



TRENDLINES[®] 2007

Los Angeles





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Available for download:

www.DeltaAssociates.com

www.transwestern.net



OVERVIEW

1. National Economy: Period of change
2. LA Basin Economy: Strong job growth
3. Office Market: Vibrant but decelerating
4. Industrial Market: Best market in the country
5. Investment Sales: Record-setting volume
6. Forecast



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THE NATIONAL ECONOMY

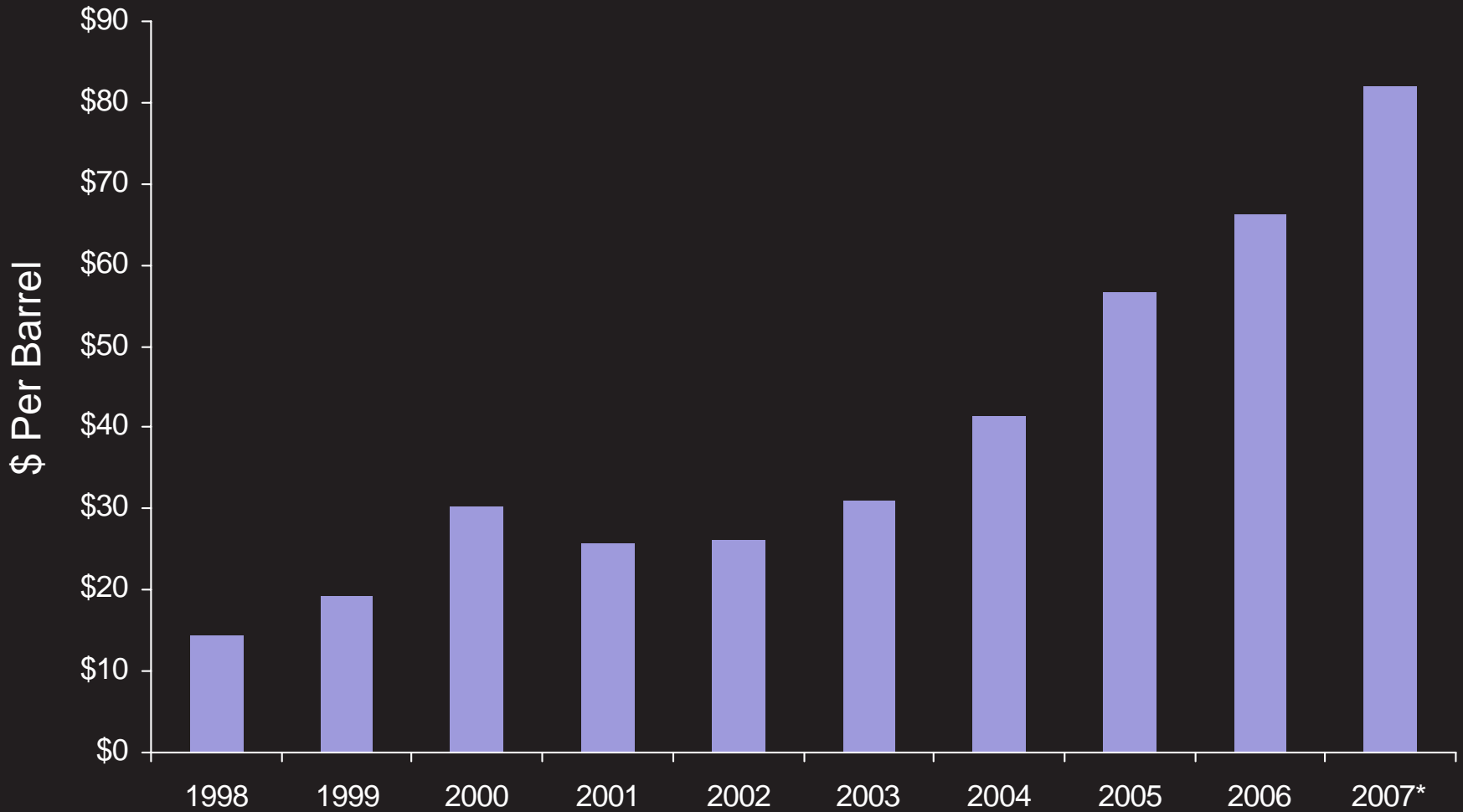


NATIONAL ECONOMY: PERIOD OF CHANGE

- Employment growth continues, but at a decelerating rate; job losses were recorded in August
- Wages are rising, but consumer debt is at a record level
- Inflation appears under control; will the Fed's interest rate cut bolster the housing and credit markets?
- What will the volatile stock market and rising mortgage foreclosure rate do to consumer confidence?

OIL PRICES

1998 - 2007

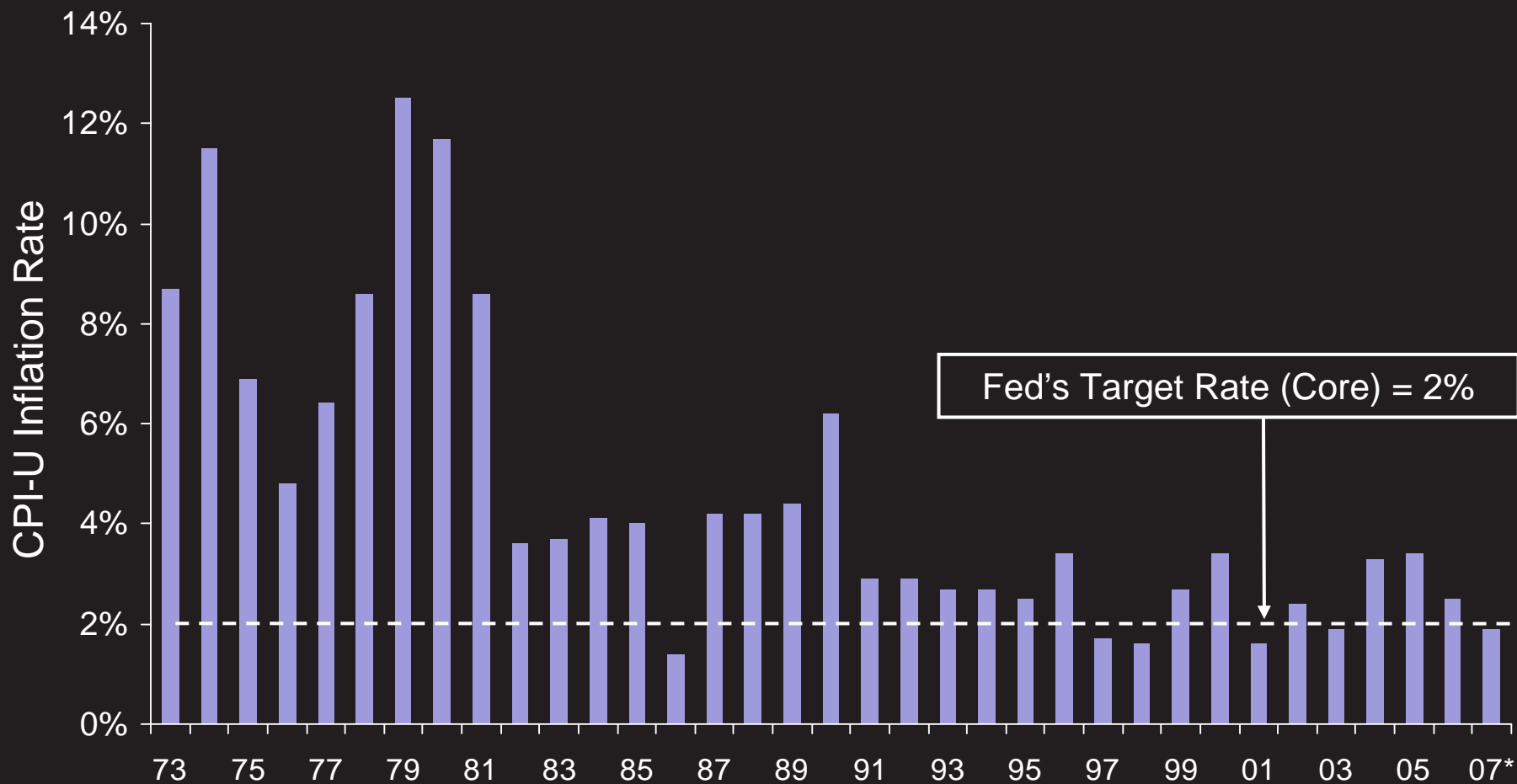


*Closing price on 9/19/07.

Note: 12 month averages of WTI NYMEX prices.

