



Q1 TRENDS AT A GLANCE

Change from prior quarter

- Absorption**
47,489 SF
- Vacancy**
-10 basis points (bps) to 10.1%
- Leasing Activity**
1,312,389 SF
- Direct Lease Rate**
-\$0.01 to \$2.46/SF
- Under Construction**
20,624 SF
- Completed Construction**
0 SF
- Office Buildings Sold**
20
- Median Sale Price**
\$271 PSF
- Unemployment Rate**
- LA County:** 4.8% (Feb)
- California:** 5.0% (Feb)
- U.S.:** 4.7% (Feb)

Office Market Gains Continue in Q1 but Pace Slows a Bit Compared to 2016

Following a frothy 2016, first quarter office leasing activity seemed to moderate, and most fundamentals saw little movement.

At 1.3 million SF, leasing activity fell short of Q4 levels when 1.7 million SF of space was leased, but leasing velocity has remained consistent and we do not see any slowdown. Vacancies inched down only another 10 basis points to 10.1 percent compared to the prior quarter, and asking rents ticked down by \$0.01 per SF to \$2.46 per SF versus Q4. Absorption slipped to a mere 47,489 SF.

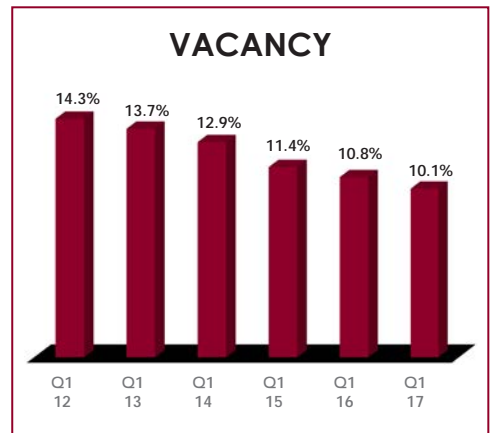
Still, a year-over-year comparison offers a clearer trend line: Vacancies declined by 70 basis points (bps) and lease rates have increased an average of \$0.08 per SF.

The pace of office market improvements seems to be consistent with these larger trends and it would appear that tenants are cautiously moving ahead with their business growth plans, especially in the Los Angeles North region where tenants tend to be small to mid-sized entrepreneurial companies.

The picture is somewhat different for larger corporations and the region saw several major upheavals in the quarter where those companies are concerned.

Nestle USA announced it would relocate from its Glendale headquarters to Rosslyn, Va, vacating about 400,000 SF of office space in the Tri-Cities submarket. The move is expected to affect 1,200 local jobs.

At the western end of the region, biotech giant Amgen said it would cut about 500 employees from its Thousand Oaks headquarters. Some of those workers are expected to be reassigned to Amgen's newly opened operation in Tampa, Fla.



One recent study noted that 2016 was a record year for office building sales in Los Angeles with \$9.6 billion in volume recorded, and that trend seems to be continuing into 2017. The new year began with a flurry of office building sales as sellers sought to cash in on current market pricing and buyers took advantage of the rare opportunities that came to market. Among them, the sale of a five-building portfolio in Warner Center for \$291 per SF and Menlo Equities' acquisition of the 116,000-SF Buena Vista Plaza in Burbank, a property occupied mostly by Walt Disney Company, for approximately \$456 per SF.

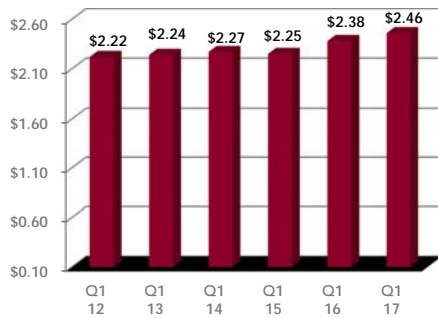


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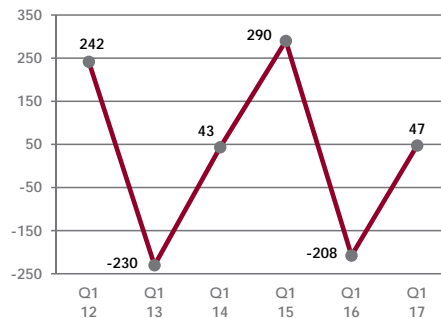
RENTAL RATES

