

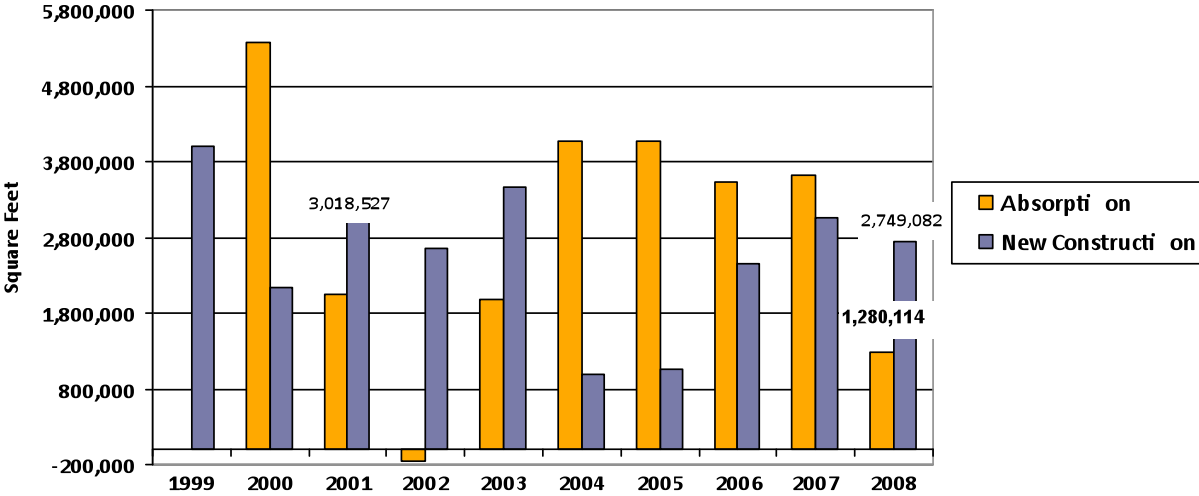
Portland Industrial Market

There is very little construction in pipeline, which is helping to hold vacancy rates relatively low. FedEx, now underway in the Troutdale-Reynolds Industrial park, will be adding a 415,000-square-foot distribution hub expected to deliver in 2010. Common speculation holds that Portland is in a good position to receive green, renewable, industrial jobs, especially considering the potential deal with Vestas headquarters, which would be targeted for the South Waterfront area. Other growth is projected to be mostly in the Rivergate district, and along Columbia. Grubb & Ellis show the Gresham/Outer Southeast submarket as having the highest fourth quarter vacancy rate at 13.7%, and Swan Island/Close in Northeast with the lowest vacancy rate at 1.7%.

INDUSTRIAL	CB Richard Ellis	Cushman & Wakefield	Grubb & Ellis	Norris, Beggs & Simpson	Median
Market-wide Vacancy	6.4%	6.2%	6.9%	12.1%	6.6%
Previous Quarter	6.1%	6.7%	6.6%	N/A	6.6%
Fourth Quarter 2007	5.2%	5.6%	6.7%	8.7%	6.2%
Fourth Quarter 2006	6.1%	6.2%	6.3%	N/A	6.2%
Warehouse/Distribution	N/A	6.6%	7.0%	N/A	N/A
Previous Quarter	N/A	5.8%	6.7%	N/A	6.3%
Fourth Quarter 2007	N/A	5.3%	6.8%	N/A	6.1%
Fourth Quarter 2006	N/A	5.4%	5.4%	N/A	5.4%
R&D/Flex Vacancy	N/A	9.4%	6.7%	13.2%	9.4%
Previous Quarter	N/A	9.5%	6.3%	13.0%	9.5%
Fourth Quarter 2007	N/A	6.3%	6.5%	15.2%	6.5%
Fourth Quarter 2006	N/A	11.2%	9.4%	N/A	10.3%
Asking Monthly Shell Rates	\$0.39	N/A	\$0.42	N/A	\$0.41
Previous Quarter	\$0.39	N/A	\$0.42	N/A	\$0.41
Fourth Quarter 2007	\$0.38	N/A	\$0.43	N/A	\$0.41
Fourth Quarter 2006	\$0.35	N/A	\$0.37	N/A	\$0.36
Asking Monthly Flex Rates	\$0.85 to \$1.05	N/A	\$0.81	N/A	\$0.81
Previous Quarter	\$0.85 to \$1.05	N/A	\$0.85	N/A	\$0.85
Fourth Quarter 2007	\$0.85 to \$1.05	N/A	\$0.82	N/A	\$0.82
Fourth Quarter 2006	\$0.34	N/A	\$0.37	N/A	\$0.36

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

Industrial Absorption and New Construction (Sq. Ft.)

