

### Overview

The Greater Los Angeles office market saw a robust third quarter of 2017, more than doubling net absorption of square footage compared with the same period last year. Employment among Los Angeles-area companies was again in a growth mode in the third quarter, prompting expansions that absorbed empty office space. Premium new office space coming onto the rental market is increasing average rents in Los Angeles County. Presuming the economy remains strong, the local office market should continue to strengthen in the next year to 18 months.

### Absorption

Net absorption for the Greater Los Angeles office market was positive 1,143,790 square feet in the third quarter 2017, compared to a positive 839,754 square feet in the second quarter 2017. The Class-A office market recorded net absorption of positive 1,056,859 square feet, Class-B was positive 159,623 square feet, and Class-C was negative (72,692) 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	373	4,153,476	494,595	11.9%	4,734	0	\$1.68
Burbank/Glendale/Pasadena	3,107	56,297,535	4,637,333	8.2%	-202,254	231,824	\$2.69
Downtown Los Angeles	720	71,733,724	9,264,071	12.9%	343,676	1,707,249	\$3.07
Mid-Cities	1,068	10,788,235	1,196,627	11.1%	-44,882	0	\$2.13
Mid-Wilshire	1,635	41,249,460	4,948,156	12.0%	177,101	566,572	\$3.13
San Fernando Valley	1,492	36,143,381	3,394,096	9.4%	248,704	3,060	\$2.34
San Gabriel Valley	2,039	30,495,248	2,566,735	8.4%	-1,363	92,591	\$2.06
Santa Clarita Valley	218	4,799,422	474,432	9.9%	27,160	140,014	\$2.50
South Bay	2,572	65,190,113	7,452,128	11.4%	374,652	968,059	\$2.42
Southeast Los Angeles	635	8,751,861	502,867	5.7%	70,228	77,250	\$1.88
Ventura North	827	8,390,366	1,006,842	12.0%	-68,067	0	\$1.80
Ventura South	800	14,684,077	1,771,554	12.1%	-49,681	0	\$2.13
West Los Angeles	2,815	84,405,326	8,906,090	10.6%	115,962	1,504,241	\$4.24
<b>Totals</b>	<b>18,301</b>	<b>437,082,224</b>	<b>46,615,526</b>	<b>10.7%</b>	<b>995,970</b>	<b>5,290,860</b>	<b>\$2.88</b>

### Vacancy

The overall office vacancy rate in the Greater Los Angeles market area decreased to 10.7% at the end of the third quarter 2017, and was up slightly from the 10.6% rate recorded a year ago. The Downtown Los Angeles submarket had the region's highest vacancy rate of 12.9%, followed by the Ventura South submarket at 12.1% and the Ventura North and Mid-Wilshire submarkets, both at 12.0%. The Southeast Los Angeles submarket had the lowest vacancy rate at 5.7%, followed by the Burbank/Glendale/Pasadena submarket at 8.2% and the San Gabriel Valley submarket at 8.4%.

### Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$2.88 per square foot at the end of the third quarter 2017 in the Greater Los Angeles area. The average quoted rate within the Class-A sector was \$3.20 at the end of the third quarter, while Class-B rates stood at \$2.61, and Class-C rates at \$2.36. The West Los Angeles submarket had the highest asking rate of \$4.24 per square foot, while the Antelope Valley submarket had the lowest asking rate at \$1.68 per square foot.

## Construction

During the third quarter 2017, seventeen buildings totaling 1,292,536 square feet were completed in the Greater Los Angeles market and there were 5,290,860 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 ROW DTLA/757 S. Alameda Building III, a 425,131-square foot building with 100% of its space pre-leased.

## Los Angeles Top Office Leases

Address	Tenant	SF
2222 Imperial Highway, El Segundo	Raytheon	144,709
8942 Wilshire Blvd., Beverly Hills	Paradigm Talent Agency	82,886
750 San Vicente Blvd., West Hollywood	WeWork	69,534
2834 Colorado Ave., Santa Monica	Lionsgate Entertainment/Starz	60,166
2200 E. Imperial Highway, El Segundo	AT&T	55,960
5601 Lindero Cyn. Road, Westlake Village	NCR Corp.	51,802

## Sales Activity

Tallying office building sales of 15,000 square feet or larger, Los Angeles office sales figures rose during the second quarter 2017 in terms of dollar volume compared to the first quarter 2017. In the second quarter, 52 office transactions closed with a total volume of \$2,621,512,273. The 52 buildings totaled 5,672,698 square feet and the average price equated to \$462.13 per square foot. That compares to 54 transactions totaling \$1,300,752,000 in the first quarter 2017. Cap rates have been higher in 2017, averaging 5.73% compared to the same period in 2016 when they averaged 5.55%. The largest transaction that occurred within the second quarter 2017 was the sale by The Blackstone Group LP, of a 60.7% interest in the SunAmerica Center located at 1999 Avenue of the Stars in Century City, to JMB Financial Advisors LLC. The partial sale of this building containing 825,200 square feet took place on 4/10/2017 for \$522,020,000, which values the property at \$860,000,000, or approximately \$1,042.17 per square foot.



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