

BIRMINGHAM OFFICE MARKET SURVEY

2003

GRAHAM & COMPANY, INC.

"GRAHAM & COMPANY FAR EXCEEDED OUR EXPECTATIONS.

Through their knowledge of the local market and attentiveness to our goals,
they were able to secure a quality tenant for our recent office expansion.

They did a terrific job!"

- Jim Cunningham -

CHIEF OPERATING OFFICER, WARREN, AVERETT, KIMBROUGH & MARINO, LLC

"AS OUR LAW FIRM GREW AND OUR SPACE NEEDS INCREASED WE WANTED AN AGGRESSIVE

and professional real estate group that had the expertise to analyze the market and
provide us with multiple options to consider as well as the ability to assist us in
overseeing the construction. Graham & Company did that and more for us."

- I. Ripon Britton, Jr. -

MEMBER, HAND ARENDALL, LLC

[25.5 MILLION S.F. TOTAL]
 SINGLE TENANT 9,189,339 S.F.
 MULTI-TENANT 16,213,094 S.F.

OVERALL
 MARKET

BIRMINGHAM OFFICE MARKET OVERVIEW

BIRMINGHAM'S OFFICE MARKET ENDURED ANOTHER DIFFICULT YEAR. Even though 2002 reflected some signs of stabilization over last year's results, the office market remains as challenging as any in over a decade.

New construction totaled approximately 1.3 million sf, significant square footage in light of current economic conditions. Of the new construction, only 560,000 sf is speculative development. Regions and SouthTrust Bank, as well as Protective Life, absorbed the remaining new space either by expanding bank operations centers or their campus. Total absorption was strong with 686,000 sf. Owner/users occupied all but 94,000 sf of the total.

Downtown grew significantly with the addition of two new speculative, Class-A office buildings, the first new CBD skyline silhouettes in over a decade. Additionally, several sale transactions involving quality office buildings at healthy prices signal demand for owner-occupied buildings and passive real estate investment, possibly in response to volatile equity markets.

Typically, increased vacancy results in lower rental rates. This was not the trend in 2002 with all four major submarkets reflecting flat to higher vacancy, yet all posting overall increased rental rates. While conventional wisdom says the opposite, this may be yet another sign that landlords believe the worst is over for the office market, as rates rebound quicker than expected. Quoted rental rates, however, **do not** reflect concessions currently prevalent in today's office market.

New construction is anticipated to be negligible next year unless demand suddenly increases. Vacancy rates are expected to decrease slowly in step with a projected slow economic recovery.

FUTURE: Next year will challenge owners as demand slowly continues to rise. Savvy users will exploit market conditions by locking in longer lease terms while taking advantage of ample choices and concessions.

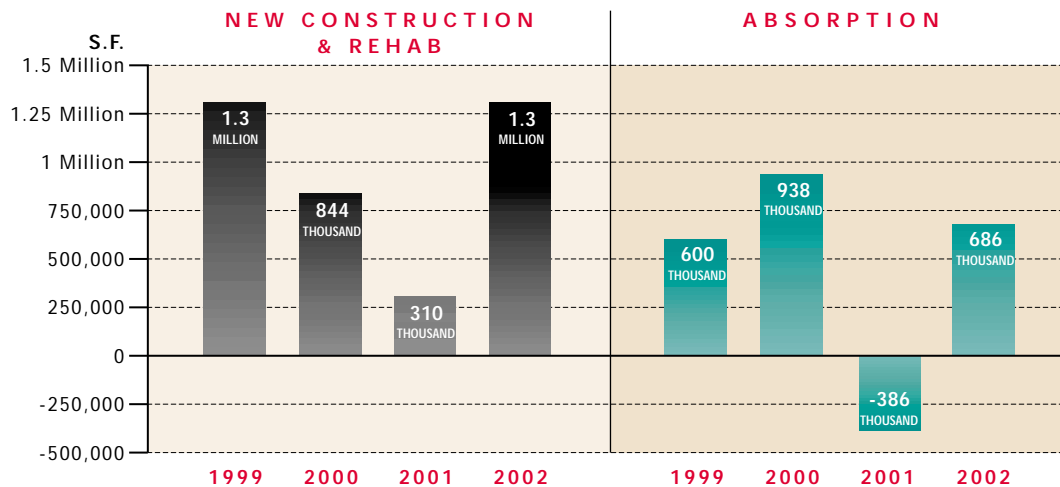
DAN LOVELL, SIOR
 Director
 Office Group

WALTER BROWN
 Vice President
 Office Group

SAM CARROLL
 Sales Associate
 Office Group

SUSAN HIRSCH
 Real Estate Assistant
 Office Group

BIRMINGHAM, ALABAMA OFFICE MARKET



**DOWNTOWN
MARKET**

[7.59 MILLION S.F. TOTAL]
SINGLE TENANT 2,677,455 S.F.
MULTI-TENANT 4,919,536 S.F.

