

MARKETBEAT

UNITED STATES INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



4Q10

ECONOMY

Concerns of a double-dip recession in the U.S. have waned considerably at year-end with a growing number of economic indicators pointing towards a recovery that is beginning to accelerate. The manufacturing sector ended the year on a strong note, reflected in the Institute for Supply Management's (ISM) Manufacturing Index climbing to 57.0 in December, its highest reading since last May. The index was bolstered by sharp rises in the Production (60.7) and New Orders (60.9) sub-components. The Conference Board's Leading Indicators index also increased a robust 1.0% for the second consecutive month in December, with the industrial production component registering one of the strongest gains. Unlike the stimulus-fueled inventory cycle of last year which resulted in a first quarter spike and subsequent slowdown and correction over the summer months, growth in 2011 is expected to be less volatile as output and inventory adjustments will be pinned to real demand. Several indicators are already pointing to increased business investment manifesting in early 2011. Additionally, December retail sales largely exceeded expectations and were up 7.9% from 2009, an indicator that consumers are showing optimism with their spending habits.

OVERVIEW

The U.S. industrial market continued to tighten at year-end, with the overall vacancy rate declining to 10.3%, a 50 basis point drop from the first quarter peak. Demand for warehouse/distribution space drove the majority of occupancy gains as the vacancy rate in this segment fell to 10.9%. Overall absorption was positive for the third consecutive quarter and finished the year in the black, with annual net gains tallying 13.1 million square feet (msf). Warehouse properties were the only segment to report consistent positive absorption, ending the year with occupancy gains totaling 21.9 msf.

Strong trade volume bolstered many west coast industrial markets in 2010. Inland Empire (CA) recorded more than 9.6 msf of overall absorption, by far the top performer in the country. Demand for warehouse space in the I-81/I-78 Distribution Corridor (PA) was also strong at 6.5 msf, with first-tier intermodal markets such as this poised for continued recovery in 2011. Other markets reporting strong occupancy gains in 2010 included Atlanta (3.9 msf), Phoenix (3.8 msf) and Portland (3.7 msf).

The construction pipeline is at a near stand-still, with only 15.9 msf completed in 2010 – marking a decade-low total. Not surprisingly, built-to-suit projects accounted for 75% of completions, more than twice the historic average (speculative projects have typically comprised 70% of completions). Deliveries are expected to increase in 2011 with an estimated 28.1 msf slated to be completed, but this total was well below historic norms.

Industrial investment sales totaled 215.8 msf in 2010, a 61% increase from 2009. According to Real Capital Analytics, average cap rates (8.3%) have not declined on par with other property types and remain one of the more favorably-priced asset classes. Portfolio sales dominated headlines, punctuated by Blackstone's \$1 billion acquisition of 180 properties from ProLogis in October, which spanned 30 markets and nearly 23 msf.

OUTLOOK


Employers remain cautious entering 2011 and are still hesitant to increase hiring. Job gains slowed in the fourth quarter and averaged only 94,000 per month in 2010 – well below the level needed for a sustained recovery. More robust improvements in industrial occupancy – fueled by increased production and/or facility expansion – is contingent upon an increase in business investment and tangible private sector employment gains, key dominoes necessary to fall in order for a full blown recovery to gain traction.


ECONOMIC INDICATORS


National	2009	2010	2011F
GDP Growth	-2.6%	2.8%	2.8%
CPI Growth	-0.3%	1.6%	1.5%
Unemployment	9.3%	9.6%	9.5%
Employment Growth	-4.3%	-0.5%	1.7%

Source: Moody's | Economy.com

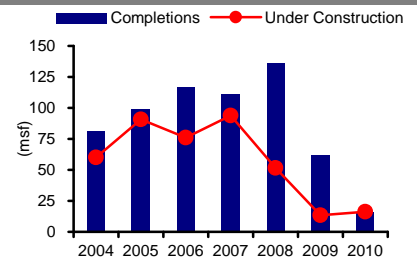
MARKET FORECAST

ABSORPTION will continue to gain momentum. First and second-tier intermodal markets are expected to tighten in 2011. Export-fueled growth will not likely be as robust with near-term recession risks in Europe and a self-engineered slowdown anticipated from China. 

