Published November 8, 2011

THE ECONOMY

The economic indicators for the Los Angeles County (Los Angeles Metropolitan Division) economy continue to be mixed, at best. According to Current Employment Survey (CES) data from the U.S. Bureau of Labor Statistics (BLS), total non-farm payroll was 11,000 jobs (0.3%) higher in August 2011 than it had been in August 2010. The gain, however, is explained by an increase of 13,700 jobs (7.1%) in local government education services—a dubious increase given the ongoing fiscal crisis in California. The substantially government-funded Education and Health Services sector added 11,000 jobs (2.2%) August-to-August. Each of these sectors had been much weaker in the previous 12 months. According to household-based data from the BLS on the number of employed residents of Los Angeles County, moreover, employment growth remains in the red. This figure, which includes the self-employed and those commuting out to other counties (but not those commuting in from other counties) fell by 9,645 (0.2%) from August 2010 to August 2011. It had increased in the year to May 2011.

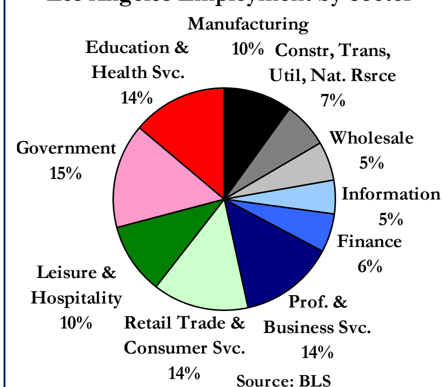
The year-over-year decrease in the Los Angeles County unemployment rate, therefore, is due entirely to a decrease in the county's labor force, by 44,750 (0.9%) in August according to the BLS. Despite this sharp drop, Moody's Economy.com predicts the county's population will rise by 109,300 (1.1%) this year, or about the national average. The county's population, which had boomed for decades until the early 1990's recession, actually fell from 2002 to 2007 as the housing bubble priced people out, but is now approaching peak levels. Household average income, after falling during the recession, has rebounded with a gain of 5.0% from third quarter 2010 to third quarter 2011, according to this source.

Despite this good news, CES data show little evidence of strength in Los Angeles County's private sector. Among office-based sectors, Financial Activities was down by 2,400 jobs (1.1%) year-over-year in August, according to CES data, and Professional and Business Services was down by 4,200 (0.8%). The latter includes a decrease of 4,300 (5.0%) in the Employment Services industry, which includes temporary workers, reversing a gain of 7,500 (9.5%) in the previous 12 months. Temporary workers are often the first hired and first fired, so changes in this industry often foreshadow changes in overall employment. Despite rising income and population, the Retail Trade sector lost 1,200 jobs (0.3%) in the year to August, and the Leisure and Hospitality sector gained just 2,300 (0.6%).

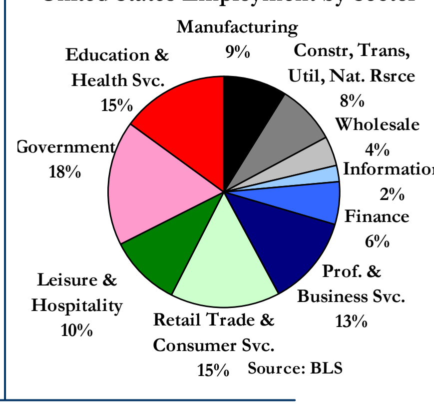
Employment:

- *BLS reports a seasonally unadjusted unemployment rate of 12.6% in August for the Los Angeles Metropolitan Division, down from 13.2% one year earlier.*
- *Total non-farm employment in Los Angeles was up 0.3% year-over-year in August, according the BLS.*
- *Moody's Economy.com reports a third quarter 2011 average household income of $134,191 for Los Angeles. Average household incomes of $122,382 and $127,244 are reported for the top metros in the nation and West region, respectively.*

