



OFFICE MARKET UPDATE LOS ANGELES NORTH

FOURTH QUARTER 2012

Overview

The Los Angeles North office market experienced strong demand in the fourth quarter of 2012, despite concerns over the much talked about fiscal cliff looming over the national economy. Net absorption was substantially higher than the third quarter, and the overall vacancy rate declined in the fourth quarter, opening the door for landlords to begin to raise their rental rates. Entertainment, media, health care and technology companies are expected to lead the way in future growth and, with virtually no new construction, the office market should see steady, but modest improvement over the next two years.

Absorption

Net absorption for the Los Angeles North office market was a positive 903,670 square feet in the fourth quarter 2012, compared to a positive 195,692 square feet in the third quarter of 2012. Year to date the Burbank submarket had the highest positive absorption with 440,505 square feet followed by the Santa Clarita Valley submarket with 272,546 square feet and the Glendale submarket with 251,403 square feet. Sherman Oaks was the worst performing submarket with negative (30,481) square feet, followed by the Studio/Universal Cities submarket with negative (26,558) square feet and the Tarzana submarket with positive 21,046 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	588	14,091,968	1,378,764	9.8%	440,505	0	\$2.62
Calabasas/Westlake Village	211	7,501,308	1,197,292	16.0%	87,274	0	\$2.03
Eastern SFV	589	8,366,627	796,335	9.5%	120,188	0	\$1.83
Encino	85	4,851,723	600,197	12.4%	74,441	0	\$2.25
Glendale	709	12,195,896	1,510,001	12.4%	251,403	0	\$2.36
North Hollywood	340	3,589,028	226,040	6.3%	94,963	0	\$2.25
Santa Clarita Valley	209	4,704,696	623,718	13.3%	272,546	102,113	\$2.42
Sherman Oaks	127	3,709,051	421,422	11.4%	-30,481	0	\$2.20
Studio/Universal Cities	289	4,225,305	494,948	11.7%	-26,558	0	\$2.84
Tarzana	78	1,664,037	165,633	10.0%	21,046	0	\$2.07
Thousand Oaks/SE County	314	7,229,869	1,286,251	17.8%	31,533	0	\$2.01
Western SFV	383	6,813,694	1,232,802	18.1%	139,130	0	\$1.94
Woodland Hills/Warner	215	10,314,907	1,590,807	15.4%	109,448	0	\$2.03
Totals	4,137	89,258,109	11,524,210	12.9%	1,585,438	102,113	\$2.22

Vacancy

The overall office vacancy rate in the Los Angeles North market area was at 12.9% at the end of the fourth quarter 2012, an improvement from the 13.6% rate in the third quarter 2012. The Western SFV submarket had the region's highest vacancy rate of 18.1%, followed by the Thousand Oaks/SE County submarket with 17.8%, and the Calabasas/Westlake Village submarket at 16.0%. The North Hollywood submarket had the region's lowest vacancy rate of 6.3%, followed by the Eastern SFV submarket at 9.5% and the Burbank submarket at 9.8%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, rose to \$2.22 per square foot at the end of the fourth quarter 2012 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.43 per square foot, with Class B rates at \$2.04 per square foot, and Class C rates at \$1.83 per square foot. The Studio/Universal Cities submarket had the highest average asking rate of \$2.84 per square foot, while the Eastern San Fernando Valley market had the lowest rate at \$1.83 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 fourth quarter 2012. 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
9401 Corbin Ave., Chatsworth	ATK Missile Systems	120,000
5601 Lindero Canyon Road, Westlake Village	Intuit (renewal)	71,754
207 Goode Ave., Glendale	Whole Foods	45,080
801 N. Brand Blvd., Glendale	New York Life	31,675
3000 W. Alameda Ave., Burbank	I Heart Radio	31,675
27202 Tumberry Lane, Valencia	Nexis IS (renewal)	30,000

Sales Activity

Total office building sales activity in the third quarter 2012 rose compared to the second quarter 2012 in terms of dollar volume, and cap rates have been lower in 2012, averaging 7.38% compared to the same period in 2011 when they averaged 7.89%. The largest transaction that occurred within the third quarter 2012 was the sale by LNR Property Corporation of two properties in Glendale consisting of 801 N. Brand Blvd. and 700 N. Central Ave. to The Blackstone Group. The sale of these two properties totaling 418,951 square feet took place on 7/5/2012 for \$69,750,000 or approximately \$166.49 per square foot.

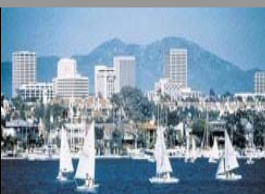
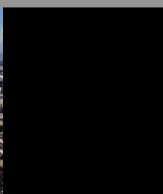


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