

### Overview

The Los Angeles North office market experienced strong leasing volume in the second quarter 2015 and vacancy rates continued to fall. Overall net absorption had a sizeable increase in the quarter even though some of the submarkets continued to experience negative net absorption. The technology, entertainment and healthcare sectors continue to be the driving factor in those submarkets enjoying positive net absorption. Rising rents began to push tenants out of premier buildings in Encino and Sherman Oaks toward the West San Fernando Valley and the Woodland Hills/Warner Center submarket.

### Absorption

Net absorption for the Los Angeles North office market was a positive 247,529 square feet in the second quarter 2015, compared to a positive 139,990 square feet in the first quarter of 2015. Year to date the Woodland Hills/Warner Center submarket had the highest positive absorption with 154,134 square feet followed by the Glendale submarket with 116,343 square feet and the Thousand Oaks/SE County submarket with 89,923 square feet. Sherman Oaks was the worst performing submarket with negative (87,984) square feet, followed by the Calabasas/Westlake Village submarket with negative (39,913) square feet and the Santa Clarita Valley submarket with negative (20,548) 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	611	14,125,184	1,387,829	9.8%	42,847	0	\$2.66
Calabasas/Westlake Village	210	7,424,910	886,698	11.9%	-39,913	0	\$2.40
Eastern SFV	610	8,541,146	710,067	8.3%	16,326	0	\$1.90
Encino	86	4,991,558	479,369	9.6%	69,340	0	\$2.33
Glendale	706	12,002,346	1,061,956	8.8%	116,343	0	\$2.40
North Hollywood	322	3,329,517	261,973	7.9%	16,895	14,021	\$2.38
Santa Clarita Valley	211	4,832,971	590,512	12.2%	-20,548	0	\$2.33
Sherman Oaks	124	3,698,519	416,600	11.3%	-87,984	0	\$2.26
Studio/Universal Cities	290	4,130,011	180,951	4.4%	-4,901	0	\$2.41
Tarzana	72	1,630,703	161,821	9.9%	-9,858	117,978	\$2.44
Thousand Oaks/SE County	320	7,524,406	887,119	11.8%	89,923	120,933	\$2.08
Western SFV	374	6,770,002	1,072,716	15.8%	44,915	5,000	\$2.03
Woodland Hills/Warner Center	208	10,261,731	1,427,418	13.9%	154,134	0	\$2.19
<b>Totals</b>	<b>4,144</b>	<b>89,263,004</b>	<b>9,525,029</b>	<b>10.7%</b>	<b>387,519</b>	<b>257,932</b>	<b>\$2.29</b>

### Vacancy

The overall office vacancy rate in the Los Angeles North market area dropped to 10.7% at the end of the second quarter 2015, compared to 11.1% in the first quarter 2015. The Western SFV submarket had the region's highest vacancy rate of 15.8%, followed by the Woodland Hills/Warner Center submarket with 13.9%, and the Santa Clarita Valley submarket at 12.2%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 4.4%, followed by the North Hollywood submarket at 7.9% and the Eastern SFV submarket at 8.3%.

### Rental Rates

The average quoted asking rental rate for available office space, all classes, rose slightly to \$2.29 per square foot at the end of the second quarter 2015 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.44 per square foot, with Class B rates at \$2.18 per square foot, and Class C rates at \$2.02 per square foot. The Burbank submarket had the highest average asking rate of \$2.66 per square foot, while the Eastern SFV market had the lowest rate at \$1.90 per square foot.

**Construction**

There was a total of 257,932 square feet of office space under construction in the Los Angeles North office market at the end of the second quarter 2015. The largest building under construction is the 117,978-square-foot Ventana office/medical building located at 18131 Ventura Blvd. The building is 70.4% pre-leased.

**Los Angeles North Top Office Leases**

Address	Tenant	SF
2411 W. Olive Ave., Burbank	Walt Disney Co. (renewal)	110,000
2400 Conejo Spectrum Dr., Thousand Oaks	Sage Publications	100,400
3043 Townsgate Road, Thousand Oaks	PennyMac	60,466
18040 Sherman Way, Panorama City	Kaiser	36,136
611 N. Brand Blvd., Glendale	Yellow Pages	23,585
15910 Ventura Blvd., Encino	Pearlman, Borska & Wax (expansion & renewal)	18,700

**Sales Activity**

Total office building sales activity in the first quarter 2015 fell compared to the fourth quarter 2014 in terms of dollar volume, and cap rates have been slightly lower in 2015, averaging 5.66% compared to the same period in 2014 when they averaged 6.50%. The largest transaction that occurred within the first quarter 2015 was the sale by Hudson Pacific Properties, Inc. of the First Financial Plaza located at 16830 Ventura Blvd. in Encino to Douglas Emmett Management, LLC. The sale of this 223,679 square foot building took place on 3/16/15 for \$89,000,000 or approximately \$397.89 per square foot.



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