



ANNUAL JOB GROWTH

Orange County created 22,600 net jobs in the 12 months ending May 2014. Nearly 35% of the annual gains occurred in the professional & business services industry sector.



12-MO DIRECT NET ABSORPTION

Both Class A and Class B managed to record occupancy gains during the quarter, bringing the 12-month direct absorption total into positive territory. PIMCO's move into their Class A build-to-suit during the quarter helped sway the absorption count upwards.



DIRECT VACANCY RATE

Office direct vacancy decreased 50 bps to 13.9% over the year but remains 720 bps above its cyclical low of 6.7% in 2006.



OVERALL RENTS

Overall asking rents have increased for the sixth consecutive quarter to \$2.03. Large increases are anticipated in order to restore rents to their pre-recessionary peak.



UNDER CONSTRUCTION

Over the last five years, new office construction has primarily been limited to build-to-suit and owner/user development. However speculative construction is expected to return soon as leasing activity and lease rates increase. Two speculative projects are finishing construction within the year and discussions for more have become more prevalent.



**Arrows represent change from previous 12 months*

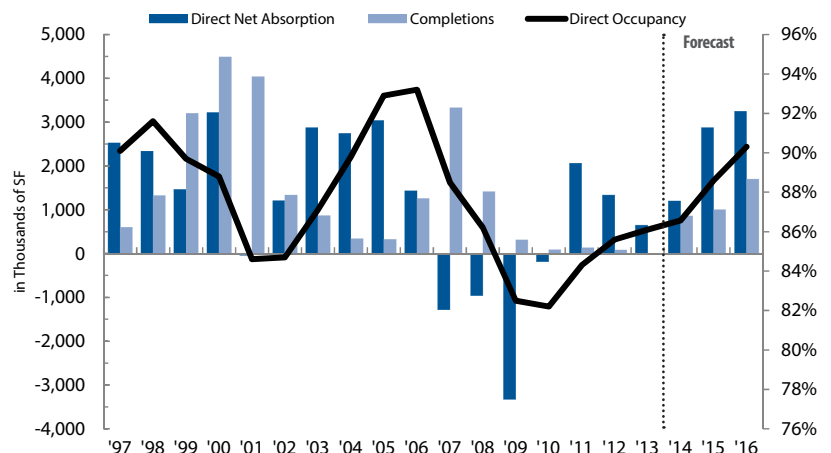
OC POSTS STRONGEST QUARTER SINCE 2005

Orange County's economic recovery continued to expand at a respectable pace with steady job growth and falling unemployment rates. Office using jobs have been the dominant factor within the county's job growth and account for nearly 45% of the growth with the remainder of job growth going to manufacturing, retail, hospitality, education, and healthcare. As a result of the steady job growth, the county's unemployment rate has dropped by 100 basis points to 4.9% within the past year to a six-year low, which is one of the lowest in the state. Orange County has created 133,800 jobs since its post-recessionary trough in early 2010, but the current employment levels still remain 67,000 jobs below their pre-recessionary peak recorded at year-end 2006. Looking ahead, employment payrolls are projected to increase by 31,600 jobs in 2014, followed by an even stronger addition of 36,500 jobs in 2015, according to Moody's Analytics.

