COLLIERS INTERNATIONAL | 2009 U.S. Real Estate Review

2009 U.S. Real Estate Review

A Survey of Commercial Real Estate Markets

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TABLE OF CONTENTS

COLLIERS INTERNATIONAL

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UNITED STATES REAL ESTATE REVIEW

U.S. CITY ANALYSES AND FORECASTS

U.S. NATIONAL MARKETS APPENDICES

Seeking Clarity in the Midst of a Prolonged Recession

How deep and how long are the questions repeated almost daily by all those in the real estate industry? This year's Real Estate Review shows income-producing real estate weakened considerably during the latter half of 2008; evidence thus far in 2009 suggests the downward momentum at year-end has accelerated and is almost guaranteed to continue for the remainder of 2009.

At times like this, good market insight has never been more valued. This report attempts to synthesize the many thousands of leases signed, properties traded and developments undertaken to give the reader a broad sense of the current, and more importantly, future direction of the marketplace in which we operate. The outlook has never been so daunting; having a better understanding of the drivers of demand and challenges ahead will help navigate through what promises to be very treacherous waters.

The Colliers U.S. Real Estate Review provides market-by-market data and commentary for 59 metropolitan areas across the country. The result is one of the most comprehensive reviews of its kind.

Credit, credit and credit were the top three issues reported by almost every market in the country. Businesses, consumers and investors are thirsting for this critical ingredient to a thriving and robust economy. Housing remains a key concern, but layoffs and job losses are quickly becoming the top issue for real estate owners and investors. Jobs and job growth are critical for income-producing real estate; as job losses mount, the outlook for real estate becomes more uncertain.

For the commercial real estate sector, two overriding issues will dominate the balance of 2009, and quite possibly well into 2010. To some extent they are interrelated, but **deteriorating fundamentals** and the **ability to refinance maturing debt** will be key themes that will be an immense challenge for investors and lenders alike. Fundamentals will weaken significantly with vacancies for office, retail and industrial real estate exceeding the highs of the 2001-2003 period and will get very close to the highs experienced during the early 1990s. Because occupancies will be lower and rents reduced, refinancing will be increasingly difficult with the need for substantial equity infusions for many of the transactions done since 2005-2006. Lenders have already increased underwriting standards and will be sure to only apply stricter lending standards as the economy deteriorates. This will put enormous downward pressure on property prices, further reducing the ability of owners to refinance.

The outlook has seldom looked as ominous, but whether the economy stabilizes this year or next, this recession will end and the next period of expansion will begin. Already there are signs the next up-cycle will be very different from the last. **Less leverage** will be a certainty, limiting another round of cap rate compression. **Consumer spending** will be far more subdued as debt reduction will remain a top priority. Corporations will be far more careful with **working capital** – meaning expansion will only take place after careful consideration. As always, **prime real estate** will be highly coveted while marginal locations will languish until an alternative use can be found. Previously, high cost centers will struggle as corporations seek out the most cost competitive alternative.

A new mindset, similar to that experienced during the post-Depression era, will be evident in many parts of the country. This movement toward prudence will not extend indefinitely, but real estate investors should be cognizant of a more conservative mindset for a considerable period of time. The seeds of growth have already been planted with the unprecedented response by policymakers, both in the U.S. and around the world. Fiscal and monetary policies are beginning to take effect, as demonstrated by a marked improvement in the commercial paper market, as well as for corporate bonds.

This is not to suggest the coming months and quarters won't be full of tension and anxiety—they will. Whenever the economy slows substantially, as recent data has shown, there is good reason to be cautious. All of us at Colliers are available to help you navigate through this challenging period.

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U.S. City Analyses and Forecasts

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Atlanta, GA

OFFICE

- Office absorption finished 2008 in slightly positive territory. Despite the tough economy, Atlanta gained just under 100,000 SF of office tenants for the year.
- The top leases were Deloitte & Touche's 247,700 SF renewal and expansion Downtown, AT&T's renewal of 221,000 SF in Northlake and Primerica Financial's 195,200 SF renewal in Northeast Atlanta.
- Atlanta was hit hard by the slowdown in the housing market. Previously known for being one of the nation's leaders, the metro Atlanta region saw housing starts drop 88% in the past two years.
- Office construction in Atlanta remained heavily concentrated in the Buckhead and Midtown submarkets. Over 3.3 million SF of office space was under construction in these two markets at year-end.

Office Outlook

- Leasing activity in 2009 will continue to reel from the economic recession. Absorption will be fairly strong in the first half of 2009 thanks to scheduled move-ins, but will anemic in the latter half.
- Job losses will continue to accumulate in 2009. Professional & Business Services and Information & Financial Activities will be the biggest industry losers affecting office demand.
- Office vacancy will rise over the next few years thanks to over-development in Buckhead and Midtown.
- The implications of Wachovia's presence in Atlanta has yet to be determined by Wells Fargo's buyout of the bank. Wachovia has over 400,000 SF of office space in Atlanta.
- Tenants seeking space in Atlanta will enjoy a favorable market in the next couple of years with some deals possibly bringing up to two years of free rent and others up to $100 per SF in T.I. allowances.

INDUSTRIAL

- Absorption was negative for the first time in six years. Approximately 1.7 million SF of space was put back on the market in 2008.
- Atlanta's three largest industrial deals in 2008 all occurred in South Atlanta: Rubbermaid signed for a 784,900 SF build-to-suit, Carlisle Tire signed for 676,000 SF of warehouse and Kellogg's renewed for 547,500 SF of warehouse.
- Businesses tied to housing construction and manufacturing felt the worst of the crisis.
- Industrial construction levels were at an all-time low in Atlanta.

Industrial Outlook

- Absorption will continue to lag in 2009 as job losses continue to mount. Leasing activity will be slow and sporadic.
- Vacancy is expected to continue increasing in 2009, but thanks to the absence of new development, it should begin stabilizing by year's end.
- Industrial tenants seeking space in Atlanta can expect one of the most favorable markets in 15 years in 2009. Competition will be fierce among Landlords, leading to enticing concession packages for prospective tenants.
- The construction industry which is expected to drop another 13.6% in employment in 2009, will continue to affect industrial space demand in Atlanta.
- Atlanta's industrial market is poised for a quick rebound once the economy gets back on track. The city's diversity and leading international airport allows the metro area to take advantage of global opportunities.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	46,939,000	290,000	(151,000)	7.4	22.20	–
2000	47,589,000	650,000	1,397,000	5.7	24.20	9.25
2001	50,549,000	2,960,000	(166,000)	11.3	24.90	12.30
2002	51,774,000	1,225,000	59,000	13.3	23.50	9.40
2003	52,262,000	488,000	203,000	13.7	23.30	9.75
2004	52,815,000	553,000	348,000	13.9	21.90	9.00
2005	53,135,000	320,000	721,000	13.1	22.40	7.50
2006	53,845,000	710,000	321,000	13.6	21.90	6.50
2007	55,009,000	1,164,000	1,077,000	13.5	20.50	7.40
2008	55,273,000	264,000	371,000	12.6	23.00	7.25

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	141,627,000	10,259,000	8,485,000	10.6	23.00	–
2000	148,990,000	7,363,000	6,588,000	10.6	23.30	9.50
2001	156,975,000	7,985,000	560,000	14.8	23.80	10.50
2002	161,293,000	4,318,000	406,000	16.9	22.40	10.00
2003	164,188,000	2,895,000	1,194,000	17.6	21.50	10.00
2004	165,530,000	1,342,000	3,841,000	15.9	21.30	8.50
2005	168,092,000	2,562,000	4,127,000	14.7	21.40	8.10
2006	170,988,000	2,896,000	3,848,000	13.9	21.50	7.50
2007	173,974,000	2,986,000	1,929,000	14.4	23.60	6.50
2008	177,249,000	3,275,000	(273,000)	15.8	23.10	8.00

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	471,232,000	18,629,000	15,507,000	8.5	3.75	–	–
2000	487,921,000	16,689,000	16,064,000	8.3	3.70	–	–
2001	507,342,000	19,421,000	3,510,000	11.2	3.60	2.50	9.75
2002	514,589,000	7,247,000	(1,961,000)	12.9	3.35	2.87	8.50
2003	517,618,000	3,029,000	1,369,000	13.1	3.30	3.80	9.15
2004	525,264,000	7,646,000	13,946,000	11.7	3.50	1.40	9.00
2005	534,665,000	9,401,000	11,800,000	11.0	3.75	1.85	8.40
2006	554,995,000	20,330,000	12,882,000	11.9	3.80	1.95	7.30
2007	564,486,000	9,491,000	9,439,000	11.3	3.83	2.30	8.00
2008	571,733,000	7,247,000	(1,665,000)	12.6	3.90	1.51	7.80

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (0.1)
- Change in Total Employment (000): (46.2)
  Percent Change: (1.9)
- Unemployment Rate: 7.5
- Population (000): 5,473.9

Source: Moody's Economy.com

BAKERSFIELD, CA

OFFICE

- Bakersfield's downtown office vacancy rate increased from 4.1% at year-end 2007 to 6.3% at year-end 2008. In the suburbs, office vacancy more than doubled from 5.1% to 10.4% comparing year-end 2007 to year-end 2008, reflecting similar troubles throughout the U.S.
- Total office absorption measured negative 7,000 SF for the year.
- Landlord concessions of free rent were widely available for the first time in five years.
- Land for office developments ranged from $13.00 to $18.00 per SF and land supply continued to be limited in availability.

Office Outlook

- In 2009, the Bakersfield office market is expected to see decreasing rental rates, especially in the Northwest suburban submarket.
- The coming year will see some distressed building sales and possibly some owner/user foreclosures.
- Of the office submarkets, the highly desirable River Walk area of the University Center submarket will continue to thrive.
- Firms in the oil and agricultural sectors will continue to expand.

INDUSTRIAL

- Bakersfield's overall industrial vacancy rose up to 6.7% from an injection of sublease space and new construction.
- Asking land prices ranged between $5.00 and $7.00 per SF asking and transitioned to $4.00 to $5.00 per SF.
- The delivery of over 1.8 million SF of new industrial supply was the largest annual injection since 2002.
- Investment activity was virtually nonexistent due to a lack of financing and disparate buyer expectations.
- Lease activity was slow and as a consequence, industrial rental rates started to react.
- Class A asking warehouse rents ranged between $4.00 and $4.80 triple net per SF, with charges of $0.80 to $0.96 per SF.
- The local economy was largely supported by the oil and agricultural industries.

Industrial Outlook

- Bakersfield's industrial vacancy rate will continue to rise with returning sublease space in 2009.
- Net absorption numbers are expected to be moderate, but will be in the positive territory.
- Prices for industrially-zoned land will continue to decrease.
- Warehouse rental rates will decline moderately.
- The market is anticipated to make a turnaround for the better by mid-2009.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	2,645,000	0	50,000	4.8	21.00	–
2000	2,745,000	100,000	94,000	5.8	16.20	–
2001	2,813,000	68,000	119,000	5.5	16.20	–
2002	2,847,000	34,000	73,000	4.0	17.40	10.60
2003	2,847,000	0	14,000	3.2	17.40	–
2004	2,847,000	0	24,000	2.7	17.40	–
2005	2,847,000	0	86,000	5.2	17.40	8.10
2006	2,847,000	0	89,000	4.3	17.40	–
2007	2,847,000	0	13,000	4.1	17.40	–
2008	2,926,000	79,000	(11,000)	6.3	17.40	–

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	4,796,000	(86,000)	(453,000)	14.9	21.00	–
2000	4,856,000	60,000	122,000	16.3	18.60	10.00
2001	4,856,000	0	125,000	13.5	19.20	–
2002	5,002,000	146,000	106,000	14.0	18.60	9.65
2003	5,099,000	97,000	307,000	9.4	19.80	9.45
2004	5,127,000	28,000	99,000	7.8	19.80	–
2005	5,317,000	190,000	218,000	8.2	19.80	–
2006	5,476,000	159,000	391,000	4.2	19.80	8.00
2007	5,476,000	0	157,000	5.1	24.00	–
2008	5,771,000	295,000	4,000	10.4	24.00	–

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	21,644,000	300,000	722,000	3.0	3.00	–	–
2000	22,084,000	440,000	800,000	2.7	3.10	–	–
2001	23,400,000	1,316,000	1,243,000	3.5	3.20	1.25	10.00
2002	25,893,000	2,493,000	1,576,000	4.9	3.20	1.38	10.00
2003	26,150,000	257,000	(263,000)	7.0	3.20	1.90	9.75
2004	26,633,000	483,000	1,018,000	5.0	3.20	2.50	9.25
2005	27,203,000	570,000	870,000	3.5	3.60	5.00	8.50
2006	27,884,000	681,000	662,000	3.5	3.60	5.02	8.00
2007	28,623,000	739,000	870,000	2.9	4.00	5.50	7.50
2008	30,432,000	1,809,000	706,000	6.7	4.00	5.00	7.50

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (1.4)
- Change in Total Employment (000): (6.2)
  Percent Change: (2.6)
- Unemployment Rate: 14.6
- Population (000): 816.3

Source: Moody's Economy.com

Baltimore, MD

OFFICE

- The vacancy rate rose to 16.8% from 15.2% a year ago as the market added 1.86 million SF of office space, while absorbing 448,000 SF, the lowest amount since 2002.
- Layoffs by such tenants as Constellation Energy and Zurich American Insurance Company dampened the effects of sizeable lease announcements by Northrop Grumman, Integral Systems, and CACI.
- 82% of the 1.8 million SF of new construction remained available at year-end.
- Investment sales volume was low, but there were still notable sales such as Wells REIT II's purchase of two Northrop Grumman occupied buildings for $301 per SF and General Growth Properties' sale of two Carefirst occupied buildings for $244 per SF.

Office Outlook

- The recession's impact will be buffered by the area's strong health care and higher education sector, BRAC related growth at Ft. Meade and Aberdeen Proving Grounds, and a substantial State and Federal government presence.
- At 2008's job growth rate, it will take two and a half to three years to return the market to a 12.0% vacancy rate.
- 46% of the 1.7 million SF of Baltimore's new office construction has been pre-leased.
- The vacant and under construction rate, a measure of the impact of new construction, is 18.8%, approximately the same as 2007. Absent substantial pre-leasing and developer equity, the construction spigot for 2009 should be shut for other new projects.

INDUSTRIAL

- The Harford County, East, and North markets had positive absorption while the Cecil County, Corridor, and West markets were hurt by large vacancies in just a few buildings, which subverted overall performance.
- Large leases for bulk distribution space in the Hartford County market included Procter & Gamble (538,000 SF), Prime Source Building Products (205,000 SF), and AGCO (105,000 SF). The vacancy rate remained high there because the market added two unleased buildings totaling 860,000 SF.
- Large vacancies in just a few buildings in the Corridor and Cecil County markets spiked vacancy rates there. Occupancy declined in the industrial flex and office warehouse markets.
- The weak economy and lack of readily available capital crimped investment sales activity in 2008.

Industrial Outlook

- Baltimore anticipates slower industrial absorption and higher vacancy in 2009.
- It will take several years for the market to absorb the excess bulk distribution, flex, and office warehouse inventory.
- Companies are expected to realign their warehousing networks to reduce cost, improve service, or more closely match a changing manufacturing or retail footprint.
- Even the largest landlords will face capital issues of their own. Not only will landlords worry about tenant credit, tenants will worry about landlord credit and ability to fund tenant improvements.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	15,505,000	161,000	593,000	9.2	25.00	–
2000	15,729,000	224,000	171,000	9.3	26.50	–
2001	16,337,000	608,000	299,000	11.4	24.10	–
2002	18,027,000	1,690,000	33,000	19.6	21.40	10.00
2003	18,192,000	165,000	296,000	18.4	24.30	10.00
2004	18,573,000	381,000	294,000	17.7	24.00	9.00
2005	18,756,000	183,000	316,000	17.2	23.20	8.00
2006	19,281,000	525,000	511,000	17.0	23.80	7.25
2007	19,471,000	190,000	36,000	17.1	24.10	7.25
2008	19,471,000	0	(60,000)	17.4	24.10	8.00

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	33,006,000	1,856,000	1,400,000	8.4	23.50	–
2000	35,452,000	2,446,000	1,913,000	9.9	23.70	9.50
2001	37,660,000	2,208,000	418,000	14.6	22.50	10.50
2002	38,661,000	1,001,000	14,000	17.4	18.40	10.00
2003	39,310,000	649,000	1,114,000	16.0	21.30	10.00
2004	40,985,000	1,675,000	2,213,000	14.2	22.50	9.25
2005	43,049,000	2,064,000	1,797,000	14.0	24.30	8.50
2006	44,800,000	1,751,000	1,847,000	13.4	24.55	7.25
2007	46,455,000	1,655,000	746,000	14.5	25.90	6.60
2008	48,315,000	1,860,000	508,000	16.6	26.10	8.50

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	84,805,000	2,529,000	2,608,000	11.6	4.75	–	–
2000	86,106,000	1,301,000	3,616,000	7.7	4.70	–	–
2001	90,007,000	3,901,000	917,000	13.3	4.50	3.45	10.00
2002	91,314,000	1,307,000	(322,000)	16.8	5.00	6.00	9.80
2003	93,646,000	2,332,000	2,250,000	17.0	5.60	4.90	8.00
2004	94,784,000	1,138,000	(814,000)	18.7	5.40	5.17	8.60
2005	97,311,000	2,527,000	3,924,000	16.5	5.90	5.75	7.50
2006	98,298,000	987,000	1,169,000	15.2	6.46	6.31	6.50
2007	100,756,000	2,458,000	1,944,000	14.2	7.08	6.31	6.25
2008	103,113,000	2,357,000	(2,464,000)	18.8	5.83	5.73	8.00

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (0.2)
- Change in Total Employment (000): (6.3)
  Percent Change: (0.5)
- Unemployment Rate: 6.2
- Population (000): 2,699.4

Source: Moody's Economy.com

BOISE, ID

OFFICE

- Vacancy throughout Boise's Treasure Valley was on the rise, going from 13.3% in 2007 to 14.6% in 2008.
- Boise State University purchased the former Albertson's building on Parkcenter, giving Boise State a 61,900 SF research facility.
- The troubled housing market has caused real estate and mortgage related companies to close, affecting demand for office space.
- The downtown witnessed minimal change in asking rates and vacancy throughout 2008.
- Shorter lease term durations became more and more commonplace due to instability in the economy.

Office Outlook

- Boise's office vacancy rate is expected to continue rising in 2009.
- There will be a flood of new medical office space available for lease: 160,000 SF in the Portico development near St. Lukes Hospital in Meridian, and the 70,000 SF Mulvaney Building near St. Alphonsus Hospital in Boise.
- Landlords will offer more tenant and broker incentives such as free rent, increased tenant improvement allowances and larger commissions.
- Suburban submarkets will continue to add new office buildings to the market primarily due to the growth in population and upgrade in infrastructure.
- Sublease space and vacancies will continue to rise, while asking rates and absorption are expected to decline.

INDUSTRIAL

- The Boise industrial vacancy rate throughout the Treasure Valley was up from 6.0% in 2007 to 8.7% at the end of 2008.
- There were few transactions larger than 10,000 SF – Fastlane Indoor Cart Racing leased 35,200 SF and American Tire Distributor leased 39,000 SF of space.
- Shorter lease term durations were more commonplace due to instability in the economy.
- Speculative construction came to a halt; however, most 2008 projects in progress were being completed. One larger project that finished was the 165,000 SF warehouse building on Gowen Road.
- Realized lease rates in the first half of 2008 were right around asking rates, but asking rates in the second half of 2008 stayed flat with some declining, while comp rates decreased.

Industrial Outlook

- The industrial vacancy rate is expected to continue rising in 2009.
- Owner/user sites will remain in high demand.
- New infrastructure will include the widening interstate I-84 from Meridian to Nampa, new overpasses on I-84 from Boise to Caldwell, and the new Ten Mile Road interchange.
- The availability of sublease space will rise due to the slowdown in home sales and downsizing in residential construction-based companies such as BMC West.
- Industrial landlords will also offer tenants and brokers more concessions such as free rent, increased tenant improvement allowances and larger commissions.
- In 2009, sublease space and vacancies are expected to continue to rise, while asking rates and absorption are expected to decline.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	2,753,000	242,000	181,000	8.9	19.00	–
2000	2,793,000	40,000	17,000	9.1	18.80	9.00
2001	2,793,000	–	–	–	–	–
2002	2,793,000	–	–	–	–	–
2003	2,868,000	75,000	(4,000)	10.6	18.90	8.75
2004	3,120,000	252,000	187,000	11.7	18.80	8.75
2005	3,209,000	89,000	206,000	7.6	18.90	8.80
2006	3,389,000	180,000	88,000	9.7	20.00	7.20
2007	3,470,000	81,000	126,000	9.3	19.90	7.90
2008	3,470,000	0	(8,000)	9.5	19.90	7.60

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	7,690,000	331,000	244,000	15.3	17.00	–
2000	7,891,000	201,000	234,000	12.6	17.00	8.75
2001	7,891,000	–	–	–	–	–
2002	7,891,000	–	–	–	–	–
2003	8,333,000	442,000	323,000	15.6	16.60	8.50
2004	8,502,000	169,000	157,000	19.2	17.60	8.50
2005	9,381,000	879,000	1,068,000	13.4	16.90	9.40
2006	9,557,000	176,000	197,000	12.9	16.20	7.20
2007	9,875,000	318,000	113,000	15.6	16.50	7.90
2008	10,039,000	164,000	5,000	16.4	18.90	7.60

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	26,823,000	396,000	345,000	2.3	4.90	–	–
2000	28,184,000	1,361,000	1,558,000	1.5	5.00	–	–
2001	28,265,000	81,000	(712,000)	5.0	4.50	–	–
2002	28,410,000	145,000	(476,000)	7.7	3.50	–	–
2003	28,497,000	87,000	(468,000)	10.1	4.40	–	8.75
2004	28,634,000	137,000	146,000	10.0	4.60	5.00	8.75
2005	28,722,000	88,000	288,000	9.1	4.60	4.00	8.80
2006	28,902,000	180,000	754,000	5.7	6.03	3.94	7.85
2007	29,199,000	297,000	(83,000)	6.0	6.96	4.00	7.80
2008	29,598,000	399,000	(563,000)	8.7	6.72	4.20	7.30

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 0.8
- Change in Total Employment (000): (5.6)
  Percent Change: (2.0)
- Unemployment Rate: 7.2
- Population (000): 613.4

Source: Moody's Economy.com

Boston, MA

OFFICE

- The Boston office market weathered the 2008 economic storm relatively well, but was by no means immune to national economic conditions. Although economic growth slowed, the knowledge-based employment sectors – including life sciences, technology and education – mitigated the deceleration to some degree.
- The vacancy rate for the combined Boston, Cambridge and Suburban office markets was 14.7% at year-end 2008 compared to 13.2% at the end of 2007. The increase in the vacancy rate occurred due to two factors: almost 2.3 million SF of new supply was added to the market while negative absorption totaled 595,000 SF.
- Most of the contraction in occupied space was in the Boston downtown office market. With slowing growth, the downtown vacancy rate rose 170 basis points from 8.8% to 10.5% over the year.
- Rental rates flattened during 2008, as demand softened. Class A rental rates registered $61.90 per SF in the downtown and $32.10 per SF in the suburban office market.
- Investment sales volume was down dramatically, although pockets of availability were evident, particularly for transactions less than $20 million where debt financing was more readily available.

Office Outlook

- Although some projects in the pipeline were stalled by a lack of construction financing, some notable developments either completed or are underway. The first office building at the mixed-use Fan Pier project in Boston's Seaport District is under construction and expected to be delivered in 2010.
- Although to date much of the sublease space brought to the market has been for smaller-sized blocks, the further addition of sublease space can be expected in 2009.
- In light of anticipated contraction by companies over the next twelve months, downward pressure on rents can be expected in 2009.
- Until the capital markets stabilize and pricing benchmarks are more certain, investment sales volume will be depressed at least through the first half of 2009.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	51,034,100	777,100	1,367,700	4.3	37.70	–
2000	51,685,000	650,900	1,775,300	2.6	56.30	8.00
2001	53,506,400	1,821,400	(2,773,600)	11.2	52.80	8.50
2002	54,063,800	557,400	(918,900)	14.1	44.50	7.50
2003	55,740,700	1,676,900	791,400	15.3	37.40	7.50
2004	56,759,000	1,018,300	480,100	16.5	37.50	6.75
2005	56,920,000	161,000	2,013,800	13.5	38.80	6.50
2006	56,920,000	0	1,669,900	10.8	41.60	5.50
2007	57,045,000	125,000	1,141,800	8.8	58.40	5.60
2008	57,591,000	546,000	(509,000)	10.5	61.90	7.00

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	86,096,200	4,574,800	4,954,200	9.4	23.10	–
2000	89,559,500	3,463,300	800,755	4.6	32.10	9.00
2001	94,497,000	4,937,500	(6,511,700)	16.6	29.10	10.00
2002	96,116,000	1,619,000	(5,198,400)	23.7	25.00	10.50
2003	97,045,000	929,000	1,367,700	23.5	21.50	9.50
2004	97,085,000	40,000	1,482,200	22.1	20.60	8.00
2005	97,167,300	82,300	2,913,400	19.1	20.60	8.00
2006	97,183,300	16,000	799,900	18.6	21.60	7.00
2007	97,714,000	530,700	3,753,300	15.8	25.70	6.40
2008	99,455,000	1,741,000	(86,000)	17.1	32.10	–

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (1.8)
- Change in Total Employment (000): (33.1)
  Percent Change: (2.9)
- Unemployment Rate: 7.0
- Population (000): 1,879.5

Source: Moody's Economy.com

Charleston, SC

OFFICE

- In Greater Charleston area, the defense sector showed positive growth with continued contracts being awarded. This led to demand for more office space.
- Numerous industrial corporations took pockets of office space to accommodate growth up to the end of the year.
- Rental rates appeared to remain stable from the third to the fourth quarter without any significant gain or loss. Downtown Charleston Class A rents averaged $28.00 per SF at year-end 2008, and suburban rents averaged $26.00 per SF.
- Consolidation and downsizing occurred in the residential construction, residential real estate, mortgage brokerage and banking industries.
- With the difficult economic times, tenants requested rent reductions or rent relief (free rent) during their lease term or on renewals.
- The sales market was virtually non-existent due to the lack of financing. The deals that were completed were mostly smaller-sized transactions.
- The market saw an increase in the average cap rate, thus creating a compression in sales pricing.

Office Outlook

- Charleston anticipates downsizing and reductions in the securities, legal, and retail trades sectors.
- More REO is anticipated in 2009.
- Depending on the outcome of President Obama's plan, Charleston is anticipating new road infrastructure for the area.

INDUSTRIAL

- Charleston's industrial market registered a year-end vacancy rate of 9.1%, jumping up from from 6.8% a year ago.
- Growth industries that contributed to the 1.4 million SF of absorption included military subcontractors, electronics companies dealing with military industries, aircraft construction, and pipeline-related sectors. However, sectors related to retail distribution experienced slower growth. Half of this positive growth was recorded in the last quarter of the year.
- Over the year, new supply totaled a low 680,000 SF which was one half of 2007's new construction of 1.2 million SF.
- In 2008, the 203,000 SF Masisa building sold for $43.00 per SF. Lease transactions included the leasing of 150,000 SF for EMA at $4.85 per SF and Premier Logistics taking 75,000 SF for $3.85 per SF.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	1,422,000	–	–	–	–	–
2000	1,422,000	0	50,000	8.0	23.75	–
2001	1,753,000	331,000	200,000	9.0	24.00	–
2002	1,783,000	30,000	17,000	10.3	24.40	9.25
2003	1,909,000	126,000	(76,000)	13.3	24.30	8.90
2004	1,968,000	59,000	31,000	11.3	25.10	7.50
2005	2,064,000	96,000	55,000	11.5	27.45	7.00
2006	2,064,000	0	79,000	7.6	27.20	7.40
2007	2,064,000	0	51,000	5.9	27.80	6.50
2008	2,064,000	0	13,000	6.6	28.00	7.50

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	4,597,000	–	–	–	–	–
2000	4,597,000	–	–	–	–	–
2001	4,597,000	–	–	–	–	–
2002	4,817,000	220,000	64,000	16.1	19.45	9.50
2003	5,599,000	782,000	413,000	20.5	19.10	9.00
2004	5,707,000	108,000	479,000	13.5	19.60	9.00
2005	6,036,000	329,000	442,000	10.8	23.60	8.00
2006	6,835,000	799,000	515,000	14.3	24.50	8.00
2007	7,204,000	369,000	174,000	16.0	25.50	7.50
2008	7,903,000	699,000	(523,000)	21.3	26.00	9.00

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	23,718,000	450,000	917,000	20.4	3.00	–	–
2000	24,131,000	413,000	948,000	19.1	3.30	–	–
2001	24,831,000	700,000	442,000	21.0	3.30	2.30	–
2002	25,431,000	600,000	545,000	21.0	3.35	2.00	–
2003	26,231,000	800,000	1,447,000	18.5	3.40	1.50	9.00
2004	27,301,000	1,070,000	1,389,000	18.4	3.50	2.53	7.50
2005	27,651,000	350,000	1,692,000	7.8	3.70	1.26	7.00
2006	27,746,000	95,000	3,468,000	6.2	3.73	2.53	7.35
2007	28,946,000	1,200,000	1,355,000	6.8	4.00	2.87	7.85
2008	29,626,000	680,000	1,418,000	9.1	4.00	2.90	9.00

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 0.6
- Change in Total Employment (000): (2.1)
  Percent Change: (0.7)
- Unemployment Rate: 6.5
- Population (000): 646.4

Source: Moody's Economy.com

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CHARLOTTE, NC

OFFICE

- Absorption was flat for the last half of 2008 with vacancy rising due to the slowing demand and the delivery of new supply.
- Given the deteriorating national economy and the slowing demand for office space, announcements for new construction came to a standstill.
- Rents increased at a brisk pace between 2007 and the end of 2008 with an 8% increase citywide and a 20% increase in downtown rents. These rents flattened out at the end of 2008 and will probably decrease around 5% in 2009, though most of this will be in higher concessions than a decrease in face rates.

Office Outlook

- In the first half of 2009, absorption will be flat or negative. With the delivery of 3 million SF, about 50% pre-leased, coming online in late 2009 and early 2010, downtown vacancy may climb from 6% to 7% and citywide vacancy may rise to 12% or 13%.
- While the anticipated space demand effect of Wells Fargo's purchase of Wachovia is expected to be mild, it has fueled market uncertainty going into 2009 and a probable shift from a landlord's to a tenant's market. This is tempered with the anticipated absorption by Bank of America, driven by its acquisition of Merrill Lynch, and the fact that Charlotte is still the national hub for retail banking.
- While sublease space has been less than 1% of total supply for the past years, it significantly increased by the end of 2008 and will become a bigger market factor in 2009. This discounted space will put pressure on rents, but will also offer some tenants a short-term option to reevaluate the market at a lower cost.

INDUSTRIAL

- 2008 saw a significant increase in foreign firms moving their manufacturing operations into Charlotte. Meanwhile, textiles and housing related manufacturing fell off dramatically over the year.
- Industrial speculative building ground to a halt with no new projects currently underway. The year ended with only two speculative projects: 250,000 SF at Sykes Industrial Park and the 172,000 SF at 77 Overlook.
- Good industrial land sites continued to be scarce in Mecklenburg County. Development slowed considerably in the surrounding areas due to economic factors.
- With the lack of new buildings being delivered, absorption remained relatively flat. Warehouse vacancy at the end of 2008 registered 8.2%, up from the 7.4% a year earlier.
- Significant sales/lease transactions included 226,600 SF taken by Precision Framing Systems at Logistics Pointe, 141,600 SF taken by Belk at Nation's West, Anna's Linens leasing 112,000 SF at Ridge Creek I and DesignLine and Celgard leasing 100,000 SF each at 2309 Nevada Boulevard and at South Point, respectively.
- Industrial land in the Charlotte metro area sold for between $85,000 to $125,000 per acre while land in outlying counties went for between $35,000 and $65,000 per acre.

Industrial Outlook

- The pace of speculative land development has slowed dramatically in 2008 and is not expected to change pace in 2009.
- Construction of a third parallel runway at Charlotte/Douglas Airport is anticipated to be completed by October 2010.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	17,430,000	1,145,000	938,000	5.1	28.00	–
2000	18,182,000	752,000	947,000	3.2	25.30	8.00
2001	18,849,000	667,000	126,000	5.4	24.50	–
2002	19,847,000	998,000	364,000	9.5	22.90	–
2003	19,947,000	100,000	(7,000)	10.2	23.80	–
2004	19,947,000	0	77,000	9.7	23.80	–
2005	20,037,000	90,000	463,000	5.2	21.30	–
2006	20,037,000	0	157,000	4.7	22.80	7.10
2007	20,078,000	41,000	363,000	2.5	29.00	6.25
2008	20,078,000	0	44,000	2.4	32.20	8.00

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	44,344,000	420,000	1,558,000	13.0	24.00	–
2000	45,481,000	1,137,000	1,423,000	11.8	21.80	8.50
2001	47,334,000	1,853,000	215,000	17.8	20.30	–
2002	48,191,000	857,000	98,000	19.8	20.00	–
2003	48,583,000	392,000	539,000	18.9	19.30	–
2004	49,246,000	663,000	89,000	20.7	19.30	–
2005	50,199,000	953,000	1,551,000	15.3	19.40	–
2006	51,759,000	1,560,000	1,273,000	15.7	19.70	7.60
2007	52,617,000	858,000	1,624,000	12.2	20.00	7.00
2008	54,490,000	1,873,000	735,000	13.3	20.00	8.50

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	162,549,000	1,959,000	2,044,000	13.0	4.30	–	–
2000	163,899,000	1,350,000	1,712,000	9.7	3.80	–	–
2001	166,389,000	2,490,000	233,000	7.1	3.88	1.49	9.50
2002	168,274,000	1,885,000	1,442,000	8.6	3.72	1.50	9.80
2003	168,911,000	637,000	(274,000)	8.9	3.12	1.70	9.50
2004	169,711,000	800,000	102,000	9.2	3.31	1.75	9.00
2005	170,466,000	755,000	1,648,000	9.2	3.65	2.06	9.00
2006	171,434,000	968,000	2,231,000	8.3	3.79	2.29	9.00
2007	172,578,000	1,144,000	2,825,000	7.4	3.85	1.95	7.50
2008	173,231,000	653,000	(930,000)	8.2	3.85	2.18	8.50

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 1.7
- Change in Total Employment (000): (11.1) Percent Change: (1.3)
- Unemployment Rate: 8.4
- Population (000): 1,731.9

Source: Moody's Economy.com

CHICAGO, IL

OFFICE

- Large downtown leases included Sargent & Lundy's renewal/expansion for 500,000 SF, Northern Trust Corp's 420,000 SF renewal/expansion and William Blair's 340,000 SF new lease.
- While absorption remained positive in the downtown, totals were not nearly as high as the prior three years, an indication of moderate softening in the CBD as a result of the economic fallout.
- The largest suburban lease of 2008 was Walgreen's 320,000 SF sublease of Two Overlook Point in Lincolnshire.
- Investment sales fell dramatically in the CBD. The largest suburban investment sale was John Buck Company's purchase of Parkway North Center in Deerfield for $169 million. There were fewer sales as many buildings were removed from the market due to the economic slowdown.

Office Outlook

- Chicago's CBD will have three new buildings delivered in 2009 totaling 3.6 million SF. Despite successful pre-leasing, the tenants relocating to these new buildings will create significant vacancies in numerous existing downtown Class A properties.
- The recession coupled with delivery of the new inventory is likely to drive vacancy rates up in 2009 as tenants shed excess space or halt decision making. This will likely translate to an increase in available sublease space in the CBD.
- New development in the suburbs slowed down dramatically with only 400,000 SF scheduled to be complete in six buildings. The majority of the space has yet to be leased.
- The suburban market will see an increase in vacancy throughout 2009 in both direct and sublet space. The suburbs continue to see a decrease in asking office rents in 2009 for all building classes.

INDUSTRIAL

- Food, beverage and pharmaceutical companies were major absorbers of space in 2008. Of the top ten transactions, four took place by the aforementioned companies.
- Developers in the big box corridor of I-80 put all large speculative projects on hold, precipitated by the current big box supply – at year-end, nine facilities were available in excess of 500,000 SF.
- Financial institutions' stringent underwriting criteria (it was not uncommon to have to come up with a 40% to 50% downpayment) forced companies to turn to leasing to fill their space requirements.
- The Canadian National Railway purchase of the Elgin Joliet & Eastern Railway was finalized this year, despite opposition of several communities that reside along the route. CNR plans to increase freight traffic along this route but will spend a significant amount of money to install safety equipment at crossings.
- Investors' desire to purchase vacant buildings dissipated in 2008. Industrial land values fell in 2008 with the O'Hare market witnessing the largest decline at 50% from last year's level.

