

MARKETBEAT



UNITED STATES INDUSTRIAL REPORT

1Q11

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

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Overview

The U.S. economy is poised to make a healthy recovery in 2011 after three difficult years. Due to its strong ties to all sectors of the economy and relatively healthy underlying fundamentals, the industrial sector will recover much stronger than other real estate sectors as rising employment and demand lead to both higher manufacturing output and faster growth in good shipments. Economic activity in the manufacturing sector expanded in March for the 20th consecutive month. Trade volume will continue to rise in 2011, albeit at a much slower rate than last year. Although the Asian economies will continue to exhibit robust growth, it is not expected to report the growth rates in 2010. The recent disaster in Japan caused a temporary slowdown in this country's output and will definitely loom as a drain on global economic growth. Additionally, the turmoil in the Middle East and North African countries (MENA) has the potential to threaten oil production and has triggered higher fuel costs. While employment growth has thus far been modest, there are indications labor markets will soon reach that long-awaited turning point.

The U.S. industrial market continued its momentum towards recovery with increased leasing activity and declining vacancies. Leasing activity totaled 68.0 million square feet (msf) in the first three months of 2011, up 12.5% from the 60.4 msf leased at this time last year, and the strongest first quarter since 2007, when 79.3 msf was leased. Increased demand led to occupancy gains of 7.7 msf at the end of the first quarter, a significant improvement from a year ago when 15.8 msf was added to the market vacant. While overall vacancy and absorption completely turned the corner and continued to improve, rental rates have yet to follow suit with any positive growth. At \$5.45 psf, the average direct rental rate is still down 4.0% from a year ago.

Supply and Demand

With improved leasing velocity and gains in occupancy, the national overall vacancy rate declined to 10.2% at the end of the first quarter of 2011, a 0.1 percentage point (pp) decrease from 10.3% at year-end 2010, and down from 10.8% at this time last year. Vacancy declined in 22 of the 34 U.S. industrial markets tracked by Cushman & Wakefield quarter-over-quarter. Increased trade volume at the top two seaports in the nation (Ports of Los Angeles and Long Beach) continued to bolster the West Coast industrial markets. The Inland Empire (CA) posted a 2.8 pps year-over-year drop in overall vacancy and a 39.4% year-over-year increase in leasing activity while the Greater Los Angeles market remained the tightest industrial region in the U.S. with a 4.9% overall vacancy.

New construction remained limited, with 3.2 msf of new product added to the market so far this year, on par with the 3.2 msf delivered in the first quarter of 2010, and the lowest amount of construction completions since Cushman & Wakefield started tracking the U.S. industrial market

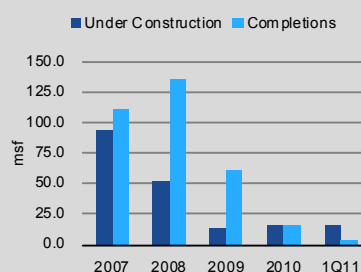
Outlook

With market fundamentals in place for continued recovery, the outlook for the U.S. industrial sector is positive. Improving economic conditions will fuel industrial demand and increased market activity will continue to chip away at available inventory. However, the recovery will remain slow and steady. With 824.4 msf of vacant space on the market, we are likely facing at least two to three quarters before absorption reaches a point that will drive an upward movement in rental rates. However, the market seems to be on the right path. Look for leasing activity to remain healthy through the remainder of 2011.

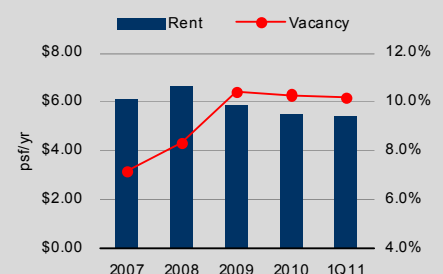
Stats on the Go

	1Q10	1Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	10.8%	10.2%	-0.6 pp	▼
Direct Asking Rents	\$5.68	\$5.45	-4.0%	◀▶
YTD Leasing Activity (sf)	60.4M	68.0M	+12.5%	◀▶

Under Construction vs. Completions



Overall Rental vs. Vacancy Rates



Atlanta, GA Big-box users drove Atlanta's industrial sector to its highest quarterly absorption in nearly three years, with more than 3.0 msf of positive overall absorption recorded in first quarter. Development remained focused in build-to-suit projects, as 1.1 msf completed in first quarter and 784,006 sf were under construction in that sector. With four portfolio transactions reported, 1.9 msf traded to investors at an average sales price of \$38.00 psf.

Austin, TX For the third consecutive quarter, the Austin industrial market has experienced positive direct absorption and for the fourth consecutive quarter the overall vacancy has dropped in the Austin industrial market. This is a good sign that market activity is picking up and tenants have begun to fill the large quantity of affordable vacant space in the market. With no new speculative industrial development slated look for the Austin industrial market to experience a steady increase in occupancy throughout 2011.

Baltimore, MD Strong leasing and sales activity in the Baltimore market continued to show signs of recovery as 1.1 msf in new leases and 1.7 msf in sales transactions were executed in the quarter. Kohl's Corporation closed the largest sales transaction of the quarter when it purchased a 602,250-sf facility in Harford County. The overall vacancy rate at 11.0% modestly decreased 0.2 pps points from year-end 2010 as absorption was positive at 406,239 sf.