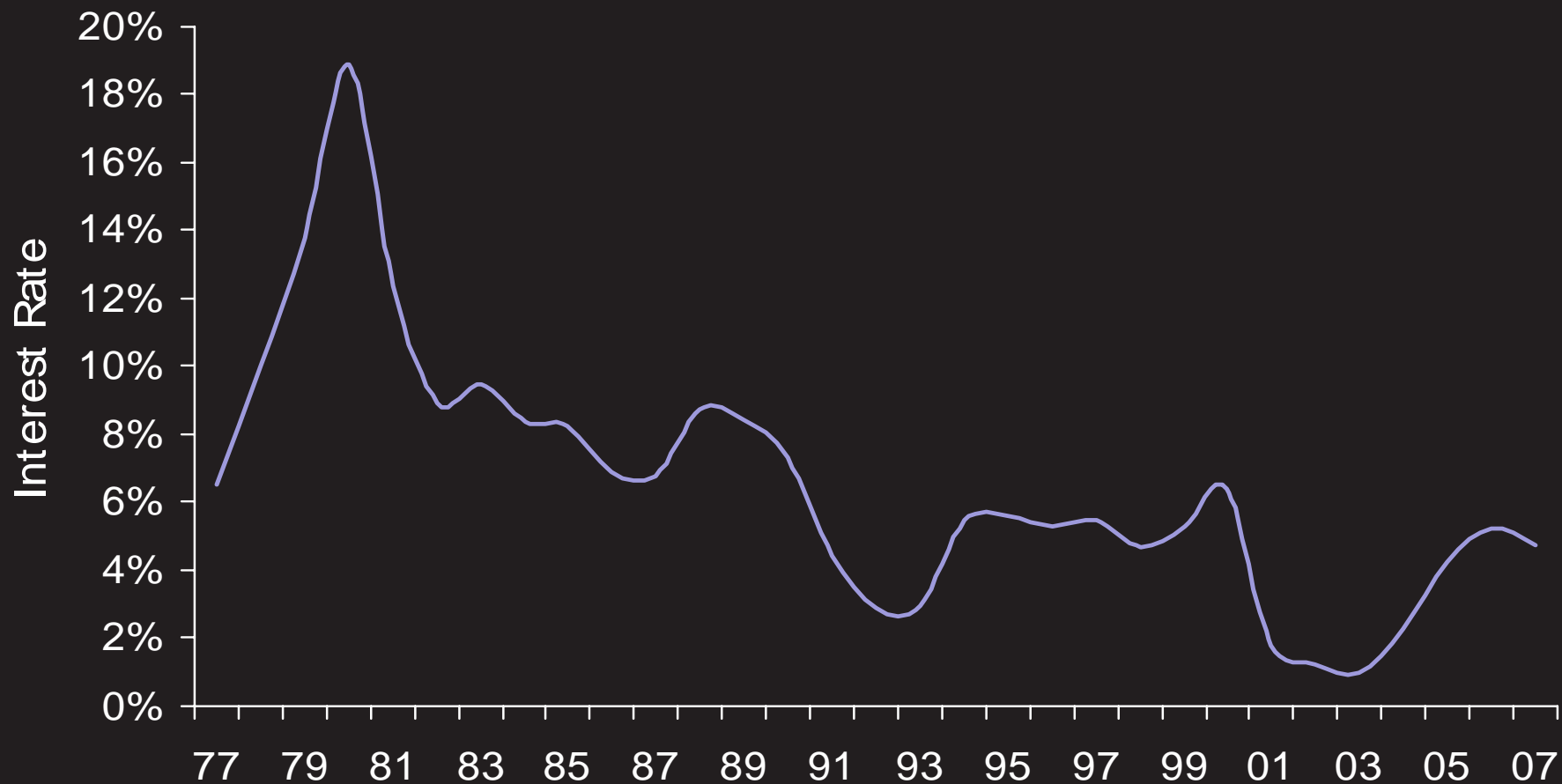
U.S. INFLATION

1973 - 2007



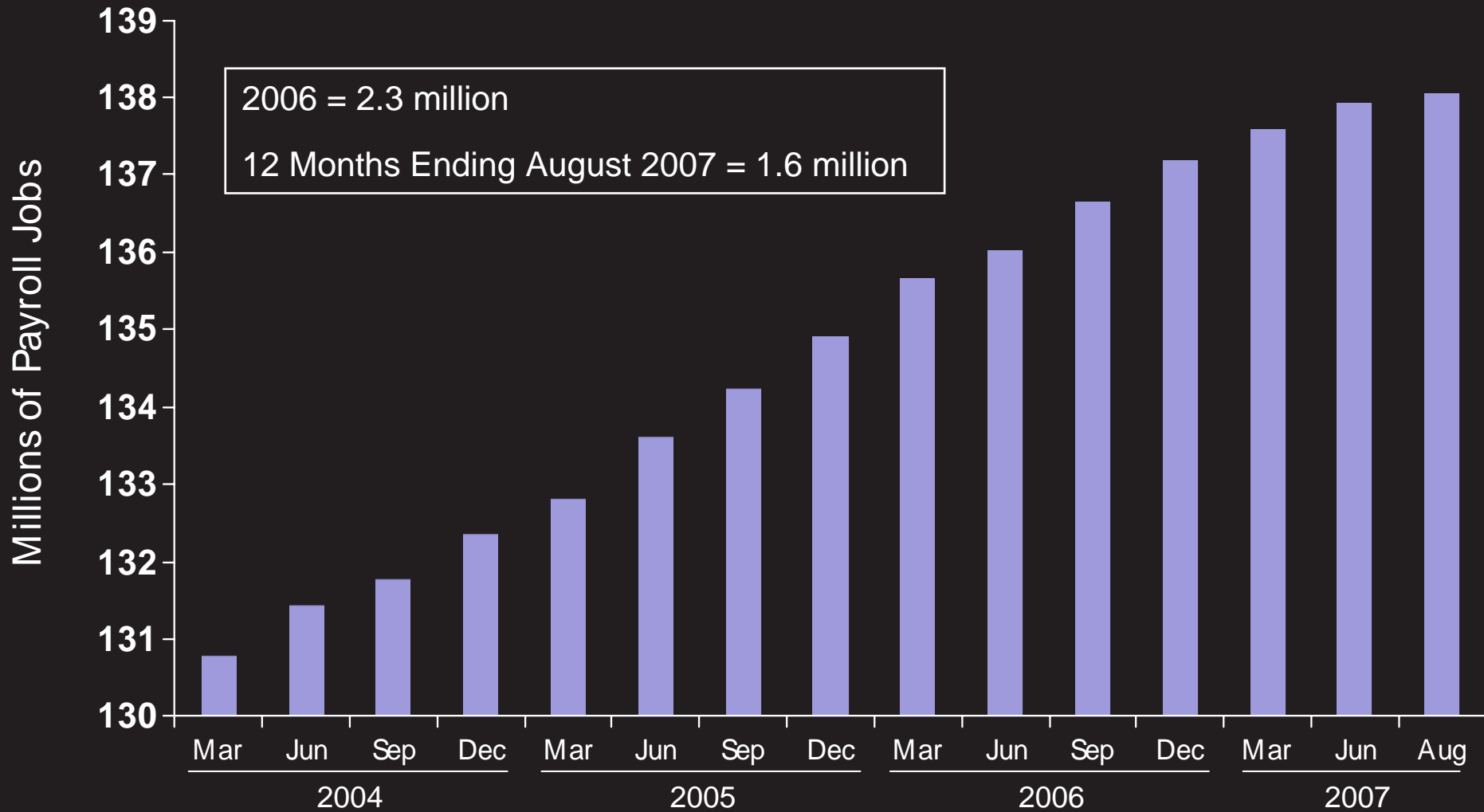
FEDERAL FUNDS RATE

1977 - 2007



U.S. PAYROLL JOBS

MARCH 2004 - AUGUST 2007





DELTA'S ECONOMIC OUTLOOK

	2007 - 08	2009
GDP Growth:	2.0 - 2.3%	3+%

Four Reasons For “Sturdy” Performance:

1. Record corporate profits
2. Strong global economic growth
3. Inflation pressures have peaked
4. Fed intervention in the credit crunch



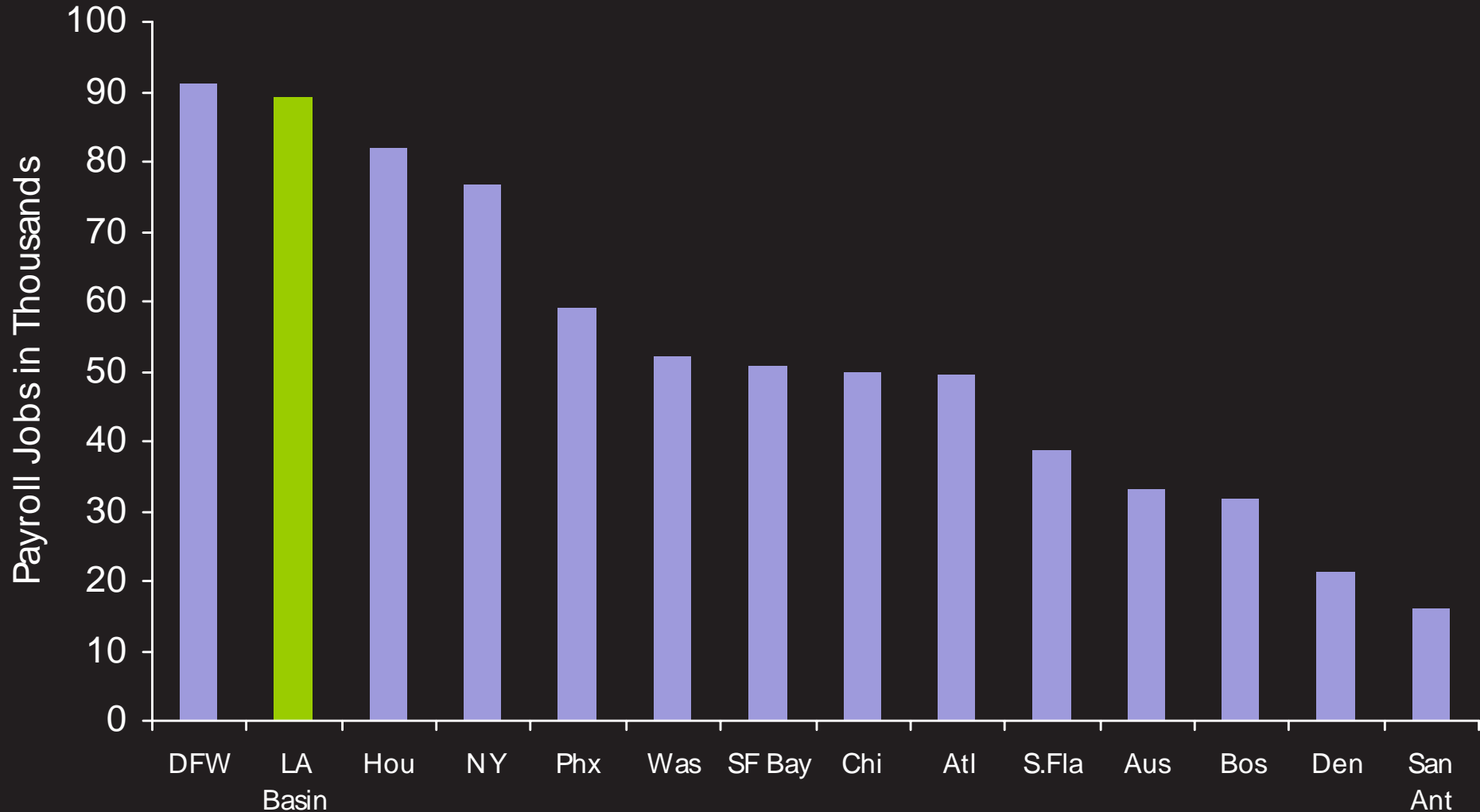
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THE LA BASIN
ECONOMY

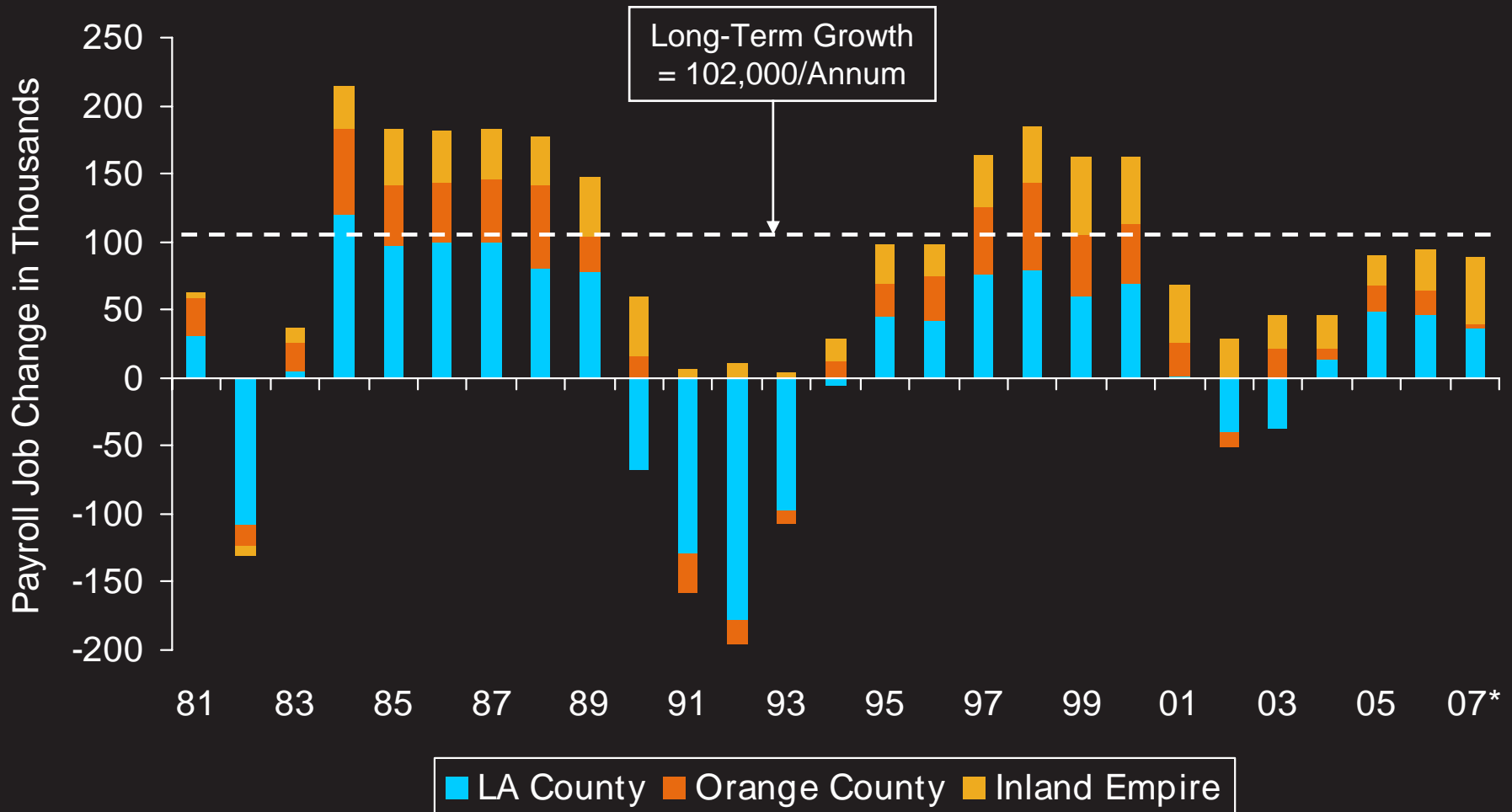
PAYROLL JOB GROWTH

LARGE METRO AREAS 12 MONTHS ENDING JULY 2007



PAYROLL JOB GROWTH

LA BASIN 1981 – 2007



CORE INDUSTRIES

LA/OC 2006

	<u>\$ (Bil)</u>	<u>% GRP</u>
Fin./Prof./Bus. Svs.	\$71	11%
International Trade	\$40	6%
Entertainment	\$38	6%
State & Federal Govt.	\$33	5%
Manufacturing ^{1/}	\$30	5%
Construction	\$30	5%
Technology	\$28	4%
Tourism/Hospitality	\$22	3%
Aerospace	\$18	3%
Other and Non-Core	\$320	51%
<hr/> Total GRP	<hr/> \$630	<hr/> 100% ^{2/}

^{1/} Excluding Aerospace and Technology. ^{2/} Does not total due to rounding.

