ORANGE COUNTY

OFFICE MARKET REPORT

FIRST QUARTER 2005

Compared to last quarter:

VACANCY

DOWN

ABSORPTION

DOWN

LEASE RATES

UP

CONSTRUCTION

UP

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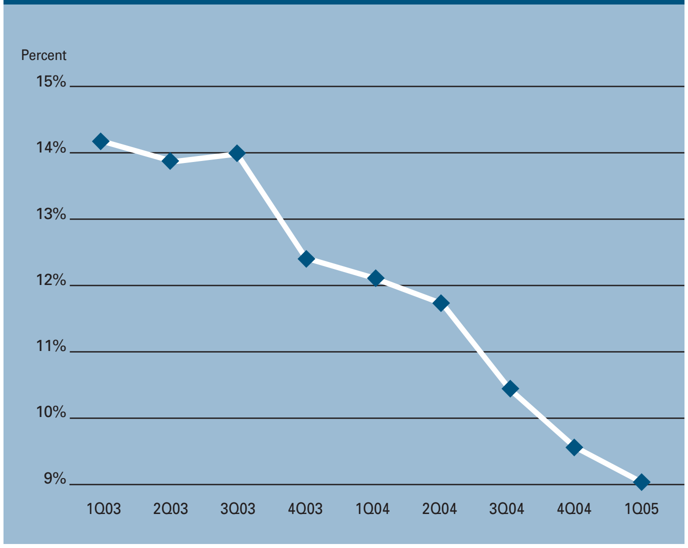
MARKET HIGHLIGHTS

- Unemployment for the first quarter of 2005 in Orange County is 4.1%, which is .5% higher than it was when compared to the fourth quarter of 2004, and is .5% lower than it was during the first quarter of 2004.
- According to Chapman University, it is estimated that Orange County added 25,000 new jobs in 2004. Furthermore, they are forecasting 21,000 new jobs will be added to the county in 2005 as the Orange County economy continues to expand.
- Total space under construction checked in at just above 900,000 square feet for the first quarter of 2005, which is more than triple what was under construction this same time last year.
- The office vacancy rate checked in at a sub 10% level of 9.07%, constituting a 25.41% decrease over last year's rate of 12.16%. This would explain the increase in construction activity and the average asking lease rate.
- The total amount of office space available in Orange County, including both direct and sublease space, is also lower, checking in at 11.63% this quarter from 15.59% in the first quarter of 2004, representing a decrease of 25.4%.
- The average asking Full Service Gross lease rate per month per foot in Orange County is currently $2.14, which is a 7% increase over last year's first quarter rate of $2.00. This is the fifth consecutive quarter of positive lease rate growth. This gets us closer to the record high average asking lease rate of $2.26, which we experienced in the first quarter of 2001. The Orange County office market is poised to set new average asking lease rates records in 2005.
- Net absorption for the county this quarter posted a positive number of 590,168 square feet, giving the county a total of over 7.5 million square feet of positive absorption for the last eleven quarters. That's an average of 686,000 square feet of positive absorption per quarter.
- Rental rates are expected to continue to increase at moderate levels, and concessions will continue to lessen as the economy in Orange County continues to improve. These conditions will put upward pressure on lease rates going forward. We should see rental rate growth of 10% to 15% in 2005.

