



OFFICE MARKET UPDATE LOS ANGELES NORTH

FOURTH QUARTER 2008

Overview

The Los Angeles North office market is feeling the effects of the economic recession and financial meltdown as mounting job cuts have caused the unemployment rate in Los Angeles County to rise to 8.9%, the highest since 1994. The office market has shifted from a "landlords' market" to a "tenants' market" as companies throughout nearly all industries are cutting back on their space needs, and with the dive in demand, asking rates are falling and vacancy rates are rising. The Los Angeles North office market was one of the hardest hit by negative net absorption due to the high concentration of mortgage companies and residential real estate companies within its tenant base, victims of the financial meltdown.

Absorption

Net absorption for the Los Angeles North office market was a negative (405,207) square feet in the fourth quarter 2008, up sharply from a negative (7,261) square feet in the third quarter. Year to date, the Studio/Universal Cities submarket is the only one to have shown positive absorption of 67,786 square feet. The Conejo Valley and Glendale were the worst performing markets with negative (454,307) square feet and negative (303,697) 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	540	13,559,696	721,573	5.32%	-170,920	899,400	\$2.69
Conejo Valley	499	14,705,664	2,054,502	13.97%	-454,307	49,217	\$2.47
Eastern SFV	579	9,091,147	602,375	6.63%	-91,892	0	\$1.95
Encino	83	4,730,071	450,964	9.53%	-142,962	0	\$2.71
Glendale	661	12,230,101	1,335,900	10.92%	-303,697	221,068	\$2.77
North Hollywood	236	3,076,532	294,971	9.59%	-52,009	180,000	\$2.51
Santa Clarita Valley	193	4,619,958	842,789	18.24%	-57,490	139,797	\$2.63
Sherman Oaks	132	3,775,452	334,194	8.85%	-137,781	0	\$2.75
Studio/Universal Cities	270	4,716,084	209,382	4.44%	67,786	0	\$2.73
Tarzana	78	1,743,890	141,667	8.12%	-40,080	0	\$2.13
Western SFV	378	7,365,538	921,532	12.51%	-182,510	0	\$2.13
Woodland Hills / Warner Ctr	222	10,436,868	1,467,482	14.06%	-193,654	0	\$2.43
Totals	3,871	90,051,001	9,377,331	10.41%	-1,759,516	1,489,482	\$2.49

Vacancy

The overall office vacancy rate in the Los Angeles North market area increased to 10.41% at the end of the fourth quarter 2008, compared to 9.8% the previous quarter. The Santa Clarita Valley market had the region's highest vacancy rate of 18.24%, followed by the Woodland Hills/Warner Center market with 14.06%, and the Conejo Valley market at 13.97%. Studio/Universal Cities had the region's lowest vacancy rate of 4.44%, followed by Burbank at 5.32% and the Eastern San Fernando Valley at 6.63%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, dropped slightly to \$2.49 per square foot at the end of the fourth quarter 2008 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.67 per square foot, with Class B rates at \$2.34 per square foot, and Class C rates at \$2.15 per square foot. Glendale had the highest average asking rate of \$2.77 per square foot, while the Eastern San Fernando Valley had the lowest rate at \$1.95 per square foot.

Construction

There were 1,489,482 square feet of office space under construction at the end of the fourth quarter 2008. New major developments include 2900 W. Alameda Avenue in Burbank containing 473,672 square feet, 2300 W. Empire Avenue also in Burbank containing 343,728 square feet and 207 Goode Avenue in Glendale containing 186,628 square feet. All three new buildings are 0% pre-leased.

Los Angeles North Top Office Leases

Address	Tenant	SF
400 N. Brand Blvd., Glendale	Cigna Healthcare (renewal)	80,957
2233 N. Ontario Street, Burbank	Macrovisions Solutions Corp.	61,732
2255 N. Ontario Street, Burbank	Insomniac Games (renewal)	41,190
24015 Newhall Ranch Road, Santa Clarita	Southern California Orthopedic Institute	23,329
3011 Townsgate Road, Westlake Village	Cydcor Inc.	19,074
11846 Ventura Blvd., Studio City	CBS Broadcasting, Inc.	12,987

Sales Activity

Total office building sales activity in the third quarter 2008 fell compared to the second quarter 2008 in terms of dollar volume, and cap rates have been slightly higher in 2008, averaging 5.9% compared to the same period in 2007 when they averaged 5.7%. The largest transaction that occurred in the third quarter 2008 was the sale by Holualoa Companies of the Shamrock Plaza, located at 28720 Roadside Drive in Agoura Hills, to W-Net, Inc. on July 9, 2008. This 58,700 square foot office building sold for \$12,000,000 or \$204.43 per square foot.



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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

