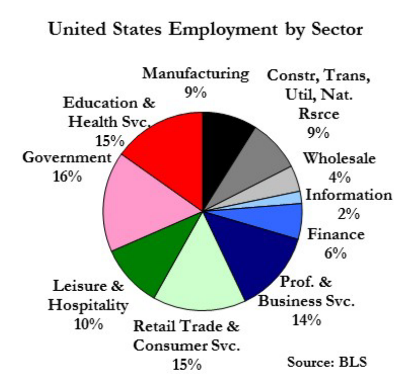
THE ECONOMY

The midpoint of 2013 has passed, and Los Angeles has a mixed record of job growth so far. Some are hopeful: Voit Real Estate Services observes that Los Angeles "is further into the economic recovery than previously thought." This source, in its Mid-2nd Quarter 2013 update, notes that "the U.S. Bureau of Labor Statistics (BLS) revisions were particularly compelling in Los Angeles—turns out, job growth over the past year exceeded the national average by quite a bit. Upward revisions in wholesale trade and stabilization of the Manufacturing sector underscore improvements in the metro's industrial core." But Voit cautions market observers: "Don't break out the champagne just yet. Los Angeles's job count remains about 230,000 below peak levels, and unemployment is still in double digits. Additionally, the BLS revised employment downward in a few key sectors." Voit cites "nominally positive" growth in financial services and losses in the public sector as "worse than previously thought."

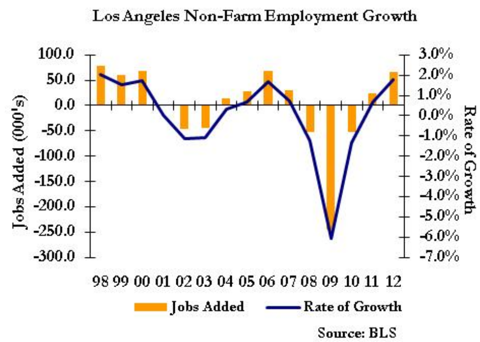
BLS reports a seasonally unadjusted unemployment rate of 9.2% in May for the Los Angeles Metropolitan Division, so it is close to Voit's observation. According to Current Employment Survey (CES) data from the BLS, total non-farm employment in Los Angeles has increased by 46,800 jobs (1.2%) in the 12 months ending in May 2013. This is welcome news, but not a grand performance for a metro the size of Los Angeles. Total private employment increased by 55,800 jobs (1.7%) in that May-to-May time span. The Los Angeles employment picture is holding on, but not quite getting ahead. This can lead to mixed conclusions about how the Los Angeles economy is actually performing. At the Los Angeles Regional Economic Forum held in June, the recurring them was that for Los Angeles, "things aren't as bad as they seem. There's much more to the Los Angeles economy, and the perception of negativity doesn't quite mesh with reality." The forum was held at the University of Southern California and hosted by the Los Angeles County Economic Development Corporation. Zack Zolan, co-founder and managing partner of digital product design firm Wilshire Axon, stressed just how different the public perception of Los Angeles differs from the reality. According to Zolan, Los Angeles "has the largest port complex in the Western Hemisphere, has the most people with PhD's per capita, and graduates more engineering students that any other city in America from its universities. The engineering graduation statistic represents what should be a huge strength for the region, but there's a problem." Zolan said that 50% of the graduating engineers leave the day they graduate. While Los

Employment:

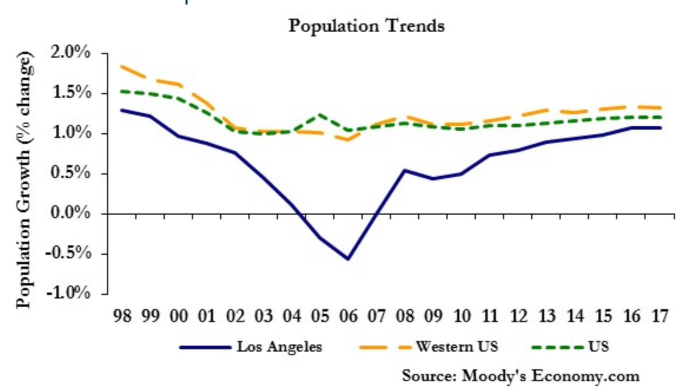
- *The BLS reports a seasonally unadjusted unemployment rate of 9.2% in May for the Los Angeles Metropolitan Division, down from 10.8% one year earlier.*
- *Total non-farm employment in Los Angeles was up 1.2% year-over-year in May, according the BLS.*
- *Moody's Economy.com reports a second quarter 2013 average household income of $135,133 for Los Angeles. Average household incomes of $126,990 and $130,315 are reported for the top metros in the nation and West region, respectively.*



