TRANSWESTERN® *Outlook*

A market report for commercial real estate executives

GREATER SAN ANTONIO SNAPSHOT AT YEAR-END 2008

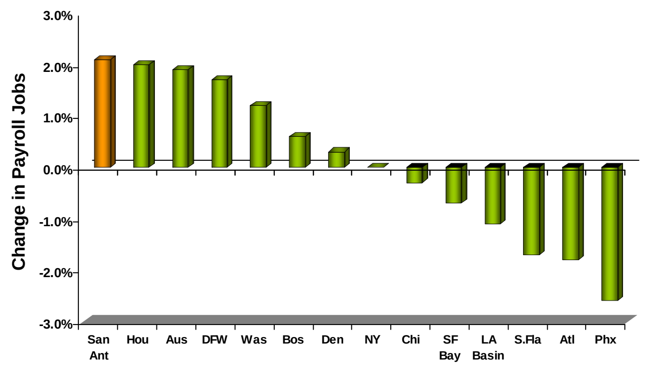
Economy: Moderating Growth

- 12-Month Job Growth through October 2008: 17,500, or 2.1%. **Highest growth rate among major U.S. metros.**
- Unemployment Rate: 5.1% in October, higher than 3.8% a year earlier. Lower than Texas rate of 5.6%. and the national rate of 6.5%.
- Outlook: Modest growth through 2009.

Office Market: Remains Resilient

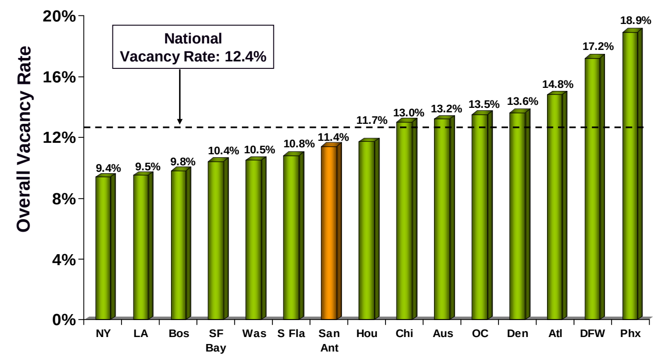
- Net Absorption: 606,000 SF in 2008, down from 885,000 SF in 2007. 3-Year average: 657,000 SF.
- Overall Vacancy Rate: 11.4%, up from 11.0% a year ago.
- Class A Rents: Up 0.4% in 2008.

Payroll Job Growth
Large Metro Areas
12 Months Ending October 2008



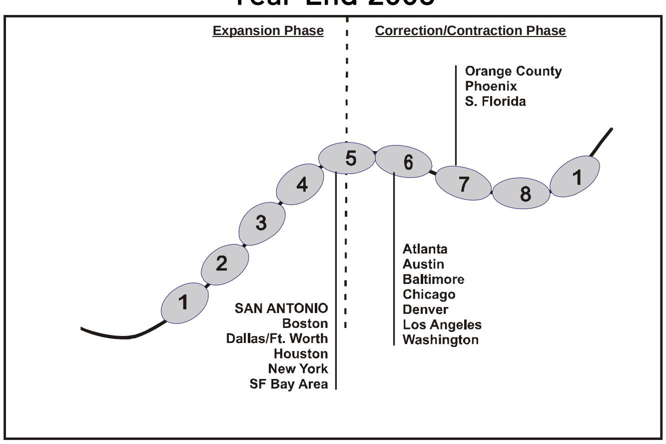
Source: Bureau of Labor Statistics; December 2008.

Office Vacancy Rates
Selected Metro Areas
Year-End 2008



Source: CoStar, Delta Associates; December 2008.

Office Market Position Index
Year-End 2008



Source: Delta Associates; December 2008.

San Antonio Forecast for 2009-10

Employment:	Modest job creation
Office Net Absorption:	Slightly positive
Office Vacancy:	Rising as new space delivers
Office Rents:	Stable despite national recession

Note on data contained herein

Vacancy and absorption in Greater San Antonio are typically reported by brokerage firms on multi-tenant buildings only. However, we include the immediate availability for owner-occupied and single-tenant buildings, but exclude government owned buildings. As a point of comparison, today there is 31.5 million SF of multi-tenant space with a vacancy rate of 13.4%. See page 11 for more information about our methodology.

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THE SAN ANTONIO ECONOMY

Economy: Continued Easing

San Antonio's economy is still healthy but continues to ease from the most recent peak. In June, AT&T, a major employer in the city, announced that it was relocating its headquarters and 700 executive employees. The telecom giant will maintain a major operational presence in San Antonio with about 5,300 employees.

Job growth for the 12 months ending October 2008 totaled 17,900, a growth rate of 2.1%, compared to the national rate of -0.9%. This is above the long-term average annual growth of 17,000 net new jobs.

The **Government, Educational/Health Services,** and **Trade and Transportation** sectors comprise 50% of the employment in Greater San Antonio. These sectors experienced steady growth over the past year, adding a combined 10,900 jobs in the 12-month period ending in October 2008, 61% of total job growth.