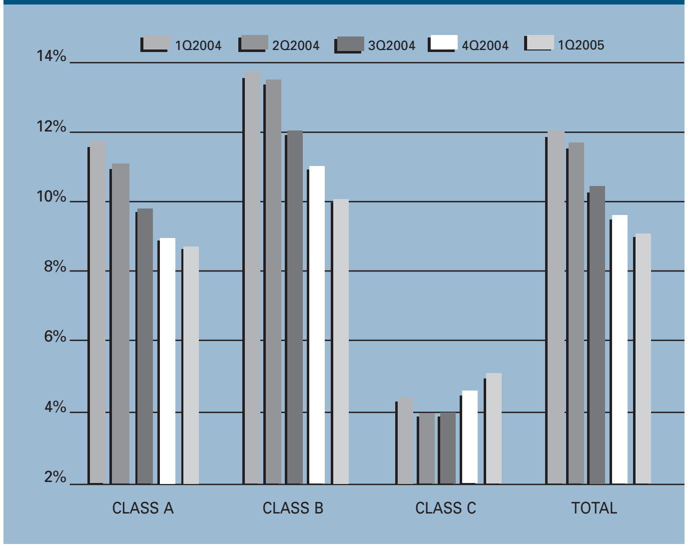
OFFICE MARKET STATISTICS

	1Q2005	4Q2004	1Q2004	% CHANGE VS. 1Q04
Under Construction	906,507	625,997	218,000	315.83%
Planned Construction	4,779,239	3,933,274	5,172,470	-7.60%
Vacancy	9.07%	9.61%	12.16%	-25.41%
Availability	11.63%	12.69%	15.59%	-25.40%
Pricing	$2.14	$2.09	$2.00	7.00%
Net Absorption	590,168	689,260	441,704	33.61%

