3Q25

NEWMARK

Los Angeles Office Market Overview

Market Observations

Economy

- Local unemployment across all industries was 6.4% in August 2025, down 40 bps from 12 months ago. Office-using employment contracted by 15,900 jobs over the same period, 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 the market's various white-collar sectors, growing from 54,800 jobs in February 2020 to 61,200 in August 2025. These gains have led to lease expansions.
- The Fed cut interest rates by 25 bps in September, citing growing concerns over labor market softness despite persistent inflation. The current benchmark rate sits at 4.00-4.25%, with two more reductions predicted this year. Rate cuts historically support CRE investment, but reductions in office-using employment will limit space demand.

Leasing Market Fundamentals

- Total vacancy, which has hovered in the 24-25% range over the last 18 months, settled at 25.2%. Owner-user sales and conversions are tempering vacancy.
- Sublet availability dropped by over 1.2-MSF during the third quarter, resulting in the lowest amount of space in the market since 2020.
- Traditional industries (e.g., law and finance firms) comprise the bulk of today's leasing activity. Most are rightsizing, with Fortune-tier companies pursuing trophy space. Industry restructuring is ongoing for media and tech, leading to sluggish leasing.
- Lease term lengths are increasing amid flat office utilization, suggesting most companies have a grasp on their long-term space needs.
- Trophy product continues to outperform, with a 14.5% vacancy.

Major Transactions

- This quarter's largest leases included Kaiser Permanente (a 280,150-SF renewal in Pasadena), the Los Angeles County Department of Children and Family Services (a 89,895-SF expansion in Long Beach Suburban), and Canvas Worldwide (a 68,301-SF direct lease in El Segundo Beach Cities).
- Large transactions for space formerly occupied by Beyond Meat at 888 N Douglas St in El Segundo were recorded in the third quarter. Cosm singed a direct deal with landlord Hackman Capital Partners for 68,301 SF and Varda Space subleased 54,749 SF from Beyond Meat.
- Kilroy Realty purchased Maple Plaza (345 N Maple Dr, 293,000 SF, 75% occupied) in Beverly Hills from Tishman Speyer for $205.3 million, or $707/SF. This is among the priciest office sales to date and signals the return of institutional capital to the market.

Outlook

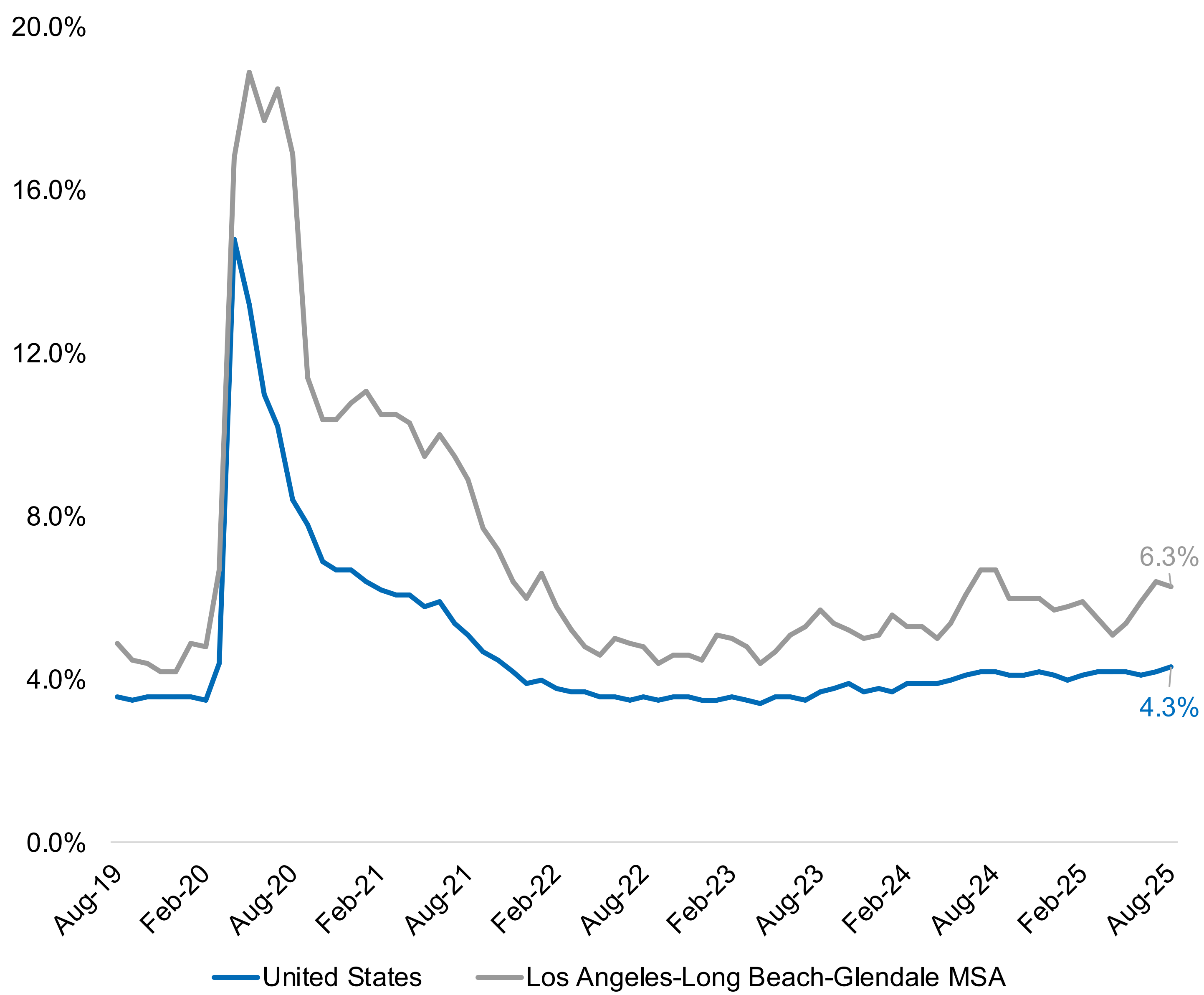
- U.S. business spending is showing signs of slowing due to government policy uncertainty, tariffs, and high interest rates. This will likely constrain near-term office leasing activity.
- The One Big Beautiful Bill Act will likely lead to more office renovations, especially for businesses seeking to refresh spaces for return-to-office mandates.
- More filming and TV production will return to the region after the state doubled tax incentives. There will also be a trickledown effect to supporting industries, such as financers and legal firms. Consolidations and labor costs will limit a full comeback.
- A rebound in office-using employment and a subsequent uptick in leasing activity is what the greater market needs for a meaningful recovery.

