

The NALCOM Huntsville Area Market Report

2006

Brought to you in part by:

- Graham & Company Southeast, LLC
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Huntsville Overview

The City of Huntsville has grown from its humble beginnings in 1805 to a thriving technology center with a metro population of over 354,000.

Huntsville was a cotton market town with a population of 16,437 until the 1950's when Wernher von Braun led a team of German Rocket scientists to Redstone Arsenal in Huntsville to develop rockets for the U.S. Army. Today, Redstone Arsenal is responsible for research, development, production and worldwide support of missiles, aviation, rockets and related programs.

Forbes magazine rated Huntsville as the 6th Best Place for Business and Careers in its 2005 survey. The magazine cited that 7.2% of the work force is comprised of engineers, the highest concentration in the country. The average household income for Huntsville is \$60,858, one of the highest in the Southeast.

Huntsville Real Estate Market

Office:

The Huntsville commercial real estate market is centered around Cummings Research Park area. The Research Park area now has over 9 million sf of office space. The downtown market remains stable and has seen several new announcements for more office space and a much needed downtown hotel. The city of Madison is also seeing growth in the office market as development in Cummings Research Park expands to include space in the Madison area. The overall office market registered a strong 93% occupancy rate, well above the national average.

Industrial:

Huntsville's industrial market remains stable and is dominated by the Jetplex and Chase Industrial Parks. Industrial space remained tight in 2006 and the overall occupancy rate remains above 95%.

Retail:

There is over 7 million reported square feet of Retail in the Huntsville and Madison area. Major areas of the retail market include Madison along Hwy 72 W, University Drive in Huntsville, North Memorial Parkway, South Memorial Parkway, Airport Road, Jones Valley, Hampton Cove and now Cummings Research Park with the Bridge Street Town Centre.

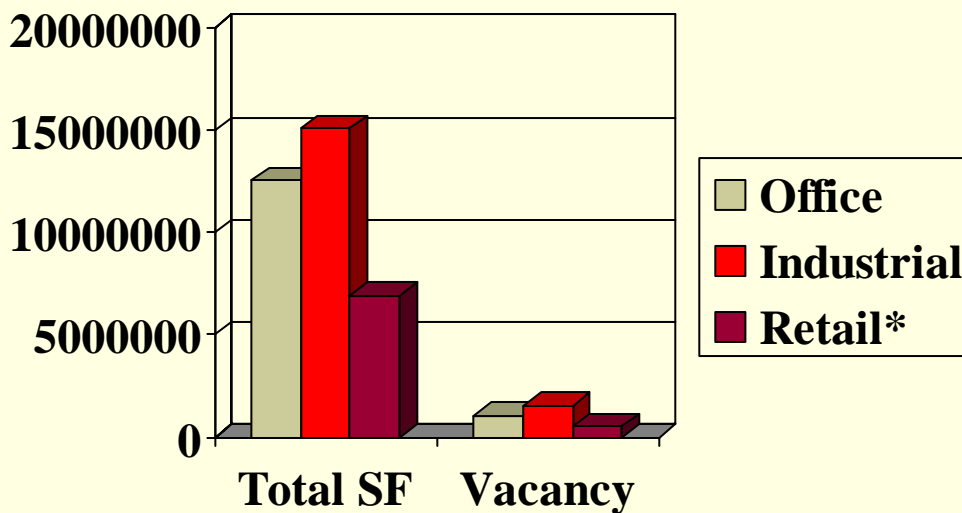
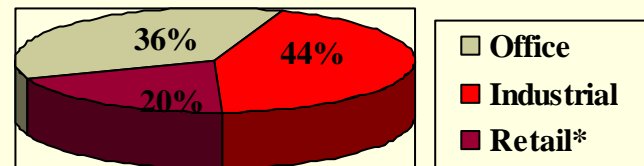
Huntsville Market at a Glance

The total Office square footage in the Huntsville area is over 12 million sf with an exceptionally low amount of vacancy at only 7%.

The total Industrial square footage in the Huntsville area is over 15 million sf with a little over 1.5 million sf of vacant space.

The total reported Retail square footage in the Huntsville area is over 7 million sf *.

Percentage of sf in the Market



* Estimated as of January, 2007.

* The retail section of this report may or may not be accurate due to incomplete information. The data represented in this report is to the best of our knowledge.

Downtown Office Market

The Huntsville Downtown office market is dominated by legal, banking, accounting, and brokerage professionals. City, county and government employees also make downtown their home. Recently several large high-tech companies, which predominately located in the Research Park area, relocated downtown. This has helped diversify the tenant mix in the market.

The downtown Huntsville market has recently been experiencing a substantial face lift. Several new restaurants opened in the area and the Embassy Suites hotel and office opened in October.

The downtown office market remains stable. Class A buildings, such as the AmSouth Center, the Colonial Center and the new Summit at Big Spring Park are showing little vacancy. Several smaller buildings have been purchased and renovated for owner-users.

