

2Q25

NEWMARK

# Los Angeles Office Market Overview



# Market Observations

## Economy

- Local unemployment across all industries was 5.4% in May 2025, unchanged from 12 months ago. Office-using employment, however, was down by 11,200 jobs, with all related sectors reporting losses. Los Angeles’ recovery in office-using employment trails other U.S. markets.
- Legal services employment remains a bright spot of Los Angeles’ various white-collar sectors, growing from 54,800 jobs in February 2020 to 61,500 in May 2025. These gains have led to lease expansions.
- The Fed maintained its benchmark interest rate at 4.25%-4.5% as markets grappled with tariff-related uncertainties. As of May 2025, the average U.S. tariff rate on all imports was 17.8%, the highest since 1934.

## Major Transactions

- Newmark Capital Markets arranged the two largest marketed office sales in Los Angeles this year during the quarter. In Downtown Los Angeles, Uncommon Developers acquired 601 S. Figueroa St. for \$210 million (\$202/SF). On the Westside, Barings purchased i|o at Playa Vista (12130-12180 Millennium Dr., Playa Vista) for \$150.7 million (\$491/SF).
- Oaktree Capital Management signed a ~220,000-SF lease at City National Plaza (CNP) in Downtown Los Angeles and will relocate their headquarters in phases from the Wells Fargo Center. CNP is close to full lease-up in a submarket where total vacancy is 30.3%, proof that well-capitalized trophy assets are out-performing. Such assets are also netting tenants from nearby, financially distressed buildings, which are often unable to provide lessees with market-rate T.I.s.

## Leasing Market Fundamentals

- Total vacancy increased slightly in the second quarter to 24.9%, while total availability decreased to 28.8% with reductions in both direct and sublet space.
- Vacancy and availability rates will not return to pre-pandemic averages until surplus (mostly commodity-grade) buildings are removed from the competitive inventory set. This is progressively happening in a handful of areas.
- Renewals and extensions continue to drive leasing activity, accounting for eight of the top ten leases in the second quarter.
- Tech and media companies are generally dormant and traditional industries, such as law firms, state and local government agencies, and professional services, are propelling current leasing activity. All industries are rightsizing to reduce costs.

## Outlook

- Government mandates (e.g., Trump’s federal worker return-to-office order, Newsom’s 4-day/week state worker policy) and anecdotal private sector upticks suggest a potential boost in office occupancy, with employers focusing on strategic office locations and tech upgrades over amenities.
- Some occupiers adopt a wait-and-see approach during periods of uncertainty, which can dampen near-term leasing activity. New tariffs have amplified “uncertainty.”
- A recovery in the Los Angeles office market is largely contingent on a rebound in “Hollywood.” California’s new film and TV tax credit program just signed into law along with proposed tariffs on foreign-made movies will encourage production in the region that already has the infrastructure for the business ends of the entertainment industry.

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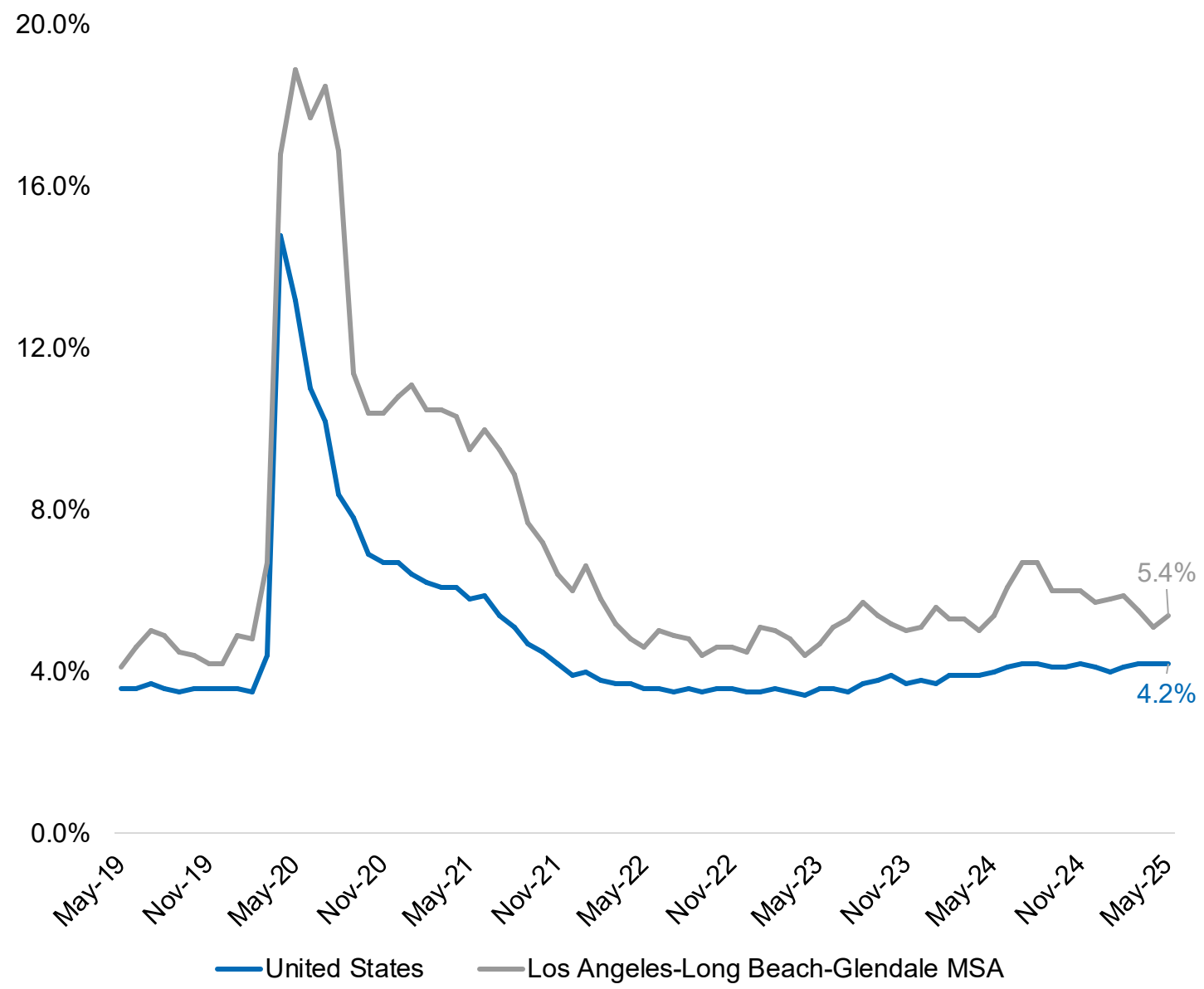
# Economy



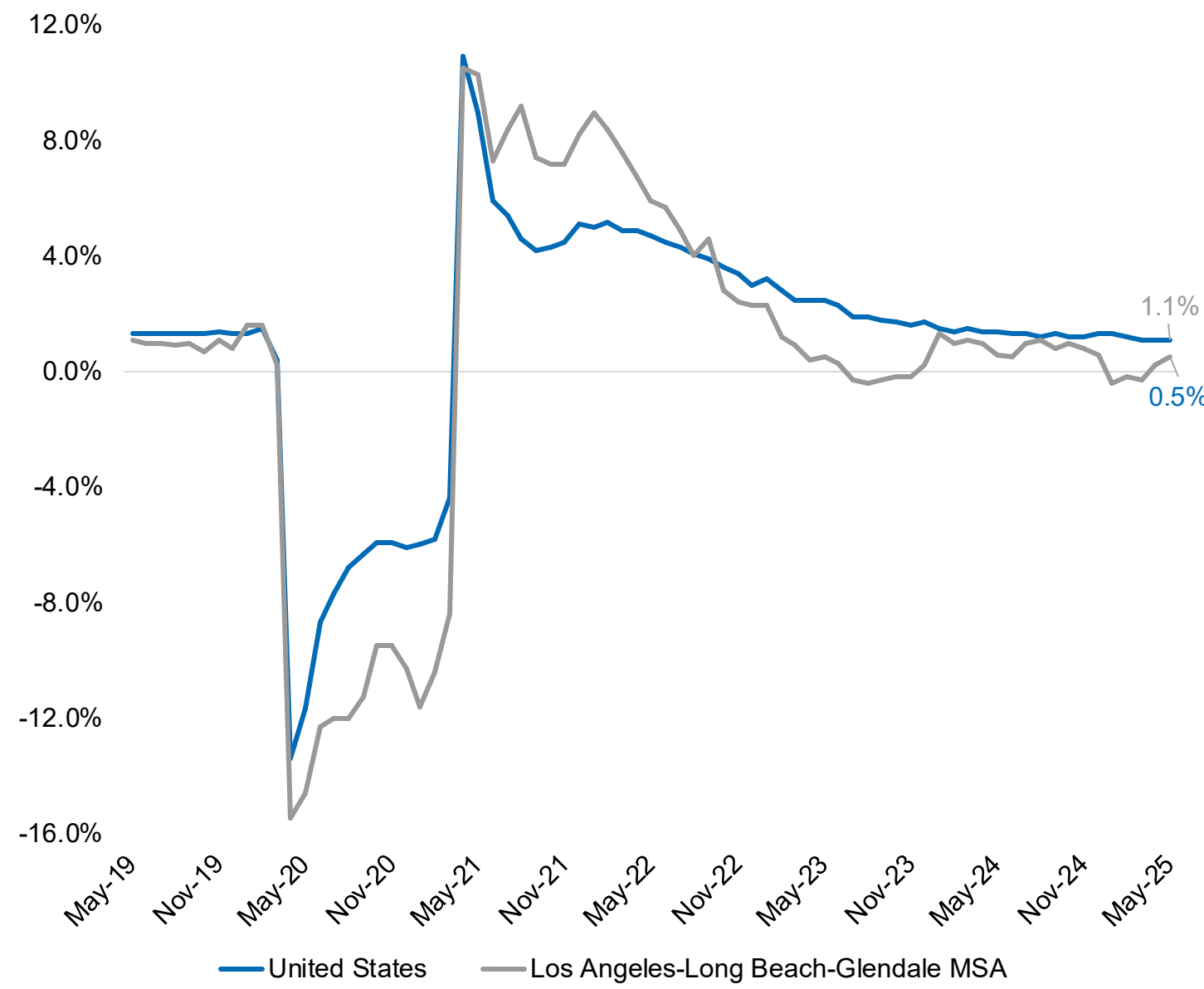
# Job Growth Shows Minimal Increases

Local unemployment settled at 5.4% in May 2025, unchanged from one year ago, but above the current averages for California (5.3%) and the nation (4.2%). Los Angeles 12-month job growth turned positive in the last couple months following minimal declines in early 2025. Growth has been measured following new tariffs and the Fed holding interest rates.

