

Market Research

INDUSTRIAL | FIRST QUARTER | 2009



MARKET INDICATORS

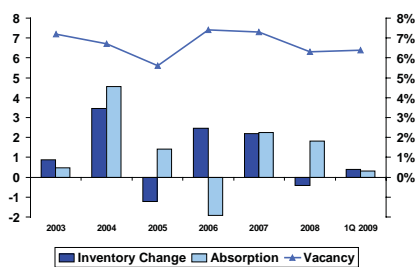
TREND GOING FORWARD

VACANCY RATE
 NET ABSORPTION
 CONSTRUCTION
 RENTAL RATE



UPDATE

INVENTORY CHANGE, ABSORPTION
 AND VACANCY RATES



St. Louis Industrial Absorption Remains Positive into 2009

The St. Louis industrial market can boast positive absorption for the first quarter of 2009, but without a couple large moves in the City of St. Louis, absorption would have been less than 40,000 square feet. The metropolitan area's absorption for the quarter totaled 306,000 square feet. Villa Lighting's new headquarters on Chouteau Avenue was completed and 142,000 square feet were occupied by the owner, while Villa's former location was backfilled by Brauer Supply. The North Broadway Distribution Center leased an additional 130,000 square feet to Universal Storage on a short term lease.

Although St. Louis County recorded negative absorption overall, Mid County had a gain of 105,000 square feet. CellNet expanded at Page Business Center and 1425-1437 Hanley Industrial Court filled its remaining 20,000 square feet. Other Mid County gains were less than 20,000 square feet.

St. Charles County recorded 78,000 square feet of absorption, with RTS Services taking 30,000 square feet at 97 North Central Drive, and Vi-Jon leasing 41,000 square feet month-to-month at Fountain Lakes Commerce Center. In South County, Ashley Furniture occupied its new 126,000 square foot distribution center in Green Park.

The impact of Chrysler's cutbacks was evident in several submarkets. Findlay Industries vacated 79,000 square feet in Chesterfield. Lear Seating vacated 127,000 square feet in Earth City. TRW vacated 84,000 square feet in Fenton. Other Chrysler suppliers also vacated Fenton space, contributing to a quarterly loss of 171,000 square feet for that submarket.

Other tenants leaving the St. Louis market include Poly One, vacating 32,000 square feet in St. Charles County, and Fuji Film, vacating 25,000 square feet in Westport.

Sublease space is again a concern, although the first quarter recorded both gains and losses in sublease space. The 245,000 square foot lease of Spectrum Brands space at DukePort II was rejected by bankruptcy court, returning that space from sublease status to direct lease. In St. Louis City, Holt Electric purchased the 130,000 square foot building at 1939-1945 Vandeventer, removing it from the sublease roll. In Hazelwood, 60,000 square feet on Seeger Industrial Drive formerly occupied by Sabreliner went off sublease through a buyout. Newly available for sublease are 84,000 square feet on Corporate 44 Drive in Fenton formerly occupied by TRW; and 36,000 square feet at 11640 Adie Road formerly occupied by Turmatic-Hydro.

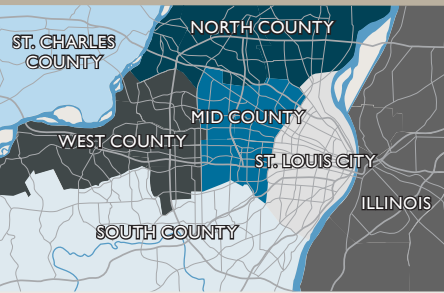
The three buildings completed in the first quarter were the 126,000 square feet for Ashley Furniture, 40,000 square feet for Flightsafety International, and 222,000 square feet for Villa Lighting, the latter offering 80,000 square feet for lease. Fifteen buildings totaling 1,104,000 square feet, are currently under construction and scheduled for 2009 completion. The largest, 560,000 square feet, is a build-to-suit for SunCoke Energy in Illinois. Four buildings totaling 186,000 square feet are in North County; four totaling 222,000 square feet are in St. Charles County; and three totaling 63,000 square feet are in West County.

