

Overview

Leasing activity in the Los Angeles North office saw some improvement in the second quarter 2018 from that of the previous quarter, with positive net absorption, a slight decrease in the vacancy rate, and a minimal uptick in the overall quoted rental rate. Even though the market started off 2018 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 positive 67,590 square feet in the second quarter 2018, compared to a negative (225,758) square feet in the first quarter of 2018. Year to date the Burbank submarket had the highest positive absorption with 211,739 square feet followed by the Eastern SFV submarket with 166,066 square feet and the Calabasas/Westlake Village submarket with 76,848 square feet. Glendale was the worst performing submarket with negative (369,458) square feet, followed by the Thousand Oaks/SE County submarket with negative (101,927) square feet and the Encino submarket with negative (83,367) 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	631	14,502,531	1,059,221	7.3%	211,739	6,543	\$3.07
Calabasas/Westlake Village	214	7,378,003	831,799	11.3%	76,848	0	\$2.39
Eastern SFV	630	8,756,303	467,719	5.3%	166,066	0	\$2.24
Encino	87	4,965,567	491,462	9.9%	-83,367	0	\$2.77
Glendale	715	12,215,698	1,438,817	11.8%	-369,458	39,067	\$2.64
North Hollywood	326	3,362,720	211,220	6.3%	25,059	218,267	\$2.57
Santa Clarita Valley	228	4,980,596	647,710	13.0%	469	263,000	\$2.51
Sherman Oaks	125	3,842,444	369,732	9.6%	-5,694	0	\$2.62
Studio/Universal Cities	290	4,049,139	241,958	6.0%	-34,615	0	\$2.96
Tarzana	74	1,751,376	111,048	6.3%	-3,896	89,158	\$2.73
Thousand Oaks/SE County	327	8,319,450	1,015,428	12.2%	-101,927	0	\$2.38
Western SFV	381	6,712,278	714,015	10.6%	35,734	255,815	\$2.27
Woodland Hills/Warner Center	210	10,121,147	1,075,764	10.6%	-75,126	0	\$2.41
Totals	4,238	90,957,252	8,675,893	9.5%	-158,168	871,850	\$2.58

Vacancy

The overall office vacancy rate in the Los Angeles North market area decreased slightly to 9.5% at the end of the second quarter 2018, compared to 9.6% in the first quarter 2018. The Santa Clarita Valley submarket had the region's highest vacancy rate of 13.0%, followed by the Thousand Oaks/SE County submarket with 12.2%, and the Glendale submarket at 11.8%. The Eastern SFV submarket had the region's lowest vacancy rate of 5.3%, followed by the Studio/Universal Cities submarket at 6.0%, and the North Hollywood and Tarzana submarkets, each at 6.3%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, rose slightly to \$2.58 per square foot at the end of the second quarter 2018 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.77 per square foot, with Class B rates at \$2.43 per square foot, and Class C rates at \$2.33 per square foot. The Burbank submarket had the highest average asking rate of \$3.07 per square foot, while the Eastern SFV market had the lowest rate at \$2.24 per square foot.

Construction

There was a total of 871,850 square feet of office space under construction in the Los Angeles North office market at the end of the second 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
3400 W. Riverside Drive, Burbank	Warner Brothers Studios (renewal)	415,949
27918 Franklin Pky., Santa Clarita	Logix Federal Credit Union	169,998
1 Baxter Way, Westlake Village	Amerihome Mortgage	80,671
21650 Oxnard Street, Woodland Hills	Intuit	53,116
8511 Fallbrook Ave., West Hills	Team Health	51,290
611 N. Brand Blvd., Glendale	Bank of America	51,056

Sales Activity

Total office building sales activity in the first quarter 2018 fell compared to the fourth quarter 2017 in terms of dollar volume, and cap rates have been lower in 2018, averaging 5.42% compared to the same period in 2017 when they averaged 5.96%. The largest transaction that occurred within the first quarter 2018 was the portfolio sale by Angelo, Gordon & Co., of the buildings located at 303 & 333 Glenoaks Blvd. and 300 E. Magnolia Blvd. in Burbank, to International Real Estate Corporation. The sale of these buildings containing 333,507 square feet took place on 2/13/2018 for \$123,500,000 or approximately \$370.31 per square foot.



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