Unemployment Rate, Seasonally Adjusted



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

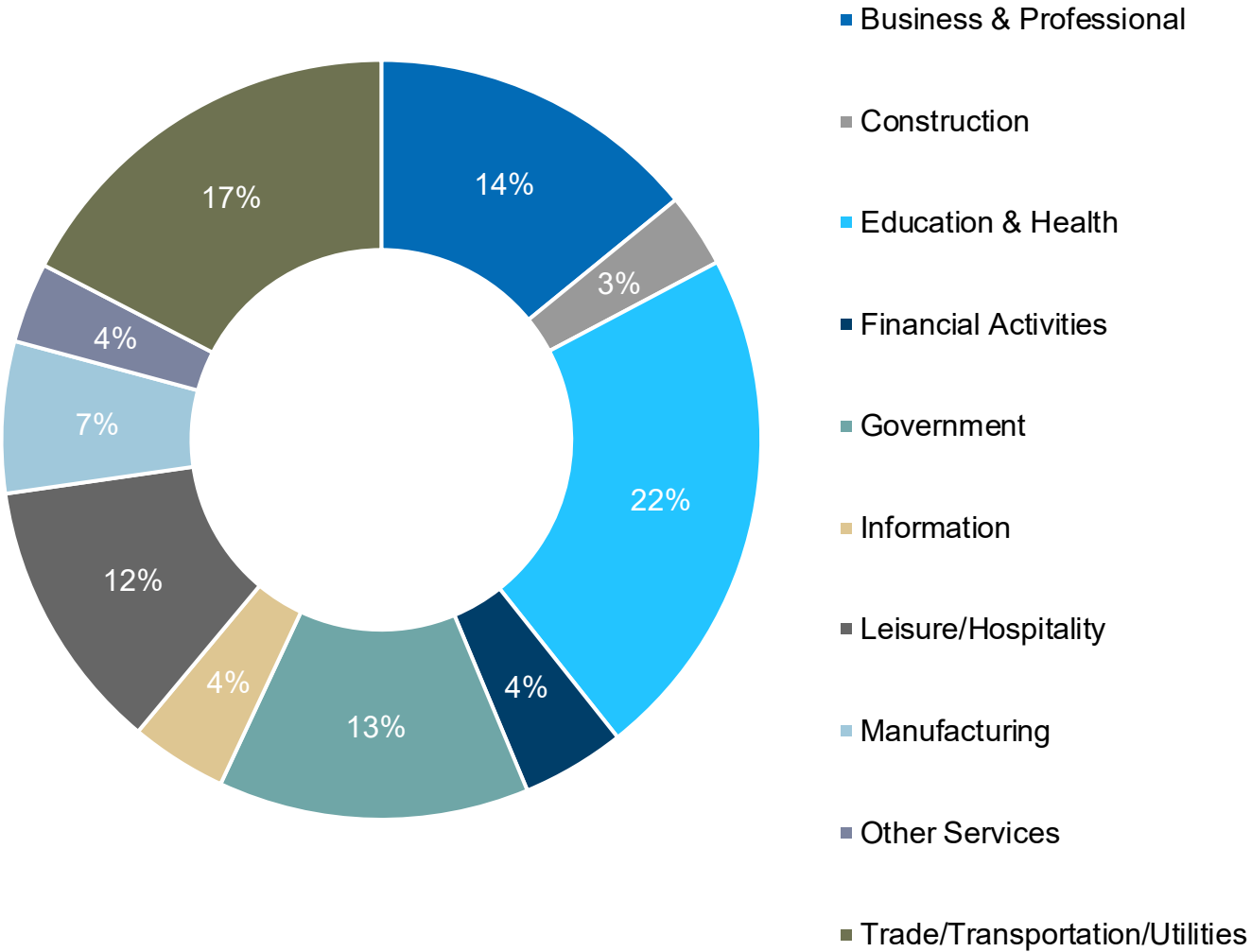


Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale MSA

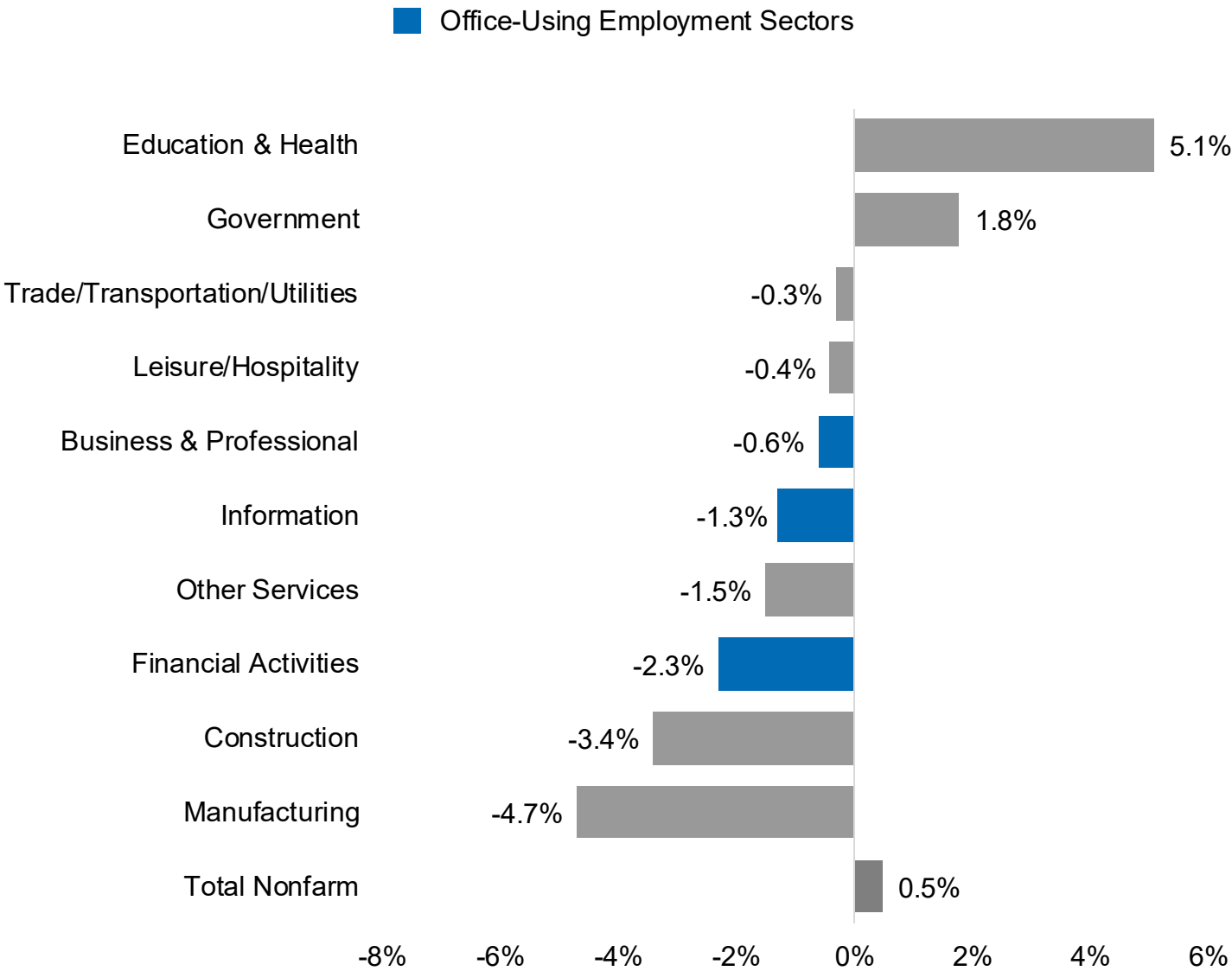
# Office-Using Sectors See Annual Employment Reduction

All office-using sectors saw annual job losses: financial activities (-2.3%) had the largest percentage decline followed by information (-1.3%) and business and professional (-0.6%). The net job losses for each totaled 4,700, 2,400, and 4,100, respectively.

