

MARKETBEAT



UNITED STATES INDUSTRIAL REPORT

3Q11

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

WWW.CUSHWAKE.COM/KNOWLEDGE

Overview

As 2011 began, the recovery appeared healthy and ready to become a self-sustaining expansion. As the year begins to wind down, employment growth has stalled and uncertainty has replaced confidence. The economic uncertainty continues to weaken consumer and business confidence. Although U.S. retail sales in September grew at the fastest pace in seven months, consumer spending has been relatively sluggish. Businesses hired as needed, but remain cautious in the current unclear environment. In the first four months of the year, the U.S. economy added 714,000 jobs. In the subsequent five months, the economy added 360,000 jobs and future growth will likely remain moderate. On a positive note, the probability of a double-dip recession has diminished as the economy showed more strength in the third quarter. For the third quarter as a whole, industrial production rose at an annual rate of 5.1%. Manufacturing output moved up 0.4% in September after having gained 0.3% in August. Consumer spending, which accounts for about 70% of nation's economic activity, grew at a 2.4% rate after slowing to a 0.7% pace in the second quarter. Consequently, U.S. gross domestic product expanded at a 2.5% annual rate in the third quarter, a huge improvement from the 1.3% pace in the second quarter.

The industrial sector was severely impacted during the 2008-09 recession with its overall vacancy rate climbing 310 basis points (bps) from 7.7% at year-end 2007 to 10.8% at year-end 2009. Starting at the second half of 2010, the industrial real estate market has been steadily improving. The nation's industrial sector not only benefitted from significant rebounds in primary demand, but also from historically low construction levels, with only 21.9 million square feet (msf) completed in 2010 of which 4.7 msf was speculative development. With improved market fundamentals, several markets have already shown positive rental growth and a few are experiencing speculative development.

Supply and Demand

Demand for industrial real estate has picked up significantly in 2011 as market fundamentals continue to fall more in-line with levels seen prior to the recession. The nation's industrial market continued to post strong leasing activity, declining vacancies, and diminished supply. Overall absorption for industrial markets tracked by C&W and our Alliance Partners amounted to 102.3 msf during the first nine months of the year. Industrial properties have now recorded four consecutive quarters of positive gains with 54 of the 67 industrial markets posting positive absorption. In terms of net demand, the Inland Empire was the healthiest market with occupancy gains of 13.0 msf year-to-date. The overall vacancy rate declined to 10.1% at the end of the third quarter, down 30 bps from 10.4% at midyear 2011. The Greater Los Angeles remained the tightest market in the country with an overall vacancy rate of 4.8%. Rounding out the top five markets posting the lowest vacancy rates for the third quarter were Lakeland, FL; Orange County, CA; San Francisco Peninsula, CA and Portland, OR. The constrained pipeline is a key difference in the current recovery. In the third quarter, 9.3 msf of space was added to the market, bringing the year-to-date total for new construction to 21.8 msf. An additional 27.0 msf is currently under construction with the Inland Empire leading the nation with 3.2 msf.

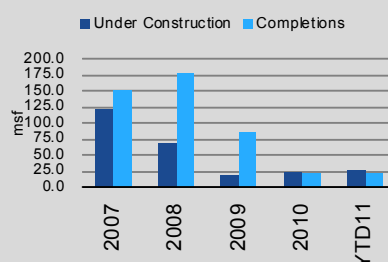
Outlook

While the economy is expected to continue expanding, the overall pace of GDP growth for 2011 is projected to be in the 1.5% to 2.0% range. Economic headwinds like historically high unemployment and uncertainty about the future fiscal, tax and regulatory environment will need to be battled though before a robust and sustained recovery can truly take hold. With the recovery likely to remain slow in the near term, industrial demand, which depends heavily on rising consumer demand, will continue to improve, but at a measured pace.

