

Flex/Industrial Analysis (cont.)

Trends

Vacancy Rate



Net Absorption



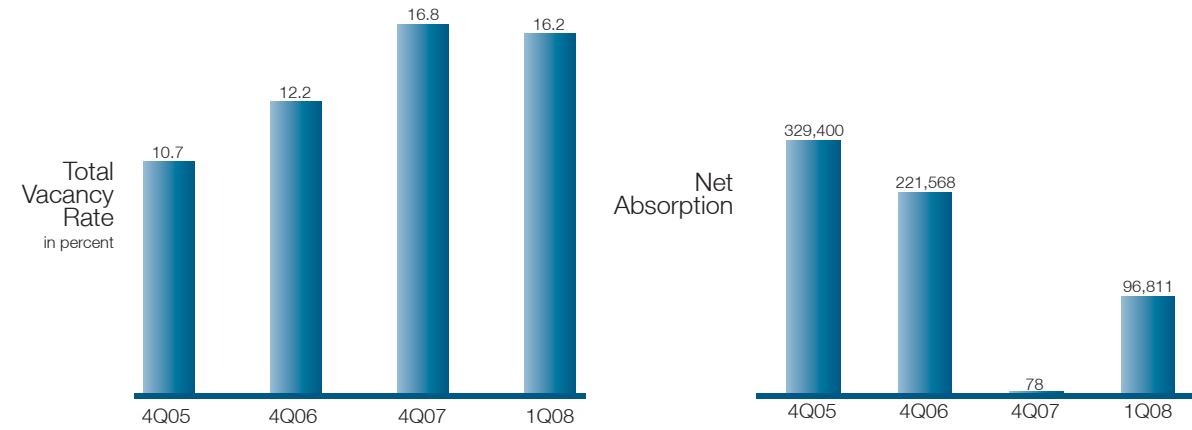
Construction



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With over 280,000 sf recent speculative deliveries and minimal net absorption, the flex market fundamentals continue to show weakness. Recent deliveries include Bavar Properties Wellington Center, a 134,520 SF flex park. If economic fundamentals deteriorate further into 2008 we will continue to see vacancy rates increase. The market may be helped; however, as the credit market tightens further pushing would be purchasers of office and flex condos into the lease market. A soft economy also causes tenants to seek more economic lease alternatives to traditional office. The flex market helps to fill that demand and should see the benefits of such throughout the year.



FLEX STATISTICS

Year	BASE	New Construction	Net Absorption	Availability			Vacancy Rate			Average Rental Rate
				Direct	Sublet	Total	Direct	Sublet	Total	
2005	4,995,662	201,651	325,773	474,884	22,806	497,690	9.50%	0.50%	10.00%	\$12.62/nnn
2006	5,188,681	193,019	271,787	523,766	-	523,766	10.10%	0.00%	10.10%	\$11.53/nnn
2007	5,436,817	248,136	2,592	711,077	12,000	723,077	13.10%	0.20%	13.30%	\$10.96/nnn
2008 1Q	5,471,965	35,148	73,379	720,773	12,000	732,773	13.20%	0.20%	13.40%	\$11.58/nnn

