Development Practicum

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Executive Summary

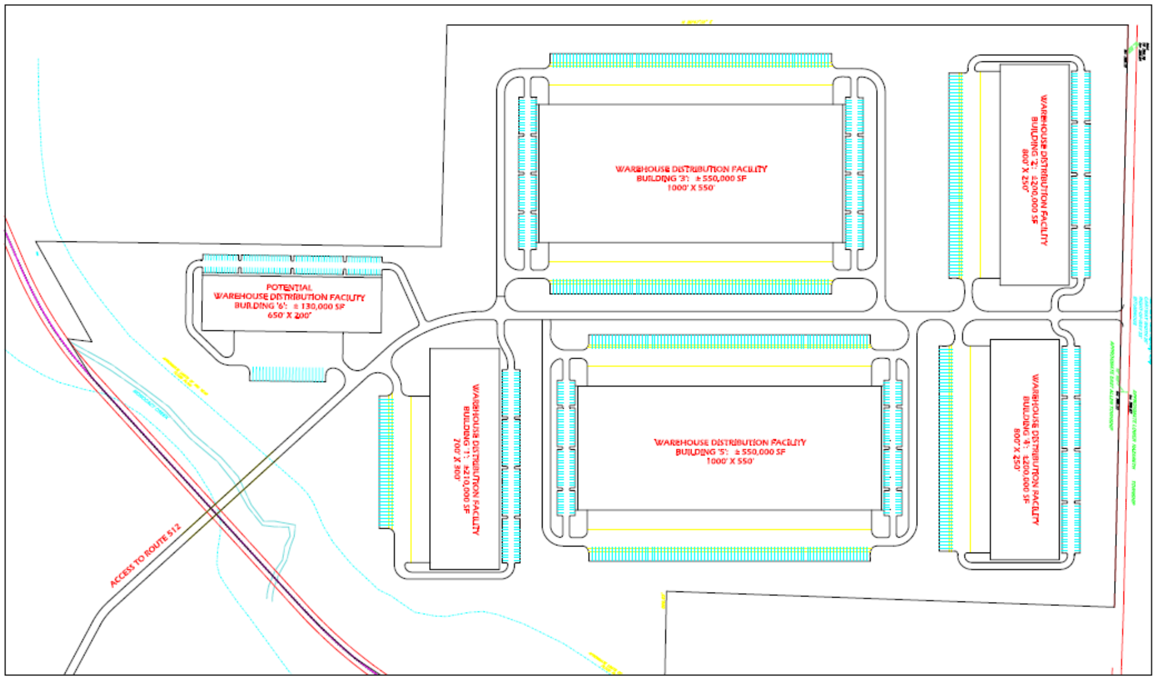
The development opportunity consists of a 170 acre property made up of four individual parcels suitable for a planned business park of warehouse and distribution facitilities. The property is located in East Allen Township, Pennsylvania which is in the eastern portion of the state in the region known as “Lehigh Valley”. Willingness of four adjacent landowners to simultaneously sell their land presents a unique opportunity to assemble a large development parcel with close proximity to transportation infrastructure. The location and size of the property is well-suited for development of a planned business park of warehouse/distribution buildings.

This parcel is located near the center of Lehigh Valley’s vibrant industrial market of over 53,000,000 square feet. It is located just north of a mature industrial park, where many national companies have leased space for many years and just south of a parcel that was recently developed as a 400,000 SF distribution center for Trader Joe’s. The property is approximately 2.5 miles from US-22, a limited access highway leading to I-78 which leads east to Manhattan and the Port of New York/New Jersey and leads west to I-81/Harrisburg. The property location provides easy access to the densely populated consumer markets of Manhattan, northern New Jersey, Philadelphia, and Baltimore/Washington. The property also benefits from easy access to the inbound flow of goods coming through Harrisburg and the Port of NY/NJ which yields lower inbound transportation costs for the tenants.

The property serves as an infill site within the heart of the market area for industrial real estate in Lehigh Valley. This market has a proven track record over the last 10 years with growth over 21,000,000 square feet during the period. Fortune 500 tenants are continually attracted to this region due to proximity to the Port and dense consumer populations. Strong tenant demand and leasing fundamentals have led to increased demand from institutional investors seeking long-term ownership of investment grade assets. Institutional investors’ appetite for stabilized assets who typically avoid development risk have led to steady demand for merchant developers to fill the void.

The configuration of the property allows flexibility for building layouts with floor plans greater than 1,000,000 square feet, or can be subdivided to facilitate multiple smaller-sized buildings. A development plan consisting of (2) 550,000 SF cross-dock buildings, (2) 200,000 SF rear loaded buildings and (1) 210,000 SF rear loaded building was chosen to attract a variety of tenant sizes, and fill a projected void in the market for smaller-sized buildings. The site plan will be reevaluated and adjusted as needed to meet market demands at the time of construction.

Conceptual Site Plan



Topography of the property is rolling, yet relatively flat compared to others in the area. Zoning for the parcels is a combination of Agriculture/Rural Residential, General Industrial and Conservation. This property is located within the jurisdiction of East Allen Township, yet is adjacent to two other townships with industrial zoning nearby. The property is currently used for agricultural purposes. Public utilities have not been extended to the property.

Development of the property for warehousing and light industrial use will require a zoning map amendment from the local township and plan approvals from various agencies such as Northampton County Conservation District, Pennsylvania Department of Environmental Protection, and Pennsylvania Department of Transportation. Other approvals will be required for extension of public utilities to the property and treatment of sewer discharges. Procurement of these approvals will be managed by a third-party civil engineering firm with oversight and assistance from an outside land-use attorney. Procuring approvals is viewed as the largest hurdle to developing this property. Only minimal sums of money will be committed to the project prior to receipt of all approvals. Procurement of approvals is a condition precedent to buyer's obligation to purchase the property.

Overall cost for the development is expected to be nearly $84,000,000 inclusive of land, construction, and leasing expenses (excludes interest and loan fees). Proceeds from sale are expected to be nearly $96,000,000 leading to net profits of approximately $12,000,000 or a 14% margin. Financing the project with construction loans amounting to 70% of the cost ($25,200,000 equity) reduces net profit to $8,200,000, yet increases return on equity to 32.5%. The schedule for development will be divided into three phases allowing to stabilize and sell the first phase buildings before proceeding with the second and third phase. Phasing the project reduces the equity contribution to $18,520,000 and increases return on equity to 44%.

Success of the development is hinged on procuring the zoning amendment and necessary approvals. This is determined to be the largest risk for the project. Fortunately, these risks will be overcome during the early phases of the project prior to expending large sums of money. Skillfully negotiating deadlines for costly contractual obligations will dramatically reduce the amount of money at risk during the early stages of the project. Once the project is approved, an updated analysis of current real estate fundamentals will determine the appropriate time to construct buildings on a speculative basis.

Development Program

The Lehigh Valley, located in eastern Pennsylvania, is an established market for investment-grade industrial real estate. The area is well positioned for regional distribution centers serving Philadelphia and Manhattan or super-regional centers serving the mid-Atlantic and northeastern United States. This development seeks to maximize leveraged internal rate of return by building, leasing and selling speculative warehouse buildings, capitalizing on the proven history of this viable leasing market.

The development opportunity consists of purchasing fee-simple ownership of four parcels owned by four different parties to create an investment grade industrial park. The developer will enter into legally-binding purchase and sale agreements with each land owner. It is expected that terms of each agreement will dictate an earnest money deposit which will be refundable during a 90-day inspection period and non-refundable thereafter. The agreement will allow the purchaser up to two years to procure approvals prior to closing the transaction and will include (2) one-year extension options upon payment of additional nonrefundable deposits. The five parcels will be consolidated to create a uniform development then subdivided into individual building lots suitable for the intended use.

The property is currently zoned as a combination of Agricultural/Rural Residential, General Industrial and Conservation. It is currently being used for agricultural purposes and the existing zoning designations do not allow for the intended use. The property will need to be rezoned by Township Supervisors to allow warehousing activities, which requires multiple public meetings and hearings inviting opposition from the local public, other developers and adjacent municipalities. This portion adds a significant amount of risk to the development, yet can be managed by deferring non-refundable land deposits and nonessential project costs until after successful rezoning. Local real estate attorneys, planners and engineers will be utilized to navigate the municipal rezoning approvals.

Initial sketches reveal the property can be developed to accommodate two warehouse/distribution buildings that total 1,920,000 square feet or five buildings that total 1,710,000 square feet with ample room for truck circulation and trailer parking. The site is well suited to accommodate the needs of users requiring large floor plates, or it can be subdivided to attract small to mid-size users. Proformas for both development plans have been evaluated and found to produce positive financial results. Based on initial evaluations, the five building scheme has been selected as the development plan to move forward with. The final development decision will be reevaluated just prior to commencing construction based on market conditions at that time.

The development plan of five buildings was selected after thorough analysis of the leasing market and competitive properties slated for development. Based on the analysis, the smaller-sized buildings will be undersupplied in the next few years. The buildings will be diverse in size and delivery time to avoid competition with one another. Two 550,000 square feet cross-docked buildings, two 200,000 square feet rear loaded buildings and one 210,000 square feet cross dock building are planned. The proforma assumes the buildings will be subdivided to attract various size tenants from 50,000 s.f. leaseholds to 550,000 s.f. leaseholds.

The development will include features to provide maximum utility to the highest number of users, such as ample car and trailer parking, secure loading areas, and ability to subdivide buildings for multi-tenancy. The buildings will be constructed to class "A" investment grade standards consisting of structural clear heights above 32', concrete wall panels, highly polished concrete floors, state-of-the-art sprinklers systems, and roofing membranes with 15 year warranties. The buildings will be designed to achieve maximum flexibility to extend the life cycle of the building as tenant trends change in the future.

Construction of the buildings will occur in three phases to minimize capital requirements and leasing risk. Phase I consists of constructing the infrastructure required for the development and constructing, leasing and selling Building 2 and Building 3. Building 2 is programmed for four tenants of 50,000 s.f. and Building 3 is programmed for one tenant of 550,000 s.f. Phase II consists of constructing Building 4 and Building 5. Building 4 is programmed for two tenants of 100,000 s.f. and Building 5 is programmed for two tenants of 275,000 s.f. Phase III consists of constructing Building 1, which is programmed as a single-occupancy 210,000 s.f. cross-docked building. The location of Building 1 offers the most flexibility to change the floor plan and loading configuration increasing its value for a tenant-driven build-to-suit requirement. Building 1 will be marketed for build-to-suit requirements, yet is conservatively assumed to be constructed last. Phase I construction will commence upon receiving all necessary approvals for construction of the development and closing the land transactions.

	Phase I		Phase II		Phase III
Building #	2	3	4	5	1
Size of Building (s.f.)	200,000	550,000	200,000	550,000	210,000
Number of Tenants	4	1	2	2	1
Avg. Size of Leasehold	50,000	550,000	100,000	275,000	210,000

It is assumed that the buildings will be constructed on a speculative basis when market conditions meet certain thresholds. Leasing will be managed through an outside broker from one of the national brokerage houses who specialize in warehouse and distribution centers. This developer will utilize construction financing and hold the buildings on balance sheet through leasing and stabilization. Upon stabilization, the building(s) will be marketed for sale to institutional investors. Proceeds from the sale will be reinvested in the development to meet equity requirements for construction of the next building.

An alternative disposition strategy was evaluated for this analysis and will be further evaluated prior to selling the first building. This strategy involves retaining all five buildings through construction and stabilization, then selling the entire business park. This strategy will allow the developer to realize rental income prior to sale to offset debt service. It is also likely to yield the highest aggregate sales price due to more institutional interest for larger transaction size and a tenant mix that will reduce variability of the portfolio's cash flows. Downside of the strategy is that it introduces more cap rate risk by extending the time horizon. Holding all buildings also increases the equity requirement from the developer and decreases projected return-on-equity and internal rate of return.

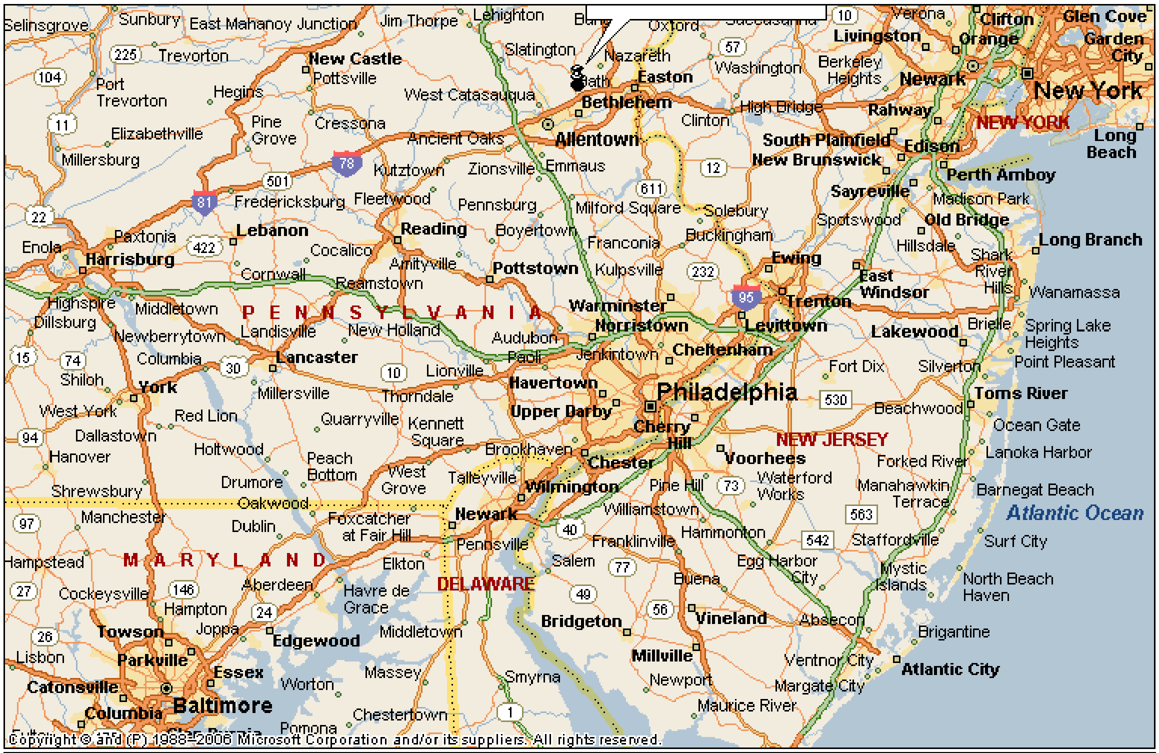
Site and Property Description

Location

The property is in the southeast corner of East Allen Township, abutted by Lower Nazareth Township to the east and Hanover Township to the south. East Allen Township is predominately a rural suburb located north of Bethlehem, Pennsylvania. Successful business parks such as the proposed development currently exist within close proximity to this property in neighboring townships. This development will serve as an extension to these established business parks. A map of the property is shown below.

The property is located within 2.5 miles of US-22, a limited access highway which leads to Interstate – 78. The highway network allows quick access to the Ports of New York and New Jersey and to the dense consumer populations of Philadelphia, Allentown-Bethlehem, New York, and Harrisburg MSA's. New York, Harrisburg and Philadelphia can be reached within 1 to 1.5 hours drive time and Washington D.C. can be reached within 3.5 hours. The property is located within 80 miles from the port offering reasonable drayage charges for goods imported to the US through this location. Lehigh Valley Economic Development Corporation estimates this region is located within 100 miles of 30 million people and within a day's drive to one-third of U.S. and one-half of Canadian customers.

Access to the property is currently provided to two of the individual parcels by rural, township maintained roads. Three of the individual parcels are landlocked in their current state. A higher volume, state maintained road (SR 512) is just west of the subject property. It is assumed that an easement will be procured allowing direct access to the property from SR 512.



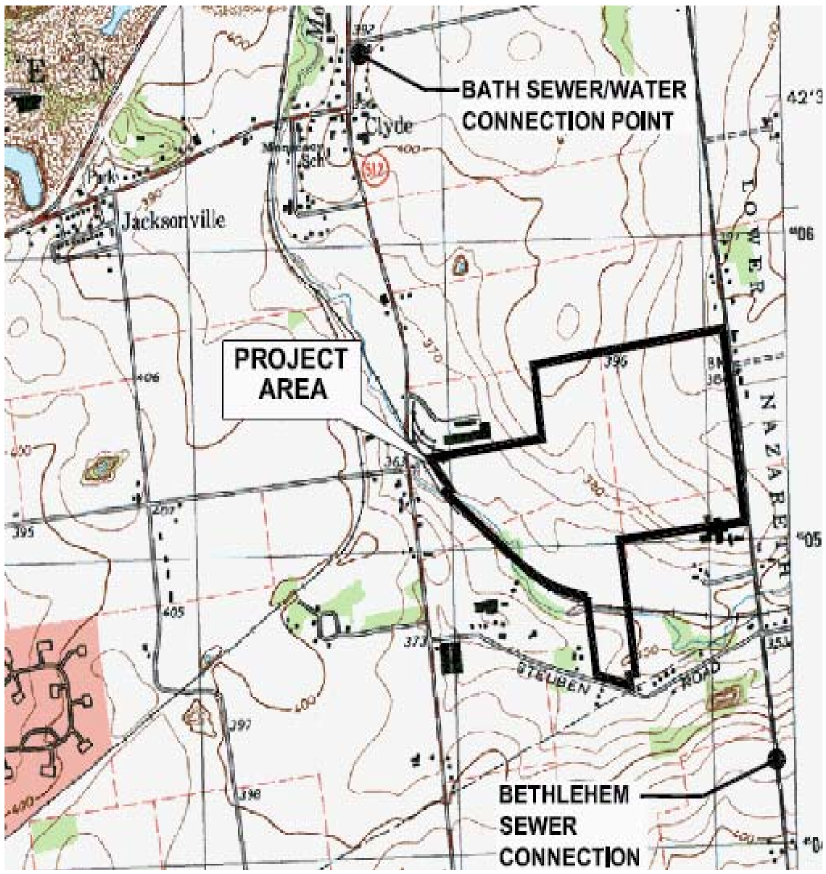
Physical Description

The land to be developed commercially is bound by railroad tracks and the Monocacy Creek to the south, a rural road to the east, industrial manufacturing to the west and an agriculturally preserved tree farm to the north. A portion of the property is on the other side of the creek which will be preserved as open space or dedicated to the township for recreational uses. Railroad tracks at the southern end of the property are known as the Cement Secondary Line, owned by Norfolk Southern providing rail service to manufacturing and industrial uses. Norfolk Southern serves the line twice daily with slow moving trains.

The property consists of rolling topography, with two different plateaus. The majority of the land slopes south to the Monocacy Creek. The site plan is designed so that the buildings will be constructed on the upper plateau and shared stormwater management facilities will be constructed on the lower plateau. A portion of the property lies within the 100 year floodplain, which will be used for open space to satisfy bulk requirements. Geology in the area is known for pinnacled limestone which is prone to sinkholes.

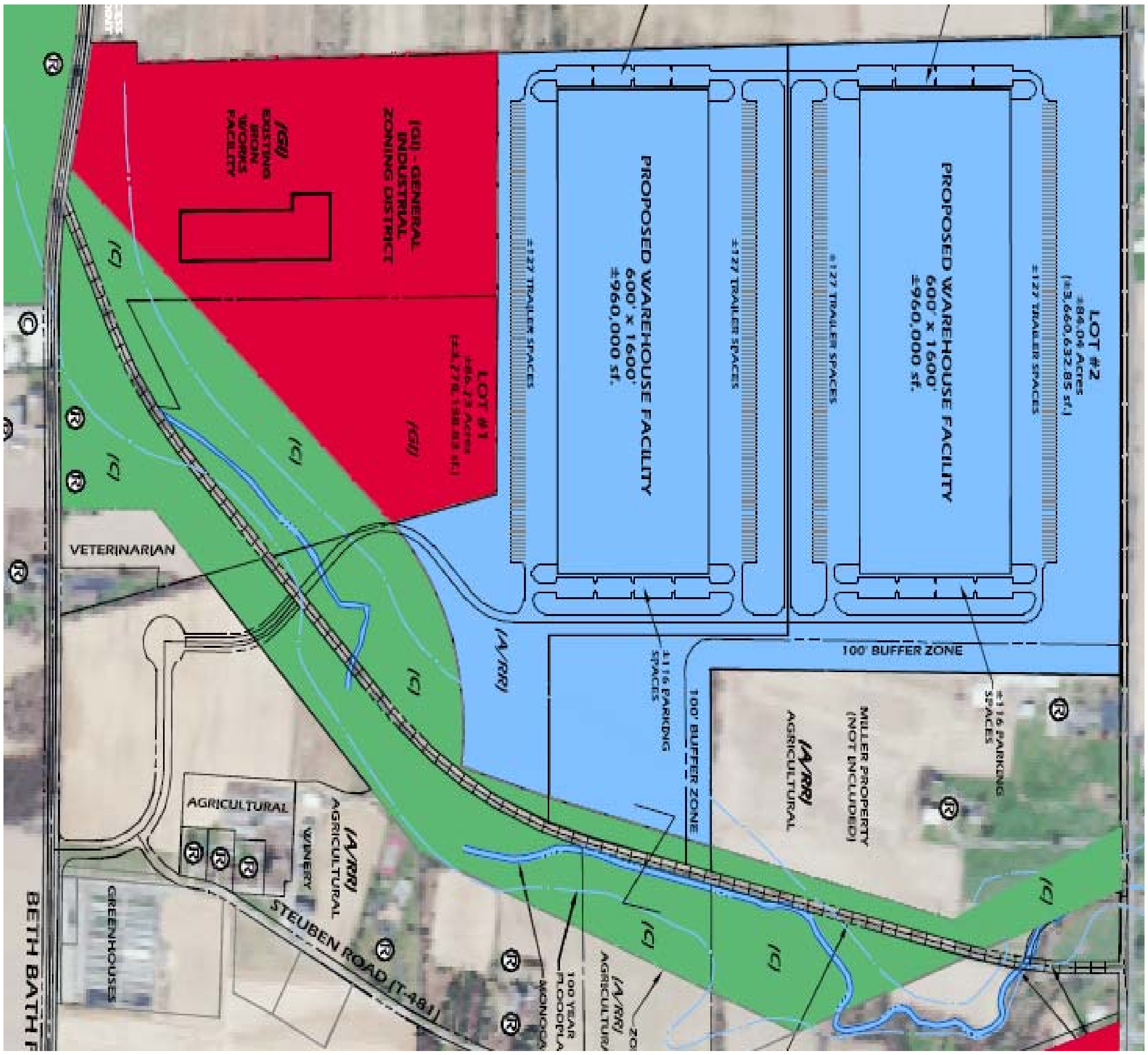
Existing utilities

The property is not currently served with adequate public utilities. Initial studies have determined that electricity and natural gas can be extended to the property with minimal expense from the developer. Water and sewer capacity is available yet will require nearly one mile of piping to reach the property. Two different water/sewer plants from two different municipalities are within reach providing some room for the developer to negotiate for the best package available.

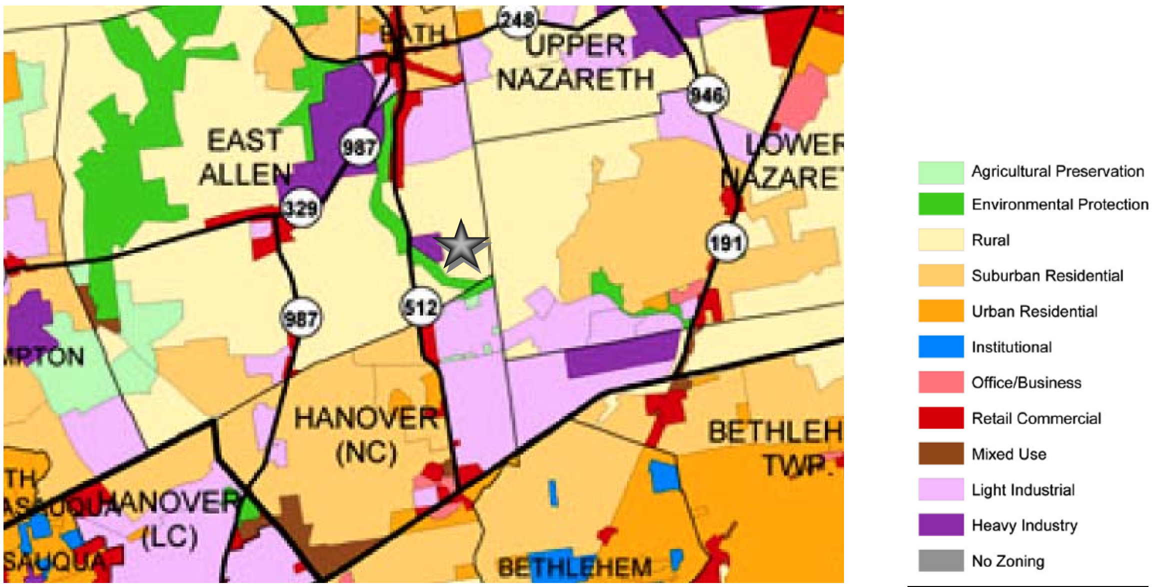


Existing Zoning, Use and surrounding uses

Current zoning designations for the property are shown in the sketch below. The majority of the property is currently zoned as agricultural/rural residential (light blue) with one of the lots zoned as general industrial (red) and the area within the floodplain is zoned for conservation (green). The property is currently used for agricultural purposes.



Adjacent townships have zoned lands for industrial or light industrial uses in close proximity to the subject property making this development a natural extension of these light industrial areas. A map of the current zoning designations in the vicinity of the property is included below.

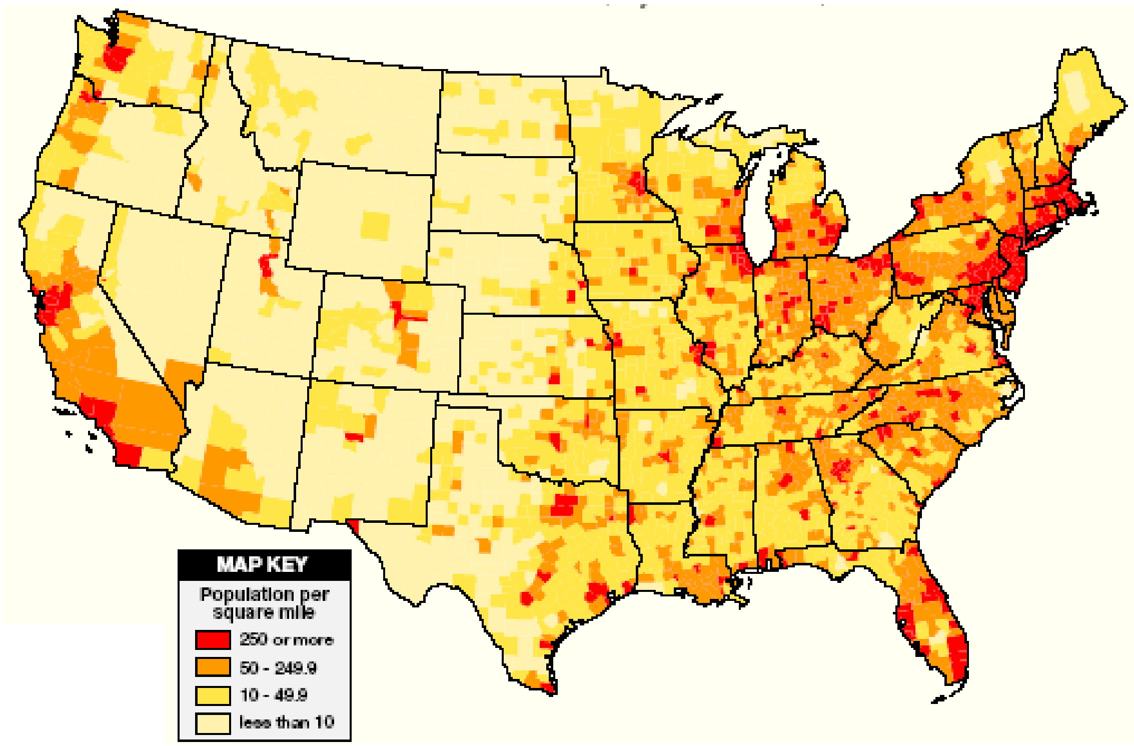


Source: Lehigh Valley Planning Commission – Comprehensive Plan

Market Analysis

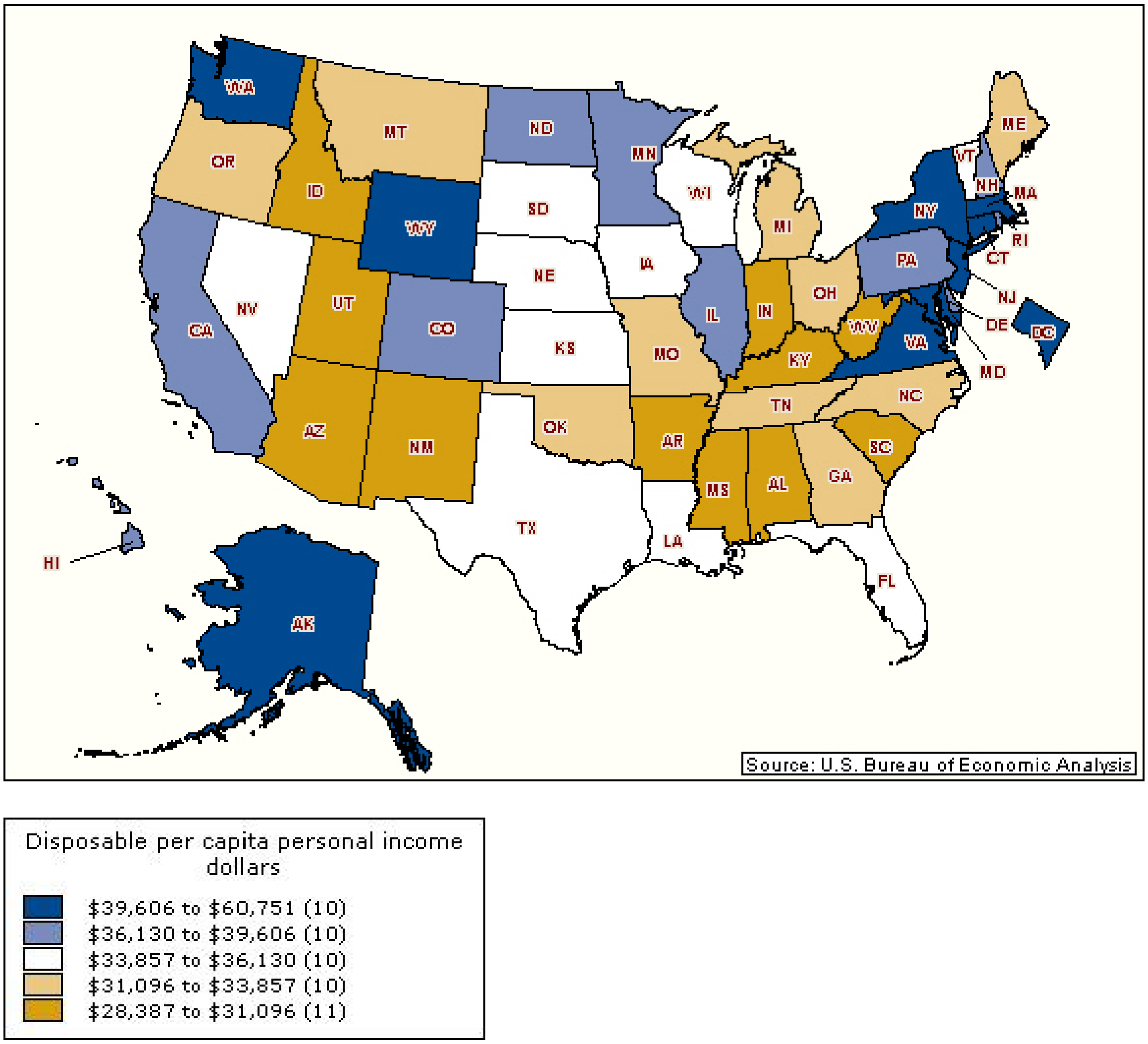
Prior to making an investment in real estate, it is important to understand what factors outside of the real estate spectrum drive demand for the specific product type. Demand for industrial real estate in the Mid-Atlantic and Northeastern United States is driven by three primary drivers: dense population, disposable income levels, and freight flow.

The Mid-Atlantic and Northeastern regions are the most densely populated regions in the country. The U.S. Census Bureau estimates that 72 million people or 24% of the population live in the states bounded by Virginia and West Virginia through Maine. Fifteen percent of the population lives in Pennsylvania, New Jersey, New York and Maryland alone. A map showing population density is included below.



Source: U.S. Census Bureau (2005)

The second demand driver is disposable income which translates to consumer spending. The U.S. Bureau of Economic Analysis estimates total disposable income of the Mid-Atlantic and Northeastern United States to be over $3 Trillion, or 28% of the total disposable income for the nation. Disposable income per capita in these regions averages $40,523, 14% higher than the national average of $35,916. This region of the country is consumer oriented; inbound freight outpaces outbound freight by a ratio of 4 to 1. Below is a map showing disposable per capita income by State from the U.S. Bureau of Economic Analysis.

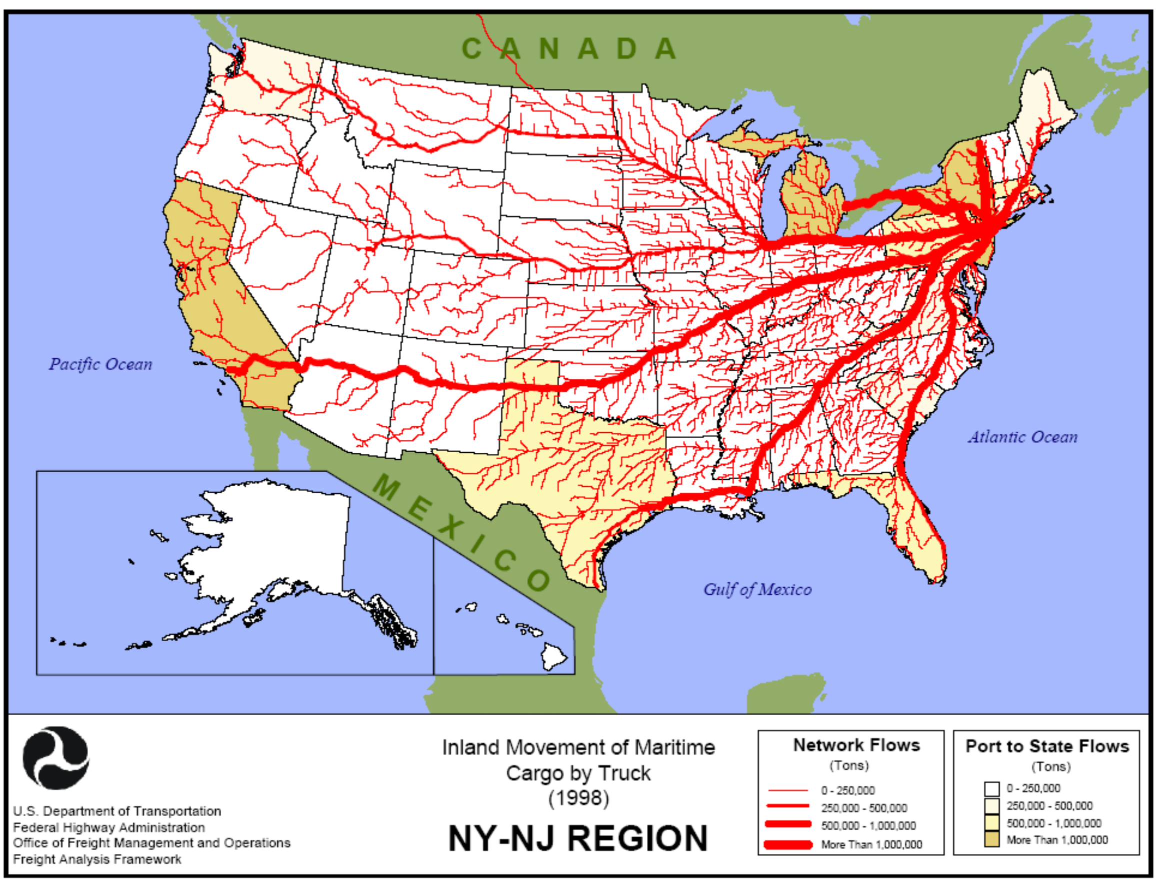


The third driver of demand for industrial real estate in this region is path of goods movement or freight flow. Many of the products imported into the U.S. come through the Port of New York and New Jersey. The port is the third largest port by container traffic in the nation and 20th largest in the world. The top two ports in the United States are located side-by-side in Southern California. In 2009, over 4.5 million twenty-foot equivalent units (TEU's) passed through the port.

2009 Rank	Port (State/Province)	Country	2009
1	Los Angeles (CA)	United States	6,748,995
2	Long Beach (CA)	United States	5,067,597
3	New York/New Jersey	United States	4,561,527
4	Savannah (GA)	United States	2,356,512
5	Metro Port Vancouver (BC)	Canada	2,152,468
6	Oakland (CA)	United States	2,050,030
7	Houston (TX)	United States	1,797,198
8	Hampton Roads (VA)	United States	1,745,228

Source: American Association of Port Authorities, North American Port Container Traffic (2009)

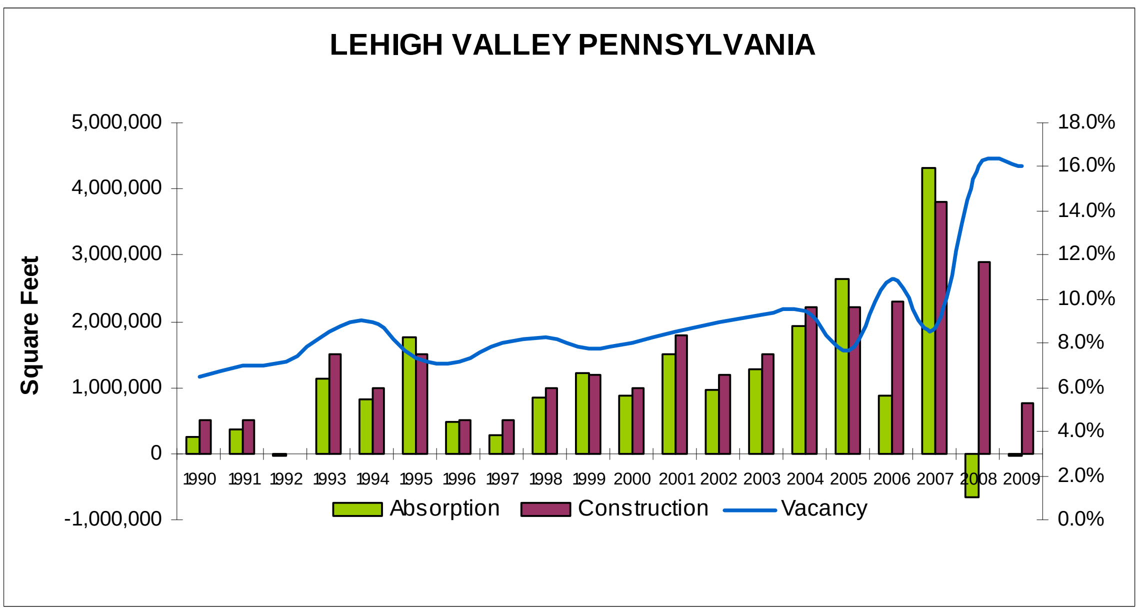
Many of the goods coming in to the port are shipped by truck to a regional warehouse for distribution and consumption within the region. Other goods are shipped west through Pennsylvania to other states throughout the nation and Canada. These goods may stop in a warehouse within the region for consolidation or repackaging prior to being shipped further west. The chart below shows the inland movement of maritime cargo by truck (in tons). Many of these trucks pass through Lehigh Valley where the subject property is located.



Industrial real estate in the Lehigh Valley has a proven record of success do to the regional demand factors discussed previously and consistently strong real estate fundamentals. Zoning regulations and environmental restrictions in the region create high barriers to entry for new construction. Those who are successful navigating land acquisition and entitlements will be rewarded if the proper real estate product is developed at the right time. A thorough analysis of the local real estate fundamentals is required to determine the appropriate product type and time to build.

The industrial real estate market in Lehigh Valley for buildings greater than 100,000 square feet consists of 182 buildings that total over 53 million square feet. The market has grown consistently since 1998 when the market was only 34 million square feet. The average direct net absorption rate during this period is 1.6 million s.f. annually. The market is becoming more and more popular with institutional investors, yet very few merchant developers are active leading to higher profit margins for the developer.

The graph below represents absorption, construction and vacancy data for Lehigh Valley during the period between 1990 and 2009. This market has shown exponential absorption growth since the late '90s until going negative in the current recession. The market experienced negative absorption in 2008 and 2009, yet is much smaller in scale than other markets. During the last period of expansion, between 2003 and 2007, the average absorption rate was 2,210,000 s.f. per year. The ten year average between 1998 and 2008 is 1,645,000 s.f. per year.



	5yr ('03-'07)	10yr ('98-'08)	5 yr ('05-'09)	10 yr ('00-'09)	15 yr ('95-'09)	20 yr ('90-'09)
Avg. Absorption	2,210,000	1,645,000	1,430,637	1,368,319	1,218,212	1,039,159

Leasing assumptions for the development are derived after a thorough review and analysis of lease transaction data from Grubb & Ellis, Cushman & Wakefield, and CBRE. Information from three different brokerage houses was used to provide the largest sample of information possible and eliminate potential erroneous data. Costar's database was referenced for overall market leasing activity and absorption data. Once the data was collected, it was combined, segmented, and then analyzed.

The data was segmented into categories based on size of leasehold. The size categories are 10,000 – 100,000sf, 100,000 – 200,000sf, 200,000 – 400,000sf, and 400,000 – 1,020,000sf. The segmented data was then analyzed to calculate average rental rate, median rental rate, average term, median term, average leasehold size, median size and number of transactions. Raw data was reviewed to determine which transactions were not comparable due to above/below standard tenant improvements or other lease terms. These transactions were not included in the calculations of median and average rent, yet they were included in the overall leasing activity calculations. Below is a summary of the results.

Size Range (SF)	Average Rent*	Median Rent*	Average Size (SF)	Median Size (SF)	No. of Leases	Months / Lease	Total Lease (SF)	Comments
10,000 - 100,000 SF	$ 5.13	$ 5.08	55,471	53,000	16	3.00	887,543	12% of comps were above standard TI
100,000 - 200,000 SF	$ 4.33	$ 4.25	135,710	128,750	20	2.40	2,714,200	
200,000 - 400,000 SF	$ 4.13	$ 4.02	273,271	251,000	11	4.36	3,005,984	
400,000 - 1,020,000 SF	$ 4.12	$ 4.12	696,060	726,000	7	6.86	4,872,423	43% of comps were build-to-suit with above standard TI

*Excludes lease transactions that are deemed to be non-comparable.

Lease-up assumptions were derived by comparing a competitive set of properties with average absorption rates for each of the size ranges evaluated. Annual absorption data was derived through Costar going back to 1998. The competitive set of properties was derived through discussions with various brokerage companies, LoopNet and personal knowledge. The pipeline for buildings between 200,000 SF and 400,000 SF includes twelve buildings that total 2,882,440 SF. The subject property accounts for three of these buildings (25%) and 610,000 SF of the total area. The pipeline for buildings greater than 400,000 SF includes eighteen buildings that total 14,111,200 SF. The subject property accounts for two buildings and 1,100,000 SF of the total area.

LEHIGH VALLEY PIPELINE (200,000 – 400,000 SF)

		Owner/ Developer	SF	Loading Type
Existing	LV South Distribution Ctr.	Trammel Crow	315,000	Single
Entitled	Bethlehem Crossing 4	Griffin Land	228,000	Single
Entitled	Bethlehem Crossing 5	Griffin Land	303,600	Single
Entitled	Boulder & Schantz Road	Majestic Realty	276,400	Single
Entitled	Hanoverville Road	Prologis	294,440	Single
Entitled	Macungie Crossing	Panattoni	210,000	Single
Entitled	Newlins Mill	Verus Partners	280,000	Single
Planned	West Hill	Hillwood	300,000	Single
Planned	West Hill	Hillwood	380,000	Cross
Planned	East Allen Business Ctr.	Subject Property	200,000	Single
Planned	East Allen Business Ctr.	Subject Property	200,000	Single
Planned	East Allen Business Ctr.	Subject Property	210,000	Cross
		Total	**2,882,440**	

LEHIGH VALLEY PIPELINE (Over 400,000 SF)

		Owner/ Developer	SF	Loading Type
Existing	Industrial Park Way	Seagis	535,000	Single
Existing	Macungie Crossing	Panattoni	580,000	Cross
Entitled	Route 248 Distribution Center	First Industrial	700,000	Cross
Entitled	Hanoverville Road	Greenfield	546,000	Cross
Entitled	Hanoverville Road	Greenfield	551,000	Cross
Entitled	Hanoverville Road	Prologis	405,211	Cross
Entitled	Arcadia East - Lot 3	Arcadia	424,000	Single
Entitled	Macungie Crossing	Panattoni	400,000	Single
Entitled	Majestic Bethlehem Center	Majestic	1,200,000	Cross
Entitled	Majestic Bethlehem Center	Majestic	1,300,000	Cross
Entitled	Majestic Bethlehem Center	Majestic	1,500,000	Cross
Entitled	Majestic Bethlehem Center	Majestic	1,100,000	Cross
Entitled	Majestic Bethlehem Center	Majestic	1,800,000	Cross
Entitled	Majestic Bethlehem Center	Majestic	400,000	Single
Planned	West Hill	Hillwood	1,020,000	Cross
Planned	West Hill	Hillwood	550,000	Cross
Planned	East Allen Business Ctr.	Subject Property	550,000	Cross
Planned	East Allen Business Ctr.	Subject Property	550,000	Cross
			14,111,211	

Competitive Strategy

The previous tables provide insight into what is likely to be developed in the Lehigh Valley over the next several years. This list was consolidated to properties that are expected to compete with the subject buildings. The table below includes the competitive set of properties along with comments regarding each comparable advantage or disadvantage. There are very few buildings that will be competitive against the subject 200,000SF buildings, even less that can compete in the 50,000 – 100,000 SF leasehold range.