Angeles is doing "big innovation for Fortune 500 companies around the globe, outside of Los Angeles we are seen as anything but an innovative city."

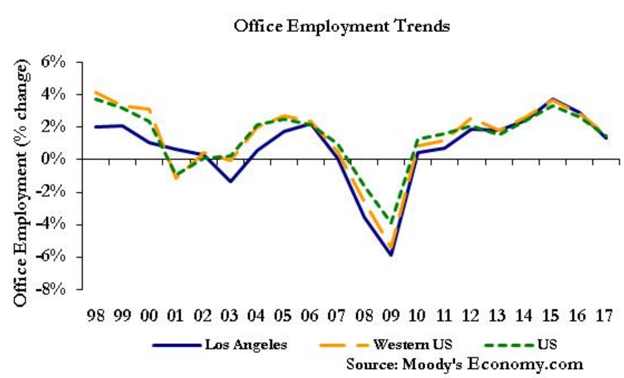


From a statistical perspective, Los Angeles employment gains and losses are spread widely across all sectors. Construction has added 7,000 jobs (6.5%) in the 12 months ending in May, while the struggling Manufacturing sector lost 6,100 (1.7%). Wholesale Trade, a fairly large sector with 210,300 employed, saw a slight decline of 300 jobs (0.1%), while the considerably larger Retail Trade employment remained unchanged, with 390,000 employed. Transportation and Warehousing, a big employer here with the San Pedro Bay ports of Los Angeles and Long Beach standing out at the largest container ports in the nation, employs 139,700 but actually registered a drop of 1,900 (1.3%). Even the ever-important Motion Picture and Sound Recording Industry, for which Los Angeles is world-renowned, registered a job loss of 2,600 (2.2%). However, the white-collar stalwarts of the Los Angeles economy are holding on. Financial Activities, with 215,400 employed, saw 5,700 new jobs (2.7%), while Professional and Business services, a huge sector with 585,800 employed, saw an increase of 22,700 jobs (4.0%). Corporate employment appears to have weathered the storm fairly well in Los Angeles. The substantially government-funded Education and Health Services, another large sector with 560,500 jobs, increased by 16,500 (3.0%) in the 12 months ending in May. However, as noted earlier in this section, Government employment has fallen. CES data indicate that overall Government employment, at 562,600, registered a decline of 9,000 jobs (1.6%).



OUTLOOK

Moody's Economy.com reports that total employment, as defined by this source, is forecast to increase by 49,760 in 2013. Office employment is forecast to grow by 20,908 (1.8%) in 2013. Population is forecast to increase by about 90,000 in 2013, indicating the county is still a draw for new residents who will bring more economic activity. The nation might be recovering faster than Los Angeles, but a good quarter could put the metro back in the running.



THE REAL ESTATE MARKET

The 196-million-square-foot Los Angeles general purpose, multi-tenant office market stumbled a bit in the second quarter of 2013. Vacancy increased as this market's sore spot turned up again—negative net absorption. However, rents posted decent quarterly gains and the market remains a destination for both national and international tenants. "At mid-year 2013, the Los Angeles office market continued to see a slow but mixed recovery," observed Transwestern.

OCCUPANCY

Reis reports a second quarter 2013 vacancy rate of 16.0%, up 30 basis points from the prior quarter. The rate is up 50 basis points from the second quarter of 2012. The Los Angeles office market cannot shake double-digit vacancy. The average overall rate was 12.8% from 2003 to 2012. The Class A rate of 15.4% is up 30 basis points over the quarter and 50 basis points over 12 months. The Class B/C rate of 16.7% is up 30 basis points over the quarter and up 40 over 12 months.

