NATIONAL RESEARCH REPORT

Marcus & Millichap
RESEARCH SERVICES

OFFICE

OFFICE

To our valued clients:

While a recovery is under way, the office sector still faces some challenges, including near-term lease rollovers in markets that experienced a spike in rents during the boom years of the late 1990s and 2000. For investors, this presents opportunities. Properties with current or potential vacancy issues are becoming increasingly attractive to investors with turnaround or conversion strategies. The office sector offers higher yields over other investment real estate property types, with the average cap rate 100 to 150 basis points more than cap rates for core retail and apartment properties. For investors willing to take a more hands-on approach, returns can be even more rewarding, especially as we enter into another economic growth cycle.

This year, our projections for economic growth are modest. GDP is forecast to rise at a more moderate pace than last year as economic stimulus is removed, though employment gains will accelerate slightly. Modest build-up in inflationary pressures and global purchases of U.S. debt will keep interest rates from rising rapidly. Office-using sectors are forecast to expand at a stronger pace than overall employment, particularly in high population growth markets. The high-tech markets outperformed expectations last year and will register additional improvement this year. Office owners in these markets will begin to reap the rewards of decreasing vacancy, though rents will remain well below peak levels achieved prior to the economic downturn for some time.

Over the next year, we expect capital flows to the office sector to increase, as investors begin to take profits out of other property types, particularly apartments, in favor of the higher cap rates available in the office sector. More capital will flow into the sector from private investors leveraging 1031 exchanges. At the same time, foreign investors, still benefiting from the weak dollar, will remain active. Institutional investors will also shift more capital to the sector ahead of a recovery. Contrarian market plays, particularly in the hard hit metros, will pick up momentum.

To assist you in developing a successful investment strategy, we are pleased to offer our 2005 National Office Index (NOI), an analysis ranking 42 markets based on a series of 12-month forward-looking supply and demand indicators. We hope that you benefit from this tool and the expertise of our office investment specialists nationwide.

We look forward to being a part of your success.

Sincerely,

Harvey E. Green
President and
Chief Executive Officer

Hessam Nadji
Managing Director
Research Services

National Office REPORT

NATIONAL PERSPECTIVE

MARKET OVERVIEWS

CLIENT SERVICES

Written by Erica Linn, National Research Manager, and James Holt, National Client Services Manager, and edited by Hessam Nadji, Managing Director. The Capital Markets section was co-authored by William E. Hughes, Senior Vice President, Marcus & Millichap Capital Corporation. Additional contributions were made by Marcus & Millichap market analysts and investment brokerage professionals nationwide.

Executive Summary

National Office Supply/Demand Index

- Coastal markets are expected to lead the office recovery. Accordingly, these regions dominate the top-10 positions in this year's ranking, boasting above-average job growth and low vacancy forecasts.
- Fort Lauderdale captured the top spot in the index, with top-10 marks in all measured categories along with the second-highest revenue growth forecast of the 42 markets measured.
- Outperforming expectations last year, tech markets fared well in this year's ranking. Supported by renewed job growth, Seattle jumped 20 spots to #15, while Austin (#21), Denver (#24) and San Jose (#34) all improved three to six positions.
- While all surveyed metros are forecast to post improvement, certain markets slipped in the ranking due to below-expected performance going into 2005. These include Sacramento (#20), Atlanta (#30) and Cincinnati (#35).

National Economy

- Job growth will accelerate to 2 percent in 2005, fueled by a 3.5 percent gain in office-using sectors. Professional and business services and financial activities will register the largest increase, followed closely by the information sector.
- GDP is expected to rise by approximately 3.5 percent in 2005, following a 4.4 percent increase in 2004. Consumer spending has been a significant source of strength over the past few years, but as fiscal stimuli fades, we expect spending to become more conservative.
- The Fed began raising rates in mid-2004. By year-end 2005, we expect the Fed Funds rate to fall within the "neutral" range of 3 percent to 5 percent.
- The trade and budget deficits will weigh down economic growth this year. While currency dynamics pose risks, limited inflationary pressures and foreign purchases of U.S. debt will keep interest rates from rising significantly.

Capital Markets

- According to consensus, the 10-year Treasury yield is forecast to rise 50 to 80 basis points this year to the mid- to high-4 percent range. Exogenous shocks could cause a more significant increase, but this scenario is unlikely.
- Delinquencies on loans secured by office properties remained at low levels last year. With occupancy and rents on the rise in most markets, the risk of a significant increase in delinquencies has passed.
- Spreads for low-leverage (65 percent LTV, 1.25 DSC) loans are at approximately 115 basis points over the 10-year Treasury, while higher-leverage (75 percent LTV, 1.35 DSC) deals are being priced at 150 basis points over.
- As the office market recovery builds momentum, we expect conduits and life insurance companies to step up activity, with conduits aggressively competing for market share.

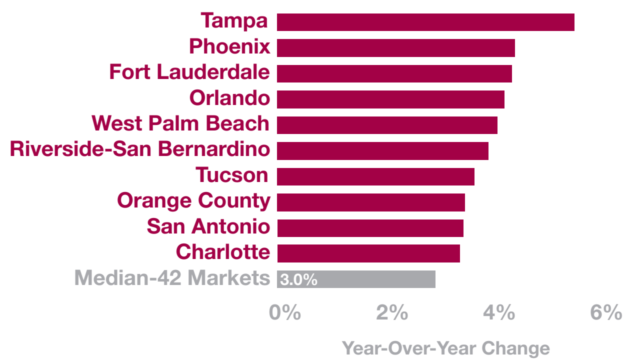
Office Market Overview

- Vacancy is forecast to improve 100 basis points this year to 15.2 percent, following a 70 basis point dip last year.
- Completions for the year are forecast to reach 40 million square feet, up from 29 million square feet in 2004. Absorption, however, is expected to rise by 72 percent to 70 million square feet this year.
- Effective rents are forecast to rise 2 percent in 2005, as declining vacancy allows owners to begin cutting back on concessions. Lease rollovers pose one of the greatest risks to NOIs.
- While the pipeline of planned projects is expanding, lender pre-leasing requirements will keep development in check. On average, projects slated to come online this year are reporting pre-leased occupancy of 75 percent.

Investment Outlook

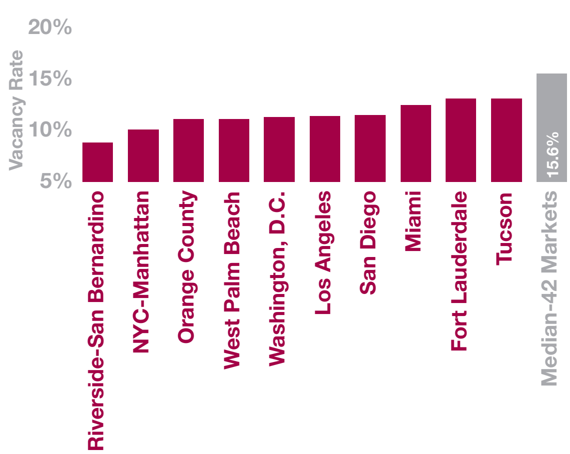
- Capital flows to the office sector are forecast to rise this year as investors begin to take profits out of other core property types in favor of the higher cap rates available in the office sector. In addition, the weak dollar will continue to encourage foreign investment.
- Activity is forecast to rise this year, particularly in markets hit hard by the most recent economic downturn. This trend began last year, when sales volume in markets such as Seattle and Austin more than doubled.
- Competition for office assets in major metros will continue to drive up prices this year and is expected to encourage investors to purchase in secondary and tertiary markets.
- Class A properties will command significant attention this year, as institutions remain active and private investors, including TICs, compete aggressively for top-tier assets.

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

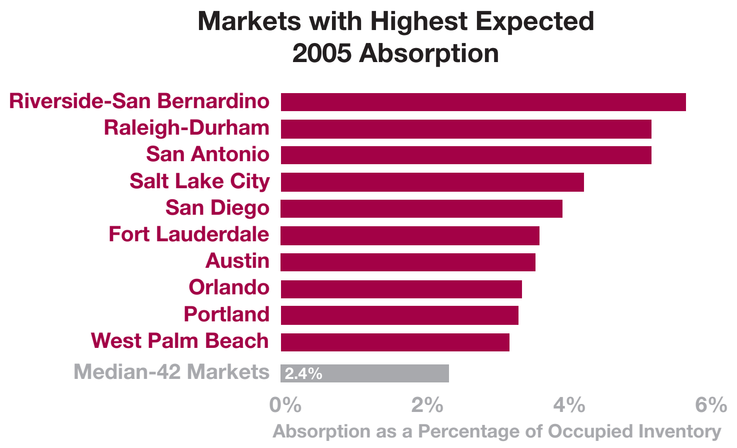
National Office Index

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



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.

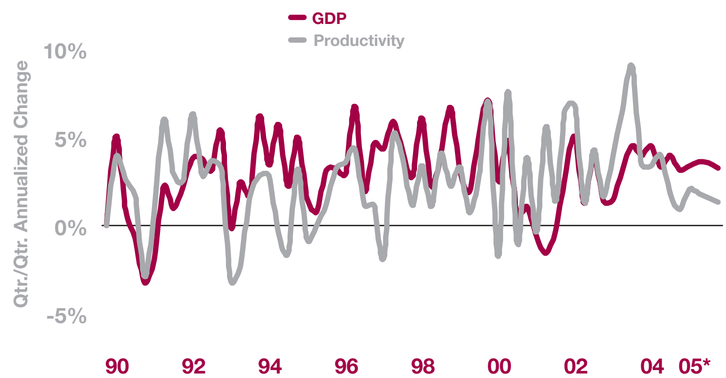
In this year's index, significant shifts occurred among certain markets. Conservative forecasts for improvement in tech-heavy MSAs dictated last year's ranking, but gains in these markets exceeded expectations. To illustrate, Seattle (#15) soared 20 positions. Seattle's performance in 2004 exceeded expectations, 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.

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

- ▲ Growth Accelerates. GDP increased by an estimated 4.4 percent in 2004, the strongest rate reported since 1999. On a quarterly basis, however, growth slowed in the final quarter, due in part to a widening trade deficit. Consumer and business spending were pillars of growth even as the year ended.
- ▼ Fed Begins Tightening. The FOMC raised the Fed Funds rate 25 basis points on six separate occasions between June 2004 and early February 2005. The yield on the 10-year Treasury, however, has remained in the low-4 percent range.
- ▲ Jobs Return. Nonfarm employment grew by 1.7 percent in 2004. Office-using payrolls posted a 2.3 percent gain, following a meager 0.8 percent increase in 2003.
- ▲ Corporations Healthy. Though not yet translating into significant hiring activity, business spending reflects the health of corporations. Business investment rose 10 percent in 2004, driven by spending on equipment, which jumped 13 percent.

Gross Domestic Product and Productivity



National Economy: Slow but Steady Growth Expected as Fiscal Stimuli Fades

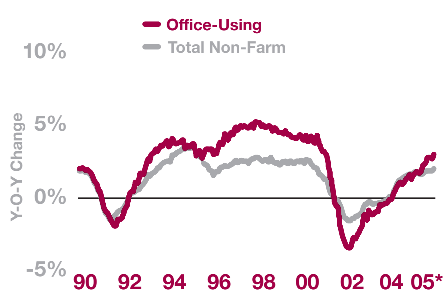
Through 2005, we anticipate economic improvement, though our projections are tempered by factors such as the massive trade and budget deficits, consumer debt and slowing retail sales. Lack of inflationary pressures and foreign purchases of U.S. debt will keep interest rates from rising more than 50 to 80 basis points this year. Currency dynamics pose a risk, however. If foreign nations were to decrease their stake in the U.S. bond market, it could send interest rates soaring, though this scenario is unlikely to occur. Given where we are in the cycle, we expect job growth to accelerate moderately. At year-end 2004, we noted a surge in temporary hiring activity, indicating that work loads had increased but employers were still wary of committing to full-time workers. Productivity gains have slowed, and businesses will soon be forced to hire more in order to meet the growing demand for goods and services.

Office-using employment sectors are forecast to register some of the strongest growth rates this year. Professional and business services and financial activities will lead the way, followed closely by the information sector. Technology-related industries are again showing signs of life, as evidenced by better-than-expected employment growth in markets such as Seattle and Austin. Venture capital outlays are up 11 percent, and rapidly growing industries, such as biotechnology, offer the staying power that eluded the dot-com sector. Offshoring will continue to impact the services sector, limiting demand in select markets.

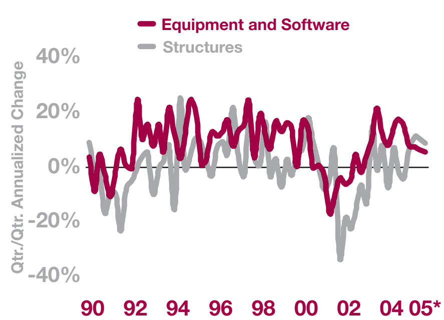
Forecast

- ▲ Growth to Continue. In 2005, GDP growth is forecast to slow to 3.5 percent. While the trade deficit is forecast to narrow, consumers are likely to become more cautious as rising interest rates limit borrowing.
- ▲ Accelerated Job Creation. Employment is forecast to rise by 2 percent. Though low when compared to the boom in the late 1990s and 2000, the projected growth rate is nearly equivalent to the 20-year average.
- ▼ Fiscal Stimuli Removed. “Measured pace” may no longer describe the Fed’s stance on rate hikes. By year-end 2005, the Fed Funds rate is expected to be within the “neutral” range of 3 percent to 5 percent as fiscal stimuli is removed.

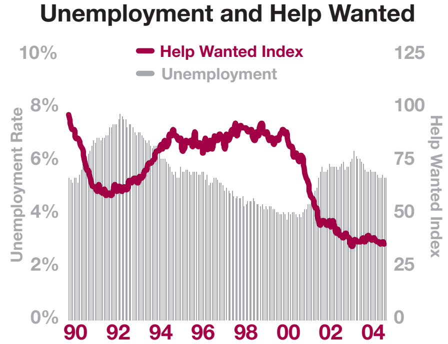
Employment



Business Investment

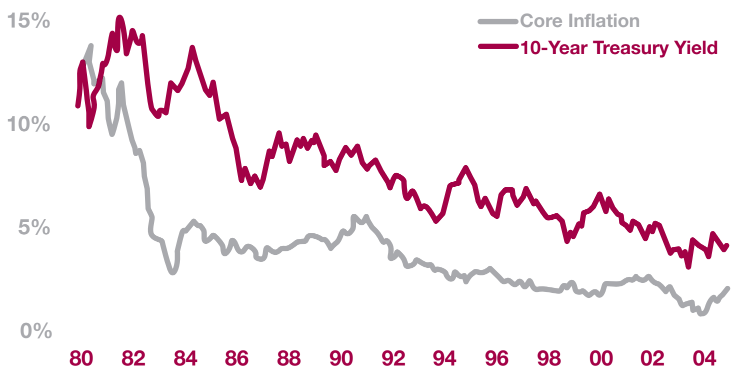


Unemployment and Help Wanted



*Forecast

10-Year Treasury Yield and Core Inflation



- ■ Yields Flat. Foreign and domestic bond buyers held long-term rates in the low-4 percent range over the past year. The 10-year Treasury came in at approximately 4.2 percent at year end and was only about 200 basis points above the two-year note yield, an unusually narrow spread.
- ▲ Competitive Environment. Conduits and life insurance companies each booked high loan volumes last year. Lenders were willing to compete intensely on terms and proceeds.
- ▲ Improved Pricing. Spreads on office loans tightened in 2004, signaling intense competition among lenders and high investor demand for mortgage-backed securities. Lending volume also suggested lenders were becoming more confident that an office market recovery was evolving.
- ▼ Tightening Began. As widely expected, the Fed began to raise short-term rates. The Fed Funds rate ended 2004 at 2.25 percent and was increased to 2.5 percent in early 2005.

Capital Markets: Lenders Gain Interest in Office Deals

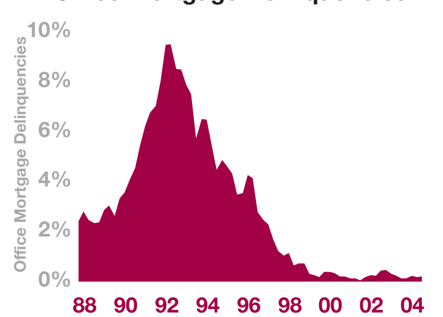
The prolonged slump in the nation's office market was the main story leading into 2004, yet the usual providers of capital for office properties were quite busy during the year. A low number of office completions, an economic recovery that found its legs in 2004 and the evaporation of sublease space helped brighten the outlook of conduits and life insurance companies. Each recorded high loan volumes and remained the go-to sources of capital for office property owners and investors. Over the past several years, conduits and life companies have sharpened their expertise in assessing risk, underwriting office assets and supporting an increasingly liquid mortgage-backed securities market. Additionally, delinquencies on loans secured by office properties remain low. At the same time, with net absorption improving, the prospect of rapidly rising delinquencies seems to have passed. This development should encourage lenders to be more competitive and active in 2005.

Spreads on office loans tightened by approximately 50 basis points in 2004. At year end, large, low-leverage (65 percent LTV, 1.25x DSC) loans were being issued at 115 basis points over the 10-year U.S. Treasury, while higher leverage (75 percent LTV, 1.35x DSC) were being priced at 150 basis points over. Additional tightening is expected through the early part of the year as 10-year rates remain low, the office recovery builds steam and more capital pours into mortgage-backed securities. Borrowers should expect conduits and life companies to step up activity, with conduits competing aggressively to increase market share. Rising short-term rates, meanwhile, might be a signal for borrowers with LIBOR-based debt to lock in fixed rates.

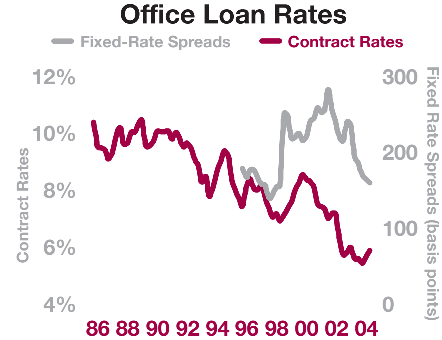
Forecast

- ▼ Rising Rates. Contract rates on loans will increase as economic growth gains traction and Treasury yields rise. According to consensus, a 50 to 80 basis point increase in the 10-year Treasury to the mid- to high-4 percent range is expected.
- ■ Rate Spike Unlikely. Exogenous events such as a large-scale unwinding of foreign positions in U.S. Treasury securities could send rates soaring from current low levels, but such an occurrence is considered unlikely.
- ▼ Fed Maintains Course. Gradual increases in the Fed Funds rate are expected throughout the year. The Fed will be keeping a vigilant eye on the buildup of inflationary pressures.

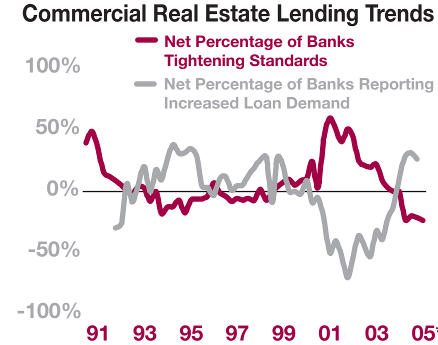
Office Mortgage Delinquencies



Office Loan Rates



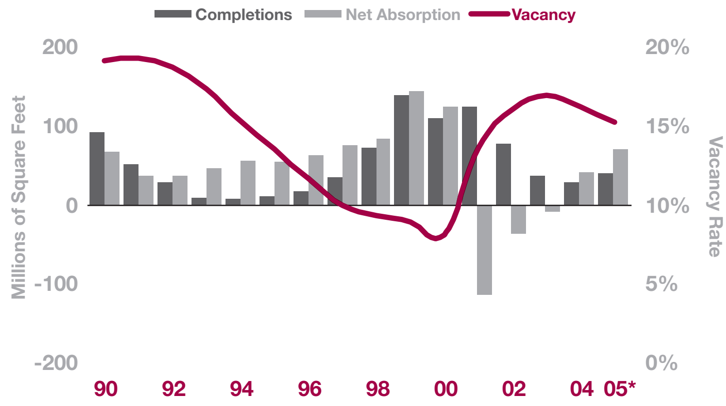
Commercial Real Estate Lending Trends



*Forecast

- ▲ Recovery Takes Shape. The majority of office markets posted improvement in 2004, led by coastal regions, including South Florida, New York and Orange County.
- ▲ Construction Slows. Only 29 million square feet was delivered last year, as developers scaled back and postponed new projects due to only modest growth in demand. Planning activity, however, is increasing, as developers await a recovery.
- ▼ Rents Slip. Effective rents eased 1.1 percent in 2004, compared to 5 percent the previous year. Concessions peaked, however, and we expect owners to scale back incentives this year.
- ▲ Vacancy Embarks on Positive Trend. Leasing activity began to show signs of life late last year, resulting in a drop in vacancy of 70 basis points to 16.2 percent. Supporting the improvement was a combination of minimal new supply and elevated demand from law firms, financial services and health care companies.

Office Supply and Demand



Office Overview: Stage Set for Comeback

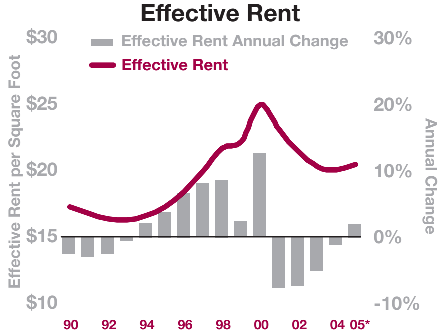
The nation's office market moved through its cyclical bottom last year and is now on its way to recovery. Construction continued to ease last year, totaling less than 1 percent of total inventory. Net absorption reached 40 million square feet and is expected to increase to 70 million square feet in 2005 as job growth accelerates in office-using sectors. As a result, we expect greater vacancy improvement this year, with the average falling 100 basis points to 15.2 percent. While we expect fundamental improvement across metropolitan areas, CBDs located in 24-hour cities will outperform. With tenant demand rising, owners will begin to pull back on concessions, resulting in a 2 percent gain in effective rents. We do not expect significant concession burn to commence until well into 2006. NOIs remain subject to near-term declines in select markets, such as San Francisco and San Jose, due to rent losses caused by lease rollover. This could equate to a reduction in collected rent of anywhere from 5 percent to 50 percent for the space, depending on the market. This phenomenon will be limited to specific markets and impact predominantly Class A buildings.

Increased levels of planned construction loom over the market, but pre-leasing requirements by lenders will continue to force discipline in 2005. We do not expect a rapid run-up in construction activity over the next 12 to 18 months. Projects scheduled to open in 2005 are reporting an average pre-leased occupancy of 75 percent, the highest level in at least five years. Restrained construction and accelerating job growth in 2005 underpin our forecast for recovery in the office market, although substantial improvement leading to meaningful rent growth remains on the horizon.

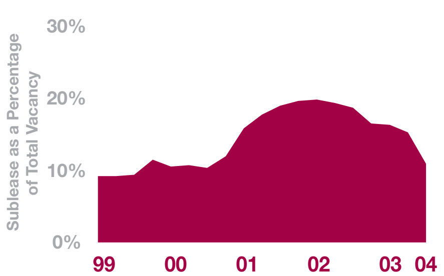
Forecast

- ▲ Job Growth Accelerates. Office-using sectors will be the primary driver of employment growth this year, increasing by 3.5 percent or 1 million jobs.
- ▲ Occupancy Gains Accelerate. Coastal markets will see the greatest increases, while Midwest markets continue to be challenged with below-average job growth.
- ▲ Owners Begin Limiting Concessions. Effective rents will grow by 2 percent in 2005, as owners begin to tighten the reigns on tenant concessions. Lease rollover will remain the greatest threat to the stability of NOIs.

Effective Rent

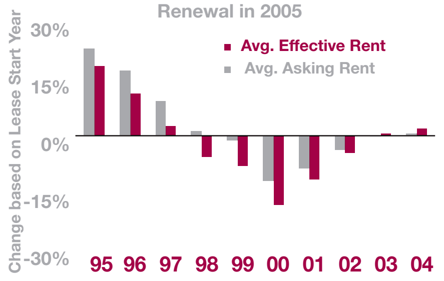


Sublease Space as a Proportion of Total Vacant Space

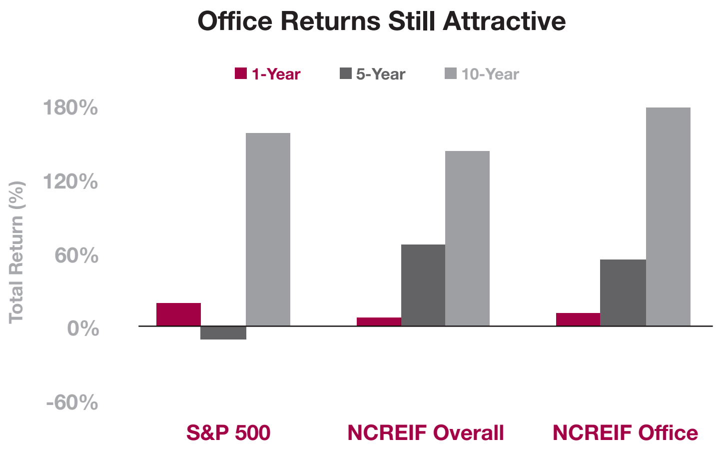


2005 Lease Rollover

Change in Rent Upon Lease Renewal in 2005



*Forecast



▲ Cap Rates Tighten. The average cap rate continued to fall in 2004, down 60 basis points to 7.6 percent. CBD towers are trading below 6.5 percent, while suburban properties are selling at an average of 8 percent.

▲ Velocity Heats Up. Fueled by a 38 percent increase in the number of transactions over $5 million, total dollar volume increased 28 percent, to nearly $80 billion in 2004.

▲ Investors Consider Contrarian Markets. Sales of CBD properties in secondary markets doubled in 2004. Tertiary markets are gaining interest as well, offering cap rates that in many cases are more than 100 basis points higher than those available in primary markets.

▲ Price Appreciation Continues. The median price per square foot rose 13 percent to $140 in 2004, driven primarily by a 33 percent increase in the number of sales for properties valued over $25 million.

Investment Outlook: Higher Returns Drawing Investors to Office Sector

Renewed enthusiasm characterizes our office investment outlook. While investor appetites for all types of real estate have been insatiable, office properties have taken a relative back seat to apartments and retail in recent years. In 2005, however, we expect capital flows to the office sector to rise. Investors perceive that the market has passed its cyclical bottom, and the economic recovery will pay dividends in terms of occupancy and rent growth starting in 2006. This growing sense of confidence is evidenced by a significant increase in sales activity in hard-hit, tech-heavy metros. Sales volume more than doubled in areas such as Seattle, Boston and Austin last year. Additionally, the number of transactions involving large-scale properties accelerated, and the median price for top-tier assets increased 12 percent. Institutions have become more active, and private investors, including TICs, remain formidable competitors.

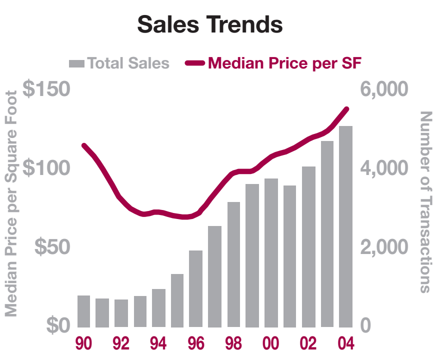
Fierce competition for assets located in 24-hour cities will continue, further driving up prices. In addition to geographic diversification, repositioning is gaining favor as an alternative strategy for many private investors, particularly those exchanging out of apartments and core retail. Values are at high levels, and investors must consider the impact that rent loss due to lease rollovers may have on NOIs. In some cases, this has led buyers to upgrade properties or launch aggressive marketing campaigns, or convert office properties to alternative uses. Conversions to residential has been most prevalent in New York, Los Angeles and San Diego. Midwestern cities such as Chicago and Minneapolis have been active as well. A growing repositioning play in suburban markets has been transforming traditional office into medical space, seizing the opportunity to serve the ever-expanding health care industry. Supporting investment strategies for off-campus, suburban locations is demand from specialty clinics and outpatient surgical centers.

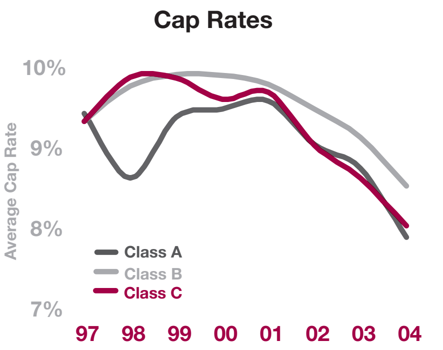
Forecast

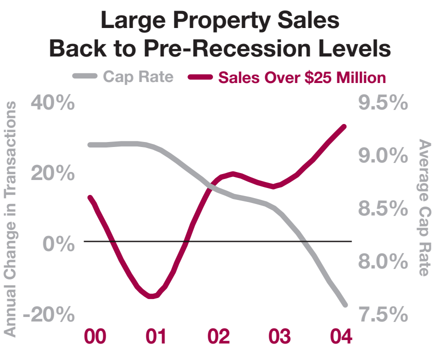
▲ Portfolio Diversification Continues. Capital flows to the office sector will rise as investors dispose of other core property types to take advantage of higher yields.

▲ Prices to Rise. The office market recovery is under way, but occupancy improvement and rent growth have been modest so far, limiting sellers' abilities to push prices. Increased capital flows will put some pressure on prices this year.

▲ Out-of-Favor Markets Back in Play. Extreme competition for Class A assets in "A-list" cities will continue to push investors to urban cores in secondary markets and those that fell out of favor during the economic downturn.

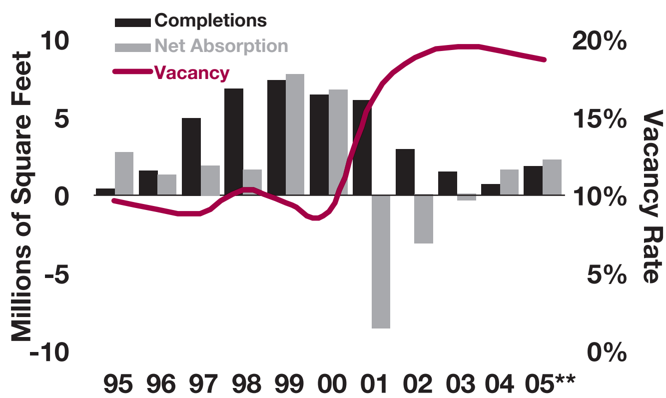




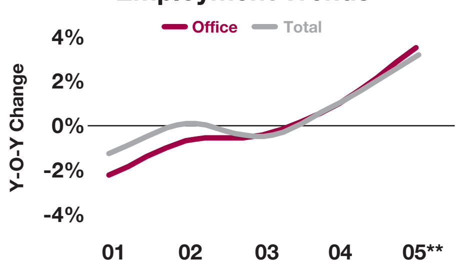


- ▼ 2005 NOI Rank: 30, Down 15 Places. High vacancy and increased construction resulted in Atlanta dropping 15 spots.
- ▲ Employment Forecast: Led by strong growth in the leisure and hospitality sector, nonfarm payrolls will increase by 3 percent in 2005. In addition, office employment growth of 3.3 percent will benefit local office building owners.
- ▼ Construction Forecast: Completions are forecast to reach 1.8 million square feet, the highest volume since 2002. Several large projects are due to come online this year, including the Hines' 1180 Peachtree building, which already has 416,000 square feet leased to the law firm of King & Spaulding.
- ▲ Vacancy Forecast: Increasing office employment will contribute to a 40 basis point decrease in vacancy, to 18.6 percent, in 2005. The availability of inexpensive land and financing is spurring some tenants to develop or purchase their own buildings.

Office Supply and Demand



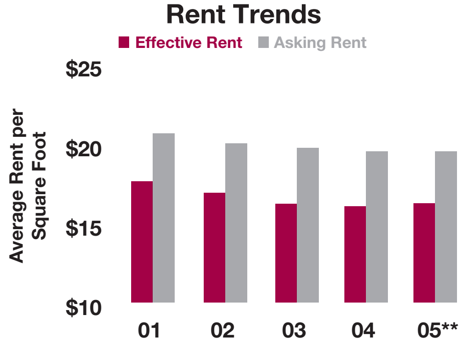
Employment Trends



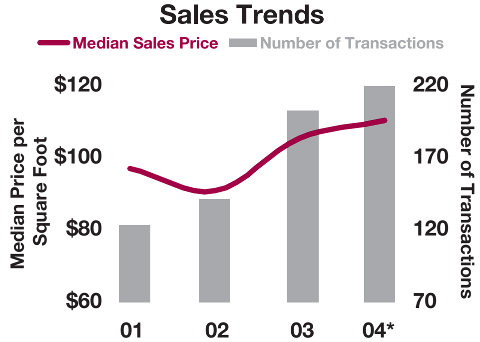
Absolute Change (000s)

	01	02	03	04	05**
Office	-11	-7	-1	5	20
Total	-27	1	-10	22	66

Rent Trends



Sales Trends



* Estimate **Forecast

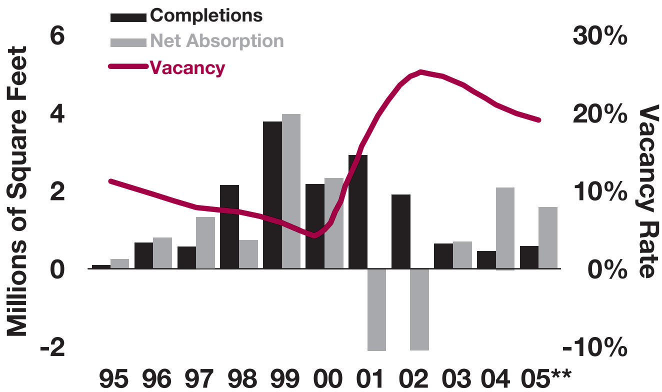
Institutional Investors to Remain Active in Atlanta Office Market

With the exception of Delta layoffs, most economic indicators in the Atlanta region are positive. The metro is still a hotbed of population growth, as four of the 10 fastest-growing counties in the nation are located in the MSA. The population will increase 2.4 percent in 2005 and net in-migration will reach 290,000 residents over the next four years. Buckhead is experiencing considerable growth in housing and retail, which will help lure office tenants to the area. Midtown Atlanta will be the crown jewel of the marketplace as revitalization projects such as Atlantic Station spark new life and energy into the local economy. In addition, Midtown is benefiting from the migration of law firms into the area from downtown.

Economic growth is attracting investors to the local office market. Many buyers are choosing the potential for higher returns over the next few years over the stability that the retail sector offers. Despite elevated vacancy rates, investors are optimistic about the future of the Atlanta office market and are purchasing properties prior to a full recovery in order to take advantage of current pricing and low interest rates. Activity among institutions and REITs involving properties priced at more than $5 million has intensified, and cap rates in this price range have fallen 170 basis points over the last two years, to an average of 7.2 percent. REITs and institutions have been particularly active in in the suburbs, where the average cap rate for $5-plus million transactions hovered around 7.5 percent over the past year, which compares favorably to the CBD, where cap rates averaged 6.5 percent over the same period. Overall, sales activity was brisk over the past year, with dollar volume nearing $2.5 billion, the highest level of any southeastern office market. The outlook is strong for 2005 as well, as both private and institutional buyers remain eager to enter the market as economic recovery takes hold.

