



MARKET CHANGE

Compared to Previous Quarter:

Vacancy



Net Absorption



Lease Rates



Transactions



Deliveries



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HIGHLIGHTS

- **Steady Growth** - The Los Angeles County office market displayed a number of encouraging indicators in the first quarter of 2015, as both vacancy and availability rates continued their downward trend and lease rates continued to increase on an annual basis. The market has posted a total of over 7 million square feet of positive absorption for the last three and a half years as well.
- **Construction** - Total space under construction in the Los Angeles office market came in at 2.52 million square feet for the first quarter of 2015, mostly class A space. Construction levels have not been this high since the third quarter of 2009.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 12.90%, an increase of 18 basis points from the previous quarter and a 4.44% decrease from the same quarter last year.
- **Availability** - Direct/sublease space being marketed in the Los Angeles office market was at 16.68% at the end of the first quarter, up 24 basis points from the previous quarter and 1.18% lower than 2014's first quarter rate of 16.88%.
- **Lease Rates** - The average asking full-service gross (FSG) lease rate per month per square foot in the Los Angeles office market was \$2.51 at the end of the quarter, down one cent from the previous quarter and one cent higher than the same quarter last year. This is an indication that lease rates are on the rise again. The record high rate of \$2.74 was established in the second quarter of 2008. Class A asking rates for the county averaged \$2.68 FSG, while the highest rate in all submarkets was found in the West Los Angeles submarket, where rates averaged \$3.87 FSG.
- **Absorption** - The Los Angeles office market posted a negative 258,126 square feet of net absorption for the quarter, giving the Los Angeles office market a total of 5.2 million square feet for the past eight 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 over 3.6 million square feet for the quarter, producing a total of over 52 million square feet leased during the past two years. Sales activity came in at 20 million square feet for the quarter, giving the Los Angeles office market a total of almost 50 million square feet of sales activity for the past two years. This statistic can have some lag time in being reported, so look for this quarter's figures to end up somewhat higher in future reports. Details of the largest transactions can be found on the back page of this report.
- **Employment** - The unemployment rate in Los Angeles County was 7.8% in February 2015, from a revised 7.9% in January 2015 and below the previous year's estimate of 8.7%. This compares with an unadjusted unemployment rate of 6.8% for California and 5.8% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 101,100 payroll jobs from February 2014 to February 2015. Most sectors showed gains in employment; the largest gains were 27,400 in educational and health services and 19,600 in trade, transportation, and utilities during that same period. Los Angeles County's manufacturing sector suffered the biggest losses over the year — down 3,500 jobs.
- **Overall** - We are continuing to see a decrease in the amount of vacant and available space on the market, even with new product being delivered. As we progress into 2015, positive absorption and higher occupancy costs should continue, and with few new deliveries in the pipeline to apply upward pressure on vacancy, the market will further improve.

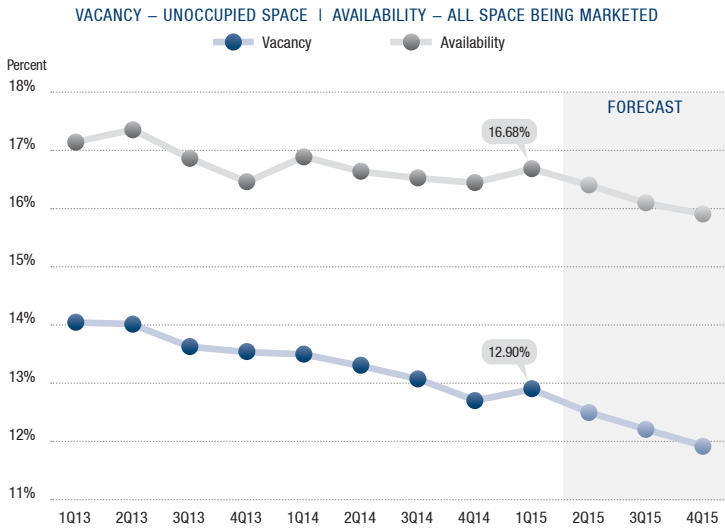
FORECAST

- **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.
- **Employment** - We anticipate job growth of around 1.9%, or 79,500 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% to 4% over the next four quarters.
- **Vacancy** - We anticipate vacancy rates continuing to descend in coming quarters, dropping by 100 basis points, to around 11.9%, by the fourth quarter of 2015.

