



Office Market Update Greater Los Angeles

FIRST QUARTER 2011

Overview

The unemployment rate in Greater Los Angeles rose to 13% in February 2011, up from 12.6% in December 2010. Even so, the general feeling is that the worst is over and there are signs of a recovery for the region's office market as many companies became confident enough about their future business to sign new leases or extend their existing ones. Attractive rental rates and terms generated numerous deals across Southern California as more than 5.5 million square feet worth of leases were signed in the first quarter 2011, a 37% increase from the same period in 2010. That still wasn't enough though to decrease the overall vacancy rate in Greater Los Angeles and rental rates continued to decline during the first quarter 2011.

Absorption

Net absorption for the Greater Los Angeles office market was positive 6,488 square feet in the first quarter 2011, compared to a negative (7,741) square feet in the fourth quarter 2010. The Class-A office market recorded net absorption of positive 153,211 square feet, Class-B was negative (85,513) square feet, and Class-C was negative (61,210) 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	329	3,522,519	355,649	10.1%	5,540	78,000	\$1.92
Burbank/Glendale/Pasadena	2,960	56,107,126	6,413,333	11.4%	134,509	2,425	\$2.38
Downtown Los Angeles	695	70,773,612	7,561,140	10.7%	172,701	0	\$2.83
Mid-Cities	860	9,543,816	826,622	8.7%	-12,526	6,729	\$1.89
Mid-Wilshire	1,583	40,055,803	4,301,649	10.7%	-60,858	414,994	\$2.13
San Fernando Valley	1,482	35,820,756	5,390,104	15.0%	77,794	15,080	\$2.02
San Gabriel Valley	1,791	28,359,746	2,408,110	8.5%	44,883	155,178	\$1.81
Santa Clarita Valley	210	4,829,576	964,181	20.0%	1,495	101,819	\$2.30
South Bay	2,244	61,356,021	8,552,367	13.9%	-280,569	10,339	\$1.95
Southeast Los Angeles	502	8,147,440	671,185	8.2%	-36,152	80,394	\$1.80
Ventura North	810	7,276,039	881,292	12.1%	-31,285	0	\$1.93
Ventura South	984	20,989,678	3,594,134	17.1%	-96,747	188,756	\$1.97
West Los Angeles	2,400	74,873,329	10,159,733	13.6%	87,703	204,956	\$3.05
Totals	16,850	421,655,461	52,079,499	12.4%	6,488	1,258,670	\$2.27

Vacancy

The overall office vacancy rate in the Greater Los Angeles market area was 12.4% at the end of the first quarter 2011, unchanged from the fourth quarter 2010 and still significantly higher than the 11.9% rate recorded a year ago. The Santa Clarita Valley had the region's highest vacancy rate of 20.0%, followed by Ventura South at 17.1%, and the San Fernando Valley at 15.0%. The Southeast Los Angeles market had the lowest vacancy rate of 8.2% followed by the San Gabriel Valley market at 8.5% and the Mid-Cities market, at 8.6%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, dropped to \$2.27 per square foot at the end of the first quarter 2011 in the Greater Los Angeles area. The average quoted rate within the Class-A sector was \$2.52 at the end of the first quarter, while Class-B rates stood at \$2.02, and Class-C rates at \$1.89. West Los Angeles had the highest asking rate of \$3.05 per square foot, while the Southeast Los Angeles market had the lowest asking rate at \$1.80 per square foot.

Construction

During the first quarter 2011, five buildings totaling 20,174 square feet were completed in the Greater Los Angeles market and there were 1,258,670 square feet of office space under construction. The largest projects underway were the Red Bldg. - West, a 211,426-square-foot building in West Hollywood with 0% of its space pre-leased, and the Red Bldg. - East, a 203,568-square-foot building that is 7% pre-leased.

Los Angeles Top Office Leases

Address	Tenant	SF
333 S. Hope Street, Greater Downtown	Bank of America (renewal)	180,000
6301 Owensmouth Ave., Woodland Hills	Universal Music (sublease)	120,000
340 Main Street, Venice	Google Inc.	100,000
2029 Century Park East, Century City	JP Morgan Chase	98,000
1900 Avenue of the Stars, Century City	Jeffers, Mangels, Butler & Mitchell (renewal)	90,000
2000 Avenue of the Stars, Century City	DLA Piper	65,200

Sales Activity

Tallying office building sales of 15,000 square feet or larger, Los Angeles office sales figures rose during the fourth quarter 2010 in terms of dollar volume compared to the third quarter 2010. In the fourth quarter, 18 office transactions closed with a total volume of \$691,970,665. The 18 buildings totaled 2,141,849 square feet and the average price equated to \$323.07 per square foot. That compares to 20 transactions totaling \$486,799,716 in the third quarter 2010. Cap rates have been higher in 2010, averaging 7.91% compared to the same period in 2009 when they averaged 7.82%. The largest transaction that occurred within the fourth quarter 2010 was the sale by CommonWealth REIT of the 8635 W. 3rd Street Building in downtown Los Angeles to Senior Housing Properties Trust. This 330,715 square foot building sold on 11/23/2010 for \$226,400,000 or approximately \$684.58 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
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

