

BIRMINGHAM OFFICE MARKET SURVEY

2004

GRAHAM & COMPANY, INC.

"TO MEET OUR GOAL OF CONSOLIDATING OUR CLIENT'S OFFICE LOCATIONS, we looked for a company with the office market knowledge and the expertise in lease negotiations. We found that with Graham & Company. I wouldn't hesitate to call on them again to assist with our real estate requirements."

- Joseph G. Greulich -
ALLEGRO REALTY ADVISORS, LTD

"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

[25.9 MILLION S.F. TOTAL]
 SINGLE TENANT 9,964,339 S.F
 MULTI-TENANT 16,027,545 S.F

OVERALL
 MARKET

BIRMINGHAM OFFICE MARKET OVERVIEW

IS THE WORST OVER FOR THE BIRMINGHAM OFFICE MARKET?

Although lacking robust demand, we believe the office market has turned the corner. Compared to the previous two years, 2003 featured renewed interest in office space and positive absorption. Certainly challenges remain, however, minimal speculative construction coupled with a steady to slightly growing economy all point to good signs for the Birmingham market.

In 2003, new construction consisted of only one building, a 470,000 sf addition to AmSouth Bank's operations center in Riverchase. Total absorption was a strong 623,376 sf; however, only **148,635 sf of the absorption was multi-tenant**. This represents a favorable increase over the 94,000 sf absorbed in 2002.

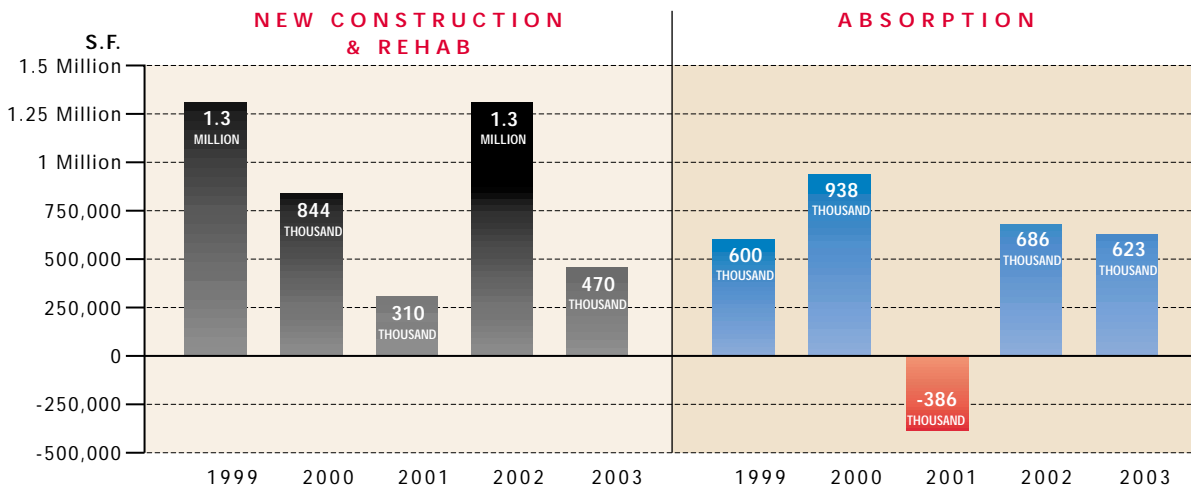
For the second year in a row, the Downtown market has posted positive absorption figures, pointing to a revival in downtown interest. In addition to positive absorption, brisk building sale activity was again the norm in all submarkets for 2003. Strong pricing highlighted most sales, with some transactions generating the highest prices paid per square foot in a decade; another positive sign for the overall health of the office market and real estate as an investment.

As was the case in 2002, rental rates in 2003 continued to stay flat or have risen slightly in all four submarkets. With no catastrophic occupancy and rate swings, landlords are optimistic about the future. Quoted rental rates, however, do not reflect concessions that are currently available in today's office market. New construction is anticipated to remain negligible in 2004 and into 2005. Although a few quality office sites remain available, it is unlikely that any new multi-tenant class-A office building will be constructed without substantial pre-leasing.

FUTURE: Savvy tenants continue to lock in lower rates for longer-term leases. The office market is expected to continue a slow rebound, but, until demand increases substantially, the near term will remain a tenant's market.

