



NEWMARK

Los Angeles:
Office Market Overview

4Q25

A Note to the Reader

The complete Los Angeles: Office Market Overview totals 64 slides.

Please reach out to your Newmark business contact for the full assemblage.

Los Angeles Office Market Observations



Economy

- Local unemployment across all industries was 5.9% in September 2025, down 10 bps from 12 months ago. Office-using employment contracted by 16,400 jobs over the same period. Los Angeles' recovery in office-using employment trails other U.S. markets.
- U.S. unemployment rose from 4.4% in September to 4.6% in November, the highest in four years. Recent state and local market employment figures were unavailable due to the prior federal government shutdown (ended on November 12) and subsequent delays from the Bureau of Labor Statistics to collect and process data.
- Unemployment averages for California and Los Angeles (5.6% and 5.9%, respectively, in September) will likely increase once November's figures are published.
- The Federal Reserve cut interest rates by 75 bps this year, via 25 bps reductions in September, October, and December. One rate cut is expected in 2026.



Leasing Market Fundamentals

- Total vacancy, which has hovered around the 24-25% range over the two years, settled at 25.1%. Owner-user sales and conversions are tempering the average.
- Sublet availability dropped by 358,452 SF during the fourth 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 13.6% vacancy.



Major Transactions

- Farmers Insurance signed a 10-year renewal at 6301 Owensmouth Ave in Woodland Hills, one of the buildings located in its headquarters complex "Farmers Plaza" in West Valley. The company chose not to renew its 262,630-SF space at 6303 Owensmouth Ave in the campus.
- Alo, a premium athletic apparel company, purchased two buildings in Beverly Hills, cementing its presence in the area. The La Peer Building (8942 Wilshire Blvd, 82,886 SF) sold for \$90 million, and Alo will relocate its headquarters from ~57,000SF of leased space at 9830 Wilshire Blvd. The company also bought the Beverly Hills Gateway (9737-9777 Wilshire Blvd, 131,009 SF) for \$80 million as an investment play.
- Riot Games acquired its 5-building "Element LA" campus (282,395 SF) in the Olympic Corridor for \$231 million from Hudson Pacific Properties, with \$81 million in lease termination fees through 2030 comprising a portion of the purchase price. Riot has been headquartered at the campus since 2015 and will reportedly consolidate leased space into the owned space.

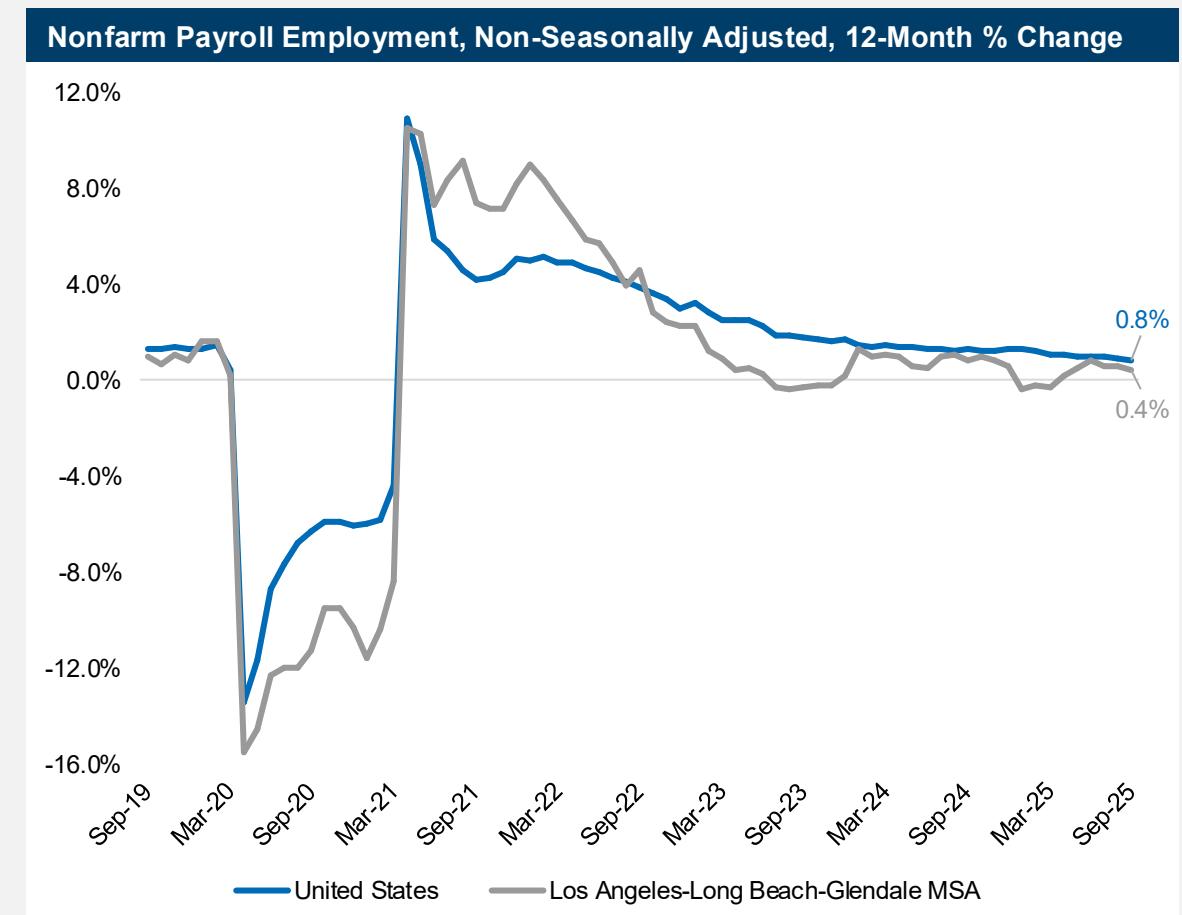
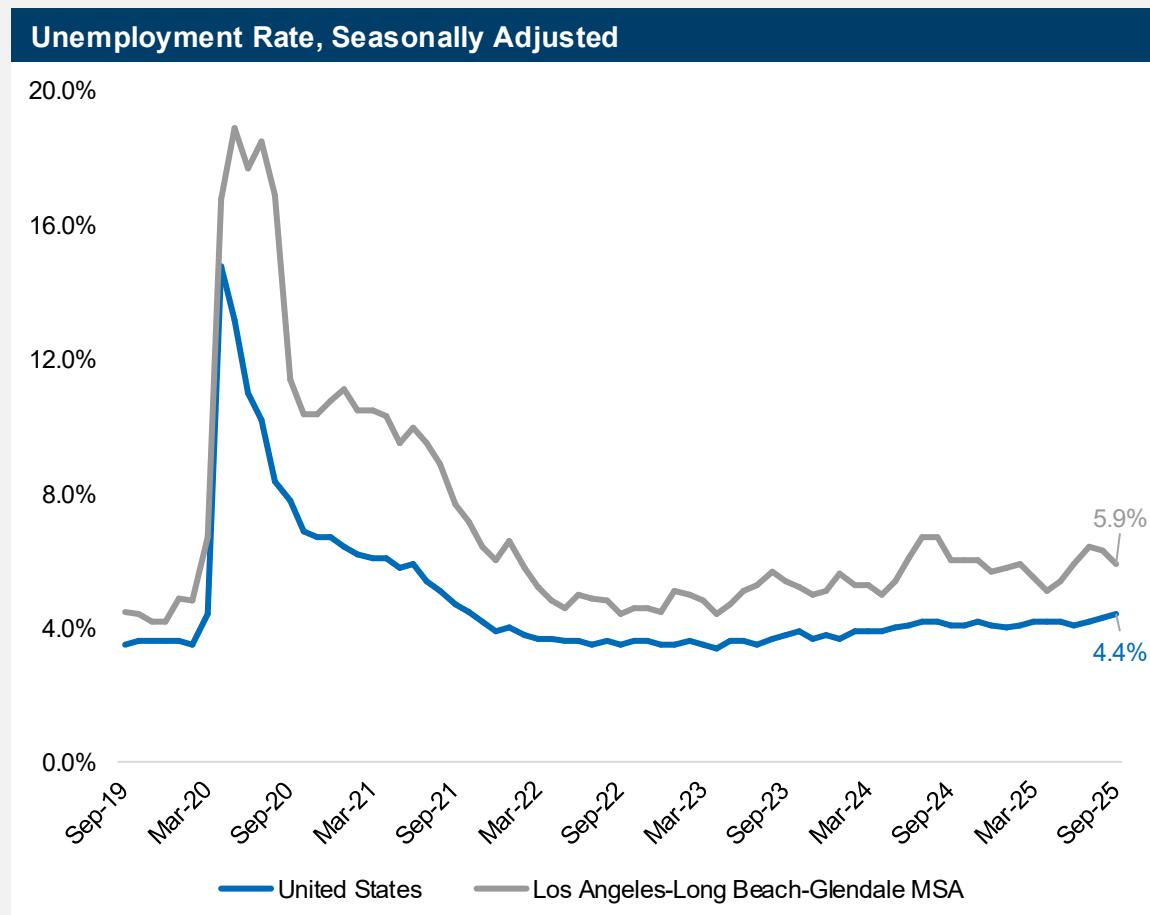


