



LOS ANGELES OFFICE
MARKET REPORT
FIRST QUARTER 2015

PMRG | PM Realty Group



ANNUAL JOB GROWTH

Los Angeles created 101,100 jobs in the 12 months ending February 2015. The Education & Health Services and Trade, Transportation & Utilities sector accounted for the largest job gains with 27,400 and 19,600 jobs, respectively.

101k
jobs

12-MO DIRECT NET ABSORPTION

Due to its ability to attract growing technology companies, the Westside accounted for 667k sf of occupancy gains over the past 12 months, accounting for 30% of overall absorption.

2.2M
square feet

DIRECT VACANCY RATE

Office direct vacancy has declined 70 basis points to 14.7% over the year, but still remains 620 basis points higher than its cyclical low of 8.5% late in 2007.

14.7
percent

OVERALL RENTS

Overall asking rents remained relatively flat during the quarter, hovering right under \$2.60, but there's still a 7.5% deficit to overcome in order to restore rents to their 2008 pre-recession peak.

\$2.59
per square foot

UNDER CONSTRUCTION

The speculative construction pipeline is slowly picking up as vacancy rates have receded. LA currently has just under 1.5 million sq. ft. of office space slated to deliver in 2015, up from nearly 500,000 sq. ft. in 2014.

2.0M
square feet

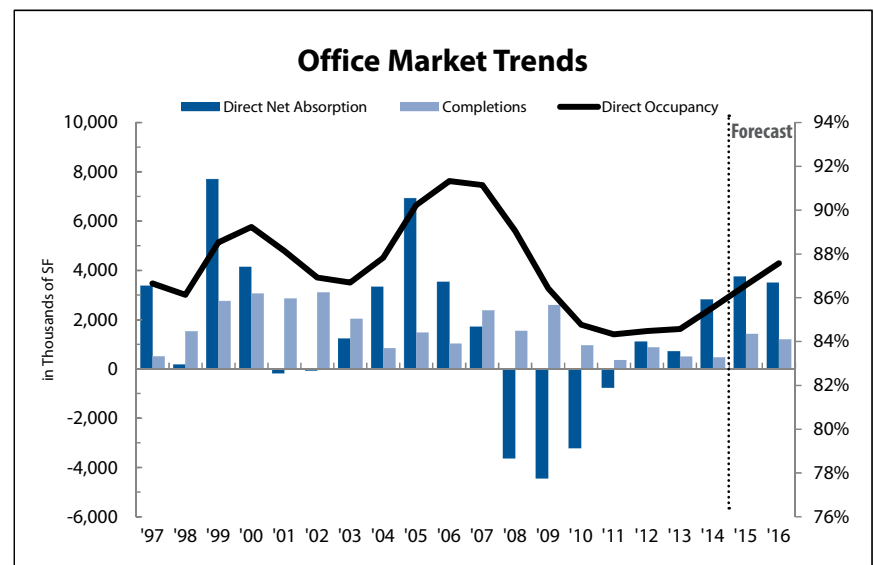
**Arrows represent change from previous 12 months*

