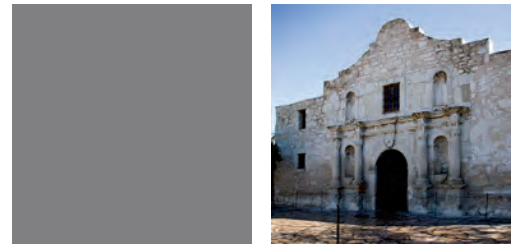


San Antonio Office Report

Second Quarter 2009



TRENDS:

Vacancy Rate



Net Absorption



Construction



Asking Rents



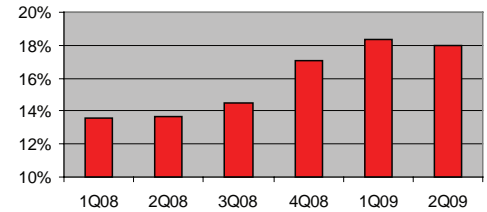
Overview

In response to aggressive development in 2008, the citywide office market vacancy rate shot up to 17.1% at the end of last year. As the national recession pushed into the San Antonio economy and leasing velocity slowed, the citywide office market vacancy rate increased to 18.3% last quarter but healthy activity in the second quarter generated over 232,000 square feet of positive net absorption. The Northwest sector led with several significant leases including Medtronic, Inc. (144,500 sf) to fill the entire new Overlook at the Rim building and Concorde Career College (39,855 sf) at Corporate Square Garden. In addition, the newly completed Oaks at University Park (114,433 sf) project came online 35% occupied by Community First Health Plans. Second quarter gains offset first quarter losses resulting in a year-to-date net increase of 121,094 square feet of positive absorption which slightly improved the citywide vacancy rate to 18.0%. By comparison, vacancy stood at a much healthier 13.9% last year at this time. Higher vacancy has prompted additional incentives and has succeeded in keeping quoted rental rates relatively flat. The citywide average quoted rent rate now stands at \$20.41 per square foot per year on a full-service basis – up less than one percent over-the-year.

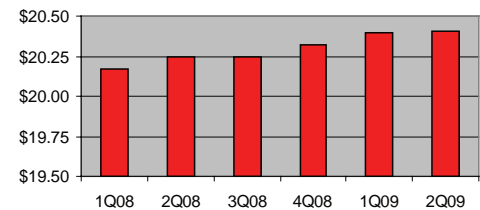
Looking Ahead

Despite lingering economic uncertainties, the San Antonio market has remained more stable than many other areas but it still faces an uphill climb to full recovery. Already challenged with leasing up a considerable amount of new space, the market must also backfill approximately 150,000 square feet yet to be vacated by Tesoro Companies when they empty several North Central locations to consolidate into their new build-to-suit facility at Ridgewood Park next quarter. The road to recovery is made even more complicated by the presence of approximately 788,000 square feet of sublease space now available in the marketplace.

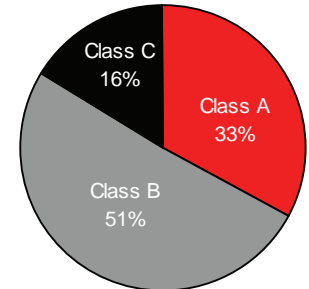
Overall Vacancy (%)



Average Asking Rental Rate



Market Inventory %



Major Lease Transactions

Tenant	Building	Size	Submarket
Medtronic, Inc.	Overlook at the Rim	144,500	Northwest
Concorde Career College	Corporate Square Garden	43,852	Northwest
GSA (US Courts)	Northwest Center	38,919	Northwest
ADP	320 Interpark	25,076	Core North Central
Tesoro Companies, Inc.	Concord Plaza Tower	16,969	Core North Central
Whataburger, Inc.	Highpoint Tower I & II	14,305	Northwest
BBVA Compass Insurance	Northwest Center	12,864	Northwest

*All rents are per SF/per YR unless otherwise noted.

Office Market Snapshot

Second Quarter 2009



CITYWIDE

	2Q 2009	2Q 2008
All Classes		
Inventory	26,421,571	24,740,951
Available	4,751,984	3,435,987
%Vacant	18.0%	13.9%
Average Rent	\$20.41	\$20.24
2Q Absorption	232,445	92,362
YTD Absorption	121,094	198,501
Class A Space		
Inventory	8,735,510	8,025,011
Available	1,244,485	807,950
%Vacant	14.2%	10.1%
Average Rent	\$23.68	\$23.55
2Q Absorption	117,613	(28,259)
YTD Absorption	144,018	24,285
Class B Space		
Inventory	13,382,102	12,591,737
Available	2,511,304	1,861,198
%Vacant	18.8%	14.8%
Average Rent	\$19.67	\$19.34
2Q Absorption	112,675	102,367
YTD Absorption	48,958	148,576
Class C Space		
Inventory	4,303,959	4,124,203
Available	996,195	766,839
%Vacant	23.1%	18.6%
Average Rent	\$16.06	\$16.21
2Q Absorption	2,157	18,254
YTD Absorption	(71,882)	25,640

CENTRAL BUSINESS DISTRICT

	2Q 2009	2Q 2008
All Classes		
Inventory	5,349,820	5,099,555
Available	1,102,543	911,911
%Vacant	20.6%	17.9%
Average Rent	\$18.95	\$19.22
2Q Absorption	(7,168)	50,124
YTD Absorption	32,154	68,122
Class A Space		
Inventory	1,990,010	1,990,010
Available	335,426	323,390
%Vacant	16.9%	16.3%
Average Rent	\$21.08	\$21.58
2Q Absorption	6,497	(523)
YTD Absorption	22,623	9,490
Class B Space		
Inventory	2,473,874	2,357,630
Available	446,421	362,503
%Vacant	18.0%	15.4%
Average Rent	\$18.19	\$17.87
2Q Absorption	6,335	49,924
YTD Absorption	27,342	59,328
Class C Space		
Inventory	885,936	751,915
Available	320,696	226,018
%Vacant	36.2%	30.1%
Average Rent	\$16.29	\$17.11
2Q Absorption	(20,000)	723
YTD Absorption	(17,811)	(696)

NON-CBD

	2Q 2009	2Q 2008
All Classes		
Inventory	21,071,751	19,641,396
Available	3,649,441	2,524,076
%Vacant	17.3%	12.9%
Average Rent	\$20.78	\$20.50
2Q Absorption	239,613	42,238
YTD Absorption	88,940	130,379
Class A Space		
Inventory	6,745,500	6,035,001
Available	909,059	484,560
%Vacant	13.5%	8.0%
Average Rent	\$24.44	\$24.20
2Q Absorption	111,116	(27,736)
YTD Absorption	121,395	14,795
Class B Space		
Inventory	10,908,228	10,234,107
Available	2,064,883	1,498,695
%Vacant	18.9%	14.6%
Average Rent	\$20.01	\$19.68
2Q Absorption	106,340	52,443
YTD Absorption	21,616	89,248
Class C Space		
Inventory	3,418,023	3,372,288
Available	675,499	540,821
%Vacant	19.8%	16.0%
Average Rent	\$16.00	\$16.00
2Q Absorption	22,157	17,531
YTD Absorption	(54,071)	26,336

Statistical Information is calculated for all multi-tenant office buildings 20,000 sq. ft. and larger (excluding Single-Tenant, Owner-Occupied, Government and Medical Buildings). Average Rental Rates reflect asking rental rates quoted on an annual basis for full service. Individual building rates are weighted by the total rentable square footage of the building.

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