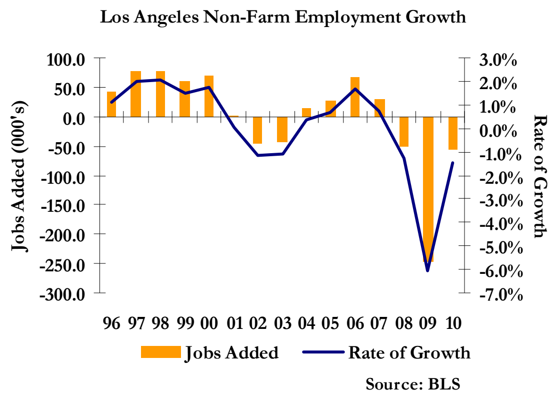
Los Angeles Employment by Sector



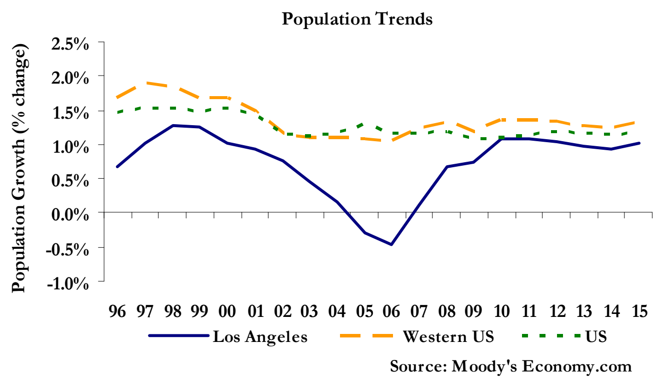
United States Employment by Sector



Within the former sector the Food and Beverage Store industry added 1,500 jobs (1.7%). The big box "Other General Merchandise Stores" added 600 jobs (2.8%).



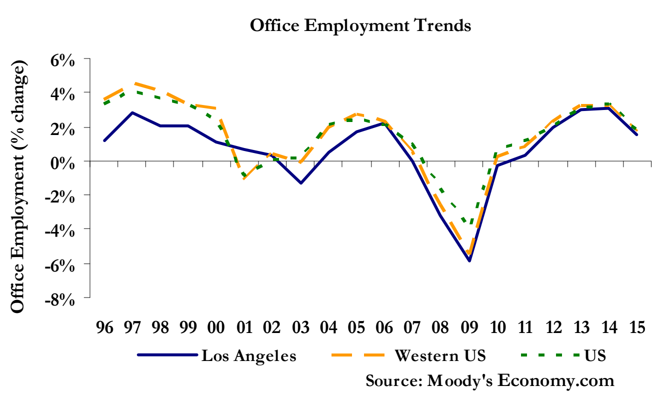
It does not appear that the ports will lead Los Angeles County out of the recession. CES data show Wholesale Trade down by 2,200 (1.1%) and Transportation and Warehousing down by 3,600 (2.6%) year-over-year in August, similar to the losses reported in the previous Observer. The Construction sector lost another 6,300 jobs (6.0%) during the period. The Manufacturing sector received a boost from a gain of 2,600 jobs (5.3%) in the Apparel Manufacturing industry, but still lost 800 jobs (0.2%) overall. The best private sector news in Los Angeles County is the Motion Picture and Sound Recording industry, which was up 12,500 jobs (10.2%) year-over-year in August. It does not seem to be sufficient to pull Los Angeles County out of the recession, however.



OUTLOOK

"In its third quarterly report of 2011, the UCLA Anderson Forecast's outlook for the nation is 'far worse' than it was just three months ago" that source reported. In California, this source predicted "the coastal regions (such as Los Angeles County) continue to grow out of the depths of the recession, while the inland regions suffer from economic 'doldrums.'" But that assumes no national recession.

Reversing course, however, Moody's Economy.com now forecasts a decrease of 5,800 (0.2%) jobs in Los Angeles County for 2011, a notably gloomy revision. The gain for 2012 has been reduced to 24,000 (0.6%). While stronger growth is forecast for later years, the 356,400 jobs lost in 2008 and 2009, according to this source, are not expected to be regained until the very end of 2015. The population, meanwhile, is forecast to continue rising at about 100,000 (1.0%) per year.