DAN LOVELL, SIOR Director Office Group	WALTER BROWN Vice President Office Group	SAM CARROLL Sales Associate Office Group	ERIC VONCANNON Sales Associate Office Group	SUSAN HIRSCH Real Estate Asst. Office Group
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BIRMINGHAM, ALABAMA OFFICE MARKET



**DOWNTOWN
MARKET**

**[7.3 MILLION S.F. TOTAL]
SINGLE TENANT 2,677,455 S.F.
MULTI-TENANT 4,632,469 S.F.**

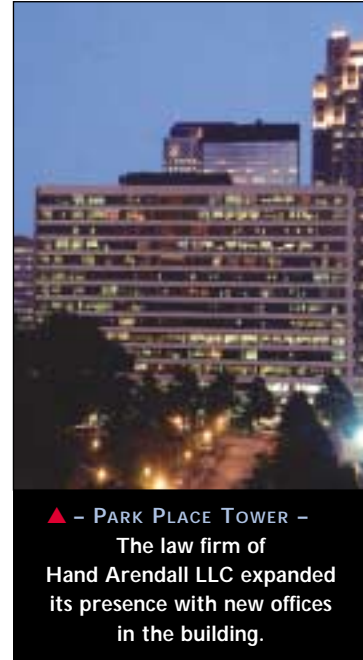
WITH THE ADDITION OF TWO NEW SPECULATIVE OFFICE BUILDINGS

in the face of a very tough real estate market, **all indicators were positive for Birmingham's CBD for the second year in a row.** One Federal Place and Concord Center both made great strides to fill their buildings and recent activity indicates this trend will continue.

Although 2002 was a positive year for the CBD, 2003 was even better with **strong absorption totaling 121,237 sf.** This is the highest City Center absorption in recent years. Multi-tenant rental rates rose 2% while multi-tenant **occupancy rose a stellar 7.14% to 85.64%** with enhancement from a market space reduction (office buildings converting to lofts) of 350,000 sf. Also on a positive note, **the CBD has less sublease space than any of the Birmingham submarkets.** The short-term outlook remains positive.

Over the next four years, the CBD will face very active and challenging opportunities when several financial institutions' and large law firms' leases will roll. No speculative projects have been announced, but one new facility, an 86,000 sf building for the FBI, will break ground in February 2004.

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. With four former office buildings slated for redevelopment, the loft apartment/condominium movement continues at a fast pace, adding to the vibrancy of the City Center.



▲ – PARK PLACE TOWER –
The law firm of Hand Arendall LLC expanded its presence with new offices in the building.



▲ – THE KRESS BUILDING –
The 1939 Great Depression-era building is being renovated by the law firm of Wiggins, Childs, Quinn & Pantazis, PC for their new offices.

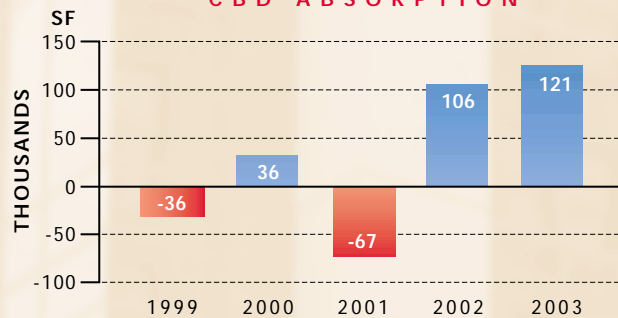
2003 ABSORPTION

BUILDING	S.F.	AVAILABLE S.F.	ABSORPTION	MAJOR TENANT
One Federal Place	310,000	45,000	47,528	Bradley Arant Rose & White LLP
Park Place Tower	305,862	94,774	49,250	Hand Arendall LLC Haskell Slaughter Young & Rediker LLC
Concord Center	150,000	66,000	20,000	Adams and Reese/ Lange Simpson LLP

