

**NATIONAL OFFICE MARKET
RECENT TRENDS AND FORECAST**

Prepared For:

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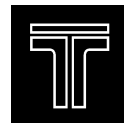
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Headquarters

Gregory H. Leisch, CRE
Chief Executive
500 Montgomery Street, Suite 600
Alexandria, VA 22314
703/836-5700; Fax: 703/836-5765
Greg_Leisch@DeltaAssociates.com

Appraisal Group

David Lennhoff, MAI, SREA, CRE
President, Appraisal Division
8614 Westwood Center Drive, Suite 800
Vienna, VA 22182
703/749-9451; Fax 703/734-0214
David_Lennhoff@DeltaAssociates.com

Market Publications Group

Scott Price
National Research Director
901 MoPac Expressway South, Suite 520
Austin, TX 78746
512/314-5204; Fax 512/328-9309
Scott_Price@DeltaAssociates.com

Consulting and Advisory Group

David Weisel
President, Consulting Division
500 Montgomery Street, Suite 600
Alexandria, VA 22314
703/535-3551; Fax 703/836-5765
David_Weisel@DeltaAssociates.com

Mid-Continent Office

Sara Rutledge
Associate Research Director
5001 Spring Valley Road, Suite 600W
Dallas, TX 75244
972/774-2520; Fax 972/991-4247
Sara_Rutledge@DeltaAssociates.com

Cyber Contacts

Website: <http://www.deltaassociates.com>
General eMailbox:
info@DeltaAssociates.com



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National Headquarters

1900 W. Loop South
Suite 1300
Houston, TX 77027
713.270.7700

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Alexander L. Paul	<i>Director of Research, Mid-Atlantic</i>
David Lennhoff, MAI	<i>President, Appraisal Services</i>
Dr. Stephen S. Fuller	<i>Of Counsel on the Economy</i>

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SUMMARY: NATIONAL ECONOMIC OUTLOOK FAVORABLE; NEW OFFICE MARKET EXPANSION CYCLE COMMENCES

The U.S. economy is entering the self-sustaining phase of the economic expansion cycle that will likely last well into this decade. Payroll jobs are finally rebounding and the unemployment rate has peaked and is now in decline. Capital spending is increasing and corporate profits are extremely robust.

Payroll employment gains remained subdued in the early part of the recovery cycle due to increases in **Productivity**. But as corporate profits grew and business spending began to rebound, payroll jobs began their cyclical increase, adding nearly 1.3 million jobs in the 1st half of the year.

While we remain concerned about geo-political turmoil, energy prices, rising interest rates and the Federal deficit, we believe the U.S. economy is in the early stages of a 5 to 6 year period of growth.

U.S. payroll jobs rose by 1.4 million over the 12 months ending June 2004. Job growth is finally rebounding, after sustaining major losses in 2002/03. And we expect national payroll job growth to remain at or above 150,000 per month through the balance of 2004.

Office Market Improving

Office market conditions are beginning to improve in most markets around the country. Some markets, such as Washington, Southern California and Phoenix, have been improving for the past year, due to stronger local economic conditions. Meanwhile, markets that were hit harder during the downturn – San Francisco, Silicon Valley, Boston, Denver, Austin – have reached the bottom and are beginning to turn around.

Net absorption of office space is rebounding in most markets, as corporate profits grow and payroll job growth resumes. In addition, much of the sublease space that was thrown on the market in 2001/02, has been leased or reverted to direct space.

The nation's overall vacancy rate (including sublease vacancy) for office space has declined to 14.2% at mid-year 2004, from 16.5% a year ago.

The freefall that office rents experienced from 2001 through 2003 has largely ended as of mid-year 2004, although concessions continue to impact the bottom line in many markets.

So when will rent growth resume? Rents are stabilizing nationwide at mid-year 2004 and will likely begin rising by 2005/06. Rent growth of approximately 3% to 4% per annum should be realized by 2006 to 2008 – staggered by metro market.

This expansion cycle will likely run through the latter part of this decade.

Is Demand for Office Space Under Pressure?

Some pundits say that technology, off-shoring and other factors will reduce or eliminate the need for office space in the period ahead. Our examination of this issue suggests otherwise. While we see office demand under pressure from these sources, we see continued need for office space. However, some metropolitan markets are more susceptible to pressures than others.

We think **Productivity Gains** are the only source with meaningful impact on the demand for office space. We believe sources of pressure could add up to a reduction of 10% to 20% in the demand for office space over levels of the last cycle – at the national level.

Where Are We in the Investment Cycle?

With the economic expansion back on track and demand for office space beginning to rebound, what does this mean for investing in U.S. property markets? In prior cycles it would be a no-brainer: Now is the time to invest. But this cycle is different, because we are entering a period of rising interest rates, not declining rates as in prior cycles. Yet we are doing so with the prospect of improvement in property performance after a 3-year slide in NOI for many assets. And we have just experienced a record volume of capital flow into properties, driving up prices and driving down cap rates and yields.

In a word, ***we believe now is the time to invest prudently in U.S. office assets that offer above average dividend yield. Yet, prospects for appreciation in the period ahead are limited,*** in our view; therefore current return is paramount. These assets should be in metro markets that possess above average insulation from negative pressure on demand for office space and above average prospects for high levels of job growth together with high barriers to entry. These latter factors will generate positive pressure on occupancy and rents. And ultimately, perhaps, on values and prices.

The largest office markets with the healthiest fundamentals and highest returns continue to attract the most capital. Northeast markets – New York, Boston, Washington – command the highest prices and the lowest cap rates. Meanwhile, Sunbelt city sale prices are at the low end of the spectrum, due to weak fundamentals and low barriers to entry.

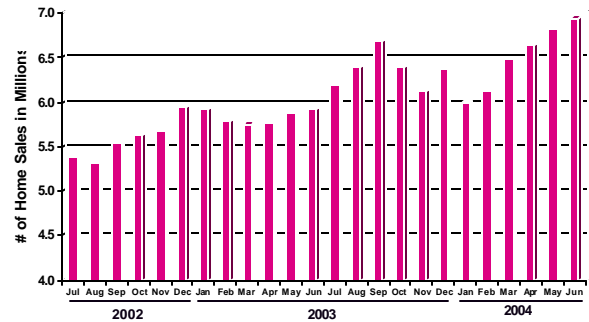
NATIONAL ECONOMIC OUTLOOK FAVORABLE; CYCLICAL EXPANSION MATURES

The U.S. economy is entering the self-sustaining phase of the economic expansion cycle that will likely last well into this decade.

The economy continues to grow at a robust rate and **Payroll Jobs** are finally rebounding, while the **Unemployment Rate** has peaked and is now in decline. **Gross Domestic Product** grew 3.0% in the 2nd quarter, with **Consumer Spending** remaining strong, while **Capital Spending** has rebounded and is spurring growth among businesses. In addition, **Manufacturing Activity** is up, the **Tech Sector** is strengthening, and **Corporate Profits** are extremely robust.



Existing Home Sales*

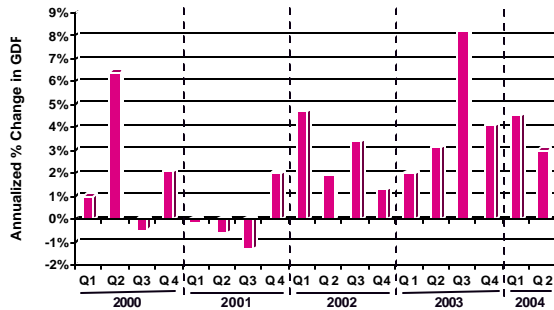


Source: National Association of Realtors; July 2004.

*Annualized



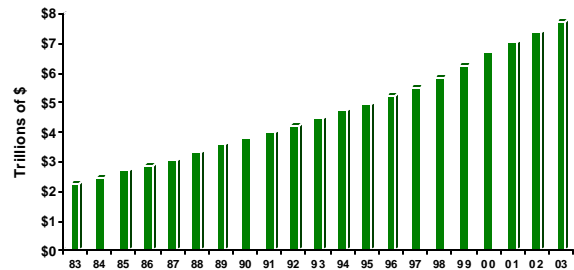
Annualized Change in Gross Domestic Product



Source: Bureau of Economic Analysis; July 2004.



U.S. Consumer Spending 1983-2003



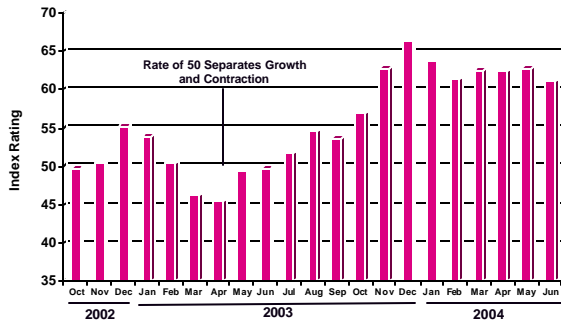
Source: Department of Commerce; July 2004.

Consumer Spending remains strong, and continues to rise year-over-year. High levels of home ownership and the equity therein continue to boost consumer spending. However, long-term interest rates are beginning to rise, and together with high energy prices, are taking a toll on consumer spending. But just as the housing market begins to moderate from its blistering pace, **business spending** is increasing and companies are beginning to hire again.

U.S. **manufacturing** activity has been expanding since the Spring of 2003. In addition, manufacturing employment appears to be stabilizing, after a 3-year decline. 75,000 manufacturing jobs were added from January through May 2004.



Purchasing Manager's Index



Source: Institute for Supply Management; July 2004.

Payroll Employment gains remained subdued in the early part of the recovery cycle due to increases in **Productivity**. But with sustained corporate profits and increased business spending, payroll jobs began their cyclical increase, adding nearly 1.3 million jobs in the 1st half of the year.

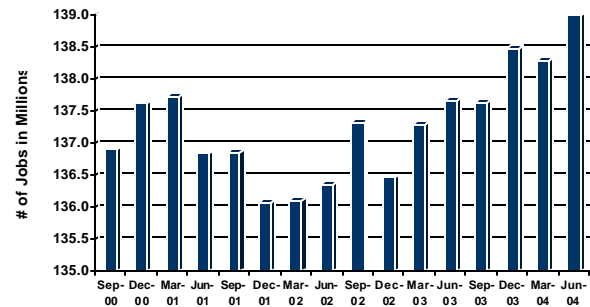
Increases in productivity allow companies to refrain from hiring in the early stages of the recovery; and they did in record numbers in this cycle. While gains in productivity increase **Corporate Profitability**, they allow companies to produce more with fewer employees. And companies are maximizing the benefits of technological improvements from the past decade. A one-percentage point gain in productivity can eliminate up to 1.3 million jobs, according to one study. This dwarfs the losses to off-shoring: Forrester Research Inc. estimates 300,000 jobs lost in the past 3 years to off-shoring.

Eventually, workers max out and companies resume hiring, as they strive to keep production levels up to meet demand. And this shift appears to have occurred in this cycle in the Spring of 2004.

Total Employment: While payroll employment was slow to bounce back, total employment is up by 2.7 million jobs over the past 2 years. Total employment includes contract workers, self-employed, and small businesses that do not get counted in the 'payroll' survey. This discrepancy explains why the U.S. has enjoyed such robust housing and retail markets while its payroll jobs were growing at such an anemic rate.



Total U.S. Jobs

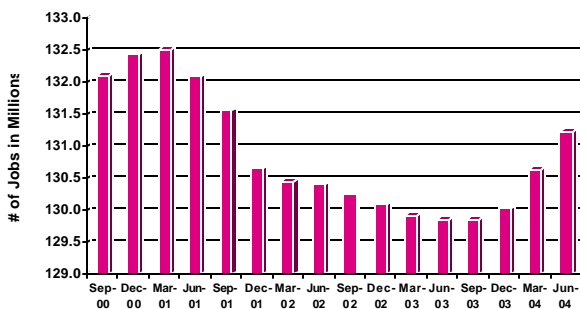


Source: Bureau of Labor Statistics, Delta Associates; July 2004.

The **Unemployment Rate** continues to decline. It is down to 5.5% as of July 2004, from a high of 6.3% in June 2003. And initial unemployment claims also continue to ease back.



U.S. Payroll Jobs



Source: Bureau of Labor Statistics; July 2004.



U.S. Unemployment Has Peaked



Source: BLS, Bureau of Economic Analysis; July 2004.

Economic Analysis and Outlook

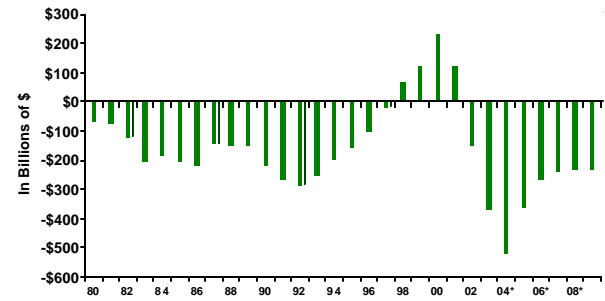
While we remain concerned about geopolitical turmoil, energy prices, rising interest rates, the Federal and trade deficits, we believe the U.S. economy is in the early stages of a 5 to 6 year period of growth.

Continued Strong Growth: 2004 should be characterized by 3.75% to 4.25% GDP growth rates, before easing back to a sustainable rate of 3% to 3.5% from 2005 to 2008. And these growth rates take into account the impact of oil at \$40 per barrel.

A Period of Transition: 2004–2005 will be characterized by a change in economic stimulus from fiscal and monetary stimuli to corporate profits and household income. From the consumer to the business sector. From retail spending to capital goods spending.

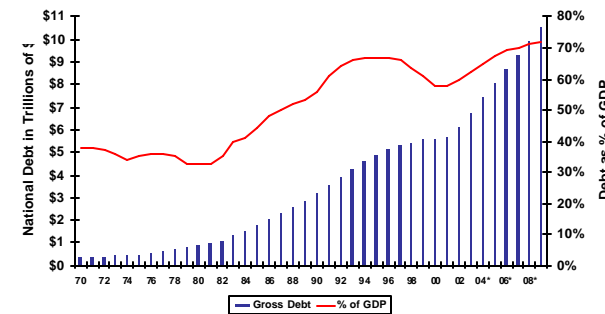
Inflation and Interest rates: A low level of inflation most likely means a low interest rate environment. We are mindful of the potential impact on this balance that the budget deficit and massive trade deficit can have. So this bears watching. On balance, we see inflation remaining below 2.5% in 2004 and at or below 3.5% in 2005. This suggests to us that interest rates will remain relatively low, by historic standards, although up from today's levels – mortgage rates perhaps rising 200 basis points by the end of 2005.