BIRMINGHAM'S DOWNTOWN SKYLINE NOW REFLECTS THE FACES OF TWO NEW SPECULATIVE OFFICE BUILDINGS, THE FIRST MAJOR CONSTRUCTION IN OVER 12 YEARS.

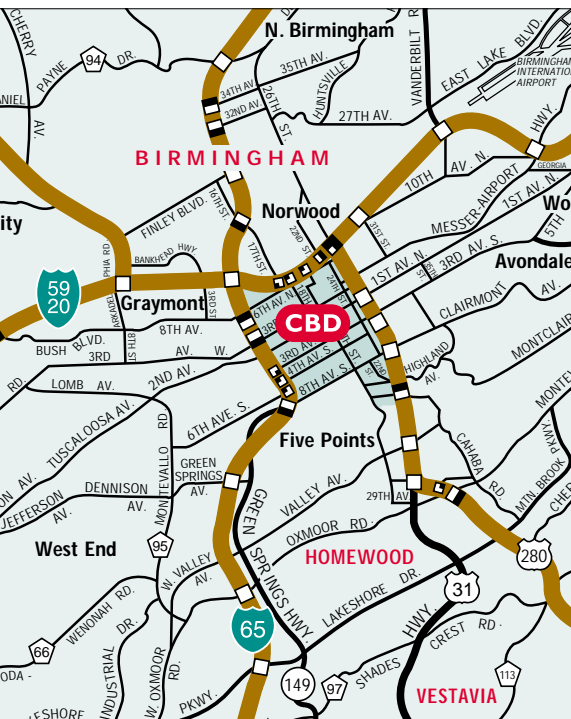
Both projects bring a total of over **460,000 sf** of Class-A office space to the CBD. Concord Center, 150,000 sf, and One Federal Place, 310,000 sf, offer the finest in new technology and flexible floor plans, providing high-quality office choices for businesses locating in the City Center.

As downtown expanded, the submarket had possibly its best year in many with the **absorption of 105,500 sf**. The CBD, in virtual equilibrium during the recent past, is beginning to trend toward growth, even with the addition of significant new product. As with other office submarkets, **vacancy** rose slightly, **up approximately 3.37%**; however, this negative trend was offset with a minor increase in **multi-tenant rental rates, up 4.24%**.

The CBD continues to be the financial district, home to Birmingham's "Big Four" banking institutions including SouthTrust, AmSouth, Compass, and Regions, as well as Alabama's largest law firms. Several significant older office buildings have recently sold for loft redevelopment, a trend that should be exciting to watch as Birmingham's CBD evolves with an increasing residential population.



▲ - CONCORD CENTER -
Birmingham's first new CBD Class-A office building in 12 years opened in March.



▲ - ONE FEDERAL PLACE -
Birmingham's second new CBD Class-A office building is anchored by the state's largest law firm.

GRAHAM & COMPANY, INC.

NEW DEVELOPMENT / ABSORPTION

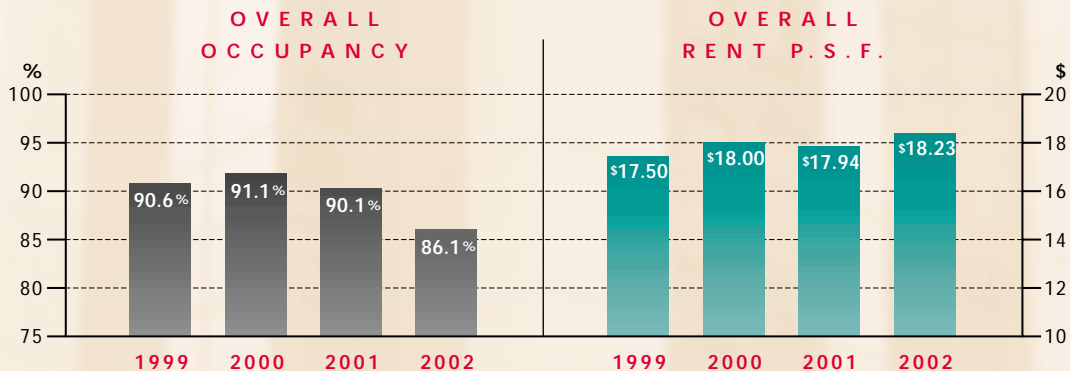
BUILDING	LOCATION	S.F.	DELIVERY	AVAILABLE S.F.	ABSORPTION	MAJOR TENANT
Concord Center	2100 3rd Ave N	150,000	3/02	85,000	65,000	Lange, Simpson
One Federal Place	1819 5th Ave N	310,000	8/02	109,728	200,272	Bradley, Arant