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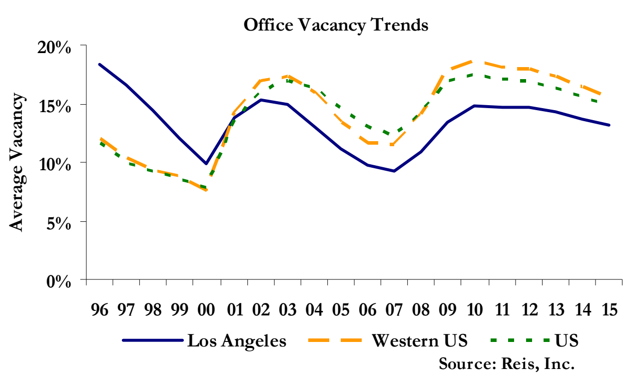
THE REAL ESTATE MARKET

The 195-million-square-foot, multi-tenant Los Angeles office market weakened along with the economy in the third quarter of 2011, according to Reis data, as net absorption turned negative after three positive quarters. While some market watchers report more optimistic readings, Cushman & Wakefield agrees with the Reis assessment. "Leasing activity eased up since first quarter amid stock market turbulence and negative global news," according to this source. "Job growth predictions remained meager and aren't likely to pick up until the housing crisis reverses, which hinges on the financial crisis."

OCCUPANCY



Reis reports a third quarter 2011 vacancy rate of 14.7%, unchanged from the previous two quarters, but down 30 basis points from a year earlier. The 15.0% reading for the third quarter of 2010 remains the cyclical high for the moment; the prior year-end cyclical low had been 9.2% in 2007. A flight *from* quality replaced the flight *to* quality, as the Class A rate increased 30 basis points to 14.3%, while the Class B/C rate fell 20 to 15.4%. The former is unchanged year-over-year, while the latter is down 40 basis points.

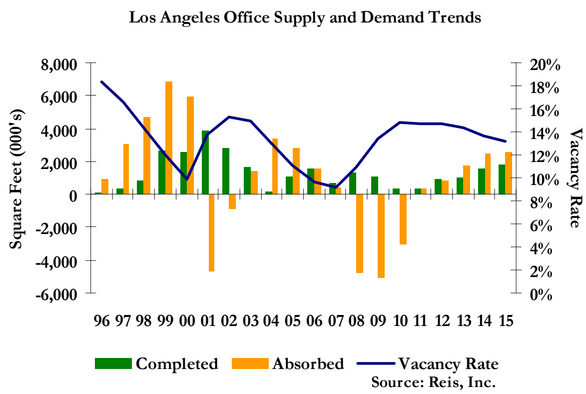
"During the quarter, overall vacancy was unchanged from the previous quarter, remaining at 16.4%," according to Daum Commercial Real Estate Services. Grubb & Ellis puts the rate at 16.6%, including single tenant buildings, while Cushman & Wakefield reports 19.0%. Reis predicts the vacancy rate will end both 2011 and 2012 at its current level of 14.7%, as both new supply and net demand remain limited. A real recovery is forecast to begin in 2013, as the rate falls by about 50 basis points per year through 2015. The Los Angeles office vacancy rate is expected to remain lower than the U.S. and West region averages. The Los Angeles rate for other types of commercial real estate, however, is much lower compared with those averages.

Special Real Estate Factors:

- *"Los Angeles' recovery still hinges on job growth," according to Cushman & Wakefield. "Technological innovations historically follow recessions and this latest growth in that sector could lead the way out. Approximately 87,000 jobs need to be added to bring overall vacancy down to 10.0%; 112,000 office-using jobs were lost during the recession and Moody's Analytics predicts 100,000 office-using jobs will be added by 2015." That is an unusually slow recovery. "The typical 'steep descent/rapid recovery' cycle of past recessions doesn't reflect current conditions and Los Angeles seems to be on course to take just as long to recover as it did to hit bottom."*

- *"Economic disparity between the haves and the have-nots in the office market grew this quarter," according to Grubb & Ellis, citing both building quality and locations with concentrations of growing (entertainment) and declining (Professional and Business Services) industries. "Premier buildings in premier locations are seeing stronger demand from strong tenants that have identified this period as a historic opportunity to reposition themselves and lock in low rents. The entertainment sector is the foundation of this early growth in submarkets such as Santa Monica, where Class A asking rents have increased 15.5% in 2011. Additionally, NBC Universal signed the largest lease of the quarter and will move into*

SUPPLY AND DEMAND



Demand was weak in the third quarter, according to Reis, which recorded 64,000 square feet of negative net absorption for the period. The red ink was concentrated in the Class A segment, which posted a reading of minus 357,000 square feet, while Class B/C was at plus 293,000. The setback is disappointing because occupancy is deep in the hole after three years (2008-2010) of severe negative net absorption, totaling minus 12.9 million square feet. Reis predicts fourth quarter net absorption will be positive, but at just 71,000 square feet, bringing the 2011 total to plus 361,000.