Economy

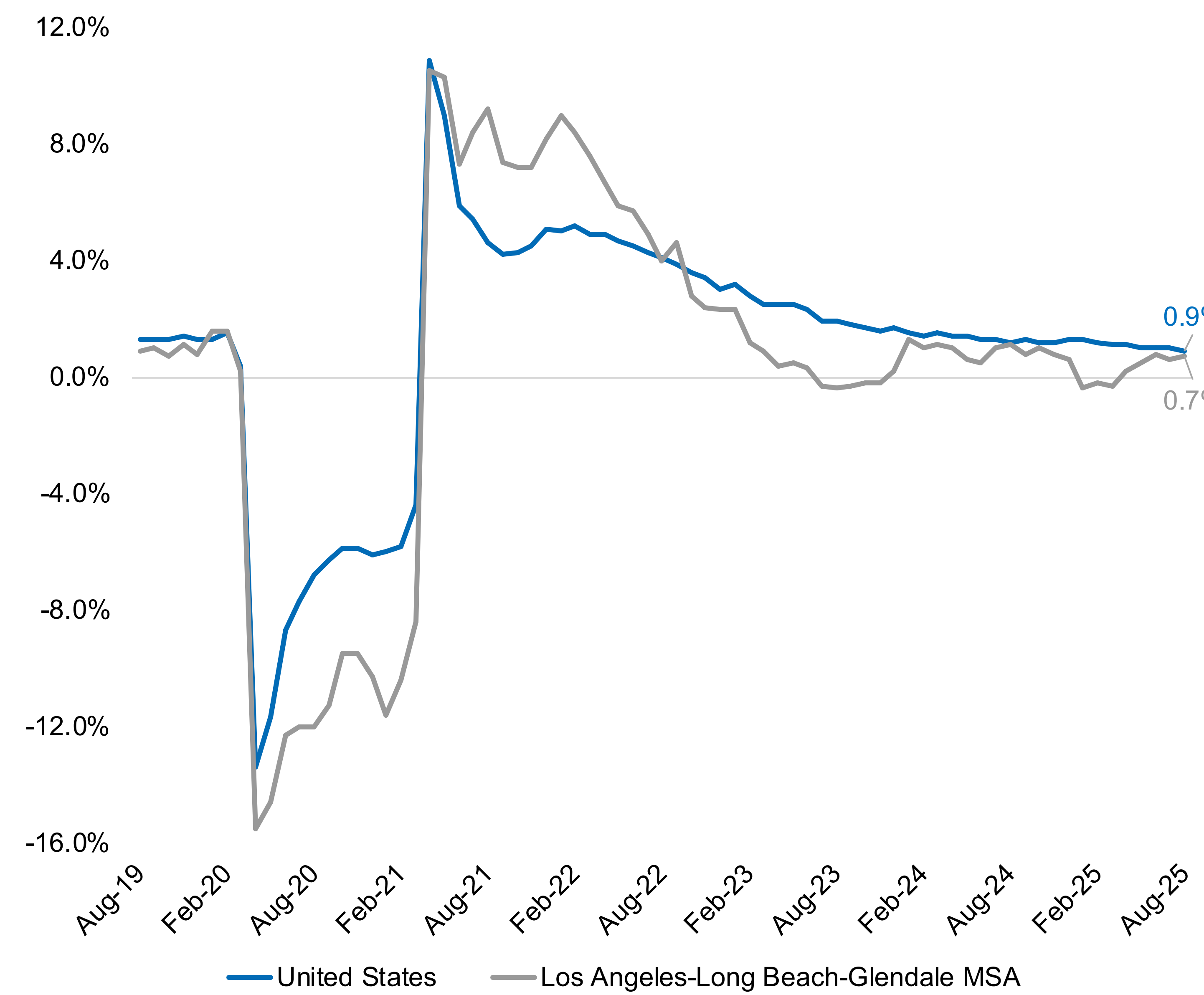
Slow Job Growth Continues

Local unemployment settled at 6.3% in August 2025, down 40 basis points from one year ago, but above the current averages for California (5.5%) and the nation (4.3%). Los Angeles 12-month job growth turned positive in the last five months after minimal declines earlier this year. Growth has been measured following tariffs and economic uncertainty, but the Fed cutting interest rates in September and signaling further cuts by year-end may support additional growth.