Employment by Industry, May 2025



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

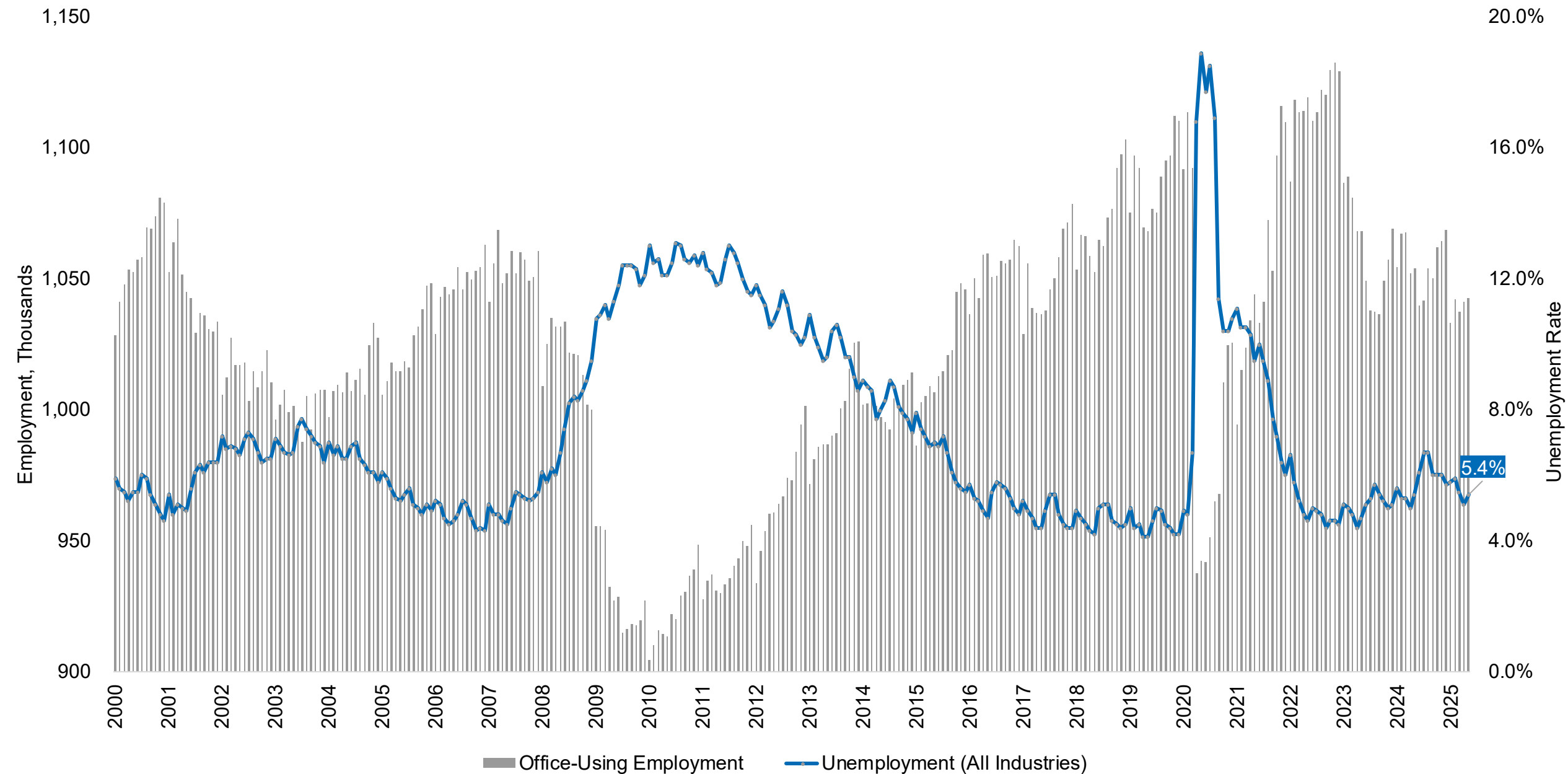


Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale MSA

# Overall Office-Using Employment Drops Year-Over-Year

Local office-using employment in May was down by 11,200 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 interest rates remain elevated and stagflation risks persist.

Office-Using Employment\* and Unemployment Across All Industries

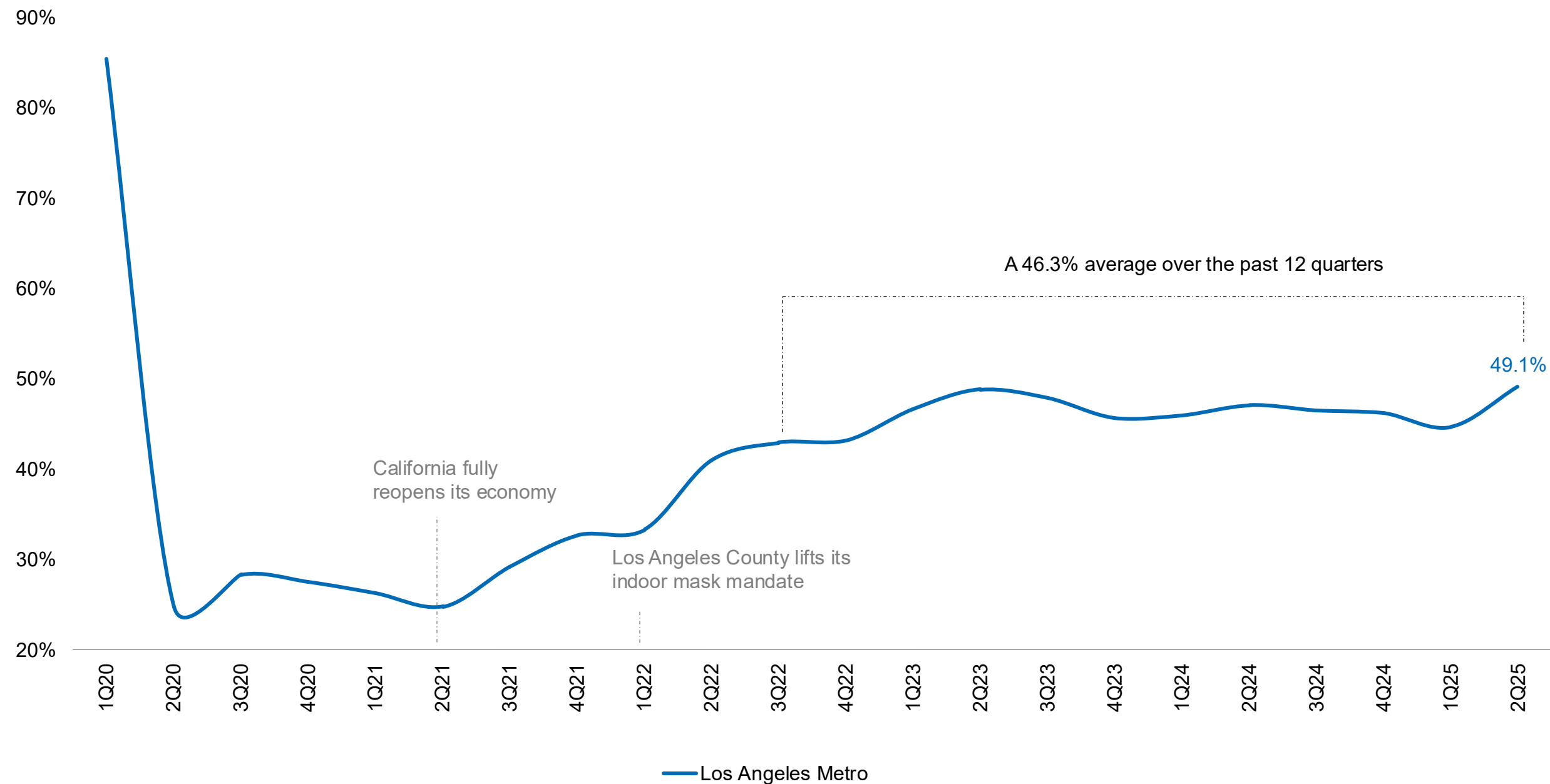


Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale, CA  
Note: May 2025 data is preliminary.  
\*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

# Local Office Utilization is Up Since 2020, but Remains Sub-50%

Hybrid work, which has led to a structural shift in how office space is utilized in the region, persists.

Local Office Utilization Rates | Quarterly Averages



Source: Newmark Research, Kastle Systems  
Note: Each month's percentage reflects the average of its final week.

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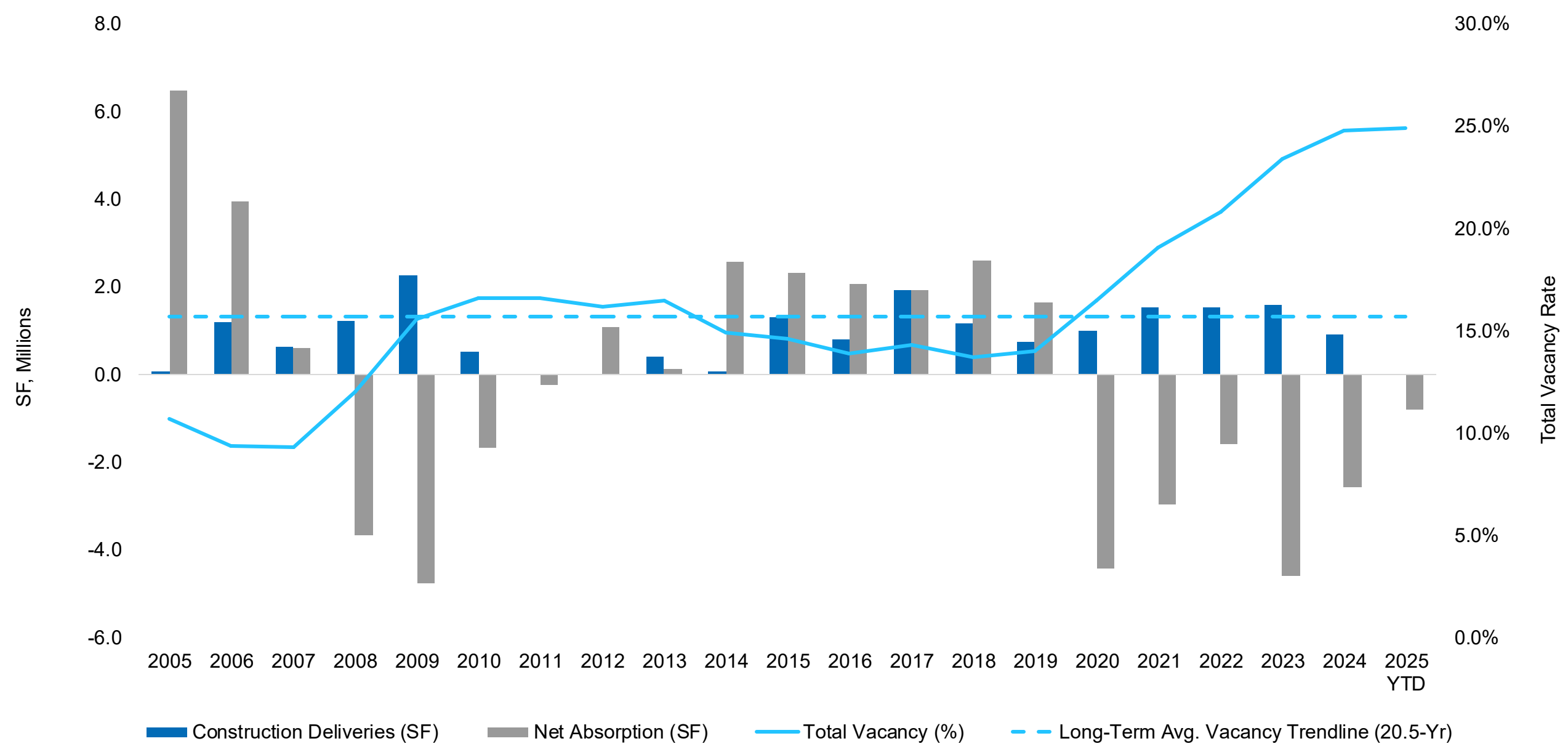
# General Leasing Market Fundamentals



# Vacancy Rates Plateau

Total vacancy has been generally flat over the last year and settled at 24.9% in the second 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.

