



ANNUAL JOB GROWTH

Orange County created 17,900 net jobs in the 12 months ending August 2014, led by gains in Education & Health Services (5,500 jobs), Leisure & Hospitality (5,300 jobs), Construction (4,500 jobs) and Professional & Business Services (4,000 jobs).



12-MO DIRECT NET ABSORPTION

Despite a temporary setback early this year, the office market has rebounded with solid occupancy gains outpacing the absorption growth in 2013. The Airport area has fueled this recovery accounting for the bulk of the absorption growth.



DIRECT VACANCY RATE

Since peaking at 18.3% in 2010, direct vacancy has declined to a six-year low. The Class A market has largely contributed to the improvement with vacancy dipping below the 15% mark for the first time since 2007.



OVERALL RENTS

Overall asking rents rose for seventh consecutive quarter to reach their highest level since mid-year 2010. Looking ahead, rent growth is expected to accelerate as demand remains healthy.



UNDER CONSTRUCTION

Nearly 886,000 sq. ft. has delivered year-to-date with the lone speculative project being The Irvine Company's 327,250 sq. ft. building. However speculative construction is expected to return soon as leasing activity and lease rates increase.



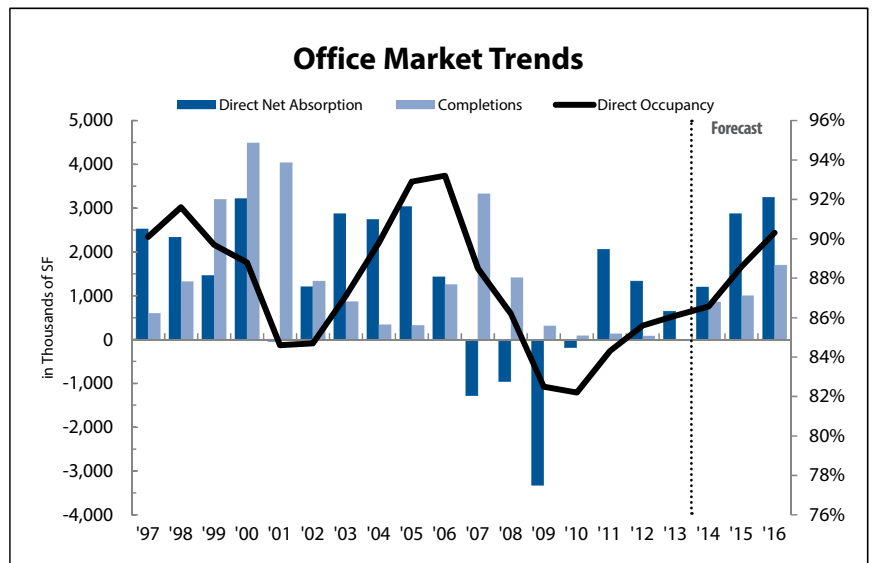
*Arrows represent change from previous 12 months