Industrial Outlook

- Tenants with above-standard tenant improvements will have less building options in 2009. Some of the institutional owners will not have the financial viability to compete for those deals.
- The trend of tenants approaching their landlords prior to upcoming lease renewals with the pretense of lowering their occupancy costs based on the current state of the market will continue throughout 2009.
- Sellers' expectations will start to fall in line with what the market will bear in 2009. An uptick in seller financing is expected as sellers use this as a vehicle to complete the transaction.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	119,220,000	333,000	355,000	9.9	34.00	–
2000	120,493,000	1,273,000	178,000	10.7	36.00	9.50
2001	122,239,000	1,746,000	(2,826,000)	14.3	35.00	8.50
2002	123,021,000	782,000	(207,000)	15.0	32.00	8.50
2003	124,525,000	1,504,000	(535,000)	16.5	32.00	8.25
2004	126,352,000	1,827,000	(141,000)	17.8	32.00	7.50
2005	128,248,000	1,896,000	1,545,000	17.8	34.00	7.50
2006	128,727,000	479,000	3,520,000	15.4	36.00	5.50
2007	128,727,000	0	2,622,000	13.2	40.00	5.50
2008	129,228,000	501,000	320,000	12.8	39.00	6.75

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	93,210,000	3,984,000	1,681,000	11.7	27.00	–
2000	97,139,000	3,929,000	1,383,000	13.8	28.50	9.50
2001	101,312,000	4,173,000	(3,010,000)	20.7	29.00	9.25
2002	103,025,000	1,713,000	(793,000)	23.4	25.00	9.50
2003	103,427,000	402,000	(1,283,000)	23.9	25.00	9.00
2004	103,966,000	539,000	2,501,000	21.8	22.00	8.00
2005	104,192,000	226,000	1,365,000	21.1	23.60	7.25
2006	104,325,000	133,000	1,385,000	18.9	22.30	7.25
2007	104,859,000	534,000	(176,000)	19.3	27.80	7.25
2008	106,564,000	1,705,000	(877,000)	20.9	24.00	8.00

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	1,162,745,000	22,227,000	24,189,000	5.6	5.20	–	–
2000	1,181,888,000	19,143,000	15,680,000	5.8	5.60	–	–
2001	1,192,236,000	10,348,000	(11,416,000)	8.0	5.10	4.68	9.00
2002	1,205,597,000	13,361,000	743,458	8.9	4.40	3.90	8.50
2003	1,219,063,000	13,466,000	7,392,000	9.4	4.60	4.80	8.10
2004	1,236,341,000	17,278,000	13,221,000	9.5	4.50	4.20	7.35
2005	1,255,233,000	18,892,000	19,349,000	9.0	4.60	5.17	6.75
2006	1,272,859,000	17,626,000	14,077,000	9.0	4.56	6.01	6.65
2007	1,287,019,000	14,160,000	11,833,000	8.8	4.64	6.39	6.75
2008	1,303,948,000	16,929,000	(11,081,000)	10.3	4.66	5.58	7.25

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 1.1
- Change in Total Employment (000): (43.3)
  Percent Change: (1.1)
- Unemployment Rate: 8.1
- Population (000): 8,057.6

Source: Moody's Economy.com

Cincinnati, OH

OFFICE

- While there was positive net absorption of 972,000 SF in 2007, 2008 recorded a positive net absorption of 328,000 SF - one-third of the previous year's total. The positive growth was in the Cincinnati suburban office market where the market grew by 506,000 SF.
- In contrast to most office markets around the nation, Cincinnati's office rental rates showed some incline as downtown Class A rents averaged $23.60 per SF, compared to $22.30 per SF at year-end 2007. In the suburbs, rents edged up slightly from $20.20 per SF to $20.50 per SF.
- Medical facility construction was a strong niche sector in 2008.
- New development continued along the I-71 corridor and West Chester area, and the Cincinnati market received in total 990,000 SF of new office supply.

Office Outlook

- New construction will be tenant-driven and will tend towards the consolidation of multiple offices into one building or corporate campus.
- The degree of increase in the vacancy rate will depend upon the continued severity of the economy as well as the completion of new tenant-driven construction.
- Office tenants will have the upper hand in lease negotiations as owners will struggle to maintain occupancy in their buildings.
- Creative financial incentives will be deciding factors for companies relocating to and within the Cincinnati market.
- Sale bargains are expected to be found in the Cincinnati office investment market for cash-ready investors.

INDUSTRIAL

- The vacancy rate increased from 6.6% at the end of 2007 to 8.1% at the end of 2008. Vacancy rose mostly as a result of new space delivered to the market.
- A total of over 5.7 million SF of new industrial product was delivered to the Cincinnati market in 2008. New construction exceeded the previous year's for the fifth consecutive year and was the highest amount since 2000.
- Net absorption measured approximately 1.2 million SF.
- A total of 3.7 million SF of bulk product was added in 2008 and almost two-thirds of the space remained vacant at the end of 2008.
- The completion of the 657,600 SF distribution center for Home Depot was the kickoff project for the 429-acre Corridor 75 Park in Monroe, the next large industrial development hub for Northern Cincinnati.

Industrial Outlook

- The outlook for Cincinnati's industrial market will depend on the depth and length of the recession. However, the diversity of businesses in the region will protect it from the extremes of the fallout from the national economy.
- The market is expected to see little or no speculative construction to begin in 2009.
- Landlords will be negotiating aggressively low deals to retain building occupancy and backfill space.
- The infrastructure repair program of the new administration will have a positive impact on the attractiveness of the Cincinnati market as a distribution hub.
- Incentives from the state and local governments will continue to be a major factor in site location.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	13,651,000	36,000	93,000	7.6	20.80	–
2000	13,664,000	13,000	97,000	6.9	20.90	10.10
2001	13,671,000	7,000	(288,000)	10.5	21.30	9.00
2002	14,034,000	363,000	(221,000)	12.2	21.20	10.00
2003	13,437,000	(597,000)	(56,000)	13.0	21.20	10.00
2004	13,436,000	(1,000)	120,000	11.9	21.00	10.00
2005	13,595,000	159,000	(78,000)	13.7	21.80	9.00
2006	12,707,000	(888,000)	(311,000)	17.5	21.80	8.00
2007	12,707,000	0	175,000	17.3	22.30	7.50
2008	12,707,000	0	(178,000)	17.3	23.60	–

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	15,122,000	409,000	2,000	11.6	22.00	–
2000	16,106,000	984,000	(319,000)	12.9	19.20	10.10
2001	17,243,000	1,137,000	(6,000)	19.2	19.30	9.85
2002	17,886,000	643,000	3,000	20.3	19.70	10.85
2003	16,369,000	(1,517,000)	(142,000)	23.1	19.80	10.75
2004	16,505,000	136,000	189,000	21.8	19.80	10.50
2005	17,178,000	673,000	675,000	21.0	19.80	6.50
2006	17,829,000	651,000	552,000	20.2	19.80	8.25
2007	18,443,000	614,000	796,000	21.1	20.20	7.50
2008	19,433,000	990,000	506,000	21.6	20.50	–

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	232,293,000	9,000,000	2,163,000	5.0	4.30	–	–
2000	240,293,000	8,000,000	2,500,000	6.0	3.30	–	–
2001	245,732,000	5,439,000	464,000	7.6	3.20	1.38	9.75
2002	247,832,000	2,100,000	1,003,000	8.5	3.20	1.85	9.50
2003	248,874,000	1,042,000	(35,000)	8.9	3.20	1.40	9.00
2004	251,531,000	2,657,000	6,134,000	7.8	3.20	1.78	9.00
2005	254,559,000	3,028,000	7,636,000	5.8	3.20	1.25	8.50
2006	259,692,000	5,133,000	4,694,000	5.9	3.20	1.25	8.75
2007	264,948,000	5,256,000	2,397,000	6.6	3.25	1.50	7.00
2008	270,672,000	5,724,000	1,234,000	8.1	2.90	2.00	8.50

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 1.0
- Change in Total Employment (000): (12.4)
  Percent Change: (1.2)
- Unemployment Rate: 6.9
- Population (000): 2,132.0

Source: Moody's Economy.com

Cleveland, OH

OFFICE

- Office investment sales included Hub North Properties' acquisition of North Point Tower for $114 million and Florida-based Optima One's acquisitions of One Cleveland Center for $86 million and 55 Public Square for $34 million.
- The newly completed Euclid Corridor project, a $220 million investment in the seven-mile rapid transit "Healthline" connecting Public Square to University Circle, is expected to generate $4 billion in investments along Euclid Ave.
- Huntington Bank leased 100,000 SF and will move its headquarters to the former BP Tower at 200 Public Square, a 20-year lease agreement that included Huntington's naming rights on the building – an addition to the Cleveland skyline.
- The highest space in downtown Cleveland was occupied by the law firm Amin, Turocy & Calvin LLP, who leased for 14,000 SF on the top floor of the 57-story Key Tower.

Office Outlook

- The renovation of 668 Euclid, also known as the Atrium Office Plaza, is underway and slated for opening in 2010. The eight-story historic urban rehab will feature 65,000 square feet of mixed-used commercial space and 236 luxury apartments. With anchor tenant Wyse Advertising slated to move in August 2009, the new 668 Euclid will be a marquee downtown destination, and a complement to the new Euclid Corridor rapid transit line.
- The need for modern space in Cleveland's CBD, coupled with several anchor tenants nearing lease expirations, still point to possible construction of a new downtown office tower.

INDUSTRIAL

- Sale transactions included Virginia-based Gladstone Commercial's acquisition of 273,000 SF in a sale-leaseback deal for $15.3 million; STAG Capital's purchase of 154,500 SF for $11 million; and First Industrial Realty Trust's acquisition of 257,000 SF of warehouse for $9.3 million.
- Six separate construction projects, mostly built on a speculative basis, added nearly 1.2 million SF of modern warehouse space mostly in the east suburbs and Summit County.
- Geis Companies and Weston Real Estate collaborated to buy 200 acres in Glenwillow, which resulted in the delivery of the Diamond Business Center, a 400,000 SF distribution center in Northeast Ohio's fastest growing industrial market.

Industrial Outlook

- Goodyear Tire and Rubber Co. will remain at its Akron Headquarters in the Northeast Ohio region. The California-based developer Industrial Realty Group will renovate and expand the site into a modern, large-scale commercial complex.
- Backed by a state-awarded Job Ready Sites grant, Ray Fogg Building Methods is slated to redevelop the Euclid Industrial Park in Euclid, OH this summer. CSX and Norfolk & Southern railroads will serve the 80-acre former PMX plant. The park has potential to accommodate 1.3 million SF of new construction.
- Approximately 2% of the market's manufacturing, warehouse, and distribution facilities greater than 200,000 SF is currently available for sale.
- Aclara RF Systems will be moving from Beachwood into an 111,000-SF Solon building and will add 250 jobs with the assistance of a job-creation grant.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	29,186,000	26,000	(134,000)	15.3	23.00	–
2000	29,223,000	37,000	352,000	13.9	22.50	9.50
2001	29,223,000	0	(429,000)	14.0	21.20	10.00
2002	29,928,000	705,000	(1,285,000)	22.1	20.00	10.25
2003	29,943,000	15,000	(575,000)	23.5	20.50	13.85
2004	29,943,000	0	(79,000)	23.9	20.50	12.10
2005	29,943,000	0	45,000	21.2	20.90	10.25
2006	29,943,000	0	784,000	18.7	20.30	10.25
2007	29,943,000	0	107,000	17.0	20.00	9.00
2008	29,943,000	0	447,000	16.4	19.90	10.00

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	66,078,000	578,000	218,000	14.9	22.50	–
2000	66,946,000	868,000	771,000	15.4	23.30	10.50
2001	67,372,000	426,000	173,000	17.1	22.00	10.50
2002	67,569,000	197,000	348,000	15.4	21.60	10.50
2003	67,679,000	110,000	(61,000)	18.3	20.90	10.50
2004	67,770,000	91,000	311,000	16.5	19.10	10.60
2005	67,886,000	116,000	107,000	11.6	21.00	10.60
2006	68,165,000	279,000	(381,000)	12.8	21.70	8.75
2007	68,779,000	614,000	391,000	11.2	20.60	8.50
2008	68,995,000	216,000	859,000	10.3	21.10	9.50

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	391,687,000	3,300,000	3,724,000	7.4	5.50	–	–
2000	393,586,000	1,899,000	(3,088,000)	8.9	5.50	–	–
2001	395,534,000	1,948,000	(7,162,000)	9.4	4.50	1.72	11.00
2002	397,275,000	1,741,000	(1,120,000)	9.6	3.50	1.95	9.50
2003	398,292,000	1,017,000	(5,682,000)	10.3	4.10	5.50	9.00
2004	400,676,000	2,384,000	2,372,000	10.1	3.60	1.14	10.80
2005	401,490,000	814,000	3,928,000	9.2	3.55	1.25	9.50
2006	401,736,000	246,000	(2,071,000)	9.1	3.74	1.37	8.50
2007	402,551,000	815,000	3,845,000	8.3	3.50	1.32	9.00
2008	403,430,000	879,000	2,689,000	7.4	3.00	1.32	10.25

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 0.3
- Change in Total Employment (000): (16.6)
  Percent Change: (1.6)
- Unemployment Rate: 8.9
- Population (000): 2,080.4

Source: Moody's Economy.com

Columbia, SC

OFFICE

- The commercial real estate market in Columbia continued to grow at a steady pace over the past several years. Even as the momentum of larger markets has slowed, Columbia remained relatively stable due to several factors including geographic location, state government and the University of South Carolina.
- Leasing activity and occupancy rates remained stable over 2008, showing signs that, although the U.S. has been in a recession for over a year, the local market has thus far weathered the economic storm.
- In Central South Carolina, numerous projects were in the planning or development phase including a new 190,000 SF, fully leased 18-story Main Street tower called "Main and Gervais" developed by Holder Properties of Atlanta, GA.

Office Outlook

- Construction is underway of the private portion of Innovista, the University of South Carolina's master-planned research campus. As this 500-acre development continues to gain traction, the University of South Carolina's role in the local economy will become increasingly important.
- The next twelve months will prove interesting as difficulties in the national economy begin to impact Columbia. The Columbia office market will likely experience a decline in occupancy of between 1.0% and 2.0%.
- As the South Carolina State Government, which occupies approximately 7.5% of the Central Business District office market, continues to make budget adjustments, state agencies will likely downsize where the opportunity may exist.

INDUSTRIAL

- The industrial market experienced a slight downturn in occupancy over the course of 2008 as the overall vacancy rate increased by approximately 4.6%, to 6.8% at year-end 2008. This increase in vacancy was attributed to plant closures occurring in the Columbia Metropolitan area. Even with the decline, the Columbia market remained one of the tightest industrial markets in the United States.
- New speculative construction continued to break ground in Columbia over 2008. With a vacancy rate of 2.4% at the close of 2007, the market was able to draw attention from national developers willing to provide new Class A product. At year-end 2008 both KIRCO Development and Miller-Valentine Group had speculative projects under construction.
- Columbia's industrial investment market experienced a slowdown during 2008 due to tightening credit markets. Buildings without stabilized occupancy remained on the market for much longer than previously experienced.

Industrial Outlook

- At year-end 2008 there remained a steady stream of active prospects considering the industrial market. Columbia's close proximity to both the Ports of Charleston and Savannah, high rate of interstate connectivity, as well as low cost of operations relative to other regions in the United States will continue to make Columbia attractive to distribution and manufacturing prospects looking to expand operations.
- Rental rates for existing space during 2009 should remain flat with tenants pushing for concessions from landlords. Tenants seeking Class A space will however have more options to consider with several new speculative products now under construction.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	3,974,000	–	–	–	18.80	–
2000	3,974,000	0	50,000	4.6	18.50	10.00
2001	4,054,000	80,000	(267,000)	10.9	18.80	–
2002	4,110,000	56,000	(18,000)	11.2	18.00	–
2003	4,110,000	0	97,000	8.9	17.80	–
2004	4,460,000	350,000	(135,000)	14.4	19.70	–
2005	4,460,000	0	(10,000)	12.8	19.80	–
2006	4,460,000	0	52,000	12.4	19.70	7.00
2007	4,460,000	0	(40,000)	13.6	19.90	–
2008	4,460,000	0	36,000	12.5	20.40	–

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	4,427,000	–	–	–	16.50	–
2000	4,517,000	90,000	103,000	7.6	17.00	10.50
2001	4,552,000	35,000	(41,000)	15.2	18.00	–
2002	4,652,000	100,000	236,000	12.4	18.00	–
2003	4,727,000	75,000	(248,000)	21.3	17.50	–
2004	4,727,000	0	72,000	23.5	16.20	–
2005	4,762,000	35,000	229,000	22.4	17.10	–
2006	4,762,000	0	157,000	19.5	17.80	7.00
2007	4,776,000	14,000	204,000	15.0	16.90	–
2008	4,816,000	40,000	66,000	17.8	17.70	–

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	29,024,000	1,048,000	1,183,000	6.8	3.25	–	–
2000	30,105,000	1,081,000	781,000	8.0	3.25	–	–
2001	30,879,000	774,000	1,298,000	5.2	3.25	1.00	11.50
2002	32,484,000	1,605,000	(143,000)	10.6	3.25	1.25	9.50
2003	32,484,000	0	(1,082,000)	15.4	3.25	0.90	9.50
2004	32,702,000	218,000	1,253,000	10.5	3.65	1.00	9.25
2005	32,954,000	252,000	1,745,000	5.1	3.90	1.00	7.25
2006	33,433,000	479,000	539,000	4.6	3.90	1.10	7.00
2007	33,792,000	359,000	753,000	2.4	3.95	1.00	7.00
2008	33,864,000	72,000	(1,523,000)	6.8	4.25	1.26	7.75

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 1.1
- Change in Total Employment (000): (3.2)
  Percent Change: (0.8)
- Unemployment Rate: 6.7
- Population (000): 738.2

Source: Moody's Economy.com

COLUMBUS, OH

OFFICE

- Despite economic concerns in the Midwest, the Columbus market was supported by the large proportion of employees in the growing research and governmental industries.
- However, overall demand for office space slowed in 2008 compared to 2007 as direct vacancy declined 220 basis points during the year.
- Office construction in 2008 remained strong with 1 million SF of new supply. Two national retailers, Tween Brands and Abercrombie & Fitch, expanded their Columbus-based headquarters by 65,000 SF and 137,700 SF respectively.
- Investment office sales in the Columbus market were comparably lower in 2008 with twenty-six total sales. Only four properties had a sale price over $10 million.

Office Outlook

- Office construction in Columbus will taper off in 2009 and continue such a trend into 2010 as developers struggle to obtain financing.
- In 2009, property owners will have to consider every tenant deal. Owners will be forced to increase tenant improvements, decrease lease rates, and offer free rent to attract the few tenants shopping the market.

INDUSTRIAL

- Although new supply outpaced demand, leasing in the Columbus market remained strong.
- Columbus' industrial vacancy increased to 11.7% by year-end 2008. Demand from the distribution markets did not keep up with supply. The bulk industrial market had negative net absorption of over 1.6 million SF.
- The Columbus bulk industrial inventory gained over 5.6 million SF with the construction of seven new facilities.
- As of year-end 2008, no new development projects were slated for completion in 2009.
- Lease rates in 2008 remained relatively flat, ending the year with an average asking rate of $3.23 per SF.

Industrial Outlook

- Benefiting from a central location and access to major railroads, the distribution industry will mitigate the impact of a slowing market.
- Vacancy in the Columbus industrial market is expected to increase as leasing will start to slow and construction comes to a standstill.
- Rental rate growth is projected to remain flat in the coming year and leasing velocity is expected to slow but not disappear.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	7,581,000	–	30,000	6.4	–	–
2000	7,886,000	305,000	125,000	7.4	22.46	–
2001	8,739,000	853,000	(340,000)	13.4	21.70	–
2002	8,817,000	78,000	(137,000)	15.8	20.30	–
2003	8,957,000	140,000	68,000	17.3	18.80	–
2004	9,119,000	162,000	106,000	17.6	18.80	–
2005	9,119,000	0	115,000	18.5	17.30	–
2006	9,332,000	213,000	125,000	18.9	16.90	–
2007	9,533,000	201,000	312,000	12.8	21.70	–
2008	9,673,000	140,000	105,000	13.1	22.80	–

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	11,752,000	–	1,261,000	6.0	–	–
2000	10,921,000	(831,000)	1,002,000	10.8	19.80	–
2001	11,488,000	567,000	(336,000)	15.9	19.80	–
2002	13,762,000	2,274,000	460,000	20.9	19.15	–
2003	13,495,000	(267,000)	(136,000)	21.0	18.10	–
2004	14,063,000	568,000	219,000	22.9	18.20	–
2005	14,256,000	193,000	(32,000)	22.2	17.20	–
2006	14,897,000	641,000	776,000	19.6	16.30	7.60
2007	15,630,000	733,000	411,000	16.9	18.50	7.60
2008	16,552,000	922,000	572,000	14.1	19.40	–

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	217,832,000	–	0	–	–	–	–
2000	217,832,000	0	12,813,000	6.6	3.14	–	–
2001	221,842,000	4,010,000	10,628,000	8.3	3.05	–	–
2002	223,950,000	2,108,000	11,041,000	9.1	2.88	–	–
2003	225,681,000	1,731,000	8,563,000	9.5	3.00	–	–
2004	228,762,000	3,081,000	13,317,000	10.9	2.87	–	–
2005	232,344,000	3,582,000	14,578,000	11.2	2.87	1.60	–
2006	240,066,000	7,722,000	7,208,000	13.2	3.27	1.60	8.20
2007	242,103,000	2,037,000	3,617,000	10.1	3.03	3.18	8.00
2008	247,754,000	5,651,000	(926,000)	11.7	3.23	2.04	8.50

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (1.2)
- Change in Total Employment (000): (9.6)
  Percent Change: (1.0)
- Unemployment Rate: 6.3
- Population (000): 1,776.5

Source: Moody's Economy.com

DALLAS/FT. WORTH, TX

OFFICE

- Dallas welcomed AT&T as the firm relocated its headquarters from San Antonio to Dallas this year.
- Large leases and renewals included Pioneer Natural Resources Company at 287,000 SF and Tenet Healthcare leasing 165,000 SF.
- Vacancy remained consistent over the year averaging 16.5%, which was slightly down from last year when rates measured 16.6%.
- Absorption for the year was a healthy 4.2 million SF. All of the growth occurred in suburbs where vacancy bucked the national trend and decreased from 16.5% to 16.0% over the prior year.
- At year-end 2008, there was 4.8 million SF under construction including large projects such as the 1 million SF campus for Blue Cross and Blue Shield of Texas in Richardson, 17 Seventeen, a 370,000 SF Class A building in the Uptown/Turtle Creek submarket and Saint Ann Court, a 315,000 SF class A building also in the Uptown/Turtle Creek submarket.
- Approximately 35,000 new jobs have been created in the DFW Metroplex since January 2008.

Office Outlook

- A major road construction project on the LBJ Freeway is expected to begin construction in 2009, impacting traffic and commercial real estate in the area for the next five years.
- Rental rates are expected to decrease by mid-year 2009 as the vacancy rates in the market begin to rise.
- An increase in “shadow” space and sublease space is expected as companies look to downsize during this economic downturn.
- Construction on new office space should slow down as developers in the market take a “wait and see” approach to the market.

INDUSTRIAL

- Dallas industrial vacancy rates increased from 9.0% at the start of 2008 to 9.8% in the fourth quarter. This signaled a contraction in the market as distribution companies looked to maximize current space and streamline processes.
- Absorption for the year, which stood at a little over 10 million SF, was down significantly compared to last year's total of 15.7 million SF.
- This was the result of a slowdown in the market and over 21 million SF of space being added to the inventory this year.
- Overall rental rates began to waver as vacancy rates increased and the number of active deals in the market decreased. However, rental rates for spaces less than 100,000 SF increased due to continued demand and a lack of new construction that could accommodate smaller users.
- A few of the significant leases signed this year included Alcatel’s lease of 490,000 SF and Kellogg U.S.A., Inc., which leased 419,000 SF of industrial space.

Industrial Outlook

- Several developers acquired sites in 2008, positioning themselves when the market corrects.
- There are only a few large deals projected for 2009. Many of the deals that were working have either gone away completely or have been put on hold until 2010.
- A trend of short term (12-24 month) renewals is expected to continue until distributors become comfortable with the economy again.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	34,262,000	0	400	18.9	21.00	–
2000	34,262,000	0	(308,000)	19.8	22.50	8.50
2001	34,305,000	43,000	75,000	19.7	25.00	10.00
2002	34,408,000	103,000	(562,000)	21.6	19.00	10.00
2003	34,408,000	0	(438,000)	22.9	18.50	10.00
2004	34,408,000	0	123,000	22.5	18.50	7.50
2005	34,408,000	0	66,000	22.3	19.10	7.50
2006	34,408,000	0	270,000	21.5	19.50	7.80
2007	35,286,000	878,000	305,000	21.9	25.00	7.40
2008	35,286,000	0	(9,000)	20.5	26.00	–

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	211,701,000	15,644,000	11,727,000	12.9	23.00	–
2000	217,494,000	5,793,000	6,196,000	12.3	22.70	8.50
2001	226,661,000	9,167,000	336,000	15.9	23.50	10.00
2002	230,382,000	3,721,000	(1,749,000)	18.1	21.00	10.00
2003	232,924,000	2,542,000	446,000	18.8	20.50	9.50
2004	236,698,000	3,774,000	5,844,000	17.6	20.00	7.90
2005	239,411,000	2,713,000	2,897,000	17.3	22.00	9.10
2006	243,740,000	4,329,000	5,221,000	16.5	22.50	7.45
2007	247,027,000	3,287,000	2,393,000	16.5	26.50	6.90
2008	252,407,000	5,380,000	4,277,000	16.0	26.00	7.80

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	602,247,000	20,437,000	11,941,000	6.5	3.00	–	–
2000	618,903,000	16,656,000	14,566,000	7.0	4.10	–	–
2001	642,785,000	23,882,000	14,665,000	9.9	3.50	2.75	10.50
2002	654,444,000	11,659,000	18,302,000	10.1	3.00	2.60	8.75
2003	660,585,000	6,141,000	11,619,000	11.1	3.00	2.50	8.00
2004	672,479,000	11,894,000	10,159,000	11.7	3.00	2.35	8.25
2005	678,795,000	6,316,000	12,608,000	10.6	3.35	2.60	7.80
2006	690,643,000	11,848,000	14,797,000	10.2	3.50	2.95	6.90
2007	703,170,000	12,527,000	15,689,000	9.0	3.40	1.75	7.00
2008	723,397,000	20,227,000	10,126,000	9.8	3.25	1.75	8.00

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 2.5
- Change in Total Employment (000): 20.7
  Percent Change: 1.0
- Unemployment Rate: 6.1
- Population (000): 4,289.2

Source: Moody’s Economy.com

DENVER, CO

OFFICE

- The largest lease signings was the 344,600 SF lease signed by Xcel Energy at 1800 Larimer in the CBD district, the 156,100 SF deal signed by Newmont Mining at Palazzo Verdi and the 117,800 SF signed by Cricket Communications at Village Center I.
- Total office building sales activity in 2008 was down 40% compared to 2007 with the average price per SF down 12% at $142 per SF. Cap rates were lower averaging 6.8% in 2008 compared to 2007's average of 7.4%.
- The largest projects underway were 1800 Larimer, a 496,400 SF building that was 75% pre-leased and 1900 16th Street, Tower I, a 409,500 SF building that was 3% pre-leased.
- Overall vacancy in the Denver metropolitan area increased to 15.8% by year-end 2008, up from 9.6% at the end of 2007.
- A total of 48 buildings were delivered to the market totaling 2.3 million SF with 3,601,200 SF still under construction.
- Colorado foreclosures fell 14% during the 1st nine months of the year compared with the same period of 2007.
- Through November, overall home sales were down 4.2% to 44.603 from 46,600 for the same period last year. The Denver area saw home values fall by 5.4% in the year-ended September, compared with a record 17.4% average decline for the twenty metropolitan areas.

Office Outlook

- Office vacancies in Denver look to move higher in 2009.
- However, Colorado is expected to outperform the national average as the U.S. economy slags through.
- 2009 should see office cap rates ranging from 7.5% to 8.0%.

INDUSTRIAL

- Notable 2008 deliveries included Mile High Business Center – Building 2, a 337,000 SF facility delivered second quarter 2008.
- The largest projects underway were a 410,000 SF building with 100% of its space pre-leased to Whirlpool and The Denver Business Center, a 100,000 SF facility that was zero percent leased.
- Industrial sales were down 40% year over year with the average cost down from $67 per SF to $52 per SF. Cap rates were lower in 2008, averaging 7.0% from 7.6% in the first six months of 2007, but have begun to rise in the second half of the year.
- The largest transaction was the sale of Dartmouth Industrial Park, a 663,400 SF industrial park sold for $39.3 million with a 7.15% cap rate.
- New supply was up significantly in 2008, measuring over 3.3 million SF. This was the largest injection of industrial space in Denver since 2002.
- The vacancy rate in the Denver market area continued to climb, increasing to 8.2% at the end of 2008. Flex space has the highest vacancy at 14.0%.
- Digicomm International, Inc. moved into 250,000 SF and Coors Brewing Company moved into 158,000 SF at Majestic CommerceCenter.
- ProLogis' planned five-building, 1.2 million SF Stapleton Business Center North was put on hold due to the economic downturn.

Industrial Outlook

- Construction is expected to remain solid in the next few years as the metro area woks on its new Fast Tracks Light Rail construction projects. These projects will prevent widespread construction job losses from the housing market correction.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	24,938,000	22,000	288,000	7.3	24.40	–
2000	25,520,000	582,000	665,000	5.5	27.50	8.75
2001	25,726,000	206,000	(793,000)	10.8	25.40	9.25
2002	25,726,000	0	(1,206,000)	14.9	22.40	9.00
2003	25,726,000	0	(123,000)	15.3	20.50	9.00
2004	25,726,000	0	(173,000)	14.8	18.20	8.05
2005	25,726,000	0	447,000	14.0	18.50	7.00
2006	26,102,000	376,000	705,000	11.8	23.80	7.00
2007	26,102,000	0	351,000	12.3	30.00	6.20
2008	26,601,000	499,000	(334,000)	17.3	34.00	7.25

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	106,489,000	5,028,000	2,106,000	9.5	26.50	–
2000	111,517,000	5,028,000	7,495,000	8.3	22.90	9.50
2001	116,116,000	4,599,000	1,652,000	15.1	21.50	9.25
2002	118,231,000	2,115,000	(1,300,000)	18.7	19.00	9.00
2003	119,007,000	776,000	381,000	18.0	19.30	9.30
2004	119,950,000	943,000	1,052,000	16.3	19.45	8.75
2005	120,158,000	208,000	2,130,000	14.5	20.40	7.25
2006	120,820,000	662,000	1,896,000	13.4	21.10	7.00
2007	121,215,000	395,000	1,851,000	12.3	23.50	6.20
2008	123,070,000	1,855,000	129,000	15.4	25.00	7.25

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	243,696,000	1,800,000	(471,000)	5.5	4.00	–	–
2000	248,088,000	4,392,000	2,434,000	6.5	4.50	–	–
2001	252,477,000	4,389,000	1,920,000	7.1	5.90	2.75	9.10
2002	256,932,000	4,455,000	(264,000)	8.5	5.65	3.00	8.90
2003	259,620,000	2,688,000	(666,000)	9.6	5.60	3.00	8.10
2004	261,633,000	2,013,000	2,105,000	9.5	5.60	3.25	7.50
2005	263,256,000	1,623,000	2,850,000	8.8	5.55	3.00	7.20
2006	264,991,000	1,735,000	2,545,000	7.3	4.25	3.50	7.30
2007	266,891,000	1,900,000	3,698,000	6.4	4.70	4.00	6.50
2008	270,236,000	3,345,000	587,000	8.2	4.75	4.00	7.00

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (0.7)
- Change in Total Employment (000): (29.4)
  Percent Change: (2.4)
- Unemployment Rate: 7.1
- Population (000): 2,558.3

Source: Moody's Economy.com

Detroit, MI

OFFICE

- Detroit office rates depended less on the sector of the market but more on the specific building within the sector with rates ranging between $15.00 and $26.50 per SF.
- Class B space struggled with high vacancy rates at an average of 20.3% due to the competitive rates of Class A space or the more economical Class C.
- Southfield and Troy submarkets both experienced high vacancy rates.
- The Detroit area's lowest vacancy rate was in the Northern Oakland County submarket, which included Auburn Hills, Rochester and Lake Orion. It stabilized with a vacancy rate of 12.4% and a higher average rental rate of $22.53 per SF. However, a drastic vacancy increase could occur for the entire submarket to as high as 50% should Chrysler vacate its world headquarters in Auburn Hills.

Office Outlook

- Medical office properties will continue to be in high demand bringing positive activity and desired job growth. A Class A medical office of 115,000 SF at Oakland Crossing Medical Center on 18 acres at 350-550 Great Lakes Crossing Drive in Auburn Hills, MI will begin construction in April of 2009. Completion is scheduled for 2010.
- As a result of the high unemployment and the uncertainty in the local as well as global economy, demand for office space will diminish throughout next year. Vacancy rates are expected to rise into 2009.
- Detroit will see office activity in the form of local businesses shifting space type, as well as downsizing and relocating.
- State and local tax incentives have enticed companies to relocate, develop, and expand in the area bringing opportunity for future growth.

INDUSTRIAL

- Throughout the Metro Detroit region, warehouse/distribution/manufacturing rents ranged from $3.50 to $5.50 per SF triple net with the highest found in the I-75 North and I-96 West corridors.
- R&D/flex rates were double that of warehouse/distribution/manufacturing rates with the highest found in Washtenaw County and the lowest found in the Downriver Market.
- Effective rates tended to be 20% less than asking rates due to concessions such as lower face rents, rental abatements and T.I. packages.
- Major developments approved for the state tax credit included Severstal North America Inc. which will invest $700 million on updating its steel mill in Dearborn; ZF Group, an automotive supplier, which will invest $143 million on expansion in Marysville and create 475 jobs; Global Wind Systems, an alternative energy company, will build wind turbines in Novi, investing $32 million, creating 356 jobs.

Industrial Outlook

- Numerous companies have relocation/expansion plans for Michigan based on approved tax credits from the Michigan Economic Growth Authority. This may create thousands of jobs and an overall investment into Michigan of over $2 billion. However, with uncertainty in the automotive industry, the market may remain sluggish.
- Asking sale prices are expected to decrease significantly throughout 2009 resulting in lower final sale prices. Land sales and new construction will remain at a standstill until the overall absorption improves.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	28,547,000	0	(104,000)	8.6	25.75	–
2000	28,547,000	0	187,000	11.0	27.80	10.00
2001	28,547,000	0	(218,000)	11.4	25.80	12.00
2002	28,693,000	146,000	(319,000)	16.5	24.00	12.00
2003	29,773,000	1,080,000	569,000	17.3	21.00	12.00
2004	29,773,000	0	588,000	14.3	21.50	10.00
2005	29,773,000	0	(172,000)	15.9	22.50	10.00
2006	30,128,000	355,000	303,000	16.6	22.00	12.00
2007	30,128,000	0	852,000	16.4	23.70	10.00
2008	30,128,000	0	78,000	15.9	22.30	–

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	423,474,000	5,000,000	(593,000)	7.0	5.80	–	–
2000	431,305,000	7,831,000	(1,752,000)	9.0	5.70	–	–
2001	437,361,000	6,056,000	(11,789,000)	12.6	6.00	7.00	11.00
2002	439,690,000	2,329,000	(12,891,000)	13.1	4.80	3.40	11.00
2003	440,834,000	1,144,000	(5,626,000)	14.2	4.80	4.50	9.50
2004	442,118,000	1,284,000	1,647,000	13.0	4.80	4.00	10.50
2005	443,531,000	1,413,000	7,914,000	11.6	5.00	3.75	8.90
2006	445,580,000	2,049,000	(9,959,000)	13.6	4.75	5.50	9.00
2007	448,920,000	3,340,000	(7,078,000)	13.3	4.59	4.50	7.80
2008	449,173,000	253,000	1,293,000	11.5	4.57	1.15	8.00

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	91,027,000	1,345,000	971,000	6.5	24.50	–
2000	92,925,000	1,898,000	(236,000)	7.1	24.30	10.50
2001	94,842,000	1,917,000	(1,927,000)	12.8	25.30	11.00
2002	96,278,000	1,436,000	(3,015,000)	15.0	24.80	10.00
2003	97,118,000	840,000	(807,000)	16.4	23.00	9.00
2004	97,949,000	831,000	598,000	16.0	22.00	10.00
2005	98,654,000	705,000	777,000	16.6	23.50	8.50
2006	99,094,000	440,000	(663,000)	17.5	23.50	9.00
2007	100,022,000	928,000	536,000	17.6	23.50	9.00
2008	100,070,000	48,000	(128,000)	18.1	23.80	–

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 0.3
- Change in Total Employment (000): (15.3)
  Percent Change: (2.0)
- Unemployment Rate: 12.4
- Population (000): 1,954.0

Source: Moody's Economy.com

FAIRFIELD, CA

OFFICE

- Since 2002, Fairfield's office inventory grew almost 300% to over 3.5 million SF.
- Housing sector users have historically dominated the Solano County office market. The recent residential industry implosion heavily contributed to relatively high vacancy rates as compared to prior years.
- Approximately 150,000 SF of Class A office space was built in 2007, of which 136,000 SF remained available. Net absorption measured 36,000 SF.
- Class A office rates averaged $25.40 per square foot.

Office Outlook

- Lease rates will fall to stay consistent with supply and demand as an over abundance of first generation Class A product will remain available on the market.
- Construction will be non-existent through much of 2009 as developers have decided to offer their land for sale rather than build.
- Vacancy rates are expected to continue rising as companies continue to consolidate operations and smaller users decide to work from home.

INDUSTRIAL

- Fairfield's industrial vacancy rate rose from 3.0% to 9.7% in less than 24 months marketwide from Napa to the Solano Counties.
- New construction outpaced demand with 829,000 SF of new supply and 119,000 SF of net absorption.
- Tenants demanded rent decreases and abundant free rent in response to increasing inventory and decreasing market rents.
- High growth companies were the wine suppliers who continued to dominate the Napa County industrial market with cross-industry users beginning to trickle down into the Solano County Market (i.e. Pacific Wine Distributors).

Industrial Outlook

- Vacancy will increase as over 700,000 SF of space is currently under constructing and scheduled for early 2009 completion.
- Future development commencement will not be foreseeable through the first half of 2009.
- Migration is expected from Bay Area tenants to suburban Solano and Napa County markets, seeking attractive rents in Class A facilities.
- As always, the food and beverage industry-related users will account for much of the local industrial growth. Attracted to the accommodating amenities that the area has to offer, many users owned their facilities, such as Jelly Belly, Anheuser-Busch, Guittard Chocolate, Ball Corporation, Amcor PET, and more.
- Commencing work in 2008, the North Connector Project will eventually connect central Fairfield with the Cordelia area. The project's goal is to remove local traffic from the freeway to ease congestion, and is connected to an enormous multi-tenant retail center development to be built by Garaventa Properties.

