SAN ANTONIO, TEXAS
San Antonio MSA Overview
FOURTH QUARTER 2006

OVERVIEW

Counties:	Bexar, Comal, Wilson, Guadalupe
Population:	2,272,834 (STDBonline, 2006 estimate)
Total Jobs:	821,400 (Bureau of Labor Statistics, Dec. 2006)
Gross Sales (All Industries):	\$26,251,726,834 (Texas Comptroller, 2nd Quarter 2006)
Retail Sales:	\$6,981,083,429 (Texas Comptroller, 2nd Quarter 2006)
Retail Sales Growth:	6.37% from 1 year ago (Texas Comptroller as of 2nd Quarter 2006)
Average Household Income:	\$64,028 (STDBonline, 2006 estimate)

EMPLOYMENT

• Job Growth	
Past 12 Months	+3.26% or +25,900 jobs (Dec. 2005 – Dec. 2006, BLS)
Future Est. Growth	+1.96% or 16,900 jobs (2006, Perryman Group)
	3.4% per yr over the next 10 years (TXP, Inc.).
• Unemployment Rate	(Texas Workforce Commission Dec. 2006)
Current	3.7%
12 Months Ago	4.3%
• Population Projections	(STDBonline, 2006 to 2011 estimate)
2010 % Change	+10.37 % or +235,813 employees (2006 to 2011)
Annual Growth	2.7%/yr over next the 10 years (TXP, Inc.).

POPULATION

• Current	2,272,834 (STDBonline, 2006 estimate)	
• Population Growth	(STDBonline)	
Since 2000 Census	Census: 2,007,065	+13.2% or 265,769
• Population Projections	(STDBonline)	
2010 Projection	2,508,647	+10.37% or 235,813

ECONOMIC DRIVERS

San Antonio's economic drivers are well balanced and include the following:

- Tourism (rich in historical landmarks and entertainment attractions with the Alamo and other missions, Sea World and Fiesta Texas)
- Military (Randolph AFB, Lackland AFB, Fort Sam Houston)
- International trade (proximity to Mexico)
- Manufacturing (Toyota Tundra manufacturing plant)
- Healthcare/Biosciences (South Texas Medical Center)

SAN ANTONIO, TEXAS
COMMERCIAL REAL ESTATE SUMMARY
FOURTH QUARTER 2006

REAL ESTATE MARKETS:

(SOURCES: ECONOMIC SUMMARY – SAN ANTONIO BOARD OF REALTORS (SABOR), TEXAS WORKFORCE COMMISSION, THE PERRYMAN GROUP; RETAIL – NAI REOC PARTNERS, LTD, TRADE DIMENSIONS INTERNATIONAL, AND STDB ONLINE FOR HOUSEHOLD INCOME; OFFICE/INDUSTRIAL – GRUBB & ELLIS, REAL CAPITAL ANALYTICS; AND APARTMENTS - AUSTIN INVESTORS.)

SAN ANTONIO ECONOMY		
Trailing 12 month job growth (Dec. 06 – Dec. 05)	20,100 jobs gained	810,000 or (+)2.54% growth of total jobs in San Antonio MSA (Labor Market Review, TWC)
YTD 2006 Single Family Property Sales (Dec. 2006).	24,389	7.83% increase from prior year (SABOR)
Job Growth Forecast.	15,600-19,000	2-2.5% increase for 2007 *(Federal Reserve)*
Av. Single Family Home Price	$172,521	7.36% increase from Dec. 2005 (SABOR)

Manpower, Inc. conducted a survey that predicts that 29% of San Antonio employers are expected to increase hiring in the 1Q of 2007. San Antonio was ranked as the #5 market in the country for single family development, and #8 by Homevestors of America for Real Estate Investment.

RETAIL		
Current Inventory	37,611,249 SF	+4.74% or 1,703,202 SF increase from 4Q 2005.
4Q 2006 Occupancy	89.6 %	Up .2% from 4Q 2005 (89.4%).
4Q 2006 Average Rental Rate	$16.51	Up $1.03 PSF from 4Q 2005.
YTD Absorption	(+)1,792,619	Contributing to the strong performance was the completion of The Rim at LaCantera which added 900K SF of space and accounted for more than 780K SF of net positive absorption.
Total Retail Sales for 2nd qtr. 2006 (most recent report)	$6.981 Billion	This is a 6.37% increase from 2Q 2005.
Est. Avg. Total Household Inc. 2006	$64,028	$74,088 or 20% increase projected for 2011.

- *According to Real Capital Analytics,in the last 6 months, there were 6 sales totaling $94.1 Million Dollars, making the average purchase price $15.7 Million.*
- *The top area grocers along with retail market share are 1. HEB (52 stores –63.5% Mkt share), 2. Wal-Mart Stores. (16 stores – 24.8% Mkt share), 3. DECA Commissary (3 stores –3.8% Mkt share) Data dated 4Q 2005, Mkt. Share based on All Commodity Volume- Trade Dimensions International.*

OFFICE		
Current Inventory	23,124,834 SF	(+) 0.17% increase or 40,000 SF added since 3rd Quarter 2006
4Q 2006 Occupancy	87.8%	Increase of 1.38% from 3Q 2006.
4Q 2006 Under Construction	681,033 SF	Most of the space under construction is speculative suburban space and is 30.3% pre-leased, however, there is 140,000 SF under construction in the NW submarket that is Build-To-Suit space.
4Q 2006 YTD Net Absorption	797,092 SF	4Q Net Absorption was (+)153,656. The Northwest submarket showed the largest (+) amount at 93,426 SF.
4Q 2006 Avg. Rental Rates	$21.81 PSF (Class A), $17.46 PSF (Class B)	Asking rental rates changed by (-) $0.08 (Class A) and by (+) $1.04 (Class B) during the quarter.

