

Orange County OFFICE MARKET REPORT

Fourth Quarter 2011

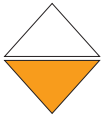
MARKET OVERVIEW (Change from last quarter)

19.49% - Availability



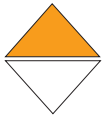
Down from 19.69% last quarter

15.32% - Vacancy



Down from 15.85% last quarter

595,115 Sq. Ft. - Absorption



Up from 547,918 SF last quarter

Average Lease Rate
\$1.92 FSG



Down from \$1.94 last quarter

*All numbers are based on office space in buildings 30,000 sq. ft. and larger.

OC's Office Market Steams Into 2012

Orange County's office market in 2011 posted the best year of net absorption since 2005 as surging demand continued apace in the fourth quarter. Q4 also represented the sixth straight quarterly gain, during which companies absorbed more than half the office space emptied during the recession.

Vacancy fell a half percentage point to 15.3% in Q4, hitting its lowest point since the 2008 mortgage meltdown and credit crisis. The deep downturn caused companies to vacate more than 4.4 million sq. ft. of local office space but 2 million sq. ft. were absorbed in 2011 and 2.4 million sq. ft. since mid-2010.

Three of the county's five submarkets – the Airport, North and South county, which account for 74% of the county's inventory – each posted positive absorption for the year. Absorption in the 22 million-sq.-ft. Central County and comparatively small West County submarkets was slightly negative. Lee & Associates surveys county office buildings larger than 30,000 sq. ft.

Demand for space in the Airport submarket, which includes about 46% of the county's total base inventory, led the surge as companies leased 1.3 million sq. ft. in 2011. It was a notable improvement from the anemic 141,904 sq. ft. net lease-up total in 2010. But it was a dramatic reversal from the 1.7 million sq. ft. that went dark in 2009. The Airport submarket's Q4 vacancy rate fell from the previous quarter by nearly a full point to 16% and declined 2.6 percentage points on the year. Airport office vacancy peaked at 20% in mid 2010.

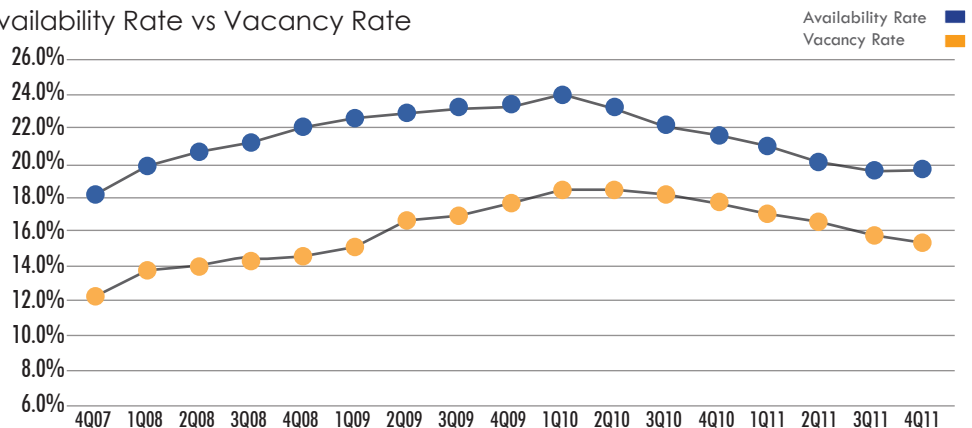
South County with 19.8 million sq. ft. was 2011's second biggest gainer, posting 143,685 sq. ft. of absorption on the plus side in Q4 with a year-to-date gain of 735,834 sq. ft. South County vacancy ended the year at 14.8%, a year-over-year drop of 3.8 percentage points.

North County with 11 million sq. ft. of space was hit hardest in the recession. Its vacancy rate closed the year at 17.3%, plunging 5.9 percentage points from its historical peak of 23.2% one year ago. This submarket posted 70,416 sq. ft. of positive net absorption in 2011.

Central County, Orange County's second largest office submarket with 22.4 million sq. ft., ended 2011 with net absorption slightly in the red, losing 7,340 sq. ft. Nevertheless, it is a comparatively healthy market with a vacancy rate of 13.7%, which was up 0.2 points for the year.

