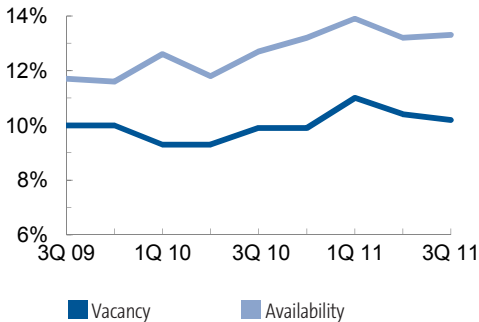
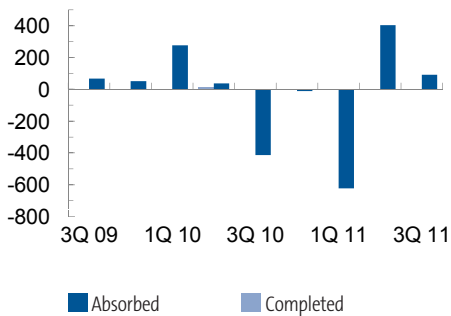


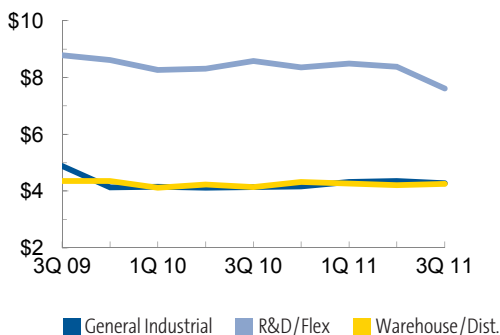
Vacancy & Availability Rates



Completions vs. Absorption (in Thousands of SF)



Asking Rental Rates (\$/SF/Yr./Triple Net)



Local Industrial Market Sees Signs of Relief Ahead

The San Antonio industrial market posted a respectable 91,196 square feet of positive net absorption during the third quarter, its second consecutive quarter of positive growth. Following a promising second quarter, the local market continued its modest recovery. The local economy has seen a notable improvement over the last three months. Specifically, the manufacturing sector saw a quarter-over-quarter increase in employment numbers, indicating a resurgence in leasing demand may follow suit. The Far West submarket was the only submarket to return space to the market during the quarter as Norwood Promotional Products vacated 217,500 square feet at 5335 Castrovilla Road. Despite the large vacancy in the Far West submarket, the overall positive demand coupled with no new supply helped the overall vacancy rate decline 20 basis points to 10.2 percent. While the recovery is slow-going and tenant demand has not come roaring back, improving fundamentals point to a gradual but steady recovery in the industrial leasing market.

During the quarter, asking rental rates continued to deteriorate, falling \$0.20 to \$4.78 NNN per square foot. Tenants are still in a position to negotiate hard with landlords experiencing above average vacancy rates. Landlords are often willing to concede to a lower rate in lieu of tenant improvement dollars or to simply beat out their competition in hopes of securing the tenant. With few tenants looking in the market, a number of landlords are marketing their properties with a negotiable rate. Landlords are more concerned about leasing occupancy than the actual face rate, which depends on the quality of the tenant and length of the lease in any case.

FORECAST

- Although occupancy is expected to be stronger going forward, asking rental rates should linger near their bottom for several more quarters and only slowly start to tick up as vacancy tightens and fewer options exist in the market for tenants.
- Increased manufacturing and Eagle Ford Shale related activity is translating into greater demand for industrial space.
- Although speculative development has resurfaced, a subdued economic recovery should keep the supply side in check until a sustained recovery takes hold in the local industrial market.

