

Overview

After a flurry of leasing activity in the first and second quarters of 2015, the third quarter in the Greater Los Angeles office market posted negative net absorption of (15,982) square feet. However, the disappointing numbers, to a great degree, can be attributed to some large move-outs in the West Los Angeles market, which has become the highest priced market in Los Angeles County. Vacating tenants have migrated to adjacent markets in search of cheaper rents, and the increasing appetite for creative space with nearby amenities has also fueled the movement to areas such as Playa Del Rey.

Absorption

Net absorption for the Greater Los Angeles office market was negative (15,982) square feet in the third quarter 2015, compared to a positive 1,798,864 square feet in the second quarter 2015. The Class-A office market recorded net absorption of negative (329,412) square feet, Class-B was positive 254,295 square feet, and Class-C was positive 59,135 square feet.

Los Angeles Office Market Snapshot

Market	# Buildings	Total RBA SF	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	Under Construction	Quoted Rates
Antelope Valley	364	3,863,050	464,073	12.0%	-93,403	0	\$1.73
Burbank/Glendale/Pasadena	3,061	55,778,542	5,016,137	9.0%	542,157	247,217	\$2.50
Downtown Los Angeles	700	69,105,910	8,237,474	11.9%	-35,864	1,551,018	\$2.79
Mid-Cities	1025	10,482,811	827,265	7.9%	-95,950	0	\$2.00
Mid-Wilshire	1,599	39,628,861	4,724,370	11.9%	42,967	1,270,150	\$2.84
San Fernando Valley	1,476	35,898,333	4,428,708	12.3%	10,786	122,978	\$2.12
San Gabriel Valley	2,013	30,664,761	3,124,747	10.2%	-12,618	82,747	\$1.98
Santa Clarita Valley	212	4,836,705	592,170	12.2%	-22,206	0	\$2.37
South Bay	2,483	63,781,839	8,983,702	14.1%	474,371	153,969	\$2.20
Southeast Los Angeles	607	8,610,429	600,084	7.0%	-31,604	0	\$1.80
Ventura North	819	7,960,004	862,992	10.8%	-166,561	0	\$1.75
Ventura South	1,005	21,780,650	2,681,056	12.3%	90,374	120,933	\$2.14
West Los Angeles	2,501	74,886,068	7,620,038	10.2%	423,389	601,587	\$3.99
Totals	17,865	427,277,963	48,162,816	11.3%	1,125,838	4,150,599	\$2.58

Vacancy

The overall office vacancy rate in the Greater Los Angeles market area increased slightly to 11.3% at the end of the third quarter 2015, and was down from the 11.7% rate recorded a year ago. The South Bay submarket had the region's highest vacancy rate of 14.1%, followed by the San Fernando Valley and the Ventura South submarkets tied at 12.3%, and the Santa Clarita Valley submarket at 12.2%. The Southeast Los Angeles submarket had the lowest vacancy rate of 7.0%, followed by the Mid-Cities submarket at 7.9%, and the Burbank/Glendale/Pasadena submarket at 9.0%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, remained at \$2.58 per square foot at the end of the third quarter 2015 in the Greater Los Angeles area. The average quoted rate within the Class-A sector was \$2.85 at the end of the third quarter, while Class-B rates stood at \$2.32, and Class-C rates at \$2.24. The West Los Angeles submarket had the highest asking rate of \$3.99 per square foot, while the Antelope Valley submarket had the lowest asking rate at \$1.73 per square foot.

Construction

During the third quarter 2015, 19 buildings totaling 270,402 square feet were completed in the Greater Los Angeles market and there were 4,150,599 square feet of office space under construction. The largest projects underway were the Los Angeles Federal Courthouse, a 600,000-square-foot building with 100% of its space pre-leased, and Office Plaza at Wilshire Grand, a 356,141-square-foot building with 0% of its space pre-leased.

Los Angeles Top Office Leases

Address	Tenant	SF
5808 W. Sunset Blvd., Hollywood	Netflix	200,052
950 W. 190th Street, Torrance	Herbalife (renewal)	186,000
400 S. Hope Street, Downtown Los Angeles	Capital Group Cos. (renewal & expansion)	165,000
75 N. Fair Oaks, Pasadena	One West Bank	135,000
3900 W. Alameda Ave., Burbank	iHeartRadio	120,000
555 W. 5th Street, Downtown Los Angeles	WeWork	92,400

Sales Activity

Tallying office building sales of 15,000 square feet or larger, Los Angeles office sales figures fell during the second quarter 2015 in terms of dollar volume compared to the first quarter 2015. In the second quarter, 51 office transactions closed with a total volume of \$1,114,884,790. The 51 buildings totaled 3,749,519 square feet and the average price equated to \$297.34 per square foot. That compares to 35 transactions totaling \$1,139,798,636 in the first quarter 2015. Cap rates have been lower in 2015, averaging 5.92% compared to the same period in 2014 when they averaged 6.64%. The largest transaction that occurred within the second quarter 2015 was the sale by Centurian Real Estate Partners, of 2600 and 2700 Colorado Blvd. in Santa Monica, to Invesco Real Estate. The sale of these two buildings, totaling 316,000 square feet, took place on 4/20/2015 for \$284,000,000 or approximately \$898.73 per square foot.



PROVIDING OFFICE TENANTS WITH EXPERT SOLUTIONS



Local Offices

Santa Clarita Valley
28338 Constellation Road
Suite 950
Valencia, CA 91355
(661) 702-8880

Los Angeles
545 S. Figueroa Street
12th Floor
Los Angeles, CA 90071
(213) 627-3338

Orange County
4041 MacArthur Boulevard
Suite 120
Newport Beach, CA 92660
(949) 650-5899

Duane Cody – Senior Director
Southern California Operations
(661) 702-8880
dcody@raginc.com

Prepared by:

Realty Advisory Group, Inc.
28338 Constellation Road, Suite 950
Valencia, CA 91355
Tel: (661) 702-8880
www.raginc.com



REALTY ADVISORY GROUP, INC.
Established 1995

BINSWANGER'S ALLIANCE PARTNER IN SOUTHERN CALIFORNIA