

FIRST QUARTER 2014 GREATER LOS ANGELES OFFICE

Voit
REAL ESTATE SERVICES

MARKET CHANGE

Compared to the Previous Quarter:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

UP



Transactions

DOWN



Deliveries

UP



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HIGHLIGHTS

- **Encouraging Numbers** - The Los Angeles office market continued on its gradual path to recovery in the first quarter of 2014. Vacancy and availability continued to descend, displaying decreases compared to the previous year, while net absorption posted a positive 404,000 square feet. While these are indications that the Los Angeles office market is heading in a good direction, employment and overall economic stability will need to be sustained in coming quarters for the market to fully regain equilibrium.
- **Construction** - Total space under construction in the Los Angeles office market came in at over 850,000 square feet for the first quarter of 2014, mostly class A space. The slowdown in construction has eased and will continue to ease the upward pressure on vacancy and the downward pressure on lease rates.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 13.49%, a drop of nine basis points from the previous quarter and a 4.60% decrease from the same quarter last year.
- **Availability** - Direct/sublease space being marketed in the Los Angeles office market was at 16.70% at the end of the first quarter, up just four basis points from the previous quarter and a 3.52% decrease when compared to 2013's rate of 17.31%.
- **Lease Rates** - The average asking full-service gross (FSG) lease rate per month per square foot in the Los Angeles office market was \$2.37 at the end of the quarter — up four cents from both the previous quarter and the prior year, an indication that lease rates have begun to climb again. The record high rate of \$2.74 was established in the third quarter of 2008. Class A asking rates for the county averaged \$2.53 FSG, while the highest rate in all submarkets was found in the West Los Angeles submarket, where rates averaged \$3.62 FSG.
- **Absorption** - The Los Angeles office market posted a positive 404,223 square feet of net absorption for the quarter, giving the Los Angeles office market a total of over 2.86 million square feet for the past four quarters. 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 under 3.2 million square feet for the first quarter, producing a total of 27.5 million square feet leased during the past five quarters. Sales activity increased in the first quarter, coming in at 5.5 million square feet and giving the Los Angeles office market a total of 31.2 million square feet of sales activity since the first quarter of 2013. This statistic can have some lag time in being reported, so look for first quarter figures to end up somewhat higher. Details of the largest transactions can be found on the back page of this report.
- **Employment** - The unemployment rate in Los Angeles County was 8.7% in February 2014 — down from a revised 8.9% in January 2014 and below the previous year's estimate of 10.2%. This compares with an unadjusted unemployment rate of 8.3% for California and 6.6% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 86,100 payroll jobs from February 2013 to February 2014. The largest gains were 27,000 in professional and business services and 25,900 in educational and health services; Los Angeles County's largest loss was 8,800 manufacturing jobs during that same period.
- **Overall** - We are seeing the amount of vacant and available space continue to slowly decrease. Positive absorption should continue in 2014, and with few new deliveries in the pipeline to apply upward pressure on vacancy, the market should continue to stabilize.

FORECAST

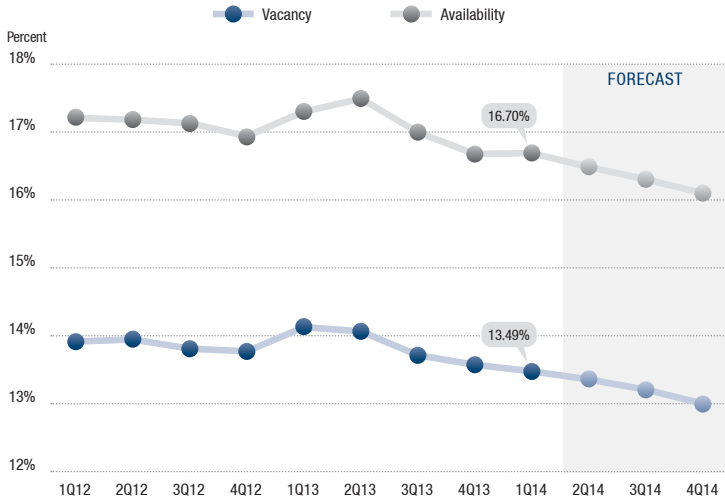
- **Construction** - While we foresee more development projects materializing in coming quarters, we expect land constraints to keep new supply well below demand growth over the next few years, which should help limit downward pressure on vacancy.
- **Employment** - We anticipate job growth of around 1.3%, or 58,900 jobs, in the Los Angeles area over the year. Look for industries like technology and entertainment to outperform sectors that are dependent upon population gains in coming years.
- **Lease Rates** - Expect average asking lease rates to increase by another 2% — 3% by 2015.
- **Vacancy** - We anticipate vacancy rates continuing to descend in coming quarters, dropping by 50 basis points, to around 13%, by 2015.

