

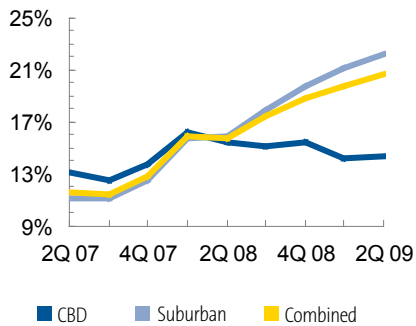
Office Trends Report—Second Quarter 2009

Austin, TX



Vacancy Rate

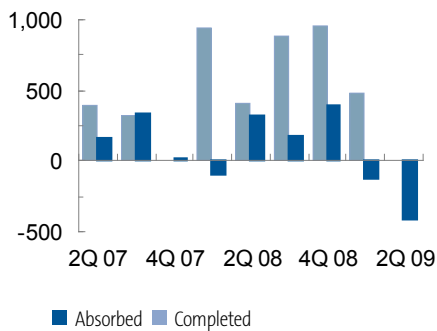
Quarterly



Negative absorption struck the Austin office market in the second quarter of 2009 as slower job growth materialized in the form of reduced demand for office space citywide. Reflecting a continued slowdown in the local market, citywide vacancy reached its highest level since the first quarter of 2004, while sublease space available reached highs not seen since the fourth quarter of 2003.

Completion vs. Absorption

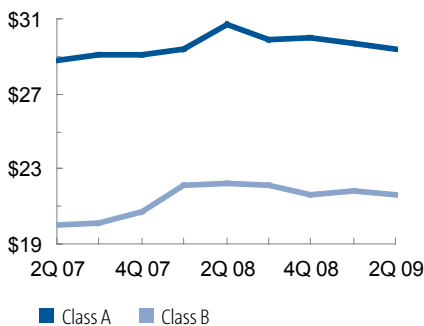
Quarterly (in Thousands of SF)



Red ink struck the Austin office leasing market in the second quarter of 2009, as negative net absorption of 411,794 square feet was registered citywide. This marked the second straight quarter of red absorption ink in the Austin market, the first such streak recorded since 2002. With citywide negative absorption at its highest total in seven years, overall vacancy in the Austin office market shot higher by 100 basis points in the second quarter, reaching 20.7 percent. While construction completions accounted for a large percentage of the jump in vacancy during the previous 12 months leading up to the first quarter of 2009, negative net absorption was the primary culprit behind the sharp increase in vacancy during the second quarter of this year.

Asking Rental Rates

Quarterly (\$/SF/Yr. Full Service)



Ignoring the increasingly strained leasing market, overall full-service asking rents declined just \$0.09 to \$26.61 per square foot in the second quarter. This drop of less than one half of one percent indicates that many landlords are still hesitant to lower quoted asking rates, even as effective rents on executed leases continue to drop thanks to free rent and a variety of other concessions. Perhaps lending support to citywide asking rates, the abundance of new construction deliveries within the past year has played a large part in keeping asking rental rates level. However, the construction pipeline finally dried up in the second quarter of 2009, following five straight quarters of large space deliveries totaling nearly 3.7 million new square feet of speculative space throughout the city. The construction boom will certainly grind to a halt during the second half of 2009 as more than 92 percent of the 438,676 square feet currently under construction is projected to hit the market by year end.

FORECAST

- As remaining projects under construction deliver throughout the second half of 2009, citywide vacancy will likely reach 21 percent.
- As a result of weakening job growth and reduced demand for office space, future quarters may test the previous citywide vacancy high of 23.2 percent, reached in the fourth quarter of 2002.
- An estimated 23,000 new office jobs filling nearly 4.5 million square feet of space will be required in coming years for the citywide office market to return to a tolerable equilibrium of 10 percent.

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GRUBB & ELLIS
From Insight to Results

By Submarket	Total SF	Vacant SF	VACANCY %		NET ABSORPTION		Under Construction SF	ASKING RENT	
			Direct	Total	Current	Year To Date		Class A	Class B
CBD	8,673,984	1,248,675	12.9%	14.4%	2,515	24,360	35,000	\$34.15	\$27.44
CBD Total	8,673,984	1,248,675	12.9%	14.4%	2,515	24,360	35,000	\$34.15	\$27.44
Central	2,738,496	390,759	13.6%	14.3%	(5,373)	(62,466)	161,367	\$28.98	\$19.53
East	297,990	48,958	16.4%	16.4%	24,119	26,595	-	-	\$16.09
Far Northwest	1,022,986	523,903	51.2%	51.2%	(39,685)	(36,772)	-	\$26.51	\$19.13
Georgetown	27,636	-	-	-	-	-	-	-	-
North	2,907,665	701,558	20.8%	24.1%	(79,782)	(39,062)	75,509	\$27.89	\$19.89
Northeast	1,556,422	357,377	22.8%	23.0%	(73,256)	(74,107)	-	\$17.00	\$18.37
Northwest	11,288,985	2,386,467	19.9%	21.1%	(176,711)	(240,901)	-	\$28.37	\$22.64
Round Rock	1,920,872	942,216	46.7%	49.1%	5,914	(45,001)	-	\$28.02	\$20.91
South	3,213,742	285,677	5.1%	8.9%	(31,627)	(51,937)	-	\$30.12	\$18.33
Southeast	1,123,825	174,597	15.5%	15.5%	(9,504)	89,989	-	\$22.00	\$17.41
Southwest	6,966,394	1,614,811	18.7%	23.2%	(32,492)	(92,153)	-	\$29.76	\$23.64
West Central	440,589	49,549	9.4%	11.2%	4,088	(37,965)	167,000	\$33.72	\$26.47
Suburban Total	33,505,602	7,475,872	20.1%	22.3%	(414,309)	(563,780)	403,876	\$28.45	\$20.71
Totals	42,179,586	8,724,547	18.6%	20.7%	(411,794)	(539,420)	438,876	\$29.39	\$21.63

By Class	Total SF	Vacant SF	Direct	Total	Current	Year To Date	Under Construction SF	AVAILABLE FOR SUBLEASE	
								CBD	Suburban
Class A	24,032,672	5,980,437	21.9%	24.9%	(271,625)	(193,578)	438,876	151,492	986,294
Class B	15,234,236	2,321,660	14.2%	15.2%	(112,033)	(258,853)	-	37,467	255,025
Class C	2,912,678	422,450	14.5%	14.5%	(28,136)	(86,989)	-	-	-
Totals	42,179,586	8,724,547	18.6%	20.7%	(411,794)	(539,420)	438,876	188,959	1,241,319

Grubb & Ellis—Austin

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OFFICE TERMS AND DEFINITIONS

Inventory: Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

Office Building Classifications: Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Direct Vacant: This is the vacancy rate in space offered on the market directly by the landlord in single and multi-tenant buildings. This excludes vacant space offered for sublease and vacant space that is not offered on the market, for whatever reason.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Office rents are reported full service where all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted by the amount of available space in the building.

** Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*