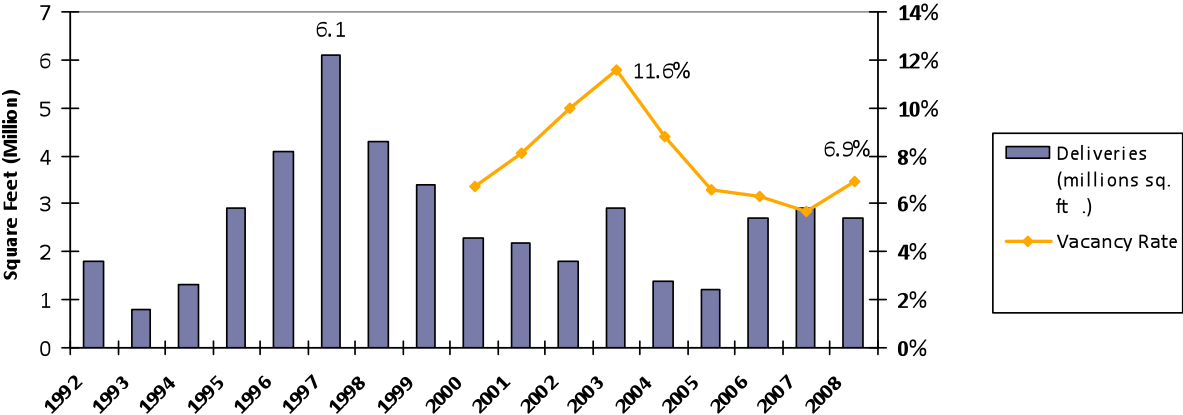


*Source: Grubb & Ellis Co., Industrial Quarterly Report, Fourth Quarter 2008

As predicted last quarter, new construction outpaced absorption for the first time since 2003. Grubb & Ellis report a negative absorption of <22,187> square feet in the fourth quarter. The 2008 year-end absorption of 1.28 million is less than half of the nine year average (2000-2008) absorption of 3 million square feet per year, and even farther behind the 2004-2007 average of 3.8 million square feet per year. The year’s delivery of new construction, just over 2.7 million square feet, is above the ten year average (1999-2008) of 2.5 million square feet per year. However, the 2008 vacancy rate of 6.9% falls below the nine year average of 7.9%, and well below the low-point in 2003 of 11.6%.

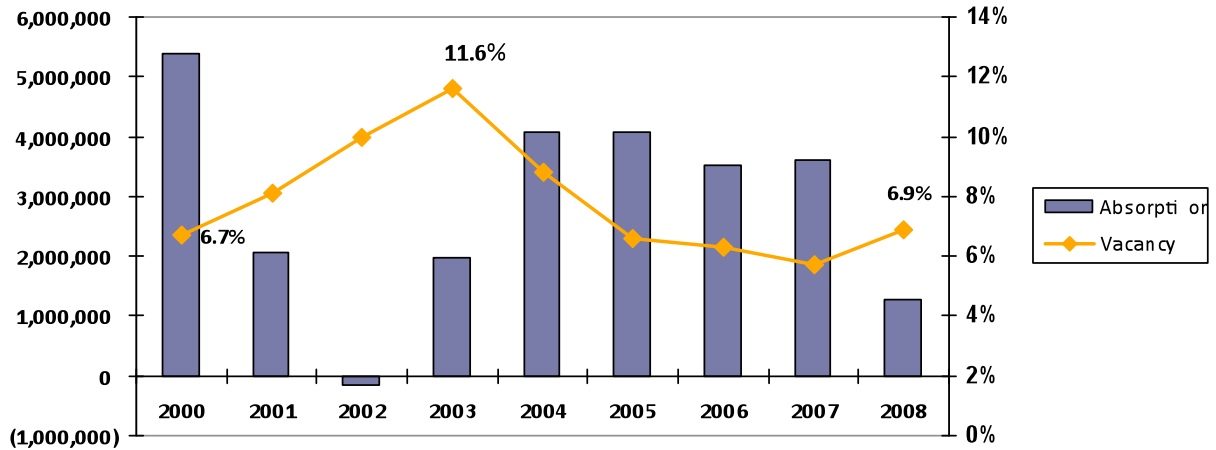
Asking rates are holding steady, but as with the office market, brokers report that landlords are starting to give more concessions in response to market conditions.

Historical Industrial Deliveries (sq. ft.) and Vacancy (%) for Portland Market



*Source: Grubb & Ellis Co., Industrial Quarterly Report, Fourth Quarter 2008

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



Source: Grubb & Ellis Co., Industrial Quarterly Report, Fourth Quarter 2008

As Norris, Beggs & Simpson reported, “Manufacturer’s News, Inc, released a study this quarter ranking Portland 13th among major American cities for the number of manufacturers and 23rd for industrial jobs”.

Major Lease Transactions Q4 2008

Industrial			
Tenant	Building	(Sq. Ft.)	Submarket
Colgate-Palmolive	Rivergate Corp. Ctr	151,050	Portland
M&I Air Systems	18500 SW 108th Ave	98,977	Tualatin
Samuel, Son & Company	LogistiCourt at Portal Way	58,644	Portland
Pacific Nutritional	Sifton Industrial Park	55,800	Vancouver
Freyco	Lakeview Business Center	43,000	Lake Oswego
Total		407,471	