

BURNS COMMERCIAL PROPERTIES

2009 TYLER OFFICE MARKET SURVEY

After three years in which the occupancy rate for office space in Tyler increased, the annual Burns Commercial Properties Office Market Survey indicates that the trend has been reversed.

The Survey, which was completed in September, found that the slowdown in the national economy has had a negative effect on the Tyler commercial real estate market.

The results of the fifty two building survey show that the occupancy rate dropped from 90.2% to 86.5%, while the vacant square footage increased by 84,248 square feet, up to a total vacancy of 293,539 square feet. The average rental rate was virtually unchanged at \$13.44 per rentable square foot, based on a gross lease basis.

The bulk of the increased vacancy appears to be concentrated in Class B buildings, as the occupancy rate dropped to 80.4% in these properties, a decrease of 7.1%. Class A buildings experienced very little change, as the current occupancy rate in these structures stands at 92.5%, versus 93.8% one year ago.

Class C properties were actually stronger this year, increasing the occupancy rate from 88.8% last year to the current mark of 92.9%. These buildings have a very small amount (16,498 square feet) of vacant space, indicating that more tenants are being budget minded when selecting office locations.

The Central Business District (downtown) buildings slipped in occupancy from 89.2% last year to 84.6%, while properties in South Tyler dropped from 90.8% to 87.8%. Rates in both these areas experienced very little change.

While the Survey results show a definite weakness, Tyler's market has held up well when compared to nationwide figures. A recent survey cited in the Wall Street Journal indicated that nationwide office rents fell 8.5% in the third quarter compared to one year ago. In most large markets, Tenants are vacating space at a rapid rate, which places a large amount of sublease space on the market. This is a situation which causes rates to decrease quickly. The Tyler market is experiencing very little of this.

In spite of the increase in the amount of space available for lease, there are still very few spaces on the market which contain five thousand or more square feet, making it difficult for larger firms to find new space. Most of the office areas which contain large spaces are older buildings which have not been modernized. Additionally, several of these have little onsite parking available.

Thanks to all the property owners and managers who contributed the data necessary to complete this report, and to Peggie Jenkins, who compiled the information.

Taylor Burns

CITY: Tyler
 MARKET: Central Business District (Downtown)
 DATE: September, 2009

BUILDING/ADDRESS OWNER	TOTAL SIZE IN SF	NUMBER OF FLOORS	PERCENT OCCUPIED	TOTAL SPACE AVAILABLE	LARGEST CONTIGUOUS AVAILABLE	ANNUAL BASE RENT	COMMON AREA ADD-ON FACTOR	EXPENSE STOP	BLDG CLASS	CONTACT
<i>Tyler CBD Office Market</i>										
First Place 100 E. Ferguson Street Crest Properties, Ltd.	187,060	12	97%	5,123	4,938	\$14.00 - \$16.00	10.8%	\$8.50	A	Allen Bell Allen Bell Property Svcs. 903/595-2805
Plaza Tower 110 N. College Avenue Plaza Tower Ltd.	214,933	19	93%	15,696	2,548	\$15.00 - \$16.00	11.4%	Base Yr.	A	Taylor Burns Burns Commercial Properties 903/534-1200
200 Broadway Center (KLTV BLDG) 105 W. Ferguson Street TV-3, Inc.	54,904	4	92%	4,650	4,650	\$11.00	N/A	Base Yr.	B	Taylor Burns Burns Commercial Properties 903/534-1200
202 S. Broadway Avenue 202 S. Broadway Avenue Harry Leatherwood	18,000	3	0%	18,000	6,000	\$7.50 NNN	N/A	N/A	B	Allen Bell Allen Bell Property Svcs. 903/595-2805
Tyler Office Center 120 S. Broadway Avenue Individual	16,000	2	47%	8,500	2,200	\$10.00	N/A	None	B	Art Mullan Venue Properties 903/561-8000
United Heritage Bldg. 522 S. Broadway Avenue Woldert Rentals	13,252	2	100%	0	0	\$12.00	5.0%	Base Yr.	B	Chris Woldert 903/561-8855
Tyler Town Center 102 N. College Avenue	89,159	15	50%	44,579	5,891	\$12.00	16.0%	Base Yr.	B	Gary Halbrooks Venue Properties 903/561-8000
Fair Foundation Building 121 S. Broadway Avenue Fair Foundation	51,057	6	89%	5,500	1,500	\$9.00	N/A	None	C	Sherri Harris 903/510-6548
The Energy Center 719 W. Front Street Briarwood Group, Ltd.	41,560	3	96%	1,550	1,000	\$12.00	N/A	None	C	Martin Heines 903/593-2367