Bellevue, WA Despite some positive economic news, Bellevue's industrial market continued its struggle to regain footing. The high-tech and aerospace manufacturing industries, the market's largest users of industrial product, lead the recovery locally, but so far neither translated into tangible growth for the market. That being said, fundamentals appeared to be bottoming out, suggesting a recovery is imminent.

Birmingham, AL The Birmingham industrial market experienced 60,518 sf of positive direct absorption in the first quarter of 2011, compared to 172,000 sf of negative absorption at the end of 2010. The direct occupancy rate for the market was 79.3%, an increase from 78.9% at year-end 2010. From fourth quarter 2010 to first quarter 2011, the amount of sublease space available in the market dropped considerably from 378,299 sf to 276,924 sf.

Boston, MA The Greater Boston industrial market continued to show signs of weakness despite the economic recovery currently underway in other property sectors. Overall vacancy trended upward once again and ended the first quarter at 19.4%. With U.S. retail sales up 2.1% from last quarter, it is projected that overall vacancies will begin to decline and asking rents will rise as industrial sectors post expected job gains, contractions and plant closures cease and no new construction commences.

Buffalo, NY The Buffalo industrial market remained steady throughout 2010 and through the first of the year with an 11.5% vacancy rate. We expect a challenging year in 2011 due to the

difficult credit markets, high unemployment, municipal budgetary concerns and property and income tax concerns. Having said that, we are still cautiously optimistic about the new year.

Chicago, IL First quarter 2011 got off to a strong start, compared to activity levels recorded one year ago. Absorption is expected to return to positive levels when the nearly 4.0 msf of build-to-suit projects currently under construction are complete, as early as mid-year. The overall vacancy rate for the Chicago industrial market measured 11.0% and should continue to decline throughout the year.

Cincinnati, OH Cincinnati's industrial market reported significant leasing activity, yet this is still a great time to be a tenant as landlords continued to give concessions to make deals. As the vacancy rate slowly declines, we will see increasing asking rental rates, but that may not translate into higher effective rents for several more quarters. Given the lease rates and existing inventory, speculative construction is not expected for the second or third quarter.

Cleveland, OH The Greater Cleveland industrial market ended the first quarter 2011 with a slight increase in the overall vacancy rate to 9.6%, from 9.4% in fourth quarter 2010, and significantly higher than the 8.4% at the end of first quarter 2010. Net absorption for the quarter was a negative 1.0 msf. The average direct triple net asking rental rate remained steady at \$3.74 psf. Thirty-two user sales in the first quarter totaled 1.2 msf with a total consideration of \$25.7 million.

Columbus, OH The industrial market started off slow with very little leasing activity in the core submarkets. Overall vacancy slipped to 12.0% with little to no change in the bulk class A segment. Increased activity for investment grade product and cap rate compression will provide activity for the year. Build-to-suit continued to rebound with 1.3 msf of new construction in New Albany.

Dallas/Fort Worth, TX Industrial market fundamentals showed improvement in the first quarter, propelled by economic growth in the Dallas Fort Worth area. New leases, expansions and subleases, excluding renewals, totaled 4.8 msf, an 83.9% increase over a year ago totals. The local economy is expected to improve during 2011 and with no new speculative construction to constrain rents and raise vacancy levels, asking rents are expected to bottom this year as absorption rates gain momentum.

Denver, CO Stronger consumption and trade have positively impacted Denver's industrial market, working to drive vacancy levels lower while supporting modest rental rate appreciation. Overall vacancy fell 1.1 pp year-over-year, ending first quarter at 7.8%, and direct asking rents were 2.6% higher than a year ago at \$5.52 psf. New and expansion leasing activity of over 2.7 msf in first quarter was 22.7% higher than the long-run historical market average yet the average lease size was 10.6% smaller than usual due to an increasing number of small- and medium-sized firms returning to the market.

Detroit, MI The overall vacancy rate closed the quarter at 17.5%, a decrease compared to the fourth quarter 2010. Multiple factors can be attributed to the improving conditions, one being the growth of the automotive industry and many industries associated with it. The market exhibited promise based on the continuing decline of the unemployment rate, strong leasing and sales activity and the drive by individuals and organizations dedicated to making sure the market is successful and innovative.

Fredericksburg, VA Despite the large negative absorption reported this quarter, absorption in smaller properties should remain positive. Leasing activity is anticipated to increase throughout the year as more tenants are looking around in the market. Rents will remain relatively flat and no new significant construction is anticipated. Vacancy rates have held within a range for the past few years and will remain between 18% to 22% throughout the year.

Ft. Lauderdale, FL First quarter market conditions confirmed forecasts that predicted a slow recovery with pockets of reduced activity. The first quarter 2011 overall vacancy rate was higher than those registered in the third and fourth quarters of 2010. Leasing is expected to continue at its current pace through year-end as landlords offer aggressive concessions to keep current tenants.

Ft. Meyers/Naples, FL The overall vacancy rate in the Fort Myers/Naples industrial market declined slightly, finishing at 16.5% for the first quarter 2011, as overall asking rental rates decreased slightly from \$5.95 psf to \$5.93 psf. Overall year-to-date absorption for the Southwest Florida industrial market was positive at 589,264 sf, compared to first quarter of 2010, when the market reported negative absorption of 176,000 sf.