The **Government** sector added 5,200 jobs over the past year, a growth rate of 3.4%. Of note, the Joint Program Management Office (JPMO), which oversees the design and construction of all the BRAC (Base Realignment and Closure) projects in San Antonio, closed out the 2008 fiscal year with a bumper crop of new contracts. The total thus far is $1.2 billion spread out over 28 projects. Nearly one out of every three primary contracts awarded went to companies with headquarters or regional offices in San Antonio. In 2009, the BRAC action will be shifting toward smaller and more traditional projects. There are about $1 billion worth of small contracts that are yet to be awarded. About half of those will go out for bid during the 2009 fiscal year, which began on Oct. 1, and the remainder will be out for bid in fiscal 2010.

The **Professional/Business Services** sector added 1,300 jobs – 1.2% – in the 12 months ending October 2008. In the same period, the **Financial** sector added 600 jobs, a gain of 0.9%, even as the national banking industry contracted.

Pierpont Communications, a Houston-based firm, recently hired a new vice president to lead the company's expansion into San Antonio. However, some smaller businesses are feeling the economic pinch. Vertis Communications will lay off 91 employees at its East San Antonio printing facility in February.

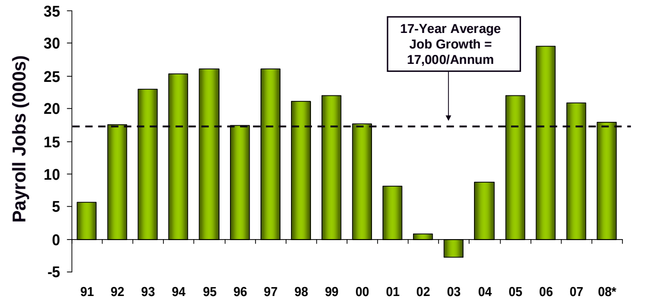
San Antonio's banking industry appears to be largely buffeted from the national financial sector slowdown. In November, Citigroup announced that it would cut 53,000 jobs worldwide; just 55 of those have been confirmed in San Antonio, at the CitiFinancial Auto facility. Citigroup employs about 3,000 people in the San Antonio area.

The **Educational/Health Services** showed one of the largest increases (3.5%) over the past year, adding 4,100 jobs. This sector accounts for 14% of the total employment market. The medical industry continues to grow as the baby boomer population grows. As a result, a niche market has emerged for developers and real estate companies looking to capitalize on the need for more medical office space. In the South Texas Medical Center, construction is especially prominent. According to San Antonio Medical Foundation, the South Texas Medical Center has at least $547 million in capital improvement projects scheduled or underway between now and 2014. If the county approves money for upgrades to the University Hospital, that figure could approach $1 billion.

The **Trade and Transportation** sector makes up 18% of San Antonio's workforce. For the 12 months ending in October 2008, the sector added 1,600 jobs, an increase of 1.1%. The Texas Department of Transportation (TxDOT) has released two studies containing a visionary plan to reroute Union Pacific non-local freight trains in the Austin-San Antonio corridor. The studies identify potential rail and roadway improvements of up to $3.8 billion that would allow for the implementation of commuter rail service in the I-35 corridor between San Antonio and Round Rock on the existing rail lines. Improvements include new grade overpasses in conjunction with crossing closures, improvements to the rail infrastructure in San Antonio as well as proposed bypass routes outside the metropolitan area for Union Pacific non-local freight.

TRANSWESTERN® Outlook
A market report for commercial real estate executives

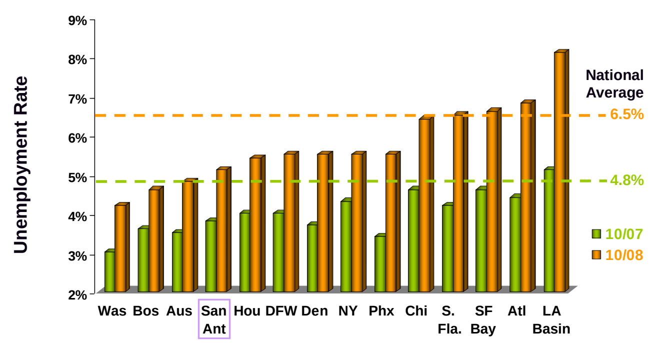
Payroll Job Growth
San Antonio Metro Area
1991 Through October 2008



Source: BLS, Delta Associates; December 2008. •12 months ending October.

The San Antonio metro area unemployment rate increased to 5.1% in October 2008 from 3.8% 12 months earlier. By comparison, the national rate was 6.5% in October 2008. The unemployment rate in Greater San Antonio remains among the lowest in the nation.

Unemployment Rates
Large Metro Areas
October 2007 vs. October 2008



Source: Bureau of Labor Statistics; December 2008.

San Antonio's Economy: Sturdy

Greater San Antonio features a diverse, stable economy anchored by the presence of strong military, medical, and technical agencies. In addition to its growth in medical and professional services sectors, San Antonio is welcoming to new businesses, featuring low costs of doing business and residing in the area.

