



#### ANNUAL JOB GROWTH

Los Angeles created 69,100 jobs in the 12 months ending August 2014, resulting in a 1.7% expansion. The Professional & Business Services and Education & Health Services sector accounted for the largest job gains with 31,800 and 20,700, respectively.



#### 12-MO DIRECT NET ABSORPTION

Once again leading LA's office market recovery due to its ability to attract growing technology companies, the Westside has contributed 674k sf of occupancy gains over the past 12 months. Tri-Cities also contributed to the annual gains with 643k sf absorbed.



#### DIRECT VACANCY RATE

Office direct vacancy has declined 50 basis points to 14.8% over the year, but still remains 630 basis points higher than its cyclical low of 8.5% late in 2007.



#### OVERALL RENTS

Overall asking rents have stabilized at \$2.56 per square foot and begun to climb in the most desired submarkets but there's a large deficit to overcome in order to restore rents to their pre-recessionary peak established in 2008.



#### UNDER CONSTRUCTION

The speculative construction pipeline is slowly picking up as vacancy rates have begun to fall. LA currently has 1.5 million sq. ft. of office space slated to deliver by the end of 2015.



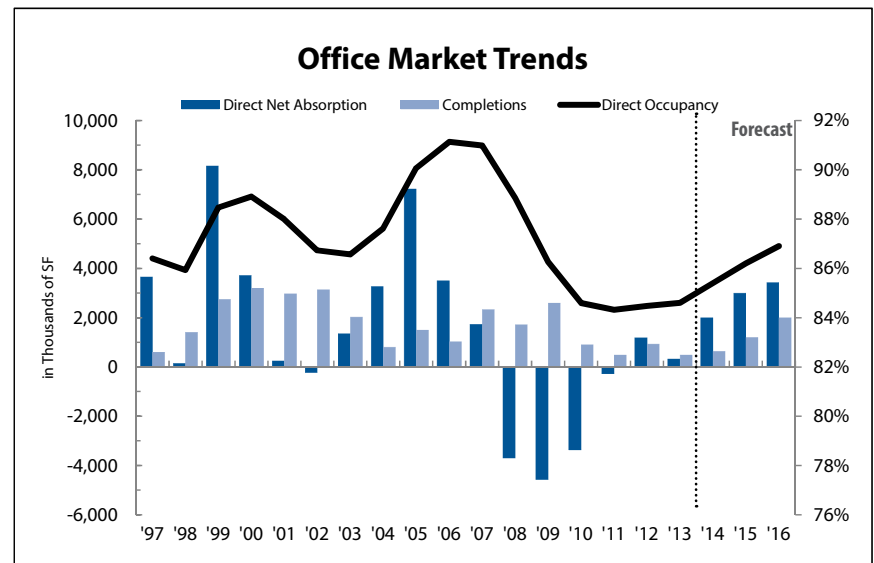
*\*Arrows represent change from previous 12 months*

