

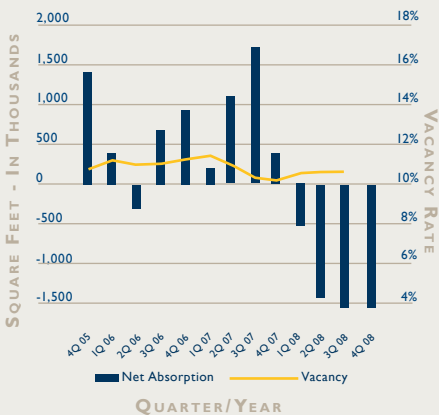
Industrial Market

MARKET RESEARCH | JANUARY | 2009

MARKET INDICATORS TREND SINCE LAST QUARTER



HEADLINE NEW SUPPLY, ABSORPTION AND VACANCY RATES



HIGHLIGHTS

- Completed speculative construction led to increased vacancy rates and negative absorption.
- Tenants had higher interest in second generation buildings than in new speculative construction.

Construction complete, new plans on hold.

The Columbus Industrial market took a step back in 2008. The direct vacancy for the Columbus Industrial market increased 78 basis points, ending the year at 11.24%. Total negative absorption for the Columbus Industrial market reached 776,000 square feet. Almost half of the year's negative absorption (48%) came in the fourth quarter as 446,000 square feet of speculative bulk warehouse space was completed. Total speculative construction for the year totaled 2.1 million square feet. The 2008 construction boom combined with the curtailed retail distribution growth and expansion created the market's excess supply.

An interesting trend that developed over 2008 was stronger interest by tenants in older second generation buildings as opposed to newer speculative buildings. Four leases totaling 1.2 million square feet were completed in buildings constructed between 1997 and 2002. Liquidity Services leased 340,000 square feet at 3100 Creekside Parkway, and Sears Holdings leased 358,000 square feet at 5765 Greenpoint Drive. Also, Funai Service Corp. leased 307,000 square feet at 2300 Spiegel Drive and Mitsui Soko leased 195,000 square feet at 5830 Greenpoint Drive.

Four separate developers contributed to the 2.1 million square feet of speculative warehouse space added in 2008. In the third quarter, KIRCO completed a 702,000 square foot speculative building in the Centerpoint Business Park. Also in the third quarter, Duke Realty Co. delivered a 936,000 square foot speculative distribution center at 2482 Spiegel Drive. Two smaller speculative facilities were completed in the fourth quarter by Pizzuti and Kansas City Life at 253,000 and 212,000 square feet respectively. With the Columbus Industrial market's current inventory of newly constructed vacant space, no new construction is projected in 2009.

Speculative construction led to a rise in vacancy rates and negative absorption, however stronger than expected leasing helped curtail these effects as companies followed through on expansion plans made in 2007. The industrial market will remain stagnant throughout 2009 as tenants take a wait and see approach on real estate decisions.

Inventory

The Columbus Industrial market surveyed this quarter is spread over 6 submarkets: Southeast, Southwest, Downtown/Central Business District, Northwest, Northeast and Out-of-County. The inventory surveyed in the fourth quarter of 2008 consists of over 247 million square feet of rentable space in 2,798 buildings that are all 10,000 square feet or larger.

The largest single market surveyed in terms of size is the Southeast, with 572 properties and more than 72 million square feet of space. The Northwest and Northeast submarkets contain over 660 buildings with approximately 45 million square feet each, and the Out-of-County submarket includes 547 buildings with over 61 million square feet. The Southwest submarket is made up of 228 buildings with a combined area of 20 million square feet.

The bulk subset of the Industrial Market was also surveyed this quarter. This subset consists of properties that are 100,000 square feet or larger, have at least a 28 foot ceiling height, and were built within the last 10 years. This subset contains 68 buildings totaling 30 million square feet. The largest submarket of bulk space

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COMPLETED INDUSTRIAL CONSTRUCTION PROJECTS FOR 2008

Building Name/Address	SF	Ceiling Hgt.	Submarket	Delivery	Type	% Leased	Owner
Whirlpool Center Creekside Pkwy	1,600,000	34'	Southeast	4Q 2008	BTS	100%	Pizzuti
Kellogg's - 125 Enterprise Parkway	1,142,000	32'	Out-of-County	4Q 2008	BTS	100%	Duke
Creekside X	253,784	30'	Southeast	4Q 2008	Spec	0%	Pizzuti
3319 Southwest Blvd	212,400	30'	Southwest	4Q 2008	Spec	0%	KC Life
5235 West Point Drive	701,808	32'	Southeast	3Q 2008	Spec	0%	Kirco
Restoration Hardware - 100 Enterprise Pkwy	805,000	36'	Out-of-County	3Q 2008	BTS	100%	Duke
2482 Spiegel Dr.	936,000	32'	Southeast	3Q 2008	Spec	0%	Duke
Total	5,650,992 SF				Avg.	43%	

is the Southeast with 46 properties and over 21 million square feet.

