Market Report

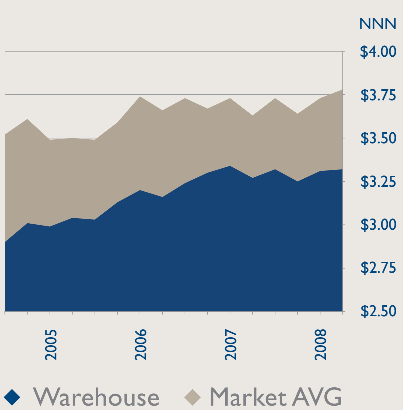
INDUSTRIAL | SECOND QUARTER | 2008

MARKET INDICATORS

	Q2 2008	NEXT QTR
VACANCY	↑	↑
NET ABSORPTION	↓	↑
CONSTRUCTION	↓	↓
RENTAL RATE	↑	↔
CAP RATES	↔	↔

UPDATE

ATLANTA RENTAL RATES
OVERALL MARKET & WAREHOUSE (PER SF)

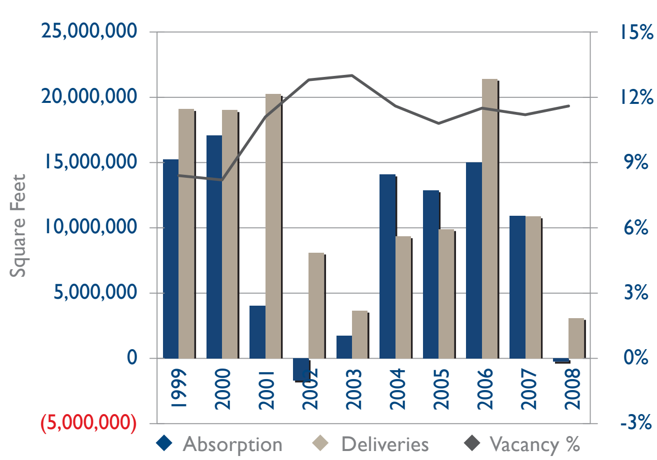


Industrial Market Activity in Atlanta Remains Quiet

The second quarter of the year proved to be a troubling period for Atlanta's industrial market as it experienced its worst quarter of absorption in five years. In addition, leasing activity for industrial space over the past three months was the lowest it has been in twenty years according to historical data obtained through CoStar. This is in sharp contrast to industrial absorption and leasing in Atlanta from only a few years ago. The negative quarter has left the city's industrial market with a year-to-date loss of (251,800) SF. No doubt the economy is having an impact on the metro Atlanta area. The product types most affected by the downturn include flex and warehouse properties which combined for (1,122,823) SF of negative absorption in second quarter. This amount alone has put the entire Atlanta market into its current deficit for the year. Shallow-bay/distribution properties absorbed 519,271 SF in the quarter which is similar to the same amount in first quarter and possibly the only bright spot for Atlanta's industrial market currently. When looking closer at the loss of tenants in warehouse properties, it appears the buildings ranging from 15,000 SF to 100,000 SF have been hit hardest by the troubling economic times. Second quarter absorption totaled (574,091) SF in these properties which represents 95% of the overall market loss during this period. This suggests the smaller industrial tenants, most likely tied to the housing and lumber industries, are struggling to survive the current downturn.

Though leasing activity is far off of levels witnessed in previous years, a few medium-sized deals did manage to take place in second quarter. These include Walgreens leasing 518,400 SF at Jackson 85 Distribution Center in Northeast Atlanta, Mitsubishi signing for 265,000 SF at Park 85 @ Braselton in Northeast Atlanta and Innotrac renewing 250,000 SF of warehouse space at the Business Park at Sugarloaf, also in Northeast Atlanta. These deals demonstrate, even in tough times, Atlanta's status as a regional distribution center continues to attract and maintain a strong tenant base. Nevertheless, the recent deals are nowhere near the million-plus square feet signings Atlanta was used to seeing only two years ago. The well of larger tenants has run dry for the time being. Because of this, it is unlikely industrial absorption in 2008 will reach the forecasted 7 to 9 million square feet anticipated at the beginning of the year. The struggling economy has had much more of an impact on Metro Atlanta than expected. Upon re-examination, absorption of industrial space in Atlanta will most likely fall between 1.5 to 2.5 million square feet following the second half of 2008.