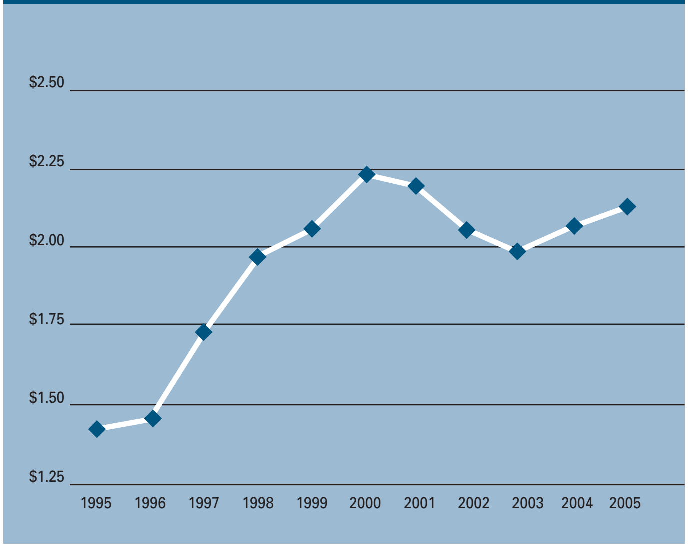
VACANCY RATE



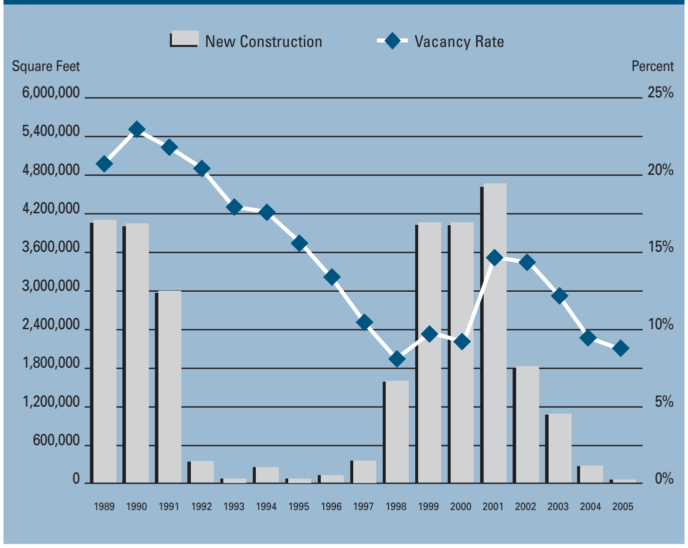
OFFICE VACANCY RATE



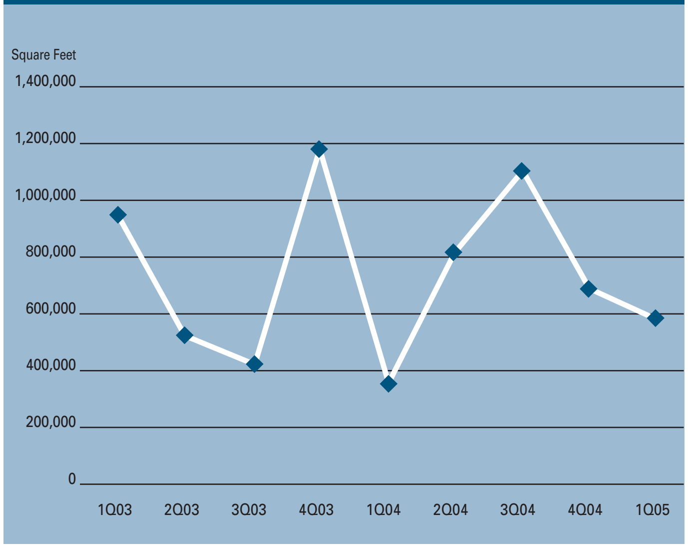
AVERAGE ASKING FULL SERVICE LEASE RATE



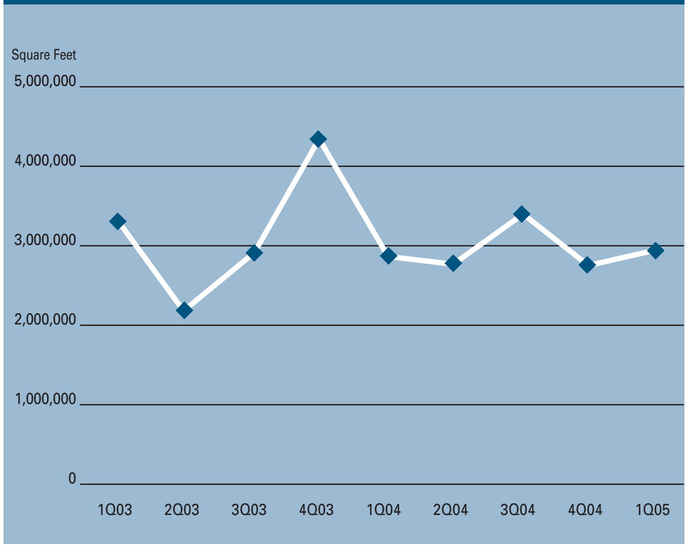
ANNUAL OFFICE NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



