

ABBEY ROAD

A d v i s o r s

Volume 2, Issue 2

July 2008

Dear Investors and Friends:

Uncertainty in global financial markets, the impact of the devalued dollar and a sluggish US economy have shaken consumer and investor confidence to very low levels. Lending in all business sectors has slowed significantly, or in the case of mortgage lending, come to a screeching halt since the sub-prime debacle surfaced a year ago. The obvious "lending effect" on commercial real estate has been a lack of sales as buyers, sellers and bankers have moved to the sidelines given concern over the overall uncertainty plaguing the economy. Sales volume so far in 2008 is off 75% from last year, and many experts predict it will remain the same for the rest of 2008. Leasing velocity in Abbey Road's core investment markets has slowed significantly since this time last year; however, rent stability remains constant while vacancy rates hover on average between 10% and 12% percent. We expect rental rates for the remainder of 2008 to remain flat unless market vacancy rates increase and/or potential sublease space becomes available. Recently, tenants in our local markets have become more cautious about committing to long-term space needs, which is likely correlated to the general economic uncertainty prevalent throughout the U.S.

Given these conditions and the uncertainty of the economy predicted for the balance of 2008, we at Abbey Road intend to focus on keeping our buildings well occupied and exploring cost efficient ways to operate them in order to keep tenant occupancy costs competitive. To the extent that we have vacancy; we intend to be aggressive in filling it with new tenants and renewing others whose leases expire over the next 12 months. We believe that uncertainty provides opportunity and we plan to begin raising more capital and aligning ourselves with large strategic capital partners to take advantage of opportunities once the market begins to clear more transactions.

Alan Bates Jim Digney Mark Keeney
John McCarthy Steve Siegel

Acquisition News

Abbey Road Back Bay, LLC, closed on May 5th at \$10MM.



The investment includes 569 Boylston Street and 131 Newbury Street, two retail buildings in the heart of the high-end retail corridor in the Back-Bay section of Boston. Newbury Street and Boylston Street attract shoppers from around the world. They are home to a wide variety of high-end fashion designers, dining establishments, and boutique retailers. Some of the more notable retailers in the area include Escada, Cartier, Burberry, Hermes, Armani, and

Valentino, to Guess, Niketown, and now Apple Computers. In the first quarter of 2008, the Boylston Street retail corridor had less than a 3% vacancy rate, while the Newbury Street corridor had a zero percent vacancy. The investment strategy is to renew and attract new retailers at rents \$20 per square foot or more greater than existing tenant rents. The projected investor IRR for the transaction is 17.5%



Asset Management News

Abbey Road Fairfield, LLC is performing in accordance to plan. With the recent expansion of IPC in 777 Commerce Drive, that building is now 100% leased. The train station project is in full swing. Much of the initial site work has been completed by the City of Fairfield and the State will begin its work shortly on the station and over-pass. The work is expected to be completed in early 2010.

Abbey Road Riverside, LLC (33 Riverside Avenue) has been focused on leasing the remaining 7,500 square feet of available space. We are in the process of evaluating a lobby renovation project to enhance the appeal of the building relative to other competing properties.



Abbey 450 Post Road, LLC remains 100% leased, and will be completing an HVAC renovation project this summer to improve the operational functions of the building. We are still in discussions with the building's largest tenant to renew some or all of their space once their current lease expires in mid 2010.

Liverpool Investors, LLC (65-69 East Ave) has signed a new lease with the law firm in building 65 to remain on the first floor, and two new leases for half of the second floor and third floor. We are also currently in negotiations to renew JM Layton at 69. We have some interest on these buildings, and after completing a capital project to replace the water main at 65, we plan on trying to sell them.

Willroad Holdings, LLC (150-200 Meadowlands Parkway) is 94% leased. The property's current and historical occupancy rate is quite impressive given the current market's 22% vacancy rate. Discussions continue with several current tenants to renew early and/or expand.

Winding Brook, LLC (455 Winding Brook Drive) remains 100% leased to Open Solutions and a regional engineering firm.



Abbey Road Shelton, LLC is finalizing a renovation program to include the main lobby and outside entry areas. Once the final design and scope are completed, construction will take place over the summer. This will better position the building with new and prospective tenants for the Carter's space when they vacate at the end of 2008.



Newbury 123 Investment, LLC is 100% leased and occupied. 2008 initiatives for this property include capital improvements in the life-safety area. We recently closed a retail lease deal with Agent Provocateur that increases the rent and raises the value of this property going forward.

Abbey Road Westchester I, LLC continues to perform well. The Yonkers redevelopment project has received the environmental and two of the three necessary public hearing approvals. The final public hearing will take place in the next quarter. In addition, we have renewed and extended the Bank of America lease in the Yonkers building at rates higher than our initial underwriting. We are currently in negotiations with the NY Department of taxation to renew at 90 South Ridge.

Abbey Road Westchester II, LLC is currently undergoing major landscaping, lobby and re-branding projects to enhance the image with the leasing broker and tenant communities as a place to locate. These projects should be complete by September 2008 in time for the planned broker event to re-introduce the buildings to the market

Other News

We have moved.

As most of you know, in March we moved into our new office at **33 Riverside Ave., 4th Floor, Westport, CT 06880.**

We are pleased to welcome Heather Liebensohn to Abbey Road. Heather is a graduate of the University of CT., and recently worked in residential real estate.

We have redesigned our website!

Visit **www.abbeyroadadvisors.com** for the latest news and information about our company and investments.