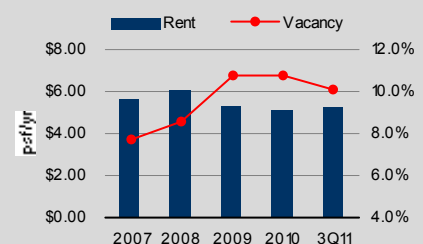
Stats on the Go

	3Q10	3Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	11.1%	10.1%	-1.0 pp	▼
Direct Asking Rents	\$5.16	\$5.28	+2.3%	▲
YTD Leasing Activity (sf)	244.1M	311.2M	+27.5%	◄►

Under Construction vs. Completions



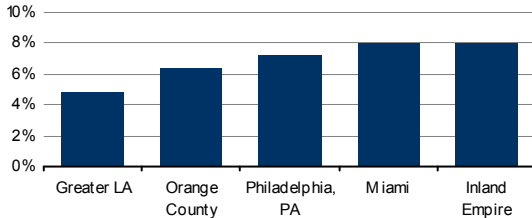
Average Asking Rental vs. Vacancy Rates



Vacancy

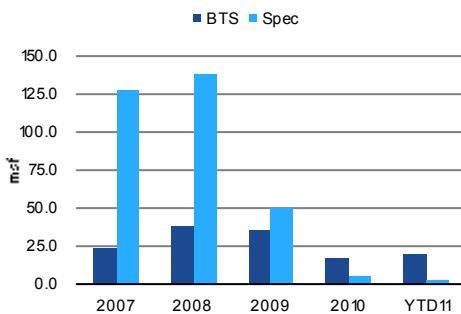
With four consecutive quarters of declining vacancies, the overall vacancy rate declined to 10.1% at the end of the third quarter, down 30 bps from 10.4% at midyear 2011. Even more compelling, overall vacancy has dropped 100 bps since the third quarter of 2010. Of the 67 industrial markets tracked by C&W and our Alliance Partners, 56 recorded year-over-year declines in vacancy. Some of the most improved markets in terms of vacancy rates were Savannah, GA which posted a decline of 600 bps to 13.2%; the PA I-81/I-78 Industrial Corridor from 13.6% to 10.4% and Indianapolis, which recorded an improvement from 11.2% to 8.1%. Of the major markets, Inland Empire posted the largest decline with a 360-bp drop in vacancy. With occupancy gains of 84.1 msf year-to-date, the warehouse/distribution sector posted an overall vacancy rate of 10.4% in the third quarter, 130 bps lower than the same period a year ago. Manufacturing has been a bright spot in this sluggish recovery and has expanded for the 26th consecutive month. Consequently, the manufacturing sector of the market posted a much lower vacancy rate of 7.9%.

Major Markets with Lowest Vacancy



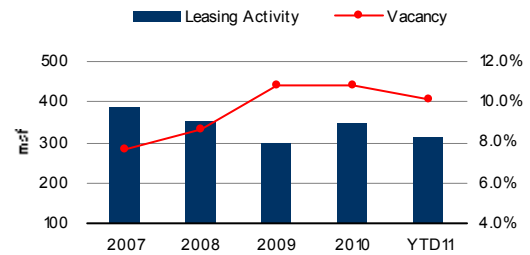
Construction

New construction remained limited with only 21.8 msf of new industrial space added to the market, up slightly from the 15.4 msf added during the first three quarter of 2010. However, compared to 2010 when 3.8 msf (24.7%) of that space was built on spec, only 2.4 msf, or 10.9% of the new space added so far this year has been speculative. Build-to-suit activity made up the bulk of new developments, totaling 19.4 msf. Markets with the most new industrial space added year-to-date included Inland Empire (2.3 msf), Greater Los Angeles (1.8 msf) and Dallas/Fort Worth (1.6 msf). Limited construction combined with strong demand for highly efficient class A space will lead to more build-to-suit activity and the potential for a few tight markets to see more speculative development.



