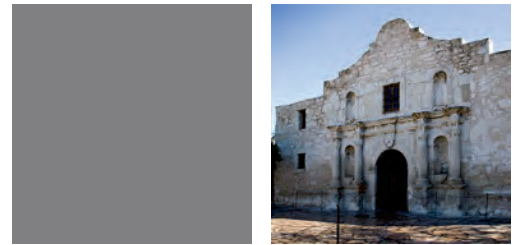


San Antonio Industrial Report

Second Quarter 2009



TRENDS:

Vacancy Rate



Net Absorption



Construction



Asking Rents



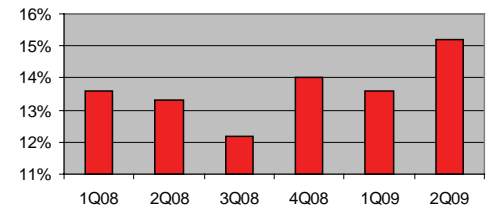
Overview

Tough economic times seem to be keeping San Antonio's industrial sector in low gear. At the close of the second quarter, the citywide average quoted triple net rental rate retreated to \$5.56 per square foot per year – down one cent from last quarter and six cents or 1.1% compared to a year ago. The citywide vacancy rate increased to 15.2% compared to 13.6% last quarter and 13.3% recorded last year at this time. The delivery of East Kelly 3 (275,000 sf) at Port San Antonio factored into the higher vacancy rate but the empty building is not all to blame. Tenants vacating space outweighed new leases signed in the second quarter resulting in 51,043 square feet of negative net absorption.

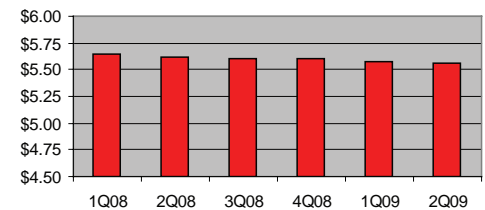
On the positive side, more than 450,000 square feet of new leases and expansions were signed in the second quarter which is up from the 357,000 square feet recorded in the first quarter – an early indication that leasing velocity may be on the upswing. Some of the largest leases reported in the second quarter, however, backfilled sublease space. South Texas Blood & Tissue, for example, subleased 98,400 square feet at Eisenhower 35 Building B and Flooring Services South West subleased 38,951 square feet at Green Mountain Business Park 4. Roughly 430,000 square feet of industrial sublease space is currently available in the marketplace which when combined with direct vacancy pushes the overall citywide vacancy rate up to 16.6%. Investment activity included ProLogis' sale of Industry Park Distribution Center 6 (83,692 sf) to Shweiki Media.

Despite challenging economic conditions, San Antonio economic fundamentals remain relatively strong compared to many other markets. In fact, according to the MetroMonitor report released by the Brookings Institute for the first quarter 2009, San Antonio was ranked at the top of the list of the nation's strongest metro areas.

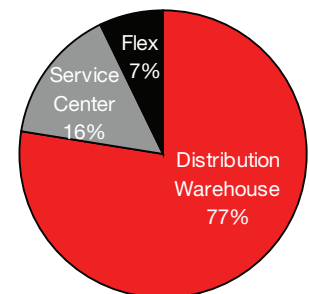
Overall Vacancy (%)



Average Asking Rental Rate



Market Inventory %



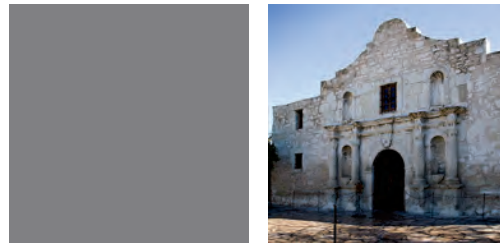
Major Lease Transactions

Tenant	Building	Size	Submarket
South Texas Blood & Tissue	Eisenhower 35, Bldg B	98,400	Northeast
Caremark LLC	Alamo Downs Distribution Ctr	94,600	Northwest
ACS	Port San Antonio - Bldg 43	73,988	South
Hill Country Electric & Supply	Sentinel Business Park	48,078	Core North Central
Keystone Automotive Industries	Rittiman Industrial Park	39,893	Northeast
Cole Hersee	Tri-County Distribution Center II	32,000	Northeast

