

MARKETBEAT

UNITED STATES INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



3Q09

ECONOMY

While unemployment hit a 26-year high at 9.8% in September, industrial production improved and the manufacturing index was still above contraction levels at the end of third quarter. According to the Federal Reserve, industrial production during the past three months reported the largest quarterly gain in over four years. In addition, capacity utilization rose to 70.5% (yet still more than 10 percentage points below the average from 1972 through 2008). The Institute for Supply Management's (ISM) manufacturing index reported 52.6 in September- a nominal decline from the August reading of 52.9 and still above the 50 level indicating growth. This index is an important measurement of the economy's overall strength. However, despite reports of slow economic growth, the national industrial real estate market fundamentals are far from stable.

OVERVIEW

The overall vacancy rate for industrial space across the country climbed to its highest level in 15 years at 10.3%. In fact, each of the 39 industrial markets tracked by Cushman & Wakefield, Inc. reported an increase in the overall vacancy rate for the second consecutive quarter when compared on a year-over-year basis. However, since mid-year 2009 four markets reported a decrease in the overall vacancy rate - Inland Empire; Stockton/Tracy, CA; Suburban Maryland; and Tampa.

Leasing activity totaled 169.5 million square feet (msf) year-to-date, a decline of 18.8% compared to last year at this time. Only five markets reported an increase in leasing transactions over the year: Oakland, Long Island, Palm Beach, Tampa, and San Francisco Peninsula. In fact, Oakland experienced an improvement of nearly 1.3 msf. Silicon Valley, Houston, Atlanta, and Chicago reported transactional declines in excess of 4.0 msf each over this time last year. Manufacturing firms accounted for 31.4% of the square footage of the top ten leases signed in each market followed by transportation/public utilities and wholesale trade industries with 23.9% and 17.0%, respectively.

User sales, another indicator of demand for industrial space, totaled 30.9 msf sold year-to-date, a decline of 36.4% compared to third quarter 2008. Investment sales fell even more, by 65.5%, from last year with 43.3 msf transacted year-to-date. Only three markets reported a year-over-year increase in investor sales: Contra Costa, Oakland, and San Francisco Peninsula. The Inland Empire and Chicago recorded a year-over-year decrease of 14.8 msf and 15.9 msf, respectively. Capital is slowing returning to the market and qualified buyers are looking to take advantage of declining asking rates; however many sellers do not want to transact at market prices.

Construction completions totaled 99.0 msf during the past nine months, a 43.6% decrease from projects delivered during this time in 2008. Projects built on a speculative basis declined 59.3% to 35.4 msf year-to-date while facilities constructed on a build-to-suit basis nearly tripled to 35.4 msf from last year at this time. Space under construction fell to 15.2 msf, the lowest quarterly total since Cushman & Wakefield, Inc. started tracking national industrial statistics in 1995. This lack of development will have a positive impact on market fundamentals- only a limited amount of supply will be added to a national market already saturated with vacancies.

FORECAST

New manufacturing orders fell from August to September to 60.8. However, this reading reflected the third consecutive month above 48.8 representing growth in new orders and an indicator of future manufacturing activity. Leasing and user sales will stay flat through the remainder of 2009 but a slight increase is forecasted in 2010 when the local economy is expected to resume slow growth. Likewise, the vacancy rate will start to fall from its current peak as demand improves. Investors are slowly beginning to re-enter the market. However, the availability of debt financing remains a critical issue and will continue to impede real estate transactions until market fundamentals recover.

