

MARKETBEAT



UNITED STATES INDUSTRIAL REPORT

2Q11

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

WWW.CUSHWAKE.COM/KNOWLEDGE

Overview

The U.S. economy faltered in the second quarter with employment growth slowing to a crawl as uncertainty about how rising oil prices, sovereign debt issues in Europe and the budget deficit impasse will affect the economy. These have combined to cause businesses and consumers to become more cautious and consumer spending edged up by a mere 0.1%, the weakest in two years. The U.S. economy expanded at a weaker pace than expected and rose at an annual rate of 1.3% in the second quarter while revision of first quarter estimates showed growth slowed to a virtual standstill. Despite the sluggish performance of the overall economy, activity in the goods sector has been surprisingly healthy during the first five months of the year. Shipments of goods manufactured in the U.S. have increased 4.8% since December 2010 while trade in goods (imports plus exports) have increased 9.8%. Consequently, the top ten U.S. ports continue to show increased trade volume in the first half of the year. Overall, activity in the industrial sector of the economy continues to improve, although the pace has slowed since the first quarter.

After a net loss in occupied space of 153.8 million square feet (msf) in 2009, the U.S. industrial market gained momentum in the second half of 2010 following significant rebounds in primary demand drivers. The industrial market also benefitted from historically low construction levels, with only 21.9 msf completed in 2010 of which 4.7 msf was speculative development. With increased demand and less new supply coming online, the overall vacancy rate declined to 10.8% at year-end 2010, resulting in occupancy gains of 14.1 msf. In the first half of 2011, the industrial sector has clearly transitioned into recovery. With three consecutive quarters of declining vacancies, the overall vacancy rate dropped to 10.4%, down from 10.7% the previous quarter and 70 basis points (bps) lower than this time last year.

Supply and Demand

Year-to-date leasing activity for U.S. industrial markets totaled 204.9 msf at midyear 2011, up 27.6% from the 160.5 msf leased in the first half of 2010. Increased demand led to occupancy gains of 53.5 msf so far this year, a significant improvement from a year ago when 18.9 msf of vacant space was added to the market. Markets tied to strong port activity, such as Los Angeles and the Inland Empire, Atlanta and New Jersey has benefitted early in the recovery. The Greater Los Angeles market remained the tightest industrial region in the U.S. with a 4.8% overall vacancy while the Inland Empire led the nation in net demand with occupancy gains of 8.2 msf at mid-year. With a 7.6% year-over-year increase in year-to-date trade volume through June at the Port of Savannah, Atlanta's industrial market continues to strengthen with net absorption of 4.5 msf during the first two quarters of the year.

New construction remained limited with only 12.6 msf of new industrial space added to the market, up slightly from the 10.7 msf added in the first half of 2010. However, compared to 2010 when 2.7 msf of that space was built on spec, only 1.4 msf of the new space added so far this year has been speculative.

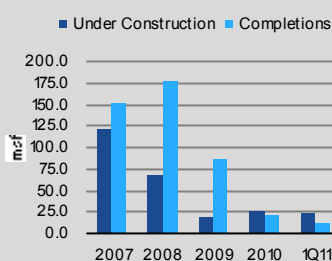
Outlook

With rising gas prices and challenges in the labor and housing markets, consumer spending has slowed and retailers have adjusted their inventory levels accordingly. However, in light of improving market fundamentals and a modest supply pipeline, the outlook for the industrial market remains positive. Trade volume growth is an important factor for determining the health of the industrial sector and both U.S. and global trade volume continue to post positive gains. New construction remains minimal with only 23.4 msf currently under construction, which bodes well for further vacancy declines.