National Budget Deficit 1980 - 2009



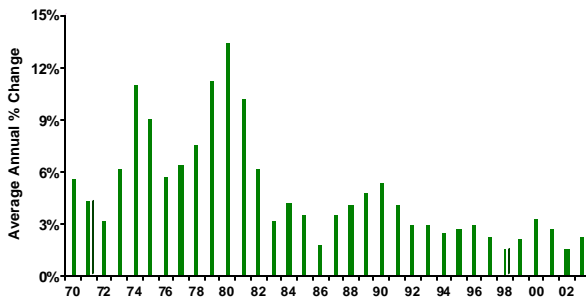
Source: White House Office of Management and Budget; July 2004. * Projected

U.S. National Debt 1970 - 2009



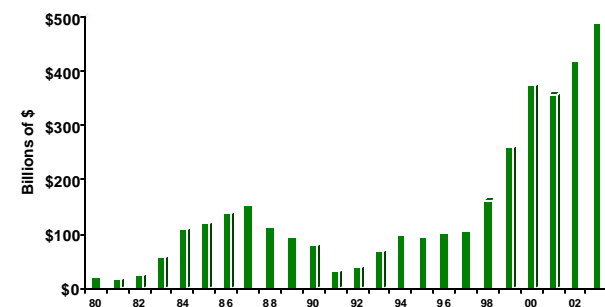
Source: White House Office of Management and Budget; July 2004. * Projected

U.S. Inflation 1970 - 2003



Source: Bureau of Labor Statistics; July 2004.

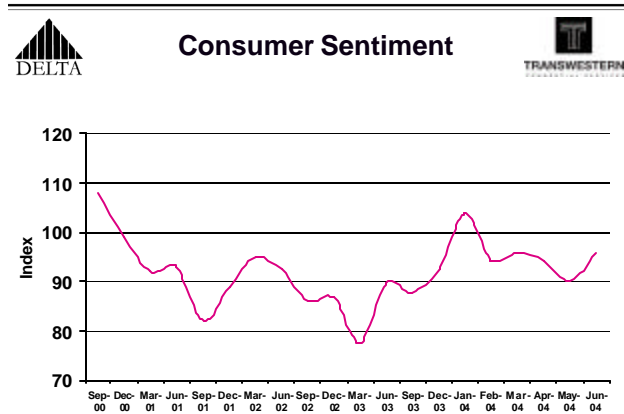
U.S. Trade Deficit 1980 - 2003



Source: U.S. Census Bureau, Foreign Trade Division; July 2004.

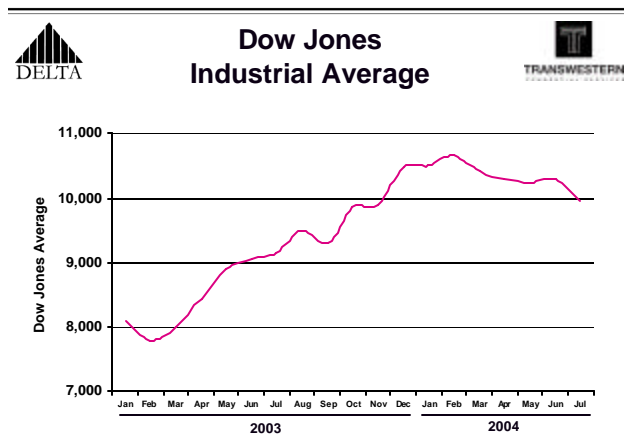
Oil Prices: If oil prices remain at the \$40/barrel level, it is estimated that approximately 0.5% will be sliced from our economic growth. However, prices will likely ease back between \$35 to \$40/barrel after Summer demand peaks – absent any production disruptions. Recent agreements with the Saudis bode well for stability in this price range.

Consumer Sentiment bounced back in June 2004, due to a brighter employment outlook, after sliding through the Spring.



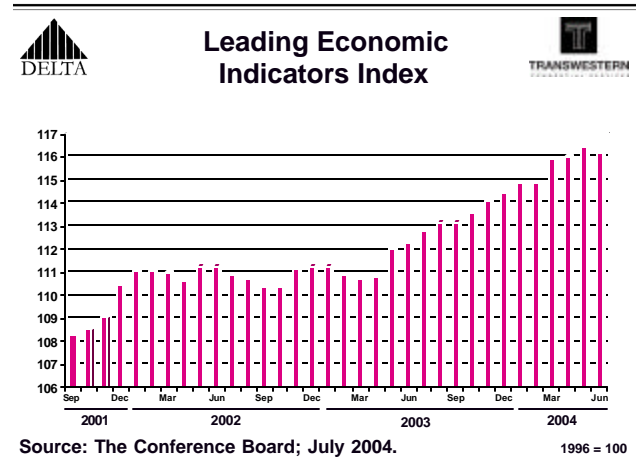
Source: University of Michigan; July 2004.

With negative news dominating in early 2004 and investors worried about rising interest rates, the stock market declined in the 1st half of 2004, after posting a strong rebound in 2003.



Source: Dow Jones; July 2004.

However, the **Leading Economic Indicators** remain very positive, suggesting economic growth will continue at a healthy clip into the near future.



Source: The Conference Board; July 2004.

1996 = 100

National Payroll Job Growth

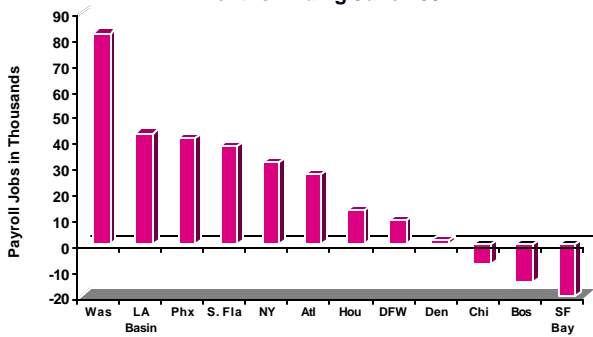
U.S. payroll jobs rose by 1.4 million over the 12 months ending June 2004. Job growth is finally rebounding, after sustaining major losses in 2002/03. And we expect national payroll job growth to remain at or above 150,000 per month through the balance of 2004.

	12-Month Job Change thru June	12-Month % Change thru June
2004	1,442,000	1.1%
2003	(547,000)	-0.4%
2002	(1,681,000)	-1.3%
2001	204,000	0.2%
2000	3,033,000	2.4%

Most major metro markets have resumed job creation, with Washington, Las Vegas, Southern California and Phoenix leading the nation.



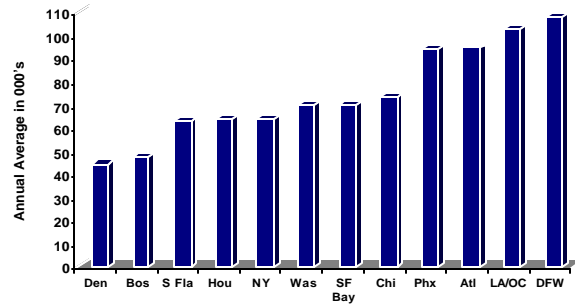
**Job Growth
Select Metro Areas
12 Months Ending June 2004**



Source: Bureau of Labor Statistics; July 2004.



**Projected Annual Job Growth
Select Metro Areas
2004 Through 2010**



Source: Delta Associates; July 2004.

In absolute numbers, Dallas, Southern California, Atlanta and Phoenix will likely lead the nation in job growth during the next expansion cycle.

12-MONTH PAYROLL EMPLOYMENT CHANGE THROUGH JUNE 2004

Metro Area	Job Change		Metro Area	Job Change	
	#	%		#	%
Washington, DC	82,000	2.9%	Philadelphia	11,900	0.5%
LA Basin			Baltimore	10,000	0.8%
Riverside/San Bernardino	21,100	1.9%	Dallas/Ft. Worth	9,400	0.3%
Los Angeles	17,700	0.4%	Nashville	8,800	1.3%
Orange County	4,200	0.3%	Salt Lake City	8,700	1.2%
Subtotal LA Basin	43,000	0.7%	Charlotte	6,400	0.8%
Phoenix	41,200	2.6%	San Antonio	5,500	0.8%
Las Vegas	38,800	4.8%	Austin	2,300	0.4%
South Florida			Denver	1,500	0.1%
Miami	12,000	1.2%	Portland	1,300	0.1%
Fort Lauderdale	14,800	2.1%	Sacramento	800	0.1%
West Palm Beach/Boca Raton	11,300	2.2%	Cleveland	300	0.0%
Subtotal South Florida	38,100	1.7%	Pittsburgh	200	0.0%
St. Louis	32,400	2.5%	Indianapolis	(1,500)	-0.2%
New York	31,800	0.8%	Kansas City	(1,700)	-0.2%
Atlanta	27,100	1.3%	Chicago	(7,400)	-0.2%
Minneapolis	24,500	1.4%	New Orleans	(10,300)	-1.7%
Seattle	22,500	1.7%	Boston	(14,600)	-0.7%
San Diego	19,300	1.5%	Bay Area		
Orlando	19,100	2.1%	Oakland	(1,900)	-0.2%
Tampa	17,600	1.4%	San Francisco	(5,900)	-0.6%
Jacksonville	13,600	2.4%	San Jose	(13,100)	-1.5%
Houston	13,600	0.6%	Subtotal Bay Area	(20,900)	-0.7%
Raleigh-Durham	12,700	1.9%	Detroit	(36,300)	-1.7%

Source: Bureau of Labor Statistics, Delta Associates; July 2004.

NATIONAL OFFICE MARKET: RECENT TRENDS AND FORECAST

The economy is growing steadily, corporate profits are strong and payroll job growth has resumed. As a result, office market conditions are beginning to improve in most markets around the country. Some markets, such as Washington, Southern California and Phoenix, have been improving for the past year, due to stronger local economic conditions. Meanwhile, markets that were hit harder during the downturn – San Francisco, Silicon Valley, Boston, Denver, Austin – have reached the bottom and are beginning to turn around.

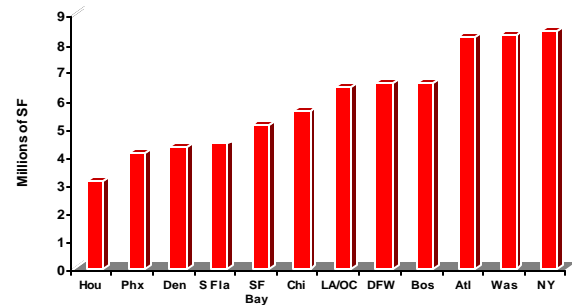
and a high proportion of office-using jobs. Annual average net office absorption will likely increase in most markets during the next expansion, due to an increase in the absolute number of new jobs being created. In spite of improved productivity and off-shoring of some service jobs, our surging population and the creation of new technologies will drive job growth higher, even while employment growth rates slow.

Office Space Net Absorption

Net absorption of office space is rebounding in most markets, as corporate profits grow and payroll job growth resumes. In addition, much of the sublease space that was thrown on the market in 2001/02, has been leased or reverted to direct space.

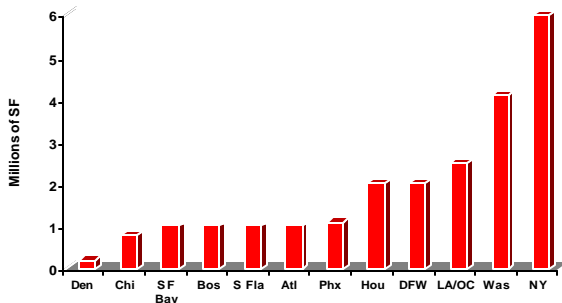
The **New York** area is finally rebounding after a very rough period from 2001 to 2003. Meanwhile, the **Washington** metro area has held up well throughout the downturn, due to the presence of the Federal Government and government contractors.

**Projected Net Absorption Per Annum
Select Metro Areas
2004 Through 2010**



Source: Delta Associates; July 2004.

**Net Absorption of Office Space
Select Metro Areas
1st Half 2004**



Source: Delta Associates; July 2004.

New York, Washington and Atlanta will likely lead the nation in office space absorption in the period 2004-2010, fueled by strong job growth

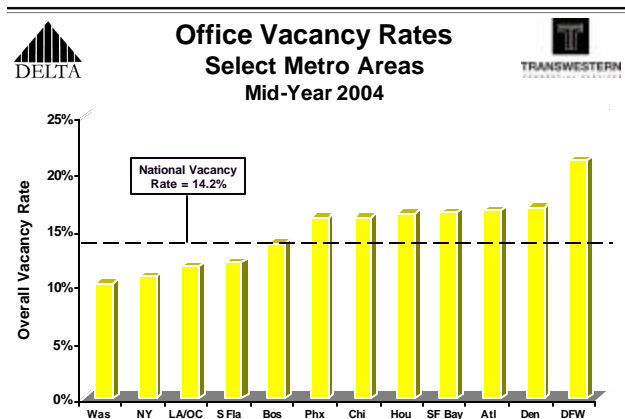
Market	Avg. Annual Net Absorption In Millions of SF	
	1990s Expansion	Projected 2004-2010
New York	9.8	8.4
Washington	7.0	8.3
Atlanta	6.9	8.2
Boston	7.1	6.6
Dallas/Ft. Worth	5.7	6.6
Chicago	5.6	5.6
San Francisco Bay	5.3	5.1
South Florida	4.0	4.4
Denver	3.7	4.3
Phoenix	3.1	4.1
Los Angeles	3.8	3.6
Houston	2.7	3.1
Austin	2.3	3.1
Orange County	2.4	2.8
Total	69.4	74.2

Source: Delta Associates; July 2004.

Office Vacancy Rates

The nation's overall vacancy rate (including sublease vacancy) for office space declined to 14.2% at mid-year 2004, from 16.5% a year ago.

Larger and more mature markets – those with high barriers to entry – generally maintain the lowest vacancy rates, while those with lower barriers to entry – generally the Sunbelt cities – are at the upper end of the spectrum.



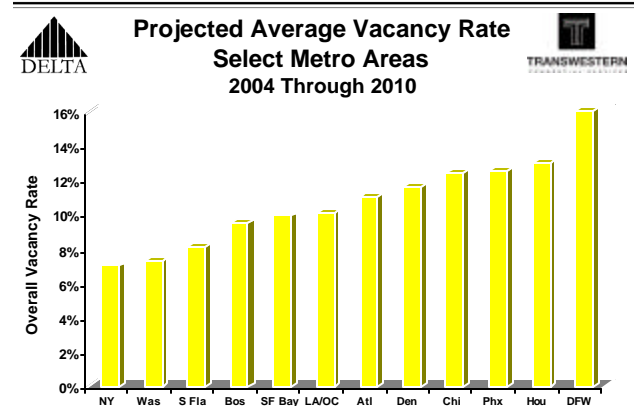
Source: CoStar, Delta Associates; July 2004.

