



LOS ANGELES OFFICE
MARKET REPORT
SECOND QUARTER 2015

PMRG | PM Realty Group



ANNUAL JOB GROWTH

LA created 100,500 jobs in the 12 months ending May 2015. The Education & Health Services and Trade, Transportation & Utilities sector accounted for the largest job gains with 30,100 and 20,800 jobs, respectively.



12-MO DIRECT NET ABSORPTION

Due to its ability to attract growing technology companies, the Westside posted nearly 1.1 million sq. ft. of occupancy gains over the past 12 months, accounting for 32.6% of overall absorption.



DIRECT VACANCY RATE

Office direct vacancy has declined 100 basis points to 14.3% over the year, but still remains 580 basis points higher than its cyclical low of 8.5% recorded in late 2007.



OVERALL RENTS

Overall asking rents have edged up 3.6% over the year to \$2.66 per sq. ft. Rents continue to rise as leasing demand grows with companies seeking new space to accommodate future growth.



UNDER CONSTRUCTION

Speculative construction picked up during the quarter as vacancy rates trended downward. Roughly 1.8 million sq. ft. of new office space will deliver during 2015, up from 467,000 sq. ft. in 2014.



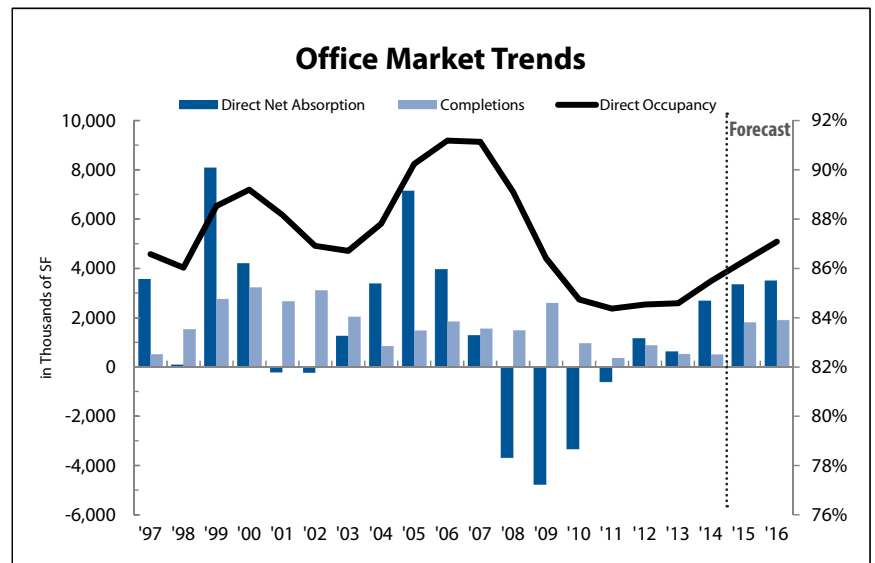
**Arrows represent change from previous 12 months*

