



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 sector accounted for the largest job gains with 22,900 and 21,800, respectively.



12-MO DIRECT NET ABSORPTION

Due to its ability to attract growing technology companies, the Westside accounted for 896k sf of occupancy gains in 2014. South Bay and Tri-Cities also contributed to the annual gains with 490k and 462k sf absorbed, respectively.



DIRECT VACANCY RATE

Office direct vacancy has declined 100 basis points to 14.4% over the year, but still remains 590 basis points higher than its cyclical low of 8.5% late in 2007.



OVERALL RENTS

Overall asking rents have steadily increased to their highest level in nearly six years, with the largest increases taking place in the most desirable 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 receded. LA currently has just over 1.4 million sq. ft. of office space slated to deliver by the end of 2015.



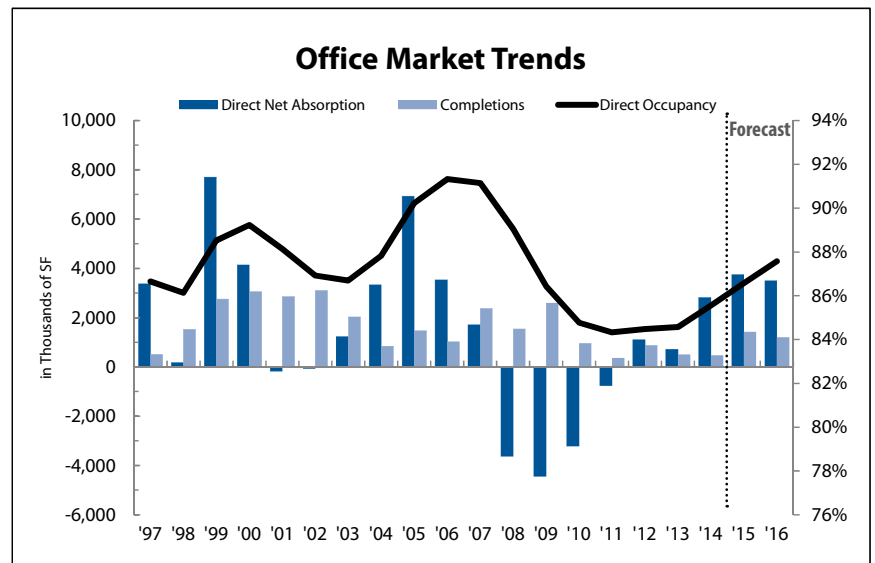
**Arrows represent change from previous 12 months*

