Industrial Market Trends Atlanta

Grubb & Ellis Research

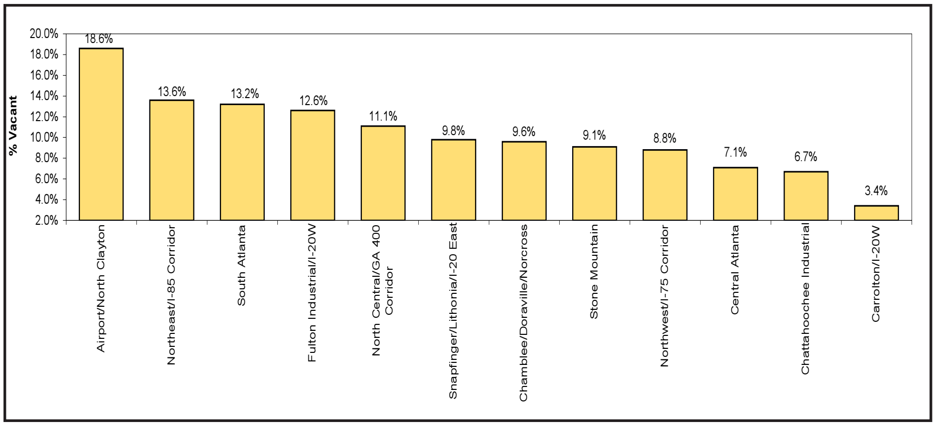
Second Quarter 2008

Grubb & Ellis
Property Solutions Worldwide

Key Submarkets Prosper Despite Slowdown

Executive Summary

Reduced levels of activity during the first quarter have carried into the second quarter, as decision-makers shy away from significant expansion or relocation commitments and wait for more positive economic signs. Year-to-date net absorption for Metro Atlanta is now in negative territory despite steady activity in some of Atlanta's core submarkets. The historically active submarkets of South Atlanta and Northeast Atlanta are performing quite well given the current reduced rate of new and expanding businesses coming into Atlanta, but moderate negative absorption totals within many of Atlanta's non-core submarkets has resulted in overall occupancy losses. Making headlines this quarter are Ford Motor Company and General Motors Corporation, both of which are in the process of disposing of large-scale manufacturing plants in Atlanta as they consolidate their operations around the country. Making up for some of these manufacturing job losses have been several recent announcements from companies such as Northrop Grumman and Johnson Controls, which are planning to open manufacturing facilities within Georgia. These two announcements alone could potentially add more than 4,500 manufacturing jobs in Georgia over the next five years.



Vacancy Rate by Submarket*

** All Classes of Space*

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Overview

Tenants seeking large blocks of space were scarce during the second quarter. While leasing activity in the first quarter could be characterized as "much reduced," second quarter's activity was even slower, with negative overall absorption recorded (646,563 square feet). Active industry sectors during the second quarter included information technology related companies, food and grocery related tenants and industrial parts and equipment suppliers. Renewal transactions were common as tenants "played it safe" and remained put. Aquafil USA renewed for 73,000 square feet at 220 River Drive in Cartersville and GSC Packaging renewed their 40,000 square feet at Atlanta Industrial Park in the Fulton Industrial submarket. Composites One, Del Monte Fresh Produce and Prism Incorporated also chose to renew at their current locations. In some cases companies "blended and extended," renewing leases early in exchange for a lower rate right away.

Despite the lower overall activity the South Atlanta submarket saw significant absorption this quarter, with several large leases being signed. Weber Aircraft, a manufacturer of commercial aircraft seats, signed a 100,000 square foot lease at Air Commerce Business Park and Unipart Company, an automobile parts supplier, is said to be looking for 80,000 to 100,000 square feet of space. United Parcel Service recently agreed to take 200,000 square feet at 3781 Southside industrial and Savana Foods is also expected to complete a 100,000 square foot lease in the Airport submarket. Chep USA expanded into an additional 93,000 square feet and extended their lease, bringing their occupancy to 200,000 square feet.

In one of the most significant transactions to take place in Atlanta this year, Ford Motor Company sold its 122-acre Hapeville plant site to Jacoby Development Incorporated, which intends to leverage the presence of Hartsfield-Jackson International Airport by building an airport-centric mixed-use development serving the area. The total size of the development is estimated at 6.5 million square feet and will include office, retail, restaurant and hotel components. This should enhance the amenity level for southside industrial product and may potentially spur new development activity nearby. Jacoby's strategy of transforming brownfield sites into large mixed-use developments is a proven one, as evidenced by the success of Atlantic Station in Midtown, which had formerly been the home of the Atlantic Steel Company for nearly a century.

