

FIGURES | GREATER LOS ANGELES | Q4 2023 | MEDICAL OFFICE

Medical leasing accelerates through the end of 2023

▼ 10.7%

Overall Vacancy Rate

▲ 12.2%

Overall Availability Rate

▲ 61,906

SF Net Absorption

▲ \$3.98

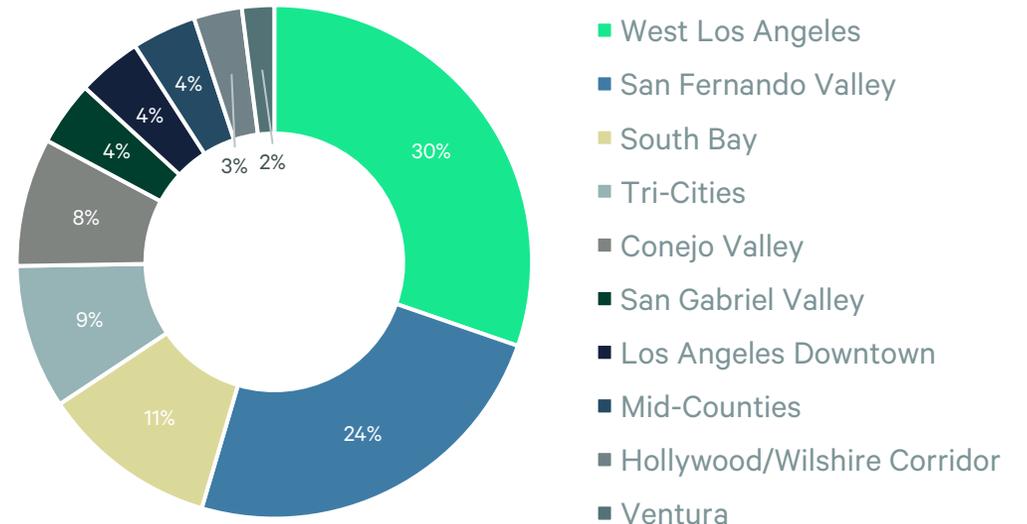
Average Full-Service Gross Asking Rate

Note: Arrows indicate change from previous quarter.

Overview

- Greater Los Angeles (GLA) vacancy decreased by 320 basis points, attributable to ongoing tenant consolidation and expansion; representing the third consecutive quarter of declining vacancy.
- Average asking rates increased by \$0.12 quarter-over-quarter.
- Greater Los Angeles reported positive net absorption after six consecutive quarters of occupancy declines.
- New leases in the South Bay drove absorption in Q4 2023.
- The total availability rate slightly increased by only 3 basis points quarter-over-quarter, interrupting the decreasing trend observed over the previous three quarters.
- Total sales volume increased by 92% quarter-over-quarter. There was over 1 million sq. ft. of MOB listed for sale on the market.

FIGURE 1: Overall Availability Distribution by Submarket



Source: CBRE Research, Q4, 2023.

Market Fundamentals

Lease Rate

Average asking rates increased to \$3.98. The highest rate increase occurred in the Hollywood/Wilshire Corridor submarket (\$0.3 increase) and the South Bay submarket (\$0.28 increase). Each submarket registered an increase in rates except Ventura County, which saw a minor decrease of \$0.02. This quarter also recorded the second-highest rate increase, exceeding 3% compared to the last quarter.

Leasing Activity & Absorption

The leasing activity witnessed a quarter-over-quarter upsurge of 750 basis points, exemplifying the enduring resilience of the Healthcare sector. National or state-owned medical institutions continue to play a pivotal role in both new leases and renewals.

With a net absorption of 61,906 square feet, the GLA MOB market displayed robust demand as it closed in the year 2023. This quarter also marked the highest net absorption ever recorded since the fourth quarter of 2018, indicating an unprecedented level of occupier confidence in MOB utilization.

