Headwinds persist as space givebacks weigh on the market

▲25.8%
Vacancy Rate

▼(432K)
SF Net Absorption

▼253K
SF Construction Delivered

▼1.8M
SF Under Construction

▼$4.12
FSG/MTH Direct Lease Rate

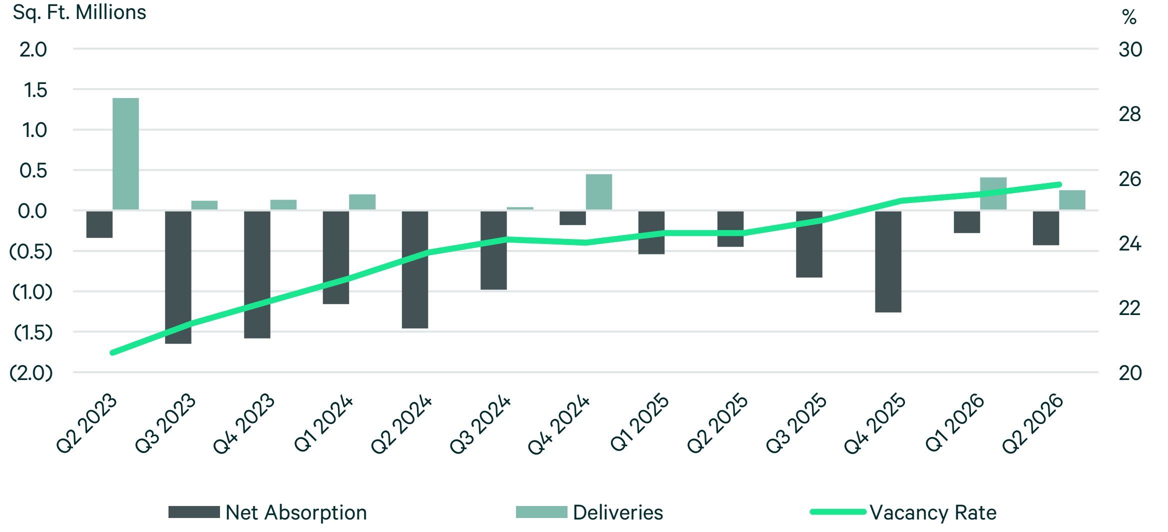
Note: Arrows indicate change from previous quarter.

Market Overview

Net absorption was negative 432,000 sq. ft. in Q2 2026, continuing the pattern of sustained space giveback. Vacancy increased by 150 basis points (bps) year-over-year while availability rose by 100 bps. Cumulative negative absorption over the last 12 months totaled approximately 3.0 million sq. ft. Average asking rents increased by 1.0% year-over-year.

Supply remained limited: 253,000 sq. ft. of new construction delivered during the quarter, and the development pipeline held at a restrained 1.8 million sq. ft. under construction, effectively constraining near-term additions to inventory. With overall demand still challenged, the combination of negative absorption and steady deliveries continued to push vacancy higher, reaching 25.8% in Q2 2026. Landlords remained in a tenant-favorable market, and elevated availability is expected to keep pressure on effective rents even as headline asking rates hold broadly flat.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