Unemployment Rate, Seasonally Adjusted



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

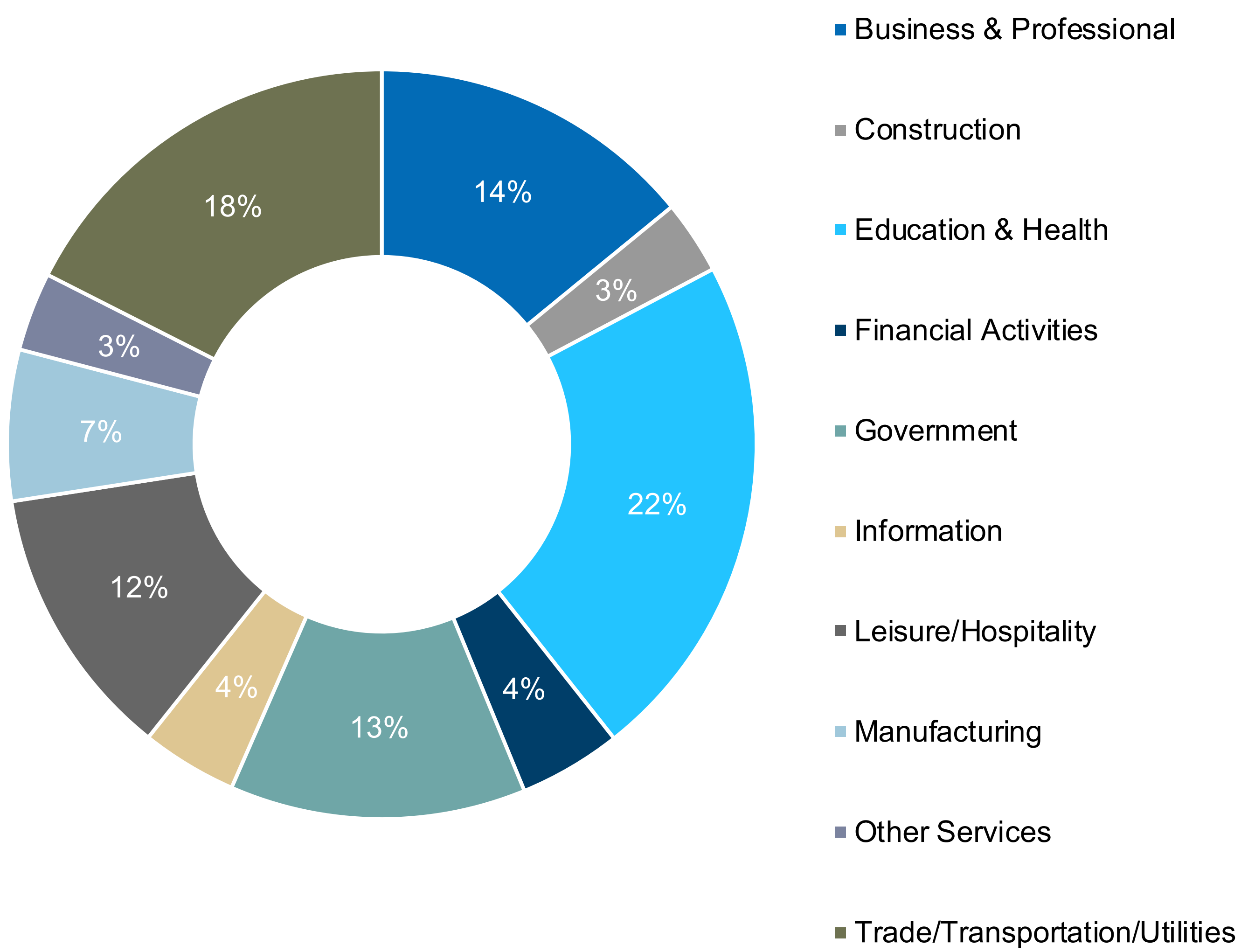


Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale MSA

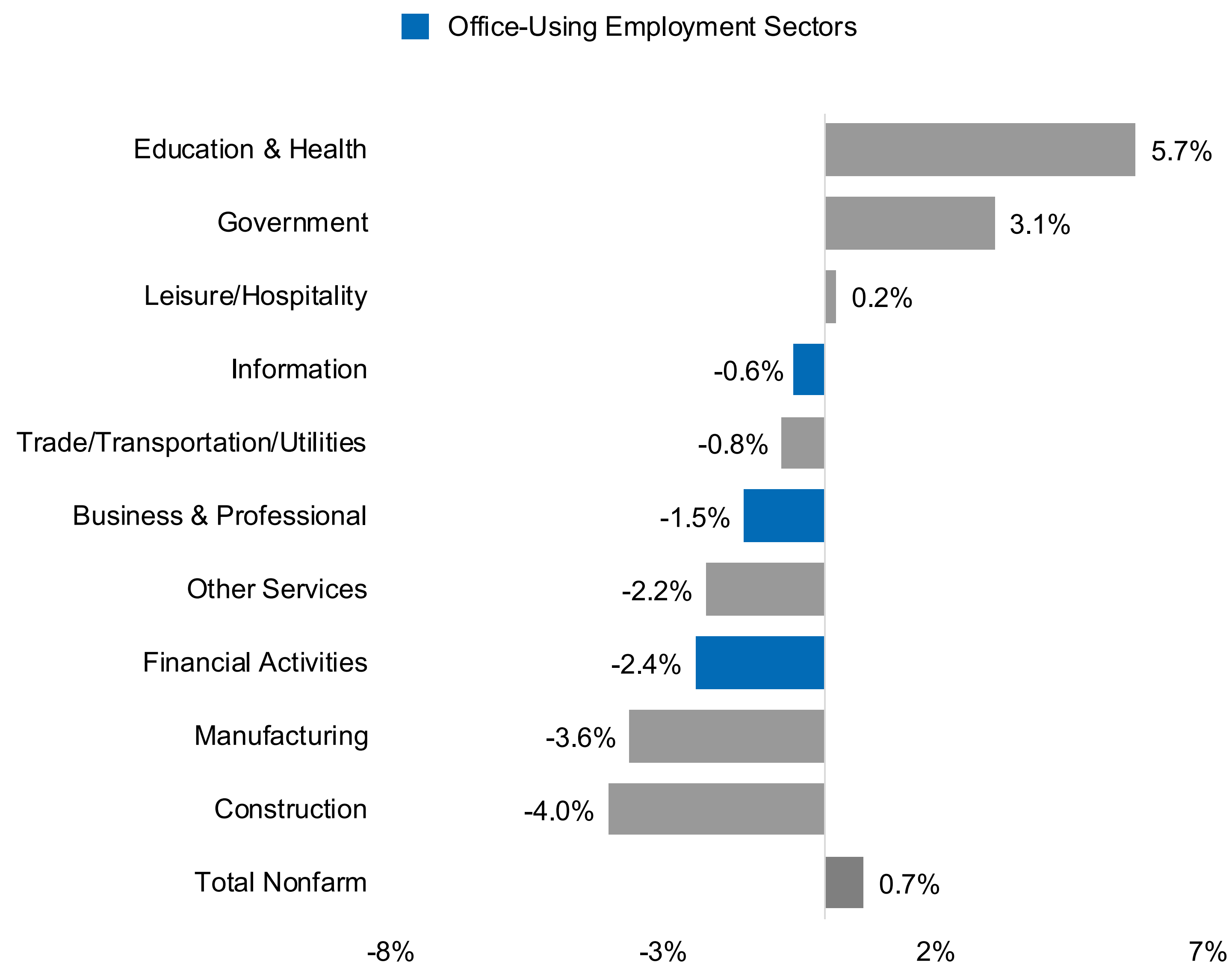
Office-Using Sectors See Annual Employment Reduction

All office-using sectors saw annual job losses: financial activities (-2.4%) had the largest percentage decline followed by business and professional (-1.5%) and information (-0.6%). Net job losses for each totaled 1,400, 5,100, and 800, respectively.

Employment by Industry, August 2025



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

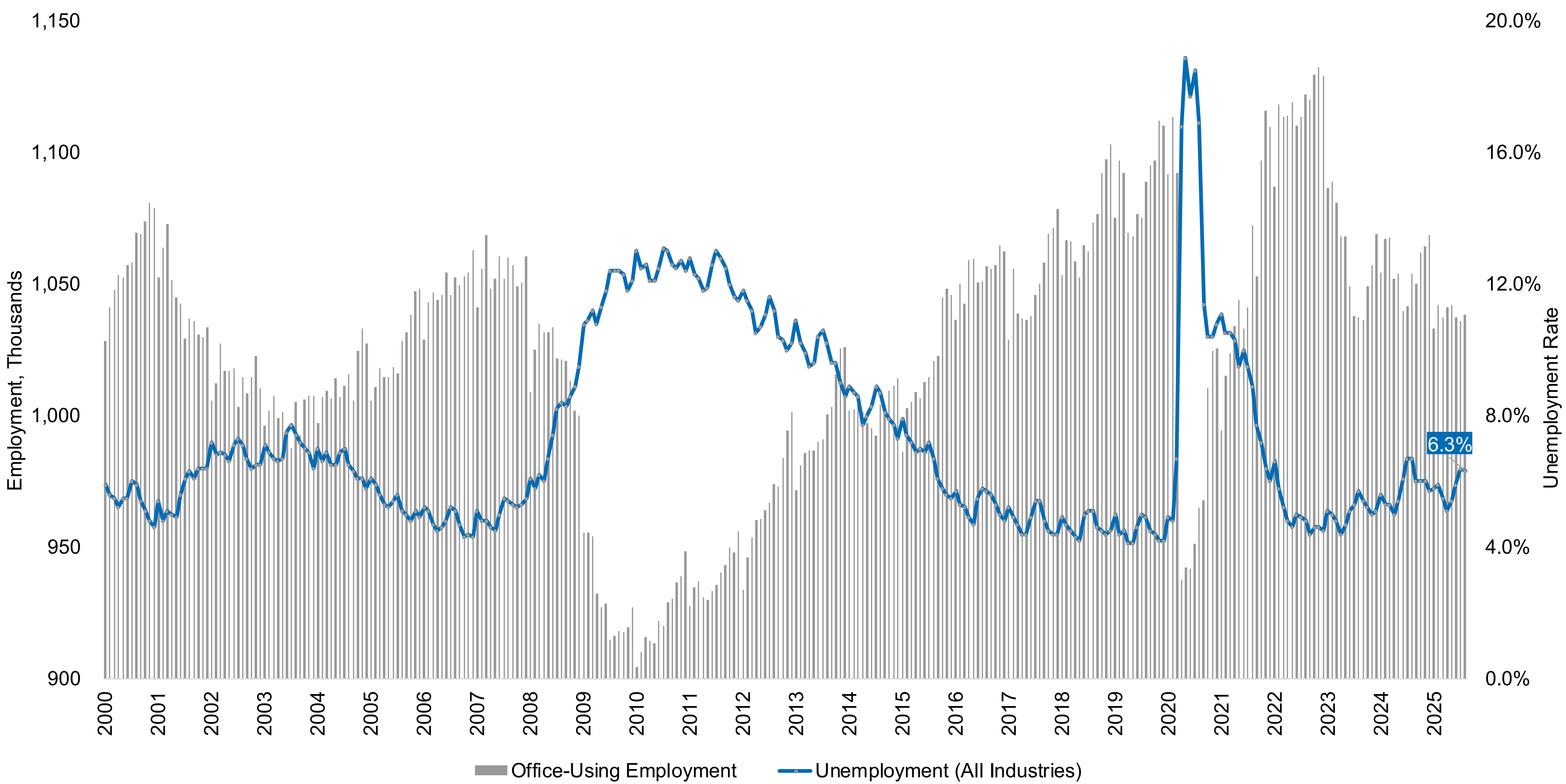


Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale MSA

Overall Office-Using Employment Drops Year-Over-Year

Local office-using employment in August was down by 15,900 jobs compared to the same month in 2024, with all associated sectors reporting losses. Although the Fed cut interest rates (with more reductions expected), stagflation and labor costs in the current climate will likely limit employment gains.