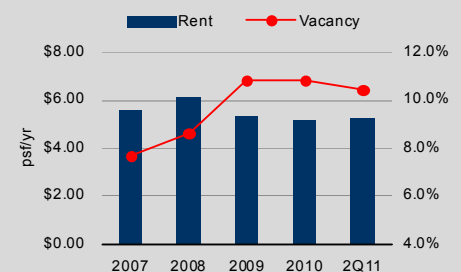
Stats on the Go

	2Q10	2Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	11.1%	10.4%	-0.7 pp	▼
Direct Asking Rents	\$5.19	\$5.28	+1.7%	▲
YTD Leasing Activity (sf)	160.5M	204.9M	+27.6%	◀▶

Under Construction vs. Completions



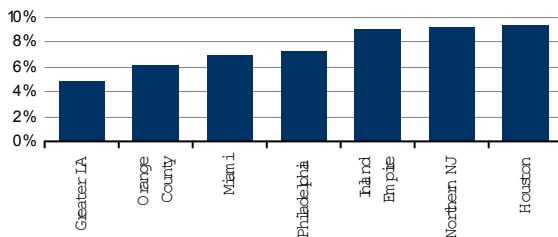
Overall Rental vs. Vacancy Rates



Vacancy & Rents

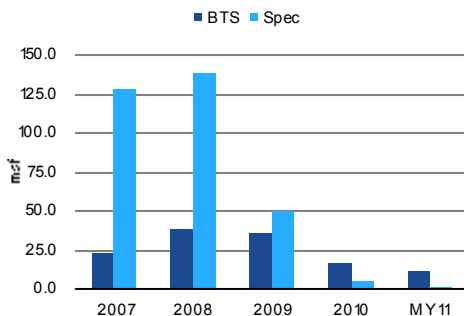
Over the past year, the amount of vacant space on the market has decreased by 3.6% (or 46.7 msf), causing the overall vacancy rate to decline to 10.4%. Accounting for 64.8% of the industrial inventory, the warehouse/distribution sector posted an overall vacancy rate of 10.8% in the second quarter, 90 bps lower than the same period a year ago. Expansion among developing nations stimulated U.S. manufacturers. Consequently, the manufacturing sector of the market posted a much lower vacancy rate of 7.9%. Of the 67 industrial markets tracked, more than two thirds reported decreased vacancy rates over the past twelve months. Of the major markets, the Inland Empire posted the largest year-over-year decline with a 320-bp drop in vacancy. After a strong first quarter of 2011, the PA I-81/I-78 Industrial Corridor continues to prosper with its overall vacancy rate dropping to 11.1%, 210 bps lower than a year ago and the lowest vacancy rate for this market since the third quarter of 2007. With increased demand, there was a slight uptick in direct rental rate with a national average of \$5.28 psf NNN, marking a year-over-year increase of 1.7%. The San Francisco Peninsula has the highest direct average in the nation at \$13.84 psf.

Major Markets with Lowest Vacancy



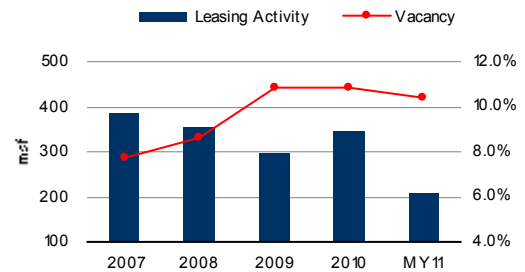
Construction

Speculative buildings dominated the market and made up 78.5% of new supply back in 2008 when new construction topped over 176.0 msf. Today, build-to-suits make up 88.4% of new developments. Markets with the most new industrial space added year-to-date included Dallas/Fort Worth (1.6 msf), Indianapolis (1.5 msf) and Chicago (1.4 msf). During the second quarter, Whirlpool Corporations' distribution center totaling 1.0 msf was completed in the Dallas/Fort Worth market. With 23.4 msf currently under construction, Skechers' 1.8-msf build-to-suit in the Inland Empire is the largest project under development and is expected to deliver next quarter.



