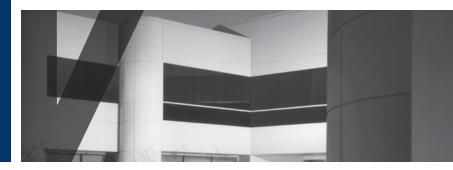


Real People. Real Solutions.™



Office Market Report

Compared to 2009:

Vacancy DOWN

Net Absorption



Lease Rates



Transactions



Construction



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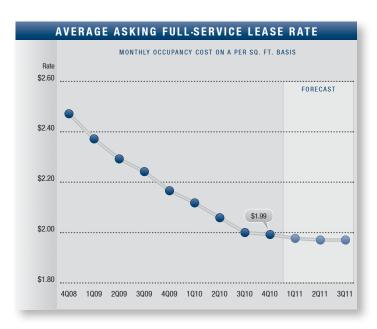
Market Highlights

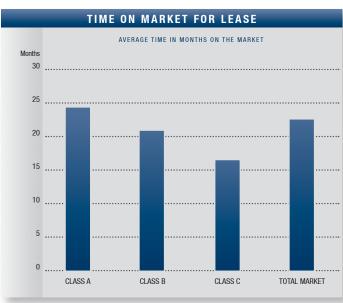
- Are we there yet? The Orange County Office displayed more signs of stabilization this quarter. Both vacancy and availability were down from the previous quarter, and net absorption was positive for two consecutive quarters, displaying overall positive absorption for 2010.
 Although demand is still weak by historical standards, Labor Day marked the beginning of a renewed interest in sales transactions. While these are positive indications, stability will need to be sustained in coming quarters to be considered recovery.
- Construction The record year for new development
 was 1988, when 5.7 million square feet of new space
 was added and vacancy rates were approximately 24%.
 Total space under construction came in at 337,000
 square feet for the fourth quarter of 2010. The slowdown
 in construction has and will ease the upward pressure
 on vacancy and the downward pressure on lease rates.
- Vacancy Direct/sublease space (unoccupied) finished the quarter at 17.45%, a decrease over the third quarter's rate of 17.86%. This is also down from the Great Recession peak of 18.13% we saw in the second quarter of 2010 and significantly less than the 23% vacancy rate recorded in 1990.
- Availability Direct/sublease space being marketed was at 21.38% this last quarter — a noticeable decrease of over 9% when compared to 2009's rate of 23.58% and a noticeable decrease from last quarter's rate of 21.89%.
 We are finally beginning to see a decrease in the velocity of new available space being added to the market.
- Lease Rates The average asking Full–Service Gross (FSG) lease rate per month per square foot in Orange County was \$1.99 for the fourth quarter of 2010 an 8.29% decrease over 2009's rate of \$2.17 and one cent lower than the third quarter's rate. The record high rate of \$2.77 was established in the fourth quarter of 2008. Class A asking rates for the county averaged \$2.16 FSG the highest being in the Airport market where they are averaged \$2.28 FSG.
- Absorption Net absorption for the county posted a
 positive 392,539 square feet for the fourth quarter of
 2010, giving the office market a total of 398,692 square
 feet of positive absorption for 2010, correcting the negative