Transactions of note include:

- 1) The completion of the Summit at Big Spring Park development. This 7-story luxury office condominium was built in Big Spring Park where the city parking deck was previously located. First American Bank is the anchor tenant in the building.
- 2) The new 10-story, 300-room Embassy Suites located next to the Von Braun Center serves convention traffic.
- 3) Announcement of a 7-story, 67,380 sf condominium tower at the intersection of Green Street and Holmes Avenue. The ground floor will be retail with the remaining space being offered as office condos ranging from 900 to 2,400 sf.
- 4) Renovations began on the new Commerce Center formerly known as the SCI building at 2101 Clinton Avenue. The building is owned by Breland Companies. More than 96,000 sf will be available for lease or for sale. Completion should be in Spring of 2007.

Major area tenants include:

AmSouth Bank, Regions Bank, City of Huntsville, Lanier Ford Shaver & Payne.

Jetplex / Madison Office Market

This market is driven by two main submarkets: Jetplex and Madison. The Jetplex area tenants tend to be more industrial or logistics oriented. The City of Madison office market is composed of more traditional front office service providers. The Boeing Company and Intergraph dominate the Jetplex office market, while Madison has seen multiple banking and healthcare related buildings developed along Hughes Road. County Line Road has also shown some recent office development.

Transactions of note include:

- 1) Intergraph announced the completion of the acquisition of Intergraph by an investor group led by Hellman & Friedman LLC and Texas Pacific Group. Under the terms of the agreement, Intergraph stockholders will receive \$44.00 in cash, without interest, for each share of Intergraph common stock held.
- 2) The Boeing Company leased more than 38,000 square foot from Intergraph for a new expansion offices. Completion of the single-story facility is scheduled for February 2007.

Major area tenants include:

Intergraph, The Boeing Company and Verilink.

Cummings Research Park Office Market

Cummings Research Park (CRP) was founded in 1962 by the city of Huntsville as a "Research Park District". The first private company to located in the park was Teledyne Brown Engineering, which had encouraged the City of Huntsville to establish a new research park zoning. Early pioneers included Mr. Joseph Moquin, former President of Brown Engineering, and Milton Cummings, former CEO of Brown Engineering.

Development work continued to expand in the park in the 1960s and companies such as IBM Corporation and Lockheed Martin Corporation chose to make Research Park their home. The 2nd major phase was announced in 1982 with the purchase of over 800 acres and was call CRP West.

Transactions of note include:

- 1) Raytheon announced plans for a \$20 million, 140,000 sf facility that will house 500 employees. The building will be on 20 acres at the corner of Old Madison Pike and Jan Davis Way. This project will consolidate 3 facilities currently scattered around Huntsville.
- 2) Dynetics completed its 4-story 160,000 sf corporate headquarters in CRP West. The new building will help consolidate its Huntsville Campus. Dynetics has 950 employees company wide and was the 1st company to locate in CRP West.
- 3) Plans for the \$130 million nonprofit Hudson-Alpha Institute for Biotechnology were announced. The Institute will be housed on 120 acres in Cummings Research Park and will include a 260,000 sf main building. The Institute will start with 500 to 600 employees and should open by Fall 2008.

Cummings Research Park Office Market

CRP now encompasses 3,843 acres and is the 2nd largest Research Park in the United States. The park's workforce includes over 24,500 employees in more than 9 million sf of office space. The corporate mix ranges from Fortune 500 companies to local entrepreneurial start-ups and award-winning small businesses.

- 4) Northrop Grumman's CEO announced plans to add 500 missile defense jobs in Huntsville over the next 5 years. Northrop also announced plans for a campus office development in CRP West began construction in 2005.
- 5) InterSouth Properties Inc. developed Park West Center, a multi-tenant office park located at 7077 Old Madison Pike. Park West Center will contain more than 120,000 sf of office space on 14 acres.
- 6) Verizon Wireless announced their new call center.

Major area tenants include:

Adtran, SAIC, Northrop Grumman, Lockheed Martin, Raytheon, Dynetics and numerous other high-tech companies.

Jetplex Industrial Market

The Jetplex submarket is comprised of several smaller markets surrounding the Huntsville International Airport and the Intermodal Center. Jetplex Industrial park contains 1,700 acres and offers Foreign Trade Zone #83., U.S. Customs Port of Entry and interstate access via I-565. Lowe Industrial Park is a 900-acre park originally designed to encompass the growth of Intergraph Corporation. Jetplex South Industrial Park contains 956 acres and should be positively affected by the 12,000 sf extension of the west runway.

Recent developments in the Jetplex Market:

- 1) The Siemens VDO Automotive plant was being marketed to local and national investors.
- 2) The 1,100,000 sf Goodyear Dunlap Tires is now more than 50% leased by multiple companies.
- 3) Graham & Company began construction on a 208,000 sf distribution facility.

Major area tenants include:

The Boeing Company, International Diesel, Cinram and Kohler.