Office-Using Employment* and Unemployment Across All Industries



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

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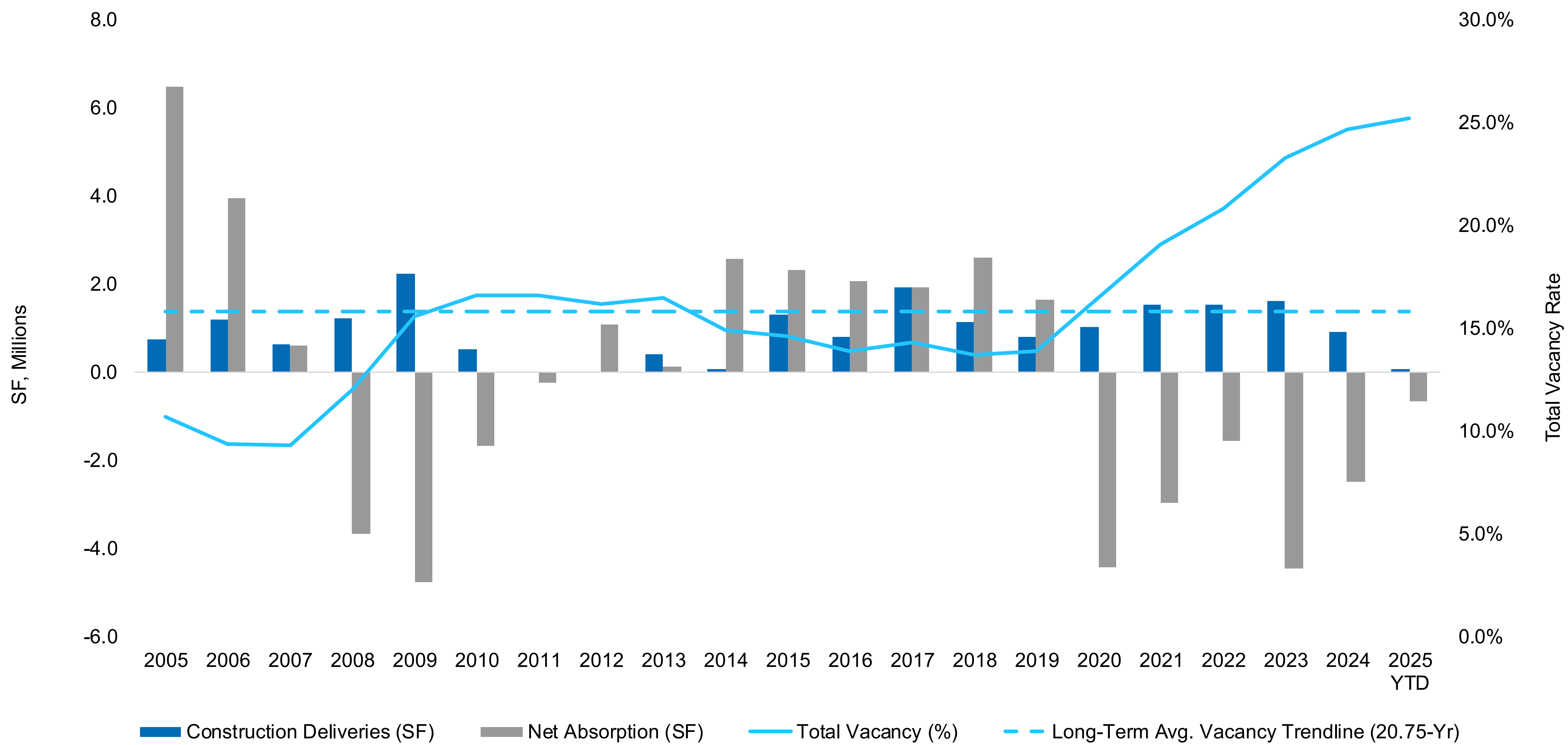
General Leasing Market Fundamentals

Vacancy Rates Plateau

Total vacancy has been generally flat over the last year and settled at 25.2% in the third 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

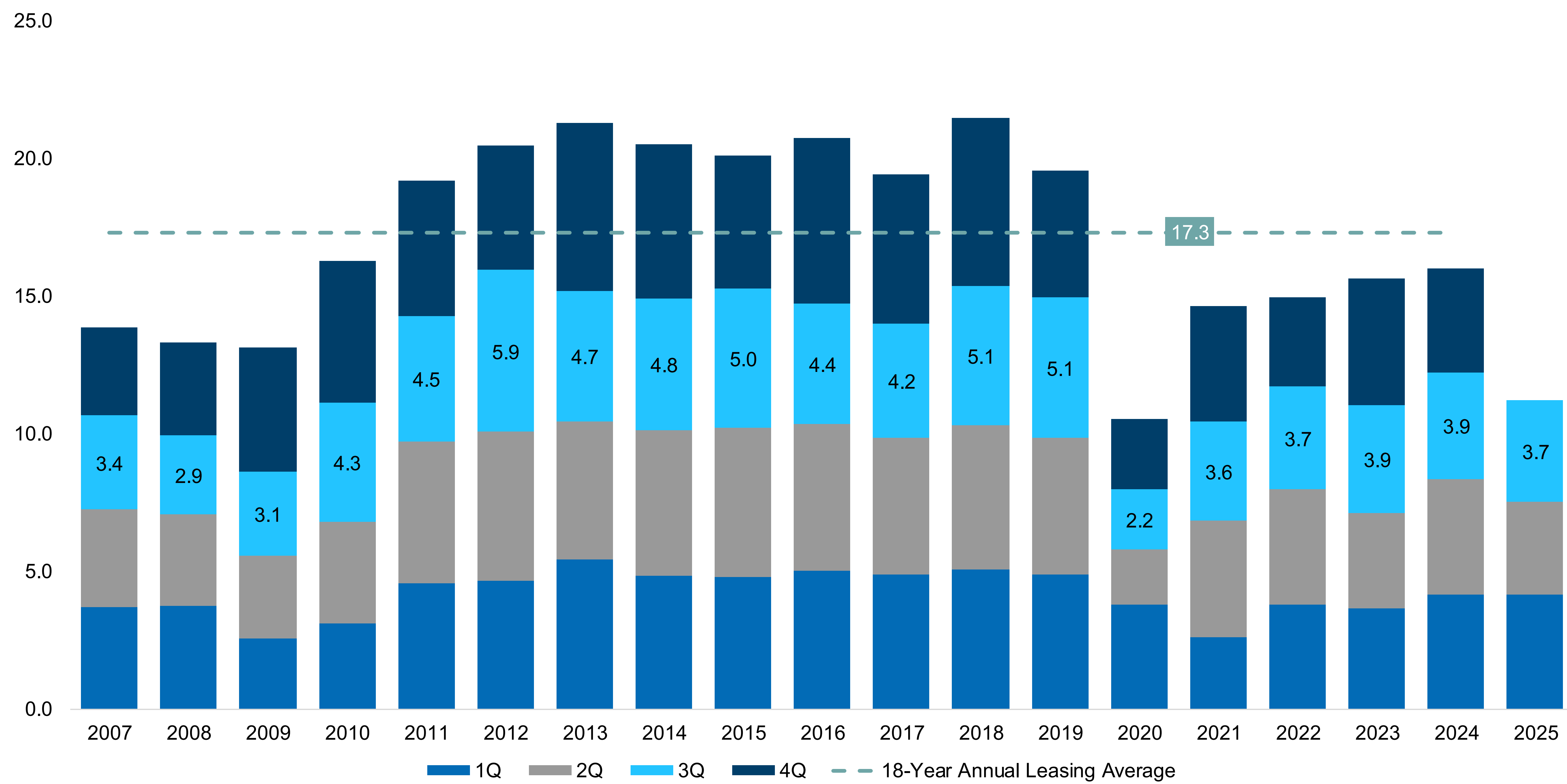


Source: Newmark Research

Leasing Activity Down Year Over Year

A sluggish economy, inflation, 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.

Total Leasing Activity (MSF)



Source: Newmark Research, CoStar

Lease Term Lengths are Increasing

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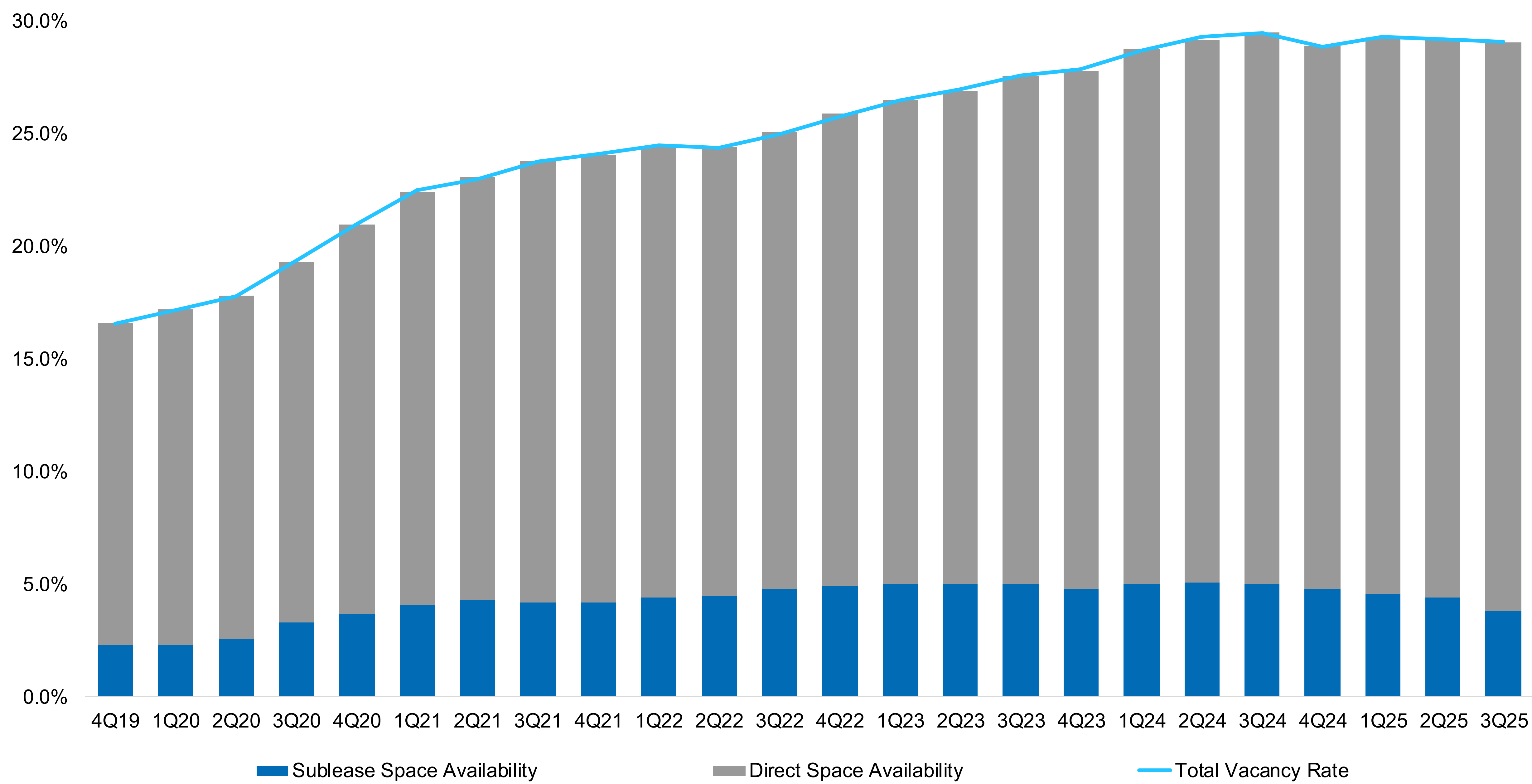
Sublease Removals Drive Declines in Total Availability

