



## Overview

The Los Angeles North office market maintained stability in the third quarter 2018 as expanding technology companies and creative sector companies led the way in leasing activity. Rental rates saw a slight increase, and continued demand for office space was strong enough to keep overall net absorption in positive territory despite a substantial amount of new space coming onto the market. With robust economic activity in the L.A. area and with very little new construction seen in the future, market trends are expected continue with a slow, but steady, positive growth rate.

## Absorption

Net absorption for the Los Angeles North office market was a positive 371,867 square feet in the third quarter 2018, compared to a positive 200,845 square feet in the second quarter of 2018. Year to date the Burbank submarket had the highest positive absorption with 225,481 square feet followed by the Eastern SFV submarket with 186,437 square feet and the Calabasas/Westlake Village submarket with 142,974 square feet. Glendale was the worst performing submarket with negative (371,400) square feet, followed by the Encino submarket with negative (89,729) square feet and the Thousand Oaks/SE County submarket with negative (60,775) 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	630	14,516,197	1,051,832	7.2%	225,481	0	\$3.04
Calabasas/Westlake Village	216	7,408,132	776,197	10.5%	142,974	0	\$2.38
Eastern SFV	631	8,750,523	460,599	5.3%	186,437	0	\$2.30
Encino	87	4,976,467	497,824	10.0%	-89,729	0	\$2.78
Glendale	718	12,207,586	1,439,459	11.8%	-371,400	39,067	\$2.72
North Hollywood	325	3,358,812	215,261	6.4%	21,018	218,267	\$2.56
Santa Clarita Valley	229	5,012,668	603,178	12.0%	48,215	264,556	\$2.56
Sherman Oaks	126	3,858,842	306,533	7.9%	49,276	0	\$2.62
Studio/Universal Cities	292	4,153,219	248,575	6.0%	-41,232	0	\$3.01
Tarzana	74	1,751,376	119,522	6.8%	-12,370	89,158	\$2.81
Thousand Oaks/SE County	327	8,319,981	974,276	11.7%	-60,775	0	\$2.41
Western SFV	382	6,849,196	752,960	11.0%	11,259	255,815	\$2.24
Woodland Hills/Warner Center	208	10,034,309	996,987	9.9%	-44,199	0	\$2.67
<b>Totals</b>	<b>4,245</b>	<b>91,197,308</b>	<b>8,443,203</b>	<b>9.3%</b>	<b>64,955</b>	<b>866,863</b>	<b>\$2.62</b>

## Vacancy

The overall office vacancy rate in the Los Angeles North market area dropped slightly to 9.3% at the end of the third quarter 2018, compared to 9.5% in the second quarter 2018. The Santa Clarita Valley submarket had the region's highest vacancy rate of 12.0%, followed by the Glendale submarket with 11.8%, and the Thousand Oaks/SE County submarket at 11.7%. 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 submarket at 6.4%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, rose to \$2.62 per square foot at the end of the third quarter 2018 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.81 per square foot, with Class B rates at \$2.48 per square foot, and Class C rates at \$2.32 per square foot. The Burbank submarket had the highest average asking rate of \$3.04 per square foot, while the Western SFV market had the lowest rate at \$2.24 per square foot.

**Construction**

There was a total of 886,863 square feet of office space under construction in the Los Angeles North office market at the end of the third quarter 2018. 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
21215 Burbank Blvd., Woodland Hills	Anthem Blue Cross	169,320
3333 W. Alameda Ave., Burbank	Twentieth Century Fox (sublease)	100,000
400 N. Brand Blvd., Glendale	Cigna Healthcare of California (renewal)	61,665
29903 Agoura Road, Agoura Hills	Nuance Enterprise Solutions & Services	34,256
35 N. Lake Ave., Pasadena	Zurich Insurance Co. Ltd.	15,272
3601 W. Olive Ave., Burbank	Funko	14,684

**Sales Activity**

Total office building sales activity in the second quarter 2018 rose compared to the first quarter 2018 in terms of dollar volume, and cap rates have been lower in 2018, averaging 5.70% compared to the same period in 2017 when they averaged 5.73%. The largest transaction that occurred within the second quarter 2018 was the sale by Simms Development Co. of the building located at 20151 Nordhoff Street in Chatsworth, to Laura Moradi. The sale of this building containing 73,595 square feet took place on 6/19/2018 for \$18,150,000 or approximately \$246.62 per square foot.



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