Average vacancy rates have trended lower over the past two decades, as markets have matured, and the cycle ahead will likely be no exception. Current vacancy rates, though elevated, are lower in most markets compared to the level of the early 1990s. Unless new development in these markets returns to 1980s-like levels, then the average vacancy rate in these markets through 2010 will be lower than it was in the 1990s.

New York, Washington and South Florida will likely maintain the lowest average vacancy rates during the next expansion – below 9%. While this rate is very low, these markets are coming out of the current downturn with very low vacancy rates, compared to the previous cycle:

	<u>1992</u>	<u>2003</u>
• New York	17.2%	11.2%
• Washington	15.6%	11.2%
• S. Florida	18.7%	12.3%

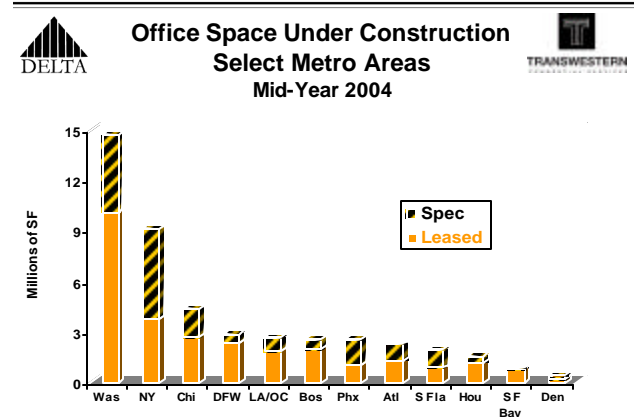
At the other end of the spectrum, Dallas will likely maintain an elevated vacancy rate, although well below its average of the prior cycle.



Source: Delta Associates; July 2004.

Office Development

Levels of new office construction remain modest in most markets, except for Washington. However, much of the new supply in the Washington metro is for the Federal Government and is pre-leased. Nationally, 55% of the office space under construction is pre-leased.

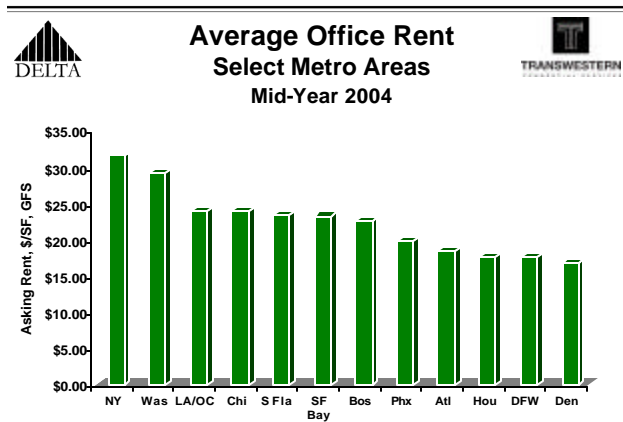


Source: CoStar, Delta Associates; July 2004.

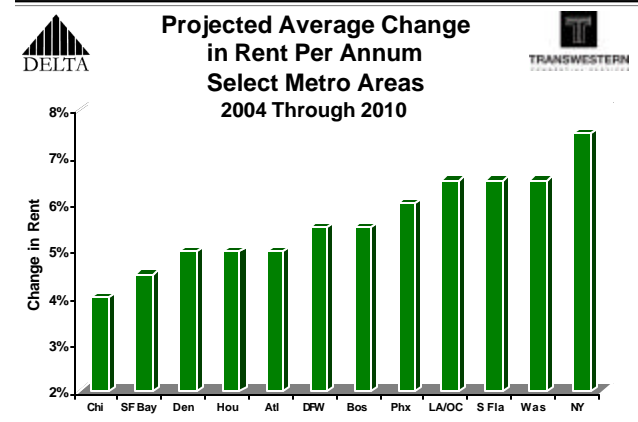
Office Rents

The free-fall that office rents experienced from 2001 through 2003 has largely ended as of mid-year 2004, although concessions continue to impact the bottom line in many markets. So, with rents stabilizing around the country, when will rents begin rising again?

New York, Washington, Southern California and South Florida will likely experience the greatest rent growth during the 2004-2010 expansion cycle. In addition to low vacancy and substantial economic growth, the average vacancy rate in these markets during the expansion will likely be well below their equilibrium vacancy rates.



Source: CoStar; July 2004.



Source: Delta Associates; July 2004.

Rents are stabilizing nationwide at mid-year 2004 and will likely begin rising by 2005/06. Rent growth of approximately 3% to 4% per annum should be realized by 2006 to 2008 – staggered by metro market.

The equilibrium vacancy rate is an historic benchmark in a given market – an inflection point. When the vacancy rate rises above this point, rents decline. When the vacancy rate dips below this point, rents rise. The equilibrium vacancy rate is derived by studying historic trends and varies from market to market.

2006

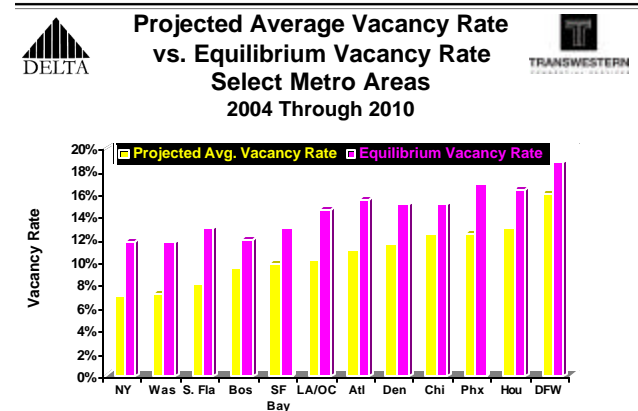
- Washington
- LA/Orange County
- South Florida
- Phoenix

2007

- Atlanta
- Dallas/Ft. Worth
- Boston
- New York
- Houston
- San Francisco Bay

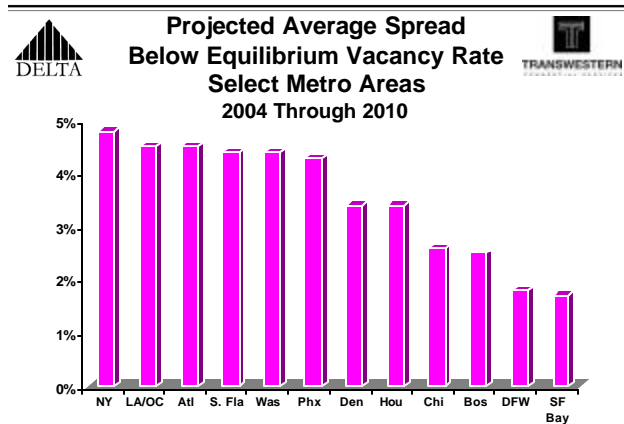
2008

- Denver
- Chicago



Source: Delta Associates, REIS; July 2004.

The equilibrium vacancy rate is significantly higher in the Sunbelt Cities, such as Atlanta, Dallas/Ft. Worth and Phoenix, where overbuilding is the norm and market psychology accepts a higher threshold of vacancy. It is lower in more mature markets, such as New York, Washington and San Francisco, where the barriers to entry are greater and new construction is limited.



Source: Delta Associates; July 2004.

The ability of developers to build new supply at a rapid rate can constrain rent growth in a market. For instance, Atlanta, which likely will have a relatively high spread below its equilibrium vacancy rate, will likely experience less rent pressure than Boston, which will likely have a lower spread. This is due to greater barriers to entry in Boston, such as tougher zoning and permitting procedures and higher land costs.

Office Market Outlook

The next expansion cycle of the office market has begun, powered by steady economic growth, corporate profits and the elimination of excess capacity over the past several years. As businesses re-invest in technology, plants and equipment, economic growth is becoming self-sustaining. As a result, companies will continue to add employees and demand for office space will increase gradually.

We expect absorption of office space to increase to very healthy levels over the next several years, as the economic expansion matures and sublease and shadow space burn off. Vacancy rates will decline steadily and rents will likely begin rising by 2005/06 – modestly initially, before gaining momentum in the latter part of the expansion.

This expansion cycle will likely run through the latter part of this decade – barring any external shocks.

IS DEMAND FOR OFFICE SPACE UNDER PRESSURE?

Some pundits say that technology, offshoring and other factors will reduce or eliminate the need for office space in the period ahead. Our examination of this issue suggests otherwise. While we see office demand under pressure from these sources, we see continued need for office space. However, some metropolitan markets are more susceptible to pressures than others. So good underwriting of metro economies is encouraged to be sure investments are well placed.

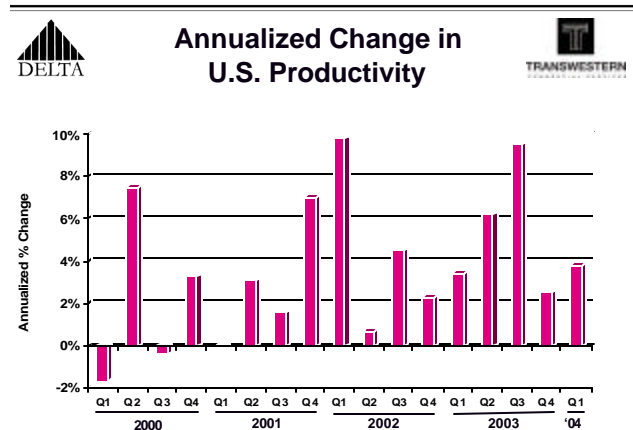
As renewed economic growth builds, a number of issues beg the question, "Is the demand for office space under pressure?" Will a variety of sources eliminate the need for office space, as some pundits fear?

The sources of this pressure:

- **Productivity Gains:** We need fewer workers to produce the same level of work.
- **Offshoring:** Some work is being done overseas.
- **Hoteling:** We need fewer work-stations to accommodate the same number of employees.
- **Telecommuting:** Some work is being done at home rather than in the office.
- **Shadow Space:** Excess space to take up the slack when demand returns.

We think the only *source* with meaningful impact is Productivity Gains. But let's look at each.

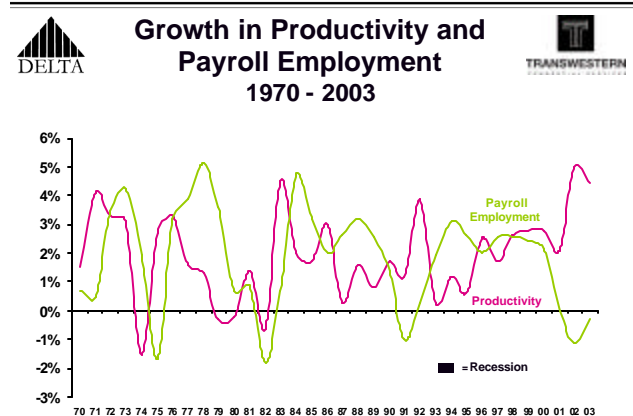
Productivity Gains. Productivity – a measurement of the amount of work one employee can do in a given time period – has spiked following the 2001 recession. This is a typical pattern, as large companies cut staff and refrain from hiring coming out of a recession until corporate profits rebound. As a result, the remaining employees are left to pick up the slack.



Source: Bureau of Labor Statistics; July 2004.

Productivity growth reached a 20-year high over the past two years. These gains in productivity explain how the growth in U.S. GDP could reach 9.5% annualized growth in the 3rd quarter of 2003 without significant job growth.

The long-term steady growth in productivity enables firms to produce more goods and services with the same or fewer employees because each worker is doing more, aided by on-going investment in technology. One example is General Motors, which set record revenues (\$187 billion in 2003) with less than half its record level of employees (400,000 U.S. employees in 1979, only 115,000 today).



Source: BLS; July 2004.

This phenomenon is not merely occurring in the U.S. And not just in manufacturing. It is having a global impact. While the U.S. manufacturing job base has shrunk by 4.7 million workers since its peak in 1979, 22 million manufacturing jobs have disappeared worldwide.

This rise in productivity *could* mean bad news for office absorption. If a firm can accomplish the same amount of work with fewer employees, and its employees that occupy office space, why take as much space? Of course, this reduction in demand is no sure thing. It is quite possible that firms with more productive employees will re-invest those efficiency gains, creating new products or services that in turn create a demand for more employees and more office space. This is a likely long-term consequence of increased worker productivity.

But this productivity trend – and its impact on demand for office space – bears watching as it has and will continue to have an impact on the demand for office space.

Offshoring. Offshoring – or Business Process Outsourcing (BPO) – is a hot topic today. And it is clear that some U.S. jobs have been moving overseas. But what kind of jobs? And how will that variably affect the economy and office market of the metropolitan areas in which the fund wishes to invest?

A recent high-profile example of offshoring is IBM's decision to move nearly 5,000 positions to India and China. Lower wages and a well-educated workforce are a powerful combination for attracting American jobs, especially in computer programming and other technological fields. Workers in India, Australia, Ireland and elsewhere also speak English, and are well-equipped to handle call center or customer service positions.

Several studies have estimated that 3 million or so U.S. service jobs may move overseas over the next 10 years. The ultimate impact on the U.S. office and back-office space market could be the potential loss of 600 million SF of office and flex space. These studies are done in a vacuum, however, without studying the simultaneous effect of backfill employment that

is generated by an enhanced standard of living. Or the transfer of jobs to the U.S. from these and other nations. The impact of offshoring on some office markets, such as Washington and Southern California, is likely to be minimal, as the core industries of these markets are rather insulated from this trend. On the other hand, Tampa, Phoenix, Nashville, and Tucson, have core industries that are quite susceptible to job losses to offshoring – call centers, service centers, lower level programming, and the like.

Washington and Southern California, on the other hand are unlikely to lose large numbers of workers to overseas call centers, because they do not have those jobs to begin with. And the programming jobs in these regions are, in many cases, the result of Federal contracts with security requirements that prevent the work from being done overseas. In addition, many fields in which these two regions are strong – health care, education, government – require on-site work and cannot be sent abroad.

In addition, some major U.S. firms – notably Dell Computer – have decided to move jobs back to the U.S., to provide better customer service or for other strategic or political purposes.

While offshoring bears watching, we believe it is more of a political and union issue than economic reality.