While direct availability increased by 1.1 MSF in the third quarter, sublet availability saw a significant drop, with a 1.2-MSF reduction. As sublease listings come to term and return to landlords; we expect the trend of increasing direct availability and decreasing sublet availability to continue. General economic conditions and telework, which is causing tenant downsizes and consolidations, will limit recovery on overall availability.

Available Space and Tenant Demand as Percent of Overall Market

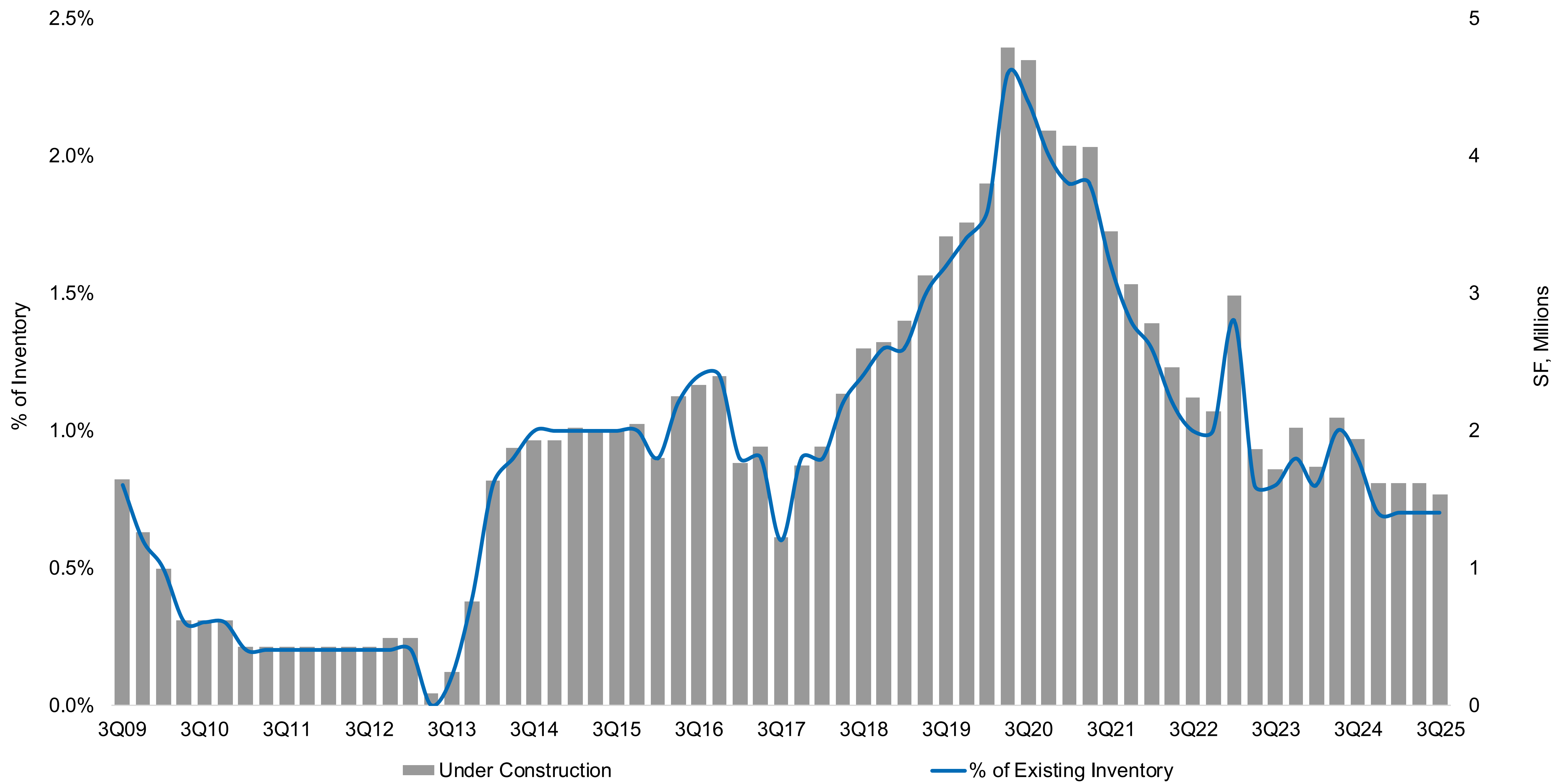


Source: Newmark Research

Construction Volume Decreases with First Delivery of 2025

Construction volume decreased to the lowest point since 2017 as no projects broke ground in third quarter and 83,500 SF delivered vacant and available at 717 Seward St in Hollywood. 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