## OFFICE MARKET POSTS LARGEST GAIN SINCE 2007

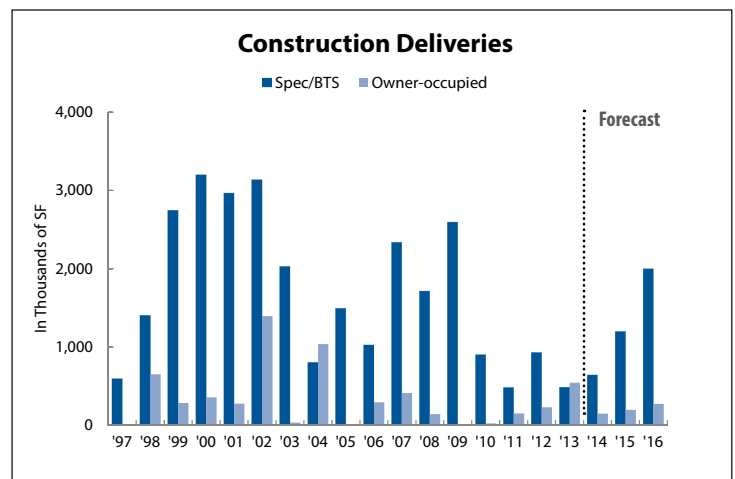
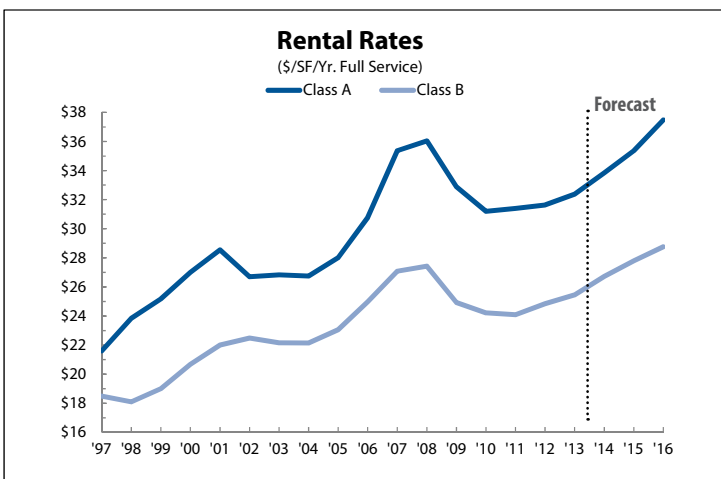
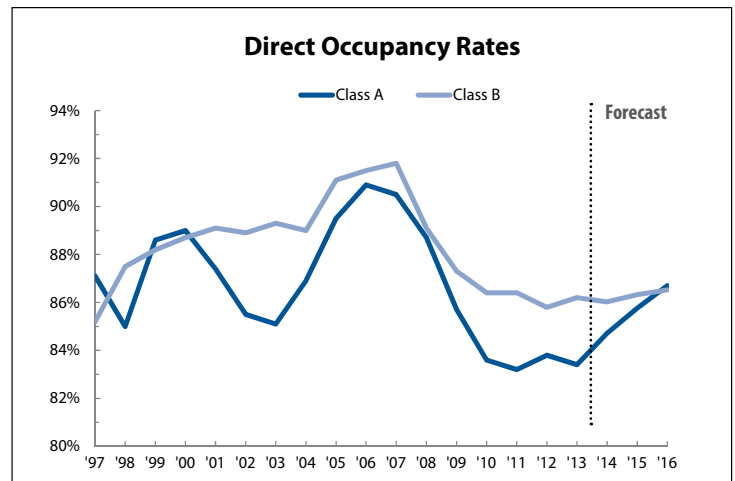
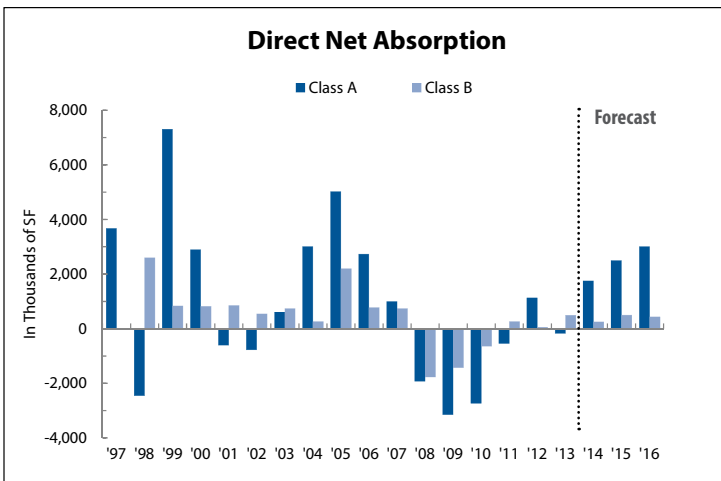
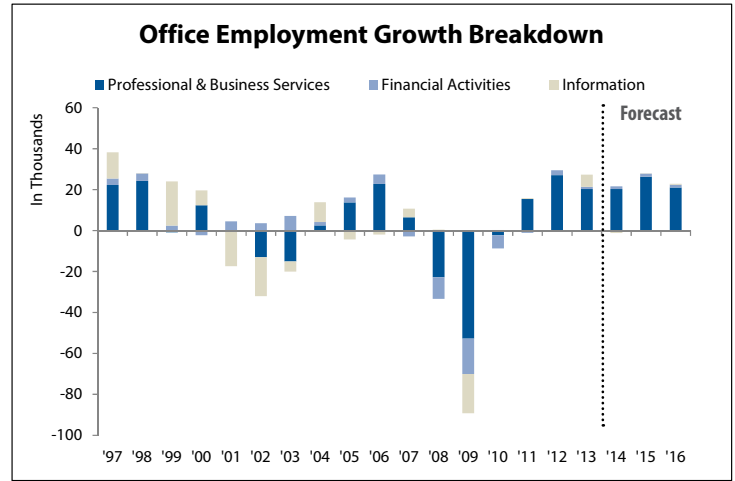
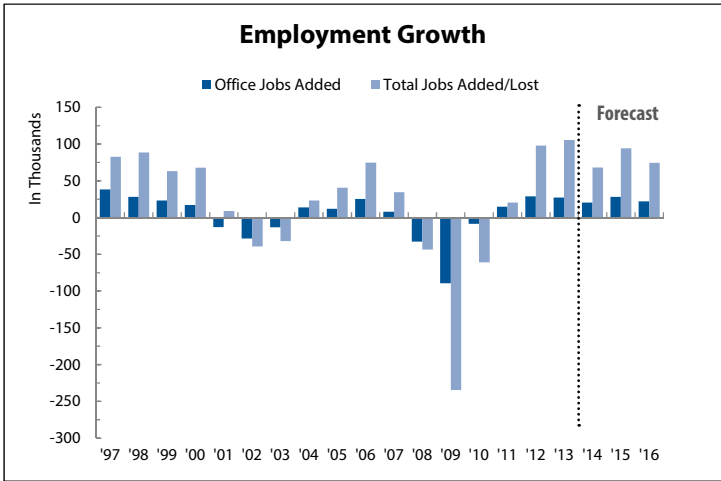
The Los Angeles metropolitan area's economic recovery exhibited signs of accelerating after a slow start in 2014, with a reviving construction, entertainment and technology sector. Office-using employment growth has dramatically improved and accounted for nearly 53% of the annual gains, which has translated into healthy occupancy growth in key submarkets. The largest employment gains occurred in the professional & business services sector with 31,800 jobs created in the past 12 months, which equates to an impressive 5.4% annual increase. As a result of the steady job growth, the metro area's unemployment rate has dropped by 170 basis points to 8.5% within the past year. Los Angeles has created 325,800 jobs since its trough in 2010, but still remains approximately 119,300 jobs below its pre-recessionary peak recorded at year-end 2007. Los Angeles is expected to fully recover all jobs lost during the downturn by mid-year 2016 if the current pace of job growth continues.