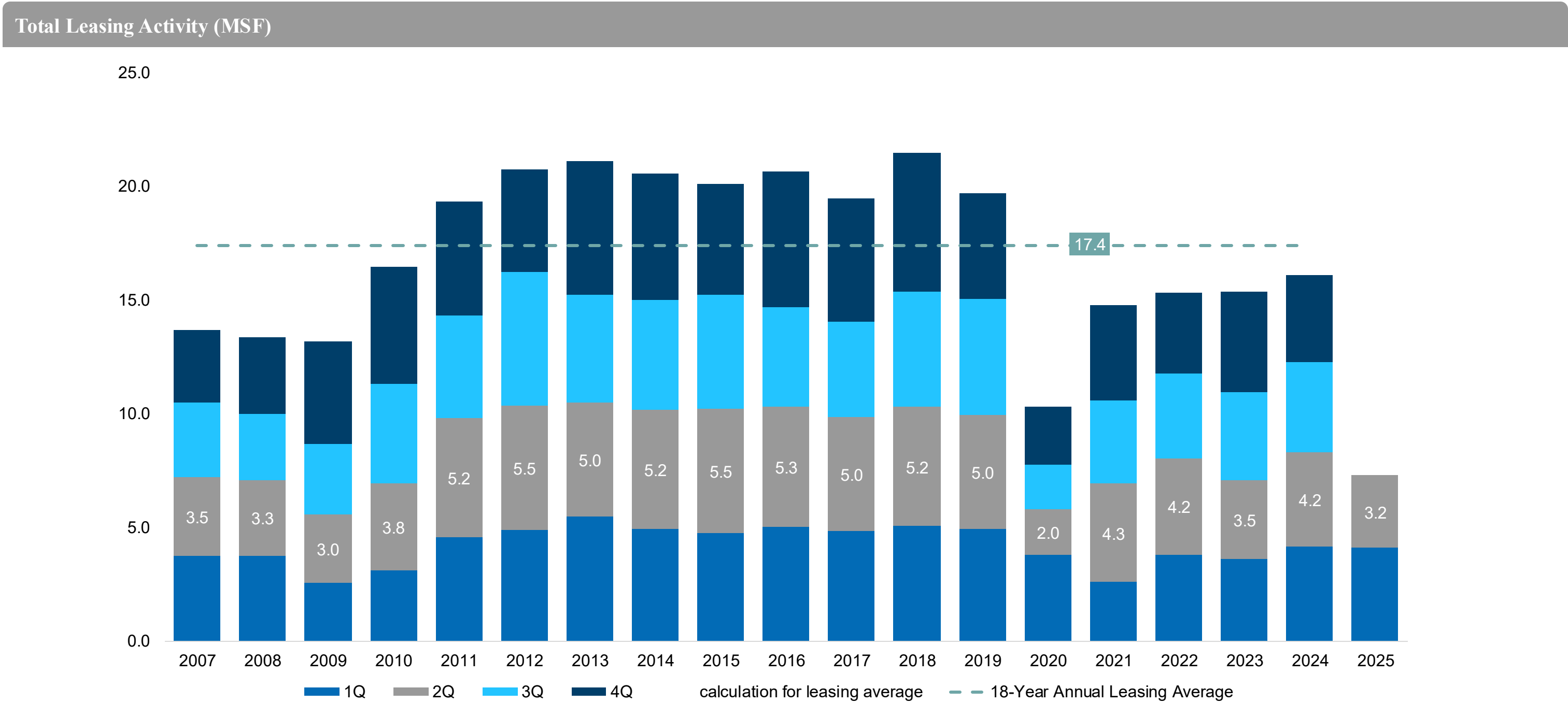
Historical Construction Deliveries, Net Absorption, and Vacancy



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.

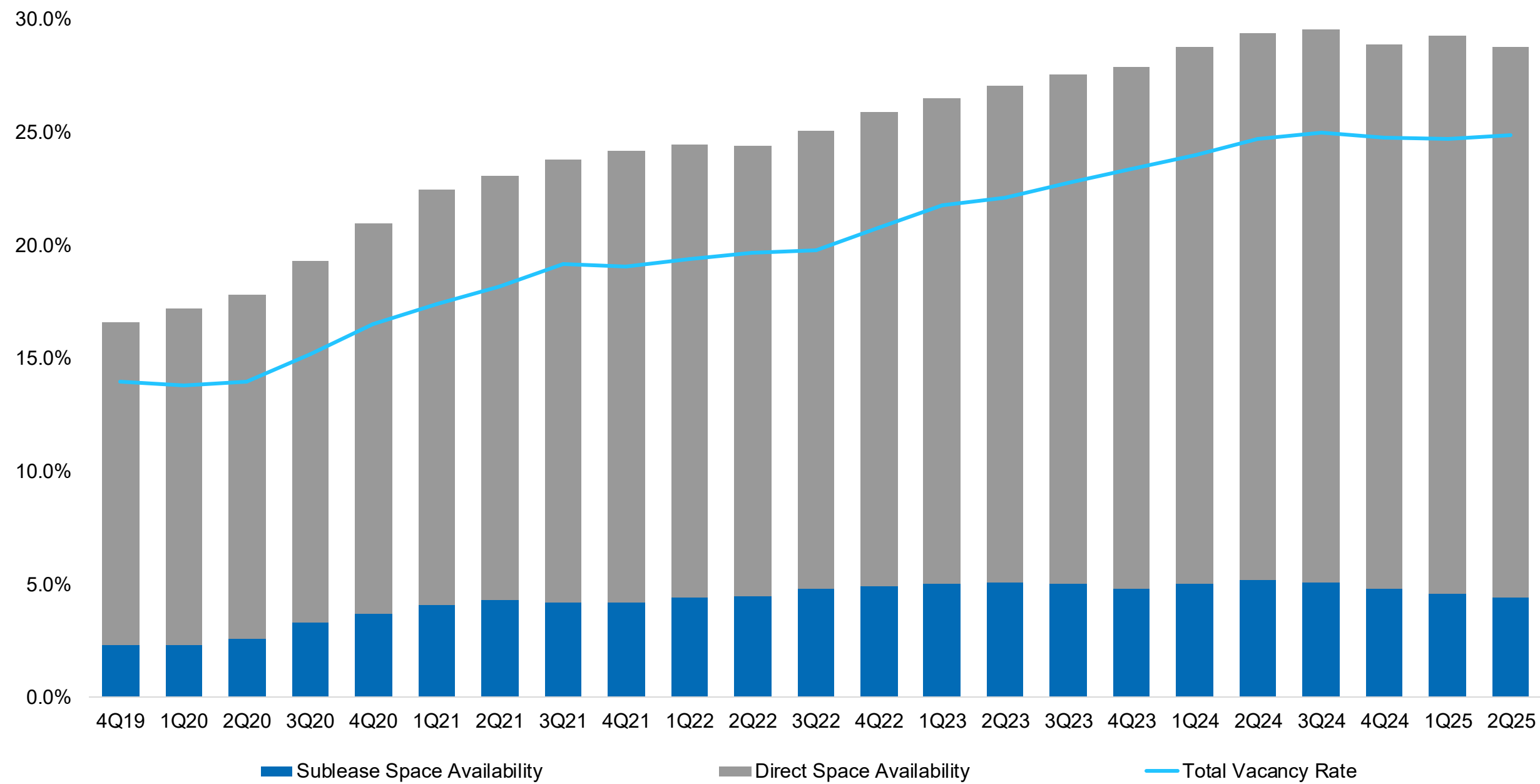


Source: Newmark Research, CoStar

# Total Availability Declines in Second Quarter

Both direct and sublease availability saw declines in the second quarter, decreasing by 593 KSF and 484 KSF, respectively. General economic conditions and telework, which is causing tenant downsizes and consolidations, will limit recovery.

