

# MARKETBEAT

## UNITED STATES INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



1Q10

### ECONOMY

The latest reading of the Institute of Supply Management's manufacturing index reached 59.6 in March, reporting growth for eight consecutive months. Retail sales also increased signifying that the recession has begun to loosen its hold. The uptick in retail sales bodes well for the industrial sector. As consumers demand more goods, manufacturing and warehousing of these goods will increase in volume creating more demand for industrial space. As a result, real estate market fundamentals should begin to stabilize.

### OVERVIEW

The overall vacancy rate for the U.S. industrial market continued to climb for the tenth consecutive quarter to 10.8%. However, the number of markets which posted a quarterly decline in vacancy is gradually increasing. In addition, the trends in absorption and leasing show significant differences compared to this time last year. This uptick in activity, combined with a slow return of demand, will impact current market fundamentals.

Leasing activity totaled 60.4 million square feet (msf) during the first three months of the year, a 10.3% increase from the activity reported first quarter 2009. In fact, 60.6% of all markets reported a positive change in first quarter leases on a year-over-year basis. The industrial markets of Orange County, Atlanta, Jacksonville, and the Greater Los Angeles area reported increases of over 1.0 msf each compared to this time last year while the Dallas/Ft. Worth market experienced the greatest decline in leasing transactions by nearly 3.5 msf. The number of large transactions in that market fell resulting in a lower leasing total but like the majority of markets throughout the country, activity is expected to continue increasing as the economy gains momentum.

Construction completions reached the lowest point since Cushman & Wakefield started tracking the U.S. industrial market with 3.2 msf of deliveries during the first three months of the year, a fraction of the five-year quarterly average of 26.2 msf. A very limited number of markets across the country reported an increase in inventory first quarter as a result of these completions. However, projects under construction experienced an uptick in activity totaling 15.1 msf at the end of first quarter, a 12.6% increase from last quarter. Atlanta led the nation with 3.1 msf of projects under construction followed by Chicago and Palm Beach with 1.5 msf and 1.4 msf, respectively, of activity. The majority of projects under construction are being built on a build-to-suit basis, a sign that industrial users are committing to expanding their real estate needs and current operations.

Industrial sales increased first quarter from the same period last year. Investment activity improved by 35.2% totaling nearly 11.5 msf and user sales more than doubled the acquisition total from first quarter 2009 to 17.7 msf. These transactions signify that liquidity is returning to the market and buyers are taking advantage of lower asking prices.

### FORECAST


With minimal new construction, the U.S. industrial market is forecasted to report positive absorption in the near future. However, although market fundamentals are projected to begin stabilizing by year-end, downward pressure on pricing is not likely to abate until there is sustained demand and continued growth.


### ECONOMIC INDICATORS


National	2009	2010F	2011F
GDP Growth	-2.4%	2.8%	3.7%
CPI Growth	-0.3%	1.9%	2.1%
Unemployment	9.3%	10.0%	9.5%
Employment Growth	-4.3%	-0.7%	1.6%

Source: Moody's | Economy.com

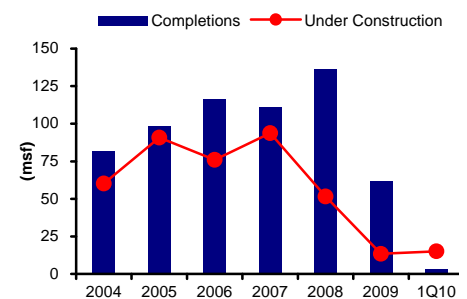
### MARKET FORECAST

**LEASING ACTIVITY** is expected to continue to gain momentum this year as the economy begins to stabilize. 

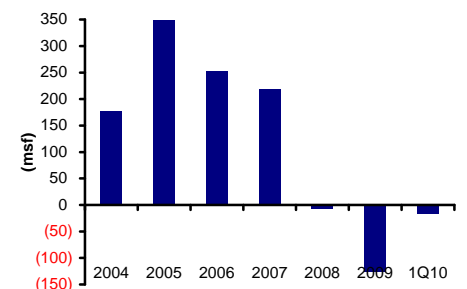
**ABSORPTION** may record a positive quarter towards the end of the year as a result of improved tenant demand. 

**CONSTRUCTION:** Although the amount of projects under construction increased this past quarter, development activity will remain at historical lows. 