- ▲ Rent Forecast: Effective rents will increase by 0.5 percent to $16.38 per square foot, the first increase since 2000. Class B owners will remain under pressure to offer concessions as they continue to compete with the Class A sector, where rents have been highly competitive.
- ▲ Investment Forecast: Buyers will continue to take risks in the Atlanta office market by purchasing Class B/B+ properties with higher vacancies. First-time buyers may want to travel to smaller municipalities in the region or to outlying areas beyond the perimeter to cash in on better returns.

Office Supply and Demand



- ▲ 2005 NOI Rank: 21, Up 3 Places. Austin's office market is improving but vacancy remains high by historical standards.
- ▲ Employment Forecast: Austin's employment market is anticipated to expand by 3.5 percent, or 23,000 positions, in 2005. This is a significant increase over the moderate 1.2 percent growth achieved last year.
- ▼ Construction Forecast: Construction activity is forecast to increase by 100,000 square feet this year, to 550,000 square feet. Completions are expected to remain low compared to the average from 1999 to 2002 of 2.7 million square feet annually.
- ▲ Vacancy Forecast: Vacancy will decline 200 basis points in 2005 to 18.5 percent, as the expectation of improving economic conditions encourages expansion among office-using firms. The Southwest and Northwest Austin submarkets should recover more quickly than other areas as sublease space is absorbed at a rapid pace.

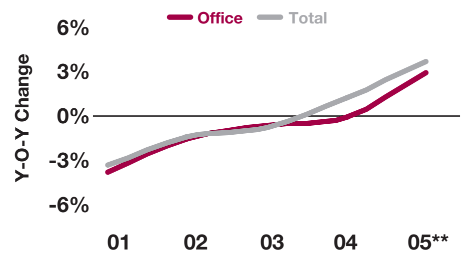
Austin Vacancy on the Decline but Full Recovery to Take Time

Austin's office market will offer mixed results in 2005 as a decline in vacancy is forecast, but only at the expense of effective rents. Indications are that employment growth will be strong for the first time in almost three years, with a large percentage of jobs being created inside the office-using sectors. Companies are expanding at a rapid pace, as many are recognizing that if they rent at current lease rates they can occupy larger and better-quality space and will have room for expansion. This is most evident in the CBD, where vacancy among Class A properties is forecast to decline 180 basis points to 21.2 percent by the end of 2005. Effective rents in the submarket, however, are expected to end the year more than 3 percent lower than 2004, with sublease space being offered at an even greater discount.

Office investment activity in Austin is expected to increase, as indications point toward improving fundamentals in 2005. By the beginning of 2006, rents are expected to rise for the first time in several years. As a result, it is anticipated that many investors will opt to enter the market before the next growth cycle. The median price in the market is currently $105 per square foot, and it is expected to remain relatively flat this year, as vacancy will continue to be high by historical standards. Any increases in prices will likely be supported by competition among out-of-state investors from areas such as California and New York. Prices for office properties in Austin appear moderately priced compared to similar properties in the coastal markets, and buyers from these markets are likely to pay a premium. Investors are anticipated to seek out Class B and Class C properties located in areas such as the Northeast and Southwest submarkets, where below-average vacancy will allow for rent growth during the year.

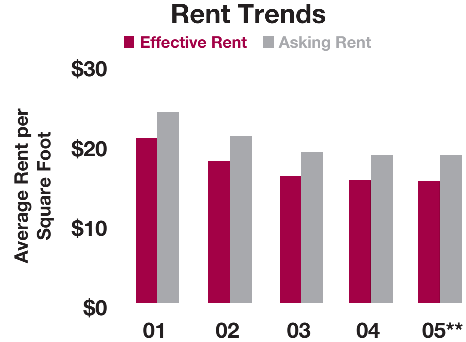
- ▼ Rent Forecast: Improving vacancy will come at the cost of effective rents, which are expected to drop 2.8 percent this year. Owners are expected to hold asking rents steady, however, at $19.20 per square foot.
- ▲ Investment Forecast: Owners in the Austin region are not expected to raise rents until at least 2006. Opportunistic investors would be wise to begin looking now, as Class B and Class C properties in areas such as the Northwest and Round Rock submarkets are expected to recover quickly, providing upside potential by late 2005.

Employment Trends

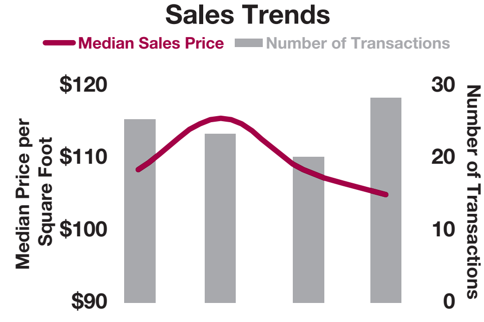


Absolute Change (000s)	01	02	03	04	05**
Office	-5	-2	-1	0	4
Total	-20	-8	-4	8	23

Rent Trends



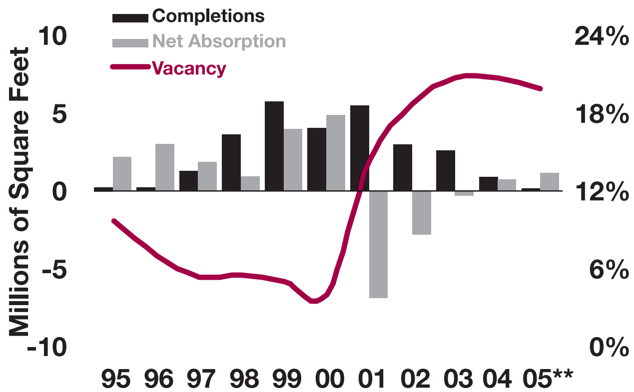
Sales Trends



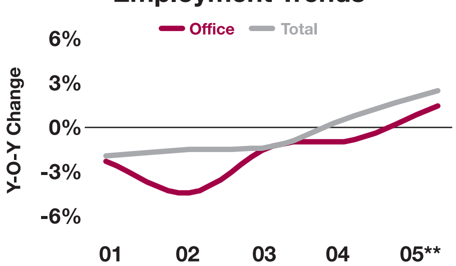
* Estimate **Forecast

- ▲ 2005 NOI Rank: 14, Up 3 Places. Declining construction and improving fundamentals allowed Boston to move up the NOI.
- ▲ Employment Forecast: Approximately 59,000 new jobs will be created in the Boston metro in 2005, a 1.9 percent increase. After four consecutive years of decline, office employment in the market will expand by 0.9 percent, an addition of 6,000 jobs.
- ▲ Construction Forecast: Completions will fall from 800,000 square feet in 2004 to 150,000 square feet in 2005. Uncertainty over whether a portion of the 470,000-square foot Manulife Building at 601 Congress St. will become available hangs over the market.
- ▲ Vacancy Forecast: Availability is forecast to drop from 20.5 percent in 2004 to 19.7 percent in 2005. New construction is restrained and office employment is rebounding, but sublease space accounts for approximately 30 percent of vacancy and will hinder greater improvement.

Office Supply and Demand



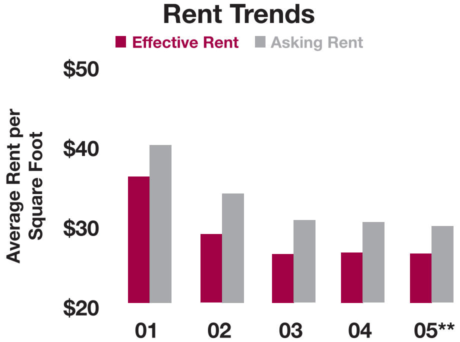
Employment Trends



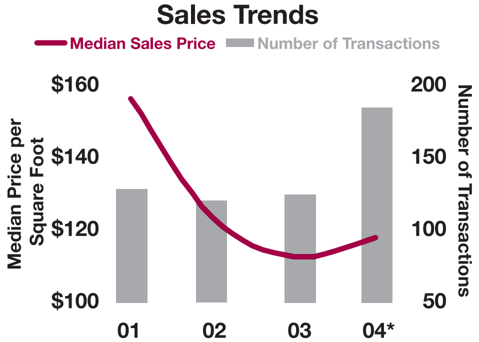
Absolute Change (000s)

	01	02	03	04	05**
Office	-20	-34	-12	-9	6
Total	-74	-60	-52	9	59

Rent Trends



Sales Trends



* Estimate **Forecast

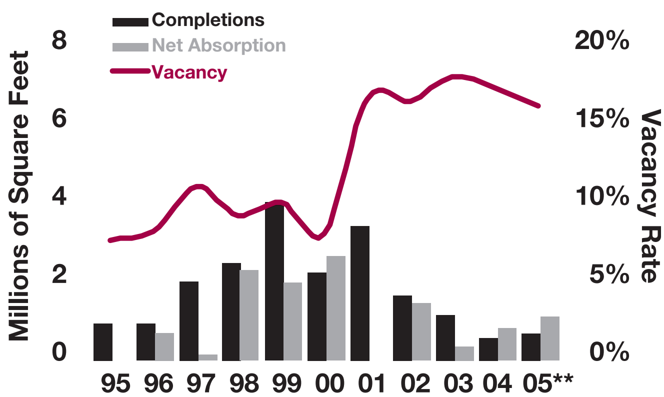
After Years of Decline, Boston Office Market Set to Bounce Back

The worst appears to be over for owners of Boston office properties. Demand for space was decimated by the tech collapse in 2000 and 2001, but now appears poised to improve in 2005. With the economic recovery gaining traction and vacant space being taken by new firms and expanding tenants, more than 1.1 million square feet of absorption is forecast in 2005. Additionally, the construction pipeline is thin, and approximately 11 million square feet of projects have been abandoned in the past three years, promising to hold down deliveries beyond 2005. Supply and demand fundamentals seem to be realigning, as gross revenues are forecast to increase 0.6 percent in 2005. Owners have absorbed a 44 percent decline in gross revenues since year-end 2000, as asking rents have dropped 33 percent.

Boston's office assets have always been coveted by deep-pocketed institutions, and many discerning investors specifically like the downtown's supply constraints. Sales of high-rises in downtown submarkets typically account for more than one-half of the annual office transaction dollar volume, and usually fetch prices 80 percent greater than the market median. Over the past year, cap rates for downtown high-rises ranged from 6.6 percent to 11 percent, with a pair of 100-year-old buildings selling in the low- to mid-8 percent range. In 2005, owners of substantially leased downtown properties with minimal near-term lease expirations are expected to capitalize on the pent-up demand for core investments by institutions. Some older Class B/C assets are being purchased with the intent to convert to residential units, a trend that could continue to gather momentum this year.

- ▲ Rent Forecast: After declining each year since 2000, effective rents will inch up 0.6 percent in 2005, to $26.40 per square foot. Effective rents have been stuck in the low $26 per square foot range for two years, as owners have resisted offering deeper concessions.
- ▲ Investment Forecast: With its high-quality assets located in the CBD, the Boston office market has captured its share of capital from yield-hungry institutions in recent years. Expectations for positive absorption and lower vacancy rates will continue to attract institutions in 2005 and maintain the usual flow of headline-grabbing deals. Not to be left out, small private investors will find properties in the suburbs that offer potential leasing and rent growth upside.

Office Supply and Demand



▼ 2005 NOI Rank: 36, Down 4 Places. Though overall vacancy is improving, suburban areas remain burdened by available space.

▲ Employment Forecast: The metro is expected to add 26,000 jobs in 2005, fueled by strong gains in professional and business services and financial activities. Charlotte is growing into a financial services hub, with major companies like Citibank moving into the area.

▼ Construction Forecast: Despite high vacancy rates in many submarkets, development activity will increase slightly in 2005, to 675,000 square feet. The largest project under way is a 150,000-square foot, multi-tenant low-rise office complex in the Southeast submarket.

▲ Vacancy Forecast: Space requirements are on the rise, which will allow for a 110 basis point decline in vacancy to 15.5 percent. The CBD will remain the tightest submarket as it continues to be a popular area for the growing number of financial firms.

Charlotte CBD Outperforming Suburban Submarkets

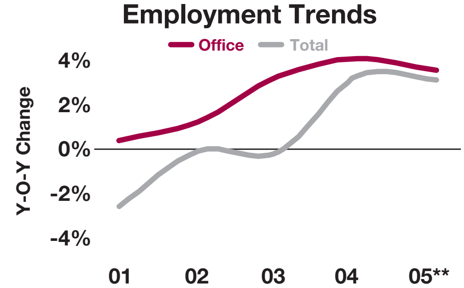
Charlotte's office market has been in limbo, but signs of recovery are emerging, and the market is expected to post improvement by the latter half of 2005. Job growth showed dramatic improvement in 2004, increasing by more than 26,000 positions, but only 8,000 of the new jobs were in office-using sectors. As a result, most of the suburban submarkets posted negative net absorption, with vacancy increasing anywhere from 100 to 200 basis points. Despite elevated vacancy, developers will continue adding space to some suburban submarkets, such as the University/Northeast, further delaying recovery. The metro has been able to attract new firms, but most are locating downtown. This caused vacancy in the CBD to decline by 100 basis points last year, to 10.5 percent. Other submarkets posting positive absorption included Airport/Park and Midtown, where vacancy declined to 15.7 percent and 16.9 percent, respectively. Fortunately, job growth is forecast to remain strong in 2005 and office-using jobs will account 7,000 new positions. This will create enough demand for office space to help stabilize rents this year.

Office sales picked up slightly over the past year despite weakened market conditions, with prospects for a better year in 2005, as most investors believe the market has turned the corner. The median price increased 5 percent last year, to $102 per square foot. Sales activity has been slow in the suburban office markets, though, with office buyers focusing their efforts in the better performing areas, such as the Uptown and Midtown submarkets. Institutional investors re-emerged in the market during the latter half of last year, with transactions including a 410,000-square foot office building on Trade Street for $30 million and the Carmel Crossing-Tarleton office park for $42 million.

▲ Rent Forecast: Effective rents are forecast to climb 1.9 percent in 2005, to an average of $16.30 per square foot, as owners gradually trim concessions. Asking rent growth, at 1.5 percent, is forecast to fall short of gains in effective rates.

▲ Investment Forecast: Demand for properties is on the rise, as there are a multitude of office buildings with upside potential. Most sales will likely occur in the immediate area of the CBD, as owners in the suburbs may be hesitant to sell when vacancy is still in excess of 20 percent.

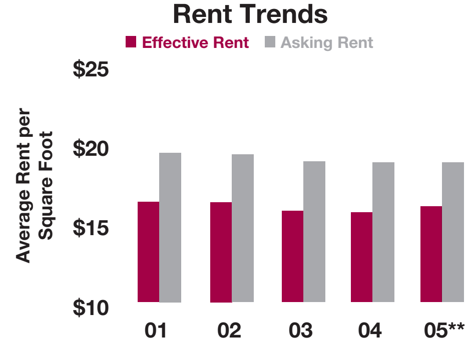
Employment Trends



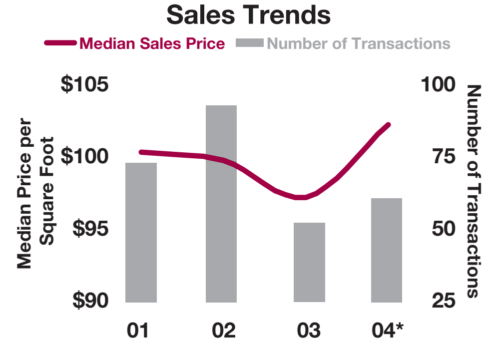
Absolute Change (000s)

	01	02	03	04	05**
Office	1	2	6	8	7
Total	-20	0	0	26	26

Rent Trends



Sales Trends



* Estimate **Forecast

Chicago

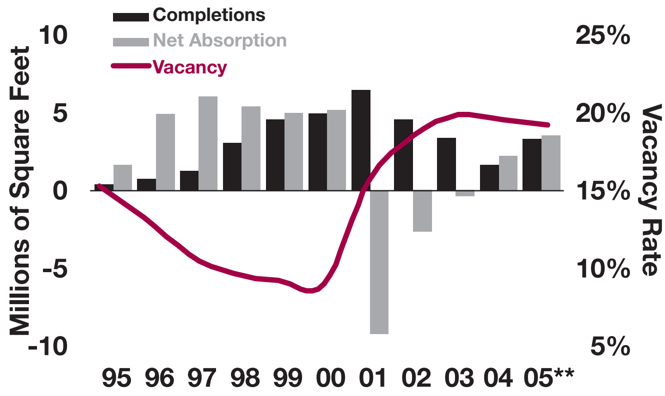
- ▼ 2005 NOI Rank: 27, Down 1 Place. Emerging signs of recovery kept Chicago relatively stable in the index.

- ▲ Employment Forecast: Job growth will accelerate in 2005, as Chicago employers add more than 61,500 positions, an increase of 1.5 percent. Office-using sectors will expand by 2.5 percent, with the addition of approximately 25,600 positions, most of which will be in professional and business services.

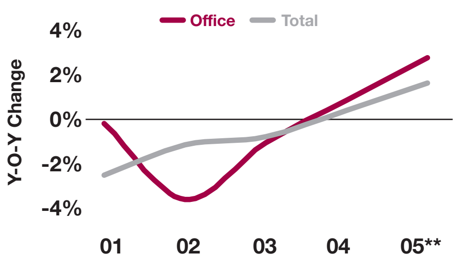
- ▼ Construction Forecast: Completions will jump to 3.2 million square feet in 2005, double what was delivered last year. The most notable projects are the 1.5 million-square foot high-rise Hyatt Center at 71 S. Wacker and the 950,000-square foot 111 S. Wacker high-rise nearby.

- ▲ Vacancy Forecast: The vacancy rate is forecast to fall 30 basis points in 2005, to 18.9 percent. Despite increased development, strong gains in office employment sectors will boost absorption this year and produce a modest improvement in vacancy.

Office Supply and Demand



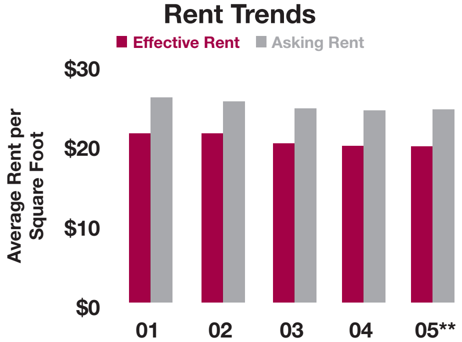
Employment Trends



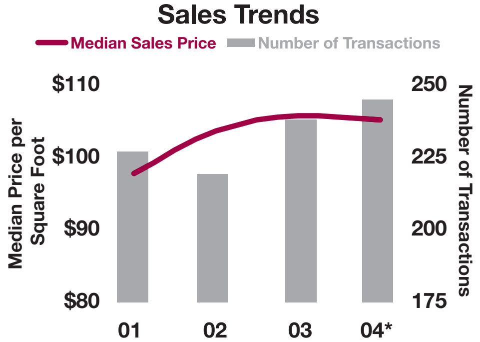
Absolute Change (000s)

	01	02	03	04	05**
Office	-2	-34	-9	8	26
Total	-94	-42	-27	16	62

Rent Trends



Sales Trends



* Estimate **Forecast

Growth in Business and Professional Services Sector to Spur Absorption

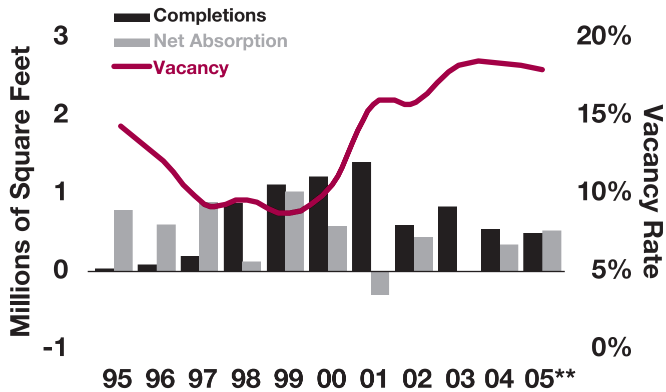
The Chicago office market will register the first signs of recovery in 2005 since the downturn began in 2000. While overall employment growth is expected to return at a modest rate, office-using sectors are forecast to vigorously expand by approximately 25,600 positions. The majority of these jobs will be in the professional and business services sector, followed by financial activities companies, such as accounting firms where new guidelines have increased workloads. For example, Deloitte & Touche expects to add 600 accountants and consultants, and Grant Thornton is planning to add 100 accountants this year. As a result of increased hiring, office absorption will climb to its highest level in more than four years, to 3.3 million square feet. While in-city properties are expected to benefit the most from forecast job gains, suburban submarkets should also post slight improvement. Investors interested in lower-priced suburban office properties should monitor the O'Hare submarket, where vacancies have declined by almost 450 basis points since 2002, yet rent growth has remained limited.

Office transactions of $10 million and above totaled more than $3 billion last year, with many high-profile assets trading hands. The world-renowned, 3.8 million-square foot Sears Tower sold last year for $840 million. While sales volume and transaction velocity this year may not reach last year's levels, large investors will remain active as encouraging economic signs emerge. Investors seeking well-located assets might want to pay particular attention to the North Michigan Avenue submarket. Over the past several years, this area has consistently maintained the lowest vacancy rate, which is currently at 12.9 percent and forecast to improve by 60 basis points this year.

- ▲ Rent Forecast: Effective rents are expected to rise by just 0.1 percent, to $19.92 per square foot, as concessions remain commonplace throughout the region. Asking rents are forecast to post a minor 0.2 percent increase.

- ▲ Investment Forecast: Chicago has remained a desirable investment market despite struggling fundamentals. Investors seeking properties with lower prices per square foot, who are not opposed to occupancy-challenged assets, might consider suburban buildings of less than 50,000 square feet in the Northwest Suburbs submarket, located north of O'Hare airport. Office properties in this area often trade for less than $60 per square foot, well below the marketwide median of $105 per square foot.

Office Supply and Demand



- ▼ 2005 NOI Rank: 35, Down 14 Places. Cincinnati dropped in the index as vacancy improvement and job growth are forecast at moderate rates compared to other markets in the index.
- ▲ Employment Forecast: Strengthening economic indicators point to increased hiring this year, with total employment forecast to grow by 1.7 percent. Office-using jobs are projected to rise by 1.4 percent.
- ▲ Construction Forecast: Completions will continue to dwindle in 2005. Only 500,000 square feet is forecast to be delivered by year end. Developers are expected to start planning new projects as the economy improves over the course of the year.
- ▲ Vacancy Forecast: A rebounding labor market and limited new supply will cause vacancy to drop by 40 basis points in 2005, to 17.8 percent. The majority of new leases, however, will be due to lateral moves.

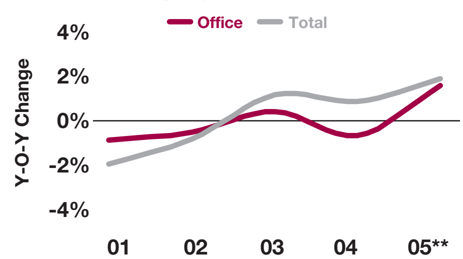
Large Tenants Anchor Occupancy Levels in CBD

After stabilizing last year, the Cincinnati economy is poised for growth. Recent surveys indicate growing confidence among local businesses. The brighter economic outlook, along with a low level of office construction contributed to vacancy reductions in several submarkets last year, and renewed job growth will support continued improvement in leasing activity this year. The CBD leads the market with the highest occupancy levels due to a strong base of stalwart tenants, including Proctor and Gamble and Fifth Third Bank. The first new downtown office tower in more than a decade is currently under construction and is scheduled for completion by the end of the year. The Queen City Square will add approximately 180,000 square feet to downtown Class A inventory and is likely to spur some lateral tenant moves.

Investment activity has maintained a moderate pace. While local buyers continue to dominate the market, several large Class A properties were recently sold to out-of-state investors who were willing to accept lower cap rates. This helped to raise the median price per square foot by 27 percent. Sales activity has been concentrated northeast of the CBD in the I-71 and I-75 corridors, and the Blue Ash submarket. Properties in the I-71 and I-75 areas can command some of the highest rents in the region. As a result, the median sales price per square foot is well above the MSA average and 40 percent more than properties downtown. Northern Kentucky is emerging as an investment option for risk-tolerant buyers. The submarket has recently recorded strong employment gains and net absorption, though steady inventory growth over the last few years has kept vacancy levels above 22 percent.

- ▲ Rent Forecast: Asking and effective rents will register marginal improvements in 2005. Asking rents are projected to grow by approximately 0.5 percent to $17.45 per square foot, after remaining relatively flat in 2004. Effective rents will rebound 0.3 percent after slipping by the same amount last year.
- ▲ Investment Forecast: We expect investor confidence in Cincinnati to rise. Submarkets with stable NOIs, such as Blue Ash and North Cincinnati/I-75, will garner the bulk of office investment. Upside potential in higher-risk areas such as Northern Kentucky, however, will attract investors with more management-intensive investment strategies.

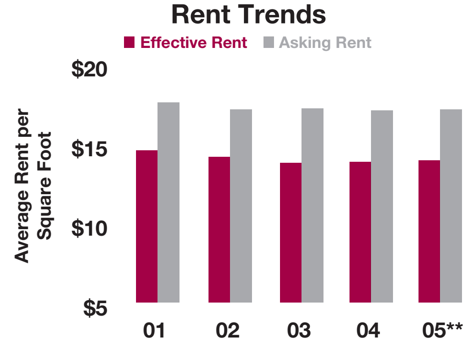
Employment Trends



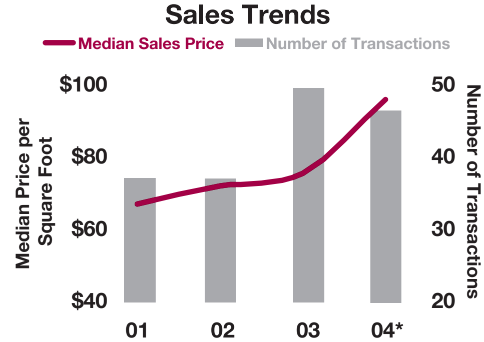
Absolute Change (000s)

	01	02	03	04	05**
Office	-2	-1	0	-1	3
Total	-18	-8	9	6	15

Rent Trends



Sales Trends



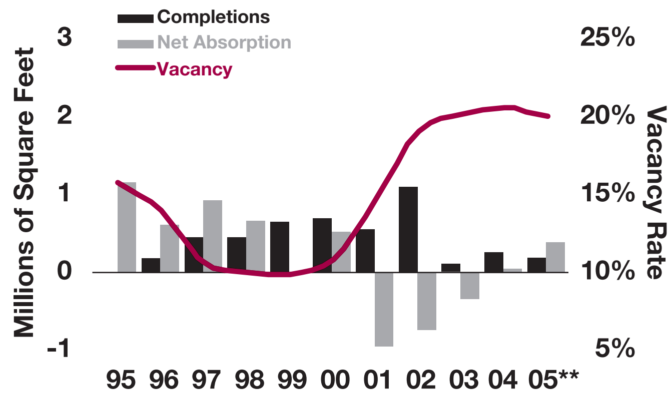
* Estimate **Forecast

Cleveland

▼ 7 Places | 2005 Rank: 38 | 2004 Rank: 31

- ▼ 2005 NOI Rank: 38, Down 7 Places. Slow economic recovery relatively to peer markets pushed Cleveland down in the index.
- ▲ Employment Forecast: Cleveland's economy will continue to recover slowly. Total employment is projected to increase by 1.5 percent after holding steady in 2004. Growth in office-using sectors is forecast at 1 percent for the year.
- ▲ Construction Forecast: Developers have pulled back in the face of high vacancy rates. Only a handful of low-rise office developments, totaling just 175,000 square feet, are scheduled for completion in 2005.
- ▲ Vacancy Forecast: Vacancies will decline slightly this year. After a negligible increase last year, we expect a mild improvement of 30 basis points, to 19.7 percent in 2005. Downtown vacancy levels will improve, as lease incentives have attracted tenants; however, approximately 20 percent of the total inventory will remain unoccupied.

Office Supply and Demand



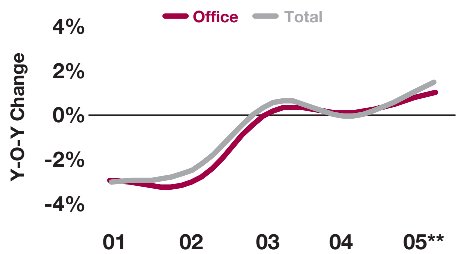
Cleveland's Stabilizing Economy Lifts Tenant Demand

The effects of structural changes in Cleveland's economy, which have been headlined by plant closures and job losses, were offset by significant employment gains in the health care industry last year. As a result, total nonfarm employment held firm and incremental growth is forecast for 2005. Increased hiring in the insurance and financial services industries helped lift office-using employment out of the doldrums as well, and we expect an addition of 2,400 office jobs this year. Economic stabilization has had a measurable impact on tenant demand, as net absorption has risen into the black, a trend we expect will continue through 2005. Fundamentals in suburban areas have posted the most significant improvement. The East Suburban submarket recorded a 50 basis point vacancy reduction over the past year, and the average asking rent in the Chagrin Corridor submarket rose 1.4 percent. The Chagrin Corridor, which is located southeast of the CBD, has proven to be one of the most stable areas for office investment, though the median price per square foot is typically higher than other submarkets in the region.

Investment activity continued at a modest pace over the last year, but the median price per square foot rose significantly, as the majority of transactions involved well-located low-rise buildings. Institutional buyer demand has been relatively weak, which resulted in the BP Tower being taken off the market last year due to a lack of competitive bids. While investor and tenant demand will remain somewhat limited downtown, it appears that reduced rents and concessions are luring tenants back to the submarket. Recent activity in the area includes Case Western University's lease for 80,000 square feet in the Halle Building.

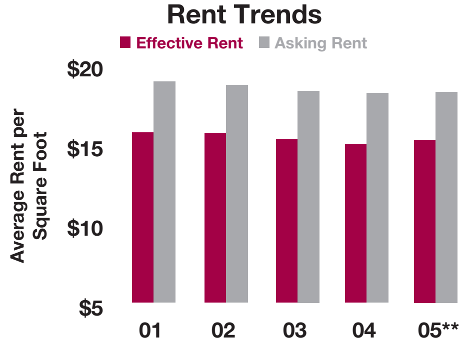
- ▲ Rent Forecast: Effective rents are expected to improve slightly as tenant demand improves. Asking rents will register a marginal gain as well, rising 0.3 percent, to $18.65 per square foot.
- ▲ Investment Forecast: Repositioning opportunities, such as the old Leaseway Building, will lead to increased investor interest. This 25-year old Beachwood property was recently purchased with the goal of attracting high-caliber tenants through capital improvements. The plan appears to be paying off as the IT firm Brulant, Inc. has pre-leased approximately 20 percent of the building.

Employment Trends

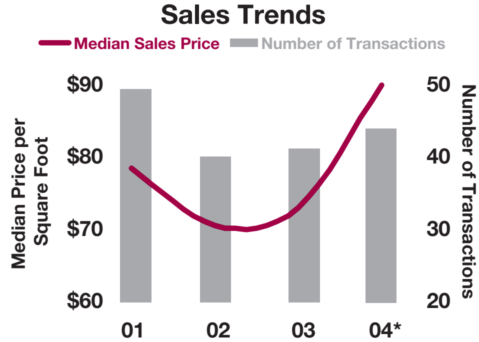


Absolute Change (000s)	01	02	03	04	05**
Office	-8	-8	0	0	2
Total	-36	-28	6	0	17

Rent Trends



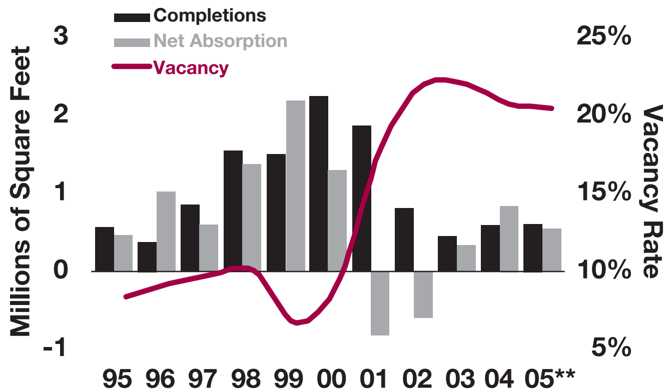
Sales Trends



* Estimate **Forecast

Marcus & Millichap

Office Supply and Demand



- ▼ 2005 NOI Rank: 40, Down 4 Places. Job growth is improving, but vacancy remains above average and is forecast to post minimal improvement this year.
- ▲ Employment Forecast: Economic diversity will allow Columbus to lead Ohio in job growth, as total employment increases by 2.2 percent. Office employment is forecast to grow by 1.7 percent.
- ▼ Construction Forecast: Approximately 614,000 square feet is expected to come online this year, up slightly from 2004. Activity is significantly less than it was in the late 1990s due to elevated vacancy rates.
- ▲ Vacancy Forecast: Marketwide vacancy is projected to decline by 20 basis points in 2005, but will remain relatively high at 20.2 percent. Downtown and the northern suburban submarkets of Worthington and Westerville will register the most improvement, while vacancy in the Southwest submarket is expected to slip slightly due to tenant relocations to other areas.

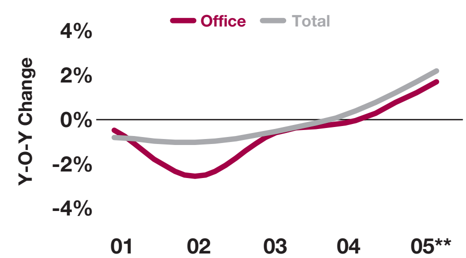
Job Growth and Tax Incentives Help Ailing Downtown Office Properties

Increased hiring in the professional and business services, and financial activities sectors has spurred significant net absorption, boosting occupancy levels accordingly. Incentives offered by the city of Columbus have helped owners downtown, where vacancy recorded a 200 basis point reduction in 2004. Businesses can earn substantial tax reductions and cash payouts for relocating to the downtown area. Office construction in the metro area has been relatively light when compared to other markets, but considering the market's 20-plus percent vacancy rate over the last three years, it has hindered improvement in office market fundamentals. Investors, however, would be unwise to write off the Columbus market, as properties are currently being priced on current operations, with cap rates that are in line with national trends. The Worthington submarket, which is the third largest in the MSA in terms of total office inventory, will be a relatively stable area for office investment going forward. The merger of JP Morgan Chase and Bank One will have positive effects on the region's economy. The bank is planning to relocate additional jobs from Manhattan to the Worthington area, where Bank One occupies a 2 million-square foot complex in Polaris.

Approximately 60 percent of all recorded office transactions over the past year involved single-tenant garden-style properties of less than 20,000 square feet. While private investors continue to account for the majority of buyers in the Columbus office market, owner-user sales also comprised a significant portion. In terms of values, the Upper Arlington and Dublin areas north of the CBD have commanded above-average prices on a per-square foot basis. The Dublin area is attractive to investors due to solid tenant demand, but prices reflect its stability. The median price in the Dublin submarket was $101 per square foot last year, approximately 25 percent more than the marketwide median.

- ▲ Rent Forecast: A slight pullback in concessions in select areas will push effective rates up 0.4 percent, to an average of $13.70 per square foot. Asking rents will rise slightly, to $17 per square foot.
- ▲ Investment Forecast: With vacancy forecast to remain above the 20 percent mark this year, price appreciation will be minimal in the near term. Opportunistic investors should take note, however, as the market appears to be rising out of the downcycle.

