



OFFICE MARKET UPDATE LOS ANGELES NORTH

FOURTH QUARTER 2010

Overview

The Los Angeles North office market appeared to stabilize in the fourth quarter of 2010 as the overall vacancy rate remained at 14.5% and the return to some positive absorption started to kindle some optimism that we may finally have found the bottom of the market and are starting to see the light at the end of the tunnel. An increase in leasing activity has landlords feeling a little bit better about the market even though renewals continued to dominate the bulk of the leasing activity. On the sale side, buyers continued looking for opportunities and many owners that have been hoping to see an improvement in the economy are considering selling their properties, realizing that they may suffer a loss but thinking that it might be time to redeploy that capital.

Absorption

Net absorption for the Los Angeles North office market was a positive 38,371 square feet in the fourth quarter 2010, compared to a negative (288,253) square feet in the third quarter of 2010. Year to date the Burbank submarket had the highest positive absorption with 87,730 square feet followed by North Hollywood with 21,639 square feet and the Calabasas/Westlake Village submarket with 17,727 square feet. Glendale was the worst performing submarket with negative (322,884) square feet, followed by the Western SF Valley submarket with negative (128,775) square feet and the Sherman Oaks submarket with negative (110,664) square feet.

Los Angeles North Office Market Snapshot

Submarket	# Buildings	Total RBA SF	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	Under Construction	Quoted Rates
Burbank	550	13,677,494	1,676,252	12.3%	87,730	0	\$2.68
Calabasas/Westlake Village	203	7,455,032	1,271,091	17.1%	17,727	37,392	\$1.91
Eastern SFV	588	8,362,907	792,744	9.5%	-68,075	0	\$1.91
Encino	83	4,693,061	628,450	13.4%	-87,219	0	\$2.36
Glendale	691	12,604,234	1,904,965	15.1%	-322,884	0	\$2.49
North Hollywood	345	3,763,723	333,647	8.9%	21,639	0	\$2.31
Santa Clarita Valley	210	4,830,288	966,076	20.0%	-5,388	99,719	\$2.42
Sherman Oaks	128	3,839,975	568,006	14.8%	-110,664	0	\$2.23
Studio/Universal Cities	295	4,609,587	364,259	7.9%	-32,742	0	\$2.22
Tarzana	80	1,619,773	188,177	11.6%	-34,515	0	\$2.08
Thousand Oaks/SE County	303	6,979,988	1,102,666	15.8%	-251	0	\$2.18
Western SFV	394	7,111,936	1,361,479	19.1%	-128,775	9,000	\$1.99
Woodland Hills/Warner	211	10,149,662	1,887,176	18.6%	-8,041	0	\$2.05
Totals	4,081	89,697,660	13,044,988	14.5%	-671,458	146,111	\$2.22

Vacancy

The overall office vacancy rate in the Los Angeles North market area was at 14.5% at the end of the fourth quarter 2010, the same as it was the previous quarter. The Santa Clarita Valley submarket had the region's highest vacancy rate of 20.0%, followed by the Western SFV submarket with 19.1%, and the Woodland Hills/Warner Center 18.6%. Studio/Universal Cities had the region's lowest vacancy rate of 7.9%, followed by the North Hollywood submarket at 8.9% and the Eastern SFV submarket at 9.5%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, rose to \$2.22 per square foot at the end of the fourth quarter 2010 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.37 per square foot, with Class B rates at \$2.06 per square foot, and Class C rates at \$1.98 per square foot. Burbank had the highest average asking rate of \$2.68 per square foot, while the Eastern San Fernando Valley and the Calabasas/Westlake Village markets tied for the lowest rate at \$1.91 per square foot.

Construction

There were 146,111 square feet of office space under construction in the Los Angeles North office market at the end of the fourth quarter 2010. The largest new development is the Santa Clarita Professional Center at 17901 Soledad Canyon Road containing 99,719 square feet which is 0% pre-leased, and on which construction has been halted, with the building being foreclosed on by the construction lender and subsequently put up for sale.

Los Angeles North Top Office Leases

Address	Tenant	SF
2300 Empire Avenue, Burbank	Modern Video Film, Inc.	96,000
3355 W. Empire Ave., Burbank	Stereo D (sublease)	57,000
2300 Empire Avenue, Burbank	Cast & Crew	51,000
6301 Owensmouth Ave., Woodland Hills	Aetna (renewal)	27,587
3400 W. Olive Ave., Burbank	Ryan Specialty Group (sublease)	25,331
Warner Corporate Center, Woodland Hills	BlackLine Systems	22,000

Sales Activity

Total office building sales activity in the third quarter 2010 rose compared to the second quarter 2010 in terms of dollar volume, and cap rates have been higher in 2010, averaging 8.24% compared to the same period in 2009 when they averaged 7.54%. There were no recorded sales of significant sized buildings in the Los Angeles North market during the third quarter of 2010.



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
12th 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

