WELLS FARGO

Commercial Real Estate Market Outlook

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THE UNIVERSITY OF ALABAMA BUSINESS CULVERHOUSE

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THE UNIVERSITY OF ALABAMA REAL ESTATE

Presented for the

ACRE

ALABAMA CENTER for REAL ESTATE

2010 Alabama Commercial Real Estate Conference and Expo
January 2010

INTRODUCTION

January 2010

As part of its 2010 Alabama Commercial Real Estate Conference & Expo, the Alabama Center for Real Estate is proud to present this inaugural Commercial Real Estate Market Outlook of the four major market areas within Alabama. For each market area, ACRE selected a "market expert" to provide a concise overview of the current performance of the property type (office, retail, industrial, apartments) in which they specialize. Market summaries for each of these four property types in each market are presented on the following pages. We hope that these summaries will be of interest and assistance to you in your endeavors.

About Alabama Center for Real Estate (ACRE):

ACRE, housed within the UA's Culverhouse College of Commerce, collects, maintains and analyzes the state's real estate statistics, and is a trusted resource for Alabama real estate research, forecasting, and professional development that includes hosting our annual Alabama Commercial Real Estate Conference & Expo (www.acreconference.ua.edu). The relationship between the Center and our industry stakeholders is one of the Center's greatest strengths. Alabama companies and individuals, partner with the Center bringing a wealth of resources and experiences, becoming, in effect, extensions of the Center, a network through which our outreach to the Alabama real estate industry is enhanced and enriched. The Center, established in 1996, proudly acts as an industry liaison for the benefit of our business school students pursuing a career in real estate and is a catalyst for providing interaction with our 900+ real estate alumni. UA's real estate program began over 75 years ago and has experienced explosive enrollment growth since 2000.

To learn more about ACRE: www.acre.cba.ua.edu

Sincerely yours,

Grayson M. Glaze, JD, CPM, CCIM
Executive Director
Alabama Center for Real Estate
The University of Alabama

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MODERATORS

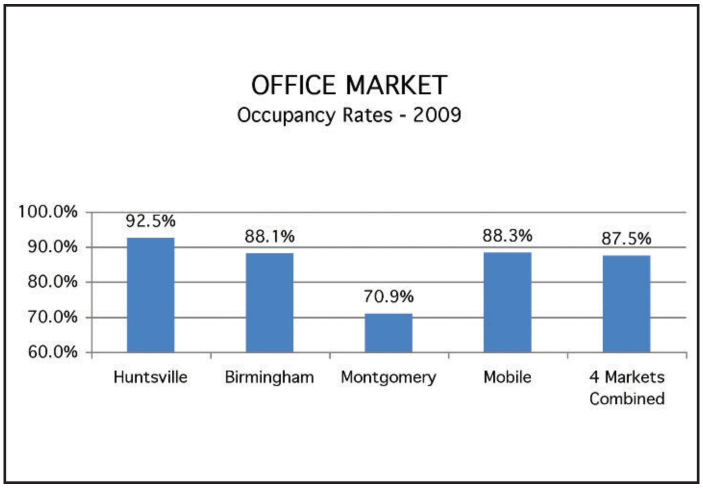
Jim Andrews

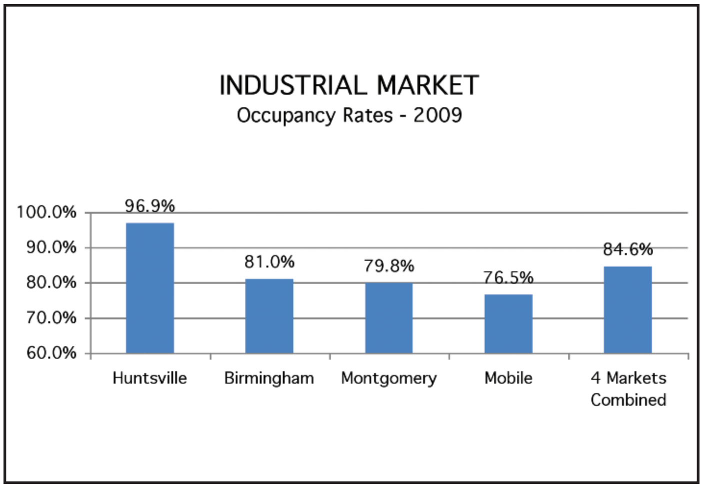
Litho Publishing Company, Inc.
Birmingham , AL

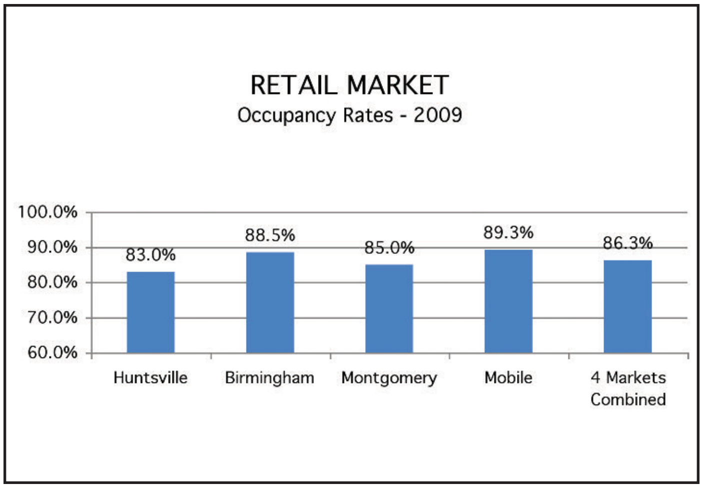
David D. Wilson, MAI

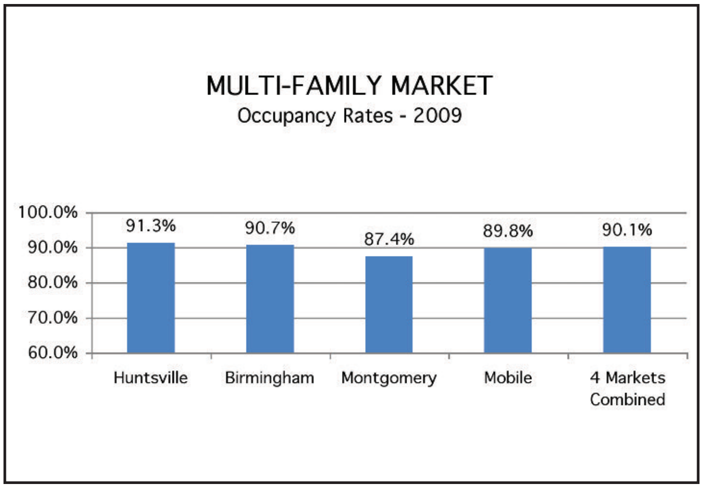
Rock Apartment Advisors
Birmingham, AL
and
The David Wilson Company, LLC
Huntsville, AL

STATEWIDE OCCUPANCY









**The data and occupancy rates shown are based on samplings of selected properties and are not intended to represent the entirety of all properties in each respective market. The occupancy rates for larger data sets could be greater than or less than those shown herein. Caution should be applied when using the data shown.*

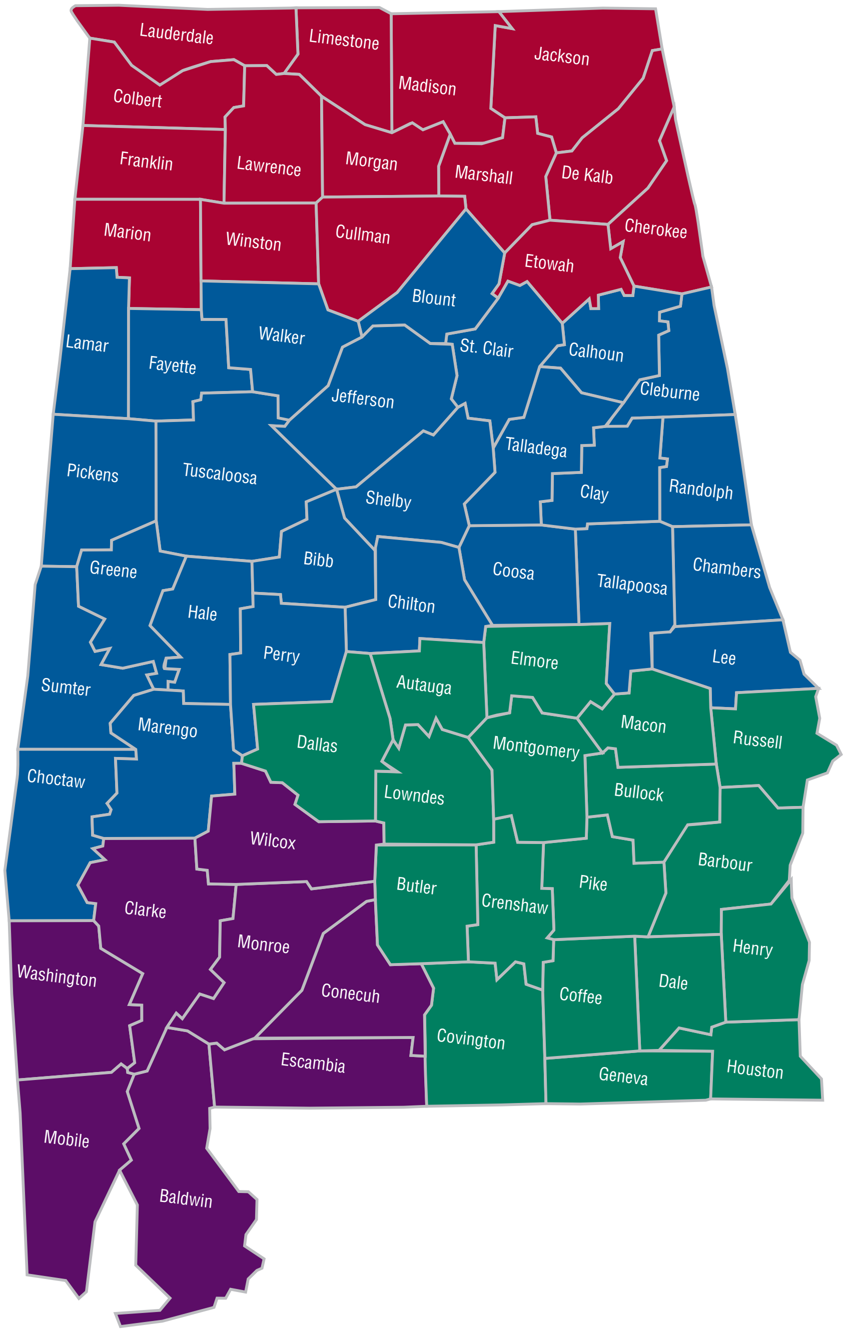
Office Market	Sample Size (SF)	Vacant	Occupancy Rate
Huntsville	16,084,121	1,206,309	92.5%
Birmingham	17,457,000	2,073,000	88.1%
Montgomery	5,511,234	1,603,127	70.9%
Mobile	1,400,772	163,528	88.3%
Totals/Average	40,453,127	5,045,964	87.5%

Industrial Market	Sample Size (SF)	Vacant	Occupancy Rate
Huntsville	19,296,000	605,280	96.9%
Birmingham	14,321,491	2,717,712	81.0%
Montgomery	19,800,000	4,000,000	79.8%
Mobile	10,720,000	2,523,500	76.5%
Totals/Average	64,137,491	9,846,492	84.6%

Retail Market	Sample Size (SF)	Vacant	Occupancy Rate
Huntsville	10,600,000	1,802,000	83.0%
Birmingham	23,805,757	2,737,662	88.5%
Montgomery	23,000,000	3,450,000	85.0%
Mobile	3,984,367	427,615	89.3%
Totals/Average	61,390,124	8,417,277	86.3%

* Huntsville sample size and vacant SF are approximate and have been inferred

Conventional Apartments	Units in Sample	Vacant	Occupancy Rate
Huntsville	16,298	1,418	91.3%
Birmingham	32,971	3,066	90.7%
Montgomery	13,495	1,700	87.4%
Mobile	15,686	1,600	89.8%
Totals/Average	78,450	7,784	90.1%


Lauderdale
Limestone
Madison
Jackson
Colbert
Franklin
Lawrence
Morgan
Marshall
De Kalb
Marion
Winston
Cullman
Cherokee
Etowah
Blount
Lamar
Fayette
Walker
St. Clair
Calhoun
Jefferson
Cleburne
Pickens
Tuscaloosa
Talladega
Shelby
Clay
Randolph
Greene
Bibb
Coosa
Tallapoosa
Chambers
Hale
Chilton
Perry
Elmore
Lee
Sumter
Autauga
Macon
Marengo
Dallas
Montgomery
Russell
Choctaw
Lowndes
Bullock
Wilcox
Barbour
Butler
Pike
Crenshaw
Clarke
Monroe
Henry
Washington
Conecuh
Dale
Coffee
Covington
Escambia
Houston
Geneva
Mobile
Baldwin

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Huntsville Retail Market

Developers from within and beyond Huntsville have been very busy in this north - Alabama market in recent years, with a number of new projects. While the Great Recession, as some economists now call it, has in fact affected Huntsville with a 4,000 - job loss in 2008, retail developments have continued to come on line and tenants are still in the market for spaces. While there has been little new construction, other than Bridge Street Town Center, there has still been activity.

Bridge Street Town Center has endeavored to change the face of the retail landscape in Huntsville by bringing more upscale tenants to the market in a large lifestyle center located in Cummings Research Park. Perhaps because of economic conditions and perhaps for other reasons, there has recently been attrition of tenants, both retail and restaurants at Bridge Street. While some tenants have been replaced, there are rumors of other issues with some of the luxury tenants in the project. A new Sports Authority, however, recently opened at the project.

Bridge Street has had the effect of rearranging a number of tenants from University Drive locations, Huntsville's historical prime retail corridor. A recent check showed over 380,000 square feet of vacancy on this boulevard. These losses, in addition to automobile dealer vacancies, leave University Drive looking a little forlorn in places.