Core Industries
San Antonio Metro Area
2007

Core Industries	$ (Bil)	% GRP
Federal & State Government*	$12	14%
Professional/Technical Serv.	$10	12%
Construction	$6	7%
Educational & Health Services	$4	5%
Manufacturing	$4	5%
Tourism and Hospitality Serv.	$4	5%
Total Core Industries:	$40	48%
Other	$44	52%
Total GRP:	**$84**	**100%**

Note: Subcomponents of core industries were redefined in June 2007.
Source: GMU Center for Regional Analysis, Delta Associates; December 2008.
*Includes Military.
GRP = Gross Regional Product

JPMorgan Chase to Honor WaMu Leases

When JPMorgan Chase purchased Washington Mutual from the federal government in late September, it had three months to decide whether to continue leasing space that WaMu had taken. San Antonio landlords held their collective breath, as Washington Mutual had moved its headquarters to the city in 2005 and occupied a significant amount of space. In early December, JPMorgan Chase announced that the San Antonio workforce would remain about the same size; some near-term layoffs will be replaced later in 2009 with different jobs. Leases held by Washington Mutual in San Antonio will be honored.

JPMorgan Chase will continue to run the Washington Mutual regional operations center, which employs 1,800 people. Additionally, JPMorgan Chase will maintain its own call center in the metro area. Washington Mutual had received financial assistance to relocate its headquarters in exchange for creating jobs.

Its former home, Seattle, was not so lucky: JPMorgan Chase announced that it would not continue to lease more than 500,000 SF of downtown Seattle office space held by Washington Mutual.

Economic Downturn Could Give Rise to Litigation Work, Bolstering Demand For Office Space

In the slowing national economy, law firms are anticipating a rise in litigation work. Dean V. Fleming and John W. Weber Jr., partners in the San Antonio office of Fulbright & Jaworski LLP, say that there has been a rise in litigation over services rendered, including subcontractors and suppliers going after the general contractors and/or owners for money owed. The firm released results from its annual litigation trends survey, which found that 31% of those surveyed expect to see a rise in litigation work involving their firms in the next 12 months.

That steady stream of litigation will help support the San Antonio commercial real estate market. Law firms and other professional services tenants that participate in litigation proceedings may need additional space to perform their duties. In addition, law firms tend to require more space per employee than other office-using businesses. Recent studies have shown that firms use 700-800 SF per attorney, even with recent reductions due to technological innovation.

Banking Industry: Local Banks Show Strength

Despite challenging conditions for the national banking industry, San Antonio banks are showing signs of relative strength. An FDIC report shows that total deposits held by banks operating in the San Antonio area rose 8.1% from the end of June 2007 to the end of June 2008. This exceeded the national rate of growth of 4.8%. The figure includes both commercial and savings banks.

Banks may see an increase in operating costs. The FDIC proposed that all banks on January 1, 2009, see their deposit insurance rates increase for at least six months by 7 basis points. The increases would begin to take effect in the 3rd quarter of 2009. The insurance is used to salvage assets of failed banks; at least 22 banks failed nationally in 2008.

Public Sector Remains Strong

Texas has not been immune to the national economic slowdown, but it has the benefit of a cushion in the relatively healthy performance of the energy industry. Despite recent price fluctuations for oil and gas, the energy industry generated strong revenues in 2008. The resulting tax dollars will enable the public sector to maintain similar spending levels in 2009 as in 2008.

The State of Texas is not expected to reduce public sector spending in any significant way. In fact, Texas is anticipating an $11 billion surplus when the Legislature convenes in January 2009, which should mitigate the chance of budget cuts for state agencies in the coming year.

The City of San Antonio and Bexar County have authorized funds for multiple public facility improvements, including energy conservation initiatives and public safety efforts. San Antonio and Bexar County have allocated $1.8 million to fund these endeavors. At a time when many cities and counties are scaling back expenditures because of budgetary constraints, the San Antonio region enjoys an enviable level of fiscal stability.

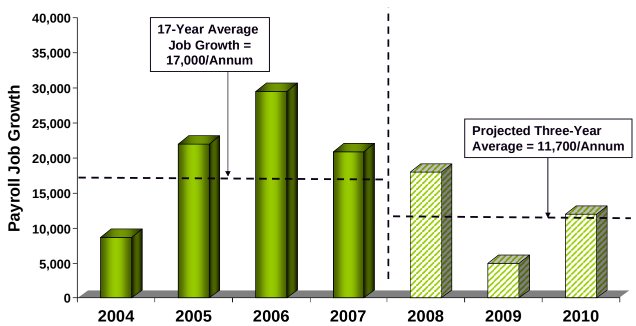
THE GREATER SAN ANTONIO ECONOMIC OUTLOOK

Modest Job Growth Projected

The *San Antonio Business Journal* recently conducted a study analyzing the nation's current growth centers, meaning the metros entering this recessionary period with the most positive momentum. The *Business Journal* believes that recent growth trends offer an advance look at the markets best positioned to weather the current economic downturn – and the ones that have the most cause for concern. The study focused on changes in four key indicators – population, private-sector employment, per capita income and gross metropolitan product. San Antonio ranked 13th in the study with a five-year population growth rate of 11.9%, a private sector employment growth rate of 11.4%, per capita income growth of 21.2% and gross metropolitan product growth rate of 39%.

