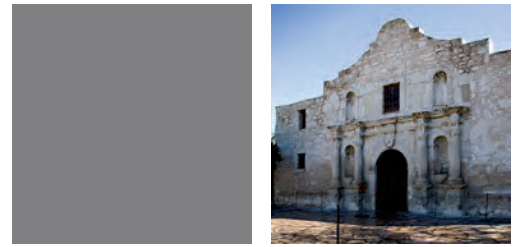


San Antonio Industrial Report

Fourth Quarter 2009



TRENDS:

Vacancy Rate



Net Absorption



Construction



Asking Rents



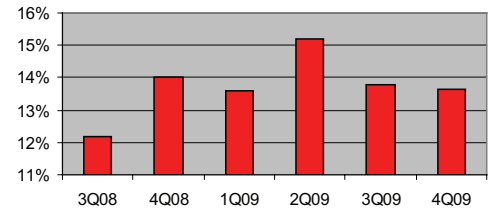
Overview

The economy persists in playing a major role in the overall slowdown of the San Antonio commercial real estate environment but the industrial market ended the year on a positive note. Leasing activity in the fourth quarter resulted in 36,333 square feet of positive net absorption led by gains in the Distribution/Warehouse sector which has benefited to some degree by demand from suppliers who are servicing local military construction projects. Fourth quarter gains raised the annual absorption total to 154,762 square feet which, in turn, improved the citywide direct vacancy rate to 13.6% - down slightly from 13.8% posted a year ago.

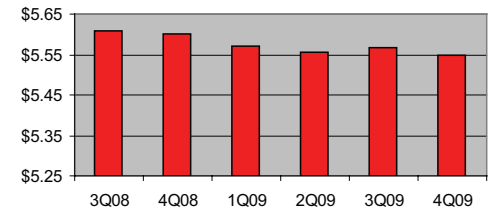
New construction ceased after delivering 315,000 square feet of new industrial space early in the year but the ground work for the Shelby Building located on the city's South side near the Toyota plant has been completed and the slab is ready to be poured the moment a tenant is secured. In the meantime, tenants are slowly leasing up some of the 2.9 million square feet delivered in 2007-2008. Graybar Electric, for example, expanded into 46,200 square feet at City Park East Distribution Center Building E, GVH/Millennium Distribution took down 52,800 square feet at Eisenhower 35 Distribution Center Building 7 and Frank Supply Co. is moving into 27,964 square feet at Tri-County Distribution Center V.

Compared to historical norms, demand has declined, especially for Service Center/Flex space, which has resulted in decreased asking rental rates and prompted many landlords to offer more concessions. The average quoted triple net rental rate for all property types citywide retracted to \$5.55 per square foot per year – down two cents from last quarter and five cents compared to a year ago – an annual decline of nearly one percent. The leverage pendulum will likely remain in the tenant's favor through much of 2010.

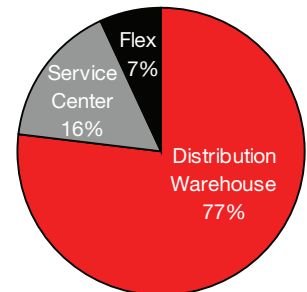
Overall Vacancy (%)



Average Asking Rental Rate



Market Inventory %



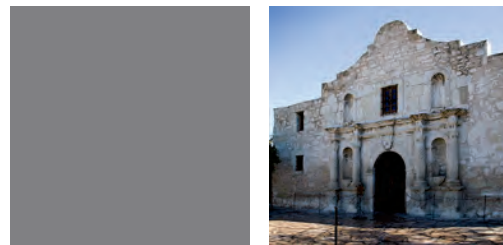
Major Lease Transactions

Tenant	Building	Size	Submarket
AFMCO / EG&G	Port San Antonio, Bldg 1534	247,520	South
Gore Designs	Port San Antonio, Bldg 1420	80,165	South
Toyota Motor Manufacturing	4320 I-35 N	102,763	Northeast
Toyota Tsusho America	1235 Gemblar	72,450	Northeast
GVH/Millennium Distribution	Eisenhower 35, Bldg 7	52,800	Northeast
Graybar Electric	City Park East Distribution, E	46,200	Northeast