That said, there is new construction and new tenancy on University Drive as well. In addition to at least one hotel there are two new restaurants under construction on pad sites that until recently had never been available. Also, secondary and alternative users, like gymnasia, are in the market, often competing with each other for former retail spaces.

Utility and service issues have historically steered retailers and retail developers to incorporated areas of Madison County for development, but there is at least one new retail development, a Publix center, in unincorporated Madison County. This center, north of Huntsville on Alabama Highway 53, is benefitted by a Cooperative District that assesses one penny additional user fee on each dollar spent at the center. The funds are used to repay loans for sewer construction and road improvement over time through this public – entity process.

The City of Madison, like all Alabama cities, relying on sales – tax collection to fund basic government, recently hired an out – of – state firm, which opened an office in Madison, to recruit retail tenants and developers on a full – time basis. While this arrangement has not yet borne fruit, it should help retailers and developers, when they are active again in new construction, to understand how Madison can help in the process. There are at least two large retail and mixed – use developments under discussion or pre – development in Madison. One, along Interstate 565, seeks the construction of an interchange to increase the access to the site, and the other, north of the interstate, may benefit from a planned interchange, in a couple of years. Madison is generally surrounded by Huntsville on three sides, and its development – land options are therefore not plentiful.

Wal-Mart has made significant investments in the Huntsville market, generally siting stores on entry points to the city. A couple of years ago it purchased and closed on a site on U.S. Highway 72 West, beyond Madison and in the direction of Athens. This site, which shows no construction yet, recently secured traffic approval for signals and other pre – development requirements, suggesting that Wal-Mart will soon address this new Supercenter location.

Another perimeter project under pre – development, awaiting the market, is Harris Hill on the eastern end of U.S. Highway 72 at the termination of Interstate 565. A planned power center is designed to address the perceived shortage of retail opportunities in the growing northeast quadrant of the city and county. There will be significant office and residential development at the 600 – acre site as well.

Two other existing power centers, Valley Bend at Jones Valley and Westside Center, are generally at full or nearly - full occupancy, both with little room for expansion. The two malls in Huntsville, Madison Square Mall and Parkway Place Mall, are both in aggressive leasing programs to address some tenant attrition and effects of the economy.

Constellation, a project of the author, will be a downtown, mixed – use, entertainment and business center, but it will have approximately 60,000 square feet of retail space. At this time, the hotel program for the project is underway, with two sites sold and one building under construction, and the office program is proceeding nicely. Retail will follow the rooftops, in the form of multi – family housing, and other development. Several restaurants have visited and are considering the pad sites.

All this said, Huntsville has a very bright future in the retail sector. Moody's Economy.com has defined clearly the expected job growth through 2013, and the increases in 2011, 2012, and 2013, top even the dramatic growth of the mid – 2000's. Also, Moody's predicts that, in addition to government, it is business services and retail that will lead the way out of the mild recession that has hit Huntsville. Where else in America can you find an authority predicting that retail will lead the way out of the recession?

D. Scott McLain, CCIM
Coldwell Banker Commercial - McLain Real Estate

Huntsville Office Market

Overall, 2009 was better for the Huntsville area office market than it was for the rest of the United States. 2010 is shaping up to continue that status. Although few new buildings were added to the inventory in 2009, occupancy rates remain relatively high and demand stable.

OFFICE MARKET – October 2009 — **Huntsville, Alabama**

Office Data		Overall Market	Cummings Research Park	Huntsville Downtown	Huntsville's Suburbs
Total Buildings Surveyed		196	135	47	29
Total SF Surveyed		16,084,131	11,436,000	2,612,000	2,036,131
Occupancy Rate		92.5%	93.5%	91%	90%
Vacant Space		1,206,309	743,340	248,140	214,829
Market Status		Good	Good	Fair	Good
Average Rental Rate		$16.50	$17.00	$18.99	$17.35
New Space Rental Rate		$22	$21-$23	$14 - $24.50	$11.75 - $22.50
Rental Rate Trend		Flat	Flat	Flat	Flat
Absorption	2009	159,000			
	2008	715,000			
	2007	1,700,000			
	2006	938,000			
Under Construction		1,240,000	1,240,000	n/a	n/a

**(all rates are outlined on a full service basis)

The Huntsville office market is comprised of three main areas of development with Cummings Research Park the dominant market for existing and new office space.

1. Cummings Research Park (CRP) area, with over 11 million square feet of office space, has grown dramatically since it was founded in 1962 and a second phase added in 1982. CRP is the second largest research park in the nation. Engineering firms, Government contractors and Fortune 500 companies are located on over 4,200 acres dedicated and zoned by the City of Huntsville as a research park district.

2. Downtown Huntsville, 2.61 million square feet of office space, is typical of any mid-size city's downtown. Tenants are a mix of legal and finance professionals, including attorneys, bankers, insurance companies and brokers. Downtown also hosts a variety of state and local government offices, and a few high tech companies are choosing a downtown location over the CRP.

3. Huntsville's Suburbs, over 2 million square feet of office space, is primarily an outgrowth of the research park's success. Companies are focused on logistics and industrial support to the CRP contractors, and Madison's residential growth spurt has created a demand for front office services, including banking and health care related buildings.

Office development in Huntsville has been managed conservatively; however, the Enhanced Use Lease project at Redstone Arsenal's Gate 9 should add an abundance of office space within the next few years. This is a development hosted at the entrance of Redstone Arsenal and projected to add up to 4 million square feet to the office market. All market segments continue to experience some growth, but have slowed over the last year due to financing constraints.

Below is a summary of office vacancy rates for our survey sample over the past few years with 2008 and 2009 based on a sample size of 16.08 million square feet. New construction completed in 2009 has kept vacancy higher averaging around 11% for the multi-tenant buildings.

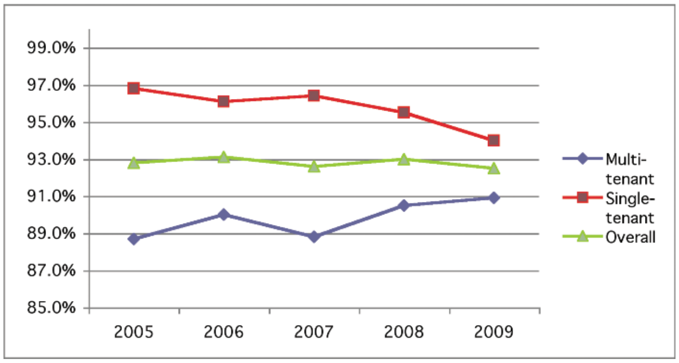
OFFICE VACANCY RATES - HUNTSVILLE

Type	2009	2008	2007	2006	2005
Multi-Tenant	9.10%	9.54%	11.19%	10.03%	11.32%
Single Tenant	5.98%	4.47%	3.65%	3.93%	3.24%
Overall Market	**7.48%**	**7.00%**	**7.36%**	**6.89%**	**7.23%**

We are projecting the office vacancy rate to begin decreasing slowly and at year-end will be closer to normal levels. Much of the vacant and sublease space should be absorbed by the end of 2010. Multi-tenant buildings should push into an average occupancy in the low 90% range throughout the year.

Absorption of office space has slowed in older vacant single tenant facilities, as well as conventional multi-tenant office properties. Several second generation office buildings in Research Park have been absorbed during the last quarter alone. Class A office rates have remained stable from $17.75 to $25.00 per sq ft. The Class B rates range from $13 to 17 per sq ft.

Huntsville Office Vacancy Trends



With the national and regional economic trends pushing most markets into a buyer's market, Huntsville has enjoyed a weakened but still robust market. Typical lease terms remain between 3 and 5 years, with few concessions. Landlords of Class A buildings are currently offering a TI rate of about $1.50 to $1.75 per square foot, per year of lease term.

continued on next page

Huntsville Office Market (cont.)

There have been no material office building sales recorded in 2009. The following data is for 2008.

Office Market – Significant Sale Transactions								***Huntsville, Alabama***
Property Name	**Type**	**Submarket**	**Total SF**	**Year Built**	**Sale Date**	**Price**	**Price Per SF**	**Cap Rate**
Westar	Class A	CRP	168,000	2006	09-2008	$29,700,000	$186.90	N/A
SAIC Complex	Class A	CRP	100,000	2007	12-2008	$15,900,000	$160.29	N/A

Office Market – Significant Lease Transactions								***Huntsville, Alabama***
Property Name	**Property Type**	**Submarket**	**Building Total SF**	**Year Built**	**Tenant Name or Type**	**Lease Begin**	**SF Leased**	**Rent Per SF**
Quality Cir Serv Ctr	Class A	CRP	137,500	2009	Blue Cross	09/30/09	44,000	N/A
5001 Technology	Class A	Suburbs	20,000	1970's	Tynonek, Inc.	01/15/10	20,000	$14.75
500 Discovery Drive	Class B	CRP West	20,000	1980's	Synapse Wireles	01/01/10	20,000	$10.00
6000 Technology	Class A	CRP East	214,200	1970's	U. S. Army	04/01/10	60,000	$16.50

The Cummings Research Park area will continue to see the most activity in 2010 due to the increased government and civilian defense related jobs moving into the area. It is anticipated that several new tenants will also announce new expansions or build-to-suits in the coming months. Overall, the 2010 forecast for the office market is stable.

Charles Grelier, Jr., CPM, CCIM, SIOR
NAI Chase Commercial Real Estate Services, Inc.

Huntsville Industrial Market

Huntsville's industrial market vacancy rate rose slightly in 2009 primarily due to new speculative projects and a large manufacturing facility that went dark. Even with the additional new space, Huntsville's current overall vacancy rate is in the 7% range, which is still very healthy compared to the national vacancy rate for 2009 of 10.5% that has been reported by Colliers International. The market has been in balance for the past decade with several hundred thousand square feet being built and the same being absorbed each year.

Huntsville's industrial market consists of approximately 20,000,000 square feet. The majority of this square footage is located in one of Huntsville's industrial parks, particularly Jetplex Industrial Park, Chase Industrial Park and Spacegate Industrial Park.

	Overall Market	Jetplex Ind Park	Chase Ind Park	Other
Total Buildings Surveyed	212			
Total SQUARE FEET Surveyed	19,296,000	10,968,000	4,812,000	3,516,000
Occupancy Rate	97%	96%	98%	98%
Vacant Space	605,280	438,720	96,240	70,320
Market Status	Over-supply	Over-supply	Balanced	Balanced
Average Rental Rate	$5.33	$5.75	$5.25	$5.00
New Space Rate	$6.00	$6.25	$6.00	$5.75
Rental Rate Trend	Stable	Stable	Stable	Stable
Under Construction	460,000	300,000	30,000	130,000

Jetplex Industrial Park is Huntsville's largest industrial park and surrounds the Huntsville International Airport. Jetplex includes approximately 7,000,000 square feet of single tenant space and 3.3 million square feet of multi-tenant space. The Huntsville Airport Authority governs construction standards in Jetplex, including brick or tilt-up concrete, that increase the cost of construction and lead to highest average rental rates, most in the $6.00 - $7.50 psf range. Rental rates, however, were negatively impacted in 2009 by two factors: the market added over 400,000 square feet of speculative space and the announced 2011 closing of the Chrysler/Siemens facility. This has led to some decline in rental rates for 2nd generation space to the $5.00-$6.00 psf range. However, as of late 4th quarter, rates appear to be on the upswing.

Two facilities were recently completed in Jetplex to service the aviation industry. Westwind Technologies completed a 64,000 square feet hangar at the Huntsville Aircraft Modification and Integration Center. The Huntsville-Madison County Airport Authority completed a 92,000 square feet hangar that was leased to Tyonek Native Corp. of Anchorage, Alaska to provide test, repair and overhaul of US Army helicopters.

Chrysler/Siemens, a union laborer, will be closing its doors in Huntsville just as Dunlop did in 2005. The Dunlop facility (over 900,000 square feet) that closed in 2005 was bought by a private developer and in 18 months was backfilled as a multi-tenant facility. I expect with the condition and size of the Siemens facility (over 700,000 square feet) to follow suit and also be backfilled as a multi-tenant space.

Chase Industrial Park is a 1,500 acre park developed by the Madison County Commission. Located to the east of downtown Huntsville, Chase Industrial Park is largely compromised of single tenant industrial users. With over 5,000,000 square feet of space it is a well developed park that is almost 100% single tenant facilities. Very little land is left in the park for future development, and a majority of tenants/owners in the park are manufacturing type uses. Products manufactured in the park include medical instruments, DVD's, copper, plastics products, street sweepers and pharmaceuticals. Cinram currently occupies a facility with over 1,000,000 square feet of space and manufactures DVD's for major production studios.

Trav-Ad Signs completed a 30,000 square foot building in Chase Industrial Park where the company will continue to supply Huntsville and surrounding areas with visual communication services.

Spacegate Industrial Park is comprised of approximately 600,000 square feet of stand alone industrial buildings. The park is located in North Huntsville with good access provided from Highway 53 and Research Park Boulevard, which leads to the main entrance to Redstone Arsenal. The typical Spacegate facility is a 10,000+/- square foot metal building compromised of 10% office with 1-2 dock doors. Spacegate provides a lower cost alternative compared to Jetplex and Chase with average rental rates in the low to mid $5.00 psf range. There is little land left for future development in Spacegate but this shortage has caused the park to expand with development of new facilities on both sides of the Highway that in the past drew the boundary lines. Ferguson Enterprises Inc. plumbing division is a significant tenant located in the park and occupies over 50,000 square feet with a large yard area as well.

Overall the Huntsville market was less active, had more square footage available, and saw a decrease in rent per square foot this year, which was in line with most other overall major markets. The good news for Huntsville is that while we lost a few companies, the majority of the industry in the market is weathering the storm and the future looks bright. We expect to continue to see the positive impacts of the BRAC movement in the industrial markets. Graham & Company expects a majority of the vacant space to be absorbed in 2010 which will allow for some future development that has been put on hold for the time to begin the process of moving forward again.