Source: George Mason University, Delta Associates; 9/26/07. Note: Totals reflect LA County and Orange County combined. GRP = Gross Regional Product



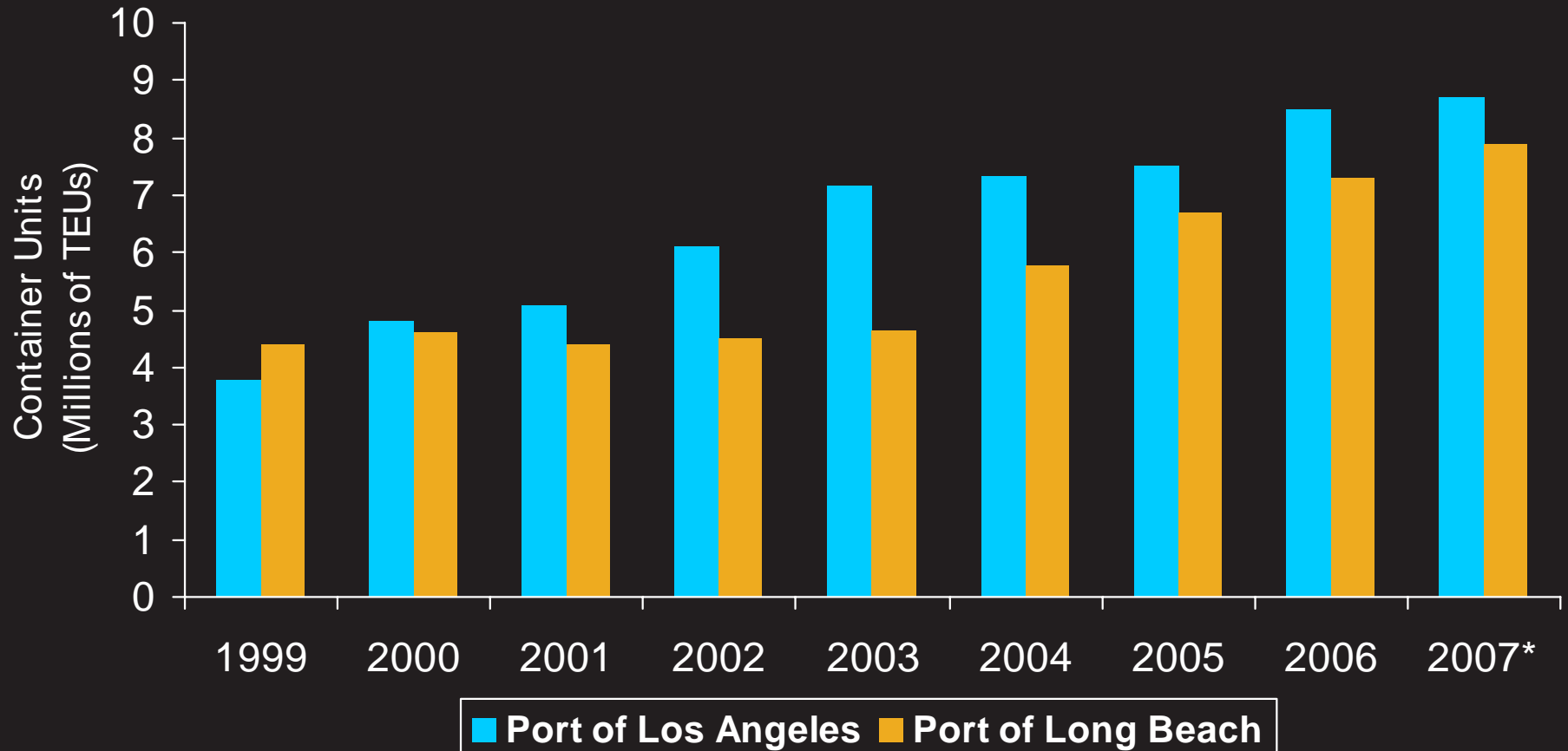
FINANCIAL SERVICES

EXAMPLES OF JOB LOSSES IN LA/OC JULY – SEPTEMBER 2007

- Countrywide Financial
- IndyMac Bancorp
- New Century Financial
- Ameriquest
- BNC Mortgage
- Encore Credit
- GreenPoint Mortgage

