



M Office
Oklahoma City **MARKET**

Winter • 2006

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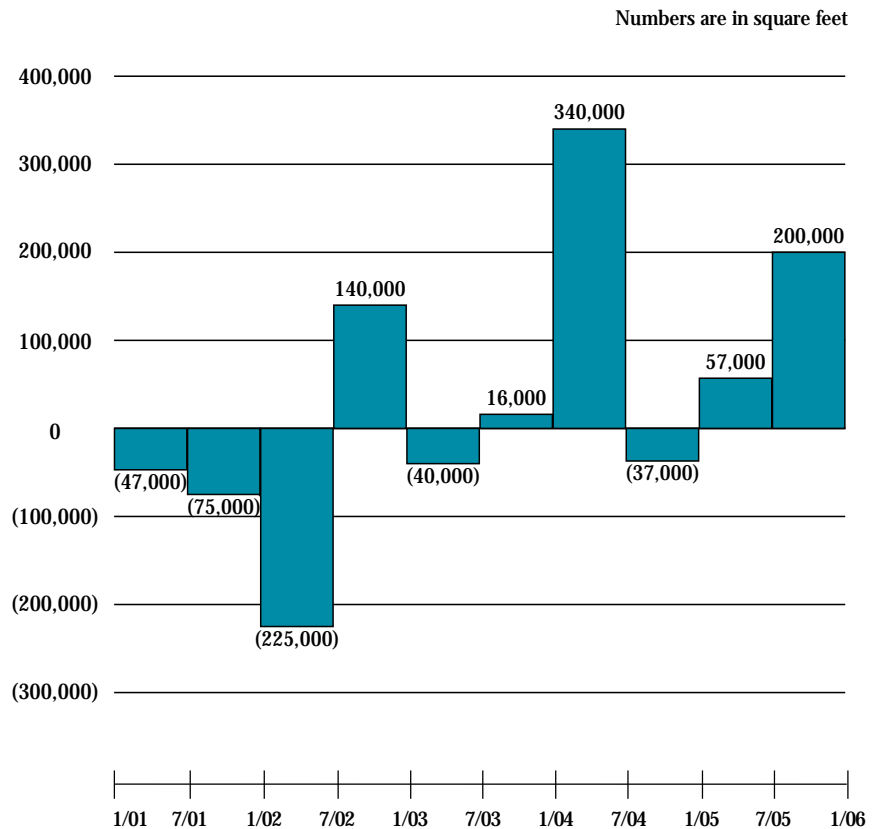
MARKET CONDITIONS IN OKLAHOMA CITY, WINTER 2006

Oklahoma City's office market showed continued improvement in the second half of 2005, with net absorption topping 200,000 square feet, and downtown occupancy increasing by 3.4%. A significant reduction in supply, resulting from the conversion of two buildings to residential use, contributed to the second largest six-month improvement in overall occupancy in ten years. Only in the first half of 2004, was this number exceeded.

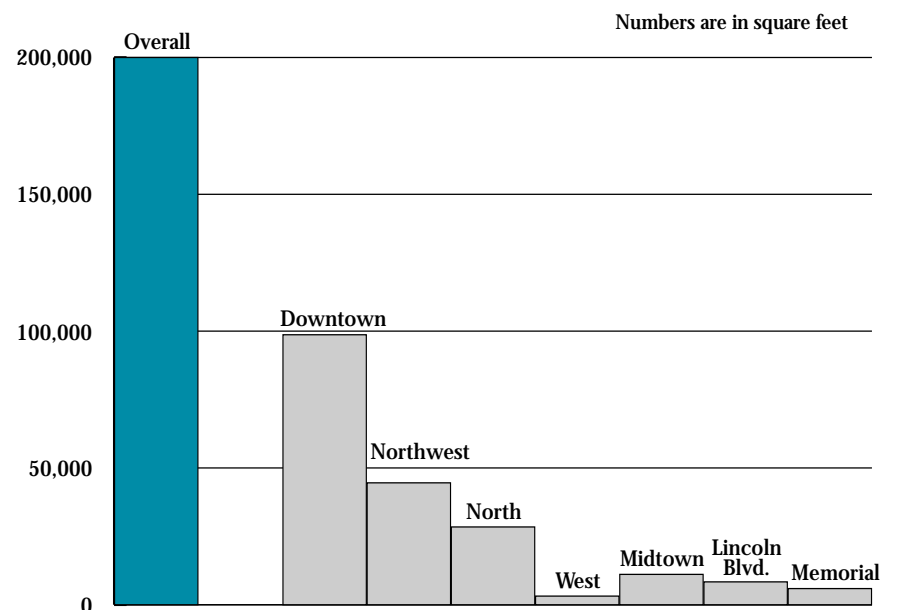
Downtown realized approximately 40% of this absorption, or 98,000 sf, lowering the vacancy rate in class A and B buildings to 20.5%. Plans to convert the Park Harvey Center to residential use caused tenants to relocate to other downtown buildings. The arrival of the Hornets, who took up occupancy in 22,000 square feet of Oklahoma Tower, and the expansion of other downtown tenants, including Devon Energy, resulted in the impressive numbers. The suburbs realized the other 60% of the absorption during the second half of 2005, with the Northwest, Midtown, and North submarkets gaining 45,000, 31,000, and 28,000 square feet, respectively. These results pushed vacancy levels in these suburban submarkets down to 13.6%, 10.3%, and 8.1%, respectively. The Founders Tower, in the Northwest submarket has begun the process of residential conversion, and relocation of office users will continue during 2006. Overall, the suburban vacancy rate now stands at 12.5%, its lowest level since July, 1999.