ABSORPTION, DELIVERIES AND VACANCY RATES



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DEFINITIONS

Absorption (Net)-*The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy and subtracting all the negative changes in occupancy.*

Vacancy Rate-*A percentage of the total amount of physically vacant space divided by the total amount of existing inventory.*

Bulk Warehouse-*A type of building designed to be used for bulk storage or materials, distribution or heavy manufacturing. Typically has a small amount of office space, ceiling heights of 24' and bay depths of over 190'.*

Shallow-Bay Distribution-*A type of building designed to be used for the distribution of materials or as a medium-sized manufacturing facility. Typically has 10%-30% of office, ceiling heights of 18'-24' and bay depths of 120'-190'.*

Flex-*A type of building designed to be versatile, which may be used in combination with office, R&D, quasi-retail sales and industrial warehouse and distribution uses. Typically has at least 50% office and ceiling heights under 18'.*

Leasing Activity-*The volume of square footage that is committed to and signed for under a lease obligation for a specific building or market in a given period of time. It includes direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity for buildings under construction or planned.*

Deliveries-*Buildings that complete construction during a specified period of time.*

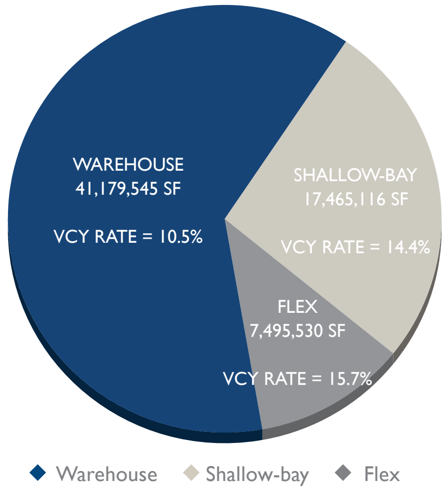
Vacancy & Availability

- The overall vacancy rate for Atlanta's industrial market continued it's upwards climb. As a result of negative absorption and new industrial deliveries, 2.6 million square feet of vacant space was added to the market in second quarter.
- South Atlanta and I-20 West/Fulton Industrial were the only submarkets to benefit from a drop in vacancy this quarter.
- Of the three product types, warehouse availabilities increased the most between first and second quarters. Tenant move-outs, an increase in sublease space and new deliveries added over 1.7 million square feet of vacant warehouse space on the market.

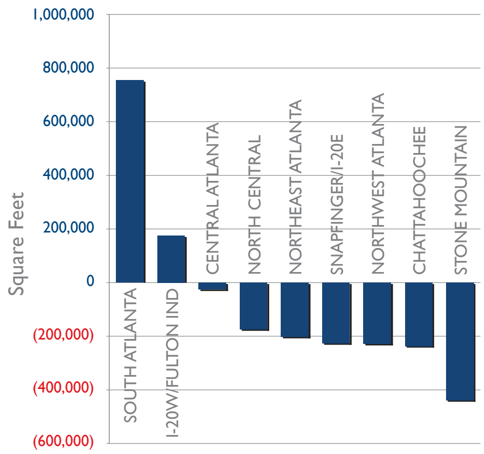
Absorption & Leasing Activity

- 95% of industrial absorption in second quarter can be tied to move-outs of warehouse tenants ranging from 15,000 SF to 100,000 SF. This implies the smaller warehousers are struggling the most to maintain operations in the economic downturn.
- The South Atlanta and I-20 West/Fulton Industrial submarkets were the only areas showing positive activity in the second quarter. These submarkets combined for almost a million square feet of industrial absorption.
- Leasing activity is expected to remain weak through the remainder of the year. Demand for industrial space is significantly down compared to the past few years.

SECOND QUARTER 2008
AVAILABLE SPACE BY PRODUCT TYPE



SECOND QUARTER 2008
NET ABSORPTION BY SUBMARKET



UPDATE
RECENT TRANSACTIONS IN THE MARKET

SALES ACTIVITY

PROPERTY ADDRESS	SUBMARKET	SALES DATE	SALE PRICE	SIZE SQ. FT.	SALES PRICE/SQ. FT.	TYPE
1000 Gutenberg Dr.	Northwest Atlanta Ind	5/1/2008	$22,300,000	175,900	$126.78	Flex Investment
Braselton Bus. Park-Quad I	Northeast Atlanta Ind	3/19/2008	$20,329,000	506,240	$40.16	Distribution Investment
296 Brogdon Rd.	Northeast Atlanta Ind	5/22/2008	$17,800,000	205,465	$86.56	Warehouse Investment
7060 Battle Dr.	Northwest Atlanta Ind	5/1/2008	$14,250,000	404,513	$35.23	Warehouse Investment