SIGNIFICANT LEASES

BUILDING	S.F.	TENANT/BUYER	COMMENTS
One Federal Place	8,900	Ogletree, Deakins	Law Firm/Relocation
Park Place Tower	20,000	Pittman, Hooks	Law Firm/Renewal & Expansion
Financial Center	20,400	Birmingham Regional Chamber of Commerce/ONB	New Lease
Park Place Tower	40,000	Haskell, Slaughter	Law Firm/Relocation
Concord Center	43,799	Lange, Simpson	Law Firm/Relocation
AmSouth/Harbert Plaza	79,000	Maynard, Cooper	Law Firm/Renewal
One Federal Place	150,000	Bradley, Arant	Law Firm/Relocation

SIGNIFICANT SALES

DATE	BUILDING	S.F.	PRICE	P.S.F.	COMMENTS
11/01	Heritage Place (Jemison Flats)	91,000±	\$1,927,500 (3 buildings)	\$21.18	Loft Development
4/02	Burger-Phillips Center	140,000	\$1,600,000	\$11.43	Investment Sale
6/02	Brown Marx Tower	223,150	\$1,000,000	\$4.48	Potential Loft Development
9/02	Commerce Center	65,000	\$1,100,000	\$16.92	Potential Loft Development



2002 MULTI-TENANT AVERAGES
Occupancy 78.5% • Rate P.S.F. \$18.16

MIDTOWN /
WEST
HOMEWOOD
MARKET

[7.3 MILLION S.F. TOTAL]
SINGLE TENANT 2,469,532 S.F
MULTI-TENANT 4,842,523 S.F

CONSIDERED BIRMINGHAM'S CENTRAL MARKET, MIDTOWN MAINTAINS THE HIGHEST METROPOLITAN OCCUPANCY RATES.

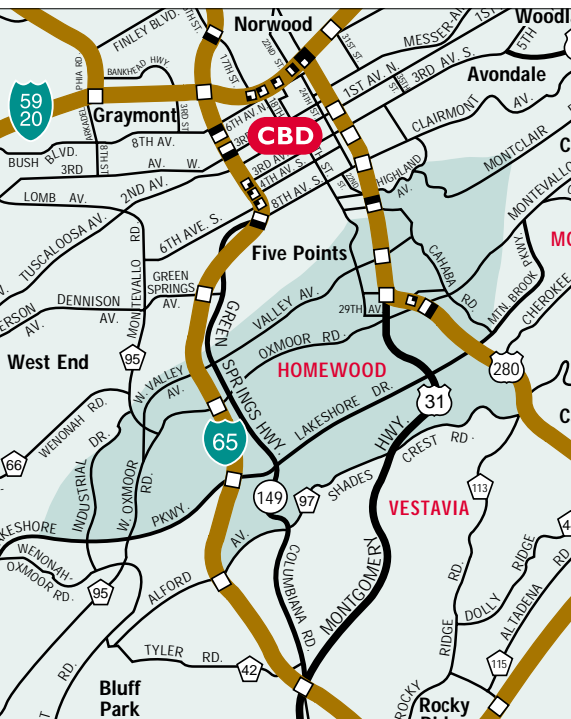
Aside from a small portion of the Protective Life expansion, little speculative construction was added in 2002. However, the total submarket increased by a significant **830,000 sf** with a build-to-suit for AOL/Time-Warner and both expansion of SouthTrust's and the opening of Region's operation centers. Total absorption for the submarket was a very strong **737,272 sf**, attributable mainly to the three previously referenced corporate users. Even with **multi-tenant vacancy rising 1.95%** and **absorption staying relatively flat**, an optimistic note for 2002 is **rental rates, rising 4.6%**.



▲ – PROTECTIVE LIFE BUILDING –
This new building, ready for occupancy in fall of 2002, is anchored by Protective Life and adjacent to their corporate headquarters.

Currently no speculative development is planned for 2003; however, as the market strengthens, expect Midtown to be the first sector to announce a new project.

Midtown is easily accessed from any area of metropolitan Birmingham via I-65, Red Mountain Expressway, Highway 31 and Highway 280. As a convenient location, large office users such as Southern Progress, State Farm Insurance, SouthTrust Bank, Regions Bank and Protective Life have located on Lakeshore Parkway, making the Parkway one of the more prominent and attractive office locations in this submarket.



▲ – LAKESHORE CROSSINGS BUSINESS PARK –
Time Warner Cable and Atherotech chose to relocate to this park in 2002.

GRAHAM & COMPANY, INC.