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

Industrial Market Snapshot

Second Quarter 2009



CITYWIDE

	2Q 2009	2Q 2008
All Property Types		
Inventory	31,169,298	30,392,855
Available	4,733,525	4,040,007
%Vacant	15.2%	13.3%
Average Rent	\$5.56	\$5.62
2Q Absorption	(51,043)	259,383
YTD Absorption	(5,805)	579,576
Distribution / Warehouse		
Inventory	24,119,270	23,538,163
Available	3,509,741	3,131,785
%Vacant	14.6%	13.3%
Average Rent	\$4.39	\$4.40
2Q Absorption	(44,406)	261,300
YTD Absorption	93,380	503,111
Service Center		
Inventory	4,814,140	4,830,977
Available	848,958	646,017
%Vacant	17.6%	13.4%
Average Rent	\$8.24	\$8.42
2Q Absorption	(83,619)	(1,917)
YTD Absorption	(176,167)	57,907
Flex		
Inventory	2,235,888	2,023,715
Available	374,826	262,205
%Vacant	16.8%	13.0%
Average Rent	\$12.36	\$12.66
2Q Absorption	76,982	0
YTD Absorption	76,982	18,558
Service Center/Flex Combined		
Inventory	7,050,028	6,854,692
Available	1,223,784	908,222
%Vacant	17.4%	13.2%
Average Rent	\$9.55	\$9.71
2Q Absorption	(6,637)	(1,917)
YTD Absorption	(99,185)	76,465

CENTRAL BUSINESS DISTRICT

	2Q 2009	2Q 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
2Q 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
2Q Absorption	0	0
YTD Absorption	(28,548)	0
Service Center		
Inventory	0	0
Available	0	0
%Vacant	0	0
Average Rent	0	0
2Q Absorption	0	0
YTD Absorption	0	0
Flex		
Inventory	0	0
Available	0	0
%Vacant	0	0
Average Rent	0	0
2Q Absorption	0	0
YTD Absorption	0	0
Service Center/Flex Combined		
Inventory	0	0
Available	0	0
%Vacant	0	0
Average Rent	0	0
2Q Absorption	0	0
YTD Absorption	0	0

NON-CBD

	2Q 2009	2Q 2008
All Property Types		
Inventory	30,906,789	30,130,346
Available	4,679,137	4,014,167
%Vacant	15.1%	13.3%
Average Rent	\$5.58	\$5.64
2Q Absorption	(51,043)	259,383
YTD Absorption	22,743	579,576
Distribution / Warehouse		
Inventory	23,856,761	23,275,654
Available	3,455,353	3,105,945
%Vacant	14.5%	13.3%
Average Rent	\$4.40	\$4.41
2Q Absorption	(44,406)	261,300
YTD Absorption	121,928	503,111
Service Center		
Inventory	4,814,140	4,830,977
Available	848,958	646,017
%Vacant	17.6%	13.4%
Average Rent	\$8.24	\$8.42
2Q Absorption	(83,619)	(1,917)
YTD Absorption	(176,167)	57,907
Flex		
Inventory	2,235,888	2,023,715
Available	374,826	262,205
%Vacant	16.8%	13.0%
Average Rent	\$12.36	\$12.66
2Q Absorption	76,982	0
YTD Absorption	76,982	18,558
Service Center/Flex Combined		
Inventory	7,050,028	6,854,692
Available	1,223,784	908,222
%Vacant	17.4%	13.2%
Average Rent	\$9.55	\$9.65
2Q Absorption	(6,637)	(1,917)
YTD Absorption	(99,185)	76,465

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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