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	3,572,000	–	–	–	–	–
2000	3,572,000	–	–	–	–	–
2001	3,572,000	–	–	–	–	–
2002	3,572,000	–	–	–	–	–
2003	3,572,000	–	–	–	–	–
2004	3,572,000	–	–	–	–	–
2005	3,572,000	–	–	–	–	–
2006	3,572,000	–	–	–	–	–
2007	3,572,000	–	–	–	–	–
2008	3,572,000	0	36,000	24.4	25.40	–

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	–	–	–	–	–	–	–
2000	–	–	–	–	–	–	–
2001	–	–	–	–	–	–	–
2002	–	–	–	–	–	–	–
2003	–	–	–	–	–	–	–
2004	–	–	–	–	–	–	–
2005	–	–	–	–	–	–	–
2006	–	–	–	–	–	–	–
2007	–	–	–	–	–	–	–
2008	32,504,000	829,000	119,000	9.7	6.00	–	–

METROPOLITAN INDICATORS – 2009 (VALLEJO)

- Gross Metro Product Percent Change: (0.5)
- Change in Total Employment (000): (5.2)
  Percent Change: (4.1)
- Unemployment Rate: 9.7
- Population (000): 409.9

Source: Moody's Economy.com

Ft. Lauderdale/Broward County, FL

OFFICE

- Unemployment jumped significantly in 2008, affecting demand for office space in Broward County.
- Broward's overall vacancy rate ended the year at 12.9%, up from 11.3% at year-end 2007. The economic slowdown stifled demand, leading to downsizing and consolidation among office tenants.
- Sublease vacancies, in particular, increased as the economic contraction set in.
- Absorption in 2008 was negative 7,000 SF. Construction activity slowed significantly with no new construction starts by mid-2008.
- The largest lease of the year was a twelve-year, 105,000 SF lease by AutoNation, Inc, the largest automotive retailer in the U.S. However, the move represented a downsizing for AutoNation within the downtown Ft. Lauderdale office market.

Office Outlook

- Labor market weakness is most pronounced among pro-cyclical industries such as construction, manufacturing and financial services. American Express, the second-largest employer in Broward County, announced in late 2008 that it would be cutting 10% of its workforce, which will significantly impact the local job market in 2009.
- Rent concessions should increase into 2009 as landlords look to fill excess vacant space. As a result, there will be downward pressure on rental rates going into 2009.
- Construction activity in Broward County will remain stagnant until existing space is absorbed and capital markets become more liquid.
- Investment sales activity slowed in 2008 and should remain sluggish into 2009 as access to credit for all but the most credit-worthy borrowers has essentially dried up.

INDUSTRIAL

- The Stanley Works expanded their space with a ten-year, 150,000 SF lease in the Southwest Broward submarket, representing the largest lease transaction of 2008.
- Construction completions totaled over 2.3 million SF in 2008, exceeding the 2007 total of 1.8 million SF. As 2008 progressed, these completions were increasingly delivered with limited pre-leases, impacting vacancy levels in the area.
- Three buildings, totaling more than 500,000 SF, were completed in 2008 within the Seneca North Industrial Park located in the Southeast Broward submarket.

Industrial Outlook

- Rental rates should continue to adjust downward into 2009 as rent concessions from landlords increase in response to waning demand and excess supply in the market.
- Construction activity slowed dramatically towards the latter part of 2008, with no construction starts in the second and third quarters, and only one construction start in the fourth quarter. This should provide some relief to market supply and allow the market to begin to absorb the excess space in 2009.
- Despite the slowdown in construction activity, there is still over 700,000 SF of industrial space under construction, most of which is slated to deliver in the first half of 2009.
- Sublet industrial space should increase in 2009 as industrial tenants are forced to downsize and consolidate their operations in response to the housing downturn, and ensuing drop off in consumer spending.
- Investment sales will continue to be restricted through the beginning of 2009 due to the difficulty in obtaining financing.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	4,739,000	406,000	(71,000)	6.3	29.00	–
2000	4,998,000	259,000	200,000	6.4	26.70	–
2001	5,175,000	177,000	49,000	12.5	25.50	–
2002	5,618,000	443,000	(55,000)	17.5	26.20	–
2003	5,672,000	54,000	189,000	15.9	26.40	–
2004	5,722,000	50,000	1,000	16.7	26.70	–
2005	5,772,000	50,000	187,000	11.6	27.40	5.50
2006	5,772,000	0	176,000	9.0	30.30	6.60
2007	6,041,000	269,000	(170,000)	11.3	32.40	7.10
2008	6,041,000	0	(20,000)	12.6	32.60	–

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	32,441,000	1,245,000	(686,000)	10.1	21.50	–
2000	33,680,000	1,239,000	555,000	10.4	18.70	–
2001	36,134,000	2,454,000	967,000	16.3	24.70	–
2002	36,605,000	471,000	(12,000)	15.5	23.70	10.70
2003	37,135,000	530,000	976,000	13.8	24.10	10.00
2004	37,816,000	681,000	1,285,000	11.9	23.90	8.50
2005	38,264,000	448,000	1,115,000	7.8	25.10	7.00
2006	38,911,000	647,000	1,259,000	8.0	28.00	6.70
2007	40,010,000	1,099,000	127,000	10.1	28.60	6.80
2008	40,978,000	968,000	(7,000)	12.9	31.40	8.25

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	108,170,000	2,794,000	(885,000)	7.7	–	–	–
2000	111,111,000	2,941,000	4,060,000	6.8	6.70	–	–
2001	114,441,000	3,330,000	2,049,000	9.4	5.80	8.57	10.55
2002	115,985,000	1,544,000	1,014,000	8.9	6.00	5.00	–
2003	117,516,000	1,531,000	2,379,000	8.0	6.30	10.00	–
2004	119,642,000	2,126,000	2,797,000	7.3	6.30	8.00	–
2005	121,052,000	1,410,000	3,675,000	4.8	6.95	9.00	–
2006	122,413,000	1,361,000	1,534,000	3.8	7.46	20.00	–
2007	124,243,000	1,830,000	762,000	5.5	8.63	15.00	6.30
2008	126,595,000	2,352,000	(788,000)	7.7	7.87	20.00	8.45

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 0.2
- Change in Total Employment (000): (22.2)
  Percent Change: (2.9)
- Unemployment Rate: 7.3
- Population (000): 1,738.0

Source: Moody's Economy.com

Fresno, CA

OFFICE

- New construction, which had been so robust from 2004 to 2007, decreased dramatically with only about 150,000 SF added during the year.
- The overall vacancy rate, which had been as low as 6.5% to 7.0% in 2005 to 2006, rose to 12.5%.
- There was a significant increase in sublease space as home builders, title companies and mortgage companies downsized or went out of business.
- Sale transactions decreased dramatically as financing became largely unavailable. Lease transactions also decreased dramatically and the lease terms have decreased as well. Many tenants renegotiated their existing leases.

Office Outlook

- California's Central Valley, including Fresno, will continue to see vacancy rates increase/stabilize while lease rates continue to fall.
- Medical services will continue to remain one of the few positive and most active fields in our market, reflecting the aging demographics of the population and Fresno's role as a medical services hub given its centralized location within California's Central Valley.
- New speculative construction will remain at a standstill as there is too much existing vacant product. The housing market continues to be one of the hardest hit in the United States.
- Land values and investment properties continue to decrease as obtaining commercial financing remains a huge obstacle.
- Many tenants will use the existing market conditions to renegotiate existing leases. Very little business expansion is expected any time soon in the Central Valley. Due to the ongoing budget crisis in California.

INDUSTRIAL

- Because of its central location, the Central California Region benefited from the consolidation of multiple warehouse locations into a single distribution center in this region.
- Labor costs and real estate operating costs in the Central California region were the lowest in California.
- This region evolved into a predominately distribution-oriented hub with over 75% of the space in this region being new Class A warehouse space.
- Like the national economy, this region witnessed the demand for warehouse space drop in the second half of 2008.
- Tenants and buyers became opportunistic by consummating leases and sales well below historical figures.
- The Fresno area benefited from the recent influx of capital and the completion of infrastructure projects in recent years. These included two new freeways, a new Fresno-Yosemite International Airport concourse, new SaveMart Arena, and San Francisco Giants' new triple-A baseball stadium in downtown Fresno.
- Land values declined to levels very attractive to new industries and others seeking expansion or construction of a new facility.
- Water technology industries, such as drip-irrigation, rapidly expanded in this region and contributed the last technologies to this region's agricultural industry.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	2,086,000	–	–	–	19.50	–
2000	2,086,000	0	150,000	12.3	15.60	11.00
2001	2,196,000	110,000	149,000	10.9	15.60	12.00
2002	2,343,000	147,000	86,000	12.7	18.00	10.75
2003	2,845,000	502,000	440,000	13.7	19.20	9.00
2004	2,931,000	86,000	101,000	10.6	22.80	8.50
2005	2,929,000	(2,000)	(19,000)	11.2	23.00	7.50
2006	2,977,000	48,000	157,000	7.3	24.00	9.00
2007	3,061,000	84,000	12,000	9.5	27.60	8.00
2008	3,092,000	31,000	63,000	8.3	26.40	8.50

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	12,672,000	213,000	160,000	12.0	23.50	–
2000	12,975,000	303,000	830,000	11.3	19.20	10.00
2001	13,536,000	561,000	694,000	10.4	19.20	10.25
2002	14,706,000	1,170,000	1,343,000	8.1	16.20	9.00
2003	14,765,000	59,000	60,000	7.0	19.20	8.40
2004	15,684,000	919,000	601,000	7.9	25.20	8.00
2005	16,029,000	345,000	417,000	6.3	26.40	7.00
2006	16,702,000	673,000	544,000	8.8	26.40	7.25
2007	17,435,000	733,000	364,000	11.9	27.60	8.00
2008	17,553,000	118,000	(141,000)	13.3	27.00	8.00

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	44,064,000	750,000	2,800,000	8.6	3.60	–	–
2000	45,064,000	1,000,000	1,200,000	6.0	3.20	–	–
2001	45,264,000	200,000	100,000	8.0	3.40	2.25	9.00
2002	45,664,000	400,000	0	9.0	3.20	2.50	8.50
2003	46,464,000	800,000	(30,000)	10.8	3.20	2.50	8.50
2004	46,864,000	400,000	20,000	11.6	3.20	3.00	7.75
2005	47,664,000	800,000	1,923,000	9.1	3.20	4.25	7.75
2006	48,104,000	440,000	786,000	7.6	3.20	4.00	8.00
2007	48,204,000	100,000	1,393,000	4.6	4.08	7.00	7.50
2008	48,454,000	250,000	(1,545,000)	6.2	3.84	4.00	8.00

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (2.0)
- Change in Total Employment (000): (9.5)
  Percent Change: (3.1)
- Unemployment Rate: 15.1
- Population (000): 927.9

Source: Moody's Economy.com

Greenville, SC

OFFICE

- While there was an increase in sublease space, both the CBD and suburban market sectors showed positive absorption for the past six months.
- The SC Upstate region was not as highly impacted by the recession as other parts of the state, but did feel the negative effects of the deteriorating global market. However, Greenville gained national recognition by economic analysts as one of the best places to weather a recession due to low cost of living, low taxes, high quality of life and higher job market stability.
- The 2008 Manpower Employment Outlook Survey found 15% of employers in the Greenville area anticipated hiring and 67% of employers planned to hold staff levels steady for first quarter 2009 while monitoring the economy.
- The occupancy rates in the suburbs remained the same or slightly better. However 120,000 SF of sublease space was injected into the market, for a total of 240,000 SF available.

Office Outlook

- Planned new office construction projects will be postponed due to lack of enough tenant activity, stringent pre-leasing requirements and the tightening credit markets.
- Market rents will stay the same or lower as owners will face increased pressure to retain existing tenants and compete for new ones.
- Employees are seeking more training as job markets tighten. Greenville is seeing a trend with several higher educational institutions considering locating in our market.

INDUSTRIAL

- High growth industries included research and development, warehouse/logistics, and light manufacturing.
- In terms of new industrial construction, the 221,000 SF Commonwealth Distribution Center in Duncan was recently completed. Phase 1 of the 1.1 million SF Adidas Distribution Center was completed in 2008. Phase 2 is scheduled to be complete by Fall 2009.
- The expansion of BMW was underway which involved an additional 1.2 million SF – a $750 million investment for the SC Upstate region.
- Significant transactions included the leasing of 600,000 SF by Louis Dreyfus, 187,000 SF by Southern Cotton, 160,000 by UTI Integrated Logistics, 120,000 SF by Innegrity and 45,000 SF by Iron Mountain.
- Investment sales were substantially off due to the slow market and economic crunch.
- Land prices were varied: rough grade sold from $20,000 to $39,500 per acre; pad ready ranged from $65,000 to $75,000 per acre. The size of acreage ranged from 8 to 72 acres.
- There was still active interest in the Upstate by BMW suppliers, however activity has slowed due to the current economic conditions.

Industrial Outlook

- Greenville's industrial market will see slow to little growth in the speculative development due to the current economic conditions.
- Both direct and sublease vacancy will increase one to two points over the next year.
- It is becoming more difficult to find entitled property, and the problem is increasing as re-zoning issues continue.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	2,609,000	–	–	–	–	–
2000	2,609,000	0	88,000	14.0	18.25	–
2001	2,654,000	45,000	107,000	14.3	18.25	–
2002	2,837,000	183,000	154,000	13.8	18.25	–
2003	2,866,000	29,000	1,000	16.1	18.25	–
2004	2,928,000	62,000	9,000	16.3	18.50	–
2005	3,015,000	87,000	102,000	10.7	18.90	9.00
2006	3,015,000	0	15,000	11.4	19.60	8.00
2007	3,138,000	123,000	(43,000)	12.8	18.00	8.00
2008	3,144,000	6,000	54,000	20.8	21.90	8.00

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	3,293,000	–	–	–	–	–
2000	3,293,000	0	64,000	21.0	17.25	–
2001	3,727,000	434,000	113,000	19.6	17.25	–
2002	3,727,000	0	(50,000)	28.1	16.75	–
2003	3,802,000	75,000	(77,000)	30.7	16.00	–
2004	3,830,000	28,000	60,000	28.8	16.75	–
2005	3,859,000	29,000	107,000	21.0	16.70	7.50
2006	3,859,000	0	232,000	16.2	18.50	8.50
2007	3,985,000	126,000	698,000	12.5	18.00	8.50
2008	4,328,000	343,000	133,000	16.4	18.60	8.50

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	146,147,000	–	0	–	–	–	–
2000	146,147,000	–	0	–	–	–	–
2001	146,147,000	–	0	–	–	–	–
2002	146,490,000	343,000	0	20.5	3.30	0.80	9.50
2003	146,752,000	262,000	(1,090,000)	23.5	3.20	0.80	9.50
2004	147,116,000	364,000	1,099,000	21.5	3.20	–	9.50
2005	147,116,000	–	0	–	–	–	–
2006	148,016,000	900,000	0	13.0	3.50	0.92	9.00
2007	148,617,000	601,000	1,157,000	10.3	3.13	0.92	8.25
2008	149,138,000	521,000	540,000	9.9	3.13	1.31	8.38

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (0.3)
- Change in Total Employment (000): (2.2)
  Percent Change: (0.7)
- Unemployment Rate: 6.7
- Population (000): 628.4

Source: Moody's Economy.com.

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HARTFORD, CT

OFFICE

- Office absorption was negative 250,000 SF in 2008. Combined with 2007, that totaled negative 350,000 SF - drastically different than the positive absorption of over one million SF in 2006.
- Class A suburban vacancy registered 16.4%; up 2.2% from a year earlier. Overall suburban vacancy was 18.6%; up 1.6% above 2007 figures.
- Despite vacancy increases, the suburban Class A average gross lease rate rose to $21.10 per SF. Taxes and operating expenses averaged $10 per SF, up $1 per SF for the year due to utility increases.
- Hartford's CBD Class A vacancy increased slightly to 13.4%, up from 13.2% a year ago while the overall CBD vacancy rate dropped from 15.4% to 15.0%, suggesting increased activity in the B and C classes.
- In the investment market, ten Class A buildings sold, ranging from $100 per SF to $220 per SF. The remainder was under $100 per SF. Cap rates ranged between 7.1% and 10.5%.

Office Outlook

- Skies start to clear during the third quarter of 2009. Leasing activity will be relatively flat for the first half of 2009. Absorption will be negative for the second year in a row.
- Rental rates will dip 3% to 5% as owners book early renewals and tenant prospects dwindle. Rental waiver concessions will be a given as will "turnkey" build-outs for credit tenants.
- There will likely be no speculative construction, and new construction will consist of a handful of pre-leased medical buildings.
- Cap rates will continue to rise; double digits cap rates are anticipated to be the new norm.

INDUSTRIAL

- Demand for space was led by warehouse/distribution users and third-party logistics companies in 2008.
- Hartford experienced some build-to-suit activity, including a 482,000 SF warehouse/distribution facility for ALDI's, a 100,000 SF warehouse for William B. Meyer and a regional distribution center for Walgreen's of 800,000 SF.
- In the leasing market, some larger leases included Sims Metal Management Aerospace taking 405,000 SF of industrial space, and Raymour & Flanigan Furniture leasing 303,000 SF.

Industrial Outlook

- Leasing activity is anticipated to improve as the year progresses since sales will continue to be tough to finance.
- Investment demand for smaller buildings in the 20,000 SF range will be strong by local companies. Buildings will be in short supply and prices will still be below the cost of new construction.
- Warehouse facilities with good, clear height will be highly desired.
- Demand will continue for investment opportunities, and deals that make sense will get financed.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	10,050,000	0	122,000	25.5	22.00	10.30
2000	10,050,000	0	310,000	20.8	22.10	9.25
2001	10,050,000	0	125,300	19.8	24.00	12.30
2002	10,050,000	0	(305,000)	19.9	24.20	9.40
2003	10,050,000	0	(140,600)	20.5	24.20	9.75
2004	10,050,000	0	48,100	18.8	24.00	9.00
2005	10,050,000	0	210,000	20.6	24.30	7.50
2006	10,050,000	0	521,399	15.8	24.20	6.50
2007	10,050,000	0	71,000	15.4	24.00	7.45
2008	10,050,000	0	20,000	14.9	23.80	–

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	94,924,000	150,000	150,000	14.5	4.00	–	–
2000	95,174,000	250,000	250,000	14.3	4.50	–	–
2001	95,324,000	150,000	160,000	14.2	4.50	1.10	10.00
2002	95,424,000	100,000	300,000	13.9	4.50	1.03	10.00
2003	96,241,000	817,000	900,000	13.2	4.30	1.00	9.00
2004	96,495,000	254,000	484,000	13.4	4.30	1.70	9.00
2005	96,645,000	150,000	241,000	13.2	4.50	1.72	9.00
2006	96,845,000	200,000	200,000	13.1	4.50	1.72	8.50
2007	96,975,000	130,000	478,000	10.3	6.00	2.30	9.00
2008	96,975,000	0	700,000	9.4	5.75	2.30	9.50

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	13,550,000	0	240,400	15.7	18.80	10.15
2000	13,785,000	235,000	249,800	11.9	19.60	9.50
2001	13,910,000	125,000	(485,800)	16.1	20.30	10.50
2002	13,910,000	0	(157,000)	18.1	19.90	10.00
2003	14,060,000	150,000	(96,600)	20.5	20.20	10.00
2004	14,060,000	0	214,100	18.2	19.70	8.50
2005	14,185,000	125,000	316,000	17.7	20.10	8.10
2006	14,275,000	90,000	538,500	15.6	20.10	7.50
2007	14,275,000	0	(213,000)	16.9	20.90	7.65
2008	14,325,000	50,000	(230,000)	18.6	21.10	–

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (1.6)
- Change in Total Employment (000): (20.8)
  Percent Change: (3.3)
- Unemployment Rate: 7.1
- Population (000): 1,196.1

Source: Moody's Economy.com

Honolulu, HI

OFFICE

- The closure of Aloha Airlines and ATA airlines coupled with the reduction in positions at Norwegian Cruise Lines, DFS Hawaii, and Hawaiian Dredging pushed the unemployment rate upwards by more than 200 basis points to 4.2%. for October 2008.
- After peaking at 95,150 jobs in December 2005, the number of office sector positions in Honolulu fell by 3.5% or 3,250 jobs by October 2008.
- Vacancy rates hit a decade low of 6.5% at mid-year 2007, only to have steadily risen due to seven consecutive quarters of negative net absorption. At year-end 2008, vacancy rates exceeded 8.6%.
- Honolulu's average full service gross asking office rent increased for the sixth consecutive year to $35.28 per SF. Rents rose 32% over a six year period.

Office Outlook

- The office sector is anticipated to continue to post occupancy losses throughout 2009. Vacancy rates are anticipated to return to levels prior to the recent boom period and hit double digits by 2010.
- Rental rates will begin trending downward as many landlords have refocused their asset management and marketing teams towards tenant retention efforts.
- Landlord concessions are increasing with longer free rent periods, higher tenant improvement allowances and discounts for longer terms.
- Cap rates are forecasted to rise from the 6% range to 9% fairly rapidly as financing costs increase.

INDUSTRIAL

- Honolulu's industrial market, which had been one of the tightest markets in the country, posted its second year of higher vacancy rates, reaching 4.4% at year-end 2008.
- The rise in vacancy was due to the delivery of three industrial condominium projects totaling more than 500,000 SF. All three had sizeable vacancies remaining and by year-end, provided prospective occupants the option of leasing or purchasing units.
- The closure of the Weyerhaeuser facility added an additional 160,000 SF of vacant space onto Honolulu's market for lease.
- Rental rates posted their first decline after having risen for six consecutive years. At year-end 2008, the average asking rent of $14.90 per SF was down roughly 5% from last year's figures.
- Wholesale sales and Honolulu Harbor in-bound cargo tonnage fell for the first time in five years indicating that both the wholesale and retail environments cut back orders and reduced inventories.

Industrial Outlook

- The recession for both the mainland U.S. and Japan will likely further impact Hawaii's tourism markets that are at the whim of discretionary spending by vacationers.
- All three sectors, construction, wholesale/distribution and tourism are major drivers of the island's warehouse marketplace. Vacancy rates are predicted to continue to rise.
- The majority of industrial tenants occupy less than 5,000 SF. These businesses will be hit the hardest in the economic downturn, further fueling a slowdown in the industrial sector.
- Rental rates are forecasted to continue to soften by more than 5.0% over the next year.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	8,064,000	0	(82,000)	14.3	27.20	9.25
2000	8,064,000	0	78,000	11.8	27.70	9.00
2001	8,064,000	0	(75,000)	12.0	26.50	10.25
2002	8,064,000	0	(12,000)	12.3	27.60	9.00
2003	8,064,000	0	19,000	12.1	27.80	7.50
2004	8,064,000	0	90,000	11.0	29.40	7.20
2005	8,064,000	0	184,000	8.7	31.50	7.00
2006	8,064,000	0	162,000	6.7	34.20	6.50
2007	8,064,000	0	(118,000)	8.0	36.40	6.50
2008	8,064,000	0	(49,000)	9.8	37.40	–

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	7,629,000	0	19,000	12.7	–	10.25
2000	7,629,000	0	80,000	10.1	–	9.50
2001	7,629,000	0	(146,000)	13.4	–	9.75
2002	7,629,000	0	(116,000)	15.0	–	8.50
2003	7,629,000	0	174,000	11.5	–	7.00
2004	7,629,000	0	133,000	9.6	–	7.50
2005	7,629,000	0	65,000	8.6	–	7.00
2006	7,629,000	0	87,000	7.4	–	6.75
2007	7,642,000	13,000	109,000	6.5	–	6.80
2008	7,642,000	0	(90,000)	7.3	–	–

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	34,781,000	20,000	350,000	6.4	6.00	6.00	–
2000	34,821,000	40,000	833,000	4.0	8.64	6.00	–
2001	34,856,000	35,000	(181,000)	4.4	8.30	6.00	–
2002	34,956,000	100,000	174,000	3.6	8.00	6.00	8.50
2003	35,006,000	50,000	199,000	2.7	10.92	10.00	7.65
2004	35,126,000	120,000	340,000	1.7	11.50	13.00	6.80
2005	35,476,000	350,000	425,000	1.8	11.85	26.50	6.15
2006	36,101,000	625,000	452,000	2.3	13.10	31.00	5.50
2007	36,387,000	286,000	(269,000)	3.0	15.72	31.00	5.40
2008	37,267,000	880,000	(529,000)	4.4	14.90	41.00	–

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (0.6)
- Change in Total Employment (000): (12.1)
  Percent Change: (2.7)
- Unemployment Rate: 5.6
- Population (000): 912.2

Source: Moody's Economy.com

HOUSTON, TX

OFFICE

- Houston's office market closed 2008 with positive absorption of over 2.3 million SF. Although significantly below the 5.8 million SF for 2007, this marked the fifth consecutive year of annual net absorption over 1 million SF.
- Houston added over 4 million SF of new office space in 2008, compared to 756,000 SF delivered in 2007. Submarkets with the strongest activity included Energy Corridor with 742,000 SF and Westchase with 705,000 SF.
- Speculative office projects in the construction pipeline at the end of 2008 totaled 6.6 million SF, to be delivered over the next three years.
- Rental rate growth continued in 2008, albeit well below the double-digit rate increases of the past two years. As supply outpaces demand, falling rental rates and increased concessions are expected in 2009.

Office Outlook

- Falling energy prices and fewer projected local jobs will constrain Houston's economic growth in 2009 and weaken demand for office space.
- With the recent surge in speculative construction softening fundamentals, expect downward pressure on rental rates and increased lease concessions as the tenants' market takes hold over the next twelve months.
- The long-term outlook is strong with Houston's infrastructure of future-growth industries, above-average population growth, and low cost of living driving business expansion in the key sectors of energy, healthcare, aerospace, and international trade.

INDUSTRIAL

- Houston's industrial market closed 2008 with positive net absorption of over 7.1 million SF, below the record-breaking absorption of 2007.
- Robust leasing activity included twenty-six non-renewal leases over 100,000 SF, led by The Home Depot's 535,000 SF in the Northwest, Palmer Logistics' 468,000 SF in the Southeast, and American Port Services' 251,600 SF in the Northeast.
- Strong tenant demand supported 6.1% vacancy at year's end, with all major corridors posting single-digit vacancy. Increased speculative development pushed vacancy in the North and Southeast Corridors to 9.3% and 8.5%, respectively.
- Houston's industrial market added almost 9.4 million SF in 2008, with the Southeast (3.1 million SF), North (2.6 million SF), and Northwest (2.3 million SF) together representing 87% of all new industrial space delivered.
- Industrial projects under construction at the end of 2008 totaled 7.2 million SF, with the Southeast leading all submarkets with 2.7 million SF, followed by the North and Northwest each with 1.5 million SF.

Industrial Outlook

- A weakened economy, coupled with increased speculative development coming online in 2009, will challenge Houston's long run of single-digit industrial vacancy.
- While landlords will forgo rental rate growth over the next 12 months, the market's strong long-term forecast should insulate the major submarkets from severe rate decreases.
- Development activity near the Port and George Bush Intercontinental Airport will dominate as developers carve out market share in Houston's fastest growing industrial sectors.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	35,760,000	0	293,000	8.9	24.40	–
2000	35,760,000	0	182,000	8.4	27.80	–
2001	35,760,000	0	(786,000)	10.6	28.70	9.00
2002	36,341,000	581,000	(1,209,000)	15.5	24.40	9.00
2003	37,874,000	1,533,000	(621,000)	20.6	22.70	9.00
2004	37,874,000	0	3,000	20.6	21.50	8.40
2005	37,874,000	0	(730,000)	22.6	21.40	7.50
2006	37,874,000	0	1,641,000	18.2	24.20	6.60
2007	37,874,000	0	2,010,000	12.1	36.40	6.00
2008	38,107,000	233,000	117,000	12.2	38.40	6.80

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	136,398,000	3,474,000	322,000	12.4	21.30	–
2000	140,115,000	3,717,000	41,000	14.8	21.50	–
2001	141,580,000	1,465,000	(411,000)	16.1	21.90	10.50
2002	142,527,000	947,000	(704,000)	17.4	20.60	9.30
2003	143,110,000	583,000	(429,000)	18.2	20.50	8.90
2004	143,616,000	506,000	1,166,000	17.8	19.80	8.80
2005	144,239,000	623,000	2,447,000	16.5	20.10	7.50
2006	145,116,000	877,000	4,374,000	13.9	22.60	7.20
2007	145,872,000	756,000	3,838,000	11.8	26.60	7.10
2008	149,678,000	3,806,000	2,247,000	13.0	27.90	7.80

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	397,584,000	8,352,000	1,975,000	5.5	4.24	0.75	–
2000	406,552,000	8,968,000	3,327,000	6.5	4.44	1.00	–
2001	413,657,000	7,105,000	5,659,000	7.0	4.31	1.05	10.00
2002	419,745,000	6,088,000	2,651,000	8.0	4.22	1.00	11.10
2003	423,894,000	4,149,000	546,000	8.7	4.34	1.10	10.60
2004	427,709,000	3,815,000	7,818,000	7.8	4.29	1.20	10.00
2005	436,603,000	8,894,000	13,650,000	6.5	4.46	1.30	9.65
2006	439,731,000	3,128,000	4,131,000	6.6	4.45	1.50	7.40
2007	448,966,000	9,235,000	10,175,000	6.1	5.61	5.00	7.10
2008	458,359,000	9,393,000	7,153,000	6.1	5.60	3.75	8.70

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 2.0
- Change in Total Employment (000): 35.1
  Percent Change: 1.3
- Unemployment Rate: 6.0
- Population (000): 5,876.2

Source: Moody's Economy.com

Indianapolis, IN

OFFICE

- The Indianapolis multi-tenant office market experienced 341,000 square feet of positive net absorption in 2008. Overall absorption decreased from 2007 by 33,000 SF.
- The Class A market witnessed the largest increase in absorption since 2003 by 283,000 SF.
- The vacancy rate in the Indianapolis multi-tenant office market increased by 1.3% from 2007 to 2008. The vacancy rate in Class A space increased by 2.8% from 2007 to 2008.
- The weighted average rental rate was $15.13 per SF for the market as a whole. Class A space averaged $17.96 per square foot.
- Thirteen office buildings were added to the market for a total of 924,000 SF. Of that, nine were Class A buildings. Most of the construction took place outside of the CBD in suburban markets.

Office Outlook

- Businesses will continue to lease space as rental rates will remain low and nearly unchanged.
- Occupancy levels will increase due to renovations and additions to the CBD, such as the Indiana Convention Center.
- While several companies may cut expenses in 2009, few job losses are expected in the Indianapolis metropolitan statistical area. The city will remain lower than the national average, as it has done so in the past.
- New office construction is not likely to occur in the first half of 2009 as tightened credit markets affect users obtaining financing.
- The CBD, which combines Downtown and Midtown multi-tenant office space, will lead the market in absorption and low vacancies.

INDUSTRIAL

- The market continued to grow in 2008 with 4.3 million square feet of positive net absorption. Approximately 1.9 million square feet in inventory was added to the Indianapolis MSA. New inventory came in the way of built-to-suit construction and property expansions by owner/users.
- The Southwest and Northwest submarkets experienced the greatest amount of absorption with 2.5 million square feet and 1.3 million square feet, respectively. The two submarkets housed the largest amount of modern bulk space.
- Modern bulk leasing activity was greatest in 2008 with 4.3 million square feet of net absorption - almost half of that took place in the first quarter.
- Vacancy rates remained steady around the low 7% range, a 1.2% decrease from the end of 2007 to the end of 2008.

Industrial Outlook

- Indianapolis's industrial rental rates could increase due to increases in operating costs.
- Leasing activity will continue, however some tenants will seek short-term leases and renewals of between 1 to 3 years. Short-term leases will also cause rental rates to be high for those leases. There will be more users interested in renovating current space instead of relocating.
- Very little speculative industrial construction will take place in 2009. Difficulties in obtaining financing may hinder large construction projects from beginning or finishing on schedule.
- There will be an abundance of land adequate for build-to-suit projects and expansions.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	10,649,000	54,000	4,000	12.0	21.00	–
2000	10,863,000	214,000	(270,000)	16.0	21.00	10.00
2001	11,228,000	365,000	22,000	18.5	21.50	10.00
2002	11,228,000	0	117,000	17.5	19.60	10.50
2003	11,244,000	16,000	193,000	15.9	19.60	10.50
2004	11,306,000	62,000	129,000	15.2	19.60	8.50
2005	11,306,000	0	112,000	14.6	19.60	7.50
2006	11,370,000	64,000	(84,000)	18.3	19.40	7.50
2007	11,517,000	147,000	208,000	15.3	19.50	8.50
2008	11,559,000	42,000	47,000	15.2	20.60	–

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	14,353,000	972,000	647,000	10.9	21.00	–
2000	15,921,000	1,568,000	640,000	15.7	23.00	10.00
2001	16,375,000	454,000	622,000	16.0	20.80	9.00
2002	16,814,000	439,000	(66,000)	18.8	19.00	10.00
2003	17,389,000	575,000	135,000	20.7	19.00	10.00
2004	17,823,000	434,000	689,000	18.7	19.00	8.50
2005	18,090,000	267,000	297,000	18.3	19.10	7.50
2006	18,417,000	327,000	502,000	17.8	19.30	7.50
2007	18,950,000	533,000	163,000	18.6	19.40	8.50
2008	19,833,000	883,000	294,000	20.7	19.30	–

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	189,061,000	5,912,000	4,461,000	6.7	4.25	1.20	–
2000	194,385,000	5,324,000	8,117,000	5.1	3.50	1.05	–
2001	198,867,000	4,482,000	(1,195,000)	7.8	4.50	1.72	8.90
2002	204,272,000	5,405,000	3,563,000	8.5	5.90	1.50	8.90
2003	208,394,000	4,122,000	3,902,000	8.4	4.80	2.40	9.25
2004	215,190,000	6,796,000	7,796,000	7.7	4.30	1.49	9.00
2005	217,633,000	2,443,000	4,777,000	6.5	5.90	1.25	8.50
2006	223,318,000	5,685,000	6,102,000	6.2	5.75	1.85	8.50
2007	230,439,000	7,121,000	1,222,000	8.6	5.00	3.55	8.00
2008	232,305,000	1,866,000	4,305,000	7.4	5.00	2.67	7.95

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 2.4
- Change in Total Employment (000): 3.0
  Percent Change: 0.3
- Unemployment Rate: 6.4
- Population (000): 1,738.0

Source: Moody's Economy.com

Jacksonville, FL

OFFICE

- Jacksonville's two largest 2008 office deals occurred in the central business district. The 22-story One Enterprise Center sold for $51.4 million while Interline Brands leased 70,000 SF at 701 San Marco.
- The epicenter of the suburban Class A office market was in the Butler/Baymeadows area.

Office Outlook

- Long-term prospects for Jacksonville's office market remain excellent as the city prepares to become a global gateway for international trade and finance. Significant expansion of the city's port through the end of 2012 is expected to create demand for additional office space.
- Deutsche Bank chose Jacksonville as a U.S. "near shore" operations hub to support its financial services business. The company expects to have a 1,000-employee office locally within three years.
- The city is emerging as a major medical center in the U.S. Southeast. Mayo Clinic's satellite facility in Jacksonville, along with a number of major regional hospitals, promise a greater need for medical office space. Health insurance companies are also continuing to benefit from the expansion of the medical community.
- In anticipation of a more active market, investors and developers are positioning themselves to play a key role in the market expansion phase of the city's office market.
- Office growth and development will continue to shift, with an expanding population, toward the southern reaches of the city and into St. Johns and Clay counties.
- Because of a relative lack of new office product in the past year, Jacksonville's office rents are expected to remain stable in 2009.

INDUSTRIAL

- Two international ocean shipping carriers, Mitsui O.S.K. Lines and Hanjin Shipping, respectively made a 30-year commitment to build their East Coast hub in Jacksonville.
- The TraPac Container Terminal, Mitsui O.S.K. Lines' new $220 million state-of-the-art facility, opened in January 2009.
- Hanjin Shipping finalized an agreement with the Jacksonville Port Authority to develop a $360 million container terminal by 2012.
- The City of Jacksonville moved to privatize the development of Cecil Commerce Center, the massive Westside industrial park, in reaction to the port's growth.

Industrial Outlook

- The greatest space demand will be for bulk warehousing and distribution, with new facilities from 300,000 SF to 500,000 SF becoming the industry standard.
- Most of the city's construction activity will occur on the Northside and Westside, along the I-295 beltway, and increasingly in outlying counties where land cost is very reasonable.
- Jacksonville's vacancy rates should remain in the 8% to 9% range, with new product delivery slowly absorbed due to the global economic downturn and decline of imports. Asking rents will remain stable or decline slightly in the first half of 2009 in response to the delivery of additional speculative space.
- Distributors of durable goods and third party logistic companies will be primary targets for the lease-up of new industrial product currently planned or delivered in 2009.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	12,142,000	–	–	–	–	–
2000	12,142,000	–	–	–	–	–
2001	12,191,000	49,000	(269,000)	9.7	18.90	10.00
2002	12,218,000	27,000	27,000	10.4	19.60	10.00
2003	12,358,000	140,000	(146,000)	12.3	20.00	9.00
2004	12,358,000	0	(120,000)	16.7	19.50	9.00
2005	12,358,000	0	514,000	16.7	23.00	9.00
2006	12,838,000	480,000	913,000	12.7	20.00	8.00
2007	12,838,000	0	205,000	11.1	20.00	8.00
2008	12,878,000	40,000	50,000	10.8	21.00	9.00

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	22,815,000	–	–	–	–	–
2000	22,815,000	–	–	–	–	–
2001	23,503,000	688,000	137,000	14.0	18.00	10.00
2002	23,881,000	378,000	(170,000)	16.1	18.50	10.00
2003	24,524,000	643,000	1,057,000	13.6	18.00	9.00
2004	24,816,000	292,000	372,000	10.7	19.80	9.00
2005	25,024,000	208,000	224,000	13.2	19.80	8.00
2006	25,593,000	569,000	858,000	11.8	20.50	8.00
2007	26,007,000	414,000	362,000	11.8	20.50	7.50
2008	26,339,000	332,000	(728,000)	14.4	21.00	9.00

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	76,900,000	–	–	–	–	–	–
2000	76,900,000	–	–	–	–	–	–
2001	77,338,000	438,000	(1,800,000)	10.0	3.40	0.75	11.00
2002	77,808,000	470,000	(418,000)	8.7	3.50	0.80	10.10
2003	79,584,000	1,776,000	2,126,000	8.7	3.50	1.25	9.00
2004	81,197,000	1,613,000	605,000	7.9	3.60	1.75	9.50
2005	83,153,000	1,956,000	2,073,000	8.1	3.70	2.00	7.00
2006	84,511,000	1,358,000	2,700,000	6.2	3.75	2.50	7.00
2007	87,760,000	3,249,000	1,286,000	5.6	4.00	3.50	7.00
2008	89,701,000	1,941,000	(2,627,000)	8.3	4.00	3.00	9.00

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (1.1)
- Change in Total Employment (000): (24.0)
  Percent Change: (3.8)
- Unemployment Rate: 7.7
- Population (000): 1,330.6

Source: Moody's Economy.com

KANSAS CITY, MO-KS

OFFICE

- The Kansas City office market performed well in the first half of 2008 but slowed significantly in the second half.
- The downtown market was stable in 2008, but its vacancy remained higher than the national average.
- In the suburban markets, new construction outpaced absorption and as a result, vacancy edged upward.
- Suburban new construction completions totaled over 1 million SF. This was the greatest amount since 2001.
- Kansas City's largest investment transaction of 2008 was the sale of the 650,000 SF Shook Hardy & Bacon building for $247 per SF.
- In the housing market, the average sale price of a home in November was $168,000. This was down 7.5% compared to one year earlier.
- Major growth companies in the Kansas City area included Burns & McDonnell, Cerner Corporation, and Garmin International.
- Downtown continued to undergo a major revitalization. Sprint Arena opened in 2007, and the Kansas City Live entertainment district opened in 2007 – 2008. The Kauffman Performing Arts Center was under construction.

