

# OFFICE MARKET UPDATE LOS ANGELES NORTH

FIRST QUARTER 2018

## Overview

Leasing activity in the Los Angeles North office saw little change in the first quarter 2018 from that of the previous quarter, with a continuation of negative net absorption, a slight uptick in the vacancy rate, and no change in the overall quoted rental rate. Even though the market is in a sluggish mode, there is still confidence in the overall market outlook for the rest of 2018. With very little overall new construction seen in the future, market trends are still expected to continue with a slow, positive growth rate.

## Absorption

Net absorption for the Los Angeles North office market was a negative (225,758) square feet in the first quarter 2018, compared to a negative (222,544) square feet in the fourth quarter of 2017. Year to date the Eastern SFV submarket had the highest positive absorption with 135,581 square feet followed by the Santa Clarita Valley submarket with 85,970 square feet and the Burbank submarket with 50,955 square feet. Glendale was the worst performing submarket with negative (236,567) square feet, followed by the Woodland Hills/Warner Center submarket with negative (153,792) square feet and the Encino submarket with negative (58,766) 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	628	14,503,551	1,216,305	8.4%	50,955	6,543	\$3.03
Calabasas/Westlake Village	211	7,336,636	881,224	12.0%	-2,478	26,800	\$2.40
Eastern SFV	629	8,759,056	522,734	6.0%	135,581	13,990	\$2.27
Encino	87	4,964,213	466,861	9.4%	-58,766	0	\$2.75
Glendale	711	12,145,486	1,303,826	10.7%	-236,567	0	\$2.62
North Hollywood	324	3,353,943	223,032	6.6%	13,247	218,267	\$2.63
Santa Clarita Valley	223	4,918,189	512,060	10.4%	85,970	37,000	\$2.52
Sherman Oaks	125	3,839,431	398,728	10.4%	-34,690	0	\$2.63
Studio/Universal Cities	290	4,048,496	203,683	5.0%	3,660	0	\$2.90
Tarzana	74	1,756,927	121,009	6.9%	-13,857	89,158	\$2.73
Thousand Oaks/SE County	328	8,328,845	961,826	11.5%	-48,325	0	\$2.34
Western SFV	381	6,712,578	716,445	10.7%	33,304	255,815	\$2.19
Woodland Hills/Warner Center	210	10,122,472	1,195,488	11.8%	-153,792	0	\$2.42
<b>Totals</b>	<b>4,221</b>	<b>90,789,823</b>	<b>8,723,221</b>	<b>9.6%</b>	<b>-225,758</b>	<b>647,573</b>	<b>\$2.57</b>

## Vacancy

The overall office vacancy rate in the Los Angeles North market area rose slightly to 9.6% at the end of the first quarter 2018, compared to 9.2% in the fourth quarter 2017. The Calabasas/Westlake Village submarket had the region's highest vacancy rate of 12.0%, followed by the Woodland Hills/Warner Center submarket with 11.8%, and the Thousand Oaks/SE County submarket at 11.5%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 5.0%, followed by the Eastern SFV submarket at 6.0%, and the North Hollywood submarket at 6.6%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, remained at \$2.57 per square foot at the end of the first quarter 2018 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.79 per square foot, with Class B rates at \$2.41 per square foot, and Class C rates at \$2.27 per square foot. The Burbank submarket had the highest average asking rate of \$3.03 per square foot, while the Western SFV market had the lowest rate at \$2.19 per square foot.

**Construction**

There was a total of 647,573 square feet of office space under construction in the Los Angeles North office market at the end of the first quarter 2018. The largest building under construction is the MGA Entertainment headquarters building containing 255,815 square feet, which is located at 20000 Prairie Street in Chatsworth. MGA Entertainment will occupy the entire building upon completion.

**Los Angeles North Top Office Leases**

Address	Tenant	SF
3000 W. Alameda Ave., Burbank	Blizard Entertainment	73,000
29901 Agoura Road, Agoura Hills	Vitu	37,758
330 N. Brand Blvd., Glendale	Dignity Health Care	34,296
9200 Oakdale Ave., Chatsworth	Ace American Insurance (renewal)	27,184
21550 Oxnard Street, Woodland Hills	Nemecek & Cole (expansion)	27,000
330 N. Brand Blvd., Glendale	Liberty Mutual	25,063

**Sales Activity**

Total office building sales activity in the fourth quarter 2017 rose compared to the third quarter 2017 in terms of dollar volume, and cap rates have been higher in 2017, averaging 5.67% compared to the same period in 2016 when they averaged 5.47%. The largest transaction that occurred within the fourth quarter 2017 was the portfolio sale by The Blackstone Group LP, of the buildings located at 700 N. Central Ave. and 801 N. Brand Blvd. in Glendale, to CBRE Global Investors Ltd. The sale of these buildings containing 424,642 square feet took place on 12/29/2017 for \$64,535,109 or approximately \$151.98 per square foot.



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