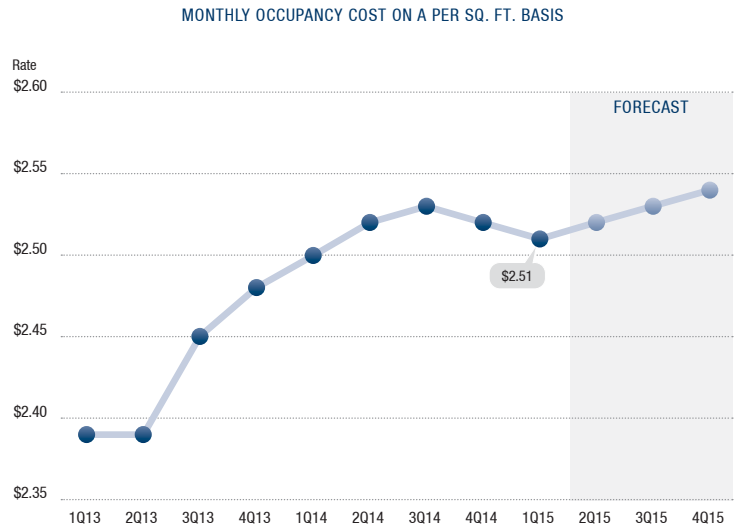
OVERVIEW

	1Q15	4Q14	1Q14	% of Change vs. 1Q14
Total Vacancy Rate	12.90%	12.72%	13.50%	(4.44%)
Availability Rate	16.68%	16.44%	16.88%	(1.18%)
Average Asking Lease Rate	\$2.51	\$2.52	\$2.50	0.40%
Sale & Lease Transactions	6,853,481	12,029,749	10,023,338	(31.62%)
Gross Absorption	4,096,779	5,111,642	4,755,750	(13.86%)
Net Absorption	(258,126)	1,230,471	382,661	N/A

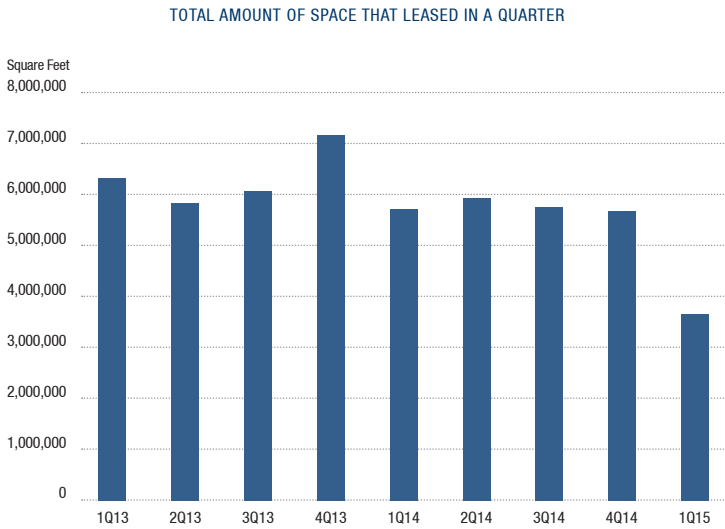
VACANCY & AVAILABILITY RATE



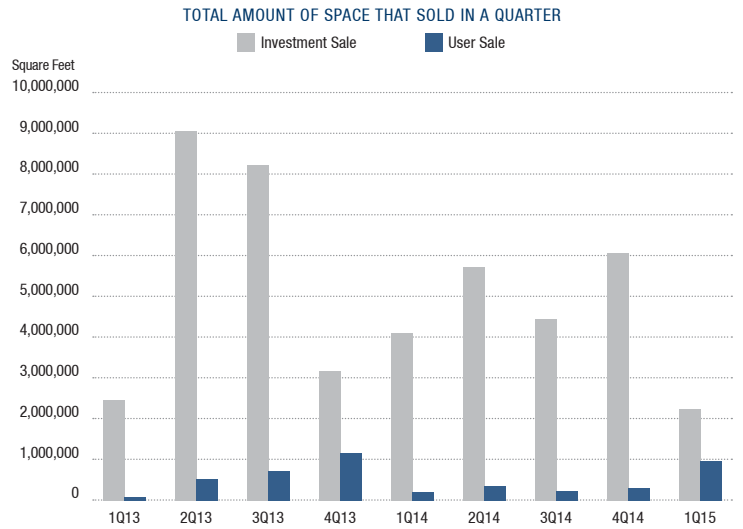
AVERAGE ASKING FULL-SERVICE GROSS LEASE RATE



