MarketView
Orange County - Office

Quick Stats

	Current	Change from last Yr.	Change from last Qtr.
Vacancy	15.3%	↓	↓
Lease Rates	$1.94	↓	↔
Net Absorption*	593,390	↑	↑
Construction Completed	198,000	↑	↑

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- 593,390 square feet of net absorption was recorded in the fourth quarter of 2011, bringing the year-to-date total to 1,926,903 SF.
- The total vacancy rate declined by 40 basis points to 15.3%. The availability rate declined by 60 basis points to 20.8%.
- The overall average asking lease rate in Orange County remained stable at $1.94 per square foot.
- Orange County's unemployment level improved, declining to 8.1% in November.

The Orange County office market finished the year with strong positive absorption and stabilization of asking lease rates. As national markets continue to recover from the recession, the year-to-date statistics for Orange County indicate a slow and steady recovery.

During the fourth quarter of 2011, over 593,000 square feet of positive absorption was recorded in the Orange County office market. This marks the seventh consecutive quarter of positive absorption since the end of the recession and brought the year-to-date total to just over 1.9 million square feet. Net absorption for the quarter is up significantly from both last quarter as well as the fourth quarter of last year. Class A office buildings in Orange County's central business districts of the Greater Airport Area and Central Orange County submarkets accounted for most of the activity, demonstrating the continued trend of a flight to quality and centralization in the market.

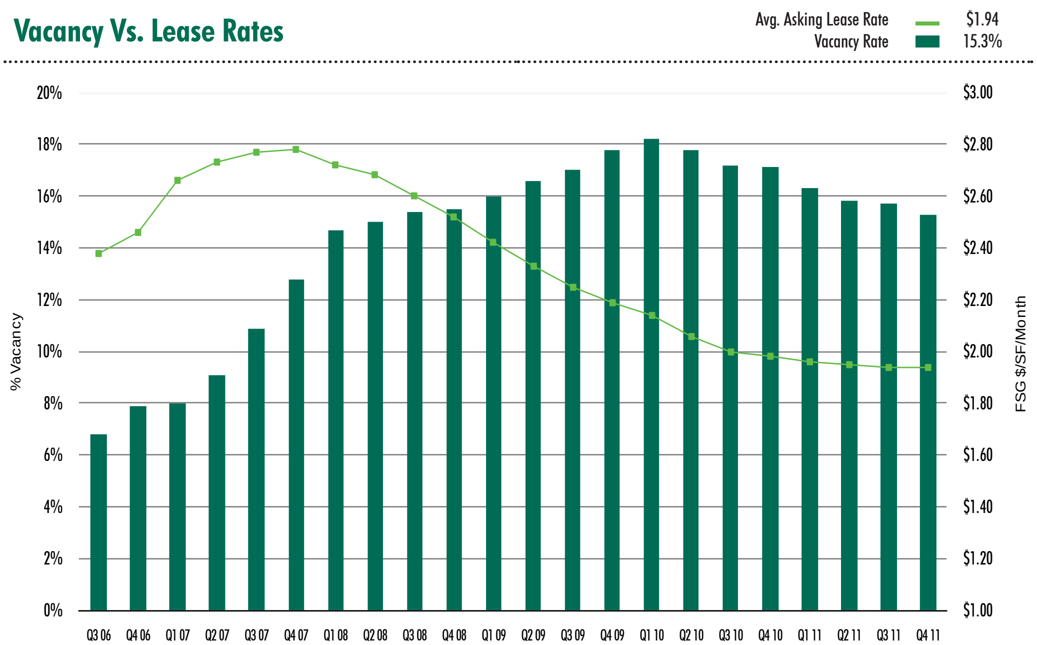
The total vacancy rate in Orange County decreased by 180 basis points year-to-year, down to 15.3% from 17.1% in the fourth quarter 2010. In response to considerable positive absorption, the Greater Airport Area had the largest drop in vacancy compared to the remainder of the county. Since peaking at 18.2% in the first quarter of 2010, the vacancy rate in Orange County has dropped an average of 41 basis points each quarter.