Hampton Roads, VA The outlook for Hampton Roads and the economy as a whole continued to tenuously improve. The Port of Norfolk expects to see an increase in container demand boosted by consumer spending and rising global demand. 2011 should be a positive year overall with an expanding GDP and mild private sector job growth. The absorption of the Ford plant will have a dramatic impact on market statistics, decreasing vacancy and pushing absorption into positive territory.

Hartford, CT There was very little optimistic news to be found in the Hartford industrial market's first quarter statistics. Overall absorption for all product types totaled negative 86,015 sf, closer to break-even than the year-to-date total has come in the past two years, but not due to growing demand. Instead, the moderate absorption can be attributed to a decrease in plant closings and other newly vacant space.

Houston, TX In most categories, Houston's industrial market remained relatively flat in first quarter 2011 compared to one year ago, and this quarter marked what is most likely the transition to strengthening market conditions. Houston added jobs eleven out of

twelve months in 2010, and revised job figures placed Houston in a much better position entering 2011 than previously thought. For the twelve-month period ending February 2011, the economy added 50,700 jobs, a 2.0% increase.

Indianapolis, IN The first quarter of 2011 reported 15 user sales, which equaled almost 53% of the total sf sold to users in all of 2010. Despite the high diesel fuel costs, manufacturing slowly continued to feed the demand for warehouse/distribution space, partially due to strengthening consumer demand for durable goods. Investors are seeing the light at the end of the tunnel leading to renewed interest in investing, economic development, and overall profitability in the Indianapolis market.

Inland Empire CA Strong leasing activity coupled with many large tenants occupying space this quarter led to 2.7 msf of positive net absorption. This marked the seventh straight quarter of positive growth in the IE. Consequently, the overall vacancy rate fell to 10.2%, nearly 3.0 pps lower than a year ago. Lower vacancy rates especially in product over 500,000 sf led to the first speculative development in the IE in more than two years.

Jacksonville, FL Jacksonville's industrial market reported solid gains in the first quarter of 2011. Leasing activity increased significantly from last year, overall vacancy declined to 11.6% and overall net absorption was positive for the third consecutive quarter. New tenant demand will ultimately arrive with true expansion in the national economy, which will boost Jacksonville market fundamentals in the months ahead. Expect continued declines in vacancy through 2011, followed by rent appreciation by mid-2012.

Kansas City, MO The Kansas City industrial market reported an uptick in activity. While unemployment was at a recent high of 9.2%, it is stabilizing and anticipated to decrease by the second quarter. The 9.7% vacancy rate was also the highest in recent years and asking lease rates came down by a small margin as a result. Overall, lease rates remained fairly stable due in part to the lack of any new speculative construction.

Lakeland, FL Tenant demand in the Lakeland industrial market remained weak over the initial quarter of 2011, pushing vacancy up to 6.6%, an increase of 1.1 pps over year-end 2010. Fortunately, more and more prospective tenants and existing tenants whose leases are expiring within the next 12 to 18 months, have become increasingly active in the market as they try to take advantage of the favorable lease terms currently available.

Las Vegas, NV Las Vegas' industrial market continued to show modest improvement in leasing and sales transactions in the first quarter. Market indicators are on the uptick and signs of recovery are visible. We anticipate vacancy to either remain flat or gradually drop over the next two quarters in 2011 as the local and national economies show further signs of improvement.

Long Island, NY The Long Island industrial market opened the year with 1.2 msf of new leasing activity, representing a 172.0% year-over-year increase. Since last year, average direct asking rents decreased by 8.5% and the overall vacancy rate increased by 20.9%, but compared with fourth quarter 2010, the market showed signs of improvement with slightly increased rents and a decreased vacancy rate. The Long Island industrial market will see gradual signs of improvement over the next 12 months.

Los Angeles, CA The region's industrial market remained relatively flat in first quarter and market indicators appeared to have stabilized with only slight occupancy loss of 23,296 sf in first quarter, a marked improvement from one year ago when 4.9 msf was returned to the market vacant. Leasing activity totaled 9.4 msf, up 6.1% from the previous quarter. With all major markets showing signs of improvement, this quarter appeared to be the turning point towards stronger market conditions for the region.

Louisville, KY First quarter leasing activity of 975,493 sf was significantly greater than fourth quarter 2010 leasing activity of 663,633 sf perhaps signaling a resurgence in industrial activity. Industrial net absorption rebounded during the first quarter to 585,781 sf from only 263,505 sf of net absorption in the fourth quarter of 2010. With only 772,940 sf of net absorption for all of 2010, it certainly appears that 2011 is off to a good start.

Memphis, TN The Memphis industrial market ended first quarter with 633,222 sf of direct absorption. The overall vacancy rate dropped 1.0 pp to 14.3% from a year-end vacancy of 15.3%. The absence of new construction has allowed vacant space to be absorbed and enabled a faster recovery for the Memphis industrial market. In the last ninety days, rents have remained flat and low at an average of \$2.56 psf and are expected to increase modestly as more space is leased.

Miami, FL Miami-Dade County's industrial market has weathered the economic downturn and is positioned to continue to tighten as leasing activity increases and vacancy rates decrease. Despite the decrease in the vacancy rate and an uptick in asking rents, construction activity remained at a stand-still. In fact, only five new properties were delivered in the Miami Dade region since the beginning of 2009 with the latest completed at mid-year 2010.