OVERVIEW

	1Q14	4Q13	1Q13	% of Change vs. 1Q13
Vacancy Rate	13.49%	13.58%	14.14%	(4.60%)
Availability Rate	16.70%	16.66%	17.31%	(3.52%)
Average Asking Lease Rate	\$2.37	\$2.33	\$2.33	1.72%
Sale & Lease Transactions	8,638,000	10,675,164	8,974,335	(3.75%)
Gross Absorption	5,277,909	5,031,452	4,666,350	13.11%
Net Absorption	404,223	532,636	(778,112)	N/A

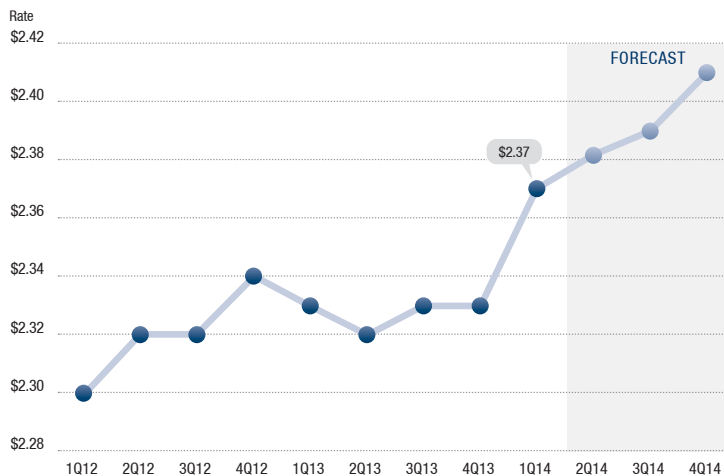
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



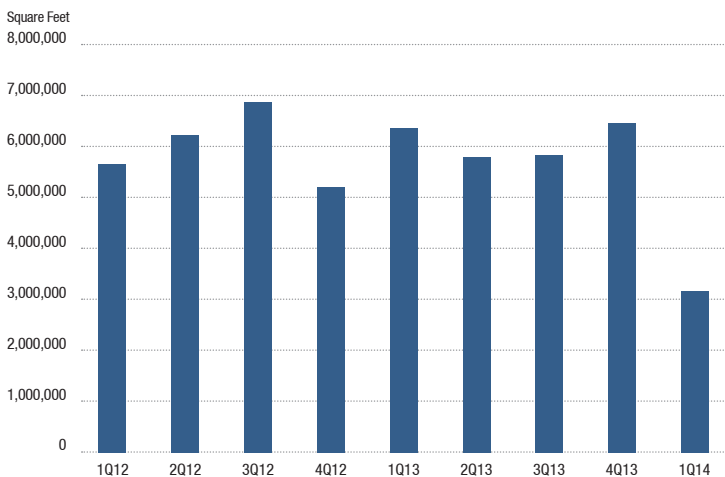
AVERAGE ASKING FULL-SERVICE GROSS LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



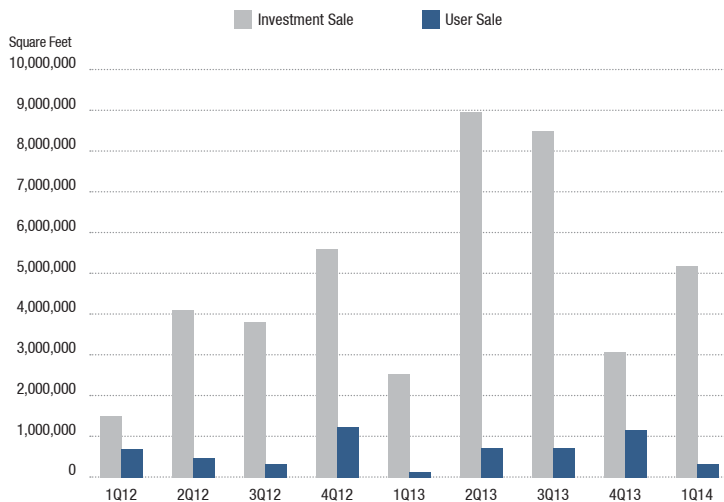
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