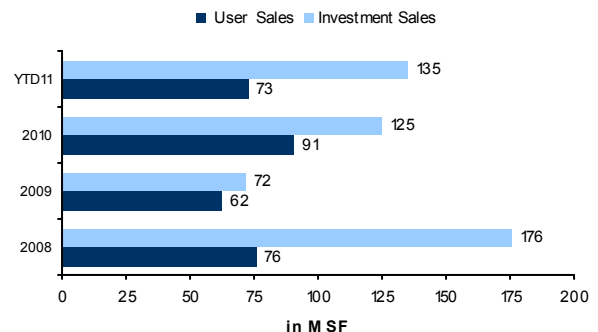
Leasing Activity

Leasing activity during the first nine months of the year totaled 311.2 msf, on track to surpass 2010's total of 346.0 msf. Industrial demand in markets surrounding the nation's seaports is leading the U.S. industrial real estate recovery. With still healthy gains in both import and export volume at the Port of New York & New Jersey, leasing activity for the combined New Jersey market (Central and Northern) is up a whopping 81.6% from this time last year, totaling 17.3 msf year-to-date. In Southern California, even with a slowdown in trade volume, the Greater Los Angeles region continued to top the nation in leasing activity with 29.0 msf, followed by the Inland Empire with 22.9 msf. Two other markets that have led the sector's recovery continued to improve in the third quarter. Increased demand from the manufacturing and logistics sector resulted in a 39.1% year-over-year increase in leasing activity for the Dallas/Fort Worth market. New leasing activity also grew significantly in Chicago with a year-to-date total of 22.0 msf, for a 32.1% year-over-year increase.



Sale Activity

Investment sales continued its momentum as fewer investment options made real estate an attractive option. The recovery of the industrial sector is relatively late in this real estate cycle, suggesting that much value appreciation is still to be realized. According to Real Capital Analytics, industrial sales in the third quarter remained fairly strong and totaled \$6.6 billion, up 37% year-over-year, with volume levels in range of those seen in the fourth quarter of 2010 and pre-crisis level of early 2008. Year-to-date, \$17.8 billion of sales mark a 57% gain from the same period last year. Average cap rates appear to have stabilized at a national average just below 8.0%. Chicago led the nation in investment sales with 17.0 msf of year-to-date investment activity, already surpassing year-end totals of both 2009 and 2010.



