

4Q24

NEWMARK

Los Angeles Office Market Overview



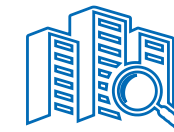
Market Observations

Economy

- Local unemployment across all industries was 5.8% in November 2024, up 90 bps from 12 months ago. Office-using employment was up by 2,300 jobs, with the information sector (where tech companies are generally grouped) leading the gains.
- The Fed cut interest rates by 25 basis points this quarter, bringing the benchmark short-term rate to a range of 4.25%-4.5%, a full percentage point below the four-decade high reached in July 2023. After three rate cuts in 2024, the Fed signaled a slowdown in reductions in 2025 as inflation lingers.
- Corporate profits are up, and capital costs are progressively coming down with interest rate reductions. This could lead to more white-collar job gains (and subsequent office leasing activity), assuming the U.S. economy remains on stable ground in 2025.

Major Transactions

- Los Angeles County finally closed on the Gas Company Tower in Downtown Los Angeles (555 W 5th St), purchasing the 1.5-MSF office tower for \$200 million, well below the reported \$632 million valuation in 2020. The county will consolidate from several nearby office locations, many of which are not up to seismic code.
- The Los Angeles Olympics Committee leased 160,000 SF at 1150 S Olive St in Downtown Los Angeles. The tenant will occupy the space through the 2028 Summer Games and replace USC's building signage.
- The Toy Association, a trade group representing the U.S. toy industry, leased 95,704 SF at 101 Continental Blvd in El Segundo for 132 months. Newmark represented the tenant, which will relocate from temporary space at the Kilroy Airport Center. The deal follows expansions from Mattel in El Segundo throughout 2024.



Leasing Market Fundamentals

- Total vacancy (25.1%) and availability (29.0%) dropped slightly this quarter by 10 and 60 bps, respectively.
- Vacancy in trophy buildings is much lower than Class A, while trophy rents command a rent premium. Trophy product 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 moderate in 2024 but remained subdued compared to pre-pandemic years as hybrid work conditions and higher business operating costs weigh on office tenants. Most leases are expiration driven with tenants, on average, cutting their footprints by 15-20% when their leases come due.



Outlook

- Leasing activity will accelerate if more companies mandate a full return to the office, and, after years of reducing footprints, some realize they now have a space deficit.
- Leasing will also see gains when businesses eventually expand and office-using employment increases; this is contingent on a stable U.S. economy, decreasing capital costs and healthy and consistent corporate profits.
- Tech and media leasing will likely remain sleepy in 2025. Tech firms are being more conservative with space needs, while media requirements are declining following consolidations amidst M&A activity.
- Sales activity will increase as more private investors and owner/users take advantage of discounted pricing and lower interest rates. Quality assets in desirable market areas (e.g., Silicon Beach) will be sought after.

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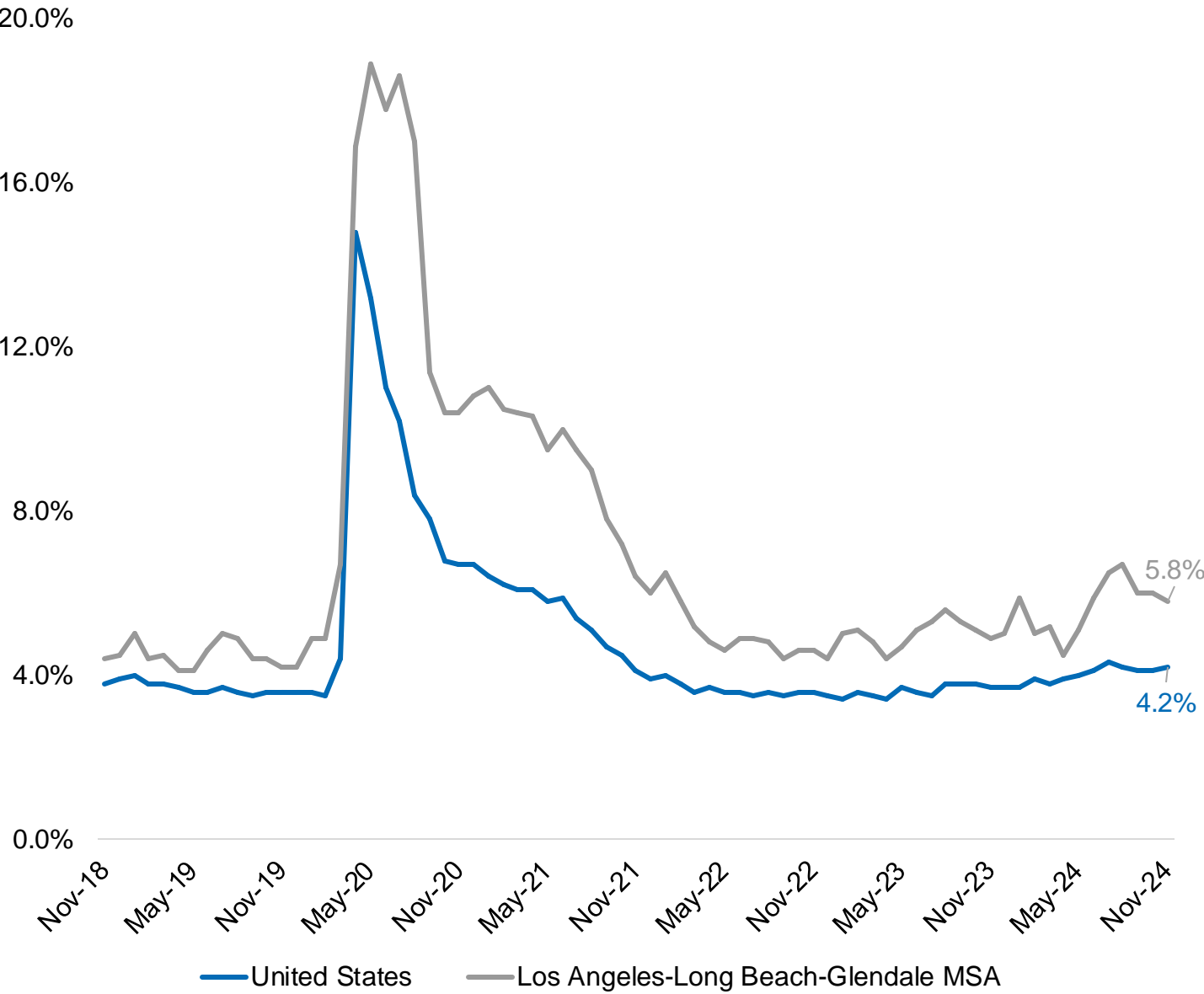
Economy



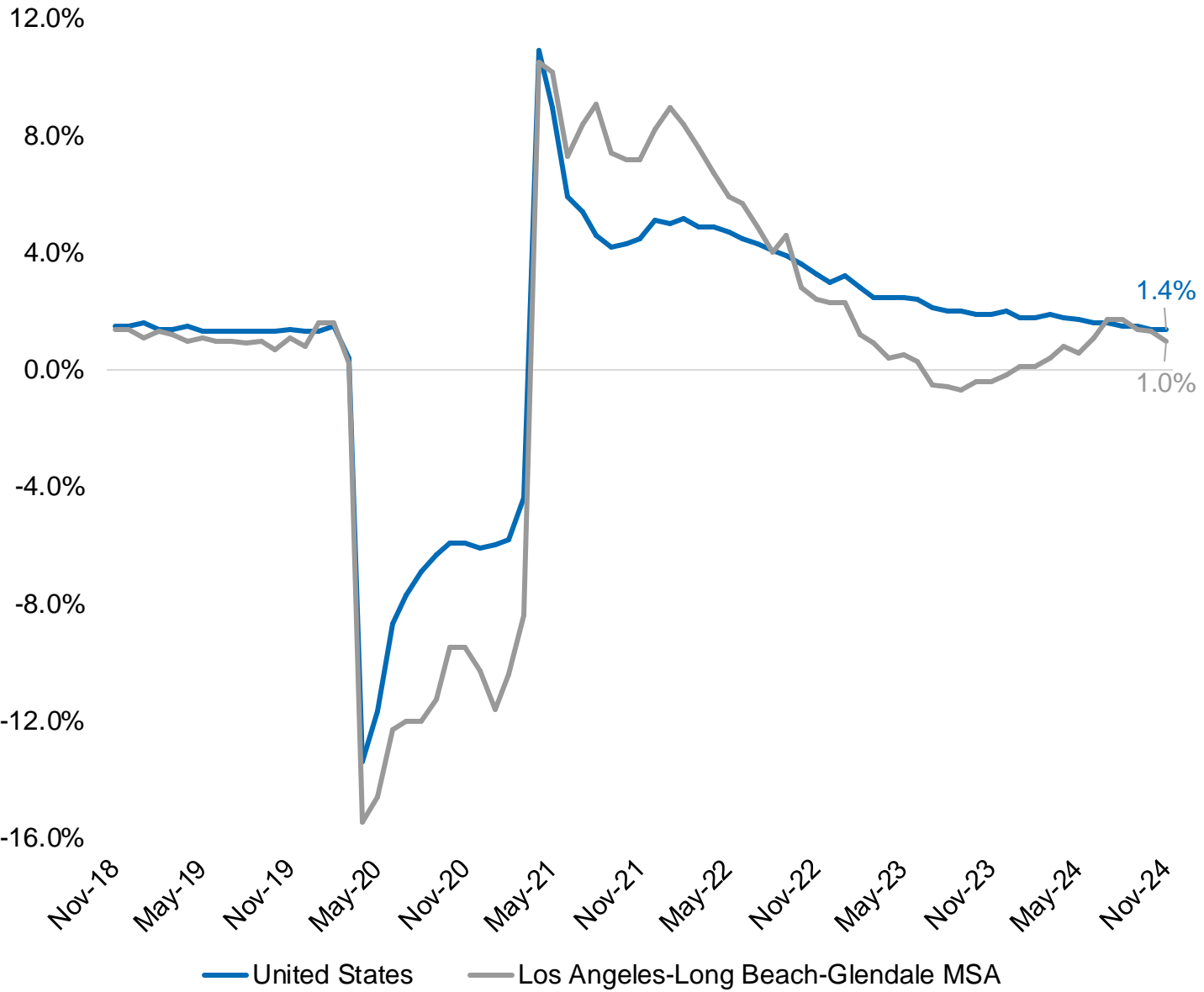
Job Growth Continued Through 2024

Local unemployment settled at 5.8% in November 2024, a 90 bps increase from a year prior. While local 12-month job growth has slowed in the last few months, it has remained positive through 2024 following a six-month period of decline in the second half of 2023. The Fed cut interest rates by 25 basis points this quarter to 4.25%-4.5%, a full percentage point below the four-decade high reached in July 2023. Lower interest rates generally make borrowing cheaper for businesses, which can encourage them to expand operations, invest in new projects and potentially hire more workers.

Unemployment Rate, Seasonally Adjusted



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



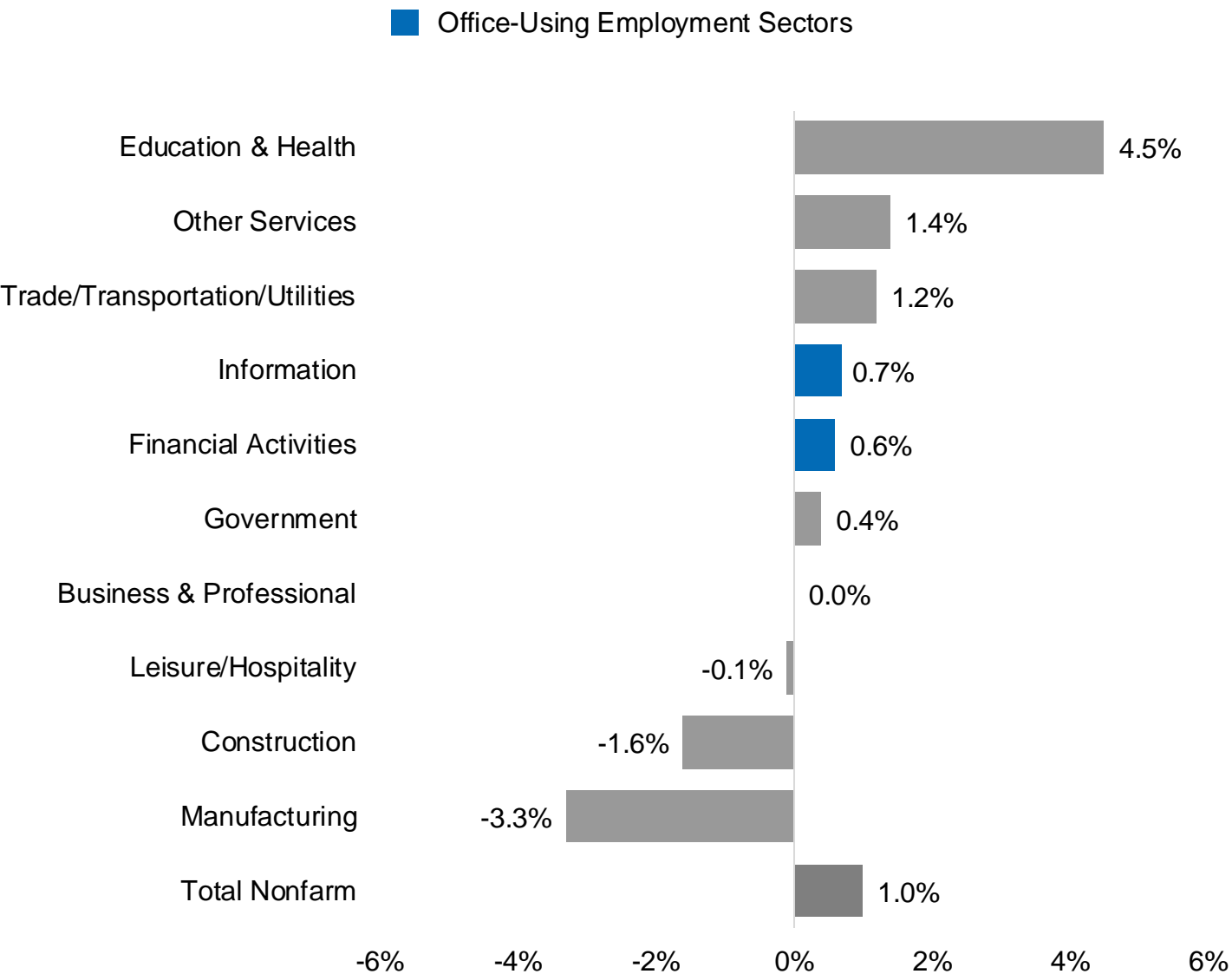
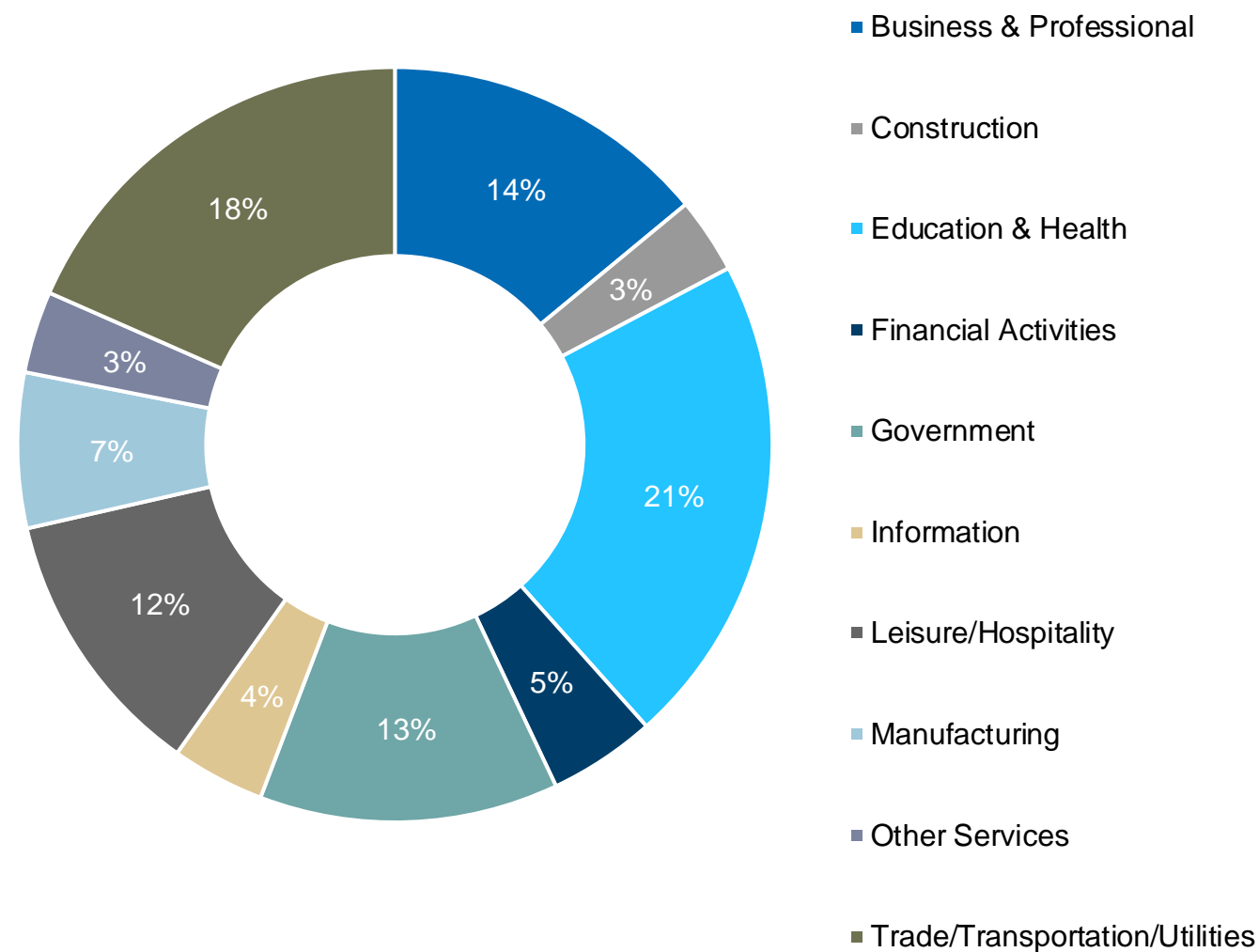
Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale MSA

Information Sector Leads Office-Using Job Growth

Following reductions over the course of 2023, the information sector (where technology companies are generally grouped) led office-using employment in annual gains with a 0.7% increase. Information employment currently totals 185,200 jobs, below the 24-month average of 190,200, but above the 12-month average of 183,500.

Employment by Industry, November 2024

Employment Growth by Industry, 12-Month % Change, November 2024

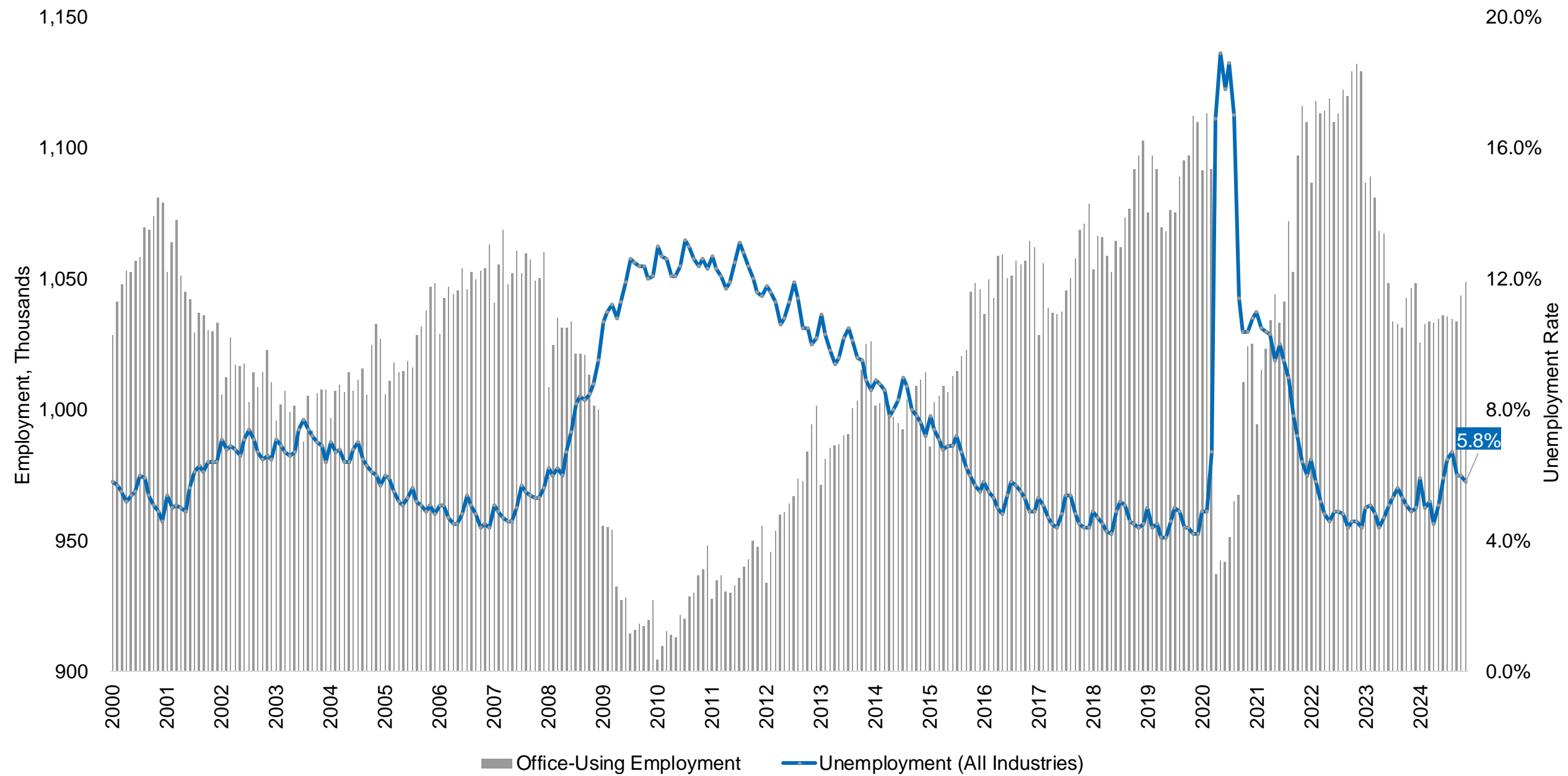


Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale MSA

Overall Office-Using Employment Up Year-Over-Year

Local office-using employment in November was up by 2,300 jobs compared to the same month in 2023. Interest rate reductions, rising corporate profits and capital costs coming down could lead to more office-using job gains if the economy remains on course.

Office-Using Employment* and Unemployment Across All Industries

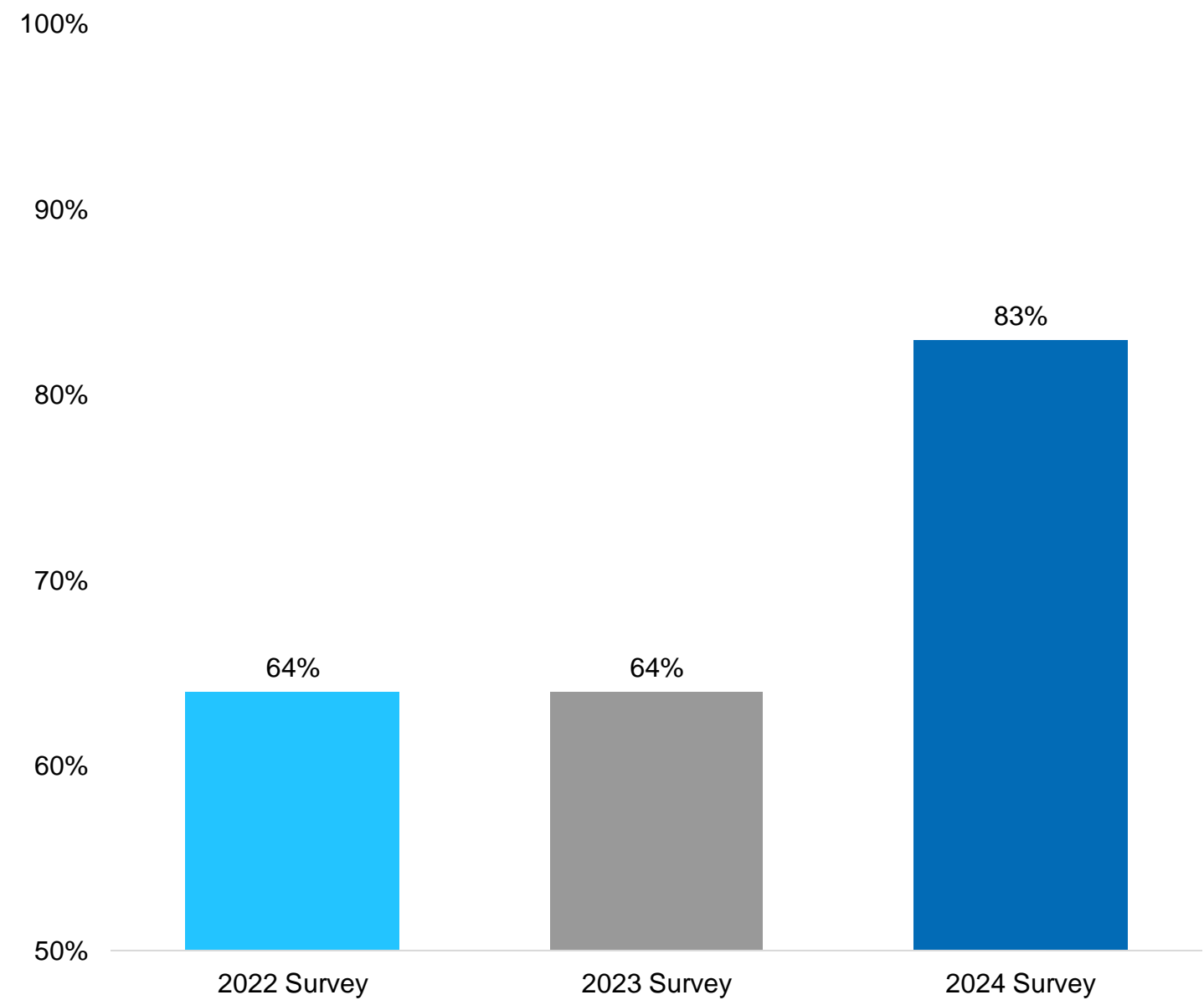


Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale, CA
Note: November 2024 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

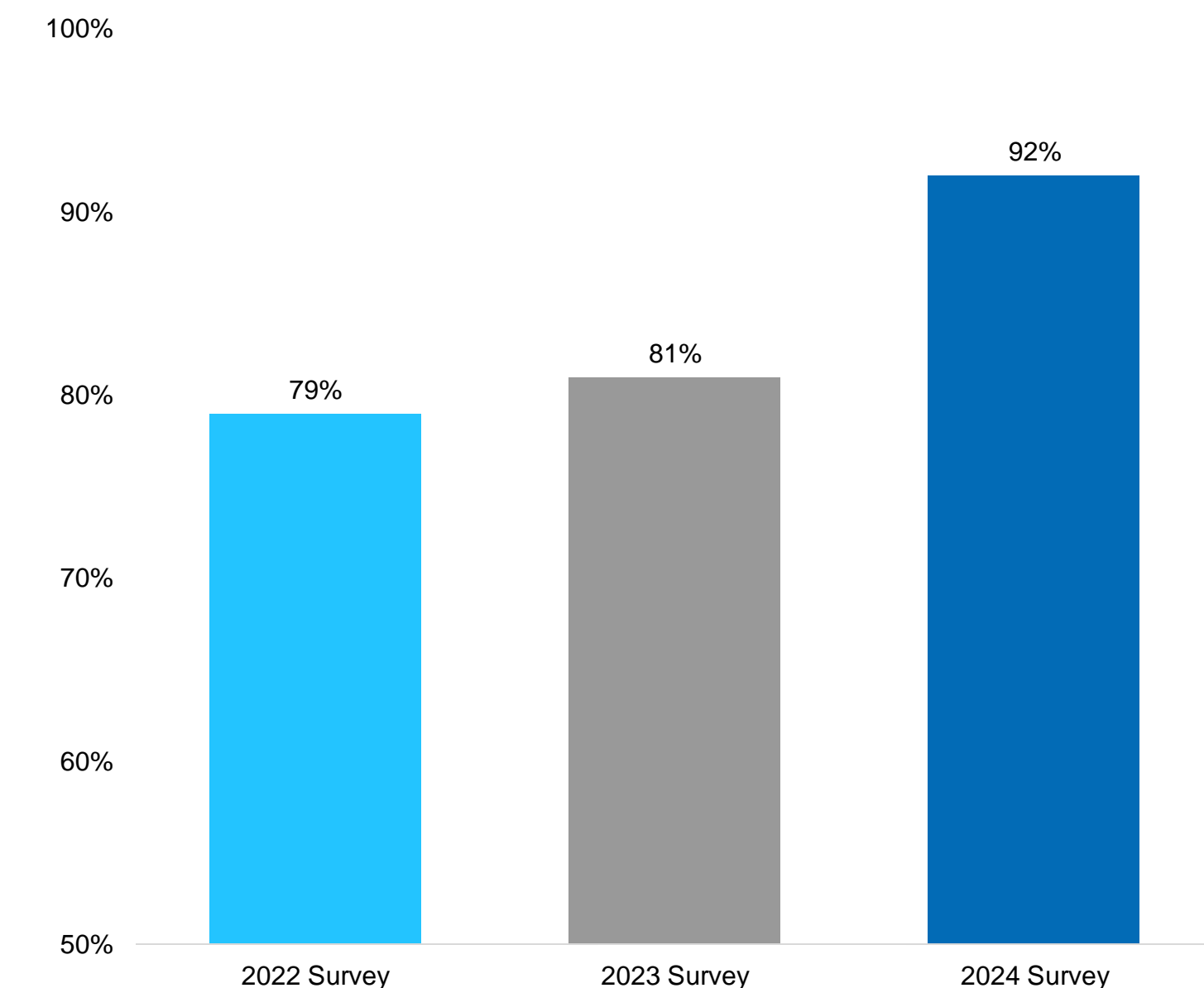
Return-to-Office Outlooks are Improving; Leasing Activity Stands to Benefit

KPMG recently surveyed 1,300 global CEOs and 83% expect their companies to mandate full returns to the office over the next three years. Moreover, 92% anticipate headcount growth over the same period. Both figures are noticeably higher than prior survey years, and office leasing dynamics will vastly improve if plans become reality.

