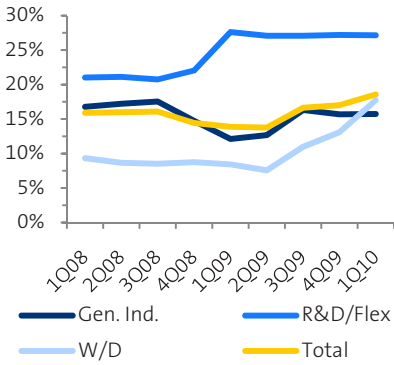
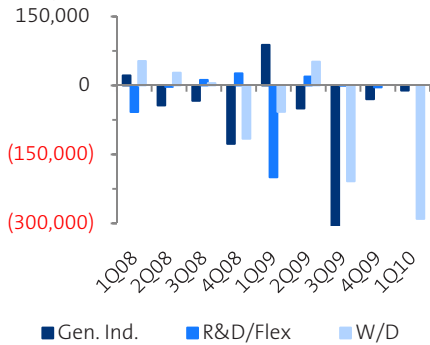


Berks County Real Estate Overview

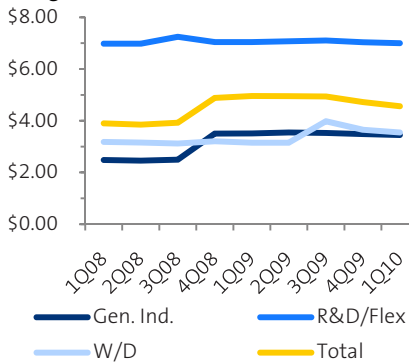
Vacancy Rate



Absorption



Asking Rent



Industrial Market

Like most markets across the region, Berks County's industrial market fundamentals suffered as a result of the latest economic downturn. Significant negative absorption, especially in the general industrial and warehouse/distribution sectors, resulted in asking rent stagnation while rates negotiated at lease signing have come with significant concessions. Current levels of supply on the market represent at least a three to four year surplus assuming pre-recessionary market conditions. Given current market conditions, the long-run term may be even greater.

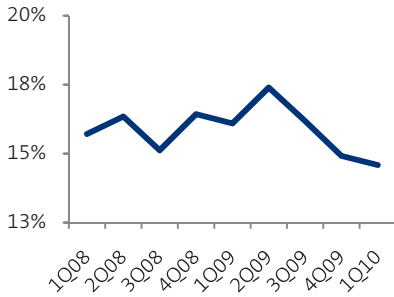
On a business sector-by-sector basis, contraction in the manufacturing industry accounts for the lion's share of negative absorption in the market over the past nine quarters. Specifically, Power Packaging and Dana Corp's downsizing out of the Reading market represents a significant amount of vacant manufacturing space. While this sector has seen improvement on a national perspective, Berks County has not enjoyed the same level of activity. Whether or not this trend will shift is somewhat of a debatable point to some. Chris Garner, owner and president of Berks & Beyond Employment Services claims that orders for entry-level manufacturing, packaging and warehouse jobs has spiked recently, but Edward J. McCann Jr., CEO of Berks County Workforce Investment Board, feels that the more employers he speaks with, the less optimistic he is about future hiring, at least until the end of 2010.

Regardless of how employment in the manufacturing industry, and subsequent demand for that space type, fares over the next few quarters, average asking rental rates and negotiated contract rates will most likely remain competitive over the next few years as the current 16.7 percent vacancy in general industrial space and 18.6 percent vacancy in industrial space as a whole, represents a wealth of availabilities which place negotiation leverage firmly in prospective tenants' hands. As more and more space chases fewer and fewer users, significant free rent as well as competitive low rental rates will be the tactic of choice for landlords hoping to fill vacancies and sure-up rent-rolls.

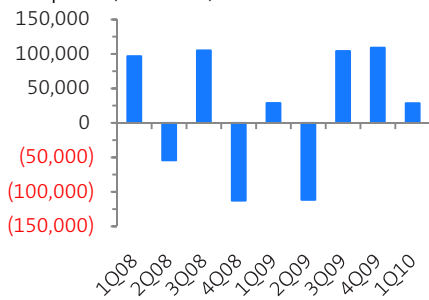


Berks County Real Estate Overview

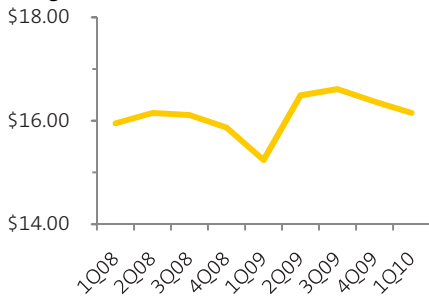
Vacancy Rate (all classes)



Absorption (all classes)



Asking Rent (all classes)



Office Market

The greater Berks County office market has seen a see-saw effect over the course of the recession. While professional and business services, one of the largest office-user sectors in the area, suffered a loss of over 2,600 professionals since the beginning of the recession, gains in the education and healthcare sector, having added 2,800 professionals during the same time period, While this sector splits its real estate demands across several property types, including hospitals and schools, office product tends to receive some residual benefit from demand whenever this sector enjoys employment gains.

Looking forward, absorption within the office market should begin to reach a zero-sum over the short-term as growth, even in the education and healthcare sector, is expected to stagnate until around 2012, by most estimates. Nationwide, the office sector is expected to be the last commercial real estate type to experience a recovery with industrial and retail expecting to lead the charge, respectively. There is no reason to posit that Berks County would be an exception to that rule.

From a rental rate perspective, asking rents have followed the see-saw pattern of absorption throughout the recession, but seem to be settling the \$16.00 PSF/YR rate, exclusive of utilities. With stagnant demand expected over the next few quarters in the midst of a relatively reasonable vacancy rate for office product, rents should expect to remain in and around this level. The return of rental rate growth is expected once vacancy dips below the 11-12 percent range.