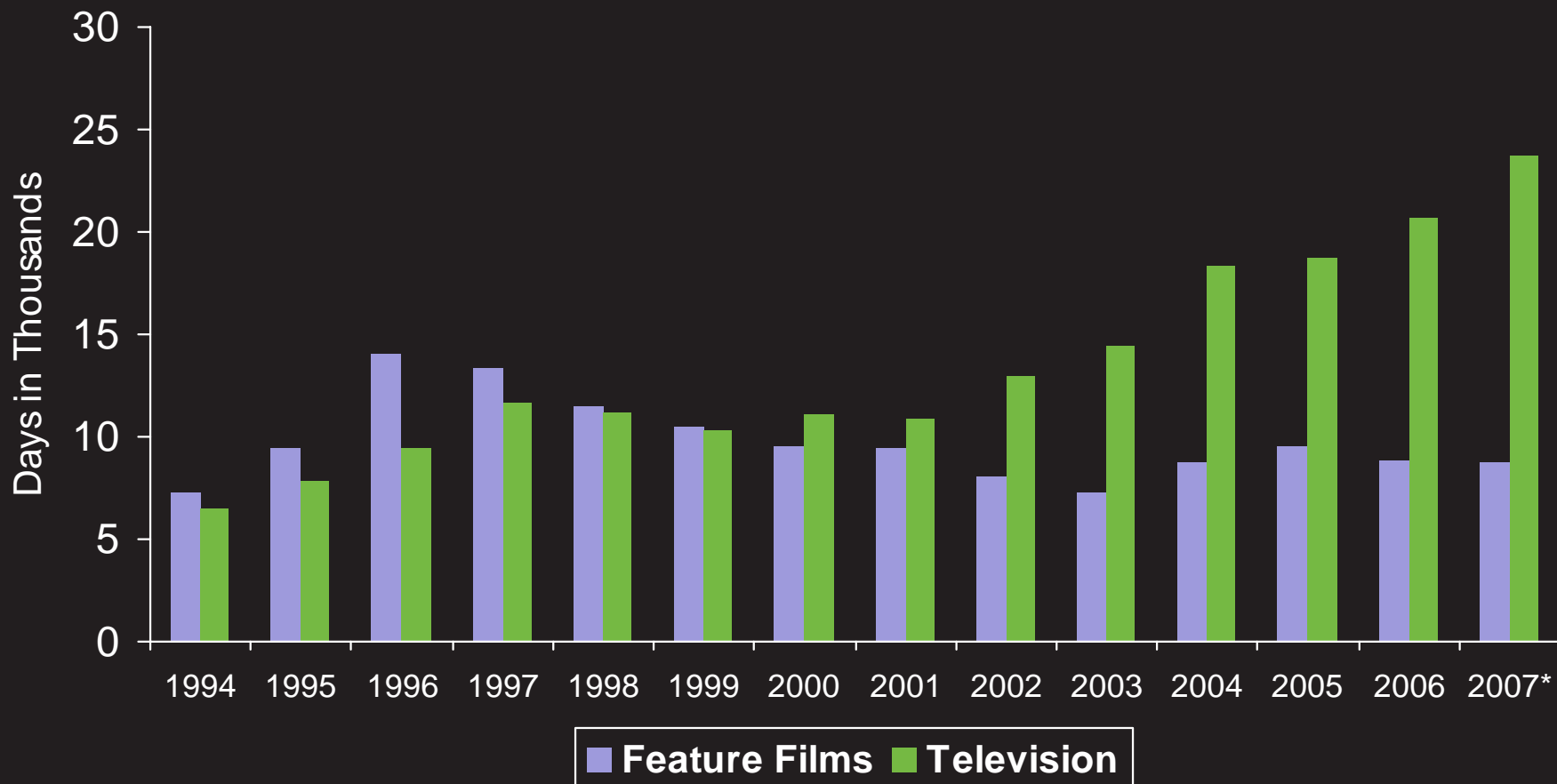
INTERNATIONAL TRADE

TRADE ACTIVITY: PORTS OF LA AND LONG BEACH 1999 – 2007



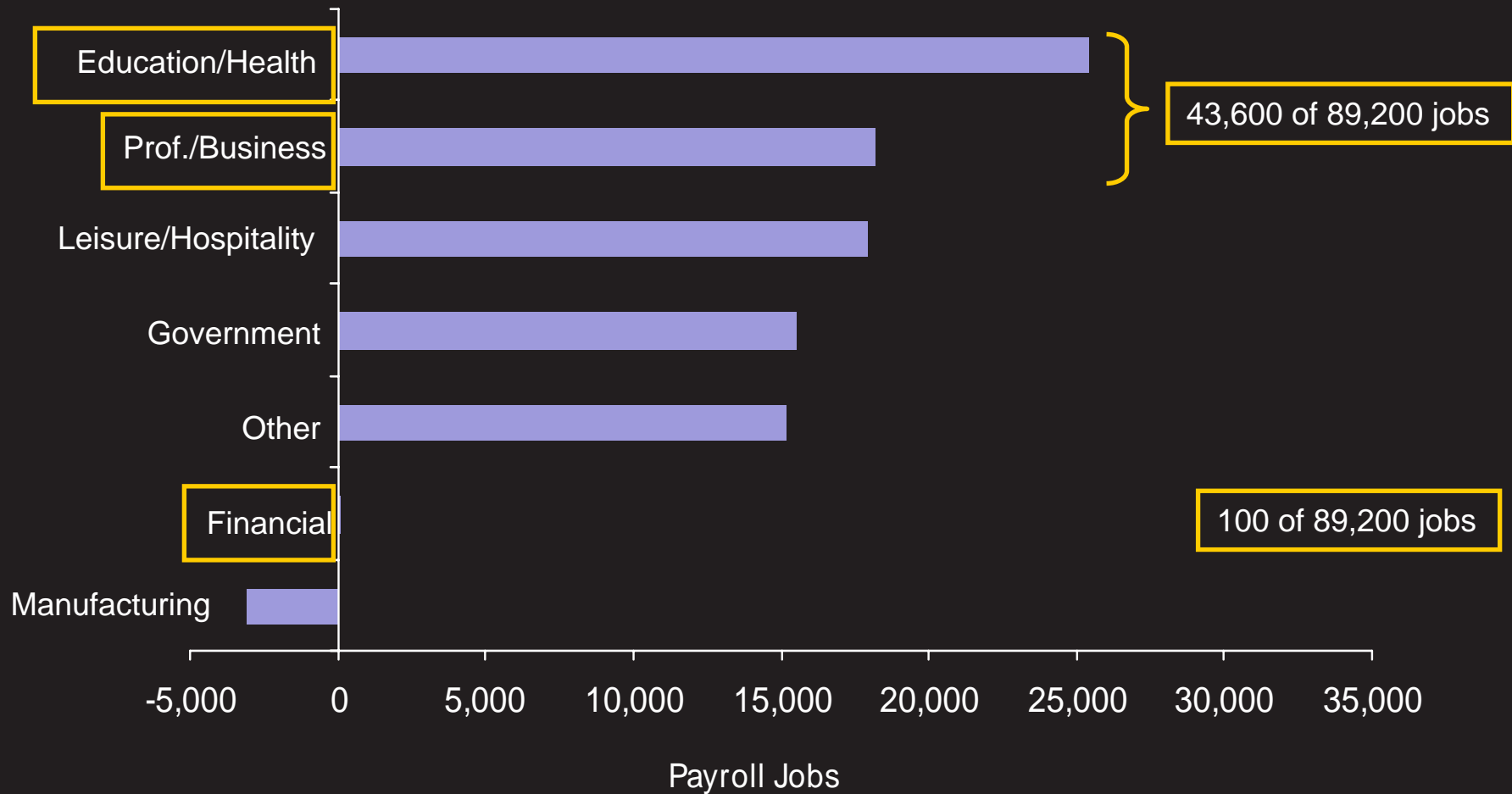
ENTERTAINMENT INDUSTRY

ON-LOCATION PRODUCTION DAYS: LOS ANGELES COUNTY 1994 – 2007



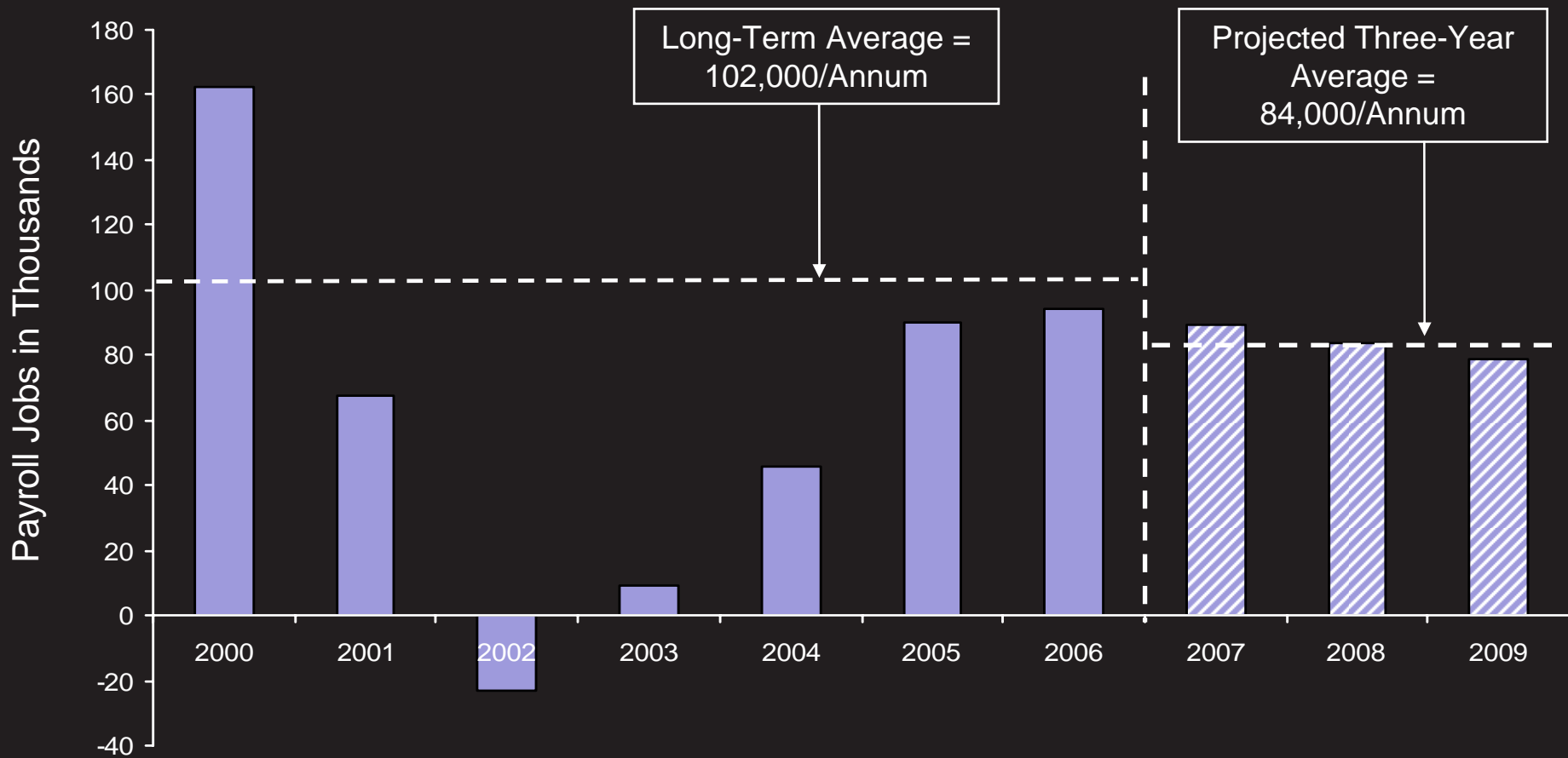
PAYROLL JOB GROWTH BY SECTOR

LA BASIN 12 MONTHS ENDING JULY 2007



PAYROLL JOB TRENDS AND FORECAST

LA BASIN 2000 - 2009





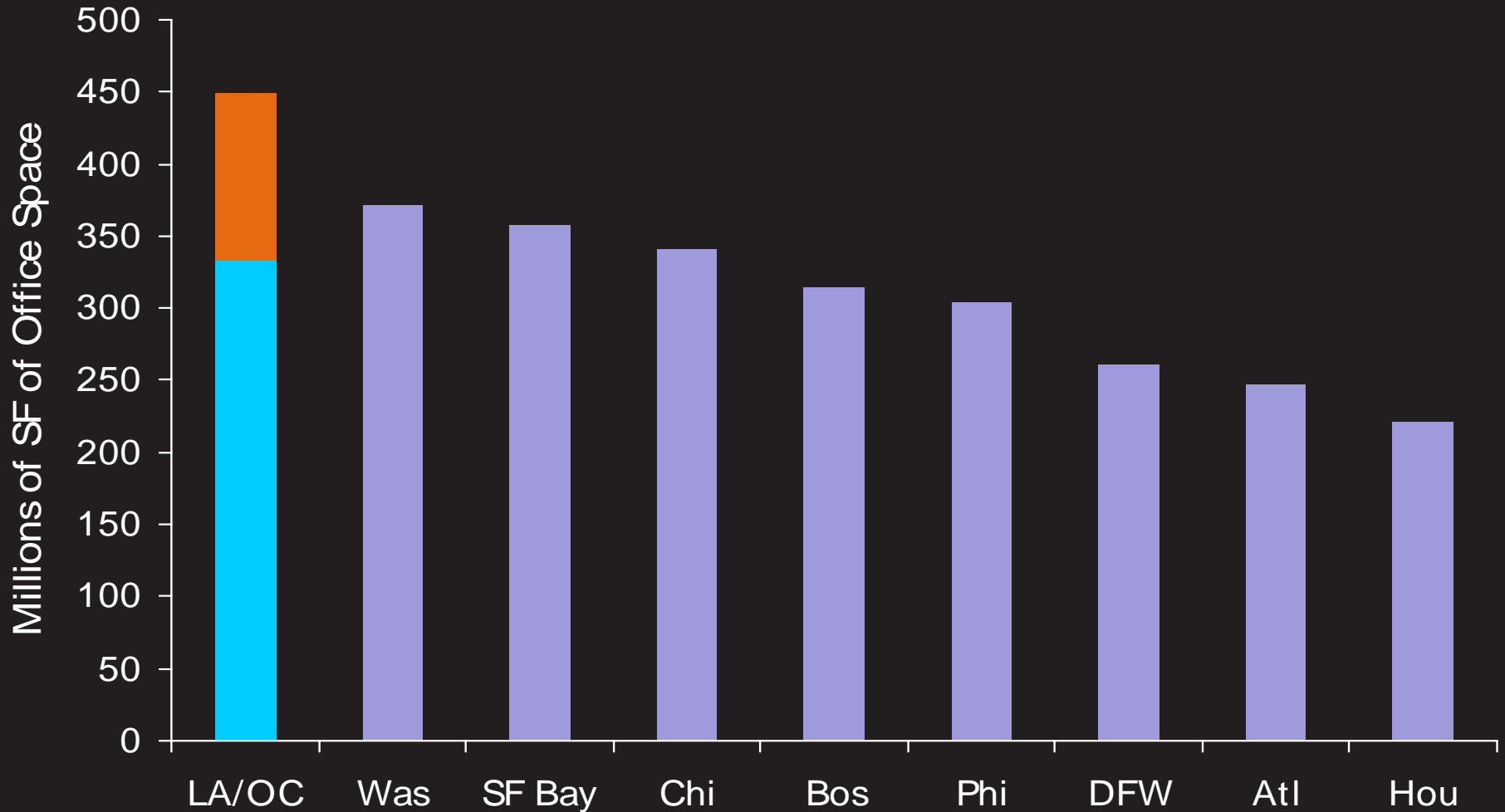
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THE LA/OC
OFFICE
MARKET

