

OFFICE MARKET UPDATE LOS ANGELES NORTH

THIRD QUARTER 2016

Overview

Los Angeles North office market fundamentals remained strong in the third quarter 2016 and the market experienced robust leasing activity. Overall net absorption remained positive, and continued demand for additional office space is placing upward pressure on rental rates. With limited new space coming online and continued job growth, overall leasing velocity is anticipated to remain relatively healthy and rental rates will continue to rise. Creative and tech sector office users are making up the bulk of the larger transactions, and their requirements are impacting nearly every submarket.

Absorption

Net absorption for the Los Angeles North office market was a positive 228,114 square feet in the third quarter 2016, compared to a positive 306,757 square feet in the second quarter of 2016. Year to date the Sherman Oaks submarket had the highest positive absorption with 189,897 square feet followed by the Western SFV submarket with 182,411 square feet and the Woodland Hills/Warner Center submarket with 103,966 square feet. Calabasas/Westlake Village was the worst performing submarket with negative (93,378) square feet, followed by the Burbank submarket with negative (92,712) square feet and the Thousand Oaks/SE County submarket with negative (90,954) 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	14,363,101	1,519,434	10.6%	-92,712	27,680	\$2.79
Calabasas/Westlake Village	208	7,379,557	855,570	11.6%	-93,378	0	\$2.46
Eastern SFV	621	8,692,807	677,299	7.8%	100,606	0	\$2.25
Encino	86	4,987,652	383,824	7.7%	40,632	0	\$2.59
Glendale	706	12,174,160	865,904	7.1%	39,372	0	\$2.54
North Hollywood	323	3,333,552	247,837	7.4%	60,575	0	\$2.25
Santa Clarita Valley	216	4,859,586	518,821	10.7%	42,249	0	\$2.46
Sherman Oaks	124	3,846,068	324,967	8.4%	189,897	0	\$2.44
Studio/Universal Cities	291	4,122,458	167,098	4.1%	13,785	0	\$2.77
Tarzana	74	1,762,787	204,905	11.6%	38,422	0	\$2.61
Thousand Oaks/SE County	324	7,950,771	932,823	11.7%	-90,954	13,265	\$2.38
Western SFV	375	6,706,328	934,661	13.9%	182,411	0	\$2.09
Woodland Hills/Warner Center	208	10,059,274	1,155,691	11.5%	103,966	0	\$2.31
Totals	4,176	90,238,101	8,788,834	9.7%	534,871	40,945	\$2.46

Vacancy

The overall office vacancy rate in the Los Angeles North market area rose slightly to 9.7% at the end of the third quarter 2016 compared to 9.6% in the second quarter 2016. The Western SFV submarket had the region's highest vacancy rate of 13.9%, followed by the Thousand Oaks/SE County submarket with 11.7%, and the Calabasas/Westlake Village and Tarzana submarkets, both at 11.6%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 4.1%, followed by the Glendale submarket with 7.1%, and the North Hollywood submarket at 7.4%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, rose slightly to \$2.46 per square foot at the end of the third quarter 2016 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.63 per square foot, with Class B rates at \$2.34 per square foot, and Class C rates at \$2.09 per square foot. The Burbank submarket had the highest average asking rate of \$2.79 per square foot, while the Western SFV market had the lowest rate at \$2.09 per square foot.

Construction

There was a total of only 40,945 square feet of office space under construction in the Los Angeles North office market at the end of the third quarter 2016. The largest building under construction is the 20,6248-square-foot medical office building located at 1112 Burbank Blvd. in Burbank. The building is 41.6% pre-leased.

Los Angeles North Top Office Leases

Address	Tenant	SF
112 S. Lakeview Cyn. Rd., Westlake Village	PennyMac	60,226
2815 Townsgate Road, Westlake Village	The Team Companies	20,442
801 N. Brand Blvd., Glendale	Equity Title Co.	19,560
3355 W. Empire Ave., Burbank	Entertainment Partners	18,170
801 N. Brand Blvd., Glendale	The Search Agency	16,108
26668 Agoura Road, Calabasas	Valley Outreach Synagogue	14,952

Sales Activity

Total office building sales activity in the second quarter 2016 rose compared to the first quarter 2016 in terms of dollar volume, and cap rates have been lower in 2016, averaging 5.53% compared to the same period in 2015 when they averaged 5.94%. The largest transaction that occurred within the Los Angeles North market in the second quarter 2016 was sale by Clarion Partners of the 550 N. Brand Blvd. Building in Glendale, to Granite Properties, Inc. The sale of this 304,503 square foot building took place on 5/21/2016 for \$79,725,000 or approximately \$261.82 per square foot.



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