



Office Market Update Greater Los Angeles

THIRD QUARTER 2013

Overview

The office market in the Greater Los Angeles area is much the same in the third quarter 2013 as it has been for the last several quarters, with the Westside registering heated competition for space while the rest of the market sees little activity. Unemployment increased to 10.1% in August with the entertainment sector experiencing the largest jobs decline with 4,600 jobs lost in August. The region's office market has not picked up steam the way it did during previous economic recoveries and one big reason for this is that many traditional space users are packing more workers into less space, cutting back on private offices with open floor plans becoming the norm.

Absorption

Net absorption for the Greater Los Angeles office market was positive 1,748,629 square feet in the third quarter 2013, compared to a positive 334,795 square feet in the second quarter 2013. The Class-A office market recorded net absorption of positive 1,243,994 square feet, Class-B was positive 406,225 square feet, and Class-C was positive 98,410 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	3,847,260	403,449	10.5%	32,698	0	\$1.70
Burbank/Glendale/Pasadena	3,047	55,029,919	6,501,130	11.8%	-770,703	61,904	\$2.48
Downtown Los Angeles	688	68,490,954	9,003,550	13.1%	41,199	30,000	\$2.67
Mid-Cities	994	10,158,230	677,336	6.7%	122,142	181,909	\$1.82
Mid-Wilshire	1,599	40,022,446	5,212,547	13.0%	-246,859	95,002	\$2.30
San Fernando Valley	1,477	35,750,328	4,318,127	12.1%	353,360	0	\$2.02
San Gabriel Valley	1,961	30,203,599	2,780,799	9.2%	81,437	22,181	\$1.83
Santa Clarita Valley	209	4,732,397	494,074	10.4%	142,391	102,113	\$2.38
South Bay	2,392	63,280,126	9,700,599	15.3%	645,619	167,066	\$2.06
Southeast Los Angeles	579	8,568,820	617,760	7.2%	102,995	0	\$1.67
Ventura North	814	7,556,338	708,097	9.4%	-34,287	0	\$1.75
Ventura South	997	21,445,967	3,105,121	14.5%	307,861	0	\$1.95
West Los Angeles	2,453	75,124,754	9,459,828	12.6%	265,604	26,093	\$3.32
Totals	17,567	424,211,138	52,982,417	12.5%	1,043,457	686,268	\$2.39

Vacancy

The overall office vacancy rate in the Greater Los Angeles market area decreased to 12.5% at the end of the third quarter 2013, and was the same as the 12.5% rate recorded a year ago. The South Bay submarket had the region's highest vacancy rate of 15.3%, followed by the Ventura South submarket at 14.5%, and the Downtown Los Angeles submarket at 13.1%. The Mid-Cities submarket had the lowest vacancy rate of 6.7%, followed by the Southeast Los Angeles submarket at 7.2%, and the San Gabriel Valley submarket at 9.2%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, increased slightly to \$2.39 per square foot at the end of the third quarter 2013 in the Greater Los Angeles area. The average quoted rate within the Class-A sector was \$2.64 at the end of the third quarter, while Class-B rates stood at \$2.14, and Class-C rates at \$2.02. The West Los Angeles submarket had the highest asking rate of \$3.32 per square foot, while the Southeast Los Angeles submarket had the lowest asking rate at \$1.67 per square foot.

Construction

During the third quarter 2013, eight buildings totaling 637,734 square feet were completed in the Greater Los Angeles market and there were 686,268 square feet of office space under construction. The largest projects underway are the Meeker-Baker Building in Long Beach, a 120,000-square-foot medical building with 100% of its space pre-leased, and 301 N. Tamarind Ave. in Compton, a 106,964-square foot facility that is 100% pre-leased.

Los Angeles Top Office Leases

Address	Tenant	SF
800 N.Brand Blvd., Glendale	Nestle Usa, Inc. (renewal)	430,760
841 Apollo, El Segundo	Chitamil (renewal)	127,487
8550-8600 Hayden Place, Culver City	Beats Electronics	109,000
13031 W. Jefferson Blvd., Playa Vista	Sony Playstation	87,508
2900 W. Alameda Ave., Burbank	Legendary Pictures	70,000
2029 Century Park East, Century City	Akin Gump Straus Hauer & Feld, LLP (renewal)	64,500

Sales Activity

Tallying office building sales of 15,000 square feet or larger, Los Angeles office sales figures rose during the second quarter 2013 in terms of dollar volume compared to the first quarter 2013. In the second quarter, 54 office transactions closed with a total volume of \$1,704,580,337. The 54 buildings totaled 5,909,982 square feet and the average price equated to \$288.42 per square foot. That compares to 21 transactions totaling \$428,586,887 in the first quarter 2013. Cap rates have been lower in 2013, averaging 6.10% compared to the same period in 2012 when they averaged 7.26%. The largest transaction that occurred within the second quarter 2013 was the sale by The Blackstone Group of the Eighteen Eighty-Eight Building, located in Century City, to CommonWealth Partners. The sale of this 504,526 square foot building took place on 6/28/2013 for \$305,000,000 or approximately \$604.53 per square foot.



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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