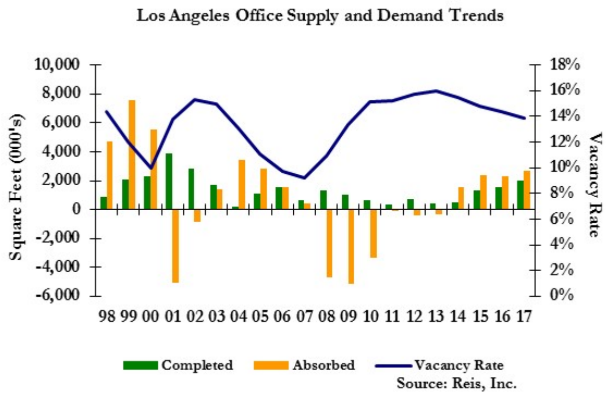
Reporting on the Greater Los Angeles area, Studley, Inc. gives an "overall availability" rate of 19.3%, up 20 basis points over the quarter but down 10 basis points from one year ago. The Class A availability rate of 20.7%, according to this source, increased by 10 basis points "on a quarterly comparison" but "fell annually" by 30 basis points. Transwestern reports "the total vacancy rate for the Los Angeles office market increased 10 basis points to 19.0% from a revised 18.9% in the first quarter of 2013." Transwestern notes that "with all the creative office conversion projects currently in the pipeline, it is possible that office vacancy might creep up over the next two to three quarters if many of these projects are delivered empty." Newmark Grubb Knight Frank reports that vacancy "rose 20 basis points to a cyclical peak of 17.1% in the second quarter of 2013." Reis forecasts vacancy to finish 2013 at 16.0%, with gradual declines bringing the rate down to 13.9% by the end of the forecast period.

Special Real Estate Factors:

- *According to Colliers, "the Central Los Angeles office market began 2013 with negative absorption compared to the positive absorption seen in the fourth quarter of 2012. Net absorption was -51,700 square feet which brought the vacancy rate up to 20.2%. This was a 40-basis-point increase from a revised total vacancy of 19.8% at year end 2012. Direct weighted average asking rents increased slightly to $1.85 psf, per month Full Service Gross. New leasing activity was 198,100 square feet in the first quarter, which was greater than the quarterly average new leasing activity recorded in 2012 of 161,100 square feet. In regards to sales activity, the Central Los Angeles market did not experience any significant sales transactions this quarter. The only transactions that occurred this quarter were for buildings under 25,000 square feet. Sales activity was more visible in 2012, as institutional capital flowed into the Hollywood submarket. There are however, several buildings for sale in the Central Los Angeles market. One of which is a 120,800-square-foot two-building office campus catered to the entertainment industry." This source gives a second quarter 2013 total vacancy rate of 20.2% and a weighted average asking rent of $1.85, which is $22.20 psf by Reis's measure.*

- *Jones Lang LaSalle's second quarter 2013 Highlights report, notes that "although tenants*

SUPPLY AND DEMAND



As noted in the introduction of this report, negative net absorption still bedevils the Los Angeles office market. After finishing 2012 at negative 419,000 square feet, first quarter 2013's 104,000-square-foot positive performance was wiped out with second quarter's negative 495,000. For the second quarter, Class A net absorption was negative 272,000 square feet, while Class B/C space was negative 231,000. From 2003 to 2012, net absorption totaled negative 4.1 million square feet, or negative 412,300 square feet per year on average. During that time, 9.3 million square feet of new space was added, for an average of 930,000 per year. Even the world-renowned city of Los Angeles has had difficulty absorbing office space. So far in 2013, 121,000 square feet of space has been completed, according to Reis's latest construction data. For all of 2013, Reis forecasts new construction to add 428,000 square feet while net absorption will total negative 317,000. This metrotrend forecast from Reis indicates that the Los Angeles scenario of continued building in the face of inconsistent demand will not end any time soon.

