

OFFICE MARKET UPDATE LOS ANGELES NORTH

FOURTH QUARTER 2017

Overview

The Los Angeles North office market saw a pull back in the fourth quarter 2017 with (222,544) square feet of negative net absorption. The overall vacancy rate ticked up to 9.2% in the fourth quarter from 8.9% in the third quarter, but despite the negative movement for this quarter, there is still confidence in the overall market outlook, as average quoted rental rates inched up slightly to \$2.57 from their third quarter average rate of \$2.53. With very little overall new construction seen in the future, market trends are still expected to continue with a slow, positive growth rate.

Absorption

Net absorption for the Los Angeles North office market was a negative (222,544) square feet in the fourth quarter 2017, compared to a positive 108,970 square feet in the third quarter of 2017. Year to date the Woodland Hills/Warner Center submarket had the highest positive absorption with 182,583 square feet followed by the Western SFV submarket with 132,325 square feet and the Burbank submarket with 79,131 square feet. Glendale was the worst performing submarket with negative (196,584) square feet, followed by the Sherman Oaks submarket with negative (108,323) square feet and the Studio/Universal Cities submarket with negative (78,552) 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	624	14,442,101	1,122,824	7.8%	79,131	11,200	\$2.95
Calabasas/Westlake Village	210	7,261,845	851,458	11.7%	200	26,800	\$2.40
Eastern SFV	627	8,771,986	663,389	7.6%	68,305	0	\$2.28
Encino	87	4,966,112	430,781	8.7%	-55,333	0	\$2.77
Glendale	711	12,234,546	1,065,512	8.7%	-196,584	0	\$2.59
North Hollywood	323	3,312,958	210,680	6.4%	24,137	218,267	\$2.72
Santa Clarita Valley	216	4,762,040	488,900	10.3%	19,591	133,115	\$2.51
Sherman Oaks	125	3,877,775	419,252	10.8%	-108,323	0	\$2.51
Studio/Universal Cities	290	4,044,896	207,343	5.1%	-78,552	0	\$2.84
Tarzana	74	1,756,775	107,152	6.1%	49,396	89,158	\$2.95
Thousand Oaks/SE County	327	8,085,583	930,764	11.5%	-32,123	0	\$2.32
Western SFV	379	6,706,406	747,889	11.2%	132,325	0	\$2.18
Woodland Hills/Warner Center	210	10,183,215	1,051,172	10.3%	182,583	0	\$2.34
Totals	4,203	90,406,238	8,297,116	9.2%	84,753	478,540	\$2.57

Vacancy

The overall office vacancy rate in the Los Angeles North market area rose slightly to 9.2% at the end of the fourth quarter 2017, compared to 8.9% in the third quarter 2017. The Calabasas/Westlake Village submarket had the region's highest vacancy rate of 11.7%, followed by the Thousand Oaks/SE County submarket with 11.5%, and the Western SFV submarket at 11.2%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 5.1%, followed by the Tarzana submarket at 6.1%, and the North Hollywood submarket at 6.4%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, rose slightly to \$2.57 per square foot at the end of the fourth quarter 2017 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.77 per square foot, with Class B rates at \$2.41 per square foot, and Class C rates at \$2.23 per square foot. The Burbank and Tarzana submarkets both had the highest average asking rate of \$2.95 per square foot, while the Western SFV market had the lowest rate at \$2.18 per square foot.

Construction

There was a total of 478,540 square feet of office space under construction in the Los Angeles North office market at the end of the fourth 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
8531 Fallbrook Ave., West Hills	Pharmavite	98,400
8500 Balboa Blvd., Northridge	Facebook	60,166
3601 W. Olive Ave., Burbank	Warner Bros.	27,021
303 N. Glenoaks Blvd., Burbank	Cartoon Network	18,000
2555 Townsgate Road, Westlake Village	33 Partners, Inc.	16,852
550 N. Brand Blvd., Glendale	Prime MSO	11,297

Sales Activity

Total office building sales activity in the third quarter 2017 fell compared to the second 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 5.57%. The largest transaction that occurred within the third quarter 2017 was the sale by Lincoln Property Company, of the building located at 207 N. Goode Ave. in Glendale, to Credit Suisse Asset Management. The sale of this building containing 189,109 square feet took place on 7/06/2017 for \$58,750,000 or approximately \$310.67 per square foot.



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