

MARKETBEAT AUSTIN INDUSTRIAL REPORT

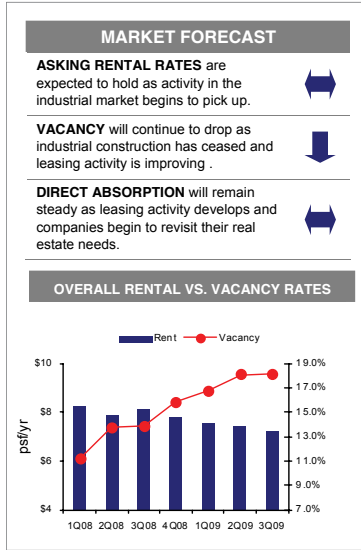


Excerpts from *The Third Quarter 2009 Austin Industrial Report* by Cushman Wakefield

Overview

During the third quarter of 2009, the Austin industrial market experienced 324,353 square feet (sf) of positive direct absorption, a big improvement over the 117,951 sf of negative absorption the market felt last quarter and the 368,477 sf of negative absorption felt in the first quarter. This is the first time in a year the Austin industrial market has experienced positive absorption. The 218,707 sf of positive absorption the Southeast submarket felt, due in large part to the 75,000 sf lease signed by the Department of Veterans Affairs, was a major contributor to this growth. Across all submarkets, each felt positive absorption except the Northwest with 38,429 sf of negative absorption and the Southwest with 14,180 sf of negative absorption.

The overall vacancy rate for industrial product dropped to 18.2% during the third quarter of 2009. This is a slight decrease from where the overall vacancy rate stood at 18.8% last quarter. The decline in vacancy can be attributed to several significant leases signed this quarter such as Chip Semiconductor's 25,000 sf lease in the Northeast submarket and the Department of Veterans Affairs' 75,000 sf lease in the Southeast submarket. Across all product types, the Southeast submarket possesses the



highest overall vacancy rate at 26.5%. Overall, the warehouse/distribution product vacancy rate stands at 26.3%, while the R&D/flex product vacancy rate stands at 14.0%.

The Austin industrial market experienced a fall in the overall average triple net asking rental rate for all three industrial product types compared to last quarter. The overall average asking rental rate for R&D/flex product dropped \$0.24 psf to \$8.88 psf and the warehouse/distribution product is down \$0.24 psf to \$5.88 psf. The manufacturing product experienced the biggest drop in overall average rental rate at \$0.36 psf compared to last quarter and stands at \$4.68 psf.

Forecast

Austin currently has no sizable industrial projects under construction and this is the first quarter since the third quarter of 2008 that the Austin industrial market has experienced positive absorption. Considering this, and that rates for all three major industrial products have dropped, vacancy rates are expected to continue to fall throughout the end of the year.

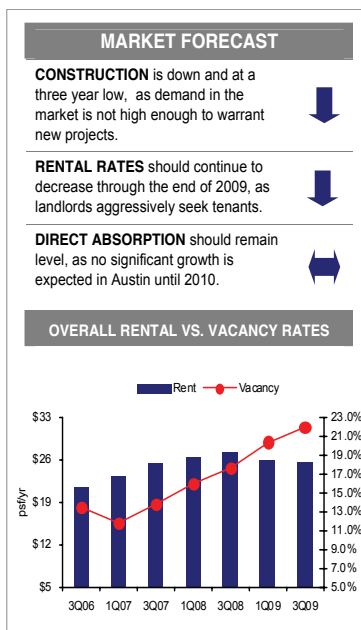
AUSTIN OFFICE REPORT

Excerpts from *The Third Quarter 2009 Austin Office Report* by Cushman Wakefield

Overview

Working towards recovery, the Austin office market experienced an encouraging quarter. Overall vacancy for office space in Austin ended the quarter at 22.0%. This is a 0.7 percentage point increase from last quarter and a 4.4 percentage point increase from last year. The Central submarket saw the largest escalation in overall vacancy with an increase of 18.8 percentage points to 27.3%. This radical jump can be attributed to the completion of three office projects in the Central submarket totaling 329,367 square feet (sf), that are currently just 33.0% occupied. For the first time in two years, the Far Northwest submarket experienced a decrease in overall vacancy, falling 0.3 percentage points to 27%.

After a slight increase last quarter, the overall average full service asking rental rate for the Austin market dropped by \$0.40 per square foot (psf) to \$25.68 psf. The average asking rental rate for class A product in the Austin market is \$27.92 psf, the lowest it has been since year end 2006. For the second straight quarter, the three largest submarkets (the Central Business District (CBD), the Far Northwest, and the Southwest) all experienced a decrease in average asking rental rate for class A product. Landlords are lowering their rental rates and offering attractive rent concession packages in order to compete for the low number of tenants in the market for office space. Many companies in Austin are



choosing to hold off on visiting their real estate needs, due to the uncertainty of their future in a slow economic market.

After a quarter of negative direct absorption, the Austin office market bounced back into positive territory ending the quarter with 10,593 sf of direct absorption. Of all the submarkets, the Central submarket experienced the most absorption with 105,335 sf of direct absorption. The majority of the absorption in the Central submarket can be attributed to Capstar moving into their new space at Capstar at Compass Plaza and Texas Monthly moving into 3400 University Park. However, Capstar and Texas Monthly left the CBD submarket and as a result, the CBD submarket experienced 70,496 sf of negative direct absorption. With 38,803 sf of positive absorption, the Far Northwest submarket experienced the second most absorption of all submarkets.

Forecast

Currently, there is only 75,509 sf of office product under construction in Austin. This is the lowest amount of office product under construction in several years. With the slowdown in office development, it can be expected that vacancy rates will begin to level and eventually decline. With 22% of the office market vacant, Austin is in a good position to grow when the economy rebounds.