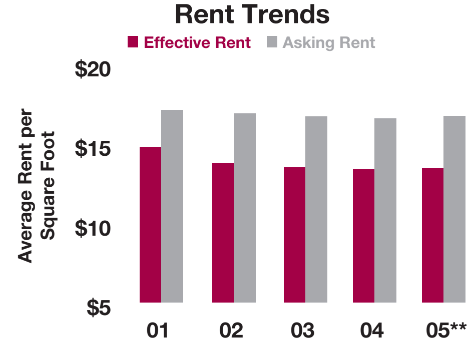
Employment Trends



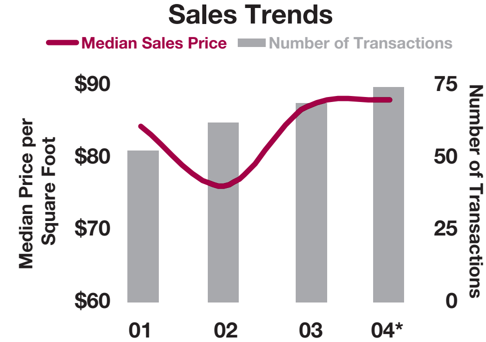
Absolute Change (000s)

	01	02	03	04	05**
Office	-1	-6	-1	0	4
Total	-7	-9	-5	3	19

Rent Trends



Sales Trends



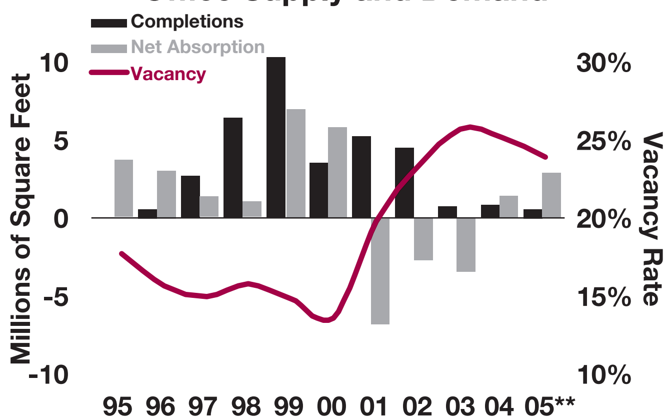
* Estimate **Forecast

Dallas-Fort Worth

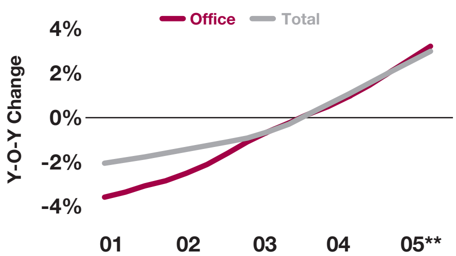
▲ 2 Places | 2005 Rank: 25 | 2004 Rank: 27

- 2005 NOI Rank: 25, Up 2 Places. Dallas' two place gain is due to above-average job growth, though it remains in the lower half of the ranking.
- Employment Forecast: The Dallas-Fort Worth employment market is anticipated to record a gain of 2.8 percent, or close to 76,000 positions, in 2005. This is a significant increase over the moderate 0.8 percent growth achieved last year, and indicates strong economic expansion.
- Construction Forecast: Construction activity is forecast to decrease this year, totaling only 600,000 square feet. Completions over the past few years have been low when compared to the average from 1999 to 2002, when developers delivered more than 6.3 million square feet annually.
- Vacancy Forecast: Vacancy will decline 140 basis points, to 23.7 percent, in 2005, as solid job growth in the office-using sectors boosts net absorption, driving down the vacancy rate.

Office Supply and Demand



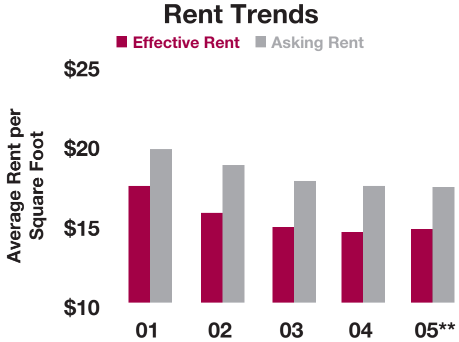
Employment Trends



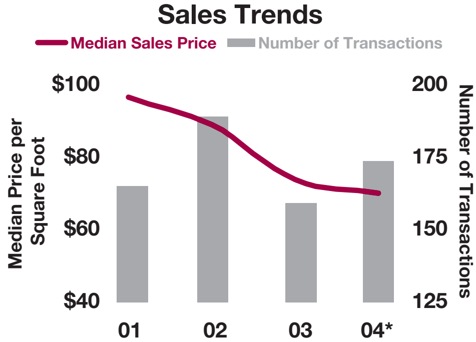
Absolute Change (000s)

	01	02	03	04	05**
Office	-27	-19	-5	5	21
Total	-61	-43	-21	24	76

Rent Trends



Sales Trends



* Estimate **Forecast

Out-of-State Capital to Drive Dallas Office Investment Market in 2005

The Dallas office market is expected to improve by the end of 2005 as signs of local economic growth entice office-using companies to expand. Office employment is expected to rise by 3 percent this year, with the addition of more than 21,000 jobs. Companies will take advantage of favorable rents by leasing additional space in anticipation of future needs, or will upgrade to higher-quality office buildings, a trend that began in 2004. As a result, vacancy in Class A properties is forecast to drop by 150 basis points to 22.5 percent by year end, with areas such as Downtown Fort Worth and the High Five Corridor showing the most improvement. Class B/C properties will also benefit from the improving economy as small start-up companies lease space, supporting a 140 basis point decline to 26.1 percent. Additionally, rents are forecast to increase for the first time since 2000.

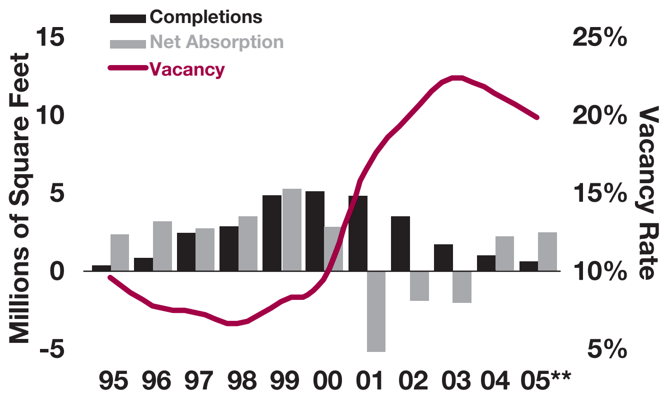
Strong sales activity is expected in 2005 as transaction volume remains on pace with 2004 levels. While the majority of sales will consist of multi-tenant buildings valued at less than $10 million, institutions and REITs will continue to display interest in the Dallas-Fort Worth region. The market experienced a surge of institutional sales in the second half of 2004, as historically low construction, improving vacancy rates and affordable prices, when compared to the coastal markets, made Dallas-Fort Worth an attractive option. This resulted in strong sales activity and higher per-square foot prices, trends that are expected to continue over the next year. High levels of private equity are also anticipated to enter the market in 2005, with investors from areas such as the Pacific Northwest and California showing the most interest. Stabilized properties in submarkets such as Las Colinas and the High Five Corridor are expected to draw the most attention, due to attractive returns and improving fundamentals.

- Rent Forecast: Effective rents are forecast to register a 0.8 percent increase this year, as concessions decline slightly. Asking rents are expected to remain stable at $17.55 per square foot. Currently, the Uptown submarket has the highest average asking rent at $23.71 per square foot.
- Investment Forecast: Historically low construction and improving vacancy is forecast to sustain strong investment activity in 2005. Private investors will remain focused on smaller garden-style offices in suburban areas such as Southlake and Grapevine.

2004 Rank: 30 | 2005 Rank: 24 | ▲ 6 Places

Denver

Office Supply and Demand



- ▲ 2005 NOI Rank: 24, Up 6 Places. Denver moved up in the index due to strengthening job growth, declining vacancy and a slowdown in construction.
- ▲ Employment Forecast: Job gains are forecast at 2.5 percent in 2005, which will mark the second consecutive year of expansion. The information sector, which began showing renewed signs of life in 2004, will have a robust 2005, growing by 4.6 percent.
- ▲ Construction Forecast: Completions will decrease in 2005, to 500,000 square feet. The 47 percent drop in activity comes on the heels of a 62 percent decrease in 2004. Douglas County will receive the majority of construction, which includes the 70,000-square foot Gates Customer Service Center in Englewood.
- ▲ Vacancy Forecast: Vacancies will decline 150 basis points, to 19.6 percent, in 2005. Colorado Springs will be the strongest performing area as government agencies, such as the DoD and Homeland Security, absorb space.

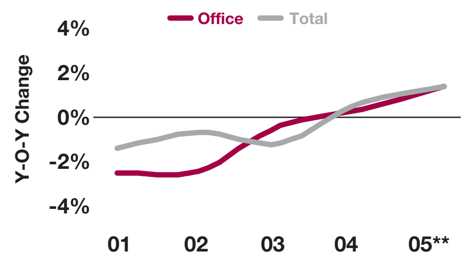
Investor Optimism Apparent in Denver Office Market

Denver's office market will begin posting improvement in 2005. The Turnpike and Tech Center areas, which were hit hard by the high-tech and telecommunication downturns, will post declining vacancy and rising rents as job growth in the information sector rebounds. In addition, property owners will enjoy office employment growth of 2.6 percent in 2005. Despite flat asking rents, effective rents will register modest gains this year as owners slowly reduce concessions in light of firming occupancies. Colorado Springs will not only enjoy lower vacancy rates, but because of federal government activity, it will be the best-performing area in terms of rent and job growth. Another area that investors should watch closely is the Centerra Development. This massive 1,200-acre project, which is located between Denver and Fort Collins in the community of Loveland, will include outlet malls, office space and new homes.

Office investment activity is forecast to rise over the next year. Cap rates, while still healthy, have fallen 80 basis points since 2001 to 8.9 percent. Larger private investors and institutions have been driving down cap rates involving deals over $5 million. Cap rates for these transactions have dipped to an average of 7.5 percent. American Realty Advisors has been one of the leading buyers in the marketplace, with purchases that include the Independence Tower in Denver for $104 million. Investors, both large and small, are more concerned with prices per square foot than current occupancy levels. Buyers are optimistic that as the local economy improves, they will be able to lease space at higher rates. In 2005, additional investors will enter the Denver market, trying to take advantage of the comparatively low prices and favorable lending environment. The increase in demand for office assets is expected to encourage existing owners in the marketplace to offer their properties for sale.

- ▲ Rent Forecast: Denver will experience effective rent growth of 0.9 percent in 2005 to $13.94 per square foot, halting four consecutive years of decline. Led by Downtown Denver, seven of the region's eight submarkets will have effective rent increases ranging from 0.5 percent to 1.1 percent in 2005.
- ▲ Investment Forecast: First-time buyers will focus their attention on the community of Lakewood, where Class B/C properties boast some of the highest occupancies and more stable cash flows.

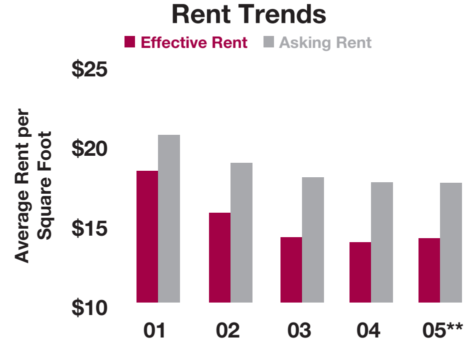
Employment Trends



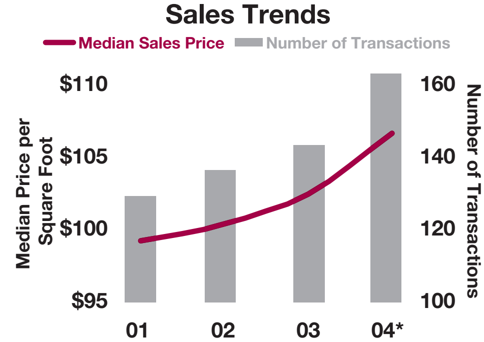
Absolute Change (000s)

	01	02	03	04	05**
Office	-18	-17	-3	2	8
Total	-34	-18	-27	12	29

Rent Trends



Sales Trends



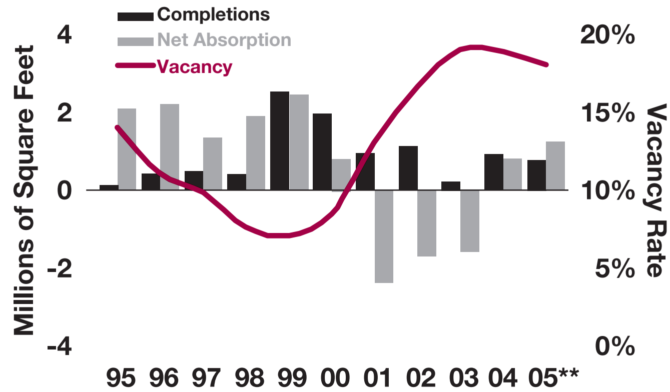
* Estimate **Forecast

Detroit

▼ 8 Places | 2005 Rank: 37 | 2004 Rank: 29

- ▼ 2005 NOI Rank: 37, Down 8 Places. Detroit's office market is improving but at a slower pace than others in the index, causing it to slip eight spots.
- ▲ Employment Forecast: Job growth of 1.1 percent, or 22,000 positions, is expected for 2005. We expect payrolls in the professional and business services sector to expand by 13,000 jobs, which will provide a much-needed boost to office demand.
- ▲ Construction Forecast: Construction activity is forecast to decline by 150,000 square feet in 2005, to 750,000 square feet. Developers continue to be deterred by high vacancy and flat rental rates in the market.
- ▲ Vacancy Forecast: Strong gains in office-using employment are forecast to support a 90 basis point reduction in vacancy, to 17.9 percent, by year end. The decrease in vacancy, however, will not be substantial enough to allow owners to begin raising asking rents.

Office Supply and Demand



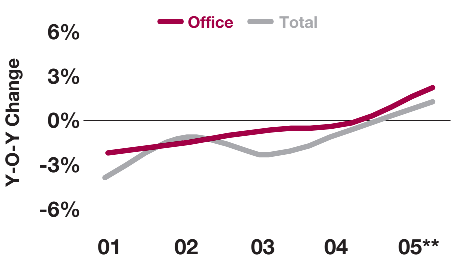
Suburban Office Properties Remain Prime Investment Targets

Detroit's office market bottomed in 2004 and is forecast to remain relatively stable this year. Job growth in office-using sectors, especially professional and business services, will bolster demand for office space this year. The large amount of sublease space put on the market in the past few years is slowly being leased, though Kmart is expected to vacate office space in the near future. A decline in construction is anticipated, which will benefit owners of existing properties. Most areas in Oakland and Macomb counties are forecast to remain top performers, with vacancy rates below the marketwide average and rental rates at or greater than $20 per square foot. The CBD will likely continue to struggle, but improvement is expected by year end, with vacancy declining 130 basis points to 23 percent. City officials are optimistic that firms will follow General Motors' and Compuware's lead in returning employees to the downtown area.

Sales activity in the Detroit office market is anticipated to increase in 2005. Properties comprised of less than 50,000 square feet will be the most sought after, as out-of-state investors continue to target buildings located in suburban office cores, such as Bloomfield Hills, Farmington Hills, Auburn Hills and Troy. Private investors have not been deterred by Detroit's weak economy, as evidenced by the median price for multi-tenant buildings rising above $110 per square foot in 2004, an increase of 10 percent over the prior year. Out-of-state investors are particularly attracted to Detroit's relatively high returns and continue to invest heavily. Institutional investment, however, is forecast to remain limited, as last year was the first time since 2000 that net absorption for Class A properties turned positive. An increase in institutional activity will most likely not occur until the final quarter of 2005, when owners will begin to reduce concessions.

- ▲ Rent Forecast: Asking rents are expected to remain stable at $19.80 per square foot in 2005, while effective rents will increase 0.2 percent to $16.86 per square foot, as concessions begin to dissipate by year end.
- ▲ Investment Forecast: Opportunistic investors are advised to look towards suburban markets where strong population growth will draw business expansion. The North Oakland submarket, specifically, has had strong residential growth in the last year, making it attractive to businesses, and office vacancy rates are among the lowest in the metro area.

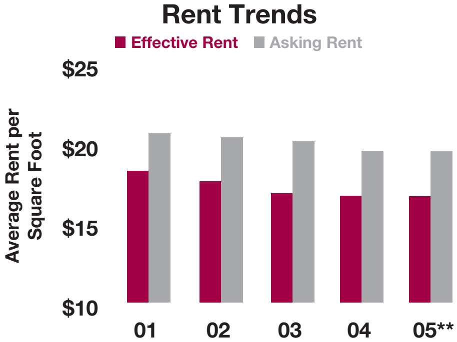
Employment Trends



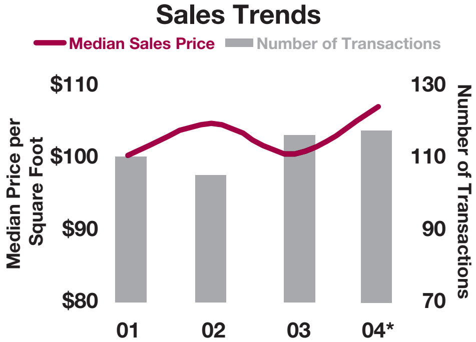
Absolute Change (000s)

	01	02	03	04	05**
Office	-13	-8	-4	-2	10
Total	-85	-26	-51	-16	22

Rent Trends

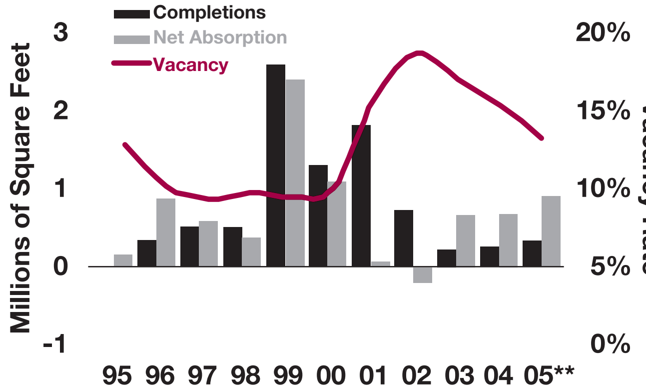


Sales Trends



* Estimate **Forecast

Office Supply and Demand



- ▲ 2005 NOI Rank: 1, Up 10 Places. Forecasts for dramatic improvement in vacancy and the highest job growth in our coverage universe pushed Fort Lauderdale to the top spot.
- ▲ Employment Forecast: More than 33,600 positions will be added to local payrolls in 2005, a 4.5 percent increase. The professional and business services sector will expand by 7 percent, supporting vigorous demand in multi-tenant office buildings.
- ▼ Construction Forecast: Multi-tenant completions in 2005 will increase to 323,000 square feet. Separately, more than 700,000 square feet of medical office space is slated for delivery, including a 563,000-square foot project in Pembroke Pines.
- ▲ Vacancy Forecast: A 210 basis point drop in vacancy, to 13.1 percent, is expected in 2005. Leasing activity accelerated last year, as the time space was left vacant fell from 8.4 months at the end of 2003 to 7.2 months at year-end 2004. This trend should firm in 2005 as the local economy gathers momentum.

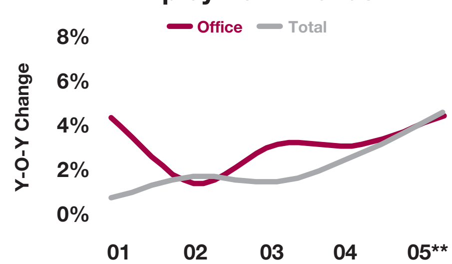
Surging Economic Growth to Lure Investors to Fort Lauderdale

In 2005, office owners will benefit from the creation of more than 9,000 office-using jobs. Net absorption for the year is forecast to climb to the highest level since 2000. Developers have also helped to ease vacancy in the market. Though a slight uptick in deliveries is expected, a four-year moving average of completions is at its lowest level in eight years, setting the stage for greater absorption of existing vacancies. Owners who appeared reluctant to sell in 2004 may want to reconsider in 2005, as aggressive offers from numerous bidders, coupled with the low interest rate environment, will allow them to realize attractive sales prices.

Buyers may be willing to take on greater risk in 2005, bidding aggressively for properties with near-term leasing challenges that are capable of turning around quickly under a steady hand. As the Plantation/Davie and Fort Lauderdale submarkets account for 57 percent of inventory and, at year-end 2004, more than 60 percent of the market's vacant stock, buyers will likely focus on these areas. The submarkets' many space options will permit owners to capture a fair share of the expected demand surge. Asking rents are projected to increase 3 percent in Plantation/Davie and 2.2 percent in the Fort Lauderdale submarket, the sixth consecutive year of asking rent growth in the latter area. As a result, gross revenues in these submarkets are forecast to rise 4.7 percent, 70 basis points higher than the entire market. All signs point to high levels of sales activity in 2005, and cap rates will likely move down from the 7.5 percent level attained in 2004, as local buyers, institutions and out-of-state investors seek to bulk up local portfolios.

- ▲ Rent Forecast: As the office market recovery gathers momentum in 2005, owners are expected to hold the line on concessions, with both asking and effective rates forecast to rise 2 percent, to $22.01 and $18.46 per square foot, respectively.
- ▲ Investment Forecast: The Cypress Creek submarket has attracted local and institutional investment dollars in the past and should continue to lure buyers in 2005. Vacancy declined more than 300 basis points in 2004, as 18 percent of vacant stock was leased, and continued improvement is projected in 2005. The longer-term outlook is optimistic, as tenants will be drawn to the area by its proximity to executive housing in western Broward County and the presence of Fort Lauderdale Executive Airport.

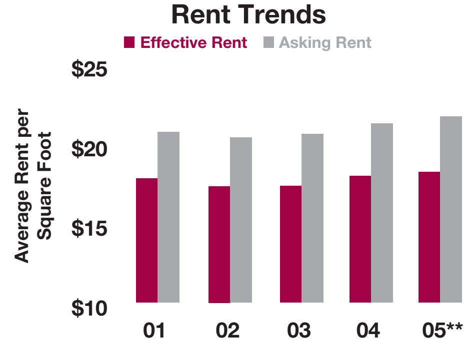
Employment Trends



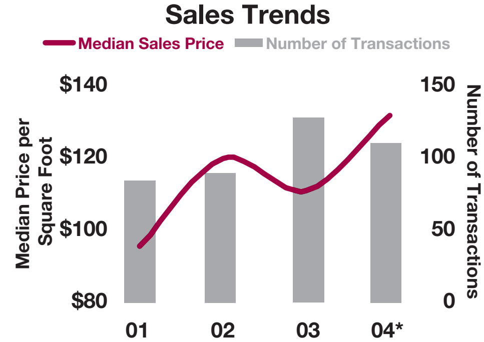
Absolute Change (000s)

	01	02	03	04	05**
Office	8	3	6	6	9
Total	5	12	11	20	34

Rent Trends



Sales Trends



* Estimate **Forecast

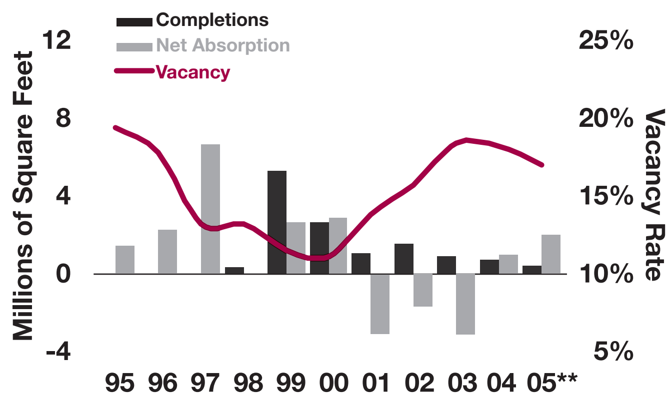
▼ 2005 NOI Rank: 17, Down 4 Places. Houston declined but remains in the top half due to job growth and slow construction.

▲ Employment Forecast: Houston's employment market is anticipated to record a gain of 2.5 percent, or more than 53,000 positions, in 2005. One-third of office-using jobs will be created in the professional and business services sector, which will add over 4,000 employees, an increase of 1.5 percent.

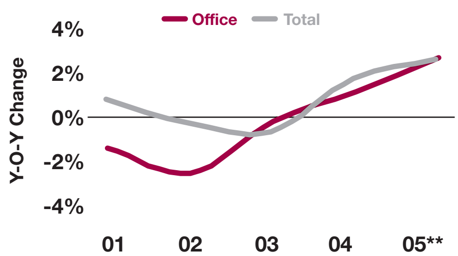
▲ Construction Forecast: Completions are forecast to drop by 47 percent to 400,000 square feet. Most construction is focused along or between the I-10/Katy Freeway and State Route 59.

▲ Vacancy Forecast: Vacancy is expected to decline 110 basis points in 2005, to 16.8 percent, as improvements in the economy boosts office employment and, in turn, absorption. Despite ongoing construction of Loop 610 near the Galleria area and portions of the Katy Freeway, the Allen Parkway/Montrose submarket should have the lowest vacancy at 12 percent.

Office Supply and Demand

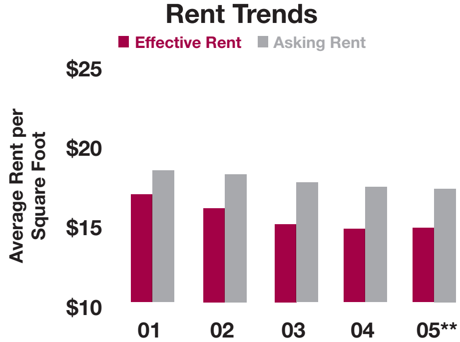


Employment Trends

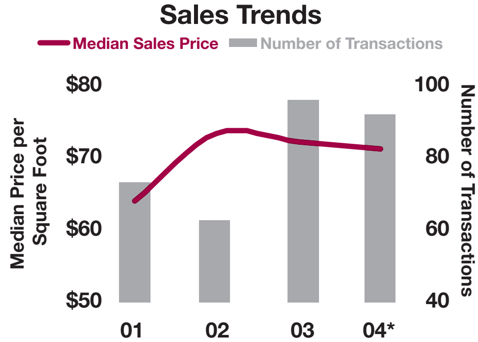


	01	02	03	04	05**
Absolute Change (000s)					
Office	-7	-12	-1	5	12
Total	15	-7	-16	34	53

Rent Trends



Sales Trends



* Estimate **Forecast

Space is Slow to Fill, but the Houston Office Market is Recovering

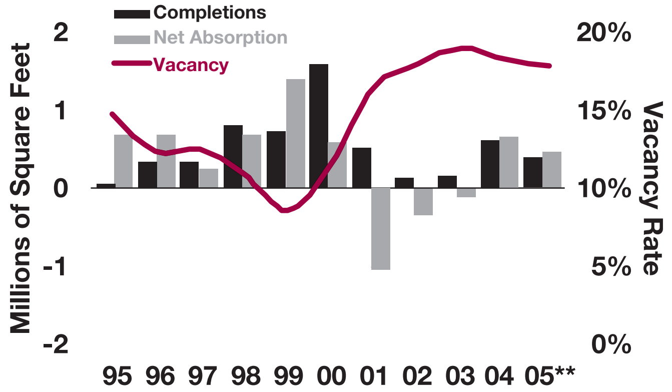
Houston's office market is progressing on the road to recovery, as the substantial vacancy left by Enron, Williams and El Paso Energy is finally being absorbed. Oil companies continue to migrate to the city, as evidenced by Citgo's move from Oklahoma City and ChevronTexaco's acquisition of one of the vacant Enron towers to expand its Texas presence and relocate some California operations. Office employment is expected to rise 2.5 percent this year, as local employers add more than 12,000 jobs. As a result, absorption is anticipated to increase substantially, causing a relatively significant decrease in office vacancy. Rents will only post a modest increase, however, as heavy concessions still exist in the marketplace. Class A vacancy in 2005 should remain the lowest in the FM 1960/Highway 249 submarket at 5.5 percent, followed by the Energy Corridor at 6 percent. The Pasadena/Gulf Freeway submarket is expected to register the lowest Class B vacancy, with a 100 basis point decline to 8.5 percent forecast by year end.

Strong sales activity is expected in 2005. Despite relatively high vacancy last year, investors continued to purchase properties at a rapid pace, as inexpensive capital allowed out-of-state buyers to enter the market with comparatively low financial risk. High investor demand was not enough to increase prices, though, which declined by 1.4 percent, to $71 per square foot. Now that interest rates are rising, however, the market is expected to rely on improving fundamentals to justify higher purchase prices. Both public and private investors are expected to focus on properties located between the I-10/Katy Freeway and State Route 59, as vacancy in these submarkets is forecast to fall below the market average. Strong investor interest will also be focused on the South Main/Medical Center submarket despite the announcement that 350,000 square feet of medical space will soon enter the market.

▲ Rent Forecast: After registering a 2.9 percent decline last year, effective rents will rise 1 percent to $15.25 per square foot by year end. Asking rates will rise by only 0.3 percent, to $18.20 per square foot.

▲ Investment Forecast: Properties located along the future path of the Westpark Tollway are forecast to show improvement as logistics continues to be a major factor in tenant site selection. Opportunistic investors should look to the Westheimer submarket for well-positioned properties with growth potential.

Office Supply and Demand



Improvement in the Indianapolis Office Market Slowly Taking Hold

Moderate improvement is expected in the Indianapolis office market this year, but a few obstacles still remain. Job growth is improving, but key areas continue to struggle. Employment in office-using sectors is forecast to rise by only 2,300 jobs this year, resulting in positive, albeit moderate, net absorption. Vacancy is anticipated to decline, but heavy concessions in the marketplace will continue to keep effective rents 18 percent below asking rates. A significant amount of sublease space remains on the market, but with construction declining, options for an expanding tenant base are becoming limited, helping to reduce vacancy. Class B properties continue to lose ground to Class A assets, as tenants take advantage of reduced rents and upgrade to higher-quality space. As a result, vacancy in the Class B market is expected to trend above 20 percent in the first half of the year. By the second half, however, rents for Class A properties are anticipated to rise to more than $22 per square foot, and tenant migration from Class B properties should slow.

Positive net absorption and declining vacancy will lure opportunistic investors to Indianapolis. Private buyers will be the most active, with the majority seeking quality buildings measuring less than 50,000 square feet in areas such as the Northeast and Northwest submarkets. The Northeast currently has the highest rents of the suburban submarkets, and with vacancy below 18 percent, properties in this area are expected to be in high demand. Vacancy in the Northwest submarket has steadily declined in the past year, dropping 220 basis points to 21.2 percent. This trend is anticipated to continue, lowering vacancy to 19.4 percent by year end, and allowing for comparatively higher rent growth of 1 percent. This will motivate investors looking for properties with strong potential upside, especially near the I-465/69 interchange. Institutional activity is forecast to increase moderately, with most activity occurring in the second half.

- ▲ Rent Forecast: Effective rents are expected to rise 1.5 percent, to an average of $14.23 per square foot, in 2005. Declining vacancy will allow owners to begin to cut back on concessions.

- ▲ Investment Forecast: With the highest rents in the city and vacancy forecast to fall below 16 percent, properties in the Central submarket are expected to be in high demand by both institutional and private investors.

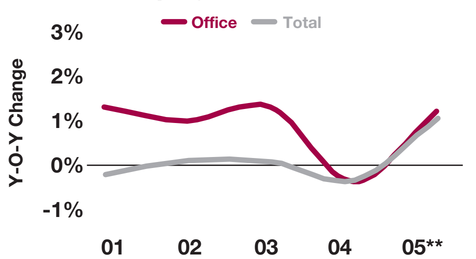
- ▼ 2005 NOI Rank: 39, Down 5 Places. Vacancy is improving but at a slower pace than peer markets, causing Indianapolis to dip five spots.

- ▲ Employment Forecast: Growth of 1 percent, or 9,000 jobs, is expected in 2005. Most positions, though, will be filled in the trade, transportation and utilities, and education and health services sectors, which will result in limited office-using job creation.

- ▲ Construction Forecast: Construction will show a moderate decline, with an estimated 400,000 square feet slated for completion, a reduction of 33 percent. Most activity is expected to occur in the North/Carmel submarket, which will keep vacancy in the area above 20 percent through the end of the year.

- ▲ Vacancy Forecast: Vacancy will decline 50 basis points to 17.6 percent in 2005, due to moderate employment growth and reduced construction. The Central submarket is expected to post the lowest vacancy, at 15.9 percent, by year end.

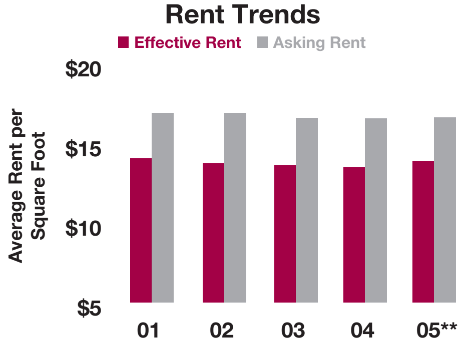
Employment Trends



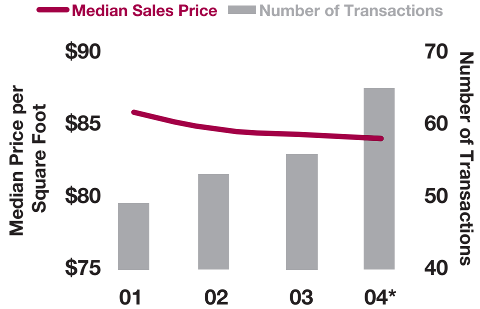
Absolute Change (000s)

	01	02	03	04	05**
Office	2	2	2	-1	2
Total	-2	1	1	-3	9

Rent Trends



Sales Trends



* Estimate **Forecast

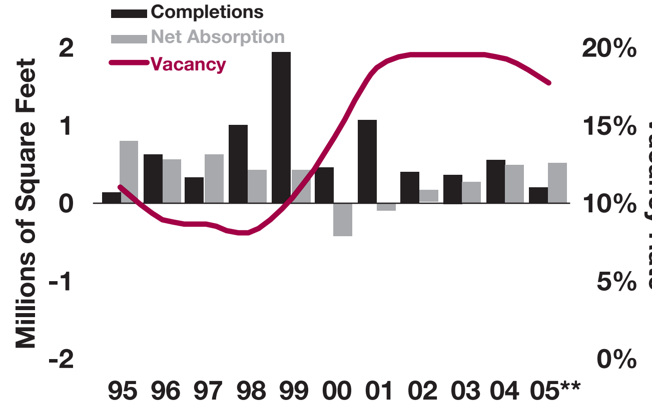
■ 2005 NOI Rank: 19. Jacksonville emerges in the top 20 thanks to solid job growth and improving market fundamentals.

▲ Employment Forecast: Nonfarm employers in Jacksonville will add 14,400 positions in 2005, a gain of 2.5 percent. The city has successfully landed corporate relocations, including the recent addition of Fidelity National Financial.

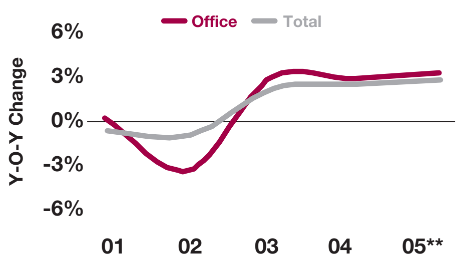
▲ Construction Forecast: Completions of competitive space will fall to 200,000 square feet in 2005. One of the largest projects slated for delivery is not included in this figure, as it is a 550,000-square foot build-to-suit near St. Augustine Road and I-95 that will be occupied by Citibank Operations Center.

