



**Q4 TRENDS AT A GLANCE**

*Change from prior quarter*

- Absorption**  
(182,703) SF
- Vacancy**  
+30 basis points (bps) to 9.9%
- Leasing Activity**  
1,078,624 SF
- Direct Lease Rate**  
+\$0.04 to \$2.54/SF
- Under Construction**  
0 SF
- Completed Construction**  
20,624 SF
- Office Buildings Sold**  
10
- Median Sale Price**  
\$237 PSF
- Unemployment Rate**
  - LA County:** 4.5% (Nov)
  - California:** 4.6% (Nov)
  - U.S.:** 4.1% (Dec)

**Landlords Continuing to Push Rents, Even as Leasing Activity and Absorption Slows**

As it did across the country, the Los Angeles North office market slowed in the fourth quarter.

Leasing activity, though somewhat improved over the third quarter, was off nearly 640,000 SF or 37 percent versus the year ago period, and absorption moved into negative territory.

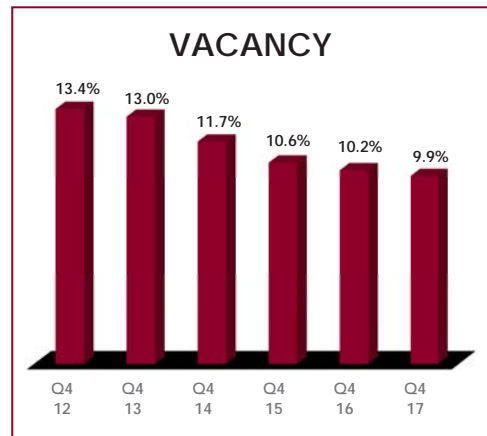
A total of 1,078,624 SF was leased in the quarter, compared with 1,718,610 SF leased in Q4 2016. It now looks as if we are seeing a steady trend downward in velocity, and absorption seems to be following suit.

In fact, absorption moved into negative territory in Q4 for the first time in eight quarters. There were 182,703 fewer square feet leased than were vacated compared with positive absorption of 360,962 SF in the year ago period. For the full year, absorption fared a bit better, registering positive 166,101 SF, but the weak fourth quarter clearly took a toll on the full year stats.

Vacancies ticked up 30 basis points (bps) to 9.9 percent, barely remaining in the single digit territory established since the second quarter, but still below the year-ago vacancy level of 10.2 percent.

Despite the cooling, landlords continued to push rents to an average of \$2.54 SF in the quarter, \$0.04 SF higher than Q3 and \$0.10 above year-ago averages. Rates are now at their highest levels since Q1 2009.

The regional picture mirrors national trends where absorption declined to the lowest levels since 2012, according to Reis, Inc. data reported in the Wall Street Journal. And as is happening locally, national lease rates were not significantly impacted. What seems to be impacting absorption, the report noted is the continuing trend by tenants to reduce their space footprint, eliminating private offices and devoting less space per employee.



“This suggests that office-based industries are healthy but tenants have persisted in curbing overall leasing patterns,” Reis analysts noted.

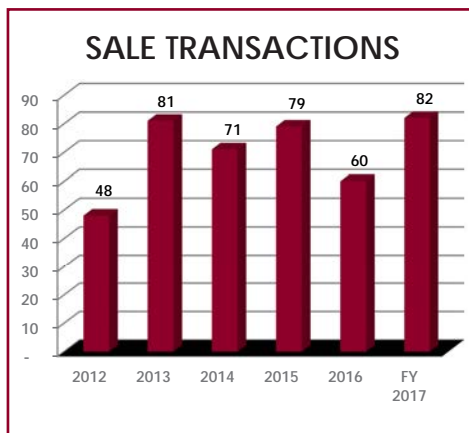
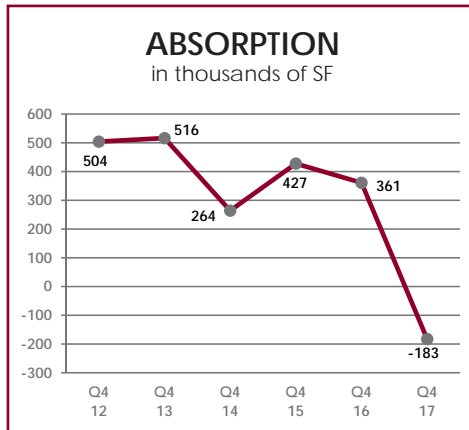
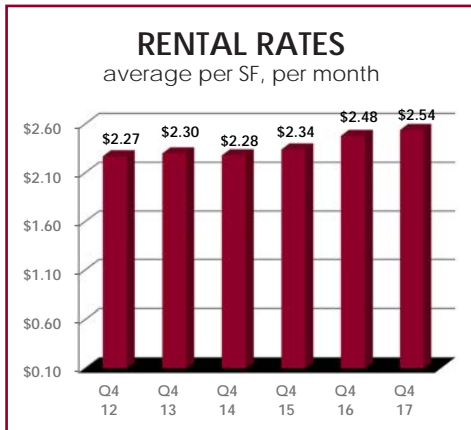
Although sales activity also slowed throughout the year, the full year picture showed a very active sales market.