Availability and Vacancy

Despite the ongoing increase in general office vacancy in the GLA area, the Medical Office Building sector observed a decrease of 34 basis points in overall vacancy on a quarter-over-quarter basis. Conversely, the market recorded a decrease of 49 basis points on a year-over-year basis. This denotes the fourth consecutive quarter of a declining trend in vacancy rates. The availability rate experienced a slight, almost negligible, increase of 3 basis points in comparison to the previous quarter.

FIGURE 2: Largest Leases of the Quarter

Tenant	District	Total Sq. Ft.	Lease Type
Thousand Oaks Surgical Hospital	Thousand Oaks	46,830	Renewal
Hospital Association of Southern California	Downtown LA	22,097	Renewal
Confidential	Alhambra	20,008	Renewal
United Medical Doctors	Ventura	20,000	New Lease
Confidential	Playa Vista	19,647	Renewal

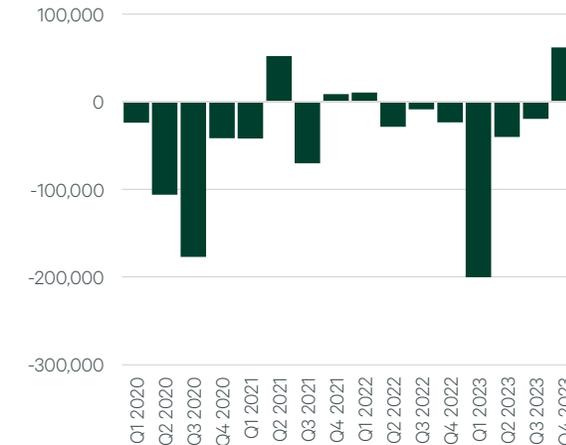
Source: CBRE Research, Q4 2023

FIGURE 3: Vacancy Rate General Office vs. MOB



Source: CBRE Research, Q4 2023

FIGURE 4: Net Absorption (MSF)



Source: CBRE Research, Q4 2023

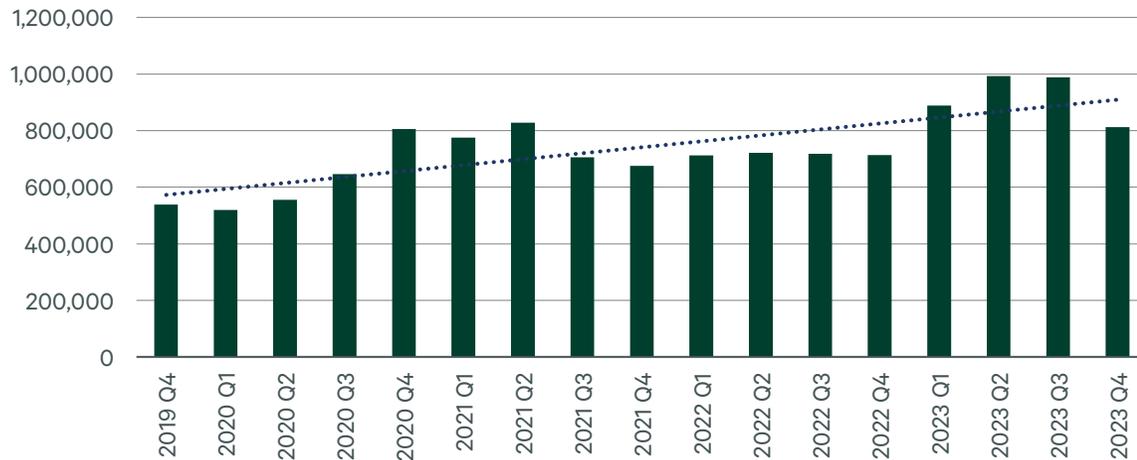
Trend Highlight

Non-MOB, Medical Use Space

The availability of leases for non-MOB medical properties continued to decrease into the closing stages of 2023, marking the lowest point for this metric within the year. The constrained supply of new MOB developments, coupled with the gradual increase in available spaces, still renders the non-MOB trend attractive to medical tenants. In particular, industrial spaces have been gaining increased attention. It has been observed that more institutional tenants are exploring new opportunities within this property type. Throughout the course of the year, non-MOB properties have demonstrated an unprecedented level of medical leasing activity, setting a new historical precedent.

