



OFFICE MARKET UPDATE LOS ANGELES NORTH

FOURTH QUARTER 2013

Overview

The Los Angeles North office market had its second straight quarter of positive net absorption in the fourth quarter of 2013, eliminating all of 2013's prior negative net absorption. The improvement was broad, with the east, central and west areas of the market all experiencing falling vacancies. The demand for creative office space by high tech, entertainment and media related companies continued as the driving force behind the majority of the leasing activity, however, rental rates have remained relatively stable. The outlook looks bright for future office space demand, and that should help landlords in their ability to reduce the amount of concessions needed to entice tenants to lease their space.

Absorption

Net absorption for the Los Angeles North office market was a positive 678,791 square feet in the fourth quarter 2013, compared to a positive 374,757 square feet in the third quarter of 2013. Year to date the Studio/Universal Cities submarket had the highest positive absorption with 267,354 square feet followed by the Woodland Hills/Warner Center submarket with 216,404 square feet and the Thousand Oaks/SE County submarket with 178,839 square feet. Burbank was the worst performing submarket with negative (330,734) square feet, followed by the North Hollywood submarket with negative (175,458) square feet and the Glendale submarket with negative (325) 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	604	14,090,110	1,795,573	12.7%	-330,734	0	\$2.64
Calabasas/Westlake Village	213	7,728,915	1,098,107	14.2%	150,264	0	\$2.02
Eastern SFV	597	8,404,839	776,639	9.2%	62,936	0	\$1.82
Encino	86	4,853,768	574,652	11.8%	25,545	0	\$2.29
Glendale	706	11,959,455	1,496,548	12.5%	-325	0	\$2.41
North Hollywood	323	3,376,227	351,079	10.4%	-175,458	0	\$2.34
Santa Clarita Valley	210	4,735,167	493,435	10.4%	143,530	102,113	\$2.42
Sherman Oaks	126	3,742,227	337,510	9.0%	83,887	0	\$2.18
Studio/Universal Cities	289	4,171,437	227,200	5.4%	267,354	0	\$2.94
Tarzana	73	1,629,633	125,905	7.7%	39,728	0	\$2.00
Thousand Oaks/SE County	310	7,170,135	1,012,925	14.1%	178,839	12,000	\$1.99
Western SFV	380	6,843,032	1,041,467	15.2%	21,011	0	\$2.03
Woodland Hills/Warner Center	214	10,348,731	1,366,403	13.2%	216,404	0	\$2.06
Totals	4,131	89,053,676	10,697,443	12.0%	682,981	114,113	\$2.24

Vacancy

The overall office vacancy rate in the Los Angeles North market area dropped to 12.0% at the end of the fourth quarter 2013, compared to 12.7% in the third quarter 2013. The Western SFV submarket had the region's highest vacancy rate of 15.2%, followed by the Calabasas/Westlake Village submarket with 14.2%, and the Thousand Oaks/SE County submarket at 14.1%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 5.4%, followed by the Tarzana submarket at 7.7% and the Sherman Oaks submarket at 9.0%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, dropped slightly to \$2.24 per square foot at the end of the fourth quarter 2013 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.42 per square foot, with Class B rates at \$2.06 per square foot, and Class C rates at \$1.93 per square foot. The Studio/Universal Cities submarket had the highest average asking rate of \$2.94 per square foot, while the Eastern San Fernando Valley market had the lowest rate at \$1.82 per square foot.

Construction

There was a total of 114,113 square feet of office space under construction in the Los Angeles North office market at the end of the fourth quarter 2013. The largest building under construction is the 102,113-square-foot 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
2900 W. Alameda Ave., Burbank	DC Comics (expansion)	90,000
400 N. Brand Blvd., Glendale	Cigna Health (renewal)	78,469
2255 N. Ontario Street, Burbank	GMC	40,404
26610 Agoura Road, Calabasas	Grant & Weber	31,224
303 N. Glenoaks Blvd., Burbank	The Cartoon Network (renewal)	27,915
25360 Magic Mountain Pky., Valencia	State Board of Equalization	25,000

Sales Activity

Total office building sales activity in the third quarter 2013 rose compared to the second quarter 2013 in terms of dollar volume, and cap rates have been lower in 2013, averaging 6.13% compared to the same period in 2012 when they averaged 7.45%. The largest transaction that occurred within the third quarter 2013 was the sale of the 16501 Ventura Blvd. building in Encino by Kennedy-Wilson Properties Ltd. to Douglas Emmett, Inc. The sale of this 191,000 square foot building took place on 8/15/2013 at a price of \$61,000,000 or approximately \$319.00 per square foot.

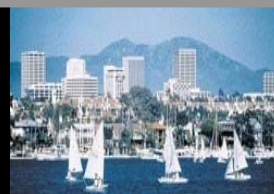


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