

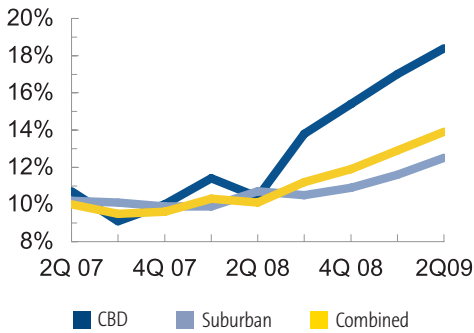
Office Trends Report—Second Quarter 2009

Nashville, TN



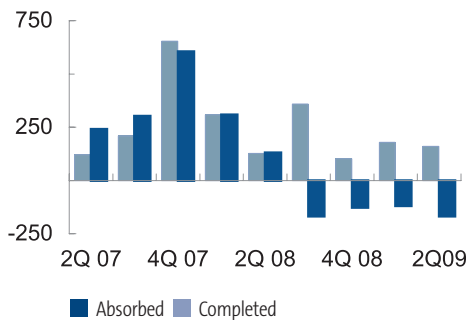
Vacancy Rate

Quarterly



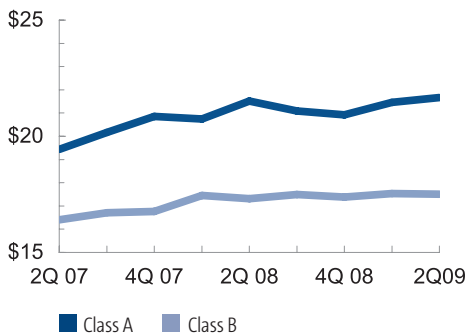
Completions vs. Absorption

Quarterly (in Thousands of SF)



Asking Rental Rates

Quarterly (\$/SF/Yr. Full Service)



Effective rents throughout the country are down 10 to 15 percent, but landlords in middle Tennessee were not ready to give in and lower asking rates during the second quarter. Instead, they preferred to offer free rent and other concessions or tout LEED certification or high-end finishes as reasons for maintaining rates. Novelty incentives like microwaves and gift cards faded away as landlords accepted that tenants require deals that help their bottom line.

Long-term leases are declining. Instead of entering into new leases, tenants prefer extending their leases while they assess future options. Available sublease space increased only slightly from first quarter levels. Negative absorption of 168,740 square feet brought the overall vacancy rate for the Nashville area up to 13.9 percent. The downtown vacancy rate grew to about 18.4 percent, a level somewhat lower than the 20 percent reported in the local daily newspaper in June. New office construction nearly halted. The approximately 588,590 square feet currently under construction will deliver with 48 percent leased by the end of 2009. Construction of One Greenway Center in Franklin remains on hold. This tempered growth has enabled the Nashville market to sustain vacancy levels below many other metropolitan areas in the United States.

Davidson County unemployment in May was 8.6 percent, lower than the national unemployment rate of 9.4 percent. Demand for office space depends on employment growth, and as of May, temporary help services posted the largest number of mass layoff claims. Despite predictions by the American Bankers Association that the GDP will turn positive by the end of 2009, a rebound in the office market will be slow while companies make due with minimal staff. Office space lags behind retail and industrial growth, but new orders for durable goods increased and consumers feel more confident in their spending, indicating that the economic bloodletting of the first half of 2009 is slowing down.

FORECAST

- Asking rents may decrease during the last half of 2009 in an attempt to attract more long-term tenants.
- Nashville commercial building prices will continue to decline as buyers hold out for the bottom of the market or better cap rates, which likely will not come until the first quarter of 2010. Assistance from TALF funds may help prevent defaults on commercial properties, but foreclosures will continue to drag down investment transaction values.
- The Metro Nashville City Council unanimously approved Mayor Karl Dean's \$560.8 million dollar capital spending plan. This spending for numerous infrastructure projects should return long-term dividends for future development.

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By Submarket	Total SF	Vacant SF	VACANCY %		NET ABSORPTION		Under Construction SF	ASKING RENT	
			Direct	Total	Current	Year To Date		Class A	Class B
CBD	7,194,302	1,327,302	17.3%	18.4%	(103,392)	(156,630)	500,431	\$20.94	\$17.69
CBD Total	7,194,302	1,327,302	17.3%	18.4%	(103,392)	(156,630)	500,431	\$20.94	\$17.69
Airport North	3,554,842	585,970	12.3%	16.5%	(7,739)	(19,295)	-	\$18.38	\$16.63
Airport South	2,464,393	497,379	18.3%	20.2%	(43,232)	34,910	-	\$15.09	\$14.97
Brentwood	5,156,307	417,577	7.4%	8.1%	(32,972)	(94,411)	-	\$21.31	\$18.84
Cool Springs	5,264,967	878,745	16.1%	16.7%	50,151	50,218	217,000	\$23.28	\$20.48
Green Hills	2,045,447	225,367	8.4%	11.0%	(3,223)	(33,073)	-	\$27.57	\$22.49
MetroCenter	1,216,184	24,182	2.0%	2.0%	8,545	3,374	-	\$17.00	\$16.28
North	740,972	116,173	15.7%	15.7%	(4,105)	7,818	50,000	\$17.60	\$13.79
West End	3,359,244	234,540	6.8%	7.0%	(32,773)	(90,327)	35,856	\$26.89	\$19.72
Suburban Total	23,802,356	2,979,933	11.1%	12.5%	(65,348)	(140,786)	302,856	\$22.02	\$17.42
Totals	30,996,658	4,307,235	12.6%	13.9%	(168,740)	(297,416)	803,287	\$21.67	\$17.51

By Class	AVAILABLE FOR SUBLEASE								
	CBD	Suburban							
Class A	18,260,750	2,554,434	12.2%	14.0%	(83,572)	(191,240)	803,287	112,407	398,960
Class B	9,134,556	1,122,827	12.0%	12.3%	(35,559)	(54,944)	-	12,768	62,969
Class C	3,601,352	629,974	16.0%	17.5%	(49,609)	(51,232)	-	4,800	77,143
Totals	30,996,658	4,307,235	12.6%	13.9%	(168,740)	(297,416)	803,287	129,975	539,072.00

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OFFICE TERMS AND DEFINITIONS

Inventory: Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

Office Building Classifications: Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

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.

Direct Vacant: This is the vacancy rate in space offered on the market directly by the landlord in single and multi-tenant buildings. This excludes vacant space offered for sublease and vacant space that is not offered on the market, for whatever reason.

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. Office rents are reported full service where all costs of operation are paid for by the landlord up to a base year or expense stop. 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.*