- absorption we saw earlier in the year. This is the first time since 2006 that we have seen annual positive absorption. Hopefully, this positive trend will continue, but it will be dependent upon continued job creation.
- Transaction Activity Leasing activity checked in at nearly 9.5 million square feet for 2010, a slight decrease over the previous year's total of 9.58 million square feet. Sales activity showed a decrease, posting 1.5 million square feet of activity compared to the 2.4 million square feet we saw in 2009. Details of the largest transactions for 2010 can be found on the back page of this report.
- Employment The unemployment rate in Orange County was 9.3% in November 2010 up from a revised 9.1% in October 2010 and below the year-ago estimate of 9.6%. This compares with an unadjusted unemployment rate of 12.4% for California and 9.3% for the nation during the same period. According to the State of California Employment Development Department, Orange County increased by 19,100 payroll jobs from November 2009 to November 2010; the largest gains were 10,100 in professional & business services and 8,400 in leisure and hospitality. However, during that same period, Orange County lost 4,900 jobs in construction. Chapman University is forecasting that 23,000 jobs will be added in Orange County in 2011.
- Overall We are beginning to see a decrease in the amount of available space being added per quarter, as well as an overall increase in investment sales activity. As we enter into 2011, positive absorption has begun, and with few new deliveries in the pipeline that would put more upward pressure on vacancies, the market is beginning to stabilize. We foresee an increase in investment activity in the coming quarters as lenders continue to dispose of distressed assets. Lease rates are expected to remain soft for the near future, and concessions in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances should continue to increase to incentivize tenants to act immediately. We should see an increase in leasing activity as many short-term deals come up for renewal. If job creation continues and consumer confidence stabilizes, the office market will continue to recover.

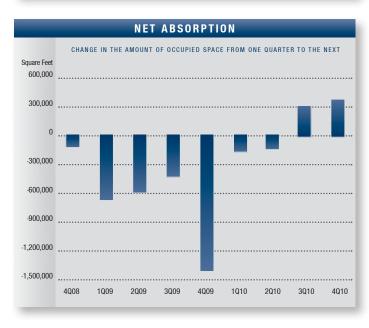
	OFFICE	MARKET	OVERVIEW	
	2010	2009	2008	% CHANGE vs. 2009
Vacancy Rate	17.45%	17.80%	14.64%	(1.97%)
Availablity Rate	21.38%	23.58%	21.45%	(9.33%)
Average Asking Lease Rate	\$1.99	\$2.17	\$2.47	(8.29%)
Sale & Lease Transactions	10,995,690	12,004,324	9,625,274	(8.40%)
Gross Absorption	10,098,962	9,652,447	9,795,338	4.63%
Net Absorption	398,692	(3,086,873)	(1,059,471)	N/A