Milwaukee, WI Speculation built on the results of a strong fourth quarter last year should be indicative of continued future business. We are beginning to see more activity with the larger box retailers. No doubt caution remains high, but where we previously saw little to no activity, there is now greater interest and the early signs of steady improvement. Asking lease rates remaining relatively stable are due in large part to landlord concessions in an effort to get deals done.

Minneapolis, MN Subdued growth in the local economy pinched tenant demand for industrial real estate, generating 17,024 sf of negative absorption during the first quarter of 2011. Overall vacancy in the market increased 0.1 pp to 12.5% as a result. The average asking direct rental rate for all property types slipped 1.9% over the year to \$5.27 psf, representing the lowest asking rent in five years.

Nashville, TN Nashville had a particularly strong quarter reporting 1.3 msf of leasing activity. The overall vacancy rate for was 13.8% by the end of first quarter with the East submarket holding the highest rate at 19.8%. This quarter closed with a positive absorption of 613,919 sf, a significant increase over last quarter's negative 371,717 sf. Current market conditions continue to favor tenants in both renewal and new deal conversions.

New Jersey - Central Region The amount of available space decreased slightly from first quarter and can be attributed to the upsurge in leasing within Middlesex County, recording nearly over 2.5 msf in transactions this quarter. Since year-end, the direct weighted average asking triple net rental rate decreased by \$0.25 psf to \$5.20 psf; however, actual taking rents are considerably lower. Significant new lease transactions have returned New Jersey to a positive absorption status.

New Jersey - Northern Region Direct weighted average asking triple net rental rates slightly decreased \$0.09 psf from year-end 2010 and currently stands at \$6.10 psf. This market experienced an 800,000-sf uptick in leasing activity from the same time period, recording 1.9 msf. Hudson County leads Northern New Jersey in leasing activity with 624,530 sf, followed by Passaic County. In terms of the build-to-suit arena, rents will have to return to reasonable levels in order to reignite desire to build.

Northern VA Market fundamentals in the Northern Virginia industrial market changed little from last quarter. Demand remained diminished as most tenants sought ways to prioritize space efficiency over growth initiatives. Tenants will continue to negotiate favorable deal terms over the next few quarters with little resistance from landlords. Nearly 7.0 msf of vacant space is available for lease out of an inventory of about 44.8 msf, with few large tenants in the market.

Oakland, CA The industrial market is building momentum, posting positive absorption for the second consecutive quarter. While market fundamentals may fluctuate in the short-term, the trend is now positive. Given the dearth of new construction in the pipeline, as leasing activity and absorption increases, we are expecting the vacancy rate to drop in the medium to longer term.

Oklahoma City, OK Over the past five quarters, vacancy has increased to 13.7%. However, leasing activity increased significantly during the first quarter as compared to the same period in 2010. The steady increase in occupancy has had a positive impact on rental rates. Rates in warehouse and flex properties are experiencing modest increases and should return to pre-recession levels within the next 12 to 18 months as long as the current pace of activity continues.

Orange County CA Orange County's industrial market turned a corner last year and is now in full recovery with vacancy declining and rental rates showing signs of positive growth. Overall vacancy rates declined to 6.5% during first quarter, down from 6.7%. Overall absorption totaled 398,334 sf, marking the third consecutive quarter of positive absorption. Over the last nine months approximately 1.1 msf of space had been absorbed as tenant demand returned amidst landlords' low rental rates and attractive incentives.

Orlando, FL Apparent stagnation in the first quarter of 2011 masked slow improvement in the Orlando industrial market. While overall vacancy remained unchanged at 14.5% from the final quarter of 2010 (following a third consecutive quarter of nominally positive overall net absorption), the arrival of more tangible gains is anticipated in the coming quarters. Leasing velocity should accelerate as prospective tenants increasingly divest themselves of lingering economic concerns, clearing the way for steady decreases in vacancy through 2011.

Palm Beach, FL The Palm Beach industrial sector experienced progress with increased confidence levels as economic conditions continued to improve and levels of recovery are evidenced. Leasing activity in Palm Beach has been consistent for the past five quarters averaging nearly 250,000 sf leased per three month period.

PA I-81/I-78 Distribution Corridor After a strong 2010, the I-81/I-78 Industrial corridor carried that momentum into 2011. The overall vacancy rate decreased to 11.7% from 12.0% last quarter and is nearly two full percentage points better than the 13.5% experienced last year at this time. Overall absorption numbers began the year in the positive at 77,147 sf while average asking rental rates remain deflated at \$3.96 psf for warehouse/distribution space.

Philadelphia, PA The Philadelphia industrial market began 2011 in much better shape. The overall vacancy rate declined from 8.2% at the end of 2010 to 7.7% in the first quarter of 2011, the lowest overall vacancy for the market since the fourth quarter of 2008. Leasing activity has picked up over the past year, increasing from 995,012 sf in the first quarter of 2010 to nearly 1.4 msf of activity for the first quarter of 2011.

Phoenix, AZ Recovery of the industrial market continued its progression in the first quarter. Strong leasing activity in 2010 led to 1.5 msf of overall absorption in the first quarter, lowering vacancy rates to 14.6% and edging average asking rental rates upward by one

cent to \$0.57 psf/mo. A total of 35 properties totaling 1.4 msf transacted in the first quarter 2011, a marked improvement from 2010 with 24 first quarter sales.

