



2011 SEES GREATEST NET ABSORPTION OF CREATIVE OFFICE SPACE ON THE WESTSIDE IN FIVE YEARS

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Continued demand in 2011 from creative users such as post production, new media, advertising and technology resulted in the greatest net absorption of creative office space on the Westside since the start of the recession, according to Industry Partner's inaugural Creative Westside Market Report.

Although the fourth quarter showed a net decrease in net absorption in 2011, more than 507k sf of creative office space was taken of the market (the highest net absorption since 2006) dropping the vacancy rate to 12.7 from 16.1 percent year-over-year. Santa Monica, which represents nearly half of the total creative office inventory on the Westside at 8.5 msf, is the tightest creative office market with an overall vacancy rate of 6.8 percent. With little remaining supply, rents for creative office space in downtown Santa Monica are reaching \$5.00 per square foot gross.

While still high at 24 percent, vacancy rates in the Marina del Rey/Venice /Playa Vista submarket have fallen from 28 percent at the end of 2010. With very little available creative office space over 10k sf in Santa Monica, vacancy rates should continue to decline.

Culver City was the only Westside creative office submarket to suffer a negative net absorption over the past four quarters (-67.8k sf). As one of the few areas on the Westside that can accommodate creative users looking for up to 50k sf, the Culver City submarket is expected to do better in 2012.

Industry Partners defines Westside creative office space as an adaptive reuse of an existing commercial or industrial building predating 1970 or brand new construction meant to emulate creative look and feel. According to Industry Partners, there is 17.5 msf of creative office space on the Westside.

Although Westside landlords continue to renovate and/or redevelop existing office space and underutilized properties to meet the rising demands of creative office users, it will only offset the loss of as much as 1 msf feet of creative office space over the next several quarters, according to the Industry Partners' report. For example, a number of buildings along Colorado Blvd in Santa Monica will be demolished to make way for the Expo Line, the new 12.5-mile Metro Rail light-rail line that will run from Downtown Los Angeles to Santa Monica. In addition, a number of buildings are slated for demolition to make way for new multifamily development such as the Santa Monica Studios, which will add more than 700 new apartment units in Santa Monica.



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