



OFFICE MARKET UPDATE LOS ANGELES NORTH

FIRST QUARTER 2015

Overview

Several large deals got the year off to a bright start in the Los Angeles North office market despite a slight jump in the overall vacancy rate. Although overall net absorption in the first quarter 2015 remained positive, the majority of the submarkets experienced negative net absorption, dampening some of the enthusiasm over those areas experiencing strong leasing activity. The technology, entertainment and healthcare sectors continue to be the driving factor in those submarkets enjoying positive net absorption. While leasing activity may have been limited in the first quarter 2015, the overall market consensus remains very positive.

Absorption

Net absorption for the Los Angeles North office market was a positive 139,990 square feet in the first quarter 2015, compared to a positive 232,011 square feet in the fourth quarter of 2014. Year to date the Woodland Hills/Warner Center submarket had the highest positive absorption with 118,515 square feet followed by the Thousand Oaks/SE County submarket with 95,515 square feet and the Glendale submarket with 89,157 square feet. Sherman Oaks was the worst performing submarket with negative (59,013) square feet, followed by the Western SFV submarket with negative (56,013) square feet and the Calabasas/Westlake Village submarket with negative (46,229) 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	612	14,132,152	1,456,784	10.3%	-14,860	0	\$2.74
Calabasas/Westlake Village	210	7,418,114	893,014	12.0%	-46,229	0	\$2.22
Eastern SFV	607	8,583,437	752,648	8.8%	29,984	0	\$1.90
Encino	86	4,948,558	556,554	11.2%	-7,845	0	\$2.33
Glendale	706	12,053,178	1,089,142	9.0%	89,157	0	\$2.38
North Hollywood	322	3,337,675	281,130	8.4%	-2,262	14,021	\$2.41
Santa Clarita Valley	212	4,839,360	576,131	11.9%	-5,462	43,000	\$2.39
Sherman Oaks	124	3,698,519	417,244	11.3%	-59,013	0	\$2.25
Studio/Universal Cities	291	4,149,270	170,998	4.1%	5,752	0	\$2.36
Tarzana	72	1,628,628	159,212	9.8%	-7,249	117,978	\$2.38
Thousand Oaks/SE County	320	7,529,985	912,573	12.1%	95,515	120,933	\$2.00
Western SFV	379	6,827,426	1,167,711	17.1%	-56,013	5,000	\$2.02
Woodland Hills/Warner Center	211	10,311,043	1,463,037	14.2%	118,515	0	\$2.13
Totals	4,152	89,457,345	9,896,178	11.1%	139,990	300,932	\$2.27

Vacancy

The overall office vacancy rate in the Los Angeles North market area rose to 11.1% at the end of the first quarter 2015, compared to 10.8% in the fourth quarter 2014. The Western SFV submarket had the region's highest vacancy rate of 17.1%, followed by the Woodland Hills/Warner Center submarket with 14.2%, and the Thousand Oaks/SE County submarket at 12.1%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 4.1%, followed by the North Hollywood submarket at 8.4% and the Eastern SFV submarket at 8.8%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, rose slightly to \$2.27 per square foot at the end of the first quarter 2015 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.44 per square foot, with Class B rates at \$2.14 per square foot, and Class C rates at \$2.00 per square foot. The Burbank submarket had the highest average asking rate of \$2.74 per square foot, while the Eastern SFV market had the lowest rate at \$1.90 per square foot.

Construction

There was a total of 300,932 square feet of office space under construction in the Los Angeles North office market at the end of the first quarter 2015. The largest building under construction is the 117,978-square-foot Ventana office/medical building located at 18131 Ventura Blvd. The building is 70.4% pre-leased.

Los Angeles North Top Office Leases

Address	Tenant	SF
203 W. Olive Ave., Burbank	Nickelodeon	113,760
3000 Alameda Ave., Burbank	Nickelodeon	108,410
3333 W. Empire Ave., Burbank	Yahoo Inc. (renewal & downsizing)	100,000
30870 & 30930 Russell Ranch Rd., Westlake Village	JD Powers	40,553
2900 W. Alameda Ave., Burbank	CBS Interactive	35,863
101 N. Brand Blvd., Glendale	Age of Learning (expansion)	30,000

Sales Activity

Total office building sales activity in the fourth quarter 2014 fell compared to the third quarter 2014 in terms of dollar volume, and cap rates have been slightly higher in 2014, averaging 6.44% compared to the same period in 2013 when they averaged 6.28%. The largest transaction that occurred within the fourth quarter 2014 was the four building portfolio sale by NewTower Trust Company of the Northridge Business Center located at 8400-8550 Balboa Blvd. to Shubin Nadal Realty Investors LLC. The sale of this 856,515 square foot complex took place on 10/16/14 for \$128,455,027 or approximately \$149.97 per square foot.

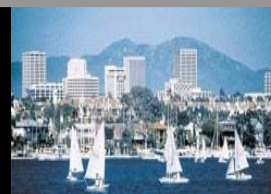


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