



Office Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

Deliveries

DOWN

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Market Highlights

- Steady Growth** - The Los Angeles office market continued to convey signs of recovery in the first quarter of 2012, displaying just a slight dip in asking lease rates. Vacancy and availability both decreased compared to the previous year. Net absorption posted a positive figure of over 744,000 square feet, giving the market a total of 1.1 million square feet of positive absorption since the third quarter of 2011. While these are generally positive indications, stability will need to be sustained in coming quarters to be considered recovery.
- Construction** - Total space under construction came in at just over 1.35 million square feet for the first quarter of 2012, mostly Class A space. The slowdown in construction has and will ease the upward pressure on vacancy and the downward pressure on lease rates.
- Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 13.93%, a decrease from 2011's fourth quarter rate of 14.10% and down from the 14.06% that was posted at the end of the first quarter of 2011. We are forecasting that vacancy will continue its downward trend in 2012, ending the year at around 13.6%.
- Availability** - Direct/sublease space being marketed was at 17.21% at the end of the first quarter of 2012 — a decrease when compared to 2011's first quarter rate of 17.51% but slightly higher than 2011's fourth quarter rate of 17.06%.
- Lease Rates** - The average asking full-service gross (FSG) lease rate per month per square foot in the Los Angeles office market was \$2.30 at the end of the quarter — a 0.43% decrease from the previous year's rate of \$2.31 and three cents lower than 2011's fourth quarter rate. The record high rate of \$2.74 was established in the third quarter of 2008. Class A asking rates for the county averaged \$2.48 FSG — the highest being in the West Los Angeles submarket, where rates averaged \$2.30 FSG. We are forecasting that rates will continue to stabilize and possibly increase in the second half of 2012.
- Absorption** - The Los Angeles office market posted a positive 744,432 square feet of net absorption in the first quarter of 2012, giving the office market a total of 1.1

million square feet of positive absorption over the past three quarters, the first positive absorption seen since 2007. Look for high-tech, education, entertainment, and alternative-energy companies to lead the increase of positive absorption over the next few years.

- Transaction Activity** - Leasing activity checked in at just over 3.6 million square feet in the first quarter, a decrease from the 5.3 million square feet seen in the first quarter of 2011. Sales activity was up a bit, posting 900,000 square feet of activity compared to 2011's first quarter's 744,000 square feet. Details of the largest transactions can be found on the back page of this report.
- Employment** - The unemployment rate in Los Angeles County was 11.8% in February 2012, unchanged from a revised 11.8% in January 2012 and below the January-2011 estimate of 12.3%. This compares with an unadjusted unemployment rate of 10.9% for California and 8.3% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County displayed an overall net gain of 20,800 jobs between February 2011 and February 2012. The largest gains were 13,100 in professional and business services and 9,200 in education and health services; however, Los Angeles County lost 7,200 government jobs during that same period.
- Overall** - We are beginning to see the amount of available space being added per quarter level off, as well as an overall increase in investment sales activity. As we continue into 2012, positive absorption should continue, and with few new deliveries in the pipeline to apply upward pressure on vacancy, the market will continue to stabilize. We foresee a continued increase in investment activity in the coming quarters as lenders continue to dispose of distressed assets. Lease rates are expected to firm up in the early part of this year, with the possibility of increases in the second half of 2012. We should also see an increase in leasing activity as many short-term deals come up for renewal. As job creation continues and consumer confidence stabilizes, the office market will continue to recover.