Given these current market dynamics, it is anticipated that this trend will persist until the market sees a significant addition of new MOB developments. The continuous growth in non-MOB leasing activity underscores the critical role these properties play in meeting the space demands of medical tenants, particularly in the face of limited MOB development. This trend is likely to influence future investment and development strategies in the medical property sector.

FIGURE 5: Non-MOB, Medical Lease Availability (Sq. Ft.) and Trend



Source: CBRE Research, CoStar Q4, 2023.

FIGURE 6: Medical Leases in Non-MOB Properties YTD

Tenant	District	Lease Type	Total Sq. Ft.	Property Type
AltaMed	Bellflower	New Lease	17,504	Industrial
American Specialty Health	Newbury Park	New Lease	11,875	Industrial
Confidential	Burbank	Renewal	10,100	Industrial
Texas Health Care	Monrovia	New Lease	7,778	Industrial

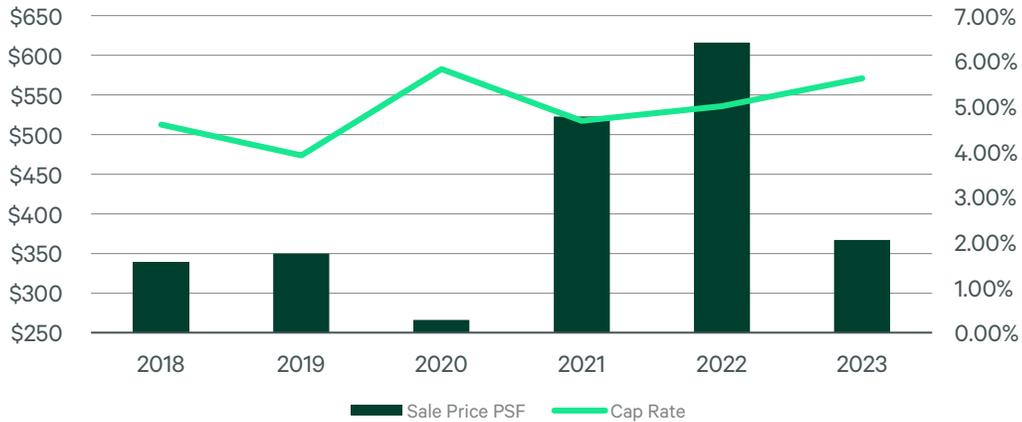
Source: CBRE Research, Q4 2023.

Investment Markets

Investment Volumes

The total sales volume for the quarter exceeded \$52 million, marking a considerable increase of over 92% compared to the preceding quarter. Private owners were involved in more than half of these transactions. Capitalization rates for 2023 have shown a consistent upward trend since the year 2021. The year 2023 has seen over 1 million square feet of Medical Office Building (MOB) space listed for sale, nearly twice the volume compared to 2022, with over a third of these listings already sold. The quantity of properties available for sale continues to escalate, reaching an unprecedented high. A significant factor contributing to this surge is the listing of St. Vincent Medical Center, located in proximity to downtown Los Angeles. This 381-bed hospital in Westlake has remained unoccupied over the past two years. Briefly, it served as a COVID-19 treatment center during the pandemic, standing as one of the largest medical facilities in the downtown Los Angeles region.

FIGURE 7: Sale Price vs Cap Rate (MSF)



Source: CBRE Research, CoStar Q4 2023.