### CONSTRUCTION ACTIVITY



### OVERALL ABSORPTION



MARKET	INVENTORY	OVERALL	YTD	UNDER CONSTRUCTION	YTD	YTD	DIRECT WEIGHTED AVERAGE		
		VACANCY RATE	LEASING ACTIVITY		CONSTRUCTION COMPLETIONS	OVERALL ABSORPTION	ASKING	NET	RENTAL RATE
							FLEX	MF	WD
Atlanta, GA	507,152,496	10.6%	4,340,147	3,120,138	0	1,298,708	\$8.73	\$3.68	\$3.47
Austin, TX**	43,849,405	18.0%	N/A	0	0	(134,148)	\$8.52	\$4.68	\$5.52
Baltimore, MD	195,706,550	12.3%	1,294,837	305,014	0	410,545	\$10.75	N/A	\$5.00
Bellevue, WA**	58,979,277	12.5%	549,237	275,250	0	(386,399)	\$14.32	\$7.61	\$7.96
Binghamton, NY**	19,631,326	12.7%	52,289	N/A	N/A	53,319	\$11.68	\$3.72	\$4.65
Birmingham, AL**	14,286,291	23.8%	N/A	0	0	(40,826)	\$6.68	N/A	\$4.02
Boston, MA	171,120,346	19.0%	944,815	0	0	(2,373,964)	\$9.40	\$5.61	\$5.29
Buffalo, NY**	66,243,555	12.4%	44,350	0	0	N/A	\$5.20	\$3.42	\$3.91
Charlotte, NC**	40,189,203	16.1%	N/A	125,407	0	(223,432)	\$8.83	N/A	\$4.13
Chicago, IL	1,143,228,908	11.6%	4,856,951	1,483,657	129,000	(5,487,320)	\$8.88	\$3.94	\$4.10
Cincinnati, OH**	52,343,883	24.3%	908,112	N/A	0	159,874	N/A	N/A	\$2.94
Cleveland, OH**	421,760,055	8.4%	929,002	749,000	48,500	(1,051,979)	N/A	N/A	\$3.70
Columbus, OH**	265,203,393	13.3%	662,224	N/A	N/A	1,854,016	\$4.29	\$2.79	\$2.73
Contra Costa, CA	35,862,308	15.7%	449,899	135,976	0	781,794	\$11.68	\$11.60	\$6.02
Dallas/Ft. Worth TX	508,073,711	12.9%	2,609,228	744,000	82,130	130,213	\$7.72	\$3.30	\$3.50
Denver, CO	205,021,786	8.5%	2,928,046	885,748	0	663,044	\$8.32	\$4.32	\$4.19
Detroit, MI**	329,390,191	19.4%	N/A	296,056	0	302,855	\$7.33	\$4.02	\$4.32
Fredericksburg, VA**	10,465,800	19.6%	41,319	0	0	172,290	\$8.86	\$5.69	\$6.41
Ft. Lauderdale, FL	93,838,541	10.2%	655,072	25,695	138,128	264,976	\$9.57	\$7.80	\$6.39
Greater Los Angeles	1,065,897,538	5.5%	8,169,495	379,369	14,444	(5,724,516)	\$9.94	\$5.97	\$6.12
Hampton Roads, VA**	112,143,093	10.2%	668,887	214,435	0	(288,789)	\$10.60	\$5.04	\$4.74
Hartford, CT	87,163,847	13.9%	308,615	0	0	(385,562)	\$7.25	\$4.37	\$4.81
Houston, TX	340,625,782	10.1%	3,737,673	264,278	499,201	(2,008,518)	\$7.13	\$4.28	\$4.51
Indianapolis, IN**	208,143,322	10.5%	2,573,248	150,492	65,000	337,884	\$6.03	\$2.03	\$3.00
Inland Empire CA	403,001,782	13.1%	5,698,384	834,822	850,000	1,348,500	\$9.63	\$4.67	\$3.87
Jacksonville, FL	99,203,335	12.5%	1,625,191	240,000	0	(292,751)	\$8.85	\$2.95	\$3.64
Kansas City, MO**	189,830,504	7.8%	627,702	171,000	0	(1,481,848)	\$7.66	\$5.13	\$4.22
Lakeland, FL	26,422,527	7.5%	53,050	400,000	0	(40,940)	\$4.93	\$3.30	\$4.42
Las Vegas, NV**	101,024,977	15.0%	2,478,105	967,973	0	(1,038,635)	\$7.80	\$7.56	\$6.12
Long Island NY	126,195,121	10.7%	456,935	255,426	0	(400,525)	\$7.81	\$8.34	\$6.91
Louisville, KY**	124,807,558	8.4%	1,013,905	834,000	11,000	324,591	\$5.72	\$3.00	\$3.50
Memphis, TN**	143,781,094	19.4%	1,467,922	N/A	0	(257,711)	\$7.07	N/A	\$2.46
Miami, FL	166,410,065	8.9%	763,119	165,000	0	497,232	\$9.71	\$2.92	\$5.38
Milwaukee, WI**	196,647,403	9.5%	774,944	65,200	60,000	(460,888)	\$5.12	\$4.37	\$3.46
Minneapolis, MN	85,203,686	12.5%	N/A	0	0	35,661	\$7.09	\$5.18	\$4.56