SIGNIFICANT TRANSACTIONS

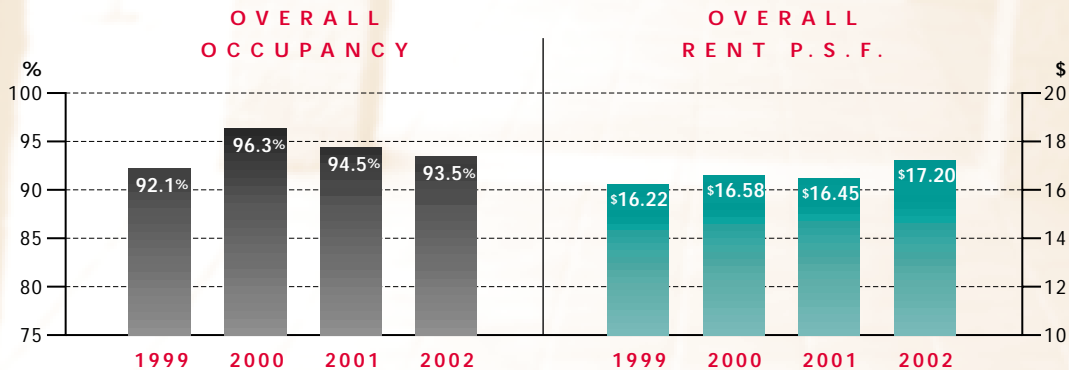
BUILDING	S.F.	TENANT/BUYER	COMMENTS
Independence Plaza	12,000	McGriff, Seibels & Williams	Expansion
Protective Life	17,000	Parsons, Lee, Juliano	Relocation
Economic Development & Partnership	30,700	Sanders Trust	Sale \$3,200,000
Lakeshore Crossing	32,500	Atherotech	Relocation
Protective Life	35,103	Huie, Fernambucq & Stewart	Relocation

NEW DEVELOPMENT

DATE	BUILDING	LOCATION	S.F.	MAJOR TENANT
1/02	AOL Time Warner	Lakeshore Crossings	40,000	Build-to-Suit
5/02	Wildwood III	Lakeshore Drive/ Wildwood	184,000	SouthTrust Bank Operations Center
6/02	Regions Bank	Lakeshore Drive/ Oxmoor	296,000	Regions Bank Operations Center
11/02	Protective Life	Lakeshore Drive/ Highway 280	300,000	Protective Life

NEW ON THE MARKET

DATE	BUILDING	LOCATION	S.F.	PRICE
5/02	Jefferson County Board of Education	Valley Ave. & 18th St. Homewood	95,000	\$7,850,000
7/02	Gorham Building	Beacon Parkway West	9,963	\$935,000
10/02	Beacon Center Office Park	Beacon Parkway West	103,912	\$6,400,000



2002 MULTI-TENANT AVERAGES
Occupancy 90.15% • Rate P.S.F. \$17.03

HIGHWAY
280/I-459
MARKET

[6.4 MILLION S.F. TOTAL]
SINGLE TENANT 2,085,138 S.F.
MULTI-TENANT 4,382,356 S.F.

THE HIGHWAY 280/I-459 SUBMARKET WAS BY FAR THE MOST ACTIVE OF ALL OFFICE SECTORS IN 2002. Sale activity far exceeded other areas of Birmingham with seven significant office buildings being involved in transactions this year. The largest transaction was The Colonnade, an office and retail development located at the intersection of Highway 280 and Interstate 459. With many of the buildings commanding prices over \$100 psf, real estate as an investment is definitely popular.



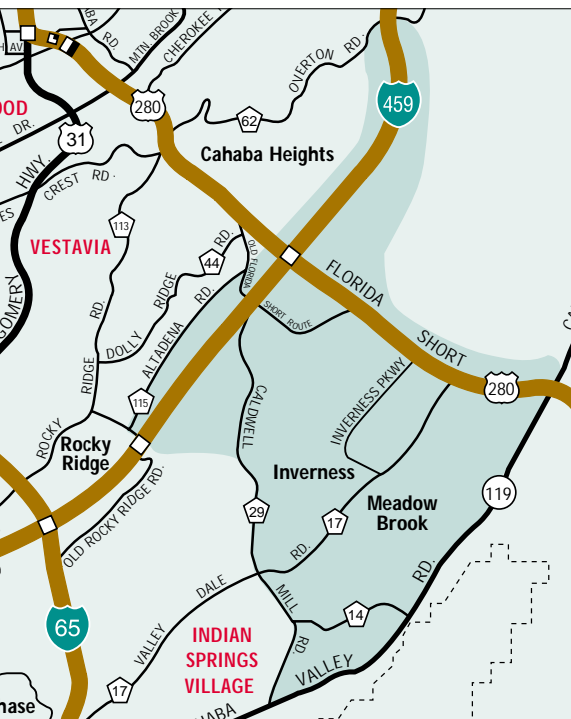
▲ - THE COLONNADE -

This acquisition added nearly 452,000 sf of office and 112,000 sf of retail space to a local REIT's portfolio.

