

The final quarter of 2005 saw a continuation of the increasingly positive trends seen throughout the I-680 Corridor office market during the past year. The more than 400,000 square feet of occupancy gains posted during the fourth quarter resulted in positive absorption for 2005 totaling over 980,000 square feet. Total vacancy continues its downward trend, and now sits at a very healthy 10.4%, down 240 basis points in 2005.

As both the North and South markets continue to tighten, lease rates are increasing with fewer concessions such as free rent being offered. Market-wide average asking rents have increased 7% since the end of 2004, with Class A rates up 9% during the same period. Downtown Walnut Creek and Pleasant Hill BART remain significant submarkets, posting some of the highest Class A rates in the region at \$2.65 and \$2.60, respectively.

Growing confidence in the economy has resulted in positive absorption accelerating on both a quarterly and annual basis. The North Market saw almost 540,000 square feet of positive absorption since the first quarter of 2004, lowering the vacancy rate a substantial

250 basis points to 7.9%. The South Market has seen over 440,000 square feet of positive absorption during the year, with vacancy dropping 160 basis points to 12.4% as a result. With steady tenant demand and vacancy rates on the decline, the market witnessed rental rate increases in all product types and submarkets; this trend is expected to continue into 2006. Overall, the market is increasingly healthy and on track to continue its positive pace.

Investor demand remains strong, with office buildings producing relatively good returns. Some of the significant transactions seen this quarter include the sale of the Norris Tech Center, 1450 Treat Blvd. and the Shadelands Business Park totaling more than 500,000 square feet of office space. Given the strong sales activity and the number of properties that sold in 2004 and 2005, sales activity should begin to decline in 2006. With an increased residential population and a

lack of major threats to the tenant base, 2006 should see the I-680 office market experience a continuation of the strong gains seen over the past two years.

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QUICK STATS

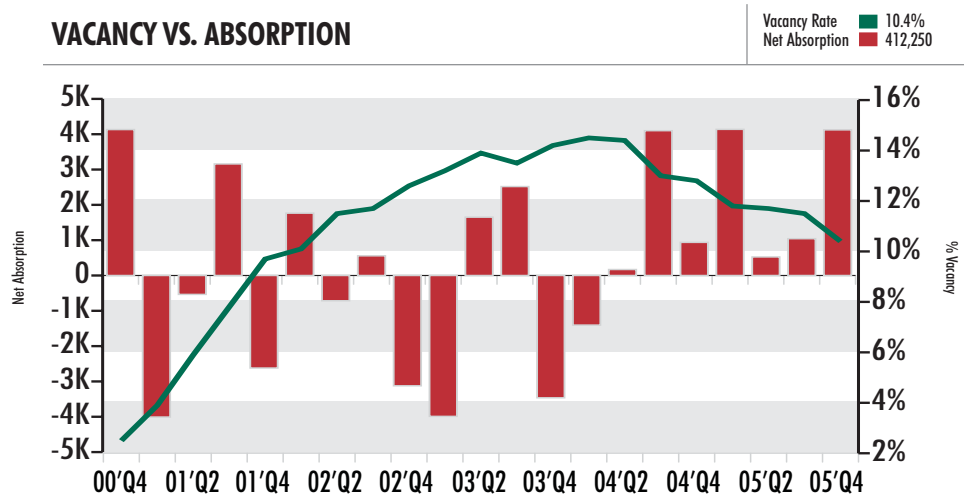
	Current	Change from last	
		Yr.	Qtr.
Vacancy	10.4%	↓	↓
Lease Rates	\$1.99	↑	↑
Net Absorption*	412.3K	↑	↑
Construction Completions	0	↔	↔

* The Quick Stats arrows are trend indicators over the specified time period and do not represent a positive or negative value. (E.g., absorption could be negative, but still represent a positive trend over a specific period.)

