



ANNUAL JOB GROWTH

Los Angeles created 60,000 jobs in the 12 months ending November 2014, resulting in a 1.4% expansion. The Education & Health Services and Professional & Business Services sectors accounted for the largest gains with 22,900 and 21,800, respectively.



12-MO DIRECT NET ABSORPTION

South Bay was the top performing submarket with 107k sq. ft. of occupancy gains over the past 12 months. Tri-Cities also contributed to the annual gains with nearly 36k sq. ft. absorbed in 2014.



DIRECT VACANCY RATE

As a result of new supply outpacing leasing demand, the MOB direct vacancy rose by 30 basis points to 11.1% over the year, and remains 620 basis points higher than its cyclical low of 4.9% at mid-year 2007.



OVERALL RENTS

Overall asking rents increased by 2.9% to \$2.69 per sq. ft. - its largest annual increase in six years - but remains 5.4% below its peak established in 2008. Asking rents are expected to surpass their prior peak by 2016.



UNDER CONSTRUCTION

With six projects underway, the construction pipeline has jumped to 318,396 sq. ft. at year-end 2014. The Ventana, an 118,000 sq. ft. Class A medical office building is expected to deliver by December 2015 and is already 70.4% pre-leased.



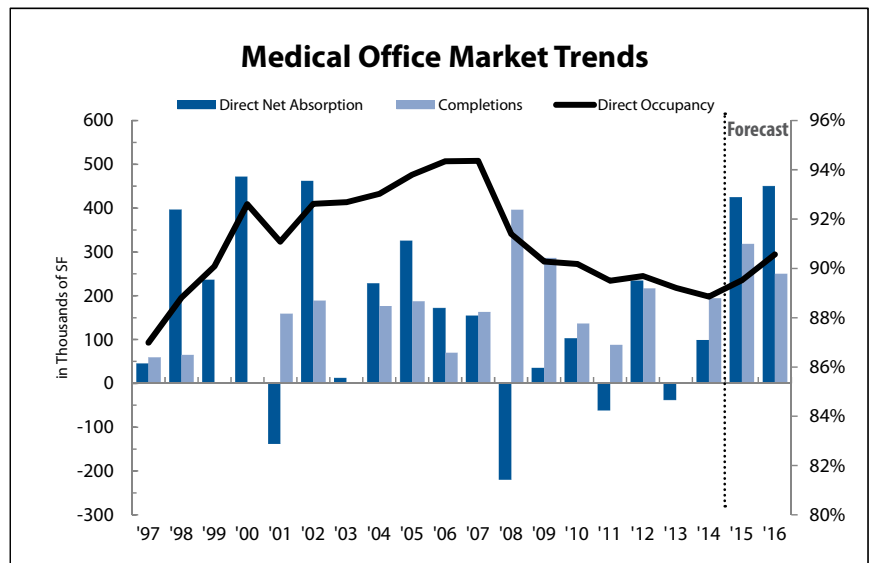
**Arrows represent change from previous 12 months*