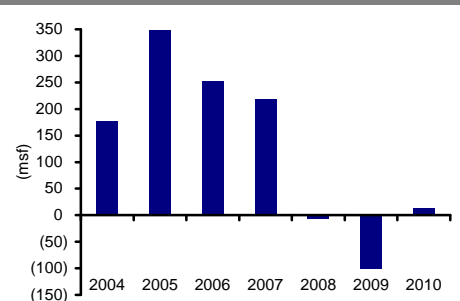
RENTAL RATES have bottomed out across all property segments and were largely unchanged over the second half of 2010. Average rates still remain at or near 2006 levels for all segments except flex space. 

CONSTRUCTION completions will increase slightly from their near-historic low in 2010. Markets poised to experience the largest delivery pipelines include Inland Empire, Chicago, Houston, Dallas and Atlanta. These five markets will account for more than two-thirds of the U.S. total. 

CONSTRUCTION ACTIVITY



OVERALL ABSORPTION



ATLANTA, GA Atlanta rebounded from negative overall absorption in 2009 with 2.2 msf of positive overall absorption in 2010. Big-box corporate users drove demand, leasing 15.2 msf during the year. Overall vacancy remained elevated which created persistent downward pressure on rental rates. Private and institutional investors focused on core assets, tallying 6.2 msf of investment sales activity. Absent the pressures of speculative development, Atlanta's industrial sector will see stabilizing occupancy and rental rates as the recovery expands in 2011.

AUSTIN, TX Austin is showing signs of stabilizing and is well positioned to recover faster than most markets. Numerous large blocks of industrial space brought to the market in 2008 and 2009 started to see renewed interest and leasing activity, while vacancy rates decreased and rental rates held steady. This positive momentum is expected to carry over into 2011.

BALTIMORE, MD The market continued its recovery with steady tenant activity helping stabilize vacancy. Year-end direct vacancy rates for warehouse/distribution and office service reported 11.1% and 9.1%, respectively. Tenants servicing the greater Baltimore-Washington metropolitan area remained active as a total of 16 new leases over 100,000 sf were signed. A steady volume of tenant move-ins in the first half of 2011 is expected.

BELLEVUE, WA The industrial market reported moderate signs of improvement. Vacancies began to decline, leasing activity picked up and both user and investment sales were up more than 200% from 2009 levels. From this standpoint, the market appears to have bottomed out, although pockets of weakness remain and some tenant contractions could continue into 2011.

BINGHAMPTON, NY While additional industrial space was placed on the market in the fourth quarter, leasing activity and sales have been strong enough to keep vacancy rates in a narrow range. Rental rates did not soften significantly over the course of the year, despite concessions made in competitive situations. Selling prices for industrial buildings remained depressed relative to metropolitan markets, but this is a long-term trend.

BIRMINGHAM, AL The industrial market reported modest activity in 2010. There was little expansion from companies already in the Birmingham market and even less expansion from companies migrating into the area. Leasing activity was primarily the renegotiation and renewal of leases, as tenants continued to take a defensive posture. The market should see a gradual improvement in 2011 and overall occupancy will increase.

BOSTON, MA Overall vacancy across the market was up 70 bps year-over-year to 18.5%: flex and warehouse sectors reported vacancy decrease, however, manufacturing vacancy was up 4.0 percentage points over last year. Demand improved in the second half of 2010, with all sectors posting positive absorption in the fourth quarter of 2010. Rental rates have yet to find a bottom, although their rate of decline has slowed.

BUFFALO, NY The Buffalo industrial market vacancy rate remained stable around 11.5% throughout 2010. Although the fourth quarter showed improvement in certain market segments, cautious optimism abounds that 2011 will exhibit a more sustained and broader recovery in this market.

CHICAGO, IL For the third consecutive quarter, the overall vacancy rate for industrial product in the area decreased, reaching 11.0% at year-end and marking its lowest point in six quarters. Construction activity for speculative product was non-existent and leasing activity increased throughout the year. Increased demand for industrial product in the Chicago region will continue to impact and strengthen market fundamentals into 2011.

CINCINNATI, OH The bulk warehouse market ended 2010 with a total net absorption of 935,000 sf, a big improvement from negative 1.9 msf in 2009. This vacancy fell from 25.9% in 2009 to 22.6% presently. With positive net absorption in 2010, leasing activity picking up and no speculative construction, rental rates will rise slightly in the first quarter of 2011 for high quality product.