Highway 280/I-459 leasing activity was vigorous compared to 2001. However, even with increased leasing activity, the sector's **vacancy rate decreased by only 0.9%**. Absorption was a **negative 51,898 sf**, but compared to last year's negative 192,000 sf, this was a step in the right direction. Following the trend in other Birmingham office sectors, a slight increase in **rental rates, up 0.81%**, was encouraging. No significant new construction added to the sector's vacancy. New product should not appear until available sublease space totaling 345,000 sf is occupied.

The Highway 280/I-459 submarket continues to be one of Birmingham's most active growth areas. With large corporations including Healthsouth, Vulcan Materials, and Bellsouth, as well as the

city's most affluent new neighborhoods, golf courses, and shopping malls, this submarket should continue to strengthen in the short term.



▲ - FORMER JUST FOR FEET CAMPUS -

Jack Henry & Associates, a Missouri-based software developer, purchased this 20-acre campus for their Alabama headquarters.

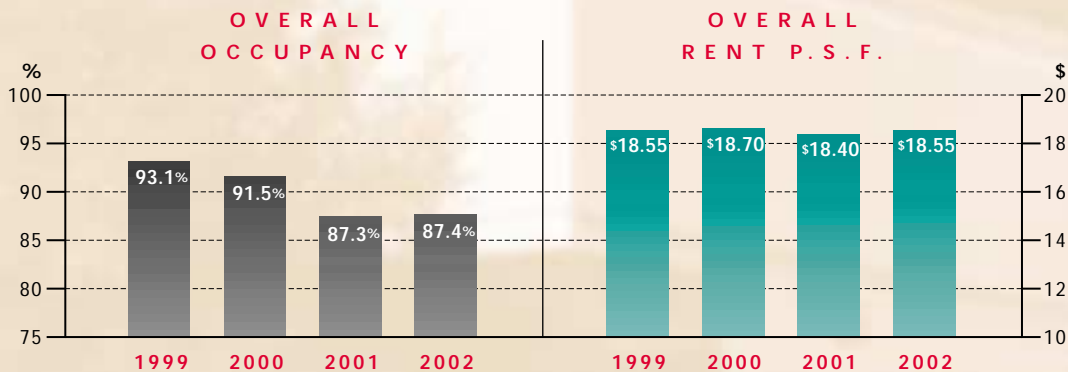
GRAHAM & COMPANY, INC.

SIGNIFICANT TRANSACTIONS

BUILDING	S.F.	TENANT	COMMENTS
3700 Colonnade	9,078	ITC DeltaCom	Sublease
Emmett R. Johnson	12,053	Hunter Systems	New Lease
State Farm Building	14,200	Source Medical	New Lease
Perimeter Park	15,000	Alabama Quality	Sublease
2700 Meadow Brook South	16,500	Intercept	Lease
2700 Meadow Brook South	16,600	Citation	Lease
100 Meadow Brook	19,909	Charter Communications	New Lease
International Park	25,024	Intermark Group	New Lease
2600 Meadow Brook South	25,279	Allstate Insurance	Expansion

SIGNIFICANT SALES

DATE	BUILDING	S.F.	PRICE	P.S.F.	BUYER
2/02	Just For Feet World Headquarters	47,000	\$3,250,000	\$69.15	Jack Henry & Associates
5/02	The Colonnade	Office 452,000 Retail 112,186	\$55,500,000	\$98.37	Colonial Properties Trust
6/02	Meadow Lake Business Park	34,661	\$3,835,000	\$110.64	Local Investment Group
7/02	4200 Colonnade Pkwy	10,392	\$1,207,000	\$116.15	Local Investment Group
8/02	State Farm	14,200	\$1,525,000	\$107.39	Local Investment Group
9/02	4100 Colonnade Pkwy	21,500	\$2,472,500	\$115.00	The Stewart Organization
11/02	Willow Ridge Professional Building	39,730	\$3,250,000	\$81.80	Alabama Psychiatric



2002 MULTI-TENANT AVERAGES
Occupancy 81.39% • Rate P.S.F. \$18.25

**SOUTHERN /
I - 65
MARKET**

**[4 MILLION S.F. TOTAL]
SINGLE TENANT 1,957,214 S.F
MULTI-TENANT 2,068,679 S.F**

BY SQUARE FOOTAGE, THE SOUTHERN MARKET IS THE SMALLEST BIRMINGHAM SUBMARKET.

Encompassing Hoover, Riverchase and Vestavia Hills, this submarket is home to large corporate users including Blue Cross/Blue Shield of Alabama, AmSouth Bank Operations Center and Bellsouth Data Center.

