



Overview

The Los Angeles North office market followed the path of overall improvement, as in the Greater Los Angeles office market, in the fourth quarter 2018, with greatly increased net absorption and gradually rising rental rates. Technology companies and creative sector companies mirrored the lead of the Greater Los Angeles market's leasing activity. With a robust job outlook in the L.A. area, market trends in the Los Angeles North market are expected continue on their current trend of a slow, but steady, positive growth rate.

Absorption

Net absorption for the Los Angeles North office market was a positive 563,562 square feet in the fourth quarter 2018, compared to a positive 371,867 square feet in the third quarter of 2018. Year to date the Santa Clarita Valley submarket had the highest positive absorption with 194,314 square feet followed by the Burbank submarket with 193,905 square feet and the Western SFV submarket with 185,114 square feet. Glendale was the worst performing submarket with negative (248,399) square feet, followed by the Encino submarket with negative (93,452) square feet and the Studio/Universal Cities submarket with negative (31,294) 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	628	14,488,925	1,083,408	7.5%	193,905	0	\$3.08
Calabasas/Westlake Village	216	7,407,490	771,739	10.4%	147,655	0	\$2.44
Eastern SFV	633	8,872,279	540,152	6.1%	114,384	0	\$2.43
Encino	87	4,989,614	501,547	10.1%	-93,452	0	\$2.80
Glendale	805	13,319,244	1,329,916	10.0%	-248,399	86,897	\$2.89
North Hollywood	323	3,354,775	203,521	6.1%	32,758	229,067	\$2.60
Santa Clarita Valley	225	4,866,047	454,465	9.3%	194,314	264,556	\$2.48
Sherman Oaks	125	3,862,231	284,594	7.4%	71,215	0	\$2.59
Studio/Universal Cities	294	4,028,030	191,858	4.8%	-31,294	0	\$3.01
Tarzana	75	1,759,090	105,186	6.0%	8,320	89,158	\$2.86
Thousand Oaks/SE County	326	8,240,536	901,871	10.9%	2,530	0	\$2.45
Western SFV	382	6,848,854	579,105	8.5%	185,114	255,815	\$2.26
Woodland Hills/Warner Center	208	10,033,374	901,321	9.0%	51,467	0	\$2.68
Totals	4,327	92,070,489	7,848,683	8.5%	628,517	925,493	\$2.66

Vacancy

The overall office vacancy rate in the Los Angeles North market area dropped to 8.5% at the end of the fourth quarter 2018, compared to 9.3% in the third quarter 2018. The Thousand Oaks/SE County submarket had the region's highest vacancy rate of 10.9%, followed by the Calabasas/Westlake Village submarket with 10.4%, and the Encino submarket at 10.1%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 4.8%, followed by the Tarzana submarket at 6.0%, and the North Hollywood and Eastern SFV submarkets, each at 6.1%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, rose to \$2.66 per square foot at the end of the fourth quarter 2018 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.84 per square foot, with Class B rates at \$2.50 per square foot, and Class C rates at \$2.33 per square foot. The Burbank submarket had the highest average asking rate of \$3.06 per square foot, while the Western SFV market had the lowest rate at \$2.26 per square foot.

Construction

There was a total of 925,493 square feet of office space under construction in the Los Angeles North office market at the end of the fourth 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.

Address	Tenant	SF
8500 Balboa Blvd., Northridge	Facebook, Inc.	70,000
800 N. Brand Blvd., Glendale	Children's Hospital Los Angeles	29,151
4130 Cahuenga Blvd., Burbank	A. Smith & Co. Productions	25,410
2300 Empire Ave., Burbank	Census Bureau	24,036
21860 Burbank Blvd., Woodland Hills	Hertz Investment Group	20,879
15303 Ventura Blvd., Sherman Oaks	RSUI Group, Inc.	20,575

Sales Activity

Total office building sales activity in the third quarter 2018 fell compared to the second quarter 2018 in terms of dollar volume, and cap rates have been lower in 2018, averaging 5.57% compared to the same period in 2017 when they averaged 5.74%. The largest transaction that occurred within the third quarter 2018 was an 80% interest in the 10 building Burbank Media Portfolio to The Blackstone Group. Worth Real Estate Group retained a 20% interest. The sale price was \$1,646,100,000 or approximately \$514.53 per square foot for the 10 buildings containing 3,199,246 square feet and it took place on 9/22/2018.



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