



M Office
Oklahoma City **MARKET**

Summer • 2004

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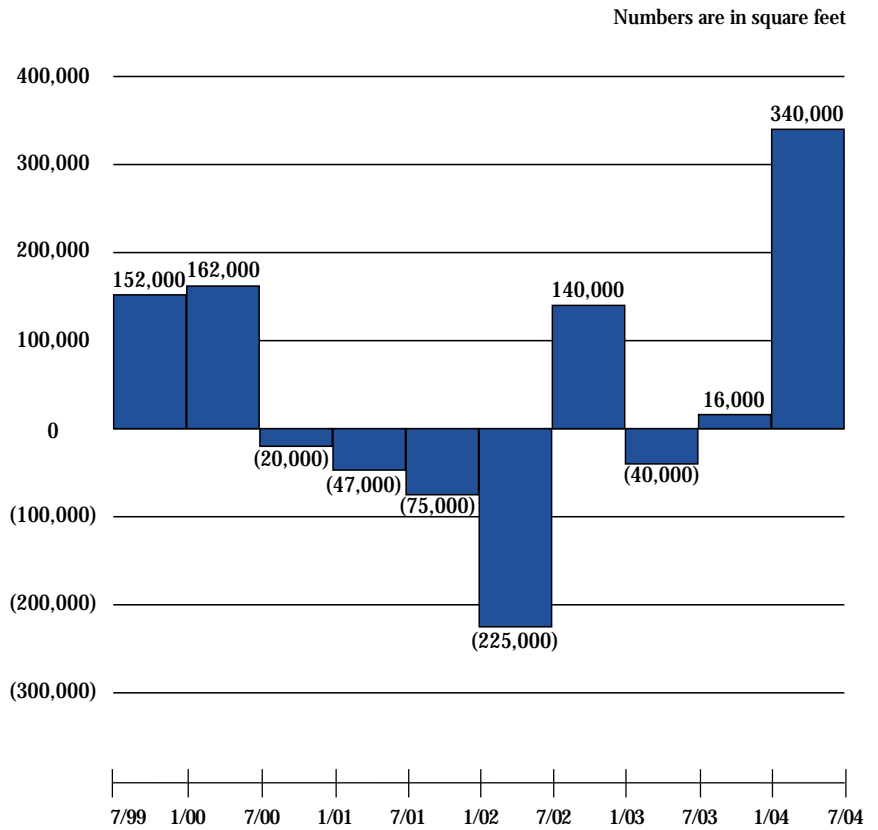
MARKET CONDITIONS IN OKLAHOMA CITY, SUMMER 2004

Oklahoma City's office market showed remarkable strength in the first half of 2004, with net absorption topping 340,000 square feet, and suburban occupancy increasing by 4.1%. A combination of strong leasing activity and a reduction in supply due to the conversion of two buildings to alternative uses, produced the largest improvement in overall occupancy in nine years.

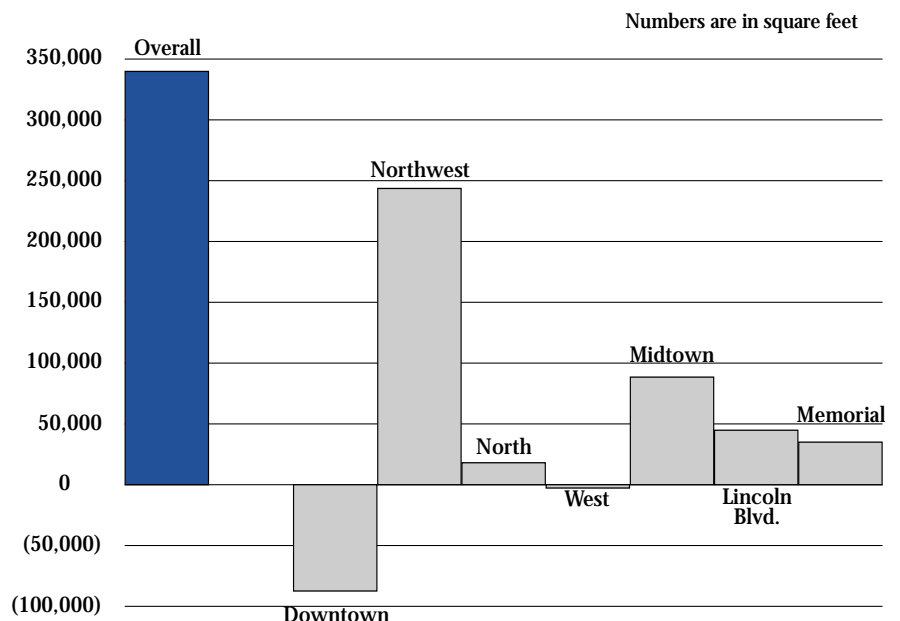
The suburban vacancy rate is now at 13.7%, its lowest level since July, 1999. Most of the leasing activity occurred in the Northwest submarket, with 244,000 square feet absorbed, including 67,000 square feet being converted to medical offices at Four Corporate Plaza (now Candlewood Medical Plaza) and therefore removed from our survey. Other significant deals included Dell Computer's 63,000 square feet at Hertz Financial Center, and American Mercury Insurance with 47,000 square feet at 7301 Northwest Expressway. A large number of smaller deals, many associated with the healthcare and oil and gas industries, produced smaller gains in the North, Lincoln Boulevard, and Memorial submarkets. Citizen's Tower, in the Midtown submarket, is being converted to residential use, resulting in a supply reduction of 88,000 square feet. Currently, the North, Midtown, and Memorial submarkets enjoy vacancy rates below 10%.

