

REVIEW

LOS ANGELES OFFICE MARKET

USA H1 2025

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Real Estate for a changing world



H1 2025

OFFICE MARKET LOS ANGELES

KEY FIGURES

402m sqft

INVENTORY

17.5%

VACANCY RATE

\$47.9

PRIME AVERAGE ASKING RENT

\$4.2bn

TOTAL INVESTMENT

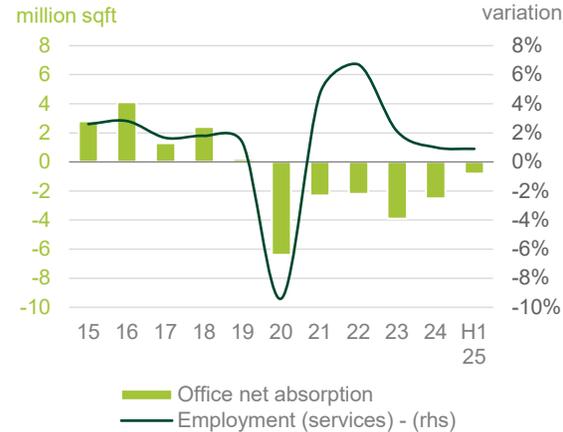
\$1.5bn

OFFICE INVESTMENT

7.80%

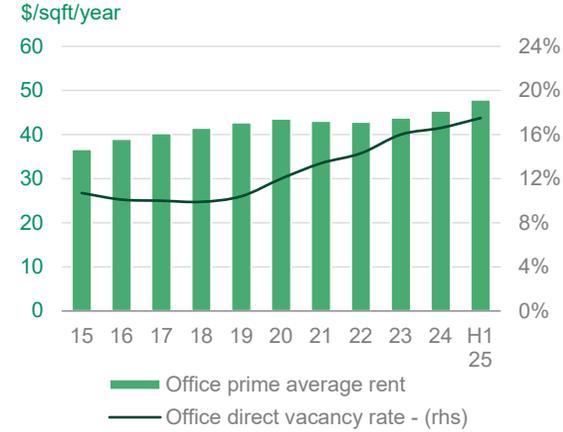
OFFICE PRIME CAP RATE

Net Absorption / Employment



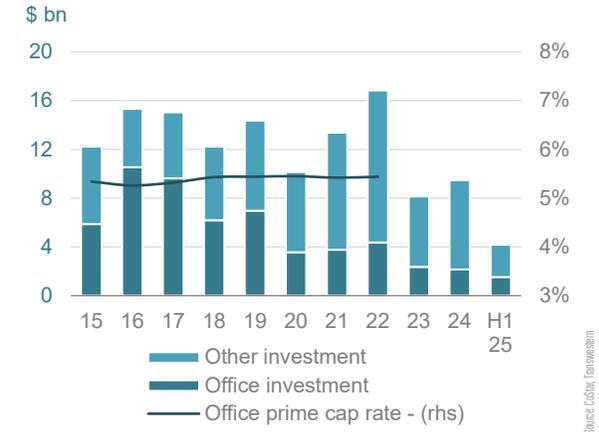
Source: Bureau of Labor Statistics, Colliers, Transwestern

Prime rent / Vacancy Rate



Source: Colliers, Transwestern

Investment / Capital Rate



Source: Colliers, Transwestern

Flat Job Market

The Los Angeles job market mirrors statewide trends, with California's labor market holding steady in 2025; employment is flat year-to-date, and unemployment remains elevated at 5.4%. This rate is partly due to a rapidly growing labor force, up 137,000 since January, as new graduates and returning job seekers reenter the market. Job losses have occurred in accommodation, food service, manufacturing, and especially professional and technical services, while modest gains continue in health care, local government, and construction. Transportation and warehousing, once a strong growth sector, has declined across the state, including a 3% drop in Los Angeles. While health care and government jobs are growing across regions, their reliance on public funding creates uncertainty. Connecting new workers to available jobs and addressing persistent unemployment will be key to future progress.