Hoteling and Telecommuting. Hoteling (the sharing of a work station among workers) and telecommuting (working part or full time from home or a satellite office) have been in the popular business lexicon for nearly a decade. But their impact on the office market to this point have been slight. While at one time grand visions of a fully work-at-home workforce were posited, that theory has since been discarded as unrealistic – and undesirable. Humans are social creatures; we enjoy and need to interact in the workplace. The work product is improved by regular interaction, discussion, and face-to-face brainstorming.

Hoteling simply did not catch on.

Telecommuting has come to mean many people now work in two places – at home *and* at the office.

So much for a reduction in the need for office space from these two sources!

Shadow Space. Much discussed during the last year is the potential impact of “shadow space” on future office demand. Shadow space refers to space that is leased but not being used – excess workstations or offices. A smart business manager keeps some excess space available – elbow room, as it were. UBS estimates the smart level of shadow space at about 5% of space occupied. The U.S. average in 2003: 10%. At this level, nationally, there appears to be 1 to 2 years of growth capacity built into existing leased space. In other words, tenants can sit in existing space for 1 to 2 years longer than normal and accommodate growth in this cycle.

As employment growth is already well underway in this cycle in a number of markets, we believe that shadow space is not a significant threat to net absorption in many metro office markets, including Washington, LA, NY and South Florida.

On the other hand, shadow space is more of an issue in San Francisco, Dallas, Houston, and Denver, where vacancy is higher and some tenants were under more severe economic conditions than elsewhere.

In summary, we find some pundits that predict these sources of pressure on office space will conspire to eliminate the need for any more office space. Their arguments reminds us of those in the late 1980s who said we would have paperless offices once computers were introduced!

We believe these sources of pressure could add up to a reduction of 10% to 20% in the demand for office space over levels of the last cycle – at the national level. There will be less of a reduction in markets where employment is concentrated in industries less susceptible to offshoring – government, defense, security, financial, legal. Washington, New York and Southern California for example, will experience much less impact from the offshoring trend.

OFFICE INVESTMENT TRENDS: WHERE ARE WE IN THE CYCLE?

With the economic expansion back on track and demand for office space beginning to rebound, what does this mean for investing in U.S. property markets? In prior cycles it would be a no-brainer: Now is the time to invest. But this cycle is different, because we are entering a period of rising interest rates, not declining rates as in prior cycles. Yet we are doing so with the prospect of improvement in property performance after a 3-year slide in NOI for many assets. And we have just experienced a record volume of capital flow into properties, driving up prices and driving down cap rates and yields.

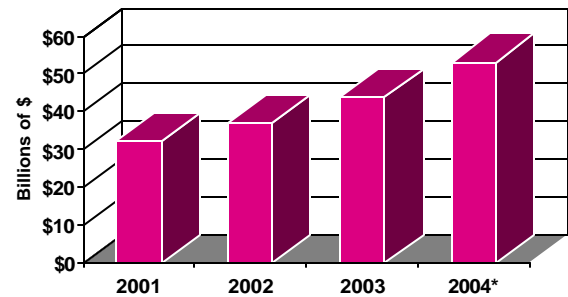
Where are we in the investment cycle? What are the implications? Is this a good time to invest? If so, under what conditions? Where?

In a word, we believe now is the time to invest prudently in U.S. office assets that offer above average dividend yield. Yet, prospects for appreciation in the period ahead are limited, in our view; therefore current return is paramount. These assets should be in metro markets that possess above average insulation from negative pressure on demand for office space (see preceding section) and above average prospects for high levels of job growth with high barriers to entry. These latter factors will generate positive pressure on occupancy and rents. And ultimately, perhaps, on values and prices.

Background: Investment sales volume of commercial real estate has continued to swell in 2004, after a robust showing in 2002/03. Office building transaction volume is on pace to surpass last year's volume by 20%. ¹t half 2004 office sales volume totals \$26.2 billion. Several factors have contributed to this continuing trend:

- Low interest rates
- Re-allocation of funds from equities to real estate
- Recognition of real estate's positive performance throughout the downturn

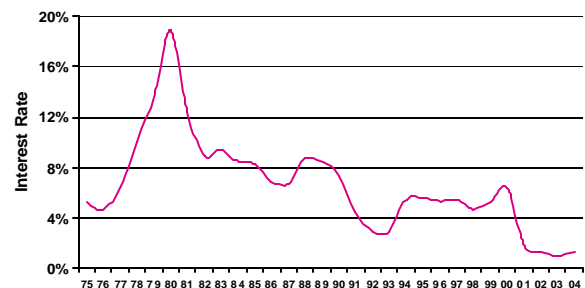
National Investment Sales of Office Buildings 2001 Through Mid-Year 2004



Source: Real Capital Analytics, Delta Associates; July 2004. *1st Half 2004 data annualized

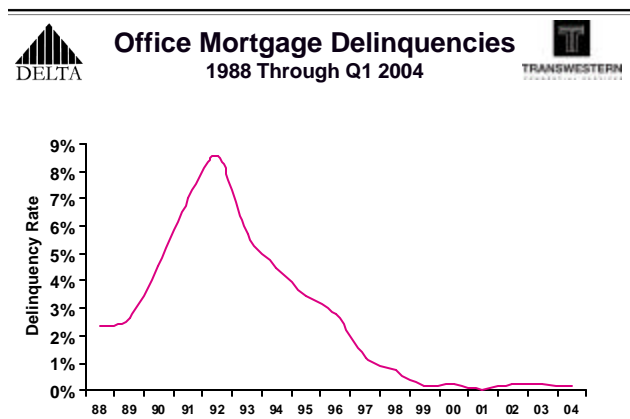
Interest Rates: The **Federal Funds rate** sank to a 46-year low in 2003 and remains suppressed in 2004. However, the Fed nudged the rate up a quarter point at its last session and will likely step it up gradually over the next two years to ward off inflation. Meanwhile, investors are scrambling to lock in low rates to leverage capital as much as possible. Recognition of a rise in mortgage rates since March has stimulated markets nationwide and sales volumes remain at high levels as investors wish to get in on buys before the door closes on this cycle. We expect this condition to remain through the end of 2004.

Federal Funds Rate



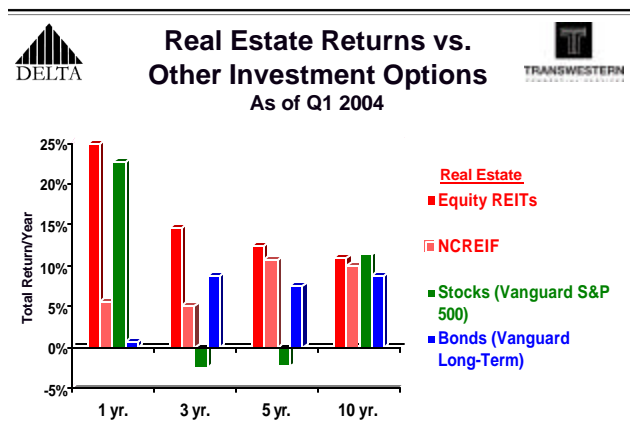
Source: Federal Reserve Board; July 2004.

These historically low interest rates have kept **delinquencies and foreclosures** very low so far in this cycle compared to last, when they soared.



Source: ACLI, PPR, Delta Associates; July 2004.

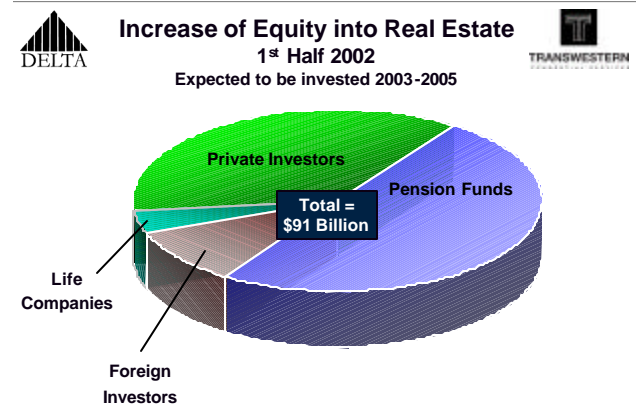
Availability of Capital: To understand the **reallocation** of investment dollars away from equities to real estate, we need to look back over the past four years. Simply put, stocks were in a tail-spin in 2001; they suffered three consecutive years of decline from 2000 through 2002. Meanwhile, real estate returns held up throughout the downturn.



Source: NAREIT, NCREIF, Vanguard, Delta Associates; July 2004.

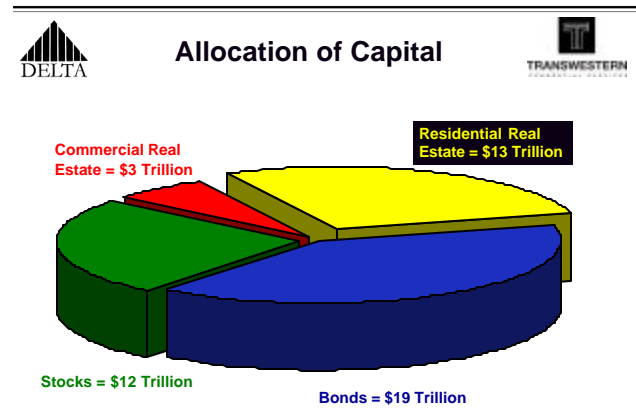
As a result, investors, led by the institutions, reallocated investment funds away from equities to real estate: to the tune of \$91 billion in just the 1st half of 2002. This money was to be invested over several years, and that is part of the deluge of funds we have seen placed in 2003/04. And much of this capital is yet to be placed even as of mid-year 2004. And when

wedded with **cheap debt**, it is a powerful force that has affected pricing by driving down **cap rates**.



Source: PPR, Delta Associates; July 2004.

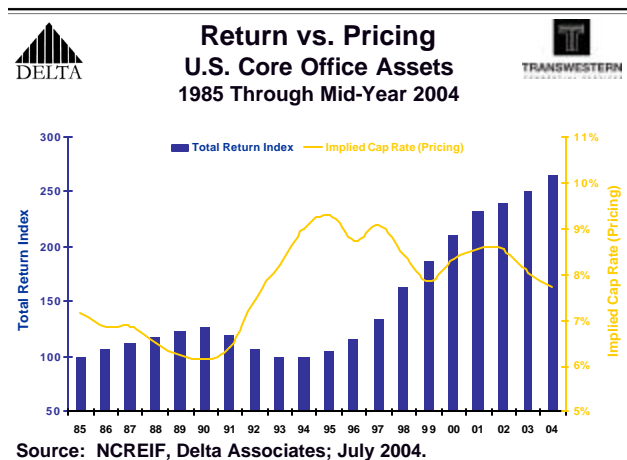
In spite of this reallocation, commercial real estate assets still represent just 6% of invested capital, at \$3 trillion. Other asset classes dwarf the U.S. commercial property market, so it does not take a lot of reallocation to affect the commercial property market.



Source: Delta Associates; July 2004.

As interest rates plummeted in 2001-03, cap rates began a steady descent to sub-8% levels in 2003/04 for core assets. With interest rates so low, investors are experiencing positive **leverage** even for performance-challenged assets. In the period 1982-92, investors experienced negative leverage, due to relatively high interest rates, and that contributed to the commercial real estate bust in the early 1990s.

Returns on U.S. Class A office assets have held up so far in this cycle, as opposed to the last one, as a result of declining cap rates and long-term leases with elevated rents from the late 1990s.



Because of the recent run up in prices, due in part to a drop in cap rates, we believe that most price appreciation in the period ahead will come from asset performance improvement and not cap rate or interest rate movements. Generally speaking, we are in a period when current yield is king.

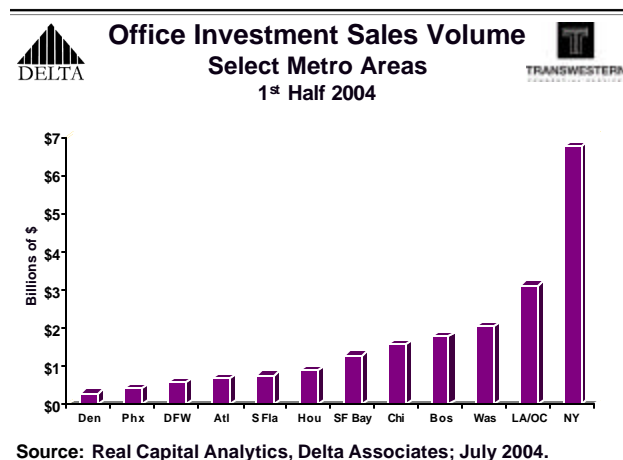
When returns are viewed over the past 10 years, returns in the San Francisco Bay Area will likely take years to recover, due to the inflated prices paid for assets from 1999 through 2001 and the degree to which rents plummeted over the past few years. However, the Bay Area is showing a positive return when looking at just the past 12 months. Other markets will likely experience modest improvement in the period ahead, as market conditions strengthen. But returns in New York, Washington, Southern California, South Florida and Phoenix will likely hold steady at above-average levels. Asset prices have continued to escalate in these markets over the past three years, but rising interest rates may suppress continued price escalation.

NCREIF Return Index ¹ Office Properties	
Metro Area	12-Month Total Return at Mid-Year 2004 ¹
Washington	12.48%
New York	11.93%
Southern California	10.08%
South Florida	9.94%
Phoenix	8.24%
National Average	7.58%
Boston	7.32%
Dallas	5.03%
Atlanta	4.46%
Chicago	4.02%
San Francisco Bay	3.08%
Houston	1.82%

¹ NCREIF compiles return based on its members' \$53.0 billion office portfolios. The index includes both current income and capital appreciation returns.

Source: NCREIF, Delta Associates; July 2004.

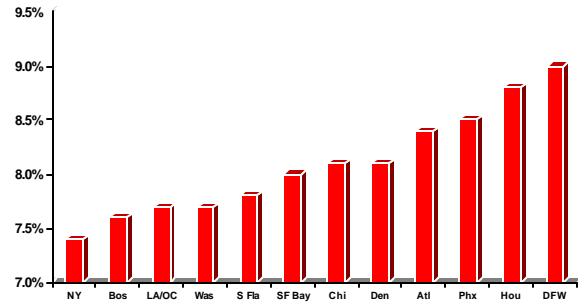
There are no surprises among the most popular markets for office investing. The largest office markets with the healthiest fundamentals and highest returns continue to attract the most capital.



Northeast markets – New York, Boston, Washington – command the highest prices and the lowest cap rates. While Boston currently has weak market conditions and returns, sale prices are still high due to its high barriers to entry and high replacement costs. Meanwhile, Sunbelt city sale prices are at the low end of the spectrum, due to weak fundamentals and low barriers to entry.