Office Outlook

- In 2009, construction will total 810,000 SF, but at least 65% will be occupied at completion.
- A regional emphasis on an Animal Health Corridor will generate growth for biosciences and agribusiness.

INDUSTRIAL

- Kansas City's industrial market began 2008 with three strong quarters but ended with negative net absorption in the final period.
- Overall industrial net absorption for the year totaled just over 3.4 million SF.
- Modern distribution space accounted for 40% of the year's increased occupancy.
- HRPT Properties Trust of Newton, Massachusetts purchased a portfolio that included 800,000 SF of industrial space.
- During the last five years, most construction was in build-to-suit projects. However, a speculative 600,000 SF distribution building was completed at the end of the year.
- Development slowed and product under construction at the end of the year totaled just 431,000 SF.
- Three new intermodal facilities and recent distribution construction marked Kansas City's transition to a prominent regional and national distribution hub.

Industrial Outlook

- The market is likely to be soft in the first half of 2009. A handful of companies have already announced closures.
- On the plus side, Coleman Company announced it will place a 1.1 million SF distribution facility in Johnson County, to be completed late in 2009.
- Both Ford and GM have automotive plants here, so KC will be vulnerable to changes in the auto industry.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	9,980,000	241,000	333,000	10.3	21.30	–
2000	9,980,000	0	20,000	10.1	21.70	10.00
2001	10,255,000	275,000	9,000	12.5	20.90	–
2002	10,525,000	270,000	(299,000)	17.5	21.00	–
2003	11,049,000	524,000	(167,000)	23.0	20.35	10.00
2004	10,925,000	(124,000)	(369,000)	25.5	20.35	10.00
2005	11,295,000	370,000	220,000	26.0	20.50	9.25
2006	11,390,000	95,000	440,000	22.7	20.20	8.50
2007	11,193,000	(197,000)	4,000	21.3	20.40	7.00
2008	11,193,000	0	23,000	21.1	20.00	7.50

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	27,392,000	1,231,000	1,164,000	6.3	23.50	–
2000	29,092,000	1,700,000	914,000	8.7	22.40	9.00
2001	30,679,000	1,587,000	159,000	12.9	22.10	10.00
2002	31,366,000	687,000	(1,561,000)	19.8	21.70	11.00
2003	32,030,000	664,000	433,000	20.1	21.60	10.00
2004	32,488,000	458,000	860,000	18.6	20.90	8.00
2005	32,865,000	377,000	846,000	16.9	20.10	8.00
2006	33,688,000	823,000	746,000	16.7	20.90	8.00
2007	34,253,000	565,000	1,358,000	14.1	22.40	7.00
2008	35,316,000	1,063,000	303,000	15.9	22.70	7.50

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	159,889,000	3,667,000	3,527,000	4.8	3.80	–	–
2000	165,204,000	5,315,000	4,185,000	5.4	4.40	–	–
2001	168,520,000	3,316,000	(2,690,000)	8.8	4.40	1.70	10.00
2002	171,239,000	2,719,000	1,782,000	9.2	3.80	1.70	9.75
2003	172,440,000	1,201,000	(769,000)	10.3	3.80	1.70	9.75
2004	174,222,000	1,782,000	3,884,000	9.0	3.80	1.80	9.00
2005	176,391,000	2,169,000	1,749,000	9.1	3.95	1.80	8.25
2006	177,893,000	1,502,000	3,108,000	8.1	4.10	2.00	7.00
2007	180,668,000	2,775,000	4,939,000	6.8	4.15	2.00	7.00
2008	183,847,000	3,179,000	3,408,000	6.6	4.35	2.25	7.60

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 1.3
- Change in Total Employment (000): (11.1)
  Percent Change: (1.1)
- Unemployment Rate: 6.9
- Population (000): 2,009.2

Source: Moody's Economy.com

Las Vegas, NV

OFFICE

- Office vacancy has been rising for the past two years from a low of 8.4% in the first quarter of 2006 to the 21.0% at year-end 2008.
- Over the same period, asking rental rates rose from $26.00 per SF on a full service basis to $29.20 per SF, peaking at $32.30 per SF in the fourth quarter of 2007.
- Until recently, net absorption remained fairly strong, averaging 650,000 SF per quarter through 2006 and 2007. Net absorption averaged negative 312,000 SF per quarter in 2008.
- New completions over the same period averaged 906,000 SF per quarter. New completions have averaged 421,000 SF per quarter in 2008.
- Since the first quarter of 2007, Las Vegas lost almost 15,000 construction jobs, 3,000 financial activities jobs and 9,000 professional & business services jobs. The unemployment for the Las Vegas MSA registered 7.5%.

Office Outlook

- Fortunately, there are signs of hope. While new home sales are down 50% from a year ago, existing home sales are up 79%. Some home builders have sold their existing stock of new homes and are beginning to build new homes.
- 2009 will probably see the office vacancy rate in the Las Vegas valley get close to or surpass 20%. Developers have been overbuilding for 3 years, and due to the current low demand for office space it may take quite some time to fill this space.

INDUSTRIAL

- Industrial vacancy has been on the rise for the past 27 months, and nearly reached the high of 10% recorded in 2003.
- Asking rental rates for Las Vegas industrial space remained fairly stable for the past two years, falling between $9.40 and $9.70 per SF on a triple net basis.
- After a very strong 2005, net absorption rates slowly declined while new completions increased. In the past year, absorption trended negative, after a strong first quarter of 1.1 million SF, the annual 2008 net absorption measured negative 1.16 million SF.
- The closures of several furniture retailers resulted in the return of warehouse/storage space to the market.
- Although existing home sales increased in 2008, new home sales continued to lag. This resulted in a decline in new home construction and a decline in construction jobs. Rising vacancy for commercial space had a similar effect on commercial construction.

Industrial Outlook

- While visitor volume and gaming revenue have dropped considerably since 2007, lower fuel prices and dropping room rates may lure tourists back to Las Vegas in 2009.
- Over the next twelve months, industrial vacancy will probably continue to increase at a slow pace. Closures of retail stores, the paucity of new commercial and residential construction and lower visitor volume in valley hotels will all contribute to industrial vacancy. Asking rental rates have only just begun to drop for industrial space, and will probably continue to drop through 2009.
- With little sign of a turnaround in the residential real estate industry for sales and construction, is unlikely that the local construction industry will experience meaningful recovery in 2009.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	2,081,000	26,000	14,000	11.5	28.20	–
2000	2,139,000	58,000	14,000	13.3	29.00	–
2001	2,258,000	119,000	103,000	13.2	28.00	–
2002	2,540,000	282,000	263,948	13.6	27.20	–
2003	2,548,000	8,000	8,286	13.6	28.20	–
2004	2,764,000	216,000	32,809	19.2	28.80	–
2005	2,764,000	0	88,900	15.9	28.80	–
2006	2,764,000	0	261,155	6.4	28.80	6.50
2007	3,373,000	609,000	589,000	5.9	39.00	6.70
2008	3,373,000	0	(34,000)	8.9	39.30	–

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	17,001,000	1,665,000	1,108,000	10.8	26.00	–
2000	18,407,000	1,406,000	1,827,000	7.6	27.50	–
2001	20,209,000	1,802,000	962,000	11.2	26.20	–
2002	22,282,000	2,073,000	1,716,538	12.7	27.20	8.75
2003	23,375,000	1,093,000	852,513	13.2	30.10	12.65
2004	25,542,000	2,167,000	2,058,574	12.5	29.00	7.25
2005	28,227,000	2,685,000	3,481,336	8.4	29.90	7.50
2006	31,183,000	2,956,000	2,172,824	10.2	32.20	7.35
2007	34,752,000	3,569,000	2,039,000	13.5	38.20	6.30
2008	36,394,000	1,642,000	(1,140,000)	22.1	36.80	8.00

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	65,630,000	3,711,000	2,477,000	7.2	3.84	–	–
2000	68,965,000	3,335,000	4,192,000	5.6	3.84	–	–
2001	73,663,000	4,698,000	2,812,000	7.8	4.08	9.43	–
2002	77,982,000	4,319,000	2,866,000	10.0	3.84	2.88	9.45
2003	80,798,000	2,816,000	1,342,000	11.5	4.80	2.90	8.50
2004	84,676,000	3,878,000	6,110,000	8.3	4.92	7.00	7.50
2005	88,266,000	3,590,000	6,695,000	4.4	5.52	6.66	7.00
2006	93,727,000	5,461,000	5,379,000	4.2	5.52	6.42	6.80
2007	100,348,000	6,621,000	4,277,000	6.3	7.18	29.13	7.10
2008	104,721,000	4,373,000	(1,160,000)	11.6	7.09	20.07	7.97

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 0.3
- Change in Total Employment (000): (3.3) Percent Change: (0.4)
- Unemployment Rate: 8.9
- Population (000): 1,910.2

Source: Moody's Economy.com

Little Rock, AR

OFFICE

- Fueling growth in Little Rock's office market were the vocational/technical school, health care, and work-out law firm sectors. Growing companies included BlueCross/BlueShield and Southwest Power Pool.
- The city benefited from new infrastructure initiatives including the redesign of the I-630/I-430 interchange.
- New office developments in 2008 included the Bank of Ozarks and the Hotels and Engineering School at the University of Arkansas Little Rock.
- There was an adequate supply of Class A and Class B office space in the market, and the overall office vacancy rate registered 12.8% at year-end.
- Significant office sales transactions in the year included the sale of the Mountaire property and of the Fellowship Bible Church property.
- Office land sales prices were flat and the volume of sales were stagnant.

INDUSTRIAL

- The wind energy industry was strong in Little Rock's industrial market. Polymarin announced a $20 million capital investment with 830 new wind energy jobs at the Port of Little Rock.
- Additionally, Wind Water Technology, a supplier to Polymarin, decided to locate in the same facility at the Port of Little Rock.
- Polymarin, Wind Water Technology and LM Glasfiber positioned Little Rock and the region as a major player in advanced manufacturing for the wind energy industry representing over $1 billion in new capital investment since 2006.
- 40 year-old manufacturing facilities are plentiful in the Little Rock market area.
- A large lease transaction occurring in the year was CHEP U.S.A. which leased 60,000 SF in Maumelle, Arkansas for a ten-year term.
- Little Rock's industrial land prices remained flat with very little sales activity occurring in the year.

Industrial Outlook

- Man Industries purchased 155 acres south of the Port of Little Rock, spurring the construction of a $100 million facility that will employ 250 people.
- Little or no space coming to market in 2009 due to high vacancy.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	5,826,000	–	–	–	–	–
2000	5,826,000	–	–	–	–	–
2001	5,826,000	–	–	–	–	–
2002	5,826,000	–	–	–	–	–
2003	5,826,000	–	–	–	–	–
2004	5,879,000	53,000	149,000	14.7	14.10	–
2005	5,717,000	(162,000)	173,000	15.2	14.20	8.75
2006	5,669,000	(48,000)	84,000	12.3	14.80	8.75
2007	5,669,000	0	120,000	10.9	15.20	8.75
2008	5,669,000	0	(47,000)	12.9	15.80	8.75

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	7,109,000	–	–	–	–	–
2000	7,109,000	–	–	–	–	–
2001	7,109,000	–	–	–	–	–
2002	7,109,000	–	–	–	–	–
2003	7,109,000	–	–	–	–	–
2004	7,129,000	20,000	(39,000)	8.8	–	–
2005	7,189,000	60,000	117,000	8.8	17.90	–
2006	7,232,000	43,000	80,000	9.8	17.90	9.00
2007	7,270,000	38,000	25,000	9.9	18.00	9.00
2008	7,270,000	0	(171,000)	12.7	18.30	9.00

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	–	–	–	–	–	–	–
2000	–	–	–	–	–	–	–
2001	–	–	–	–	–	–	–
2002	–	–	–	–	–	–	–
2003	–	–	–	–	–	–	–
2004	16,833,000	215,000	327,000	12.5	3.80	2.50	8.00
2005	16,987,000	154,000	14,000	13.3	3.25	1.95	8.25
2006	16,987,000	0	449,000	10.3	3.25	2.00	8.25
2007	16,987,000	0	191,000	16.7	3.13	2.00	8.50
2008	17,305,000	318,000	621,000	12.9	3.25	2.48	9.00

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 1.2
- Change in Total Employment (000): (0.4)
  Percent Change: (0.1)
- Unemployment Rate: 4.6
- Population (000): 682.4

Source: Moody's Economy.com

Los Angeles, CA

OFFICE

- At year-end 2008, the overall vacancy rate in Los Angeles County was 12.9%. Submarket vacancy rates ranged from 9% in West Los Angeles to 14% in the South Bay.
- Asking rental rates peaked in early 2008 and have been falling ever since.
- Net absorption in 2008 was approximately negative 2.5 million SF as the downturn in the mortgage finance industry spread to other sectors.
- As a more economically diverse area now than it was in the early 1990s when the county was heavily aerospace-centric, the Los Angeles office market is not expected to see office vacancies hit the same highs as in the 1990s.
- County voters passed Measure R in November authorizing a half-cent sales tax countywide to finance approximately $40 billion in local transportation projects over the next 30 years.

Office Outlook

- Asking rental rates are expected to decline through most of 2009 as the economy is forecast to weaken further.
- The much-anticipated opening of the second phase of AEG's L.A. Live project and the already constituted mass transit infrastructure in DTLA is expected to keep tenant interest in downtown Los Angeles high despite the economic downturn.
- Cap rates are expected to increase even higher from the record lows of the past few years as distressed property sales become more common in 2009.
- It is expected that most proposed office projects will be shelved indefinitely as the credit markets remain in a state of turmoil.

INDUSTRIAL

- Los Angeles' total vacancy rate increased from 3.0% at year-end 2007 to 3.8% at year-end 2008. Submarket vacancy rates ranged from 3.1% in the San Fernando Valley to 4.9% in the San Gabriel Valley.
- Industrial rents dropped since the beginning of 2008 from $8.04 per SF to $7.32 per square foot.
- Construction materials and furniture facilities were the loss leaders in giving up the warehouse space, but as the economy deteriorated, weakness appeared in almost all business segments. Only businesses in storage space and food processing showed some growth.
- Construction activity was down 62% since the end of 2007. Even projects that were expected to move forward have been placed on permanent hold as the economy worsened.
- A drop off in commodity prices that hit all time highs in the beginning of the third quarter gave many businesses a much needed cost break, however, the lack of credit availability overshadowed any savings.

Industrial Outlook

- Vacancy rates are expected to rise through 2009. As buildings sit on the market longer, Los Angeles will see rental rates fall faster than in recent quarters. Increases in sublease space will only help accelerate the fall in asking rents.
- Frozen credit markets and a contracting economy caused many companies to scale back space, especially in the larger asset class of over 100,000 SF. This is expected to accelerate in the near term and will continue to put upward pressure on vacancy rates.
- A flight to quality buildings in desirable locations by the ports may help mitigate any large increases to vacancy in areas like South Bay and Central Los Angeles, but inland areas like the San Gabriel Valley will remain weaker in 2009.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	31,369,000	(100,000)	(622,000)	18.9	24.00	8.70
2000	31,369,000	0	(88,000)	19.4	24.50	9.00
2001	31,443,000	74,000	478,000	18.4	24.60	9.00
2002	31,443,000	0	(67,000)	19.5	24.00	9.00
2003	31,443,000	0	(86,000)	19.8	24.20	8.20
2004	31,443,000	0	162,000	20.3	25.20	7.50
2005	31,498,000	55,000	1,186,000	16.3	27.70	6.50
2006	31,498,000	0	48,000	15.8	34.40	6.00
2007	31,498,000	0	441,000	14.4	37.10	5.00
2008	31,598,000	100,000	(526,000)	14.8	37.60	5.00

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	658,448,000	26,408,000	38,090,000	5.4	6.60	–	9.10
2000	693,485,000	35,037,000	44,337,000	4.4	6.10	–	9.30
2001	723,289,000	29,804,000	14,628,000	6.3	6.60	5.00	8.50
2002	731,512,000	8,223,000	6,233,000	6.4	7.00	12.00	8.25
2003	738,619,000	7,107,000	11,085,000	3.6	6.40	13.00	7.75
2004	745,502,000	6,883,000	10,951,000	2.8	6.50	13.80	7.60
2005	751,975,000	6,473,000	11,075,000	2.7	6.85	25.00	6.50
2006	756,813,000	4,838,000	5,037,000	2.6	7.67	30.00	6.20
2007	760,658,000	3,845,000	897,000	3.0	8.04	30.00	6.30
2008	763,126,000	2,468,000	(5,796,000)	3.8	7.32	30.50	6.20

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	141,120,000	5,788,000	6,654,000	11.9	28.00	9.00
2000	149,191,000	8,071,000	11,159,000	11.9	31.00	8.75
2001	152,131,000	2,940,000	(2,938,000)	14.2	30.30	8.75
2002	154,997,000	2,866,000	(1,864,000)	16.7	29.00	8.50
2003	156,348,000	1,351,000	1,252,000	17.0	28.30	7.75
2004	156,863,000	515,000	2,944,000	14.0	29.30	7.30
2005	157,657,000	794,000	5,042,000	10.7	30.10	6.40
2006	158,475,000	818,000	3,636,000	9.4	32.40	6.00
2007	160,318,000	1,843,000	287,000	10.5	40.20	5.10
2008	161,539,000	1,221,000	(2,024,000)	12.5	38.00	5.20

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (3.2)
- Change in Total Employment (000): (127.8)
  Percent Change: (3.1)
- Unemployment Rate: 10.1
- Population (000): 9,942.6

Source: Moody's Economy.com

Los Angeles/Inland Empire, CA

OFFICE

- The housing market collapse led to drastic job losses in the Inland Empire. The region had the highest unemployment rate in the United States with the construction and real estate-related industries laying off thousands of workers.
- New product flooded the market and propelled vacancy as overbuilding continued in the Inland Empire.
- Office landlords became increasingly willing to offer generous lease concessions (beneficial occupancy and tenant improvement allowances) in order to secure credit tenants.
- There was an increase in the amount of sublease vacant space on the market as businesses sought ways to contract their operations.
- Asking rents continued to be the lowest in the Los Angeles Basin as landlords looked to attract new businesses; however, price became a harder selling point as asking rents declined throughout the Los Angeles region.
- Rising cap rates and expensive debt service levels hurt landlords that bought in at the top of the market. Uncertain financing and economic prospects severely limited the amount of buyers in the market, further driving down sales prices.
- Projects stalled in the planning stages for longer periods as developers waited for economic conditions to improve.

Office Outlook

- At current absorption rates, a five-year supply of vacant space exists on the market.
- Vacancy rates are expected to climb to over 20% in 2009 as more real estate-related businesses collapse.

INDUSTRIAL

- Bankruptcies of retail giants such as Wickes Furniture, Circuit City and others led to increased amounts of sublease vacant space on the market.
- Construction activity for speculative space decreased dramatically as the vacancy rate for the region registered 13.3%.
- Asking lease rates and sales prices dropped 30% over the previous year as supply continued to outpace demand.
- Declining imports further reduced demand for Inland Empire warehouse space.
- Credit turmoil reduced the risk appetite of large industrial REIT and institutional activity was down dramatically in the Inland Empire.
- Land values declined dramatically as development activity all but ceased for the time being.
- Volatility of fuel prices added to the uncertainty that logistics planners faced in selecting an industrial warehouse location.
- Projects remained in the planning stages for longer periods as developers waited for economic conditions to improve.

Industrial Outlook

- Vacancy rates are expected to rise as distribution firms further consolidate space.
- Manufacturing decreases will lead to several firms shutting down operations in 2009.
- Rising vacancy rates will force institutional landlords to become more aggressive with lease rates and concessions in order to attract and retain tenants.

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	14,656,000	121,000	(52,637)	12.7	21.00	10.70
2000	14,823,000	167,000	168,924	12.5	21.20	10.30
2001	15,341,000	518,000	519,521	12.1	22.30	10.00
2002	15,647,000	306,000	336,176	11.7	22.60	9.30
2003	16,110,000	463,000	682,428	10.0	23.40	9.00
2004	16,965,000	855,000	545,516	11.3	24.60	8.10
2005	18,204,000	1,239,000	1,443,691	9.4	24.40	7.10
2006	19,279,000	1,075,000	821,611	10.2	27.20	6.30
2007	21,046,000	1,767,000	993,065	13.0	27.10	6.20
2008	22,422,000	1,376,000	(422,000)	18.6	28.60	5.90

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	–	–	–	–	–	–	8.70
2000	–	–	–	–	–	–	9.30
2001	–	–	–	–	–	–	8.60
2002	284,280,000	168,000	1,594,000	9.0	4.70	5.50	8.50
2003	290,732,000	6,452,000	9,149,000	6.2	4.70	5.80	5.75
2004	297,601,000	6,869,000	7,147,000	5.8	4.70	5.75	7.70
2005	309,311,000	11,710,000	11,783,000	4.0	5.15	7.25	7.20
2006	335,680,000	26,369,000	18,359,000	5.4	5.58	8.15	6.50
2007	355,466,000	19,786,000	10,091,000	7.4	5.84	7.20	5.70
2008	374,477,000	19,011,000	(4,111,000)	13.3	4.81	7.05	6.10

METROPOLITAN INDICATORS – 2009 (RIVERSIDE)

- Gross Metro Product Percent Change: 0.4
- Change in Total Employment (000): (26.1)
  Percent Change: (2.1)
- Unemployment Rate: 10.9
- Population (000): 4,259.6

Source: Moody's Economy.com

LOUISVILLE, KY

OFFICE

- The Louisville economy started 2008 strong, but ended the year with a $20 million shortfall.
- Office inventory at year-end totaled nearly 20 million SF of leasable Class A and B space.
- Two suburban Class A buildings of 90,000 SF and 45,000 SF were delivered in 2008.
- The suburban Class A vacancy rate remained fairly stable, ending the year at just over 16%. The downtown rate also remained stable, finishing at just over 8%. However, negative absorption trends are expected increase vacancies in 2009.
- Major office building sales included Kroger purchasing an 80,000 SF suburban Class A building and Republic Bank purchasing a 99,050 SF CBD Class B building.
- The Cordish Group gained approval to proceed with its $250 million mixed-use City Center project in the center of downtown Louisville.

Office Outlook

- As absorption slows in 2009, tenants should be able to negotiate favorable terms as landlords step up competition.
- The Louisville downtown market will continue its revitalization via planned retail and residential development, albeit at a much slower pace.
- Multiple proposed CBD projects totaling over 1 million SF have been placed on hold indefinitely.

INDUSTRIAL

- Major industrial lease transactions included GSI Commerce Solutions, Inc. leasing 484,000 SF, Clarcor leasing 450,000 SF, AEC leasing 404,039 SF and GenPak leasing 362,000 SF of space.
- Dividend Capital purchased the Riverport Commerce Center Portfolio of 900,000 SF for $31 million.
- Leasing activity of spaces over 300,000 SF remained brisk, but market velocity in the 100,000 SF to 200,000 SF size requirements was below expectations.
- Lauth completed construction of the largest speculative distribution space (936,000 SF) built in metro Louisville.
- Browning announced a 2.5 million SF development in Bullitt County.
- The 611,000 SF Linens 'N Things distribution center was reintroduced to the market in December due to bankruptcy.

Industrial Outlook

- Louisville's Class A net absorption in 2009 is estimated to measure approximately 600,000 SF.
- Speculative construction currently underway will add less than 1 million SF by the second quarter of 2009. Other pending developments will be put on hold until the capital market stabilizes.
- The pendulum will swing in favor of tenants as landlords use aggressive economics to pursue potential tenants.
- The future of the two Ford plants will play a role determining the strength of the 2009 market.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	10,326,000	–	–	–	–	–
2000	10,326,000	–	–	–	–	–
2001	10,326,000	0	(89,926)	15.8	20.20	–
2002	10,545,000	219,000	(200,622)	20.0	20.00	10.00
2003	10,545,000	0	(25,227)	20.3	19.50	10.00
2004	10,682,000	137,000	10,449	20.1	19.10	–
2005	10,706,000	24,000	54,221	19.5	19.40	–
2006	10,706,000	0	383,000	15.3	20.00	–
2007	10,706,000	0	494,000	9.9	19.50	7.50
2008	10,706,000	0	(58,000)	7.6	21.40	–

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	7,130,000	–	–	–	–	–
2000	7,130,000	–	–	–	–	–
2001	7,777,000	647,000	120,439	19.6	17.70	–
2002	8,046,000	269,000	257,583	19.1	17.50	10.00
2003	8,142,000	96,000	191,690	17.7	17.60	10.00
2004	8,219,000	77,000	151,168	15.8	17.60	–
2005	8,460,000	241,000	60,516	16.5	16.90	–
2006	8,644,000	184,000	124,000	16.4	17.10	–
2007	8,815,000	171,000	287,000	14.8	20.00	7.50
2008	8,815,000	0	(74,000)	17.1	19.50	–

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	–	–	–	–	–	–	–
2000	–	–	–	–	–	–	–
2001	–	–	–	–	–	–	–
2002	79,277,000	561,000	(231,000)	19.0	3.40	2.30	9.50
2003	80,002,000	725,000	1,716,000	16.7	3.30	2.30	8.75
2004	81,251,000	1,249,000	1,854,000	7.5	3.80	2.18	8.00
2005	83,311,000	2,060,000	2,734,000	7.9	3.95	3.09	8.00
2006	87,111,000	3,800,000	4,517,000	6.7	3.95	3.32	8.00
2007	89,331,000	2,220,000	919,000	8.6	3.60	3.79	8.00
2008	93,013,000	3,682,000	978,000	7.2	3.50	2.64	9.50

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (1.0)
- Change in Total Employment (000): (15.6)
  Percent Change: (2.5)
- Unemployment Rate: 8.4
- Population (000): 1,259.9

Source: Moody's Economy.com

Memphis, TN

OFFICE

- The Memphis area continued to emerge as a major center in the musculoskeletal device industry, thanks to Medtronic, Smith & Nephew and Wright Medical. As home to FedEx, Memphis attracted many companies elected to the city to capitalize on the logistics advantages.
- In 2008, developers delivered 568,000 SF of new office construction in Memphis. The bulk of this occurred in the East submarket with 270,400 SF of new supply and the 385 Corridor with 295,500 SF.
- At year-end, there was 158,500 SF of office space under construction in the Memphis metropolitan statistical area including the Highwoods Properties Triad Centre III, Memphis' first LEED certified office building, accounting for 148,000 SF of that total.
- The average quoted asking rental rate at year-end 2008 for available office space in all classes was $17.41 per SF, as compared to $16.81 per SF at year-end 2007, representing a 3.6% increase.
- The overall Memphis office market finished 2008 with 305,000 SF of positive net absorption.
- Some of the larger leases inked in 2008 included 60,000 SF by Hunter Fan at 7130 Goodlett Farms Parkway, 33,800 SF by the GSA – Department of Transportation at Airways Business Park, and 32,200 SF by GTx, Inc. at Toyota Center.

Office Outlook

- Construction continued on the $24 million, 30,000 SF University of Tennessee Health Science Center Regional Biocontainment Laboratory, one of only 13 regional Biocontainment Laboratories in the country. It is scheduled to open in 2009.

INDUSTRIAL

- Over 2.7 million SF of new construction occurred in DeSoto County, plus a building of 210,000 SF in Southeast Memphis. There was no new warehouse construction planned for 2009.
- Companies signing sizeable leases in 2008 included DSC Logistics, New Breed Logistics, Cooper Lighting, Creative Co-op, Inc., Daimler Trucks North, HD Supply, and ASI Computer Technology.
- A new 1.1 million SF Nike distribution center housed operations from Nike's existing location and operations from its distribution center in Oregon. The new $100 million building was the first LEED-certified distribution center in the Memphis area.
- Toyota Motor Corp. announced plans to halt production indefinitely in its new plant in Blue Springs. Toyota invested nearly $300 million in the plant, which was 90% complete. This facility,Toyota's first plant outside of Japan and China, was planned to produce the Prius hybrid.

Industrial Outlook

- Hewlett Packard's decision to vacate 2.2 million SF in Southeast Memphis will affect future lease rates for Class A space and stall future development. Kuehne & Nagel, Inc. announced it will vacate an 865,100 SF facility in DeSoto County which will be available for sublease.
- With the presence of Federal Express' worldwide headquarters and the WorldHub, distribution companies will continue to find many advantages to settling in the Memphis area.
- Nucor Steel began production in its new steel mill, and it is anticipated that production in the new $230 million facility will eventually reach capacity of 850,000 tons a year of special quality bar steel.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	9,045,000	0	(20,000)	25.0	19.00	–
2000	9,220,000	175,000	200,000	24.2	18.00	–
2001	9,235,000	15,000	(27,000)	21.2	18.80	9.50
2002	9,235,000	0	206,000	21.5	16.60	10.00
2003	9,235,000	0	(18,000)	23.4	17.00	9.50
2004	9,235,000	0	80,000	21.4	16.70	10.00
2005	9,235,000	0	91,000	19.0	16.60	10.00
2006	9,235,000	0	3,000	16.5	16.60	9.50
2007	9,235,000	0	(30,000)	17.9	17.00	7.50
2008	9,235,000	0	340,000	11.2	16.90	–

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	25,462,000	240,000	100,000	14.5	19.00	–
2000	26,177,000	715,000	600,000	12.7	21.00	–
2001	27,475,000	1,298,000	(117,000)	14.5	18.80	9.50
2002	28,255,000	780,000	70,000	15.6	18.90	9.75
2003	28,503,000	248,000	159,000	15.4	19.50	9.50
2004	28,537,000	34,000	278,000	16.7	20.40	9.00
2005	28,628,000	91,000	317,000	14.5	20.50	9.00
2006	28,743,000	115,000	138,000	15.5	20.80	9.00
2007	28,775,000	32,000	351,000	12.4	21.00	7.00
2008	29,343,000	568,000	(35,000)	13.2	21.40	–

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	146,702,000	4,900,000	5,600,000	14.4	4.00	–	8.00
2000	153,202,000	6,500,000	8,200,000	12.8	2.80	–	8.50
2001	156,552,000	3,350,000	2,100,000	14.0	3.00	2.00	9.00
2002	159,052,000	2,500,000	(2,700,000)	16.9	2.50	1.60	9.00
2003	163,050,000	3,998,000	3,972,000	16.3	2.40	1.50	9.00
2004	164,089,000	1,039,000	3,164,000	17.2	2.60	1.03	8.75
2005	170,026,000	5,937,000	7,398,000	15.1	2.60	2.12	8.50
2006	174,069,000	4,043,000	7,059,000	13.4	2.70	2.25	7.75
2007	177,559,000	3,490,000	2,471,000	15.3	2.71	2.00	8.40
2008	180,359,000	2,800,000	4,354,000	11.9	2.69	0.83	11.50

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 0.0
- Change in Total Employment (000): (11.9) Percent Change: (1.9)
- Unemployment Rate: 8.2
- Population (000): 1,302.7

Source: Moody's Economy.com

MIAMI/DADE COUNTY, FL

OFFICE

- Approximately 4 million SF of space was under construction in Miami-Dade at year-end 2008. Close to two million SF was accounted for by three premium Class A buildings in the Miami CBD. The three Class A buildings under construction in the CBD were the Met 2, Brickell Financial Centre and 1450 Brickell and were slated for completion between late 2009 and mid-2010.
- The largest lease transactions occurred in speculative buildings in the CBD. Greenberg Traurig, LLP signed a 150,000 SF lease at the Met 2, and Bilzin Sumberg Baena Price & Axelrod, LLP leased 115,000 SF at the Brickell Financial Centre.
- Santander Global Property purchased the Banco Santander Building in the Brickell submarket for $114 million, or $606 per SF, the highest price per SF ever recorded in Miami-Dade.

Office Outlook

- Downward pressure on rents will be coming from rising vacancies, as well as the flood of deliveries that will begin to hit the market towards the end of 2009.
- Construction activity ground to a halt as the credit crunch deepened. There were no construction starts in the Miami-Dade office market in the second half of 2008. New groundbreakings should remain limited in 2009 due to the large amount of construction already underway, especially in the CBD.
- International investment, which has buoyed the Miami market in past economic downturns, slowed towards the end of 2008, and should continue to slow in 2009 as global markets falter.

INDUSTRIAL

- The Miami-Dade County industrial market ended 2008 with a vacancy rate of 7.8%, up significantly from 5.5% at year-end 2007. Absorption was negative every quarter in 2008, ending the year at almost negative 4.3 million SF. However, vacancy rates in the Miami industrial market remained below the national average.
- Construction activity slowed significantly towards the end of 2008 as a result of the difficulty in obtaining financing.
- The Airport West submarket continued to outperform the rest of the county in 2008, primarily due to the boom in the export industry and its location near vital trading hubs.
- The largest industrial lease transaction was a 10-year, 240,000 SF lease by office-supply wholesaler Lagasse Sweet. The company planned to occupy a build-to-suit facility at the Flagler Station development in the Medley submarket.

Industrial Outlook

- Although rental rates had been rising throughout 2008, rent concessions are likely to increase in 2009 as landlords are forced to become more aggressive in order to attract and retain tenants. As a result, a downward adjustment in rental rates is expected.
- Several investments are being made to the local trade infrastructure, which will cement Miami's status as a key international distribution center. An $89 million dredging project in the Miami River was completed in 2008 and a $160 million dredging project for the Port of Miami is slated to begin in early 2009, allowing for greater cargo capacity.
- Tight capital markets will continue to limit the volume of sales transactions. Land values will remain stable due to a limited supply of developable land on the market.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	13,458,000	0	(154,000)	10.0	28.00	–
2000	13,981,000	523,000	34,000	10.0	28.00	–
2001	14,731,000	750,000	0	10.7	27.80	12.65
2002	14,731,000	0	(284,000)	11.9	28.20	–
2003	14,986,000	255,000	42,000	11.6	29.60	–
2004	15,409,000	423,000	72,000	12.4	30.30	–
2005	15,409,000	0	158,000	9.2	30.40	–
2006	15,409,000	0	(2,000)	9.2	33.10	6.50
2007	15,695,000	286,000	19,000	9.0	36.90	5.20
2008	15,695,000	0	(252,000)	14.8	44.10	6.50

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	42,733,000	624,000	(744,000)	8.4	–	–
2000	42,733,000	0	1,541,000	6.5	27.20	–
2001	44,208,000	1,475,000	(449,000)	11.8	28.00	–
2002	45,641,000	1,433,000	(114,000)	12.3	28.70	10.10
2003	46,366,000	725,000	533,000	12.5	29.70	–
2004	47,470,000	1,104,000	2,062,000	11.3	28.90	–
2005	48,177,000	707,000	1,746,000	8.4	30.00	–
2006	48,600,000	423,000	1,324,000	7.8	34.50	6.60
2007	50,348,000	1,748,000	387,000	8.8	33.20	6.30
2008	51,734,000	1,386,000	70,000	12.5	34.70	6.10

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	208,477,000	2,355,000	(2,589,000)	6.9	–	–	–
2000	209,896,000	1,419,000	1,319,000	7.1	6.00	–	–
2001	212,791,000	2,895,000	(556,000)	9.8	5.00	20.18	10.70
2002	214,518,000	1,727,000	1,302,000	9.4	5.90	15.00	–
2003	215,532,000	1,014,000	2,934,000	8.2	5.90	11.00	–
2004	216,756,000	1,224,000	2,881,000	6.5	6.00	10.00	–
2005	218,204,000	1,448,000	4,524,000	4.3	7.35	9.00	–
2006	219,651,000	1,447,000	346,000	4.5	7.63	21.00	–
2007	222,231,000	2,580,000	(433,000)	5.5	8.05	23.00	6.90
2008	223,955,000	1,724,000	(4,297,000)	7.8	7.81	25.00	–

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (1.2)
- Change in Total Employment (000): (42.4)
  Percent Change: (4.0)
- Unemployment Rate: 8.1
- Population (000): 2,407.7

Source: Moody's Economy.com

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MILWAUKEE, WI

OFFICE

- Milwaukee witnessed very few large lease deals during the course of the year, the most notable of which was a 40,000 SF lease.
- The downtown vacancy rate for Class A space remained low, but developers were skeptical of the market, evident in the fact that there was no new downtown construction and only one new speculative building over 100,000 SF (45% leased before construction) in the suburbs.
- Several significant office tenants in downtown and the suburbs continued to renew their leases.
- The most notable investment sale was the 95%-leased Class A Milwaukee Center in downtown Milwaukee for less than $150 per SF.
- Infrastructure changes included the zoo interchange reconstruction, the south I-94 interchange initiative and light rail initiative.
- There continued to be increasing scrutiny on rezoning in many areas and developers steered toward in-fill developments rather than larger business parks.
- Milwaukee office land prices remained stable with increased volume.

Office Outlook

- The office market will continue to be slow in 2009 due to demand and financing, but developers will be looking to reposition functionally obsolescent real estate to office use.
- Several large tenants have leases expiring in coming years, which could promote new office construction.
- No one group – law, accounting, engineering, medical – is leading any kind of growth and until that changes, demand and new supply in the office market will stall.

