ORANGE COUNTY

OFFICE MARKET REPORT

SECOND QUARTER 2005

Compared to last quarter:

VACANCY

DOWN

ABSORPTION

UP

LEASE RATES

UP

CONSTRUCTION

UP

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MARKET HIGHLIGHTS

- Unemployment for the second quarter of 2005 in Orange County is 3.3%, which is .8% lower than it was when compared to the first quarter of 2005, and is .8% lower than it was during the second quarter of 2004.
- According to Chapman University, it is estimated that Orange County added 31,000 new jobs in 2004. Furthermore, they are forecasting 24,000 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 nearly 1.5 million square feet for the second quarter of 2005, which is almost four times what was under construction this same time last year.
- The office vacancy rate checked in at a sub 10% level of 8.93%, constituting a 23.61% decrease over last year's rate of 11.69%. This would explain the increase in construction activity and the upward pressure on 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 11.15% this quarter from 14.55% in the second quarter of 2004, representing a decrease of 23.37%.
- The average asking Full Service Gross lease rate per month per foot in Orange County is currently $2.19, which is a 9% increase over last year's second quarter rate of $2.01. This is the sixth 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 1,276,620 square feet, giving the county a total of over 8.8 million square feet of positive absorption for the last twelve quarters. That's an average of 733,333 square feet of positive absorption per quarter for the last three years.
- Lease 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 lease rate growth of 10% to 15% in 2005.

OFFICE MARKET STATISTICS

	2Q2005	1Q2005	2Q2004	% CHANGE VS. 2Q04
Under Construction	1,486,057	906,507	388,000	383.00%
Planned Construction	5,650,508	4,779,239	4,718,617	19.75%
Vacancy	8.93%	9.07%	11.69%	-23.61%
Availability	11.15%	11.63%	14.55%	-23.37%
Pricing	$2.19	$2.14	$2.01	8.96%
Net Absorption	1,276,620	590,168	830,835	53.66%

Voit Commercial Brokerage

CORFAC International

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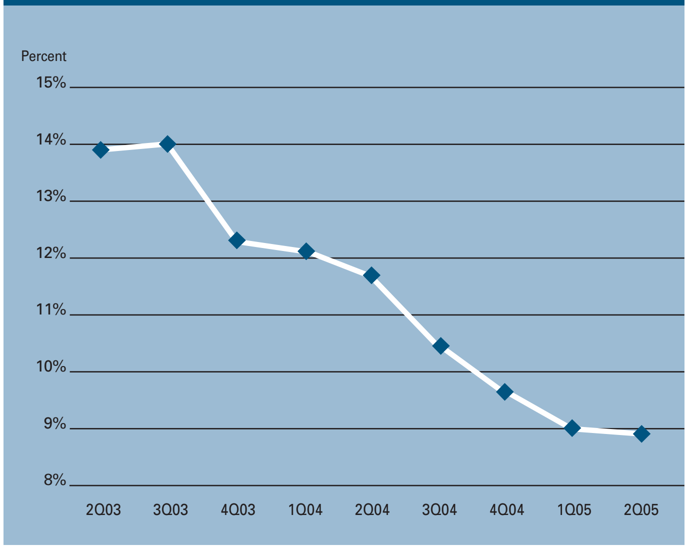
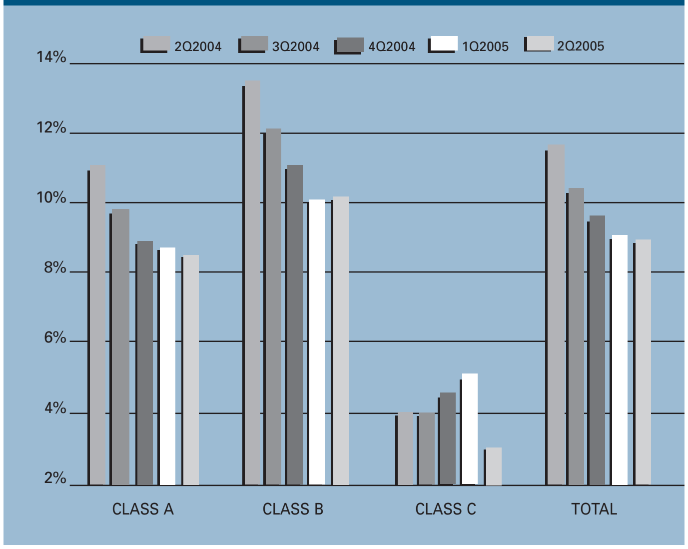
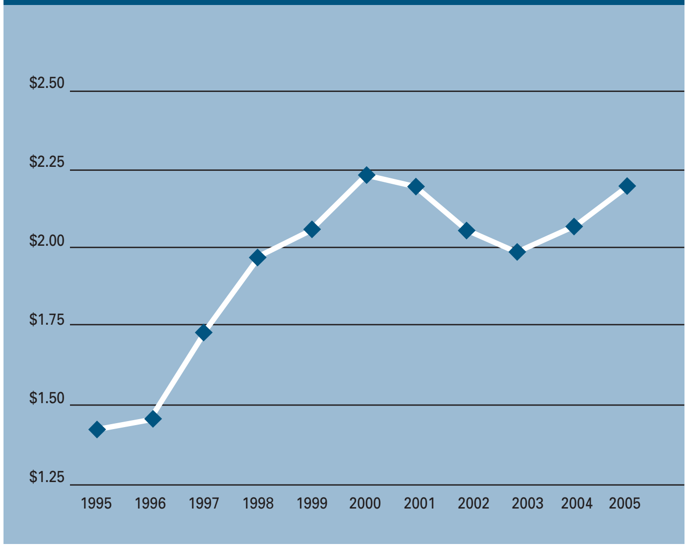
VACANCY RATE