LA RECORDS LARGEST QUARTERLY GAIN SINCE 2006

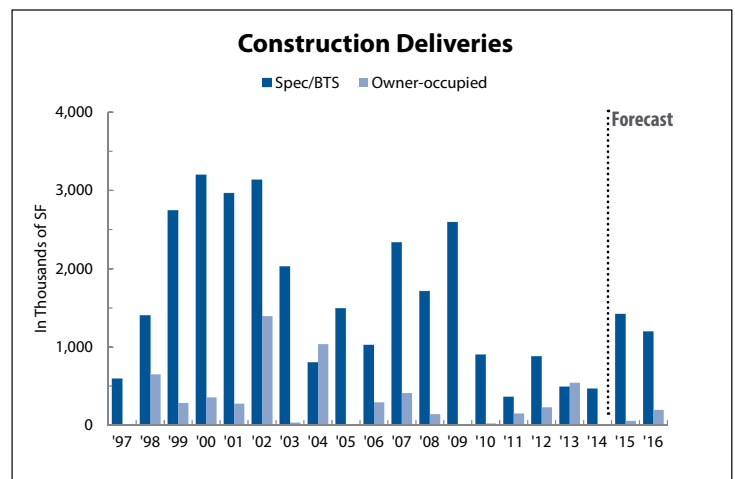
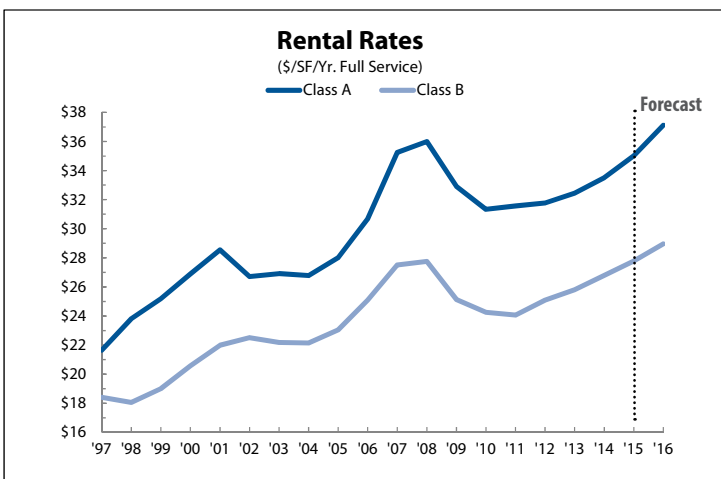
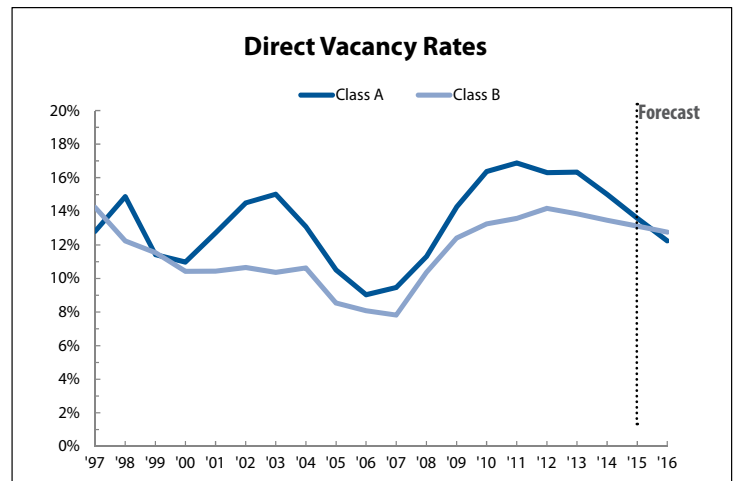
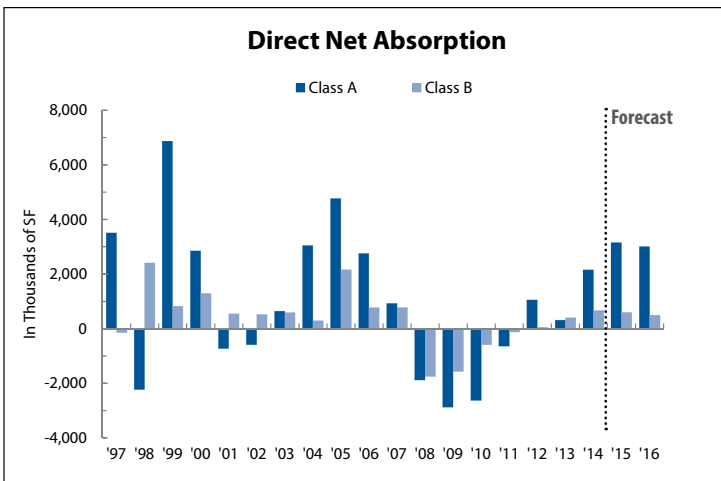
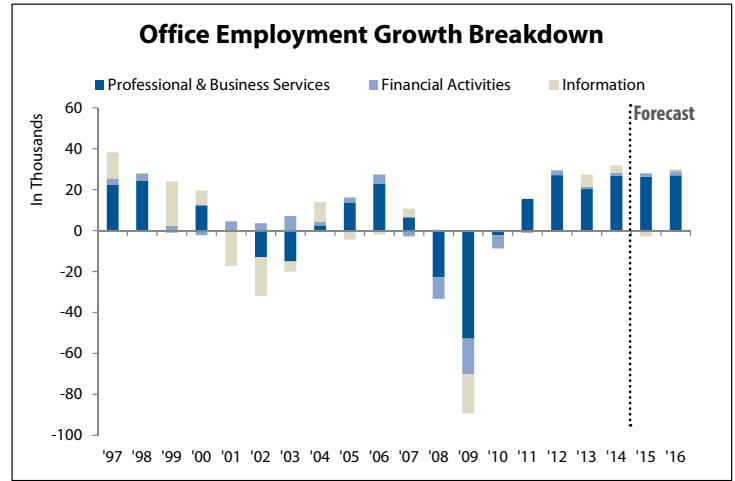
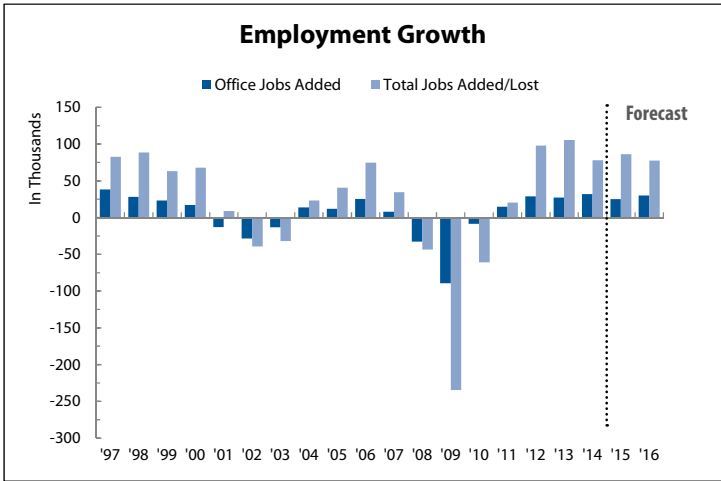
The Los Angeles metropolitan area's economy exhibited signs of acceleration after a slow start in 2014, with a reviving construction, entertainment and technology sector. Office-using employment growth dramatically improved and accounted for 44% of the annual gains, which has translated into healthy occupancy growth in key submarkets. As a result of the steady job growth, the metro area's unemployment rate has dropped by 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 pace of job growth, Los Angeles is expected to fully recover all jobs lost during the downturn by mid-year 2015.