average per SF, per month

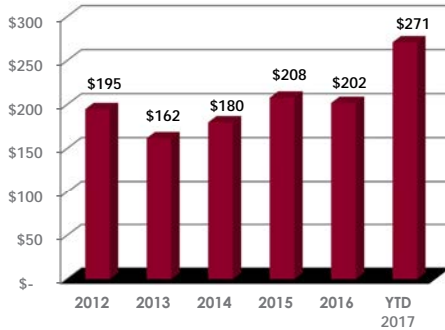


ABSORPTION

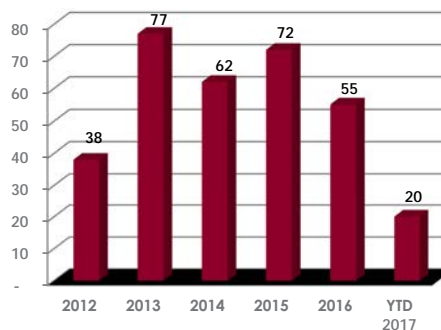
in thousands of SF



MEDIAN SALE PRICE



SALE TRANSACTIONS



Median sale price and number of sale transactions excludes distressed sales and those where no price information was recorded.

Economy at a Glance

GOLF: An authentic green Master's Tournament jacket from the 1950s first bought for \$5 at a thrift store, has sold at auction for \$139,000, according to an Associated Press report. The same auction house, Green Jacket Auctions, sold the putter Arnold Palmer used to win the 1964 Masters for more than \$97,000.

ECONOMY: Job growth in Los Angeles County is expected to slow over the next two years leading to a growth rate of 1.5 percent for each of the next two years, down from 2 percent in the past two years, according to a Los Angeles County Economic Development Corp. (LAEDC) analysis reported in the Los Angeles Business Journal. Despite this slowdown, the county's total economic output is expected to grow at a 2.7 percent rate for the next two years, outpacing the national rate.

REDEVELOPMENT: Groundbreaking for the Laurel Plaza Mall redevelopment in North Hollywood took place this month. When completed, NoHo West will include 250,000 square feet of office space along with retail, restaurant, entertainment and residential space, the San Fernando Valley Business Journal reported.

PANORAMA CITY: Developers constructing a live-work complex on the site of Panorama Tower have filed plans to construct an open mall next to the project. Across the street, Icon Company is planning to demolish the Montgomery Ward and build apartments and retail, the San Fernando Valley Business Journal reported. Panorama Tower, which has been vacant since the Northridge Earthquake, is next door to Panorama Mall, which was acquired by Primstor Development.

Q1 2017 LARGEST LEASES

Property Name/Address	Class	Square Feet	Tenant	Type
2233 N. Ontario St, 3rd Floor, Burbank	A	33,698	Deluxe	Renewal
2350 Empire Ave, 2nd Floor, Burbank	A	33,000	Fireman's Fund Insurance Company	Renewal
18133 Ventura Blvd, 3rd Floor, Tarzana	A	30,694	N/A	New
30501 Agoura Rd, 2nd Floor, Agoura Hills	B	25,464	Candle Corporation	New

Q1 2017 LARGEST SALES

Property Address	Class	Square Feet	Seller Buyer	Sale Price	PSF
LNR Warner Center 21271, 21281, 21301 Burbank Blvd 5700, 5820 Canoga Ave, Woodland Hills	A	808,050 in 5 buildings	Hines Oaktree Capital Management	\$235,500,000	\$291.00
Glendale Plaza 655 N. Central Ave, Glendale	A	547,302	PGIM Real Estate DWF V 655 North Central, LLC	\$179,000,000	\$327.06
Glendale Center 611 N. Brand Blvd, Glendale	A	396,000	LNR Partners, LLC Onni Brand, LP	\$83,000,000	\$209.60
Buena Vista Plaza 2411 W. Olive Ave, Burbank	A	117,859	TIER REIT, Inc. Menlo Equities	\$52,500,000	\$445.45