Percentage of CEOs Anticipating a Full Return to the Office in Next Three Years



Percentage of CEOs' Expecting Headcount Growth Over the Next Three Years



Source: KPMG 2024 CEO Outlook (September 2024)

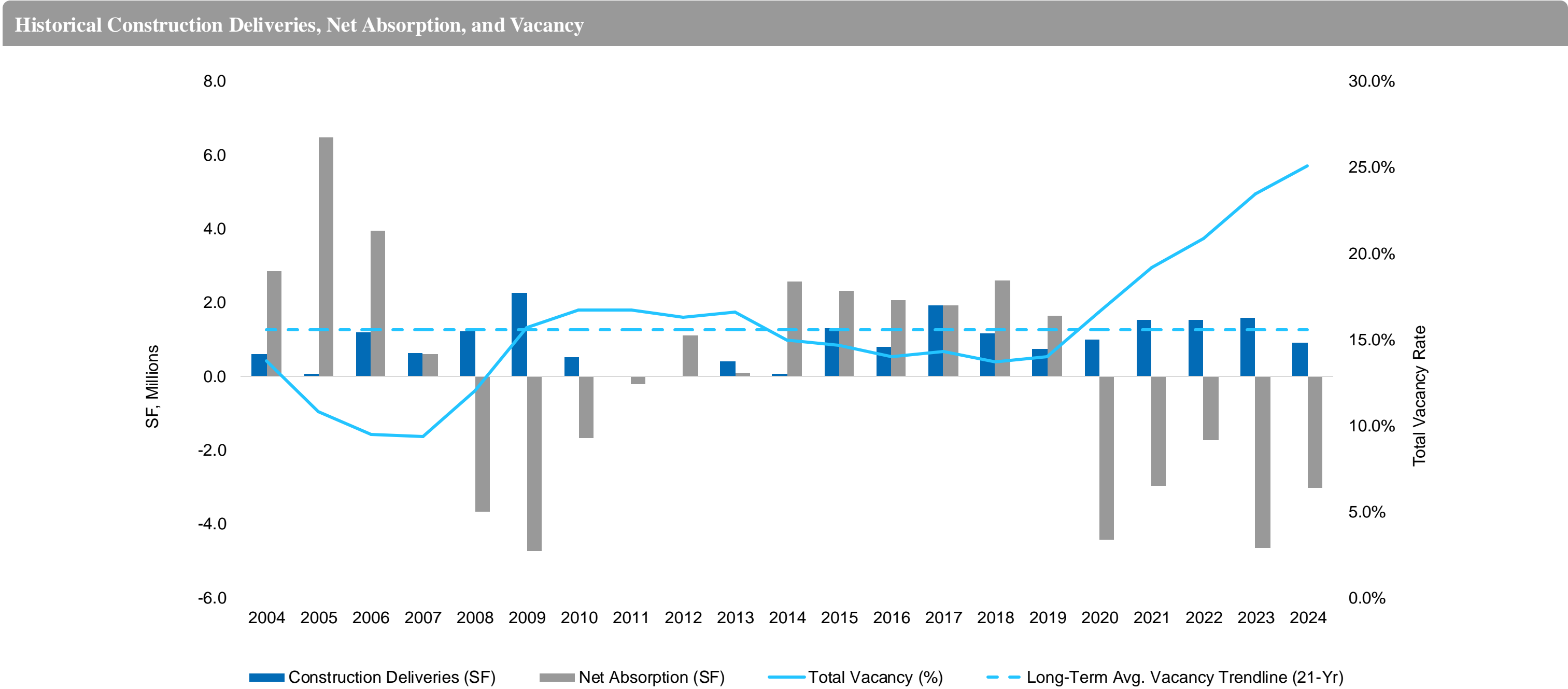
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Leasing Market Fundamentals



Vacancy Still High But Improves in Fourth Quarter

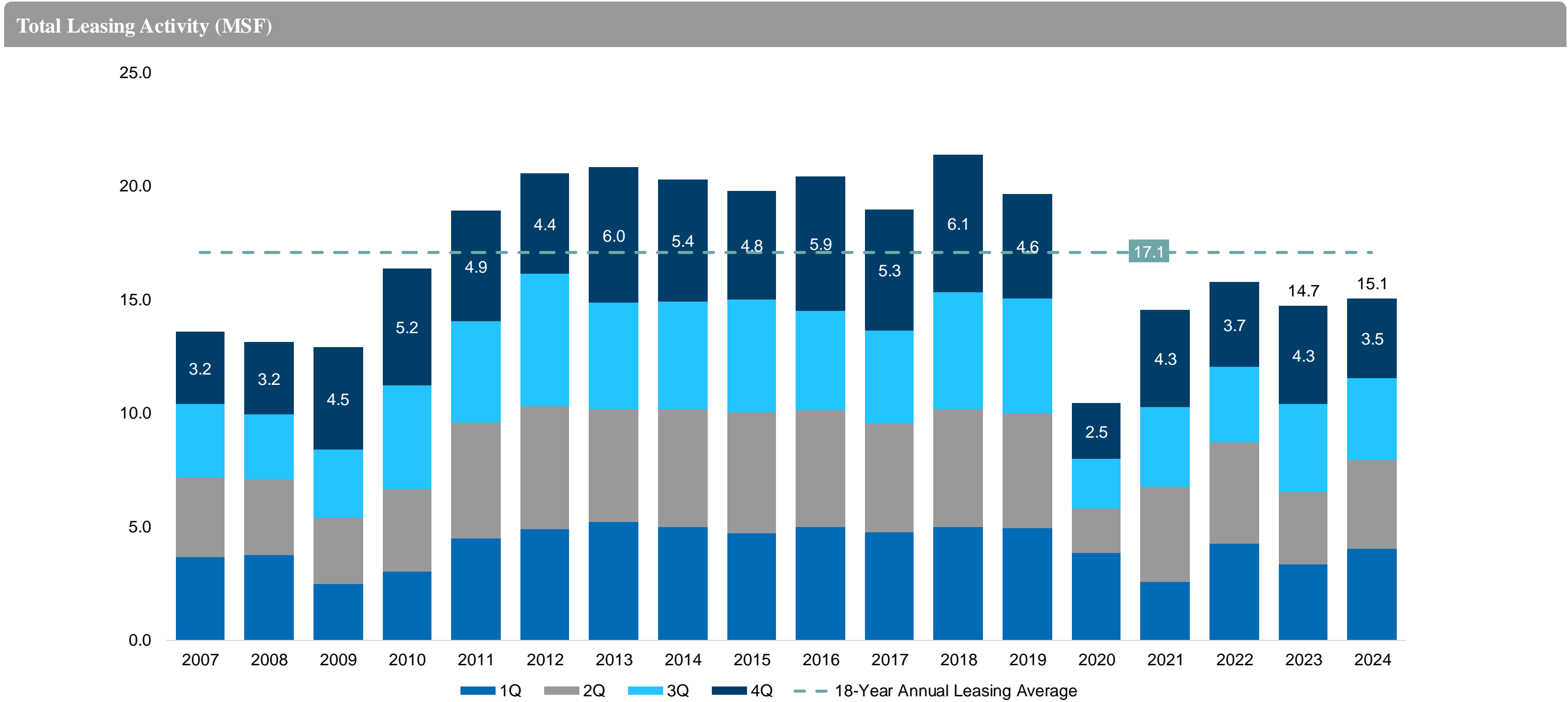
After eleven quarters of increases, total vacancy saw a slight decline over the last three months to end the year at 25.1%. On a square footage basis, direct vacancy was down 243,016 SF while sublease vacancy saw a 61,181-SF increase over the same period. Net absorption was positive in the fourth quarter, but the total for 2024 remained in the red.



Source: Newmark Research

Leasing Activity Slightly Higher than 2023, But Still Below Pre-Pandemic Totals

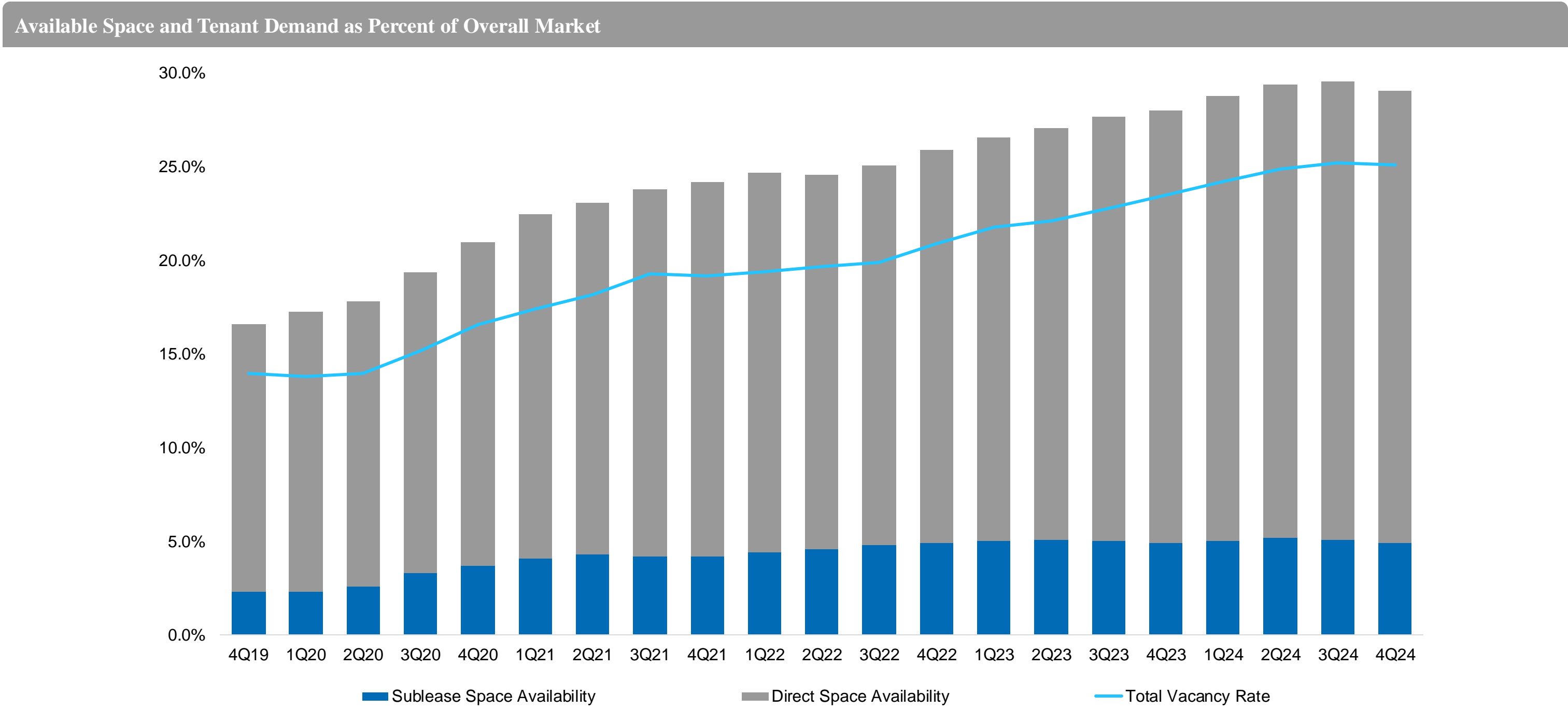
A sluggish economy, still-high interest rates and hybrid work models are constraining leasing momentum. Two things need to happen for leasing activity to reach 2011-2019 levels: 1) More companies mandate full returns to the office and/or 2) Office-using employment increases, whether from business expansions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



Source: Newmark Research, CoStar

Direct and Sublease Availability Fall in Fourth Quarter

After over two years of quarterly increases, total availability decreased over the course of the fourth quarter by 60 basis points to 29.0%. Direct availability declined by 723,803 SF while sublease availability fell by 511,602 SF. General economic conditions and telework, which are causing tenant downsizes and consolidations, will limit recovery.

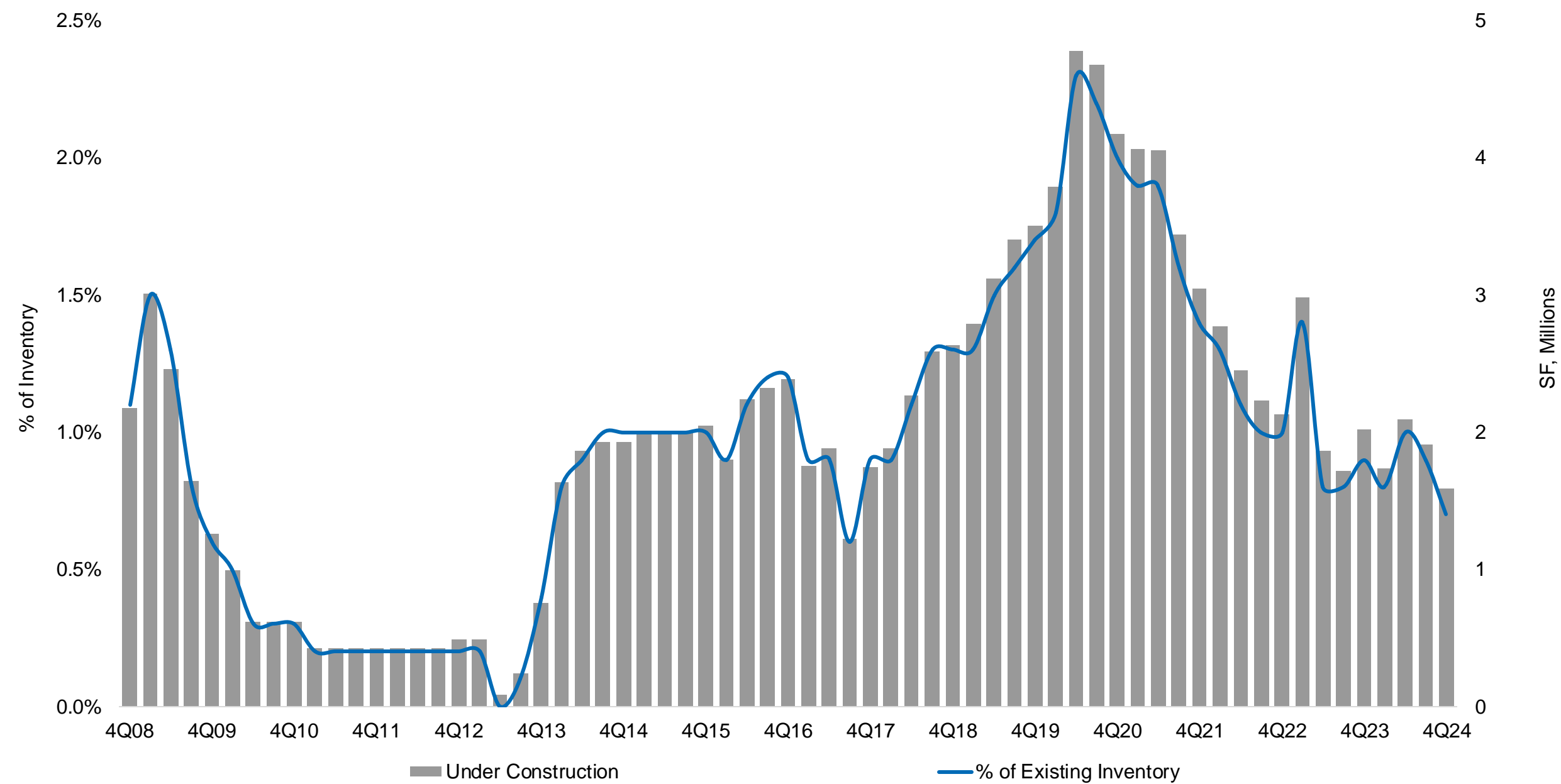


Source: Newmark Research

Construction Volume at Lowest Point Since 2017

Construction volume continued to decrease after completions in the fourth quarter that included 42XX (151,067 SF across three buildings at 4504 Glencoe Ave in Marina del Rey), Forge at Alloy (127,456 SF at 530 Mateo St in the Arts District of Downtown Los Angeles) and 1640-1644 14th St in Santa Monica (39,629 SF).

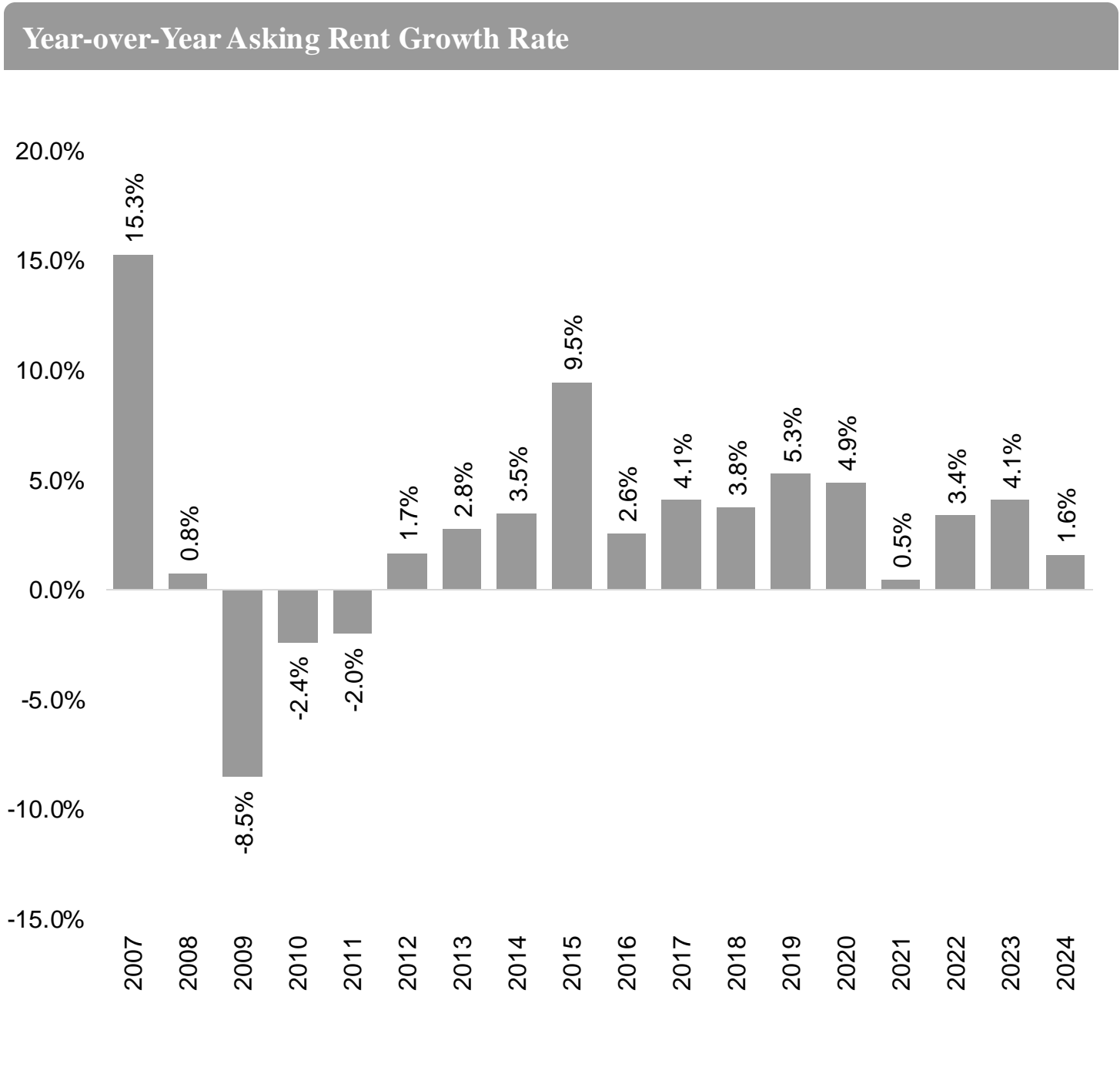
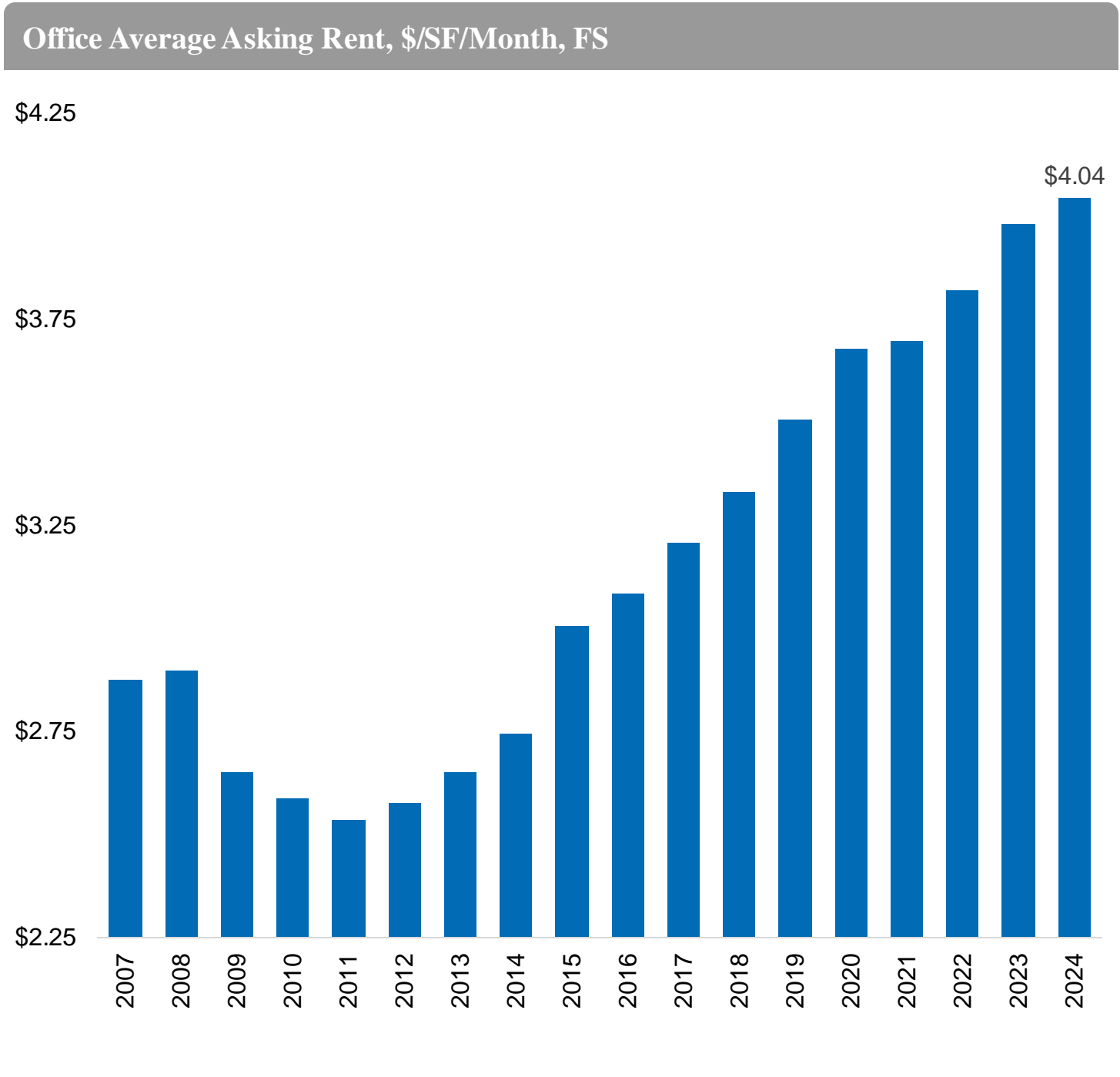
Office Under Construction and % of Existing Inventory



Source: Newmark Research

Asking Rents Still Rising

Landlords remain reluctant to devalue their buildings and are maintaining asking rents. Though, rent growth from 2021-2024 has generally underperformed the rate of inflation.

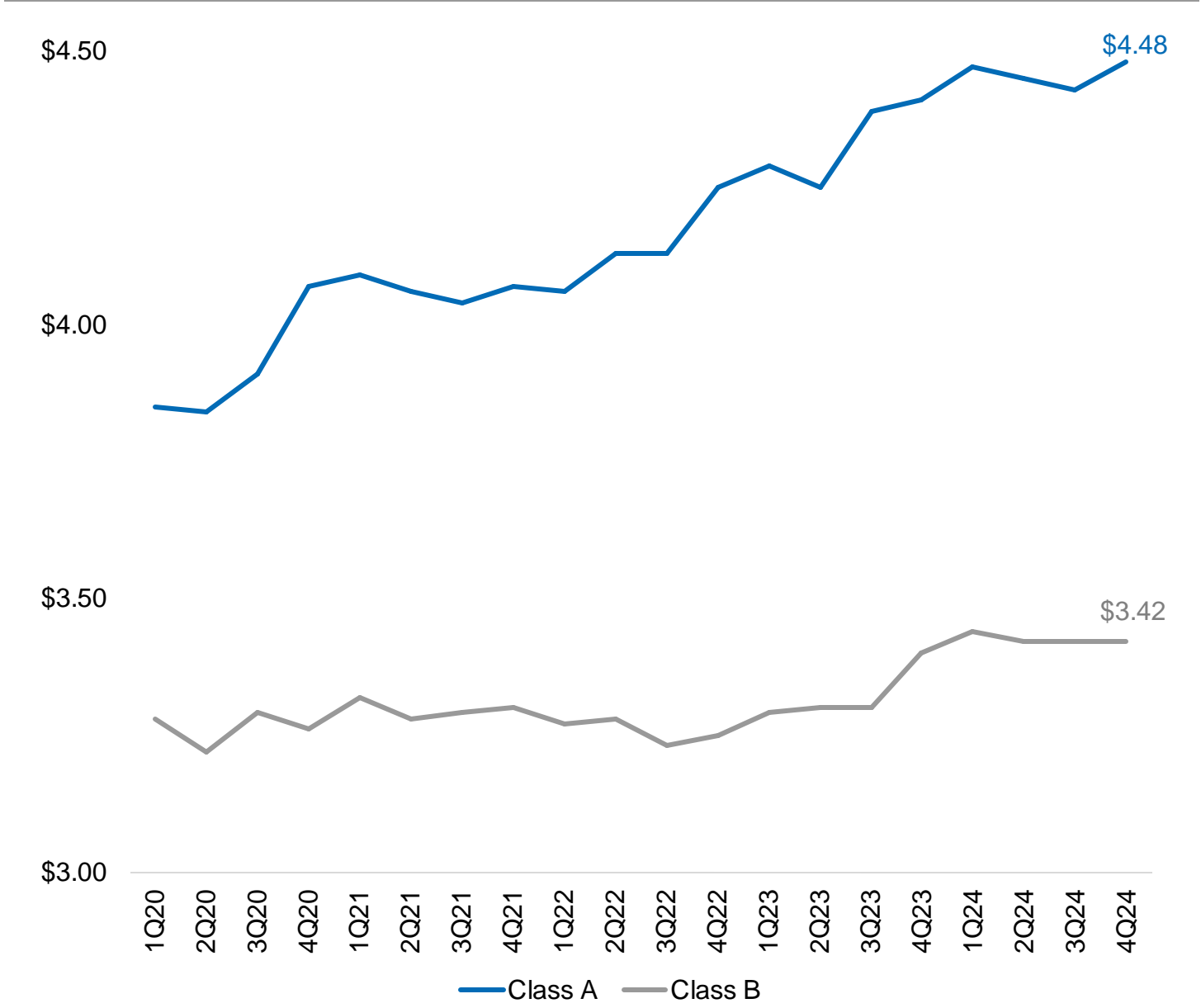


Source: Newmark Research

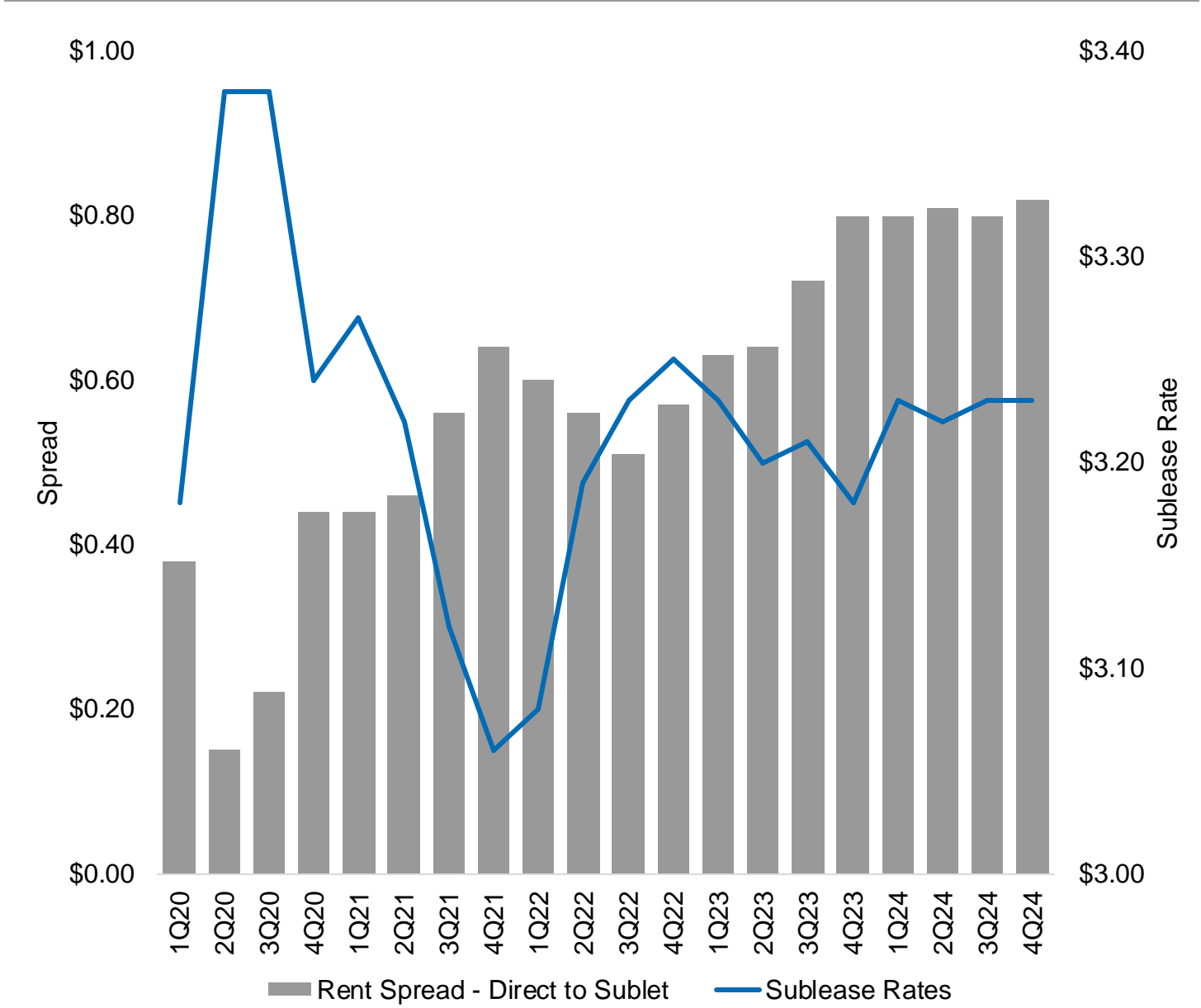
Class A Rents See Higher Annual Gains

Class A rates increased 1.5% year over year, while Class B rates saw 0.7% growth. Sublease asking rents, meanwhile, remain elevated. This is from tech and entertainment companies that leased excess trophy space prior to the pandemic and now have overcapacity to shed.

