

OFFICE MARKET UPDATE LOS ANGELES NORTH

THIRD QUARTER 2017

Overview

The Los Angeles North office market saw continued, albeit slower growth in the third quarter 2017 and the overall vacancy rate declined again, to 8.9%. Overall net absorption was positive again following a strong second quarter, and rental rates ticked up slightly. The third quarter saw some neighboring markets with sharp differences in their vacancy rates, rents and absorption, as demonstrated by neighboring cities of Burbank, with strong absorption and low vacancy, versus Glendale with negative net absorption and a rising vacancy rate. With very little overall new construction seen in the future, market trends are expected to continue with a slow, positive growth rate.

Absorption

Net absorption for the Los Angeles North office market was a positive 108,970 square feet in the third quarter 2017, compared to a positive 200,845 square feet in the second quarter of 2017. Year to date the Woodland Hills/Warner Center submarket had the highest positive absorption with 216,331 square feet followed by the Burbank submarket with 173,281 square feet and the Western SFV submarket with 92,237 square feet. Glendale was the worst performing submarket with negative (148,593) square feet, followed by the Sherman Oaks submarket with negative (75,004) square feet and the Encino submarket with negative (68,851) 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	622	14,416,562	1,008,550	7.0%	173,281	31,824	\$2.78
Calabasas/Westlake Village	211	7,328,834	771,074	10.5%	89,223	26,800	\$2.40
Eastern SFV	622	8,713,048	681,059	7.8%	50,247	0	\$2.24
Encino	86	4,990,190	444,299	8.9%	-68,851	0	\$2.72
Glendale	709	12,183,949	1,017,521	8.4%	-148,593	0	\$2.57
North Hollywood	323	3,317,184	211,188	6.4%	23,629	218,267	\$2.61
Santa Clarita Valley	218	4,799,422	474,432	9.9%	27,160	140,014	\$2.50
Sherman Oaks	125	3,877,311	385,933	10.0%	-75,004	0	\$2.56
Studio/Universal Cities	293	4,142,430	250,863	6.1%	-40,957	0	\$2.74
Tarzana	74	1,754,775	122,592	7.0%	33,956	0	\$2.82
Thousand Oaks/SE County	327	8,087,689	964,003	11.9%	-65,362	0	\$2.36
Western SFV	378	6,739,626	758,378	11.3%	92,237	3,060	\$2.14
Woodland Hills/Warner Center	207	10,068,431	1,001,835	10.0%	216,331	0	\$2.39
Totals	4,195	90,419,451	8,091,727	8.9%	307,297	419,965	\$2.53

Vacancy

The overall office vacancy rate in the Los Angeles North market area dropped to 8.9% at the end of the third quarter 2017, compared to 9.1% in the second quarter 2017. The Thousand Oaks/SE County submarket had the region's highest vacancy rate of 11.9%, followed by the Western SFV submarket with 11.3%, and the Calabasas/Westlake Village submarket at 10.5%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 6.1%, followed by the North Hollywood submarket at 6.4%, and the Tarzana and Burbank submarkets, both at 7.0%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, rose to \$2.53 per square foot at the end of the third quarter 2017 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.75 per square foot, with Class B rates at \$2.38 per square foot, and Class C rates at \$2.20 per square foot. The Tarzana submarket had the highest average asking rate of \$2.82 per square foot, while the Western SFV market had the lowest rate at \$2.14 per square foot.

Construction

There was a total of 419,965 square feet of office space under construction in the Los Angeles North office market at the end of the third quarter 2017. The largest building under construction is the NOHO West project, a 218,267 square-foot office building located at 6150 Laurel Canyon Blvd. in North Hollywood. The property is part of a mixed use project being developed by Merlone Geier Partners and Goldstein Planting Investments.

Los Angeles North Top Office Leases

Address	Tenant	SF
2560 Teller Road, Thousand Oaks	Frontier Communications	71,000
30930 Russell Ranch Road, Westlake Village	MannKind Corp.	64,300
5601 Lindero Cyn. Road, Westlake Village	NCR Corp.	51,802
8500 Balboa Blvd., Northridge	HemaCare	39,699
8413 Fallbrook Ave., West Hills	Fiserv Inc.	20,903
15821 Ventura Blvd., Encino	Isolation Network, Inc.	14,205

Sales Activity

Total office building sales activity in the second quarter 2017 rose compared to the first quarter 2017 in terms of dollar volume, and cap rates have been higher in 2017, averaging 5.73% compared to the same period in 2016 when they averaged 5.55%. The largest transaction that occurred within the second quarter 2017 was the sale by Walton Street Capital LLC, of the Burbank Empire Center Building at 2300 W. Empire Ave. in Burbank, to New York Life Real Estate Investors. The sale of this building containing 351,300 square feet took place on 5/30/2017 for \$133,217,000 or approximately \$379.21 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
 12th 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

