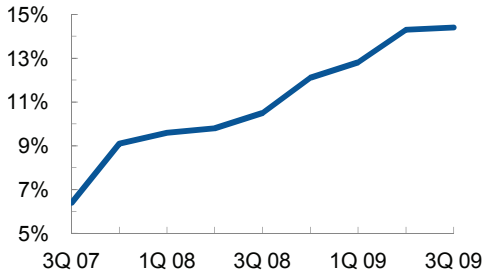
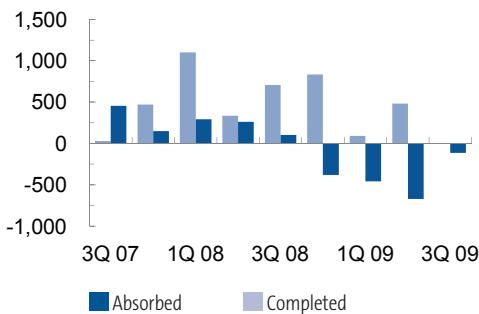


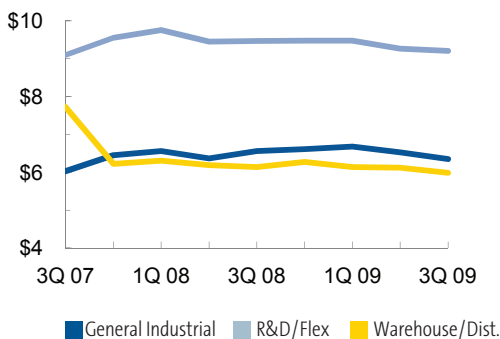
Vacancy Rate
Quarterly



Completions vs. Absorption
Quarterly (in Thousands of SF)



Asking Rental Rates
Quarterly (\$/SF/Yr Triple Net)



Landlords Push Rents Lower as Vacancy Climbs to Six-Year High

Even though Austin has fared better than many parts of the nation by posting modest job losses over the last year, the area has not been immune to the downturn. During the third quarter of 2009, further contraction among industrial tenants pushed the citywide absorption level deeper into the red with 112,750 square feet of negative absorption. A significant chunk of the space returning to the market during the quarter resulted from Dell Financial leaving behind 185,485 square feet of R&D/flex space at Plaza 35 Business Park. This marked the fourth consecutive quarter of negative growth, pushing the year-to-date absorption tally to 1.2 million square feet, its highest level since 2002. The combination of diminished leasing demand, increased supply and corporate consolidations precipitated by the economic recession has led to a growing supply of vacant space over the past year. Austin's citywide vacancy rate has now remained in double digit territory for five consecutive quarters and stands at its highest recorded level since 2003. As a result, landlords have been forced to reduce asking rents in order to attract and retain tenants. Landlords that are in a position to negotiate aggressive agreements may benefit from the fact that many companies are redefining their revenue growth strategies, reorganizing operations, reducing costs and positioning themselves for what many economists project will be a late-2009/early-2010 turnaround for Austin's economy.

FORECAST

- Construction in the Austin area has all but vanished as the tightened credit market and lack of demand has shelved any speculative construction until the market fully recovers.
- Landlords will become increasingly aggressive in negotiations by offering more concessions in order to drive tenant interest amid a sluggish economic recovery.
- The local industrial sales market is expected to remain quiet for the remainder of 2009, though there is a lot of equity on the sidelines waiting for liquidity to return and bargain prices to appear.
- Small owner/user sales will dominate the market, but the number of properties on the market will far outpace available buyers.
- According to IHS Global Insight, Austin will return to prerecession job levels in 2010, which should bode well for the industrial leasing market.

Industrial Trends Report—Third Quarter 2009

Austin, TX



By Submarket	Total SF	Vacant SF	Total Vacancy %	NET ABSORPTION		Under Construction SF	ASKING RENT	
				Current	Year To Date		WH/Dist	R&D/Flex
CBD	708,954	7,600	1.1%	800	16,900	-	-	-
Central	2,811,300	232,755	8.3%	(7,910)	(32,125)	-	\$5.44	\$10.02
East	5,842,756	1,152,137	19.7%	(46,624)	(80,626)	-	\$6.52	\$9.08
Far Northeast	1,090,546	104,200	9.6%	(5,650)	10,988	23,805	\$5.79	\$7.55
Far Northwest	2,234,305	143,637	6.4%	21,800	20,000	-	\$8.00	\$11.00
Georgetown	1,078,625	368,354	34.2%	(19,254)	55,746	58,000	\$4.19	-
North	16,982,852	2,694,422	15.9%	(146,953)	(573,816)	-	\$5.92	\$8.93
Northeast	11,394,638	1,663,484	14.6%	43,031	(348,273)	-	\$6.15	\$7.63
Northwest	4,878,433	191,876	3.9%	32,338	36,575	-	\$6.33	\$10.77
Round Rock	5,565,002	1,185,229	21.3%	1,847	(74,798)	-	\$6.54	\$10.76
South	4,000,973	303,302	7.6%	712	(59,576)	-	\$5.99	\$6.28
Southeast	13,033,317	2,430,374	18.6%	6,863	(193,883)	-	\$6.11	\$9.57
Southwest	3,215,486	36,058	1.1%	6,250	(18,258)	-	\$9.90	\$13.20
West Central	100,512	17,067	17.0%	-	-	-	-	\$10.00
Totals	72,937,699	10,530,495	14.4%	(112,750)	(1,241,146)	81,805	\$5.99	\$9.21

By Property Type	Total SF	Vacant SF	Total Vacancy %	NET ABSORPTION		Under Construction SF	ASKING RENT	
				Current	Year To Date		WH/Dist	R&D/Flex
General Industrial	23,613,668	1,046,174	4.4%	(38,151)	(244,285)	58,000	\$6.35	
R&D/Flex	20,991,761	4,154,033	19.8%	(62,293)	(279,063)	11,250	\$9.21	
Warehouse/Distribution	28,332,270	5,330,288	18.8%	(12,306)	(717,798)	12,555	\$5.99	
Totals	72,937,699	10,530,495	14.4%	(112,750)	(1,241,146)	81,805	\$7.10	

Grubb & Ellis—Austin

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INDUSTRIAL TERMS AND DEFINITIONS

Inventory: Industrial inventory includes all multi-tenant, single tenant and owner occupied buildings at least 20,000 square feet.

Industrial Buildings Classifications: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

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.

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. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighed 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.*