Market Statistics

Market	Inventory	Overall Vacancy Rate	YTD Leasing Activity	YTD User Sales Activity	Under Construction	YTD Construction Completions	YTD Direct Net Absorption	YTD Overall Net Absorption	Direct Weighted Average Net Rental Rate*		
									FLEX	MF	W/D
Atlanta, GA	513,760,549	10.5%	11,385,509	3,568,536	684,300	1,554,384	7,636,810	9,028,007	\$8.01	\$3.41	\$3.38
Austin, TX**	44,492,971	16.7%	****	0	0	0	897,408	687,501	\$7.80	\$6.24	\$5.52
Baltimore, MD	196,053,490	10.5%	3,977,582	1,374,557	692,000	0	1,042,609	843,707	\$8.69	****	\$4.67
Bellevue, WA**	59,178,491	12.7%	2,253,401	645,188	0	0	(666,789)	(476,285)	\$10.79	\$7.67	\$7.29
Birmingham, AL**	14,307,606	22.6%	****	****	0	0	66,701	57,026	\$6.53	****	\$4.01
Boston, MA	161,408,226	18.0%	4,155,850	972,516	0	0	218,368	379,710	****	\$5.84	\$5.34
Buffalo, NY**	66,243,555	11.5%	329,819	0	****	****	****	****	\$5.20	\$3.42	\$3.91
Charlotte, NC**	202,092,623	16.3%	4,926,832	0	463,128	732,320	1,833,996	2,214,708	\$6.04	\$2.71	\$3.23
Chicago, IL	1,146,199,915	10.2%	21,989,027	7,897,179	2,621,760	1,515,212	4,080,260	5,386,221	\$8.46	\$3.53	\$3.96
Cincinnati, OH**	53,194,744	23.6%	2,003,546	****	****	0	1,125,326	588,745	****	****	\$2.65
Cleveland, OH**	423,639,661	9.2%	2,329,384	3,194,513	561,000	832,735	1,048,228	1,053,410	****	****	\$3.31
Columbus, OH**	238,207,545	11.0%	4,050,505	****	****	****	****	3,651,243	\$5.50	\$4.70	\$3.80
Contra Costa, CA	36,141,474	12.3%	891,211	22,093	0	0	45,742	276,943	****	\$11.40	\$5.40
Dallas/Ft. Worth TX	512,807,819	12.8%	16,895,942	2,014,201	668,384	1,578,602	3,174,149	3,623,356	\$7.34	\$2.25	\$3.45
Denver, CO	223,941,000	7.7%	7,528,978	1,688,222	114,340	755,751	2,791,135	2,837,746	\$8.47	\$4.56	\$4.43
Detroit, MI**	331,768,533	16.7%	****	****	339,435	0	5,893,893	6,512,008	****	\$4.06	\$4.07
Fredericksburg, VA**	11,670,144	18.8%	271,718	****	0	0	(171,279)	(171,464)	\$7.38	\$5.91	\$6.53
Ft. Lauderdale, FL	92,944,580	9.3%	1,890,402	360,532	0	25,000	(449,297)	(316,512)	\$8.66	\$5.94	\$6.66
Greater Los Angeles	1,068,172,004	4.8%	28,988,004	6,210,892	711,255	1,763,499	2,396,307	2,891,566	\$8.76	\$5.63	\$6.14
Hampton Roads, VA**	115,798,061	7.7%	3,256,155	****	336,969	227,123	(85,146)	46,401	\$7.72	\$5.01	\$4.82
Hartford, CT	88,897,618	13.3%	1,195,416	567,953	40,000	212,480	219,893	440,456	****	\$3.93	\$4.38
Houston, TX	349,394,933	8.6%	12,517,996	6,602,287	1,549,454	1,398,088	3,332,563	3,563,291	\$6.89	\$3.52	\$4.27
Indianapolis, IN**	212,464,870	8.1%	7,382,162	2,097,040	873,514	1,532,980	4,832,680	5,602,190	\$5.99	\$2.18	\$3.05
Inland Empire CA	410,446,218	8.1%	22,862,929	3,387,047	3,190,854	2,307,000	12,819,952	12,976,314	\$7.72	\$4.74	\$4.01
Jacksonville, FL	100,626,200	11.0%	2,048,022	335,712	0	764,874	773,929	1,185,927	\$8.12	\$3.04	\$3.56
Kansas City, MO**	196,050,273	7.3%	2,659,867	1,943,004	1,593,737	403,498	300,696	368,016	\$10.25	\$5.98	\$4.15
Lakeland, FL	26,417,319	6.2%	483,552	140,610	862,000	0	(134,347)	(134,437)	\$4.87	\$4.48	\$4.14
Las Vegas, NV**	102,554,037	15.1%	6,486,369	651,946	0	0	(653,305)	(653,305)	\$7.08	\$6.60	\$5.28
Long Island NY	126,195,121	13.0%	2,903,596	1,205,872	702,044	0	(413,894)	(325,510)	\$7.88	\$7.08	\$6.62
Louisville, KY**	126,239,650	7.4%	3,205,539	449,763	61,000	421,000	1,845,123	1,912,127	\$6.01	\$3.15	\$3.35
Memphis, TN**	173,307,405	17.1%	5,010,677	0	879,000	0	1,636,726	1,763,745	\$6.47	****	\$2.41
Miami, FL	162,814,859	8.1%	4,036,369	461,845	0	0	957,937	902,404	\$7.99	\$3.52	\$4.93
Milwaukee, WI**	195,141,533	8.3%	3,840,681	4,047,215	871,400	700,300	1,790,748	1,813,423	\$5.00	\$4.07	\$3.77
