



**Q3 TRENDS AT A GLANCE**

*Change from prior quarter*

- Absorption**  
125,362 SF
  - Vacancy**  
-20 basis points (bps) to 9.6%
  - Leasing Activity**  
905,352 SF
  - Direct Lease Rate**  
+\$0.02 to \$2.50/SF
  - Under Construction**  
20,624 SF
  - Completed Construction**  
0 SF
  - Office Buildings Sold**  
22
  - Median Sale Price**  
\$221 PSF
  - Unemployment Rate**
- |                    |      |        |
|--------------------|------|--------|
| <b>LA County:</b>  | 4.8% | (Aug)  |
| <b>California:</b> | 5.1% | (Sept) |
| <b>U.S.:</b>       | 4.2% | (Sept) |



**Lee & Associates LA North/Ventura**  
A Member of the Lee & Associates Group of Companies  
Corporate ID #01191898

**Leasing Momentum Slows But Absorption Remains Positive and Asking Rates Rise Again**

As was the case throughout greater Los Angeles and the nation, the Los Angeles North office market slowed in the third quarter, although vacancy rates continued to decline and lease rates continued to inch upward.

With a continued lack of clarity in the economy overall, tenants were cautious, and leasing activity fell short of past quarters and the year-ago period. A total of 905,352 square feet of space was leased on a gross basis, down from 1,128,378 square feet of leasing activity in the prior quarter and 1,069,343 square feet of activity in the year-ago period.

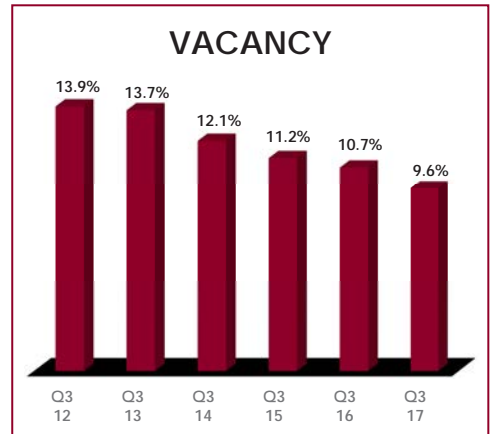
The continued steady pace of leasing however, was enough to bring vacancy rates down another 20 basis points (bps) to 9.6 percent versus Q2 and 110 bps compared to the third quarter of 2016.

This was the second consecutive quarter that vacancy rates dipped to single digits. Before 2017, the last time the region saw single digit office vacancies was the fourth quarter of 2007 immediately prior to the downturn.

The market also saw its sixth consecutive quarter of positive absorption (125,362 SF), although net leasing fell short of the prior quarter (217,704 square feet) and the year ago period (213,745 square feet).