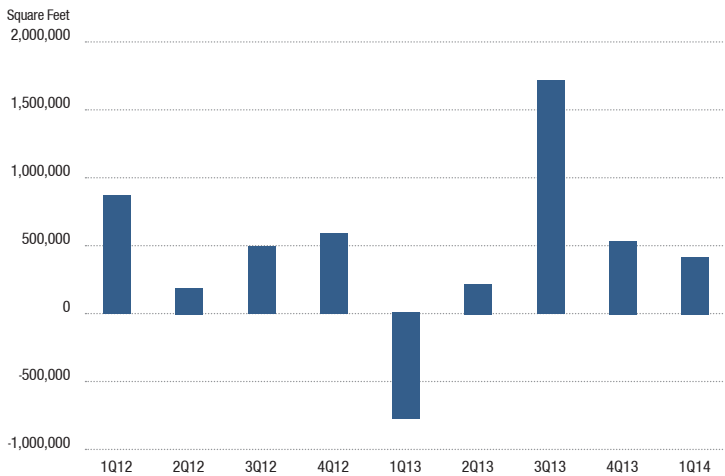
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



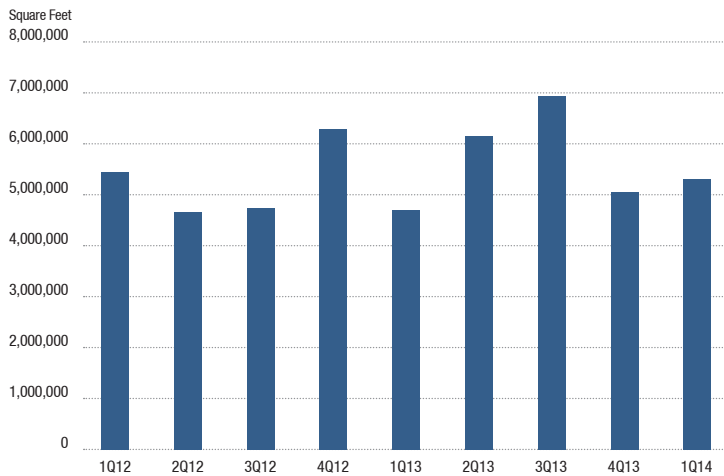
NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



