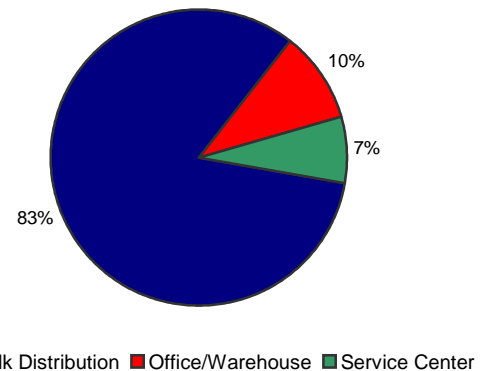


Steady, broad-based economic growth continues to characterize the Birmingham industrial market, especially during the first quarter of 2007. While the market saw no new construction activity initiated during the first three months of the year, there was steady absorption of major new properties developed in 2006. Overall, the Birmingham industrial market saw a first-quarter absorption of 204,684 square feet (sf), upping overall occupancy rates in the area to 84.55%, a 1.6% rise over the end of 2006. This increase in occupancy rate is a positive sign, given the addition of more than 1.5 million square feet (msf) of new space since the beginning of 2006. Looking forward, EGS anticipates that Birmingham will digest this large addition of inventory for several quarters to come.

In terms of new construction, only one property was completed in the area's industrial market. The Moody Commerce Park, in the Eastern submarket, was finished in March 2007, adding 202,800 sf to the area. This property was leased in full to ORS Nasco upon completion. At the same time, a number of other new tenants came to the market, reflecting Birmingham's continued economic diversity. H.H. Gregg occupied 65,000 sf of space in Shelby Commerce Park as part of the electronic retailer's distribution support for new retail stores in both Birmingham and Montgomery.

In addition, Hanes Industries occupied 38,250 sf in Perimeter Industrial Park, while Tire Centers occupied 30,535 sf in Shades Creek South Business Park in Oxmoor Valley.

1Q07 Available Space by Property Type



Growth was strongest in the I-459/Southern submarket with 145,668 sf absorbed during the first quarter of 2007 for a total occupancy of 77.61%.

Growth was strongest in the I-459/Southern submarket with 145,668 sf absorbed during the first quarter of 2007 for a total occupancy of 77.61%. Because no new inventory has been added recently to the Oxmoor Valley submarket, it continues to have the area's highest occupancy rate of 92.17%, with 95,441 sf of absorption during first quarter. Meanwhile, the Central and Eastern submarkets experienced slight negative absorption of 32,260 sf and 4,165 sf, respectively.

Because of the ongoing growth in Birmingham's southern suburbs, the I-459/Southern submarket will be divided into two separate submarkets for future reports. As result, there will be two separate submarkets in this area of Birmingham: the Southwest submarket, encompassing an area along I-459 from west of I-65 to Bessemer; and the South submarket, covering I-65 southwards from the I-459 interchange. This reclassification of submarkets will allow us to provide even greater accuracy in determining and reporting activity in the market. It also is one more sign of the Birmingham market's continued health in the industrial sector. ■

EGS COMMERCIAL REAL ESTATE MARKET HIGHLIGHTS**Significant 1Q07 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
Birmingham Food Terminal	Central	Motion Industries	150,875 - renewal	Bulk Distribution
Shelby Commerce Park	Southern	H.H. Gregg	65,000	Bulk Distribution
Shades Creek	Oxmoor Valley	Tire Centers	30,535	Bulk Distribution
Perimeter Industrial Park	Southwest	Hanes Industries	38,250	Bulk Distribution
Oxmoor South V	Oxmoor Valley	Blue Medical	16,000	Bulk Distribution
Avondale Commerce Park	Central	Baker Distributing Company	22,800	Office/Warehouse
Lyon Lane	Oxmoor Valley	RMS Document Service	19,880	Bulk Distribution

Significant 1Q07 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
HSP Building	Central	Ronald Johns	33,000	\$900,000

Significant 1Q07 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Moody Commerce Park	Eastern	ORS Nasco	205,800	March 2007

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

EGS COMMERCIAL REAL ESTATE MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Overall Absorption	Direct Weighted Average Net Rental Rate*			
								HT**	Bulk	W/O***	SC†
Central	4,239,248	69	11.1%	N/A	0	0	(45,260)	N/A	\$2.70	\$4.37	\$10.18
Eastern	1,021,500	17	17.2%	N/A	0	205,800	(9,727)	N/A	\$4.36	\$6.00	\$7.79
I-459/Southern	5,624,999	52	22.5%	N/A	0	0	138,868	N/A	\$3.86	\$6.09	\$9.27
Oxmoor Valley	2,723,744	29	7.8%	N/A	0	0	95,441	N/A	\$4.70	\$7.34	\$7.19
TOTAL	13,609,491	167	15.6%	N/A	0	205,800	179,322	N/A	\$3.66	\$6.08	\$7.83

* Rental rates reflect \$psf/year

** High-Tech inventory does not exist in this market

*** Warehouse/Office

† Service Center

