Market Research

OFFICE | SECOND QUARTER | 2007

MARKET INDICATORS

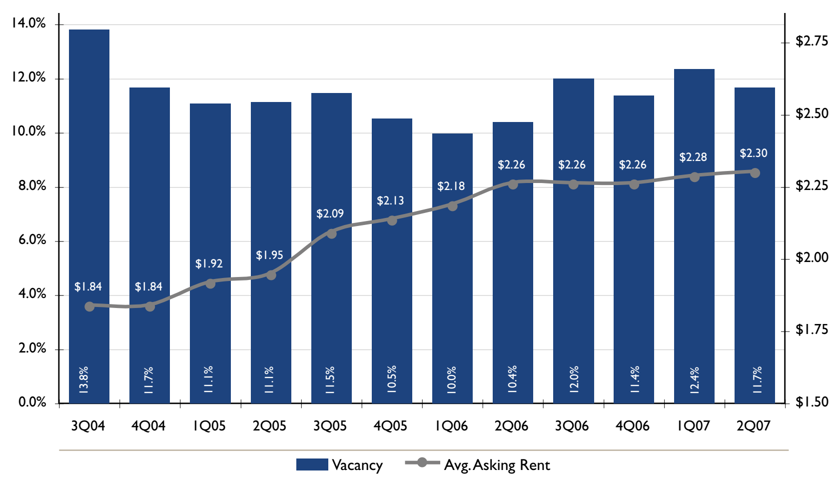
	2Q 2007	3Q 2007*
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↔	↑
RENTAL RATE	↔	↑

*PROJECTED

Tri-Valley Office Market

The Tri-Valley office market lacked velocity during the first six months of 2007. Second quarter overall vacancy decreased to 12.1% from 12.5% the previous quarter, yet was higher than the 11.5% vacancy which existed one year ago. The overall market vacancy consisted of 10.3% direct space and 1.9% sublease space, with proportionate shares remaining relatively the same for the past twelve month period. Second quarter net absorption totaled 103,621 square feet (sf). Year-to-date net absorption, after two quarters, however, remained negative at -50,373 sf. Gross absorption for the same period totaled 836,140± sf. The majority of activity has been generated from tenants already located within the market considering relocation alternatives or renewals with existing landlords. The heaviest concentration of tenants ranged in size from 2,500 to 7,000 sf. This type of activity at low volumes tends to be extremely competitive, and to some extent, restrains rental rate growth. Benchmark Class A asking rates of $2.25-$2.35 per square foot (psf), per month, full service, remained essentially flat during the first six months of 2007.

TRI-VALLEY CLASS A OFFICE
VACANCY VS. ASKING RENTAL RATES



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"The majority of activity has been generated from tenants already located within the market considering relocation alternatives or renewals with existing landlords."

Stronger leasing activity and positive net absorption are expected during the second half of 2007 based on the presence of larger tenants currently in the market. The East Bay should benefit from relocations driven by accelerated rental rate growth in San Francisco's Central Business District, where current asking rates have risen to a range of $5.00-$9.00 psf, per month. We also expect highly active capital markets to contribute to rental rate growth in the near term as new owners attempt to protect yield projections on recent acquisitions. Blackstone/EOP sold Hacienda Terrace (276,477± sf) to Legacy Partners at a price estimated at $312.00 psf. Legacy is also acquiring The Plaza at San Ramon (300,000± sf) from Blackstone/EOP. Additionally, Tishman Speyer is in the process of purchasing Dublin Corporate Center (414,408± sf) from BIT.

Pleasanton

Pleasanton experienced an uneventful quarter of leasing activity. The tenant velocity in the marketplace was steady, however, unimpressive, with 62,221 sf of net absorption. The total vacancy rate decreased from 10.3% in the prior quarter to 9.8% at the end of the second quarter. Pleasanton has yet to see the run-up in rental rates and tenant activity that much of the Bay Area has experienced over the last 6-12 months, however, institutional investors are bullish on this area and its pending surge. Several projects are being sold for record valuations; with these new valuations will come increased asking rental rates. The market can expect asking rates for certain Class A projects to rise to $2.50 psf and above during the third quarter.

While there was overall negative absorption in the office/flex segment of the office market, this statistic can be deceiving due to the polar make-up of the office/flex inventory. In Pleasanton, the office/flex inventory is basically comprised of two sub-categories of buildings. The first being the multi-tenant buildings, where individual spaces are typically 5,000 sf or less. The second category is comprised of larger buildings that are typically 40,000 sf and larger and are often single or two-tenant buildings that cannot be divided down to smaller units. In the first half of 2007, the multi-tenant section of the office/flex market remained very strong, with an average vacancy rate of approximately