West County, the smallest of the five submarkets with 5.2 million sq. ft., closed 2011 with a 13.3% vacancy rate, a 1.6 percentage point jump from Q3 and a 2.2 point increase YOY. Negative net absorption was 57,454 sq. ft. for Q4 and negative 78,373 sq. ft. for the year. Nevertheless, in Q4 the West and North submarkets were the first to show post-recession increases in average lease rates.

Availability Rate vs Vacancy Rate



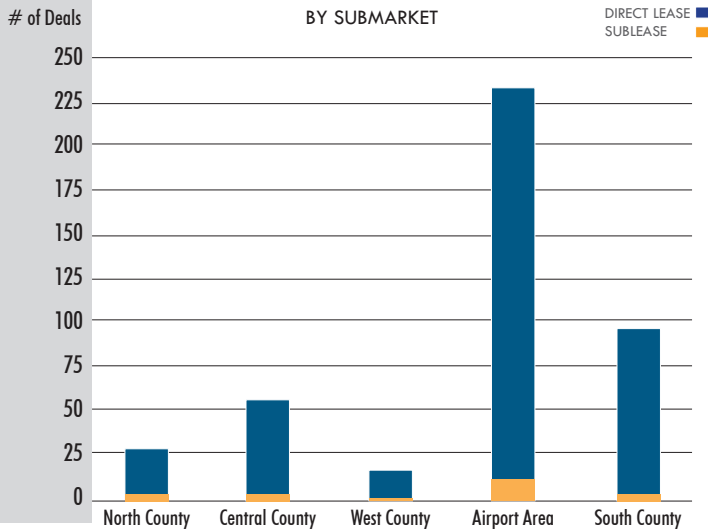
Source: CoStar

The Orange County Office Market Report is published quarterly by the Lee & Associates' Irvine, Newport Beach and Orange offices.

QUARTER IN REVIEW

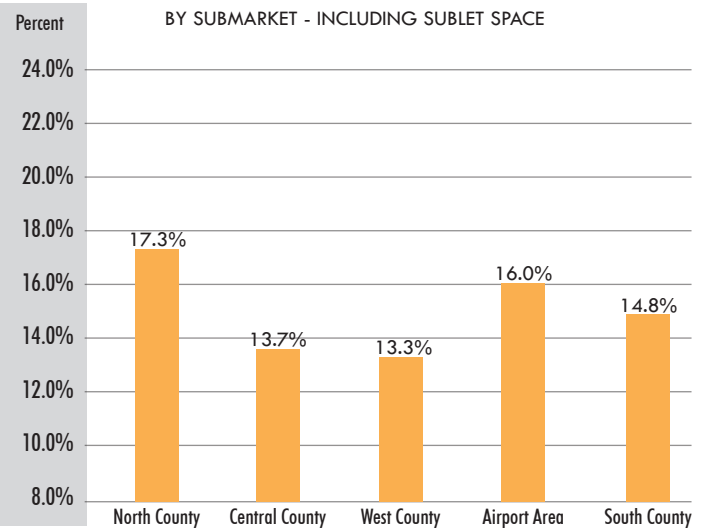
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NUMBER OF LEASES EXECUTED FOR THE QUARTER



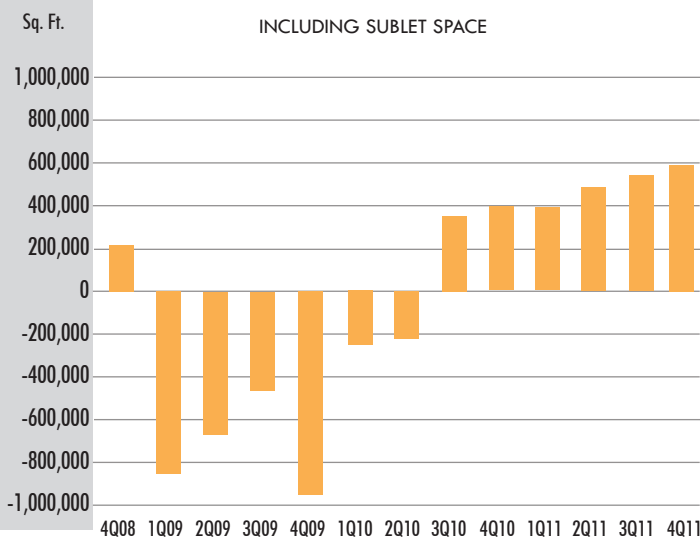
Source: CoStar

VACANCY RATE



Source: CoStar

COUNTY WIDE NET ABSORPTION



Source: CoStar

Submarkets:

NORTH

Anaheim, Brea, Fullerton, La Habra, Orange, Placentia, and Yorba Linda

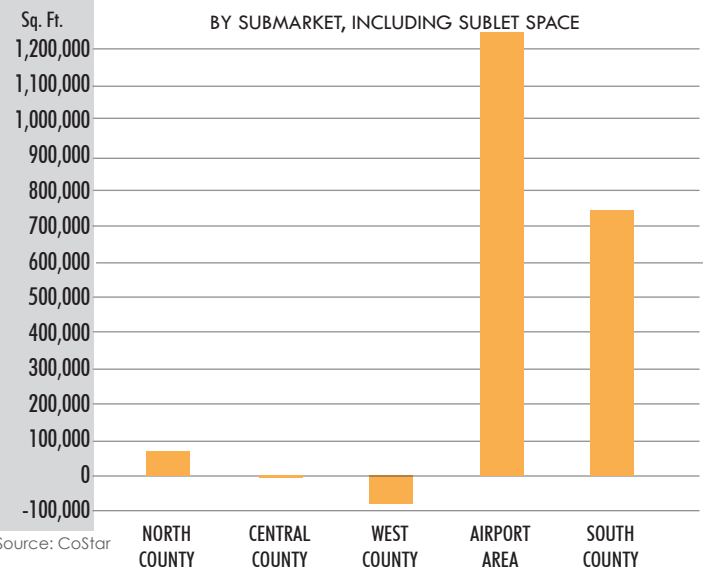
WEST

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

CENTRAL

Fountain Valley, Santa Ana and Tustin

YTD NET ABSORPTION



Source: CoStar

AIRPORT

Costa Mesa, Irvine, and Newport Beach

SOUTH

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

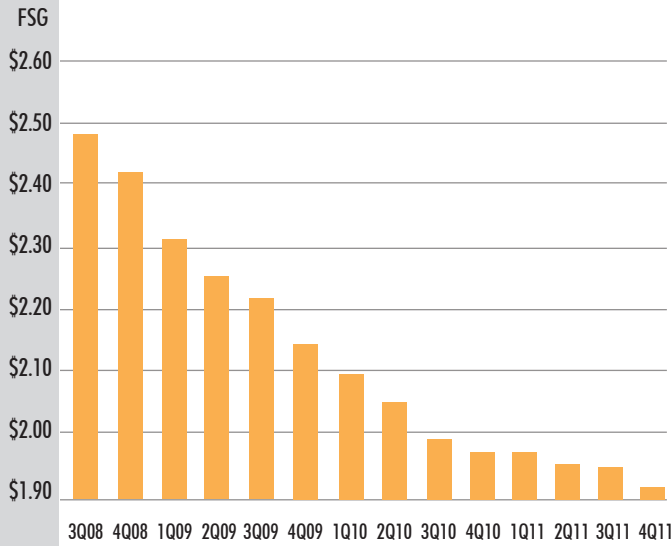
Forecast:

If 2011's office demand in South County – which produced about 736,000 sq. ft. of net absorption and a sub-15% vacancy rate – can be duplicated in 2012, it would bring that submarket's vacancy rate into the 12%-13% range that historically begins to justify new construction. But lease rates still have to increase dramatically even though cost of funds may be low. South County's rents currently average about 29% less than when its vacancy rate was 13% in late 2007.