CLEVELAND, OH The overall vacancy rate declined 30 bps in the fourth quarter to 9.4%, but still remained well above the 8.1% reported one year ago. Sales activity in the fourth quarter tallied 3.2 msf and was more than the previous three quarters combined. Tenant requirements currently in the pipeline are cause for optimism for continued recovery in 2011.

COLUMBUS, OH The market was late to enter the downturn and is slow coming out of it. Market vacancy was up slightly for the year to 11.9%. With no speculative construction since 2008 and no starts planned for 2011 a tightening in supply would be expected. However, current build-to-suit activity will bring an additional 1.6 msf of product to the market.

CONTRA COSTA, CA The overall vacancy rate was historically high at 17.7%. Building owners offered very aggressive rates and incentives like free rent, moving allowance, and tenant improvements in order to attract tenants to their buildings. Next year tenants will blend and extend in their current location, or downsize and move to take advantage of the aggressive landlords.

DALLAS/FT. WORTH, TX Economic conditions in Dallas Fort Worth are expected to improve slowly until job growth returns. Through year-end 2010, leasing activity totaled 19.0 msf, a 3.8% increase over year-ago totals. Overall absorption, including sublet space, totaled negative 411,672 sf. Employment growth is improving faster in the area than most other regions in the count and market fundamentals will improve in 2011.

DENVER, CO The market made a remarkable turn-around in 2010. New leases and expanses fueled leasing activity totaling 10.3 msf, the strongest recorded since 2007. As a result, positive absorption soared to 2.2 msf which drove the overall vacancy rate down 90 bps over the past twelve months to 8.0%. Overall asking rents edged 1.1% higher to \$5.37 psf, still low by historical standards, but now clearly on the road to recovery.

DETROIT, MI The fourth quarter ended with increased activity in the industrial sector. Larger size, manufacturing-ready buildings were leading the way in high demand. Lender-driven dispositions and subleases yielded record low prices and lease rates, which many companies benefited from. Expect steady upward pressure on lease and sale prices to continue in 2011 – vacant land should come back into play as companies look to meet any real estate needs in the new year.

FREDERICKSBURG, VA Vacancy has been slowly trending downward over the course of the year, reaching 17.6% in the fourth quarter from a peak of 24.5% in third quarter 2009. Leasing activity was steady but not robust by historical standards. The lack of any new construction contributed significantly to declining vacancy. Sales activity in 2010 included a handful of significant industrial land transfers.

FT. LAUDERDALE, FL Fundamentals have improved considerably this past year. The overall vacancy rate continued its decline to 8.9%, a level not reached since first quarter of 2009. Continued increases in leasing activity signaled strengthening demand and growing optimism on behalf of both owners and occupiers. Increased leasing activity and declining vacancy are forecasted to continue its momentum through 2011.

FT. MYERS/NAPLES, FL While overall vacancy and rental rates have finally reached a point of stabilization, occupancy gains remained extremely sluggish. Economic indicators continue to improve and point towards a long, slow recovery period as businesses expand. Coming into 2011, the market will see user sales increase and existing inventory decrease.

HAMPTON ROADS, VA Trends that began in 2010 will continue in 2011. The limited amount of new space under construction will allow increased tenant demand to help further push down vacancy rates. Leasing activity remains tenuous, cooling off in the fourth quarter from a relatively upbeat third quarter, and should increase in 2011 due to the growth in volume of small deals.

HARTFORD, CT The market continued to struggle with elevated vacancy. Demand was virtually at a standstill with limited leasing. On the bright side, the market worsened at a slower pace than in the previous year, with overall vacancy up by only one percentage point year-over-year compared to the 3.5 percentage point spike reported between 2008 and 2009.

HOUSTON, TX The market reported declining asking rents, increasing vacancy, negative absorption, weak sales activity, and dramatically reduced construction during the past two years. Some of these trends began to reverse slightly as the market appeared to be reaching a bottom. Rental rates fell and vacancy increased, but the rate of change slowed significantly. The market began to tighten as the year ended, with moderate growth expected in 2011.

