

OFFICE MARKET UPDATE LOS ANGELES NORTH

FIRST QUARTER 2016

Overview

The Los Angeles North office market started the year off slowly as the first quarter of 2016 experienced a dramatic drop in leasing activity compared to the fourth quarter 2015. Overall net absorption went from a strongly positive fourth quarter in 2015 to a negative first quarter 2016. The slowdown in what has been rapid growth in rents and sale prices should not automatically be taken as a warning sign for the overall market, but more likely a sign of return to normalcy and sustainability. With stronger than national job growth, the outlook remains on track for a good year in 2016.

Absorption

Net absorption for the Los Angeles North office market was a negative (66,352) square feet in the first quarter 2016, compared to a positive 502,428 square feet in the fourth quarter of 2015. Year to date the Sherman Oaks submarket had the highest positive absorption with 158,161 square feet followed by the Eastern SFV submarket with 64,805 square feet and the Encino submarket with 52,925 square feet. Calabasas/Westlake Village was the worst performing submarket with negative (181,264) square feet, followed by the Thousand Oaks/SE County submarket with negative (142,901) square feet and the Woodland Hills/Warner Center submarket with negative (22,207) square feet.

Los Angeles North Office Market Snapshot

Submarket	# Buildings	Total RBA SF	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	Under Construction	Quoted Rates
Burbank	615	14,184,466	1,324,263	9.3%	-1,601	134,384	\$2.76
Calabasas/Westlake Village	208	7,376,620	943,456	12.8%	-181,264	0	\$2.49
Eastern SFV	619	8,571,193	595,341	6.9%	64,805	0	\$2.03
Encino	86	4,991,869	386,531	7.7%	52,925	0	\$2.30
Glendale	708	12,093,013	903,054	7.5%	4,462	0	\$2.49
North Hollywood	323	3,330,109	325,872	9.8%	-17,460	0	\$2.55
Santa Clarita Valley	215	4,846,727	558,147	11.5%	21,593	0	\$2.39
Sherman Oaks	124	3,850,690	356,703	9.3%	158,161	0	\$2.44
Studio/Universal Cities	290	4,116,476	183,716	4.5%	-2,833	0	\$2.57
Tarzana	72	1,635,650	122,558	7.5%	-6,809	117,978	\$2.52
Thousand Oaks/SE County	320	7,774,718	858,948	11.0%	-142,901	134,198	\$2.21
Western SFV	376	6,769,159	1,109,944	16.4%	6,777	5,000	\$2.07
Woodland Hills/Warner Center	209	10,090,308	1,262,771	12.5%	-22,207	0	\$2.27
Totals	4,165	89,630,998	8,931,304	10.0%	-66,352	391,560	\$2.39

Vacancy

The overall office vacancy rate in the Los Angeles North market area was at 10.0% at the end of the first quarter 2016, unchanged from 10.0% in the fourth quarter 2015. The Western SFV submarket had the region's highest vacancy rate of 16.4%, followed by the Calabasas/Westlake Village submarket with 12.8%, and the Woodland Hills/Warner Center submarket at 12.5%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 4.5%, followed by the Eastern SFV submarket with 6.9%, and the Tarzana and Glendale submarkets, tied at 7.5%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, rose slightly to \$2.39 per square foot at the end of the first quarter 2016 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.58 per square foot, with Class B rates at \$2.28 per square foot, and Class C rates at \$2.03 per square foot. The Burbank submarket had the highest average asking rate of \$2.76 per square foot, while the Eastern SFV market had the lowest rate at \$2.03 per square foot.

Construction

There was a total of 391,560 square feet of office space under construction in the Los Angeles North office market at the end of the first quarter 2016. The largest building under construction is the 117,978-square-foot Ventana office/medical building located at 18131 Ventura Blvd. in Tarzana. The building is 70.4% pre-leased.

Los Angeles North Top Office Leases

Address	Tenant	SF
303 N. Glenoaks Blvd., Burbank	Turner Broadcasting	76,471
3400 W. Olive Ave., Burbank	Clear Channel Communications, Inc.	75,214
3601 W. Olive Ave., Burbank	Screen Actors Guild-Producers Pension & Health Plan	56,055
4640 Lankershim Blvd., North Hwd.	Herzog & Company	26,508
5990 Sepulveda Blvd., Van Nuys	Momentous Insurance Brokerage, Inc. (renewal)	24,642
3601 W. Olive Ave., Burbank	Horvitz & Levy LLP	21,584

Sales Activity

Total office building sales activity in the fourth quarter 2015 rose compared to the third quarter 2015 in terms of dollar volume, and cap rates have been lower in 2015, averaging 5.80% compared to the same period in 2014 when they averaged 6.44%. The largest transaction that occurred within the fourth quarter 2015 was the Valley Plaza Center portfolio sale by iStar Financial, Inc. of ten buildings, located in North Hollywood, to the Charles Company. The sale of these ten buildings totaling 176,958 square feet took place on 12/10/2015 for \$27,000,000 or approximately \$152.58 per square foot.



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