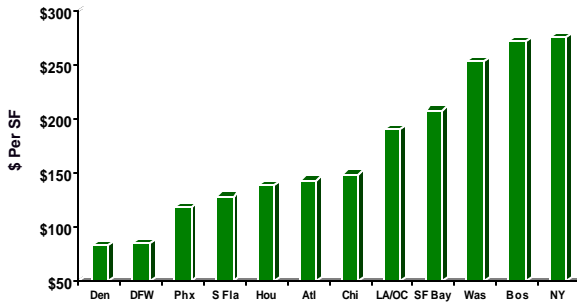
**Average Office Cap Rates
Select Metro Areas
1st Half 2004**



Source: Real Capital Analytics, Delta Associates; July 2004.



**Average Office Sales Prices
Select Metro Areas
1st Half 2004**



Source: Real Capital Analytics, Delta Associates; July 2004.

Appendix 1
Summary Tables

PROJECTED AVERAGE ANNUAL JOB GROWTH AND NET ABSORPTION
SELECTED METRO AREAS
2004 THROUGH 2010

Market	June 2004 Employment Base	Projected Job Growth Per Annum	Projected Growth Rate Per Annum	Projected Net Absorption Per Annum	Projected Net Absorption Per New Job
				(Square Feet)	
Atlanta	2,180,300	94,700	3.9%	8,200,000	87
Austin	655,000	41,400	5.3%	3,100,000	74
Boston	1,940,000	47,600	2.3%	6,600,000	139
Chicago	4,121,200	73,100	1.7%	5,600,000	76
Dallas/Ft. Worth	2,695,600	107,700	3.6%	6,600,000	61
Denver	1,155,800	44,500	3.5%	4,300,000	96
Houston	2,115,000	63,800	2.8%	3,100,000	48
Los Angeles	4,017,200	58,600	1.4%	3,600,000	61
New York	4,135,400	64,100	1.5%	8,400,000	131
Orange County	1,437,100	44,600	2.9%	2,800,000	63
Phoenix	1,640,600	94,000	5.0%	4,100,000	44
San Francisco Bay Area	2,831,200	69,800	2.3%	5,100,000	73
South Florida	2,279,800	63,200	2.6%	4,400,000	69
Washington	2,921,000	69,600	2.3%	8,300,000	119

Source: BLS, Delta Associates; August 2004.

PROJECTED AVERAGE VACANCY RATE
SELECTED METRO AREAS
2004 THROUGH 2010

Market	Projected Average Vacancy Rate	Equilibrium Vacancy Rate	Spread
New York	7.0%	11.8%	4.8%
Washington	7.3%	11.7%	4.4%
South Florida	8.1%	12.5%	4.4%
Boston	9.5%	12.0%	2.5%
San Francisco Bay Area	9.9%	11.6%	1.7%
Orange County	9.9%	15.9%	6.0%
Los Angeles	10.2%	14.2%	4.0%
Austin	10.5%	14.7%	4.2%
Atlanta	11.0%	15.5%	4.5%
Denver	11.6%	15.0%	3.4%
Chicago	12.4%	15.0%	2.6%
Phoenix	12.5%	16.8%	4.3%
Houston	13.0%	16.4%	3.4%
Dallas/Ft. Worth	16.0%	17.8%	1.8%

Source: Delta Associates, REIS; August 2004.

PROJECTED AVERAGE CHANGE IN RENT PER ANNUM
SELECTED METRO AREAS
2004 THROUGH 2010

Market	Average Annual Change in Rent 1990's Expansion	Projected Average Annual Change in Rent 2004-2010
New York	6.3%	7.5%
Orange County	3.6%	7.0%
Washington	4.8%	6.5%
South Florida	3.8%	6.5%
Los Angeles	2.4%	6.0%
Phoenix	6.4%	6.0%
Boston	8.4%	5.5%
Dallas/Ft. Worth	4.9%	5.5%
Atlanta	4.1%	5.0%
Houston	3.9%	5.0%
Austin	8.6%	5.0%
Denver	7.9%	5.0%
San Francisco Bay Area	11.6%	4.5%
Chicago	3.9%	4.0%

Source: Delta Associates; August 2004.

Appendix 2

Metro Area Reviews: Core Industries And Office Market Conditions at Mid-Year 2004

ATLANTA METRO



Core Industries Atlanta MSA 2003



<u>Core Industries</u>	<u>\$(Bil)</u>	<u>% GAP</u>
Tech/Telecom	\$22	12%
Distribution	\$18	10%
Business Services	\$9	5%
Transportation	\$9	5%
Conventions/Hospitality	<u>\$9</u>	<u>5%</u>
Total Core Industries:	\$67	37%
Other	<u>\$115</u>	<u>63%</u>
Total GAP:	\$182	100%

Source: Delta Associates; August 2004.

GAP = Gross Area Product

Job Growth: 27,100 over the 12 months ending June 2004. The Atlanta metro will likely add more than 90,000 jobs per annum in this expansion cycle.

Local Economy: As the Tech sector revives and the Telecom industry stabilizes, this population magnet will take off. Atlanta's Professional and Business Services sector will thrive and Distribution Services will boom this cycle, as population growth swells.

Scale of Office Market: 200 million SF.

Absorption of Office Space: 1.0 million SF in the 1st half of 2004. Likely to absorb 8 million SF per annum in this expansion cycle.

Vacancy Rate: 16.7% at mid-year 2004. Likely to average 11% this expansion cycle.

Space Under Construction: 2.3 million SF at mid-year 2004; 56% pre-leased.

Rents: Declined approximately 1% in the 1st half of 2004. Likely to increase an average of 5% per annum this expansion cycle.

AUSTIN METRO



Core Industries Austin MSA 2002



<u>Core Industries</u>	<u>\$ (Bil)</u>	<u>% GRP*</u>
High-Tech	\$8.3	15%
Government	\$6.6	12%
Music/Entertainment	\$3.3	6%
Tourism/Hospitality	<u>\$2.8</u>	<u>5%</u>
Total Core Industries	\$21.0	38%
Other	<u>\$34.0</u>	<u>62%</u>
Total GAP:	\$55.0	100%

Source: Delta Associates; August 2004.

GAP = Gross Area Product

Job Growth: 2,300 over the 12 months ending June 2004. The Austin metro will likely add 40,000 jobs per annum in this expansion cycle.

Local Economy: A high quality of living will continue to attract people to central Texas. As population surges and the Tech sector turns around, Austin's economy will experience steady growth. The music and entertainment industry will continue to thrive.

Scale of Office Market: 53 million SF.

Absorption of Office Space: 500,000 SF in the 1st half of 2004. Likely to absorb 3 million SF per annum in this expansion cycle.

Vacancy Rate: 17.1% at mid-year 2004. Likely to average 10% to 11% this expansion cycle.

Space Under Construction: 578,000 SF at mid-year 2004; 73% pre-leased.

Rents: Declined approximately 1% in the 1st half of 2004. Likely to increase an average of 5% per annum this expansion cycle.

BOSTON METRO



Core Industries Boston MSA 2003



<u>Core Industries</u>	<u>\$(Bil)</u>	<u>% GAP</u>
Technology	\$34	12%
Finance/Insurance	\$34	12%
Trade/Distribution	\$20	7%
Biotech/Medical	\$14	5%
Higher Education	\$14	5%
Tourism/Hospitality	\$11	4%
Total Core Industries:	\$127	45%
Other	<u>\$153</u>	<u>55%</u>
Total GAP:	\$280	100%

Source: Delta Associates; August 2004.

GAP = Gross Area Product

Job Growth: Lost 14,600 over the 12 months ending June 2004. The Boston metro will likely add close to 50,000 jobs per annum in this expansion cycle.

Local Economy: Consolidation in the Finance sector has hurt Boston, in addition to taking it on the chin during the Tech collapse. But as the Finance industry stabilizes and the Tech sector strengthens, Boston will experience significant improvement.

Scale of Office Market: 257 million SF.

Absorption of Office Space: 1.0 million SF in the 1st half of 2004. Likely to absorb 6.6 million SF per annum in this expansion cycle.

Vacancy Rate: 13.8% at mid-year 2004. Likely to average 9% to 10% during this expansion cycle.

Space Under Construction: 2.6 million SF at mid-year 2004; 76% pre-leased.

Rents: Declined 1% in the 1st half of 2004. Likely to increase an average of 5% per annum in this expansion cycle.

CHICAGO METRO



Core Industries Metro Chicago 2003



<u>Core Industries</u>	<u>\$(Bil)</u>	<u>% GAP</u>
Manufacturing	\$43	12%
Distribution/Trade	\$39	11%
Finance/Insurance	\$36	10%
Hospitality/Conventions	\$25	7%
Tech/Telecom	\$14	4%
Transportation	\$14	4%
Total Core Industries:	\$171	48%
Other	\$185	52%
Total GAP:	\$356	100%

Source: U.S. Conference of Mayors; Delta Associates; August 2004.

GAP = Gross Area Product

Job Growth: Lost 7,400 jobs over the 12 months ending June 2004. The Chicago metro will likely add more than 70,000 jobs per annum in this expansion cycle.

Local Economy: Steady growth is resuming in Chicago, as the Manufacturing sector stabilizes and Distribution Services ramp up. Increased business spending will also help Chicago's economy revive, particularly as business travel picks up.

Scale of Office Market: 300 million SF.

Absorption of Office Space: 821,000 SF in the 1st half of 2004. Likely to absorb 5.5 million SF per annum in this expansion cycle.

Vacancy Rate: 16.1% at mid-year 2004. Likely to average 12% to 13% in this expansion cycle.

Space Under Construction: 4.4 million SF at mid-year 2004; 62% pre-leased.

Rents: Declined 1% in the 1st half of 2004. Likely to increase an average of 4% per annum in this expansion cycle.

DALLAS/FT. WORTH



Core Industries Dallas/Fort Worth 2003



<u>Core Industries</u>	<u>\$(Bil)</u>	<u>% GAP</u>
Finance/Ins/Real Estate	\$41	17%
Manufacturing	\$34	14%
Distribution	\$29	12%
Tech/Telecom	\$19	8%
Transportation	\$14	6%
Hospitality/Conventions	\$7	3%
Energy	<u>\$5</u>	<u>2%</u>
Total Core Industries:	\$149	62%
Other	\$91	38%
Total GAP:	\$240	100%

Source: The Perryman Group, Delta Associates; August 2004.

GAP = Gross Area Product

Job Growth: 9,400 over the 12 months ending June 2004. Dallas/Ft. Worth will likely add more than 100,000 jobs per annum in this expansion cycle.

Local Economy: Dallas/Ft. Worth's economy is turning around, due to strength in its Finance sector and as the Manufacturing sector stabilizes. Booming population growth will drive Distribution Services in this expansion, while the rebounding Tech and Telecom industry will spur D/FW's economy to greater growth.

Scale of Office Market: 243 million SF.

Absorption of Office Space: 2.0 million SF in the 1st half of 2004. Likely to absorb 6.5 million SF per annum in this expansion cycle.

Vacancy Rate: 21.1% at mid-year 2004. Likely to average 16% to 17% in this expansion cycle.

Space Under Construction: 2.9 million SF at mid-year 2004; 84% pre-leased.

Rents: Declined 0.5% in the 1st half of 2004. Likely to increase an average of 5% to 6% per annum in this expansion cycle.

DENVER METRO



Core Industries Denver Metro 2003



<u>Core Industries</u>	<u>\$ (Bil)</u>	<u>% GAP</u>
Tech/Telecom	\$13	14%
Government	\$11	12%
Distribution/Transportation	\$ 9	10%
Financial Services	\$ 6	6%
Tourism/Hospitality	\$ 4	4%
Total Core Industries:	\$43	47%
Other	\$49	53%
Total GAP:	\$92	100%

GAP = Gross Area Product

Source: U.S. Conference of Mayors, Bureau of Economic Analysis, Delta Associates; August 2004.

Job Growth: 1,500 jobs over the 12 months ending June 2004. The Denver metro will likely add more than 40,000 jobs per annum in this expansion cycle.

Local Economy: The Telecom industry has been a major drag on Denver's economy, so as it stabilizes and the Tech sector strengthens, Denver's economy is turning around. A strengthening Distribution Services sector is also boosting the local economy.

Scale of Office Market: 128 million SF.

Absorption of Office Space: 181,000 SF in the 1st half of 2004. Likely to absorb 4.3 million SF per annum in this expansion cycle.

Vacancy Rate: 17.0% at mid-year 2004. Likely to average 11% to 12% in this expansion cycle.

Space Under Construction: 440,000 SF at mid-year 2004; 42% pre-leased.

Rents: Declined 0.5% in the 1st half of 2004. Likely to increase 5% per annum in this expansion cycle.

HOUSTON METRO



Core Industries Houston MSA 2003



<u>Core Industries</u>	<u>\$(Bil)</u>	<u>% GAP</u>
Energy	\$94	48%
Manufacturing	\$25	13%
International Trade	\$18	9%
Medical	\$10	5%
NASA	\$8	4%
Technology	\$6	3%
Total Core Industries:	\$161	82%
Other	<u>\$35</u>	<u>18%</u>
Total GAP:	\$196	100%

Source: The Perryman Group, Delta Associates; August 2004.

GAP = Gross Area Product

Job Growth: 13,600 over the 12 months ending June 2004. The Houston metro will likely add more than 60,000 jobs per annum in this expansion cycle.

Local Economy: Houston's economy is gaining strength, as heavy demand for Energy boosts this sector, while Manufacturing and Trade activity increase. In addition, the Medical industry is growing rapidly in Houston.

Scale of Office Market: 208 million SF.

Absorption of Office Space: 2.0 million SF in the 1st half of 2004. Likely to absorb 3.1 million SF per annum in this expansion cycle.

Vacancy Rate: 16.4% at mid-year 2004. Likely to average 13% in this expansion cycle.

Space Under Construction: 1.6 million SF at mid-year 2004; 73% pre-leased.

Rents: Declined 1.0% in the 1st half of 2004. Likely to increase an average of 5% per annum in this expansion cycle.

LOS ANGELES METRO



Core Industries

LA Basin

2003



<u>Core Industries</u>	<u>\$ (Bi)</u>	<u>% GRP*</u>
Manufacturing	\$97	14%
International Trade	\$62	9%
Technology	\$48	7%
Entertainment	\$42	6%
Tourism/Hospitality	\$35	5%
Defense/Aerospace	<u>\$21</u>	<u>3%</u>
Total Core Industries	\$305	44%
Total GRP*	\$692	100%

Source: U.S. Conference of Mayors, Delta Associates; August 2004.