The downtown submarket lost ground by 87,000 square feet over the last six months, reflecting several moves from surveyed buildings into non-surveyed buildings (such as the Downtown College Consortium from First National Center into the new Library). Although the overall vacancy rate is up to 34.8%, this number is misleading, because of the large amount of non-competitive class C space. Vacancies in class A and B buildings currently stand at 21.3%.

Overall Absorption Six Month Periods



Submarket Absorption Current Period

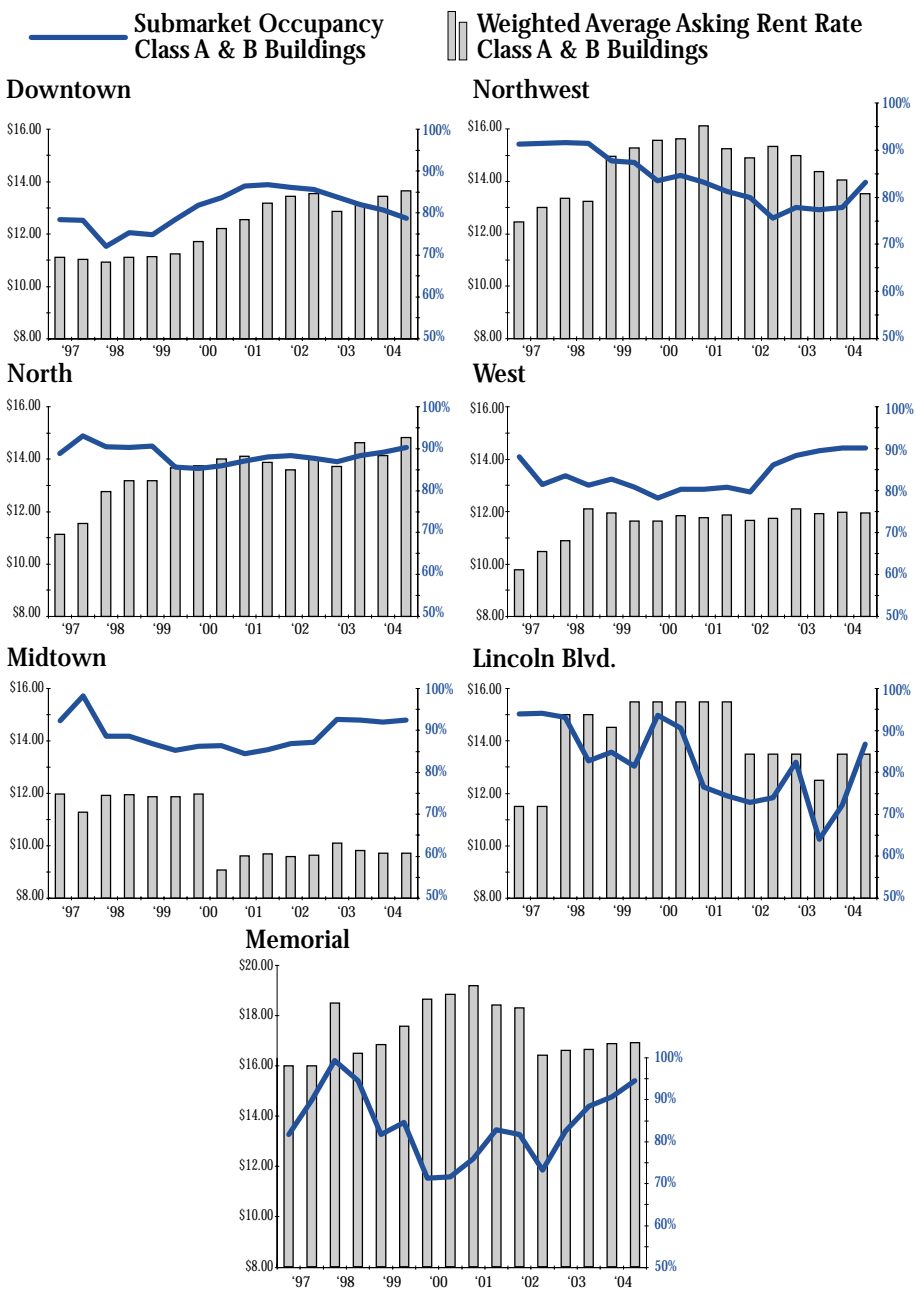


Occupancy & Rent Rate Trends by Submarket

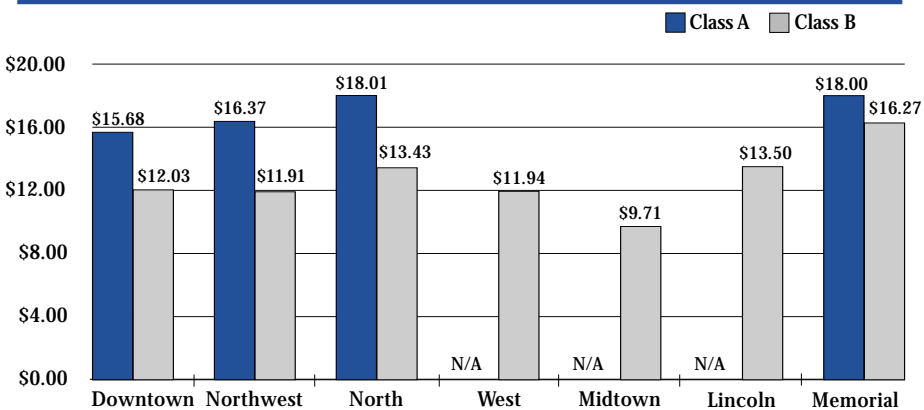
Weighted average asking rent rates have not changed materially since our last survey, or for that matter, for the past two years. What is notable is that negotiated lease rates cover a wide range, both higher and lower than the averages shown on the accompanying graphs. This range reflects a wide range of quality available in the marketplace as well as the range of construction requirements of different tenants in different spaces. Rent rates vary from building to building (and often within a building, depending on the interior finish, lease term, and other factors) and the mix of available space affects the averages. Nevertheless, these have not changed significantly for several years. With improved occupancies and higher energy costs, we may begin to see higher rent rates during the next year.

Investment sales have been exceptionally robust during the first half of the year. Eight buildings on our survey changed hands, the largest number and dollar volume since 2001. Fueled by a scarcity of good investment alternatives and a motivation to defer taxes through 1031 exchanges, investors have been willing to pay historically high prices for buildings which in some cases are not well occupied and in other cases have readily predictable income streams. With continued uncertainty in the stock and bond markets, real estate continues to be a very desirable asset class, 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 (but more gradual) improvement in occupancy levels and rent rates during the next year or two. Downtown is likely to show more strength as the suburbs tighten up, and as the fruits of the MAPS projects and other private investments continue to ripen.