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



Sublease Asking Rates

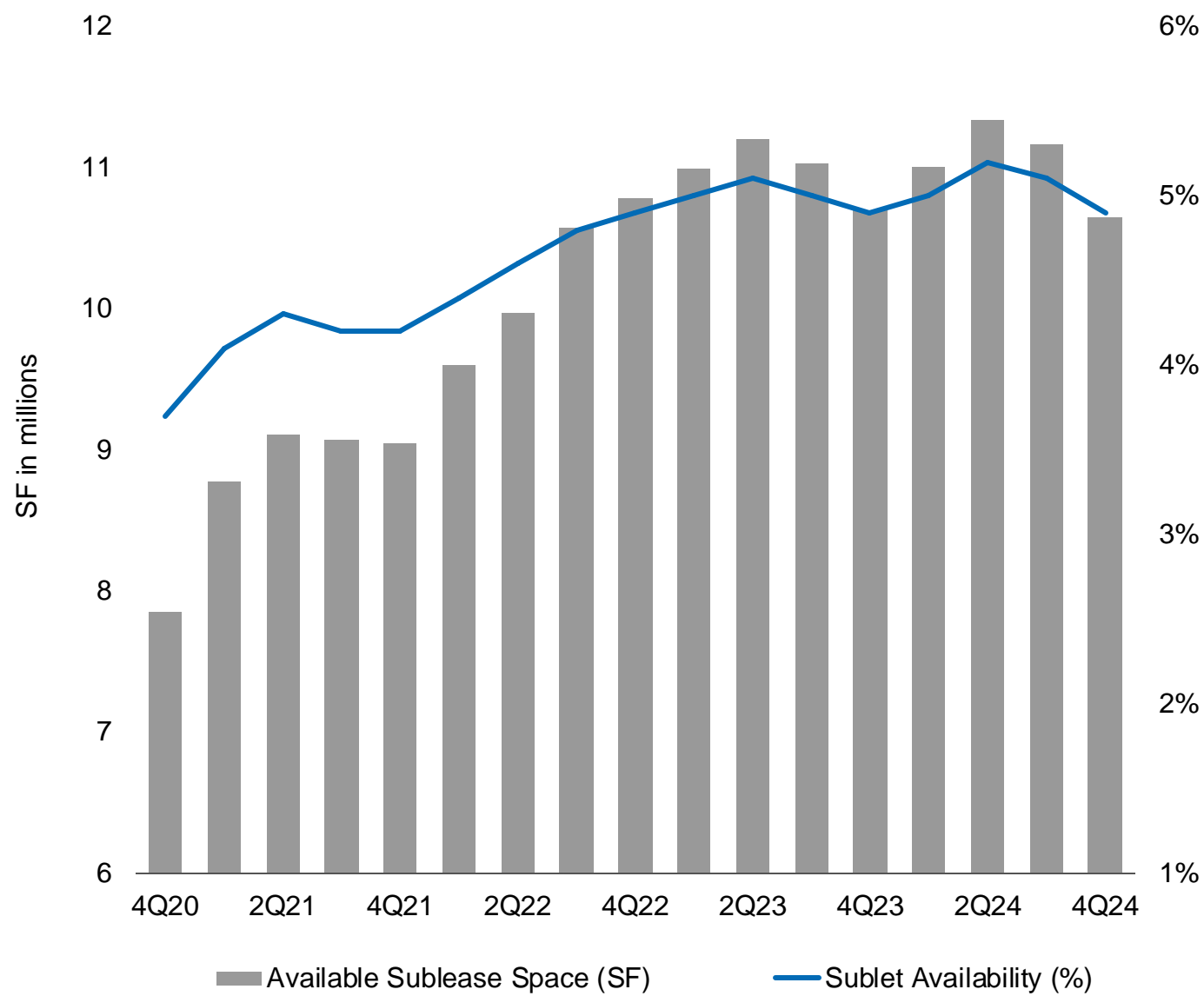


Source: Newmark Research, CoStar

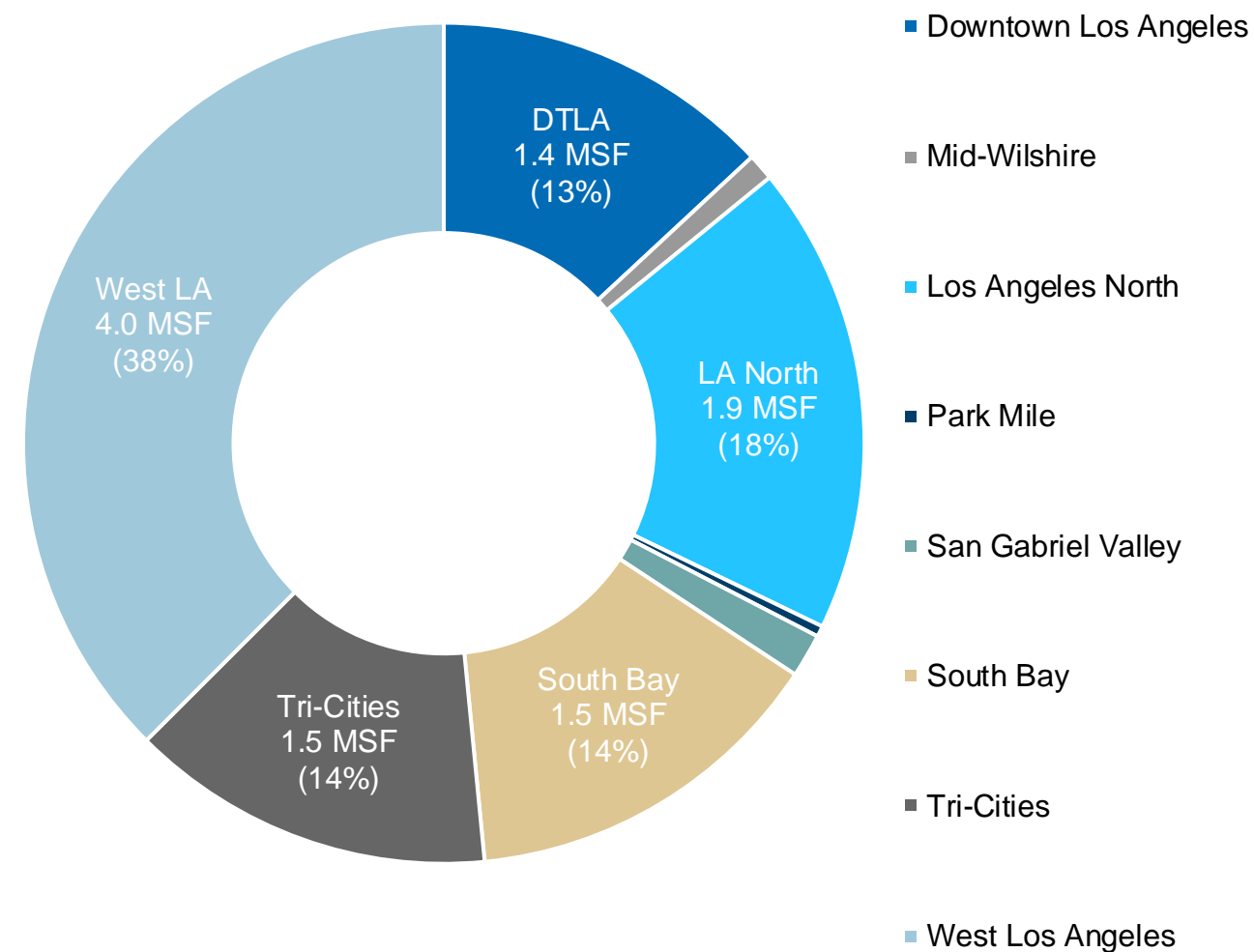
Sublease Availability Continues to Trend Down

Removals that contributed to this quarter’s decline included DirecTV (75,606 SF subleased to Boeing), Wella in Conejo Valley (60,000 SF withdrawn), MotorTrend in El Segundo (59,508 SF transitioned to direct space and leased to Mattel) and All3 Media in Culver City (50,414 SF subleased to Jazwares). Generally, most of today’s sublease removals are from withdrawals or space coming to term and transitioning to direct availability.

Greater Los Angeles Sublet Availability



Available Sublease Space by Submarket

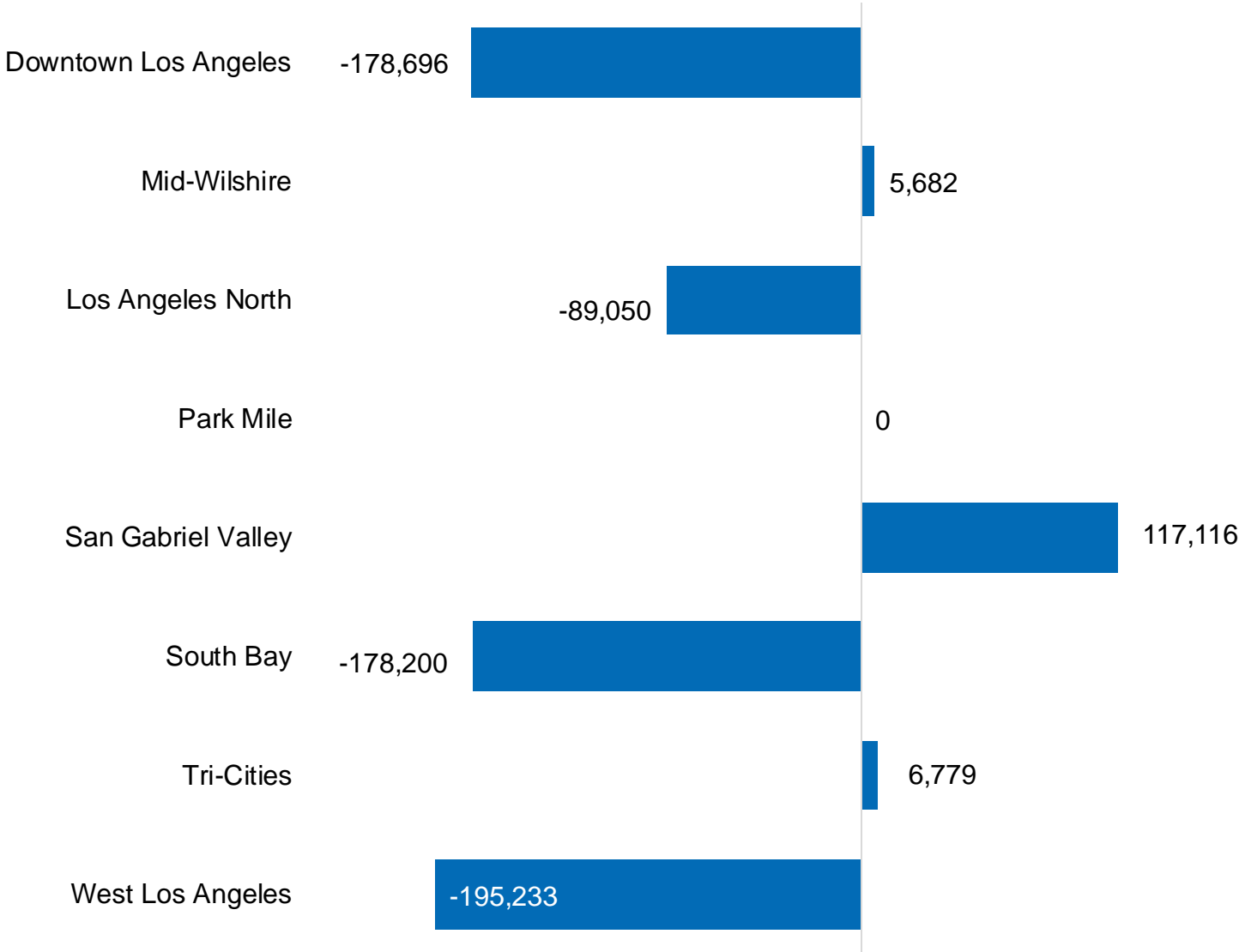


Source: Newmark Research

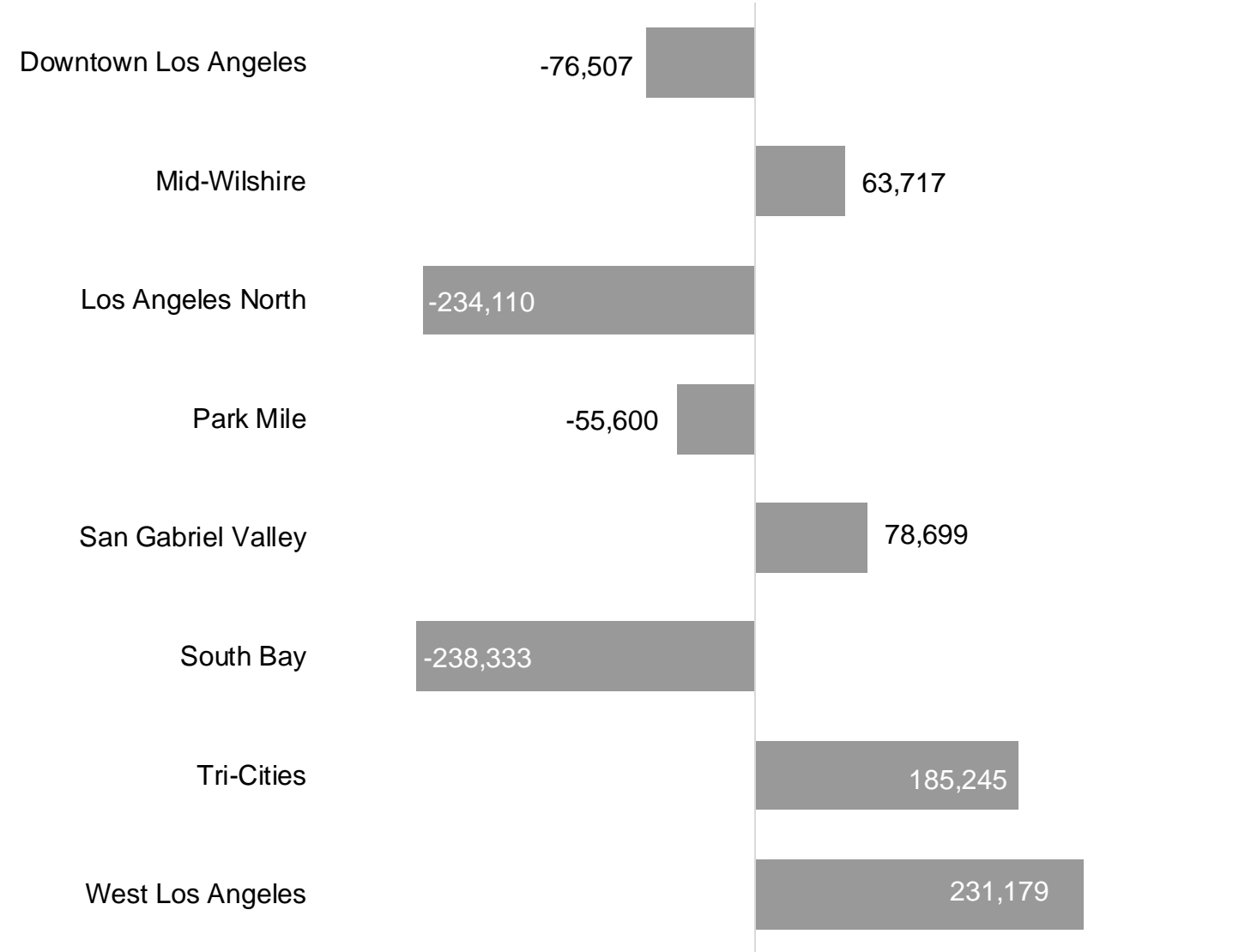
West Los Angeles Leads Annual Sublease Gains, But Saw Quarterly Decline

Although most submarkets in the Los Angeles region saw a decline in sublease availability in the fourth quarter, notable additions over the last three months included Leidos QTC Health Services (98,504 SF at 924 Overland Ct in Eastern San Gabriel Valley), Nike (93,166 SF at Water’s Edge in Playa Vista) and NFL Media (53,948 SF at Inglewood’s Hollywood Park in LAX/Century Blvd).

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



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



Source: Newmark Research

This Quarter’s Top Leases Were Diverse Across Industries and Locations

Notable 4Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Los Angeles Olympics 2028	1150 S Olive St	Downtown Los Angeles: CBD	Direct Lease	160,000
The Los Angeles Olympic Committee will replace USC signage at the building, and its lease will run through the 2028 Olympics. There will be three occupancy phases: January 2025, July 2025 and January 2026.				
Loeb & Loeb	10100 Santa Monica Blvd	West Los Angeles: Century City	Lease Renewal	130,000
The multi-service law firm renewed its Century City office space for 13 years.				
The Toy Association	101 Continental Blvd	South Bay: El Segundo/Beach Cities	Direct Lease	95,704
The trade association for the U.S. toy industry will relocate from temporary space at the Kilroy Airport Center, after signing a 132-month lease that commences in August 2025.				
Legendary Entertainment	2900 Alameda Ave	Tri-Cities: Burbank	Renewal/Downsize	89,749
The global entertainment company is keeping the top two floors (14 & 15) and half of the 12th floor at The Pointe, in what will be a downsize from 105,522 SF.				
Jones Day	555 S Flower St	Downtown Los Angeles: CBD	Renewal/Downsize	81,840
The multinational law firm renewed its lease on floors 48-50 at City National Tower, a downsize from about 110,000 SF.				

Source: Newmark Research

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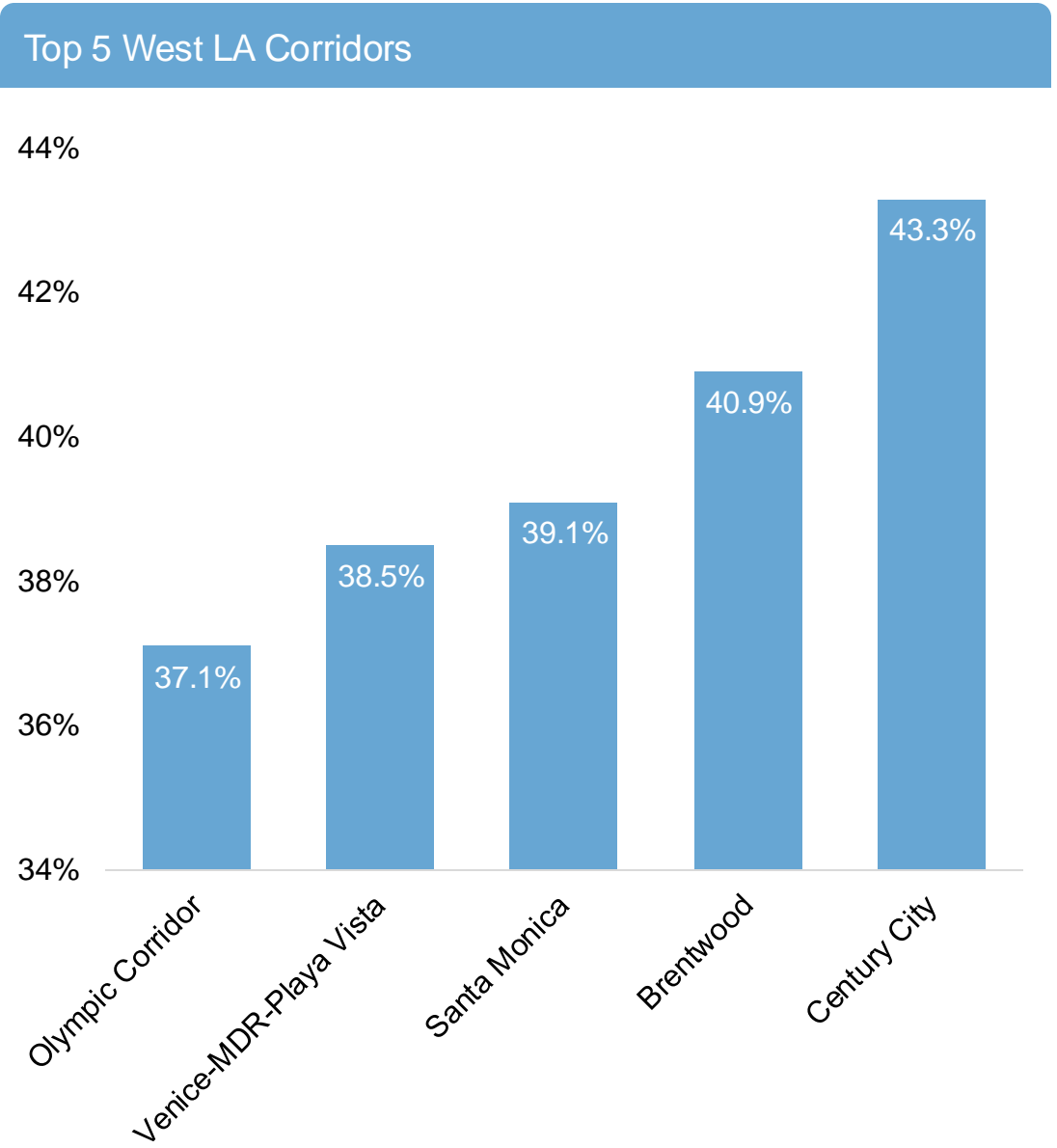
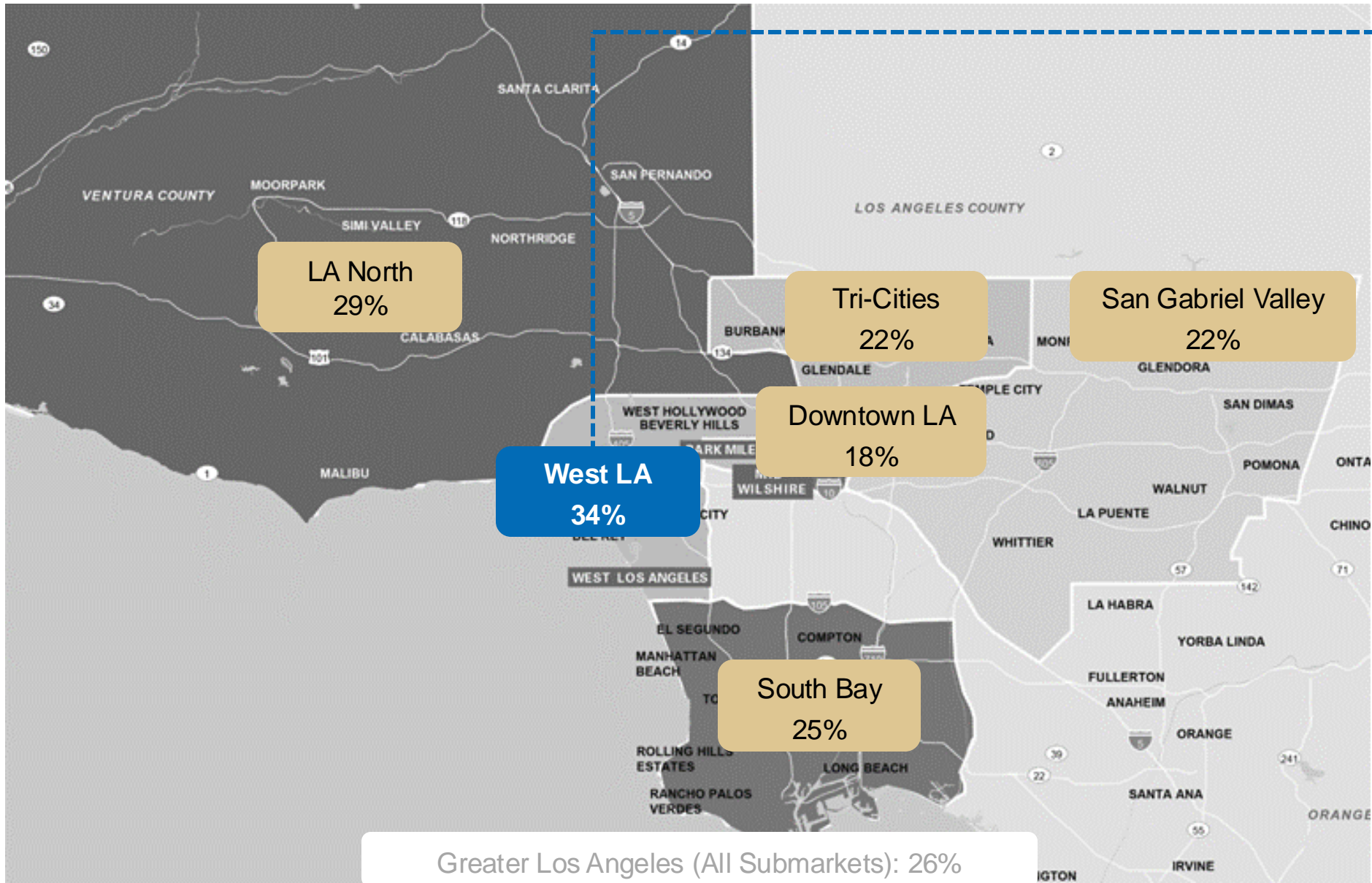
Where Leasing Activity is Concentrated



Post-COVID Leasing Activity Strongest in West Los Angeles

Abundant amenities, a large population, affluent communities, general safety and a dense concentration of businesses with ties to the entertainment industry favor the submarket. Century City, which continues to solidify its position as the region’s premier CBD, stands out as the top-performing corridor, partly due to its central location. Brentwood (home to multiple financial and legal service firms, which did not lean into hybrid work as much as other industries) is second.

Office Leasing Activity Since 2020 2Q as a Percentage of Current Inventory | By Submarket*

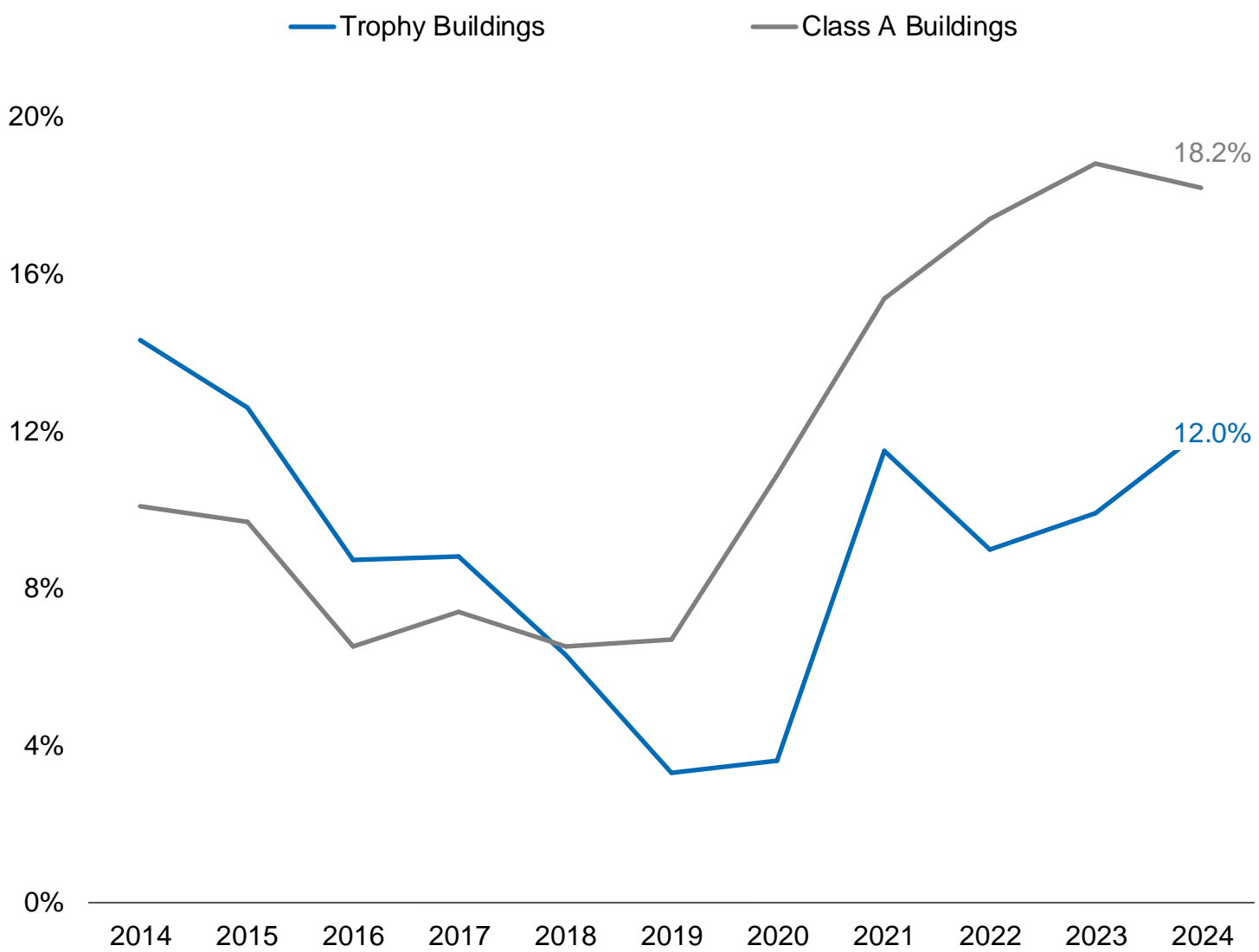


Source: Newmark Research, CoStar
Notes: The submarket percentages are the sum of total leasing activity from 2020 2Q through 2024 4Q divided into current (2024 4Q) inventory.

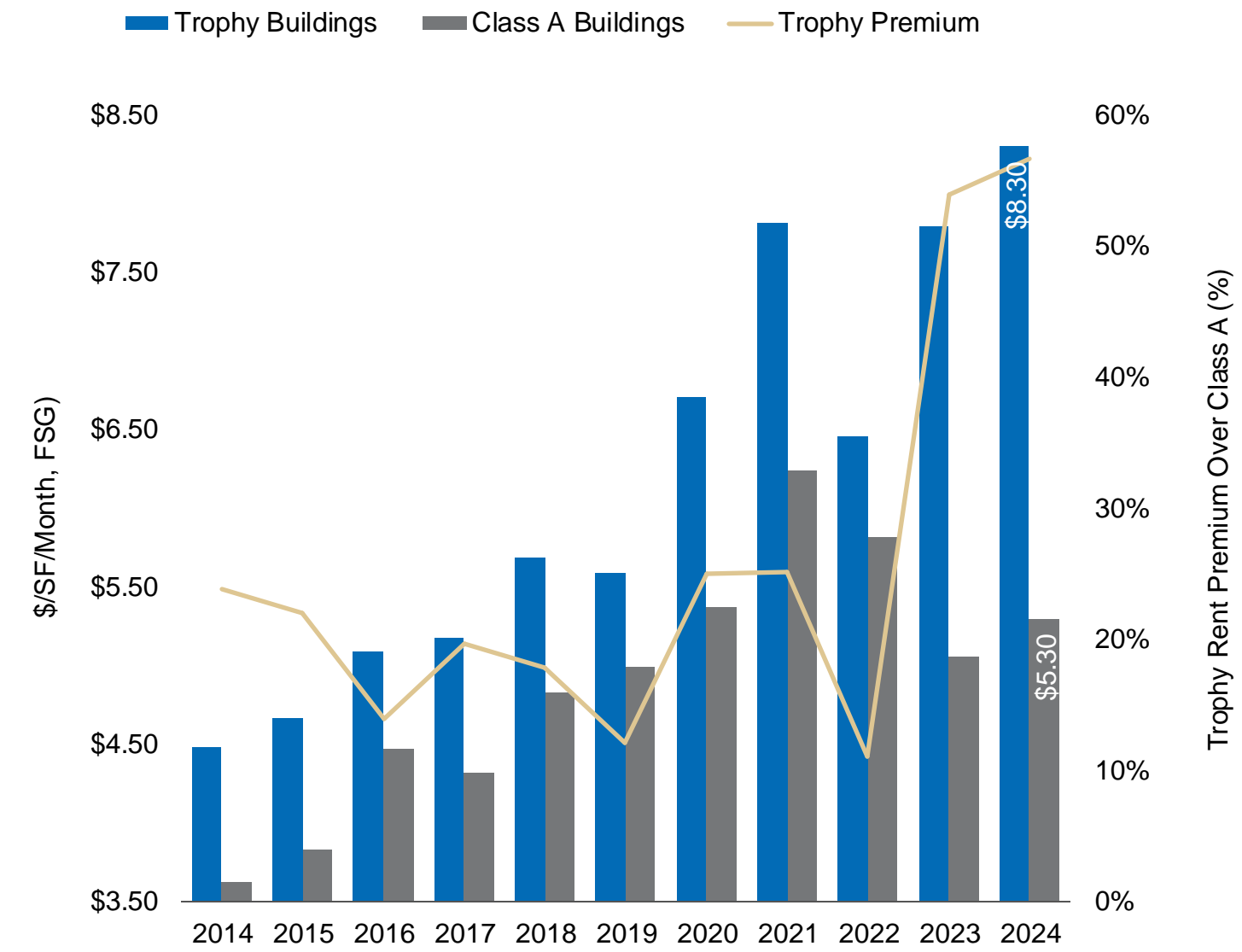
Century City May be a Top-Performer, But Not All Buildings are on Equal Footing

Vacancy in trophy buildings is much lower than Class A, while trophy rents command a rent premium. Trophy product 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.