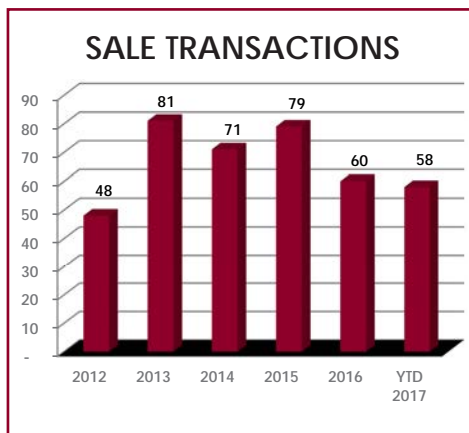
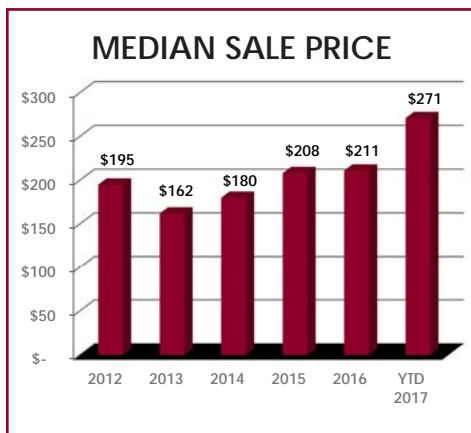
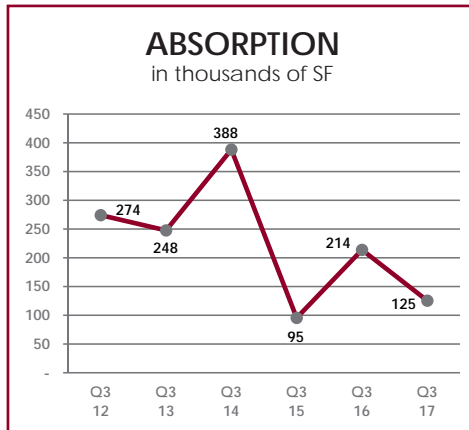
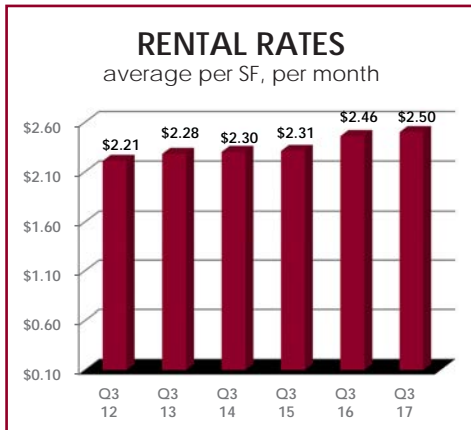
Asking rates again rose to \$2.50 per square foot, versus \$2.48 per square foot in Q2, increasing by \$0.04 versus the year ago period. Asking rate increases show a pattern of slowing, and the \$0.04 increase compares with a \$0.15 increase for the same year-over-year period in 2016.

Perhaps the most noteworthy activity in the marketplace occurred in the sales sector with Blackstone's massive acquisition of a majority interest in the Class A Burbank Media District portfolio developed by M. David Paul and owned by Worthe Real Estate Group with several different joint venture



partners. Blackstone acquired a majority interest in six Burbank projects totaling 3,300,000 square feet for \$1.7 billion. The properties are occupied by many of the major players in the entertainment industry, and, in explaining Blackstone's reasons for the acquisition, the Los Angeles Times reported that Blackstone said "it wanted to be in one of the key cradles of content creation."

These and other office acquisitions occurring in 2017 brought the year-to-date median price of buildings sold to \$271 per square foot, the highest per square foot median recorded since 2006 when prices reached \$277 per square foot



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

## Economy at a Glance

**WORKPLACE:** A recent study found that companies may be pulling back on the creative workspace trend to assign fewer and fewer square feet per employee. The Wall Street Journal reported that a study by New York-based architecture and design firm Ted Moudis found that the average unassigned seat per employee increased to 165 square feet from 142 square feet last year, although the average amount of workstation space per employee remained the same.

**FILMING:** FilmL.A. reported that the number of broadcast, cable and digital pilots produced during the 2016-2017 season declined by more than 24 compared to the prior year. A total of 173 shows were produced with an estimated \$303 million in production spending.

**INVESTING:** L.A. has overtaken New York in commercial real estate investment spending in the last six months, according to data compiled by Real Capital Analytics and reported by foxbusiness.com. Investors bought \$12.6 billion of L.A. property in the first half of 2017, compared to \$10.6 billion for New York City, which usually ranks at the top for CRE spending.

**OUTLOOK:** A Beacon Economics forecast noted that, after ranking as one of the fastest growing states in the country, California's job growth is headed for a slowdown because the state is at full employment. The forecast also noted that business investment is on solid footing, and the ISM Manufacturing Index for August reached its highest level in six years.