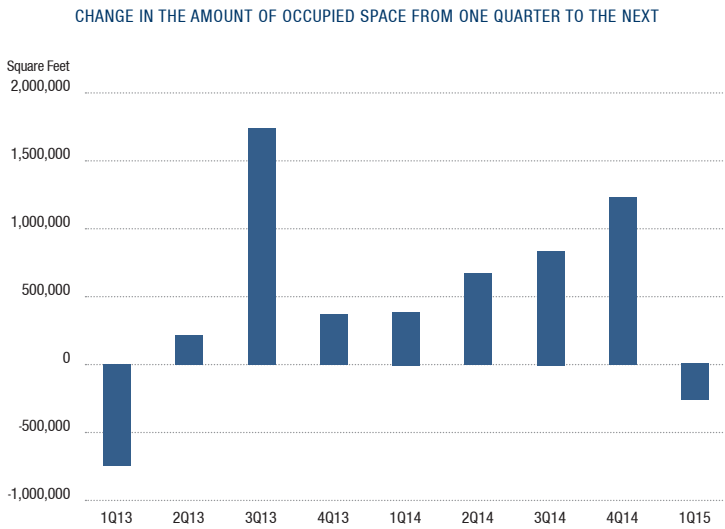
LEASE TRANSACTIONS



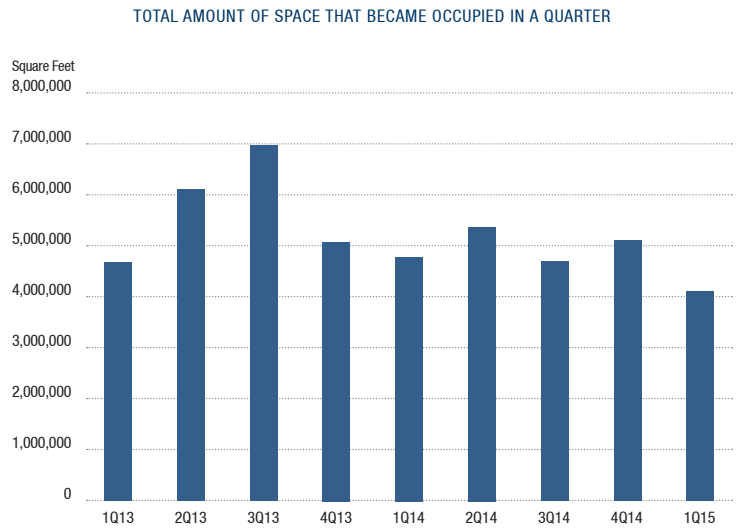
SALES TRANSACTIONS



NET ABSORPTION

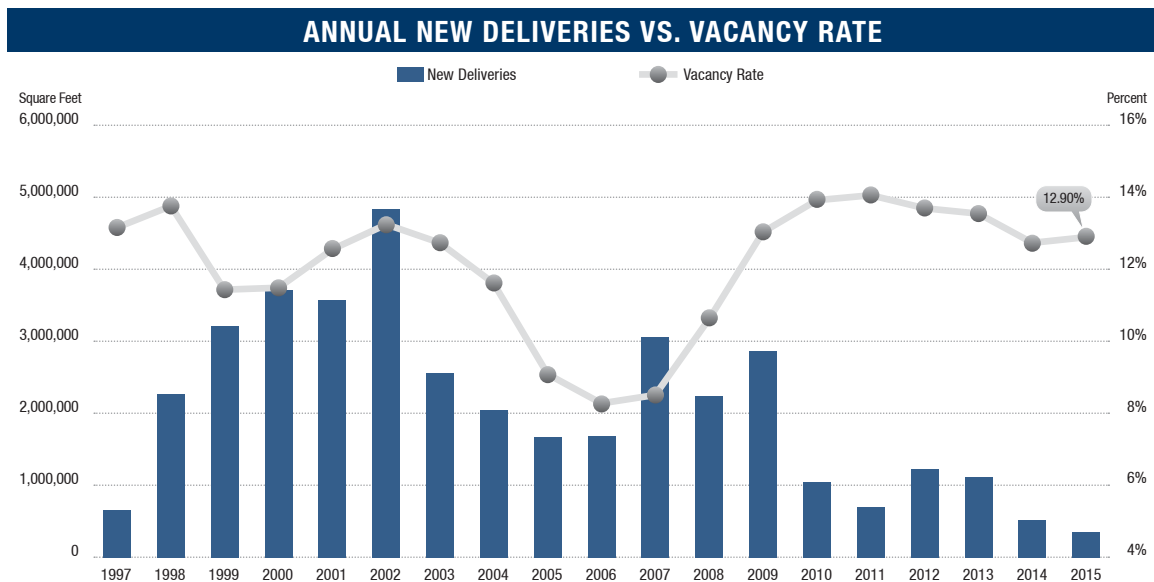


GROSS ABSORPTION



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2015	Square Feet Available	Availability Rate 1Q2015	Average Asking Lease Rate	Net Absorption 1Q2015	Net Absorption 2014	Gross Absorption 1Q2015	Gross Absorption 2014
Los Angeles Market Total													
Antelope Valley	30	1,445,653	55,586	180,000	127,084	8.79%	350,835	24.27%	\$0.00	(1,337)	26,427	3,906	70,852
Burbank / Glendale / Pasadena	423	38,220,712	155,000	805,950	3,967,454	10.38%	4,967,521	13.00%	\$2.62	122,052	382,486	489,520	2,601,049
Downtown	310	65,218,140	536,141	2,767,231	8,146,172	12.49%	11,017,964	16.89%	\$2.80	28,071	256,410	528,935	2,573,218
Mid-Cities	76	4,769,309	0	0	506,696	10.62%	733,987	15.39%	\$2.11	(114,912)	(30,722)	43,755	257,040
Mid-Wilshire	301	30,008,170	708,347	1,087,492	4,318,726	14.39%	5,567,699	18.55%	\$2.26	51,667	189,852	323,201	1,629,823
San Fernando Valley	346	27,223,163	117,978	847,120	3,935,675	14.46%	4,944,498	18.16%	\$2.15	(126,440)	82,782	555,048	1,918,478
San Gabriel Valley	299	19,130,138	213,586	630,727	2,022,023	10.57%	2,777,689	14.52%	\$2.06	22,109	221,273	172,930	1,148,925
Santa Clarita Valley	58	3,593,593	143,000	306,929	483,961	13.47%	580,051	16.14%	\$2.19	(3,192)	27,717	43,234	192,693
South Bay	501	50,216,758	146,138	982,714	8,401,484	16.73%	9,755,928	19.43%	\$2.06	(192,787)	376,707	416,032	2,817,147
Southeast LA	87	5,461,287	0	60,000	405,345	7.42%	559,324	10.24%	\$1.86	17,167	(13,403)	41,748	132,513
Ventura North	67	3,720,577	0	147,034	652,269	17.53%	1,157,623	31.11%	\$1.77	(211,396)	19,156	80,130	86,042
Ventura South	246	15,642,542	120,933	477,152	2,054,057	13.13%	3,087,289	19.74%	\$2.17	125,155	225,525	273,588	1,210,938
West LA	567	61,163,924	323,571	1,535,714	6,999,531	11.44%	8,854,964	14.48%	\$3.87	25,717	1,269,814	1,124,752	5,217,983
