NEWMARK

Los Angeles:

Office Market Overview

2Q26

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Access the Expanded 2Q26 Los Angeles Office Market Overview

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The expanded version of this report includes:

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

Extensive content across 48 slides—a detailed presentation packed with useful office information and in-depth analysis.

Los Angeles Office Market Observations

Economy

- Los Angeles unemployment across all industries was 5.2% in May 2026, down 20 bps from 12 months ago. Office-using employment contracted by 27,600 jobs over the same period, with all associated sectors reporting losses.
- Office-using employment remains below its pre-pandemic level, falling from 1.11 million in February 2020 to 1.03 million in May 2026.
- Los Angeles continues to lag other U.S. markets in the recovery of office-using employment, largely because the media sector remains subdued. In contrast, legal services employment now exceeds its pre-pandemic peak and is supporting lease expansions, particularly in Century City.
- Notable recent layoff announcements in the market include Snap in Santa Monica, Sony Pictures Entertainment in Culver City, Intuit in Woodland Hills, Meta in Playa Vista, Disney in Burbank, and Oracle in Santa Monica.

Leasing Market Fundamentals

- Total vacancy, which has hovered around the 24-25% range since 2024, settled at 25.3%. Owner-user sales and conversions are tempering the average.
- Sublet availability declined by 699,955 SF in the second quarter, bringing the year-to-date reduction to nearly 1.4 MSF and pushing sublease volume to its lowest level since 2020; most of this drop reflects withdrawn listings and space converting to direct availability.
- Traditional industries such as law and finance now account for most leasing activity. Overall leasing volume is gradually improving as select expansions and new-to-market entrants help offset the broader trend of tenants right-sizing.
- Lease term lengths are increasing amid flat office utilization, suggesting most companies have a grasp on their long-term space needs. Attractive concession packages are a factor, too.
- Trophy product continues to outperform, with a 13.5% vacancy.

Major Transactions

- Buyers taking advantage of discounted pricing drove a series of high-profile sales in Downtown Los Angeles this quarter.
- Capital Group acquired Bank of America Plaza (333 S Hope St; 1.4 MSF) for $210 million (~$148/SF) and plans to expand its presence in the building, where it is already a tenant. 601W purchased the Wells Fargo North Tower (333 S Grand Ave; 1.4 MSF) as an investment for $180 million (~$127/SF). The City of Los Angeles also finalized its acquisition of the former TCW Tower (865 S Figueroa St; 719,000 SF) for $92.5 million (~$129/SF), which will become the new headquarters for the Los Angeles Department of Water and Power.
- Professional and financial services tenants led second-quarter leasing activity, with several large transactions concentrated in Century City. PricewaterhouseCoopers (PwC) leased 138,000 SF at 2121 Avenue of the Stars in a relocation from Downtown Los Angeles, while Bank of America renewed and expanded to 137,873 SF at 2049 Century Park East.