The Northeast submarket had some positive activity during the second quarter, with overall net absorption totaling 328,018 square feet. Vacancy stands at 13.6 percent and overall rental rates average $4.24 per-square-

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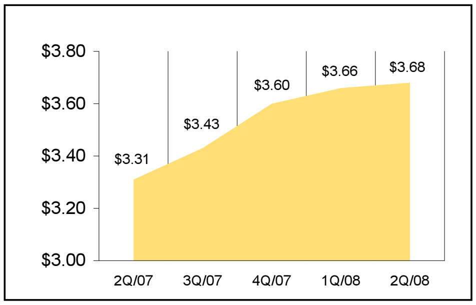


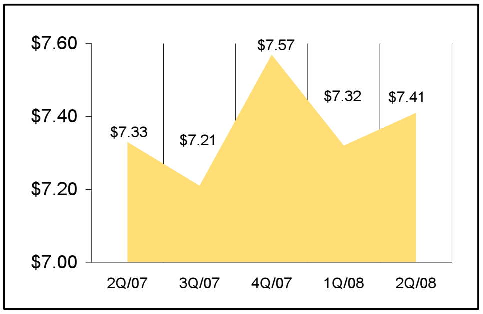
Industrial Rents
Warehouse/Distribution

foot. Petco leased 506,000 square feet from ProLogis at Braselton Business Park for a southern distribution center. Mitsubishi agreed to a 265,000 square-foot lease at Park 85 in Braselton and will use the facility as a distribution and repair center for its electronic products. PSAV Presentation Services, which provides technology and equipment for trade shows and events, leased 45,000 square feet at 1725 Corporate Drive in Norcross and Pacific Art and Frame Company renewed for 28,000 square feet at 1800 MacLeod Drive in Lawrenceville.

Another significant development which could potentially transform the southern portion of the Northeast submarket is the General Motors site in Doraville. This 165-acre complex could be developed into any number of uses and benefits from its proximity to MARTA, Peachtree Dekalb Airport and the convergence of two major interstates. It's likely the site will require significant cleanup regardless of its future use but General Motors is conducting an environmental study as a purchaser is identified. GM's operations will cease by September of 2008, and the sale is planned for November of this year.

Development Highlights

New construction activity has plummeted as of mid-year, decreasing roughly 30 percent since the first quarter. The timing of this reduction in development is key, as it has acted to keep vacancy levels down while existing vacant space is absorbed. Projects have broken ground in developments such as Hartman Business Center and Chastain Meadows in the Northwest, but historically development-rich areas such as South Atlanta and the Northeast are quiet. New construction is taking place mainly on the outskirts of the city; Cumming, McDonough, Austell and Kennesaw all have a handful of projects underway. Two of the larger projects are Hartman Business Center in Austell which will add 680,000 square feet to the industrial inventory, and WestPoint at Riverside which will total approximately 744,000 square feet upon completion. In the Northwest, Republic Property Company is building a 200,000 square foot facility on Jiles Road which should deliver in July and Taylor & Mathis has three buildings under construction in Chastain Meadows for a total of 340,000 square feet.



Industrial Rents
R&D/Flex

Investment Overview

Overall sales volume in investment grade industrial product is holding to its 12 month rolling average, with $1.4 billion in product trading hands since second quarter 2007. Pricing on a per-square-foot basis has been trending higher in recent months and stands at $51.40 for product sold over the last year. Equity funds and private capital comprise more than 50 percent of the

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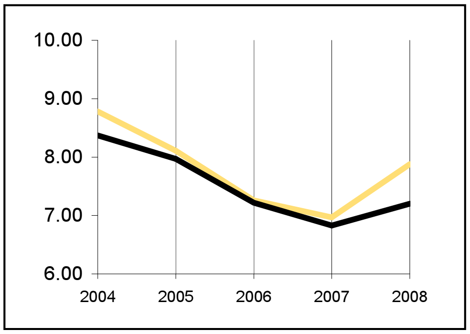


Cap Rate Trends

Source: Real Capital Analytics

buyers for Atlanta industrial product and average cap rates are at 7.8 percent, or about 0.6 percent higher than the national average. The largest sales transaction recorded during the second quarter was Jacoby's $40 million purchase of the former Ford plant in Hapeville, which will be razed and redeveloped into a massive mixed-use development focused on serving Hartsfield-Jackson International Airport. Heidelberg USA, a printing machinery manufacturer, sold its 175,900 square foot headquarters building in Kennesaw to Falcon Real Estate Investment Company in a transaction valued at $22.3 million. In another large Northwest submarket sale, Exeter Properties purchased the 327,734 square-foot Herman Miller site on North Brown Road in Canton in a transaction valued at $3.9 million.

