South Bay: 190 th Street Corridor	Lease Extension	144,850
<i>The multinational marketing corporation for dietary supplements extended their lease at The Enclave for 36 months, commencing in 2033.</i>				
On Location	445 S Figueroa St	Downtown Los Angeles: CBD	Direct Lease	108,272
<i>The event management company, the official hospitality partner for the 2028 Olympics, leased 108,272 SF at Union Bank Plaza in Downtown LA's CBD. On Location will occupy in stages.</i>				
Faraday Future	1990 E Grand Ave	South Bay: El Segundo/Beach Cities	Sublease	99,600
<i>The Los Angeles-based electric vehicle company will relocate from Gardena following a sublease of 99,600 SF from Stamps.com in El Segundo.</i>				

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