The Los Angeles office market experienced a successful quarter with 857,200 sq. ft. of occupancy gains during the third quarter, which is its largest quarterly gain since 2007. As a result of the solid gain, the trailing 12-month direct net absorption total increased to over 1.6 million sq. ft., and is currently on pace to record its largest annual gain since 2006. The Class A property sector recovered its modest occupancy losses from the previous quarter posting a 569,846 sq. ft. gain during the third quarter, causing direct vacancy rates to decline to 15.5%. Meanwhile, Class B properties accounted for 287,354 sq. ft. of quarterly gains, causing vacancy rates to slide 20 basis points to 13.6% during the quarter. The recovering economy, in combination with increased tenant demand have pushed Class A full-service gross asking rents up 2.4% to \$2.74 while Class B rents have appreciated by 4.2% to \$2.21 per sq. ft. within the past 12 months.

Although construction has picked up slightly, Los Angeles can expect to see measurable improvements as positive absorption continues to outpace construction deliveries in the year ahead. However, the market may continue to experience some difficulty with some users shrinking their square foot per employee ratio. With high-tech, entertainment, education, and alternative energy companies accounting for the majority of the growth and off-setting the contraction within the financial activities sector – leasing velocity is expected to continue to steadily improve.



## 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.	Rolling 12- Month	Avg Rents PSF/Yr	Avg Rents PSF/Mo.	Y-O-Y % Change
<b>Greater Downtown</b>	48,696,086	9,469,710	481,998	16.0%	0.5%	60,027	(245,946)	\$33.88	\$2.82	2.51%
Class A	33,433,487	6,897,113	406,126	17.8%	1.0%	(41,265)	(355,492)	\$35.51	\$2.96	1.78%
Class B	15,262,599	2,572,597	75,872	12.0%	-0.7%	101,292	109,546	\$25.97	\$2.16	11.51%
<b>Mid-Wilshire</b>	24,010,130	4,707,445	170,662	17.0%	-0.6%	47,194	219,237	\$29.36	\$2.45	8.22%
Class A	17,026,241	3,668,812	136,204	18.5%	-0.9%	34,290	221,583	\$29.93	\$2.49	7.74%
Class B	6,983,889	1,038,633	34,458	13.3%	0.0%	12,904	(2,346)	\$27.13	\$2.26	8.87%
<b>Mid-Cities</b>	7,317,147	1,101,334	8,017	9.5%	0.5%	3,521	(32,121)	\$22.97	\$1.91	3.19%
Class A	2,720,121	557,090	3,698	11.2%	0.2%	27,207	(5,853)	\$23.94	\$2.00	-1.64%
Class B	4,597,026	544,244	4,319	8.4%	0.6%	(23,686)	(26,268)	\$22.10	\$1.84	6.61%
<b>San Fernando Valley</b>	24,411,561	3,778,852	418,162	12.8%	-0.4%	158,732	119,569	\$26.20	\$2.18	2.75%
Class A	16,017,170	2,474,864	377,415	13.3%	-0.7%	157,353	109,179	\$27.54	\$2.30	3.18%
Class B	8,394,391	1,303,988	40,747	11.7%	0.2%	1,379	10,390	\$24.07	\$2.01	1.56%
<b>San Gabriel Valley</b>	12,916,306	2,148,048	20,281	15.8%	-1.0%	74,622	28,668	\$24.21	\$2.02	3.91%
Class A	3,105,882	347,303	13,117	11.1%	-0.5%	26,215	(1,578)	\$26.32	\$2.19	-0.30%
Class B	9,810,424	1,800,745	7,164	17.3%	-2.3%	48,407	30,246	\$23.71	\$1.98	4.96%
<b>Santa Clarita Valley</b>	2,850,580	440,122	26,551	12.5%	-1.0%	19,251	29,844	\$30.55	\$2.55	2.48%
Class A	1,919,817	299,451	12,195	13.2%	-0.5%	8,050	8,362	\$29.28	\$2.44	0.17%
Class B	930,763	140,671	14,356	11.0%	-2.3%	11,201	21,482	\$32.58	\$2.72	5.92%
<b>South Bay</b>	37,160,789	8,143,510	357,799	19.2%	0.1%	89,809	81,143	\$24.98	\$2.08	3.22%
Class A	22,196,237	5,001,406	269,587	19.4%	-0.2%	46,732	32,831	\$25.63	\$2.14	2.56%
Class B	14,964,552	3,142,104	88,212	18.8%	0.3%	43,077	48,312	\$23.66	\$1.97	3.82%
<b>Tri-Cities</b>	29,835,466	4,693,573	492,434	13.4%	-1.8%	191,713	643,101	\$30.56	\$2.55	-1.23%
Class A	18,975,522	2,950,854	382,131	14.0%	-3.3%	203,111	614,903	\$32.62	\$2.72	-0.55%
Class B	10,859,944	1,742,719	110,303	12.2%	0.6%	(11,398)	28,198	\$27.28	\$2.27	1.56%
<b>Conejo Valley</b>	9,083,181	1,925,858	100,976	15.8%	-1.2%	49,566	109,491	\$24.84	\$2.07	1.10%
Class A	2,463,780	449,895	16,404	18.4%	2.4%	(36,256)	(58,882)	\$27.55	\$2.30	2.65%
Class B	6,619,401	1,475,963	84,572	14.8%	-2.5%	85,822	168,373	\$23.90	\$1.99	1.70%
<b>Simi Valley</b>	1,676,314	493,503	242,505	10.2%	-0.6%	11,503	9,904	\$21.87	\$1.82	1.53%
Class A	435,458	17,228	240,000	4.0%	-1.2%	1,400	5,510	\$27.59	\$2.30	-5.25%
Class B	1,240,856	476,275	2,505	12.4%	-0.3%	10,103	4,394	\$21.31	\$1.78	3.85%
<b>Westside</b>	53,103,454	7,512,168	1,158,096	12.1%	-1.3%	151,262	674,257	\$44.91	\$3.74	8.71%
Class A	42,464,296	6,300,188	1,054,207	12.6%	-1.4%	143,009	584,929	\$45.49	\$3.79	8.41%
Class B	10,639,158	1,211,980	103,889	10.0%	-0.8%	8,253	89,328	\$42.69	\$3.56	9.13%