Minneapolis, MN**	87,886,455	11.9%	****	727,909	123,000	0	587,871	555,824	****	\$7.12	\$4.48
Nashville, TN**	159,225,324	13.0%	3,385,560	101,100	1,951,000	0	1,073,680	2,048,444	\$7.31	\$3.01	\$3.93
New Jersey - Central	325,880,191	10.0%	9,903,676	467,142	849,009	176,200	4,093,872	3,584,149	****	\$5.07	\$4.22
New Jersey - Northern	281,790,731	9.4%	7,388,797	906,865	1,074,366	0	531,430	711,206	****	\$4.67	\$5.76
Northern VA	44,879,734	14.7%	834,557	0	399,135	124,800	284,103	254,947	\$11.79	****	\$8.46
Oakland, CA	141,599,552	8.9%	5,131,499	1,102,531	0	0	1,036,303	1,420,899	****	\$5.68	\$4.48
Oklahoma City, OK**	74,753,516	13.2%	****	80,000	110,000	25,000	****	509,000	\$5.80	\$3.00	\$3.70
Orange County, CA	274,801,651	6.3%	7,720,788	2,219,165	26,000	0	70,907	312,245	\$9.98	\$7.12	\$6.45
Orlando, FL	106,093,475	13.5%	3,529,207	724,871	76,158	0	795,000	946,972	\$9.22	\$4.04	\$4.20
Palm Beach, FL	41,738,414	8.7%	786,739	48,000	0	15,000	87,837	206,259	\$8.29	\$5.86	\$6.73
PA I-81/I-78 Distribution Corridor	216,924,542	10.4%	4,451,173	580,000	1,080,800	947,000	3,194,667	3,421,084	\$3.75	\$3.55	\$3.87
Philadelphia, PA	276,806,026	7.3%	4,859,297	572,873	44,000	922,336	3,635,615	3,871,721	\$8.01	\$3.47	\$4.31
Phoenix, AZ	264,820,427	13.4%	11,411,548	2,011,193	404,673	226,800	2,950,031	3,077,163	\$9.96	\$5.28	\$5.52
Pittsburgh, PA**	136,578,817	7.5%	1,486,338	2,082,793	251,789	265,816	1,363,781	1,401,032	\$10.18	\$4.35	\$4.53
Portland, OR	177,170,702	6.6%	2,240,700	1,139,016	504,648	0	668,778	362,715	\$9.53	\$4.06	\$4.87
Raleigh/Durham, NC**	86,940,083	13.3%	2,667,185	0	205,148	792,312	(176,724)	(105,063)	\$9.85	\$2.94	\$3.80
Richmond, VA**	108,129,289	10.8%	3,569,233	****	48,500	0	475,326	539,445	\$6.88	\$3.54	\$4.15
Roanoke, VA**	29,436,786	12.8%	491,840	****	****	0	175,692	180,692	\$6.49	\$2.91	\$3.03
Rochester, NY**	73,093,445	11.4%	****	****	120,000	****	****	****	****	\$5.50	\$3.00
Salt Lake City, UT**	104,557,827	8.5%	2,915,931	602,794	852,704	124,300	102,303	102,303	\$6.85	\$3.79	\$4.70
San Diego, CA	193,423,345	10.6%	8,608,564	1,933,140	123,400	211,976	5,262	89,773	****	\$7.44	\$7.92
San Francisco Peninsula, CA	64,788,440	6.5%	2,095,222	1,137,345	0	0	1,155,478	1,284,147	****	\$7.55	\$9.42
Savannah, GA**	44,850,563	13.2%	751,515	****	485,281	42,625	669,915	669,915	\$8.20	\$4.50	\$3.71
Seattle, WA**	129,787,225	9.3%	4,884,732	588,952	0	0	699,018	1,592,352	\$7.63	\$4.68	\$4.75
Silicon Valley, CA	243,333,258	11.6%	10,424,260	2,288,667	0	889,000	2,457,257	3,182,176	****	\$7.77	\$5.61
St. Louis, MO**	223,157,234	10.2%	2,785,549	695,893	227,000	0	586,258	901,841	\$6.22	\$3.55	\$3.74
St. Petersburg/Clearwater, FL	51,133,174	6.8%	787,237	461,388	0	30,000	384,227	564,166	\$7.87	\$4.60	\$5.38
Suburban MD	46,750,003	13.2%	986,892	197,396	211,346	0	(128,013)	(422)	\$11.08	****	\$7.60
SWFL (Fort Myers, FL)**	23,038,335	16.6%	****	156,872	****	17,600	****	****	\$5.87	\$4.70	\$5.24
SWFL (Naples, FL)**	8,817,663	13.0%	****	64,504	0	0	****	****	\$6.65	\$7.54	\$6.23
Syracuse, NY**	43,869,411	10.4%	663,900	179,311	0	0	91,280	91,280	\$6.61	\$3.59	\$3.35
Tampa, FL	79,013,813	7.3%	2,467,309	1,065,310	0	85,000	1,265,064	1,482,830	\$8.77	\$5.26	\$4.38
Tucson, AZ**	38,270,997	11.3%	820,303	319,406	65,652	83,459	(242,408)	(194,179)	\$8.24	\$5.97	\$6.23
Tulsa, OK**	59,701,175	7.7%	11,362,828	231,441	0	108,870	****	713,154	\$6.02	\$4.43	\$3.68
TOTAL - ALL MARKETS	12,045,614,650	10.1%	311,169,419	72,524,600	27,049,183	21,812,940	86,080,662	102,306,748	\$8.17	\$4.71	\$4.41
TOTAL - C&W MARKETS	8,047,168,803	9.4%	227,377,850	53,664,956	16,629,926	15,503,002	60,979,844	68,331,219	\$8.54	\$4.76	\$4.59