Century City: Total Vacancy Comparison | By Year



Century City: Average Weighed Contract Rent Comparison | By Year



Source: Newmark Research,

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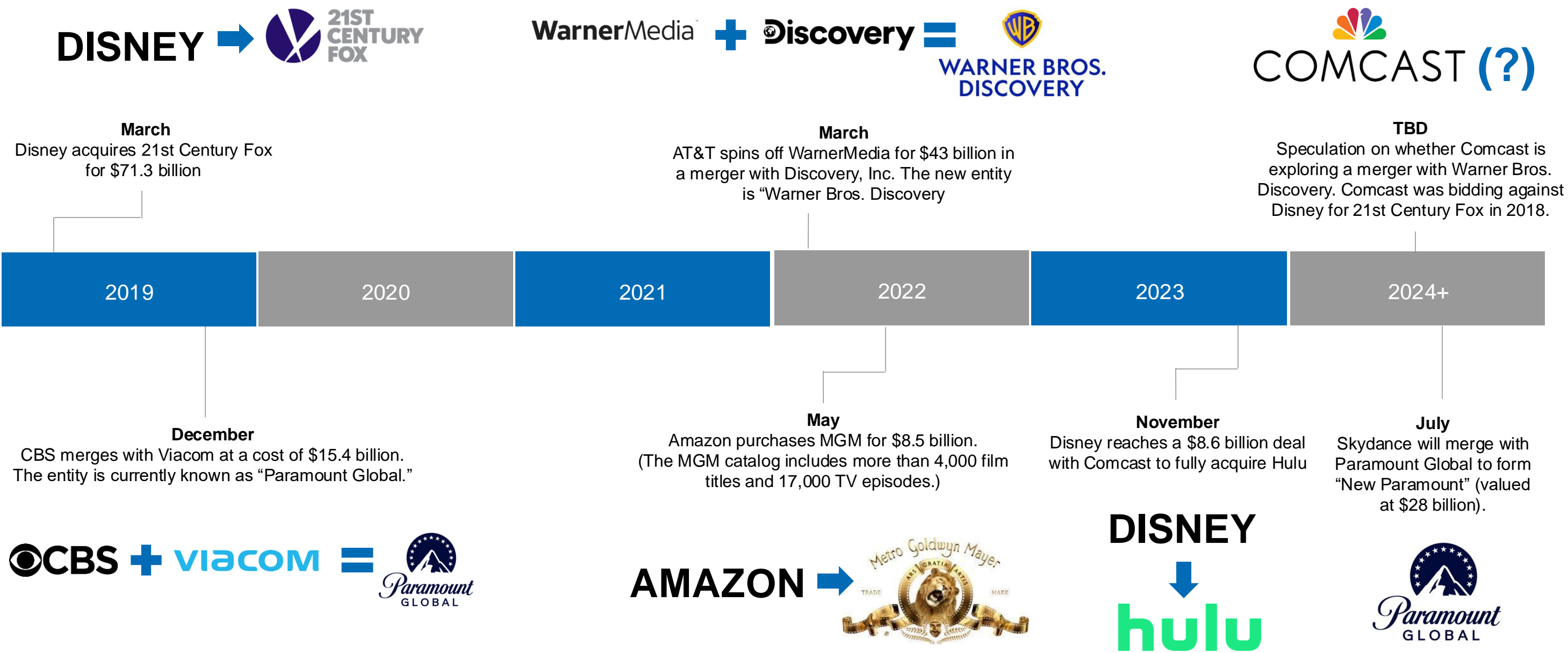
Streaming Media



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

It is also leading to less demand for office space across Los Angeles as companies digest costly acquisitions and focus on the bottom line. Warner Bros. Discovery (WBD), for instance, gave back roughly 480,000 SF in Burbank in 2023 as the company consolidated into its new Second Century buildings. Earlier this year, Hulu listed 124,214 SF for sublease at Colorado Center in Santa Monica.

Notable Mergers and Acquisitions in Recent Years

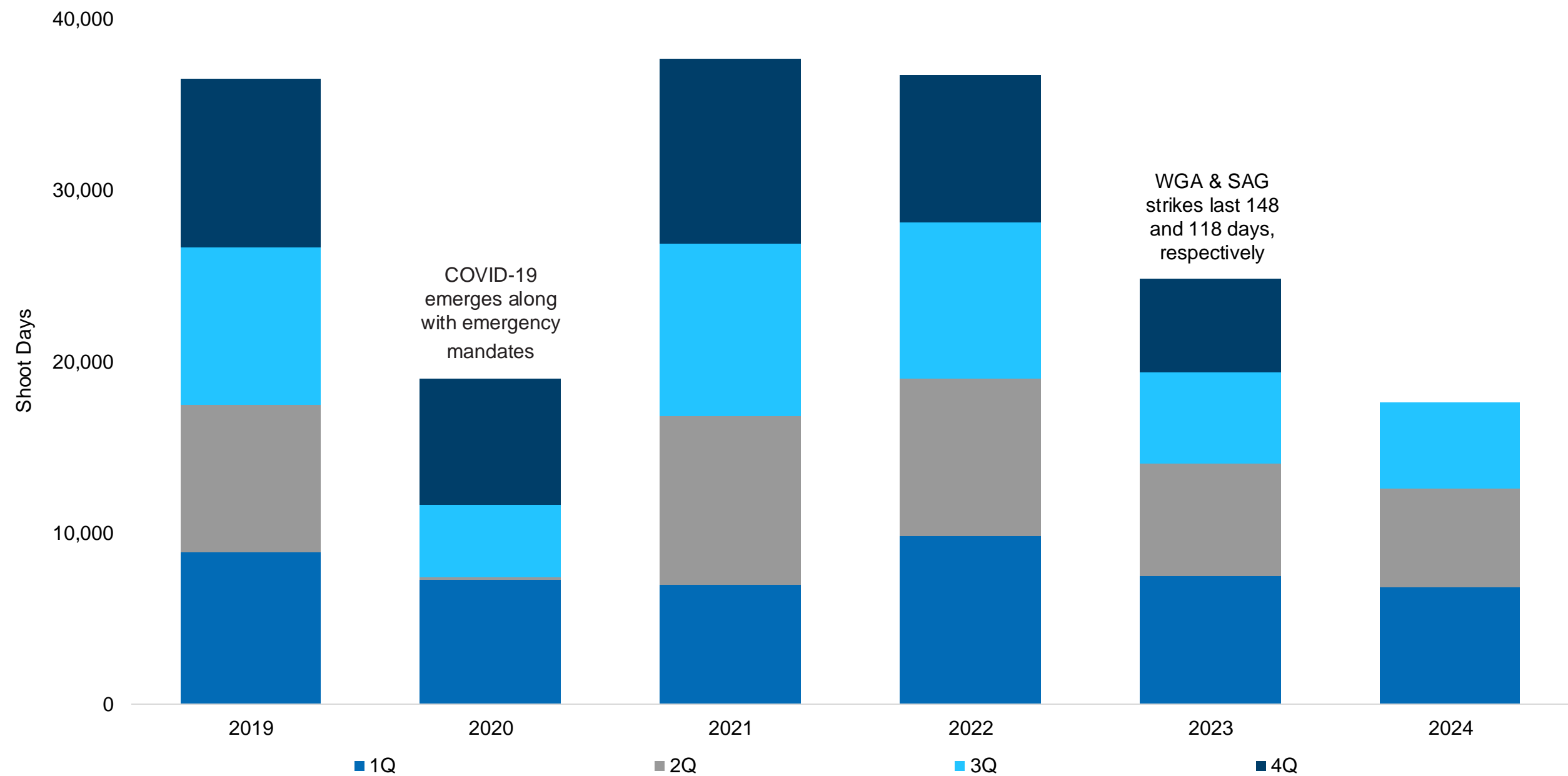


Source: Newmark Research

Filming Activity Remains Tepid

Los Angeles’ on-location filming days were 9.0% fewer in the first nine months of 2024 compared to the same period in 2023. The WGA and SAG strikes may be in the rearview mirror, but profitability pressures—especially in the streaming segment—has led to a decline in film production compared with prior years when financing was cheaper and more readily available. Tax incentives in other states is another factor.

Total Local On-Location Filming Days: All Categories



Source: FilmLA; most current data available

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

The aggressive bid is a push to revitalize production across the state after the adverse effects of dual strikes and the steady outmigration of film and television series. Los Angeles stands to benefit the most since the entertainment industry contributes \$115 billion annually to its economy.

Where TV and Filmmakers Can Get the Biggest Tax Incentives | Current Figures as of December 2024

	California	New York	Georgia	U.K.	Canada: British Columbia and Ontario	Australia
Incentive	20-30%	30-40%	20-30%	25.5%	39.5% effective rate (B.C.); 34.1% effective rate (Ontario)	30%
Annual Cap	\$330M	\$700M	None	None	None	None
Credit Cap	\$25M	None	None	80% of core expenditures	None	None
Minimum Spend	\$1M	\$1M	\$500,000	At least 10% of costs must be spent on U.K.-qualifying production expenditures	Film: CA\$1M; TV: CA\$200,000 (episodes ≥ 30 minutes); or CA\$100,000 (episodes < 30 minutes)	Film: AU\$20M; TV: AU\$20M, and average QAPE* per hour of at least AU\$1.5M
Incentive Type	Nontransferable, nonrefundable. (Beginning in 2025, production companies will be able to submit for a refund of credits exceeding their state tax liability.)	Refundable	Transferable	Transferable	Refundable	Rebate

Source: The Hollywood Reporter, Film Commission Disclosures, FilmLA,
Note: * An acronym for “Qualifying Australian Production Expenditure”

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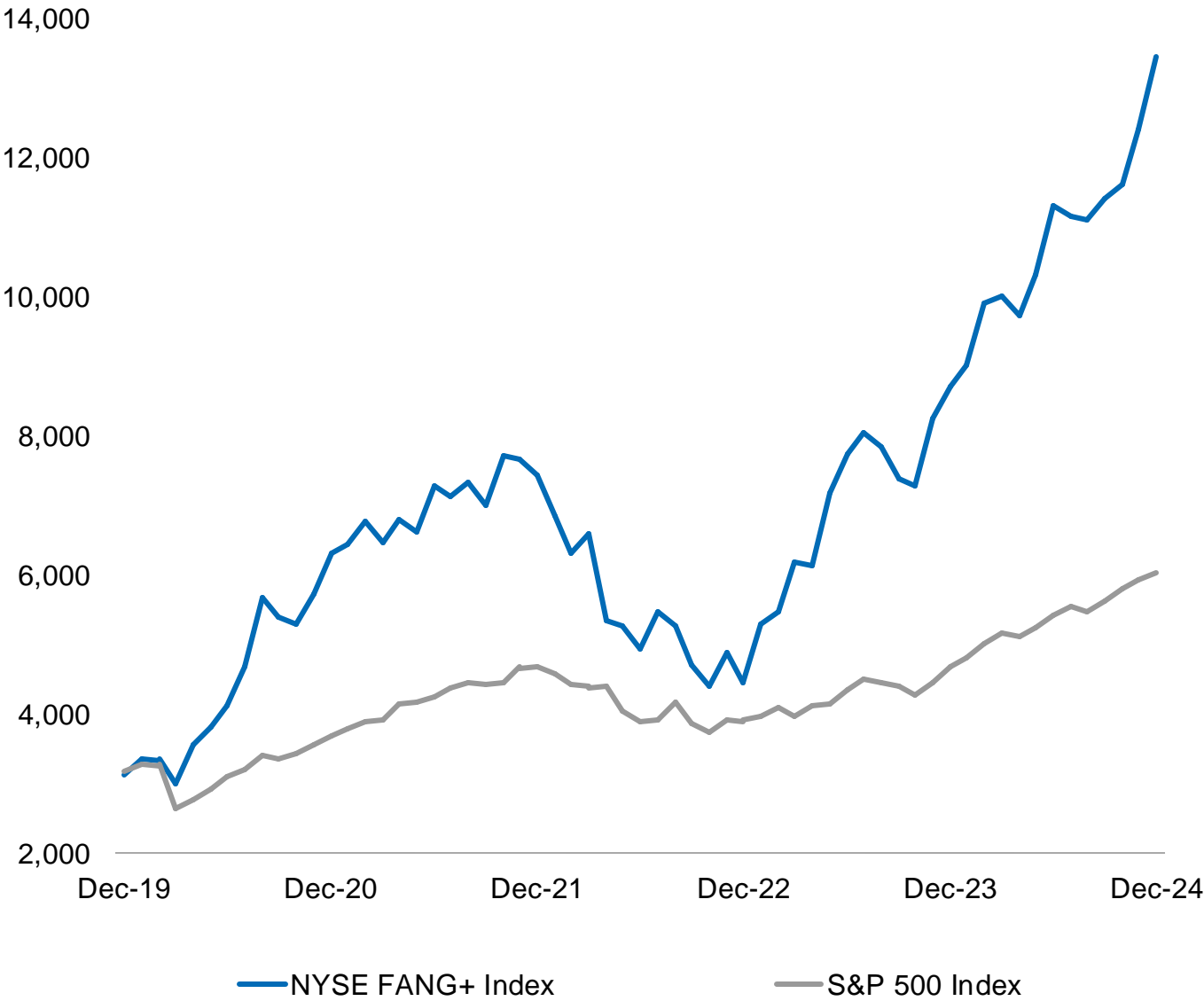
Tech



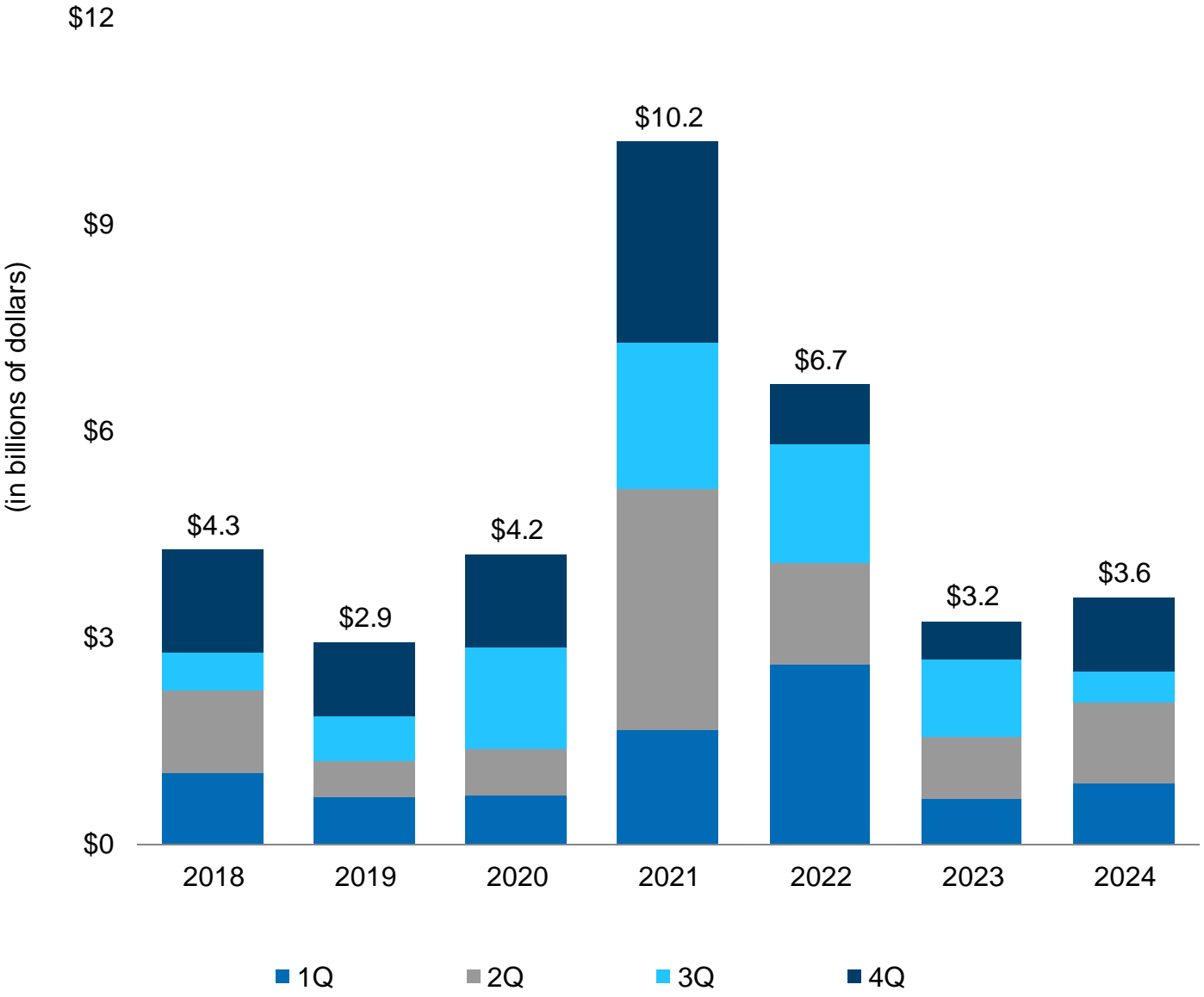
The Stock Market and Local Venture Capital Funding

The NYSE FANG+ index may have rebounded and continues to reach new highs, but big tech footprints are decreasing. Local VC funding, which noticeably slowed beginning in the second quarter of 2022, due to the higher-cost of debt associated with rising interest rates, remains subdued. More funding is historically linked to startup growth in the region.

NYSE FANG+ Index Strikes New Highs



Los Angeles Venture Capital Funding Moderately Up in 2024

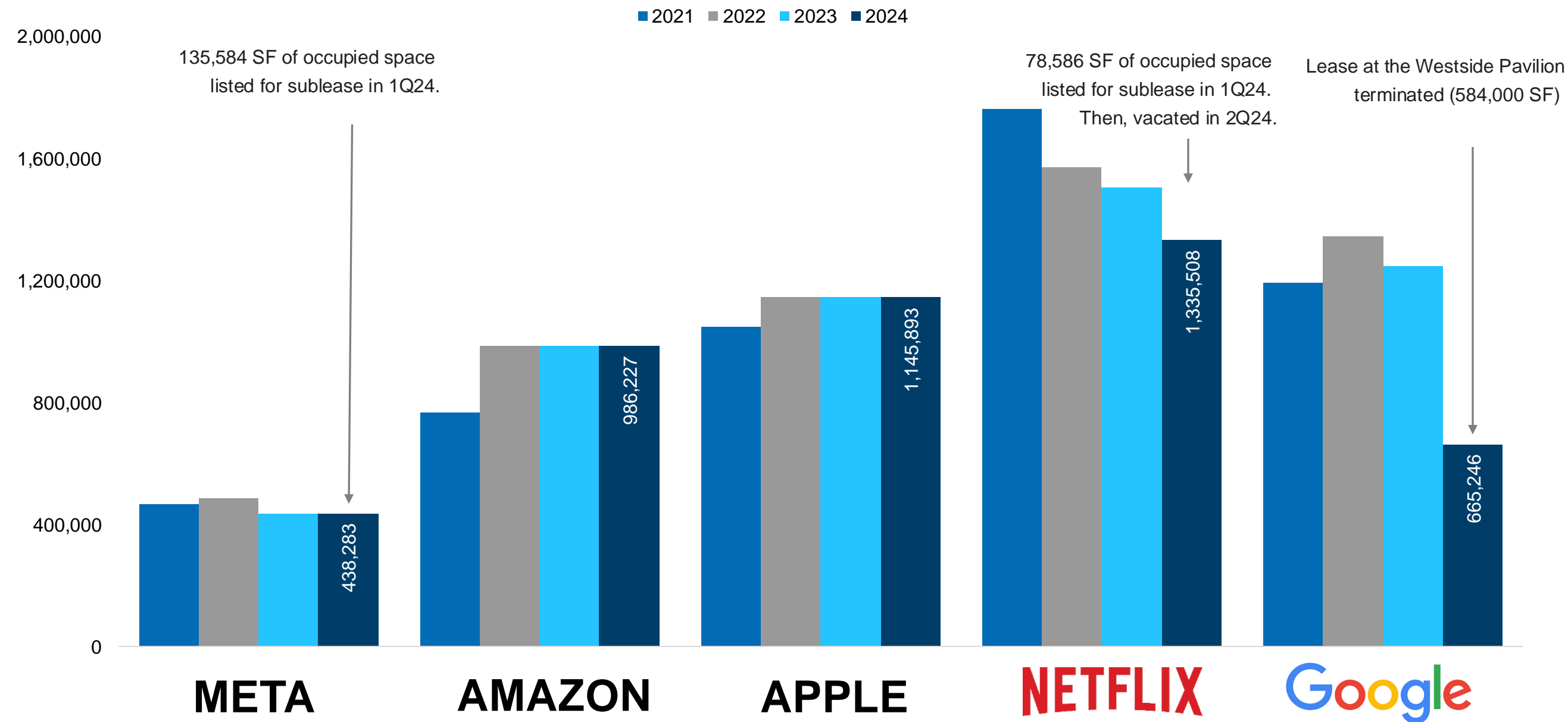


Source: Newmark Research, Crunchbase, Investing.com, S&P Dow Jones Indices LLC
Note: The VC Funding data set includes Angel, Pre-Seed, Seed and Series A-C funding rounds; \$250,000+ in funding per round.

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

If presently occupied sublease offerings theoretically became vacant, then collective occupancy would total 4.5 MSF across the five companies, down 18.3% from 2022. Whether more space givebacks will occur is open for debate, following Amazon’s mandate for all office employees to be in the office five days. The company is now short of space in a handful of U.S. markets, which will eventually lead to footprint expansion.

Los Angeles Office Footprint Commitments | By Year

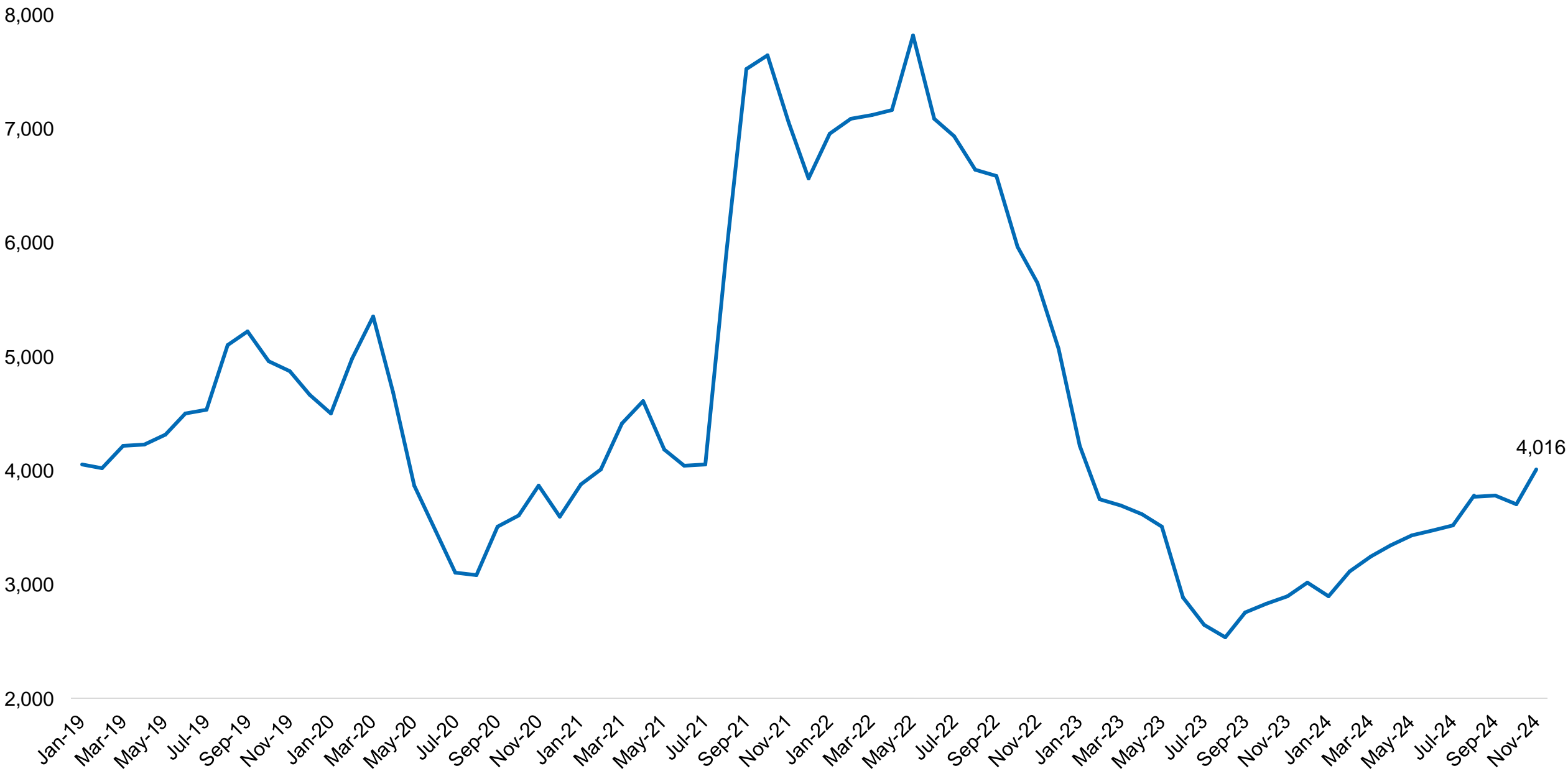


Source: Company Data

Job Postings for Software Developers are Rising

Software developers are the backbone of the region’s tech and streaming media segments—two industries that fueled office footprint expansions prior to COVID-19. Job postings have steadily increased since August 2023, and, assuming this trend persists, leasing activity could see an uptick in 2025 if more postings becomes more hires.

Active Job Postings for Software Developers by Month | Los Angeles-Long Beach-Glendale, CA MSA



Source: Newmark Research, JobsEQ

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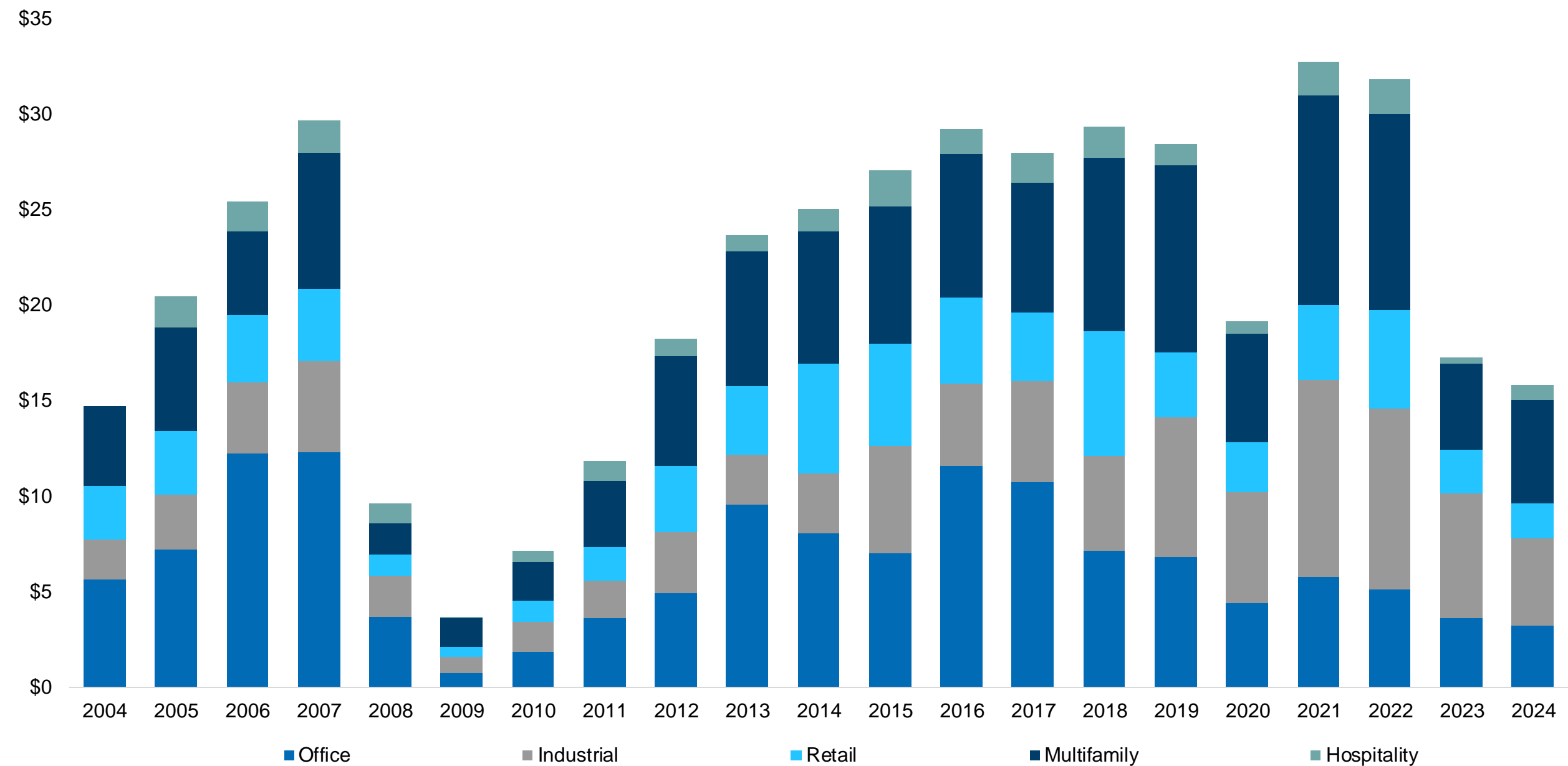
Sales Activity and Distress



Office Comprised 20.2% of Sales Volume in 2024

This is a steep decline from the 39.6% average in 2016. Structural shifts in leasing dynamics since the onset of COVID-19 remains an ongoing challenge for the property segment. This contrasts with other asset classes, such as industrial and multifamily, which experienced heated rent growth amid high demand in recent years. Growth that is now moderating.