LA OFFICE MARKET GETS OFF TO SLOW START

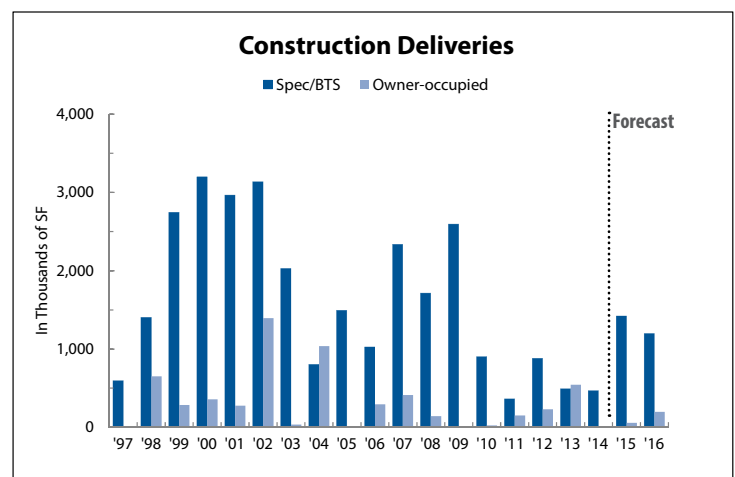
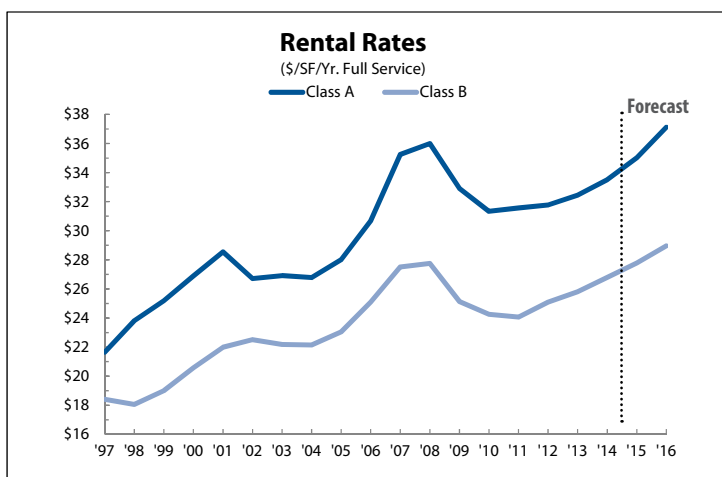
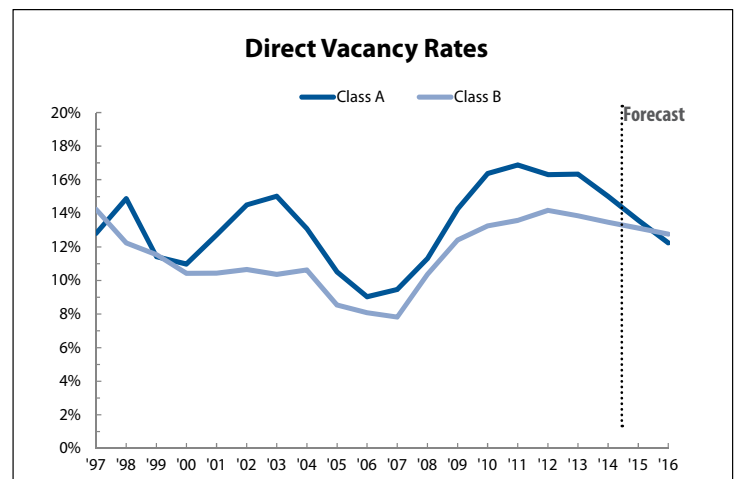
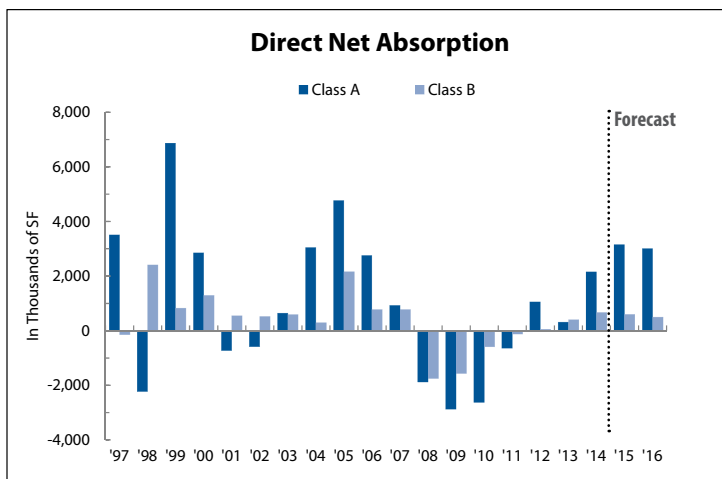
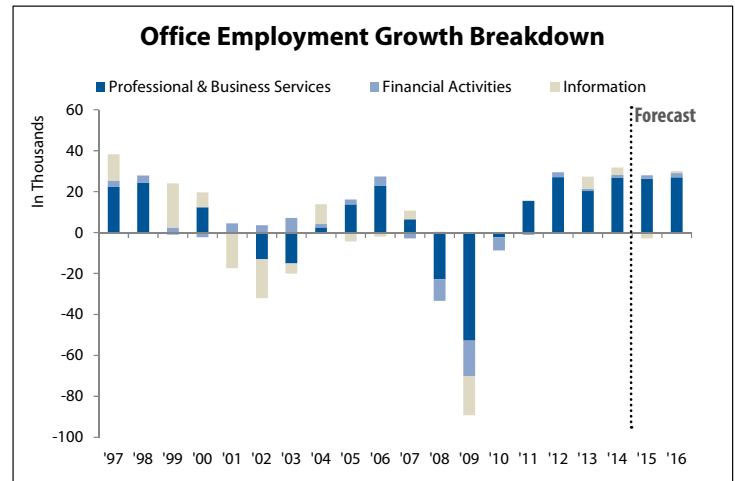
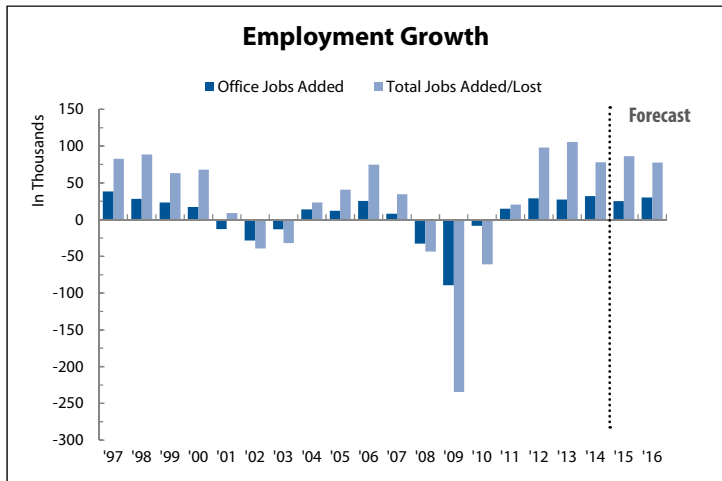
The Los Angeles metropolitan area's economy continues to steadily improve, with a reviving construction, entertainment and technology sector. Office-using employment growth has steadily improved, which has translated into healthy occupancy growth in key submarkets. As a result of the steady job growth, the metro area's unemployment rate has dropped by 100 basis points to 7.7% within the past year. Los Angeles has remarkably created 433,500 jobs since its trough in 2010, and is on pace to finally surpass its 2007 pre-recession peak in the coming months. The outlook for the Los Angeles economy remains positive as the county is forecasted to create a total of 80,000 jobs in 2015, followed by an addition of 70,000 jobs in 2016, according to the Los Angeles County Economic Corporation.