LA POSTS LARGEST QUARTERLY GAIN SINCE 2005

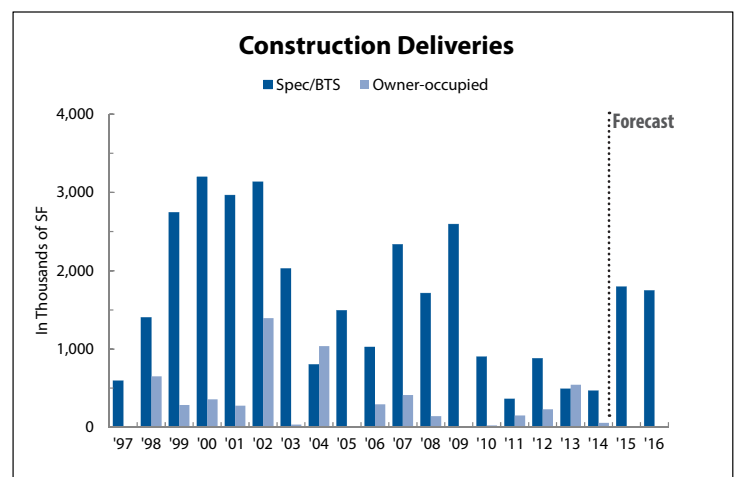
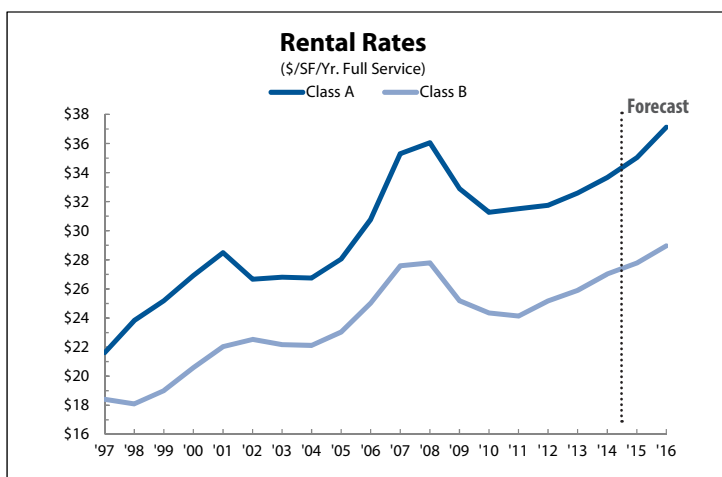
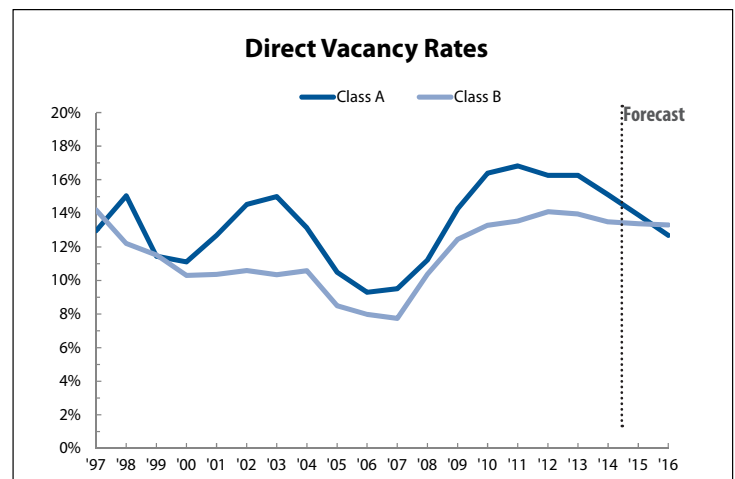
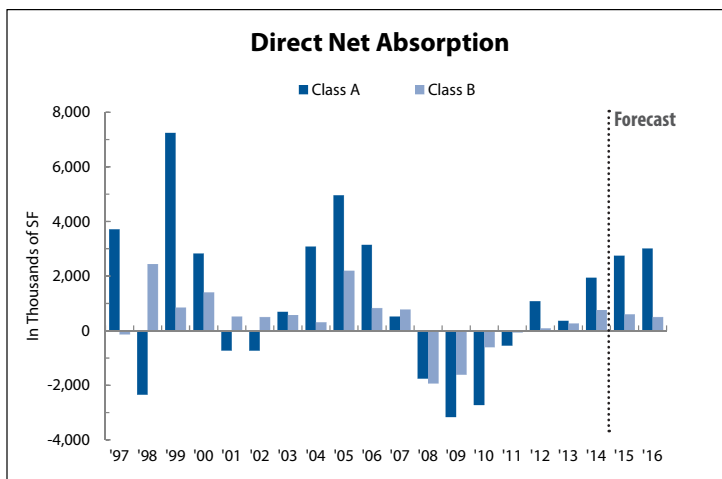
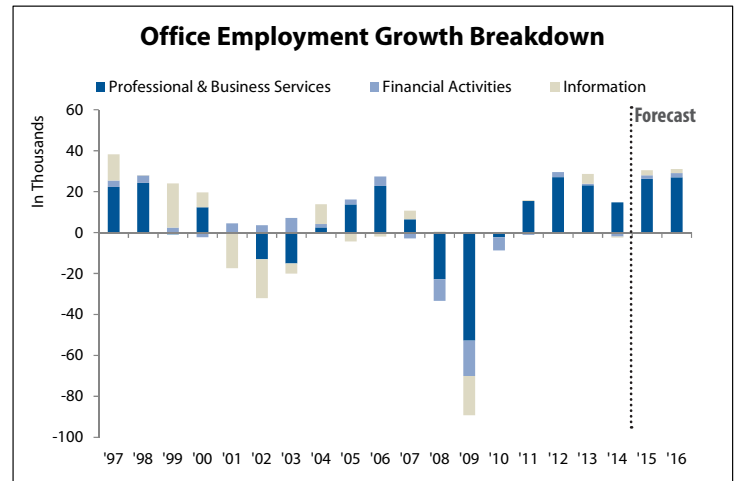
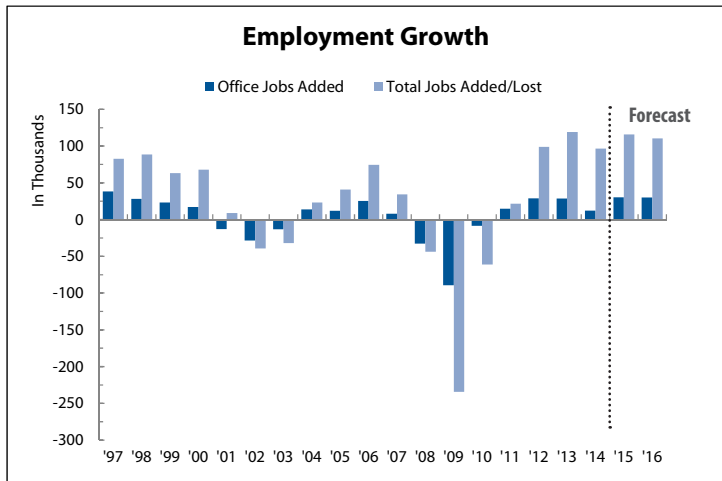
The Los Angeles metropolitan area continues to show signs of an expanding economy. Office-using employment growth has steadily improved over the previous year's readings and translated into healthy occupancy gains in key submarkets. As a result of the robust job growth, the metro area's unemployment rate has dropped by 70 basis points to 7.3% within the past year. Los Angeles has created an incredible 474,400 jobs since its trough in 2010 and has surpassed its 2007 pre-recession peak of 4.3M jobs. Los Angeles' economic outlook remains positive with 115,900 new jobs forecasted in 2015 followed by a strong addition of 110,400 jobs in 2016, according to Moody's Analytics.

