

## Overview

The Greater Los Angeles office market continued to improve in the third quarter of 2016 as businesses continued to expand and lease additional office space. Behind the improvement was steady job growth. As of August, employers in L.A. County had added 76,100 jobs over a 12-month period, an increase of 1.8%. Robust demand for new offices was spread across a broad range of industries, especially in technology and creative fields. The Westside is experiencing a tech boom with developers catering to technology firms expanding in Santa Monica, Venice and Playa Vista.

## Absorption

Net absorption for the Greater Los Angeles office market was positive 1,337,135 square feet in the third quarter 2016, compared to a positive 1,273,562 square feet in the second quarter 2016. The Class-A office market recorded net absorption of positive 402,823 square feet, Class-B was positive 779,050 square feet, and Class-C was positive 155,262 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	368	4,067,268	526,827	13.0%	25,595	0	\$1.72
Burbank/Glendale/Pasadena	3,086	56,040,632	4,798,708	8.6%	264,532	117,680	\$2.61
Downtown Los Angeles	713	70,725,114	8,603,126	12.2%	1,078,849	1,571,272	\$3.04
Mid-Cities	1,056	10,773,962	842,794	7.8%	-108,281	0	\$2.07
Mid-Wilshire	1,625	40,497,878	4,807,096	11.9%	664,011	828,538	\$2.98
San Fernando Valley	1,488	36,054,916	3,681,347	10.2%	655,934	0	\$2.28
San Gabriel Valley	2,024	30,561,106	2,484,961	8.1%	233,115	92,124	\$2.04
Santa Clarita Valley	216	4,859,586	518,821	10.7%	42,249	0	\$2.46
South Bay	2,515	64,559,536	7,722,565	12.0%	765,894	234,071	\$2.29
Southeast Los Angeles	620	8,686,417	584,137	6.7%	-53,606	77,250	\$1.81
Ventura North	822	8,297,308	939,197	11.3%	19,651	0	\$1.75
Ventura South	1,005	21,890,037	2,700,752	12.3%	-90,457	13,265	\$2.26
West Los Angeles	2,547	75,675,920	7,615,406	10.1%	-199,270	661,492	\$4.14
<b>Totals</b>	<b>18,085</b>	<b>432,689,680</b>	<b>45,825,737</b>	<b>10.6%</b>	<b>3,298,216</b>	<b>3,595,692</b>	<b>\$2.73</b>

## Vacancy

The overall office vacancy rate in the Greater Los Angeles market area remained at 10.6% at the end of the third quarter 2016, and was down from the 11.3% rate recorded a year ago. The Antelope Valley submarket had the region's highest vacancy rate of 13.0%, followed by the Ventura South submarket at 12.3% and the Downtown Los Angeles submarket at 12.2%. The Southeast Los Angeles submarket had the lowest vacancy rate at 6.7%, followed by the Mid-Cities submarket at 7.8% and the San Gabriel Valley submarket at 8.1%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$2.73 per square foot at the end of the third quarter 2016 in the Greater Los Angeles area. The average quoted rate within the Class-A sector was \$2.99 at the end of the third quarter, while Class-B rates stood at \$2.52, and Class-C rates at \$2.28. The West Los Angeles submarket had the highest asking rate of \$4.14 per square foot, while the Antelope Valley submarket had the lowest asking rate at \$1.72 per square foot.

## Construction

During the third quarter 2016, ten buildings totaling 1,094,964 square feet were completed in the Greater Los Angeles market and there were 3,595,692 square feet of office space under construction. The largest projects underway were 801 Broadway, a 955,561-square-foot building with 0% of its space pre-leased, and Office Plaza at Wilshire Grand, a 370,041-square-foot building with 0% of its space pre-leased.

## Los Angeles Top Office Leases

Address	Tenant	SF
777 S. Santa Fe Ave., Downtown Los Angeles	Warner Music Group	257,000
800 Corporate Pointe, Culver City	Ares	97,000
1620 26th Street, Santa Monica	Oracle (renewal/expansion)	92,350
2277 East 220th Street, Carson	Xerox Corporation (renewal)	69,000
181 W. Huntington Drive, Monrovia	Worley Parsons (renewal/expansion)	67,625
4330 Park Terrace Drive, Westlake Village	Securitas Security Services USA (renewal)	62,282

## Sales Activity

Tallying office building sales of 15,000 square feet or larger, Los Angeles office sales figures rose during the second quarter 2016 in terms of dollar volume compared to the first quarter 2016. In the second quarter, 61 office transactions closed with a total volume of \$2,383,402,500. The 61 buildings totaled 6,090,044 square feet and the average price equated to \$391.36 per square foot. That compares to 32 transactions totaling \$819,425,845 in the first quarter 2016. Cap rates have been lower in 2016, averaging 5.53% compared to the same period in 2015 when they averaged 5.94%. The largest transaction that occurred within the second quarter 2016 was the sale by CBRE Global Investors Ltd of the 400 S. Hope Street Building in Downtown Los Angeles, to GLL Real Estate Partners, Inc. The sale of this 701,535 square foot building took place on 5/20/2016 for \$313,636,000 or approximately \$447.07 per square foot.



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### Local Offices

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

**Los Angeles**  
545 S. Figueroa Street  
12<sup>th</sup> 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



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