

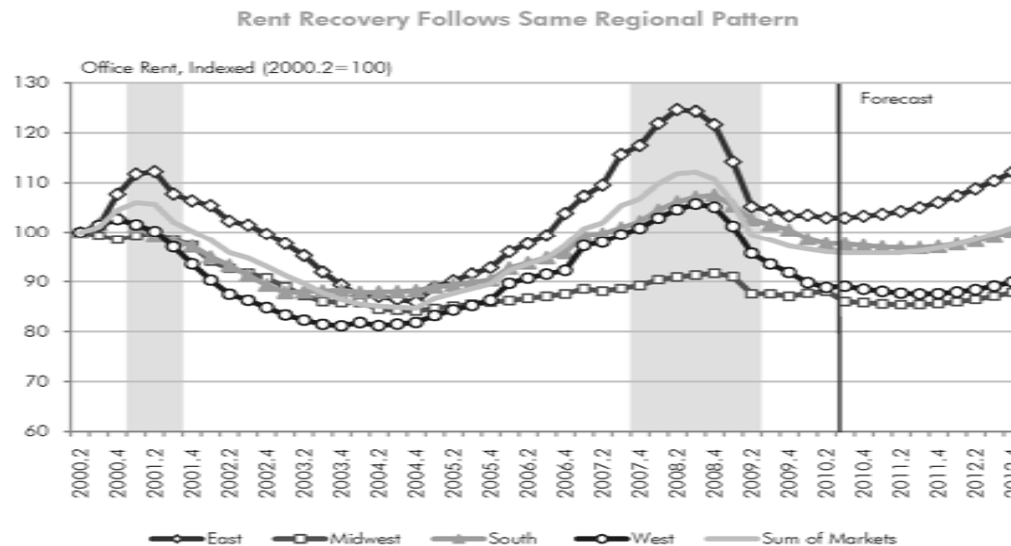
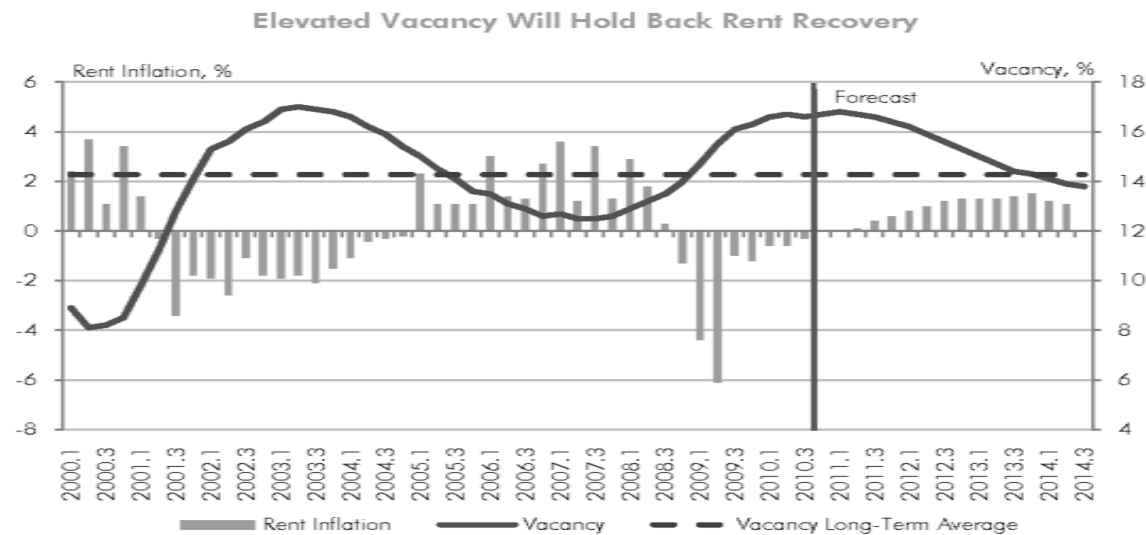
Office Outlook Forecast

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11-IEP-1A

DATE	JAN 19 2011
RECD.	JAN 27 2011



Office investors in the south and west, however, still have a good distance to go before they can expect to see any measurable improvements in rent. Demand improvements notwithstanding, vacancy rates remain well above equilibrium levels that would support rent inflation that on pace with broader inflationary measures. The slack in overall occupancy caused by inordinate job losses during the recession means that pricing power will remain firmly in the hands of tenants over the next several quarters. It is unlikely in the current environment that future rent declines will come close to what we witnessed during the past two years, as market fundamentals across all regions are, at the very least, beginning to stabilize.