Bart Smith, CCIM, SIOR
Jeff Wilke, CCIM, SIOR, LEED AP
Jeremy Pope, CCIM, SIOR
Graham & Company

Huntsville Multi-Family Market

Rock Apartment Advisors produces an annual survey of the Huntsville area apartment market focused on conventional properties 60 units and larger, as well as virtually all Low Income Housing Tax Credit (LIHTC) properties regardless of size. Unless otherwise stated, the commentary and data herein relates to the "conventional" market.

Huntsville's apartment market has weakened over the past year, but remains relatively stable compared to other markets in Alabama, the region and certainly nationally. Huntsville's booming economy and long-term robust employment growth, supercharged by the promise of over 20,000 new jobs over the near-term as a result of the Base Realignment and Closure (BRAC), resulted in an apartment building boom that really took hold in earnest in 2007 when several new developments broke ground. Three new Class A projects began their initial lease-up over the past year at a point when two others were still finalizing their construction and lease-up. This delivery of new units intensified over the past year and has resulted in over 930 new units being added to the market since June 2008. This significant addition to supply has created a very competitive leasing environment, especially in light of the slowdown in the economy that began in late-2008 triggered by a national recession of epic proportion.

APARTMENT MARKET - Huntsville		
as of June 2009		**Conventional Properties**
Total Buildings Surveyed		75
Total Units Surveyed		16,298
Occupancy Rate		91.3%
Market Status		Stable
Average Market Rental Rate		$655/ $0.675
Average "Eff" Rental Rate		$623/ $0.642
Class A Rate - avg.		$852 / $0.790
Rental Rate Trend		Stable
Annual "Eff" Rent Growth		0.37%
Absorption:	06/08 to 06/09	398 units
	06/07 to 06/08	252 units
	06/06 to 06/07	359 units
Under Construction		1,269 + 400 beds
New Supply Added:	YTD09	294 units
	2008	824 units
	2007	160 units
	2006	72 units

While Huntsville's economy remains the healthiest in the state and its outlook for near-term rebound is very good, the increase in unemployment and economic concerns have resulted in many apartment dwellers seeking roommates, doubling up and/or moving back in with parents, relatives and friends triggering rising vacancy rates at many properties. This contraction coupled with the spike in new supply has resulted in an average occupancy decline of 2.7% between June 2008 and June 2009, bringing the average occupancy rate to 91.3%. However, when the three newest projects which are still in their initial lease-up phase are excluded from the analysis, the average is 92.6% - only 1.5% lower than a year ago.

The decline in occupancy was most widespread in the West Huntsville submarket where all of the new construction has occurred and where the average occupancy was 90.0% as of June 2009 – a 3.6% decline. However, the Madison Area submarket experienced a decline of 1.9% for the 12-month period ended June 2009, while the Southeast Huntsville submarket only experienced a 1.0% decline. North Huntsville experienced a 3.8% increase in occupancy and Southwest Huntsville's average occupancy only dropped 0.9%.

With the declines in occupancy rates and with four Class A properties in lease-up, rent concessions have become more widespread and deep – particularly among the Class A market. As of June 2009, the overall average concession among all properties surveyed totaled $55 per month, a 90% increase from the $29 average at June 2008, while almost 50% of properties in our survey were offering concessions – versus 43% a year ago. Yet, despite the increase in the number of properties offering concessions and an increase in the average dollar amount of concessions, the average "effective" rent still grew, but only by 0.4%. However, all of this growth occurred as a result of the three newest properties introducing units at the very top of the market thereby skewing the true rent change trend. A comparison of data from the 72 existing properties also surveyed in the June 2008 study indicated negative "effective" rent growth of -0.4% - not too shabby given the challenging economy and new supply introduced over the past year. Huntsville's "effective" rent growth trend had been outstanding with 4.3% growth from June 2007 to June 2008 and growth of 4.5% from June 2006 to June 2007.

While the national recession is being felt in Huntsville, with company downsizing, belt-tightening and some company closings occurring, countless commercial building construction projects are on-going (some just getting started) and new home construction is still occurring at a wide array of price points. The local residential housing market sales volume continues to increase slightly and home prices are not significantly different from a year ago in most cases.

In short, the local apartment market and economy have taken a sharp dip and have weakened over the past year, although the expectation is that this dip is temporary and will be relatively short-lived. Even so, there will be no near-term end to the additional new apartment deliveries. For 2009, it appears likely that the new deliveries during the 2nd half will total around 470 units (356 conventional and 112 LIHTC) with another 715 conventional units likely to be delivered in 2010 based on those projects currently underway. While the new construction pipeline remains robust with three deals still under construction as of late-2009, and two others recently completed in lease-up, several developers have inventoried apartment land over the past few years for future development with the intent of constructing units once the market conditions warranted new prod-

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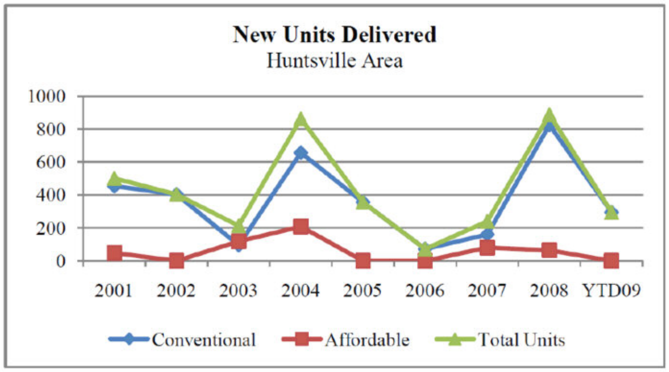
Huntsville Multi-Family Market (cont.)

uct. In all, developers are sitting on land for another seven projects comprising approximately 2,450 units just waiting for the right market conditions to proceed.



The University of Alabama at Huntsville (UAH) recently announced a new policy requiring all freshman and sophomores to live on –campus effective in 2010. UAH has a 400-bed residence hall under construction which will be ready for occupancy in August 2010. While Huntsville only has two off-campus "student" properties that rent by the bed, many of the apartments in the West Huntsville submarket near UAH feature sizable student populations. The effects of this new policy will surely be felt among this segment of the market.

Despite the weakening of the market and the rather modest overall absorption, approximately 550 Class A units were absorbed between June 2008 and June 2009. Despite a few very slow months, absorption among the new Class A product could be categorized as healthy; however, rent concessions of over two free months have been given in some extreme cases to entice occupancy. Average "effective" rents among the new Class A product top-out around $0.91 per SF with two properties quoting rents that average just under $1.00 per SF.

While transaction volume had been healthy for several years resulting in steady appreciation, only one major sale occurred in 2009, consisting of the sale of Governor's House, a high-profile, very stable Class B property. While it appears as though many small apartment properties purchased by out-of-state investors are beginning to move towards distress, distressed apartment product is very limited in the Huntsville market.

Due to the continuation of new unit deliveries through 2009 and 2010 in the face of a weak economy, it is almost certain that the market will soften into 2010 as substantial numbers of new units become available. However, it is anticipated that once the BRAC-related moves begin in full force in mid-2010, there will be significant demand for apartment units. As such, despite the tremendous surge of new development that has occurred, and is occurring, we are cautiously optimistic that the unprecedented growth that appears likely to occur in the area during the near-term will be sufficient to keep the market from becoming over-supplied for an extended period of time. The majority of the short-term pain will be among the Class A and high Class B product categories.

APARTMENT MARKET - Significant Sale Transactions **Huntsville, AL**

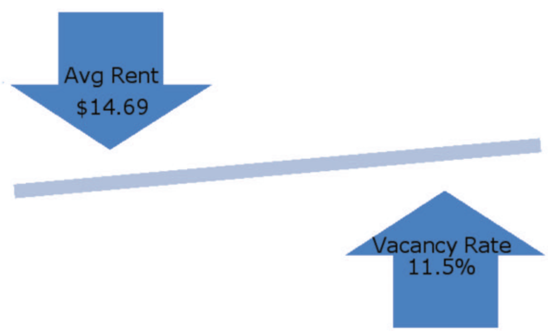
Property Name	Type	Submarket	Units	Year Built	Sale Date	Price	Price Per Unit
Governor's House	Class B	West	146	1979	10/14/09	$6,950,000	$47,603
Elmore Village	Class C	North	64	1980's	05/30/08	$1,865,000	$29,141
Arlington Courtyard	Class B	Madison	119	2001	03/15/08	$6,800,000	$57,143
Madison Hill	Class B	West	208	1985	02/06/08	$11,515,000	$55,361
Lexingtons at Madison	Class B	Madison	336	1986/99	01/22/08	$22,500,000	$66,964

Steve Ankenbrandt and David Wilson, MAI
Rock Apartment Advisors

Birmingham Retail Market

Like most of the rest of the country, the Birmingham retail market did not fare well in 2009. The market was hit with multiple store closings from chains such as Bruno's, Goody's, Linens & Things and Circuit City affecting virtually every sub market. The loss of anchor and junior anchor tenants, the slowdown in new deal flow and the compression of rents continue to lead a decline in retail property values in the market. The departure of Colonial Properties from the retail development part of their business and the attenuation of major Birmingham area developer AIG Baker were not directly related to market conditions in Birmingham alone, but their moves are reflective of Birmingham's retail development landscape.

New Development: There was no significant development begun in 2009. Colonial Promenade Tannehill, The Grove and Phase IV at The Summit headline the projects begun in 2008 and delivered in 2009. Promenade Tannehill is anchored by Target, JC Penney and Publix and totals 422,693 square feet and is 100% occupied. Located in a suburban area along the I-459 corridor, a few miles west of Interstate 65 and Riverchase Galleria, the development is most notable for having created a submarket in a green area almost from scratch. Phase IV at The Summit is 50,000 square feet, is 72% leased and consists of small shop space. Major portions of The Grove in Hoover were delivered in 2009. The project opened without two planned junior anchors. Kohl's is scheduled to begin construction in 2010 while Lowe's opening date remains up in the air. Outparcel users walked away from contracts in 2009 choosing to delay their commitments until Lowes and the rest of the development materializes.



Occupancy Rates: Overall occupancy for Birmingham was 88.9%. The submarkets most affected by large scale closings were Hwy 280 and Hoover Riverchase. Hoover/Riverchase lost a Circuit City, Linens & Things and Goody's. The overall market lost roughly 1.1 million feet in the Bruno's closings alone.

Rental Rates: Average rental rates in 3rd quarter 2009 were reported at $14.56 for the entire market with Hoover/Riverchase at $27.38 on the high end and $9.46 for the North Submarket on the low end. One should not read too much into these numbers as rent concessions are not accounted for in these surveys. Also, co-tenancy violations that came into effect late in the year as a result of closed anchors stores have actual rents compressed even further.

Birmingham Retail Market 3q 2009

Market	Inventory	Overall Vacancy	YTD Absorption	Average Rental Rate
Central	3,520,737	8.30%	(6,519)	$13.79
Eastern	3,763,468	10.70%	46,227	$10.04
Eastwood/Irondale	1,648,783	15.60%	(58,943)	$9.98
Highway 280	3,326,398	11.90%	(19,462)	$18.23
Highway 31 South	1,873,837	9.10%	(16,762)	$11.05
Hoover/Riverchase	4,492,291	10.00%	(96,824)	$27.38
Northern	2,018,126	10.80%	65,900	$9.46
Western	3,162,117	17.30%	56,357	$11.13
TOTAL	**23,805,757**	**11.50%**	**(30,026)**	**$14.69**

Concessions: While there is no way to quantify the breadth or frequency of rent concessions in the market, we have seen most major chains going through a deliberate process of renegotiating existing leases, in many cases regardless of individual store performance. We are seeing concessions of 20% to 25% of base rent. Most concessions are short term and many tenants are exchanging extended lease terms for this short term rent relief. However, many landlords have been able to combat or mitigate their losses where store performance has not been affected by the downturn. In essence, if the store has not suffered a downward sales trend, the rent relief is probably not appropriate.

Tenant Improvement Allowances: Allowances seem to be mired in the lending crisis and in many cases leasing activity is at a stalemate over this issue. Most Landlords do not have the cash to put into deals. Their lender, if they will lend, typically will only lend toward vanilla box specifications and not towards tenant finishes or trade fixtures. In many cases the Landlord's can't or won't fund even the vanilla box specs. Tenants with cash on hand are getting low rent deals and significant concessions. For the most part though, the Tenant's lenders won't lend money for improvements to the Landlord's building, thus the stalemate. We expect more cash-rich Tenants to emerge later this year and take advantage of Landlords unable to offer a traditional deal structure but willing to live with compressed rents.

continued on next page

Birmingham Retail Market (cont.)

Significant Sale Transactions: The only significant sale in 2009 was Colonial's 249,554 foot Fultondale Promenade anchored by Target, Best Buy and JC Penney. The center sold in February 2009 at an 8.25% cap rate.

Significant Lease Transactions: Outside the developments mentioned herein, there were no major lease transactions in 2009. A few of the empty grocery boxes were backfilled in 2009, mostly with non-retail or non-contributing uses. The Riverchase Galleria lost a commitment from Nordstrom putting the future plans for Alabama's largest mall back in question. The former Profitt's anchor box (255,000 feet) and the lower half of the McRae's anchor box (67,200) remain empty tarnishing the image of the iconic mall.

Trends/Forecast/Predictions: Retail development is tenant driven and we do not expect a rapid return of anchors to the Birmingham market to drive new development in 2010. With the exception of The Summit, Wal-Mart and Target have led every major retail development in Birmingham since the late 1980's and both are near market saturation here. We see a place for more mixed-use development in Birmingham as infill locations are still available and the multi-family markets remain in good shape financially.

We believe the frozen credit markets will not see a significant market-wide thaw in 2010. It is widely believed that the life insurance companies and other institutional lenders will slowly come back into the lending landscape first. If certain specialty lending sectors come back to the table we could see some limited activity in food and specialty retail.

Casual dining will begin to come back in the second half of 2010 as consumers get back in the game but wholesale openings in that category are not likely until at least 2011. Quick service chains and fast casual chains will continue a steady progression of openings though a lack of large scale developments limits their opportunities.