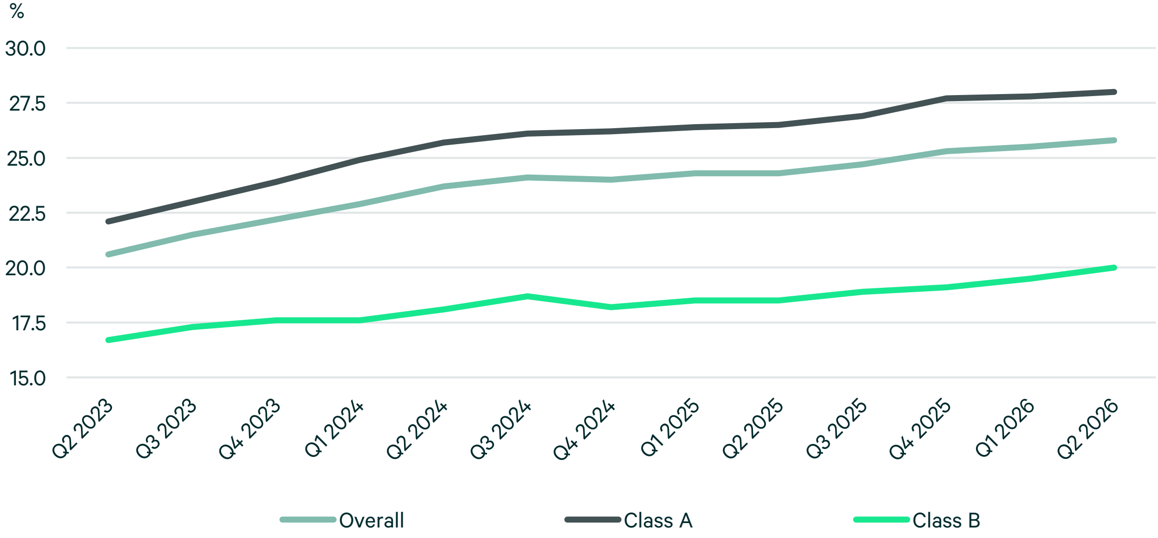
Source: CBRE Research, Q2 2026

Vacancy

In Q2 2026, overall vacancy across the Los Angeles market reached 25.7%, with direct vacancy at 23.6% and sublease vacancy contributing an additional 2.1%. Vacancy conditions varied meaningfully across submarkets. East Downtown Los Angeles recorded the highest overall vacancy at 58.3%, followed by Downtown Los Angeles at 35.3% and Hollywood/Wilshire Corridor at 28.0%. San Gabriel Valley and Mid-Counties remained the tightest submarkets in the region, with an overall vacancy of 9.2% and 9.7%, respectively.

In Q2 2026, Class A sublease vacancy was 2.5%, while Class B sublease vacancy was 1.1%, a 10-bps increase. Across the tracked Los Angeles office submarkets, sublease vacancy totaled 4.7 million sq. ft. in Q2 2026. West Los Angeles led all submarkets in sublease availability at 1.5 million sq. ft., followed by South Bay at 768,000 sq. ft., and together accounted for nearly half of the market's total sublease vacancy. At the other end of the spectrum, San Gabriel Valley and Mid-Counties carried minimal sublease exposure at just 0.3% each.

Figure 2: Vacancy Rates by Class



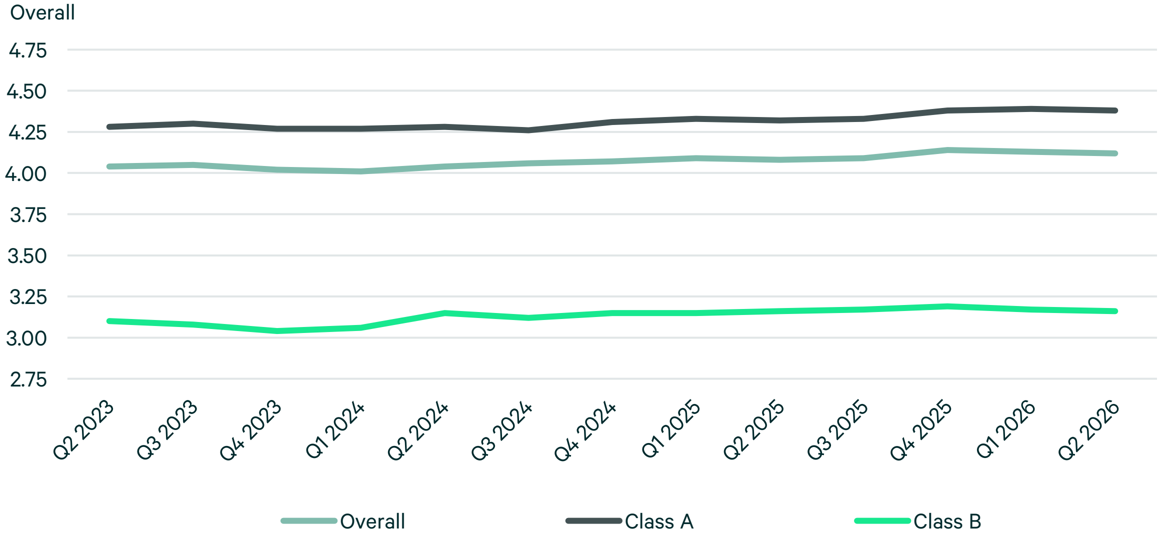
Source: CBRE Research, Q2 2026

Asking Rent

In Q2 2026, the overall average asking rent was $4.12, slightly above the 2025 annual average of $4.10. This reflects a 0.2% quarter-over-quarter decline from Q1 2026 but increased by 1.0% year-over-year relative to Q2 2025. Class A rates stood at $4.38 in Q2 2026, consistently sitting above both the overall market at $4.12 and Class B space at $3.16.