Vacancy is at an All-Time High

The Los Angeles office market continued to face headwinds in Q2 2025, with rising vacancy and muted tenant demand challenging overall performance. Net absorption remained negative for the twelfth straight quarter, with 129,639 square feet vacated bringing the year-to-date total to -560,688 square feet.

Leasing activity slowed considerably with just 1.4 million square feet transacted—a steep 50% decline from last quarter and nearly 36% lower than the same period last year. Direct leasing followed a similar trend dropping 46.4% quarter-over-quarter and 36.6% year-over-year as occupiers remained cautious reassessing space needs amid ongoing shifts in workplace strategy.

Capital Markets Activity Softens

Capital markets appear cautious, with high cap rates, tighter liquidity, and fewer headline industrial or office sales year-to-date in 2025. Industrial and retail deal volume remains soft across Southern California, with more pronounced distress at port-heavy submarkets due to trade policy uncertainty.

Anticipated stabilization of interest rates and investor adaptation to new policies may fuel modest re-entry—especially in industrial and value-add multifamily assets—as the year progresses.

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H1 2025

OFFICE MARKET USA

Occupier Market	Inventory (million sqft)	Net Absorption (million sqft)	Vacancy Rate (%)		Office Prime Average Rent (\$/sqft/year)		
	H1 2025	H1 2025	2024	H1 2025	2024	H1 2025	Trend
Atlanta	178	-0.1	21.6%	21.7%	32.8	33.2	1%
Chicago	158	-0.8	21.7%	22.2%	73.1	76.8	5%
Dallas/Fort Worth	326	0.8	19.5%	18.3%	72.1	77.3	7%
Denver	163	-0.7	16.5%	20.1%	32.1	32.1	0%
Detroit	202	-1.6	10.9%	11.7%	21.3	21.2	0%
Houston	206	-0.3	20.8%	20.9%	46.1	46.8	1%
Los Angeles	402	-0.8	16.6%	17.5%	45.4	47.9	6%
Miami	52	0.1	12.9%	11.4%	86.7	91.2	5%
Minneapolis	190	-155.0	11.9%	12.3%	30.0	28.9	-4%
New York/Manhattan	457	7.5	14.4%	14.2%	79.9	77.2	-3%
Phoenix	169	0.4	20.8%	18.6%	30.1	29.6	-2%
San Diego	109	-0.2	12.5%	13.2%	36.5	36.7	1%
San Francisco	92	-0.5	30.4%	30.4%	70.0	74.5	6%
Seattle	181	-1.4	16.5%	17.3%	36.5	36.2	-1%
Washington DC	149	-0.9	14.9%	15.7%	83.3	83.3	0%
Total 15 markets	3,031	-153.5	17.5%	17.7%	51.7	52.9	1.5%

Investment Market	Total investment volume (\$ million)		Office investment volume (\$ million)		Cap rate (%)		
	2024	H1 2025	2024	H1 2025	2024	H1 2025	bps
Atlanta	13,830	5,080	1,660	1,030	8.70%	10.60%	190
Chicago	770	230	590	140	NA	NA	NA
Dallas/Fort Worth	2,510	5,330	410	1,390	6.40%	6.90%	50
Denver	3,070	1,820	730	530	6.00%	7.60%	160
Detroit	1,700	580	260	123	8.90%	7.40%	-150
Houston	9,840	5,420	1,220	1,630	11.50%	NA	NA
Los Angeles	9,460	4,180	2,150	1,530	NA	7.80%	NA
Miami	5,120	3,270	1,760	430	8.10%	6.40%	-170
Minneapolis	6,770	1,440	680	270	7.20%	7.80%	60
New York/Manhattan	10,240	4,770	7,620	3,470	5.70%	5.10%	-60
Phoenix	7,110	3,710	1,140	500	7.50%	7.10%	-40
San Diego	4,380	2,040	930	600	7.50%	7.00%	-50
San Francisco	1,850	840	630	520	6.60%	5.00%	-160
Seattle	3,000	1,060	1,210	600	6.40%	6.80%	40
Washington DC	1,090	670	790	610	8.60%	8.00%	-60
Total 15 markets	80,740	40,440	21,780	13,373	7.62%	7.19%	-16

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