



OFFICE MARKET UPDATE LOS ANGELES NORTH

FIRST QUARTER 2012

Overview

After months of bouncing along the bottom, leasing activity in the Los Angeles North office market made somewhat of a comeback in the first quarter of 2012 as landlords lowered their asking rental rates and the market mirrored the gains in activity experienced throughout Los Angeles County. An improving economy helped fuel the leasing activity across all segments of the market resulting in a healthy increase in net absorption which, in turn, helped lower the vacancy rates throughout the market. Even though the market is starting to improve, there is still an abundance of available space for tenants to choose from, so it looks like it will remain a tenant's market for the foreseeable future.

Absorption

Net absorption for the Los Angeles North office market was a positive 412,542 square feet in the first quarter 2012, compared to a positive 108,429 square feet in the fourth quarter of 2011. Year to date the Studio/Universal Cities submarket had the highest positive absorption with 124,540 square feet followed by the Western SFV submarket with 106,706 square feet and the Glendale submarket with 103,601 square feet. Burbank was the worst performing submarket with negative (109,255) square feet, followed by the Sherman Oaks submarket with negative (38,615) square feet and the Eastern SFV submarket with negative (28,952) square feet.

Los Angeles North Office Market Snapshot

Submarket	# Buildings	Total RBA SF	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	Under Construction	Quoted Rates
Burbank	584	13,638,812	1,585,298	11.6%	-109,255	0	\$2.72
Calabasas/Westlake Village	210	7,395,884	1,258,566	17.0%	19,646	23,000	\$2.00
Eastern SFV	590	8,220,783	813,277	9.9%	-28,952	125,000	\$1.79
Encino	81	4,653,441	582,494	12.5%	41,528	0	\$2.26
Glendale	711	12,275,948	1,663,421	13.6%	103,601	0	\$2.37
North Hollywood	345	3,709,408	277,753	7.5%	49,750	0	\$2.24
Santa Clarita Valley	209	4,726,262	814,147	17.2%	79,917	102,113	\$2.31
Sherman Oaks	126	3,721,977	429,056	11.5%	-38,615	0	\$2.22
Studio/Universal Cities	291	4,217,199	342,250	8.1%	124,540	0	\$2.21
Tarzana	81	1,691,117	173,463	10.3%	13,816	0	\$2.06
Thousand Oaks/SE County	311	7,181,953	1,305,854	18.2%	9,623	0	\$1.99
Western SFV	395	7,210,877	1,273,231	17.7%	106,706	9,000	\$1.91
Woodland Hills/Warner	207	10,112,454	1,628,060	16.1%	40,237	0	\$1.96
Totals	4,141	88,756,115	12,146,870	13.7%	412,542	259,113	\$2.16

Vacancy

The overall office vacancy rate in the Los Angeles North market area dropped to 13.7% at the end of the first quarter 2012, compared to 14.1% at the end of the fourth quarter 2011. The Thousand Oaks/SE County submarket had the region's highest vacancy rate of 18.2%, followed by the Western SFV submarket with 17.7%, and the Santa Clarita Valley submarket at 17.2%. The North Hollywood submarket had the region's lowest vacancy rate of 7.5%, followed by the Studio/Universal Cities submarket at 8.1% and the Eastern SFV submarket at 9.9%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, dropped to \$2.16 per square foot at the end of the first quarter 2012 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.36 per square foot, with Class B rates at \$2.01 per square foot, and Class C rates at \$1.85 per square foot. The Burbank submarket had the highest average asking rate of \$2.72 per square foot, while the Eastern San Fernando Valley market had the lowest rate at \$1.79 per square foot.

Construction

There were 259,113 square feet of office space under construction in the Los Angeles North office market at the end of the first quarter 2012. The largest new development is a medical building located at 11333 Sepulveda Blvd. in Mission Hills. The building contains 125,000 square feet and is 100% pre-leased to Facey Medical Group.

Los Angeles North Top Office Leases

Address	Tenant	SF
2560 Teller Road, Thousand Oaks	Sage Publications	71,000
5200 Lankershim Blvd., North Hollywood	Endemol USA	50,000
500 N. Brand Blvd., Glendale	PCL Construction	46,052
27770 N. Entertainment Drive, Valencia	Precision Dynamics	44,000
4411 W. Olive Ave., Burbank	Warner Brothers Entertainment	43,000
500 N. Brand Blvd., Glendale	Vulcan Materials	40,800

Sales Activity

Total office building sales activity in the fourth quarter 2011 fell compared to the third quarter 2011 in terms of dollar volume, and cap rates have been lower in 2011, averaging 7.84% compared to the same period in 2010 when they averaged 7.92%. The largest transaction that occurred within the fourth quarter 2011 was the sale by TenUCP Property LLC of a 49% interest in the 10 Universal City Plaza Building in Universal City, to Morgan Stanley Real Estate. The sale of the 49% interest in this 786,015 square foot building took place on 12/31/2011 for \$175,567,000 or approximately \$455.84 per square foot.



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