Pittsburgh, PA Unemployment in the Pittsburgh metro dipped well below the national average to 7.0% in the first quarter 2011, with more than 4,100 new manufacturing positions created within the past 12 months. Marcellus Shale drilling and exploration continued to fuel the market with several companies looking for pad-ready parcels on which to build field offices. An increase in manufacturing had positively affected absorption of speculative inventory in several business parks.

Portland, OR The industrial real estate market in Portland is in the early stages of recovery. Much of the quarter's leasing activity was driven by tenants relocating in an effort to improve efficiency. Given current industrial demand factors, the inventory of available space, and Portland's employment outlook, vacancy is expected to remain flat for the first half of 2011 (7%), gradually decreasing as absorption picks up in 2012 and 2013.

Richmond, VA With absorption staying in positive territory, vacancy fell to 11.1% in the first quarter of 2011 from 11.2% in the fourth quarter of 2010. Brokers reported that their pipelines are fuller than at any time in the past two years as tenants call and tour space for future growth. But new deals have yet to materialize; that will happen in coming quarters.

Roanoke/Lynchburg, VA The manufacturing industry in the greater Roanoke market continued to show signs of improvement driven by the availability of skilled and affordable labor, access to transportation, and quality of life. Recent announcements included Dynax America's expansion into 80,000 sf formerly occupied by Johnson Controls in Botetourt County. Also in Botetourt, Canatal America has opened a 170,850-sf manufacturing facility in the former O'Neal Metals building.

Rochester, NY The Rochester industrial market remained strong through the first quarter of 2011. Overall vacancy rates decreased to 11.2%, down from 11.6% at this time last year. Over the first quarter there were seven major industrial sale transactions that accounted for over 300,000 sf of space being absorbed into the market. Market rates over the first quarter remained stable, and are expected to remain that way throughout the second quarter of 2011.

Salt Lake City, UT The overall vacancy rate showed no movement since the last quarter even with increased market activity. Leasing activity was up 56.0% in first quarter 2011 compared to a year ago while sales was up 60.0%. Lease rates began to show signs of stabilizing. Landlords will continue to offer concession as incentives to keep their properties leased. Construction has effectively come to a stop in buildings under 100,000 sf with both developers and users still starving for commercial real estate debt capital.

San Antonio, TX The San Antonio industrial market took some hits in the first three months of the year making it clear that the road to recovery is going to be a little bumpy. The citywide vacancy rate climbed to 15.0% - up compared to 13.3% last quarter and 13.0% recorded in the first quarter of 2010. The impact of a significantly slowed economy has filtered down to the region in the form of large blocks of vacant space which is likely to get a little worse before it gets better.

San Diego, CA The San Diego industrial market started this year with nearly 3 msf of leasing activity, a 21% increase compared to the first quarter of 2010. However, direct net absorption was negative 399,862 sf, keeping direct vacancy at an even 10.0%. The average asking triple net lease rate for all industrial product remained unchanged at \$0.84 psf/mo. Only built-to-suit construction remains active in the market, all of which is concentrated in the North County market area.

San Francisco Peninsula, CA The market is in the early stages of recovery. Significant new leases and increased user sale activity helped stabilize the market, pushing down the vacancy rate to 8.5% from 8.7% at year-end 2010. The increased competition pushed up high tech rental rates by 7.5% in the first quarter, the sharpest increase since the first quarter of 2008. Looking forward, the lack of new construction bode well for the market's recovery.

Savannah, GA Savannah's vacancy in the light industrial distribution sector will continue to decrease throughout the balance of this year as a result of continued increase in port volumes, lack of speculative construction and anticipated influx of suppliers in support of several recent major manufacturing announcements from Gulfstream Aerospace, Great Dane Trailers and Mitsubishi Power Systems.

Seattle, WA The Kent Valley market saw modest improvements in the first quarter. A few large transactions drove the vacancy rate down from 10.8% at year-end to 10.2%, leasing activity was up 20% over the quarter and the market reported its strongest level of positive absorption in nearly three years. Container traffic at the ports of Seattle and Tacoma are helping to fuel demand in the market, with both ports seeing consistent growth since mid-year 2010.

Silicon Valley, CA The technology sector, the key driver in the area, has been rapidly expanding and has fueled increased demand. As a result, the vacancy rate declined to 12.7% from 13.0% at year-end 2010. With 3.3 msf of leases signed in the first quarter, the market is on track to outpace last year's leasing activity. With more tenants in the market looking for space, both occupancies and rental rates are expected to improve in the near term.

St. Louis, MO Overall vacancy in the St. Louis industrial market appears to have stabilized, ending the first quarter at 8.4%, the same rate as one year ago. However, leasing and sales activity are

still below historic levels. Tenants will remain very cautious and the sluggish rate of activity will continue throughout the year. As the overall economic recovery gains strength, it is assumed that increased consumer demand will spur activity and job growth in the industrial sector.

St. Petersburg/Clearwater, FL The favorable lease terms available within the Pinellas County industrial market helped boost tenant demand over the last three months, which, in turn, helped strengthen market fundamentals during the quarter. Despite this recent boost in performance, the market still has a long way to go in order to overcome the markets well above average vacancy rate.

