



# Office Market Update Greater Los Angeles

FOURTH QUARTER 2012

## Overview

The office market in the Greater Los Angeles area remained on a path of slow growth in the fourth quarter 2012, without any dramatic changes apparent in the foreseeable economic outlook to spark a measureable recovery. Strong demand for office space remained concentrated in those areas that cater to tech, media and creative-sector tenants. Landlords in those areas whose buildings offer creative space with open floor plans have been able to attract those users, enabling them to charge higher rents and achieve correspondingly higher occupancy levels than buildings catering to traditional business services firms in sectors such as real estate, banking, insurance, accounting, and law offices.

## Absorption

Net absorption for the Greater Los Angeles office market was positive 584,889 square feet in the fourth quarter 2012, compared to a positive 398,230 square feet in the third quarter 2012. The Class-A office market recorded net absorption of positive 964,749 square feet, Class-B was negative (199,858) square feet, and Class-C was negative (180,002) 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	358	3,764,191	411,750	10.9%	-20,236	0	\$1.89
Burbank/Glendale/Pasadena	3,046	55,692,358	5,754,898	10.3%	890,808	21,000	\$2.46
Downtown Los Angeles	680	68,503,206	8,791,455	12.8%	-903,271	0	\$2.61
Mid-Cities	978	10,050,933	780,254	7.8%	6,611	4,853	\$1.78
Mid-Wilshire	1,596	40,083,462	4,678,946	11.7%	-118,889	561,019	\$2.16
San Fernando Valley	1,477	35,720,039	4,807,196	13.5%	433,772	0	\$2.00
San Gabriel Valley	1,903	29,844,757	2,823,591	9.5%	-51,085	0	\$1.83
Santa Clarita Valley	209	4,704,696	623,718	13.3%	272,546	102,113	\$2.42
South Bay	2,342	62,573,924	9,177,204	14.7%	236,564	892,369	\$2.04
Southeast Los Angeles	550	8,249,741	677,765	8.2%	-24,296	0	\$1.74
Ventura North	812	7,535,176	676,010	9.0%	128,286	0	\$1.85
Ventura South	1,000	21,450,192	3,540,745	16.5%	236,142	76,456	\$1.97
West Los Angeles	2,441	75,393,107	9,692,427	12.9%	703,461	17,364	\$3.18
<b>Totals</b>	<b>17,392</b>	<b>423,565,782</b>	<b>52,435,959</b>	<b>12.4%</b>	<b>1,790,413</b>	<b>1,675,174</b>	<b>\$2.36</b>

## Vacancy

The overall office vacancy rate in the Greater Los Angeles market area remained at 12.4% at the end of the fourth quarter 2012, and was down slightly from the 12.6% rate recorded a year ago. The Ventura South submarket had the region's highest vacancy rate of 16.5%, followed by the South Bay submarket at 14.7%, and the San Fernando Valley submarket at 13.5%. The Mid-Cities submarket had the lowest vacancy rate of 7.8%, followed by the Southeast Los Angeles submarket at 8.2%, and the Ventura North submarket at 9.0%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, rose slightly to \$2.36 per square foot at the end of the fourth quarter 2012 in the Greater Los Angeles area. The average quoted rate within the Class-A sector was \$2.60 at the end of the fourth quarter, while Class-B rates stood at \$2.10, and Class-C rates at \$1.94. West Los Angeles had the highest asking rate of \$3.18 per square foot, while the Southeast Los Angeles market had the lowest asking rate at \$1.74 per square foot.

## Construction

During the fourth quarter 2012, thirteen buildings totaling 509,970 square feet were completed in the Greater Los Angeles market and there were 1,675,174 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

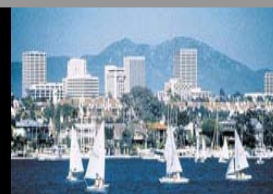
Address	Tenant	SF
9401 Corbin Ave., Chatsworth	ATK Missile Systems	120,000
845 S. Figueroa Street, Greater Downtown	State Bar of California	117,000
5700 Wilshire Blvd., Miracle Mile	IPG Media Lab (renewal)	88,696
5601 Lindero Canyon Road, Westlake Village	Intuit (renewal)	71,754
12959 Coral Tree Place, West Los Angeles	Ignition Creative LLC	56,000
601 N. Nash, El Segundo	NCR Corporation	52,000

## Sales Activity

Tallying office building sales of 15,000 square feet or larger, Los Angeles office sales figures rose during the third quarter 2012 in terms of dollar volume compared to the second quarter 2012. In the third quarter, 35 office transactions closed with a total volume of \$887,604,265. The 35 buildings totaled 3,582,577 square feet and the average price equated to \$247.76 per square foot. That compares to 29 transactions totaling \$735,984,785 in the second quarter 2012. Cap rates have been lower in 2012, averaging 7.38% compared to the same period in 2011 when they averaged 7.89%. The largest transaction that occurred within the third quarter 2012 was the sale by Tishman Speyer of the 400 South Hope Street building in downtown Los Angeles to CBRE Global Investors. The sale of this 701,535 square foot building took place on 7/5/2012 for \$238,000,000 or approximately \$339.26 per square foot.



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