▲ Vacancy Forecast: Robust job growth and absorption of sublease space will help reduce vacancy by 150 basis points in 2005, to 17.7 percent. The Downtown North submarket continues to improve, with projected net absorption of 84,000 square feet, or 2 percent of inventory.

Office Supply and Demand



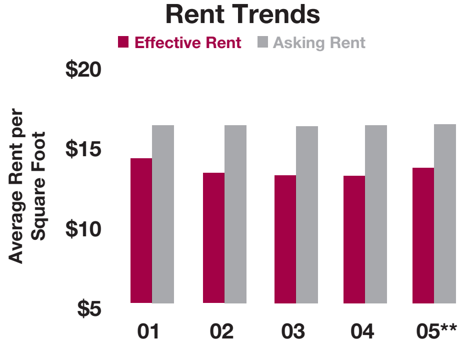
Employment Trends



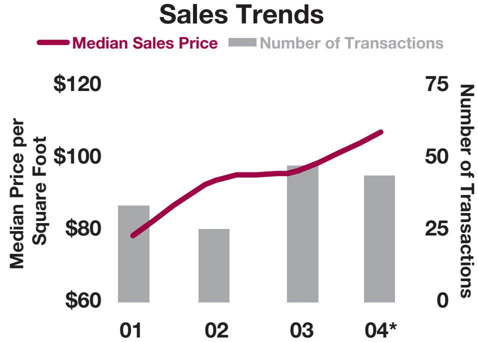
Absolute Change (000s)

	01	02	03	04	05**
Office	0	-6	5	5	5
Total	-4	-6	11	13	14

Rent Trends



Sales Trends



* Estimate **Forecast

Population and Economic Growth Drive Jacksonville Office Market

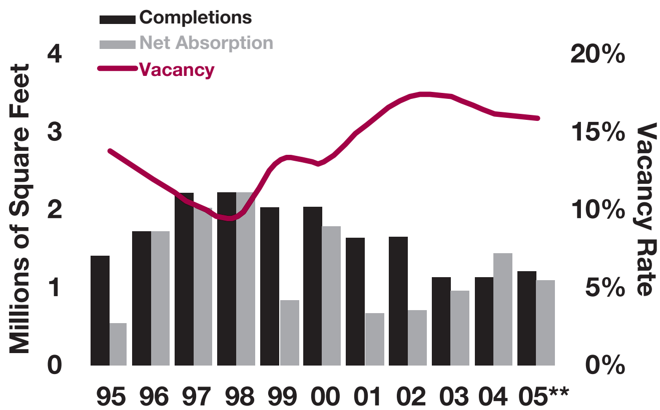
To local leaders, the 2005 Super Bowl in Jacksonville was not just another football game. It was an opportunity to tout Jacksonville's high quality of life to an audience that included business executives considering setting up operations in an East Coast city. Upon further examination, these executives will find that Jacksonville offers viable development opportunities and rents in existing locations that are lower than other Southeast metros. Asking rates in the Downtown North submarket, for example, are forecast to end 2005 at approximately $18 per square foot, while rates in the suburban markets near many of the city's master-planned communities check in at less than $17 per square foot.

An office property purchase in Jacksonville is a bet on the area's ability to continue to expand its business base and lure companies from other locales. The region has historically been successful netting corporate relocations and, in 2005, approximately 4,300 positions will be created in the office-intensive professional and business services sector. Properties in the Mandarin submarket are forecast to perform well, with vacancy falling 160 basis points to 17.9 percent and asking rents rising at a slightly better rate than the market. Mandarin office owners have typically not needed to discount rents or offer concessions to the same extent observed in other submarkets, as business owners are attracted to the Mandarin area's high quality of life, skilled work force and amenities. Properties in the Northwest/Orange Park submarket, meanwhile, will record asking rent growth of 0.7 percent and a fourth consecutive year of positive net absorption. Additionally, no new office construction is on the horizon in the area.

▲ Rent Forecast: A 2.2 percent jump in effective rents to $13.65 per square foot, the highest level since 2001, is expected in 2005. At the end of 2004, effective rents were off 10 percent from the peak in 2000.

▲ Investment Forecast: Institutions and out-of-state investors may enter the market to a greater degree than previously recorded. The median price for multi-tenant properties, at $92 per square foot, is inexpensive compared to other East Coast metros. Additionally, in a high-growth market such as Jacksonville, medical office properties may warrant a look. Assets in areas such as Ponte Vedra Beach in the Beaches submarket maintain strong occupancy and offer potential for NOI growth and value appreciation.

Office Supply and Demand



- ▼ 2005 NOI Rank: 11, Down 5 Places. Above-average job growth and a relatively low vacancy rate kept Las Vegas in the top third of the NOI.
- ▲ Employment Forecast: Las Vegas will continue to experience strong employment growth in 2005, as we project nonfarm payrolls to increase by 26,000 jobs, or 3 percent. Office employment will be strong as well, posting a similar gain of 3 percent.
- ▼ Construction Forecast: Construction will rise 7 percent in 2005, to 1.2 million square feet. The majority of activity will take place in Las Vegas' Southwest submarket as several new office parks are completed.
- ▲ Vacancy Forecast: Vacancies will decline 20 basis points to 15.6 percent in 2005, brought on by businesses relocating to Las Vegas. Property owners in the growing areas of Summerlin and Henderson will benefit the most from relocations from outside the area and those upgrading to newer spaces.

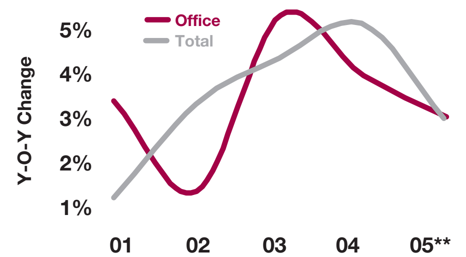
Demand Strong for Health Care Buildings in Beltway and Henderson

Las Vegas' economy will continue to fire on all cylinders as every sector of employment will post growth in 2005. The leisure and hospitality sector, which accounts for over 29 percent of the Las Vegas work force, will grow by 4.6 percent in 2005. The high concentration of hospitality employees has been cause for concern in regards to diversity of employment and industry; however, the area known the world over for its nightlife, entertainment and gambling is hoping to hit the jackpot with a different industry – furniture. The World Market Center, which will eventually house 7.5 million square feet of exhibit space, is located downtown and will be a brand new addition to the economy. The uniqueness of the project is that it will be used by companies year-round, thereby attracting new businesses to Las Vegas that will occupy office space with their sales, engineering and marketing divisions. In addition, property owners in Green Valley and Henderson will experience an increase in sales and leasing activity as businesses from the population-driven industries of health care and financial services migrate from older properties.

New developments throughout the valley, combined with a thriving economy, have lured larger investors to the marketplace. For sales over $5 million, cap rates have fallen 170 basis points since 2002 to 7.9 percent. Crescent Real Estate Equities has been one of the leading buyers in the market with purchases that include four buildings in the Howard Hughes Center totaling $152 million. Overall, sales activity declined 12 percent in 2004 as limited for-sale inventory put a strain on transaction volume. The median sales price, however, increased to $168 per square foot last year. Investors anxious to enter the marketplace will display a willingness to purchase quality properties at lower cap rates, driving property values higher.

- ▲ Rent Forecast: Effective rents in Las Vegas will increase 2 percent to $17.77 per square foot in 2005. In addition, asking rents will rise 1.9 percent to $21.14 per square foot. Older areas, such as East Flamingo and East Sahara, may display some weakness as businesses may opt for newer spaces in the west and southeast.
- ▲ Investment Forecast: Las Vegas is one of the most attractive office markets in the country, as evidenced by the strong inflow of capital from across the nation, particularly California. Tenant demand for medical office will increase significantly along the Beltway as three new hospitals come online.

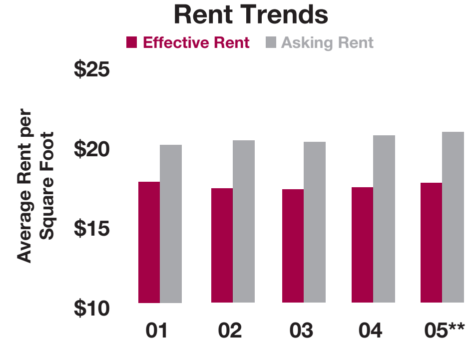
Employment Trends



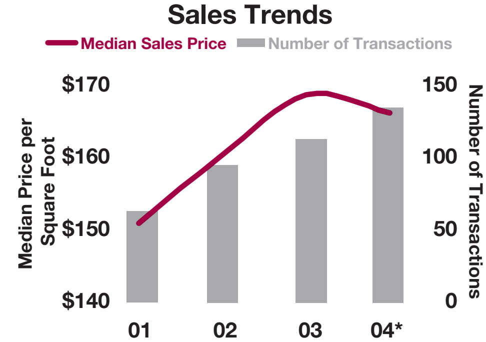
Absolute Change (000s)

	01	02	03	04	05**
Office	4	2	7	6	5
Total	9	26	35	43	26

Rent Trends



Sales Trends



* Estimate **Forecast

Los Angeles

▼ 4 Places   2005 Rank: 9   2004 Rank: 5

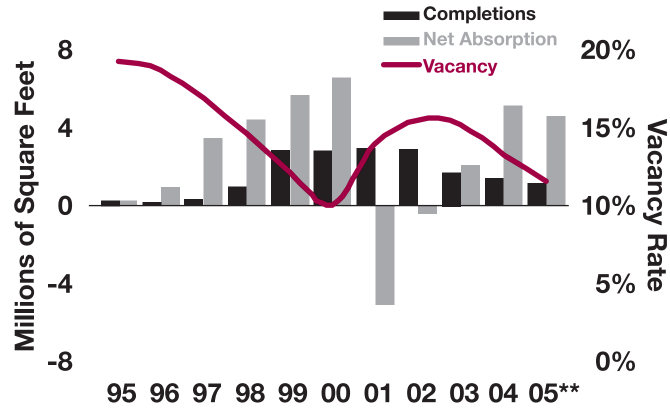
▼ 2005 NOI Rank: 9, Down 4 Places. Slowing development activity, accelerating job growth, and low and declining vacancy kept Los Angeles in the top 10.

▲ Employment Forecast: The county will build upon gains made in 2004, with anticipated employment growth of 1.6 percent in 2005. More than one-quarter of the 65,000 jobs forecast this year will be office-using positions, which will benefit office owners.

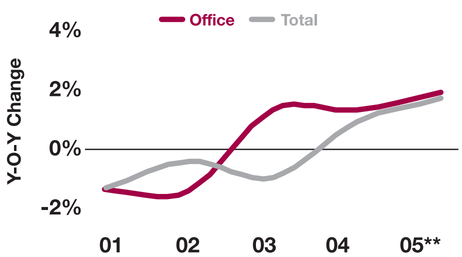
▲ Construction Forecast: Office completions are forecast to decline by 15 percent in 2005, to 1.2 million square feet. Many developers are now focused on mixed-use projects, as housing demand remains extremely high.

▲ Vacancy Forecast: Space requirements among office-using firms will continue to rise in 2005. This will result in a 170 basis point decline in office vacancy during 2005, to 11.4 percent. Continued redevelopment efforts will make the Downtown submarket one of the top performers this year.

Office Supply and Demand

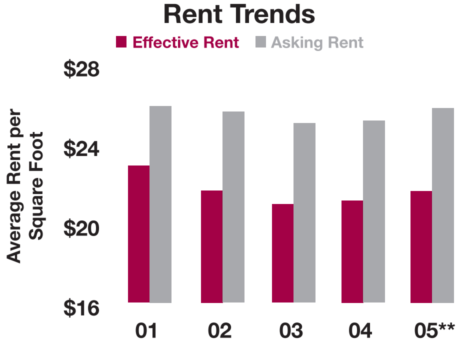


Employment Trends

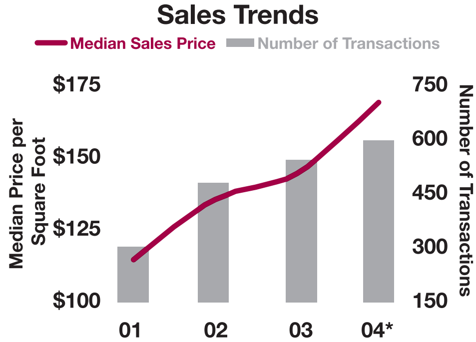


Absolute Change (000s)	01	02	03	04	05**
Office	-13	-13	12	12	18
Total	-52	-17	-38	34	65

Rent Trends



Sales Trends



* Estimate **Forecast

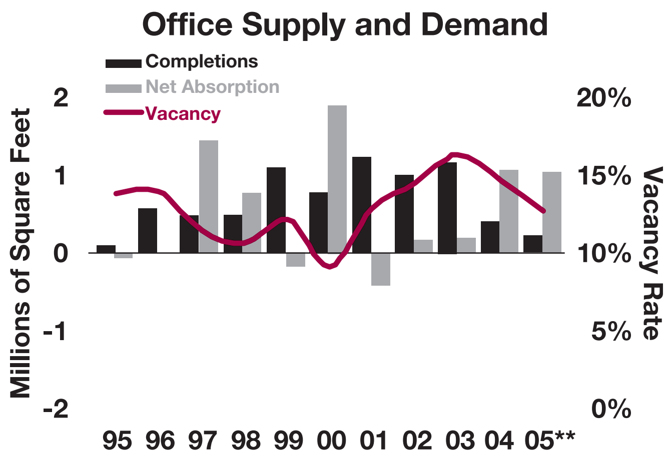
Los Angeles Office Market Gaining Momentum

Improving fundamentals and better economic conditions will keep buyers motivated this year. Leasing activity started to gain momentum during the second half of 2004, which resulted in vacancy declining by 190 basis points to 13.1 percent. The Westside Cities submarket has been one of the more active areas of the county, posting net absorption in excess of 1.5 million square feet last year. Although rents in the area can exceed $35 per square foot, companies are returning to this high-priced submarket in anticipation of broadbased economic expansion. While owners in the submarket can expect only mild revenue growth in 2005, this is a vast improvement considering asking rents are down 14 percent from the peak in 2000. Tri-Cities is another submarket where owners have experienced healthy leasing activity, posting both declining vacancy and rising rents. Pasadena, in particular, is growing in popularity as a suburban office location, amid redevelopment efforts to make the city a trendy locale. Despite numerous office buildings and mixed-use projects coming online, vacancy in the city is a low 8.4 percent and is forecast to fall below 8 percent by year end.

Office assets will be among the top investment choices in 2005, as they offer better returns than other property types and will appear to be increasingly secure as the economy registers improvement. Most properties coming to the market last year generated tremendous interest, with bidding wars not uncommon. Even institutional activity reached high levels, with transactions including the Lantana Entertainment Media Campus. The 332,000-square foot office campus sold for an estimated $137 million, or $412 per square foot. Properties comprised of fewer than 50,000 square feet, which account for the bulk of sales, also generated some impressive numbers last year. The median sales price increased 17 percent, to $168 per square foot, and the average cap rate declined 110 basis points, to 7.1 percent.

▲ Rent Forecast: Strong leasing activity will start to give owners more leverage when negotiating rents. We expect effective rents to post a 3 percent gain, to an average of $21.93 per square foot, as concessions ease.

▲ Investment Forecast: Improving economies overseas and continued devaluation of the dollar is expected to attract foreign investors to the Los Angeles region. Downtown properties remain a top investment choice amid redevelopment efforts.



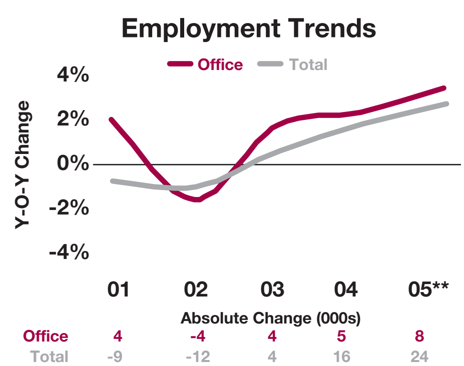
- 2005 NOI Rank: 7, Up 7 Places. Miami moved into the top 10 due to minimal new supply and below-average vacancy.
- Employment Forecast: Metro employers will add 24,400 jobs in 2005, a 2.4 percent increase. Office-using sectors will expand 3.1 percent, adding 8,000 jobs. Tightening ties to Latin American trade and commerce hold positive implications for future economic growth.
- Construction Forecast: Completions are forecast to fall from 390,000 square feet in 2004 to 190,000 square feet in 2005. The market's largest completions will be two buildings totaling 170,000 square feet in the Airport West submarket.
- Vacancy Forecast: A 190 basis point reduction in vacancy to 12.5 percent is forecast by year end. The Coral Gables submarket, which is becoming a destination for 5,000-square foot to 20,000-square foot tenants, is projected to record a 270 basis point decrease in vacancy to 13.7 percent.

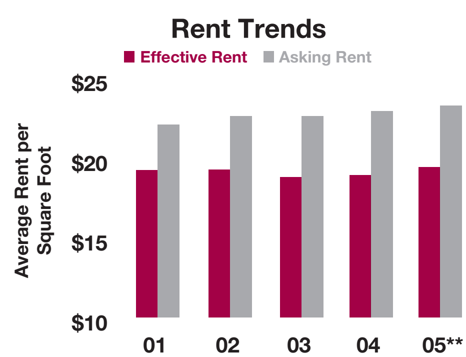
Miami Office Market to Heat Up as Economic Growth Accelerates

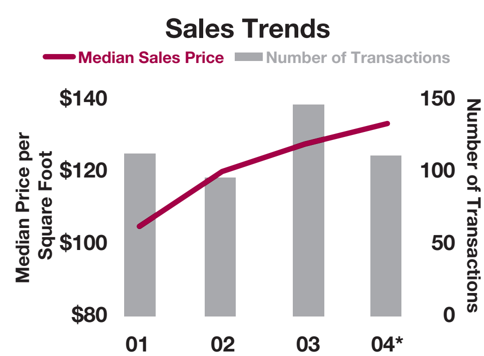
The office market will continue to firm in 2005 as office-using employment rises. The office-intensive professional and business services sector alone will add 6,000 jobs in 2005, and office usage will be supplemented by the metro's diverse economy and the area's strengthening ties to Latin America. On the supply side, developers will produce the lowest amount of new deliveries since the mid-1990s, further aligning fundamentals in favor of significant absorption of existing space. If expectations are fulfilled, 990,000 square feet of space will be absorbed, slicing the vacancy rate 190 basis points and generating a 1.8 percent gain in asking rents.

Out-of-state investors will increasingly look to Miami for properties as the market's recovery gathers momentum. The out-of-state investor pool, however, faces stiff competition in the metro from hometown private buyers, locally based foreign investors and local condominium converters. In fact, during the first three quarters of 2004, not one property was purchased by an out-of-state buyer. Office investors will focus on suburban submarkets this year, as many market observers expect these areas to come back slightly faster than downtown. In the large Airport West submarket, positive net absorption is forecast for the second consecutive year, as new and expanding firms look to the area to fill space requirements. Asking rates are projected to rise 2.3 percent, the first gain since 2002, and effective rents will begin to solidify, increasing to 81 percent of asking rents. The Coral Gables submarket also offers a compelling investment story, as the area has attracted many small office users in recent quarters. Office owners in the submarket can expect vacancy to improve and will likely be able to raise rents as these firms become more confident in business conditions. Asking rents in Coral Gables are forecast to climb a market-best 2.5 percent in 2005, largely on the strength of increased demand from small firms.

- Rent Forecast: Effective rents are forecast to rise by 2.2 percent this year year, to $19.63 per square foot. Effective rents as a percent of asking rents will increase in 2005 after posting declines in each of the past four years.
- Investment Forecast: The age of properties sold in Miami has steadily risen in recent years, as owners of newer properties have been reluctant sellers. With office usage firming, these owners may want to consider selling. There is a diverse pool of buyers aggressively pursuing local properties.



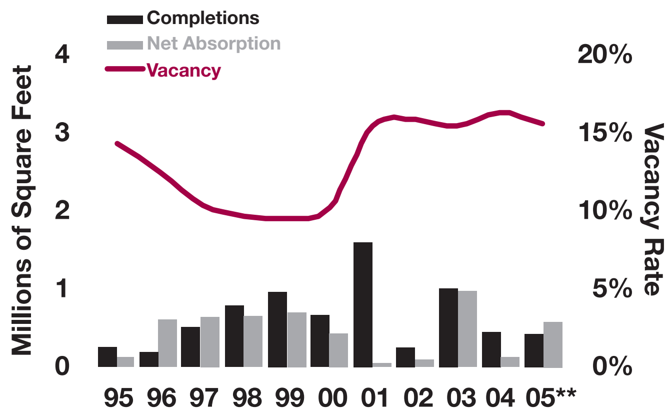




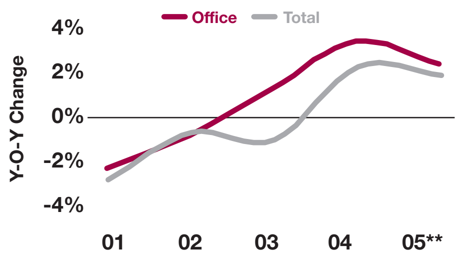
* Estimate **Forecast

- ■ 2005 NOI Rank: 33, No Change. Slow job growth and a minimal rent gain kept Milwaukee unchanged in the index.
- ▲ Employment Forecast: Job growth in Milwaukee will continue in 2005, as local employers add more than 15,000 positions, an increase of 1.8 percent. The professional and business services sector will register the most improvement during the year.
- ■ Construction Forecast: The level of construction in Milwaukee, when compared to last year, will remain virtually unchanged in 2005, with 450,000 square feet forecast for completion. Most activity will be focused in the West Waukesha County submarket, where approximately 240,000 square feet is anticipated.
- ▲ Vacancy Forecast: Vacancy is forecast to decline 70 basis points to 15.3 percent in 2005, as strong employment growth drives demand. The Downtown submarket is expected to have the lowest vacancy rate at 13.9 percent.

Office Supply and Demand



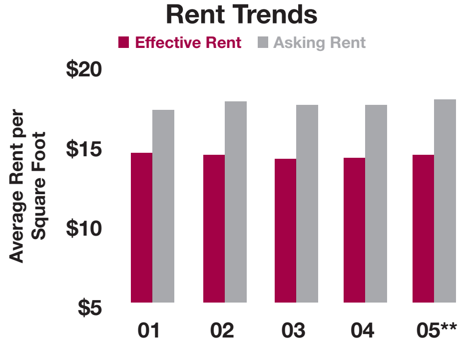
Employment Trends



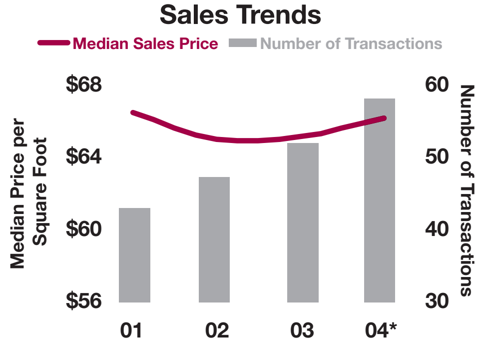
Absolute Change (000s)

	01	02	03	04	05**
Office	-4	-2	2	6	4
Total	-24	-6	-8	18	15

Rent Trends



Sales Trends



* Estimate **Forecast

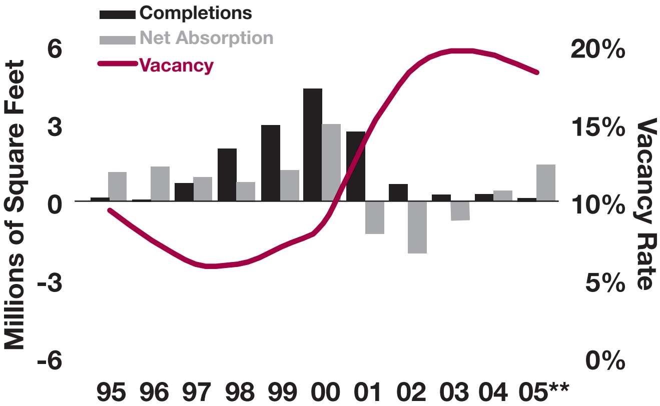
Milwaukee Expected to Outperform Most Midwest Markets

The Milwaukee office market continues to fare better than the majority of MSAs in the northern Midwest, and it is on target for strong growth this year. Employment continues to improve, and more than 4,000 new jobs will be added in office-using sectors. Additionally, construction should remain relatively low, limiting options for prospective tenants and enabling vacancy to decline. Both asking and effective rents are anticipated to post growth, albeit mild, as low vacancy allows owners to begin shedding concessions. Leasing activity for Class A properties should continue to be strong in the coming year, with even speculative projects filling quickly. Recovery for Class B properties, however, will be slower. Aggressive leasing tactics by Class A owners in 2004 resulted in a large amount of available Class B space returning to the marketplace. As a result, vacancy for Class B properties is not expected to rebound until the second half of 2005.

Investment activity is forecast to accelerate this year as improving market fundamentals spur an inflow of capital. Private investment is expected to remain focused in the suburban submarkets, especially on properties between 10,000 and 50,000 square feet. Rising interest rates over the next year are expected to reduce the popularity and affordability of build-to-suit projects. This will create additional demand for multi-tenant space, resulting in strong upside potential for owners of midsized properties. Investors will likely direct their attention to the Brookfield submarket, where vacancy rates are forecast to drop 130 basis points this year and rents will remain the highest in the region, at $19.35 per square foot. Institutional investment increased substantially at the end of 2004, especially in the downtown area. Some properties in the downtown area sold for more than $165 per square foot, and with vacancy forecast to drop below 14 percent by year end, well-located assets will likely garner premiums.

- ▲ Rent Forecast: Effective rents are expected to rise 1.6 percent, to $14.56 per square foot, in 2005. Rents in the North Suburban submarket are forecast to show slightly more improvement but will remain below the market average.
- ▲ Investment Forecast: Opportunities exist in the Wauwatosa/West Allis submarket. Vacancy is forecast to decline 130 basis points to 19.9 percent, as inventory in the area is largely Class B, and will benefit from rising Class A rents by the second half of the year.

Office Supply and Demand



▼ 2005 NOI Rank: 32, Down 7 Places. Minneapolis-St. Paul dropped seven spots in the NOI, as vacancy will remain above the national rate and employment gains are near the average.

▲ Employment Forecast: The affordable cost of doing business, coupled with a well-educated work force, is luring companies to the metro. During the year, we expect employment to increase 2.1 percent, a gain of 37,000 jobs.

▲ Construction Forecast: New office supply will be limited in 2005, as most developers are holding off new projects until vacancy returns to a healthier level. Completions will total 195,000 square feet this year, down from 295,000 square feet in 2004.

▲ Vacancy Forecast: Tenant demand for space is starting to rise due to the influx of new firms and increased space requirements of local firms. As a result, vacancy is forecast to decline by 110 basis points, to 18.2 percent.

Investors Targeting Minneapolis CBD Properties

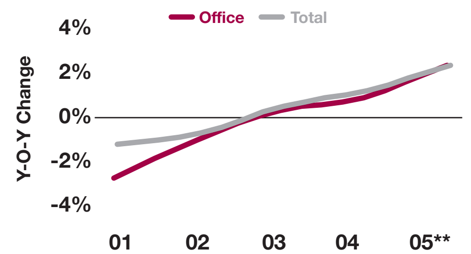
Underperforming office buildings are becoming a prime investment target in the Minneapolis-St. Paul metro area. Economic improvement is expected in 2005, which will lead to increased space requirements by local office-using firms. Despite the lack of growth in office-using employment last year, leasing activity started to rise, and the metro posted positive net absorption for the first time in four years. Much of the gain was reported in the suburban submarkets of Dakota County and the Northeast, where vacancy dropped to 14.6 percent and 15.2 percent, respectively. Overall, Class A buildings have been outperforming as tenants take advantage of lower rents to upgrade to higher-quality space. Owners of Class A buildings in the Minneapolis CBD have positioned themselves to achieve substantial gains in occupancy in 2005 by offering generous tenant improvement allowances and other concessions. The resulting expansion or relocation of many businesses to the Minneapolis CBD is expected to decrease vacancy in the submarket by 250 basis points, to 17 percent. Among the many tenants rumored to be on the hunt for space in the the CBD is Target, which is expected to expand its downtown presence by more than 200,000 square feet.

Sales velocity is forecast to increase in the metro area given the improving economy and the fact that many high-vacancy buildings are being offered at or below replacement cost. The apparent bottoming of the office market is encouraging investors to purchase buildings in struggling submarkets in anticipation of growing demand for space later in the year. The St. Paul CBD, for instance, recently reported vacancy in excess of 25 percent, but the area has attracted the attention of many institutional players since corporate downsizing is a thing of the past, and revenue growth in the submarket is now expected to exceed 5 percent this year.

▲ Rent Forecast: The large amount of space sitting vacant in the market will preclude most owners from achieving any asking rent growth this year, but concessions will begin to ease. As a result, effective rents will increase by 1 percent, to an average of $16.96 per square foot, by year end.

▲ Investment Forecast: Suburban properties will remain a favorite among local investors due to the lack of construction and relatively healthy vacancy rates. The two CBDs are now garnering interest from institutional buyers as it becomes apparent that tenant demand for downtown space is on the rise.

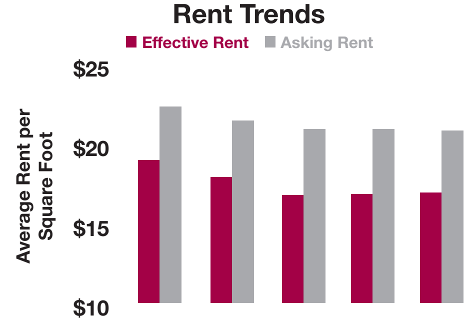
Employment Trends



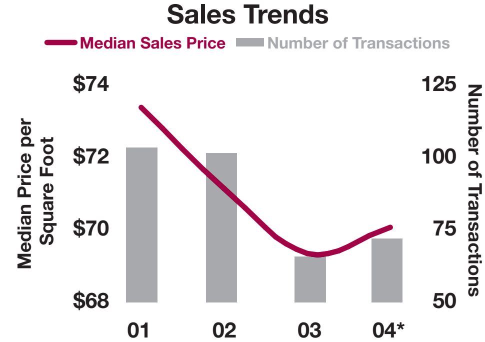
Absolute Change (000s)

	01	02	03	04	05**
Office	-12	-5	1	3	9
Total	-23	-14	6	18	37

Rent Trends



Sales Trends



* Estimate **Forecast

Statistical

MSA Name	Vacancy Rate (%)[1] 02	03	04	05**	Annual Effective Rent ($/Sq. Ft.)[1] 02	03	04	05**	Total Office Completions (Sq. Ft. - 000s)[1] 02	03	04	05**
Atlanta	18.7	19.5	19.0	18.6	17.15	16.46	16.30	16.38	2,905	1,484	700	1,800
Austin	24.1	23.6	20.5	18.5	18.68	16.44	16.00	15.55	1,900	590	450	550
Boston	18.5	20.5	20.5	19.7	29.10	26.27	26.25	26.40	2,907	2,500	800	150
Charlotte	15.8	17.3	16.6	15.5	16.69	16.11	16.00	16.30	1,492	1,070	550	675
Chicago	18.2	19.5	19.2	18.9	21.40	20.32	19.91	19.92	4,290	3,100	1,600	3,200
Cincinnati	15.7	18.0	18.2	17.8	14.36	14.12	14.08	14.12	575	840	530	500
Cleveland	18.8	19.9	20.0	19.7	15.89	15.41	15.35	15.45	1,086	80	215	175
Columbus	21.6	21.6	20.4	20.2	14.07	13.66	13.64	13.70	800	440	582	614
Dallas-Fort Worth	23.3	25.6	25.1	23.7	15.76	14.83	14.61	14.72	4,474	956	900	600
Denver	19.7	22.1	21.1	19.6	15.67	14.08	13.82	13.94	3,495	1,578	945	500
Detroit	16.5	18.9	18.8	17.9	17.85	17.13	16.83	16.86	1,096	213	900	750
Fort Lauderdale	18.5	16.8	15.2	13.1	17.61	17.51	18.10	18.46	711	227	248	323
Houston	15.6	18.1	17.9	16.8	16.51	15.55	15.10	15.25	1,459	900	750	400
Indianapolis	17.8	18.7	18.1	17.6	14.33	14.03	14.02	14.23	145	180	600	400
Jacksonville	19.4	19.4	19.2	17.7	13.61	13.32	13.36	13.65	420	375	552	200
Las Vegas	17.0	16.9	15.8	15.6	17.34	17.35	17.43	17.77	1,609	1,100	1,121	1,200
Los Angeles	15.3	15.0	13.1	11.4	21.98	21.19	21.30	21.93	2,900	1,700	1,350	1,150
Miami	14.3	16.1	14.4	12.5	19.40	19.05	19.20	19.63	979	1,128	390	190
Milwaukee	15.5	15.1	16.0	15.3	14.60	14.33	14.33	14.56	244	1,011	450	450
Minneapolis-St. Paul	18.2	19.6	19.3	18.2	17.82	16.99	16.80	16.96	632	246	295	195
New Haven	17.1	20.9	21.0	19.0	17.86	18.02	17.95	18.00	1,875	1,250	675	450
NYC-Manhattan	9.7	10.6	10.2	10.1	39.35	36.50	35.88	36.24	2,428	1,200	1,207	2,100
Northern New Jersey	16.0	16.6	16.0	14.9	22.78	22.36	22.10	22.36	4,429	1,322	200	300
Oakland	14.1	15.3	14.7	13.3	22.98	21.55	21.25	21.37	1,347	850	421	185
Orange County	16.8	15.6	12.8	11.1	20.23	19.87	20.10	20.60	1,420	649	375	525
Orlando	16.2	17.7	15.0	13.8	16.45	15.58	15.77	15.93	600	700	300	600
Philadelphia	12.5	13.9	13.9	13.5	19.28	18.63	18.27	18.34	479	1,355	900	1,250
Phoenix	20.3	19.7	19.2	17.8	16.97	16.62	16.73	16.98	1,798	322	894	927
Portland	16.7	17.0	16.2	15.5	16.65	16.09	15.91	16.21	1,300	1,123	400	700
Raleigh-Durham	21.5	20.6	18.9	17.4	15.12	14.47	14.44	14.62	841	272	1,300	1,100
Riverside-San Bernardino	9.9	9.7	9.3	8.8	14.75	15.32	15.65	16.15	241	76	655	750
Sacramento	12.5	14.3	14.8	14.2	18.19	18.33	18.62	19.02	860	1,040	700	600
Salt Lake City	18.2	20.4	17.4	15.3	13.46	13.06	12.98	13.02	242	557	400	450
San Antonio	15.9	19.2	19.5	16.9	14.12	13.87	13.94	14.18	232	38	500	500
San Diego	13.2	12.4	12.5	11.5	21.59	21.72	22.00	22.61	1,007	358	600	1,400
San Francisco	20.9	21.9	20.5	19.1	26.93	24.30	23.34	23.80	3,540	500	90	125
San Jose	21.8	23.5	22.9	21.8	26.20	23.02	22.47	22.69	715	800	75	50
Seattle	14.9	16.1	15.8	14.8	21.76	20.55	20.35	20.75	1,666	850	260	700
Tampa	17.1	17.3	16.4	14.9	15.52	15.44	15.38	15.67	416	52	400	375
Tucson	13.8	15.2	14.1	13.1	16.58	16.30	16.43	16.80	45	115	54	101
Washington, D.C.	11.3	12.4	11.9	11.3	26.65	25.61	25.70	26.23	8,627	3,635	5,800	3,600
West Palm Beach	14.0	15.0	12.7	11.1	19.04	19.31	19.60	19.98	137	227	400	300