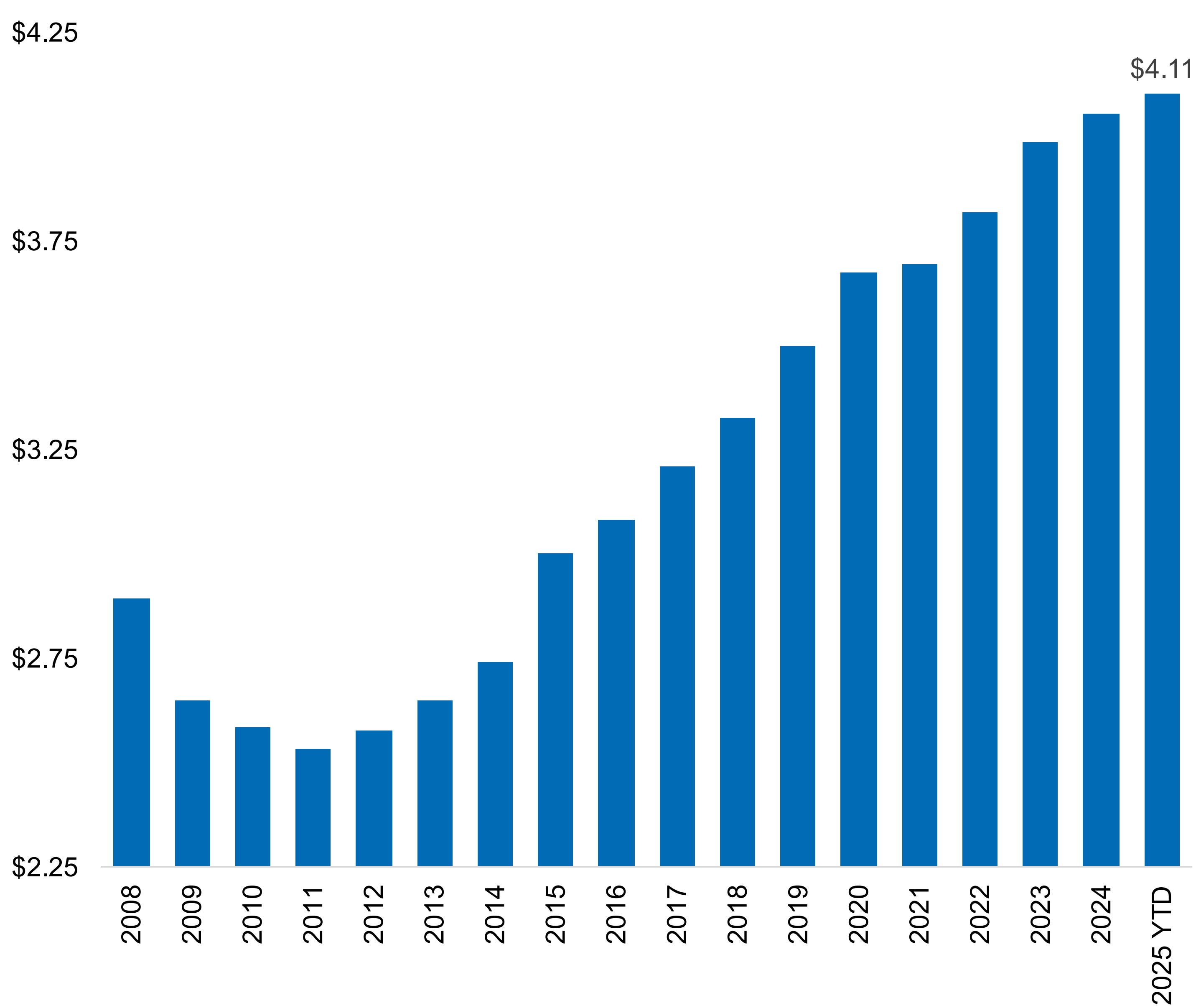


Source: Newmark Research

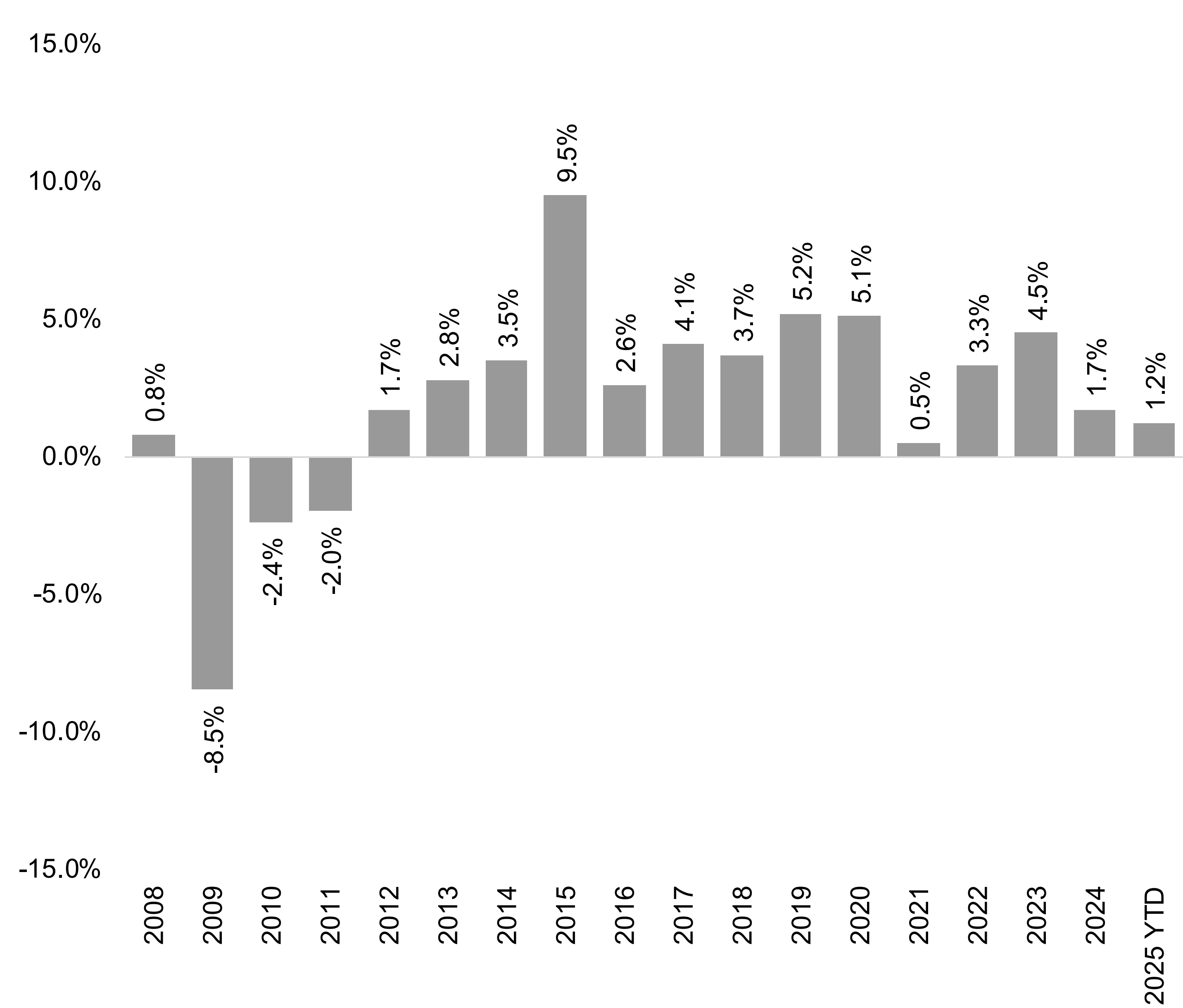
Asking Rents Continue Growth

Although rental rate growth has slowed, the current average asking rental rate of $4.11/SF FSG represents a 1.2% increase over the last twelve months. However, rent growth from 2021-2025 has generally underperformed the rate of inflation.

