

MARKETBEAT

UNITED STATE INDUSTRIAL OVERVIEW

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



4Q08

ECONOMY

The economy is in recession and has been since the end of 2007. The credit crisis, widely blamed for the national downturn, is also impacting the market for industrial real estate. Tight credit is not only curtailing consumer spending and confidence, but is hindering the ability of manufacturers to make goods, shippers to move freight, and retailers to put product on shelves. These supply chain dynamics are impacting the industrial market.

While overall market fundamentals for industrial real estate softened with the economy in 2008, there were pockets of significant activity and growth and we credit this to modern logistics. In the global economy, supply chains have become so large and complex that change is the only constant, creating significant risks and opportunities for tenants and landlords alike*.

OVERVIEW

With construction completions up significantly and leasing activity and absorption down from previous years, market fundamentals softened in 2008. At 8.6%, the overall vacancy rate for the 62 markets tracked by Cushman & Wakefield was up from 7.7% a year ago.

The best measures of demand for industrial space -- leasing activity and overall absorption -- were down in 2008. A total of 351 million square feet (msf) of leasing activity was registered nationally in 2008, which is down about 11.7% from 2007. Overall absorption of 8.2 msf was significantly lower than the 132 msf experienced in 2007 and the 146 msf in 2008. Some of the top performing markets in the country include Atlanta (6.2 msf of overall absorption), Houston (5.3 msf), Dallas (5.2 msf), and the Pennsylvania I-81/I-78 Corridor (4.7 msf). Twenty-six of the 62 markets tracked by Cushman & Wakefield had negative overall absorption in 2008, which is a turnaround from 2007 when all but ten markets had positive activity.

Much of the increase in vacancy can be attributed to supply-side pressures from speculative new construction. Cushman & Wakefield tracked 176 msf of completed inventory in 2008, which is up dramatically from 116 msf in 2007 and 153 msf in 2006. The top five markets for 2008 completions accounted for 54.0% of the deliveries nationally and include the Inland Empire (24.7 msf), Dallas/Ft. Worth (20.5 msf), Chicago 17.0 (msf), Phoenix (11.5 msf), and Houston (10.8 msf).

FORECAST

Demand levels are expected to be down for at least the first half of 2009 and quite possibly into 2010. Any escalation in direct vacancy in 2009 is not likely to be as steep as 2008 due to a sharp drop in speculative construction. However, a surge in overall vacancies due to sublease space could possibly occur, as distressed tenants look for a way out. This should be relatively short-lived and give way to a mild recovery in 2010 as the overall economy picks-up and tenants have more confidence as credit markets ease and consumer spending increases.

* For more on the largest trends impacting supply-chains and industrial real estate go to Cushman & Wakefield's Knowledge Center at cushmanwakefield.com/knowledge and search for our latest white paper "The New Age of Trade: The Americas"

BEAT ON THE STREET



"Global competition has forced supply chains to become exceedingly adaptive over the past decade and this has made industrial real estate one of the most attractive real estate investment classes."

- Michael P. McKiernan, Executive Managing Director, U.S. Industrial Brokerage

ECONOMIC INDICATORS

National	2007	2008	2009F
GDP Growth	2.0%	1.2%	-1.5%
CPI Growth	2.9%	4.2%	0.9%
Regional			
Unemployment	5.0%	8.1%	9.0%
Employment Growth	2.1%	0.2%	-2.4%

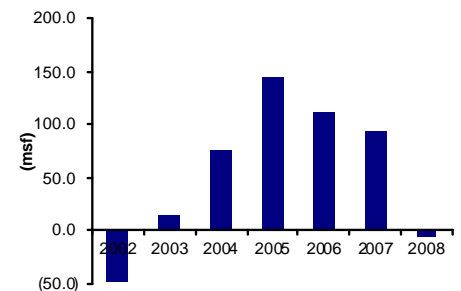
MARKET FORECAST

LEASING ACTIVITY dropped off over the second half of 2008 and is likely to continue to fall through much of 2009. ↓

OVERALL ABSORPTION is expected to decline over the first-half of 2009. ↓

CONSTRUCTION: Year-end levels of construction are down significantly and will result in a sharp drop in 2009 completions. ↓