Asking lease rates seem to have stabilized, remaining steady since the third quarter at $1.94 full service gross per square foot. This quarter halted the downward trend of asking lease rate adjustments for the first time in the past 15 quarters.

Construction activity received a boost during the fourth quarter from the Irvine Company's new 380,000 square-foot built-to-suit office tower for investment manager PIMCO in Newport Center. Construction began in November of this year and is slated for completion in late 2013. The pre-leased 198,000 square-foot office project for Extron Electronics in Anaheim was completed in the fourth quarter, which is a project that had been under construction since spring of 2010.

Investors in Orange County remained watchful in the fourth quarter due to the uncertainty of the European markets and the upcoming Presidential election. A handful of significant deals in the Orange County market are offering attractive assumable financing, and many are cautiously hopeful for increased activity given the tremendous amount of capital still looking to be placed in the market.

Vacancy Vs. Lease Rates



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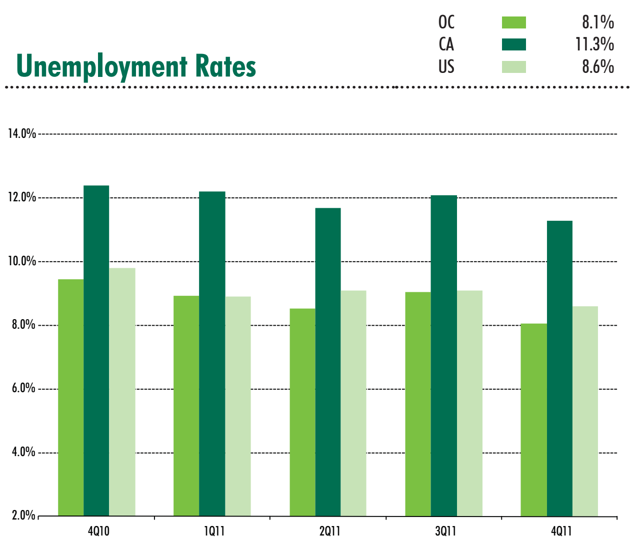
Market Statistics

Market Area	Building RBA	Available Rate	Vacancy Rate	Net Absorption	YTD Net Absorption	SF Under Construction	Construction Deliveries	YTD Construction Deliveries	Avg. Asking Lease Rate FSG $/SF/MO
NORTH ORANGE COUNTY									
CLASS A	2,430,114	12.5%	9.3%	55,641	119,785	0	0	0	$2.12
CLASS B	5,334,688	18.8%	13.5%	-141,603	68,761	0	0	0	$1.81
CLASS C	715,954	20.8%	18.4%	-20,065	12,097	0	0	0	$1.56
TOTALS	**8,480,756**	**17.2%**	**12.7%**	**-106,027**	**200,643**	**0**	**0**	**0**	**$1.85**
CENTRAL ORANGE COUNTY									
CLASS A	6,110,378	21.8%	17.4%	80,934	163,885	0	0	0	$2.02
CLASS B	8,944,045	20.1%	16.0%	207,519	242,515	0	198,000	198,000	$1.61
CLASS C	1,594,307	13.8%	12.3%	-20,312	-26,934	0	0	0	$1.55
TOTALS	**16,648,730**	**20.1%**	**16.2%**	**268,141**	**379,466**	**0**	**198,000**	**198,000**	**$1.76**
WEST ORANGE COUNTY									
CLASS A	2,149,505	21.8%	15.2%	-9,763	11,813	0	0	0	$2.05
CLASS B	2,481,338	25.5%	16.9%	-76,299	-138,181	0	0	0	$1.79
CLASS C	391,404	7.0%	4.1%	-7,572	4,082	0	0	0	$1.38
TOTALS	**5,022,247**	**22.5%**	**15.2%**	**-93,634**	**-122,286**	**0**	**0**	**0**	**$1.88**
GREATER AIRPORT AREA									
CLASS A	25,049,013	24.9%	18.7%	243,773	769,691	380,000	0	0	$2.16
CLASS B	20,323,662	17.4%	11.9%	103,644	485,520	0	0	0	$1.78
CLASS C	1,759,275	20.8%	17.0%	24,182	35,090	0	0	0	$1.61
TOTALS	**47,131,950**	**21.5%**	**15.7%**	**371,599**	**1,290,301**	**380,000**	**0**	**0**	**$2.00**
SOUTH ORANGE COUNTY									
CLASS A	10,345,464	20.6%	15.4%	42,193	80,784	0	0	0	$2.03
CLASS B	11,763,461	21.4%	14.0%	119,834	119,644	0	0	0	$1.93
CLASS C	575,248	19.1%	16.4%	-8,716	-21,649	0	0	0	$1.71
TOTALS	**22,684,173**	**21.0%**	**14.6%**	**153,311**	**178,779**	**0**	**0**	**0**	**$1.98**
ORANGE COUNTY TOTALS	***99,967,856***	***20.8%***	***15.3%***	***593,390***	***1,926,903***	***380,000***	***198,000***	***198,000***	***$1.94***