ORANGE COUNTY

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2005	Square Feet Available	Availability Rate 1Q2005	Average Asking Lease Rate	Net Absorption 1Q2005	Net Absorption 2004	Net Absorption 2003	Net Absorption 2002
North County													
Anaheim Hills	10	644,674	0	60,000	3,136	0.49%	147,002	22.80%	$1.95	(2,257)	11,569	(1,635)	10,832
Brea	41	3,843,814	131,687	202,150	247,790	6.45%	263,317	6.85%	$1.93	(9,412)	324,162	17,961	79,588
Buena Park	10	625,415	0	0	97,552	15.60%	99,723	15.95%	$1.70	(1,136)	107,805	2,384	1,618
Fullerton	29	1,916,228	0	0	32,330	1.69%	73,377	3.83%	$1.60	6,385	(7,982)	103,707	7,286
La Habra	7	376,859	0	0	33,248	8.82%	33,248	8.82%	$1.44	(876)	20,641	72,227	184
La Palma	8	842,349	0	0	32,671	3.88%	43,455	5.16%	$1.76	2,393	1,637	(3,419)	(5,801)
Placentia	5	165,875	0	0	6,918	4.17%	16,554	9.98%	$1.75	(1,590)	7,777	6,465	3,849
Yorba Linda	6	319,627	0	0	8,616	2.70%	11,801	3.69%	$1.51	807	12,119	(6,139)	(1,788)
North County Total	116	8,734,841	131,687	262,150	462,261	5.29%	688,477	7.88%	$1.79	(5,686)	477,728	191,551	95,768
West County													
Cypress	28	2,191,826	0	0	248,673	11.35%	260,491	11.88%	$1.84	137,061	18,404	(21,375)	(158,782)
Fountain Valley	32	1,561,130	0	0	205,314	13.15%	211,108	13.52%	$1.66	(19,891)	(33,842)	(24,766)	(86,906)
Garden Grove	21	931,520	0	0	117,925	12.66%	124,510	13.37%	$1.54	(25,352)	3,129	39,461	24,761
Huntington Beach	45	2,470,087	0	0	275,075	11.14%	294,310	11.91%	$2.00	36,896	(83,869)	(15,587)	(1,948)
Los Alamitos	13	712,280	0	0	19,471	2.73%	25,892	3.64%	$1.58	(750)	(3,163)	(8,915)	5,986
Seal Beach	6	425,418	0	0	18,954	4.46%	39,145	9.20%	$2.35	10,851	15,106	5,215	(1,528)
Stanton	2	85,917	0	0	927	1.08%	927	1.08%	$0.00	17,526	2,868	(3,553)	6,105
Westminster	12	485,174	0	0	12,700	2.62%	19,079	3.93%	$1.52	(799)	27,647	32,520	(5,138)
West County Total	159	8,863,352	0	0	899,039	10.14%	975,462	11.01%	$1.81	155,542	(53,720)	3,000	(217,450)
Central County													
Anaheim	89	5,932,412	0	297,711	419,436	7.07%	481,241	8.11%	$1.75	59,430	43,136	622,258	258,007
Orange	76	6,944,428	0	0	520,976	7.50%	556,500	8.01%	$1.97	55,471	(58,970)	273,259	(130,264)
Santa Ana	168	11,572,148	270,000	230,400	1,033,438	8.93%	1,191,233	10.29%	$1.84	(11,224)	28,963	30,938	(56,432)
Tustin	34	1,419,381	0	0	243,202	17.13%	330,507	23.29%	$1.67	(22,587)	3,037	128,065	(3,602)
Central County Total	367	25,868,369	270,000	528,111	2,217,052	8.57%	2,559,481	9.89%	$1.83	81,090	16,166	1,054,520	67,709
Airport Area													
Corona Del Mar	2	86,378	0	0	0	0.00%	0	0.00%	$2.75	12,200	(12,200)	3,238	(2,887)
Costa Mesa	65	6,467,303	0	483,382	716,325	11.08%	802,965	12.42%	$2.25	215,912	52,840	76,540	(52,945)
Irvine	230	20,530,097	293,370	2,426,528	2,108,364	10.27%	2,754,993	13.42%	$2.34	-163,029	1,081,510	887,193	769,633
Newport Beach	131	9,483,116	0	0	912,679	9.62%	1,324,536	13.97%	$2.77	42,167	455,906	238,076	(121,047)
Airport Area Total	428	36,566,894	293,370	2,909,910	3,737,368	10.22%	4,882,494	13.35%	$2.46	107,250	1,578,056	1,205,047	592,754
South County													
Aliso Viejo	43	2,848,968	0	800,000	179,002	6.28%	288,685	10.13%	$2.44	53,601	296,782	119,157	56,745
Dana Point	4	210,660	0	0	0	0.00%	0	0.00%	$0.00	0	0	0	3,800
Foothill Ranch	9	830,491	36,000	0	98,616	11.87%	98,616	11.87%	$2.17	20,557	30,573	62,144	2,242
Irvine Spectrum	99	6,479,968	70,000	125,700	497,042	7.67%	1,006,914	15.54%	$2.26	213,086	604,231	233,386	505,871
Laguna Beach	5	193,268	0	0	2,000	1.03%	2,000	1.03%	$2.35	724	0	10,325	0
Laguna Hills	33	1,740,541	0	0	180,524	10.37%	206,206	11.85%	$2.06	(9,336)	(32)	9,251	3,852
Laguna Niguel	10	661,057	0	0	47,669	7.21%	56,020	8.47%	$2.35	(19,421)	(23,007)	10,795	7,329
Lake Forest	40	1,915,669	0	0	318,055	16.60%	356,673	18.62%	$1.88	(5,886)	64,645	146,188	295,666
Mission Viejo	35	1,804,990	30,450	115,000	192,212	10.65%	209,218	11.59%	$2.07	(9,934)	16,353	25,345	39,006
Rancho Santa Margarita	5	194,030	25,000	0	10,989	5.66%	16,027	8.26%	$1.97	5,832	13,039	10,201	13,218
San Clemente	10	372,984	0	0	29,615	7.94%	29,615	7.94%	$2.15	2,979	26,925	4,957	47,996
San Juan Capistrano	11	528,731	50,000	38,368	4,424	0.84%	4,424	0.84%	$2.19	(230)	(1,938)	4,281	34,710
South County Total	304	17,781,357	211,450	1,079,068	1,560,148	8.77%	2,274,398	12.79%	$2.24	251,972	1,027,571	636,030	1,010,435
Orange County Total	**1,374**	**97,814,813**	**906,507**	**4,779,239**	**8,875,868**	**9.07%**	**11,380,312**	**11.63%**	**$2.14**	**590,168**	**3,045,801**	**3,090,148**	**1,549,216**