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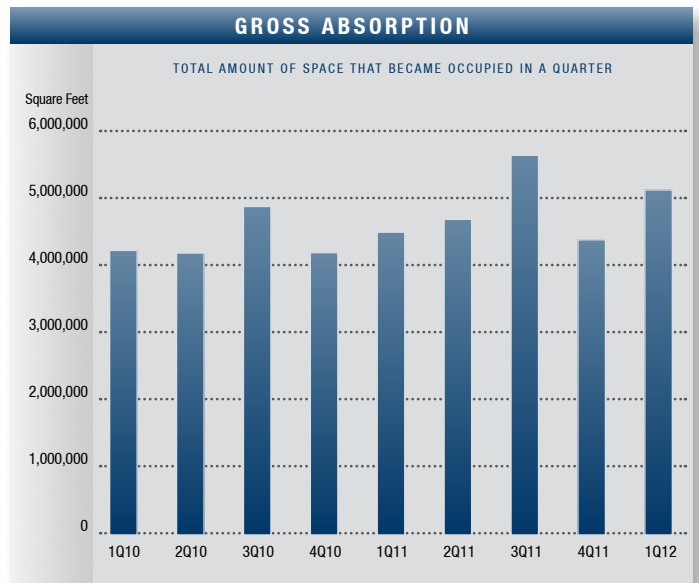
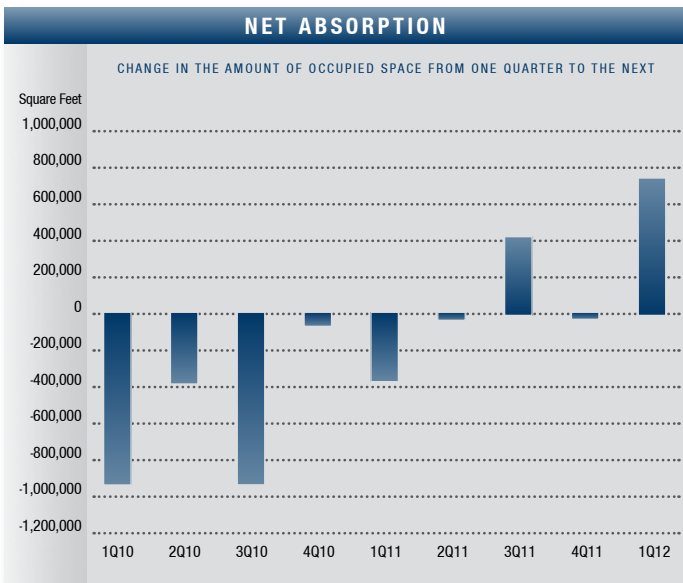
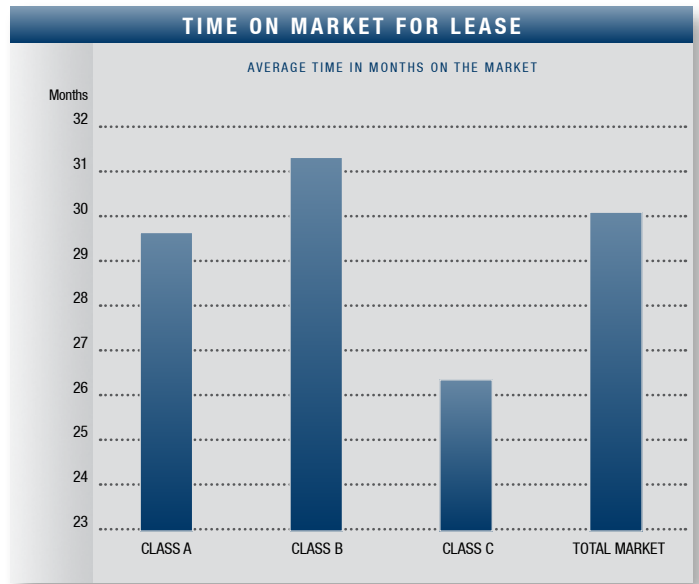
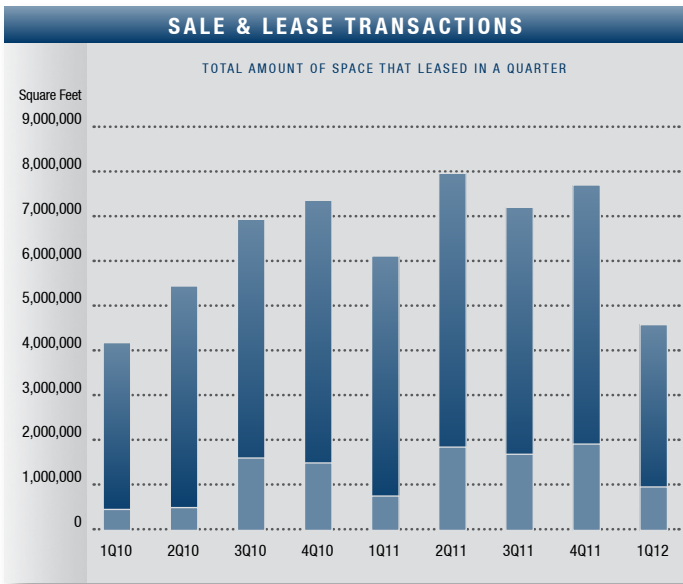
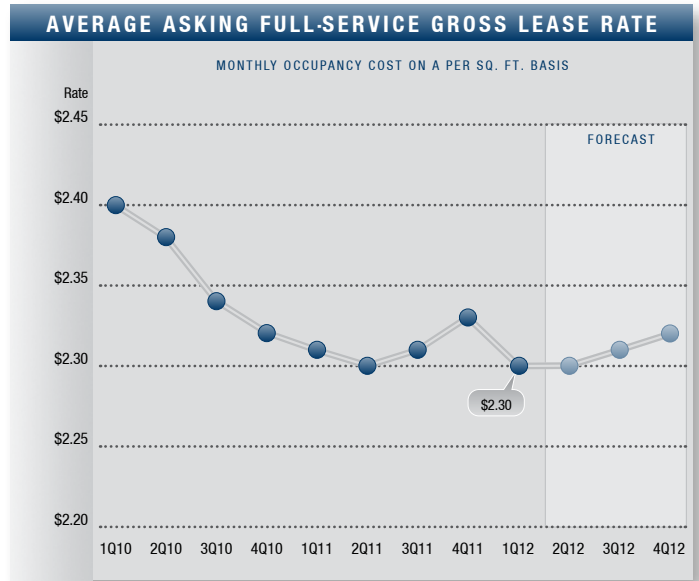
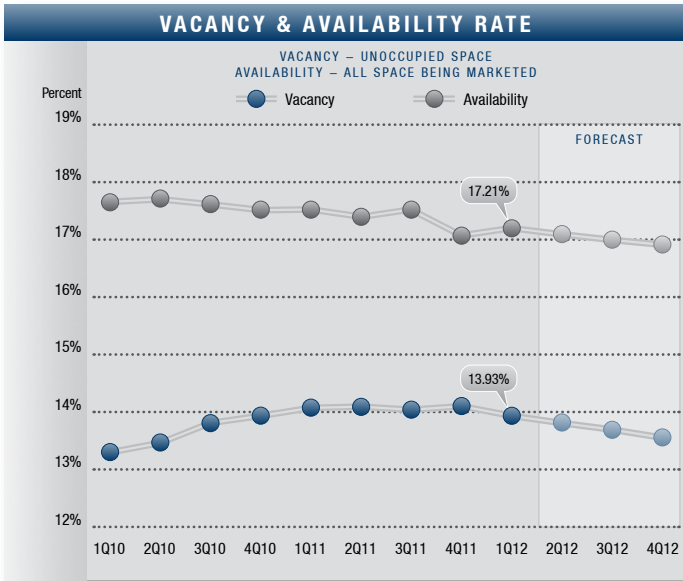
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OFFICE MARKET OVERVIEW