MARKET ACTIVITY
SIGNIFICANT SECOND QUARTER TRANSACTIONS

SIGNIFICANT LEASES

PROPERTY ADDRESS	DATE	SQUARE FEET	TENANT	TYPE
6121 Bollinger Canyon Rd.	6/2007	55,342	Chevron	Office
6121 Bollinger Canyon Rd.	5/2007	53,337	Chevron	Office
5794 W. Las Positas Blvd.	06/2007	37,628	Gatan, Inc.	Office/Flex
3160 Crow Canyon Rd.	02/2007	28,000	CMG Mortgage Services	Office

SIGNIFICANT SALES

PROPERTY ADDRESS	DATE	SQUARE FEET	BUYER/SELLER	TYPE
4301-4309 Hacienda Dr.	06/2007	311,78378	The Blackstone Group LP / Equity Office Properties Trust	Office
365 N Canyons Pkwy / 3025-3095 Independence Dr.	4/2007	154,658	Robison Family Trust / Reynolds & Brown	Office
2001 & 2401 Crow Canyon Rd.	04/2007	103,390	Legacy Partners II / RDS Investment Company, LLC	Office
4683-4695 Chabot Dr.	01/2007	83,000	Robison Family Trust / Central Building LLC	Office

OFFICE MARKET STATISTICS
2ND QUARTER 2007

EXISTING PROPERTIES											ABSORPTION			RENT
Class	Bldgs	Total Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Sublease Vacant SF	Sublease Vacancy Rate	Total Vacant SF	Total Vacancy Rate	Vacancy Rate Prior Qtr	Current Occupied Space SF	Net Absorption Current Qtr SF	Net Absorption YTD SF	Gross Absorption YTD SF	Avg Asking Rate
SUB MARKETS														
DUBLIN														
A	9	1,459,062	154,062	10.6%	63,077	4.3%	217,139	14.9%	15.5%	1,241,923	8,915	12,865	16,247	$2.35
B	15	407,531	114,077	28.0%	1,459	0.4%	115,536	28.4%	25.6%	291,995	(11,258)	(2,036)	20,636	$1.80
FLEX	20	804,959	49,021	6.1%	7,154	0.9%	56,175	7.0%	7.5%	748,784	4,320	(4,034)	4,320	$1.75
TOTAL	44	2,671,552	317,160	11.9%	71,690	2.7%	388,850	14.6%	14.6%	2,282,702	1,977	6,795	41,203	$2.09
LIVERMORE														
B	19	909,072	191,405	21.1%	49,322	5.4%	240,727	26.5%	27.4%	668,345	8,400	6,773	69,361	$1.70
FLEX	20	684,908	123,703	18.1%	-	0.0%	123,703	18.1%	18.7%	561,205	4,200	14,102	19,869	$1.60
TOTAL	39	1,593,980	315,108	19.8%	49,322	3.1%	364,430	22.9%	23.7%	1,229,550	12,600	20,875	89,230	$1.66
PLEASANTON														
A	52	6,146,616	450,768	7.3%	67,669	1.1%	518,437	8.4%	9.3%	5,628,179	55,980	4,972	137,648	$2.25
B	60	2,547,927	164,214	6.4%	22,817	0.9%	187,031	7.3%	9.3%	2,360,896	48,785	34,052	81,629	$2.00
FLEX	89	3,361,429	350,812	10.4%	125,423	3.7%	476,235	14.2%	12.9%	2,885,194	(42,544)	(33,381)	99,286	$1.95
TOTAL	201	12,055,972	965,794	8.0%	215,909	1.8%	1,181,703	9.8%	10.3%	10,874,269	62,221	5,643	318,563	$2.11
SAN RAMON														
A	34	7,643,948	917,382	12.0%	127,961	1.7%	1,045,343	13.7%	14.2%	6,598,605	39,326	(62,682)	312,145	$2.33
B	25	943,771	80,461	8.5%	11,971	1.3%	92,432	9.8%	11.8%	851,339	19,206	10,705	74,999	$2.08
FLEX	9	699,598	31,709	4.5%	-	0.0%	31,709	4.5%	0.0%	667,889	(31,709)	(31,709)	-	$1.25
TOTAL	68	9,287,317	1,029,552	11.1%	139,932	1.5%	1,169,484	12.6%	12.9%	8,117,833	26,823	(83,686)	387,144	$2.22
MARKET TOTALS														
A	95	15,249,626	1,522,212	10.0%	258,707	1.7%	1,780,919	11.7%	12.4%	13,468,707	104,221	(44,845)	466,040	$2.30
B	119	4,808,301	550,157	11.4%	85,569	1.8%	635,726	13.2%	14.6%	4,172,575	65,133	49,494	246,625	$1.94
FLEX	138	5,550,894	555,245	10.0%	132,577	2.4%	687,822	12.4%	11.2%	4,863,072	(65,733)	(55,022)	123,475	$1.79
TOTAL	352	25,608,821	2,627,614	10.3%	476,853	1.9%	3,104,467	12.1%	12.5%	22,504,354	103,621	(50,373)	836,140	$2.12
QUARTERLY COMPARISON AND TOTALS														
Q2-07	352	25,608,821	2,627,614	10.3%	476,853	1.9%	3,104,467	12.1%	12.5%	22,504,354	103,621	(50,373)	836,140	$2.12
Q1-07	352	25,608,821	2,691,858	10.5%	516,230	2.0%	3,208,088	12.5%	11.9%	22,400,733	(153,994)	(153,994)	318,737	$2.12
Q4-06	352	25,588,348	2,605,480	10.2%	448,614	1.8%	3,054,094	11.9%	12.2%	22,534,254	66,101	(29,318)	1,754,648	$2.11
Q3-06	352	25,588,348	2,695,813	10.5%	424,382	1.7%	3,120,195	12.2%	11.5%	22,468,153	(172,408)	(95,419)	1,324,360	$2.11
Q2-06	352	25,588,348	2,416,762	9.4%	531,025	2.1%	2,947,787	11.5%	11.8%	22,640,561	82,350	76,989	1,071,831	$2.11

