



# OFFICE MARKET UPDATE LOS ANGELES NORTH

FIRST QUARTER 2013

## Overview

The Los Angeles North office market mirrored the overall Los Angeles market in the first quarter of 2013, and more inventory came back on the market as tenants continued to downsize, and most submarkets posted negative net absorption. The Central Valley remained tight with vacancy rates in the 12% range, but in the West and East Valleys, things might get worse before they start to get better as several large tenants have already signaled plans to vacate their space, such as Disney in Burbank vacating over 500,000 square feet.

## Absorption

Net absorption for the Los Angeles North office market was a negative (106,743) square feet in the first quarter 2013, compared to a positive 903,670 square feet in the fourth quarter of 2012. Year to date the Calabasas/Westlake Village submarket had the highest positive absorption with 69,655 square feet followed by the Woodland Hills/Warner Center submarket with 42,031 square feet and the Thousand Oaks/SE County submarket with 32,108 square feet. Glendale was the worst performing submarket with negative (154,449) square feet, followed by the Eastern SFV submarket with negative (31,122) square feet and the Sherman Oaks submarket with negative (26,193) 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	595	14,118,358	1,394,488	9.9%	24,290	0	\$2.62
Calabasas/Westlake Village	209	7,410,426	1,073,103	14.5%	69,655	0	\$1.94
Eastern SFV	593	8,394,122	838,797	10.0%	-31,122	0	\$1.79
Encino	85	4,851,723	616,036	12.7%	-15,839	0	\$2.26
Glendale	705	12,142,799	1,647,722	13.6%	-154,449	0	\$2.36
North Hollywood	335	3,566,358	225,054	6.3%	1,486	0	\$2.28
Santa Clarita Valley	211	4,741,315	661,034	13.9%	-25,816	102,113	\$2.35
Sherman Oaks	125	3,715,966	447,615	12.0%	-26,193	0	\$2.26
Studio/Universal Cities	290	4,218,187	505,842	12.0%	-10,894	0	\$2.87
Tarzana	76	1,659,082	157,939	9.5%	7,694	0	\$2.04
Thousand Oaks/SE County	315	7,275,131	1,268,832	17.4%	32,108	0	\$2.00
Western SFV	383	6,833,408	1,082,172	15.8%	-19,694	0	\$1.92
Woodland Hills/Warner Center	213	10,314,474	1,540,776	14.9%	42,031	0	\$1.99
<b>Totals</b>	<b>4,135</b>	<b>89,241,349</b>	<b>11,459,410</b>	<b>12.8%</b>	<b>-106,743</b>	<b>102,113</b>	<b>\$2.21</b>

## Vacancy

The overall office vacancy rate in the Los Angeles North market area was at 12.8% at the end of the first quarter 2013, a slight drop from the 12.9% rate in the fourth quarter 2012. The Thousand Oaks/SE County submarket had the region's highest vacancy rate of 17.4%, followed by the Western SFV submarket with 15.8%, and the Woodland Hills/Warner Center submarket at 14.9%. The North Hollywood submarket had the region's lowest vacancy rate of 6.3%, followed by the Tarzana submarket at 9.5% and the Burbank submarket at 9.9%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, dropped slightly to \$2.21 per square foot at the end of the first quarter 2013 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.40 per square foot, with Class B rates at \$2.03 per square foot, and Class C rates at \$1.77 per square foot. The Studio/Universal Cities submarket had the highest average asking rate of \$2.87 per square foot, while the Eastern San Fernando Valley market had the lowest rate at \$1.79 per square foot.

## Construction

There was one building totaling 102,113 square feet of office space under construction in the Los Angeles North office market at the end of the first quarter 2013. This building is the Santa Clarita Professional Center and is located at 17901 Soledad Canyon Road. The building is 0% pre-leased.

## Los Angeles North Top Office Leases

Address	Tenant	SF
21650 Oxnard St., Woodland Hills	American International Group, Inc. (renewal)	138,000
8550 Balboa Blvd., Northridge	Regional Medical Group, Inc. (renewal & expansion)	96,000
2900 Alameda Ave., Burbank	FremantleMedia Ltd.	72,000
3300 W. Riverside Dr., Burbank	New York Film Academy	55,550
5700 Canoga Ave., Woodland Hills	Poms & Associates Insurance	47,597
30601 Agoura Rd., Agoura Hills	American Homes 4 Rent Inc.	43,000

## Sales Activity

Total office building sales activity in the fourth quarter 2012 rose compared to the third quarter 2012 in terms of dollar volume, and cap rates have been lower in 2012, averaging 7.20% compared to the same period in 2011 when they averaged 7.80%. The largest transaction that occurred within the fourth quarter 2012 was the joint venture sale of an approximate 65% interest in The Pinnacle I building, located at 3400 W. Olive Ave. in Burbank, by M. David Paul & Associates/Worthe Real Estate Group to Hudson Pacific Properties, Inc. The joint venture sale of this 393,776 square foot, first phase of two buildings, took place on 11/8/2012 for \$212,500,000 or approximately \$539.65 per square foot.



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