*Gross Regional Product

Job Growth: 17,700 over the 12 months ending June 2004. Los Angeles will likely add nearly 60,000 jobs per annum in this expansion cycle.

Local Economy: Southern California's economy is beginning to hit on all cylinders, as the Manufacturing and Tech sectors strengthen, while Trade activity continues to boom. In addition, Tourism is rebounding and the Defense/Aerospace industry is growing again, due to today's war environment.

Scale of Office Market: 326 million SF.

Absorption of Office Space: 1.9 million SF in the 1st half of 2004. Likely to absorb 3.6 million SF per annum in this expansion cycle.

Vacancy Rate: 11.8% at mid-year 2004. Likely to average 10% to 11% in this expansion cycle.

Space Under Construction: 2.4 million SF at mid-year 2004; 26% pre-leased.

Rents: Stable in the 1st half of 2004. Likely to increase an average of 6% to 7% per annum in this expansion cycle.

NEW YORK METRO



Core Industries New York MSA 2003



<u>Core Industries</u>	<u>\$(Bil)</u>	<u>% GAP</u>
Finance/Ins/Real Estate	\$88	17%
Tourism/Hospitality	\$52	10%
Media/Advertising	\$36	7%
Trade/Distribution	\$26	5%
International Business	\$26	5%
Technology	\$26	5%
Total Core Industries:	\$254	49%
Other	<u>\$262</u>	<u>51%</u>
Total GAP:	\$516	100%

Source: Delta Associates; August 2004.

GAP = Gross Area Product

Job Growth: 31,800 over the 12 months ending June 2004. The New York metro will likely add more than 60,000 jobs per annum in this expansion cycle.

Local Economy: With the rebound in equities in 2003, Wall Street began to stabilize after two years of massive job cuts. Now, steady growth in the Financial arena, along with a rebound in Tourism and the Advertising sector, will propel New York's economy forward.

Scale of Office Market: 900 million SF.

Absorption of Office Space: 6.0 million SF in the 1st half of 2004. Likely to absorb 8.4 million SF per annum in this expansion cycle.

Vacancy Rate: 10.9% at mid-year 2004. Likely to average 7% in this expansion cycle.

Space Under Construction: 9.1 million SF at mid-year 2004; 42% pre-leased.

Rents: Up 1% in the 1st half of 2004. Likely to increase an average of 7% to 8% per annum in this expansion cycle.

ORANGE COUNTY METRO



Core Industries

LA Basin

2003



<u>Core Industries</u>	<u>\$ (Bil)</u>	<u>% GRP*</u>
Manufacturing	\$97	14%
International Trade	\$62	9%
Technology	\$48	7%
Entertainment	\$42	6%
Tourism/Hospitality	\$35	5%
Defense/Aerospace	<u>\$21</u>	<u>3%</u>
Total Core Industries	\$305	44%
Total GRP*	\$692	100%

Source: U.S. Conference of Mayors, Delta Associates; August 2004.

*Gross Regional Product

Job Growth: 4,200 over the 12 months ending June 2004. Orange County will likely add 44,000 jobs per annum in this expansion cycle.

Local Economy: Southern California's economy is beginning to hit on all cylinders, as the Manufacturing and Tech sectors strengthen, while Trade activity continues to boom. In addition, Tourism is rebounding and the Defense/Aerospace industry is growing again, due to today's war environment.

Scale of Office Market: 110 million SF.

Absorption of Office Space: 602,000 SF in the 1st half of 2004. Likely to absorb 2.8 million SF per annum in this expansion cycle.

Vacancy Rate: 11.5% at mid-year 2004. Likely to average 9% to 10% in this expansion cycle.

Space Under Construction: 342,000 SF at mid-year 2004; 58% pre-leased.

Rents: Stable in the 1st half of 2004. Likely to increase an average of 6% to 7% per annum in this expansion cycle.

PHOENIX METRO



Core Industries Greater Phoenix 2003



<u>Core Industries</u>	<u>\$(Bil)</u>	<u>% GAP</u>
Tourism/Travel	\$21	17%
Tech/Tech Mftg/Telecom	\$10	8%
Retirement	\$9	7%
Distribution/Trade	\$9	7%
Aerospace/Defense	\$8	6%
Financial/Bus. Services	\$6	5%
Total Core Industries:	\$63	50%
Other	\$62	50%
Total GAP:	\$125	100%

Source: Elliot D. Pollack & Co., Delta Associates; August 2004.

GAP = Gross Area Product

Job Growth: 2nd in nation, at 41,200, over the 12 months ending June 2004. The Phoenix metro will likely add more than 90,000 jobs per annum in this expansion cycle.

Local Economy: Phoenix's economy is rolling, as population growth continues to surge in the Valley and the Tourism sector rebounds. Renewed strength in the Tech sector is also driving the local economy.

Scale of Office Market: 89 million SF.

Absorption of Office Space: 1.1 million SF in the 1st half of 2004. Likely to absorb 4.1 million SF per annum in this expansion cycle.

Vacancy Rate: 16.1% at mid-year 2004. Likely to average 12% to 13% in this expansion cycle.

Space Under Construction: 2.6 million SF at mid-year 2004; 43% pre-leased.

Rents: Declined 0.5% in the 1st half of 2004. Likely to increase an average of 7% per annum in this expansion cycle.

SAN FRANCISCO BAY AREA



Core Industries San Francisco Bay Area 2003



<u>Core Industries</u>	<u>\$ (Bi)</u>	<u>% GRP*</u>
High-Tech ^{1/}	\$67	18%
Trade	\$33	9%
Tourism/Hospitality	\$26	7%
Financial Services	<u>\$15</u>	<u>4%</u>
Total Core Industries	\$138	38%
Total GRP*	\$370	100%

^{1/} Includes Professional Services and Electronics Manufacturing

Source: Delta Associates; August 2004.

*Gross Regional Product

Job Growth: Lost 20,900 jobs over the 12 months ending June 2004. The San Francisco Bay area will likely add nearly 70,000 jobs per annum in this expansion cycle.

Local Economy: The Bay Area's rebound from the Tech industry and dot.com collapse has begun – notwithstanding offshoring of numerous manufacturing and software support jobs. Renewed strength in the Tech sector and strong Trade activity are driving the recovery.

Scale of Office Market: 289 million SF.

Absorption of Office Space: 1.0 million SF in the 1st half of 2004. Likely to absorb 5.1 million SF per annum in this expansion cycle.

Vacancy Rate: 16.5% at mid-year 2004. Likely to average 10% in this expansion cycle.

Space Under Construction: 900,000 SF at mid-year 2004; 93% pre-leased.

Rents: Declined 2% in the 1st half of 2004. Likely to increase 4% to 5% per annum in this expansion cycle.

SOUTH FLORIDA



Core Industries South Florida 2003



<u>Core Industries</u>	<u>\$(Bil)</u>	<u>% GAP</u>
International Business	\$17	10%
Trade/Distribution	\$17	10%
Tourism/Hospitality	\$13	8%
Manufacturing	\$ 8	5%
Retirement	\$ 8	5%
Tech/Telecom	\$ 8	3%
Total Core Industries:	\$ 63	38%
Other	<u>\$103</u>	<u>62%</u>
Total GAP:	\$166	100%

Source: U.S. Conference of Mayors, Delta Associates; August 2004.

GAP = Gross Area Product

Job Growth: 38,100 over the 12 months ending June 2004. South Florida will likely add more than 60,000 jobs per annum in this expansion cycle.

Local Economy: Miami's position as the hub for Latin American businesses in the U.S. is fueling growth, while Trade activity remains strong. In addition, the rebound in Tourism and the constant influx of retirees is boosting growth.

Scale of Office Market: 150 million SF.

Absorption of Office Space: 1.0 million SF in the 1st half of 2004. Likely to absorb 4.4 million SF per annum in this expansion cycle.

Vacancy Rate: 12.1% at mid-year 2004. Likely to average 8% to 9% in this expansion cycle.

Space Under Construction: 2.0 million SF at mid-year 2004; 45% pre-leased.

Rents: Up 1% in the 1st half of 2004. Likely to increase an average of 6% to 7% per annum in this expansion cycle.

WASHINGTON METRO



Core Industries Washington MSA 2003



<u>Core Industries</u>	<u>\$(Bil)</u>	<u>% GAP</u>
Federal Government	\$85	32%
Technology	\$42	16%
Building Industry	\$20	8%
International Business	\$16	6%
Tourism/Hospitality	<u>\$7</u>	<u>3%</u>
Total Core Industries:	\$170	64%
Other	<u>\$95</u>	<u>36%</u>
Total GAP:	\$265	100%

Source: Dr. Stephen Fuller, Delta Associates; August 2004.

GAP = Gross Area Product

Job Growth: Leading the nation, at 82,000 over the 12 months ending June 2004. The Washington metro will likely add nearly 70,000 jobs per annum in this expansion cycle.

Local Economy: Growth of the Federal Government, particularly in the Department of Homeland Security, and related contractors is driving a heated expansion in the Washington area. A rebound in the Tech sector and in Tourism is also helping fuel growth here.

Scale of Office Market: 337 million SF.

Absorption of Office Space: 4.1 million SF in the 1st half of 2004; leading the nation. Likely to absorb 8.3 million SF per annum in this expansion cycle.

Vacancy Rate: 10.2% at mid-year 2004; lowest in the nation. Likely to average 7% to 8% in this expansion cycle.

Space Under Construction: 14.6 million SF at mid-year 2004, at 69% pre-leased.

Rents: Relatively stable in the 1st half of 2004. Likely to increase 6% to 7% per annum in this expansion cycle.

Appendix 3

Metro Area Employment and Office Market Data: 1980 – 2010

EMPLOYMENT AND OFFICE MARKET DATA
ATLANTA METRO
1980 THROUGH 2010

Year	Avg. Annual Job Growth	% Change	Office Space Net Absorption	Overall Vacancy Rate	Change in Rent
1980	29,200	3.0%	3,600,000	3.9%	12.2%
1981	27,200	2.7%	2,814,000	6.7%	8.1%
1982	12,700	1.2%	2,454,000	15.4%	5.0%
1983	51,300	4.9%	5,605,000	14.3%	3.7%
1984	97,500	8.9%	6,910,000	14.4%	3.5%
1985	68,700	5.8%	8,629,000	19.2%	1.0%
1986	61,600	4.9%	6,445,000	19.6%	2.8%
1987	52,900	4.0%	10,987,000	20.1%	4.6%
1988	88,200	6.4%	8,653,000	18.0%	1.2%
1989	31,500	2.2%	7,394,000	18.2%	1.3%
1990	32,400	2.2%	4,952,000	18.0%	-1.6%
1991	(22,100)	-1.4%	5,690,000	17.7%	-4.0%
1992	43,100	2.9%	4,698,000	17.3%	-2.2%
1993	85,600	5.5%	5,896,000	13.6%	2.1%
1994	97,600	6.0%	5,275,000	10.6%	2.2%
1995	84,100	4.9%	4,498,000	8.1%	3.4%
1996	86,100	4.7%	3,170,000	7.5%	5.0%
1997	55,900	2.9%	7,565,000	7.2%	3.5%
1998	83,700	4.3%	6,533,000	8.8%	3.6%
1999	83,500	4.1%	12,202,000	7.9%	5.7%
2000	55,900	2.6%	10,157,000	7.4%	7.5%
2001	9,800	0.4%	(7,139,000)	14.5%	-5.0%
2002	(23,500)	-1.1%	(3,269,000)	16.7%	-5.6%
2003	(9,900)	-0.5%	1,658,000	17.0%	-2.0%
Avg. Annual 1983-1989	64,529	5.3%	7,803,286	17.7%	2.6%
Avg. Annual 1993-2000	79,050	4.4%	6,912,000	8.9%	4.1%
Projected Avg. Annual 2004-2010	94,700	3.9%	8,238,900	11.0%	5.0%

SF of net absorption per new job 1983-1989: 121

SF of net absorption per new job 1993-2000: 87

SF of net absorption per new job 2004-2010: 87

Source: BLS, REIS, Delta Associates; August 2004.

EMPLOYMENT AND OFFICE MARKET DATA

AUSTIN METRO

1980 THROUGH 2010

Year	Avg. Annual Job Growth	% Change	Office Space Net Absorption	Overall Vacancy Rate	Change in Rent
1980	13,200	5.7%	240,000	4.5%	8.0%
1981	15,600	6.4%	1,483,000	8.5%	5.5%
1982	10,800	4.2%	1,019,000	9.0%	4.5%
1983	21,100	7.8%	2,016,000	9.6%	4.1%
1984	37,100	12.7%	3,565,000	10.1%	3.0%
1985	29,100	8.9%	4,679,000	16.5%	0.6%
1986	2,600	0.7%	819,000	28.3%	-7.0%
1987	(7,100)	-2.0%	572,000	33.8%	-15.5%
1988	13,700	3.9%	1,498,000	29.6%	-5.6%
1989	7,800	2.1%	1,969,000	24.4%	-3.5%
1990	16,100	4.3%	1,871,000	18.9%	0.4%
1991	12,200	3.1%	1,190,000	15.4%	3.6%
1992	21,400	5.3%	1,173,000	11.9%	5.6%
1993	29,400	6.9%	975,000	9.3%	5.7%
1994	30,800	6.8%	924,000	8.2%	5.0%
1995	32,100	6.6%	717,000	6.9%	5.3%
1996	24,400	4.7%	1,438,000	5.2%	8.3%
1997	25,400	4.7%	1,375,000	3.6%	7.7%
1998	34,400	6.1%	3,238,000	3.0%	9.2%
1999	34,700	5.8%	6,150,000	1.5%	10.7%
2000	37,300	5.9%	3,517,000	0.8%	16.6%
2001	1,300	0.2%	(2,223,000)	12.7%	-5.0%
2002	(13,800)	-2.0%	(1,449,000)	20.1%	-12.0%
2003	(6,100)	-0.9%	250,000	18.2%	-4.0%
Avg. Annual 1983-1989	14,900	4.9%	2,159,714	21.8%	-3.4%
Avg. Annual 1993-2000	31,063	5.9%	2,291,750	4.8%	8.6%
Projected Avg. Annual 2004-2010	41,400	5.3%	3,063,600	10.5%	5.0%

SF of net absorption per new job 1983-1989: 145

SF of net absorption per new job 1993-2000: 74

SF of net absorption per new job 2004-2010: 74

Source: BLS, REIS, Delta Associates; August 2004.