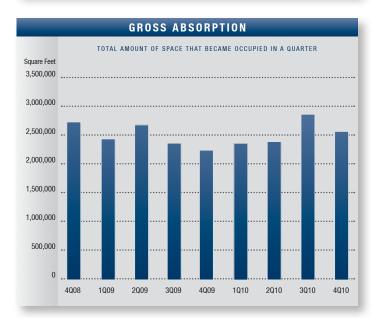












Voit REAL ESTATE SERVICES

		INVENTORY				VACANCY	& LEAS			ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2010	Square Feet Available	Availability Rate 4Q2010	Average Asking Lease Rate	Net Absorption 4Q2010	Net Absorption 2010	Gross Absorption 4Q2010	Gross Absorptio 2010
North County													
Anaheim Hills	9	452,548	100,000	39,200	112,077	24.77%	83,890	18.54%	\$1.78	39,860	(13,869)	70,676	83,71
Brea	43	3,450,978	0	120,000	687,708	19.93%	913,249	26.46%	\$1.96	(13,663)	55,374	36,235	219,84
Buena Park	11	646,810	0	0	128,867	19.92%	137,464	21.25%	\$1.60	(20,434)	(31,873)	8,058	34,13
Fullerton La Habra	29 6	2,192,210 237,859	0	0	138,392 13,637	6.31% 5.73%	337,147 18,890	15.38% 7.94%	\$1.64 \$1.49	(29,697) (7,435)	(18,886) (2,589)	670 186	33,58 11,51
La Palma	7	571,393	0	0	92,444	16.18%	120,408	21.07%	\$2.06	(2,121)	26,926	4,837	45,56
Placentia	7	223,841	43,000	0	68,792	30.73%	70,166	31.35%	\$1.41	(4,425)	1,848	2,252	10,26
Yorba Linda	6	337,312	0	0	33,078	9.81%	85,099	25.23%	\$1.82	1,314	8,374	4,641	35,70
North County Total	118	8,112,951	143,000	159,200	1,274,995	15.72%	1,766,313	21.77%	\$1.87	(36,601)	25,305	127,555	474,33
West County		, ,	,	,	, ,		, ,			, , ,	,	,	,
Cypress	28	2,022,660	0	0	113,491	5.61%	173,091	8.56%	\$1.91	78,826	30,654	80,702	91,20
Fountain Valley	34	1,730,037	0	0	273,357	15.80%	287,809	16.64%	\$1.72	8,489	(48,486)	13,307	45,76
Garden Grove	22	1,490,658	0	0	41,567	2.79%	192,861	12.94%	\$1.47	1,662	18,378	7,927	45,3
Huntington Beach	44	2,422,343	0	0	433,934	17.91%	546,828	22.57%	\$1.98	16,145	(17,343)	48,022	155,33
Los Alamitos	13	675,534	0	0	41,892	6.20%	41,892	6.20%	\$1.95	546	(18,180)	3,084	4,57
Seal Beach	7	482,833	0	0	25,773	5.34%	35,678	7.39%	\$2.31	8,195	32,436	12,666	69,10
Stanton	3	113,702	0	0	8,042	7.07%	16,422	14.44%	\$0.00	2,102	758	4,844	20,08
Westminster	16	689,067	0	0	48,262	7.00%	60,997	8.85%	\$1.76	1,000	3,947	1,000	45,61
West County Total	167	9,626,834	0	0	986,318	10.25%	1,355,578	14.08%	\$1.90	116,965	2,164	171,552	477,05
Central County													
Anaheim	97	7,390,164	194,000	225,454	1,759,507	23.81%	1,870,258	25.31%	\$1.67	21,317	(313,945)	148,498	466,4
Orange	81	7,244,743	0	0	1,325,460	18.30%	1,593,342	21.99%	\$2.00	(38,767)	111,170	80,882	691,03
Santa Ana	181	13,527,486	0	785,320	1,982,185	14.65%	2,195,329	16.23%	\$1.70	(6,849)	180,868	278,479	1,080,72
Tustin	41	1,786,066	0	212,000	291,377	16.31%	396,726	22.21%	\$1.63	3,327	(714)	24,053	163,60
Central County Total	400	29,948,459	194,000	1,222,774	5,358,529	17.89%	6,055,655	20.22%	\$1.80	(20,972)	(22,621)	531,912	2,401,7
Airport Area													
Costa Mesa	75	7,357,488	0	0	1,362,618	18.52%	1,601,659	21.77%	\$1.87	57,541	(152,530)	109,132	409,5
Irvine	293	25,754,003	0	1,377,975	5,233,934	20.32%	6,616,060	25.69%	\$2.11	227,889	474,054	731,964	3,266,6
Newport Beach	126	9,367,471	0	0	1,430,821	15.27%	1,849,805	19.75%	\$2.28	(6,501)	(52,220)	238,323	893,8
Airport Area Total	494	42,478,962	0	1,377,975	8,027,373	18.90%	10,067,524	23.70%	\$2.13	278,929	269,304	1,079,419	4,569,99
South County													
Aliso Viejo	43	3,139,680	0	672,200	512,148	16.31%	780,463	24.86%	\$2.05	(12,792)	(7,889)	38,802	223,60
Dana Point	3	135,296	0	35,000	1,200	0.89%	1,200	0.89%	\$0.00	0	1,200	0	4,80
Foothill Ranch	9	739,893	0	0	276,241	37.34%	393,240	53.15%	\$2.02	411	14,615	12,374	104,10
Irvine Spectrum	117	7,932,534	0	0	1,525,258	19.23%	1,531,836	19.31%	\$2.16	298,303	361,313	456,932	1,129,45
Laguna Beach	5	194,434	0	0	27,179	13.98%	27,179	13.98%	\$0.00	0	7,864	0	10,36
