INVESTMENT FORECAST

Office

Los Angeles Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

2026

Improving Class B/C Demand Offset by Headwinds as Vacancy Continues to Rise

Metro continues to grapple with rising availability. Los Angeles County's office sector entered 2026 with record-high vacancy. Challenges to property performance are evident across different facets of the marketplace, with CBD and suburban vacancy both around 20 percent and availability above 17 percent across all six of the metro's largest submarkets. Fortunately, Class B/C demand has recently shown signs of improvement. Positive net absorption was noted in the segment during each quarter last year. Leasing activity may further improve if company formations related to professional services, finance, and insurance occur more frequently. The record number of high-propensity business applications — filings that have a high likelihood of becoming businesses with payroll — logged last year in California bodes well for this prospect, as Los Angeles County historically registers the most filings in the state. Moving forward, however, the metro is likely to face further hurdles. The ongoing decline in local film- and entertainment-related jobs may adversely impact demand for post-production and other creative office space, specifically in West Los Angeles and Burbank-Glendale-Pasadena.

Seasoned investors returning to the table. Despite historically elevated vacancy, Los Angeles noted a nearly 25 percent rise in transaction activity during 2025. While deal flow improved across price tranches, the $10 million-plus segment reported the most pronounced rate of increase. More institutions reengaging with the marketplace bodes well for listings and sales volume moving forward, with these investors likely active in West Los Angeles, Mid-Wilshire, and San Fernando Valley. Private investors, meanwhile, are likely to focus on sub-50,000-square-foot buildings. The San Gabriel Valley may stand out among submarkets, with pricing below average and vacancy under 10 percent.

2026 MARKET FORECAST

+0.1% — **Employment:** Los Angeles registers a second straight year of modest job creation, lifting the metro's headcount to a record mark. Still, a slight decline in traditional office-using roles is expected.

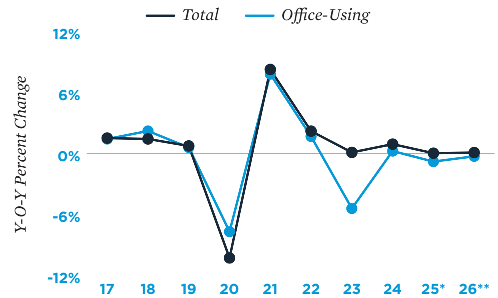
1,400,000 *sq. ft.* — **Construction:** Supply additions increase on an annual basis; however, inventory expands by only 0.4 percent. A lone project in Century City accounts for roughly half of this year's delivery volume.

+20 bps — **Vacancy:** Local vacancy is projected to rise at a moderate pace for a second consecutive year. At 20.7 percent, Los Angeles' year-end rate is roughly 500 basis points above its long-term average.

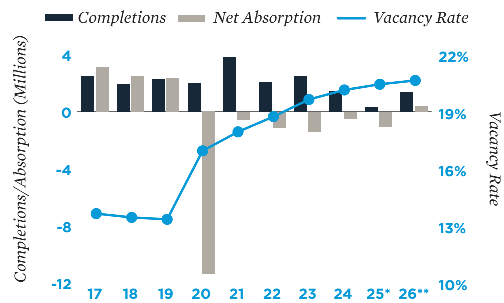
+0.5% — **Rent:** Elevated vacancy limits upward mobility on asking rents. As such, the metro's average marketed rate adjusts nominally, hovering around $40 per square foot for a sixth straight year.

INVESTMENT: *Medical office vacancy has held in the 9 percent range since 2021. This consistent demand may fuel investor competition for assets in top-performing submarkets such as the San Fernando and San Gabriel valleys.*

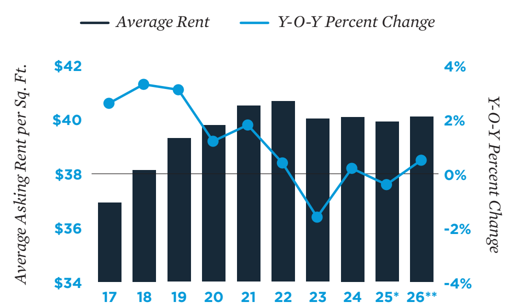
Employment Trends



Supply and Demand



Rent Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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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 January 2026. 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 office 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.