Available Space and Tenant Demand as Percent of Overall Market

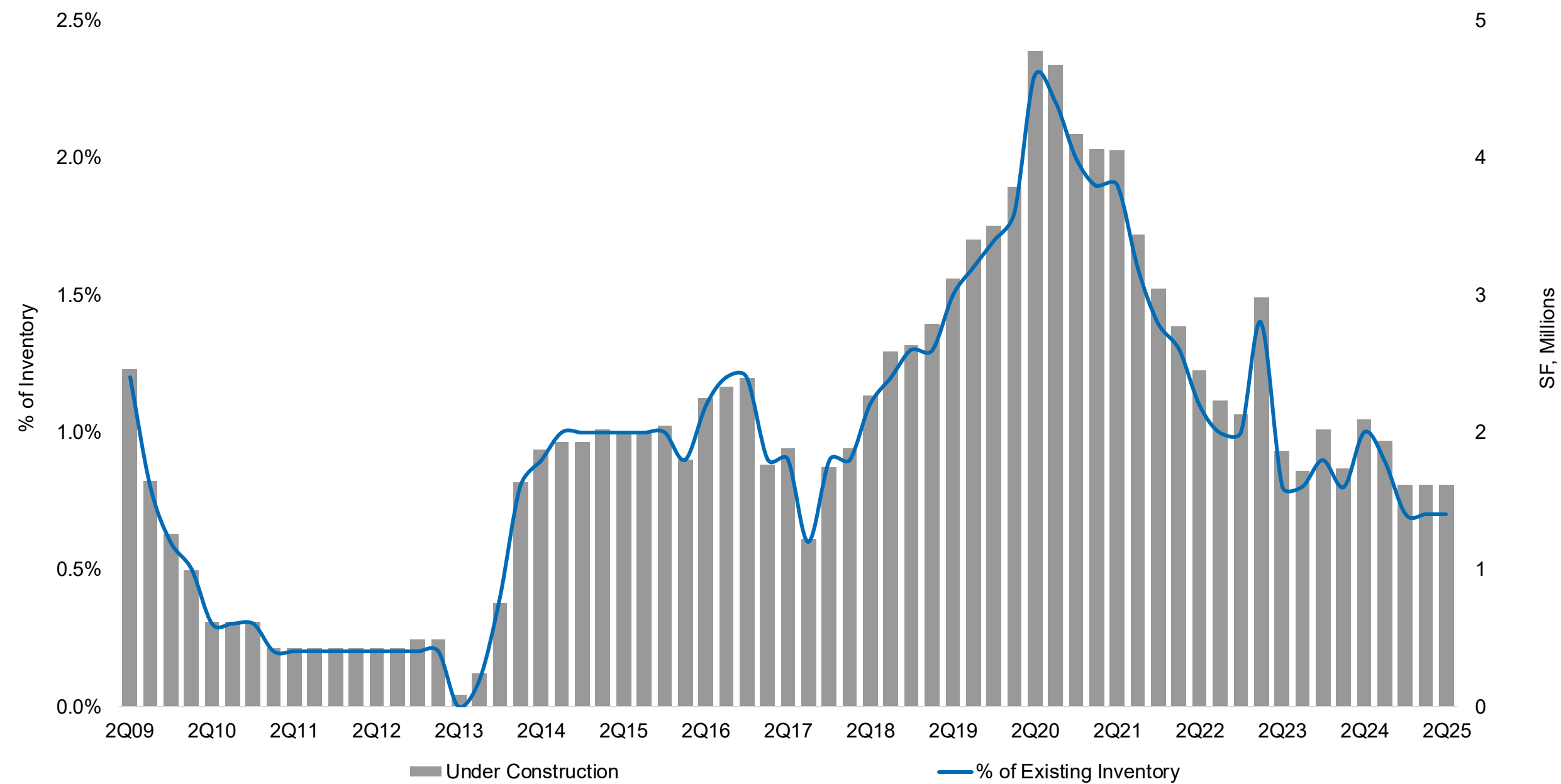


Source: Newmark Research

# No Construction Starts or Completions in First Half of 2025

With no new projects breaking ground year-to-date, construction volume remained at its lowest point since 2017. Construction activity will continue to fall as underway projects deliver and speculative development for office doesn't pencil out.

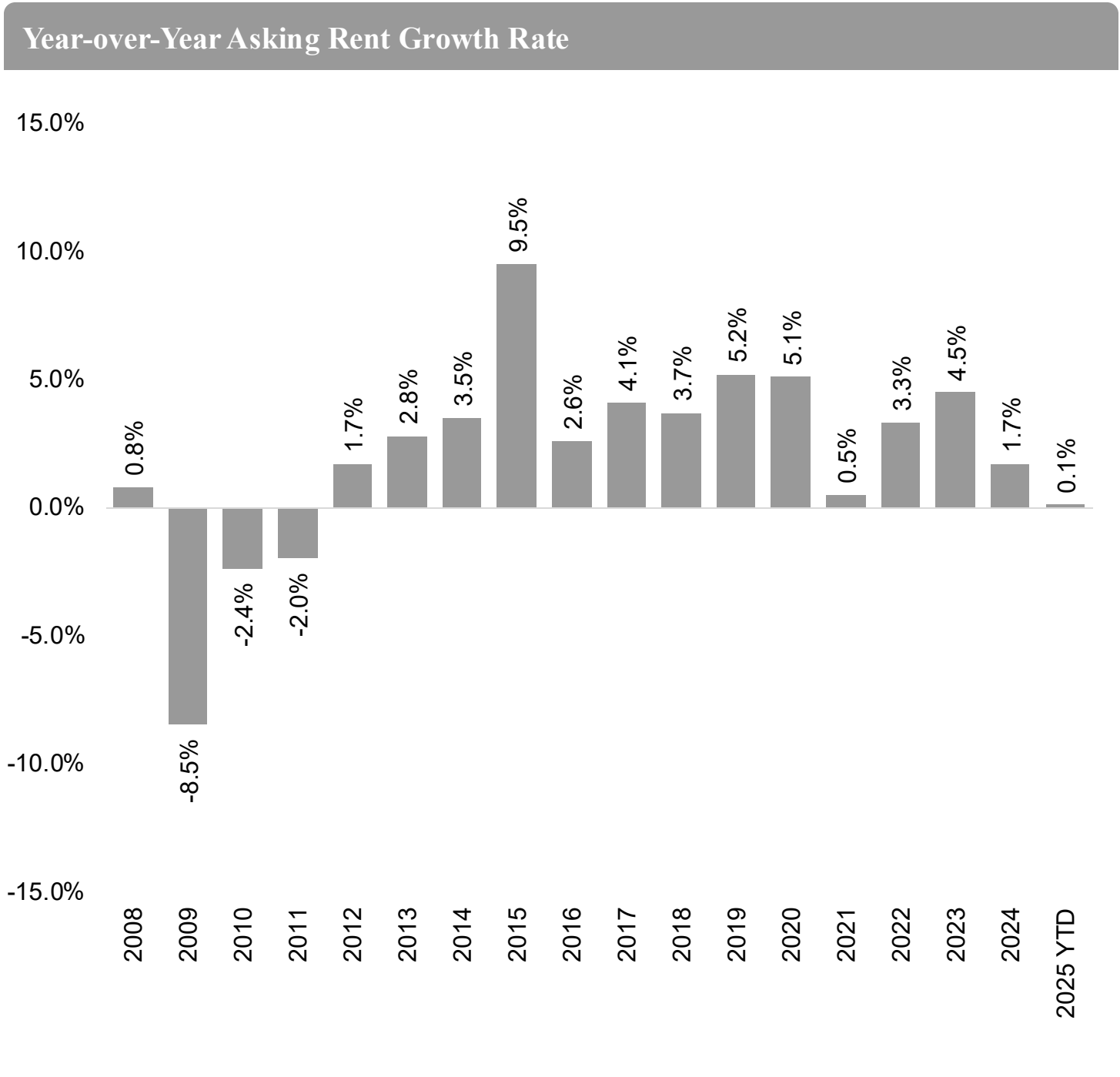
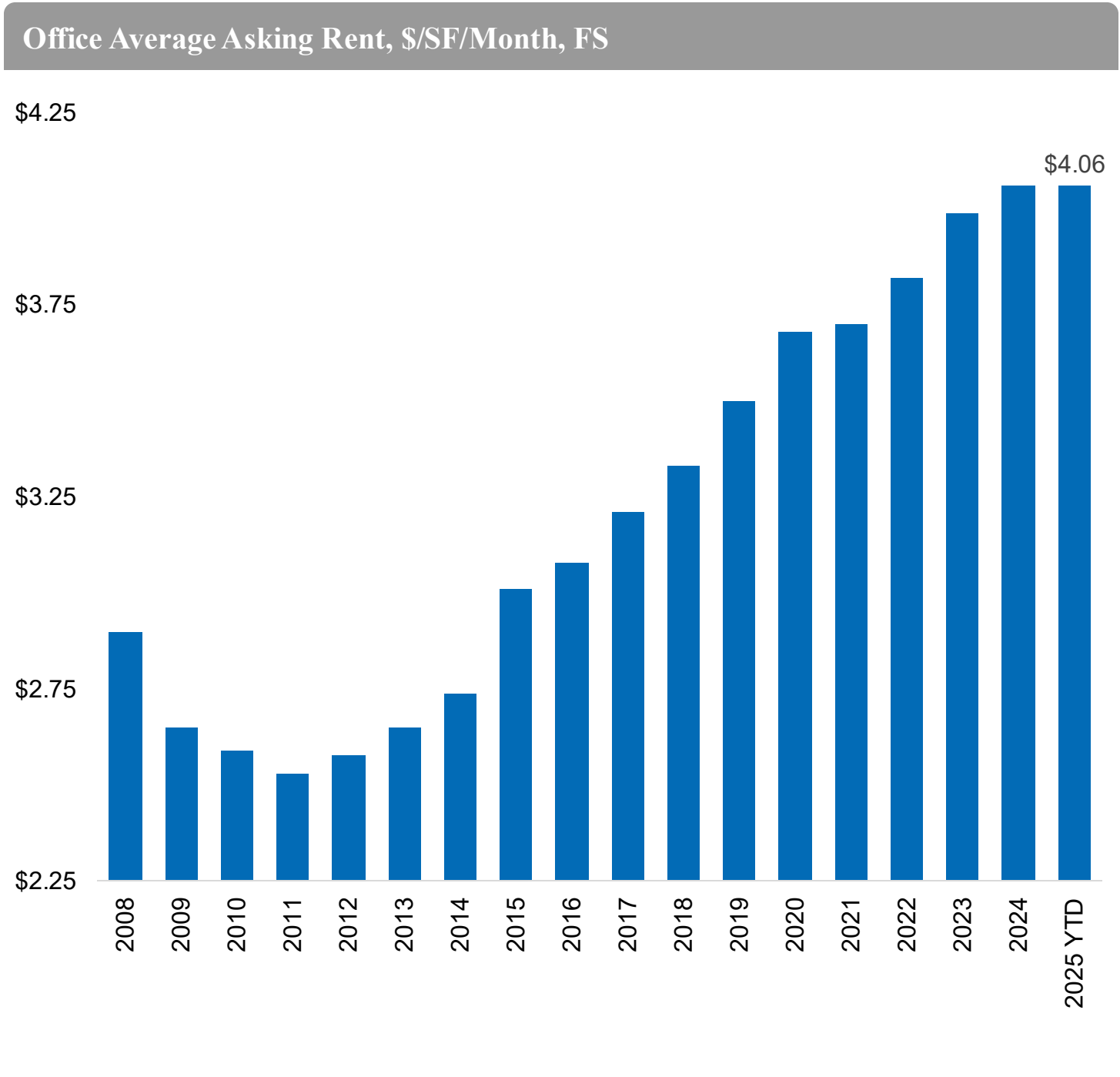
Office Under Construction and % of Existing Inventory



