

# INVESTMENT FORECAST

Office  
Los Angeles Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2025

## Declining Lease Turnover and Buoyed Corporate Growth Support Los Angeles' Office Market

**Expansion in key sectors drives office recovery.** Vacancy pressures are expected to ease further this year, supported by moderating corporate consolidation and a stable regional economy. Fewer leases over 50,000 square feet are set to expire in 2025 than last year, suggesting large-scale downsizing will be less prevalent. Downtown Los Angeles is poised to benefit from steadily growing public sector and legal tenants, following its strongest Class A net absorption since before the pandemic last year. Expanding health care and logistics firms should also sustain demand for medical office space and floorplans near industrial hubs, helping stabilize local vacancies in areas like the San Fernando Valley and South Bay during 2025. By contrast, West Los Angeles and Mid-Wilshire may continue to lag, as creative and tech firms scale back hiring and fully embrace flexible work models. However, the increase in California's Film & Television Tax Credit Program from \$330 million to \$750 million annually is expected to support growth of the local entertainment industry, potentially aiding future demand in these areas.

**Private buyers lead yet institutional interest grows.** Measure ULA will continue to impact sales velocity in the city of Los Angeles, along with the composition of the local buyer pool, which should largely consist of private buyers. Investors seeking to avoid the tax may target San Fernando Valley listings, as the area's established professional base should sustain demand for medical and traditional office buildings moving forward. Institutions could pursue opportunities with upside potential in Greater Downtown Los Angeles, where high-vacancy properties traded well below replacement costs last year. Meanwhile, asking rents in West Los Angeles standing over 50 percent higher than Downtown should attract buyers to premium assets near Century City or LAX.

### 2025 MARKET FORECAST

+0.7%



**EMPLOYMENT:** Los Angeles's workforce expands by 30,000 positions this year. The traditionally office-using sector will account for just 1,500 of these roles, aligning with last year's addition.

1,300,000  
sq. ft.



**CONSTRUCTION:** Completions will also be comparable to 2024, when a 10-year low volume of space was added. Most projects slated for completion are pre-leased and under 100,000 square feet in size.

+50 bps



**VACANCY:** Limited new supply and a gradually expanding economy will limit vacancy expansion this year. Still, at 20.1 percent, the metro will have the seventh-highest vacancy among major U.S. markets.

-0.5%

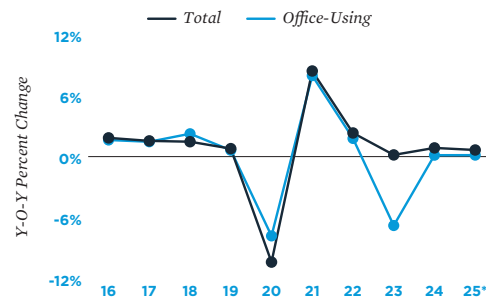


**RENT:** Vacancy reaching an all-time high will keep asking rents on a downward trajectory. The metro's mean marketed rate is set to reach \$38.70 per square foot by year-end — the fifth highest in the country.

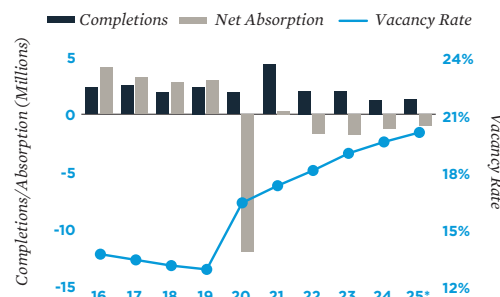
#### INVESTMENT:

Rising insurance costs driven by recent wildfires may push investors toward lower-risk, more central locations or to net-leased assets that allow owners to transfer insurance expenses to tenants.

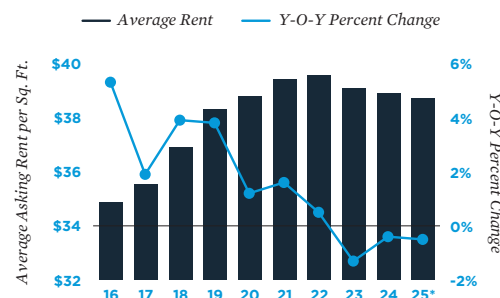
### Employment Trends



### Supply and Demand



### Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.