Investment Sales

As seen in Columbus's other real estate markets, sales activity in the industrial market has slowed as well. There were only 20 properties that changed hands in 2008, which is a significant drop from the 29 sales in 2007. Over the fourth quarter, five transactions took place. Opus II, a 402,000 square foot warehouse facility at 3440 Centerpoint Drive, was sold for \$16.6 million to Oire Ohio LLC. OPUS North Corporation also sold the 496,000 square foot Rickenbacker VII for \$14.7 million to OPUS Real Estate OH VIII R7, LLC. The biggest transaction in the quarter came in December as Duke Realty Trust bought 125 Enterprise Parkway. The 1.14 million square foot distribution facility sold for \$47.9 million or \$41.95 a square foot.

New Construction

New construction in Columbus is focused on large, speculative bulk facilities that are 200,000 square feet or larger, as well as enormous build-to-suit projects. Speculative industrial development continues to be focused in the Southeast submarket. During the fourth quarter, the Southeast submarket added over 1.8 million square feet of warehouse space to its inventory as The Pizzuti Companies completed two projects. Pizzuti's build to suit development for Whirlpool

made up the vast majority of newly constructed space with 1.6 million square feet in two adjoining facilities. The highly anticipated project, located on Creekside Parkway, had an estimated price tag of \$75.5 million. Also completing construction during the fourth quarter was the speculative Creekside X project. At the time of completion, Pizzuti's 254,000 square foot building remained vacant. Kansas City Life also added a 212,000 square foot speculative warehouse facility located in the Southwest submarket.

In the Out-of-County submarket, Duke Realty Corp. finished its second major project of the year a 1.1 million square foot distribution facility constructed for Kellogg's. Preceding Kellogg's new warehouse facility, Duke constructed an 805,000 square foot build-to-suit building in the Out-of-County submarket for Restoration Hardware. The new distribution center located at 1150 Enterprise Parkway in West Jefferson was delivered in the third quarter and was part of the 1.9 million square feet added to the Out-of-County submarket this year.

Besides the Whirlpool and Creekside X buildings, the Southeast submarket saw the completion of three additional facilities in 2008. Hyperlogistics took occupancy of a new 407,000 square foot distribution facility located at the Rickenbacker Global Logistics Park. This facility replaced the 340,000 square feet they occupied

at 3100 Creekside Parkway, which they sold in the summer of 2007. KIRCO constructed a 702,000 square foot speculative warehouse facility in the developer's Centerpoint Business Park. This completion marks the second of seven bulk facilities planned for the Park. The third speculative construction project in the Southeast submarket was developed by Duke Realty. The 936,000 square

foot facility is located at the North Campus of the Rickenbacker Global Logistics Park. The completions by Pizzuti, KIRCO and Duke added 1.6 million square feet of vacant space to the Southeast industrial submarket.

Vacancy

As forecasted in previous reports, the direct vacancy rate for the overall Columbus industrial market increased every quarter in 2008. As for the fourth quarter, the market had a minimal increase of only 9 basis points. The overall direct vacancy rate increased 78 basis points ending the year at 11.24%, compared to 10.46% at year end 2007. The Southeast submarket recorded the largest increase in direct vacancy, over three percentage points from the 2007 rate of 13.42% to 2008's rate of 16.81%. This increase is attributed to the completion of almost 1.9 million square feet of speculative development over the course of the year.

In the fourth quarter the Columbus bulk industrial market recorded a 70 basis point decrease, pointing to continued demand in the market. For the year, the direct vacancy rate increased by roughly two percentage points, ending 2007 with a direct vacancy rate of 15.85% and rising to 17.83% in 2008. The large Southeast submarket helped generate this increase as its vacancy rate increased by over six percentage points, ending the fourth quarter of 2008 at 18.01%. The direct vacancy rate in the bulk subset tends to be higher than the general market due to large amounts of speculative construction, especially in the Southeast and Out-of-County submarkets.