### Q3 2017 LARGEST LEASES

Property Name/Address	Class	Square Feet	Tenant	Type
8500 Balboa Blvd, First Floor, Northridge	A	39,699	HemaCare	New
8511 Fallbrook Ave, 2nd Floor, West Hills	A	26,106	Electro Rent Corporation	New
14724-14726 Ventura Blvd, 2nd Floor, Sherman Oaks	A	19,809	Ideal Living	Renewal
303 N. Glenoaks Blvd, 10th Floor, Burbank	A	18,065	N/A	New

### Q3 2017 LARGEST SALES

Property Address	Class	Square Feet	Seller	Buyer	Sale Price	PSF
<b>Pinnacle; The Pointe; Tower Burbank; Central Park; Disney Channel Building; Media Studios</b> 3300, 3400, 3500 W. Olive Ave, Burbank 2900, 3800, 3900 W. Alameda Ave, Burbank	A	3,300,000	M. David Paul, Worthe Real Estate Group and various JVs	Blackstone	\$1,700,000,000	\$515
<b>Corporate Center Calabasas</b> 26565-26709 W. Agoura Rd, Calabasas	B	325,000 7 Buildings	Lincoln Property Co. and Angelo, Gordon & Co.	Majestic Asset Management, Inc.	\$53,000,000	\$163
<b>Sherman Plaza East Tower</b> 15350, 15400 Sherman Way, Van Nuys	A	270,000	Majestic Office Park Owner, LLC	Pacific Reach Properties	\$62,000,000	\$230
<b>Burbank Corporate Center</b> 21900 Burbank Blvd, Woodland Hills	A	91,109	Woodland Burbank Corporation	Younan Properties	\$19,792,000	\$217

Submarkets	Total Inventory	Total Vacancy		Net Absorption		Construction		Asking
		Total SF	%	Q3 2017	YTD 2017	Underway	Completed	FS Rate
Agoura Hills	2,140,323	193,869	9.1%	63,414	109,937	0	0	\$2.16
Burbank (Misc.)	2,322,370	263,404	11.3%	26,867	137,797	0	0	\$2.84
Burbank City Center	1,880,652	165,692	8.8%	27,476	(31,167)	20,624	0	\$2.84
Burbank Media Center	5,983,992	443,237	7.4%	24,645	96,864	0	0	\$3.49
Calabasas	2,742,045	308,700	11.3%	(18,707)	53,389	0	0	\$2.64
Central Valley	6,212,684	421,063	6.8%	43,694	68,071	0	0	\$2.13
Chatsworth	1,837,015	110,042	6.0%	(4,856)	(5,596)	0	0	\$1.96
Conejo Valley	9,472,085	1,137,242	12.0%	(18,393)	(164,314)	0	0	\$2.43
East Valley	296,763	14,321	4.8%	(1,400)	7,396	0	0	\$1.48
Encino	4,823,757	441,157	9.1%	(4,966)	(71,389)	0	0	\$2.72
Glendale	10,665,793	935,328	8.8%	(68,845)	(115,288)	0	0	\$2.71
North Hollywood	2,686,582	220,228	8.2%	(31,170)	7,458	0	0	\$2.66
Northridge / Reseda	2,235,856	303,662	13.6%	533	(26,691)	0	0	\$2.47
Santa Clarita Valley	305,667	24,296	7.9%	9,290	20,697	0	0	\$2.08
Sherman Oaks	4,047,497	429,651	10.6%	33,892	(73,091)	0	0	\$2.53
Tarzana / Woodland Hills	3,158,190	247,263	7.8%	25,669	62,146	0	0	\$2.35
Universal / Studio City	1,988,844	22,301	1.1%	9,843	1,244	0	0	\$3.21
West Valley	2,254,561	480,759	21.3%	(1,156)	125,924	0	0	\$2.19
Warner Center	7,933,480	828,966	10.4%	15,175	143,081	0	0	\$2.50
<b>Total</b>	<b>72,988,156</b>	<b>6,991,181</b>	<b>9.6%</b>	<b>125,362</b>	<b>331,916</b>	<b>20,624</b>	<b>0</b>	<b>\$2.50</b>