HOT TOPICS

- Seventh consecutive quarter of improving fundamentals
- More than 980,000 square feet of positive absorption in '05
- Second consecutive quarter of rental rate increases
- Investment activity remains strong

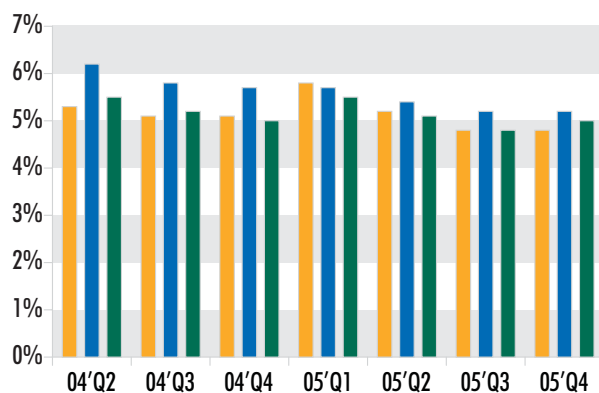
VACANCY VS. ABSORPTION



SUBMARKET	NET RENTABLE AREA	TOTAL VACANCY RATE	TOTAL AVAILABILITY RATE	AVG. ASKING RATE				Q4 NET ABSORPTION	YTD NET ABSORPTION
				CLASS A	CLASS B	CLASS C	R&D		
Walnut Creek Downtown	4,901,013	8.0%	9.7%	\$2.70	\$2.15	\$1.80	N/A	(842)	147,789
Walnut Creek Ygnacio	2,783,103	9.4%	11.8%	\$2.00	\$1.75	\$1.50	\$1.50	22,409	151,597
Pleasant Hill Bart	1,665,516	6.1%	11.6%	\$2.60	\$2.05	N/A	N/A	2,974	104,052
Pleasant Hill	1,153,098	10.7%	11.6%	\$2.15	\$1.80	\$1.50	\$1.50	(756)	32,882
Concord	4,776,455	7.8%	15.0%	\$2.05	\$1.75	\$1.45	\$1.45	28,542	68,459
Martinez	694,554	7.7%	7.7%	N/A	\$1.60	\$1.45	\$1.45	7,601	7,180
Pittsburg	32,500	0.0%	0.0%	N/A	N/A	N/A	N/A	-	-
Antioch	183,500	0.0%	0.0%	N/A	\$1.50	N/A	N/A	-	-
Lamorinda	1,060,860	4.4%	5.2%	\$2.75	\$2.20	\$1.80	N/A	8,579	26,765
North Market	17,250,599	7.9%	11.3%	\$2.35	\$1.90	\$1.61	\$1.47	68,507	538,724
Alamo	123,220	5.4%	10.7%	\$2.75	\$2.25	N/A	N/A	4,449	(4,200)
Danville	432,481	8.2%	10.3%	\$2.75	\$2.15	N/A	N/A	5,462	7,742
San Ramon	6,462,670	12.6%	13.2%	\$2.05	\$1.85	\$1.60	\$1.25	405,202	118,150
Dublin	2,857,689	17.6%	18.0%	\$2.05	\$1.75	N/A	\$1.45	(9,536)	(17,978)
Pleasanton	11,060,466	11.4%	13.4%	\$2.05	\$1.90	N/A	\$1.70	(42,332)	258,532
Livermore	1,157,959	12.3%	13.2%	N/A	\$1.80	N/A	\$1.60	(19,502)	81,662
Tri Valley Market	22,094,485	12.4%	13.4%	\$2.08	\$1.87	\$1.60	\$1.63	343,743	443,908
MARKET TOTAL	39,345,084	10.4%	12.5%	\$2.18	\$1.89	\$1.61	\$1.59	412,250	982,632

* Six months or less to completion.

