



# OFFICE MARKET UPDATE LOS ANGELES NORTH

THIRD QUARTER 2013

## Overview

The Los Angeles North office market had positive net absorption in the third quarter of 2013 offsetting all of 2013's prior 370,567 square feet of negative net absorption. While cutbacks in the Department of Defense have caused aerospace firms to experience a slowdown, such as Rocketdyne in Canoga Park and Northrop Grumman in Woodland Hills calling for layoffs of 100 and 200 employees, respectively, the demand for creative office space by high tech, entertainment and media related companies has helped to reduce the vacancy rate, with more and more landlords repurposing their antiquated low-rise office buildings and industrial flex buildings to take advantage of this increased demand for creative space.

## Absorption

Net absorption for the Los Angeles North office market was a positive 374,757 square feet in the third quarter 2013, compared to a negative (263,824) square feet in the second quarter of 2013. Year to date the Woodland Hills/Warner Center submarket had the highest positive absorption with 227,418 square feet followed by the Santa Clarita Valley submarket with 142,391 square feet and the Calabasas/Westlake Village submarket with 140,384 square feet. Burbank was the worst performing submarket with negative (420,146) square feet, followed by the North Hollywood submarket with negative (194,350) square feet and the Glendale submarket with negative (153,773) 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	597	14,059,628	1,838,049	13.1%	-420,146	20,704	\$2.70
Calabasas/Westlake Village	212	7,661,388	1,107,987	14.5%	140,384	0	\$1.98
Eastern SFV	594	8,403,892	846,516	10.1%	-7,541	0	\$1.79
Encino	85	4,852,413	574,545	11.8%	25,652	0	\$2.28
Glendale	707	11,998,592	1,649,996	13.8%	-153,773	0	\$2.41
North Hollywood	326	3,398,048	369,471	10.9%	-194,350	0	\$2.35
Santa Clarita Valley	209	4,732,397	494,074	10.4%	142,391	102,113	\$2.38
Sherman Oaks	126	3,720,189	354,478	9.5%	66,919	0	\$2.27
Studio/Universal Cities	290	4,182,527	473,178	11.3%	21,376	0	\$2.97
Tarzana	75	1,649,883	157,884	9.6%	7,749	0	\$2.03
Thousand Oaks/SE County	309	7,207,606	1,065,392	14.8%	114,948	0	\$2.02
Western SFV	379	6,780,062	1,029,315	15.2%	33,163	0	\$2.02
Woodland Hills/Warner Center	214	10,343,889	1,355,389	13.1%	227,418	0	\$2.03
<b>Totals</b>	<b>4,123</b>	<b>88,990,514</b>	<b>11,316,274</b>	<b>12.7%</b>	<b>4,190</b>	<b>122,817</b>	<b>\$2.25</b>

## Vacancy

The overall office vacancy rate in the Los Angeles North market area dropped to 12.7% at the end of the third quarter 2013, compared to 13.1% in the second quarter 2013. The Western SFV submarket had the region's highest vacancy rate of 15.2%, followed by the Thousand Oaks/SE County submarket with 14.8%, and the Calabasas/Westlake Village submarket at 14.5%. The Sherman Oaks submarket had the region's lowest vacancy rate of 9.5%, followed by the Tarzana submarket at 9.6% and the Eastern SFV submarket at 10.1%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, rose to \$2.25 per square foot at the end of the third quarter 2013 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 \$2.07 per square foot, and Class C rates at \$1.91 per square foot. The Studio/Universal Cities submarket had the highest average asking rate of \$2.97 per square foot, while the Eastern San Fernando Valley market had the lowest rate at \$1.79 per square foot.

## Construction

There was a total of 122,817 square feet of office space under construction in the Los Angeles North office market at the end of the third quarter 2013. The largest building under construction is the Santa Clarita Professional Center located at 17901 Soledad Canyon Road. The building is 0% pre-leased.

## Los Angeles North Top Office Leases

Address	Tenant	SF
800 N. Brand Blvd., Glendale	Nestle USA, Inc. (renewal)	430,760
2900 W. Alameda Ave., Burbank	Legendary Pictures	70,000
4100 W. Alameda Ave., Burbank	Cookie Jar Entertainment	57,336
800 N. Brand Blvd., Glendale	Union Bank	51,702
207 Goode Ave., Glendale	Avery Dennison	50,488
500 N. Brand Blvd., Glendale	Vulcan Materials Co.	40,809

## Sales Activity

Total office building sales activity in the second quarter 2013 rose compared to the first quarter 2013 in terms of dollar volume, and cap rates have been lower in 2013, averaging 6.10% compared to the same period in 2012 when they averaged 7.26%. The largest transaction that occurred within the second quarter 2013 was the sale of the 3300 W. Olive Ave. building in Burbank by M. David Paul & Associates to Hudson Pacific Properties, Inc. The sale of this 230,000 square foot building took place on 6/17/2013 at a price of \$130,000,000 or approximately \$565.22 per square foot.

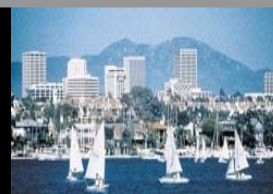


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