Weighted average asking rent rates have not changed significantly since our last survey, or for that matter, for the past several years. Asking rent rates for class A space range from \$15.00 to \$16.00 per square foot, downtown, with a weighted average of \$15.74. Asking rent rates for class B space downtown range from \$12.50 to \$16.00 per square foot with a weighted average of \$12.95. In the suburbs, asking rents

Overall Absorption Six Month Periods



Submarket Absorption Current Period

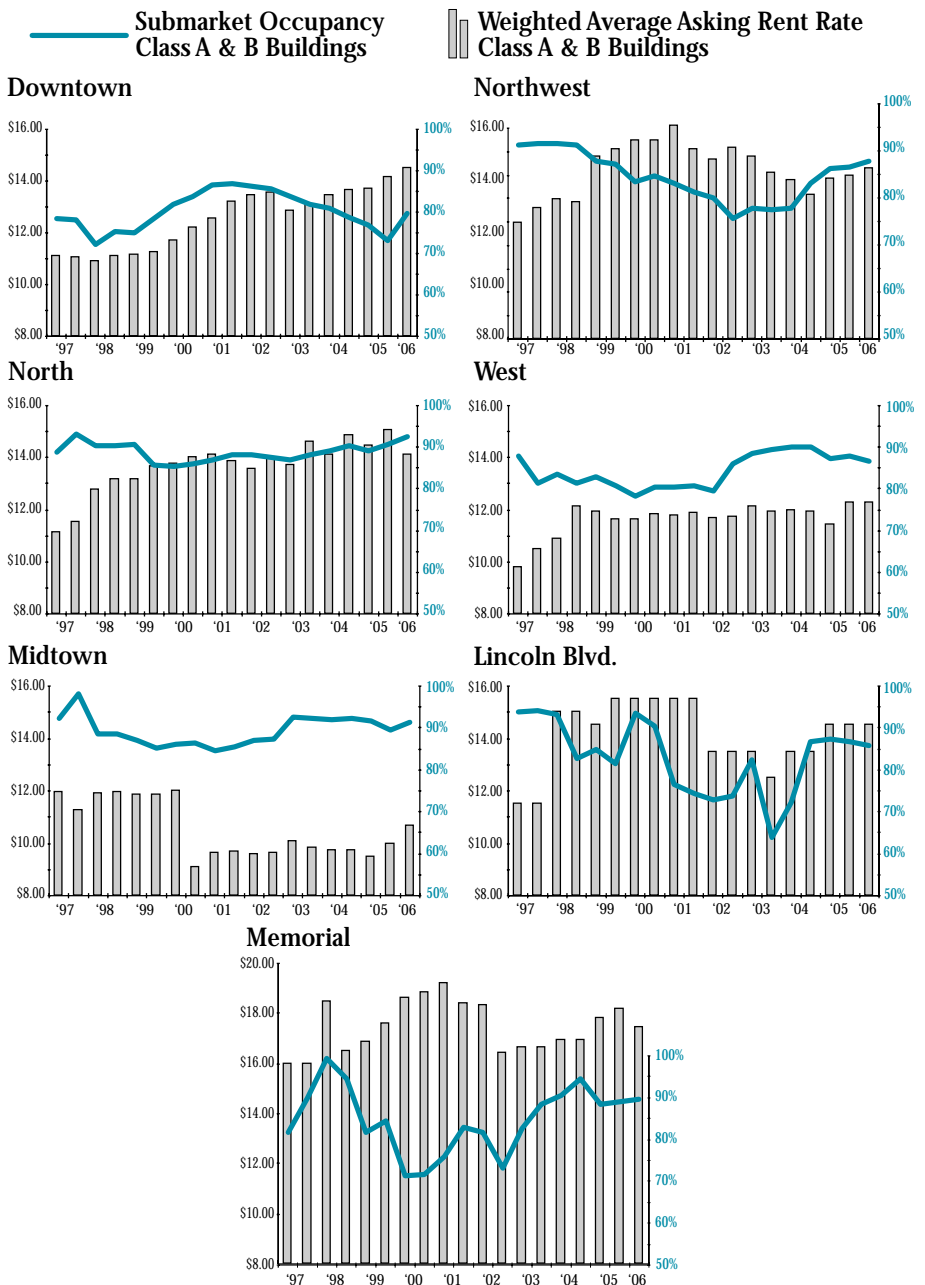


Occupancy & Rent Rate Trends by Submarket

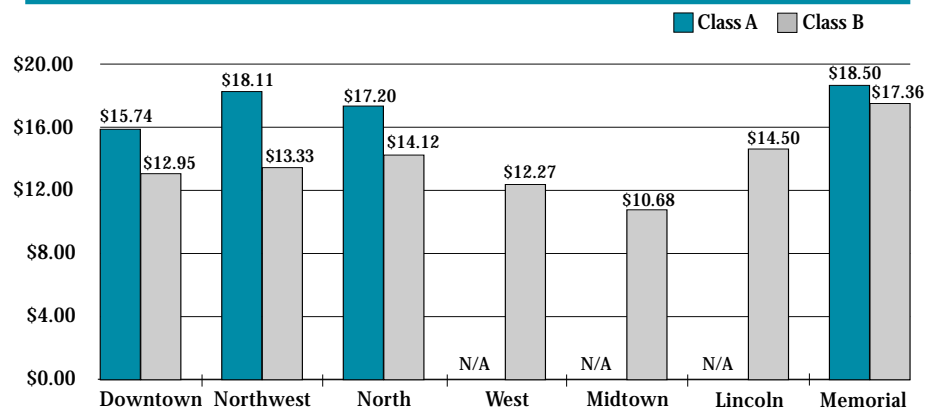
range generally from \$16.50 to \$22.50 per square foot for A Class space and from \$11.00 to \$16.00 per square foot for B Class space, with averages varying somewhat from submarket to submarket. As always, actual deals vary significantly from building to building, and from suite to suite, depending on tenant improvements, lease term, timing, and other factors. With improved occupancy levels and higher energy costs, we expect to see higher rent rates during the next year.

Investment sales have been very strong, with thirteen buildings on our survey changing hands in the last six months, the largest number and dollar volume sold in a similar interval since 2001. The lack of desirable investment alternatives and a motivation to defer taxes through 1031 exchanges, have helped to drive this investment demand, as has the voracious appetite of Chesapeake Energy, whose purchases have extended well beyond its campus boundaries. As a result, investors have been paying historically high prices for office and retail properties. Oklahoma City commercial real estate continues to be a very desirable investment target, even under the cloud of rising interest rates.

Compared with many cities, Oklahoma City's office market looks very strong. Our expectation is for continuing improvement in occupancy levels and significant increases in rent rates during the next year or two. As suburban vacancy rates continue to decline, and the number of suburban space options dwindle, rents will move upward, pushing downtown rates up as well, and making downtown space options more attractive. Meanwhile, the remarkable growth in downtown hotel rooms, sports and entertainment offerings, and residential options makes the office environment an increasingly attractive alternative to the suburbs.