California Business Update

California Vacancy Statistics

Aggregate Vacancy Report

Properties	Space Type	Vacant		Vacant Available		Total Available		Avg Rate	Leasing Activity		Net Absorption	
		SF	%	SF	%	SF	%		QTD	YTD	QTD	YTD
25,293 existing properties representing 1,198,587,766 SF	Direct	162,290,137	13.5%	154,464,635	12.9%	189,468,158	15.8%	\$2.08/fs	1,031,412	1,031,412	(1,263,279)	(1,263,279)
	Sublet	9,346,591	0.8%	8,744,435	0.7%	18,869,809	1.6%	\$1.86/fs	16,985	16,985	(101,386)	(101,386)
	Total	171,636,728	14.3%	163,209,070	13.6%	208,517,208	17.4%	\$2.06/fs	1,048,397	1,048,397	(1,364,665)	(1,364,665)

State Business Climate Rankings							
	2009 Business Climate Rankings	2009 Top Ten Competitive States	2009 Top States & Provinces in North America	2009 Best & Worst States for Business	2009 America's Top States for Business	2009 The Best States for Business	2009 Top 10 States for Business Climate
	<i>Site Selection Magazine</i>	<i>Site Selection Magazine</i>	<i>IBM Global Business Services</i>	<i>Chief Executive Magazine</i>	<i>CNBC</i>	<i>Forbes</i>	<i>Business Facilities</i>
1	North Carolina	Ohio	Ontario	Texas	Virginia	Virginia	Texas
2	Texas	North Carolina	Virginia	North Carolina	Texas	Washington	South Dakota
3	Virginia	Michigan	Ohio	Florida	Colorado	Utah	Wyoming
4	Ohio	Pennsylvania	South Carolina	Georgia	Iowa	Colorado	Utah
5	Tennessee	Kentucky	Pennsylvania	Tennessee	Utah	North Carolina	Florida
6	South Carolina	Texas	Quebec	Nevada	Minnesota	Georgia	Delaware
7	Alabama	Tennessee	North Carolina	Virginia	Kansas	North Dakota	Washington
8	Georgia	Alabama	California	Arizona	Massachusetts	Texas	Montana
9	Indiana	Indiana	Illinois	South Carolina	North Carolina	Nebraska	Oregon
10	Kentucky	South Carolina	Indiana	Colorado	Georgia	Oregon	New Hampshire
Source: Site Selection Magazine, IBM Global Business Services, Chief Executive Magazine, CNBC, Forbes, Business Facilities							

•Manufacturing Services

The manufacturing industry unemployment rate is down 3.5% from its peak of 13% in January 2010. The greatest number of layoff occurred in the Midwest and West coast. The largest layoffs have been by General Motors, who announced they would cut more than 75,000 jobs, which represents 30% of the workforce. The highest number of layoffs occurred in the Detroit metro area. However, the manufacturing industry has maintained an average annual wage increase of 2.53% since 2000.

•Healthcare

The healthcare industry has experienced continual job growth despite higher unemployment rates. The largest layoffs have been by major healthcare insurance companies. 4 of the top 10 metro areas with the largest no. of healthcare layoffs have been in California. Los Angeles has laid-off 5,100 healthcare employees since 4Q08 - the most of any metro area. The number of US healthcare call centers has consistently increased over the last five years.

•Financial Services

Over the last 18 months, the climate within the finance industry has been turbulent. Through a very sharp contraction, the finance sector has been characterized by a torrent of layoffs and rising unemployment rates - with giants like Citigroup, Bank of America and Chase laying off tens of thousands since November, 2009. However, early signs suggest that 2010 may be the beginning of a long road to recovery.