



MARKET CHANGE

Compared to Previous Year:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

UP



Transactions

DOWN



Deliveries

UP



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HIGHLIGHTS

- **Steady Growth** - The Los Angeles County office market displayed a number of encouraging indicators in 2015, as the vacancy rate continued its downward trend and lease rates continued to increase on an annual basis. The market has posted a total of over 6.5 million square feet of positive absorption for the last three years as well.
- **Construction** - Total space under construction in the Los Angeles office market came in at 3.61 million square feet at the end of 2015, mostly class A space. Construction levels have not been this high since the second quarter of 2009.
- **Vacancy** - Direct/sublease space (unoccupied) finished the year at 12.27%, a 2.0% decrease from last year.
- **Availability** - Direct/sublease space being marketed in the Los Angeles office market was at 16.6% at the end of the fourth quarter, up 26 basis points from the previous quarter and 1.59% higher than 2014's fourth quarter rate of 16.34%.
- **Lease Rates** - The average asking full-service gross (FSG) lease rate per month per square foot in the Los Angeles office market was \$2.66 at the end of the year, up three cents from the previous quarter and eighteen cents 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 \$2.84 FSG, while the highest rate in all submarkets was found in the West Los Angeles submarket, where rates averaged \$4.13 FSG.
- **Absorption** - The Los Angeles office market posted 2,056,887 square feet of positive net absorption for 2015, giving the Los Angeles office market a total of over 6 million square feet of absorption for the past nine 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 4 million square feet for the quarter, producing a total of over 50 million square feet leased during the past nine quarters. Combined, sales and lease transactions for the year came in at 35.5 million square feet, which is a decrease from the previous year's combined transactional sum of 44.9 million square feet. This statistic can have some lag time in being reported, so look for this quarter's figures to end up somewhat higher on the next report.
- **Employment** - The unemployment rate in Los Angeles County declined to 5.9% in November 2015, down from a revised 6.1% in October 2015 and below the previous year's estimate of 8.0%. This compares with an unadjusted unemployment rate of 5.7% for California and 4.8% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 73,200 payroll jobs from November 2014 to November 2015. Most sectors showed gains in employment; the largest gains were 22,400 in educational and health services and 19,700 in leisure and hospitality during that same period. Los Angeles County's manufacturing sector suffered the biggest losses over the year — down 7,500 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 enter 2016, 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

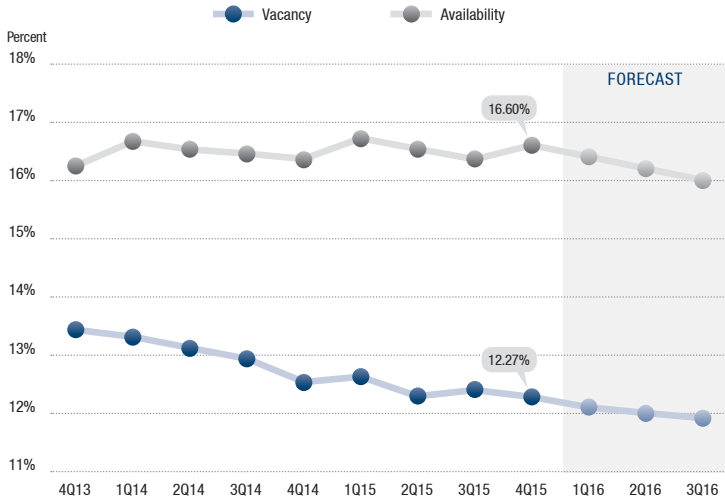
- **Construction** - While we foresee more development projects materializing in coming quarters, we expect land constraints to keep new supply well below demand growth over the next few years.
- **Employment** - We anticipate job growth of around 1.9%, or 79,500 jobs, in the Los Angeles area over the 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 40 basis points, to below 12%, by the third quarter of 2016.

