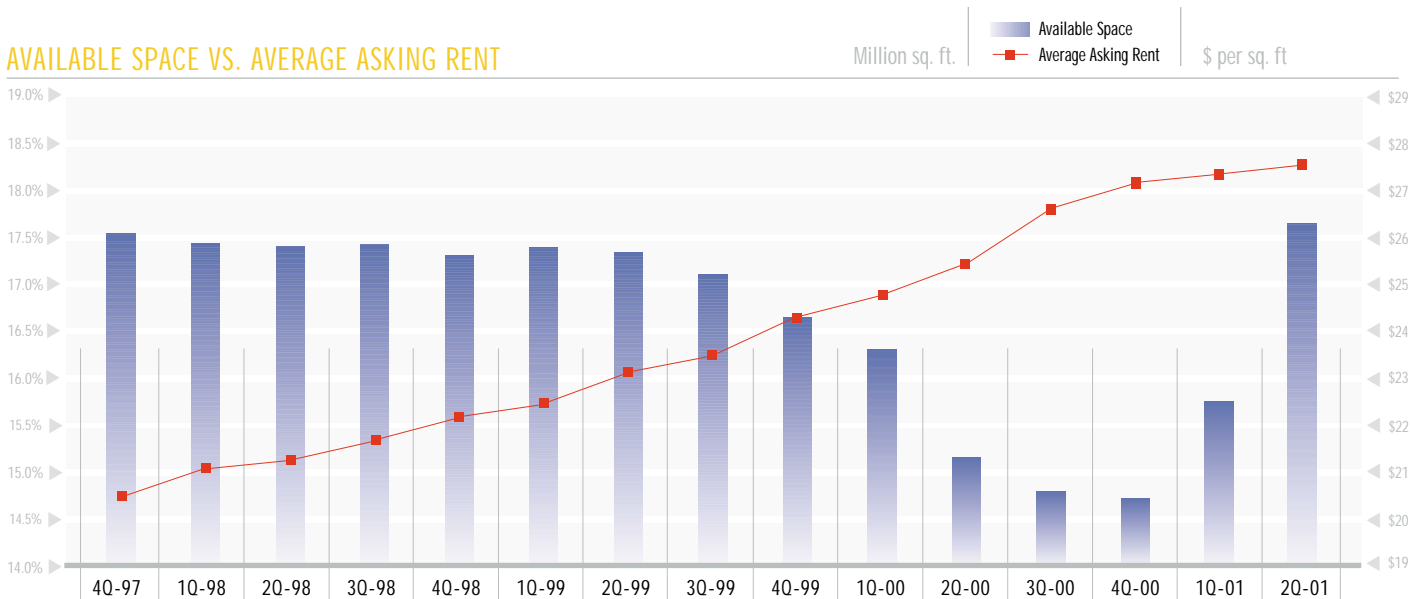




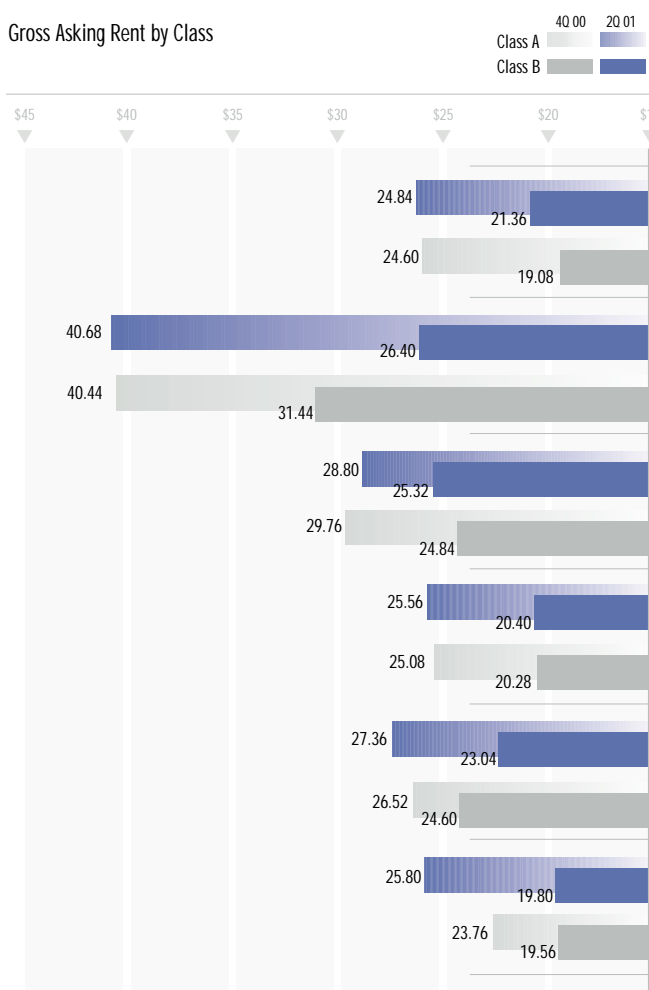
# LOS ANGELES AREA OVERVIEW

## AVAILABLE SPACE VS. AVERAGE ASKING RENT

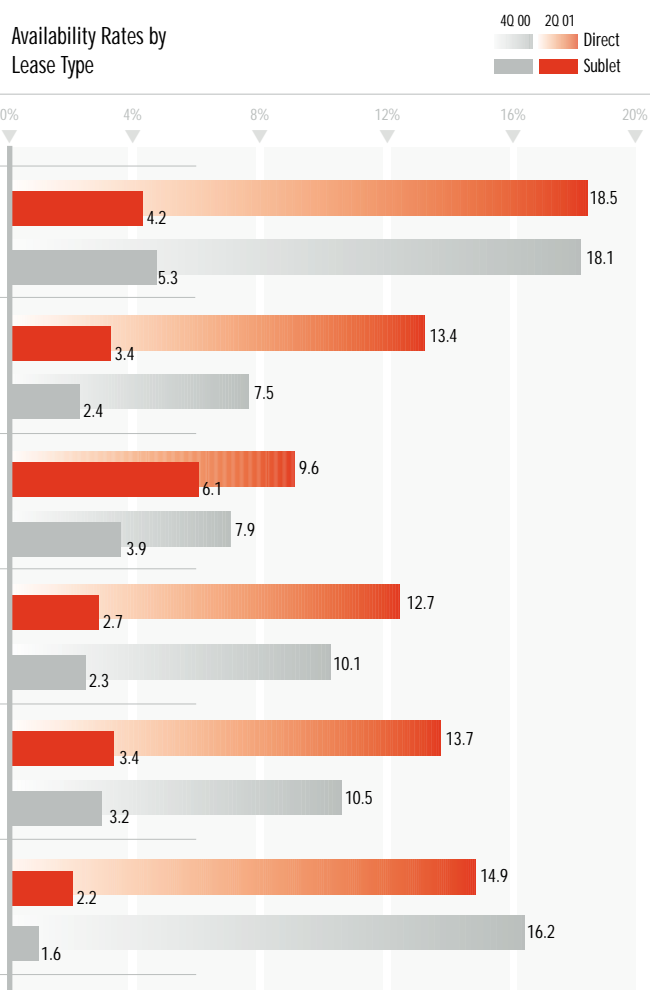


## RENTAL RATES AND AVAILABILITY RATES

### Gross Asking Rent by Class



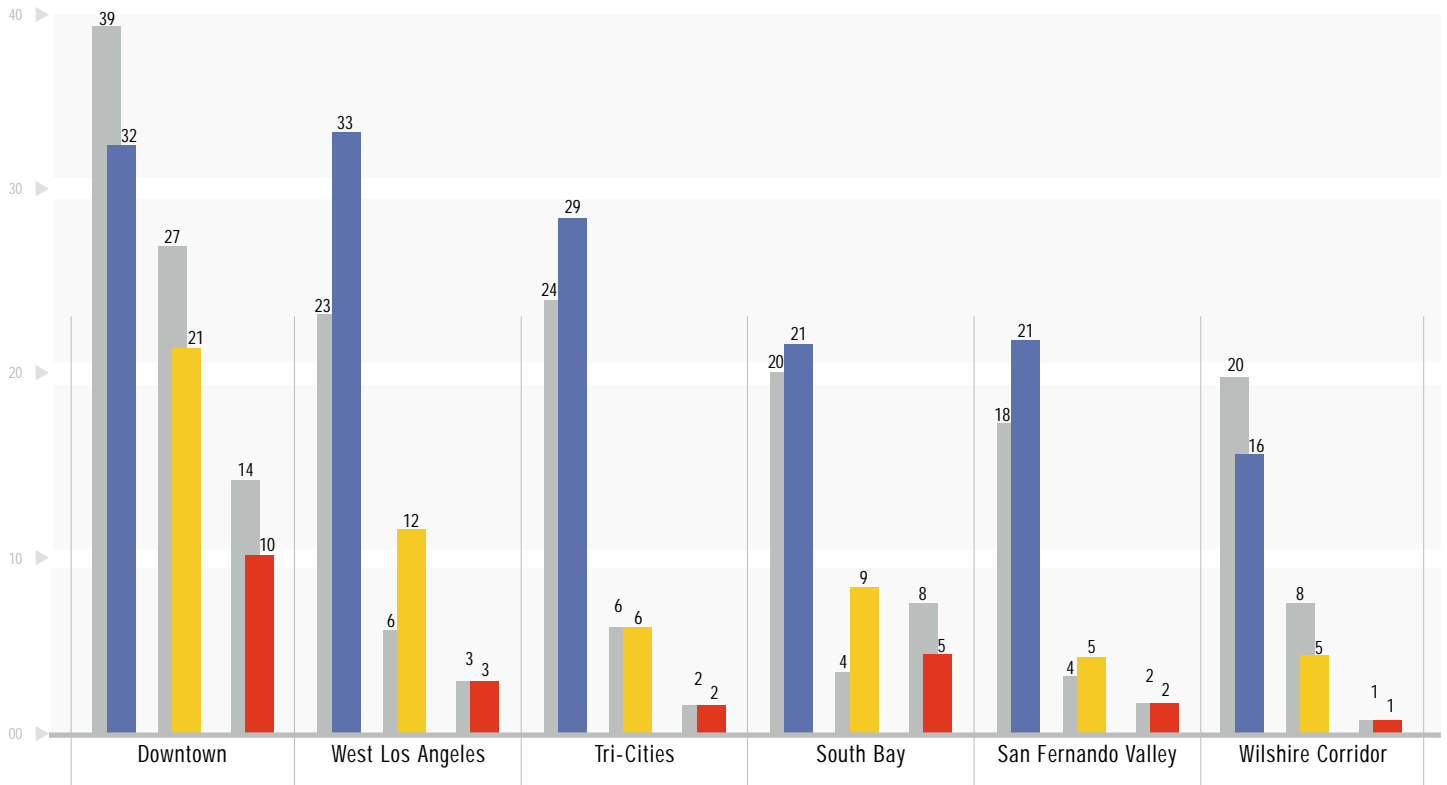
### Availability Rates by Lease Type





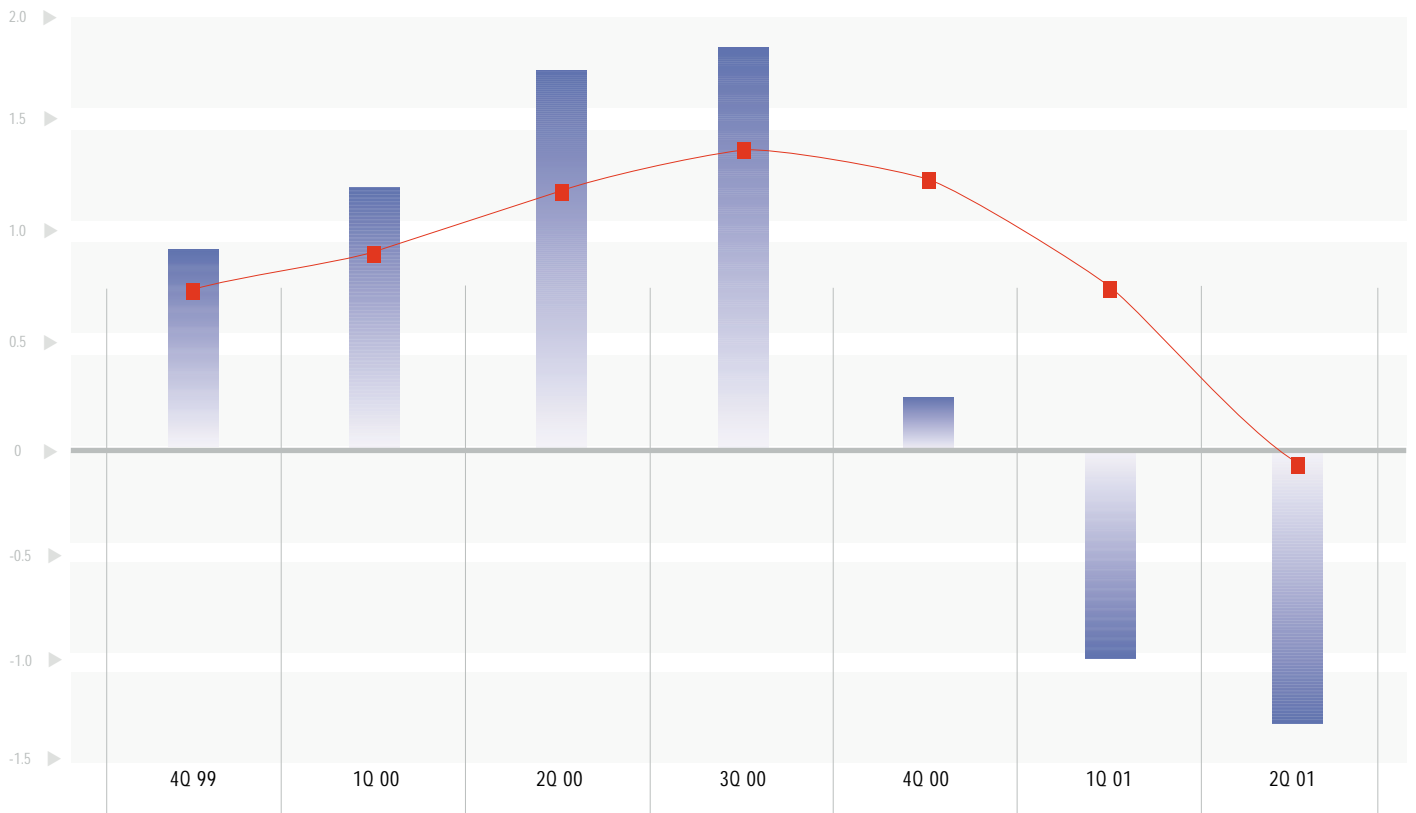
BLOCKS OF CONTIGUOUS AVAILABLE SPACE

40 00 20 01  
 20 - 49,999 SF  
 50 - 99,999 SF  
 100,000 SF + # of blocks

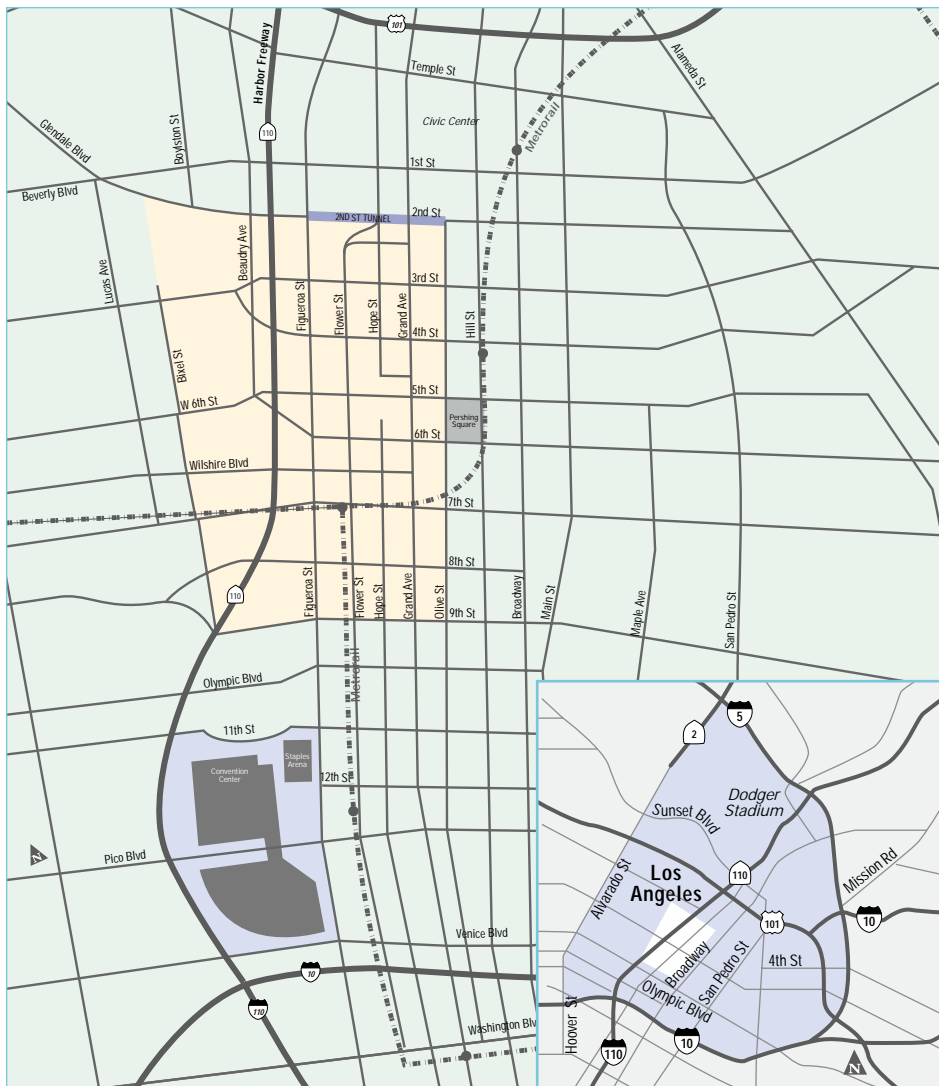


HISTORICAL NET ABSORPTION

Quarterly Net Absorption  
 Four Quarter Net Absorption Average Million sq. ft.



# DOWNTOWN



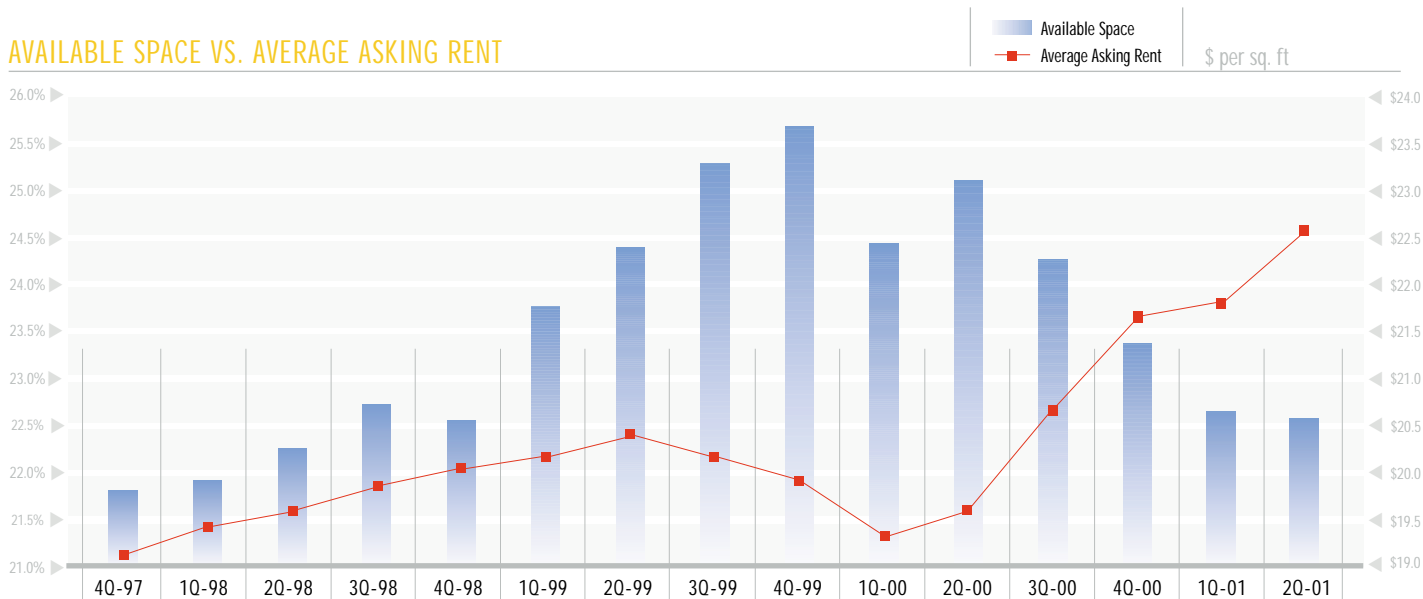
Despite the gloomy news on the commercial real estate front for most of the Los Angeles basin, Downtown is rising measurably out of ten years of stagnation. Significant leasing activity by incumbents as well as a noticeable migration of tenants from more expensive markets have raised the profile of this market. Available space now sits at 22.63 percent; a marked improvement from its high of 25.14 percent one year ago.

With 170,000 square feet of positive net absorption, Downtown is the sole Los Angeles submarket remaining in positive territory for two consecutive quarters. The fact that for the past 12 months Downtown has enjoyed Los Angeles' highest cumulative net absorption—510,000 square feet—demonstrates the longevity and stability of this trend.