FIGURE 8: Top Sale Transactions

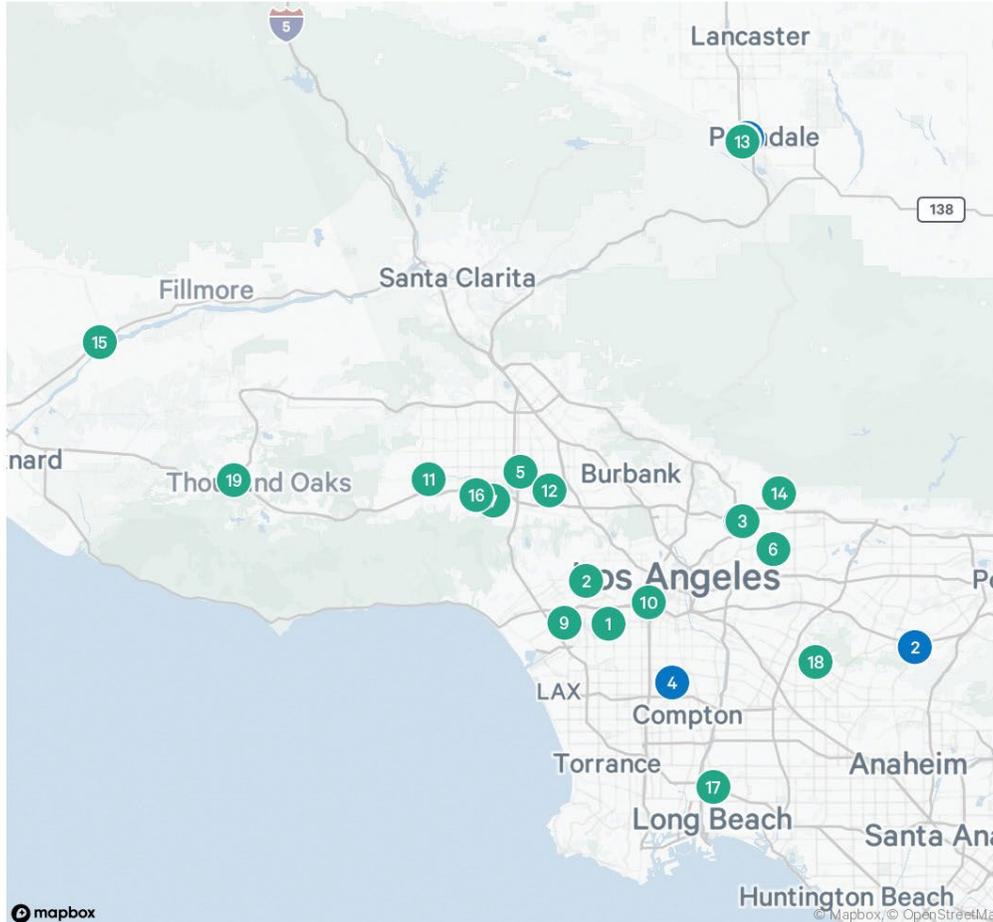
Address	City	Total Sq. Ft.	Sale Price	Buyer	Seller
1045 W Redondo Beach Blvd	Gardena	114,364	\$22,000,000	City Of Refuge Ministries Inc	Jamison Services, Inc.
2699 Atlantic Ave	Long Beach	35,000	\$17,100,000	UnitedHealth Group	Gregory Strayer
750 N Diamond Bar Blvd	Diamond Bar	36,360	\$9,700,000	Weiyao Wang	Primior Asset Management
27335 Tourney Rd	Valencia	45,675	\$2,846,000	Valencia Sports Medicine	M/M Gregory A. & Suzanne H. McCombs
1000 Newbury Rd	Thousand Oaks	65,696	\$650,000	Newbury Holdings LLC	Johann J Yung

Source: CBRE Research, CoStar Q4 2023.

