

MARKET FUNDAMENTALS

	YOY Chg	Outlook
23.2% Vacancy Rate	▲	▲
-877K YTD Net Absorption, SF	▼	▼
\$3.70 Asking Rent, PSF (Overall, All Property Classes)	▲	▼

ECONOMIC INDICATORS

	YOY Chg	Outlook
4.6M Los Angeles County Employment*	▲	—
5.2% Los Angeles County Unemployment Rate*	▼	▲
4.2% U.S. Unemployment Rate Source: BLS *Q3 2026	▼	▲

ECONOMIC OVERVIEW

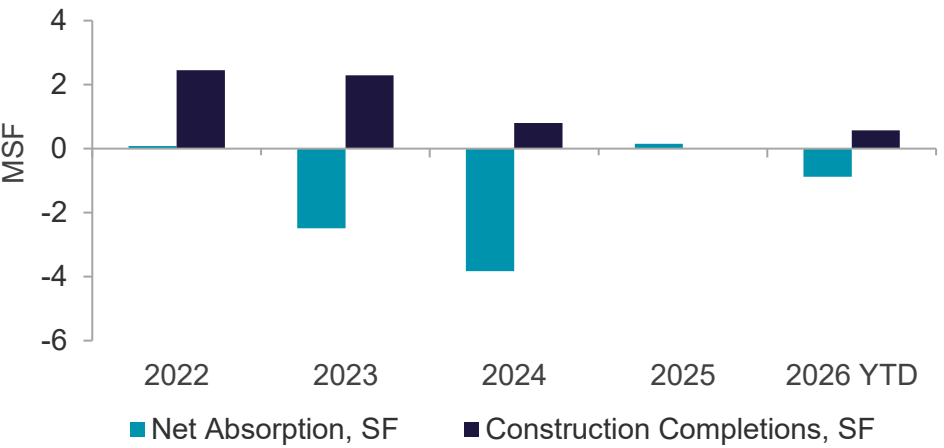
Los Angeles (LA) County employment edged higher between August 2025 and August 2026, with total nonfarm employment increasing by 33,900 jobs, or 0.7% year-over-year (YOY). Job gains were concentrated in private education and health services, which added 32,600 jobs (+3.3% YOY), and leisure and hospitality, which expanded by 11,700 jobs (+2.2% YOY) - sectors that typically provide limited support for traditional office leasing. By contrast, several office-relevant industries contracted YOY, including information (-11,100 jobs), driven largely by motion picture and sound recording (-8,200 jobs), professional and business services (-5,700 jobs) and financial activities (-4,400 jobs), signaling continued caution among many core office users. Legal services (+800 jobs), however, was a notable exception.

The labor market was stronger month-over-month, with total nonfarm employment increasing by 38,000 jobs from July to August 2026. However, most of the gain reflected seasonal hiring in local government education as schools reopened. The monthly unemployment rate was 4.9% in August 2026, down from 6.2% in August 2025 and below the Q3 2026 average of 5.2%.¹ Overall, LA's employment base remains uneven, with much of the growth concentrated outside the industries that most directly support office demand and net absorption. Continued contraction in key office-using sectors may limit near-term expansion demand, reinforcing a leasing environment driven more by renewals, relocations and flight-to-quality than broad-based employment growth.

