

FIGURES | GREATER LOS ANGELES MEDICAL OFFICE | Q2 2024

Heightened leasing activity drove positive net absorption

▼ 10.6%
Overall Vacancy Rate

▲ 12.4%
Overall Availability Rate

▲ 55,891
SF Net Absorption

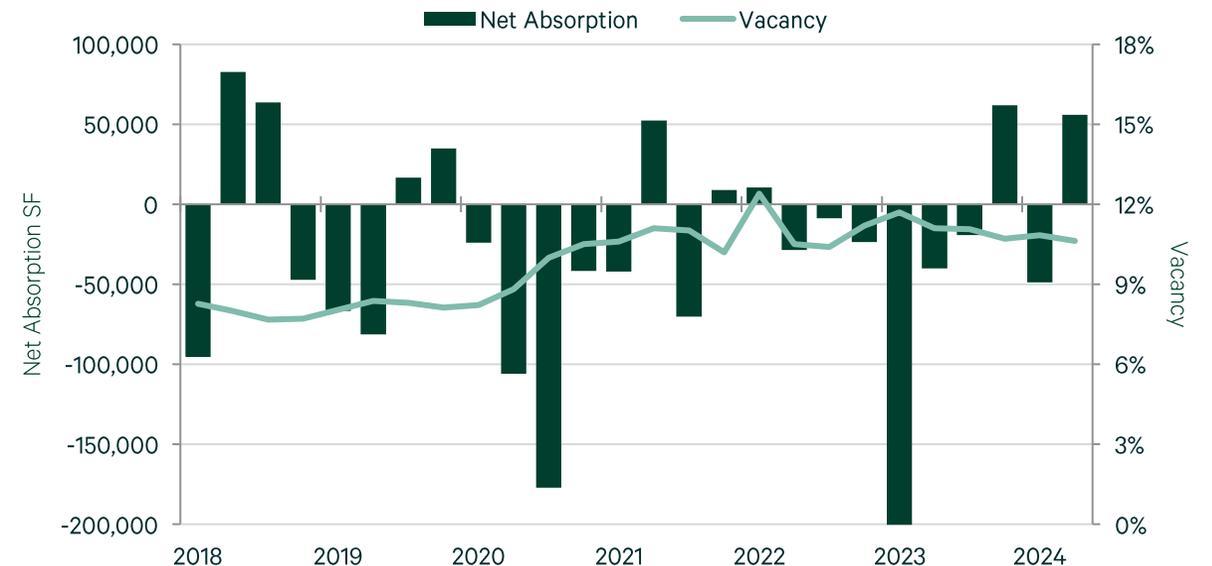
▲ \$4.07
Average Full-Service Gross Asking Rate / Mo

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- The overall market vacancy reported at 10.6% in Q2 2024, a decrease from the prior quarter driven by 55,891 sq. ft. of positive net absorption. Overall availability for the quarter ended at 12.4%.
- The average direct asking rate increased by \$0.04 to \$4.07 on a monthly, full service gross basis (FSG) in Q2, marking the third consecutive quarter of positive rate growth.
- Total leasing activity increased quarter-over-quarter to 202,247 sq. ft. in Q2 2024.
- Compared to the general office market, MOBs have consistently reported a lower vacancy and higher average asking rate, attributed to the medical field's demand for in-person patient care.
- The total sales volume in Q2 2024 amounted to approximately \$60 million, which represents the lowest figure since Q1 2013. Notably, only three medical office sales exceeded 10,000 sq. ft. in size.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q2 2024.

MEDICAL OFFICE OVERVIEW

Despite the ongoing impact of the overall economic environment and work-from-home policies on the office market in the Greater Los Angeles area, the Medical Office Building (MOB) sector has demonstrated resilience. All key metrics reported positive movement in Q2 2024 and further solidified the “health” of MOB as an investment asset.

The average asking rate increased by \$0.04 from the previous quarter to \$4.07 FSG per sq. ft., marking the third consecutive quarter of asking rate growth. West Los Angeles drove the largest asking rate increase in Greater Los Angeles (GLA), while all other submarkets experienced slight to moderate decreases. Since Q1 2018, the MOB market has reported a higher average asking rate than general office, and in Q2 2024, this difference was \$0.11. The largest difference was in the Conejo Valley, where MOB rates were on average \$1.14 higher than traditional office.