Industrial Trends Report—Third Quarter 2011

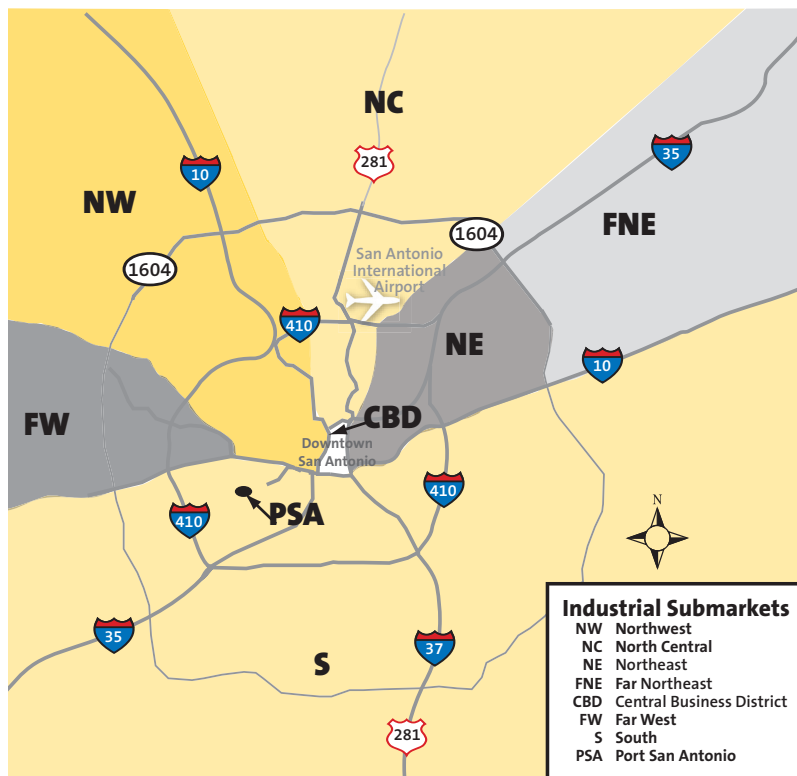
San Antonio, TX



GRUBB & ELLIS
From Insight to Results

By Submarket	Total SF	Vacant SF	Vacancy %	Available %	NET ABSORPTION		Under Construction SF	ASKING RENT	
					Current Qtr	Year To Date		WH/Dist	R&D/Flex
Central Business District	6,193,111	986,875	15.9%	16.3%	21,417	(139,395)	-	\$5.78	\$4.80
Far Northeast	2,874,028	724,780	25.2%	29.9%	-	(401,698)	287,000	\$4.62	\$5.44
Far West	490,131	344,190	70.2%	73.9%	(217,500)	(213,884)	-	\$7.80	-
North Central	9,709,754	946,730	9.8%	11.9%	33,297	(39,658)	-	\$4.53	\$8.29
Northeast	28,928,722	2,418,756	8.4%	12.0%	247,338	537,923	74,400	\$3.71	\$7.07
Northwest	8,237,785	576,435	7.0%	10.6%	6,644	(9,326)	-	\$4.78	\$8.75
Port San Antonio	3,752,054	513,243	13.7%	14.4%	-	97,770	250,000	\$5.29	\$8.38
South	7,868,344	448,726	5.7%	10.1%	-	41,875	-	\$2.82	-
Totals	68,053,929	6,959,735	10.2%	13.3%	91,196	(126,393)	611,400	\$4.25	\$7.61

By Property Type	Total SF	Vacant SF	Vacancy %	Available %	Current Qtr	Year To Date	Under Construction SF	ASKING RENT	
								WH/Dist	R&D/Flex
General Industrial	18,816,505	2,077,767	11.0%	14.3%	(211,442)	(81,003)	260,000	\$4.28	
R&D/Flex	10,271,319	1,077,424	10.5%	14.0%	54,094	48,526	-	\$7.61	
Warehouse/Distribution	38,966,105	3,804,544	9.8%	12.6%	248,544	(93,916)	351,400	\$4.25	
Totals	68,053,929	6,959,735	10.2%	13.3%	91,196	(126,393)	611,400	\$4.78	



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INDUSTRIAL TERMS AND DEFINITIONS

Total SF: Industrial inventory includes all multi-tenant, single tenant and owner occupied buildings at least 10,000 square feet.

Industrial Buildings Classifications: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

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.

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. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance

and common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighed 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.*

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