* Estimate ** Forecast

Summary

Total Office Absorption (Sq. Ft. - 000s)[1]				Median Sales Price ($ per Sq. Ft.)[1]			Office Employment Growth (%)[1]				
02	03	04	05**	02	03	04*	02	03	04	05**	MSA Name
(3,023)	(506)	1,668	2,283	90.33	104.58	109.54	(1.2)	(0.2)	0.9	3.3	**Atlanta**
(2,384)	719	2,038	1,541	115.00	108.00	104.46	(1.3)	(0.5)	0.0	2.8	**Austin**
(2,846)	(441)	636	1,118	123.08	112.12	117.44	(4.7)	(1.7)	(1.3)	0.9	**Boston**
1,330	306	736	1,013	99.57	97.00	102.00	1.2	3.2	3.9	3.4	**Charlotte**
(2,845)	(510)	1,996	3,303	103.26	105.28	104.76	(3.2)	(0.9)	0.8	2.5	**Chicago**
455	(6)	371	537	71.38	74.74	94.76	(0.6)	0.3	(0.8)	1.4	**Cincinnati**
(772)	(352)	134	255	70.15	72.63	89.62	(3.2)	(0.0)	0.1	1.0	**Cleveland**
(586)	345	842	554	75.52	86.28	87.19	(2.6)	(0.6)	(0.1)	1.7	**Columbus**
(2,611)	(3,252)	1,541	2,896	87.93	72.76	69.21	(2.6)	(0.8)	0.8	3.0	**Dallas-Fort Worth**
(1,960)	(2,123)	2,158	2,535	100.10	102.09	106.09	(4.8)	(0.8)	0.5	2.6	**Denver**
(1,717)	(1,609)	843	1,256	104.21	100.00	106.47	(1.6)	(0.7)	(0.3)	2.0	**Detroit**
(210)	664	661	877	118.79	110.23	130.74	1.4	3.1	3.1	4.4	**Fort Lauderdale**
(1,568)	(2,982)	915	1,987	72.65	71.56	70.56	(2.5)	(0.2)	1.0	2.5	**Houston**
(331)	(125)	673	484	84.62	84.20	84.00	1.0	1.3	(0.4)	1.2	**Indianapolis**
154	302	494	531	92.85	95.61	106.08	(3.3)	2.7	2.7	3.0	**Jacksonville**
675	952	1,377	1,094	159.97	161.00	168.00	1.4	5.3	3.9	3.0	**Las Vegas**
(505)	2,046	5,011	4,476	134.31	143.46	167.84	(1.4)	1.2	1.2	1.8	**Los Angeles**
184	191	1,066	992	119.31	126.73	132.47	(1.7)	1.5	2.0	3.1	**Miami**
102	964	132	575	64.84	65.00	66.00	(0.9)	1.2	3.3	2.3	**Milwaukee**
(2,434)	(772)	447	1,250	71.07	69.28	70.00	(1.1)	0.2	0.7	2.1	**Minneapolis-St. Paul**
2,220	(1,891)	456	1,919	100.67	109.96	112.54	(1.7)	(0.6)	(0.3)	1.2	**New Haven**
(3,322)	(2,257)	2,569	2,260	224.72	242.70	243.92	(5.6)	(0.4)	1.2	1.2	**NYC-Manhattan**
1,916	475	804	1,423	116.03	126.50	140.12	(0.5)	(0.6)	2.0	1.3	**Northern New Jersey**
(162)	113	659	907	167.13	166.20	166.09	(2.2)	(1.4)	0.6	2.6	**Oakland**
642	1,490	2,543	1,819	120.74	140.42	153.57	4.8	3.7	0.8	3.5	**Orange County**
(51)	130	1,077	886	118.40	107.60	115.56	0.2	3.3	2.3	4.2	**Orlando**
(905)	(266)	775	1,499	85.29	102.42	111.89	(0.3)	0.6	0.5	1.2	**Philadelphia**
(626)	633	1,036	1,652	115.32	116.67	120.36	0.8	2.3	2.2	4.4	**Phoenix**
(955)	830	800	1,000	119.30	116.42	122.80	(2.9)	(0.9)	0.2	2.4	**Portland**
(1,344)	501	1,597	1,407	113.00	113.00	115.00	(1.6)	(1.6)	0.5	2.4	**Raleigh-Durham**
655	96	650	757	89.34	108.24	114.16	4.1	5.0	3.2	3.9	**Riverside-San Bernardino**
76	160	388	769	119.87	122.81	146.60	0.7	0.7	0.6	1.7	**Sacramento**
(441)	(125)	1,750	1,270	62.92	62.50	65.00	(1.7)	1.4	1.2	2.7	**Salt Lake City**
598	(809)	326	1,091	98.00	100.00	102.00	(0.7)	0.4	2.5	3.5	**San Antonio**
(377)	707	476	1,740	134.51	152.73	183.09	2.9	2.6	1.3	3.3	**San Diego**
(599)	(516)	1,348	1,379	233.99	224.04	224.86	(10.2)	(3.2)	0.3	1.6	**San Francisco**
(1,293)	(251)	367	607	311.82	284.13	258.60	(12.3)	(2.2)	(1.3)	1.9	**San Jose**
(686)	(148)	437	1,325	146.67	139.20	161.72	(2.1)	1.8	2.8	3.0	**Seattle**
(864)	(36)	690	917	85.41	105.13	115.17	2.4	3.8	2.9	5.5	**Tampa**
(191)	2	122	157	100.00	124.74	112.10	2.4	2.0	3.9	3.7	**Tucson**
3,872	275	6,409	4,888	191.58	194.81	216.40	(0.2)	1.1	2.0	1.8	**Washington, D.C.**
353	(30)	857	621	112.55	138.66	139.28	0.5	2.8	2.7	4.1	**West Palm Beach**

[1] See Statistical Summary Note, page 57

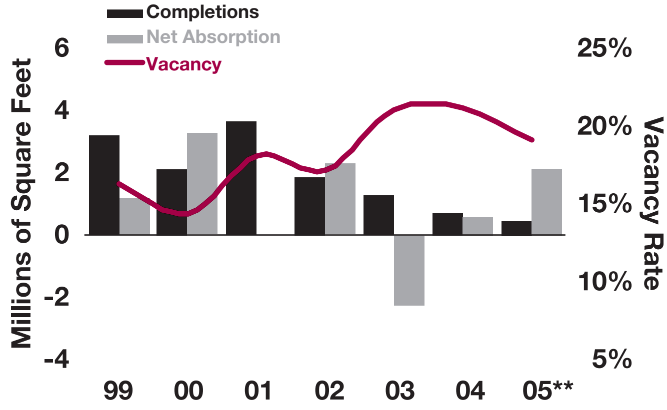
- ■ 2005 NOI Rank: 42. Weak job growth and almost no rise in rents gave New Haven the bottom rank.

- ▲ Employment Forecast: Job growth is forecast to reach 1.2 percent this year. Though an improvement over the 0.3 percent loss reported in 2004, growth will still fall below the U.S. average. More than 20 percent of the new jobs will be office-using, however, which will contribute to stronger office absorption this year.

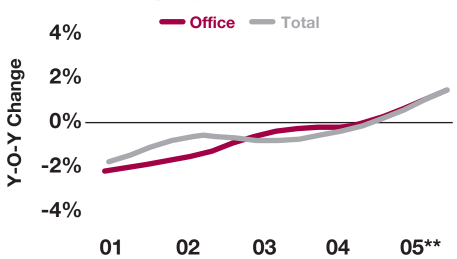
- ▲ Construction Forecast: Development activity will be limited in 2005 due to the large overhang of vacant space in the market. Completions will total 450,000 square feet, with most of it coming from the 360,000-square foot Towers at Merritt River in Norwalk.

- ▲ Vacancy Forecast: Companies are starting expand, and new businesses are beginning to move into the area. Increased absorption is expected to result in a 200 basis point decrease in vacancy, to 19 percent, by year end.

Office Supply and Demand



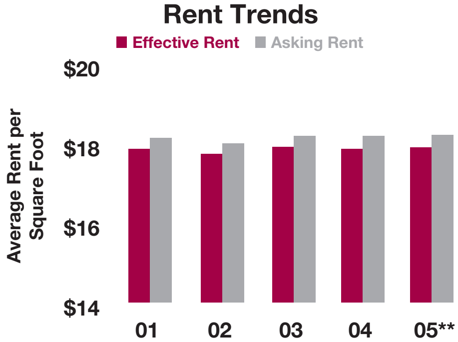
Employment Trends



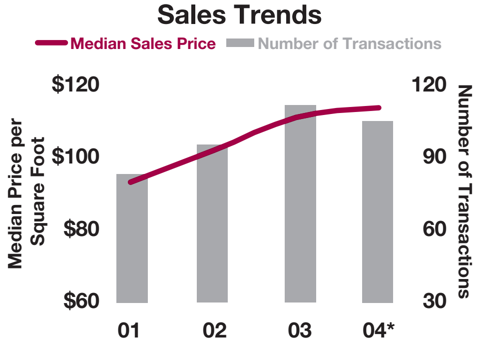
Absolute Change (000s)

	01	02	03	04	05**
Office	-4	-3	-1	0	2
Total	-16	-7	-8	-3	10

Rent Trends



Sales Trends



* Estimate **Forecast

New Haven Office Market on the Mend

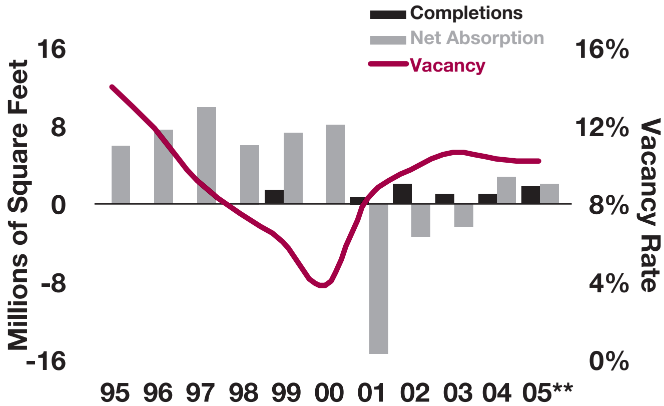
New Haven's office market will gain attention this year thanks to improving demand, limited new supply and an expanding economy. Office-using companies in the area continued shedding jobs through the first half of 2004, which led to weak absorption and kept vacancy elevated at 21 percent. The hardest-hit area was Fairfield County, where employers took aggressive measures to improve bottom lines, and vacancy increased 200 basis points, to 29.7 percent. This submarket is now showing signs of life, however, as large companies, especially those in the professional services sector, are taking advantage of the drop in rents over the last year to expand in the area. Owners are also noting revenue improvement in the CBD, where vacancy has declined 100 basis points, to 14.5 percent, and asking rents posted a gain for the first time in three years. Most of the improvement in the submarket is coming from the Class A sector, as businesses are able to migrate to better office space due to the generous concessions owners are offering. While owners in a few submarkets are slowly regaining some negotiating power, it will not be until at least 2006 that the market as a whole is able to record a noticeable rise in asking rents.

Sales velocity has been slow by historical standards due to the lagging economic recovery, but investors are starting to re-examine local properties. The consensus is that the New Haven office market bottomed in 2004, and limited development activity will allow owners to achieve better gains in revenue as available supply shrinks. Few developers will start new projects given the estimation that rents would have to increase by as much as 50 percent to justify the high acquisition and development costs in the region. A testament to the growing sentiment of the market is the recent sale of a 218,000-square foot office/industrial complex in New Haven County that was 30 percent vacant and sold for a premium to a group from New Jersey.

- ▲ Rent Forecast: Elevated vacancy will preclude owners from raising asking rents in 2005, but concessions will begin to wane. By year-end 2005, we expect effective rents to register a minor 0.3 percent increase.

- ▲ Investment Forecast: Investors are likely to take a hard look at properties in Fairfield County given the submarket's current standing. A growing movement of companies bent on escaping the high rents of New York is improving gross revenue in the submarket.

Office Supply and Demand



Rebounding Job Market Key to New York City Office Turnaround

The bottom of the downturn has been reached, and the New York City office market is set for an upswing on the strength of a resurgent economy and business expansion. Leasing activity picked up over the past year, as brokerage firms reported a surge in traffic among companies looking for large blocks of space, and net absorption turned positive for the first time since 2000. Sublease space remains, but firms such as Time Warner pulled significant blocks off the market in late 2004, and its effect on net absorption will greatly diminish going forward. At year-end 2004, sublease space accounted for less than 20 percent of availability, down from more than 40 percent one year earlier. As demand indicators begin to point upward, Manhattan office owners should be able to rebuild gross revenues.

Investor interest in the market has persisted despite weakened fundamentals. Prices for assets selling for $100 million and greater rose 12.2 percent since 2001, as buyers positioned themselves in front of the expected recovery. Looking back, eyebrows were raised when the 50-story General Motors Building sold for $778 per square foot several months ago. The buyer's high valuation has apparently been vindicated, however, as several new leases have been signed at rates much higher than those charged on expiring agreements, illustrating the extent of value that can be captured in an improving market. Indeed, asking rents across Manhattan are down 15 percent from year-end 2000, creating considerable upside for investors willing to assume leasing risk. In the Grand Central submarket, rents are off 13 percent from the peak. Net absorption was positive in 2004, and the outlook is for sustained improvement in demand, as employers are attracted to the submarket's quality assets and proximity to a major transportation hub.

- ▲ Rent Forecast: After declining each year since 2000, recovering tenant demand will permit owners to push effective rents up 1 percent in 2005, to $36.24 per square foot. More significant improvement is possible if vacancies, such as those in the Midtown submarkets, fill quicker than expected.

- ▲ Investment Forecast: Condo converters have driven deal flow Downtown, and these buyers should remain active as long as low short-term interest rates persist. Greater activity may occur in Brooklyn and Queens, as investors look to reposition assets to compete with properties on the New Jersey waterfront.

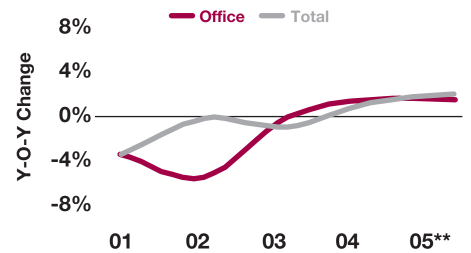
- ▲ 2005 NOI Rank: 5, Up 2 Places. Of the 42 markets surveyed, Manhattan is forecast to boast the second-lowest vacancy rate in 2005, pushing it up two places in this year's NOI.

- ▲ Employment Forecast: Total employment in Manhattan will expand 1.7 percent in 2005 as 69,000 jobs are created. Office-using employment will increase by 1.2 percent with the addition of 14,600 positions.

- ▼ Construction Forecast: Completions will total 2.1 million square feet, an increase from 2004. The largest project scheduled for completion is the 1.8-million square foot 7 World Trade Center.

- ▲ Vacancy Forecast: Manhattan office vacancy is forecast to fall 10 basis points, to 10.1 percent, in 2005 as completions and the availability of sublease space withhold more substantial improvement. Major submarkets such as Grand Central, Midtown South and Penn Station, however, should record vacancy reductions ranging from 20 to 40 basis points.

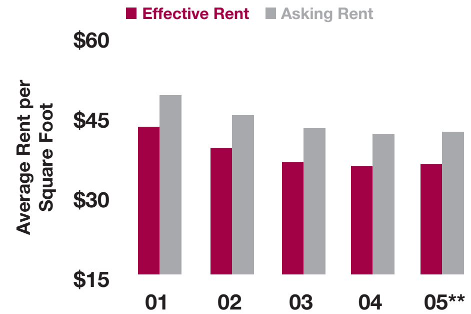
Employment Trends



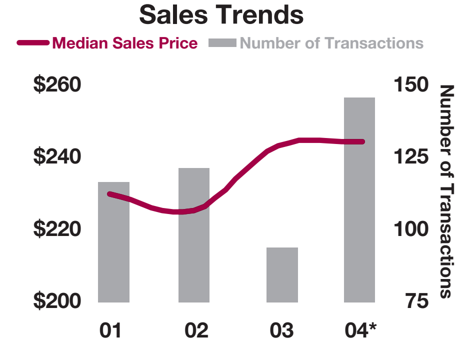
Absolute Change (000s)

	01	02	03	04	05**
Office	-48	-72	-4	14	15
Total	-157	-23	-52	37	69

Rent Trends



Sales Trends

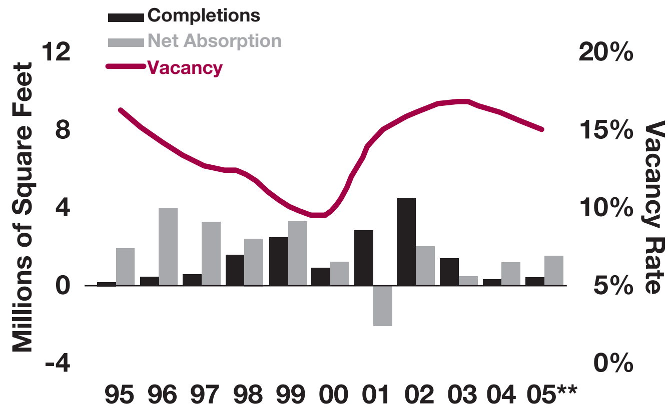


* Estimate **Forecast

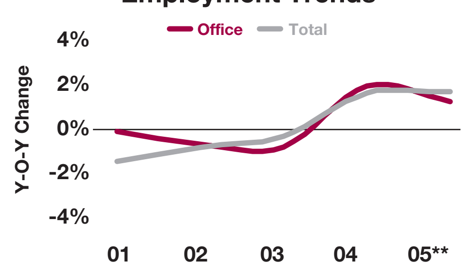
Northern New Jersey

- ▼ 2005 NOI Rank: 26, Down 4 Places. Sluggish job growth and excess sublease space led to a drop in the index.
- ▲ Employment Forecast: Employers in Northern New Jersey will add 35,000 positions in 2005, a 1.8 percent increase. Office-using firms will expand payrolls 1.3 percent with the addition of approximately 6,200 jobs.
- ▼ Construction Forecast: Northern New Jersey office completions will increase from 200,000 square feet in 2004 to 300,000 square feet in 2005. The magnitude of the increase is notable, but developers have reduced completions to substantially less than the levels recorded two years ago.
- ▲ Vacancy Forecast: The Northern New Jersey vacancy rate will fall 110 basis points to 14.9 percent in 2005 as office-using businesses expand. The Waterfront submarket, located across the Hudson River from Manhattan, will tighten 40 basis points to 8.8 percent as the area's many new buildings lease up.

Office Supply and Demand



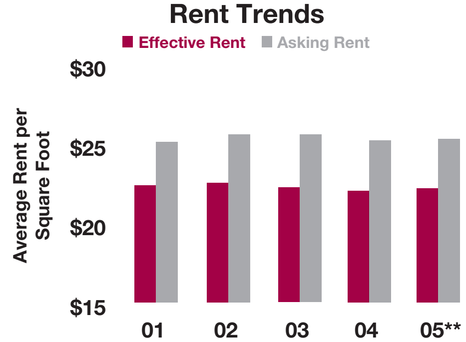
Employment Trends



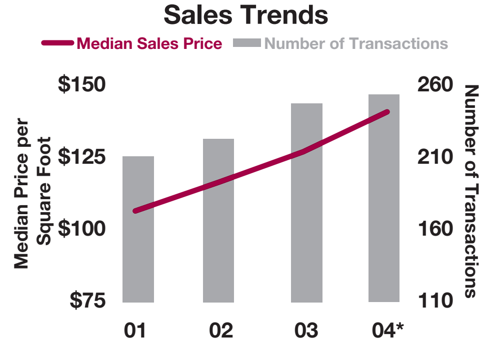
Absolute Change (000s)

	01	02	03	04	05**
Office	0	-2	-3	9	6
Total	-25	-13	-3	33	35

Rent Trends



Sales Trends



* Estimate **Forecast

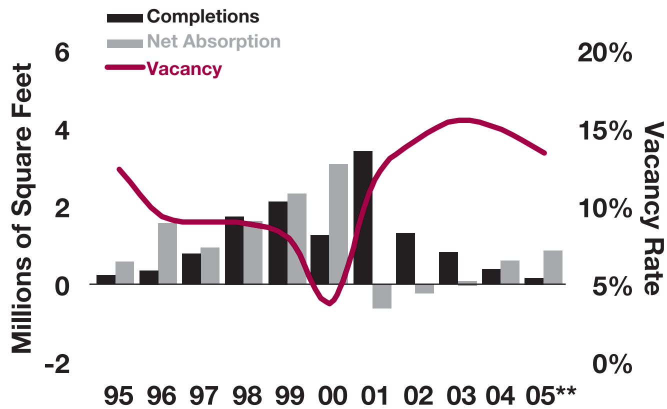
Northern New Jersey Office Market Recovery Gains Momentum

Property fundamentals are beginning to firm in the Northern New Jersey office market as local office-using businesses step up hiring. Improved demand should result in net absorption exceeding 1 million square feet for the first time since 2002. Sublease space, which accounted for approximately 20 percent of vacant stock at year-end 2004, should still present a challenge for owners in 2005 and suppress asking rent growth to 0.3 percent. Nevertheless, office market conditions will improve sufficiently to permit owners to reduce concessions and discounts.

Much of the interest in Northern New Jersey office properties centers upon the Waterfront submarket, which includes the new buildings that have risen in Jersey City and Hoboken in the past few years. In fact, 58 percent of the submarket's inventory has been added since 2000, and the "build it, and they will come" proposition supporting construction of new space has been affirmed by strong tenant demand. As rental upside surfaces in the wake of disappearing vacancy, the challenge for owners and investors going forward is maintaining rents low enough to attract Manhattan firms looking to move back-office functions to lower-cost locations. In 2005, investors may want to search opportunities in the Parsippany/Troy Hills submarket in suburban Morris County. Net absorption in 2005 is forecast to hit its highest level since 2000, as the area's finance, insurance, real estate and services firms increase hiring. The long-term prospects for the area are favorable, as it is served by major transportation routes, offers proximity to executive housing and boasts a well-educated resident work force.

- ▲ Rent Forecast: Effective rents in the Northern New Jersey region will rise 1.2 percent in 2005 to an average of $22.36 per square foot, as owners begin to gain pricing power from improving vacancy. Small submarkets with solid demand fundamentals, such as Elizabeth, the Route 280 Corridor and the Palisades Parkway, might outperform the entire market.
- ▲ Investment Forecast: Transactions involving Northern New Jersey medical office assets often escape notice. Sales of such properties have averaged about $25 million each of the past two years, and values have steadily risen. The investment proposition for Northern New Jersey medical office assets adds up, whether an investor is considering a property in high-density Bergen County or near the affluent enclaves of Morris County.

Office Supply and Demand



▲ 2005 NOI Rank: 12, Up 4 Places. Limited development and office employment gains positively impact Oakland's position.

▲ Employment Forecast: Oakland employment is forecast to expand by 1.7 percent in 2005 as employers create 17,400 jobs. Gains will be driven by professional and business services companies. Office-using sectors are forecast to expand by over 6,000 positions, or 2.6 percent.

▲ Construction Forecast: Approximately 185,000 square feet of competitive space is scheduled for completion in 2005. The Department of Health Services' build-to-suit is the largest project scheduled to come online this year, at 206,000 square feet.

▲ Vacancy Forecast: Vacancy is forecast to fall 140 basis points this year to 13.3 percent, bolstered by strong job growth and subdued development. The North I-680 submarket will post the strongest improvement in the region, with vacancy falling 210 basis points to 13.4 percent.

Economic Diversification Keeps Oakland Office Market Strong

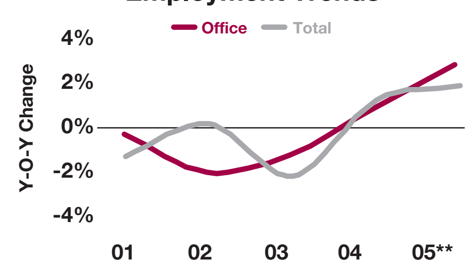
Oakland continues to be the strongest of the Bay Area office markets, primarily due to its lower concentration of tech businesses compared to other Bay Area locations. The landscape of downtown Oakland is changing. New housing and retail developments are springing up across the area, rejuvenating what many considered to be a dying downtown. The most significant project currently under consideration is the proposed Oak to Ninth mixed-use development just below Jack London Square. The 60-acre parcel would include residential units as well as 200,000 square feet of office and retail space. Additionally, the Oakland Film Center, a 100,000-square foot space with 22 film-related companies as tenants, opened in 2004 with the hopes of attracting film production businesses to the area. Resurgence in venture capital outlays is luring start-up companies back to the region. While activity pales in comparison to the dot-com boom era, 2004 IPOs made their strongest showing since 2000. The success of recent offerings could indicate renewed market confidence for the high-tech start-ups that the Bay Area is known for, which bodes well for the Oakland office market.

Office investment activity has remained strong in the East Bay, as buyers are attracted to the comparatively strong fundamentals and broad array of product. Tenants unable or unwilling to pay the high rents in other Bay Area locations have repeatedly looked to the East Bay. This has resulted in high demand for smaller blocks of space in mid- or low-rise properties. As a result, the median price for these assets has risen over 24 percent since 2000, to $174 per square foot. Investors interested in acquiring these types of properties might consider the Airport/San Leandro submarket, where prices can fall below $100 per square foot. Additionally, this submarket is the only area of Oakland where current rents are higher than levels recorded in 2000.

▲ Rent Forecast: Effective rents will begin to tighten in 2005 as firming occupancies enable owners to limit concessions, boosting the average per square foot rent 0.6 percent to $21.37 per square foot.

▲ Investment Forecast: Oakland will remain an attractive alternative to other Bay Area markets thanks to improving fundamentals and a strengthening employment picture. Institutional investors might pay particular attention to assets within the CBD, where efforts to revitalize the area into a live, work, play environment are yielding encouraging results.

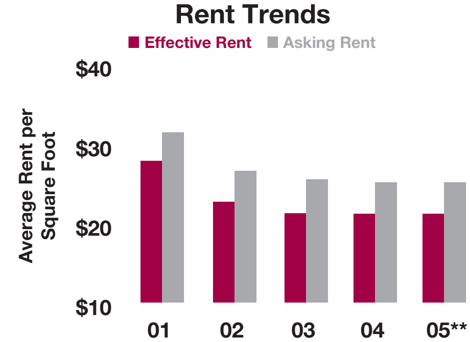
Employment Trends



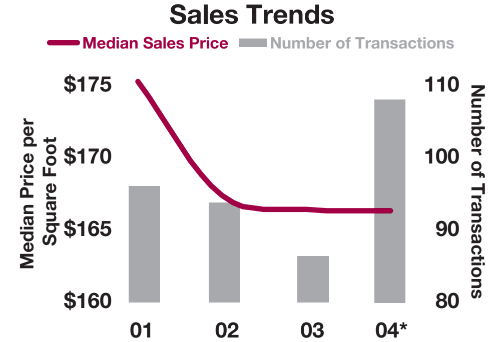
Absolute Change (000s)

	01	02	03	04	05**
Office	-1	-5	-3	1	6
Total	-15	-0	-24	11	17

Rent Trends



Sales Trends



* Estimate **Forecast

Orange County

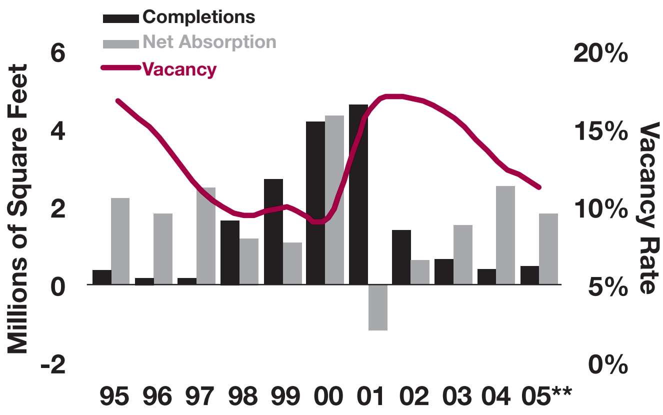
▲ 2005 NOI Rank: 3, Up 1 Place. Firming market conditions and improving vacancy pushed Orange County up in the NOI.

▲ Employment Forecast: Job growth was slow in 2004, at 8,700 positions, but is forecast to hit 35,000 jobs this year due to expansion at local defense-related firms and the growing tourism industry. Defense procurements are on the rise and Disneyland is celebrating its 50th anniversary, both of which will spur hiring.

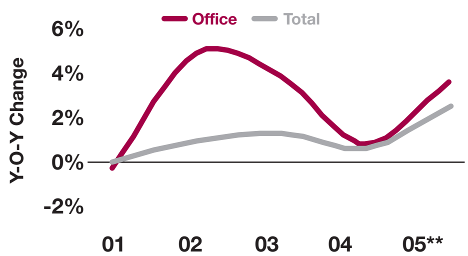
▼ Construction Forecast: Development will increase slightly in 2005 but will remain minimal by historical standards. Office completions will total 525,000 square feet this year, up from 375,000 square feet delivered in 2004, but far short of the 4.7 million square feet added in 2001.

▲ Vacancy Forecast: Tenant demand will remain strong in 2005, with vacancy expected to decline by 170 basis points to 11.1 percent. Fueling demand will be growth in office-using jobs, which will rise by 13,000 positions this year.

Office Supply and Demand



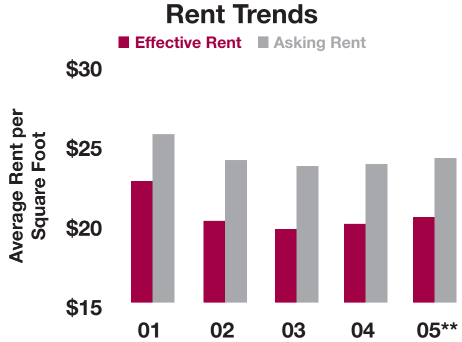
Employment Trends



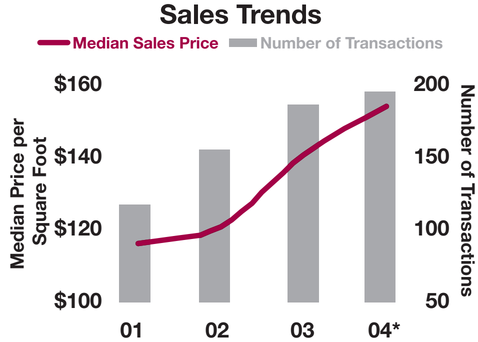
Absolute Change (000s)

	01	02	03	04	05**
Office	-1	16	13	3	13
Total	0	13	18	9	35

Rent Trends



Sales Trends



* Estimate **Forecast

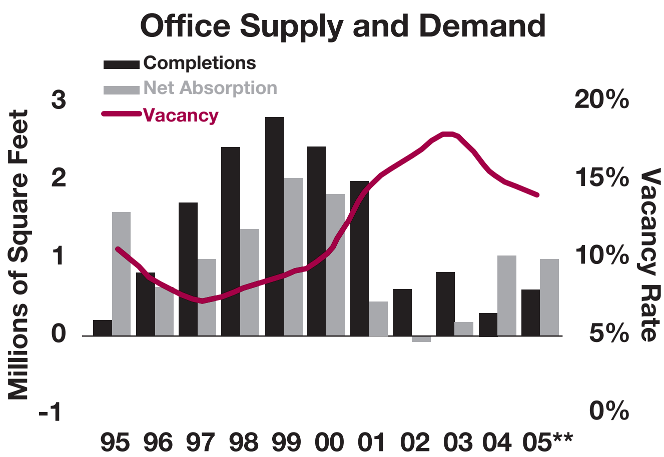
Investors Willing to Pay a Premium for Orange County Office Buildings

Orange County's office market is expected to build upon the momentum started last year, with tightening market conditions and growing revenue streams forecast for 2005. While office-using job growth totaled only 2,900 jobs last year, firms started leasing more space to lock in low rents, which drove vacancy down 280 basis points, to 12.8 percent. The Airport Area, including the city of Irvine, has been the most active leasing location as companies moved back into the submarket to obtain quality space at lower rates. The result has been a 200 basis point decline in vacancy over the last year, to 14.2 percent, and an increase in asking rents for the first time in three years. Investors are benefiting from the renewed strength of the Airport Area submarket, with revenue growth exceeding 3 percent last year and prospects for growth of more than 5 percent in 2005. South County is also experiencing renewed tenant demand, as hiring in the tech industry slowly picks up. While the submarket's current vacancy rate of 15.5 percent is still relatively high, it is vast improvement over the 20 percent vacancy rate posted the year prior.

Investment activity has been strong since most office buyers perceive the market as having limited downside risk, with minimal development and a growing economy providing the means for solid upside potential. While institutional sales activity has been strong in the Airport Area, private investors have been concentrating their search for office properties in Central Orange County. The median price in the Airport Area increased by 25 percent over the last year, to $195 per square foot, due to a number of high-profile deals, including the recent sale of the 420,000-square foot Washington Mutual Irvine Campus for $360 per square foot. Competition was also high among private investors in central Orange County, where the median price per square foot increased from $119 in 2003 to just over $132 in 2004.

▲ Rent Forecast: Growing tenant demand will give owners more leverage this year, and many will begin to pull back on concessions. As a result, effective rents are forecast to rise 2.5 percent in 2005, to $20.60 per square foot, while asking rates rise 2 percent.

▲ Investment Forecast: As office prices continue to rise in 2005, buildings with vacancy issues will be prime investment targets. Areas with an abundance of these properties include the cities of Anaheim and Santa Ana.



▼ 2005 NOI Rank: 23, Down 3 Places. Orlando declined three spots due to increased construction activity. Its above-average employment growth forecast kept it near the center of the NOI.

▲ Employment Forecast: Job growth in the Orlando MSA is forecast at more than double the national average in 2005. A 4.6 percent gain for the year will represent an increase of 44,200 jobs. Office employment will increase by 10,200 jobs, with the fastest-growing sectors being in management and professional and technical services.

▼ Construction Forecast: Office completions will double this year when compared to 2004, to approximately 600,000 square feet.

▲ Vacancy Forecast: Orlando's office vacancy rate will decrease 120 basis points in 2005, reaching 13.8 percent by year end. This will be the lowest vacancy rate recorded since 2000 and the second consecutive year with a decline.

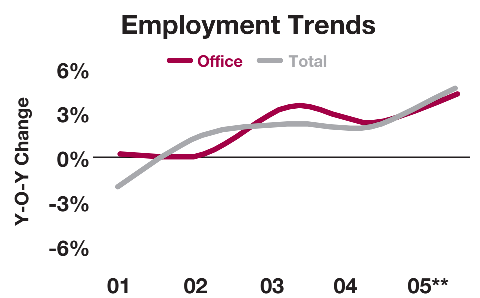
Office Market Fundamentals in Orlando Suburbs Stabilizing

Ongoing population and employment growth will bolster demand for office properties in Orlando this year. The suburban markets were hurt by the high-tech and telecommunications downturn, but the worst is over. Suburban property owners who had been forced to drop rents in order to retain and attract tenants are expected to report stable rents and vacancies this year. Older Class B/C properties, however, will continue to struggle with vacancy issues this year. Owners of older properties will be forced to upgrade space or adjust rents in order to compete with recently completed Class A properties. Investors seeking stable Class B/C assets might look to Winter Park, as its smaller properties have maintained firm occupancy levels.