The only major development on the books for 2010 is Grand River in Leeds. The outlet center developed by Daniel Corporation is roughly 65% leased and should open in the fall of 2010 with commitments for nearly 100% of the space. This I-20 Interstate exit already anchored by the new Bass Pro Shops and The Barber Motorsports Track will undoubtedly be home to more development activity in the next few years.

The proposed two level roadway improvements to Hwy 280, if planning progresses, will completely change the Hwy 280 corridor for retail for the worse. Access and visibility will change dramatically, strangling some existing operators. The property values on feeder roads such as Hwy 119 and Valleydale Road will increase as retailers come to understand the devastating affect the new road structure will have on Hwy 280 sites. They will look for alternative sites on the feeder roads in order to serve the customers in that corridor.

Adaptive re-use of empty grocery boxes is likely to heat up in 2010. Office, service and municipal users are likely to take advantage of these large blocks inexpensive shell space.

We expect to see new retailers come to the Alabama markets in 2010 as regional chains from outside the Southeast take advantage of compressed rents and high vacancy rates and expand their footprints across the country. Those cash-rich chains in food and soft goods will be able to find good real estate in our market.

*Special thanks to EGS Commercial Real Estate for providing survey numbers.

Bryan A. Holt, CCIM
Retail Specialists, Inc.

Birmingham Office Market

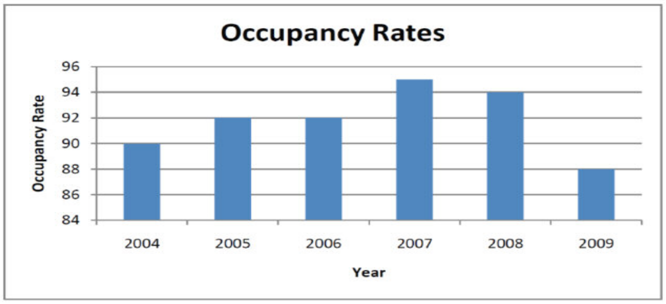
2009 proved to be a very challenging year for the Birmingham area office market. The overall Class “A” and “B” market absorbed a negative 451,700 sf in 2009 making it one of the worst years this decade for absorption. Adding to this a negative 106,000 sf absorption in 2008, the two years combined would wipe out the positive 525,500 sf of absorption in 2007. Below is a summary of the office market statistics based on our 2009 study.

BIRMINGHAM OFFICE MARKET	Overall	CBD	Midtown	280/459	South/Riverchase	Vulcan/Oxmoor
Total SF Surveyed	17,457,000	4,450,000	4,177,000	4,900,000	2,164,000	1,766,000
Occupancy Rate	88%	91.30%	92.90%	90.20%	81.50%	72.50%
Vacant Space	2,073,000	387,000	293,000	506,000	400,000	487,000
Market Status	Over-supply	Balanced	Balanced	Over-supply	Over-supply	Over-supply
Average Rental Rate	$18.92	$19.80	$20.15	$21.04	$17.09	$15.72
New Space Rate	$28.00	$28.00	$28.00	$28.00	$28.00	N/A
Rental Rate Trend	Decreasing	Stable	Increasing	Decreasing	Decreasing	Decreasing
Absorption:						
2009	-451,700	1,800	(65,000)	(10,000)	(165,000)	(213,500)
2008	-106,000	129,000	38,000	(199,000)	(38,000)	(36,000)
2007	525,500	188,000	131,500	86,000	148,000	(28,000)
New Supply Added:						
2009	131,000	0	50,000	81,000	0	0
2008	169,000	0	169,000	0	0	0
2007	0	0	0	0	0	0

Although absorption was negative, average rental rates in each submarket actually increased. Mainly due the cost of operating expenses, rental rates have continued to increase. The overall occupancy rate of 88% is the lowest this decade and, if including sublease space, the occupancy rate would fall to approximately 83%.

Sublease space of approximately 850,000 sf currently exists in the market. However, close to half of this is due to a consolidation by AT&T at The Colonnade, which has placed over 400,000 sf of sublease space on the market. This building offers large floor plates of 40,000 sf and will not be a competitor to the typical 10-20,000 sf sublease opportunity.

The CBD and Midtown submarkets continue to carry strong occupancies. The CBD continues to be home to Alabama’s largest financial institutions, as well as the state’s largest law firms. Although the banking consolidation has hit the Birmingham area very hard, the CBD, to date, has weathered that storm very well. The former Regions Bank HQ Building of approximately 200,000 sf is now vacant and could potentially become a future office competitor. However, many are hoping for and working on a possible four-star hotel at this site, which is much needed for the CBD.



Midtown has held up well due mainly to its superior location, favorable tax structure, and free parking. This market is “suburban,” but its proximity to the CBD and affluent neighborhoods continue to be a strength. The Midtown market has at least four quality sites for future Class A office developments, which developers are currently marketing for tenants at this time. Midtown will see the next Class A development when economic conditions allow.

A total of 131,000 sf of supply was added to the market in 2009 and no new construction or rehab buildings are planned to open in 2010. This coupled with an improving economy should prove to increase the health of the overall office market in the coming year.

Looking forward toward new development, several great sites and developers are poised to create new product. In today’s lending environment, any new development will require significant “pre leasing” (40-50%) before a lender would consider the project. This creates many challenges as Birmingham has historically been mostly somewhat of a “spec” market. Few office developments have been able to prelease to these levels in the past. On the positive side of new development, construction pricing has declined from 15-20% across the board on a typical project. For a developer or business owner with enough cash and foresight for his business, 2010 would be an excellent time to begin a new project for 2011 delivery to the market.

A summary of the most recent office sale transactions is as follows:

OFFICE MARKET - Significant Sale Transactions — *Birmingham, Alabama*

Property Name	Class	Submarket	Total SF	Year Built	Sale Date	Price	Price Per SF
Social Security	A	CBD	588,000	2008	Oct. 09	$147,000,000	$250.00
15 Southlake Drive	A	South/Riverchase	27,000	2007	Oct. 09	$3,500,000	$129.63
3800 Corporate Woods	A	280/459	16,600	2002	Oct. 09	$2,150,000	$129.52
2031 11th Ave South	B	Midtown	7,200	30+ yrs	Jun. 09	$925,000	$128.47

A summary of the most recent office lease transactions is as follows:

OFFICE MARKET - Significant Lease Transactions — *Birmingham, Alabama*

Property Name	Class	Submarket	Building Total SF	Year Built	Tenant Name or Type	Lease Begin	SF Leased	Rent Per SF
Financial Center	A	CBD	311,000	1980's	Christian Small	Feb. 09	36,596	Low $20's
Servis First	A	Midtown	50,000	2009	Servis First	Jul. 09	25,000	$28
Summit	A	280/459	50,000	2009	Selllers Richardson	Oct. 09	35,000	$30
Riverchase Center	A	South/Riverchase	250,000	1980's	Entertaining at Home	Oct. 09	14,600	$16

Dan Lovell, SIOR, LEED AP
Graham & Company

Birmingham Industrial Market

Thanksgiving and Christmas holidays often require long trips to one's parents', grandparents', siblings' or a friend's home. Many times, these trips feel even longer when traveling with young children or teenagers. The question "How much longer?" is often heard from them.

The same question can be asked about the industrial real estate market in Central Alabama. How much longer will current market conditions continue? How much longer will we see a lack of industrial demand? How much longer until credit markets loosen up so that industrial brokerage can begin to gain momentum again? These questions are on the minds of all practicing professionals in the commercial real estate, construction and financing industries. Although there are those who make a living predicting the future of the economy, I don't have the answer to the question of "How much longer?" However, based on statistical data, I can comment about the current condition of the market and, based on historical trends, predict the future of this segment of our local economy for coming years.

2009 has been an unusually difficult year for the multi-tenant industrial market. As a matter of fact, I cannot remember a time in the past 25 years where the Birmingham market has experienced the kind of vacancy it is experiencing today. Vacancy rates are at an all time high. As of the end of the third quarter of 2009, the overall vacancy rate for the market was 19 percent, excluding 569,000 square feet of sublease space being offered in the market. Incredibly, out of 62 cities tracked by Cushman and Wakefield, Birmingham has the second highest level of industrial vacancy.

EGS Commercial Real Estate (EGS) gathers data for the multi-tenant industrial market for three industrial product types all located within five submarkets. These product types are Bulk Warehouse, Office/Warehouse and Service Center space. The submarkets tracked are the Central, Eastern, Oxmoor Valley, Southern and Southwestern submarkets.

The Southwestern submarket is currently suffering the most with an occupancy level of 63.3 percent. This low level of occupancy is due to a couple factors. New speculative construction has taken place in both the Office/Warehouse and Bulk Distribution product types and some of it is yet to be absorbed. Also, a significant vacancy was created when a major occupant of space left the Birmingham market for a larger facility. Although this market is presently suffering, there is a light at the end of the tunnel. The future of this market is bright. CSX Railroad has recently opened an intermodal facility in the area and has plans for its expansion. Additionally, Norfolk Southern is moving ahead with its announced intermodal facility. These two developments should bring a significant level of distribution/warehousing and manufacturing activity to this submarket because of the transportation efficiencies intermodals create. Those landlords currently invested in this market will ultimately reap rewards, however they will have to be patient as this intermodal related activity will be years in the making.

The Oxmoor Valley submarket, which has always been a desirable location for companies because of its central location and its modern buildings, is also experiencing difficulty. This market has seen occupancy in the Bulk Distribution product type decline to 86.6 percent, Office/Warehouse to 88.8 percent and Service Center space to 71.5 percent. This submarket is traditionally one of Birmingham's strongest submarkets but has suffered as consolidations of operations have taken place and companies have found a way to do more with less. However, this submarket will remain in favor for many companies. The availability of space, the quick interstate access and this submarket's central location, not only to the city of Birmingham but to the state's north/south and east/west interstate corridors, will continue to be key assets to the healing of this market.

The other three submarkets are also experiencing a tough year. Additional information on the Central, Eastern and Southern markets, as well as a breakdown of additional data on the Southwestern and Oxmoor Valley submarkets is located on our website at www.egsinc.com.

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Birmingham Industrial Market (cont.)

Industrial Totals by Submarket
3rd Quarter 2009

	Total SF	Available SF	% Occupied	YTD Absorption	Quarterly Absorption	Sublease Available SF
Total Market						
Total Central	4,197,328	659,163	84.3%	(42,967)	(56,992)	0
Total Eastern	1,282,300	128,125	90.0%	(37,475)	2,700	78,000
Total Oxmoor Valley	2,666,564	432,153	83.8%	(133,163)	(37,197)	71,958
Total Southern	3,947,937	681,401	82.7%	(22,238)	35,017	336,775
Total Southwestern	2,227,362	816,870	63.3%	32,600	990	52,000
TOTAL	14,321,491	2,717,712	81.0%	(203,243)	(55,482)	538,733

Industrial Totals by Property Type
3rd Quarter 2009

	Total SF	Available SF	% Occupied	YTD Absorption	Quarterly Absorption	Sublease Available SF
Total Market						
Bulk Distribution	10,418,135	2,028,277	80.5%	(98,416)	(55,250)	520,958
Office/Warehouse	2,637,583	447,686	83.0%	(85,722)	3,507	17,775
Service Center	1,265,773	241,749	80.9%	(19,105)	(3,739)	0
TOTAL	14,321,491	2,717,712	81.0%	(203,243)	(55,482)	538,733

A reasonable question to be asked, given the above statistics, is “When will construction begin for new industrial space?” I believe the answer is best given not in months, but in years. The current supply of available space, the financing conditions presently required of borrowers and the downward pressure on rental rates will not allow for any new construction in the near future. It will mean that construction of speculative industrial space is years away from occurring again. This is tough news if you are a developer or contractor. Likely, the only investor-driven industrial construction to take place will be for unique distribution or manufacturing requirements which demand a build-to-suit type scenario. Otherwise, companies will seek opportunities in lesser expensive existing facilities.

If you are a landlord, this news is good. No new construction means no new competitive product. Sure, there is plenty of product in the market today, but as space is absorbed during the economic recovery, there will be less space to choose from and, in theory, landlords will again be able to push lease rates upward. Those landlords who are able to survive these tough times will eventually be rewarded for their perseverance. Limited new construction, coupled with the economic recovery, will allow landlords to fill vacant space, increase rents and therefore increase the value of their asset.

Any other good news? The answer is yes! Tenants who might currently be in the market for space, or who may have a lease which needs to be renewed, now have and will continue to have significant leverage when negotiating their leases. However, these negotiations are best handled by a commercial real estate professional which understands the market, has a relationship with the landlords and is able to address other particulars which may be unique to a given situation.

Opportunity always exists, but sometimes the trip to get there takes some time.

Mark D. Byers, SIOR
EGS Commercial Real Estate, Inc.

Birmingham Multi-Family Market

Rock Apartment Advisors produces an annual survey of the Birmingham area apartment market focused on conventional properties 60 units and larger. Our most recent survey was conducted in May 2009 and includes data from 148 conventional apartment properties comprising 32,971 units in the Greater Birmingham area. These participating properties represent the majority of the conventional apartment supply with 60 or more units. We have been producing a Birmingham market survey for over 10 years.

Our mid-year 2009 survey revealed a softening apartment market with a 1.7% decline in average occupancy compared to the prior year and an increase in concession usage leading to a -1.0% drop in "effective" rental rates. With 472 new units added during the prior 12-month period, new construction deliveries have been modest and slightly below the 10 year average construction for the market of 650 units per year. In contrast, 2007 was the most active in the last 10 years with 1,482 units of total new construction. Most of the recent additions to the market are positioned around the periphery.

