



Office Market Update Greater Los Angeles

SECOND QUARTER 2013

Overview

The office market in the Greater Los Angeles area improved only slightly for landlords in the second quarter 2013, even though many companies have been hiring new workers as the economy continues to mend. However, the employment gains in certain sectors of the market were offset by unexpectedly large job losses in the entertainment sector and even with some positive absorption in the second quarter, year to date absorption is still negative as tenants continue to downsize. The unemployment rate in LA county was down slightly to 9.6% but despite the decline, the rate still remains above the statewide rate of 8.6%.

Absorption

Net absorption for the Greater Los Angeles office market was positive 357,111 square feet in the second quarter 2013, compared to a negative (1,012,504) square feet in the first quarter 2013. The Class-A office market recorded net absorption of negative (59,476) square feet, Class-B was positive 322,931 square feet, and Class-C was positive 93,656 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	360	3,857,516	370,606	9.6%	65,541	0	\$1.62
Burbank/Glendale/Pasadena	3,054	55,583,386	6,425,446	11.6%	-625,939	41,200	\$2.44
Downtown Los Angeles	683	68,070,836	8,962,307	13.2%	-16,134	0	\$2.59
Mid-Cities	981	10,063,294	692,975	6.9%	85,147	21,590	\$1.74
Mid-Wilshire	1,606	40,658,256	5,221,706	12.8%	-132,579	105,186	\$2.21
San Fernando Valley	1,477	35,780,875	4,582,856	12.8%	60,956	0	\$1.97
San Gabriel Valley	1,962	30,218,147	2,665,245	8.8%	198,459	0	\$1.78
Santa Clarita Valley	208	4,716,764	620,754	13.2%	6,211	102,113	\$2.35
South Bay	2,376	63,045,279	10,125,560	16.1%	-312,917	1,002,750	\$1.97
Southeast Los Angeles	569	8,565,323	706,877	8.3%	10,878	0	\$1.65
Ventura North	814	7,582,394	645,453	8.5%	34,757	0	\$1.84
Ventura South	1,002	21,650,098	3,223,824	14.9%	226,683	0	\$1.95
West Los Angeles	2,465	75,650,510	9,951,466	13.2%	-256,456	26,093	\$3.24
Totals	17,557	425,442,678	54,195,075	12.7%	-655,393	1,298,932	\$2.32

Vacancy

The overall office vacancy rate in the Greater Los Angeles market area decreased to 12.7% at the end of the second quarter 2013, and was slightly higher than the 12.5% rate recorded a year ago. The South Bay submarket had the region's highest vacancy rate of 16.1%, followed by the Ventura South submarket at 14.9%, and the Downtown Los Angeles, the Santa Clarita Valley and the West Los Angeles submarkets all tied for third at 13.2%. The Mid-Cities submarket had the lowest vacancy rate of 6.9%, followed by the Southeast Los Angeles submarket at 8.3%, and the Ventura North submarket at 8.5%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, increased slightly to \$2.32 per square foot at the end of the second quarter 2013 in the Greater Los Angeles area. The average quoted rate within the Class-A sector was \$2.58 at the end of the second quarter, while Class-B rates stood at \$2.08, and Class-C rates at \$1.90. West Los Angeles had the highest asking rate of \$3.24 per square foot, while the Antelope Valley market had the lowest asking rate at \$1.62 per square foot.

Construction

During the second quarter 2013, six buildings totaling 142,857 square feet were completed in the Greater Los Angeles market and there were 1,298,932 square feet of office space under construction. The largest projects underway are the new Governor Deukmejian Courthouse Building in Long Beach, a 545,000-square-foot building with 99% of its space pre-leased, and Main Tower in Torrance, a 321,450-square foot facility that is 100% pre-leased.

Los Angeles Top Office Leases

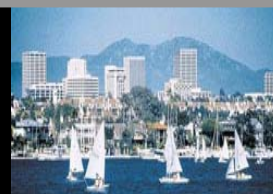
Address	Tenant	SF
2161-2181 Technology Place, Long Beach	Corinthian Colleges (renewal)	92,435
550 South Hope Street, Greater Downtown	KPMG	88,648
777 South Figueroa, Greater Downtown	AIG (renewal)	83,256
333 South Hope Street, Greater Downtown	The Capital Group (renewal)	60,000
3179 Temple Ave., Eastern SGV	County of LA Childrens Services (renewal)	50,564
6080 Center Drive, Marina Del Rey/Venice	KPFF Consulting Engineers (renewal)	46,728

Sales Activity

Tallying office building sales of 15,000 square feet or larger, Los Angeles office sales figures fell during the first quarter 2013 in terms of dollar volume compared to the fourth quarter 2012. In the first quarter, 20 office transactions closed with a total volume of \$418,286,887. The 20 buildings totaled 1,814,514 square feet and the average price equated to \$230.52 per square foot. That compares to 54 transactions totaling \$1,665,805,371 in the fourth quarter 2012. Cap rates have been lower in 2013, averaging 6.16% compared to the same period in 2012 when they averaged 7.54%. The largest transaction that occurred within the first quarter 2013 was the sale by JPMorgan Chase & Co. of the two buildings located at 11335 & 11365 W. Olympic Blvd. in Los Angeles to Northwood Acquisitions LLC. The sale of this 336,285 square foot two-building property took place on 1/03/2013 for \$150,400,000 or approximately \$456.37 per square foot.



PROVIDING OFFICE TENANTS WITH EXPERT SOLUTIONS



Local Offices

Santa Clarita Valley
28338 Constellation Road
Suite 950
Valencia, CA 91355
(661) 702-8880

Los Angeles
545 S. Figueroa Street
12th Floor
Los Angeles, CA 90071
(213) 627-3338

Orange County
4041 MacArthur Boulevard
Suite 120
Newport Beach, CA 92660
(949) 650-5899

Duane Cody – Senior Director
Southern California Operations
(661) 702-8880
dcody@raginc.com

Prepared by:

Binswanger / Realty Advisory Group
28338 Constellation Road, Suite 950
Valencia, CA 91355
Tel: (661) 702-8880
www.binswanger.com