UNEMPLOYMENT RATES

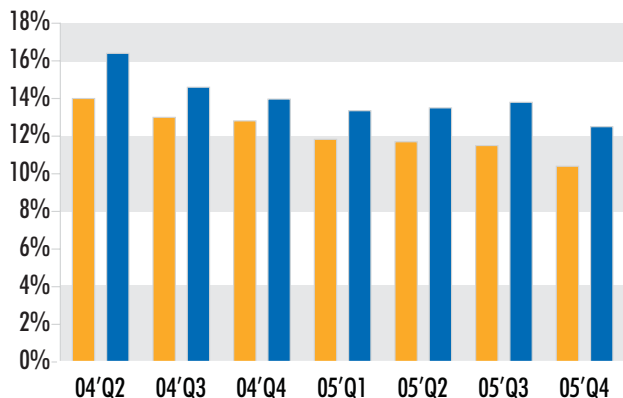


Source: EDD

The Oakland MSA continued to outperform both the state and nation in overall job growth and expansion of the labor force. The unemployment rate decreased from 5.0% in October to 4.8% at year's end, and it has shrunk well below the year-ago estimate of 5.3%. Alameda and Contra Costa counties continue to enjoy a high quality workforce and remain a leader in total wage and salary employment in comparison to many of the Bay Area's other urban counties. Industry employment continued to climb, up 18,500 jobs from a year ago. A majority of the gain was witnessed in the educational and health services sectors, where totals increased by 6,300 jobs. The Construction industry continued to boom as well, witnessing an improvement of 5,100 jobs, with the Financial sector picking up 3,300 jobs (finance and insurance).

VACANCY/AVAILABILITY

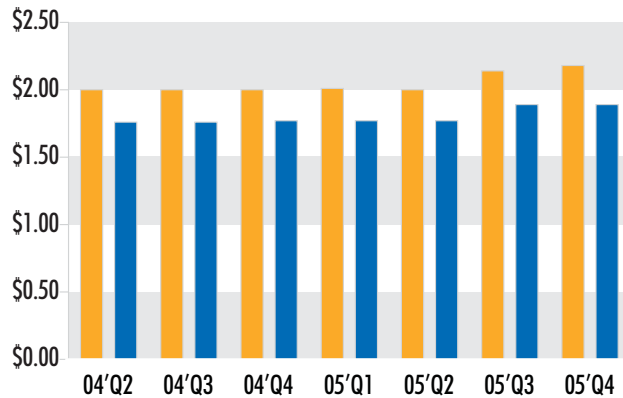
Vacancy 10.4%
Availability 12.5%



Office space in the I-680 market is getting harder to find as both vacancy and availability rates are the lowest levels seen in years. The market's vacancy rate continued its downward trend of the last seven quarters, decreasing 240 basis points during the quarter to 10.4%. The market's availability rate dropped 150 basis points to 12.5%, the lowest level the market has seen in over five years. The majority of submarkets have seen vacancy and availability rates lowered at a measured pace, but there have been some noteworthy changes in several submarkets. San Ramon saw an impressive 630 basis point decline in vacancy and now sits at 12.6%. The majority of this change can be attributed to the gains seen in this submarket's Class A sector which dropped considerably this quarter, and is now at 16.8%. Vacancy rates in the Pleasant Hill Bart and Walnut Creek submarkets are now all below 10%.

LEASE RATES

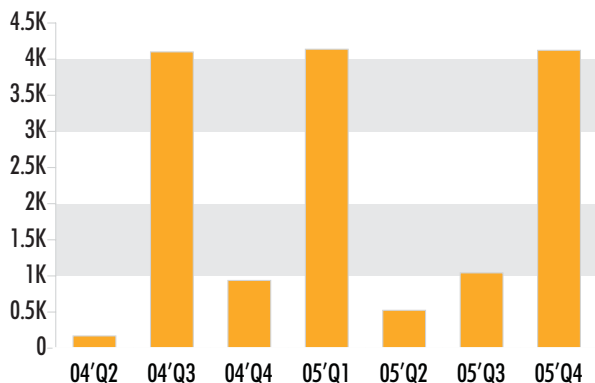
Class A \$2.18
Class B \$1.89



After nearly two years with little change in asking lease rates, the last two quarters have seen overall asking rates increase. Market-wide average asking rates in the I-680 market increased \$.02 during the quarter to end the year at \$1.99 per square foot. Improving vacancy and availability rates coupled with increased demand have caused lease rates to rise to levels not seen in over two years. While there has been little change in Class B, C and D rates, Class A asking rents rose \$.04 this quarter to \$2.18. The past year has seen market average rates rise 7%, while the Class A market saw gains of 9% during 2005.