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Absorption

On pace with beginning of the year predictions, the Columbus

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COLUMBUS INDUSTRIAL SALES DURING FOURTH QUARTER

PROPERTY ADDRESS	SALES DATE	SALE PRICE	SIZE SQ. FT.	PRICE/SQ. FT.	BUYER
3440 Centerpoint Dr.	10/17/2008	\$15,587,000	401,350	\$41.33	Oire Ohio LLC
3301 Toy Rd.	10/17/2008	\$14,737,000	496,156	\$29.70	Opus
125 Enterprise Pkwy.	12/10/2008	\$47,905,000	1,142,000	\$41.95	Duke Realty Trust
648 Clymer Rd.	12/12/2008	\$1,150,000	91,491	\$12.57	Myers Family Land Co.
1201 Etna Pkwy.	12/19/2008	\$2,700,000	90,000	\$30.00	Ridge Corp.
TOTAL		\$83,079,000	2,220,997	\$37.41	

industrial market experienced its third straight quarter of negative absorption, which brought the 2008 total to 926,000 square feet of negative absorption. The Southeast submarket contributed 56% of the markets' negative absorption with 517,000 square feet in 2008. The submarket saw this increase due to new construction that added 1.9 million square feet of vacant space throughout the year.

The Columbus bulk industrial market followed in the footsteps of the overall Columbus industrial market and ended the year with 1.7 million square feet negatively absorbed. Although the bulk industry was able to post positive absorption for the fourth quarter at 232,000 square feet, it could not overcome the enormous negative absorption (1.2 million square feet) in the third quarter. Absorption for 2009 should remain steady or improve since there are no projected deliveries in the coming year.

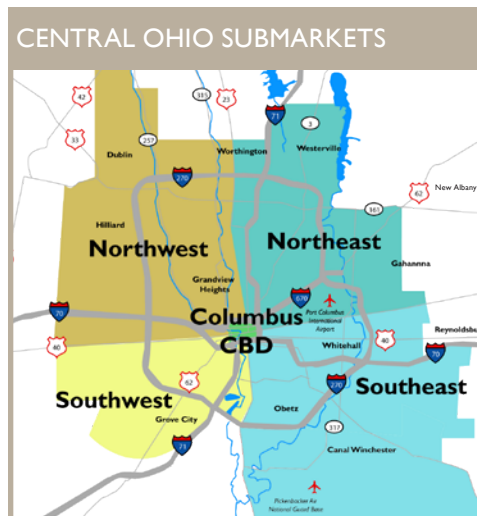
SUBMARKET REPORT

Southeast

The Southeast submarket's direct vacancy rate continued to rise for a third straight quarter, ending the year at 16.81%, a 64 basis point increase from the third quarter. This is almost a three and a half percentage point increase from the direct vacancy rate at the end of 2007 of 13.42%. In the Southeast submarkets' bulk subset, direct vacancy has been on the rise, increasing 490 basis points from 2007's end of year rate of 14.70% to 19.60% at the end of 2008.

The Southeast industrial market ended 2008 with a negative net absorption of 1.5 million square feet. This large amount of negative absorption is due in large part to multiple industrial developers building and carrying speculative warehouse facilities. The construction boom experienced in the Southeast is a result of anticipated large warehouse users entering the submarket to take advantage of the area's highly developed distribution infrastructure. This infrastructure includes the completed Norfolk Southern and planned CSX intermodal yards, as well as the Rickenbacker International Airport.

Adding to the glut of vacant speculative facilities, the Pizzuti Companies completed construction on the 254,000 square foot Creekside X project. Pizzuti's newest speculative property is shallower than most buildings in the area, has rear loaded dock access, and is geared toward smaller tenants of 50,000 square feet or larger. Also dur-



ing the fourth quarter, Pizzuti delivered one of the Southeast submarkets largest built-to-suit projects, a 1.6 million square foot distribution campus for Whirlpool.

Leasing velocity in the Southeast submarket was fair. Despite negative absorption for the year and the rising vacancy rates, four large warehouse users recently committed to new space in the Southeast. Mitsui Soko USA has signed a mid-term lease for 195,000 square feet at 5830 Greenpoint Drive. Mitsui Soko had outgrown its previous facility of 130,000 square feet at 6700 Port Road. Funai Corporation, headquartered in Osaka, Japan, has signed a lease to occupy 307,000 square feet at 2300 Spiegel Drive. The facility will serve their distribution and electronics repair operations after being vacated by Circuit City Stores more than a year ago. Sears Holding leased 358,000 square feet at 5765 Greenpoint Drive. Also, Liquidity Services leased 340,000 square feet at the former Hyperlogistics building at 3100 Creekside Parkway. The total asking rent for the Southeast submarket rose over 2008, from \$3.07/SF in 2007 to \$3.18/SF.