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Commercial Real Estate Services

7701 Forsyth Boulevard
 Suite 500
 St. Louis, MO 63105
 Phone: 314-862-7100
 Fax: 314-862-1648
 www.ctmt.com



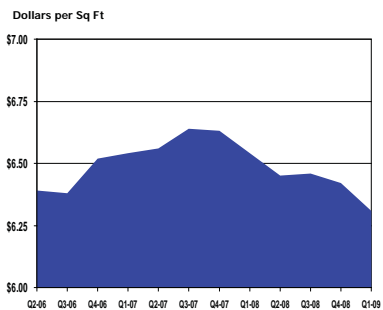
1010 TURNER BLVD LEASED

TRUESDALE PACKAGING COMPANY LEASED 248,635 SQUARE FEET IN ST. CHARLES COUNTY FROM J.B. MANAGEMENT.



UPDATE

AVERAGE ASKING RATES FOR ALL INDUSTRIAL BUILDINGS



UPDATE

RECENT ST. LOUIS INDUSTRIAL SALES

SALES ACTIVITY

PROPERTY NAME	SQ FT	SUBMARKET	BUYER	SELLER
Royal Papers Inc	152,000	City South	EMRY Development Co.	Pershall Associates LP & ETAL
Lapham-Hickey	149,806	City South	Ameren UE	Macy's Retail Holdings, Inc.
Forest Park Business Ctr	121,933	City South	Paraquad Inc.	Koplar Communications International
8265 State Rte 4	100,000	Belleville	Sunnydale Land Trust	TDW Investment Group LLC
Villa Lighting	88,000	City North	Brauer Supply Company	Villa Lighting
Former Guaranteed Returns	87,455	St. Charles County	Helmsing Development Group Teduke, LLC	Mogil Realty, LLC
9727 Green Park Industrial	47,736	South County	W.A.C. Industries	SBS-MO LLC

Bulk Buildings

Bulk buildings are larger than 40,000 square feet with less than 10% office finish and a minimum clear ceiling height of 18 feet. Modern bulk buildings are a subset of the bulk building inventory. Modern bulk space includes buildings consisting of 100,000 square feet or larger with dock-high loading, ceiling clearances of 28 feet or greater, and less than 10% office finish.

St. Louis has 318 bulk buildings totaling 62.8 million square feet. They account for 26% of the metro area's industrial square footage, with 14% being traditional bulk buildings and 12% modern bulk. Twenty-seven buildings and additions totaling 9.6 million square feet have been added to the inventory since 2005. Vacancy in these buildings is 28%. While the inventory of bulk buildings has increased 18% over the four-year period, the inventory of all industrial buildings has increased less than 2%, reflecting the heightened role played by logistics companies and distribution centers.

Two bulk buildings were added to the inventory in the first quarter, the Villa Lighting Headquarters and Ashley Furniture's 126,000 square foot distribution center in South County. P&G signed a lease for 373,000 square feet at Hershey's Gateway Commerce Center facility, for third quarter occupancy. Five modern bulk buildings have spaces of 400,000 square feet or larger available, providing the immediacy often necessary to bring new tenants to the St. Louis market. Four of the five are in Illinois and the fifth is in Hazelwood. There are no bulk buildings currently

under construction, either speculative or build-to-suit.

Absorption of bulk space totaled 322,000 square feet primarily attributable to the completion of the Villa Lighting and Ashley buildings. The vacancy rate for modern bulk space decreased from 16.8% to 16.3%, while the traditional bulk vacancy rate increased from 8.9% to 9.2%.

Office/Warehouse Buildings

Office/warehouse buildings are generally smaller than 40,000 square feet with less than 33% office finish, or larger than 40,000 square feet with more than 10% office finish and a maximum clear ceiling height of less than 18 feet.

More than 40% of the St. Louis area's industrial space is comprised of office/warehouse buildings, including nearly 4,000 buildings and exceeding 100 million square feet. No new office/warehouse projects were completed in the first quarter. Absorption for the first quarter was 167,000 square feet, reducing the vacancy rate from 5.5% to 5.3%.

There are eight new buildings under construction and scheduled for 2009 completion, totaling 308,000 square feet. Only 68,000 square feet are available, including 60,000 square feet at Pointe Fenton Building II and 8,000 square feet at Lot 8 on Hoff Industrial Drive. Others are either built to suit or pre-leased. They include 70,000 square feet for American Metals in Hazelwood; 50,000 square feet for Dayton Freight, and 50,000 square feet for Tubular