Suburban, MD The Suburban Maryland industrial market continued to see limited activity as its overall vacancy rate, at 13.6%, increased 0.4 pps from the first quarter of 2010. Overall absorption was negative at 133,912 sf due significant tenant move-outs like USPS in Prince George's County. Leasing activity stood at 490,849 sf as A&M Supply, relocating from Virginia, executed the largest lease of the quarter for 102,000 sf.

Syracuse, NY Activity in the Syracuse industrial market increased in the first quarter 2011. Overall vacancy declined slightly from fourth quarter 2010 to 11.7% while rental rates remained stable. Numerous renewals and several significant industrial leases were either signed or are approaching completion. The market saw an upswing in sale activity. The most notable sale was the 650,000-sf former Syracuse China facility sold for redevelopment at the end of the quarter.

Tampa, FL As both consumer and business confidence have strengthened since the beginning of the year, many users of industrial space to cautiously begun to acquire either new or additional space in the Tampa industrial market during the first three months of the year which caused overall vacancy to decline and overall absorption to return to positive levels.

Tucson, AZ After two years of negative absorption, the pendulum began to shift in mid-2010. Smaller companies with pent-up growth are in the market moving absorption in a slightly positive direction. Owners remained in a holding pattern, lacking impetus to sell into this market. Longer term, fundamentals will improve, albeit slowly. Absorption should be positive, and over the next two years lease rates are expected to stabilize, balancing the market between landlords and tenants.

Tulsa, OK As the national economy continues to improve from the 2008-2009 recession, Tulsa's 60-msf industrial market remained stable but soft. The industrial market has been particularly impacted in the aerospace and energy sectors, which drive a significant portion of Tulsa's industrial base. The good news is that overall unemployment rate decreased from over 8% in January 2010 to nearly 7.5% in the first quarter of 2011.