Source: Newmark Research

# Asking Rents Stabilize

Asking rates are slightly down over the last three months, 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.

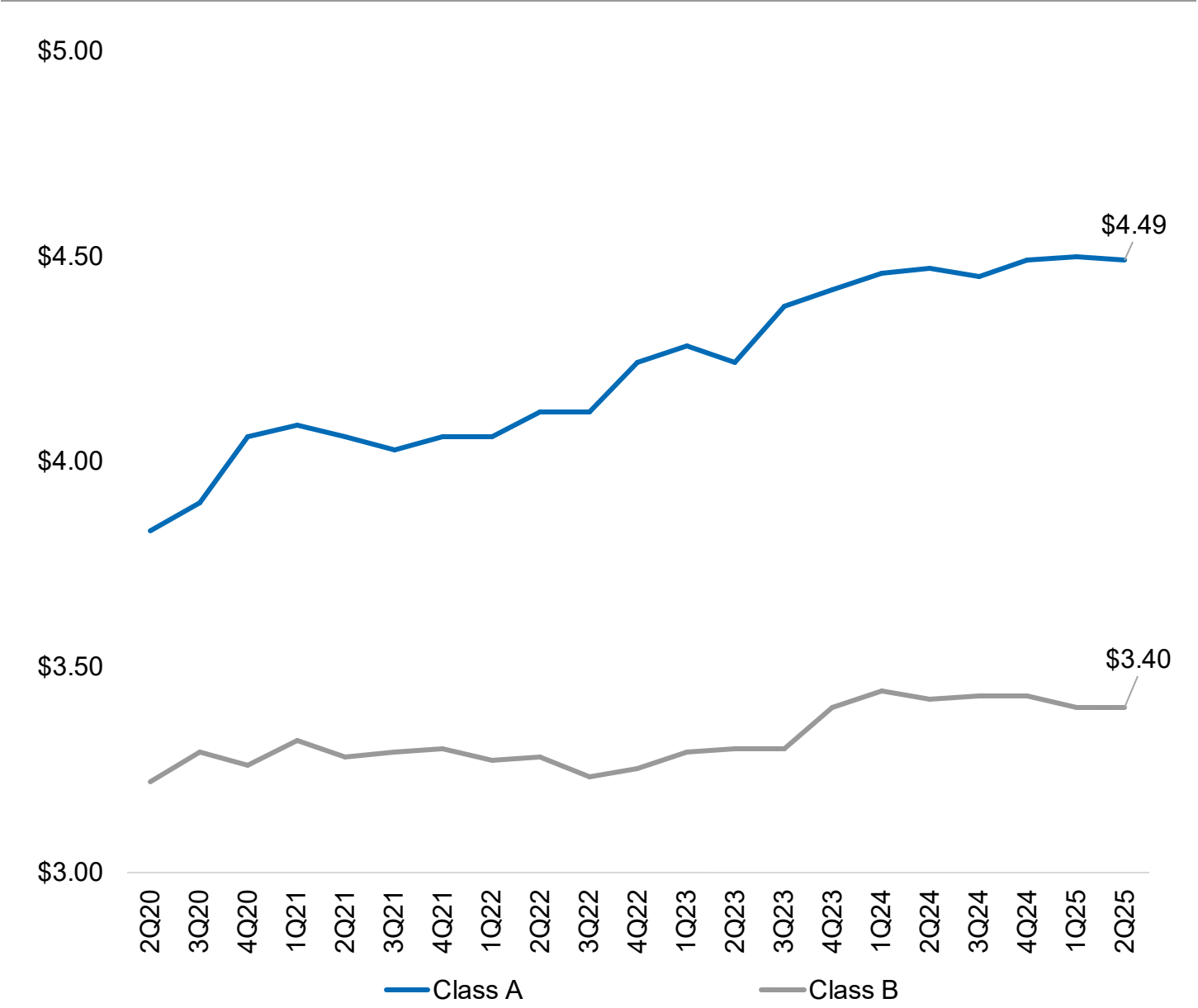


Source: Newmark Research

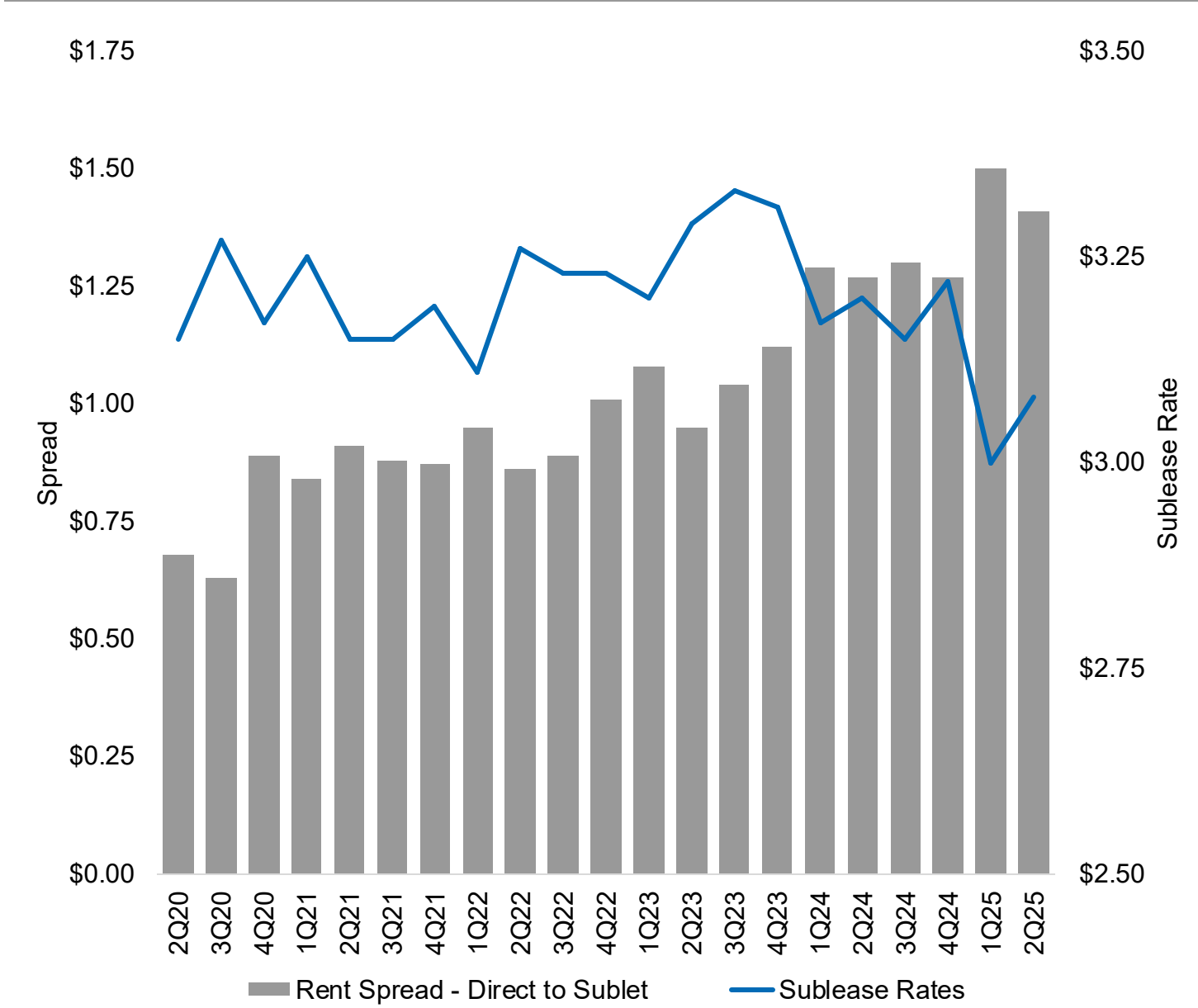
# Class A and B Asking Rents Nominally Decreased in Second Quarter

While both Class A and B rents were slightly down in the second quarter of 2025, Class A rents remain just above the average from this time last year. Class B rents, however, saw an annual decline as flight-to-quality trends continue. Sublease asking rents remain competitive.

