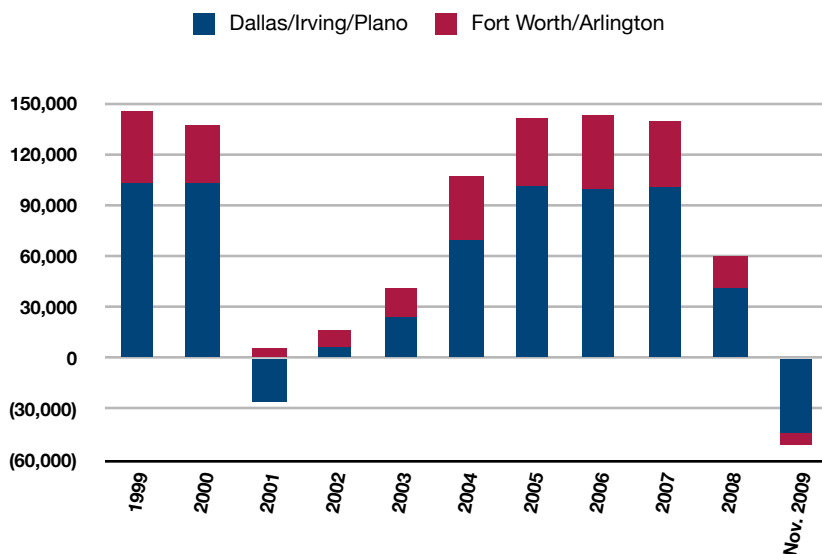


FULTS MARKET REPORT

Dallas Office Update | Year-End 2009

At the conclusion of the fourth quarter, the Metroplex's (Dallas, Fort Worth and surrounding cities) economy and office market appeared to be almost standing still. Preliminary figures from the Bureau of Labor Statistics indicated that 50,700 Metroplex jobs were lost in the 12-month period ending November 2009. While the job loss is painful to the Metroplex, it is minimal compared to the hundreds of thousands of jobs lost in Los Angeles, New York, Chicago, Atlanta and Phoenix. Similarly, the local unemployment rate was 7.9 percent at the end of November while the national rate was 10 percent. Looking to 2010, the Federal Reserve and most economists expect national unemployment to hold above 9 percent throughout the year.

Metroplex Job Growth

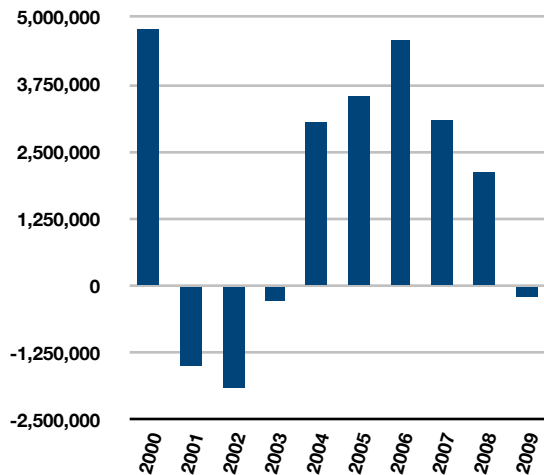


Source: www.bls.gov
Preliminary figures for the 12-month period ending November 2009 for total non-farm employment, not seasonally adjusted

In December of 2009, the Dallas/Fort Worth economy continued to firm up and we believe it will reap the benefits of economic recovery sooner than other major cities across the country. While that allows us to see a little light at the end of the tunnel, the economic recovery is still on shaky ground. As we closed the books on 2009, the national economy continued to send mixed signals. In response, businesses and consumers held their breath waiting to see what happened next with the jobless report, healthcare reform, climate legislation and financial regulatory reform. As we move into 2010, our economy continues its transition, but to what are we transitioning? How much will it cost? Who will pay? And, where do opportunities exist? The answers to these and many other questions should provide businesses and consumers with the information and confidence that is necessary to start moving forward once again.



Dallas Historic Absorption



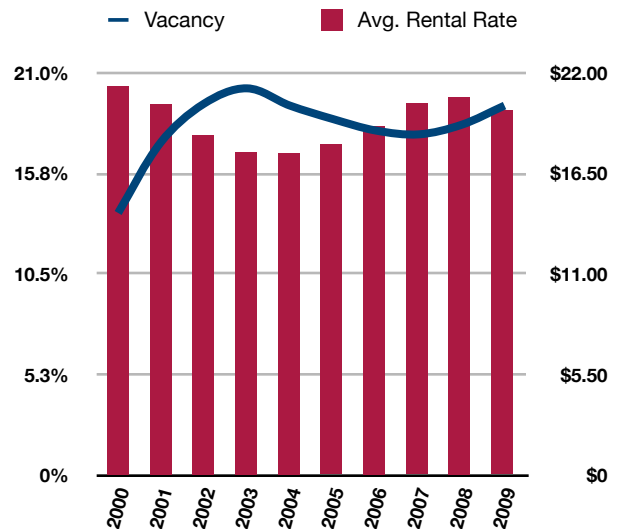
Source: CoStar Property December 2009, CoStar Advisory Report; Year-End 2009

For the third consecutive quarter, the Dallas office market (not including Fort Worth and the Mid-Cities) recorded mildly negative absorption bringing the 2009 absorption total to negative 207,174 square feet. The overall vacancy rate increased from 18.3 percent at year-end 2008 to 19.3 percent. New construction and renovations dropped from 4.1 million square feet in 2008 to just over 2.1 million square feet. The average quoted rental rate dropped from \$20.70 at year-end 2008 to \$19.95 per square foot.