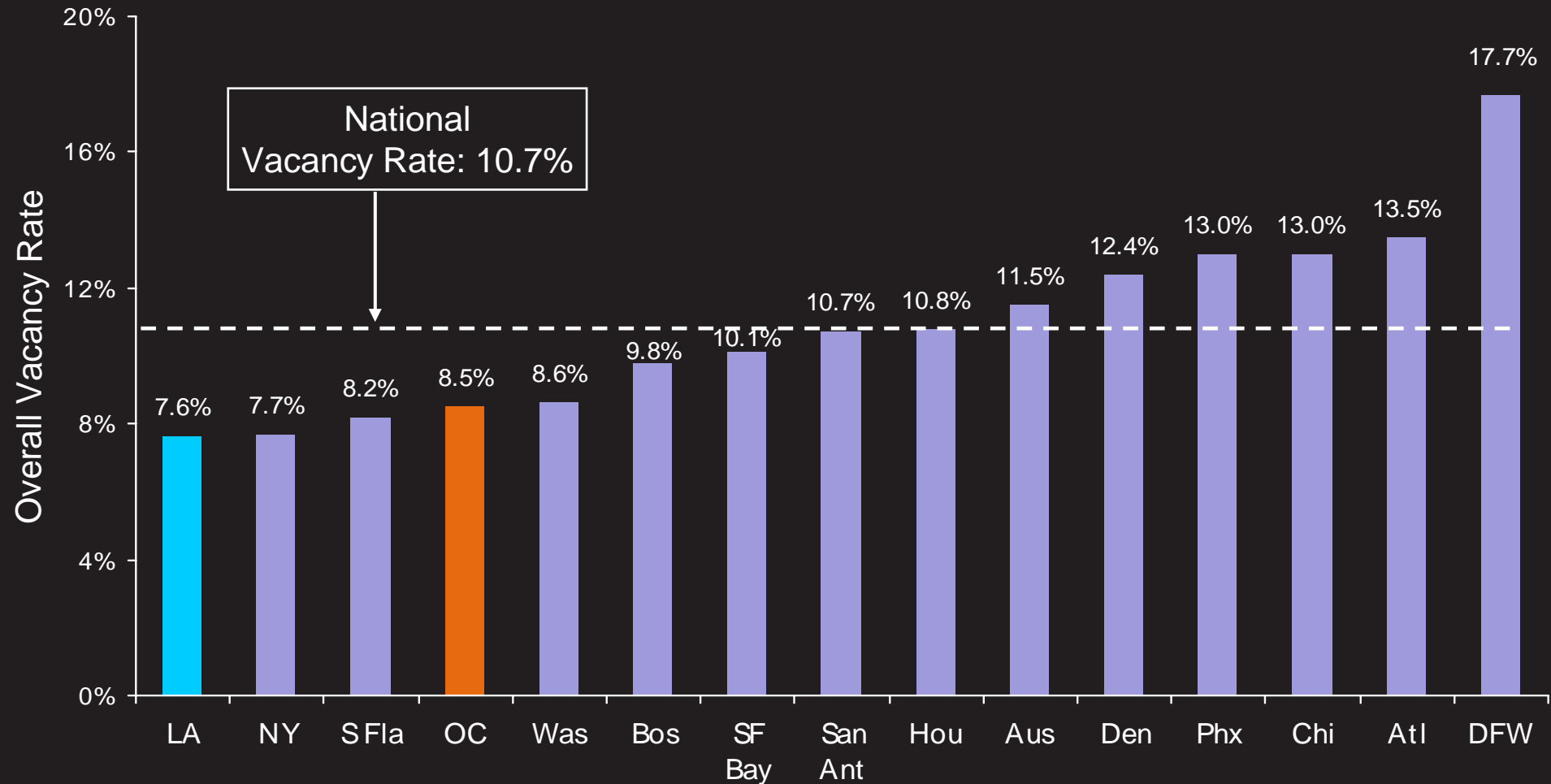
LARGEST U.S. OFFICE MARKETS

2007



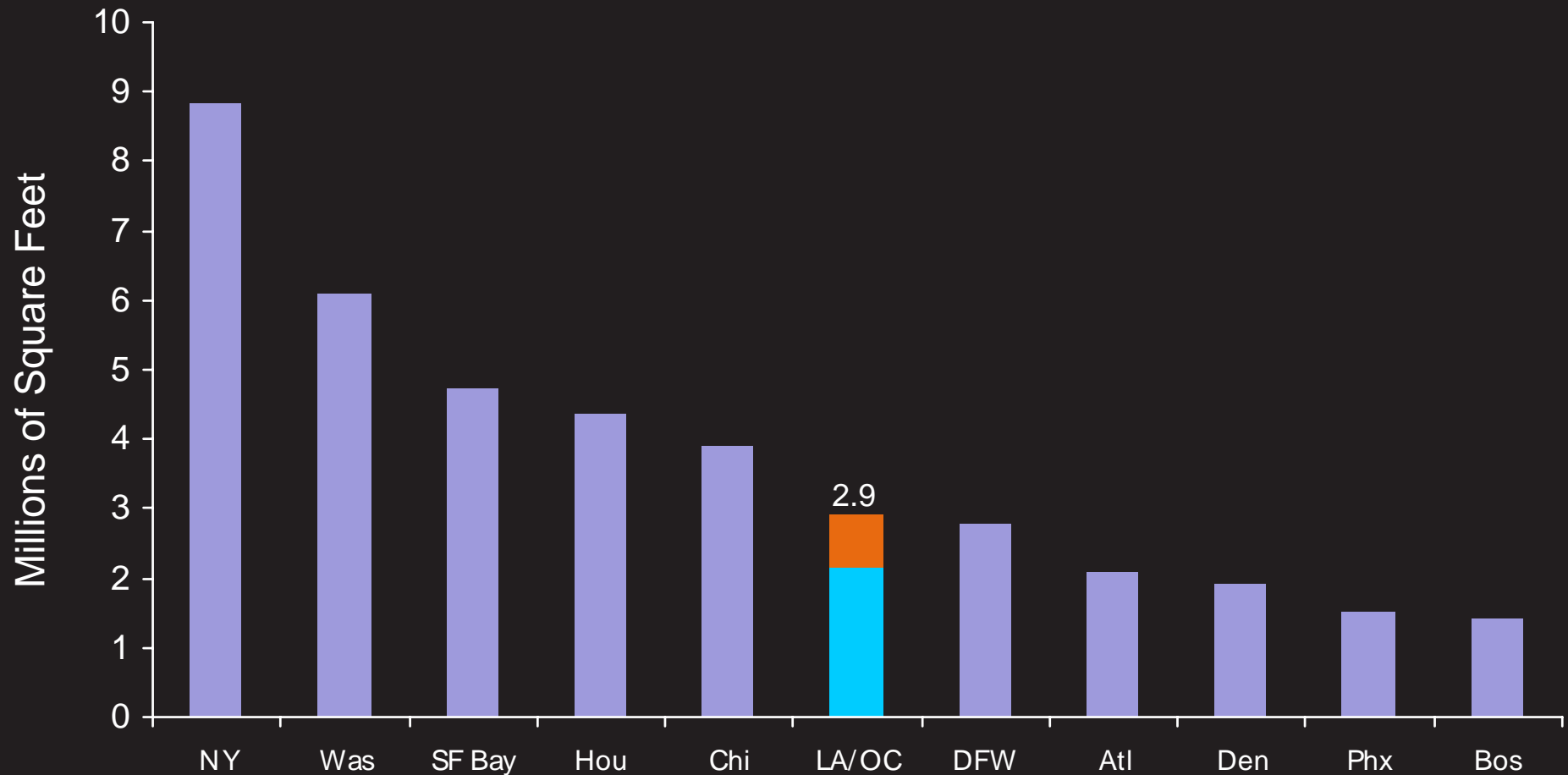
OFFICE VACANCY RATES

SELECT METRO AREAS 3RD QUARTER 2007



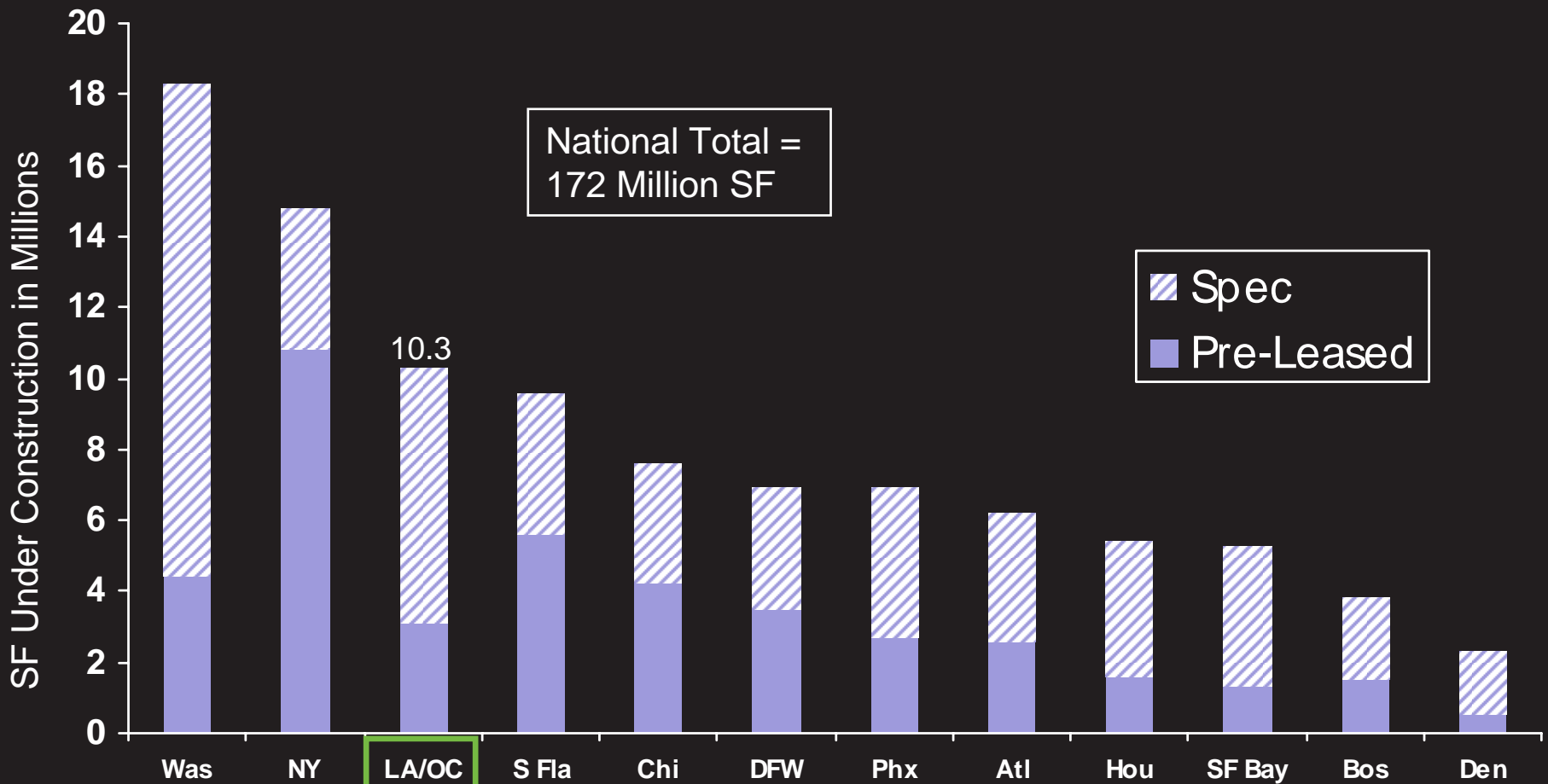
NET ABSORPTION OF OFFICE SPACE

SELECT METRO AREAS JANUARY – SEPTEMBER 2007, ANNUALIZED



OFFICE SPACE UNDER CONSTRUCTION

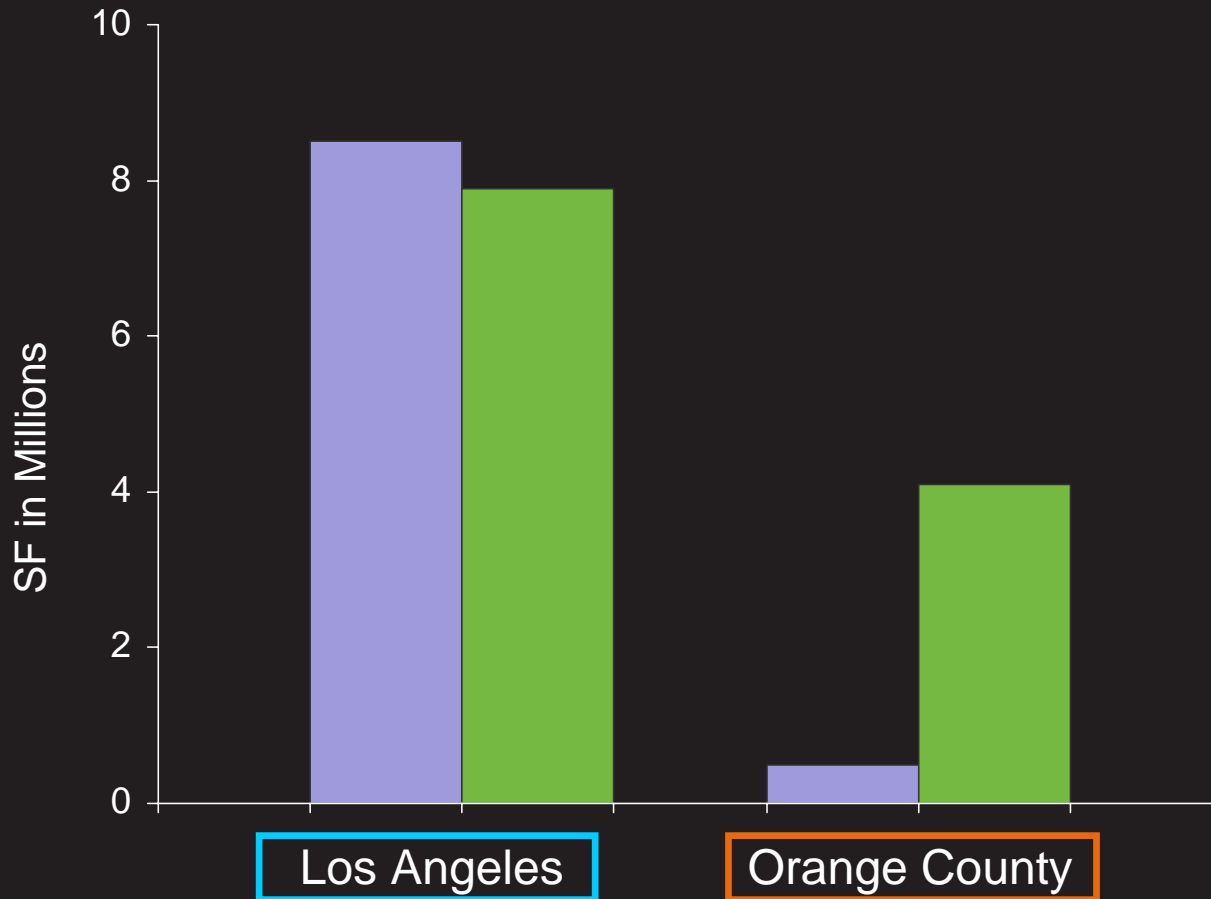
SELECT METRO AREAS SEPTEMBER 2007



% of Inventory: 2.3%
Years of Supply*: 1.7

OFFICE SPACE DEMAND & DELIVERIES

LA/OC 24 MONTHS ENDING SEPTEMBER 2009



■ = Demand

4.5 million SF / year =
9.0 million SF

■ = Deliveries

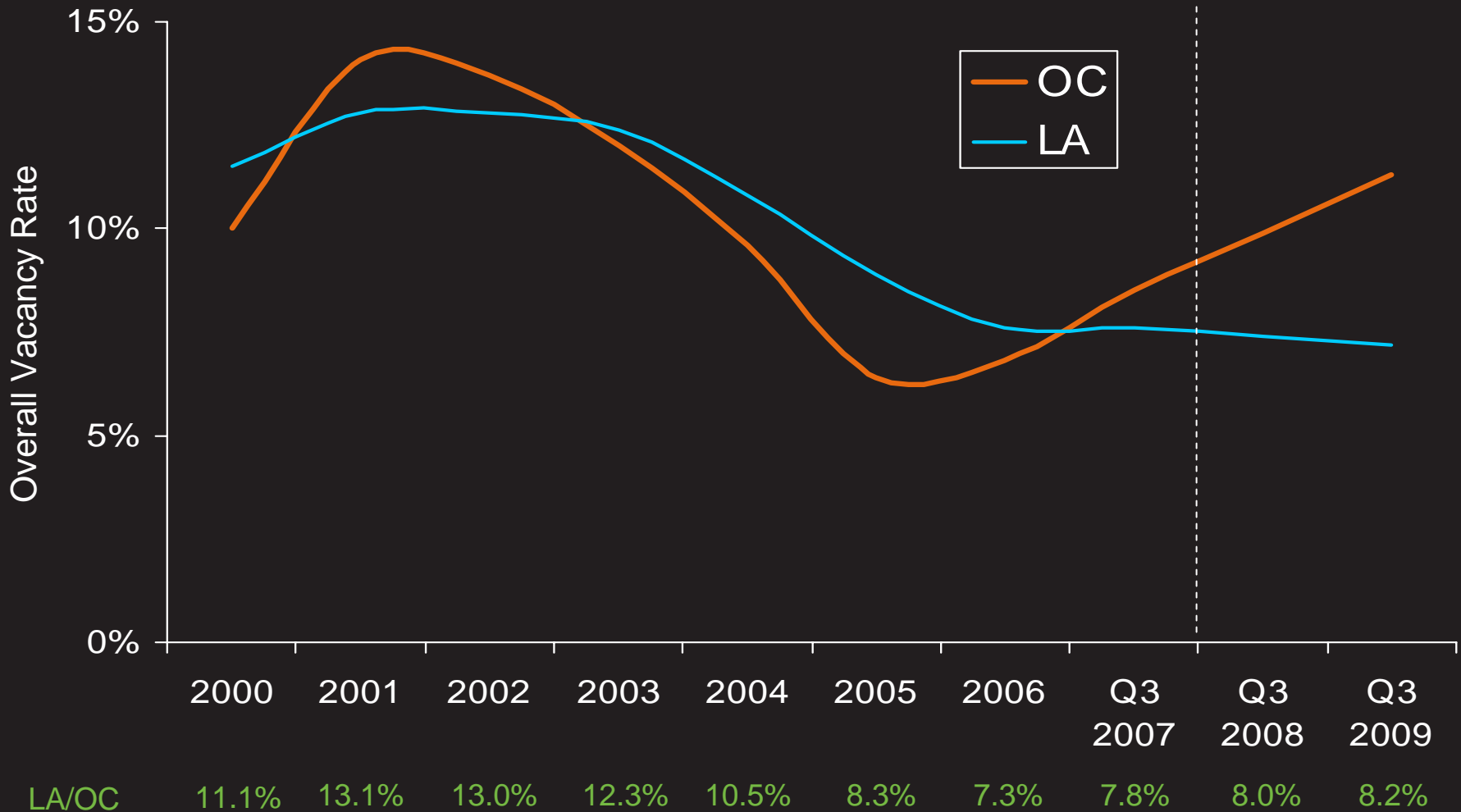
- Planned and may deliver by 9/09:
1.7 million SF

