

OVERVIEW

The Austin market continued to move into full recovery mode. Vacancy rates have reached their lowest levels in five years and rental rates increased to the highest point since 2001. Area job growth remains strong. Lack of completed new construction has ensured that we are in a strong landlord's market.

MARKET TRENDS

- Austin's net vacancy rate stands at 12.3%.
- Average rental rate increased to \$22.72.
- There will be 1.3 million square feet of new office space added to the market by the end of 2007.
- The office market absorbed close to 200,000 square feet of space in the first quarter of 2007. This was the eighth consecutive quarter of positive absorption in Austin.

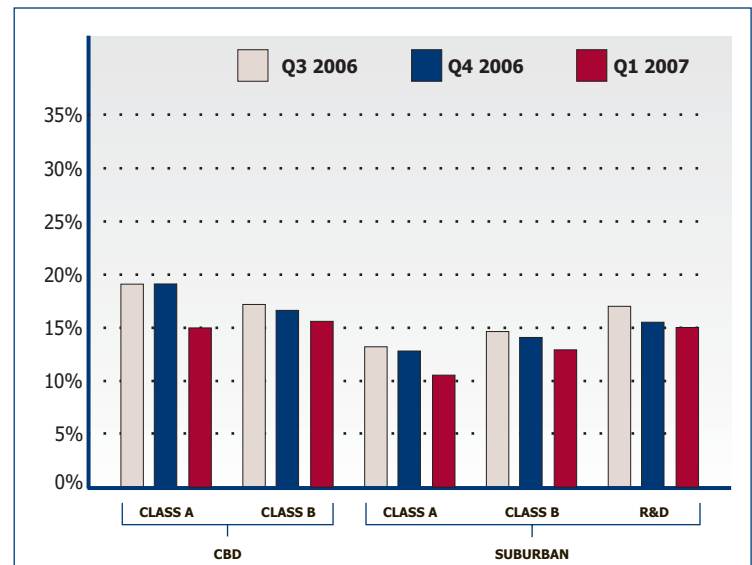
TENANT'S PERSPECTIVE

Options for tenant's are continuing to decrease as there is increased competition for quality space. Landlord's have begun demanding higher rental rates, while offering lower tenant improvement allowances. They are also looking more closely at tenant's credit. Increasing consolidation in the real estate industry makes it imperative that tenant's work more closely with their real estate advisors to most effectively develop their real estate strategies for the future.

Major Transactions First Quarter 2007

Tenant	Size	Type	Lease/Sale
Blizzard Entertainment	46,000	Office	Lease
Gryphon Colleges	37,561	Office	Lease
AvenueA/Razorfish	21,225	Office	Lease
Bazaar Voice	11,000	Office	Lease

Vacancy Rate



Average Rental Rates

	Q3 2006	Q4 2006	Q1 2007
CBD			
Class A Office	\$27.20	\$27.20	\$30.79
Class B Office	\$20.06	\$21.15	\$23.26
Suburban			
Class A Office	\$23.81	\$25.01	\$25.82
Class B Office	\$19.42	\$20.65	\$21.15
R&D	\$ 8.80	\$9.10	\$9.10

Prepared by

CRESA Partners ♦ Austin
515 Congress Ave, Suite 1950
Austin, Texas 78701

tel 512.457.8820
www.cresapartners.com