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Orange County

MARKET INDICATORS

Economic Drivers

	Q4 10	Q1 11	
NET ABSORPTION	↑	↑	Q4 2010 posted +243,100 SF of net absorption. 2010 total net absorption was -719,700 SF. Class A net absorption in Q4 2010 was +164,100 SF with 2010 Class A total net absorption of -160,800 SF.
VACANCY	↓	↓	Total vacancy rate declined to 22.4% indicating that the market has turned a corner toward improvement; Class A total vacancy decreased to 23.5%. Sublease vacancy decreased to 0.8%.
RENTAL RATE	↓	↓	Average asking rental rates for direct Class A space in Orange County decreased to $2.18 PSF per year FSG. Although average asking rental rates continue to decline, the pace at which they are currently decreasing is slowing down compared to recent quarters.
ACTIVITY	→	↑	Although leasing activity declined to 1,358,200 SF in Q4, both Q2 and Q3 saw an increase in activity. The general consensus is that activity is on the rise. Sales activity remains strong in Orange County.

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Q4 2010 Absorption & Vacancy Rate

Building Class/Submarket	Total Inventory (Square Feet)	Vacant Direct Space	Vacant Sublease Space	Total Space Vacant	Net Absorption 3Q'10 vs. 4Q'10	Net Absorption YTD	Overall Vacancy Rate
Class A	**33,319,300**	7,387,150	448,479	7,835,629	164,100	(160,800)	23.5%
Class B	**35,611,400**	7,554,337	98,129	7,652,466	139,300	(342,100)	21.5%
Class C	**8,420,600**	1,515,049	51,730	1,566,779	(60,300)	(216,800)	18.6%
Total Orange County (A+B+C)	**77,351,300**	**16,456,536**	**598,338**	**17,054,874**	**243,100**	**(719,700)**	**22.4%**
Airport Area	**37,542,800**	8,084,774	378,468	8,463,242	217,900	(298,900)	22.5%
Central County	**13,974,900**	3,193,760	110,987	3,304,747	(45,000)	(337,000)	23.6%
South County	**14,995,000**	3,144,279	29,355	3,173,634	65,400	(78,800)	21.2%

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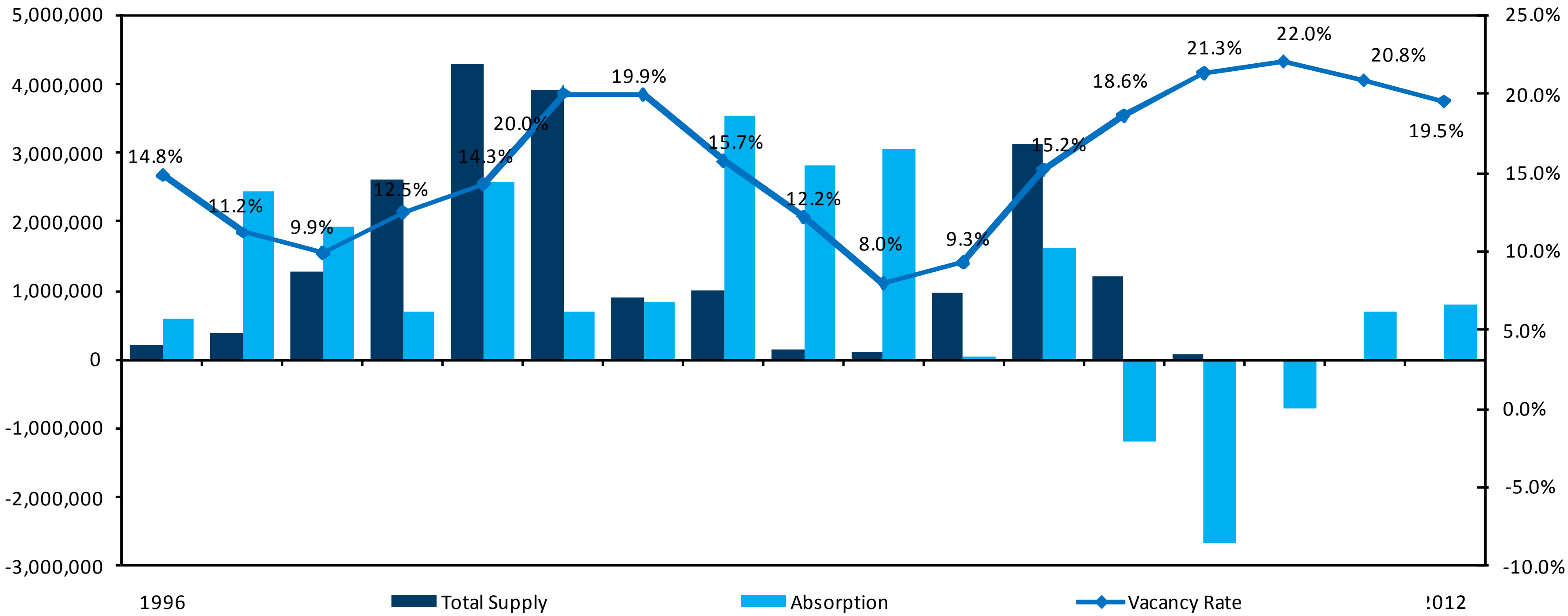
Absorption & Vacancy Projections