INDIANAPOLIS, IN Leasing activity finished the year strong with over 2.0 msf leased in the fourth quarter. Absorption tallied a positive 985,611 sf in the fourth quarter, marking a return to occupancy gains after negative absorption in each of the previous two quarters. Increased leasing and absorption helped push the overall vacancy rate down to 10.5% at year-end. Mirroring the national trend, speculative construction will remain on the sidelines until existing vacancies are absorbed.

INLAND EMPIRE CA The market experienced its strongest quarter since the recession began with its highest quarterly leasing activity total in more than five years. Both user sales and leasing activity continued to chip away at large amounts of vacant product and the region finished 2010 with 9.6 msf of occupancy gains, ranking first among industrial markets in the U.S. and the first time Inland Empire experienced positive absorption since 2007. Consequently, the overall vacancy rate declined significantly to 11.0%, a 240 bps decline from 2009.

JACKSONVILLE, FL The market appeared to hit a bottom toward the end of 2010. In the absence of new inventory, positive absorption in the fourth quarter was enough to fuel a decline in overall vacancy for the second consecutive quarter, falling by 30 bps to 12.2%. However, nominally positive overall absorption in 2010 was largely a function of a decline in move-outs, with leasing activity falling below historic averages in the fourth quarter as the market proved hesitant to embrace full recovery.

KANSAS CITY, MO The market's relatively healthy vacancy rate should put landlords in a stronger position when the market turns. While the market still suffered from a lack of demand both on the leasing and sales side, the region's status as a second-tier intermodal market position it well for a return to growth against other inland industrial markets.

LAKELAND, FL Although substantial job losses and numerous move-outs have taken a toll during the past two years, the market continued to buck the trend of increased vacancies by posting over 410,000 sf of positive absorption during 2010. Additionally, there were numerous pending deals which should continue to translate to improving fundamentals well into 2011.

LAS VEGAS, NV Over the next six to eight months the market is expected to continue forming a bottom with a fairly stable recovery expected by late 2011. With virtually no new construction coming into the pipeline, even a modest bounce back in demand will quickly translate into stronger fundamentals for the industrial sector.

LONG ISLAND NY Overall vacancy increased and rents declined further in 2010, but leasing and sales activity showed significant increases since 2009, an indication that tenants continued to take advantage of weaker market conditions. Leasing activity was up 12.7% from last year while sales activity was up 43.2%. The healthy level of leasing activity is expected to continue through 2011 and rents are expected to stabilize.

LOS ANGELES, CA The uptick in trade volume in 2010 had a significant impact on the market. With a 31.5% increase in leasing velocity in 2010, asking rental rates started to stabilize after a double-digit decline in 2009. However, the 53.6 msf of vacant space on the market will continue to negatively impact rents and rental rates will likely remain relatively flat in 2011. Although the Greater Los Angeles market is still posting negative growth, the rate of decline is starting to slow and improving economic conditions will continue to fuel the recovery.

LOUISVILLE, KY The favorable impact of UPS, Ford and General Electric continued to attract national developers and new users alike to the market, generating positive absorption and helping keep vacancy rates relatively low. While near-term performance may be modest, over the longer term Louisville will undoubtedly provide a solid foundation for growth, both in manufacturing and warehousing, providing attractive opportunities for the development community.

MEMPHIS, TN After ending 2009 with negative absorption, the market closed 2010 on a positive note with 1.3 msf of positive absorption year-to-date and overall leasing activity totaling 6.8 msf for the year. There has been no new speculative construction since 2008 and there is none planned in 2011. This absence of new construction, coupled with steady demand, has allowed vacant space to be absorbed and will enable a faster recovery.

MIAMI, FL The overall vacancy rate declined at year-end to 7.9%, ranking as one of the six lowest metro vacancy rates in the U.S. Occupancy gains continued to inject optimism into the market, reporting 2.7 msf of positive absorption for the year, a significant improvement from the negative 3.9 msf in 2009. Leasing and absorption are expected to continue increasing.

MILWAUKEE, WI Both vacancy and lease rates remained relatively steady in 2010 as the economy began to show early signs of recovery. Sales transactions were the key to the nearly 2 msf of positive absorption generated in the industrial market. Some experts are projecting that traditional institutional investors, previously wary due to the market fluctuations, will return in 2011.