Another indicator of this market's good fortune is the diminishing supply of large blocks of available space. Available blocks over 20,000 sq. ft. have decreased by 21% in the six months since Jan. 2001; by 24% for blocks over 50,000 sq. ft.; and by 29% for blocks of 100,000 sq. ft. or more.

Average asking rents have responded to the diminished supply, rising by

## AVAILABLE SPACE VS. AVERAGE ASKING RENT





\$3.00/psf over the past year to their current level of \$22.56 psf/yr. This is still far below the average in neighboring markets even as rates have fallen sharply in those areas. The affordability of Downtown office space; the lack of new office product development; and the current revitalization program should combine to maintain a high level of interest in this market.

The fever pitch of converting Downtown office buildings to telecom switch space has subsided as the telecom industry grapples with overestimated demand. More properties are now available for conversion to residential space. The influx of new residents to this market will transform Downtown, adding expanded rail service, retail outlets and restaurants, and an urban buzz that Downtown has always lacked.

Downtown's new landmark additions —The Cathedral of Our Lady of the Angels and the Walt Disney Concert Hall—will continue to attract resident and tourist interest. The opening of Staples Center last year was a major step in transforming Downtown into an after-hours destination. Phase II of the Staples entertainment complex, well into planning stages, will further enhance this market's prestige as a business address.