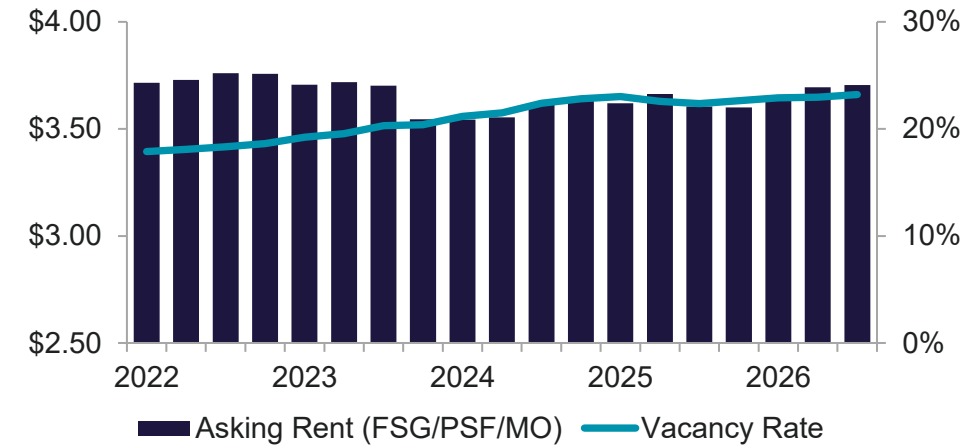
SUPPLY AND DEMAND

The LA office market remained challenged in Q3 2026, as rising vacancy and renewed occupancy losses weighed on fundamentals. Overall vacancy rose to 23.2%, up 20 basis points (bps) quarter-over-quarter (QOQ) and 80 bps YOY. Net absorption totaled negative 432,758 square feet (sf), a reversal from positive 326,014 sf in Q3 2025, bringing year-to-date (YTD) net absorption to negative 877,196 sf. Sublease availability declined 6.7% QOQ to 5.2 million square feet (msf), its lowest level since Q3 2020. It has now fallen 37.1% from its peak of 8.3 msf in Q3 2024, signaling a continued reduction in shadow supply. While the decline should gradually reduce competition with direct space, direct vacancy continued to rise, reaching 21.3% in Q3 2026.