Los Angeles: Sales Volume Across Commercial Property Segments (\$ in Billions)

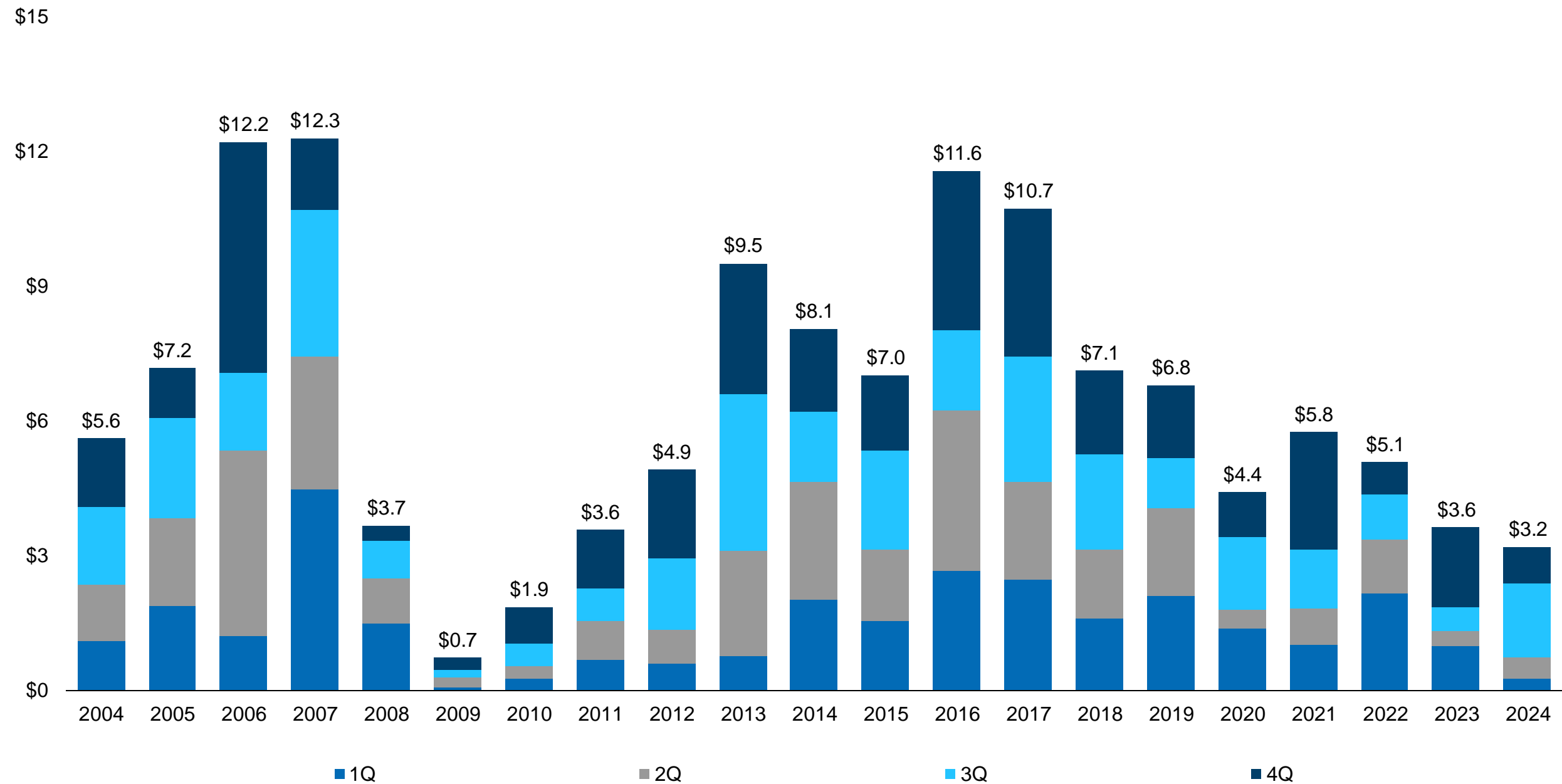


Source: Newmark Research, MSCI Real Capital Analytics
Note: Preliminary data is cited for the fourth quarter of 2024

Office Sales Volume: Up Close

Office sales reached \$3.2 billion in 2024, the third lowest year on record when surveying annual totals since 2004. Most institutional investors thus far have taken a “wait-and-see” approach to the asset class due to economic headwinds, concern regarding long-term adoption of hybrid work models, rising vacancy, looming debt maturities and transfer taxes in the City of Los Angeles. This will progressively change as interest rates trend down and prices bottom out; top-tier assets in desirable market areas will be a focal point.

Los Angeles: Office Sales Volume (\$ in Billions) | By Quarter

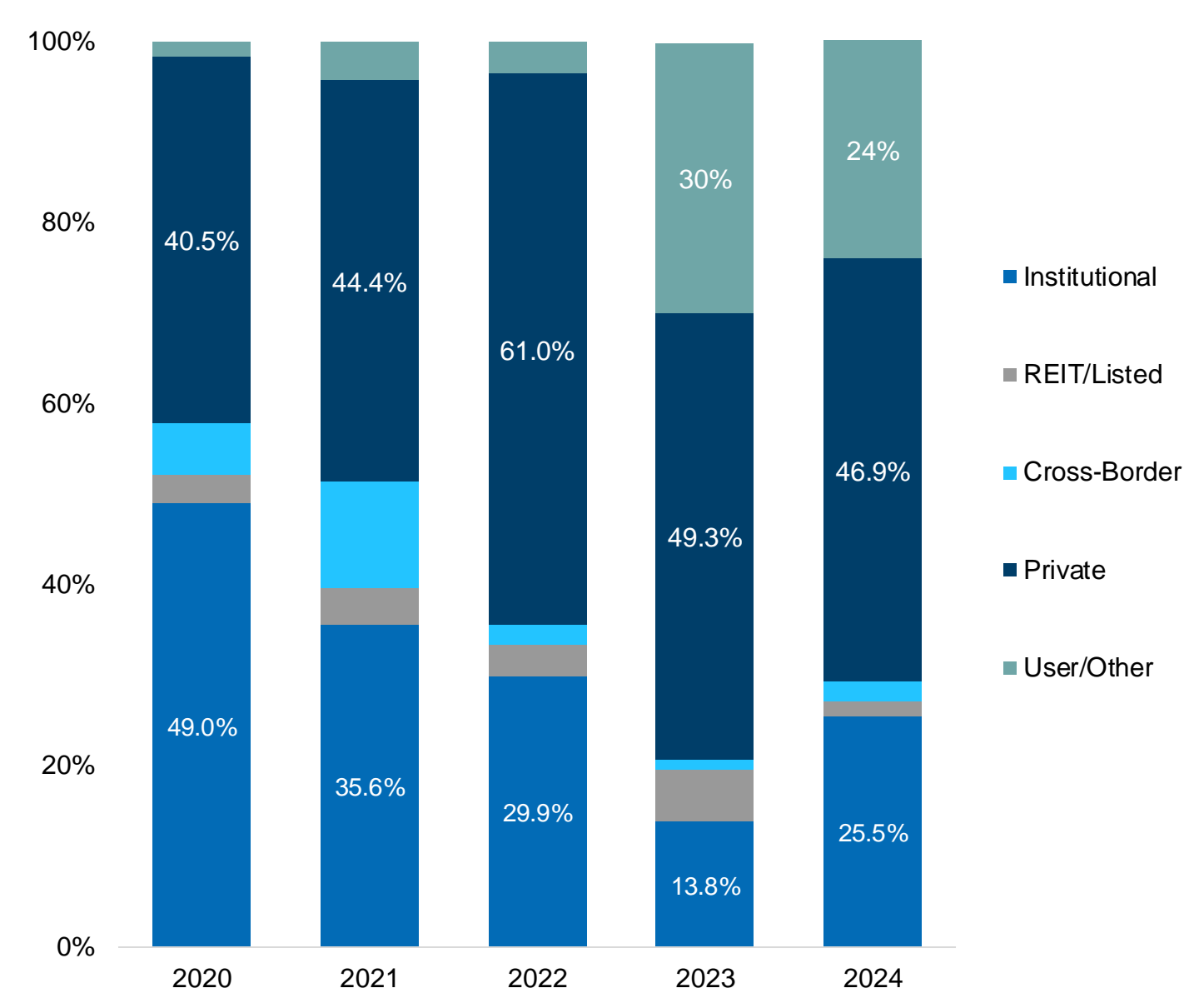


Source: Newmark Research, MSCI Real Capital Analytics
Note: Preliminary data is cited for the fourth quarter of 2024

Private, Opportunistic Buyers Remain Active

Cash is king in higher-cost debt environments, and high-net worth individuals are generally active in such periods. Institutional activity increased in 2024 after Beacon Capital Partners (in a JV with 3EdgeWood) acquired the debt on Pacific Corporate Towers in El Segundo and Strategic Value Partners (in a JV with Lincoln Property Company) scooped up The Bluffs in Playa Vista in a foreclosure auction. User sales since 2023, meanwhile, are noteworthy.

Los Angeles: Office Buyer Composition, by Year | Based on Sales Volume



Los Angeles: Most Active Office Buyers | Last 12 Months

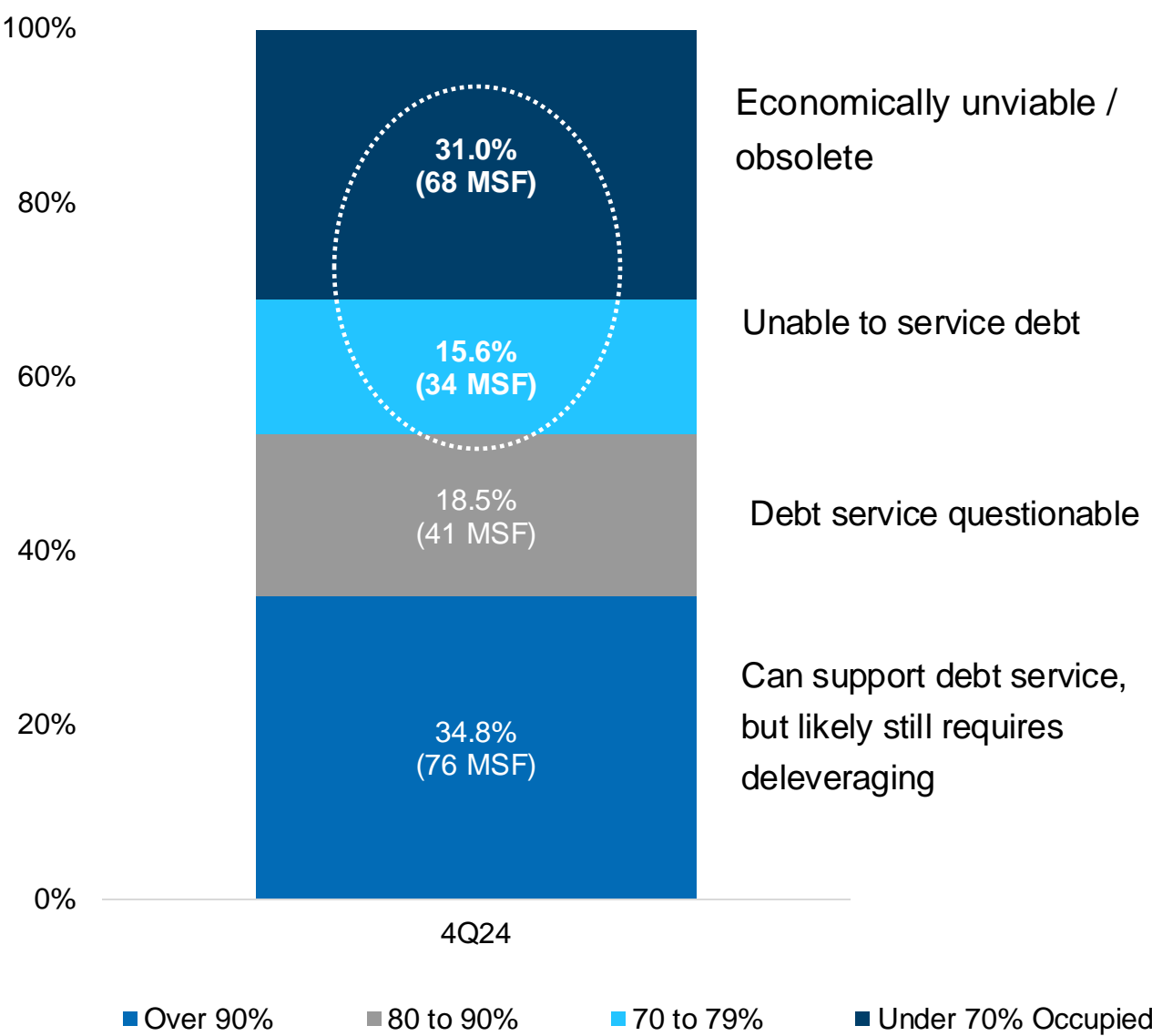
Company	Buyer Type	Volume	# of Properties	Size (SF)
Lincoln Property Co and Strategic Value Partners	Private/ Institutional	\$213,000,000	1	536,317
Los Angeles County	User/Other	\$200,000,000	1	1,462,729
Drawbridge Realty	Institutional	\$185,000,000	1	225,773
Private Individual	Private	\$120,000,000	1	1,024,834
Fashion Nova	User/Other	\$118,273,284	1	174,847
Faring Capital	Private	\$90,000,000	1	129,000
Washington Capital Management OBO Southwest Carpenters Pension Trust	User/Other	\$80,000,000	1	701,888
331 Atea Capital	User/Other	\$61,000,000	1	82,576
Private Individual	Private	\$60,000,000	1	458,570
Mattel	User/Other	\$59,200,000	1	167,767

Source: Newmark Research
Note: Preliminary data is cited for the fourth quarter of 2024.

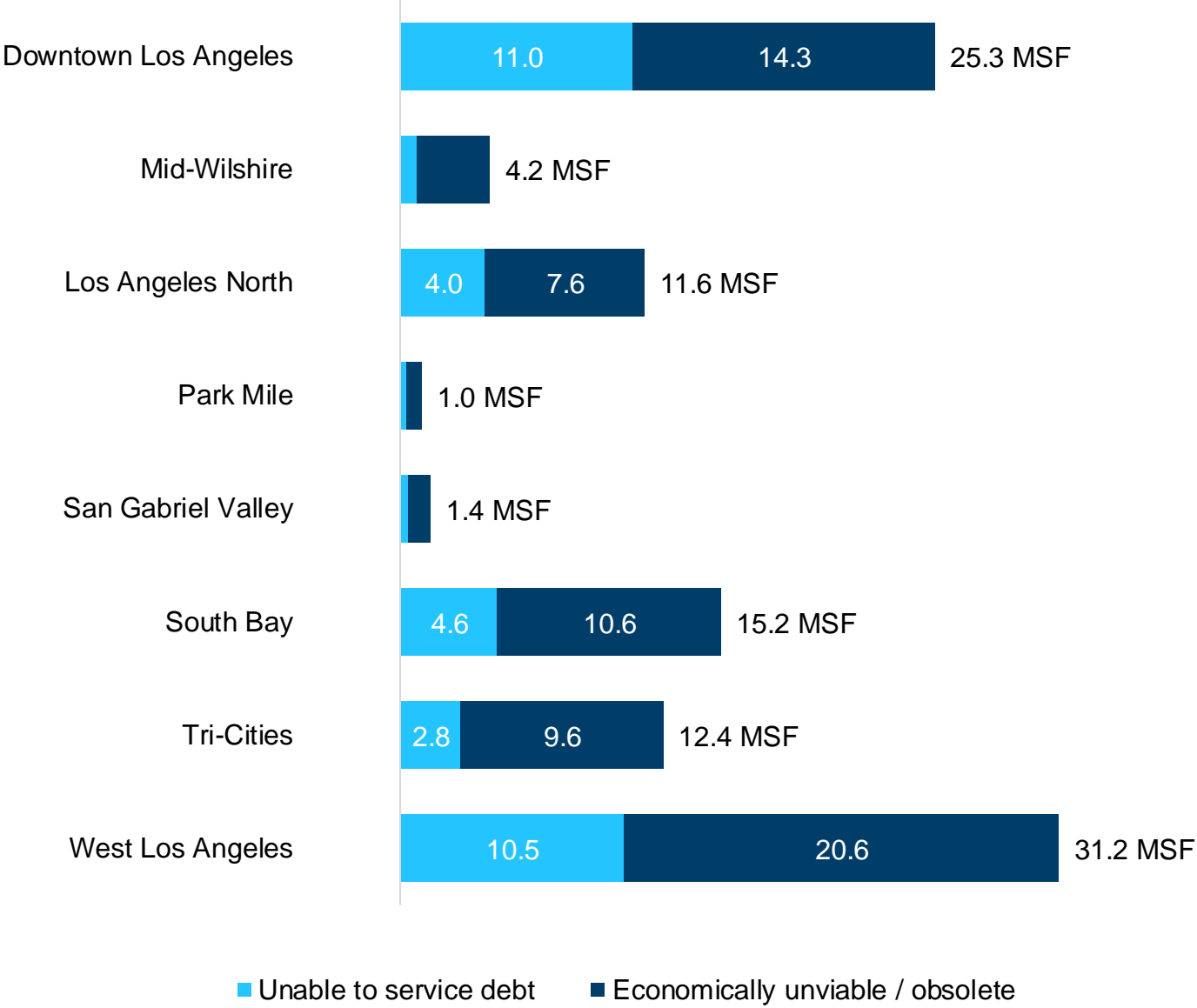
47% of the Region’s Office Market is Obsolete or Unable to Service Debt

This totals 102 MSF of inventory, a disproportionate share of which is based in West Los Angeles (31.2 MSF), Downtown Los Angeles (25.3 MSF) and South Bay (15.2 MSF). Debt issues will accelerate the demise of low occupancy buildings.

Los Angeles Distribution of Office Occupancy



By Submarket: Office Inventory Unable to Service Debt or Obsolete



Source: Newmark Research
Note: Buildings with lower occupancy thresholds tend to struggle to generate positive NOI, which, in turn, makes it difficult to support debt (assuming debt is present on a given building).

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

What publicly began in Downtown Los Angeles in early 2023 when Brookfield defaulted on loans associated with The Gas Company Tower is becoming more widespread. Some owners are trying to cut their losses and sell before they default. Others are exploring extensions or workout strategies with their financiers.

Notable Defaults and Trepp’s Watchlist Properties*								
Asset(s)	Office RBA (SF)	Original Loans Total (in millions)	PSF	Loan(s) Status	Defaulted Quarter	Watchlist Quarter	Prior Owner/Owner	Market Area
One California Plaza	1,047,062	\$464	\$443	Defaulted	3Q24	2Q24	Rising Realty Partners	Downtown LA: CBD
Bank of America Plaza	1,432,285	\$400	\$279	Defaulted	3Q24	1Q24	Brookfield	Downtown LA: CBD
EY Plaza	938,097	\$305	\$325	Defaulted	2Q23	-	Brookfield	Downtown LA: CBD
811 Wilshire	337,052	\$35	\$104	Defaulted	4Q24	-	Jamison Properties	Downtown LA: CBD
Wilshire Courtyard	1,061,144	\$478	\$450	Watchlist	4Q23	-	Onni Group	West LA: Miracle Mile
1000 Wilshire Blvd	477,774	\$148	\$310	Watchlist	-	3Q24	Cerberus Capital Management	Downtown LA: CBD
9200 & 9220 Sunset	281,140	\$210	\$747	Watchlist	-	3Q24	Mani Brothers Real Estate	West LA: West Hollywood
Pinnacle II	230,000	\$87	\$378	Watchlist	-	2Q23	Worthe RE & Blackstone	Tri-Cities: Burbank
Encino Financial Center	229,645	\$44	\$192	Watchlist	-	4Q24	Lowe	Los Angeles North: Central Valley
7080 Hollywood Blvd	169,287	\$57	\$337	Watchlist	-	2Q24	Jamison Properties	West LA: Hollywood
100 Oceangate	230,782	\$30	\$130	Watchlist	-	2Q23	Faring Capital	South Bay: Long Beach Downtown

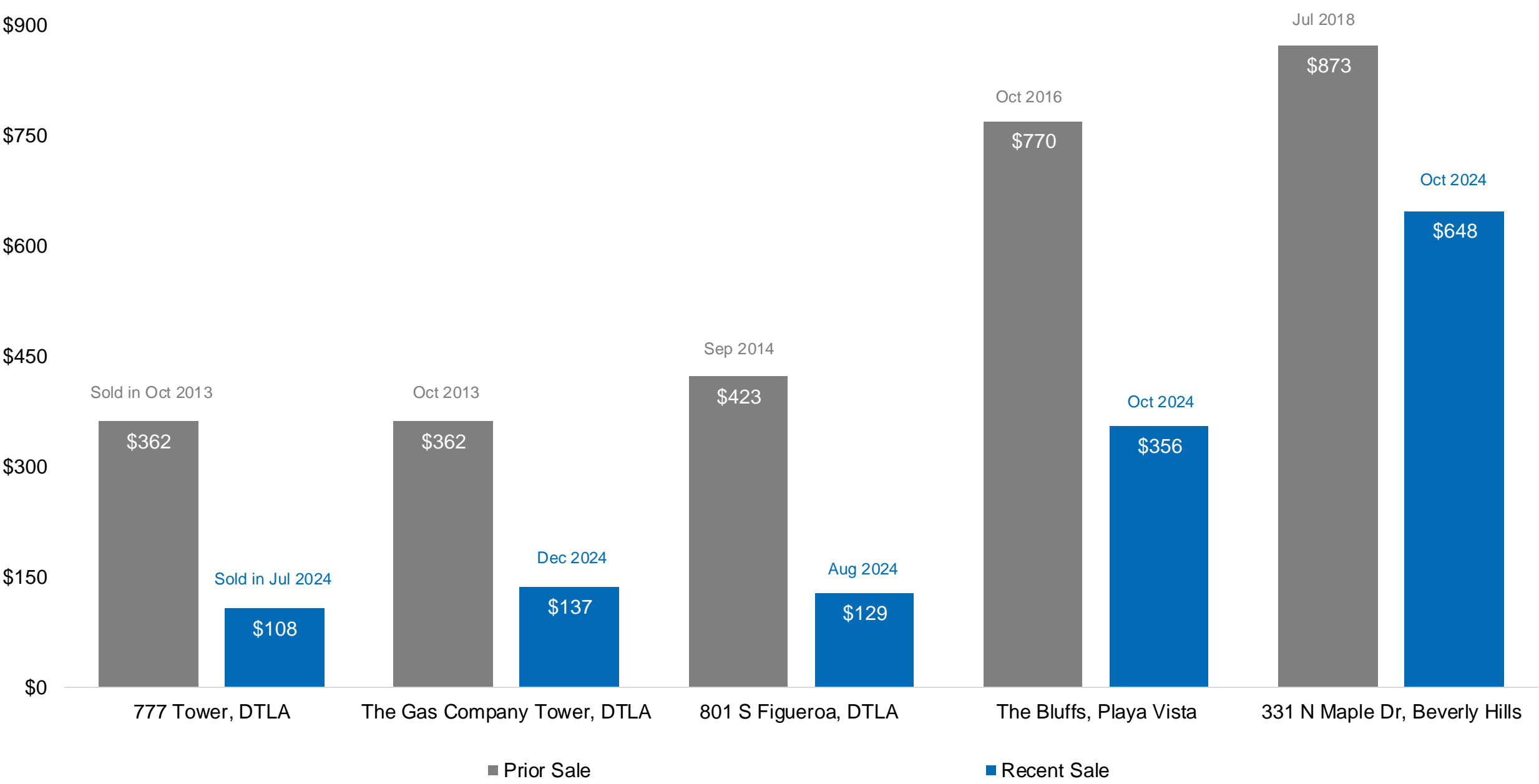
Source: MSCI Real Capital Analytics, Trepp, Newmark Research
Note: Office properties with RBAs of 100,000 SF and greater, \$30+ million in loans and that defaulted or were moved to Trepp’s watchlist from 2023+ is the focus for the above table. Properties that defaulted and later sold (e.g., The Gas Company Tower) were excluded.

Opportunistic Buyers Are Taking Advantage of Discounted Pricing

Declining occupancy and/or higher debt costs have created dark clouds over an increasing number of owners’ properties. Lenders are becoming increasingly reluctant to refinance and some underwater owners, weary of throwing good money after bad, are selling.

The buyers of the assets cited below represent a mix of owner-users and investors.

A Sampling of Distressed Office Properties Sold in the Last Six Months: \$/SF Averages | Prior vs. Recent Building Sales



Source: Newmark Research, MSCI Real Capital Analytics, CoStar

4Q24

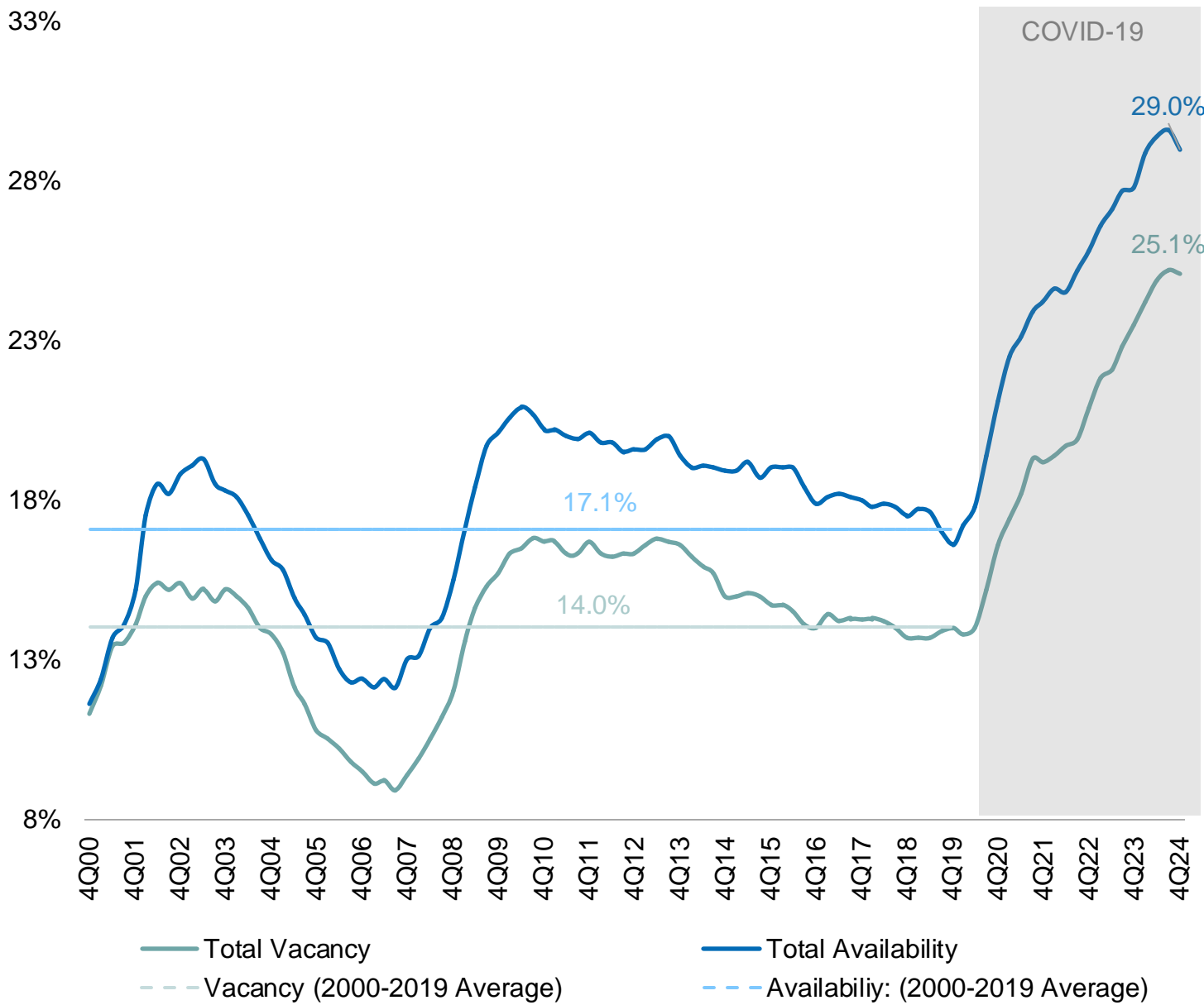
Implications of User and Developer Purchases



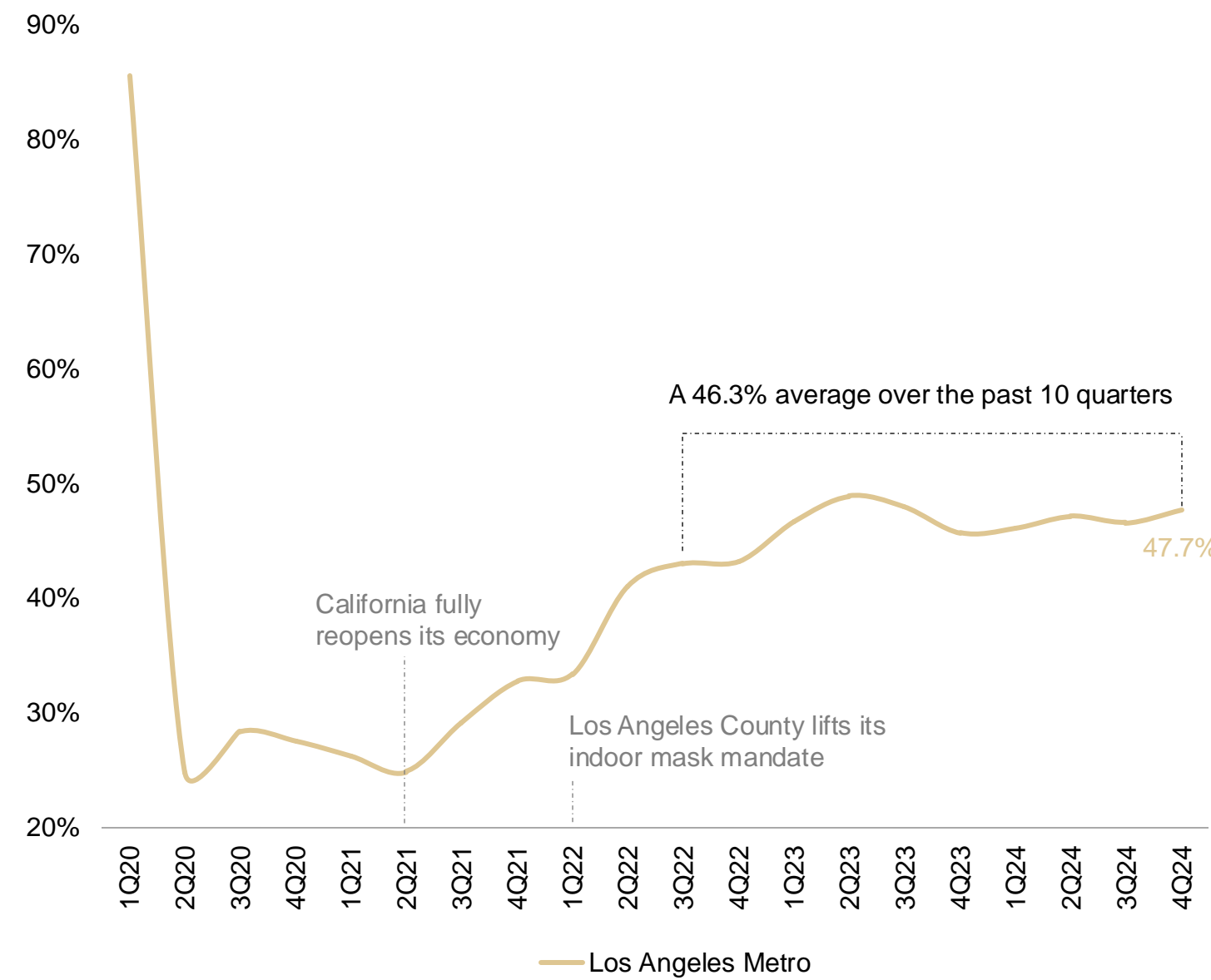
Office Availability at 29% While Utilization Remains in the Sub-50% Range

Most of today’s leasing activity is expiration driven, with tenants cutting their footprints by 15-20% when their leases come due. Hybrid work, which has led to a structural shift in how office space is utilized in the region, along with cost-cutting measures amid a pricier debt environment are factors. Based on these conditions, for-lease office product needs to vanish to bring vacancy and availability down to their pre-pandemic averages.*

Total Vacancy and Availability | By Quarter



Local Office Utilization Rates | Quarterly Averages



Source: Newmark Research
Note: * Or a new industry needs to emerge that aggressively expand its footprint in the region.