Over the quarter, vacancy decreased by 220 basis points to 10.6% in Q2 2024, the lowest vacancy rate reported in the past six quarters. Downtown Los Angeles had the lowest vacancy rate in Greater Los Angeles, sequentially followed by the Mid-Counties, Tri-Cities, and Ventura.

Total leasing activity reached 202,247 sq. ft., representing a substantial increase of 37.2% over the prior quarter. This represented the highest quarterly surge in leasing activity since the onset of the Covid-19 pandemic in early 2020. National and regional institutional medical groups drove activity, with the majority of transactions occurring in renewals and expansions. Notably, we observed vigorous leasing activity in West Los Angeles, the San Fernando Valley, Mid-Counties, and Downtown LA.

Overall, net absorption closed Q2 2024 at 55,891 sq. ft. in GLA. West Los Angeles was the largest contributor with 78,204 sq. ft., followed by Ventura with 14,351 sq. ft. Through the first half of 2024, the Tri-Cities led all submarkets with 40,917 sq. ft. followed by West Los Angeles.

FIGURE 2: Submarket Statistics

Submarkets	Bldg. Count	NRA	Direct Vacancy Rate	Overall Vacancy Rate	Overall Availability Rate	Net Absorption Q2	Net Absorption YTD	MOB Avg. Ask FSG	General Office Avg. Ask FSG
Conejo Valley	21	991,201	14.4%	15.1%	15.1%	(1,454)	(30,764)	\$3.68	\$2.54
Hollywood/Wilshire Corridor	12	649,314	11.7%	11.8%	20.9%	1,482	7,515	\$4.14	\$3.57
Downtown Los Angeles	20	2,601,748	3.4%	3.6%	4.0%	11,154	4,233	\$3.97	\$3.73
Mid-Counties	29	1,346,834	5.7%	5.7%	6.9%	(10,264)	(12,289)	\$2.67	\$2.53
San Fernando Valley	95	4,982,983	10.0%	10.3%	11.8%	(23,703)	(22,278)	\$3.39	\$2.73
San Gabriel Valley	32	1,484,852	12.2%	12.3%	12.6%	(1,514)	(11,578)	\$2.89	\$2.56
South Bay	60	3,002,814	9.7%	9.9%	11.6%	982	(16,994)	\$3.40	\$3.29
Tri-Cities	41	2,195,898	8.8%	9.2%	10.2%	(13,347)	40,917	\$3.78	\$3.84
Ventura	13	505,241	9.4%	9.4%	10.4%	14,351	14,351	\$2.58	\$2.48
West Los Angeles	71	5,096,237	13.6%	14.4%	17.8%	78,204	33,992	\$5.53	\$5.64
Greater L.A.	394	22,857,122	10.3%	10.6%	12.4%	55,891	7,105	\$4.07	\$3.95

Source: CBRE Research, Q2 2024.

FIGURE 3: Notable Lease Transactions Q2 2024

Tenant	Address	SF Leased	Type
Department of Children and Family Services	12440 Imperial Hwy, Norwalk	37,995	Renewal
City of Hope	4910 Rivergrade Rd, Irwindale	29,496	Renewal
Torrance Health Association	23326 Hawthorne Blvd, Torrance	25,727	Renewal
Confidential	8687 Melrose Ave, West Hollywood	20,000	Expansion
OPN HEALTHCARE	550 N Brand Blvd, Glendale	19,012	Renewal/Expansion
LA CARE	1055 W 7th St, Los Angeles	18,591	Renewal

Source: CBRE Research, Q2 2024.