INDUSTRIAL

- Printing, financial processing, crane manufacturing and large-scale distribution grew the most in Milwaukee, while other heavy manufacturing industries witnessed low growth. Quad/Graphics, S.C. Johnson & Co., Joy Global and Michels Pipeline continued their growth.
- Completion of the $1 billion Marquette freeway interchange and commencement of improvements on the South I-94 corridor from Chicago to Milwaukee and planned improvements to the I-94 West corridor were the newest infrastructure initiatives in this area.
- New developments included speculative 325,000 SF and 125,000 SF buildings by HSA in Racine and a 55-acre industrial park in Menomonee Falls for First Industrial REIT, with QuadGraphics as the anchor.
- One of the most significant transactions of 2008 was the $6.8 million sale/leaseback of a 126,000 SF Franklin Business Park industrial property in mid-December.
- Companies such as Abbott Labs, Uline and Consolidated Grocers continued to migrate from northern Illinois to Kenosha County in southeast Wisconsin.
- Availability of large blocks of industrial space or large land sites was limited, but there continued to be strong interest in freeway corridor sites.

Industrial Outlook

- Prices and lease rates will remain stable in 2009 and may increase as the economy recovers.
- There will be little to no speculative development in 2009, but numerous large users will complete new buildings.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	9,798,000	167,000	105,000	15.7	–	–
2000	9,913,000	115,000	74,000	15.0	23.50	9.00
2001	9,913,000	0	(976,000)	14.5	23.00	10.00
2002	10,108,000	195,000	250,000	9.3	23.00	10.00
2003	10,629,000	521,000	1,003,000	10.7	23.00	9.50
2004	10,629,000	0	121,000	9.9	22.00	9.50
2005	10,629,000	0	(1,029,000)	11.9	22.00	7.50
2006	10,629,000	0	494,000	14.1	22.00	7.50
2007	10,629,000	0	322,000	14.7	22.00	8.00
2008	10,629,000	0	(177,000)	17.5	22.00	8.00

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	14,612,000	550,000	110,000	10.9	–	–
2000	15,129,000	517,000	318,000	9.1	21.50	9.00
2001	15,723,000	594,000	371,000	1.5	21.00	10.00
2002	15,929,000	206,000	0	11.9	21.00	10.00
2003	16,429,000	500,000	918,000	10.8	21.00	9.50
2004	16,929,000	500,000	1,398,000	8.3	21.00	9.50
2005	16,951,000	22,000	(341,000)	8.9	21.00	8.00
2006	16,951,000	0	16,000	12.0	21.00	8.00
2007	17,825,000	874,000	1,275,000	11.3	21.00	8.00
2008	17,825,000	0	(247,000)	16.4	21.00	8.00

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	253,833,000	2,000,000	3,750,000	2.9	4.00	–	–
2000	256,833,000	3,000,000	4,000,000	3.7	4.00	–	–
2001	259,333,000	2,500,000	1,200,000	6.0	4.00	1.75	10.50
2002	260,833,000	1,500,000	(1,500,000)	7.7	4.00	2.05	10.10
2003	266,153,000	5,320,000	14,376,000	6.7	4.30	2.00	9.50
2004	272,641,000	6,488,000	4,933,000	7.1	4.30	2.25	9.25
2005	273,680,000	1,039,000	537,000	7.2	4.20	1.72	8.50
2006	276,530,000	2,850,000	(650,000)	7.7	4.20	1.85	8.25
2007	278,830,000	2,300,000	1,300,000	7.4	4.30	1.75	8.50
2008	279,700,000	870,000	(2,150,000)	7.9	4.25	2.50	8.75

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 1.5
- Change in Total Employment (000): (11.9)
  Percent Change: (1.4)
- Unemployment Rate: 5.2
- Population (000): 1,551.3

Source: Moody's Economy.com

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MINNEAPOLIS, MN

OFFICE

- Minneapolis office net absorption was flat, but vacancy rates climbed due to new construction, particularly in the Southwest metro area.
- All planned speculative development was put on hold indefinitely.
- Minneapolis' office-using employment declined for the first time in five years.
- Office investment transactions declined by 55% and the 2008 median cap rate rose 125 basis points compared to 2007.
- High bank CBD office rents held firm, regardless of market conditions.

Office Outlook

- The Delta/Northwest merger will affect the Southeast metro market as operations are consolidated from the two airlines.
- More sublease space is expected to come onto market as firms cut jobs or go under.
- Asking rates will decline as vacancies continue to rise.
- The Minneapolis office market is not expected to see any speculative development until 2011.

INDUSTRIAL

- Manufacturing jobs continued to decline, affecting the industrial market.
- There were a lot of spaces available on the market with tenants willing to downsize if they were able find someone to take over their current space.
- There was 50% more small-user space on the market than one year ago.
- Minneapolis saw little to no speculative industrial development.
- With market uncertainty, industrial tenants sought shorter terms on renewals.
- Land prices started to decrease.
- Throughout the year, a pricing gap existed between sellers and buyers, but started to close by year-end.
- Many new developments were scrapped or put on hold indefinitely.

Industrial Outlook

- Landlords are looking at the industries their tenants are in and are proactively helping tenants.
- Starting to see seller financing for smaller deals.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	21,219,000	0	370,000	7.1	28.40	–
2000	22,146,000	927,000	573,000	7.2	28.70	9.00
2001	24,062,000	1,916,000	513,000	12.2	27.60	9.50
2002	24,990,000	928,000	(1,400,000)	20.3	23.50	9.50
2003	24,766,000	(224,000)	(35,000)	21.9	25.10	9.50
2004	24,766,000	0	(323,000)	22.5	26.00	8.00
2005	24,766,000	0	485,000	20.6	24.70	7.50
2006	24,422,000	(344,000)	293,000	18.3	24.40	6.90
2007	24,422,000	0	191,000	16.7	26.40	7.50
2008	24,422,000	0	390,000	14.8	27.20	8.00

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	37,472,000	1,154,000	366,000	10.5	26.00	–
2000	39,286,000	1,814,000	1,489,000	12.7	27.50	9.50
2001	41,388,000	2,102,000	1,664,000	17.6	27.00	10.50
2002	42,727,000	1,339,000	180,000	20.3	23.50	10.00
2003	42,727,000	0	2,038,000	20.8	27.40	9.50
2004	42,858,000	131,000	473,000	19.9	26.30	8.00
2005	42,760,000	(98,000)	1,115,000	17.1	23.20	7.50
2006	42,877,000	117,000	500,000	16.2	24.00	7.50
2007	43,601,000	724,000	639,000	16.1	26.60	7.75
2008	43,934,000	333,000	(908,000)	18.8	27.90	8.00

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	103,401,000	3,600,000	2,870,000	8.6	4.60	–	–
2000	105,601,000	2,200,000	1,846,000	9.4	4.70	–	–
2001	108,864,000	3,263,000	1,084,000	13.4	4.30	3.00	10.50
2002	111,848,000	2,984,000	1,546,000	17.0	4.40	3.00	9.75
2003	112,048,000	200,000	1,673,000	12.4	4.10	3.00	9.00
2004	112,178,000	130,000	113,000	14.8	4.25	3.00	8.00
2005	113,970,000	1,792,000	4,918,000	11.8	4.30	5.00	8.60
2006	115,412,000	1,442,000	2,796,000	10.5	4.55	7.23	7.50
2007	116,820,000	1,408,000	943,000	10.6	4.80	5.00	7.50
2008	117,000,000	180,000	(235,000)	10.4	4.50	3.28	8.50

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 1.9
- Change in Total Employment (000): (2.9)
  Percent Change: (0.2)
- Unemployment Rate: 5.9
- Population (000): 3,278.1

Source: Moody's Economy.com

NASHVILLE, TN

OFFICE

- Economic upheavals had a detrimental effect on inflow of new corporate tenants in the Nashville office market.
- Class A office space was at a premium in some markets, averaging $19.40 per SF in the downtown and $22.40 per SF in the suburbs.
- Demand slowed for large blocks of space but remained for smaller blocks of space.
- Nashville's CBD vacancy rate increased with Nissan's departure to a suburban market.
- Asking rental rates stabilized but went up in high demand submarkets.
- The development of additional Class A product in high demand submarkets was limited to development that was well underway prior to the current economic crisis.

Office Outlook

- Nashville maintains attractiveness and wins accolades as a desired relocation city – look for company relocations to Nashville as economy improves.
- Looking forward, there will be no new speculative development and little investment activity due to lending contraction evidenced by increased equity requirements and recourse.
- CBD will have increased vacancy rates when new facilities come online as pre-leasing activity comes from current CBD tenants.
- Nashville's office rental rates will stay at current levels in suburban markets but look for increased incentives.

INDUSTRIAL

- Nashville's big box leasing activity was minimal throughout 2008. There was interest in large blocks of space but economic upheaval kept big box activity flat.
- The inventory of Class A bulk buildings was sufficient to handle the current needs of Nashville's industrial users.
- In the industrial investment market, properties for sale in the 20,000 SF to 40,000 SF range stayed at a premium.
- However, investment activity stalled with the lack of available debt and the resulting disconnect between seller and buyer expectations. Buyers were much more selective based on creditworthiness and risk.

Industrial Outlook

- Nashville may see a slowdown in speculative warehouse construction. Build-to-suit development will continue in the North and Southeast submarkets.
- The highest demand will continue for stand-alone buildings in 20,000 SF to 40,000 SF range.
- The industrial market is expected to see some downward pressure on rental rates for big box product until leasing activity improves. Warehouse rates will stabilize but will be up significantly compared to the past two years. Small space flex activity will be on the upswing.
- Industrial investment activity will be focused on potential "distressed property" opportunities.
- A wider availability of debt will improve overall activity. Investors will be highly selective based on creditworthiness and market risk. The gap between seller and buyer expectations will need to narrow for overall investment activity to improve.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	6,190,000	–	32,000	6.6	20.00	9.75
2000	6,872,000	682,000	330,000	12.0	19.80	9.75
2001	6,894,000	22,000	(143,000)	14.7	18.50	11.00
2002	7,013,000	119,000	184,000	12.2	18.30	10.25
2003	7,013,000	0	166,000	11.7	18.80	10.25
2004	7,049,000	36,000	(227,000)	15.5	18.80	10.25
2005	7,075,000	26,000	87,000	14.5	17.50	8.75
2006	7,075,000	0	213,000	11.4	20.90	7.00
2007	7,408,000	333,000	306,000	11.3	20.00	8.25
2008	7,449,000	41,000	(260,000)	15.8	19.40	8.25

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	17,072,000	1,260,000	1,115,000	8.5	19.00	9.50
2000	18,247,000	1,175,000	731,000	10.5	19.50	9.50
2001	19,687,000	1,440,000	549,000	14.8	18.50	10.00
2002	20,682,000	995,000	478,000	16.6	18.50	10.00
2003	20,767,000	85,000	6,000	16.5	18.80	10.00
2004	21,091,000	324,000	939,000	13.2	19.00	10.00
2005	21,243,000	152,000	491,000	11.5	18.80	8.25
2006	22,560,000	1,317,000	1,305,000	10.9	20.00	7.75
2007	23,323,000	763,000	1,104,000	9.2	20.10	7.25
2008	24,790,000	1,467,000	1,016,000	10.4	22.40	7.25

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	158,892,000	3,722,000	4,913,000	3.2	3.50	–	–
2000	164,189,000	5,297,000	4,394,000	3.4	3.30	–	–
2001	168,910,000	4,721,000	1,539,000	5.1	3.00	1.25	9.50
2002	171,091,000	2,181,000	(2,428,000)	7.8	3.00	1.06	9.50
2003	173,245,000	2,154,000	(13,000)	9.0	3.00	3.10	10.50
2004	175,901,000	2,656,000	4,807,000	7.6	2.90	2.90	9.00
2005	179,689,000	3,788,000	4,567,000	7.0	3.10	1.29	8.50
2006	183,256,000	3,567,000	6,507,000	5.3	3.71	1.45	8.00
2007	185,768,000	2,512,000	2,042,000	5.5	4.18	0.78	7.75
2008	189,887,000	4,119,000	665,000	7.1	4.00	1.61	8.06

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (0.1)
- Change in Total Employment (000): (9.1)
  Percent Change: (1.2)
- Unemployment Rate: 7.2
- Population (000): 1,574.6

Source: Moody's Economy.com

New Jersey – Central

OFFICE

- Data center demand was a growth driver. Wall Street firms and New Jersey's life sciences companies began establishing these off-site data backup facilities. The Somerset and Brunswick/Piscataway/I-287 submarkets were the chief beneficiaries of this trend.
- Fort Monmouth is scheduled to close by 2011. The process of determining how to redevelop the fort has begun, however, there was uncertainty as to what form that redevelopment would take.
- SL Green Realty Corp and Gramercy Capital Corp sold their interests in the North American headquarters for Sanofi-Aventis. Located on 150 acres, 55 Corporate Drive was purchased by Inland American for $230 million and a 6.9% cap rate.

Office Outlook

- New construction activity will decrease in 2009. Although there is still plenty of developable land, the recession will reduce demand for additional space. Asking rates will decrease, representing another outgrowth of the recession.
- Life sciences and healthcare companies are relatively well insulated against the downturn.
- The Princeton submarket should continue to show resilience in 2009. Despite the large volume of new space delivered in recent years, demand for space remained strong.
- The submarkets located near the Shore will not see as severe a drop off in new construction as other submarkets. Retirees are moving to the area in increasing numbers, and most new construction in the area is medical office buildings developed to respond to the projected demand from that aging demographic.

INDUSTRIAL

- As evidenced by the drop in construction in the Exit 7A Submarket, secondary and tertiary submarkets have entered the "bust" phase. The abundance of available space in the Exit 8A submarket severely reduced demand for space in outlying areas.
- Central New Jersey's averaging asking rental rates began to slide. After cresting at $5.39 per SF in the fourth quarter of 2007, the average asking rental rate gradually decreased to $5.20 per SF by the fourth quarter of 2008.
- Deal volume contracted since the start of the third quarter. A lack of financing and apprehension regarding the economy were the chief causes of the reduction.
- Matrix Development Group purchased Mid-Atlantic Corporate Center, an 82-acre property of 13 buildings and 342,000 SF of industrial and flex space.

Industrial Outlook

- Central New Jersey's industrial market is heavily dependent upon consumer spending since the majority of its space is distribution and warehousing facilities. As consumer spending wanes, this market will feel the full force of slackening retail demand.
- Speculative projects have all but ceased to exist, a condition that will remain for at least several quarters. Build-to-suit projects will comprise the majority of any new construction projects.
- Asking rents will continue their downhill trajectory. Over-supply and diminishing demand will force asking rates downward.
- The conversion of industrial facilities to mixed use will accelerate in 2009. The redevelopment of the former Johnson & Johnson North Brunswick Campus will be the prototypical example.

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	91,990,000	3,651,000	3,010,000	9.4	29.00	–
2000	93,767,000	1,777,000	2,524,000	6.0	26.90	9.50
2001	95,934,000	2,167,000	1,330,000	11.8	24.30	9.00
2002	98,433,000	2,499,000	(1,387,000)	15.3	23.50	8.75
2003	99,007,000	574,000	719,000	15.5	24.00	8.75
2004	99,537,000	530,000	1,717,000	14.2	25.50	7.75
2005	100,815,000	1,278,000	2,821,000	12.5	25.30	7.00
2006	101,646,000	831,000	218,000	13.0	25.50	7.00
2007	103,419,000	1,773,000	377,000	14.4	26.60	7.00
2008	103,955,000	536,000	(645,000)	15.5	27.10	7.50

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	253,307,000	3,675,000	3,927,000	7.2	5.20	–	–
2000	256,557,000	3,250,000	3,725,000	5.7	5.50	–	–
2001	263,712,000	7,155,000	1,479,000	7.0	5.00	4.00	9.00
2002	268,989,000	5,277,000	(2,031,000)	8.3	5.00	3.75	9.00
2003	269,848,000	859,000	7,137,000	5.9	4.50	5.00	8.00
2004	272,207,000	2,359,000	7,066,000	4.3	4.20	4.50	8.00
2005	278,844,000	6,637,000	709,000	6.6	4.70	18.00	8.00
2006	284,290,000	5,446,000	2,575,000	7.5	5.05	18.50	7.00
2007	288,070,000	3,780,000	4,641,000	8.1	5.28	1.65	7.00
2008	292,209,000	4,139,000	370,000	9.3	5.20	5.70	7.00

METROPOLITAN INDICATORS – 2009 (EDISON)

- Gross Metro Product Percent Change: 1.0
- Change in Total Employment (000): (17.7)
  Percent Change: (1.7)
- Unemployment Rate: 7.3
- Population (000): 2,347.2

Source: Moody's Economy.com

New Jersey – Northern

OFFICE

- Contrary to expectations, the Hudson Waterfront posted decreasing vacancy rates throughout the course of 2008. Just as surprisingly, average office asking rental rates held steady.
- Construction continues on Xanadu. Originally billed as a family entertainment, sports, retail, office and hotel mega-complex, the project was scaled back to some degree and Phase I is scheduled to open in Summer 2009.
- KBS REIT II closed on the largest office sale in New Jersey state history in October. KBS paid $365 million for the six-building, 1,123,500 SF campus.
- After moving in a narrow range of 12.2% to 12.7% for over three years, Class A and B vacancy rates rose to 13.1% in late 2008.
- Reckitt Benckiser leased 163,400 SF at Morris Corporate Center, relocating its U.S. headquarters to the premises.

Office Outlook

- New Jersey lost approximately 35,000 jobs in 2008. That trend will continue in 2009 and push vacancy rates up. Average asking rents will decrease as a result of rising vacancy rates.
- The Hudson Waterfront will weather the downturn better than most submarkets because of its increasingly diversified tenant mix and superior access to public transit.
- This market has not received a large amount of new deliveries in years. Given the recession, that trend will continue in 2009.
- Some firms located in Manhattan may be attracted to the New Jersey office market as cost containment becomes increasingly important. That out-migration from the city will be one of the few new sources of demand for space.

INDUSTRIAL

- The Ports of Newark and Elizabeth collectively had the highest amount of container traffic by volume on the East Coast. Together they provide a large portion of the demand for industrial space in Northern New Jersey.
- Despite the rise in the vacancy rate, the average asking rental rate increased slightly from the year ago rate.
- The chief impetus for new construction continued to be the demand for modern, functional warehouse space to service the port. Due to the lack of developable land, the vast majority of this space was provided by tearing down aging and obsolete buildings and replacing them.
- After showing few indications the economic problems affecting the nation were having an impact on leasing activity during the first two quarters of the year, deal volume dropped precipitously in the second half of the year.

Industrial Outlook

- The conversion of industrial facilities to retail and other uses will be a continuing occurrence. Two former automobile pants, the Ford Plant in Edison and the GM Plant in Linden, are both undergoing the redevelopment process currently.
- Manufacturing will continue to have a diminished impact on the demand for space. Logistics is now the dominant demand driver and will play an increasingly important role in the market for space.
- Vacancy rates will only increase slightly in 2009. New construction was moderate in recent years. The density of the area will also keep downward pressure on vacancy rates.

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	142,459,000	3,750,000	4,100,000	13.1	29.00	–
2000	145,459,000	3,000,000	4,600,000	8.8	29.00	9.50
2001	148,572,000	3,113,000	510,000	11.1	30.00	9.00
2002	152,753,000	4,181,000	1,449,000	12.6	25.00	8.25
2003	155,100,000	2,347,000	(318,000)	13.6	28.70	8.25
2004	156,767,000	1,667,000	3,607,000	12.2	27.10	7.75
2005	157,079,000	312,000	(609,000)	12.0	27.40	7.75
2006	157,272,000	193,000	550,000	11.8	28.20	7.00
2007	158,270,000	998,000	1,850,000	11.2	28.90	7.00
2008	158,718,000	448,000	126,000	11.3	29.10	7.50

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	417,089,000	946,000	4,902,000	5.3	5.50	–	–
2000	418,449,000	1,360,000	6,630,000	3.6	5.90	–	–
2001	420,323,000	1,874,000	(2,493,000)	5.5	6.30	5.75	9.00
2002	420,874,000	551,000	1,602,000	5.3	6.20	9.00	8.75
2003	421,699,000	825,000	2,811,000	4.9	5.90	7.00	8.00
2004	422,859,000	1,160,000	914,000	4.8	6.10	11.00	8.00
2005	422,975,000	116,000	(3,773,000)	5.7	6.20	22.00	8.00
2006	423,877,000	902,000	278,000	5.9	6.63	23.00	7.00
2007	424,837,000	960,000	4,400,000	6.1	6.69	25.00	7.00
2008	425,370,000	533,000	(1,059,000)	6.4	6.50	10.50	7.00

METROPOLITAN INDICATORS – 2009 (NEWARK)

- Gross Metro Product Percent Change: 0.5
- Change in Total Employment (000): (23.4)
  Percent Change: (2.3)
- Unemployment Rate: 8.0
- Population (000): 2,137.6

Source: Moody's Economy.com

New York, NY

OFFICE

New York, Midtown Manhattan

- Financial service firms severely affected the Midtown office market with two of the largest, headquartered in Midtown, being swallowed up by others – Bear Stearns by JPMorgan Chase and Lehman Brothers by Barclays Bank.
- Class A vacancy climbed above 10.0% for the first time since November 2005. Class A sublease availability rose sharply, climbing more than 150% in 2008 and was at its highest since August 2005. Class A direct availability stood at 10 million SF, a figure not seen since late 1996.
- The average asking rent continued to drop, falling almost 11% off its record high of $99.22 per SF set in May 2008. That said, asking rents became less relevant as most space was listed as negotiable and landlords were open to reasonable deals from creditworthy tenants. Effective rents were generally off 25% from their peak of late 2007/early 2008.

New York, Midtown Manhattan Outlook

- Vacancy will continue to climb higher as blocks of space from financial service firms and others are returned to the market.
- The average asking rent is expected to decline at least 25% to 30% in 2009 with effective rents facing an even sharper drop.
- New development will be dormant in 2009 except for those projects already underway including 11 Times Square (to be completed late in the year) and 510 Madison Avenue (to be completed by the summer).
- There will be a number of lease expirations in 2009 which will help keep the market afloat; this could create a flight to quality as those tenants with expiring leases in secondary locations are able to afford a better building in a better location.

New York, Midtown South Manhattan

- Midtown South's vacancy rate rose from 9.3% to 11.4%. The trend across all submarkets was a tightening for the first half, then looser in the latter part of 2008. Hudson Square had Manhattan's highest vacancy at over 23%.
- Several large blocks became available in Midtown South totaling over 1.8 million SF, contributing to the overall rise in vacancy.
- Overall asking rent increased $59.30 per SF, although most of this increase was during the first two quarters.
- Largest blocks of availability are currently at 532 Washington Street, with 750,000 SF, and 200 Fifth Avenue, with 400,000 SF.
- Demand was driven by companies seeking cheaper alternatives to Midtown and the emergence of a high tech/media cluster in the vicinity.

New York, Midtown South Manhattan Outlook

- Continued relocations, especially among broadcast/media firms, are expected for 2009 which may actually drive the vacancy rate lower, especially in Chelsea and Hudson Square.
- Asking rents across Midtown South will hold flat to somewhat lower though not decline nearly as steep as Midtown.
- Midtown South will not be immune to the "layoff bug" with financial and professional/business service firms affected.

MIDTOWN MANHATTAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	240,004,000	1,600,000	3,900,000	6.4	54.00	–
2000	240,004,000	0	1,445,000	5.4	65.40	9.00
2001	240,859,000	855,000	(12,916,000)	10.4	61.30	8.00
2002	243,365,000	2,506,000	(573,000)	11.4	54.70	7.25
2003	245,263,000	1,898,000	888,000	11.8	52.40	6.75
2004	248,246,000	2,983,000	5,846,000	10.5	57.50	6.40
2005	251,381,000	3,135,000	7,065,000	8.0	59.60	5.00
2006	252,512,000	1,131,000	4,607,000	6.5	79.60	5.00
2007	254,883,000	2,371,000	1,476,000	6.8	95.00	4.00
2008	254,883,000	0	(8,658,000)	10.2	82.10	5.50

MIDTOWN SOUTH MANHATTAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	98,217,000	–	–	–	–	–
2000	98,217,000	0	787,000	5.5	38.00	8.50
2001	98,217,000	0	(7,256,000)	12.9	43.80	9.00
2002	98,217,000	0	(998,000)	14.0	34.00	8.00
2003	98,217,000	0	1,460,000	12.5	27.60	7.00
2004	98,217,000	0	1,054,000	11.4	33.70	6.50
2005	98,217,000	0	3,114,000	8.3	36.00	5.30
2006	98,217,000	0	689,000	7.6	44.50	5.80
2007	98,339,000	122,000	(1,524,000)	9.3	60.10	5.30
2008	98,339,000	0	(2,080,000)	11.4	59.30	6.00

New York, NY

OFFICE

New York, Downtown Manhattan

- Wall Street's turmoil enveloped the Downtown market as the Class A vacancy rate nearly doubled to 7.8%. Overall vacancy rose 330 basis points to 10.1%.
- Amidst the well-documented struggles of financial and legal firms, Class A sublet availability escalated over 150% with 2.14 million SF now on the market.
- Class A average asking rents continued to climb, rising $56.50 per SF, while overall asking rents jumped 8% to finish at $51.61 per SF.
- Delays and bureaucratic struggles pervaded headlines on construction of the World Trade Center site, as developer Larry Silverstein revised projections to a 2013 delivery.
- German bank WestLB leased 129,000 SF at 7 WTC, a major step for Lower Manhattan's resurgence.

New York, Downtown Manhattan Outlook

- Vacancy will continue its ascent as Goldman Sachs plans to allow 1.5 million SF of leases to expire in Lower Manhattan upon its transition to new headquarters in Battery Park City.
- Sublet availability will again rise with further cutbacks across financial and legal firms, as recent prognostications estimate an additional 60,000 financial sector job losses in the coming year.
- Average asking rents will pull back with impending vacancies, though not quite as steep as Midtown figures.
- The World Trade Center development will more than likely be postponed once again due to construction complications as well as the lack of demand for office and retail space.

DOWNTOWN MANHATTAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	101,519,000	0	2,255,000	8.2	37.00	–
2000	101,519,000	0	4,021,000	4.5	46.20	9.00
2001	88,119,000	(13,400,000)	(19,195,000)	11.4	42.50	9.00
2002	88,119,000	0	(2,742,000)	14.4	36.40	8.00
2003	88,119,000	0	446,000	14.2	33.90	7.10
2004	88,119,000	0	536,000	13.6	33.60	7.10
2005	88,119,000	0	2,494,000	11.3	33.80	5.50
2006	89,794,000	1,675,000	3,217,000	8.9	48.40	5.50
2007	89,794,000	0	1,895,000	6.8	54.50	5.30
2008	89,794,000	0	(3,053,000)	10.2	56.50	–

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New York, NY

OFFICE

New York – Westchester County, NY

- Westchester County's vacancy tightened 180 basis points over the year to 18.4%. The White Plains submarket was not immune to the subprime mortgage meltdown, though the Class A vacancy rate pulled back to 22.3%, down 330 basis points from the previous year.
- A sluggish year in terms of average asking rents, Westchester's Class A rents dipped under $30 mid-year and continued their descent to close 2008 at $28.40 per SF.
- White Plains typified the overall county trend as average asking rents were down, albeit a slight 7% for the year to $30.12 per SF.
- Leasing transactions remained sluggish over the course of the year, due to hesitance from economic uncertainty and companies opting to relocate to the Outer Boroughs rather than Westchester.

New York – Westchester County, NY Outlook

- An ever-increasing tenant's market and minimal delivery will sustain a level to slightly higher vacancy rate through 2009. No major office properties are slated to come online in 2009, following only one property delivered in 2008.
- The average asking rent is expected to remain flat as leasing transactions drift towards the avenue of sublet and the commercial property market weathers the financial tsunami.
- The diverse tenant base in Westchester including the health and biotech industries could help this market ride out the storm better than other New York submarkets.
- Sales prices will most likely echo volume in flattening out; however, medical office properties may drive velocity as other industries, such as hospitality, falter.

New York – Fairfield County, CT

- The vacancy rate closed out 2008 at 16.4%, up from 14.0% at year-end 2007. Meanwhile, the average Class A asking rent dipped to $31.40 per SF in a year that has seen rents fall since hitting its decade high in the fourth quarter of 2007.
- In Stamford, Class A vacancy spiked 100 basis points to 22.8% at year-end - its highest level since March 2005 at 23.8%.
- The average asking rent rebounded after an early descent in the first quarter of 2008, finishing at $35.54 per SF, but still down from its record high of $35.99 per SF from the fourth quarter of 2007.
- The Greater Greenwich submarket saw its vacancy rate rise to 13.8%, spiking 150 basis points year-to-year. Class A rents swung to new highs, and closed out the year at $88.50 per SF.

New York – Fairfield County, CT Outlook

- Under construction in Stamford is the 1 million SF 600 Washington Boulevard slated for mid-2009 delivery. The Royal Bank of Scotland will fully occupy this 12-story building encompassing 500,000 SF.
- Once promised to be a stronghold of the suburban office market, the hedge fund industry staggers into 2009. Dependent on respective market positioning, struggling hedge funds taking space in the suburban markets may sublet space or relocate to shed costs, while more profitable firms look to take advantage of a growing tenant's market.
- Asking rents should remain flat as financial service firms wait for the credit freeze to thaw and landlords make concessions to avoid tenant dislocation. New inventory delivered in late 2009, notably 400,000 SF at 1-2 Harbor Point Square, should steer asking rents along a flat course.

WESTCHESTER COUNTY, NY SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	43,441,000	–	–	–	–	–
2000	43,441,000	–	–	–	–	–
2001	43,441,000	0	(2,074,000)	16.5	26.30	–
2002	43,441,000	0	704,000	14.8	26.10	8.00
2003	43,441,000	0	407,000	13.7	27.00	7.00
2004	43,441,000	0	(991,000)	16.2	27.60	7.50
2005	44,229,000	788,000	1,231,000	15.1	27.20	6.00
2006	44,229,000	0	(711,000)	15.5	27.60	6.75
2007	44,229,000	0	95,000	16.1	30.60	5.80
2008	44,229,000	0	53,000	16.0	28.40	7.00

FAIRFIELD COUNTY, CT SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	56,102,000	–	–	–	–	–
2000	56,102,000	–	–	–	–	–
2001	56,102,000	0	(3,797,000)	14.1	30.80	–
2002	56,102,000	0	(1,810,000)	17.3	30.80	7.50
2003	56,102,000	0	29,000	17.3	28.80	8.00
2004	56,102,000	0	(73,000)	17.4	28.60	7.50
2005	57,371,000	1,269,000	1,640,000	15.6	28.00	6.50
2006	57,371,000	0	932,000	14.1	30.40	5.40
2007	57,371,000	0	114,000	14.0	34.70	5.75
2008	57,371,000	0	(771,000)	16.4	31.40	6.00

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (3.1)
- Change in Total Employment (000): (160.7)
  Percent Change: (3.1)
- Unemployment Rate: 8.8
- Population (000): 11,739.4

Source: Moody's Economy.com

Oakland, CA

OFFICE

- The healthcare industry and alternative energy firms continued to provide employment opportunities throughout the Oakland metro marketplace.
- Cities and counties throughout the region continued to struggle with declining revenue and budget deficits.
- The sub-prime fallout devastated the East County markets as construction jobs and mortgage-related jobs virtually disappeared.
- State infrastructure work primarily at the Bay Bridge and in the Delta provided employment throughout Northern California.
- The Shorenstein Company broke ground on a speculative 600,000 SF office project in Downtown Oakland in October of 2008. Completion of this property is scheduled for 2010.
- CIM purchased 1.7 million SF of office and retail space in five buildings in Downtown Oakland from Brandywine Realty Trust. The transaction closed in the third quarter of 2008 and the price was approximately $412.5 million or $243 per SF.
- Investment sales slowed considerably as a result of tightening credit markets.

Office Outlook

- Oakland's housing market cooled considerably in the second half of 2008 and will remain soft well into 2009. The hardest hit markets have been in the far East Bay communities of Brentwood, Pittsburgh and Antioch.
- There is anticipated volatility in the institutional investment market as loans mature over the next several years.

INDUSTRIAL

- The combination of a lack of developable land for new projects, tight funds for development due to the credit crunch, and only moderate industrial rental rates resulted in little new construction.
- There was a lack of availability of usable industrial land. This led to increasingly high prices, but that could taper off with the economic downturn. Many developers of 'for sale' product held off on new projects.
- Oakland saw negative net absorption over the last six months, ending the year with a contraction of over 1.6 million SF.
- More landlord concessions including rate cuts, free rent, and broker incentives were common as owners tried to fill empty buildings and attract tenants hesitant about expanding or taking too much space.
- The downturn in the housing market affected a huge number of businesses that are related to the supply chain of residential real estate. Many home furnishings, stone and marble, renovation, and building materials companies were severely affected by the end of the housing boom.
- The major growth industries in the I-880 market were "green" or renewable energy companies and recycling companies. Traditionally strong industries (like transportation, shipping and housing) were all down in the current economic climate.

Industrial Outlook

- Negative absorption is expected to continue as more companies give up space or go out of business, adding inventory to the sublease market.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	9,100,000	0	515,000	7.6	30.00	–
2000	9,100,000	0	334,000	4.8	51.20	8.50
2001	9,100,000	0	(278,000)	8.9	37.20	8.50
2002	9,628,000	528,000	(238,000)	15.5	26.70	10.00
2003	9,628,000	0	(130,000)	15.7	26.20	9.00
2004	9,628,000	0	124,000	14.6	24.40	8.00
2005	9,628,000	0	212,000	12.7	25.70	7.40
2006	9,628,000	0	101,000	11.9	28.20	7.40
2007	9,843,000	215,000	(107,000)	14.2	32.60	6.50
2008	9,843,000	0	14,000	19.1	34.00	8.00

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	9,449,000	1,741,000	1,957,000	5.3	30.00	–
2000	10,333,000	884,000	3,204,000	1.7	44.00	8.25
2001	13,246,000	2,913,000	(396,000)	12.9	35.30	8.00
2002	14,588,000	1,342,000	(1,129,000)	17.8	28.20	8.50
2003	15,592,000	1,004,000	1,431,000	16.3	23.50	10.80
2004	15,592,000	0	(277,000)	19.8	24.10	7.70
2005	15,628,000	36,000	836,000	14.4	25.40	7.50
2006	15,628,000	0	(9,000)	17.3	28.10	7.50
2007	15,877,000	249,000	270,000	16.4	30.20	4.40
2008	15,877,000	0	41,000	16.5	31.90	8.00

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	127,054,000	1,619,000	3,135,000	5.3	6.20	–	–
2000	127,964,000	910,000	3,455,000	3.8	10.40	–	–
2001	129,529,000	1,565,000	(4,148,000)	8.0	5.70	14.00	8.70
2002	130,417,000	888,000	(1,544,000)	9.3	4.60	8.29	8.50
2003	130,586,000	169,000	276,000	9.1	4.50	11.00	7.20
2004	130,921,000	335,000	1,494,000	8.0	4.20	12.00	7.40
2005	131,078,000	157,000	1,895,000	6.7	4.30	13.62	8.60
2006	131,170,000	92,000	1,712,000	5.4	5.16	17.00	7.50
2007	131,233,000	63,000	(1,607,000)	6.7	5.52	29.37	6.00
2008	131,233,000	0	(1,668,000)	8.0	5.28	44.81	7.50

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (2.0)
- Change in Total Employment (000): (34.9)
  Percent Change: (3.4)
- Unemployment Rate: 8.1
- Population (000): 2,535.5

Source: Moody's Economy.com

Orange County, CA

OFFICE

- The collapse of the mortgage industry hit the office market hard with vacancy rates increasing to 18% at year-end. After peaking at year-end 2007, asking rents declined by 6% in 2008.
- Net absorption in 2008 was approximately negative 1.6 million SF as the downturn in the mortgage finance industry spread to other sectors of the local economy.
- 2008 saw over 1 million SF delivered to the market with much of this in the form of speculative office space.
- The large amount of available office space on the market allowed several large lease deals such as the Federal Deposit Insurance Corporation taking over 200,000 SF in the Irvine Spectrum.
- The Irvine Spectrum emerged as the prime alternative to the traditional Class A office building clusters near South Coast Metro and John Wayne Airport.
- The Orange County economy transitioned away from the mortgage finance and real estate-centric economy of the past couple of decades to one based on a more diverse array of business clusters.
- Like anywhere else in Southern California, Orange County was experimenting with dense, mixed-use development with major projects like Anaheim's Platinum Triangle on the horizon.

Office Outlook

- The office vacancy rate in Orange County is expected to climb over 20% and remain at a very high level in 2009 although the medical office sector is expected to perform better.
- The Orange County economy is in the process of transitioning to an economy based on a more diverse array of business clusters. This will make the region better off in the long-term.

INDUSTRIAL

- Slowing port volume and decreased manufacturing orders caused the Orange County vacancy rate to rise to nearly 5% by year-end 2008.
- Average asking rental rates remained the highest within the Greater Los Angeles Basin.
- 2008 saw the first decrease in average sales prices per SF in over a year.
- New construction remained constrained with only 698,000 SF delivered to the industrial market in 2008.
- Net absorption in 2008 was approximately negative 1 million SF as the global economic slowdown began to affect the area's industrial market.

Industrial Outlook

- Average asking rental rates are expected to continue to decrease in 2009 as demand declines in Orange County's industrial market.
- Vacancy rates are expected to continue to increase to the 6% range as more space givebacks occur.
- The Orange County industrial market will continue to see steady demand from local clothing manufacturers and defense contractors.
- Option ARM and Alt-A mortgage resets are expected to affect the Orange County housing market adversely towards the end of 2009.
- Cap rates are expected to increase even higher from the record lows of the past few years as distressed property sales become more common in 2009.