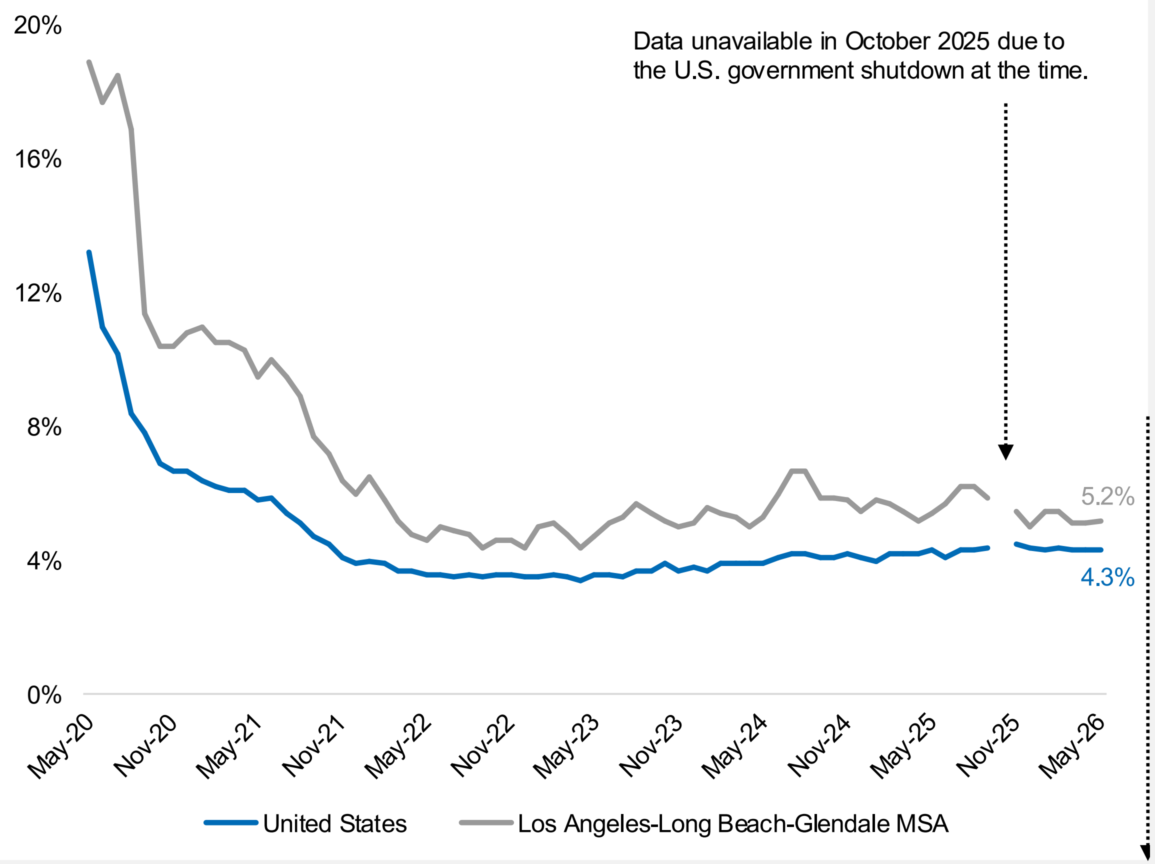
Outlook

- Corporate occupiers are expected to continue shrinking their footprints, often trading up into higher-quality space, while a smaller subset will selectively expand.
- Los Angeles' office market is in a multi-year sorting phase: structurally weak segments are being worked down through distress, conversions, and owner-user purchases, while a narrow band of premier corridors, such as Century City, are capturing an outsized share of leasing activity.
- Broader vacancy will remain elevated until this sorting process has run its course.
- Institutional capital will become more active in office-to-housing conversions, as exemplified by Kennedy Wilson's recent partnership with Jamison and announced projects from Douglas Emmett and Lincoln Property Company.
- Film and TV production will increase in the region, following California's expanded tax incentives.

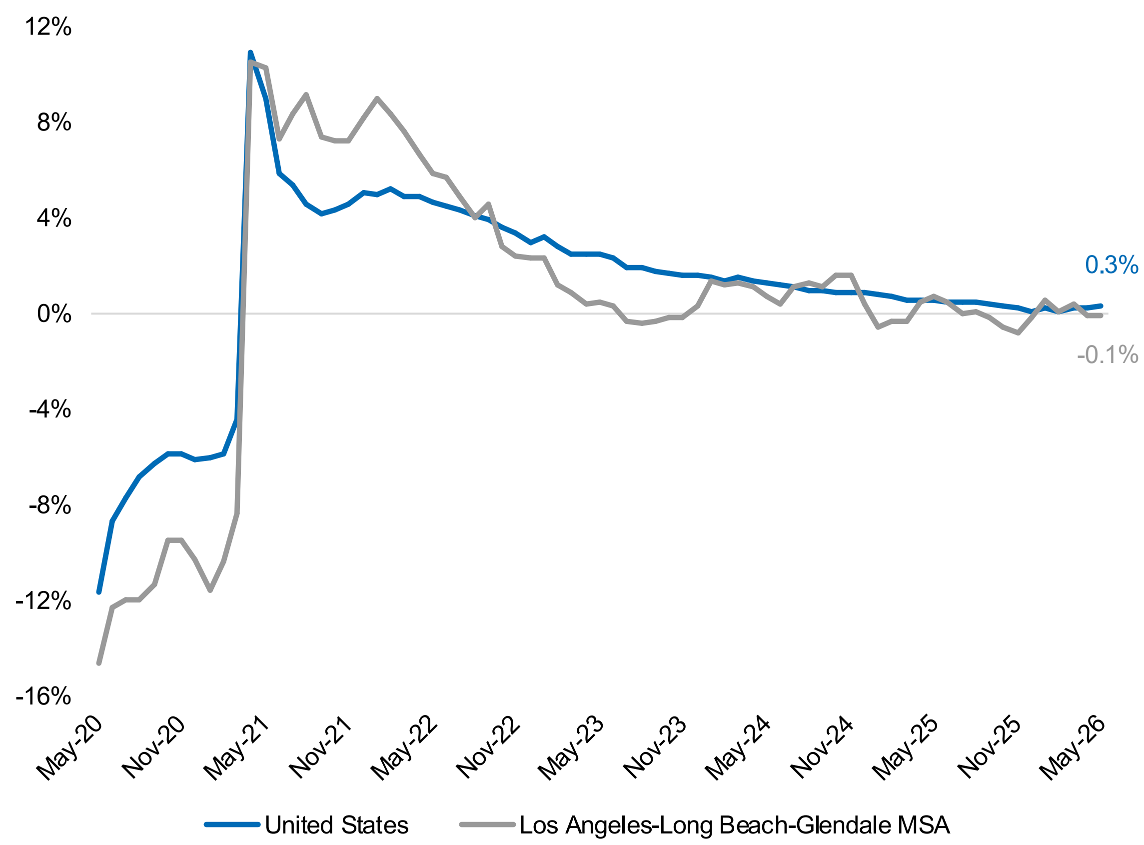
Unemployment Eases but Job Growth Stalls

Local unemployment held at 5.2% in May 2026, 20 basis points lower than a year earlier. May's average was just below the state's (5.3%) but still above the nation's (4.3%). While labor conditions have stabilized, hiring momentum remains limited and year-over-year job growth in the metro growth has hovered around 0% in 2026.