Absorption **2010 Q4: +243,100 SF** **2011: +700,000 SF** **2012: +800,000 SF**

Floor	1 Arena Corporate	2 Stadium Crossings	3 Stadium Towers	4 Metroplex	5 Stadium Gateway	6 Stadium Centre	7 TriCentre	8 3800 Chapman	9 City Plaza	10 City Tower
21										2,261 rsf
20										2,038 rsf
19									0 rsf	14,821 rsf
18									0 rsf	9,086 rsf
17									0 rsf	0 rsf
16									0 rsf	1,500 rsf
15									0 rsf	20,972 rsf
14									3,732 rsf	9,126 rsf
12			9,811 rsf						0 rsf	3,447 rsf
11			21,824 rsf						1,997 rsf	11,879 rsf
10			2,162 rsf				19,699 rsf		0 rsf	0 rsf
9			23,061 rsf				0 rsf		19,876 rsf	0 rsf
8			23,471 rsf				1,758 rsf	0 rsf	5,292 rsf	0 rsf
7			22,067 rsf				6,831 rsf	20,690 rsf	2,621 rsf	10,380 rsf
6			4,972 rsf	0 rsf	23,665 rsf	0 rsf	7,506 rsf	20,688 rsf	2,783 rsf	17,404 rsf
5			21,168 rsf	11,217 rsf	5,735 rsf	0 rsf	0 rsf	0 rsf	0 rsf	0 rsf
4		26,837 rsf	2,328 rsf	0 rsf	0 rsf	1,359 rsf	9,688 rsf	0 rsf	8,615 rsf	0 rsf
3		11,115 rsf	2,330 rsf	0 rsf	45,544 rsf	1,415 rsf	9,933 rsf	0 rsf	0 rsf	0 rsf
2	10,000 rsf	6,608 rsf	0 rsf	3,625 rsf	0 rsf	4,683 rsf	19,307 rsf	19,114 rsf	0 rsf	2,117 rsf
1	15,407 rsf	0 rsf	1,148 rsf	4,651 rsf	4,903 rsf	0 rsf	3,340 rsf	10,000 rsf	0 rsf	0 rsf

Floor	11 505 City Pkwy	12 600 City Pkwy	13 4000 Metro	14 Orange Financial	15 500 Orange	16 Orange City Sq.	17 Executive Tower	18 Xerox Centre	19 Town Center	20 Tustin Centre
16							22,903 rsf	3,640 rsf		
15							5,850 rsf	5,093 rsf		
14					0 rsf		0 rsf	8,548 rsf		
13					1,408 rsf		3,999 rsf			
12					6,340 rsf		24,288 rsf	6,269 rsf		
11					890 rsf		24,031 rsf	6,101 rsf		
10	0 rsf	20,913 rsf			1,967 rsf		16,049 rsf	0 rsf	0 rsf	4,484 rsf
9	20,886 rsf	20,919 rsf			6,721 rsf		23,987 rsf	0 rsf	1,980 rsf	8,159 rsf
8	20,886 rsf	20,017 rsf		0 rsf	18,306 rsf	7,160 rsf	21,150 rsf	3,254 rsf	0 rsf	4,806 rsf
7	20,886 rsf	20,919 rsf		2,106 rsf	8,933 rsf	3,951 rsf	0 rsf	21,441 rsf	0 rsf	7,571 rsf
6	20,886 rsf	8,643 rsf		0 rsf	21,325 rsf	0 rsf	0 rsf	21,441 rsf	0 rsf	0 rsf
5	20,854 rsf	3,437 rsf		0 rsf	15,804 rsf	13,351 rsf	16,852 rsf	0 rsf	1,396 rsf	3,880 rsf
4	20,886 rsf	17,392 rsf	0 rsf	0 rsf	0 rsf	0 rsf	0 rsf	9,804 rsf	8,088 rsf	3,419 rsf
3	0 rsf	11,560 rsf	30,089 rsf	0 rsf	11,036 rsf	23,458 rsf	23,811 rsf	0 rsf	5,513 rsf	0 rsf
2	13,385 rsf	15,198 rsf	45,762 rsf	2,817 rsf	18,937 rsf	23,064 rsf	0 rsf	0 rsf	6,096 rsf	0 rsf
1	7,669 rsf	9,547 rsf	10,067 rsf	0 rsf	0 rsf	12,259 rsf	0 rsf	4,668 rsf	1,517 rsf	3,177 rsf

