



Los Angeles, California

Tenant's Guide ▪ North American Markets ▪ First Quarter 2012

Overview

The Los Angeles class A office leasing market remained in neutral in Q1 2012. Office leasing activity (as measured by the total square footage of new leases and lease renewals executed) fell back to a crawl—a pace not seen since 2009. The availability rate for class A office space increased slightly to 19.4%, which is where it has hovered since 2009. To put this in perspective, the availability rate bottomed out at 12% in 2006 and peaked at 19.9% in 2010.

Downtown (18% availability) and the West Valley (19.4% availability) were the two submarkets that experienced positive net absorption. The remainder of the submarkets in Los Angeles remained flat or experienced a slight increase in availability.

Average asking rates for class A space across all submarkets fell from \$2.69 to \$2.66 per square foot per month. Average asking rates have remained relatively flat for the past nine quarters after falling from a high of \$3.01 in 2008.

Market Trends

- Leasing activity has been sluggish the past three quarters.
- While the Santa Monica submarket has tightened over the past few years, most other submarkets in the Westside have remained soft.
- At current availability levels, select landlords are negotiating aggressive deal terms and concessions, offsetting attempts by a small subset of landlords to increase rates.
- The slowdown in leasing activity should have a dampening effect on occupancy and lease rates for the remainder of 2012.

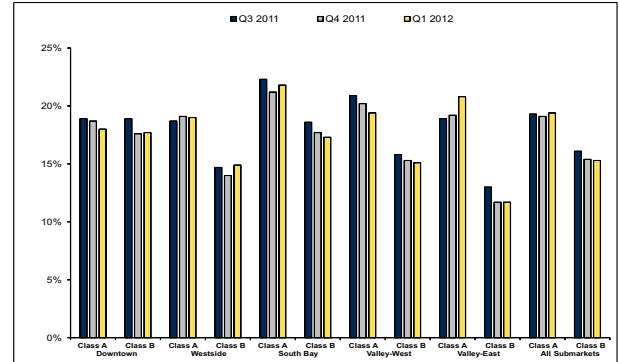
Tenant's Perspective

The market remains choppy. As leasing activity has slowed down, tenants who are willing to shop for the right deal are seeing compelling alternatives. In the softer markets, tenants that plan in advance and create competition between landlords for their tenancy should continue to be in a position to negotiate attractive economic terms through the remainder of the year.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Western Asset Mgmt	190,000	Office	Lease
Kirkland & Ellis	102,000	Office	Lease
Worley Parsons	92,000	Office	Lease
Stamps.com	80,000	Office	Lease
Alston & Bird	80,000	Office	Lease
Endemol USA	75,000	Office	Lease
Twentieth Century Fox	65,000	Office	Lease
Saban Capital	50,000	Office	Lease

Vacancy Rate



Average Rental Rates

Submarket	Class	Q3 2011	Q4 2011	Q1 2012
Downtown	Class A Office	\$34.20	\$34.56	\$34.56
	Class B Office	\$24.60	\$24.24	\$23.88
Greater Westside	Class A Office	\$34.44	\$34.92	\$34.20
	Class B Office	\$30.24	\$30.96	\$31.08
South Bay	Class A Office	\$25.08	\$24.84	\$24.96
	Class B Office	\$22.20	\$22.08	\$22.32
Valley-West	Class A Office	\$25.92	\$25.92	\$25.44
	Class B Office	\$22.92	\$22.92	\$22.68
Valley-East	Class A Office	\$32.52	\$32.52	\$31.80
	Class B Office	\$25.80	\$25.68	\$25.44
All Submarkets	Class A Office	\$31.92	\$32.16	\$31.92
	Class B Office	\$25.08	\$25.20	\$25.32