

## HOUSTON METRO SNAPSHOT AT MID-YEAR 2010

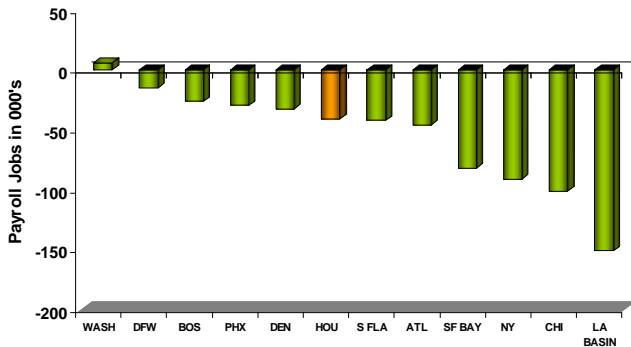
### Economic Recovery Gaining Strength

- Monthly employment rising. 12-month payroll job loss through April 2010: 40,900.
- Unemployment rate: 8.4% in April 2010. Nat'l unemployment rate in May 2010: 9.7%.
- Outlook: Monthly employment gains to continue, with 12-month losses easing.

### Office Market Stabilizing

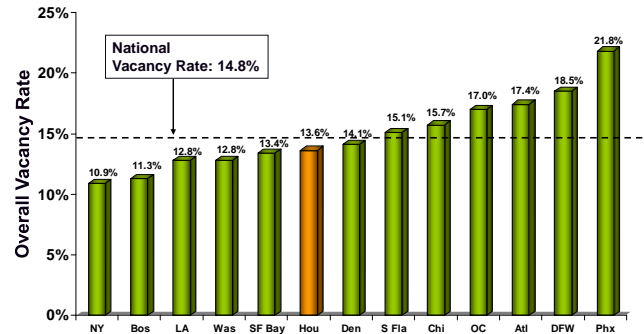
- Net absorption: Negative 41,000 SF in 2<sup>nd</sup> quarter. YTD total: Negative 394,000 SF.
- Overall vacancy: 13.6%, down from 13.8% in Q1.
- Office asking rents: Stable in 1<sup>st</sup> half of 2010; concessions still driving effective rents down.
- Outlook: Modest improvement in the second half of the year.

**Payroll Job Growth  
Large Metro Areas  
12 Months Ending April 2010**



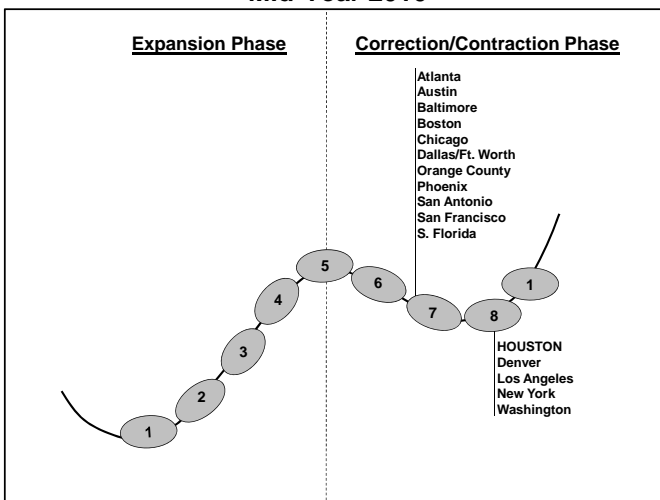
Source: Bureau of Labor Statistics, Delta Associates; June 2010.

**Office Vacancy Rates  
Selected Metro Areas  
Mid-Year 2010**



Source: CoStar, Delta Associates; June 2010.

**Office Market Position Index  
Mid-Year 2010**



Source: Delta Associates; June 2010.

The Houston Metro office market is stabilizing, suggesting the following strategies:

- **Tenants:** Renegotiate and extend leases now; seek to lock in favorable terms; consider relocation to desired submarkets and upgrading space.
- **Developers:** Opportunities remain in select submarkets. Enter strategically; begin to eye properties to maximize return in next expansion cycle, with renovation/construction starts in 2011 and beyond.
- **Investors:** Selectively pursue quality buildings with limited short-term vacancy risk. Buy undervalued assets if cash or financing is available. Buy debt in a loan-to-own strategy.