

INDUSTRIAL OVERVIEW BIRMINGHAM, ALABAMA

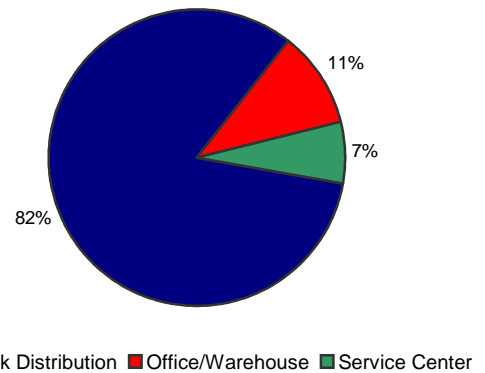
Second Quarter 2007

The second quarter of 2007 saw a slight retrenchment in occupancy after posting significant gains in the first three months of the year. Overall absorption dropped 73,203 square feet (sf) in the second quarter, with total negative absorption taking place in the bulk distribution submarket. However, Birmingham has experienced year-to-date absorption of 106,119 sf, for a total occupancy rate in the industrial market of 83.8%.

The majority of the region's drop in occupancy is due to two separate events. First, an owner giveback was performed in order to help tenants move to a larger space within the area. Also, in the I-459/South submarket, a 60,000-sf bulk warehouse space was vacated by a short term tenant who no longer needed the facility.

The four submarkets for Birmingham industrial property had varying degrees of success. Usually an engine for regional growth, the I-459/South submarket accounted for a negative absorption of 60,738 sf, for a total occupancy percentage of 76.41%. Because of its central

2Q07 Available Space by Property Type



The Oxmoor Valley

submarket continues to be a popular choice for industrial space, boasting the area's highest occupancy rate of 92.6%.

location to the metropolitan area, the Oxmoor Valley submarket continues to be a popular choice for industrial space users, boasting the area's highest occupancy rate of 92.6%, with an additional 12,490 sf of absorption during second quarter. In addition, the Eastern submarket continues to show steady improvement with 10,837 sf of absorption in the second quarter, bringing total occupancy rates to 83.8%. Meanwhile, the Central Business District (CBD) experienced negative absorption of 35,792 sf for a total occupancy rate of 88.0%.

The addition of over 1.5 million square feet (msf) of bulk distribution space to the market since the beginning of 2006, occupancy rates have suffered. Yet, the addition of this much space is actually positive for the Birmingham market as it is an indication of the confidence developers have in the Birmingham economy and offers multiple alternatives to prospects searching for space in the market.

The occupancy rates Birmingham experienced over the past two years are not typical of the city's historically healthy industrial market. Because of the

The Birmingham market is continuing to gradually absorb the 1.5 msf of space built since the beginning of 2006. Based on occupancy trends in the area, as well as Birmingham's continuing broad-based economy, EGS anticipates that this additional inventory will be steadily absorbed over the next 24 to 36 months. ■



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EGS COMMERCIAL REAL ESTATE MARKET HIGHLIGHTS**Significant 2Q07 New Lease Transactions and Renewals**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
Shelby West Distribution Center	I-459/Southern	MailSouth	99,687	Bulk Distribution
Oxmoor South	Oxmoor Valley	Election Systems & Software	60,000	Bulk Distribution
Birmingham Food Terminal & Distribution Center	Central	Norandex Distribution	26,952	Bulk Distribution
Shades Creek Business Park	Oxmoor Valley	Blue Ocean Waters, LLC	21,646	Bulk Distribution
Birmingham Food Terminal & Distribution Center	Central	Magnolia Lane	18,780	Bulk Distribution
Birmingham Food Terminal & Distribution Center	Central	Motion Industries	16,000	Bulk Distribution
Birmingham #1	Oxmoor Valley	Florida Tile	14,625	Bulk Distribution
Academy Business Park	I-459/Southern	Ingersoll Rand	14,400	Office/Warehouse
Distribution Center	Oxmoor Valley	At Home	13,200	Bulk Distribution

Significant 2Q07 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Williams Bridge Facility	I-459/Southern	US Pipe	415,000	\$3,900,000
109 Citation Court	Oxmoor Valley	CVR, Inc.	24,710	\$1,225,000
JHK Systems Building	Eastern	Delta Industrial	22,000	\$675,000
Fontaine Building	Eastern	Deshazo Crane	20,000	\$705,000

Significant 2Q07 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Parkwest Corporate Center, 3	I-459/Southern	N/A	127,500	January 2008

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	12.0%	N/A	0	0	(81,052)	N/A	\$2.75	\$3.68	\$8.32
Eastern	1,021,500	17	16.2%	N/A	0	205,800	1,110	N/A	\$4.30	\$6.50	\$8.00
I-459/Southern	5,624,999	52	23.6%	N/A	0	0	78,130	N/A	\$3.83	\$6.24	\$9.09
Oxmoor Valley	2,723,744	29	7.4%	N/A	0	0	107,931	N/A	\$4.42	\$7.59	\$7.21
TOTAL	13,609,491	167	16.2%	N/A	0	205,800	106,119	N/A	\$3.61	\$6.24	\$7.68

* Rental rates reflect \$psf/year

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

*** Warehouse/Office

† Service Center