A total of 82 office buildings changed hands in the Los Angeles North region in 2017 at a median price of \$231 SF, 9.4 percent ahead of 2016 when 60 buildings changed hands at a median price of \$211 SF.



**Lee & Associates LA North/Ventura**

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

## Economy at a Glance

**TAXES:** The tax reform legislation allows for a one-time repatriation of overseas cash and Bank of America Merrill Lynch asked 302 U.S. companies how they intend to spend the estimated \$2.5 trillion stashed overseas. Sixty-five percent of the companies said they would use it to pay down debt which, with three more interest rate hikes expected, would save them billions in interest expense, Business Insider reported. Just 42 percent said they would spend it on M&A and 35 percent said they would make Cap X expenditures.

**HOUSEHOLDS:** Household wealth rose to \$96.9 trillion in the third quarter, largely attributable to rising stock and real estate prices, data from the Federal Reserve reported by Reuters showed. Household net worth totaled \$95.2 trillion in the prior quarter.

**INVESTMENTS:** Investment activity rebounded in Q3 after falling off dramatically earlier in the year. Transaction volume rose 3.2 percent to \$109.5 billion in Q3, according to data from Ten-X reported in Bisnow. Multifamily investment accounted for over 36 percent of that volume while office volume accounted for 26.2 percent and retail accounted for 12.1 percent.

**DREAMWORKS:** Griffin Capital Co. sold the Dreamworks campus in Glendale to a JV of Hana Asset Management and OceanWest for \$290 million, an increase of nearly 35 percent over the \$215 million price tag for the campus in 2015 when Griffin Capital Co. acquired it, GlobeSt reported.

### Q4 2017 LARGEST LEASES

Property Name/Address	Class	Square Feet	Tenant	Type
8531 Fallbrook Ave, West Hills	A	98,397	Pharmavite	New
30601 Agoura Rd, 2nd Floor, Agoura Hills	B	31,422	American Homes 4 Rent	Renewal
2101 Corporate Center Dr, Newbury Park	B	25,073	Xirrus	Renewal
9188 Glenoaks Blvd, Sun Valley	B	24,780	Department of Public Social Services	Renewal

### Q4 2017 LARGEST SALES

Property Address	Class	Square Feet	Seller Buyer	Sale Price	PSF
801 N. Brand Blvd & 700 N. Central Ave, Glendale	A	414,000 2 Buildings	Blackstone Group CBRE Global Investors	\$122,000,000	\$294
<b>Glendale Gateway</b> 700 N. Brand Blvd, Glendale	A	212,504	Blackstone Group Onni Group	\$55,300,000	\$260
4640 Lankershim Blvd, North Hollywood	A	74,998	Curo Enterprises Swift Real Estate Partners	\$23,500,000	\$313
<b>Platinum Executive Plaza</b> 5900 N. Sepulveda Blvd, Sherman Oaks	B	78,237	ESH Properties, LLC / Sharona Cohen Pacific Investment Group	\$16,750,000	\$214