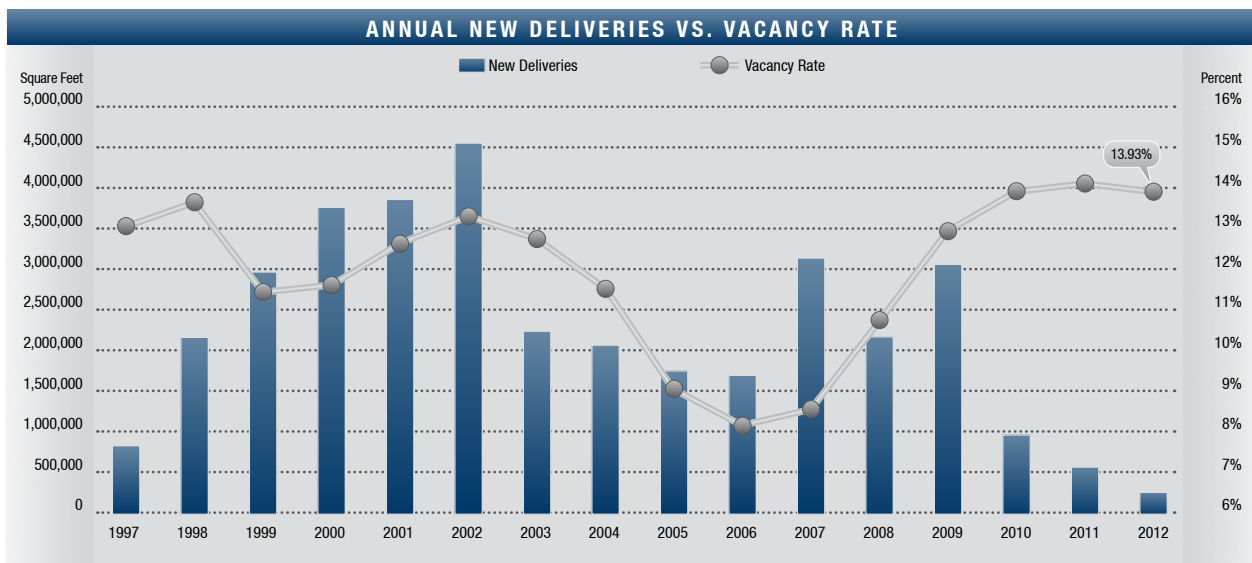
	1Q12	4Q11	1Q11	% of Change vs. 1Q2011
Total Vacancy Rate	13.93%	14.10%	14.06%	(0.92%)
Availability Rate	17.21%	17.06%	17.51%	(1.71%)
Average Asking Lease Rate	\$2.31	\$2.33	\$2.32	(0.43%)
Sale & Lease Transactions	4,533,609	7,694,908	6,052,342	(25.09%)
Gross Absorption	5,109,630	4,329,490	4,493,669	13.71%
Net Absorption	744,432	(26,256)	(361,524)	N/A