Nashville, TN**	160,759,623	12.1%	1,671,438	837,000	0	9,712	\$7.44	\$3.58	\$4.12
New Jersey - Central	324,268,644	12.1%	1,639,476	216,000	0	(1,952,528)	\$14.11	\$4.26	\$4.65
New Jersey - Northern	278,320,870	10.6%	944,511	685,000	0	(2,606,865)	\$9.89	\$5.03	\$6.15
Northern VA	44,837,934	15.2%	323,897	117,000	0	(223,451)	\$11.94	N/A	\$8.68
Oakland, CA	141,594,138	9.2%	1,620,752	73,260	0	(211,335)	\$8.49	\$5.91	\$4.84
Oklahoma City, OK**	74,753,516	12.2%	0	50,000	0	(20,760)	\$5.72	\$3.00	\$3.70
Orange County, CA	272,449,981	7.3%	3,667,637	549,761	0	(377,814)	\$11.06	\$6.92	\$6.77
Orlando, FL	105,474,063	14.2%	772,487	0	0	(201,019)	\$10.13	\$4.66	\$4.71
PA I-81/I-78 Distribution Corridor	211,830,921	13.5%	2,652,311	1,417,000	701,026	2,238,867	\$3.72	\$3.50	\$3.99
Palm Beach, FL	42,425,850	9.4%	168,658	0	0	111,918	\$10.11	\$7.22	\$6.80
Philadelphia, PA	281,004,211	9.1%	995,012	711,000	0	302,449	\$8.98	\$4.25	\$4.64
Phoenix, AZ	264,752,672	16.1%	1,767,517	720,811	682,291	299,294	\$10.57	\$6.41	\$5.64
Pittsburgh, PA**	89,607,593	10.5%	934,096	204,917	45,000	14,317	\$8.67	\$3.82	\$5.05
Portland, OR	176,096,557	8.7%	1,302,491	520,000	0	292,853	\$9.66	\$4.58	\$5.32
Raleigh/Durham, NC**	29,634,243	15.5%	N/A	0	0	(582,381)	\$9.96	N/A	\$4.77
Richmond, VA**	106,851,369	10.7%	408,103	37,238	0	(104,058)	\$6.93	\$3.43	\$5.15
Roanoke, VA**	28,737,556	11.6%	N/A	N/A	0	(357,638)	\$6.79	\$6.09	\$3.05
Rochester, NY**	72,709,174	11.6%	N/A	N/A	N/A	N/A	\$7.25	\$5.50	\$3.00
Salt Lake City, UT**	103,524,684	7.9%	554,824	568,995	48,300	(568,754)	\$7.06	\$3.90	\$4.81
San Antonio, TX**	30,650,281	12.7%	609,532	0	0	280,956	\$9.24	N/A	\$4.44
San Diego, CA	191,380,427	11.1%	2,421,887	121,984	135,020	(38,978)	\$15.36	\$7.80	\$7.56
San Francisco Peninsula, CA	63,497,406	8.4%	469,046	0	0	(514,186)	\$19.30	\$9.02	\$9.42
Savannah, GA**	44,038,938	19.9%	N/A	N/A	N/A	N/A	\$8.01	\$4.50	\$3.89
Seattle, WA**	129,418,903	10.4%	1,200,493	202,740	106,626	(1,503,301)	\$14.84	\$5.99	\$4.63
Silicon Valley, CA	242,390,165	13.9%	1,993,871	694,000	0	(1,458,291)	\$12.34	\$8.98	\$5.69
St. Louis, MO**	224,450,018	8.7%	765,277	221,000	50,000	(473,951)	\$7.57	\$3.82	\$3.92
St. Petersburg/Clearwater, FL	50,958,129	7.5%	197,962	0	0	(166,063)	\$7.95	\$4.82	\$5.53
Suburban MD	47,349,542	13.2%	168,841	78,240	0	189,269	\$11.27	N/A	\$7.41
SWFL (Fort Myers, FL)**	23,038,335	19.5%	N/A	0	0	N/A	\$5.85	\$4.92	\$5.44
SWFL (Naples, FL)**	8,817,663	15.9%	N/A	0	N/A	N/A	\$6.89	\$6.65	\$6.58
Syracuse, NY**	46,416,296	12.1%	64,050	35,000	55,000	(776,245)	\$6.72	\$3.62	\$3.68
Tampa, FL	78,603,339	9.2%	417,635	0	0	(157,780)	\$9.19	\$4.91	\$4.55
Tucson, AZ**	37,782,670	11.7%	429,512	64,400	0	(191,526)	\$6.19	\$4.80	\$3.84
Tulsa, OK**	59,701,175	8.9%	N/A	191,700	0	(656,713)	\$5.78	\$4.50	\$4.50
<b>TOTAL- ALL MARKETS:</b>	<b>11,746,975,545</b>	<b>11.2%</b>	<b>79,844,019</b>	<b>21,404,982</b>	<b>3,720,666</b>	<b>(22,847,251)</b>	<b>\$9.66</b>	<b>\$4.78</b>	<b>\$4.42</b>
<b>TOTAL- C&amp;W MARKETS:</b>	<b>8,077,363,178</b>	<b>10.8%</b>	<b>60,415,448</b>	<b>15,143,179</b>	<b>3,231,240</b>	<b>(15,757,083)</b>	<b>\$10.46</b>	<b>\$5.13</b>	<b>\$4.70</b>