DIRECT ABSORPTION



MARKET/SUBMARKET STATISTICS

Market	Inventory	Overall Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Overall Absorption	Direct Weighted Average Asking Triple Net Rental Rate*		
							Flex	MF	WD
Atlanta, GA	496,528,240	9.1%	15,170,244	356,160	6,470,843	6,263,314	\$8.78	\$3.39	\$3.58
Austin, TX***	42,783,427	16.5%	N/A	714,852	2,404,455	(453,088)	N/A	\$5.88	\$6.24
Baltimore, MD	195,418,476	12.2%	5,943,327	481,320	1,856,249	335,082	\$12.13	N/A	\$5.48
Bellevue, WA	57,399,529	7.6%	3,007,990	1,153,066	1,061,634	839,084	\$16.91	\$7.93	\$8.11
Birmingham, AL***	14,030,891	16.8%	N/A	N/A	N/A	(296,448)	\$12.59	N/A	\$3.34
Boston, MA	216,131,989	13.0%	5,444,697	175,000	730,653	(1,318,832)	\$10.72	\$5.79	\$5.63
Central NJ	399,160,424	8.5%	9,387,211	1,355,107	3,684,983	2,777,442	\$15.26	\$5.31	\$5.31
Charlotte, NC***	39,370,933	13.1%	N/A	250,000	957,983	797,215	N/A	N/A	\$4.38
Chicago, IL	1,131,001,010	9.2%	28,968,463	11,540,450	17,004,360	(3,080,035)	\$9.25	\$4.42	\$4.50
Cincinnati, OH***	292,279,405	6.9%	2,727,047	N/A	N/A	95,191	\$9.24	\$3.25	\$3.00
Cleveland, OH***	407,071,834	7.3%	4,247,600	908,500	2,153,168	3,345,450	\$6.80	N/A	\$3.51
Columbus, OH***	235,323,132	12.7%	5,222,818	365,924	5,220,012	(2,175,118)	\$8.76	\$3.42	\$2.98
Contra Costa, CA	36,880,339	9.9%	1,601,411	81,725	256,460	344,173	\$13.82	\$11.30	\$7.08
Dallas/Ft. Worth, TX	498,754,883	10.8%	20,589,423	7,755,789	20,552,058	5,215,934	\$8.61	\$3.59	\$3.74
Denver, CO	194,750,406	5.9%	9,746,351	548,889	2,372,993	3,294,990	\$8.96	\$5.38	\$4.82
Detroit, MI***	325,305,748	15.1%	N/A	342,644	591,966	N/A	\$6.52	\$5.81	\$4.56
Fort Myers/Naples, FL	31,883,678	10.8%	1,333,216	75,020	880,519	(787,100)	\$8.83	\$4.84	\$7.05
Fredericksburg, VA***	8,736,545	20.0%	317,523	56,500	101,400	(456,821)	N/A	\$6.32	\$4.89
Ft. Lauderdale, FL	95,202,146	7.7%	3,517,424	607,116	1,867,263	(1,333,162)	\$10.74	\$7.91	\$7.85
Hampton Roads, VA***	108,519,538	9.3%	3,055,469	272,854	1,905,750	(1,535,181)	\$5.55	\$5.41	\$4.94
Hartford, CT	86,728,718	10.2%	2,102,510	145,000	1,762,400	980,389	\$8.14	\$4.32	\$5.01
Houston, TX	330,679,287	8.3%	17,255,490	4,382,537	10,795,932	5,316,031	\$7.64	\$6.11	\$4.62
Indianapolis, IN***	202,353,131	9.2%	9,667,580	3,405,520	2,241,819	2,266,359	\$8.28	\$1.67	\$3.21
Inland Empire CA	394,396,702	12.4%	19,059,406	2,402,216	24,742,075	(342,224)	\$10.80	\$5.83	\$4.94
Kansas City, MO***	182,231,238	6.3%	3,886,326	311,718	2,458,093	1,859,222	\$9.36	\$4.88	\$4.26
Lakeland, FL	25,872,615	5.3%	534,378	513,400	269,900	170,278	\$8.00	\$5.44	\$5.37
Las Vegas, NV***	102,421,433	8.9%	3,084,640	1,185,182	5,227,299	2,462,764	\$9.43	\$9.36	\$6.96
Long Island NY	126,135,121	7.9%	1,853,641	138,882	98,922	N/A	\$10.50	\$9.69	\$8.46
Los Angeles, CA	615,272,820	3.1%	18,949,884	1,424,637	1,499,291	(6,258,300)	\$13.60	\$6.48	\$7.06
Los Angeles-North, CA	218,901,086	2.7%	4,933,187	436,758	473,316	(1,064,527)	\$13.23	\$9.04	\$9.26
Los Angeles-South, CA	230,396,316	4.3%	10,400,657	1,265,481	753,320	(3,359,391)	\$12.04	\$6.39	\$7.96
Louisville, KY***	126,050,876	9.7%	6,187,867	732,240	4,520,056	4,226,952	\$6.68	\$3.13	\$3.56
Memphis, TN***	144,992,760	13.9%	6,836,367	952,743	2,584,616	1,768,050	\$6.63	N/A	\$2.51