UPDATE

MARKET COMPARISONS - FIRST QUARTER 2009

Sub-Market	Existing Properties						Absorption		Construction/ Conversion		Rental Rate	Sale Price
	Bldgs	Total Inventory Sq. Ft.	Direct Vacancy Rate	Sublease Vacancy Rate	Vacancy Rate Current Qtr	Vacancy Rate Prior Qtr	Net Absorption Current Qtr-Sq. Ft.	Net Absorption YTD-Sq. Ft.	Inventory Change Current Qtr - Sq. Ft.	Under Construction Sq. Ft.	Ave Annual Asking Rate	Average Sales Price/SF
St Louis City:												
Downtown	229	8,650,000	6.0%	0.0%	6.0%	5.9%	(3,000)	(3,000)	0	0	\$3.87	\$20.33
North City	697	30,712,000	4.8%	0.0%	4.8%	5.0%	263,000	263,000	223,000	0	\$4.96	\$38.02
South City	880	31,325,000	5.1%	0.0%	5.1%	5.0%	(15,000)	(15,000)	0	13,000	\$4.23	\$28.24
City Total	1,806	70,687,000	5.1%	0.0%	5.1%	5.1%	245,000	245,000	223,000	13,000	\$4.57	\$31.70
St Louis County:												
Mid County	815	26,310,000	6.1%	0.0%	6.1%	6.5%	105,000	105,000	0	0	\$6.85	\$55.06
North County	624	46,549,000	9.3%	0.0%	9.3%	9.0%	(75,000)	(75,000)	51,000	186,000	\$5.87	\$73.99
South County	592	25,743,000	3.3%	0.7%	3.3%	3.5%	(8,000)	(8,000)	126,000	60,000	\$7.56	\$77.93
West County	643	22,769,000	5.4%	0.2%	5.4%	5.4%	(53,000)	(53,000)	0	63,000	\$7.55	\$71.90
St Louis County Total	2,674	121,371,000	6.6%	0.2%	6.8%	6.6%	(31,000)	(31,000)	177,000	309,000	\$6.90	\$69.85
St Charles County Total	557	25,048,000	3.3%	0.0%	3.3%	3.6%	78,000	78,000	0	222,000	\$5.85	\$58.59
Missouri Total	5,037	217,106,000	5.7%	0.1%	5.8%	5.8%	292,000	292,000	400,000	544,000	\$6.41	\$57.98
Illinois Total	236	26,181,000	10.7%	0.2%	10.9%	10.9%	14,000	14,000	0	560,000	\$4.80	\$28.67
GRAND TOTAL	5,273	243,287,000	6.3%	0.1%	6.4%	6.3%	306,000	306,000	400,000	1,104,000	\$6.31	\$56.19

QUARTERLY COMPARISON AND TOTALS

Q1-09	5,273	243,287,000	6.3%	0.1%	6.4%	6.3%	306,000	306,000	400,000	1,104,000	\$6.31	\$56.19
Q4-08	5,270	242,888,000	6.1%	0.3%	6.3%	6.0%	504,000	1,819,000	1,488,000	1,084,000	\$6.42	\$58.37
Q3-08	5,266	241,400,000	5.8%	0.2%	6.0%	7.0%	22,000	1,315,000	(2,565,000)	2,502,000	\$6.46	\$58.13
Q2-08	5,266	243,966,000	6.8%	0.2%	7.0%	7.0%	539,000	1,293,000	389,000	2,562,000	\$6.46	\$61.68
Q1-08	5,259	243,577,000	6.8%	0.2%	7.0%	7.3%	754,000	754,000	283,000	1,776,000	\$6.54	\$63.97

The information contained in this report was provided by sources deemed to be reliable, however, no guarantee is made as to the accuracy or reliability.

As new, corrected or updated information is obtained, it is incorporated into both current and historical data, which may invalidate comparison to previously issued reports.

USA, both in St. Charles; and 33,000 square feet for Vermeer in Chesterfield.

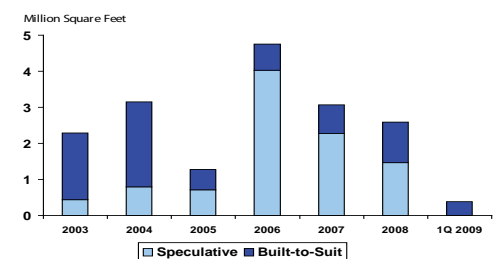
Mid County accounted for 122,000 square feet of the first quarter's office/warehouse absorption. The larger gains included 20,000 square feet on Hanley Industrial Court, 23,000 square feet at Page Business Center where CellNet expanded, and 20,000 square feet at the Woodson building. In West County 25,000 square feet were absorbed on Borman Drive where CR Metal expanded. West County totaled 39,000 square feet of absorption. South County recorded 23,000 square feet, St. Charles County recorded 17,000 square feet, and North County recorded 14,000 square feet. Office/warehouse absorption was negative 28,000 square feet in the City, and negative 20,000 square feet in Illinois.

