

2005 COMPARATIVE STATISTICS OF INDUSTRIAL & OFFICE REAL ESTATE MARKETS

EL PASO, TEXAS: OFFICE

THE SOCIETY OF INDUSTRIAL & OFFICE REALTORS - SIOR



KELLER-KOCH REALTORS LLC

4110 Rio Bravo, Ste. 205
 El Paso, Texas 79902
 (915) 532-6400
 (915) 532-8055

REPORTER(S):

Robert M. Keller, SIOR
 Matthew W. Koch, SIOR

MARKET DATA

Inventory sf	Class A		Class B	
	CBD	Outside CBD	CBD	Outside CBD
Total	1,928,547	4,464,016	703,867	1,108,897
Vacant	646,522	650,852	448,500	325,500
Vacant Sublease	0	0	0	0
Under Construction	0	0	0	0
Substantial Rehab	0	0	0	0
Net Absorption	27,478	29,520	-9,484	-4,603
Vacancy Rate	33.5%	14.58%	63.72%	29.35%

Prime Source Financing:

Insurance Companies, Commercial Banks

Mortgage Money Supply:

Ample

Utility Rates: CBD \$2.75 per sf
 Outside CBD \$2.50 per sf
 Not Separately Metered

Parking Ratio: CBD - 1 per 400 sf
 Outside CBD - 1 per 250 sf

Rate of Return: Cap Rate - 10%
 IRR - 12%

Landlord Concessions: Parking, Lease Assumption, Addl. Interior Improvements.

Operating Costs Escalation:

Determined by Base Year

Leasing Activity Profile:

Major Activity - none

Minor Activity - Fortune 500 Firms
 Legal/ Accounting
 Insurance
 Business Services
 Finance/ Banking
 Government
 Engineering/
 Architecture
 Sales
 Energy
 Technology

Rental Rates \$/sf

Lowest	\$11.00	\$12.00	\$8.00	\$9.00
Highest	\$16.00	\$18.00	\$11.00	\$11.00
Weighted Average	\$13.00	\$13.50	\$9.00	\$10.00

Sales Prices \$/sf

Lowest	\$40.00	\$50.00	\$25.00	\$30.00
Highest	\$75.00	\$110.00	\$40.00	\$50.00
Weighted Average	\$50.00	\$90.00	\$35.00	\$35.00

Operating Expenses \$/sf

Lowest	\$5.00	\$5.00	\$4.00	\$4.00
Highest	\$7.50	\$7.00	\$5.00	\$6.00
Weighted Average	\$7.00	\$7.00	\$4.00	\$4.00

Tax Expenses \$/sf

Lowest	\$1.25	\$1.25	\$0.80	\$1.05
Highest	\$1.65	\$1.75	\$1.15	\$1.25
Weighted Average	\$1.50	\$1.45	\$1.05	\$1.20

Standard Work Letter: \$35.00 per sf typically based on dollars per square foot

Outlook:

Absorption	Down	6-10%
Construction	Down	5%
Vacancies	Up	5%
Rental Rates	Same	
Landlord Concession	Same	

2004 Review

Demand was down, as predicted, which was a manifestation of the national rather local economy. All new construction was in the suburbs in the 4,000- 10,000 square feet range with no multistory buildings. With low interest rates, several tenants built their own buildings. The standard work letter is amortized over the lease term and is included in the lease rate. Operating expenses include taxes, insurance, maintenance and repairs, trash removal, cleaning, management and utilities and is part of the rental rate.

2005 Forecast

Small amount of speculative space is anticipated to be built. I think we'll see quite an increase in rehab activity, especially in the CBD.

Market isn't strong enough for much speculative building and majority of new construction will be for users.