Chase Industrial Park

Chase Industrial Park is a 1,500-acre park developed by Madison County. The park is an almost exclusively single tenant employer. Qualitest Pharmaceuticals, a manufacturer of generic drugs, has over 400,000 sf of office and manufacturing space in the park. Cinram, one of Huntsville's largest employers, uses a 1.1 million sf facility to manufacture compact discs and videocassettes.

Transactions of note include:

- 1) A 110,000 sf build-to-suit was completed for Hart & Cooley on Jordan Road.
- 2) Bruderer occupies approximately 12,000 sf of new 30,000 sf facility on Moores Mill Road. The remaining space is available to other multi-tenant users.
- 3) Toyota announced a \$250 million expansion at the Toyota Motor Manufacturing Alabama plant in North Huntsville Industrial Park. The project will add 300 jobs and supply V-8 engines for Toyota plants in Indiana and San Antonio.
- 4) The 63-room, 3-story Microtel Motel located in Chase Creek is scheduled for completion in Spring 2007.

Major area tenants include:

Cinram, Qualitest Pharmaceuticals, Hart & Cooley, PPG, Available Plastics and United Plating.

University Drive/Middle Huntsville/ North Memorial Parkway Retail Area

The University Drive and mid-Huntsville retail market includes the exciting new Village of Providence including new retailers such as Phuket, a Thai restaurant, Grill 29 and Market Street Café. Also, just west of the Village of Providence is the new 40,000 sf shopping center called Paramount Place on University Drive, featuring, Terranova's, an Italian restaurant, a Day Spa and a Huntsville favorite restaurant; Beauregard's.

A lot of excitement has been generated over the new 500,000 sf of retail at the new Bridge Street Town Centre located in Cummings Research Park. The Bridge Street project is a 100-acre center with shops, restaurants, office buildings and apartments.

North Memorial Parkway has undergone major road improvements, including new access roads and overpasses. As a result many of the older shopping centers and restaurants were forced to close down and/or relocate. This has made a huge difference in the quality of retail in North Huntsville.

Transactions of note include:

- 1) Starwood Hotels and Resorts reached an agreement with developer O&S Holdings, LLC to operate a 210-room Westin Hotel in the Bridge Street Town Centre development.
- 2) Other new tenants locating in the Bridge Street Town Centre includes: PF Chang's China Bistro, Victoria's Secret, Barnes & Noble, Heavenly Spa, Coldwater Creek, Chico's, DSW, Ann Taylor Loft, White House/Black Market, Soma, J. Jill, Brighton Collectibles, Sullivan's Steakhouse, Connor's Seafood and Bravo Cucina.
- 3) Monaco Pictures cinema, an upscale theatre with stadium seating, digital sound, wall-to-wall screens and a lounge has announced their decision to open a 14-screen multiplex at Bridge Street Town Centre.
- 4) Anna's Linens, Cato's & many other national retailers opened in the new Wal-Mart plaza located on Sparkman Drive/North Memorial Parkway.
- 5) Gander Mountain opened a brand new location in the 45,000 sf space formerly occupied by Sam's Club.

Airport Road/South Huntsville/ Jones Valley/Hampton Cove Retail Area

This market area has been popularized by the recent developments in Jones Valley. Specifically the Valley Bend at Jones Farm shopping center which includes a new 18 cinema Rave Motion Pictures, Target Supercenter, Barnes & Noble, Bed Bath & Beyond, Marshalls, Hobby Lobby, PETsMART, Carnival Shoes, Ross, Party City and Rue 21. Other developments in the Jones Valley area includes new shopping centers such as the 22,000 sf Bailey's Landing and Jones Valley Station.

A new 45,000 sf shopping center referred to as Hampton Cove Shops is being built in the Hampton Cove area.

Transactions of note include:

- 1) The Village on Whitesburg shopping center has been undergoing major renovations to attract national tenants such as, Bone Fish Grill (2005) and Fresh Market.
- 2) A new 7,000 sf shopping center was built on the last available lot of land on Airport Road. The building is already 100% leased and includes First Federal Mortgage, Oreck Vacuums and a Genesis Day Spa.

Madison Retail Area

The focus of retail in the Madison area has shifted from West Madison alongside Madison Blvd to East Madison starting at the Wal-Mart Shopping Plaza. The development of retail continues North on Hughes Road and occupies Northwest Madison and Northeast Madison alongside Hwy 72 until reaching Huntsville City limits. Growth patterns are possibly caused by the residential growth along County Line Road heading North on Old Railroad Road throughout all of Northeast Madison County.

Transactions of note include:

- 1) Old Time Pottery leased the former 87,000 K-Mart in Madison Village in Madison on Hwy 20.
- 2) NAI Chase Commercial built a new retail center known as Madison Festival on the corner of Hughes Road and Hwy 20.
- 3) Graham & Company represents a new 17,000 sq foot retail center located on Hwy 72 at Nance Road.