Larger leaseholds that are expected for the 550,000 SF buildings tend to generate more truck traffic forcing tenants to consider logistics costs when making real estate decisions. This provides an advantage to properties located close to trucking thoroughfares, of which there are five within a similar size range to the subject buildings. These five buildings are identified in bold text below. Of the four owners, Greenfield is known for selling entitled land rather than developing themselves. This increases the cost basis for the ultimate developer of the property. Arcadia has not been known to build on a speculative basis in the past. Prologis and Hillwood's intentions remain unknown, both have the capability of building speculatively. All of these competitive properties will be monitored closely prior to commencing speculative construction on the subject property.

Competitive Set

	Owner/ Developer	SF	Comment
Bethlehem Crossing 4	Griffin Land	228,000	Owner new to market. Could be leased 2011/2012.
Bethlehem Crossing 5	Griffin Land	303,600	Same as above
Boulder & Schantz Road	Majestic Realty	276,400	High basis
Hanoverville Road	Prologis	294,440	Does not subdivide well
Macungie Crossing	Panattoni	210,000	Low basis, inferior location
Newlins Mill	Norwood	280,000	Will not build speculative
West Hill	Hillwood	300,000	Parking oriented for two tenants (max.)
West Hill	Hillwood	380,000	Cross-dock, too small to compete with subject cross-dock.
Industrial Park Way	Seagis	535,000	Partially leased in 2010
Macungie Crossing	Panattoni	580,000	Inferior location, expected to lease in 2011
Route 248 Dist. Ctr.	First Industrial	700,000	High basis
Hanoverville Road	**Greenfield**	**546,000**	**Competitive. Equivalent location.**
Hanoverville Road	**Greenfield**	**551,000**	**Competitive. Equivalent location.**
Hanoverville Road	**Prologis**	**405,211**	**Competitive. Equivalent location.**
Arcadia East - Lot 3	**Arcadia**	**424,000**	**Competitive. Slight inferior location.**
Macungie Crossing	Panattoni	400,000	Inferior location
Majestic Bethlehem Center	Majestic	400,000	Environmental Act II site. Superior location. Competes with subdivided 550,000 building.
West Hill	**Hillwood**	**550,000**	**Competitive. Western end of market area.**

Development Issues

Development of this property provides many challenges such as assemblage of multiple property owners, rezoning, involvement from multiple municipalities, site access, utility extensions, offsite road improvements, and karst geology. The majority of the risks will be quantified or eliminated in the early stages of the development. The project schedule will be carefully planned to limit the amount of funds expended prior to resolving these risks. Skillfully negotiating land purchase agreements and governmental obligations will be the key to successfully developing the property.

A local real estate broker has identified four adjacent landowners who are willing to sell. They are asking a high price, but are willing to delay closing until rezoning and all entitlements are procured. They are willing to delay non-refundable earnest money until after certain entitlement contingencies are satisfied. Agreements will be negotiated to allow cross-closing contingencies for the buyer and provide ample time to procure approvals, with options to extend if approvals are not in hand.

As mentioned previously, land parcels that make up the subject property are comprised of three different zoning districts. A majority of the land area is zoned as agriculture/rural residential which does not allow warehouse and distribution buildings as a permitted use. A small portion of the property is currently zoned general industrial which does allow warehouse and distribution buildings as a permitted use. This designation is proposed to be expanded to include all land areas north of the creek. The creek, which is zoned as conservation, will serve as the buffer to other zoning districts south of the subject property. Jurisdiction for zoning changes is held by the elected five-member Board of Supervisors. A majority vote from the board is required to pass a zoning amendment. The board will conduct a public hearing, or multiple hearings, prior to voting on the amendment.

The process for amending a township's zoning map begins with an applicant filing a petition to amend zoning with the local municipality and payment of a nominal application fee. The township is not obligated to act on this petition. If they choose to act on the petition, the Township is required to follow state mandated procedures for taking action. Generally speaking, the process begins with an informal presentation to the Supervisors who will determine whether to proceed through the jurisdictional process for hearing the petition, or deny the petition altogether. If the petition is accepted, the proposed amendment will be forwarded to the Township's Planning Board and County Planning Board for review. Supervisors must allow at least 45 days for review prior to taking action on the matter. Any changes to the amendment causes another 45 day review cycle.

The Supervisors can act on the proposed amendment anytime after the 45 day review period by holding a public hearing. The public hearing is a former procedure where the applicant presents expert testimony supporting the amendment while interested parties have the opportunity to rebut the testimony. The Supervisors will vote on the amendment within 30 days of concluding the hearing, which then commences a 30 day appeal period. Both the applicant and Township must follow strict procedures for public notice and hearing format or risk the entire decision being negated. Case law suggests that any procedural flaws can result in overturning any action taken if challenged. Appeal periods for procedural flaws do not expire.

The zoning amendment process is clouded by general opposition to development as most any large-scale development project would receive. The Township Supervisors' decision to rezone a parcel is entirely political. There are no technical standards that compel a board to vote in favor of the applicant as exist for land development approvals. For this reason, the developer must be very sensitive to current political headwinds and design the project to reduce any negative impacts perceived by adjacent landowners and the general public. Negative impacts from warehouse/distribution centers are typically noise from loading and unloading trucks, glare from exterior lights, truck traffic on adjacent highways and stormwater discharge. Most of these issues can be mitigated through proper design, yet it is challenging to convince the general public that mitigation strategies will work. Impacts from noise and exterior lighting will be mitigated by designing the site with a setback of 100' from residential properties. A 15' high landscaped berm will be constructed within the setback area to shield noise and light from adjacent properties. Noise from trucks will be further mitigated by designing the site such that the 38' tall buildings block the truck marshalling and loading areas from the adjacent residents. The side of the buildings facing residential areas will look and function much like an office building. Impacts from truck traffic will be mitigated by increasing capacity of local roads through widening projects and modifications to traffic signals. Impacts from stormwater will be completely mitigated through the use of onsite stormwater retention and infiltration facilities. Generally speaking, stormwater discharges from a properly designed and constructed business park are cleaner than stormwater discharges from existing farmland without proper control strategies. All of these mitigation strategies are required by the land development ordinance. As stated before, the challenge will be to convince the general public that the mitigation strategies will work.

The positive external impacts from development of warehouse/distribution buildings include increased net revenues for the school system and municipal government, and job creation for the surrounding community. A development such as this is expected to generate $1,800,000 annually from tax revenue which is offset by $45,000 annually for cost of services. This results in a net annual gain of $1,755,000 for the schools, county and township governments. Services required for these facilities are very minor as they do not directly increase the number of children in the public school system, and they are expected to require only minimal services from fire and police services. A fiscal impact study will be presented during the zoning hearing to highlight the potential positive impacts of the development.

The subject property is located in close proximity to two adjacent townships with residents who will likely oppose the development. The development will be planned and designed carefully to avoid triggering the need for any approvals from the adjacent townships. It is expected that neighboring townships will present testimony in opposition to the project during the zoning hearings. A local land use attorney who is familiar with the three municipalities will be retained to help navigate the zoning hearings and negotiations with adjacent townships.

Resolving access to the property is a significant hurdle for successful rezoning and development of the property. Rural roads to the east and south are not sufficient for the commercial truck traffic generated by the proposed development. The state highway west of the property is suitable for development traffic, yet will require easements from adjacent landowners, Norfolk Southern and approval from the PADOT. Offsite road improvements will be dictated by PADOT requirements for the access location chosen. Road improvements are likely to include lengthy road widening and multiple signal improvements. A traffic engineer familiar with this region will be retained during the early phases of the project for preliminary studies and construction budgets.

Multiple easements will be required for the successful development of the property. The most expansive easement will be the access easement referenced above. This easement requires approximately 60' wide strip of land across adjacent property to the south of the subject property and a railroad right-of-way owned by Norfolk Southern. The adjacent parcel is owned by the same owner as one of the parcels being purchased for development. This owner has a vested interest in seeing the development move forward so that he can sell his landlocked parcel. Norfolk Southern will likely require a bridge over their active rail line. Both of these easements will be secured prior to making significant non-refundable deposits on the land.

Additional easements will likely be required to reduce the construction cost and time of extending public utilities to the subject property. Extending water and sewer infrastructure nearly a mile from the current terminus to the property may require additional easements from private landowners. Landowners will receive benefit by having access to public water and sewer. Therefore, these landowners are expected to act rationally and negotiate in good faith. Multiple routing options are available for running water and sewer line extensions which will prevent any single landowner from charging exorbitant fees for an easement or stopping the development completely. Alternatives to negotiating with private landowners is running the lines under the road bed of the township maintained road (increasing construction cost), or in the right-of-way of the state highway (increasing permit time). Gas and electric utilities can be run in the access easement referenced above for access to existing facilities. Stormwater from the development will discharge into the creek that runs through the property. Easements for discharge of stormwater will not be required.

Development Budget

A budget has been created for the project including all costs expected through stabilization of each building. The budget includes hard and soft costs for due diligence studies, design, entitlements, impact fees, offsite improvements, site construction, building construction, lease commissions, tenant improvements, interest carry and contingency funds. The budget was derived from conversations with engineers, architects, contractors and personal experience with similar projects. Budgets were created for multiple development scenarios.

Budget line items for tenant improvements were calculated based on the leasing assumptions for quantity and size of tenants in each respective building. Costs for this line item are explained below.

Building #	**1**	**2**	**3**	**4**	**5**
Size of Building	210,000	200,000	550,000	200,000	550,000
Number of Tenants	1	4	1	2	2
Avg. Size of Leasehold	210,000	50,000	550,000	100,000	275,000
(%) Office	3.6%	10.0%	2.3%	5.0%	2.7%
Office Area	7,500	20,000	12,500	10,000	15,000
Warehouse Area	202,500	180,000	537,500	190,000	535,000
Demising Wall	-	210,000	-	70,000	176,000
*Office Improvements	450,000	1,200,000	750,000	600,000	900,000
**WH Improvements	303,750	270,000	537,500	285,000	588,500
Total TI’s	753,750	1,680,000	1,287,500	955,000	1,664,500
Total TI's / SF	$ 3.59	$ 8.40	$ 2.34	$ 4.78	$ 3.03

*Office improvement allowance of $60 / SF
**Warehouse improvements unit cost varies with size

Schedule

A development schedule has been created for the project to include due diligence, design, permitting and construction activities. The schedule was derived based on conservations with local engineers, land use attorneys and personal knowledge. The schedule emphasizes development activities leading to construction. It is anticipated for the contractor(s) to provide detailed project schedules for the construction phases of work.

Land development approvals required for full build-out will be procured prior to closing the land transaction to avoid governmental approval risk. This phase is expected to require nearly 18 months to design and navigate approvals required from various governmental agencies. The schedule has been designed to overcome the critical hurdles of zoning amendments and access concerns prior to fully commencing design activities incurring substantial cost. The schedule could be expedited with the understanding there is greater risk to funds expended prior to these items being resolved. Commencement of vertical construction for each building will be based on market demand.

The permitting process is complex, requiring completion of certain steps prior to proceeding to the next one. Each activity on the schedule includes the estimated duration for completion and a link to other activities that need to precede it. Including logic with the schedule allows the user to quickly determine the impact of a delayed activity.

Financial

Three options for financing the project were evaluated. The first option is using 100% equity to fund the project. Advantages of this option include returning the highest net profit when compared to the other options due to lowest cost structure and reduced risk or cost variability associated with time-sensitive interest payments prior to stabilization of the project. The disadvantage of the all-equity strategy is a limited return-on-equity and the risk of placing a large proportion of equity into a single investment. The second option is to use utilize one single construction loan for the entire project. The disadvantage of this option is maintaining a relationship with the lender for nearly three years. This option will limit the ability to sell portions of the project as a single loan will encumber everything. The third option is to phase the project and procure construction financing at each phase. This option requires the least amount of equity of the three and provides the highest returns on equity for the three financing options. The table below depicts the proforma outcomes of the three options.

An alternative disposition strategy was analyzed along with the three different financing options. The first three financing options assume selling each individual asset upon full rent commencement. The alternative disposition strategy holds all of the buildings until the last building in the park is leased allowing for a portfolio transaction of 1,710,000 SF. The table below illustrates the portfolio disposition strategy to be the most advantageous with regard to return-on-equity and equity internal rate of return, however this strategy increases the equity requirement and increases capitalization rate risk by holding the properties longer.

	All Equity	Project Financing	Phased Financing	Project Financing – Portfolio Sale
Equity Contribution	84,146,198	25,330,860	18,580,744	25,330,860
Net Project Cost	84,146,198	86,933,198	87,773,523	84,557,722
Proceeds from Sale	95,983,325	95,983,325	95,983,325	99,863,950
Net Profit	11,837,127	9,050,127	8,209,802	15,306,228
Margin on Sale (Equity)	14.07%	35.73%	44.18%	60.43%
Annualized IRR (Equity)	11.57%	13.11%	15.78%	18.31%

This analysis assume the phased financing model with single building sales will be most suitable for this developer due to lower equity requirements. The project will be funded through a combination of developer's equity and construction loans to maximize return on the developer's limited equity. The project will be phased to reduce the initial equity requirement, allowing proceeds from Phase I to be reinvested in Phase II and III. Phasing the project also increases return on equity and internal rate of return for the developer as depicted in the table above.

Phase I of the project includes all due diligence studies, engineering, entitlements, land purchase, construction of Building 2, Building 3 and infrastructure required for the park. Proceeds from the sale of Building 2 and Building 3 will be used to repay the construction loan and fund a portion of the equity requirement for Phase II. Improved land for Phases II and III will be unencumbered upon repayment of loan for Phase I. Developer's contribution of unencumbered land for Phase II and Phase III will likely reduce the cash equity required, but has not been considered in the analysis.

For purposes of the analysis, it is assumed that the developer will fund 100% of cost for each phase until the equity requirement is satisfied. Proceeds from each phase will be reinvested into the next phase. The developer will charge the project a development fee of slightly less than 4% which will be drawn from the loan balance to fund the developer's operations.

The total expected cost of the development without financing is $84,146,198. Financing costs add $3,337,325 to the project for a total of $87,773,744. Based on the current lending environment, it is assumed that construction loans can be procured to satisfy 70% of the development cost with an initial loan fee of 1%. The remaining 30% of project cost will be supplied by the developer resulting in an initial equity requirement of $25,330,860.   By phasing construction of the development, the initial equity requirement can be reduced to $14,810,690. Upon completion and disposition of buildings in Phase I, $4,234,600 of the developer's equity will be returned. This equity is assumed to be reinvested in Phase II along with additional equity required.
The maximum equity balance required during the phased project is $18,580,744.

Significant analysis has been performed to forecast the most likely financial results of the development, however long-term projects such as this rarely achieve the exact results modeled. Many variables of the model impact the financial performance of the development. Small changes to these variables result in large changes in financial outcome due to the 70% leverage which is assumed. Key variables of the proforma were modified to model the best-case, worst-case, and most probable case scenarios.

Determining a worst case scenario can be difficult, especially on the heels of a recession where developers experienced dramatic increases in lease-up periods, decreases in rental rates and increases in cap rates. The worst-case scenario caused by shifts in market demand or government approval risk is somewhat mitigated by postponing land closing until all development approvals are procured. This reduces entitlement risk to the cost of procuring entitlements and allows the developer to evaluate market conditions one last time prior to making significant capital outlays for land acquisition. The most vulnerable point of this development strategy is the period after commencing speculative construction and prior to sale of the stabilized building. Some of the five buildings will likely perform better than proforma and some will perform worse. Evaluating key variables of the aggregate development proforma provides the best insight into aggregate worst-case scenarios. Below is a table containing key variables of the proforma along with the independent changes to each variable which would result in zero profit upon sale changes to the variables beyond this point will result in a loss of equity.

Break-Even Analysis

	Underwriting Assumption	Independent Variable to Break-Even	Variance
Rental Rate	$4.35	$3.97	-8.55%
Cap Rate	7.63%	8.34%	9.35%
Development Cost	$87,773,523	$ 95,983,325	9.35%

Modeling best-case scenarios is similarly difficult as variables could all change to benefit the developer such as decreased development costs, increased rental rates, or decreased cap rates. The most probable best-case scenario is for capital markets to stabilize as institutions begin to seek cash-flowing real estate for their portfolios. This market shift will create downward pressure on cap rates as buyers compete for high-quality assets. For the purposes of this analysis, it is assumed that the aggregate cap rate for the properties is decreased by fifty (50) basis points resulting in an aggregate capitalization rate of 7.13%. The table below reflects a 6.61% reduction of capitalization rate yields an 82% increase in levered profits.

	Assumed	Best-case	Variance
Rent Revenue (NOI)	$ 7,431,500	$ 7,431,500	Same
Cap Rate	7.63%	7.13%	-6.61%
Sale Price	$97,445,000	$104,288,095	7.02%
Net Proceeds (before taxes)	$95,983,325	$102,723,774	7.02%
Net Profit (Levered)	$ 8,209,802	$ 14,950,251	82.10%
Margin on Sale - Levered (ROE)	44.18%	80.46%	82.10%

Project Management Plan

The development team will consist of in-house staff, attorneys, civil engineer, architect, real estate brokers, and a general contractor. In-house staff will act as project manager for the development and coordinate activities of all outside consultants, contractors and brokers as well as procuring construction financing for the project. The internal project manager will be responsible for interfacing with municipalities and the public when necessary.

One or multiple attorneys will be retained by the project manager for the purposes of drafting and negotiating purchase and sale agreements with the landowners, navigating the entitlement approval process and drafting lease agreements. The ideal land use attorney will have local credibility and experience, and may not be the same attorney used for transactional work.

The civil engineer will retain the services of a surveyor and geotechnical, environmental, and traffic engineers. A design-build contractor will be retained by the project manager who will provide full design and construction services for the buildings. It is anticipated for the design-builder to work within the confines of a guaranteed maximum price arrangement with a shared savings clause. Using the design-build delivery system allows the developer to lock-in costs during design phases when proformas are being finalized and prior to making construction commitments.

The project manager will retain the services of a local leasing broker from a national brokerage company. The broker will be included with the project team early in the process to provide consultation regarding tenant trends and provide up-to-date market analysis based. The broker will begin marketing the property during the entitlement phase of the project in effort to secure leasing opportunities prior to construction.

Conclusions and Recommendations

This development proposal can conservatively produce levered margins of 44.18%, or a 15.78% levered internal rate of return. Sizable tracts of land in close proximity to infrastructure are very tough to find in Lehigh Valley. The ability to assemble four adjacent landowners who are simultaneously willing to sell their land provides a unique opportunity to develop such a large tract of land.

A development such as this does not come without substantial risks. The risks have been identified, underwritten and will be carefully managed to avoid negative impact to financial returns. A summary of the risks is outlined below.

Zoning Risk – This is the most substantial risk to the project as development cannot proceed with procuring a zoning map amendment. Fortunately, rezoning is the first step of the process allowing this risk to be overcome with a capital outlay of approximately $100,000.

Entitlement Risk – All development projects contain some form of entitlement risk, whether it be Township land development approval or state highway occupancy permit. By rezoning the property, the township will be showing their acceptance of a development proposal such as this. The real risk is limited to additional approval obligations leading to increased construction cost or reduced building area on the property. Entitlement risks are mitigated by the conservative site plan used for underwriting purposes, and hiring local engineers and attorneys to navigate the process. Furthermore, closing the land transactions will be contingent upon securing all development approvals reducing entitlement risk to the design and attorneys fees expended, or approximately $500,000.

Construction Cost Risk – The potential for construction cost overruns and escalations will exist throughout the project. The costs risk for infrastructure construction are mitigated by including contractor input and estimates during due diligence and design phases of the project. Construction costs for each of the buildings will be evaluated against proforma lease rates and valuations prior to commencing construction. Construction services will be procured through the use of design-build delivery methods with cost guarantees. Construction cost escalation or inflation is inevitable on a long-term, phased project such as this. So long as construction cost escalation is spread across the market, market leasing rates and/or capitalization rates will fluctuate to compensate developers for meeting market demand.

Leasing Risk – Leasing risk can affect financial performance of the project in the form of downtime prior to building stabilization, or depreciated lease rates. Longer than expected downtime will lead to additional interest expenses, operating expenses and taxes on improved land. Financial models assume a lease-up period of approximately six months after construction completion. Downside risks occur when the lease-up period is extended, yet there is upside potential if the building or a portion of the building leases prior to the six month period. Rental income prior to building disposition was purposely ignored in the financial models as a conservative approach to underwriting lease-up risk. Depreciated leasing rates have a compounding effect on the building valuation as determined by market capitalization rates. This risk can be reduced by a thorough analysis of the leasing market and competitive properties just prior to commencing construction. Fast delivery cycles are one of the benefits of this type of real estate, limiting the amount of market changes that occur during the risky construction-to-stabilization period.

Market Valuation – Market capitalization rates are correlated to the risk-free rate. The spread over the risk-free rate can fluctuate based on institutional demand for this asset class, strength of the local real estate market, or strength of the building lessee(s). Market capitalization rates will be evaluated prior to commencing construction of each building to verify proforma investment hurdles can be satisfied.

It is important to note that the risks identified above are inherent in most every development project that has been completed in Lehigh Valley and most other regions throughout the country. The proven track record of leasing demand countered with limited supply of land works in the favor of developers willing to accept these risks. Initial risk exposure can be limited to approximately $100,000 for zoning risk, and $500,000 for entitlement risk. Once entitled, the developer has the option of assigning land purchase contracts to a third party and walking away with a small profit, or continuing with the development as planned.

References

U.S. Census Bureau
http://www.census.gov/

U.S. Bureau of Economic Analysis
http://www.bea.gov/

Federal Highway Administration - Office of Freight Management and Operations
http://ops.fhwa.dot.gov/freight/

American Association of Port Authorities
http://aapa-ports.org/

Lehigh Valley Planning Commission
http://www.lvpc.org/

Lehigh Valley Economic Development Corporation
http://www.lehighvalley.org/

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A Collaborative Publication (2009, January), *MarketView: Greater Philadelphia Industrial, Fourth Quarter 2008*, CB Richard Ellis Inc., Philadelphia, PA

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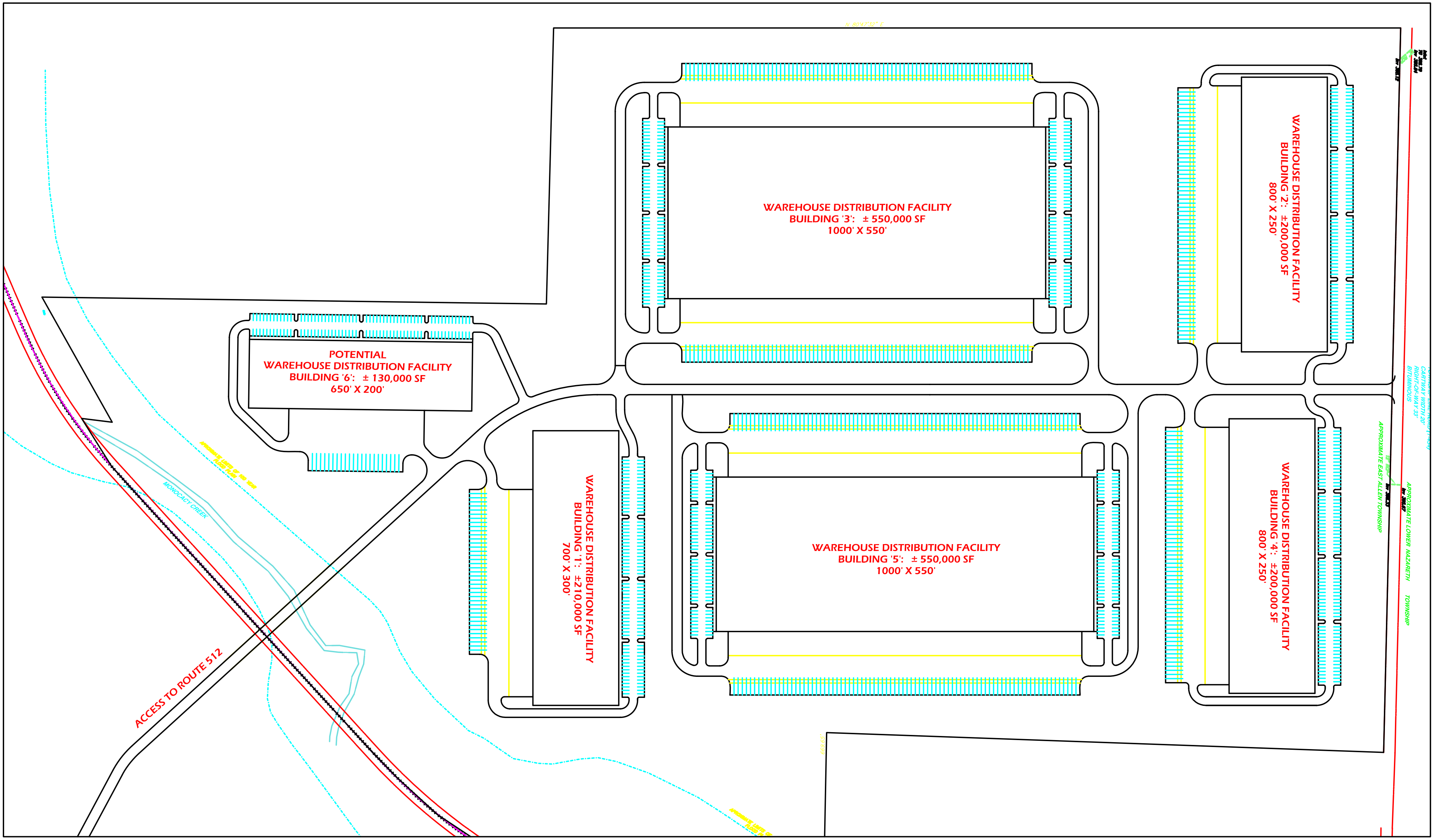
Loopnet
www.loopnet.com, 3/12/2010

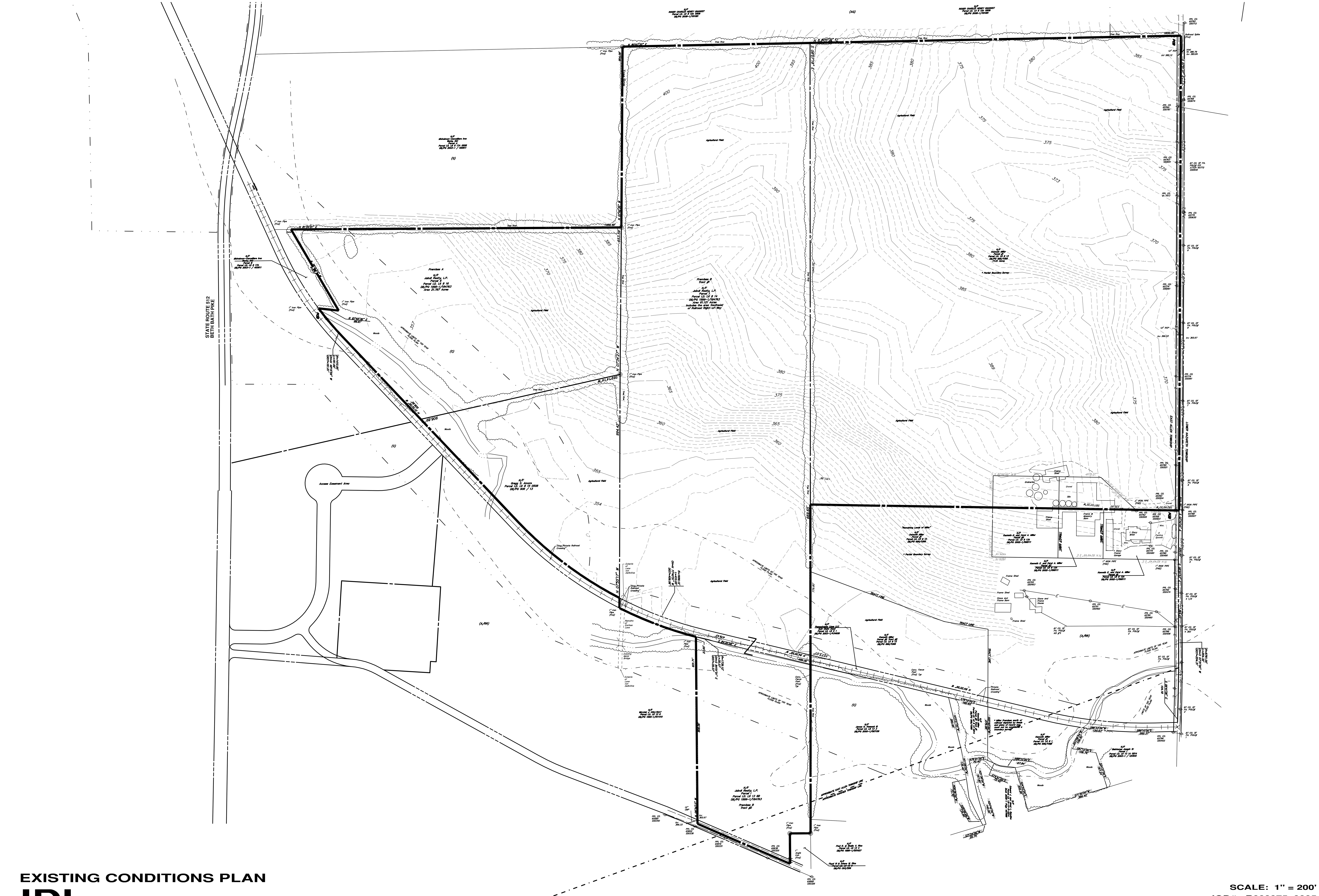
Appendix A

Conceptual Site Plan
Alternative Site Plan
Existing Conditions Plan
Existing Utilities Map
Vicinity Maps

Conceptual Site Plan



Alternative Site Plan



EXISTING CONDITIONS PLAN

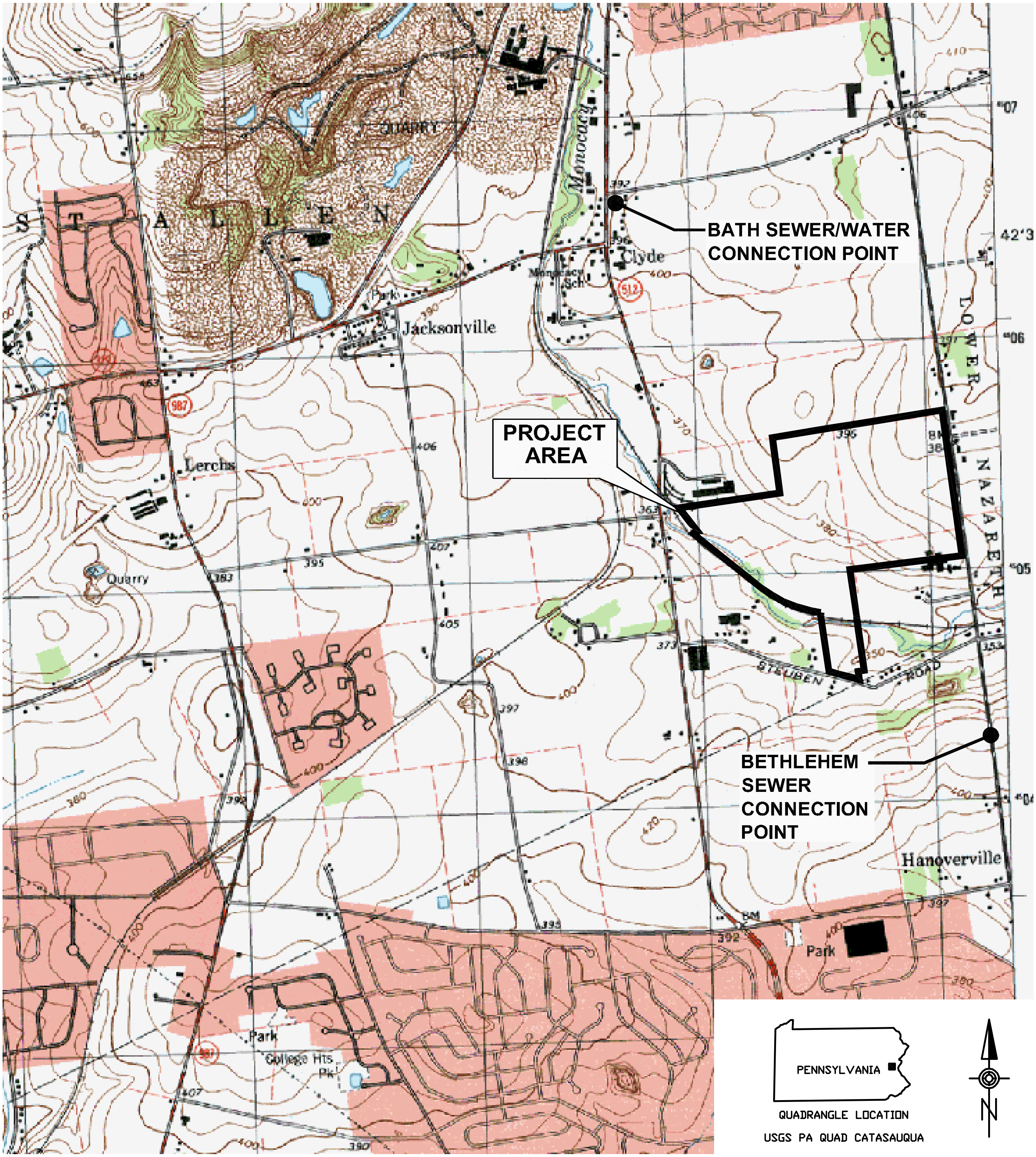
IDI

PROPOSED WAREHOUSE DISTRIBUTION FACILITY

ROUTE 512 - BETH BATH PIKE, EAST ALLEN TOWNSHIP
NORTHAMPTON COUNTY, PENNSYLVANIA

SCALE: 1" = 200'
JOB#: R003975_0005
DATE: SEPTEMBER 25, 2008

HRG
Herbert, Rowland & Grubic, Inc.
Engineering & Related Services
369 East Park Drive
Harrisburg, PA 17111
(717) 564-1121
Fax (717) 564-1158
hrg@hrg-inc.com
www.hrg-inc.com



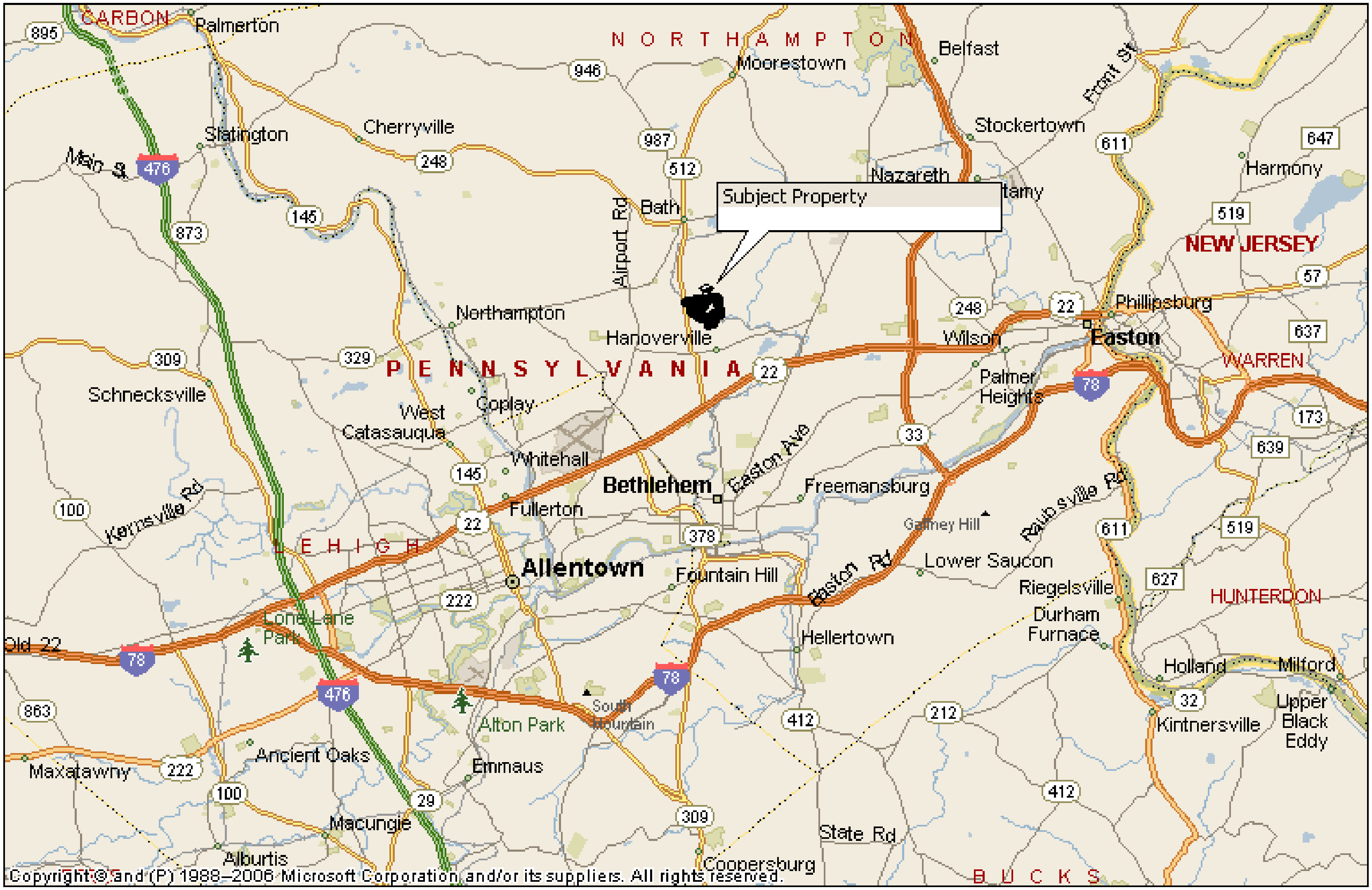
SITE LOCATION AND TOPOGRAPHY JAINDL AND AMORE PROPERTIES EAST ALLEN AND HANOVER TOWNSHIPS NORTHAMPTON COUNTY, PA			HRG Herbert, Rowland & Grubic, Inc. Engineering & Related Services 369 East Park Drive Harrisburg, PA 17111 (717) 564-1121 Fax (717) 564-1158 hrg@hrg-inc.com www.hrg-inc.com	DESIGN GLDJ DRAWN MK SCALE 1" = 2000'
SHEET: 1	OF: 1	DATE: 01-26-2009		PROJECT 3975.005

File name: P:\003975_0005\LDT\3975005c\dwg\CV\3975005 Jaindl Location&Utility Connection Points.DWG Layout: Location Map Jan 26, 2009-1:05pm mkoegler

Vicinity Map

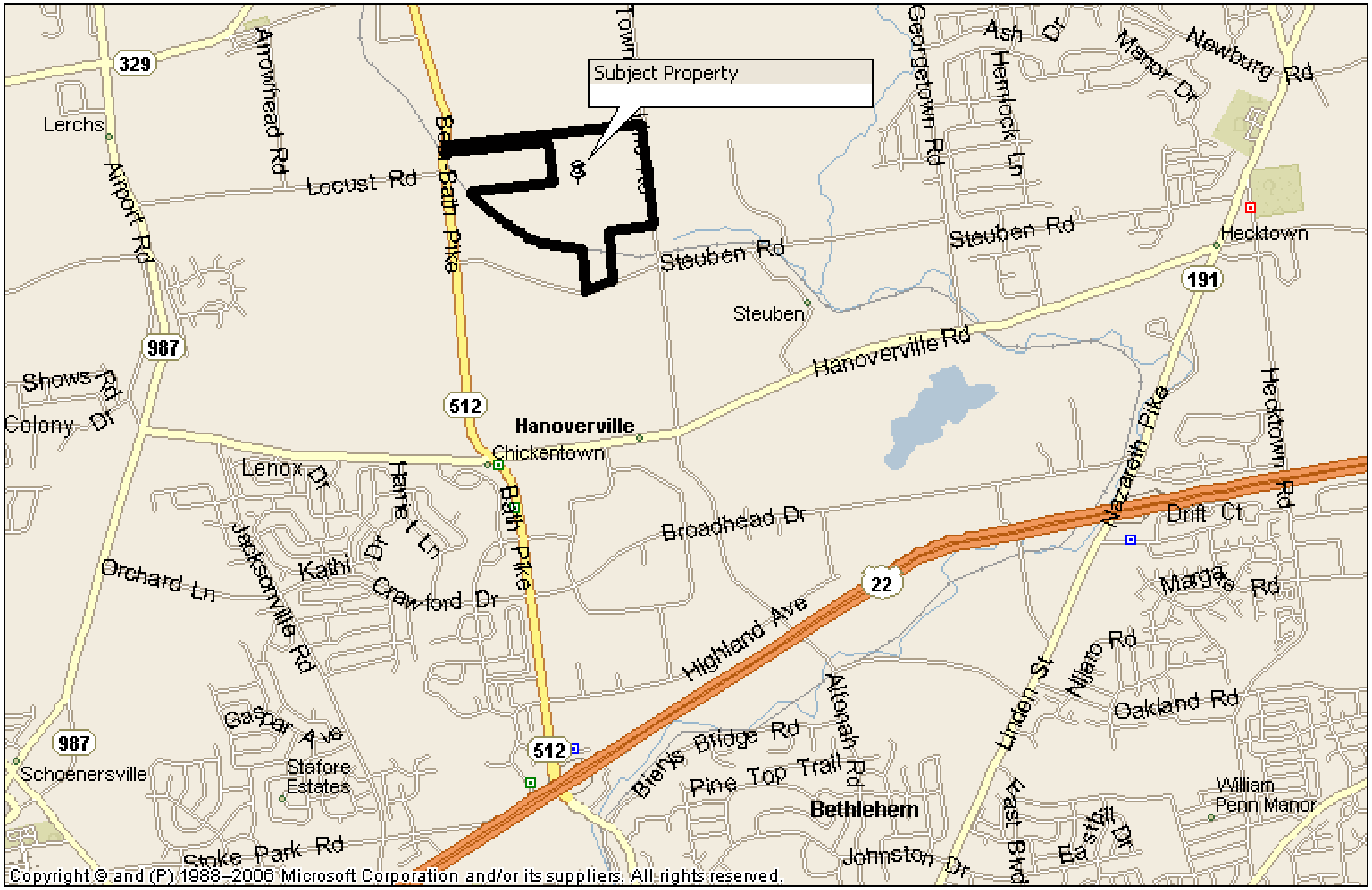
Easy access to consumer populations in New York, Philadelphia, Harrisburg and Baltimore

Vicinity Map



Road network in Lehigh Valley. Rt 22 and I-78 are major east/west corridor connecting Port of NY/NJ to major metropolitan areas south and west

