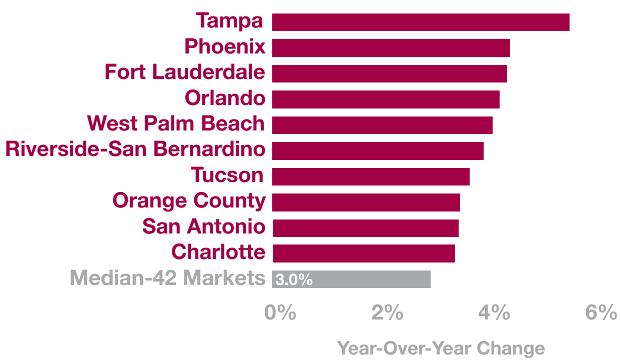
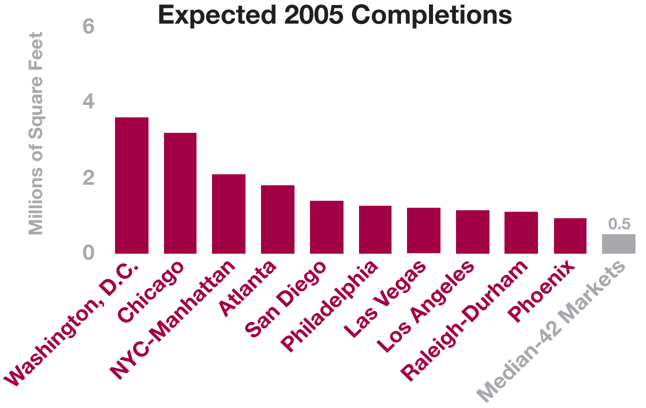
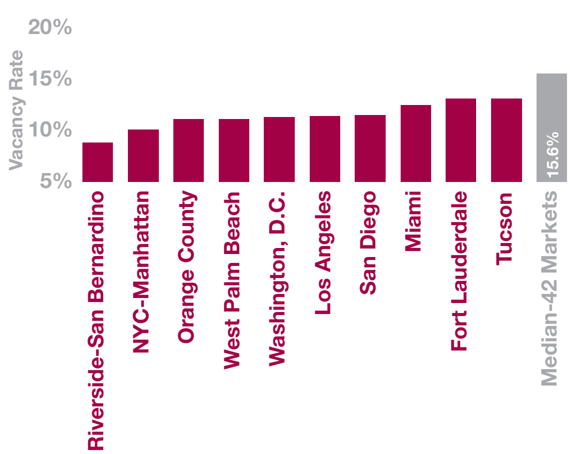
Markets with Highest Expected 2005 Office Employment Growth



Markets with Highest Expected 2005 Completions



Markets with Lowest Expected 2005 Vacancy Rates



Markets with Highest Expected 2005 Vacancy Rates

National Office Index

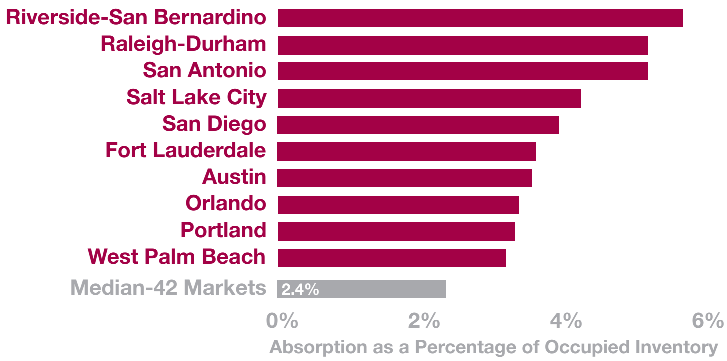
Marcus & Millichap is pleased to present its 2005 National Office Index (NOI), an analysis that ranks 42 office markets based on a series of 12-month forward-looking supply and demand indicators. Markets are ranked according to their cumulative weighted-average scores for various indicators, including forecasted office employment and rent growth, vacancy, construction and absorption. Office employment growth and vacancy, both important indicators of the health of local office markets, are given the most weight in the index. Taking into account both the forecasted level and the degree of change over the forecast period, the index is designed to indicate our expectations for this year's supply and demand conditions at a market level.

Users of the index must keep several important points in mind: first, in 2004 the office market entered its recovery cycle with all markets either bottoming or posting improvement. In this year's index, downward movement in the index does not indicate a decline in market fundamentals, as all 42 markets are expected to post improvement. Secondly, last year's expectations for 2004 employment growth and subsequent vacancy improvement did not materialize in some markets, which led to a downward adjustment in the 2005 ranking compared to their position going into 2004. Thirdly, the NOI is not designed to predict the performance of individual investments. A carefully chosen investment in a bottom-ranked market could easily outperform a poor choice in a top-ranked market. Finally, because the NOI is an ordinal index, differences in specific rankings are not proportional. For example, the top-ranked market is not necessarily twice as good as the second-ranked market, nor is it 10 times better than the 10th-ranked market.