Weak demand is the reason the peak vacancy rate was nearly as high in this recession as in the one before, despite a very limited supply cycle. Vacancy would be higher if not for a substantial office-to-residential conversion trend in the mid-2000s, which left the inventory more than 5 million square feet below its 2003 level. New supply has become even more limited since the recession began, as the 318,000 square feet forecast to compete in 2011 is about the same as in 2010. The third quarter addition was just 35,000 square feet, leaving an 81,000-square-foot building under construction for completion in December 2011. A little over 1 million square feet would then remain under construction.

Reis, accordingly, predicts just under 1 million square feet of new office space will complete construction in both 2012 and 2013, with some of the planned projects needing to break ground soon to made the prediction for the latter year accurate. "New construction activity is expected to remain near decade lows until economic conditions and demand improve substantially, with only select projects on the near-term horizon," according to Daum Inc. More new space is forecast to come on line in 2014 and 2015. Net absorption, meanwhile, is expected to rise to 808,000 square feet in 2012, approximately matching new supply, then rise as high as 2.5 million square feet at the end of the forecast period. The occupied inventory, however, would remain well below peak levels.

Special Real Estate Factors:
Continued

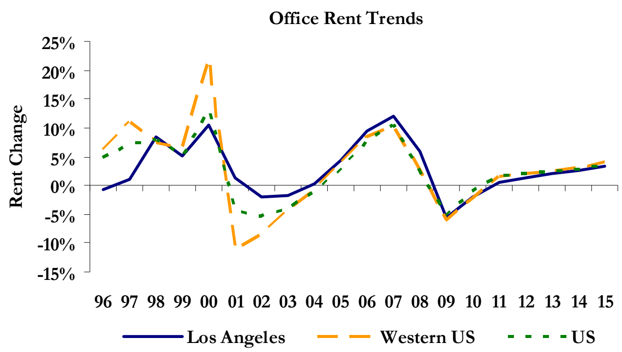
96,000 square feet at 10 Universal Plaza in Universal City in 2012."

- *"On the flipside," this source continued, "buildings in less attractive locations with tenants adversely affected by the current economic climate are hurting. Downsizing in Downtown by professional service companies and the continued displacement of large blocks of space by major high-tech companies such as Northrop Grumman and Raytheon in the South Bay office submarket kept absorption negative this quarter."*

- *The Westside may get a further boost from the regulator impact of attempts to build an NFL stadium downtown, according to CurbedLA. "When Governor Jerry Brown signed a bill to expedite environmental lawsuits brought against Downtown's proposed Farmers Field NFL stadium this week, he also signed AB900, a complementary bill that fast-tracks environmental lawsuits brought against certain projects costing more than $100 million (many lawsuits meant to stop or slow big projects are brought on environmental grounds, attacking the mandatory environmental impact reports)." Public projects would also benefit. "Most notably, the subway to the Westside (the Purple Line extension) could potentially escape years of delay. Metro is considering building a subway station in central Century City, which would require tunneling under Beverly Hills High, something the school board is adamantly against and will likely sue to stop. If they did, the case would go*

RENTS

While occupancy took a step back in the third quarter, rents increased for the second quarter in a row. Both the average asking rent and the average effective rent increased 0.3%, to $32.00 psf and $25.91 psf. Despite small decreases in the first quarter, the asking and effective averages are up 0.3% and 0.5%, respectively, over the first three quarters of 2011 according to Reis. Additional small gains are forecast to bring the 2011 increases to 0.6% asking and 0.9% effective, a limited recovery from the losses of 7.4% and 12.0% the prior two years. The respective Class A and B/C asking averages are $37.19 psf and $25.58 psf, up 0.1% and 0.6% over the year. This is consistent with stronger occupancy in the Class B/C segment.



Source: Reis, Inc.

