

OFFICE MARKET UPDATE LOS ANGELES NORTH

SECOND QUARTER 2017

Overview

The Los Angeles North office market turned over a new leaf in the second quarter 2017 as the overall vacancy rate declined to 9.1%. Overall net absorption headed into positive territory after a disappointing first quarter, and rental rates saw a slight increase. Real estate analysts said the second quarter's results align with robust economic activity in the L.A. area and follow a pattern of recent years where a slow first quarter is followed by a busier second quarter. With very little new construction seen in the future, market trends are expected to move in a slow, positive growth rate.

Absorption

Net absorption for the Los Angeles North office market was a positive 200,845 square feet in the second quarter 2017, compared to a negative (2,518) square feet in the first quarter of 2017. Year to date the Woodland Hills/Warner Center submarket had the highest positive absorption with 192,117 square feet followed by the Burbank submarket with 96,546 square feet and the Western SFV submarket with 96,184 square feet. Sherman Oaks was the worst performing submarket with negative (75,668) square feet, followed by the Thousand Oaks/SE County submarket with negative (71,744) square feet and the Encino submarket with negative (60,390) 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	620	14,407,298	1,074,395	7.5%	96,546	36,680	\$2.76
Calabasas/Westlake Village	210	7,312,252	813,713	11.1%	46,584	26,800	\$2.39
Eastern SFV	622	8,719,358	763,459	8.8%	-32,365	0	\$2.25
Encino	86	4,990,190	435,838	8.7%	-60,390	0	\$2.74
Glendale	706	12,179,389	899,725	7.4%	-30,797	0	\$2.53
North Hollywood	322	3,313,427	208,573	6.3%	26,244	200,000	\$2.55
Santa Clarita Valley	215	4,769,708	507,102	10.6%	-8,910	140,014	\$2.48
Sherman Oaks	125	3,849,085	386,597	10.0%	-75,668	0	\$2.58
Studio/Universal Cities	292	4,131,375	203,931	4.9%	-1,825	0	\$2.74
Tarzana	74	1,766,357	134,197	7.6%	22,351	0	\$2.79
Thousand Oaks/SE County	325	8,000,354	963,285	12.0%	-71,744	0	\$2.34
Western SFV	377	6,739,075	756,015	11.2%	96,184	0	\$2.16
Woodland Hills/Warner Center	207	10,070,118	1,026,049	10.2%	192,117	0	\$2.31
Totals	4,181	90,247,986	8,172,879	9.1%	198,327	403,494	\$2.51

Vacancy

The overall office vacancy rate in the Los Angeles North market area dropped to 9.1% at the end of the second quarter 2017, compared to 9.3% in the first quarter 2017. The Thousand Oaks/SE County submarket had the region's highest vacancy rate of 12.0%, followed by the Western SFV submarket with 11.2%, and the Calabasas/Westlake Village submarket at 11.1%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 4.9%, followed by the North Hollywood submarket at 6.3%, and the Glendale submarket at 7.4%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, rose to \$2.51 per square foot at the end of the second quarter 2017 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.72 per square foot, with Class B rates at \$2.36 per square foot, and Class C rates at \$2.21 per square foot. The Tarzana submarket had the highest average asking rate of \$2.79 per square foot, while the Western SFV market had the lowest rate at \$2.16 per square foot.

Construction

There was a total of 403,494 square feet of office space under construction in the Los Angeles North office market at the end of the second 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
3000 W. Alameda Ave., Burbank	Blizard Entertainment	54,010
29901 Agoura Road, Agoura Hills	Motor Vehicle Software Corp.	37,758
18460 Roscoe Blvd., Northridge	Northridge Hospital	25,374
801 N. Brand Blvd., Glendale	Title365 Co.	11,917
28038 Dorothy Drive, Agoura Hills	Global Marketing Partners	10,838
3075 Townsgate Road, Westlake Village	One Capital	9,645

Sales Activity

Total office building sales activity in the first quarter 2017 fell compared to the fourth quarter 2016 in terms of dollar volume, and cap rates have been higher in 2017, averaging 5.96% compared to the same period in 2016 when they averaged 5.74%. The largest transaction that occurred within the first quarter 2017 was the sale by PGIM Real Estate, of the Glendale Plaza Building at 655 N. Central Ave. in Glendale, to DivcoWest. The sale of this building containing 547,302 square feet took place on 3/1/2017 for \$179,000,000 or approximately \$327.06 per square foot.



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