Submarkets	Total Inventory	Total Vacancy		Net Absorption	Construction		Asking
		Total SF	%	Q4 2016	Underway	Completed	FS Rate
Agoura Hills	2,140,323	318,793	14.9%	300	0	0	\$2.20
Burbank (Misc.)	2,322,370	377,425	16.3%	23,800	0	0	\$3.15
Burbank City Center	1,860,313	168,386	9.1%	(32,100)	20,624	0	\$2.67
Burbank Media Center	5,984,700	537,381	9.0%	6,100	0	0	\$3.46
Calabasas	2,730,640	254,395	9.3%	107,700	0	0	\$2.59
Central Valley	6,209,214	466,446	7.5%	32,400	0	0	\$2.10
Chatsworth	1,837,015	106,129	5.8%	(700)	0	0	\$1.85
Conejo Valley	9,446,959	1,052,943	11.1%	(82,200)	0	0	\$2.40
East Valley	296,763	10,730	3.6%	11,000	0	0	\$1.76
Encino	4,823,757	415,818	8.6%	(37,100)	0	0	\$2.52
Glendale	10,605,042	827,520	7.8%	600	0	0	\$2.64
North Hollywood	2,693,580	208,923	7.8%	18,800	0	0	\$2.48
Northridge / Reseda	2,236,423	262,182	11.7%	16,400	0	0	\$2.53
Santa Clarita Valley	305,667	36,146	11.8%	8,800	0	0	\$2.16
Sherman Oaks	3,998,568	457,529	11.4%	(112,000)	0	0	\$2.45
Tarzana / Woodland Hills	3,144,846	291,793	9.3%	22,900	0	0	\$2.31
Universal / Studio City	1,988,844	26,354	1.3%	(2,000)	0	0	\$3.21
West Valley	2,254,561	595,966	26.4%	10,700	0	0	\$2.18
Warner Center	7,926,168	946,741	11.9%	53,600	0	0	\$2.41
Total	72,805,753	7,361,600	10.1%	47,500	20,624	0	\$2.46

Source: CoStar and Lee & Associates

MARKET DEFINITIONS

RENTABLE AREA

Includes all Class A, B and C multi-tenant and single-tenant office buildings of 10,000 square feet and greater. Excludes buildings under construction, planned or under renovation.

DIRECT VACANCY

Space in existing buildings that is not occupied and is available for direct lease.

TOTAL VACANCY

Space in existing buildings that is not occupied and is available for direct lease and/or sub-lease.

TOTAL NET ABSORPTION

The square feet leased after deducting space vacated.

DIRECT ASKING LEASE RATE

Calculated for direct available space using NNN rents. Rents are weighted by total square feet available for direct lease.

UNDER CONSTRUCTION

Buildings in the process of construction. A building is considered complete when issued a certificate of occupancy.

MEDIAN SALE PRICE

Based on actual prices of sold buildings as reported in public records and by CoStar. Includes all industrial buildings 10,000 SF and more sold at \$500,000 or more.

ABOUT LEE & ASSOCIATES®

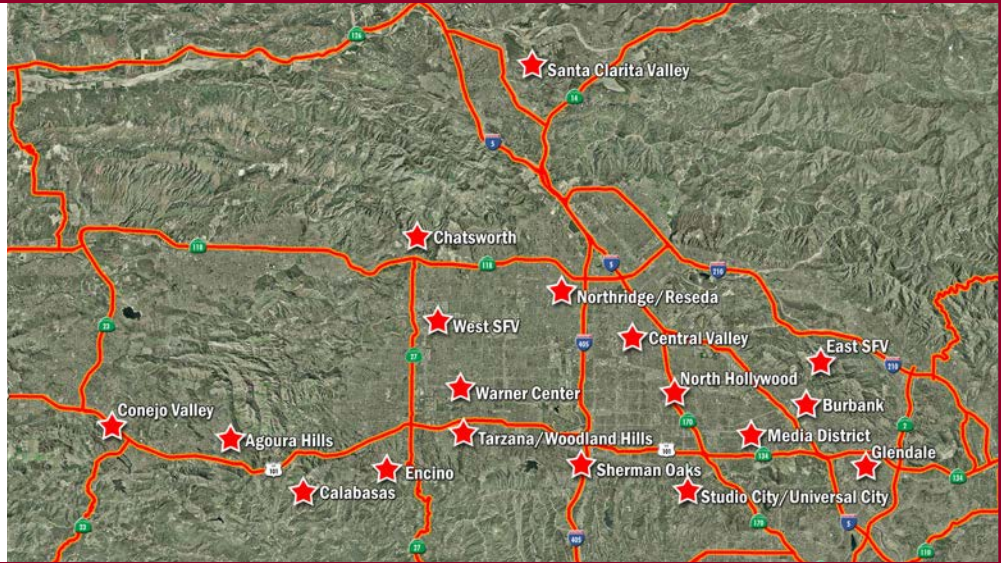
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Lee & Associates-LA North/Ventura, Inc. is a full service commercial brokerage company serving the San Fernando Valley, Conejo Valley, Simi Valley/Moorpark and Ventura County markets. Founded in 1994, Lee LA North/Ventura has grown to become one of the largest commercial brokerage companies in the Los Angeles North and Ventura regions with four offices and 45 agents.

