



MOffice
Oklahoma City **MARKET**

Summer • 2002

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MARKET CONDITIONS IN SUMMER 2002

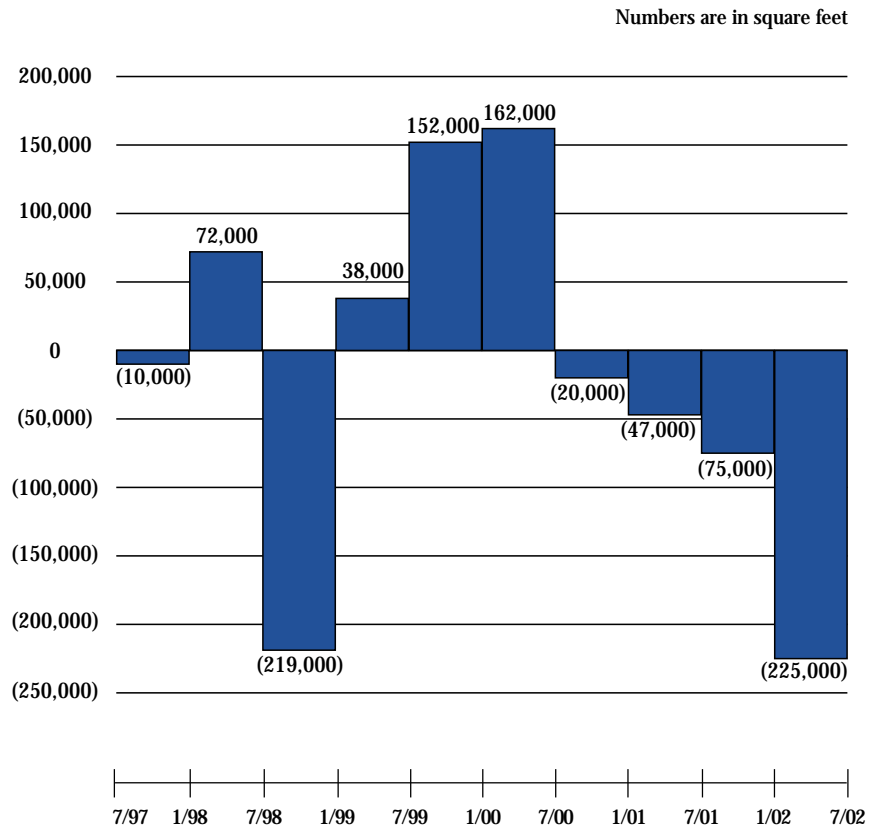
Oklahoma City's office market continues to show the effects of a national economy which has dipped into recession. The first half of 2002 produced overall negative absorption of 225,000 square feet. Although this figure represents less than 1.5% of the overall market, it is the largest 6 month drop in office occupancy in the last 15 years.

The bulk of this loss in occupancy can be attributed to the Hertz Financial Center on the Northwest Expressway, where Hertz has put 170,000 square feet of its own space on the market in the anticipation of its move later this year into its new building north of Quail Springs Corporate Park. Another 20,000 square feet is available for sublease in the building.

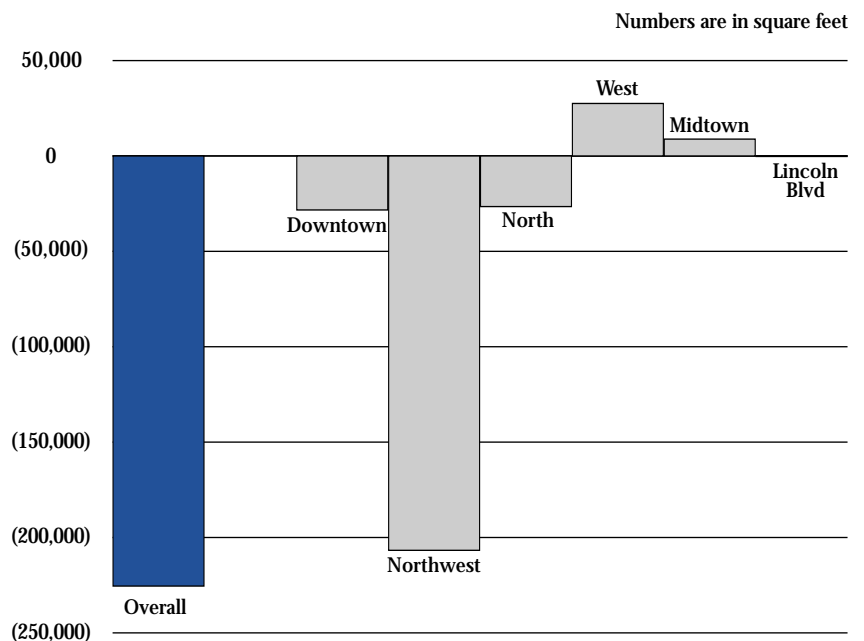
Elsewhere in the Northwest submarket, and in each of the other submarkets, gains and losses were relatively minor. Overall (with the exception of the Hertz vacancy, which is largely attributable to their new construction project), the Oklahoma City office market is relatively stable. Compared with many cities which have seen significant cutbacks in the telecommunications and technology sectors, Oklahoma City is currently faring very well.