LEASING ACTIVITY

PROPERTY	SUBMARKET	TENANT	LANDLORD	SIZE SQ. FT.	TYPE
Jackson 85 Distr. Ctr.	Northeast Atlanta Ind	Walgreens	LaSalle Investment Mgmt.	518.400	Direct Lease
Park 85 @ Braselton-A	Northeast Atlanta Ind	Mitsubishi	Duke Realty	265,000	Direct Lease
Business Park @ Sugarloaf	Northeast Atlanta Ind	Innotrac	Duke Realty	250,000	Renewal
Terminus West-Bldg. I	I-20 West/Fulton Ind	ConMed	First Industrial	172,800	Direct Lease

UPDATE

MARKET COMPARISONS

EXISTING PROPERTIES								ABSORPTION		DELIVERIES		U/C	RENT
PROP TYPE	BLDGS	TOTAL SF	DIRECT VCY %	SUB VCY %	TOTAL VCY SF	VCY CURR %	VCY PRIOR %	NET ABSORP CURR SF	NET ABSORP YTD SF	NEW SUPPLY CURR SF	NEW SUPPLY YTD SF	UNDER CONSTR SF	AVG RENT PER SF (NNN)
CENTRAL ATLANTA IND.													
Flex	47	2,007,206	7.3%	-	147,073	7.3%	7.7%	7,396	(256)	-	-	-	$5.47
Shallow-Bay	70	3,303,492	8.3%	-	273,735	8.3%	8.1%	(7,500)	(500)	-	-	-	$4.60
Warehouse	160	12,110,565	3.6%	0.3%	476,789	3.9%	3.7%	(25,911)	(241)	-	-	-	$6.53
Total	**277**	**17,421,263**	**5.0%**	**0.2%**	**897,597**	**5.2%**	**5.0%**	**(26,015)**	**(997)**	**-**	**-**	**-**	**$5.97**
CHATTAHOOCHEE IND.													
Flex	80	3,947,044	23.1%	0.4%	925,454	23.4%	18.6%	(189,773)	(218,345)	-	-	-	$8.54
Shallow-Bay	36	1,447,705	2.1%	-	30,870	2.1%	2.1%	-	50,000	-	-	-	$4.50
Warehouse	308	17,003,583	4.4%	-	751,260	4.4%	4.1%	(47,129)	36,531	-	-	-	$3.61
Total	**424**	**22,398,332**	**7.5%**	**0.1%**	**1,707,584**	**7.6%**	**6.6%**	**(236,902)**	**(131,814)**	**-**	**-**	**-**	**$4.14**
I-20 W / FULTON IND.													
Flex	55	2,541,738	16.1%	-	409,523	16.1%	14.9%	(29,915)	(40,715)	-	-	-	$8.32
Shallow-Bay	281	19,334,251	10.6%	0.9%	2,228,536	11.5%	14.3%	536,364	448,117	-	-	-	$2.95
Warehouse	522	63,459,078	11.3%	0.6%	7,564,604	11.9%	11.3%	(331,235)	(707,203)	91,800	114,300	1,520,212	$2.64
Total	**858**	**85,335,067**	**11.3%**	**0.6%**	**10,202,663**	**12.0%**	**12.1%**	**175,214**	**(299,801)**	**91,800**	**114,300**	**1,520,212**	**$2.88**
NORTH CENTRAL ATLANTA IND.													
Flex	126	6,300,599	15.9%	0.4%	1,023,546	16.2%	15.5%	(48,531)	32,541	-	-	-	$8.39
Shallow-Bay	117	6,044,565	10.1%	0.6%	645,297	10.7%	10.2%	(31,756)	27,614	-	-	16,800	$7.66
Warehouse	191	10,323,974	6.8%	1.5%	850,838	8.2%	7.3%	(94,043)	(261,796)	-	-	137,504	$3.31
Total	**434**	**22,669,138**	**10.2%**	**0.9%**	**2,519,681**	**11.1%**	**10.3%**	**(174,330)**	**(201,641)**	**-**	**-**	**154,304**	**$5.96**
NORTHEAST ATLANTA IND.													
Flex	401	16,235,503	18.1%	0.9%	3,085,111	19.0%	19.3%	43,042	8,786	-	-	-	$8.38
Shallow-Bay	545	38,891,284	19.5%	0.5%	7,763,340	20.0%	18.6%	288,317	412,843	1,004,400	1,087,473	-	$3.63
Warehouse	1,045	111,003,402	8.5%	0.3%	9,794,582	8.8%	7.7%	(533,601)	30,388	792,875	1,064,520	90,000	$3.93