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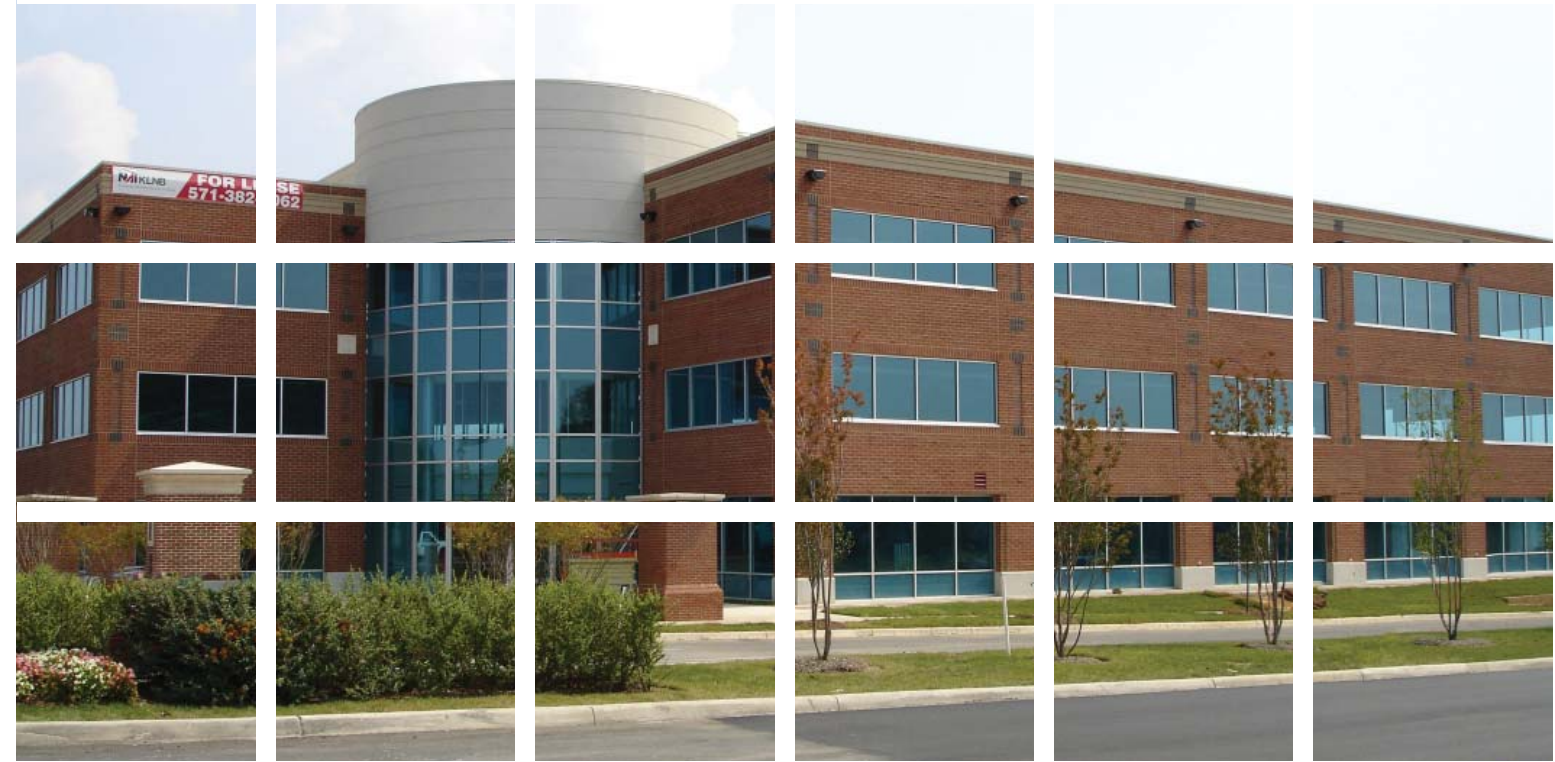
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1st Quarter 2008 Prince William County Market Update



Office Market Analysis

Trends

Vacancy Rate



Prince William County's office market consists of the Western Prince William market (Manassas Rt. 29/I-66 Corridors) and the Eastern Prince William Market (Woodbridge/I-95 Corridor). The two markets are connected via the Prince William County Parkway and the Rt. 234 Bypass and served by I-66 in the West and I-95 in the East. The combined markets have an inventory of approximately 5.1 Million Square Feet with rental rates ranging from \$18-\$25 for relet and \$25-\$30 for new construction. With over 400,000 sf of new deliveries in 2007, net absorption has not kept pace at 150,000 SF. 1st Q 08', however, has seen over 80,000 sf of net absorption, most of which has occurred in the Woodbridge/I-95 Corridor from Government Contractors. The recent increase in absorption has helped push vacancies down to 11% in that submarket.

Net Absorption



The County continues to see growth in both jobs and population, however, the pace of growth has slowed. The County has been hit hard by the credit crunch and subprime crisis as foreclosures continue to rise and housing values decline sharply. This negative sentiment has leaked into the commercial market as uncertainty has delayed or canceled growth plans, decreasing deal velocity. Some of this impact has been offset by Federal contracts and their procurement dollars and Prince William County continues to benefit from such. DOD contractors are flocking to Eastern Prince William as they position themselves for contracts requiring access to Quantico. BAE Systems, EG&G, MTC Technologies, SAIC, Stanley Associates and Progeny Systems are just a few of the government contractors with a presence in the County. BRAC will only add to this as Eastern Prince William is positioned near both Ft. Belvoir and Quantico. There affects, however, have yet to be seen to any large extent.

Construction



Western Prince William with its Innovation Park the catalyst, saw completion of the FBI's 200,000 SF facility and the State of Virginia's 114,000 SF forensic lab. The park was hit hard by Eli Lilly's abandoning of their 300,000 SF insulin manufacturing plant but rebounded with the sale of the facility to Covance. In addition George Mason broke ground on their 53,000 sf Biomedical Research Laboratory strengthening the County's position in the life science community.