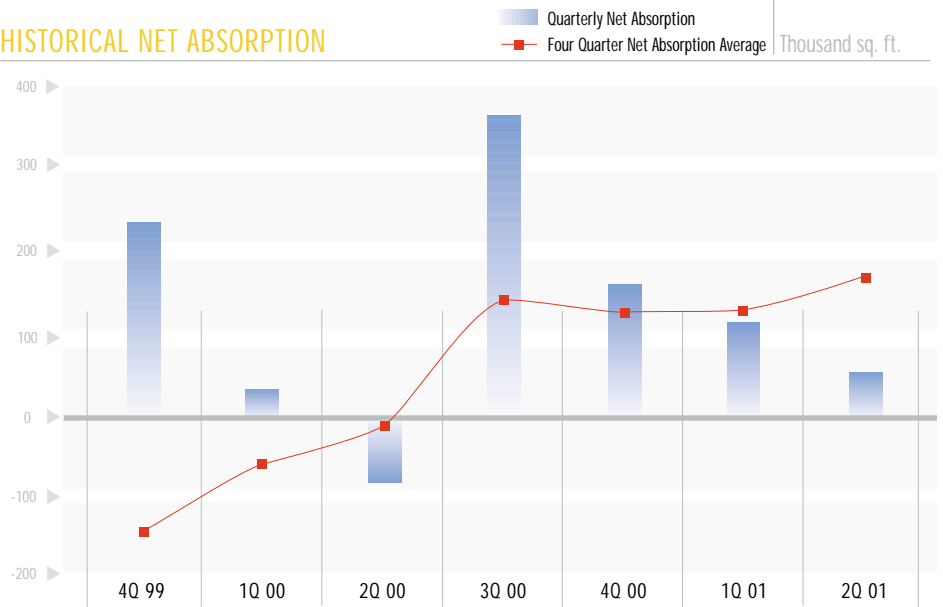
**MAJOR LEASE TRANSACTIONS**

Tenant	Location	Size
Wedbush Morgan Securities	1000 Wilshire Boulevard	113,000
Daniel, Mann, Johnson & Mendenhall	515 S. Flower Street	125,000
McCutchen, Doyle, Brown & Enersen	355 S. Grand Avenue	76,500
L.A. Health Care	555 W. 5th Street	101,000
Crosby, Heafey, Roach & May	355 S. Grand Avenue	60,000

**MAJOR BUILDING SALES**

Buyer	Location	Price Per Square Foot
American Heart Association	816 S Figueroa Street	\$79
445 S. Figueroa LLC.	445 S. Figueroa Street	\$134

**HISTORICAL NET ABSORPTION**



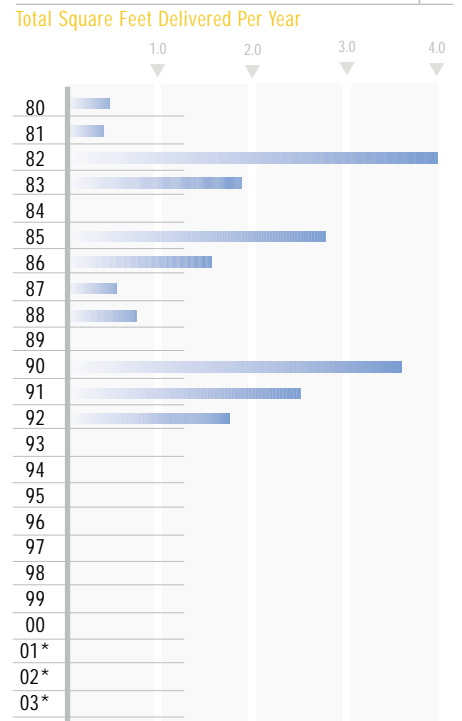
**GROSS ASKING RENT by Class**



**DOWNTOWN**

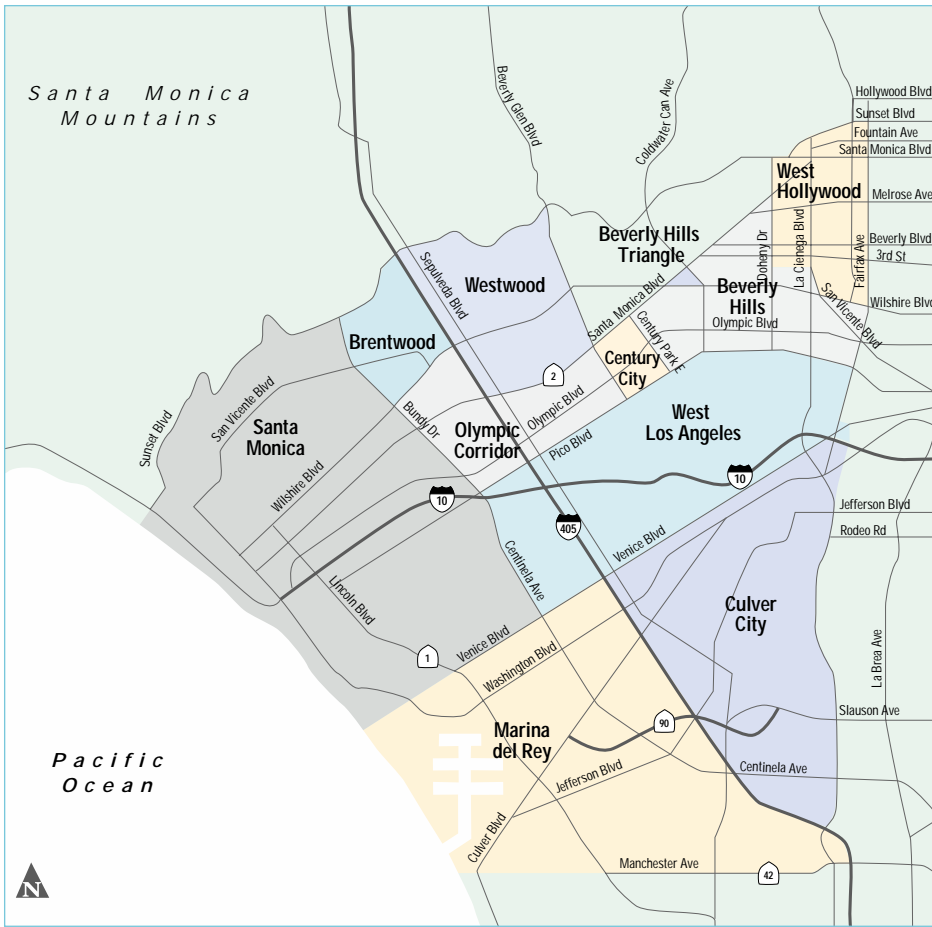
Total Inventory	34.2 million sq. ft.
No. of Buildings	83
Availability Rate	22.63%
Vacancy Rate	21.34%
YTD New Deliveries	0 sq. ft.
YTD Net Absorption	60,522 sq. ft.
Avg. Asking Rent	\$1.88 sq. ft.

**OFFICE BUILDING COMPLETION SUMMARY**



\* Projected Construction

# WEST LOS ANGELES



**M**ore than any other Los Angeles market, West Los Angeles is feeling the negative impact of the economic downturn. In the past nine months, the availability rate has almost doubled from a low of 9.3 percent to its current 16.8 percent. Available sublet space has tripled over the past year, increasing available space options and indicating a decrease in demand.

The sharply lower demand for office space is causing landlords to lower rents. Average asking rents have leveled off at \$38.88 psf/yr and will likely fall in the coming months as competition for tenants increases.

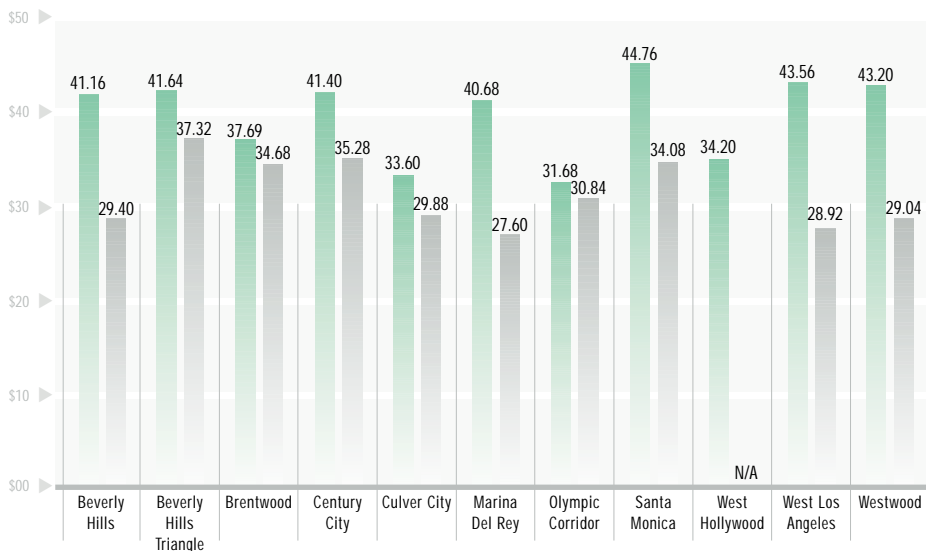
Moderate levels of construction only add to the problem. The impressive pre-leasing in Century City's latest and final development would normally indicate a strong market; but in this case, the relocation of West L.A. tenants is only creating an additional 400,000 square feet of vacant space.

The technology sector's implosion; the economic downturn; the decrease in demand for office space; and the addition of new development have all converged to result in negative net absorption of one million square feet in West L.A. so far this year. This dramatic turn of events has pulled the Four Quarter Net Absorption Average (see Absorption chart) into negative territory as well.

Despite the current gloom, the recent correction has created more available space for tenants desiring the location and prestige of a West L.A. address. As rents continue to soften, West L.A.'s fundamental attraction will undoubtedly prevail, drawing tenants back to this market.

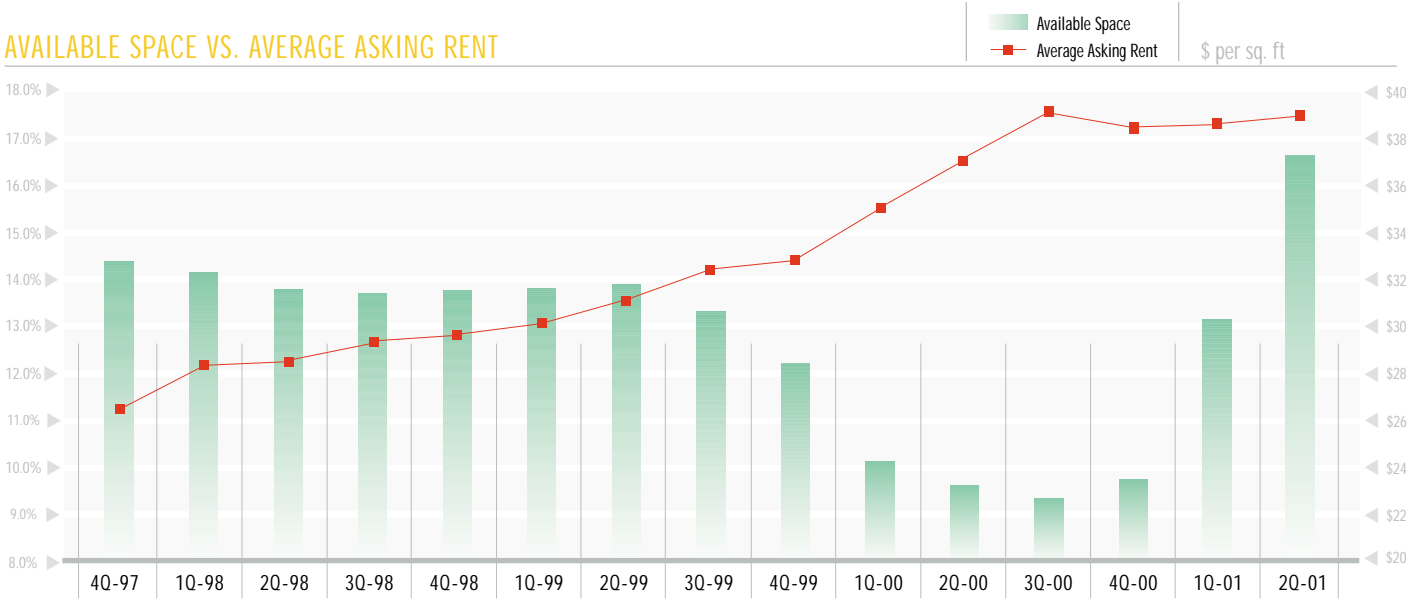
## GROSS ASKING RENT

Class A | Class B | \$ per sq. ft.