Average asking rent rates have remained essentially unchanged in all submarkets. Rates being quoted in the Hertz Financial Center have actually driven the average up in the Northwest Submarket. Elsewhere there have been very few changes either in the amount of space available or in the rent rates being quoted on that space. Average asking rent rates have been generally flat for several years now with minor variations up and down in different submarkets and classes of space reflecting differing mixes of available space. The Downtown submarket is the notable exception, as asking rent rates there have trended upward as occupancy has improved. Although suburban rents are generally softer now than they were a year ago, the change has not been pronounced, and to date we have not seen indications that it will become any more so. What

Overall Absorption Six Month Periods



Submarket Absorption Current Period



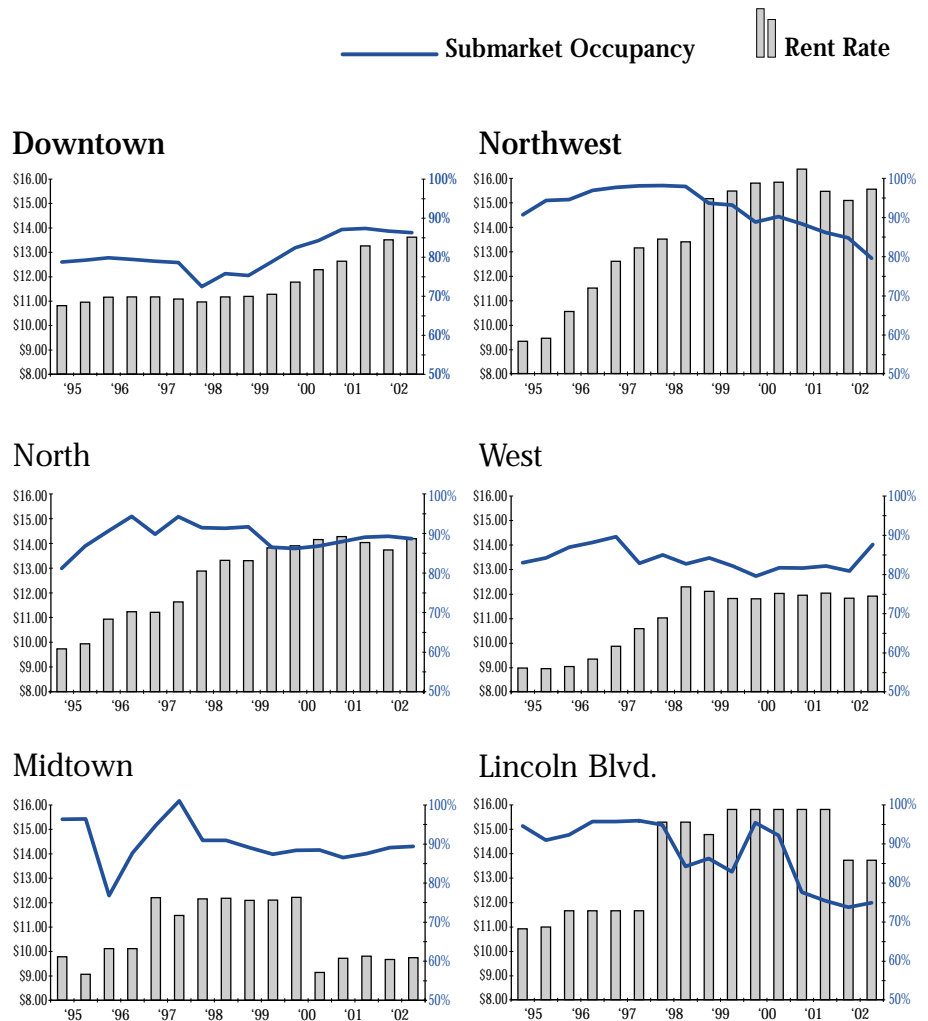
Occupancy & Rent Rate Trends by Submarket

softening has occurred seems to reflect the overall psychology of recession more than it does any significant change in the dynamics of office demand in Oklahoma City. Many tenants whose leases of five years or more are expiring continue to face significant rent increases. In addition, the cost of tenant improvements, which have been absorbed by tenants or deferred in recent years, are now being factored into lease renewal negotiations, and often account for higher rent rates.

