

Portland Industrial Market

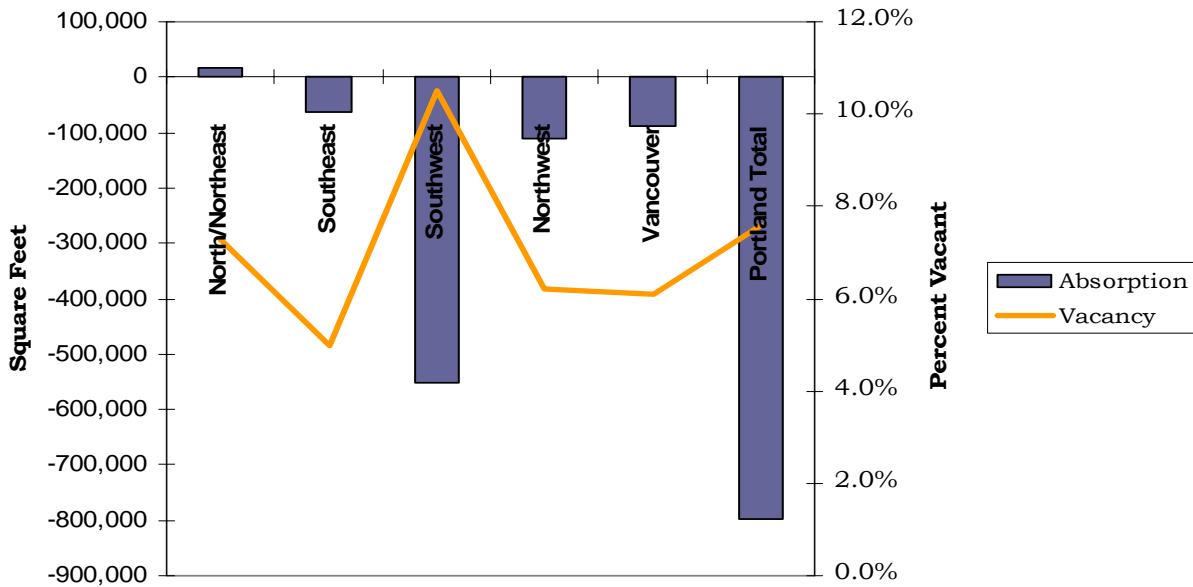
The industrial sector has been hit hard by the recent spike in unemployment, which reached 12.1% in March. Overall median vacancy rates jumped to 7.8% compared to 5.5% in the first quarter of last year. Grubb & Ellis note that the Portland Metro area delivered just over 527,000 square feet this quarter with construction projects under way totaling 741,000 square feet, 415,000 of which will be occupied by FedEx in 2010. Sublease space is becoming an important factor in the market as companies are unable to use all of the space they have leased. Asking rates are holding steady, but as with the office and multifamily markets, brokers report that landlords are starting to give more concessions in response to market conditions. Tenants have more options available to them. Leasing agents also report having to pass on potential leases because of a lack of funding needed to provide requested tenant improvements, due to the tight credit market.

INDUSTRIAL Q1-09	CB Richard Ellis	Cushman & Wakefield	Grubb & Ellis	Norris, Beggs & Simpson	Median
Market-wide Vacancy	7.3%	7.6%	8.0%	13.0%	7.8%
Previous Quarter	6.4%	6.2%	6.9%	12.1%	6.6%
First Quarter 2008	5.5%	5.5%	6.6%	N/A	5.5%
First Quarter 2007	5.2%	5.4%	6.1%	N/A	5.4%
Warehouse/Distribution	8.0%	7.3%	8.2%	N/A	8.0%
Previous Quarter	N/A	6.6%	7.0%	N/A	6.8%
First Quarter 2008	N/A	N/A	6.5%	N/A	6.5%
First Quarter 2007	N/A	4.6%	5.7%	N/A	5.2%
R&D/Flex Vacancy	10.1%	9.5%	7.2%	13.6%	9.8%
Previous Quarter	N/A	9.4%	6.7%	13.2%	9.4%
First Quarter 2008	N/A	7.6%	6.8%	N/A	7.2%
First Quarter 2007	N/A	9.2%	7.4%	N/A	8.3%
Asking Monthly Shell Rates	\$0.40	N/A	\$0.42	N/A	\$0.41
Previous Quarter	\$0.39	N/A	\$0.42	N/A	\$0.41
First Quarter 2008	\$0.38	N/A	\$0.42	N/A	\$0.40
First Quarter 2007	\$0.36	N/A	\$0.38	N/A	\$0.37
Asking Monthly Flex Rates	\$0.85-\$1.05	N/A	\$0.81	N/A	\$0.81
Previous Quarter	\$0.85-\$1.05	N/A	\$0.81	N/A	\$0.81
First Quarter 2008	\$0.85-\$1.05	N/A	\$0.81	N/A	\$0.81
First Quarter 2007	\$0.85-\$1.05	N/A	\$0.80	N/A	\$0.80

Source: Grubb & Ellis, Cushman and Wakefield, Norris, Beggs & Simpson, Quarterly Reports