FIGURE 6: Notable Sale Transactions Q2 2024

Buyer	Address	SF Sold	Sale Price
IRA Capital, LLC	25775 McBean Pky, Valencia	40,000	\$18.25MM
Broadmoor Capital Corporation	320-330 S Garfield Ave, Alhambra	61,457	\$13MM
Dynamic Duo Ventures LLC	265 Sunset Dr, Alhambra	13,934	\$5.39MM
Trinity Partners Inc.	27959 Smyth Dr, Valencia	5,046	\$1.73MM
Jessie Rodriguez and Associates	231 N Indian Hill Blvd, Claremont	3,129	\$1.65MM
Pjh Group LLC	3580 E Imperial Hwy, Lynwood	3,860	\$1.4MM

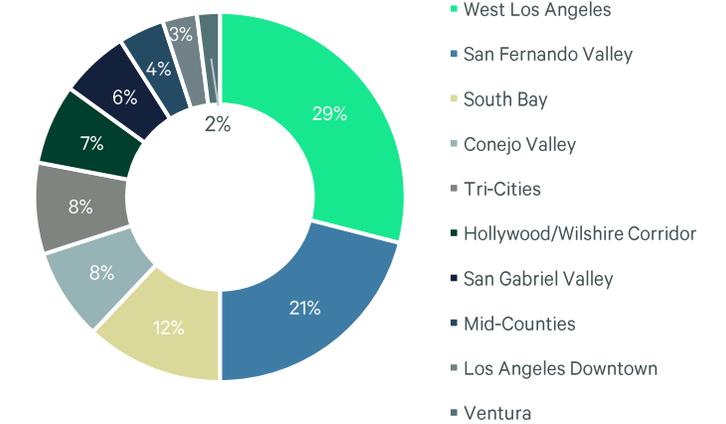
Source: CBRE Research, CoStar, Q2 2024.

FIGURE 4: Vacancy Rate General Office vs. MOB



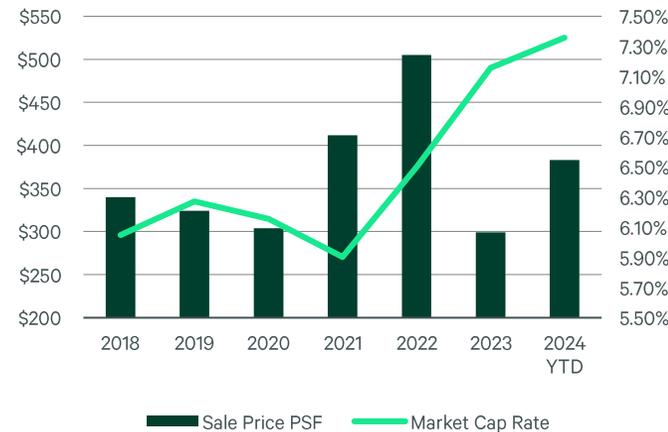
Source: CBRE Research, Q2 2024.

FIGURE 5: Overall Availability Distribution by Submarket



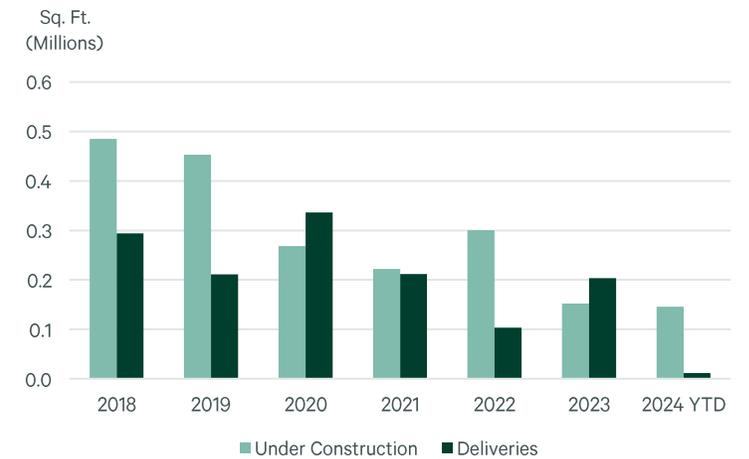
Source: CBRE Research, Q2 2024.

FIGURE 7: Sale Price vs Market Cap Rate (MSF)



Source: CBRE Research, CoStar, Q2 2024.

FIGURE 8: Development Pipeline



Source: CBRE Research, CoStar, Q2 2024.