Vicinity Map

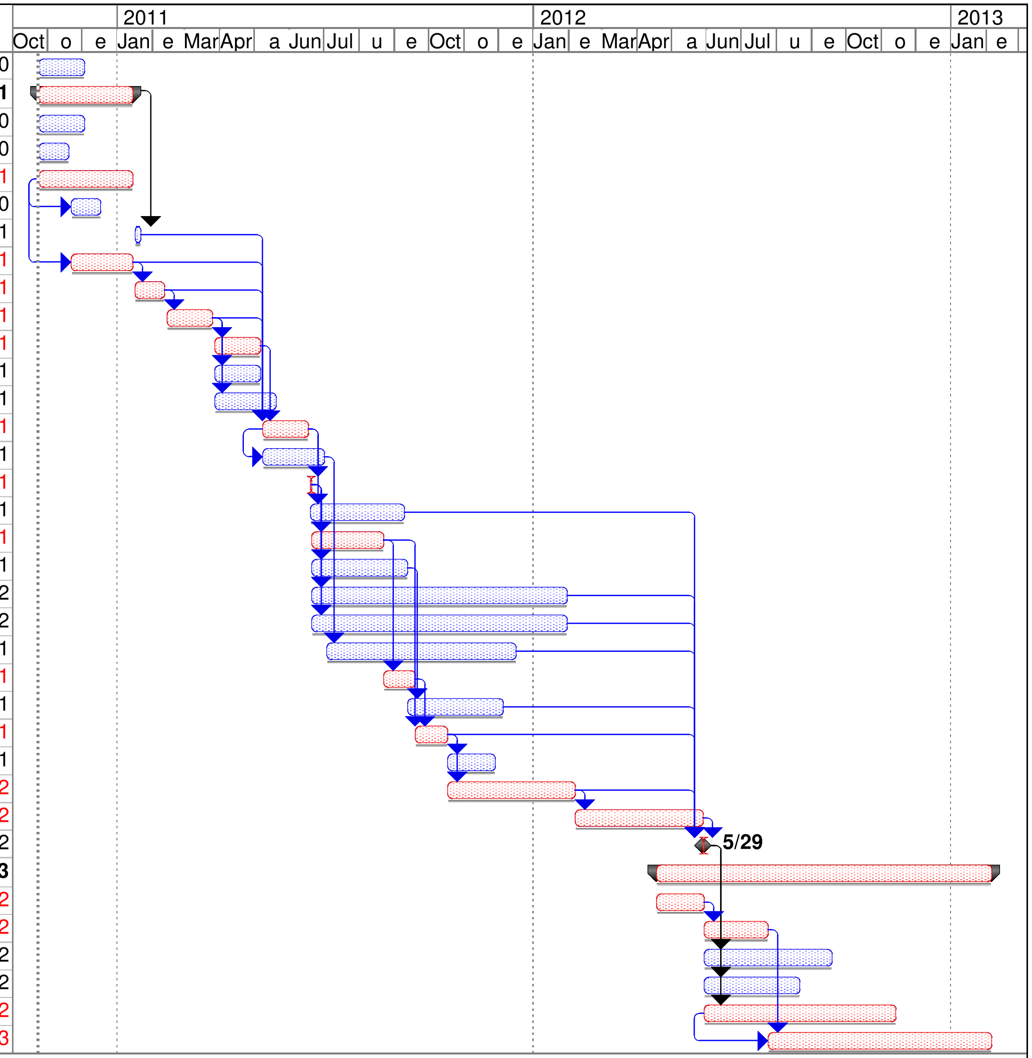


Property provides easy access to Rt. 22, a limited access highway

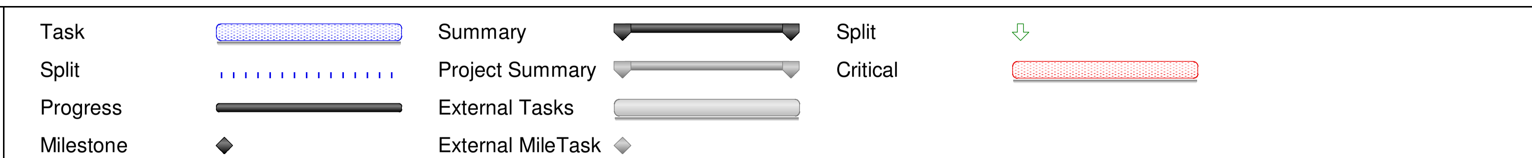
Appendix B

Development Schedule

ID	Task Name	Duration	Start	Finish
1	Negotiate/Execute Purchase Agreements	30 days	Mon 10/25/10	Fri 12/3/10
2	**Due diligence period**	**60 days**	**Mon 10/25/10**	**Fri 1/14/11**
3	Preliminary Geotechnical Investigation	30 days	Mon 10/25/10	Fri 12/3/10
4	Environmental Site Assessment	20 days	Mon 10/25/10	Fri 11/19/10
5	Preliminary Design / Feasibility Study	60 days	Mon 10/25/10	Fri 1/14/11
6	Meetings with regulatory agencies	20 days	Mon 11/22/10	Fri 12/17/10
7	Survey - Aerial Photo	5 days	Mon 1/17/11	Fri 1/21/11
13	NS Approval for RR Bridge	2 mons	Mon 11/22/10	Fri 1/14/11
8	Zoning Amendment	20 days	Mon 1/17/11	Fri 2/11/11
9	Zoning Amendment Appeal Period	30 days	Mon 2/14/11	Fri 3/25/11
10	Finalize survey	30 days	Mon 3/28/11	Fri 5/6/11
11	Final Geotech Investigation/Report	30 days	Mon 3/28/11	Fri 5/6/11
12	Archeological Phase 1	40 days	Mon 3/28/11	Fri 5/20/11
14	Civil Design	6 wks	Mon 5/9/11	Fri 6/17/11
26	Update 537 plan	40 days	Mon 5/9/11	Fri 7/1/11
15	Submit Civil Plans	1 day	Mon 6/20/11	Mon 6/20/11
29	EATMA Approval of utility extensions	60 days	Mon 6/20/11	Fri 9/9/11
16	Township Siteplan Review/Resubmission	45 days	Tue 6/21/11	Mon 8/22/11
21	NCCD - E&S Plan approval	60 days	Tue 6/21/11	Mon 9/12/11
23	Bridge Joint Permit (DEP and ACOE)	160 days	Tue 6/21/11	Mon 1/30/12
24	PennDOT HOP	160 days	Tue 6/21/11	Mon 1/30/12
25	537 Plan Amendment	120 days	Mon 7/4/11	Fri 12/16/11
17	Planning Commission Recommendation	20 days	Tue 8/23/11	Mon 9/19/11
22	NPDES - DEP Review	60 days	Tue 9/13/11	Mon 12/5/11
18	Prelim/Final LD Approval - Supervisor's	20 days	Tue 9/20/11	Mon 10/17/11
19	Developer's Agreement	30 days	Tue 10/18/11	Mon 11/28/11
27	Sewer Planning Module	80 days	Tue 10/18/11	Mon 2/6/12
28	Part II permit - sewer pump station	80 days	Tue 2/7/12	Mon 5/28/12
20	Plan perfection/Record Site Plan	1 day	Tue 5/29/12	Tue 5/29/12
30	**Construction**	**210 days**	**Wed 4/18/12**	**Tue 2/5/13**
31	Building Design	30 days	Wed 4/18/12	Tue 5/29/12
32	Building Permit	40 days	Wed 5/30/12	Tue 7/24/12
33	Construct Offsite Improvements	80 days	Wed 5/30/12	Tue 9/18/12
34	Construct Campus Infrastructure	60 days	Wed 5/30/12	Tue 8/21/12
35	Site Construction - Lot 1	120 days	Wed 5/30/12	Tue 11/13/12
36	Construct Building 1	140 days	Wed 7/25/12	Tue 2/5/13



Development Schedule
Date: Sat 10/23/10



Appendix C

Development Budget

Development Budget

Scenario #3, 1,710,000 SF

	Total		Building 1		Building 2		Building 3		Building 4		Building 5	
Land Area (acres)	170		20.88		19.88		54.68		19.88		54.68	
Building Area	1,710,000 SF		210,000 SF		200,000 SF		550,000 SF		200,000 SF		550,000 SF	
Coverage ratio	23%		23%		23%		23%		23%		23%	
Land / Due Diligence												
Land Purchase	$ 9.94	$ 17,000,000	$ 9.94	$ 2,087,719	$ 9.94	$ 1,988,304	$ 9.94	$ 5,467,836	$ 9.94	$ 1,988,304	$ 9.94	$ 5,467,836
Closing Cost	$ 0.10	$ 170,000	$ 0.10	$ 20,877	$ 0.10	$ 19,883	$ 0.10	$ 54,678	$ 0.10	$ 19,883	$ 0.10	$ 54,678
Legal - Land	$ 0.03	$ 50,000	$ 0.03	$ 6,140	$ 0.03	$ 5,848	$ 0.03	$ 16,082	$ 0.03	$ 5,848	$ 0.03	$ 16,082
Survey	$ 0.04	$ 75,000	$ 0.04	$ 9,211	$ 0.04	$ 8,772	$ 0.04	$ 24,123	$ 0.04	$ 8,772	$ 0.04	$ 24,123
Geotech	$ 0.04	$ 75,000	$ 0.04	$ 9,211	$ 0.04	$ 8,772	$ 0.04	$ 24,123	$ 0.04	$ 8,772	$ 0.04	$ 24,123
Environmental	$ 0.01	$ 20,000	$ 0.01	$ 2,456	$ 0.01	$ 2,339	$ 0.01	$ 6,433	$ 0.01	$ 2,339	$ 0.01	$ 6,433
Site Design	$ 0.22	$ 376,200	$ 0.22	$ 46,200	$ 0.22	$ 44,000	$ 0.22	$ 121,000	$ 0.22	$ 44,000	$ 0.22	$ 121,000
Offsite Road Improvements	$ 2.05	$ 3,500,000	$ 2.05	$ 429,825	$ 2.05	$ 409,357	$ 2.05	$ 1,125,731	$ 2.05	$ 409,357	$ 2.05	$ 1,125,731
Offsite Utilities	$ 0.73	$ 1,250,000	$ 0.73	$ 153,509	$ 0.73	$ 146,199	$ 0.73	$ 402,047	$ 0.73	$ 146,199	$ 0.73	$ 402,047
Total Land / Due Diligence / De	**$ 13.17**	**$ 22,516,200**	**$ 13.17**	**$ 2,765,147**	**$ 13.17**	**$ 2,633,474**	**$ 13.17**	**$ 7,242,053**	**$ 13.17**	**$ 2,633,474**	**$ 13.17**	**$ 7,242,053**
Hard Costs												
Earthwork	$ 2.00	$ 3,420,000	$ 2.00	$ 420,000	$ 2.00	$ 400,000	$ 2.00	$ 1,100,000	$ 2.00	$ 400,000	$ 2.00	$ 1,100,000
Utilities	$ 1.00	$ 1,710,000	$ 1.00	$ 210,000	$ 1.00	$ 200,000	$ 1.00	$ 550,000	$ 1.00	$ 200,000	$ 1.00	$ 550,000
Paving/Lighting/Landscaping	$ 2.00	$ 3,420,000	$ 2.00	$ 420,000	$ 2.00	$ 400,000	$ 2.00	$ 1,100,000	$ 2.00	$ 400,000	$ 2.00	$ 1,100,000
Total Site Costs	**$ 5.00**	**$ 8,550,000**	**$ 5.00**	**$ 1,050,000**	**$ 5.00**	**$ 1,000,000**	**$ 5.00**	**$ 2,750,000**	**$ 5.00**	**$ 1,000,000**	**$ 5.00**	**$ 2,750,000**
Shell Building Costs	$ 19.84	$ 33,920,000	$ 22.00	$ 4,620,000	$ 21.00	$ 4,200,000	$ 19.00	$ 10,450,000	$ 21.00	$ 4,200,000	$ 19.00	$ 10,450,000
Total Building Cost	**$ 19.84**	**$ 33,920,000**	**$ 22.00**	**$ 4,620,000**	**$ 21.00**	**$ 4,200,000**	**$ 19.00**	**$ 10,450,000**	**$ 21.00**	**$ 4,200,000**	**$ 19.00**	**$ 10,450,000**
Tenant Improvements	$ 3.71	$ 6,340,750	$ 3.59	$ 753,750	$ 8.40	$ 1,680,000	$ 2.34	$ 1,287,500	$ 4.78	$ 955,000	$ 3.03	$ 1,664,500
Leasing Commissions	$ 1.40	$ 2,394,705	$ 1.36	$ 286,498	$ 1.64	$ 327,426	$ 1.28	$ 706,213	$ 1.62	$ 324,216	$ 1.36	$ 750,352
Total TI's and LC's	**$ 5.11**	**$ 8,735,455**	**$ 4.95**	**$ 1,040,248**	**$ 10.04**	**$ 2,007,426**	**$ 3.62**	**$ 1,993,713**	**$ 6.40**	**$ 1,279,216**	**$ 4.39**	**$ 2,414,852**
Soft Costs												
Building Design	$ 0.65	$ 1,119,000	$ 0.90	$ 189,000	$ 0.95	$ 190,000	$ 0.50	$ 275,000	$ 0.95	$ 190,000	$ 0.50	$ 275,000
Other Consultants	$ 0.04	$ 63,500	$ 0.05	$ 10,500	$ 0.05	$ 10,000	$ 0.03	$ 16,500	$ 0.05	$ 10,000	$ 0.03	$ 16,500
Legal - Land Use	$ 0.08	$ 136,800	$ 0.08	$ 16,800	$ 0.08	$ 16,000	$ 0.08	$ 44,000	$ 0.08	$ 16,000	$ 0.08	$ 44,000
Legal - Leasing	$ 0.18	$ 300,000	$ 0.14	$ 30,000	$ 0.60	$ 120,000	$ 0.05	$ 30,000	$ 0.30	$ 60,000	$ 0.11	$ 60,000
Material Testing	$ 0.25	$ 427,500	$ 0.25	$ 52,500	$ 0.25	$ 50,000	$ 0.25	$ 137,500	$ 0.25	$ 50,000	$ 0.25	$ 137,500
Taxes During Construction	$ 0.10	$ 171,000	$ 0.10	$ 21,000	$ 0.10	$ 20,000	$ 0.10	$ 55,000	$ 0.10	$ 20,000	$ 0.10	$ 55,000
Marketing	$ 0.10	$ 171,000	$ 0.10	$ 21,000	$ 0.10	$ 20,000	$ 0.10	$ 55,000	$ 0.10	$ 20,000	$ 0.10	$ 55,000
Impact Fees	$ 0.30	$ 513,000	$ 0.30	$ 63,000	$ 0.30	$ 60,000	$ 0.30	$ 165,000	$ 0.30	$ 60,000	$ 0.30	$ 165,000
Site Development Fees	$ 0.20	$ 342,000	$ 0.20	$ 42,000	$ 0.20	$ 40,000	$ 0.20	$ 110,000	$ 0.20	$ 40,000	$ 0.20	$ 110,000
Building Permits	$ 0.35	$ 598,500	$ 0.35	$ 73,500	$ 0.35	$ 70,000	$ 0.35	$ 192,500	$ 0.35	$ 70,000	$ 0.35	$ 192,500
Development Fee	$ 1.84	$ 3,145,000	$ 2.00	$ 420,000	$ 2.00	$ 400,000	$ 1.75	$ 962,500	$ 2.00	$ 400,000	$ 1.75	$ 962,500
Total Soft Cost	**$ 4.09**	**$ 6,987,300**	**$ 4.47**	**$ 939,300**	**$ 4.98**	**$ 996,000**	**$ 3.71**	**$ 2,043,000**	**$ 4.68**	**$ 936,000**	**$ 3.77**	**$ 2,073,000**
Project Contingency (4%)	$ 1.89	$ 3,228,358	$ 1.98	$ 416,588	$ 2.17	$ 433,476	$ 1.78	$ 979,151	$ 2.01	$ 401,948	$ 1.81	$ 997,196
Total Project Cost	**$ 49.09**	**$ 83,937,313**	**$ 51.58**	**$ 10,831,283**	**$ 56.35**	**$ 11,270,376**	**$ 46.29**	**$ 25,457,916**	**$ 52.25**	**$ 10,450,637**	**$ 47.14**	**$ 25,927,100**

Building #	1	2	3	4	5
Size of Building	210,000	200,000	550,000	200,000	550,000
Number of Tenants	1	4	1	2	2
Avg Size of Leasehold	210,000	50,000	550,000	100,000	275,000
(%) Office	3.6%	10.0%	2.3%	5.0%	2.7%
Office Area	7,500	20,000	12,500	10,000	15,000
Warehouse Area	202,500	180,000	537,500	190,000	535,000
Demising Wall	-	210,000	-	70,000	176,000
*Office Improvements	450,000	1,200,000	750,000	600,000	900,000
**Warehouse Improvements	303,750	270,000	537,500	285,000	588,500
Total Tenant Improvements	753,750	1,680,000	1,287,500	955,000	1,664,500
Total TI's / SF	$ 3.59	$ 8.40	$ 2.34	$ 4.78	$ 3.03

*Office improvement allowance of $60 / SF
**Warehouse improvements unit cost varies with size

Lease Commissions

Building 1		210,000
Rent yr 1	$	4.40
Growth Rate		2.00%

Year	Rental rate	Cum Rent	Comm. Rate	Commission	
1	$ 4.40	$ 924,000	8%	$ 73,920	
2	$ 4.49	$ 942,480	7%	$ 65,974	
3	$ 4.58	$ 961,330	6%	$ 57,680	
4	$ 4.67	$ 980,556	5%	$ 49,028	
5	$ 4.76	$ 1,000,167	5%	$ 50,008	
		$ 4,808,533	6.17%	$ 296,610	$ 1.41

Building 2		200,000
Rent yr 1	$	5.10
Growth Rate		2.00%

Year	Rental rate	Cum Rent	Comm. Rate	Commission	
1	$ 5.10	$ 1,020,000	8%	$ 81,600	
2	$ 5.20	$ 1,040,400	7%	$ 72,828	
3	$ 5.31	$ 1,061,208	6%	$ 63,672	
4	$ 5.41	$ 1,082,432	5%	$ 54,122	
5	$ 5.52	$ 1,104,081	5%	$ 55,204	
		$ 5,308,121	6.17%	$ 327,426	$ 1.64

Building 3		550,000
Rent yr 1	$	4.00
Growth Rate		2.00%

Year	Rental rate	Cum Rent	Comm. Rate	Commission	
1	$ 4.00	$ 2,200,000	8%	$ 176,000	
2	$ 4.08	$ 2,244,000	7%	$ 157,080	
3	$ 4.16	$ 2,288,880	6%	$ 137,333	
4	$ 4.24	$ 2,334,658	5%	$ 116,733	
5	$ 4.33	$ 2,381,351	5%	$ 119,068	
		$ 11,448,888	6.17%	$ 706,213	$ 1.28

Lease Commissions

Building 4		200,000
Rent yr 1	$	4.75
Growth Rate		2.00%

Year	Rental rate	Cum Rent	Comm. Rate	Commission	
1	$ 4.75	$ 950,000	8%	$ 76,000	
2	$ 4.85	$ 969,000	7%	$ 67,830	
3	$ 4.94	$ 988,380	6%	$ 59,303	
4	$ 5.04	$ 1,008,148	5%	$ 50,407	
5	$ 5.14	$ 1,028,311	5%	$ 51,416	
		$ 4,943,838	6.17%	$ 304,956	$ 1.52

Building 5		550,000
Rent yr 1	$	4.25
Growth Rate		2.00%

Year	Rental rate	Cum Rent	Comm. Rate	Commission	
1	$ 4.25	$ 2,337,500	8%	$ 187,000	
2	$ 4.34	$ 2,384,250	7%	$ 166,898	
3	$ 4.42	$ 2,431,935	6%	$ 145,916	
4	$ 4.51	$ 2,480,574	5%	$ 124,029	
5	$ 4.60	$ 2,530,185	5%	$ 126,509	
		$ 12,164,444	6.17%	$ 750,352	$ 1.36

Appendix D

Financial Analysis

PROJECT CASH FLOW
FINANCIAL ANALYSIS

Construction Budget		Timing			1	2	3	4	5	6	7	8	9	10
Cost Line Item	Budget	Beginning Month	Total Month	End Month	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Due Diligence / Design	$596,200	1	12	12	$49,683	$49,683	$49,683	$49,683	$49,683	$49,683	$49,683	$49,683	$49,683	$49,683
Land Purchase	$17,170,000	12	1	12	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Offsites	$4,750,000	13	4	16	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Taxes on land prior to stabilization	$290,000	9	3	11	$0	$0	$0	$0	$0	$100,000	$0	$0	$0	$0
Building 1 - 210,000 sf	$8,295,052	32	6	37	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	$8,636,902	13	6	18	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	$18,215,864	13	8	20	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	$7,797,133	27	6	32	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	$18,685,048	27	8	34	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	40	6	45	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	52	6	57	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		0	0	0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL	$84,436,198				$49,683	$49,683	$49,683	$49,683	$49,683	$149,683	$49,683	$49,683	$49,683	$49,683
	$0	OK												
Proceeds from Sale														
Building 1 - 210,000 sf	($12,135,200)	43	1	43	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	($12,558,750)	26	1	26	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	($28,893,333)	24	1	24	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	($11,696,875)	38	1	38	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	($30,699,167)	44	1	44	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	0	1	0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	0	1	0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	($95,983,325)				$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	$0	OK												
TOTAL NET MONTHLY CASH FLOW					$49,683	$49,683	$49,683	$49,683	$49,683	$149,683	$49,683	$49,683	$49,683	$49,683

IRR (unlevered) **11.57% (Calculation based on Total Net Monthly Cash flow above)**

PROJECT CASH FLOW
FINANCIAL ANALYSIS

Construction Budget		11	12	13	14	15	16	17	18	19	20	21
Cost Line Item	Budget	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12
Due Diligence / Design	$596,200	$49,683	$49,683	$0	$0	$0	$0	$0	$0	$0	$0	$0
Land Purchase	$17,170,000	$0	$17,170,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Offsites	$4,750,000	$0	$0	$1,187,500	$1,187,500	$1,187,500	$1,187,500	$0	$0	$0	$0	$0
Taxes on land prior to stabilization	$290,000	$0	$0	$0	$0	$0	$0	$0	$100,000	$0	$0	$0
Building 1 - 210,000 sf	$8,295,052	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	$8,636,902	$0	$0	$1,439,484	$1,439,484	$1,439,484	$1,439,484	$1,439,484	$1,439,484	$0	$0	$0
Building 3 - 550,000 sf	$18,215,864	$0	$0	$2,276,983	$2,276,983	$2,276,983	$2,276,983	$2,276,983	$2,276,983	$2,276,983	$2,276,983	$0
Building 4 - 200,000 sf	$7,797,133	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	$18,685,048	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL	$84,436,198	$49,683	$17,219,683	$4,903,967	$4,903,967	$4,903,967	$4,903,967	$3,716,467	$3,816,467	$2,276,983	$2,276,983	$0
	$0											

Proceeds from Sale

Building 1 - 210,000 sf	($12,135,200)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	($12,558,750)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	($28,893,333)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	($11,696,875)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	($30,699,167)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	($95,983,325)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	$0											
TOTAL NET MONTHLY CASH FLOW		$49,683	$17,219,683	$4,903,967	$4,903,967	$4,903,967	$4,903,967	$3,716,467	$3,816,467	$2,276,983	$2,276,983	$0

IRR (unlevered) **11.57%**

PROJECT CASH FLOW
FINANCIAL ANALYSIS

Construction Budget		22	23	24	25	26	27	28	29	30	31	32
Cost Line Item	Budget	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13
Due Diligence / Design	$596,200	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Land Purchase	$17,170,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Offsites	$4,750,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Taxes on land prior to stabilization	$290,000	$0	$0	$0	$0	$0	$0	$0	$0	$60,000	$0	$0
Building 1 - 210,000 sf	$8,295,052	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,382,509
Building 2 - 200,000 sf	$8,636,902	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	$18,215,864	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	$7,797,133	$0	$0	$0	$0	$0	$1,299,522	$1,299,522	$1,299,522	$1,299,522	$1,299,522	$1,299,522
Building 5 - 550,000 sf	$18,685,048	$0	$0	$0	$0	$0	$2,335,631	$2,335,631	$2,335,631	$2,335,631	$2,335,631	$2,335,631
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL	$84,436,198	$0	$0	$0	$0	$0	$3,635,153	$3,635,153	$3,635,153	$3,695,153	$3,635,153	$5,017,662
	$0											
Proceeds from Sale												
Building 1 - 210,000 sf	($12,135,200)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	($12,558,750)	$0	$0	$0	$0	($12,558,750)	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	($28,893,333)	$0	$0	($28,893,333)	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	($11,696,875)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	($30,699,167)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	($95,983,325)	$0	$0	($28,893,333)	$0	($12,558,750)	$0	$0	$0	$0	$0	$0
	$0											
TOTAL NET MONTHLY CASH FLOW		$0	$0	($28,893,333)	$0	($12,558,750)	$3,635,153	$3,635,153	$3,635,153	$3,695,153	$3,635,153	$5,017,662

IRR (unlevered) **11.57%**

PROJECT CASH FLOW
FINANCIAL ANALYSIS

Construction Budget		33	34	35	36	37	38	39	40	41	42	43
Cost Line Item	Budget	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14
Due Diligence / Design	$596,200	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Land Purchase	$17,170,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Offsites	$4,750,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Taxes on land prior to stabilization	$290,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$30,000	$0
Building 1 - 210,000 sf	$8,295,052	$1,382,509	$1,382,509	$1,382,509	$1,382,509	$1,382,509	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	$8,636,902	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	$18,215,864	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	$7,797,133	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	$18,685,048	$2,335,631	$2,335,631	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL	$84,436,198	$3,718,140	$3,718,140	$1,382,509	$1,382,509	$1,382,509	$0	$0	$0	$0	$30,000	$0
	$0											
Proceeds from Sale												
Building 1 - 210,000 sf	($12,135,200)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($12,135,200)
Building 2 - 200,000 sf	($12,558,750)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	($28,893,333)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	($11,696,875)	$0	$0	$0	$0	$0	($11,696,875)	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	($30,699,167)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	($95,983,325)	$0	$0	$0	$0	$0	($11,696,875)	$0	$0	$0	$0	($12,135,200)
	$0											
TOTAL NET MONTHLY CASH FLOW		$3,718,140	$3,718,140	$1,382,509	$1,382,509	$1,382,509	($11,696,875)	$0	$0	$0	$30,000	($12,135,200)

IRR (unlevered) **11.57%**

Proforma - All Equity Scenario

Scenario #3, 1,710,000 SF

	Total		Building 1		Building 2		Building 3		Building 4		Building 5	
Land Area (acres)	170		20.88		19.88		54.68		19.88		54.68	
Building Area	1,710,000 SF		210,000 SF		200,000 SF		550,000 SF		200,000 SF		550,000 SF	
Total Project Cost	**$ 49.21**	**$ 84,146,198**	**$ 52.67**	**$ 11,060,199**	**$ 56.35**	**$ 11,270,376**	**$ 46.29**	**$ 25,457,916**	**$ 52.15**	**$ 10,430,607**	**$ 47.14**	**$ 25,927,100**
Financing Expense												
Equity Contribution	$ 49.21	$ 84,146,198	$ 49.21	$ 10,333,744	$ 49.21	$ 9,841,661	$ 49.21	$ 27,064,567	$ 49.21	$ 9,841,661	$ 49.21	$ 27,064,567
Construction Loan Value	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loan Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Legal - Loan Doc's	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction Loan Interest	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Project Cost with financing		**$ 84,146,198**	**$ 52.67**	**$ 11,060,199**	**$ 56.35**	**$ 11,270,376**	**$ 46.29**	**$ 25,457,916**	**$ 52.15**	**$ 10,430,607**	**$ 47.14**	**$ 25,927,100**
Rent Revenue (NOI)	$ 4.35	$ 7,431,500	$ 4.40	$ 924,000	$ 5.10	$ 1,020,000	$ 4.00	$ 2,200,000	$ 4.75	$ 950,000	$ 4.25	$ 2,337,500
Cap Rate		7.63%		7.50%		8.00%		7.50%		8.00%		7.50%
Sale Price		$ 97,445,000	$ 58.67	$ 12,320,000	$ 63.75	$ 12,750,000	$ 53.33	$ 29,333,333	$ 59.38	$ 11,875,000	$ 56.67	$ 31,166,667
Cost of Sale	$ 0.85	1,461,675		$ (184,800)		$ (191,250)		$ (440,000)		$ (178,125)		$ (467,500)
Net Proceeds (before taxes)	$ 56.13	$ 95,983,325		$ 12,135,200		$ 12,558,750		$ 28,893,333		$ 11,696,875		$ 30,699,167
Financial Analysis												
NOI	$ 4.35	$ 7,431,500	$ 4.40	$ 924,000	$ 5.10	$ 1,020,000	$ 4.00	$ 2,200,000	$ 4.75	$ 950,000	$ 4.25	$ 2,337,500
Yield (Un-levered)		8.83%		8.35%		9.05%		8.64%		9.11%		9.02%
Yield (Levered)		8.83%		8.94%		10.36%		8.13%		9.65%		8.64%
Net Proceeds from Sale		$ 95,983,325		$ 12,135,200		$ 12,558,750		$ 28,893,333		$ 11,696,875		$ 30,699,167
Net Profit (Unlevered)		$ 11,837,127		$ 1,075,001		$ 1,288,374		$ 3,435,417		$ 1,266,268		$ 4,772,066
Margin on Sale (Unlevered)		14.07%		9.72%		11.43%		13.49%		12.14%		18.41%
Net Profit (Levered)		N/A		N/A		N/A		N/A		N/A		N/A
Margin on Sale - Levered (ROE)		N/A		N/A		N/A		N/A		N/A		N/A

PROJECT CASH FLOW
FINANCIAL ANALYSIS

Construction Budget		Timing			1	2	3	4	5	6	7	8	9	10
Cost Line Item	Budget	Beginning Month	Total Month	End Month	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Due Diligence / Design	$596,200	1	12	12	$49,683	$49,683	$49,683	$49,683	$49,683	$49,683	$49,683	$49,683	$49,683	$49,683
Land Purchase	$17,170,000	12	1	12	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Offsites	$4,750,000	13	4	16	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Taxes on land prior to stabilization	$290,000	9	3	11	$0	$0	$0	$0	$0	$100,000	$0	$0	$0	$0
Building 1 - 210,000 sf	$8,295,052	32	6	37	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	$8,636,902	13	6	18	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	$18,215,864	13	8	20	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	$7,797,133	27	6	32	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	$18,685,048	27	8	34	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	40	6	45	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	52	6	57	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		0	0	0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL	$84,436,198				$49,683	$49,683	$49,683	$49,683	$49,683	$149,683	$49,683	$49,683	$49,683	$49,683
	$0	OK												
Proceeds from Sale														
Building 1 - 210,000 sf	($12,135,200)	43	1	43	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	($12,558,750)	26	1	26	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	($28,893,333)	24	1	24	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	($11,696,875)	38	1	38	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	($30,699,167)	44	1	44	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	0	1	0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	0	1	0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	($95,983,325)				$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	$0	OK												
TOTAL NET MONTHLY CASH FLOW					$49,683	$49,683	$49,683	$49,683	$49,683	$149,683	$49,683	$49,683	$49,683	$49,683

IRR (unlevered) **11.57%** **(Calculation based on Total Net Monthly Cash flow above)**

				LEVERED IRR										
Equity				**13.11%**	$49,683	$49,683	$49,683	$49,683	$49,683	$149,683	$49,683	$49,683	$49,683	$49,683
Loan 1														
LOAN BEG. O/S BALANCE					$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MONTHLY LOAN PROCEEDS					$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
INTEREST	7.00%				$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
RENTAL REVENUE		0			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
NET INTEREST	$2,155,946				$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
OUTSTANDING BALANCE					$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Levered Cash Flows		
Project Cost	$84,436,198	
Equity Contribution	$25,330,860	
Loan amount	$59,105,339	70%
Cost of Loan	$591,053	1.0%
Legal - Loan Doc's	$40,000	
Construction Loan Interest	$2,155,946	
Phase 1 Levered Cost	$87,223,198	

PROJECT CASH FLOW
FINANCIAL ANALYSIS

Construction Budget		11	12	13	14	15	16	17	18	19	20	21
Cost Line Item	Budget	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12
Due Diligence / Design	$596,200	$49,683	$49,683	$0	$0	$0	$0	$0	$0	$0	$0	$0
Land Purchase	$17,170,000	$0	$17,170,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Offsites	$4,750,000	$0	$0	$1,187,500	$1,187,500	$1,187,500	$1,187,500	$0	$0	$0	$0	$0
Taxes on land prior to stabilization	$290,000	$0	$0	$0	$0	$0	$0	$0	$100,000	$0	$0	$0
Building 1 - 210,000 sf	$8,295,052	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	$8,636,902	$0	$0	$1,439,484	$1,439,484	$1,439,484	$1,439,484	$1,439,484	$1,439,484	$0	$0	$0
Building 3 - 550,000 sf	$18,215,864	$0	$0	$2,276,983	$2,276,983	$2,276,983	$2,276,983	$2,276,983	$2,276,983	$2,276,983	$2,276,983	$0
Building 4 - 200,000 sf	$7,797,133	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	$18,685,048	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL	$84,436,198	$49,683	$17,219,683	$4,903,967	$4,903,967	$4,903,967	$4,903,967	$3,716,467	$3,816,467	$2,276,983	$2,276,983	$0
	$0											

Proceeds from Sale

Building 1 - 210,000 sf	($12,135,200)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	($12,558,750)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	($28,893,333)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	($11,696,875)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	($30,699,167)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	($95,983,325)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	$0											
TOTAL NET MONTHLY CASH FLOW		$49,683	$17,219,683	$4,903,967	$4,903,967	$4,903,967	$4,903,967	$3,716,467	$3,816,467	$2,276,983	$2,276,983	$0

IRR (unlevered) **11.57%**

Equity		$49,683	$17,219,683	$4,903,967	$2,560,693	$0	$0	$0	$0	$0	$0	$0
Loan 1												
LOAN BEG. O/S BALANCE		$0	$0	$0	$0	$2,343,274	$7,260,910	$12,207,232	$15,994,907	$19,904,677	$22,297,771	$24,704,824
MONTHLY LOAN PROCEEDS		$0	$0	$0	$2,343,274	$4,903,967	$4,903,967	$3,716,467	$3,816,467	$2,276,983	$2,276,983	$0
INTEREST	7.00%	$0	$0	$0	$0	$13,669	$42,355	$71,209	$93,304	$116,111	$130,070	$144,111
RENTAL REVENUE		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
NET INTEREST	$2,155,946	$0	$0	$0	$0	$13,669	$42,355	$71,209	$93,304	$116,111	$130,070	$144,111
OUTSTANDING BALANCE		$0	$0	$0	$2,343,274	$7,260,910	$12,207,232	$15,994,907	$19,904,677	$22,297,771	$24,704,824	$24,848,936

Levered Cash Flows

Project Cost	$84,436,198
Equity Contribution	$25,330,860
Loan amount	$59,105,339
Cost of Loan	$591,053
Legal - Loan Doc's	$40,000
Construction Loan Interest	$2,155,946
Phase 1 Levered Cost	$87,223,198

PROJECT CASH FLOW
FINANCIAL ANALYSIS

Construction Budget		22	23	24	25	26	27	28	29	30	31	32
Cost Line Item	Budget	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13
Due Diligence / Design	$596,200	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Land Purchase	$17,170,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Offsites	$4,750,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Taxes on land prior to stabilization	$290,000	$0	$0	$0	$0	$0	$0	$0	$0	$60,000	$0	$0
Building 1 - 210,000 sf	$8,295,052	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,382,509
Building 2 - 200,000 sf	$8,636,902	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	$18,215,864	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	$7,797,133	$0	$0	$0	$0	$0	$1,299,522	$1,299,522	$1,299,522	$1,299,522	$1,299,522	$1,299,522
Building 5 - 550,000 sf	$18,685,048	$0	$0	$0	$0	$0	$2,335,631	$2,335,631	$2,335,631	$2,335,631	$2,335,631	$2,335,631
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL	$84,436,198	$0	$0	$0	$0	$0	$3,635,153	$3,635,153	$3,635,153	$3,695,153	$3,635,153	$5,017,662
	$0											
Proceeds from Sale												
Building 1 - 210,000 sf	($12,135,200)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	($12,558,750)	$0	$0	$0	$0	($12,558,750)	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	($28,893,333)	$0	$0	($28,893,333)	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	($11,696,875)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	($30,699,167)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	($95,983,325)	$0	$0	($28,893,333)	$0	($12,558,750)	$0	$0	$0	$0	$0	$0
	$0											
TOTAL NET MONTHLY CASH FLOW		$0	$0	($28,893,333)	$0	($12,558,750)	$3,635,153	$3,635,153	$3,635,153	$3,695,153	$3,635,153	$5,017,662

IRR (unlevered) **11.57%**

Equity		$0	$0	$0	$0	($4,858,270)	$0	$0	$0	$0	$0	$0
Loan 1												
LOAN BEG. O/S BALANCE		$24,848,936	$24,993,888	$25,139,686	($3,607,000)	($3,607,000)	($11,307,480)	($7,672,326)	($4,037,173)	($402,020)	$3,293,133	$6,947,496
MONTHLY LOAN PROCEEDS		$0	$0	($28,893,333)	$0	($7,700,480)	$3,635,153	$3,635,153	$3,635,153	$3,695,153	$3,635,153	$5,017,662
INTEREST	7.00%	$144,952	$145,798	$146,648	$0	$0	$0	$0	$0	$0	$19,210	$40,527
RENTAL REVENUE		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
NET INTEREST	$2,155,946	$144,952	$145,798	$146,648	$0	$0	$0	$0	$0	$0	$19,210	$40,527
OUTSTANDING BALANCE		$24,993,888	$25,139,686	($3,607,000)	($3,607,000)	($11,307,480)	($7,672,326)	($4,037,173)	($402,020)	$3,293,133	$6,947,496	$12,005,685

Levered Cash Flows

Project Cost	$84,436,198
Equity Contribution	$25,330,860
Loan amount	$59,105,339
Cost of Loan	$591,053
Legal - Loan Doc's	$40,000
Construction Loan Interest	$2,155,946
Phase 1 Levered Cost	$87,223,198

PROJECT CASH FLOW
FINANCIAL ANALYSIS

Construction Budget		33	34	35	36	37	38	39	40	41	42	43
Cost Line Item	Budget	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14
Due Diligence / Design	$596,200	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Land Purchase	$17,170,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Offsites	$4,750,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Taxes on land prior to stabilization	$290,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$30,000	$0
Building 1 - 210,000 sf	$8,295,052	$1,382,509	$1,382,509	$1,382,509	$1,382,509	$1,382,509	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	$8,636,902	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	$18,215,864	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	$7,797,133	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	$18,685,048	$2,335,631	$2,335,631	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL	$84,436,198	$3,718,140	$3,718,140	$1,382,509	$1,382,509	$1,382,509	$0	$0	$0	$0	$30,000	$0
	$0											
Proceeds from Sale												
Building 1 - 210,000 sf	($12,135,200)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($12,135,200)
Building 2 - 200,000 sf	($12,558,750)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	($28,893,333)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	($11,696,875)	$0	$0	$0	$0	$0	($11,696,875)	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	($30,699,167)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	($95,983,325)	$0	$0	$0	$0	$0	($11,696,875)	$0	$0	$0	$0	($12,135,200)
	$0											
TOTAL NET MONTHLY CASH FLOW		$3,718,140	$3,718,140	$1,382,509	$1,382,509	$1,382,509	($11,696,875)	$0	$0	$0	$30,000	($12,135,200)

IRR (unlevered) **11.57%**

Equity		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Loan 1												
LOAN BEG. O/S BALANCE		$12,005,685	$15,793,857	$19,604,128	$21,100,994	$22,606,592	$24,120,972	$12,564,803	$12,638,097	$12,711,820	$12,785,972	$12,890,557
MONTHLY LOAN PROCEEDS		$3,718,140	$3,718,140	$1,382,509	$1,382,509	$1,382,509	($11,696,875)	$0	$0	$0	$30,000	($12,135,200)
INTEREST	7.00%	$70,033	$92,131	$114,357	$123,089	$131,872	$140,706	$73,295	$73,722	$74,152	$74,585	$75,195
RENTAL REVENUE		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
NET INTEREST	$2,155,946	$70,033	$92,131	$114,357	$123,089	$131,872	$140,706	$73,295	$73,722	$74,152	$74,585	$75,195
OUTSTANDING BALANCE		$15,793,857	$19,604,128	$21,100,994	$22,606,592	$24,120,972	$12,564,803	$12,638,097	$12,711,820	$12,785,972	$12,890,557	$830,552

Levered Cash Flows

Project Cost	$84,436,198
Equity Contribution	$25,330,860
Loan amount	$59,105,339
Cost of Loan	$591,053
Legal - Loan Doc's	$40,000
Construction Loan Interest	$2,155,946
Phase 1 Levered Cost	$87,223,198

Proforma - Project Financing Scenario
Scenario #3, 1,710,000 SF

	Total		Building 1		Building 2		Building 3		Building 4		Building 5	
Land Area (acres)	170		20.88		19.88		54.68		19.88		54.68	
Building Area	1,710,000 SF		210,000 SF		200,000 SF		550,000 SF		200,000 SF		550,000 SF	
Total Project Cost	**$ 49.21**	**$ 84,146,198**	**$ 52.67**	**$ 11,060,199**	**$ 56.35**	**$ 11,270,376**	**$ 46.29**	**$ 25,457,916**	**$ 52.15**	**$ 10,430,607**	**$ 47.14**	**$ 25,927,100**
Financing Expense												
Equity Contribution	$ 14.81	$ 25,330,860	$ 14.81	$ 3,110,807	$ 14.81	$ 2,962,674	$ 14.81	$ 8,147,352	$ 14.81	$ 2,962,674	$ 14.81	$ 8,147,352
Construction Loan Value	$ 34.56	$ 59,105,339	$ 34.56	$ 7,258,550	$ 34.56	$ 6,912,905	$ 34.56	$ 19,010,489	$ 34.56	$ 6,912,905	$ 34.56	$ 19,010,489
Loan Fees	$ 0.35	$ 591,053	$ 0.35	$ 72,586	$ 0.35	$ 69,129	$ 0.35	$ 190,105	$ 0.35	$ 69,129	$ 0.35	$ 190,105
Legal - Loan Doc's	$ 0.02	$ 40,000	$ 0.02	$ 4,912	$ 0.02	$ 4,678	$ 0.02	$ 12,865	$ 0.02	$ 4,678	$ 0.02	$ 12,865
Construction Loan Interest	$ 1.26	$ 2,155,946	$ 1.26	$ 264,765	$ 1.26	$ 252,157	$ 1.26	$ 693,433	$ 1.26	$ 252,157	$ 1.26	$ 693,433
Total Project Cost with financing		**$ 86,933,198**	**$ 54.30**	**$ 11,402,462**	**$ 57.98**	**$ 11,596,341**	**$ 47.92**	**$ 26,354,320**	**$ 53.78**	**$ 10,756,571**	**$ 48.77**	**$ 26,823,504**
Rent Revenue (NOI)	$ 4.35	$ 7,431,500	$ 4.40	$ 924,000	$ 5.10	$ 1,020,000	$ 4.00	$ 2,200,000	$ 4.75	$ 950,000	$ 4.25	$ 2,337,500
Cap Rate	7.63%		7.50%		8.00%		7.50%		8.00%		7.50%	
Sale Price		$ 97,445,000	$ 58.67	$ 12,320,000	$ 63.75	$ 12,750,000	$ 53.33	$ 29,333,333	$ 59.38	$ 11,875,000	$ 56.67	$ 31,166,667
Cost of Sale	$ 0.85	1,461,675		$ (184,800)		$ (191,250)		$ (440,000)		$ (178,125)		$ (467,500)
Net Proceeds (before taxes)	$ 56.13	$ 95,983,325		$ 12,135,200		$ 12,558,750		$ 28,893,333		$ 11,696,875		$ 30,699,167
Financial Analysis												
NOI	$ 4.35	$ 7,431,500	$ 4.40	$ 924,000	$ 5.10	$ 1,020,000	$ 4.00	$ 2,200,000	$ 4.75	$ 950,000	$ 4.25	$ 2,337,500
Yield (Un-levered)		8.83%		8.35%		9.05%		8.64%		9.11%		9.02%
Yield (Levered)		20.32%		20.68%		25.29%		18.04%		22.98%		19.69%
Net Profit (Levered)		$ 9,050,127		$ 732,738		$ 962,409		$ 2,539,014		$ 940,304		$ 3,875,663
Margin on Sale - Levered (ROE)		35.73%		23.55%		32.48%		31.16%		31.74%		47.57%

TOTAL NET MONTHLY CASH FLOW					$49,683	$49,683	$49,683	$49,683	$49,683	$149,683	$49,683	$49,683	$49,683	$49,683	$49,683	$17,605,266

Levered Cash Flows

Phase 1 (bldg's 2&3) Project Cost	$49,368,966	
Equity Contribution	$14,810,690	
Loan amount	$34,558,276	70%
Cost of Loan	$345,583	1.0%
Legal - Loan Doc's	$40,000	
Construction Loan Interest	$1,868,249	
Phase 1 Levered Cost	$51,622,798	

Phase 1 Equity	$10,576,090				$49,683	$49,683	$49,683	$49,683	$49,683	$149,683	$49,683	$49,683	$49,683	$49,683	$49,683	$14,164,173
Loan 1																
LOAN BEG. O/S BALANCE					$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MONTHLY LOAN PROCEEDS					$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$3,441,093
INTEREST	7.00%				$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
RENTAL REVENUE		0			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
NET INTEREST	$1,868,249				$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
OUTSTANDING BALANCE					$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$3,441,093

<u>Phase 2</u>

Phase 2 (bldg's 4&5) Project Cost	$26,482,181	
Equity Contribution	$7,944,654	
Loan amount	$18,537,526	70%
Cost of Loan	$185,375	1.0%
Legal - Loan Doc's	$20,000	
Construction Loan Interest	$828,570	
Phase 2 Levered Cost	$27,516,126	

Phase 2 Equity	($15,025,291)	
Loan 2		
LOAN BEG. O/S BALANCE		
MONTHLY LOAN PROCEEDS		
INTEREST	7.00%	
RENTAL REVENUE		0
NET INTEREST	$828,570	
OUTSTANDING BALANCE		

<u>Phase 3</u>

Phase 3 (bldg 1) Project Cost	$8,295,052	
Equity Contribution	$2,488,516	
Loan amount	$5,806,536	70%
Cost of Loan	$58,065	1.0%
Legal - Loan Doc's	$20,000	
Construction Loan Interest	$265,053	
Phase 3 Levered Cost	$8,638,170	

Phase 3 Equity	($3,545,094)	
Loan 3		
LOAN BEG. O/S BALANCE		
MONTHLY LOAN PROCEEDS		
INTEREST	7.00%	
RENTAL REVENUE		0
NET INTEREST	$265,053	
OUTSTANDING BALANCE		

TOTAL MONTHLY EQUITY		TOTAL MONTHLY EQUITY	$49,683	$49,683	$49,683	$49,683	$49,683	$149,683	$49,683	$49,683	$49,683	$49,683	$49,683	$14,164,173
	IRR (Levered)	**15.78%**	**(Calculation based on Total Net Monthly Cash flow above)**											
	Cumulative Equity Balance		$49,683	$99,367	$149,050	$198,733	$248,417	$398,100	$447,783	$497,467	$547,150	$596,833	$646,517	$14,810,690
	Maximum Equity Balance $	18,520,744												