Population growth, a growing research and technology industry, military consolidation and the low cost of living and doing business in San Antonio will continue to fuel growth in the coming 24 months; however, the struggling national economy will continue to have a decelerating effect on the Greater San Antonio area. As a result, job change likely will remain positive but below the long-term average. We project job growth will average 11,700 new jobs per annum through 2010. The combination of a growing population and steady core industries will support one of the sturdiest commercial real estate markets in the country.

Job Forecast
Greater San Antonio
2008 Through 2010



Source: BLS, Delta Associates; December 2008.

THE GREATER SAN ANTONIO OFFICE MARKET

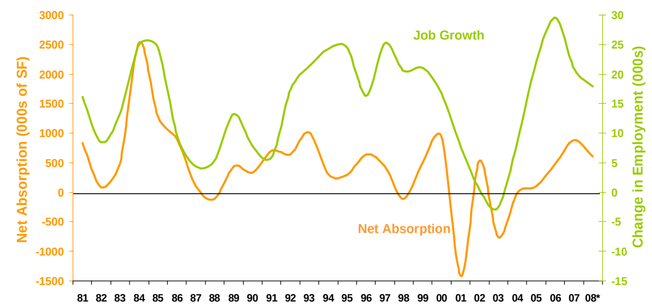
Market Overview: Moderating Expansion

The Greater San Antonio office market continued to expand in 2008, though more slowly than in 2007. Expanding and relocating tenants found new space, and net absorption was positive. However, overall vacancy increased 40 basis points from year-end 2007 as inventory expanded, which caused rent growth to stall.

Net Absorption: Steady

Net absorption of office space totaled 606,000 SF in Greater San Antonio in 2008, down from 885,000 SF in 2007. Healthy job growth has helped fuel demand for office space, despite the national recession.

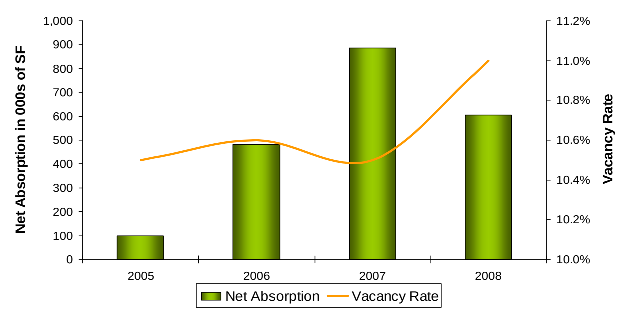
Office Absorption and Employment
Greater San Antonio
1981 Through 2008



Source: BLS, REIS, Delta Associates; December 2008. *12-month job growth through October.

Available office sublease space in Greater San Antonio increased by 12,000 SF in 2008 to 177,000 SF. In 2007, sublease space increased by 70,000 SF. Available sublet space represents 0.4% of standing inventory.

Net Absorption of Office Space
and Direct Vacancy Rate Trends
Greater San Antonio
2005 Through 2008



Source: Vacancy – Delta Associates' analysis of CoStar data;
Net Absorption – Delta Associates; December 2008.

The North Central submarket had the strongest performance in 2008, with 343,000 SF of net absorption. That net absorption mostly occurred in the 1st half of the year; it was driven by the delivery of 3603 Paesano's Pkwy., Building II. The Northeast submarket absorbed 225,000 SF of space in 2008. A majority of its space was leased in the second half of the year, including a move by the State of Texas into 66,050 SF at 11307 Rozell St. The West submarket saw net absorption of negative (225,000) SF in 2008, as 102,000 SF was exited at 10000 Roger Run.

2nd Half 2008 Net Absorption in Select Submarkets:

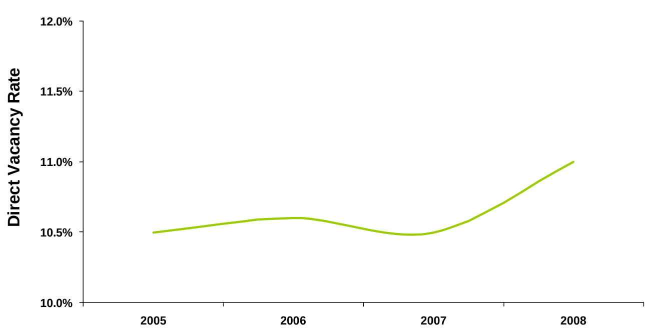
- Northeast 229,000 SF
- Northwest 80,000 SF
- Southeast 54,000 SF
- West (97,000) SF

Vacancy: Slight Increase in 2008

The overall vacancy rate in Greater San Antonio was 11.4% at year-end 2008, up from 11.0% at year-end 2007.

The direct office vacancy rate is 11.0% in Greater San Antonio at year-end 2008, up 50 basis points from 10.5% at year-end 2007. The sublease vacancy rate is 0.4%, down 10 basis points from year-end 2007.

Office Direct Vacancy Rate
Greater San Antonio
2005 Through 2008



Source: CoStar, Delta Associates; December 2008.

We expect overall vacancy in Greater San Antonio to increase to the 15% range in the coming 24 months as demand moderates and new space delivers. Net absorption will remain positive as pre-leased space delivers and job creation continues, but vacancy will rise as new supply outstrips overall demand.