Appendix 1

Submarket - District	Bldg Count	Bldg NRA	Avg. Asking Lease Rate (\$)	Direct Vacant Sq. Ft.	Sublease Vacant Sq. Ft.	Total Vacant Sq. Ft.	Overall Vacancy (%)	Total Available Sq. Ft.	Current Net Absorption	YTD Net Absorption
Agoura Hills	3	125,511	\$3.30	15,588	0	15,588	10.5%	15,588	(4,015)	(7,065)
Thousand Oaks	17	836,496	\$3.69	204,986	0	204,986	15.7%	204,986	1,574	(27,282)
Westlake Village	1	29,194	\$4.35	1,034	4,604	5,638	19.3%	5,638	987	3,583
CONEJO VALLEY	21	991,201	\$3.68	221,608	4,604	226,212	15.1%	226,212	(1,454)	(30,764)
Hollywood	2	106,177	\$3.00	8,810	0	8,810	7.5%	10,795	0	8,473
Mid-Wilshire	6	252,644	\$4.95	44,461	0	44,461	17.7%	46,697	1,482	1,821
Miracle Mile	3	258,706	\$3.93	10,111	500	10,611	6.7%	126,235	0	(4,000)
Park Mile	1	31,787	N/A	0	0	0	0.0%	0	0	1,221
HOLLYWOOD/WILSHIRE CORRIDOR	12	649,314	\$4.14	63,382	500	63,882	11.8%	183,727	1,482	7,515
LOS ANGELES DOWNTOWN	20	2,601,748	\$3.97	67,939	3,912	71,851	3.6%	82,870	11,154	4,233
Bellflower	2	63,787	N/A	0	0	0	0.0%	0	0	0
Downey	7	372,512	\$2.96	16,411	0	16,411	6.6%	25,810	(15)	1,905
Huntington Park	1	25,449	N/A	0	0	0	0.0%	0	0	0
La Mirada	1	26,503	\$3.25	1,365	0	1,365	5.2%	1,365	0	0
Lakewood	4	168,924	\$2.12	11,530	0	11,530	6.1%	11,530	2,850	2,850
Lynwood	4	262,755	\$2.91	30,032	0	30,032	12.0%	30,032	(4,783)	(2,927)
Montebello	2	75,791	\$2.45	1,331	0	1,331	2.4%	1,331	0	0
Pico Rivera	1	29,736	\$2.10	0	0	0	0.0%	4,059	0	0
Santa Fe Springs	2	72,040	\$2.75	1,222	0	1,222	1.5%	1,222	909	(1,222)
Whittier	5	249,337	\$2.40	26,928	0	26,928	6.6%	26,928	(9,225)	(12,895)
MID-COUNTIES	29	1,346,834	\$2.67	0	0	0	5.7%	102,277	(10,264)	(12,289)

Source: CBRE Research, Q2 2024

Appendix 1

Submarket - District	Bldg Count	Bldg NRA	Avg. Asking Lease Rate (\$)	Direct Vacant Sq. Ft.	Sublease Vacant Sq. Ft.	Total Vacant Sq. Ft.	Overall Vacancy (%)	Total Available Sq. Ft.	Current Net Absorption	YTD Net Absorption
Antelope Valley	6	296,862	\$2.53	50,041	0	50,041	15.93%	50,041	0	(16,375)
Canoga Park	3	118,874	\$2.89	36,433	0	36,433	32.66%	36,433	(2,133)	(6,314)
Encino	12	993,725	\$3.51	86,106	2,974	89,080	9.23%	104,193	20,560	37,708
Granada Hills	3	141,776	\$3.35	8,308	0	8,308	6.29%	10,269	0	10,917
Mission Hills	5	330,832	\$4.64	5,381	0	5,381	1.71%	17,018	(15,075)	(15,075)
North Hollywood	4	164,673	\$3.76	2,413	0	2,413	1.68%	3,253	(1,054)	(2,413)
Northridge	7	269,295	\$3.02	30,582	3,406	33,988	9.69%	39,629	(5,383)	(8,789)
Pacoima	1	28,745	N/A	0	0	0	0.00%	0	0	0
Panorama City	3	143,314	\$2.25	1,190	0	1,190	1.34%	1,190	(574)	(574)
Reseda	5	249,438	\$2.68	4,073	0	4,073	1.28%	10,729	108	6,842
San Fernando	1	27,329	\$3.00	22,000	0	22,000	80.50%	22,000	(22,000)	(22,000)
Santa Clarita Valley	14	545,090	\$3.10	68,684	1,207	69,891	11.85%	80,770	(7,231)	(5,833)
Sherman Oaks	7	286,749	\$3.54	28,969	0	28,969	9.38%	43,509	(21)	2,043
Studio City	1	48,504	\$3.75	4,900	0	4,900	10.10%	14,000	4,200	11,227
Tarzana	9	506,073	\$4.92	54,302	0	54,302	13.09%	54,302	(150)	(8,045)
Van Nuys	7	396,093	\$3.16	48,265	6,826	55,091	12.17%	57,091	4,146	(814)
West Hills	6	328,205	\$3.47	20,645	0	20,645	5.91%	21,464	(221)	(5,908)
Woodland Hills	1	107,406	\$3.30	713	0	713	0.66%	713	1,125	1,125
SAN FERNANDO VALLEY	95	4,982,983	\$3.39	473,005	14,413	487,418	10.29%	566,604	(23,703)	(22,278)