Building	1 Arena Corporate	2 Stadium Crossings	3 Stadium Towers	4 Metroplex	5 Stadium Gateway	6 Stadium Centre	7 TriCentre	8 3800 Chapman	9 City Plaza	10 City Tower
Address	1400 Douglass Rd	2125 Katella Ave.	2400 Katella Ave.	2401 Katella Ave.	1900 State College	2099 State College	333 Anita Dr	3800 Chapman	1 City Blvd West	333 City Blvd West
City	Anaheim	Anaheim	Anaheim	Anaheim	Anaheim	Anaheim	Orange	Orange	Orange	Orange
Owner	Kennedy Assoc.	Bilak	Receiver	Principal	MPG / Macquarie	Greenlaw Partners	TA Associates	MPG	Hudson Pacific	MPG
Building Size	127,750	105,940	255,265	106,813	272,826	121,977	212,278	157,231	329,866	409,412
Available RSF	25,407	44,560	134,342	19,493	79,847	7,457	78,062	70,492	44,916	105,031
Availability %	19.9%	42.1%	52.6%	18.2%	29.3%	6.1%	36.8%	44.8%	13.6%	25.7%
Contiguous	15,407	37,952	68,599	4,651	45,544	4,683	19,699	41,378	19,876	20,972
Asking Rate	$2.15	$1.90	$2.25	$1.65	$2.25	$1.95	$1.75	$1.85	$1.95	$2.25
Purchase $		$280	$350	$162	$260	$262	$193	$325	$167	$375
Leasing	Voit Real Estate Services	Jones Lang LaSalle	Colliers International	Cushman & Wakefield	MPG Office Trust	CBRE CB Richard Ellis	Cushman & Wakefield	MPG Office Trust	Cushman & Wakefield	MPG Office Trust

Building	11 505 City Pkwy	12 600 City Pkwy	13 4000 Metro	14 Orange Financial	15 500 Orange	16 Orange City Sq.	17 Executive Tower	18 Xerox Centre	19 Town Center	20 Tustin Centre	Summary
Address	505 City Pkwy	600 City Pkwy	4000 Metropolitan	701 S Parker St	500 State College	770 The City Drive	1100 Town & Country	1851 E. 1st Street	2677 Main Street	1551 Tustin Ave	
City	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Santa Ana	Santa Ana	Santa Ana	
Owner	Cal Optima	The Abbey Co.	Greenlaw Partners	Milan	Receiver	CBREI	Muller / Rockwood	WCB / UBS	Muller / Rockwood	Muller / Blackrock	
Building Size	192,652	194,490	182,935	161,423	255,265	193,242	384,183	318,582	215,003	196,461	4,393,594
Available RSF	146,338	148,545	85,918	4,923	111,667	83,243	182,920	90,259	24,590	0	1,488,010
Availability %	76.0%	76.4%	47.0%	3.0%	43.7%	43.1%	47.6%	28.3%	11.4%	0.0%	33.9%
Contiguous	125,284	82,768	85,918	2,817	37,129	58,781	109,505	42,882	5,513	35,496	43,243
Asking Rate	$1.95	$1.95	$2.00	$1.95	$2.25	$2.15	$2.15	$2.05	$2.05	$1.95	$2.02
Purchase $		$76	$63	$230	$375	$155	$160	$243	$388	$300	$241
Leasing	Jones Lang LaSalle	CBRE CB Richard Ellis	Colliers International	CBRE CB Richard Ellis	Colliers International	CBRE CB Richard Ellis	CBRE CB Richard Ellis	CBRE CB Richard Ellis	Coreland Companies	Grubb & Ellis. From Insight to Results	

Direct Availability Greater Than 10,000 RSF

Sublease Availability Greater Than 1/2 Floor

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Top Tenants in the Market

Tenant	S.F. Requirement	Existing Address
Bank of America	250,000	275 Valencia Avenue, Brea
AT&T	200,000	Consolidation of Anaheim and Tustin facilites
Core Logic	200,000	4 First American Way. Santa Ana
Corinthian Colleges	175,000	6 Hutton Centre Dr, Santa Ana
UCI Medical Center	150,000	333 City Blvd West, Orange
FBI	100,000	801 Civic Center Drive W, Santa Ana
Masimo Corporation	100,000	40 Parker, Irvine
LoanDepot.com	100,000	3355 Michelson Drive, Irvine
Freecreditreport.com	85,000+	475 Anton Blvd, Costa Mesa
QTC Management	75,000	21700 Copley Drive, Diamond Bar
Jacobs	50,000+	4 Hutton, Santa Ana
Paychex	40,000	200 Sandpointe, Santa Ana
Liberty Mutual Insurance	30,000	333 City Blvd West, Orange