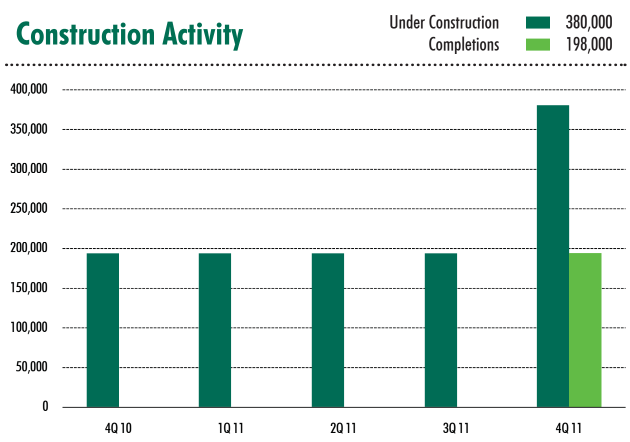
Unemployment Rates



The Orange County region currently has an unemployment rate of 8.1%, which is down from 8.5% recorded one month earlier and well below the 9.6% rate witnessed in November of 2010. In comparison, Orange County falls below California's level of 11.3%, as well as the national unemployment rate of 8.6%

Since November of last year, approximately 13,000 jobs have been added in Orange County. Leisure and hospitality recorded the largest year-over-year gain of 7,200 jobs, 90% of which fell into the accommodation and food services sector. Professional and business services also recorded a significant annual increase, adding 6,200 jobs overall. Overall employment losses did occur in government (down 1,600 jobs), financial activities (down 1,200 jobs), construction (down 1,100 jobs) and the information sector (down 300 jobs). The office sector, as defined by certain categories within the financial and service employment sectors, is projected to add 10,700 new office jobs in 2012, according to CBRE Econometric Advisors.

Construction Activity



Construction began this quarter on the PIMCO headquarters relocation and expansion in Newport Center, and is expected to be completed in late 2013. The Irvine Company will be leading the construction process as the owner-developer. In addition, the built-to-suit Extron Electronics building was completed in the fourth quarter in Anaheim.

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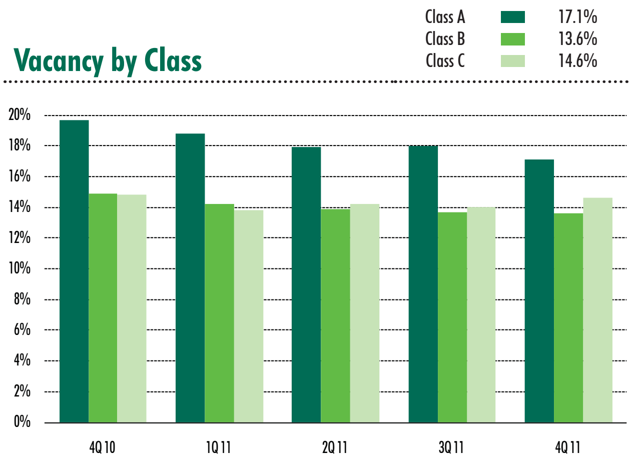
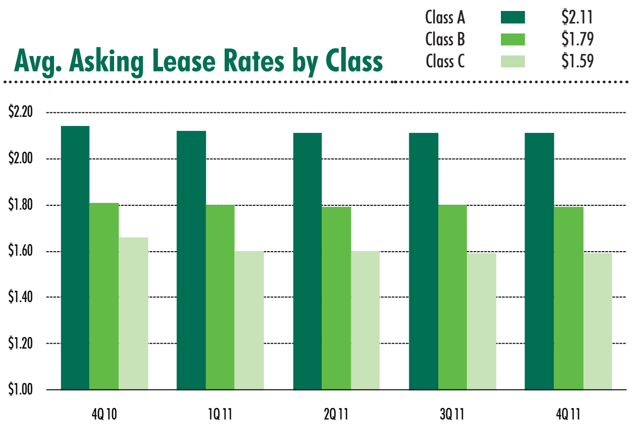
Vacancy by Class