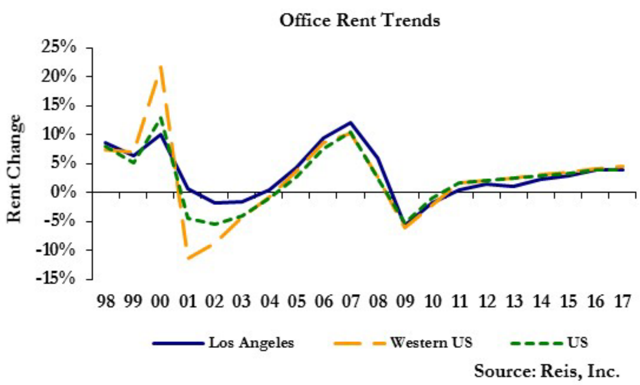
Newmark Grubb Knight Frank notes second quarter "near zero net absorption from mixed tenant demand could not keep pace with the delivery of the completely vacant Pacific Design Center's 400,000-square-foot Red Building in West Hollywood." According to Newmark, "the trend of occupancy cost management through efficient space utilization continues to offset the expansion of tenants in the technology, entertainment, and media sectors." Studley, Inc. notes that "expanding entertainment firms and new media companies, coupled with tech company growth in Santa Monica, has spurred optimism that the entire office market will follow suit and experience a spike in leasing." Leasing in these sectors, originally focused in Silicon Beach, has pushed to Culver City, Playa Vista, and El Segundo. However, the financial, legal, and real estate sectors are still "restructuring" which is holding the market back.

Special Real Estate Factors:
Continued

continue to downsize, particularly in the banking and legal services sector, we are seeing stabilization with no new large blocks of space—150,000 square feet and greater—hitting the market. Conversely, and despite the recent economic updates regarding losses in entertainment jobs, specific micro-markets within the Westside have seen tenant expansions. This activity has been primarily centered within the media and entertainment industries." For Downtown Los Angeles, this source reports total vacancy at 18.1% and an average asking rent of $34.75 psf.

- *For Greater Los Angeles, Voit Real Estate Services reports "encouraging numbers" for the second quarter of 2013. "The Los Angeles office market continued on the slow path to recovery in the second quarter of 2013." Voit reports total space under construction came in at just over 1.2 million square feet for the second quarter of 2013, mostly Class A space. Direct/sublease space (unoccupied) finished the quarter at 12.12%, a slight 1.15% increase over the previous year's rate but a decrease of 11 basis points from 2013's first quarter. Voit forecasts a gradual descent of vacancy in 2013, ending the year at around 13.60%. "The average asking full-service gross lease rate per month per-square-foot in the Los Angeles office market was $2.32 at the end of the quarter—one cent lower than the previous quarter and the same as the second quarter of last year, demonstrating slight fluctuation on the road to stability." The lease rate is $27.84 psf by Reis's measure.*

RENTS



Rent gains have been generally moderate in Los Angeles. The average asking rent and the average effective rent both rose 0.2% in the second quarter of 2013, to $32.65 psf and $26.50 psf, respectively. The asking and effective averages are up 1.4% and 1.5% from 12 months earlier. The Class A asking average of $37.98 psf is up 0.2% for the quarter and 1.4% over 12 months. The Class B/C asking average is up 0.1% for the quarter and 1.1% over 12 months to $25.86 psf. It is difficult for the market to put together a steady series of solid rental gains. From 2003 to 2012, the overall average asking and effective rent increases were 2.5% and 2.1% per year, respectively. These averages include gains around the 12.0% mark in 2007 followed by severe losses in the Great Recession in 2009. Right now, landlords can take some comfort knowing that even if the market's rents are not increasing greatly, they are in fact increasing. Minimal gains near the 1.0% mark are forecast for 2013, after which asking and effective rates should show gains of over 2.0%.

