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How's business?

"The 1.5 percent overall vacancy rate reported for Los Angeles during fourth-quarter 2007 likely underestimates certain factors such as the sub-lease market, which appears to have delivered more available product to market but is not reflected in the vacancy numbers. Actual vacancy is probably marginally north of 1.5 percent, perhaps at 1.7 or 1.8 percent. A few factors may be driving some apparent softening in the market not reflected in the numbers, such as the fact that even a small-percentage increase in actual vacancy over a market as large as the Los Angeles Basin still means a substantial amount of square footage available for absorption, and with deteriorated economic and business expectations, tenant delinquencies appear to be increasing."

— **Michael Frankel,**
chief financial officer
and partner, **Rexford**
Industries, Los Angeles