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<i>Tyler CBD Office Market</i>										
Fountain Square 401 E. Front Street Briarwood Group, Ltd.	29,484	2	89%	3,180	1,700	\$11.00	N/A	None	C	Martin Heines 903/593-2367
Blackstone Building 315 N. Broadway Avenue Tyler Chamber of Commerce	26,620	6	100%	0	0	\$12.00	20.9%	\$6.34	B	Allen Bell Allen Bell Property Svcs. 903/595-2805
122 South College Building 122 S. College Avenue Whitehurst & Smith	6,028	2	91%	543	543	\$8.00	N/A	None	C	Bill Whitehurst 903/595-0470
Wadel-Connally 112 E. Line Street Dobbs R/O Partnership	30,808	3	78%	7,005	7,005	\$13.00 - \$16.00	18.3%	\$5.22	B	Allen Bell Allen Bell Property Svcs. 903/595-2805
Austin Bank Building 305 S. Broadway Avenue Briarwood Group, Ltd	41,173	12	92%	3,075	780	\$12.00	N/A	None	C	Martin Heines 903/593-2367
210 South Broadway Avenue 210 S. Broadway Avenue Broadway Rusty Nail, Ltd.	13,262	2	100%	0	0	\$13.50	15.0%	Base Yr.	B	Andy Bergfeld 903/592-1032
320 South Broadway Avenue 320 S. Broadway Avenue Metro Asset Management, LLC	18,304	2	100%	0	0	\$13.50	5.0%	Base Yr.	B	Andy Bergfeld 903/592-1032
Professional Office Building 226 N. Broadway Avenue Woodvine Capital Partners	16,350	3	0%	16,350	16,350	\$8.00	N/A	None	B	Brian Burks Landbridge Commercial 903/352-3000
Totals For CBD:	867,954		84.6%	133,751		\$11.79 (avg)				

CITY: Tyler
 MARKET: Suburban
 DATE: September, 2009

BUILDING/ADDRESS OWNER	TOTAL SIZE IN SF	NUMBER OF FLOORS	PERCENT OCCUPIED	TOTAL SPACE AVAILABLE	LARGEST CONTIGUOUS AVAILABLE	ANNUAL BASE RENT	COMMON AREA ADD-ON FACTOR	EXPENSE STOP	BLDG CLASS	CONTACT
<i>Tyler Suburban Office Market</i>										
One American Center 909 ESE Loop 323 Mesa Loans of Athens, L.P.	114,344	7	95%	6,047	2,026	\$16.00 - \$19.00	12.6%	Base Yr.	A	Taylor Burns Burns Commercial Properties 903/534-1200
Two American Center 821 ESE Loop 323 Aberfeldy, Ltd.	94,017	5	84%	15,206	6,056	\$16.00	16.0%	Base Yr.	A	Franklin Swann Colliers International 903/509-2000
Grande Centre 6101 S. Broadway Avenue David Lake	90,514	5	100%	0	0	\$20.00 - \$21.00	12.2%	\$7.50	A	Taylor Burns Burns Commercial Properties 903/534-1200
Heartland Financial Center 501 Shelley Drive	58,531	2	100%	0	0	\$13.00	15.0%	Base Yr.	A	Glenda Liegman 903/561-1900
Woodgate Center 1001 ESE Loop 323 Woodgate Centre, LLC	95,005	4	90%	9,753	5,732	\$13.50	13.2%	Base Yr.	B	Glenn Eikner Burns Commercial Properties 903/534-1200
Paluxy Square 3800 Paluxy Drive Paluxy Square, Inc.	78,914	1	84%	12,025	2,119	\$13.50	N/A	Base Yr.	B	Mark Whatley Toby Gowin Burns Commercial Properties 903/534-1200
Commerce Square 3334 SSW Loop 323 Wynne Interests	73,165	1	79%	11,500	3,000	\$10.15	N/A	None	B	James Wynne, III Commerce Square Corp. 903/509-9795
Oak Plaza Building 3300, 3304 & 3310 S. Broadway Roosth Properties	59,610	2	98%	1,549	1,549	\$16.00	13.5%	\$7.01	B	Dan Spivey Roosth Properties 903/593-8333
Shiloh Office Park 921 Shiloh Road Aberfeldy, Ltd.	22,122	1	81%	4,262	4,262	\$13.50 Net of Electric	N/A	Base Yr.	B	Franklin Swann Colliers International 903/509-2000