"Average asking rents hold steady," according to Studley, Inc. "Overall asking rent in Greater Los Angeles, at $28.72 psf, grew by 0.4% from both last quarter and last year. Class A asking rent, at $29.98 psf, declined by 0.2% quarter-on-quarter and by 0.7% year-over-year." "The market has seen both a pullback in concessions and rental rate growth, each tied to tightening conditions in select areas such as Santa Monica. A few landlords in other areas are increasing face rents, despite relatively tepid market conditions, in preparation for a building sale," Studley, Inc. notes. Transwestern reports "overall average asking rental rates crept up to $30.96 psf in the second quarter, led by increasing Class A rents in specific office submarkets." Newmark reports "despite five quarters of negative net absorption, asking rents have increased on an annual basis for three straight quarters, with 1.5% growth this quarter over the previous year." Newmark's $2.64 total asking rent equals $31.86 psf by Reis's measure.

Special Real Estate Factors:

Continued

- *Reporting on Los Angeles County office space, Daum Commercial Real Estate Services reports, "The Los Angeles County office market witnessed vacancy rates increase during the quarter, moving from 17.3% to 17.5%. Average rents increased 1.7%, year-over-year, moving from $2.39 to $2.43 FSG. Gross absorption finished the quarter with 5.1 million square feet of activity, while net absorption posted a loss of 608,000 square feet. Under construction activity was unchanged during the quarter with 238,000 square feet currently under way. The overall economy continues to see moderate growth levels heading into the second half of the year, as the recovery continues to be slow and steady. Unemployment rates have declined from 10.8% to 9.2%, year-over-year, but still remain above California (8.1%) and the U.S. (7.3%). Overall activity in the market is up 15% comparing the first half of 2013 to the first half of 2012, while total net absorption is in negative territory for the year. The market still remains more tenant-controlled, as vacancy rates still remain at a 5-year high for Los Angeles County heading into the second half of the year. Job creation will remain the key to increased office demand. Non-farm employment grew by 1.1%, year-over-year, adding 44,100 new jobs, which should help to push vacancy lower in the coming quarters with little new construction coming online. The investment and sale market for office buildings in*

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 U.S., 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 9.9% second quarter 2013 vacancy rate, Reis reports. The average asking rent is $48.28 psf, the highest among 21 submarkets in Los Angeles County.

- The vacancy rate fell 60 basis points during the quarter and is down 290 basis points from one year earlier. The average asking rent fell 0.2% during the quarter, as did the average effective rent, to $42.60 psf. These rates are essentially unchanged over 12 months.

- In the 11.6-million-square-foot West LA submarket, Reis reports a second quarter vacancy rate of 15.2% and an average asking rent of $40.10 psf.

- The vacancy rate was unchanged during the quarter, but is up 190 basis points higher than one year earlier. The average asking rent and the average effective rent were up 0.1% during the quarter, the latter to $32.42 psf. The year-over-year changes are 0.0% and negative 0.2%.

- According to Reis, the 7.7-million-square-foot Santa Monica submarket has a vacancy rate of 10.1% and an average asking rent of $47.68 psf, the second highest among the submarkets.

Special Real Estate Factors:
Continued

Los Angeles County continues to see activity levels on the rise as the total number of sales for the first half of 2013 increased 16% compared to the first half of 2012, and 59% compared to 2011. The capital markets continue to strengthen and interest rates still remain near record lows, despite the recent spike in late June. We expect market fundamentals to continue to see measured improvement as we move through 2013. The overall office market for L.A. County will still have some headwinds in the second half of the year, with employment expected to grow at 1.7% for the second half of 2013, and only 1.3% in 2014. We expect vacancy levels to begin edging lower in the coming quarters with rents expected to increase 1% to 3% the coming year."

- *"The office rental market in downtown Los Angeles has been stagnant for decades, but New York real estate firm Brookfield Office Properties Inc. is betting millions of dollars that it will improve in the years ahead," the Los Angeles Times reported April 26th. "Chief Executive Dennis Friedrich talked up downtown Los Angeles in a conference call with analysts in April, a day after Brookfield announced plans to pay about $430 million for four large, prominent office buildings there…If the purchase is approved by shareholders of seller MPG Office Trust Inc., Brookfield would be the largest downtown office landlord, having 8.3*

- Santa Monica's vacancy rate rose 170 basis points in the second quarter on 130,000 square feet of negative net absorption, and is up 20 basis points year-over-year. The average asking and the average effective rent increased 0.6% and 0.5% during the quarter, the latter to $38.42 psf. The increases over 12 months are 3.2% and 3.0%, respectively.

