



## Overview

Office leasing in the Greater Los Angeles office market stayed strong in the fourth quarter of 2018 as rents moved up and net absorption improved dramatically. The Greater Los Angeles market is expected to perform well in the months ahead despite concerns that the market may soften because of an economic slowdown. About half of the space that was newly leased was on the Westside and in Hollywood, the region's dominant office markets, led by technology firms, media companies and makers of entertainment.

## Absorption

Net absorption for the Greater Los Angeles office market was positive 1,662,440 square feet in the fourth quarter 2018, compared to a positive 362,361 square feet in the third quarter 2018. The Class-A office market recorded net absorption of positive 659,152 square feet, Class-B was positive 1,036,426 square feet, and Class-C was negative (33,138) square feet.

Market	# Buildings	Total RBA SF	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	Under Construction	Quoted Rates
Antelope Valley	377	4,198,904	326,385	7.8%	138,806	0	\$1.75
Burbank/Glendale/Pasadena	3,239	57,490,746	4,502,002	7.8%	154,229	397,964	\$2.90
Downtown Los Angeles	401	64,388,274	9,219,415	14.3%	-86,297	1,462,947	\$3.21
Mid-Cities	1,088	12,697,605	1,056,677	8.3%	-33,400	0	\$2.22
Mid-Wilshire	1,822	45,722,269	4,634,669	10.1%	149,098	1,508,337	\$3.21
San Fernando Valley	1,510	36,365,442	2,911,905	8.0%	337,048	344,973	\$2.56
San Gabriel Valley	2,046	30,521,774	2,287,063	7.5%	416,610	98,960	\$2.18
Santa Clarita Valley	225	4,866,047	454,465	9.3%	194,314	264,556	\$2.48
South Bay	2,641	65,329,571	6,510,177	10.0%	98,832	813,689	\$2.79
Southeast Los Angeles	733	9,674,226	482,342	5.0%	155,898	0	\$2.04
Ventura North	827	8,375,600	706,400	8.4%	124,553	0	\$1.84
Ventura South	800	14,835,830	1,797,049	12.1%	-179,698	27,046	\$2.20
West Los Angeles	2,906	86,252,011	8,926,055	10.3%	994,891	1,372,583	\$4.35
<b>Totals</b>	<b>18,615</b>	<b>440,718,299</b>	<b>43,814,604</b>	<b>9.9%</b>	<b>2,464,884</b>	<b>6,291,055</b>	<b>\$3.06</b>

## Vacancy

The overall office vacancy rate in the Greater Los Angeles market area dropped to 9.9% at the end of the fourth quarter 2018, and was down from the 10.5% rate recorded a year ago. The Downtown Los Angeles submarket had the region's highest vacancy rate of 14.3%, followed by the Ventura South submarket at 12.1% and the West Los Angeles submarket at 10.3%. The Southeast Los Angeles submarket had the lowest vacancy rate at 5.0%, followed by the San Gabriel Valley submarket at 7.5% and the Burbank/Glendale/Pasadena and the Antelope Valley submarkets, both at 7.8%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$3.06 per square foot at the end of the fourth quarter 2018 in the Greater Los Angeles area. The average quoted rate within the Class-A sector was \$3.37 at the end of the fourth quarter, while Class-B rates stood at \$2.81, and Class-C rates at \$2.53. The West Los Angeles submarket had the highest asking rate of \$4.35 per square foot, while the Antelope Valley submarket had the lowest asking rate at \$1.75 per square foot.

**Construction**

During the fourth quarter 2018, four buildings totaling 150,929 square feet were completed in the Greater Los Angeles market and there were 6,291,325 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 Vermont Corridor County Administration Bldg., a 468,000-square foot building with 100% of its space pre-leased.

**Los Angeles Top Office Leases**

Address	Tenant	SF
1355 & 1375 Vine Street, Hollywood	Netflix, Inc.	351,957
5901 W. Sunset Blvd., Hollywood	Netflix, Inc.	327,914
12105-12126 W. Waterfront Dr. Marina Del Rey	Facebook	262,291
8830 National Blvd., Culver City	HBO	254,000
5800 Bristol Parkway, Culver City	Bytedance	118,975
355 South Grand Ave., Downtown LA	Capital Group (renewal)	78,889

**Sales Activity**

Tallying office building sales of 15,000 square feet or larger, Los Angeles office sales figures fell during the third quarter 2018 in terms of dollar volume compared to the second quarter 2018. In the third quarter, 42 office transactions closed with a total volume of \$1,043,112,123. The 42 buildings totaled 3,589,818 square feet and the average price equated to \$290.58 per square foot. That compares to 44 transactions totaling \$1,385,704,455 in the second quarter 2018. 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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