For-Lease Office Inventory is Decreasing Amid User and Residential/Industrial Developer Purchases

The removal of high-vacancy buildings will also help to lower the greater region’s vacancy and availability averages.

Notable Office Building Sales in 2024: User Sales, Residential Conversions and Covered Land Plays (for Ground-up Development)

- 1

Gas Company Tower

RBA: 1,462,729 SF

Vacancy: 50%

Buyer: Los Angeles County
- 2

Grand + Nash

RBA: 167,767 SF

Vacancy: 100%

Buyer: Mattel
- 3

The Annex

RBA: 131,942 SF

Vacancy: 55%

Buyer: Westside Neighborhood School
- 4

7083 Hollywood Blvd

RBA: 86,606 SF

Vacancy: 48%

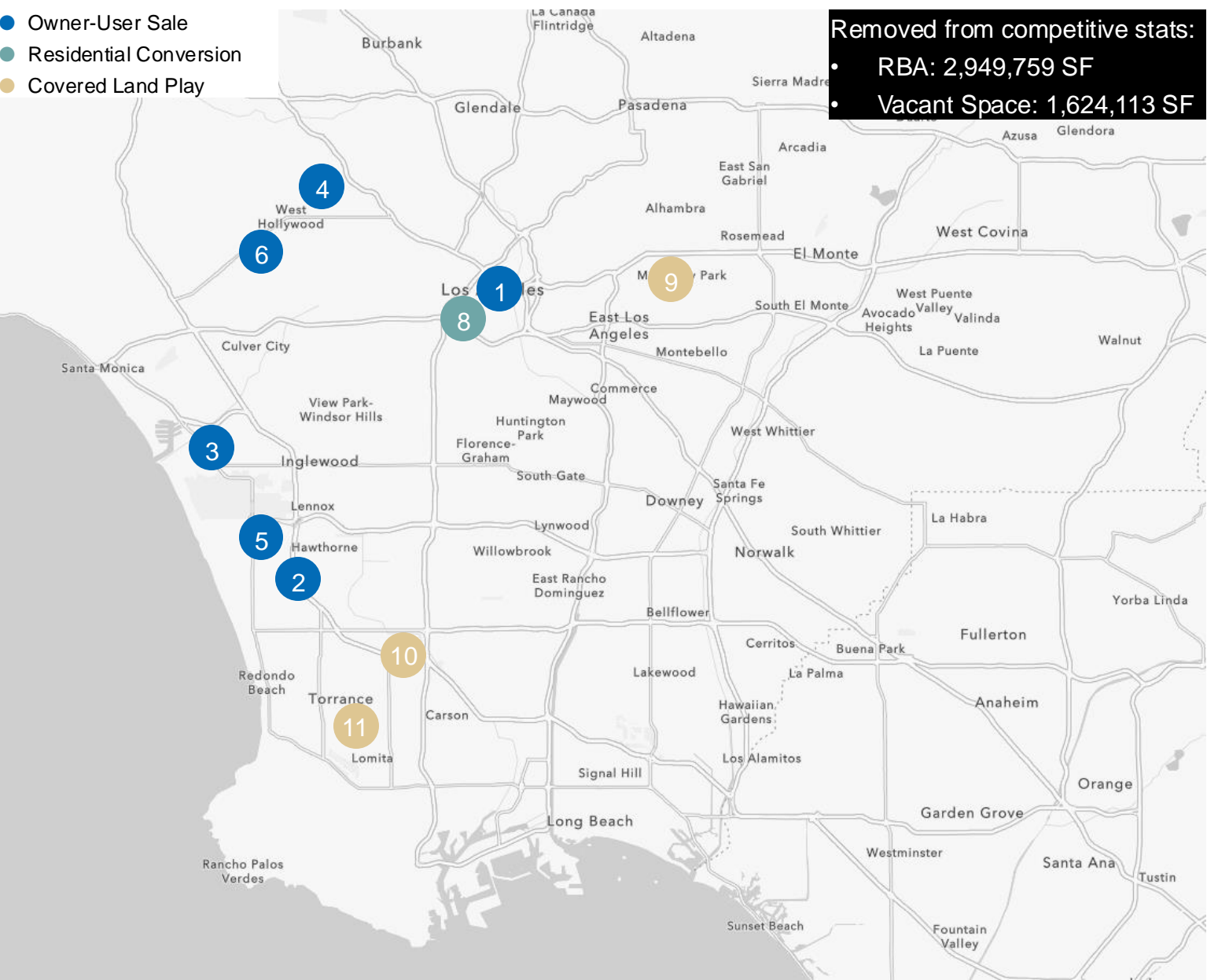
Buyer: Church of Scientology
- 5

1940 E Mariposa Ave

RBA: 83,411 SF

Vacancy: 100%

Buyer: NantBio, LLC



- 6

407 N Maple Dr

RBA: 174,847 SF

Vacancy: 56%

Buyer: Fashion Nova
- 7

5210 Pacific Concourse Dr

RBA: 169,758 SF

Vacancy: 57%

Buyer: UCLA
- 8

617 W 7th St

RBA: 215,469 SF

Vacancy: 59%

Buyer: Shomof Group
- 9

1977 Saturn St

RBA: 205,628 SF

Vacancy: 100%

Buyer: StratCap Investment Management
- 10

Herbalife Plaza

RBA: 186,302 SF

Vacancy: 0% (for now)

Buyer: Rexford Industrial Realty
- 11

2325 Crenshaw Blvd

RBA: 65,300 SF

Vacancy: 0% (for now)

Buyer: Rose Equities

Source: Newmark Research, CoStar
Note: A user sale occurs when the buyer intends to occupy 75%+ of the acquired asset.

Now vs. Then Sale Price Differentials Can be Quite Staggering

This year’s user sales were noticeable as few tenants fixed their long-term office occupancy costs by taking advantage of attractive sector pricing at, in some cases, massive discounts to replacement cost. Newer and rehabbed assets traded among the user-set, as the table’s year built and year renovated columns highlight.

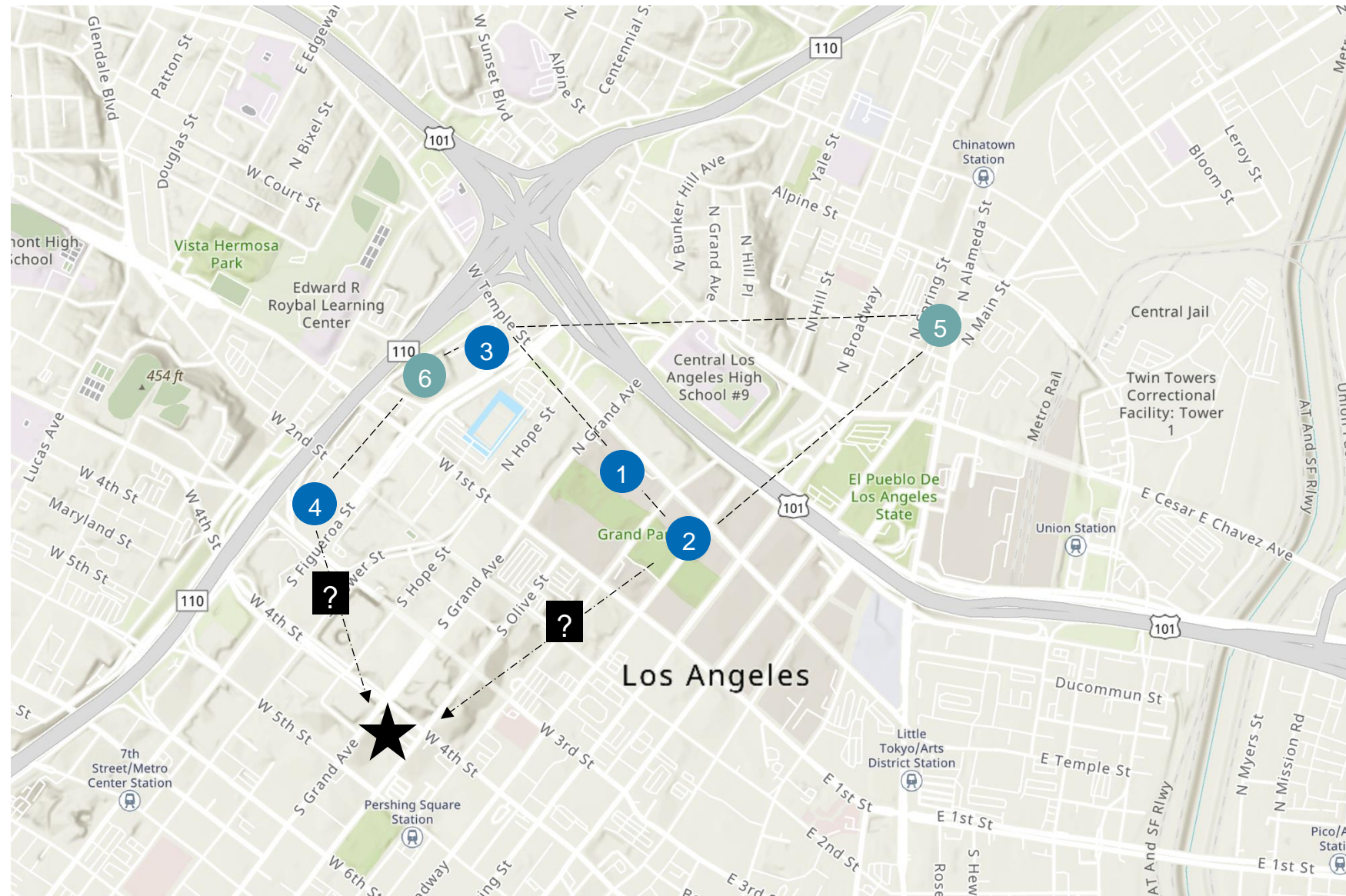
Notable Office Building Sales Over the Last 12 Months: Owner-User Sales, Residential Conversions and Covered Land Plays for Ground-up Development										
Sale Date	Sale Type	Buyer	Building Name / Address	Market Area	Year Built	Year Ren.	Sold PSF	Last Sale Date	Last Sale PSF	Sale Notes
Dec-24	User	Los Angeles County	Gas Company Tower	Downtown LA: CBD	1991	2023	\$137	Oct-13	\$362	Brookfield defaulted in early 2023. The \$200 million purchase price is well below the \$632 million valuation Gas Company Tower was appraised at in 2020.
Aug-24	User	Mattel	2160 E Grand Ave	El Segundo	1999	2022	\$353	Nov-19	\$379	The prior building owner extensively renovated the asset. Mattel (headquartered in El Segundo) will use the new building to replace a leased facility that supports global design, development and other activities.
May-24	User	Westside Neighborhood School	The Annex	Playa Vista	1972	2012	\$381	Jan-17	\$768	
Jun-24	User	Church of Scientology	7083 Hollywood Blvd	Hollywood	1982	2012	\$294	Sep-17	\$488	
Mar-24	User	NantBio, LLC	1940 E Mariposa Ave	El Segundo	1984	2023	\$300	Dec-20	\$317	Had a listing price of \$45,000,000 (\$540 PSF).
Aug-24	User	Fashion Nova	407 N Maple Dr	Beverly Hills	2003	2017	\$675	Sep-05	\$404	The prior building owner extensively renovated the asset. The top two floors were available for 13 months and the first floor was occupied by Tishman Co-Work at the time of sale. The buyer will relocate its headquarters from Vernon.
Oct-24	User	UCLA	5210 Pacific Concourse Dr	El Segundo	2002	2020	\$324	Oct-17	\$312	UCLA plans to spend roughly \$90 million to redevelop the property for the UCLA Health Sports Medicine Institute. The building was 43% leased at the time sale to Siemens, which vacated shortly afterwards.
Apr-24	Conversion (Residential)	Shomof Group	617 W 7th St	Downtown LA: CBD	1923	2001	\$95	Dec-11	\$180	Marketed as a residential redevelopment opportunity.
Dec-24	Land Play (Data Center)	StratCap Investment Management	1977 Saturn	Western SGV	1979	-	\$190	Jul-15	\$192	A 15.83-acre site near Southern California Edison's Mesa Substation. A 205,628-SF office building will be torn down to make way for a data center.
Jul-24	Land Play (Industrial)	Rexford Industrial Realty	Herbalife Plaza	Torrance: 190th Street	1981	1997	\$222	Apr-16	\$159	The seller, Herbalife, leased back the property for two years and has two six-month options to extend the lease. Plans call for a 195,000-SF industrial facility.
Jul-24	Land Play (Residential)	Rose Equities	2325 Crenshaw Blvd	Torrance Central	1989	2010	\$467	Feb-19	\$241	Tear down. The buyers will develop a 272-unit multifamily property with a 467-car parking garage.

Source: Newmark Research, Los Angeles Times, Loa Angeles County

Earthquakes and Consolidation: Speculation Behind the Gas Company Tower Sale

Los Angeles County occupies several Downtown LA office buildings that are not up to seismic code. Buying The Gas Company Tower at a steeply discounted price of \$137/SF is a homerun for the county, and more cost-effective than retrofitting its earthquake at-risk buildings. Consolidating multiple locations can also improve space efficiency.

Downtown Los Angeles: LA-County-Occupied Buildings Not Up to Current Seismic Code



#	Department	Building Name	Building Type	Year Built	SF
1	Board of Supervisors	Hall of Administration	Office	1962	960,000
2	District Attorney	Hall of Records	Office	1962	343,000
3	Health Services	Health Services - Administration	Office	1967	210,000
4	Public Health	Central Public Health Center	Office	1950	60,924
5	-	Alameda Street Garage	Parking Garage	1968	-
6	-	Health Services HQ – Lot 29 Parking	Parking Garage	1967	-

Total: 1,573,924



The Gas Company Tower

Office

1991
(’23 ren.)

1,462,729

- Office building
- Parking structure

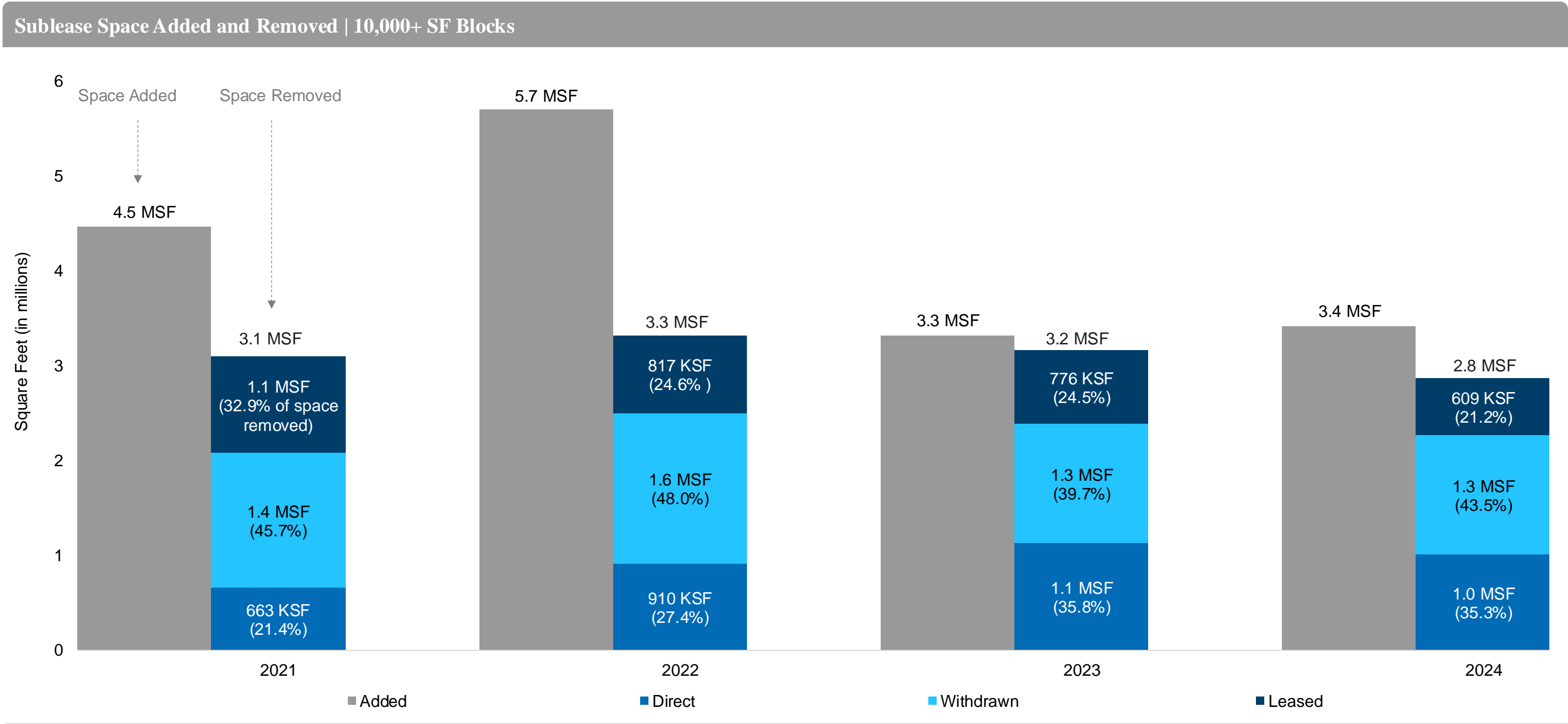
4Q24

Sublease Removals



The Chasm Between Sublet Additions and Removals Narrowed in Recent Years

When analyzing space removed: More sublet blocks are transitioning to direct (e.g., 21.4% of removals in 2021 versus 35.3% in 2024), while sublease leasing activity is trending down (32.9% in 2021 compared to 21.2% in 2024). The former will lead to increasing vacancy, while the latter hints at sluggish leasing activity throughout the region.

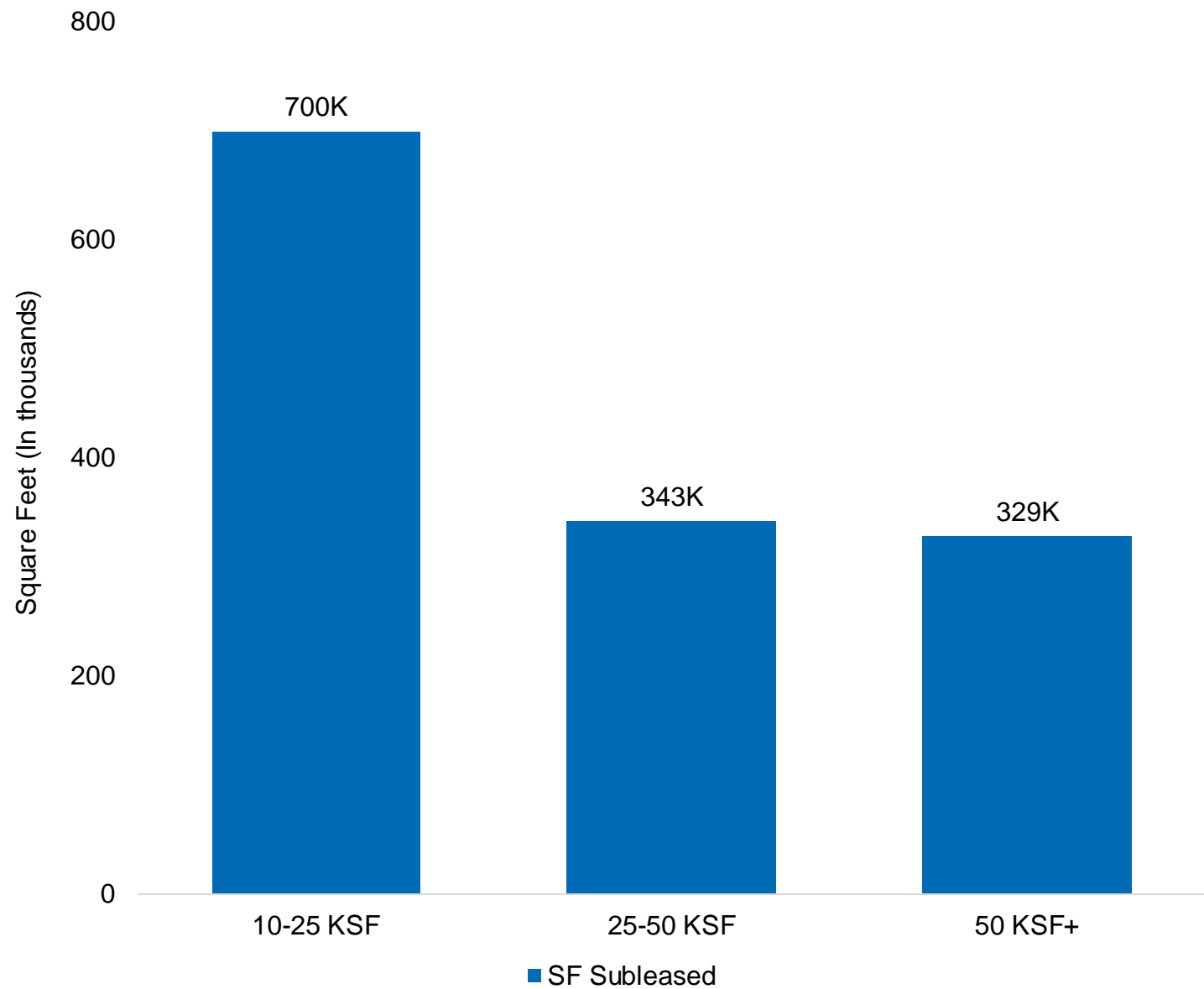


Source: Newmark Research

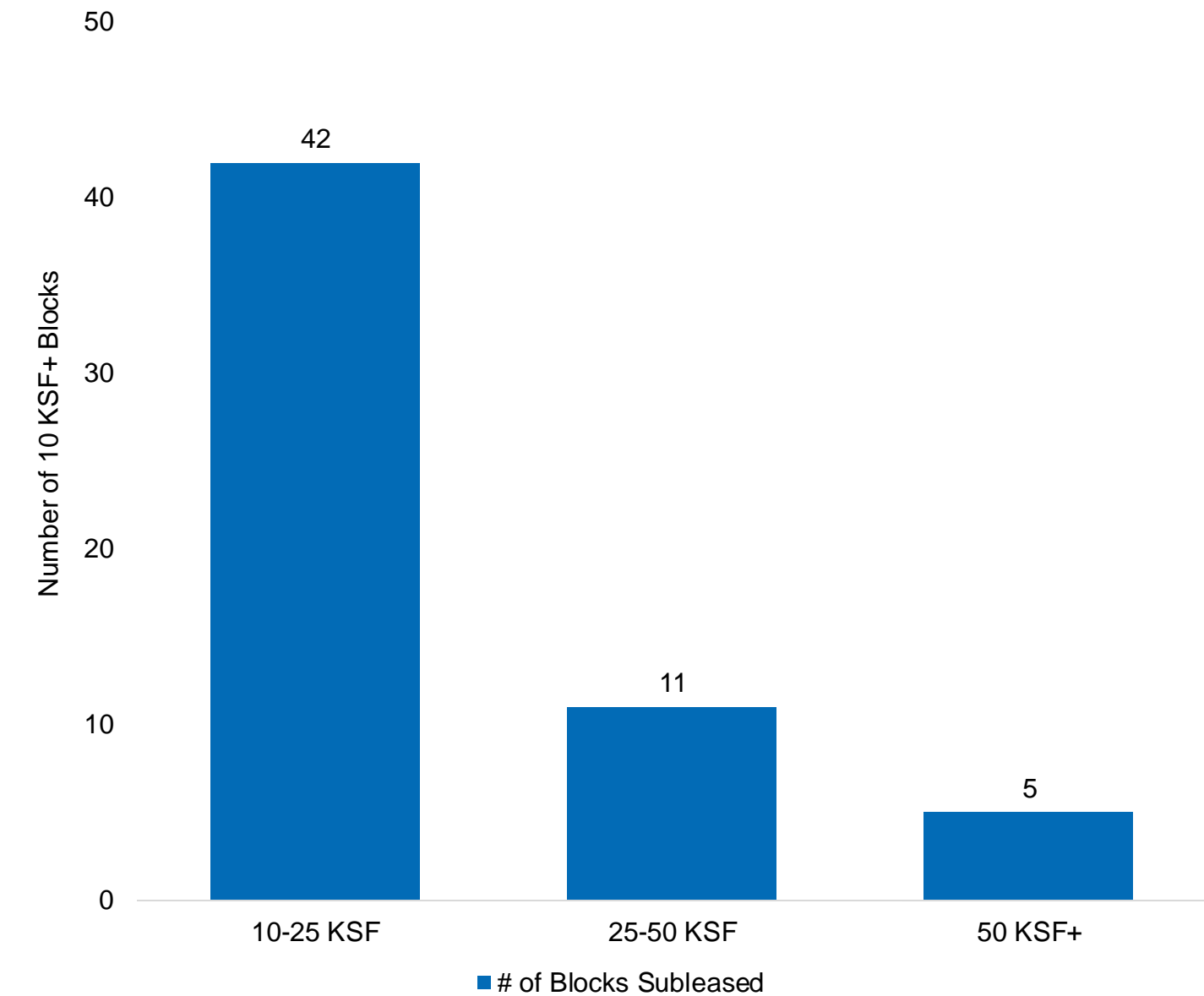
Smaller Sublease Blocks Are Outperforming

Sub-25,000-SF blocks are leasing more than their larger counterparts, which are lingering on the market and inflating sublet availability. Big tech and media companies drove leasing activity prior to 2023 and when circumstances led to these companies trying to shed excess space, the result was large sublet listings with now-dated build-outs. ‘Too big’ and ‘too old’ is a challenge in today’s climate of measured leasing activity and a preference for work environments designed for hybrid work.

Leased Sublease Space (SF): 10,000+ SF Blocks | 2023-2024



Leased Sublease Space (# of Deals): 10,000+ SF Blocks | 2023-2024



Source: Newmark Research

A Closer Look: What Spaces Are Subleasing?

Besides discounted pricing, multiple factors can motivate tenants to take sublease space. This includes, but is not limited to, desirable locations, building amenities, space design and build-out components—features that tend to correlate to Class A offices. Every lease also has its own story.

Notable Subleases: Last 24 Months

- 1

Address: 900 Corporate Point

Market Area: Culver City

Size, Lease Date: 90,049 SF , August 2023

Sublessee (Industry): TikTok (Social Media)

Sublessor (Industry): Symantec (Software)

Why?: Tenant was looking to expand in the area, largest spec suite on the market at the time, fully furnished, outdoor space and high-end building amenities (fitness studio, on-site café, EV charging).
- 2

Address: 1840 Victory Blvd

Market Area: Burbank

Size, Lease Date: 67,712 SF, June 2023

Sublessee (Industry): The Switch (Video Production)

Sublessor (Industry): Comcast (Broadcasting/Media)

Why?: Newly invested move-in ready space, large studio component, audio and streaming control rooms, stadium seating breakout/all hands meeting area, large and well-appointed kitchen/breakroom.
- 3

Address: 120 Broadway

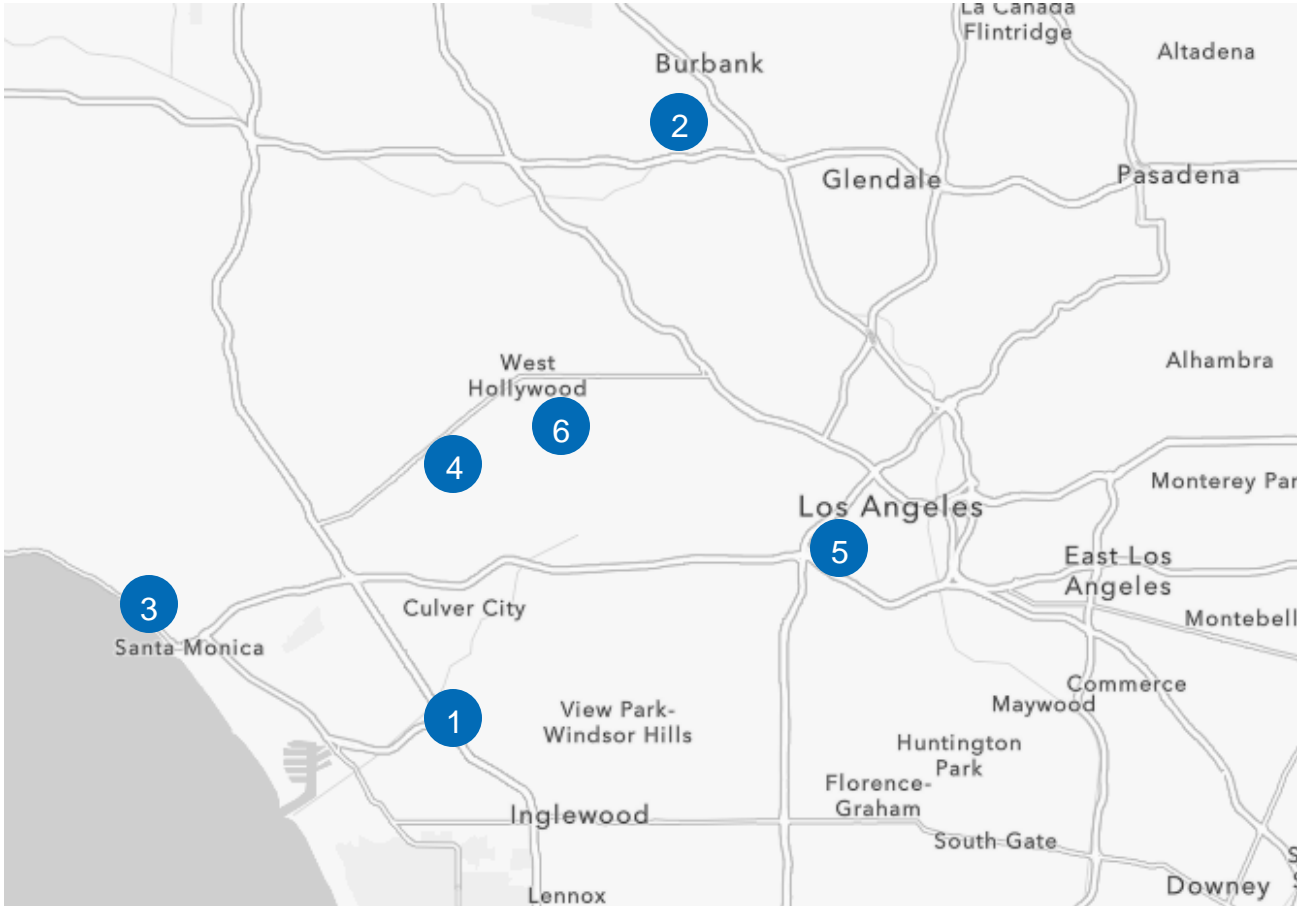
Market Area: Santa Monica

Size, Lease Date: 30,681 SF, November 2023

Sublessee (Industry): StubHub (Ticket Market/Resale)

Sublessor (Industry): TrueCar (Digital Automotive)

Why?: Shubin Donaldson designed space, entire second floor with direct access to secure parking, balconies and views of the Pacific Ocean and Santa Monica Pier.