Unemployment Rate, Seasonally Adjusted



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

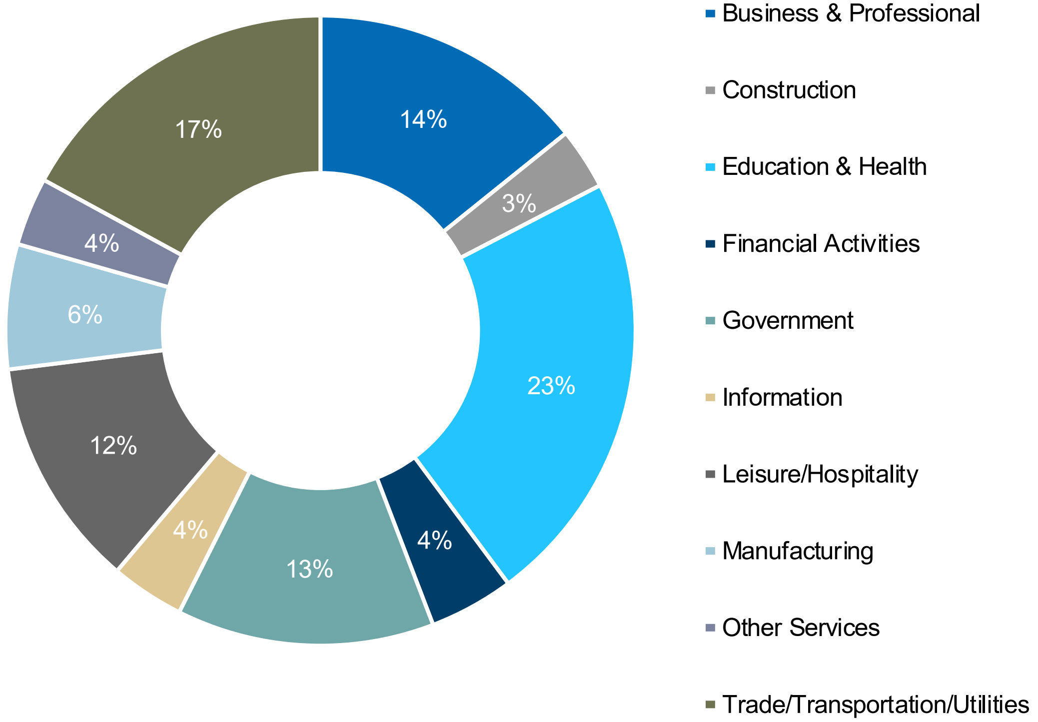


Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale MSA

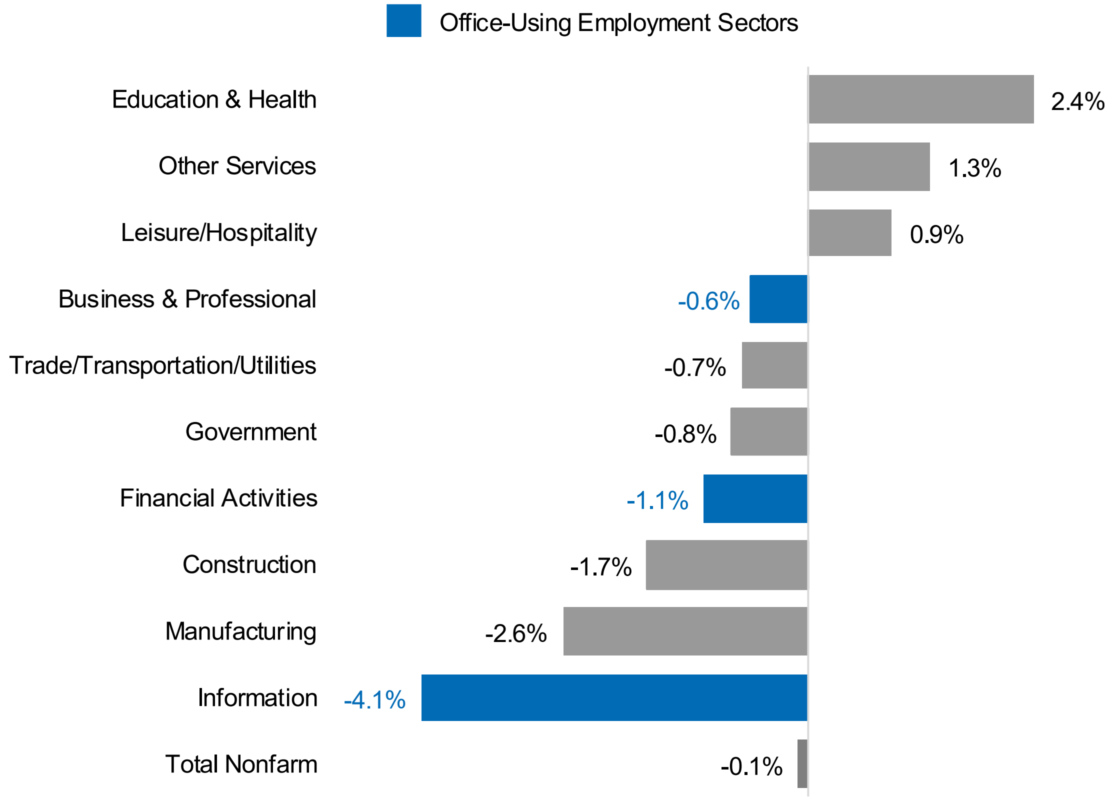
All Office-Using Sectors See Losses

All office-using sectors saw annual job losses: information (-4.1%) had the largest percentage decline followed by financial activities (-1.1%) and business & professional (-0.6%). Net job losses for each totaled 900, 500, and 1,300, respectively.

Employment by Industry, May 2026



Employment Growth by Industry, 12-Month % Change, May 2026

