



# Office Market Update Greater Los Angeles

FOURTH QUARTER 2014

## Overview

Growing companies in the Greater Los Angeles office market again ramped up demand for office space in the fourth quarter of 2014. More companies demonstrated renewed confidence in their future prospects by expanding their employee bases, especially in the technology and entertainment related sectors. Robust job growth in Los Angeles County led to the unemployment rate decreasing to 7.9% compared to 9.1% one year ago. The increased demand for office space has also prompted many landlords to ratchet up rents and cut back on offering concessions such as free rent to prospective tenants.

## Absorption

Net absorption for the Greater Los Angeles office market was positive 1,006,114 square feet in the fourth quarter 2014, compared to a positive 943,954 square feet in the third quarter 2014. The Class-A office market recorded net absorption of positive 321,600 square feet, Class-B was positive 647,400 square feet, and Class-C was positive 37,114 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	3,862,885	370,514	9.6%	32,721	24,264	\$1.78
Burbank/Glendale/Pasadena	3,052	55,360,872	5,480,276	9.9%	510,492	194,436	\$2.41
Downtown Los Angeles	696	68,685,714	8,914,733	13.0%	22,896	386,140	\$2.83
Mid-Cities	1005	10,308,992	669,395	6.5%	36,185	41,000	\$1.84
Mid-Wilshire	1,596	39,705,069	4,822,721	12.1%	167,934	701,529	\$2.51
San Fernando Valley	1,476	35,913,291	4,323,401	12.0%	102,552	179,578	\$2.11
San Gabriel Valley	1,992	30,249,074	2,780,309	9.2%	263,450	213,586	\$1.93
Santa Clarita Valley	210	4,684,633	471,195	10.1%	22,740	100,000	\$2.37
South Bay	2,435	63,320,609	9,281,969	14.7%	313,179	319,294	\$2.15
Southeast Los Angeles	594	8,568,183	563,680	6.6%	8,996	0	\$1.82
Ventura North	817	7,678,435	699,528	9.1%	68,195	0	\$1.79
Ventura South	1,005	21,433,129	2,529,348	11.8%	289,600	163,580	\$2.05
West Los Angeles	2,474	75,139,373	7,829,049	10.4%	1,166,629	378,864	\$3.71
<b>Totals</b>	<b>17,709</b>	<b>424,910,259</b>	<b>48,736,118</b>	<b>11.5%</b>	<b>3,005,569</b>	<b>2,702,271</b>	<b>\$2.53</b>

## Vacancy

The overall office vacancy rate in the Greater Los Angeles market area decreased to 11.5% at the end of the fourth quarter 2014, and was down from the 12.3% rate recorded a year ago. The South Bay submarket had the region's highest vacancy rate of 14.7%, followed by the Downtown Los Angeles submarket at 13.0%, and the Mid-Wilshire submarket at 12.1%. The Mid-Cities submarket had the lowest vacancy rate of 6.5%, followed by the Southeast Los Angeles submarket at 6.6%, and the Ventura North submarket at 9.1%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, increased to \$2.53 per square foot at the end of the fourth quarter 2014 in the Greater Los Angeles area. The average quoted rate within the Class-A sector was \$2.77 at the end of the fourth quarter, while Class-B rates stood at \$2.26, and Class-C rates at \$2.14. The West Los Angeles submarket had the highest asking rate of \$3.71 per square foot, while the Antelope Valley submarket had the lowest asking rate at \$1.78 per square foot.

## Construction

During the fourth quarter 2014, three buildings totaling 45,695 square feet were completed in the Greater Los Angeles market and there were 2,702,271 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 68% of its space pre-leased.

## Los Angeles Top Office Leases

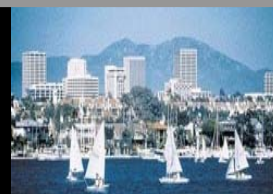
Address	Tenant	SF
633 W. 5th Street, Greater LA Downtown	Lewis Brisbois Bisgaard & Smith LLP	215,230
333 S. Grand Ave., Greater LA Downtown	Oaktree Capital Management LP (renewal)	182,088
6121 W. Sunset Blvd., Hollywood	Viacom	180,000
Conant & Worsham Street, Long Beach	Universal Technical Institute, Inc.	138,299
3301 Exposition Blvd., Santa Monica	Beachbody	132,920
11975-11995 W. Bluff Creek Dr., Playa Vista	Yahoo!	127,685

## Sales Activity

Tallying office building sales of 15,000 square feet or larger, Los Angeles office sales figures fell during the third quarter 2014 in terms of dollar volume compared to the second quarter 2014. In the third quarter, 47 office transactions closed with a total volume of \$2,437,612,500. The 47 buildings totaled 4,327,147 square feet and the average price equated to \$363.29 per square foot. That compares to 41 transactions totaling \$2,437,612,500 in the second quarter 2014. Cap rates have been slightly lower in 2014, averaging 6.37% compared to the same period in 2013 when they averaged 6.38%. The largest transaction that occurred within the third quarter 2014 was the sale by Tishman Speyer of the UTA Plaza and the Ice House located in Beverly Hills to The Rockefeller Group. The sale of these buildings, totaling 234,361 square feet, took place on 7/31/2014 for \$210,000,000 or approximately \$896.05 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  
12<sup>th</sup> 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

