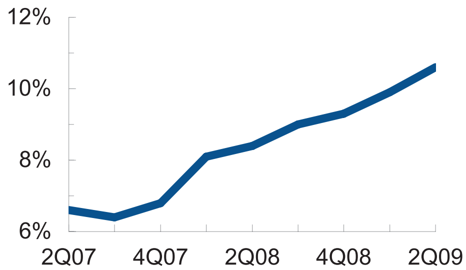
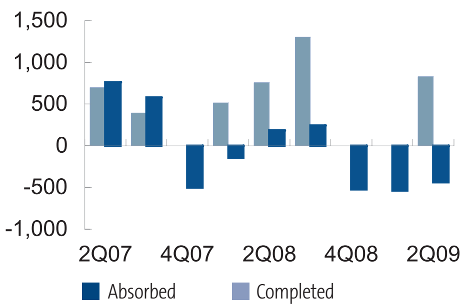
Industrial Trends Report—Second Quarter 2009
Nashville, TN

GRUBB & ELLIS. Centennial, Inc.

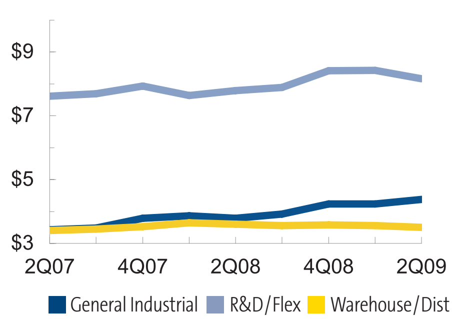
Vacancy Rate
Quarterly



Completions vs. Absorption
Quarterly (in Thousands of SF)



Asking Rental Rates
Quarterly ($/SF/Yr. Triple Net)



Asking rates are decreasing, average lease sizes are shrinking, and vacancy is rising. New speculative construction is almost non-existent. The activity in the Nashville industrial market reflects a national decline in manufacturing that has resulted in a glut of vacant space.

Nationally, employment in the manufacturing sector dropped by 136,000 jobs in June and 1.9 million jobs over the course of the recession. Tennessee suffered 37 mass layoffs in May, the latest data available, ranking 19th in the nation under Minnesota, Oregon, and New Jersey. Recent manufacturing layoffs locally include Gibson in Nashville, Unipres in Portland, and Quality Industries in LaVergne, a Peterbilt supplier who laid off 111 people in June. Peterbilt closed its Madison facility in April, laying off 390 members of its administrative staff and moving its operations to Denton, Texas.

Durable goods orders increased in April and May, and the American Bankers Association predicted the GDP will turn positive during the third quarter, but some analysts believe a rebound is still months away. The World Trade Organization predicts a 14 percent drop in exports from developed nations this year, due in part to protectionism and reduced demand from poor nations. In an effort to bring more industry to Tennessee, Governor Phil Bredeson tasked Economic and Community Development Commissioner Matt Kisher with bringing in new green businesses to complement two companies who have announced their plans to build plants here, Wacker Chemie AG and Hemlock Semiconductor. Both companies manufacture components of solar cells, solar panels, and semiconductors.

Bulk users with immediate needs will find plenty of room in multiple markets. Large vacancies remain in the Couchville Pike Business Center, 840 Business Center, and Wilson Commerce Center, all constructed while the market was growing. Nissan plans to build a 717,000 square-foot facility, expandable to 1.2 million square feet, within the Couchville Pike Business Center with an expected April 2010 completion to consolidate its Smyrna operations. Nissan will be vacating 700,000 square feet in the South Park Distribution Center.

FORECAST

- Landlords may offer more aggressive rental rates, buildout, and/or free rent outside of the lease term.
- Chattanooga will benefit from Volkswagon's supply needs, a benefit that may stretch up I-24 to middle Tennessee due to its close proximity. Suppliers for GM, though, await the ramifications of the GM bankruptcy and the pending closing of GM's Spring Hill plant in November. Suppliers for GM may be invited to ship products to or relocate to Michigan to continue their business, but other supply contracts will be eliminated.
- Middle Tennessee is primed for a quicker recovery than many areas because of minimal new construction, but we do not expect to see a turn-around until this time next year.

