



ANNUAL JOB GROWTH

Orange County created 32,200 net jobs in the 12 months ending November 2014, led by gains in Education & Health Services (10,900 jobs), Construction (7,700 jobs), Professional & Business Services (6,800 jobs) and Leisure & Hospitality (5,000 jobs).



12-MO DIRECT NET ABSORPTION

Despite having witnessed the largest quarterly loss since 2009 early this year, OC ended the year with its largest quarterly absorption gain since 2003. The Airport Area accounted for half of the gains.



DIRECT VACANCY RATE

Market fundamentals continue to improve as direct vacancy rates have steadily declined to a six-year low. The Class B market is largely responsible for the progress with vacancy falling just below the 12% mark – the lowest it has been since 2008.



OVERALL RENTS

Overall asking rents have been steadily increasing over the past two years to reach their highest level since early 2010. The market can expect to see continued rent growth as demand remains healthy.



UNDER CONSTRUCTION

200 Spectrum Center is the most notable project anticipated to deliver in early 2016. This 425,000 sq. ft. speculative building will likely land a tenant looking for a large block of space in South County.



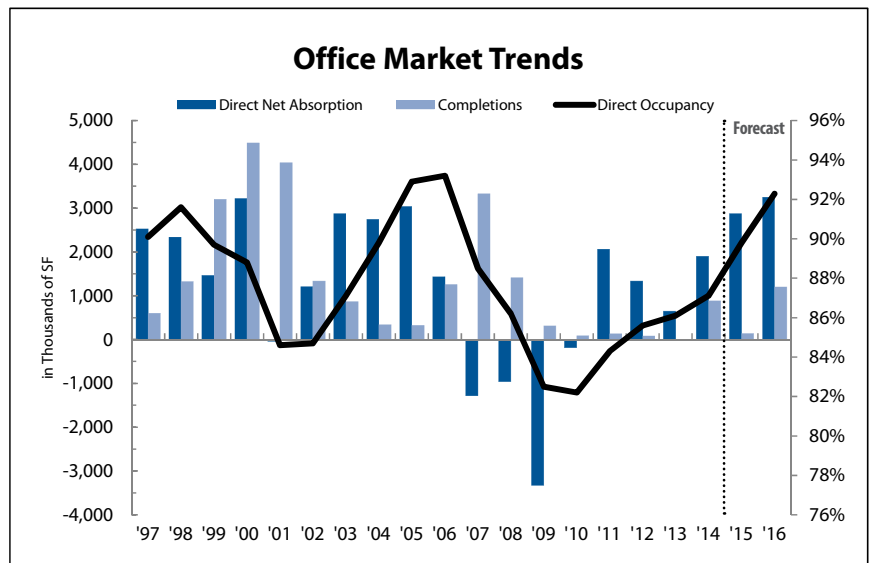
*Arrows represent change from previous 12 months