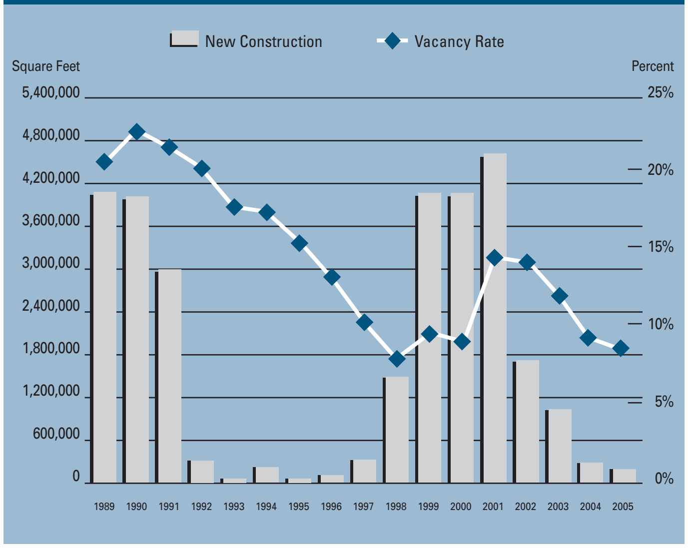
OFFICE VACANCY RATE



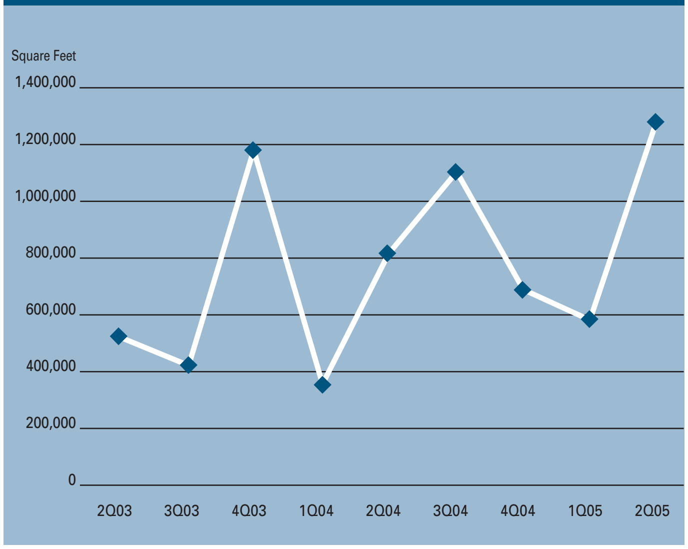
AVERAGE ASKING FULL SERVICE LEASE RATE



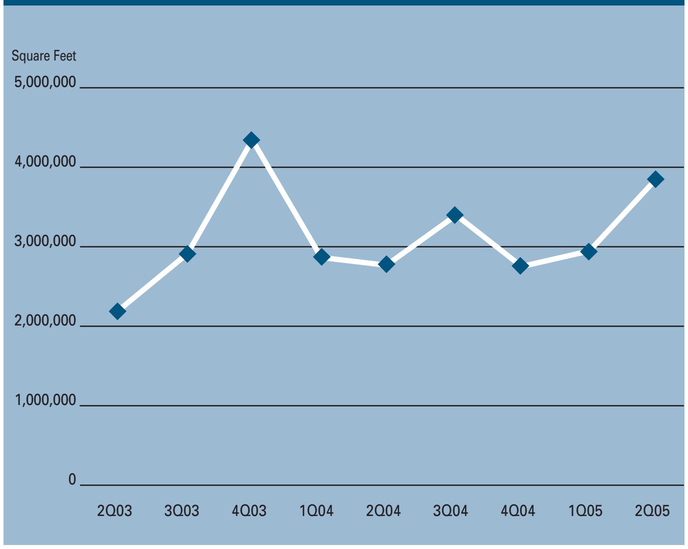
ANNUAL OFFICE NEW CONSTRUCTION VS. VACANCY RATE



