

# MARKETBEAT

## UNITED STATES INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



3Q10

### ECONOMY

Although the near-term outlook for the industrial market is clouded with concerns that stronger job creation is needed to support the economic recovery, several economic indicators for industrial demand continue to grow. Trade volume continued to gain momentum, with eight of the top ten U.S. ports posting double digit increases year-over-year, as of August 2010. The combined year-to-date total for these ten ports was up 17.1% from a year ago, a significant improvement from the annual decline of 14.6% reported in 2009. The strong trade volume at the ports followed a U.S. Commerce Department report that showed retail sales increased 0.4% in August, the second straight monthly gain and the strongest month-to-month increase in five months. The manufacturing sector also continues to be a bright spot in the economic recovery. ISM's (Institute for Supply Management) widely watched manufacturing index remained above 50.0 in September for the 14th straight month to indicate continued expansion in that sector. Although the latest figures were marked by a slowdown in new orders, it continued to portray a gradual recovery in the U.S. economy, which grew for the 17th consecutive month. The U.S. industrial vacancy rate stabilized in the third quarter and leasing and user sales activity increased year-over-year.

### OVERVIEW

The U.S. industrial vacancy rate stabilized third quarter at 10.6% after peaking to 10.8% at the end of the first quarter of 2010. Six of the 34 industrial markets tracked by Cushman & Wakefield reported no change in vacancy from the previous quarter, while vacancy decreased quarter-over-quarter in 17 markets. Markets with the largest decreases in vacancy included Boston (1.4 percentage point decrease to 18.8%) and Portland (1.3 percentage point decrease to 7.3%). Twelve markets experienced a vacancy increase, among the highest being the San Francisco Peninsula (1.5 percentage point increase to 8.8%), Long Island, (1.3 percentage point increase to 12.4%), and Oakland (1.2 percentage point increase to 10.7%).

With lower asking rents and sale prices, both leasing and user sales activity increased year-over-year. Year-to-date leasing activity for industrial product totaled 189.8 million square feet (msf), an 11.9% increase from the 169.5 msf leased at this time last year. During the third quarter of 2010, 63.1 msf of leasing transactions were signed, on par with 66.2 msf reported in the second quarter, and 60.4 msf transacted in the first quarter. Twenty U.S. industrial markets reported a year-over-year increase in leasing activity, with Portland (223.5% increase), Lakeland, Florida, (103.8% increase) and San Francisco Peninsula (47.6% increase) reporting the largest increases in activity.

Year-to-date overall absorption, a measure which indicates the net change in occupied space, totaled negative 6.2 msf at the end of the third quarter. Although still negative, this figure represented a 94.7% increase in absorption from the negative 118.5 msf recorded at the end of the third quarter of 2009.

### FORECAST


While the overall vacancy rate remained unchanged, it is forecasted to have hit its peak. With continued improvements in leasing activity, the market will experience downward movement in the overall vacancy rate through the end of the year. In addition, only 5.7 msf of new industrial product is expected to be completed by year-end which will keep supply limited as demand increases.


### ECONOMIC INDICATORS


National	2009	2010F	2011F
GDP Growth	-2.6%	2.7%	3.1%
CPI Growth	-0.3%	1.6%	1.6%
Unemployment	9.3%	9.7%	9.9%
Employment Growth	-4.3%	-0.5%	1.0%

Source: Moody's | Economy.com

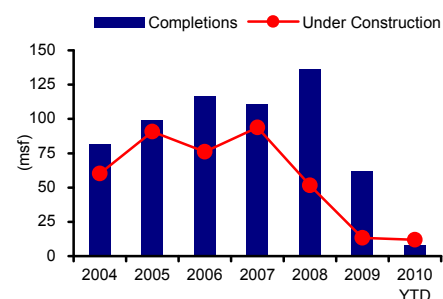
### MARKET FORECAST

**LEASING ACTIVITY** will increase in fourth quarter and is expected to maintain a similar level during 2011. 

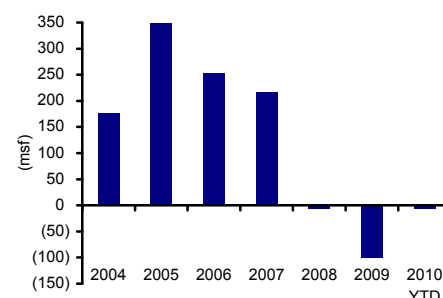
**ABSORPTION** is expected to remain relatively consistent through year-end and will report positive figures next year. 

**CONSTRUCTION** of new industrial product is forecasted to slowly pick-up as demand increases and the current supply of existing space is absorbed. 