ECONOMIC INDICATORS

National	2008	2009F	2010F
GDP Growth	0.4%	-2.6%	1.8%
CPI Growth	3.8%	-0.5%	1.7%
Unemployment	5.8%	9.2%	10.2%
Employment Growth	-0.4%	-3.8%	-1.1%

Source: Moody's | Economy.com

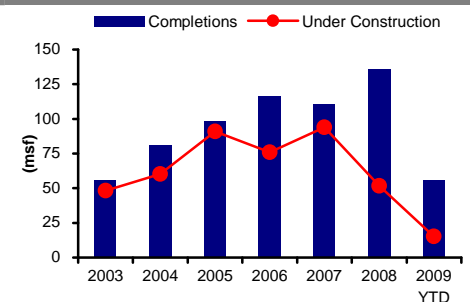
MARKET FORECAST

LEASING ACTIVITY is at a record low and is not expected to recover until employment and consumer confidence improve which will eventually increase consumer spending. ↓

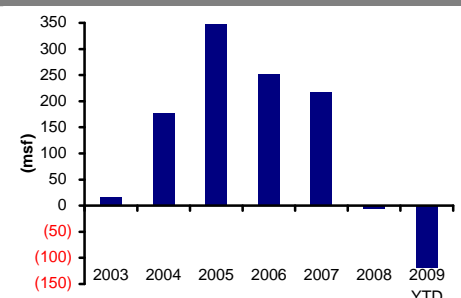
OVERALL ABSORPTION contracted for the fifth consecutive quarter across the country and is forecasted to reach a historic low by year-end as vacancies continue to out-pace demand for industrial space. ↓

CONSTRUCTION activity has basically ceased nationwide, especially for speculative industrial product. Developers will hold off until demand improves and the current supply of space is absorbed. ↓

CONSTRUCTION ACTIVITY



OVERALL ABSORPTION



MARKET HIGHLIGHTS

Significant 3Q09 New Lease Transactions

Market	Building	Tenant	Square Feet
Stockton, CA	4718 Newcastle Road	General Mills	735,980
Dallas	951 Garden Ridge	Kohler Company	651,518
Inland Empire	3155 Universe Drive	ACT Fulfillment	606,925
PA I-81/I-78 Corridor	70 Logistics Drive	Exel Logistics	575,000
Greater Los Angeles	15614-15700 Shoemaker Avenue	VF Outdoor Inc./Vans	525,000
Seattle	22003-22011 84th Avenue	Kimberly-Clark	516,748
Inland Empire	27223 Pioneer Avenue	Continental Tires	500,000
Stockton, CA	1030 Runway Drive	Whirlpool	443,640
Inland Empire	11290 Cantu Galleano	CEVA	409,998
San Francisco Peninsula	3500 Deer Creek Road	Telsa Motors	350,000
Greater Los Angeles	1650 Glenn Curtiss Street	Hitachi Transport	338,274
Chicago	1251 West 115th Street	LG Electronics USA Inc.	337,630
Inland Empire	3655 Philadelphia Boulevard	Synnex	333,026
PA I-81/I-78 Corridor	7125 Grayson Road	Menlo Logistics	300,000

Significant 3Q09 Sale Transactions

Market	Building	Buyer	SF/Price (Mil)
Dallas	Lakepointe Crossing Portfolio	PCCP, LLC	1,253,845 / \$29.9
Inland Empire	10681 Production Avenue	Peng Cheng Aluminum	1,101,900 / \$49.6
Chicago	Panattoni Portfolio	Panattoni Development Co.	1,041,640 / \$30.7
Houston	University Business Park	University of Houston	604,601 / N/A
Greater Los Angeles	14900 Garfield Avenue	Kroger Company	551,879 / \$79.5
Greater Los Angeles	Garfield Business Center	Westcore Properties	545,299 / \$30.0
Chicago	601 Northwest Avenue	Microsoft Corporation	441,650 / N/A
Inland Empire	1601 & 1801 Cooley Drive	Ashley Furniture	438,996 / \$19.3
Phoenix	2501 South Price Road	CCI-B Chandler II LLC	431,048 / \$18.5
Chicago	4801-4825 South Lawndale Avenue	AIC Ventures	414,000 / \$12.5
Central New Jersey	1 Heller Park Lane	Sixth Avenue Electronics, Inc.	323,985 / \$13.9
PA I-81/I-78 Corridor	7144 Daniels Drive	Welsh Companies	300,312 / \$11.0

