



Office Market Update Greater Los Angeles

FIRST QUARTER 2010

Overview

The Greater Los Angeles market continued its slide in the first quarter of 2010 as demand for office space remained extremely weak with virtually no tenants seeking to add additional space. A few large renewals by entertainment companies in West Los Angeles helped overall leasing activity numbers, however, most new leases signed in the first quarter were for less than 15,000 square feet. Tenants remain extremely cautious about growth, and a lack of capital to fund costly relocations continued the trend by tenants of choosing to stay put and seek early renewals with their existing landlords. With overall employment growth in the Los Angeles area not predicted to be positive until the early part of 2011, a sustained recovery in the office market is not expected until the latter part of 2011.

Absorption

Net absorption for the Greater Los Angeles office market was negative (1,264,846) square feet in the first quarter 2010, compared to a positive 261,546 in the fourth quarter 2009. The Class-A office market recorded net absorption of negative (731,055) square feet, Class-B was negative (400,826) square feet, and Class-C was Negative (132,965) 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	322	3,514,661	377,005	10.7%	3,666	78,000	\$2.23
Burbank/Glendale/Pasadena	2,913	56,930,496	6,244,379	11.0%	-161,813	89,900	\$2.50
Downtown Los Angeles	684	70,057,041	7,509,564	10.7%	-357,592	0	\$2.44
Mid-Cities	814	9,437,185	752,880	8.0%	-58,911	0	\$1.90
Mid-Wilshire	1,620	41,284,435	4,114,470	10.0%	-132,652	414,994	\$2.48
San Fernando Valley	1,474	36,647,031	5,479,708	15.0%	-415,882	9,000	\$2.05
San Gabriel Valley	1,728	28,066,684	2,537,263	9.0%	163,584	12,456	\$1.92
Santa Clarita Valley	211	4,852,776	946,315	19.5%	10,873	99,719	\$2.49
South Bay	2,228	62,691,299	8,203,380	13.1%	-67,907	47,796	\$1.98
Southeast Los Angeles	474	8,019,946	581,732	7.3%	33,738	0	\$1.85
Ventura North	835	7,356,613	834,404	11.3%	-12,377	0	\$2.00
Ventura South	1,013	21,290,285	3,521,667	16.5%	-26,981	144,912	\$2.08
West Los Angeles	2,419	73,995,218	9,287,758	12.6%	-242,592	598,600	\$3.19
Totals	16,735	424,143,670	50,390,525	11.9%	-1,264,846	1,495,377	\$2.38

Vacancy

The overall office vacancy rate in the Greater Los Angeles market area increased to 11.9% at the end of the first quarter 2010, compared to 11.5% at the end of the fourth quarter 2009 and 10.6% a year ago. The Santa Clarita Valley had the region's highest vacancy rate of 19.5%, followed by Ventura South at 16.5%, and the San Fernando Valley at 15.0%. The Southeast Los Angeles market had the lowest vacancy rate of 7.3% followed by the Mid-Cities market with 8.0% and the San Gabriel Valley market with 9.0%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, dropped to \$2.38 per square foot at the end of the first quarter 2010 in the Greater Los Angeles area. The average quoted rate within the Class-A sector was \$2.64 at the end of the first quarter, while Class-B rates stood at \$2.13, and Class-C rates at \$1.99. West Los Angeles had the highest asking rate of \$3.19 per square foot, while the Southeast Los Angeles market had the lowest asking rate at \$1.85 per square foot.

Construction

During the first quarter 2010, four buildings totaling 179,269 square feet were completed in the Greater Los Angeles market and there were 1,495,377 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 also 0% pre-leased.

Los Angeles Top Office Leases

Address	Tenant	SF
5750 Wilshire Blvd., Miracle Mile	E! Entertainment (renewal)	335,000
1200 W. Seventh Street, Greater Downtown	Los Angeles Community Redevelopment Agency	94,976
2 S. Coral Circle, Western SGV	Community Development Commission (renewal)	85,300
12312 Olympic Blvd., West Los Angeles	E! Entertainment	78,000
725 S. Figueroa Street, Greater Downtown	Pillsbury Winthrop Shaw Pittma LLP (renewal)	62,000
1200 W. Seventh Street, Greater Downtown	City of Los Angeles Office of Finance	52,247

Sales Activity

Tallying office building sales of 15,000 square feet or larger, Los Angeles office sales figures rose during the fourth quarter 2009 in terms of dollar volume compared to the third quarter 2009. In the fourth quarter, 14 office transactions closed with a total volume of \$306,293,050. The 14 buildings totaled 1,319,538 square feet and the average price equated to \$232.12 per square foot. That compares to 13 transactions totaling \$95,770,000 in the third quarter 2009. Cap rates have been higher in 2009, averaging 7.82% compared to the same period in 2008 when they averaged 6.12%. The largest transaction that occurred within the fourth quarter 2009 was the sale by Maguire Properties of the Lantana Media Entertainment Campus in Santa Monica. The Recording Academy bought one of the buildings containing 66,899 square feet and the remaining four buildings containing approximately 467,227 square feet were sold to The Lionstone Group. The property sold on 12/17/09 for in excess of \$200,000,000 or approximately \$375.00 per square foot.



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