Source: CBRE Research, Q2 2024

Appendix 1

Submarket - District	Bldg Count	Bldg NRA	Avg. Asking Lease Rate (\$)	Direct Vacant Sq. Ft.	Sublease Vacant Sq. Ft.	Total Vacant Sq. Ft.	Overall Vacancy (%)	Total Available Sq. Ft.	Current Net Absorption	YTD Net Absorption
Alhambra	3	193,308	\$4.75	19,492	0	19,492	20.64%	19,492	(12,421)	(13,740)
Arcadia	5	299,406	\$3.04	13,338	1,044	14,382	4.62%	18,616	0	2,306
City of Industry	3	116,569	\$2.98	38,701	0	38,701	33.93%	38,701	(6,637)	(4,584)
Claremont	1	50,274	\$3.88	996	0	996	1.98%	996	0	0
Diamond Bar	2	61,410	\$2.25	10,778	0	10,778	14.82%	10,778	0	(1,666)
Glendora	2	94,474	N/A	0	0	0	0.00%	0	0	0
Monterey Park	5	170,512	N/A	0	0	0	0.00%	0	0	0
Pomona	3	97,765	\$2.06	40,444	0	40,444	41.68%	40,444	0	(9,848)
Rowland Heights	1	26,919	N/A	0	0	0	0.00%	0	0	0
San Gabriel	4	225,601	\$2.87	21,847	0	21,847	9.31%	25,300	17,544	15,954
West Covina	3	148,614	\$2.30	3,953	0	3,953	3.95%	3,953	0	0
SAN GABRIEL VALLEY	32	1,484,852	\$2.89	149,549	1,044	150,593	12.27%	158,280	(1,514)	(11,578)
Beach Cities	10	477,039	\$3.22	16,826	0	16,826	7.64%	29,096	2,153	2,153
Downtown Long Beach	4	266,364	\$3.12	77,473	0	77,473	37.50%	77,473	(3,255)	(3,255)
El Segundo	1	72,066	N/A	0	0	0	0.00%	0	0	0
Hawthorne/Gardena	7	366,545	\$2.33	49,044	0	49,044	16.68%	49,044	(9,269)	(12,805)
Suburban Long Beach	17	773,981	\$3.04	21,943	0	21,943	3.74%	35,744	6,279	(1,668)
Torrance	21	1,046,819	\$4.17	92,916	4,208	97,124	8.88%	119,480	5,074	(1,419)
SOUTH BAY	60	3,002,814	\$3.40	258,202	4,208	262,410	9.89%	310,837	982	(16,994)
Burbank	9	460,992	\$4.31	28,094	0	28,094	6.39%	35,958	(3,026)	(4,866)
Glendale	19	963,225	\$3.52	119,733	0	119,733	12.68%	124,614	(5,329)	18,018
Pasadena	13	771,681	\$4.02	32,180	5,380	37,560	6.14%	48,841	(4,992)	27,765
TRI-CITIES	41	2,195,898	\$3.78	180,007	5,380	185,387	9.23%	209,413	(13,347)	40,917