Office Average Asking Rent, $/SF/Month, FSG



Year-over-Year Asking Rent Growth Rate

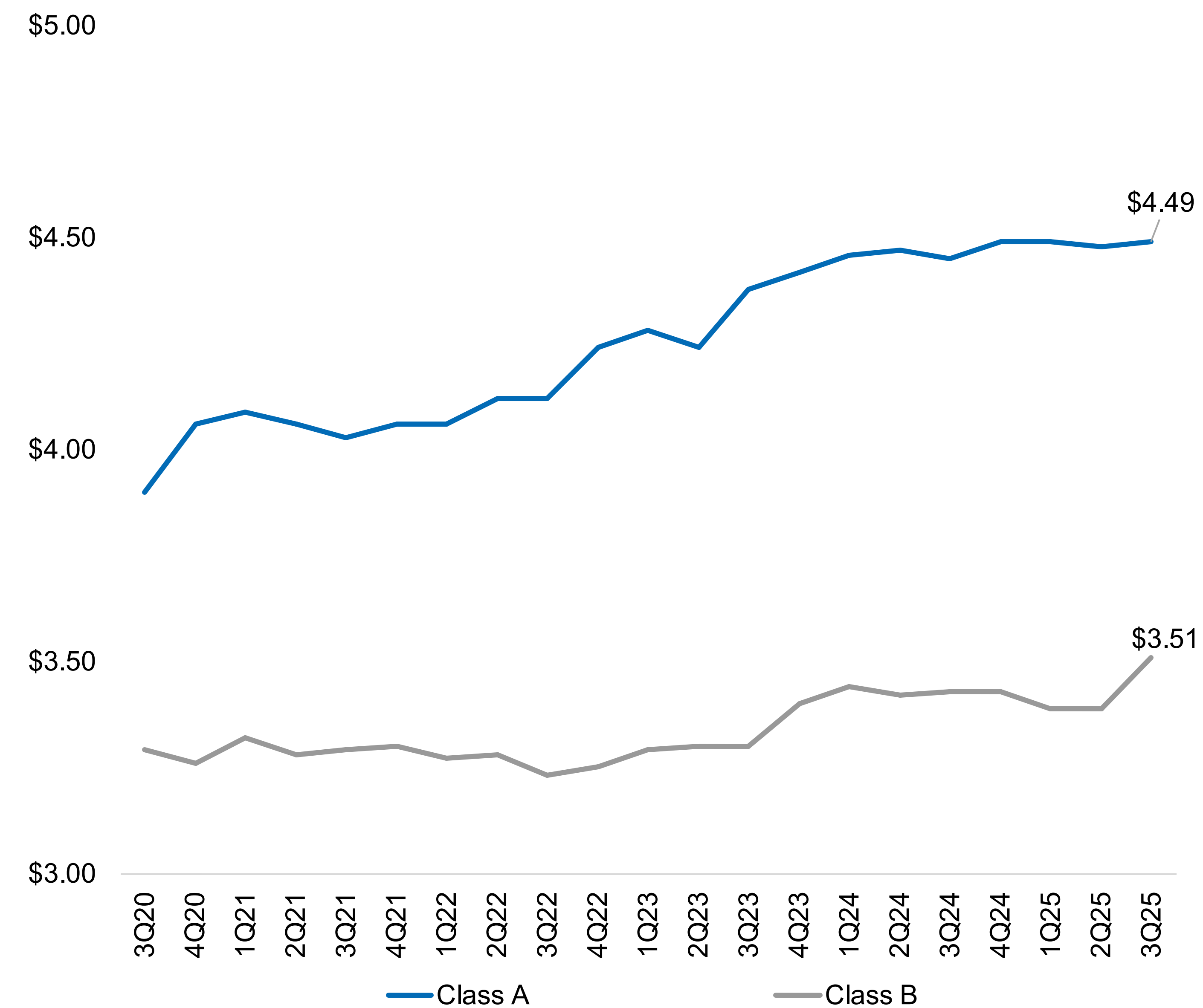


Source: Newmark Research

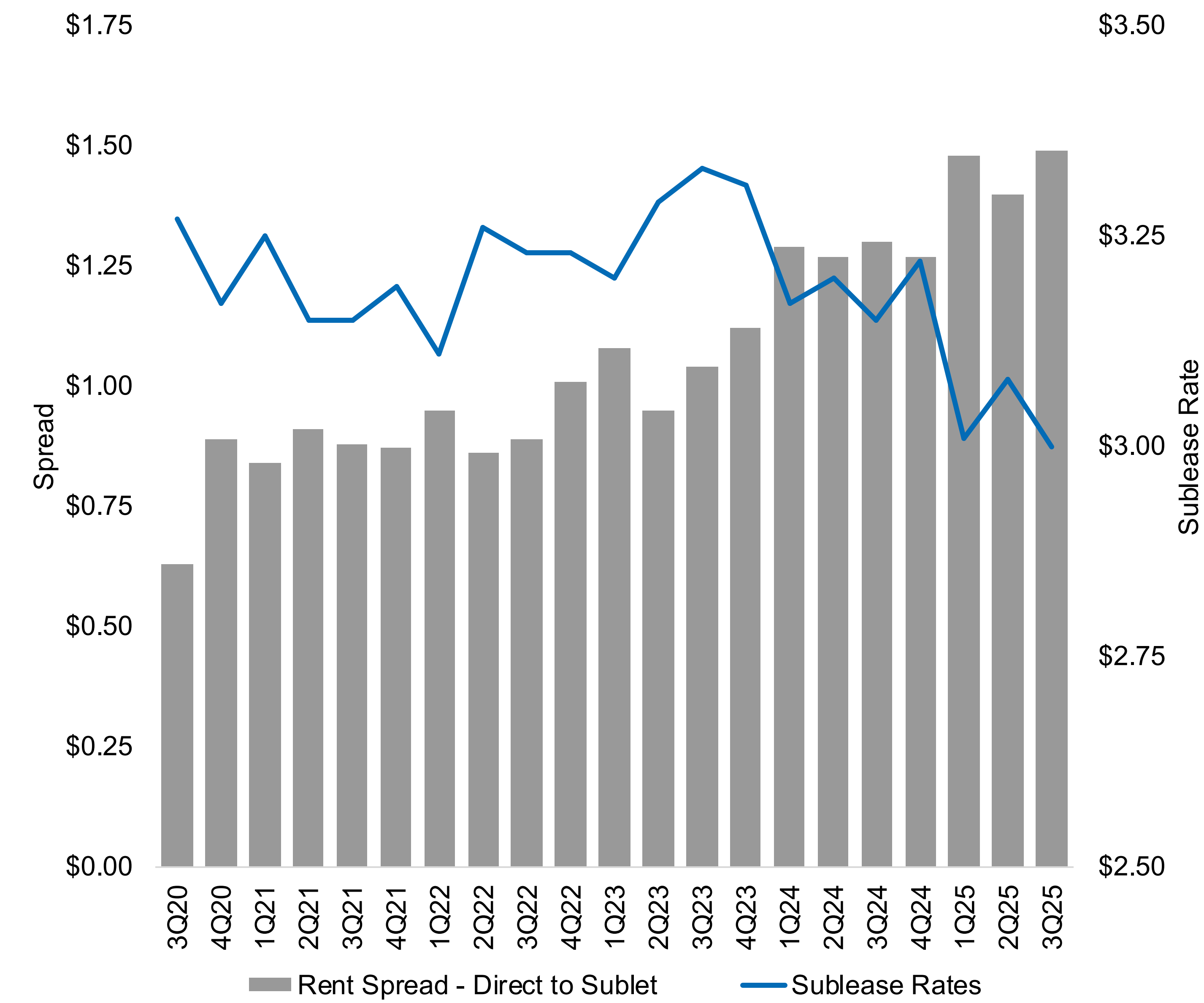
Class A and B Asking Rents Increase in Third Quarter

While Class A rental rates increased by 0.2% from last quarter, Class B rates rose 3.6% over the same period, driving overall gains. Sublease asking rents remain generally competitive, but the spread between direct and sublet rates is at an all-time high.