Development

FIGURE 9: Greater Los Angeles MOB Development Map

- Under Construction**
- 1 590 S Fair Oaks Ave
Pasadena, CA, 91105
- 2 Rowland Heights, CA, 91748
- 3 635 Commerce Ave
Palmdale, CA, 93551
- 4 1465 E 103rd St
Los Angeles, CA, 90002
- Proposed**
- 1 3772 W Martin Luther King Jr Blvd
Los Angeles, CA, 90008
- 2 676 S San Vicente Blvd
Los Angeles, CA, 90048
- 3 555 S Arroyo Pkwy
Pasadena, CA, 91105
- 4 856 W Palmdale Blvd
Palmdale, CA, 93551
- 5 15225 Vanowen St
Van Nuys, CA, 91405
- 6 330 W Las Tunas Dr
San Gabriel, CA, 91776
- 7 17017 Ventura Blvd
Encino, CA, 91316
- 8 2632 E Washington Blvd
Pasadena, CA, 91107
- 9 10536 Culver Blvd
Culver City, CA, 90232
- 10 1127 W Washington Blvd
Los Angeles, CA, 90015
- 11 6336 Canoga Ave
Woodland Hills, CA, 91367
- 12 13321 Burbank Blvd
Van Nuys, CA, 91401
- 13 38707 Tierra Subida Ave
Palmdale, CA, 93551
- 14 2632 E Washington Blvd
Pasadena, CA, 91107
- 15 550 E Harvard Blvd
Santa Paula, CA, 93060
- 16 5223 Lindley Ave
Tarzana, CA, 91356
- 17 3450 Long Beach Blvd
Long Beach, CA, 90807
- 18 12549 Washington Blvd
Whittier, CA, 90602
- 19 420 Pennsfield Pl
Thousand Oaks, CA, 91360



In the final quarter of 2023, only two MOBs were delivered in the GLA market. 1465 E 103rd St is owner-occupied by Kaiser Permanente and serves a dual purpose, functioning as both a healthcare facility and an educational center. Notably, there were no properties introduced into our proposed or under-construction pipeline during Q4 2023.

From 2022 onwards, a mere four MOBs have been delivered, with only one of these being utilized for medical or healthcare services. The prevailing uncertainty in the macroeconomic environment continues to negatively influence investor confidence in the current capital markets. The situation is exacerbated by rising interest rates, escalating construction costs, and a dearth of new funding from the National Institutes of Health (NIH) and Venture Capital (VC).

Additionally, the medical professional strike that transpired in November highlighted the long-standing issue of labor costs in the industry, which is expected to exert substantial negative pressure on the medical business.

Source: CBRE Research, CoStar Q4 2023.

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	\$3.23	10,245	0	10,245	8.2%	15,109	0	(651)
Thousand Oaks	17	788,979	\$3.65	181,281	0	181,281	23.0%	183,521	11,616	12,995
Westlake Village	1	29,194	\$4.35	4,617	4,604	9,221	31.6%	6,625	(987)	(8,320)
CONEJO VALLEY	21	943,684	\$3.64	196,143	4,604	200,747	21.3%	205,255	10,629	4,024
Hollywood	2	106,177	\$3.00	8,810	0	8,810	8.3%	10,795	(1,559)	(4,178)
Mid-Wilshire	6	252,644	\$3.84	68,490	0	68,490	27.1%	48,518	(43,549)	(40,101)
Miracle Mile	3	259,444	\$3.75	9,957	500	10,457	4.0%	10,457	(2,052)	(1,336)
Park Mile	1	31,787	\$2.65	1,221	0	1,221	3.8%	1,221	0	(1,221)
HOLLYWOOD/WILSHIRE CORRIDOR	12	650,052	\$3.68	88,478	500	88,978	13.7%	70,991	(47,160)	(46,836)
LOS ANGELES DOWNTOWN	20	2,598,837	\$4.04	115,433	19,876	135,309	5.2%	109,672	8,836	(7,030)
Bellflower	2	63,787	N/A	0	0	0	0.0%	0	0	7,072
Downey	7	298,033	\$2.91	19,126	1,337	20,463	6.9%	26,463	(5,824)	(16,107)
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	1,827	462
Lakewood	4	167,171	\$2.08	11,357	0	11,357	6.8%	12,457	0	(2,831)
Lynwood	4	254,953	\$2.84	28,408	0	28,408	11.1%	28,408	(4,819)	17,041
Montebello	2	75,791	N/A	10,010	0	10,010	13.2%	0	0	0
Pico Rivera	1	29,736	\$2.10	0	0	0	0.0%	4,059	0	0
Santa Fe Springs	2	72,040	\$2.35	14,592	0	14,592	20.3%	14,592	(8,176)	(12,919)
Whittier	5	249,337	\$2.95	14,033	0	14,033	5.6%	14,033	(3,624)	(1,563)
MID-COUNTIES	29	1,262,800	\$2.68	98,891	1,337	100,228	7.9%	101,377	(20,616)	(8,845)