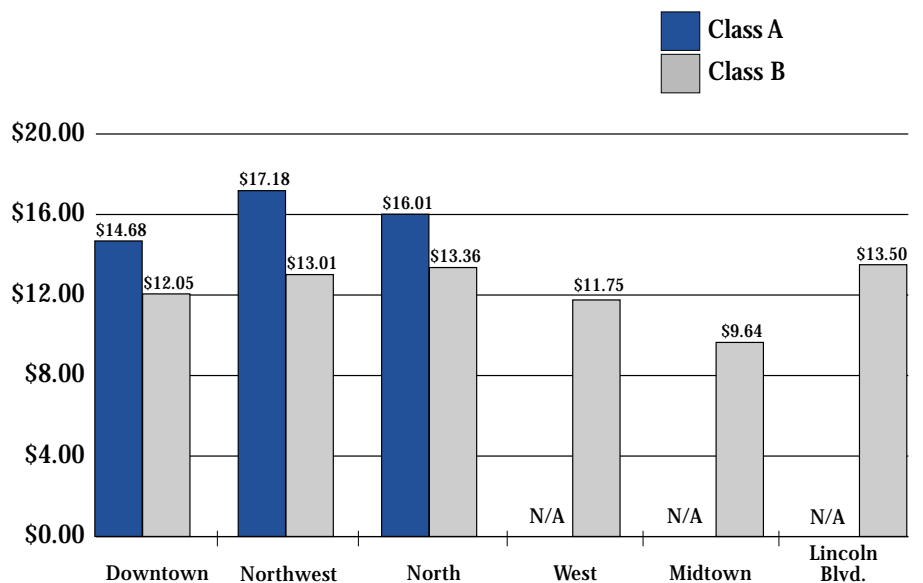
New construction has not been a major factor in the Oklahoma City office market in recent years, but build-to-suit corporate facilities for Hertz, Chesapeake Energy, and Dobson Communications are beginning to show up in the form of vacated space in multi-tenant buildings, and now sublease space in the Dobson corporate facility. Overall, this has not been a significant factor in the City's office market, and the rental cost of new construction is expected to curtail any significant new projects in the foreseeable future.

Office building sales continue to lag as buyers and sellers articulate different conceptions of future market dynamics. Uncertainty about the economy, the direction of the market, and buildings' income streams have led to a large gap between building owners' expectations of value and investors' assessments of realizable returns. The effects of higher operating costs and softening rent rates have been mitigated to some degree, by record low interest rates. For some building owners, refinancing seems a more attractive option than selling in today's market.

Oklahoma City did not enjoy the exuberant economic growth of many larger cities in recent years, but now seems much better positioned to weather the downturn than most other cities. Supply and demand for office space continue to be in relatively good balance overall. We continue to see excellent opportunities for users to make long-term commitments for office space at economical rates and for prudent investors to make carefully considered sound long-term building acquisitions.

