



OFFICE MARKET UPDATE LOS ANGELES NORTH

SECOND QUARTER 2014

Overview

Los Angeles North office market saw significant gains in leasing activity during second quarter of 2014, with a substantial increase in overall net absorption and more than two-thirds of the area's submarkets registering positive net absorption. The overall vacancy rate dropped slightly and asking rental rates inched up from the first quarter, but compared to the pricey Westside, Valley real estate remains a bargain. With the rebounding economy and the employment situation improving, the demand for office space has increased accordingly. The market outlook is starting to improve for landlords, and the market advantages tenants have held for so long are starting to diminish.

Absorption

Net absorption for the Los Angeles North office market was a positive 329,591 square feet in the second quarter 2014, compared to a positive 26,225 square feet in the first quarter of 2014. Year to date the Burbank submarket had the highest positive absorption with 121,719 square feet followed by the Glendale submarket with 113,839 square feet and the North Hollywood submarket with 58,812 square feet. Sherman Oaks was the worst performing submarket with negative (43,460) square feet, followed by the Woodland Hills/Warner Center submarket with negative (14,391) square feet and the Santa Clarita Valley submarket with negative (7,897) 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	606	14,108,665	1,679,554	11.9%	121,719	0	\$2.59
Calabasas/Westlake Village	211	7,579,972	948,834	12.5%	57,637	0	\$2.20
Eastern SFV	603	8,479,072	825,480	9.7%	14,011	37,000	\$1.81
Encino	86	4,891,238	549,949	11.2%	24,703	0	\$2.35
Glendale	711	12,119,972	1,442,781	11.9%	113,839	0	\$2.38
North Hollywood	323	3,302,884	287,267	8.7%	58,812	0	\$2.39
Santa Clarita Valley	210	4,675,322	501,832	10.7%	-7,897	100,000	\$2.41
Sherman Oaks	125	3,696,171	377,170	10.2%	-43,460	0	\$2.26
Studio/Universal Cities	288	4,139,320	224,576	5.4%	2,624	0	\$2.99
Tarzana	73	1,640,416	128,910	7.9%	-3,005	0	\$2.14
Thousand Oaks/SE County	311	7,226,394	1,001,309	13.9%	15,188	174,715	\$2.03
Western SFV	381	6,831,544	1,023,726	15.0%	16,066	5,000	\$2.03
Woodland Hills/Warner Center	212	10,313,246	1,504,794	14.6%	-14,391	0	\$2.14
Totals	4,140	89,004,216	10,496,182	11.8%	355,846	316,715	\$2.29

Vacancy

The overall office vacancy rate in the Los Angeles North market area declined to 11.8% at the end of the second quarter 2014, compared to 12.1% in the first quarter 2014. The Western SFV submarket had the region's highest vacancy rate of 15.0%, followed by the Woodland Hills/Warner Center submarket with 14.6%, and the Thousand Oaks/SE County submarket at 13.9%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 5.4%, followed by the Tarzana submarket at 7.9% and the North Hollywood submarket at 8.7%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, rose to \$2.29 per square foot at the end of the second quarter 2014 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.47 per square foot, with Class B rates at \$2.09 per square foot, and Class C rates at \$2.00 per square foot. The Studio/Universal Cities submarket had the highest average asking rate of \$2.99 per square foot, while the Eastern San Fernando Valley market had the lowest rate at \$1.81 per square foot.

Construction

There was a total of 316,715 square feet of office space under construction in the Los Angeles North office market at the end of the second quarter 2014. The largest building under construction is the 102,334-square-foot Westlake Park Place – Phase II building located at 3059 Townsgate Road. The building is 75.1% pre-leased to Dole Food Company, Inc.

Los Angeles North Top Office Leases

Address	Tenant	SF
21301 Burbank Blvd., Woodland Hills	Universal Music Group	146,600
6300 Canoga Ave., Woodland Hills	Blue Shield (renewal)	98,000
800 N. Brand Blvd., Glendale	Union Bank	51,706
29899 Agoura Road, Agoura Hills	Cydcor LLC	43,000
505 N. Brand Blvd., Glendale	State Board of Equalization	35,000
21255 Burbank Blvd., Woodland Hills	United Online, Inc.	29,576

Sales Activity

Total office building sales activity in the first quarter 2014 fell compared to the fourth quarter 2013 in terms of dollar volume, and cap rates have been lower in 2014, averaging 6.44% compared to the same period in 2013 when they averaged 6.54%. The largest transaction that occurred within the first quarter 2014 was the sale by Amstar Advisers LLC of the Westlake Park Place building located in Westlake Village to Invesco Real Estate. The sale of this 238,943 square foot building took place on 1/14/2014 for \$98,025,000 or approximately \$410.24 per square foot.

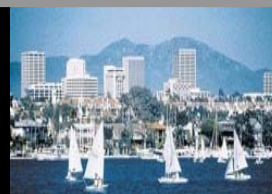


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