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2012	Square Feet Available	Availability Rate 1Q2012	Average Asking Lease Rate	Net Absorption 1Q2012	Net Absorption 2012	Gross Absorption 1Q2012	Gross Absorption 2012
Los Angeles Market Total													
Antelope Valley	32	1,441,837	0	180,000	199,033	13.80%	202,132	14.02%	\$2.51	1,892	1,892	5,249	5,249
Burbank/Glendale/Pasadena	436	39,098,520	0	1,113,590	5,294,199	13.54%	6,537,046	16.72%	\$2.60	53,112	53,112	675,529	675,529
Downtown	318	65,227,509	0	1,431,000	7,557,821	11.59%	9,877,642	15.14%	\$2.11	16,153	16,153	623,795	623,795
Mid-Cities	71	4,303,720	0	0	452,083	10.50%	608,648	14.14%	\$2.00	64,083	64,083	126,171	126,171
Mid-Wilshire	309	30,328,181	452,894	1,243,262	3,999,506	13.19%	5,458,049	18.00%	\$1.97	83,196	83,196	453,005	453,005
San Fernando Valley	346	26,850,673	125,000	568,359	4,144,988	15.44%	4,873,230	18.15%	\$2.05	174,119	174,119	597,075	597,075
San Gabriel Valley	292	18,285,245	130,000	1,253,045	1,644,064	8.99%	2,236,437	12.23%	\$1.89	147,121	147,121	318,651	318,651
Santa Clarita Valley	58	3,485,003	102,113	238,814	667,097	19.14%	773,350	22.19%	\$2.40	57,474	57,474	91,961	91,961
South Bay	482	49,191,550	545,000	1,994,466	8,359,122	16.99%	9,616,852	19.55%	\$2.01	53,761	53,761	793,248	793,248
Southeast LA	85	5,241,866	0	200,000	437,317	8.34%	718,129	13.70%	\$1.86	(2,670)	(2,670)	47,202	47,202
Ventura North	64	3,636,995	0	0	456,322	12.55%	741,806	20.40%	\$1.90	13,500	13,500	37,314	37,314
Ventura South	246	15,499,408	0	81,118	2,891,132	18.65%	3,469,612	22.39%	\$2.07	65,216	65,216	261,330	261,330
West LA	562	60,982,754	0	2,243,306	8,973,669	14.72%	10,586,668	17.36%	\$3.20	17,475	17,475	1,079,100	1,079,100
Los Angeles Market Total	3,301	323,573,261	1,355,007	10,546,960	45,076,353	13.93%	55,699,601	17.21%	\$2.30	744,432	744,432	5,109,630	5,109,630