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	64,564,000	–	–	–	–	9.00
2000	64,564,000	–	–	–	–	9.20
2001	68,086,000	3,522,000	(644,000)	17.7	31.10	9.10
2002	69,172,000	1,086,000	288,000	18.8	29.80	8.50
2003	70,179,000	1,007,000	2,918,000	16.2	27.40	7.75
2004	70,214,000	35,000	2,580,000	12.4	27.90	7.75
2005	70,320,000	106,000	3,021,000	8.0	31.30	6.50
2006	71,294,000	974,000	204,000	9.0	34.30	5.90
2007	74,422,000	3,128,000	(1,635,000)	15.2	38.30	5.70
2008	75,617,000	1,195,000	(1,560,000)	18.6	35.40	6.20

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	–	–	–	–	–	–	8.50
2000	–	–	–	–	–	–	8.40
2001	–	–	–	–	–	–	8.90
2002	195,109,000	892,000	(1,458,000)	6.6	7.00	14.00	8.25
2003	196,332,000	1,223,000	2,083,000	6.6	7.20	17.00	7.60
2004	196,964,000	632,000	5,218,000	4.5	6.50	13.63	7.50
2005	197,474,000	510,000	2,667,000	3.6	7.20	23.00	7.00
2006	198,780,000	1,306,000	498,000	4.0	8.40	32.00	6.00
2007	199,906,000	1,126,000	613,000	3.9	8.58	32.00	6.30
2008	200,837,000	931,000	(885,000)	4.5	8.99	42.00	7.00

METROPOLITAN INDICATORS – 2009 (SANTA ANA)

- Gross Metro Product Percent Change: (1.1)
- Change in Total Employment (000): (52.6)
  Percent Change: (3.5)
- Unemployment Rate: 7.2
- Population (000): 3,044.2

Source: Moody's Economy.com

ORLANDO, FL

OFFICE

- Office vacancy in the overall Orlando area ended 2008 up at 13.6% while rental rates fluctuated around the $23.00 per SF range.
- The Downtown submarket experienced a drastic 5.7% increase in vacancy since the fourth quarter of 2007 as the financial market continued to struggle in today's economic climate. In the suburban office market, the average vacancy rate rose from 9.9% to 13.5%.
- Construction activity in the overall market was strong totaling around 2.1 million SF for 2008. Unlike many other U.S. cities, Orlando witnessed new supply in the CBD.
- Darden Restaurants began construction this year on its new 400,000 SF headquarters in the South Orlando submarket. Completion and move-in is expected by year-end 2009.

Office Outlook

- In 2009, it is expected that the Orlando office market will remain comparable to 2008 trends.
- Construction on the Medical City of Lake Nona has begun and is forecast to bring multiple new large medical tenants to the Central Florida region. Tenants will include UCF Medical School, Burnham Institute for Medical Research, Nemours Children's Hospital and the VA Hospital.
- The Orlando office market is forecast to experience level rental rates throughout 2009. Vacancy will slightly climb as more financial corporations and businesses close or downsize their offices to save on costs.
- Construction activity will slowly diminish as investors and developers wait out the sluggish economy.

INDUSTRIAL

- After nearly two years of strong demand and growth, the Orlando industrial market began to feel the effects of the sluggish economy.
- By year-end 2008, the average rental rate for warehouse space settled to this year's low of $5.68 per SF from its peak of $5.96 per SF during the second quarter. Flex space averaged $10.66 per SF at year's end.
- Vacancy edged up each quarter to close 2008 at 10.1%, up from 6.2% at the end of 2007. Annual net absorption measured more than negative 2.6 million.
- Of the industrial submarkets, the Southeast and Southwest submarkets continued to be Central Florida's dominant submarkets.
- International Corporate Park completed construction on three buildings along SR 528, part of East Orange County.

Industrial Outlook

- The industrial market in 2009 is forecast to see a minimal amount of space being delivered to the market. Approximately 378,000 SF is forecasted to be completed for the year.
- Orlando's industrial rental rates will remain level to 2008 rates with certain submarkets experiencing a drop in rates to adjust for a decline in demand.
- Vacancy will continue to creep upward each quarter, and is expected to eventually level off near year-end 2009.
- The Southeast submarket is poised for growth in 2009. The majority of the planned development in the Orlando MSA is focused in the Southeast region of LeeVista and SR 417.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	9,089,000	337,000	216,000	6.1	25.20	–
2000	9,846,000	757,000	414,000	9.0	25.40	9.25
2001	9,932,000	86,000	(104,000)	12.0	25.30	9.25
2002	9,932,000	0	(149,000)	11.8	23.60	9.20
2003	10,152,000	220,000	135,000	12.5	22.80	9.70
2004	10,152,000	0	13,000	11.1	21.00	8.50
2005	10,417,000	265,000	81,000	11.9	24.00	8.00
2006	10,994,000	577,000	927,000	8.0	26.50	7.50
2007	11,020,000	26,000	323,000	8.5	27.90	6.50
2008	11,539,000	519,000	(81,000)	14.2	28.30	7.70

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	39,718,000	490,000	438,000	6.8	18.00	–
2000	41,655,000	1,937,000	2,212,000	7.9	19.80	9.25
2001	44,268,000	2,613,000	672,000	11.6	20.60	9.25
2002	45,101,000	833,000	187,000	12.4	20.30	9.30
2003	45,819,000	718,000	(97,000)	14.1	20.20	9.70
2004	46,221,000	402,000	291,000	11.9	19.70	8.50
2005	46,544,000	323,000	1,204,000	8.9	19.00	9.00
2006	47,680,000	1,136,000	1,703,000	7.6	22.60	8.60
2007	49,294,000	1,614,000	402,000	9.9	25.10	6.50
2008	50,884,000	1,590,000	(272,000)	13.5	24.10	7.80

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	117,433,000	813,000	(339,000)	7.2	–	–	–
2000	119,279,000	1,846,000	1,658,000	7.3	5.90	–	–
2001	122,859,000	3,580,000	2,859,000	9.4	4.20	3.00	9.75
2002	124,465,000	1,606,000	924,000	10.1	4.30	3.50	8.50
2003	125,892,000	1,427,000	(154,000)	11.6	4.10	2.60	9.15
2004	129,128,000	3,236,000	6,191,000	8.6	4.50	3.63	9.00
2005	130,978,000	1,850,000	2,909,000	8.1	4.75	4.00	8.40
2006	133,734,000	2,756,000	4,344,000	6.7	5.25	6.50	7.30
2007	137,137,000	3,403,000	2,197,000	6.2	5.84	4.50	7.00
2008	138,682,000	1,545,000	(2,665,000)	10.1	5.68	4.50	7.60

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 0.7
- Change in Total Employment (000): (21.2)
  Percent Change: (1.9)
- Unemployment Rate: 7.4
- Population (000): 2,081.1

Source: Moody's Economy.com

PHILADELPHIA, PA

OFFICE

- Philadelphia's office vacancy increased to 13.3%, yet positive growth in the downtown submarket caused vacancy to drop from 10.7% to 9.3%. Corporate downsizing has not had a major impact—yet—and some space that was vacated was backfilled.
- Absorption was negative for the first time since 2003. Short-term renewals became more common as companies deferred growth decisions and avoided moving costs.
- Less than 500,000 SF of new construction was completed in 2008, and only one major speculative building was under construction.
- Asking rents did not decrease significantly during 2008, but concessions such as free rent were more frequently offered.
- Landlords have had to accept shorter lease terms because of tenants' uncertain economic future.

Office Outlook

- The office vacancy rate is predicted to increase during the first and second quarters of 2009, potentially topping 15%, with a sharp increase in sublease space. The only new construction projects will be build-to-suits or projects which have secured significant pre-leasing.
- Downsizing in the financial services sector will begin to have a greater impact. Fortunately, the region will have minimal exposure to the shakeout of Wall Street firms. Health services will remain one of the few potential growth sectors, and staffing firms will continue to become more active as companies cut full time payrolls.
- Greater Philadelphia should be comparatively well positioned to recover more quickly from the current recession because of the region's diversity of industries, ownership and limited construction pipeline.

INDUSTRIAL

- Weakness in the retail sector impacted the warehouse market with additional vacancies anticipated for 2009. Linens 'N Things, Bombay Furniture and Circuit City were among the retailers that have or will be closing warehouse operations.
- Completions were down 20% and there was almost 25% less development underway compared to 2007. Approximately 80% was build-to-suit construction.
- Warehouse asking rents decreased by approximately 1%. Concessions such as free rent became more prevalent, putting downward pressure on effective rents.

Industrial Outlook

- Philadelphia's industrial vacancy is anticipated to increase at least two percentage points during the first two quarters of 2009. Limited new speculative deliveries will minimize the amount of new space coming on the market.
- The downturn in the automotive industry will have an impact on the market, particularly in Northern Delaware where the demise of the Newark Chrysler plant will result in the vacancy of at least 500,000 SF of industry supporting warehouse space.
- Printing companies with financial sector clients are also being hard hit with potential vacancies of a half million SF.
- While fewer in number than in previous years, there are still a few build-to-suit requirements that will be commencing in 2009. Construction will also commence on the 677,000 Philadelphia Regional Produce Market near the Philadelphia International Airport.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	39,763,000	215,000	1,517,000	10.7	25.00	–
2000	39,763,000	0	727,000	8.8	28.40	9.00
2001	39,763,000	0	(1,349,000)	12.3	23.50	9.25
2002	39,763,000	0	(816,000)	14.4	23.00	8.50
2003	39,763,000	0	561,000	13.0	23.30	9.25
2004	39,763,000	0	244,000	12.4	23.30	9.25
2005	40,716,000	953,000	68,000	13.9	23.20	7.30
2006	40,716,000	0	556,000	12.4	23.70	7.50
2007	41,969,000	1,253,000	2,060,000	10.7	25.50	7.50
2008	41,969,000	0	558,000	9.3	25.70	8.00

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	92,280,000	1,885,000	699,000	7.9	25.00	–
2000	94,038,000	1,758,000	(1,741,000)	9.4	23.50	8.50
2001	96,819,000	2,781,000	(1,465,000)	13.2	24.00	9.25
2002	99,092,000	2,273,000	(1,003,000)	13.7	23.00	8.75
2003	100,866,000	1,774,000	(880,000)	17.4	24.30	9.50
2004	102,053,000	1,187,000	1,900,000	16.1	23.30	9.50
2005	102,821,000	768,000	1,197,000	15.5	22.90	7.30
2006	104,464,000	1,643,000	2,834,000	13.9	22.95	7.00
2007	107,253,000	2,789,000	2,640,000	13.6	24.70	7.50
2008	107,699,000	446,000	(778,000)	14.9	25.10	8.00

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	386,984,000	350,000	1,227,000	13.1	2.50	–	–
2000	389,569,000	2,585,000	3,446,000	8.5	3.90	–	–
2001	395,955,000	6,386,000	(2,422,000)	12.7	4.00	2.53	9.50
2002	397,359,000	1,404,000	(6,367,000)	13.8	4.00	2.50	8.50
2003	398,545,000	1,186,000	4,281,000	12.3	4.00	2.90	9.00
2004	402,844,000	4,299,000	5,782,000	12.2	4.00	3.04	9.50
2005	407,688,000	4,844,000	11,390,000	10.5	4.25	4.00	8.00
2006	411,831,000	4,143,000	10,810,000	8.6	4.75	4.00	6.80
2007	418,203,000	6,372,000	8,167,000	7.9	4.75	3.44	7.70
2008	423,501,000	5,298,000	97,000	9.0	4.75	3.45	8.30

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (2.6)
- Change in Total Employment (000): (27.5)
  Percent Change: (1.4)
- Unemployment Rate: 8.0
- Population (000): 3,904.0

Source: Moody's Economy.com

PHOENIX, AZ

OFFICE

- Phoenix's office absorption posted negative 1.25 million SF for 2008.
- Office vacancy rates rose steadily during 2008 starting with 15.8% in the first quarter and ending the year with 19.1%.
- Office deliveries totaled 6.3 million SF at year-end, a slight drop from the 6.2 million SF witnessed in 2007. Under construction activity was 3.63 million SF, off by nearly half at the same time last year.
- Office sales activity remained very slow. Investment sales volume posted only $99 million with an average price of $169 per SF.
- Despite a diverse base, Phoenix suffered due to the housing market collapse. House prices were down over 28 % in 2008 which caused an extreme ripple effect throughout the area economy. New subdivision land values declined along with retail and construction sectors.
- In the largest office transaction of the quarter, a 70,000 SF Class A office building sold for $110.3 million, equating to $366.60 per SF.

Office Outlook

- Construction will continue to decrease and absorption will continue to lag. Vacancy is expected to peak by the end of 2009.
- Downtown Phoenix's infrastructure projects totaling over $6 billion have spurred renewed interest in the downtown core. A new mixed-use project, CityScape will add a 550,000 SF office tower and significant retail components, with the office component complete by year-end 2009. One Central Park East, a 26-story 480,000 SF office tower is expected to be done by the third quarter of 2009.
- Transit-oriented development zoning along the newly completed 20-mile Metro light rail route is expected to boost potential new projects and rehabilitation of existing properties.

INDUSTRIAL

- Phoenix's industrial absorption posted a negative 2.59 million SF for 2008. The fourth quarter negative rate nearly erased absorption gains from last quarter.
- Industrial vacancy rates rose during 2008 starting with 10.1% in the first quarter and ending the year up at 16.4%.
- Industrial deliveries totaled 770,600 SF in the fourth quarter compared with 2.22 million in the last quarter of 2007. No construction activity was recorded for the fourth quarter of 2008.
- Industrial sales activity remained very slow. Total sales volume posted $103 million with the average price posting $85.66 per SF. Total sales volume is about half of last quarter's volume.
- In the largest industrial transaction of the quarter a 135,968 SF Class A warehouse property sold for $17.9million, or $131.65 per SF.

Industrial Outlook

- New construction activity will be very slow for most of 2009. Vacancies should peak by mid-2010.
- Despite a slowdown of net in-migration, Phoenix ranked #2 in population growth nationwide. The fundamentals of tourism and low housing costs should keep the Valley better situated than other metro areas.
- The Metro Light Rail should boost the industrial market as large portions of East Phoenix and Tempe have industrial projects and vacant land to build. Transit-oriented development (TOD) zoning along the route will stimulate new projects and rehabilitate existing properties.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	18,188,000	399,000	(128,000)	9.2	29.40	–
2000	18,202,000	14,000	(185,000)	10.5	22.00	–
2001	19,328,000	1,126,000	(115,000)	17.0	21.80	–
2002	19,328,000	0	(449,000)	18.6	18.40	10.40
2003	19,453,000	125,000	(109,000)	19.0	17.50	9.40
2004	19,621,000	168,000	111,000	18.3	19.40	8.25
2005	19,621,000	0	976,000	15.1	21.20	7.25
2006	19,621,000	0	1,165,000	10.6	21.40	7.50
2007	19,771,000	150,000	(188,000)	13.1	28.10	–
2008	19,865,000	94,000	(102,000)	13.9	31.20	7.80

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	69,989,000	5,630,000	2,392,000	11.3	27.90	–
2000	73,543,000	3,554,000	3,920,000	10.1	24.00	9.50
2001	78,944,000	5,401,000	1,785,000	16.9	24.00	9.85
2002	82,016,000	3,072,000	1,457,000	17.9	20.90	10.05
2003	83,701,000	1,685,000	2,618,000	16.1	20.10	9.00
2004	87,152,000	3,451,000	2,694,000	15.8	23.00	8.80
2005	89,934,000	2,782,000	5,676,000	13.5	22.70	7.85
2006	91,858,000	1,924,000	5,020,000	12.9	23.40	6.80
2007	98,334,000	6,476,000	2,693,000	14.5	28.20	6.20
2008	104,663,000	6,329,000	(781,000)	19.8	29.60	7.60

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	176,493,000	9,447,000	6,918,000	8.2	5.70	–	–
2000	182,202,000	5,709,000	5,069,000	8.3	4.00	–	–
2001	188,379,000	6,177,000	2,491,000	10.1	4.80	2.84	–
2002	193,629,000	5,250,000	1,338,000	12.1	5.40	5.47	10.60
2003	196,529,000	2,900,000	215,000	13.2	5.90	4.50	9.90
2004	200,232,000	3,703,000	4,546,000	11.4	5.80	1.80	7.80
2005	204,601,000	4,369,000	8,766,000	9.5	6.30	4.58	7.70
2006	213,063,000	8,462,000	9,351,000	9.0	6.54	5.68	7.00
2007	219,891,000	6,828,000	4,733,000	10.1	5.98	15.46	7.10
2008	229,008,000	9,117,000	(2,588,000)	16.4	5.97	5.50	7.60

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (0.7)
- Change in Total Employment (000): (73.7)
  Percent Change: (3.9)
- Unemployment Rate: 6.4
- Population (000): 4,353.3

Source: Moody's Economy.com.

PLEASANTON/WALNUT CREEK, CA

OFFICE

- Although gross absorption improved, the activity was mostly attributed to inter-market tenant movements. This indicated a lack of new tenant migration to the Tri-Valley during the period.
- Landlords were willing to negotiate deals up to a year in advance of commencement, while still providing significant rent concessions.
- Significant office investment sales included the Galaxy Office Park, Corporate Terrace, and Walnut Creek Medical Plaza, however, deal velocity declined throughout the year.
- Condo sales and investment markets slowed due to softening demand and buyers experiencing difficulty in obtaining financing. Underwriting guidelines became increasingly strict with longer approval periods and high debt coverage ratios.

Office Outlook

- The Pleasanton/Walnut Creek office market will face increasing vacancy as firms divest of excess space and others go out of business.
- The market will see increasing TI allowances and free rent as landlords compete for a smaller tenant pool.
- Tenants will remain highly conservative in making commercial real estate decisions due to an atmosphere of market uncertainty.
- An increasing number of properties is anticipated to come up for sale as smaller investors get further under water and institutional investors need to cash out.
- Buyers and investors will continue to be cautious in their decisions and stymied by the lack of available financing.
- The health services market will remain strong, with large tenants looking to expand.

INDUSTRIAL

- Vacancies remained relatively stable although landlords became more aggressive with rent structures hoping to keep vacancy rates low.
- Rents continued to remain flat as well as owner/user sales activity slowing down due to the failing residential market.
- The only speculative construction was in the condo market and there were two industrial condominium projects under construction in Pleasanton.
- Deal velocity dropped dramatically in the region's industrial market.
- With sale properties not moving, properties developed as condos were being leased as rentals.
- The owner/user sales market slowed down as financing has become tougher to obtain. Prices of existing small light industrial buildings continued to make record highs in the $200 to $275 per SF range. The sale of the Antioch Business Center was the largest sale of 2008.

Industrial Outlook

- For the 2009 outlook, financing is expected to eventually thaw for owner/users.
- Leasing activity will increase before sales activity as deal velocity will remain slow.
- More companies will have to weigh the savings of locating in East County to the increasing cost of transportation.
- Infill development is anticipated to increase in developed areas.
- Industrial landlords will continue be more aggressive with rent structures, hoping to keep vacancy rates from trending upward.
- New construction will continue to be on hold until the market turns.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	22,692,000	–	–	–	–	8.38
2000	22,692,000	–	–	–	–	8.00
2001	22,692,000	–	–	–	–	7.50
2002	22,692,000	–	–	–	–	7.50
2003	22,692,000	–	–	–	–	7.00
2004	22,692,000	0	354,000	12.2	26.10	6.75
2005	22,692,000	0	783,000	11.1	25.80	5.60
2006	22,312,000	(380,000)	(256,000)	11.3	26.90	5.50
2007	22,390,000	78,000	(112,000)	12.2	28.10	6.00
2008	22,390,000	0	(1,413,000)	17.3	27.40	7.20

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	15,198,000	–	–	–	–	8.88
2000	15,198,000	–	–	–	–	8.50
2001	15,198,000	–	–	–	–	8.00
2002	15,198,000	–	–	–	–	8.00
2003	15,198,000	–	–	–	–	7.50
2004	15,198,000	0	185,000	13.6	22.90	7.25
2005	15,198,000	0	321,000	10.5	24.40	6.10
2006	17,598,000	2,400,000	1,256,000	13.5	26.40	5.75
2007	17,702,000	104,000	2,000	13.9	27.20	6.60
2008	17,804,000	102,000	(339,000)	14.1	24.20	6.80

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	–	–	–	–	–	–	–
2000	–	–	–	–	–	–	–
2001	–	–	–	–	–	–	8.70
2002	–	–	–	–	–	–	8.50
2003	–	–	–	–	–	–	7.20
2004	33,187,000	66,000	206,000	8.6	4.80	10.00	7.20
2005	33,275,000	88,000	39,000	8.6	4.35	10.17	7.00
2006	33,401,000	126,000	1,000	8.6	4.93	10.55	7.00
2007	33,747,000	346,000	(391,000)	10.1	4.80	12.27	7.00
2008	33,906,000	159,000	(1,066,000)	13.4	4.56	13.75	–

METROPOLITAN INDICATORS – 2009 (OAKLAND)

- Gross Metro Product Percent Change: (2.0)
- Change in Total Employment (000): (34.9)
  Percent Change: (3.4)
- Unemployment Rate: 8.1
- Population (000): 2,535.5

Source: Moody's Economy.com

PORTLAND, OR

OFFICE

- Educational and health services were Portland's fastest growing industries with 3.4% growth in 2008. Computer systems and design followed, with 1.3 % growth over last year.
- The largest leases signed in 2008 involved Regence BlueCross BlueShield of Oregon taking 228,200 SF, Wells Fargo Bank leasing 212,000 SF, and Stoel Rives leasing 168,300 SF. The largest sales included the $283 million purchase of U.S. Bancorp Tower by LaSalle Bank and a $63.1 million portfolio purchase of four downtown Portland landmark office buildings.
- Within the CBD, Corporate Class A office rates continued to increase 10% to 11% per year, averaging about $28 per SF annually.
- Among the largest metro areas, Portland had one of the lowest foreclosure rates in the nation due to smart growth initiatives, controlled appreciation, and affordability of housing.

Office Outlook

- 2009 vacancy rates are projected to increase slightly, especially in suburban submarkets. CBD and Central City vacancy will decrease until new product is delivered in 2010.
- In October 2008, TriMet's Westside Commuter Rail line opened, servicing suburban dwellers along the I-5 Corridor. In September of 2009, the new MAX light rail line will open serving riders from Portland to Clackamas County.
- 1.3 million SF of new office product will be delivered within the CBD between 2009 and 2012, many of which are LEED Certified.
- Portland plans to implement a revised citywide green building policy using fee/rebate incentives to address climate change and create local economic growth.

INDUSTRIAL

- Primary metals manufacturing employment grew 1.5%, making it Portland's fastest growing industrial real estate related industry.
- Renewable energy firms in solar and wind focused on Oregon, including Solarworld, Solaicx, Sanyo, Vestas, etc.
- The weak dollar benefited Oregon exports during 2008, however year-over-year marine TEU's decreased 8.5%.
- In 2008, industrial vacancy rates increased to 7.1% from 5.6% over last year.
- Over 1.7 million SF of new industrial product was delivered in 2008. FedEx began construction on a state-of-the-art 570,800 SF distribution hub in Portland.
- In November 2008, Oregon had 191,200 manufacturing jobs or 11% of total non-farm employment, compared with 13.6 million or 9.6% for U.S.

Industrial Outlook

- 2009-2010 is projected to remain relatively stable; vacancy will be between 8.5-9.5%.
- Continued interest from renewable energy investments in Oregon will help industrial real estate.
- The American Recovery and Reinvestment Act of 2009 is estimated to bring 44,000 jobs to Oregon, with heavy investments in infrastructure, construction, and renewable energy.
- Tenant turnover will put additional stress on the industrial market, however many tenants will find lower rental rates, increased concessions, and favorable terms.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	32,061,000	0	56,000	6.3	27.30	–
2000	32,515,000	454,000	758,000	5.4	25.00	9.50
2001	32,585,000	70,000	(814,000)	11.3	27.00	9.50
2002	33,353,000	768,000	(214,000)	15.1	22.00	9.25
2003	33,541,000	188,000	212,000	12.7	21.00	8.25
2004	33,541,000	0	113,000	12.8	20.10	8.10
2005	33,541,000	0	104,000	12.7	20.50	7.00
2006	33,541,000	0	280,000	11.7	21.30	7.25
2007	33,541,000	0	1,399,000	8.5	23.60	6.20
2008	33,863,000	322,000	404,000	7.0	25.40	7.00

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	35,687,000	464,000	243,000	10.0	21.50	–
2000	36,504,000	817,000	1,306,000	7.9	23.50	9.50
2001	37,858,000	1,354,000	(18,000)	12.0	23.00	9.50
2002	37,998,000	140,000	(794,000)	14.0	23.00	9.25
2003	39,544,000	1,546,000	(252,000)	17.3	21.00	8.10
2004	40,101,000	557,000	1,536,000	14.3	20.60	8.00
2005	40,345,000	244,000	1,369,000	10.9	21.80	8.00
2006	40,988,000	643,000	442,000	11.7	21.80	7.50
2007	41,312,000	324,000	884,000	11.6	23.90	6.50
2008	42,036,000	724,000	172,000	11.7	24.60	6.35

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	155,140,000	2,087,000	1,683,000	8.1	4.10	–	–
2000	156,553,000	1,413,000	2,466,000	4.8	3.50	–	–
2001	157,605,000	1,052,000	(1,219,000)	8.5	5.00	5.50	9.00
2002	158,541,000	936,000	455,000	16.4	5.00	5.00	9.00
2003	160,894,000	2,353,000	2,609,000	16.4	4.80	4.70	8.50
2004	162,007,000	1,113,000	5,001,000	13.9	4.60	4.40	8.00
2005	163,326,000	1,319,000	4,839,000	10.8	4.55	7.61	8.95
2006	165,852,000	2,526,000	4,189,000	9.6	4.71	6.51	7.65
2007	168,798,000	2,946,000	4,061,000	7.3	7.60	4.51	7.00
2008	170,417,000	1,619,000	1,167,000	6.7	5.52	9.20	6.73

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 0.4
- Change in Total Employment (000): (25.3)
  Percent Change: (2.4)
- Unemployment Rate: 8.1
- Population (000): 2,246.9

Source: Moody's Economy.com

RALEIGH/DURHAM, NC

OFFICE

- High growth industries in Raleigh/Durham included healthcare, universities, gaming, contract research, software. INC Research, Quintiles, WakeMed Healthcare and Rex Healthcare, UNC University system, Duke University system were such growing companies.
- New office supply in 2008 more than doubled the new construction in 2007. Over 2.6 million SF were delivered to the Raleigh/Durham market in the year. There remained abundant land available in the Triangle area for office development.
- Major projects under construction included Duke Realty's CapTrust Tower 300,000 SF office building, Hamilton Merritt's RDU Center III of 115,000 SF, Principal Financial's Quintiles Plaza of 292,000 SF, leased to Quintiles for its international headquarters.
- Genworth Mortgage Insurance Corporation leased 129,000 SF of Class A space, under construction at Monument Drive and Six Forks Road. Qualcomm leased and subsequently purchased 127,500 SF of newly constructed Class A office space at Brier Creek Corporate Center III.
- Five buildings totaling 635,000 SF at Forum Office Park sold for $178 per SF, registering a 7.4% cap rate. Crossroad Office Park in Cary, a four-building, 390,500 SF property sold for $161 per SF – a blended cap rate of 7.5%. Prime office land retailed for approximately $125,000 to $175,000 per acre.

Office Outlook

- Another 1.46 million SF of Class A office was under construction and is expected to deliver by close of Q1 2009. This product is approximately 35% pre-leased.

INDUSTRIAL

- Very little new industrial construction occurred in the Raleigh-Durham market. There were only two warehouses totaling 410,000 SF under construction throughout the Triangle market, and both were 100% pre-leased. There was only 71,400 SF of flex space under construction.
- Major warehouse projects under construction included Brookwood Capital's building of a 150,000 SF warehouse at New Hope Commerce Center in Raleigh's East Wake submarket, fully pre-leased to Owens & Minor. The Keith Corporation constructed a 260,000 SF warehouse in Durham's RTP/I40 submarket, 100% pre-leased by Implus Corporation.
- Owens & Minor signed a 10-year, 150,000 SF build-to-suit lease with Brookwood Capital at New Hope Commerce Center in Raleigh. Burts Bees signed a 144,000 SF lease at 900 Aviation Parkway in Morrisville.
- Durham's Research Tri-Center, a 1.55 million SF, ten-building portfolio was sold by Transwestern Investment Company to Grosvenor Investment Management for $105.5 million, equating to $68 per SF and a 5.8% cap rate.
- JE Roberts sold Carolinas Distribution Center in Clayton to Petrus Partners for $61.25 million. The 1.16 million SF, five-building sale registered a 7.1% cap rate.

Industrial Outlook

- Progress continued on the new North Carolina International Port, which is expected to open in 2017 with 4,000,000 TEU capacity.
- Lack of development land for industrial product in the RTP/I-40 corridor will benefit Eastern Wake County submarket along I-40 and the North Durham submarket along I-85.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	2,785,000	95,000	178,000	6.8	–	–
2000	2,876,000	91,000	156,000	5.1	19.00	10.50
2001	3,063,000	187,000	46,000	9.8	18.00	10.50
2002	3,122,000	59,000	30,000	8.7	18.00	9.50
2003	3,169,000	47,000	(3,000)	10.3	18.00	10.00
2004	3,456,000	287,000	250,000	10.5	18.00	9.50
2005	3,591,000	135,000	198,000	8.4	19.00	8.25
2006	3,655,000	64,000	32,000	10.6	19.30	8.50
2007	3,457,000	(198,000)	31,000	6.9	21.00	7.50
2008	3,739,000	282,000	303,000	8.4	23.00	–

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	25,216,000	3,586,000	2,551,000	6.9	–	–
2000	28,298,000	3,082,000	2,186,000	7.7	19.50	9.75
2001	31,454,000	3,156,000	(2,473,000)	20.0	18.50	9.50
2002	32,619,000	1,165,000	(148,000)	21.4	18.00	9.00
2003	33,016,000	397,000	179,000	21.7	18.00	9.25
2004	34,638,000	1,622,000	1,761,000	19.7	18.00	8.50
2005	35,596,000	958,000	1,625,000	17.1	19.00	7.00
2006	37,235,000	1,639,000	1,279,000	15.8	19.80	7.75
2007	38,535,000	1,300,000	1,384,000	15.7	21.60	7.00
2008	40,909,000	2,374,000	1,599,000	17.0	22.40	8.25

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	33,777,000	442,000	1,988,000	11.9	–	–	–
2000	34,713,000	936,000	868,000	12.3	4.30	–	–
2001	37,653,000	2,940,000	101,000	21.9	4.30	3.00	9.50
2002	37,992,000	339,000	(464,000)	26.5	4.00	1.85	9.00
2003	38,208,000	216,000	(106,000)	27.3	3.50	2.00	8.80
2004	38,388,000	180,000	661,000	26.0	3.50	2.00	8.60
2005	38,543,000	155,000	1,924,000	21.5	3.75	1.72	8.50
2006	38,743,000	200,000	1,413,000	15.5	4.25	2.25	8.00
2007	39,143,000	400,000	1,911,000	16.3	4.50	2.75	7.25
2008	39,323,000	180,000	300,000	19.2	4.40	3.00	8.50

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 1.9
- Change in Total Employment (000): 0.6
  Percent Change: 0.1
- Unemployment Rate: 6.4
- Population (000): 1,127.2

Source: Moody's Economy.com

Reno, NV

OFFICE

- Housing-related industries continued to struggle or close up shop. Following the housing industry, mortgage companies, title companies and engineering firms struggled as well.
- Other large companies not related to housing also downsized to cut costs.
- There was minimal new office development in 2008. A 78,000 SF build-to-suit was completed for Employers Insurance, and three buildings in the 10,000 SF range were completed for owners/users with expansion space.
- Transaction velocity slowed in both the sales and leasing arena. The majority of the activity was from tenants downsizing or renewing their current leases.
- Reno's office vacancy hit an all time high at 19.1% in 2008. In other words, one in every five offices in Reno was vacant.
- Lease rates dropped to the same rates as ten years ago when the market began heating up.
- There were virtually no land sales as developers, who held most of the land, realized if they sell, they cannot re-enter the market.

Office Outlook

- Reno's office vacancy will remain high as the growth of healthy tenants will be offset by failing businesses.
- Absorption is expected to be flat for the same reason.
- New construction will be non-existent except for built-to-suit projects.
- Land prices are anticipated to fall, if land is sold.
- Rents will stay flat with a slight uptick at the end of the 2009.

INDUSTRIAL

- Reno's industrial vacancy rate climbed steadily in 2008 due to the completion of new construction. The year ended with an overall vacancy rate of 13.3%, up from 8.9% at year-end 2007.
- Migration from the Sparks industrial core to the outlying submarkets of McCarran or Stead continued to be a trend in the market.
- Overall, 2008 was slower than previous years, but absorption continued to post positive growth as outside companies looked to create a West Coast footprint.
- The biggest impact to the economy was to the transaction velocity.
- Rental rates remained flat in 2008, but lease concessions such as free rent, shorter lease terms and increased tenant improvement allowances were being dispensed more liberally than in past years. The average warehouse rental rate was $3.24 per SF at year-end 2008.

Industrial Outlook

- Industrial vacancy rates will continue to slowly creep upward as companies consolidate or close.
- Absorption will remain flat with low demand for space.
- New industrial construction will be down until the existing vacancy space is absorbed.
- Rental rates are anticipated to stabilize slightly below our current rates.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	1,318,000	–	–	–	–	–
2000	1,318,000	–	–	–	–	–
2001	1,318,000	0	(28,000)	13.8	–	–
2002	1,318,000	0	19,000	12.6	20.00	9.50
2003	1,318,000	0	22,000	11.3	20.50	9.50
2004	1,318,000	0	(24,000)	12.4	20.20	9.00
2005	1,318,000	0	(91,000)	17.9	21.00	8.90
2006	1,318,000	0	132,000	8.5	23.50	9.00
2007	1,318,000	0	(8,000)	17.8	22.90	7.50
2008	1,318,000	0	(23,000)	21.0	22.90	8.00

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	–	–	–	–	–	–	–
2000	–	–	–	–	–	–	–
2001	57,300,000	2,543,000	1,526,000	8.8	3.70	2.50	8.75
2002	58,559,000	1,259,000	717,000	9.8	3.50	2.20	9.30
2003	59,651,000	1,092,000	269,000	10.9	3.50	2.20	8.60
2004	61,218,000	1,567,000	2,805,000	8.7	3.50	2.00	8.25
2005	62,822,000	1,604,000	1,986,000	6.2	3.50	3.75	7.50
2006	64,113,000	1,291,000	2,210,000	5.0	4.08	3.75	6.50
2007	68,432,000	4,319,000	1,658,000	8.9	4.32	3.88	6.75
2008	71,355,000	2,923,000	207,000	13.3	3.24	4.00	–

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	4,099,000	–	–	–	–	–
2000	4,099,000	–	–	–	–	–
2001	4,169,000	70,000	98,000	12.4	–	–
2002	4,395,000	226,000	317,000	10.3	20.60	9.00
2003	4,629,000	234,000	238,000	9.4	20.50	9.00
2004	4,902,000	273,000	79,000	13.3	21.10	8.00
2005	5,122,000	220,000	87,000	14.2	22.80	7.50
2006	5,122,000	0	31,000	12.3	24.00	7.00
2007	5,205,000	83,000	(85,000)	14.9	24.00	7.50
2008	5,312,000	107,000	(125,000)	18.7	22.80	7.75

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (1.8)
- Change in Total Employment (000): (7.0)
  Percent Change: (3.1)
- Unemployment Rate: 8.7
- Population (000): 419.8

Source: Moody's Economy.com

Sacramento, CA

OFFICE

- At the close of the fourth quarter, office vacancy stood at 13.7%. The delivery of the new 433,500 square foot highrise at 500 Capitol Mall, as well as a number of smaller speculative projects in Folsom effectively cleared out the local development pipeline.
- The average asking rent for office space throughout the Sacramento region stood at $24 per square foot.
- Landlord concessions and inducements were on the rise. In the distressed Roseville/Rocklin submarket, landlords offered up to six months free rent and T.I. allowances up to $80 per SF on a five-year term. Many of these buildings just two years ago offered two months free and $40 TIs on comparative deals.
- A flight to quality increasingly impacted the Sacramento office market. Tenants not severely impacted by the recession had the opportunity to lock in Class B rates for Class A space.

Office Outlook

- Sacramento's office vacancy is expected to top the 16% mark by the mid-year and stabilize in the second half of 2009.
- The Roseville/Rocklin submarket will struggle with overbuilding followed by decreasing demand from the private sector, this market's primary source of office tenancy.
- Downtown vacancy will spike with the delivery of 500 Capitol Mall, though this submarket's primary users (government, legal, lobbyists) will remain stable and likely not be returning large blocks of space to market.
- The Highway 50 Corridor will remain the strongest suburban submarket.

INDUSTRIAL

- The construction trades took a beating over the last two years as residential development disappeared. This translated into increased vacancy and decreased demand in the industrial market.
- Construction-related users ranging from contractors to lumber or tile suppliers were reduced through attrition to just a handful of battered survivors.
- Fourth quarter 2008 vacancy for industrial product stood at 10.8%. New industrial construction was virtually non-existent. At the end of 2008, only one 40,000 SF project was under development. This marked the lowest level of industrial development since tracked by Colliers and, likely, the lowest level since the Great Depression.
- Though the price of industrial land headed downward, as with the cost of construction, the cost to build was not justified for most projects.
- There was significant downward pressure on rents and some landlords began to offer substantially increased concessions, primarily in the form of free rent.

