

MarketView

Charleston Industrial

www.cbre.com/research

Third Quarter 2008

Quick Stats

| | Current | Change from last | |
|----------------|---------|------------------|------|
| | | Yr. | Qtr. |
| Vacancy | 11.4% | ↑ | ↓ |
| Lease Rates | \$4.80 | ↑ | ↔ |
| Net Absorption | 760,000 | ↑ | ↑ |

*The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- Area manufacturer expands
- Defense industry continues to grow
- Trammell Crow to start new industrial park
- Lauth breaks ground on new park
- Port almost complete with 25 acre expansion
- BMW pumps \$8.8 billion into state economy

Despite the national economic slowdown, the Charleston industrial market remains healthy. Firms in the defense and manufacturing industries continue to expand in the area. Developers from around the country have continued to invest in Charleston through new class A industrial parks.

In terms of development, Charleston has had two national developers firmly commit to the area. Lauth Property Group has broken ground on a 390,000 square foot spec building at North Pointe industrial park and Trammell Crow recently closed on the land for their first phase of Omni Commerce Park. Trammell Crow is scheduled to start construction on a 505,680 square foot spec building at the new park by the end of October.

The defense industry has continued to grow as defense contractors and SPAWAR have announced new contracts. SPAWAR recently announced they had outfitted their 10,000th mine resistant ambush protected (MRAP) vehicle. Stanley & Associates has recently sub-leased 150,000 square feet from Jones

Market Statistics

| | |
|----------------------------|-----------------|
| Market Size | 28,500,000 |
| Vacancy Rate | 11.4% |
| Class A Rents (>50,000 SF) | \$4.80 - \$6.25 |
| Class A Rents (<50,000 SF) | \$5.25 - \$8.00 |
| Class B Rents (>50,000 SF) | \$3.25 - \$3.90 |
| Class B Rents (<50,000 SF) | \$3.75 - \$9.75 |

Apparel and another defense contractor is close to signing a lease on the second half of the building. The new flex project on Remount Road caters to defense contractors as it is across the street from SPAWAR has been successful and is currently 70 percent leased.

The Port

The Port of Charleston is seeing a record number of exports move across the docks this year primarily due to the weak dollar. The Port is currently in a major expansion mode with several projects concurrently taking place. The Wando terminal is expanding its container yard by 25 acres as well as making room for refrigerated cargo containers at a new dedicated refrigerated container yard.

Other news at The Port includes the recent visit by The Fedora, the world's largest and most efficient car carrier, made its maiden call at the Port early in September. The vessel has a capacity of 8,000 car equivalent units.

Submarket News

Goose Creek

The Goose Creek/Hanahan submarket continues to be one of the stronger submarkets in the Charleston market. This can be attributed to growth in the defense contractor industry. The submarket absorbed over 605,000 square feet over the past quarter. Jones Apparel sub-leased 150,000 square feet to two separate firms this past quarter and have filled one of the two buildings at North Pointe. Other activity in North Pointe includes Lauth's groundbreaking on a 390,000 square foot cross-dock spec building. The building should be completed by the second quarter of 2009. Remount Business Park, a 200,000 class A flex project close to SPAWAR is 70 percent leased. The owners plan to start on another building at the park shortly. Other activity in the area included an 80,000 square foot investment sale.

Summerville

The Summerville submarket will continue to grow as developers are purchasing land with the intent of developing class A industrial parks. The Trammell Crow Company has recently closed on the first phase of Omni Commerce park. Phase 1 will include three buildings ranging in size from 200,000 to 771,000. The first building, a 505,680 square foot building is scheduled to start in October and should be complete by the second quarter of 2009. The park will be able to accommodate close to 1,500,000 square feet on over 300 acres.

Cainhoy

The Cainhoy submarket has the largest vacancy rate in the area currently. There are three large buildings vacant in this sub-market including Childress Klein's spec buildings, and the Mikasa building. The Wando Welch Port Terminal, which is located in the Cainhoy area, is almost complete with a 25 acre expansion. The expansion area will serve as additional room for containers. The 203,000 square feet Masissa building recently was sold to a private investor.

