

THE AGENCY OFFICE HUNT

WME and UTA are scouting new digs as entertainment real estate shows signs of life *By Daniel Miller*



HORIZON AT PLAYA VISTA PHASE II
Playa Vista
COMPLETED December 2010
COST About \$200 million
SIZE 300,000 square feet
FEATURES Lincoln Property and ASB Real Estate Investments' latest development includes five- and six-story buildings. The first phase of Horizon is leased to Fox Interactive Media. FoxSports.com, Electronic Arts and Belkin are located nearby.

ALTHOUGH THE LOS ANGELES commercial real estate market remains mired in a protracted slump, there are bright spots in one important sector — the entertainment office market. Exhibit A: WME and UTA are on the prowl for headquarters space and have toured the Cesar Pelli-designed, soon-to-be-completed Red Building at the Pacific Design Center in West Hollywood, according to several real estate sources.

Landing either agency — “the best big fish,” says commercial broker Hunt Barnett of L.A. Realty Partners — would be a coup for any landlord in the fiercely competitive niche sector.

A 10-year lease by either would easily be worth \$35 million and could top \$100 million over a longer period.

The agencies’ search for potential new offices signals that the entertainment market “is showing signs of life again” after a few rough recessionary years, Barnett says.

WME and UTA aren’t the only big tenants in the marketplace. According to sources, Tele-mundo, DirecTV, Time Warner Cable, Endemol and Electronic Arts are also looking for new or additional space for their L.A. offices.

“Companies are spending money again — there is consensus around town about that,” says Carl Muhlstein, an executive vp at

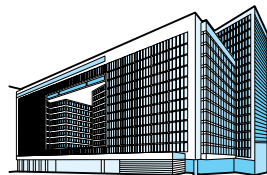
Cushman & Wakefield, who has brokered the sale of several high-profile properties including Lantana Media Center and NBC Burbank Studios. “But you have to have landlords who know how to problem-solve and adapt their buildings to changing need. The building has to work for a tenant.”

Indeed, entertainment offices are rarely just rooms full of cubicles. Industry firms — scattered across a wide swath of Los Angeles County, from Santa Monica to Burbank — typically require such high-end features as screening rooms, enhanced security and robust telecommunications systems.

Several real estate experts say that there

THE TOP ENTERTAINMENT OFFICE PROPERTIES

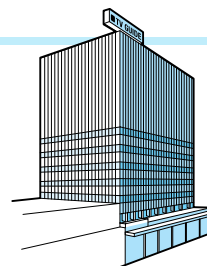
The Hollywood Reporter polled commercial real estate experts — including brokers, developers and investors — to determine which of Los Angeles’ entertainment office properties lead the market. Such factors as tenant roster, size, vacancy rate and amenities were considered. Commercial real estate services firm Grubb & Ellis provided all data on the properties, which are listed in numerical and alphabetical order.



2000 AVENUE OF THE STARS
Century City
Owner JPMorgan Asset Management-Real Estate
Square footage 787,323
Vacancy rate 9 percent
Key tenants CAA, Gold Circle Films, River Road Entertainment, Olmos Productions
Commissary Craft



2700 COLORADO BLVD.
Santa Monica
Owner M. David Paul & Associates
Square footage 310,798
Vacancy rate 8 percent
Key tenants MTV Networks, EMI Music Publishing, Lionsgate Entertainment
Commissary Tiato Market Garden Cafe



6922 HOLLYWOOD BLVD.
Hollywood
Owner CIM Group
Square footage 197,804
Vacancy rate 7 percent
Key tenants Trailer Park, Ralph Edwards Productions, Megalarge Entertainment, Trademark Entertainment Group
Commissary 25 Degrees



ARBORETUM COURTYARD
2120 Colorado Ave., Santa Monica
Owner Equity Office
Square footage 139,103
Vacancy rate 25 percent
Key tenants Game Show Network, Tiger Hill Entertainment, Sanders Armstrong Caserta Management
Commissary The Buffalo Club

THE POINTE

Burbank

COMPLETED Third-quarter 2010

COST More than \$200 million

SIZE 485,000 square feet

FEATURES Developer M. David Paul & Associates opened the 14-story project late last year in one of the most in-demand entertainment office areas. The first tenant, interactive marketing and media firm Outlook Amusements, moved into the building this year.

Hollywood
SPACES

HERCULES CAMPUS

Playa Vista

COMPLETION
Fourth-quarter 2011

COST \$80 million

SIZE 512,000 square feet

FEATURES Developer Ratkovich Co. purchased the historic former headquarters of Howard Hughes' aircraft company and is converting 11 buildings into creative office space. The project also incorporates existing soundstages in a hangar originally used to build the massive Spruce Goose airplane.

PROPERTIES TO WATCH: A LOOK AT THE LATEST CROP OF PREMIUM ENTERTAINMENT OFFICE PROJECTS

are no more than a few dozen office projects capable of catering to top-tier studios, production companies, agencies and media firms. That puts the premium properties in a better spot to lure and retain tenants than other segments of the commercial market.