Sublease Leases: 2023-2024
Class A: 78.5%, Class B/C: 21.5%

- 4

Address: 1901 Avenue of the Stars

Market Area: Century City

Size, Lease Date: 27,132 SF, November 2024

Sublessee (Industry): Vaziri Law Group (Legal Services)

Sublessor (Industry): Miramax (Entertainment)

Why?: Penthouse/top floor of Class A, Century City office tower, adjacent to Westfield Century City shopping center, 24-hour building security and EV charging.
- 5

Address: 700 S Flower St

Market Area: Downtown Los Angeles

Size, Lease Date: 23,234 SF, September 2024

Sublessee (Industry): Finesse (AI-Backed Fashion)

Sublessor (Industry): InStride (Public Benefit)

Why?: In The BLOC mixed-use project with retail, restaurants and direct access to the LA Metro rail system. Fully furnished suite with 360-degree city views.
- 6

Address: 1041 N Formosa Ave

Market Area: West Hollywood

Lease Date: 19,943 SF, March 2024

Sublessee (Industry): Dotdash Meredith (Digital Media)

Sublessor (Industry): LiveNation (Entertainment)

Why?: Newly built, fully-furnished suite on The Lot, an 11-acre secured office and production campus with onsite stages. Mixing studios and commissary. Multiple Amenities within walking distance.

Source: Newmark Research, CoStar

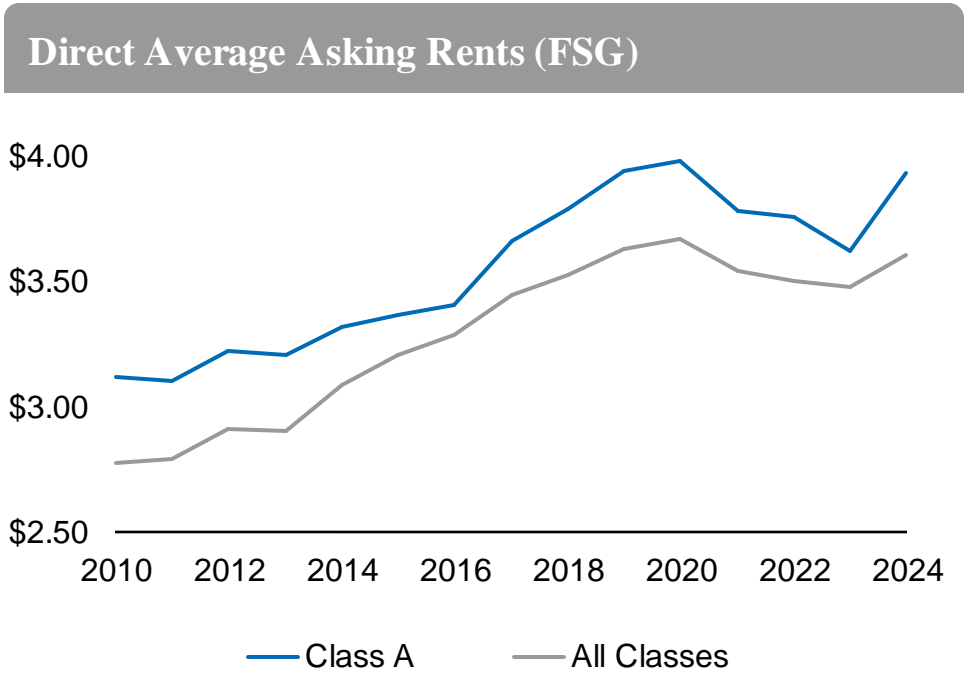
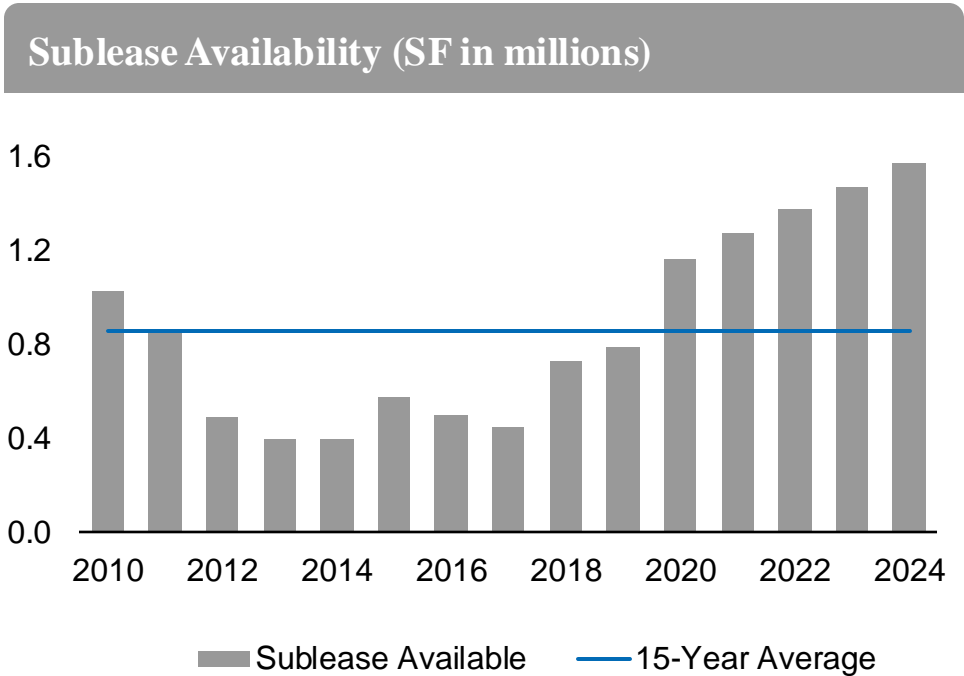
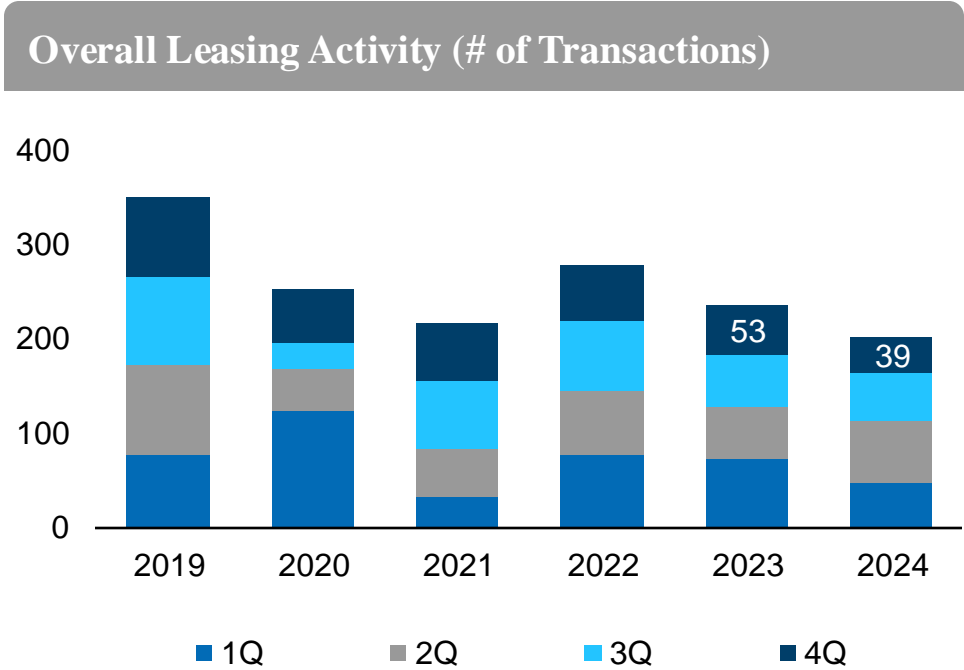
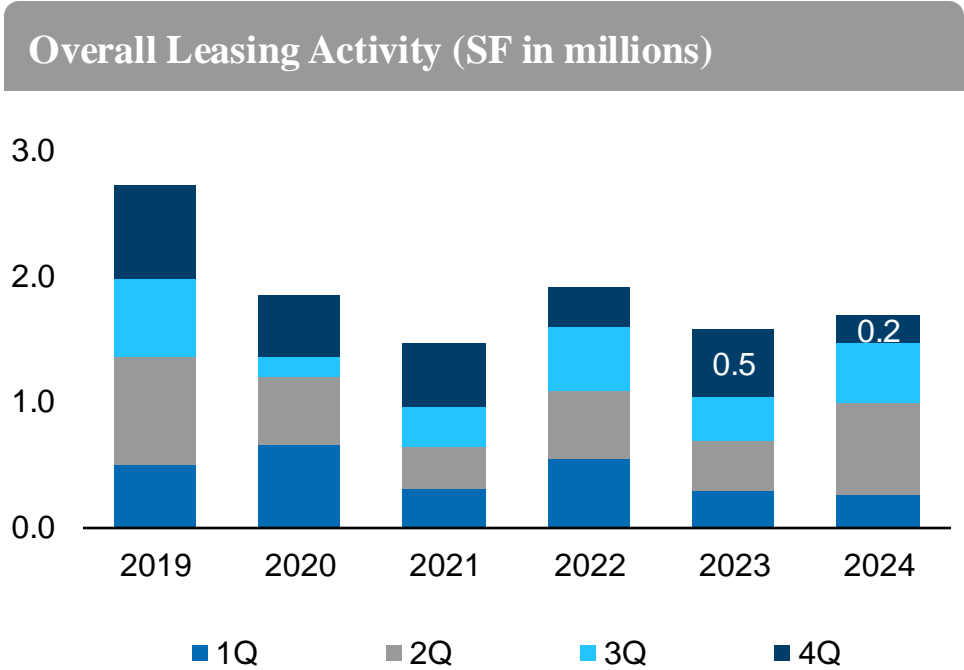
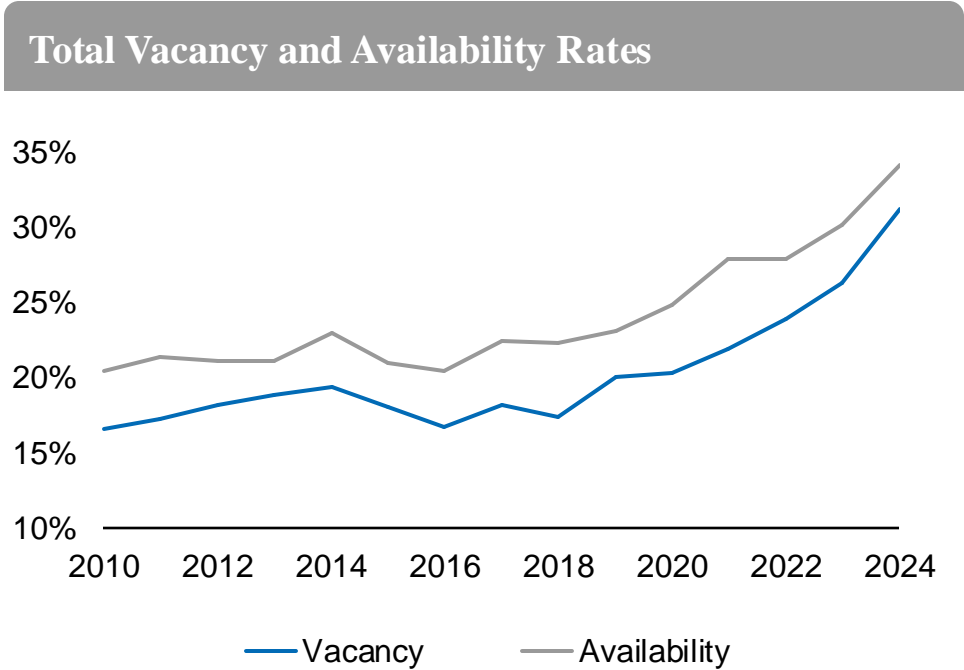
4Q24

Submarket Snapshots





Downtown Los Angeles

Inconsistent leasing activity prior to the pandemic, telework accelerating tenant downsizes, safety concerns and sizeable office loans coming due are among the submarket’s present challenges. Increasing office availability is leading to more what-if conversations of converting office product to residential. Total vacancy is at a record high of 31.3%. Downtown recorded the quarter’s largest lease, with The Los Angeles Olympics signing for 160,000 SF at 1150 S Olive St through the 2028 Summer Games.



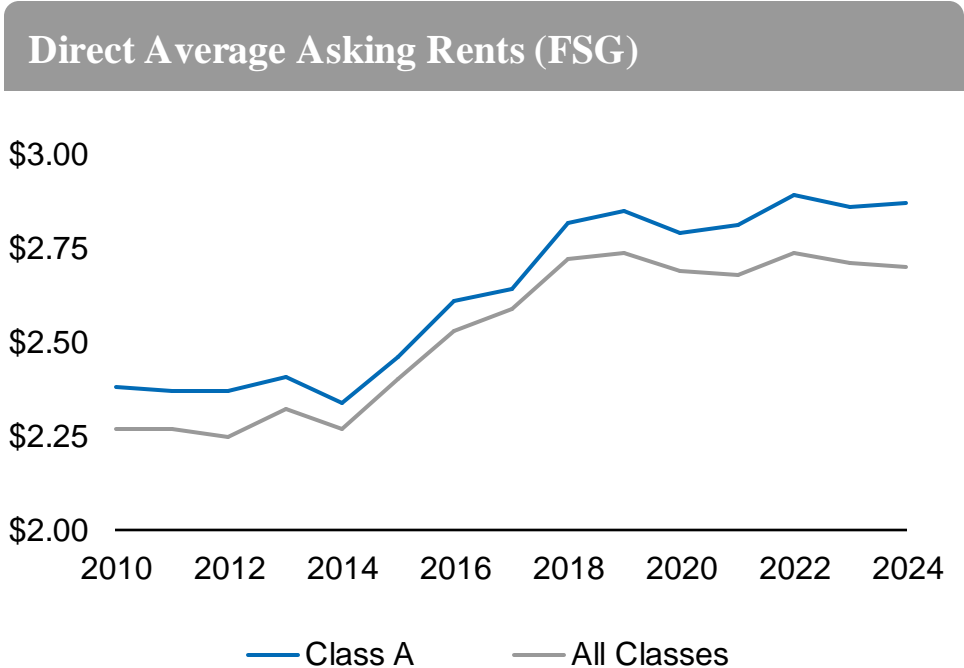
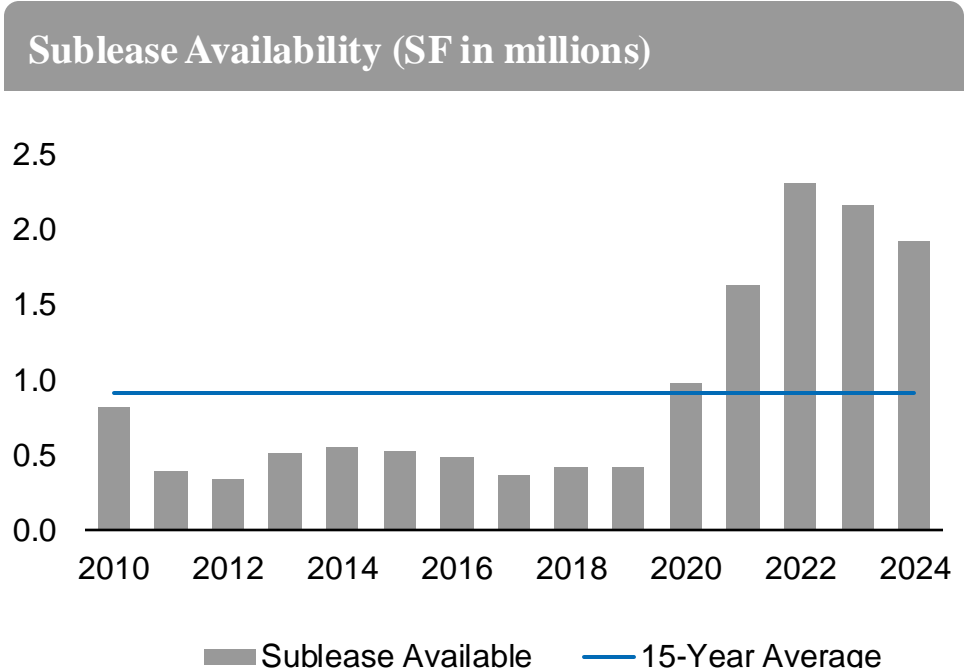
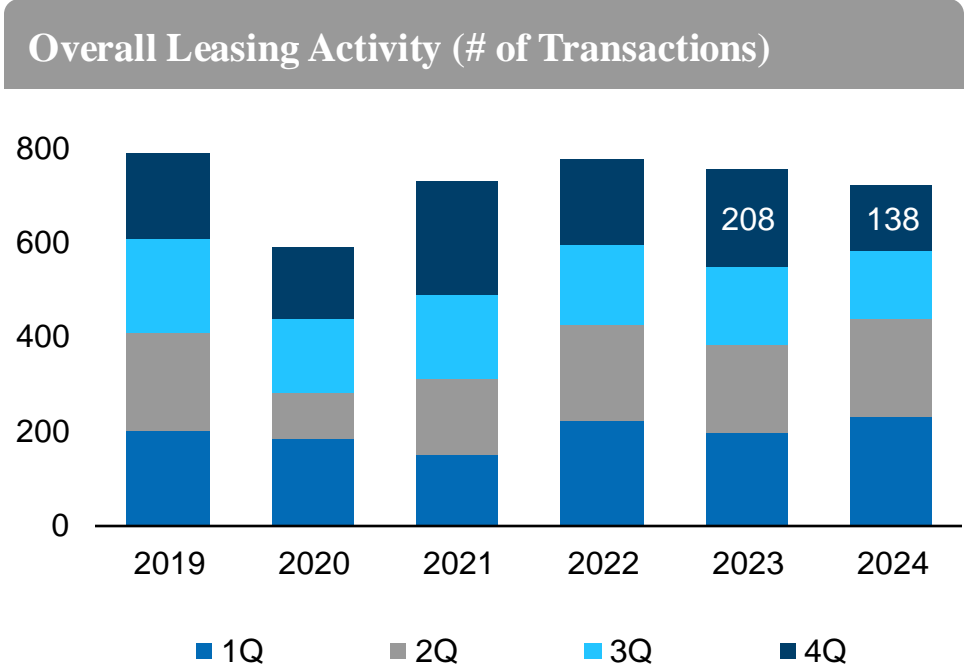
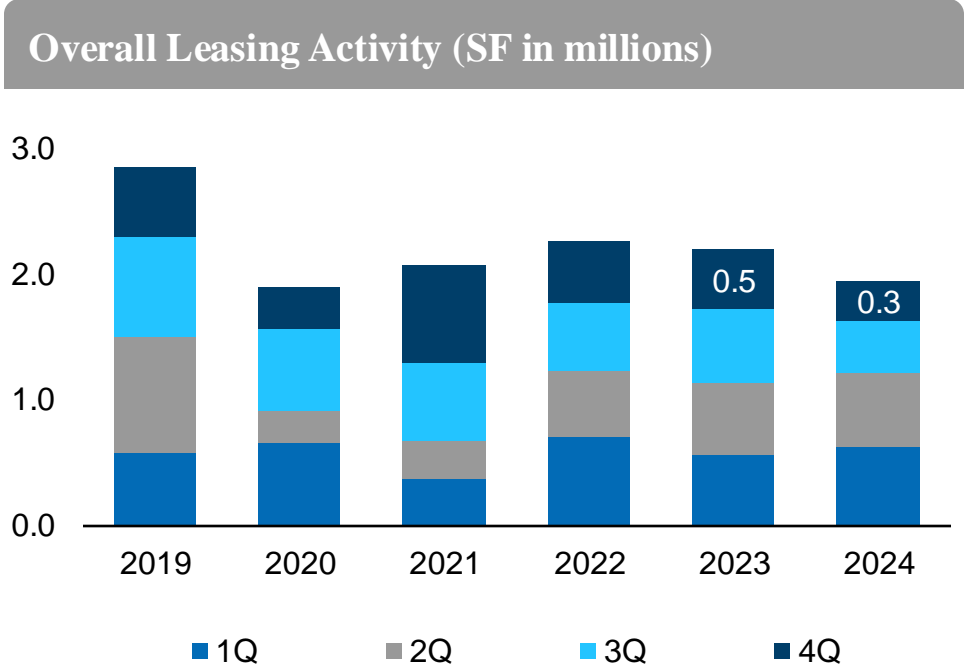
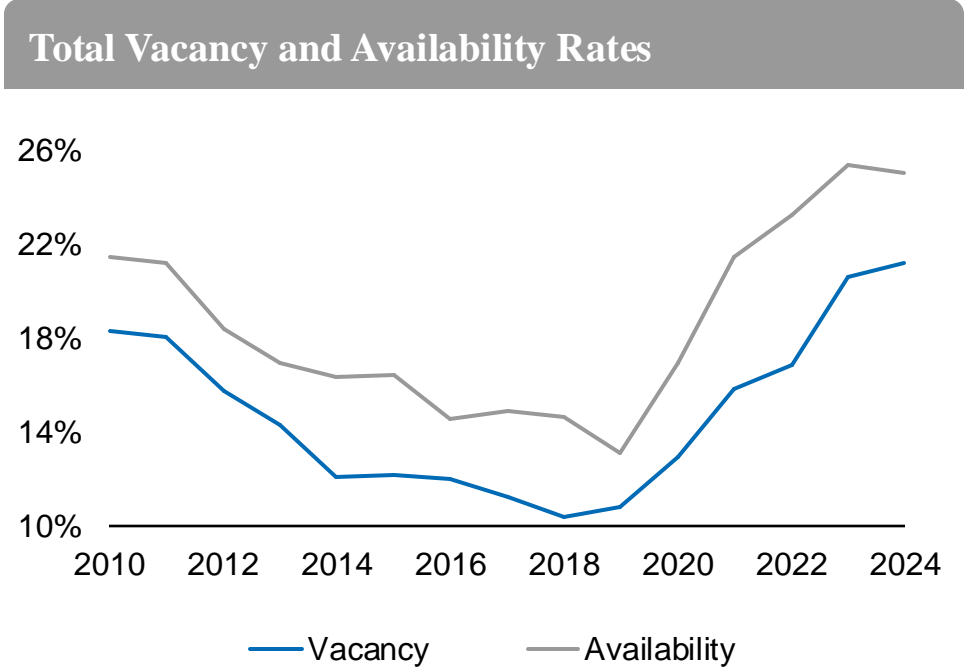
Fourth Quarter’s Top Transactions

	
160,000 SF	81,840 SF
1150 S Olive St	555 S Flower St
CBD	CBD
Direct Lease	Renewal/Downsize



Source: Newmark Research

Los Angeles North

Leasing activity by square feet was down on a quarterly and annual basis, with 20.0% and 31.6%, respectively. Notable leases signed this quarter included Young LA (a 21,294-SF direct deal at The Mix at Harman Campus in Central Valley) and Pearlman, Brown & Wax LLP (a 16,459-SF renewal at Encino Plaza in Central Valley). North historically attracts more traditional occupiers, which are expected to outperform technology and media companies in office leasing for the time being.



Fourth Quarter's Top Transactions

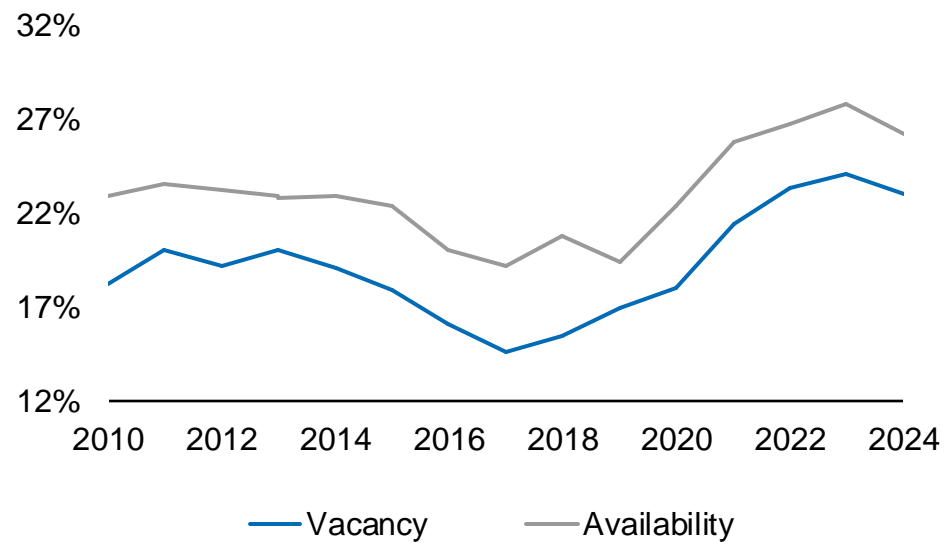
 San Fernando Transit Constructors	 YOUNG LA
41,273 SF	21,294 SF
5990 Sepulveda Blvd	8500 Balboa Blvd
Central Valley	Central Valley
Direct Lease	Direct Lease

Source: Newmark Research

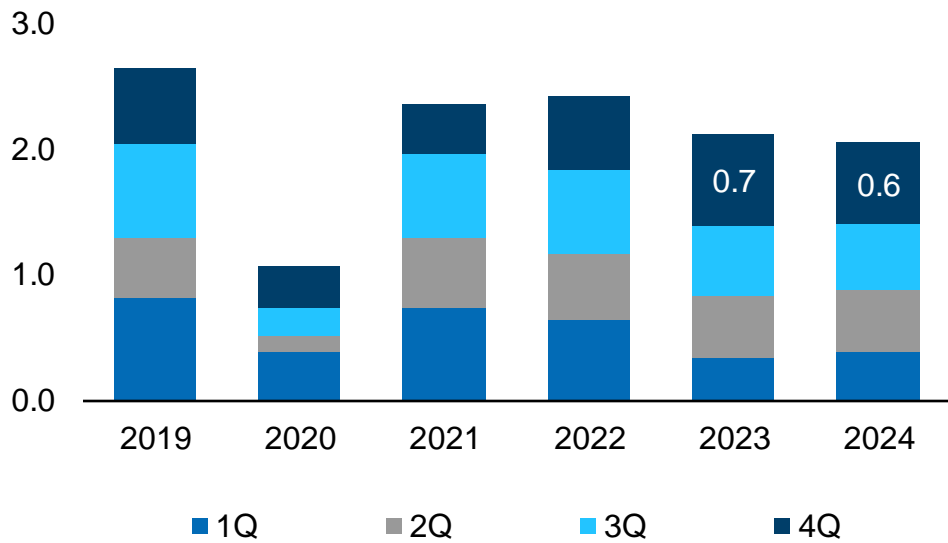
South Bay

South Bay had this quarter's largest net absorption gain with 217,438 SF, mostly due to the County of Los Angeles taking occupancy of 207,289 SF at the Freeway Business Center in Suburban Long Beach. The South Bay also saw the largest annual decline in sublet availability in the market, decreasing by 238,333 SF.