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 2Q2005	Square Feet Available	Availability Rate 2Q2005	Average Asking Lease Rate	Net Absorption 2Q2005	Net Absorption 2005	Net Absorption 2004	Net Absorption 2003
North County													
Anaheim Hills	10	644,674	0	60,000	2,414	0.37%	26,771	4.15%	$2.01	2,257	0	11,569	(1,635)
Brea	41	3,843,814	131,687	202,150	241,385	6.28%	278,849	7.25%	$1.85	16,909	16,138	324,162	17,961
Buena Park	10	625,415	0	0	94,111	15.05%	94,111	15.05%	$1.74	3,441	2,305	107,805	2,384
Fullerton	30	2,006,839	0	81,634	35,250	1.76%	44,812	2.23%	$1.76	(2,920)	3,465	(7,982)	103,707
La Habra	7	376,859	0	0	16,300	4.33%	16,300	4.33%	$1.83	16,948	16,072	20,641	72,227
La Palma	8	842,349	0	0	37,962	4.51%	48,546	5.76%	$1.88	(28)	2,365	1,637	(3,419)
Placentia	5	165,875	0	0	16,193	9.76%	16,193	9.76%	$1.74	(9,275)	(10,865)	7,777	6,465
Yorba Linda	6	319,627	0	0	9,499	2.97%	9,499	2.97%	$1.58	(883)	(76)	12,119	(6,139)
North County Total	117	8,825,452	131,687	343,784	453,114	5.13%	535,081	6.06%	$1.80	26,449	29,404	477,728	191,551
West County													
Cypress	27	2,135,220	0	0	204,326	9.57%	262,745	12.31%	$1.90	38,521	175,582	18,404	(21,375)
Fountain Valley	32	1,561,130	0	36,700	190,779	12.22%	190,779	12.22%	$1.68	15,785	(4,106)	(33,842)	(24,766)
Garden Grove	20	898,729	0	0	59,130	6.58%	61,130	6.80%	$1.56	59,458	40,028	3,129	39,461
Huntington Beach	44	2,445,087	0	0	294,751	12.05%	294,751	12.05%	$1.94	1,383	85,650	(83,869)	(15,587)
Los Alamitos	13	712,280	0	0	12,121	1.70%	15,047	2.11%	$1.68	9,596	8,846	(3,163)	(8,915)
Seal Beach	6	425,418	0	0	25,419	5.98%	25,419	5.98%	$2.30	1,167	12,018	15,106	5,215
Stanton	2	85,917	0	0	927	1.08%	927	1.08%	$1.10	0	17,526	2,868	(3,553)
Westminster	12	485,174	0	0	18,620	3.84%	18,620	3.84%	$1.63	381	(418)	27,647	32,520
West County Total	156	8,748,955	0	36,700	806,073	9.21%	869,418	9.94%	$1.93	126,291	335,126	(53,720)	3,000
Central County													
Anaheim	89	5,932,399	0	472,711	492,563	8.30%	518,796	8.75%	$1.75	(11,322)	48,108	43,136	622,258
Orange	75	6,910,066	0	0	522,796	7.57%	549,447	7.95%	$1.91	47,461	102,932	(58,970)	273,259
Santa Ana	172	11,970,907	270,000	230,400	1,075,143	8.98%	1,368,578	11.43%	$1.81	186,949	177,342	28,963	30,938
