

# OFFICE MARKET UPDATE LOS ANGELES NORTH

SECOND QUARTER 2016

## Overview

After a slow start in the first quarter 2016, the Los Angeles North office market posted strong gains in the second quarter 2016. Overall net absorption jumped up dramatically to 306,757 square feet in the quarter. With limited new space coming online and continued job growth, the outlook for the balance of the year remains positive. Media and entertainment tenants remain as the key drivers fueling the demand for additional office space. Burbank was one of the hottest markets with several large leases signed there during the quarter.

## Absorption

Net absorption for the Los Angeles North office market was a positive 306,757 square feet in the second quarter 2016, compared to a negative (66,352) square feet in the first quarter of 2016. Year to date the Eastern SFV submarket had the highest positive absorption with 138,308 square feet followed by the Sherman Oaks submarket with 137,233 square feet and the Woodland Hills/Warner Center submarket with 96,864 square feet. Calabasas/Westlake Village was the worst performing submarket with negative (190,770) square feet, followed by the Thousand Oaks/SE County submarket with negative (80,833) square feet and the Burbank submarket with negative (79,423) 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	616	14,185,235	1,386,785	9.8%	-79,423	141,440	\$2.71
Calabasas/Westlake Village	208	7,377,523	952,962	12.9%	-190,770	0	\$2.44
Eastern SFV	618	8,538,193	506,838	5.9%	138,308	0	\$2.12
Encino	86	4,991,869	421,359	8.4%	3,097	0	\$2.51
Glendale	707	12,182,893	872,160	7.2%	33,116	0	\$2.52
North Hollywood	323	3,322,382	264,092	7.9%	44,320	0	\$2.26
Santa Clarita Valley	215	4,824,621	499,410	10.4%	58,660	0	\$2.46
Sherman Oaks	124	3,850,690	377,631	9.8%	137,233	0	\$2.45
Studio/Universal Cities	291	4,121,372	170,618	4.1%	10,265	0	\$2.57
Tarzana	73	1,639,615	106,695	6.5%	12,356	117,978	\$2.56
Thousand Oaks/SE County	323	7,890,172	862,235	10.9%	-80,833	73,732	\$2.31
Western SFV	373	6,719,178	1,054,360	15.7%	57,212	5,000	\$2.08
Woodland Hills/Warner Center	208	10,062,917	1,138,851	11.3%	96,864	0	\$2.30
<b>Totals</b>	<b>4,165</b>	<b>89,706,660</b>	<b>8,613,996</b>	<b>9.6%</b>	<b>240,405</b>	<b>338,150</b>	<b>\$2.41</b>

## Vacancy

The overall office vacancy rate in the Los Angeles North market area dropped to 9.6% at the end of the second quarter 2016 compared to 10.0% in the first quarter 2016. The Western SFV submarket had the region's highest vacancy rate of 15.7%, followed by the Calabasas/Westlake Village submarket with 12.9%, and the Woodland Hills/Warner Center submarket at 11.3%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 4.1%, followed by the Eastern SFV submarket with 5.9%, and the Tarzana submarket at 6.5%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, rose slightly to \$2.41 per square foot at the end of the second quarter 2016 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.59 per square foot, with Class B rates at \$2.30 per square foot, and Class C rates at \$2.07 per square foot. The Burbank submarket had the highest average asking rate of \$2.71 per square foot, while the Western SFV market had the lowest rate at \$2.08 per square foot.

**Construction**

There was a total of 338,150 square feet of office space under construction in the Los Angeles North office market at the end of the second 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
3355 W. Empire Ave., Burbank	The Walt Disney Co. (expansion)	128,267
3333 W. Empire Ave., Burbank	Hasbro, Inc.	79,695
1011 Grandview Ave., Burbank	Bunim/Murray Productions	48,484
3900 W. Alameda Ave., Burbank	STX Entertainment (renewal & expansion)	38,077
3900 W. Alameda Ave., Burbank	Picture Show	37,370
15260 Ventura Blvd., Sherman Oaks	Premiere Networks, Inc.	32,964

**Sales Activity**

Total office building sales activity in the first quarter 2016 rose compared to the fourth quarter 2015 in terms of dollar volume, and cap rates have been slightly higher in 2016, averaging 5.78% compared to the same period in 2015 when they averaged 5.75%. The largest transaction that occurred within the first quarter 2016 was sale by Guardian Life Insurance Company of America, of the Golden State Medical Buildings located at 2601 and 2625 West Alameda Ave. in Burbank, to Goldstein Planting Investments. The sale of these two buildings totaling 95,703 square feet took place on 3/02/2016 for \$48,000,000 or approximately \$501.55 per square foot.



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