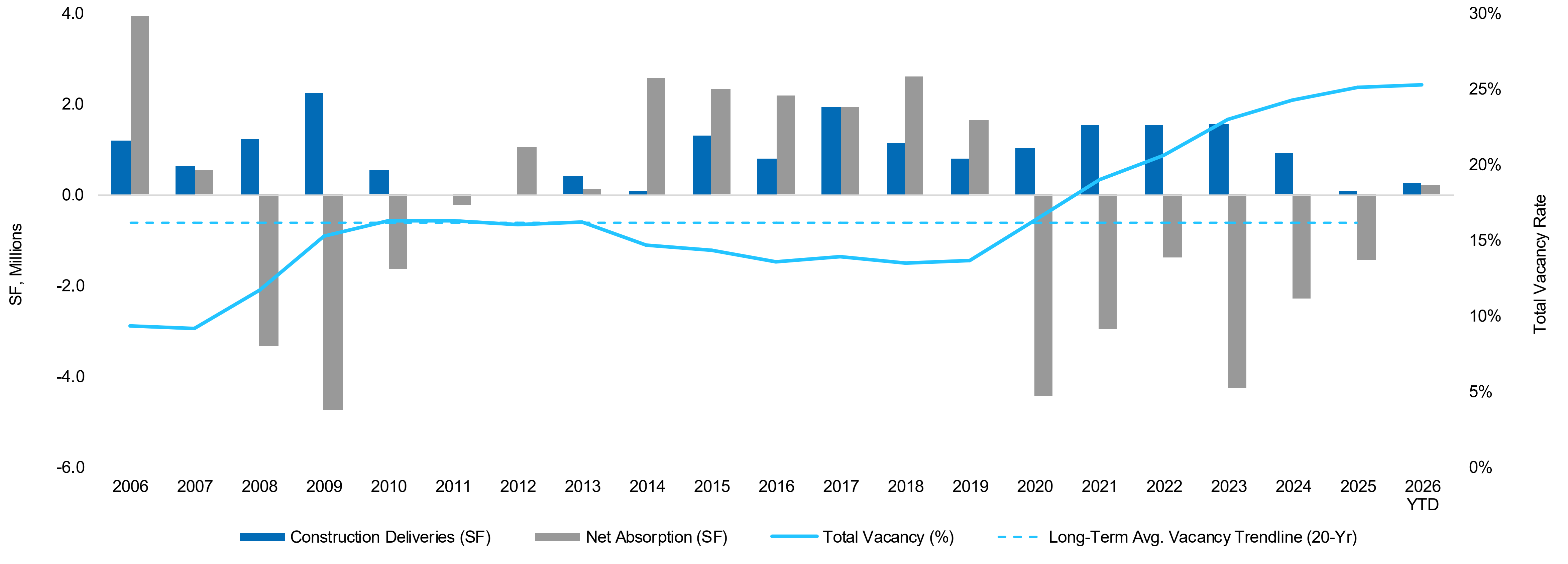


Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale MSA
Note: Due to a lapse in federal appropriations and a government shutdown in early 2026, the BLS has delayed or suspended the release of various employment reports. Early 2026 employment data was unavailable at the time of writing.

Vacancy Holds Steady in First Half of 2026

Total vacancy (25.3%) remained relatively flat through the first six months of 2026, increasing by only 20 basis points since the year-end 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