OC POSTS LARGEST QUARTERLY GAIN SINCE 2003

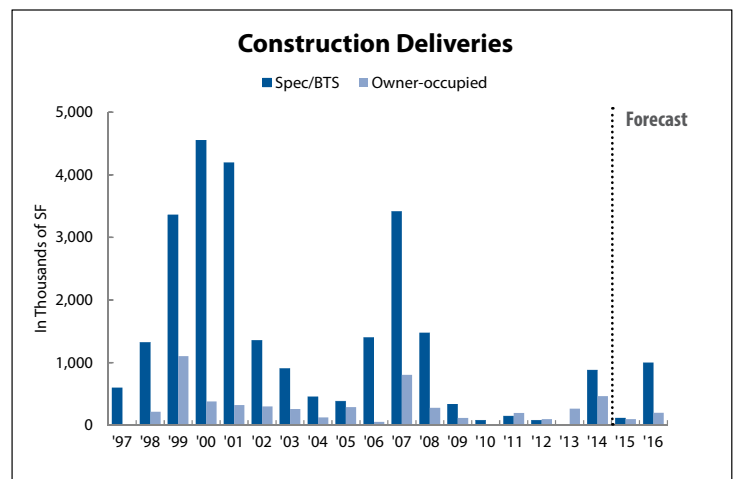
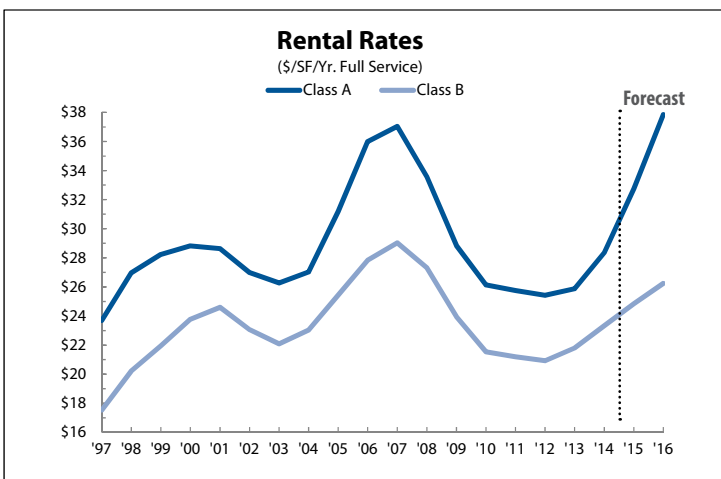
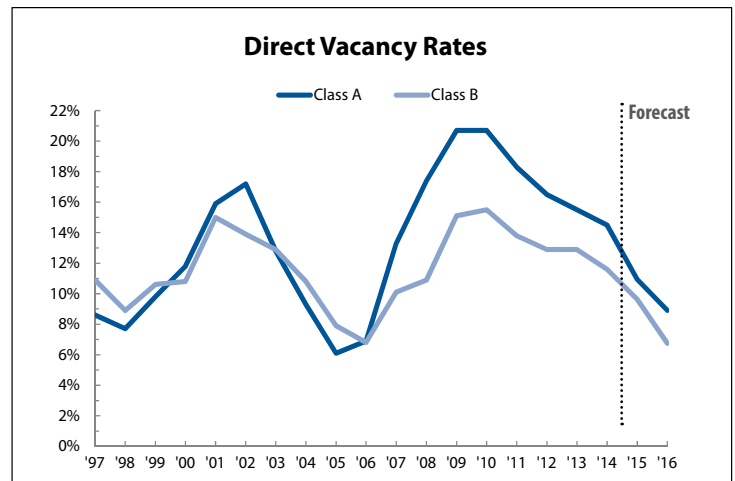
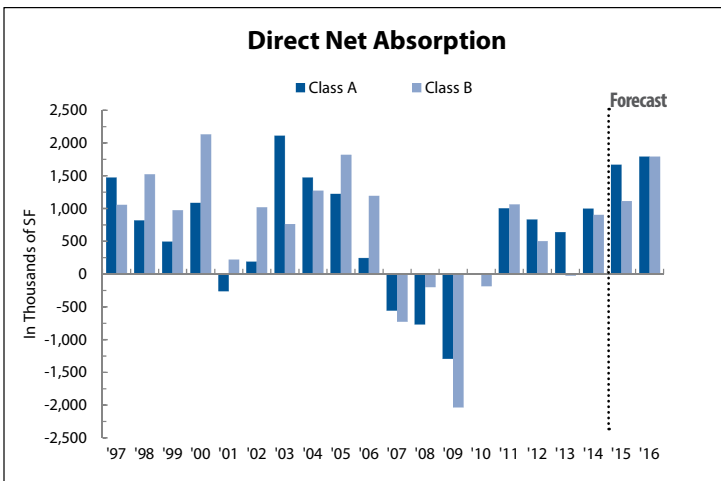
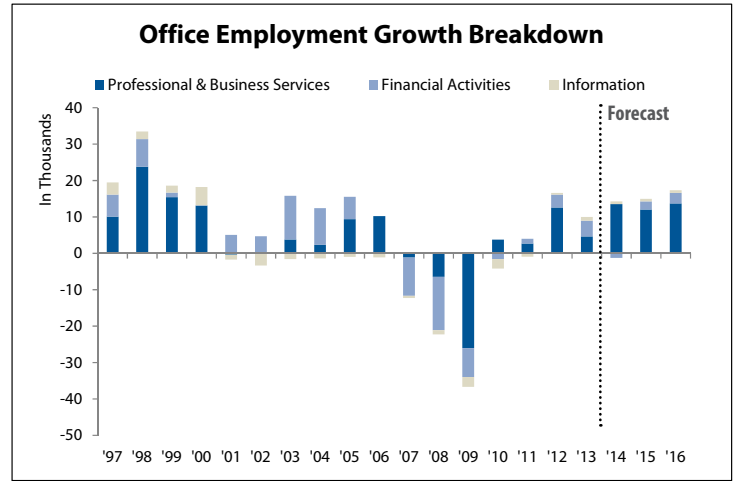
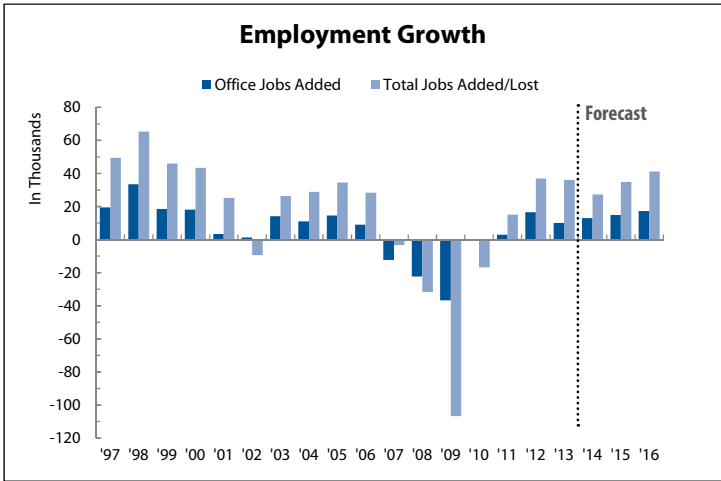
Orange County's economy continues to consistently improve with steady job growth and falling unemployment rates. Orange County has remarkably created 166,800 jobs since its bottom in early 2010, but the current employment levels still remain 34,000 jobs below their pre-recessionary peak recorded at year-end 2006. However, office-using categories such as the professional & business services sector have accounted for nearly 37% of this growth with the remainder going to manufacturing, retail, hospitality, education, and healthcare. As a result of the steady job growth, the county's unemployment rate has dropped by 80 basis points to 5.0% within the past year to a six-year low. Looking ahead, employment payrolls are projected to increase by 34,765 jobs in 2015, followed by an even stronger addition of 41,160 jobs in 2016, according to Moody's Analytics.