Significant 3Q09 Construction Completions

Market	Building	Major Tenant	Square Feet
Atlanta	King Mill Commerce Center	Whirlpool Corporation	1,500,000
PA I-81/I-78 Corridor	260 Hidden Lane	Church & Dwight Co. Inc.	1,200,000
Jacksonville	11530 New Berlin Road	Speculative	872,627
Dallas	Grand Lakes Distribution Center	Speculative	636,248
Philadelphia	Commerce Blvd Logisticenter @ Logan	Kimberly Clark	599,500
Tampa	Madison Avenue & US Highway 41	Premier Beverage Co.	575,000
Chicago	16th Street & 54th Avenue	Speculative	551,827
Chicago	2188 Diehl Road	Freudenberg Household Products	525,000
Houston	880 East Richey	Farouk Systems, Inc.	500,000
Orlando	10260 Ringhaver Drive	Walgreens	500,000

Significant Projects Under Construction

Market	Building	Major Tenant	Square Feet
Chicago	Uline Headquarters	Uline, Inc.	1,271,000
Southwest Phoenix	800 North 75th Avenue	Speculative	1,267,110
Inland Empire	Innovation Way & Gateway	Dr. Pepper/Seven Up	850,000
Denver	Weld County Road	Vestas Americas	818,308
Southwest Phoenix	1601 North 75th Avenue	Speculative	682,291
Philadelphia	6700 Essington Avenue	Regional Produce Market	667,000
Chicago	10901 38th Street	Gordon Food Service	585,000
Houston	Sysco Headquarters	Sysco Food Service of Houston	585,000
PA I-81/I-78 Corridor	7335 Alburtis Road	Speculative	580,000
PA I-81/I-78 Corridor	Center Point Commerce & Trade Park	Home Depot	465,000