TOTAL NET MONTHLY CASH FLOW		$4,903,967	$4,903,967	$4,903,967	$4,903,967	$3,716,467	$3,816,467	$2,276,983	$2,276,983	$0	$0	$0	($28,893,333)	$0
Levered Cash Flows														
Phase 1 (bldg's 2&3) Project Cost	$49,368,966													
Equity Contribution	$14,810,690													
Loan amount	$34,558,276													
Cost of Loan	$345,583													
Legal - Loan Doc's	$40,000													
Construction Loan Interest	$1,868,249													
Phase 1 Levered Cost	$51,622,798													
		Phase 1												
Phase 1 Equity	$10,576,090	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Loan 1														
LOAN BEG. O/S BALANCE		$3,441,093	$8,365,133	$13,317,896	$18,299,550	$23,310,264	$27,162,708	$31,137,623	$33,596,243	$36,069,204	$36,279,607	$36,491,238	$36,704,104	$8,024,878
MONTHLY LOAN PROCEEDS		$4,903,967	$4,903,967	$4,903,967	$4,903,967	$3,716,467	$3,816,467	$2,276,983	$2,276,983	$0	$0	$0	($28,893,333)	$0
INTEREST	7.00%	$20,073	$48,797	$77,688	$106,747	$135,977	$158,449	$181,636	$195,978	$210,404	$211,631	$212,866	$214,107	$46,812
RENTAL REVENUE		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
NET INTEREST	$1,868,249	$20,073	$48,797	$77,688	$106,747	$135,977	$158,449	$181,636	$195,978	$210,404	$211,631	$212,866	$214,107	$46,812
OUTSTANDING BALANCE		$8,365,133	$13,317,896	$18,299,550	$23,310,264	$27,162,708	$31,137,623	$33,596,243	$36,069,204	$36,279,607	$36,491,238	$36,704,104	$8,024,878	$8,071,690
Phase 2														
Phase 2 (bldg's 4&5) Project Cost	$26,482,181													
Equity Contribution	$7,944,654													
Loan amount	$18,537,526													
Cost of Loan	$185,375													
Legal - Loan Doc's	$20,000													
Construction Loan Interest	$828,570													
Phase 2 Levered Cost	$27,516,126													
Phase 2 Equity	($15,025,291)													
Loan 2														
LOAN BEG. O/S BALANCE														
MONTHLY LOAN PROCEEDS														
INTEREST	7.00%													
RENTAL REVENUE														
NET INTEREST	$828,570													
OUTSTANDING BALANCE														
Phase 3														
Phase 3 (bldg 1) Project Cost	$8,295,052													
Equity Contribution	$2,488,516													
Loan amount	$5,806,536													
Cost of Loan	$58,065													
Legal - Loan Doc's	$20,000													
Construction Loan Interest	$265,053													
Phase 3 Levered Cost	$8,638,170													
Phase 3 Equity	($3,545,094)													
Loan 3														
LOAN BEG. O/S BALANCE														
MONTHLY LOAN PROCEEDS														
INTEREST	7.00%													
RENTAL REVENUE														
NET INTEREST	$265,053													
OUTSTANDING BALANCE														
TOTAL MONTHLY EQUITY		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Cumulative E	$14,810,690	$14,810,690	$14,810,690	$14,810,690	$14,810,690	$14,810,690	$14,810,690	$14,810,690	$14,810,690	$14,810,690	$14,810,690	$14,810,690	$14,810,690
	Maximum E													

TOTAL NET MONTHLY CASH FLOW		($12,353,375)	$3,635,153	$3,635,153	$3,635,153	$3,695,153	$3,635,153	$3,635,153	$2,335,631	$2,335,631	$0	$0	$0
Levered Cash Flows													
Phase 1 (bldg's 2&3) Project Cost	$49,368,966												
Equity Contribution	$14,810,690												
Loan amount	$34,558,276												
Cost of Loan	$345,583												
Legal - Loan Doc's	$40,000												
Construction Loan Interest	$1,868,249												
Phase 1 Levered Cost	$51,622,798												
Phase 1 Equity	$10,576,090	($4,234,600)	$0										
Loan 1													
LOAN BEG. O/S BALANCE		$8,071,690											
MONTHLY LOAN PROCEEDS		($8,118,775)											
INTEREST	7.00%	$47,085											
RENTAL REVENUE		$0											
NET INTEREST	$1,868,249	$47,085											
OUTSTANDING BALANCE		($0)											
Phase 2													
Phase 2 (bldg's 4&5) Project Cost	$26,482,181												
Equity Contribution	$7,944,654												
Loan amount	$18,537,526												
Cost of Loan	$185,375												
Legal - Loan Doc's	$20,000												
Construction Loan Interest	$828,570												
Phase 2 Levered Cost	$27,516,126												
									Phase 2				
Phase 2 Equity	($15,025,291)		$3,635,153	$3,635,153	$674,348	$0	$0	$0	$0	$0	$0	$0	$0
Loan 2													
LOAN BEG. O/S BALANCE			$0	$0	$0	$2,960,805	$6,673,230	$10,347,310	$14,042,822	$16,460,370	$18,892,020	$19,002,223	$19,113,069
MONTHLY LOAN PROCEEDS			$0	$0	$2,960,805	$3,695,153	$3,635,153	$3,635,153	$2,335,631	$2,335,631	$0	$0	$0
INTEREST	7.00%		$0	$0	$0	$17,271	$38,927	$60,359	$81,916	$96,019	$110,203	$110,846	$111,493
RENTAL REVENUE			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
NET INTEREST	$828,570		$0	$0	$0	$17,271	$38,927	$60,359	$81,916	$96,019	$110,203	$110,846	$111,493
OUTSTANDING BALANCE			$0	$0	$2,960,805	$6,673,230	$10,347,310	$14,042,822	$16,460,370	$18,892,020	$19,002,223	$19,113,069	$19,224,562
Phase 3													
Phase 3 (bldg 1) Project Cost	$8,295,052												
Equity Contribution	$2,488,516												
Loan amount	$5,806,536												
Cost of Loan	$58,065												
Legal - Loan Doc's	$20,000												
Construction Loan Interest	$265,053												
Phase 3 Levered Cost	$8,638,170												
Phase 3 Equity	($3,545,094)												
Loan 3													
LOAN BEG. O/S BALANCE													
MONTHLY LOAN PROCEEDS													
INTEREST	7.00%												
RENTAL REVENUE													
NET INTEREST	$265,053												
OUTSTANDING BALANCE													
TOTAL MONTHLY EQUITY		($4,234,600)	$3,635,153	$3,635,153	$674,348	$0	$0	$0	$0	$0	$0	$0	$0
	Cumulative E	$10,576,090	$14,211,243	$17,846,396	$18,520,744	$18,520,744	$18,520,744	$18,520,744	$18,520,744	$18,520,744	$18,520,744	$18,520,744	$18,520,744
	Maximum E												

TOTAL NET MONTHLY CASH FLOW		($11,696,875)	$0	($30,699,167)	$1,382,509	$1,412,509	$1,382,509	$1,382,509	$1,382,509	$1,382,509	$0	$0	$0
Levered Cash Flows													
Phase 1 (bldg's 2&3) Project Cost	$49,368,966												
Equity Contribution	$14,810,690												
Loan amount	$34,558,276												
Cost of Loan	$345,583												
Legal - Loan Doc's	$40,000												
Construction Loan Interest	$1,868,249												
Phase 1 Levered Cost	$51,622,798												
Phase 1 Equity	$10,576,090												
Loan 1													
LOAN BEG. O/S BALANCE													
MONTHLY LOAN PROCEEDS													
INTEREST	7.00%												
RENTAL REVENUE													
NET INTEREST	$1,868,249												
OUTSTANDING BALANCE													
Phase 2													
Phase 2 (bldg's 4&5) Project Cost	$26,482,181												
Equity Contribution	$7,944,654												
Loan amount	$18,537,526												
Cost of Loan	$185,375												
Legal - Loan Doc's	$20,000												
Construction Loan Interest	$828,570												
Phase 2 Levered Cost	$27,516,126												
Phase 2 Equity	($15,025,291)	$0	$0	($22,969,945)									
Loan 2													
LOAN BEG. O/S BALANCE		$19,224,562	$7,639,830	$7,684,396									
MONTHLY LOAN PROCEEDS		($11,696,875)	$0	($7,729,222)									
INTEREST	7.00%	$112,143	$44,566	$44,826									
RENTAL REVENUE		$0	$0	$0									
NET INTEREST	$828,570	$112,143	$44,566	$44,826									
OUTSTANDING BALANCE		$7,639,830	$7,684,396	$0									
Phase 3													
Phase 3 (bldg 1) Project Cost	$8,295,052												
Equity Contribution	$2,488,516												
Loan amount	$5,806,536												
Cost of Loan	$58,065												
Legal - Loan Doc's	$20,000												
Construction Loan Interest	$265,053												
Phase 3 Levered Cost	$8,638,170												
										Phase 3			
Phase 3 Equity	($3,545,094)				$1,382,509	$1,106,007	$0	$0	$0	$0	$0	$0	$0
Loan 3													
LOAN BEG. O/S BALANCE					$0	$0	$306,502	$1,690,798	$3,083,170	$4,483,664	$5,892,327	$5,926,699	$5,961,271
MONTHLY LOAN PROCEEDS					$0	$306,502	$1,382,509	$1,382,509	$1,382,509	$1,382,509	$0	$0	$0
INTEREST	7.00%				$0	$0	$1,788	$9,863	$17,985	$26,155	$34,372	$34,572	$34,774
RENTAL REVENUE					$0	$0	$0	$0	$0	$0	$0	$0	$0
NET INTEREST	$265,053				$0	$0	$1,788	$9,863	$17,985	$26,155	$34,372	$34,572	$34,774
OUTSTANDING BALANCE					$0	$306,502	$1,690,798	$3,083,170	$4,483,664	$5,892,327	$5,926,699	$5,961,271	$5,996,045
TOTAL MONTHLY EQUITY		$0	$0	($22,969,945)	$1,382,509	$1,106,007	$0	$0	$0	$0	$0	$0	$0
	Cumulative E	$18,520,744	$18,520,744	($4,449,201)	($3,066,692)	($1,960,685)	($1,960,685)	($1,960,685)	($1,960,685)	($1,960,685)	($1,960,685)	($1,960,685)	($1,960,685)
	Maximum E												

Proforma - Phased Project Financing Scenario
Scenario #3, 1,710,000 SF

	Total		Building 1		Building 2		Building 3		Building 4		Building 5	
Land Area (acres)	170		20.88		19.88		54.68		19.88		54.68	
Building Area	1,710,000 SF		210,000 SF		200,000 SF		550,000 SF		200,000 SF		550,000 SF	
Total Project Cost	**$ 49.21**	**$ 84,146,198**	**$ 52.67**	**$ 11,060,199**	**$ 56.35**	**$ 11,270,376**	**$ 46.29**	**$ 25,457,916**	**$ 52.15**	**$ 10,430,607**	**$ 47.14**	**$ 25,927,100**
Financing Expense												
*Equity Contribution	$ 10.87	$ 18,580,744	$ 10.87	$ 2,281,846	$ 10.87	$ 2,173,186	$ 10.87	$ 5,976,263	$ 10.87	$ 2,173,186	$ 10.87	$ 5,976,263
Construction Loan Value	$ 34.53	$ 59,042,339	$ 34.53	$ 7,250,814	$ 34.53	$ 6,905,537	$ 34.53	$ 18,990,226	$ 34.53	$ 6,905,537	$ 34.53	$ 18,990,226
Loan Fees	$ 0.35	$ 590,423	$ 0.35	$ 72,508	$ 0.35	$ 69,055	$ 0.35	$ 189,902	$ 0.35	$ 69,055	$ 0.35	$ 189,902
Legal - Loan Doc's	$ 0.05	$ 80,000	$ 0.05	$ 9,825	$ 0.05	$ 9,357	$ 0.05	$ 25,731	$ 0.05	$ 9,357	$ 0.05	$ 25,731
Construction Loan Interest	$ 1.73	$ 2,956,901	$ 1.73	$ 363,128	$ 1.73	$ 345,836	$ 1.73	$ 951,050	$ 1.73	$ 345,836	$ 1.73	$ 951,050
Total Project Cost with financing		**$ 87,773,523**	**$ 54.79**	**$ 11,505,660**	**$ 58.47**	**$ 11,694,624**	**$ 48.41**	**$ 26,624,600**	**$ 54.27**	**$ 10,854,855**	**$ 49.26**	**$ 27,093,784**
Rent Revenue (NOI)	$ 4.35	$ 7,431,500	$ 4.40	$ 924,000	$ 5.10	$ 1,020,000	$ 4.00	$ 2,200,000	$ 4.75	$ 950,000	$ 4.25	$ 2,337,500
Cap Rate	7.63%		7.50%		8.00%		7.50%		8.00%		7.50%	
Sale Price		$ 97,445,000	$ 58.67	$ 12,320,000	$ 63.75	$ 12,750,000	$ 53.33	$ 29,333,333	$ 59.38	$ 11,875,000	$ 56.67	$ 31,166,667
Cost of Sale	$ 0.85	1,461,675		$ (184,800)		$ (191,250)		$ (440,000)		$ (178,125)		$ (467,500)
Net Proceeds (before taxes)	$ 56.13	$ 95,983,325		$ 12,135,200		$ 12,558,750		$ 28,893,333		$ 11,696,875		$ 30,699,167
Financial Analysis												
NOI	$ 4.35	$ 7,431,500	$ 4.40	$ 924,000	$ 5.10	$ 1,020,000	$ 4.00	$ 2,200,000	$ 4.75	$ 950,000	$ 4.25	$ 2,337,500
Yield (Levered)		23.24%		23.72%		29.94%		20.17%		26.83%		22.39%
Net Profit (Levered)		$ 8,209,802		$ 629,540		$ 864,126		$ 2,268,734		$ 842,020		$ 3,605,383
Margin on Sale - Levered (ROE)		44.18%		27.59%		39.76%		37.96%		38.75%		60.33%

*Equity contribution above equals maximum outstanding equity balance required by phased development plan.

PORTFOLIO DISPOSITION
PROJECT CASH FLOW
FINANCIAL ANALYSIS

Construction Budget		Timing			1	2	3	4	5	6	7	8	9	10
Cost Line Item	Budget	Beginning Month	Total Months	End Month	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Due Diligence / Design	$596,200	1	12	12	$49,683	$49,683	$49,683	$49,683	$49,683	$49,683	$49,683	$49,683	$49,683	$49,683
Land Purchase	$17,170,000	12	1	12	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Offsites	$4,750,000	13	4	16	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Taxes on land prior to stabilization	$290,000	9	3	11	$0	$0	$0	$0	$0	$100,000	$0	$0	$0	$0
Building 1 - 210,000 sf	$8,295,052	32	6	37	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	$8,636,902	13	6	18	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	$18,215,864	13	8	20	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	$7,797,133	27	6	32	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	$18,685,048	27	8	34	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	40	6	45	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	52	6	57	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		0	0	0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL	$84,436,198				$49,683	$49,683	$49,683	$49,683	$49,683	$149,683	$49,683	$49,683	$49,683	$49,683
	$0	OK												
Proceeds from Sale														
Building 1 - 210,000 sf	($12,416,644)	44	1	44	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	($13,706,685)	44	1	44	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	($29,563,438)	44	1	44	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	($12,766,030)	44	1	44	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	($31,411,153)	44	1	44	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	0	1	0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	0	1	0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	($99,863,950)				$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	$0	OK												
TOTAL NET MONTHLY CASH FLOW					$49,683	$49,683	$49,683	$49,683	$49,683	$149,683	$49,683	$49,683	$49,683	$49,683

IRR (unlevered) **8.83%** **(Calculation based on Total Net Monthly Cash flow above)**

				LEVERED IRR										
Equity				**18.31%**	$49,683	$49,683	$49,683	$49,683	$49,683	$149,683	$49,683	$49,683	$49,683	$49,683
Loan 1														
LOAN BEG. O/S BALANCE					$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MONTHLY LOAN PROCEEDS					$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
INTEREST	7.00%				$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
RENTAL REVENUE - BLDG 1		42			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
RENTAL REVENUE - BLDG 2		25			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
RENTAL REVENUE - BLDG 3		23			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
RENTAL REVENUE - BLDG 4		38			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
RENTAL REVENUE - BLDG 5		44			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
NET INTEREST	($219,530)				$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
OUTSTANDING BALANCE					$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Levered Cash Flows		
Project Cost	$84,436,198	
Equity Contribution	$25,330,860	
Loan amount	$59,105,339	70%
Cost of Loan	$591,053	1.0%
Legal - Loan Doc's	$40,000	
Construction Loan Interest	($219,530)	
Phase 1 Levered Cost	$84,847,722	

PORTFOLIO DISPOSITION
PROJECT CASH FLOW
FINANCIAL ANALYSIS

Construction Budget		11	12	13	14	15	16	17	18	19	20	21
Cost Line Item	Budget	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12
Due Diligence / Design	$596,200	$49,683	$49,683	$0	$0	$0	$0	$0	$0	$0	$0	$0
Land Purchase	$17,170,000	$0	$17,170,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Offsites	$4,750,000	$0	$0	$1,187,500	$1,187,500	$1,187,500	$1,187,500	$0	$0	$0	$0	$0
Taxes on land prior to stabilization	$290,000	$0	$0	$0	$0	$0	$0	$0	$100,000	$0	$0	$0
Building 1 - 210,000 sf	$8,295,052	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	$8,636,902	$0	$0	$1,439,484	$1,439,484	$1,439,484	$1,439,484	$1,439,484	$1,439,484	$0	$0	$0
Building 3 - 550,000 sf	$18,215,864	$0	$0	$2,276,983	$2,276,983	$2,276,983	$2,276,983	$2,276,983	$2,276,983	$2,276,983	$2,276,983	$0
Building 4 - 200,000 sf	$7,797,133	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	$18,685,048	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL	$84,436,198	$49,683	$17,219,683	$4,903,967	$4,903,967	$4,903,967	$4,903,967	$3,716,467	$3,816,467	$2,276,983	$2,276,983	$0
	$0											
Proceeds from Sale												
Building 1 - 210,000 sf	($12,416,644)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	($13,706,685)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	($29,563,438)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	($12,766,030)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	($31,411,153)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	($99,863,950)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	$0											
TOTAL NET MONTHLY CASH FLOW		$49,683	$17,219,683	$4,903,967	$4,903,967	$4,903,967	$4,903,967	$3,716,467	$3,816,467	$2,276,983	$2,276,983	$0

IRR (unlevered) **8.83%**

Equity		$49,683	$17,219,683	$4,903,967	$2,560,693	$0	$0	$0	$0	$0	$0	$0
Loan 1												
LOAN BEG. O/S BALANCE		$0	$0	$0	$0	$2,343,274	$7,260,910	$12,207,232	$15,994,907	$19,904,677	$22,297,771	$24,704,824
MONTHLY LOAN PROCEEDS		$0	$0	$0	$2,343,274	$4,903,967	$4,903,967	$3,716,467	$3,816,467	$2,276,983	$2,276,983	$0
INTEREST	7.00%	$0	$0	$0	$0	$13,669	$42,355	$71,209	$93,304	$116,111	$130,070	$144,111
RENTAL REVENUE - BLDG 1		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
RENTAL REVENUE - BLDG 2		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
RENTAL REVENUE - BLDG 3		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
RENTAL REVENUE - BLDG 4		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
RENTAL REVENUE - BLDG 5		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
NET INTEREST	($219,530)	$0	$0	$0	$0	$13,669	$42,355	$71,209	$93,304	$116,111	$130,070	$144,111
OUTSTANDING BALANCE		$0	$0	$0	$2,343,274	$7,260,910	$12,207,232	$15,994,907	$19,904,677	$22,297,771	$24,704,824	$24,848,936

Levered Cash Flows	
Project Cost	$84,436,198
Equity Contribution	$25,330,860
Loan amount	$59,105,339
Cost of Loan	$591,053
Legal - Loan Doc's	$40,000
Construction Loan Interest	($219,530)
Phase 1 Levered Cost	$84,847,722

PORTFOLIO DISPOSITION
PROJECT CASH FLOW
FINANCIAL ANALYSIS

Construction Budget		22	23	24	25	26	27	28	29	30	31	32
Cost Line Item	Budget	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13
Due Diligence / Design	$596,200	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Land Purchase	$17,170,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Offsites	$4,750,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Taxes on land prior to stabilization	$290,000	$0	$0	$0	$0	$0	$0	$0	$0	$60,000	$0	$0
Building 1 - 210,000 sf	$8,295,052	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,382,509
Building 2 - 200,000 sf	$8,636,902	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	$18,215,864	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	$7,797,133	$0	$0	$0	$0	$0	$1,299,522	$1,299,522	$1,299,522	$1,299,522	$1,299,522	$1,299,522
Building 5 - 550,000 sf	$18,685,048	$0	$0	$0	$0	$0	$2,335,631	$2,335,631	$2,335,631	$2,335,631	$2,335,631	$2,335,631
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL	$84,436,198	$0	$0	$0	$0	$0	$3,635,153	$3,635,153	$3,635,153	$3,695,153	$3,635,153	$5,017,662
	$0											
Proceeds from Sale												
Building 1 - 210,000 sf	($12,416,644)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	($13,706,685)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	($29,563,438)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	($12,766,030)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	($31,411,153)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	($99,863,950)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	$0											
TOTAL NET MONTHLY CASH FLOW		$0	$0	$0	$0	$0	$3,635,153	$3,635,153	$3,635,153	$3,695,153	$3,635,153	$5,017,662

IRR (unlevered) **8.83%**

Equity		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Loan 1												
LOAN BEG. O/S BALANCE		$24,848,936	$24,993,888	$24,956,352	$24,918,598	$24,795,623	$24,671,931	$28,182,670	$31,713,889	$35,265,706	$38,898,242	$42,491,969
MONTHLY LOAN PROCEEDS		$0	$0	$0	$0	$0	$3,635,153	$3,635,153	$3,635,153	$3,695,153	$3,635,153	$5,017,662
INTEREST	7.00%	$144,952	$145,798	$145,579	$145,358	$144,641	$143,920	$164,399	$184,998	$205,717	$226,906	$247,870
RENTAL REVENUE - BLDG 1		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
RENTAL REVENUE - BLDG 2		$0	$0	$0	($85,000)	($85,000)	($85,000)	($85,000)	($85,000)	($85,000)	($85,000)	($85,000)
RENTAL REVENUE - BLDG 3		$0	($183,333)	($183,333)	($183,333)	($183,333)	($183,333)	($183,333)	($183,333)	($183,333)	($183,333)	($183,333)
RENTAL REVENUE - BLDG 4		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
RENTAL REVENUE - BLDG 5		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
NET INTEREST	($219,530)	$144,952	($37,536)	($37,755)	($122,975)	($123,692)	($124,414)	($103,934)	($83,336)	($62,617)	($41,427)	($20,464)
OUTSTANDING BALANCE		$24,993,888	$24,956,352	$24,918,598	$24,795,623	$24,671,931	$28,182,670	$31,713,889	$35,265,706	$38,898,242	$42,491,969	$47,489,167

Levered Cash Flows	
Project Cost	$84,436,198
Equity Contribution	$25,330,860
Loan amount	$59,105,339
Cost of Loan	$591,053
Legal - Loan Doc's	$40,000
Construction Loan Interest	($219,530)
Phase 1 Levered Cost	$84,847,722

PORTFOLIO DISPOSITION
PROJECT CASH FLOW
FINANCIAL ANALYSIS

Construction Budget		33	34	35	36	37	38	39	40	41	42	43
Cost Line Item	Budget	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14
Due Diligence / Design	$596,200	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Land Purchase	$17,170,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Offsites	$4,750,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Taxes on land prior to stabilization	$290,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$30,000	$0
Building 1 - 210,000 sf	$8,295,052	$1,382,509	$1,382,509	$1,382,509	$1,382,509	$1,382,509	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	$8,636,902	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	$18,215,864	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	$7,797,133	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	$18,685,048	$2,335,631	$2,335,631	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL	$84,436,198	$3,718,140	$3,718,140	$1,382,509	$1,382,509	$1,382,509	$0	$0	$0	$0	$30,000	$0
	$0											

Proceeds from Sale

Building 1 - 210,000 sf	($12,416,644)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 2 - 200,000 sf	($13,706,685)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 3 - 550,000 sf	($29,563,438)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 4 - 200,000 sf	($12,766,030)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 5 - 550,000 sf	($31,411,153)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 6 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building 7 - 200,000 sf	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	($99,863,950)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	$0											

TOTAL NET MONTHLY CASH FLOW		$3,718,140	$3,718,140	$1,382,509	$1,382,509	$1,382,509	$0	$0	$0	$0	$30,000	$0

IRR (unlevered) **8.83%**

Equity		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Loan 1												
LOAN BEG. O/S BALANCE		$47,489,167	$51,215,993	$54,964,560	$56,399,361	$57,842,533	$59,294,123	$59,292,505	$59,290,878	$59,289,242	$59,287,596	$59,238,940
MONTHLY LOAN PROCEEDS		$3,718,140	$3,718,140	$1,382,509	$1,382,509	$1,382,509	$0	$0	$0	$0	$30,000	$0
INTEREST	7.00%	$277,020	$298,760	$320,627	$328,996	$337,415	$345,882	$345,873	$345,863	$345,854	$345,844	$345,560
RENTAL REVENUE - BLDG 1		$0	$0	$0	$0	$0	$0	$0	$0	$0	($77,000)	($77,000)
RENTAL REVENUE - BLDG 2		($85,000)	($85,000)	($85,000)	($85,000)	($85,000)	($85,000)	($85,000)	($85,000)	($85,000)	($85,000)	($85,000)
RENTAL REVENUE - BLDG 3		($183,333)	($183,333)	($183,333)	($183,333)	($183,333)	($183,333)	($183,333)	($183,333)	($183,333)	($183,333)	($183,333)
RENTAL REVENUE - BLDG 4		$0	$0	$0	$0	$0	($79,167)	($79,167)	($79,167)	($79,167)	($79,167)	($79,167)
RENTAL REVENUE - BLDG 5		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
NET INTEREST	($219,530)	$8,687	$30,427	$52,293	$60,663	$69,081	($1,618)	($1,627)	($1,637)	($1,646)	($78,656)	($78,940)
OUTSTANDING BALANCE		$51,215,993	$54,964,560	$56,399,361	$57,842,533	$59,294,123	$59,292,505	$59,290,878	$59,289,242	$59,287,596	$59,238,940	$59,160,001

Levered Cash Flows

Project Cost	$84,436,198
Equity Contribution	$25,330,860
Loan amount	$59,105,339
Cost of Loan	$591,053
Legal - Loan Doc's	$40,000
Construction Loan Interest	($219,530)
Phase 1 Levered Cost	$84,847,722

Proforma - Portfolio Sale

Scenario #3, 1,710,000 SF

	Total		Building 1		Building 2		Building 3		Building 4		Building 5	
Land Area (acres)	170		20.88		19.88		54.68		19.88		54.68	
Building Area	1,710,000 SF		210,000 SF		200,000 SF		550,000 SF		200,000 SF		550,000 SF	
Total Project Cost	**$ 49.21**	**$ 84,146,198**	**$ 52.67**	**$ 11,060,199**	**$ 56.35**	**$ 11,270,376**	**$ 46.29**	**$ 25,457,916**	**$ 52.15**	**$ 10,430,607**	**$ 47.14**	**$ 25,927,100**
Financing Expense												
Equity Contribution	$ 14.81	$ 25,330,860	$ 14.81	$ 3,110,807	$ 14.81	$ 2,962,674	$ 14.81	$ 8,147,352	$ 14.81	$ 2,962,674	$ 14.81	$ 8,147,352
Construction Loan Value	$ 34.56	$ 59,105,339	$ 34.56	$ 7,258,550	$ 34.56	$ 6,912,905	$ 34.56	$ 19,010,489	$ 34.56	$ 6,912,905	$ 34.56	$ 19,010,489
Loan Fees	$ 0.35	$ 591,053	$ 0.35	$ 72,586	$ 0.35	$ 69,129	$ 0.35	$ 190,105	$ 0.35	$ 69,129	$ 0.35	$ 190,105
Legal - Loan Doc's	$ 0.02	$ 40,000	$ 0.02	$ 4,912	$ 0.02	$ 4,678	$ 0.02	$ 12,865	$ 0.02	$ 4,678	$ 0.02	$ 12,865
Loan Interest (inc. prior to sale)	$ (0.13)	$ (219,530)	$ (0.13)	$ (26,960)	$ (0.13)	$ (25,676)	$ (0.13)	$ (70,609)	$ (0.13)	$ (25,676)	$ (0.13)	$ (70,609)
Total Project Cost with financing		**$ 84,557,722**	**$ 52.91**	**$ 11,110,737**	**$ 56.59**	**$ 11,318,507**	**$ 46.53**	**$ 25,590,278**	**$ 52.39**	**$ 10,478,738**	**$ 47.38**	**$ 26,059,462**
Rent Revenue (NOI)	$ 4.35	$ 7,431,500	$ 4.40	$ 924,000	$ 5.10	$ 1,020,000	$ 4.00	$ 2,200,000	$ 4.75	$ 950,000	$ 4.25	$ 2,337,500
Cap Rate	7.33%		7.33%		7.33%		7.33%		7.33%		7.33%	
Sale Price		$ 101,384,720	$ 60.03	$ 12,605,730	$ 69.58	$ 13,915,416	$ 54.57	$ 30,013,643	$ 64.80	$ 12,960,437	$ 57.98	$ 31,889,495
Cost of Sale	$ 0.89	1,520,771		$ (189,086)		$ (208,731)		$ (450,205)		$ (194,407)		$ (478,342)
Net Proceeds (before taxes)	$ 58.40	$ 99,863,950		$ 12,416,644		$ 13,706,685		$ 29,563,438		$ 12,766,030		$ 31,411,153
Financial Analysis												
NOI	$ 4.35	$ 7,431,500	$ 4.40	$ 924,000	$ 5.10	$ 1,020,000	$ 4.00	$ 2,200,000	$ 4.75	$ 950,000	$ 4.25	$ 2,337,500
Yield (Un-levered)		8.83%		8.35%		9.05%		8.64%		9.11%		9.02%
Yield (Levered)		29.47%		29.83%		34.44%		27.19%		32.13%		28.84%
Net Proceeds from Sale		$ 99,863,950		$ 12,416,644		$ 13,706,685		$ 29,563,438		$ 12,766,030		$ 31,411,153
Net Profit (Unlevered)		$ 15,717,751		$ 1,356,445		$ 2,436,309		$ 4,105,521		$ 2,335,423		$ 5,484,052
Margin on Sale (Unlevered)		18.68%		12.26%		21.62%		16.13%		22.39%		21.15%
Net Profit (Levered)		$ 15,306,228		$ 1,305,907		$ 2,388,178		$ 3,973,160		$ 2,287,292		$ 5,351,691
Margin on Sale - Levered (ROE)		60.43%		41.98%		80.61%		48.77%		77.20%		65.69%

Appendix E

Lease Comparables
Absorption and Construction Data
Building Sale Comparables
Land Sale Comparables
Development Pipeline
Brokerage Market Reports

Leasehold Size: 10,000 - 100,000 SF

Tenant	Address	Township	Date	Size (sf)	Rate	Term	Notes
Straight Arrow	2625 Brodhead Road	Bethlehem	Jan-05	38,400	$4.40	5.0	2% increase Overflow space
Belle & Howe	2625 Brodhead Road	Bethlehem	Jan-05	65,600	$6.50	7.0	New construction; 20% office; 2% increases.
Bell & Howell	2655 Brodhead Road	Bethlehem	Oct-05	62,000	$6.61	7.0	2% increase
FedEx Ground	2655 Brodhead Road	Bethlehem	Oct-05	74,400	$5.73	5.0	2% increases
Alpha Packaging	1995 Highland Ave	Bethlehem	Jan-06	90,000	$5.25	10.0	3% bumps; direct deal; Tenant doing TI
CTI	8250 Industrial Drive	Allentown	Feb-06	50,000	$4.00	7.0	3% bumps; direct deal; Tenant doing TI
Lutron	6560 Stonegate Drive	Fogelsville	Feb-06	56,000	$4.80	5.0	3% bumps; expansion
Sharp	7339 Industrial Drive	Fogelsville	Mar-06	41,000	$5.25	6.0	3% bumps; renewal
ITW	6330 Hedgewood Dr	Fogelsville	Jul-06	42,000	$4.90	3.0	
Vitra	7528 Walker Way		Jul-06	64,000	$5.38	10.0	
Bosch Rexroth	2655 Brodhead Rd	Bethlehem	Oct-06	50,000	$5.95	5.0	2% increases; $9.00 PSF TI
Toshiba	7035 Schantz Rd	Fogelsville	Jan-08	10,000	N/A	5.0	50% office and warehouse; 3% increase
Montblanc	272 Brodhead Rd	Bethlehem	Jan-08	18,000	N/A	3.0	renew; 70% office
Vanity Fare	Westpark		Feb-08	41,000	$4.75	3.0	$.10 bumps
Nexus Distribution Corp	7339 Industrial Blvd	Allentown	Apr-08	92,143	$3.95	3.0	
International Battery	6845 Snowdrift Rd	Fogelsville	Nov-08	93,000	$4.00	10.0	2% annual increase
			Total Leasing Activity	887,543			
			Average	**55,471**	**$ 5.11**	**5.88**	
			Median	**53,000**	**$ 5.08**	**5.00**	

Transaction Summary		
2005	4	**240,400**
2006	7	**393,000**
2007		
2008	5	**254,143**
	16	887,543
Avg SF Leased / Year		221,886

Leasehold Size: 100,000 - 200,000 SF

Tenant	Address	Township	Date	Size (sf)	Rate	Term	Notes
Compuspar USA	7384 Penn Drive	Fogelsville	Mar-05	112,000	$4.25	7.0	3% Annual
DHL Express	7339 Industrial Drive	Allentown	May-05	178,048	$4.30	1.5	
Nexus Distribution Corp	860 Nestle Way	Allentown	Oct-05	197,400	$4.25	1.0	
Siemens	6755 Snowdrift Rd.	Fogelsville	Feb-06	125,000	$4.15	10.0	2% bumps; includes 6 month of free rent
Stroeber Haddonfield	600 Kuebler Road	Forks Township	Jun-06	146,908	$2.75	12.0	$3.07 avg over 12 years
Lighting Source	860 Nestle Way	Fogelsville	Dec-06	130,000	$3.85	7.0	2% Bumps
Melting Partners LLC	3700 Glover Rd	Easton	Jun-07	120,000	$4.25	3.0	Flat; As-Is w/ purchase option
S&L Plastics	2860 Bath Pike	Upper Nazareth	Jul-07	127,500	$3.75	10.0	2% Annual
Fisher Scientific	700 Nestle Way	Fogelsville	Oct-07	188,695	$4.00	5.0	2nd $4.20; 3% there after
Crayola	2685 Brodhead Road	Bethlehem	Jan-08	137,500	$5.25	5.0	
Binney & Smith	2685 Opus Way	Bethlehem	Mar-08	137,500	$5.25	5.0	3% annual increase
Western Power Sports (Sub)	1480 Zeager Road	Elizabethtown	6/1/2008	144,000	$4.75	15.0	
BMS	7485 Industrial Road	Fogelsville	Aug-08	100,000	$4.25	5.2	$.10 bumps; 2 free months; T-5 lighting
Porsche	Chrin Commerce Center	Palmer	Nov-08	130,000	$6.33	10.0	BTS, ASTI, 1-5 $6.33; $6.45 6-10
Derby Industries, LLC	7108 Daniels Drive	Allentown	Nov-08	101,250	$4.00	5.0	2.5% bumps
Olympus	Nestle Way	Fogelsville	Apr-09	119,000	$4.95	7.0	2% increases; $4.00 psf in TI
Warehouse Specialists, Inc.	651 Boulder Drive	Fogelsville	Jun-09	168,000	$3.85	3.0	2% increases; gross deal; as-is
Johnstone Supply Co	8000 Quarry Road	Lower Macungie	Jun-09	156,000	$3.90	10.0	2% increases; Yr. 1&2 $3.70, Yr. 3 3.95; 7 months free rent
JM Rapp	6923 Schantz Road			100,000			
BMS Logistics	Lehigh Valley Distrib Ctr #8			103,704			
ICO Polymers	6355 Farm Bureau Road			127,000			
Moore Wallace	Lehigh Valley West II			188,695			
			Total Leasing Activity	**3,038,200**			
			Average	**138,100**	**$ 4.34**	**6.76**	
			Median	**130,000**	**$ 4.25**	**6.10**	

Transaction Summary		
2005	3	487,448
2006	3	401,908
2007	3	436,195
2008	6	750,250
2009	3	443,000
Unknown	4	529,399
	22	3,048,200
Avg SF Leased / Year		609,640

Leasehold Size: 200,000 - 400,000 SF

Tenant	Address	Township	Date	Size (sf)	Rate	Term	Notes
Surefit	7132 Daniels Drive	Fogelsville	Jan-06	289,000	$4.00	5.0	$.10 bumps
Sephora	1139 Lehigh Avenue	Allentown	Jan-06	316,000	$5.19	5.0	
Nexus	7248 Industrial Drive	Fogelsville	Aug-06	201,600	$3.75	5.0	2 Free Months
Menlo Logistics	8150 Industrial Drive	Fogelsville	Oct-06	246,000	$4.00	5.0	2% Bumps
Moore Wallace State Printing	700 Nestle Way	Breinigsville	Mar-07	251,000	$4.02	9.0	
Amer Tac	250 Boulder Drive	Fogelsville	May-07	210,000	$4.50	10.0	2% Bumps
TEVA Pharmaceuticals	9747 Commerce Circle	New Smithville	Mar-08	385,000	$4.34	6.3	
Teva	9747 Commerce Circle	Kutztown	Sep-08	211,134	$4.30	6.3	2.5% Bumps; $2.88 TI
Cooper Tire	8000 Quarry Road	Lower Macungie	Oct-08	362,250	$4.30	7.7	
Osburn Hessey (kehe Foods)	615 Boulder Lane	Fogelsville	Jan-09	289,000	$4.00	10.0	2% annual increases. $2,000,000 in amortized TI.
Tree of Life	7335 Alburtis Road	Lower Macungie	Feb-09	245,000	$5.30	10.5	6 mos free rent, $1.5 milllion ASTI; $5.65 avg over term
DSC Logistics	705 Boulder Drive	Breinigsville	Jul-09	243,260	$3.60	0.4	Renewal, 4 mo term, then month-to-month
			Total Leasing Activity	3,249,244			
			Average	**270,770**	**$ 4.28**	**7.24**	
			Median	**251,000**	**$ 4.30**	**6.25**	

Transaction Summary

2005	-	
2006	4	1,113,384
2007	2	526,000
2008	3	735,600
2009	3	874,260
	12	3,249,244
Avg SF Leased / Year		812,311

Leasehold Size: 400,000 - 1,100,000 SF

Tenant	Address	Township	Date	Size (sf)	Rate	Term	Notes
Home Depot USA, Inc.	861 Nestle Way	Breinigsville	Jun-05	822,000	$4.15	3.8	2nd gen space
DHL Express	910 Nestle Way	Breinigsville	Jan-06	490,000	$8.78	20.0	BTS, above std fit-out, parking
C&S Wholesale Grocers	Hanoverville Road	Bethlehem	Jun-06	1,016,423	$4.08	5.0	
Dial Corporation	8400 Industrial Blvd	Breinigsville	Apr-07	726,000	$4.20	7.0	
BMW Of North America	3819 ProLogis Parkway	Easton	Jul-07	870,000	$5.22	10.0	BTS, with expansion rights
Nexus Distribution Corp	7248 Industrial Blvd	Allentown	Nov-07	497,000	$4.03	10.0	
Home Depot	8500 Willard Drive	Fogelsville	Jun-08	451,000	$5.42	10.0	BTS, above std loading and trailers
Smuckers	8451 Willard Drive	Fogelsville	Jan-09	530,134	$3.60	5.0	$.10 bumps, Total TI $2.6 of which $800K ASTI.
B&G Foods	3800 Prologis Parkway	Nazareth	Mar-09	420,000	$3.50	5.8	Minimal TI
			Total Leasing Activity	5,822,557			
			Average	**646,951**	**$ 4.78**	**8.51**	
			Median	**726,000**	**$ 4.20**	**10.00**	

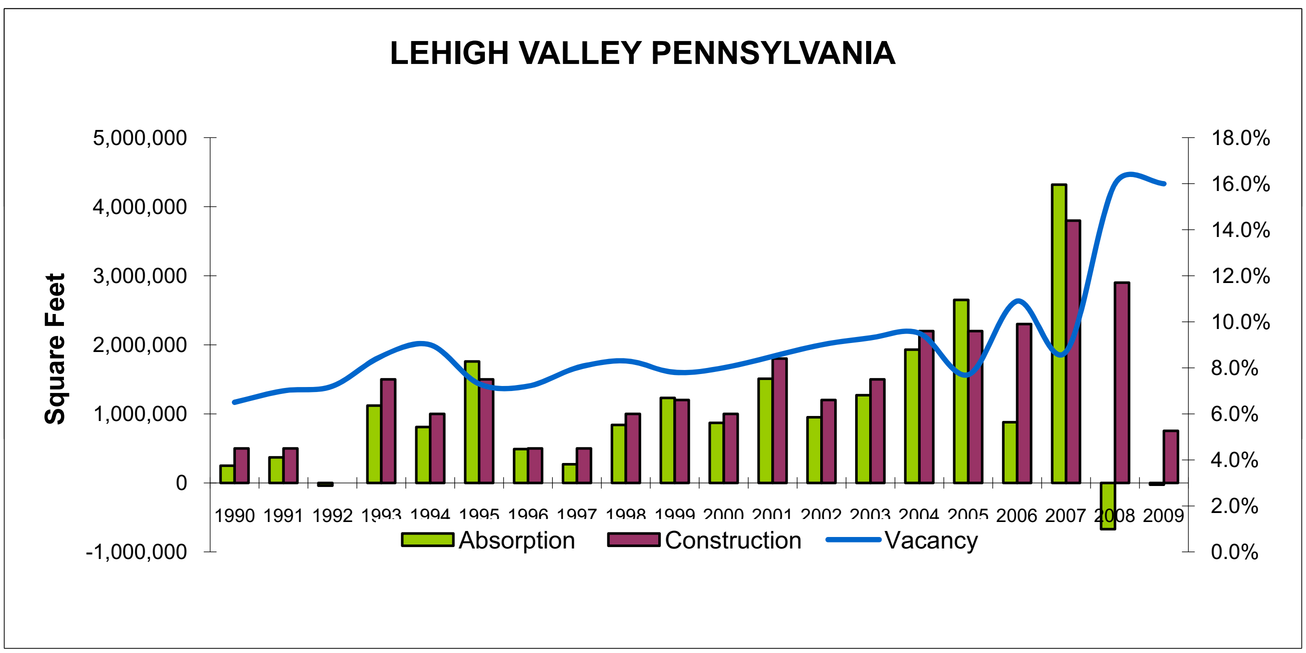
Transaction Summary

2005	1	822,000
2006	2	1,506,423
2007	3	2,093,000
2008	1	451,000
2009	2	950,134
	9	4,872,423
Avg SF Leased / Year		974,485

	LEHIGH VALLEY		
	Absorption	Construction	Vacancy
1990	250,000	500,000	6.5%
1991	370,000	500,000	7.0%
1992	(40,000)	-	7.2%
1993	1,120,000	1,500,000	8.5%
1994	810,000	1,000,000	9.0%
1995	1,760,000	1,500,000	7.3%
1996	490,000	500,000	7.2%
1997	270,000	500,000	8.0%
1998	840,000	1,000,000	8.3%
1999	1,230,000	1,200,000	7.8%
2000	870,000	1,000,000	8.0%
2001	1,510,000	1,800,000	8.5%
2002	950,000	1,200,000	9.0%
2003	1,270,000	1,500,000	9.3%
2004	1,930,000	2,200,000	9.5%
2005	2,650,000	2,200,000	7.7%
2006	880,000	2,300,000	10.9%
2007	4,320,000	3,800,000	8.7%
2008	(670,000)	2,900,000	16.0%
2009	(26,814)	754,814	16.0%

	Average Absorption	Average Construction
5yr Avg '03-07	2,210,000	2,400,000
5yr Avg	1,430,637	2,390,963
10yr Avg	1,368,319	1,965,481
15yr Avg	1,218,212	1,623,654
20yr Avg	1,039,159	1,392,741

10 yr Avg 1,645,000



Appendix:

Direct Net Absorption / Direct Net Leasing / New Construction 1998 - 2009
Source: Costar

Building Size: 100,001 - 200,000 SF						
Period	# Bldgs	Total RBA	Direct Net Absorption	Direct SF Leased	Construction Activity	RBA Growth
2009	83	11,049,970	(55,746)	141,804	130,000	1.2%
2008	82	10,919,970	232,877	464,644	0	0.0%
2007	82	10,919,970	(96,713)	961,285	119,900	1.1%
2006	81	10,800,070	402,406	305,770	0	0.0%
2005	81	10,800,070	232,944	620,639	149,860	1.4%
2004	80	10,650,210	(61,750)	406,097	0	0.0%
2003	80	10,650,210	(277,726)	400,788	0	0.0%
2002	80	10,650,210	(293,601)	291,832	122,400	1.1%
2001	79	10,527,810	713,936	111,800	513,410	4.9%
2000	75	10,014,400	(129,866)	643,751	187,600	1.9%
1999	74	9,826,800	181,380	665,139	160,000	1.6%
1998	73	9,666,800	352,388	582,304	0	
Average			100,044	466,321	115,264	1.2%
Median			62,817	435,371	121,150	1.1%

Building Size: 200,001 - 400,000 SF						
Period	# Bldgs	Total RBA	Direct Net Absorption	Direct SF Leased	Construction Activity	RBA Growth
2009	54	14,837,136	183,599	228,000	228,000	1.5%
2008	53	14,609,136	875,133	1,399,202	673,375	4.6%
2007	51	13,935,761	124,646	330,357	1,234,246	8.9%
2006	47	12,701,515	37,290	1,038,494	0	0.0%
2005	47	12,701,515	(144,201)	758,453	235,600	1.9%
2004	46	12,465,915	210,376	277,101	836,535	6.7%
2003	43	11,629,380	420,195	689,000	0	0.0%
2002	43	11,629,380	342,222	410,000	0	0.0%
2001	43	11,629,380	471,407	411,103	597,500	5.1%
2000	41	11,031,880	(253,521)	645,704	0	0.0%
1999	41	11,031,880	373,664	244,400	492,850	4.5%
1998	39	10,539,030	659,964	260,482	0	
Average			275,065	557,691	358,176	3.0%
Median			276,299	410,552	231,800	1.9%

Appendix:

Direct Net Absorption / Direct Net Leasing / New Construction 1998 - 2009

Source: Costar

	Building Size: 400,000+ SF					
Period	# Bldgs	Total RBA	Direct Net Absorption	Direct SF Leased	Construction Activity	RBA Growth
2009	44	29,373,088	1,516,482	2,235,922	0	0.0%
2008	44	29,373,088	1,160,815	1,883,676	3,537,000	12.0%
2007	39	25,836,088	(808,918)	1,945,295	870,000	3.4%
2006	38	24,966,088	3,885,466	2,310,166	2,936,843	11.8%
2005	33	22,029,245	2,711,796	1,506,932	2,853,869	13.0%
2004	30	19,175,376	2,140,120	1,106,050	1,000,000	5.2%
2003	29	18,175,376	836,258	806,500	607,608	3.3%
2002	28	17,567,768	(723,150)	1,697,058	0	0.0%
2001	28	17,567,768	923,862	196,350	656,862	3.7%
2000	27	16,910,906	595,892	1,864,905	1,937,162	11.5%
1999	24	14,973,744	851,650	653,490	929,000	6.2%
1998	22	14,044,744	2,177,447	919,000	0	
Average			1,272,310	1,427,112	1,277,362	6.4%
Median			1,042,339	1,601,995	899,500	5.2%

Recent Building Sales

Address	Town	Size (sf)	Sale Date	Buyer	Seller	Price	$/sf
140 Mickley Road	Whitehall	150,000		Protica, Inc.	Saputo Cheese USA	$2,400,000	$16.00
1002 Patriot Drive	Muhlenberg Twp	609,000	Jun-06	Brasler Prop & Endurance RE	GE Capital	$32,000,000	$53.00
9784 Commerce Circle	Weisenberg	95,106	Aug-06	Genworth Life	Skeans	$7,400,000	$77.81
9750 Commerce Circle	Weisenberg	498,988	Sep-06	Dividend Capital	Arcadia West Assoc	$29,975,000	$60.07
9775 Commerce Circle	Weisenberg	224,000	Dec-06	Gugenheim Partners	Arcadia West Assoc	$12,250,000	$54.69
200 Cascade	Allentown	550,000	Jan-07	First Industrial Realty	Conewago Equities	$25,000,000	$45.45
795 Roble Road	Allentown	198,000	Feb-07	ABR Realty, LLC	JG Petrucci Co., Inc.	$6,475,000	$32.70
9750 Commerce Drive	Lehigh Valley	503,423	Apr-07	Divident Capital Trust	Higgins Development Partners	$29,900,000	$59.54
2410 Northampton St	Easton	306,500	Oct-07	Safavieh Carpets	JG Petrucci Co., Inc.	$8,800,000	$28.71
7132 Daniels Drive	Upper Macungie	289,800	Nov-07	7132 Daniels Dr Associates LP	Liberty Property Trust	$13,775,000	$47.53
3747 Hecktown Road	Easton	232,180	Nov-07	Phillips Feed & Pet Supply	Supervalu Holdings-PA, LLC	$10,039,925	$43.24
7130 Ambassador Dr	Allentown	114,049	Jan-08	Exeter 7130 Ambassador LP	Brandywine Realty Trust	$5,800,000	$50.86
40 3rd Street	Walnutport	173,000	Feb-08	Elk Lighting, Inc	Paris Accessories	$1,487,500	$8.6
7880 Stroh Dr	Breinigsville	650,000	Jun-08	Boston Beer Company, Inc.	Guinness UDV NA Inc.	$55,000,000	$84.62
Portfolio Sale	Fogelsville	314,161	Jul-08	High Street Equity Advisors	First Industrial Realty Trust	$20,100,000	$63.98

Recent Building Sales

Address	Town	Size (sf)	Sale Date	Buyer	Seller	Price	$/sf
140 Mickley Road	Whitehall	150,000		Protica, Inc.	Saputo Cheese USA	$2,400,000	$16.00
1002 Patriot Drive	Muhlenberg Twp	609,000	Jun-06	Brasler Prop & Endurance RE	GE Capital	$32,000,000	$53.00
9784 Commerce Circle	Weisenberg	95,106	Aug-06	Genworth Life	Skeans	$7,400,000	$77.81
9750 Commerce Circle	Weisenberg	498,988	Sep-06	Dividend Capital	Arcadia West Assoc	$29,975,000	$60.07
9775 Commerce Circle	Weisenberg	224,000	Dec-06	Gugenheim Partners	Arcadia West Assoc	$12,250,000	$54.69
200 Cascade	Allentown	550,000	Jan-07	First Industrial Realty	Conewago Equities	$25,000,000	$45.45
795 Roble Road	Allentown	198,000	Feb-07	ABR Realty, LLC	JG Petrucci Co., Inc.	$6,475,000	$32.70
9750 Commerce Drive	Lehigh Valley	503,423	Apr-07	Divident Capital Trust	Higgins Development Partners	$29,900,000	$59.54
2410 Northampton St	Easton	306,500	Oct-07	Safavieh Carpets	JG Petrucci Co., Inc.	$8,800,000	$28.71
7132 Daniels Drive	Upper Macungie	289,800	Nov-07	7132 Daniels Dr Associates LP	Liberty Property Trust	$13,775,000	$47.53
3747 Hecktown Road	Easton	232,180	Nov-07	Phillips Feed & Pet Supply	Supervalu Holdings-PA, LLC	$10,039,925	$43.24
7130 Ambassador Dr	Allentown	114,049	Jan-08	Exeter 7130 Ambassador LP	Brandywine Realty Trust	$5,800,000	$50.86
7880 Stroh Dr	Breinigsville	650,000	Jun-08	Boston Beer Company, Inc.	Guinness UDV NA Inc.	$55,000,000	$84.62
Portfolio Sale	Fogelsville	314,161	Jul-08	High Street Equity Advisors	First Industrial Realty Trust	$20,100,000	$63.98

Recent Land Sales

Address	Township	Date	Acres	Sale Price	$/Acre	Buyer	Seller
Route 512, Arcadia East	East Allen Twp		54	$6,259,000	$115,907.41	Higgins Development Partners	Arcadia East Associates
Uhler Rd @ Kesslersville	Forks Township	Jun-08	31.26	$4,125,871	$131,985.64	Henningsen Cold Storage Co	JG Petrucci
3857 Easton Nazareth Hwy	Lower Nazareth Twp	Mar-07	58	$13,000,000	$224,137.93	First Industrial	JG Petrucci
Route 100/7951 Schantz	Upper Macungie Twp	Jan-06	81	$17,286,000	$213,407.41	Nestle Foods	Verus Partners
9750 Commerce Circle	Weisenburg Twp	Aug-05	29.4	$5,535,000	$188,265.31	Higgins Development Partners	Arcadia West Associates
3857 Easton Nazareth Hwy	Lower Nazareth Twp	Jul-05	58	$7,200,000	$124,137.93	JG Petrucci	Higgins Development Partners
8301 Industrial Blvd	Upper Macungie Twp	Mar-05	270	$33,131,328	$122,708.62	Liberty Property Trust	Fred Jaindl
Hanover Corporate Center	Hanover Twp	Jul-04	37	$4,498,763	$121,588.19	IDI	David Jandl Land Co.