OVERVIEW

	2015	2014	2013	% of Change vs. 2014
Total Vacancy Rate	12.27%	12.52%	13.44%	(2.00%)
Availability Rate	16.60%	16.34%	16.25%	1.59%
Average Asking Lease Rate	\$2.66	\$2.52	\$2.48	5.56%
Sale & Lease Transactions	35,515,553	44,916,092	50,582,965	(20.93%)
Gross Absorption	19,830,482	20,127,056	22,734,269	(1.47%)
Net Absorption	2,056,887	3,468,126	1,102,432	N/A

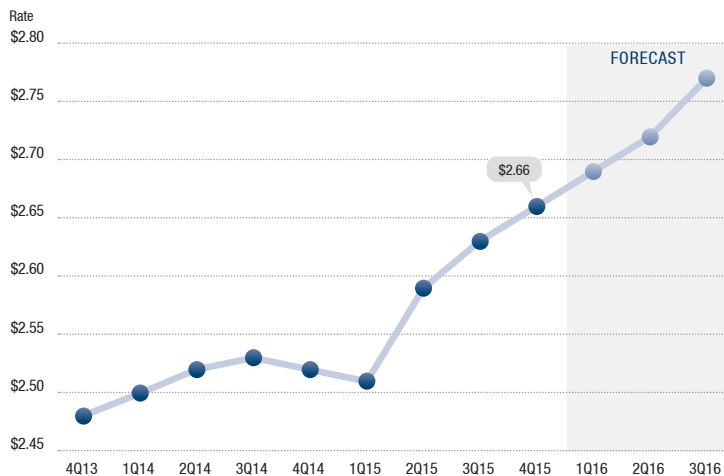
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



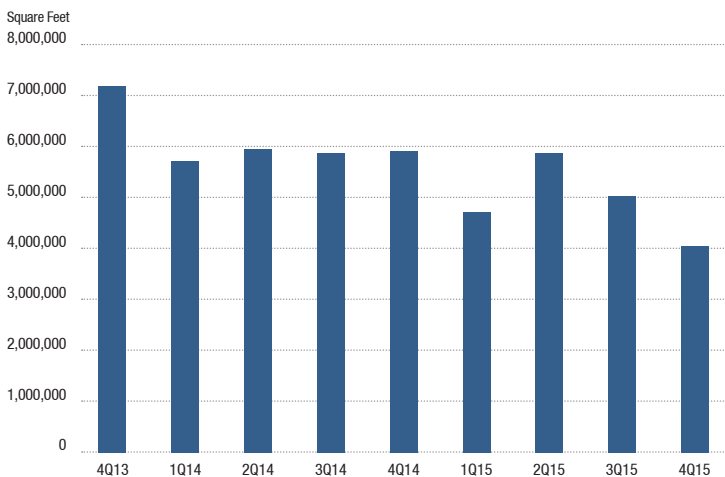
AVERAGE ASKING FULL-SERVICE GROSS LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



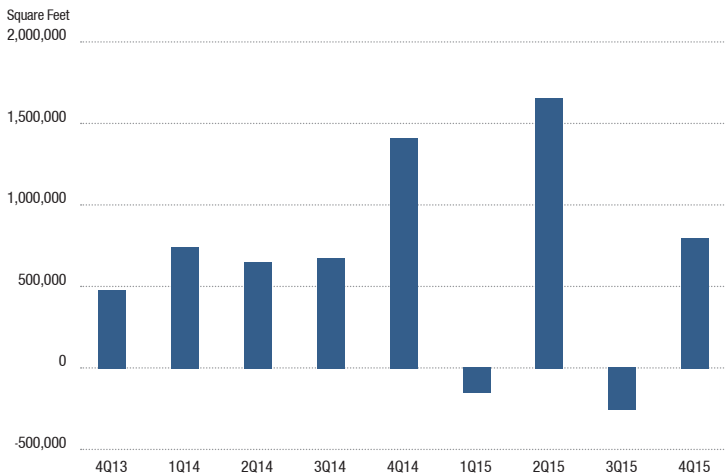
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