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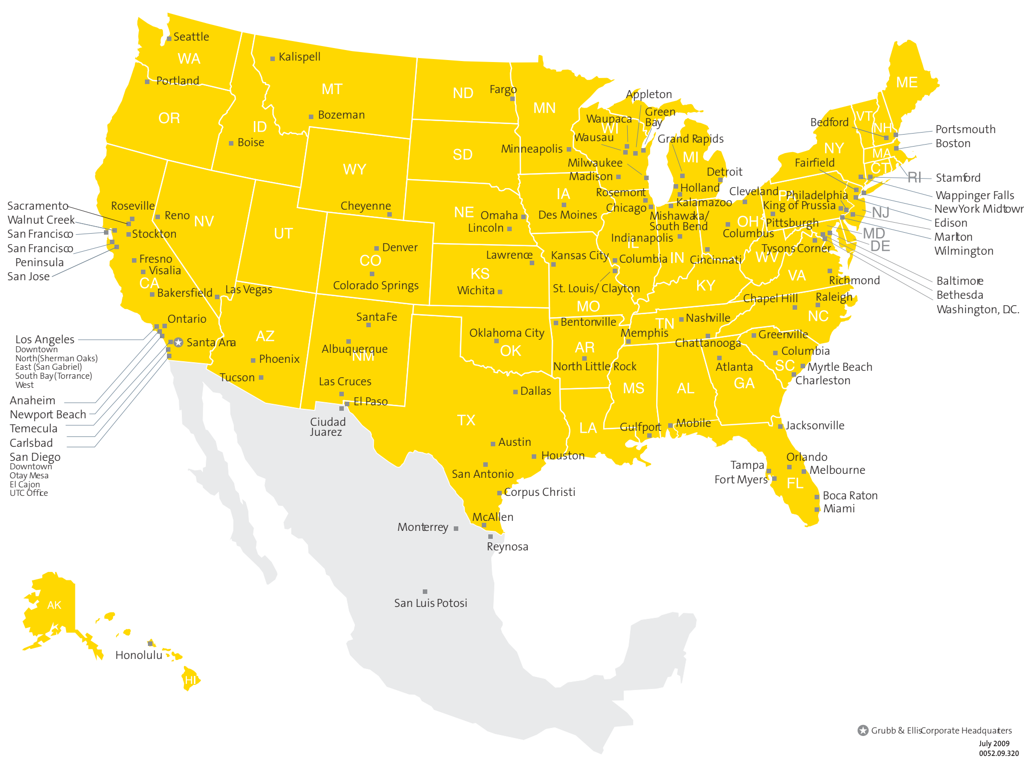
By Submarket	Total SF	Vacant SF	Total Vacancy %	NET ABSORPTION Current	NET ABSORPTION Year To Date	Under Construction SF	ASKING RENT WH/Dist	ASKING RENT R&D/Flex
East	32,041,320	5,322,329	16.6%	11,925	(16,164)	700,000	$3.57	$7.88
ICBD	22,843,633	1,247,640	5.5%	(139,963)	(126,123)	-	$3.53	$7.97
North	36,285,486	3,482,065	9.6%	126,667	(42,646)	108,000	$3.23	$7.79
South	15,340,605	1,163,338	7.6%	(125,873)	(151,023)	-	$3.98	$11.67
Southeast	49,844,925	6,079,328	12.2%	(266,001)	(566,197)	-	$3.51	$7.28
West	7,724,743	173,325	2.2%	(42,575)	(66,325)	-	$3.82	-
Totals	**164,080,712**	**17,468,025**	**10.6%**	**(435,820)**	**(968,478)**	**808,000**	**$3.50**	**$8.16**

By Property Type	Total SF	Vacant SF	Total Vacancy %	Current	Year To Date	Under Construction SF	ASKING RENT
General Industrial	66,726,606	2,884,927	4.3%	40,495	(10,775)	-	$4.38
R&D/Flex	11,295,757	1,533,002	13.6%	(134,450)	(215,984)	-	$8.16
Warehouse/Distribution	86,058,349	13,050,096	15.6%	(341,865)	(741,719)	808,000	$3.50
Totals	**164,080,712**	**17,468,025**	**10.6%**	**(435,820)**	**(968,478)**	**808,000**	**$4.04**

Grubb & Ellis Office Locations
as of July 2009



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INDUSTRIAL TERMS AND DEFINITIONS

Inventory: Industrial Inventory includes all multi-tenant, single tenant and owner-occupied buildings at least 20,000 square feet.

Industrial Product Types: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses .

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighted by the amount of available space in the building.

** Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*