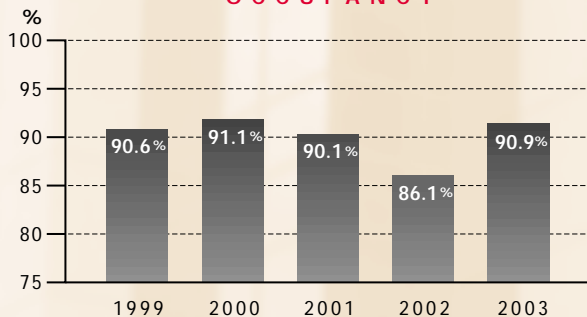
SIGNIFICANT LEASES

BUILDING	S.F.	TENANT/BUYER	COMMENTS
Park Place Tower	40,000	Haskell Slaughter Young & Rediker LLC	Law Firm/New Lease
One Federal Place	38,500	Walston Wells Anderson & Bains LLP	Law Firm/New Lease
Medical Forum	28,000	Social Security Administration	New Lease
Park Place Tower	19,879	Hand Arendall LLC	Law Firm/Expansion
Concord Center	7,000	Huckaby, Scott & Dukes, PC	Law Firm/New Lease
Concord Center	7,000	Ford & Harrison LLP	Law Firm/New Lease

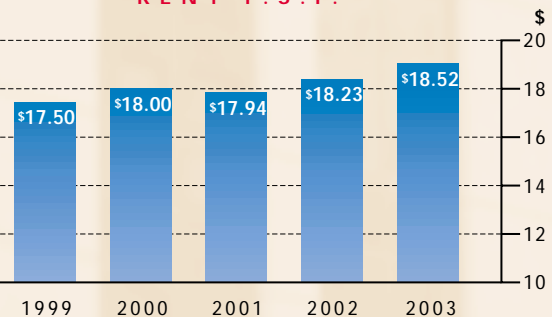
CBD ABSORPTION



OVERALL OCCUPANCY



OVERALL RENT P.S.F.



2003 MULTI-TENANT AVERAGES

Occupancy 85.64% • Rate P.S.F. \$18.61

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 MOST STABILITY IN THE METROPOLITAN AREA.

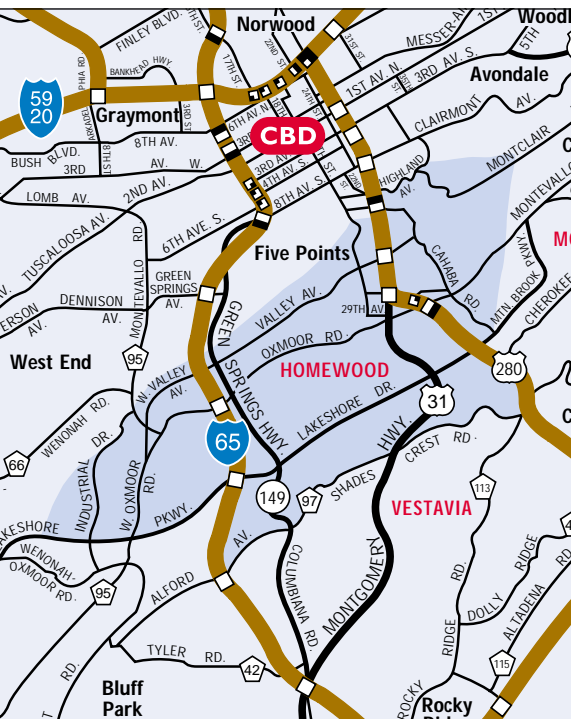
For the second year in a row, there was no new speculative or corporate campus construction added to this submarket. Multi-tenant occupancy **declined slightly to 88.93%** with rental rates holding firm at \$17.03 psf. Although absorption declined again in 2003, **a negative 58,813 sf, this is not an indication of weakness.** The net absorption loss is negligible as Midtown continues to be the most sought after location



▲ - ONE HIGHLAND PLACE -
This 76,083 sf building was purchased in October by a local investor.

for many corporations. Additionally, Midtown has some of the best potential new office sites for speculative construction, but we do not foresee any activity within the next 12-18 months.

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.



▲ - SHADES VALLEY ACTIVE SERVICES -
Located at 3525 Independence Drive, this building was purchased by Alabama Orthopedic Centers in July.