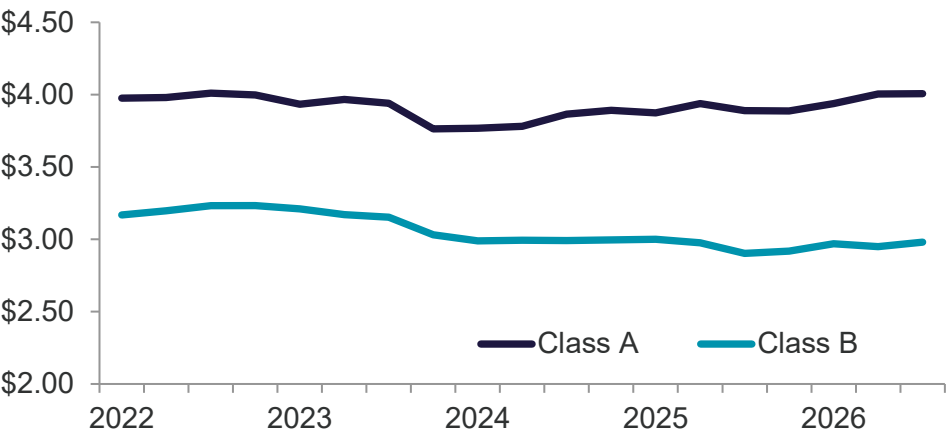
SPACE DEMAND / DELIVERIES



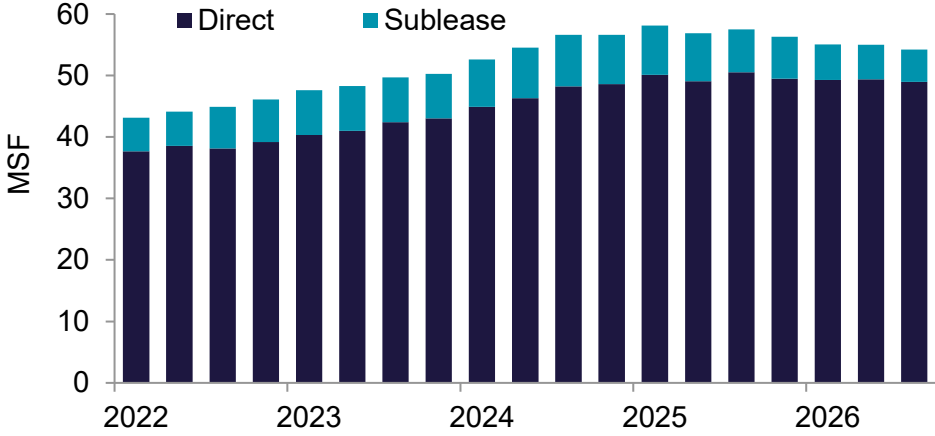
OVERALL VACANCY / ASKING RENT



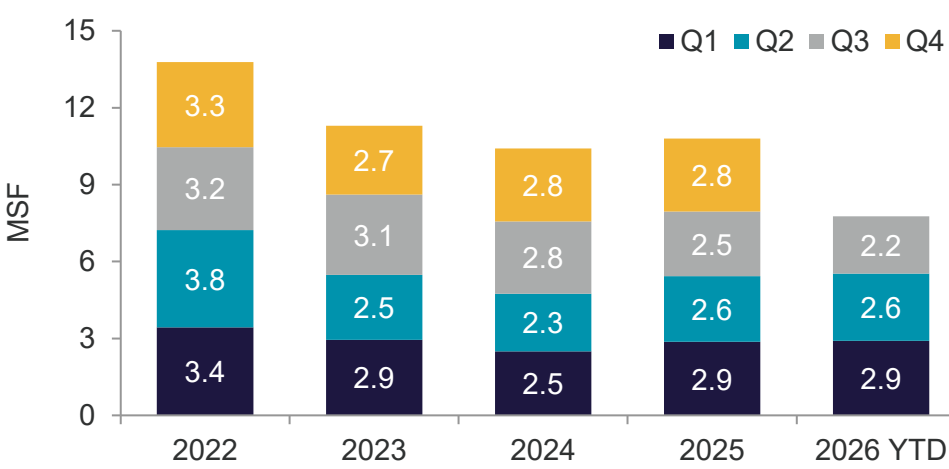
AVERAGE OVERALL ASKING RENT \$PSF MONTHLY



DIRECT VS. SUBLEASE AVAILABLE SPACE



NEW LEASING ACTIVITY



Leasing activity totaled 2.2 msf, down 14.9% QOQ on a pullback in direct leasing and 11.5% YOY on a sharp slowdown in sublease transactions. Direct leasing remained relatively resilient YOY at 2.0 msf (+1.6%), while renewal activity rebounded to nearly 1.3 msf, nearly double the prior quarter (+95.2%). Century City led all submarkets with 295,976 sf of leasing, highlighted by PwC’s new 138,217-sf lease at 2121 Avenue of the Stars, relocating from Downtown LA. In El Segundo, Innocean USA signed a new 101,000-sf lease at 888 Douglas Street, expanding into space previously occupied by Beyond Meat. Raytheon Company also recommitted to 144,709 sf at 2222 Imperial Highway, one of the quarter’s largest renewals. These transactions highlight continued demand for well-located, higher-quality office space even as overall occupancy remains under pressure.

By industry, financial activities led leasing activity in Q3 2026, accounting for 556,745 sf across direct leases, subleases and renewals, or 27.4% of leased space with an identified industry. Legal services followed with 309,031 sf, while professional and business services and manufacturing accounted for 306,835 sf and 191,377 sf, respectively.

Investment sales remained concentrated around the repricing of office assets, particularly in Downtown LA. L.A. Care Health Plan acquired 1200 West 7th Street from Shinhan Bank for \$125.0 million (M), or \$174 per square foot (psf), while Sky Castle LP purchased 350 South Figueroa Street from Jamison Properties for \$53.2M, or \$152 psf. Outside Downtown, Fortress Investment Group acquired 9050 Washington Boulevard in Culver City for \$71.3M, or \$391 psf, illustrating the significant pricing disparity between Downtown and stronger Westside locations.

FUTURE INVENTORY

No new office buildings were delivered in Q3 2026, leaving total completions at 573,000 sf YTD. Development remains concentrated in LA West, which accounts for 72% of the remaining construction pipeline. Major projects include the Apple LA Campus (536,000 sf) in Culver City and Century City Center (825,000 sf), whose tenants include Creative Artists Agency, Clearlake Capital Group and Sidley Austin LLP. The concentration of new construction in higher-quality and well-located projects reinforces the market’s ongoing flight-to-quality trend while limiting broader competitive supply.

PRICING

Overall average asking rent increased 0.3% QOQ and 2.8% YOY to \$3.70 psf per month on a full-service gross basis. Class A average asking rent was essentially unchanged QOQ but increased 3.0% YOY to \$4.01 psf, as landlords of higher-quality space continued to hold asking rates despite elevated vacancy. Class B average asking rent increased 1.0% QOQ and 2.7% YOY to \$2.98 psf, leaving Class A with a \$1.03 psf, or 34.4%, premium.