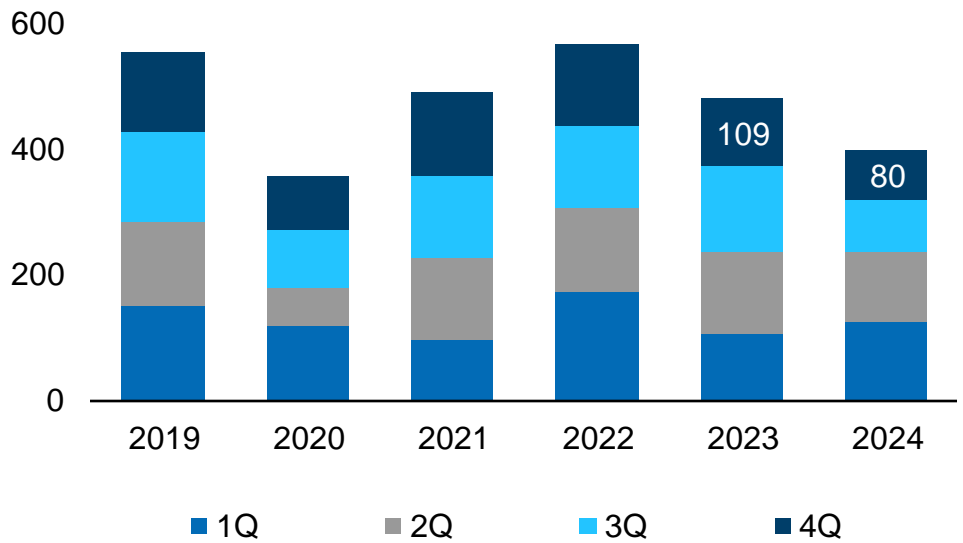
Total Vacancy and Availability Rates



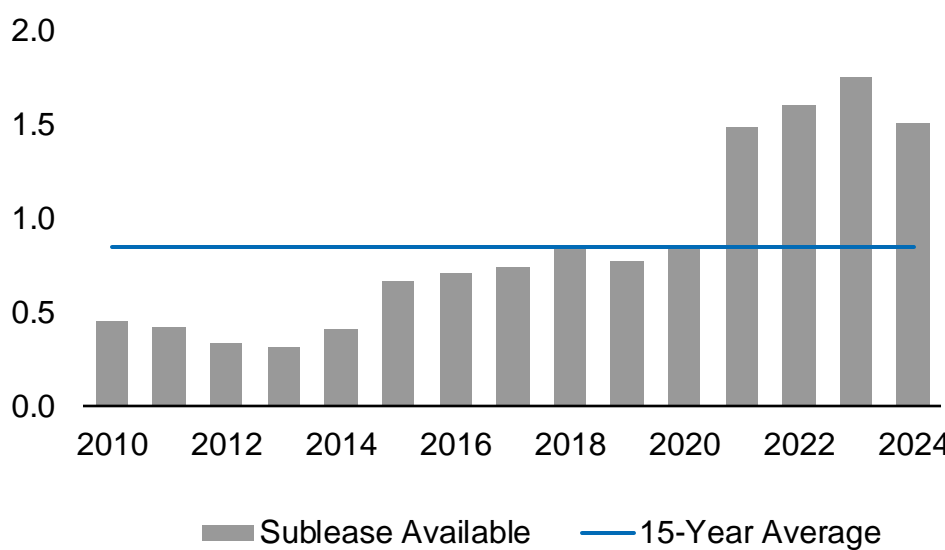
Overall Leasing Activity (SF in millions)



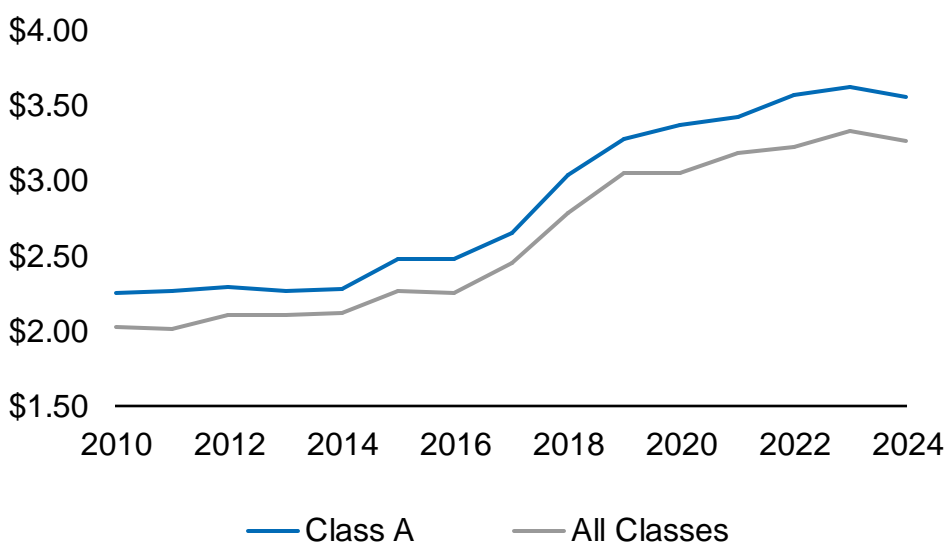
Overall Leasing Activity (# of Transactions)




Sublease Availability (SF in millions)



Direct Average Asking Rents (FSG)



Fourth Quarter's Top Transactions




95,704 SF

101 Continental Blvd

El Segundo/Beach Cities

Direct Lease



75,606 SF

2260 E Imperial Hwy

El Segundo/Beach Cities

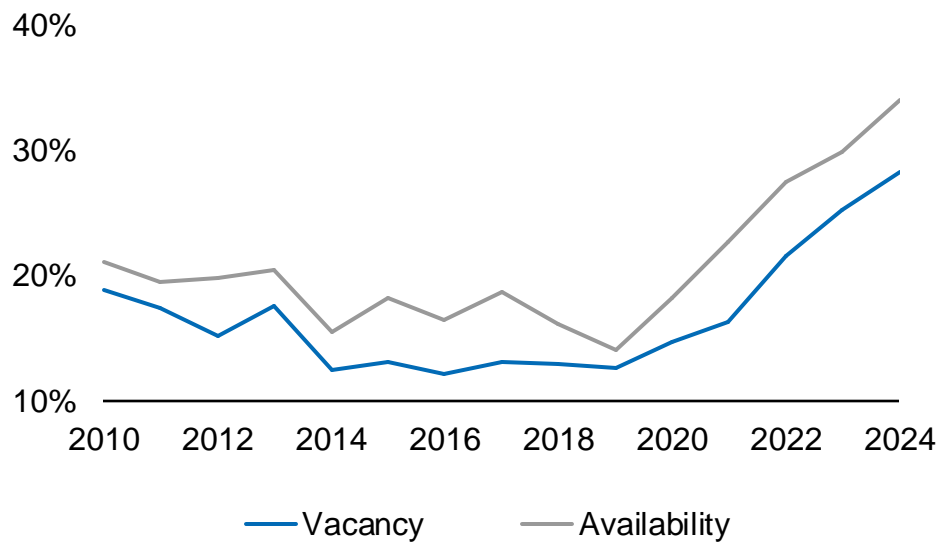
Sublease

Source: Newmark Research

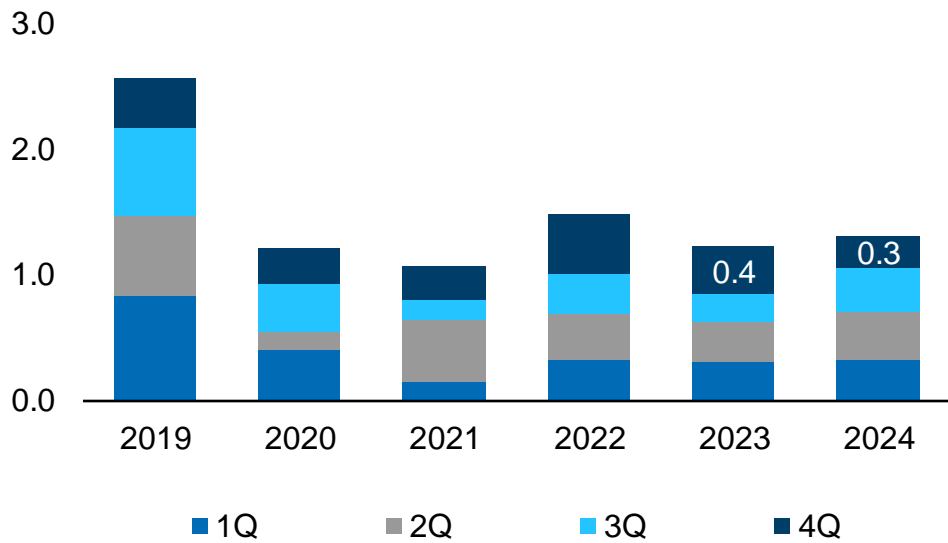
Tri-Cities

While leasing activity was down on a quarterly and annual basis in the submarket, media deals in Burbank from Legendary (an 89,749-SF renewal at The Pointe) and 20th Television (a 76,641-SF renewal at Media Studios North) reinforced the area’s ties to the entertainment industry. Vacancy noticeably rose in 2023 after Warner Bros. gave back roughly 480,000 SF in Burbank as the company consolidated into its new Second Century buildings.

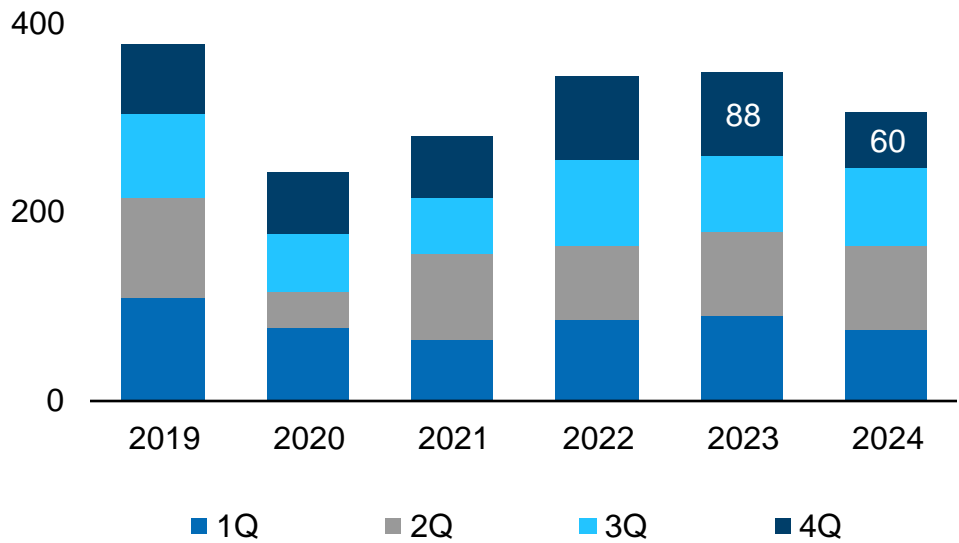
Total Vacancy and Availability Rates



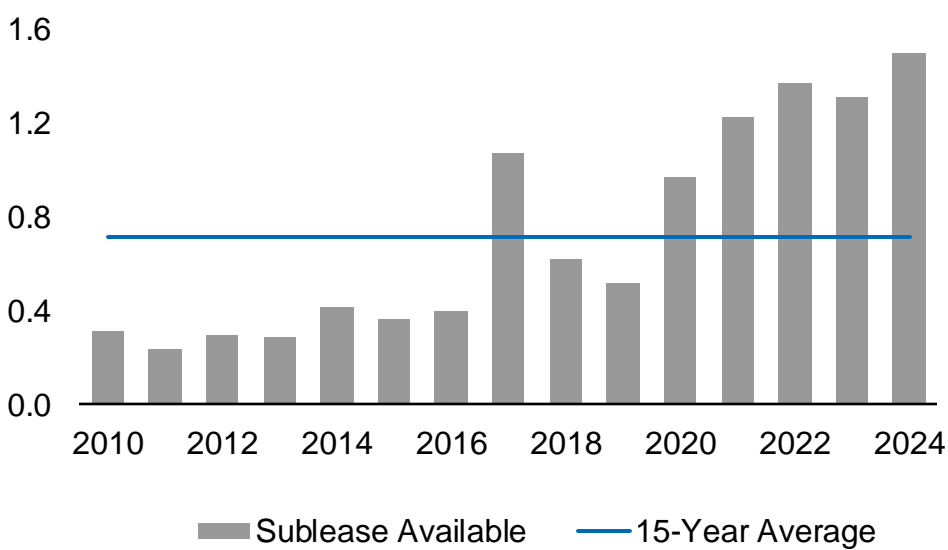
Overall Leasing Activity (SF in millions)



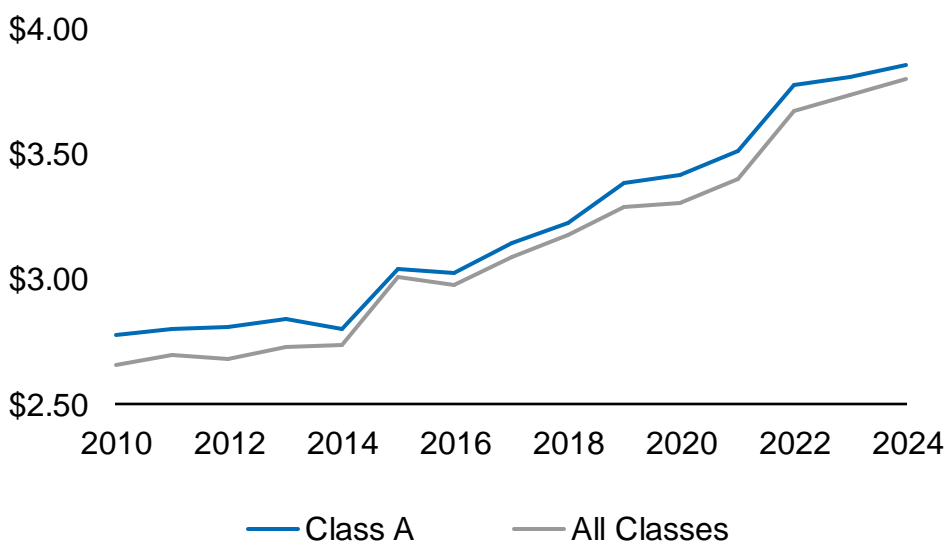
Overall Leasing Activity (# of Transactions)





Sublease Availability (SF in millions)



Direct Average Asking Rents (FSG)



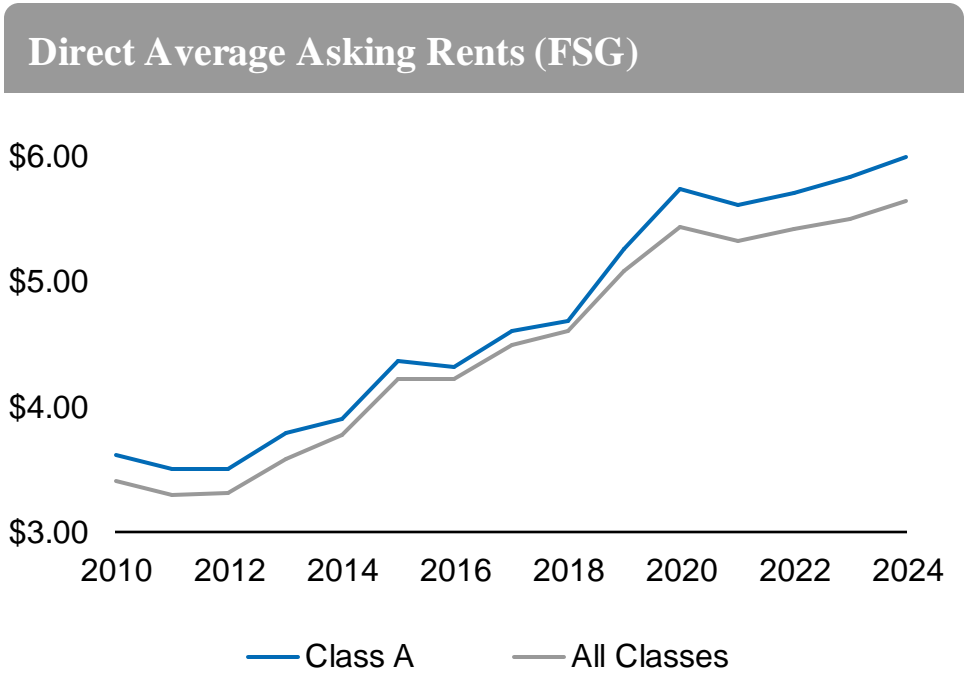
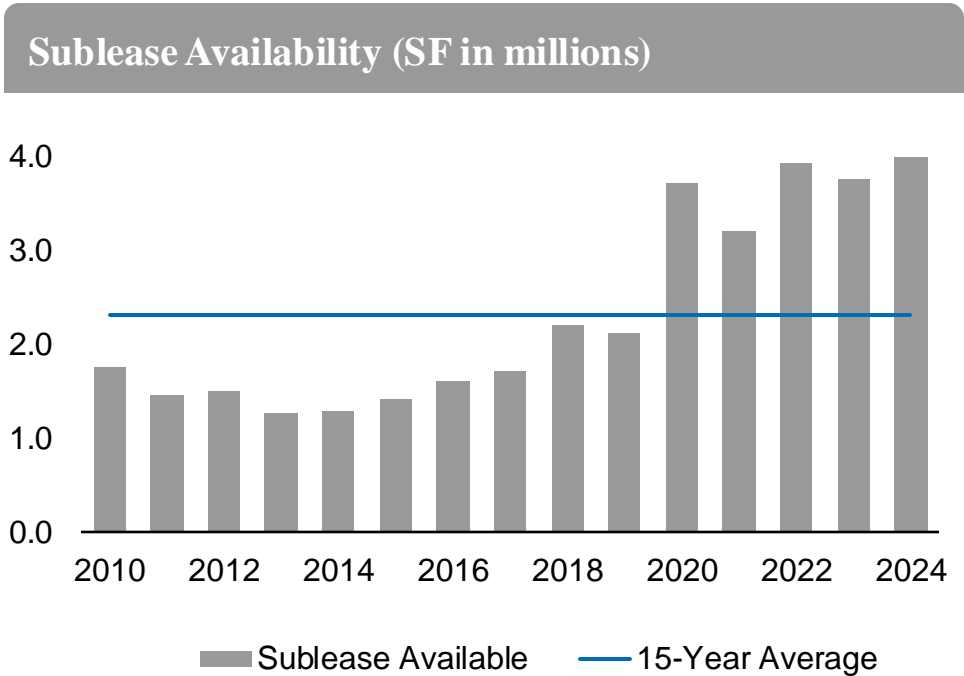
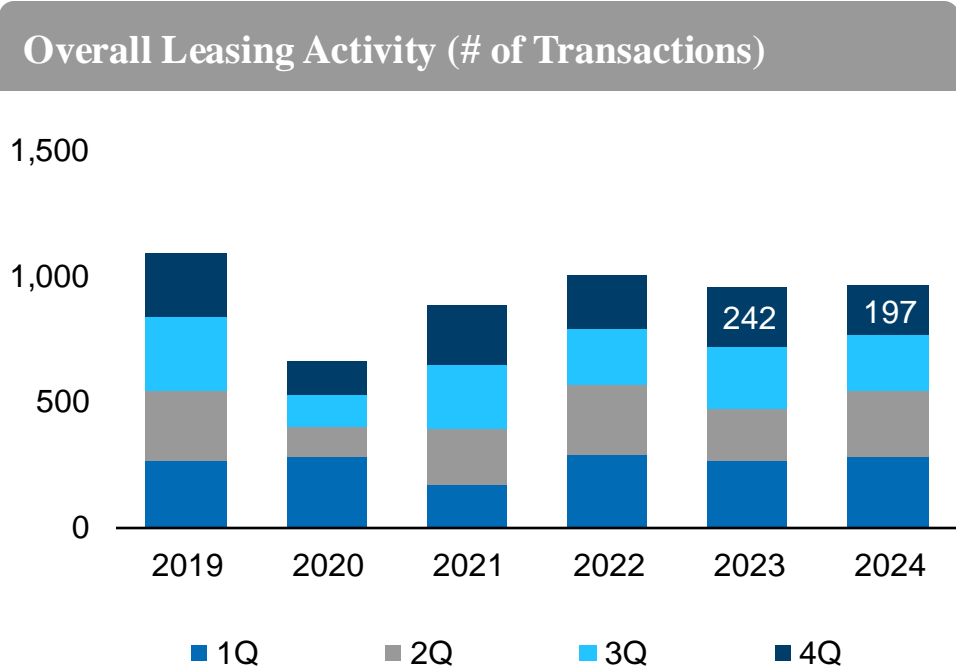
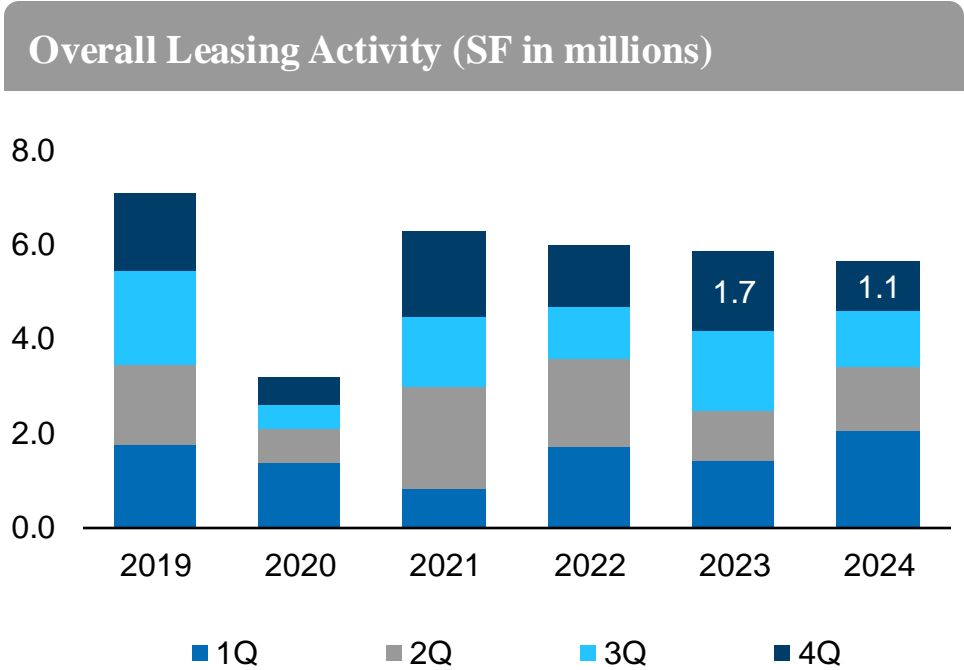
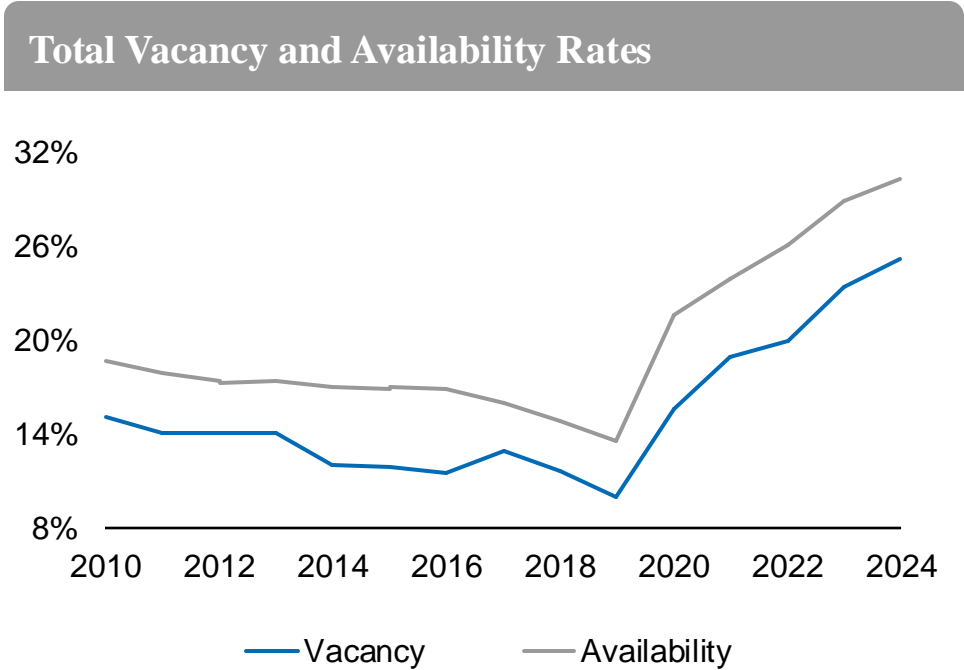
Fourth Quarter’s Top Transactions

	
89,749 SF	76,641 SF
2900 Alameda Ave	3333 W Empire Ave
Burbank	Burbank
Renewal/Downsize	Renewal

Source: Newmark Research

West Los Angeles

West Los Angeles continues to outperform the rest of Greater Los Angeles in leasing activity, despite general sluggishness among tech and media occupiers. While the submarket has the region's largest pool of sublet availability, it led this quarter in sublease space removed, with 195,233 SF.



Fourth Quarter's Top Transactions

Transaction	Size (SF)	Address	Location	Transaction Type
LOEB & LOEB LLP	130,000 SF	10100 Santa Monica Blvd	Century City	Lease Renewal
KAR Kayne Anderson Rudnick	59,348 SF	2000 Avenue of the Stars	Century City	Extension/Expansion

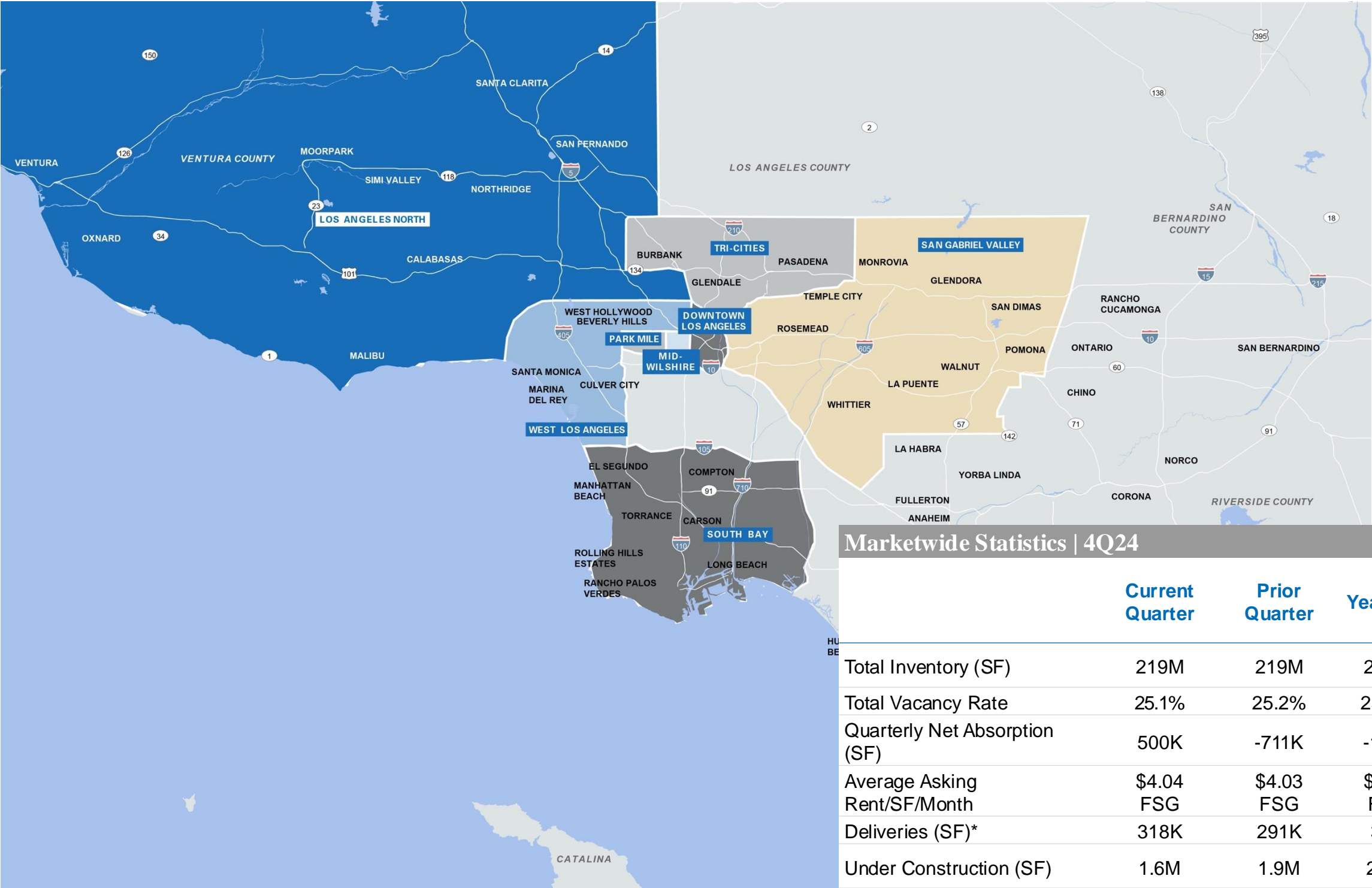
Source: Newmark Research

4Q24

Appendix



Los Angeles Office Submarket Map and High-level Statistics | 4Q24



Source: Newmark Research

Los Angeles Office Submarket Statistics | 4Q24 (page 1 of 3)

Submarket Statistics – All Classes								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Downtown Los Angeles	38,917,397	0	31.3%	-177,236	-1,693,050	\$3.93	\$3.36	\$3.61
Mid-Wilshire	5,945,830	0	33.3%	-7,230	23,401	\$3.03	\$2.76	\$2.83
Los Angeles North	32,612,961	0	21.2%	169,399	-335,329	\$2.87	\$2.46	\$2.70
Central Valley	8,372,645	0	17.0%	-923	-63,924	\$2.80	\$2.67	\$2.76
Conejo Valley	8,449,080	0	18.8%	22,882	-102,540	\$2.88	\$2.45	\$2.65
East Valley	3,346,927	0	18.3%	22,389	48,362	\$3.65	\$2.76	\$3.42
Santa Clarita Valley	2,373,392	0	28.9%	49,776	-294,853	\$2.78	\$2.34	\$2.70
West Valley	10,070,917	0	25.9%	75,275	77,626	\$2.61	\$2.27	\$2.46
Park Mile	1,421,336	0	36.5%	-20,741	-58,817	\$2.75	\$3.60	\$3.38
San Gabriel Valley	12,341,858	0	9.6%	56,959	199,972	\$3.06	\$2.80	\$2.86
Eastern SGV	6,918,632	0	8.1%	38,215	175,292	\$2.85	\$2.62	\$2.66
Western SGV	5,423,226	0	11.5%	18,744	24,680	\$3.26	\$3.30	\$3.29
South Bay	34,372,846	0	23.1%	217,438	321,033	\$3.56	\$3.03	\$3.26
190th Street Corridor	3,678,997	0	14.7%	-4,910	90,881	\$3.34	\$2.68	\$3.00
Carson	746,469	0	18.6%	-5,161	-28,584	-	\$2.29	\$2.66

Source: Newmark Research

Los Angeles Office Submarket Statistics | 4Q24 (page 2 of 3)

Submarket Statistics – All Classes								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
El Segundo/Beach Cities	13,576,654	0	22.8%	19,946	115,904	\$4.18	\$3.87	\$4.10
LAX/Century Blvd	4,114,937	0	41.2%	-40,069	-120,743	\$2.55	\$2.25	\$2.45
Long Beach Downtown	4,533,610	0	26.0%	-58	-11,842	\$3.06	\$2.40	\$2.68
Long Beach Suburban	4,619,431	0	19.4%	230,581	244,479	\$3.03	\$3.00	\$2.88
Torrance Central	3,102,748	0	13.0%	17,109	30,938	\$3.16	\$3.02	\$2.94
Tri-Cities	23,575,948	0	28.3%	61,855	-618,015	\$3.86	\$3.61	\$3.80
Burbank	8,246,731	0	32.0%	-30,808	-581,945	\$4.38	\$3.90	\$4.27
Glendale	6,481,981	0	30.7%	62,779	136,487	\$3.23	\$3.00	\$3.21
Pasadena	8,847,236	0	23.1%	29,884	-172,557	\$3.89	\$3.42	\$3.70
West Los Angeles	70,189,151	1,590,386	25.2%	199,543	-855,837	\$5.99	\$4.71	\$5.64
Beverly Hills	7,004,373	0	22.5%	66,581	-199,998	\$6.14	\$5.25	\$5.82
Brentwood	3,494,384	0	23.5%	-11,368	-76,815	\$4.69	\$5.40	\$4.69
Century City	10,662,477	731,250	15.1%	49,560	-85,080	\$7.58	\$5.50	\$7.55
Culver City	9,264,242	286,336	34.7%	-55,898	-127,269	\$5.18	\$4.68	\$4.99
Hollywood	5,790,414	572,800	24.0%	-33,512	-17,118	\$4.44	\$4.52	\$4.49

Source: Newmark Research

Los Angeles Office Submarket Statistics | 4Q24 (page 3 of 3)

Submarket Statistics – All Classes								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Marina Del Rey/Venice	1,982,319	0	30.8%	25,091	-10,119	\$5.75	\$5.31	\$5.51
Miracle Mile	5,037,832	0	30.9%	-6,975	58,254	\$4.42	\$3.81	\$4.36
Olympic Corridor	3,007,643	0	26.7%	136,301	136,941	\$7.16	\$3.43	\$6.58
Playa Vista	4,098,798	0	30.6%	-79,448	-220,846	\$6.58	\$3.30	\$6.50
Santa Monica	9,619,564	0	26.1%	69,265	-367,578	\$5.96	\$5.20	\$5.54
West Hollywood	2,988,421	0	19.0%	19,289	45,528	\$5.05	\$3.25	\$4.93
Westside Other	3,858,633	0	24.9%	14,508	3,449	\$5.74	\$4.10	\$4.91
Westwood	3,380,051	0	24.2%	6,149	4,814	\$4.91	\$3.22	\$4.62
Market	219,377,327	1,590,386	25.1%	499,987	-3,016,642	\$4.48	\$3.42	\$4.04

Source: Newmark Research

High-Level Stats and Sublease Figures, By Submarket | 4Q24

West Los Angeles, home to a large tech base, continues to lead the region in sublease space on a SF basis.

						NET CHANGE IN AVAILABLE SUBLEASE SPACE		
Submarket	Total Inventory (SF)	Total Vacancy Rate	Total Availability Rate	Available Sublease Space (SF)	Sublet Availability (%)	3-Month Change (SF)	12-Month Change (SF)	From YE 2019 (SF)
Downtown Los Angeles	38,917,397	31.3%	34.2%	1,392,970	3.6%	-178,696	-76,507	+602,597
Mid-Wilshire	5,945,830	33.3%	31.5%	109,308	1.8%	+5,682	+63,717	+30,797
Los Angeles North	32,612,961	21.2%	25.1%	1,924,016	5.9%	-89,050	-234,110	+1,509,304
Park Mile	1,421,336	36.5%	34.6%	44,198	3.1%	0	-55,600	+16,414
San Gabriel Valley	12,341,858	9.6%	11.8%	178,470	1.4%	+117,116	+78,699	+119,798
South Bay	34,372,846	23.1%	26.3%	1,510,127	4.4%	-178,200	-238,333	+732,467
Tri-Cities	23,575,948	28.3%	34.1%	1,496,568	6.3%	+6,779	+185,245	+980,473
West Los Angeles	70,189,151	25.2%	30.3%	3,992,684	5.7%	-195,233	+231,179	+1,878,694
Greater Los Angeles	219,377,327	25.1%	29.0%	10,648,341	4.9%	-511,602	-45,710	+5,870,544

Source: Newmark Research

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