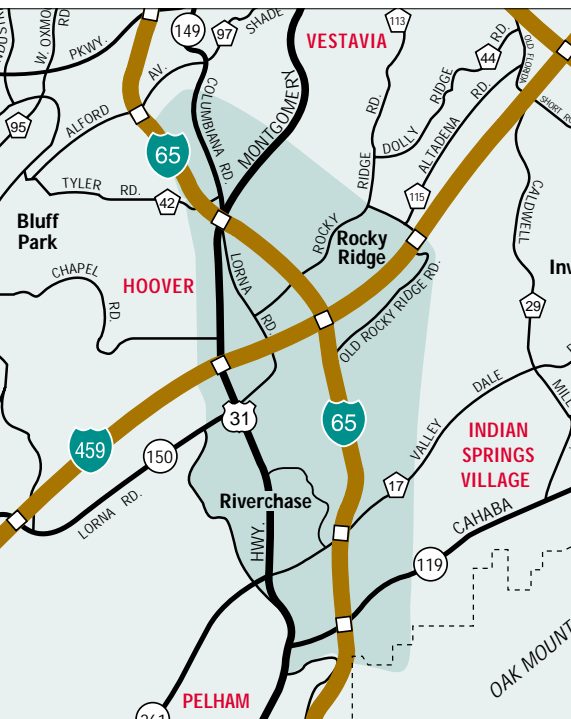
No new buildings were completed this year, although AmSouth Bank is currently expanding its operations center, scheduled for 2003 occupancy. The overall **vacancy escalated 3% to 9.4%. Multi-tenant vacancy increased 5.08% to 18.28%**, the largest increase in any

of the four major submarkets. Absorption of a **negative 104,546 sf** also reflected current market trends, the poorest performance in recent years. Keeping in form with other metro submarkets, both vacancy and rental rates increased. Multi-tenant **rates rose 2.65%**, for an average rate of \$15.16 psf, one of the few market bright spots.

The Southern Market is easily accessible to I-65, its main thoroughfare, as well as I-459. Service companies and several small to mid-size office developments serving the R & D industry characterize this submarket, known for its lush landscaping, greenery and rolling terrain.



▲ – VESTAVIA CENTRE –
Momentum Business Solutions continues to expand its Birmingham operation in Vestavia Centre.



▲ – FORMER STATE FARM INSURANCE BUILDING –
Located on Data Drive, this building was purchased by a local software design firm in April.

GRAHAM & COMPANY, INC.

SIGNIFICANT LEASES

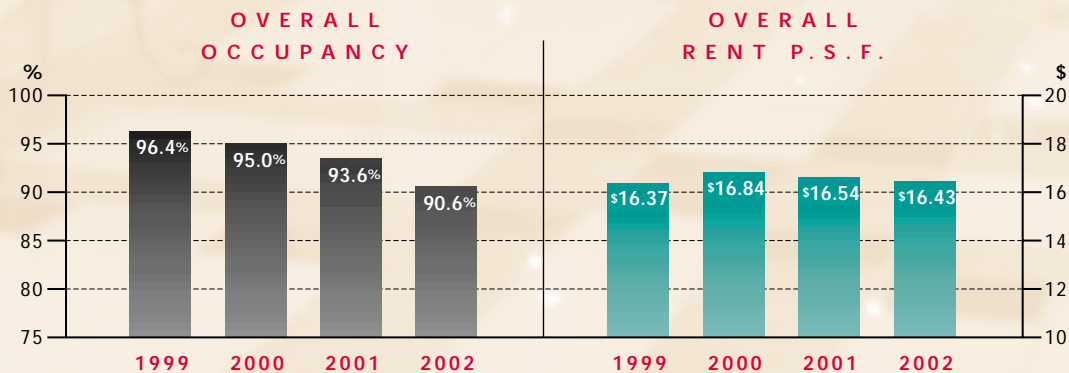
BUILDING	S.F.	TENANT/BUYER	COMMENTS
Vestavia Centre	4,396	Momentum Business Solutions	Expansion
Riverchase Center	9,084	Aspreon Technologies	Renewal/Expansion
Woods Point	48,284	Colonial Bank	Renewal

SIGNIFICANT SALES

DATE	BUILDING	S.F.	PRICE	P.S.F.	BUYER
1/02	200-300 Vestavia Pkwy	45,000	\$3,000,000	\$66.67	Investment Sale
4/02	State Farm Insurance	10,200	\$890,000	\$87.25	Actek
5/02	Sonics/IMAX	39,000	\$1,500,000	\$38.46	SCISYS Computer Group
7/02	Kling Square	16,500	\$950,000	\$57.58	Retirement Specialists of the South
10/02	Allstate	10,434	\$800,000	\$76.67	Local Investor
12/02	Cahaba Valley Center	21,000	\$2,350,000	\$111.90	Restore Therapy