MINNEAPOLIS, MN Despite improved economic conditions, cautious tenants refrained from expanding in 2010, generating minimal absorption and little change in overall vacancy. Manufacturing business conditions are forecasted to expand through 2011 with increases in employment, orders and production. Corporations will begin exploring opportunities to increase production through increased hiring and facility

expansion. This growth will improve leasing demand, stimulate absorption and cause overall vacancy to gradually decline.

NASHVILLE, TN Vacancy rates continued to climb as companies downsized and restructured their operations. Nearly 4.0 msf in leased space became vacant during 2010. The overall vacancy rate increased dramatically to 13.9% from the 9.3% reported this time last year. Rental rates declined and concessions became more customary to close deals due to the vast amount of vacancy in the market. The average asking rate for warehouse/distribution space declined considerably from last quarter.

NEW JERSEY – CENTRAL REGION The amount of available space increased throughout the year which indicated that companies are continuing to cut costs by putting space on the market and consolidating. Year-over-year, the direct average asking rent decreased and actual taking rents were considerably lower. Looking ahead, leasing activity is expected to increase, especially in Middlesex County where a significant share of large blocks of space built over the last five years exists, making future lease-up more attractive to interested tenants.

NEW JERSEY – NORTHERN REGION Leasing increased and totaled nearly 5.5 msf in 2010, slightly ahead of last year's pace. Landlords were less likely to lower their rents for a tenant with minimal term remaining on their lease; however, tenants continued to take advantage of the current market in the form of relocation to newer/modernized buildings, rather than pay a similar rent for the more antiquated properties.

NORTHERN VA Fundamentals remained soft, but the market has clearly hit bottom and conditions in 2011 should be slightly better than they were in 2010. Still, demand is not likely to improve significantly and landlords will continue to be aggressive. The recovery should start to take hold in 2012.

OAKLAND, CA While overall asking rents have decreased since 2009 and users/tenants have continued to adjust their industrial space, the market seemed to have gained some traction over the past twelve months. Although fundamentals are expected to remain weak in the near-term, firms have shown a renewed willingness to take advantage of favorable market conditions.

OKLAHOMA CITY, OK Oklahoma City has not experienced a dramatic increase in vacancies as reported in other markets. The region has, however, felt some of the same downward pressure as experienced across the country. Due to softened conditions in the market, landlords have lowered rents and offered more aggressive tenant improvement packages in an effort to retain tenants. Leasing activity is improving and is expected to continue to expand albeit at a modest rate in 2011.

ORANGE COUNTY CA The market reported significant improvement in the second half of the year as overall vacancy declined to 6.7%. However, gains experienced in the second half of the year were not enough to offset losses in the first half and the year ended with a net occupancy loss of 128,962 sf. Although this is the fourth year of negative growth, it is a substantial rebound from the depths of the recession in 2008 and 2009 when absorption totaled negative 3.8 msf and 7.4 msf, respectively.

ORLANDO, FL The market closed 2010 with the first instance of two consecutive quarters of positive overall absorption and the first quarterly decrease in overall vacancy since early 2007. More critically, fourth quarter leasing activity returned to a level last reported in 2007 – demand which will be vital if the market is to overcome the 3.3 msf of negative absorption recorded in the last three years. With construction still anemic market fundamentals are projected to improve gradually in 2011.

PALM BEACH, FL With virtually no new construction and consistent leasing activity, the market registered one of the largest quarterly vacancy decreases in the U.S. The year ended with positive overall absorption, a monumental improvement from negative absorption reported in 2009. This shift to positive absorption is an indicator the market is on the path to recovery, although forecasts predict slow and steady activity through 2011.

PENNSYLVANIA I-81/I-78 DISTRIBUTION CORRIDOR The market proved to be resilient in 2010, responding strongly from a difficult 2009. The overall vacancy rate improved by 2.6 percentage points over the past 12 months to 12.0%, the lowest year-end overall vacancy since 2006. Leasing activity was similar to last year's production with 7.8 msf leased throughout the year compared to the 8.0 msf in 2009.