- U/C = 10.3 million SF

Total = 12.0 million SF

OFFICE VACANCY RATES

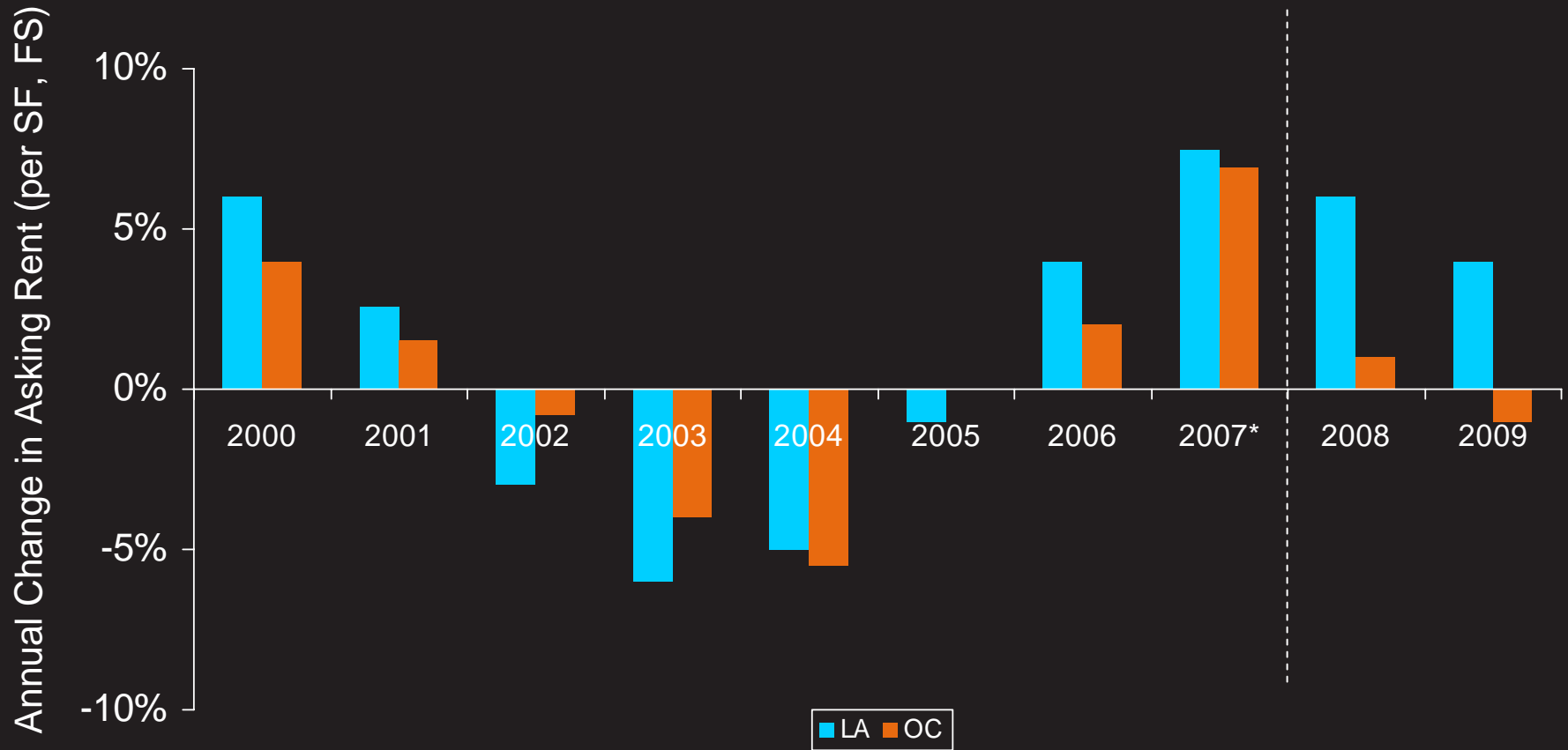
LA/OC 2000 – SEPTEMBER 2009



Source: CoStar, Delta Associates; 9/26/07.

ANNUAL OFFICE RENT GROWTH

LA/OC ALL CLASSES AND SUBMARKETS 2000 – 2009





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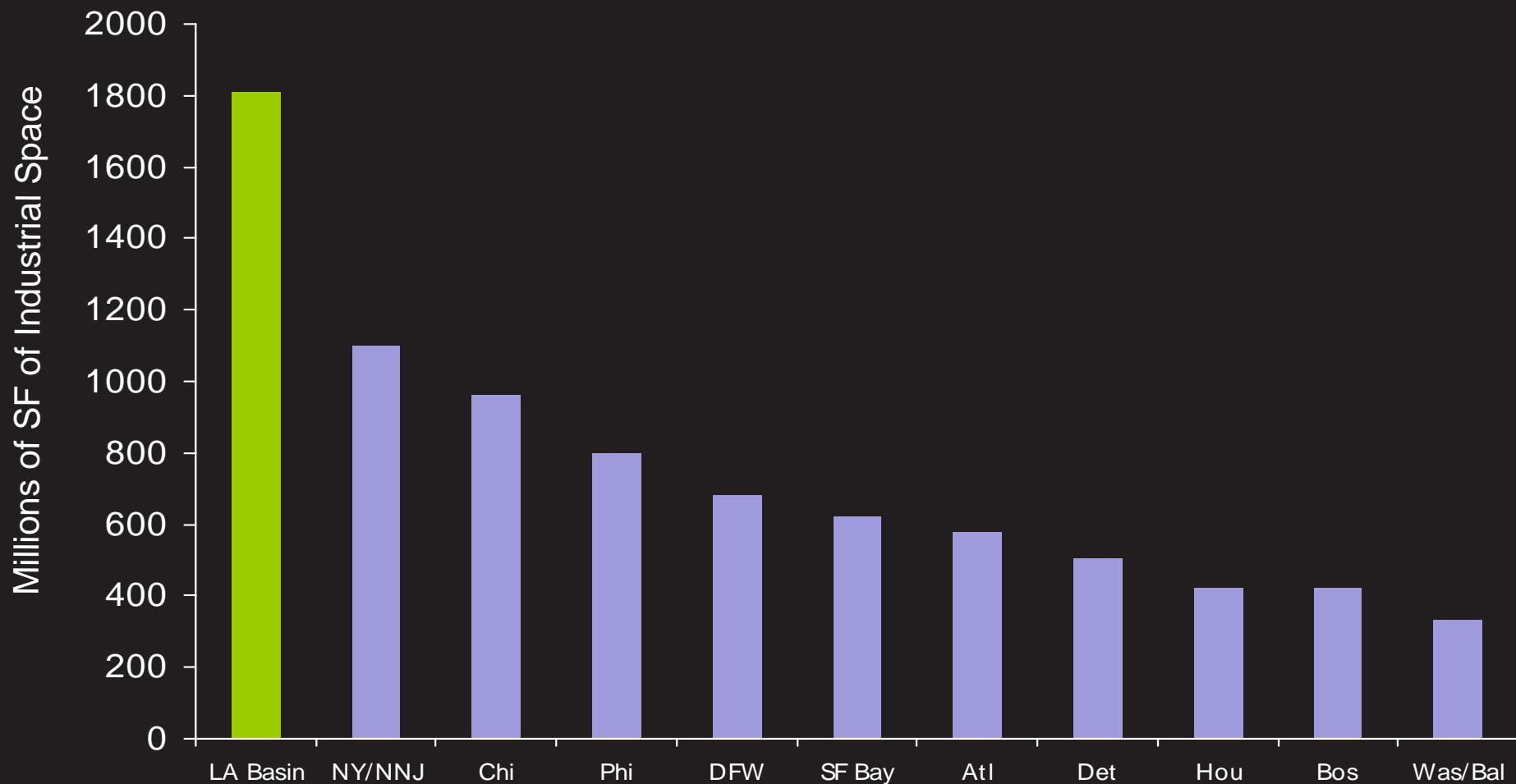
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THE LA BASIN
INDUSTRIAL
MARKET