Source: Grubb & Ellis 4Q08

LEHIGH VALLEY PIPELINE & EXISTING INVENTORY

200,000 - 400,000 SF

	Owner/ Developer	Submaket	SF	Loading Type	Comments
Existing Inventory:					
LV South Distribution Center	Trammel Crow	Lehigh Valley West	315,000	Single	
Entitled/To be Built:					
Bethlehem Crossing 4 & 5	Griffin Land	Lehigh Valley East	228,000	Single	
Bethlehem Crossing 4 & 5	Griffin Land	Lehigh Valley East	303,600	Single	
Boulder & Schantz Road	Majestic Realty	Lehigh Valley West	276,400	Single	
Hanoverville Road	Prologis	Lehigh Valley East	294,440	Single	
Macungie Crossing	Panattoni	Lehigh Valley West	210,000	Single	
Newlins Mill	Verus Partners	Lehigh Valley East	280,000	Single	
Planned:					
WestHill	Hillwood	Lehigh Valley West	300,000	Single	
WestHill	Hillwood	Lehigh Valley West	380,000		
Subject Property		Lehigh Valley East	200,000	Single	
Subject Property		Lehigh Valley East	200,000	Single	
Subject Property		Lehigh Valley East	210,000	Cross	
		Total	**2,882,440**		

LEHIGH VALLEY PIPELINE & EXISTING INVENTORY

Over 400,000 SF

	Owner/ Developer	Submaket	SF	Loading Type	Comments
Existing Inventory:					
Liberty Business Center	Liberty	Lehigh Valley West	615,000	Cross	400,000 SF Available
Prologis Park 33	Prologis	Lehigh Valley East	930,000	Cross	510,000 SF Available
Industrial Park Way	Seagis	Lehigh Valley West	535,000	Single	Full Building Available
Macungie Crossing	Panattoni	Lehigh Valley West	580,000	Cross	
		Subtotal	**2,660,000**		
Entitled/To be Built:					
Route 248 Distribution Center	First Industrial	Lehigh Valley East	700,000	Cross	
Hanoverville Road	Greenfield	Lehigh Valley East	546,000	Cross	
Hanoverville Road	Greenfield	Lehigh Valley East	551,000	Cross	
Hanoverville Road	Prologis	Lehigh Valley East	405,211	Cross	
Arcadia East - Lot 3	Arcadia	Lehigh Valley East	424,000	Single	North of subject property
Macungie Crossing	Panattoni	Lehigh Valley West	400,000	Single	
Majestic Bethlehem Center	Majestic	Lehigh Valley East	1,200,000	Cross	Under Construction, Low Basis
Majestic Bethlehem Center	Majestic	Lehigh Valley East	1,300,000	Cross	Low Basis
Majestic Bethlehem Center	Majestic	Lehigh Valley East	1,500,000	Cross	Low Basis
Majestic Bethlehem Center	Majestic	Lehigh Valley East	1,100,000	Cross	Low Basis
Majestic Bethlehem Center	Majestic	Lehigh Valley East	1,800,000	Cross	Low Basis
Majestic Bethlehem Center	Majestic	Lehigh Valley East	400,000	Single	Low Basis
		Subtotal	**10,326,211**		
Planned:					
WestHill	Hillwood	Lehigh Valley West	1,020,000	Cross	West of Route 100
WestHill	Hillwood	Lehigh Valley West	550,000	Cross	West of Route 100
Subject Property		Lehigh Valley East	550,000	Cross	Possible 2011 Delivery
Subject Property		Lehigh Valley East	550,000	Cross	Possible 2011 Delivery
		Subtotal	**2,670,000**		
		Grand Total	**15,656,211**		

MARKETBEAT

PHILADELPHIA INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

4Q08

ECONOMY

The Philadelphia area has begun to feel the ongoing economic recession in various sectors. While employment concerns have not reached those of the national scale, the unemployment rate in southeastern Pennsylvania has reached 5.7%, up 140 basis points from this time in 2007, and has escalated to 5.7% in southern New Jersey, up 180 basis points from the level in 2007. High fuel prices, which were once a huge drag, have become a temporary non-issue, but other economic dynamics have crept into corporate decision-making. Weak consumer confidence, declining production of manufactured goods and rising unemployment have resulted in decreased demand for industrial space, particularly for warehouse/distribution.

OVERVIEW

The market has experienced a decline in demand as many businesses continue to look for operational efficiencies in their current locations as opposed to relocating and incurring moving expenses. This will extend the softening of the industrial market as leasing activity continues to decline and absorption trends downward. The manufacturing and warehouse sectors have experienced significant declines in leasing activity, but the office service sector has remained constant with nearly 1.4 million square feet (msf) leased in 2008, just shy of 2007's year-end figure. While the overall market ended the year with 627,265 sf of negative absorption, Philadelphia County stated 489,410 sf of positive absorption, on par with last year's total figure. The regional industrial direct vacancy rate remained virtually flat at 7.4%, only 30 basis points higher than the same period last year and 330 basis points less than the fourth quarter high in 2003.

As the year progressed, direct leasing transaction volume declined accordingly. The largest reported transaction occurred at LogistiCenter at Logan – Building K in the Gloucester County submarket where tool manufacturer Brighton Best International expanded their global distribution network by leasing 106,655 square feet (sf) of warehouse space. Also in New Jersey, logistics and trucking services firm McCollister's Transportation Group expanded in the Burlington County submarket when they took 66,182 sf of warehouse space at Central Crossings Business Park to accommodate new business, while Sawy Sheet Metal, also in the Burlington County submarket, leased 12,677 sf of warehouse space. The Ft. Washington/Willow Grove submarket's most notable transaction was Teva Pharmaceuticals' lease of 96,800 sf of warehouse space at the Hartman Road Corporate Center. While new leasing activity decreased throughout the market, the combined square footage for 2008's renewed leasing transactions increased 50.1% to 1.7 msf since year-end 2007. Companies such as Home Depot, Ikea, United States Postal Service, Forman Mills and Regency Transportation elected to remain in their existing spaces.

FORECAST

The industrial market has entered a period of stagnation reflecting upon the negative activity in the overall economy. Declining commercial property values are causing rents to decrease. In turn, landlords with vacancies are making adjustments to rental rate expectations to cut potential losses. Building owners with stabilized properties, unless faced with the prospect of having to refinance, are holding steady.

BEAT ON THE STREET

"The destabilization of the credit markets and lack of corporate confidence will make for an interesting 2009. Without economic stability the industrial market will continue to be negatively affected. Deals are getting done in the region, but not at recent years' volume. The key strategy from most landlords is stabilization. Landlords with vacancies are taking aggressive actions to lease up through concessions and reduced rental rates, while those with pending lease expirations are attempting to lock up early renewals, even if that requires concessions to existing tenants."
–Larry Maister, Senior Director

ECONOMIC INDICATORS

National	2007	2008	2009F
GDP Growth	2.0%	1.2%	-1.5%
CPI Growth	2.9%	4.2%	0.9%
Regional			
Unemployment	4.4%	5.3%	6.0%
Employment Growth	0.7%	0.2%	0.0%

Source: Moody's | Economy.com

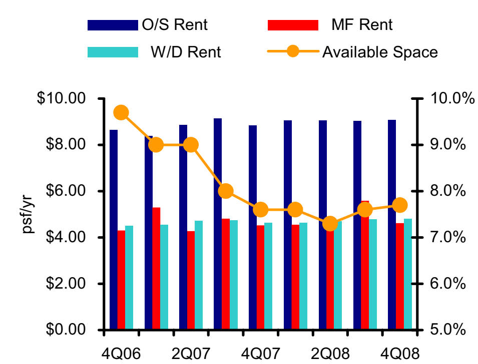
MARKET FORECAST

LEASING ACTIVITY is expected to remain at current levels through this period of economic uncertainty.

DIRECT ABSORPTION, compared to 2008, will remain consistently negative in 2009 due in part to corporate downsizing and space givebacks.

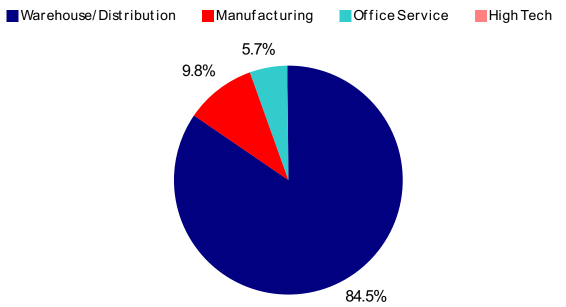
CONSTRUCTION activity will decline in 2009 with limited speculative development (Whitesell) and sporadic build-to-suit deliveries (Kimberly-Clark).

MSA RENTAL VS. VACANCY RATE



GLOUCESTER COUNTY

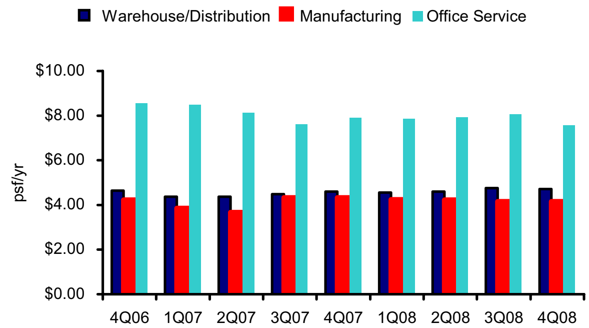
4Q08 INVENTORY BY PROPERTY TYPE



- Construction continues on the BRRR frozen food facility at Pureland Industrial Complex. The 125,000 sf build-to-suit freezer space is expected to deliver in the first quarter of 2009.
- Gloucester County's two largest deals for 2008 were renewals. Home Depot opted to remain in 300,000 sf of warehouse space at Pureland Industrial Complex while Leslie's Poolmart decided to renew another six years in 130,000 sf of warehouse space at Commodore 295 Business Park.

BURLINGTON COUNTY

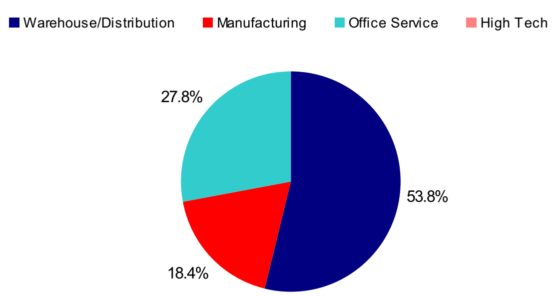
OVERALL RENTS BY PROPERTY TYPE



- In Southern New Jersey's largest industrial deal of 2008, International Paper leased 430,000 sf of warehouse space at Haines Industrial Center from Whitesell Construction. The build-to-suit project is currently under construction with delivery planned in early 2009.
- The direct vacancy rate for the Burlington County industrial market climbed 190 basis points to 8.8% from year end 2007. When compared to 2003-2006, the submarket's single-digit rate is considerably healthy.

DELAWARE COUNTY

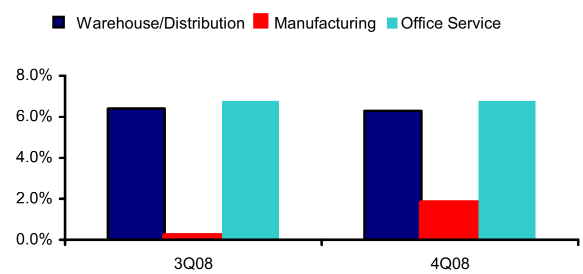
4Q08 INVENTORY BY PROPERTY TYPE



- Ottens Flavors purchased 600 Kaiser Drive in the Folcroft West Business Park from Henderson Columbia. The buyer paid $3.5 million for the 110,000-sf warehouse building, equivalent to $31.82 per square foot (psf).
- A mix of 191,000 sf of manufacturing and warehouse space was leased this year in the Orion Philadelphia Business Park (10 Industrial Highway). Large transactions included Extec, leasing 43,776 sf and Twin Marginal Service taking 28,545 sf.

CHESTER COUNTY

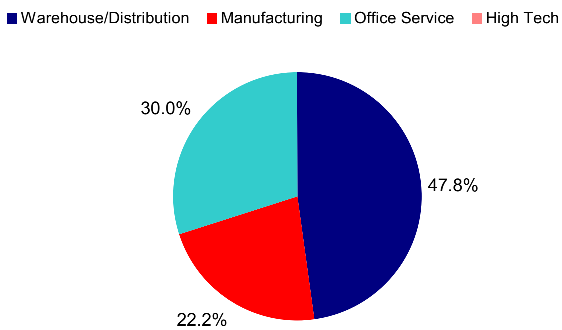
VACANCY RATE BY PROPERTY TYPE



- Chester County had approximately 300,000 sf of significant leasing activity in 2008. The most notable leases involved two flex spaces: Gore International leased 106,846 sf at 380 Starr Road and ViroPharma leased 78,264 sf at 730 Stockton Drive.
- In the investment arena, CPG Acquisition purchased 1039-1041 West Bridge Street Sixth Avenue at the Phoenixville Corporate Center from Bridge Street Phoenixville. CPG paid $74.11 psf for the 161,922-sf manufacturing facility.

MONTGOMERY COUNTY

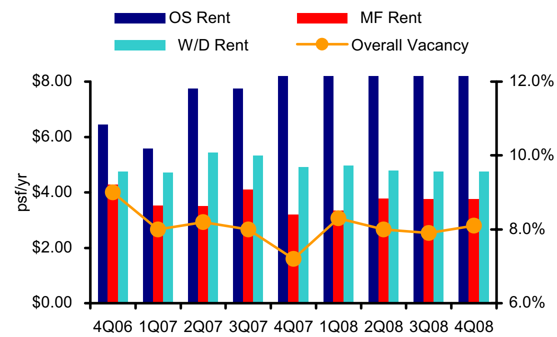
4Q08 INVENTORY BY PROPERTY TYPE



- Overall industrial leasing activity has experienced a decline; as 1.3 msf was leased in 2008 compared to 1.6 msf in 2007. The warehouse sector was the hardest hit, down nearly 30.0% from 2007 to 750,528 sf of new lease activity in 2008.
- Silvering Hollowell Development delivered the new 150,000-sf FedEx northeastern distribution center at the Montgomery Business Campus in Horsham. FedEx occupied the building during the second quarter.

PHILADELPHIA COUNTY

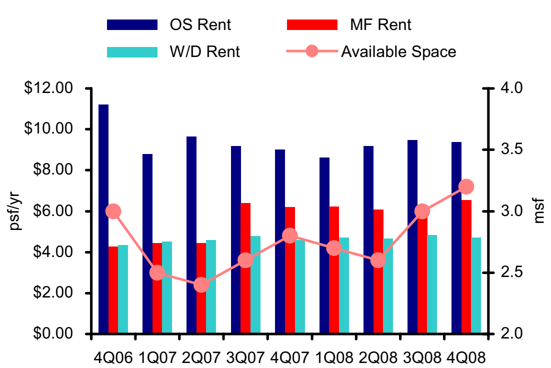
OVERALL RENTAL VS. VACANCY RATES



- Following an increasing trend of user sales, Pearl Pressman Liberty Printing purchased 7625 Suffolk Avenue from former user Braceland Brothers for their new headquarters. The 103,841-sf manufacturing building sold for $6.1 million.
- The Philadelphia Regional Produce Market plans to relocate to a proposed $218.5- million development on Essington Avenue. The 667,000-sf facility will keep 1,468 existing jobs and create 375 new positions in Philadelphia.

BUCKS COUNTY

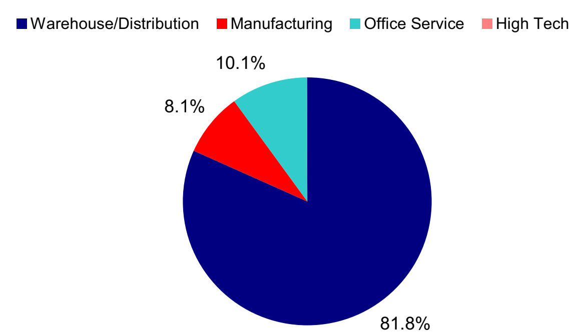
DIRECT RENTAL VS. AVAILABLE SPACE



- Three of Lower Bucks' largest leasing transactions in 2008 were renewals totaling 561,424 sf. Ikea (384,000 sf) renewed their space at Bristol Industrial Park, while Kellogg (102,000 sf) and Nordon (75,424 sf) also renewed their spaces at Bucks County Business Park.
- In a user occupied sale, Jennbrooke Properties purchased a 78,400-sf warehouse building at 6120 Easton Road from BT Acquisitions for $3.5 million. Jennbrooke plans to convert the property to a manufacturing facility.

NEW CASTLE COUNTY

4Q08 INVENTORY BY PROPERTY TYPE



- Chrysler shuttered its 3.4-msf Newark manufacturing plant approximately a year ahead of schedule due to increasing economic stress and a sharp decline in SUV sales. The University of Delaware is currently in discussions to acquire the site from Chrysler.
- Crescent Business Center purchased 1325 Old Cooches Bridge Road from F. Schumacher & Company. The buyer paid $5.6 million ($55.45 psf) for the 101,000-sf manufacturing building.

MARKETBEAT

PHLADELPHIA INDUSTRIAL REPORT 4Q08

MARKET SUBMARKET STATISTICS/

MARKET/SUBMARKET	INVENTORY	NO. OF BLDGS.	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	HT	DIRECT WEIGHTED AVERAGE NET RENTAL RATE* MF	OS	W/D
Philadelphia County	58,992,258	709	8.2%	1,015,781	484,736	30,600	424,945	N/A	$3.35	$8.28	$4.76
Lower Bucks County	37,663,987	594	7.1%	637,894	0	279,500	(64,360)	N/A	$5.48	$9.98	$4.54
Upper Bucks County	18,558,916	378	3.4%	253,039	158,700	0	123,939	N/A	$7.85	$8.92	$6.03
Montgomery County	47,164,721	762	9.8%	1,280,254	0	176,943	(190,968)	N/A	$4.81	$10.92	$4.92
Chester County	26,746,732	477	5.3%	477,849	230,967	78,264	129,636	N/A	$6.82	$9.89	$5.06
Delaware County	14,977,245	249	10.6%	629,578	0	89,160	(638,728)	N/A	$6.70	$7.33	$5.52
Suburban Philadelphia	**145,111,601**	**2,460**	**7.5%**	**3,278,614**	**389,667**	**623,867**	**(640,481)**	**N/A**	**$6.00**	**$9.86**	**$4.94**
Burlington County	27,611,233	369	9.5%	1,466,205	430,000	721,000	(38,794)	N/A	$4.15	$7.57	$4.72
Camden County	26,419,612	447	3.8%	195,186	0	0	(102,140)	N/A	$5.02	$8.56	$4.21
Gloucester County	20,082,268	208	9.0%	757,907	155,782	594,571	(270,795)	N/A	$4.17	$7.15	$4.65
Southern New Jersey	**74,113,113**	**1,024**	**7.3%**	**2,419,298**	**585,782**	**1,315,571**	**(411,729)**	**N/A**	**$4.39**	**$7.69**	**$4.61**
Philadelphia MSA Total	**278,216,972**	**4,193**	**7.6%**	**6,713,693**	**1,460,185**	**1,970,038**	**(627,265)**	**N/A**	**$4.62**	**$9.20**	**$4.83**
Lehigh Valley	45,625,344	145	16.0%	3,262,716	1,111,000	2,914,775	3,694,239	N/A	$4.29	$4.25	$4.40
Northeastern PA	53,031,506	187	12.4%	1,264,268	1,295,200	2,785,350	2,264,242	N/A	$3.85	N/A	$3.84
Central PA	99,440,906	328	10.6%	3,629,574	3,687,160	2,919,487	(1,200,567)	N/A	$3.25	N/A	$4.03
I-8I – I-78 Dist. Corr.	**198,097,756**	**660**	**12.3%**	**8,156,558**	**6,093,360**	**8,619,612**	**4,757,914**	**N/A**	**$3.85**	**$4.25**	**$4.11**
By Property Type									**2008**	**2007**	**2006**
High Technology	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**		**N/A**	**N/A**	**N/A**
Manufacturing	**63,698,742**	**899**	**4.9%**	**693,268**	**345,500**	**183,571**	**(123,161)**		**$4.62**	**$4.52**	**$4.30**
Office Service	**46,747,842**	**1,030**	**10.0%**	**1,387,438**	**359,685**	**395,807**	**(19,908)**		**$9.20**	**$8.83**	**$8.64**
Warehouse/Distribution	**167,770,388**	**2,264**	**8.0%**	**4,632,987**	**755,000**	**1,390,660**	**(484,196)**		**$4.83**	**$4.63**	**$4.49**
Philadelphia MSA Total	**278,216,972**	**4,193**	**7.6%**	**6,713,693**	**1,460,185**	**1,970,038**	**(627,265)**		**$5.72**	**$5.52**	**$5.35**

*Rental rates reflect $psf/year
HT = High Tech   MF = Manufacturing   OS = Office Service   W/D = Warehouse/Distribution

MARKET HIGHLIGHTS

SIGNIFICANT 2008 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
6700 Essington Avenue	Philadelphia County	Philadelphia Fresh Food Terminal Corp.	667,000	Warehouse/Distribution
Daniels Way	Burlington County	International Paper	430,000	Warehouse/Distribution
1100 John Galt Way	Burlington County	Saddle Creek	193,710	Warehouse/Distribution
SIGNIFICANT 2008 SALE TRANSACTIONS				
BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
200 Birch Creek Road	Gloucester County	Cornerstone Real Estate Advisors	597,232	$28,550,000
500 University Court	Camden County	Regency Transportation	275,000	$14,000,000
2450 Hunting Park Avenue	Philadelphia County	Berman Enterprises	265,634	$40,000,000
SIGNIFICANT 2008 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
270 Daniels Way/Haines Industrial	Burlington County	Bed Bath and Beyond	721,000	2/08
2100 Center Square Rd/LogistiCenter @Logan-Bldg K	Gloucester County	Brighton Best International Inc.	366,000	9/08
2201 Green Lane/Bristol Commerce Center	Lower Bucks County	N/A	248,500	9/08
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Daniels Way/Haines Industrial Center	Burlington County	International Paper	430,000	3/09
4300 South 26th Street/One Crescent Park/The Navy Yard	Philadelphia County	Tasty Baking Company	345,500	12/09
Keystone Foods Facility/Valley View Business Park	202 Corridor	Keystone Foods	160,000	6/09

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Philadelphia PA 19103
(215) 963-4000

*Market terms & definitions based on BOMA and NAIOP standards.

MARKETBEAT

PA I-81 & I-78 DISTRIBUTION CORRIDOR INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

CUSHMAN & WAKEFIELD®
Global Real Estate Solutions℠

4Q08

ECONOMY

The I-81/I-78 industrial market is starting to feel the effects of the national and global economic crisis. Weak consumer expenditures throughout the U.S. are having a major impact on this market which relies heavily on this economic indicator. In particular, manufacturers that are strongly dependent on retail sales are beginning to experience the impact of diminished consumer activity. Evidence of this trend can be found by looking at companies in the region that experienced layoffs in 2008 including Starbucks and Harley Davidson. With holiday season sales down, the market can expect an increase in bankruptcy fillings, layoffs and space reductions in 2009. Tenants who are fortunate enough to be in the market for space are opting only to take the minimum size space they need to operate, as expansion plans or potential employment and production growth is no longer a major factor in their real estate decisions.

OVERVIEW

Lehigh Valley experienced healthy levels of leasing, absorption, and construction activity throughout 2008. Overall vacancy rates ended the year at 16.0%, a drop of 270 basis points from the end of 2007. Leasing activity numbers increased from 2007, driven by the manufacturing sector - which leased 1.0 million square feet (msf) in 2008 compared to 374,000 square feet (sf) in 2007. Lehigh Valley had three significant deals close in the fourth quarter which included BMW's lease of the 870,000-sf building at 3900 Easton-Nazareth Highway, the new 451,000-sf building at the Boulder Business Center was leased by Home Depot, and the new building at 2320 Newlins Mill Road which will be occupied by VF Imagewear-Majestic Athletics. Rental rates for warehouse/distribution buildings predictably dropped from $4.53 per square foot (psf) in 2007 to $4.41 psf. Such decline largely reflects landlords' willingness to reduce their rates in order to attract tenants in the market.

Central Pennsylvania's industrial market produced favorable results in the fourth quarter of 2008, as leasing activity more than tripled third quarter's numbers, at 1.1 msf. Despite the strong finish in 2008, leasing activity is down over the past 12 months, with new leases totaling 3.6 msf for all of 2008 compared to 5.6 msf at the end of 2007. The overall vacancy rate increased from 8.3% at the end of 2007 to 10.6% due to a number of new speculative projects added to the market which remain unoccupied. Significant 2008 leases include United Natural Foods' 675,000-sf lease at 225 Cross Farm Lane, the 650,000-sf lease of APC at 201 Fulling Mill Road, and the 439,088-sf lease of LTS Logistics at 1485 West Commerce Drive. Central PA's significant investment sales for 2008 include the acquisition of 1.5-msf York Business Center at 601 Memory Lane by Equity Industrial Partners from Brasler Properties for $72.0 million ($47.72 psf) and the 500,000-sf building at 4501 Westport Drive in the Rossmoyne Business Center bought by DCT Industrial Trust from Western Devcon Inc. for $25.5 million ($51.00 psf).

Northeastern PA also fared relatively well throughout 2008. The overall vacancy rate declined from 13.8% in 2007 to 12.4% in 2008. The area welcomed some new tenants including Amazon.com, who leased 615,600 sf at the Humboldt Industrial Park, Emory Water House and Lesaint Logistics, who leased 135,000 sf and 97,147 sf, respectively at the Centerpoint East Industrial Park and the Grimes Industrial Park. The largest new addition to both the Northeastern PA submarket and the I-81/I-78 region was the 1.2-msf Covington Industrial Park in Scranton, PA.

FORECAST

The I-81/I-78 industrial market is expected to contract in 2009. Deals will get smaller in scale, fewer speculative projects will begin construction, and tenants will increase scrutiny of available buildings. Approximately 6.0 msf of space is expected to deliver in 2009, with half of this new space currently pre-leased. Combined with a rise in sublease space, expect overall vacancies to increase and rental rates to drop further. Landlords will focus on retaining their current tenants by attempting to renew early and extend terms at discounted rates. Despite this downbeat outlook, this industrial region of the country is resilient and has been very healthy in recent years. As a result, the region should be able to weather the current economic crisis.

BEAT ON THE STREET

"Not unlike other areas of the economy, the I-81/I-78 corridor is starting to realize the effects of weakening National & Global economies. This will be worst felt in the speculative development construction starts because any speculative building in today's market is very uncertain and risky since leasing activity is questionable. Until consumer goods companies regain confidence, this trend and its impact may continue well into 2009."

– Jeff Williams, Director

ECONOMIC INDICATORS

National	2007	2008	2009F
GDP Growth	2.0%	1.2%	-1.5%
CPI Growth	2.9%	4.2%	0.9%
Regional			
Unemployment	4.4%	5.3%	6.0%
Employment Growth	0.7%	0.2%	0.0%

Source: Moody's | Economy.com

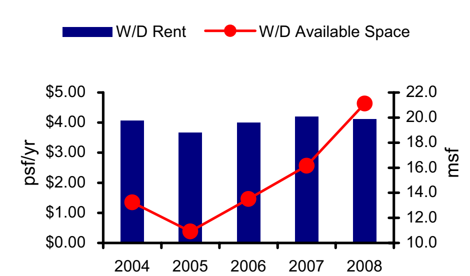
MARKET FORECAST

LEASING ACTIVITY will slow in 2009 as the effects of the global economic crisis will continue to impact the region. The volume and size of leases will decrease.

DIRECT ABSORPTION is expected to dip into the negative territory as some tenants leave the market, and several new speculative projects will hit the market with little or no pre-leasing.

CONSTRUCTION projects that are already under construction will stay the course until completion. Projects in the proposal stages will take time to get started due to decreased tenant demand.

I-81-I-78 RENTAL VS. VACANCY RATES



MARKETBEAT I-81-I-78 DISTRIBUTION INDUSTRIAL REPORT 4Q08

MARKET/SUBMARKET STATISTICS

MARKET/SUBMARKET	INVENTORY	NO. OF BLDGS.	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE* HT	MF	OS	W/D
Lehigh Valley	45,625,344	145	16.0%	3,262,716	1,111,000	2,914,775	3,694,239	N/A	$4.29	$4.25	$4.40
Northeastern PA	53,031,506	187	12.4%	1,264,268	1,295,200	2,785,350	2,264,242	N/A	$3.85	N/A	$3.84
Central PA	99,440,906	328	10.6%	3,629,574	3,687,160	2,919,487	(1,200,567)	N/A	$3.25	N/A	$4.03
****I-8I – I-78 Dist. Corr. TOTAL**	**198,097,756**	**660**	**12.3%**	**8,156,558**	**6,093,360**	**8,619,612**	**4,757,914**	**N/A**	**$3.85**	**$4.25**	**$4.11**

*Rental rates reflect $psf/year
HT = High Tech MF = Manufacturing OS = Office Service W/D = Warehouse/Distribution

MARKET HIGHLIGHTS

SIGNIFICANT 2008 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
Greenspring Industrial Park	Central PA	United Natural Foods	675,000	Warehouse/Distribution
201 Fulling Mill Road	Central PA	APC	650,000	Warehouse/Distribution
Humboldt Industrial Park	Northeastern PA	Amazon.com	615,600	Warehouse/Distribution
1485 West Commerce Drive	Central PA	LTS Logistics	439,088	Warehouse/Distribution

SIGNIFICANT 2008 SALE TRANSACTIONS				
BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
York Business Center-601 Memory Lane	Central PA	Equity Industrial Partners	1,508,800	$72,000,000
Lehigh Valley Industrial Park West	Lehigh Valley	Samuel Adams Pennsylvania Brewery Co	853,000	$23,100,000
4501 Westport Drive	Central PA	DCT Industrial Trust	500,000	$25,500,000

SIGNIFICANT 2008 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Covington Industrial Park	Northeastern PA	N/A	1,279,350	12/08
Liberty Business Center	Lehigh Valley	N/A	920,400	3/08
Prologis Park 33-Bldg. II	Lehigh Valley	BMW	870,000	12/08
Boulder Business Center-Lot 3B	Lehigh Valley	Home Depot	451,000	12/08
2320 Newlins Mill Road	Lehigh Valley	VF Imagewear-Majestic Athletics	358,375	12/08

SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
260 Hidden Lane	Central PA	Church & Dwight Co. Inc.,	1,600,000	12/09
Key Logistics Park-Bldg C	Central PA	N/A	1,170,000	3/09
Lehigh Valley Macungie Crossings	Lehigh Valley	Tree of Life	580,000	12/09

Cushman & Wakefield, Inc.
1717 Arch Street, 30th Floor
Philadelphia, PA 19103
(215)963-4000

*Market terms & definitions based on BOMA and NAIOP standards.

Leasing Activity Report 20,000+ LV
02/22/2008 to 02/21/2009

Building Address Building/Park Name Submarket City	RBA Typical Floor Building Type Class	SF Leased Sign Date Move Date Expiration Date	Rent Paid/yr Space Use/Type Mailing Suite Leased Floor #s	Current Total Avail Current Max Contig Current Percent Leased	Tenant Name Transaction Type
6923 Schantz Rd - Lehigh Valley Ind Allentown, PA 18106	100,000 SF 100,000 SF Industrial/Warehouse B	50,000 SF 02/29/2008 04/01/2008 -	- Warehse/Sublet - 1	100,000 SF 100,000 SF 0%	- Move In
40 3rd St - Lehigh Valley Ind Walnutport, PA 18088	173,000 SF 86,500 SF Industrial/Warehouse C	173,000 SF 02/29/2008 03/01/2008 -	- Warehse/Direct - 1	0 0 100%	- Move In
904 Marcon Blvd Lehigh Valley Indus Pk 3,Lehigh Valley Business Ctrs Lehigh Valley Ind Allentown, PA 18109	45,600 SF 45,600 SF Industrial/Warehouse -	4,800 SF 03/01/2008 04/01/2008 -	$5.50/nnn Warehse/Direct - 1	19,200 SF 19,200 SF 57.9%	- Move In
22 S Commerce Way Lehigh Valley Indus Pk 4 Lehigh Valley Ind Bethlehem, PA 18017	61,790 SF 61,790 SF Industrial/Distribution B	9,700 SF 03/01/2008 04/01/2008 -	$5.45/nnn Flex/Direct - 1	0 0 100%	- Move In
6690 Grant Way Iron Run Corporate Center Lehigh Valley Ind Allentown, PA 18106	88,000 SF 88,000 SF Industrial/Warehouse B	17,800 SF 03/17/2008 06/15/2008 -	- Warehse/Direct - 1	0 0 100%	- Move In
7339 Industrial Blvd Lehigh 100 Lehigh Valley Ind Allentown, PA 18106	215,000 SF 215,000 SF Industrial/Warehouse B	92,143 SF 04/01/2008 04/01/2008 -	$3.95/nnn Warehse/Direct - 1	0 0 100%	- Move In
3713 Linden St - Lehigh Valley Ind Bethlehem, PA 18020	48,568 SF 24,499 SF Industrial C	11,000 SF 04/02/2008 07/01/2008 -	- Warehse/Direct - 2	0 0 100%	- Move In

Leasing Activity Report 20,000+ LV
02/22/2008 to 02/21/2009

Building Address Building/Park Name Submarket City	RBA Typical Floor Building Type Class	SF Leased Sign Date Move Date Expiration Date	Rent Paid/yr Space Use/Type Mailing Suite Leased Floor #s	Current Total Avail Current Max Contig Current Percent Leased	Tenant Name Transaction Type
7620 Cetronia Rd - Lehigh Valley Ind Allentown, PA 18106	155,060 SF 155,060 SF Industrial/Warehouse B	58,626 SF 04/08/2008 09/05/2008 -	$6.00/nnn(est) Warehse/Direct - 1	0 0 100%	- Move In
7036 Snowdrift Rd Iron Run Corporate Center Lehigh Valley Ind Allentown, PA 18106	95,759 SF 95,759 SF Industrial/Warehouse -	16,000 SF 04/18/2008 07/17/2008 -	$4.75/nnn(est) Warehse/Direct - 1	0 0 100%	- Move In
7036 Snowdrift Rd Iron Run Corporate Center Lehigh Valley Ind Allentown, PA 18106	95,759 SF 95,759 SF Industrial/Warehouse -	30,000 SF 04/18/2008 09/15/2008 -	$4.75/nnn(est) Warehse/Direct - 1	0 0 100%	- Move In
969 Postal Rd Lehigh Valley Indus Pk 3 Lehigh Valley Ind Allentown, PA 18109	64,800 SF 64,800 SF Industrial/Warehouse C	4,800 SF 04/18/2008 05/18/2008 -	$4.75/nnn(est) Warehse/Direct - 1	0 0 100%	- Move In
315 Linden St BLDG A Lehigh Valley Ind Allentown, PA 18102	85,000 SF 21,250 SF Industrial/Manufacturing C	6,000 SF 04/30/2008 06/29/2008 -	$3.00/+util(est) Warehse/Direct - 1	30,000 SF 24,000 SF 71.8%	- Move In
7880 Stroh Dr Boston Beer Company,Boston Brewery Lehigh Valley Ind Breinigsville, PA 18031	650,000 SF 650,000 SF Industrial/Distribution B	650,000 SF 06/02/2008 06/08/2008 -	- Warehse/Direct - 1	0 0 100%	- Move In
50 Utley Dr Lehigh Valley Industrial Park VII,Keystone Building Lehigh Valley Ind Camp Hill, PA 17001	60,000 SF 60,000 SF Industrial/Warehouse B	60,000 SF 06/05/2008 05/01/2009 -	- -/ - 1	10,803 SF 3,309 SF 94.5%	- Move In

Leasing Activity Report 20,000+ LV
02/22/2008 to 02/21/2009

Building Address Building/Park Name Submarket City	RBA Typical Floor Building Type Class	SF Leased Sign Date Move Date Expiration Date	Rent Paid/yr Space Use/Type Mailing Suite Leased Floor #s	Current Total Avail Current Max Contig Current Percent Leased	Tenant Name Transaction Type
351-361 Cedar St Bonney Forge Bldg Lehigh Valley Ind Allentown, PA 18102	100,000 SF 100,000 SF Industrial/Manufacturing C	12,000 SF 06/17/2008 09/16/2008 -	$2.99/nnn Flex/Direct - 1	0 0 100%	- Move In
22 S Commerce Way Lehigh Valley Indus Pk 4 Lehigh Valley Ind Bethlehem, PA 18017	61,790 SF 61,790 SF Industrial/Distribution B	14,000 SF 07/07/2008 07/07/2008 -	- Warehse/Direct - 1	0 0 100%	- Move In
1001 8th Ave Durkee-French Plant Lehigh Valley Ind Bethlehem, PA 18018	281,054 SF 281,054 SF Industrial/Food Processing B	10,000 SF 07/14/2008 07/14/2008 -	- -/ - 1	0 0 100%	- Move In
2863 Brodhead Rd - Lehigh Valley Ind Bethlehem, PA 18020	57,212 SF 52,926 SF Industrial/Manufacturing C	1,250 SF 07/25/2008 08/24/2008 -	$12.00/fs(est) Office/Direct - 1	0 0 100%	- Move In
2121 SW 31st St A Sheftel Bldg Lehigh Valley Ind Allentown, PA 18103	101,119 SF 101,119 SF Industrial/Warehouse C	20,000 SF 08/01/2008 - -	$4.50/nnn(est) Warehse/Direct - 1	0 0 100%	- Renewal
754-806 Fairmont St - Lehigh Valley Ind Allentown, PA 18101	26,800 SF 26,015 SF Industrial/Warehouse C	26,015 SF 08/07/2008 08/07/2008 -	- Warehse/Direct - 1	0 0 100%	- Move In
2320 Newlins Mill Rd Majestic Athletic Lehigh Valley Ind Easton, PA 18045	358,375 SF 358,375 SF Industrial/Manufacturing A	358,375 SF 08/12/2008 11/01/2008 -	- Warehse/New - 1	0 0 100%	- Move In