APARTMENT MARKET - Birmingham		
as of May 2009		Conventional Properties
Total Buildings Surveyed		148
Total Units Surveyed		32,971
Occupancy Rate		90.7%
Market Status		Weak
Average Market Rental Rate		$749 / $0.744
Average "Eff" Rental Rate		$701 / $0.696
Class A Rate - avg.		$881 / $0.824
Rental Rate Trend		Stable
Annual "Eff" Rent Growth		-1.0%
Absorption:	06/08 to 06/09	99 units
	06/07 to 06/08	555 units
	06/06 to 06/07	16 units
Under Construction		1,130 units
New Supply Added:	YTD09	352 units
	2008	0 units
	2007	1,482 units
	2006	669 units

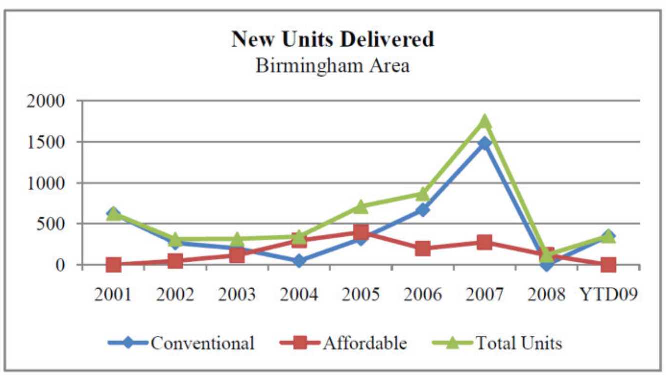
Despite the lower level of new construction activity, the Birmingham apartment market saw a significant dip in performance with slightly over 62% of the properties surveyed (92 out of 147) reporting a decline in occupancy since the same time last year, although most declines were small and only 23% of those reporting declines had declined more than 5%. The average occupancy declined in all but one submarket. The only submarket to see an increase in occupancy was the Homewood submarket with an increase of 2.4%. Three of the eight submarkets exhibit average occupancy rates of 92.0% or higher with only one submarket (Homewood) averaging below 89%. The greatest decline in occupancy occurred in the Southside submarket, which declined 4.8%. While the new supply additions have been relatively modest, the economic downturn that has triggered substantial job loss in Birmingham is expected to continue impacting the area into 2010.

The -1.0% "effective" rent growth experienced for the overall area was not unexpected given the economic downturn and a 5.4% increase in unemployment (to 10.1%) since June 2008. What is surprising is that two submarkets declined in rent growths while the remaining submarkets experienced positive "effective" rent growth. The Cahaba Heights /Mt Brook submarket saw an effective rent decline of -6.0% despite its 94.4% occupancy. However, this is not considered a fundamental pricing reduction in what has been one of the strongest markets in the city. Rather, the reduction is related to high concessions offered at a handful of properties experiencing higher than normal vacancy. The East submarket posted the strongest rent growth of any submarket in the entire market with "effective" rent growth of 4.1% since mid-year 2008. The other submarket that saw a decline in effective rent was the Hwy 280 market with -3.1%. Both submarkets with negative rent growth are the result of a significant increase in concession usage.

The Homewood submarket gained strength over the past year as 333 units were absorbed boosting occupancy to 88.8% - this included the renovated Beaconview units being brought back on-line. The total annual absorption for the Birmingham market was 99 units. Excluding Homewood, two submarkets (Vestavia/Hoover South and Highway 280 Corridor) reported positive absorption totaling 15 units.

Land availability for new apartment construction remains constrained and a problem and land suitable for new apartment construction is in very low supply. Furthermore, many of the municipalities do not want apartments built in their cities and will therefore not grant variances or zoning changes to allow for new apartment construction. This factor limits the new supply entering the market and acts as a stabilizing force protecting this market from widespread overbuilding.

The current recession has continued to bring significantly higher unemployment in the Birmingham MSA with a rate of 10.1% as of May 2009. For the first half of 2009, job losses in the area have exceeded 50,000. The reports out for August



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Birmingham Multi-Family Market (cont.)

2009 suggested a stabilizing job market and the hope that Birmingham's recovery would begin soon. However, job losses continue.

The most significant local transaction year to date in Birmingham was the sale of Colony Woods. The 414-unit property, located at 2000 Colony Park Drive, sits on 40 acres and offers a fantastic location and surroundings. This Class B+ property featured an average rent is $775 ($0.71 per square foot) and had been on the market for well over six months. DRA sold the property for $24,750,000 to Carter-Haston, a Tennessee-based apartment investor, at an 8.16% cap rate.

As expected, REO deals are starting to trickle into the market. Recently, Rock Apartment Advisors has worked closely with Bank of America, Regions Bank, CW Capital, Union State Bank, and Imperial Bank to dispose of bank owned assets.

APARTMENT MARKET - Significant Sale Transactions **Birmingham, AL**

Property Name	Type	Submarket	Units	Year Built	Sale Date	Price	Price Per Unit
Colony Woods	Class B+	Hoover	414	1991	Oct. 2009	$24,750,000	$59,783
Fox Valley	Class C	Homewood	120	1974	Mar. 2009	$3,850,000	$32,083
Riverside Parc	Class B+	Hoover	400	1987	Dec. 2008	$26,950,000	$67,375
Meadows of Brook Highlands	Class B+	Homewood	400	1984	Dec. 2008	$24,000,000	$60,000
Madison at Shoal Run	Class B+	Hoover	276	1986	Dec. 2008	$16,300,000	$59,058

The only year-to-date REO sale in Birmingham has been Union State Bank's sale of The Richmond, a historic 24 unit property in the Southside. The property, which was built in 1923, sold for $700,000.

In conclusion, despite a slowdown in the overall Birmingham area economy, the data shows that the Birmingham apartment market remains relatively healthy. The job loss for the MSA has weighed on the market and will continue to do so. As the economy improves, the expectation is that the multi-family market will improve as well. The pace of new construction has been slowing, and the number of projects and units in the pipeline is typical in light of historical levels. Even so, fundamentals for the overall apartment market in the Birmingham area are healthy, but somewhat down. These findings are not surprising, and the expectation is that there will be little new supply due to restricted construction lending.

Steve Ankenbrandt and David Wilson, MAI
Rock Apartment Advisors

Montgomery Retail Market

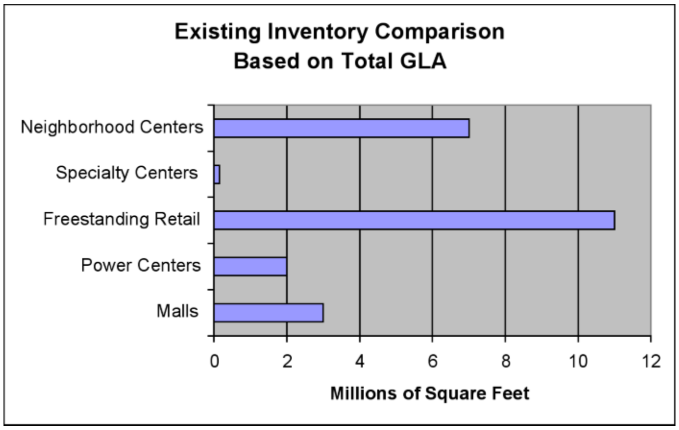
The Montgomery retail market was on fire during the boom years of 2005-2008. Excitement was in the air when Bass Pro Shops opened their doors in Prattville. Continuous additions to East Montgomery created headlines on a weekly basis. Conversely, the last eighteen months in the River Region has been a much different story.

The Montgomery area retail market has been marked with a series of store closings in 2009. The single largest story of the year was the closing of the Bruno's stores at Perry Hill Road, Bell Road, Eastchase Parkway, and a Food World in Millbrook. Other hits to the market include the shuttering of Barnes and Nobles, Circuit City, Linen & Things, Goody's, and A.C. Moore. There are a few bright spots including the revitalization efforts in Downtown Montgomery; however the overall retail market in the Montgomery MSA has been stagnant over the calendar year of 2009.

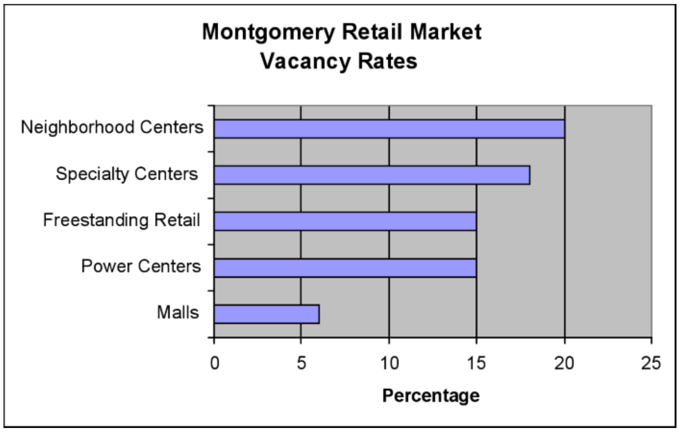
New Development: The only substantial new retail development delivered in 2009 is the Exchange at Homeplace in Prattville, AL. The Exchange is anchored by Academy Sports, Kohls, and Hobby Lobby. In East Montgomery, Academy Sports opened a 75,000 SF store on Eastchase Parkway and a new Walgreen's is currently under construction on the corner of Taylor and Vaughn Road. Tractor Supply Company is locating into 23,255 SF at Grandview Pines Shopping Center in Millbrook and has opened a new 19,097 SF store on the Troy Highway on the Southside of Montgomery.

Downtown Montgomery has bucked the trend and has seen several new restaurant and entertainment openings in the past year as part of the new Alleyway Project. Dreamland Barbeque, The Alley Bar, SaZa's Serious Italian Food, and Wintzell's Oyster Bar have all opened in and around the new Alleyway Project and Montgomery Renaissance Hotel and Spa.

Existing Supply: Total retail inventory in the Montgomery market area consists of approximately 23 Million square feet including 1,400 buildings and 160 different centers. The following graph illustrates the market inventory based on property type:



Vacancy Rates: The vacancy rates vary widely over different property types. Newer, Class A properties have fared well at the expense of the older shopping centers. The retail shift from the Bypass to East Montgomery and Prattville/Millbrook has created vacancies in the older, Class B properties. The following graph shows the vacancy rates based on property type:



Recent Store Closings: There have been a slew of store closings this year including the primary losses of the remaining four Bruno's grocery stores in Montgomery. Circuit City's 30,000 SF store at the Eastchase Market Center was barely open six months when the electronics retailer filed for bankruptcy. Circuit City also moved out of the 20,300 SF space at Prattville Towne Centre. Other major names to leave town are Barnes and Nobles, Circuit City, Linen & Things, Goody's, and A.C. Moore.

Absorption: Montgomery Mall has long been the largest retail vacancy in the Montgomery area with a total of 800,000 SF. Blue Ridge Capital has recently purchased the mall and is working with city and county officials to redevelopment the property. The property is slated for an alternative use that is rumored to be a combination of government, institutional, office, and retail. If this happens it will stabilize the neighborhood and create more opportunities for the struggling retail properties along the Southern Bypass.

In East Montgomery, Jo Ann Fabrics has quickly backfilled the former Circuit City space at Eastchase. Freddie B's Grill and Game, a concept similar to Dave and Buster's, is currently under development at the former Albertson's location which has been vacant for almost ten years. The 53,000 SF space is located in the Atlanta Crossing Shopping Center across from Eastdale Mall. In Millbrook, a small independent grocer has recently backfilled the space formerly occupied by FoodWorld.

Rental Rates: Rental rates are seeing strong downward pressure as asking prices are 10-20 % below the previous year. Class A shop space has dropped from the low twenties to the

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Montgomery Retail Market (cont.)

Property Type	Tenant	Total SF	Rent PSF	Age of Center
Neighborhood	Grocery	54,000	$ 12.00	New
Neighborhood	Hair Studio	1,400	$ 21.00	New
Neighborhood	Sub	1,400	$ 20.00	New
Neighborhood	Nail	50,000	$ 20.00	New
Power	Sporting Goods	50,000	$ 11.00	New
Power	Electronics	45,000	$ 14.00	New

high teens. Below is a sample of existing leases that have been signed in the past couple of years:

Significant Sales Transactions: There have been no significant shopping center sales transactions in 2009.

Concessions and Tenant Improvement Allowances: A number of financially strapped Landlord's are cutting rates to attract tenants however most are not willing to shell out large capital outlays for tenant construction.

Trends and Projections: The Montgomery area will not see any significant retail development in the near future. Prattville and East Montgomery require a great deal of absorption before any new development is warranted. Approximately 3 Million square feet of new retail development has taken place in the Prattville area in the past several years including Target, Home Depot, Wal-Mart, Bass Pro Shops, Belk, JC Penney, Publix, Best Buy, Academy Sports, Kohls, and Hobby Lobby. The Prattville market has become saturated and will not see any major developments for quite some time. Lowe's was the only major retailer to locate in Wetumpka during the construction boom so there may be room for a few new names in Elmore County. Most of the new retail in Montgomery will be smaller in-fill projects and continued redevelopment projects Downtown.

Carter Burwell, CCIM
Aronov Realty

Montgomery Office Market

Montgomery, Alabama: Office Survey						
Inventory (sf)	Class A		Class B		Class C	
	CBD	SUB	CBD	SUB	CBD	SUB
Total	2,116,168	1,067,012	1,018,783	889,802	284,994	134,475
Vacant	442,684	227,009	349,738	357,744	179,952	46,000
Under Construction	346,798	-	-	-		
Vacancy Rate	20.92%	21.28%	34.33%	40.20%	63.14%	34.21%
Rental Rates ($/sf)						
Lowest	$ 16.00	$18.50	$ 12.00	$ 12.00	$ 7.00	$10.00
Highest	$ 21.00	$21.00	$15.50	$15.50	$10.00	$11.00
Tenant Improvement Allowance						
Lowest	$0					
Highest	$20					

General Market Overview: Occupancies are down 10%+/- from their 2007 highs. There exists a general over supply in all office sectors, with higher vacancies on the way due to the combination of a new RSA building under construction and Colonial Bank's recent failure. Like most cities in this decade, Montgomery has suffered from the corporate consolidation, merger and expansion fervor. The trend which is purportedly creating "efficiencies" for the merging entities has typically left behind employees with no jobs, and lower occupancy rates in the affected cities. Specifically speaking, the Regions AmSouth Merger placed over 500,000 SF on the market in 2008. In 2009, the loss of Colonial added another 200,000 + SF; the consolidation of Southern Guarantee Insurance into its northern subsidiary, and the failure of The Goff Insurance Agency adds another 90,000 + SF.

