ROSS PROPERTY ADVISORS

INDUSTRIAL
Investment Market 1st Quarter 2006

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"We have no conflicts of interest"

Your Real Estate Solutions Provider

2005 was a record year by most accounts, while we continue under the current environment of low interest rates, high demand for quality space, and competition for development land and rising cost, it's difficult to foresee Commercial Real Estate prices dropping. The market is fundamentally more solid and solvent than at any time during the past twenty years, however there appears to be a disregard for the risk in the economy under increasing strain.

The cumulative affects of hurricane damage, war, high energy prices, capital market volatility and rising construction cost are all warning signs. In spite of the warning signs, the ***real estate market remains over heated*** with too many dollars chasing too few deals and not discriminated by value. While we are not forecasting significant changes; in market conditions as we enter the New Year, we do not expect the current trend to continue unabated through 2006. We think the current yield compression is a cyclical change in the market rather than a structure shift; a structural shift would mean that real estate returns are going to be lower from now on. That said we expect Industrial demand to remain strong during the first two quarters and slowing by years end.

Higher costs are showing up at all levels in the development of new space. Labor, land, supplies and raw materials such as concrete, drywall, plastic piping and steel are causing developers to delay or cancel construction on some proposed buildings. When a developer is deciding whether to construct a speculative building, the calculation is simple, will the rent be high enough to payoff the debt and equity needed to finance the building, including the cost of operating the building while providing a profit. ***Fewer new buildings***, mean less space available to rent. That's good news for landlords who are actively raising prices and bad news for businesses that lease space.

Rents are much more fungible than supply. As existing landlords raise rents, developers will be enticed to build new buildings. The number of planned projects will continue but actual speculative construction will be driven by an increase in rents or a significant reduction in cost. ***The current shortage of product, suggest rents will rise before costs decline.***

Single digit yields haven't deterred investors from Industrial real estate. Many investors and property owners have seen their investments rise in value much faster than anticipated. The result is the owners have become unanticipated sellers. Buyers are investing on the basis of strengthening fundamentals, lower interest rates and 1031 exchange properties, while sellers are capitalizing on heavy investor demand.

There remain too few quality properties for the amount of available cash, as long as this situation remains expect sellers to continue to capitalize on current value.

We specialize in representing users leasing and purchasing industrial properties. We know the industrial market, the space available, and ***we have the information*** to help you make the best decision.

Our real time market data combined with research and analysis provide our clients a superior edge. For more information on how we can enhance your real estate bottom line, please call.