OUTLOOK

• Rate Hike Delays Relief for Office Owners

The Federal Reserve raised the federal funds rate by 25 bps to a target range of 3.75% to 4.00% in Q3 2026, with projections signaling another hike by year-end. Higher borrowing costs could further delay refinancing relief for LA office owners, particularly for assets facing elevated vacancy, near-term loan maturities or significant capital requirements. Well-leased, higher-quality buildings remain better positioned to secure financing, while older commodity assets are likely to face continued pricing pressure.

Entertainment Industry Recovery Looks to Be Uneven

California’s expanded film and television tax credit program awarded incentives to 170 projects during its first program year. Greater LA on-location production rose 10.7% QOQ to 5,121 shoot days in Q1 2026, according to FilmLA, although activity remained 3.3% below the year-earlier quarter.² In Q2 2026, on-location production declined 12.7% YOY to 4,711 shoot days.³

Return-to-office mandates at major studios, including Paramount’s five-day requirement in LA and NBCUniversal’s four-day policy, could increase utilization of existing office space but may not translate into meaningful expansion demand as companies consolidate their footprints.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Downtown CBD	26,429,032	8,448,402	364,330	33.3%	-299,454	-720,446	708,372	0	\$3.96	\$4.17
Downtown Non-CBD	12,308,078	3,550,419	202,172	30.5%	53,229	-59,618	417,918	0	\$3.55	\$4.72
Mid-Wilshire	12,265,946	3,370,582	84,435	28.2%	-69,670	-205,689	132,547	476,300	\$3.11	\$3.17
LA West	58,954,702	12,136,656	1,228,442	22.7%	-253,842	-36,022	2,974,162	1,361,000	\$5.02	\$5.20
LA North	29,996,846	4,608,731	779,250	18.0%	147,728	83,684	1,445,566	0	\$2.60	\$2.71
LA South	31,665,888	5,884,658	705,036	20.8%	-54,103	-31,046	870,055	63,915	\$3.16	\$3.53
Tri-Cities	26,755,850	5,959,438	645,786	24.7%	-43,478	15,110	1,033,401	0	\$3.67	\$3.78
San Gabriel Valley	12,138,194	832,306	54,021	7.3%	86,832	76,831	183,601	0	\$2.55	\$2.89
Class A	142,516,283	33,358,720	3,472,142	25.8%	-372,621	-257,428	6,030,371	1,837,300	\$4.01	
Class B	61,222,856	10,865,802	589,118	18.7%	-64,008	-579,673	1,625,287	63,915	\$2.98	
Class C	6,775,397	566,670	2,212	8.4%	3,871	-40,095	109,964	0	\$2.36	
LOS ANGELES TOTALS	210,514,536	44,791,192	4,063,472	23.2%	-432,758	-877,196	7,765,622	1,901,215	\$3.70	\$4.01

*Rental rates reflect full-service gross (FSG) asking, \$psf/month. **Renewals not included in leasing statistics.

KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2222 Imperial Hwy.	El Segundo/Beach Cities	Raytheon Company	144,709	Renewal**
2121 Avenue of the Stars	Century City	PwC	138,217	New
2049 Century Park E.	Century City	Bank of America	109,894	Renewal**
888 Douglas St.	El Segundo/Beach Cities	Innocean USA	101,000	New
443 S. Raymond Ave.	Pasadena	Oratomic, Inc.	81,273	New