QUARTER IN REVIEW

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AVERAGE FSG LEASE RATES BY QUARTER

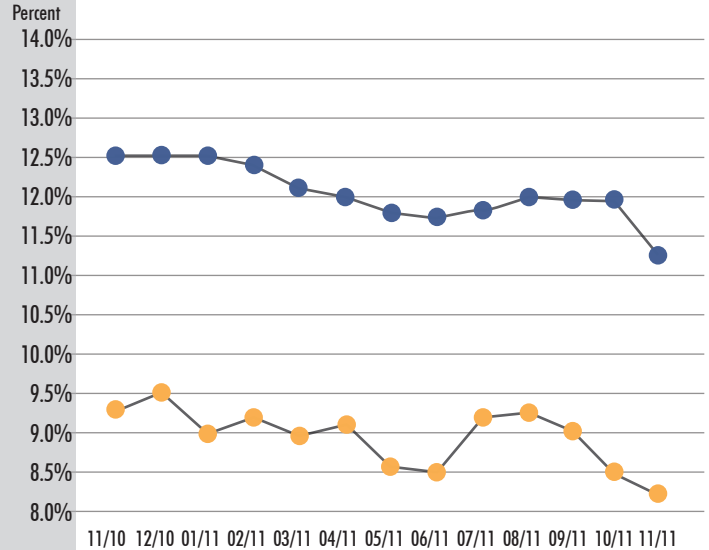


Source: CoStar

UNEMPLOYMENT RATE

Source: EDD

California Orange County



Source: CoStar

Recent Transactions

SOLD • 119,287 Sq. Ft.

5150 E. Pacific Coast Hwy. | Long Beach



G. Thomson & M. Vogt represented the Buyer, Investcorp International & the Seller, Park Tower, LLC

SOLD • 48,183 Sq. Ft.

95 Argonaut | Aliso Viejo



K. Bruggeman and R. Swanson represented the Buyer, Mike Moshayedi, and Seller, CW Capital.

LEASED • 31,854 Sq. Ft.

5150 E. Pacific Coast Hwy. | Long Beach



George Thomson & Marshal Vogt Represented the Lessor - Park Tower, LLC

LEASED • 10,350 Sq. Ft.

400 N. Tustin Ave. | Santa Ana



John Hatzis Represented the Lessor Parkcenter 400.

LEASED • 8,102 Sq. Ft.

1936 E. Deere Ave. Ste 220 | Santa Ana



David Whitney represented the Lessor, Prim Alton Deere, LLC.

SOLD • 7,420 Sq. Ft.

17500 Red Hill Ave., Bldg.100, Ste 100 | Irvine



B. Garbutt, A. Robben and S. Ahern represented the Seller, BKM 17500 Red Hill Associates.

LEASED • 5,672 Sq. Ft.

2 Park Plaza Ste 1000. | Irvine



John Collins and Scott Bellizzi represented the Tenant, Barnhart Balford Beatty.

LEASED • 5,023 Sq. Ft.

23046 Avenida De La Carlota Ste 750 | Laguna Hills



B. Rieden represented the Tenant, Partners Consulting and D. Smith, R. Rader and A. Wicker represented the Lessor, TA Associates

SOLD • 4,635 Sq. Ft.

23191 La Cadena Dr. | Laguna Hills



Adam Wicker and Dave Smith represented the Buyer, Sahib Dudani.

QUARTER IN REVIEW

Fourth Quarter 2011

Office Members of the Lee & Associates Group of Companies-Orange County

LEE & ASSOCIATES - ORANGE
1004 West Taft Avenue, Suite 150
Orange, California 92865
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CRAIG DEMIRANDA
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JONMARK FABIANO
PHIL FRIDD
DOUG GARRETT
JOHN HATZIS
JAMES HAWKINS
DAVID NEWTON
BOB SATTLER
CHRIS SHEA
JOHN SON
ERIK THOMPSON
GEORGE THOMSON
MARSHAL VOGT

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JEFF BISCHOFBERGER	DAVID LAFOSSE
KURT BRUGGEMAN	MIA PHAM
MARK CAREY	ANDREW ROBBERN
PHIL COHEN	DAVE SMITH
CHRIS CONWAY	JUSTIN SMITH
ERIC DARNELL	RYAN SWANSON
CRAIG FITTERER	ADAM WICKER
MATT FRYER	KAYE-T WING
BRIAN GARBUTT	
DYLAN GORMLY	
RYAN HARMAN	
ART HOLLAND	
MARK JERUE	