Source: CBRE Research, Q2 2024

Appendix 1

Submarket - District	Bldg Count	Bldg NRA	Avg. Asking Lease Rate (\$)	Direct Vacant Sq. Ft.	Sublease Vacant Sq. Ft.	Total Vacant Sq. Ft.	Overall Vacancy (%)	Total Available Sq. Ft.	Current Net Absorption	YTD Net Absorption
Camarillo	2	84,021	\$2.59	21,617	0	21,617	25.58%	23,907	0	0
Moorpark/Simi Valley	5	159,896	\$2.57	20,588	0	20,588	12.08%	23,015	7,115	7,115
Oxnard	4	185,824	\$2.50	3,725	0	3,725	2.52%	3,725	7,236	7,236
Ventura	2	75,500	N/A	0	0	0	0.00%	0	0	0
WEST VENTURA COUNTY	13	505,241	\$2.58	45,930	0	45,930	9.36%	50,647	14,351	14,351
Beverly Hills	31	2,155,726	\$5.61	233,388	21,287	254,675	11.77%	280,101	11,503	(25,182)
Brentwood	5	378,031	\$5.63	45,305	7,865	53,170	14.16%	76,713	(6,541)	(281)
Culver City	2	105,092	\$5.04	1,441	120	1,561	1.38%	3,644	0	(108)
Inglewood	6	392,162	\$2.97	53,197	0	53,197	11.19%	61,339	43,757	44,639
Marina Del Rey	3	226,269	\$4.43	11,292	0	11,292	6.19%	12,519	1,931	4,971
Santa Monica	16	1,037,116	\$5.65	114,521	6,633	121,154	12.58%	121,154	14,860	(4,916)
WeHo West	3	360,892	\$6.68	18,183	0	18,183	3.66%	28,612	14,018	18,420
West Hollywood	2	206,720	\$6.03	15,062	0	15,062	4.23%	46,374	(600)	(600)
Westwood	3	234,229	\$6.02	147,306	0	147,306	93.33%	150,612	(724)	(2,951)
WEST LOS ANGELES	71	5,096,237	\$5.53	639,695	35,905	675,600	14.44%	781,068	78,204	33,992
GREATER LOS ANGELES TOTALS	394	22,857,122	\$4.07	2,188,136	69,966	2,258,102	10.62%	2,671,935	55,891	7,105

Source: CBRE Research, Q2 2024

Submarket Map



Source: CBRE Research, Q2 2024, Location Intelligence

Definitions

Available Sq. Ft.: Space in a building, ready for occupancy; can be occupied or vacant. Average Asking Lease Rate: A calculated average that includes net and gross lease rates, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Full-Service Gross (FSG) Rate: The landlord assumes responsibility for all the operating expenses and taxes for the property. Gross Activity: All lease transactions completed within a specified time period. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Positive absorption is reflected when a lease is signed, which may not coincide with the date of occupancy. Rentable Area: The Building Area minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas. Vacant Sq. Ft.: Space that is not occupied.

Survey Criteria

Includes medical office properties in Los Angeles and Ventura Counties over 25,000 sf within the same address. Excludes buildings under Construction or Planned. Under construction buildings that have begun construction as evidenced by site excavation or foundation work. Medical office properties are defined as purpose-built medical space as evidenced by site improvements and/or leasing activity by tenants who will use the space for healthcare uses as defined on the NAICS code family starting with '62'. Excludes owner-user properties.

Contacts

Siyuan Ma

Senior Field Research Analyst
siyuan.ma@cbre.com

Alex Hall

Senior Field Research Analyst
alex.hall1@cbre.com

Konrad Knutsen

Director of Research
konrad.knutsen@cbre.com

© Copyright 2024 All rights reserved. Information contained herein, including projections, has been obtained from sources believed to be reliable, but has not been verified for accuracy or completeness. CBRE, Inc. makes no guarantee, warranty or representation about it. Any reliance on such information is solely at your own risk. This information is exclusively for use by CBRE clients and professionals and may not be reproduced without the prior written permission of CBRE's Global Chief Economist.