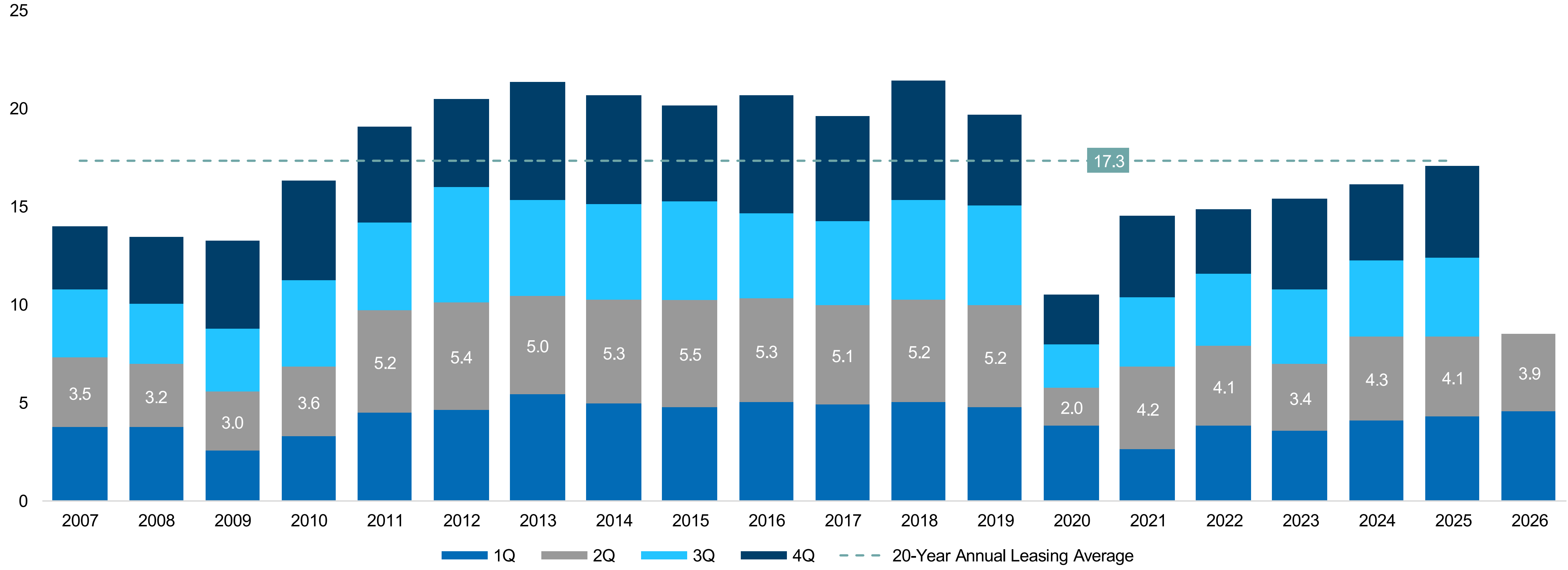


Source: Newmark Research

Leasing Activity Softens in Second Quarter

Second-quarter leasing totaled 3.9 MSF, declining 14.6% from last quarter and 4.1% from the quarterly total from this time last year. However, leasing activity for the first half of the year exceeds the level recorded during the same period last year, supported by a strong first quarter in 2026. Recent transaction volume reflects a mix of lease rollovers, targeted tenant expansions, and a limited number of new-to-market entrants.

Total Leasing Activity (MSF)