Daum reports an asking rent of $28.32 psf, down 0.9% year-over-year. "The market still remains tenant-controlled, but with vacancy rates now stabilizing and rents flattening out, it appears that we are heading back to a more normalized market in the next 12 to 24 months barring any new economic shockwaves," this source predicted. "Rents are stabilizing but will remain repressed into 2012," according to Grubb & Ellis, which reports an asking rent of $35.28 psf for Class A space, and $26.04 psf for Class B. "Concessions will remain widely available as tenant demand has not increased significantly." "Overall asking rents remained stable," at $29.64 psf, according to Cushman & Wakefield.

Reis predicts moderate rent gains for the 2012 to 2015 period, with the effective average rising considerably faster than the asking average as concessions are withdrawn. Effective rent gains are forecast at 2.0% for 2012, rising to 4.4% in 2015. The Los Angeles asking average, however, is forecast to rise somewhat less than the U.S. and West region averages during the forecast period. It had risen faster than those averages for most of the 2000s, leading some to wonder if LA was becoming a higher rent market such as San Francisco or New York. Those relative gains are now expected to be given back.

Special Real Estate Factors:
Continued

right to the court of appeals and be heard within 175 days under this new legislation."

- *Meanwhile, the Orange Line express busway continues to expand without drama, according to Curbed. "Metro's contractor Brutoco Engineering & Construction is attacking the four-mile alignment between Canoga Park and Chatsworth from both ends in efforts to complete the $215.6 million project for the line's anticipated opening in summer 2012. Work crews have completed nearly all of the final busway designs, including street crossings, bikeway, stations, bridges and other elements. Construction continues at a rapid pace with the ongoing construction of the Lassen Street bridge which will completely grade-separate bus traffic from commuter and freight traffic at Chatsworth Amtrak/Metrolink Station."*
- *"Activity in the investment and sale market for office buildings in Southern California continues to see improvement, as the total transaction volume is up 11%, while median prices have declined 0.3%, comparing the first three quarters of 2011 to the same period in 2010," Daum reported. "Median sales prices have now fallen 31% from their peak."*
- *"Real estate investment firm Kennedy Wilson has bought five Los Angeles office buildings for $143.5 million," Los Angeles Business reported in July. "The acquisition adds about 700,000 square feet to Kennedy*

SUBMARKETS

Los Angeles is one of the nation's largest office markets, with estimates of office stock ranging from 190 to 250 million square feet depending on what types of buildings are included. It is also one of the most decentralized markets in the US, with less than 20% of its office stock in Downtown. Other main submarkets of Los Angeles include the Westside, the San Fernando Valley, and the Tri-Cities (Burbank/Glendale/Pasadena).

Westside

Based on their high average asking rents, the Westside submarkets, strung out along Wilshire Boulevard, are Los Angeles County's premier office markets. They add up to 52 million square feet of space according to Reis.

- The 10.4-million-square-foot Century City submarket has a 12.7% third quarter 2011 vacancy rate, Reis reports. The average asking rent is $47.99 psf, the highest among 21 submarkets in Los Angeles County.

- The vacancy rate fell 70 basis points during the quarter on 73,000 square feet of positive net absorption, and is down 90 from a year earlier. The average asking rent increased 0.8%, and the average effective rent rose 0.9% to $42.36 psf during the quarter. The year-to-date increases are 3.3% and 3.8%, respectively.

- In the 11.6-million-square-foot West LA submarket, Reis reports a third quarter vacancy rate of 13.8%, and an average asking rent of $39.73 psf.

- The 35,000-square-foot San Monica Pavilion on Santa Monica Boulevard completed construction in August, but net absorption was only 7,000 square feet. The vacancy rate rose 20 basis points and remains 150 basis points higher than a year earlier.

- Both the average asking rent and the average effective rent slipped 0.1%, the latter to $32.05 psf. The year-to-date losses are 2.2% and 1.8%, respectively.

Special Real Estate Factors:
Continued

Wilson's portfolio and increases its total assets under management to $9.8 billion, the Beverly Hills-based company said…The buildings are in various areas of Los Angeles, including Beverly Hills, Miracle Mile and Encino." Second quarter non-portfolio sales are covered in the Transaction Analytics section of this report.