NET ABSORPTION

Net Absorption 412,250



The I-680 market office continues to see gains in occupancy, posting positive absorption totaling 412,250 square feet during the fourth quarter. Fourth quarter absorption gains brought the 2005 absorption total to a positive 982,632 square feet. Many of the submarkets posted modest gains, while San Ramon picked up the largest amount of absorption, contributing 405,202 square feet to market totals. The market of Martinez, Pittsburg, and Antioch delivered 36,508 square feet of absorption during the quarter. The Class A market experienced a very impressive 364,737 square feet of positive absorption during the quarter, while the Class B market showed a more modest gain of 47,385 square feet.

CONSTRUCTION ACTIVITY

Commercial construction to accommodate the fast-growing suburbs of Pittsburg, Antioch and Brentwood is underway, but it is unlikely given the more than five million square feet of space available that there will be substantial new office construction in the immediate future in the primary submarkets of the I-680 corridor.

MARKET OUTLOOK

The year 2005 closed as one of markedly improved space fundamentals, with 2006 seeing a continuation of the strong gains posted over the past two years. However, the economic impacts of possible corporate downsizing and improved efficiencies combined with questions concerning the residential housing market could influence market performance in 2006. The real estate market will undoubtedly trail economic movement in the region, with any significant changes in employment impacting future rent growth and absorption.

I-680 • CONTRA COSTA COUNTY SUBMARKET MAP



MARKET AREA DESCRIPTIONS

1. WC Downtown consists of 4.9 million square feet (12.5%) of the office market.
2. WC Ygnacio consists of 2.8 million square feet (7.1%) of the office market.
3. Pleasant Hill BART consists of 1.7 million square feet (4.2%) of the office market.
4. Pleasant Hill consists of 1.2 million square feet (2.9%) of the office market.
5. Concord consists of 4.8 million square feet (12.1%) of the office market.
6. Martinez consists of 0.7 million square feet (1.8%) of the office market.
7. Pittsburg consists of 0.0 million square feet (0.1%) of the office market.
8. Antioch consists of 0.2 million square feet (0.5%) of the office market.
9. Lamorinda consists of 1.1 million square feet (2.7%) of the office market.
10. Alamo consists of 0.1 million square feet (0.3%) of the office market.
11. Danville consists of 0.4 million square feet (1.1%) of the office market.
12. San Ramon consists of 6.5 million square feet (16.4%) of the office market.
13. Dublin consists of 2.9 million square feet (7.3%) of the office market.
14. Pleasanton consists of 11.1 million square feet (28.1%) of the office market.
15. Livermore consists of 1.2 million square feet (2.9%) of the office market.

LOCAL OFFICES

SAN FRANCISCO PENINSULA

950 Tower Lane
Suite 870
Foster City, CA 94404
1.650.577.2900

OAKLAND

555 12th Street
Suite 900
Oakland, CA 94610
1.510.874.1900

PLEASANTON

5000 Hopyard Road
Suite 180
Pleasanton, CA 94588
1.925.251.4600

SAN FRANCISCO DOWNTOWN

101 California Street
44th Floor
San Francisco, CA 94111
1.415.772.0123

SILICON VALLEY

225 W. Santa Clara Street
Suite 1050
San Jose, CA 95113
1.408.453.7400



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AVERAGE ASKING DIRECT LEASE RATE

The rate determined by multiplying the asking net lease rate for each building in the summary by its associated available space, summing the products, then dividing by the sum of the available spaces with net leases for all buildings in the summary. Direct leases only; excludes sublease space.

FULL SERVICE LEASES

Includes all lease types whereby the Landlord assumes responsibility for most or all of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

MARKET COVERAGE

Includes office buildings 20,000 square feet and larger located within defined submarkets. It excludes medical office buildings and government owned office buildings.

NET ABSORPTION

The change in Occupied Square Feet from one period to the next.

NET RENTABLE AREA (NRA)

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

OCCUPIED SQUARE FEET

NRA not considered vacant.

UNDER CONSTRUCTION

Buildings which have begun construction as evidenced by site excavation or foundation work.

VACANCY RATE

Vacant Square Feet divided by the NRA.

VACANT SQUARE FEET

Available NRA which is either physically vacant or immediately available, including sublease space.