

MARKETBEAT

UNITED STATES INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



2Q10

ECONOMY

By mid-year 2010, several indicators for industrial demand had begun improving, notably global trade (both imports and exports), freight shipments, and manufacturing activity. U.S. exports totaled \$739.5 billion during the January-May period of 2010, up 17.7% from the same period of 2009. The May monthly export figure is the strongest year-to-date, as well as the strongest monthly performance since third quarter 2008. The manufacturing sector also appears to be solidly entrenched in the current recovery and activity expanded in June for the 11th consecutive month. Additionally, Caterpillar, which is a bellwether of industrial activity and industrial growth, has posted two strong quarters and boosted its 2010 profit outlook after reporting a 91% increase in its mid-year earnings.

OVERVIEW

The overall vacancy rate for the U.S. industrial market declined for the first time in eleven quarters to 10.6%, after peaking in the previous quarter. Leasing and user sales continued to gain momentum, a strong indicator that industrial users are focusing on their real estate needs again. More importantly, the drop in vacancy is a significant trend implying that market fundamentals are beginning to return towards equilibrium.

Leasing transactions totaled 126.6 million square feet (msf) year-to-date, or 25.6% higher than the activity recorded a year ago. Greater Los Angeles, Atlanta, and the Inland Empire industrial markets reported the biggest increases of transactions year-over-year with positive changes of 6.7 msf, 2.1 msf, and 2.0 msf, respectively. However, two sizable inland regions, Dallas/Ft. Worth and Chicago, experienced steep declines in leasing activity from last year by 2.0 msf and 1.7 msf, respectively, although activity is picking up in these two markets.

The sales market has improved considerably from last year and user sales have been particularly strong and totaled 33.6 msf, double the amount sold during the same period a year ago. Investment sales increased 32.3% and totaled 33.3 msf. Financing has returned and as a result, both industrial users and investors are taking advantage of lower pricing.

Due to restricted financing for new industrial product in addition to a decreased demand over the past few years and an abundance of existing options, development activity came to a near standstill throughout the country. Development activity remained relatively non-existent compared to historic averages and totaled 8.2 msf year-to-date. The majority of completions this year were built on a build-to-suit basis, reversing the trend since Cushman & Wakefield started tracking industrial statistics. Since 1995, speculative deliveries outweighed build-to-suit projects with an average ratio of 2.5 to 1. However, in 2010, build-to-suit completions were more than double that of industrial buildings built on a speculative basis. In addition, only 11.9 msf of new supply was under construction at mid-year, the lowest quarterly total of activity ever recorded. The Atlanta market reported 2.8 msf of projects under construction, 1.0 msf more activity than any other market.

FORECAST


Economic industrial indices are expected to continue to post moderate growth throughout the remainder of the year. In addition, U.S. industrial real estate is showing signs of a recovery phase of the economic cycle as a result of changing fundamentals—strengthening demand, limited new construction activity, vacancy slowly trending down, and rents flattening or trending up. The market is beginning to return to equilibrium and these trends will be more apparent during the next six months.


ECONOMIC INDICATORS


National	2009	2010F	2011F
GDP Growth	-2.4%	3.1%	3.9%
CPI Growth	-0.3%	1.8%	2.1%
Unemployment	9.3%	9.9%	9.5%
Employment Growth	-4.3%	-0.4%	1.5%

Source: Moody's | Economy.com

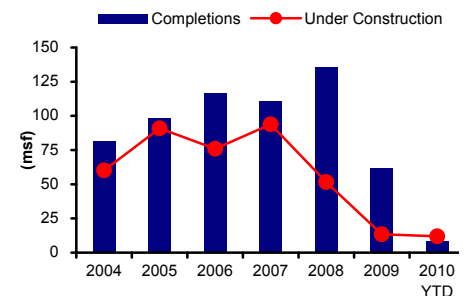
MARKET FORECAST

LEASING ACTIVITY is forecasted to continue to increase as a result of pent up demand of industrial users. 

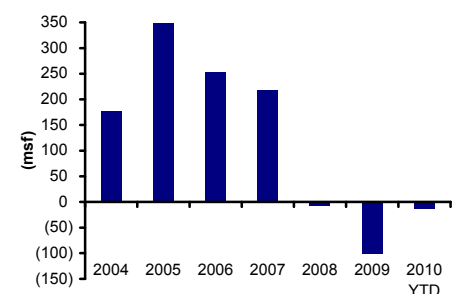
ABSORPTION: A number of industrial markets across the country are beginning to post positive absorption 

CONSTRUCTION: Development will remain limited as market fundamentals start returning towards equilibrium. The lack of new supply bodes well for markets saturated with availabilities. 