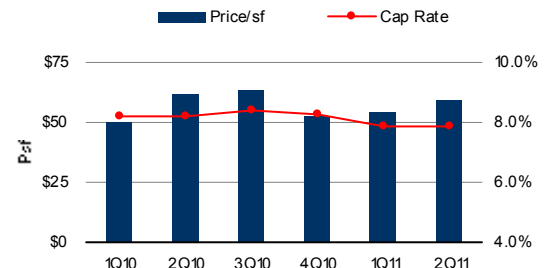
Leasing Activity

Positive gains in trade volume continue to bolster the east and west coast industrial markets and inland trade hubs. The Greater Los Angeles market recorded more than 19.1 msf of leasing activity in the first half of the year, followed by the Inland Empire with 15.1 msf. Chicago's dominance as an inland hub remained unchallenged and demand for warehouse space was also strong with 12.8 msf of leasing activity. More importantly for this market, vacant speculative developments that were delivered as early as 2008 are beginning to see activity from big-box users. Markets with the largest year-over-year gain in leasing included: Central New Jersey (up 80.5%), Dallas/Fort Worth (up 54.2%), Phoenix (up 49.7%) and Inland Empire (up 42.4%). The largest lease of the quarter was a 1.3-msf lease by an online retailer in Phoenix. The second largest transaction occurred in Central New Jersey where Wakefern Food Corporation signed a lease for 1.1 msf at 8001 Industrial Avenue. Expect leasing activity to remain relatively stable through the remainder of 2011.



Sale Activity

Encouraged by the emerging recovery in the industrial sector, investment activity continues to gain momentum. At mid-year 2011, investment sales totaled 70.0 msf, up a whopping 159.6% from the same period a year ago. Chicago led the nation in investment sales where volume more than doubled to 9.9 msf sold at mid-year. According to Real Capital Analytics, \$10.7 billion of significant sales occurred in the first half of the year, a 53.7% year-over-year gain from the same period a year ago. The relative strength of the warehouse sector is evident with \$6.5 billion of transaction volume in the first half of the year, 61.8% higher than a year ago. Warehouse cap rates continued to trend down and are now some 75 bps below the peak of second quarter 2010. Portfolio deals dominated industrial sales in the first half of the year with 40 portfolio deals accounting for more than 20% of volume.