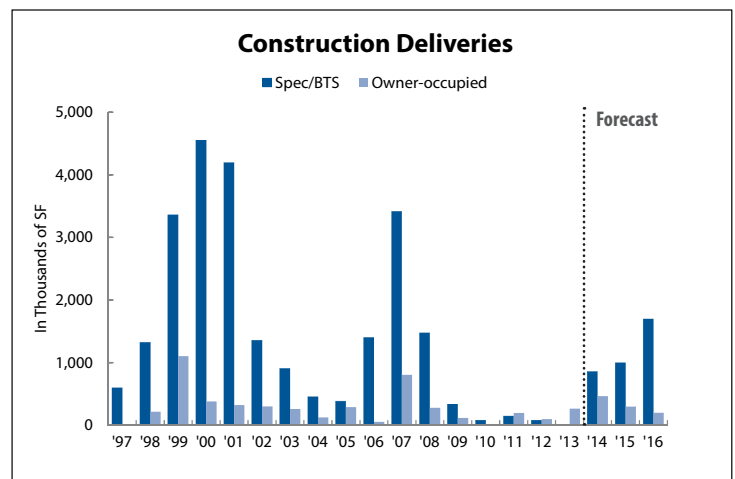
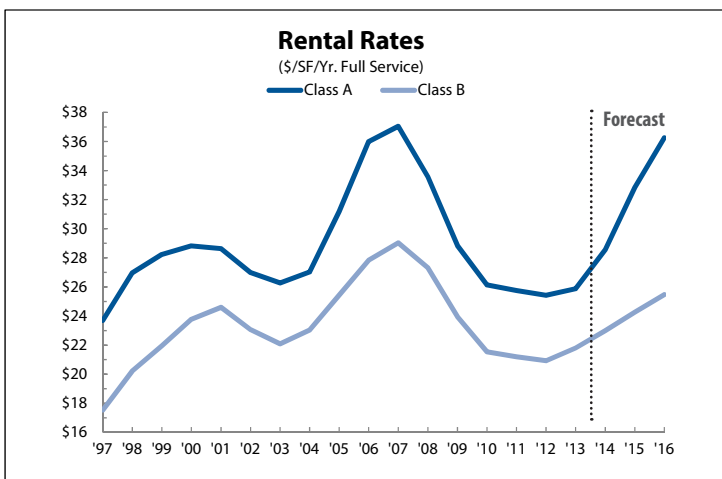
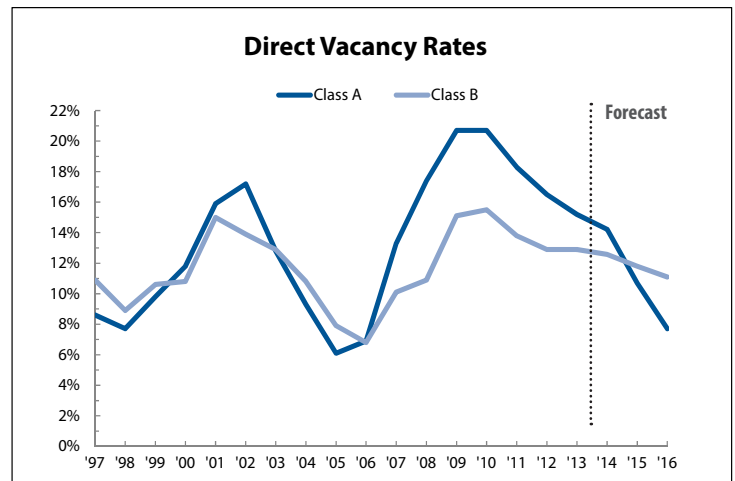
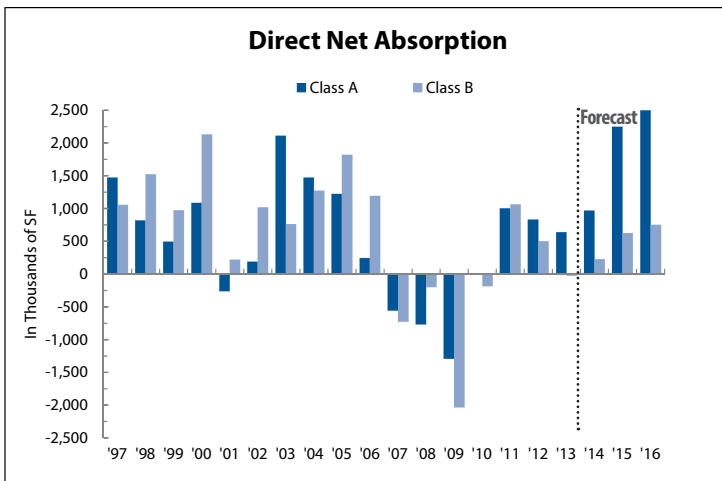
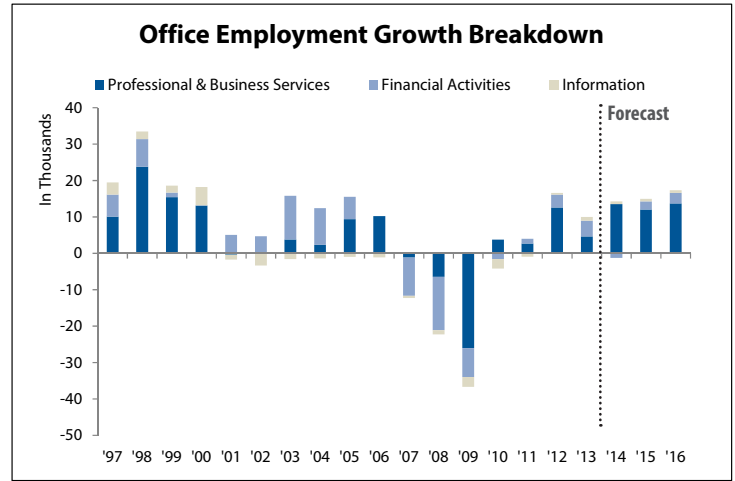
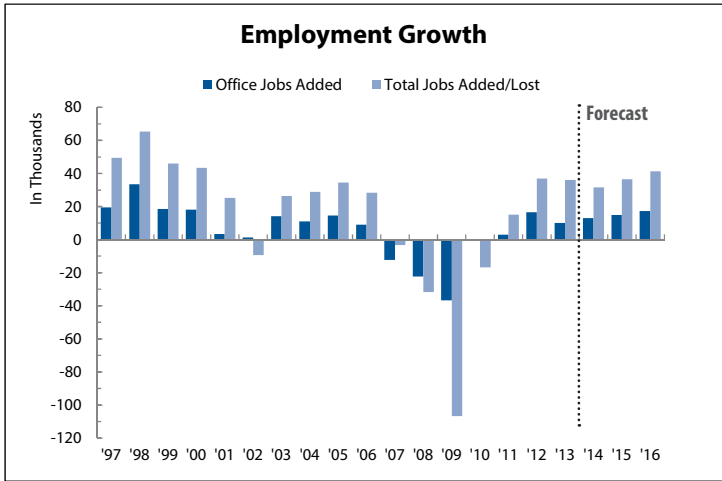
The Orange County's office leasing market has exhibited strong positive absorption dating back to the beginning of 2011, recovering over 73% of its losses since the Great Recession. After a brief negative absorption period during the first quarter of 2014, Orange County immediately recovered and offset those losses with its highest quarterly gain since 2005. The Class A property sector accounted for nearly 600,000 sq. ft. of the quarterly net absorption gains, causing direct vacancy rates to fall by 60 basis points to 15.4% quarter-to-quarter. Class B properties also benefited from over 253,000 sq. ft. of occupancy gains during the quarter highlighted by Belkin International moving into 126,880 sq. ft. in University Research Park, which helped drive vacancy rates down to 12.8% in that building class. Countywide, Class A full-service gross asking rents increased on average by 6.1% to \$2.25, with some submarkets advancing with double digit increases. Class B rents also appreciated on average nearly 4.5% to \$1.87 per sq. ft. within the past 12 months.