While construction is not overwhelming compared to historical levels, there is concern that deliveries in 2005 could hinder improvement. While considerable preleasing has taken place, much of it has been from tenants already in the market. This trend has been especially prevalent in downtown, with new buildings such as the 260,000 square foot CNL Center II tower signing tenants from other downtown properties. Upside opportunities might exist in the South Orlando submarket, where strong leasing activity resulted in a 250 basis point increase in occupancy in 2004, with further improvement forecast for 2005. Additionally, while many areas posted declining rents last year, South Orlando registered a 1 percent increase, a trend which is expected to intensify this year as occupancies continue to firm.

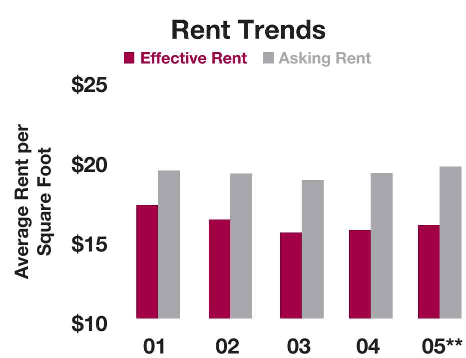
▲ Rent Forecast: Many owners in the Orlando region are expected to remain cautious in terms of raising rents, waiting until new space is leased before bumping rates at existing properties. Asking rents will increase by 2.5 percent in 2005, due primarily to new Class A properties entering the market. Effective rents will increase at a more modest pace, with a 1 percent gain forecast for the year, reaching $15.93 per square foot.

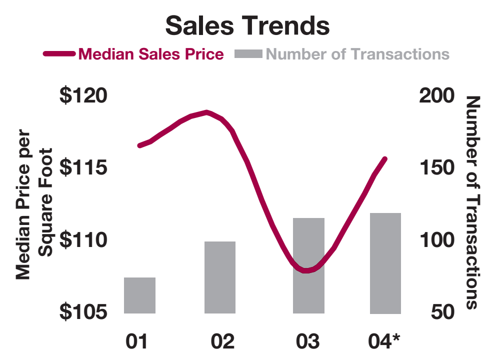
▲ Investment Forecast: The MSA's strength will come from the suburban markets in East Orlando and the airport area. Resurgence in the hospitality industry and continued growth of companies related to homeland security will put downward pressure on vacancy rates among Class A properties in these suburban areas in 2005. Investors with longer-term hold strategies will find value in Class B/C suburban properties with upside in both lease rates and vacancies.



Absolute Change (000s)

	01	02	03	04	05**
Office	1	1	8	5	10
Total	-17	13	20	19	44

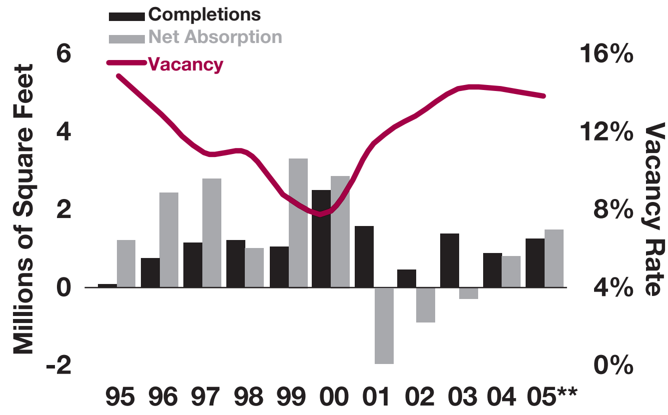




* Estimate **Forecast

- ■ 2005 NOI Rank: 18, No Change. The consistent performance of Philadelphia will maintain its position in the NOI.
- ▲ Employment Forecast: Philadelphia employers will add 39,600 positions to payrolls in 2005, a 1.6 percent gain. Office-using firms will expand by 7,000 jobs, a 1.2 percent jump.
- ▼ Construction Forecast: Completions will rise by 350,000 square feet, to 1.25 million square feet, in 2005. Brandywine Realty Trust's 727,000-square foot Cira Centre in the West Philadelphia submarket is scheduled for delivery in late 2005.
- ▲ Vacancy Forecast: A 40 basis point decline in vacancy, to 13.5 percent, is forecast in 2005 as resurgent demand drives net absorption to its highest level since 2000. The suburban Bucks County submarket, which has held up fairly well through the downturn, was sporting a vacancy rate of approximately 10 percent at year-end 2004 and offers room for upside improvement.

Office Supply and Demand



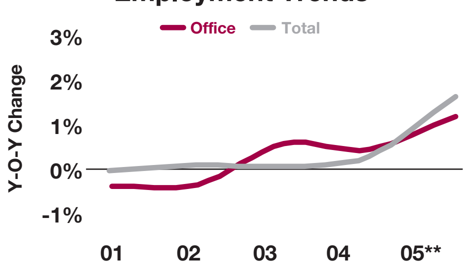
Stability is Key to Philadelphia Office Market

Philadelphia's office market tends to get lost in the shadow of other East Coast metros despite offering a compelling story for investors. The city's old economy businesses fared well during the last economic downturn, with total office employment at the end of 2004 registering higher than year-end 2000. Local employers gave back only a fraction of the space returned in tech-heavy, more volatile metros, and much of the city's office-using employment base remains intact. Philadelphia's vacancy rate has held within a 300 basis point range since the end of 2001, and asking rents have declined only 3 percent in that period. Positive net absorption returned last year and appears set to accelerate in 2005 thanks to an expanding economy.

The Center City submarket will continue to attract the attention of investors. Consolidation in the banking and insurance industries put space back on the market last year, and a 30 basis point jump in vacancy to the low 12 percent range is expected in 2005, as excess space is gradually absorbed in the area. Nonetheless, demand is expected to pick up late in the year, and the long-term prospects for the submarket are good. Philadelphia has the third-largest concentration of downtown residents in the country and major office users will continue to tap that talent pool. Meanwhile, owners in suburban submarkets such as North Montgomery County and King of Prussia have been experiencing increased leasing traffic from pharmaceutical and biotech tenants. Merck, for example, is planning a large expansion in North Montgomery County. Investors are beginning to jockey for position in order to capture NOI appreciation as those submarkets tighten.

- ▲ Rent Forecast: Asking rents are projected to inch up 0.4 percent in 2005, to $21.98 per square foot. Effective rents will rise at an identical rate, to $18.34 per square foot, as owners keep a handle on concessions.
- ▲ Investment Forecast: Investors may want to consider growing suburban locations, such as Bucks, Chester and Montgomery counties, for medical office assets. Older individuals are significant medical services consumers, and the population of individuals 55 years and older is the fastest-growing age segment in each of the three counties. The expansion of health care employment is expected to keep pace with the demands of the metro's aging population.

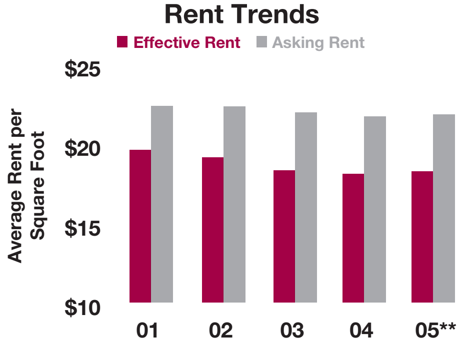
Employment Trends



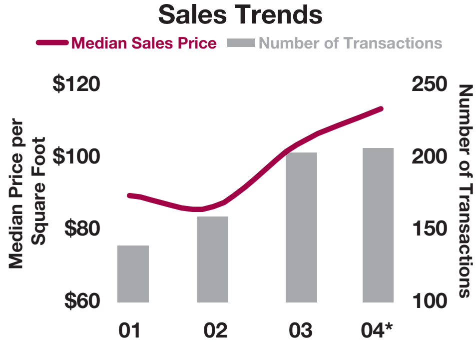
Absolute Change (000s)

	01	02	03	04	05**
Office	-2	-2	3	3	7
Total	0	3	2	7	40

Rent Trends

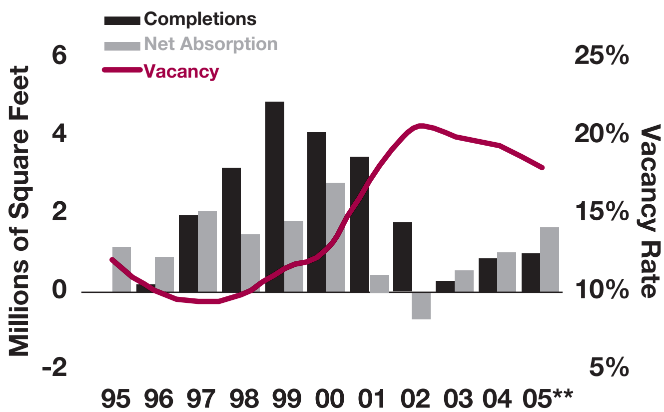


Sales Trends



* Estimate **Forecast

Office Supply and Demand



- ▲ 2005 NOI Rank: 16, Up 3 Places. Robust employment gains and firming occupancies boosted Phoenix's rank this year.
- ▲ Employment Forecast: Phoenix nonfarm payrolls will increase by 3.5 percent, or 58,870 jobs, in 2005. Office-using employment growth will reach 4.4 percent, as an additional 19,800 positions are created. Some office-space users will head to Tempe as the city transforms its downtown area from an entertainment area to a more traditional business district.
- ▼ Construction Forecast: Construction of competitive space will increase slightly in 2005, to 927,000 square feet. The majority of construction is centered in the Chandler/Gilbert submarket.
- ▲ Vacancy Forecast: Strong office-using job gains will push vacancy down 140 basis points this year, to 17.8 percent. This will mark the third consecutive year that the Phoenix office market has experienced a drop in vacancy.

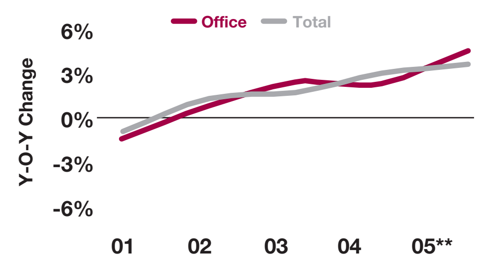
Biotech Industry Energizes Phoenix Office Market

The Phoenix office market is showing improvement in many areas as the economy continues to recover. Although the high-tech industry is still struggling, the metro area received federal funding for biotechnology and nanotechnology research that will help Phoenix establish itself as a premier research center in the coming decade. Currently, there are five biotech projects either under way or recently completed, totaling 730,000 square feet. This includes the 170,000-square foot TGen headquarters building, which was completed in the Downtown South submarket in November 2004. The site of the former Los Arcos Mall in the South Scottsdale submarket will finally be redeveloped. The city of Scottsdale and Arizona State University plan to shape the former retail center into the ASU Scottsdale Center for New Technology and Innovation. The 42-acre site will house a $86.5 million research park.

Investors, anxious to put an abundance of capital to work during the current low-interest-rate environment, have been extremely active in the Phoenix office market. Dollar volume increased by nearly 50 percent over the past year, to an estimated $1.5 billion, the third-highest among southwestern office markets. The outlook is strong for the next 12 months as well. Institutions and REITs, which typically target properties valued at $5 million and above, have driven cap rates in this segment of the market down 140 basis points since 2001, to a four-year low of 8.4 percent. Sumitomo Real Estate has been one of the most active buyers in the marketplace with purchases that include the Phelps Dodge Tower, located downtown near Bank One Ballpark, for $82.8 million.

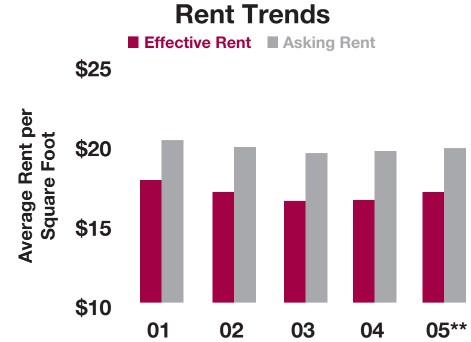
- ▲ Rent Forecast: 2005 will be the second consecutive year that office owners will be able to raise rents. We project asking rents to increase 1 percent, to $19.90 per square foot. Effective rents will fare even better as owners pare concessions amid falling vacancies. As a result, effective rents will rise 1.5 percent, to $16.98 per square foot.
- ■ Investment Forecast: Tempe, which is nearly built out and has historically posted the lowest vacancies in the Valley, will continue to attract investor capital. First-time buyers are expected to account for a large share of activity in the submarket despite above-average prices. Cap rates in Tempe have been running 70 basis points below the market average of 8.5 percent.

Employment Trends

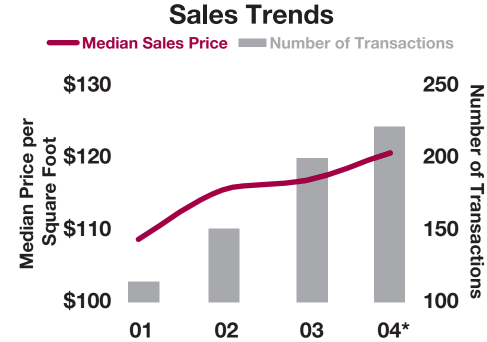


Absolute Change (000s)	01	02	03	04	05**
Office	-6	3	10	10	20
Total	-14	21	28	49	59

Rent Trends



Sales Trends



* Estimate **Forecast

Portland

■ No Change   2005 Rank: 28   2004 Rank: 28

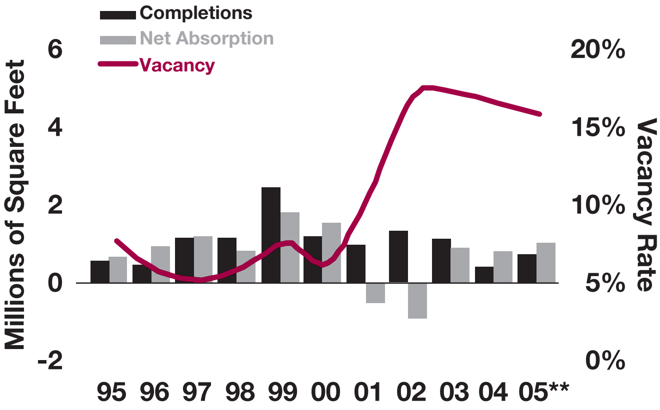
- ■ 2005 NOI Rank: 28, No Change. Hiring increases will not be substantial enough to offset the lackluster economic performance of the past few years, keeping Portland at the 28th spot.

- ▲ Employment Forecast: Job growth in the Portland market will outpace the national average. The 2.4 percent growth in the market translates into 22,770 new jobs. The market will see broad-based improvement in the economy throughout the year, but manufacturing, health care and retail trade will lead the recovery.

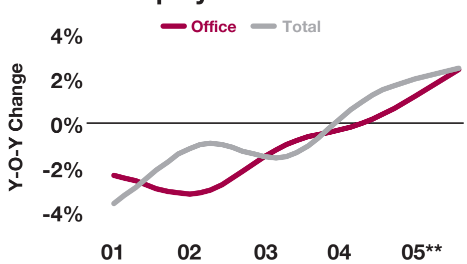
- ▼ Construction Forecast: Completions will increase by 75 percent in 2005, to 700,000 square feet. For the second year in a row the absorption rate will outpace new supply, with 1 million square feet expected to be leased in 2005.

- ▲ Vacancy Forecast: Vacancy in the Portland metro area will decline for the second consecutive year. A 70 basis point drop will put the vacancy rate at less than 16 percent for the first time since 2001.

Office Supply and Demand



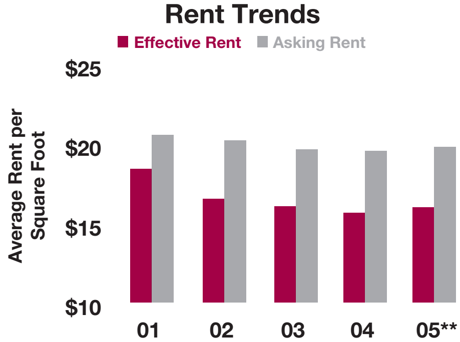
Employment Trends



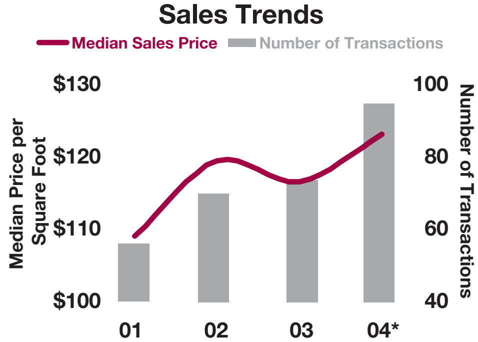
Absolute Change (000s)

	01	02	03	04	05**
Office	-5	-6	-2	0	5
Total	-33	-8	-13	12	23

Rent Trends



Sales Trends



* Estimate **Forecast

Portland's Office Investment Climate Showing Improvement

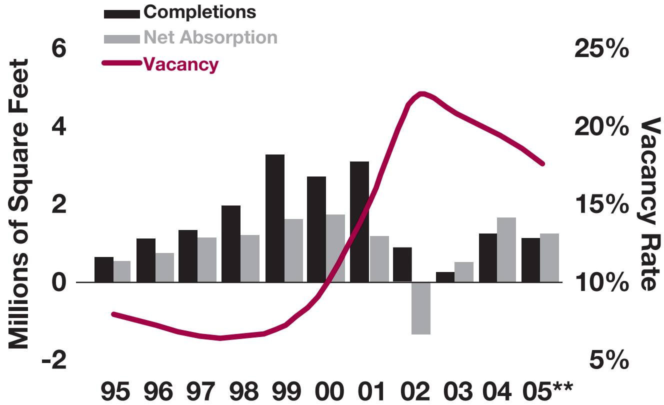
Improving economic conditions in the Portland office market will continue to stimulate solid leasing activity regionwide. After three years of losses followed by minimal growth in 2004, the outlook for office employment is positive. Portland office employment will grow by 2.4 percent in 2005. While the overall scope of the office market is improving, one needs to look at specific areas within the MSA in order to get a true understanding of the investment climate in the region. There is a wide gap between the urban and suburban office markets, and within the suburban office areas there is significant diversity among the various submarkets.

The urban office market will remain stable in 2005. Leasing will remain strong downtown; however, much of the activity will be movement of firms from one property to another within the submarket. As a result, we expect vacancy in the CBD to remain at approximately 14 percent this year. Asking rents in urban areas will remain relatively flat, though we do expect mild gains in effective rents during the year. Among the suburban areas, the Kruse Way submarket will remain the leader with both the lowest vacancy, at less than 8 percent, and the highest rents, at an average of $23 per square foot. The remainder of the suburban submarkets, while posting solid absorption, will continue to struggle with vacancy issues throughout 2005. The Sunset Corridor will continue to post the highest vacancy in the metro, at more than 30 percent. The submarket has, however, logged a marked decrease in sublease space over the last year, a sign recovery has begun.

- ▲ Rent Forecast: Rent growth will be tempered over the next year as owners wait for more vacant space to be absorbed prior to raising rents. Asking rents will increase 1 percent in 2005. Effective rents will rise by 1.9 percent, reaching $16.21 per square foot by year end, as concessions begin to burn off.

- ▲ Investment Forecast: While Class A properties with high occupancy have been setting record sales prices, Class B properties on Portland's eastside have remained relatively affordable. These properties will be in high demand among both investors and tenants. The convenience of the area, coupled with lower rents for Class B properties, will become increasingly attractive as Portland's economy and office market recover. Opportunistic investors seeking underperforming Class B properties might consider the eastside, although they are likely to pay a slight premium for future upside in rent.

Office Supply and Demand



Expansion by Firms in the Research Triangle Park Boosts Raleigh Market

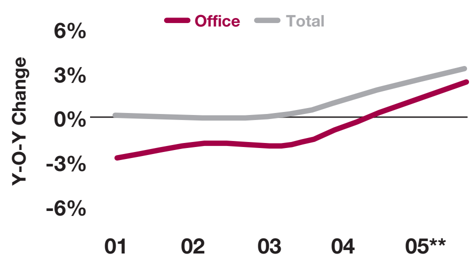
Expansion is expected in the Raleigh-Durham office market for 2005. The woes of the tech bust seem to have subsided, and employment growth is outpacing last year's level of 1.9 percent. Over 3,400 jobs are forecast to be added in office-using sectors, and construction remains relatively low. As a result, net absorption is forecast to reach 1.4 million square feet this year, which will lead to a decrease in vacancy. Concessions will remain prevalent in the early part of 2005, but should begin to dissipate by the second half of the year. Leasing activity is anticipated to be robust in the RTP. Available space in this area is in high demand as it remains on the short list for many pharmaceutical, biotechnology and information services companies. Though vacancy in the area will register a significant reduction this year, it will still be in the low-20 percent range, which will keep effective rent growth limited to approximately 1.5 percent.

Investment activity is forecast to accelerate in 2005 as several consecutive quarters of positive absorption have attracted the interest of both public and private investors. Owners have remained cautious over the past several years, not wanting to exit at the bottom of the market; however, with occupancy firming, rents rising and out-of-state investors showing interest, more properties are expected to become available over the next year. Private investment will continue to focus on suburban properties in areas such as North Durham and Chapel Hill, where vacancy rates remain at less than 14 percent and rental rates are forecast to reach $18.15 and $21.55 per square foot, respectively. Institutional investors will likely focus their attention on office properties in the RTP, but redevelopment efforts in downtown Raleigh may also spur interest.

- ▲ Rent Forecast: Effective rents are expected to increase 1.2 percent, to $14.62 per square foot, in 2005. The Chapel Hill submarket will have the area's highest asking rents at $21.55 per square foot.
- ▲ Investment Forecast: Office investors seeking stabilized properties with low vacancy and above-average rents would be wise to focus on buildings in the Central Wake County submarket. Vacancy rates in this area are below 15 percent, and effective rents are expected to increase by nearly 2 percent in 2005.

- ■ 2005 NOI Rank: 41. Raleigh ranks near the bottom as a result of the forecast for limited office-using job growth this year.
- ▲ Employment Forecast: Job growth of 3.3 percent is forecast for 2005 with close to 23,000 positions being added. The professional and business services sector is expected to show the most improvement, with a gain of more than 6,500 jobs.
- ▲ Construction Forecast: The Raleigh-Durham area will experience a slight decline in construction in 2005. Approximately 1.1 million square feet is expected to come online, down from 1.3 million square feet last year.
- ▲ Vacancy Forecast: Vacancy is forecast to decline 150 basis points, to 17.4 percent, in 2005. The North Durham submarket is expected to register the lowest vacancy at 12.2 percent. Second only to the Research Triangle Park (RTP), the Central Durham submarket will post the most improvement, with vacancy declining 260 basis points to 20.5 percent.

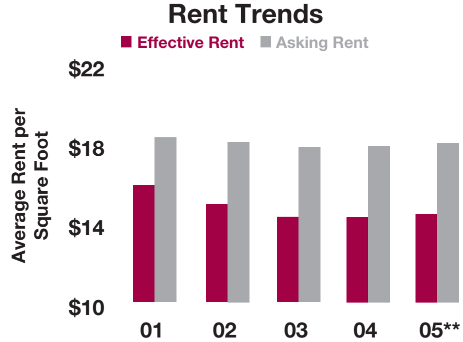
Employment Trends



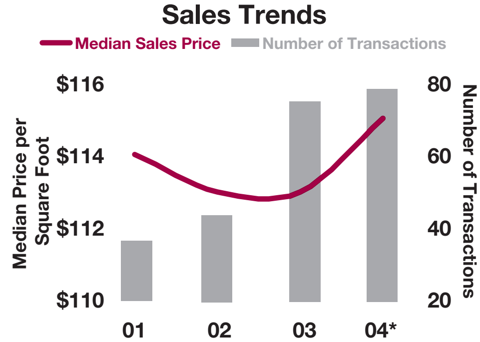
Absolute Change (000s)

	01	02	03	04	05**
Office	-4	-2	-2	1	3
Total	2	1	2	13	23

Rent Trends



Sales Trends



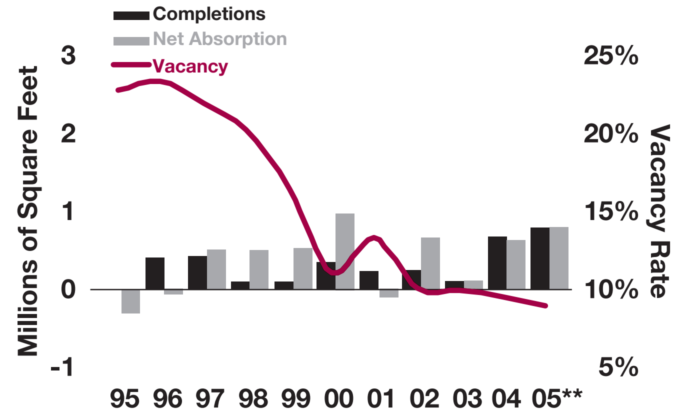
* Estimate **Forecast

Riverside-San Bernardino

▼ 1 Place 2005 Rank: 4 2004 Rank: 3

- ▼ 2005 NOI Rank: 4, Down 1 Place. Riverside lost one place in the ranking due to up-and-coming Florida markets.
- ▲ Employment Forecast: The rapidly expanding population is fueling employment growth, particularly in the services sectors. Local employers are expected to add 36,000 jobs in 2005, with professional and business services adding 6,500 positions.
- ▼ Construction Forecast: Office development activity will increase in 2005, to 750,000 square feet, but is expected to fall short of demand. Most of the office space coming online this year will be Class A, and located in Corona, Rancho Cucamonga or the Airport area.
- ▲ Vacancy Forecast: The Inland Empire is starting to see an influx of office-using companies coming from the high-priced coastal markets, which is putting downward pressure on vacancy. The vacancy rate is expected to decline by 50 basis points this year, to 8.8 percent.

Office Supply and Demand



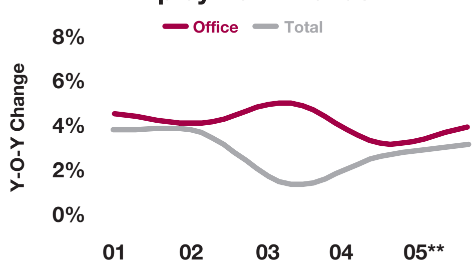
Inland Empire Emerging as a Major Office Market

Inland Empire's office market continues to be one of the fastest-growing in the nation. The region boasts competitive advantages that are luring many firms away from the coastal markets. Demand for space is strong, which has prompted an increase in speculative construction projects. Rancho Cucamonga and the Airport area are among the areas being targeted by developers due to strong rent growth and high occupancy rates. Owners in these submarkets have been registering revenue growth in excess of 5 percent, with anticipation of stronger growth rates ahead as the job market posts further improvement. Tenants in other submarkets, including Corona and Riverside, can also expect rising rents over the next year. Tenant demand is especially high in Corona due to its close proximity to major job centers in Orange County. This emerging office submarket has one of the lowest vacancy rates in the region, at 5.5 percent, and vacancy is expected to remain low despite the addition of 250,000 square feet this year. Riverside is attracting companies in back-office support industries, such as financial activities. With vacancy at less than 7 percent, office property owners in Riverside were able to push rents up by 4 percent over the last year, to $18.30 per square foot.

Prospects of an expanding economy will keep office investors actively pursuing well-priced properties during 2005. While the market as a whole only registered a 6 percent increase in the median price last year, to $114 per square foot, certain areas and office property types commanded premium prices. Interest will continue to be highest for office buildings located along Interstate 15, especially in Corona, Rancho Cucamonga and the Airport Area. Class A properties in these submarkets typically sell in excess of $200 per square foot, such as the recent sale of a low-rise building in Ontario for $243 per square foot and a similar building in Corona that sold for $218 per square foot.

- ▲ Rent Forecast: The influx of companies from coastal markets, coupled with limited new supply, will result in a 3.2 percent gain in effective rents this year, with the average forecast to reach $16.15 per square foot.
- ▲ Investment Forecast: Private investors, unable to afford properties in the high-priced I-15 Corridor, are likely to seek office buildings in burgeoning markets. San Bernardino, for instance, has the most potential for revenue growth, given the elevated vacancy and lack of development activity.

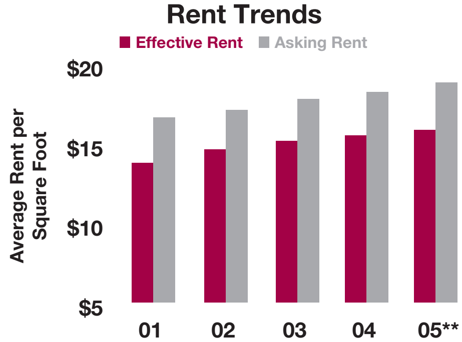
Employment Trends



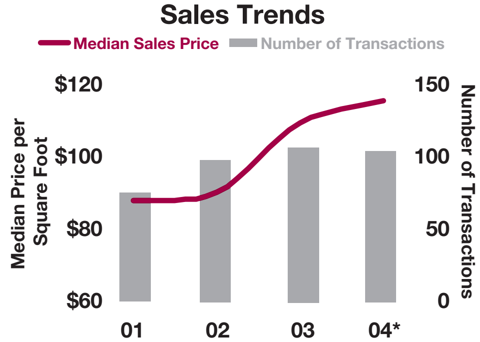
Absolute Change (000s)

	01	02	03	04	05**
Office	7	7	9	6	7
Total	38	38	15	29	36

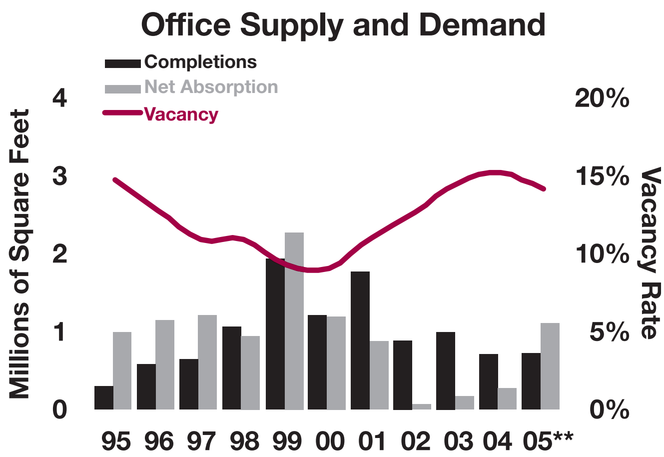
Rent Trends



Sales Trends



* Estimate **Forecast



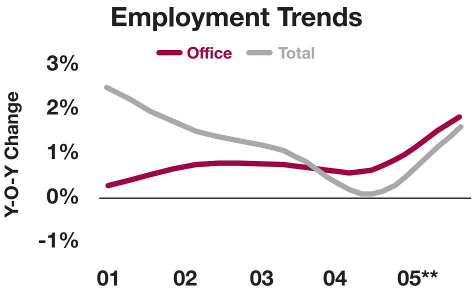
- ▼ 2005 NOI Rank: 20, Down 10 Places. Ongoing fears of government cutbacks knock Sacramento down in the NOI.
- ▲ Employment Forecast: Job growth will return this year, with local employers forecast to add 11,000 positions, an increase of 1.5 percent. Government cutbacks appear to be waning, although uncertainty remains amid the state's ongoing budget crisis.
- ▲ Construction Forecast: Completions will total 600,000 square feet in 2005, equal to just 1.4 percent of inventory, the lowest level in more than six years. Developers are proceeding cautiously, waiting for clear signs of increased demand before undertaking substantial projects.
- ▲ Vacancy Forecast: Sacramento's vacancy rate will drop 60 basis points in 2005, to 14.2 percent. Limited new supply and renewed hiring in office-using sectors will boost absorption to the highest level in four years.

Suburban Growth Driving Recovery in Sacramento Office Market

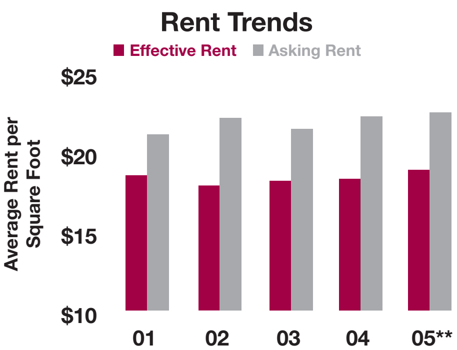
Marked improvement is expected for the Sacramento office market as private employment sectors shift into growth mode, led by gains in professional and business services. Health care companies are forecast to expand this year as well, and many are looking to the growing suburban areas. Marshall Medical recently announced plans to add another wing to its Placerville Hospital, while Kaiser Permanente and Catholic Health Care West announced plans for campuses in Folsum. The region's largest employer, the government, is expected to temporarily halt significant job cuts. Questions remain, however, as to the impact of recommendations for a top-to-bottom overhaul of state government. Any downsizing could have an impact on vacancy if government agencies consolidate locations, making it necessary to place vacated space into competitive office inventory.

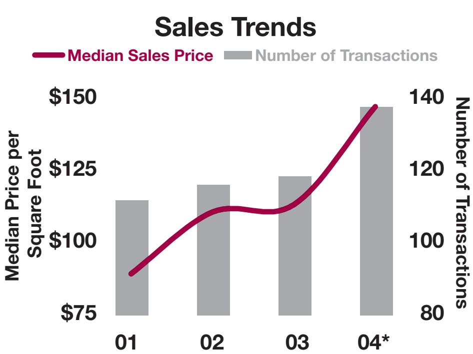
Investment activity is expected to continue at a strong pace after reaching near-record levels last year. Investors have remained focused on medium-sized assets with minimal exposure to any one sector, especially government. The Midtown submarket continues to lure investors with its inventory of smaller properties, sound market fundamentals and central location. Competition among investors has put upward pressure on values in the area, pushing the median price per square foot above the marketwide median of $147. Investors interested in lower-priced alternatives might consider the neighboring Highway 50 submarket where some properties are still selling at less than $100 per square foot. Investors seeking newer assets in growing suburban locations might look to the Roseville/Rocklin submarket. Although vacancy in the area continues to remain above the regionwide average, improvements are forecast as population-driven businesses expand in the area. Roseville/Rocklin, however, is the most expensive submarket in the region, with prices typically in excess of $200 per square foot.

- ▲ Rent Forecast: Concessions will wane in 2005. As a result, effective rents are forecast to climb 2.2 percent, to an average of $19.02 per square foot.
- ▲ Investment Forecast: Institutional activity has been strong, with the bulk of capital being funneled into office parks in suburban locations, due to the limited supply of high-rise product in the MSA. Quality assets with comparatively solid fundamentals, coupled with long-term rent growth potential, will help to maintain the popularity of the Highway 50 Corridor.