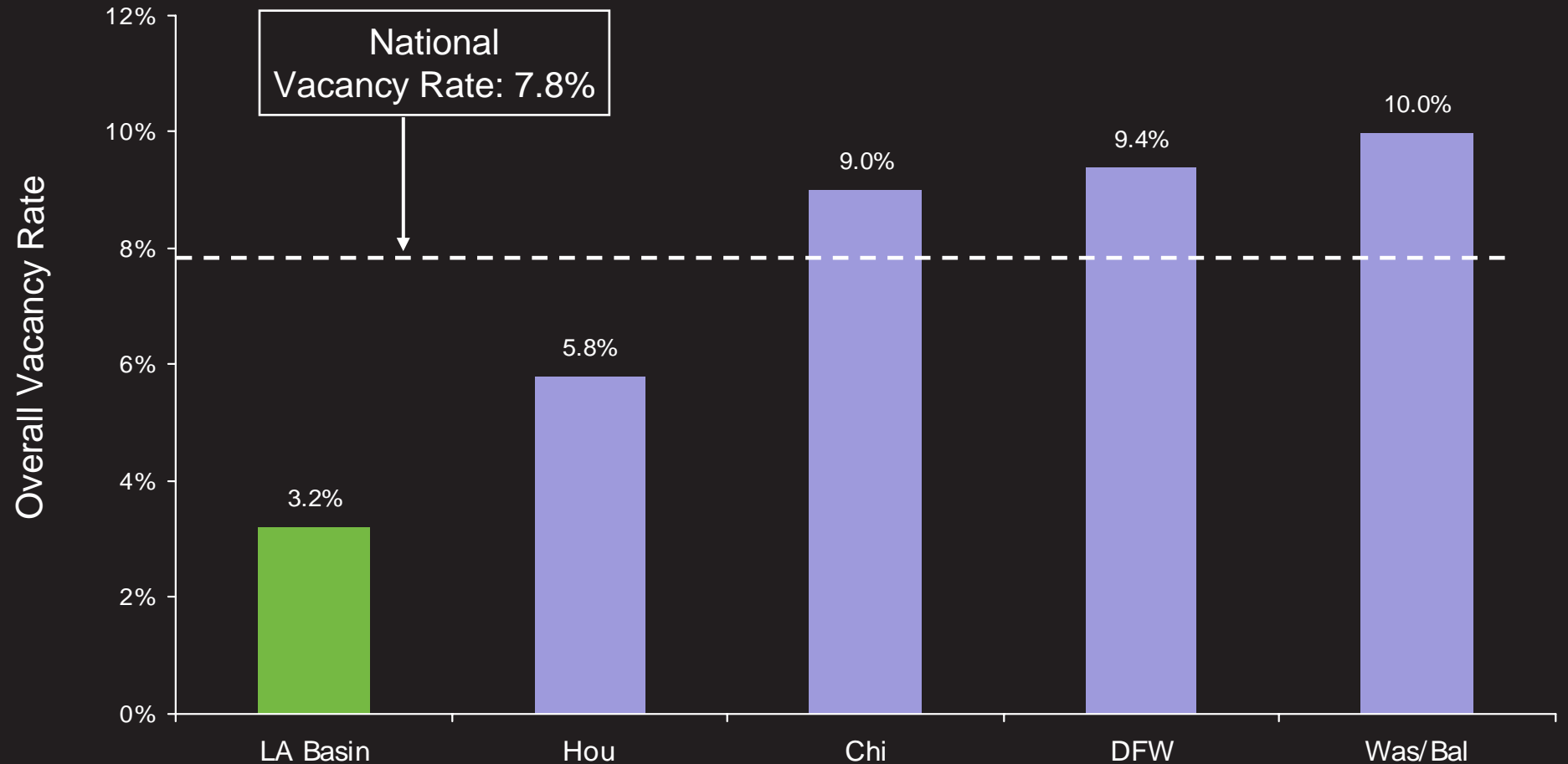
LARGEST U.S. INDUSTRIAL MARKETS

2007



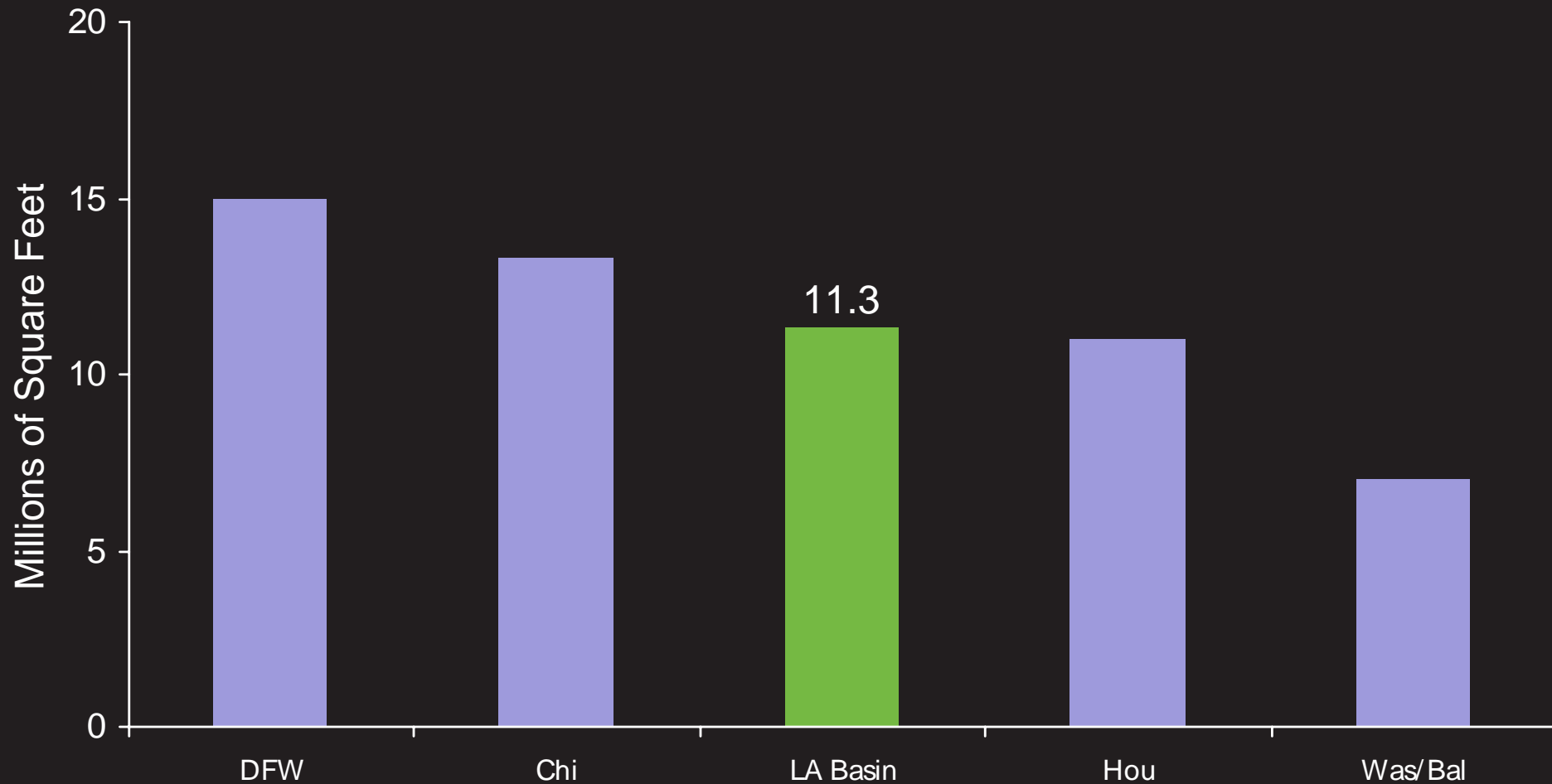
INDUSTRIAL VACANCY RATES

SELECT METRO AREAS 3RD QUARTER 2007



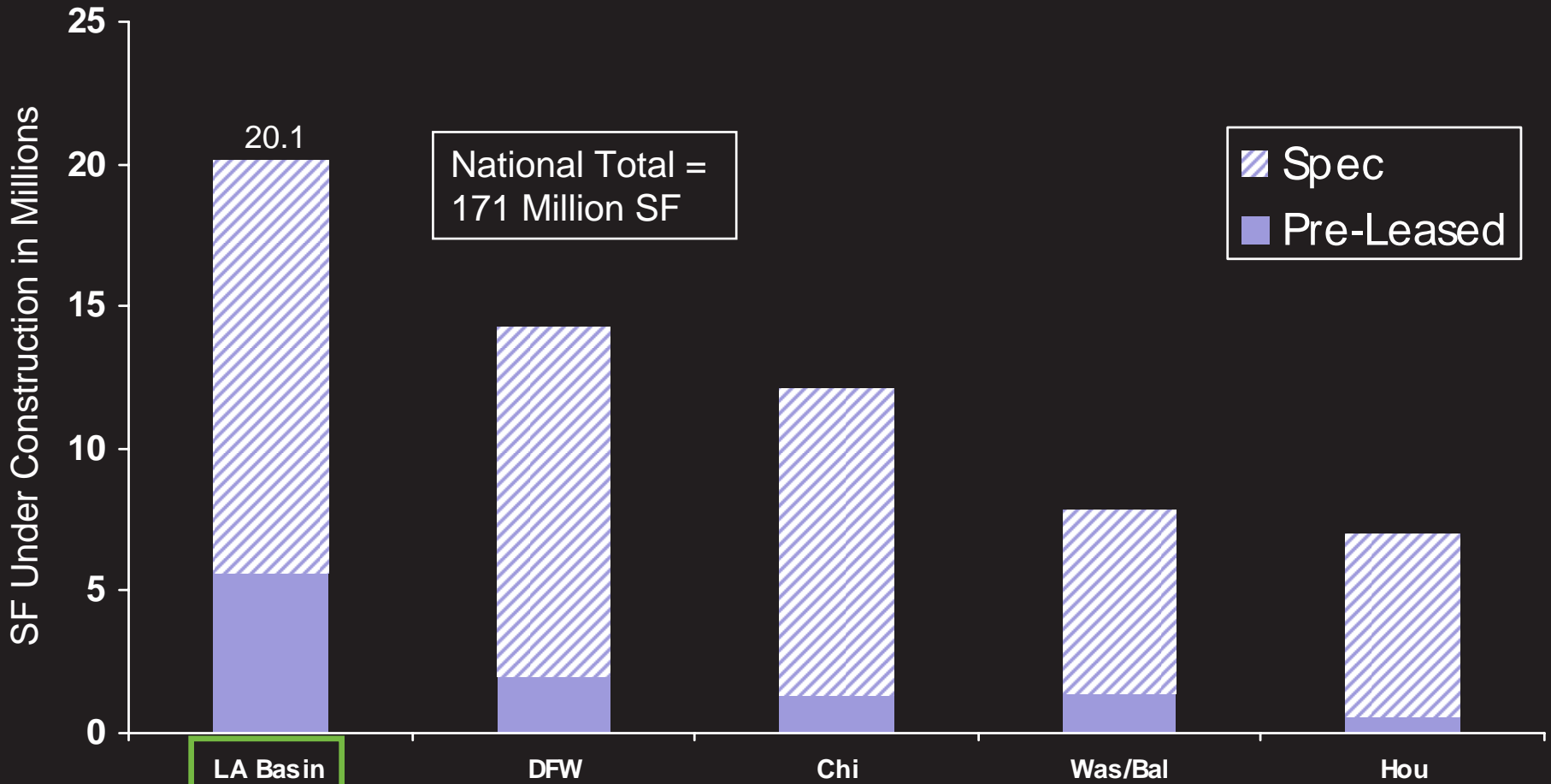
NET ABSORPTION OF INDUSTRIAL SPACE

SELECT METRO AREAS JANUARY – SEPTEMBER 2007, ANNUALIZED



INDUSTRIAL SPACE UNDER CONSTRUCTION

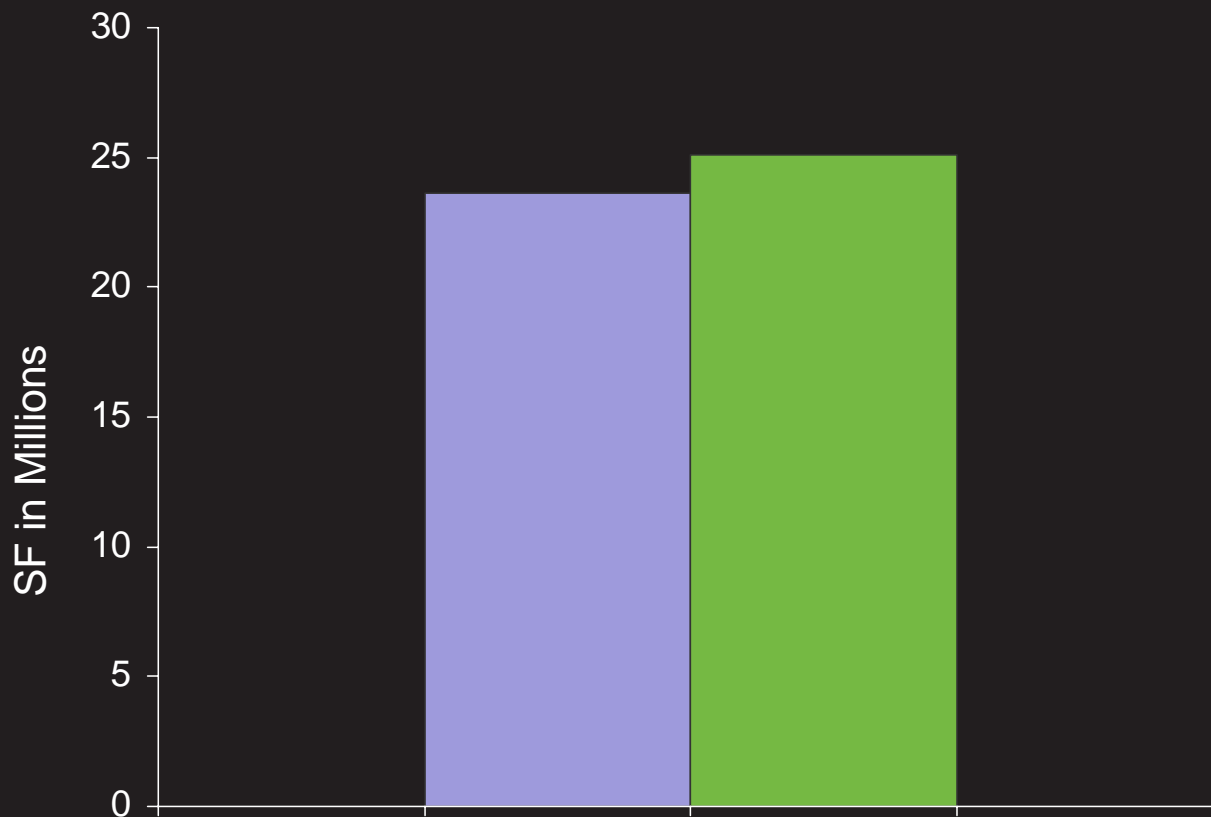
SELECT METRO AREAS SEPTEMBER 2007



% of Inventory: 1.1%
Years of Supply*: 0.8

INDUSTRIAL SPACE DEMAND & DELIVERIES

LA BASIN 12 MONTHS ENDING SEPTEMBER 2008



■ = Demand

23.6 million SF

■ = Deliveries

- Planned and may deliver by 9/08: 5.0 million SF
- U/C = 20.1 million SF

Total = 25.1 million SF



INDUSTRIAL VACANCY RATES

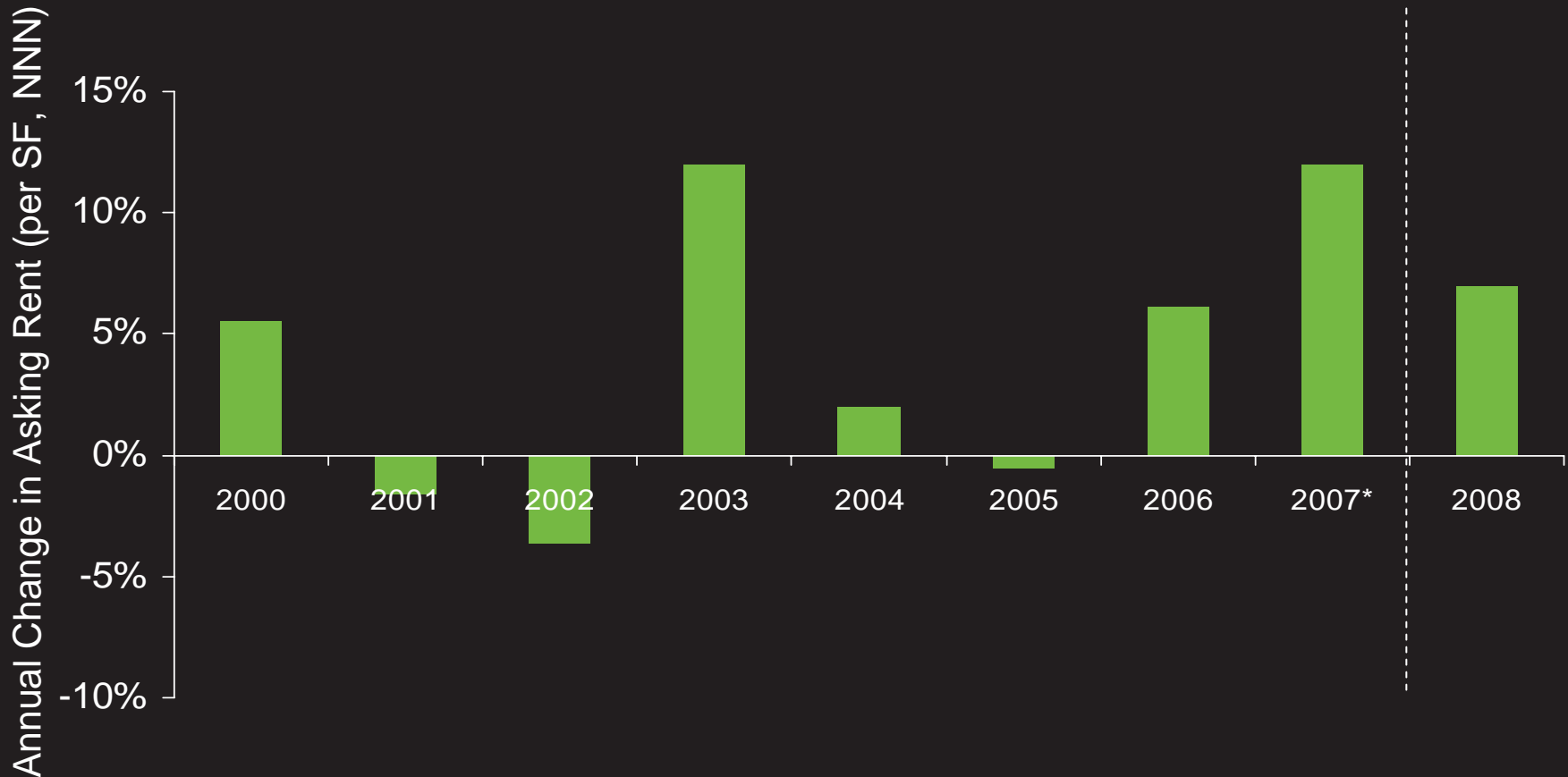
LA BASIN 2000 – SEPTEMBER 2008



Source: CoStar, Delta Associates; 9/26/07.

