

# OFFICE MARKET UPDATE LOS ANGELES NORTH

FIRST QUARTER 2017

## Overview

The Los Angeles North office market remained fairly stable in the first quarter 2017 as the overall vacancy rate remained at 9.3%. Overall net absorption declined slightly, but despite the negative movement for this quarter, there is still confidence in the market, and rental rates were relatively unchanged. Media and tech sector office users led the way again in the first quarter's leasing activity, and increasing demand for healthcare space is placing upward pressure on rental rates. Burbank and Glendale were some of the most active markets with several large leases signed there during the quarter.

## Absorption

Net absorption for the Los Angeles North office market was a negative (2,518) square feet in the first quarter 2017, compared to a positive 442,558 square feet in the fourth quarter of 2016. Year to date the Woodland Hills/Warner Center submarket had the highest positive absorption with 69,888 square feet followed by the Calabasas/Westlake Village submarket with 58,815 square feet and the North Hollywood submarket with 30,439 square feet. Sherman Oaks was the worst performing submarket with negative (85,250) square feet, followed by the Encino submarket with negative (39,281) square feet and the Thousand Oaks/SE County submarket with negative(32,548) 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	619	14,382,277	1,191,949	8.3%	-17,019	36,680	\$2.90
Calabasas/Westlake Village	208	7,364,769	794,682	10.8%	58,815	26,800	\$2.37
Eastern SFV	621	8,694,667	728,463	8.4%	-208	0	\$2.23
Encino	86	4,989,890	414,729	8.3%	-39,281	0	\$2.54
Glendale	703	12,200,748	866,481	7.1%	-4,253	6,200	\$2.52
North Hollywood	320	3,305,879	204,378	6.2%	30,439	0	\$2.42
Santa Clarita Valley	215	4,764,984	493,603	10.4%	4,589	96,115	\$2.48
Sherman Oaks	125	3,848,366	396,179	10.3%	-85,250	0	\$2.52
Studio/Universal Cities	292	4,130,955	231,903	5.6%	-29,797	0	\$2.73
Tarzana	74	1,754,775	141,001	8.0%	15,547	0	\$2.72
Thousand Oaks/SE County	325	7,983,174	929,651	11.6%	-32,548	0	\$2.33
Western SFV	377	6,739,392	825,639	12.3%	26,560	0	\$2.13
Woodland Hills/Warner Center	207	10,049,490	1,148,278	11.4%	69,888	0	\$2.29
<b>Totals</b>	<b>4,172</b>	<b>90,209,366</b>	<b>8,366,936</b>	<b>9.3%</b>	<b>-2,518</b>	<b>165,795</b>	<b>\$2.48</b>

## Vacancy

The overall office vacancy rate in the Los Angeles North market area remained at 9.3% at the end of the first quarter 2017, unchanged from the fourth quarter 2016. The Western SFV submarket had the region's highest vacancy rate of 12.3%, followed by the Thousand Oaks/SE County submarket with 11.6%, and the Woodland Hills/Warner Center submarket at 11.4%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 5.6%, followed by the North Hollywood submarket at 6.2%, and the Glendale submarket at 7.1%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, rose slightly to \$2.48 per square foot at the end of the first quarter 2017 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.66 per square foot, with Class B rates at \$2.35 per square foot, and Class C rates at \$2.17 per square foot. The Burbank submarket had the highest average asking rate of \$2.90 per square foot, while the Western SFV market had the lowest rate at \$2.13 per square foot.

**Construction**

There was a total of 165,795 square feet of office space under construction in the Los Angeles North office market at the end of the first quarter 2017. The largest building under construction is the 96,115 square-foot office building located at 27750 N. Entertainment Drive in Santa Clarita. The property was purchased by Scorpion Internet Marketing, which plans to occupy the entire building upon completion.

**Los Angeles North Top Office Leases**

Address	Tenant	SF
25129 & 25155 Rye Cyn. Loop, Santa Clarita	Boston Scientific Corp. (renewal)	242,000
3100 Thornton Ave., Burbank	Kaiser Foundation Health Plan (renewal)	194,145
2300 W. Empire Ave., Burbank	Critical Content	51,000
500 N. Brand Blvd., Glendale	Children's Hospital Los Angeles	50,300
2350 Empire Ave., Burbank	Allianz Life Insurance Co. (renewal)	33,500
611 N. Brand Blvd., Glendale	PSI Services	23,589

**Sales Activity**

Total office building sales activity in the fourth quarter 2016 rose compared to the third quarter 2016 in terms of dollar volume, and cap rates have been lower in 2016, averaging 5.49% compared to the same period in 2015 when they averaged 5.82%. The largest transaction that occurred within the Los Angeles North market in the fourth quarter 2016 was the sale by Starwood Property Trust, Inc. of the two building office project at 21215 & 21255 Burbank Blvd. in Warner Center, to Lincoln Property Company. The sale of these two buildings totaling 509,408 square feet took place on 12/09/2016 for \$146,313,500 or approximately \$287.22 per square foot.



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