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<i>Tyler Suburban Office Market</i>										
Independence Center 100 Independence Place Genecov Investments, Ltd.	53,898	4	88%	6,294	3,895	\$13.50	15.0%	Base Yr.	B	Don Simmons Simmons Real Estate 903/581-5858
Alpha Centre 3200 Troup Highway Aberfeldy, Ltd.	45,632	3	75%	11,268	5,000	\$14.50	20.0%	Base Yr.	B	Franklin Swann Colliers International 903/509-2000
Atriums 1820 Shiloh Road Aberfeldy, Ltd.	39,086	1	71%	11,471	3,467	\$12.50	15.0%	Base Yr.	B	Franklin Swann Colliers International 903/509-2000
Southeast Center 3301 Troup Highway Roosth Properties	38,757	4	82%	7,058	5,105	\$15.00 - \$18.00	15.0%	\$8.10	A	Dan Spivey Roosth Properties 903/593-8333
Southpark Centre 1828 ESE Loop 323 Negem Investments, LLC	47,107	3.5	93%	3,195	1,460	\$14.00	13.0%	Base Yr.	B	Matthew Marshall Landbridge Commercial 903/561-9527
Scottish Highlands Office Highway 110 S. at Kensington Genecov Investments, Ltd.	32,965	1	87%	4,265	2,447	\$14.00 Net of Utilities	N/A	Base Yr.	B	Glenn Eikner Burns Commercial Properties 903/534-1200
Herd Building 3901 Manhattan Drive Bob Herd	29,184	2	93%	2,000	2,000	\$17.00	12.5%	Base Yr.	A	Robert Means Harris-Means Real Estate 903/654-8963
Broadway Professional Building 2737 S. Broadway Avenue Motina Ltd.	26,000	2	91%	2,430	1,088	\$13.00	N/A	\$6.00	B	Brian Burks Landbridge Commercial 903/352-3000

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<i>Tyler Suburban Office Market</i>										
Oakglen Office Building 5620 Old Bullard Road Harbor Properties	14,463	1	92%	1,104	1,104	\$14.00	N/A	Base Yr.	B	Glenn Eikner Burns Commercial Properties 903/534-1200
Threlkeld Building 515 WSW Loop 323	15,929	2	100%	0	0	\$15.00	N/A	None	B	Don Robert Johnson Trust Property Mgmt. 903/581-6560
Atelier Office Buildings 3800 Old Bullard Road Harbor Properties	13,960	1	100%	0	0	\$13.50*	N/A	Base Yr.	B	Glenn Eikner Burns Commercial Properties 903/534-1200
Park Garden Offices 4411 Old Bullard Rd Gordon/Patty Mosley	11,000	1	92%	860	860	\$12.00	N/A	None	B	Gordon/Patty Mosley 903/534-5396
Bullard Road Square 5604 Old Bullard Road Calidad Properties	14,114	1	100%	0	0	\$11.25*	N/A	Base Yr.	C	Glenn Eikner Burns Commercial Properties 903/534-1200
Woodgate I 1121 ESE Loop 323 Woodgate I, Ltd.	32,066	1	98%	400	400	\$13.50	15.0%	\$5.25	B	Don Robert Johnson Trust Property Mgmt. 903/581-6560
Woodgate II 1021 ESE Loop 323 Flowers Davis PLLC	33,040	1	65%	21,476	1,608	\$14.00	15.0%	Base Yr.	B	Libby Simmons 903/561-8060
Woodgate IV 1101 ESE Loop 323 Copeland Gate, LLC	50,757	1	98%	900	900	\$14.50	10.2%	Base Yr.	B	Don Robert Johnson Trust Property Mgmt. 903/581-6560
Southside Office Building 1324 S. Beckham Pollard-Heines Buildings, LLC	15,837	1	98%	200	200	\$12.00	N/A	None	C	Martin Heines 903/593-2367

* Tenant pays for certain charges such as utilities and/or janitorial. Rate shown includes an estimate for these services.