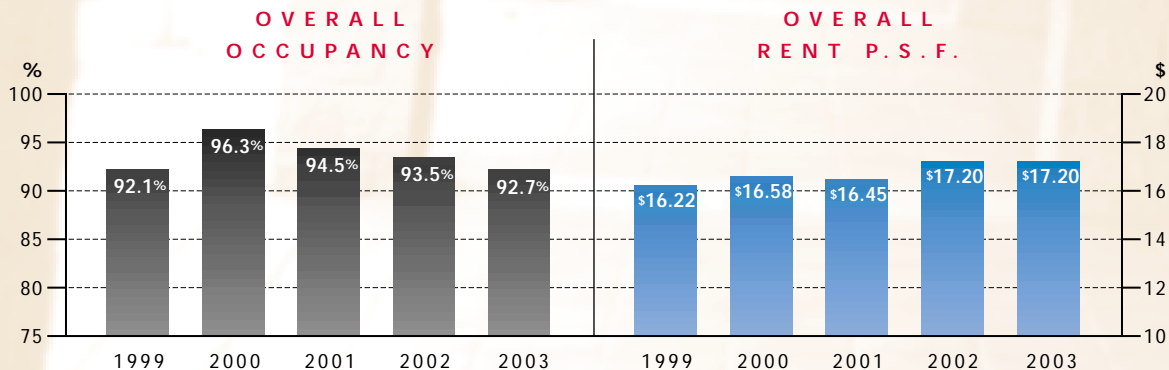
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SIGNIFICANT TRANSACTIONS

BUILDING	S.F.	TENANT/BUYER	COMMENTS
600 University Park	44,000	Southern Linc	Renewal
First Commercial Bank Building	9,800	Clark, Dolan, Morse Oncale & Hair, PC	New Lease
Martin Biscuit Building	7,200	VitalMed, Inc.	New Lease
2031 11th Avenue South Bank Building	7,000	Slaughter Hanson & Associates, Inc.	New Lease
Martin Biscuit Building	6,400	Garrison Barrett Group, Inc.	New Lease
600 University Park	5,000	Gordon & Associates, LLC	New Lease
Martin Biscuit Building	5,000	AI.com	New Lease
Mountain Brook Center	3,500	Dunn Building Co.	New Lease

SIGNIFICANT SALES

DATE	BUILDING	S.F.	PRICE	P.S.F.	BUYER
6/03	24th Street South	4,938	\$320,000	\$64.80	Impact Family Counseling
7/03	Danka Building	13,000	\$650,000	\$50.00	Jack's Family Restaurants
7/03	3525 Independence Dr.	11,255	\$1,510,000	\$134.16	Alabama Orthopedic Centers
9/03	1824 29th Avenue South, Homewood	29,809	\$2,000,000	\$67.09	City of Homewood
9/03	1913 27th Avenue South, Homewood	15,555	\$1,050,000	\$67.50	Local Investor
10/03	One Highland Place	76,083	\$5,634,000	\$74.05	Local Investor



2003 MULTI-TENANT AVERAGES
 Occupancy 88.93% • 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 ENJOYED ALL POSITIVE INDICATORS IN 2003.

Although office building sales were not nearly as active as in 2002, the leasing market showed some much needed signs of life.

Absorption for the prior 2 years had been negative; however, 2003 turned the corner with a **positive 124,440 sf absorbed**. This is the largest absorption of any of the area submarkets. 2001 and 2002 absorption was negative 192,000 sf and negative 51,898 sf respectively. **Multi-tenant occupancy rose 2.84% to 84.23% as multi-tenant rental rates rose a modest 0.67% to \$18.37 per square foot.**

For the second year in a row, no new construction was added to the submarket and **no new speculative buildings are planned in 2004**. In addition, although the **sublease space available of 247,800 sf** is the largest of any submarket, that market decreased substantially from last year's 345,000 sf.

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 2004, and be the first submarket to benefit from an economic rebound.



▲ - INVERNESS CENTER -
The former Vulcan Publications building was sold to American Homes and Land for its corporate offices.



▲ - 2500 & 2600 MEADOW BROOK SOUTH -
Two high density office buildings sold to an institutional investment group.