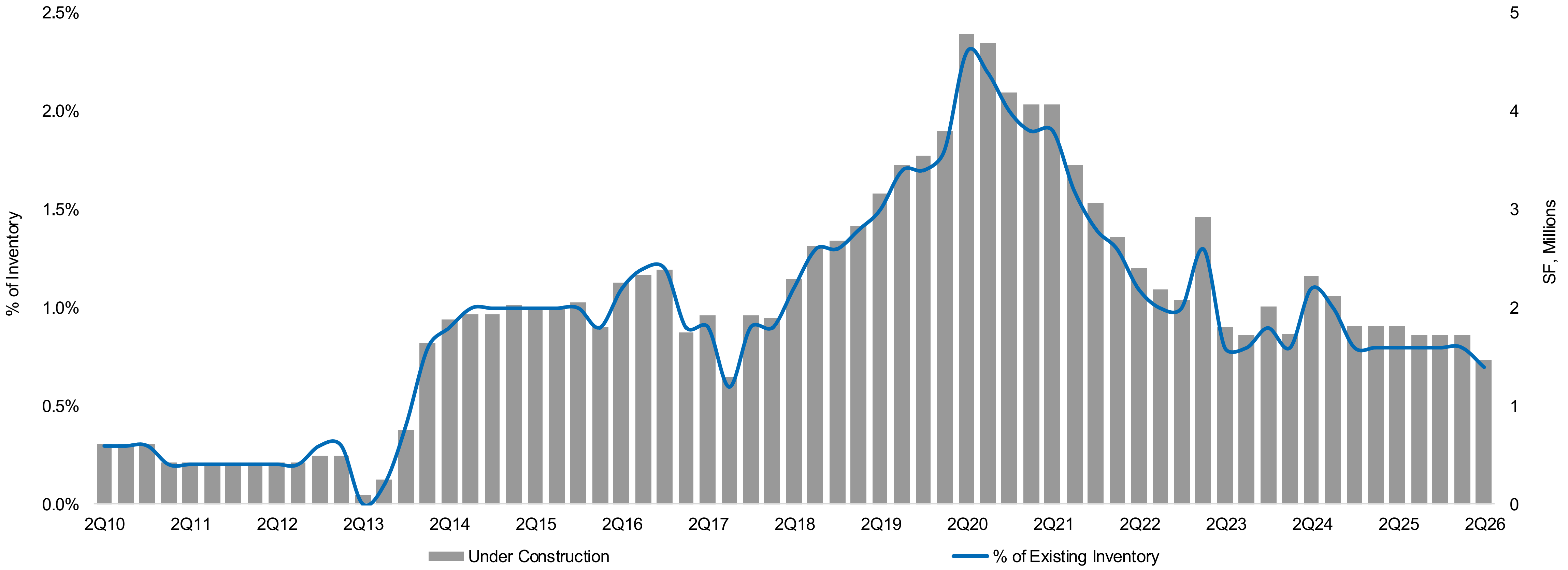


Source: Newmark Research, CoStar

Construction Volume Continues Decline

Construction volume has fallen to its lowest level since 2014 following the delivery of the Habitat office project in Culver City. The 253,491-SF building adjacent to the Hayden Tract area remains vacant and available for lease. As remaining projects under construction deliver and speculative office development remains infeasible, overall construction activity is expected to decline further, aside from a handful of building renovations.

