

SPECIAL REPORT REAL ESTATE QUARTERLY

# Pickup in Leasing Finally Absorbing Glendale Office Surplus

**B**urbank and Glendale’s office markets continued their recovery, highlighted by large deals completed last quarter.

Glendale’s vacancy rate dropped eight-tenths of a point to 15.8 percent as tenants absorbed 47,600 square feet, according to the L.A. office of **Colliers International**. More astounding, that was more than five full points lower than a year earlier.

**Bill Boyd**, senior managing director at **Charles Dunn Co.**, who has worked in the markets for years, attributed much of the improvement to Glendale’s lower asking rates.

“The cost of occupancy is a huge factor in Glendale’s dramatic decline in vacancy,” Boyd said. “Glance at the numbers and it makes perfect sense.”

Indeed. While the tightening supply allowed Glendale landlords to raise monthly asking rates last quarter by 6 cents to \$2.47 a square foot, that is still 60 cents less than neighboring Burbank.

Among the largest deals in the market, educational technology company **Age of Learning** expanded its headquarters by 30,000 square feet at 101 N. Brand. The deal, with landlord **Legacy Partners**, brings the company to 72,000 square feet and makes it the largest tenant in the building –strong growth considering the company took only 7,000 square feet in 2007 when it moved in.

One of the other keys to Glendale’s success is the lack of office construction in the market for years, which has allowed the excess capacity to finally get soaked up.

“Any new developments are slated for residential,” said **John McAniff**, a broker at **Jones Lang LaSalle Inc.**

In Burbank, vacancy rose two-tenths of a point to 16.7 percent as the market gave back 17,900 square feet. The negative absorption, however, is attributed to one company: **Yahoo Inc.** The tech firm gave up more than 200,000 square feet when it renewed its lease at **Worthe Real Estate Group’s** 3333 W. Empire Ave. for 100,000 square feet. Yahoo had leased 380,000 square feet nearly 10 years ago but slowly sublet space to other firms. Before renewing, it had considered consolidating its offices into its new Playa Vista campus, but opted instead to maintain a presence in the inland city.

“It’s great to know there are great deals being done; even those that reduced, it is a good sign they stayed with something,” said **Jonathan Larsen**, managing director at **Avison Young**.

The city saw a number of other large lease deals. For instance, **Nickelodeon** signed one of the largest leases in Los Angeles to take all of a 113,760-square-foot building under development at 203 W. Olive Ave. The animation studio plans to consolidate up to 450 employees in the five-story building when developer **Accord/Bro Members LLC** completes it.

Investment remained strong as well. Century City real estate firm **3D Investments** bought a 55,550-square-foot property at 3300 W. Riverside Drive for \$30 million from **Centurion Real Estate Partners**. It was the fourth-largest sale by price in L.A. County during the quarter. The property is fully leased by the **New York Film Academy**.

Clearly, landlords remain optimistic about the market. They raised asking rents 7 pennies to \$3.07 a square foot.

Both markets are expected to continue their improvement, especially given California’s recent decision to increase and expand the tax credit to film and television projects. “Because of how close the market is aligned with it, the tax credit should boost the entertainment sector,” McAniff said.

– *Jacquelyn Ryan*

### BURBANK

OFFICE MARKET AT A GLANCE

INVENTORY .....6.83 million square feet

UNDER CONSTRUCTION .....0

CLASS A ASKING RENTS .....\$3.07

**Net Absorption**  
000s of square feet

Quarter	Net Absorption (000s sq ft)
1 '14	-50
2 '14	140
3 '14	110
4 '14	50
1 '15	-10

**Vacancy Rate**  
percent

Quarter	Vacancy Rate (%)
1 '14	21.5
2 '14	20.5
3 '14	19.5
4 '14	18.5
1 '15	16.7

### GLENDALE

OFFICE MARKET AT A GLANCE

INVENTORY .....6.18 million square feet

UNDER CONSTRUCTION .....0

CLASS A ASKING RENTS .....\$2.47

**Net Absorption**  
000s of square feet

Quarter	Net Absorption (000s sq ft)
1 '14	30
2 '14	40
3 '14	140
4 '14	110
1 '15	50

**Vacancy Rate**  
percent

Quarter	Vacancy Rate (%)
1 '14	21.5
2 '14	20.5
3 '14	19.5
4 '14	18.5
1 '15	15.8

### Main Events

- ▶ Nickelodeon Studios leased a 113,760-square-foot building under construction at 203 W. Olive Ave. in Burbank. The five-story building, developed by Accord/Bro Members LLC, will allow the company to consolidate up to 450 employees. Terms were not disclosed.
- ▶ Yahoo Inc. renewed at 3333 W. Empire Ave. for 100,000 square feet with landlord Worthe Real Estate Group. The company, which is moving its Westside operations to Playa Vista, decided to maintain a presence in Burbank.
- ▶ Age of Learning expanded its headquarters by 30,000 square feet at 101 N. Brand in Glendale with landlord Legacy Partners to bring its footprint to 72,000 square feet. The educational technology company moved in with only 7,000 square feet in 2007. Terms were not disclosed but asking rates are \$2.75.

**Burbank: 3333 W. Empire Ave.**

- ▶ Century City real estate firm 3D Investments bought a 55,550-square-foot property at 3300 W. Riverside Drive for \$30 million from Centurion Real Estate Partners. The property was fully leased by the New York Film Academy at the end of last year in one of the fourth quarter’s biggest deals.