Service Center Buildings

Service centers are multi-tenant buildings with more than 33% office finish, ceiling heights up to 16 feet and office-like amenities. Some sin-

UPDATE

SPECULATIVE & BTS CONSTRUCTION



gle- and multi-tenant service centers have large amounts of laboratory or office space and higher ceilings.

Service centers make up less than 5% of the metro area's industrial space. One 40,000 square foot service center was completed in the first quarter, for Flight-safety International in Hazelwood. Service centers often compete with Class B and C office space for tenants needing higher parking ratios but fewer amenities.

Even with the completion of Flightsafety's building, service center absorption was negative 13,000 square feet in the first quarter, moving the vacancy rate up to 7.2% from 6.8%. Losses were primarily in the Fenton submarket of South County, where negative absorption was 74,000 square feet. Fenton Interstate Center D recorded a loss of 37,000 square feet among several small tenants, and Fenton Interstate Center A recorded a loss of 31,000 square feet with the move out by Kaydon Corporation. The Fenton submarket service center vacancy rate increased from 3.4% to 10.9%.

Three service center buildings are scheduled for 2009 completion, totaling 116,000 square feet. All are built to suit or pre-leased. They are 41,000 square feet for Clean Earth Technologies in Earth City; 40,000 square feet for BioMerieux in Hazelwood; and 35,000 square feet for Emerson Electric in Jennings.

Manufacturing Buildings

Manufacturing buildings vary in size but have heavy power for manufacturing processes. Some include overhead cranes. Although several older manufacturing buildings have been demolished or converted to other uses, new manufacturing construction has been added. Following the demolition of the Ford plant, the 63 million square feet of manufacturing buildings represent 26% of the metro area's industrial space.

Absorption for the first quarter was negative 183,000 square feet for the metro area. Chrysler downsizing is responsible for the lion's share of the loss. Findlay Industries vacated 79,000 square feet in Chesterfield Valley, and Lear Corporation vacated 127,000 square feet in Earth City. A short-term lease of 45,000 square feet to O'Reilly Automotive on Latty Avenue was the one bright spot. With the losses, the vacancy rate for manufacturing buildings increased from 1.6% to 1.9%.

No manufacturing buildings were completed in the quarter, but three buildings under construction are scheduled for 2009 completion. By far the largest is the 560,000 square foot facility for Sun-Coke Energy in Granite City. The other two are in St. Charles County, with Air Products occupying a 98,000 square foot building in Fountain Lakes Commerce Center by year end, and Nike IHM with a 9,000 square foot expansion underway in Missouri Research Park.

CONTACT INFORMATION COLLIERS TURLEY MARTIN TUCKER



Dean Mueller
Managing Principal
314-862-7100



Ben Cahill
314-236-5484



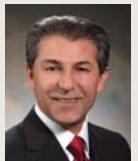
Brandon Duncan
314-746-0350



Katie Haywood
314-746-0324



Jane Hollo
314-746-0332



Hassan Jadali
314-746-0370



Ed Lampitt
314-746-0383



Keith L. Schneider
636-949-9797



J. Michael Searles
314-746-0323



J. Micheal Statter
636-949-9797



Lindsey R. Stieve
314-236-5459



Terry A. Stieve
314-746-0380



Tiffany A. Wieggers
314-236-5471



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UPDATE

RECENT ST. LOUIS INDUSTRIAL LEASES

LEASE ACTIVITY

PROPERTY NAME	SQ FT	SUBMARKET	TYPE	TENANT
Truesdale Packaging	248,635	St. Charles County	Bulk	Truesdale Packaging Co. LLC
1610 Design Way	199,550	Belleville	Manufacturing	Miller Multiplex
Corporate Express	150,000	Olivette	Office/Warehouse	Corporate Express
ProLogis 6	68,000	Earth City	Bulk	Almo
Lambert Corporate Center I	68,000	Hazelwood	Bulk	Cheyenne Logistics
Clean Earth Technologies	41,000	Earth City	Service Center	Clean Earth Technologies
Westport Center V	25,000	Westport	Service Center	Sigma Aldrich Corporation