Source: CBRE Research, Q4 2023

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Antelope Valley	6	296,862	\$2.82	34,741	0	34,741	11.7%	36,306	(1,075)	(22,027)
Canoga Park	3	118,874	\$2.88	30,119	0	30,119	25.3%	30,119	10,904	2,879
Encino	12	993,725	\$3.44	110,742	22,121	132,863	13.4%	150,168	(6,850)	(40,909)
Granada Hills	3	141,776	\$2.88	19,225	0	19,225	13.6%	27,026	24,174	25,954
Mission Hills	4	284,357	\$3.98	15,321	0	15,321	5.4%	25,941	(12,175)	(12,175)
North Hollywood	4	164,673	\$3.25	0	0	0	0.0%	840	0	2,670
Northridge	7	269,295	\$2.93	27,431	0	27,431	10.2%	25,199	2,129	8,140
Pacoima	1	28,745	N/A	0	0	0	0.0%	0	0	0
Panorama City	3	143,314	\$2.25	616	0	616	0.4%	616	0	(616)
Reseda	4	189,223	\$2.53	11,359	0	11,359	6.0%	13,206	(719)	(3,090)
San Fernando	1	27,329	N/A	0	0	0	0.0%	0	0	0
Santa Clarita Valley	14	544,665	\$3.41	73,381	2,460	75,841	13.9%	90,493	27,506	29,854
Sherman Oaks	7	286,749	\$3.24	39,677	9,760	49,437	17.2%	58,908	(13,760)	(13,294)
Studio City	1	48,504	\$4.15	16,127	0	16,127	33.2%	16,127	0	(7,027)
Tarzana	9	506,073	\$4.81	46,257	0	46,257	9.1%	49,329	8,746	11,550
Van Nuys	7	396,093	\$3.14	51,077	6,826	57,903	14.6%	58,779	5,825	1,662
West Hills	6	324,693	\$3.28	25,154	0	25,154	7.7%	30,870	3,437	(1,702)
SAN FERNANDO VALLEY	92	4,764,950	\$3.40	501,227	41,167	542,394	11.4%	613,927	48,142	(18,131)