- The 7.4-million-square-foot Beverly Hills submarket has the lowest vacancy rate countywide at 6.8%, with an asking rent of $46.65 psf.

- The vacancy rate fell 40 basis points in the second quarter on 30,000 square feet of positive net absorption. It is down 120 basis points from one year earlier. In the second quarter both the average asking rent and the average effective rent rose 0.7%, the latter to $38.85 psf. These rates are up 0.2% and 0.3%, respectively, over 12 months.

- The 15.1-million-square-foot Mid-Wilshire/Miracle Mile/Park Mile submarket has a vacancy rate of 14.8%, and an average asking rent of $28.63 psf, according to Reis.

- The vacancy rate rose 40 basis points during the quarter on 61,000 square feet of negative net absorption, and is up 30 basis points from a year earlier. The average asking increased 0.1% during the quarter, as the average effective rent rose one cent to $23.39 psf. The year-over-year gain is 2.4% by both measures.

- The 400,000-square-foot Red Pacific Design Center is in this submarket. Reis predicts a 14.6% vacancy rate here at year-end.

- For 44.8 million square feet in West Los Angeles, Transwestern reports a total vacancy rate of 17.3% in the second quarter. The average rental rate is $40.92 psf. Net absorption is recorded at 233,185 square feet for the quarter.

- "The Westside continues to lead the region's office market recovery despite a total vacancy rate of 17.3%," reports Transwestern, "In high-demand Santa Monica, where vacancy is now just 10.7%, many tenants have been looking in nearby submarkets, or have been relocating to Marina Del Rey/Playa Vista or Culver City, especially for creative office space."

Special Real Estate Factors:
Continued

million square feet to rent in seven buildings. Overall vacancy in the business district was 21% at the end of the first quarter, almost two percentage points higher than it was a year ago," according to real estate brokerage Cushman & Wakefield. Brookfield owns $23 billion worth of office properties in some of the largest cities in the United States, Australia, Canada, and the United Kingdom. Friedrich said the downtown Los Angeles. office market will eventually catch up with others that are prospering."

- "With 418,425 square feet currently under construction, or renovation and more projects in the proposal stages, Westside vacancy levels may rise if leasing activity fails to keep pace," notes Transwestern.

- For the Westside, Jones Lang LaSalle reports that "Netflix signed a 56-month expansion on its current space at 335 North Maple, in Beverly Hills. Microsoft inked a new deal in which it's taking 20,008 square feet at 520 Broadway, in Santa Monica for 84 months. The mobile communication firm TextPlus inked a new, 38-month lease for 19,517 square feet at 13160 Mindanao Way in Marina del Rey. Relativity Media signed a 63-month lease in which it expanded its current footprint by an additional 15,265 square feet at 335 North Maple Drive, in Beverly Hills."

Downtown

- For the 36-million-square-foot Downtown submarket, Reis reports a 16.4% vacancy rate and an average asking rent of $31.98 psf. There was 114,000 square feet of negative net absorption in the second quarter, and the vacancy rate rose 30 basis points for the quarter and is up 90 over 12 months.

- The average effective rent, at $25.23 psf, is up 0.1% from the prior quarter. The asking average is up 0.2%. Asking and effective rents are up 2.8% and 3.1%, respectively, over the year.

- "In the second quarter, Downtown Los Angeles again saw negative net absorption (at minus 88,144 square feet) increasing the total vacancy to 18.9%. With PricewaterhouseCoopers vacating their space at Two California Plaza, the Bunker Hill submarket saw negative 138,306 square feet of net absorption," according to Transwestern. This source noted an average rental rate of $35.40 psf. Year-to-date net absorption is reported at 63,156 square feet.

- "The most notable second quarter development was Brookfield Office Properties' acquisition of the remainder of MPG Office Trusts' four-building Downtown Los Angeles office portfolio. The pending deal answers one of the biggest questions that has loomed for much of the past 5 years, and makes Brookfield the largest Class A office landlord in the Downtown Los Angeles market," according to Transwestern. "Whether Brookfield can push down vacancy levels, though remains to be seen."