The Los Angeles office market experienced a successful quarter with 1,230,563 sq. ft. of occupancy gains during the fourth quarter, which was its largest quarterly gain since 2006. As a result of the solid gain, the Los Angeles office market finished the year with just over 2.8 million sq. ft. of direct net absorption in 2014, which far exceeded the 719,703 sq. ft. absorbed in 2013 and featured its highest annual gain since 2006. The Class A property sector experienced just over 2.1 million sq. ft. of annual occupancy gains, causing direct vacancy rates to decrease by 1.3% to 15.0%. Meanwhile, Class B properties accounted for 679,687 sq. ft. of absorption gains, causing vacancy rates to slide 40 basis points to 13.5% since year-end 2013. The improvement in the economy, in combination with increased tenant demand have pushed Class A full-service gross asking rents up 3.3% to \$2.79 while Class B rents have appreciated by 3.8% to \$2.23 per sq. ft. within the past 12 months.

Los Angeles saw several large office leases signed at year-end, which included Lewis Brisbois Bisgaard & Smith's 215,230 sq. ft. lease at U.S. Bank Tower in Downtown, Oaktree Capital Management's 182,088 sq. ft. renewal at Wells Fargo Center in Downtown and Viacom's 168,825 sq. ft. pre-lease commitment at Columbia Square. Although high-tech, entertainment, education, and alternative energy companies accounted for the majority of the growth in 2014, a larger share of the leasing activity will spill over into other industries as area companies have shifted into expansion mode. Although construction activity has increased to a six-year high, 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	48,684,983	9,524,524	480,647	15.4%	-0.6%	316,809	296,276	\$34.31	\$2.86	3.22%
Class A	33,370,063	6,813,202	386,184	16.9%	-0.6%	319,382	210,028	\$35.98	\$3.00	3.27%
Class B	15,314,920	2,711,322	94,463	12.1%	-0.6%	(2,573)	86,248	\$26.86	\$2.24	11.04%
Mid-Wilshire	24,045,205	4,621,855	116,041	16.8%	-0.8%	67,920	259,823	\$29.15	\$2.43	2.68%
Class A	17,030,989	3,570,125	94,884	18.2%	-1.1%	47,328	272,058	\$29.76	\$2.48	1.50%
Class B	7,014,216	1,051,730	21,157	13.3%	0.2%	20,592	(12,235)	\$26.84	\$2.24	7.19%
Mid-Cities	7,231,857	1,056,411	9,833	9.3%	0.5%	(52,603)	(37,304)	\$23.66	\$1.97	4.41%
Class A	2,667,561	504,505	6,249	10.4%	-0.7%	(23,450)	17,516	\$25.51	\$2.13	1.71%
Class B	4,564,296	551,906	3,584	8.8%	1.2%	(29,153)	(54,820)	\$22.17	\$1.85	5.87%
San Fernando Valley	24,547,177	3,852,074	498,710	13.0%	-0.2%	38,332	49,707	\$26.17	\$2.18	2.07%
Class A	16,018,811	2,517,228	434,322	13.6%	-0.7%	8,356	117,242	\$27.35	\$2.28	2.17%
Class B	8,528,366	1,334,846	64,388	11.8%	0.8%	29,976	(67,535)	\$24.30	\$2.02	1.12%
San Gabriel Valley	13,034,101	2,154,309	26,534	14.4%	-0.9%	222,578	255,056	\$23.95	\$2.00	2.53%
Class A	3,105,882	340,277	15,537	10.1%	0.1%	30,137	62,260	\$26.15	\$2.18	-0.34%
Class B	9,928,219	1,814,032	10,997	15.8%	-3.1%	192,441	192,796	\$23.45	\$1.95	3.44%
Santa Clarita Valley	2,890,926	421,363	26,551	12.2%	-0.9%	4,323	25,761	\$29.68	\$2.47	0.58%
Class A	1,958,996	280,444	12,195	12.8%	0.1%	3,127	(2,855)	\$28.77	\$2.40	1.16%
Class B	931,930	140,919	14,356	10.8%	-3.1%	1,196	28,616	\$31.59	\$2.63	1.31%
South Bay	37,381,414	8,175,029	379,924	19.1%	-1.1%	200,097	490,214	\$25.40	\$2.12	3.63%
Class A	22,196,532	5,073,771	283,562	18.9%	-1.0%	98,675	228,093	\$25.63	\$2.14	2.97%
Class B	15,184,882	3,101,258	96,362	19.2%	-1.1%	101,422	262,121	\$25.01	\$2.08	4.60%
Tri-Cities	29,686,566	4,446,649	438,457	12.8%	-1.3%	74,884	462,386	\$31.00	\$2.58	0.88%
Class A	18,977,811	2,857,207	344,182	13.8%	-2.4%	40,747	462,259	\$32.86	\$2.74	0.55%
Class B	10,708,755	1,589,442	94,275	11.1%	0.6%	34,137	127	\$27.60	\$2.30	3.10%
Conejo Valley	9,074,894	1,936,996	78,021	15.4%	-1.0%	22,843	93,045	\$25.51	\$2.13	3.70%
Class A	2,453,546	475,760	17,601	15.0%	-0.8%	84,389	18,751	\$28.39	\$2.37	3.54%
Class B	6,621,348	1,461,236	60,420	15.6%	-1.1%	(61,546)	74,294	\$24.33	\$2.03	4.02%
Simi Valley	1,673,067	494,285	242,505	10.1%	-0.7%	1,550	11,454	\$21.73	\$1.81	-0.59%
Class A	435,458	17,228	240,000	4.0%	-1.3%	0	5,510	\$27.59	\$2.30	-4.00%
Class B	1,237,609	477,057	2,505	12.3%	-0.5%	1,550	5,944	\$21.12	\$1.76	0.57%
Westside	53,240,837	7,388,083	1,268,073	11.5%	-1.7%	333,830	896,763	\$46.55	\$3.88	9.04%
Class A	42,409,030	6,110,630	1,141,982	11.9%	-1.7%	261,331	732,632	\$47.55	\$3.96	9.21%
Class B	10,831,807	1,277,453	126,091	10.1%	-1.5%	72,499	164,131	\$42.86	\$3.57	7.04%

