



# Office Market Update Greater Los Angeles

THIRD QUARTER 2014

## Overview

The Greater Los Angeles office market experienced explosive growth in the third quarter of 2014, fueled by robust job growth as the unemployment rate at the end of August dropped to 8.5%, down from 10.2% just one year ago. During the economic downturn, many tenants downsized their offices as they scaled back their employee base. Now that trend is reversing as empty office spaces are filling up, led by expanding entertainment, media and technology companies. Vacancy rates continued to drop and the market's demand for top-quality Class A space is driving rent increases. Already the most expensive Los Angeles submarket, the Westside had the highest rent growth rate.

## Absorption

Net absorption for the Greater Los Angeles office market was positive 1,151,356 square feet in the third quarter 2014, compared to a positive 778,093 square feet in the second quarter 2014. The Class-A office market recorded net absorption of positive 543,289 square feet, Class-B was positive 375,352 square feet, and Class-C was positive 232,715 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	3,862,542	379,283	9.8%	23,452	24,264	\$1.72
Burbank/Glendale/Pasadena	3,055	55,299,863	5,659,799	10.2%	362,719	194,436	\$2.46
Downtown Los Angeles	695	68,394,205	8,800,179	12.9%	122,286	386,140	\$2.75
Mid-Cities	1005	10,342,507	658,415	6.4%	54,217	41,000	\$1.81
Mid-Wilshire	1,595	39,737,473	4,844,468	12.2%	158,072	700,234	\$2.52
San Fernando Valley	1,478	35,892,205	4,221,799	11.8%	202,554	8,600	\$2.08
San Gabriel Valley	1,990	30,116,938	2,918,126	9.7%	55,275	166,408	\$1.93
Santa Clarita Valley	209	4,682,197	460,579	9.8%	33,356	100,000	\$2.40
South Bay	2,435	63,401,630	9,607,693	15.2%	83,227	319,294	\$2.12
Southeast Los Angeles	589	8,555,625	605,335	7.1%	18,901	0	\$1.77
Ventura North	818	7,690,179	706,666	9.2%	63,311	0	\$1.74
Ventura South	1,002	21,432,440	2,620,099	12.2%	197,669	163,495	\$2.02
West Los Angeles	2,472	75,163,696	8,241,557	11.0%	741,521	118,842	\$3.62
<b>Totals</b>	<b>17,700</b>	<b>424,571,500</b>	<b>49,723,998</b>	<b>11.7%</b>	<b>2,116,560</b>	<b>2,222,713</b>	<b>\$2.48</b>

## Vacancy

The overall office vacancy rate in the Greater Los Angeles market area decreased to 11.7% at the end of the third quarter 2014, and was down from the 12.5% rate recorded a year ago. The South Bay submarket had the region's highest vacancy rate of 15.2%, followed by the Downtown Los Angeles submarket at 12.9%, and the Mid-Wilshire and Ventura submarkets, both at 12.2%. The Mid-Cities submarket had the lowest vacancy rate of 6.4%, followed by the Southeast Los Angeles submarket at 7.1%, and the Ventura North submarket at 9.2%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, increased slightly to \$2.48 per square foot at the end of the third quarter 2014 in the Greater Los Angeles area. The average quoted rate within the Class-A sector was \$2.73 at the end of the third quarter, while Class-B rates stood at \$2.22, and Class-C rates at \$2.10. The West Los Angeles submarket had the highest asking rate of \$3.62 per square foot, while the Antelope Valley submarket had the lowest asking rate at \$1.72 per square foot.

## Construction

During the third quarter 2014, seven buildings totaling 187,566 square feet were completed in the Greater Los Angeles market and there were 2,222,713 square feet of office space under construction. The largest projects underway were the Office Plaza at Wilshire Grand, a 356,140-square-foot building with 0% of its space pre-leased, and Columbia Square, Gower/Selma in Hollywood, a 248,879-square-foot building with 0% of its space pre-leased.

## Los Angeles Top Office Leases

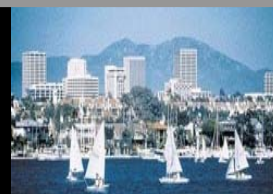
Address	Tenant	SF
13031 W. Jefferson Blvd., Marina Del Rey	Verizon	135,000
2401 Colorado Ave., Santa Monica	Edmunds.com	133,036
6121 Sunset Blvd., Hollywood	Neuehouse	93,000
2901 W. Alameda Ave., Burbank	Ascent Media Group LLC	85,733
801 S. Figueroa St., Greater LA Downtown	Manning & Kass Elrod Ramirez Trester (renewal)	80,300
15301 Ventura Blvd., Sherman Oaks	Prospect Mortgage LLC (renewal)	77,694

## Sales Activity

Tallying office building sales of 15,000 square feet or larger, Los Angeles office sales figures rose during the second quarter 2014 in terms of dollar volume compared to the first quarter 2014. In the second quarter, 40 office transactions closed with a total volume of \$2,437,082,500. The 40 buildings totaled 5,813,669 square feet and the average price equated to \$419.20 per square foot. That compares to 42 transactions totaling \$817,626,000 in the first quarter 2014. Cap rates have been higher in 2014, averaging 6.54% compared to the same period in 2013 when they averaged 6.29%. The largest transaction that occurred within the second quarter 2014 was the sale by General Motors Pension Trust of the Century Park twin towers located at 2029 & 2049 Century Park East in Century City to JP Morgan Asset Management. The sale of these 2,169,510 square foot buildings took place on 6/14/2014 for \$1,641,500,500 or approximately \$756.62 per square foot.



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