RENEWED TENANT INTEREST BUILDS UP IN 3Q14

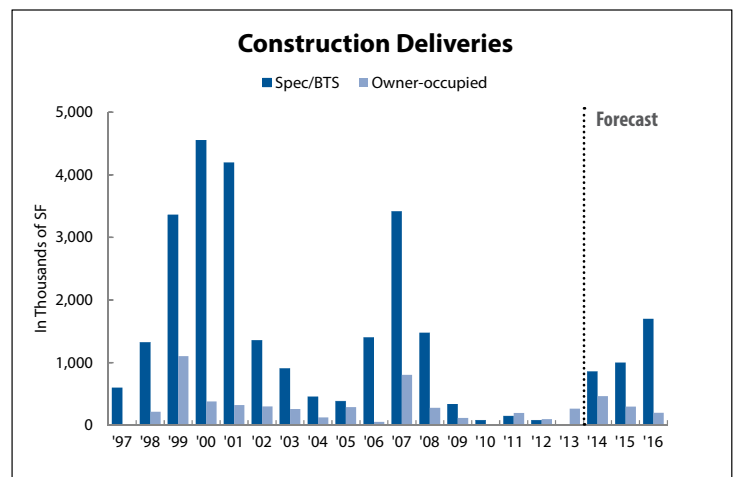
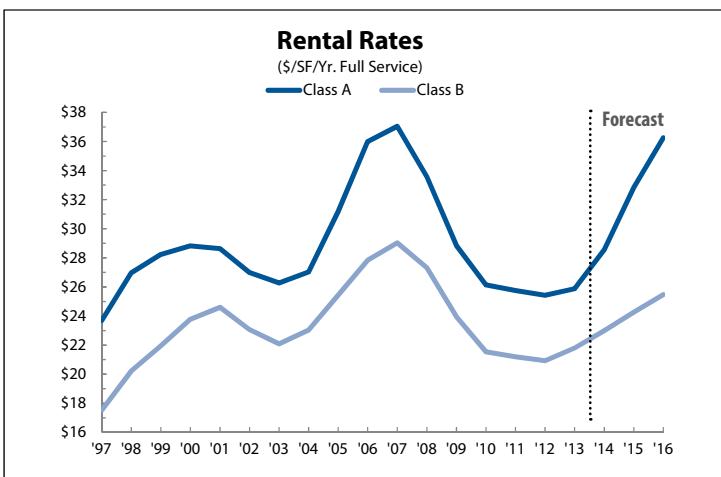
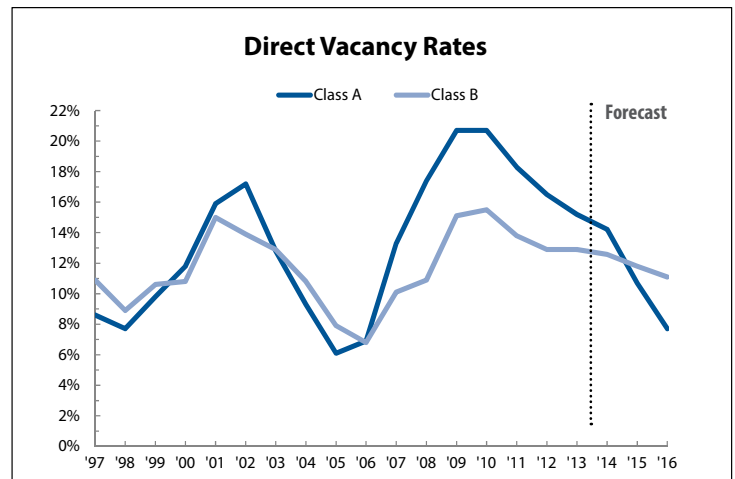
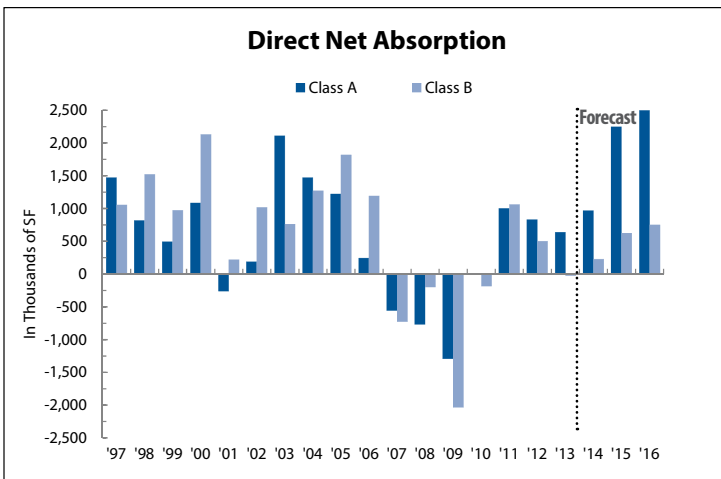
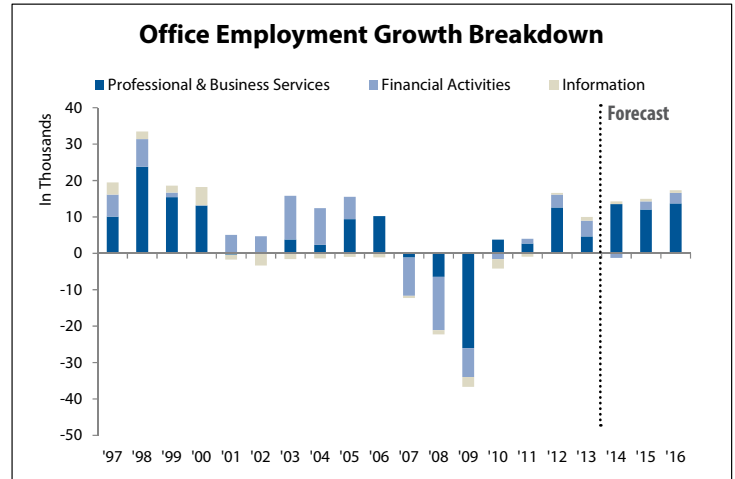
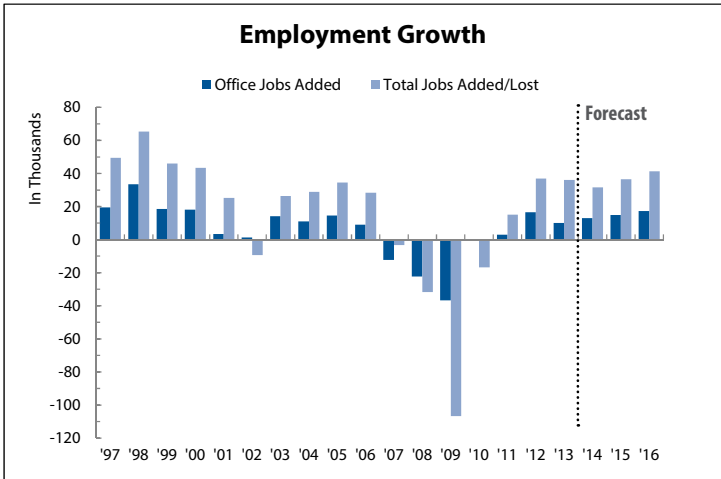
Orange County's economy continues with a consistent improvement highlighted with steady job growth and falling unemployment rates. Orange County has remarkably created 125,800 jobs since its post-recessionary trough in early 2010, but the current employment levels still remain 75,000 jobs below their 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 100 basis points to 5.4% within the past year to a six-year low, which remains one of the lowest in the state. 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 fundamentals continue to steadily improve with strong positive absorption dating back to the beginning of 2011, recovering over 78% of its losses since the Great Recession. After a slow start early in 2014, the office market has showed signs of picking up with just over 1.2 million sq. ft. of direct absorption within the past 6 months. The Class A market posted 178,385 sq. ft. of direct net absorption during the third quarter, following its strongest quarterly gain recorded since 2003. As a result, Class A direct vacancy rates have fallen by 110 basis points during the six month period to 14.9%, reaching its lowest level since 2007. Class B properties also benefited from over 481,051 sq. ft. of absorption growth within the past 6 months, which has helped drive vacancy rates down 60 basis points to 12.6%. Countywide, Class A full-service gross asking rents increased on average by 8.3% to \$2.31, with the largest annual increases occurring in the South (13.9%), Airport Area (5.7%) and Central (5.0%) submarkets. Class B rents also appreciated on average nearly 5.4% to \$1.91 per sq. ft. within the past 12 months.