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

The Tri-Cities submarkets, home to a concentration of entertainment industry businesses, are collectively home to 21.8 million square feet of multi-tenant office space, according to Reis data.

- In the 6.8-million-square-foot Glendale submarket, Reis reports the vacancy rate at 21.9% and the average asking rent at $30.49 psf.

- The vacancy rate rose 20 basis points during the second quarter and is up 280 from a year earlier. The average asking rent and the average effective rent each rose 0.1% during the quarter, the latter to $24.43 psf. Asking rents rose 1.3% over 12 months while effective rents rose 1.4%.

- The 7.0-million-square-foot Burbank submarket has a second quarter vacancy rate of 14.6%, and an average asking rent of $33.42 psf, according to Reis.

- The vacancy rate rose 120 basis points from the prior quarter and the average asking rent was up 0.2%. The average effective rent was up 0.2% over the quarter to $28.07 psf. These rates are unchanged and down 0.1% year-over-year.

- For the 8.1-million-square-foot Pasadena submarket, Reis reports a vacancy rate of 13.4% and an average asking rent of $34.35 psf.

- The vacancy rate is unchanged from the prior quarter. Asking and effective rents each rose 0.7% during the quarter, the latter to $26.83 psf. These rates are up 2.2% and 2.3% over 12 months.

- According to Transwestern, "the Tri-Cities office market saw flat fundamentals in the second quarter of 2013. With total vacancy levels ranging from a low of 15.9% in Pasadena to a high of 22.1% in Glendale, vacancy will likely decrease in the second half of 2013 as larger tenants including OpenX, Guidance Software, and Whole Foods finally occupy their spaces."

- Transwestern reports Tri-Cities total vacancy at 19.1% and the average rent at $32.88 psf.

- For the Tri-Cities and Los Angeles North, Jones Lang LaSalle reports that "FreemantleMedia executed a 10-year, 72,000-square-foot lease at The Pointe in Burbank. The entertainment firm is set to take occupancy in September 2013 and will occupy floors seven and eight. Foto-Kem Industries signed a five-year, 20,600-square-foot transaction at 2727 West Alameda Avenue, in Burbank. Providence Health System inked a three-year, 10,314-square-foot lease at 2727 West Alameda Avenue in Burbank."

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 second quarter vacancy rate of 14.5% and an average asking rent of $26.86 psf, Reis reports.

- The vacancy rate fell 30 basis points in the second quarter on 48,000 square feet of net absorption, and is down 100 from a year earlier. The average asking rent and the effective rent were basically unchanged over the quarter, the latter at $20.99 psf. The year-over-year increases are 1.3% asking and 1.4% effective.

- In the 9.4-million-square-foot San Fernando Valley Central submarket, the vacancy rate is 13.2% and the average asking rent is $28.19 psf, according to Reis.

- The vacancy rate increased 80 basis points over the quarter and is up 70 from a year earlier. The asking and effective averages were flat during the quarter with the effective average at $22.25 psf. Asking and effective rents are up 0.5% from a year earlier.

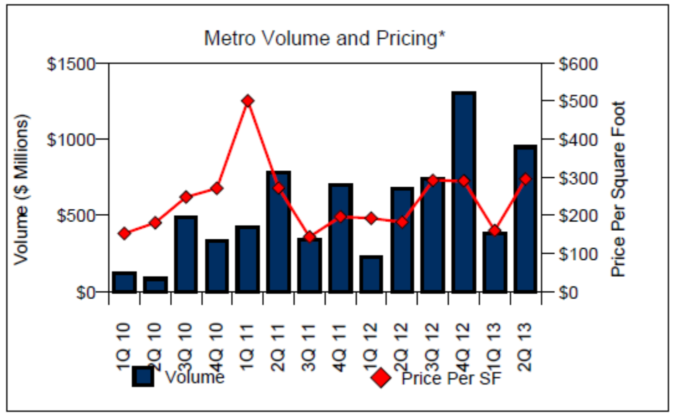
- For the 3.3-million-square-foot San Fernando Valley East submarket, Reis reports a vacancy rate of 17.7% and an average asking rent of $31.50 psf.