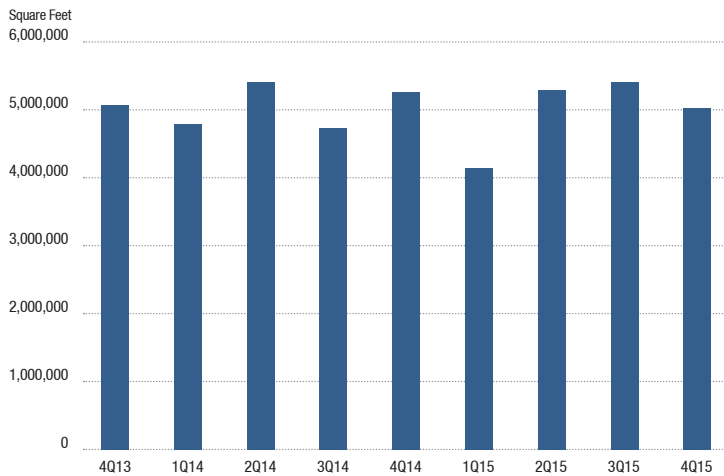
NET ABSORPTION

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



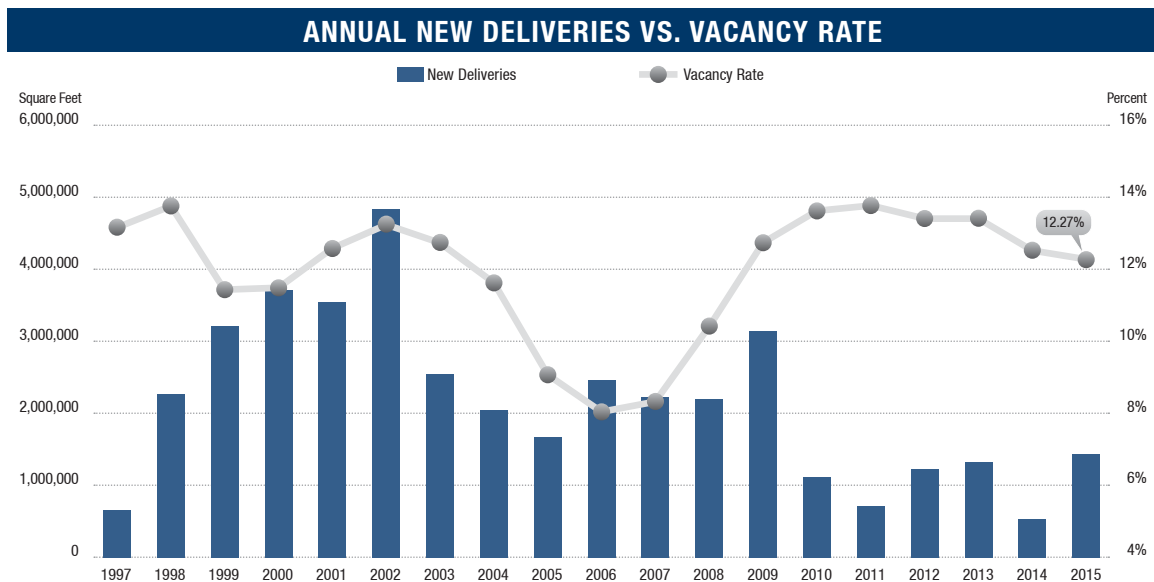
GROSS ABSORPTION

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 4Q2015	Square Feet Available	Availability Rate 4Q2015	Average Asking Lease Rate	Net Absorption 4Q2015	Net Absorption 2015	Gross Absorption 4Q2015	Gross Absorption 2015
Los Angeles Market Total													
Antelope Valley	30	1,452,926	0	180,000	272,883	18.78%	289,777	19.94%	\$0.00	1,135	(40,971)	1,135	6,766
Burbank / Glendale / Pasadena	426	39,245,576	188,760	2,174,736	4,289,519	10.93%	5,562,546	14.17%	\$2.82	(26,108)	432,776	522,275	2,304,624
Downtown	306	64,936,305	1,260,018	2,330,519	7,350,733	11.32%	9,782,555	15.06%	\$2.90	(57,982)	255,577	724,284	2,612,103
Mid-Cities	77	4,816,113	0	0	482,935	10.03%	1,053,792	21.88%	\$2.26	(9,530)	(110,924)	63,389	367,816
Mid-Wilshire	302	30,245,132	870,908	899,500	4,550,165	15.04%	5,652,486	18.69%	\$2.79	75,242	211,831	444,753	1,468,543
San Fernando Valley	344	27,219,677	117,978	746,935	3,615,024	13.28%	4,591,818	16.87%	\$2.21	59,605	19,224	585,835	2,189,727
San Gabriel Valley	297	19,228,499	47,178	555,000	2,193,635	11.41%	3,120,428	16.23%	\$2.14	141,026	143,109	258,134	1,019,545
Santa Clarita Valley	58	3,595,054	0	1,396,819	488,225	13.58%	556,165	15.47%	\$2.19	1,488	(8,687)	29,143	139,665
South Bay	506	50,388,532	128,299	88,380	7,465,239	14.82%	10,024,469	19.89%	\$2.19	154,072	441,904	634,081	2,563,671
Southeast LA	87	5,489,413	0	77,250	413,911	7.54%	651,011	11.86%	\$2.02	34,678	8,601	48,145	158,512
Ventura North	68	3,981,626	325,000	147,034	824,726	20.71%	1,354,543	34.02%	\$1.75	(191,597)	(380,553)	80,761	213,972
Ventura South	246	15,865,311	120,933	477,152	1,864,660	11.75%	2,862,453	18.04%	\$2.39	204,959	375,392	337,907	1,134,431
West LA	570	60,583,801	551,832	2,180,237	6,328,697	10.45%	8,788,136	14.51%	\$4.13	411,048	709,608	1,283,399	5,651,107