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



Sublease Asking Rates

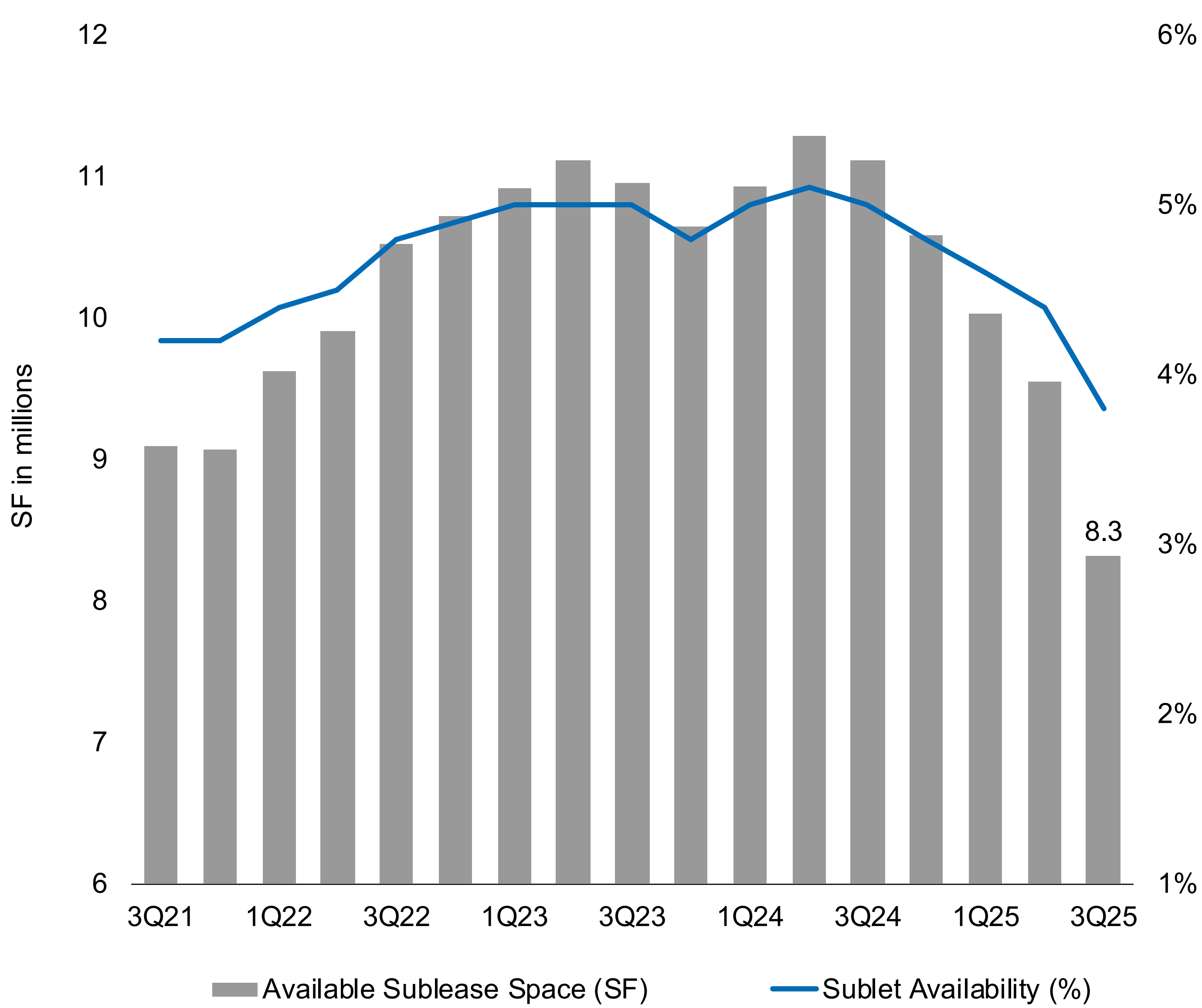


Source: Newmark Research, CoStar

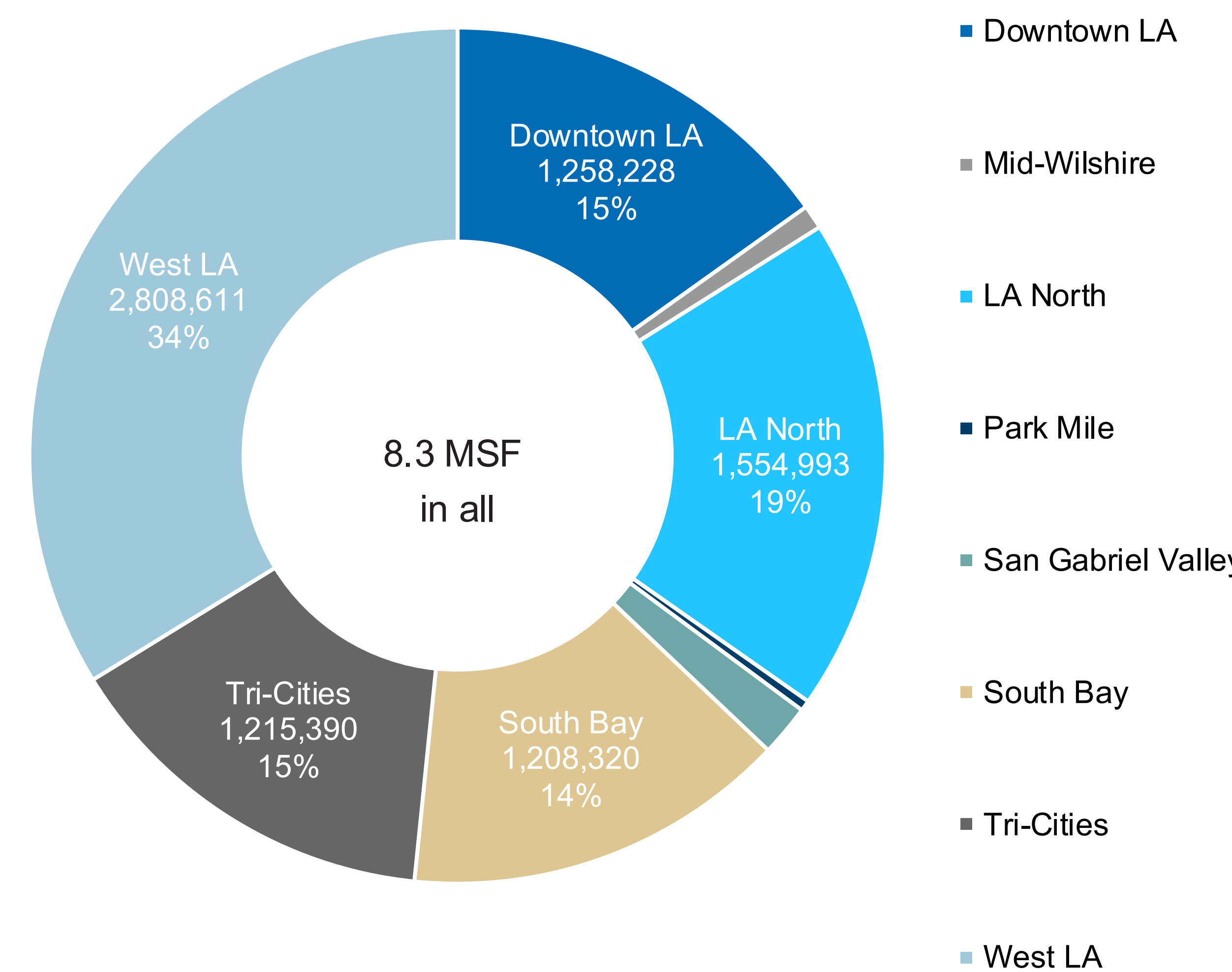
Sublease Availability At Lowest Point Since 2020

Current available sublease space of 8.3 MSF (3.8% of inventory) is at the lowest point seen in the last five years. Removals that contributed to this quarter's decline included Honey (131,688 SF withdrawn in Downtown Los Angeles as the tenant will execute a lease termination in May 2026), Lionsgate (107,364 SF listed direct with the landlord in Santa Monica) and Google (97,986 SF withdrawn in Playa Vista to be occupied by the tenant).

Greater Los Angeles Sublet Availability



Available Sublease Space by Submarket | 3Q25



Source: Newmark Research

Diverse Leasing Activity Across Industries Continues

Notable 3Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Kaiser Permanente	74 N Pasadena Ave	Tri-Cities: Pasadena	Lease Renewal	280,150
The healthcare company renewed its lease at the Parsons Campus in Pasadena.				
LA County DCFS	1500 Hughes Way	South Bay: Long Beach Suburban	Lease Expansion	89,895
The Los Angeles Department of Children & Family Services expanded its footprint at the Freeway Business Center in Long Beach with a 180-month lease.				
Canvas Worldwide	2330 Utah Ave	South Bay: El Segundo/Beach Cities	Direct Lease	68,301
The media agency will relocate from Playa Vista after signing a 10-year deal at the Ascend Utah Campus. The landlord executed a termination with Radiology Partners, which was listing the space for sublease, in order to sign a direct deal.				
Cosm	888 N Douglas St	South Bay: El Segundo/Beach Cities	Direct Lease	67,725
The American sports and entertainment technology company signed a direct deal for space initially listed for sublease by Beyond Meat and will relocate from Playa Vista.				
KPMG	633 W 5th St	Downtown Los Angeles: CBD	Direct Lease	64,200
The professional services company will relocate and downsize from its namesake tower at 550 S Hope St to the US Bank Tower. KPMG also signed a 49,903-SF lease this quarter at Continental Park in El Segundo.				

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

Legal Services Leasing Activity Up Since 2021

Legal Service Employment is Higher Than its Pre-Pandemic Total

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Where Leasing Activity is Concentrated

Post-COVID Leasing Activity Strongest in West Los Angeles

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

Case Study: The Renovation of 1800 and 1900 Avenue of the Stars

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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

California Film and TV Incentives Increase to $750 Million a Year

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Tech

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

Office Comprised 20.5% of Sales Volume in the First Nine Months of 2025

Office Sales Volume: Up Close

Private, Opportunistic Buyers Remain Active

Nearly 48% of the Region's Office Market is Obsolete or Unable to Service Debt

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

Opportunistic Buyers Are Taking Advantage of Discounted Pricing

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Redevelopment of Office Buildings to Other Uses and Owner-User Sales

Professional Office Buildings Get a Second Life…As Other Property Types

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

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

The Removal Of Undesirable Office Product Will Help to Lower Vacancy

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Submarket Snapshots

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Los Angeles North

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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 | 3Q25

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Los Angeles Office Submarket Statistics | 3Q25 (page 1 of 3)

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Los Angeles Office Submarket Statistics | 3Q25 (page 3 of 3)

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High-Level Stats and Sublease Figures, By Submarket | 3Q25

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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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