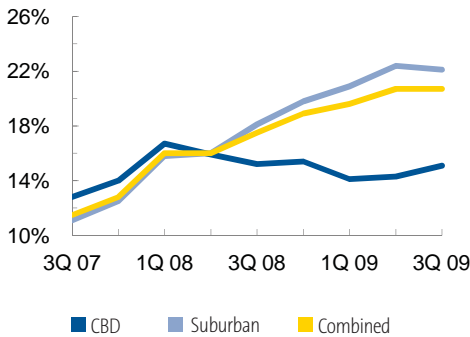


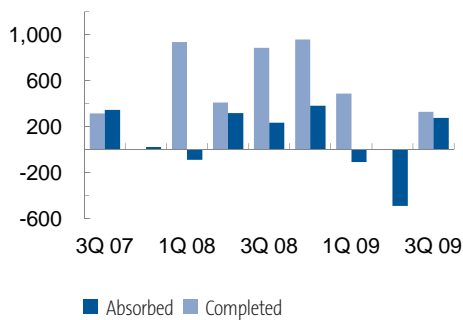
Vacancy Rate

Quarterly



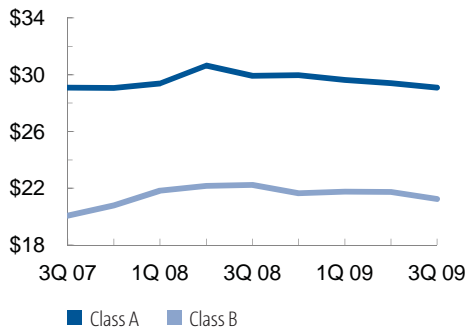
Completion vs. Absorption

Quarterly (in Thousands of SF)



Asking Rental Rates

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



Space Deliveries Push Absorption into Positive Territory

Austin's office leasing market showed signs of a recovery during the third quarter with 276,140 square feet of positive net absorption, after posting nearly 600,000 square feet of negative growth during the first-half of 2009. The Class A sector exhibited the majority of the quarterly growth with 419,822 square feet of positive net absorption as nearly half of the occupancy gains occurred within office buildings that delivered during the third quarter. As a result, the quarterly performance helped to move the year-to-date absorption tally into positive territory for Class A buildings. Meanwhile, the Class B sector continued to struggle by posting its fourth consecutive quarter of negative absorption with 145,469 square feet, pushing the year-to-date total deeper into the red with 405,537 square feet.

Although the local office market managed to post positive absorption gains during the third quarter, construction completions kept the overall vacancy rate level at 20.7 percent. While this provides a glimmer of positive news to area landlords that the vacancy may be stabilizing, the office leasing market is not out of the woods yet as the national economy is still struggling to regain its footing. Although leasing activity is expected to pick up as businesses begin to revisit their real estate needs in the months ahead, asking and effective rental rates are expected to further decline before they reach bottom sometime late in 2010 or early in 2011. As the shift from tenant to landlord-controlled space occurs throughout the next 12 months, the decline in rents will primarily take place in Class A buildings where 81 percent of the sublease space exists, as landlords feel increased pressure to fill the excess amount of direct vacancies. The erosion in net operating incomes during this period will put additional pressure on owners who are struggling to refinance their loans in tight capital markets.

FORECAST

- Landlords will become more aggressive in negotiations by offering more concessions in order to retain and entice tenants amid challenging economic conditions.
- The local office investment sales market is expected to be sluggish 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.
- According to IHS Global Insight, Austin will return to prerecession job levels in 2010, which should bode well for the office leasing market.

Office Trends Report—Second Quarter 2009

Austin, TX



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	1,305,979	13.5%	15.1%	(68,473)	(38,778)	35,000	\$34.06	\$27.45
CBD Total	8,673,984	1,305,979	13.5%	15.1%	(68,473)	(38,778)	35,000	\$34.06	\$27.45
Central	2,899,863	554,944	18.5%	19.1%	4,658	(65,284)	-	\$27.77	\$19.31
East	297,990	43,971	14.8%	14.8%	4,987	31,582	-	-	\$16.09
Far Northwest	1,022,986	630,308	61.6%	61.6%	(106,405)	(143,177)	-	\$26.18	\$22.60
Georgetown	27,636	-	-	-	-	-	-	-	-
North	2,907,665	577,757	15.9%	19.9%	122,139	98,107	75,509	\$28.36	\$18.81
Northeast	1,556,422	336,767	21.2%	21.6%	9,310	(53,497)	-	\$17.00	\$18.38
Northwest	11,288,985	2,435,618	20.3%	21.6%	(71,532)	(302,052)	-	\$28.23	\$21.55
Round Rock	1,920,872	847,249	43.8%	44.1%	99,770	49,966	-	\$28.08	\$21.94
South	3,213,742	289,492	5.3%	9.0%	(3,815)	(55,752)	-	\$30.23	\$18.71
Southeast	1,123,825	141,467	12.2%	12.6%	3,293	89,682	-	\$22.00	\$16.69
Southwest	6,966,394	1,571,741	19.5%	22.6%	127,288	(51,336)	-	\$29.17	\$23.00
West Central	607,589	61,629	9.9%	10.1%	154,920	116,955	-	\$32.26	\$27.62
Suburban Total	33,833,969	7,490,943	20.3%	22.1%	344,613	(284,806)	75,509	\$28.18	\$20.39
Totals	42,507,953	8,796,922	18.9%	20.7%	276,140	(323,584)	110,509	\$29.10	\$21.25

By Class	AVAILABLE FOR SUBLEASE								
								CBD	Suburban
Class A	24,361,039	5,927,237	21.7%	24.3%	419,822	167,155	110,509	213,911	930,070
Class B	15,234,236	2,482,459	15.6%	16.3%	(145,469)	(405,537)	-	26,816	222,721
Class C	2,912,678	387,226	12.9%	13.3%	1,787	(85,202)	-	11,468	1,050
Totals	42,507,953	8,796,922	18.9%	20.7%	276,140	(323,584)	110,509	252,195	1,153,841

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.