In Q2 2026, West Los Angeles commanded the highest asking rents, with Class A at $5.88, followed by East Downtown where Class A asking rates reached $4.95. Core submarkets such as Downtown Los Angeles, Tri-Cities, Hollywood/Wilshire Corridor, and South Bay formed a mid-priced tier, with Class A rents between $3.59 and $3.97. More cost-effective options were available in Mid-Counties, San Fernando Valley, and San Gabriel Valley, where Class A ranged from $2.84 to $2.91.

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q2 2026

Net Absorption

Net absorption across Los Angeles deteriorated quarter-over-quarter, declining from negative 283,000 sq. ft. in Q1 2026 to negative 431,000 sq. ft. in Q2 2026. On a year-to-date basis, Los Angeles has recorded negative 714,000 sq. ft. of net absorption through the first half of 2026.

Absorption was driven primarily by the South Bay submarket with negative 165,000 sq. ft., followed by Hollywood/Wilshire Corridor recording negative 87,000 sq. ft., and Downtown Los Angeles with negative 84,000 sq. ft. Partially offsetting these losses, Tri-Cities was the only submarket to record positive absorption with 47,000 sq. ft.

Figure 4: Net Absorption Trend

Source: CBRE Research, Q2 2026

Construction Activity

In Q2 2026, the market had 1.8 million sq. ft. under construction and 253,000 sq. ft. of space delivered, with 659,000 sq. ft. completed year-to-date in 2026. Under construction volume declined 5.1% quarter-over-quarter from 1.9 million sq. ft. in Q1 2026 and was 21.9% lower year-over-year than the 2.3 million sq. ft. underway in Q2 2025. Deliveries fell 37.7% quarter-over-quarter from 406,000 sq. ft. in Q1 2026, following a year with no completions in 2025.

By submarket, West Los Angeles carried the highest construction pipeline, with 982,500 sq. ft. underway, followed by Hollywood/Wilshire Corridor at 692,300 sq. ft. and South Bay with 76,000 sq. ft. Market dynamics continue to reflect a cautious development environment, as rising construction costs, tighter financing conditions, and persistently elevated vacancy levels temper new supply commitments across most submarkets. Looking ahead, the thinning pipeline suggests deliveries will remain constrained through 2027, which may gradually support rent stabilization in supply-limited corridors as demand recovers.

Figure 5: Construction Activity

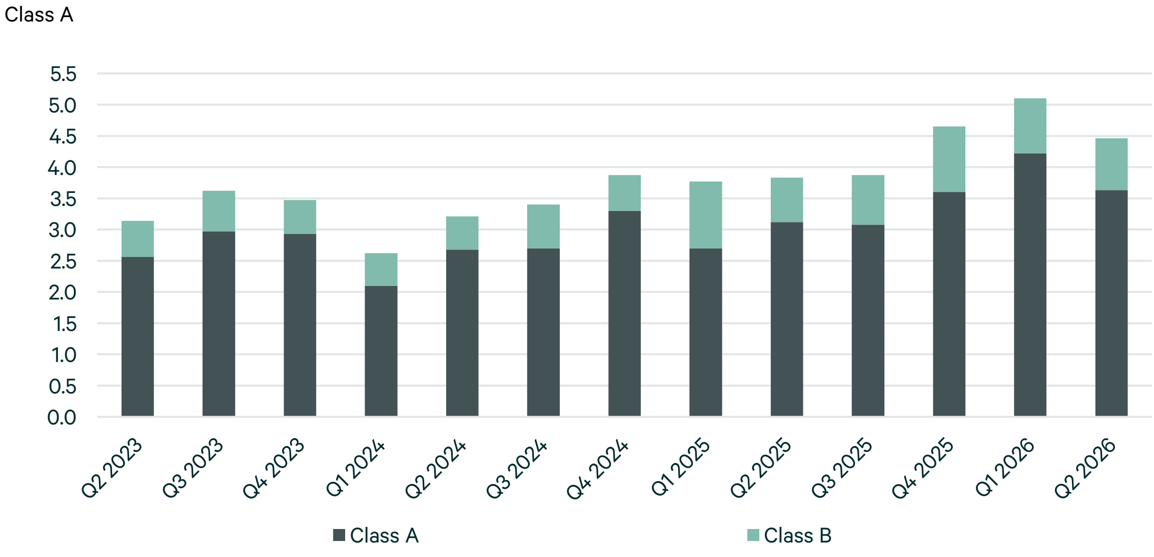
Source: CBRE Research, Q2 2026

Leasing Activity

Total leasing activity across Los Angeles reached 4.5 million sq. ft. in Q2 2026, declining 12.4% from 5.1 million sq. ft. in the prior quarter, but remaining 16.3% above the 3.8 million sq. ft. recorded in Q2 2025. Despite the quarterly decrease, the year-over-year comparison reflected continued improvement in occupier demand.