Laguna Hills	32	1,741,848	0	78,000	258,469	14.84%	318,635	18.29%	\$1.97	(8,693)	9,491	38,691	184,7
Laguna Niguel	10	494,835	0	0	57,855	11.69%	61,149	12.36%	\$2.14	3,508	(12,379)	7,519	45,02
Lake Forest	38	1,914,056	0	0	413,591	21.61%	619,384	32.36%	\$1.64	(189,272)	(196,906)	26,619	209,86
Mission Viejo	36	1,921,395	0	0	257,248	13.39%	295,263	15.37%	\$1.78	(36,993)	(6,257)	26,157	154,7
Rancho Santa Margarita San Clemente	6 10	251,030 387,818	0	0	68,195 41,702	27.17% 10.75%	71,731 51,710	28.57% 13.33%	\$1.54 \$1.93	(3,181) (2,205)	903 6,035	7,288 26,216	16,17 70,2
San Juan Capistrano	16	845,682	0	0	88,750	10.75%	90,695	10.72%	\$2.10	5,132	(53,450)	7,632	22,67
South County Total	325	19,698,501	0	785,200	3,527,836	17.91%	4,242,485	21.54%	\$1.99	54,218	124,540	648,230	2,175,80
Orange County Total	1,504	109,865,707	337,000	3,545,149	19,175,051	17.45%	23,487,555	21.38%	\$1.99	392,539	398,692	2,558,668	10,098,9
range county rotal	1,504	109,000,707	337,000	3,343,149	19,175,051	17.43/0	23,401,333	21.30/0	ψ1.55	392,339	390,092	2,330,000	10,050,50
		INVEN	ITORY		_	VACANCY	& LEAS	E RATES			ABSOR	PTION	
	Number of	Net Rentable	Square Feet	Square Feet	Square Feet	Vacancy Rate	Square Feet	Availability Rate	Average Asking	Net Absorption	Net Absorption	Gross Absorption	Gross Absorption
	Bldgs.	Square Feet	U/C	Planned	Vacant	402010	Available	402010	Lease Rate	402010	2010	402010	2010
orth County Class A	22	2,384,792	0	159,200	394,622	16.55%	568,548	23.84%	\$2.12	(56,274)	59,118	21,303	206,40
Class B	85	5,363,394	143,000	159,200	394,622 859,118	16.55%	1,174,937	23.84%	\$2.12 \$1.86	20,276	(37,922)	103,400	206,40
Class C	11	364,765	143,000	0	21,255	5.83%	22,828	6.26%	\$1.70	(603)	4,109	2,852	16,32
Vest County	- 11	304,703	U	Ü	21,200	3.0070	22,020	0.2070	ψ1.70	(000)	4,105	2,002	10,0
Class A	29	2,869,141	0	0	384,534	13.40%	559,045	19.48%	\$2.05	18,077	(81,838)	32,310	131,2
Class B	111	5,640,074	0	0	528,925	9.38%	713,350	12.65%	\$1.71	98,590	84,416	135,923	320,2
Class C	27	1,117,619	0	0	72,859	6.52%	83,183	7.44%	\$1.39	298	(414)	3,319	25,5
entral County											. ,		
Class A	74	11,676,279	0	960,820	2,333,639	19.99%	2,577,823	22.08%	\$1.98	(16,220)	(71,232)	320,580	1,168,5
Class B	253	15,401,494	194,000	261,954	2,738,218	17.78%	3,129,116	20.32%	\$1.59	25,663	114,800	195,289	1,077,6
Class C	73	2,870,686	0	0	286,672	9.99%	348,716	12.15%	\$1.40	(30,415)	(66,189)	16,043	155,6
irport Area		00.000.000		000 000	F 461 66	04 6001	0.500.10-	07 000	40.55	000 000	000 00	000 005	0.550
Class A	134	23,690,875	0	800,000	5,191,898	21.92%	6,560,492	27.69%	\$2.28	209,833	220,083	636,987	2,572,0
Class B	326	17,239,420	0	577,975	2,663,980	15.45%	3,322,921	19.28%	\$1.82	36,941	100,667	404,520	1,910,0
Class C	34	1,548,667	0	0	171,495	11.07%	184,111	11.89%	\$1.34	32,155	(51,446)	37,912	87,8
Class A	88	8,636,750	0	647,000	1,463,351	16.94%	2,056,229	23.81%	\$2.08	86,588	241,221	231,279	1,064,6
Class B	228	10,542,537	0	138,200	2,055,901	19.50%	2,056,229	20.66%	\$2.08	(35,961)	(133,240)	410,390	1,064,6
Class C	9	519,214	0	0	8,584	1.65%	8,584	1.65%	\$1.20	3,591	16,559	6,561	31,2
Orange County		010,217	U	0	0,004	1.0070	0,004	1.0070	Ψ1.E0	0,001	10,000	0,001	01,2
Class A	347	49,257,837	0	2,567,020	9,768,044	19.83%	12,322,137	25.02%	\$2.16	242,004	367,352	1,242,459	5,142,8
Ulass A					8,846,142	16.33%	10,517,996	19.41%	\$1.73	145,509	128,721	1,249,522	4,639,4
Class B	1,003	54,186,919	337,000	978,129	0,040,142	10.0070	10,011,000	10.1170	Ψ1.70	1 10,000	120,121	1,270,022	1,000,1
	1,003 154	6,420,951	337,000	970,129	560,865	8.73%	647,422	10.08%	\$1.40	5,026	(97,381)	66,687	316,60