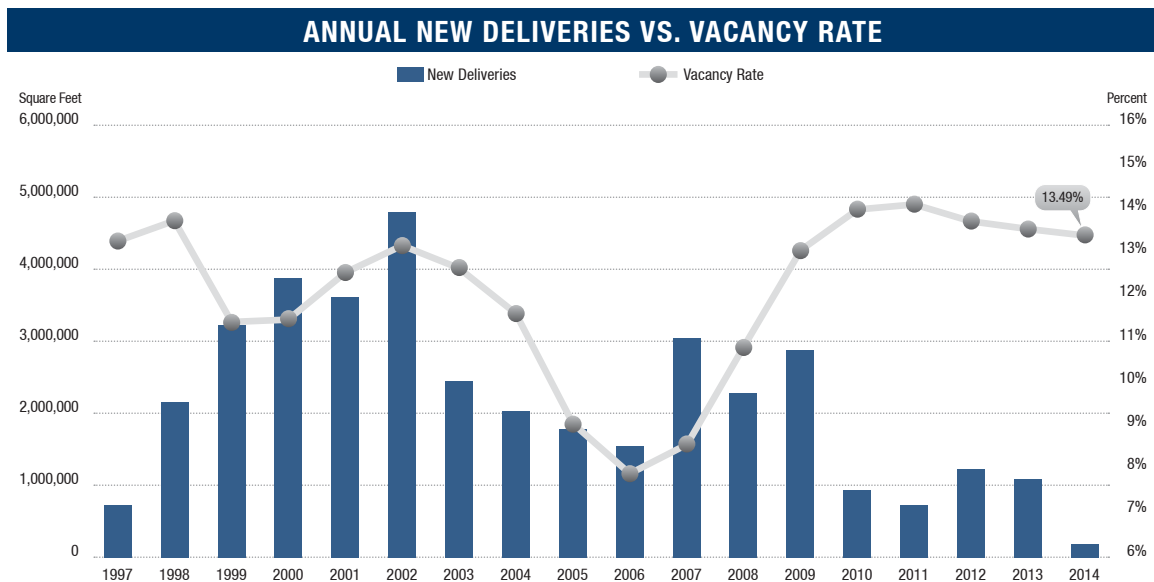
GROSS ABSORPTION

TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2014	Square Feet Available	Availability Rate 1Q2014	Average Asking Lease Rate	Net Absorption 1Q2014	Net Absorption 2013	Gross Absorption 1Q2014	Gross Absorption 2013
Los Angeles Market Total													
Antelope Valley	32	1,503,359	0	180,000	170,971	11.37%	284,832	18.95%	\$2.62	(5,422)	50,896	9,849	75,317
Burbank / Glendale / Pasadena	424	38,466,093	155,000	751,766	5,187,845	13.49%	6,235,568	16.21%	\$2.61	(176,017)	(232,977)	698,083	2,745,086
Downtown	313	65,764,978	30,000	1,350,001	8,473,646	12.88%	11,175,991	16.99%	\$2.28	32,812	(69,363)	656,847	2,839,069
Mid-Cities	74	4,729,126	0	28,400	360,724	7.63%	686,284	14.51%	\$1.97	(4,485)	123,465	26,710	359,721
Mid-Wilshire	298	30,160,348	284,574	1,027,601	4,410,614	14.62%	5,402,738	17.91%	\$2.13	37,538	(62,144)	416,656	2,133,987
San Fernando Valley	345	27,164,355	0	894,098	3,441,392	12.67%	4,355,284	16.03%	\$2.11	4,363	413,798	443,972	2,461,218
San Gabriel Valley	298	19,215,104	0	1,586,069	2,129,415	11.08%	2,392,549	12.45%	\$1.98	(71,376)	(23,109)	167,469	755,258
Santa Clarita Valley	57	3,458,892	100,000	342,929	401,462	11.61%	518,784	15.00%	\$2.27	(3,749)	116,167	41,236	336,582
South Bay	499	50,401,852	120,000	2,133,553	8,560,449	16.98%	9,889,036	19.62%	\$2.02	113,324	671,794	871,058	3,534,837
Southeast LA	88	5,546,549	0	60,000	473,185	8.53%	655,510	11.82%	\$1.84	3,299	46,957	19,803	302,386
Ventura North	65	3,598,620	0	147,034	378,062	10.51%	741,757	20.61%	\$1.75	8,967	27,811	15,224	257,839
Ventura South	243	15,615,236	102,334	993,000	2,381,126	15.25%	3,069,424	19.66%	\$2.14	60,110	235,039	307,721	1,301,362
West LA	561	61,063,357	66,000	1,694,956	7,717,510	12.64%	9,148,750	14.98%	\$3.62	404,859	367,242	1,603,281	5,782,199
Los Angeles Market Total	3,297	326,687,869	857,908	11,189,407	44,086,401	13.49%	54,556,507	16.70%	\$2.37	404,223	1,665,576	5,277,909	22,884,861
Los Angeles Market Total													
Class A	990	182,900,045	582,908	8,955,873	28,139,170	15.38%	34,232,558	18.72%	\$2.53	770,411	968,593	3,682,396	14,891,824
Class B	1,834	116,979,886	275,000	2,233,534	14,331,066	12.25%	18,054,544	15.43%	\$1.99	(74,964)	681,904	1,504,507	7,148,503
Class C	473	26,807,938	0	0	1,616,165	6.03%	2,269,405	8.47%	\$1.85	(291,224)	15,079	91,006	844,534
Los Angeles Market Total	3,297	326,687,869	857,908	11,189,407	44,086,401	13.49%	54,556,507	16.70%	\$2.37	404,223	1,665,576	5,277,909	22,884,861

This survey consists of properties 25,000 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.



MAJOR TRANSACTIONS**Sales Transactions**

Property Address	Submarket	Class	Square Feet	Sale Price Per SF	Buyer	Seller
6701 Center Dr. W. – 6 Properties	West LA	A	1,355,641	\$380.63	Hines	Trizec 6060 HHC, LLC
350 S. Grand Ave. – 6 Properties	Downtown LA	A	1,415,445	\$210.32	CIM Group, LP	CWCapital Asset Management, LLC
3900 W. Alameda	Burbank/Glendale/Pasadena	A	486,972	\$223.83	Worthe Real Estate Group	BlackRock, Inc.
177 E. Colorado Blvd.	Burbank/Glendale/Pasadena	B	291,735	\$277.65	Saunders Property Company	AT&T, Inc.
2160 E. Grand Ave.	South Bay	A	157,049	\$335.56	Griffin Capital Essential Asset REIT, Inc.	GLL Real Estate Partners, Inc.

Lease Transactions

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
1041 N. Formosa Ave.	Mid–Wilshire	A	66,429	Mar-14	Oprah Winfrey Network (OWN)	CIM Group, LP
655 N. Central Ave.	Burbank/Glendale/Pasadena	A	44,636	Feb-14	Dreamworks	The Prudential Insurance Company
11175 Santa Monica Blvd.	West LA	A	39,286	Jan-14	Reed Elsevier, Inc.	Sandstone Properties
6842 Van Nuys Blvd.	San Fernando Valley	B	37,000	Feb-14	Champs Charter High School of the Arts	The Martin Groupe, Inc.
1515 W. 190th St.	South Bay	A	33,525	Jan-14	Cymetrix	Equity Office Management, LLC

PRODUCT TYPE**CLASS A**

Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

CLASS B

Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area, and systems are adequate. However, Class B buildings cannot compete with Class A buildings of the same price.

CLASS C

Buildings competing for tenants requiring functional space at rents below the area average.

Please Contact Us for Further Information

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