In terms of absorption, Far North Dallas was the big winner in 2009 with 332,660 square feet of positive absorption. The Upper Tollway and Frisco/The Colony submarkets both posted absorption gains while tenants continued to exit the Quorum/Bent Tree submarket. Although Far North Dallas has consistently been one of the top performing office markets in the Dallas, rental rates have declined steadily since the second quarter of 2008 when they peaked at \$23.30 per square foot. At year-end, the average quoted rate in this market was \$21.43 per square foot.

Las Colinas recorded 251,012 square feet of positive absorption. Once again, the majority of the activity in Las Colinas was in the Office Center. At year-end, the Office Center vacancy rate was 16.3 percent which was well below the vacancy rates in the Urban Center or the DFW Freeport submarkets. As with most markets, quoted rental rates began declining

Dallas Historic Vacancy & Rental Rates



Source: CoStar Property December 2009, CoStar Advisory Report; Year-End 2009

in Las Colinas in the second quarter of 2008. At year-end 2009, the average quoted rate in this market was \$20.08 per square foot.

Due to the age of its buildings and to avoid the hassles associated with the widening of LBJ Freeway, tenants continued to exit the LBJ office market. In 2009, tenants vacated nearly 450,000 square feet of office space along the corridor. The overall vacancy rate increased from 19.5 percent to 21.5 percent. The average quoted rental rate was \$17.25 per square foot.

Like the office leasing market, the investment sales market remained at a near standstill in 2009. Very few properties were traded and those that did were sold for 20 to 30 percent less than their purchase price. We anticipate these trends will continue in 2010 as more distressed assets are brought to market and debt requirements remain uncertain.

As 2010 progresses and banking regulation is defined, we should be able to clarify the murkiness that has overwhelmed real estate owners and tenants. Being one of the fastest growing regions in the nation, Dallas should see new companies emerge and existing companies expand, thereby creating new jobs in 2011. With more employment opportunities and a clearer path, businesses will again begin to absorb office space within our market.

Year-End 2009 Dallas Market/Submarket Statistics

Market/ Submarket	No. of Bldgs	Total RBA	Direct Vacancy	Total Vacancy	YTD Net Absorption	YTD Deliveries	Average Rate
Dallas CBD	169	36,945,642	22.6%	23.8%	(521,976)	0	\$19.04
Central Expressway	300	15,437,787	12.6%	12.9%	88,793	92,000	\$21.05
Stemmons Freeway	241	15,904,307	23.0%	23.3%	(76,163)	99,000	\$14.68
Uptown/Turtle Creek	329	12,899,273	13.8%	15.9%	97,299	314,279	\$28.96
Preston Center	133	5,062,129	8.3%	9.8%	91,196	140,047	\$25.89
LBJ Freeway	244	24,392,518	20.1%	21.5%	(448,768)	32,611	\$17.25
*East LBJ	162	18,737,800	19.7%	21.4%	(380,805)	32,611	\$18.15
*West LBJ	82	5,654,718	21.6%	21.8%	(67,963)	0	\$14.01
Richardson/Plano	807	30,975,574	15.1%	15.8%	(21,227)	340,446	\$19.17
*Allen/McKinney	273	6,269,636	18.0%	18.6%	145,067	272,129	\$20.38
*Richardson	253	15,133,517	13.2%	13.8%	(255,919)	0	\$18.65
*Plano	281	9,572,421	16.1%	17.3%	89,625	68,317	\$19.49
Far North Dallas	801	48,641,141	17.7%	18.8%	332,660	1,045,468	\$21.43
*Frisco/The Colony	162	4,721,959	21.7%	23.2%	133,817	18,119	\$21.41
*Quorum/Bent Tree	351	22,825,373	20.0%	21.2%	(453,319)	198,484	\$20.07
*Upper Tollway	288	21,093,809	14.4%	15.2%	652,162	828,865	\$23.80
Las Colinas	368	35,854,632	19.4%	20.0%	251,012	75,100	\$20.08
*DFW Freeport	166	10,998,484	19.6%	20.1%	128,864	75,100	\$19.83
*Office Center	141	15,443,996	15.7%	16.3%	204,391	0	\$19.44
*Urban Center	61	9,412,152	25.1%	26.2%	(82,243)	0	\$21.08
Total Market	3,392	226,113,003	18.3%	19.3%	(207,174)	2,138,951	\$19.95

* denotes submarket within the office market listed above.

Source: CoStar Property December 2009, CoStar Advisory Report: Year-End 2009



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