### CONSTRUCTION ACTIVITY



### OVERALL ABSORPTION



# MARKETBEAT

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MARKET	INVENTORY	OVERALL	YTD	YTD	UNDER	YTD	YTD	DIRECT ASKING		
		VACANCY	LEASING	USER	CONSTRUCTION	CONSTRUCTION	OVERALL	NET RENTAL	M	WD
		RATE	ACTIVITY	SALES	CONSTRUCTION	COMPLETIONS	ABSORPTION			
Atlanta, GA	511,261,743	11.7%	10,878,829	1,039,121	1,787,601	2,527,915	2,726,158	\$3.53	\$3.51	
Austin, TX**	44,516,277	19.2%	N/A	0	0	0	(165,293)	\$5.88	\$5.52	
Baltimore, MD	189,113,020	11.1%	4,876,051	315,623	150,360	154,654	1,210,808	N/A	\$4.52	
Bellevue, WA**	58,682,618	12.1%	1,568,441	365,541	0	0	(162,498)	\$7.99	\$7.86	
Binghamton, NY**	19,547,488	14.0%	115,739	359,478	N/A	N/A	(194,916)	\$3.83	\$4.04	
Birmingham, AL**	14,307,606	23.6%	N/A	N/A	0	0	11,656	N/A	\$4.03	
Boston, MA	171,172,696	18.8%	2,875,269	379,000	0	0	(2,267,851)	\$5.84	\$5.31	
Buffalo, NY**	66,243,555	11.6%	224,323	0	0	0	N/A	\$4.06	\$3.73	
Charlotte, NC**	41,721,176	17.0%	N/A	N/A	125,407	0	(255,796)	N/A	\$4.04	
Chicago, IL	1,145,381,373	11.3%	16,647,336	7,142,519	135,200	1,443,500	(3,964,966)	\$3.71	\$3.99	
Cincinnati, OH**	52,736,243	23.6%	2,615,394	N/A	N/A	0	436,534	N/A	\$2.82	
Cleveland, OH**	422,639,087	9.7%	2,131,269	2,347,643	931,000	67,000	(4,500,632)	N/A	\$3.53	
Columbus, OH**	243,496,335	12.2%	2,031,080	N/A	N/A	N/A	2,378,729	\$4.13	\$2.73	
Contra Costa, CA	35,862,308	14.0%	555,297	96,093	135,976	0	1,386,099	\$11.16	\$6.84	
Dallas/Ft. Worth TX	509,924,556	13.5%	12,150,834	2,443,330	558,602	1,002,130	(1,389,570)	\$2.87	\$3.53	
Denver, CO	218,991,046	8.1%	8,180,720	1,089,336	498,000	317,000	2,043,734	\$4.40	\$4.16	
Detroit, MI**	329,421,221	18.9%	N/A	N/A	240,000	0	191,519	\$3.97	\$4.25	
Fredericksburg, VA**	10,664,622	17.8%	313,608	N/A	15,000	0	10,1426	\$5.81	\$6.93	
Ft. Lauderdale, FL	92,747,371	9.1%	2,042,392	452,321	0	120,094	704,156	\$7.69	\$6.43	
Greater Los Angeles	1,066,020,847	5.2%	27,742,145	8,978,944	672,069	250,836	(5,971,269)	\$5.63	\$5.95	
Hampton Roads, VA**	114,016,268	9.6%	2,001,506	N/A	155,223	51,435	(50,317)	\$4.83	\$4.65	
Hartford, CT	87,314,901	14.4%	508,323	303,528	0	57,125	(1,408,712)	\$4.31	\$4.69	
Houston, TX	342,994,742	10.0%	11,123,819	1,713,957	266,793	880,696	(1,691,074)	\$4.05	\$4.34	
Indianapolis, IN**	208,429,914	11.2%	5,303,952	459,308	1,129,757	224,915	(879,664)	\$2.11	\$2.99	
Inland Empire CA	404,543,628	11.7%	15,469,179	6,143,598	3,069,252	931,660	7,010,470	\$4.49	\$3.79	
Jacksonville, FL	99,767,222	12.5%	2,551,916	150,293	0	240,000	(214,026)	\$3.11	\$3.56	
Kansas City, MO**	189,663,813	8.0%	2,159,933	1,606,167	50,000	16,350	(567,950)	\$5.34	\$4.15	
Lakeland, FL	26,423,486	5.4%	557,387	94,484	400,000	0	534,381	\$2.92	\$4.26	
Las Vegas, NV**	10,165,216	15.1%	7,309,668	0	967,973	0	(2,427,183)	\$7.50	\$6.24	
Long Island NY	126,195,121	12.4%	2,275,983	1,502,444	237,044	18,382	(2,528,175)	\$7.21	\$6.77	
Louisville, KY**	125,574,558	8.5%	2,506,917	258,150	277,000	778,000	659,835	\$3.20	\$3.45	
Memphis, TN**	145,852,352	14.9%	4,437,983	367,022	N/A	0	1,530,185	N/A	\$2.40	
Miami, FL	165,194,566	8.3%	3,887,276	1,069,360	0	165,000	1,581,393	\$2.90	\$5.53	
Milwaukee, WI**	195,204,279	9.3%	1,934,024	2,527,965	336,700	200,170	(652,576)	\$4.10	\$3.90	
