



OFFICE MARKET UPDATE LOS ANGELES NORTH

FIRST QUARTER 2010

Overview

The Los Angeles North office market in the first quarter 2010 mirrored the weakness in the overall office market as the after effects of the 2008 financial meltdown continued to drive up vacancy rates while pushing rental rates even lower. The flood of space that hit the market due to the demise of Washington Mutual, Countrywide Financial and AIG has had dramatic effects on the West San Fernando Valley, already suffering greatly from the effects of the recession. With unemployment hovering at post World War II highs of more than 12%, landlords continued to experience negative absorption, eroding rental income and the consequential lowering in the value of their buildings.

Absorption

Net absorption for the Los Angeles North office market was a negative (499,772) square feet in the first quarter 2010, compared to a positive 6,181 square feet in the fourth quarter of 2009. The Thousand Oaks/SE County, the Burbank and the Santa Clarita submarkets were the only ones to have shown positive absorption. The Western San Fernando Valley was the worst performing submarket with negative (100,415) square feet, followed by the Eastern SFV submarket and the Woodland Hills/Warner Center submarket with negative (95,587) square feet and negative (90,196) 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	567	14,294,140	1,620,234	11.3%	25,094	72,000	\$2.66
Calabasas/Westlake Village	204	7,493,361	1,374,568	18.3%	-68,239	0	\$2.10
Eastern SFV	586	9,032,557	837,547	9.3%	-95,587	0	\$1.87
Encino	83	4,754,557	588,831	12.4%	-40,650	0	\$2.33
Glendale	676	12,307,821	1,591,829	12.9%	-17,161	10,400	\$2.51
North Hollywood	315	3,601,256	394,035	10.9%	-56,247	7,500	\$2.27
Santa Clarita Valley	211	4,852,776	946,315	19.5%	10,873	99,719	\$2.49
Sherman Oaks	130	3,823,990	544,061	14.2%	-84,287	0	\$2.36
Studio/Universal Cities	279	4,741,411	380,469	8.0%	-47,163	0	\$2.42
Tarzana	79	1,639,857	160,339	9.8%	-4,747	0	\$2.04
Thousand Oaks/SE County	309	6,999,106	1,063,346	15.2%	68,953	0	\$2.16
Western SFV	383	7,159,072	1,343,319	18.8%	-100,415	0	\$1.96
Woodland Hills/Warner	213	10,236,998	2,005,611	19.6%	-90,196	0	\$2.04
Totals	4,035	90,936,902	12,850,504	14.1%	-499,772	189,619	\$2.25

Vacancy

The overall office vacancy rate in the Los Angeles North market area increased to 14.1% at the end of the first quarter 2010, compared to 13.4% the previous quarter. The Woodland Hills/Warner Center submarket had the region's highest vacancy rate of 19.6%, followed by the Santa Clarita Valley submarket with 19.5%, and the Western San Fernando Valley submarket at 18.8%. Studio/Universal Cities had the region's lowest vacancy rate of 8.0%, followed by the Eastern San Fernando Valley at 9.3% and the Tarzana submarket at 9.8%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, dropped to \$2.25 per square foot at the end of the first quarter 2010 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.42 per square foot, with Class B rates at \$2.12 per square foot, and Class C rates at \$2.00 per square foot. Burbank had the highest average asking rate of \$2.66 per square foot, while the Eastern San Fernando Valley had the lowest rate at \$1.87 per square foot.

Construction

There were 189,619 square feet of office space under construction at the end of the first quarter 2010. 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
19809 Prairie Street, Chatsworth	U. S. Department of Homeland Security	43,726
2950 Hollywood Way, Burbank	Discovery-Hasbro (sublease)	30,834
26501 Summit Circle, Santa Clarita	Kapco	26,000
6400 Canoga Ave., Warner Center	Optical Communication Products	18,800
6300 Canoga Ave, Warner Center	Goldman Magdalin & Krikes LLP	18,000
3400 W. Olive Ave., Burbank	Internships LLC (sublease)	17,928

Sales Activity

Total office building sales activity in the fourth quarter 2009 rose compared to the third quarter 2009 in terms of dollar volume, and cap rates have been higher in 2009, averaging 7.82% compared to the same period in 2008 when they averaged 6.12%. One of the largest transactions that occurred in the fourth quarter 2009 was the sale by Dunham & Associates Investment Counsel, Inc. of the Tower Plaza Building located at 6842 Van Nuys Blvd. in Van Nuys to The Martin Groupe on September 8, 2009. This 97,000 square foot office building sold for \$13,500,000 or \$139.18 per square foot.



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