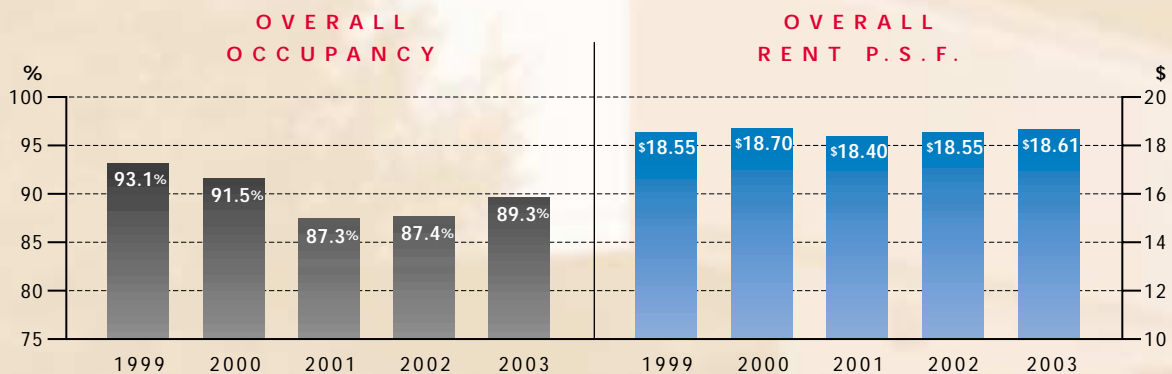
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SIGNIFICANT TRANSACTIONS

BUILDING	S.F.	TENANT/BUYER	COMMENTS
3700 Colonnade	100,000	Infinity Insurance Group	New Lease/2005
2700 Meadow Brook South	50,000	Momentum Business Solutions	Sublease
1000 Urban Center	29,000	Molton, Allen & Williams	Renewal
10 Inverness Center	26,627	ADP	Renewal
104 Inverness Center	25,000	SunGard Workflow Solutions	Expansion & Renewal
Meadow Brook 100	20,000	Regions Bank	New Lease
Emmett R. Johnson	16,000	Gaines, Walter & Kinny	New Lease
1500 Urban Center	15,000	Med Management	Sublease
1500 Urban Center	15,000	Active Services	New Lease
31 Inverness Center	12,838	Altec/Global	Expansion & Renewal
3500 Colonnade	12,500	Jefferson Title	New Lease
Grandview I	13,321	Highland Capital	New Lease

SIGNIFICANT SALES

DATE	BUILDING	S.F.	PRICE	P.S.F.	BUYER
12/31/02	2500 & 2600 Meadow Brook South	196,432	\$27,750,000	\$141.27	Wells Real Estate Trust
3/03	WinsLoew Furniture	8,882	\$985,000	\$110.90	JCG Investments, LLC
6/03	1960 Stonegate Drive	5,104	\$723,000	\$141.65	1960 Stonegate, LLC
9/03	33 Inverness Center	87,000	\$8,000,000	\$91.95	American Homes and Land
9/03	2100 International Park	28,250	\$3,033,000	\$107.36	Doster Construction



2003 MULTI-TENANT AVERAGES
Occupancy 84.23% • Rate P.S.F. \$18.37

**SOUTHERN /
I - 65
MARKET**

**[4.8 MILLION S.F. TOTAL]
SINGLE TENANT 2,732,214 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.

Only one new building was completed in 2003: the 470,000 sf addition to AmSouth Bank's operations center.

No new multi-tenant or speculative development occurred in the submarket. Overall vacancy remained stable, decreasing 0.7% to 8.7%. However, **multi-tenant vacancy increased to 20.12%**, a 1.84% increase from 2002.

Substantial occupancy growth has yet to occur in the submarket. The bulk of the 431,771 sf of positive absorption can be attributed to AmSouth Bank's operations center expansion, with the balance, a **negative 38,229 sf**, from the multi-tenant market. While the absorption was negative, it is **a definite improvement** over the negative 104,546 sf posted in 2002. Even with a fairly flat demand for space, **multi-tenant rates increased a modest 0.28% to \$15.22 psf**. Riverchase Center and Galleria Tower were most active in signing large leases in 2003.

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.



▲ - 1770 INDEPENDENCE COURT - Alternative Insurance Resources purchased the building for its headquarters.



▲ - GALLERIA OFFICE TOWER - T-Mobile USA will bring 400 jobs to the Galleria Office Tower.