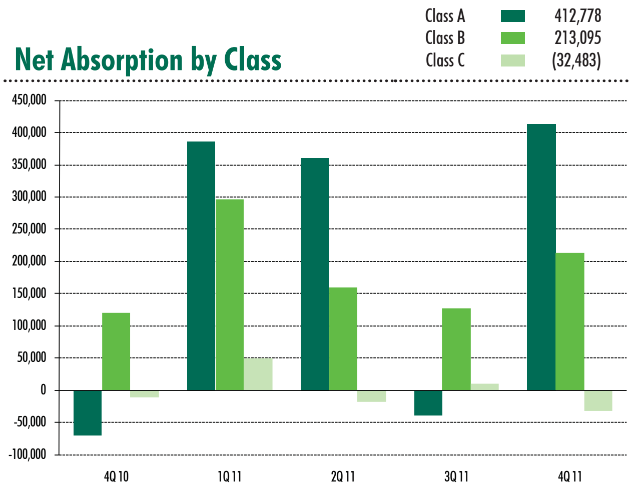
The total vacancy rate for Orange County dropped to 15.3%, down from 15.7% last quarter. By area, the Greater Airport Area had the sharpest declines compared to the rest of the county, while West Orange County vacancy rose by 190 basis points. Vacancies in Class A properties dropped to 17.1% while the vacancy level of Class B dropped to 13.6%. Class C properties saw an increase in vacancy to stand at 14.6% this quarter. The total availability rate in the Orange County market dropped off by 60 basis points to stand at 20.8%. All areas saw declining availability rates except for West Orange County where availability climbed from 21.1% to 22.5% – now the submarket with the largest availability. By Class, availability rates dropped across the board.

Avg. Asking Lease Rates by Class



The average asking lease rate for Orange County office properties remained stable since last quarter at $1.94. Lease rates have been in decline for the past 15 quarters since the recent peak of the market in the fourth quarter of 2007 when the average asking lease rate stood at $2.78, but this year saw declining lease rate begin to level off in comparison to the drastic declines experienced from 2007 – 2010. Asking rates in Class A properties remained steady at $2.11 per square foot in the third quarter. Class B properties recorded an average asking rate of $1.79, one cent lower than the third quarter. Class C properties remained stable at $1.59.

Net Absorption by Class



The Orange County office market absorbed 593,390 square feet of space during the fourth quarter. Since the second quarter of 2010, the market has seen seven consecutive quarters of positive absorption with net absorption for those seven quarters just under 3 million square feet. Absorption since January brings the total year-to-date net absorption for 2011 to just over 1.9 million square feet. Absorption in the Greater Airport Area accounted for the most activity with approximately 371,599 square feet of space. Central and South Orange County also performed fairly well, absorbing 421,452 square feet together. West and North Orange County recorded negative absorption during the fourth quarter. By class and building type, Class A high-rise properties outperformed the balance of the market with 412,778 square feet of positive net absorption.

MarketView Orange County - Office

Top Lease Transactions

Size (Sq. Ft.)	Tenant	Submarket	Deal Type
92,000	Federal Bureau of Investigation [FBI]	Central Orange County	New
77,954	Southern California Edison	North Orange County	Renewal
75,194	Panasonic	South Orange County	Expansion
58,268	Promontory Risk Review LLC	Central Orange County	New
46,797	LNR Property	Greater Airport Area	Renewal

Submarket Map

Office Market Area Descriptions

North Orange County
124 buildings totaling 8.5 million square feet in the cities of Brea, Buena Park, Fullerton, La Habra, La Palma, Placentia, Yorba Linda and the submarket of Anaheim Hills.