New Developments: The Home Builders Association completed their second suburban 75,000 SF Class A structure in 2009. They have leased approximately 35%. RSA started construction on a 500,000 SF Class A structure in the CBD, with no named Tenants yet announced. Wextrust, the 2007 purchaser of Interstate Park, Colonials 250,000 SF suburban office park, was ordered into Receivership by the United States District Court for the Southern District of New York on August 11, 2008. Even while Hilco Real Estate, LLC works with the courts for a disposition, leasing has remained steady for the Class A and B suburban park, and deals are getting done by the leasing Agent, Lee Meriwether of John Stanley and Associates.

2009 Absorption: With 290,000 SF of 2009 Montgomery company losses, we have a net loss in absorption of approximately 190,000 SF. We did see leasing in the class A sector of approximately 40,000 SF and in B & C categories approximately 60,000 SF leased in 2009. On another positive note, some downtown backfill began to take place in the old Regions class B office buildings as Tenants realized the convenience of downtown live, work, play atmosphere under development. Total for the market was 100,000 SF +/- attributable to a mixture of both public and private Tenants, with no "stand out deals," completed for the year.

Significant Sales/Leases: The Southern Guaranty Insurance Agency closed its Montgomery office, and sold its 63,000 SF Suburban Class A structure to a local investor. The building is currently available For Lease at $18.50, with no new tenants yet announced. Goff Insurance closed its insurance office as well, adding another 35,000 SF Class A/B to the market. After Colonial Bank left downtown in 2006 due to failed lease negotiations with the New York landlord, they moved east and built a beautiful Class A 216,000 SF building. With the banks subsequent failure and purchase by BB&T, the fate of that building and other Colonial leases in town still remain in limbo. Aronov Realty has worked hard to backfill the vacated 1 Commerce Colonial Bank Downtown building and has absorbed roughly 50,000 SF of the 100,000 SF vacancies. The class B 15,000 SF +/-Twin Oaks office park located off of the Eastern Bypass sold for medical to a user for $46.00psft, in need of repair.

Trends/Forecasts/ Projections: We will see Tenants continuing to jockey for any available deals in the market. Landlords will offer higher TI incentives, and lower rates to achieve higher occupancy. Subleases will still be looked at closely by any prospective occupants. Tenants will try to become more efficient, and pay better attention to building operating costs. Downtown will attract many suburban players back who will enjoy the downtown revitalization. Smaller office buildings will battle it out over few tenants in the 2,000 to 5,000 SF Tenant range. Any new speculative office buildings will more than likely cease for the next several years.

Summary:
In all classes of office buildings in the Montgomery area, we have available and ready for occupancy sufficient supply to meet the anticipated demand for at least the next 4 years.

Jerome T. Moore, III, CCIM
Coldwell Banker Commercial - Moore Company Realty

Montgomery Industrial Market

OVERVIEW: AMPLE CAPACITY AVAILABLE TO MEET DEMANDS

The Montgomery Industrial Market is reported to have a vacancy rate of approximately 20%, with rental rates and occupancies declining in 2009. Negative absorption was expected for much of the year with new available space added to our Available Building List maintained by Economic Development Partnership of Alabama (EDAA) and the Montgomery Chamber of Commerce Economic Development Department. One new build-to-suit lease deal is under construction in Montgomery's Interstate Park. Most landlords are doing what they can to hold on to existing tenants and offer attractive incentives to new tenants going into existing available buildings. With credit tightening and banks being very guarded about making real estate loans, most landlords are only offering short term lease renewal deals hoping for the economy to improve and for demand to increase from industrial users.

NEW DEVELOPMENT

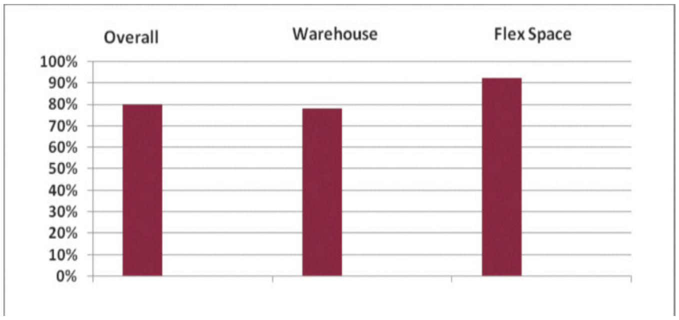
Montgomery's industrial market activity is largely concentrated outside of the downtown area. On a positive note, there were two ground breaking announcements and one ribbon-cutting ceremony earlier this year in Montgomery Industrial Park. All three announcements took place on the same day in a celebration of good economic news for the market. One 40,000 square foot building is under construction (see below)and will be completed in the first quarter of 2010. Another 40,000 building is planned for an expansion of a local medical office business but construction has not yet begun. Montgomery Industrial Park is a newer, upscale park with covenants and restrictions, allowing only investment grade industrial buildings catering to those companies that desire a business park setting.

EXISTING SUPPLY

My survey is based on an overall market of approximately 19,800,000 square feet of total industrial space. The majority of vacant space includes the bulk distribution and office/warehouse product. We are experiencing just over 4,000,000 square feet of vacant buildings with almost half of this space consisting of buildings 100,000 square feet or larger. There are six properties that are in the range of 50,000 – 100,000 square feet and seven properties that are smaller industrial buildings or flex space product. Quality flex products tend to have lower vacancy rates, reporting less than 10% vacancy through 2009.

OCCUPANCY RATES

As mentioned, the occupancy rate of Montgomery's industrial market is overall about 80%. The buildings that remain occupied long term are those Class A and Class B products that offer good access, quality construction, efficient tenant layouts and modern mechanical and electrical systems and are priced reasonably. The warehouse occupancy rates are running between 75-78% and the smaller flex space occupancy rates are slightly above 90% for 2009.



VACANCY RATES

The Industrial vacancy rate in the Montgomery market increased to just over 20% in third quarter 2009, representing over a 2% increase over the 18% reported in 2008. The largest class of available building vacancy is in the 100,000 square feet to 200,000 square feet range with no one sector of the market dominating these available buildings. We have several industrial buildings offering over 400,000 square feet and one building representing over 850,000 square feet available, one located in North Montgomery and the other in the west side of Montgomery. The highest vacancy rates continue to be in the older buildings.

ABSORPTION

Net absorption for the overall Montgomery Industrial Market was negative for 2008 and continues for 2009. We estimate a negative absorption of approximately 169,000 for 2009 and 36,400 range for 2008.

RENTAL RATES

The average quoted rental rate for available industrial space was just over $3.00 per square foot for warehouse space and $6.50 per square foot for the flex space product in good locations.

Following is a guide for industrial rental rates in Montgomery:

CLASS A	CLASS B	CLASS C
$3.50-$4.25 NET	$2.00-$3.00 NET	$1.00-$1.90 NET

CONCESSIONS

There are many types of concessions being offered in the industrial market. Some landlords are cutting rents by 20% to 30% to keep good tenants in the buildings. We have reports of minimal free rent being offered to tenants willing to renew leases prior to their lease termination date and renewing for up to a five year term.

TENANT IMPROVEMENT ALLOWANCES

TI allowances are very negotiable. The trend is to have tenants spend their money for TI and owners are willing to drop the rental rate to protect their cash flow.

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Montgomery Industrial Market (cont.)

SIGNIFICANT SALE TRANSACTIONS

July, 2009 sale of 200,000 square foot building and 20 acres of land at 4590 Mobile Highway to The State of Alabama for $3,200,000 ($16.00/s.f.).

SIGNIFICANT LEASE TRANSACTIONS

1. 70,000 square feet at 813 N. Decatur leased to MT Scrap Material
2. 70,000 square feet off Eastern Blvd to American Tire Company; 10 year lease completed in 2008
3. 39,000 square feet in Montgomery Industrial Park leased to Berney Office Solutions, Inc.; 10 year lease

SUMMARY

The amount of available industrial inventory in Montgomery provides opportunities for all prospects searching for industrial space in Montgomery or the River Region. Most tenants are requesting short term leases. Landlords are working to keep existing tenants in their space as opposed to having to try to attract new tenants. The industrial products in Montgomery are very different and give prospects lots of different properties from which to select.

We are optimistic that a normal market may return in 2010. The supply and infrastructure is in place and prepared to an increase in demand. Bottom line, there are quality industrial buildings that may only be offered at below market rents while the economy is in a recession. Take advantage of opportunities while the door is open. If the economy surges, interest rates will climb, adding to the cost of ownership and lease rates will return to normal market rates.

Nim Frazer, Jr., SIOR
Industrial Partners

Montgomery Multi-Family Market

Rock Apartment Advisors produces an annual survey of the Montgomery area apartment market focused on conventional properties 60 units and larger, as well as Low Income Housing Tax Credit (LIHTC) properties 40 units and larger. Unless otherwise stated, the commentary and data herein relates to the "conventional" market. Our most recent survey was conducted in June 2009 and includes data from 70 conventional apartment properties comprising 13,495 units in the Montgomery area, including Prattville and Millbrook. These properties represent the majority of the conventional apartment supply with 60 or more units.

APARTMENT MARKET - Montgomery		
As of June 2009		Conventional Apartments
Total Buildings Surveyed		70
Total Units Surveyed		13,495
Occupancy Rate		87.4%
Market Status		Weak
Average Market Rental Rate		$696/ $0.693
Average "Eff" Rental Rate		$661/ $0.658
Class A Rate - avg.		$827 / $0.755
Rental Rate Trend		Mixed
Absorption:	06/08 to 06/09	543 units
	06/07 to 06/08	94 units
Under Construction		499 units
New Supply Added:	YTD09	112 units
	2008	932 units
	2007	772 units
	2006	480 units

The Montgomery apartment market has softened since mid-year 2008, and it remains the weakest of the four major markets in the State of Alabama. Its average occupancy of 87.4% at mid-year 2009 represented a 2.3% decline over the prior 12 months. A weakening economy, as well as the significant new supply additions over the past 18 months, both negatively affected the market leading to declining occupancy rates in all four submarkets. On an overall basis, the newer properties are performing best with average occupancies of 91.0% - down 1.2% from the prior year. The 1970's and 1980's product in the all submarkets held up over the past year with the exception of the South. The amount of distress in the South resulted in the decline of the 1980's product occupancy from 87% down to 79%. The 1970's product category posts the lowest average occupancy among the various age classes with an average of 83% as of mid-year 2009 – a 2.7% decline from the prior year. There appears to be significant room for improvement in this sub-sector through renovation.

The submarket with the largest decline was the "Inside the Boulevard" submarket that dropped from 92.8% to 86.4% or a decline of 6.4%. Prattville/Millbrook had the next largest decline from 93.8% to 89.3%. This does include two new properties that were in lease up. If these two new developments were excluded, the decline in the market was only 1.3%. The South submarket has had the greatest challenges in occupancy over the last several years, following the closure of the Montgomery Mall and faltering performance of many of the properties. The occupancy declined 3.5% and averaged 80.9% as of mid-year 2009. As of mid-2009, a number of properties in this submarket were lender-owned or moving toward foreclosure and the situation has further deteriorated as of late-2009. An improvement in this submarket will most likely not occur until the ownership begins to solidify in this submarket and/or the underlying retail/service economic base in the submarket is repositioned improving the character of the area.

Montgomery is largely a government town with its largest employers being the State of Alabama and Maxwell Air Force Base, although the construction of the Hyundai automotive manufacturing plant a few years ago was a major catalyst for change and boost for the economy. Hyundai's construction of a second engine plant to supply Kia began in 2007. Hyundai's investment in this market had boosted employment and had been the most significant economic force resulting in lowering unemployment and creating demand for new housing. The national recession and widespread effects on the faltering automotive industry triggered substantial reductions in employment in Montgomery. As of June 2008 unemployment rate for Montgomery was 5.4%, while as of June 2009 the unemployment rate had increased to 10.0% where it has held stable throughout Fall 2009.

The vast majority of the new population and housing growth has occurred in the "bedroom" communities of Prattville and Millbrook located across the river north of Montgomery. Also, numerous restaurants, hotels and major concentrations of retail/service uses have opened over the past year in Prattville and this retail sector explosion helped fuel demand for new apartment units.

The East submarket features most of the newer apartment product, while the product Inside the Boulevard is generally older 1970's and 1980's product. The South submarket is heavily weighted to the Pre-1970's and 1970's vintage properties. Prattville/Millbrook is generally comprised of newer product built since 1990 with only a few older properties. Therefore, almost all of the Class A product is in the East and Prattville area, while the Class B and C properties are most heavily concentrated in the South and Inside the Boulevard submarkets.

New construction has been very active with 480 units in three projects constructed in 2006 and 772 units in four projects added in 2007. Our mid-year 2009 survey indicated that 916 new units in five projects had been delivered in the prior 12 month period. However, the construction pipeline has diminished over the past year with a total of approximately 499 units in four conventional projects actively under construction as of mid-2009. Of these, 380 units are in the East submarket, 240 units "Inside the Boulevard" and the remaining 683 units in

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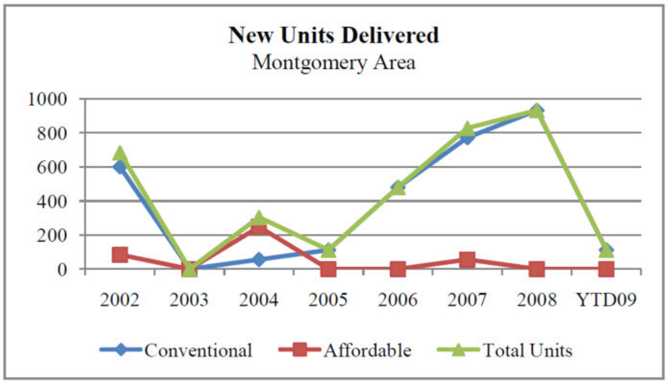
Montgomery Multi-Family Market (cont.)