Forecast

The nation's factories, mines and utilities had been operating at or below 80 percent capacity since the beginning of the year, but for the first time in several months U.S. manufacturing activity grew as the second quarter closed. While the current increase in production is slight, further increases could result in a spike in demand for Metro Atlanta industrial product as companies seek space to store raw materials and/or finished product.

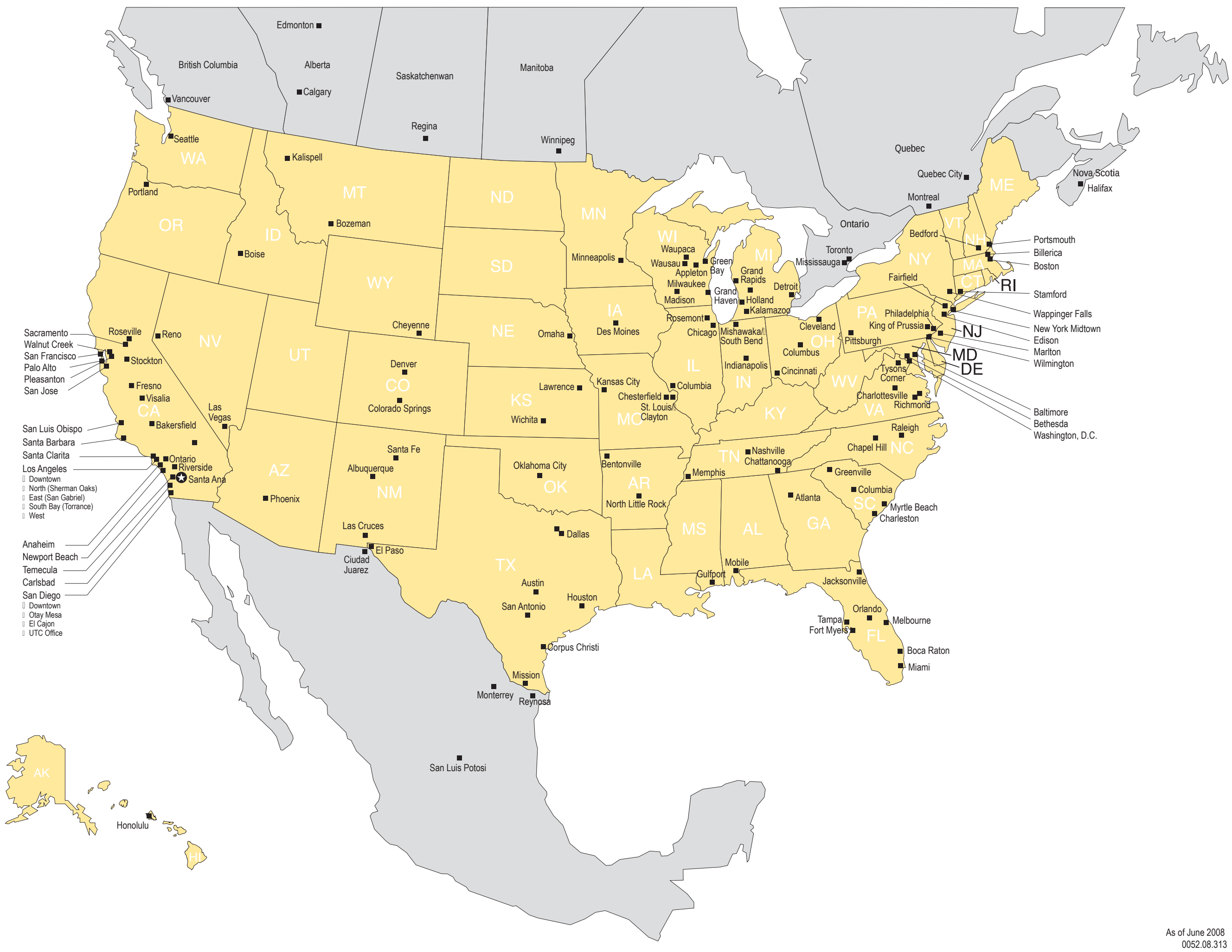
One of the other wild card factors that may play a pivotal role in the industrial market is the rising cost of energy. Increasing energy prices are having a trickle-down effect in many industry segments, with some manufacturing sectors affected more than others. For example, plate steel prices have increased by 120 percent over the last year, increasing the cost of production across multiple industries such as automakers, builders, parts manufacturers and machinists. Additionally, increasing energy costs may pose a challenge to industrial tenants in the form of increased building operating expenses.