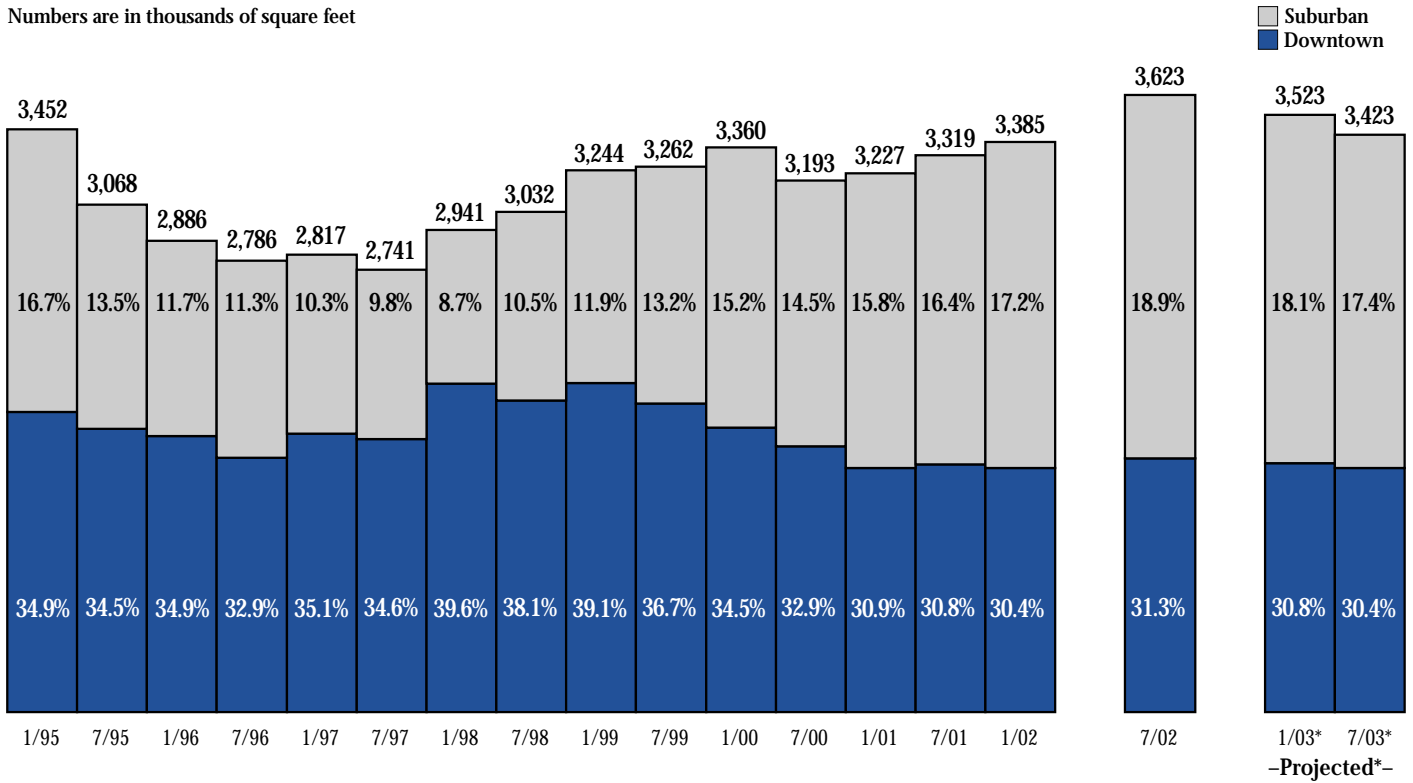


Weighted Average Asking Rent Rates by Submarket



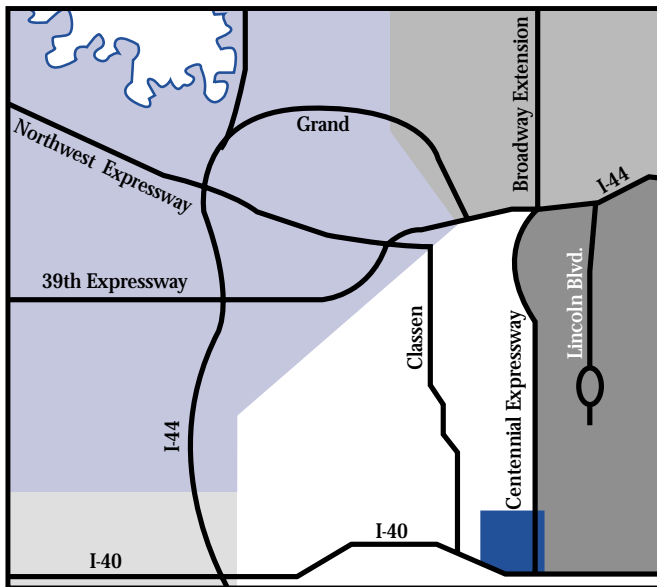
Available Space Trend Six Month Periods

Numbers are in thousands of square feet



*Assuming no new buildings begin construction for occupancy prior to July, 2003, and that 200,000 sf is leased net of additional vacancies during the next 12 months.

Available Space by Submarket July 2002



Key	Submarket	Total Area (sf)	Available (sf)	% Vacancy
■	Downtown	5,707,039	1,784,618	31.3%
Suburban				
■	Northwest	5,581,390	1,247,379	22.3%
■	North	1,586,126	193,463	12.2%
■	West	579,553	72,182	12.5%
■	Midtown	1,366,280	247,829	18.1%
■	Lincoln Blvd.	613,374	78,213	12.8%
Total Suburban		9,726,723	1,839,066	18.9%
Total Existing		15,433,762	3,623,684	23.5%
Total Construction		0	0	0.0%
Total Office Space		15,433,762	3,623,684	23.5%



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