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	11.7%	3,031,431	1,449,287	884,506	1,145,378	2,871,502	3,054,310	\$7.76	\$3.43	\$3.42
Austin, TX**	44,504,506	18.0%	N/A	0	0	0	60,456	22,419	\$7.92	\$6.00	\$5.52
Baltimore, MD	196,466,066	11.0%	1,115,980	696,584	0	0	403,639	406,239	\$8.61	****	\$4.55
Bellevue, WA**	58,939,711	12.3%	524,498	81,499	0	0	(347,120)	(152,653)	\$10.78	\$7.78	\$7.47
Binghamton, NY**	19,631,326	12.7%	0	118,797	N/A	N/A	0	0	\$11.68	\$3.72	\$4.65
Birmingham, AL**	14,307,606	22.6%	N/A	N/A	0	0	60,518	161,893	\$6.76	****	\$3.90
Boston, MA	162,120,761	19.6%	1,030,801	80,000	0	0	(1,015,883)	(803,230)	****	\$6.03	\$5.21
Buffalo, NY**	66,243,555	11.5%	131,525	0	N/A	N/A	N/A	N/A	\$5.20	\$3.42	\$3.91
Charlotte, NC**	327,613,691	13.5%	1,480,312	0	702,000	38,403	519,534	405,042	\$6.04	\$2.69	\$3.34
Chicago, IL	1,144,376,125	11.0%	5,546,397	2,885,946	4,001,212	91,200	(3,118,377)	(2,989,314)	\$8.86	\$3.56	\$4.04
Cincinnati, OH**	52,776,624	23.4%	1,136,271	N/A	N/A	0	401,086	(227,634)	****	****	\$2.78
Cleveland, OH**	429,240,937	9.6%	634,201	1,196,678	770,735	100,000	(1,070,465)	(1,059,283)	****	****	\$3.34
Columbus, OH**	235,958,084	12.0%	522,760	N/A	N/A	N/A	N/A	226,375	\$5.35	\$4.17	\$3.10
Contra Costa, CA	35,964,646	13.0%	237,954	22,093	81,725	0	(45,869)	(12,911)	****	\$11.16	\$5.76
Dallas/Ft. Worth TX	510,544,863	13.4%	4,798,877	346,146	1,578,602	0	89,387	93,049	\$7.24	\$2.56	\$3.51
Denver, CO	222,396,040	7.8%	2,717,250	199,423	87,000	528,751	934,302	1,031,481	\$8.40	\$4.30	\$4.23
Detroit, MI**	330,077,298	17.5%	N/A	N/A	285,000	0	2,641,137	2,537,675	****	\$3.96	\$4.14
Fredericksburg, VA**	11,697,559	19.1%	33,677	N/A	0	0	(217,962)	(217,697)	\$7.93	\$5.89	\$6.61
Ft. Lauderdale, FL	92,593,604	9.3%	691,947	30,000	0	0	(236,030)	(243,850)	\$9.45	\$6.24	\$6.63
Greater Los Angeles	1,066,676,995	4.9%	9,419,641	2,898,228	1,576,874	29,901	361,135	(23,296)	\$9.52	\$5.55	\$6.06
Hampton Roads, VA**	114,918,692	9.4%	274,366	N/A	178,999	9,132	(176,394)	(148,834)	\$7.79	\$4.87	\$4.94
Hartford, CT	88,583,957	14.0%	134,802	65,605	222,480	0	(12,015)	(86,015)	****	\$4.10	\$4.70
Houston, TX	344,883,540	9.8%	4,166,144	637,282	820,221	52,400	(408,173)	(586,702)	\$7.18	\$3.85	\$4.27
Indianapolis, IN**	211,551,421	9.3%	1,078,643	788,596	556,000	1,049,980	2,348,960	2,285,468	\$5.68	\$2.15	\$2.98
Inland Empire CA	406,394,421	10.2%	8,425,705	801,977	2,996,542	0	2,798,324	2,748,446	\$7.73	\$4.48	\$3.86
Jacksonville, FL	100,099,967	11.6%	780,411	118,711	279,874	250,000	(214,625)	146,615	\$8.52	\$3.12	\$3.55
Kansas City, MO**	191,770,913	8.0%	700,293	229,620	951,171	0	(735,441)	(694,341)	\$10.25	\$6.35	\$4.15
Lakeland, FL	26,424,394	6.6%	69,400	70,400	400,000	0	(269,039)	(269,039)	\$4.79	\$3.37	\$4.17
Las Vegas, NV**	101,852,126	15.8%	2,793,081	311,320	0	0	(836,111)	(836,111)	\$7.32	\$6.54	\$5.52
Long Island NY	126,195,121	12.9%	1,242,916	381,075	702,044	0	(489,764)	(477,064)	\$9.17	\$6.93	\$6.38
Louisville, KY**	126,035,650	8.3%	975,493	50,456	250,000	217,000	578,304	585,781	\$6.18	\$3.09	\$3.40
Memphis, TN**	145,915,109	14.3%	1,716,864	0	N/A	0	633,222	780,102	\$6.46	****	\$2.40
Miami, FL	164,642,435	7.5%	1,440,906	185,018	0	0	671,915	778,553	\$8.66	\$2.70	\$5.88
Milwaukee, WI**	195,537,358	9.1%	1,411,647	1,237,859	571,200	96,700	665,833	671,160	\$5.39	\$4.21	\$3.69
Minneapolis, MN	88,068,023	12.5%	N/A	196,648	0	0	(62,373)	(17,024)	****	\$5.05	\$4.56
Nashville, TN**	158,944,684	13.8%	1,289,277	0	1,939,000	0	493,643	613,919	\$7.34	\$3.23	\$3.64
New Jersey - Central	326,861,139	11.0%	2,849,728	223,251	351,000	176,200	1,517,884	1,417,254	****	\$4.18	\$4.36
New Jersey - Northern	280,992,940	10.0%	1,921,300	464,186	547,476	0	1,32,987	250,303	****	\$4.88	\$5.85
Northern VA	44,754,934	15.3%	182,929	0	124,800	0	(7,684)	(135,410)	\$11.64	****	\$8.31
Oakland, CA	141,594,393	9.6%	2,048,019	274,703	0	0	233,185	535,413	****	\$5.67	\$4.53
Oklahoma City, OK**	74,753,516	13.7%	N/A	55,000	60,000	25,000	N/A	215,000	\$5.80	\$3.00	\$3.70
Orange County, CA	273,779,243	6.5%	2,565,210	382,884	0	0	298,430	398,334	\$9.71	\$7.21	\$6.37
Orlando, FL	106,155,882	14.5%	673,236	326,023	0	0	(7,689)	30,136	\$9.62	\$4.16	\$4.22
PA I-81/-78 Distribution Corridor	216,374,382	11.7%	1,015,747	0	520,000	0	77,147	77,147	\$3.72	\$3.55	\$3.96
Palm Beach, FL	42,013,897	9.1%	239,368	0	0	15,000	(74,070)	88,243	\$7.45	\$5.93	\$6.68
Philadelphia, PA	275,933,436	7.7%	1,398,337	0	966,336	0	1,096,466	1,240,670	\$8.20	\$4.11	\$4.41
Phoenix, AZ	264,160,842	14.6%	1,306,817	636,574	0	226,800	1,254,482	1,460,623	\$10.56	\$5.64	\$5.52
Pittsburgh, PA**	140,653,214	7.7%	283,091	1,093,834	129,125	107,991	1,036,806	1,093,957	\$9.52	\$3.61	\$4.71
Portland, OR	177,022,697	7.1%	777,777	270,348	0	0	(163,075)	(539,738)	\$9.08	\$4.25	\$4.96
Richmond, VA**	107,446,346	11.1%	370,357	N/A	0	0	(16,084)	68,605	\$6.96	\$3.51	\$3.98
Roanoke, VA**	29,280,049	13.3%	274,000	N/A	N/A	N/A	259,234	259,234	\$7.83	\$5.09	\$3.40
Rochester, NY**	73,093,445	11.2%	N/A	N/A	N/A	N/A	N/A	N/A	****	\$5.50	\$3.00
Salt Lake City, UT**	104,508,427	7.8%	736,400	196,769	1,201,496	74,900	217,062	217,062	\$6.88	\$3.82	\$4.73
San Antonio, TX**	27,100,108	15.0%	303,633	311,218	601,500	0	(172,766)	(57,347)	\$9.32	****	\$4.43
San Diego, CA	192,671,397	10.6%	2,937,076	711,780	202,340	0	(399,862)	(396,835)	****	\$7.68	\$7.92
San Francisco Peninsula, CA	64,562,798	8.5%	594,216	119,509	0	0	137,945	125,191	****	\$10.14	\$9.66
Savannah, GA**	44,807,938	16.3%	0	N/A	106,000	N/A	0	0	\$8.14	\$4.50	\$3.73
Seattle, WA**	129,787,156	10.2%	1,106,680	114,058	0	0	342,495	543,719	\$7.49	\$5.42	\$4.64
Silicon Valley, CA	242,542,990	12.7%	3,319,110	539,124	280,000	609,000	378,267	518,610	****	\$7.98	\$5.57
St. Louis, MO**	223,837,708	8.4%	832,987	165,767	265,002	0	(455,879)	(455,133)	\$6.45	\$3.47	\$3.74
St. Petersburg/Clearwater, FL	50,919,612	8.1%	262,353	22,528	30,000	0	(93,448)	4,241	\$7.92	\$4.66	\$5.56
Suburban MD	46,999,972	13.6%	490,849	100,560	0	0	(224,456)	(133,912)	\$11.17	****	\$7.56
SWFL (Fort Myers, FL)**	23,038,335	17.4%	N/A	N/A	N/A	5,000	N/A	N/A	\$5.64	\$5.00	\$5.27
SWFL (Naples, FL)**	8,817,663	14.1%	N/A	N/A	0	0	N/A	N/A	\$6.71	\$6.80	\$6.56
Syracuse, NY**	44,973,743	11.7%	71,591	37,588	0	0	115,179	115,179	\$6.55	\$3.65	\$3.31
Tampa, FL	78,827,441	9.0%	547,638	146,174	0	85,000	(25,961)	30,014	\$8.70	\$5.04	\$4.43
Tucson, AZ**	38,260,511	10.9%	160,558	95,277	85,000	0	(128,922)	(128,014)	\$8.53	\$6.13	\$6.27
Tulsa, OK**	59,701,175	9.0%	274,548	52,389	0	108,870	N/A	(42,698)	\$5.48	\$4.16	\$4.39
TOTAL - ALL MARKETS	12,083,761,485	10.7%	87,097,025	21,418,792	25,305,260	5,042,606	12,604,929	14,503,377	\$8.06	\$4.65	\$4.37
TOTAL - C&W MARKETS	8,116,185,301	10.2%	67,980,272	15,282,067	16,653,032	3,209,630	6,388,604	7,720,532	\$8.37	\$4.80	\$4.56