7.0%. Rental rates for multi-tenant flex buildings crept up by approximately 5.0%. On the other hand, the larger buildings had a much higher vacancy rate and accounted for the negative absorption of -42,544 in the office/flex category. In simple terms, the demand for space is strong for smaller tenants 10,000 sf and under, while the demand for larger spaces has been only moderate at best.

San Ramon

Leasing activity in San Ramon remained slow and matched the tepid pace of the Tri-Valley. Overall vacancy decreased to 12.6% from 12.9% the previous quarter. Second quarter net absorption barely broke into positive territory, at 26,823 sf, while year-to-date net absorption remained negative, at -86,686 sf. Bishop Ranch 6, with a seemingly endless supply of "spec suites", made the bulk of the small tenant transactions, with starting rental rates holding at $2.08 psf, per month, full service. The Class A average asking rate at $2.33 psf, per month, also failed to show any increase during the first half of the year.

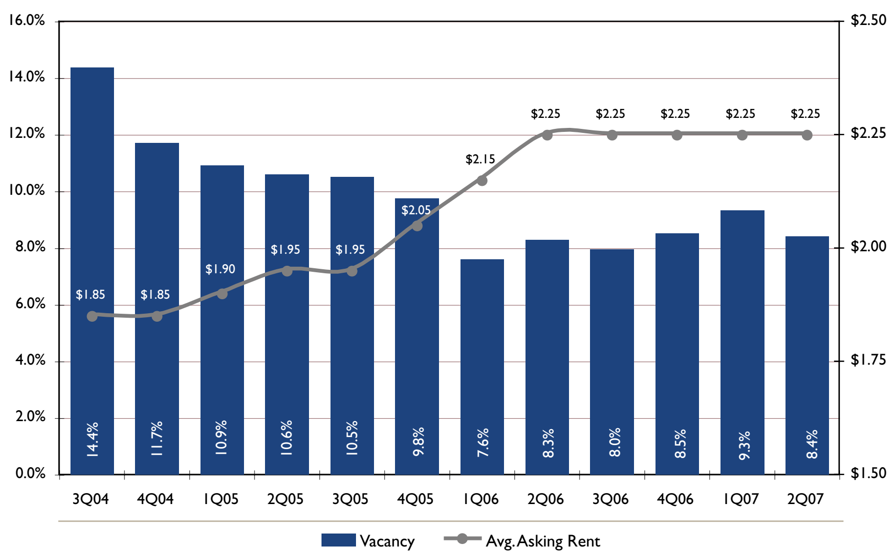
Chevron Corporation took the 55,342± sf sublease at Bishop Ranch 1 offered by WMC Mortgage Corporation and an additional 53,337± sf offered by ADP in Bishop Ranch 1. Arthur J. Gallagher and Company will relocate from Pleasanton's Hacienda Terrace to Bishop Ranch 3. They will occupy 22,195± sf in the project. Novartis Corporation leased 13,704± sf at Bishop Ranch 3 this quarter.

New Development

Sunset Development Company and the City of San Ramon filed a joint application for a new project located at the intersection of Bollinger Canyon Road and Camino Ramon in Bishop Ranch. The proposed 39 acre, mixed use, San Ramon City Center project would consist of 650,000± sf of retail shops, restaurants, a luxury hotel, a new City Hall and library, approximately 500 residential units and up to 700,000± sf of seven-story, Class A office space. If approved, the project would be slated for completion in 2010.

Presently, Class A suburban office development costs are estimated to be in excess of $400.00 psf, and will require projected full service rents in excess of $3.50 psf in order to encourage new project development. Rents in Walnut Creek's premier office locations have nearly reached this level. We expect heightened interest in Tri-Valley land acquisition for office development within the next twenty-four month period.

PLEASANTON CLASS A OFFICE
VACANCY VS. ASKING RENTAL RATE



267 OFFICES IN 54 COUNTRIES ON 6 CONTINENTS

USA 95
Canada 17
Latin America 17
Asia Pacific 53
EMEA 85

$1.6 Billion in Revenue
673 Million SF Under Management
10,092 Professionals

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