



Overview

The Greater Los Angeles office market recorded another solid performance in the third quarter of 2018 as rents moved up and net absorption remained positive. Although the local office market remains strong, possible headwinds in the future include rising interest rates and low unemployment that pushes up construction costs and makes it difficult to find labor. Expanding technology companies, such as shopping app Honey, again led the way in the third quarter, part of a pattern of growth that has held since the L.A. office market started to come back from the 2008 recession.

Absorption

Net absorption for the Greater Los Angeles office market was positive 362,361 square feet in the third quarter 2018, compared to a positive 711,288 square feet in the second quarter 2018. The Class-A office market recorded net absorption of positive 507,195 square feet, Class-B was positive 78,706 square feet, and Class-C was negative (223,540) square feet.

Market	# Buildings	Total RBA SF	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	Under Construction	Quoted Rates
Antelope Valley	377	4,201,062	356,022	8.5%	108,669	0	\$1.70
Burbank/Glendale/Pasadena	3,154	56,415,091	4,728,154	8.4%	-45,827	339,334	\$2.83
Downtown Los Angeles	743	72,591,767	9,391,978	12.9%	-29,491	1,628,153	\$3.14
Mid-Cities	1,087	10,935,484	844,959	7.7%	16,138	0	\$2.08
Mid-Wilshire	1,634	40,713,922	4,520,324	11.1%	-5,881	1,040,337	\$3.26
San Fernando Valley	1,508	36,220,713	3,134,425	8.7%	100,674	344,973	\$2.51
San Gabriel Valley	2,044	30,316,628	2,744,830	9.1%	-49,949	72,000	\$2.16
Santa Clarita Valley	229	5,012,668	603,178	12.0%	48,215	264,556	\$2.56
South Bay	2,634	65,228,719	6,622,150	10.2%	-65,565	696,014	\$2.73
Southeast Los Angeles	645	8,821,231	470,111	5.3%	142,162	0	\$2.00
Ventura North	826	8,366,896	813,957	9.7%	22,996	0	\$1.85
Ventura South	802	14,922,642	1,843,261	12.4%	-216,810	25,000	\$2.19
West Los Angeles	2,901	85,896,613	9,194,970	10.7%	447,102	1,399,543	\$4.31
Totals	18,584	439,643,436	45,268,319	10.3%	472,433	5,809,910	\$3.01

Vacancy

The overall office vacancy rate in the Greater Los Angeles market area dropped slightly to 10.3% at the end of the third quarter 2018, and was down slightly from the 10.7% 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 12.4% and the Santa Clarita Valley submarket at 12.0%. The Southeast Los Angeles submarket had the lowest vacancy rate at 5.3%, followed by the Mid-Cities submarket at 7.7% and the Burbank/Glendale/Pasadena submarket at 8.4%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$3.01 per square foot at the end of the third quarter 2018 in the Greater Los Angeles area. The average quoted rate within the Class-A sector was \$3.31 at the end of the third quarter, while Class-B rates stood at \$2.76, and Class-C rates at \$2.53. The West Los Angeles submarket had the highest asking rate of \$4.31 per square foot, while the Antelope Valley submarket had the lowest asking rate at \$1.70 per square foot.

Construction

During the third quarter 2018, eleven buildings totaling 318,057 square feet were completed in the Greater Los Angeles market and there were 5,809,910 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
21215 Burbank Blvd., Woodland Hills	Anthem Blue Cross	169,320
963 E. 4th Street, Downtown Los Angeles	Honey Science Corporation	131,675
3333 W. Empire Ave., Burbank	Twentieth Century Fox (sublease)	100,000
1111 S. Broadway, Downtown Los Angeles	Arizona State University	85,118
12130 Millenium Ave., Playa Vista	WeWork	79,514
5999 Center Drive, Marina Del Rey/Venice	Spaces	67,688

Sales Activity

Tallying office building sales of 15,000 square feet or larger, Los Angeles office sales figures rose during the second quarter 2018 in terms of dollar volume compared to the first quarter 2018. In the second quarter, 44 office transactions closed with a total volume of \$1,385,704,455. The 44 buildings totaled 4,608,904 square feet and the average price equated to \$300.66 per square foot. That compares to 41 transactions totaling \$1,148,787,500 in the first quarter 2018. Cap rates have been lower in 2018, averaging 5.70% compared to the same period in 2017 when they averaged 5.73%. The largest transaction that occurred within the second quarter 2018 was the sale by UBS Realty Investors LLC of Corporate Center Pasadena located at 225 S. Lake Avenue, to Coretrust Capital Partners LLC. The sale of this building containing 639,970 square feet took place on 5/23/2018 for \$254,000,000, or approximately \$396.89 per square foot.



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