



Office Market Update Greater Los Angeles

FIRST QUARTER 2015

Overview

In the first quarter of 2015, the Greater Los Angeles office market experienced somewhat of a pull back for office space, recording negative net absorption of (242,140) square feet. This downturn was caused by two main factors; increased deliveries of new office buildings, and several large tenants either relocating or downsizing in their current facilities. This negative net absorption against a market base that is over 245 million square feet, is statistically negligible, however, it was enough to cause a slight uptick in the overall vacancy rate.

Absorption

Net absorption for the Greater Los Angeles office market was negative (242,140) square feet in the first quarter 2015, compared to a positive 1,135,558 square feet in the fourth quarter 2014. The Class-A office market recorded net absorption of positive 238,763 square feet, Class-B was negative (395,071) square feet, and Class-C was negative (85,832) square feet.

Los Angeles Office Market Snapshot

Market	# Buildings	Total RBA SF	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	Under Construction	Quoted Rates
Antelope Valley	355	3,784,155	351,800	9.3%	-12,294	79,850	\$1.74
Burbank/Glendale/Pasadena	3,055	55,322,829	5,334,649	9.6%	136,950	208,457	\$2.46
Downtown Los Angeles	696	68,820,850	8,768,178	12.7%	13,425	356,141	\$2.75
Mid-Cities	1006	10,350,507	837,465	8.1%	-118,870	12,600	\$1.83
Mid-Wilshire	1,597	39,736,662	4,799,793	12.1%	31,428	830,861	\$2.57
San Fernando Valley	1,479	35,997,611	4,516,406	12.5%	18,379	122,978	\$2.09
San Gabriel Valley	1,994	30,401,759	2,764,562	9.1%	14,747	213,586	\$1.96
Santa Clarita Valley	212	4,839,360	576,657	11.9%	-5,462	43,000	\$2.39
South Bay	2,438	63,266,138	9,499,123	15.0%	-217,654	329,294	\$2.15
Southeast Los Angeles	598	8,555,484	556,020	6.5%	9,860	0	\$1.67
Ventura North	817	7,683,289	939,602	12.2%	-243,671	0	\$1.77
Ventura South	1,006	21,527,712	2,620,159	12.2%	73,190	120,933	\$2.05
West Los Angeles	2,484	75,354,999	7,772,757	10.3%	57,832	253,435	\$3.77
Totals	17,737	425,641,355	49,337,171	11.6%	-242,140	2,571,135	\$2.25

Vacancy

The overall office vacancy rate in the Greater Los Angeles market area increased slightly to 11.6% at the end of the first quarter 2015, and was down from the 12.1% rate recorded a year ago. The South Bay submarket had the region's highest vacancy rate of 15.0%, followed by the Downtown Los Angeles submarket at 12.7%, and the San Fernando Valley submarket at 12.5%. The Southeast Los Angeles submarket had the lowest vacancy rate of 6.5%, followed by the Mid-Cities submarket at 8.1%, and the San Gabriel Valley submarket at 9.1%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, decreased to \$2.25 per square foot at the end of the first quarter 2015 in the Greater Los Angeles area. The average quoted rate within the Class-A sector was \$2.76 at the end of the first quarter, while Class-B rates stood at \$2.26, and Class-C rates at \$2.16. The West Los Angeles submarket had the highest asking rate of \$3.77 per square foot, while the Southeast Los Angeles submarket had the lowest asking rate at \$1.67 per square foot.

Construction

During the first quarter 2015, nine buildings totaling 427,813 square feet were completed in the Greater Los Angeles market and there were 2,571,135 square feet of office space under construction. The largest projects underway were the Office Plaza at Wilshire Grand, a 356,141-square-foot building with 0% of its space pre-leased, and Columbia Square, Gower/Selma in Hollywood, a 248,879-square-foot building with 68% of its space pre-leased.

Los Angeles Top Office Leases

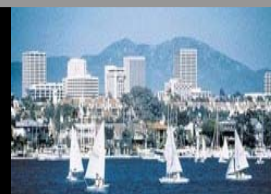
Address	Tenant	SF
333 S. Hope Street, Greater LA Downtown	Capital Group (renewal)	323,000
350 S. Grand Ave., Greater LA Downtown	City of Los Angeles	126,000
1800 Avenue of the Stars, Century City	Irell & Manella LLP (renewal)	125,250
2 Innovation Way, San Gabriel Valley	Southern California Edison	125,000
203 W. Olive Ave., Burbank	Nickelodeon	113,760
3000 Alameda Ave., Burbank	Nickelodeon	108,410

Sales Activity

Tallying office building sales of 15,000 square feet or larger, Los Angeles office sales figures fell during the fourth quarter 2014 in terms of dollar volume compared to the third quarter 2014. In the fourth quarter, 47 office transactions closed with a total volume of \$1,534,969,500. The 47 buildings totaled 5,586,074 square feet and the average price equated to \$274.79 per square foot. That compares to 47 transactions totaling \$1,591,816,904 in the third quarter 2014. Cap rates have been higher in 2014, averaging 6.44% compared to the same period in 2013 when they averaged 6.28%. The largest transaction that occurred within the fourth quarter 2014 was the sale by Beacon Capital Partners of the Aon Center, located in Downtown Los Angeles, to Shorenstein Properties LLC. The sale of this building, totaling 1,110,000 square feet, took place on 10/10/2014 for \$268,520,000 or approximately \$241.91 per square foot.



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