Outlook

- Owner-user sales (which have accounted for 23% of total sales volume since 2023) will continue to allow occupiers to take advantage of discount pricing and secure their own buildings amidst high inflation and capital costs.
- Eyes are on the potential acquisition on Warner Bros. Discovery, with bidders including Netflix and Paramount Skydance. All companies have a sizable office footprint in the market.
- More filming and TV production will return to the region after California doubled its tax incentives. There will also be a trickledown effect to supporting industries, such as financers and legal firms. Consolidations and high labor costs will limit a full comeback, however.
- A rebound in office-using employment and a subsequent uptick in leasing activity is what the greater market needs for a meaningful recovery.

Slow Job Growth Continues

Local unemployment settled at 5.9% in September 2025, down 10 basis points from one year ago, above the state (5.5%) and national (4.4%) averages. Los Angeles 12-month job growth turned positive in the last six months reported after minimal declines earlier this year. Unemployment rates will likely rise and job growth slow once current figures are reported following the shutdown of the federal government in the fall.



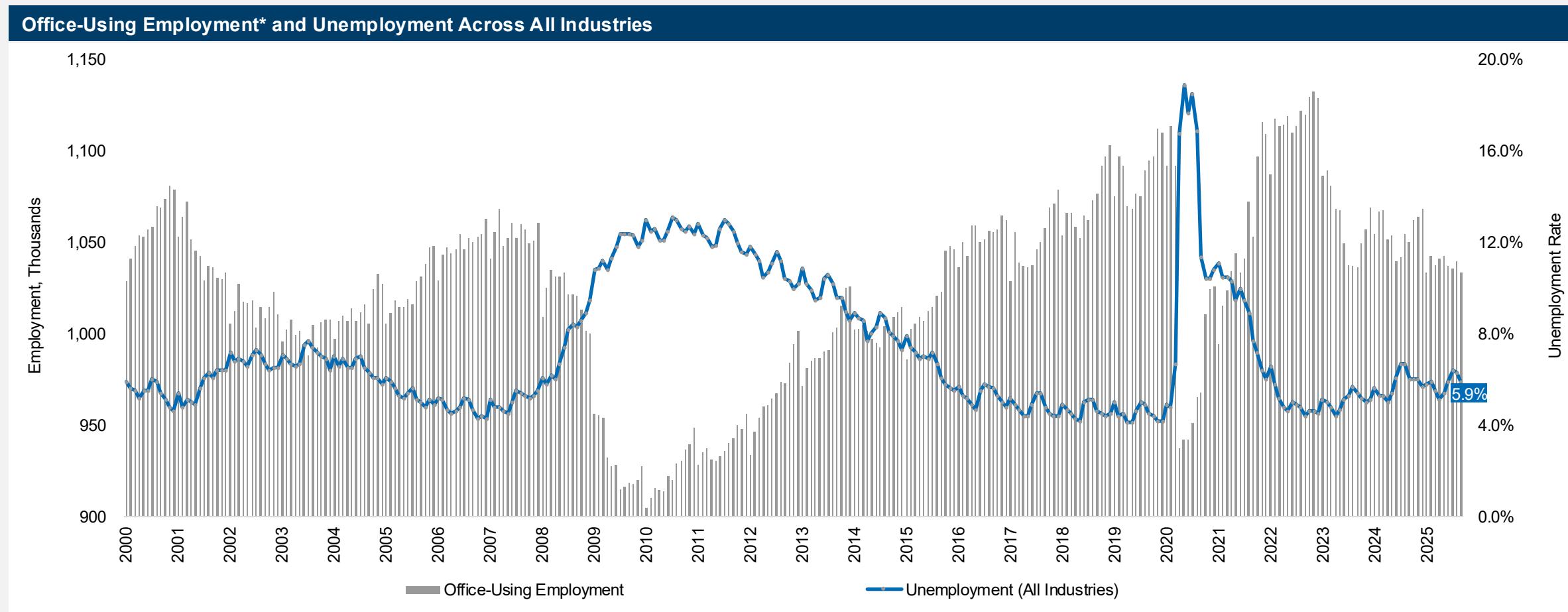
Financial Activities and Business & Professional Sectors See Losses

As of September 2025, the financial activities sector lost 4,600 jobs (-2.2%) over the last twelve months while business and professional lost 11,900 jobs (-1.8%) over the same period. The information sector saw nominal gains over the last year with 300 jobs added, or 0.2% growth.



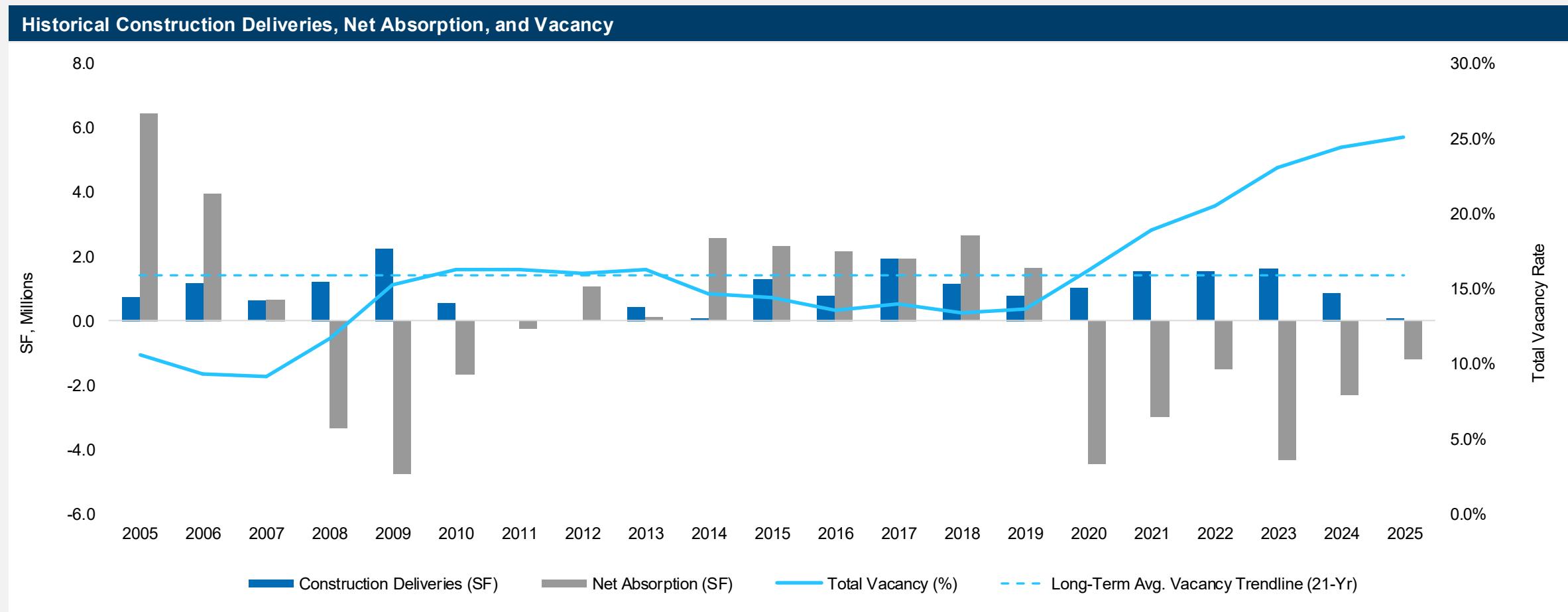
Overall Office-Using Employment Drops Year-Over-Year

Local office-using employment in September was down by 16,200 jobs compared to the same month in 2024, with the business and professional sector driving the reduction. Although the Fed cut interest rates three times this year, stagflation and labor costs in the current climate will likely limit employment gains.