After recording its largest quarterly gain in eight years in the prior quarter, the Los Angeles office market experienced a quarterly occupancy loss of 209,011 sq. ft., which was primarily attributed to some softness in the Class B sector. However, the office market has still made some great strides with just over 2.2 million sq. ft. of direct absorption growth in the trailing 12 months. The Class A sector experienced just under 1.7 million sq. ft. of occupancy gains over the past 12 months, causing direct vacancy rates to decrease by 90 basis points to 15.1%. Meanwhile, Class B properties accounted for 540,545 sq. ft. of absorption gains within the prior 12 months, causing vacancy rates to slide 20 basis points to 14.1%. The improved economy, in combination with vacancy dipping below the 15% mark, have pushed Class A asking rents up 1.9% to \$2.77 while Class B rents have appreciated by 4.1% to \$2.26 per sq. ft. within the past 12 months.

Los Angeles saw several significant office leases signed at the beginning of the year, which included The Capital Group's 323,000 sq. ft. lease renewal at Bank of America Plaza in Downtown, Omnicom's 60,000 sq. ft. lease at Playa Jefferson in the Westside, Human Services Agency of Ventura County's 57,200 sq. ft. lease at Younan Executive Center in Simi Valley and Burlington Coat Factory's 45,500 sq. ft. lease at 639-659 S Broadway in Downtown. Although high-tech, entertainment, education, and alternative energy companies accounted for the majority of the growth last year, leasing activity is expected to become more broad-based across all industry sectors as companies are shifting into expansion mode. The office market is expected to see measurable improvements as positive absorption continues to outpace construction deliveries in the year ahead.



HISTORICAL TRENDS & FORECAST



SUBMARKET STATISTICS

Submarket	Total Inventory SF	TOTAL SPACE AVAILABLE		DIRECT VACANCY RATES		DIRECT NET ABSORPTION		OVERALL RENTAL RATES		
		Direct Available	Sublease Available	Direct Vacancy	Y-O-Y Change	Current Qtr.	Trailing 12- Months	Avg Rents PSF/Yr	Avg Rents PSF/Mo.	Y-O-Y % Change
Greater Downtown	48,447,068	9,514,929	528,415	15.5%	-0.8%	26,752	436,563	\$34.39	\$2.87	2.41%
Class A	33,028,063	6,649,163	417,730	17.1%	-1.0%	36,674	340,888	\$36.21	\$3.02	2.58%
Class B	15,419,005	2,865,766	110,685	12.2%	-0.6%	(9,922)	95,675	\$26.78	\$2.23	9.66%
Mid-Wilshire	24,080,456	5,006,938	101,754	16.9%	-0.6%	(2,077)	148,855	\$29.89	\$2.49	4.66%
Class A	17,034,483	3,958,362	82,664	18.1%	-1.4%	18,521	233,411	\$30.26	\$2.52	2.79%
Class B	7,045,973	1,048,576	19,090	13.9%	1.2%	(20,598)	(84,556)	\$28.55	\$2.38	14.80%
Mid-Cities	7,260,217	894,420	14,152	10.0%	1.0%	(22,100)	(46,825)	\$23.51	\$1.96	0.86%
Class A	2,667,561	393,928	6,249	12.2%	1.1%	(48,417)	(30,359)	\$26.18	\$2.18	4.80%
Class B	4,592,656	500,492	7,903	8.8%	0.9%	26,317	(16,466)	\$21.47	\$1.79	-2.89%
San Fernando Valley	24,551,237	3,985,522	498,244	13.7%	0.8%	(23,038)	(147,946)	\$25.92	\$2.16	0.58%
Class A	15,997,605	2,564,963	450,166	13.8%	-0.1%	78,140	21,111	\$27.30	\$2.27	1.71%
Class B	8,553,632	1,420,559	48,078	13.6%	2.5%	(101,178)	(169,057)	\$24.01	\$2.00	-1.03%
San Gabriel Valley	13,198,433	2,215,080	61,551	14.0%	2.4%	38,262	306,596	\$24.37	\$2.03	2.91%
Class A	3,105,882	333,902	12,445	10.0%	-0.8%	3,220	77,800	\$26.42	\$2.20	0.34%
Class B	10,092,551	1,881,178	49,106	15.2%	8.2%	35,042	228,796	\$23.96	\$2.00	4.31%
Santa Clarita Valley	3,021,281	522,330	35,551	15.1%	2.4%	(3,192)	14,592	\$29.93	\$2.49	-0.93%
Class A	1,958,996	282,791	12,195	11.7%	-0.8%	23,020	14,741	\$28.64	\$2.39	-0.07%
Class B	1,062,285	239,539	23,356	21.4%	8.2%	(26,212)	(149)	\$31.28	\$2.61	-0.98%
South Bay	37,523,328	8,546,426	485,213	19.5%	-0.5%	(114,672)	284,928	\$25.50	\$2.13	3.20%
Class A	22,196,532	5,308,440	302,213	19.8%	0.5%	(183,695)	(99,968)	\$25.58	\$2.13	1.83%
Class B	15,326,796	3,237,986	183,000	19.2%	-1.9%	69,023	384,896	\$25.37	\$2.11	5.44%
Tri-Cities	30,034,001	4,327,591	510,909	12.1%	-1.8%	154,776	603,865	\$31.35	\$2.61	2.48%
Class A	19,096,659	2,886,357	331,978	13.6%	-2.2%	138,461	422,653	\$33.30	\$2.77	2.75%
Class B	10,937,342	1,441,234	178,931	9.7%	-1.0%	16,315	181,212	\$27.65	\$2.30	1.69%
Conejo Valley	9,165,751	2,020,098	102,257	15.3%	-1.5%	95,289	220,456	\$25.48	\$2.12	5.07%
Class A	2,556,660	554,890	24,729	14.0%	-2.0%	110,241	138,888	\$28.33	\$2.36	3.43%
Class B	6,609,091	1,465,208	77,528	15.8%	-1.2%	(14,952)	81,568	\$24.11	\$2.01	5.88%
Simi Valley	1,673,067	616,839	250,619	27.5%	16.9%	(290,776)	(283,248)	\$21.21	\$1.77	-5.61%
Class A	435,458	17,228	248,114	4.0%	-0.7%	0	2,885	\$27.59	\$2.30	-1.71%
Class B	1,237,609	599,611	2,505	35.8%	23.1%	(290,776)	(286,133)	\$20.66	\$1.72	-5.19%
Westside	53,443,058	7,278,287	1,309,748	11.8%	-1.2%	(68,235)	667,066	\$46.28	\$3.86	7.83%
Class A	42,366,277	5,918,345	1,155,408	11.9%	-1.3%	(27,729)	542,307	\$46.92	\$3.91	7.27%
Class B	11,076,781	1,359,942	154,340	11.5%	-0.9%	(40,506)	124,759	\$44.19	\$3.68	9.84%