CONSTRUCTION ACTIVITY



OVERALL ABSORPTION



MARKETBEAT

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MARKET	INVENTORY	OVERALL VACANCY RATE	YTD	YTD	UNDER CONSTRUCTION	YTD	YTD	DIRECT ASKING NET RENT	MF	WD
			LEASING ACTIVITY	USER SALES		CONSTRUCTION COMPLETIONS	OVERALL ABSORPTION			
Atlanta, GA	509,746,675	11.0%	7,466,361	718,488	2,806,751	1,508,765	2,722,641	\$3.41	\$3.53	
Austin, TX**	44,468,724	19.3%	N/A	0	0	0	(473,493)	\$4.68	\$5.52	
Baltimore, MD	189,143,320	10.9%	2,899,269	338,284	140,280	154,654	939,303	N/A	\$4.54	
Bellevue, WA**	58,659,764	12.6%	987,318	206,651	0	0	(415,694)	\$7.68	\$7.80	
Binghamton, NY**	19,663,061	12.6%	56,489	305,658	N/A	N/A	64,233	\$4.47	\$4.23	
Birmingham, AL**	14,307,606	24.2%	N/A	N/A	0	0	(76,581)	N/A	\$4.08	
Boston, MA	171,105,346	20.2%	2,010,072	232,300	0	0	(3,659,723)	\$6.09	\$5.40	
Buffalo, NY**	66,243,555	11.7%	188,219	0	0	0	N/A	\$4.06	\$3.73	
Charlotte, NC**	40,188,484	16.1%	N/A	N/A	125,407	0	(250,475)	N/A	\$4.14	
Chicago, IL	1,146,116,357	11.5%	9,999,625	4,628,514	178,700	1,400,000	(5,554,409)	\$3.85	\$4.02	
Cincinnati, OH**	52,731,253	24.3%	2,188,706	N/A	N/A	0	66,042	N/A	\$2.85	
Cleveland, OH**	424,133,611	9.0%	1,640,920	1,253,527	908,000	67,000	(1,827,376)	N/A	\$3.40	
Columbus, OH**	264,285,397	12.6%	1,423,698	N/A	N/A	N/A	2,638,544	\$2.86	\$2.75	
Contra Costa, CA	35,862,308	14.7%	610,647	89,129	135,976	0	1,119,193	\$12.72	\$7.80	
Dallas/Ft. Worth TX	509,144,563	13.1%	7,957,271	1,431,144	344,000	658,130	305,729	\$3.33	\$3.52	
Denver, CO	215,882,116	8.6%	5,399,042	576,309	553,000	280,000	714,807	\$4.40	\$4.11	
Detroit, MI**	329,429,973	19.0%	N/A	N/A	240,000	0	1,589,196	\$3.98	\$4.30	
Fredericksburg, VA**	10,044,922	18.9%	93,072	N/A	0	0	117,595	\$4.61	\$7.50	
Ft. Lauderdale, FL	93,813,542	9.5%	1,473,720	311,667	25,695	95,678	743,172	\$6.87	\$6.44	
Greater Los Angeles	1,067,073,119	5.2%	19,868,989	6,042,835	535,713	102,160	(6,018,670)	\$5.70	\$5.98	
Hampton Roads, VA**	113,073,116	9.7%	1,340,108	N/A	189,923	51,435	(154,342)	\$4.89	\$4.70	
Hartford, CT	87,267,257	13.8%	393,094	140,228	0	57,125	(936,904)	\$4.31	\$4.71	
Houston, TX	341,712,320	10.3%	7,332,660	1,425,073	197,993	565,486	(2,581,633)	\$4.29	\$4.52	
Indianapolis, IN**	207,873,113	10.7%	3,715,346	133,278	1,199,757	154,915	65,121	\$2.11	\$3.02	
Inland Empire CA	403,725,944	12.2%	10,063,062	4,477,874	770,912	850,000	4,171,716	\$4.53	\$3.77	
Jacksonville, FL	99,375,251	12.8%	2,068,988	48,397	240,000	0	(531,040)	\$3.26	\$3.53	
Kansas City, MO**	189,934,849	7.9%	1,526,876	912,960	171,000	0	(1,074,654)	\$5.37	\$4.15	
Lakeland, FL	26,424,705	5.7%	550,387	22,278	400,000	0	456,175	\$3.41	\$4.22	
Long Island NY	126,195,121	11.1%	1,161,565	1,117,875	237,044	0	(896,833)	\$7.90	\$6.74	
Louisville, KY**	125,574,558	8.3%	2,112,172	114,400	67,000	778,000	1,130,846	\$3.13	\$3.50	
Memphis, TN**	146,349,690	16.5%	2,180,334	63,662	N/A	0	898,541	N/A	\$2.40	
Miami, FL	166,693,649	8.3%	3,279,026	902,252	0	165,000	1,151,543	\$2.83	\$5.73	
Milwaukee, WI**	196,708,454	9.6%	1,567,386	1,732,374	350,980	81,210	(963,403)	\$4.56	\$4.75	
Minneapolis, MN	85,203,686	12.5%	N/A	1,281,259	0	0	46,767	\$5.16	\$4.56	