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KIMBERLY AHLBERG
TIM ARGUELLO
SCOTT BELLIZZI
JOHN COLLINS
GARY MCADELL
KATHE MORGAN
M. WYATT PRICHARD
BOB RIEDEN
DAVID ROMERO
DICK SILVA
DAVID WHITNEY

About Lee & Associates

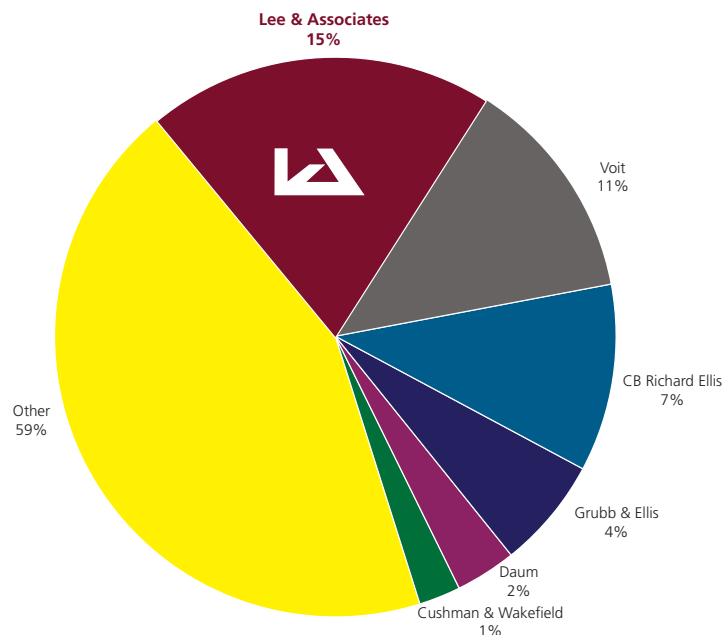
As a group of independently owned and operated companies, Lee & Associates currently has more than 45 offices in California, Arizona, Nevada, Michigan, Missouri, New York, Idaho, Texas, New Jersey, Illinois, Indiana, Georgia, Kansas, South Carolina and Wisconsin.

With a broad array of regional, national and international clients—ranging from individual investors and small businesses, to large corporations and institutions—Lee & Associates has successfully completed transactions with a total value of more than \$5 billion last year, alone.

Office Services

The firm's office brokers negotiate various transactions, including mid- and high-rise properties, business and office parks, mixed-used projects, office land for development, multi-tenant buildings and commercial investments. Our brokers analyze the financial arrangements to streamline transactions, and use innovative marketing efforts and unique transaction structuring to provide creative solutions to meet the client's needs. Our comprehensive service line includes owner and tenant leasing, acquisition and sales, along with marketing and consulting capabilities. We focus on strategic counseling, rather than merely the transaction, in order to execute the best possible real estate strategies for our clients. This includes building strong relationships within the brokerage community overall. As a result, our clients are assured of the broadest exposure possible.

Lee & Associates Brokerage Market Share in Orange County



TERMS:

Average Asking Lease Rate: The rate determined by multiplying the lease rate for each building in the summary by its associated available space, summing the products then dividing by the sum of the available spaces with gross lease rates for all buildings in the summary. Direct leases only; excludes sublease space and parking charges.

Full Service Gross (FSG): Lease type whereby the landlord assumes responsibility for all the operating expenses and taxes for the property.

Inventory: Office inventory includes all multi-tenant and single-tenant buildings containing at least 30,000 square feet of rentable space. Owner-occupied, government, medical buildings are not included.

Occupied Square Feet: NRA not considered vacant.

Vacancy Rate: The percentage of the total amount of physically vacant space divided by the total amount of existing inventory.

Gross Absorption: The total amount of space leased or sold in a specified period of time.

Net Absorption: The change in total occupied square foot from one period to the next. Positive absorption is reflected when a lease is signed, which may not coincide with the date of occupancy.

Net Rentable Area (NRA): The gross building square footage minus the elevator core, pipe shafts, vertical ducts, balconies and stairwell areas.

Vacancy Rate: Vacant square feet divided by the NRA.

No warranty or representation is made to the accuracy of the foregoing information. Terms of sale or lease and availability are subject to change or withdrawal without notice.