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LA NORTH OFFICE SUBMARKETS

- Agoura Hills**
Agoura Hills, Oak Park
- Burbank**
Includes Burbank Airport submarket and the area East of Buena Vista and West of I-5; North to the city border and Vanowen on the South
- City Center**
Downtown Burbank
- Media District**
Burbank Media District
- Central Valley**
Arleta, Granada Hills, Mission Hills, Pacoima, Panorama City, San Fernando, Sun Valley, Sylmar, Van Nuys
- Calabasas**
- Chatsworth**
- Conejo Valley**
Newbury Park
- Thousand Oaks**
Westlake Village
- East SFV**
La Crescenta, Montrose, Sunland, Tujunga
- Encino**
- Glendale**
- North Hollywood**
- Northridge/Reseda**
- Sherman Oaks**
- Tarzana/Woodland Hills**
- Santa Clarita Valley**
Canyon Country
Newhall
- West SFV**
Canoga Park
West Hills
Winnetka
- Warner Center**
- Universal City/Studio City**



John Battle, SIOR
Managing Director, Investment
818.444.4908

Matt Benwitt, Investment
818.444.4964

Warren Berzack, Investment
818.933.0350

Cheri Blessing, Retail
805.626.1240

Jonathan Bruce, Office
818.444.4916

Paul Capra, Retail
805.626.1264

Darren Casamassima, Office
818.933.0303

Scott Caswell, Industrial
818.444.4911

Justin Cusumano, Investment
818.933.0312

Dan Davis, Industrial
818.444.4998

Jennifer Donaldson, Office
818.933.0347

Mike Ebbitt, Industrial
818.444.4917

Grant Fulkerson, SIOR
Managing Director, Industrial
818.449.4401

Stephen Geiger, Investment
818.933.0340

Grant Harris, Industrial
805.626.1212

Joe Jusko, Industrial
818.223.4397

David Kim, Office
805.626.1234

Joel Kirschenstein, Investment
818.223.4380

Garrett Knowles, Office
818.933.0316

Randy Kobata, Industrial
818.223.4383

Mark Leonard, Office
818.449.4414

Cole Martens, Investment
818.444.4909

Bruce Milton, Retail
805.626.1281

Eric Nishimoto, Investment
818.444.4984

John Ochoa, SIOR, Industrial
805.626.1208

Ryan O'Connor, Investment
818.444.4965

Erica Owens, Industrial
818.444.4912

Phyllis Palin, Office
818.933.0319

Scott Patterson, Industrial
818.933.0318

Patrick Reddy, Industrial
818.933.0348

Cory Richmond, Office
818.444.4915

Scott Romick
Managing Director, Office
818.933.0305

Jay Rubin, Office
818.223.4385

Scott Silverstein, Office
818.223.4391

Jared Smits, Office
818.444.4986

Tom Specker, Office
818.223.4381

Cory Stehr, Investment
818.933.0304

Mike Tingus
President
818.223.4380

Paulette Toumazos, Office
818.933.0346

Brett Warner, Industrial
818.933.0302

Hunter Warner, Industrial
818.933.0349

George Yessaie, CCIM, Investment
818.933.0324

Slavic Zlatkin, Investment
818.933.0325