MEDICAL OFFICE RENTS ESCALATE IN 2014

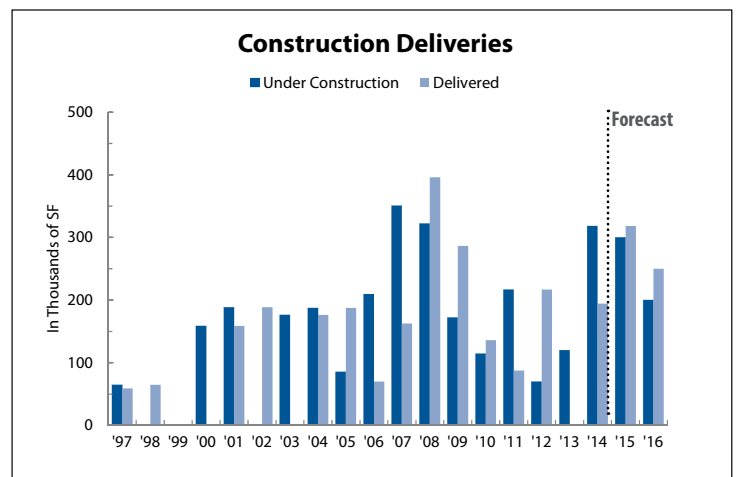
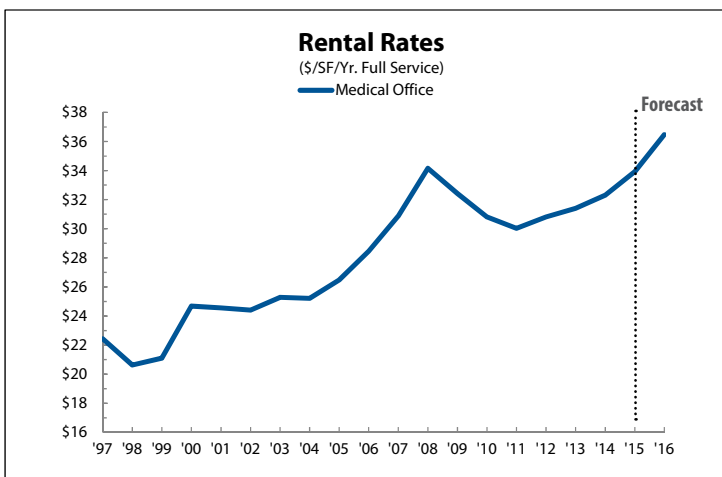
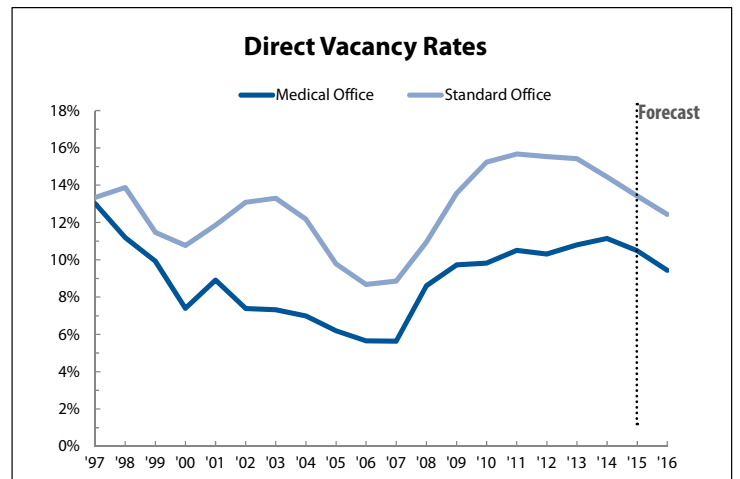
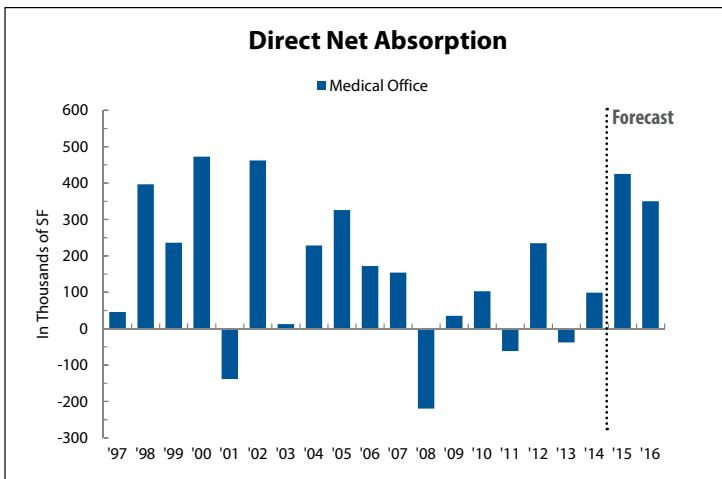
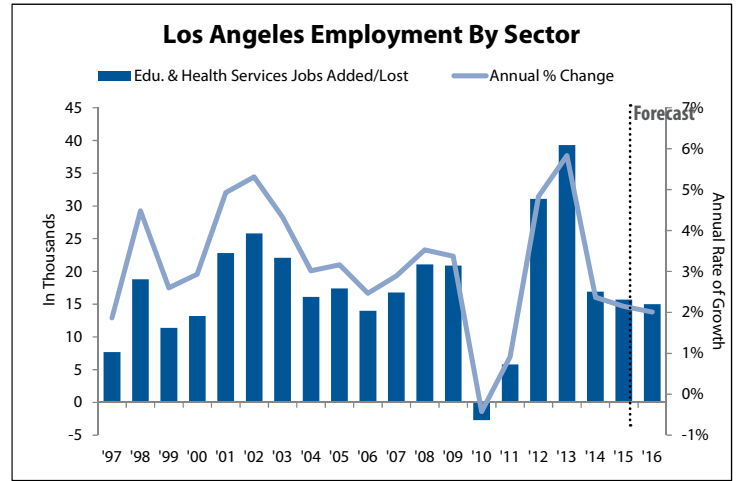
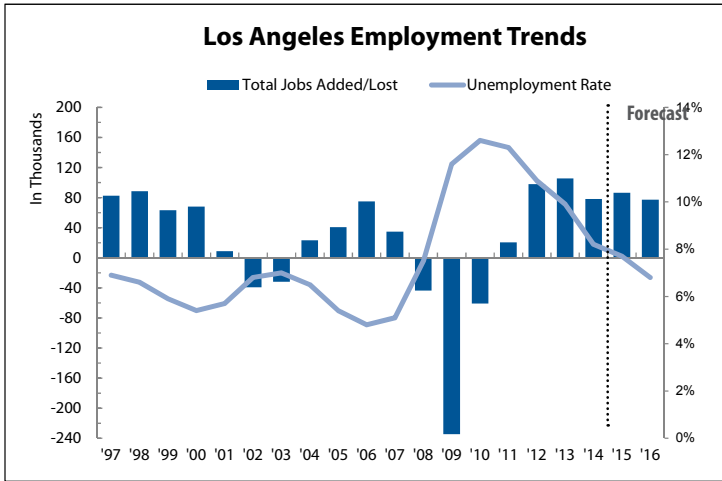
The Los Angeles metropolitan area's economy demonstrated signs of accelerating after a slow start in 2014, with a reviving construction, medical, entertainment and technology sector. Nearly all industry sectors experienced job growth, with the largest gains taking place in the education and health services sector with 22,900 jobs created in the past 12 months, which equates to an impressive 3.1% annual increase. As a result of the steady job growth, the metro area's unemployment rate has dropped by 120 basis points to 7.9% within the past year. Although Los Angeles has created 411,500 jobs since its trough in 2010, it still remains approximately 33,600 jobs below its pre-recessionary peak recorded at year-end 2007. Based on the current job growth rate, Los Angeles is on pace to fully recover all jobs lost during the downturn by mid-year 2015.

