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L.A.'s office hot spot Century City competes with downtown as firms pack up and relocate

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Century City in Los Angeles

As Downtown Los Angeles struggles to draw workers back to the office, a current of businesses is moving out of the central business district and looking for other office hot spots around town — or, at least, warm spots.

As the office market in L.A. lingers at 23% vacancy, some companies are downsizing in downtown, with multiple tenants packing up and moving to Century City and its concentration of Class A office towers.

Law firm Sidley Austin has its bases covered with offices in both Century City and downtown, while law firm Skadden, investment company AEW Capital and brokerage Marcus & Millichap relocated to Century City, all in the last year.

According to a report from Colliers focused on office in West L.A., Century City had 10.6 million square feet of total inventory in the second quarter of 2023, with a 13.6% direct availability rate and a 11.5% vacancy rate, dropping from 13.2% the prior quarter. The area's vacancy rate was the lowest of all West L.A. submarkets including Santa Monica, where it was 21.4%, and Culver City, where it was 23%.

While West L.A. had the highest overall asking rents in the L.A. area in Q2 at an average \$5.13 per square foot for Class A space, Colliers found asking rents in Century City were the third highest in the market at \$5.87, behind Beverly Hills at \$5.97 and Marina Del Rey/Venice at \$6.55.

And according to a Q2 2023 office report by Cushman & Wakefield, heightened demand in Century City contributed to a 0.5% quarter-over-quarter increase in asking rents in West L.A.

By comparison, Downtown L.A.'s business core saw asking rents of \$4.39 per square foot for Class A properties, Colliers found in its Q2 2023 Greater L.A. office report, with a 26% overall vacancy rate and 38 million square feet of total office inventory and 27.5% direct availability.

Century City's perception as clean and safe

The emigration from downtown raises the question: Can Century City replace downtown as L.A.'s new office core?

Companies including Creative Artists Agency, public relations firm The Pollack Group, aircraft rental company Air Lease Corp., finance group Cressida Capital Corp., and legal firm Allen Matkins all call Century City home. Colliers found that more than 20% of office

transactions in West L.A. transpired in Century City, with wealth management, talent and law firms making up most of the submarket's office population.

Further adding to Century City's scene is the extension of L.A. Metro's Purple Line that will connect West L.A. to the rest of the L.A. Metro system in the next year. The projected line will run from Koreatown to Westwood, with a station in Century City to be completed in 2025.

The area's major retail engine is Westfield Century City, the 1.3 million-square-foot outdoor shopping mall that underwent a billion-dollar makeover in 2017 and is one of L.A.'s most visited malls. In June 2023, the mall saw 1.2 million visits, according to Placer.ai data.

Brokers have mixed perspectives on the market. At Colliers, brokers Sean Fulp and Ian Gilbert said Century City has its appeals, mainly its cleanliness and safe community.

"Compared to other central business districts, [Downtown] Los Angeles is much further along in the cycle of utilization of space and the economic cycle of commercial real estate, and not just office but in retail and everything else," Fulp told L.A. Business First. "So hopefully we're correcting more quickly than other markets, but yes, Century City definitely is doing a lot better than downtown right now."

"It really comes down to the street scene," Gilbert added. "It's the cleanliness of what Century City is. People feel safe, comfortable. People are willing to pay almost double to expand in a market where they feel safe and feel like people will want to come back to the office."

At JLL, Senior Vice President Maureen Hawley said Century City will certainly give downtown a "run for its money," but overall doesn't see Century City overtaking the downtown office market due to the scope of commercial properties in the area, especially with limitations on height and developable land.

Still, Hawley said JLL clients are drawn to the area for its amenities and environment.

Hawley calls the draw to specific assets a "nano-market," attracting tenants through security, parking and the amenity base offered within a building, even if it means moving into an office that's slightly more expensive than one next door.

"Century City is significantly more expensive than downtown, yet we continue to have our clients expand there because they're seeing a better return to work. Part of that is centered on a perception of safety," Hawley told L.A. Business First. "When you look at what's happened over the pandemic in major metropolitan areas around the country, you see a flight to quality."

Century City and downtown 'tethered together'

While the brokers relented that it's perceived as a safer environment, Century City lacks the destination vibe that Downtown Los Angeles has worked to maintain, Hawley said.

"All in all, what's great about downtown is that you really have this multipurpose destination," she said. "You're going there for work, for hospitality, for retail, for entertainment. Century City doesn't really have that round-the-clock, holistically multipurpose base that downtown does, but they've done a really great job in terms of trying to monetize their buildings."

Westfield Century City, located in the same corridor as the office core, remains that area's main retail destination. But beyond the mall's offerings, the brokers said Century City lacks the lineup of restaurants or bars that draw foot traffic to its streets, unlike downtown where passersby may stop at the mix of storefronts along any major street.

While the Colliers team said companies in the tech and media sectors have moved west, Fulp and Gilbert said Century City probably won't become L.A.'s new office core, mainly because of the central location that downtown still holds.

"The great thing about downtown compared to Century City is you're so much more centrally located, especially if you live in the South Bay, if you live in Pasadena, if you live in the Valley," Gilbert said. "What potentially might happen is everybody's expanding. They're taking a lot more space in Century City, and in the next

year or so they're going to realize, 'Wow, my commute has actually become much worse.'"

Whether Century City continues to see an influx of office tenants or downtown weathers the storm, office companies and employees will be the decision-makers.

But in the long run, Fulp said he sees the two cities as a tethered pair.

"I actually believe that Century City and downtown are going to be tethered together, and in a way a lot of it will be driven by the Purple Line," he said. "You can have a satellite office in Century City and then have your hub in downtown with conference rooms and collaboration spaces. I do think one office is going to serve a different purpose than another office in the same city."



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