Nashville, TN**	158,588,363	13.4%	3,109,698	545,992	1,420,000	717,000	(1,297,026)	\$3.50	\$3.97	
New Jersey - Central	324,702,055	11.5%	3,488,600	525,397	486,000	0	(2,225,571)	\$4.48	\$4.60	
New Jersey - Northern	278,824,198	10.7%	2,902,171	636,359	685,000	0	(4,078,900)	\$4.94	\$5.94	
Northern VA	44,837,934	15.6%	577,089	0	117,000	0	(416,156)	N/A	\$8.27	
Oakland, CA	141,585,895	9.5%	3,182,994	521,684	0	0	(1,121,879)	\$5.61	\$4.50	
Oklahoma City, OK**	74,753,516	11.6%	0	101,663	50,000	0	325,740	\$3.00	\$3.70	
Orange County, CA	272,226,777	7.0%	6,063,707	2,031,407	496,921	0	(973,824)	\$7.23	\$6.38	
Orlando, FL	105,858,755	14.6%	1,847,875	170,627	65,000	0	(438,199)	\$4.16	\$4.50	
Palm Beach, FL	42,430,377	9.2%	605,989	163,133	0	0	313,479	\$6.74	\$6.78	
PA I-81/I-78 Distribution Corridor	212,636,968	13.2%	4,169,373	160,745	711,000	1,281,026	3,140,552	\$3.54	\$3.98	
Philadelphia, PA	280,912,941	8.6%	1,920,460	654,270	951,100	0	800,877	\$4.18	\$4.65	
Phoenix, AZ	264,829,232	15.8%	4,406,278	856,200	760,811	682,291	1,278,937	\$6.41	\$5.37	
Pittsburgh, PA**	90,169,935	9.9%	1,771,536	500,403	252,825	95,000	451,125	\$3.71	\$5.09	
Portland, OR	176,488,042	8.6%	2,119,836	450,255	415,000	105,000	670,270	\$4.58	\$4.92	
Raleigh/Durham, NC**	29,634,243	15.9%	N/A	N/A	0	0	(714,675)	N/A	\$4.75	
Richmond, VA**	106,433,187	11.2%	1,113,486	N/A	8,738	28,500	(1,004,884)	\$3.36	\$5.25	
Roanoke, VA**	28,276,745	13.0%	41,876	N/A	N/A	0	(406,715)	\$6.09	\$3.69	
Rochester, NY**	72,709,174	11.7%	N/A	N/A	N/A	N/A	N/A	\$5.50	\$3.00	
Salt Lake City, UT**	103,549,684	8.1%	1,708,426	150,380	89,991	73,300	(828,436)	\$3.89	\$4.79	
San Antonio, TX**	30,649,891	13.1%	932,156	121,675	0	0	272,139	N/A	\$4.43	
San Diego, CA	191,666,969	11.2%	4,848,025	1,048,290	0	257,004	(107,848)	\$7.68	\$7.68	
San Francisco Peninsula, CA	63,522,005	7.3%	1,284,643	62,000	0	0	(46,118)	\$9.17	\$9.46	
Savannah, GA**	44,038,938	19.2%	605,380	N/A	585,000	N/A	296,408	\$4.50	\$3.73	
Seattle, WA**	129,540,899	10.8%	2,603,509	252,410	142,740	221,626	(2,080,591)	\$5.40	\$4.68	
Silicon Valley, CA	242,704,049	13.7%	4,773,639	1,092,855	609,000	85,000	(1,600,804)	\$8.38	\$5.75	
St. Louis, MO**	224,450,018	8.8%	2,195,357	1,963,321	221,000	50,000	(55,134)	\$3.83	\$3.88	
St. Petersburg/Clearwater, FL	51,009,860	8.3%	356,039	112,497	0	0	(384,701)	\$4.81	\$5.54	
Suburban MD	47,349,542	13.2%	453,332	0	78,240	0	203,360	N/A	\$7.41	
SWFL (Fort Myers, FL)**	23,038,335	19.9%	N/A	N/A	N/A	N/A	N/A	\$4.23	\$5.44	
SWFL (Naples, FL)**	8,817,663	16.1%	N/A	N/A	0	0	N/A	\$6.70	\$6.76	
Syracuse, NY**	46,430,588	13.5%	222,416	48,335	0	90,000	(1,412,018)	\$3.06	\$3.61	
Tampa, FL	78,629,930	9.2%	1,062,532	1,373,125	0	0	(75,802)	\$4.94	\$4.50	
Tucson, AZ**	37,927,575	11.4%	609,300	75,403	14,400	50,000	(185,194)	\$4.80	\$3.84	
Tulsa, OK**	59,701,175	8.9%	N/A	362,000	191,700	0	(687,127)	\$4.50	\$4.50	
TOTAL - ALL MARKETS:	11,667,080,867	11.1%	160,530,144	42,486,842	18,169,597	10,705,305	(18,862,781)	\$4.67	\$4.36	
TOTAL - C&W MARKETS:	8,094,700,808	10.6%	126,596,360	33,642,750	11,941,136	8,247,319	(12,870,493)	\$5.03	\$4.62	