The Los Angeles office market experienced a tremendous quarterly net absorption gain of 1,548,668 sq. ft., primarily attributed to the Class A sector. As a result of its strongest quarterly gain since 2005, the office market has made great strides with just over 3.3 million sq. ft. of direct absorption growth recorded in the trailing 12 months. The Class A property sector saw approximately 2.5 million sq. ft. of occupancy gains over the past 12 months, causing direct vacancy rates to decrease by 140 basis points to 14.8%. Meanwhile, Class B properties accounted for 807, 496 sq. ft. of absorption gains within the prior 12 months, causing vacancy rates to fall 40 basis points to 13.5% for the sector. The improvement in the economy in combination with overall vacancy levels sliding to their lowest level in five years have lifted Class A full-service gross monthly asking rents up 4.1% to \$2.85 per sq. ft. while Class B monthly rents have appreciated by 3.5% to \$2.31 per sq. ft. within the past 12 months. Rental rates are trending towards cyclical highs and are likely to break their pre-recession peak in the next 12 to 18 months.

Los Angeles saw several significant office leases signed during the quarter, which included Lewis Brisbois Bisgaard & Smith's 215,230 sq. ft. renewal at U.S. Bank Tower in Greater Downtown, AECOM's 112,525 sq. ft. lease at One California Plaza, Walt Disney Company's 111,130 sq. ft. renewal at Buena Vista Plaza in Burbank, Hulu's 61,673 sq. ft. lease at Colorado Center in Santa Monica and GMT0's 46,460 sq. ft. lease at the Pasadena Business Center in Pasadena. As the economy continues to grow, companies seeking larger and better quality office space will have an important impact on the leasing market. The recent surge in construction will not negatively impact the market as leasing demand will continue to outpace construction deliveries into 2016.