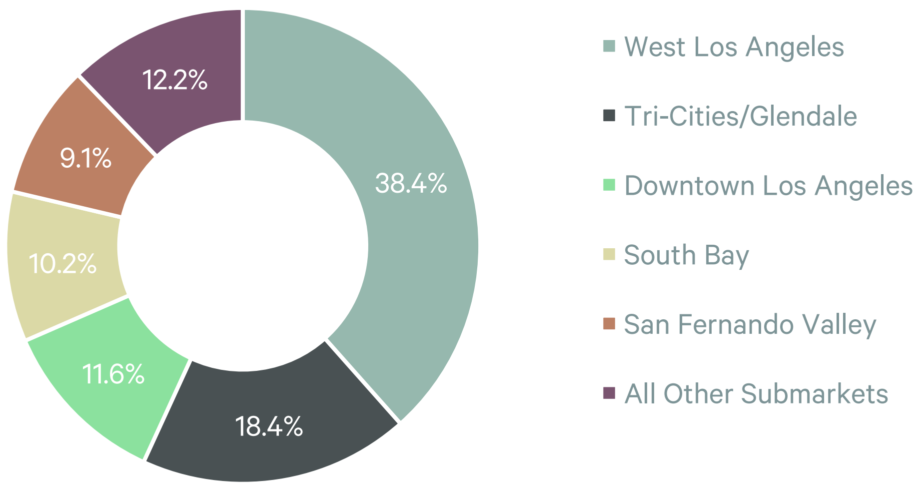
West Los Angeles posted the highest Q2 2026 leasing volume at 1.7 million sq. ft., followed by Tri-Cities with 824,000 sq. ft., Downtown Los Angeles with 520,000 sq. ft., South Bay with 456,000 sq. ft., San Fernando Valley with 407,000 sq. ft., Hollywood/Wilshire Corridor with 225,000 sq. ft., Mid-Counties with 186,000 sq. ft., San Gabriel Valley with 69,000 sq. ft., and East Downtown with 67,000 sq. ft..

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q2 2026

Figure 7: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Industry	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Life Science	146,000	Renewal / Expansion	28515 Westinghouse Pl, Valencia	San Fernando Valley
PwC	138,000	New Lease	2121 Avenue of the Stars, Century City	West Los Angeles
Confidential Sports & Entertainment	131,000	New Lease	3900 Kilroy Airport Way, Long Beach	South Bay
Confidential Legal Services	114,000	Renewal / Expansion	2029 Century Park E, Century City	West Los Angeles
New Cingular Wireless PCS	108,000	Renewal	12911 183rd St, Cerritos	Mid-Counties
Confidential Financial Services	108,000	Renewal / Expansion	2049 Century Park E, Century City	West Los Angeles
Arrowhead Pharmaceuticals	98,000	Renewal / Expansion	177 E Colorado Blvd, Pasadena	Tri-Cities
iHeart Media	60,000	Renewal	3400 W Olive Ave, Burbank	Tri-Cities

Source: CBRE Research, Q2 2026

Market Statistics by Class

Figure 9: Metro Market Statistics by Class

Property Class	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	158.37M	27.9	32.8	29.2	3.6	4.38	(34,000)	(133,000)	253,000	1.78M
Class B	59.88M	20.0	24.2	22.2	2.0	3.16	(291,000)	(474,000)	0	0
Total	**218.25M**	**25.8**	**30.5**	**27.3**	**3.2**	**4.12**	**(432,000)**	**(714,000)**	**253,000**	**1.78M**