North Charleston/Ladson

The North Charleston submarket has remained fairly stable over the past quarter. This area continues to attract new capital investment and job creation. Cummins, a local manufacturer, has recently announced plans to expand their facility in Palmetto Commerce Park. Other news inside of Palmetto Commerce Park includes the opening of Venture Aerobearings new plant and TWL Precision's new plant.

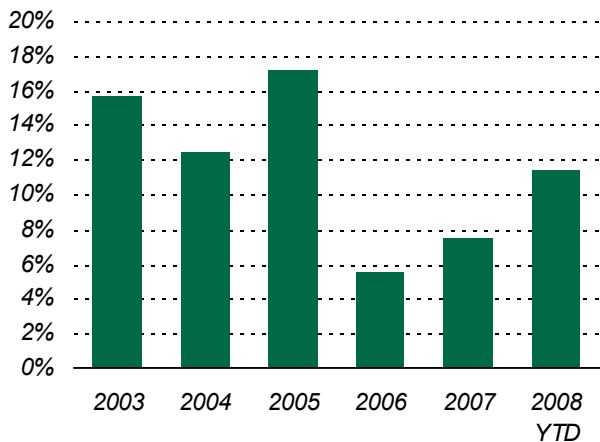
Future Outlook

The Charleston region continues to attract manufacturers and distributors that operate outside of the region. The area also continues to retain existing industries and assist with local expansions. The combination of a growing economy, significant improvements to the Port, as well as the availability of class A industrial parks will lead to a promising future for the Charleston industrial market.

Real estate developers and investors, manufacturers, and distributors, all have confidence that the Charleston area will continue to flourish. The Southeast region's population is expected to outpace the nation in terms of growth for the next ten years.

Vacancy

Vacancy 9.2%



The vacancy rate is currently at approximately 11.4%. While the leasing market has been strong, there are a number of large blocks of space vacant as well as a number of older metal buildings that are vacant. It is estimated that the vacancy rate should continue to decline before year end due to demand from defense contractors and third part logistics firms.

Rental Rates

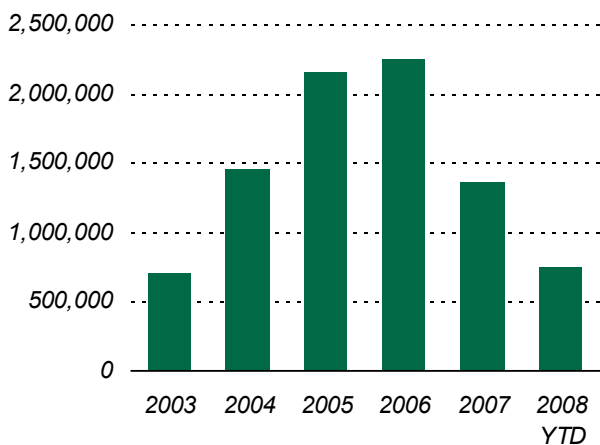
Class A \$4.85/SF
Class B \$3.90/SF



Rental rates in the Charleston market continue to rise. Class A leases in excess of 100,000 square feet are being signed at over \$4.85 per square foot. Rental rates for class B product are between \$3.75 and \$4.00. Rental rates for both class A and B space will continue to rise. With the rising cost of construction, combined with the expense and limited supply of land, it is forecasted that rental rates for class A product will continue to increase which will drive class B and C rents.

Absorption

Absorption 2008 765,000 SF



At the end of the third quarter, absorption was slightly above 750,000 square feet. The Continental Terminals lease and the Stanley lease contributed more than 40 percent to the total absorption for 2008. We estimate that absorption will total above 1,000,000 square feet by the end of the fourth quarter.