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<i>Tyler Suburban Office Market</i>										
Oak Leaf Building 5528 Old Bullard Road Calidad Properties	12,360	1	90%	1,293	1,293	\$11.25*	N/A	\$2.75	C	Glenn Eikner Burns Commercial Properties 903/534-1200
Winchester Office Complex 211-215 Winchester Drive Harbor Properties	12,000	1	90%	1,157	1,157	\$13.00	N/A	None	C	Glenn Eikner Burns Commercial Properties 903/534-1200
Highlands Office 2624 Kensington Bob Matush	8,527	1	100%	0	0	\$13.00	N/A	None	C	Glenn Eikner Burns Commercial Properties 903/534-1200
Southgate Office Park 720 WSW Loop 323 Genecov Investments, Ltd.	11,680	1	50%	5,800	2,800	\$12.00	N/A	Base Yr.	B	Mark Whatley Glenn Eikner Burns Commercial Properties 903/534-1200
Off Broadway II 2301 S. Broadway Avenue Nolan Manziel	22,990	1	100%	0	0	Negotiable	N/A	N/A	B	Nolan Manziel 903/592-4315
Pruitt Place Building 1015 Pruitt Place Abby Development	10,000	1	100%	0	0	\$18.00	N/A	N/A	A	Don Carroll Landbridge Commercial 903/561-9527
Old Jacksonville Professional Park 6760 & 6770 Old Jacksonville Road Abby Development	8,000	1	0%	8,000	8,000	\$15.50 NNN	N/A	N/A	A	Don Carroll Landbridge Commercial 903/561-9527
Broadway Hills Plaza 7925 S. Broadway Avenue Baker Realty BPH, Inc.	5,000	1	0%	5,000	5,000	\$23.00	N/A	N/A	A	Don Carroll Landbridge Commercial 903/561-9527
Regions Bank Building 1000 WSW Loop 323 KPE Investments, Ltd.	12,367	1	57%	5,275	3,633	\$15.50	N/A	Base Yr.	B	Mark Whatley Burns Commercial Properties 903/534-1200
Suburban Totals:	1,302,941		87.8%	159,788		\$14.23 (avg)				

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Total Office Market Statistics

Number of Buildings:	52
Total Square Feet:	2,170,895
Total Vacant Square Feet:	293,539
Overall Occupancy Rate:	86.5%
Average Annual Rental Rate Per SF:	\$13.44

Tyler CBD (Downtown) Office Market Statistics

Number of Buildings:	17
Total Square Feet:	867,954
Total Vacant Square Feet:	133,751
Occupancy Rate:	84.6%
Average Annual Rental Rate Per SF:	\$11.79

Tyler Suburban (South Tyler) Office Market Statistics

Number of Buildings:	35
Total Square Feet:	1,302,941
Total Vacant Square Feet:	159,788
Occupancy Rate:	87.8%
Average Annual Rental Rate Per SF:	\$14.23

Class A

Number of Buildings:	11
Total Square Feet:	850,340
Total Vacant Square Feet:	64,130
Occupancy Rate:	92.5%
Average Annual Rental Rate Per SF:	\$17.41

Class B

Number of Buildings:	31
Total Square Feet:	1,088,415
Total Vacant Square Feet:	212,911
Occupancy Rate:	80.4%
Average Annual Rental Rate Per SF:	\$12.73

Class C

Number of Buildings:	10
Total Square Feet:	232,140
Total Vacant Square Feet:	16,498
Occupancy Rate:	92.9%
Average Annual Rental Rate Per SF:	\$11.25