Total	**1,991**	**166,130,189**	**12.0%**	**0.4%**	**20,643,033**	**12.4%**	**11.3%**	**(202,242)**	**452,017**	**1,797,275**	**2,151,993**	**90,000**	**$4.31**
NORTHWEST ATLANTA IND.													
Flex	190	8,610,743	10.9%	1.8%	1,097,958	12.8%	13.7%	82,436	158,751	-	-	15,000	$10.35
Shallow-Bay	224	12,099,677	6.5%	0.1%	797,336	6.6%	4.7%	(222,874)	(263,343)	-	-	202,880	$5.96
Warehouse	454	32,355,095	8.2%	0.3%	2,743,769	8.5%	8.2%	(88,310)	(136,670)	20,000	162,310	994,219	$4.17
Total	**868**	**53,065,515**	**8.2%**	**0.5%**	**4,639,063**	**8.7%**	**8.3%**	**(228,748)**	**(241,262)**	**20,000**	**162,310**	**1,212,099**	**$5.67**
SNAPFINGER / I-20 EAST IND.													
Flex	50	1,702,655	22.0%	-	374,543	22.0%	16.8%	(89,171)	(229,221)	-	-	-	$6.20
Shallow-Bay	103	6,589,058	9.2%	0.6%	642,552	9.8%	10.9%	78,386	81,412	-	20,000	-	$3.00
Warehouse	249	22,905,649	10.2%	0.2%	2,381,262	10.4%	9.5%	(215,520)	(190,552)	-	-	195,234	$3.43
Total	**402**	**31,197,362**	**10.6%**	**0.3%**	**3,398,357**	**10.9%**	**10.2%**	**(226,305)**	**(338,361)**	**-**	**20,000**	**195,234**	**$3.51**
SOUTH ATLANTA IND.													
Flex	100	3,198,946	5.0%	-	159,144	5.0%	4.2%	(25,539)	(47,852)	-	-	-	$9.45
Shallow-Bay	265	25,857,339	15.6%	0.2%	4,100,495	15.9%	15.4%	(984)	394,510	150,000	595,819	109,850	$3.57
Warehouse	754	110,117,689	13.5%	0.4%	15,342,195	13.9%	14.6%	780,889	832,938	15,000	47,500	237,650	$3.02
Total	**1,119**	**139,173,974**	**13.7%**	**0.4%**	**19,601,834**	**14.1%**	**14.5%**	**754,366**	**1,179,596**	**165,000**	**643,319**	**347,500**	**$3.15**
STONE MOUNTAIN IND.													
Flex	94	3,062,490	8.5%	0.4%	273,178	8.9%	7.8%	(35,000)	(43,706)	-	-	-	$9.64
Shallow-Bay	167	7,741,121	10.7%	2.0%	982,955	12.7%	11.1%	(120,682)	(108,476)	-	-	-	$5.01
Warehouse	199	14,718,129	8.5%	0.2%	1,274,246	8.7%	6.7%	(282,908)	(516,635)	-	-	-	$4.37
Total	**460**	**25,521,740**	**9.2%**	**0.8%**	**2,530,379**	**9.9%**	**8.2%**	**(438,590)**	**(668,817)**	**-**	**-**	**-**	**$4.94**
ATLANTA MARKET GRAND TOTAL													
Flex	**1,143**	**47,606,924**	**15.0%**	**0.7%**	**7,495,530**	**15.7%**	**15.1%**	**(285,055)**	**(380,017)**	**-**	**-**	**15,000**	**$8.74**
Shallow-Bay	**1,808**	**121,308,492**	**13.8%**	**0.6%**	**17,465,116**	**14.4%**	**14.0%**	**519,271**	**1,042,177**	**1,154,400**	**1,703,292**	**329,530**	**$3.96**
Warehouse	**3,882**	**393,997,164**	**10.1%**	**0.4%**	**41,179,545**	**10.5%**	**10.0%**	**(837,768)**	**(913,240)**	**919,675**	**1,388,630**	**3,174,819**	**$3.32**
Total	**6,833**	**562,912,580**	**11.3%**	**0.5%**	**66,140,191**	**11.7%**	**11.3%**	**(603,552)**	**(251,080)**	**2,074,075**	**3,091,922**	**3,519,349**	**$3.78**