Construction and Pre-Leasing Increasing

San Antonio's stable economic and employment growth has resulted in a surge in office development. There is 3.3 million SF of office space under construction or renovation in Greater San Antonio at year-end 2008, at 67% pre-leased. The North Central and Northwest submarkets continue to experience much of the new development. A year ago, 1.5 million SF was under construction at 33% pre-leased.

Of the 883,000 SF of office space delivered in 2008 (excluding renovations), 31% was leased upon delivery. This compares to 977,300 SF of new construction delivered in 2007, of which 39% was pre-leased.

When looking at proposed properties that are fully pre-leased, another 831,000 SF is in the Greater San Antonio pipeline. It is unlikely that speculative projects can move forward at this time, given the paucity of credit.

Office Space Under Construction or Renovation
Greater San Antonio
Year-End 2008

Submarket	SF	% Pre-leased
North Central	2,125,745	86%
Northwest	817,989	35%
CBD	161,785	66%
Guadalupe County	96,000	0%
Northeast	55,068	0%
Comal County	46,000	0%
Total:	**3,302,587**	**67%**

Source: Delta Associates' analysis of CoStar data, December 2008.

Office Rents: Edging Up

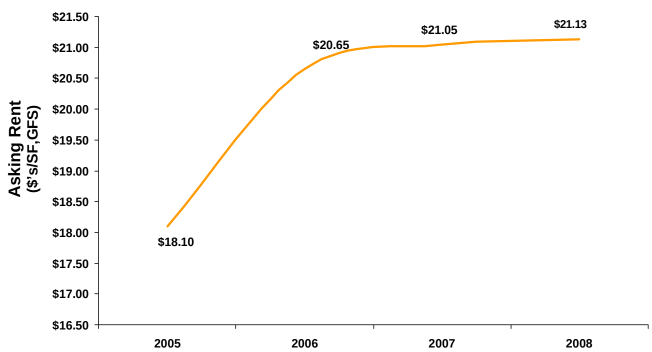
Positive market forces are pushing asking rents up slightly for all property classes. Class A rents increased 0.4% in Greater San Antonio in 2008. Rent growth stalled in the 2nd half of the year as the national economy weakened and tenants became more cautious. Rent growth is expected to be flat in the coming year because of the moderate projected job growth and the ample amount of space in the pipeline.

Class A rents have been growing at a faster pace than Class B rents. This has happened for several reasons:

1. Well-located Class A space is sparse, challenging tenants to pay premium rents to secure such space.
2. Limited numbers of large blocks have left little room for expansion in existing buildings, forcing tenants to look for new space.

With a soft economy in 2009, tenants may find cheaper, Class B space more attractive.

Average Class A Office Rents
Greater San Antonio
2005 Through 2008



Source: CoStar, Delta Associates; December 2008.

RENT RATE ANALYSIS OF CLASS A OFFICE BUILDINGS
GREATER SAN ANTONIO
2005 THROUGH 2008

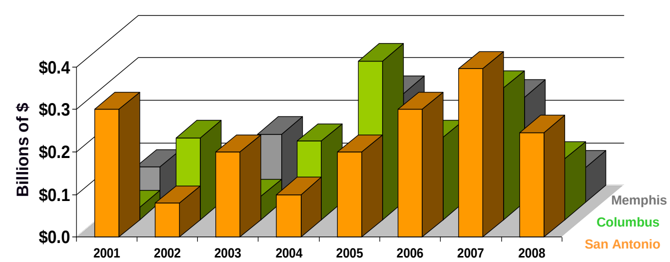
Submarket	YE 2005	YE 2006	YE 2007	YE 2008	% Change From Year-End '07 to Year-End '08
CBD	$20.29	$21.68	$22.28	$22.28	0.0%
Far North Central	$16.66	$17.92	$17.77	$17.80	0.2%
Midtown	$13.81	$19.38	$20.14	$20.18	0.2%
North Central	$15.35	$21.00	$21.43	$21.65	1.0%
Northeast	$23.38	$23.41	$23.45	$23.55	0.4%
Northwest	$18.57	$20.00	$20.44	$20.52	0.4%
Greater San Antonio Avg.	**$18.10**	**$20.65**	**$21.05**	**$21.13**	**0.4%**

Source: Delta Associates' analysis of CoStar data; December 2008.
Note: Rents are gross full service, except for the Far North Central submarket, which is in NNN terms.

Investment Sales Volume and Prices

Investment sales activity in Greater San Antonio has slowed in 2008, as in all major markets. However, investors remain attracted to steady economic conditions and high occupancy levels despite tighter lending standards. Sales volume totaled $246 million in 2008, below the $396 million recorded in 2007. Highlight sales of the 2nd half of 2008 included the purchase of the Nowlin Building for $38.8 million ($163/SF).

