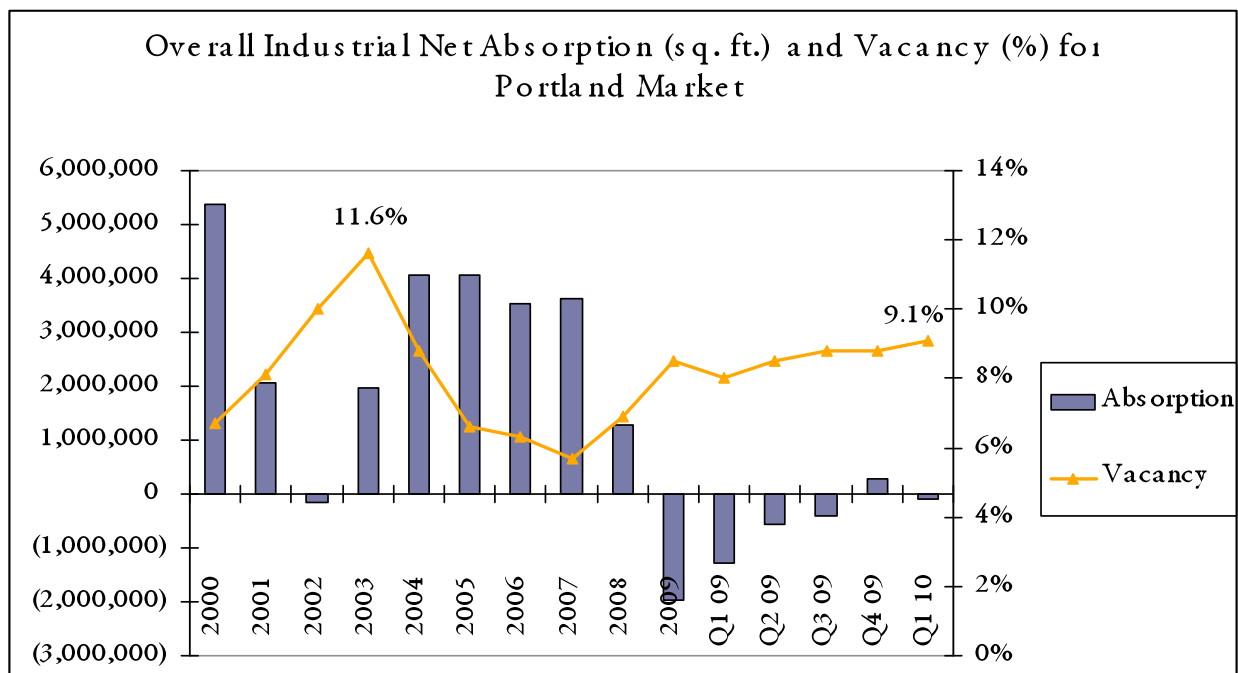


Portland Industrial Market

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The Portland metropolitan industrial market experienced rising vacancy and negative net absorption during the first quarter of 2010 according to Grubb & Ellis. The market reversed the multiple quarter trends of rising vacancy rates and negative net absorption during the fourth quarter of 2009 when vacancy remained stable at 8.8 percent and there was positive net absorption of 271,000 square feet.¹ During the first quarter of 2010 vacancy increased to 9.1 percent and there was 98,027 square feet of negative net absorption.²



Source: Grubb & Ellis Industrial Trends Report- First Quarter

Increased vacancy rate and negative net absorption during first quarter

Norris, Beggs & Simpson reported dramatically different market data in its Industrial/Flex Report than Grubb & Ellis did. According to Norris, Beggs & Simpson, warehouse and distribution vacancy decreased 30 basis points down to 14.6 percent and absorbed 118,458 square feet, while R&D/Flex vacancy increased by 180 basis points to 18 percent with 166,559 square feet of negative net absorption.³