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Buildings to Watch

Status	Date	Property Address	Bldg SF	Sale Price	Price Per SF	Notes
SOLD	12/1/2010	Pacific Arts Plaza 611 & 675 Anton / 3200 Bristol, Costa Mesa	827,000 RSF	$213,000,000	$258	BUYER: The Irvine Company, SELLER: Maguire / LNR, 4 office buildings along with 4 restaurants, and development site. Project was +-55% leased at the time of sale, 65k lease executed in Jan.
SOLD	12/6/2010	Quintana 17885 -17877 Von Karman Irvine	421,935 RSF	$69,250,000	$164	BUYER: Menlo Equities, SELLER: Maguire / JER, 4 office buildings along with parking structure. Project was +-15% leased at the time of sale.
SOLD	10/7/2010	Orange City Square 750/770/790 City Drive Orange	386,011 RSF	$63,500,000	$165	BUYER: CBRE Investors, SELLER: GE Capital / New York Life, 3 office buildings along with retail center and parking structure. Project was +-65% leased at the time of sale.
SOLD	12/13/2010	Canyon Corporate Center 5515 La Palma Anaheim	156,135 RSF	$9,850,000	$63	BUYER: Greenlaw Partners/Walton Street/Westbrook, SELLER: LNR. Project was 100% leased to Fisker Automotive during escrow; 5.5 plus per 1000 parking.
SOLD	7/15/2010	2525 Main Street / 17770 Cartwright Irvine	136,000 RSF	$20,000,000	$147	BUYER: Menlo Equities, SELLER: Winthrop Financial. Project was +-79% leased at the time of sale, under market parking.
SOLD	12/21/2010	4000 Metropolitan Orange	183,530 RSF	$11,500,000	$63	BUYER: Greenlaw Partners, SELLER: Wells Fargo Bank REO, requires the construction of a parking structure. Project was +-35% leased at the time of sale.

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Status	Date	Property Address	Bldg SF	Sale Price	Price Per SF	Notes
SOLD	1/5/2011	505 City Parkway Orange	204,710 RSF	$30,300,000	$148	BUYER: CalOptima (OC Health), SELLER: The Abbey Company / Baupost, Office building was 10% leased at the time of sale, buyer will occupy majority of vacant space in property.
FOR SALE	Short-List	2600 Michelson Irvine	307,662 RSF	+-$70 million	+-$230	BUYER: "Short-List", SELLER: ING, In receivership, final weeks of sale process, building was +-55% leased at the sale.
FOR SALE	Short-List	7700 Irvine Center Dr. Irvine	209,095 RSF	+-$48 million	+-$255	BUYER: "Short-List", SELLER: Co-op, Borrower and lender, final weeks of sale process, building is +-55% leased at the time of sale. $45 million loan assumption.
FOR SALE	Finalist	Bella Terra 7755/7711/7777 Center Huntington Beach	380,280 RSF	+-$80 million	+-$185	BUYER: "Selected", SELLER: Midland, final weeks of sale process, project is +-65% leased at the time of sale, includes, parking structure, restaurant and health club.
RECEIVER APPOINTED	1/19/2011	2400 Katella Ave.	270,200 RSF	NA	NA	Part of Maguire portfolio, CWCapital Special Servicer; Receiver has been appointed
RECEIVER APPOINTED	1/26/2011	500 State College Blvd.	280,500 RSF	NA	NA	Part of Maguire portfolio, CWCapital Special Servicer; Receiver has been appointed

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2011 Forecast

- **Rental rates should continue to drop slightly in 2011 as a result of building sales.**

- **"Flight to quality" will continue in 2011 as tenants looking to relocate try to get the best deal they can in higher quality office buildings as well as relocating from secondary submarkets such as South & North Orange County as well as the Mid-Counties and San Gabriel Valley areas of Los Angeles County.**

- **The market will continue to show its diversification of industries with no one industry driving tenant growth; government services (federal), bio-med, financial services, and healthcare services will continue to be strong. Three years after the financial crisis, financial services companies have started to re-appear in the market.**

- **Intense investor activity continues throughout the market with numerous properties on and coming on the market in 2011. Primary investment number continues to be replacement cost as most buildings have large vacancies. Big question is what happens with MPG Office Trust's assets.**