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Medical Office Market Survey Amarillo, Texas 2009

Introduction:

Coldwell Banker Commercial First Equity, Realtors is pleased to present our eleventh annual survey of multi-tenant medical office properties of 10,000 leaseable square feet or larger. This survey addresses information regarding the medical office market in Amarillo and is designed for use by real estate professionals including brokers, appraisers, lenders, property owners and managers and investors. It is not intended for consumer use and therefore, contains no consumer-related disclosures and/or disclaimers. Data collection methods, verification of such and related comments and conclusions drawn have been carefully considered. However, Coldwell Banker Commercial First Equity, Realtors makes no representations and/or warranties with respect to the data, comments, or projections contained in the survey. All data collected and reported herein is subject to change without notice.

Scope:

The survey information was compiled as of January 2009 by JonAnn Welch, Office Specialist, with Coldwell Banker Commercial First Equity, Realtors. Survey information was compiled directly through email correspondence, personal visits and/or telephone interviews with property owners, leasing agents, and property management companies. Each of the properties included in the survey were personally inspected to verify occupancy. The Amarillo market includes nine (9) buildings that meet the survey criteria of multi-tenanted medical office buildings of 10,000 square feet or larger. Only one of the properties surveyed is not located in or adjacent to the Harrington Regional Medical Center.

Occupancy:

Stable describes the multi-tenant medical office market in Amarillo. Overall occupancy remained at 92%, the same as was reported in 2008. 90% overall occupancy was reported in 2007. However, the total inventory of medical space reflects the loss of 33,000 square feet due to the Professional Building II's removal from the survey. Occupancy rates should remain stable in 2009 as new medical office construction by individual practitioners and small groups has slowed and current construction does not include any

multi-tenant office space. The Amarillo Medical Office Market absorbed 29,632 square feet during 2008.

Rental Rates:

Medical office buildings included in this survey be classified as class A, B, and C buildings based on age, condition, amenities, etc. No overall rental rate is calculated for the Amarillo medical office market due to these variances in condition. When surveying rental rates in the Amarillo office market, owners or their representatives provide the current “asking rate” for vacant space in the subject property or the rate they would ask if a vacancy existed. At the time the 9 buildings in the Amarillo medical office market were surveyed, there were no changes in 8 buildings, and 1 building decreased asking rates by only \$.50/square foot.

Rental rates range from \$13.00 to \$20.00 per square foot. Quoted rental rates vary from full service gross leases, inclusive of all operating costs, to various net leases, where the tenant incurs specific building operating costs, are not considered. Property owners continue to absorb the majority of increases in operating expenses, with some movement noted in rates at a few properties in an attempt to recover a portion of these rising costs. Rental rates are expected to remain stable throughout 2009.

Outlook for 2009:

Despite downtrends in the national economy, Amarillo market fundamentals point to a stable or slightly decreasing economy in 2009. The Medical Office market should reflect activity in the overall local economy. Occupancy rates and rental rates should be stable in 2009, with any adjustments attributable to competitive positioning and negotiated lease renewals. New office development has slowed and should not impact the market in 2009.