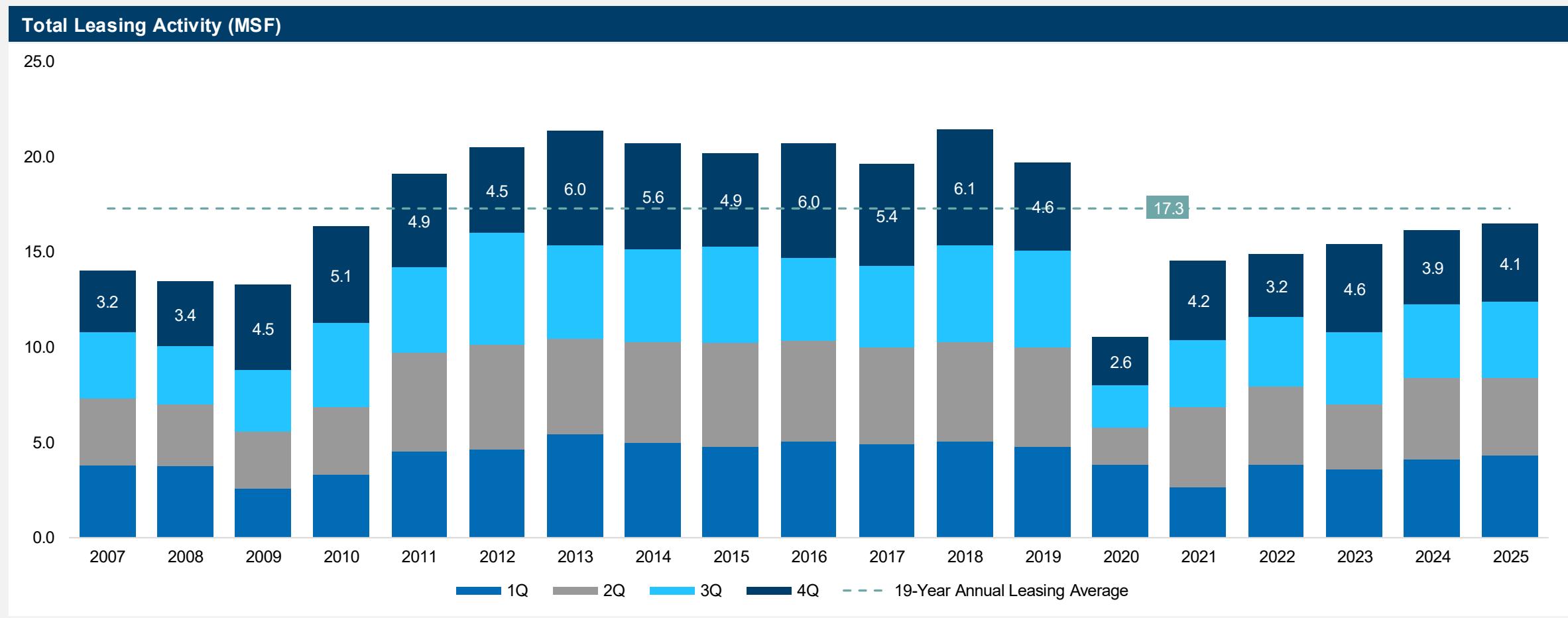
Vacancy Rates Increase in 2025

Total vacancy has increased marginally over the course of 2025, reaching an all-time high of 25.1%. 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.



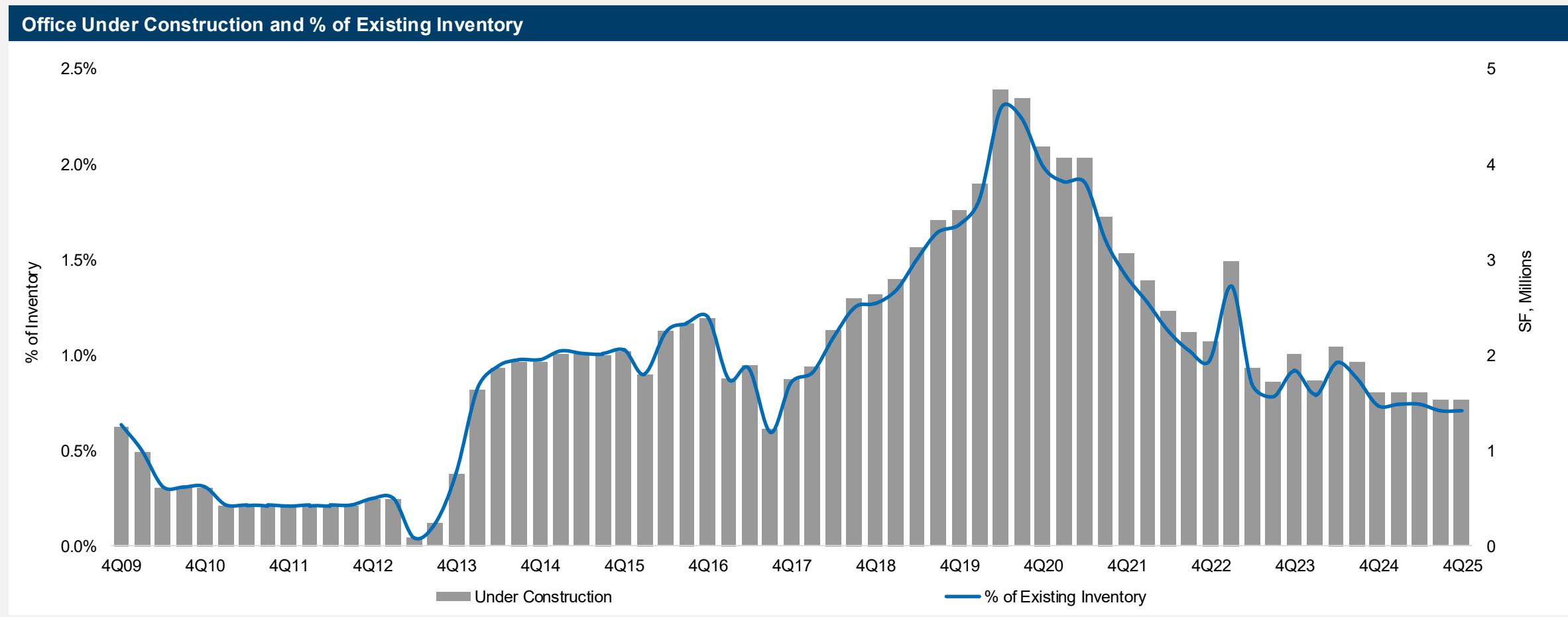
Leasing Activity Increases

Fourth quarter leasing activity increased by 4.8% compared to this quarter last year, and annual leasing for 2025 was up by 2.0% from 2024. A sluggish economy, still-high inflation, and hybrid work 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.



