

# OFFICE MARKET UPDATE LOS ANGELES NORTH

FOURTH QUARTER 2015

## Overview

The Los Angeles North office market posted strong gains in the fourth quarter of 2015 after experiencing somewhat of a slowdown in the third quarter 2015. Overall net absorption jumped up dramatically to 502,428 square feet in the quarter. The overall market remains in an expansion mode, and the office market expansion is being aided by the continued conversion of many traditional office layouts to creative space, a trend now reaching smaller spaces. The investment sales market also saw increased activity as investors continued their focus on quality projects.

## Absorption

Net absorption for the Los Angeles North office market was a positive 502,428 square feet in the fourth quarter 2015, compared to a positive 36,936 square feet in the third quarter of 2015. Year to date the Thousand Oaks/SE County submarket had the highest positive absorption with 325,291 square feet followed by the Glendale submarket with 273,933 square feet and the Woodland Hills/Warner Center submarket with 157,127 square feet. Sherman Oaks was the worst performing submarket with negative (177,527) square feet, followed by the North Hollywood submarket with negative (12,523) square feet and the Santa Clarita Valley submarket with negative (9,276) 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	14,229,285	1,335,151	9.4%	89,575	113,760	\$2.74
Calabasas/Westlake Village	208	7,379,245	768,528	10.4%	64,677	0	\$2.42
Eastern SFV	612	8,560,523	645,174	7.5%	82,719	0	\$2.04
Encino	86	4,993,740	441,506	8.8%	107,203	0	\$2.30
Glendale	711	12,072,725	909,166	7.5%	273,933	0	\$2.48
North Hollywood	321	3,319,881	305,412	9.2%	-12,523	0	\$2.60
Santa Clarita Valley	213	4,839,926	579,740	12.0%	-9,276	0	\$2.38
Sherman Oaks	124	3,847,274	514,864	13.4%	-177,527	0	\$2.33
Studio/Universal Cities	291	4,130,906	180,883	4.4%	-4,833	0	\$2.52
Tarzana	72	1,635,650	115,749	7.1%	11,105	117,978	\$2.31
Thousand Oaks/SE County	320	7,783,455	720,822	9.3%	325,291	134,198	\$2.14
Western SFV	376	6,764,133	1,120,521	16.6%	19,412	5,000	\$2.05
Woodland Hills/Warner Center	209	10,089,987	1,290,311	12.8%	157,127	0	\$2.22
<b>Totals</b>	<b>4,154</b>	<b>89,646,730</b>	<b>8,927,827</b>	<b>10.0%</b>	<b>926,883</b>	<b>370,936</b>	<b>\$2.35</b>

## Vacancy

The overall office vacancy rate in the Los Angeles North market area dropped to 10.0% at the end of the fourth quarter 2015, compared to 10.7% in the third quarter 2015. The Western SFV submarket had the region's highest vacancy rate of 16.6%, followed by the Sherman Oaks submarket with 13.4%, and the Woodland Hills/Warner Center submarket at 12.8%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 4.4%, followed by the Tarzana submarket with 7.1% followed by the Eastern SFV and the Glendale submarkets, tied at 7.5%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, rose slightly to \$2.35 per square foot at the end of the fourth quarter 2015 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.48 per square foot, with Class B rates at \$2.25 per square foot, and Class C rates at \$2.14 per square foot. The Burbank submarket had the highest average asking rate of \$2.74 per square foot, while the Eastern SFV market had the lowest rate at \$2.04 per square foot.

**Construction**

There was a total of 370,936 square feet of office space under construction in the Los Angeles North office market at the end of the fourth 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
15301-15303 Ventura Blvd., Sherman Oaks	Prospect Mortgage	77,694
3400 W. Olive Ave., Burbank	iHeartRadio Media, Inc. (renewal)	75,000
3900 W. Alameda Ave., Burbank	Vubiquity	56,055
425 E. Colorado Blvd., Glendale	Arecont	43,329
21301 Burbank Blvd., Warner Center	Viking Cruises (expansion)	32,000
18040 Sherman Way, Reseda	Sochi	28,400

**Sales Activity**

Total office building sales activity in the third quarter 2015 rose compared to the second quarter 2015 in terms of dollar volume, and cap rates have been slightly lower in 2015, averaging 5.96% compared to the same period in 2014 when they averaged 6.44%. The largest transaction that occurred within the third quarter 2015 was the portfolio sale by CBRE Global Investors LTD of two buildings located at 2350 & 2400 Empire Ave. in Burbank to UBS Realty Investors LLC. The sale of these two buildings totaling 229,946 square feet took place on 8/10/2015 for \$80,350,000 or approximately \$349.43 per square foot.



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