Orange County's office leasing market fundamentals continue to steadily improve with strong positive absorption dating back to the beginning of 2011, with nearly 6 million sq. ft. of occupancy gains since the Great Recession. After a slow start early in 2014, the office market has showed signs of picking up with just over 1.6 million sq. ft. of direct absorption within the past 6 months. The Class A market posted 575,528 sq. ft. of direct net absorption during the fourth quarter. As a result, Class A direct vacancy rates have fallen by 120 basis points during the six month period to 14.5%, reaching its lowest level since 2007. Class B properties also benefited from over 630,810 sq. ft. of absorption growth within the past 6 months, which has helped drive vacancy down 130 basis points to 11.6%. Countywide, Class A full-service gross asking rents increased on average by 9.4% to \$2.36, with the largest annual increases occurring in the South (10.3%), Airport Area (10.2%) and West (7.5%) submarkets. Class B rents also appreciated nearly 6.7% to \$1.95 per sq. ft. within the past 12 months. Nearly 1.4 million sq. ft. was delivered in 2014, with the lone speculative project being The Irvine Company's 327,250 sq. ft. building at 520 Newport Center.

Leasing demand has exhibited signs of maintaining better momentum 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. Office space users from a wide variety of industries such as St. Joseph Heritage Medical Group, Freedom Communications, Rockwell Collins, Belkin International, Hire Right, Spireon, Service Link, Yokohama Tire, and County of Orange are among those tenants that have recently taken advantage of those favorable lease terms by securing leases for large blocks of space.