Southwest

For 2008, the Southwest submarket's direct vacancy rate rose 2.07%. The submarket began the year with a direct vacancy rate of 8.93% and ended 2008 at 11.00%. Net absorption for the fourth quarter was a negative 112,000 square feet, for a total negative net absorption of 232,000 square feet for the year. Throughout most of 2008, the Southwest bulk subset recorded little activity with the direct vacancy rate holding at 1.76% until the fourth quarter where it increased to 2.77%. The bulk subset accumulated 359,000 square feet of negative ab-

sorption in the fourth quarter for a total negative net absorption of 261,500 square feet for 2008. Contributing to the negative absorption in the Southwest submarket, developer Kansas City Life completed construction on a 212,000 square foot facility. The development is significant, as it is the second facility under 400,000, which has become the market's standard for new industrial development.

Recent notable deals in the submarket include a 90,000 square foot lease signed by Netflix at 2141 Southwest Boulevard. Netflix will occupy 70 percent of the building, located in the South-Park industrial park. Pilkington North America leased 401,000 square feet of warehouse space at 3440 Centerpoint Drive (Opus II at Big Run). The automotive glass repair company was previously located in two buildings at 4370 and 4458 Alum Creek Drive in the Southeast submarket. The asking rate in the market remained constant at \$3.25/rsf.

Northeast

The Northeast submarket has not been immune to trends seen in other parts of the Columbus industrial market, although they have been less severe. The submarket's direct vacancy rate ended the year at 7.07%, about the same place it began in 2008 at 7.08%. Total net absorption for 2008 was negative at 51,000 square feet. This is due to an increase of sublease space in the submarket. The Northeast submarket has only a single bulk industrial building which remains fully occupied with no changes.

Northwest

The Northwest submarket's direct vacancy rate has gone back and forth over the past year and a half. This trend ended in the fourth quarter of 2008 with the posting of a second consecutive decrease in direct vacancy. The 2008 year-end direct vacancy rate of 14.40% is a 90 basis point decrease from 2007's year end rate of 15.30%. The sublease vacancy rate for the northwest has continued to climb, represented by 34,000 square feet of negative absorption for 2008 despite a decrease in the submarket's direct vacancy rate. Star Dynamics, a radar systems developer for military and defense contractors, entered the Columbus Industrial market as a new tenant. The company bought the 48,000 square foot facility at 4455 Reynolds Drive in Hilliard. In December, Bardwil Industries leased 145,000 square feet at 2652 Fisher Road.

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COLUMBUS INDUSTRIAL MARKET STATISTICS

Submarket	Existing Properties							Absorption		Construction		Rent
	Buildings	Total Inventory SF	Total Vacant SF	Direct Vacancy Rate Last Q	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacancy Rate Current Quarter	Net Absorption Current Q - SF	Net Absorption YTD - SF	Completions Current Q - SF	Under Const. - SF	Asking Full Service \$/SF
Northwest	728	44,788,616	6,776,075	14.93%	14.40%	0.73%	15.13%	238,553	(33,581)	0	98,000	\$2.99
Northeast	664	45,503,186	3,333,444	6.95%	7.07%	0.25%	7.33%	(57,778)	(51,387)	20,000	20,000	\$2.95
Southeast	572	72,433,368	12,601,164	16.17%	16.81%	0.58%	17.40%	(472,129)	(516,741)	1,853,784	0	\$2.99
Southwest	228	20,637,677	2,559,074	10.45%	11.00%	1.40%	12.40%	(112,356)	(231,957)	212,400	0	\$3.46
Downtown	59	3,258,324	25,870	0.78%	0.79%	0.00%	0.79%	0	(1,226)	0	0	\$11.97
Out of County	547	61,132,541	3,701,903	6.40%	6.06%	0.00%	6.06%	(118,329)	(186,311)	1,142,000	0	\$3.36
Total	2798	247,753,712	28,997,530	11.15%	11.24%	0.47%	11.70%	(522,039)	(926,290)	3,228,184	118,000	\$3.23