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North County													
Class A	42	3,938,442	131,687	180,000	307,991	7.82%	429,054	10.89%	$1.86	18,463	262,161	131,794	1,463
Class B	64	4,376,299	0	82,150	144,575	3.30%	247,037	5.64%	$1.68	(18,716)	207,683	77,589	88,562
Class C	10	420,100	0	0	9,695	2.31%	12,386	2.95%	$1.32	(5,433)	7,884	(17,832)	5,743
West County													
Class A	34	3,245,068	0	0	333,427	10.27%	338,121	10.42%	$2.00	136,733	(33,419)	(2,034)	(159,943)
Class B	98	4,325,425	0	0	536,018	12.39%	599,256	13.85%	$1.65	11,323	(16,202)	(65,611)	36,388
Class C	27	1,292,859	0	0	29,594	2.29%	38,085	2.95%	$1.60	7,486	(4,099)	70,645	(6,989)
Central County													
Class A	85	12,183,358	220,000	480,111	895,682	7.35%	1,091,829	8.96%	$2.01	15,986	2,117	897,630	(82,112)
Class B	231	11,648,657	50,000	48,000	1,228,371	10.55%	1,364,025	11.71%	$1.65	32,816	41,834	159,994	125,402
Class C	51	2,036,354	0	0	92,999	4.57%	103,627	5.09%	$1.53	32,288	(27,785)	(3,104)	24,419
Airport Area													
Class A	126	21,106,012	0	2,079,056	1,908,382	9.04%	2,510,651	11.90%	$2.63	(990)	1,139,278	944,496	124,023
Class B	268	13,627,378	293,370	830,854	1,668,684	12.25%	2,230,922	16.37%	$2.01	180,085	435,768	209,793	410,730
Class C	34	1,833,504	0	0	160,302	8.74%	140,921	7.69%	$1.77	(71,845)	3,010	50,758	(28,905)
South County													
Class A	119	9,558,347	0	880,000	917,949	9.60%	1,179,643	12.34%	$2.28	(30,386)	503,357	305,487	558,623
Class B	174	7,826,576	211,450	199,068	625,676	7.99%	1,020,199	13.04%	$2.02	275,315	530,320	326,297	464,035
Class C	11	396,434	0	0	16,523	4.17%	74,556	18.81%	$1.66	7,043	(6,106)	4,246	(12,223)
Orange County													
Class A	406	50,031,227	351,687	3,619,167	4,363,431	8.72%	5,549,298	11.09%	$2.26	139,806	1,873,494	2,277,373	442,054
Class B	835	41,804,335	554,820	1,160,072	4,203,324	10.05%	5,461,439	13.06%	$1.75	480,823	1,199,403	708,062	1,125,117
Class C	133	5,979,251	0	0	309,113	5.17%	369,575	6.18%	$1.57	(30,461)	(27,096)	104,713	(17,955)
Orange County Total	**1,374**	**97,814,813**	**906,507**	**4,779,239**	**8,875,868**	**9.07%**	**11,380,312**	**11.63%**	**$2.14**	**590,168**	**3,045,801**	**3,090,148**	**1,549,216**