Leasing Activity Report 20,000+ LV
02/22/2008 to 02/21/2009

Building Address Building/Park Name Submarket City	RBA Typical Floor Building Type Class	SF Leased Sign Date Move Date Expiration Date	Rent Paid/yr Space Use/Type Mailing Suite Leased Floor #s	Current Total Avail Current Max Contig Current Percent Leased	Tenant Name Transaction Type
2860 Bath Pike	188,500 SF	30,000 SF	-	188,500 SF	-
-	-	08/14/2008	Warehse/Direct	188,500 SF	Move In
Lehigh Valley Ind	Industrial/Manufacturing	09/01/2008	-	57.6%	
Nazareth, PA 18064	B	-	1		
4950 Hanoverville Rd	206,542 SF	206,542 SF	-	0	-
Lehigh Valley Distribution Center #14	206,542 SF	08/28/2008	Warehse/Direct	0	Move In
Lehigh Valley Ind	Industrial/Warehouse	02/24/2009	-	100%	
Bethlehem, PA 18020	A	-	1		
1344-1426 Sherman St	40,000 SF	40,000 SF	$3.60/negot	0	-
-	40,000 SF	09/01/2008	Warehse/Direct	0	Move In
Lehigh Valley Ind	Industrial/Warehouse	10/01/2008	-	100%	
Allentown, PA 18109	C	-	1		
8000 Quarry Rd	700,000 SF	362,000 SF	$4.50/nnn(est)	337,750 SF	-
AMB 1-78 Distribution Center,Building 100	700,000 SF	09/05/2008	Warehse/New	869,750 SF	Move In
Lehigh Valley Ind	Industrial/Distribution	12/01/2008	-	51.8%	
Allentown, PA 18101	B	-	1		
124 W Union Blvd	20,000 SF	20,000 SF	$3.50/negot	0	-
-	10,000 SF	09/18/2008	Warehse/Direct	0	Move In
Lehigh Valley Ind	Industrial/Warehouse	12/06/2008	-	100%	
Bethlehem, PA 18018	C	-	1,2		
795 Roble Rd	198,000 SF	10,000 SF	-	90,000 SF	-
Lehigh Valley Indus Pk 3	198,000 SF	09/22/2008	Warehse/Direct	90,000 SF	Move In
Lehigh Valley Ind	Industrial/Warehouse	10/01/2008	-	54.6%	
Allentown, PA 18109	B	-	1		
969 Postal Rd	64,800 SF	6,400 SF	-	0	-
Lehigh Valley Indus Pk 3	64,800 SF	09/22/2008	Warehse/Direct	0	Move In
Lehigh Valley Ind	Industrial/Warehouse	11/21/2008	-	100%	
Allentown, PA 18109	C	-	1		

Leasing Activity Report 20,000+ LV
02/22/2008 to 02/21/2009

Building Address Building/Park Name Submarket City	RBA Typical Floor Building Type Class	SF Leased Sign Date Move Date Expiration Date	Rent Paid/yr Space Use/Type Mailing Suite Leased Floor #s	Current Total Avail Current Max Contig Current Percent Leased	Tenant Name Transaction Type
7020 Snowdrift Rd Iron Run Corporate Center Lehigh Valley Ind Allentown, PA 18106	41,390 SF 41,390 SF Industrial/Warehouse -	5,000 SF 09/25/2008 12/31/2008 -	- Warehse/Direct - 1	0 0 100%	- Move In
8250 Industrial Blvd Boulder Business Center,Lot 3B Lehigh Valley Ind Breinigsville, PA 18031	120,000 SF 120,000 SF Industrial/Warehouse B	50,000 SF 09/29/2008 02/26/2009 -	$3.80/nnn(est) Warehse/Sublet - 1	0 0 100%	- Move In
735-745 Pittston St - Lehigh Valley Ind Allentown, PA 18103	25,155 SF 8,385 SF Industrial/Warehouse C	25,155 SF 10/07/2008 03/06/2009 -	$3.00/nnn(est) Warehse/Direct - -	0 0 100%	- Move In
8451 Willard Dr Liberty Business Center,Liberty Business Center Lot 3A Lehigh Valley Ind Breinigsville, PA 18031	920,400 SF 920,400 SF Industrial/Distribution A	530,534 SF 10/08/2008 04/06/2009 -	$5.50/negot(est) Warehse/New - 1	389,866 SF 389,866 SF 57.6%	- Move In
9747 Commerce Cir Arcadia West Industrial Park,Lot 5 Lehigh Valley Ind New Smithville, PA 19530	385,000 SF 385,000 SF Industrial/Warehouse A	211,134 SF 10/10/2008 04/08/2009 -	- Warehse/New - 1	173,701 SF 173,701 SF 54.9%	- Move In
6831 Ruppsville Rd Lehigh Valley Distribution Center #12 Lehigh Valley Ind Allentown, PA 18106	80,000 SF 80,000 SF Industrial/Warehouse B	80,000 SF 10/13/2008 - -	- Warehse/Direct - 1	0 0 100%	- Move In
945 Bethlehem Dr Bethlehem Business Park Lehigh Valley Ind Bethlehem, PA 18017	37,440 SF 37,440 SF Industrial/Warehouse C	14,364 SF 10/13/2008 01/11/2009 -	$3.75/nnn(est) Warehse/Direct - 1	0 0 100%	- Move In

Leasing Activity Report 20,000+ LV
02/22/2008 to 02/21/2009

Building Address Building/Park Name Submarket City	RBA Typical Floor Building Type Class	SF Leased Sign Date Move Date Expiration Date	Rent Paid/yr Space Use/Type Mailing Suite Leased Floor #s	Current Total Avail Current Max Contig Current Percent Leased	Tenant Name Transaction Type
550 S Green St PMK Bldg Lehigh Valley Ind Nazareth, PA 18064	80,000 SF 80,000 SF Industrial C	27,000 SF 10/15/2008 03/14/2009 -	$5.00/fs Warehse/Direct - 1	16,100 SF 14,900 SF 79.9%	- Move In
550 S Green St PMK Bldg Lehigh Valley Ind Nazareth, PA 18064	80,000 SF 80,000 SF Industrial C	5,648 SF 10/15/2008 12/14/2008 -	$4.75/fs Warehse/Direct - 1	16,100 SF 14,900 SF 79.9%	- Move In
313-331 N Madison St - Lehigh Valley Ind Allentown, PA 18102	24,903 SF 12,451 SF Industrial/Manufacturing B	17,000 SF 10/29/2008 10/29/2008 -	- Warehse/Direct - 1	0 0 100%	- Move In
995 Postal Rd Lehigh Valley Indus Pk 3 Lehigh Valley Ind Allentown, PA 18109	45,600 SF 45,600 SF Industrial/Warehouse -	4,000 SF 11/01/2008 12/01/2008 -	- Flex/Direct - 1	6,000 SF 6,000 SF 86.8%	- Move In
8014 Industrial Blvd Boulder Business Center Lehigh Valley Ind Breinigsville, PA 18031	407,000 SF 407,000 SF Industrial/Warehouse B	37,000 SF 11/06/2008 12/12/2008 -	$4.25/negot(est) Warehse/Direct - 1	0 0 100%	- Move In
651 Boulder Dr Boulder Business Center Lehigh Valley Ind Breinigsville, PA 18031	522,000 SF 522,000 SF Industrial/Warehouse A	298,000 SF 11/06/2008 04/01/2009 -	$4.35/nnn(est) Warehse/Direct - 1	224,000 SF 224,000 SF 57.1%	- Move In
7346 Penn Dr William Penn Business Pk Lehigh Valley Ind Fogelsville, PA 18106	72,000 SF 72,000 SF Industrial/Manufacturing B	20,000 SF 11/10/2008 02/08/2009 -	$4.75/nnn(est) Warehse/Direct - 1	40,000 SF 40,000 SF 100%	- Move In

Leasing Activity Report 20,000+ LV

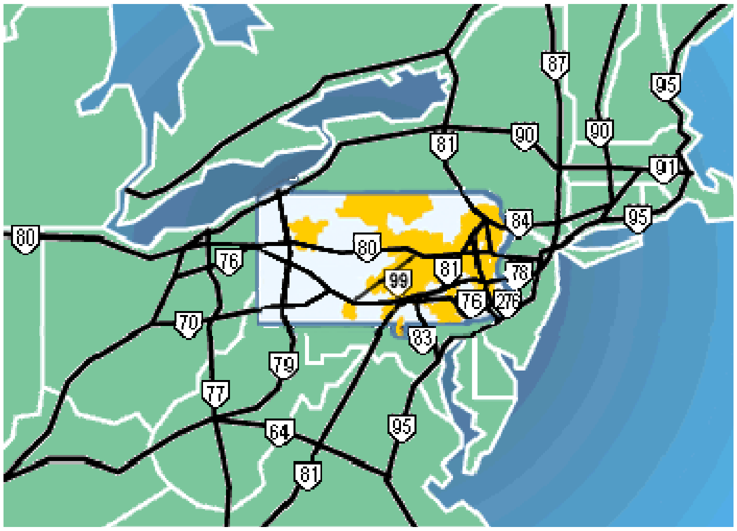
02/22/2008 to 02/21/2009

Building Address Building/Park Name Submarket City	RBA Typical Floor Building Type Class	SF Leased Sign Date Move Date Expiration Date	Rent Paid/yr Space Use/Type Mailing Suite Leased Floor #s	Current Total Avail Current Max Contig Current Percent Leased	Tenant Name Transaction Type
731 Engler Rd Industrial Building Lehigh Valley Ind Nazareth, PA 18064	28,362 SF 28,362 SF Industrial/Manufacturing C	28,362 SF 11/19/2008 03/01/2009 -	- -/ - 1	0 0 100%	- Move In
7346 Penn Dr William Penn Business Pk Lehigh Valley Ind Fogelsville, PA 18106	72,000 SF 72,000 SF Industrial/Manufacturing B	40,000 SF 12/05/2008 05/04/2009 -	- Warehse/Direct - 1	40,000 SF 40,000 SF 100%	- Move In
871 Nestle Way Allentown Crossing III Lehigh Valley Ind Breinigsville, PA 18031	119,900 SF 119,900 SF Industrial/Warehouse B	119,900 SF 12/31/2008 04/01/2009 -	- Warehse/Direct - 1	0 0 100%	- Move In
2685 Brodhead Rd - Lehigh Valley Ind Bethlehem, PA 18015	137,500 SF 137,500 SF Industrial B	137,500 SF 01/01/2009 - -	$5.25 Warehse/Direct - 1	0 0 100%	- Move In
7566 Morris Ct Westpark Business Center,Lehigh Valley Distribution Ctr#10 Lehigh Valley Ind Allentown, PA 18106	111,300 SF 111,300 SF Industrial/Distribution C	11,140 SF 01/12/2009 04/12/2009 -	- Warehse/Direct - 1	28,058 SF 28,058 SF 74.8%	- Move In
8014 Industrial Blvd Boulder Business Center Lehigh Valley Ind Breinigsville, PA 18031	407,000 SF 407,000 SF Industrial/Warehouse B	37,000 SF 01/29/2009 02/01/2010 -	$4.75/negot(est) Warehse/Direct - 1	0 0 100%	- Move In

Building Address Building/Park Name Submarket City	RBA Typical Floor Building Type Class	SF Leased Sign Date Move Date Expiration Date	Rent Paid/yr Space Use/Type Mailing Suite Leased Floor #s	Current Total Avail Current Max Contig Current Percent Leased	Tenant Name Transaction Type
7485 Industrial Blvd Westpark Business Center,Lehigh Valley Distribution Ctr#8 Lehigh Valley Ind Allentown, PA 18106	203,704 SF 203,704 SF Industrial/Distribution B	101,000 SF 02/13/2009 08/12/2009 -	- Warehse/Direct - 1	0 0 100%	- Move In

Eastern and central Pennsylvania have become a primary regional and super regional distribution center location for users seeking facilities to ship goods to Boston, New York, New Jersey, Philadelphia, Baltimore, Pittsburgh and Washington, D.C. These markets are comprised of over 68 million people or roughly 22% of the nation's population. Given the trend to develop larger distribution centers that serve multiple markets and the relatively high cost of operating in New Jersey, many users are selecting eastern and central Pennsylvania due to its lower labor rates, non-traditional labor, lower land costs and in some locations, substantial state incentives.

Over the past few years, many large build-to-suit and speculative transactions have been successfully completed in eastern and central Pennsylvania. Given the accelerating trend towards reducing the costs of the supply chain, including the cost efficient distribution of finished products, many companies are choosing to consolidate multiple warehouses into centralized distribution centers in locations that serve multiple markets, offer abundant non-traditional labor and have lower real estate costs. As such, depending on the destination of the finished products, many companies are either relocating out of New Jersey or consolidating warehouse facilities into distribution centers located in eastern and central Pennsylvania. The area offers attractive labor costs, most of which is non-traditional labor, lower real estate costs, less congested roadways and very attractive economic incentives such as Keystone Opportunity Zones which eliminates or substantially reduces real estate taxes thru 2010 or 2013 depending on the site designation.

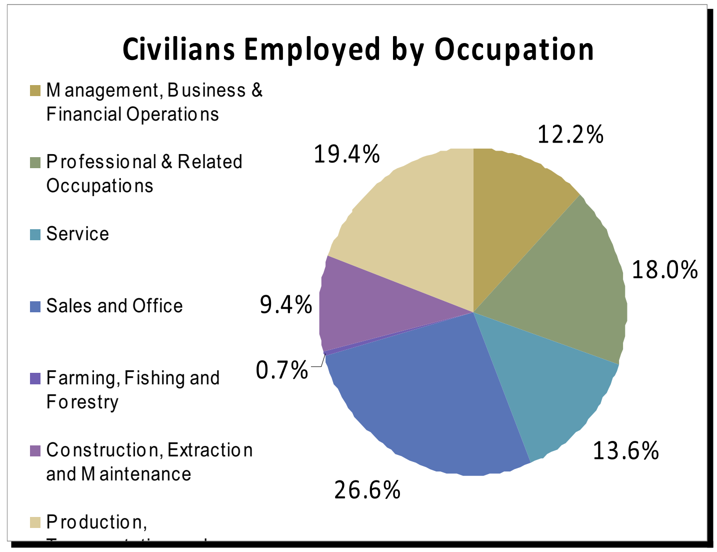


The eastern and central Pennsylvania industrial market is a distribution corridor that follows the path of Interstate 81 and Interstate 78 (“I-81 and I-78 Corridor”). Interstate 81 runs parallel with the eastern seaboard, approximately one hundred fifty (150) miles west of the coastline. In general, this distribution corridor begins in Scranton, Pennsylvania through Hazleton to Harrisburg and down to Hagerstown, Maryland. This corridor is an ideal location for a major corporation to establish one large distribution facility to ship goods to the major metropolitan areas (Boston, New York, New Jersey, Philadelphia, Baltimore, Washington, D.C.) in the northeastern United States. The state’s rail system (the nation’s 5th largest network) offers over 5,000 miles of rail and served by industry stalwarts such as CSX, Norfolk Southern, Canadian Pacific, as well as a host of short line operators. The region also offers immediate access to the ports of Newark, New York, Baltimore, and Norfolk, VA.

Central PA

Demographic Overview

The Central PA industrial submarket is comprised of Adams, Cumberland, Dauphin, Franklin, Lebanon, Perry and York Counties and is part of the Harrisburg MSA that has a population of approximately 1,330,830 which is expected to grow by 4.7% over the next five years. The 2008 per capita estimated income is $26,131 with a median household income of $52,816. Currently, there are an estimated 131,212 people working in the production, transportation and material moving sectors which is ranked second only to the sales and office sector.



Market Composition

The Central PA Industrial submarket is comprised of over 85.6 million square feet of logistic space, 37 million square feet of that being Class A product. There is no less than another 19.8 million square feet of planned or proposed projects in the pipeline with 2.9 million square feet of product currently under construction. Currently, asking rents for logistic space in the area average around a triple-net rate of $4.15 PSF/YR.

Central PA Warehouse/Distribution Statistics

	4Q07	2007 Year End	1Q08	2Q08	3Q08	4Q08	2008 Year End
Under Construction	352,800	352,800	352,800	2,488,960	1,864,960	1,512,160	1,512,160
Absorption	275,239	**2,173,444**	<231,523>	738,504	214,087	<55,988>	**647,080**
Inventory	84,259,587	84,259,587	83,808,136	84,118,186	85,466,515	86,650,175	86,650,175
Vacant SF	7,332,707	7,332,707	7,859,908	7,477,649	8,611,891	9,869,539	9,869,539
Vacancy Rate	8.7 %	8.7 %	9.4%	8.9%	10.1%	11.4%	11.4%

Central PA Statistical Overview

In spite of a major consolidation and subsequent contraction of Exel Logistics in the beginning of the year, which effectively gave back over 750,000 square feet of space to the market, the Central PA submarket remained healthy from a demand perspective. Class A product remains the most desirable in the submarket as evidenced by continued consecutive quarters of positive absorption can attest.

The composition of tenants who recently committed to large blocks of space in the area includes food distributors, third-party logistics companies and retailers. This has been the historical composition of major tenants to the market, changing only in the relative size of each tenant base.

For the first time in over a year, rental rates gained ground, nearing the triple net rate of $4.50 PSF/YR. This is most likely attributed to a slower construction pipeline compared to previous years coupled with the areas consistent low vacancy numbers.

Forecast

While direct retailer supply-chain requirements will most likely remain dormant until the economy starts an upswing from an impending trough in the economic cycle, third-party logistics companies will most likely be the most prevalent tenants in the market place for the short term. Expect rates to hold steady after their recent jump as landlords will find that they have a bit less leverage at the negotiation table from a slowdown in overall demand, but not yet succumbing to a tenant's market.

Construction Overview

Under Construction

Property	Size	Purpose	Owner
AMB I-81 Distribution Center	352,800 SF	Speculative	AMB Development
Greenspring Industrial Park	342,160 SF	Speculative	First Industrial Realty
Key Logistics Park	1,170,000 SF	Speculative	Lauth
Davies Facility – Church & Dwight	1,100,000	Build-to-Suit	First Industrial Realty

Recent Completions

Property	Size	Purpose	Owner
35 Dauphin Dr.	310,050 SF	Speculative	Seagis Property Group
Carlisle Distribution Center – Building 7	575,000 SF	Built-to-Suit	ING Clarion
I-83 Logistics Center	624,000 Sf	Speculative	Verus Partners

Recent Land Sales

Address	Township/Town	Date	Acres	Sale Price	$/Acre	Buyer	Seller
437 Walnut Bottom Rd	Shippensburg	Oct-08	48	$642,758	$13,390.79	John & Eva Reiff	Robert & Jeanette Kasper
260 Hidden Lane	Thomasville	Sep-08	232	$15,000,000	$64,655.17	FI Independence Property Holdings, LP	Jackson Holdings, LLC
Key Logistics Park	Newville	May-08	86.54	$11,575,500	$133,758.95	Metro Acquisitions, LLC	Key Logistics Park, LLC
I-81 Distribution Center	Chambersburg Borough	Apr-07	55	$8,370,000	$152,181.81	Liberty Property Trust	Berwind Property Group
Upper Allen Business Park	Upper Allen Township	Mar-06	22.47	$3,100,000	$137,961.73	Verus Partners	Conewago Contractors
1700 Ritner Highway	Carlisle Borough	Aug-05	46	$6,025,000	$130,978.26	Higgins Development Partners	Key Real Estate, LLC

Recent Building Sales

Address	Town	Size (sf)	Sale Date	Buyer	Seller	Price	$/sf
7700 – 7919 Derry St	Harrisburg	100,000	Jul-08	DP Partners Derry St	Propertymax Partners	$5,405,041	$54.05
3900 Industrial Road	Harrisburg	735,600	Apr-08	KTR Harrisburg, LLC	Selco Service Corp	$30,250,000	$41.12
3400 Industrial Road	Harrisburg	294,450	Mar-08	Exeter 3400 LP	Endurance	$12,514,125	$42.50
8051 Allentown Blvd	Harrisburg	291,907	Feb-08	Hayden Marsh Creek Assoc	MGB Enterprises	$11,200,000	$38.37
4501 Westport Drive	Lower Allen Tsp	502,446	Jan-08	TRT-DCT Westport, LLC	West Harrisburg, LLC	$25,500,000	$50.75
6345 Brackbill Blvd	Mechanicsburg	507,634	Dec-07	Orix Real Estate Capital	Lexington Corp Properies	$25,500,000	$50.23
2000 N. Union Street	Lower Swatara Tsp	112,000	Dec-07	Cabot II Pa2b01, LLC	Dallas Spring Corp	$6,000,000	$53.57
801 Spangler Road	Camp Hill	163,046	Dec-07	J&R Investments, Inc	Conewago Contractors, Inc	$5,530,000	$33.92
1225 S Market St	Mechanicsburg	547,749	Nov-07	Hampshire Equity Partners	BD Book Clubs GP	$13,900,000	$25.38
500 Independence Ave	Mechanicsburg	342,500	Jun-07	VIF II / Harrisburg, LP	Upper Allen LP	$16,800,000	$49.05
571 Independence Ave	Mechanicsburg	378,000	Mar-07	RREEF	Dividend Capital	$20,350,000	$53.84
100 Louis Parkway	Carlisle	400,000	Jan-07	100 Louis Parkway, LLC	Triple Crown Corp	$18,400,000	$46.00
7125 Grayson Road	Harrisburg	300,000	Dec-05	First Industrial	High Street	$14,474,000	$48.25
7195 Grayson Road	Harrisburg	100,000	Oct-05	First Industrial	High Street	$5,240,000	$52.40
7253 Grayson Road	Harrisburg	200,000	Oct-05	First Industrial	High Street	$9,780,000	$48.90

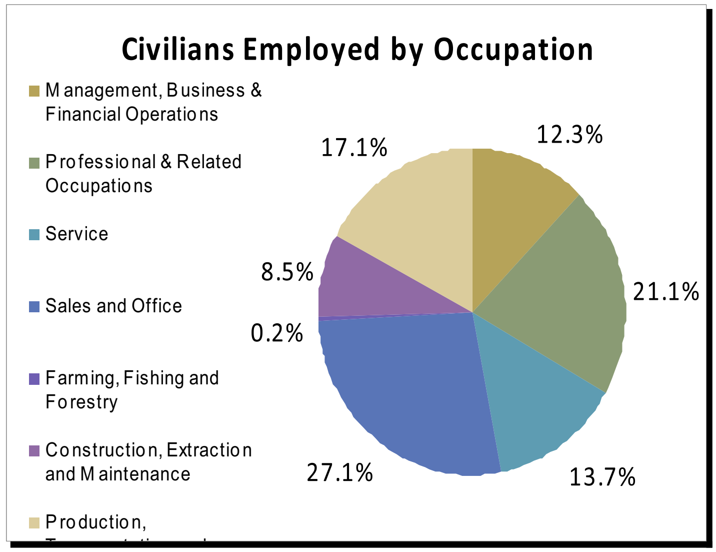
Recent Leases

Address	Town	Size (sf)	Signed	Owner	Tenant	Base	Term (mos)
Harrisburg Distribution Ctr – Bldg 8	Harrisburg	140,000		ProLogis	Ozbourne Hessey		
Carlisle Distribution Ctr – Bldg 7	Carlisle	575,000		ING Clarion	Exel Logistics		
Middletown Distribution Ctr		490,140		ProLogis	APC		
2294 Molly Pitcher Hwy	Chambersburg	120,000		Keystone Property Trust	Staples		
801 Spangler Road	Camp Hill	165,000	2008		GENCO Distribution	$4.80	12
2501 Sycamore Street	Harrisburg	25,000	2008		ACD Distribution , LLC	$3.95	60
7253 Grayson Road	Harrisburg	38,908	Oct-08	High Street Equity Advisors	Good Publishing, LLC	$4.55	60
Independence Drive	Mechanicsburg	154,000	Sep-08		Kane is Able	$4.33	36
1485 W. Commerce Drive	Carlisle	439,088	Sep-08	Liberty Property Trust	LTS Logistics	$3.27	84
1225 S Market Street	Mechanicsburg	53,479	Sep-08		QPSI	$3.20	24
7195 Grayson Road	Harrisburg	20,000	Sep-08	High Street Equity Advisors	Scientific Games Int'l	$5.20	120
100 Louis Parkway	Carlisle	213,310	Jul-08	100 Louis Pkwy, LLC	Carolina Logistic Services	$4.25	60
225 Cross Farm Lane	York	675,000	Mar-08	First Industrial	UNF	$3.80	144
36 East Main St	New Kingstown	146,500	Jun-08	36 E Main St Associates	CN Worldwide Distribution	$4.34	63
1225 S. Market Street	Mechanicsburg		Apr-08	Hampshire Partners	PBD World Fulfillment Svcs	$3.20	24
3380 Susquehanna Trail N	Emigsville	112,500	Mar-08	Hager Pacific Properties	Starbucks Corporation	$4.12	60
201 Fulling Mill Road	Middletown	650,000	Mar-08	ProLogis	APC	$3.95	60
431 Railroad Ave	Shiremanstown	70,493	Jan-08	First Industrial Realty Trust	Bodybuilding.com LLC	$3.97	60
1400 Distribution Drive	Carlisle	41,765	Jan-08	ProLogis	Tire Centers, LLC	$4.71	86
7125 Grayson Road	Harrisburg	142,500	Dec-07	7125 Grayson Rd Owner, LP	American Power Conversion	$3.90	14
1301 Distribution Drive	Carlisle	811,200	Sep-07		Pepsi Corporation	$3.99	180
1 Logistics Drive	Carlisle	800,000	Jul-07	Exel / ING-Clarion	Whirlpool	$4.38	33
Fairview Industrial Park	Fairview	387,500	Mar-07	Liberty Property Trust	Ceva	$4.25	60
3380 Susquehanna Trail N	Emigsville	112,500	Mar-07	First Industrial Realty	Starbucks Corporation	$4.06	14
Fairview Industrial Park	Fairview	412,500	Feb-07	Liberty Property Trust	Broder Brothers	$4.15	120
100 Louis Parkway	Carlisle	187,000	Feb-07	IDI	Carolina Logistics	$4.25	60
100 Louis Parkway	Carlisle	213,000	Feb-07	IDI	Carolina Logistics	$4.25	12
LogistiCenter at Carlisle	Carlisle	775,000	Dec-06	DP Partners	Pepsi	$4.02	180
LogistiCenter at Carlisle	Carlisle	811,200	Dec-06	DP Partners	Pepsi	$4.02	180
80 S Middlesex	Carlisle	140,000	Nov-06	ProLogis	OHL	$4.25	36
40 E Main Street	Mechanicsburg	424,520	Nov-06	SK Realty	Arnold Logistics	$4.00	60
1400 Distribution Drive	Carlisle	137,000	Aug-06	DP Partners	Anderson Window	$4.40	42
500 McCarthy	Lewisberry	705,000	Jul-06	Liberty Property Trust	Amazon.com	$3.85	60
601 Memory Lane	York	103,600	Jun-06	New Boston Fund, Inc.	Eagle Global Logistics	$3.99	60
5 Tru-Temper Drive	Carlisle	515,000	May-06	JFR Global Investment	SC Johnson	$4.30	60

Lehigh Valley

Demographic Overview

The Lehigh Valley industrial submarket is comprised of Lehigh and Northampton Counties and is part of the Allentown/Bethlehem MSA that has a population of approximately 639,064 which is expected to grow by nearly 6% over the next five years. The 2008 per capita estimated income is $26,197 with a median household income of $52,417. Currently, there are an estimated 54,014 people working in the production, transportation and material moving sectors which is ranked third behind the professional & related occupations and sales & office lines of business.



Market Composition

The Lehigh Valley Industrial submarket is comprised of over 32 million square feet of logistic space, 23 million square feet of that being Class A product. There is no less than another 5 million square feet of planned or proposed projects in the pipeline with 1.9 million square feet of product currently under construction. Currently, asking rents for logistic space in the area average around a triple-net rate of $4.60 PSF/YR.

Lehigh Valley Warehouse/Distribution Statistics

	4Q07	2007 Year End	1Q08	2Q08	3Q08	4Q08	2008 Year End
Under Construction	1,354,900	1,354,900	2,676,900	1,745,500	1,456,375	1,274,000	1,274,000
Absorption	485,703	938,246	<204,774>	365,050	940,701	1,587,775	2,514,752
Inventory	29,162,982	29,162,982	31,052,644	32,092,944	32,859,544	34,087,919	34,087,919
Vacant SF	2,578,326	2,578,326	4,766,789	5,466,239	5,267,938	5,082,538	5,082,538
Vacancy Rate	8.8 %	8.8 %	15.4%	17.0%	16.0%	14.9%	14.9%

Lehigh Valley Statistical Overview

After the Bombay company and TruValu shutting their doors on their facilities and subsequently giving over half of a million square feet of space back to the market during the end of 2007 and the beginning of 2008, the submarket rebounded in the more recent quarters. While demand helped post strong absorption numbers, most of the new deals occupied built-to-suit space, keeping vacancy above the 10 percent mark so far this year.

Class A asking rents went along for the see-saw swing in absorption. Currently Class A rates are at $4.47 PSF/YR NNN and are closer to their former high of $4.74 PSF/YR NNN from just one year ago. Overall logistic asking rents in the Lehigh Valley have steadily risen since the beginning of 2007 and are up 2.42% from just one year ago.

In spite of the current economic maelstrom, development has picked up over the past three quarters as fully 2.596MM square feet of new logistic space is coming out of the ground. Year-to-date, the submarket has grown by 14.2% with 4.255MM square feet of new product added to the market this year.

Forecast

With retailers starting to feel the pinch from the financial and housing market decline and experts predicting disappointing holiday sales, demand will undoubtedly fall off in the short term. But the Lehigh Valley's role as a key distribution hub will not change. While deal velocity will slow on the leasing side, developers are in a great position to buy land for future developments as the price-per-acre mark has been steadily falling since the beginning of the year.

Construction Overview

Under Construction

Property	Size	Purpose	Owner
Prologis Park 33 – Building II	870,000 SF	Built-to-Suit	ProLogis
Majestic Athletic	358,375 SF	Build-to-Suit	Verus Partners
Bethlehem Crossing IV	228,000 SF	Speculative	OPUS
Lehigh Valley Crossings	580,000 SF	Speculative	OPUS

Recent Completions

Property	Size	Purpose	Owner
AMB I-78 Distribution Center Building 100	700,000 SF	Speculative	AMB Development
Liberty Business Center – Building I	920,400 SF	Speculative	Liberty Property Trust
Liberty Business Center – Building II	451,600 SF	Built-to-Suit	Liberty Property Trust
Lehigh Valley South Distribution Center	315,000 SF	Speculative	Trammel Crow

Recent Land Sales

Address	Township	Date	Acres	Sale Price	$/Acre	Buyer	Seller
Route 512, Arcadia East			54	$6,259,000	$115,907.41	Higgins Development Partners	Arcadia East Associates
Uhler Rd @ Kesslersville	Forks Township	Jun-08	31.26	$4,125,871	$131,985.64	Henningsen Cold Storage Co	JG Petrucci
3857 Easton Nazareth Hwy	Lower Nazareth Twp	Mar-07	58	$13,000,000	$224,137.93	First Industrial	JG Petrucci (Tiger Den Partners)
Route 100/7951 Schantz	Upper Macungie Twp	Jan-06	81	$17,286,000	$213,407.41	Nestle Foods	Verus Partners
9750 Commerce Circle	Weisenburg Twp	Aug-05	29.4	$5,535,000	$188,265.31	Higgins Development Partners	Arcadia West Associates
3857 Easton Nazareth Hwy	Lower Nazareth Twp	Jul-05	58	$7,200,000	$124,137.93	JG Petrucci	Higgins Development Partners
8301 Industrial Blvd	Upper Macungie Twp	Mar-05	270	$33,131,328	$122,708.62	Liberty Property Trust	Fred Jaindl
Hanover Corporate Center	Hanover Twp	Jul-04	37	$4,498,763	$121,588.19	IDI	David Jandl Land Co.

Recent Building Sales

Address	Town	Size (sf)	Sale Date	Buyer	Seller	Price	$/sf
9729 Commerce Circle (11.14 acres)	New Smithville	108,000	Sep-08		Arcadia West Lot 5, LLC		
William Penn Business Ctr Portfolio	Fogelsville	314,161 (total)	Jul-08	High Street Equity Advisors	First Industrial Realty Trust	$20,100,000	$63.98
7880 Stroh Dr	Breinigsville	650,000	Jun-08	Boston Beer Company, Inc.	Guinness UDV NA Inc.	$55,000,000	$84.62
140 Mickley Road (13.3 acres)	Whitehall	150,000		Protica, Inc.	Saputo Cheese USA	$2,400,000	$16.00
40 3rd Street	Walnutport	173,000	Feb-08	Elk Lighting, Inc	Paris Accessories	$1,487,500	$8.6
7130 Ambassador Dr	Allentown	114,049	Jan-08	Exeter 7130 Ambassador LP	Brandywine Realty Trust	$5,800,000	$50.86
7132 Daniels Drive	Upper Macungie	289,800	Nov-07	7132 Daniels Dr Associates LP	Liberty Property Trust	$13,775,000	$47.53
3747 Hecktown Road	Easton	232,180	Nov-07	Phillips Feed & Pet Supply	Supervalu Holdings-PA, LLC	$10,039,925	$43.24
2410 Northampton St	Easton	306,500	Oct-07	Safavieh Carpets	JG Petrucci Co., Inc.	$8,800,000	$28.71
9750 Commerce Drive	Lehigh Valley	503,423	Apr-07	Divident Capital Trust	Higgins Development Partners	$29,900,000	$59.54
795 Roble Road	Allentown	198,000	Feb-07	ABR Realty, LLC	JG Petrucci Co., Inc.	$6,475,000	$32.70
1035 Mill Road	Upper Macungie	11.83 acres	Jan-07	Equity Ind A-Allentown LLC	1035 Mill Rd Associates LP	$7,650,000	
200 Cascade	Allentown	550,000	Jan-07	First Industrial Realty	Conewago Equities	$25,000,000	$45.45
9775 Commerce Circle	Weisenberg	224,000	Dec-06	Gugenheim Partners	Arcadia West Assoc	$12,250,000	$54.69
9750 Commerce Circle	Weisenberg	498,988	Sep-06	Dividend Capital	Arcadia West Assoc	$29,975,000	$60.07
9784 Commerce Circle	Weisenberg	95,106	Aug-06	Genworth Life	Skeans	$7,400,000	$77.81
1002 Patriot Drive	Muhlenberg Twp	609,000	Jun-06	Brasler Prop & Endurance RE	GE Capital	$32,000,000	$53.00

Recent Leases

Address	Town	Size (sf)	Signed	Owner	Tenant	Base	Term
Lehigh Valley West II		188,695		Liberty Property Trust	Moore Wallace		
6923 Schantz Road		100,000		Liberty Property Trust	JM Rapp		
Lehigh Valley Distribution Ctr #8		103,704		ProLogis	BMS Logistics		
6355 Farm Bureau Road		127,000		Genco	ICO Polymers		
1480 Zeager Road (Conewago Industrial Park Lot 1)	Elizabethtown	144,000	2008	ZR, Inc.	Western Power Sports (Sub)	$4.75	180
8000 Quarry Road	Lower Macungie	362,250	2008	AMB Property Corp	Cooper Tire	$4.30	92
Boulder Business Park	Fogelsville	451,000	2008	Liberty Property Trust	Home Depot	$5.42	120
7339 Industrial Blvd	Allentown	92,143	Apr-08	Liberty Property Trust	Nexus Distribution Corp	$3.95	36
9747 Commerce Circle	New Smithville	385,000	Mar-08	Higgins Development Partners	TEVA Pharmaceuticals	$4.34	75
2685 Brodhead Road	Bethlehem	137,500	Jan-08	Bethlehem Crossings III, LLC	Crayola	$5.25	60
7248 Industrial Blvd	Allentown	497,000	Nov-07	Liberty Property Trust	Nexus Distribution Corp	$4.03	120
3819 ProLogis Parkway	Easton	870,000	Jul-07	ProLogis	BMW Of North America	$5.22	120
8400 Industrial Blvd	Breinigsville	726,000	Apr-07		Dial Corporation	$4.20	84
700 Nestle Way	Breinigsville	251,000	Mar-07	Liberty Property Trust	Moore Wallace State Printing	$4.02	108
250 Boulder Drive	Breinigsville	210,000	Feb-07	Higgins Development Partners	Amertech	$4.25	60
Hanoverville Road	Bethlehem	1,016,423	Jun-06		C&S Wholesale Grocers	$4.08	60
1139 Lehigh Avenue	Allentown	316,000	Jan-06	Principal Properties	Sephora	$5.19	60
910 Nestle Way	Breinigsville	490,000	Jan-06	OPUS East	DHL Express	$8.78	240
860 Nestle Way	Allentown	197,400	Oct-05	Liberty Property Trust	Nexus Distribution Corp	$4.25	12
861 Nestle Way	Breinigsville	822,000	Jun-05	ProLogis	Home Depot USA, Inc.	$4.15	45
7339 Industrial Drive	Allentown	178,048	May-05	Liberty Property Trust	DHL Express	$4.30	17
7384 Penn Drive	Fogelsville	112,000	Feb-05	Liberty Property Trust	Compuspar	$4.25	84

Industrial Market Trends Q4 2009

United States

In This Issue...

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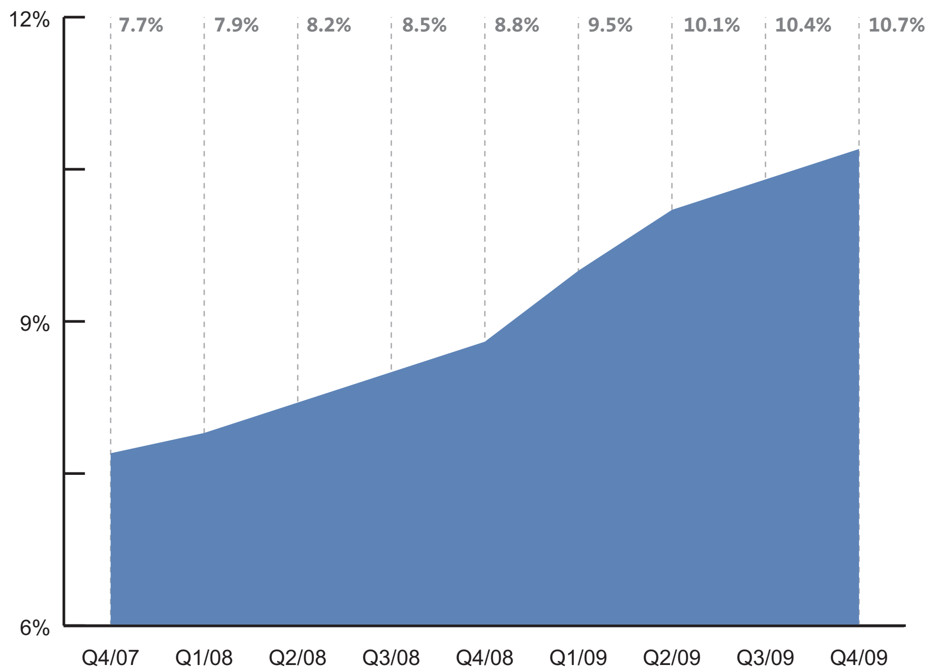
When Will It End?

US INDUSTRIAL VACANCY RATE*



* All product types

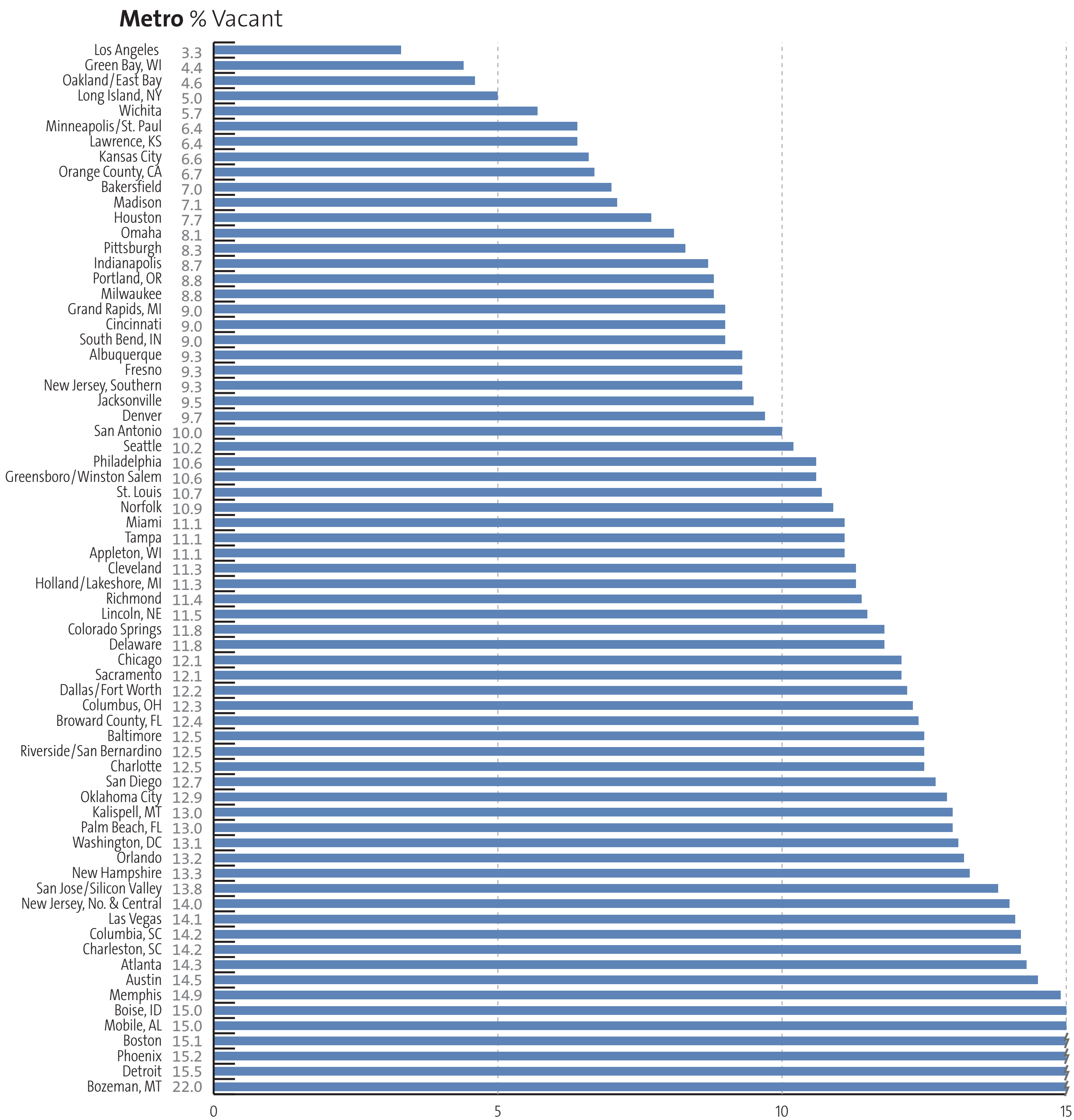
THE BOTTOM LINE

Because demand for industrial space does not directly depend on job creation – a lagging economic indicator – it may pick up earlier than demand for other property types. There was some evidence of that in the fourth quarter as net absorption, though still negative, hit its shallowest level of 2009. The manufacturing sector in particular is showing signs of life as companies begin to restock inventories that had fallen to subsistence levels. Global trade and freight shipments are on the rise, portending a pickup in demand for warehouse-distribution space. And technology may be among the earliest sectors of the economy to rebound, which could support demand for R&D-flex space in some areas. Expect the leasing market to bottom out by the end of 2010 and embark on a gradual recovery in 2011.

GRUBB & ELLIS
From Insight to Results

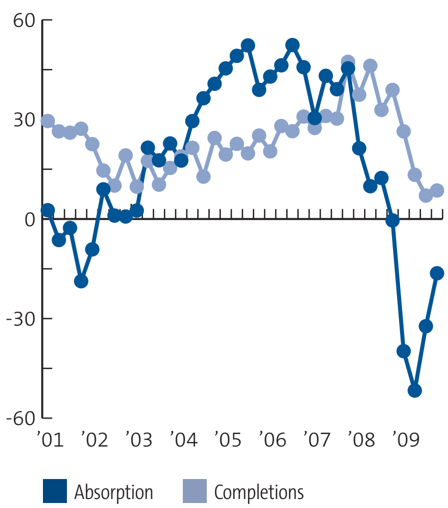
TOTAL MARKET VACANCY RATES

Note: Vacancy data refer to general industrial, warehouse/distribution, R&D/flex and incubator buildings with size thresholds ranging from 5,000 square feet in smaller markets to 25,000 square feet in larger markets. Inventory includes multi-tenant, single-tenant and owner-occupied space.

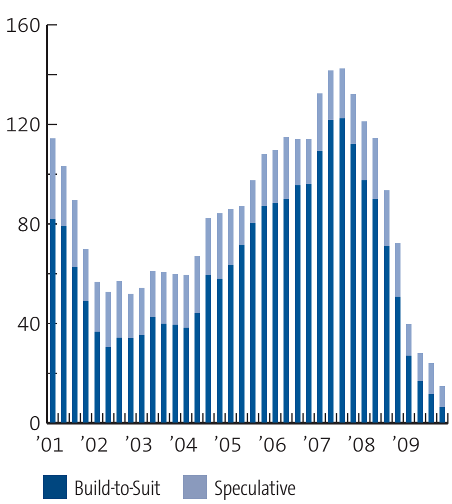


GRUBB & ELLIS. From Insight to Results

Absorption and Completions
in Millions of Square Feet



Space Under Construction
in Millions of Square Feet



STATE OF THE MARKET

Vacancy increased for a ninth consecutive quarter to end 2009 at 10.7 percent, its highest level since the first quarter of 1994. In the second half of last year, vacancy increased by 60 basis points compared with a gain of 130 basis points in the first half, meaning that the *rate* of softening moderated as the year progressed. The availability rate ended the year at 13.9 percent, considerably above the vacancy rate because some space that was counted as occupied at year-end will be offered on the market within the next six months. Thus, the market is softer than indicated by the vacancy rate alone.

Among the major markets, vacancy remained lowest in land-constrained **Los Angeles County** at 3.3 percent and was highest in economically depressed **Detroit** at 22.0 percent. Vacancy increased most sharply last year in **San Diego, Las Vegas** and **Palm Beach County**, Fla., all of which recorded gains of 400 to 500 basis points. Not coincidentally, the severe housing bust in these areas impacted consumer spending and construction activity, both of which help drive demand for industrial space. Only **Oklahoma City**, where energy plays a big role in the local economy and the housing market was stable, saw vacancy tighten slightly in 2009.

Absorption totaled a negative 136 million square feet last year – the amount of space given up by occupiers with move-ins and move-outs netted out. Fourth quarter absorption was a negative 16.4 million square feet, the shallowest decline of the year.

Northern and Central New Jersey occupiers gave up 22 million square feet in 2009, well behind second-to-last place **Atlanta** where negative absorption totaled 11 million square feet. A small handful of markets recorded positive absorption last year, led by **Columbus**, Ohio where occupied space increased by 1.5 million square feet.