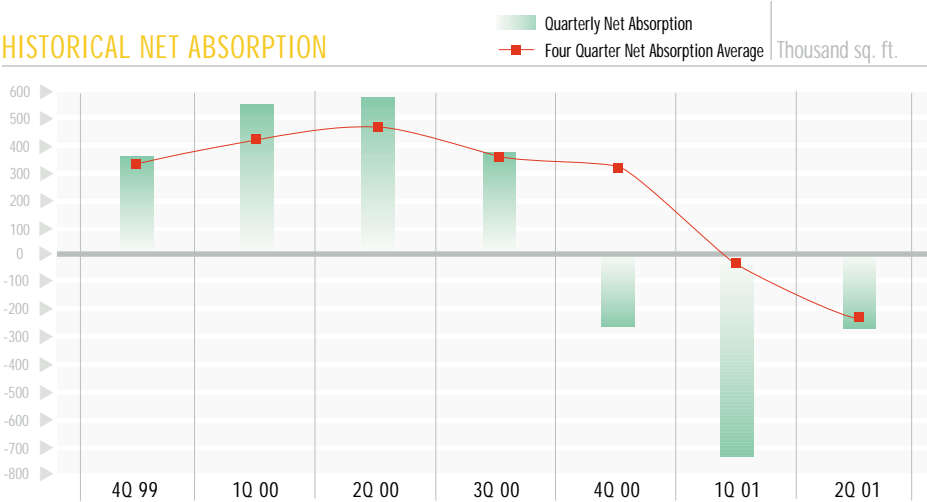




AVAILABLE SPACE VS. AVERAGE ASKING RENT



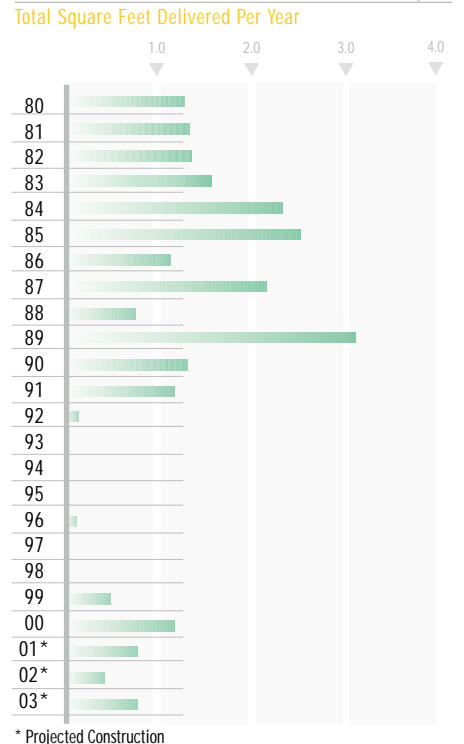
HISTORICAL NET ABSORPTION



WEST LOS ANGELES

Total Inventory	41.8 million sq. ft.
No. of Buildings	294
Availability Rate	16.80%
Vacancy Rate	10.60%
YTD New Deliveries	544,500 sq. ft.
YTD Net Absorption	-266,852 sq. ft.
Avg. Asking Rent	\$3.24 sq. ft.

OFFICE BUILDING COMPLETION SUMMARY



MAJOR LEASE TRANSACTIONS

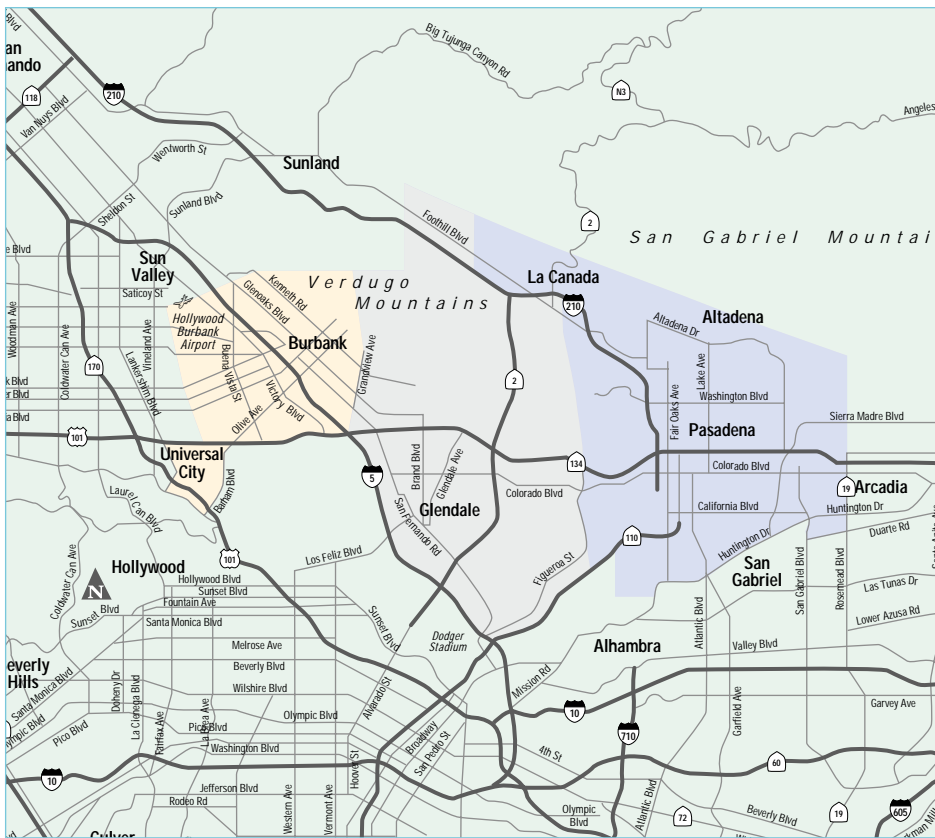
Tenant	Location	Size
HBO	2049 Century Park East	123,000
DMX Music	11400 Olympic Avenue	40,000
Intl Lease Financial Corp	10270 Constellation Place	127,000
UBS Warburg	1999 Avenue of the Stars	47,500
Gensler	MGM Plaza	40,000

MAJOR BUILDING SALES

Buyer	Location	Price Per Square Foot
Motion Pictures Licensing	5455 Centinela	\$210
Wilshire Rodeo LLC.	145 South Rodeo	\$500
Commonwealth Atlantic Properties	Arboretum Gateway	\$400
Water Garden Realty Holding	2450 Colorado Avenue	\$400

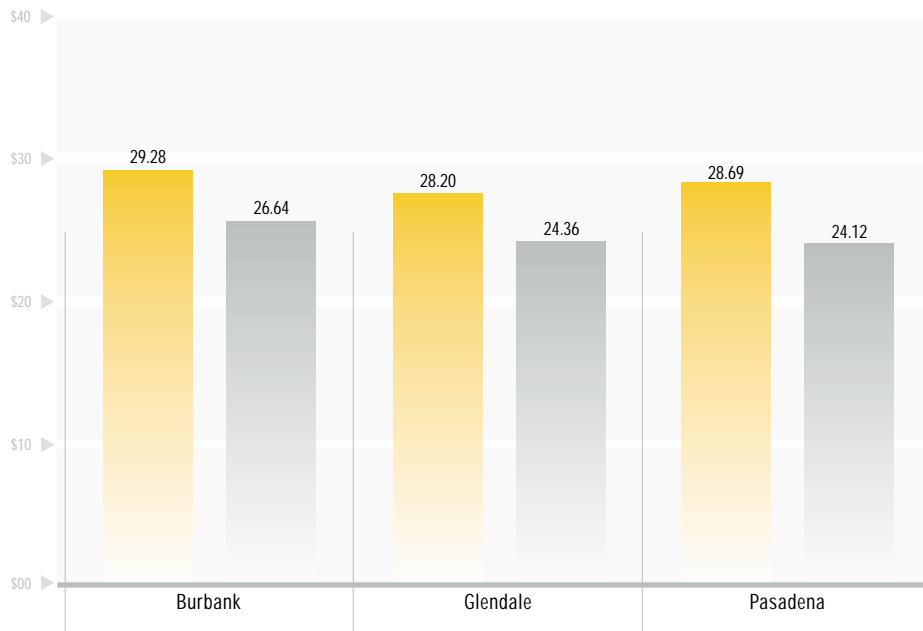
\* Projected Construction

## TRI-CITIES



### GROSS ASKING RENT

Class A | Class B | \$ per sq. ft.



The interdependent industries of the Tri-Cities market are feeling the impact of last year's dot.com implosion. Venture capital funding became scarce last year, causing a sharp decline in the launch rate of new internet firms. As a result, Pasadena's Idealab!, an internet "start-up incubator" gave back 80,000 square feet of space in the first half of 2001. Since then, effects have trickled down to other local industries like media and entertainment

Available space shrank from a high of 16.03 percent in early 2000 to finish the year at 11.78 percent, but has since shot back up to 15.69 percent. Primarily responsible is the suddenly prevalent sublet space; jumping by 60% since 4Q 2000 and almost equaling the amount available sublease space in larger markets like Downtown and West Los Angeles.

Also of concern is the addition of large amounts of new space. 675,000 square feet of new office product was added to this market since the beginning of 2000. This rapid growth will be followed by another 930,000 square feet of new and renovated space coming on line over the next 12 months.

Average asking rents started the year at a high of \$28.32 psf/yr, but landlords have reacted to recent events by pulling back slightly to \$27.72 psf/yr; this average would arguably be even lower if not for the higher priced new developments.