Leasing demand has remained steady as tenants are becoming more confident in making longer term decisions and weighing the possibilities of relocation or renewal in order to capitalize on favorable lease terms. Companies from a wide variety of industries such as Belkin International, Google, Spireon, HireRight, Western Digital Corporation, and DaVita are among those tenants that have recently taken advantage of those favorable lease terms by securing leases for large blocks of space.

Office Market Trends



HISTORICAL TRENDS & FORECAST



SUBMARKET STATISTICS

Submarket	Total Inventory SF	TOTAL SPACE AVAILABLE		DIRECT VACANCY RATES		DIRECT NET ABSORPTION		OVERALL RENTAL RATES		
		Direct Available	Sublease Available	Direct Vacancy	Y-O-Y Change	Current Qtr.	Rolling 12-Month	Avg Rents PSF/Yr	Avg Rents PSF/Mo.	Y-O-Y % Change
Airport Area	44,763,201	7,109,935	685,417	13.6%	-1.0%	666,362	784,532	\$25.26	\$2.11	2.85%
Class A	24,765,092	4,411,695	388,804	15.7%	-0.7%	499,447	492,098	\$27.52	\$2.29	2.38%
Class B	19,998,109	2,698,240	296,613	11.0%	-1.5%	166,915	292,434	\$22.76	\$1.90	5.14%
Central County	15,978,304	2,892,240	336,784	15.0%	-0.2%	57,247	35,251	\$22.23	\$1.85	2.75%
Class A	7,443,930	1,547,879	311,800	18.0%	0.8%	49,034	(57,232)	\$24.87	\$2.07	2.59%
Class B	8,534,374	1,344,361	24,984	12.4%	-1.1%	8,213	92,483	\$19.16	\$1.60	5.81%
North County	9,346,336	2,127,004	182,511	20.8%	7.0%	(39,178)	(655,443)	\$22.84	\$1.90	2.12%
Class A	2,650,424	536,370	160,717	17.4%	9.0%	(21,402)	(238,588)	\$24.65	\$2.05	1.86%
Class B	6,695,912	1,590,634	21,794	22.1%	6.2%	(17,776)	(416,855)	\$22.35	\$1.86	1.81%
South County	20,035,342	3,008,934	350,655	11.0%	0.5%	118,237	(94,684)	\$25.53	\$2.13	9.99%
Class A	6,357,217	863,890	192,942	9.1%	-0.3%	37,683	17,446	\$29.98	\$2.50	11.68%
Class B	13,678,125	2,145,044	157,713	12.0%	0.8%	80,554	(112,130)	\$23.93	\$1.99	9.42%
West County	7,820,773	1,218,065	139,293	12.2%	-2.0%	46,652	152,912	\$23.66	\$1.97	3.35%
Class A	1,518,652	315,713	5,682	19.2%	-3.3%	33,917	50,442	\$26.14	\$2.18	2.88%
Class B	6,302,121	902,352	133,611	10.5%	-1.6%	12,735	102,470	\$22.53	\$1.88	2.89%