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 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	44,962,556	7,303,984	757,614	13.4%	-1.3%	204,639	987,154	\$26.00	\$2.17	4.95%
Class A	24,868,600	4,449,705	336,553	15.1%	-1.5%	141,601	684,661	\$28.55	\$2.38	5.72%
Class B	20,093,956	2,854,279	421,061	11.3%	-1.0%	63,038	302,493	\$23.32	\$1.94	4.50%
Central County	15,955,081	2,795,101	344,246	14.9%	-0.1%	12,983	19,018	\$22.27	\$1.86	3.73%
Class A	7,447,521	1,419,203	321,817	18.1%	0.9%	(9,172)	(68,611)	\$25.24	\$2.10	5.03%
Class B	8,507,560	1,375,898	22,429	12.2%	-1.0%	22,155	87,629	\$19.17	\$1.60	2.02%
North County	9,430,152	2,107,187	183,453	19.8%	4.6%	88,849	(430,054)	\$22.90	\$1.91	2.42%
Class A	2,776,039	557,594	163,107	17.8%	9.1%	(13,174)	(251,770)	\$24.49	\$2.04	-0.28%
Class B	6,654,113	1,549,593	20,346	20.7%	2.7%	102,023	(178,284)	\$22.43	\$1.87	2.52%
South County	20,047,431	3,090,028	320,685	10.8%	-0.1%	31,602	16,825	\$26.18	\$2.18	9.39%
Class A	6,357,217	896,209	167,571	8.9%	0.1%	9,917	(8,185)	\$30.41	\$2.53	13.86%
Class B	13,690,214	2,193,819	153,114	11.7%	-0.2%	21,685	25,010	\$24.52	\$2.04	6.26%
West County	7,820,903	1,213,401	149,135	12.1%	-1.1%	76,455	144,041	\$24.65	\$2.05	7.43%
Class A	1,518,652	311,877	18,364	16.0%	-3.3%	49,213	50,265	\$27.29	\$2.27	4.02%
Class B	6,302,251	901,524	130,771	11.1%	-0.5%	27,242	93,776	\$23.59	\$1.97	8.47%