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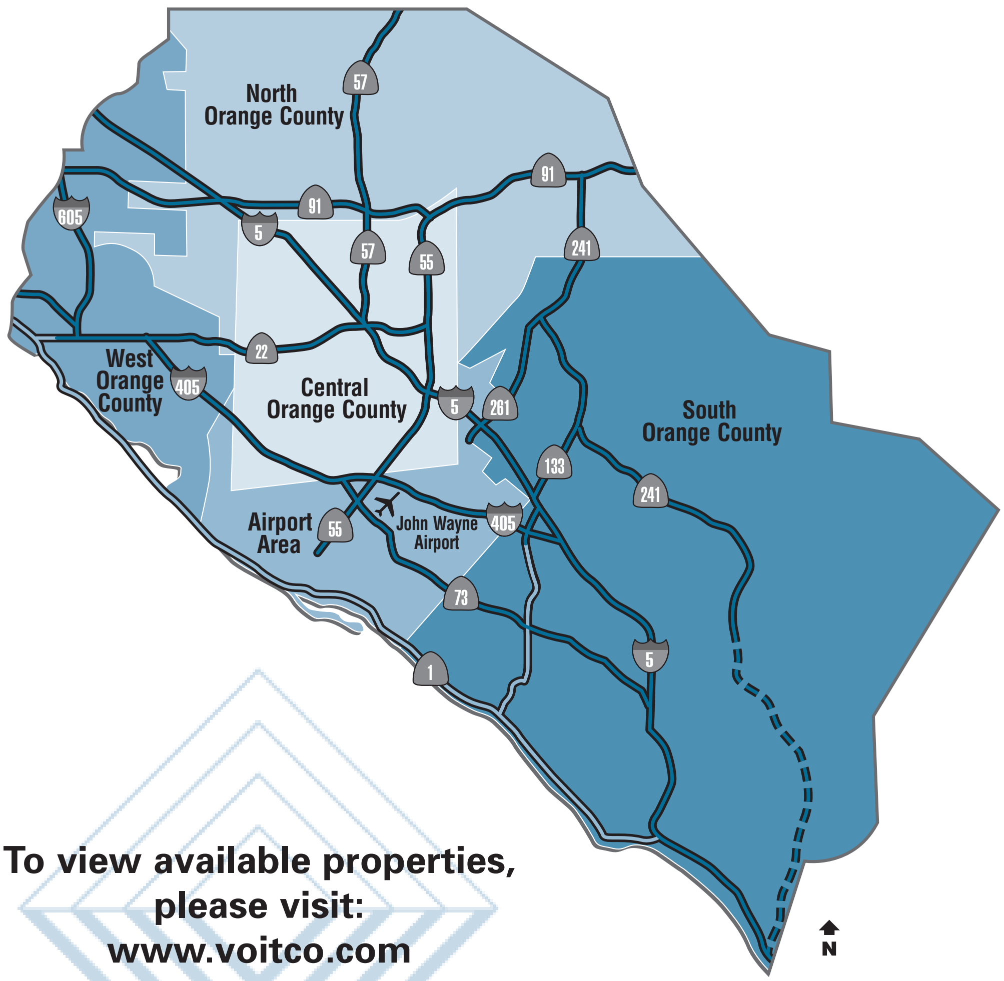
OFFICE MARKET REPORT

FIRST QUARTER 2005



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SUBMARKETS

NORTH

Anaheim Hills, Brea, Buena Park, Fullerton, La Habra, La Palma, Placentia and Yorba Linda

WEST

Cypress, Fountain Valley, Garden Grove, Huntington Beach, Los Alamitos, Seal Beach, Stanton and Westminster

CENTRAL

Anaheim, Orange, Santa Ana and Tustin

AIRPORT

Corona Del Mar, Costa Mesa, Irvine and Newport Beach

SOUTH

Aliso Viejo, Dana Point, Foothill Ranch, Irvine Spectrum, Laguna Beach, Laguna Hills, Laguna Niguel, Lake Forest, Mission Viejo, Rancho Santa Margarita, San Clemente and San Juan Capistrano

PRODUCT TYPE

CLASS A

Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.

CLASS B

Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area and systems are adequate, but the building cannot compete with Class A at the same price.

CLASS C

Buildings competing for tenants requiring functional space at rents below the area average.

For Further Information:

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