QUARTERLY COMPARISON AND TOTALS

Q2-08	**6,833**	**562,912,580**	**11.3%**	**0.5%**	**66,140,191**	**11.7%**	**11.3%**	**(603,552)**	**(251,080)**	**2,074,075**	**3,091,922**	**3,519,349**	**$3.78**
Q1-08	**6,823**	**560,877,737**	**10.9%**	**0.5%**	**63,501,796**	**11.3%**	**11.2%**	**352,472**	**352,472**	**1,017,847**	**1,017,847**	**5,371,824**	**$3.73**
Q4-07	**6,808**	**559,963,107**	**10.8%**	**0.5%**	**62,939,638**	**11.2%**	**11.1%**	**1,068,199**	**10,914,838**	**1,821,998**	**10,873,747**	**5,139,299**	**$3.63**
Q3-07	**6,792**	**558,159,859**	**10.7%**	**0.5%**	**62,204,589**	**11.1%**	**11.4%**	**2,515,640**	**9,846,639**	**1,574,229**	**9,051,749**	**5,711,266**	**$3.70**
Q2-07	**6,779**	**556,620,630**	**10.9%**	**0.5%**	**63,181,000**	**11.4%**	**11.5%**	**1,980,809**	**7,330,999**	**3,956,896**	**7,477,520**	**5,514,748**	**$3.62**

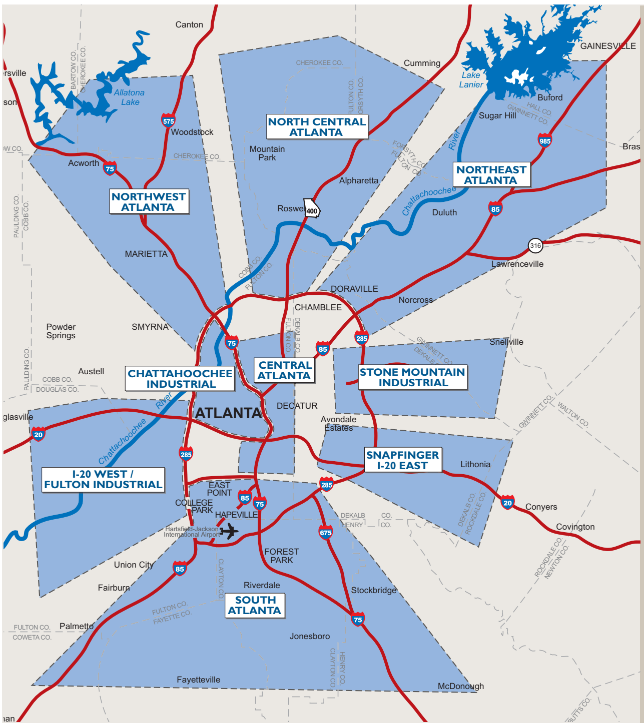
SOURCE: COSTAR PROPERTY

Construction

- Construction starts in the second quarter totaled only 221,600 SF. The total amount of industrial space under construction is down 36% from this time last year.
- Industrial deliveries totaled 2,074,075 SF which is the highest amount in four quarters. The largest delivery was Jackson 85 Distribution Center-Bldg. E at 1,004,400 SF. The distribution building has been partially leased by Walgreens.
- Most of the new product added was in Northeast Atlanta; specifically the Braselton and Jackson County areas of the submarket.

Rental Rates

- Despite negative absorption and increased vacancy, the average industrial rental rate increased by $0.05/sf in second quarter. Compared to mid-year 2007, the rate has increased 4.4%.
- Rates will likely hold steady for the remainder of the year, hanging onto a year-over-year increase of 4%. Should rates continue to escalate, it is plausible tenant concessions will become more numerous simply because of competition.



INDUSTRIAL SUBMARKETS

The Atlanta Industrial market consists of nine industrial submarkets. They include the Central Atlanta, Chattahoochee Industrial, I-20 West/Fulton Industrial, North Central Atlanta, Northeast Atlanta, Northwest Atlanta, Snapfinger/I-20 East, South Atlanta and Stone Mountain Industrial. The major interstates in the region include: I-75, I-85, I-285, I-575, I-985, I-675 and I-20. Georgia 400 and US 316 play important roles to Atlanta's transportation system as well.

293 OFFICES IN 61 COUNTRIES ON 6 CONTINENTS

USA 99
Canada 19
Latin America 18
Asia Pacific 62
EMEA 95

$73 billion in annual transaction volume
868 million square feet under management
11,000 Professionals

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