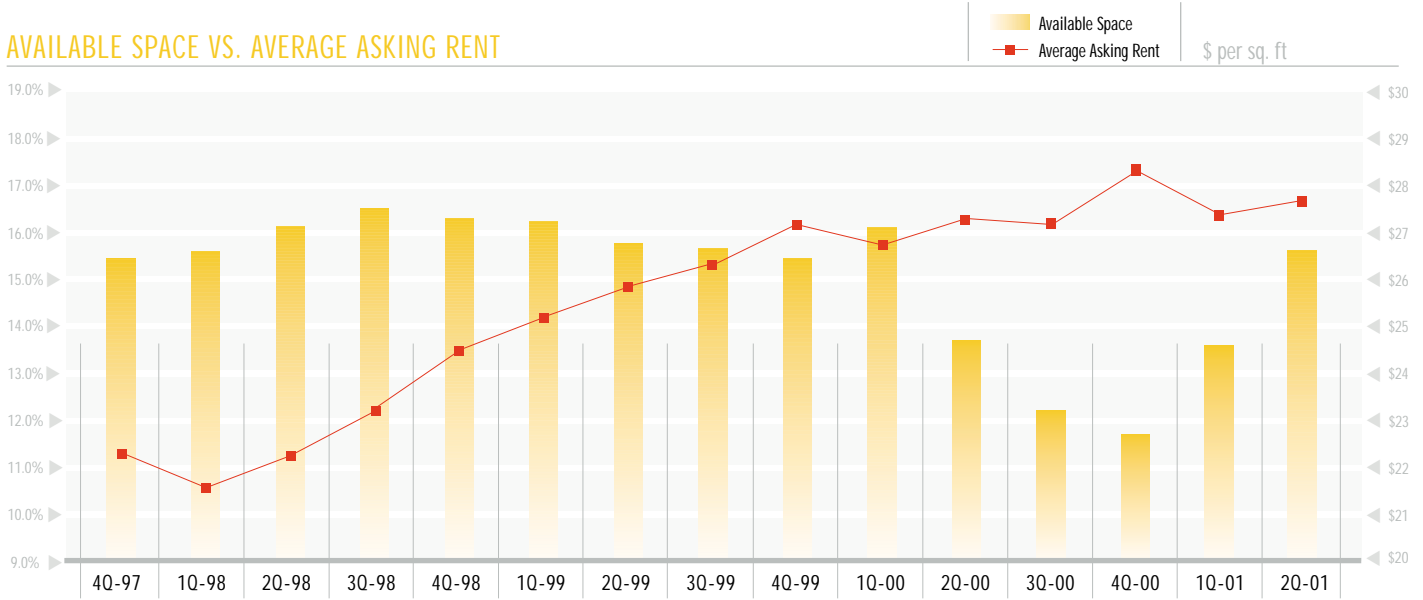
Two consecutive quarters of negative net absorption bring the total year-to-date absorption to negative 400,000 square feet and pull the Four Quarter Net Absorption average into negative territory (see Absorption chart).

This period is only a temporary setback when viewed in the context of the Tri-Cities' inherent strengths. Abundant housing; good schools; a major airport; world-class amenities; and convenient freeway access combine to keep this market a leader of the Los Angeles real estate market.

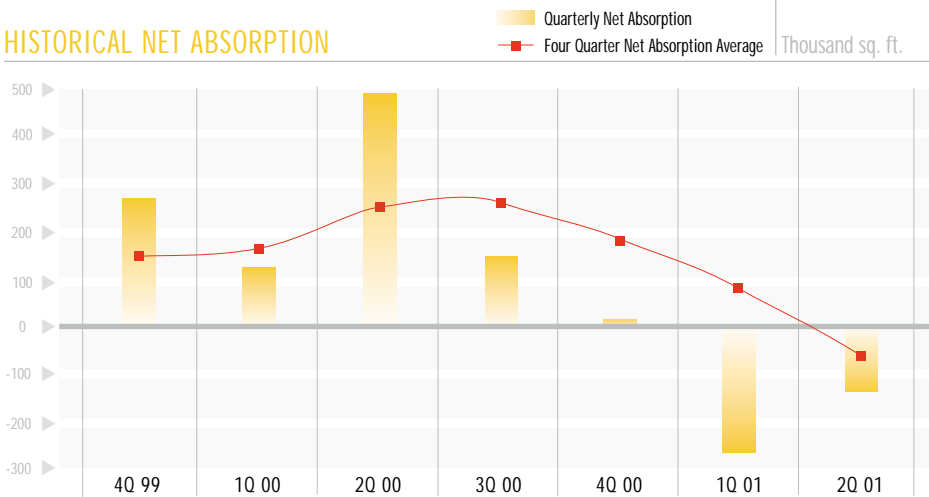




### AVAILABLE SPACE VS. AVERAGE ASKING RENT



### HISTORICAL NET ABSORPTION



### MAJOR LEASE TRANSACTIONS

Tenant	Location	Size
Catholic Healthcare	330 North Brand Boulevard	35,000
Royal Indemnity Co.	801 North Brand Boulevard	33,400
Commonwealth Land Title	655 North Central Avenue	21,248
Citadel Capital Management	251 South Lake Avenue	21,000

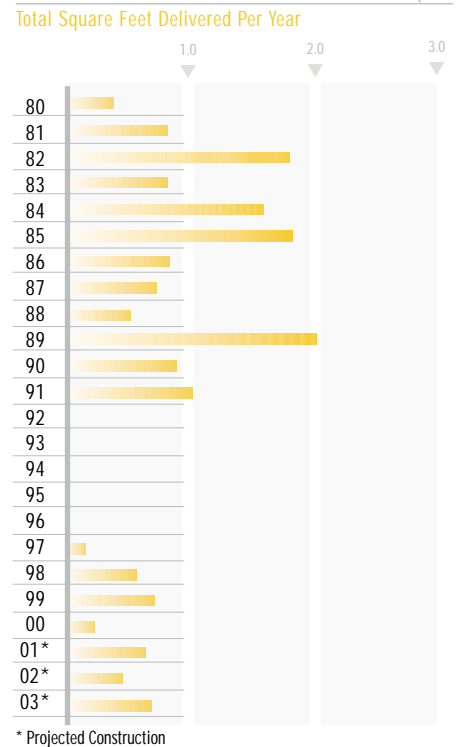
### MAJOR BUILDING SALES

Buyer	Location	Price Per Square Foot
Commonwealth Partners	801 North Brand, 700 North Central & 200 Burchett Street	\$219
Legacy Partners	3330 Cahuenga Boulevard	\$185
Cimm's Corporation	620 North Brand Boulevard	\$158
Lend Lease Real Estate Investments	200 South Los Robles Avenue	\$176

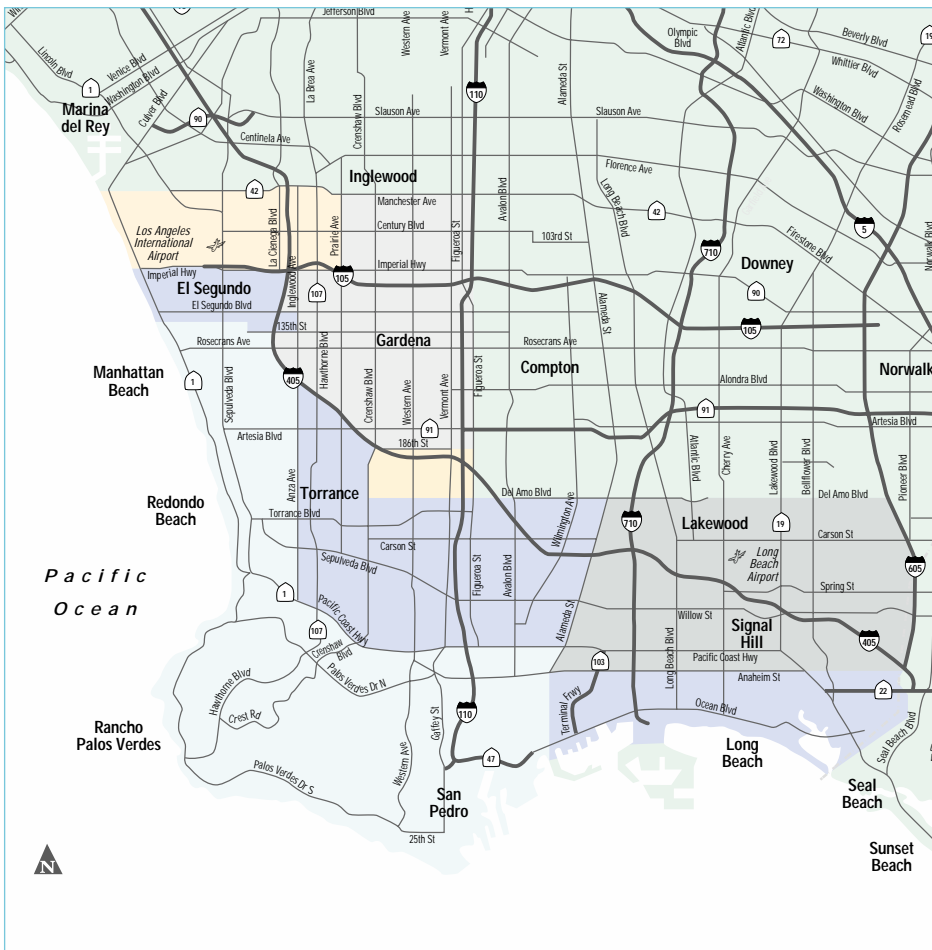
### TRI-CITIES

Total Inventory	20.1 million sq. ft.
No. of Buildings	151
Availability Rate	15.69%
Vacancy Rate	11.50%
YTD New Deliveries	176,176 sq. ft.
YTD Net Absorption	-136,211 sq. ft.
Avg. Asking Rent	\$2.31 sq. ft.

### OFFICE BUILDING COMPLETION SUMMARY



# SOUTH BAY

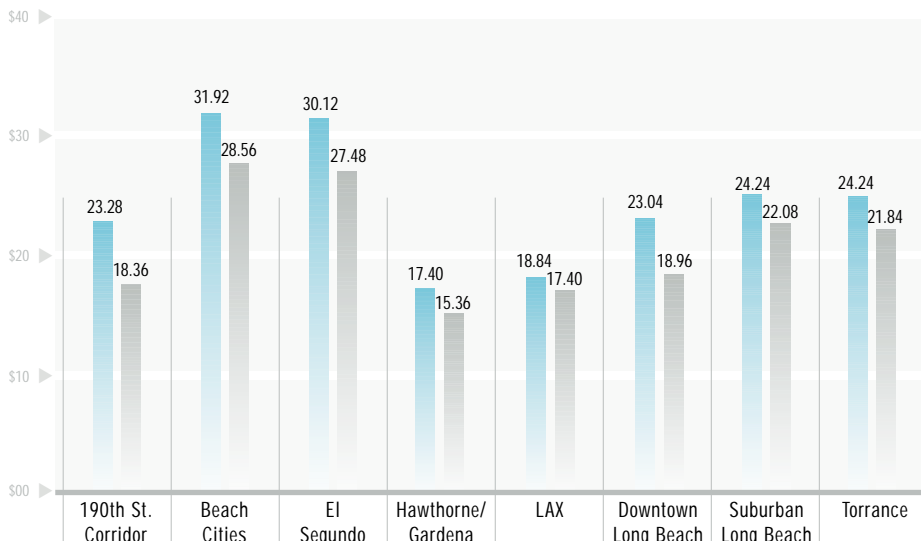


Prior to last year's third quarter downturn in the economy, the South Bay market was one of the strongest in Los Angeles. Positive net absorption of 1.6 million square feet through the first three quarters of 2000 pulled availabilities to record lows which in turn kept rental rates on a steady rise. The overspill of demand from the popular West L.A. market also contributed to the health of the South Bay, further fueling the new construction activity begun here in 1999. Pre-leasing of new space was plentiful, as large blocks of contiguous space were scarce in the market.

Since late last year, however, the South Bay market has experienced net absorption of negative 560,000 square feet, which has pushed availability up from its low of 12.3 percent at year-end 2000 to its current 15.3 percent. Average asking rents, which usually lag behind changes in market trends by three to six months, peaked during the first quarter 2001 and have since fallen back slightly to their current rate of \$22.80 psf/yr.

## GROSS ASKING RENT

Class A | Class B | \$ per sq. ft.