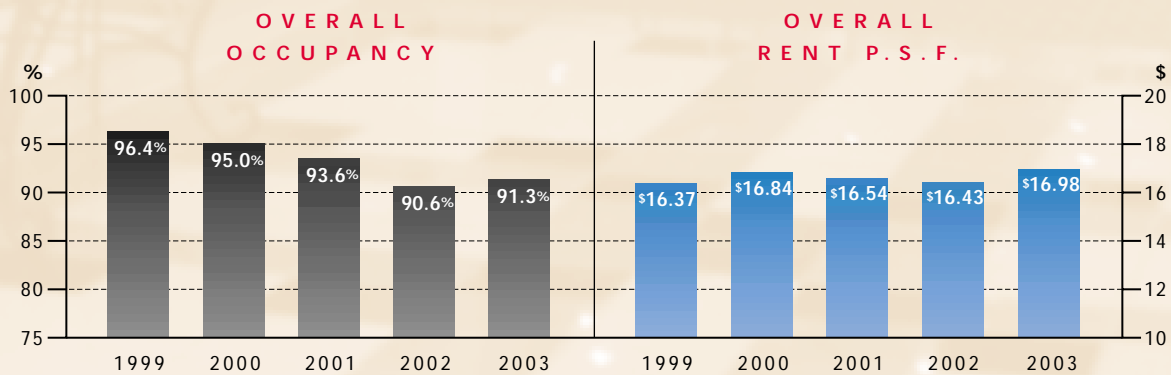
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SIGNIFICANT LEASES

BUILDING	S.F.	TENANT/BUYER	COMMENTS
Galleria Tower	50,000	T-Mobile USA	New Lease in Birmingham Area
2183 Parkway Lake Drive	34,100	Student Life, Inc.	Sublease
Riverchase Center 2200	30,000	Faulkner University	Relocation & Expansion
Riverchase Center 2100	24,234	Progressive Casualty Insurance	Relocation & Expansion
Chase Corporate Center	19,000	Premier Business Centers	New Lease
Chase Corporate Center	16,388	Cash Retriever	Renewal
Century Park South	10,000	Heritage Bank	New Lease

SIGNIFICANT SALES

DATE	BUILDING	S.F.	PRICE	P.S.F.	BUYER
1/03	Adventure Travel	11,820	\$1,400,000	\$118.44	First Educational Credit Union
7/03	Baptist Health Center Vestavia	15,323	\$1,600,000	\$104.42	Medical Services, LLC
8/03	Dolly Ridge Medical	5,200	\$565,000	\$108.65	CV Travel
9/03	Condor Building	15,500	\$925,000	\$59.68	Management Data
9/03	1770 Independence Court	8,202	\$985,000	\$120.09	Alternative Insurance
11/03	Henson Engineering	4,000	\$450,000	\$112.50	Complete Communications Systems
11/03	Byrd Building	16,400	\$1,460,000	\$89.02	Bradford Law Firm PC



2003 MULTI-TENANT AVERAGES
Occupancy 79.88% • Rate P.S.F. \$15.22

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.