The Los Angeles medical office market took a temporary step back with 11,008 sq. ft. of modest occupancy losses during the fourth quarter, but still managed to recoup its prior year losses with 98,910 sq. ft. of direct net absorption in 2014. Although MOB vacancy levels remain 240 basis points above their 10-year historical average of 8.7%, it remains a healthy figure considering the much higher vacancy rate for standard office space. The Class A property sector more than made up for its nominal gains and losses throughout the year with 73,300 sq. ft. of direct absorption growth during the fourth quarter, causing direct vacancy to decline by 100 basis points to 11.1%. Meanwhile, the 84,308 sq. ft. occupancy losses experienced in the Class B sector during the quarter only dampened the yearly gains for the overall medical office market, causing the annual absorption total to fall to 24,594 sq. ft. The recovering economy allowed owners to push Class A asking rents up 5.2% to \$2.95 per sq. ft., while Class B rents appreciated by 1.5% to \$2.56 per sq. ft. in 2014.

As the traditional medical office building transforms to enhance overall efficiency, future leasing demand for MOB space will be aided by the increase in medical procedures performed in satellite offices rather than traditional hospital settings. As health service providers are moving closer to their growing suburban patient base, this has prompted medical construction activity to nearly triple to just over 318,000 sq. ft. within the past year, which is currently 67% pre-leased. The long-term outlook for MOB properties will be continually shaped by advances in disease control, the aging baby boom generation, sweeping regulatory changes under the Affordable Care Act and more empowered consumers seeking healthcare services, which is creating a new health care economy.