Prattville. The majority of these new properties began delivering units between June and August 2009. In conclusion, there were a substantial number of new construction projects underway and in lease-up as of mid-2009. The new units are focused in the East and Prattville submarkets where occupancy rates were 91.1% and 89.3%, respectively. The new construction deliveries over the past year have had a softening effect on the broad Montgomery area apartment market. Given the current state of the Montgomery economy, as well as the level of additional construction expected over the next year, it is likely that the market will continue to remain soft into 2010 as the new units are absorbed.

Despite some weakness in the market, the average "effective" rent for the overall market grew by 1.4% from mid-year 2008 to mid-year 2009. The highest rent growth was recorded in the "Inside the Boulevard" and Prattville submarkets where "effective" rent growth averaged 6.6% and 4.3%, respectively, over the past year although these increases were bolstered by the introduction of new product with rents at the top of the market. Effective rents in the South submarket grew a modest 1.5% since mid-year 2008, while the East submarket had a negative effective rent growth amount of -1.1%. This is not surprising given the new product in the market and the amount of concession growth over the last 12 months as the economy worsened. Rent concessions were on the rise with 63% of the conventional properties surveyed reporting some form of rent concession as of June 2009. The average concession was $52 per month, compared to $38 per month in June 2008 when only 35% of the sample was offering concessions.

The Montgomery Housing Authority is seeking a redevelopment of the Tulane Court property downtown whereby the 10-acre public housing site would be cleared and reconfigured for a new mixed-use, mixed-income property. No Low Income Housing Tax Credit new construction properties were awarded credits in Montgomery, Autauga or Elmore counties during the 2008 competitive application cycle and only one 96-unit project was awarded tax credits during the 2009 competitive application cycle (Brentwood Landing in Prattville).

Several non-distressed multi-family sales have occurred this year in Montgomery, as summarized below. Due to the growing number of distressed properties in Montgomery, we expect several properties to sell in 2010.

APARTMENT MARKET - Significant Sale Transactions — Montgomery, AL

Property Name	Type	Submarket	Units	Year Built	Sale Date	Price	Price Per Unit
Olympiad	Class B	East	176	1986	05/28/09	$11,600,000	$65,909
Vintage Pointe	Class A	East	520	1973	02/01/09	$24,475,000	$47,067
Zelda Pointe	Class B	East	160	1985	01/14/09	$9,150,000	$57,188

Overall, the Montgomery apartment market is weak and experiencing a fairly high level of distressed properties, mostly in the Class B and C sectors. The substantial amount of new construction that has occurred in the face of a weakening economy has led to widespread concession usage and declining occupancy rates. The outlook for 2010 is for slow improvement although significant recovery in the apartment sector won't occur until the economy recovers.

Steve Ankenbrandt and David Wilson, MAI
Rock Apartment Advisors

Mobile Retail Market

The Mobile retail real estate market has not seen the crash that other markets throughout the state have seen, partly because it never experienced the explosive growth seen in markets to the north or even on the Eastern Shore. Mobile's benchmark for years has been slower steady growth; as opposed to the Eastern Shore of Daphne, Spanish Fort, Foley and Orange Beach, which were all exploding with large retail projects, such as the Bass Pro anchored Spanish Fort Town Center, the upscale lifestyle center Eastern Shore Center, Colonial Pinnacle in Gulf Shores and The Wharf in Orange Beach. During a time when all of these major projects were being developed in Baldwin County, Mobile was seeing much more modest projects on a smaller level. The explosive growth of retail in Baldwin County was soon followed by numerous residential projects that now litter Baldwin County with no significant activity. DR Horton is very aggressive in acquiring lots and building homes in these subdivisions which will add bodies into these subdivisions which should help create interest from new retailers.

The Mobile area retail market was similar to Montgomery and Birmingham in that one of the largest grocery chains - Bruno's - was lost, but a number of those spaces and other vacant grocery stores have already been re-leased. Havertys and Dollar Tree absorbed 50,000 square feet at Airport Blvd & Azalea Road; Shoe Station leased space at Airport and Hillcrest; Wal-Mart opened their second Neighborhood Market; and Southern Markets backfilled a number of the other former Bruno's locations.

For a number of years, Schillinger Road in east Mobile has led the Mobile market in terms of retail growth. That obviously has slowed down, but there have only been a few stores closings with the most notable being Goody's. The other notable bankruptcy, Circuit City, created well-located space for other users. Their Mobile location was leased by a medical software company and the Spanish Fort site to a children's party center – Kangarooz.

New Development: The most notable new retail development to open in 2009 was Spanish Fort Town Center anchored by Bass Pro Shops, JC Penney, Kohl's and Books A Million located just east of the Mobile Bay bridge along Interstate 20. The Eastern Shore Center added a new Premier Theater and a new operator took over the theater in Foley. Other new retail developments delivered in Baldwin County in 2009 have included new Publix-anchored projects in Orange Beach, Gulf Shores, Fairhope and Daphne. These same projects brought on-line additional shop space that is slowly being absorbed.

Mobile and Baldwin County both experienced tremendous expansion by a number of banks. These banks not only acquired out-parcels for new branches, but others absorbed retail space and end caps in shopping centers. Furthermore, Downtown Mobile has still been active adding the Crescent City Theater, a Hampton Inn, various other retail and restaurants in 2009.

Vacancy Rates: The vacancy rates vary widely over different property types. Newer properties have fared well at the expense of the older shopping centers. In Baldwin County, the oversaturation of new retail space has led to higher than usual vacancy rates, especially in the new Power Centers.

RETAIL MARKET – Mall and Power Center Vacancy Rates

Property Name	*Submarket*	Building Total SF	Year Built	SF Leased	% Leased	Vacancy Rate
Bel Air Mall	Mobile	1,300,000	1967	1,274,600	98.0%	2.0%
Springdale Mall	Mobile	926,376	1959	800,630	86.4%	13.6%
Eastern Shore Center	Eastern Shore	540,000	2004	493,896	91.5%	8.5%
Spanish Fort Town Center	Eastern Shore	535,000	2008	380,719	71.2%	28.8%
Totals/Averages		3,301,376		2,949,845	89.4%	10.6%

Community Centers have fared somewhat better than the Power Centers in the changing market conditions, as their vacancy rates have remained closer to 10-12%.

RETAIL MARKET - Community Center Lease Rates

Property Name	Building Total SF	SF Leased	% Leased	Vacancy Rate
McGregor Square	167,193	141,246	84.5%	15.5%
Pinebrook	192,254	185,250	96.4%	3.6%
Yester Oaks	90,000	81,867	91.0%	9.0%
Bruno's Shopping Center	143,544	123,544	86.1%	13.9%
Skyland Shopping Center	90,000	75,000	83.3%	16.7%
Totals/Averages	**682,991**	**606,907**	**88.9%**	**11.1%**

Recent Store Closings: As noted earlier, there have been several store closings this year, most of which served to open the way for new retailers to backfill spaces. Significant closings included Circuit City in Mobile and Spanish Fort; several Bruno's locations; two Goody's locations, one on Schillinger Road and one at Springdale Mall. A newly constructed Office Depot location in Tillman's Corner which sat empty since its completion in 2008 remains vacant, with the store announcing that it will not open.

Absorption: As previously noted with the new leases secured for the former grocery stores or Circuit City, larger spaces left by closing retailers have in most cases been back-filled with either new retailers or existing retailers new to the Mobile market. Virginia College leased 60,000 SF at the Festival Center.

Rental Rates & Concessions: Rental rates have steadily decreased throughout 2009. Per square foot rental rates for retail space has dropped from the low twenties and high teens to the mid to low teens. Landlords are getting more aggressive in lowering their rental rates to fill vacancies as more centers are competing for fewer tenants. It also seems landlords are proposing more free rent instead of providing allowances.

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Mobile Retail Market (cont.)

RETAIL MARKET - Significant Lease Transactions						
Property Name	***Property Type***	***Submarket***	**Year Built**	**Tenant Name or Type**	**SF Leased**	**Rent Per SF**
Spanish Fort Town Ctr	Power Center	Eastern Shore	2007	Kangarooz	20,331	$10.00
Spanish Fort Town Ctr	Power Center	Eastern Shore	2007	Books A Million	15,500	$14.00
Festival Center	Regional	Mobile	1986	Virginia College	60,293	$9.25
SME Airport	Community Center	Mobile	Renovated 2008	Havertys	35,000	$13.50
SME Airport	Community Center	Mobile	Renovated 2008	Dollar Tree	10,000	$10.00

Significant Sales Transactions: There have been no significant shopping center sales transactions in 2009.

Trends and Projections: The Mobile area will not see any significant retail development in the near future.

John P. Vallas, Jr.
Vallas Realty, Inc.

Mobile Office Market

The Mobile, AL office market, for the most part is a "rob Peter to pay Paul" dynamic. Because of the shortage of corporate headquarters and lack of any substantive growth, most office deals involve tenants having a rather broad choice of space when they feel the need to relocate or expand. The following survey was conducted in the fourth quarter of 2009. I gathered data from the largest and highest profile properties in the city. Baldwin County was not included simply because office space in Baldwin County is typically owner occupied small buildings scattered among several small towns. The information contained, while believed to be accurate and up to date, is based upon my knowledge of the market and the input of several fellow brokers.

Downtown: The downtown Mobile office market has undergone somewhat of a redefining over the past five years. For more than twenty years, Mobile has had an office market that was as boring as watching paint dry. Seventy five percent of the market would be classified as "C" space; twenty percent "B"; four percent "B+"; and about one percent "A" space. Vacancies hovered between 12 and 15% year in and year out. There was very little development, except some owner-occupied buildings, but very little build to suit or spec space.

Then, in 2007, along came the opening of the 500,000 plus square foot Battle House Tower. This development, an extension of the renovation of the Battle House Hotel, orchestrated and owned by the Retirement Systems of Alabama (RSA), offered class "A" space with breathtaking views. Immediately impacted, the downtown market began attracting large tenants from the surrounding class "B" and "C" buildings. It quickly made developers and brokers aware of the pent up demand Mobile had for class "A" space. Just the presence of the $220M Battle House Hotel and Tower drew tenants that didn't necessarily fit into the Tower, but began looking for space downtown whether it be a smaller multi-tenant building or the rehab of small single tenant historic buildings.

Today the Battle House Tower is 87% occupied with only two full floors available. Rents begin around $20.00 per square foot, full service. Some of the higher, more desirable floors have gone as high as $23.00 per square foot. The build out for each tenant is second to none. This building would be class "A" in any market in America.

As is the case in most cities, Mobile's downtown hosts federal, state and municipal courthouses. The largest tenants are law firms, banks and maritime related companies. This has been the case for many years, however, in the past 10 years there have been several engineering firms relocate from the suburbs to downtown. Most notably was the relocation of Kellogg Brown & Root in 2006 from its western Mobile location of the past 25 years.

In the years prior to the Battle House Tower, downtown office space had been slowly undergoing resurgence through renovations of several historical buildings. After Hurricane Katrina, and the implementation of the Gulf Opportunity Zone (Go Zone) tax incentives, renovations picked up considerably. Along with these renovations came higher classes of space commanding higher rents. Some of these even compete with the $20.00 rents in the Battle House Tower.

Over the past twelve to eighteen months downtown renovations have slowed, if not stopped. Land prices have remained stable ranging from $10.00 to $35.00 per square foot depending on how far from Bienville Square and the Mobile River. Scarcity of financing is primarily to blame for the cease in new activity.

DOWNTOWN - Multi-Tenant						
Property	Total SF	Yr Built	SF Rented	Avg. Rate FS	% Occ.	Class
Battle House Tower	534,268	2007	464,813	$20.00	87%	A
One St. Louis	97,514	1985	95,000	$16.50	97%	B
Riverview	172,853	1983	169,396	$18.50	98%	B
Commerce Building	93,000	1958	79,050	$13.50	85%	C
Wachovia Building	76,873	1945	61,514	$14.00	80%	C
TOTALS/AVERAGE	**974,508**		**869,773**		**89%**	

Going forward Mobile has another RSA project on the horizon in the redevelopment of the former AmSouth Bank Building. It has been stated that this will be a $40 to $60 M redevelopment. It will bring 270,000 plus square feet of "B" space on line in 2012. There are no projected rents as of today.

Suburban: The suburban office market is softer than the downtown market. The breakdown of classes is similar to the downtown area but much more spread out. Multi-tenant buildings over 50,000 square feet continue to be 80 to 85% occupied. The vast majority of these buildings are located in the vicinity of I-65 and Airport Blvd., which also is the largest retail concentration in south Alabama. Suburban office space in Mobile is primarily "B" and "C" space with rents in the $12.00 to $17.00 range with "modified gross" leases of 3 to 7 year terms. The 1% which is "A" space consistently stays 98% occupied with rents of $20.00 to $25.00 over 10 year terms.

Again, there has been very little suburban office development in the past five years. The only significant developments that come to mind are the Real Estate Center (TREC), developed by Saad & Vallas, and the White-Spunner Construction building. The TREC building was built primarily for the investors, by the investors – that is, it is mostly owner occupied. It is a class "A" facility located in the premier suburban office location. The developers paid $12.50 per square foot for the land. The building is over 30,000 square feet and rents are in excess of $22.00 gross. The White-Spunner Construction building was likewise built by the owner for the owner with a small amount of spec space. It rents for $19.00 psf, full service.

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Mobile Office Market (cont.)

SUBURBAN - Multi-Tenant						
Property	Total SF	Yr Built	SF Rented	Avg. Rate FS	% Occ.	Class
White-Spunner Building	40,000	2008	40,000	$19.00	100%	A
TREC	24,411	2007	24,411	$23.00	100%	A
BB&T	70,600	1997	57,100	$22.00	81%	A
Paramount Center	41,688	1988	37,588	$17.02	90%	B
Montlimar Tower	174,350	1984	148,197	$16.00	85%	B
Infirmary 65	75,215	1988	60,175	$16.50	80%	B
TOTALS/AVERAGE	**426,264**		**367,471**		**86%**	

Medical: Medical office space in Mobile has been driven by the hospitals. Beginning in the '90s the three major hospitals, Mobile Infirmary, Springhill Memorial and Providence Hospital seemed to have a competition for leading medical groups. In this competition, the hospitals would strike deals with these groups that would include office space. During this time the hospitals built quite a bit of new medical space leaving the 1950s to 1970s era space vacant. For the most part, it remains vacant or partially leased.

