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Real Estate Quarterly: Rent Hike by Tishman Speyer Inspires Other Owners in Westwood

By Margot Carmichael Lester Monday, October 20, 2014

Nobody loves a plot twist more than Angelenos, and here's a doozy: After years of being overshadowed by its higher-profile neighbors, Westwood stole the spotlight in the third quarter. It earned the role with rents that rose north of the \$4 mark for the first time in years and steady vacancy around 14 percent, according to data from Jones Lang LaSalle Inc.

One property propelled Westwood's star turn: 10900 Wilshire Blvd. Indivest Inc. sold the 50 percent-leased building, built in 1981, to New York's Tishman Speyer for \$124.7 million.

Mike McRoskey, a JLL managing director, said Tishman Speyer's rent hike after the building purchase has inspired other landlords to do the same. Indeed, the average asking rent in Westwood closed the third quarter at \$4.03 a square foot, up 7 percent from the previous quarter. Vacancies dropped to 14.4 percent from 14.6 percent in the same period, driven by one of the largest leases on the Westside: Boingo Wireless renewed and expanded its lease at 10960 Wilshire Blvd., taking 52,000 square feet for a lease that starts at \$2.7 million a year in July 2015 and escalates to \$3.6 million in 2025.

In nearby Beverly Hills, Tishman Speyer sold the UTA Plaza and Ice House properties at 9336, 9346 and 9348 Civic Center Drive to the Rockefeller Group for \$210 million. Brokers expect Rockefeller to make additional investments in the area.

That wasn't the only good news for Beverly Hills. The vacancy there ticked just down three-tenths of a point from the prior quarter to 8.5 percent. It is down from 10.8 percent a year ago.

"The single-digit vacancy rate in Beverly Hills, coupled with continued demand with minimal turnover, has justified landlords' bullish outlook," McRoskey said.

Average asking rents in the submarket rose a monstrous 81 cents per square foot from last year, ending the third quarter at \$4.82 per square foot.

Things also continued to sizzle over in Silicon Beach, where the two-building Latitude 34 property at 12130 Millennium in Playa Vista was acquired by New York's Clarion Partners for \$132.7 million from ASB Capital Management of Bethesda, Md.

“Clarion’s buy-in only serves to further illustrate the excitement surrounding the evolving market, as well as the belief that Playa Vista is not only here but here to stay,” said Neil Resnick, a principal at Avison Young.

All of this activity contributed to the Westside’s strong overall performance. Vacancy remained around 14 percent, with 350,000 square feet under construction. All but 100,000 square feet of that inventory is at the Olympic Corridor’s Element LA, which is already fully leased.

Across the full Westside market, average asking rates rose to \$4.08 per square foot from \$4.02 three months prior.

The solid fundamentals drew increased investment interest.

“The appetite for investment in Westside real estate definitely grew this year, and exponentially so in the last quarter,” said Bob Safai, a partner with Madison Partners. “We’re finally seeing the leasing market and lease rates start to catch up with the capital flow.”

– *Margot Carmichael Lester*

Westside

Tishman Speyer purchased 10900 Wilshire Blvd. in Westwood from Indivest Inc. for \$124.7 million, or \$525.83 a square foot. It sold the UTA Plaza-Ice House property at 9336, 9346 and 9348 Civic Center Drive in Beverly Hills to Rockefeller Group for \$210 million, or \$896.05 per square foot.

Latitude 34 at 12130 Millennium in Playa Vista was acquired by Clarion Partners from ASB Capital Management for \$132.7 million, or \$450.61 per square foot.

China’s largest commercial property developer, Dalian Wanda Group, purchased the 7.62-acre Robinsons-May property at 9900 Wilshire Blvd. in Beverly Hills for \$420 million from BH Wilshire International, a consortium of investors.

Two notable leases were signed. Edmunds.com relocated to 132,000 square feet at 2401 Colorado Ave. in Santa Monica from the Water Garden at 1620 26th St. Boingo Wireless leased 52,000 square feet at 10960 Wilshire Blvd. in Westwood.