Market	Inventory	Overall	YTD	Under Construction	YTD	YTD	Direct Weighted Average Asking Triple Net Rental Rate*		
		Vacancy Rate	Leasing Activity		Construction Completions	Overall Absorption	Flex	MF	WD
Atlanta, GA	502,272,774	10.2%	7,942,136	160,000	1,991,840	(1,143,803)	\$8.88	\$3.86	\$3.59
Austin, TX***	43,939,543	18.2%	N/A	0	713,387	(208,676)	\$8.88	\$4.68	\$5.88
Baltimore, MD	195,662,550	12.9%	4,149,634	420,414	306,074	(953,637)	\$10.88	N/A	\$6.38
Bellevue, WA	58,724,069	11.4%	1,266,790	486,250	795,855	(1,551,373)	\$14.92	\$9.06	\$8.19
Binghamton, NY***	19,444,312	13.1%	62,500	N/A	N/A	(189,635)	\$12.08	\$3.79	\$4.61
Birmingham, AL***	14,321,491	22.7%	N/A	0	232,750	(1,741,582)	\$6.68	N/A	\$4.11
Boston, MA	206,220,228	15.8%	3,168,446	0	145,000	(6,657,206)	\$10.06	\$5.61	\$5.46
Central NJ**	400,681,307	10.1%	4,700,631	199,000	1,520,883	(6,966,575)	\$14.51	\$4.72	\$4.86
Charlotte, NC***	40,042,793	14.3%	N/A	104,294	250,000	(96,758)	\$8.92	N/A	\$4.18
Chicago, IL	1,144,948,751	11.4%	18,236,428	2,545,212	8,458,577	(18,098,147)	\$8.56	\$4.09	\$4.30
Cleveland, OH***	410,212,167	7.9%	1,797,254	242,700	948,500	(2,345,766)	N/A	N/A	\$3.77
Columbus, OH***	252,384,457	13.8%	3,752,629	N/A	N/A	(202,258)	\$4.62	\$3.13	\$2.85
Contra Costa, CA	36,131,911	15.8%	777,303	81,725	6,400	(1,605,191)	\$8.76	\$12.00	\$5.28
Dallas/Ft. Worth, TX	507,189,389	12.4%	12,903,486	1,002,490	7,575,199	(1,822,855)	\$8.38	\$3.74	\$3.59
Denver, CO	197,679,651	7.3%	6,084,504	844,868	773,360	(27,569)	\$8.64	\$4.77	\$4.30
Detroit, MI***	328,080,524	18.9%	N/A	296,000	160,389	(21,988,117)	\$7.84	\$4.01	\$4.52
Fredericksburg, VA***	9,628,980	24.5%	232,765	0	62,900	(130,716)	\$8.99	\$6.15	\$6.59
Ft. Lauderdale, FL	94,992,149	10.0%	2,271,113	155,628	511,438	(2,717,532)	\$9.89	\$7.91	\$7.09
Hampton Roads, VA***	112,086,157	10.4%	1,716,557	92,998	1,041,059	(552,074)	\$8.63	\$5.44	\$4.91
Hartford, CT	87,063,675	12.8%	4,12,658	145,000	304,000	(1,297,782)	\$7.18	\$4.32	\$4.73
Houston, TX	337,628,157	9.7%	9,876,643	686,000	4,352,029	(4,093,884)	\$7.65	\$4.00	\$4.66
Indianapolis, IN***	208,513,395	10.5%	3,456,147	0	5,044,437	1,520,869	\$6.31	\$1.71	\$3.05
Inland Empire CA	400,373,769	13.5%	13,331,728	1,497,397	3,184,511	(2,739,477)	\$10.02	\$4.80	\$4.05
Jacksonville, FL	98,367,150	11.9%	1,723,184	126,056	2,159,200	(419,521)	\$8.28	\$3.92	\$3.85
Kansas City, MO***	185,545,397	7.1%	3,437,384	1,100,000	344,518	(703,167)	\$8.73	\$4.63	\$4.26
Lakeland, FL	26,412,627	6.7%	273,512	0	539,800	209,152	\$5.27	\$3.38	\$4.83
Long Island, NY	126,195,121	10.1%	2,098,758	255,426	0	(932,329)	\$8.34	\$8.59	\$7.15
Los Angeles, CA	614,622,454	5.1%	11,828,353	92,467	1,555,175	(11,040,356)	\$12.79	\$5.91	\$6.03
Los Angeles-North, CA	220,211,639	4.4%	2,681,184	138,339	298,419	(3,336,657)	\$9.64	\$7.40	\$7.78
Los Angeles-South, CA	231,135,529	5.6%	6,384,901	0	1,111,472	(3,058,109)	\$11.58	\$5.90	\$6.83
Louisville, KY***	125,431,744	9.2%	2,881,495	678,000	1,390,110	503,956	\$5.84	\$3.03	\$3.51
Memphis, TN***	146,382,821	17.4%	6,025,211	N/A	100,000	(3,784,924)	\$7.11	N/A	\$2.60
Miami, FL	169,546,738	9.1%	3,715,610	165,000	689,859	(3,248,584)	\$11.29	\$4.14	\$6.49