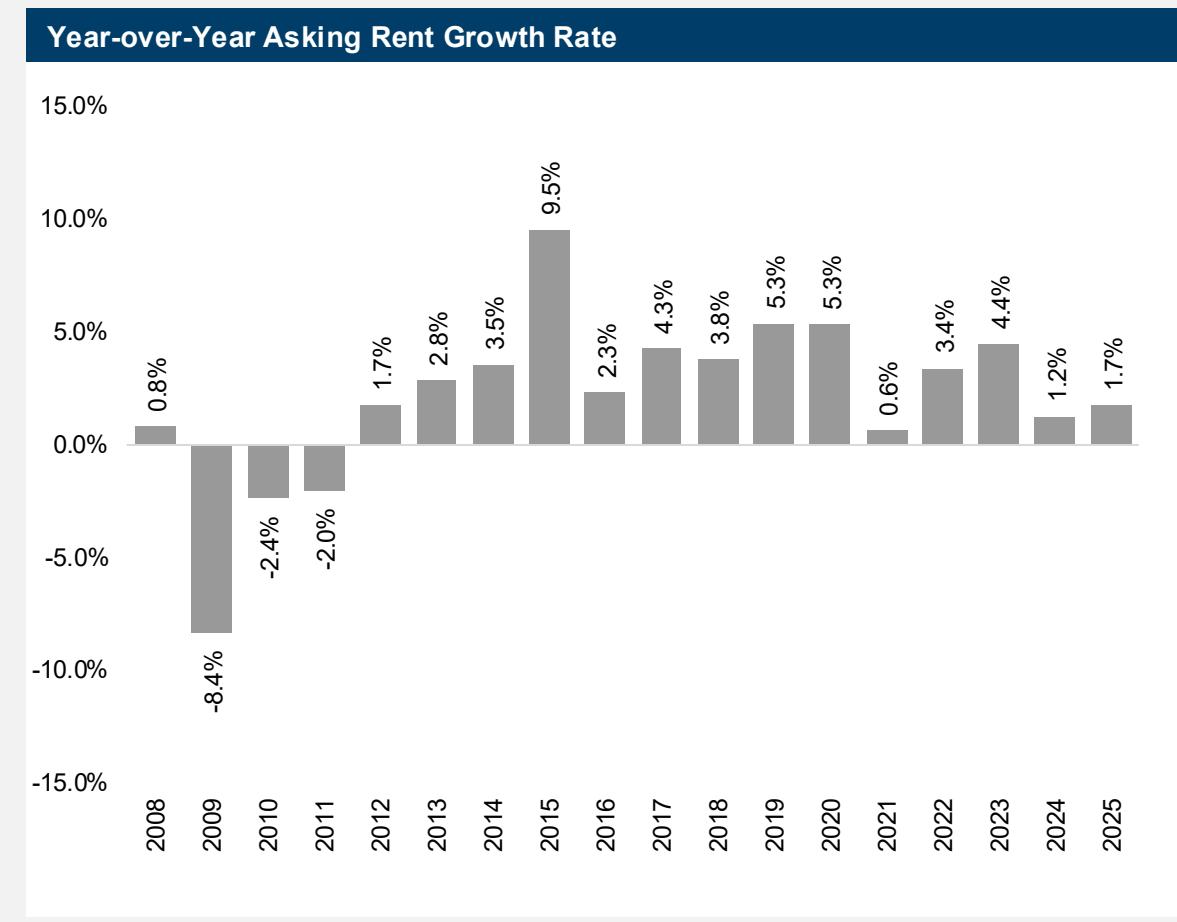
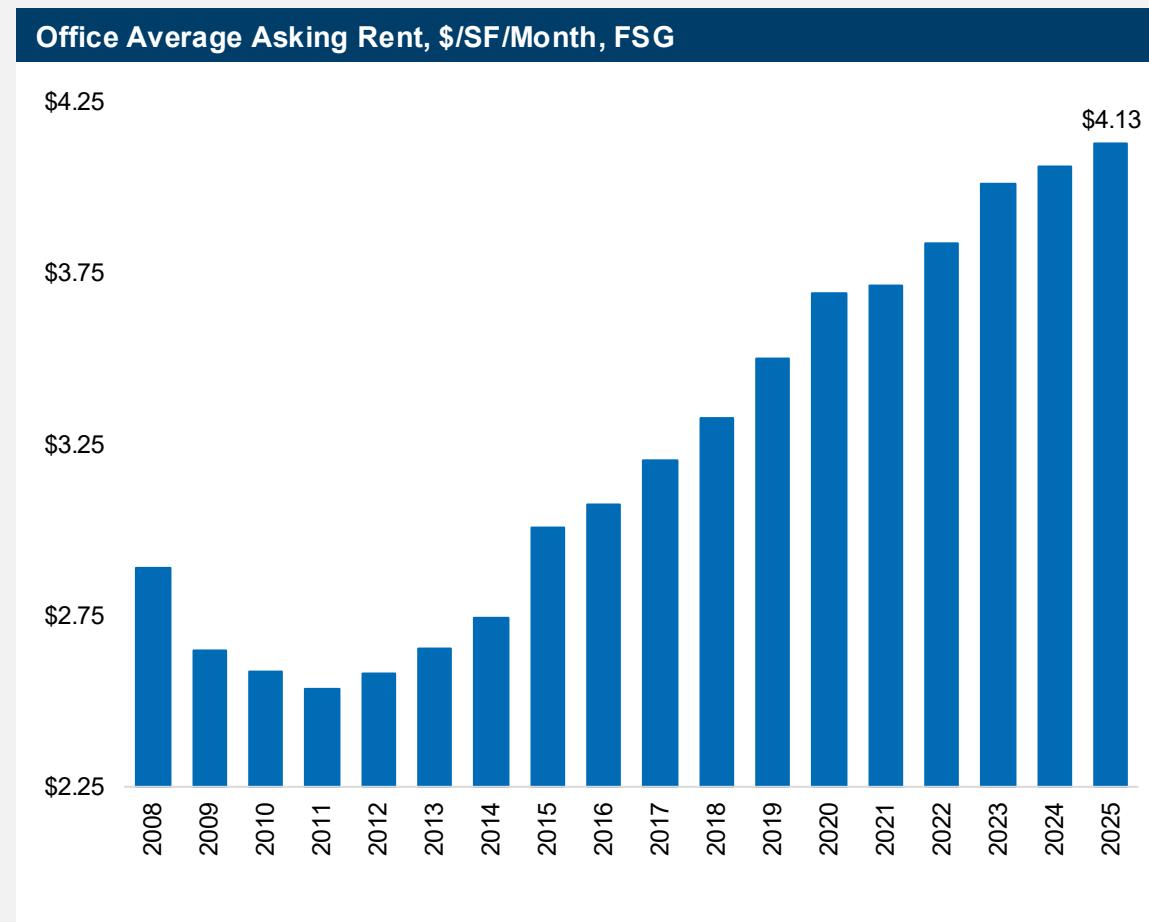
Construction Volume Remains Muted