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	1,349,402	192,081	3,624	7.3%	-1.1%	529	14,284	\$28.57	\$2.38	-0.24%
Class A	290,401	43,744	0	13.7%	-1.6%	0	4,685	\$34.09	\$2.84	-0.87%
Class B	1,059,001	148,337	3,624	5.6%	-0.9%	529	9,599	\$27.56	\$2.30	1.92%
Mid-Wilshire	1,469,940	188,249	750	11.3%	1.0%	4,520	(14,403)	\$29.37	\$2.45	1.42%
Class A	484,313	83,391	0	16.3%	-0.5%	3,695	2,510	\$30.51	\$2.54	-1.26%
Class B	985,627	104,858	750	8.9%	1.7%	825	(16,913)	\$28.52	\$2.38	5.59%
Mid-Cities	1,006,653	168,702	1,091	16.6%	2.3%	(23,974)	(23,592)	\$23.59	\$1.97	1.33%
Class A	84,879	32,883	1,091	34.8%	7.4%	(2,056)	(6,322)	\$23.97	\$2.00	-0.29%
Class B	921,774	135,819	0	14.9%	1.9%	(21,918)	(17,270)	\$23.50	\$1.96	1.60%
San Fernando Valley	3,956,100	512,528	9,528	11.3%	0.0%	19,042	230	\$29.78	\$2.48	2.27%
Class A	1,600,427	102,187	3,000	5.4%	-1.4%	17,799	22,472	\$31.79	\$2.65	0.28%
Class B	2,355,673	410,341	6,528	15.3%	0.9%	1,243	(22,242)	\$28.96	\$2.41	3.65%
San Gabriel Valley	1,228,467	132,921	1,237	4.9%	1.8%	2,138	8,612	\$26.67	\$2.22	4.67%
Class A	72,000	3,688	0	4.0%	6.7%	1,613	2,062	\$27.48	\$2.29	11.57%
Class B	1,156,467	129,233	1,237	4.9%	0.8%	525	6,550	\$26.66	\$2.22	4.43%
Santa Clarita Valley	449,216	93,893	0	15.6%	1.8%	781	(8,207)	\$39.23	\$3.27	7.42%
Class A	77,911	16,406	0	6.7%	6.7%	0	(5,257)	\$48.34	\$4.03	-
Class B	371,305	77,487	0	17.4%	0.8%	781	(2,950)	\$37.11	\$3.09	1.62%
South Bay	3,796,795	602,533	6,787	14.1%	-0.1%	6,068	107,479	\$25.52	\$2.13	2.90%
Class A	1,143,154	220,389	3,450	16.3%	-5.5%	52,546	63,006	\$24.56	\$2.05	2.42%
Class B	2,653,641	382,144	3,337	13.1%	2.4%	(46,478)	44,473	\$26.26	\$2.19	3.02%
Tri-Cities	2,550,686	236,444	12,335	8.6%	1.3%	(56)	35,894	\$35.17	\$2.93	-3.22%
Class A	839,651	56,545	3,000	6.7%	-1.1%	(196)	8,969	\$38.11	\$3.18	4.96%
Class B	1,711,035	179,899	9,335	9.5%	2.5%	140	26,925	\$34.26	\$2.85	-5.75%
Conejo Valley	755,524	84,302	5,869	10.8%	-0.9%	(11,575)	6,577	\$30.07	\$2.51	-4.21%
Class A	-	-	-	-	-	-	-	-	-	-
Class B	755,524	84,302	5,869	10.8%	-0.9%	(11,575)	6,577	\$30.07	\$2.51	-4.21%
Simi Valley	43,312	6,876	0	15.9%	8.9%	0	(3,876)	\$29.71	\$2.48	0.00%
Class A	-	-	-	-	-	-	-	-	-	-
Class B	43,312	6,876	0	15.9%	8.9%	0	(3,876)	\$29.71	\$2.48	0.00%
Westside	4,395,087	384,413	48,295	11.2%	0.5%	(8,481)	(24,088)	\$51.88	\$4.32	4.11%
Class A	2,645,985	191,623	36,032	12.0%	0.7%	(101)	(17,809)	\$51.85	\$4.32	1.39%
Class B	1,749,102	192,790	12,263	9.8%	0.4%	(8,380)	(6,279)	\$51.92	\$4.33	7.27%

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	7,238,721	750,856	46,573	11.1%	-1.0%	73,300	74,316	\$35.39	\$2.95	5.20%
Class B	13,762,461	1,852,086	42,943	11.2%	1.1%	-84,308	24,594	\$30.70	\$2.56	1.49%
Overall	21,001,182	2,602,942	89,516	11.1%	0.3%	-11,008	98,910	\$32.31	\$2.69	2.90%

METHODOLOGY

Total Inventory: The total inventory includes all single and multi-tenant leased medical 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.

PMRG Market AT A Glance



ABOUT PMRG

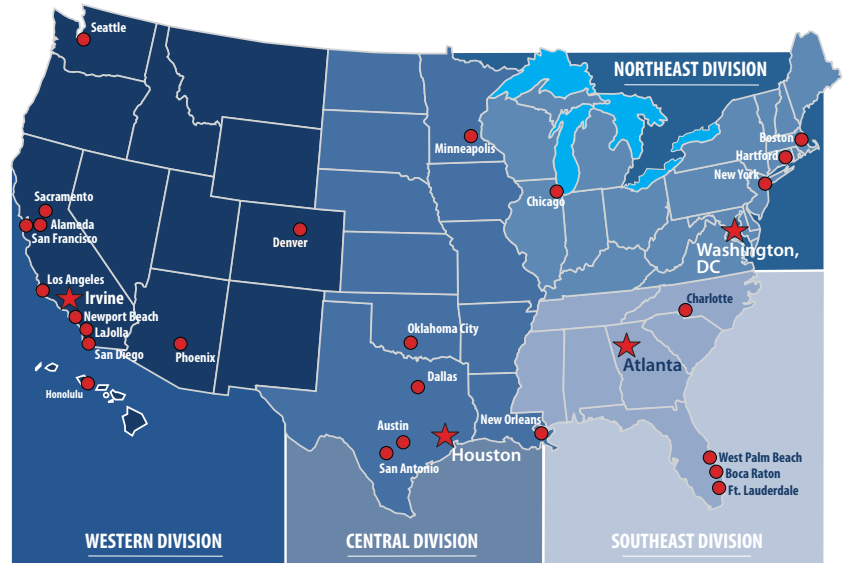
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