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.	Rolling 12- Month	Avg Rents PSF/Yr	Avg Rents PSF/Mo.	Y-O-Y % Change
Class A	160,758,011	28,964,204	2,911,084	15.5%	-0.7%	569,846	1,155,492	\$32.92	\$2.74	2.43%
Class B	90,303,003	15,449,919	566,397	13.6%	-0.2%	287,354	481,655	\$26.46	\$2.21	4.17%
Overall	251,061,014	44,414,123	3,477,481	14.8%	-0.5%	857,200	1,637,147	\$30.77	\$2.56	2.77%

### 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

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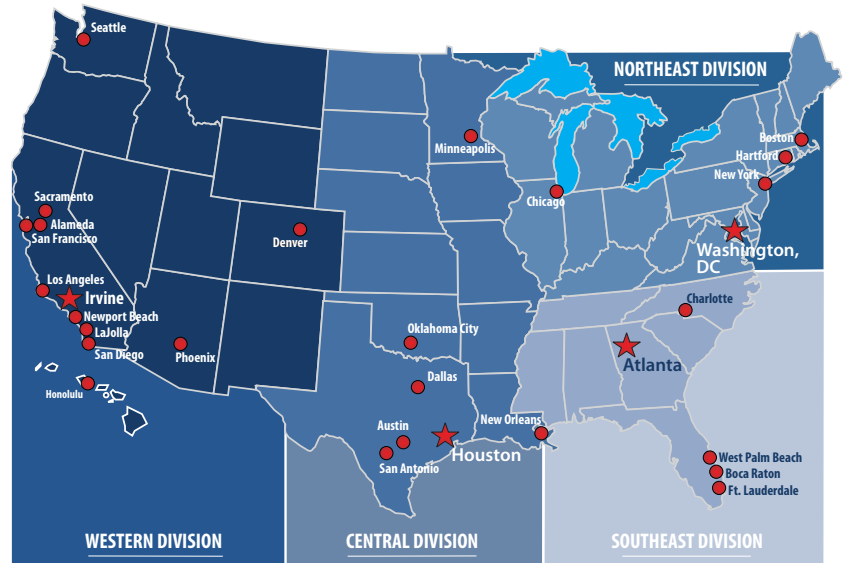
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