According to Grubb & Ellis, the warehouse and distribution sector of the market had positive net absorption of 150,000 square feet and a comparatively mild vacancy increase of 30 basis points. In

¹ "Industrial Trends Report", Grubb & Ellis, Fourth Quarter 2009

² "Industrial Trends Report", Grubb & Ellis, First Quarter 2010

³ "Industrial/Flex Report", Norris, Beggs & Simpson, First Quarter 2010

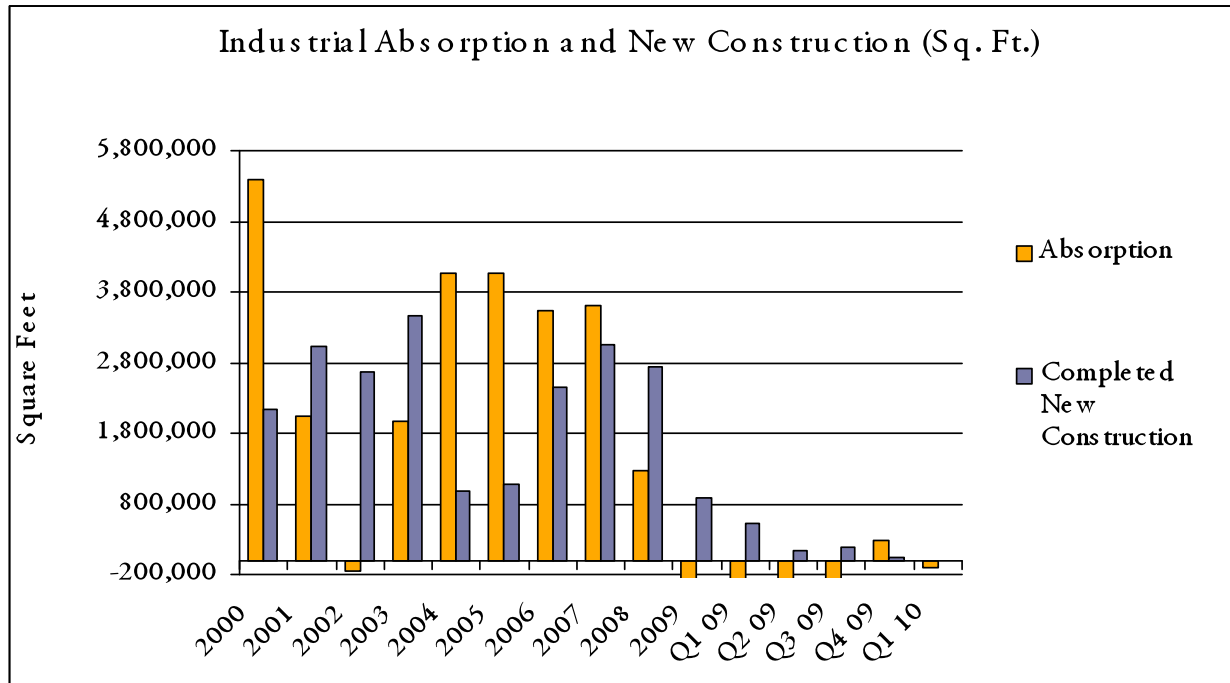
contrast, the R&D/Flex market posted a 250,000 square foot negative absorption and a 80 basis point vacancy increase, bringing the sector to 9.2 percent vacancy. R&D/Flex rents have also decreased substantially, dropping \$0.04 per square foot during the first quarter and are down \$0.07 since the first quarter of 2009. The hardest hit submarket has been the Class A flex space which is primarily located in the Sunset Corridor and saw vacancy rates jump from 16 to 19.1 percent during the first quarter. There are currently about one million square feet of vacant, Class A flex space in the Sunset Corridor. Much of space was the result of Intel vacating over 100,000 square feet at the Amberglen Business Center and moving back into its headquarters.

