



# OFFICE MARKET UPDATE LOS ANGELES NORTH

FIRST QUARTER 2009

## Overview

The Los Angeles North office market continues to feel the economic pain of more job layoffs and rising vacancy rates as tenants continue to give back or try to sublease their excess space. Leasing activity has been flat at best and many tenants are looking to their landlords for a reduction in rent. As vacancy rates have increased, landlords are making a lot more concessions these days including increased tenant improvement allowances and free rent. Both tenants and landlords are also doing shorter leases, with tenants looking for flexibility should their business change, and landlords hoping to be able to increase rents if the economy improves in the next couple of years.

## Absorption

Net absorption for the Los Angeles North office market was a negative (638,528) square feet in the first quarter 2009, up sharply from a negative (405,207) square feet in the third quarter. The Western San Fernando Valley submarket is the only one to have shown positive absorption of 28,725 square feet. The Conejo Valley was the worst performing market with negative (250,946) square feet, followed by Woodland Hills/Warner Center and Sherman Oaks with negative (122,948) square feet and negative (116,228) square feet respectively.

## Los Angeles North Office Market Snapshot

Submarket	# Buildings	Total RBA SF	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	Under Construction	Quoted Rates
Burbank	542	13,836,004	1,119,153	8.09%	-34,298	555,672	\$2.70
Conejo Valley	498	14,403,170	2,331,379	16.19%	-250,946	6,392	\$2.34
Eastern SFV	576	8,995,471	654,757	7.28%	-55,588	0	\$1.94
Encino	83	4,731,818	480,711	10.16%	-29,747	0	\$2.59
Glendale	661	12,196,210	1,353,635	11.10%	-17,735	219,828	\$2.67
North Hollywood	306	3,404,555	302,657	8.89%	-6,786	180,000	\$2.41
Santa Clarita Valley	198	4,674,689	891,121	19.06%	-12,052	114,895	\$2.58
Sherman Oaks	132	3,776,662	450,422	11.93%	-116,228	0	\$2.57
Studio/Universal Cities	273	4,738,551	214,318	4.52%	-4,936	0	\$2.68
Tarzana	77	1,641,235	157,656	9.61%	-15,989	0	\$2.06
Western SFV	374	7,379,870	1,048,870	14.21%	28,725	0	\$2.19
Woodland Hills / Warner Ctr	221	10,583,444	1,590,430	15.03%	-122,948	0	\$2.35
Totals	3,941	90,361,679	10,595,109	11.73%	-638,528	1,076,787	\$2.42

## Vacancy

The overall office vacancy rate in the Los Angeles North market area increased to 11.73% at the end of the first quarter 2009, compared to 10.41% the previous quarter. The Santa Clarita Valley market had the region's highest vacancy rate of 19.06%, followed by the Conejo Valley market with 16.19%, and the Woodland Hills/Warner Center market at 15.03%. Studio/Universal Cities had the region's lowest vacancy rate of 4.52%, followed by the Eastern San Fernando Valley at 7.28% and Burbank at 8.09%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, dropped slightly to \$2.42 per square foot at the end of the first quarter 2009 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.56 per square foot, with Class B rates at \$2.29 per square foot, and Class C rates at \$2.11 per square foot. Burbank had the highest average asking rate of \$2.70 per square foot, while the Eastern San Fernando Valley had the lowest rate at \$1.94 per square foot.

## Construction

There were 1,076,787 square feet of office space under construction at the end of the first quarter 2009. New major developments include The Point at 2900 W. Alameda Avenue in Burbank containing 473,672 square feet and 207 Goode Avenue in Glendale containing 186,628 square feet, which are both 0% pre-leased, and the NoHo Commons at 5250 Lankershim Blvd. in North Hollywood which is 34.8% pre-leased.

## Los Angeles North Top Office Leases

Address	Tenant	SF
800 N. Brand Blvd., Glendale	Nestle USA (renewal)	76,607
16830 Ventura Blvd., Encino	Pepperdine University	37,349
3601 W. Olive Ave., Burbank	Warner Brothers (renewal & expansion)	27,000
12020 Chandler Blvd., North Hollywood	ASI Entertainment, Inc.	20,916
15301 Ventura Blvd., Sherman Oaks	lmdb.com (sublease)	13,590
Media Studios North, Burbank	Judicial Council of California	11,992

## Sales Activity

Total office building sales activity in the fourth quarter 2008 fell compared to the third quarter 2008 in terms of dollar volume, and cap rates have been slightly higher in 2008, averaging 6.15% compared to the same period in 2007 when they averaged 5.73%. The largest transaction that occurred in the fourth quarter 2008 was the sale by ING Clarion Partners of the 500 N. Brand Blvd. Building in Glendale to CB Richard Ellis Investors on December 31, 2008. This 417,848 square foot office building sold for \$80,000,000 or \$191.46 per square foot.



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