Construction volume is at the lowest point since 2017 as no projects broke ground in fourth quarter. The completion of 83,500 SF of unleased space at 717 Seward St in Hollywood last quarter was the sole delivery in 2025. Construction activity will continue to fall as underway projects deliver and speculative development for office doesn't pencil out. Though, there may be a few building renovations.



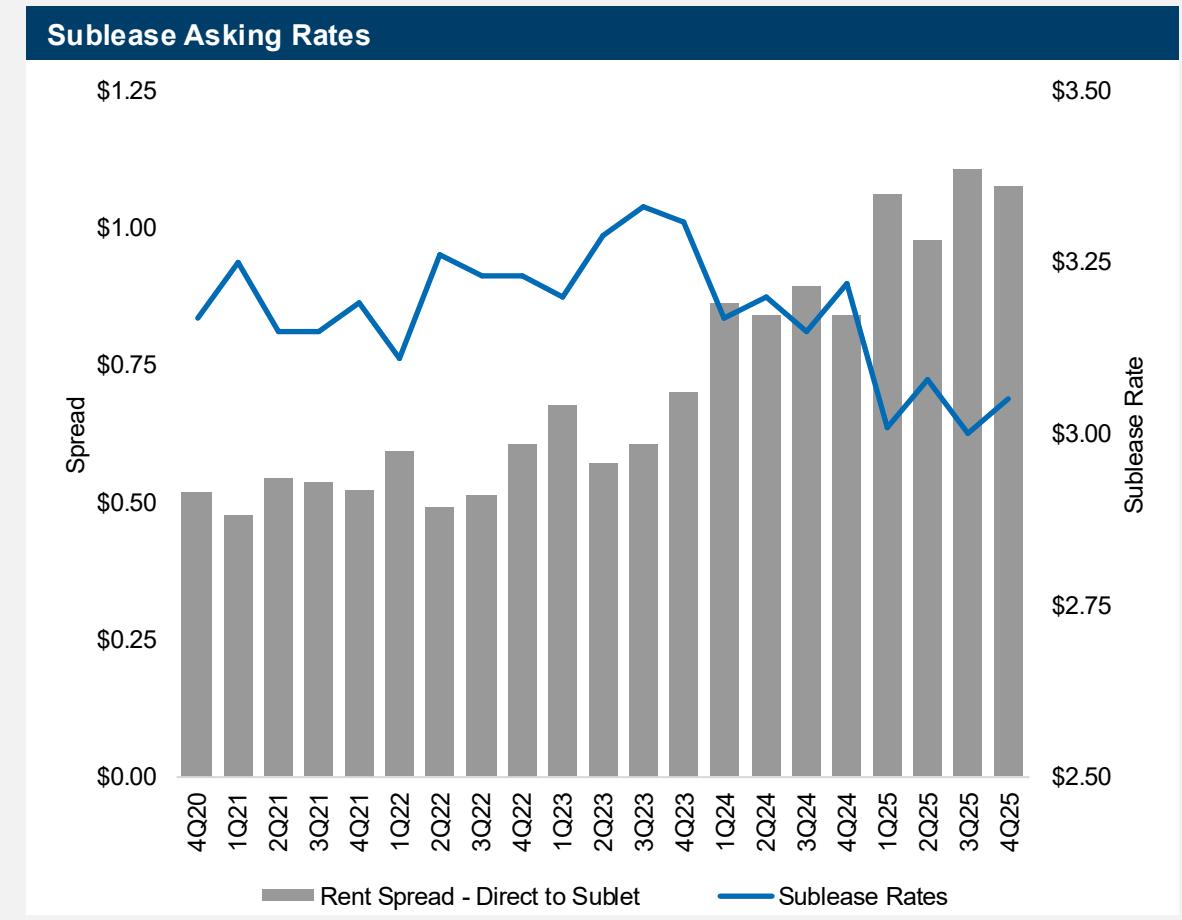
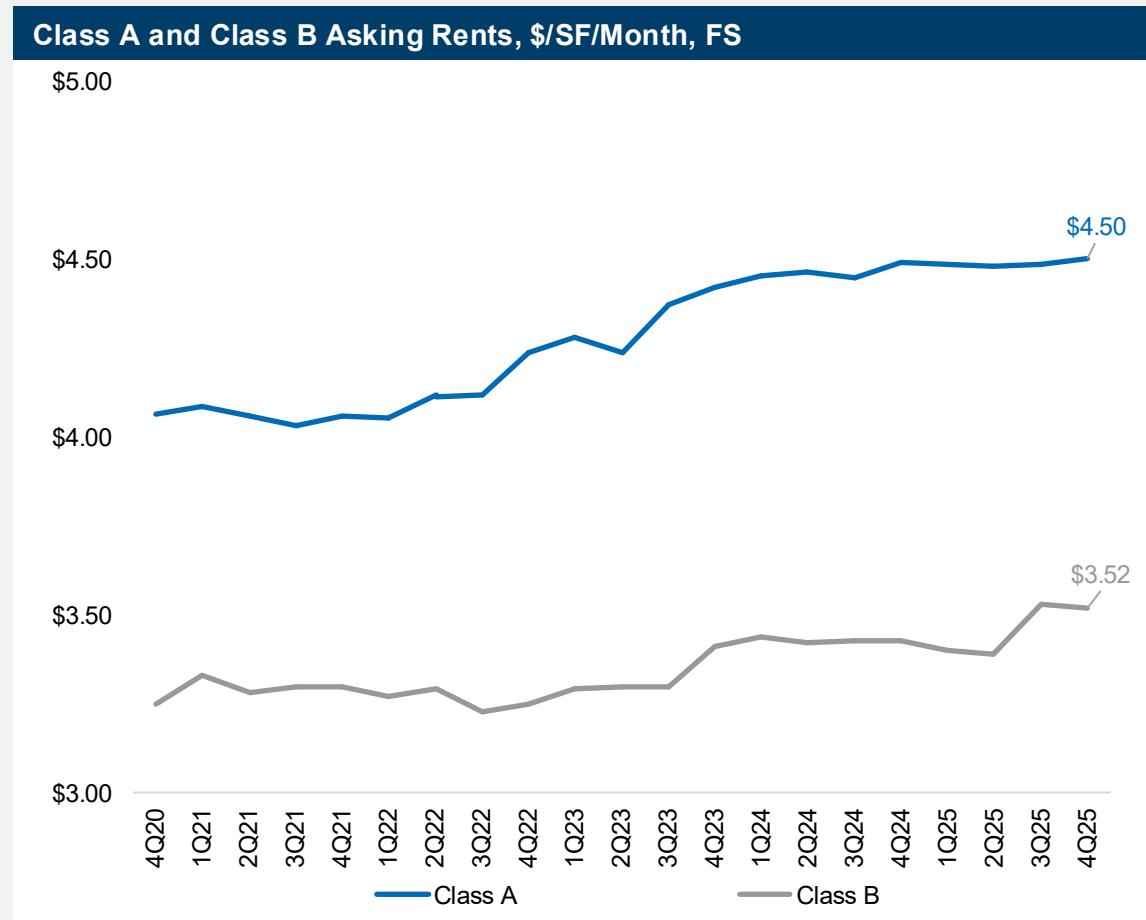
Asking Rents Continue Growth