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

Industrial Market Snapshot

Fourth Quarter 2009



CITYWIDE

	4Q 2009	4Q 2008
All Property Types		
Inventory	30,650,023	30,767,427
Available	4,178,916	4,237,191
%Vacant	13.6%	13.8%
Average Rent	\$5.55	\$5.60
4Q Absorption	36,333	(182,787)
YTD Absorption	154,762	716,974
Distribution / Warehouse		
Inventory	23,607,851	23,844,270
Available	2,931,823	3,270,521
%Vacant	12.4%	13.7%
Average Rent	\$4.44	\$4.43
4Q Absorption	60,085	(149,252)
YTD Absorption	336,244	670,482
Service Center		
Inventory	4,874,535	4,810,567
Available	857,954	638,160
%Vacant	17.6%	13.3%
Average Rent	\$8.09	\$8.33
4Q Absorption	(29,062)	(12,021)
YTD Absorption	(164,903)	45,364
Flex		
Inventory	2,167,637	2,112,590
Available	389,139	328,510
%Vacant	18.0%	15.6%
Average Rent	\$11.92	\$12.51
4Q Absorption	5,310	(21,514)
YTD Absorption	(16,579)	1,128
Service Center/Flex Combined		
Inventory	7,042,172	6,923,157
Available	1,247,093	966,670
%Vacant	17.7%	14.0%
Average Rent	\$9.27	\$9.60
4Q Absorption	(23,752)	(33,535)
YTD Absorption	(181,482)	46,492

CENTRAL BUSINESS DISTRICT

	4Q 2009	4Q 2008
All Property Types		
Inventory	262,509	262,509
Available	54,388	25,840
%Vacant	20.7%	9.8%
Average Rent	\$3.26	\$3.26
4Q Absorption	0	0
YTD Absorption	(28,548)	0
Distribution / Warehouse		
Inventory	262,509	262,509
Available	54,388	25,840
%Vacant	20.7%	9.8%
Average Rent	\$3.26	\$3.26
4Q Absorption	0	0
YTD Absorption	(28,548)	0
Service Center		
Inventory	0	0
Available	0	0
%Vacant	0	0
Average Rent	0	0
4Q Absorption	0	0
YTD Absorption	0	0
Flex		
Inventory	0	0
Available	0	0
%Vacant	0	0
Average Rent	0	0
4Q Absorption	0	0
YTD Absorption	0	0
Service Center/Flex Combined		
Inventory	0	0
Available	0	0
%Vacant	0	0
Average Rent	0	0
4Q Absorption	0	0
YTD Absorption	0	0

NON-CBD

	4Q 2009	4Q 2008
All Property Types		
Inventory	30,387,514	30,504,918
Available	4,124,528	4,211,351
%Vacant	13.6%	13.8%
Average Rent	\$5.57	\$5.62
4Q Absorption	36,333	(182,787)
YTD Absorption	183,310	716,974
Distribution / Warehouse		
Inventory	23,345,342	23,581,761
Available	2,877,435	3,244,681
%Vacant	12.3%	13.8%
Average Rent	\$4.45	\$4.44
4Q Absorption	60,085	(149,252)
YTD Absorption	364,792	670,482
Service Center		
Inventory	4,874,535	4,810,567
Available	857,954	638,160
%Vacant	17.6%	13.3%
Average Rent	\$8.09	\$8.33
4Q Absorption	(29,062)	(12,021)
YTD Absorption	(164,903)	45,364
Flex		
Inventory	2,167,637	2,112,590
Available	389,139	328,510
%Vacant	18.0%	15.6%
Average Rent	\$11.92	\$12.51
4Q Absorption	5,310	(21,514)
YTD Absorption	(16,579)	1,128
Service Center/Flex Combined		
Inventory	7,042,172	6,923,157
Available	1,247,093	966,670
%Vacant	17.7%	14.0%
Average Rent	\$9.27	\$9.60
4Q Absorption	(23,752)	(33,535)
YTD Absorption	(181,482)	46,492

Statistics based on all multi-tenant industrial facilities 20,000 square foot and larger including qualified Port San Antonio facilities but excluding single-tenant, owner-occupied and government buildings. Average rental rates reflect asking rental rates quoted on a triple net annual basis. Individual building rates are weighted by the total rentable square footage of the building.

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