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	46,909,311	9,089,669	472,252	14.9%	-1.2%	192,808	567,525	\$34.75	\$2.90	1.91%
Class A	31,227,325	6,290,251	354,734	16.9%	-1.6%	194,493	495,988	\$36.68	\$3.06	2.17%
Class B	15,681,986	2,799,418	117,518	11.0%	-0.5%	(1,685)	71,537	\$27.96	\$2.33	10.12%
Mid-Wilshire	24,032,389	5,134,175	91,025	16.5%	-0.8%	72,087	182,495	\$33.27	\$2.77	13.94%
Class A	17,070,460	4,070,063	69,620	17.5%	-1.1%	58,748	183,204	\$34.12	\$2.84	14.08%
Class B	6,961,929	1,064,112	21,405	14.0%	0.0%	13,339	(709)	\$30.04	\$2.50	13.44%
Mid-Cities	7,205,901	973,870	50,073	9.4%	0.6%	23,042	(16,015)	\$24.00	\$2.00	2.48%
Class A	2,667,561	466,568	24,384	11.2%	0.7%	26,216	(18,444)	\$26.55	\$2.21	5.40%
Class B	4,538,340	507,302	25,689	8.3%	0.5%	(3,174)	2,429	\$21.89	\$1.82	-0.14%
San Fernando Valley	24,619,315	3,941,282	435,198	12.9%	-0.2%	176,139	107,096	\$26.24	\$2.19	-0.46%
Class A	16,231,274	2,529,941	371,443	12.9%	-0.9%	125,144	138,077	\$27.43	\$2.29	-0.40%
Class B	8,388,041	1,411,341	63,755	12.9%	0.9%	50,995	(30,981)	\$24.13	\$2.01	-1.83%
San Gabriel Valley	13,284,593	2,176,714	59,612	14.5%	2.5%	199,510	326,348	\$24.93	\$2.08	1.59%
Class A	3,272,294	381,334	12,718	11.0%	-1.0%	119,529	176,458	\$27.77	\$2.31	1.76%
Class B	10,012,299	1,795,380	46,894	15.7%	9.0%	79,981	149,890	\$24.27	\$2.02	2.58%
Santa Clarita Valley	3,021,281	526,925	10,945	15.3%	2.5%	(8,071)	12,311	\$29.48	\$2.46	-1.73%
Class A	1,958,996	287,123	4,442	12.3%	-1.0%	(14,609)	19,588	\$27.97	\$2.33	-1.93%
Class B	1,062,285	239,802	6,503	20.7%	9.0%	6,538	(7,277)	\$31.09	\$2.59	-1.24%
South Bay	37,357,170	8,302,511	617,219	18.4%	-1.3%	322,449	652,088	\$25.97	\$2.16	2.97%
Class A	22,039,072	5,196,589	442,808	18.5%	-0.7%	183,126	147,790	\$26.26	\$2.19	3.71%
Class B	15,318,098	3,105,922	174,411	18.2%	-2.2%	139,323	504,298	\$25.45	\$2.12	1.60%
Tri-Cities	30,737,548	4,886,235	456,127	13.6%	-1.2%	62,051	487,291	\$31.95	\$2.66	3.80%
Class A	19,799,086	3,563,830	270,445	15.9%	-1.5%	36,772	424,837	\$33.96	\$2.83	4.11%
Class B	10,938,462	1,322,405	185,682	9.4%	-0.6%	25,279	62,454	\$27.67	\$2.31	1.06%
Conejo Valley	9,225,985	1,858,719	98,390	15.0%	-1.1%	(14,986)	183,712	\$27.09	\$2.26	7.33%
Class A	2,556,660	459,252	33,455	14.4%	-2.5%	(9,503)	148,871	\$28.24	\$2.35	-1.47%
Class B	6,669,325	1,399,467	64,935	15.2%	-0.5%	(5,483)	34,841	\$26.64	\$2.22	12.93%
Simi Valley	1,673,067	614,771	250,619	27.1%	16.2%	6,022	(271,701)	\$20.93	\$1.74	-5.04%
Class A	435,458	14,638	248,114	3.4%	-0.9%	2,590	3,990	\$27.00	\$2.25	-2.14%
Class B	1,237,609	600,133	2,505	35.5%	22.3%	3,432	(275,691)	\$20.50	\$1.71	-4.65%
Westside	52,782,236	7,220,372	1,404,133	11.1%	-1.8%	517,617	1,079,986	\$47.64	\$3.97	8.59%
Class A	41,826,977	5,875,758	1,235,334	11.3%	-1.7%	331,002	783,281	\$48.68	\$4.06	8.76%
Class B	10,955,259	1,344,614	168,799	10.3%	-2.0%	186,615	296,705	\$44.35	\$3.70	7.80%