Space under construction plunged for a ninth consecutive quarter with a minimal 14.9 million square feet still under way at year-end. This represents a little over 0.1 percent of the standing inventory, the lowest ratio since Grubb & Ellis began tracking the U.S. industrial market in 1986.

Dallas-Fort Worth led all markets with 1.6 million square feet still to be completed, most of it in the DFW Airport and Northwest Dallas submarkets. Five other markets each had more than 1 million square feet remaining in the pipeline: **Philadelphia**, the **Inland Empire** (east of Los Angeles), **Oklahoma City, Phoenix** and **Houston**.

The average asking rental rate for all types of industrial space offered on the market at year-end was $5.21 per square foot per year triple net, a decline of 2.2 percent in the fourth quarter and 6.8 percent in 2009. Among the three major property subtypes, asking rates fell last year by 9.1 percent for R&D-flex space, 7.1 percent for warehouse-distribution space and 3.0 percent for general industrial space (primarily manufacturing).

Asking rental rates for warehouse-distribution space fell last year by more than 20 percent in **Miami, Sacramento, Orange County**, the **Inland Empire** and **Albuquerque**. Surprisingly, the asking rate in **Los Angeles** slipped by 16.6 percent despite the market's low year-end vacancy rate of 3.3 percent. The same phenomenon is evident in the office market where **New York City**, though it maintains one of the lowest vacancy rates in the U.S., saw the asking rate for Class A office space dip 23 percent. This suggests that tight real estate markets can be subject to big swings in rental rates as demand for space ebbs and flows.

Industrial space available for sublease ended 2009 at 133 million square feet, equivalent to 1.1 percent of the total inventory of space. Available sublease space has more than doubled from its recent low point of 60 million square feet in the first quarter of 2006. By comparison, 3.0 percent of the office inventory was available for sublease at year-end 2009.

Broward County, Fla. led all other markets with a sublease availability rate of 2.2 percent.

FORECAST

Industrial is likely to be one of the first, if not the first commercial property type to bottom out and embark on a recovery. The reason is that occupier demand for industrial space is less dependent on job creation, a lagging economic indicator, compared with the office, retail and apartment markets. Moreover, the drivers of demand for industrial space – production activity, freight shipments and global trade – have bottomed out and begun to grow again, at least tentatively.

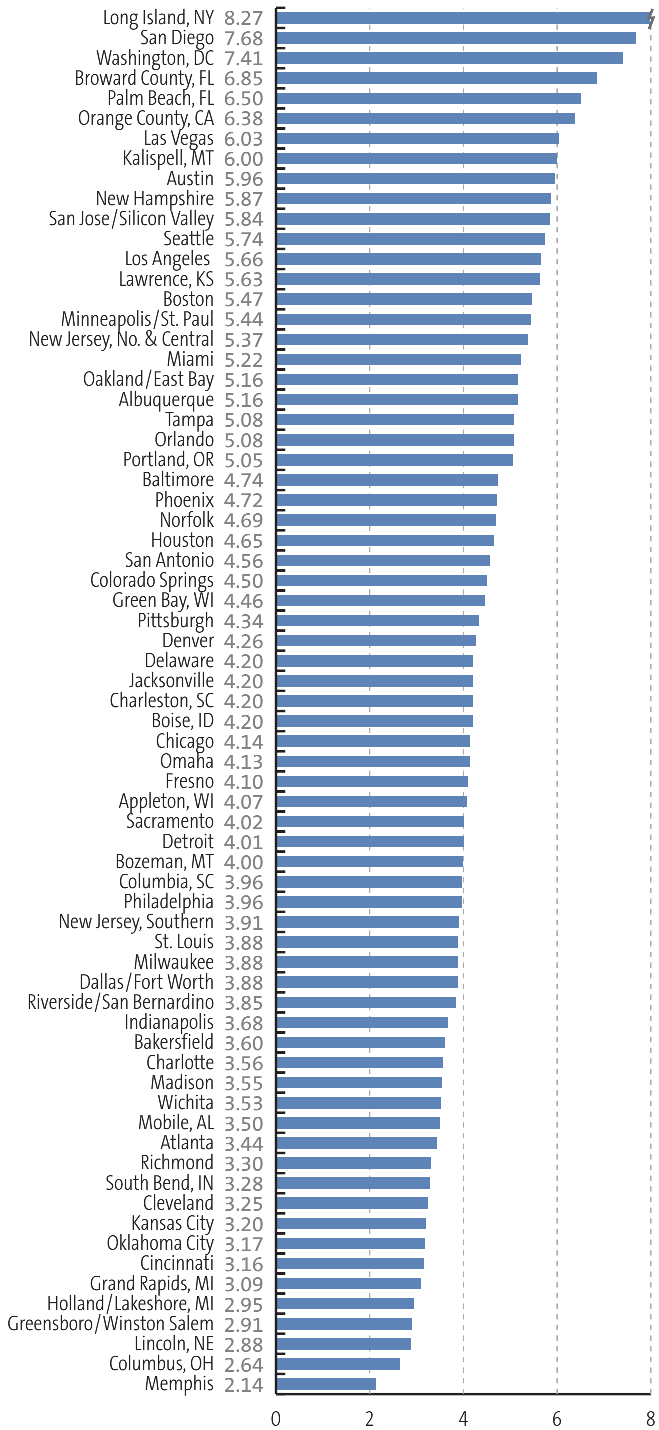
The Institute for Supply Management's purchasing managers index rose in January to 58.4, its highest level since August 2004. (Index values above 50 indicate an expanding manufacturing sector, while values below 50 indicate contraction.) The index is a composite of nine other indexes including new orders, production, supplier delivery times, backlogs, inventories, prices, employment, export orders and import orders. The production index increased to 66.2 in January, its highest level since April 2004 while new orders, a leading indicator of production, rose to 65.9. Inventories remained below 50, a sign that production activity will remain strong for the next few months as manufacturers replenish their depleted inventories. The import and export indexes increased to 56.5 and 58.5, respectively. Growth in imports is helpful for logistics related markets such as the **Inland Empire**, while growth in exports supports demand for light assembly and manufacturing space. More broadly, a recovery in the manufacturing sector will boost demand for all types of industrial properties.

The improvement in the ISM index and its components is reflected in the steady moderation of vacancy increases and negative absorption in recent quarters. The trend line suggests that industrial vacancy could peak as early as mid-2010 and embark on a gradual, multi-year recovery cycle late this year or early 2011. However, a return to market equilibrium remains several years away.

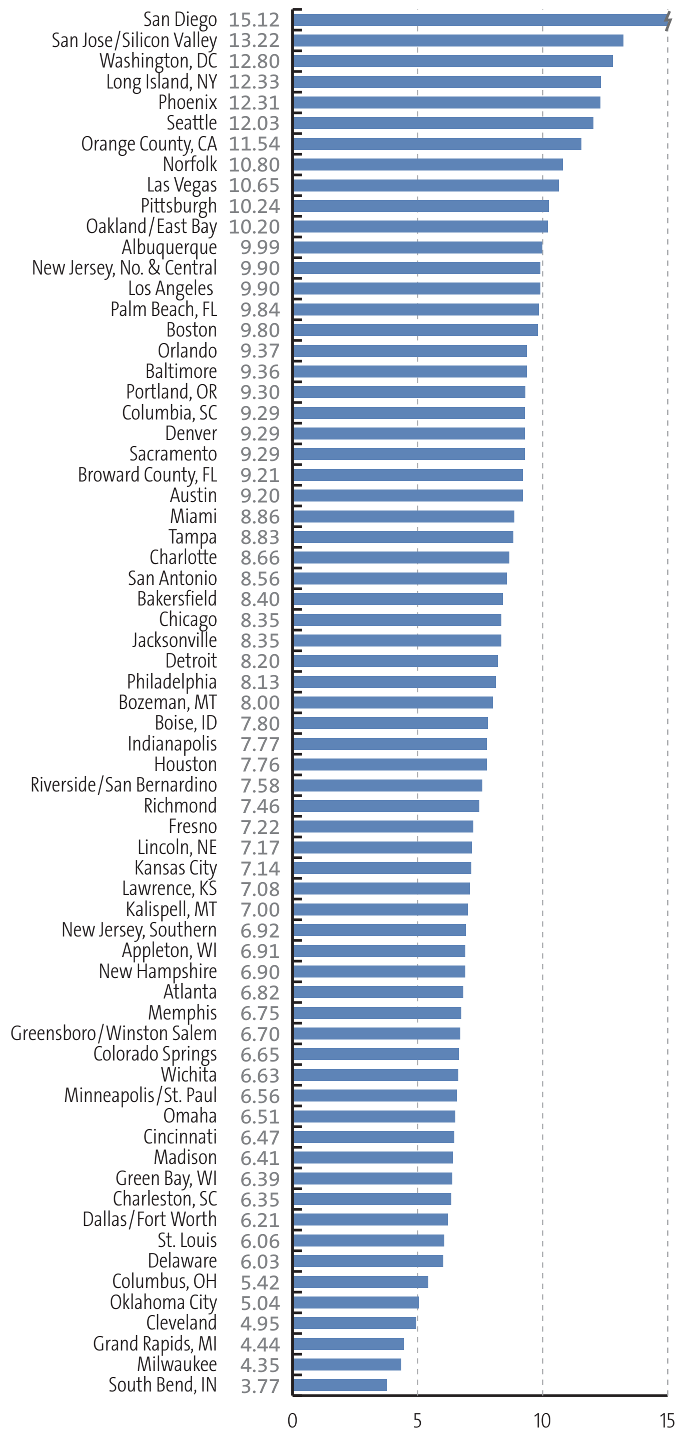
ASKING RENTAL RATES

Note: Rental rate data refer to space that is available on the market at the end of the quarter. Rates are per square foot, quoted on a triple net basis. Rates for each building are weighted by the amount of available space within the building.

Warehouse/Distribution $ Asking Rent



R&D/Flex $ Asking Rent



NORTHERN CALIFORNIA/ PACIFIC NORTHWEST

Fresno: Activity remained very slow through the end of 2009. Look for transaction levels to increase in the first half of 2010... **Oakland-East Bay:** Vacancy increased by 130 basis points in 2009, though it remained below 5 percent at year-end. Occupied space fell by 1.7 million square feet (negative net absorption) in 2009. Blend-and-extend leases will remain popular in 2010... **Portland:** New to the market, MOR Furniture leased 105,000 square feet at Kelley Point in Rivergate, and Allvia took down 126,000 square feet in the Sunset Corridor... **Sacramento:** During 2009, over 2 million square feet of negative net absorption was recorded, affecting virtually every submarket and property type... **San Jose-Silicon Valley:** Facebook signed a 265,000-square-foot sublease for three R&D-flex and general industrial properties in Palo Alto... **Seattle:** The industrial sales market remained slow with only 13 transactions of over $2 million each during the quarter. Expect sales to increase in 2010 as prices finish their downward adjustment. Significant speculative development will not return until 2011 at the earliest.

SOUTHERN CALIFORNIA/ PACIFIC SOUTHWEST

Bakersfield: Landlords are aggressively reducing rental rates and offering lease incentives to attract tenants. Sales remain slow due to the lack of credit... **Los Angeles:** Absorption was negative through 2009, but it trailed off in the third and fourth quarters. Demand for warehouse and manufacturing space is expected to increase in 2010 as businesses restock inventories... **Orange County:** Demand from Asian economies combined with new innovations in computer, medical and green technologies should spur growth during the second half of 2010... **Riverside-San Bernardino:** Landlords are highly competitive, creating opportunities for distributors seeking to streamline their transportation and operating costs... **San Diego:** Fourth quarter absorption of negative 897,000 square feet brought the full-year total to negative 4.2 million square feet.

MOUNTAIN/SOUTHWEST

Albuquerque: Although demand is still sluggish, activity has picked up in a few sectors including environmental services, alternative energy, education, medical supplies and government... **Boise:** Vacancy has risen and rental rates have dropped... **Bozeman:** There is a significant amount of new product within the Four Corners submarket, pushing vacancy higher and rental rates lower... **Colorado Springs:** The downturn continues... **Denver:** The previously announced departure of Albertson's drove absorption into the red. Losses within smaller retail warehousing operations were also evident as stores proved reluctant to maintain large inventories after the holidays... **Kalispell:** Warehouse absorption has slowed with rental rates moving slightly lower... **Las Vegas:** Growing vacancies have pushed landlords to reevaluate marketing strategies. Concern over the financial stability of landlords has become important to large institutional tenants... **Phoenix:** Despite positive fourth-quarter absorption, the year finished at negative 2.7 million square feet – a record... **Reno:** Land pricing has remained fairly flat even though land sales are nearly nonexistent due to the lack of financing.

TEXAS/GREAT PLAINS

Austin: Tenants are beginning to wade into the market to take advantage of low lease rates. Recent examples include leases by Avant Technology, Electronic Arts and Directed Manufacturing... **Dallas-Fort Worth:** The market is starting to stabilize as evidenced by the reduced rate of negative absorption and a flattening of vacancy and rental rates... **Houston:** The surge of new space deliveries coupled with decreased leasing demand has pushed vacancy up roughly 150 basis points over the last year... **Kansas City:** The Fed's monthly Survey of Manufacturers indicated that month-over-month production in the seven-state district increased for the fifth straight month... **Oklahoma City:** At least two out-of-state industrial users with space needs in excess of 300,000 square feet are looking in the market. Hobby Lobby continues to grow, filling its newly constructed 800,000-square-foot-facility and will build again on its 115-acre property... **Omaha:** Most businesses are trying to ride out the storm by keeping inventories lean... **San Antonio:** An oversupplied market coupled with low demand has sidelined developers... **St. Louis:** Local manufacturers are seeing an uptick in their order books. New development will remain on hold until at least 2011... **Wichita:** During the first quarter, Coleman will move some of its warehouse operations to Kansas City, which will push the local vacancy rate above 6 percent.

GREAT LAKES/ OHIO VALLEY

Appleton: The 105,000-square-foot Wausau Paper property is on the market for lease or sale... **Chicago:** 3PLs signed large lease renewals in the fourth quarter as UTi renewed its 593,000-square-foot lease in Aurora and Caterpillar Logistics renewed for 296,000 square feet in Montgomery. Lease rates are predicted to decline by an additional 2 to 3 percent over the next 12 months. Sale-leaseback deals will be on the rise as occupiers seek capital... **Cincinnati:** The worst appears to be over. Recovery in the hardest hit sector, bulk distribution space, will be slow. Early indicators point to increased demand for general industrial product... **Cleveland:** Financing remains a big challenge, but leasing activity is on the upswing and market velocity has increased as landlords recalibrate pricing expectations. HRPT Properties Trust paid $34 million for the 650,000-square-foot former Henkel's manufacturing building in Avon... **Columbus:** Kraft Foods leased 937,000 square feet at Rickenbacker 936. Buckeye Diamond Logistics leased a total of 357,400 square feet... **Detroit:** The majority of negative absorption this quarter came from tenants vacating smaller blocks of space between 10,000 and 20,000 square feet. Investments in alterative energy and advanced battery systems fostered by tax abatements and Energy Department grants will generate positive absorption in some submarkets this year... **Elkhart/Goshen:** Local RV companies have begun to rehire as their sales increase. The "green industry initiative," comprised of companies in the hybrid and electric vehicle industries, is showing promise... **Grand Rapids/West Michigan:** The overall vacancy rate held steady below 10 percent, meaning that the market has weathered the recession very well... **Green Bay:** Showing relative stability, the overall vacancy rate declined by 50 basis points during the second half of 2009... **Indianapolis:** Existing buildings will lease up as new construction virtually ceases. Recent tenant activity seems to indicate a more positive outlook for 2010... **Madison:** Downsizing, consolidations and plant closings generated 604,000 square feet of negative absorption in 2009, pushing vacancy above 7 percent... **Milwaukee:** Racine and Kenosha counties completed a successful year, capped by fourth quarter absorption totaling 132,000 square feet. Waukesha County remains one of the most active markets in the region with a vacancy rate of 6.0 percent... **Minneapolis:** The market downdraft seemed to abate somewhat in the fourth quarter... **South Bend:** The expanding supply of product will drive rental rates lower in the next few quarters.

NORTHEAST/ MID-ATLANTIC

Baltimore: Market activity has increased slightly, but rental rates are still dropping while concessions continue to rise. Vacancy rates also continue to increase, but with no new construction coming online, they are expected to level out in the near future... **Boston:** Aspen Aerogels, a leader in thermal management and insulation, leased 83,000 square feet in Northborough. Thermo-Fisher Scientific, a large life sciences supply firm, added 45,000 square feet in Wilmington, providing a boost to a submarket hit hard by the recession... **Long Island:** Vacancy remained flat at 5 percent through the second half of 2009, a hopeful indicator... **New Hampshire:** Leasing activity remains sluggish, and vacancy rates continue to climb... **New Jersey:** Limited pockets of activity are likely to define the market until sustained demand can overcome the trend toward space consolidations... **Philadelphia:** Demand rebounded in the second half of 2009 as occupiers absorbed 2 million square feet, concentrated in the Central Pennsylvania submarket... **Pittsburgh:** Nearly 700,000 square feet of new construction was delivered in the West submarket, a significant increase to the inventory.

SOUTHEAST

Atlanta: Manufacturing output is beginning to improve, but more occupancy losses are expected in early 2010... **Broward County:** Two recently completed warehouse-distribution facilities totaling 225,000 square feet remain vacant. They are in the Premier Turnpike Park in Pompano Beach... **Charleston:** The announcement of TBC Tire Kingdom's 1.1 million-square-foot build-to-suit and the arrival of Boeing suggest that a turnaround in the market is not far off... **Jacksonville:** Vacancy increased slightly while rental rates appear to have bottomed out. With no new construction under way, the market is dormant... **Miami:** Boston Scientific will shutter its 343,000-square-foot manufacturing operations in Doral and lay off 1,400 workers... **Memphis:** Fourth quarter absorption totaled 1.3 million square feet following four consecutive quarters of negative absorption... **Mobile:** The market remains soft with declining rents and no sign of a pickup in demand at this point... **Nashville:** Vacancy will hover in the low double digits throughout 2010 as the leasing market remains stagnant. The second half of the year is expected to see more property sales as all-cash investors begin to take advantage of low prices... **Orlando:** The health services sector is anticipated to drive demand for industrial space in 2010... **Palm Beach County:** GeoGlobal Partners committed to 45,000 square feet at Premier Airport Center in the North Central submarket... **Raleigh-Durham:** Aided by five years of negligible construction activity, the local industrial market is poised to recover ahead of the office and retail sectors... **Richmond:** US Bank National Association purchased the 87,690-square-foot Villa Park III flex building out of foreclosure for $5.4 million... **Tampa:** Demand for space was at record lows. New construction was left in neutral given the amount of recently completed, vacant inventory.

GRUBB & ELLIS OFFICE LOCATIONS

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From Insight to Results

Industrial Market Trends

United States Q4 2009

MarketView
Greater Philadelphia Industrial

Quick Stats

	Current	Change from last Yr.	Change from last Qtr.
Vacancy	9.93%	↑	↑
Lease Rates	$4.26 NNN	↑	↓
Net Absorption*	-1.05 M	↓	↑
Construction	4.91 M	↑	↓

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- Olympus America, Inc. signed a long-term lease at 871 Nestle Way in Allentown, PA. Olympus will relocate into the 119,900 sq. ft. facility closer to their new American headquarters in Center Valley, PA.
- Dentsply International, a manufacturer of dental products and instruments, signed a long-term lease for 207,000 sq. ft. in Lancaster, PA at 1800 Cloister Drive.
- Cornerstone Realty Advisors, Inc. purchased Pureland VI, a 597,232 sq. ft. warehouse/distribution center in Bridgeport, NJ, for $28.50 million. The building, on 77 acres in the Pureland Industrial Complex, can be expanded by 172,000 sq. ft.

The Greater Philadelphia industrial market moved along at a measured pace in the fourth quarter of 2008. With the completion of three major build-to-suit projects, the Lehigh Valley submarket exhibited two million square feet of positive absorption. Leasing activity also remained strong in the Lehigh Valley, even though deal size decreased with an influx of midsized tenants in the market looking for space between 75,000 sq. ft. to 200,000 sq. ft.

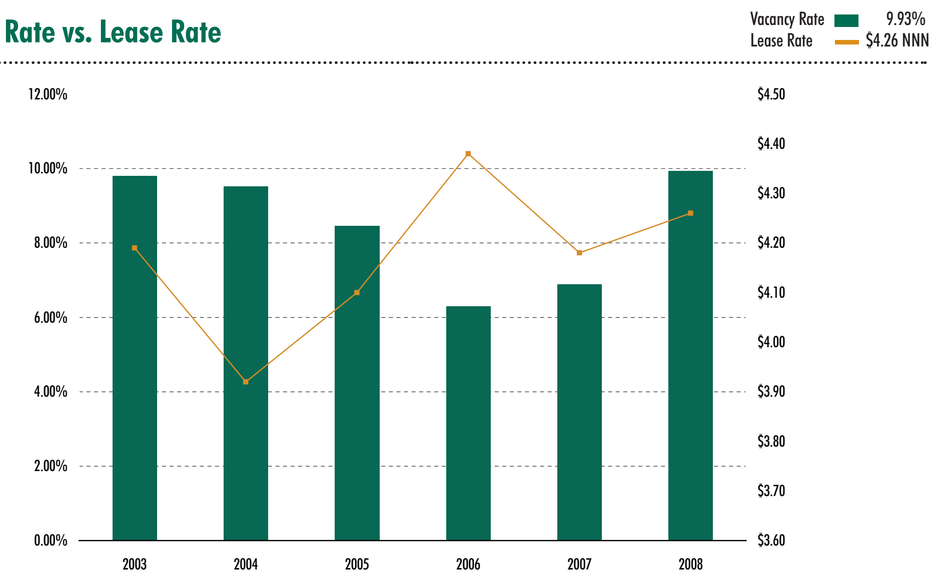
The Central PA submarket did not have its usual robust activity this quarter. However, leasing activity remained strong throughout the submarket as United Natural Foods moved into 675,000 sq. ft. of vacant space in York, PA. Additionally, LTS Logistics moved into 415,000 sq. ft. in Carlisle, PA.

Fundamentals in the Northeast PA submarket remained sound. The submarket exhibited its fourth straight quarter of positive net absorption, which was driven by strong leasing activity throughout the year, encouraging developers to place over 300,000 sq. ft. of speculative warehouse space under construction.

The Philadelphia County submarket was steady in the fourth quarter of 2008, but tenant downsizing and the absence of any significant large lease occupancies led to negative absorption. Build-to-suit opportunities continue to be attractive in this area because of tax incentives provided through the city and the state.

The Southern New Jersey submarket showed signs of growth in the fourth quarter. Three tenants recently signed in the LogistiCenter at Logan in Logan Township, NJ for a combined 791,635 sq. ft., while three major buildings sold for a combined 1.83 million sq. ft.

Vacancy Rate vs. Lease Rate



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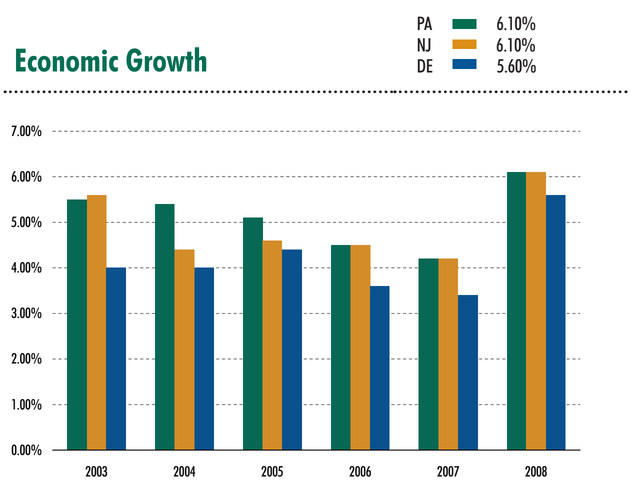
Market Statistics

Market	Rentable Area	Direct Vacancy Rate %	YTD Net Absorption SF	Under Construction SF	Average Asking Lease Rate - $ NNN/SF/YR	Total Availability Rate %
Bucks County, PA	26,794,827	7.72%	(281,820)	248,500	$4.15	9.71%
Burlington County, NJ	20,353,916	9.48%	712,165	299,808	$3.92	9.85%
Camden, County, NJ	15,964,378	14.31%	(814,203)	0	$4.00	16.29%
Central PA**	145,297,496	9.50%	(2,499,940)	3,331,160	$4.08	10.36%
Chester County, PA	12,375,101	5.03%	55,112	0	$4.13	6.59%
Delaware County, PA	11,722,762	12.08%	(262,682)	0	$4.55	12.08%
Gloucester County, NJ	15,165,537	11.70%	(480,789)	599,500	$4.09	12.77%
Lehigh Valley, PA*	38,704,883	16.96%	1,879,600	580,000	$4.69	20.51%
Montgomery County, PA	32,335,481	6.99%	312,237	101,053	$4.61	8.47%
New Castle County, DE	12,455,853	9.84%	(247,566)	0	$4.57	11.14%
Philadelphia County, PA	29,647,998	6.33%	(542,486)	345,500	$4.43	8.35%
Total	**360,818,232**	**9.93%**	**(2,170,372)**	**5,505,521**	**$4.26**	**11.36%**
Northeast PA***	32,303,164	12.10%	1,606,451	328,400	$3.77	21.60%

NOTE: 100,000 SF and larger.

* Lehigh and Northampton Counties
** Cumberland, Dauphin, Franklin, Lancaster, Lebanon and York Counties
*** Carbon, Lackawanna, Luzerne, Monroe and Schuylkill Counties

Economic Growth



The Federal Reserve opted to lower their target interest rate to a range between zero and a quarter of a percent. This rate, which previously stood at one percent, is a historic low going back to 1954. The Federal Reserve has cut rates since September 18, 2007 in an attempt to halt the economic slowdown. These rate cuts should increase the accessibility of money for commercial lending. Fortunately, the United States economy has dealt with these issues in the past and is experiencing some positive effects. For example, oil prices have stabilized with the average gallon of gas in the U.S. nearing $1.50 and interest rates are at all time lows. In an effort to foster inter-bank lending and loosen up paralyzed credit markets, the government is taking equity ownership in some of the largest banks.

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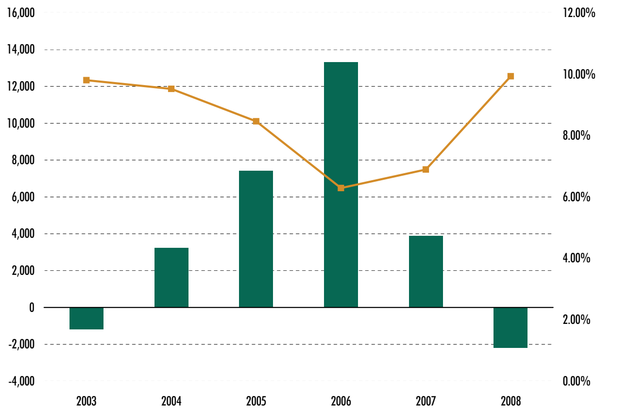
Vacancy/Net Absorption

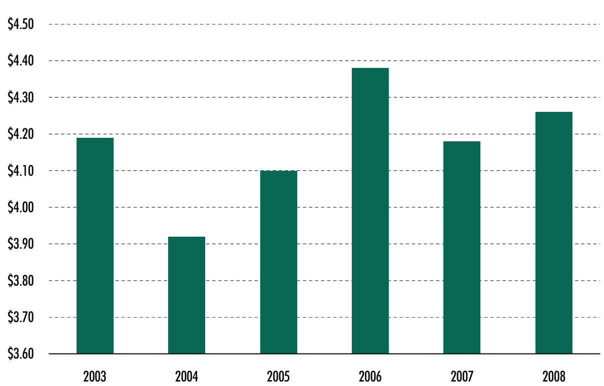
Vacancy 9.93%
Absorption -1.05 M



The Greater Philadelphia industrial market posted a direct vacancy rate of 9.93 percent in the fourth quarter. Absorption for the overall market was negative this quarter due to tenant downsizing and other speculative construction completions. Nevertheless, the overall availability rate in the Greater Philadelphia industrial market is still at a healthy 11.36 percent, making the industrial market desirable to investors. The Northeast PA and Lehigh Valley, PA submarkets experienced a significant drop in their respective vacancy rates and were the only two submarkets that posted positive absorption with a combined total of 2.85 million sq. ft.

Rental Rates

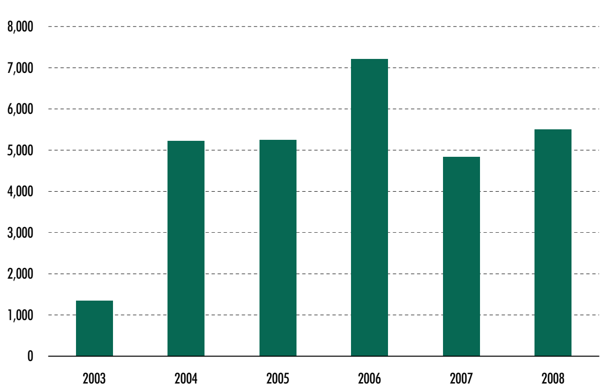
Average Asking Lease Rent $4.26 NNN



The average asking lease rate dropped to $4.26 at the end of the quarter. Only four of the 12 submarkets (Central PA, Lehigh Valley, PA, New Castle County, DE and Northeast PA) increased average asking lease rates. While in the Chester County, PA and Burlington County, NJ submarkets, the asking average lease rate decreased by a combined $1.16. The decreases in rental rates are putting downward pressure on demand for space, resulting in an increase in sublease space. In the fourth quarter alone, the available sublease square feet increased almost 700,000 sq. ft. for the entire market. With rental rates decreasing in state-of-the-art buildings as well as second generation space, landlords are forced to compete for tenants who are inspecting the market for quality deals.

New Construction

Construction Activity ('000s)



Although the cost of construction materials has decreased significantly since last quarter, construction activity will not necessarily increase. In the fourth quarter, eight projects delivered in four separate submarkets totaling 3.37 million sq. ft. The majority of space that was delivered from these projects was absorbed due to pre-leasing and build-to-suit construction. The majority of the projects currently under construction are in the Central PA and Lehigh Valley, PA submarkets; out of the 5.51 million sq. ft. currently under construction in the Greater Philadelphia industrial market (excluding Northeast PA) 3.33 million sq. ft. is in Central PA. The most notable project is the Church and Dwight facility located at 260 Hidden Lane in York County, PA. Another large project at Centerville Road in Cumberland County, Newville, PA where Key Real Estate, LLC is constructing a 1.17 million sq. ft. of speculative warehouse/distribution building on 207 acres.

MarketView Greater Philadelphia Industrial

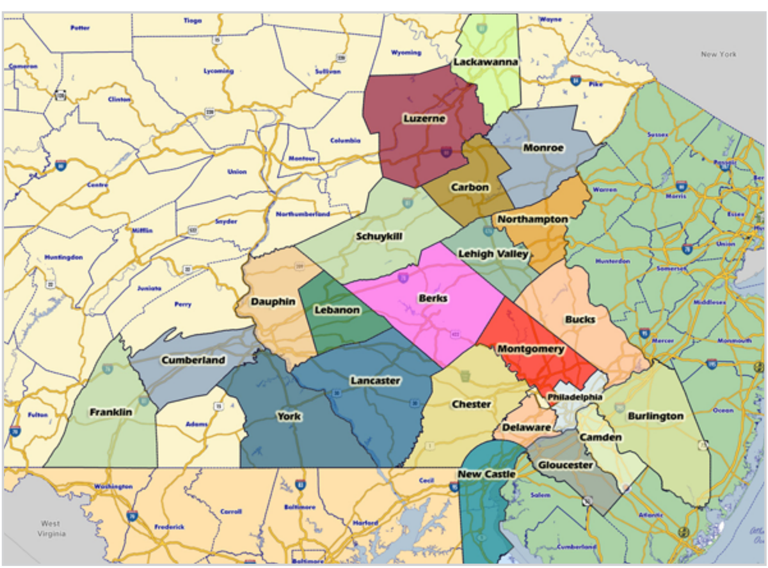
Top Lease Transactions

Size (Sq. Ft.)	Tenant	Address
298,000	Kehe Food Distributors, Inc.	651 Boulder Drive
243,000	Tree of Life, Inc.	7335 Alburtis Road
220,000	The Wiremold Company	80 S. Middlesex Road
207,000	Dentsply International	1800 Cloister Drive

Top Sale Transactions

Size (Sq. Ft.)	Buyer	Address
1,048,631	UrbanAmerica	1900 River Road
597,232	Cornerstone Realty Advisors, Inc.	200 Birch Creek Road
342,160	Exeter Properties Group	275 Cross Farm Lane
179,785	Camden International Commodities Terminal, LLC	1370 Imperial Way

Submarket Map



Average Asking Lease Rate
Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Net Leases
Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage
Includes all competitive office buildings 10,000 square feet and greater in size.

Net Absorption
The change in occupied square feet from one period to the next.

Net Rentable Area
The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

Occupied Area (Square Feet)
Building area not considered vacant.

Under Construction
Buildings which have begun construction as evidenced by site excavation or foundation work.

Available Area (Square Feet)
Area which is either physically vacant or occupied that is being actively marketed and is available for tenant build-out, including sublease space.

Availability Rate
Available Square Feet divided by the Net Rentable Area.

Vacant Area (Square Feet)
Existing Building Area which is physically vacant or immediately available.

Vacancy Rate
Vacant Building Feet divided by the Net Rentable Area.

Normalization
Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

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CB RICHARD ELLIS

Appendix F

Excerpts from
Northampton County Comprehensive Plan

LAND USE

The Natural Resources Plan and the Farmland Preservation Plan present the land preservation components of this comprehensive plan. This chapter presents the recommended general land use plan for the Lehigh Valley which includes recommendations for urban, suburban and rural areas. Also included are LVPC goals and policies for developments of regional significance.

GENERAL TRENDS AND PATTERNS FOR DEVELOPMENT IN THE LEHIGH VALLEY

As previously noted the Lehigh Valley population is growing modestly. With a few exceptions cities and boroughs in the Lehigh Valley are not growing. Residential growth is greatest in suburban townships with public sewer and water on the perimeter of Allentown, Bethlehem and Easton. Between 75% and 80% of the subdivided lots in the Lehigh Valley are in urban or suburban areas where urban development is recommended. Unfortunately the remaining 25% of lots that are subdivided in rural areas constitute 75% of the acreage of subdivided land. This is because rural densities are much lower than urban and suburban densities. People who move to rural areas want larger lots and need them to handle septic tanks, sand mounds, and wells. Zoning policies enacted by municipalities promote this type of development. The inevitable consequences are:

a) increasing consumption of farmland and natural resources;
b) increasing dispersion of development;
c) increasing traffic on rural roads.

These trends are not unique to the Lehigh Valley. They exist throughout Pennsylvania and the nation. Also these trends are not new; they have existed for most of the post WWII period in the United States. In comparison with other parts of the country Pennsylvania seems to be less successful in dealing with them.

The Lehigh Valley is changing from a predominantly agricultural area to a predominantly urban area. In 1975 67% of the area was agriculture and vacant land. By 2030 this percentage will drop to about 45%.

Map 12 shows land use patterns in the Lehigh Valley. Most urban development in the region is between Route 22 and I-78 from Route 100 east to the Delaware River. Interchange locations in this corridor have been popular sites for business and industrial locations since the late 1950s. The corridor is also bounded by rapidly developing suburbs such as Hanover and Bethlehem townships in Northampton County and Upper and Lower Macungie townships in western Lehigh County. Development in western Lehigh County was strongly influenced by the development of a long sewer interceptor from western Allentown to the industrial area around the I-78/Route 100 interchange in the late 1960s.

Expanses of farmland and other open space still exist in northwestern Lehigh County, southwestern Lehigh County, northeastern Northampton County and southeastern Northampton County. There is also an area of prime farmland south of Bath and Nazareth. However, farmland is disappearing rapidly. Rural single family subdivisions on large lots served by on-lot sewer and water are scattered throughout the region. In the less developed areas individual lots or small groups of lots are found along existing roads and at rural road intersections.

Map 13 shows municipal zoning in the Lehigh Valley in 2000. In preparing the map the LVPC staff paid primary attention to the existing regulations in various zones and not zoning district labels which are frequently misleading. The fact is many municipal zoning ordinances that designate areas for agricultural protection are ineffective in accomplishing the goal. In the Lehigh Valley only six municipalities have strong zoning regulations that will protect agriculture. These are Lynn, Heidelberg, Lower Macungie, Upper Saucon, Allen and East Allen townships. Only small areas are protected in Lower Macungie, Upper Saucon, Allen and East Allen. In Heidelberg and Lynn townships property owners are limited to subdivision of 10% of their property for non-agricultural purposes. This has helped to reduce development pressure in these townships.

Environmental protection zoning has been successfully initiated in many Lehigh Valley municipalities. Thirteen municipalities have enacted strong environmental protection zoning. A number have added environmental overlays to existing zones. Effective environmental protection generally includes very low density zoning. On Blue Mountain Lehigh and Moore townships limit single family residential zoning to 10 acres per dwelling unit. Most of the other municipalities have passed zoning ordinances that require minimum residential lot sizes in the range of 3 to 5 acres per lot.

Unless municipalities are willing to curb development with large minimum lot sizes, land acquisitions, or measures that will limit subdivision development, they will not conserve much natural and agricultural land. A minimum lot size of one acre will only assure more large lot subdivision development, which is a primary characteristic of urban sprawl. The emphasis in this plan is on natural resources and agricultural preservation because they comprise a large part of the Lehigh Valley landscape. Restrictive zoning to protect these resources is in accord with Pennsylvania land use law. Growth management in the region depends largely on how municipalities deal with these zoning categories.

Some suburban and rural townships are reaping substantial tax benefits from new development, especially development of large expensive homes. It is tempting to create zoning regulations that will promote this type of development. Pennsylvania courts have long taken a dim view of large lot zoning practices. Large lot zoning must have some relationship to natural resource protection or agricultural preservation. Large lot zoning just to support expensive housing is probably not sustainable if challenged.

Managing commercial development is another problem in many suburban and rural municipalities. Long ribbons of commercial zones are evident in many municipalities. Although this type of zoning may be attractive to business it adds to traffic congestion and traffic accidents because it creates too many points of access that conflict with moving traffic. Municipalities need to concentrate business activities and control access along major roadways.

REGIONAL LAND USE PLAN

Map 14 shows the recommended General Land Use Plan for the Lehigh Valley. The map deals with broad categories of land use — natural resources, farmland preservation, urban and rural development. Table 3 shows the types of land use activities envisioned in each category. The natural resources and agricultural areas illustrated are based on policies recommended in earlier chapters of this report. Urban areas include cities, boroughs and the existing urbanizing portions of suburban townships. It is recommended that most future urban growth , including most residential, industrial and business expansion, be located in the urban areas. In designating the urban areas on Map 14 LVPC considered recommendations of multimunicipal plans underway in early 2004, local zoning, and potential expansion of public sewer systems. Rural areas are low density areas with no existing public sewers and a mixture of low density housing, scattered businesses and farms. Major residential, employment and institutional development is not recommended in rural areas.

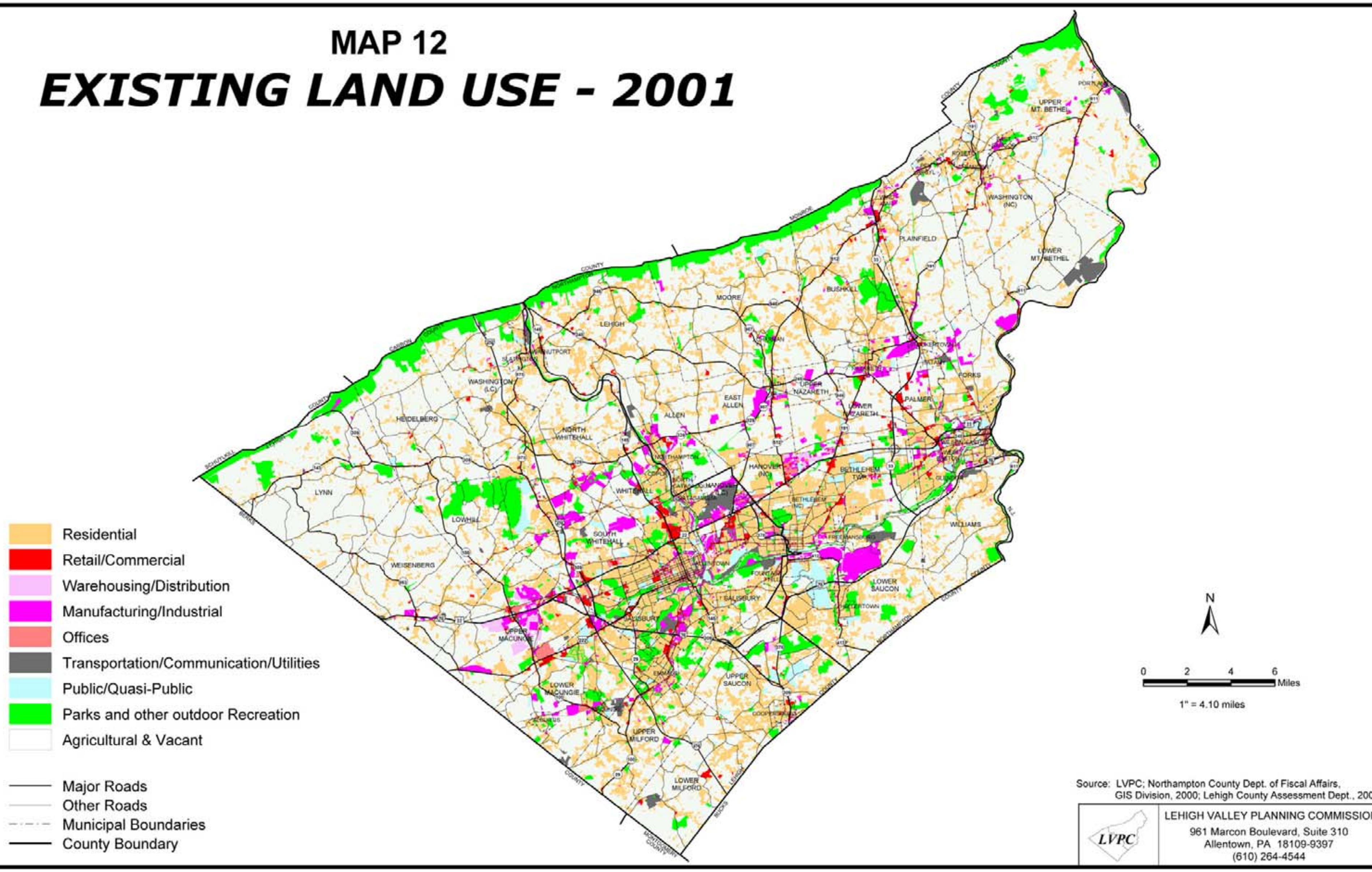
GOAL

To provide a regional framework for protecting natural and agricultural resources, guiding the location and intensity of development, and matching land development with appropriate infrastructure.

POLICIES

- New growth should locate in areas designated for urban development on Map 14.
- New growth should not go into areas recommended for natural resource protection or agricultural protection.
- Generally, housing density and housing variety should be increased in urban development areas.
- Rural areas not designated for natural resource protection, agricultural protection or future urban growth are planned for low density, low intensity rural uses.
- Land uses and land use intensities should be compatible at adjoining municipal borders.
- Municipalities should require access management measures to minimize and control land use impacts on major roads.
- Public buildings and facilities should be located in areas recommended for urban development in this plan unless the facility clearly requires a rural location.
- Oppose use of federal and state funds for projects that will create or encourage sprawl.

MAP 12
EXISTING LAND USE - 2001



Source: LVPC; Northampton County Dept. of Fiscal Affairs, GIS Division, 2000; Lehigh County Assessment Dept., 2000

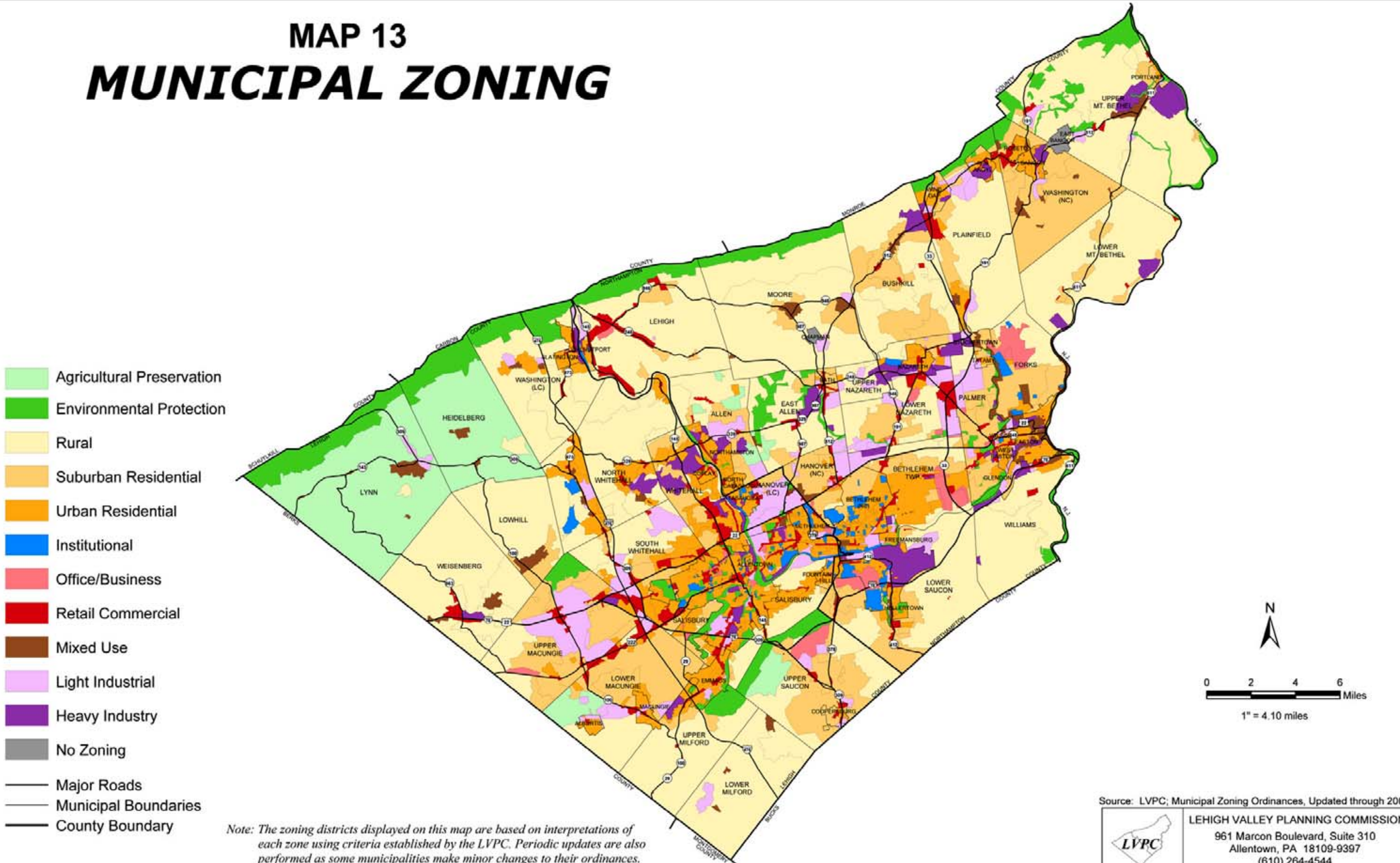
LEHIGH VALLEY PLANNING COMMISSION
961 Marcon Boulevard, Suite 310
Allentown, PA 18109-9397
(610) 264-4544

Map 12

Land Use Patterns

11 x 17 - back

MAP 13
MUNICIPAL ZONING



Note: The zoning districts displayed on this map are based on interpretations of each zone using criteria established by the LVPC. Periodic updates are also performed as some municipalities make minor changes to their ordinances.