\* Rental rates reflect asking \$psf/year

\*\*Alliance market

MF = Manufacturing WD = Warehouse/Distribution

### MARKET HIGHLIGHTS

#### SIGNIFICANT 1Q10 LEASE TRANSACTIONS

MARKET	BUILDING	TENANT	SQUARE FEET
Atlanta	Southcreek Distribution Center V	The Clorox Company	1,145,378
Atlanta	WestPoint at Riverside	Colgate-Palmolive Company	744,331
Orange County	CommerceCentre at Buena Park	Saddle Creek Corporation	626,304
PA I-81/I-78 Industrial Corridor	Boulder Business Center	Amazon.com	615,000
Jacksonville	5233 Commonwealth Avenue	Football Fanatics	553,151
PA I-81/I-78 Industrial Corridor	Liberty at Chambersburg	DDS	476,000
Inland Empire	9050 Hermosa Avenue	Sharp Electronics	468,682
Inland Empire	5431 East Philadelphia Street	Saddle Creek Corporation	432,308
Inland Empire	927 East 9th Street	Dirt Devil (TTI)	415,825
PA I-81/I-78 Industrial Corridor	CenterPoint East	Corning Life Sciences Inc.	396,800

#### SIGNIFICANT 1Q10 SALE TRANSACTIONS

MARKET	BUILDING	BUYER	SF/PRICE (MIL)
Tampa	1402 Albertsons Drive	Gordon Food Service (user)	1,101,786 / \$31.5
Inland Empire	Gateway South #1	Kohl's (user)	970,075 / N/A
Atlanta	Liberty Distribution Center	AEW Capital (investor)	851,349 / \$15.5
Philadelphia	1500 East 2nd Street	Eastern Metal Recycling (user)	551,000 / N/A
Chicago	2400 Central Road	Angelo Gordon & Co. (investor)	527,661 / \$18.1
Chicago	501 North Sacramento Boulevard	Dennis Wholesale Foods, Inc. (user)	492,840 / \$2.1
Atlanta	Airport Distribution Center III	KTR Capital Partners (investor)	406,989 / \$11.8
Inland Empire	South Haven Business Park	KTR Capital Partners (investor)	405,300 / \$20.4
Inland Empire	12246 Holly Street	Simpson Strong-Tie (user)	396,600 / \$19.2
Greater Los Angeles	4170-4174 Bandini Boulevard	Betex Cotton Industries (user)	335,491 / N/A

#### SIGNIFICANT 1Q10 CONSTRUCTION COMPLETIONS

MARKET	BUILDING	MAJOR TENANT	SQUARE FEET
Inland Empire	Innovating Way & Gateway	Dr. Pepper Snapple	850,000
Phoenix	Fowler Distribution Center 3	Speculative	682,291
PA I-81/I-78 Industrial Corridor	CenterPoint Commerce & Trade Park West	Home Depot	465,000
Houston	13400 Hollister	Jake's Finer Foods	180,000
PA I-81/I-78 Industrial Corridor	Hawk Acres Business Park	Fresenius Medical Care	122,500

#### SIGNIFICANT PROJECTS UNDER CONSTRUCTION

MARKET	BUILDING	MAJOR TENANT	SQUARE FEET
Atlanta	East Hightower Trail	General Mills	1,508,765
Chicago	Pleasant Prairie	Uline Inc.	1,271,000
Atlanta	Majestic Airport Center III	Kraft Global Foods, Inc.	969,150
Denver	Weld County Road 6 at Crown Prince Blvd.	Vestas Americas	818,308
Inland Empire	Crossroads Business Park	Home Depot	667,000
Philadelphia	Philadelphia Regional Produce Market	Speculative	667,000
Silicon Valley	47422 Kato Road	Solyndra Fab	609,000
PA I-81/I-78 Industrial Corridor	3300 Espresso Way	Ollie's Bargain Outlet	603,000
PA I-81/I-78 Industrial Corridor	Lehigh Valley Macungie Crossings	Speculative	580,000
Atlanta	Dry Pond Road	Aldi	482,223

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 Cushman & Wakefield, Inc.  
 1290 Avenue of the Americas  
 New York, NY 10104-6178  
 (212) 841-7500

\*Market terms & definitions based on BOMA and NAIOP standards.

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