Office Under Construction and % of Existing Inventory

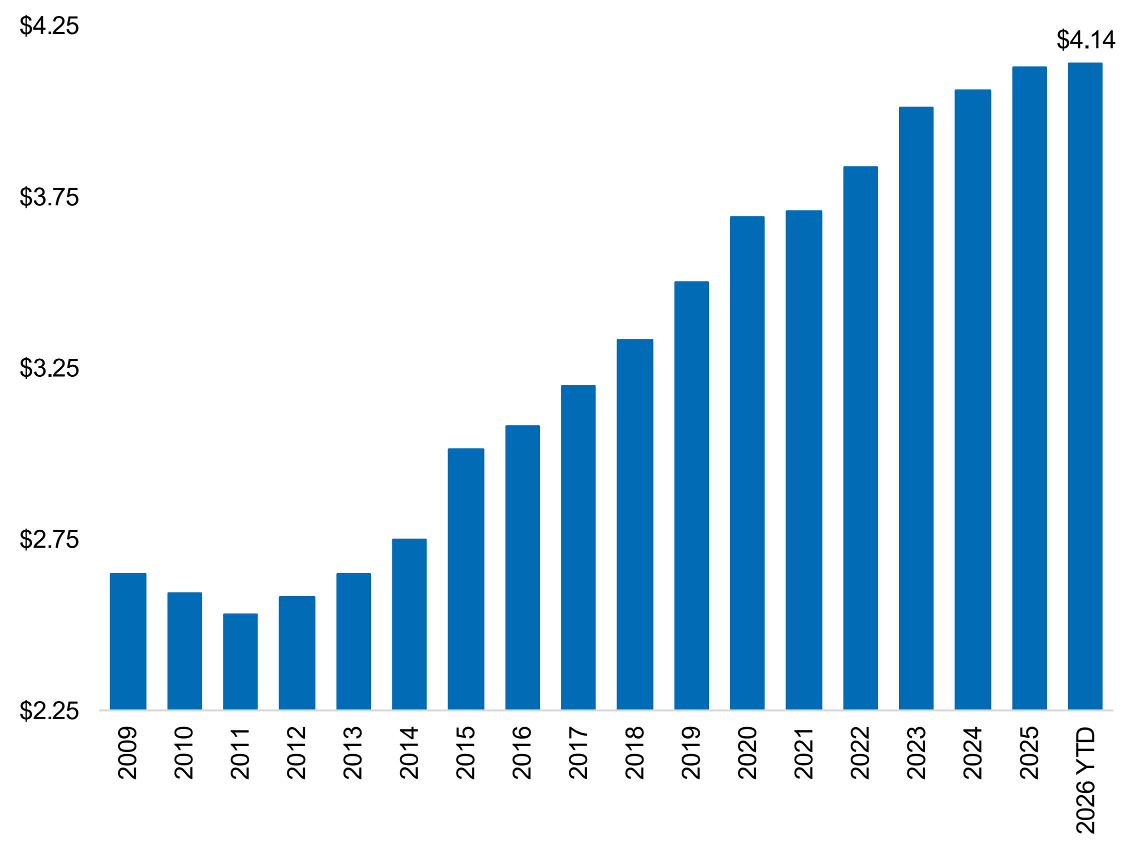


Source: Newmark Research

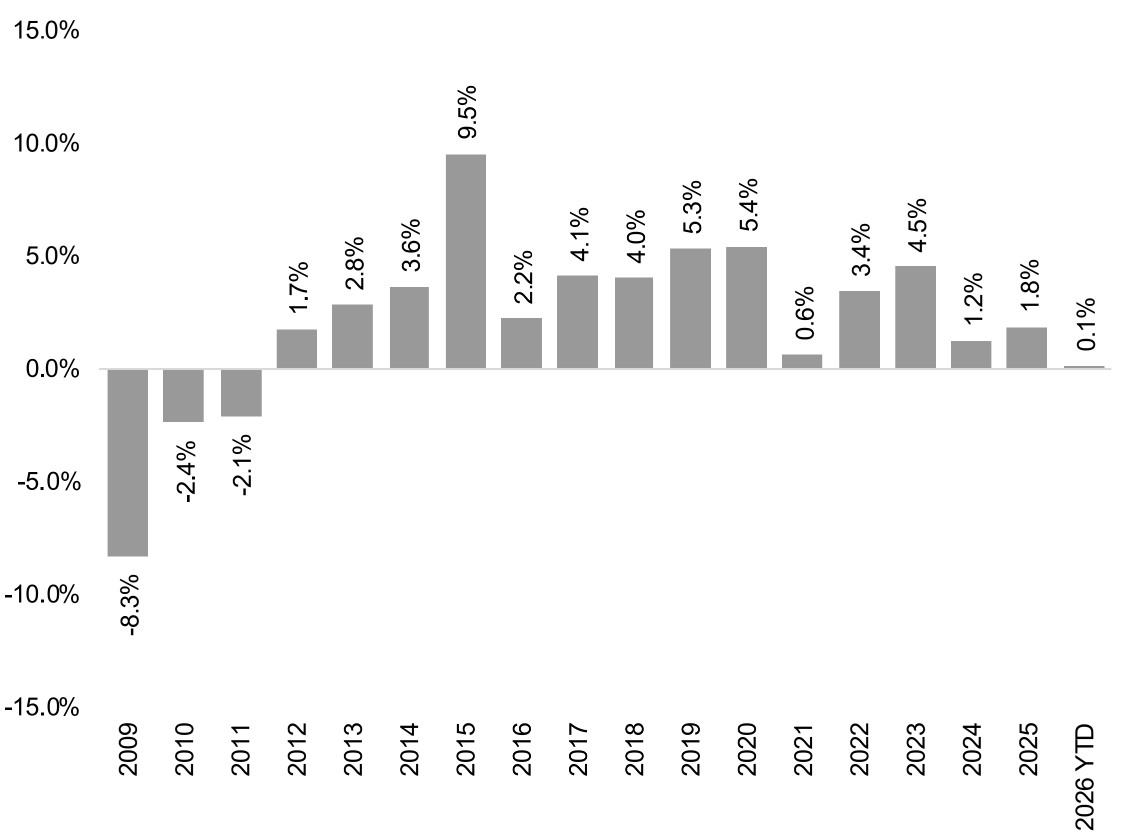
Asking Rents Hold Steady

The average rental rate increased slightly in the second quarter of 2026, while annual rent growth remains effectively flat, with a 0.1% decline over the past twelve months. Rents are expected to remain broadly stable, with only modest movements driven by changes in availability. Since 2021, rent growth has generally lagged inflation.

