



# Office Market Update Greater Los Angeles

THIRD QUARTER 2012

## Overview

The office market in the Greater Los Angeles area remained flat in the third quarter 2012 even though some employers are hiring and expanding again. The greatest amount of leasing activity continued to be in the areas of Santa Monica, Venice and Playa Vista, predominately amongst the growing technology and entertainment companies, despite the rising rents in the West Los Angeles market. Further inland, the market remains soft, with tenants retaining the upper hand in lease negotiations, especially in the downtown Los Angeles market. Tenants in need of expansion space are mostly the creative companies that prefer to occupy the low rise buildings in the suburban areas.

## Absorption

Net absorption for the Greater Los Angeles office market was positive 94,915 square feet in the third quarter 2012, compared to a negative (186,152) square feet in the second quarter 2012. The Class-A office market recorded net absorption of positive 304,031 square feet, Class-B was positive 1,785 square feet, and Class-C was negative (210,901) 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	357	3,783,402	391,674	10.4%	2,040	0	\$1.79
Burbank/Glendale/Pasadena	3,039	55,390,012	6,000,007	10.8%	309,540	45,887	\$2.40
Downtown Los Angeles	678	69,095,758	8,516,405	12.3%	-259,522	0	\$2.58
Mid-Cities	969	10,002,043	778,745	7.8%	35,716	20,507	\$1.78
Mid-Wilshire	1,587	39,979,531	4,662,669	11.7%	-190,175	561,017	\$2.12
San Fernando Valley	1,475	35,565,648	4,896,970	13.8%	201,418	134,000	\$1.96
San Gabriel Valley	1,895	29,704,749	2,669,891	9.0%	24,356	130,000	\$1.81
Santa Clarita Valley	208	4,792,192	871,690	18.2%	126,187	0	\$2.38
South Bay	2,331	62,286,013	9,376,208	15.1%	19,752	912,112	\$2.03
Southeast Los Angeles	537	8,178,228	653,190	8.0%	-1,743	0	\$1.76
Ventura North	814	7,544,745	656,723	8.7%	147,573	0	\$1.80
Ventura South	992	21,164,047	3,495,348	16.5%	187,945	277,912	\$1.96
West Los Angeles	2,447	75,470,253	9,966,499	13.2%	359,570	10,000	\$3.20
<b>Totals</b>	<b>17,329</b>	<b>422,956,621</b>	<b>52,936,019</b>	<b>12.5%</b>	<b>962,657</b>	<b>2,091,435</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 third quarter 2012, and was down slightly from the 12.6% rate recorded a year ago. The Santa Clarita Valley had the region's highest vacancy rate of 18.2%, followed by the Ventura South submarket at 16.5%, and the South Bay submarket at 15.1%. The Mid-Cities submarket had the lowest vacancy rate of 7.8%, followed by the Southeast Los Angeles submarket at 8.0%, and the Ventura North submarket at 8.7%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, remained the same at \$2.32 per square foot at the end of the third quarter 2012 in the Greater Los Angeles area. The average quoted rate within the Class-A sector was \$2.58 at the end of the third quarter, while Class-B rates stood at \$2.06, and Class-C rates at \$1.90. West Los Angeles had the highest asking rate of \$3.20 per square foot, while the Southeast Los Angeles market had the lowest asking rate at \$1.76 per square foot.

## Construction

During the third quarter 2012, seven buildings totaling 334,750 square feet were completed in the Greater Los Angeles market and there were 2,091,435 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
333 S. Grand Ave., Greater Downtown	Wells Fargo Bank (renewal)	291,000
601 S. Figueroa Street, Greater Downtown	PricewaterhouseCoopers	132,995
2500 Broadway, Santa Monica	Hulu	95,113
725 S. Figueroa Street, Greater Downtown	United States Secret Service	94,100
1055 E. Colorado Blvd., Pasadena	Guidance Software	86,790
155 N. Lake Ave., Pasadena	Jacobs Engineering	83,936

## Sales Activity

Tallying office building sales of 15,000 square feet or larger, Los Angeles office sales figures rose during the second quarter 2012 in terms of dollar volume compared to the first quarter 2012. In the second quarter, 28 office transactions closed with a total volume of \$670,288,229. The 28 buildings totaled 4,228,498 square feet and the average price equated to \$158.52 per square foot. That compares to 28 transactions totaling \$350,635,590 in the first quarter 2012. Cap rates have been lower in 2012, averaging 7.16% compared to the same period in 2011 when they averaged 7.98%. The largest transaction that occurred within the second quarter 2012 was the sale by CalSTRS of the 900-940 Westwood Blvd. property in West Los Angeles to the University of California. The sale of this 143,377 square foot building took place on 6/29/2012 for \$72,000,000 or approximately \$502.17 per square foot.



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