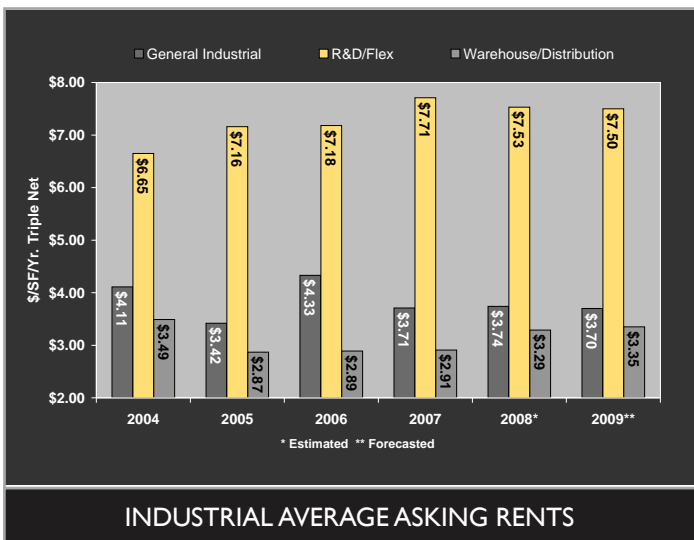
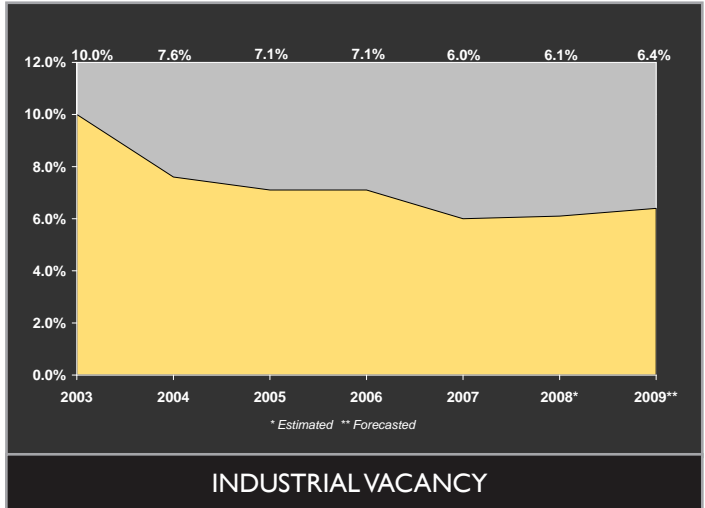


KANSAS CITY
INDUSTRIAL MARKET

CHALLENGES

The success of landing several significant industrial deals over the past few years has allowed Kansas City's reputation to grow as a regional distribution player. Pure Fishing, Pacific Sunwear and Musicians Friend are three notable transactions in excess of 400,000 square feet that support the shift in Kansas City's presence on the national logistics and distribution stage. Even though the national

economy continues to slow down, there appears to be a reasonable amount of activity in the local pipeline heading into January 2009. As compared to some of the other larger markets throughout the country, the impact of the economic slow down is not yet being felt as severely here in Kansas City. The real concern continues to be what lies ahead. Issues such as a lack of consumer spending, reflecting in the decline in container traffic entering the ports from Asia, and the significant drop-off in orders for durable goods are a few data points that give concern as it relates to the need for industrial space. At some point, the macro issues with the US economy could easily result in a measurable slow down for leasing and sales activity here in Kansas City. An extended or deeper recession than anticipated could push vacancy rates higher than projected, as companies either reduce their real estate requirements to save money, or close their doors all together. No speculative construction is anticipated in 2009 as a result of the credit markets shrinking "for risk" capital.



THE FACT THAT THERE WAS LITTLE-TO-NO SPECULATIVE WAREHOUSE CONSTRUCTION IN KANSAS CITY OVER THE PAST FEW YEARS WILL LEAVE THE INDUSTRIAL MARKET IN A MUCH MORE ENVIABLE POSITION THAN THAT OF THE OFFICE AND RETAIL SECTORS DURING THE ECONOMIC DOWNTURN.

OPPORTUNITIES

While the forecast of activity is uncertain, the overall vacancy rate of 6% in Kansas City limits the exposure for many landlords. Due to the lack of available inventory, tenants may lose the ability to use other vacant projects as leverage when negotiating renewals or new leases. For this reason, landlords are hopeful to keep rents stable during the anticipated slow down. Although the inventory of large blocks of Class A and Class B distribution space is in short supply, there could be new opportunities coming on the market for some, as a result of the consolidation or plant closings of others. A shortage of building inventory could also mean opportunities for build-to-suit activity in 2009. The good news is construction costs for new construction should be more competitive as concrete, steel and asphalt are already showing signs of softening. The hope is a return of confidence by decision makers once certain signals are visible that the economy is improving. Until then, we could see companies continuing to consolidate and reduce their need for space. If Kansas City, however, successfully avoids a significant drop-off in activity, there may be a pent up demand for space by mid-2009.

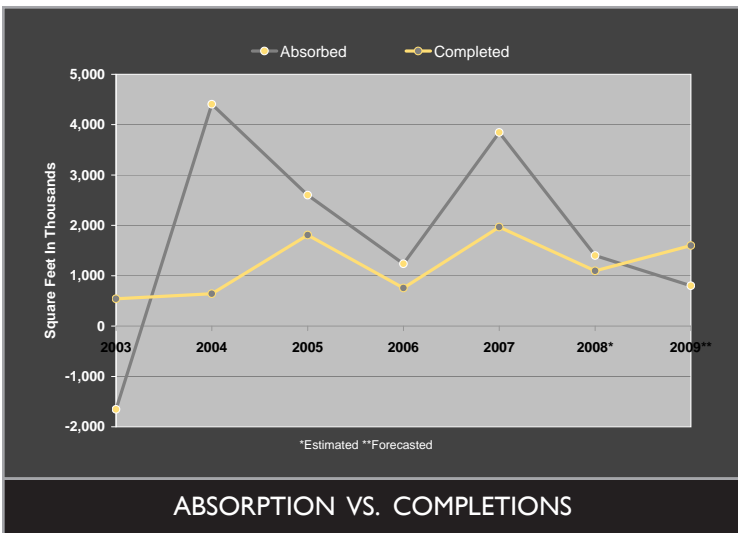
LOGISTICS PARKS

CenterPoint Properties and Kansas City Southern Railway Company are completing the first phase of grading for their new intermodal park in South Kansas City. The park will include a





370-acre intermodal facility and an adjacent 970-acre industrial park for up to 5 million square feet of warehouse and distribution facilities. The intermodal facility is open and is operated by Kansas City Southern. No speculative construction is immediately anticipated.



The Allen Group is working with BNSF Railway to develop an intermodal facility and logistics park in Gardner, Kansas. This park is estimated to have 1,000 acres and up to 7 million square feet of distribution and warehouse space upon completion. Build-to-suit sites and speculative facilities will be available in 2009.