Class A and Class B Asking Rents, \$/SF/Month, FS



Sublease Asking Rates

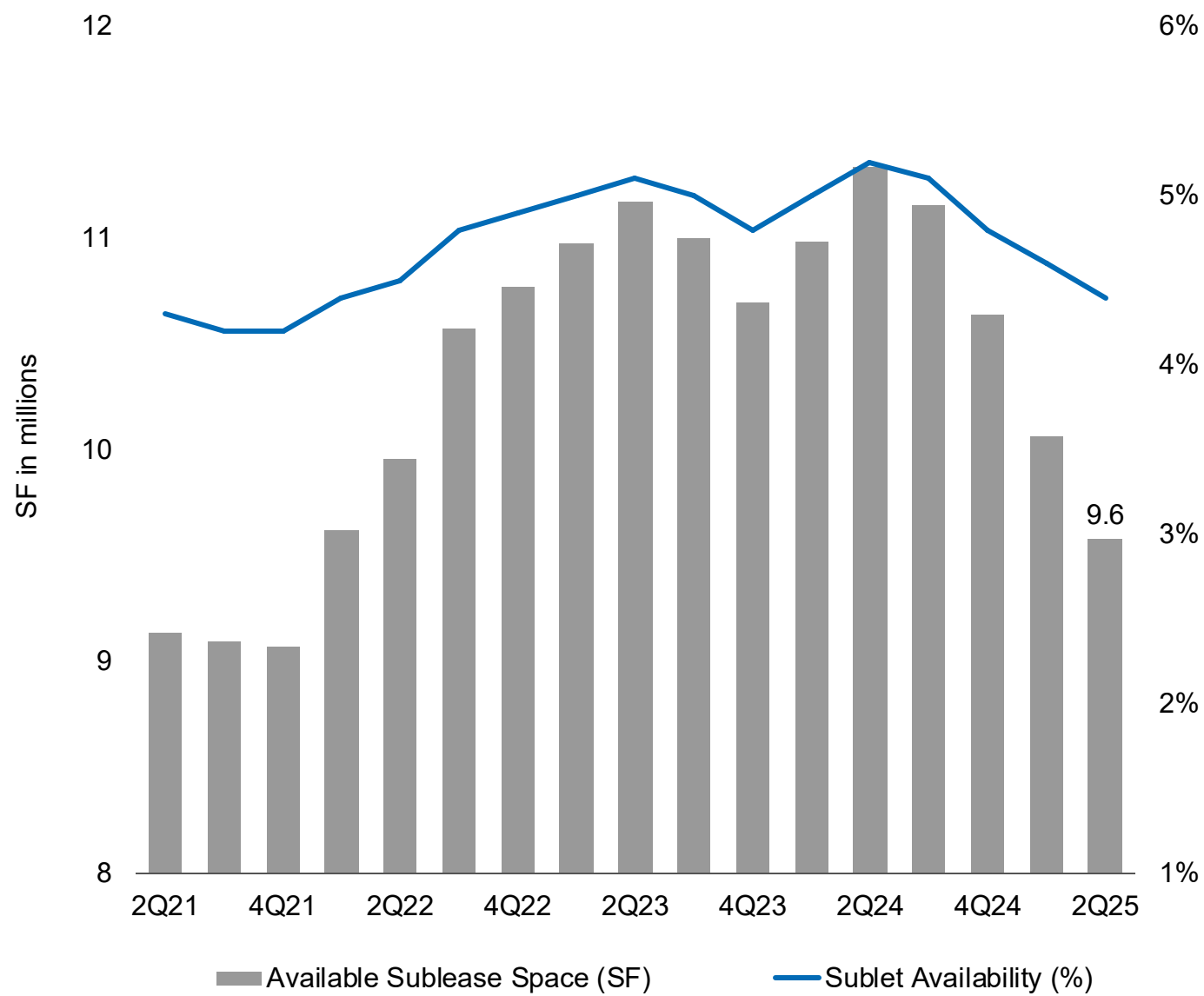


Source: Newmark Research, CoStar

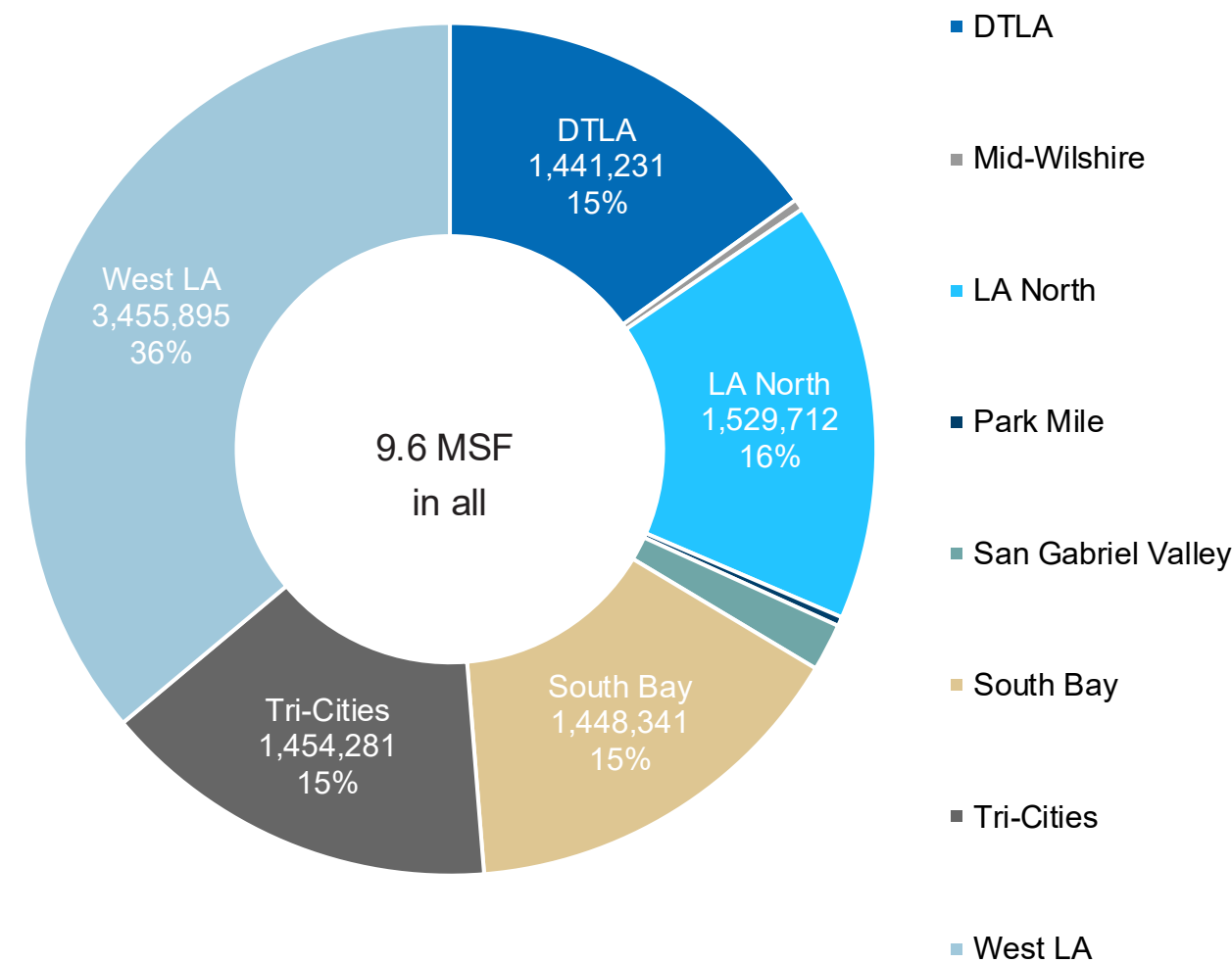
# Sublease Availability Continues to Trend Down

Removals that contributed to this quarter’s decline included Princess Cruises (289,621 SF withdrawn in Santa Clarita Valley as tenant-occupied and direct space), IPG (70,260 SF leased across two deals in Century City), Bambee HR (46,985 SF withdrawn in Downtown Los Angeles) and LiveNation (30,389 SF transitioned to direct space in Hollywood).