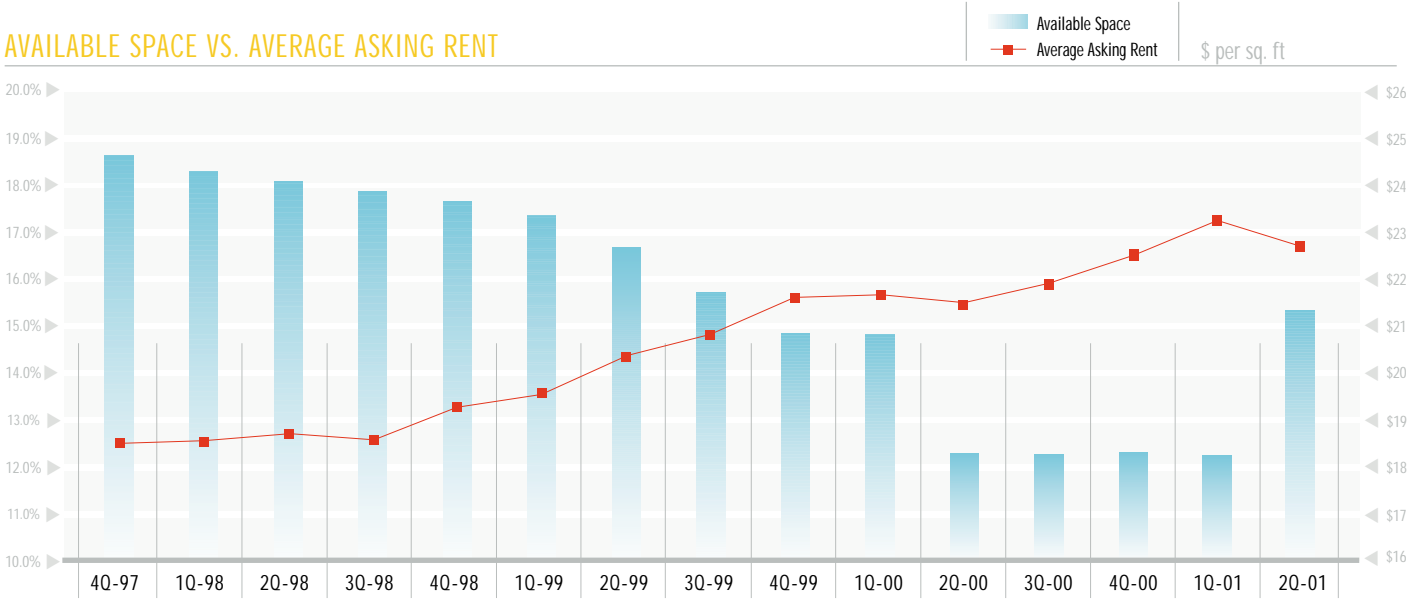


The 900,000 square feet of new construction added during 1999-2000 to this market was readily absorbed. By contrast, one million square feet of new and renovated product will come on line in the next 12 months in a very different environment. This new product will have to compete with the 5.5 million square feet already on the market. At the same time, the windfall of leasing activity from tenants migrating from more expensive markets has diminished significantly.

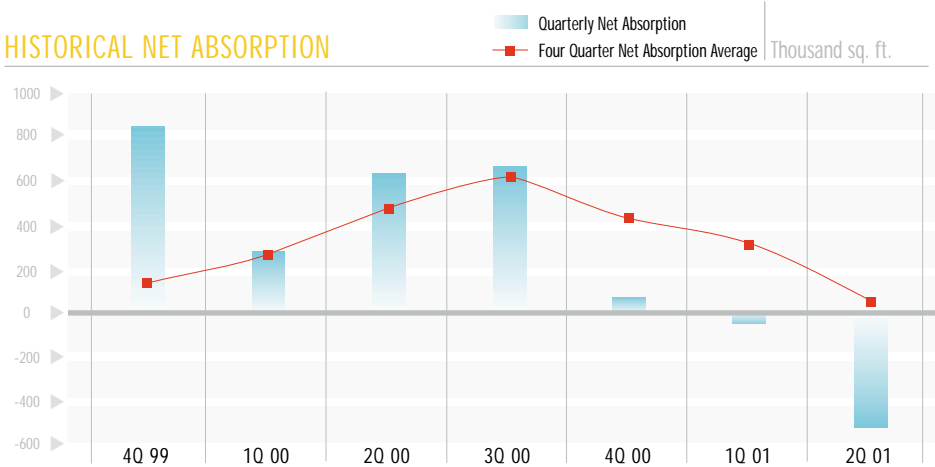
A strong economic rebound is needed to keep this market from slipping into a prolonged state of oversupply.



AVAILABLE SPACE VS. AVERAGE ASKING RENT



HISTORICAL NET ABSORPTION



MAJOR LEASE TRANSACTIONS

Tenant	Location	Size
U.S. Customs Agency	301 East Ocean Blvd.	93,000
Designory	211 East Ocean Blvd.	43,739
EnPointe Technologies	100 North Sepulveda	36,000
Broadcom	222 North Sepulveda	4,000

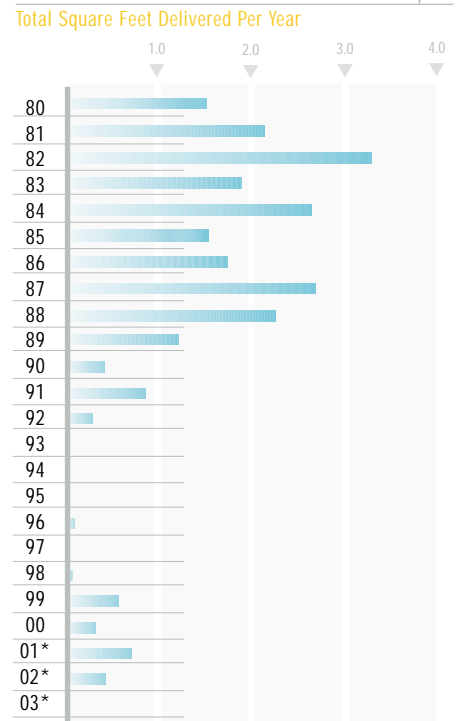
MAJOR BUILDING SALES

Buyer	Location	Price Per Square Foot
Metlife	400 Continental Grand Plaza	\$281
Makar Properties	1800 Studebaker Road	\$142
Sketchers	225 South Sepulveda	\$217
Krausz Companies	2300 East Imperial Highway & 2101 East El Segundo Boulevard.	\$260

SOUTH BAY

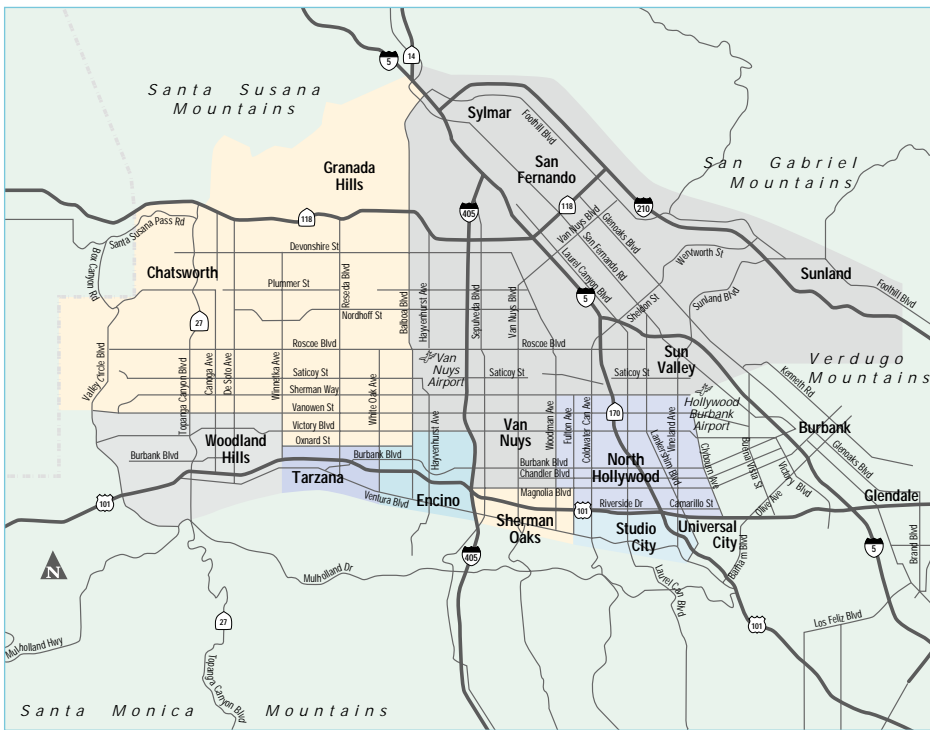
Total Inventory	34.9 million sq. ft.
No. of Buildings	297
Availability Rate	15.33%
Vacancy Rate	11.97%
YTD New Deliveries	212,000 sq. ft.
YTD Net Absorption	-513,488 sq. ft.
Avg. Asking Rent	\$1.90 sq. ft.

OFFICE BUILDING COMPLETION SUMMARY



\*Projected Construction

# SAN FERNANDO VALLEY



The San Fernando Valley market has done an abrupt about face, as available space shot up to 17.07 percent from its low of 13.75 percent over the past six months. Asking rents gave way during the first quarter, but have again risen to their current average of \$26.88 psf/yr, an all-time high. Rents will likely level off and begin to fall in the coming six months in response to the glut of newly available space.

So far this year, net absorption has been a negative 488,000 square feet; however, the past 12 months total net absorption still holds at a positive 274,000 square feet, keeping the Four Quarter Net Absorption Average close to “0” and drifting toward negative territory (see Absorption chart).

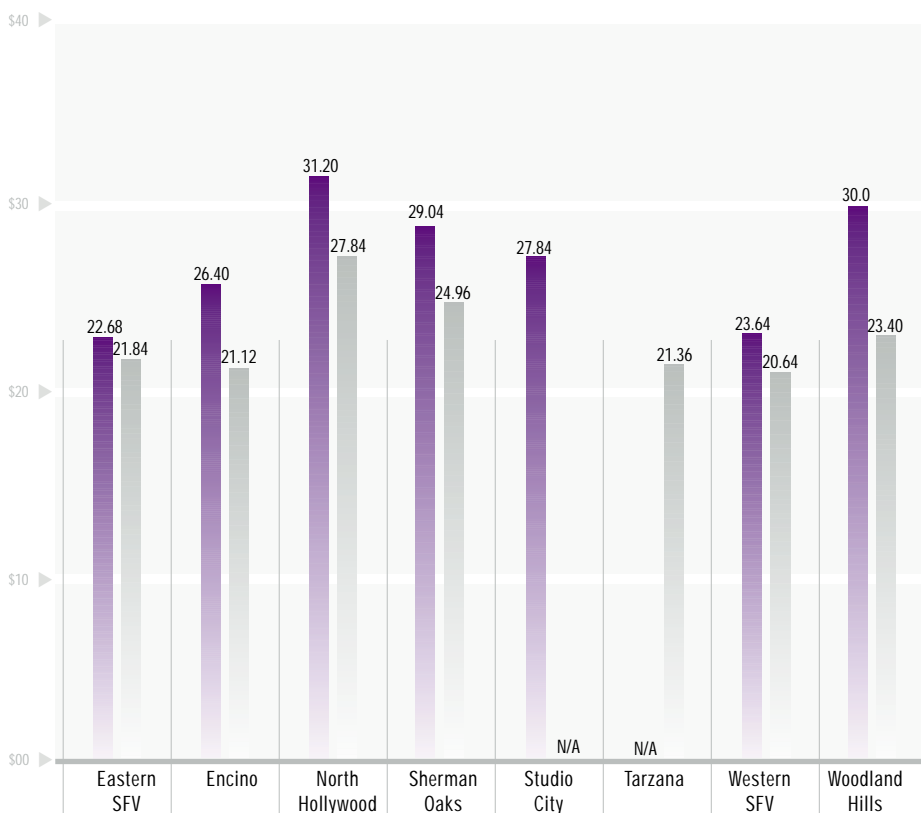
This indicator demonstrates the longer-term state of this market. A falling average indicates an “unhealthy” segment of the cycle, worsening with the degree of decline. An increasing average would likewise indicate an improving market.