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®

Celebrating more than 37 years of leadership excellence in commercial real estate, Lee & Associates is the largest broker-owned firm in North America with locations across the U.S. and Canada including California, Colorado, Arizona, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Maryland, Michigan, Missouri, Nevada, New Jersey, New York, Ohio, Pennsylvania, South Carolina, Texas, Vancouver BC and Wisconsin. With more than 800 brokers nationwide, Lee & Associates provides a wide range of specialized commercial real estate services on a local, regional and national level. For the latest news from Lee & Associates, visit [lee-associates.com](http://lee-associates.com) or follow us on Facebook, LinkedIn and Twitter.

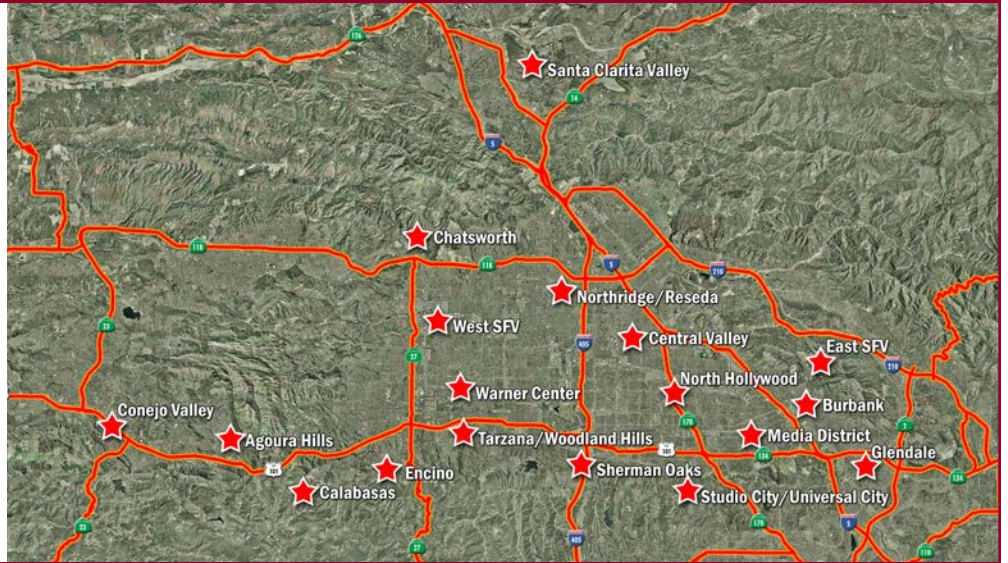
**Lee & Associates-LA North/Ventura, Inc.** is a full service commercial brokerage company serving the San Fernando Valley, Conejo Valley, Simi Valley/Moorpark and Ventura County markets. Founded in 1994, Lee LA North/Ventura has grown to become one of the largest commercial brokerage companies in the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

©2017. All rights reserved. No reproduction without prior permission.



**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
- Jennifer Donaldson, Office**  
818.933.0347
- 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
- Randy Kobata, Industrial**  
818.223.4383
- Mark Leonard, Office**  
818.449.4414
- Cole Martens, Investment**  
818.444.4909
- Bruce Milton, Retail**  
805.626.1281
- Jeremy Mintz, Office**  
818.933.0308
- 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
- Peter Padden, Industrial**  
805.626.1283
- 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
- Barry Schoenbrun, Investment**  
818.444.4992
- Scott Silverstein, Office**  
818.223.4391

- Jared Smits, Office**  
818.444.4986
- Tom Specker, Office**  
818.223.4381
- Cory Stehr, Investment**  
818.933.0304
- Larry Steingold, Industrial**  
805.626.1286
- 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