EMPLOYMENT AND OFFICE MARKET DATA
BOSTON METRO
1980 THROUGH 2010

Year	Avg. Annual Job Growth	% Change	Office Space Net Absorption	Overall Vacancy Rate	Change in Rent
1980	30,600	2.1%	5,071,000	2.7%	15.0%
1981	7,000	0.5%	4,167,000	5.9%	9.2%
1982	(4,000)	-0.3%	(343,000)	10.0%	1.6%
1983	48,200	3.3%	6,854,000	7.4%	4.0%
1984	82,700	5.4%	11,158,000	9.0%	7.0%
1985	34,400	2.1%	8,108,000	10.6%	0.3%
1986	32,700	2.0%	10,680,000	7.4%	2.2%
1987	42,000	2.5%	10,446,000	7.8%	3.2%
1988	34,000	2.0%	7,048,000	10.4%	3.1%
1989	141,100	8.1%	3,268,000	12.1%	1.5%
1990	(67,600)	-3.6%	2,283,000	15.6%	-5.2%
1991	(105,600)	-5.8%	1,601,000	15.8%	-6.9%
1992	(13,000)	-0.8%	3,216,000	14.2%	-4.4%
1993	21,100	1.2%	6,498,000	12.0%	1.6%
1994	49,900	2.9%	7,368,000	8.3%	3.3%
1995	43,400	2.4%	4,394,000	6.0%	5.3%
1996	40,200	2.2%	4,664,000	3.3%	6.4%
1997	44,900	2.4%	5,384,000	1.7%	7.0%
1998	41,200	2.2%	6,400,000	1.9%	8.5%
1999	36,600	1.9%	12,678,000	1.3%	15.0%
2000	57,100	2.9%	9,464,000	1.4%	20.0%
2001	(500)	0.0%	(6,715,000)	10.6%	-6.1%
2002	(60,500)	-3.0%	(6,058,000)	14.0%	-15.8%
2003	(49,300)	-2.5%	1,021,000	14.5%	-5.0%
Avg. Annual 1983-1989	59,300	3.6%	8,223,143	9.2%	3.0%
Avg. Annual 1993-2000	41,800	2.3%	7,106,250	4.5%	8.4%
Projected Avg. Annual 2004-2010	47,600	2.3%	6,616,400	9.5%	5.5%

SF of net absorption per new job 1983-1989: 139
SF of net absorption per new job 1993-2000: 170
SF of net absorption per new job 2004-2010: 139

Source: BLS, REIS, Delta Associates; August 2004.

EMPLOYMENT AND OFFICE MARKET DATA
CHICAGO METRO
1980 THROUGH 2010

Year	Avg. Annual Job Growth	% Change	Office Space Net Absorption	Overall Vacancy Rate	Change in Rent
1980	6,500	0.2%	6,483,000	8.8%	5.9%
1981	(41,900)	-1.3%	4,309,000	10.6%	3.5%
1982	(98,100)	-3.1%	3,617,000	11.4%	2.0%
1983	(11,600)	-0.4%	5,550,000	13.0%	3.0%
1984	165,800	5.4%	5,180,000	14.0%	1.6%
1985	135,000	4.2%	5,478,000	16.2%	3.5%
1986	26,800	0.8%	6,186,000	18.7%	1.9%
1987	85,900	2.5%	12,792,000	16.1%	4.0%
1988	94,600	2.7%	8,120,000	13.9%	3.0%
1989	94,100	2.6%	6,907,000	14.7%	2.4%
1990	38,000	1.0%	3,353,000	16.9%	1.7%
1991	(58,300)	-1.6%	1,125,000	18.5%	-2.9%
1992	(2,100)	-0.1%	(24,000)	19.8%	-2.3%
1993	76,300	2.1%	2,502,000	19.2%	-0.5%
1994	85,300	2.3%	7,189,000	16.8%	2.0%
1995	98,300	2.6%	6,265,000	15.0%	5.0%
1996	61,300	1.6%	5,133,000	13.4%	6.0%
1997	68,600	1.7%	5,642,000	11.7%	6.0%
1998	86,500	2.1%	3,473,000	10.7%	6.0%
1999	51,300	1.2%	4,277,000	11.0%	3.5%
2000	60,000	1.4%	10,283,000	9.5%	3.1%
2001	(20,500)	-0.5%	(3,988,000)	15.3%	-3.0%
2002	(86,300)	-2.0%	715,000	16.1%	-4.8%
2003	(43,500)	-1.1%	(1,470,000)	16.6%	-3.0%
Avg. Annual 1984-1990	91,457	2.8%	6,859,429	15.8%	2.6%
Avg. Annual 1993-2000	73,450	1.9%	5,595,500	13.4%	3.9%
Projected Avg. Annual 2004-2010	73,100	1.7%	5,555,600	12.4%	4.0%

SF of net absorption per new job 1983-1989: 75

SF of net absorption per new job 1993-2000: 76

SF of net absorption per new job 2004-2010: 76

Source: BLS, REIS, Delta Associates; August 2004.

EMPLOYMENT AND OFFICE MARKET DATA
DALLAS/FT. WORTH METRO
1980 THROUGH 2010

Year	Avg. Annual Job Growth	% Change	Office Space Net Absorption	Overall Vacancy Rate	Change in Rent
1980	76,400	5.6%	4,960,000	11.4%	11.1%
1981	70,200	4.9%	6,832,000	10.7%	11.4%
1982	27,200	1.8%	4,307,000	21.2%	5.9%
1983	57,600	3.8%	5,396,000	28.6%	3.1%
1984	148,800	9.4%	9,519,000	24.7%	4.3%
1985	102,500	6.0%	6,118,000	29.5%	2.5%
1986	29,400	1.6%	4,673,000	33.0%	-3.2%
1987	100	0.0%	3,573,000	32.1%	-6.0%
1988	30,500	1.7%	2,007,000	31.2%	-10.2%
1989	39,500	2.1%	4,323,000	27.8%	-3.2%
1990	58,800	3.0%	1,299,000	27.1%	1.1%
1991	500	0.0%	1,097,000	27.7%	-2.6%
1992	8,900	0.4%	(1,085,000)	28.0%	-4.3%
1993	60,700	3.0%	813,000	26.6%	-1.5%
1994	80,200	3.8%	4,047,000	22.9%	2.1%
1995	86,500	4.0%	3,985,000	19.5%	5.9%
1996	91,400	4.1%	2,822,000	19.5%	5.8%
1997	122,000	5.2%	6,998,000	17.0%	5.7%
1998	115,700	4.7%	9,980,000	14.9%	7.0%
1999	95,300	3.7%	10,094,000	15.5%	9.0%
2000	100,500	3.8%	6,953,000	14.4%	5.5%
2001	8,200	0.3%	144,000	18.4%	-0.5%
2002	(69,100)	-2.5%	(2,202,000)	21.2%	-3.0%
2003	(37,100)	-1.4%	(2,363,000)	21.7%	-3.0%
Avg. Annual 1983-1989	58,343	3.5%	5,087,000	29.6%	-1.8%
Avg. Annual 1993-2000	94,038	4.0%	5,711,500	18.8%	4.9%
Projected Avg. Annual 2004-2010	107,500	3.6%	6,557,500	16.0%	5.5%

SF of net absorption per new job 1983-1989: 87

SF of net absorption per new job 1993-2000: 61

SF of net absorption per new job 2004-2010: 61

Source: BLS, REIS, Delta Associates; August 2004.

EMPLOYMENT AND OFFICE MARKET DATA
DENVER METRO
1980 THROUGH 2010

Year	Avg. Annual Job Growth	% Change	Office Space Net Absorption	Overall Vacancy Rate	Change in Rent
1980	22,000	2.8%	4,650,000	8.1%	15.4%
1981	30,400	3.8%	5,752,000	8.1%	14.3%
1982	18,500	2.2%	5,282,000	8.5%	8.0%
1983	11,900	1.4%	5,094,000	9.5%	7.4%
1984	41,500	5.4%	6,746,000	12.6%	5.6%
1985	12,800	1.6%	3,832,000	14.1%	4.1%
1986	(12,800)	-1.6%	1,123,000	15.7%	-7.0%
1987	(4,900)	-0.6%	(431,000)	18.4%	-7.0%
1988	4,700	0.6%	(186,000)	18.5%	-10.0%
1989	18,100	2.2%	1,324,000	17.3%	-3.0%
1990	18,100	2.2%	3,654,000	15.0%	2.0%
1991	10,400	1.2%	1,019,000	15.5%	1.0%
1992	21,700	2.5%	1,344,000	14.6%	2.0%
1993	33,300	3.8%	3,255,000	10.8%	6.0%
1994	36,700	4.1%	3,750,000	7.8%	7.0%
1995	37,700	4.0%	2,398,000	7.6%	9.0%
1996	31,400	3.2%	3,134,000	6.6%	12.0%
1997	44,000	4.3%	2,385,000	7.6%	10.0%
1998	40,400	3.8%	3,219,000	9.3%	5.0%
1999	40,900	3.7%	4,958,000	9.6%	7.0%
2000	43,300	3.8%	6,444,000	9.2%	7.0%
2001	(1,700)	-0.1%	3,508,000	13.9%	-6.0%
2002	(33,400)	-2.8%	(2,196,000)	17.4%	-10.0%
2003	(28,700)	-2.2%	327,000	16.7%	-4.0%
Avg. Annual 1980-1985	22,850	2.9%	5,226,000	10.2%	9.1%
Avg. Annual 1993-2000	38,463	3.8%	3,692,875	8.6%	7.9%
Projected Avg. Annual 2004-2010	44,500	3.5%	4,272,000	11.6%	5.0%

SF of net absorption per new job 1983-1989: 229

SF of net absorption per new job 1993-2000: 96

SF of net absorption per new job 2004-2010: 96

Source: BLS, REIS, Delta Associates; August 2004.

EMPLOYMENT AND OFFICE MARKET DATA
HOUSTON METRO
1980 THROUGH 2010

Year	Avg. Annual Job Growth	% Change	Office Space Net Absorption	Overall Vacancy Rate	Change in Rent
1980	80,600	6.1%	9,283,000	8.1%	19.6%
1981	117,500	8.4%	12,819,000	11.5%	15.1%
1982	24,500	1.6%	10,260,000	21.9%	3.1%
1983	(96,200)	-6.2%	7,835,000	30.7%	-1.3%
1984	31,200	2.2%	11,289,000	27.2%	-4.8%
1985	2,800	0.2%	1,251,000	28.2%	-10.8%
1986	(68,200)	-4.6%	(1,206,000)	30.1%	-10.5%
1987	(22,600)	-1.6%	286,000	30.0%	-15.1%
1988	66,000	4.8%	3,999,000	27.2%	1.1%
1989	67,000	4.6%	1,077,000	26.2%	0.8%
1990	89,700	5.9%	4,484,000	23.6%	3.3%
1991	25,000	1.6%	1,803,000	23.7%	0.2%
1992	4,700	0.3%	902,000	23.6%	-2.3%
1993	29,000	1.8%	578,000	22.9%	-0.6%
1994	43,600	2.6%	2,192,000	21.2%	0.6%
1995	55,600	3.3%	1,408,000	20.0%	0.4%
1996	48,500	2.7%	2,654,000	18.3%	2.8%
1997	82,100	4.5%	6,113,000	14.5%	9.5%
1998	98,100	5.2%	3,356,000	13.2%	8.6%
1999	36,200	1.8%	2,243,000	12.8%	4.3%
2000	52,400	2.6%	2,847,000	12.0%	5.9%
2001	38,300	1.8%	1,586,000	13.1%	0.3%
2002	(6,700)	-0.3%	(454,000)	15.1%	-2.9%
2003	(16,200)	-0.8%	(2,111,000)	16.9%	-4.0%
Avg. Annual 1980-1990	26,573	1.9%	5,579,727	24.1%	0.0%
Avg. Annual 1993-2000	55,688	3.1%	2,673,875	16.9%	3.9%
Projected Avg. Annual 2004-2010	63,800	2.8%	3,062,400	13.0%	5.0%

SF of net absorption per new job 1983-1989: 210

SF of net absorption per new job 1993-2000: 48

SF of net absorption per new job 2004-2010: 48

Source: BLS, REIS, Delta Associates; August 2004.

EMPLOYMENT AND OFFICE MARKET DATA
LOS ANGELES COUNTY
1980 THROUGH 2010

Year	Avg. Annual Job Growth	% Change	Office Space Net Absorption	Overall Vacancy Rate	Change in Rent
1980	25,800	0.7%	5,400,000	5.4%	8.0%
1981	30,700	0.9%	3,000,000	7.7%	5.3%
1982	(108,300)	-3.0%	4,800,000	12.7%	-1.7%
1983	5,000	0.1%	8,500,000	13.3%	-0.6%
1984	120,200	3.4%	5,900,000	13.4%	2.6%
1985	96,600	2.6%	6,300,000	14.6%	3.0%
1986	99,700	2.7%	7,400,000	15.2%	4.2%
1987	99,200	2.6%	8,100,000	14.5%	2.4%
1988	80,600	2.0%	7,100,000	13.4%	2.7%
1989	77,500	1.9%	6,500,000	14.1%	1.8%
1990	(67,100)	-1.6%	3,200,000	15.8%	1.9%
1991	(128,800)	-3.1%	1,100,000	19.1%	-0.4%
1992	(178,200)	-4.5%	1,000,000	19.1%	-4.3%
1993	(96,900)	-2.5%	1,000,000	18.2%	-5.5%
1994	(5,700)	-0.2%	(1,500,000)	17.4%	-4.4%
1995	44,700	1.2%	100,000	16.9%	-1.0%
1996	41,900	1.1%	2,620,000	16.0%	-0.8%
1997	76,500	2.0%	2,939,000	14.9%	1.1%
1998	78,500	2.0%	1,194,000	14.7%	3.5%
1999	59,400	1.5%	6,314,000	13.0%	4.2%
2000	69,200	1.7%	9,456,000	11.5%	7.5%
2001	1,400	0.0%	1,155,000	12.8%	1.0%
2002	(40,100)	-1.0%	1,216,000	12.8%	-2.0%
2003	(36,700)	-0.9%	1,554,000	12.4%	0.0%
Avg. Annual 1983-1989	82,686	2.2%	7,114,286	14.1%	2.3%
Avg. Annual 1995-2000	61,700	1.6%	3,770,500	14.5%	2.4%
Projected Avg. Annual 2004-2010	58,600	1.4%	3,574,600	10.2%	6.0%

SF of net absorption per new job 1983-1989: 86

SF of net absorption per new job 1995-2000: 61

SF of net absorption per new job 2004-2010: 61

Source: BLS, REIS, Delta Associates; August 2004.