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

** Alliance market

MF=Manufacturing W/D = Warehouse/Distribution

Market Highlights

SIGNIFICANT 3Q11 LEASE TRANSACTIONS

MARKET	BUILDING	TENANT	SQUARE FEET
Indianapolis	800 S Perry Road	Online Retailer	925,800
Inland Empire	786 Central Avenue	Pactiv	913,726
PA I-81/I-78 Distribution Corridor	80 Micro Drive	Ingram*	856,000
Inland Empire	1895 Marigold Street	Kimberly Clark*	699,350
Inland Empire	26635 Pioneer Avenue	IDS Transportation	616,542
Greater Los Angeles	3777 Workman Mill Road	Specialty Retailer	613,375
Inland Empire	13133 Innovation Avenue	United Furniture	504,274
Orlando	10260 Ringhaver Drive	Amcors Rigid Plastics	500,000
Chicago	801 Midpoint Road	Electrolux North America, Inc.	495,564
Atlanta	250 Declaration Drive	Georgia Pacific	429,600
Chicago	20901-21051 W Walter Strawn Drive	Saddle-Creek Corporation	416,000

* Renewal – not included in Leasing Activity Statistics

SIGNIFICANT 3Q11 SALE TRANSACTIONS

MARKET	BUILDING	BUYER	SF/PRICE (MIL)
Cleveland	2000 E Aurora Road	DiGeronimo/Scannell	2,264,021/\$10.2
Chicago	21705 W Mississippi Street	Liberty Property Trust	1,031,329/\$49.7
Chicago	910 E Stevenson Road	American Realty Capital Trust	1,000,350/\$48.0
Central New Jersey	258 Prospect Plains Road	Exeter	886,826/\$80.5
Atlanta	127 Liberty Industrial Parkway	Industrial Income Trust	851,349/\$50.5
Indianapolis	2801 Airwest Boulevard	USAA	804,586/\$31.0
Indianapolis	800 Commerce Parkway	Cabot	795,237/\$27.8
Indianapolis	3003 Reeves Road	Welsh Property Trust, LLC	741,221/\$26.7
PA I-81/I-78 Distribution Corridor	105 Willow Springs Lane	Dividend Capital TRT	624,000/\$30.7

SIGNIFICANT 3Q11 CONSTRUCTION COMPLETIONS

MARKET	BUILDING	MAJOR TENANT	SQUARE FEET
Inland Empire	Theodore Street	Skechers	1,800,000
Nashville	Nissan Battery Plant	Nissan	1,300,000
Philadelphia	Philadelphia Regional Produce Market	Speculative	667,000
Greater Los Angeles	4700-4800 Azusa Canyon Road	Huy Fong Foods, Inc. (owner-user)	655,000
PA I-81/I-78 Distribution Corridor	Arcadia East Industrial Park	ThermoFisher Scientific (owner-user)	427,000

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

MARKET	BUILDING	MAJOR TENANT	SQUARE FEET
Chicago	Commerce Center at University Park	The Clorox Company	1,350,000
PA I-81/I-78 Distribution Corridor	Liberty at Carlisle Distribution Center	Speculative	972,000
Inland Empire	Ramsey Street	Speculative	786,984
Inland Empire	4244 Perris Boulevard	Speculative	697,578
Baltimore	521 A Chelsea Road	Speculative	692,000
Chicago	CenterPoint Intermodal Center	Home Depot	657,000



Cushman & Wakefield, Inc.

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

www.cushmanwakefield.com

* The market terms and definitions in this report are based on NAIOP standards. No warranty or representation, express or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals. © 2011 Cushman & Wakefield, Inc. All rights reserved.