

OFFICE MARKET UPDATE LOS ANGELES NORTH

FOURTH QUARTER 2016

Overview

The Los Angeles North office market posted strong gains in the fourth quarter 2016 and the market remains in expansion mode. Overall net absorption jumped up dramatically to 442,558 square feet in the fourth quarter, with numerous large leases being signed. Media and tech sector office users led the way again in the fourth quarter's leasing activity, and continued demand for additional office space is placing upward pressure on rental rates. Burbank was once again one of the hottest markets with several large leases signed there during the quarter.

Absorption

Net absorption for the Los Angeles North office market was a positive 442,558 square feet in the fourth quarter 2016, compared to a positive 228,114 square feet in the third quarter of 2016. Year to date the Western SFV submarket had the highest positive absorption with 284,358 square feet followed by the Burbank submarket with 255,959 square feet and the Sherman Oaks submarket with 141,435 square feet. Calabasas/Westlake Village was the worst performing submarket with negative (91,305) square feet, followed by the Studio/Universal Cities submarket with negative (21,223) square feet and the Thousand Oaks/SE County submarket with positive 7,616 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	14,398,209	1,177,666	8.2%	255,959	27,680	\$2.83
Calabasas/Westlake Village	208	7,365,245	853,497	11.6%	-91,305	0	\$2.43
Eastern SFV	622	8,705,993	736,141	8.5%	53,025	0	\$2.28
Encino	86	4,989,956	375,448	7.5%	49,008	0	\$2.73
Glendale	703	12,224,748	872,598	7.1%	32,678	0	\$2.57
North Hollywood	322	3,318,054	234,817	7.1%	73,595	0	\$2.40
Santa Clarita Valley	215	4,820,240	498,192	10.3%	56,337	0	\$2.48
Sherman Oaks	125	3,847,621	310,929	8.1%	141,435	0	\$2.44
Studio/Universal Cities	291	4,123,433	202,106	4.9%	-21,223	0	\$2.80
Tarzana	74	1,754,775	156,548	8.9%	96,528	0	\$2.36
Thousand Oaks/SE County	326	8,016,134	897,103	11.2%	7,616	13,265	\$2.36
Western SFV	375	6,702,983	829,185	12.4%	284,358	0	\$2.11
Woodland Hills/Warner Center	208	10,057,156	1,218,166	12.1%	41,491	0	\$2.32
Totals	4,175	90,324,547	8,362,396	9.3%	979,502	40,945	\$2.47

Vacancy

The overall office vacancy rate in the Los Angeles North market area dropped to 9.3% at the end of the fourth quarter 2016 compared to 9.7% in the third quarter 2016. The Western SFV submarket had the region's highest vacancy rate of 12.4%, followed by the Woodland Hills/Warner Center submarket with 12.1%, and the Calabasas/Westlake Village submarket at 11.6%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 4.9%, followed by the Glendale and North Hollywood submarkets, both at 7.1%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, rose slightly to \$2.47 per square foot at the end of the fourth 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 \$2.16 per square foot, and Class C rates at \$2.15 per square foot. The Burbank submarket had the highest average asking rate of \$2.83 per square foot, while the Western SFV market had the lowest rate at \$2.11 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 fourth 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 50.2% pre-leased.

Los Angeles North Top Office Leases

Address	Tenant	SF
2950 N. Hollywood Way, Burbank	Entertainment Partners	125,573
4500 Park Granada Blvd., Calabasas	Coty	96,944
2300 W. Empire Ave., Burbank	Cast & Crew	90,273
3900 W. Alameda Ave., Burbank	WeWork	74,742
2300 W. Empire Ave., Burbank	Critical Content	50,562
15400 Sherman Way, Van Nuys	Virginia College	44,044

Sales Activity

Total office building sales activity in the third quarter 2016 fell compared to the second quarter 2016 in terms of dollar volume, and cap rates have been lower in 2016, averaging 5.56% compared to the same period in 2015 when they averaged 5.96%. The largest transaction that occurred within the Los Angeles North market in the third quarter 2016 was the sale by Prudential Financial, Inc. of the 101 N. Brand Blvd. Building in Glendale, to Beacon Capital Partners. The sale of this 408,051 square foot building took place on 9/30/2016 for \$128,250,000 or approximately \$314.30 per square foot.



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