- *According to Real Capital Analytics, in the last six months, 8 sales have been completed totaling $110.8 Million making the average deal size roughly $13.9 Million.*

INDUSTRIAL		
Current Inventory	59,946,170 SF	No change from 3Q 2006
Current Occupancy	89.6%	.6% increase from 3Q 2006.
4Q 2006 Under Construction	1,174,362 SF	Of the remaining space under construction, roughly 925K SF of it is speculative development; the remainder is either Build-To-Suit or Owner Occupied Space.
4Q 2006 YTD Absorption	(+)3,898,879 SF	SA's Industrial market finished year just shy of 3.9M SF of absorption, 2M SF is due to Toyota expansion; but the 4Q enjoyed 342K SF of positive absorption demonstrating the markets momentum.
4Q 2006 Rental Rate	$3.81 WH/D $8.89 R&D Flex	R&D/Flex increased $0.14 psf and WH/D decreased $.06 psf during the quarter.

- *San Antonio's Industrial Market continued its third quarter of showing positive absorption in all 5 submarkets*
- *According to Real Capital Analytics, in the last six months, 6 sales have been completed totaling $57.8 Million making the average deal size roughly $9.6 Million.*

APARTMENTS		
Current Inventory	115,494 Units	Increase of 605 units from 3Q 2006.
Current Occupancy	92.22%	Down 1.24% from 3Q 2006.
4Q 2006 Current Units Under Construction	6,267 Units	Down 800 units from 3Q 2006.
YTD Absorption	1,145 Units	New unit additions totaled 840, but condo-conversions and rehabs put the net unit gain at 605. Absorption for the quarter was (-)827.
4Q 2006 Overall Avg. Rental Rates	$0.80 PSF	Rates were unchanged from previous quarter.
4Q 2006 Completions	962 Units	In the last 12 months, 3,917 units have been delivered to the market and 84% of them are occupied.

- *Annually, there were 75 total sales, totaling 15,183 units. The average price/unit was $52,174 or $62.62 PSF.*
- *16 reported Sales during the quarter, a total of 3,776 units were traded at an estimated $208,386,000 making the average Price Per Unit $60,630.*

San Antonio's dynamic and diverse economy is a healthy mix of business services, with a rapidly growing biomedical and biotechnology sector, and a diversified manufacturing sector, producing everything from aircraft and semiconductors to rolled aluminum sheet, and soon, Toyota Tundra trucks. San Antonio's largest private employers include: United Services Automobile Association, a worldwide insurance and diversified financial services association; and, H-E-B Grocery Company, the largest private grocery company with stores in Texas and Mexico. Toyota's sixth North American assembly plant, which began production in 2006, is a welcome addition to the San Antonio economy.

The traditionally strong tourist and convention traffic is still relatively high with eight million people visiting San Antonio each year and over 500,000 convention delegates per-year attend conventions in San Antonio. San Antonio still ranks as the number one tourist attraction in Texas per the survey conducted by Texas Department of Transportation. The Alamo ranks as the most visited attraction with 36.5% of the visitors with the River Walk in a close second with 31.3% *(San Antonio Economic Development Foundation).*

TOP PRIVATE EMPLOYERS

Major Corporate Headquarters Located in San Antonio		
Company	**Business**	**Employed in SA**
H.E.B. Food Stores	Super Market Chain	14,588
United Service Automobile Association (USAA)	Insurance	13,800
AT & T	Telecommunications	6,500
Southwest Research Institute	Applied Research	2,746
Valero Energy	Oil Refining & Gasoline Mktg.	3,000
West Teleservices	Outbound Telemarketing	2,366
Bill Miller Bar-B-Q	Fast Food Chain	2,200
Frost National Bank	Banking Service	1,986
Taco Cabana	Fast Food Chain	1,850
Kinetic Concepts, Inc.	Specialty Medical Products	1,800
Harcourt Assessment, Inc.	Testing Materials	1,500
Martin Marietta Materials SW, Inc.	Construction Aggregate	1,400
DPT Laboratories	Manufacturing of RX and OTC Prod.	1,400
Clarke American	Check Printing	1,295
Zachry Construction Company	General Contractors	1,000
Clear Channel Communications	TV & Radio Stations, Outdoor Ads	962
HOLT CAT	Construction Equipment	544
Tesoro Petroleum Company	Petroleum Exploration, Extraction and Refining	441
Frost & Sullivan	International Management Consulting	220
Lyda Swinerton Builders, Inc.	Commercial Construction	216
Source: The Greater San Antonio Chamber of Commerce, 2006 Largest Employers Directory, The San Antonio Business Journal and by contact with company representatives		