Minneapolis, MN	85,253,686	12.4%	N/A	2,161,028	0	0	53,007	\$5.09	\$4.56	
Nashville, TN**	158,328,984	13.9%	3,733,465	618,870	1,845,560	717,000	(2,262,724)	\$3.37	\$3.49	
New Jersey - Central	325,474,009	11.7%	5,198,534	838,838	726,000	0	(3,308,793)	\$4.33	\$4.57	
New Jersey - Northern	279,467,162	10.7%	4,323,575	748,569	285,000	400,000	(4,152,258)	\$5.15	\$5.88	
Northern VA	44,837,934	15.5%	1,165,068	83,000	117,000	0	(465,757)	N/A	\$8.22	
Oakland, CA	14,156,137	10.7%	4,961,739	851,866	0	0	(2,218,948)	\$5.59	\$4.48	
Oklahoma City, OK**	74,753,516	11.5%	N/A	176,663	35,000	60,000	490,740	\$3.00	\$3.70	
Orange County, CA	272,988,627	7.0%	8,851,750	2,575,944	375,000	12,1921	(1,116,552)	\$7.20	\$6.09	
Orlando, FL	105,998,056	14.6%	2,248,379	497,567	0	65,000	(618,958)	\$3.86	\$4.35	
PA I-81/78 Distribution Corridor	212,169,590	13.6%	5,556,873	613,345	1,096,000	1,398,626	2,307,654	\$3.54	\$3.99	
Palm Beach, FL	42,196,462	9.9%	722,433	219,860	0	0	507,433	\$5.67	\$6.69	
Philadelphia, PA	281,163,583	8.5%	3,614,809	756,012	951,000	225,000	1,071,455	\$4.19	\$4.52	
Phoenix, AZ	265,031,130	15.3%	7,072,737	2,050,978	294,111	1,148,985	3,164,288	\$6.36	\$5.40	
Pittsburgh, PA**	82,172,006	9.9%	2,334,214	708,203	304,706	273,525	589,692	\$4.05	\$5.38	
Portland, OR	176,995,389	7.3%	3,318,936	788,304	0	520,000	3,137,824	\$4.53	\$4.62	
Raleigh/Durham, NC**	29,681,047	15.6%	N/A	N/A	0	0	(609,362)	N/A	\$4.75	
Richmond, VA**	106,560,156	11.4%	1,751,600	N/A	8,738	28,500	(1,334,832)	\$3.52	\$5.20	
Roanoke, VA**	28,377,321	13.0%	97,089	N/A	N/A	0	219,396	\$6.09	\$3.73	
Rochester, NY**	72,709,174	11.5%	N/A	N/A	N/A	N/A	N/A	\$5.50	\$3.00	
Salt Lake City, UT**	103,737,713	7.6%	2,839,561	28,029	63,700	261,329	(60,293)	\$3.86	\$4.74	
San Diego, CA	191,730,444	11.0%	7,632,127	1,564,318	176,000	257,004	270,781	\$7.80	\$7.68	
San Francisco Peninsula, CA	64,250,895	8.8%	2,144,051	73,400	0	0	(1,058,744)	\$11.11	\$9.29	
Savannah, GA**	44,038,938	19.2%	605,380	N/A	0	N/A	296,408	\$4.50	\$3.73	
Seattle, WA**	129,575,040	10.9%	2,701,733	312,784	0	221,626	(1,964,256)	\$5.52	\$4.68	
Silicon Valley, CA	242,750,589	13.2%	7,844,365	1,597,788	889,000	85,000	(950,448)	\$8.00	\$5.67	
St. Louis, MO**	224,450,018	8.3%	4,272,590	2,421,061	315,558	50,000	134,338	\$3.77	\$3.73	
St. Petersburg/Clearwater, FL	51,006,530	8.4%	535,034	173,908	0	0	(397,716)	\$4.76	\$5.51	
Suburban MD	47,004,542	13.1%	761,766	0	78,240	0	(203,606)	N/A	\$7.74	
SW FL (Fort Myers, FL)**	23,038,335	18.7%	N/A	N/A	N/A	N/A	N/A	\$4.87	\$5.28	
SW FL (Naples, FL)**	8,817,663	16.4%	N/A	N/A	0	0	N/A	\$6.79	\$6.76	
Syracuse, NY**	46,535,741	14.1%	469,867	188,785	0	90,000	(1,703,650)	\$3.06	\$3.47	
Tampa, FL	78,663,300	9.6%	1,490,002	1,419,475	85,000	0	(6,497)	\$4.94	\$4.44	
Tucson, AZ**	37,891,151	10.9%	842,227	220,209	0	70,224	(32,688)	\$4.80	\$3.84	
Tulsa, OK**	59,701,175	8.9%	N/A	362,000	19,700	0	(697,779)	\$4.50	\$4.50	
<b>TOTAL- ALL MARKETS</b>	<b>11,716,189,632</b>	<b>11.1%</b>	<b>244,066,497</b>	<b>63,256,029</b>	<b>19,976,270</b>	<b>15,440,602</b>	<b>(15,979,230)</b>	<b>\$4.76</b>	<b>\$4.32</b>	
<b>TOTAL- C&amp;W MARKETS</b>	<b>8,101,451,926</b>	<b>10.6%</b>	<b>189,764,934</b>	<b>49,928,151</b>	<b>12,983,248</b>	<b>12,330,528</b>	<b>(6,224,279)</b>	<b>\$4.95</b>	<b>\$4.57</b>	