Submarkets	Total Inventory	Total Vacancy		Net Absorption		Construction		Asking
		Total SF	%	Q4 2017	FY 2017	Underway	Completed	FS Rate
Agoura Hills	2,141,862	250,772	11.7%	(56,903)	68,364	0	0	\$2.21
Burbank (Misc.)	2,322,370	323,984	14.0%	(25,672)	77,217	0	0	\$3.12
Burbank City Center	1,878,252	171,490	9.1%	(5,798)	(39,712)	0	20,624	\$2.68
Burbank Media Center	5,983,992	494,414	8.3%	(51,177)	49,053	0	0	\$3.65
Calabasas	2,742,198	304,432	11.1%	4,268	57,657	0	0	\$2.65
Central Valley	6,247,369	408,049	6.5%	13,714	85,263	0	0	\$2.19
Chatsworth	1,837,015	77,309	4.2%	32,733	28,134	0	0	\$2.07
Conejo Valley	9,470,248	1,128,729	11.9%	8,513	(150,219)	0	0	\$2.37
East Valley	296,763	16,110	5.4%	(1,789)	5,607	0	0	\$1.51
Encino	4,797,279	420,002	8.8%	21,155	(41,258)	0	0	\$2.78
Glendale	10,676,293	1,004,012	9.4%	(48,184)	(182,932)	0	0	\$2.72
North Hollywood	2,701,457	220,336	8.2%	(108)	7,350	0	0	\$2.81
Northridge / Reseda	2,192,384	263,621	12.0%	18,305	(6,741)	0	0	\$2.53
Santa Clarita Valley	277,667	25,077	9.0%	(2,181)	19,916	0	0	\$2.16
Sherman Oaks	4,047,497	473,649	11.7%	(439,988)	(107,590)	0	0	\$2.47
Tarzana / Woodland Hills	3,204,913	286,221	8.9%	(32,108)	35,437	0	0	\$2.40
Universal / Studio City	1,988,844	33,204	1.7%	(10,903)	(8,889)	0	0	\$3.21
West Valley	2,254,561	536,787	23.8%	(7,753)	118,171	0	0	\$2.19
Warner Center	8,048,264	831,706	10.3%	8,505	184,198	0	0	\$2.49
<b>Total</b>	<b>73,109,228</b>	<b>7,269,904</b>	<b>9.9%</b>	<b>(182,703)</b>	<b>166,101</b>	<b>0</b>	<b>20,624</b>	<b>\$2.54</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®

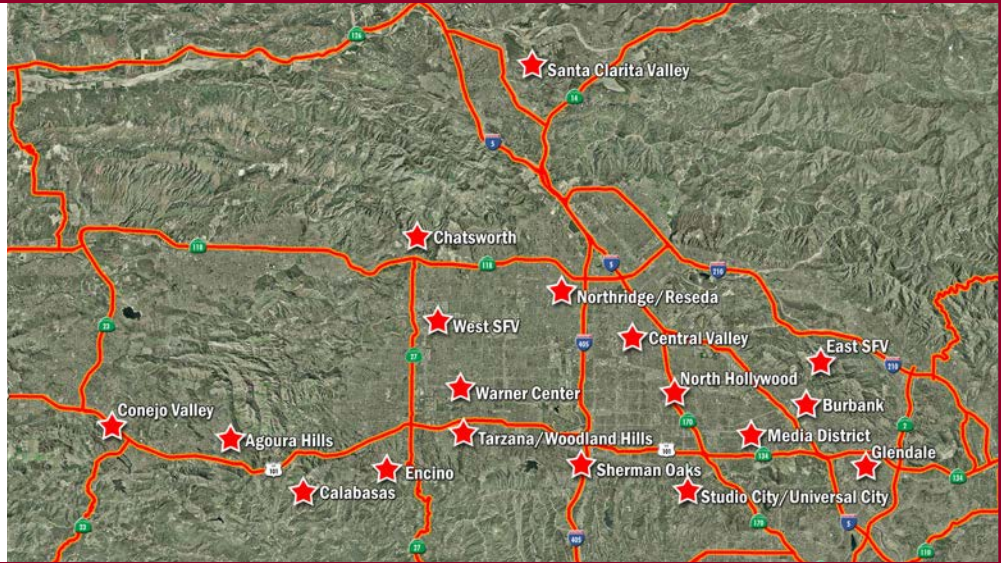
Celebrating more than 37 years of leadership excellence in commercial real estate, Lee & Associates is the largest broker-owned firm in North America with locations across the U.S. and Canada including California, Colorado, Arizona, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Maryland, Michigan, 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.

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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**



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