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	160,624,679	28,560,377	2,976,698	15.0%	-1.3%	870,022	2,123,494	\$33.51	\$2.79	3.27%
Class B	90,866,348	15,511,201	588,598	13.5%	-0.4%	360,541	679,687	\$26.80	\$2.23	3.84%
Overall	251,491,027	44,071,578	3,565,296	14.4%	-1.0%	1,230,563	2,803,181	\$31.23	\$2.60	3.38%

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.

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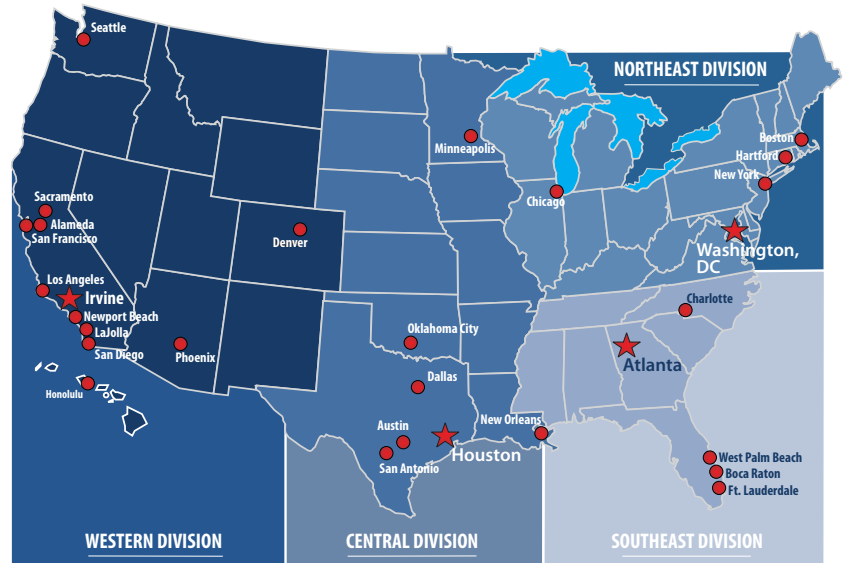
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CONTACTS

Jim Proehl

EVP, Managing Director – Western Division
949.390.5555
jproehl@pmrg.com
CA Real Estate License #01835739

Mark Mattis

Senior Vice President
310.215.8500
mmattis@pmrg.com
CA Real Estate License #009343378

Scott Kuklish

Senior Vice President
949.390.5519
skuklish@pmrg.com
CA Real Estate License #00689233

Ken Arimitsu

VP, Brokerage Services
949.390.5512
karimistsu@pmrg.com
CA Real Estate License #01162590

Oliver Fleener

SVP, Brokerage Services
949.390.5526
ofleener@pmrg.com
CA Real Estate License #01245596

Eileen Doody

SVP, Brokerage Services
949.390.5506
edoody@pmrg.com
CA Real Estate License #00965140

Tim Joyce

SVP, Director of Capital Markets
949.390.5525
tjoyce@pmrg.com
CA Real Estate License #00830238

Kelly Gamble

Marketing Coordinator
949.390.5529
kgamble@pmrg.com
CA Real Estate License #01950301