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



Year-over-Year Asking Rent Growth Rate

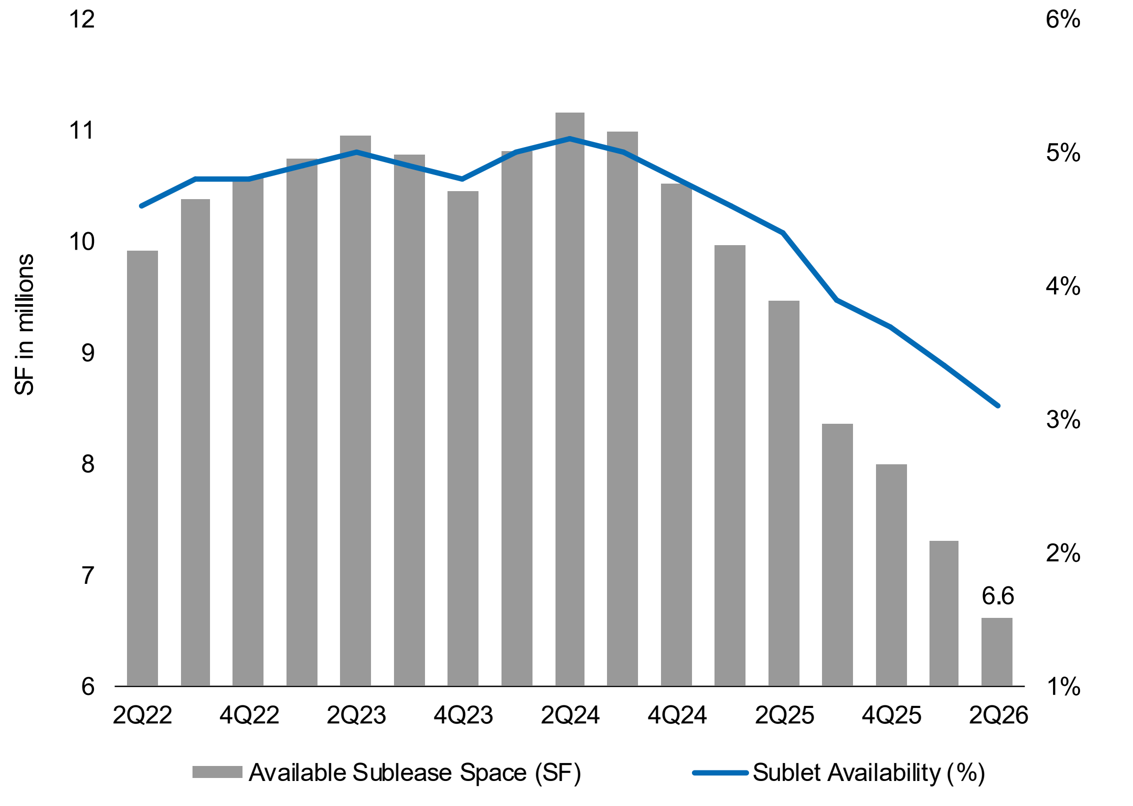


Source: Newmark Research

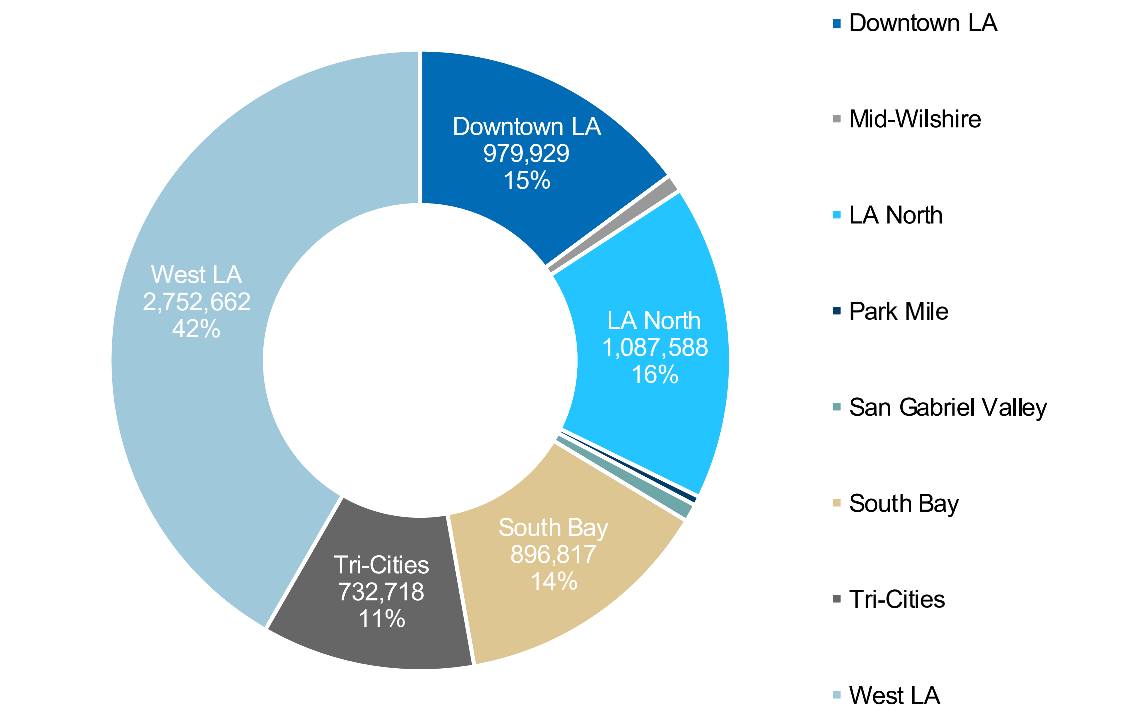
Sublease Availability At Lowest Point Since 2020

Available sublease space fell to 6.6 MSF, or 3.1% of inventory, the lowest level in six years. This quarter's decline was driven by several removals, including Parsons (242,225 SF withdrawn at The Parsons Campus in Pasadena), Oracle (117,728 SF transitioning to direct space at The Water Garden in Santa Monica), and Optum (80,583 SF withdrawn at Pacific Gateway in the 190th Street Corridor).

Greater Los Angeles Sublet Availability



Available Sublease Space by Submarket | 2Q26



Source: Newmark Research

Financial and Professional Services Drive Leasing in Century City

Notable 2Q26 Lease Transactions

Tenant	Building(s)	Submarket	Lease Type	Square Feet
PricewaterhouseCooper (PwC)	2121 Avenue of the Stars	West Los Angeles: Century City	Direct Lease	138,000
The global professional services network and one of the "Big Four" accounting firms signed a ~138,000-SF new lease in Century City in a relocation move from Downtown Los Angeles.				
Bank of America	2049 Century Park E	West Los Angeles: Century City	Renewal/Expansion	137,873
The financial institution renewed its lease for four floors at its Century Park location and expanded onto the 23rd floor, bringing its total premises to 137,873 SF.				
Arrowhead Pharmaceuticals	177 E Colorado Blvd	Tri-Cities: Pasadena	Renewal/Expansion	102,017
The pharmaceutical company executed a 52,562-SF lease renewal on the first two floors of 177 E Colorado Blvd and a 49,449-SF expansion on floors three and four.				
iHeart	3400 W Olive Ave	Tri-Cities: Burbank	Renewal/Downsize	60,495
The media company renewed 60,495 SF on the fourth and fifth floor of The Pinnacle at Media Center Garden, a modest downsize from about 75,000 SF.				

Source: Newmark Research

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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.