Los Angeles Totals	Total Inventory SF	TOTAL SPACE AVAILABLE		DIRECT VACANCY RATES		DIRECT NET ABSORPTION		OVERALL RENTAL RATES		
		Direct Available	Sublease Available	Direct Vacancy	Y-O-Y Change	Current Qtr.	Trailing 12- Months	Avg Rents PSF/Yr	Avg Rents PSF/Mo.	Y-O-Y % Change
Class A	160,444,176	28,868,369	3,043,891	15.1%	-0.9%	148,436	1,664,357	\$33.30	\$2.77	1.93%
Class B	91,953,721	16,060,091	854,522	14.1%	-0.2%	-357,447	540,545	\$27.13	\$2.26	4.07%
Overall	252,397,897	44,928,460	3,898,413	14.7%	-0.7%	-209,011	2,204,902	\$31.10	\$2.59	2.07%

METHODOLOGY

Total Inventory: The total inventory includes all single and multi-tenant leased office buildings with at least 25,000 square feet of gross rentable square footage.

Total Space Available: Available space currently being marketed which is either physically vacant or occupied.

Direct Space Available: Space that is being offered for lease directly from the landlord or owner of a building. Under construction space is not included in space available figures.

Sublease Space Available: Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation.

Direct Vacancy Rate: Direct space physically vacant divided by the total rentable inventory.

Direct Net Absorption: The net change in occupied direct space over a given period of time.

Under Construction: Office buildings which have commenced construction as evidenced by site excavation or foundation work.

Direct Asking Rents: The quoted full-service asking rent for available space expressed in dollars per sq. ft.