- *Fox singed three new sublease deals for more than 57,000 square feet at The Bluffs at Playa Vista, a project it had pre-leased and abandoned earlier, according to Marketing Weekly News. "The new tenants are expected to move into the office space, formerly known as Horizon at Playa Vista, before the end of the year. This represents the largest collection of office sublease deals to close on the Westside this quarter." CyberCoders, a recruiting and job search firm, Discus Dental, and Rovi—a digital entertainment technology firm, are the new tenants. "These companies join several other firms who have chosen to locate and renew at Playa Vista, including Electronic Arts, USC, Belkin, and X Prize."*

- According to Reis, the 7.7-million-square-foot Santa Monica submarket has a vacancy rate of 10.9%, second lowest among the submarkets, and an average asking rent of $46.30 psf, second highest countrywide.

- Santa Monica's vacancy rate fell 60 basis points in the third quarter on 46,000 square feet of positive net absorption, and it is down 270 basis points year-over-year. The average asking rent rose 1.1%, while the average effective rent increased of 1.0% to $37.24 psf during the quarter. The year-to-date increases, however, are just 0.5% and 0.7%, respectively.

- The 7.3-million-square-foot Beverly Hills submarket has the lowest vacancy rate countywide at 9.0%, and the third highest asking rent at $44.98 psf.

- The vacancy rate increased 40 basis points in the third quarter, however, on 30,000 square feet of negative net absorption. Both the average asking rent and the average effective rent fell 0.5%, the latter to $37.16 psf. The asking and effective averages are down 0.4% and 0.1% year-to-date.

- An 80,600-square-foot building at 8767 Wilshire Boulevard is set to complete construction in December 2011.

- The 14.8-million-square-foot Mid-Wilshire/Miracle Mile/Park Mile submarket has a vacancy rate of 14.2%, and an average asking rent of $27.56 psf, according to Reis.

- The vacancy rate fell 40 basis points during the quarter and is down 80 from a year earlier. The average asking rent increased 0.5%, while the average effective rent rose 0.6% to $22.48 psf. The year-to-date gains are 1.5% asking and 2.0% effective.

- The 400,000-square-foot Red Pacific Design Center, the largest project under construction, is forecast to deliver in February 2012, updated from August 2011, according to Reis.

- For 50 million square feet in Los Angeles West, Cushman & Wakefield reports an overall vacancy rate of 16.3%, and an overall gross rental rate of $37.44 psf. Net absorption was strongly positive here year-to-date, and strongly negative in most other submarkets, according to this source.

- "Leasing activity of 906,390 square feet for third quarter brought the year-to-date total to just over 3.6 million square feet, which already surpasses the yearly totals for both 2010 and 2009 and far exceeds activity levels in every other Los Angeles submarket," according to Cushman & Wakefield. "Technology companies drove the majority of the activity due to the growth in that sector."

- The largest new lease of the quarter was by Greenberg Traurig for 70,060 square feet at 1840 Century Park East, according to this source.

Downtown

- For the 36-million-square-foot Downtown submarket, Reis reports a 13.6% vacancy rate and an average asking rent of $31.06 psf.

- The vacancy rate edged up 10 basis points from the prior quarter as net absorption was negative 36,000 square feet. The average asking rent increased 0.5% while the average effective rent rose 0.7% to $24.40 psf. The asking average is up 0.2% from a year earlier, with the effective average up 0.6%.

- Cushman & Wakefield reports an overall vacancy rate of 18.3%, and an overall gross rental rate of $34.15 psf for 27 million square feet in the CBD. Overall absorption is given as minus 178,000 square feet year-to-date.

- "The largest leases among all activity included Skadden Arps' 155,798-square-foot renewal at One Cal, AON's 76,705-square-foot downsized renewal at 707 Wilshire, and Morgan Lewis' 74,639-square-foot downsized renewal at One Cal," according to this source. "The anticipated return of 185,000 square feet to the market in fourth quarter from the Southern CA Gas Company will bring year-to-date occupancy losses to over 360,000 square feet."

- "In the West Los Angeles submarket, DLA Piper and JP Morgan Chase moved into new spaces in Century City with a total footprint of 160,000 square feet between them," according to Grubb & Ellis. "USC moved into 30,000 square feet in Playa Vista. Riot Games and Beach Body expanded their footprints by a total of 60,000 square feet in addition to Beats Electronics and Beachmint moving into a total of 45,000 square feet in Santa Monica."