Absolute Change (000s)	01	02	03	04	05**
Office	0	1	1	1	3
Total	17	10	7	1	11

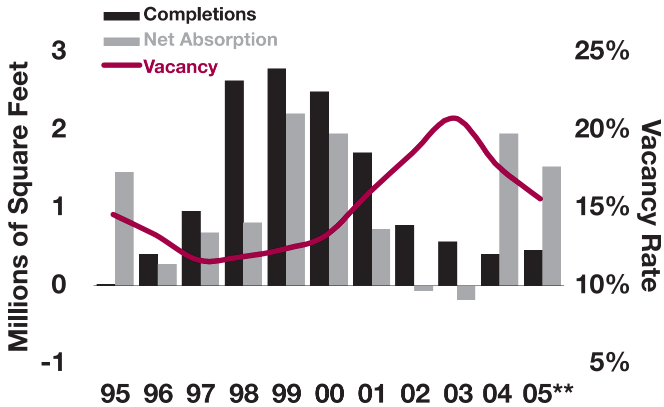




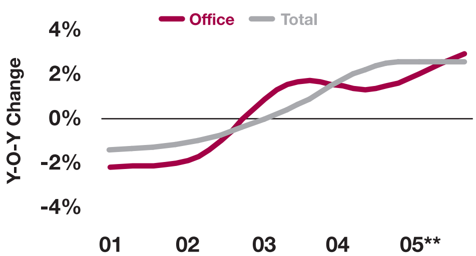
* Estimate **Forecast

- ▼ 2005 NOI Rank: 31, Down 8 Places. Sluggish rent growth and a minor uptick in construction led to Salt Lake's decline.
- ▲ Employment Forecast: Employment in Salt Lake City is expected to grow by 2.4 percent in 2005, as employers add more than 17,000 positions. The professional and business services sector is forecast to show the most improvement, with a gain of over 3,500 jobs.
- ▼ Construction Forecast: A slight increase in construction is forecast for 2005, with 450,000 square feet forecast to reach completion. This is up from 400,000 square feet in 2004. Most construction is taking place in the Midvale/Murray submarket.
- ▲ Vacancy Forecast: Vacancy is forecast to decline 210 basis points, to 15.3 percent, in 2005. The central business district will register a 110 basis point decrease, to 15 percent, as redevelopment efforts spur demand.

Office Supply and Demand



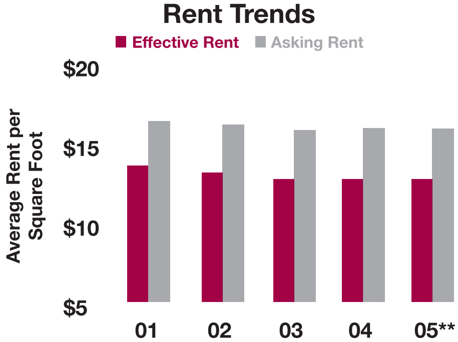
Employment Trends



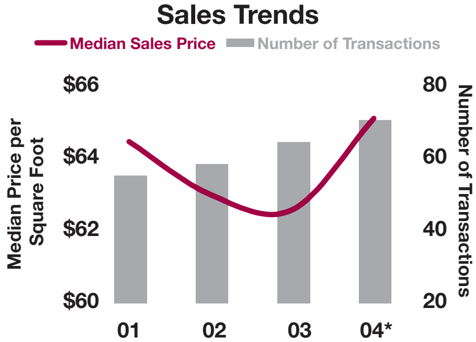
Absolute Change (000s)

	01	02	03	04	05**
Office	-4	-3	2	2	5
Total	-11	-8	2	16	17

Rent Trends



Sales Trends



* Estimate **Forecast

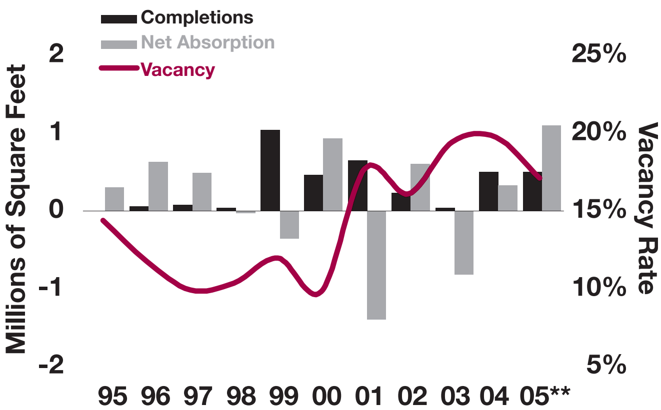
Growth in the Information Sector to Trigger Expansion in Salt Lake

Salt Lake City's office market is on the verge of expansion, as renewed interest by growing and relocating companies is anticipated to create net absorption in 2005. Employment is forecast to increase at a steady pace in the next year, with office-using sectors adding approximately 4,700 jobs by year end. The expected 3 percent gain in the information industry will be vital to the revival of Salt Lake's dormant tech sector, and should help to fill some of the vacant space left behind following the last downturn. Strong net absorption across all office-using industries is expected, though, resulting in a decline in vacancy for most of the market. Rents are forecast to improve moderately in 2005, but significant concessions will remain in the marketplace through year end. Demand for office space in the suburban areas has followed residential construction in the Midvale/Murray submarket. Despite steady levels of construction over the past few years, vacancy in the submarket continues to be lowest in the Salt Lake City region, at 13.3 percent.

Investment activity is expected to increase in 2005 as the lure of relatively low prices and strong absorption attracts buyers to the marketplace. Elevated vacancy has kept investors at bay for the past few years, but several quarters of positive absorption have rekindled interest, especially among out-of-state buyers. With a median price around $65 per square foot, Salt Lake City offers a significant opportunity for buyers from areas such as California and the Pacific Northwest. The Millcreek submarket is expected to attract private investors looking for stabilized Class B and Class C buildings that will show moderate improvement in 2005. Vacancy in this area is forecast to decline 90 basis points to 15.2 percent, though the average rent will be flat at $15.46 per square foot. Institutional investment is also anticipated to increase this year. Vacancy in the CBD is expected to improve due to the purchase of the Triad Center by the LDS Church and its commitment to redevelop the blocks on either side of Main Street.

- ▲ Rent Forecast: Effective rents are forecast to increase 0.3 percent to $13.02 per square foot in 2005. The Midvale/Murray submarket will continue to outperform, as effective rents are forecast to rise 1.7 percent this year.
- ▲ Investment Forecast: With above-average rents and forecasts for vacancy decreases in excess of the market average, properties in the Periphery submarket are expected to be in high demand through year end.

Office Supply and Demand



■ 2005 NOI Rank: 22. San Antonio debuts in an admirable position, bolstered by solid gains in market fundamentals.

▲ Employment Forecast: Employment growth in San Antonio is forecast to reach 3.7 percent this year as payrolls rise by more than 27,000 jobs. The professional and business services sector is expected to add approximately 4,000 jobs by year end, providing a substantial boost to office-using employment figures.

■ Construction Forecast: Construction is forecast to remain on par with 2004, as 500,000 square feet is slated for completion by year end. Most construction is concentrated in the Northeast and Western submarkets.

▲ Vacancy Forecast: Vacancy is forecast to decline 260 basis points, to 16.9 percent in 2005, as positive net absorption is forecast for all submarkets. Vacancy will remain the lowest in the Northwest, while the CBD will show the most improvement.

Stability Draws Investors' Interest to San Antonio

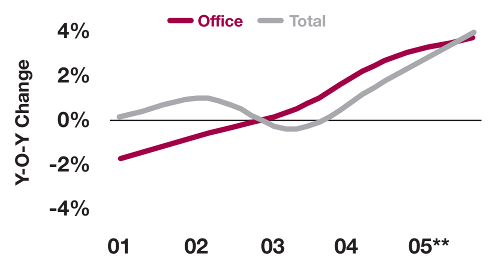
Recovery in the San Antonio office market is well under way thanks to continued improvements in the local economy. San Antonio is expected to register significant gains in employment over the next year, with office-using sectors expanding by 7,000 positions. As a result, net absorption will be at its highest level since 2000, helping to lower vacancy by a considerable margin. At the submarket level, significant improvement is forecast for West San Antonio and the CBD, much of it due to the expected absorption of sublease space in these areas. Vacancy in the CBD is forecast to decline 330 basis points but will remain above the market average at 18 percent, while vacancy in West San Antonio will post a 240 basis points decrease, to 18.8 percent.

San Antonio's office market is expected to remain an attractive option for investors over the next year, as buyers' perceptions of long-term stability continue to drive sales activity. San Antonio was able to weather the most recent high-tech downturn far better than most areas in Texas, due to a diversified economy that did not heavily rely on the tech sector. As a result, investors have begun to see San Antonio as a comparatively low-risk market, and demand for properties in the area has increased. With market fundamentals improving and some properties available at prices below replacement cost, strong investor demand is anticipated. Properties located near the U.S. Highway 281 North, Stone Oak corridors and the Loop 410 around the North Star Mall are expected to be targeted. Improvements in vacancy and rental rates for these areas are attracting private, and to some extent, institutional capital. We also expect the CBD to lure institutional buyers as vacancy is forecast to decline substantially in 2005, while effective rents post a moderate gain.

▲ Rent Forecast: Effective rents are expected to increase 1.7 percent, to $14.18 per square foot, in 2005. The Northwest submarket is forecast to post the highest effective rents at $17.78 per square foot.

▲ Investment Forecast: The Northwest submarket offers one of the more stable investment environments in the San Antonio region. Redevelopment projects around Fort Sam Houston, such as the Offices at Fort Sam, continue to lure tenants, pushing vacancy below 15 percent and asking rents above $17.60 per square foot.

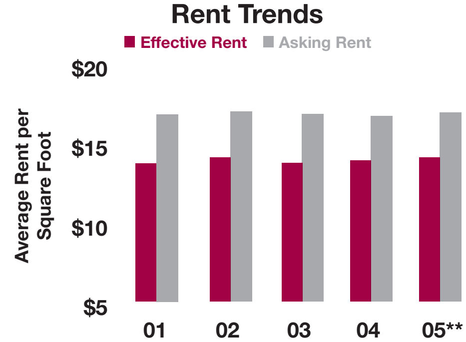
Employment Trends



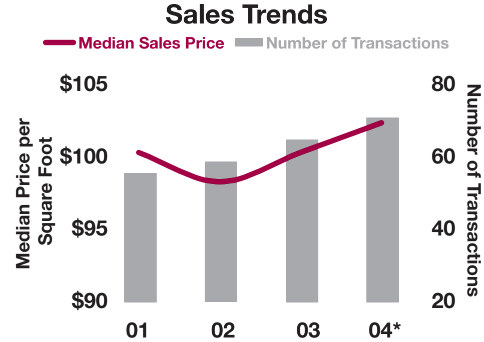
Absolute Change (000s)

	01	02	03	04	05**
Office	-3	-1	1	5	7
Total	0	6	-4	12	27

Rent Trends



Sales Trends



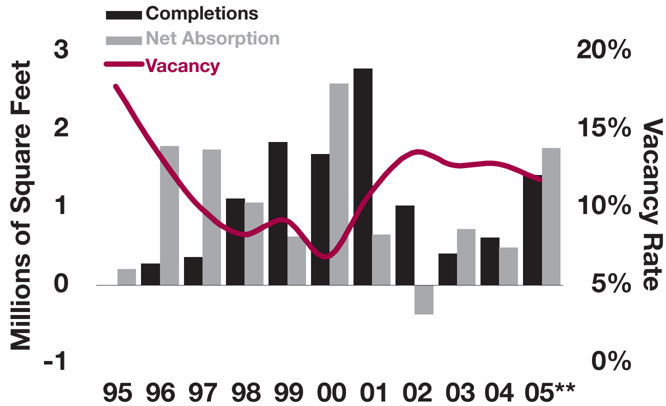
* Estimate **Forecast

San Diego

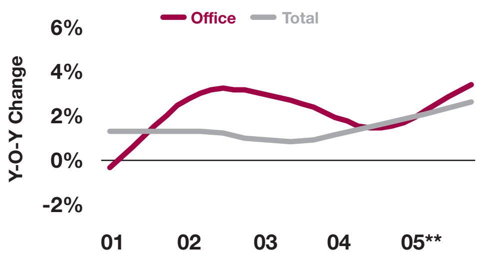
▼ 4 Places | 2005 Rank: 6 | 2004 Rank: 2

- ▼ 2005 NOI Rank: 6, Down 4 Places. San Diego dipped four spots but remains in the top 10 due to strong market fundamentals.
- ▲ Employment Forecast: Employment is forecast to expand by 32,000 jobs, an increase of 2.5 percent over last year. The largest job gains will come from the professional and business services sector, which should have a significant effect on office vacancy.
- ▼ Construction Forecast: The improvement in market fundamentals over the last year has re-energized development activity, as 1.4 million square feet is forecast for completion in 2005. This represents an increase of 800,000 square feet over last year. Speculative construction is anticipated to be on the rise, but strong levels of absorption should fill vacant space quickly.
- ▲ Vacancy Forecast: Vacancy is forecast to decline 100 basis points to 11.5 percent in 2005, as positive net absorption is anticipated for most submarkets. The Highway 78 corridor is expected to post the lowest vacancy rate, at 8.9 percent.

Office Supply and Demand



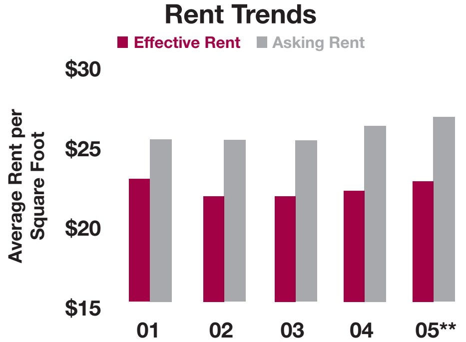
Employment Trends



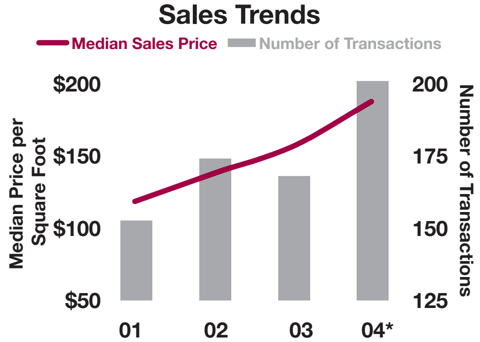
Absolute Change (000s)

	01	02	03	04	05**
Office	-1	9	8	4	11
Total	14	14	9	18	32

Rent Trends



Sales Trends



* Estimate **Forecast

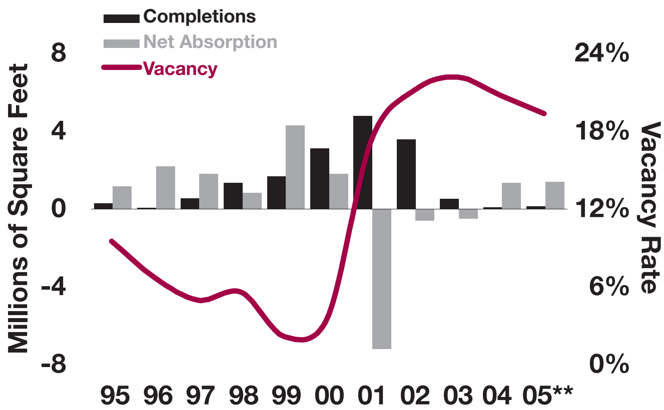
Strength of San Diego Office Market Draws Global Investment Dollars

While the majority of the country's office markets struggle to rebound from the last economic downturn, San Diego has entered its next expansionary phase and is poised for strong growth in 2005. Office-using companies are now more confident that a recovery is under way, and many are expected to make relocation and expansion decisions more quickly. Approximately 11,000 office jobs are forecast to be added in 2005, which will help to boost net absorption to 1.7 million square feet by year end. As a result, vacancy should continue on a downward trend, allowing owners to steadily increase rents. The Downtown and Mission Valley submarkets are expected to register the most leasing activity, resulting in vacancy rates declining to 10.2 percent and 11 percent, respectively. Absorption will be especially strong in the Downtown submarket, as the emergence of mixed-use developments around Petco Park fuels tenant demand.

Investors have grown to appreciate the dynamics of the San Diego office market. Job growth, supply constraints and high barriers to entry have kept prices appreciating despite relatively high vacancy over the past few years. Forecast declines in vacancy and an improvement in rental rates in 2005 should sustain investors' interest, even as the median price rises above the current level of $183 per square foot. Over the past year, private buyers have focused on buildings comprised of 10,000 to 50,000 square feet in the Kearny Mesa and Mission Valley submarkets, driving the median price for this type of product to more than $145 per square foot and cap rates down to 8 percent. While activity in these areas is expected to continue, private investors may also look to the emerging office markets in Carlsbad or Escondido for well-positioned small to midsize buildings. Institutional investors will likely focus on the Downtown and UTC submarkets, where leasing activity for Class A space continues to improve.

- ▲ Rent Forecast: Effective rents are forecast to increase 2.8 percent to $22.61 per square foot in 2005. The La Jolla submarket is forecast to outperform, with the average rising 2.8 percent, to $28.34 per square foot, by year end.
- ▲ Investment Forecast: The weak U.S. dollar is drawing interest by global investors to many of the country's stronger office markets. San Diego is expected to be on the short list, as buyers from Europe and Asia search for markets with the potential for long-term growth and high value appreciation.

Office Supply and Demand



- 2005 NOI Rank: 29, Up 8 Places. San Francisco's gain was supported by renewed job growth and limited construction activity.
- Employment Forecast: San Francisco employment is forecast to rise by 1.6 percent in 2005, with the addition of more than 15,000 jobs. Office-using sectors are also forecast to expand by 1.6 percent, with professional and business services companies expected to add over 8,600 positions.
- Construction Forecast: Development will be limited as sluggish demand and high barriers to entry hold builders to just 125,000 square feet of competitive deliveries in 2005. The San Francisco Federal Office Building build-to-suit is the largest project scheduled for completion this year, at 590,000 square feet.
- Vacancy Forecast: Vacancy is forecast to fall 140 basis points this year to 19.1 percent. Improving employment and restrained development will boost occupancies for the second straight year in 2005.

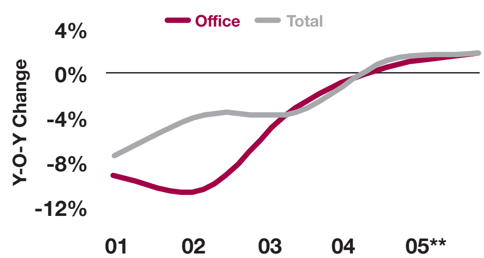
Prices Below Replacement Cost Driving Activity in San Francisco

Investor confidence has returned to the San Francisco office market. Over the past year, dollar volume surpassed $1.3 billion, the highest total since 2000. The high dollar volume was the result of several $100 million-plus transactions, most notably the Bank of America building. The trend of residential conversions of older office properties has also picked up and is expected to continue through 2005. Approximately 3 million square feet of office space is currently being transformed into residential property. Occupancies are firming throughout the MSA, with smaller blocks of space in high demand. Many Class A property owners have divided large spaces left vacant by defunct dot-com companies into smaller suites, and reduced rents to levels usually associated with low-rise properties. This has increased competition between Class A properties and the Class B buildings that traditionally filled this niche, resulting in vacancy problems for some owners of Class B and low-rise office properties. The prospects for solid long-term strength in fundamentals remain, however, even for properties that are currently struggling. Lease rates in the city hit the lowest levels in at least six years in 2004, and are now beginning to climb, which could pose an opportunity for investors willing to cope with short-term vacancy in Class B assets.

More good news for the office market is coming in the form of increased venture capital activity. Venture capital has returned to the Bay Area, indicating higher confidence among CEOs and the willingness of cash-heavy corporations to spend. VC-backed IPOs surged to pre-bubble levels in 2004, as VC firms cashed out 67 companies, raising $5 billion through stock offerings. Mergers and acquisitions posted increased VC outlays of $22.6 billion, the highest total since 2000. Access to venture capital will bolster in-migration and office occupancy rates in 2005, something foreign investors are examining. San Francisco was ranked fourth in the nation for foreign investment last year and is expected to remain near the top of the list in 2005.

- Rent Forecast: Rent growth will return to San Francisco this year as effective rents register a modest 2 percent climb to $23.80 per square foot.
- Investment Forecast: Sales activity is forecast to continue at robust pace as institutional investors remain active in an MSA where most office assets are trading at a fraction of replacement cost. Prices are expected to hold firm, supported by increased competition for well-leased assets.

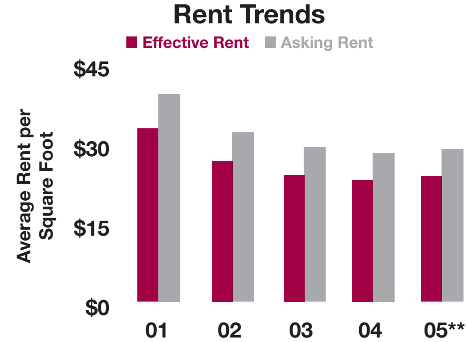
Employment Trends



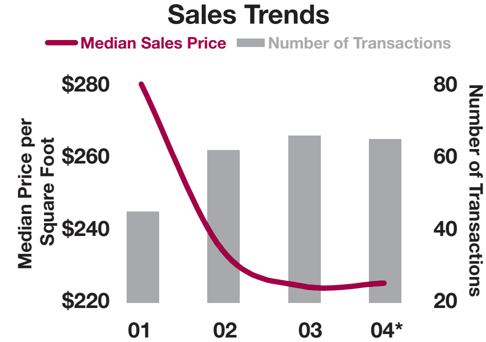
Absolute Change (000s)

	01	02	03	04	05**
Office	-33	-34	-9	1	5
Total	-80	-38	-35	9	15

Rent Trends



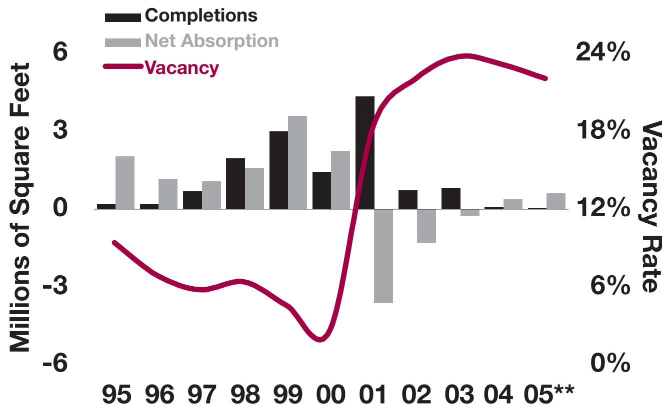
Sales Trends



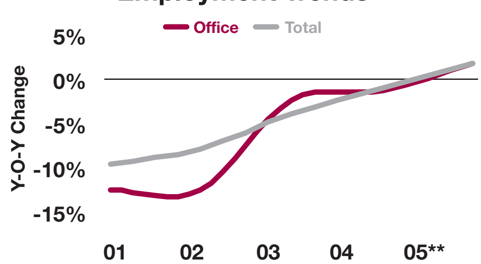
* Estimate **Forecast

- ▲ 2005 NOI Rank: 34, Up 4 Places. Diminished development and a recovering economy gave San Jose a boost in the NOI.
- ▲ Employment Forecast: San Jose will finally turn the corner in 2005, with employment rising for the first time since 2000. Total payrolls will increase by over 15,000 jobs, or 1.8 percent. Office employment is forecast to post a similar gain of 1.9 percent.
- ▲ Construction Forecast: Construction activity will continue to fall this year, with just 50,000 square feet slated for delivery. The continued decline in construction is welcomed by owners in the region and bodes well for the absorption of existing vacancies and sublease space.
- ▲ Vacancy Forecast: San Jose's vacancy rate is expected to decline by 110 basis points, but will remain relatively high at 21.8 percent. Leasing activity will increase in stalwart submarkets such as Palo Alto and downtown San Jose, while Milpitas and Sunnyvale will register only minimal increases in demand.

Office Supply and Demand



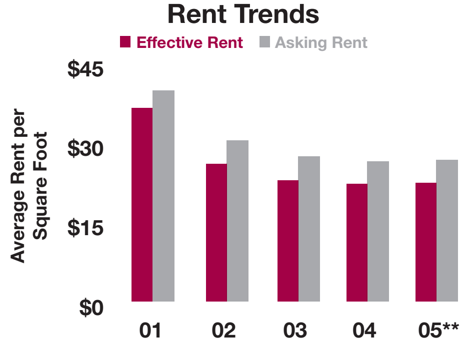
Employment Trends



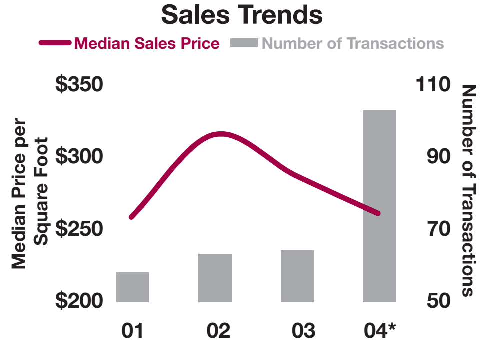
Absolute Change (000s)

	01	02	03	04	05**
Office	-33	-29	-5	-3	4
Total	-100	-74	-34	-8	15

Rent Trends



Sales Trends



* Estimate **Forecast

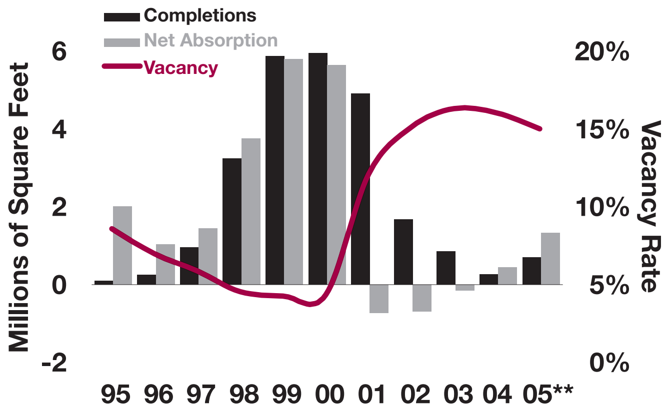
Recovery in Tech Industry Supports Improvement in San Jose Market

San Jose's office market has reached a pivotal point, as a hints of an impending upturn have emerged. For the first time since 2000, the vacancy rate dipped last year, and although asking rents fell 2 percent, the decrease represented a deceleration when compared to the years immediately following the dot-com implosion. Solid increases in employment coupled with expansion among office-using companies will fuel further decreases in vacancy in 2005, which will enable owners to recognize slight gains in both asking and effective rents. Major technology companies, such as Cisco, Intel, Hewlett-Packard and Microsoft, have all started to expand operations in the San Jose area, which combined with increased profitability should have a trickle down effect on the area's other technology firms. The biotech industry is poised to thrive in 2005, after firms brought in over $20 billion in debt and equity capital, breaking records for funds generated through partnerships, debt transactions and venture capital outlays. Strong growth in technology firms and increases in venture capital outlays will help to push the local office market further into recovery mode.

Transaction velocity jumped 60 percent over the past year due to strong investor interest in small to midsize properties. Institutional investors are also showing confidence in the market. One particular REIT acquired nearly $200 million in assets just last year. Large investors have also been drawn to the market by the relatively high cap rates being offered. While many smaller assets are trading at cap rates below 7.5 percent, larger properties are often selling at cap rates ranging from 8 percent to 9 percent. Investors seeking large assets might consider the occupancy-challenged areas of San Jose, where leasing activity has recently begun to pick up, but rental improvements have lagged the region. Once completed, the Bioscience Incubator is expected to spur future leasing activity in the area.

- ▲ Rent Forecast: Effective rent growth will be hindered by the relatively high vacancy rate. A 1 percent increase, to $22.69 per square foot, is forecast for the year.
- ▲ Investment Forecast: A healthier office market in 2005 will stimulate activity for assets under 50,000 square feet. Investors interested in lower-priced properties in this category might pay particular attention to Santa Clara, where prices are often below $150 per square foot.

Office Supply and Demand



Puget Sound Office Market - Resurgence in Institutional Activity

The Puget Sound Region continues to be a favorite among investors seeking to get in front of the next upturn in the office market. Despite stagnant fundamentals in 2004, institutional investors purchased approximately $1 billion in office properties, setting a new record for total dollar volume in the area. Hot on the heels of the IDX Tower sale last year could be a deal involving 1001 Fourth Avenue Plaza, the old SeaFirst building, which is expected to attract significant interest and sell by the end of the year. The bulk of the institutional investment activity is taking place in downtown Seattle, where city efforts to encourage business expansion and relocation are ongoing. For example, the planned North Link light rail system will join the Northgate area with downtown's Central Link system, which is already under construction. With an additional 100,000 daily riders, rail service expansion is expected to stimulate large business relocations to the downtown area, strengthening the office market.

Private investors are also looking to the Puget Sound Region for their office investment needs. Smaller assets were not hit as hard during the downturn, as most were able to retain core businesses that had no interest in securing Class A addresses. Furthermore, as the economy steadily improves and venture capital outlays begin to increase, entrepreneurial businesses will be looking to smaller properties as their initial locations. Investors interested in assets measuring less than 50,000 square feet should consider properties in Pierce County, particularly in Tacoma, where the median price per square foot is often less than $100. While vacancies in the area have increased over the past few years, investors willing to take on occupancy-challenged assets will find that cap rates are based more on actual numbers than pro forma operations.

- ▲ Rent Forecast: Effective rents will climb or the first time in five years in 2005, as waning concessions lift rates 1.9 percent to $20.75 per square foot.

- ▲ Investment Forecast: Investment activity will continue at a robust pace as hiring across office-using sectors and limited development boost fundamentals. Investors in search of stability might find suitable properties in the Kirkland/Redmond/Bothell submarket, where vacancies are among the lowest in the region and strong rent growth has ensued. The area boasts a wide variety of office buildings and a median price of under $200 per square foot.

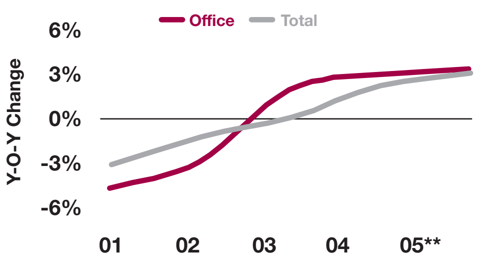
- ▲ 2005 NOI Rank: 15, Up 20 Places. Seattle soars, supported by improving fundamentals and robust job growth.

- ▲ Employment Forecast: Seattle employers are forecast to add approximately 52,000 jobs in 2005, a gain of 2.9 percent. Professional and business services firms are projected to drive growth by adding over 10,000 jobs. Overall, office-using sectors are expected to expand by almost 11,200 positions.

- ▼ Construction Forecast: Office developers are scheduled to deliver approximately 700,000 square feet of competitive space in 2005. There is also a significant amount of medical office anticipated to come online this year, including the 250,000-square foot Center 405 Medical Pavilion in Kirkland.

- ▲ Vacancy Forecast: Solid job growth will result in increased demand for Puget Sound office space in 2005. Regionwide vacancy is forecast to improve 100 basis points to 14.8 percent, representing the lowest rate since 2001.

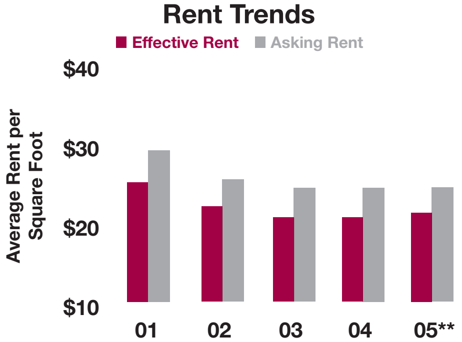
Employment Trends



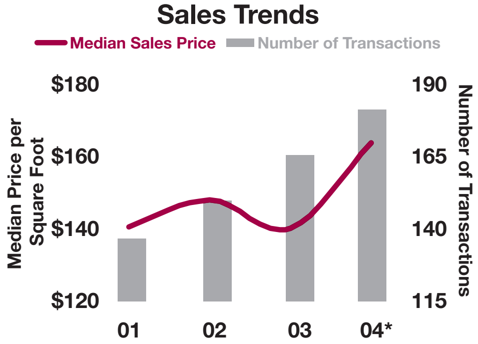
Absolute Change (000s)

	01	02	03	04	05**
Office	-17	-10	6	10	11
Total	-56	-22	0	37	52

Rent Trends



Sales Trends



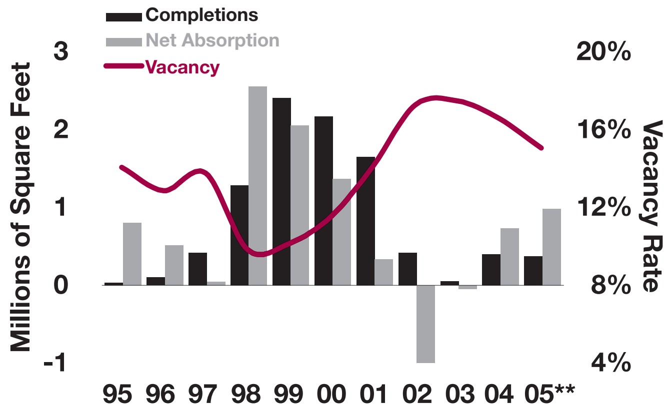
* Estimate **Forecast

Tampa

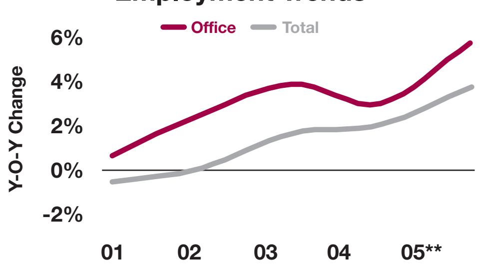
▲ 1 Place | 2005 Rank: 8 | 2004 Rank: 9

- ▲ 2005 NOI Rank: 8, Up 1 Place. Nation-leading office job growth bumps Tampa up a notch in the NOI.
- ▲ Employment Forecast: Total employment in the Tampa MSA is expected to increase by 3.7 percent, or 46,000 positions, in 2005. Office-using firms will add 25,000 jobs, a 5.6 percent jump.
- ▲ Construction Forecast: Deliveries of competitive office space will slow in 2005 to 375,000 square feet, from 400,000 square feet in 2004. The largest noncompetitive office completion in 2005 will be a 515,000-square foot build-to-suit for Nielsen Media Research in Oldsmar.
- ▲ Vacancy Forecast: Vacancy in the Tampa office market will improve 150 basis points, to 14.9 percent, in 2005. Surging job growth will lift net absorption to more than 900,000 square feet, the highest level since 2000. The Downtown St. Petersburg submarket has outperformed for several quarters and is expected to continue to draw tenants to its waterfront properties.