Source: CBRE Research, Q4 2023

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Alhambra	3	124,691	\$4.72	5,752	0	5,752	4.6%	5,752	(5,063)	(5,752)
Arcadia	5	299,406	\$4.05	8,580	1,044	9,624	3.2%	15,210	7,897	(7,624)
City of Industry	3	116,569	\$2.96	34,117	0	34,117	29.3%	34,117	1,092	4,240
Claremont	1	50,274	\$3.75	996	0	996	2.0%	996	0	(996)
Diamond Bar	2	61,410	\$2.05	9,112	0	9,112	14.8%	9,112	0	(2,262)
Glendora	2	94,474	N/A	0	0	0	0.0%	0	0	0
Monterey Park	5	170,512	N/A	0	0	0	0.0%	0	1,538	0
Pomona	3	97,765	\$3.66	27,316	0	27,316	27.9%	27,316	0	(11,400)
Rowland Heights	1	26,919	N/A	0	0	0	0.0%	0	0	0
San Gabriel	3	122,265	\$4.37	14,885	0	14,885	12.2%	14,885	1,191	(2,772)
West Covina	3	148,614	\$2.70	3,953	0	3,953	2.7%	3,953	0	1,050
SAN GABRIEL VALLEY	31	1,312,899	\$3.49	104,711	1,044	105,755	8.1%	111,341	6,655	(42,826)
Beach Cities	10	477,039	\$3.21	31,282	0	31,282	6.6%	31,744	2,447	3,049
Downtown Long Beach	4	266,364	\$3.13	74,218	0	74,218	27.9%	74,218	157	(2,216)
El Segundo	1	72,066	N/A	0	0	0	0.0%	0	0	0
Hawthorne/Gardena	7	361,352	\$2.08	53,267	0	53,267	14.7%	39,267	78,685	34,031
Suburban Long Beach	17	773,981	\$3.24	17,400	0	17,400	2.2%	34,111	0	14,663
Torrance	21	1,015,139	\$4.31	94,346	7,419	101,765	10.0%	115,371	3,488	4,330
SOUTH BAY	60	2,965,941	\$3.47	270,513	7,419	277,932	9.4%	294,711	84,777	53,857
Burbank	9	460,992	\$4.13	27,138	0	27,138	5.9%	33,814	1,249	2,604
Glendale	19	960,624	\$3.37	125,451	0	125,451	13.1%	115,673	6,776	(1,347)
Pasadena	13	772,676	\$3.92	69,462	5,300	74,762	9.7%	79,383	(1,953)	(18,920)
TRI-CITIES	41	2,194,292	\$3.67	222,051	5,300	227,351	10.4%	228,870	6,072	(17,663)

Source: CBRE Research, Q4 2023

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Camarillo	2	84,021	\$2.61	21,617	0	21,617	25.7%	23,907	(1,000)	(1,000)
Moorpark/Simi Valley	5	159,896	\$2.54	18,225	0	18,225	11.4%	20,652	0	(2,423)
Oxnard	4	185,824	\$2.68	10,961	0	10,961	5.9%	10,961	0	(3,155)
Ventura	2	75,500	N/A	0	0	0	0.0%	0	0	0
WEST VENTURA COUNTY	13	505,241	\$2.60	50,803	0	50,803	10.1%	55,520	(1,000)	(6,578)
Beverly Hills	31	2,154,640	\$5.46	220,066	9,230	229,296	10.6%	263,398	1,284	(1,482)
Brentwood	5	379,090	\$5.14	49,444	5,508	54,952	14.5%	72,544	2,266	(8,700)
Culver City	2	105,092	\$4.83	3,187	12	3,199	3.0%	7,840	(875)	2,488
Inglewood	7	454,512	\$3.09	109,773	0	109,773	24.2%	135,521	(28,203)	(48,979)
Marina Del Rey	4	302,093	\$4.11	13,278	0	13,278	4.4%	13,278	0	(5,944)
Santa Monica	16	1,037,548	\$5.58	116,389	4,602	120,991	11.7%	107,867	(1,121)	(24,076)
WeHo West	3	360,892	\$6.44	34,134	0	34,134	9.5%	36,307	(7,780)	(24,974)
West Hollywood	2	206,720	\$6.06	8,858	0	8,858	4.3%	40,170	0	1,288
Westwood	3	234,229	\$6.12	99,312	0	99,312	42.4%	102,618	0	(13,246)
WEST LOS ANGELES	73	5,234,816	\$5.17	654,441	19,352	673,793	12.9%	779,543	(34,429)	(123,625)
GREATER LOS ANGELES TOTALS	392	22,433,512	\$3.98	2,302,691	100,599	2,403,290	10.7%	2,571,207	61,906	(197,917)

Source: CBRE Research, Q4 2023