Comparative Investment Sales Volume
Office Product
2001 Through 2008



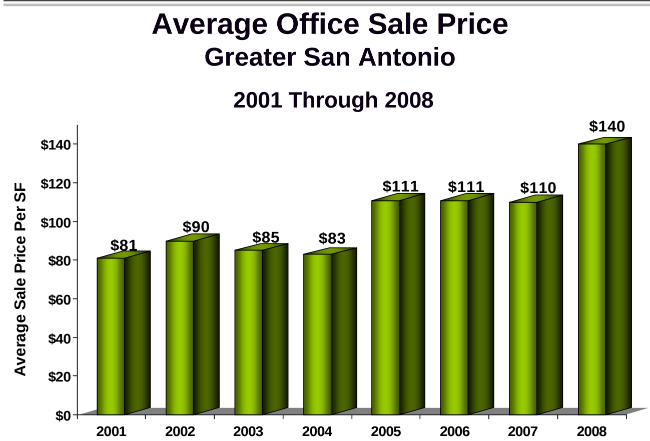
Source: Real Capital Analytics, Delta Associates; December 2008.

Selected 2008 Office Sales:

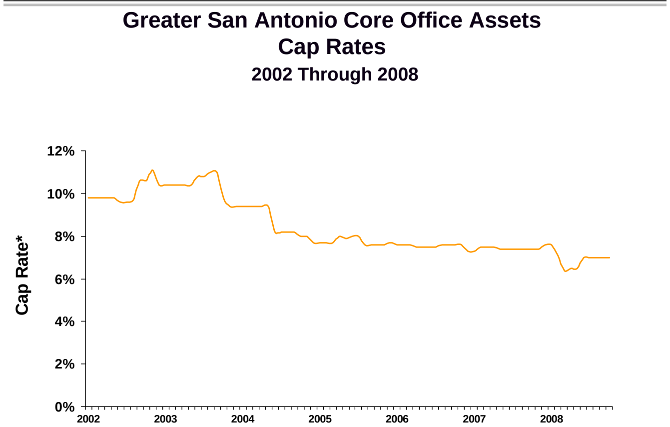
Building/Submarket	Sale Price/Buyer
Nowlin Building North Central	$38.8 million ($163/SF) South West Business
Fountainhead Park I & II Northwest	$32.5 million ($190/SF) Shorecliffs Investments
Travis Park Plaza CBD	$22.4 million ($140/SF) Cannon Commercial

Source: Real Capital Analytics; December 2008.

Office sale prices averaged $140/SF in 2008 in Greater San Antonio, up from $110/SF in 2007. Steady occupancy and rents should heighten investor interest over the next 12 to 18 months, although the credit crunch will make it hard for some interested parties to access capital.



Source: Real Capital Analytics, Delta Associates; December 2008.



Note: 2004 Cap rate is an assumption based off limited transactions for the year.
Source: Real Capital Analytics, Delta Associates; December 2008.

*12-month trailing average.

Cap rates on core assets remain in the 7% range on a 12-month trailing basis. We expect cap rates to rise over the next two years as the aftermath of the national credit crunch keeps highly-leveraged buyers on the sidelines.

THE GREATER SAN ANTONIO OFFICE MARKET OUTLOOK

The Greater San Antonio office market remained healthy throughout 2008, notwithstanding the national recession. We expect job growth in the Government, Health/Education and Business Services sectors to create moderate demand for office space in 2009. Net absorption should remain positive, but likely will be below the 2007 and 2008 performances. The overall vacancy rate likely will rise to the 15% range over the next 24 months as demand wanes and new space delivers. Despite weakening conditions, San Antonio should remain among the healthiest markets in the country.

SUMMARY OF OFFICE MARKET INDICATORS - ALL SPACE
GREATER SAN ANTONIO
2005 THROUGH 2008

Submarket	December 2008 Total Rentable SF All Bldgs. 1/	December 2008 SF Avail. Immediately All Bldgs. 2/	Direct Vacancy Rate at End of: 2005	2006	2007	2008	*Vacancy Rate w/ Sublet* at Dec-08	SF Under Constr. or Renovation at Dec-08	Net Absorption (SF) 2005 3/	2006	2007	2nd Half '08	2008
CBD	8,050,827	660,168	11.1%	10.6%	8.7%	8.2%	*8.3%*	161,785	(200,000)	39,000	152,000	48,000	40,000
Comal County	297,310	25,271	4.2%	6.9%	15.3%	8.5%	*8.5%*	46,000	(44,000)	(7,000)	14,000	6,000	20,000
Far North Central	1,804,316	286,886	6.2%	11.6%	15.9%	15.9%	*17.5%*	-	504,000	(13,000)	(77,000)	23,000	-
Far Northeast	47,936	10,067	0.0%	0.0%	0.0%	21.0%	*21.0%*	-	-	-	-	(9,000)	(10,000)
Far Northwest	87,731	-	16.6%	9.9%	9.3%	0.0%	*0.0%*	-	(44,000)	24,000	1,000	-	8,000
Guadalupe County	90,487	1,810	2.6%	13.7%	3.1%	2.0%	*2.0%*	96,000	84,000	(10,000)	9,000	-	1,000
Midtown	4,588,617	307,437	8.0%	9.0%	6.2%	6.7%	*7.5%*	-	(100,000)	6,000	128,000	5,000	(23,000)
North Central	6,956,747	640,021	10.6%	9.0%	12.4%	9.2%	*10.0%*	2,125,745	36,000	219,000	392,000	(49,000)	343,000
Northeast	3,824,022	405,346	10.0%	12.6%	12.7%	10.6%	*10.7%*	55,068	112,000	(53,000)	69,000	229,000	225,000
Northwest	10,970,984	1,744,386	14.2%	13.0%	12.9%	15.9%	*16.3%*	817,989	(204,000)	283,000	153,000	80,000	122,000
Southeast	345,547	53,905	3.9%	13.6%	17.2%	15.6%	*15.6%*	-	12,000	(27,000)	(10,000)	54,000	56,000
Southwest	633,049	23,423	1.2%	13.4%	11.4%	3.7%	*3.7%*	-	-	(34,000)	13,000	10,000	49,000
West	3,114,807	323,940	6.2%	4.5%	3.2%	10.4%	*10.4%*	-	(56,000)	54,000	41,000	(97,000)	(225,000)
TOTAL - Greater San Antonio	**40,812,380**	**4,482,661**	**10.5%**	**10.6%**	**10.5%**	**11.0%**	***11.4%***	**3,302,587**	**100,000**	**481,000**	**885,000**	**300,000**	**606,000**
	Vac. Rate With Sublet Space		**10.8%**	**10.8%**	**11.0%**	**11.4%**							