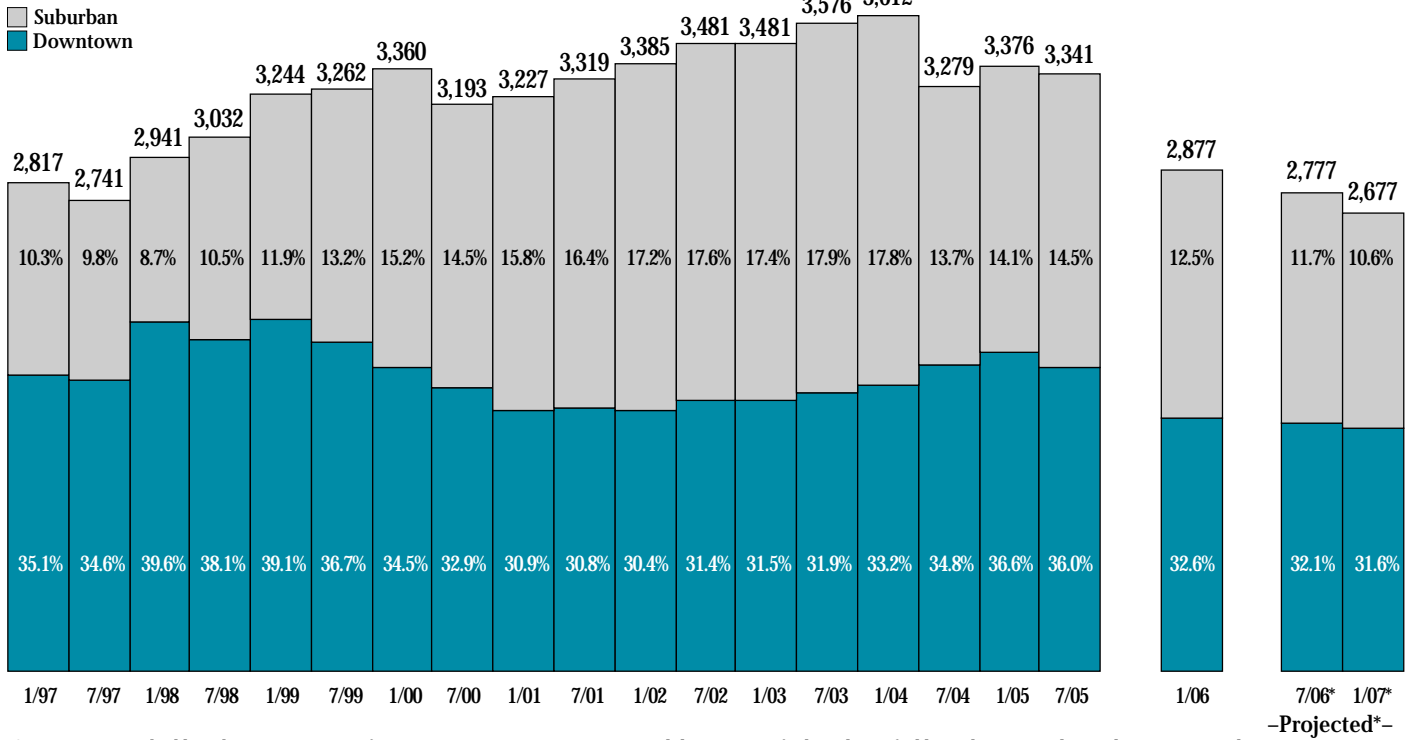


Weighted Average Asking Rent Rates by Submarket



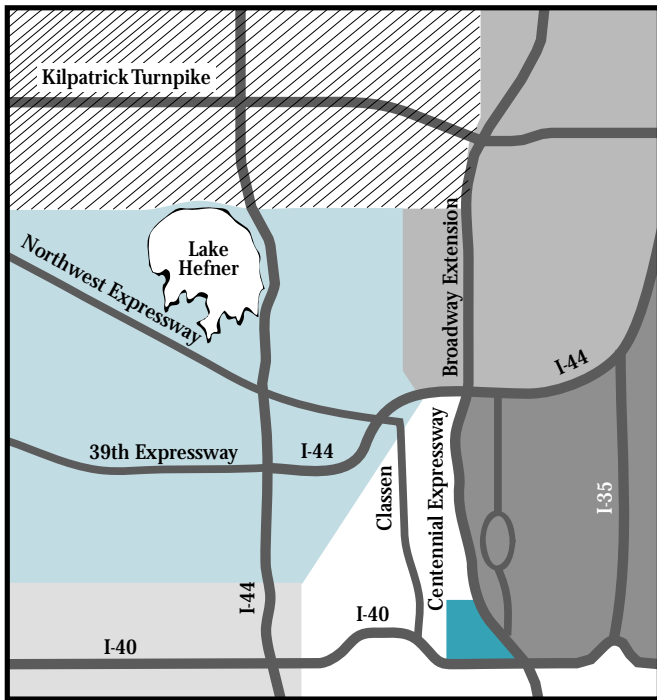
Available Space Trend Six Month Periods

Numbers are in thousands of square feet



*Assuming no new buildings begin construction for occupancy prior to January, 2006, and that 200,000 sf is leased net of additional vacancies during the next 12 months.

Available Space by Submarket January 2006



Key	Submarket	Total Area (sf)	Available (sf)	% Vacancy
	Downtown	5,238,062	1,705,481	32.6%
Suburban				
	Northwest	4,596,758	624,134	13.6%
	North	1,527,197	124,074	8.1%
	West	475,019	99,599	21.0%
	Midtown	1,243,949	128,631	10.3%
	Lincoln Blvd.	613,374	90,769	14.8%
	Memorial	897,531	104,759	11.7%
	Total Suburban	9,353,828	1,171,966	12.5%
	Total Existing	14,591,890	2,877,447	19.7%
	New Construction	0	0	0.0%
	Total Office Space	14,591,890	2,877,447	19.7%



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This is a survey of multi-tenant office buildings with 25,000 square feet or more of rentable space. Single tenant, single user, medical, and government buildings are excluded. Data is gathered from cooperating owners and managers without whose help this survey would be impossible. The information and analysis is compiled using our best efforts but without warranty. This survey is copyright 2006 and may be copied with attribution upon prior request.