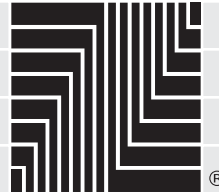


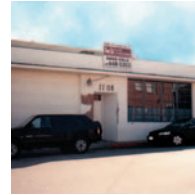
Market Microscope™



Lea Associates, Inc.
Property Economics

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Evolution: Los Angeles Westside Small “Industrial” Buildings



BACKGROUND & HISTORY

As a group, Los Angeles Westside small industrial buildings are generally under 10,000 square feet and range in age from 40 to 70 years. Most were built along rail lines or in areas close to the historic aircraft manufacturing plants.

These small buildings frequently housed subcontractors to the aircraft/aerospace/defense industries. By the late 1980s and early 90s, these generally older and underparked properties had fallen into the doldrums.

TURNAROUND

By the mid-90s—and in advance of the general economic and real estate market recovery—new types of users were beginning to occupy these spaces. With little renovation, entertainment-related uses, galleries, design studios, and some service businesses were renting or purchasing and utilizing them. Now these buildings are considered a fashionable and desirable alternative to traditional office spaces. Their owners/lessees have discovered that sandblasted bow truss exposed beams can be a chic alternative to the

lowered acoustical panel ceilings of traditional office buildings. Exhibit 1 illustrates the median and average price history for properties of this type under 10,000 square feet in West Los Angeles.

RECENT DATA

With vacancies almost nonexistent, recent years have seen dramatic increases in rents and sale prices for these buildings. Exhibit 2 is a sampling of six recently sold properties that are representative of this category (photos above).

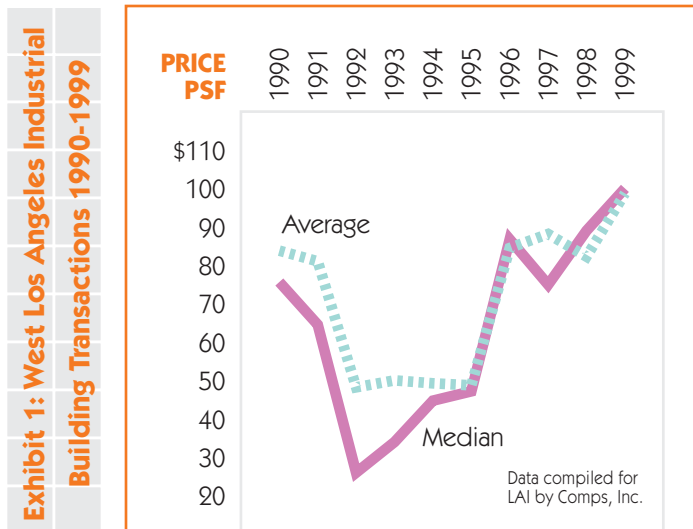


Exhibit 2: Recent Transactions

ITEM	DATE	BUILDING SIZE	PRICE PSF
1	3/00	6,900 sq. ft.	\$203
2	12/99	4,800 sq. ft.	188
3	12/99	15,800 sq. ft.	142
4	5/99	18,100 sq. ft.	166
5	4/99	4,200 sq. ft.	155
6	4/99	5,400 sq. ft.	131
AVERAGE PRICE PSF		\$164	
MEDIAN PRICE PSF		\$161	
AVERAGE SIZE		9,200 sq. ft.	

CONCLUSIONS

At the present extremely high occupancy levels, continued strength in this market is anticipated although further rent or price increase expectations would be speculative.

About Market Microscope...

Our goal is to provide real information on real market segments, with each issue focusing on a different segment. We invite your comments and suggestions for markets to review.

LEA ASSOCIATES ~ RECENT ASSIGNMENTS

Valuations

- 100,000 sq. ft. cold storage facility, eminent domain, San Diego.
- Portfolio of four marinas from San Diego to Ventura for estate purposes.
- 300+ room hotel facility and adjacent golf course facility. Southern California transaction analysis.
- Demand feasibility analysis for a Wilshire Boulevard site under office or condominium development alternatives. Projected demand/occupancy levels and forecast pricing/rent levels.

Litigation Support

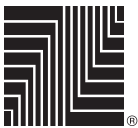
- Partial acquisition of site for outfall sewer including temporary easement, West Los Angeles. Client was property owner. Mediation settlement at \$7,800,000 increase of 70% of Δ between appraisals after Lea Associates, Inc. testimony at mediation.
- Entire acquisition of retail commercial property, San Diego. Settlement with increase of 70% of Δ between appraisals after Lea Associates, Inc. testimony at deposition.

CERTIFICATIONS AND DESIGNATIONS: DID YOU KNOW?

Current Requirement	State of California General Appraiser	Appraisal Institute MAI
College Education	No	4-year degree from an accredited college or university
Appraisal Education	180 hours, including 15 hours of USPAP	State requirement plus 216 hours (16 additional hours of USPAP)
Experience	3,000 hours of acceptable appraisal experience over 2.5 years	State requirement plus 3,000 hours of specialized appraisal experience
Demonstration Report	No	Must receive credit for a demonstration report on an income producing property
Examination	4-hour examination	State examination plus Appraisal Institute's General Comprehensive Examination (16 hours)

Note: Robert M. Lea, MAI and Jeffrey T. Nagasaki, MAI have met the requirements for both State Certification and the MAI designation. The firm also has two additional analysts who have met the State Certification requirements and who are on the verge of also obtaining this designation.

VOLUME 1 NUMBER 1



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