Office Supply and Demand



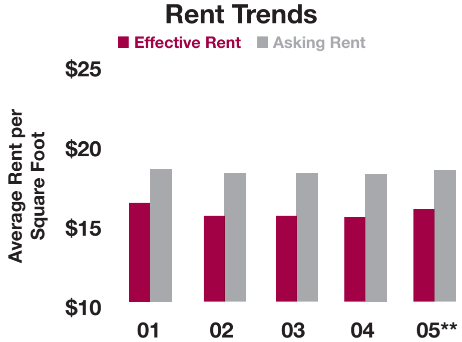
Employment Trends



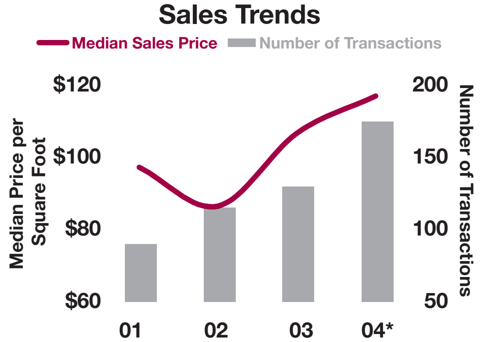
Absolute Change (000s)

Office	2	10	16	12	25
Total	-7	1	19	25	46

Rent Trends



Sales Trends



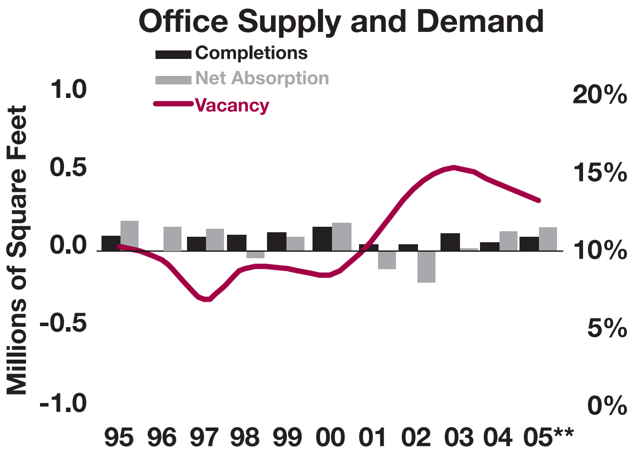
* Estimate **Forecast

Signs Point to Significant Improvement in Tampa

Tampa's office market began to register improvement last year, a trend that will continue through 2005. Expanding office-using firms added more than 12,000 workers to payrolls last year, producing net absorption of 690,000 square feet. With absorption exceeding completions for the first time in at least five years, a realignment of supply and demand appears to be under way. Greater improvement in market fundamentals is likely thanks to several converging factors. First, completions are projected to be less than half of forecast net absorption, setting the stage for a 150 basis point vacancy improvement. Second, the area's stature as a preferred location for back-office operations will continue to lure new office-using businesses. Finally, existing office-using firms appear to be expanding; employment in the office-intensive professional and business services sector is forecast to increase 7 percent this year, though local work force reductions by Capital One and JP Morgan Chase may slow the pace slightly.

Owners should be able to reclaim some pricing power in the near term. Effective rents, which have slid for five consecutive years, are forecast to rise this year as leasing activity improves during the year and concessions wane. Investors may be able to capture greater upside as the office market recovery evolves. The Westshore submarket, in particular, may be a place where higher rents can be realized. Owners in Westshore, Tampa's largest submarket, were reporting increased leasing traffic at the end of 2004, perhaps suggesting that a decline in the area's 16 percent vacancy rate is imminent. Additionally, vacancy in the Clearwater submarket improved 150 basis points last year, and rents were beginning to climb.

- ▲ Rent Forecast: After recording declines in each of the past four years, effective rents are forecast to climb 1.9 percent in 2005, to $15.67 per square foot. Asking rents in the Westshore submarket, a prime Class A address, are the highest in the market, averaging more than $20 per square foot.
- ▲ Investment Forecast: Tampa's low costs and inexpensive land have encouraged many businesses to either build their own offices or buy existing properties in the area, making the metro one of the more prominent single-tenant markets in the country. Investors may want to consider the stable returns provided by sale/lease-back opportunities in the single-tenant market, especially those leased to credit tenants.



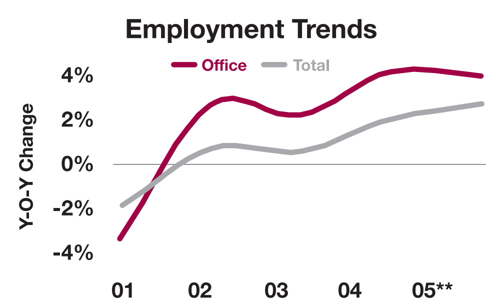
- ▼ 2005 NOI Rank: 13, Down 5 Places. Mounting completions pushed Tucson out of the top 10.
- ▲ Employment Forecast: Tucson employment will rise 2.5 percent, brought on by increased defense spending and the opening of Bombardier's commercial aviation maintenance facility.
- ▼ Construction Forecast: Construction of competitive office space will increase 87 percent, to 101,000 square feet, in 2005. Developers are also expected to add over 330,000 square feet of medical office space in the north metro area, which includes the 243,000-square foot Northwest Medical Center in Oro Valley.
- ▲ Vacancy Forecast: Following a 110 basis point decline in 2004, office vacancy will drop 100 basis points in 2005 to 13.1 percent. The Eastside will remain a prime office destination for businesses due to its proximity to major employers and access to executive housing.

Tucson Office Market Well Positioned for Growth in 2005

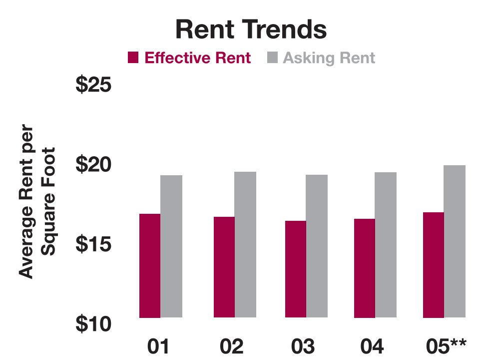
Tucson's economy will continue to outperform the national average. An increase in the business services and defense-related manufacturing industries will help to keep unemployment low and stable at 4 percent in 2005. In addition to defense manufacturing, Tucson is well positioned to benefit from the future growth of high-tech manufacturing industries, such as optics, biotechnology and avionics. Office-using sectors will also post growth in 2005, as professional and business services companies are expected to hire 2,700 employees. Investors will remain upbeat about the Tucson office market as favorable economic and demographic trends continue to lure businesses from around the country, particularly Southern California. Increased spending on medical services and the region's growing population will provide a boost to the metro's medical office market, as physician groups open practices near major hospital campuses and the rapidly growing suburbs located in the Northwest submarket.

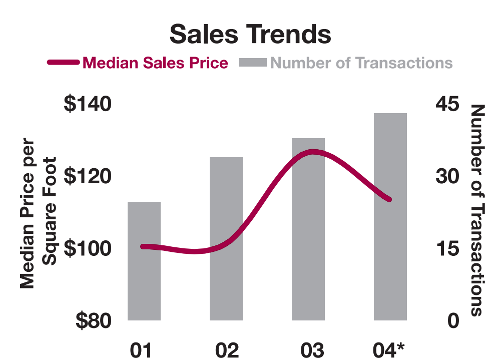
First-time buyers, still trying to take advantage of low interest rates, will travel to the Foothills area to purchase older Class B buildings. These properties offer better values with lower per-square foot prices. Sales activity will remain stable for Class B buildings, as these assets maintain attractive cap rates of 8.25 percent to 8.50 percent. Medical offices will continue to garner most of the investor attention in 2005, but significant increases in defense spending will drive buyer interest for properties near Sargent Controls and the Raytheon Aircraft Company. These areas will be home to contributing defense-related firms. The Tucson office market faces a potential threat brought on by the rising development of office condos. As interest rates rise, however, office condo development is forecast to slow, providing existing office owners with less tenant turnover.

- ▲ Rent Forecast: Rising demand will drive many owners to push rents higher in 2005. We project asking rents to rise 1.8 percent, to $19.80 per square foot. Property owners will also ease concessions for the second consecutive year as effective rents increase 2.3 percent, to $16.80 per square foot.
- ▲ Investment Forecast: Due to high levels of construction in the Northwest in recent years, vacancy in the area is above average. We expect investment in the area to increase as buyers try to secure newer high-quality properties prior to an upswing in tenant demand and interest rates.



Absolute Change (000s)	01	02	03	04	05**
Office	-2	2	1	3	3
Total	-7	2	2	6	9





* Estimate **Forecast

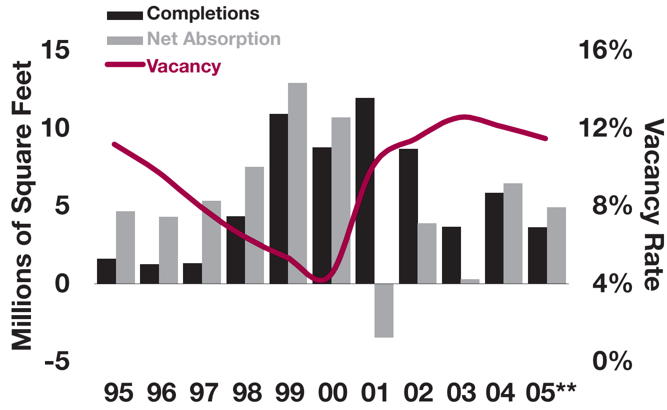
▼ 2005 NOI Rank: 2, Down 1 Place. D.C. claims the second spot in the NOI with low vacancy and a slowdown in construction.

▲ Employment Forecast: Job growth will reach 2.2 percent in 2005, a gain of 64,000 jobs. Office-using sectors are forecast to expand by 21,000 positions, a 1.8 percent increase.

▲ Construction Forecast: Developers are expected to pull back in 2005, with 3.6 million square feet of competitive office space slated for delivery. Government-occupied built-to-suits comprise the majority of noncompetitive space slated for completion in 2005, the largest being the 2.6 million-square foot U.S. Patent and Trademark building.

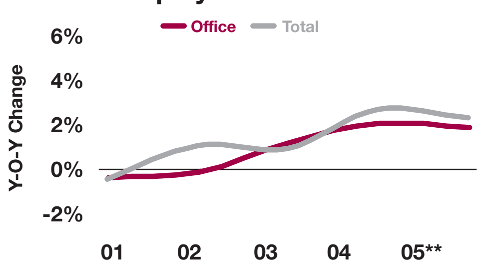
▲ Vacancy Forecast: Vacancy in the Washington, D.C., MSA is forecast to improve 60 basis points to 11.3 percent, the lowest rate since 2001. Robust job growth and solid demand in and around the nation's capital have resulted in declining vacancy over the past two years.

Office Supply and Demand



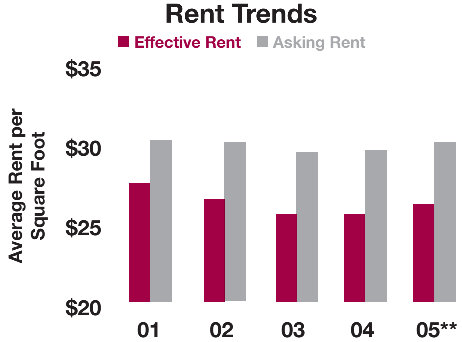
Washington, D.C., Office Market Capitalizing on Solid Job Gains

Employment Trends

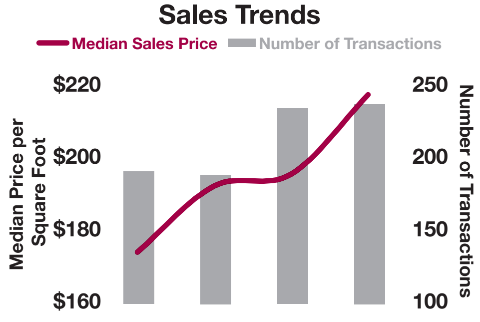


Absolute Change (000s)	01	02	03	04	05**
Office	-5	-2	13	23	21
Total	-14	28	25	74	64

Rent Trends



Sales Trends



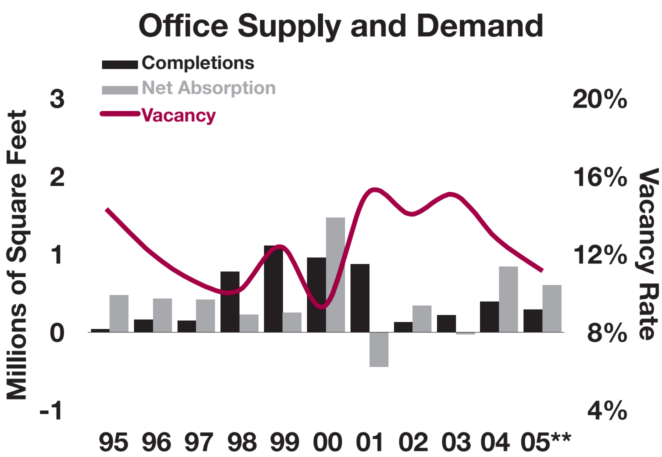
* Estimate **Forecast

Washington, D.C.'s vigorous economy and its fundamentally sound office market make it a top choice for investors from all over the world. The region is the epicenter for the U.S. government, and many supporting agencies lease, rather than own, their office space. For example, in 2004 the Department of Homeland Security negotiated approximately 400,000 square feet of office leases in the D.C. area. While the government is the center of the local economy, government contractors and supporting companies are driving the metro's expansion. With large blocks of directly available and sublease space rapidly disappearing in the downtown area, expanding support industries seeking locations in the capital compete with government agencies. The Justice Department and the Government Printing Office are each looking for approximately 500,000 square feet, and several law firms are currently searching for large blocks. Strong competition has prompted many developers to undertake revitalization projects in the outlying areas. Smaller investors looking for growth opportunities might pay particular attention to the Anacostia area, specifically near the site of a proposed baseball stadium, where agencies such as the EPA are choosing to locate.

Suburban areas are improving as well. For example, the struggling Herndon area in Northern Virginia got a boost in 2004. Consulting firm Booz Allen Hamilton inked a lease for 242,000 square feet at One Dulles Tower. Furthermore, expanding military contractors are gradually filling space left behind from defunct technology firms. The life sciences-rich Maryland submarkets, while not experiencing the rapid growth of other D.C. markets, did not experience the dramatic rise in vacancy that was posted in neighboring areas. Accordingly, Maryland has become a destination for investors seeking stability. The area has also posted strong gains in values, with improving market conditions expected to support additional gains in 2005 and beyond.

▲ Rent Forecast: Effective rents will improve at a faster rate than asking rents this year, with rates forecast to climb 2.1 percent to $26.23 per square foot.

▲ Investment Forecast: Investment activity is expected to continue at a healthy pace, but overlooked opportunities can still be uncovered. Investors interested in the conversion of older Class B/C properties to office condos should consider the suburban areas of Northern Virginia, where converted product has become popular with small companies.



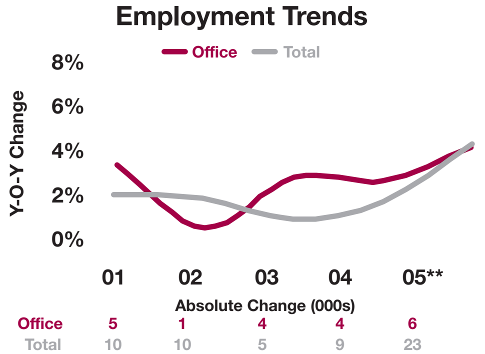
- ▲ 2005 NOI Rank: 10, Up 2 Places. Strong rent growth, low vacancy and limited new supply pushed West Palm Beach into the top 10.
- ▲ Employment Forecast: Nonfarm payrolls in the West Palm Beach MSA will expand 4.3 percent in 2005, a gain of 23,000 jobs. In office-using industries alone, 6,300 positions will be added, a 4.1 percent gain.
- ▲ Construction Forecast: Completions in West Palm Beach will decrease by 25 percent, from 400,000 square feet in 2004 to 300,000 square feet this year. There is, however, 1.8 million square feet in the planning pipeline. Approximately half of the planned space is in Boca Raton, signaling renewed confidence in the area.
- ▲ Vacancy Forecast: West Palm Beach office vacancy will fall from 12.7 percent in 2004 to 11.1 percent in 2005. Brisk leasing activity was reported over the past year and is expected to continue through 2005 as economic growth accelerates.

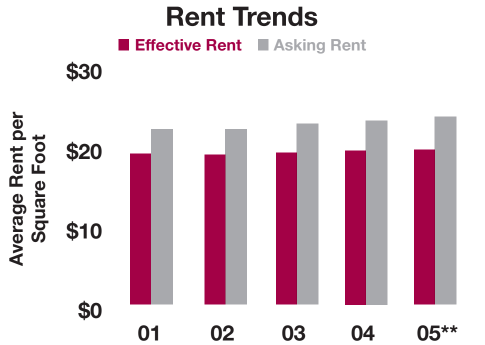
West Palm Beach Office Market Poised for Strong Run in 2005

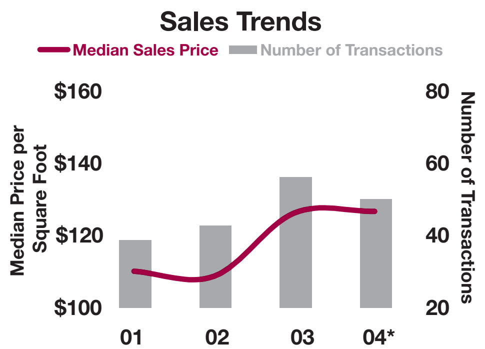
Limited construction and increased demand from expanding employers will produce a strong performance in the Palm Beach County office market in 2005. Completions, which averaged 4.5 percent of inventory in 2000 and 2001, hindered market performance in the ensuing years, unlike other national markets where the downturn was attributable to a pullback in demand. In 2005, however, West Palm Beach multi-tenant completions will amount to less than 1.5 percent of inventory. On the demand side, net absorption was 857,000 square feet in 2004, and will remain robust at 621,000 square feet in 2005, a performance partly sustained by a 7 percent hike in professional and business services employment. Asking rents are forecast to rise to a greater degree than the entire market in six of nine submarkets, including Boca Raton West, Delray Beach and Boynton Beach. Effective rents will be approximately 84 percent of asking rates, well off the 92 percent figure recorded at market's peak, but an improvement over 2004.

Investment activity slowed over the past year though prices held firm, and cap rates registered in the 7.5 percent to 8.0 percent range. Property owners put few properties on the market, choosing instead to position in front of the next wave of increased demand, solid rent growth and rising NOIs. Transaction velocity is expected to pick up in 2005, as owners who were reluctant to sell realize they can capture great pricing in a market on the upswing. Out-of-state investors, meanwhile, will add to their local portfolios in anticipation of job growth that is projected to exceed national norms in the near term. Finally, repositioning opportunities will become apparent once the location of the Scripps facility is determined.

- ▲ Rent Forecast: A 2.4 percent increase in asking rents to $24.16 per square foot is expected in 2005. Effective rents will rise 1.9 percent, as owners cut back on concessions. The highest rents continue to be in Downtown West Palm Beach, where asking rates will reach $28.89 per square foot.
- ▲ Investment Forecast: North Palm Beach is frequently overlooked by investors, as only seven sales have been recorded in the past two years. The market is showing notable improvement, however, with net absorption over the past year equal to 5 percent of inventory. Submarket vacancy is expected to decline to 13.4 percent in 2005, a good starting point to reap the benefits of a strengthening market.







* Estimate **Forecast

NOIPG

National Office and Industrial Properties Group

Marcus & Millichap's National Office and Industrial Properties Group (NOIPG) offers clients property-specific and local market expertise regarding office and industrial property transactions. Leveraging the firm's network of 900 agents in offices nationwide, the NOIPG matches capital and properties across geographic boundaries. Supported by the company's broad range of client-focused services, Marcus & Millichap's office and industrial property specialists help investors maximize value while meeting their investment goals.

Turning Expertise into Investor Value

Specialized Office Market Research

- Our Research Services group consists of a team of experienced professional real estate analysts with extensive market knowledge, including local and office supply trends, rents, vacancies and construction, as well as expert financial analysis. Customized and advisory research services are also available, including market studies, property analysis and monitoring, development studies and long-term investment strategy support. These tools provide our clients with a systematic method for evaluating all aspects of their office investment options.

Local Expertise, National Marketing Platform

- Our NOIPG professionals formulate the right marketing strategy and execute each transaction with maximum efficiency based on client needs and objectives. Marcus & Millichap's culture of information sharing and unique communication technology (MNet) facilitates the matching of each office property to the right investors, many of whom are active in multiple property types.

Unparalleled Access to Private and Institutional Investors

- Extensive communication and information sharing among NOIPG professionals, coupled with our long-term relationships with private investors, institutions, developers and syndicators, assures the exposure of each listing to the largest pool of qualified and motivated investors. Each transaction is planned and executed in a proactive manner, from designing the right marketing plan, to buyer selection and managing the close.

For further information, contact:

Alan L. Pontius
Senior Vice President, National Director
National Office and Industrial Properties Group
Marcus & Millichap
750 Battery Street, Fifth Floor
San Francisco, CA 94111
Tel: (415) 391-9220
apontius@marcusmillichap.com

MMCC

Marcus & Millichap Capital Corporation

Marcus & Millichap Capital Corporation (MMCC) provides owners and investors access to the most competitive real estate financing through prominent national and regional lenders. Our network of experienced and dedicated finance professionals assures that each refinance, acquisition or development financing receives the ideal rate and terms available in the marketplace. Each transaction is executed through a reliable and closely managed process.

Experience, Relationships Produce Optimal Financing

Specialized Financing Expertise

- Our national team of finance professionals has specialized experience in providing financing for a full range of investment property types. Our goal is to secure the most competitive financing in both loan terms and proceeds by leveraging our expertise in local real estate markets as well as the national capital markets.

Proactive Loan Package Design

- Our financing experts optimize the loan package, structure and terms based on the specific needs and objectives of the client. From the application process to lender selection and managing the funding, we use a proactive approach to simplify the entire process for the client.
- The track record and market knowledge of our representatives play a critical role in designing the right loan package up front. Each transaction is positioned to achieve the best financing before the application process begins. Based on the latest local real estate market conditions, we produce a detailed assessment of the subject property and current capital market conditions.

A Broad Selection of Lender Relationships

- Through our long-term relationships with well-established and respected lenders, our professionals are able to secure the right financing, with the most attractive rates and terms, for each transaction.
- Reliability and the ability to deliver the ideal financing package on time are key aspects of our lender selection, which includes commercial banks, securitized lenders, Fannie Mae, Freddie Mac, life insurance companies and other capital sources. Only lenders with a proven history of execution are chosen on behalf of our clients.

For further information, contact:

William E. Hughes,
Senior Vice President, Marcus & Millichap Capital Corporation
19800 MacArthur Blvd., Suite 150
Irvine, CA 92612
Tel: (949) 851-3030
Fax: (949) 851-4345
whughes@marcusmillichap.com

Office Research Services

Marcus & Millichap's Research Services group works with the National Office and Industrial Properties Group (NOIPG) to produce the most comprehensive office-related research in the industry. Our goal is to help office owners and investors make informed decisions and formulate the best investment strategies based on timely and complete data, analysis and interpretation.

Research

Fact-Based Investment Strategies

Supply and Demand Analysis, Forecasting

- Comprehensive office property analyses are produced based on the latest data on new supply, vacancies, rents and sales trends tracked internally and through the most respected data sources in the industry. On the demand side, expansion and closure announcements by tenants are tracked regularly as well as vital local and national economic and demographic indicators. This comprehensive approach enables our office investment professionals to integrate all variables that impact office property values for the benefit of our clients.

Expert Financial Analysis

- Our financial analysts work closely with our office investment experts to establish the current and future value of office assets and use custom models. Peer properties are analyzed in detail to establish rent, vacancy and other competing factors related to valuation. In addition, office projects under construction, recent office property sales and comparable properties on the market are reviewed.

Tenant, Credit Analysis

- Our national database of businesses allows our NOIPG professionals to analyze employment density and major employers at the local level, as well as employment by industry and/or business category, in order to further determine the economic strength of specific trade areas. Access to various credit rating databases allows owners and investors to evaluate the strength of key tenants and establish various re-tenanting options and property positioning strategies within local markets.

For further information, contact:

Erica L. Linn
National Research Manager
Marcus & Millichap
2398 E. Camelback Road, Suite 550
Phoenix, AZ 85016
Tel: (602) 952-9669
elinn@marcusmillichap.com

National Office and Industrial Properties Group

Alan L. Pontius, Senior Vice President, National Director,
National Office and Industrial Properties Group
Yitzchok Sommer, Senior Research Manager,
National Office and Industrial Properties Group

National Research Team

Erica Linn, National Research Manager
James Holt, National Client Services Manager
Arnold Ting, Vice President, Research Services
Bryan O'Keefe, Market Information Manager
Stephanie Griffin, Project Manager
Brian Abernethy, Senior Market Analyst
Art Gering, Senior Market Analyst
Thomas Hershey, Senior Market Analyst
Neil Evans, Market Analyst
Amanda Jones, Market Analyst
Albert Ladesic, Market Analyst
Curt Upton, Market Analyst
Paige Webster, Market Analyst

Graphic Design / Editing

Michelle Cocagne, Vice President, Corporate Communications
Kit Powis, Creative Director
Larry Gray, Public Relations Manager
Janice Sykes, Graphic Designer
Corinne Wade, Copywriter/Editor
Linda Lenhoff, Copywriter/Editor

Contact:

Erica L. Linn
National Research Manager
2398 E. Camelback Road, Suite 550
Phoenix, Arizona 85016
Tel: (602) 952-9669
Fax: (602) 952-9825
elinn@marcusmillichap.com

Managing Directors

Harvey E. Green, President, Chief Executive Officer
Tel: (818) 907-0600 / hgreen@marcusmillichap.com

Linwood C. Thompson, Senior Vice President, Managing Director
National Multi Housing Group
Tel: (770) 393-1700 / lthompson@marcusmillichap.com

Gary R. Lucas, Senior Vice President, Managing Director
Tel: (415) 391-9220 / glucas@marcusmillichap.com

Bernard J. Haddigan, Senior Vice President, Managing Director
National Retail Group
Tel: (770) 393-1700 / bhaddigan@marcusmillichap.com

John J. Kerin, Senior Vice President, Managing Director
Tel: (818) 907-0600 / jkerin@marcusmillichap.com

David A. Wetta, Senior Vice President, Managing Director
Tel: (602) 952-9669 / dwetta@marcusmillichap.com

Mitchell R. LaBar, Senior Vice President, Managing Director
Tel: (212) 832-4500 / mlabar@marcusmillichap.com

Donald A. Lorenz, Senior Vice President, Managing Director
Tel: (650) 494-1400 / dlorenz@marcusmillichap.com

Hessam Nadji, Senior Vice President, Managing Director
Research Services
Tel: (925) 979-9810 / hnadji@marcusmillichap.com

Stuart E. Kaiser, Chief Financial Officer, Managing Director
Tel: (818) 907-0600 / skaiser@marcusmillichap.com

Kevin A. Assef, Senior Vice President, Managing Director
Tel: (909) 605-1800 / kassef@marcusmillichap.com

Greg A. Moyer, Senior Vice President, Managing Director
Tel: (773) 693-0700 / gmoyer@marcusmillichap.com

Paul S. Mudrich, General Counsel, Managing Director
Tel: (650) 494-8900 / pmudrich@marcusmillichap.com

William E. Hughes, Senior Vice President, Managing Director
Marcus & Millichap Capital Corporation
Tel: (949) 851-3030 / whughes@marcusmillichap.com

Statistical Summary Note: Employment growth is calculated as a year-over-year change. Vacancy and annual asking rent are year-end figures. Annual asking rents exclude concessions. Median prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole.

Note: Averages may be based on all property classes or Class A and B only in some markets. "Selected Markets" used in some analyses and graphs include all MSAs in the Market Statistics tables on pages 30 - 31 of the report. Geographic market boundaries, survey samples, methodologies and data may change, affecting historical reporting basis and comparability with past reports or analyses. In the event of a basis change, historical data is recalculated. If you have any questions regarding a historical series or methodology, please contact Erica Linn at (602) 952-9669. The information contained in this report is deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, expressed or implied, may be made as to the accuracy or reliability of the information contained herein.

Sources: Marcus & Millichap Research Services, American Council of Life Insurers, Bloomberg, Blue Chip Economic Indicators, California Department of Finance, California Employment Development Department, Commercial Space Online, CoStar Group, Inc., Economy.com, Morgan Stanley, National Real Estate Index, National Venture Capital Association, Portfolio & Property Research, PWC Moneytree, Reis, Inc., Real Capital Analytics, SRC, The Conference Board, U.S. Bureau of Census, U.S. Bureau of Labor Statistics, U.S. Securities and Exchange Commission, Venture Economics.

Office Locations

Corporate Headquarters
Marcus & Millichap
First Financial Plaza
16830 Ventura Blvd.
Suite 352
Encino, CA 91436
Tel: (818) 907-0600
www.MarcusMillichap.com

Atlanta
Northpark Town Center
1200 Abernathy Road, N.E.
Building 600, Suite 650
Atlanta, GA 30328
Tel: (770) 393-1700
John M. Leonard

Austin
8310 N. Capital of Texas Hwy.
Suite 375
Austin, TX 78731
Tel: (512) 338-7800
Michael E. Hoffman

Chicago
8750 W. Bryn Mawr Avenue
Suite 650
Chicago, IL 60631
Tel: (773) 693-0700
Greg A. Moyer

Chicago Downtown
333 West Wacker Drive
Suite 200
Chicago, IL 60606
Tel: (312) 327-5400
Jonathan K. Lee

Cincinnati
201 E. Fifth Street
Suite 2050
Cincinnati, OH 45202
Tel: (513) 241-9002
Scott Przybyla

Columbus
21 E. State Street
Suite 2300
Columbus, OH 43215
Tel: (614) 464-1400
Scott Przybyla

Dallas - Fort Worth
Centura Tower
14185 Dallas Parkway
Suite 980
Dallas, TX 75254
Tel: (972) 980-4800
Tim A. Speck

Denver
1401 Seventeenth Street
Suite 1100
Denver, CO 80202
Tel: (303) 320-1300
Adam P. Christofferson

Detroit
One Northwestern Plaza
28411 Northwestern Hwy.
Suite 750
Southfield, MI 48034
Tel: (248) 352-5050
Steven R. Chaben

Encino
First Financial Plaza
16830 Ventura Blvd.
Suite 100
Encino, CA 91436
Tel: (818) 907-0600
Jonathan A. Weiss

Fort Lauderdale
5900 N. Andrews Avenue
Suite 100
Fort Lauderdale, FL 33309
Tel: (954) 463-2400
Gene A. Berman

Houston
777 Post Oak Blvd.
Suite 900
Houston, TX 77056
Tel: (713) 626-3040
Michael E. Hoffman

Indianapolis
101 W. Ohio Street
Suite 1550
Indianapolis, IN 46204
Tel: (317) 955-2600
Greg A. Moyer

Las Vegas
3993 Howard Hughes Pkwy.
Suite 120
Las Vegas, NV 89109
Tel: (702) 693-5800
Christopher E. LoBello

Long Beach
One World Trade Center
Suite 1900
Long Beach, CA 90831
Tel: (562) 436-5800
Jeffrey S. Goldman

Los Angeles
1055 W. 7th Street
Suite 1700
Los Angeles, CA 90017
Tel: (213) 623-7800
Lane M. Schwartz

West Los Angeles
12100 W. Olympic Boulevard
Suite 350
Los Angeles, CA 90064
Tel: (310) 909-5500
Jerry M. Wise

Milwaukee
250 N. Sunnyslope Road
Suite 300
Brookfield, WI 53005
Tel: (262) 785-8150
Greg A. Moyer

New Haven
265 Church Street
Suite 210
New Haven, CT 06510
Tel: (203) 495-8000
Mitchell R. LaBar

New Jersey
2200 Fletcher Avenue
Fifth Floor
Fort Lee, NJ 07024
Tel: (201) 582-1000
Mitchell R. LaBar

Newport Beach
19800 MacArthur Blvd.
Suite 150
Irvine, CA 92612
Tel: (949) 851-3030
John M. Przybyla

NYC - Manhattan
270 Madison Avenue
19th Floor
New York, NY 10016
Tel: (212) 832-4500
Mitchell R. LaBar

Ontario
One Lakeshore Center
3281 E. Guasti Road
Suite 800
Ontario, CA 91761
Tel: (909) 605-1800
Kevin A. Assef

Orlando
225 E. Robinson Street
Suite 525
Orlando, FL 32801
Tel: (407) 999-9597
Steven M. Ekovich

Palo Alto
2626 Hanover Street
Palo Alto, CA 94304
Tel: (650) 494-8900
Steven J. Seligman

Philadelphia
8 Penn Center
1628 John F. Kennedy Blvd.
Suite 1200
Philadelphia, PA 19103
Tel: (215) 557-0900
Jeffrey R. Algatt

Phoenix
2398 E. Camelback Road
Suite 550
Phoenix, AZ 85016
Tel: (602) 952-9669
David A. Wetta

Portland
1800 S.W. First Avenue
Suite 110
Portland, OR 97201
Tel: (503) 220-2333
Gary R. Lucas

Sacramento
3200 Douglas Blvd.
Suite 300
Roseville, CA 95661
Tel: (916) 677-4100
Robert B. Hicks

Salt Lake City
299 S. Main Street
Suite 1300
Salt Lake City, UT 84111
Tel: (801) 350-9111
Adam P. Christofferson

San Antonio
9901 IH-10 West
Suite 800
San Antonio, Texas 78230
Tel: (210) 558-2884
Michael E. Hoffman

San Diego
9255 Towne Centre Drive
Suite 700
San Diego, CA 92121
Tel: (858) 452-8300
Kent R. Williams

San Francisco
750 Battery Street
5th Floor
San Francisco, CA 94111
Tel: (415) 391-9220
Jeffrey M. Mishkin

Seattle
1420 Fifth Avenue
Suite 1600
Seattle, WA 98101
Tel: (206) 826-5700
Gregory S. Wendelken

Tampa
7650 Courtney Campbell Causeway
Suite 920
Tampa, FL 33607
Tel: (813) 287-9777
Steven M. Ekovich

Tucson
6083 E. Grant Road
Tucson, AZ 85712
Tel: (520) 296-3232
David A. Wetta

Washington, D.C.
1250 24th Street, N.W.
Suite 750
Washington, D.C. 20037
Tel: (202) 955-4545
Andrew P. Boyle

Market Reports Via E-Mail

Marcus & Millichap Research Services will continue to produce updates to this report and compile additional publications that will be available via e-mail. To receive our reports as fast as possible, register for our e-mail distribution network. As an e-mail subscriber, you will continue to receive the latest, most comprehensive real estate market research and forecasts, complete with easy-to-read charts detailing trends in the industry, all delivered in a convenient electronic format.

You can sign up for this service via any of the following methods:

- **Fax:** Simply complete this page, tear it out and fax to **1 (800) 515-8434**.
- **E-Mail:** Send an e-mail with your contact information, your e-mail address and which reports you would like to receive, to: research@marcusmillichap.com. Please type "new subscriber" or "subscription update" in the subject line.
- **Internet:** Visit www.marcusmillichap.com and click on Research - Report Registration.
- **Mail:** Complete the attached postage-paid reply card and drop it in the mail.

E-Mail Address: ______________________________

Name: ______________________________
(as it appears on your label)

Signature: ______________________________
(required for future mailings)

Reports/Analysis you are interested in receiving (please check all that apply):

❏ Apartment ❏ Retail ❏ Office ❏ Single-Tenant
❏ Hospitality ❏ Seniors Housing ❏ Industrial ❏ Self-Storage

Are you interested in receiving a submarket or property-specific analysis? ❏ Yes ❏ No

❏ New subscription
❏ Please confirm your contact information:

Name: ______________________________

Company: ______________________________

Address: ______________________________

City: ______________ State: ________ Zip: ______________

Telephone: ______________ Fax: ______________

Please tell us what you think of this report.

❏ Excellent ❏ Good ❏ Fair ❏ Poor

Suggestions/Comments: ______________________________

2398 E. Camelback Road, Suite 550 • Phoenix, AZ 85016

Marcus & Millichap
RESEARCH SERVICES

NOR05

Marcus & Millichap
RESEARCH SERVICES

OFFICE

www.MarcusMillichap.com

2398 E. CAMELBACK ROAD

SUITE 550

PHOENIX, AZ 85016

602.952.9669