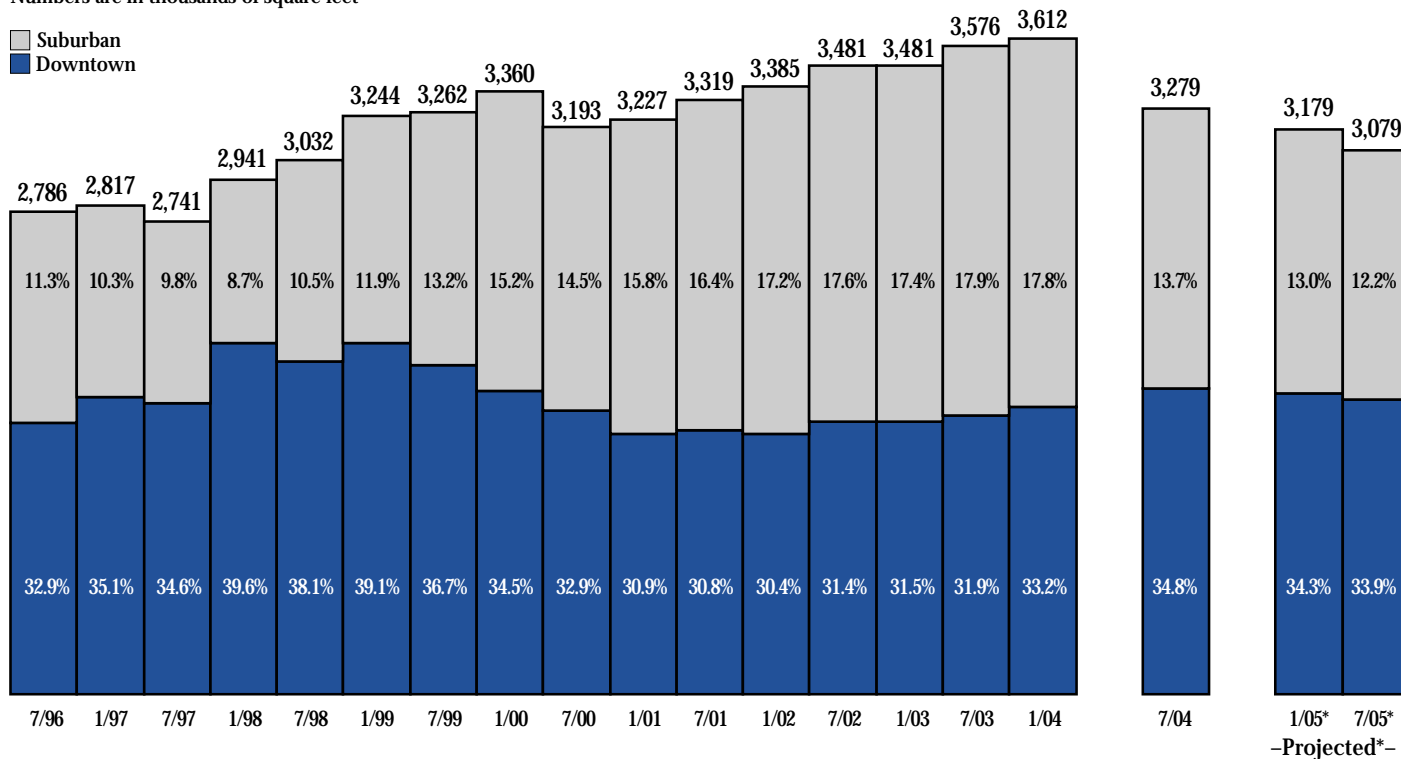


Weighted Average Asking Rent Rates by Submarket



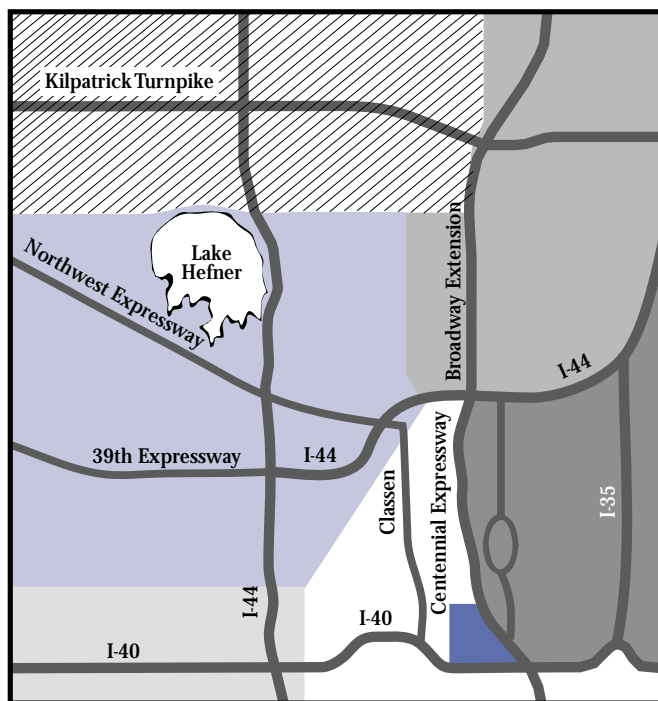
Available Space Trend Six Month Periods

Numbers are in thousands of square feet



*Assuming no new buildings begin construction for occupancy prior to January, 2004, and that 200,000 sf is leased net of additional vacancies during the next 12 months.

Available Space by Submarket July 2004



Key	Submarket	Total Area (sf)	Available (sf)	% Vacancy
[Dark Blue]	Downtown	5,604,631	1,949,913	34.8%
Suburban				
[Light Blue]	Northwest	4,818,589	870,829	18.1%
[Light Gray]	North	1,530,049	151,640	9.9%
[White]	West	579,553	65,027	11.2%
[Light Blue-Gray]	Midtown	1,243,949	108,510	8.7%
[Dark Gray]	Lincoln Blvd.	613,374	91,658	14.9%
[Diagonal Lines]	Memorial	900,181	41,710	4.6%
	Total Suburban	9,685,695	1,329,374	13.7%
	Total Existing	15,290,326	3,279,287	21.4%
	New Construction	0	0	0.0%
	Total Office Space	15,290,326	3,279,287	21.4%



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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 2004 and may be copied with attribution upon prior request.