

# OFFICE MARKET UPDATE LOS ANGELES NORTH

THIRD QUARTER 2015

## Overview

The Los Angeles North office market experienced somewhat of a slowdown in the third quarter 2015 with overall net absorption dropping down to only 36,936 square feet in the quarter. Despite the slowdown in the third quarter, the overall market remains in an expansion mode, and healthy fundamentals in the market, such as employment growth, steady demand and rising rental rates, all point to continued improvement in the market for the rest of the year. The outlook for the investment sales market also looks positive for the balance of the year, as investors have plenty of cash available for quality projects.

## Absorption

Net absorption for the Los Angeles North office market was a positive 36,936 square feet in the third quarter 2015, compared to a positive 247,529 square feet in the second quarter of 2015. Year to date the Glendale submarket had the highest positive absorption with 209,747 square feet followed by the Thousand Oaks/SE County submarket with 202,287 square feet and the Woodland Hills/Warner Center submarket with 102,320 square feet. Sherman Oaks was the worst performing submarket with negative (102,462) square feet, followed by the Western SFV submarket with negative (96,510) square feet and the Calabasas/Westlake Village submarket with negative (28,479) 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	14,240,947	1,403,750	9.9%	29,826	0	\$2.71
Calabasas/Westlake Village	210	7,442,163	875,264	11.8%	-28,479	0	\$2.39
Eastern SFV	611	8,540,312	670,936	7.9%	57,957	0	\$1.96
Encino	86	4,993,740	496,604	9.9%	69,340	0	\$2.29
Glendale	708	12,019,874	969,052	8.1%	209,747	0	\$2.45
North Hollywood	321	3,326,601	263,517	7.9%	15,351	14,021	\$2.36
Santa Clarita Valley	212	4,836,705	592,170	12.2%	-22,206	0	\$2.37
Sherman Oaks	124	3,698,519	431,078	11.7%	-102,462	0	\$2.33
Studio/Universal Cities	291	4,128,723	186,142	4.5%	-10,092	0	\$2.54
Tarzana	72	1,631,253	129,478	7.9%	-2,624	117,978	\$2.48
Thousand Oaks/SE County	320	7,783,490	845,026	10.9%	202,287	120,933	\$2.11
Western SFV	375	6,772,778	1,221,380	18.0%	-96,510	5,000	\$2.02
Woodland Hills/Warner Center	208	10,261,731	1,479,232	14.4%	102,320	0	\$2.20
<b>Totals</b>	<b>4,149</b>	<b>89,676,836</b>	<b>9,563,629</b>	<b>10.7%</b>	<b>424,455</b>	<b>257,932</b>	<b>\$2.32</b>

## Vacancy

The overall office vacancy rate in the Los Angeles North market area was 10.7% at the end of the third quarter 2015, unchanged from the first quarter 2015. The Western SFV submarket had the region's highest vacancy rate of 18.0%, followed by the Woodland Hills/Warner Center submarket with 14.4%, and the Santa Clarita Valley submarket at 12.2%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 4.5%, followed by the North Hollywood submarket, the Eastern SFV submarket, and the Tarzana submarket, all at 7.9%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, rose slightly to \$2.32 per square foot at the end of the third quarter 2015 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.49 per square foot, with Class B rates at \$2.22 per square foot, and Class C rates at \$2.04 per square foot. The Burbank submarket had the highest average asking rate of \$2.71 per square foot, while the Eastern SFV market had the lowest rate at \$1.96 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 third quarter 2015. 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
3900 W. Alameda Ave., Burbank	iHeartRadio	120,000
2300 W. Empire Ave., Burbank	Point 360	37,930
801 N. Brand Blvd., Glendale	Service Titan	23,614
21860 Burbank Blvd., Woodland Hills	Essex Property Trust	20,106
2815 Townsgate Road, Westlake Village	Merill Lynch & Co.	17,393
16830 Ventura Blvd., Encino	Merill Lynch & Co.	16,470

**Sales Activity**

Total office building sales activity in the second quarter 2015 fell compared to the first quarter 2015 in terms of dollar volume, and cap rates have been slightly lower in 2015, averaging 5.92% compared to the same period in 2014 when they averaged 6.64%. The largest transaction that occurred within the second quarter 2015 was the portfolio sale by Lincoln Property Co. of three buildings located at 303 and 333 N. Glenoaks Blvd. and 300 E. Magnolia Blvd. in Burbank to Angelo, Gordon & Co. The sale of these three buildings totaling 332,771 square feet took place on 5/22/15 for \$84,175,000 or approximately \$252.95 per square foot.



*PROVIDING OFFICE TENANTS WITH EXPERT SOLUTIONS*



**Local Offices**

**Santa Clarita Valley**  
 28338 Constellation Road  
 Suite 950  
 Valencia, CA 91355  
 (661) 702-8880

**Los Angeles**  
 545 S. Figueroa Street  
 12<sup>th</sup> Floor  
 Los Angeles, CA 90071  
 (213) 627-3338

**Orange County**  
 4041 MacArthur Boulevard  
 Suite 120  
 Newport Beach, CA 92660  
 (949) 650-5899

**Duane Cody – Senior Director  
 Southern California Operations  
 (661) 702-8880  
 dcody@raginc.com**

**Prepared by:**  
 Realty Advisory Group, Inc.  
 28338 Constellation Road, Suite 950  
 Valencia, CA 91355  
 Tel (661) 702-8880  
 www.raginc.com