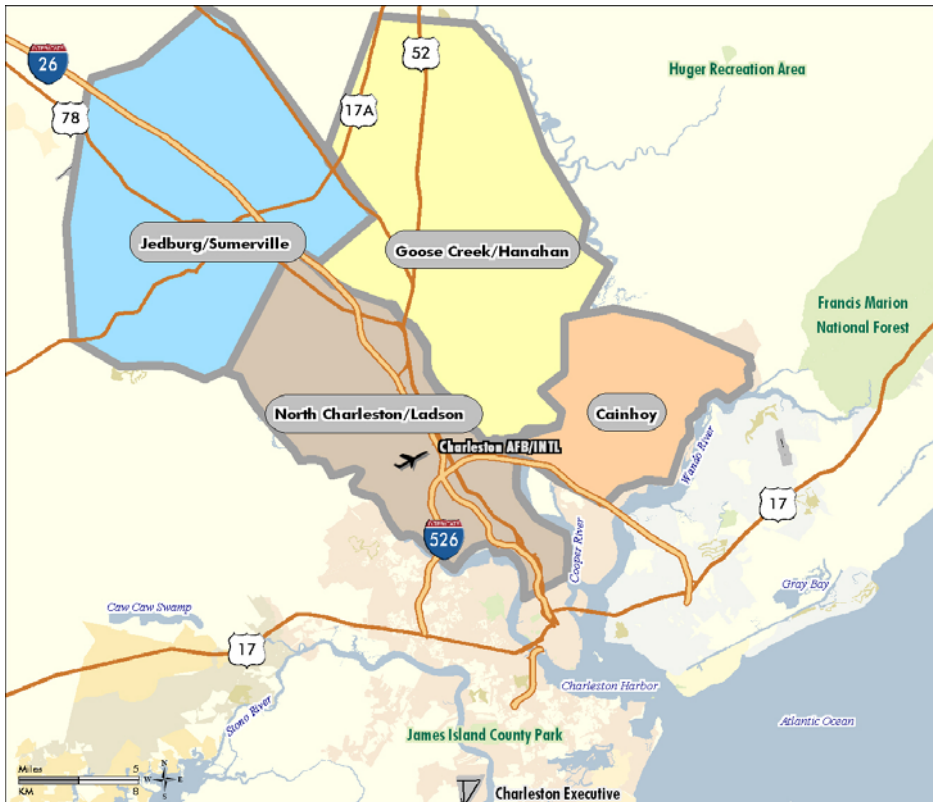
MarketView Charleston Industrial

Top Sale & Lease

Transactions

| Size (Sq. Ft.) | Tenant/Purchaser | Address |
|----------------|-----------------------|--------------------------|
| 150,000 | Stanley & Associates | 7410 Magi Road |
| 80,000 | Natan, Inc. | 916 Commerce Circle |
| 245,000 | Continental Terminals | 1124 Newton Way |
| 203,000 | Exeter Property Group | 2440 Clements Ferry Road |
| 150,000 | Lease Pending | 7410 Magi Drive |
| 98 Acres | Trammell Crow | 990 Drop Off Drive |

Submarket Map



Net Leases

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage

Includes all competitive office buildings 10,000 square feet and greater in size.

Net Absorption

The change in occupied square feet from one period to the next.

Net Rentable Area

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

Occupied Square Feet

Building area not considered vacant.

Under Construction

Buildings which have begun construction as evidenced by site excavation or foundation work.

Available Square Feet

Available Building Area which is either physically vacant or occupied.

Availability Rate

Available Square Feet divided by the Net Rentable Area.

Vacant Square Feet

Existing Building Area which is physically vacant or immediately available.

Vacancy Rate

Vacant Building Feet divided by the Net Rentable Area.

Normalization

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

For more information regarding the MarketView, please contact:

Bob Barrineau,
First Vice President
CB Richard Ellis
134 Meeting Street, Suite 510,
Charleston, SC 29401

T. 843.577.1157
F. 843.577.0710

robert.barrineau@cbre.com

© Copyright 2008 CB Richard Ellis (CBRE). Statistics contained herein may represent a different data set than that used to generate National Vacancy and Availability Index statistics published by CB Richard Ellis' Corporate Communications Department or CB Richard Ellis' research and Econometric Forecasting unit, Torto Wheaton Research. Information herein has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market. This information is designed exclusively for use by CB Richard Ellis clients, and cannot be reproduced without prior written permission of CB Richard Ellis.