- Could office to residential conversion be re-starting? "A storied Los Angeles theater and office complex built by silent film stars that was later owned by one of the city's most popular televangelists has been purchased by East Coast investors," the *Los Angeles Times* reported. "The historic United Artists building at Broadway and Ninth Street in downtown Los Angeles was sold by Wescott Christian Center Inc. to Greenfield Partners for $11 million." The purchasing firm declined comment. "Downtown Los Angeles has enjoyed a renaissance in the last decade, and some improvements such as condominiums, bars and restaurants have come to the blocks around Broadway and Olympic Boulevard near the United Artists building."

"Tri-Cities" (Glendale/Burbank/Pasadena)

The Tri-Cities submarkets, home to a concentration of entertainment industry businesses, are collectively home to 21.3 million square feet of multi-tenant office space, according to Reis data.

- In the 6.5-million-square-foot Glendale submarket, Reis reports the vacancy rate at 19.8%, second highest among the submarkets, and the average asking rent at $30.25 psf.

- The vacancy rate jumped 90 basis points during third quarter on 58,000 square feet of negative net absorption, extending a negative trend. The average asking rent decreased 0.4%, and the average effective rent fell 0.3% to $24.24 psf.

- The 338,000-square-foot second phase of the Grand Central Creative Campus is under construction for completion in late 2012.

- The 7.0-million-square-foot Burbank submarket has a third quarter vacancy rate of 15.0%, and an average asking rent of $33.26 psf, according to Reis.

- The vacancy rate fell 20 basis points from the prior quarter and rents were essentially flat for the second quarter in a row, with the effective average at $27.90 psf. The vacancy rate is down 80 basis points from a year earlier, with rents down about 1.0% year-to-date.

- For the 8.2-million-square-foot Pasadena submarket, Reis reports a vacancy rate of 14.5%, and an average asking rent of $33.19 psf.

- The vacancy rate slipped 10 basis points, but average asking and effective rents decreased 0.3% (the latter to $25.88 psf). The asking average is up 0.4% year-to-date, while the effective average is up 0.7%.

- The Tri-Cities submarket also had strongly positive net absorption year-to-date according to Cushman & Wakefield, joining the Westside in that category. The vacancy rate for 22.8 million square feet is 20.3% according to this source, while the overall gross rental rate is $32.52 psf.

- “Only five transactions over 25,000 square feet signed during the quarter, including Christie, Parker & Hale (42,112 square feet) and State Farm Insurance (25,000 square feet)” according to this source. “While the highest number of leases inked in Pasadena, Glendale exceeded in volume with 142,736 square feet leased.”

San Fernando Valley

The San Fernando Valley submarkets sum to 27.5 million square feet of multi-tenant space, according to the Reis database.

- The 14.7-million-square-foot San Fernando Valley West submarket has a third quarter vacancy rate of 16.0%, and an average asking rent of $26.38 psf, Reis reports.

- The vacancy rate rose 30 basis points in the third quarter, and the asking and effective rent averages edged down 0.2%, the latter to $20.53 psf. The vacancy rate is down 120 basis points year-over-year, but the asking and effective averages are down 1.0% and 0.9% year-to-date.

- In the 9.4-million-square-foot San Fernando Valley Central submarket, the vacancy rate is 13.8%, and the average asking rent is $28.11 psf, according to Reis.

- The vacancy rate increased 80 basis points during the quarter on 80,000 square feet of negative net absorption. Net absorption has been negative each quarter this year. The asking and effective averages rose 0.4%, with the effective average at $22.12 psf.

- For the 3.3-million-square-foot San Fernando Valley East submarket, Reis reports a vacancy rate of 12.1%, third lowest among the submarkets, and an average asking rent of $30.78 psf.

- The vacancy rate increased 70 basis points during third quarter, as both the average asking rent and the average effective rent edged up 0.1%, the latter to $27.27 psf.