Source: LVPC; Municipal Zoning Ordinances, Updated through 2000

LVPC
LEHIGH VALLEY PLANNING COMMISSION
961 Marcon Boulevard, Suite 310
Allentown, PA 18109-9397
(610) 264-4544

Map 13

Municipal Zoning

11 x 17 - back

- The urban development areas designated in this plan may be expanded into rural areas only after a determination by the LVPC that (1) the expansion is otherwise consistent with the overall goals and policies of this plan and (2) the following criteria are met:
  — the expansion is contiguous with the urban development area designated in this plan and does not include areas designated for natural resource preservation or farmland preservation,
  — the expanded area is designated for urban development in the municipal comprehensive plan, zoning ordinance, and municipal planning for sewer and water expansions,
  — the area will be served by publicly-owned sewer and water and its expansion will not create traffic safety or congestion problems.

IMPLEMENTATION

- The Pennsylvania Municipalities Planning Code should be amended to convey greater authority to counties in protecting natural and agricultural resources, managing regional growth and assuring consistent planning policies.
- The LVPC will continue to support multimunicipal planning as the preferred way to undertake local planning consistent with county planning.
- The LVPC will use its review authority under the Pennsylvania Municipalities Planning Code to assure consistency between local and county plans.
- If staff is available, the LVPC will provide technical planning services to municipalities.
- The LVPC will continue to prepare data, technical studies and model regulations that may be useful in the development and implementation of plans.
- Municipalities should incorporate access management in local subdivision regulations.

GOAL

To improve the quality of municipal plans and plan implementation in the Lehigh Valley.

POLICIES

- Support planning implementation measures authorized by the Pennsylvania Municipalities Planning Code.
- Support complete and high quality technical approaches to solving planning problems in the Lehigh Valley.

IMPLEMENTATION

- Continue planning education programs through the LVPC Local Government Academy.
- Continue to use GIS mapping and various types of computer modeling software to help analyze planning projects and inform citizens and officials of the probable consequences of their planning efforts.
- Support innovative techniques such as transferrable development rights, traditional neighborhood development, and conservation development practices.
- The LVPC will review plans and zoning ordinances with respect to substantive planning and zoning requirements in the Pennsylvania Municipalities Planning Code.

CITIES AND BOROUGHS

Cities and boroughs in the Lehigh Valley face very different land use and development problems than suburban and rural townships. There are three cities and 27 boroughs in the Lehigh Valley. About 89% of the total area of all cities and boroughs is already developed. Some of the remaining 11% may not be suitable or available for development. The lack of good developable land limits new development opportunities. In cities and boroughs key issues are redevelopment of old properties, some of which are brownfield sites, urban infill, creating markets for urban sites that may not have the same market appeal of those in the suburbs, conversion of low intensity sites into sites with high intensity land use potential, and updating of old urban infrastructure.

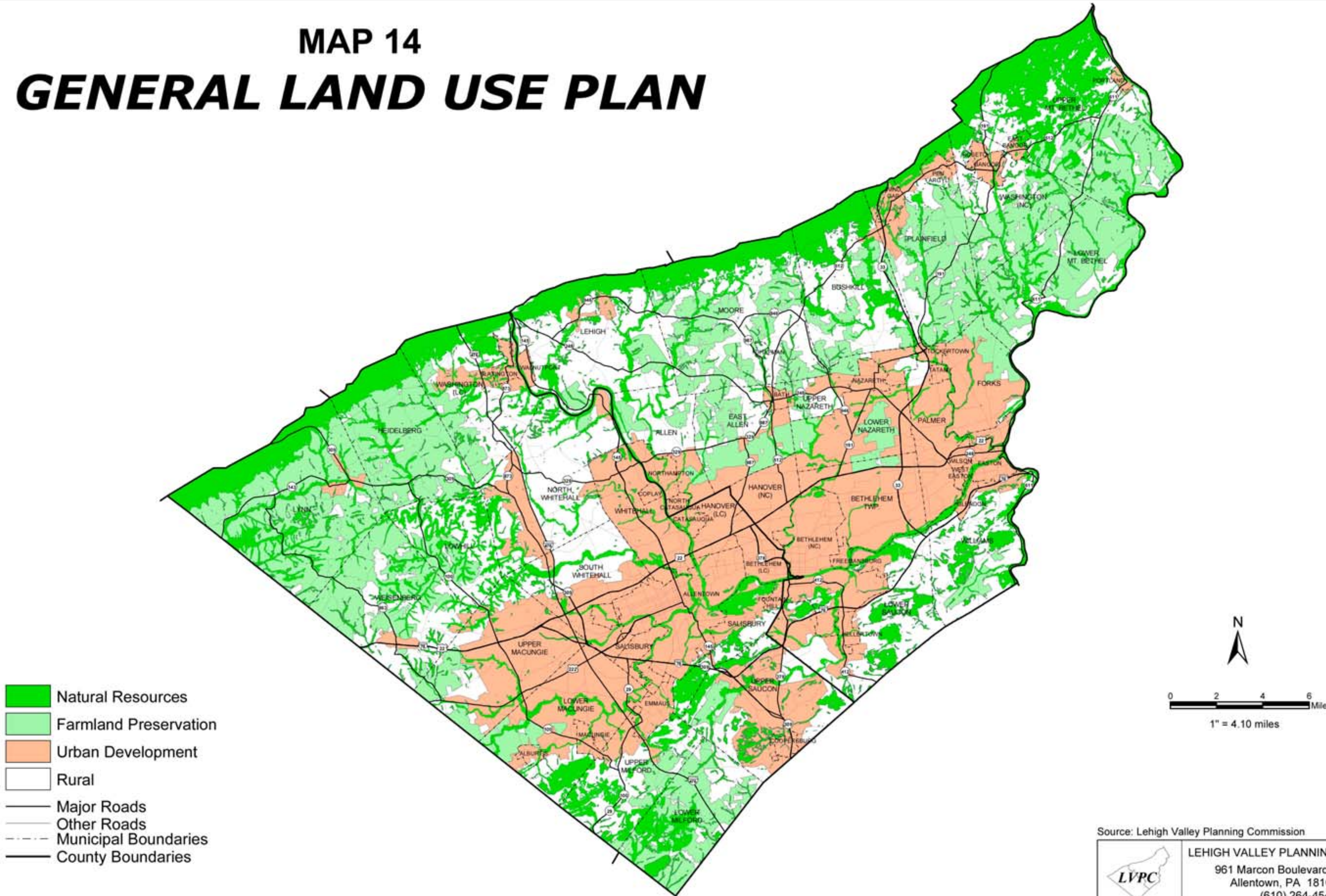
Cities and boroughs face unmistakable trends in their growth characteristics and in their role within the region. In most cases population growth is low in comparison with townships. Between 1990 and 2000, the regional population grew by 40,921. Of that total, only 3,594 (9%) was located in the cities and boroughs. Between 1950 and 2000, the share of regional population in the cities and boroughs dropped from 76% to 52%. LVPC population forecasts show no growth in the three cities in the next thirty years and low growth in boroughs.

TABLE 3
General Land Use Categories

	Objective	Recommended Land Uses	Recommended Densities	Recommended Sewer and Water Systems
Farmland	To protect farmland and to promote farming as an economic activity. (See Farmland Preservation section for detail.)	Agriculture Businesses related to agriculture Parks/open space uses Housing related to agriculture Housing not related to agriculture on a very limited scale	Maximum density of 1 unit per acre for all uses except housing not related to agriculture For housing not related to agriculture, a minimum lot size of 30,000 sq. ft. with no more than 10% of the tract in non-agricultural uses.	On-lot systems Central systems in connection with cluster development for housing not related to agriculture
Natural Resources	To protect sensitive natural resources, particularly flood plains and steep slopes from inappropriate development. (See Natural Resource Protection section for detail.)	Parks/open space uses Woodlands Single family detached housing in steep slope areas Pastureland	Maximum density of 1 dwelling unit per 3 acres in steep slope areas with on-lot utilities. Maximum density of 1 dwelling unit per acre in steep slope areas with public utilities. No development in very steep slope, flood plain areas and other high priority natural areas.	On-lot systems
Rural Development	To provide development opportunities consistent in the context of rural land use patterns and capabilities.	Housing - (single family detached dwellings) Agriculture Businesses related to agriculture Parks/open space uses Mining or public uses needing buffers (like quarries, sanitary landfills and power plants) Industry, businesses, stores, offices and community facilities which by their nature require a rural location or are designed to mainly serve the surrounding rural area	Maximum density of 1 dwelling unit per acre preferably using conservation design practices.	On-lot systems Central systems for public uses requiring a rural setting
Urban Development	To provide areas where development can occur, coordinated with the provision of infrastructure. To meet the needs for development sites.	Housing - (single family detached dwellings, twins, townhouses, condominiums, apartments and mobile home parks) Industries Warehousing, wholesaling Stores, businesses Offices Community facilities Transportation facilities Recreation facilities Parks/open space Crop farming	Density ranges (per acre) with public utilities of: Single family detached 4-7 Twins 6-12 Townhouses, condominiums 8-15 Apartments 8-50 Planned residential developments 4-12 No separate density standard for non-residential uses Maximum density of 1 unit per acre with on-lot utilities	Public sewer and community water systems

MAP 14

GENERAL LAND USE PLAN



Source: Lehigh Valley Planning Commission

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Map 14

General Land Use Plan

11 x 17 - back

Most growth in property valuation is in townships. Between 1991 and 2004, the assessed valuation of the townships in the Lehigh Valley increased by more than $2.8 billion, an increase of 41%. At the same time, the assessed valuation of the cities and boroughs grew by $43 million, a gain of less than 1%. The absence of growth in development and the high demand for services contribute to the tax burden in the cities and boroughs. In 2004 the average real estate tax in Lehigh County cities and boroughs was over four times that in the townships. In Northampton County the average city and borough millage rates were approximately three times township rates.

The cities and boroughs have greater needs for services but diminishing financial resources when compared with townships. According to the 2000 Census data, the cities have lower housing values and higher poverty rates than other areas of the counties. Disparities in these measures are growing. Housing values are lagging in the cities and poverty is becoming more concentrated.

Goal

To achieve growth, property development, redevelopment and an improved tax base in the cities and boroughs in the Lehigh Valley.

Policies

- Support infill development, redevelopment and reuse of abandoned properties and brownfield sites.
- Encourage the coupling of community development and economic development activities so that economic development programs give highest priority to renewal of cities and boroughs.
- Promote reuse of properties that are considered under utilized or under valued.
- Give high priority to infrastructure projects and programs that will redevelop and renew cities and boroughs.
- Encourage high quality and innovative urban design practices in private and public open spaces. Development in cities and boroughs should stress urban design motifs not suburban design.
- Give highest priority to cities and boroughs in the siting of schools, government centers, cultural, entertainment and athletic facilities.
- Encourage development of high quality residential land uses in and near to downtown areas.
- Support state legislation that will assure equitable distribution of growth benefits to all municipalities in each county.

Implementation

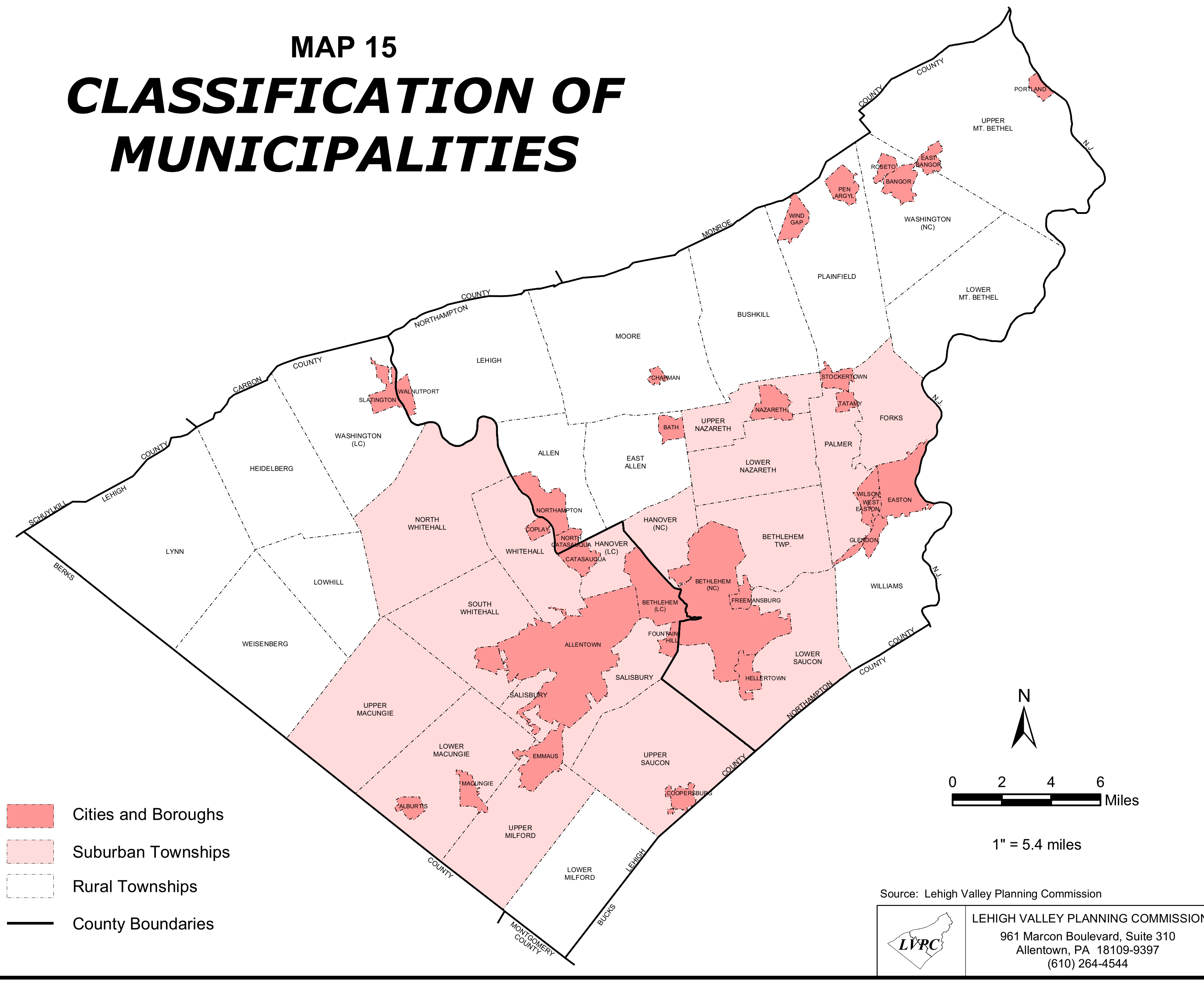
- Support local, state, and federal programs that target funds for renewal, revitalization and redevelopment activities in cities and boroughs.
- Advocate that economic development agencies give priority to reuse and redevelopment of properties in cities and boroughs.
- Give high priority to transportation projects that will improve access, safety, and urban environments in cities and boroughs.
- Support development of innovative incentives, financing and other tools for redevelopment of brownfields and previously used sites that are not brownfields but are under used.
- Support tax-base sharing.
- Support statewide reforms that make it easier for municipalities to merge or consolidate and allow municipalities to dissolve themselves.

SUBURBAN TOWNSHIPS

As shown on Map 15 suburban townships in the Lehigh Valley lie on the perimeter of the three cities on an east-west axis from Easton westward to the Berks County line. Since 1970 71% (80,714) of the rural and suburban population growth in the Lehigh Valley has been in this area. In the next 30 years it is projected that 69% (82,146) of the growth will be in this area. All suburban townships have public sewers and public water in at least a part of their jurisdiction. Much of the regional highway system extends through suburban townships. Since the 1970s the Lehigh Valley Planning Commission has considered parts of these townships contiguous to previously developed areas to be the logical path for most future growth in the Lehigh Valley provided adequate infrastructure is expanded concurrently and natural resources are protected. Some outer areas of these municipalities have also opted to preserve significant sections of farmland.

Development in suburban townships is characterized mainly by low density, single family residential subdivisions, various types of shopping centers,

MAP 15
CLASSIFICATION OF MUNICIPALITIES



and greenfield industrial parks. In comparison with cities and boroughs in the region many suburban townships must deal with too much growth happening too fast. This trend is a constant challenge to local planning and zoning policies where frequent changes and shifts are made in response to development proposals. Common development problems include: increasing traffic congestion, sewer and water system expansions, developer sponsored exclusionary challenges to zoning ordinances, need for more school facilities and other services such as police, fire protection, and parks.

Suburban townships generally have staffs to manage planning problems. However, many need better, more coordinated planning tools — comprehensive plans, zoning ordinances, Act 537 sewer plans, access management controls, subdivision regulations and official maps. Following are LVPC goals, policies and implementation strategies relating to suburban townships.

GOAL

Improved planning and management of growth in suburban townships in the Lehigh Valley.

POLICIES

- Support sewer and water system expansion to serve new development in areas designated for urban development on Map 14.
- Public infrastructure improvement should be made concurrently with all new development.
- Advocate greater variety of housing types in suburban townships and higher densities than currently prevail.
- Oppose strip commercial planning and zoning because they require added public investment in traffic control measures and increase the probability of accidents.
- Protect important natural resources and farmland either through effective zoning controls or acquisition.
- Consider traditional neighborhood development concepts instead of conventional subdivision design practices.

IMPLEMENTATION

- Suburban townships should adopt comprehensive plans that are in accord with the requirements of the Pennsylvania Municipalities Planning Code. Such plans should be updated at least every ten years.
- Zoning ordinances, subdivision regulations and sewer plans should be consistent with the municipal comprehensive plan and the county comprehensive plan.
- Subdivision regulations should be amended to include access management measures, assure street connectivity and provide for sidewalks and bikeways.
- All suburban townships should adopt impact fee ordinances to help defray some of the costs associated with traffic impacts of new development.
- All suburban townships should adopt an official map to help reserve sites for future road improvements, parks and other public facilities.
- Suburban townships should invest in local road improvements and local open space acquisitions.

RURAL TOWNSHIPS

For purposes of this plan, townships with a year 2000 density of under 350 persons per square mile are considered rural. In some areas a population density of 100 persons per square mile is considered rural. By this measure only Lynn Township in Lehigh County would be rural. At 93 persons per square mile in 2000 it is the most rural municipality in the Lehigh Valley. The sixteen townships under 350 persons per square mile are shown on Map 15. Most are experiencing increased development pressure. Unless rural municipalities act to preserve farmland, most will be a lot less rural in 2030.

From the perspective of the LVPC regional plan most sprawl in the Lehigh Valley is in rural townships. Its pattern (or lack thereof) follows the textbook definition of sprawl: scattered subdivisions with intervening patches of open space; ribbons of strip commercial development; large residential developments on large lots served by septic tanks and well water. In the Lehigh Valley this hodgepodge of development is further complicated by the occasional presence of slate and cement quarries and isolated commercial and industrial sites.

Most rural municipalities and school districts are struggling with strong development pressure. They are challenged to expand schools, resolve increasing traffic problems, and fix or take over small sew-

Rural Lynn Township — Mid 1990s

Rural North Whitehall Township — 2004

age treatment plants or water systems that fail due to poor design or lack of maintenance. In addition there is growing demand for police, fire services, park and recreation facilities. Rural communities need to reevaluate their comprehensive plans and zoning ordinances to determine more effective measures to retain their rural character.

GOAL

Reduce urban sprawl in rural townships and retain the rural character of rural areas.

POLICIES

- Preserve farmland and natural resources through strong zoning regulations and public acquisition of property.
- Rural villages should be the preferred location for local convenience retail establishments.
- Refrain from development of public sewer and water systems except where necessary to resolve existing health problems.
- Practice conservation design measures in subdivision development.
- Plan and zone for land uses that are appropriate in rural areas. Avoid planning and zoning for regional commercial, industrial and institutional uses.
- Oppose strip commercial planning and zoning practices.

IMPLEMENTATION

- Rural townships should adopt comprehensive plans that are in accord with the requirements of the Pennsylvania Municipalities Planning Code. Such plans should be updated at least every ten years.
- Zoning ordinances, subdivision regulations and sewer plans should be consistent with the municipal comprehensive plan and the county comprehensive plan.
- Subdivision regulations should be amended to include access management measures, assure street connectivity and provide for sidewalks and bikeways.
- Rural townships should adopt impact fee ordinances to help defray some of the costs associated with traffic impacts of new developments.
- All rural townships should adopt an official map to help reserve sites for future road improvements, parks and other public facilities.
- Rural zoning and subdivision regulations should encourage conservation design practices in the subdivision of land that involves natural resources recommended for conservation.
- Rural townships should invest in local road improvements and local open space acquisition programs.

LAND USES OF REGIONAL SIGNIFICANCE

The Pennsylvania Municipalities Planning Code calls upon county comprehensive plans to identify current and proposed land uses that may have regional impact or significance. Such uses are of special significance because they may have a substantial effect upon the citizens and property owners in more than one municipality. The planning code does not convey extraterritorial power on any municipality to act upon a development in a neighboring municipality. In cases where a property boundary extends into more than one municipality each municipality acts on the basis of its own regulations. In cases where municipalities have agreed to create and implement a multimunicipal plan the municipalities are authorized to create a regional zoning ordinance. Counties are given broad review authority under the planning code. Municipal plans are required to be generally consistent with the adopted county plan. It has been LVPC practice to forward review comments to neighboring municipalities where a development has significant impact on that municipality. County comments cannot override local zoning.

Table 4 identifies land uses and criteria that the LVPC will use in review comments on regional significance. Retail uses are of particular importance because of their wide regional impact and the frequency of retail development. In this section the LVPC has established general policies and implementation strategies for review of developments of regional significance and some special policies for retail uses.

GOAL

To facilitate communication and coordination between municipalities in the planning and review of developments of regional significance.

TABLE 4
LAND USES OF REGIONAL SIGNIFICANCE

Land Use Category	Minimum Criteria
Major Shopping Centers	Greater than 200,000 square feet of leasable area
Major Industrial Parks	Greater than 100 acres
Mines and Related Activities	Greater than 200 acres under permit
Office Buildings & Office Parks	100,000 square feet of office space in buildings
Storage Facilities	Greater than 500,000 square feet of building
Large Residential Developments	500 dwelling units
Regional Entertainment Complexes	All
Regional Recreational Complexes	Identification as a regional recreational facility in park and recreation inventory
Hospitals	Inclusion in list of hospitals in Annual Trends report
Airports	All
Landfills and Other Solid Waste Facilities	All solid waste facilities
Power Plants	All power plants
Educational Facilities	Colleges; high schools; school campus arrangements
Railway and Rail Facilities	All

Implementation

- The LVPC will review and comment on the intergovernmental impacts of developments of regional significance based on planning goals and policies in this comprehensive plan.
- The LVPC will send its review to all potentially impacted municipalities and agencies.
- The LVPC will call on entities proposing developments of regional significance to conduct studies that clearly indicate environmental, land use, traffic and other impacts on all municipalities that may be affected by a development.
- The LVPC will provide mediation services to municipalities desirous of such services consistent with the provisions of Section 502.1 of the Pennsylvania Municipalities Planning Code.

Goal

To minimize negative impacts associated with subdivisions and land developments of regional significance and impact.

Policies

- Municipalities should establish design guidelines for nonresidential developments of regional significance to protect nearby residential areas from undesirable environmental impacts. Sign regulations, architectural controls, buffering of nearby uses and parking lot landscaping should be considered.
- The off-site traffic impacts of developments of regional significance should be minimized. The developer should pay for the portion of the needed improvements attributable to the development. Municipalities should enact an appropriate impact fee ordinance to assure this happens.
- Driveway entrances should be arranged to minimize the disruption to the traffic flow of arterial and collector roads.
- Sub-regional, regional and super-regional shopping centers should be sited in areas near interchanges with expressways or along major arterials.
- Developments of regional significance and development regulations should be coordinated so that the land use decisions in one municipality are sensitive to the impacts in neighboring municipalities.

Implementation

- The LVPC will research and prepare model provisions for design guidelines.
- LVPC reviews of zoning ordinances and land use plans will promote siting criteria consistent with these policies. LVPC proposed zoning ordinances and land use plans will promote consistency with the policies.

Goal

To facilitate renewal and redevelopment of developments of regional significance.

Policies

- The LVPC supports the renewal, redevelopment and retrofitting of existing shopping centers, industrial sites and office complexes in preference to the development of new facilities on greenfield sites.

Implementation

- The LVPC supports the use of public financial incentives for renewal and redevelopment sites in preference to greenfield sites.

Goal

To assure new regional commercial development has adequate infrastructure.

Policies

- Commercial development should be sited in areas designated for urban development on Map 14 which meet the following criteria:
  - — Public sewage disposal and community water supply should be available.
  - — The affected nearby roads should have adequate capacity to handle the traffic.
  - — Safe access should be available.
  - — The location should be convenient for the intended customers.
  - — The development should meet the environmental policies of this plan.

  Also, the availability of transit service by LANTA is desirable.
- Private developers should pay for infrastructure needs generated by their development.

Implementation

- LVPC reviews of zoning ordinances and land use plans will promote consistency with criteria stated in these policies. Municipalities should not zone for retail uses in areas that cannot meet the criteria stated in this plan.

ECONOMIC DEVELOPMENT

The thirty year period from 1970 to 2000 has been a time of economic transition in the Lehigh Valley. Although total employment in the Lehigh Valley has grown 45% this is a much lower growth rate than the 84% growth at the national level. A major factor has been the loss of 44% of the manufacturing jobs that were in the region in 1970. Although manufacturing employment has also lost ground at the national level (-3%), the loss has been nowhere as severe as the Lehigh Valley. Even with robust growth in services and retailing economic growth has not kept pace with the nation.

The loss of jobs in steelmaking, truck manufacturing, apparel and other industries, along with a continuing pattern of urban growth at suburban and rural locations, has caused the loss of tax base in the cities and some boroughs and a steady increase in the amount of vacant business and industrial sites. Economic development must be combined with community development if the vision of a sound economy and healthy, desirable communities is to be achieved in the future.

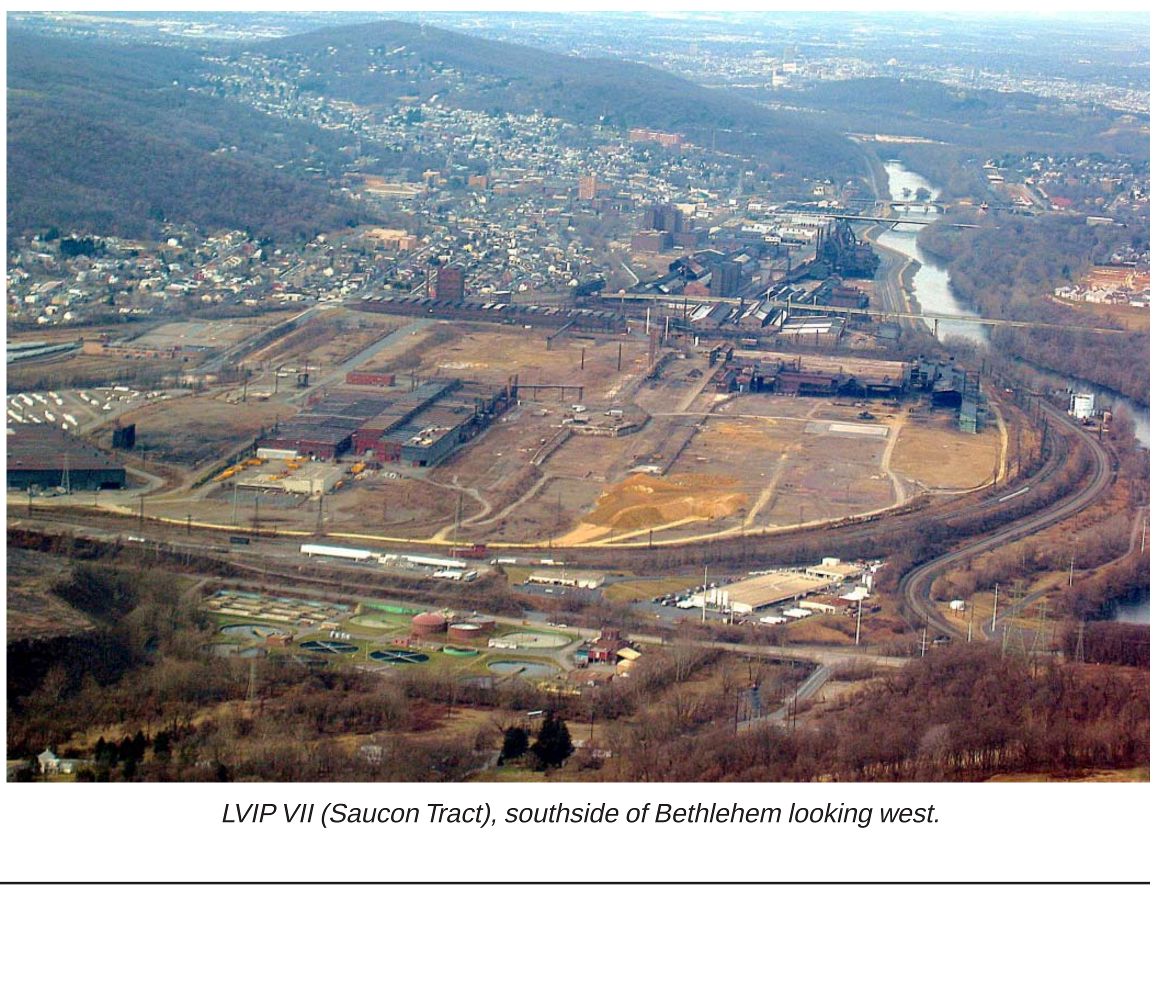
Since the last update of this plan in 1993, economic development programs in the Lehigh Valley have been regionalized at the Lehigh Valley Economic Development Corporation (LVEDC). This organization is the primary marketer of the Lehigh Valley to the outside world. It is also involved in administering economic development grant programs, brownfield redevelopment, the Keystone Opportunity Zone program and local coordination of the Team Pennsylvania program.

The principal economic development role for the Lehigh Valley Planning Commission is in long range land use and infrastructure planning. Goals, policies and implementation strategies in this section will deal primarily with these issues. Map 13 shows sites that are zoned for office and industrial uses. Although municipalities zone properties for economic development, this does not guarantee that such development will occur or that the sites are good sites. Inadequate infrastructure, particularly highway access and availability of public services, are common problems with industrial sites. Sites also require good location and experienced developers. Map 16 shows major areas that are planned and zoned for industry or offices, have public sewers or are close to them, and do not otherwise conflict with this plan. Some areas are not shown because they are too small. Approximately 69 square miles of land are zoned for a variety of economic development activities. In 2002 there were 19 square miles of vacant greenfield sites and three square miles of redevelopment sites. Most vacant land is in western Lehigh County, the Route 33 corridor in Northampton County and the I-78 corridor in both counties. Most redevelopment property is on Bethlehem's south side. Of the 19 square miles seven square miles are served with adequate sewer, water and highway infrastructure. There is great demand for this land in both counties.

In addition to greenfield sites the Lehigh Valley has many old industrial sites that have been used in the past but are no longer viable because of location, obsolescence, pollution or depletion of natural resources. Redevelopment of old industrial sites, especially those that are in urban areas, is a major land use and development issue in the Lehigh Valley. There are many good reasons to redevelop old industrial sites — job creation, tax generation, brownfield cleanup. In addition some brownfield sites, such as the former Bethlehem Steel sites in the southside of Bethlehem, are very well located with respect to major highway and rail transportation corridors. Allentown has important redevelopment sites in its downtown and in the Lehigh Street corridor and Easton in its Bushkill corridor. Urban sites in these areas add to the supply of land for development and reduce some of the pressure for development on farmland in rural areas.

During the past thirty years many infrastructure improvements have benefited economic development efforts in the Lehigh Valley. Since its completion in the mid-1950s Route 22 has become the main business and industrial corridor in the Lehigh Valley. More recently development of I-78, extension of Route 33 from Route 22 to I-78 and regionalization of the sewer system in western Lehigh County are particularly notable. Unfortunately the demand for new highways, interchanges, and other transportation improvements usually exceeds the ability to pay for such infrastructure. Transportation funding comes primarily from the federal and state governments. It is fiscally constrained by federal and state allocation formulas and it is generally insufficient to account for all of the improvements people think are needed. In addition, use of

Greenfield development in the Route 33 corridor looking north.



LVIP VII (Saucon Tract), southside of Bethlehem looking west.

federal and state funds requires compliance with environmental and other laws. The design review process can span a period of 10-12 years for a major project. These are important factors in the assessment of future economic development. In the coming years safety, congestion management and maintenance projects will be given highest priority in the transportation program along with completion of high priority projects such as Route 412 and the American Parkway in Allentown. The major long term project will be upgrading Route 22.

The LVPC supports economic development efforts and efforts to preserve valuable natural resources. It is sometimes very difficult to steer a developmental course that champions both improvement of the regional economy and preserves the natural resources that many citizens wish to preserve. Clearly a livable, desirable community must attend to both economic and natural resource preservation goals. The hard part will be finding the balance between the two. This plan attempts to depict those parts of the Valley that are appropriate for each set of goals.

MINERAL EXTRACTION

Mineral resources played an important part in the development of the Lehigh Valley. Deposits of iron ore were being mined in Williams Township in the late 1700's. Local deposits of limonite and hematite were mined extensively in the 1800's. In the 1880's Lehigh County was one of the largest iron ore producing counties in the country. The richest deposit of zinc in the commonwealth was discovered in Upper Saucon Township in the 1840's. Zinc mining in Upper Saucon continued until 1982. Some of the best slate in the country is found in a narrow belt along the southern base of the Blue Mountain from the Delaware Water Gap to the western boundary of Lehigh County. The slate industry started in the 1840's and gained prominence in the latter part of that century. Although only a shadow of its former importance, several active slate operations continue to this day.

The most important mineral resource in the region is limestone. Large quantities of limestone capable of forming excellent cement exist in a strip several miles wide extending from Riverton in Lower Mt. Bethel Township to Fogelsville in Upper Macungie Township. The large-scale production of cement started in the late 1800s and by the early 1900s the Lehigh Valley was producing about 70% of all portland cement in the country. Although the local cement industry has been in decline for decades, there is one plant in Lehigh County and four plants in Northampton County that still produce cement from local limestone deposits.

The terms *Cement Belt* and *Slate Belt* are still used to describe the areas of the Lehigh Valley where limestone and slate were mined. Remainders of the iron, cement and slate industries are with us today as mine pits, large quarries and rubble piles. Some sites have been turned into recreational resources for fishing and scuba diving. Others have been used for the discard of various types of waste. In most instances abandoned sites are an eyesore and in some cases they are a nuisance. Some sites have been placed on the Keystone Opportunity Zone registry. The reuse potential and cost of site remediation is yet to be determined.

Mineral operations still have a presence in the Lehigh Valley. As of early 2001 there were 52 permitted mining operations in the region. The major existing sites are shown on Map 16. The Pennsylvania Municipalities Planning Code, as amended in 2000, requires that important mineral resources be identified and that municipalities provide for the reasonable development of minerals.

Goal

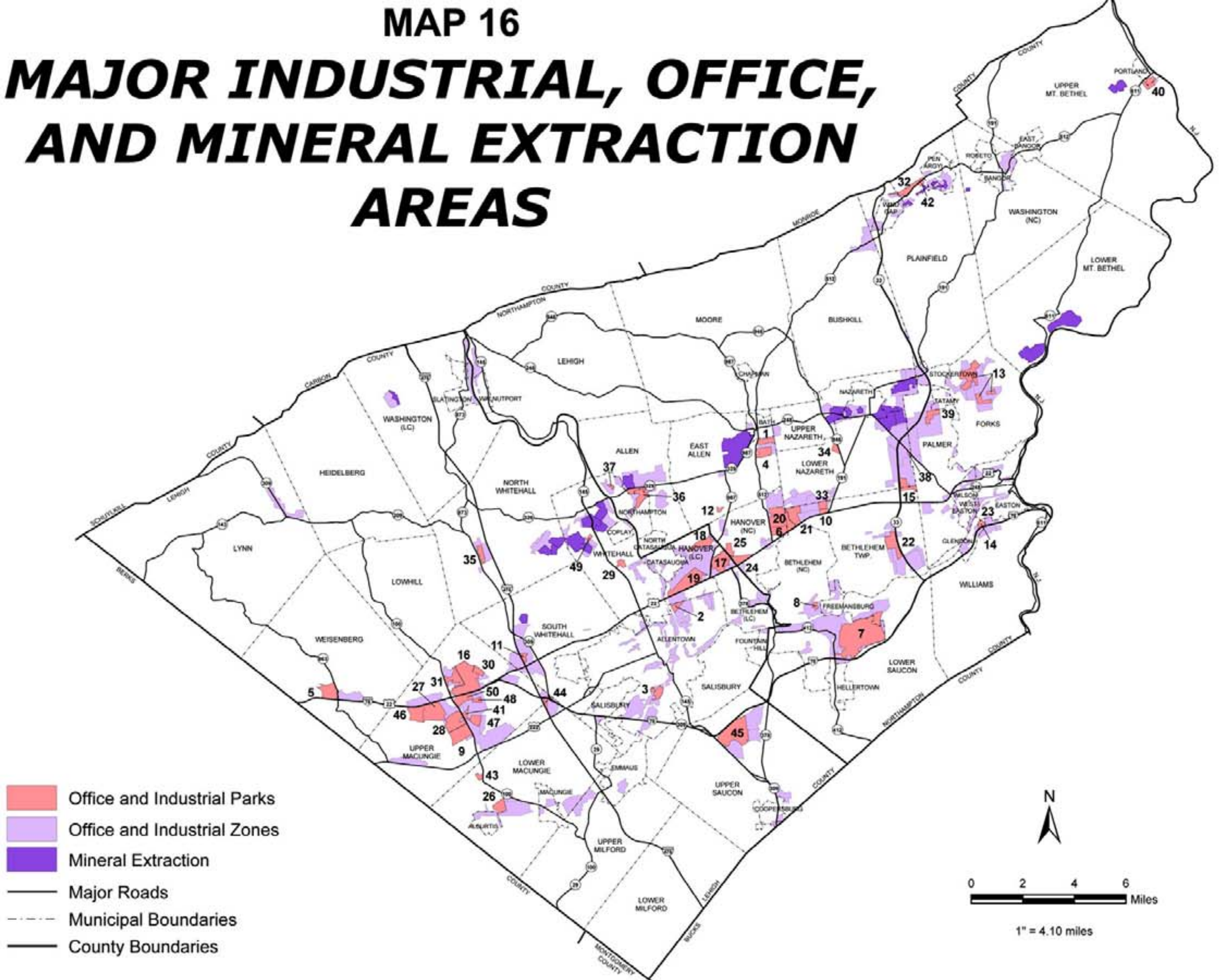
To support economic development opportunities that provide jobs at above average wages and improve the regional tax base.

Policies

- Promote retention and expansion of businesses with above-average wages.
- Reject land intensive, cheap labor industries that are viable only with public grants, tax relief and other incentives.
- Provide employment opportunities to all social and economic groups.
- Recruit high technology businesses that are targeted to take advantage of the programs and expertise of educational institutions and businesses in the region.
- Use federal and state programs that promote economic development consistent with the goals and policies of this plan.
- Promote tourism activities that relate to the unique physical, historic and cultural features of the Lehigh Valley.

MAP 16

MAJOR INDUSTRIAL, OFFICE, AND MINERAL EXTRACTION AREAS



ID	Office and Industrial Parks	Area (Acres)
1	512 Industrial Park	77
2	Allentown Business Park	54
3	Allentown Commerce Park	96
4	Arcadia East Industrial Park	129
5	Arcadia West Industrial Park	210
6	Bethlehem Business Park	125
7	Bethlehem Commerce Center	1
8	Bethlehem Industrial Park	28
9	Boulder Business Center	256
10	Brodhead Industrial Campus	37
11	D & C Spinosa Company Site	39
12	East Allen Industrial Park	23
13	Forks Industrial Park	397
14	Glendon Business Center	34
15	Hecktown Road Industrial Park	121
16	Iron Run Corporate Center	533
17	LVIP I	259
18	LVIP II	138
19	LVIP III	378
20	LVIP IV	378
21	LVIP V	177
22	LVIP VI	195
23	Lehigh Drive Industrial Park	5
24	Lehigh Valley Corporate Center	105
25	Lehigh Valley Corporate Center II	72
26	Lehigh Valley South Industrial Park	116
27	Lehigh Valley West Industrial Park	337
28	Lehigh Valley West/2 Industrial Park	254
29	MacArthur Industrial Park	53
30	Meadows Business Center	59
31	Mill Run Industrial Park	157
32	NAPA Industrial Park	120
33	Nancy Run Industrial Center	61
34	Newburg Industrial Park	47
35	North Whitehall Industrial Park	77
36	Northampton Development Center	199
37	Northampton Industrial Park	15
38	Northwood Business Park	10
39	Palmer Industrial Park	103
40	Portland Industrial Park LP	96
41	Route 100 The Corporate Center	38
42	Slate Belt Industrial Complex	20
43	Spring Creek Industrial Park	34
44	Springside Industrial Acres	28
45	Stabler Executive Center	545
46	The Crossings (Haaf Tercha Industrial Park)	201
47	West Park Business Center	92
48	West Park II	35
49	Whitehall Business Park	22
50	William Penn Business Center	135

Source: Lehigh Valley Planning Commission, 2004

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Map 16

Major Industrial, Office, and Mineral Extraction Areas

11 x 17 - back

IMPLEMENTATION

- LVPC will use review powers to support major employment sites accessible to all social and economic groups.
- LVPC will promote coordination of employment site development and transit services.

GOAL

To strengthen the tax base of municipalities with declining tax bases.

POLICIES

- Existing vacant buildings and sites should be redeveloped and reused to the maximum extent possible.
- Combine economic development and community development efforts to revitalize the economy of urban places and make urban redevelopment sites more competitive with greenfield sites in suburban and rural areas.
- Public sector efforts to influence the amount of business or industrial growth should give high priority to assisting economically and financially depressed communities and population groups.

IMPLEMENTATION

- Economic development agencies should give priority to the reuse and redevelopment of existing vacant sites over greenfield sites.
- LVPC will support infrastructure proposals needed to make existing buildings and sites usable in areas otherwise supported in this comprehensive plan.
- Promote private innovation and investment in the reuse of old industrial sites.

GOAL

To locate future employment in areas where the comprehensive plan policies indicate that urban growth is appropriate.

POLICIES

- Employment growth is recommended in areas that meet the following criteria:
    - — public sewer and water should be available;
    - — adequate highway capacity should be available;
    - — site should be close to major concentrations of development;
    - — site should be environmentally suitable;
    - — site should be served or potentially served by LANTA;
    - — site should be consistent with this plan.

IMPLEMENTATION

- LVPC reviews will support zoning ordinances and development proposals consistent with the above criteria. Areas that cannot meet the above criteria should not be planned or zoned for industry.

GOAL

To accomplish economic development efforts in an effective, efficient manner.

POLICIES

- Emphasize coordination and cooperation among the governmental bodies, agencies and organizations involved in economic development and community development.

IMPLEMENTATION

- The LVPC will continue to cooperate with economic development entities in accord with LVPC policies and the availability of staff.
- The LVPC will collaborate with the counties and LVEDC in the development and maintenance of the Comprehensive Economic Development Strategy report that is required to maintain eligibility for Economic Development Administration funds.
- The LVPC will provide available data needed for economic development.
- The Lehigh Valley Transportation Study (LVTS) planning process should support transportation improvements needed for economic growth provided such proposals are consistent with this plan, the LVTS Transportation Plan and Transportation Improvement Program.
- The LVPC will work with economic development agencies to identify appropriate areas for new developments, sites for industries that need special buffering and sites suitable for reuse.
- LVPC reviews will support grant proposals that promote economic development consistent with the policies of this plan.