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	45,537,340	7,121,475	856,716	12.9%	-1.6%	682,582	1,445,522	\$26.65	\$2.22	9.76%
Class A	25,376,864	4,616,687	491,749	15.4%	-1.5%	337,483	967,142	\$29.15	\$2.43	10.17%
Class B	20,160,476	2,504,788	364,967	9.7%	-1.9%	345,099	478,380	\$23.89	\$1.99	8.49%
Central County	15,985,297	2,761,515	341,583	13.4%	-1.6%	281,905	249,465	\$21.85	\$1.82	1.11%
Class A	7,453,325	1,353,076	320,350	15.1%	-1.7%	220,997	128,788	\$25.26	\$2.11	4.29%
Class B	8,531,972	1,408,439	21,233	12.0%	-1.4%	60,908	120,677	\$19.47	\$1.62	4.23%
North County	9,478,331	1,829,136	188,886	19.3%	3.1%	49,507	(296,135)	\$23.06	\$1.92	2.53%
Class A	2,752,411	315,148	165,196	17.3%	8.6%	18,125	(237,680)	\$24.89	\$2.07	0.61%
Class B	6,725,920	1,513,988	23,690	20.1%	0.9%	31,382	(58,455)	\$22.52	\$1.88	3.07%
South County	20,113,247	2,985,027	409,268	10.2%	-1.4%	120,590	280,022	\$2.20	\$0.18	8.60%
Class A	6,361,519	847,741	237,499	9.7%	0.2%	(53,011)	(15,217)	\$30.52	\$2.54	10.30%
Class B	13,751,728	2,137,286	171,769	10.5%	-2.1%	173,601	295,239	\$24.79	\$2.07	7.22%
West County	7,970,229	1,249,444	248,404	10.7%	-2.0%	71,754	221,464	\$25.11	\$2.09	6.58%
Class A	1,518,652	294,701	126,312	11.6%	-10.1%	51,934	153,366	\$27.24	\$2.27	7.54%
Class B	6,451,577	954,743	122,092	10.5%	-0.1%	19,820	68,098	\$24.39	\$2.03	6.79%

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	43,462,771	7,427,353	1,341,106	14.5%	-1.0%	575,528	996,399	\$28.35	\$2.36	9.43%
Class B	55,621,673	8,519,244	703,751	11.6%	-1.3%	630,810	903,939	\$23.34	\$1.95	6.69%
Overall	99,084,444	15,946,597	2,044,857	12.9%	-1.1%	1,206,338	1,900,338	\$25.29	\$2.11	7.53%



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.

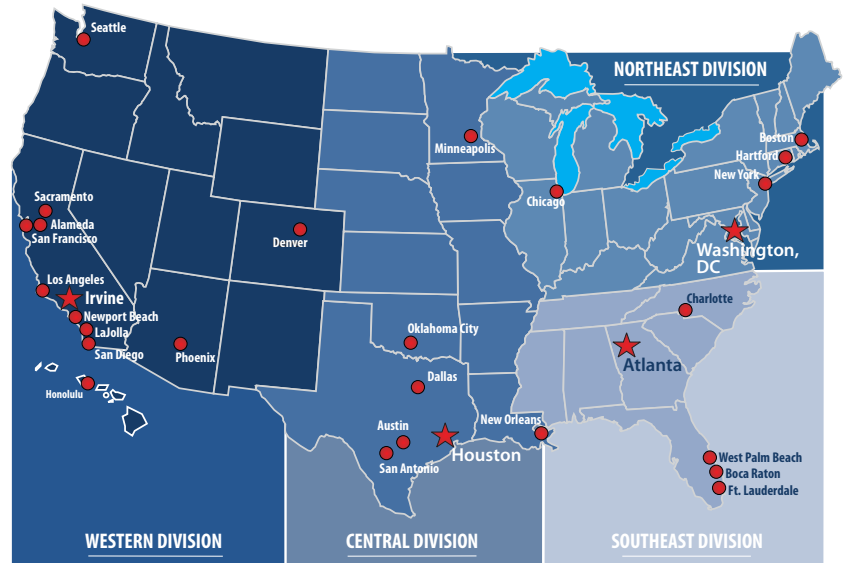
PMRG's portfolio, including projects managed for third parties, includes commercial office buildings, mixed-use centers, corporate headquarters, industrial buildings, medical facilities, high-rise multifamily buildings and re-appropriated military facilities.

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