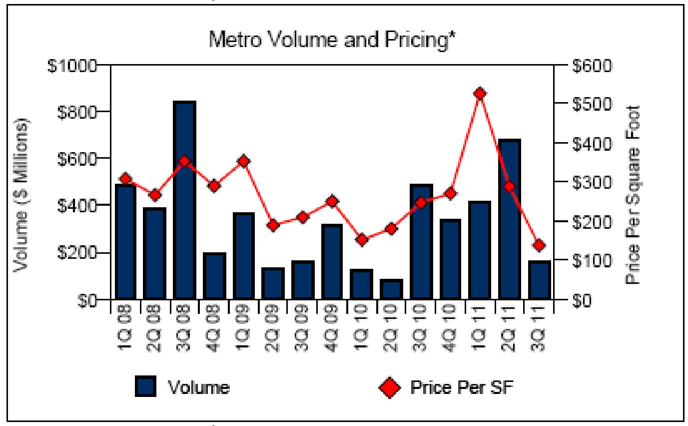
- Cushman & Wakefield reports a vacancy rate of 21.1%, and an overall gross rental rate of $25.92 psf for 30.8 million square feet in its Los Angeles North submarket. Net absorption is given as minus 386,500 square feet year-to-date.

- "This market continues to chronically suffer from tenant instability unseen by other office sectors in Los Angeles," according to Cushman & Wakefield. "As a result, a recovery in this sector is still expected to lag compared to the rest of Southern California."

TRANSACTION ANALYTICS

Metro Volume and Pricing

Single property office investment sales slowed in Los Angeles in the third quarter, with 15 deals for just $156 million, the least here since the second quarter of 2010.* Part of it might be the timing of closings, as the second quarter had been strong. But the mean price for third quarter deals was just $138 psf, the lowest Reis has ever recorded here, and far below the $288 psf average recorded the previous quarter. The quarter's leading sale didn't make the top ten for the past 12 months.



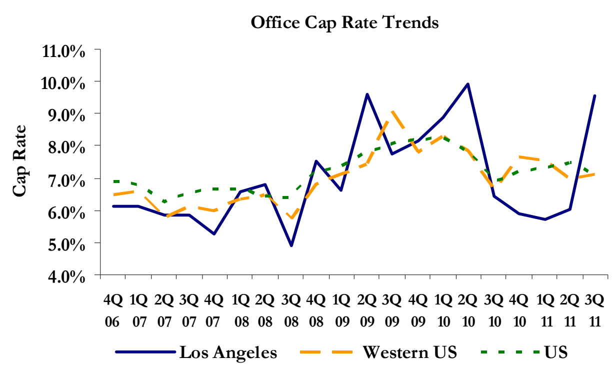
Top Submarkets

The first quarter sale of the first phase of Horizon Playa Vista left the LAX/El Segundo submarket in the top place among the submarkets total dollar value and average sale price for sales over the past 12 months. The respective values were $330 million and $579 psf. Thanks to second quarter's sale of the 950,000-square-foot Parsons Corporation Headquarters, Pasadena led in square footage sold at 996,800.

Submarket Name	Square Feet Sold	Trans Volume ($ millions)	Price Per SF
LAX/El Segundo	569,570	$330	$579
Pasadena	996,800	$324	$325
West LA	760,974	$289	$379
Downtown	905,074	$188	$208
Beverly Hills	270,209	$84	$310
Mid-Cities	314,270	$77	$243
Marina/Culver City	245,741	$65	$265

Cap Rate Comparisons and Forecasts

The mean cap rate for third quarter sales in Los Angeles was 9.6%, tied for the second highest Reis has recorded here and ending a streak of quarters in which LA's mean cap rate was below the U.S. and West Region averages. The rolling 12 month cap rate, which had been falling, increased 80 basis points to 7.1%. It is forecast to trend down slightly over the next few years.



Source: Reis, Inc.

*Reis Transaction Analytics includes single sale transactions, and excludes portfolio sales where pricing of individual buildings cannot be confirmed.

OUTLOOK

"Demand will remain tepid and keep vacancy at heightened levels through the end of the year," Grubb & Ellis predicted. The Reis prediction is similar, with the office market not taking off until 2013. Longer term, look to changes that could make Los Angeles a more appealing option for those seeking a transit-oriented urban lifestyle or business location. The decline of central business districts and neighborhoods throughout the nation from 1950 to 2000 left few such places economically, socially and fiscally viable. Those that remain are very expensive. It will take time, but additional investments and developments could add Los Angeles to that limited list.