Source: CBRE Research, Q2 2026

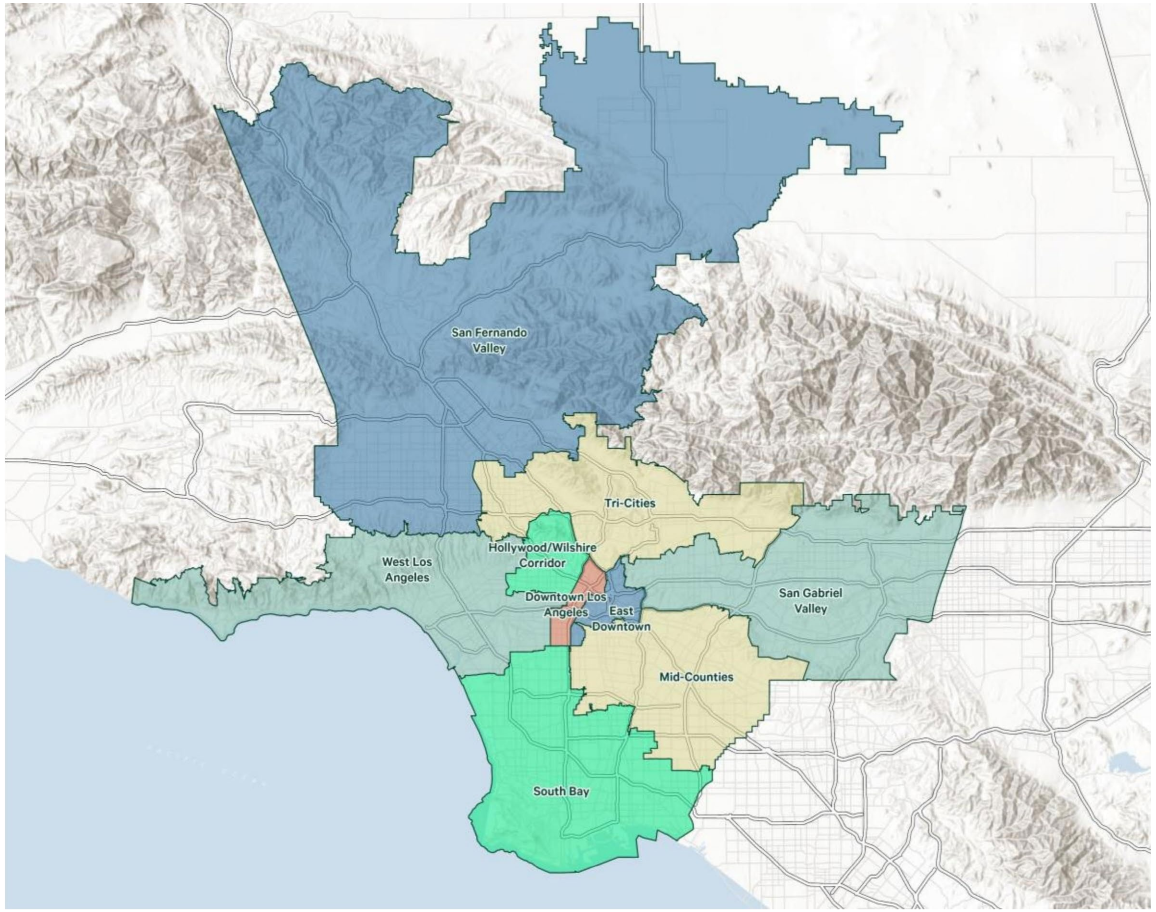
Market Statistics by Submarket

Figure 10

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate	Class A Asking Rent ($/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Downtown Los Angeles	31.68M	35.3	39.6	36.4	3.2	3.71	3.87	(84,000)	(155,000)	0	0
East Downtown	7.10M	58.3	59.2	54.1	5.1	4.69	4.95	0	80,000	0	0
Hollywood/Wilshire Corridor	20.49M	28.0	31.9	29.9	2.0	3.63	3.63	(87,000)	(154,000)	0	692,000
Mid-Counties	4.91M	9.7	14.5	13.8	0.7	2.82	2.89	(14,000)	(30,000)	0	0
San Fernando Valley	22.27M	20.9	24.3	20.8	3.5	2.77	2.91	(48,000)	(43,000)	0	0
San Gabriel Valley	10.86M	9.2	11.4	11.0	0.4	2.54	2.84	(30,000)	(91,000)	0	0
South Bay	33.35M	24.0	28.7	25.5	3.2	3.30	3.59	(165,000)	(125,000)	0	76,000
Tri-Cities/Glendale	28.82M	26.5	30.9	28.1	2.8	3.83	3.97	47,000	119,000	0	0
West Los Angeles	58.77M	23.0	29.6	25.3	4.0	5.68	5.88	(51,000)	(316,000)	253,000	1.02M
Total	**218.25M**	**25.8**	**30.5**	**27.3**	**3.2**	**4.12**	**4.38**	**(432,000)**	**(714,000)**	**253,000**	**1.78M**

Source: CBRE Research, Q2 2026

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, 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. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days. Class A industrial are buildings built after 2000, with 32' or greater clear height and ESFR sprinklers.

Survey Criteria

Includes all Class A and B office buildings 30,000 sq. ft. and greater in size in Los Angeles and Ventura counties. Owner-user buildings are not included in the survey. This survey excludes medical office buildings. Buildings which have begun construction as evidenced by site excavation or foundation work.

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