Miami, FL	167,406,574	7.6%	6,231,865	1,041,421	757,350	(3,808,260)	\$10.45	\$5.14	\$6.71
Milwaukee, WI***	256,420,640	8.3%	N/A	N/A	N/A	N/A	\$10.58	\$5.95	\$3.96
Minneapolis, MN	84,709,426	10.2%	N/A	494,260	1,241,275	326,127	\$7.69	\$5.51	\$4.75
Nashville, TN***	156,088,819	8.1%	6,873,084	1,986,800	2,832,679	1,324,524	\$5.46	N/A	\$3.76
Northern NJ**	374,476,133	5.9%	7,669,169	15,000	322,546	(2,628,779)	\$11.43	\$5.95	\$6.70
Northern VA	44,659,304	10.0%	2,504,278	446,618	835,134	944,213	\$13.42	N/A	\$8.96
Oakland, CA	140,547,830	7.4%	4,570,275	19,500	19,500	(2,796,525)	\$10.33	\$6.37	\$5.69
Orange County, CA	270,423,333	5.1%	9,801,755	0	811,814	(3,754,981)	\$13.19	\$8.38	\$8.57
Orlando, FL	102,412,397	10.9%	3,460,183	359,350	2,995,031	(1,083,333)	\$13.09	\$5.71	\$5.69
Palm Beach, FL	45,751,568	5.9%	910,017	384,000	826,256	(390,295)	\$11.02	\$7.49	\$8.27
Pennsylvania I-81/I-78 Corridor	198,097,756	12.3%	8,156,558	6,093,360	8,619,612	4,757,914	\$4.25	\$3.85	\$4.11
Philadelphia, PA	278,216,972	7.6%	6,713,693	1,460,185	1,970,038	(627,265)	\$9.20	\$4.62	\$4.83
Phoenix, AZ	268,624,246	11.1%	9,735,215	2,716,082	11,566,834	(2,250,945)	\$13.03	\$7.71	\$6.93
Pittsburgh, PA***	80,289,841	9.9%	4,281,215	424,605	978,483	1,461,307	\$7.71	\$3.75	\$4.64
Portland, OR	174,851,590	7.1%	6,275,833	880,966	2,680,351	(1,055,354)	\$11.40	\$4.85	\$5.59
Raleigh/Durham, NC***	29,275,000	11.2%	N/A	350,000	N/A	341,401	\$7.92	N/A	\$4.69
Richmond, VA***	103,945,465	7.2%	3,867,927	11,000	550,677	335,922	\$8.70	\$4.48	\$5.97
Rochester, NY***	71,214,289	11.2%	N/A	N/A	N/A	N/A	\$8.21	\$5.50	\$3.00
Salt Lake City, UT***	102,814,909	6.5%	3,996,623	2,015,490	2,628,653	390,240	\$10.25	\$4.06	\$4.94
San Diego, CA	187,459,638	8.1%	9,008,150	648,475	1,140,569	(593,853)	\$17.88	\$9.72	\$9.00
San Francisco Peninsula, CA	62,477,101	5.2%	1,923,583	333,311	150,000	139,259	\$27.23	\$9.51	\$10.98
Seattle, WA	127,834,291	6.4%	4,734,479	1,217,918	2,086,166	1,208,367	\$11.82	\$6.62	\$5.26
Silicon Valley, CA	238,711,852	11.6%	12,368,044	0	235,230	(903,810)	\$16.26	\$10.27	\$6.81
St. Louis, MO***	250,084,758	6.8%	6,983,480	1,086,373	2,142,805	939,914	\$9.24	\$3.01	\$4.00
St. Petersburg/Clearwater, FL	50,811,150	5.3%	1,160,625	0	235,000	(729,758)	\$9.41	\$4.76	\$6.39
Suburban MD	47,945,146	8.0%	1,951,894	125,878	675,766	592,777	\$14.02	N/A	\$8.36
Syracuse, NY***	48,882,659	12.4%	1,453,713	55,000	548,000	(2,012,106)	\$7.25	\$3.30	\$4.09
Tampa, FL	77,310,014	7.7%	1,868,571	501,584	1,627,569	(1,772,598)	\$10.14	\$5.87	\$5.81
Tucson, AZ***	38,234,920	6.8%	N/A	1,257,698	372,896	N/A	\$7.99	\$6.36	\$5.40
TOTAL- ALL MARKETS	11,692,942,297	8.6%	351,532,376	68,262,104	176,350,022	8,251,796	\$10.35	\$5.60	\$5.37
TOTAL- C&W MARKETS	8,324,220,106	8.3%	278,843,097	51,576,461	135,929,212	(6,433,953)	\$12.59	\$6.44	\$6.45

* Rental rates reflect asking \$psf/year ** Based on estimated inventory *** Alliance Market

MF = Manufacturing WD=Warehouse/Distribution



For industry-leading intelligence to support your real estate and business decisions, go to Cushman & Wakefield's Knowledge Center at www.cushmanwakefield.com/knowledge

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