This survey consists of properties 25,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a full-service gross basis.

Property Address	Submarke	t Cla	ss Square F	eet Sale Price p	er SF	Buyer	Seller	
2211 Michelson Avenue	Airport	Α	271,55	6 \$380.03	3	Kilroy Realty Corporation	Crescent Real Estate Equities	
2957-3031 Michelson Drive - 2 Propert	ties Airport	Α	150,48	0 \$306.73	3	LBA Realty	Maguire Properties	
5 & 6 Hutton Centre Drive – 2 Properties	Airport	Α	543,18	8 \$162.01		Gordon Angelo & Company	Maguire Properties	
18301 Von Karman Avenue	Airport	Α	224,38	3 \$183.84	ļ	Greenlaw Partners	KBS Real Estate Investment Trust, Inc.	
999 W. Town and Country Road	Central	В	98,55	1 \$225.00)	Kilroy Realty Corporation	TA Associates Realty	
17600 Gillette Avenue	Airport	В	98,92	5 \$205.71		Hines Global REIT	AJ Irvine Owner Corporation	
Lease Transactions Property Address	Submarket	Class	Square Feet	Transaction Date	Tenan	t	Owner	
1600 S. Douglass Road - Renewal	Central	Α	127,750	Aug-10	Cash (Call	New Tower Trust Company	
2701 S. Bristol Street – Renewal	Airport	В	115,000	Apr-10	Coasta	al Communities Hospital	Integrated Healthcare Holdings, Inc.	
5 Peters Canyon Road	Airport	Α	107,152	May-10	ay-10 LSI Title The Realty As		The Realty Associates Fund VIII, LP	
4000 MacArthur Boulevard – Renewal	Airport	Α	96,829	Mar-10	Mindspeed Technologies, Inc.		Tishman Speyer	

Aug-10

Jan-10

85,340

81,646

Α

RECENT TRANSACTIONS

Product Type

1525 N. Tustin Avenue

3 MacArthur Place

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.

Airport

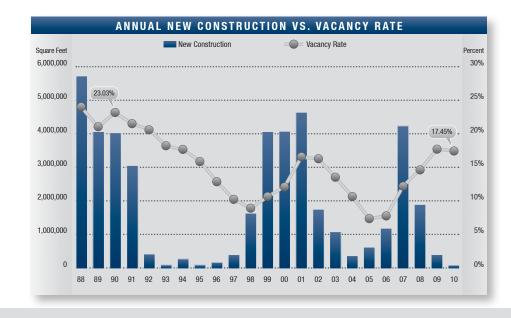
Central

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. However, Class B buildings cannot compete with Class A buildings of the same price.

CLASS C

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



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