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	513,586,348	11.3%	5,253,422	1,580,027	884,506	1,145,378	3,491,541	4,542,089	\$8.08	\$3.44	\$3.40
Austin, TX**	44,492,971	17.4%	****	0	0	0	435,413	372,278	\$7.80	\$6.00	\$5.52
Baltimore, MD	196,207,462	10.7%	2,339,611	911,374	0	0	794,453	793,831	\$8.48	****	\$4.59
Bellevue, WA**	59,152,969	12.3%	1,522,731	544,896	0	0	(411,565)	(215,502)	\$10.84	\$7.71	\$7.37
Birmingham, AL**	14,307,606	21.0%	****	****	0	0	291,140	394,265	\$6.55	****	\$3.93
Boston, MA	161,535,226	18.7%	2,286,712	712,602	0	0	(403,917)	(221,905)	****	\$5.84	\$5.22
Buffalo, NY**	66,243,555	11.5%	220,005	0	****	****	****	****	\$5.20	\$3.42	\$3.91
Charlotte, NC**	201,498,574	16.4%	2,689,645	0	183,320	672,000	(699,119)	(286,353)	\$5.98	\$2.67	\$3.25
Chicago, IL	1,145,700,885	10.5%	12,848,812	5,511,475	2,996,720	1,417,252	1,301,846	2,502,608	\$8.73	\$3.57	\$4.06
Cincinnati, OH**	53,194,744	23.9%	1,666,476	****	****	0	711,643	428,433	****	****	\$2.76
Cleveland, OH**	423,036,994	9.6%	1,324,123	2,002,387	770,735	152,000	(905,341)	(894,159)	****	****	\$3.34
Columbus, OH**	236,823,330	11.1%	2,526,417	****	****	****	****	1,246,593	\$5.36	\$3.85	\$3.07
Contra Costa, CA	36,146,274	12.9%	547,226	22,093	0	0	(1,696)	52,117	****	\$11.28	\$5.52
Dallas/Ft. Worth TX	512,937,736	12.9%	12,272,563	1,503,571	668,384	1,578,602	1,897,121	2,952,943	\$7.32	\$2.34	\$3.47
Denver, CO	223,669,525	8.1%	5,447,599	775,598	155,000	600,751	1,707,063	1,730,788	\$8.35	\$4.48	\$4.23
Detroit, MI**	332,085,366	17.7%	****	****	285,000	0	3,707,901	3,400,059	****	\$4.13	\$4.11
Fredericksburg, VA**	11,149,851	18.1%	76,861	****	0	0	(39,949)	(39,684)	\$9.33	\$4.69	\$4.47
Ft. Lauderdale, FL	92,623,764	9.6%	1,340,237	207,671	0	25,000	(455,012)	(325,568)	\$9.01	\$5.91	\$6.58
Greater Los Angeles	1,067,279,316	4.8%	19,224,243	4,517,947	1,546,099	610,665	2,144,493	1,712,087	\$9.09	\$5.64	\$6.21
Hampton Roads, VA**	114,353,364	7.6%	2,738,644	****	128,908	93,223	(139,310)	(49,859)	\$7.96	\$4.86	\$4.77
Hartford, CT	88,638,694	13.5%	959,377	484,812	240,000	12,480	(59,668)	163,235	****	\$4.02	\$4.47
Houston, TX	346,544,984	9.3%	8,424,068	1,863,897	801,057	845,836	808,325	902,056	\$7.16	\$3.72	\$4.38
Indianapolis, IN**	211,995,716	8.9%	4,364,217	1,533,114	550,400	1,455,980	4,216,381	3,860,604	\$5.78	\$2.22	\$3.07
Inland Empire CA	407,435,373	9.0%	15,138,691	2,792,520	3,114,120	507,000	8,269,684	8,242,827	\$7.97	\$4.53	\$3.89
Jacksonville, FL	100,352,211	11.1%	1,600,769	245,177	279,874	485,000	492,731	904,729	\$8.17	\$3.06	\$3.57
Kansas City, MO**	192,176,868	7.8%	2,232,495	1,421,657	1,595,860	61,598	(540,464)	(476,332)	\$10.25	\$5.92	\$4.15
Lakeland, FL	26,441,394	6.7%	138,740	91,610	562,000	0	(292,649)	(292,649)	\$4.81	\$3.21	\$4.14
Las Vegas, NV**	101,999,916	15.0%	4,997,554	554,341	0	0	(72,780)	(72,780)	\$7.20	\$6.60	\$5.52
Long Island NY	126,195,121	12.9%	2,258,684	674,233	702,044	0	(656,214)	(613,750)	\$8.83	\$6.86	\$6.63
Louisville, KY**	126,095,650	7.8%	2,256,353	220,999	190,000	277,000	1,254,829	1,262,306	\$5.99	\$3.10	\$3.37
Memphis, TN**	172,520,698	14.8%	3,689,429	0	****	0	1,384,836	1,284,444	\$6.57	****	\$2.55
Miami, FL	162,914,858	6.9%	2,540,671	282,845	0	0	824,695	756,602	\$8.69	\$2.61	\$5.90
Milwaukee, WI**	195,744,261	8.6%	3,033,987	1,989,643	459,000	317,700	1,011,930	1,002,409	\$5.39	\$4.11	\$3.70
Minneapolis, MN	87,886,455	12.7%	****	287,615	123,000	0	24,383	(120,519)	****	\$4.80	\$4.48