Milwaukee, WI***	273,315,215	8.8%	1,580,720	70,000	207,160	(650,477)	\$5.33	\$3.90	\$3.85
Minneapolis, MN	85,203,686	12.5%	N/A	0	494,260	(1,164,333)	\$7.36	\$5.23	\$4.77
Nashville, TN***	166,771,821	8.9%	3,163,094	717,000	2,169,552	(906,905)	\$9.00	N/A	\$3.50
Northern NJ**	374,518,381	7.4%	3,601,745	0	42,248	(8,057,638)	\$10.23	\$5.11	\$6.36
Northern VA	44,812,293	15.1%	1,176,195	142,641	828,504	(1,402,913)	\$11.62	N/A	\$8.49
Oakland, CA	140,404,931	8.9%	4,829,041	73,260	71,616	(2,449,948)	\$9.20	\$6.11	\$4.73
Orange County, CA	271,866,335	7.1%	6,367,105	291,852	0	(6,481,497)	\$11.58	\$7.40	\$7.17
Orlando, FL	104,564,818	13.6%	2,325,629	0	1,267,650	(1,533,534)	\$9.76	\$5.25	\$5.05
PA I-81/I-78 Distribution Corridor	210,479,423	15.2%	4,993,770	1,296,000	5,420,360	(2,848,894)	\$3.72	\$3.50	\$4.01
Palm Beach, FL	45,762,593	9.7%	970,023	0	384,000	(1,377,389)	\$10.55	\$9.57	\$7.48
Philadelphia, PA	279,752,148	8.7%	2,789,657	1,401,260	908,249	(3,438,396)	\$9.24	\$3.85	\$4.65
Phoenix, AZ	262,543,281	15.5%	5,012,892	1,949,401	1,738,751	(4,032,327)	\$11.76	\$7.72	\$5.87
Pittsburgh, PA***	86,826,967	10.1%	1,974,244	192,710	442,676	628,073	\$8.28	\$3.77	\$5.32
Portland, OR	175,324,088	9.0%	1,025,932	415,000	465,966	(2,991,325)	\$9.96	\$5.28	N/A
Raleigh/Durham, NC***	29,326,116	12.8%	N/A	0	278,574	(447,723)	\$9.93	N/A	\$4.76
Richmond, VA***	105,115,237	10.7%	3,141,989	0	174,992	(3,542,671)	\$7.54	\$3.84	\$4.83
Roanoke, VA***	22,329,727	15.1%	N/A	N/A	5,257	(851,158)	\$6.09	\$6.08	\$3.80
Rochester, NY***	72,710,391	11.9%	N/A	N/A	N/A	N/A	\$7.25	\$5.50	\$3.00
Salt Lake City, UT***	104,606,709	7.4%	2,343,995	75,802	1,689,752	(439,883)	\$7.13	\$3.95	\$4.85
San Antonio, TX***	30,634,453	15.6%	1,595,518	1,125,000	315,000	191,648	\$8.66	N/A	\$4.40
San Diego, CA	188,786,437	10.5%	5,514,378	311,004	1,010,876	(3,504,403)	\$15.00	\$8.64	\$7.92
San Francisco Peninsula, CA	63,155,347	8.4%	1,439,134	333,311	102,000	(1,542,848)	\$20.60	\$16.07	\$10.14
Seattle, WA	129,246,431	9.0%	3,014,080	0	1,217,918	(2,439,624)	\$12.19	\$6.22	\$4.92
Silicon Valley, CA	240,882,694	13.9%	5,803,910	0	450,000	(6,395,407)	\$13.07	\$8.84	\$6.13
St. Louis, MO***	224,666,833	8.5%	4,061,601	127,415	515,019	(464,307)	\$5.91	\$2.96	\$3.91
St. Petersburg/Clearwater, FL	50,864,572	6.8%	635,998	0	0	(988,528)	\$8.95	\$5.39	\$6.13
Stockton/Tracy, CA	45,532,980	16.0%	3,260,761	0	3,966,429	4,114,522	N/A	\$3.23	\$3.62
Suburban MD	47,482,042	13.6%	1,139,087	0	244,610	(408,306)	\$12.72	N/A	\$7.92
Syracuse, NY***	47,793,940	14.9%	291,388	155,000	N/A	(1,073,738)	\$6.90	\$3.35	\$3.74
Tampa, FL	78,329,850	8.8%	1,792,617	0	890,200	(114,164)	\$9.45	\$3.54	\$4.68
Tucson, AZ***	37,787,996	10.7%	1,203,090	0	1,495,971	1,379,504	\$7.82	\$5.25	\$4.80
TOTAL- ALL MARKETS:	11,593,471,154	10.6%	212,236,537	20,191,920	73,364,732	(154,599,734)	\$10.21	\$4.93	\$4.64
TOTAL- C&W MARKETS:	8,495,571,968	10.3%	169,518,956	15,215,001	55,782,729	(118,503,249)	\$11.13	\$5.44	\$4.96

* Rental rates reflect asking \$/sq/yr

** 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

Cushman & Wakefield, Inc.
51 West 52nd Street
New York, NY 10019
(212) 841-7500

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