Georgia's ports continue to play a pivotal role in Atlanta's industrial growth. The Port of Savannah has had a busy 2008 thus far, with more than 715,000 TEU's processed year-to-date. Savannah is now the second-fastest growing port for imports into the United States and plans are underway to accommodate continued expansion. The Georgia Ports Authority recently approved the acquisition of a 1,500 acre site on the Savannah River for the Jasper Ocean Terminal, which will be jointly owned by Georgia and South Carolina.

Opportunities and Challenges

Overall absorption activity is in the red as of mid-year 2008 and tenants in the marketplace should benefit as a result. Free rent and concessions are available to credit tenants. The Northeast and Airport submarkets remain the stalwarts in terms of activity, but even in these submarkets there is a plethora of available space and landlords willing to negotiate favorable terms. New construction activity is dwindling which may lead to the tightening of market conditions as year-end draws closer. Rising inflation and a spike in energy costs may also work to put a damper on new development. Despite these challenges, on a national scale Metro Atlanta still offers highly competitive rental rates, excellent quality of life and an infrastructure well-suited for industrial space users which should draw new business operations and expansions to the region.

Grubb & Ellis Office Locations



Industrial Market Snapshot Atlanta First Quarter 2008

By Submarket (All Property Types)	Total (1) SF	Vacant (2) SF	Vacant %	Net Absorption Current Qtr	Net Absorption Year To Date	Under Const. (3) SF	Asking Rent (4) WH/Dist	Asking Rent (4) R&D/Flex
Airport/North Clayton	14,804,317	2,747,063	18.6%	(72,927)	280,144	181,850	$3.64	$7.60
Carrollton/I-20W	1,770,760	60,800	3.4%	25,000	(79,171)	-	$2.00	-
Central Atlanta	17,783,967	1,258,829	7.1%	(102,281)	(75,563)	-	$5.15	$5.76
Chamblee/Doraville/Norcross	75,394,628	7,220,707	9.6%	(349,653)	(439,596)	-	$4.71	$7.63
Chattahoochee Industrial	26,583,734	1,784,170	6.7%	(272,862)	(166,571)	-	$6.99	$8.15
Fulton Industrial/I-20W	85,856,140	10,779,728	12.6%	(184,361)	(608,839)	1,426,465	$2.82	$4.67
North Central/GA 400 Corridor	25,240,560	2,809,520	11.1%	(25,073)	9,701	572,365	$5.83	$8.98
Northeast/I-85 Corridor	98,136,402	13,315,363	13.6%	328,018	163,908	517,094	$3.94	$7.45
Northwest/I-75 Corridor	56,707,677	5,002,823	8.8%	(99,866)	(71,875)	562,189	$4.48	$8.77
Snapfinger/I-20E	31,462,524	3,096,191	9.8%	6,296	(169,320)	194,994	$3.66	$5.07
South Atlanta	125,961,252	16,577,710	13.2%	1,089,889	1,443,420	237,650	$3.09	$6.08
Stone Mountain	28,335,664	2,570,973	9.1%	(442,875)	(835,998)	-	$4.12	$6.07
Suburban Total	**588,037,625**	**67,223,877**	**11.4%**	**(100,695)**	**(549,760)**	**3,692,607**	**$3.68**	**$7.41**
Totals	**588,037,625**	**67,223,877**	**11.4%**	**(100,695)**	**(549,760)**	**3,692,607**	**$3.68**	**$7.41**

(1) Inventory includes multi-tenant, single-tenant and owner-occupied buildings with at least 10,000 sq. ft.
(2) Vacant space includes both vacant direct and vacant sublease space.
(3) Space under construction includes speculative and build-to-suit for lease projects and owner-built projects.
(4) Asking rates are per square foot per year, triple net. Rates for each building are weighted by the amount of available space within the building.
***Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures*

Industrial Market Terms and Definitions

Inventory: Industrial Inventory includes all multi-tenant, single tenant and owner-occupied buildings at least 10,000 square feet.

Construction Type: Speculative ("spec") construction is designed to attract tenants likely to be in the market when the project is leasing. Build-to-suit construction is designed for a specific tenant.

Industrial Product Types: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory. The availability rate is the amount of space available for lease divided by the inventory.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis.

Average Weighted Asking Rent: An average market rent where the asking rent for each building in the market is weighted by the amount of available space in the building.

Select Transactions

Grubb & Ellis is pleased to announce that it represented the following companies in industrial transactions during the second quarter of 2008:

Chep USA
Lease Extension & Expansion
93,600 SF
5885 Fulton Industrial Blvd.
Fulton Industrial/I-20W

DK USA, Inc.
Lease Extension
50,400 SF
2500 Weaver Way
Chamblee/Doraville

Shaw Contract Flooring
Lease Renewal
40,960 SF
3648 Oakcliff Rd.
Chamblee/Doraville