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	42,968,029	7,634,588	1,007,412	14.9%	-0.2%	178,385	406,360	\$27.76	\$2.31	8.25%
Class B	55,248,094	8,875,113	747,721	12.6%	-0.4%	236,143	330,624	\$22.95	\$1.91	5.37%
Overall	98,216,123	16,509,701	1,755,133	13.6%	-0.3%	414,528	736,984	\$24.90	\$2.07	6.41%



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.

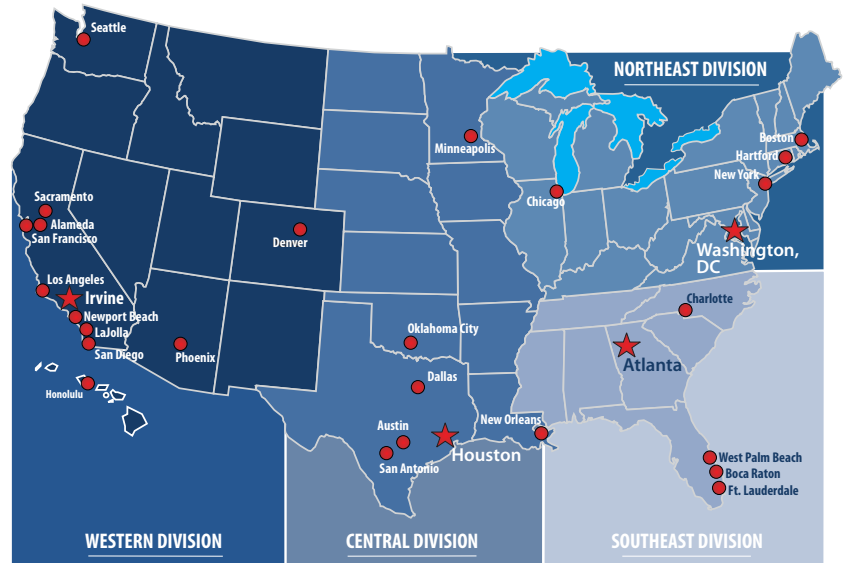
PMRG's portfolio, including projects managed for third parties, includes commercial office buildings, mixed-use centers, corporate headquarters, industrial buildings, medical facilities, high-rise multifamily buildings and re-appropriated military facilities.

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