KEY SALE TRANSACTIONS Q3 2026

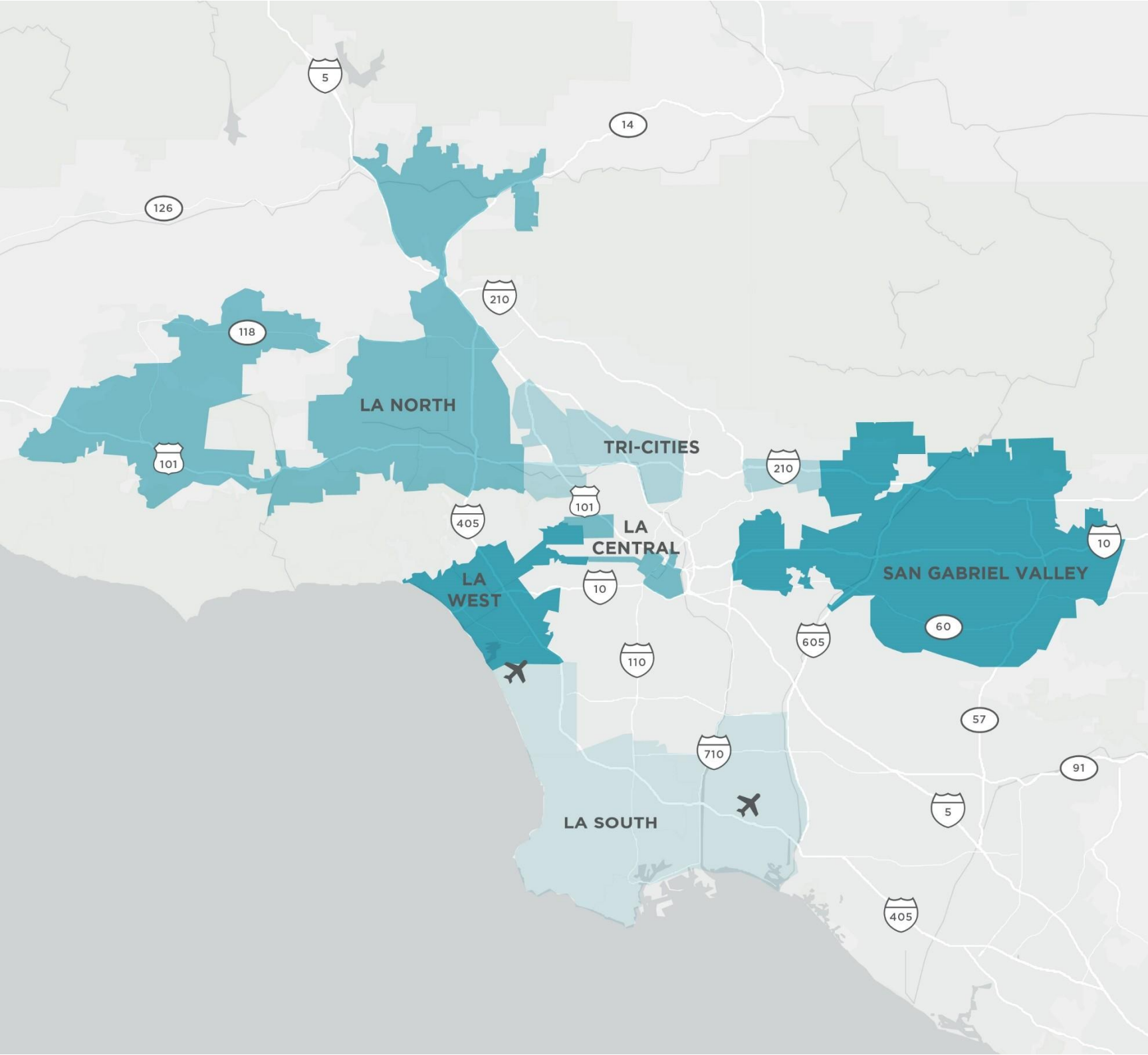
PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
1200 W. 7th St.	Central City West	Shinhan Bank L.A. Care Health Plan	716,630	\$125.0M / \$174
655 N. Central Ave.	Glendale	DivcoWest Sunny Hills Management	529,508	\$70.0M / \$132
350 S. Figueroa St.	Financial District	Jamison Properties Sky Castle LP	349,600	\$53.2M / \$152
100 Oceangate St.	Downtown Long Beach	Faring Capital Port of Long Beach	228,484	\$36.0M / \$158
9050 Washington Blvd.	Culver City	Hackman Capital Partners, Square Mile Capital Fortress Investment Group	182,176	\$71.3M / \$391

KEY PROJECTS UNDER CONSTRUCTION 2026

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER
Century City Center	Century City	Creative Artists Agency, Clearlake Capital Group, Sidley Austin LLP	825,000	JMB Realty Corporation
Apple LA Campus	Culver City	Apple Inc.	536,000	Apple Inc.

Sources: ¹ www.EDD.gov Los Angeles-Long Beach-Glendale, CA. ² filmla.com 2026 Q1 Film Production Report. ³ filmla.com 2026 Q2 Los Angeles Shoot Days.

OFFICE SUBMARKETS



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