New construction has increased this market’s inventory by 178,000 square feet, a one percent increase. There is only an additional one percent scheduled to come on line in the coming year.

As the economy recovers, this constrained new construction coupled with strong northward suburban sprawl will combine to provide strong demand for San Fernando Valley office space and push this market back into positive territory once again.

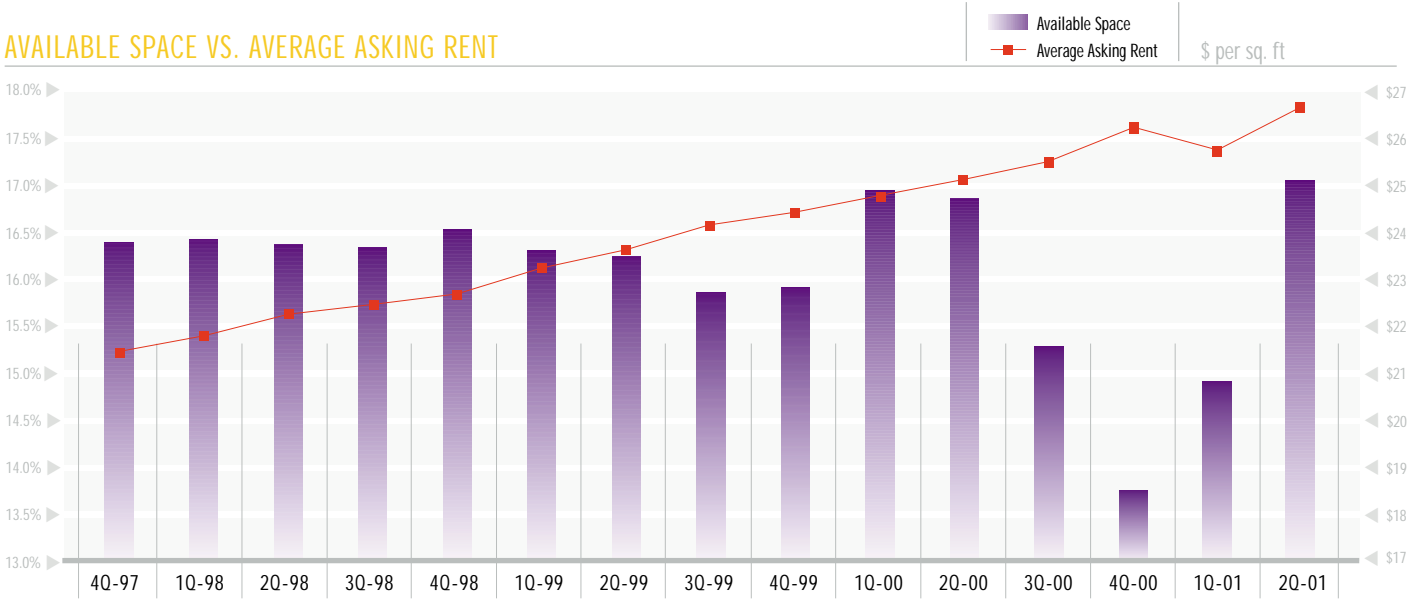
## GROSS ASKING RENT

Class A | Class B | \$ per sq. ft.

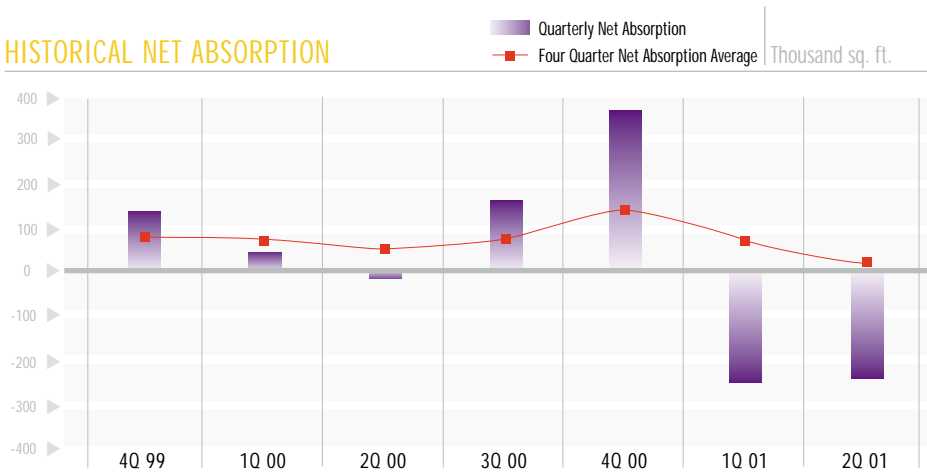




AVAILABLE SPACE VS. AVERAGE ASKING RENT



HISTORICAL NET ABSORPTION

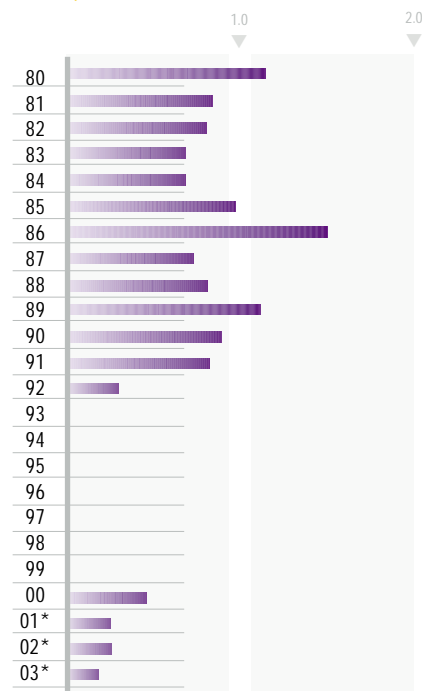


SAN FERNANDO VALLEY

Total Inventory	17.1 million sq. ft.
No. of Buildings	155
Availability Rate	17.07%
Vacancy Rate	13.45%
YTD New Deliveries	178,245 sq. ft.
YTD Net Absorption	-242,259 sq. ft.
Avg. Asking Rent	\$2.24 sq. ft.

OFFICE BUILDING COMPLETION SUMMARY

Total Square Feet Delivered Per Year Million sq. ft.



MAJOR LEASE TRANSACTIONS

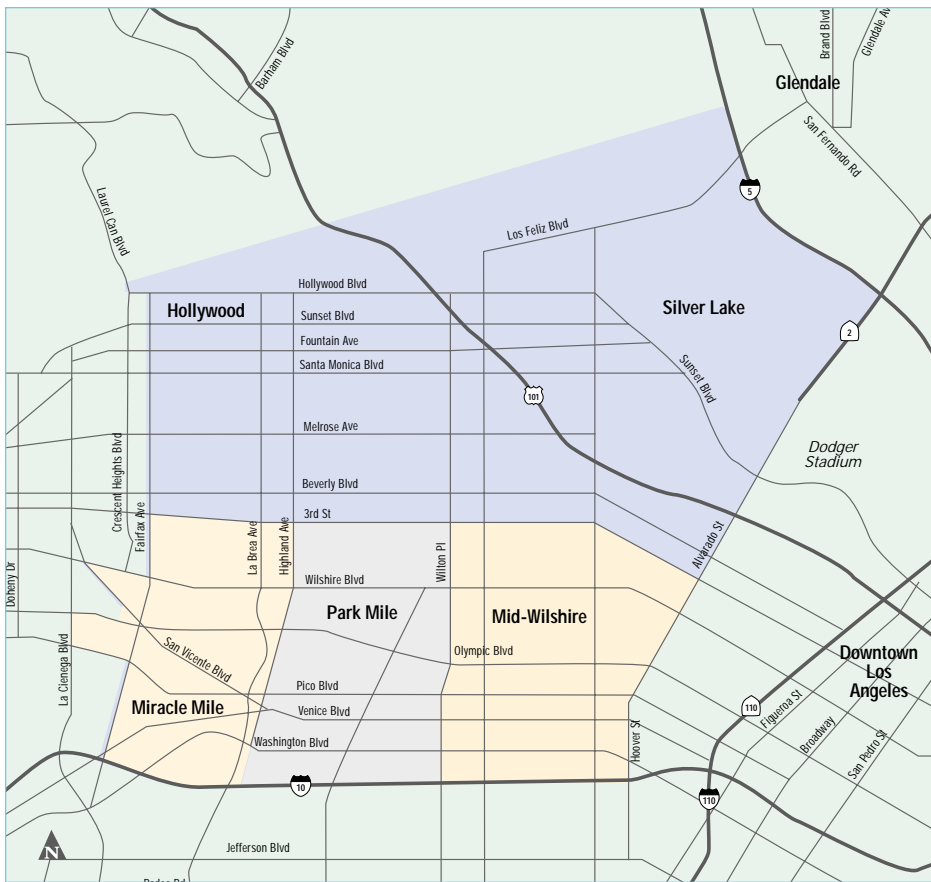
Tenant	Location	Size
Aetna	6303 Owensmouth	54,000
Wellpoint Health Networks	8407 Fallbrook Avenue	46,916
Syncor International	21300 Victory Boulevard	35,000
Western General Insurance	5230 Las Virgenes	40,174

MAJOR BUILDING SALES

Buyer	Location	Price Per Square Foot
Chatswood Inv. & Chatswood Associates	Chatsworth Business Park	\$139
Dusenberg Investments	2801 Townsgate	\$190
Adler Realty Advisors	21800 Burbank Boulevard	\$153
Douglas, Emmett & Co.	16165 Ventura Boulevard	\$208

\* Projected Construction

# WILSHIRE CORRIDOR

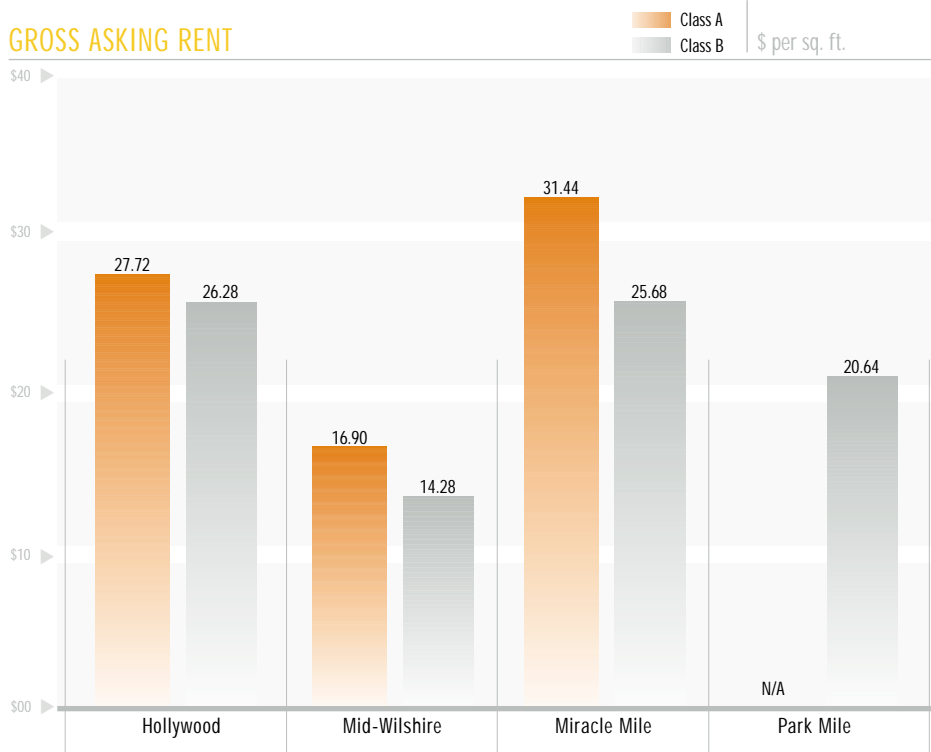


The Wilshire Corridor is truly a tale of two markets. On its western border where it adjoins West Los Angeles, Wilshire resembles its struggling, high-profile neighbor. Further east, it reflects the reviving and healthier Downtown Los Angeles market.