INDUSTRIAL Q1-10	CB Richard Ellis	Cushman & Wakefield	Grubb & Ellis	Norris, Beggs & Simpson	Median
Market-wide Vacancy	-	-	9.1%	14.6%	11.8%
Previous Quarter	8.0%	-	8.8%	14.9%	8.8%
First Quarter 2009	7.3%	7.6%	8.0%	13.0%	7.8%
First Quarter 2008	5.5%	5.5%	6.6%	N/A	5.5%
Warehouse/Distribution	-	-	9.1%	N/A	9.1%
Previous Quarter	8.7%	-	8.9%	N/A	8.8%
First Quarter 2009	8.0%	7.3%	8.2%	N/A	8.0%
First Quarter 2008	N/A	N/A	6.5%	N/A	6.5%
R&D/Flex Vacancy	-	-	9.2%	18.0%	13.6%
Previous Quarter	11.6%	-	8.4%	16.2%	11.6%
First Quarter 2009	10.1%	9.5%	7.2%	13.6%	9.8%
First Quarter 2008	N/A	7.6%	6.8%	N/A	7.2%
Asking Monthly Shell Rates	-	N/A	\$0.41	N/A	\$0.41
Previous Quarter	\$0.39	N/A	\$0.42	N/A	\$0.41
First Quarter 2009	\$0.40	N/A	\$0.42	N/A	\$0.41
First Quarter 2008	\$0.38	N/A	\$0.42	N/A	\$0.40
Asking Monthly Flex Rates	-	N/A	\$0.74	N/A	\$0.74
Previous Quarter	\$0.75- \$1.00	N/A	\$0.78	N/A	\$0.78
First Quarter 2009	\$0.85- \$1.05	N/A	\$0.81	N/A	\$0.81
First Quarter 2008	\$0.85- \$1.06	N/A	\$0.81	N/A	\$0.81

Source: CB Richard Ellis, Cushman & Wakefield, Grubb & Ellis, Norris, Beggs & Simpson Quarterly Reports and Statistical Reports - Fourth Quarter 2009

There was no new construction during the first quarter, and there is no speculative space currently being constructed. Tenant demand is the primary driver of the current market and certain industries are showing signs of growth. The Port of Portland reported that the volume of marine cargo handled

was up 46 percent in January and February.⁴ Boeing is reportedly investing up to \$120 million to upgrade its Gresham operation.⁵ The upgrade will add 60,000 square feet of space on its Gresham campus. The facility will treat metals used in aircraft manufacturing and will add 152 jobs over the next three years. On a national level the manufacturing industry may be showing some strength. The Institute for Supply Management’s manufacturing index has been over 50 for eight straight months. The index measures multiple facets of the manufacturing industry such as new orders, inventories and production volumes. Index values below 50 signal industry contraction, while values over 50 indicate expansion.



Source: Grubb & Ellis Industrial Trends Report- First Quarter

Negative net absorption and zero square feet of new construction

Major Lease Transactions Q1 10

Industrial

Tenant	Property	(Sq. Ft.)	Submarket
United Stationers	Rivergate Corporate Center	195,510	North/Northeast
Owens Corning	Bybee Lake Logistics Center	123,120	North/Northeast
Cardinal Aluminum	Columbia Commerce Park	113,878	North/Northeast
CEVA Logistics	Alderwood Corporate Center	113,190	North/Northeast

⁴ “Industrial Trends Report”, Grubb & Ellis, First Quarter 2010

⁵ “Industrial/Flex Report”, Norris, Beggs & Simpson, First Quarter 2010

Direct Marketing Solutions	Alderwood Corporate Center	67,642	North/Northeast
Mission Foods	Alderwood Corporate Center II	60,216	North/Northeast
Danner Shoe	LogistiCourt at Portal Way	59,000	North/Northeast
	Total	537,046	

Source: Grubb & Ellis, Norris, Beggs & Simpson Quarterly Industrial Report