1/ Includes buildings 15,000 SF RBA and greater; includes multi and single tenant buildings. Does not include buildings under construction or buildings owned by the government.
2/ Does not include sublet space.
3/ CoStar began tracking data in the 3rd quarter of 2005, therefore net absorption is annualized
Note: Net absorption occurs when lease is signed, not when space is physically occupied; pre-leased space counts as net absorption when building delivers.

Source: Inventory and Vacancy from analysis of CoStar data, Net Absorption computed by Delta Associates; December 2008.

Delta Associates, the research affiliate of Transwestern, is headquartered at:
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THE GREATER SAN ANTONIO FLEX/HIGH-TECH MARKET

Market Conditions Improve in 2008

A strong 2nd half of 2008 in Greater San Antonio's flex/high-tech market helped offset negative net absorption in the 1st half of the year. Net absorption in 2008 was 127,000 SF, slightly higher than 124,000 SF in 2007.

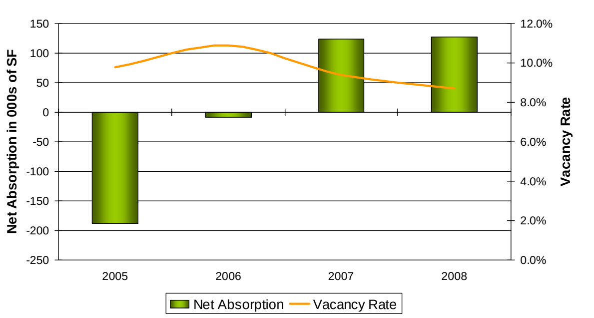
Available flex/high-tech sublease space decreased by 2,000 SF in Greater San Antonio in 2008, after increasing by 8,000 SF in 2007. Available sublease space now represents 0.2% of the flex/high-tech standing inventory.

Vacancy: Decreasing

The overall flex/high-tech vacancy rate decreased to 8.9% at year-end 2008 from 9.6% at year-end 2007. The direct vacancy rate at year-end 2008 is 8.7%, down from 9.4% at year-end 2007.

We expect that the flex/high-tech vacancy rate will increase in 2009 as projects under construction deliver.

Net Absorption of Flex/High-Tech Space and Direct Vacancy Rate Trends Greater San Antonio 2005 Through 2008



Note: Delivery of pre-leased space counts as positive net absorption.
Source: Vacancy – Delta Associates' analysis of CoStar data;
Net Absorption – Delta Associates; December 2008.

Construction and Pre-Leasing

There are four flex/high-tech buildings under construction or renovation at year-end 2008, totaling 517,000 SF at 8.1% pre-leased.

One flex/high-tech building with 43,200 SF delivered in the 2nd half of 2008 at 0% leased. For the year, 76,950 SF delivered at 32% pre-leased. No buildings delivered in 2007.

Flex/High-Tech Rents

Flex/high-tech rents remained unchanged at year-end 2008, as demand has been modest for this specific product type. Flex rents likely will remain unchanged over the next 12 months.

RENT RATE ANALYSIS OF FLEX/HIGH-TECH SPACE
GREATER SAN ANTONIO
2005 THROUGH 2008

Submarket	YE 2005	YE 2006	YE 2007	YE 2008	% Change From Year-End '07 to Year-End '08
CBD	$7.15	$8.66	$8.66	$8.66	0.0%
Comal County	$7.80	$7.80	$7.80	$7.80	0.0%
Guadalupe County	$6.60	$6.80	$6.87	$6.86	-0.1%
North Central	$7.84	$8.08	$8.42	$8.42	0.0%
Northeast	$7.75	$8.27	$8.32	$8.33	0.1%
Northwest	$7.80	$8.41	$8.39	$8.41	0.2%
Southwest	$8.38	$8.45	$8.47	$8.49	0.2%
West	$7.15	$7.83	$7.83	$7.81	-0.3%
Greater San Antonio Avg.	**$7.68**	**$8.18**	**$8.29**	**$8.29**	**0.0%**

Flex/High-Tech Investment Sales

Sales volume of flex/high-tech buildings totaled $15 million in 2008, compared to $200 million in 2007. There were no notable sales in the 2nd half of the year, as credit became difficult to acquire.