Nashville, TN**	159,162,613	13.7%	2,260,325	0	1,951,000	0	(21,314)	390,394	\$6.97	\$3.32	\$3.57
New Jersey - Central	324,947,025	10.8%	6,779,447	369,075	703,488	176,200	1,493,273	1,349,944	****	\$4.69	\$4.34
New Jersey - Northern	281,621,809	9.2%	4,340,930	547,477	547,476	0	1,085,894	1,139,919	****	\$4.76	\$5.77
Northern VA	44,879,734	15.0%	470,449	0	0	124,800	139,884	94,430	\$11.85	****	\$8.32
Oakland, CA	141,597,084	9.1%	3,558,604	900,361	0	0	548,967	949,807	****	\$5.65	\$4.45
Oklahoma City, OK**	74,753,516	13.4%	****	80,000	110,000	25,000	****	365,000	\$5.80	\$3.00	\$3.70
Orange County, CA	274,214,048	6.1%	4,958,871	1,419,656	0	0	737,556	995,533	\$9.67	\$7.06	\$6.37
Orlando, FL	106,252,353	14.0%	1,818,363	557,214	0	0	335,193	493,178	\$9.05	\$4.28	\$4.15
Palm Beach, FL	41,681,598	8.8%	607,883	48,000	0	15,000	30,760	182,212	\$7.93	\$5.95	\$6.74
PA I-81/I-78 Distribution Corridor	216,509,382	11.1%	2,144,449	580,000	920,800	135,000	798,193	798,193	\$3.75	\$3.68	\$3.90
Philadelphia, PA	276,218,665	7.3%	2,941,062	328,223	711,000	255,336	2,432,778	2,608,413	\$8.34	\$4.02	\$4.28
Phoenix, AZ	264,123,246	14.2%	6,265,311	1,382,994	0	226,800	1,974,536	2,208,728	\$10.20	\$5.52	\$5.52
Pittsburgh, PA**	139,398,132	7.9%	835,187	1,380,768	164,630	237,116	1,333,591	1,390,682	\$9.90	\$3.76	\$4.63
Portland, OR	177,143,702	6.8%	1,847,834	896,410	413,700	0	345,371	39,910	\$8.94	\$4.50	\$4.91
Raleigh/Durham, NC**	82,975,451	12.7%	1,951,119	0	784,960	72,500	(534,958)	(502,189)	\$9.98	\$2.96	\$3.79
Richmond, VA**	107,862,632	11.1%	2,364,642	****	0	0	112,155	193,850	\$6.91	\$3.60	\$4.12
Roanoke, VA**	29,247,072	12.4%	392,340	****	****	0	256,076	261,076	\$6.49	\$5.09	\$3.49
Rochester, NY**	73,093,445	11.7%	****	****	****	****	****	****	****	\$5.50	\$3.00
Salt Lake City, UT**	104,557,827	8.9%	1,627,299	376,582	0	124,300	(268,993)	(268,993)	\$6.87	\$3.80	\$4.72
San Diego, CA	193,070,925	10.6%	5,680,538	2,505,326	202,340	0	(246,440)	(262,609)	****	\$7.92	\$7.80
San Francisco Peninsula, CA	64,665,401	7.1%	1,161,334	1,085,595	0	0	891,281	949,612	****	\$9.01	\$9.64
Savannah, GA**	44,850,563	13.2%	751,515	****	75,000	42,625	669,915	669,915	\$8.20	\$4.50	\$3.71
Seattle, WA**	129,787,643	9.8%	3,481,336	173,058	0	0	638,077	958,637	\$7.65	\$4.78	\$4.65
Silicon Valley, CA	242,841,824	11.9%	6,953,140	1,635,237	280,000	609,000	1,946,607	2,419,786	****	\$8.16	\$5.60
St. Louis, MO**	223,143,484	8.6%	1,432,420	476,680	237,800	0	545,075	640,574	\$6.22	\$3.43	\$3.70
St. Petersburg/Clearwater, FL	50,959,001	7.4%	552,519	270,338	0	30,000	193,500	316,739	\$7.73	\$4.54	\$5.56
Suburban MD	46,810,003	13.8%	892,731	116,560	0	0	(363,389)	(293,676)	\$10.99	****	\$7.74
SWFL (Fort Myers, FL)**	23,038,335	17.9%	****	107,181	****	17,600	****	****	\$5.67	\$4.75	\$5.27
SWFL (Naples, FL)**	8,817,663	13.6%	****	43,816	0	0	****	****	\$6.62	\$6.87	\$6.89
Syracuse, NY**	43,908,270	10.9%	287,011	62,822	0	0	131,056	131,056	\$6.58	\$3.59	\$3.34
Tampa, FL	78,896,753	8.8%	1,167,051	595,384	0	85,000	354,385	410,360	\$8.67	\$4.94	\$4.34
Tucson, AZ**	38,515,732	10.6%	428,351	187,057	70,000	13,459	(198,386)	(76,507)	\$7.97	\$6.10	\$6.28
Tulsa, OK**	59,701,175	8.8%	10,946,062	231,441	0	108,870	****	82,552	\$5.00	\$3.90	\$3.68
TOTAL - ALL MARKETS	12,022,214,165	10.4%	204,858,485	47,089,359	23,408,221	12,556,071	45,453,367	53,534,769	\$8.16	\$4.66	\$4.38
TOTAL - C&W MARKETS	8,122,528,179	9.7%	144,761,941	35,702,917	15,851,608	8,885,100	32,585,528	38,082,000	\$8.36	\$4.81	\$4.57