- The vacancy rate rose 20 basis points during the second quarter on 6,000 square feet of negative net absorption. Asking and effective rents were flat over the quarter, the latter at $27.86 psf. Asking and effective rents are up 2.7% and 2.6% over 12 months, but the vacancy rate is up 600 basis points.

- "The San Fernando Valley office market continued to see strong positive net absorption in the second quarter with 83,393 square feet. While some submarkets such as North Hollywood and the Western San Fernando Valley have vacancy levels over 30%, other submarkets such as Sherman Oaks and Encino are among the best performing in the region with low vacancy and increasing average rental rates that are now at $29.40 psf," Transwestern reports.

TRANSACTION ANALYTICS

Metro Volume and Pricing



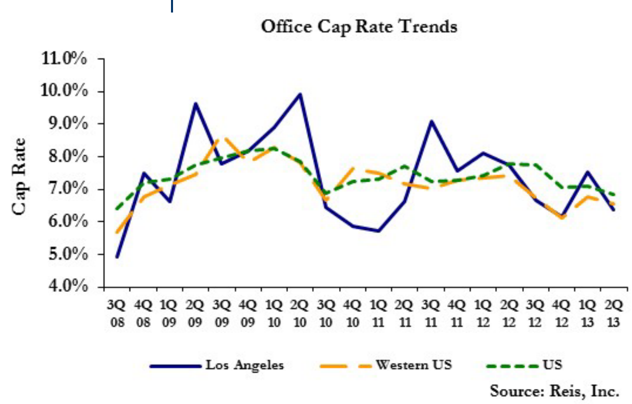
Los Angeles single property office investment sales had a good second quarter of 2013. Reis reports 27 qualifying deals for $946 million at a mean price of $295 psf.* There were 24 deals in the first quarter, so 2013 has been fairly active so far. The mean sales price for second quarter deals was $35 million. In June, Reis reports the $367.5 million ($271 psf) sale of the US Bank Tower, at 1.36 million square feet. The buyer was Overseas Union Enterprise Ltd. The seller was MPG Office Trust Inc.

Top Submarkets

Submarket Name	Square Feet Sold	Trans Volume ($ millions)	Price Per SF
Downtown	2,521,120	$699	$277
Mid-Wilshire	1,241,805	$512	$412
LAX/El Segundo	1,025,467	$344	$335
West LA	1,088,917	$307	$282
Beverly Hills	740,002	$257	$347
Burbank	414,580	$217	$524
SFV - West	1,655,958	$200	$121

Downtown was one again ahead of all the submarkets in square feet sold, at 2.5 million, and transaction volume, at $699 million. The price per-square-foot here is low at $277. The highest price per-square-foot was the Burbank submarket, at $542 psf, followed by Mid-Wilshire, at $412 psf. Mid-Wilshire was also second in transaction volume, at $512 million. San Fernando Valley West, with the lowest transaction volume among submarkets, saw 1.66 million square feet sold for $200 million.

Cap Rate Comparisons and Forecasts



The mean cap rate for second quarter sales in Los Angeles is 6.4%, down 110 basis points from the prior quarter. The mean cap rate was 7.7% in the second quarter of 2012. The quarter's mean cap rate drop would indicate that property prices are rising, so perhaps owners are confident in both their market and their assets when it comes to fetching a good price. The 12-month rolling cap rate, at 6.9%, is down 20 basis points over the quarter and down 120 basis points year-over-year. The 12-month rolling cap rate is forecast to decline through 2017.

OUTLOOK

Reis forecasts gradual improvement in occupancy and rents, as noted, but landlords will have to wait until after 2013 to see any rent gains of note. The high mark is 2017, when asking rents are forecast to post a gain of 4.6%. This would be quite a feat for Los Angeles, but the intervening years are not barren, either. Transwestern notes that "despite the uneven office market recovery, investment activity in the second quarter of 2013 was at its highest level in six years." Los Angeles is still very much on the map, and the office market, which cannot be said to have recovered completely from the Great Recession, is at least ready to do so.