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COLUMBUS BULK INDUSTRIAL MARKET STATISTICS

Submarket	Existing Properties							Absorption		Construction		Rent
	Buildings	Total Inventory SF	Total Vacant SF	Direct Vacancy Rate Last Q	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacancy Rate Current Quarter	Net Absorption Current Q - SF	Net Absorption YTD - SF	Completions Current Q - SF	Under Const. - SF	Asking Full Service \$/SF
Northwest	1	229,000	0	0.00%	0.00%	0.00%	0.00%	0	0	0	0	\$2.95
Southeast	46	22,902,139	4,124,611	20.35%	18.01%	0.00%	18.01%	534,989	(1,491,215)	1,853,784	0	\$3.18
Southwest	12	4,260,533	985,530	14.70%	23.13%	0.00%	23.13%	(359,161)	(261,448)	212,400	0	\$3.25
Out of County	9	5,615,933	773,964	14.77%	13.78%	0.00%	13.78%	55,717	55,717	1,142,000	0	\$3.09
Total	68	33,007,605	5,884,105	18.53%	17.83%	0.00%	17.83%	231,545	(1,696,946)	3,208,184	0	\$3.18

No modern bulk facilities exist in the Northwest submarket; however, it does include 97 buildings that are 100,000 square feet or more. Direct vacancy in these buildings increased 110 basis points over the year, from 18.50% in 2007 to 19.60% in 2008. In the older subset, total net absorption for 2008 was negative at 267,000 square feet.

Sportswear retailer Steve and Barry's bankruptcy will cost the city 216 jobs, and their distribution center is scheduled to close in January. The company currently occupies 1.2 million square feet of warehouse distribution space at 4545 Fisher Road, which will flood the market in early 2009.

Downtown/ Central Business District

In the small Downtown submarket, direct vacancy had no significant movement as it increased only one basis point to end 2008 at .79%. With the size of the Downtown submarket being so small, it does not have any significant effect on the rest of the Columbus Industrial market.

Out-of-County

Up until the last quarter of 2008, the Out-of-County submarket recorded increasing vacancy rates. Direct vacancy rate in the Out-of-County submarket broke the trend from the previous three quarters, and had its first decrease all year in the fourth quarter. The direct vacancy rate was 6.06% in the fourth quarter, down from

6.40% in the third quarter. This decrease was fueled by the completion of the 1,142,000 square foot Kellogg Building developed by Duke at 805 Enterprise Parkway. This building was fully leased at the time of completion. Net absorption for the end of the year was negative 186,000 square feet. The largest vacancy in the Out-of-County submarket is ProLogis' Etna 3 building. The LEED certified facility was completed in 2007 and is 524,000 square feet. The asking rent increased by three cents to \$3.36/rsf.

Outlook

As is the case with other major markets, the Columbus industrial market will have a difficult 2009. However, it will probably not be as bad as many expect. At the close of 2008, there is still steady interest in sizeable blocks of space from tenants. There is at least one company requiring one million square feet that appears poised to lease one of the newer Class A spec buildings in the Rickenbacker area. In the bulk market, expect 1-2 very large leases (500,000+ square feet) to be signed in 2009, and the rest to be between 100,000 and 200,000 square feet. National and International companies will increasingly demand LEED certified or "green" buildings.

Gains in the market will be offset by the introduction of more vacant space. Steve & Barry's 1.2 million square foot space will become available early in 2009, and Kellogg's and Whirlpool will exit a substantial amount of space as they

move into their new facilities. Expect vacancy rates to creep up, especially in the Northwest and Southeast Submarkets. No new speculative buildings are expected to be delivered.

Because of the scarcity of capital, Landlords and Tenants will more often play "hot potato" with tenant improvement dollars. Many developers/landlords can no longer fund above market tenant improvements and will attempt to shift these costs back to the tenants. Expect landlord's to offer more free rent and lower rental rates to offset tenant improvement costs.

In 2009 (and the next few years ahead), a large number of the tax abatements in Grove City and Rickenbacker will begin to burn off. As these buildings re-lease or leases are renewed, landlords and tenants will have to arm wrestle over increasing taxes and operating expenses. Investors that purchased these assets without properly underwriting them for the post-abatement environment may get burned and be tempted to "dump" properties.

With the continuing rise in vacancy rates and weak economy, it will be a strong tenant's market. There is a glut of bulk space available which will lead to strong negotiating power for tenants as they will have increased leasing power. A growing trend could continue in 2009 as tenants show stronger interest in second generation buildings as opposed to new speculative buildings.