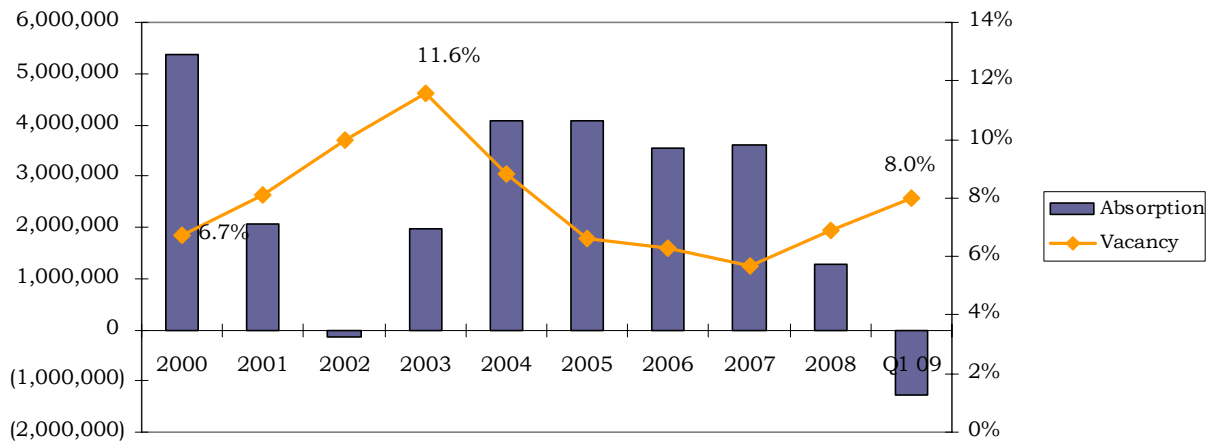
Cushman & Wakefield report a negative absorption for all submarkets this quarter, except for the North/Northeast Portland. Grubb & Ellis point out Rivergate as the submarket with the highest vacancy rate, currently at 11.4%, and the I-5 Corridor with the highest negative net absorption with just over 960,000 square feet, due at least in part to the 500,000 square feet Nike returned to the market.

Submarket Vacancy and Absorption First Quarter 2009



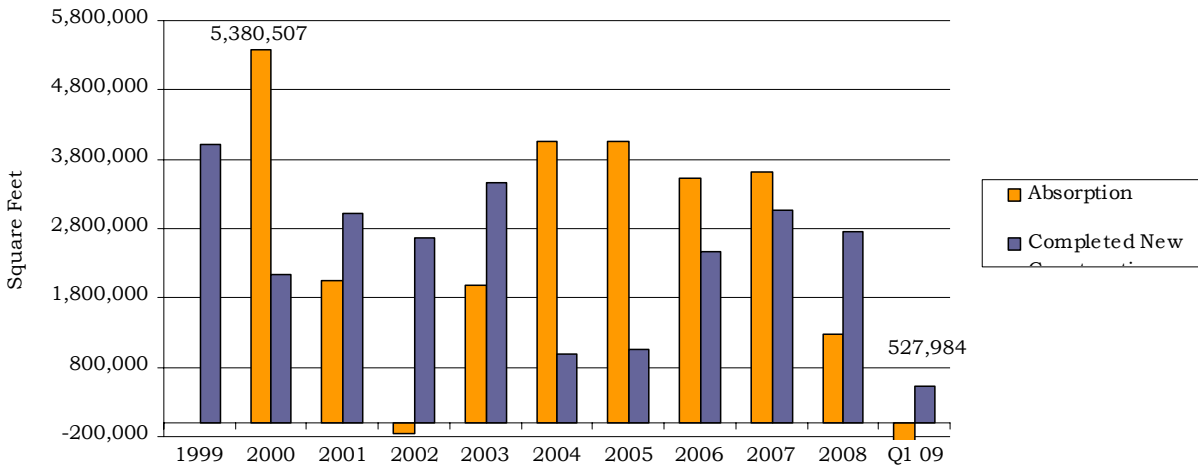
Source: Cushman & Wakefield Industrial Quarterly Summary, 1Q09

Overall Industrial Net Absorption (sq. ft.) and Vacancy (%) for Portland Market



Source: Grubb & Ellis Co., Industrial Quarterly Report, First Quarter 2009

Industrial Absorption and New Construction (Sq. Ft.)



*Source: Grubb & Ellis Co., Industrial Quarterly Report, First Quarter 2009

Again this quarter, new construction outpaced absorption reversing a trend that started in 2004. Grubb & Ellis report a negative absorption of <22,187> square feet in the fourth quarter, with 527,984 square feet of new construction delivered to the market. The nine year period spanning 2000-2008 averaged 2.8 million square feet per year absorption into the market. The first quarter vacancy rate of 8% just surpasses the nine year average of 7.9%, and well below the low-point in 2003 of 11.6%.

Norris, Beggs & Simpson report that SolarWorld plans to expand their solar facility in Hillsboro, adding a 210,000 square feet building, which may reflect the tax incentives Oregon provides to solar companies. According to CB Richard Ellis, SolarWorld will employ 200 construction workers during construction, and employ up to 1,000 people by the year 2011.

Major Lease Transactions Q1 09

Industrial			
Tenant	Building	(Sq. Ft.)	Submarket
Wymore Transfer	Wilhelm Distribution Center	170,000	Central 205
OIA Global Logistics	Bybee Lake Logistics Center	60,102	North/Northeast
Apex	Tigard Central Industrial Park	40,000	Southwest I-5
Ernest Packaging Solutions	PDX Corp Center South	62,150	North/Northeast
O'Neill Transfer and Storage	2455 NW Nicolai	58,008	Northwest
Leif's Auto Collision	Nelson Business Center	49,900	Tigard/Southwest
Mariner Productions	2811 NE Riverside Way	46,800	North/Northeast
Total		486,960	

*Source: NAI Norris Beggs & Simpson, CB Richard Ellis, and Cushman & Wakefield, Industrial Quarterly Reports