Orange County Totals	Total Inventory SF	TOTAL SPACE AVAILABLE		DIRECT VACANCY RATES		DIRECT NET ABSORPTION		OVERALL RENTAL RATES		
		Direct Available	Sublease Available	Direct Vacancy	Y-O-Y Change	Current Qtr.	Rolling 12-Month	Avg Rents PSF/Yr	Avg Rents PSF/Mo.	Y-O-Y % Change
Class A	42,735,315	7,675,547	1,059,945	15.4%	0.1%	598,679	264,166	\$27.00	\$2.25	6.38%
Class B	55,208,641	8,680,631	634,715	12.8%	0.1%	250,641	(41,598)	\$22.48	\$1.87	4.48%
Overall	97,943,956	16,356,178	1,694,660	13.9%	0.1%	849,320	222,568	\$24.37	\$2.03	5.33%



METHODOLOGY

Total Inventory: The total inventory includes all single and multi-tenant leased office buildings with at least 25,000 square feet of gross rentable square footage.

Total Space Available: Available space currently being marketed which is either physically vacant or occupied.

Direct Space Available: Space that is being offered for lease directly from the landlord or owner of a building. Under construction space is not included in space available figures.

Sublease Space Available: Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation.

Direct Vacancy Rate: Direct space physically vacant divided by the total rentable inventory.

Direct Net Absorption: The net change in occupied direct space over a given period of time.

Under Construction: Office buildings which have commenced construction as evidenced by site excavation or foundation work.

Direct Asking Rents: The quoted full-service asking rent for available space expressed in dollars per sq. ft.



ABOUT PMRG

Headquartered in Houston, Texas, PM Realty Group (PMRG) is one of the nation's leading real estate companies focusing on comprehensive property services, development and acquisitions. With a strategic presence in 30 markets, PMRG provides the highest quality services to its clients and investors. PMRG's clients and investors include large financial institutions, advisors and high net worth individuals. By capitalizing on the team's experience and expertise, PMRG has the ability to undertake large and challenging management, leasing, development and acquisition projects.

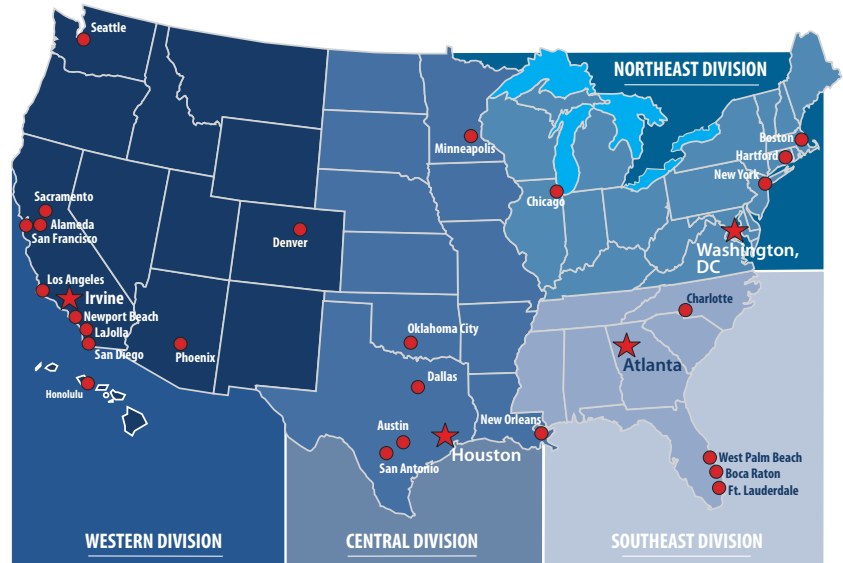
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