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

** Alliance market

MF=Manufacturing W/D = Warehouse/Distribution

Market Highlights

SIGNIFICANT 2Q11 LEASE TRANSACTIONS

MARKET	BUILDING	TENANT	SQUARE FEET
Phoenix	800 North 75th Avenue	Undisclosed	1,267,110
Central New Jersey	8001 Industrial Avenue	Wakefern Food Corporation	1,064,515
Indianapolis	710 Girls School Road	Undisclosed	904,254
Inland Empire	5690 Industrial Parkway	Smuckers	842,379
Chicago	160 Southcreek Parkway	Samsung Electronics Company	650,000
Memphis	5166 Pleasant Hill Road	CEVA Logistics*	648,750
Inland Empire	3996 Riverside Avenue	Razor USA	599,654
Chicago	2805 Duke Parkway	Follett Corporation	549,588
Central New Jersey	100 West Manor Way	Kenco Logistics Services, LLC	504,286
Inland Empire	13133 Innovation Drive	Mars Chocolate North America	495,736
Chicago	801 Midpoint Road	Electrolux North America, Inc.	495,564

* Renewal – not included in Leasing Activity Statistics

SIGNIFICANT 2Q11 SALE TRANSACTIONS

MARKET	BUILDING	BUYER	SF/PRICE (MIL)
Atlanta	1187 East Hightower Trail	Industrial Income Trust	1,300,716/\$33.8
Central New Jersey	8001 Industrial Avenue	KTR Capital Partners	1,064,515/N/A
Dallas Fort Worth	500 Millers Ferry Road	CB Richard Ellis Realty Trust	1,020,000/\$40.8
San Francisco Peninsula	Stanford Research Park	VMware	966,086/N/A
Dallas Fort Worth	4800 Langdon Road	Weeks Robinson Properties	635,040/N/A
Chicago	10100 58th Place	LaSalle Investment Management	626,784/\$14.7
Baltimore	7605 Dorsey Run Road	LPF 7605 Jessup LLC	612,900/\$50.2
Inland Empire	7776 Tippecanoe Avenue	KTR Capital Partners	609,499/\$27.4
Memphis	7485 Polk Lane	AREA	600,000/\$21.3

SIGNIFICANT 2Q11 CONSTRUCTION COMPLETIONS

MARKET	BUILDING	MAJOR TENANT	SQUARE FEET
Dallas/Fort Worth	Millers Ferry Road	Whirlpool	1,020,000
Chicago	1250 Macom Drive	3M	650,760
Dallas/Fort Worth	4601 Gold Spike Drive	Frac Tech Services (owner-user)	558,602
Inland Empire	1001 Columbia Avenue	Wal-Mart	507,000

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

MARKET	BUILDING	MAJOR TENANT	SQUARE FEET
Inland Empire	Theodore Street	Skechers	1,800,000
Chicago	Commerce Center at University Park	The Clorox Company	1,350,000
Nashville	Nissan Battery Plant	Nissan	1,300,000
Inland Empire	4244 Perris Blvd.	Speculative	697,578
Philadelphia	Philadelphia Regional Produce Market	Speculative	667,000
Chicago	CenterPoint Intermodal Center	Home Depot	657,000
Greater Los Angeles	4700-4800 Azusa Canyon Road	Huy Fong	655,000



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.