ABOUT PMRG

Headquartered in Houston, Texas, PM Realty Group (PMRG) is one of the nation's leading real estate companies focusing on comprehensive property services, development and acquisitions. With a strategic presence in 30 markets, PMRG provides the highest quality services to its clients and investors. PMRG's clients and investors include large financial institutions, advisors and high net worth individuals. By capitalizing on the team's experience and expertise, PMRG has the ability to undertake large and challenging management, leasing, development and acquisition projects.

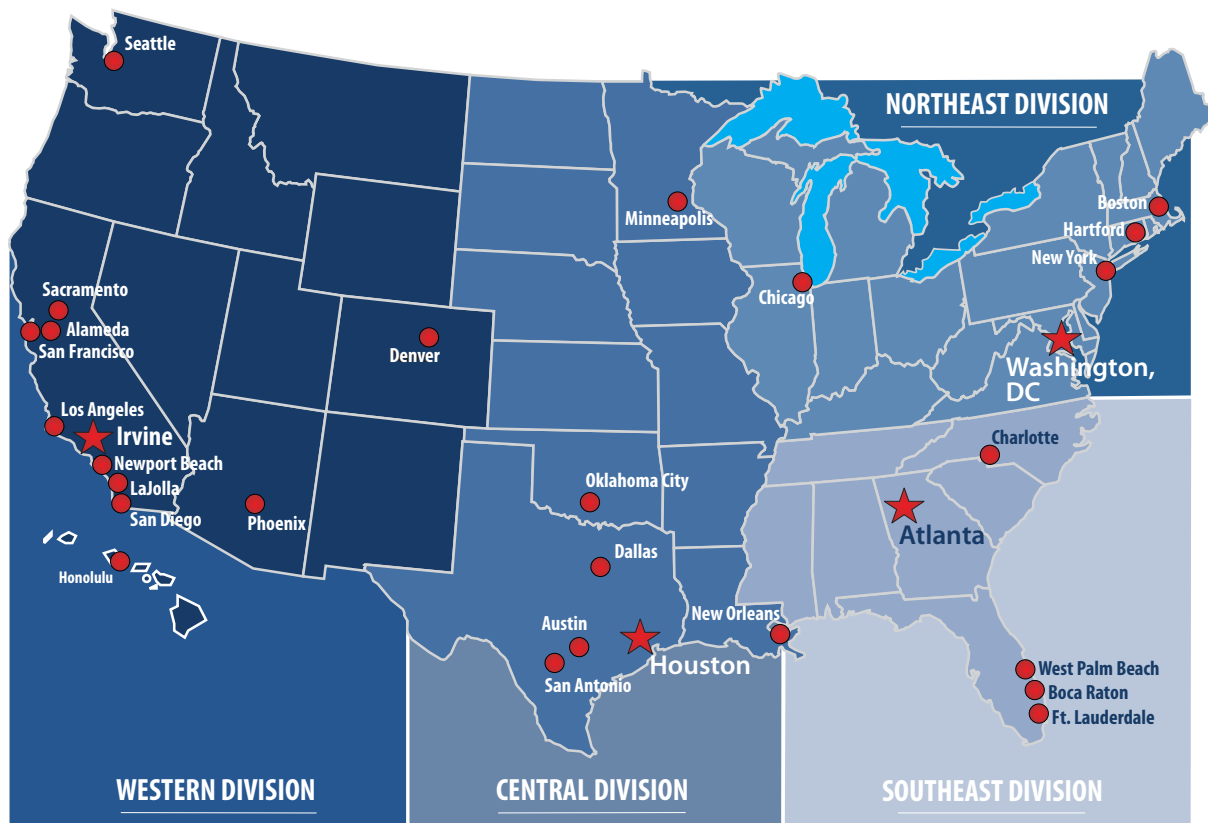
PMRG's portfolio, including projects managed for third parties, includes commercial office buildings, mixed-use centers, corporate headquarters, industrial buildings, medical facilities, high-rise multifamily buildings and re-appropriated military facilities.

Our goal is to generate exceptional returns for our clients and investors by focusing on real estate fundamentals. For additional information, visit www.pmr.com.

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- Construction Management
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