

LOS ANGELES OFFICE MARKET

Yardi® Matrix

Market Analysis

Third Quarter 2019

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No Signs of Slowing Down



Bolstered by the resurgence of its entertainment sector, as well as its wide availability of talent, Los Angeles has benefited from strong office market fundamentals throughout the year's first seven months. Although tech giants capable of paying a premium in one of the nation's most expensive office markets continue to anchor the metro, Los Angeles' entertainment industry is expanding rapidly. Thanks to a big focus on original media content for their streaming platforms, Netflix, Amazon, Disney and Apple are likely to grow their local operations.

Los Angeles gained 63,000 jobs year-over-year through June, reaching a total employment pool of 4.6 million. Significant job gains in the education and health services (22,900) and leisure and hospitality (15,100) sectors have offset losses in others, namely financial activities and information. The metro's office-using employment is facing some difficulties for the first time since 2009, with a 1.6% decrease year-to-date through June.

By the end of the year, deliveries are expected to increase twofold compared to 2018. The metro was the sixth largest for office space under construction, with more than 7 million square feet underway. Construction activity has picked up in Hollywood, where developers are working on projects totaling 1 million square feet, which accounts for 22.2% of the submarket's existing stock. However, growing demand for new, high-quality assets contributed to a 30-basis-point improvement in the metro's average vacancy rate quarter-over-quarter, to 12.4% as of July.