



OFFICE MARKET UPDATE LOS ANGELES NORTH

THIRD QUARTER 2012

Overview

The Los Angeles North office market continued on a path of slow but steady recovery in the third quarter of 2012, despite a sluggish economy that has remained stagnant, “not going up and not going down” according to a recent report by the San Fernando Valley Economic Research Center at California State University, Northridge. Net absorption was substantially higher than the second quarter, however, faster growth is being hampered by budget problems at all levels of government, and private sector paralysis over the uncertainty about what policies will be in place after next month’s election.

Absorption

Net absorption for the Los Angeles North office market was a positive 195,692 square feet in the third quarter 2012, compared to a positive 73,534 square feet in the second quarter of 2012. Year to date the Santa Clarita Valley submarket had the highest positive absorption with 126,187 square feet followed by the Glendale submarket with 125,961 square feet and the North Hollywood submarket with 110,283 square feet. Sherman Oaks was the worst performing submarket with negative (39,921) square feet, followed by the Studio/Universal Cities submarket with negative (5,152) square feet and the Eastern SFV submarket with positive 16,792 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	587	13,750,657	1,464,507	10.7%	23,583	0	\$2.61
Calabasas/Westlake Village	210	7,397,116	1,229,266	16.6%	32,300	23,000	\$2.02
Eastern SFV	588	8,209,189	774,051	9.4%	16,792	125,000	\$1.76
Encino	80	4,644,833	531,629	11.4%	81,693	0	\$2.30
Glendale	710	12,203,717	1,640,193	13.4%	125,961	0	\$2.37
North Hollywood	340	3,599,808	217,220	6.0%	110,283	0	\$2.25
Santa Clarita Valley	208	4,792,192	871,690	18.2%	126,187	0	\$2.38
Sherman Oaks	129	3,734,669	430,862	11.5%	-39,921	0	\$2.20
Studio/Universal Cities	288	4,222,221	473,542	11.2%	-5,152	0	\$2.21
Tarzana	78	1,664,037	162,013	9.7%	24,666	0	\$2.06
Thousand Oaks/SE County	310	7,161,853	1,245,278	17.4%	67,368	0	\$2.00
Western SFV	394	7,212,631	1,393,210	19.3%	54,916	9,000	\$1.90
Woodland Hills/Warner	206	10,100,289	1,605,205	15.9%	63,092	0	\$2.00
Totals	4,128	88,693,212	12,038,666	13.6%	681,768	157,000	\$2.16

Vacancy

The overall office vacancy rate in the Los Angeles North market area was at 13.6% at the end of the third quarter 2012, slightly lower than the 13.7% rate in the second quarter 2012. The Western SFV submarket had the region’s highest vacancy rate of 19.3%, followed by the Santa Clarita Valley submarket with 18.2%, and the Thousand Oaks/SE County submarket at 17.4%. The North Hollywood submarket had the region’s lowest vacancy rate of 6.0%, followed by the Tarzana submarket at 9.7% and the Eastern SFV submarket at 9.4%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, remained at \$2.16 per square foot at the end of the third quarter 2012 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.37 per square foot, with Class B rates at \$2.02 per square foot, and Class C rates at \$1.79 per square foot. The Burbank submarket had the highest average asking rate of \$2.61 per square foot, while the Eastern San Fernando Valley market had the lowest rate at \$1.76 per square foot.

Construction

There were 157,000 square feet of office space under construction in the Los Angeles North office market at the end of the third 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
26580 & 26664 Agoura Road, Calabasas	Line 6 Inc. (renewal & expansion)	70,011
LNR Warner Center, Woodland Hills	Activision Blizzard Inc.	46,701
5900 Sepulveda Blvd., Van Nuys	Bunim/Murray Productions	44,500
8407 Fallbrook Ave., West Hills	QBE Financial Institution Risk Services	44,436
15821 Ventura Blvd., Encino	CMS Cap Management Systems	28,300
6501 Van Nuys Blvd., Van Nuys	San Fernando Community Mental Health Center	25,183

Sales Activity

Total office building sales activity in the second quarter 2012 rose compared to the first quarter 2012 in terms of dollar volume, and cap rates have been lower in 2012, averaging 7.16% compared to the same period in 2011 when they averaged 7.98%. The largest transaction that occurred within the second quarter 2012 was the sale by Bantry Holdings of the 500 N. Central Ave. and 501 N. Orange Street properties in Glendale to Peregrine Realty Partners. The sale of these two properties totaling 153,000 square feet took place on 6/08/2012 for \$28,000,000 or approximately \$182.98 per square foot.

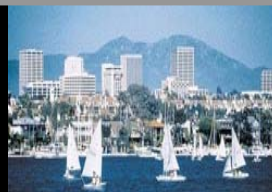


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