Flex/high-tech sale prices averaged $53/SF in 2008, down from $60/SF in 2007.

Selected 2008 Flex/High-Tech Sales:

Building/Submarket	Sale Price/Buyer
San Antonio Distribution Center Northeast	$9.7 million ($48/SF) Cross & Company
Hill Country Climatized Storage Northeast Outlying Counties	$5.4 million ($66/SF) Undisclosed

Source: Real Capital Analytics; December 2008.

National Economy, Methodology

Please visit Transwestern.net for:

- Our national Economic Outlook
- Explanation of our methodology

Note on data contained herein

Vacancy and absorption in Greater San Antonio are typically reported by brokerage firms on multi-tenant buildings only. However, we also include the immediate availability for owner-occupied and single-tenant buildings (but exclude government-owned buildings). This allows us to capture the entire market so we may derive correlations between job growth and occupancy of inventory. As a point of comparison, today there is 31.5 million SF of multi-tenant space with a vacancy rate of 13.4%. Inventory is up from the 30.8 million SF at year-end 2007, and vacancy is up from 12.3% for the same point in time.

SUMMARY OF FLEX MARKET INDICATORS - ALL SPACE
GREATER SAN ANTONIO
2005 THROUGH 2008

Submarket	December 2008: Total Rentable SF All Bldgs. [1/]	December 2008: SF Avail. Immediately All Bldgs. [2/]	Direct Vacancy Rate at End of: 2005	2006	2007	2008	*Vacancy Rate w/ Sublet* at Dec-08	SF Under Constr. or Renovation at Dec-08	Net Absorption (SF): 2005 [3/]	2006	2007	2nd Half '08	2008
CBD	242,766	11,896	22.0%	4.2%	4.2%	4.9%	*4.9%*	-	24,000	43,000	-	(2,000)	(2,000)
Comal County	106,167	2,867	35.6%	14.3%	14.3%	2.7%	*2.7%*	360,000	(8,000)	22,000	-	12,000	12,000
Far North Central	-	-	0.0%	0.0%	0.0%	0.0%	*0.0%*	-	-	-	-	-	-
Far Northeast	-	-	0.0%	0.0%	0.0%	0.0%	*0.0%*	-	-	-	-	-	-
Far Northwest	152,000	-	0.2%	0.0%	0.0%	0.0%	*0.0%*	-	-	-	-	-	-
Guadalupe County	35,326	10,810	75.7%	95.3%	46.6%	30.6%	*30.6%*	-	-	(7,000)	17,000	12,000	6,000
Midtown	48,793	3,903	0.0%	0.0%	11.4%	8.0%	*8.0%*	-	-	-	(6,000)	-	2,000
North Central	2,179,773	163,483	12.1%	11.0%	6.0%	7.5%	*7.5%*	-	(4,000)	24,000	108,000	9,000	(1,000)
Northeast	1,778,881	201,014	9.3%	14.6%	13.5%	11.3%	*11.8%*	-	(120,000)	(94,000)	20,000	46,000	39,000
Northwest	2,027,540	160,176	6.0%	8.3%	8.7%	7.9%	*8.3%*	157,000	48,000	39,000	(7,000)	(8,000)	16,000
Southeast	-	-	0.0%	0.0%	0.0%	0.0%	*0.0%*	-	-	-	-	-	-
Southwest	177,731	67,360	17.2%	48.4%	37.5%	37.9%	*37.9%*	-	-	(42,000)	15,000	6,000	27,000
West	1,264,203	73,324	6.8%	6.2%	8.0%	5.8%	*5.8%*	-	(128,000)	7,000	(23,000)	70,000	28,000
TOTAL - Greater San Antonio	**8,013,180**	**694,831**	**9.8%**	**10.9%**	**9.4%**	**8.7%**	***8.9%***	**517,000**	**(188,000)**	**(8,000)**	**124,000**	**145,000**	**127,000**
	Vac. Rate With Sublet Space		**10.0%**	**11.1%**	**9.6%**	**8.9%**							

1/ Includes buildings 15,000 SF RBA and greater; includes multi and single tenant buildings. Does not include buildings under construction or buildings owned by the government.
2/ Does not include sublet space.
3/ CoStar began tracking data in the 3rd quarter of 2005, therefore net absorption is annualized.
Note: Net absorption occurs when lease is signed, not when space is physically occupied; pre-leased space counts as net absorption when building delivers.

Source: Inventory and Vacancy from analysis of CoStar data, Net Absorption computed by Delta Associates; December 2008.

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500 Montgomery Street, Suite 600, Alexandria, VA 22314. Phone: 703-836-5700. DeltaAssociates.com

Sources: Associated Press, Bureau of Labor Statistics, CoStar, FDIC, GMU Center for Regional Analysis, REIS, *San Antonio Business Journal*, *San Antonio Express-News*, San Antonio Medical Foundation, Texas Department of Transportation.

Delta Associates

Delta Associates, the research affiliate of Transwestern, is a firm of experienced professionals offering valuation, consulting and data services to the commercial real estate industry for over 25 years. The firm's practice is organized in three related areas:

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