



# Office Market Update Greater Los Angeles

SECOND QUARTER 2012

## Overview

The office market in the Greater Los Angeles area offered a glimmer of hope for improvement in the second quarter 2012 as modest employment gains continued, signaling that a fragile recovery may finally be underway. Even so, the recovery in Los Angeles continues to lag nearly all other major U.S. markets and, with a few notable exceptions, most submarkets are still considered to be quite soft, with tenants retaining the upper hand in lease negotiations. On a positive note, entertainment companies continued to expand their commitment to the region, driving second quarter leasing activity, particularly on the Westside.

## Absorption

Net absorption for the Greater Los Angeles office market was negative (93,995) square feet in the second quarter 2012, compared to a positive 1,081,923 square feet in the first quarter 2012. The Class-A office market recorded net absorption of negative (59,368) square feet, Class-B was negative (57,490) square feet, and Class-C was positive 22,863 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	361	3,847,991	379,031	9.9%	15,083	0	\$1.79
Burbank/Glendale/Pasadena	3,029	55,466,381	6,159,596	11.1%	134,689	24,887	\$2.41
Downtown Los Angeles	680	69,264,685	8,299,188	12.0%	-125,038	0	\$2.60
Mid-Cities	956	9,724,063	698,706	7.2%	93,755	20,507	\$1.81
Mid-Wilshire	1,588	40,035,199	4,439,957	11.1%	56,437	462,394	\$2.14
San Fernando Valley	1,479	35,595,362	5,050,084	14.2%	93,130	134,000	\$1.97
San Gabriel Valley	1,894	29,688,944	2,593,723	8.7%	-52,531	132,518	\$1.80
Santa Clarita Valley	208	4,724,135	815,037	17.3%	80,227	102,113	\$2.33
South Bay	2,317	61,877,921	9,272,791	15.0%	92,626	907,793	\$2.02
Southeast Los Angeles	536	8,197,503	668,155	8.2%	-18,057	0	\$1.71
Ventura North	816	7,570,093	655,094	8.7%	148,702	0	\$1.87
Ventura South	996	21,202,642	3,504,259	16.5%	196,180	277,912	\$1.96
West Los Angeles	2,446	75,514,966	10,104,403	13.4%	272,725	0	\$3.17
<b>Totals</b>	<b>17,306</b>	<b>422,709,885</b>	<b>52,640,024</b>	<b>12.5%</b>	<b>987,928</b>	<b>2,062,124</b>	<b>\$2.32</b>

## Vacancy

The overall office vacancy rate in the Greater Los Angeles market area remained at 12.5% at the end of the second quarter 2012, and was unchanged from the 12.5% rate recorded a year ago. The Santa Clarita Valley had the region's highest vacancy rate of 17.3%, followed by the Ventura South submarket at 16.5%, and the South Bay submarket at 15.0%. The Mid-Cities submarket had the lowest vacancy rate of 7.2%, followed by the Southeast Los Angeles submarket at 8.2%, and the San Gabriel Valley and the Ventura North submarkets, both at 8.7%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, rose to \$2.32 per square foot at the end of the second quarter 2012 in the Greater Los Angeles area. The average quoted rate within the Class-A sector was \$2.59 at the end of the second quarter, while Class-B rates stood at \$2.06, and Class-C rates at \$1.89. West Los Angeles had the highest asking rate of \$3.17 per square foot, while the Southeast Los Angeles market had the lowest asking rate at \$1.71 per square foot.

## Construction

During the second quarter 2012, three buildings totaling 79,290 square feet were completed in the Greater Los Angeles market and there were 2,062,124 square feet of office space under construction. The largest project underway is the new Governor Deukmejian Courthouse Building in Long Beach, a 545,000-square-foot building with 99% of its space pre-leased.

## Los Angeles Top Office Leases

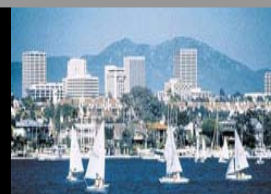
Address	Tenant	SF
2230 East Imperial Hwy., El Segundo	DirecTV (renewal)	205,202
221 N. Figueroa Street, Greater Downtown	Lewis Brisbois Bisgaard & Smith LLP (renewal)	160,415
9200 Oakdale Ave., Chatsworth	Chase Bank	145,337
3501 Sepulveda Blvd., Torrance	Saatchi & Saatchi (renewal)	141,702
2400 West Empire Ave., Burbank	Deluxe Digital Studios, Inc. (expansion & renewal)	130,000
2300 West Empire Ave., Burbank	Playboy Plus	102,000

## Sales Activity

Tallying office building sales of 15,000 square feet or larger, Los Angeles office sales figures fell during the first quarter 2012 in terms of dollar volume compared to the fourth quarter 2011. In the first quarter, 28 office transactions closed with a total volume of \$350,635,590. The 28 buildings totaled 1,777,196 square feet and the average price equated to \$197.30 per square foot. That compares to 27 transactions totaling \$651,804,215 in the fourth quarter 2011. Cap rates have been lower in 2012, averaging 7.36% compared to the same period in 2011 when they averaged 7.49%. The largest transaction that occurred within the first quarter 2012 was the sale by CWCapital Asset Management LLC of 2 Buildings located at 155 N. Crescent Drive in Beverly Hills to BlackRock Realty Advisors. The sale of this 172,273 square foot 2 building property took place on 1/09/2012 for \$85,150,000 or approximately \$494.27 per square foot.



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