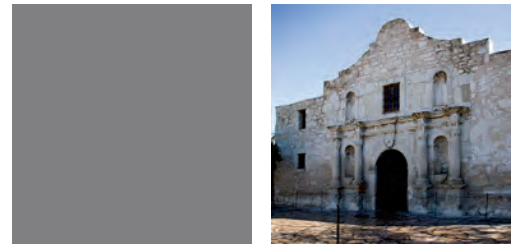


# San Antonio Office Report

Fourth Quarter 2009



## TRENDS:

Vacancy Rate



Net Absorption



Construction



Asking Rents



## Overview

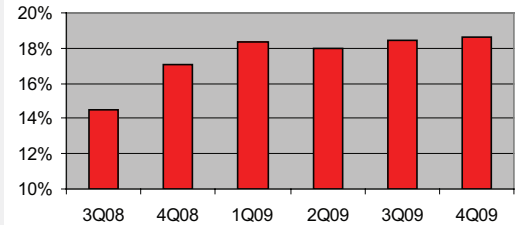
In the midst of economic turbulence, the San Antonio office market ended the year with signs of stabilization. Fourth quarter leasing activity resulted in 27,575 square feet of positive net absorption led by The Arts Institute's lease of 35,317 square feet at Colonial Center. The net result of all office transactions and tenant moves throughout the year led to a remarkably flat net gain of 186 square feet.

Offsetting the small gain, remnants of new construction which was started before the market turned delivered nearly 235,000 square feet of new office inventory in 2009. New supply pushed the citywide direct vacancy rate up to 18.6% - the highest recorded in the past five years. On the positive side, the total amount of available sublease space retracted to less than 629,000 square feet – a reduction of nearly 35,000 square feet compared to the previous quarter. Still, sublease space softened the overall vacancy rate to 21.0%.

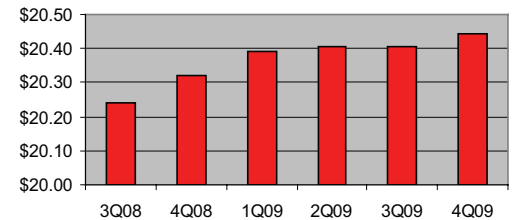
Higher vacancy continues to prompt many landlords to offer significant incentives to attract tenant activity and works to keep quoted rental rates flat. At the close of the fourth quarter, the citywide average quoted rental rate increased slightly to \$20.44 per square foot per year on a full-service basis – up three cents from last quarter and less than one percent over this time last year.

Looking ahead, less than 300,000 square feet of speculative office space is currently under construction and set to come online in 2010 led by the Eilan project consisting of two office buildings totaling nearly 206,000 square feet located at I-10 & La Cantera Parkway. Overall, leasing velocity will remain slow heading into the first quarter but is expected to pick up in the latter part of the year.

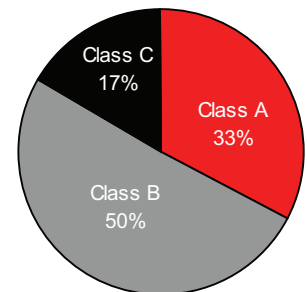
Overall Vacancy (%)



Average Asking Rental Rate



Market Inventory %



## Major Lease Transactions

Tenant	Building	Size	Submarket
GSA	Bank of America Plaza	50,000	Central Business District
Concorde Career College	Corporate Square Garden	39,855	Northwest
Tri-Lin	Edan Professional Bldg	31,134	Core North Central
Vidacare	4350 Lockhill Selma	16,932	Northwest
Winstead PC	Bank of America Plaza	11,246	Central Business District
UTSA	4350 Lockhill Selma	11,168	Northwest
Clear Wireless	Union Square	10,981	Core North Central

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

# Office Market Snapshot

Fourth Quarter 2009



CITYWIDE			CENTRAL BUSINESS DISTRICT			NON-CBD		
	4Q 2009	4Q 2008		4Q 2009	4Q 2008		4Q 2009	4Q 2008
<b>All Classes</b>								
Inventory	26,591,664	25,816,851	Inventory	5,372,920	5,099,555	Inventory	21,218,744	20,717,296
Available	4,953,742	4,402,620	Available	1,163,775	979,504	Available	3,789,967	3,423,116
%Vacant	18.6%	17.1%	%Vacant	21.7%	19.2%	%Vacant	17.9%	16.5%
Average Rent	\$20.44	\$20.32	Average Rent	\$19.08	\$19.16	Average Rent	\$20.79	\$20.61
4Q Absorption	27,575	134,682	4Q Absorption	(59,356)	(57,546)	4Q Absorption	86,931	192,228
YTD Absorption	186	307,768	YTD Absorption	(6,978)	529	YTD Absorption	7,164	307,239
<b>Class A Space</b>								
Inventory	8,737,004	8,735,714	Inventory	1,990,010	1,990,010	Inventory	6,746,994	6,745,704
Available	1,172,783	1,388,503	Available	246,950	358,049	Available	925,833	1,030,454
%Vacant	13.4%	15.9%	%Vacant	12.4%	18.0%	%Vacant	13.7%	15.3%
Average Rent	\$23.73	\$23.55	Average Rent	\$21.05	\$21.58	Average Rent	\$24.52	\$24.13
4Q Absorption	30,902	146,751	4Q Absorption	7,482	(11,432)	4Q Absorption	23,420	158,183
YTD Absorption	215,720	154,435	YTD Absorption	111,099	(25,169)	YTD Absorption	104,621	179,604
<b>Class B Space</b>								
Inventory	13,434,309	12,956,934	Inventory	2,495,974	2,357,630	Inventory	10,938,335	10,599,304
Available	2,642,640	2,204,156	Available	536,046	372,787	Available	2,106,594	1,831,369
%Vacant	19.7%	17.0%	%Vacant	21.5%	15.8%	%Vacant	19.3%	17.3%
Average Rent	\$19.66	\$19.47	Average Rent	\$18.07	\$17.85	Average Rent	\$20.02	\$19.83
4Q Absorption	68,637	20,009	4Q Absorption	(6,755)	(23,464)	4Q Absorption	75,392	43,473
YTD Absorption	(115,528)	170,815	YTD Absorption	(40,183)	49,044	YTD Absorption	(75,345)	121,771
<b>Class C Space</b>								
Inventory	4,420,351	4,124,203	Inventory	886,936	751,915	Inventory	3,533,415	3,372,288
Available	1,138,319	809,961	Available	380,779	248,668	Available	757,540	561,293
%Vacant	25.8%	19.6%	%Vacant	42.9%	33.1%	%Vacant	21.4%	16.6%
Average Rent	\$16.33	\$16.17	Average Rent	\$17.52	\$16.85	Average Rent	\$16.03	\$16.01
4Q Absorption	(71,964)	(32,078)	4Q Absorption	(60,083)	(22,650)	4Q Absorption	(11,881)	(9,428)
YTD Absorption	(100,006)	(17,482)	YTD Absorption	(77,894)	(23,346)	YTD Absorption	(22,112)	5,864

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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