\* Rental rates reflect weighted average asking \$/psf/year

\*\*Alliance market

M F = Manufacturing WD = Warehouse/Distribution

### SIGNIFICANT 3Q10 NEW LEASE TRANSACTIONS

MARKET	BUILDING	TENANT	SQUARE FEET
Phoenix	Riverside Industrial Center	Interent Retailer	1,207,021
Inland Empire	11640 Harrell Street	Restoration Hardware	886,055
Atlanta	Liberty Distribution Center	Phillips-Van Heusen Corporation	851,349
Inland Empire	2151 South Vintage Avenue	Toyo Tires	766,235
Chicago	Butterfield East Business Park	Midwest Warehouse & Distribution	549,588
Chicago	Heartland Corporate Center	Jacobson Companies, Inc.	507,184
Dallas	Skyline Business Park	Hayes Distributing	457,076
Inland Empire	1464 Merrill Avenue	Kuehne and Nagel	436,650
Greater Los Angeles	13000-13010 East Temple Avenue	Pilot Automotive	407,638

### SIGNIFICANT 3Q10 SALE TRANSACTIONS

MARKET	BUILDING	BUYER	SF/PRICE (MIL)
Inland Empire	7140-7258 Cajon Boulevard	CT Realty/Westcore (investor)	1,401,684 / \$50.3
Atlanta	500 Business Center/201 King Mill	Cardinal Industrial (investor)	1,270,451 / \$38.1
Miami	Five warehouse properties	AMB Property Corporation (investor)	880,543 / \$66.8
Orlando	8201 Chancellor Drive	Liberty Property Trust (investor)	736,000 / \$23.6
Southern New Hampshire*	9 Northeasten Boulevard- Bldg 1 and 2	Equity Industrial Partners (investor)	674,029 / \$12.2
Central New Jersey	10 Finderne Avenue	Denver Road LLC (investor)	641,601 / N/A
Greater Los Angeles	2201 East Carson Street	Morgan Stanley (investor)	521,856 / \$40.1
Chicago	821 Bluff Road	Midwest Air Technologies, Inc. (user)	506,777 / \$15.3

\*market not tracked in statistics

### SIGNIFICANT 3Q10 CONSTRUCTION COMPLETIONS

MARKET	BUILDING	MAJOR TENANT	SQUARE FEET
Atlanta	Majestic Airport Center III	Kraft Global Foods, Inc.	969,150
Phoenix	9081 West Van Buren Street	Home Depot	466,700
Portland	2560 Northwest Sundial Road	Federal Express	415,000
New Jersey- Northern	1700 MacArthur Boulevard	New York Stock Exchange	400,000
Jacksonville	Westlake Industrial Park	Peninsular Warehousing Company	240,000

### SIGNIFICANT PROJECTS UNDER CONSTRUCTION

MARKET	BUILDING	MAJOR TENANT	SQUARE FEET
Inland Empire	Theodore Street	Skechers	1,800,000
Atlanta	Southcreek Distribution Center V	The Clorox Company	1,145,378
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
Inland Empire	Columbia Avenue	Wal-Mart	580,000
Denver	1500 East Crown Prince Boulevard	Vestas Americas	492,751
Atlanta	Dry Pond Road	Aldi	482,223
Lakeland, Florida	Interstate Commerce Park	Speculative	400,000



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

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