Los Angeles Market Total	3,311	325,813,966	2,520,280	9,828,063	42,020,477	12.90%	54,355,372	16.68%	\$2.51	(258,126)	3,034,024	4,096,779	19,856,701
Los Angeles Market Total													
Class A	977	180,669,655	1,864,070	7,931,889	25,643,097	14.19%	32,708,037	18.10%	\$2.68	258,144	2,267,360	2,934,016	12,399,061
Class B	1,867	118,936,306	656,210	1,896,174	14,550,423	12.23%	19,093,489	16.05%	\$2.08	(481,119)	881,974	1,078,846	6,747,831
Class C	467	26,208,005	0	0	1,826,957	6.97%	2,553,846	9.74%	\$1.80	(35,151)	(115,310)	83,917	709,809
Los Angeles Market Total	3,311	325,813,966	2,520,280	9,828,063	42,020,477	12.90%	54,355,372	16.68%	\$2.51	(258,126)	3,034,024	4,096,779	19,856,701

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
13031 W. Jefferson Blvd.	West LA	A	399,373	\$791.24	Invesco Real Estate	Shorenstein Properties, LLC
8550 Higuera St. – 3 Properties	West LA	B	127,447	\$847.41	IDS Real Estate Group	Hackman Capital Partners
16830 Ventura Blvd.	San Fernando Valley	A	223,679	\$397.89	Douglas Emmett Management, LLC	Hudson Pacific Properties, Inc.
221 S. Figueroa St. – 5 Properties	Downtown LA	B	270,169	\$310.92	Rising Realty Partners	US Bank NA
199 S. Las Robles Ave.	Burbank/Glendale/Pasadena	A	163,234	\$321.62	Laurus Corporation	Heitman, LLC

Lease Transactions

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
2900 W. Alameda Ave.	Burbank/Glendale/Pasadena	A	66,376	Jan-2015	CBS Interactive, Inc.	Catalina Media Development, LLC
12777 W. Jefferson Blvd.	Burbank/Glendale/Pasadena	A	60,000	Jan-2015	ARUP North America Limited	Vantage Property Investors, LLC
639-659 Broadway	Downtown LA	C	45,500	Mar-2015	Burlington Coat Factory	St. Vincent Jewelry Center
6300 Wilshire Blvd. – Renewal	Mid-Wilshire	A	44,344	Feb-2015	Group M	Legacy Partners Commercial, Inc.
2355 Utah Ave.	South Bay	B	43,573	Feb-2015	Kite Pharma	2355 Utah Industrial Capital, 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.

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