CORPORATE SERVICES

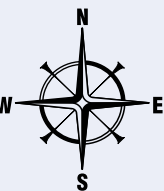
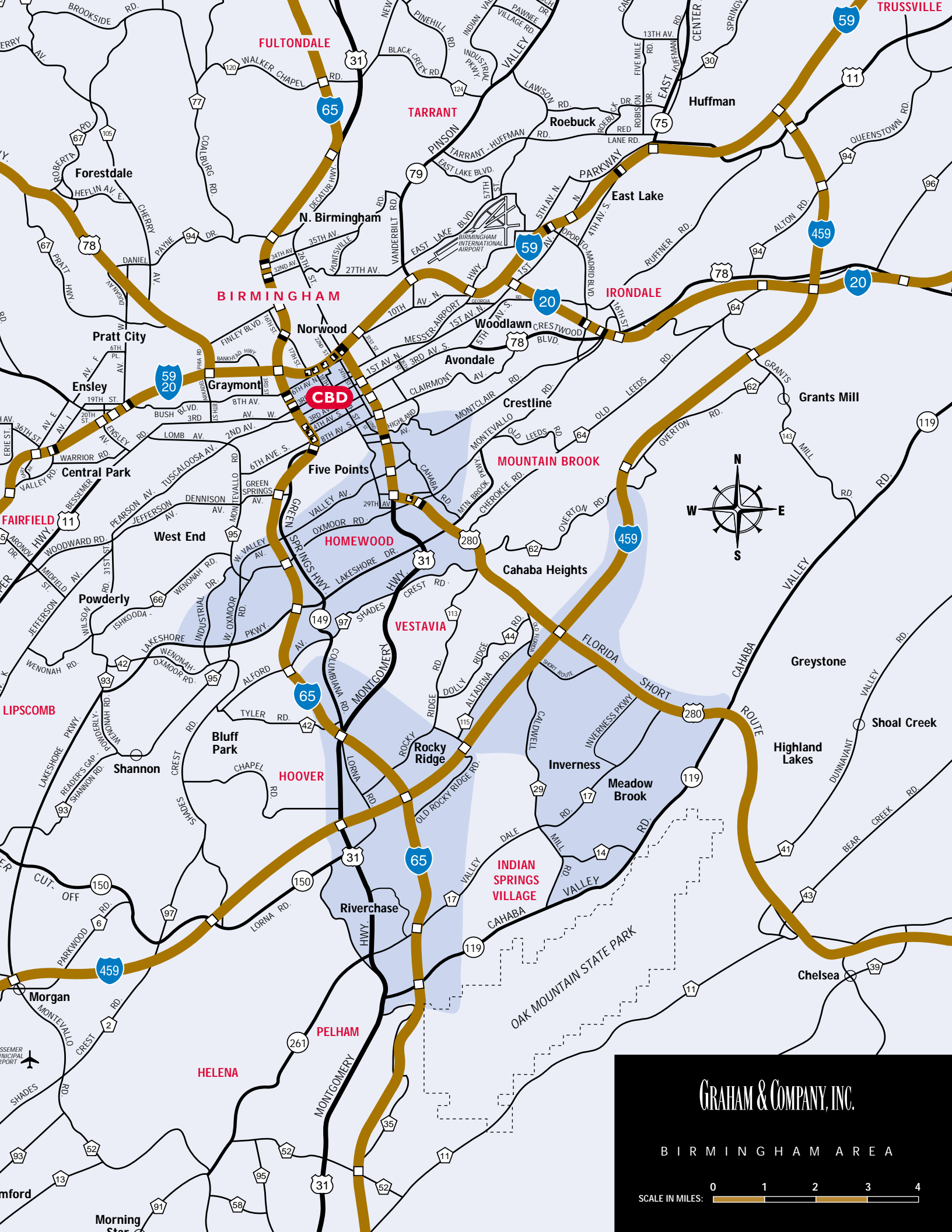
As an adjunct to the brokerage services, Graham now offers a wide array of corporate real estate services to include property tax notices, lease abstracts and lease administration. Our corporate clients can trust Graham & Company's attention to detail and seek our counsel on real estate strategies to meet or develop investment objectives.

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 LEASING & PROPERTY MANAGEMENT





GRAHAM & COMPANY, INC.

BIRMINGHAM AREA

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SCALE IN MILES:

GRAHAM & COMPANY PERSONNEL

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

**COMMERCIAL/
INDUSTRIAL GROUP**
Jack Brown, SIOR
Sonny Culp, SIOR
Ogden Deaton, SIOR
Jack Key, SIOR
Henry G. Seibels III
Claude Tindle, SIOR

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Sam Carroll IV
Susan Hirsch
Dan Lovell, SIOR
Eric vonCannon

PROPERTY MANAGEMENT
Thomas P. Krebs, FMA, RPA
Hayden Montgomery
Dorothy Wozny

COMMERCIAL APPRAISALS
Tim Rau
Hayden L. Scott

INFORMATION/TECHNOLOGY
Jebb Long

GRAPHIC DESIGN
Jane McGriff

ACCOUNTING
Charlie Crane
Maria Goldschmidt

HUNTSVILLE OFFICE
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SALES/LEASING
Jeremy Pope
Bart Smith
Rhonda Thomas
Jeff Wilke, CCIM

PROPERTY MANAGEMENT
Marshanne Castro
Jason Dugger, FMA

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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www.GrahamCompany.com

"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.

"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

GRAHAM & COMPANY

www.GrahamCompany.com

BIRMINGHAM

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