Crunching the numbers, the vacancy rate for Class A office space in Los Angeles County was 17 percent in fourth-quarter 2010. But for all but one of L.A.'s top entertainment properties, it was no more than 13 percent.

Industry office buildings also command higher rental rates, according to data provided by real estate services firm Grubb & Ellis. Consider West Los Angeles. The average asking rent for Class A space in West L.A. was \$2.91 per square foot per month in the fourth quarter, but the asking rents at two of the area's entertainment office projects were significantly higher: Tribeca West (\$4 per foot) and Westside Media Center (\$3.50 per foot).

But those properties' rates don't compare to what developer Charles Cohen is asking for at the Red Building: about \$5 per square foot. Both WME and UTA, according to several real estate sources, have toured the building, though neither agency would comment on its plans. According to Barnett, it's widely known that the firms are considering other sites.



THE RED BUILDING

West Hollywood

COMPLETION Third-quarter 2011

COST \$165 million

SIZE 400,000 square feet

FEATURES The eight-story project from developer Cohen Brothers Realty was designed by famed architect Cesar Pelli. The building is part of the Pacific Design Center, which features a 380-seat theater and a Wolfgang Puck eatery.

The \$165 million Red Building, which is now being clad in distinctive red panels, will open in the third quarter. The 400,000-square-foot project from Cohen Brothers Realty would be a flashy home for either agency, both of which are said to need larger offices. Cohen, also a film producer, says that a few years ago he had a lease negotiated with UTA for space at the eight-story project, but "for one reason or another, it didn't get closed." However, he confirms UTA has recently toured the property.

Cohen — whose Cohen Media Group distributed the Oscar-nominated 2010 drama *Outside the Law* and produced 2008's *Frozen River* — wouldn't address WME's interest in the property. He would only say that "other agencies" have toured the Red Building, which is just a two-minute drive from Soho House,

already an unofficial commissary for agents.

According to sources, UTA, now at 9560 Wilshire Blvd. in Beverly Hills, is in the market for roughly 100,000 square feet; WME (9601 Wilshire Blvd.) is looking for as much as 200,000 square feet. Last year, the latter backed out of an agreement to occupy a new 144,000-square-foot building at 235-269 N. Beverly Drive that had been built for WMA, one of WME's predecessor firms.

Muhlstein says talent agencies are important tenants because of the ancillary business they create. One need only recall how CAA's and ICM's moves to Century City in 2007 spurred the growth of that neighborhood. "They clearly have a trickle-down effect on the local economy in terms of services, restaurants and hotel rooms," Muhlstein says. "That's why they are so desirable." **THR**



LANTANA MEDIA CENTER

2900 W. Olympic Blvd., Santa Monica

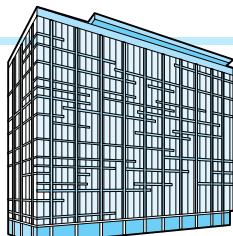
Owner Lionstone Group

Square footage 534,126

Vacancy rate 8 percent

Key tenants Imax, Dick Clark Productions, Revolution Studios, Steven Bochco Productions

Commissary Stefan's at L.A. Farm



LUCKMAN PLAZA

9200 W. Sunset Blvd., West Hollywood

Owner Mani Brothers Real Estate Group

Square footage 295,693

Vacancy rate 9 percent

Key tenants Abrams Artists Agency, Atlas Entertainment, Media Talent Group

Commissary Soho House



THE PINNACLE

3300-3400 W. Olive Ave., Burbank

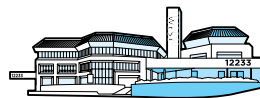
Owner M. David Paul & Associates

Square footage 618,776

Vacancy rate 1 percent

Key tenants Warner Bros. Entertainment, the CW Network, Starz

Commissary Arnie Morton's The Steakhouse



TRIBECA WEST

12233 W. Olympic Blvd., West Los Angeles

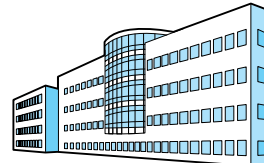
Owner Ocean West Capital Partners

Square footage 151,029

Vacancy rate 10 percent

Key tenants Disney, HBO, NBC Studios, Vin Di Bona Productions

Commissary Food trucks



WESTSIDE MEDIA CENTER

12100 W. Olympic Blvd., West Los Angeles

Owner Kilroy Realty Corp.

Square footage 378,469

Vacancy rate 13 percent

Key tenants Mark Gordon Co., Fandango, Hulu, Comcast Entertainment Group, Flyer Entertainment

Commissary Lemon Moon



WILSHIRE COURTYARD

5700-5750 Wilshire Blvd., Miracle Mile

Owner RREEF

Square footage 996,420

Vacancy rate 11 percent

Key tenants Oprah Winfrey Network, Entravision Communications, E!

Commissary The Counter