



JANUARY 15, 2019 | KAREN JORDAN

## Related Cos. Buys Hollywood Office for \$72.1M

Sale of 1800 Highland Among Top Five Priciest in Area



1800 N. Highland Ave. in Los Angeles. Photo: CoStar

Beverly Hills, California-based developer The Souferian Group and Washington, D.C.-based asset manager The Carlyle Group have sold the office building at 1800 N. Highland Ave. in Hollywood, California, for \$72.1 million, or about \$784 per square foot, to The Related Companies of New York.

The sale represents one of the biggest total office sales in the neighborhood on record, landing within the top five priciest single-asset office sales in the Hollywood area, according to CoStar data. The top sale in the submarket remains the CNN Building at 6430 W. Sunset Blvd., which sold for \$127 million in 2016.

The sale also represents a profit for the seller, which purchased the property for \$45 million in 2015 from local real estate owner and operator CIM Group in an off-market deal at less than \$490 per square foot, according to CoStar data.

Steven Kolsky, executive vice president and managing director of Los Angeles West for brokerage firm Newmark Knight Frank, who was not involved in the latest sale but holds a sublease listing in the building, said that the Hollywood office market is booming right now, in large part because of the strong economic growth of the entertainment and tech fields in Los Angeles County.

"There's been a major revitalization over the last seven or eight years, which has included the addition of new product built in that area, including office, multifamily, residential, retail and restaurants," Kolsky noted. "This revitalization with the abundance of night life, public transportation, apartments and restaurants has made Hollywood a desirable place for young employee talent."

Major companies in the area are expanding, and more apartments and retail space are being developed. The office market is boasting record levels of leasing and a vacancy rate below historical averages, according to CoStar Market Analytics. Among one of the largest drivers is tech tenants, for

instance online entertainment provider Netflix has expanded to more than 1 million square feet in the area over the past few months.

Almost 1.5 million square feet of new office has delivered since the beginning of 2015, according to CoStar Market Analytics, which adds up to a mounting inventory growth of about 11 percent over three years. The demand has pushed up Hollywood's average annual rent growth by around 4 percent, and average rents in Hollywood are approximately \$46 per square foot annually, ranking it among the 15 most expensive areas citywide, according to CoStar Market Analytics.

Related Cos. was interested in acquiring 1800 N. Highland Ave. because of "its strong market fundamentals," Jason Morrow, senior vice president at its Related Fund Management, said in an email, adding that Related expects to invest further in the property.

The 54-year-old, 91,089-square-foot building was renovated last year to align with Souferian Group's "Be" concept, which incorporates design and hospitality elements. The concept is meant "to deliver experiential properties that radically shift the way tenants are served," Behzad Souferian, chief executive at The Souferian Group, said in a statement.

The renovations included a new building entrance with added valet, a luxury fashion designer Tom Ford-inspired design in the lobby, a café and a landscaped courtyard. Tenants also have access to concierge services.

Live entertainment music conglomerate Live Nation is the largest tenant in the building, occupying 45,960 square feet across three floors, while Revolt Media and TV, founded by rapper Sean "Diddy" Combs, is the next largest tenant at the seven-story building, taking up 12,772 square feet.

See CoStar COMPS #4605951 for additional information on this transaction.

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