EMPLOYMENT AND OFFICE MARKET DATA
NEW YORK METRO
1980 THROUGH 2010

Year	Avg. Annual Job Growth	% Change	Office Space Net Absorption	Overall Vacancy Rate	Change in Rent
1980	31,200	0.8%	6,744,000	6.3%	5.0%
1981	61,600	1.6%	2,306,000	6.9%	5.6%
1982	(9,700)	-0.3%	(2,332,000)	9.3%	-0.6%
1983	19,900	0.5%	3,282,000	9.8%	1.1%
1984	98,500	2.6%	5,088,000	10.3%	1.9%
1985	72,900	1.9%	4,704,000	11.0%	3.3%
1986	64,300	1.6%	9,800,000	12.1%	0.8%
1987	58,400	1.4%	5,874,000	13.5%	-2.3%
1988	21,200	0.5%	3,444,000	14.4%	-1.9%
1989	3,200	0.1%	3,274,000	15.2%	-2.1%
1990	(44,200)	-1.1%	(1,872,000)	16.3%	-1.0%
1991	(215,100)	-5.3%	(5,652,000)	17.3%	-8.1%
1992	(105,800)	-2.7%	(3,080,000)	17.2%	-4.6%
1993	7,500	0.2%	2,947,000	16.4%	-2.6%
1994	34,400	0.9%	4,501,000	15.5%	0.5%
1995	22,000	0.6%	7,959,000	13.9%	2.1%
1996	34,300	0.9%	10,893,000	11.8%	3.3%
1997	81,400	2.1%	13,603,000	9.1%	6.4%
1998	97,600	2.5%	11,738,000	7.5%	8.4%
1999	109,200	2.7%	12,810,000	6.0%	9.2%
2000	114,900	2.8%	13,642,000	3.8%	23.3%
2001	(29,300)	-0.7%	(29,000,000)	8.2%	-3.6%
2002	(108,500)	-2.6%	(7,795,000)	10.7%	-8.0%
2003	(52,800)	-1.3%	2,057,000	11.2%	-3.0%
Avg. Annual 1983-1989	48,343	1.2%	5,066,571	12.3%	0.1%
Avg. Annual 1993-2000	62,663	1.6%	9,761,625	10.5%	6.3%
Projected Avg. Annual 2004-2010	64,100	1.5%	8,397,100	7.0%	7.5%

SF of net absorption per new job 1983-1989: 105

SF of net absorption per new job 1993-2000: 156

SF of net absorption per new job 2004-2010: 131

Source: BLS, REIS, Delta Associates; August 2004.

EMPLOYMENT AND OFFICE MARKET DATA
ORANGE COUNTY
1980 THROUGH 2010

Year	Avg. Annual Job Growth	% Change	Office Space Net Absorption	Overall Vacancy Rate	Change in Rent
1980	32,100	4.0%	3,468,000	15.1%	3.5%
1981	27,800	3.3%	3,618,000	17.6%	3.3%
1982	-15,700	-1.8%	3,359,000	22.3%	3.2%
1983	20,700	2.4%	3,427,000	20.3%	3.1%
1984	63,400	7.3%	4,442,000	17.1%	4.5%
1985	45,400	4.9%	5,651,000	19.2%	3.8%
1986	44,000	4.5%	5,089,000	21.3%	-2.7%
1987	47,100	4.6%	4,599,000	20.9%	-1.9%
1988	60,800	5.7%	4,766,000	20.2%	-1.9%
1989	26,800	2.4%	4,086,000	18.8%	1.5%
1990	15,700	1.4%	3,014,000	19.5%	-1.0%
1991	-28,700	-2.4%	1,970,000	21.6%	-3.9%
1992	-17,700	-1.5%	1,547,000	20.0%	-5.6%
1993	-10,600	-0.9%	1,807,000	17.6%	-2.1%
1994	11,400	1.0%	399,000	17.2%	-2.2%
1995	24,900	2.2%	1,352,000	16.0%	1.1%
1996	32,600	2.8%	2,193,000	13.6%	3.3%
1997	49,500	4.2%	3,262,000	10.9%	6.4%
1998	65,300	5.3%	3,378,000	9.0%	6.5%
1999	46,100	3.5%	1,263,000	11.0%	3.8%
2000	43,700	3.2%	5,263,000	10.0%	6.0%
2001	24,800	1.8%	58,000	14.4%	-2.2%
2002	-10,700	-0.8%	1,707,000	13.7%	-5.4%
2003	21,800	1.6%	2,270,000	12.0%	0.0%
Avg. Annual 1983-1989	44,029	4.5%	4,580,000	19.7%	0.9%
Avg. Annual 1994-2000	39,071	3.2%	2,444,286	12.5%	3.6%
Projected Avg. Annual 2004-2010	44,600	2.9%	2,809,800	9.9%	7.0%

SF of net absorption per new job 1983-1989: 104

SF of net absorption per new job 1994-2000: 63

SF of net absorption per new job 2004-2010: 63

Source: BLS, REIS, Delta Associates; August 2004.

EMPLOYMENT AND OFFICE MARKET DATA
PHOENIX METRO
1980 THROUGH 2010

Year	Avg. Annual Job Growth	% Change	Office Space Net Absorption	Overall Vacancy Rate	Change in Rent
1980	22,200	3.6%	1,662,000	13.5%	8.9%
1981	20,700	3.3%	1,449,000	16.0%	6.5%
1982	(2,200)	-0.3%	2,636,000	19.3%	5.5%
1983	37,100	5.7%	1,319,000	22.0%	3.0%
1984	78,700	11.4%	2,113,000	22.5%	6.0%
1985	72,000	9.3%	5,094,000	24.4%	5.0%
1986	42,900	5.1%	4,416,000	25.7%	4.0%
1987	32,800	3.7%	3,025,000	24.1%	2.6%
1988	24,900	2.7%	1,294,000	25.6%	0.2%
1989	23,900	2.5%	2,325,000	26.9%	0.3%
1990	21,600	2.2%	1,468,000	27.3%	-2.5%
1991	(4,000)	-0.4%	1,788,000	26.5%	-3.0%
1992	11,900	1.2%	2,005,000	22.8%	-4.0%
1993	49,800	4.9%	2,031,000	19.9%	-0.5%
1994	71,100	6.6%	2,809,000	16.1%	5.0%
1995	83,000	7.3%	1,860,000	13.4%	8.0%
1996	87,600	7.2%	1,659,000	11.3%	10.0%
1997	70,500	5.4%	3,474,000	10.9%	10.0%
1998	75,100	5.4%	4,547,000	10.3%	8.0%
1999	67,000	4.6%	4,541,000	11.4%	6.0%
2000	57,100	3.7%	3,669,000	11.9%	5.1%
2001	19,300	1.2%	2,290,000	16.0%	-1.0%
2002	(1,600)	-0.1%	59,000	17.5%	-4.3%
2003	20,600	1.3%	1,679,000	16.0%	-2.0%
Avg. Annual 1983-1989	44,614	5.8%	2,798,000	24.5%	3.0%
Avg. Annual 1993-2000	70,150	5.6%	3,073,750	13.2%	6.4%
Projected Avg. Annual 2004-2010	94,000	5.0%	4,136,000	12.5%	6.0%

SF of net absorption per new job 1983-1989: 63

SF of net absorption per new job 1993-2000: 44

SF of net absorption per new job 2004-2010: 44

Source: BLS, REIS, Delta Associates; August 2004.

EMPLOYMENT AND OFFICE MARKET DATA
SAN FRANCISCO BAY AREA
1980 THROUGH 2010

Year	Avg. Annual Job Growth	% Change	Office Space Net Absorption	Overall Vacancy Rate	Change in Rent
1980	76,300	3.5%	6,716,000	8.6%	9.8%
1981	29,000	1.3%	5,024,000	8.8%	5.1%
1982	(17,200)	-0.8%	6,103,000	11.2%	2.8%
1983	26,600	1.2%	7,355,000	12.7%	3.6%
1984	97,600	4.3%	7,726,000	14.7%	2.8%
1985	48,700	2.1%	10,137,000	18.6%	0.8%
1986	18,000	0.7%	8,738,000	20.5%	-1.1%
1987	50,600	2.1%	9,510,000	19.1%	-2.2%
1988	74,500	3.0%	12,179,000	15.3%	-0.2%
1989	37,600	1.5%	6,722,000	14.5%	1.0%
1990	41,200	1.6%	4,799,000	14.3%	1.3%
1991	(16,100)	-0.6%	1,869,000	15.7%	0.0%
1992	(48,200)	-1.8%	2,647,000	14.7%	-2.0%
1993	1,600	0.1%	1,634,000	13.9%	-2.2%
1994	2,700	0.1%	3,915,000	12.6%	2.2%
1995	64,700	2.5%	5,031,000	10.2%	3.7%
1996	98,700	3.7%	6,591,000	7.8%	7.4%
1997	113,400	4.1%	5,189,000	6.7%	8.3%
1998	86,900	3.0%	5,617,000	6.9%	9.9%
1999	74,500	2.5%	5,097,000	6.1%	16.4%
2000	137,400	4.6%	9,164,000	3.8%	47.0%
2001	(44,500)	-1.4%	(172,000)	10.7%	-23.2%
2002	(182,300)	-5.9%	(4,144,000)	16.0%	-18.7%
2003	(98,000)	-3.3%	(1,043,000)	17.2%	-5.0%
Avg. Annual 1983-1989	50,514	2.1%	8,909,571	16.5%	0.7%
Avg. Annual 1993-2000	72,488	2.6%	5,279,750	8.5%	11.6%
Projected Avg. Annual 2004-2010	69,800	2.3%	5,095,400	9.9%	4.5%

SF of net absorption per new job 1983-1989: 176
SF of net absorption per new job 1993-2000: 73
SF of net absorption per new job 2004-2010: 73

Source: BLS, REIS, Delta Associates; August 2004.

EMPLOYMENT AND OFFICE MARKET DATA
SOUTH FLORIDA
1980 THROUGH 2010

Year	Avg. Annual Job Growth	% Change	Office Space Net Absorption	Overall Vacancy Rate	Change in Rent
1980	76,300	6.3%	2,069,000	4.5%	5.0%
1981	49,300	3.8%	3,493,000	4.6%	7.0%
1982	(14,000)	-1.0%	1,128,000	10.7%	10.0%
1983	33,200	2.5%	3,508,000	16.0%	8.2%
1984	87,500	6.4%	4,168,000	19.3%	3.2%
1985	49,600	3.4%	5,170,000	25.1%	-3.8%
1986	50,200	3.4%	7,786,000	26.0%	-0.3%
1987	74,500	4.8%	7,242,000	24.9%	0.0%
1988	64,900	4.0%	7,068,000	23.0%	2.3%
1989	48,400	2.9%	4,035,000	22.7%	1.4%
1990	23,800	1.4%	3,852,000	22.3%	-2.6%
1991	(41,700)	-2.4%	725,000	22.8%	-2.8%
1992	11,600	0.7%	6,460,000	18.7%	-4.5%
1993	74,700	4.3%	4,905,000	15.6%	0.2%
1994	60,200	3.3%	3,472,000	13.5%	3.5%
1995	49,700	2.7%	1,093,000	12.5%	2.6%
1996	52,100	2.7%	2,512,000	11.4%	3.1%
1997	63,700	3.2%	4,048,000	9.5%	5.3%
1998	46,500	2.3%	3,130,000	9.0%	4.5%
1999	36,500	1.8%	5,267,000	10.3%	4.9%
2000	79,500	3.8%	7,370,000	8.2%	6.0%
2001	50,000	2.3%	(2,228,000)	13.2%	1.9%
2002	(1,900)	-0.1%	357,000	12.9%	-2.0%
2003	12,100	0.5%	2,663,000	12.3%	0.0%
Avg. Annual 1983-1989	58,329	3.9%	5,568,143	22.4%	1.6%
Avg. Annual 1993-2000	57,863	3.0%	3,974,625	11.3%	3.8%
Projected Avg. Annual 2004-2010	63,200	2.6%	4,360,800	8.1%	6.5%

SF of net absorption per new job 1983-1989: 95

SF of net absorption per new job 1993-2000: 69

SF of net absorption per new job 2004-2010: 69

Source: BLS, REIS, Delta Associates; August 2004.

EMPLOYMENT AND OFFICE MARKET DATA
WASHINGTON METRO
1980 THROUGH 2010

Year	Avg. Annual Job Growth	% Change	Office Space Net Absorption	Overall Vacancy Rate	Change in Rent
1980	35,900	2.2%	8,662,000	8.9%	5.7%
1981	19,900	1.2%	7,673,000	9.6%	5.1%
1982	(12,000)	-0.7%	8,886,000	10.2%	5.5%
1983	52,800	3.2%	6,947,000	10.6%	4.0%
1984	106,800	6.3%	10,041,000	11.4%	3.6%
1985	100,900	5.6%	11,197,000	11.8%	1.2%
1986	81,600	4.3%	11,544,000	12.9%	1.5%
1987	92,200	4.6%	13,204,000	14.9%	1.3%
1988	185,000	8.9%	12,708,000	14.7%	1.2%
1989	62,500	2.8%	11,346,000	15.1%	0.2%
1990	16,900	0.7%	9,845,000	16.5%	-2.9%
1991	(52,800)	-2.3%	9,770,000	16.7%	-0.4%
1992	(2,700)	-0.1%	5,650,000	15.6%	-0.6%
1993	42,800	1.9%	7,137,000	13.2%	-1.5%
1994	44,600	1.9%	1,887,000	12.4%	2.3%
1995	28,300	1.2%	4,382,000	10.9%	2.7%
1996	22,300	0.9%	4,500,000	9.4%	1.4%
1997	56,800	2.3%	3,842,000	8.6%	5.8%
1998	67,100	2.7%	7,488,000	6.8%	8.0%
1999	93,100	3.6%	11,030,000	6.1%	9.9%
2000	114,400	4.3%	15,595,000	4.5%	9.7%
2001	32,100	1.2%	5,806,000	9.6%	-5.1%
2002	17,200	0.6%	2,411,000	11.6%	-7.0%
2003	17,300	0.6%	3,393,000	11.2%	0.0%
Avg. Annual 1983-1989	97,400	5.1%	10,998,143	13.1%	1.9%
Avg. Annual 1993-2000	58,675	2.4%	6,982,625	9.0%	4.8%
Projected Avg. Annual 2004-2010	69,600	2.3%	8,282,400	7.3%	6.5%

SF of net absorption per new job 1983-1989: 113

SF of net absorption per new job 1993-2000: 119

SF of net absorption per new job 2004-2010: 119

Source: BLS, REIS, Delta Associates; August 2004.