Central Orange County
284 buildings totaling 16.6 million square feet in the cities of Anaheim, Garden Grove, Orange and portions of Santa Ana and Tustin.

West Orange County
88 buildings totaling 5.0 million square feet in the cities of Cypress, Huntington Beach, Los Alamitos, Seal Beach, Stanton and Westminster.

Greater Airport Area
686 buildings totaling 47.1 million square feet in the cities of Corona del Mar, Costa Mesa, Fountain Valley, Irvine, Newport Beach, and portions of Santa Ana and Tustin.

South Orange County
661 buildings totaling 22.7 million square feet in the cities of Aliso Viejo, Dana Point, Foothill Ranch, Laguna Hills, Laguna Niguel, Lake Forest, Mission Viejo, San Clemente, San Juan Capistrano, Rancho Santa Margarita and the Irvine Spectrum.

Local Offices

Antelope Valley
42220 10th Street West, Suite 107
Lancaster, California 93534
661.729.6702

Beverly Hills
1840 Century Park East
Los Angeles, California 90067
310.550.2500

El Segundo
2041 Rosecrans Avenue, Suite 300
El Segundo, California 90245
310-765-2600

Los Angeles Downtown
355 South Grand Avenue, Suite 3100
Los Angeles, California 90071
213.613.3242

LA North - Glendale/San Fernando
10 Universal City Plaza, 27th Floor
Universal City, California 91608
818.907.4677

Newport Beach
3501 Jamboree Road, Suite 100
Newport Beach, California 92660
949.725.8500

Ontario
4141 Inland Empire Boulevard, Suite 100
Ontario, California 91764
909.418.2000

Orange County Central
1100 Town & Country Road, Suite 1200
Orange, California 92868
714.371.9200

Palm Desert
74-770 Highway 111, Suite 101
Indian Wells, California 92210
760.341.5273

San Diego Central
4365 Executive Drive, Suite 900
San Diego, California 92121
858.546.4600

San Diego Downtown
350 Tenth Avenue, Suite 800
San Diego, California 92101
619.236.1231

San Diego North County
5740 Fleet Drive, Suite 100
Carlsbad, California 92008
760.438.8500

Santa Barbara
1332 Anacapa Street
Santa Barbara, California 93101
805.963.6100

Santa Fe Springs
10350 Heritage Park Drive
Santa Fe Springs, California 90670
562.946.1541

South Bay/Mid-Counties
990 West 190th Street
Torrance, California 90502
310.516.2300

Temecula
27720 Jefferson Avenue, Ste. 230
Jefferson Plaza Office Building
Temecula, California 92590
951.326.2900

Ventura County
771 East Daily Drive, Suite 300
Camarillo, California 93010
805.465.1600

Market Coverage
Includes all existing competitive office and flex projects 30,000 square feet and greater in size, excluding medical and government buildings. Excludes buildings Under Construction or Planned.

Under Construction
Buildings which have begun construction as evidenced by site excavation or foundation work.

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

Available Square Feet
Space Available for lease which is either physically vacant or occupied. Includes Subleases.

Availability Rate
Available Square Feet divided by the NRA.

Vacant Square Feet
Portion of Available Square Feet which is either physically vacant or immediately available. Includes Subleases.

Direct Vacancy Square Feet
Portion of Available Square Feet which is either physically vacant or immediately available. Excludes subleases.

Vacancy Rate
Vacant Square Feet divided by the NRA.

Occupied Square Feet
NRA not considered vacant.

Net Absorption
The change in Occupied Square Feet from one period to the next. Positive absorption is reflected when a lease is signed, which may not coincide with the date of occupancy.

Average Asking Lease Rate
The rate determined by multiplying the asking gross 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 of the operating expenses and taxes for the property.

Normalization
Due to a reclassification of the market, the base, number and square footage of buildings for previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

For more information regarding the MarketView, please contact:
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