



OFFICE MARKET UPDATE LOS ANGELES NORTH

FOURTH QUARTER 2009

Overview

The Los Angeles North office market showed some improvement in the fourth quarter 2009 and even recorded a slight amount of net absorption, however overall, most submarkets recorded negative net absorption for the year. Leading analysts feel that the jobless rate is close to peaking, but the recovery will be sluggish, and employers are not expected to resume hiring until at least next spring. Most tenants remain under economic pressure and only reluctantly are willing make long-term lease commitments. Few buildings traded as buyers and sellers remained on the fence waiting for that ever-elusive bottom of the market, where buyers and sellers expectations might come together.

Absorption

Net absorption for the Los Angeles North office market was a positive 6,181 square feet in the fourth quarter 2009, compared to a negative (184,544) square feet in the second quarter. Year to date the Santa Clarita and the North Hollywood submarkets were the only ones to have shown positive absorption. Woodland Hills/Warner Center was the worst performing market with negative (466,108) square feet, followed by the Calabasas/Westlake Village submarket and the Thousand Oaks/SE County submarkets with negative (175,288) square feet and negative (168,896) 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	555	14,150,893	1,615,671	11.4%	-31,975	82,000	\$2.63
Calabasas/Westlake Village	205	7,573,408	1,265,490	16.7%	-175,288	0	\$2.11
Eastern SFV	582	9,058,639	741,360	8.2%	-123,491	0	\$1.88
Encino	83	4,751,024	554,526	11.7%	-113,762	0	\$2.44
Glendale	681	12,416,319	1,574,168	12.7%	-26,043	0	\$2.47
North Hollywood	309	3,553,674	335,788	9.4%	180,000	7,400	\$2.46
Santa Clarita Valley	208	4,814,926	922,068	19.2%	60,744	104,414	\$2.53
Sherman Oaks	130	3,819,264	459,774	12.0%	-125,580	0	\$2.42
Studio/Universal Cities	283	4,773,765	335,092	7.0%	-122,723	0	\$2.53
Tarzana	79	1,630,747	155,592	9.5%	-13,425	0	\$2.05
Thousand Oaks/SE County	305	6,972,324	1,123,909	16.1%	-168,896	0	\$2.10
Western SFV	382	7,124,744	1,236,575	17.4%	-129,877	0	\$1.98
Woodland Hills/Warner	223	10,658,739	1,957,079	18.4%	-466,108	0	\$2.13
Totals	4,025	91,298,466	12,277,092	13.4%	-1,256,424	193,814	\$2.29

Vacancy

The overall office vacancy rate in the Los Angeles North market area increased to 13.4% at the end of the fourth quarter 2009, compared to 13.2% the previous quarter. The Santa Clarita Valley market had the region's highest vacancy rate of 19.2%, followed by the Woodland Hills/Warner Center market with 18.4%, and the Western San Fernando Valley market at 17.4%. Studio/Universal Cities had the region's lowest vacancy rate of 7.0%, followed by the Eastern San Fernando Valley at 8.2% and the North Hollywood market at 9.4%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, dropped to \$2.29 per square foot at the end of the fourth quarter 2009 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.48 per square foot, with Class B rates at \$2.11 per square foot, and Class C rates at \$1.98 per square foot. Burbank had the highest average asking rate of \$2.63 per square foot, while the Eastern San Fernando Valley had the lowest rate at \$1.88 per square foot.

Construction

There were 193,814 square feet of office space under construction at the end of the fourth quarter 2009. The largest new developments include the 1903 Empire Ave. Building in Burbank containing 72,000 square feet which is 0% pre-leased and the Santa Clarita Professional Center at 17901 Soledad Canyon Road containing 100,000 square feet which is also 0% pre-leased.

Los Angeles North Top Office Leases

Address	Tenant	SF
1 Baxter Way, Thousand Oaks	Baxter Healthcare (renewal & expansion)	230,631
12020 Chandler Blvd., North Hollywood	Pilgrim Films & Television	36,877
210 W. Lexington Ave., Glendale	MyShape	35,000
27202 Turnberry Lane, Santa Clarita	Nexus (renewal & downsize)	30,000
25124 Springfield Court, Santa Clarita	Newhall Land Development LLC	27,000
20950 Warner Center Lane, Woodland Hills	Alchemy Communications, Inc.	11,000

Sales Activity

Total office building sales activity in the third quarter 2009 fell compared to the second quarter 2009 in terms of dollar volume, and cap rates have been higher in 2009, averaging 7.10% compared to the same period in 2008 when they averaged 5.91%. One of the largest transactions that occurred in the third quarter 2009 was the sale by Value Topanga LLC of the Warnerview Center Building located at 5959 Topanga Canyon Blvd. in Warner Center to Younan Properties Inc. on August 14, 2009. This 62,510 square foot office building sold for \$11,900,000 or \$190.37 per square foot.



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