As the real estate market has soured in many pockets of West L.A., so too has Wilshire Corridor's Miracle Mile submarket. Available space in the art deco-flavored business strip has risen from 17 to 19 percent; asking rents have fallen from their year end high of \$28.68 psf/yr to their current \$28.20.

Moving eastward, the commercial real estate market starts to resemble the Downtown Los Angeles market. Available space becomes more scarce and rents are on the rise. Specifically, the availability rate in the Park Mile submarket bordering Downtown have dropped from 17.4 to a mere 6.0 percent. Average asking rents have risen from \$18.72 psf/yr to \$20.28.

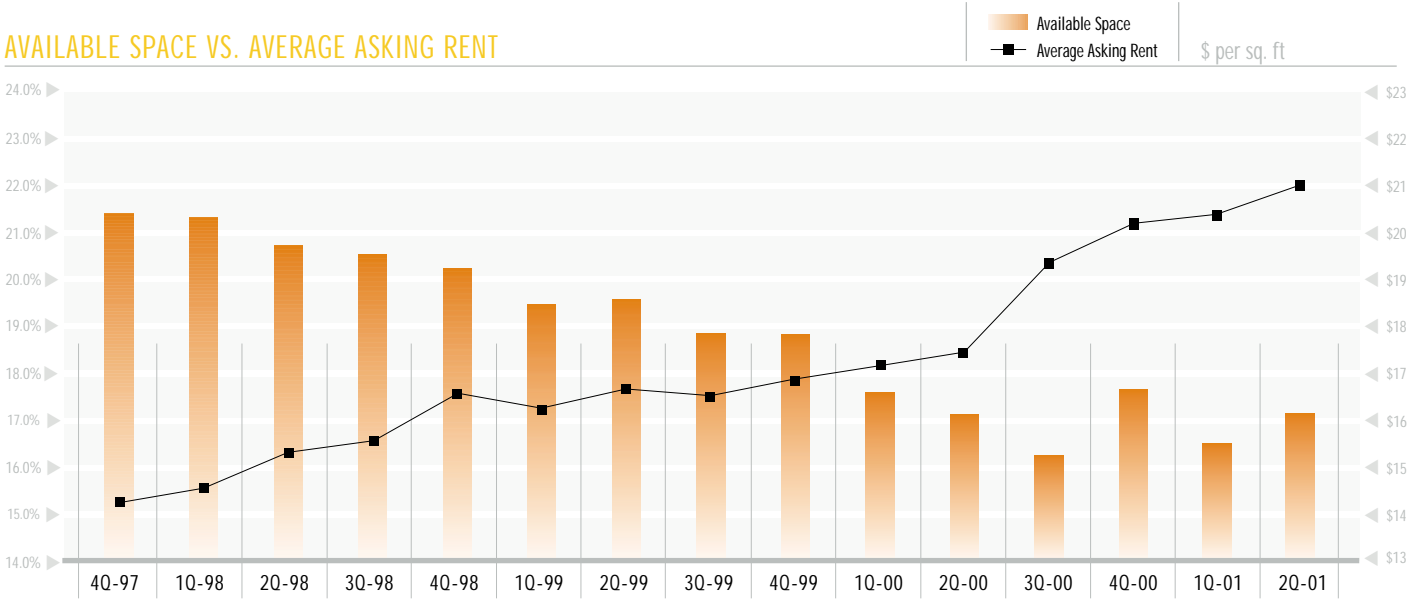
## GROSS ASKING RENT



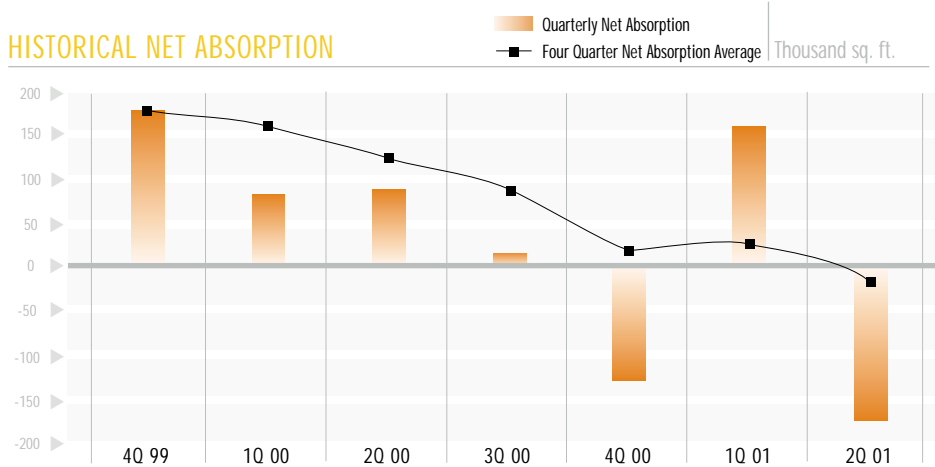
Overall, direct available space diminished slightly in the Wilshire Corridor market, while sublet space shot up by 35 percent. The net effect has been a barely perceptible fall in overall availability accompanied by a \$.72 psf/yr increase in average asking rents. Positive gains in occupancy in the first quarter were erased by negative net absorption in the second, putting the Four Quarter Net Absorption Average (see Absorption chart) into negative territory for the first time in recent memory.



AVAILABLE SPACE VS. AVERAGE ASKING RENT



HISTORICAL NET ABSORPTION



WILSHIRE CORRIDOR

Total Inventory	17.4 million sq. ft.
No. of Buildings	115
Availability Rate	17.03%
Vacancy Rate	15.69%
YTD New Deliveries	0 sq. ft.
YTD Net Absorption	-194,379 sq. ft.
Avg. Asking Rent	\$1.75 sq. ft.

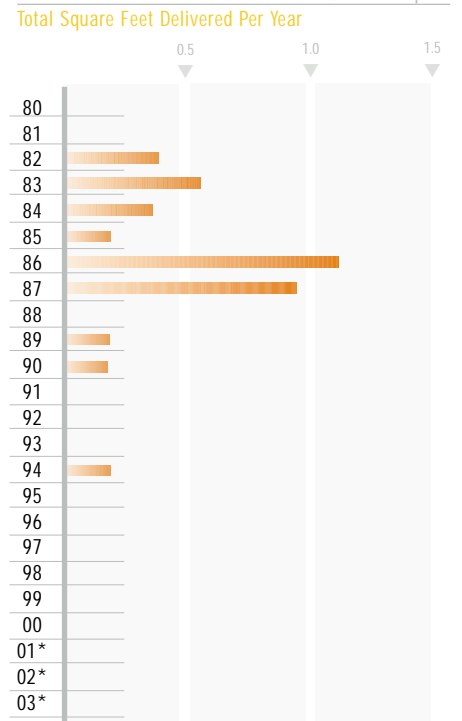
MAJOR LEASE TRANSACTIONS

Tenant	Location	Size
West Grand Media	6255 Sunset Boulevard	14,200
Creative Domain	6922 Hollywood Boulevard	28,440
World International Network	5670 Wilshire Boulevard	14,346
Universal Television & Networks	6565 W Sunset Boulevard	10,000

MAJOR BUILDING SALES

Buyer	Location	Price Per Square Foot
3055 Wilshire LLC	3055 Wilshire Boulevard	\$60

OFFICE BUILDING COMPLETION SUMMARY



\* Projected Construction

## GLOSSARY

**Availability** — Space that is being actively marketed and is available for occupancy within 12 months. Includes space available for sub-lease as well as space in buildings under construction, unless otherwise specified.

**Average Asking Rent** — Weighted average of full service gross annual asking rents for space marketed for direct lease - weighted by amount of direct square feet available.

**Contiguous Space** — The total amount of available space on adjoining floors when at least one-half of each floor is available.

**Class** — Quality rating of properties based on age, location, quality of construction, and

amenities - with class A being the highest rating.

**Leasing Activity** — Total amount of square feet leased within a specified period of time.

**Four Quarter Net Absorption Average** — An average of the past four quarterly measures of the change in the amount of occupied space

**Net Absorption** — the change in the amount of occupied square feet within a specified period of time - usually expressed in square feet.

Space under construction is excluded.

**New Construction** — Commercial projects that are in some phase of their base building con-

struction (beginning with excavation and ending with the issuance of the Certificate of Occupancy).

**New Deliveries** — Viable properties which received their Certificate of Occupancy - usually expressed in total rentable square feet.

**Speculative Construction** — Commercial projects built without anchor tenants.

**Vacancy** — Office space which is unoccupied and is being marketed for occupancy within the next 12 months, as well as space which has been leased and taken off the market, but not yet occupied. Space under construction is excluded.

## LOCAL OFFICES

### Downtown

444 S. Flower Street  
24th Floor  
Los Angeles, CA 90071  
213.593.1300

### West Los Angeles

2029 Century Park East  
Suite 515  
Los Angeles, CA 90067  
310.407.0909

### South Bay

400 N. Continental Blvd.  
2nd Floor  
El Segundo, CA 90245  
310.426.2580

## WORLDWIDE OFFICES

### Arizona

Phoenix

### California

Irvine

Los Angeles

Ontario

Orange County

Sacramento

San Diego

San Francisco

San Gabriel Valley

San Jose

Santa Rosa

South Bay

West Los Angeles

### Colorado

Colorado Springs

Denver

### Connecticut

Stamford / Greenwich

### Delaware

Wilmington

### District of Columbia

Washington D.C.

### Florida

Jacksonville

Miami

Tampa

### Georgia

Atlanta

### Illinois

Southern Suburbs

Downtown Chicago

O'Hare / Suburban

Chicago

### Maryland

Baltimore

Bethesda

### Massachusetts

Boston

### Missouri

St. Louis

### New Jersey

Marlton

East Brunswick

Princeton

Saddle Brook

### New York

Midtown Manhattan

Downtown Manhattan

Long Island

Queens / Brooklyn

Westchester County

### Oregon

Portland

### Pennsylvania

Downtown Philadelphia

Lehigh Valley

Suburban Philadelphia

Pittsburgh

### South Carolina

Greenville

### Tennessee

Nashville

### Texas

Austin

Dallas

Houston

### Virginia

Newport News

Norfolk

N. Virginia (McLean)

Richmond

### Utah

Salt Lake City

### Washington

Seattle

Vancouver

### Belgium

Italy

Germany

Holland

United Kingdom

China

Hong Kong

India

Japan

Thailand

Latin America

## FOR MORE INFORMATION:

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