Although rental rate growth remains slow, the current average asking rental rate of \$4.13/SF FSG represents a 1.7% increase over the last twelve months. However, rent growth from 2021-2025 has generally underperformed the rate of inflation.



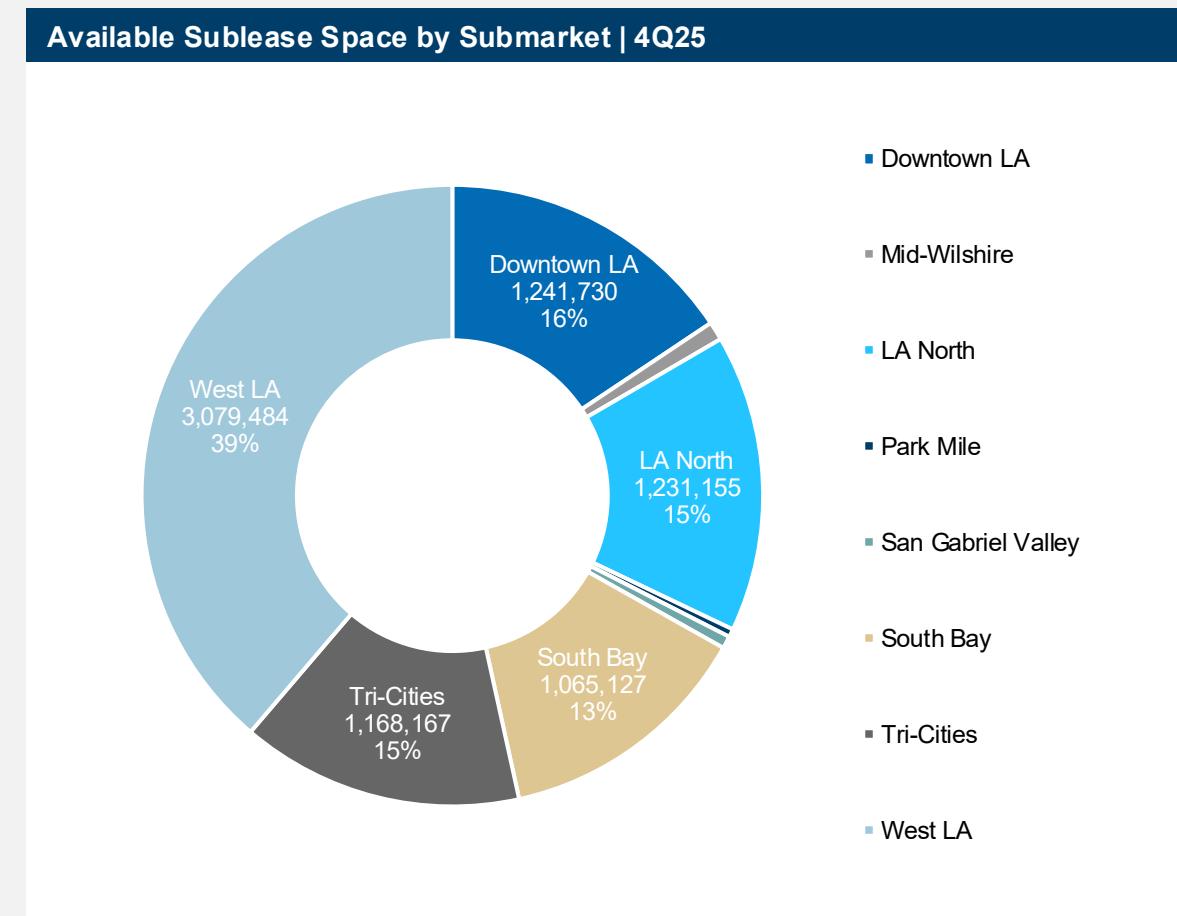
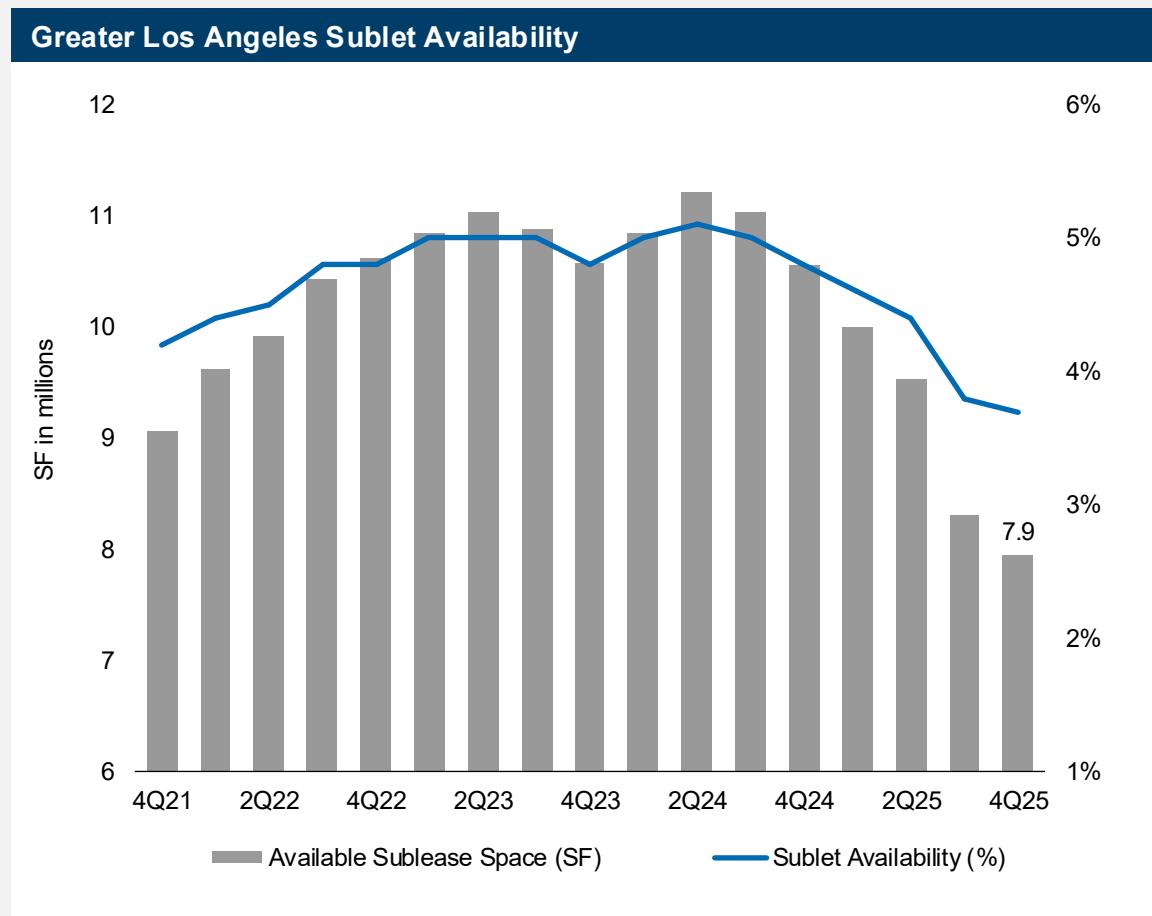
Class A and B Asking Rents Plateau in Fourth Quarter

Rental rates saw minimal changes in the fourth quarter, with Class A rents increasing by only 0.2% and Class B decreasing by just 0.3%. Class A rates were generally flat year-over-year, while Class B rates increased by 2.6%. Sublease asking rents remain generally competitive, but the spread between direct and sublet rates remains high.



Sublease Availability At Lowest Point Since 2020

Current available sublease space of 7.9 MSF (3.7% of inventory) is at the lowest point seen in the last five years. Removals that contributed to this quarter's decline included Farmers Insurance (251,774 SF in West Valley), Roku (58,338 SF in Santa Monica), NFL Media (53,948 SF in LAX/Century Blvd), and Optum (53,937 SF in El Segundo/Beach Cities). All these large removals were withdrawals by the sublessors.



Diverse Leasing Activity Across Industries Continues

Notable 4Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Lease Type	Square Feet
Farmers Insurance	6301 Owensmouth Ave	Los Angeles North: West Valley	Lease Renewal	251,774
<i>The insurance company signed a 10-year renewal at one of their headquarter buildings at Farmers Plaza in Woodland Hills, keeping 6301 Owensmouth Ave (251,774 SF) while choosing not to renew at 6303 Owensmouth Ave (262,630 SF).</i>				
United Talent Agency	9336-9346 Civic Center Dr	West Los Angeles: Beverly Hills	Lease Renewal	192,000
<i>The global talent agency renewed their headquarters lease at the UTA Plaza in Beverly Hills. UTA has operated at the building since 2011.</i>				
Northrop Grumman	3701 Doolittle Dr	South Bay: El Segundo/Beach Cities	Lease Extension	124,400
<i>The American aerospace and defense technology company extended their lease in Redondo Beach for another 12 months to run through August 2027.</i>				
In & Out	924 Overland Ct	San Gabriel Valley: Eastern SGV	Direct Lease	98,504
<i>The fast-food chain leased a full, two-story building in the San Dimas Corporate Park.</i>				

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