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

**Alliance market

MF = Manufacturing WD = Warehouse/Distribution



MARKET HIGHLIGHTS

SIGNIFICANT 2Q10 LEASE TRANSACTIONS

MARKET	BUILDING	TENANT	SQUARE FEET
Dallas	Duke Intermodal I	American Standard	624,000
Dallas	300 Freedom Drive	Exel Logistics	596,000
Chicago	Crossroads Business Park	ALG Worldwide Logistics, LLC	499,200
Inland Empire	1901 California Avenue	Mars Petcare	467,853
Phoenix	17300 West Broadway Road	Tower Automotive	460,000
Atlanta	Jefferson Mill Business Park- Bldg. A	Systemax Distribution	459,134
Chicago	250 South Gary Avenue	NACA Logistics, Inc.	439,420
PA I-81/I-78 Industrial Corridor	Liberty Business Center	Federal Express	389,866
Inland Empire	6255 Sycamore Canyon Boulevard	Summer Infant, Inc.	320,191
Houston	Airtex Industrial Center	Ashley Furniture	303,000

SIGNIFICANT 2Q10 SALE TRANSACTIONS

MARKET	BUILDING	BUYER	SF/PRICE (MIL)
Greater Los Angeles	3880 North Mission Road	Forever 21 (user)	1,550,000 / \$42.0
Greater Los Angeles	3901 Jack Northrop Avenue	Buchanan Street Partners/Zelman Development (investor)	1,382,100 / \$40.0
Chicago	LakeView Corporate Park	CenterPoint Properties (investor)	891,567 / \$38.5
Inland Empire	Heacock Industrial Facility	TA Associates (investor)	756,340 / \$25.0
Chicago	Bailly Ridge Corporate Center	High Street Equity Advisors (investor)	718,728 / \$19.1
Chicago	5800 Industrial Drive	Griffin Capital (investor)	700,200 / \$26.3
New Jersey- Northern	297 Getty Avenue	A.L.A. Realty Associates (investor)	700,000 / \$9.5
Oakland	Sunshine Business Park	AMERCO Real Estate Co. (investor)	535,583 / \$10.0
Chicago	2188 Diehl Road	Freudenberg Real Estate L.P. (investor)	525,000 / \$25.0
Chicago	St. Charles Business Park	R.R. Donnelley & Sons Co. (user)	513,973 / \$11.8

SIGNIFICANT 2Q10 CONSTRUCTION COMPLETIONS

MARKET	BUILDING	MAJOR TENANT	SQUARE FEET
Atlanta	East Hightower Trail	General Mills	1,508,765
Chicago	Pleasant Prairie	Uline Inc.	1,271,000
PA I-81/I-78 Industrial Corridor	Lehigh Valley Macungie Crossings	Speculative	580,000
Dallas	2500 Regent Boulevard	Dallas Cowboys	400,000
Denver	1500 East Crown Prince Boulevard	Vestas Americas	280,000

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

MARKET	BUILDING	MAJOR TENANT	SQUARE FEET
Atlanta	Southcreek Distribution Center V	The Clorox Company	1,145,378
Atlanta	Majestic Airport Center III	Kraft Global Foods, Inc.	969,150
Inland Empire	Crossroads Business Park	Home Depot	667,000
Philadelphia	Philadelphia Regional Produce Market	Speculative	667,000
Silicon Valley	47422 Kato Road	Solyndra Fab	609,000
PA I-81/I-78 Industrial Corridor	3300 Espresso Way	Ollie's Bargain Outlet	603,000
Atlanta	Dry Pond Road	Aldi	482,223
Phoenix	9081 West Van Buren Street	Home Depot	466,700
Portland	2560 Northwest Sundial Road	Federal Express	415,000
Lakeland, Florida	Interstate Commerce Park	Speculative	400,000
New Jersey- Northern	1700 MacArthur Boulevard	New York Stock Exchange	400,000

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*Market terms & definitions based on BOMA and NAIOP standards.

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