ANNUAL INDUSTRIAL RENT GROWTH

LA BASIN ALL SUBMARKETS 2000 – 2008





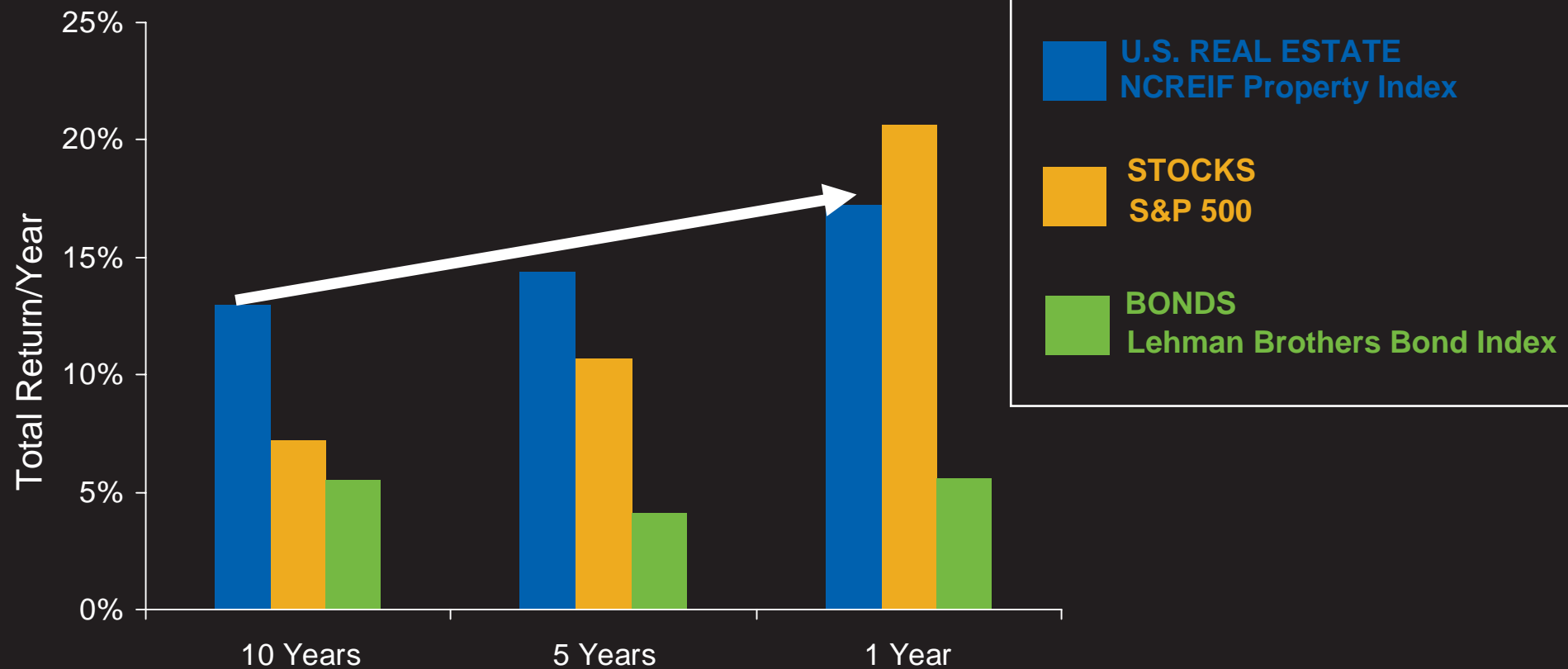
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INVESTMENT
SALES

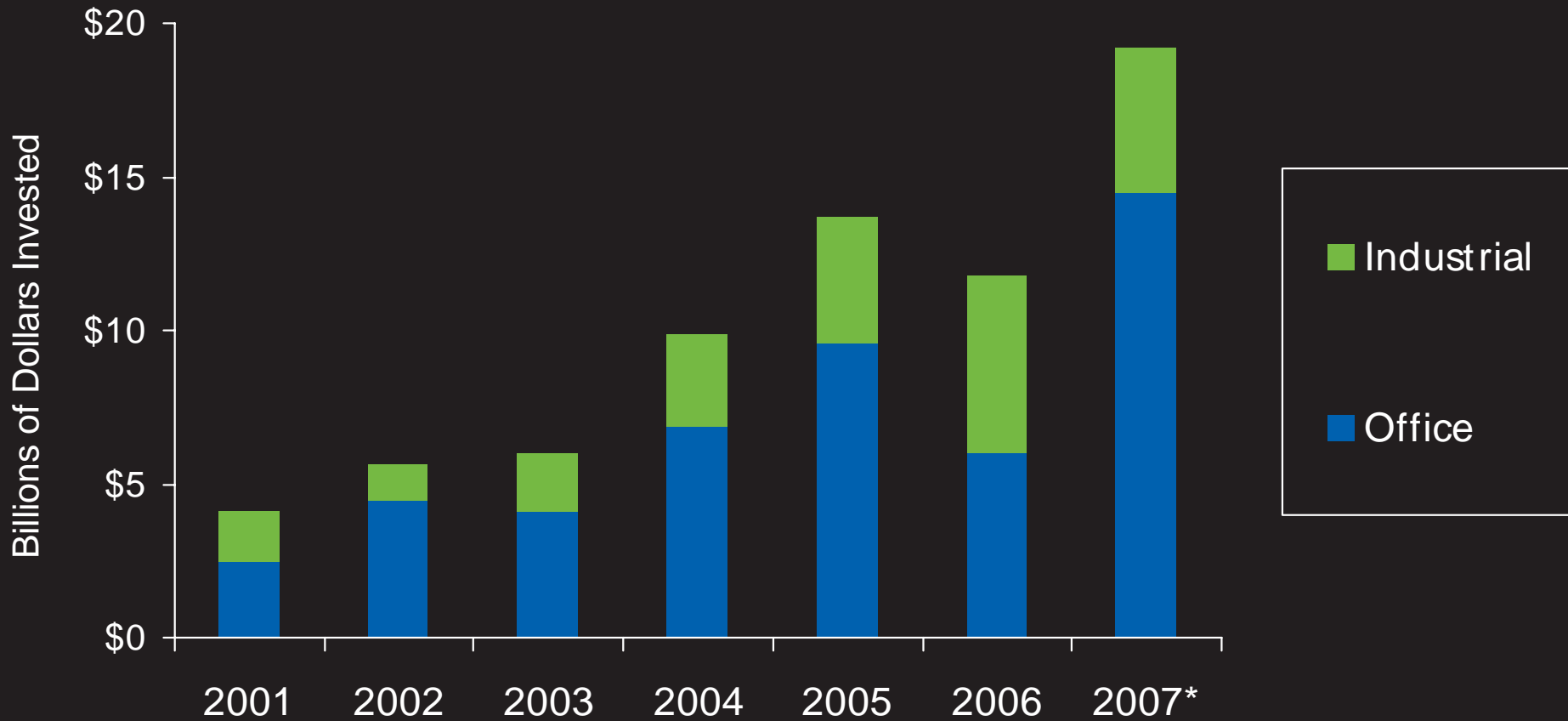
REAL ESTATE vs. OTHER INVESTMENTS

10-YEAR, 5-YEAR, AND 1-YEAR RETURNS



INVESTMENT SALES VOLUME

LA/OC 2001 – SEPTEMBER 2007

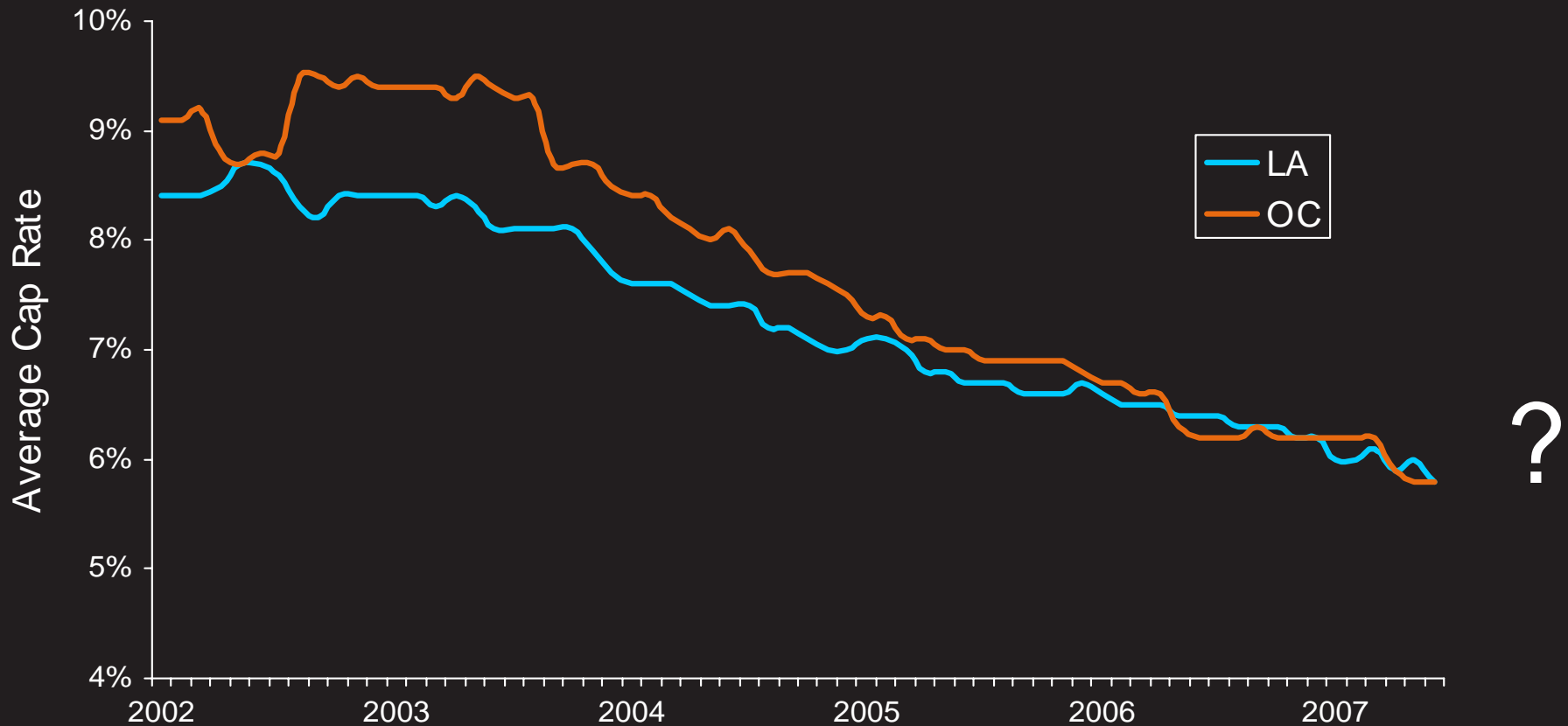


*YTD annualized.

Note: Industrial data includes Inland Empire.

CAP RATE TRENDS FOR CORE OFFICE ASSETS

LA/OC 2002 – 2007





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FORECAST



LA BASIN FORECAST

- Economic Outlook: Sturdy
 - Payroll Job Growth: 84,000 per year for 2007 - 09

- Market Conditions: Healthy
 - Rent Growth
 - Office: 4 - 6% annual growth in 2008 - 09 in LA; flat in OC
 - Industrial: 5 - 7% growth in 2008, depending on product type
 - Investment Sales
 - Cap Rates: Likely to edge up over the next two years
 - Volume: 2007 should be the peak of this cycle

- Industrial Market Pick: Inland Empire

- Office Market Picks:
 - Tri-Cities
 - West LA
 - Downtown



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