Industrial Outlook

- Job losses for the construction sector are expected to continue to be severe as commercial construction largely disappears in 2009.
- Sacramento's industrial vacancy will likely surpass the 12.5% mark by mid-year, but is not likely to cross the 13% barrier.
- Little to no industrial development is expected through 2009.
- Industrial investment properties will face a minimum of a 25% decline in pricing from top of the market values recorded in 2006. Cap rates for industrial product will jump from the low 7% range to the high 8% range.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	16,917,000	398,000	335,000	8.3	26.75	–
2000	16,917,000	0	172,000	6.8	27.95	9.25
2001	16,917,000	0	(1,000)	6.9	27.95	9.50
2002	17,067,000	150,000	(118,000)	8.9	29.25	9.60
2003	17,309,000	242,000	(272,000)	12.8	29.80	8.50
2004	17,309,000	0	(85,000)	13.5	28.90	8.00
2005	17,859,000	550,000	661,000	12.1	30.30	6.60
2006	17,859,000	0	(274,000)	14.2	30.30	6.00
2007	17,859,000	0	367,000	9.6	35.90	6.50
2008	18,225,000	366,000	601,000	8.7	34.20	7.40

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	53,316,000	2,454,000	2,056,000	9.1	19.50	–
2000	55,237,000	1,921,000	1,137,000	10.4	21.35	9.50
2001	57,264,000	2,027,000	1,134,000	11.7	21.70	9.50
2002	59,116,000	1,852,000	326,000	14.1	22.00	9.10
2003	60,611,000	1,495,000	1,423,000	13.9	23.10	8.50
2004	61,942,000	1,331,000	747,000	14.6	23.50	7.70
2005	63,114,000	1,172,000	1,880,000	12.7	24.50	7.15
2006	64,614,000	1,500,000	629,000	13.6	25.80	6.50
2007	66,332,000	1,718,000	754,000	13.7	27.20	6.80
2008	67,476,000	1,144,000	(8,000)	15.1	25.20	7.00

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	165,992,000	3,528,000	2,782,000	7.5	4.20	–	–
2000	168,193,000	2,201,000	1,163,000	8.1	4.43	–	–
2001	171,529,000	3,336,000	(6,611,000)	14.2	4.66	3.75	9.15
2002	174,729,000	3,200,000	2,537,000	14.3	4.90	3.40	9.00
2003	175,960,000	1,231,000	1,623,000	14.0	5.20	3.30	8.50
2004	178,315,000	2,355,000	2,779,000	13.5	5.48	10.50	8.15
2005	180,669,000	2,354,000	4,370,000	12.1	5.76	11.17	7.45
2006	182,417,000	1,748,000	3,079,000	11.1	6.04	15.00	7.00
2007	184,342,000	1,925,000	2,102,000	10.7	7.04	10.00	7.10
2008	185,181,000	839,000	(788,000)	10.8	6.36	6.50	7.60

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (1.1)
- Change in Total Employment (000): (23.9)
  Percent Change: (2.7)
- Unemployment Rate: 9.5
- Population (000): 2,163.0

Source: Moody's Economy.com

San Diego, CA

OFFICE

- The office vacancy rate for 2008 was at the highest level in over a decade with the largest increases in the suburban Class A market.
- Overall demand as measured by net absorption was relatively flat for 2008. However, over 2 million SF in completions, most of which was Class A space, drove vacancy rates to historically high levels.
- Asking rental rates decreased slightly during the year, but effective rents decreased more as lease concessions became prevalent.
- Employment losses were concentrated in the "financial activities" as bank, mortgage, and real estate closures and contractions affected Class A and B submarkets.
- Both user and investment sales activity dropped off significantly due to less liquidity in the credit markets and an increased disconnect between buyer and seller pricing expectations.

Office Outlook

- Vacancy is likely to increase slightly from between 50 and 100 basis points, as new supply continues to be delivered by mid-year 2009. Thereafter, vacancy will level out or possibly decrease. Sublease vacancy is likely to increase, but still remain below 3%.
- Absorption will likely be positive but low as several large tenants take occupancy of new pre-leased first generation space. Struggling tenants' closures may negate this growth.
- San Diego office cap rates will increase on investment sales, but stay relatively low compared to most markets nationally and will increase a relatively small amount. Sales volume will probably be stagnant for at least the first six months of 2009.
- While most of the recession's job losses occurred in 2008, additional losses will continue, but a slower rate. Fortunately, San Diego's diversified industries will insulate it from any major industry shock.

INDUSTRIAL

- Demand in manufacturing buildings was negative due to major downsizing of several high-tech manufacturers. However, R&D and corporate headquarter space demand was particularly strong in San Diego.
- Multi-tenant space started to see negative demand while distribution space experienced decreased demand when home furnishing tenants and other retail related tenants fell prey to the economic slowdown.
- Construction activity slowed significantly in 2008, allowing the industrial market to be in near supply-demand balance. Industrial asking rents dropped in the second half of 2008 as demand started to decrease.

Industrial Outlook

- The retail sector will struggle, and this may create significant vacancies for industrial distribution space.
- Demand for R&D space should continue to be strong which will drive vacancy down considering the new future supply pipeline is relatively small. In the last few years, this product sector had some of the highest vacancy rate levels.
- San Diego's industries are well diversified, high-salary, and high-technology. Communications and defense manufacturing are expanding even while the economy has seen an overall contraction. This continues to bode well for the industrial market as a whole.
- Rents may continue to decrease slightly in early 2009, while picking up in the last half of 2009.
- A diminishing new supply pipeline and limited land for development of industry space continue to drive demand for existing industrial buildings. Future opportunities may come in the form of redevelopment and re-use of space.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	9,350,000	120,000	52,000	10.2	25.80	–
2000	9,350,000	0	140,000	8.4	26.40	9.00
2001	9,350,000	0	178,000	7.6	28.40	8.40
2002	9,350,000	0	(171,000)	10.1	27.20	7.00
2003	9,350,000	0	(6,000)	10.2	29.10	8.80
2004	9,350,000	0	43,000	9.4	31.10	7.30
2005	9,731,000	381,000	179,000	11.0	30.40	6.10
2006	9,867,000	136,000	(39,000)	13.5	34.20	6.10
2007	10,104,000	237,000	65,000	14.9	35.40	5.10
2008	10,104,000	0	(43,000)	15.3	34.40	–

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	53,066,000	2,250,000	2,784,000	7.4	27.00	9.50
2000	53,566,000	500,000	1,786,000	4.6	24.70	9.20
2001	55,105,000	1,539,000	(385,000)	10.1	23.60	9.10
2002	56,432,000	1,327,000	(1,900,000)	12.8	22.50	9.20
2003	56,986,000	554,000	757,000	11.3	29.40	8.50
2004	57,241,000	255,000	102,000	11.6	32.90	6.90
2005	58,815,000	1,574,000	2,409,000	8.9	33.60	6.90
2006	61,492,000	2,677,000	1,220,000	11.1	35.90	6.10
2007	63,484,000	1,992,000	128,000	13.8	38.20	6.75
2008	65,689,000	2,205,000	(653,000)	17.4	38.30	7.40

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	164,715,000	11,380,000	7,102,000	7.9	7.20	–	–
2000	168,269,000	3,554,000	4,565,000	5.6	7.80	–	–
2001	171,706,000	3,437,000	2,363,000	8.2	7.50	8.50	8.75
2002	173,323,000	1,617,000	213,000	9.1	6.50	9.00	8.70
2003	175,339,000	2,016,000	684,000	9.8	7.60	5.50	8.20
2004	178,159,000	2,820,000	2,493,000	7.8	8.00	5.94	7.05
2005	180,781,000	2,622,000	3,423,000	6.8	8.50	12.90	5.65
2006	183,891,000	3,110,000	2,801,000	6.9	9.00	16.52	6.30
2007	186,857,000	2,966,000	(274,000)	8.3	8.64	12.50	–
2008	187,573,000	772,000	(580,000)	9.1	8.76	14.47	6.80

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (1.7)
- Change in Total Employment (000): (36.8)
  Percent Change: (2.8)
- Unemployment Rate: 8.1
- Population (000): 3,020.7

Source: Moody's Economy.com

San Francisco, CA

OFFICE

- The influx of unwanted space showed that downtown San Francisco employers were shedding workers and postponing expansion plans. The slowdown was felt most at the top of the market – financial services companies and law firms that occupy the city's most desirable suites.
- Shell space in San Francisco was likely not to move through the entire downturn because construction costs could not be justified.
- Tighter lending standards was a major constraint for the construction industry. And as the tough funding environment continued, construction projects were either sold off or delayed.
- Very few investment transactions closed in 2008 and the market saw offerings delayed or withdrawn as a result of decreased debt availability and more stringent lending practices.

Office Outlook

- With more leverage and choices than tenants have had in years including premium space that hedge funds and other financial service firms had bid up and monopolized in recent years, tenants will have plenty to choose from throughout 2009. Office space demand will be driven by leases rolling over, not by growth.
- The large number of leases rolling over next year will create headaches for landlords who would prefer to preserve lease rates signed a few years ago.
- The downturn will be mild compared with the dot-com crash of 2000. Sublease space will increase in 2009, but in comparison to the dotcom bust we are doing relative "well". We have a more diversified economic base this time around.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	73,406,000	525,000	2,634,000	2.6	45.10	–
2000	76,340,000	2,934,000	3,093,000	3.6	78.10	8.00
2001	78,513,000	2,173,000	(5,011,000)	13.5	40.90	9.00
2002	80,856,000	2,343,000	(1,137,000)	16.9	32.00	8.50
2003	81,081,000	225,000	138,000	16.9	29.10	8.00
2004	81,081,000	0	1,237,000	15.4	31.30	8.00
2005	80,831,000	(250,000)	1,700,000	13.2	35.40	7.00
2006	80,657,000	(174,000)	1,139,000	11.6	42.60	6.25
2007	81,068,000	411,000	1,665,000	9.9	55.80	5.80
2008	82,895,000	1,827,000	(590,000)	12.6	43.10	6.25

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (1.3)
- Change in Total Employment (000): (37.6)
  Percent Change: (3.8)
- Unemployment Rate: 6.7
- Population (000): 1,746.4

Source: Moody's Economy.com

San Francisco/San Mateo Peninsula, CA

OFFICE

- Overall office vacancy jumped from 11.3% at end of 2007 to end 2008 at 16.1%. Occupied space contracted by over 1 million SF.
- Asking rental rates edged up from $42.24 per SF to $43.08 per SF by year-end.
- Sublease space more than doubled over the past twelve months from 705,000 SF to 1.55 million SF, while direct vacant space increased nominally from 3.675 million SF at the beginning of 2008 to 3.745 million SF by year-end.
- PDL BioPharma placed 447,000 SF of sublease space on the market at 1400 & 1500 Seaport in Redwood City.

Office Outlook

- Meyers Development neared completions of the South Tower of Centennial Towers in South San Francisco and will add 333,000 SF of speculative Class A office space to the market.
- TMG Partners began construction on University Plaza in East Palo Alto and will deliver 183,000 SF Class A office building by 2010.
- Bay Meadows Station Phase 2 began construction with plans for 715,000 SF of Transit Oriented Development Class A office space.
- Hines gained City approval of Kenmark East/West, a 100,000 SF Class A office project at Delaware and Highway 92.
- Asking office rents began to soften in the fourth quarter of 2008 and are anticipated to continue declining into 2009 as sublease space availability increases.

INDUSTRIAL

- The overall industrial vacancy rose from 4.3% at the end of 2007 to end 2008 at 6.4%. Absorption was negative 496,000 SF.
- Overall R&D vacancy increased from 6.4% to 6.8% over the twelve months.
- R&D sublease space began to come to market as users shed space in order to conserve cash.
- Asking rents held steady at $11.76 per SF for industrial, decreasing for R&D from $23.40 per SF to $22.68 per SF.
- Centrum Properties and Angelo, Gordon & Co. purchased the SFO Logistics Center at 1070 San Mateo Avenue in South San Francisco, a 572,000 SF distribution facility, with plans for upgrades.
- Shorenstein Properties and SKS Investments purchased the Oyster Point Business Park at 375-389 Oyster Point Boulevard in South San Francisco, a 400,000 SF industrial/R&D flex park, with long term plans for redevelopment.

Industrial Outlook

- Construction continued on over 1 million SF of R&D life science sector space in South San Francisco and Brisbane markets, with planned occupancy of late 2009 into 2010.
- No major industrial or distribution facilities are in the development pipeline due to the high cost of land and lack of supply in the area.
- Initial plans to convert and/or assemble existing warehouse space to life science use have been suspended due to uncertainty in the credit market.
- The industrial and warehouse sector is expected to weather the market fairly well due to a lack of new supply but steady demand from users.

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	28,464,000	2,118,000	2,084,000	0.7	56.05	9.00
2000	31,042,000	2,578,000	3,215,000	2.6	70.90	8.00
2001	32,173,000	1,131,000	(4,363,000)	22.4	36.95	9.00
2002	32,663,000	490,000	(1,104,000)	28.3	28.45	9.00
2003	32,830,000	167,000	189,000	29.3	25.10	8.50
2004	32,830,000	0	644,000	25.4	24.70	7.70
2005	32,830,000	0	1,548,000	20.4	25.70	7.20
2006	32,830,000	0	710,000	15.8	29.60	6.50
2007	32,830,000	0	1,483,000	11.3	43.80	5.50
2008	33,149,000	319,000	(1,065,000)	16.1	39.20	5.50

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	40,751,000	100,000	297,000	1.8	9.60	–	8.70
2000	40,732,000	(19,000)	682,000	2.5	31.20	–	6.30
2001	40,732,000	0	(3,333,000)	9.8	10.10	–	7.50
2002	40,772,000	40,000	(1,877,000)	11.6	10.00	–	8.00
2003	40,772,000	0	436,000	10.6	8.60	60.00	7.60
2004	40,772,000	0	1,179,000	8.3	7.90	65.00	8.75
2005	40,772,000	0	1,051,000	6.2	9.25	73.00	8.40
2006	40,772,000	0	327,000	5.4	9.36	73.11	6.30
2007	40,772,000	0	602,000	4.3	10.80	70.00	5.75
2008	40,772,000	0	(496,000)	6.4	11.28	65.00	5.75

METROPOLITAN INDICATORS – 2009 (SAN FRANCISCO)

- Gross Metro Product Percent Change: (1.3)
- Change in Total Employment (000): (37.6)
  Percent Change: (3.8)
- Unemployment Rate: 6.7
- Population (000): 1,746.4

Source: Moody's Economy.com

SAN JOSE/SILICON VALLEY, CA

OFFICE

- Vacant space rose to over 8 million SF, a level of vacancy not seen since 2005. Demand for office space was slow in 2008 resulting in negative net absorption for the year.
- Rental rates increased dramatically in 2007 and continued in the first half of 2008, however, rents softened in the second half as the slowdown in demand placed downward pressure on lease rates.
- Landlords padded lower rates by offering more concessions like months of free rent. More "plug & play" spaces were available on the market.
- Brocade Communications Systems acquired 9.77 acres of land in San Jose and planned to construct a three-building 562,000 SF project. The firm had an option to purchase an adjacent four acres where an additional 320,000 SF can be built in the future.

Office Outlook

- In this economic environment, tenants will not make long term real estate decisions. There will be a rise in short-term renewals as tenants wait to see how their business gets through the uncertainty.
- Demand for office space will remain flat or slow down in 2009. Rents will follow suit to combat for occupancy.
- The City of Palo Alto adopted mandatory green building requirements for residential and commercial developments. This is the first city in Silicon Valley to implement such a mandate, but other cities will likely follow suit.
- Over 2.5 million SF of office space was under construction at year-end 2008 with most of the buildings coming available in 2009. The additional supply will drive down rates.

INDUSTRIAL

- Historically, the industrial and warehouse sectors of Silicon Valley have been tight, boasting tight vacancy rates under 5%. In 2008, the total amount of vacant industrial space in the market grew over 60%, while total vacant warehouse space grew over 30%.
- The R&D sector was the most active sector, but it was also the largest in the Valley. R&D vacancy fell under 12% at the end of 2007, and since then, it rose close to 13%.
- 2008's industrial and warehouse gross absorption totals mirrored 2007's totals, with the amount of new deals holding steady.
- R&D gross absorption in 2008 was much lower compared to 2007. Leasing activity slowed and large industrial deals were few and far between. 2007 saw over 12 million SF of gross absorption, while 2008 recorded a gross absorption total under 9 million SF.
- Warehouse rents remained flat, while industrial rents increased slightly. R&D rents fell 6% in 2008 after seeing a 30% spike in rents in 2007.

Industrial Outlook

- As R&D demand continues to fall, rents will fall too. The increase in sublease space will also add pressure to landlords to reduce their rents.
- Industrial and warehouse rents will remain flat through 2009 as activity will remain steady as it has done in the last three years.
- Venture capital investment in Silicon Valley took a dip during the second half of 2008 and sentiments are that investments will slow down.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	6,277,000	0	96,000	5.4	45.10	–
2000	6,277,000	0	260,000	1.2	60.00	9.00
2001	6,619,000	342,000	(151,000)	8.7	57.10	10.00
2002	6,619,000	0	(292,000)	13.2	39.30	10.00
2003	7,275,000	656,000	(77,000)	20.3	32.70	8.00
2004	7,275,000	0	(10,000)	20.6	33.00	8.00
2005	7,275,000	0	(286,000)	24.6	30.30	7.50
2006	7,275,000	0	310,000	20.0	30.40	6.25
2007	7,275,000	0	423,000	13.0	35.80	5.00
2008	7,275,000	0	(601,000)	20.5	40.80	–

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	42,778,000	1,704,000	1,455,000	4.6	42.40	9.50
2000	44,801,000	2,023,000	2,559,000	1.9	84.00	9.00
2001	48,293,000	3,492,000	(171,000)	10.7	42.20	10.00
2002	50,225,000	1,932,000	216,000	13.1	29.20	9.00
2003	50,534,000	309,000	(2,389,000)	17.3	25.90	8.50
2004	50,540,000	6,000	1,035,000	15.2	24.80	8.50
2005	50,554,000	14,000	1,875,000	11.5	27.20	8.50
2006	50,805,000	251,000	2,327,000	6.9	32.10	6.75
2007	50,875,000	70,000	(205,000)	8.1	41.00	5.70
2008	51,792,000	917,000	(2,185,000)	13.6	41.50	4.10

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	236,204,000	253,000	4,680,000	4.2	10.50	–	9.25
2000	241,192,000	4,988,000	11,230,000	1.3	8.40	–	9.00
2001	249,763,000	8,571,000	(7,312,000)	7.6	8.40	32.50	8.50
2002	252,093,000	2,330,000	(8,607,000)	11.7	4.30	35.00	8.00
2003	252,115,000	22,000	(12,987,000)	16.8	5.50	25.00	8.00
2004	252,196,000	81,000	951,000	16.4	5.20	25.00	7.00
2005	252,702,000	506,000	4,311,000	14.5	4.90	25.00	7.00
2006	252,743,000	41,000	5,333,000	12.2	5.11	30.00	6.25
2007	252,842,000	99,000	1,078,000	8.9	6.36	56.10	6.10
2008	252,966,000	124,000	(5,276,000)	10.6	6.60	78.40	6.40

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 0.8
- Change in Total Employment (000): (26.9)
  Percent Change: (3.0)
- Unemployment Rate: 8.2
- Population (000): 1,842.7

Source: Moody's Economy.com

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SANTA ROSA/SONOMA COUNTY, CA

OFFICE

- Local consumer and business confidence levels continued to decrease amidst the deepening national financial crisis.
- The unemployment rate in Sonoma County, a leading indicator of office vacancy rates, continued to rise: 6.2% in October, up from 4.4% a year ago.
- The Sonoma County office vacancy rate increased to 25.5% at the close of 2008.
- Average office asking rates declined to $23.52 per SF full service from $24.36 per SF at the end of 2007.
- Investment transaction activity declined at a faster rate than leasing activity given the uncertainty about the economy's future.
- Downsizing in the residential real estate industry was a leading contributor to the increasing vacancy rates.

Office Outlook

- A declining economic outlook will lead to an increase in office vacancy rates and a decrease in office asking rates.
- After being in negative territory since 2002, Sonoma County's annual net migration is expected to shift back to positive territory at a rate of 5,000 per year in 2010, 2011 and 2012, which portends business expansion.
- Voters approved SMART (the Sonoma-Marin Area Retail Transit project) a light railway system which is expected to be completed in 2014 and will transform transit in the North Bay.
- Sonoma County is well-positioned for the long term given the region's high level of skill in the workforce and high quality of life; however the current economic downturn is expected to continue for some time.

INDUSTRIAL

- Despite strong economic headwinds, the Sonoma County industrial market remained relatively stable throughout the first three quarters of 2008, however vacancy rates rose significantly in the fourth quarter to 12.1%.
- The wine industry had been one area of strength, particularly for larger warehouse leases, but it finally showed signs of weakness at the end of 2008. The asking rental rate for warehouse space remained relatively flat at $8.40 per SF triple net at year-end 2008, however negotiations leading to declining effective rates are becoming increasingly common in the current marketplace.
- The vacancy rate and rental rates remained relatively flat throughout 2008 with a 12.1% vacancy rate and $8.40 average lease rate per SF triple net at year-end 2008.
- Construction activity continued its downward trend as the median home price in Sonoma County continued to decline to $362,000 in October 2008, down 42% from its peak in 2005.
- Investment activity dramatically declined in recent quarters, as expected given the credit crisis. In an exception, one very large investment deal closed in the latter half of 2008 involving three buildings totaling approximately 270,000 SF at the Airport Area in Santa Rosa. The property sold for $30.5 million.

Industrial Outlook

- There are questions as to how long and how severe the economic downturn will prove to be for the industrial sector.
- Throughout Sonoma County, there are reasons for stability and optimism in certain areas such as technology, solar and green industries, yet clearly no sector of the economy will remain unscathed as this financial crisis deepens by the day.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	–	–	–	–	–	–
2000	–	–	–	–	–	–
2001	–	–	–	–	–	–
2002	–	–	–	–	–	–
2003	–	–	–	–	–	–
2004	–	–	–	–	–	–
2005	–	–	–	–	–	–
2006	–	–	–	–	–	–
2007	–	–	–	–	–	–
2008	1,085,000	0	45,000	10.6	22.70	–

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	–	–	–	–	–	–	–
2000	–	–	–	–	–	–	–
2001	–	–	–	–	–	–	–
2002	–	–	–	–	–	–	–
2003	–	–	–	–	–	–	–
2004	–	–	–	–	–	–	–
2005	–	–	–	–	–	–	–
2006	–	–	–	–	–	–	–
2007	–	–	–	–	–	–	–
2008	20,374,000	117,000	(171,000)	12.1	8.40	15.00	6.73

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	–	–	–	–	–	–
2000	–	–	–	–	–	–
2001	–	–	–	–	–	–
2002	–	–	–	–	–	–
2003	–	–	–	–	–	–
2004	–	–	–	–	–	–
2005	–	–	–	–	–	–
2006	–	–	–	–	–	–
2007	–	–	–	–	–	–
2008	8,666,000	33,000	(198,000)	27.4	24.70	6.45

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (1.0)
- Change in Total Employment (000): (4.2)
  Percent Change: (2.2)
- Unemployment Rate: 7.3
- Population (000): 471.6

Source: Moody's Economy.com

Seattle/Puget Sound, WA

OFFICE

- During 2008, 918,000 SF of new construction was delivered to the downtown with nearly half of the product pre-leased. 2001 was the last year to see such a high level of new construction with nearly two million SF delivered.
- ShareBuilder signed a 117,000 SF lease at the 83 King Building with plans to occupy the space by March 2009.
- Pemco signed and occupied nearly 50,000 SF at Redstone Corporate Center I in the Lynnwood submarket. Lynnwood continued to show signs of positive growth with 135,000 SF absorbed at year-end 2008.
- Northend vacancy rates fell nearly 3.5 percent across the market since fourth quarter of 2007.
- The Eastside added 1.8 million SF to Puget Sound in 2008. Notable projects included Tower 333 of 396,000 SF in the Bellevue CBD and Advanta Buildings A, B and C totaling 596,000 SF, occupied by Microsoft in the I-90 submarket. T-Mobile leased 175,000 SF at Canyon Pointe in the Bothell submarket.

Office Outlook

- Puget Sound's vacancy rates are expected to post below national averages during 2009 due in part to the large amount of technology-based companies with flagship locations in the Puget Sound.
- Expect landlords to offer more concessions before rates drop significantly as the market adjusts to a downshifting economy.
- Seventy-two percent of the 1.8 million square feet of expected 2009 deliveries in the Eastside are pre-leased.
- 2009 may be a slow period for the office leasing and sales market due to the economy; however, it is an excellent opportunity for investors to pick up prime property at a reduced price.

INDUSTRIAL

- Pierce County finished the year with 454,800 SF of absorption and 10.2% vacancy. The new IKEA Distribution Center in Fredrickson was the highlight with all 800,000 SF of its space occupied by the Swedish company.
- The Eastside ended the year with 258,000 SF of absorption, markedly improved from last year's negative 34,300 SF. This market remained strong due to the lack of remaining sites and limited new construction.
- South Everett projects included the 218,000 SF Columbia Pacific building and the Everett Commerce Center Building A of 100,000 SF of warehouse space.
- Despite posting 137,000 SF of negative absorption in the fourth quarter, the Kent Valley absorbed 191,000 SF in 2008. USPS leased 200,000 SF of warehouse space at the Olympic Steamship Building. SeaTac posted the highest year-end vacancy rate at 13.2%.
- Seattle Iron & Metal signed a 141,000 SF lease at the Water Tower building in the 'South of Spokane Street' submarket.
- Manufacturing buildings were still the tightest industrial product with 1.92% vacancy in Seattle's close-in market.

Industrial Outlook

- With developers and investors facing tight lending opportunities, 2009 may see many of the proposed projects placed on tentative hold.
- Manufacturing and distribution vacancy rates are expected to remain low in the 3% range. The high-tech vacancy rate is due to rise from the 13.8% registered at year-end 2008.
- With a lack of financing for new construction and few remaining industrially-zoned parcels of land, the Northend submarket should continue to show strength in a weak economy.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	30,934,000	428,000	741,000	2.5	32.00	–
2000	32,865,000	1,931,000	1,819,000	3.5	37.00	8.50
2001	34,852,000	1,987,000	(1,405,000)	12.6	35.00	8.25
2002	35,705,000	853,000	(45,000)	14.6	29.50	8.25
2003	36,550,000	845,000	311,000	15.3	26.30	8.00
2004	36,638,000	88,000	(167,000)	15.2	25.80	7.00
2005	36,638,000	0	763,000	12.8	25.20	6.50
2006	36,823,000	185,000	1,487,000	8.5	27.50	6.50
2007	37,215,000	392,000	471,000	8.4	32.30	5.80
2008	38,133,000	918,000	337,000	9.6	36.20	–

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	199,393,000	5,292,000	607,000	4.7	4.90	–	–
2000	200,109,000	716,000	643,000	5.2	4.60	–	–
2001	203,219,000	3,110,000	(4,646,000)	8.6	5.50	8.00	8.00
2002	204,368,000	1,149,000	(2,380,000)	10.4	5.50	9.70	8.00
2003	205,216,000	848,000	(1,057,000)	11.1	5.50	8.00	8.00
2004	208,340,000	3,124,000	6,496,000	9.3	5.50	6.00	7.85
2005	218,369,000	10,029,000	8,102,000	7.4	5.60	6.75	6.50
2006	222,588,000	4,219,000	5,595,000	6.5	6.36	7.50	6.50
2007	228,370,000	5,782,000	5,736,000	6.2	6.48	11.46	6.54
2008	229,726,000	1,356,000	2,864,000	5.9	6.57	15.49	7.90

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	41,619,000	3,943,000	1,670,000	6.7	22.50	–
2000	44,201,000	2,582,000	3,769,000	5.3	24.00	9.50
2001	47,739,000	3,538,000	(1,222,000)	15.6	25.00	9.50
2002	48,832,000	1,093,000	166,000	17.5	23.00	9.50
2003	49,042,000	210,000	(90,000)	17.6	22.90	8.75
2004	49,113,000	71,000	965,000	15.4	23.60	7.00
2005	49,509,000	396,000	2,031,000	12.0	21.80	6.50
2006	49,559,000	50,000	779,000	10.6	26.00	6.25
2007	51,869,000	2,310,000	1,300,000	11.0	31.00	5.26
2008	53,956,000	2,087,000	401,000	13.4	27.70	–

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 2.6
- Change in Total Employment (000): 1.2
  Percent Change: 0.1
- Unemployment Rate: 6.6
- Population (000): 2,611.1

Source: Moody's Economy.com

St. Louis, MO

OFFICE

- Office absorption was positive throughout 2008 totaling 766,000 SF, about half of the 2007 total.
- Positive suburban absorption was partially offset by negative absorption in suburban markets.
- Suburban Class A space ended 2008 at 6.7% vacant, its lowest level since 1998.
- 2008 new construction added 664,000 SF, half of it build-to-suit; speculative buildings were 34% occupied.
- Sublease space availability increased, but remained far below levels following the 2000-2001 recession.

Office Outlook

- St. Louis' office projects under construction are dominantly build-to-suit, with the largest serving expanding businesses in the health care industry.
- Reconstruction of Highway 40/I-64 reached the halfway point and will be completed in 2009, improving access to Clayton and Downtown St. Louis.
- Centene Corporation, a healthcare services provider, plans to build a 545,000 SF headquarters in Clayton with completion expected in late 2010.
- Build-to-suits projected for 2009 completion include an additional 181,000 SF for Express Scripts and 146,000 SF for Elsevier medical book publisher.
- Downsizing due to the merger of Anheuser-Busch and InBev is expected to return significant space to the market in the South St. Louis County area.

INDUSTRIAL

- Industrial construction totaled over 2.6 million SF in 2008, of which over 1.6 million SF was modern bulk space.
- 2008 absorption was positive at 1,346,000 SF, although the great majority of the total occurred in the first half of the year.
- The 1.3 million SF of speculative space completed in 2008 was 96% vacant at year-end.
- Acquisition of St. Louis-based May Company by Macy's resulted in Macy's planned disposition of one of May's large St. Louis warehouse buildings.
- Procter and Gamble doubled its distribution center in Illinois to 1.2 million SF.
- Worldwide Technology moved from a half million SF facility in Illinois to one of 712,000 SF.
- Land prices decreased significantly in 2008 as home building slowed and speculative construction declined.
- Industrial space under construction at year-end totaled 1.1 million SF – only 140,000 SF was being built speculatively.
- Panattoni Development Company purchased and demolished the 2.75 million SF former Ford plant and planned approximately 2.6 million SF of warehouse, distribution and light industrial space on the 155-acre site.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	11,780,000	165,000	153,000	12.8	18.50	10.50
2000	11,825,000	45,000	153,000	11.9	20.00	10.50
2001	11,825,000	0	(241,000)	13.9	19.50	10.50
2002	11,823,000	(2,000)	(531,000)	18.4	18.80	10.50
2003	11,827,000	4,000	(320,000)	21.1	18.80	10.50
2004	11,631,000	(196,000)	(158,000)	21.1	18.50	10.50
2005	11,584,000	(47,000)	(3,000)	20.9	19.30	8.00
2006	11,555,000	(29,000)	178,000	19.1	20.60	7.75
2007	11,521,000	(34,000)	(104,000)	19.8	20.60	9.00
2008	11,552,000	31,000	(114,000)	21.0	20.60	9.75

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	220,973,000	4,608,000	4,061,000	3.1	4.25	–	9.50
2000	224,576,000	3,603,000	1,348,000	4.0	5.00	–	9.50
2001	230,299,000	5,723,000	(1,014,000)	6.8	4.00	2.75	10.00
2002	232,602,000	2,303,000	1,360,000	7.1	3.30	3.50	9.50
2003	233,472,000	870,000	472,000	7.2	3.50	4.50	9.25
2004	236,914,000	3,442,000	4,478,000	6.7	3.50	3.50	8.50
2005	238,135,000	1,221,000	1,401,000	5.6	3.75	3.25	8.00
2006	240,594,000	2,459,000	(1,865,000)	7.4	4.00	3.85	7.50
2007	242,752,000	2,158,000	2,376,000	7.2	4.00	3.50	6.90
2008	242,100,000	(652,000)	1,346,000	6.4	3.50	4.00	8.00

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	29,326,000	1,844,000	1,427,000	6.8	26.30	10.00
2000	30,945,000	1,619,000	1,329,000	7.4	25.50	10.50
2001	33,622,000	2,677,000	786,000	12.4	24.50	10.75
2002	34,540,000	918,000	345,000	13.7	24.50	10.75
2003	35,691,000	1,151,000	242,000	15.9	23.50	10.25
2004	35,613,000	(78,000)	422,000	14.5	23.00	9.75
2005	36,217,000	604,000	1,006,000	13.3	23.00	7.50
2006	36,629,000	412,000	927,000	11.6	23.00	7.50
2007	37,531,000	902,000	1,563,000	9.6	23.00	7.50
2008	38,232,000	701,000	880,000	8.9	26.00	8.75

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 1.2
- Change in Total Employment (000): (15.9) Percent Change: (1.2)
- Unemployment Rate: 7.6
- Population (000): 2,842.7

Source: Moody's Economy.com

STOCKTON, CA

OFFICE

- Erosion in the job market slowed demand for office space. Job cuts since the beginning of the year brought more vacant space into the market.
- Rents were down somewhere between 10% and 30%. Vacancy rates rose to as much as 18% in some submarkets.
- Transactions were curtailed or abandoned altogether. As the year wore on, it became more difficult to imply any "sense of urgency". Many firms opted to downsize, and sublease opportunities grew significantly for the first time in many years.

Office Outlook

- Vacancy as well as the downward adjustment of rents is expected to plateau sometime between the end of the first quarter and the beginning of the third quarter of 2009.
- Decisions held off throughout 2008 will need to be addressed. Lease expirations, long holdovers and forward planning (even if it includes downsizing) will bring new deals.
- Tenants will be more conscientious about how much space to take and how much capital to invest. Existing Class B office users may move up to Class A if the rates and terms are near identical. Medical, governmental and private vocational training entities will remain strong.
- New construction will be limited to medical, governmental and vocational training entities. There will be continued pressure on local governments to re-evaluate recently increased fees for permits. As long as the fees are cost-prohibitive, construction will lag behind the recovery locally.

INDUSTRIAL

- Almost 5.4 million SF of industrial buildings completed construction in 2008 with an additional 2.6 million SF scheduled to be completed the first quarter of 2009.
- By year-end, asking lease rates for institutional buildings began to adjust to the lower demand.
- Sears & Roebuck Company occupied a 780,400 SF building at the ProLogis Duck Creek in Stockton.
- San Joaquin County's Enterprise Zones were renewed by the State of California, providing state tax credits and other incentives to attract businesses in attempts to bring jobs to the area.
- Industrial condo units and light industrial space experienced the greatest increase in vacancy - much of which was tied to the correction to the home building industry.
- Investors sat on the sidelines during 2008 looking for the market to find the bottom. Liquid buyers with cash on hand were in an advantageous position and looked for distressed properties with large upside potential.

Industrial Outlook

- Construction will slow significantly in 2009. Speculative development is expected to halt until market conditions improve.
- Distribution-related companies and investor/developers will continue to look beyond Southern California and the Bay Area for locations to increase capacity and manage land acquisition costs.
- Industrial cap rates will inch up throughout 2009. Seller financing and creative leasing agreements will increase as owners adjust to attract deals. Owners and tenants alike will entrench to weather the economic conditions in 2009.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	6,750,000	–	–	–	–	–
2000	6,750,000	–	–	–	–	–
2001	6,750,000	–	–	–	–	–
2002	6,750,000	–	–	–	–	–
2003	6,750,000	–	–	–	–	–
2004	6,750,000	–	–	–	–	–
2005	6,750,000	–	–	–	–	–
2006	6,750,000	–	–	–	–	–
2007	6,881,000	131,000	0	16.6	19.00	–
2008	7,277,000	396,000	154,000	18.6	20.60	8.75

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	–	–	–	–	–	–	–
2000	–	–	–	–	–	–	–
2001	–	–	–	–	–	–	–
2002	–	–	–	–	–	–	–
2003	–	–	–	–	–	–	–
2004	–	–	–	–	–	–	–
2005	–	–	–	–	–	–	–
2006	–	–	–	–	–	–	–
2007	81,413,000	2,861,000	117,000	11.7	4.08	6.00	7.00
2008	86,789,000	5,376,000	4,483,000	12.1	3.84	6.00	8.00

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (1.4)
- Change in Total Employment (000): (5.4)
  Percent Change: (2.6)
- Unemployment Rate: 13.3
- Population (000): 696.8

Source: Moody's Economy.com

TAMPA BAY, FL

OFFICE

- Class A office properties ended 2008 with a 15.7% vacancy rate, an increase over the 2007 year-end rate of 12.0%.
- Despite lackluster demand in 2008, nearly 1.4 million SF of new building supply was completed. By year-end these new buildings had a 55% vacancy rate.
- Thirty-two blocks of contiguous space of 50,000 SF and larger were available at year-end, compared to 21 spaces at the end of 2007.
- Larger office leases included several universities leasing space in multi-tenant office buildings located in the I-75 Corridor. Corinthian Colleges Inc. leased 114,600 SF, Nova Southwestern University leased 83,400 SF, and Remington College leased 42,000 SF.
- Asking direct lease rates decreased throughout 2008 ending the year at $21.02 per SF, compared to $21.32 at year-end 2007.

Office Outlook

- Local unemployment rates will likely continue to increase through mid-year 2009 due to the overall slowdown of the economy.
- Overall office lease rates will likely continue to decrease moderately until at least mid-year due to lackluster demand for office space.
- Year-end 2008 office space under construction totaled 430,700 SF. Only two properties were over 50,000 SF in size. This lower pipeline total may help moderate vacancy increases in 2009.
- Future tenants to lease multi-tenant office space may include private universities and healthcare providers, as education and healthcare are the few industries that have continued to grow in the current economic climate.

INDUSTRIAL

- Nearly every submarket was affected by the slowdown in demand but the Polk County area had the strongest absorption in the region, measuring 1,771,500 SF annual absorption in 2008.
- Despite the lack of demand, new construction had a relatively high total of 3,080,000 SF. While lower than the 2007 new supply of 4.2 million, the 2008 total was nearly the same as 2006. The new supply had a vacancy rate of 51%.
- Polk County new construction decreased dramatically to 726,000 SF in 2008, compared to nearly 2.1 million in 2007. This new supply had only a 9% vacancy rate by year-end. Meanwhile, the East Side Tampa submarket recorded new supply of 1.7 million – 71% of which was vacant at year-end.
- The larger industrial lease transactions in 2008 all took place in Polk County. HH Gregg Co. leased 282,000 SF, Kuehne + Nagel leased 140,900 SF, Pepsi Bottling Co. leased 109,200 SF, Land O'Lakes Purina Feed leased 104,000 SF, PCA leased 100,000 SF, GTech Corp. leased 98,000, and Mattress Giant leased 83,900 SF.
- Asking lease rates decreased sharply in 2008. Warehouse rates ended 2008 at $5.51 per SF, compared to $5.92 per SF at year-end 2007. Flex rates also fell from $9.98 per SF to $9.54 per SF over the year.

