



# OFFICE MARKET UPDATE LOS ANGELES NORTH

FOURTH QUARTER 2014

## Overview

The Los Angeles North office market had another sizeable increase in overall net absorption in the fourth quarter 2014, as strong leasing activity continued. Large lease transactions of 20,000 square feet or more are expected to continue in 2015 and the gradual improvement in the economy has also contributed to a rise in space needs for smaller tenants. The technology, entertainment and healthcare sectors continue to thrive and employment is expanding rapidly in those sectors, while the core business sectors, such as finance, insurance and real estate, which had been downsizing since the recession, are finally showing some signs of improvement.

## Absorption

Net absorption for the Los Angeles North office market was a positive 232,011 square feet in the fourth quarter 2014, compared to a positive 462,254 square feet in the third quarter of 2014. Year to date the Burbank submarket had the highest positive absorption with 357,027 square feet followed by the Glendale submarket with 298,790 square feet and the Calabasas/Westlake Village submarket with 151,724 square feet. Sherman Oaks was the worst performing submarket with negative (29,986) square feet, followed by the Western SFV submarket with negative (28,434) square feet and the Tarzana submarket with negative (26,058) 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	612	14,124,150	1,445,646	10.2%	357,027	0	\$2.59
Calabasas/Westlake Village	210	7,436,220	855,927	11.5%	151,724	0	\$2.25
Eastern SFV	603	8,472,854	719,232	8.5%	142,259	61,600	\$1.92
Encino	86	4,967,374	548,709	11.0%	25,943	0	\$2.35
Glendale	707	12,106,716	1,178,299	9.7%	298,790	0	\$2.38
North Hollywood	322	3,337,207	278,868	8.4%	67,711	0	\$2.41
Santa Clarita Valley	210	4,684,633	471,195	10.1%	22,740	100,000	\$2.37
Sherman Oaks	125	3,700,919	363,696	9.8%	-29,986	0	\$2.23
Studio/Universal Cities	291	4,146,605	176,750	4.3%	48,650	0	\$2.33
Tarzana	72	1,636,065	151,963	9.3%	-26,058	117,978	\$2.08
Thousand Oaks/SE County	319	7,423,297	912,117	12.3%	1,437	163,580	\$1.97
Western SFV	379	6,827,471	1,068,226	15.6%	-28,434	5,000	\$2.06
Woodland Hills/Warner Center	211	10,308,608	1,471,575	14.3%	18,278	0	\$2.14
<b>Totals</b>	<b>4,147</b>	<b>89,172,119</b>	<b>9,642,203</b>	<b>10.8%</b>	<b>1,050,081</b>	<b>448,158</b>	<b>\$2.24</b>

## Vacancy

The overall office vacancy rate in the Los Angeles North market area declined to 10.8% at the end of the fourth quarter 2014, compared to 11.1% in the third quarter 2014. The Western SFV submarket had the region's highest vacancy rate of 15.6%, followed by the Woodland Hills/Warner Center submarket with 14.3%, and the Calabasas/Westlake Village submarket at 11.5%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 4.3%, followed by the North Hollywood submarket at 8.4% and the Eastern SFV submarket at 8.5%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, declined slightly to \$2.24 per square foot at the end of the fourth quarter 2014 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.40 per square foot, with Class B rates at \$2.11 per square foot, and Class C rates at \$2.02 per square foot. The Burbank submarket had the highest average asking rate of \$2.59 per square foot, while the Eastern SFV market had the lowest rate at \$1.92 per square foot.

## Construction

There was a total of 448,158 square feet of office space under construction in the Los Angeles North office market at the end of the fourth quarter 2014. The largest building under construction is the 117,978-square-foot Ventana office/medical building located at 18131 Ventura Blvd. The building is 70.4% pre-leased.

## Los Angeles North Top Office Leases

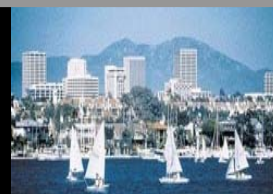
Address	Tenant	SF
21650 Oxnard Street, Warner Center	Health Net of California, Inc. (renewal)	125,355
30870 Russell Ranch Rd., Westlake	Urban Lending Solutions	75,000
2300 W. Empire Ave., Burbank	Cast & Crew Entertainment Services (ren. & exp.)	70,000
5701 Lindero Canyon Rd., Westlake Village	Power One Inc.	31,600
2900 W. Alameda Ave., Burbank	Producers and Writers Guild of America	30,515
525 N. Brand Blvd., Glendale	Stewart Title Co.	25,000

## Sales Activity

Total office building sales activity in the third quarter 2014 fell compared to the second quarter 2014 in terms of dollar volume, and cap rates have been slightly lower in 2014, averaging 6.37% compared to the same period in 2013 when they averaged 6.38%. The largest transaction that occurred within the third quarter 2014 was the sale by Legacy Partners of the 2600 W. Olive Ave. building in Burbank to Granite Properties, Inc. The sale of this 150,755 square foot complex took place on 7/31/14 for \$49,000,000 or approximately \$325.03 per square foot.



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