Conclusion: In summary, I would say that the Mobile office market remains stable even through these rocky economic times. Although there has been very little office growth over the past 20 years with the exception of the Battle House Tower, the bar seems to have been raised all over town by the activity in the downtown sector. Going forward it is generally accepted that Mobile's future is bright. Having landed the ThyssenKrupp steel mill and being noted nationally for building Navy ships and competing for Air Force Tankers, I feel Mobile's next move forward will be in corporate headquarters. This will surely raise the bar again for the Mobile office market.

Allan R. Cameron, Jr., SIOR
Grubb & Ellis, Peebles & Cameron

Mobile Industrial Market

The Mobile Area industrial market, while somewhat resistant to the recessionary pressure in 2008, definitely experienced a slowdown during 2009. With the majority of the industrial space located in Mobile County, all sectors saw flat to negative absorption in 2009. Rents have clearly softened across the board with landlord incentives being offered, but with very little effect. We have seen a major trend of tenants and landlords negotiating early lease renewals at lower rents with term extensions.

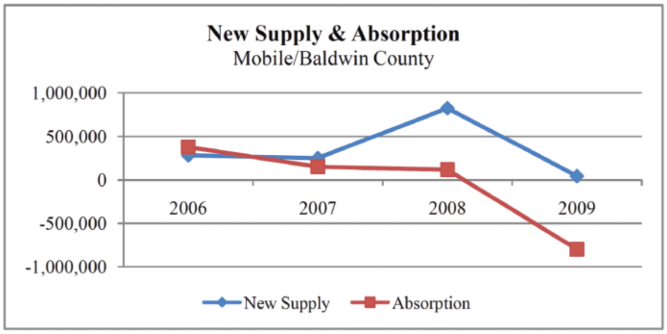
The enclosed information reflects a 75% sampling of the overall industrial building inventory. This sampling covers a list of specific buildings that are known and identified for a company survey conducted annually.

INDUSTRIAL		MOBILE/BALDWIN COUNTY, ALABAMA			
		Overall Market	Bulk Distribution	Office Warehouse	Service Center Flex
Total Buildings Surveyed		65	25	30	10
Total SF Surveyed		10,720,000	9,920,000	450,000	350,000
Occupancy Rate		77%	76%	82%	85%
Vacant Space		2,523,500	2,390,000	81,000	52,500
Market Status		Over-Supply	Over Supply	Balanced	Balanced
Average Rental Rate		$3.54	$3.25	$5.00	$10.00
New Space Rate		$4.94	$4.50	$7.50	$14.00
Rental Rate Trend		Declining	Declining	Declining	Declining
Absorption:	2009	-800,000	-750,000	-50,000	Flat
	2008	120,000	100,000	Flat	20,000
	2007	151,000	100,000	25,000	26,000
	2006	376,000	300,000	20,000	56,000
Under Construction		20,000	0	20,000	0
New Supply Added:	2009	45,000	0	45,000	0
	2008	825,000	800,000	25,000	0
	2007	250,000	200,000	50,000	0
	2006	280,000	200,000	40,000	40,000

The Port of Mobile, one of the major catalysts for industrial activity, has shown activity in both cargo and bulk products down considerably due to the current trends in the global market. This has had a direct impact on Bulk Distribution space showing with a considerable increase in vacancy during 2009.

With the oncoming completion of the Mobile Container Terminal in 2008, a couple of major distribution developments took place within the Mobile Market. It was anticipated that demand would be driven from the new container terminal similar to the expansion of space in the other container markets located on the Gulf and East Coast. Approximately 800,000 sq. ft. of bulk distribution space came on line in 2008 at about the time the market started its decline. Most of this space remains vacant today.

With a very diverse local economy and some new large manufacturing companies under construction, local business activity should continue to have an underlayer of strength that will help with recovery. It is doubtful that we will see any change in demand into 2010. With tight credit markets, no sizeable new construction is anticipated. Some owner-occupied projects are scheduled for construction with users taking advantage of the current discount in new construction costs.



One of the largest capital projects ever undertaken in the history of the state, the ThyssenKrupp Steel Facility, is scheduled for completion in 2010. The pace of the $4 billion project has been impacted by a soft demand globally of both the carbon and stainless products to be produced here in Alabama. Upon initial announcement of this project, it was anticipated there would be an immediate demand for land and buildings to support services and suppliers for this enormous project. This in turn drove up land values with some sales to users, but many to speculation. Once completed and fully operating, the large workforce (estimated around 3,000) should expand demand in the area for some retail and industrial, but much of the spin-off in the service sector is expected to occur on-site within the facility's vast 3,500 acre complex.

Despite the recessionary economy, the Mobile/Baldwin County area remains a key player for new economic development within the state. With several large projects actively looking in our area, the possibility for the Industrial Market to make a rebound remains optimistic. Major projects of note that are active include:

1. EADS/Northrop Grumman (Aircraft Facility), Mobile County
2. Hybrid Kinetic Motors Corp. (Automotive Facility), Baldwin County

Either of these projects becoming a reality would immediately impact the market in all sectors.

Bernard Heggeman, III, CCIM
Heggeman Realty Company, Inc.

Mobile Multi-Family Market

Rock Apartment Advisors produces an annual survey of the Mobile/Baldwin County area apartment market focused on conventional properties 60 units and larger, as well as a limited sampling of Low Income Housing Tax Credit (LIHTC) properties 40 units and larger. Unless otherwise stated, the commentary and data herein relates to the "conventional" market. Our most recent survey was conducted in May 2009 and includes data from 78 conventional apartment properties comprising 15,686 units in the Mobile and Baldwin County areas. These properties represent the majority of the conventional apartment supply with 60 or more units.

As of mid-2009, in spite of the national economic downturn, Mobilians continued to be optimistic about what was happening in their port city. According to the local Chamber of Commerce, "numerous out-of-town companies, both national and international, are still seeking investments in the area." Specifically, there is optimism about Thyssen Krupp (German steel plant), Austal (Australian shipbuilder), and the port's new container terminal.

While optimism was high in the Mobile area at mid-year, apartment occupancies were not. The Eastern Shore, which had been a very healthy market in years past, was only 70% occupied as of May 2009 due to five new Class A properties in lease-up. On the contrary, South Baldwin, which had been the weakest market in the entire state in 2008, saw an increase in occupancy to 87.8%, but the occupancy came at the expense of market rents over the last year. Occupancy in all Mobile submarkets was 89% or higher with North Mobile posting the highest occupancy at 96.7%. Mobile County continues to be one of the more stable apartment markets in the state.

APARTMENT MARKET - Mobile & Baldwin Counties

as of May 2009	Conventional Properties	Tax Credit Properties
Total Buildings Surveyed	78	29
Total Units Surveyed	15,686	3,331
Occupancy Rate	89.8%	93.4%
Market Status	Improving	Stable
Average Market Rental Rate	$675/ $0.725	$548 / $0.591
Average "Eff" Rental Rate	$636/ $0.684	$548 / $0.591
Class A Rate - avg.	$855/ $0.792	n/a
Rental Rate Trend	Stable	Stable
Annual "Eff" Rent Growth	0.6%	-0.4%
Absorption: 06/08 to 06/09	724 units	163 units
06/07 to 06/08	379 units	248 units
Under Construction	648 units	76 units
New Supply Added: YTD09	230 units	0 units
2008	1,495 units	968 units
2007	1,200 units	407 units
2006	150 units	110 units

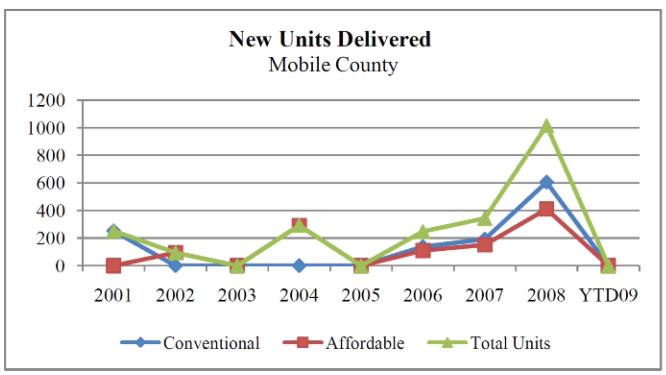
Rent growth was healthy in all areas of Mobile County excluding the Midtown/Downtown/Historic submarket, which experienced a -2.3% decline in effective rents. South Mobile posted the highest effective rent growth at 11.1% while South Baldwin posted the largest effective rent decline at -9.8%. In addition, the Eastern Shore posted a rent decline of -1.8%.

The majority of the apartment supply in the Mobile area is concentrated in the West Mobile area (the area west of Interstate 65) which includes some areas inside of the city limits and some areas outside of the city. Over 50% of the conventional properties surveyed in the larger Mobile/Baldwin County area are located in the West Mobile submarket. The City of Mobile and Mobile County feature an aging apartment stock with the majority of the units over 20 years old. Over 50% of the product in West Mobile was built in the 1970's with only 1,639 units in our sample built since 1990.

The Mobile/Baldwin County economy has been one of the most rapidly growing areas of the state and Southeastern United States over the past few years and apartment developers have been scrambling to meet the demand for housing. There were only 330 conventional units added to the Mobile market between 2001 and 2007, but there was a surge in construction since 2008. The Baldwin County and West Mobile submarkets have seen the majority of new development in late-2008 and early-2009 as they are the locations experiencing the greatest economic and demographic growth.

In 2008, 605 conventional units were added to the Mobile County market and while no units were delivered in the first half of 2009, 498 units are expected to be complete within the next year. Delivery of LIHTC properties in Mobile County has been more steady and 76 LIHTC units were under construction in the market as of mid-2009.

Similar to Mobile County, Baldwin County has experienced an uptick in deliveries since 2006, but the distinction is that the large majority of supply in the county has been built since 1990. Our mid-year 2009 survey revealed that there were 1,448 new apartment units completed in Baldwin County in 2008, with 1,034 new units completed since July 2008. In all, this represents 1,120 new conventional units delivered in eight



projects and 558 units in seven LIHTC projects. While the last several years saw the addition of thousands of units to the Foley/Gulf Shores area, all of the conventional units added to the Baldwin County market since the beginning of 2008 have

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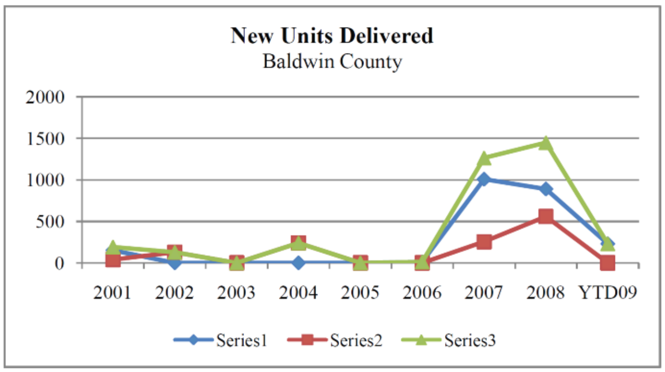
Mobile Multi-Family Market (cont.)

been in Daphne or Spanish Fort. Conversely, almost 70% of the affordable units added to the Baldwin County submarket since 2008 have been in either Robertsdale or Foley. The remaining 20% of affordable units added since 2008 are in two projects: Shellbrooke Pointe in Fairhope and Cottage Park in Bay Minette.

As of August 2009, the unemployment rate in Mobile County was 11.1% and the unemployment rate in Baldwin County was 8.7%. The area continues to feel the effects of the national recession, which is partially to blame for low occupancies, rent losses, and an increase in concessions. However, apartment conditions were weak in Baldwin County even before the recession set in. The five brand new Class A apartments battling for residents in the Eastern Shore area of Baldwin County have overwhelmed this submarket. However, this submarket's proximity to downtown Mobile and access to the interstate, coupled with its strong demographics and desirable schools, offers great potential for economic growth once the market recovers.



ThyssenKrupp, a world class, state-of-the-art steel and stainless steel processing facility, is currently under construction in north Mobile County. The operations at the plant will be a cooperation between two ThyssenKrupp Segments: Steel and Stainless. The investment, which is believed to be one of the largest private developments in the Unites States over the next decade, will be around $6.6 billion. The plant is expected to open in 2010 and will create 2,700 jobs when fully operational. In addition, the Pentagon awarded a $40 billion mid-air refueling tanker contract to Northrop Grumman and EADS in April 2008 that would have resulted in the manufacturing of a KC-30 aircraft in Mobile and lead to hundreds, if not thousands, of jobs. However, Boeing appealed the contract award and the competition for the multi-billion dollar deal was re-launched in September 2009, and after reviewing the revised criteria, residents remain hopeful that Northrop Grumman and EADS will win the contract. Furthermore, Austal USA employs 700 people at their shipyard where they build littoral combat ships, and it was announced in early 2009 that a HK Motors plans to build a plant in Baldwin County to manufacture 300,000 hybrid vehicles per year.

Transaction activity was fairly slow in 2008 and then came to a virtual stand-still in early 2009. However, two significant sales have occurred in 2009. The sale of Colony Club at Drakes Landing located in Gulf Shores (central Baldwin County) is notable for several reasons. The property was a failed condo conversion taken back by Bank of America. Of the 168 units, Rock Apartment Advisors sold 115 units in a bulk sale closing in October 2009. The units sold for $3,400,000 or $29,565 per unit. While lenders have been slow to dispose of assets, it is expected that more bank-owned properties will be sold over the next few years.

APARTMENT MARKET - Significant Sale Transactions — **Mobile & Baldwin Counties**

Property Name	Type	Submarket	Units	Year Built	Sale Date	Price	Price Per Unit
Colony Club at Drakes Landing	Class A-	Gulf Shores	115	1996	10/23/09	$3,400,000	$29,565
Tower at Ryan Park	Class B-	Downtown	141	1950	03/18/09	$4,400,000	$31,206

Steve Ankenbrandt and David Wilson, MAI
Rock Apartment Advisors

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