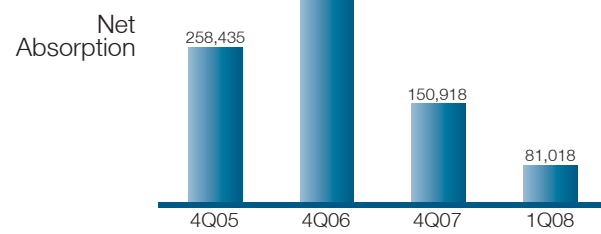
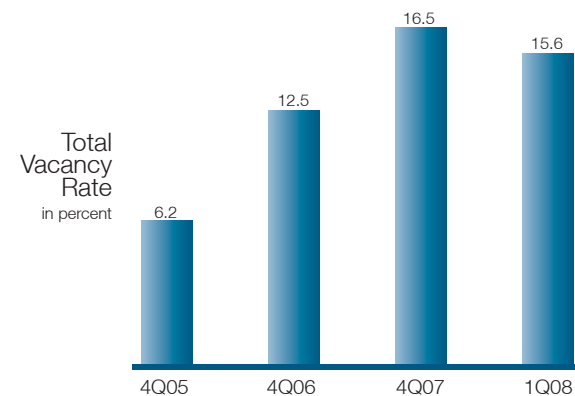
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These factors have led to the continuing of speculative office construction in the County with over 400,000 SF of new deliveries. This pace coupled with 2006's 700,000 SF and the economic downturn has led to current vacancy levels of 15% County wide. The Rt. 29/I-66 submarket (Western PW County) has had the most significant impact with vacancies pushing 20%. Looking ahead, we see cautious optimism as new business continues to look to Prince William as a viable option and the positive effects of BRAC begin to take hold. The economic downturn and credit crunch should keep speculative construction to a minimum allowing absorption to begin to catch up.

OFFICE STATISTICS

Year	BASE	New Construction	Net Absorption	Availability			Vacancy Rate			Average Rental Rate
				Direct	Sublet	Total	Direct	Sublet	Total	
2005	3,899,311	406,663	258,435	240,583	1,315	241,898	6.20%	0.00%	6.20%	\$24.21/fs
2006	4,597,904	698,593	411,359	518,492	54,640	573,132	11.30%	1.20%	12.50%	\$25.66/fs
2007	5,039,627	441,723	150,918	791,921	42,004	833,925	15.70%	0.80%	16.50%	\$25.01/fs
2008 1Q	5,098,265	40,000	81,018	40,976	4,639	45,615	2.40%	0.30%	2.60%	\$24.85/fs



Flex/Industrial Analysis

Trends

Vacancy Rate



Prince William's flex/industrial market consists of both the Woodbridge/I-95 Corridor and the Manassas Rt. 29/I-66 Corridor. It is served by I-95, the Prince William County Parkway and I-66 providing access to the Capital Beltway to the East and I-81 to the West. In addition, the recent completion of the Rt. 234 bypass provides a more direct route between the corridors and to I-95. This strategic position coupled with continued growth in the County and region has made the Corridor an attractive place for many of today's industrial users. It has approximately 3 million square feet of industrial inventory with only 8.0% vacancy. Rental rates range from \$6.00 - \$9.00 NNN depending on a number of factors: the level of office finish, clear height, truck courts, parking, outside storage, and age of the buildings. Its flex market is much smaller with 5.4 million square feet and a higher vacancy of 13%. Rental rates average \$11.00 NNN.

Net Absorption



With the lack of land in the Dulles Corridor, the Prince William County industrial market has begun to attract new developers to the Rt. 29/I-66 Corridor. First Industrial, ProLogis and Florida Rock Properties (FRP) are among the large institutions planning significant speculative industrial parks. All three look to break ground in 2008, however, it is rumored that First Industrial may sell. NAI KLNB handles the leasing for FRP's Patriot Business Center with the potential for over 700,000 SF of development. They will look to go spec on a 117,000 SF building 3rd Q 08'. The market is fueled by prospects searching for a lower cost alternative to the Dulles and I-95 Corridors without going west to Winchester or further South to Stafford and Fredericksburg.

Construction



While vacancy rates remain healthy overall, the Rt. 29-I-66 corridor has seen a surge in vacancy over the past two quarters from 5.8% in the 3rd Q 07' to 12% today. A significant portion of the market is fueled by local businesses ridding the growth in both commercial and residential construction. As the economic downturn has hit the County hard decreasing activity in both sectors, the negative affects are beginning to take shape. The submarket was further hit by a number of large blocks of space coming to the market including Pulte Homes 112,000 SF sublet and McLean Foods 100,000 sf sublease as they move into their new facility on Balls Ford Road. Furthermore, Martin Brower's 110,000 sf building is for sale as they will be vacating in 2-3 years. They will, however, stay in the market and develop a build-to-suit on their new site.

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INDUSTRIAL STATISTICS

Year	BASE	New Construction	Net Absorption	Availability			Vacancy Rate			Average Rental Rate
				Direct	Sublet	Total	Direct	Sublet	Total	
2005	12,246,753	418,676	386,946	292,285	-	292,285	2.40%	0.00%	2.40%	\$7.44/nnn
2006	12,740,668	493,915	361,719	431,214	-	431,214	3.40%	0.00%	3.40%	\$8.35/nnn
2007	13,153,195	412,527	30,532	777,213	45,421	822,634	5.90%	0.30%	6.30%	\$8.60/nnn
2008 1Q	13,164,995	11,800	141,689	925,805	39,467	965,272	7.00%	0.30%	7.30%	\$8.58/nnn