***Index Results:* Coastal and Tech-Heavy Markets Post Strongest Gains in Index**

Fort Lauderdale soared in the rankings, securing the #1 spot due to top-10 marks in all measured categories. Improving 10 positions, Fort Lauderdale was propelled by the second-highest forecasted revenue growth of all markets, at 4.5 percent. This, coupled with a relatively thin construction pipeline, sets the foundation for Fort Lauderdale's accelerated recovery. As a result, Washington, D.C. (#2) was displaced from

Markets with Highest Expected 2005 Absorption



MSA	Rank 2005	Rank 2004	04-05 Change	
Fort Lauderdale	1	11	▲	10
Washington, D.C.	2	1	▼	1
Orange County	3	4	▲	1
Riverside-San Bernardino	4	3	▼	1
NYC-Manhattan	5	7	▲	2
San Diego	6	2	▼	4
Miami	7	14	▲	7
Tampa	8	9	▲	1
Los Angeles	9	5	▼	4
West Palm Beach	10	12	▲	2
Las Vegas	11	6	▼	5
Oakland	12	16	▲	4
Tucson	13	8	▼	5
Boston	14	17	▲	3
Seattle	15	35	▲	20
Phoenix	16	19	▲	3
Houston	17	13	▼	4
Philadelphia	18	18	■	0
Jacksonville	19	New	■	NA
Sacramento	20	10	▼	10
Austin	21	24	▲	3
San Antonio	22	New	■	NA
Orlando	23	20	▼	3
Denver	24	30	▲	6
Dallas-Fort Worth	25	27	▲	2
Northern New Jersey	26	22	▼	4
Chicago	27	26	▼	1
Portland	28	28	■	0
San Francisco	29	37	▲	8
Atlanta	30	15	▼	15
Salt Lake City	31	23	▼	8
Minneapolis-St. Paul	32	25	▼	7
Milwaukee	33	33	■	0
San Jose	34	38	▲	4
Cincinnati	35	21	▼	14
Charlotte	36	32	▼	4
Detroit	37	29	▼	8
Cleveland	38	31	▼	7
Indianapolis	39	34	▼	5
Columbus	40	36	▼	4
Raleigh-Durham	41	New	■	NA
New Haven	42	New	■	NA

the top spot. Following a robust election year that resulted in the addition of thousands of office-using jobs, our expectations for employment growth in D.C. eases this year, causing the market to slip one position in the ranking. Orange County (#3) and Riverside-San Bernardino (#4) follow in the index. Southern California has a long history of top-10 finishes, due largely to high barriers to entry. Orange County (#3) boasts one of the lowest completions-to-existing inventory ratios this year, which will cause a further decline in vacancy to 12.5 percent. The expanding population in the Riverside-San Bernardino market is spurring significant hiring activity in the professional and business services industry, supporting our #4 ranking. New York City-Manhattan (#5) boasts above-average office-using job growth along with one of the lowest forecasted vacancy rates in the nation. Though falling four spots due to one of the highest forecasted levels of office completions in 2005, San Diego remains near the top at #6. Strong indicators in Florida markets including year-end vacancies, office-using job growth and below average construction placed Miami (#7), Tampa (#8) and West Palm Beach (#10) among the top 10. As a result, Los Angeles (#9) fell four positions in this year's NOI.

In this year's index, significant shifts occurred among certain markets. Conservative forecasts for improvement in tech-heavy MSAs dictated last year's ranking, but gains in these markets exceeded expectations. To illustrate, Seattle (#15) soared 20 positions. Seattle's performance in 2004 exceeded expectations, which provided a solid footing going into 2005. Forecasts for above-average job growth pushed Austin (#21) up three positions in this year's NOI, led to a six-spot gain for Denver (#24) and four-place rise for San Jose (#34). Conversely, there are a few metros that suffered significant slips in the 2005 ranking. This can be attributed to unmet expectations in 2004, most notably job growth, causing a downward shift in their relative positions going into the 2005 index. Prime examples of this include Sacramento (#20), Atlanta (#30) and Cincinnati (#35).

Markets in the bottom 10 continue to be challenged by below-average economic outlooks. Most are located in the Midwest, where old-line industries limit the pace of improvement. It should be noted, however, that we expect all of these markets to post improvement in 2005, and many offer attractive investment options.