Industrial Outlook

- Vacancy will likely continue to increase throughout much of 2009 along with decreased net absorption and decreased asking lease rates.
- Current buildings under construction total 986,000 SF.
- New construction starts are anticipated to be slower throughout 2009 which may help to moderate vacancy.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	8,430,000	0	93,900	10.8	20.30	–
2000	8,430,000	0	(177,300)	12.9	20.70	9.25
2001	8,430,000	0	(113,000)	14.3	20.30	9.25
2002	8,430,000	0	(111,700)	15.6	20.20	9.00
2003	8,441,200	11,200	43,800	15.3	19.80	9.00
2004	8,441,200	0	33,500	14.9	20.40	8.50
2005	8,473,300	32,100	102,500	14.0	20.10	8.00
2006	8,473,300	0	(8,800)	14.1	21.40	8.00
2007	8,499,000	25,700	54,800	13.8	22.60	7.25
2008	8,499,000	0	(77,900)	14.7	22.50	8.00

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	175,703,000	968,200	–	4.0	4.50	–	–
2000	179,811,300	4,108,300	2,163,200	5.0	4.70	–	–
2001	184,261,100	4,449,800	1,864,400	6.3	4.50	2.00	–
2002	185,953,800	1,692,700	1,647,900	6.3	4.20	2.50	9.38
2003	187,804,600	1,850,800	2,007,300	6.1	4.30	3.90	9.00
2004	188,769,400	964,800	1,110,700	6.0	4.30	5.00	8.50
2005	190,868,700	2,099,300	2,489,400	5.7	4.60	5.00	8.50
2006	194,067,200	3,198,500	5,077,200	4.7	5.50	5.50	8.00
2007	198,279,500	4,212,300	1,580,300	5.9	5.90	5.50	7.75
2008	201,359,000	3,079,500	(745,600)	7.8	5.50	4.75	8.13

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	57,572,900	2,557,000	816,900	7.3	20.50	–
2000	59,907,700	2,334,800	331,400	10.4	21.40	9.25
2001	61,854,800	1,947,100	547,300	12.4	20.60	10.00
2002	62,511,900	657,100	967,600	11.7	20.00	10.50
2003	63,674,000	1,162,100	789,500	12.1	20.70	8.50
2004	65,329,200	1,655,200	1,534,500	12.0	20.80	8.50
2005	66,511,400	1,182,200	2,130,200	10.3	21.30	7.75
2006	67,582,000	1,070,600	1,988,800	8.8	24.00	7.85
2007	68,989,500	1,407,500	(3,900)	10.8	24.60	7.25
2008	70,379,000	1,389,500	(762,400)	13.7	24.70	7.75

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: (0.5)
- Change in Total Employment (000): (43.4)
  Percent Change: (3.4)
- Unemployment Rate: 8.1
- Population (000): 2,762.5

Source: Moody's Economy.com

Washington, DC

OFFICE

- The Washington DC metro continued to experience positive job growth with a third of the growth related to the Federal Government which kept office market conditions relatively healthy.
- DC became a tenant's market as landlords offered increasingly aggressive deals, although asking rents remained flat compared to a year ago at $47 per SF. Tenant improvements nearly doubled, and six to nine months of free rent became the norm.
- Renewal activity nearly doubled as tenants were reluctant to make any bold moves until the economy showed signs of stabilization.
- One interesting trend that emerged in 2008 is that the Federal Government made significant deals in the non-core DC markets, including the Department of Justice signing for 521,000 SF in the North of Massachusetts submarket.

Office Outlook

- With 8.2 million SF scheduled to deliver through 2010 and only 25% pre-leased at year-end, the District has a significant amount of new supply in the pipeline that it will need to work off.
- The Federal Government will be very active both in terms of growth related to the financial crisis as well as a significant number of leases expirations which will help absorb some of the excess space.
- DC is expected to continue adding jobs throughout 2009 and 2010, with significant growth continuing to come from the Federal Government and Government contractors.
- Vacancy is anticipated to rise over the next two years – spiking in the non-core markets outside of the CBD and East End. Absorption should remain positive, and net effective rents to soften further until excess supply is absorbed.

INDUSTRIAL

- The Washington metro industrial market finished the year with a vacancy rate of 11.7% - a 170 basis point increase from 2007.
- Over 3 million SF of new industrial space was delivered to the market in 2008, relatively consistent compared to new supply in the past years.
- As of the fourth quarter, there was 5.8 million SF of industrial product under construction, 18 % of which was pre-leased.
- Asking rents for available flex space averaged $13.25 per SF, while asking rents for warehouse space averaged $8.48 per SF at year-end 2008.

Industrial Outlook

- With 5.8 million SF under construction and reduced demand for industrial product, the vacancy rate will continue to rise in 2009.
- A slowdown in market activity this year caused landlords to drop rents in the Washington metro. Overall, asking rents declined nearly 6 % in 2008. Minimal rental growth should be expected next year until leasing activity begins to pick up.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	89,686,000	1,598,000	1,979,000	5.7	39.10	8.55
2000	91,297,000	1,611,000	2,774,000	4.0	39.40	9.00
2001	95,502,000	4,205,000	2,223,000	5.3	40.75	9.20
2002	97,210,000	1,708,000	209,000	6.4	41.90	8.00
2003	99,853,000	2,643,000	911,000	7.2	42.20	8.00
2004	101,520,000	1,667,000	1,667,000	7.5	43.20	7.00
2005	104,291,000	2,771,000	1,809,000	7.2	44.10	5.95
2006	109,069,000	4,778,000	3,213,000	7.1	46.70	5.80
2007	111,863,000	2,794,000	1,489,000	7.4	51.00	6.00
2008	113,523,000	1,660,000	755,000	7.8	50.20	6.30

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	–	–	–	–	–	–	–
2000	174,381,000	2,700,000	1,400,000	6.1	–	–	–
2001	177,728,000	3,347,000	21,000	8.5	6.70	5.00	10.20
2002	179,492,000	1,764,000	(2,999,000)	10.2	7.50	6.00	10.50
2003	181,933,000	2,441,000	656,000	11.2	7.20	5.00	9.00
2004	184,692,000	2,759,000	3,438,000	10.6	8.80	5.50	8.00
2005	188,687,000	3,995,000	3,027,000	9.2	7.80	6.00	7.75
2006	191,948,000	3,261,000	2,095,000	9.4	8.38	6.23	7.00
2007	194,787,000	2,839,000	1,014,000	10.0	7.84	–	7.80
2008	197,802,000	3,015,000	(1,060,000)	11.7	8.48	–	7.50

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 0.8
- Change in Total Employment (000): (16.0)
  Percent Change: (0.7)
- Unemployment Rate: 5.6
- Population (000): 4,255.4

Source: Moody's Economy.com

WASHINGTON, DC

OFFICE

Washington, DC – Northern Virginia

- Northern Virginia experienced a tepid year. Absorption registered just over 1.2 million SF - less than half of the ten-year annual average, and vacancy rose by 200 basis points to 12.9% over twelve months.
- In addition to the vast presence of the Federal Government and related industries which drove the market, large corporations such as Time Warner, Volkswagen and IBM continued to exhibit support to the region by taking large long-term leases in new office product.
- The development pipeline slowed dramatically from the frenzy of speculative building that accounted for more than 12 million SF of new space added to the market since 2006.
- Office sales fell dramatically from $7.25 billion last year to $775 million this year.

Washington, DC – Northern Virginia Office Outlook

- The construction pipeline slowing down over the next two years will relieve the upward pressure on vacancy caused as a result of the new office supply since 2006. Over the next two years, only 1.8 million SF of new product is scheduled to be delivered.
- The Federal Government will be very active over the next two years and the allocation of funds for the Department of Defense will affect the future of the office market.
- Job growth will remain positive into 2010 due to growth in government which will absorb some of the new vacant space.
- Outside the Beltway, vacancy will continue to rise in the near term and asking rents will fall as supply is high and demand is waning. Inside the Beltway vacancy should stay relatively flat but rents are expected to drop slightly as landlords offer less in concessions.

Washington, DC – Suburban Maryland

- Year-over-year vacancy inched up from 10.9% at year-end 2007 to 11.0% at year-end 2008. For the past ten years, vacancy hovered around 10% so this marked an increased amount of empty office space well up from historic averages.
- Similar to 2007, the rise in vacancy was attributed to the delivery of available space to the market and numerous private sector tenants downsizing throughout the market.
- In 2008, 922,000 SF of new office space was added in suburban Maryland, below the ten-year average of 1.2 million SF per annum.
- National Harbor, a $2.1 billion mixed-use waterfront destination, began delivering buildings in the Spring of 2008. The project will total over 7 million SF on 300-acres along the Potomac River.

Washington, DC – Suburban Maryland Office Outlook

- Government activity was minimal in 2008, however, the new administration is likely to fuel additional spending for life sciences in the future which should function as a demand driver for space in the health/medical sector.
- 1.8 million SF of office space is under construction and scheduled to deliver in 2009, 25 % pre-leased at year-end. The additional space paired with a reduction in demand will cause vacancy to remain on the rise throughout the year.
- Renewals and short-term leases will continue to be a popular option in 2009. Recessionary conditions have caused numerous tenants to downsize and to enter into a "wait and see mode" in hopes that rental rates will decline further. A rise in the amount of sublet space on the market is anticipated for 2009.

NORTHERN VA OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	108,414,000	10,036,000	8,642,000	4.9	30.50	10.05
2000	116,692,000	8,278,000	10,212,000	3.1	35.00	10.20
2001	125,514,000	8,822,000	(5,479,000)	14.2	34.00	10.80
2002	131,549,000	6,035,000	(34,000)	18.2	28.00	9.75
2003	133,486,000	1,937,000	3,068,000	16.3	26.75	8.75
2004	136,467,000	2,981,000	6,057,000	12.8	28.85	8.50
2005	138,639,000	2,172,000	3,920,000	10.6	30.30	7.50
2006	142,170,000	3,531,000	2,973,000	10.3	32.50	6.25
2007	145,258,000	3,088,000	1,971,000	11.3	30.60	5.70
2008	150,218,000	4,960,000	1,239,000	12.9	30.40	–

SUBURBAN MD OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	60,556,000	1,432,000	2,099,000	8.3	–	9.15
2000	62,667,000	2,111,000	3,008,000	6.0	32.00	9.25
2001	65,397,000	2,730,000	(242,000)	11.7	31.00	10.50
2002	67,802,000	2,405,000	313,000	15.7	28.50	9.00
2003	69,097,000	1,295,000	(27,000)	17.3	26.50	8.75
2004	70,448,000	1,351,000	2,743,000	13.6	26.10	7.50
2005	70,721,000	273,000	1,020,000	9.7	26.30	7.25
2006	71,330,000	609,000	339,000	9.9	27.20	6.50
2007	72,576,000	1,246,000	732,000	10.9	28.80	7.00
2008	73,498,000	922,000	(990,000)	11.0	30.50	6.60

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 0.8
- Total Employment Increase/Decrease: (16.0)
  Percent Change: (0.7)
- Unemployment Rate: 5.6
- Population (000): 4,255.4

Source: Moody's Economy.com

West Palm Beach, FL

OFFICE

- The Palm Beach market had a potential long-term growth driver in the biotech industry which was spurred by tax incentives and grants. The Scripps Research Institute planned the move into an expanded 350,000 SF facility in the Jupiter submarket for early 2009. The Max Planck Institute, the world's largest non-university R&D institution, committed to build a facility adjacent to the Scripps facility.
- At year-end 2008, the Palm Beach County office market exhibited absorption of 237,000 SF and a vacancy rate of 18.6%.
- There was over 1.7 million SF of new supply delivered to the Palm Beach County office market, mostly in the West Palm Beach and Boca Raton submarkets. This was significantly higher than the new supply added to the market in 2007, around 700,000 SF.
- The largest delivery in 2008 was the 296,000 SF CityPlace Tower in the CBD. The building was 65% pre-leased at year-end 2008.

Office Outlook

- Demand for office space will continue to sputter in the coming year as some of the larger submarkets like the West Palm Beach CBD, Palm Beach Gardens and Boca Raton rely heavily on the financial services industry to provide a solid tenant base.
- Office construction in Palm Beach County will be limited given the large amount of available supply currently on the market.
- The prevalence of rent concessions should continue to rise into 2009 due to the abundance of available space on the market. As a result, there will be downward pressure on rental rates.
- Sublet space availability in the Palm Beach office market should increase as office tenants look to downsize and consolidate their space.

INDUSTRIAL

- Absorption in 2008 was negative for the third consecutive year. This resulted from an influx of close to 1.2 million SF of new industrial space in 2008, as well as waning demand, particularly in the fourth quarter.
- Construction activity in the Palm Beach industrial market grounded to a halt with virtually no projects under construction at year-end.
- The largest sales transaction of the year involved the sale of the 347,500 SF Florida Atlantic University Research Park to HDG Mansur Capital Group LLC for $100 million, or about $288 per SF. The research park, located in Boca Raton, was home to close to thirty tenants specializing in the biotech industry.
- Asking rents for industrial space declined throughout 2008 and averaged $8.83 per SF triple net. However, Palm Beach still had the highest industrial rates of the three South Florida counties (Miami-Dade, Broward and Palm Beach).

Industrial Outlook

- The Palm Beach industrial market stands to benefit from the emerging biotech industry. The establishment of the Scripps and Max Planck Research Institutes will create high-paying jobs and may increase demand for R&D space in the area from other biotech companies.
- With a lack of new construction in the pipeline, vacancy should come down once demand begins to pick up again. Sales activity was down significantly in 2008 and should continue its sluggish pace into 2009 due to the state of the capital markets.
- Job losses may increase into 2009 under the weight of a correcting housing market and tightening capital markets, and demand for industrial space will continue to be negatively impacted.

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	7,660,000	–	–	–	–	–
2000	7,725,000	65,000	(176,000)	10.4	29.90	–
2001	8,233,000	508,000	415,000	14.6	28.40	–
2002	8,233,000	0	(26,000)	13.3	30.30	–
2003	8,273,000	40,000	(37,000)	13.8	30.00	–
2004	8,291,000	18,000	311,000	10.8	27.80	–
2005	8,325,000	34,000	281,000	8.7	30.20	–
2006	8,345,000	20,000	638,000	8.9	35.10	4.80
2007	8,393,000	48,000	(242,000)	9.6	34.20	6.10
2008	8,789,000	396,000	(199,000)	19.2	40.20	–

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)	Cap Rate (%)
1999	20,790,000	–	–	–	–	–
2000	21,625,000	835,000	831,000	8.7	27.20	–
2001	22,238,000	613,000	(226,000)	14.0	28.60	–
2002	22,378,000	140,000	(286,000)	13.0	27.60	–
2003	22,817,000	439,000	421,000	12.7	27.60	–
2004	23,070,000	253,000	932,000	10.5	25.80	–
2005	23,296,000	226,000	377,000	7.6	24.80	–
2006	23,858,000	562,000	641,000	9.1	28.00	6.20
2007	24,488,000	630,000	(786,000)	14.8	30.80	6.30
2008	25,868,000	1,380,000	436,000	18.3	32.90	7.70

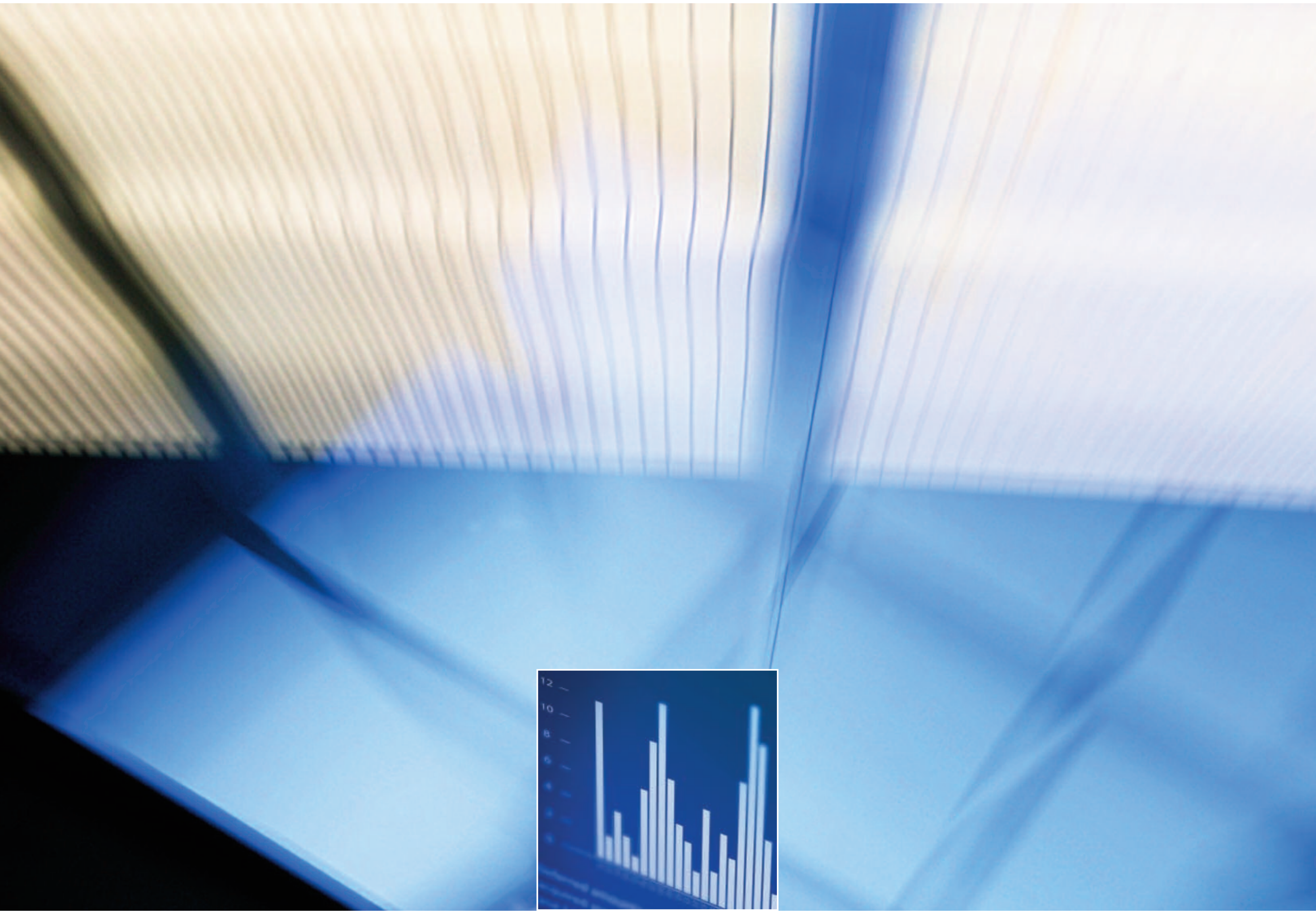
INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	–	–	–	–	–	–	–
2000	46,493,000	773,000	(45,000)	6.1	6.50	–	–
2001	47,213,000	720,000	229,000	6.1	6.80	–	–
2002	47,572,000	359,000	154,000	6.3	6.40	11.00	–
2003	48,586,000	1,014,000	(103,000)	8.6	6.70	10.00	–
2004	49,309,000	723,000	643,000	6.4	6.70	8.00	–
2005	50,055,000	746,000	1,868,000	3.4	7.00	11.00	–
2006	50,613,000	558,000	(116,000)	4.4	8.44	20.00	5.50
2007	50,941,000	328,000	(897,000)	6.6	9.25	12.88	6.30
2008	52,126,000	1,185,000	(154,000)	9.0	8.86	13.00	6.60

METROPOLITAN INDICATORS – 2009

- Gross Metro Product Percent Change: 0.0
- Change in Total Employment (000): (14.8)
  Percent Change: (2.6)
- Unemployment Rate: 8.4
- Population (000): 1,292.5

Source: Moody's Economy.com



U.S. National Markets Appendices

COLLIERS INTERNATIONAL

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U.S. OFFICE MARKET

DOWNTOWN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)
1999	1,441,489,100	9,706,100	18,424,000	7.3	36.81
2000	1,456,971,000	15,481,900	24,207,000	7.2	42.83
2001	1,468,417,400	11,446,400	(54,207,226)	11.6	38.10
2002	1,487,491,800	19,074,400	(15,224,274)	13.7	33.20
2003	1,502,766,900	15,275,100	5,220,659	14.3	32.00
2004	1,513,384,200	10,617,300	13,311,958	14.2	33.25
2005	1,524,785,300	11,401,100	28,103,421	12.8	34.69
2006	1,535,013,300	10,228,000	32,174,654	11.4	41.09
2007	1,547,369,000	12,355,700	21,556,600	10.8	48.58
2008	1,556,702,000	9,333,000	(13,877,900)	12.1	45.90

Source: Colliers Research Services

SUBURBAN OFFICE

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Class A Rent ($PSF)
1999	2,715,171,100	112,414,800	83,100,863	8.6	26.53
2000	2,811,818,200	96,647,100	95,071,879	8.4	27.23
2001	2,927,012,800	115,194,600	(22,114,240)	13.7	26.40
2002	2,995,397,900	68,385,100	(13,612,503)	15.7	23.90
2003	3,032,390,000	36,992,100	23,648,231	16.1	23.60
2004	3,069,891,200	37,501,200	65,527,058	14.8	23.48
2005	3,106,831,700	36,940,500	78,186,143	13.0	24.04
2006	3,154,423,300	47,591,600	63,354,635	12.4	25.83
2007	3,216,228,500	61,805,200	45,022,465	12.5	28.68
2008	3,282,756,000	66,527,500	(2,529,400)	15.2	28.10

Source: Colliers Research Services

COLLIERS INTERNATIONAL

U.S. INDUSTRIAL WAREHOUSE MARKET

INDUSTRIAL

	Inventory (SF)	New Supply (SF)	Absorption (SF)	Vacancy Rate (%)	Warehouse Rent ($PSF)	Land ($PSF)	Cap Rate (%)
1999	10,810,149,000	201,719,200	176,908,000	5.7	4.81	2.65	8.82
2000	11,014,399,300	204,250,300	212,388,200	5.6	5.51	2.68	8.61
2001	11,237,469,100	223,069,800	7,159,400	7.9	4.88	4.67	9.55
2002	11,365,550,800	128,081,700	16,384,358	9.5	4.65	4.80	9.20
2003	11,467,715,600	102,164,800	82,845,300	9.6	4.73	5.95	8.69
2004	11,603,233,400	135,517,800	194,809,700	8.9	4.73	6.23	8.40
2005	11,756,334,700	153,101,300	237,484,400	8.1	4.99	8.02	7.88
2006	11,942,512,200	186,177,500	182,003,200	7.9	5.28	9.47	7.33
2007	12,122,867,500	180,355,300	142,851,300	7.9	5.62	10.27	7.19
2008	12,291,504,000	168,636,500	(9,861,600)	9.1	5.51	10.85	7.83

Source: Colliers Research Services

COLLIERS INTERNATIONAL

U.S. RETAIL CENTERS

Year-to-Date Sales Ending December	2005	2006	2007	2008	% Change (07/08)
All Stores	4,115,815	4,330,457	4,482,668	4,478,360	-0.1
Motor Vehicle and Parts Dealers	895,250	901,112	919,252	809,736	-11.9
Gasoline Stations	388,261	404,485	445,212	489,252	9.9
Food and Beverage Stores	519,292	541,688	560,649	589,512	5.1
Grocery Stores	463,905	482,805	501,077	527,395	5.3
Health and Personal Care Stores	208,376	224,169	237,437	247,022	4.0
Building Material and Garden Equipment Stores	326,993	358,569	337,173	325,181	-3.6
General Merchandise Stores	525,726	552,191	576,426	595,536	3.3
Department Stores (excluding leased departments)	214,658	212,181	209,892	200,437	-4.5
Clothing and Accessories Stores	201,682	214,732	224,651	220,795	-1.7
Furniture, Home Furnishings, Electronics and Appliance Stores	211,733	230,168	230,016	220,692	-4.1
Furniture and Home Furnishing Stores	111,293	121,190	118,657	109,180	-8.0
Electronics and Appliance Stores	100,440	108,978	111,359	111,512	0.1
Sporting Goods, Hobby, Book and Music Stores	81,853	87,200	87,324	88,327	1.1
Miscellaneous Store Retailers	111,001	119,493	118,848	119,120	0.2
Non-store Retailers	249,011	270,498	303,423	314,384	3.6
Food Services and Drinking Places	396,637	426,152	442,257	458,803	3.7

Source: U.S. Census Bureau. All values are expressed in millions of U.S. dollars and are not seasonally adjusted.

U.S. INVESTMENT SALES MARKET

OFFICE INVESTMENT MARKET RANKINGS

(BY SALES VOLUME, DOLLARS)

City	2007 Sales in Millions	City	2008 Sales in Millions
Manhattan	40,922	Manhattan	13,136
San Francisco	12,429	Los Angeles	3,020
Los Angeles	11,993	DC	2,385
Chicago	11,730	Chicago	2,162
Seattle	11,161	Atlanta	1,931
DC VA suburbs	10,709	Dallas	1,877
Boston	9,110	Houston	1,615
Orange County	6,910	Miami	1,516
Houston	6,277	Boston	1,372
DC	5,995	San Jose	1,237
San Diego	5,792	San Francisco	1,227
San Jose	5,025	Northern New Jersey	1,200
Dallas	4,668	Phoenix	1,145
Atlanta	4,580	DC VA suburbs	1,108
Denver	4,290	East Bay	1,011
Phoenix	3,409	Denver	993
Stamford	3,319	San Diego	948
Portland	3,205	Orange County	941
Austin	3,083	Austin	734
Northern New Jersey	2,611	Detroit	698
Sacramento	2,348	Philadelphia	642
Miami	2,006	Seattle	600
East Bay	1,904	Portland	600
Long Island	1,628	DC MD suburbs	552
DC MD suburbs	1,535	Birmingham	552
Philadelphia	1,470	Long Island	467
Minneapolis	1,283	Hawaii	454
Baltimore	1,244	Baltimore	423
Charlotte	1,221	Palm Beach	417
Orlando	1,218	Kansas City	417
St Louis	1,084	Raleigh/Durham	384
Tampa	1,039	St Louis	325
Broward	977	Inland Empire	319
Las Vegas	964	Cleveland	261
Raleigh/Durham	963	Stamford	259

Source: Real Capital Analytics

U.S. INVESTMENT SALES MARKET (CONTINUED)

INDUSTRIAL INVESTMENT MARKET RANKINGS

(BY SALES VOLUME, DOLLARS)

City	2007 Sales in Millions	City	2008 Sales in Millions
Los Angeles	4,036	Los Angeles	1,801
Chicago	2,481	Chicago	1,237
Dallas	1,798	Inland Empire	1,131
San Jose	1,732	Phoenix	760
Seattle	1,677	Atlanta	759
East Bay	1,484	San Jose	707
San Diego	1,484	Orange County	621
Atlanta	1,420	Seattle	605
Boston	1,408	Boston	604
Phoenix	1,231	Dallas	575
Northern New Jersey	1,080	Northern New Jersey	525
Orange County	1,019	Charlotte	489
Inland Empire	902	East Bay	473
Reno	877	Houston	432
Houston	843	San Diego	423
Las Vegas	835	NYC Boroughs	413
Portland	792	Indianapolis	390
Detroit	601	Denver	367
Baltimore	539	Minneapolis	334
Harrisburg/Central Pennsylvania	533	Central California	270
Minneapolis	515	Baltimore	270
Orlando	510	Portland	266
Nashville	500	San Francisco	242
Miami	497	Southern New Jersey	231
Broward	495	DC VA suburbs	225
NYC Boroughs	495	Manhattan	217
Raleigh/Durham	483	DC MD suburbs	205
Memphis	479	Jacksonville	204
Austin	478	St Louis	199
St Louis	465	Eastern Pennsylvania	196
San Francisco	451	Orlando	194
Columbus	448	Miami	181
Denver	441	Tampa	174
Cincinnati	365	Birmingham	169
DC VA suburbs	354	Salt Lake City	156

Source: Real Capital Analytics

U.S. INVESTMENT SALES MARKET (CONTINUED)

RETAIL INVESTMENT MARKET RANKINGS

(BY SALES VOLUME, DOLLARS)

City	2007 Sales in Millions	City	2008 Sales in Millions
Los Angeles	3,398	Chicago	1,667
Atlanta	3,252	Manhattan	1,253
Chicago	2,503	Los Angeles	744
Broward	2,144	Houston	707
Dallas	2,097	Atlanta	561
Houston	1,720	Phoenix	535
St Louis	1,544	Las Vegas	482
Boston	1,502	Northern New Jersey	473
Miami	1,316	Inland Empire	456
East Bay	1,306	Denver	431
Denver	1,266	Dallas	423
Manhattan	1,223	Boston	416
Phoenix	1,196	East Bay	390
Tampa	1,124	Birmingham	367
Philadelphia	1,106	Palm Beach	341
DC VA suburbs	1,015	Miami	336
Palm Beach	1,009	Broward	306
Las Vegas	896	Orlando	287
Baltimore	876	Charlotte	271
Orlando	867	San Jose	260
San Diego	841	Southwest Florida	246
NYC Boroughs	828	Long Island	232
Seattle	822	NYC Boroughs	218
Detroit	797	DC VA suburbs	217
Cincinnati	794	Kansas City	216
Northern New Jersey	776	Seattle	209
Inland Empire	757	Sacramento	203
Charlotte	748	San Diego	197
Central California	718	Norfolk	179
Raleigh/Durham	631	Tampa	175
Southwest Florida	610	Stamford	167
DC MD suburbs	577	Minneapolis	166
Greensboro	564	Cincinnati	159
Nashville	561	Westchester	151
Orange County	555	Baltimore	147

Source: Real Capital Analytics

U.S. INVESTMENT SALES MARKET (CONTINUED)

MULTI-FAMILY INVESTMENT MARKET RANKINGS

(BY SALES VOLUME, DOLLARS)

City	2007 Sales in Millions	City	2008 Sales in Millions
Manhattan	7,993	Manhattan	2,876
Los Angeles	6,238	Dallas	1,757
DC VA suburbs	4,980	Atlanta	1,740
Atlanta	4,687	Houston	1,613
Phoenix	4,048	Seattle	1,569
Dallas	3,616	NYC Boroughs	1,370
Seattle	3,211	DC MD suburbs	1,138
Houston	3,158	Los Angeles	1,108
Boston	3,006	Austin	1,074
Chicago	2,910	Raleigh/Durham	1,044
NYC Boroughs	2,318	Chicago	970
San Diego	2,297	San Diego	767
Northern New Jersey	1,876	San Jose	766
Baltimore	1,862	Denver	694
DC MD suburbs	1,836	Orlando	639
Denver	1,811	DC VA suburbs	575
San Jose	1,810	Phoenix	571
Orange County	1,591	Sacramento	559
Inland Empire	1,588	Tampa	515
East Bay	1,499	Boston	488
San Francisco	1,475	Portland	454
DC	1,447	East Bay	421
Austin	1,364	Northern New Jersey	421
Charlotte	1,176	Orange County	399
Orlando	1,162	San Antonio	394
Las Vegas	1,101	Baltimore	390
Broward	1,045	Nashville	356
Raleigh/Durham	953	San Francisco	349
Philadelphia	920	Las Vegas	332
Portland	897	Inland Empire	329
Tampa	855	Salt Lake City	329
Southern New Jersey	703	Minneapolis	298
Palm Beach	695	Philadelphia	295
Nashville	646	Columbus	292
Long Island	611	Columbia	291

Source: Real Capital Analytics

U.S. INVESTMENT SALES MARKET (CONTINUED)

CAPITALIZATION RATES AND 10 YEAR TREASURIES (%)

Yearly Quarter	Multi-Family	CBD Office	Suburban Office	Retail Neighborhood	Industrial Warehouse	10 Year Treasuries
First Quarter 2001	8.60	8.80	9.30	9.40	8.85	5.05
Second Quarter 2001	8.50	8.90	9.50	9.40	8.80	5.27
Third Quarter 2001	8.55	9.10	10.00	9.40	9.20	4.98
Fourth Quarter 2001	8.60	9.20	9.80	9.50	9.10	4.77
First Quarter 2002	8.80	9.25	9.70	9.40	9.10	5.08
Second Quarter 2002	8.50	9.25	9.70	9.20	9.00	5.10
Third Quarter 2002	8.20	9.25	9.70	9.20	9.00	4.26
Fourth Quarter 2002	8.00	9.00	9.70	9.20	8.90	4.01
First Quarter 2003	8.10	8.90	9.50	8.90	8.70	3.92
Second Quarter 2003	7.80	8.70	9.20	8.60	8.50	3.62
Third Quarter 2003	7.60	8.50	9.00	8.30	8.30	4.23
Fourth Quarter 2003	7.60	8.40	9.00	8.20	8.40	4.29
First Quarter 2004	7.40	8.30	8.80	7.90	8.10	4.02
Second Quarter 2004	7.30	8.20	8.70	7.70	8.00	4.60
Third Quarter 2004	7.30	8.00	8.40	7.60	7.90	4.30
Fourth Quarter 2004	7.20	8.10	8.50	7.70	8.00	4.17
First Quarter 2005	6.90	7.80	8.30	7.50	7.80	4.30
Second Quarter 2005	6.70	7.30	7.80	7.20	7.50	4.16
Third Quarter 2005	6.40	6.90	7.40	6.90	7.00	4.21
Fourth Quarter 2005	6.30	6.90	7.50	6.80	6.90	4.49
First Quarter 2006	6.60	7.10	7.40	7.00	7.10	4.57
Second Quarter 2006	6.40	7.20	7.50	7.20	7.30	5.07
Third Quarter 2006	6.30	6.80	7.30	6.90	6.90	4.90
Fourth Quarter 2006	6.20	7.00	7.60	6.80	7.10	4.63
First Quarter 2007	5.90	6.50	7.00	6.60	6.70	4.68
Second Quarter 2007	5.70	6.00	6.60	6.50	6.40	5.10
Third Quarter 2007	5.80	6.00	6.50	6.50	6.30	4.52
Fourth Quarter 2007	5.90	6.10	6.60	6.50	6.60	4.10
First Quarter 2008	6.00	6.25	6.90	6.70	6.80	3.89
Second Quarter 2008	6.20	6.40	7.20	6.90	7.00	3.95
Third Quarter 2008	6.30	6.60	7.10	7.20	6.90	3.69

Source: Colliers Research, RERC

COLLIERS INTERNATIONAL

Glossary

OFFICE

Inventory – Includes all existing multi or single tenant leased and owner-occupied office properties greater than or equal to 10,000 square feet (net rentable area). In some larger markets this minimum size threshold may vary up to 50,000 square feet. Does not include medical or government buildings.

Vacancy Rate – Percentage of total inventory physically vacant as of the survey date including direct vacant and sublease space.

Absorption – Net change in physically occupied space over a given period of time.

New Supply – Includes completed speculative and build-to-suit construction. New supply quoted on a net basis after any demolitions or conversions.

Annual Quoted Rent – Includes all costs associated with occupying a full floor in the mid-rise portion of a Class A building inclusive of taxes, insurance, maintenance, janitorial and utilities (electricity surcharges added where applicable). All office rents in this report are quoted on an annual, gross per square foot basis. Rent calculations do not include sublease space.

Cap Rate – (Or going-in cap rate) Capitalization rates in this survey are based on multi-tenant institutional grade buildings fully leased at market rents. Cap rates are calculated by dividing net operating income (NOI) by purchase price.

Note: SF = Square Feet PSF = Per Square Foot
CBD = Central Business District

INDUSTRIAL

Absorption – Net change in occupied space over a given period of time.

Bulk Space – 100,000 square feet or more with up to 10 percent office space, the balance being general warehouse space with 20 to 36 foot ceiling heights. All loading is dock-height.

Flex Space – Single-story buildings having 10 to 18 foot ceilings with both floor-height and dock-height loading. Includes wide variation in office space utilization, ranging from retail and personal service through distribution, light industrial and occasional heavy industrial use.

Inventory – Includes all existing multi or single tenant leased and owner-occupied industrial warehouse, light manufacturing, flex and R&D properties greater than or equal to 10,000 square feet.

Land Value – Land values are based on prime logistics/industrial locations and are based on approximately 3 acres of fully serviced entitled land.

New Construction – Includes completed speculative and build-to-suit construction. New construction quoted on a net basis after any demolitions or conversions.

Service Space – Single story (or mezzanine) with 10 to 16 foot ceilings with frontage treatment on one side and dock-height loading or grade level roll-up doors on the other. Less than 15% office.

Tech/R&D – One and two story, 10 to 15 foot ceiling heights with up to 50% office/dry lab space (remainder in wet lab, workshop, storage and other support), with dock-height and floor-height loading.

Triple Net Rent – Includes rent payable to the landlord and does not include additional expenses such as taxes, insurance, maintenance, janitorial and utilities. All industrial and high-tech/R&D rents in this report are quoted on an annual, triple net per square foot basis in U.S. dollars.

Vacancy Rate – Percentage of total inventory available (both vacant and occupied) as at the survey date including direct vacant and sublease space.

Warehouse – 50,000 square feet or more with up to 15 percent office space, the balance being general warehouse space with 18 to 30 foot ceiling heights. All loading is dock-height.

RETAIL

Community Shopping Center – Usually configured as a strip often in a straight line or "L" or "U" shape. Anchor tenant is typically a discount department store (i.e. Wal-Mart, Target), supermarket or super drug store. A community center typically offers a wider range of apparel and other soft goods than a neighborhood center does. Total gross leasable area is often between 100,000 and 400,000 square feet.

Neighborhood Shopping Center – These centers are designed to provide convenience shopping for the day-to-day needs of consumers in the immediate neighborhood. Anchors are likely to be supermarkets or drugstores. Other tenants might include stores providing sundries, snacks and personal services. Generally, neighborhood centers are 30,000-150,000 SF in size and are configured as strip centers without an enclosed walkway or mall area, but may possibly have a canopy to connect the storefronts.

Power Center – These centers are designed to provide tremendous selection in a particular merchandise category at low prices. Anchors are likely to be category killers, home improvement stores, discount department stores, warehouse clubs or off-price stores. Generally, regional centers are 250,000-600,000 SF in size and are configured with several freestanding (unconnected) anchors and a minimal number of small specialty tenants.

Lifestyle Center – Non-anchored open-air specialty center with high concentration of mall-type fashion, home, restaurant and entertainment retailers.

Premier Fashion Streetfront – Destination retail corridor in urban center typically occupied by fashion retailers and able to command top rents.

Rents – All retail rents in this report are quoted on an annual, triple net per square foot basis.

Note: SF = Square Feet PSF = Per Square Foot

Colliers Office Locations

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- 17 Canada
- 16 Latin America

90 Europe, Middle East & Africa

61 Asia Pacific

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TN
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Bellevue
Olympia
Seattle
Tacoma

WI
Milwaukee

62 COUNTRIES ON 6 CONTINENTS

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Australia
Austria
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Belgium
Brazil
Bulgaria
Canada
Chile
China
Colombia
Costa Rica
Croatia
Czech Republic
Denmark
Estonia
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France
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Greece
Hong Kong
Hungary
India
Indonesia
Ireland
Israel
Italy
Japan
Latvia
Lithuania
Macau
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