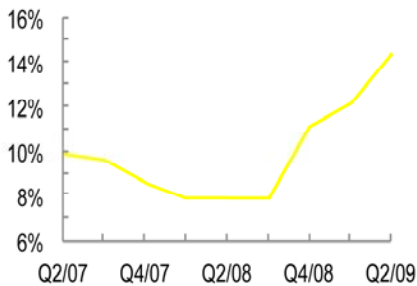
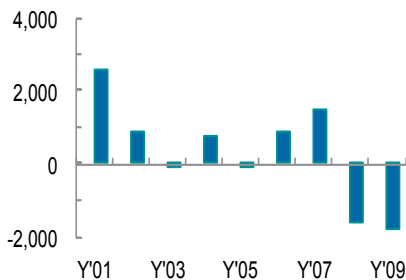


**Vacancy Rate**  
Quarterly



The El Paso industrial market vacancy rose to 14.4 percent, an increase of 200 basis points from last quarter. The number of companies even looking for space again increased through the second quarter but closing deals was still a challenge.

**Net Absorption**  
Quarterly (in Thousands of SF)



The lingering big box vacancies (100,000 square feet) seemed to have stabilized for the moment and certain submarkets are beginning to see an increase in demand. The industrial areas of Santa Teresa and Northwest Corporate Center continued to see activity due to the new construction of the Foxconn plant in San Jeronimo, which is located just south of the US-Mexico border. Some suppliers and 3PL's are already making their move to be closer to this plant, which should further accelerate demand for space in the Santa Teresa and Northwest submarkets.

There has not been any new construction of any significance. Costs associated with new construction have been high, which would mean that a spec project would be priced above market in order to get the desired returns all during a time of decreasing rates.

The demand is up and is expected to increase as the year progresses. The military continues to be a driving force with the new developments of the Base Realignment and Closure (BRAC). Lease renewals are also expected to be on the rise as companies try to lock in the currently low lease rates resulting from a strong tenant's market.

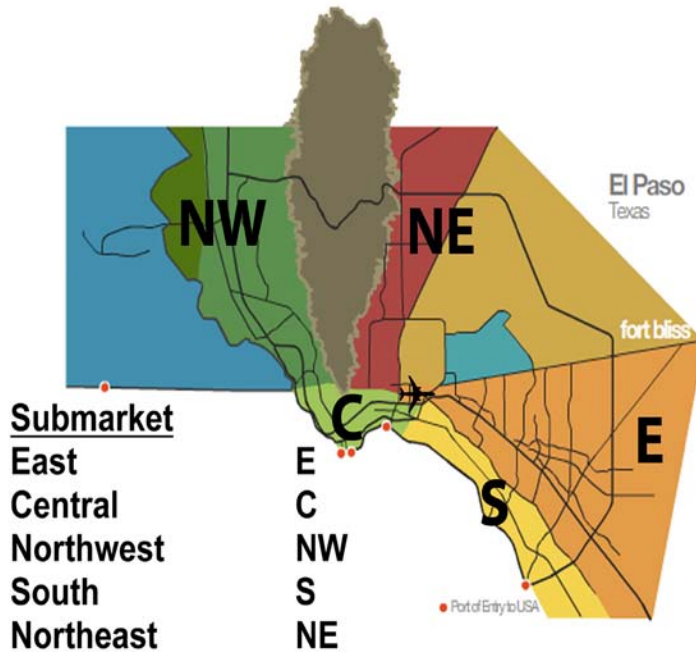
# Industrial Trends Report—Second Quarter 2009

## El Paso, TX

By Submarket	Total SF	Vacant SF	VACANCY %	NET ABSORPTION		Under Construction SF	ASKING RENT WH/Dist
			Total	Current	YTD		
East	26,377,374	4,546,333	17.2%	(1,113,141)	(1,379,353)	-	\$3.72
Central	14,012,123	2,716,315	19.4%	(135,078)	(400,659)	-	\$3.62
Northwest	7,987,134	546,829	6.8%	(51,000)	65,365	-	\$3.70
South	6,118,879	137,998	2.3%	-	-	-	\$2.75
Northeast	2,481,780	278,496	11.2%	-	(108,000)	-	\$2.85
<b>Total</b>	<b>56,977,290</b>	<b>8,225,971</b>	<b>14.4%</b>	<b>(1,299,219)</b>	<b>(1,822,647)</b>	<b>-</b>	<b>\$16.64</b>

Product Type	Total SF	Vacant SF	VACANCY %	NET ABSORPTION	Under Construction SF	ASKING RENT
Warehouse/District	51,930,542	7,949,299	15.3%	(1,274,881)	-	\$3.60
General Industrial	5,046,748	276,672	5.5%	(24,338)	-	\$3.00
<b>Total</b>	<b>56,977,290</b>	<b>8,225,971</b>	<b>14.4%</b>	<b>(1,299,219)</b>	<b>-</b>	<b>\$6.60</b>



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### SUMMARY

Although flyers, signs and advertising play a role in helping to lease space, we find that one of the most effective means of acquiring users and tenants is through networking. With our offices along the U.S. /Mexico border we have established many working relationships with numerous companies that have operations on both sides of the border. Typically, when a company establishes an operation in Mexico,

there is a U.S. component to that operation. Being able to work on the site selection process on both sides of the border enables us to better assist these organizations.

We also network with and work with the Grubb & Ellis offices throughout the U.S Asia and Europe, as well as the local brokers in the community.

We anticipate that we will be able to lease the current vacant space in the second and third quarter of 2010. This is based on the stabilization and anticipated growth in 2010, as well as the demand for 30,000 to 40,000 square foot space in the Butterfield Trail Industrial Park, due to demand being generated by Fort Bliss.