Tustin	33	1,332,748	0	0	187,774	14.09%	295,362	22.16%	$1.66	18,564	(3,253)	3,037	128,065
Central County Total	369	26,146,120	270,000	703,111	2,278,276	8.71%	2,732,183	10.45%	$1.83	241,652	325,129	16,166	1,054,520
Airport Area													
Corona Del Mar	2	86,378	0	0	0	0.00%	0	0.00%	$0.00	0	12,200	(12,200)	3,238
Costa Mesa	66	6,492,420	0	482,379	677,015	10.43%	759,423	11.70%	$2.13	125,950	341,862	52,840	76,540
Irvine	236	20,923,224	643,370	3,236,703	2,067,767	9.88%	2,472,403	11.82%	$2.24	321,692	337,472	1,081,510	887,193
Newport Beach	131	9,486,596	0	0	994,637	10.48%	1,360,181	14.34%	$2.53	109,084	50,136	455,906	238,076
Airport Area Total	435	36,988,618	643,370	3,719,082	3,739,419	10.11%	4,592,007	12.41%	$2.39	556,726	741,670	1,578,056	1,205,047
South County													
Aliso Viejo	43	2,848,063	260,000	540,000	194,741	6.84%	240,882	8.46%	$2.26	7,008	60,609	296,782	119,157
Dana Point	4	210,660	0	0	0	0.00%	0	0.00%	$0.00	0	0	0	0
Foothill Ranch	9	830,491	36,000	0	58,279	7.02%	66,931	8.06%	$2.22	40,337	60,894	30,573	62,144
Irvine Spectrum	94	6,165,332	70,000	125,700	477,991	7.75%	1,094,712	17.76%	$2.28	76,606	74,168	604,231	233,386
Laguna Beach	5	193,268	0	0	0	0.00%	0	0.00%	$2.35	2,000	0	0	10,325
Laguna Hills	33	1,740,541	0	0	150,379	8.64%	163,374	9.39%	$2.05	49,532	40,196	(32)	9,251
Laguna Niguel	9	615,746	0	0	52,962	8.60%	66,894	10.86%	$2.46	5,400	(14,021)	(23,007)	10,795
Lake Forest	40	1,916,265	0	0	335,269	17.50%	335,269	17.50%	$2.09	78,498	75,990	64,645	146,188
Mission Viejo	36	1,835,440	0	150,000	173,903	9.47%	198,315	10.80%	$2.27	65,765	55,831	16,353	25,345
Rancho Santa Margarita	5	194,030	25,000	0	11,823	6.09%	13,946	7.19%	$2.08	2,166	7,998	13,039	10,201
San Clemente	10	372,984	0	0	31,615	8.48%	31,907	8.55%	$2.88	(2,000)	979	26,925	4,957
San Juan Capistrano	11	528,731	50,000	32,131	4,234	0.80%	4,234	0.80%	$2.72	190	(40)	(1,938)	4,281
South County Total	299	17,451,551	441,000	847,831	1,491,196	8.54%	2,216,464	12.70%	$2.32	325,502	362,604	1,027,571	636,030
Orange County Total	**1,376**	**98,160,696**	**1,486,057**	**5,650,508**	**8,768,078**	**8.93%**	**10,945,153**	**11.15%**	**$2.19**	**1,276,620**	**1,793,933**	**3,045,801**	**3,090,148**