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

** Alliance market

MF=Manufacturing W/D = Warehouse/Distribution

Market Highlights

SIGNIFICANT 1Q11 LEASE TRANSACTIONS

MARKET	BUILDING	TENANT	SQUARE FEET
Inland Empire	7140 & 7258 Cajon Boulevard	Hewlett-Packard	1,401,684
Central New Jersey	3003 Woodridge Avenue	I/O Data Center	831,427
Chicago	Bolingbrook Distribution Center	Diageo	800,000
Inland Empire	Mira Loma Distribution Center	Ingram Micro*	799,952
Greater Los Angeles	Commerce Distribution Center	99 Cents Only Stores	622,216
Central New Jersey	I-95 Business Park	Colgate-Palmolive	600,600
Dallas/Fort Worth	Trade Point Business Park	Uline, Inc.	600,000
Atlanta	7780 Spence Road	Electrolux Corporation	600,000
Inland Empire	3510 Francis Street	Ingram Micro	561,779
Nashville	Interchange Distribution Center	Griffin Technologies	518,400

* Renewal – not included in Leasing Activity Statistics

SIGNIFICANT 1Q11 SALE TRANSACTIONS

MARKET	BUILDING	BUYER	SF/PRICE (MIL)
PA I-81/I-78 Distribution Corridor	Portfolio Sale	KSB Real Estate Investment (investor)	1,642,044/\$90.0
Atlanta	8400 Tatum Road	Lowe's Home Centers, Inc. (user)	1,337,487/\$12.6
PA I-81/I-78 Distribution Corridor	950 Centerville Road	Hillwood (investor)	1,170,000/\$55.0
Central New Jersey	656 Knott Avenue	Morgan Stanley's Property Fund (investor)	1,039,251/N/A
Seattle	Auburn Logistics Center	PPF Industrial C Street NW, LLC (investor)	945,356/\$43.0
Chicago	740 ProLogis Parkway	La Salle Investment Management (investor)	805,912/\$30.2
Baltimore	1900 Clark Road	Bentall Kennedy (investor)	612,768/\$26.4
Dallas/Fort Worth	2750 Regent Boulevard	Undisclosed	605,000/N/A
Baltimore	1701 Trimble Road	Kohl's Corporation (user)	602,250/N/A

SIGNIFICANT 1Q11 CONSTRUCTION COMPLETIONS

MARKET	BUILDING	MAJOR TENANT	SQUARE FEET
Atlanta	South Creek Distribution Center V	The Clorox Company	1,145,378
Indianapolis	State Road 39 & Interstate 70	Johnson & Johnson	1,049,980
Silicon Valley	47422 Kato Road	Solyndra Fab	609,000
Denver	1500 E Crown Prince Boulevard	Vestas	492,751

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

MARKET	BUILDING	MAJOR TENANT	SQUARE FEET
Inland Empire	Theodore Street	Skechers	1,800,000
Chicago	Commerce Center at Unoversity Park	The Clorox Company	1,350,000
Nashville	Nissan Battery Plant	Nissan	1,300,000
Dallas/Forth Worth	Millers Ferry Road	Whirlpool	1,020,000
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
Chicago	1250 Macom Drive	3M	650,760



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