

Conejo Valley Executive Overview

CONEJO VALLEY

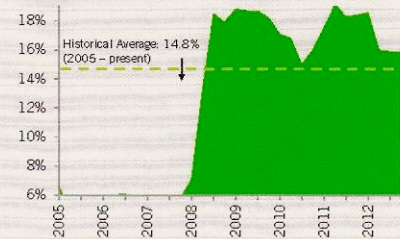
Demand Trends

Net Absorption



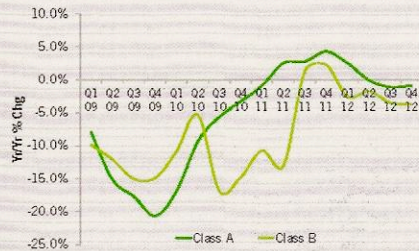
Vacancy Trends

Office Class A&B



Rent Trends

Average Asking Rent



Market Tracker

*Arrows = Current Qtr Trend

Vacancy
15.9%

YTD Net Abs
112,806 SF

Deliveries
0 SF

Asking Rent
\$24.63 FS

Conejo Valley Recovery; A Tale Of Two Submarkets

"It was the best of times, it was the worst of times..." Conejo Valley office fundamentals are improving, but it truly is a tale of two submarkets. The Calabasas/Westlake Village office submarket is recovering substantially more with new and expanding tenant demand than that of its neighbor to the west, Thousand Oaks/SE County. The Thousand Oaks/SE County office submarket is dealing with an abundance of vacant space. However, it is without the same robust tenant demand from industry sectors that are driving the Calabasas/Westlake Village recovery.

The Calabasas/Westlake Village office submarket is improving. The recovery in this office submarket started in 2010, when vacancy contracted 5.3 percentage points that year. Demand has been relatively steady since 2010. Rental rates, as with other submarkets metrowide, have contracted from third to fourth quarter 2012. Over the past five years rental rates have dropped 28%. Recent leasing activity and volumes appear to have improved somewhat in 2012 as compared to 2011.

Thousand Oaks/SE County fundamentals are almost completely opposed in its recovery compared to neighboring Calabasas/Westlake Village. Last year one announcement was reported that symbolized how this office submarket is struggling. Wellpoint Inc. announced layoffs and vacated 111,052 SF in November of 2012. The submarket has been floundering with vacancy over 20% for the past two years, 7.4 percentage points above its 10-year average of 12.6. Rental rates are also not showing much improvement. Thousand Oaks/SE County rental rate has contracted 30% since its height in 2008 and the rental rate has dropped now for the past four years.

The overall performance of the Conejo Valley is healthy with 112,806 SF of positive net absorption. One noteworthy sale that occurred during the fourth quarter was 31416 Agoura Road, a 64,140-square-foot property purchased by the Marina Del Rey-based Creative Office Properties, an owner who plans on renovating the Agoura Road property into more creative office-type space. It will be interesting to see if this project succeeds and its impact on the rest of the market.

Lease Activity

Tenant	Property	Size (SF)	Type
Nationwide Medical	29001 Agoura Rd.	37,758	Class B New Lease
Inphi Corporation	112 S Lakeview Canyon	10,805	Class A Expansion/Extension
W.J. Bradley Mortgage Capital, LLC	3011 Townsgate Rd.	8,376	Class A New Lease

Sale Activity

Property	Size (SF)	Sale Price	PSF	Buyer
31416 Agoura Rd.	64,140	\$8,404,500	\$131.03	Creative Office Properties

Forecast

- Conejo Valley for 2013 will continue to be driven by a broad based industry sector recovery from technology, medical, mortgage, and insurance activity.
- Vacancies are projected to contract 200-300 basis points over the next three years.
- The creative office space craze of Silicon Beach appears to be making its way to the Valley, a new cultural shift and approach to space use is developing as more technology and entertainment firms situate themselves in the Conejo and Western San Fernando Valleys.