



Office Market Update Greater Los Angeles

FOURTH QUARTER 2013

Overview

The office market in the Greater Los Angeles area improved slightly in the fourth quarter 2013 as the economy continued to add new jobs, but at a very measured pace. The county's unemployment rate decreased slightly to 9.7 percent, with leisure and hospitality leading the way in job growth, driven by domestic and international travel and visits to Los Angeles. Hiring still lags national trends in California, and Los Angeles in particular, with the movement of companies out of state, due to the high cost of doing business here. Some of the uncertainty in the broader economy has dissipated though, and tenants in turn have been a bit more willing to move forward with space-use decisions.

Absorption

Net absorption for the Greater Los Angeles office market was positive 950,772 square feet in the fourth quarter 2013, compared to a positive 1,819,608 square feet in the third quarter 2013. The Class-A office market recorded net absorption of positive 131,102 square feet, Class-B was positive 566,258 square feet, and Class-C was positive 253,412.

Los Angeles Office Market Snapshot

Market	# Buildings	Total RBA SF	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	Under Construction	Quoted Rates
Antelope Valley	352	3,816,557	400,935	10.5%	35,712	24,264	\$1.81
Burbank/Glendale/Pasadena	3,048	55,033,657	5,940,435	10.8%	-107,572	0	\$2.48
Downtown Los Angeles	691	68,571,685	8,930,298	13.0%	-50,710	30,000	\$2.72
Mid-Cities	991	10,221,861	736,488	7.2%	141,136	0	\$1.79
Mid-Wilshire	1,589	40,058,764	5,048,561	12.6%	-79,628	104,002	\$2.40
San Fernando Valley	1,476	35,822,230	4,222,576	11.8%	449,511	0	\$2.04
San Gabriel Valley	1,968	30,301,288	2,739,879	9.0%	126,719	96,015	\$1.85
Santa Clarita Valley	210	4,735,167	493,435	10.4%	143,530	102,113	\$2.42
South Bay	2,390	63,294,872	9,869,307	15.6%	471,897	378,575	\$2.06
Southeast Los Angeles	582	8,574,143	653,463	7.6%	68,292	0	\$1.68
Ventura North	812	7,534,273	628,427	8.3%	45,383	0	\$1.79
Ventura South	996	21,454,047	2,997,775	14.0%	416,931	22,000	\$1.98
West Los Angeles	2,456	75,325,779	9,401,664	12.5%	387,705	35,779	\$3.39
Totals	17,561	424,744,323	52,063,243	12.3%	2,048,906	792,748	\$2.43

Vacancy

The overall office vacancy rate in the Greater Los Angeles market area decreased to 12.3% at the end of the fourth quarter 2013, and was down slightly from the 12.4% rate recorded a year ago. The South Bay submarket had the region's highest vacancy rate of 15.6%, followed by the Ventura South submarket at 14.0%, and the Downtown Los Angeles submarket at 13.0%. The Mid-Cities submarket had the lowest vacancy rate of 7.2%, followed by the Southeast Los Angeles submarket at 7.6%, and the Ventura North submarket at 8.3%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, increased to \$2.43 per square foot at the end of the fourth quarter 2013 in the Greater Los Angeles area. The average quoted rate within the Class-A sector was \$2.68 at the end of the fourth quarter, while Class-B rates stood at \$2.17, and Class-C rates at \$2.05. The West Los Angeles submarket had the highest asking rate of \$3.39 per square foot, while the Southeast Los Angeles submarket had the lowest asking rate at \$1.68 per square foot.

Construction

During the fourth quarter 2013, seventeen buildings totaling 226,909 square feet were completed in the Greater Los Angeles market and there were 792,748 square feet of office space under construction. The largest projects underway were the Meeker-Baker Building in Long Beach, a 120,000-square-foot medical building with 100% of its space pre-leased, and the Santa Clarita Professional Center, at 17901 Soledad Canyon Road, a 102,113-square foot facility that is 0% pre-leased.

Los Angeles Top Office Leases

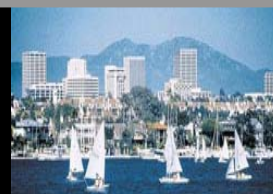
Address	Tenant	SF
6500 Wilshire Blvd., Mid-Wilshire	Cedars-Sinai Medical Group	331,000
12333 Olympic Blvd., Olympic Corridor	Riot Games	284,000
3780 Kilroy Airport Way, Long Beach	SCAN Health Plan	202,804
1620 26th St. & 1601 Cloverfield, Santa Monica	Amazon	114,954
400 N. Brand Blvd., Glendale	Cigna Health (renewal)	78,469
4060 Watson Plaza Drive, Long Beach	L.A. County-Dept. of Childrens Services (renewal)	71,450

Sales Activity

Tallying office building sales of 15,000 square feet or larger, Los Angeles office sales figures rose during the third quarter 2013 in terms of dollar volume compared to the second quarter 2013. In the third quarter, 45 office transactions closed with a total volume of \$1,778,033,941. The 45 buildings totaled 5,731,211 square feet and the average price equated to \$310.24 per square foot. That compares to 54 transactions totaling \$1,650,205,337 in the second quarter 2013. Cap rates have been lower in 2013, averaging 6.13% compared to the same period in 2012 when they averaged 7.45%. The largest transaction that occurred within the third quarter 2013 was the sale by Hines REIT, Inc. of the 2222 E. Imperial Highway Building, located in El Segundo, to GI Partners. The sale of this 1,213,579 square foot building took place on 7/11/2013 for \$550,000,000 or approximately \$453.20 per square foot.



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