Greater Los Angeles Sublet Availability



Available Sublease Space by Submarket | 2Q25

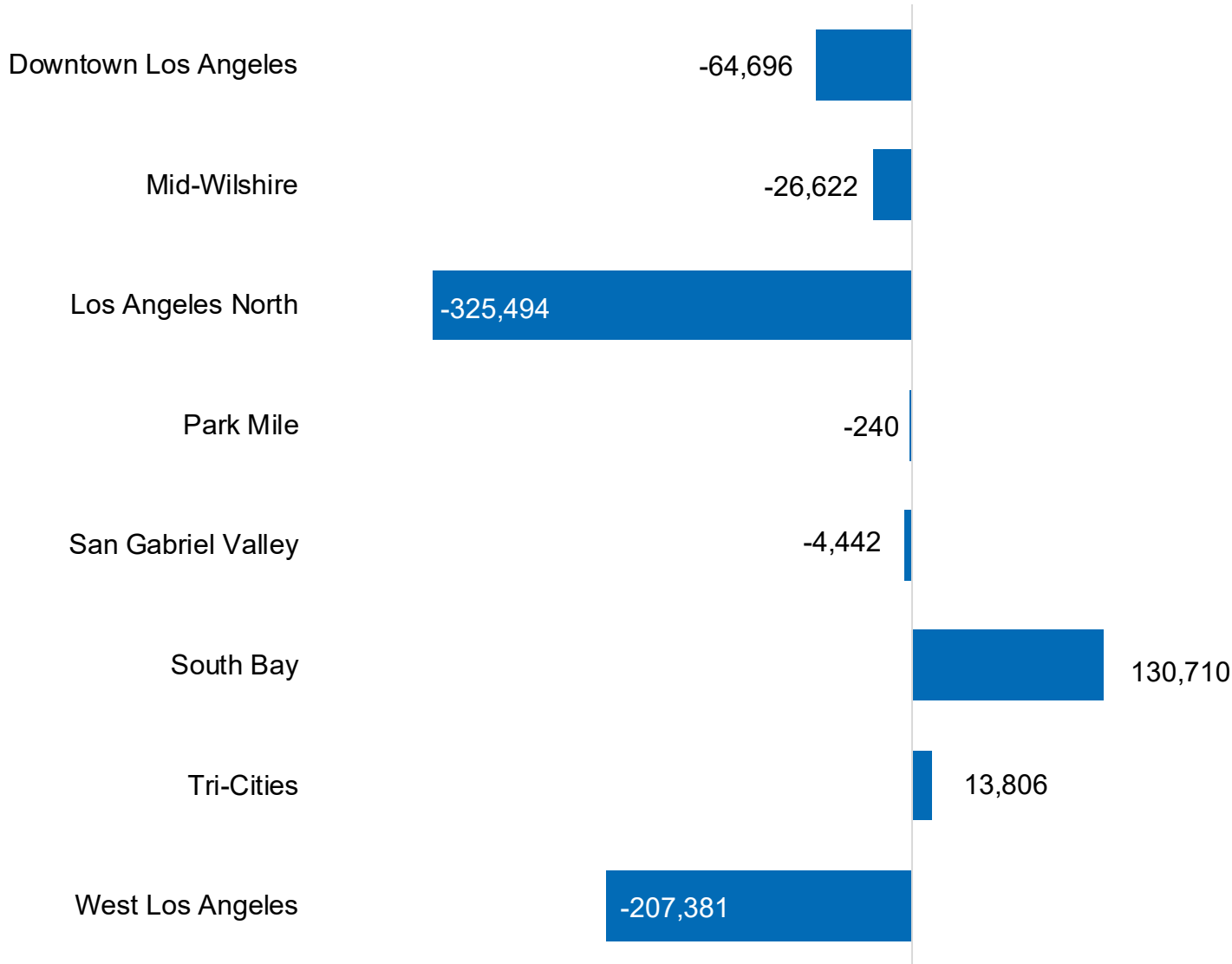


Source: Newmark Research

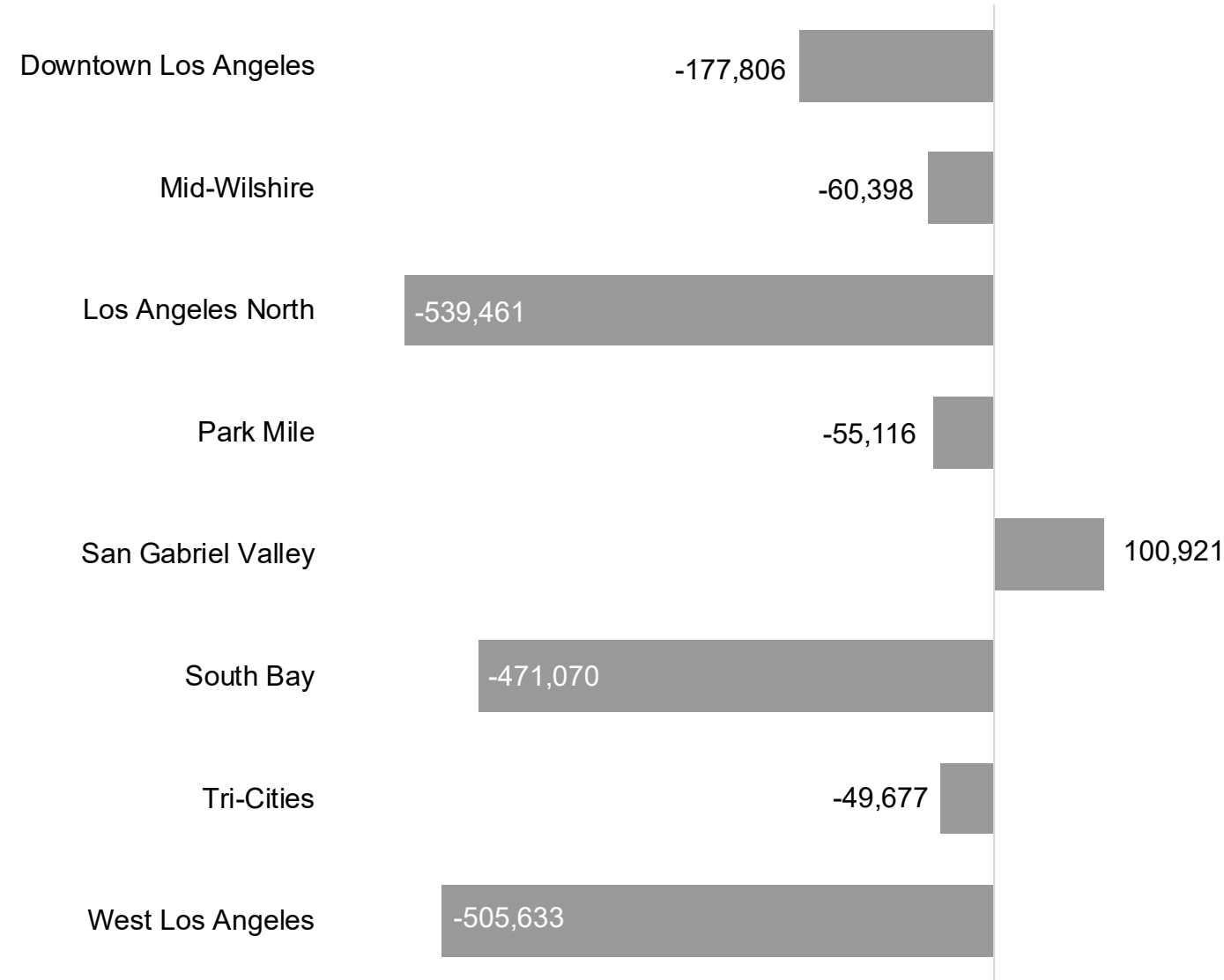
# Los Angeles North Leads Sublease Declines

Princess Cruises removing its 289,621-SF listing in Santa Clarita led to Los Angeles North posting the largest sublet availability drop over the last three- and 12-month periods. Although most of the region’s submarkets saw a decline in sublease availability in the second quarter, notable additions over the last three months included Molina Healthcare (79,860 SF in Long Beach Downtown), Republic Indemnity (41,325 SF in Conejo Valley), The Trade Desk (27,807 SF in Culver City) and Beyond Limits (27,718 SF in Glendale).

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



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



Source: Newmark Research

# Diverse Leasing Activity Across Industries in 2025

| Notable 2Q25 Lease Transactions   |                      |   |                    |             |
|---|----------------------|---|--------------------|-------------|
| Tenant  | Building(s)          | Submarket                               | Type               | Square Feet |
| Oaktree Capital Management  | 555 S Flower St      | Downtown Los Angeles: CBD               | Direct Lease       | ~220,000    |
| The global asset management firm will relocate its headquarters in phases to City National Plaza from Wells Fargo Center (333 S Grand Ave).   |                      |   |                    |             |
| Princess Cruises  | Valencia Town Center | Los Angeles North: Santa Clarita Valley | Extension/Downsize | 138,973     |
| The cruise line, owned by Carnival Corporation, signed a 17-month extension for a portion of its Santa Clarita headquarters; space (289,621 SF in all) that was formerly listed for sublease. |                      |   |                    |             |
| West Coast University   | 12215 Victory Blvd   | Los Angeles North: East Valley          | Sublease Renewal   | 98,000      |
| The private university renewed its sublease in North Hollywood from Teletech Communications through January 2031.   |                      |   |                    |             |
| AmeriHome Mortgage Company  | 1 Baxter Way         | Los Angeles North: West Valley          | Lease Renewal      | 80,671      |
| The financial services company renewed its headquarters' lease at One Westlake in Westlake Village.   |                      |   |                    |             |
| Univision   | 5999 Center Dr       | West Los Angeles: Culver City           | Renewal/Downsize   | 74,046      |
| The Spanish-language television network signed a renewal/downsize at its Culver City building, which is located off the 405 free way.   |                      |   |                    |             |

Source: Newmark Research

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# Closer Looks at Office Employment and Leasing



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## 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



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## 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



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## Filming Activity Remains Tepid

A low-angle, upward-looking shot of a modern building's interior or exterior structure. The image features a complex network of dark, metallic steel beams and supports that create a geometric, grid-like pattern. Large glass panels are interspersed within the frame, reflecting light and showing glimpses of the sky. The overall color palette is dominated by cool blues and greys, giving it a professional and architectural feel.

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## Film and TV Incentives Increase to \$750 Million a Year



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# Tech



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# The Stock Market and Local Venture Capital Funding



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



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# Sales Activity and Distress



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Office Comprised 24.5% of Sales Volume in the First Half 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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# Redevelopment of Office Buildings to Other Uses and Owner-User Sales



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## Professional Office Buildings Get a Second Life...As Other Property Types

A low-angle, upward-looking shot of a modern building's exterior. The image features a complex network of dark steel beams and glass panels, creating a geometric pattern. The sky is visible through the glass, appearing as a bright, hazy blue. A semi-transparent blue horizontal band is overlaid across the middle of the image, containing white text.

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## Office-to-Multifamily Redevelopment is Heaviest in the Mid-Wilshire Area



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It's No Coincidence New Housing is Near/Offers Proximity to Major Employers



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## Owner-User Purchases Are Also Lowering the Office Base



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## Owner-User Share Of Sales Volume Down From Recent Peak



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The Removal Of Undesirable Office Product Will Help to Lower Vacancy

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# Submarket Snapshots



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## 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



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## Los Angeles Office Submarket Map and High-level Statistics | 2Q25

A low-angle, upward-looking shot of a modern building's exterior. The image features a complex network of dark, metallic structural beams forming a grid-like pattern. Large glass panels are interspersed within this framework, reflecting the sky and other parts of the building. The perspective creates a sense of height and architectural scale. A semi-transparent blue horizontal band is overlaid across the middle of the image, containing white text.

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## High-Level Stats and Sublease Figures, By Submarket | 2Q25



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