Los Angeles Market Total	3,317	327,047,965	3,610,906	11,253,562	40,140,352	12.27%	54,290,179	16.60%	\$2.66	798,036	2,056,887	5,013,241	19,830,482
Los Angeles Market Total													
Class A	979	180,363,853	2,063,669	8,947,536	24,859,789	13.78%	33,384,518	18.51%	\$2.84	819,250	1,773,908	3,205,681	12,506,337
Class B	1,876	120,743,127	1,547,237	2,306,026	13,978,591	11.58%	18,924,534	15.67%	\$2.23	39,731	364,583	1,656,136	6,678,819
Class C	462	25,940,985	0	0	1,301,972	5.02%	1,981,127	7.64%	\$1.86	(60,945)	(81,604)	151,424	645,326
Los Angeles Market Total	3,317	327,047,965	3,610,906	11,253,562	40,140,352	12.27%	54,290,179	16.60%	\$2.66	798,036	2,056,887	5,013,241	19,830,482

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 OF 2015

Sales Transactions

Property Address	Submarket	Class	Square Feet	Sale Price Per SF	Buyer	Seller
2600–2800 Colorado Ave.	Burbank / Glendale / Pasadena	A	316,000	\$898.73	2700 Colorado, LLC	CREP 2700 Holdings, LLC
523 W. 6th St.	Downtown LA	A	446,023	\$448.41	523 W. 6th Street Property Owner	Regency Pacific Center Holdings, LLC
600 Corporate Pointe (2 Properties)	West LA	A	440,041	\$298.27	REEP-OFC Corporate Pointe CA, LLC	Aslan IV Corporate Pointe, LLC
1 World Trade Ctr.	South Bay	A	574,981	\$184.09	W / GL Ocean Avenue LB Holdings VII, LLC	Legacy Partners II LB World Trade, LLC
10889 Wilshire Blvd.	West LA	A	463,604	\$199.52	UCLA	Occidental Petroleum Corporation

Lease Transactions

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
633 W. 5th St. – Renewal	Downtown LA	A	215,230	May-2015	Lewis Brisbois Bisgaard & Smiths, LLP	Beringia Central, LLC
350 S. Grand Ave.	Downtown LA	A	150,500	Nov-2015	Munger Trolles & Olson, LLP	350 South Grand Avenue La Owner
1840 Century Park E.	West LA	A	143,296	Nov-2015	Interpublic Group	CalSTRS
1218 S. 5th Ave.	Burbank / Glendale / Pasadena	B	137,936	Sep-2015	City of Hope	Samuelson Capital, LLC
10880 Wilshire Blvd.	West LA	A	130,285	Jul-2015	Puma Biotechnology, Inc.	10880 Grand, 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.

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