NEW ON THE MARKET

DATE	BUILDING	LOCATION	S.F.	COMMENTS
1/02	Harbert Corporate Building	Valleydale Road/I-65	57,203	Includes 13.5 Acres
5/02	Phillips Building	501 Riverchase Parkway	17,890	For Lease/Sale
6/02	Former Adventure Travel Headquarters	1810 Merchants Drive, Riverchase	11,820	For Sale
10/02	IKON Office Solutions	2183 Parkway Lake Drive	34,100	For Sublease



2002 MULTI-TENANT AVERAGES
 Occupancy 81.72% • Rate P.S.F. \$15.16

ABOUT GRAHAM & COMPANY

Founded in 1978, Graham & Company is a full-service commercial real estate firm based in Birmingham. With offices in Birmingham and Huntsville, the company offers professional services including sales, leasing, property management, appraisal, consulting, investment and development. In response to client demand, Graham has systematically extended its range of services and geographic reach, now serving clients throughout Alabama and several surrounding states.

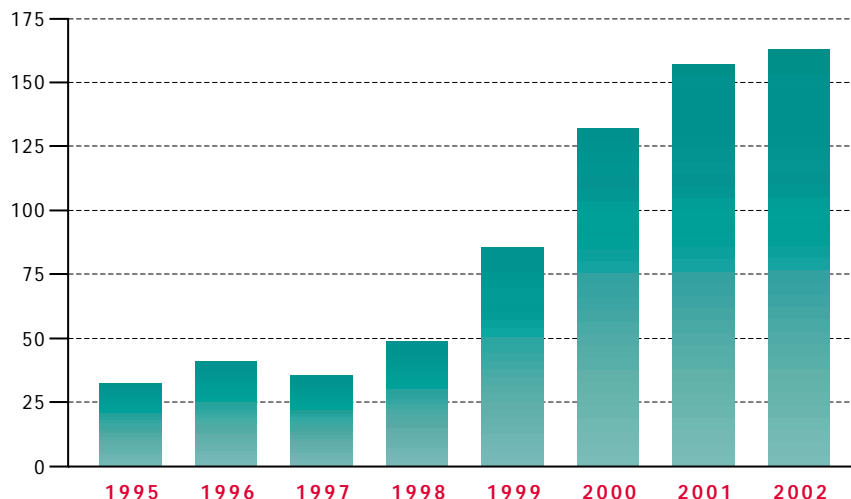
APPRAISAL SERVICES

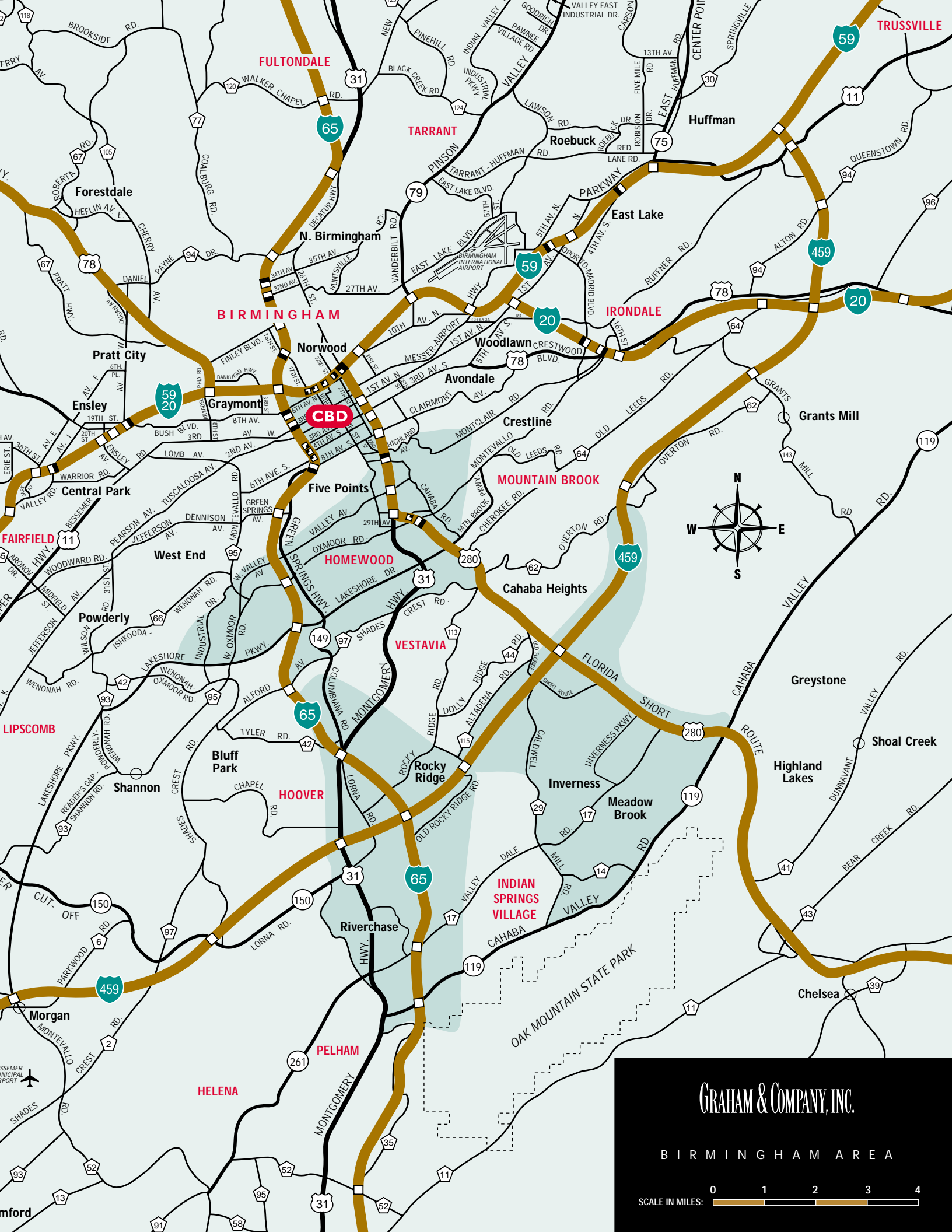
Since Graham & Company was founded, appraisal services have been a mainstay of the company's operations. Our comprehensive database helps ensure accurate market-based valuations. Graham & Company's brokerage division makes extensive use of appraisal resources in pricing the company's listings and evaluating offers during the negotiation process. To maximize the benefit to our clients in both negotiations and valuations, our appraisal/consulting and brokerage divisions exchange sales and lease data.