Class A	995	180,982,653	1,317,107	8,930,327	28,773,122	15.90%	34,689,952	19.17%	\$2.48	723,262	723,262	3,293,519	3,293,519
Class B	1,828	115,124,686	37,900	1,616,633	14,943,214	12.98%	18,681,799	16.23%	\$1.94	62,987	62,987	1,707,312	1,707,312
Class C	478	27,465,922	0	0	1,360,017	4.95%	2,327,850	8.48%	\$1.86	(41,817)	(41,817)	108,799	108,799
Los Angeles Market Total	3,301	323,573,261	1,355,007	10,546,960	45,076,353	13.93%	55,699,601	17.21%	\$2.30	744,432	744,432	5,109,630	5,109,630

This survey consists of properties 10,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a full-service gross basis.



RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Class	Square Feet	Sale Price PSF	Buyer	Seller
5950 Canoga Ave. – 3 Properties	San Fernando Valley	A	182,000	\$145.05	Oakfield Realty Partners, LLC	Guggenheim Commercial Real Estate
2350 S. Garey Ave. – 4 Properties	San Gabriel Valley	B	114,016	\$60.25	Jellick-Rowland, LLC	City of Pomona
2100 E. Park Pl.	El Segundo	A	104,283	\$237.33	Kinecta Federal Credit Union	Community Foundation Land Corp.
10351 Santa Monica Blvd.	West Los Angeles	A	100,947	\$391.00	Sun Life Assurance Co Canada	Cambra Realty
1990 E. Grand Ave. – 2 Properties	El Segundo	B	81,770	\$163.26	Stamps.com, Inc.	Grand Avenue Plaza Properties, LLC

Lease Transactions

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
621 Hawaii St. – Renewal	El Segundo	B	47,561	Mar-12	Hewlett Packward	Hawaii ES Venture, LP
27770 N. Entertainment Dr.	Santa Clarita Valley	B	44,104	Mar-12	Precision Dynamics Corporation	LNR CPI Entrada Office, LLC
5250 Lankershim Blvd.	Burbank/Glendale/Pasadena	A	40,332	Feb-12	Kaiser	Snyder Noho, LLC
6303 Owensmouth Ave.	San Fernando Valley	A	26,935	Feb-12	Farmers Insurance	Owensmouth Warner, LLC
1150 S. Olive St.	Downtown	A	22,258	Mar-12	USC	LBA Realty Fund Holding

Product Type

CLASS A

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