Los Angeles Totals	Total Inventory SF	TOTAL SPACE AVAILABLE		DIRECT VACANCY RATES		DIRECT NET ABSORPTION		OVERALL RENTAL RATES		
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Class A	159,085,163	29,135,347	3,067,497	14.8%	-1.4%	1,053,508	2,503,640	\$34.26	\$2.85	4.07%
Class B	91,763,633	15,589,896	878,096	13.5%	-0.4%	495,160	807,496	\$27.71	\$2.31	3.51%
Overall	250,848,796	44,725,243	3,945,593	14.3%	-1.0%	1,548,668	3,311,136	\$31.95	\$2.66	3.57%

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.

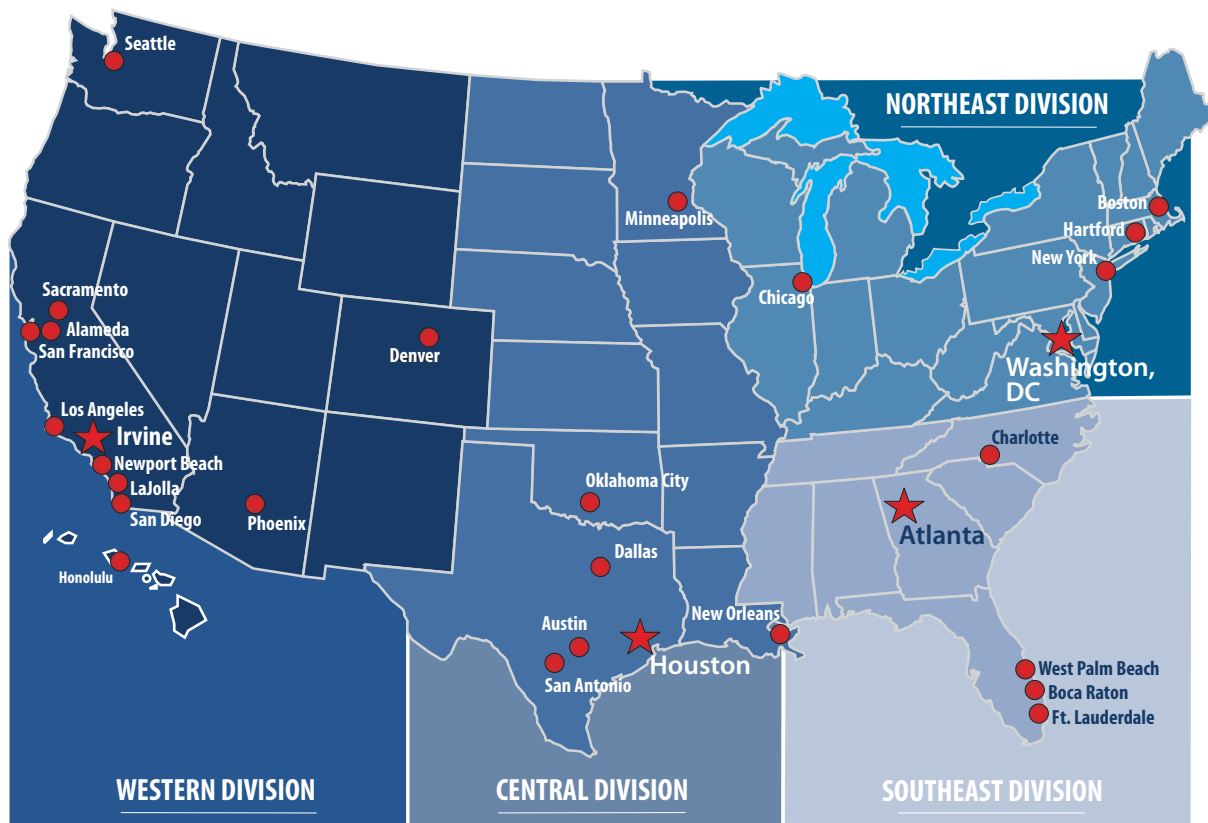
PMRG's portfolio, including projects managed for third parties, includes commercial office buildings, mixed-use centers, corporate headquarters, industrial buildings, medical facilities, high-rise multifamily buildings and re-appropriated military facilities.

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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- Golf Course and Land Sales
- Management Services
- Property Management
- Construction Management
- Development Services
- National Market Research



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