



# OFFICE MARKET UPDATE LOS ANGELES NORTH

SECOND QUARTER 2009

## Overview

The economic slowdown continued to derail the Los Angeles North office market in the second quarter as ongoing job cuts led to higher vacancy rates and more sublease space coming on line. Asking rental rates continued their decline in the second quarter as landlords searched for creative ways to keep existing tenants while trying to lure new tenants to their buildings in a weak market by offering additional free rent and other concessions. With the ongoing economic uncertainty, many tenants have been unable to take advantage of bargain long term deals, opting instead to sign short term renewals until they can see light at the end of the tunnel for their own economic footing.

## Absorption

Net absorption for the Los Angeles North office market was a negative (439,533) square feet in the second quarter 2009, down from a negative (638,528) square feet in the first quarter. Year to date the Burbank submarket is the only one to have shown positive absorption of 16,307 square feet. The Conejo Valley was the worst performing market with negative (326,756) square feet, followed by Woodland Hills/Warner Center and the Western San Fernando Valley with negative (258,150) square feet and negative (103,252) 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	543	13,774,688	1,100,512	7.99%	16,307	561,084	\$2.64
Conejo Valley	509	14,609,750	2,413,888	16.52%	-326,756	0	\$2.26
Eastern SFV	578	8,917,284	670,897	7.52%	-59,228	0	\$1.89
Encino	82	4,737,276	500,875	10.57%	-60,611	0	\$2.50
Glendale	668	12,166,365	1,438,279	11.82%	-102,379	219,842	\$2.66
North Hollywood	303	3,339,349	310,924	9.31%	-21,374	180,000	\$2.32
Santa Clarita Valley	201	4,680,896	893,791	19.09%	-14,722	303,517	\$2.61
Sherman Oaks	132	3,828,534	421,012	11.00%	-86,818	0	\$2.51
Studio/Universal Cities	279	4,708,622	244,282	5.19%	-34,900	0	\$2.53
Tarzana	78	1,644,848	167,845	10.20%	-26,178	0	\$2.08
Western SFV	378	7,395,110	1,207,218	16.32%	-103,252	0	\$2.04
Woodland Hills / Warner Ctr	220	10,585,482	1,725,632	16.30%	-258,150	0	\$2.30
<b>Totals</b>	<b>3,971</b>	<b>90,388,204</b>	<b>11,095,155</b>	<b>12.28%</b>	<b>-1,078,061</b>	<b>1,264,443</b>	<b>\$2.36</b>

## Vacancy

The overall office vacancy rate in the Los Angeles North market area increased to 12.28% at the end of the second quarter 2009, compared to 11.73% the previous quarter. The Santa Clarita Valley market had the region's highest vacancy rate of 19.09%, followed by the Conejo Valley market with 16.52%, and the Woodland Hills/Warner Center market at 16.3%. Studio/Universal Cities had the region's lowest vacancy rate of 5.19%, followed by the Eastern San Fernando Valley at 7.52% and Burbank at 7.99%.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, dropped to \$2.36 per square foot at the end of the second quarter 2009 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.50 per square foot, with Class B rates at \$2.21 per square foot, and Class C rates at \$2.08 per square foot. Glendale had the highest average asking rate of \$2.66 per square foot, while the Eastern San Fernando Valley had the lowest rate at \$1.89 per square foot.

## Construction

There were 1,264,443 square feet of office space under construction at the end of the second 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 containing 180,000 square feet which is 32.7% pre-leased.

## Los Angeles North Top Office Leases

Address	Tenant	SF
8500 Balboa Blvd., Northridge	Harman International (renewal)	243,000
25129 Rye Canyon Loop, Santa Clarita	Boston Scientific Corporation	160,270
28515 Westinghouse Place, Santa Clarita	Advanced Bionics LLC	146,385
450 N. Brand Blvd., Glendale	Dine Equity (renewal)	69,068
2233 N. Ontario Street, Burbank	Macrovision	61,732
901 W. Alameda Ave., Burbank	Team Services	20,442

## Sales Activity

Total office building sales activity in the first quarter 2009 rose compared to the fourth quarter 2008 in terms of dollar volume, and cap rates have stabilized in 2009, averaging 5.99% compared to the same period in 2008 when they averaged 6.0%. The largest transaction that occurred in the first quarter 2009 was the sale by Greenwich Capital Financial Products of the 10 Universal City Plaza Building in Universal City to Normandy Real Estate Partners on March 31, 2009. This 774,240 square foot office building sold for \$304,800,000 or \$393.68 per square foot.



PROVIDING OFFICE TENANTS WITH EXPERT SOLUTIONS



### 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](http://www.binswanger.com)