COMMUNITY INVOLVEMENT

Part of making Birmingham a better place to work includes teaching the next generation about commercial real estate. Graham & Company annually sponsors a community service program known as LEAD (Leadership, Experience, Attitude, Determination). Through this program, we hire inner-city students from local high schools to spend a summer gaining experience and developing work skills in the commercial real estate industry.

GRAHAM & COMPANY ANNUAL OFFICE TRANSACTIONS





GRAHAM & COMPANY, INC.

BIRMINGHAM AREA



GRAHAM & COMPANY PERSONNEL

PRINCIPALS

Steve Graham, MAI, CRE
Mike Graham, CPM, SIOR

PROPERTY MANAGEMENT

Senior Asset Manager

Thomas P. Krebes, FMA, RPA

Property Managers

Judy A. Lewis
Dorothy Wozny

Administrative Assistant

Allyson Quick

COMMERCIAL APPRAISALS

Hayden Luce
Tim Rau

COMMERCIAL/ INDUSTRIAL GROUP

Sales/Leasing

Jack Brown, SIOR
Sonny Culp, SIOR
Ogden Deaton, SIOR
Jack Key, SIOR
Henry G. Seibels III
Claude Tindle, SIOR

Commercial Agent Assistant

Peggy Pearson

ADMINISTRATIVE ASSISTANT

Cheryl Spencer

GRAPHIC DESIGN

Jane McGriff Herlong

OFFICE GROUP

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Sam Carroll IV
Dan Lovell, SIOR

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Susan Hirsch

ACCOUNTING

Charlie Crane
Maria Goldschmidt

INFORMATION/ TECHNOLOGY

Jebb Long

RECEPTIONIST

Eleanor Caver

FACILITIES

Jay Elliot
Craig Jackson
Barry Stone

HUNTSVILLE OFFICE

MANAGING PARTNER

Gardner Lee, CPM, SIOR

SALES/LEASING

Jeremy Pope
Bart Smith
Jeff Wilke, CCIM

PROPERTY MANAGER

Marshanne N. Castro

ADMINISTRATION

Catherine Cook

AFFILIATIONS

CORFAC International—Corporate Facility Advisors
SIOR—Society of Industrial & Office Realtors
NAIOP—National Association of Industrial & Office Parks
IREM—Institute of Real Estate Management
Appraisal Institute
Counselors of Real Estate—CRE
Certified Commercial Investment Member—CCIM
Building Owners and Managers Association—BOMA
Birmingham Association of Realtors
Huntsville Board of Realtors



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"OUR COMPANY'S GROWTH HAS PLACED SIGNIFICANT IMPORTANCE
on our office needs. Graham & Company, Inc. has always provided
Dawson Engineering with the real estate expertise we have needed
to reach our company's facilities objectives."

- Bill Dawson -

PRESIDENT, DAWSON ENGINEERING, INC.

"OUR LAW FIRM HAS GROWN TREMENDOUSLY OVER THE PAST FIVE YEARS
including opening offices out of state. Graham & Company has provided us with
expert advice and service for all of our locations, locally and regionally."

- Thomas Logan -

CARR, ALLISON, PUGH, HOWARD, OLIVER & SISSON

GRAHAM & COMPANY, INC.

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