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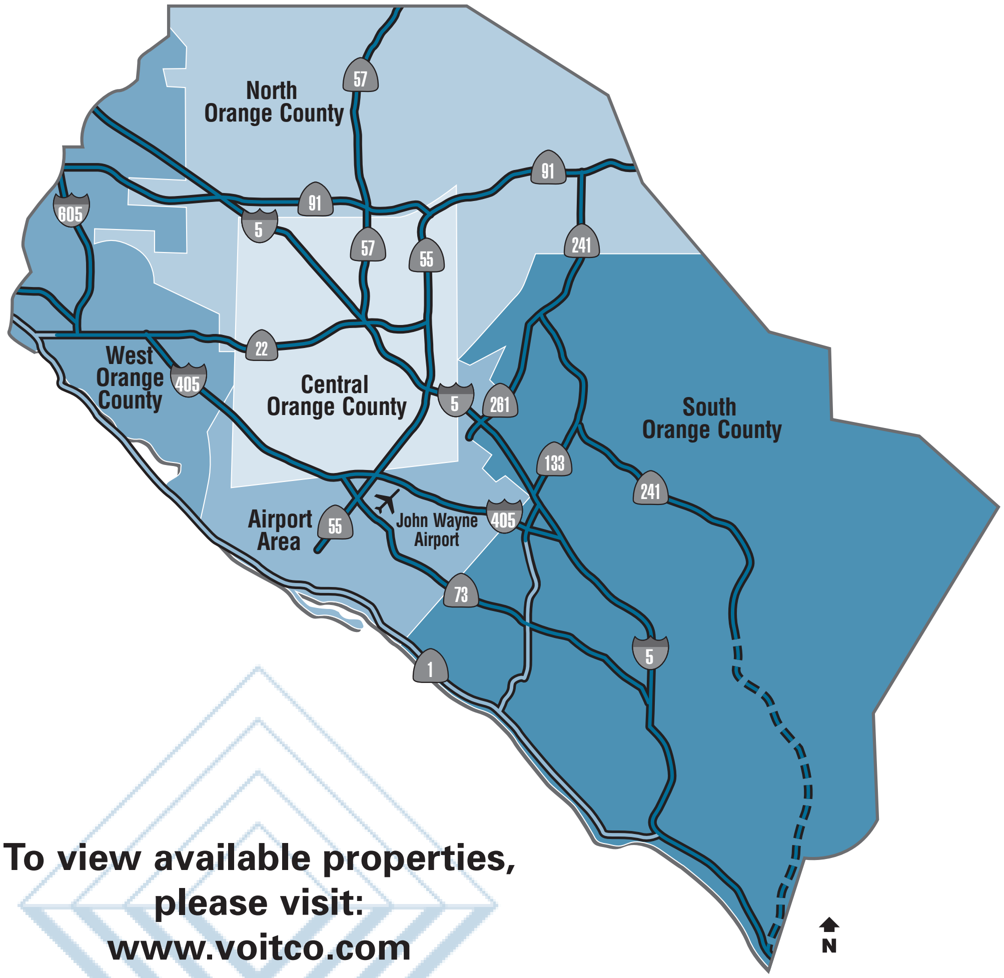
North County													
Class A	42	3,938,442	131,687	180,000	314,955	8.00%	319,846	8.12%	$1.94	11,044	29,507	262,161	131,794
Class B	65	4,466,910	0	163,784	123,552	2.77%	194,794	4.36%	$1.66	20,317	10,242	207,683	77,589
Class C	10	420,100	0	0	14,607	3.48%	20,441	4.87%	$1.34	(4,912)	(10,345)	7,884	(17,832)
West County													
Class A	34	3,245,068	0	0	303,712	9.36%	367,057	11.31%	$2.07	64,572	201,305	(33,419)	(2,034)
Class B	95	4,211,028	0	0	480,062	11.40%	480,062	11.40%	$1.79	54,424	119,040	(16,202)	(65,611)
Class C	27	1,292,859	0	0	22,299	1.72%	22,299	1.72%	$1.45	7,295	14,781	(4,099)	70,645
Central County													
Class A	86	12,216,319	220,000	655,111	849,941	6.96%	1,071,868	8.77%	$2.01	283,330	299,316	2,117	897,630
Class B	232	11,893,447	50,000	48,000	1,350,922	11.36%	1,558,130	13.10%	$1.66	(73,059)	(37,856)	41,834	159,994
Class C	51	2,036,354	0	0	77,413	3.80%	102,185	5.02%	$1.45	31,381	63,669	(27,785)	(3,104)
Airport Area													
Class A	128	21,274,681	350,000	2,888,228	1,992,053	9.36%	2,501,515	11.76%	$2.57	335,862	320,724	1,139,278	944,496
Class B	272	13,850,677	293,370	867,554	1,679,672	12.13%	2,033,179	14.68%	$2.02	120,163	388,928	435,768	209,793
Class C	35	1,863,260	0	0	67,694	3.63%	57,313	3.08%	$1.82	100,701	32,018	3,010	50,758
South County													
Class A	116	9,344,165	260,000	620,000	789,317	8.45%	882,441	9.44%	$2.36	270,744	240,358	503,357	305,487
Class B	173	7,740,708	181,000	227,831	697,115	9.01%	1,300,625	16.80%	$2.15	51,092	114,699	530,320	326,297
Class C	10	366,678	0	0	4,764	1.30%	33,398	9.11%	$1.94	3,666	7,547	(6,106)	4,246
Orange County													
Class A	406	50,018,675	961,687	4,343,339	4,249,978	8.50%	5,142,727	10.28%	$2.38	965,552	1,091,210	1,873,494	2,277,373
Class B	837	42,162,770	524,370	1,307,169	4,331,323	10.27%	5,566,790	13.20%	$1.86	172,937	595,053	1,199,403	708,062
Class C	133	5,979,251	0	0	186,777	3.12%	235,636	3.94%	$1.53	138,131	107,670	(27,096)	104,713
Orange County Total	**1,376**	**98,160,696**	**1,486,057**	**5,650,508**	**8,768,078**	**8.93%**	**10,945,153**	**11.15%**	**$2.19**	**1,276,620**	**1,793,933**	**3,045,801**	**3,090,148**

ORANGE COUNTY

OFFICE MARKET REPORT

SECOND 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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