PHILADELPHIA, PA The market exhibited signs of improvement in 2010. After climbing to 9.1% in the first quarter of 2010, the overall vacancy rate decreased steadily throughout the rest of the year to 8.2%, its lowest point since the first quarter of 2009. The significant increase in leasing activity contributed to the drop in vacancy. Leasing transactions totaled nearly 5.6 msf, over 2.0 msf better than the 3.4 msf leased in 2009.

PHOENIX, AZ The market has now posted five consecutive quarters of positive absorption, totaling nearly 3.8 msf in 2010 and ending a two-year run of negative absorption. The stabilization of average asking rates, positive absorption and higher occupancy rates signifies that the market has reached the bottom and has begun to recover. Sales activity recorded a marked increase with 112 transactions, a 27.3% increase over 2009 level.

PITTSBURGH, PA Pittsburgh's economy continued its steady path toward recovery. Marcellus Shale drilling and expansion attracted new gas and drilling companies and development in the region. The large amount of federal and state funding for these firms will ensure that the demand for high-quality industrial space continues to increase in 2011.

PORTLAND, OR Vacancy has declined for four consecutive quarters and ended the year at 7.0%. Intel, continuing its commitment to Oregon, announced that it will make a major investment at its campus in Sunset Corridor. Increased demand for industrial space has been partly driven by growth in exports to China from the ports of Portland and Vancouver. The best news is that year-end overall absorption was a strong 3.1 msf.

RICHMOND, VA With demand remaining slack, rental rates are expected to continue to decline until tenant activity grows beyond firms renewing existing space. Despite positive absorption in the fourth quarter, absorption will likely still be slightly negative to flat in 2011, although much improved over the level of occupancy losses reported in 2009 and 2008.

ROANOKE/LYNCHBURG, VA Vacancy rates have held steady in the 13% range for the last several quarters with little leasing activity and no new construction. There has been approximately 5.0 msf for sale in the market since the first quarter of 2009 which was significantly higher than 1.4 msf listed for sale in the first quarter of 2008.

ROCHESTER, NY The industrial market remained strong during 2010 with an overall vacancy of 10.9%, down slightly from 11.0% at the end of 2010. As the economy seems to be rebounding in the area, business owners are assessing their companies and beginning to make changes based on improved market conditions.

SALT LAKE CITY, UT Although vacant space has increased in increments ranging from 5,000 sf to 50,000 sf, the rise in total market vacancy has been minimized by a decline in larger buildings and the lack of new construction. The total amount of space leased in all size increments exceeded that reported in 2009 by nearly 1.0 msf and is now keeping with the historical average.

SAN ANTONIO, TX The industrial market posted positive absorption of 249,000 sf in 2010, contributing to a slight decrease in the vacancy which fell to 14.5%. Speculative development remains non-existent and will likely stay that way until 2012.

SAN DIEGO, CA Signs that the market is stabilizing include a significant rebound in market activity. Leasing activity increased 37%, reaching 10.2 msf and direct net absorption reported 341,498 sf in 2010, compared to negative 3.6 msf in 2009. As a result, direct vacancy held steady for the second consecutive year at 9.8% and should begin to decrease in the second half of 2011 as job gains begin and corporate confidence strengthens.

SAN FRANCISCO PENINSULA CA Driven by increased leasing activity in 2010, the market is dependent on continued momentum of the warehouse/distribution and high-technology sectors. Demand stemming from expansion space will rise only as employers look to increase headcounts. Vacancy, asking rental rates and leasing activity are expected to remain stable during the first half of 2011.

SAVANNAH, GA Recent announcements in 2010 such as Great Dane Trailer's new 450,000-sf manufacturing facility and Gulfstream Aerospace's new \$500-million expansion continued to re-affirm that the market has evolved from a very soft distribution location to a preferred manufacturing location due to its growing dynamic economy and compelling global supply chain characteristics. The outlook for 2011 is optimistic and the market seems to have reached peak vacancy rates.

SEATTLE, WA Increased port activity caused market fundamentals to stabilize by year-end. Vacancy rates declined in the fourth quarter for the first time since the downturn began. Leasing volume was up 14.8% over the year, and investment sales outpaced 2009 by 15%. Provided the recent performance at local ports continues, the Seattle industrial market should benefit with an increase in leasing and absorption.

SILICON VALLEY CA While there have been significant investments in emerging clean tech companies, this developing industry has yet to generate the significant job creation that is necessary for a market rebound. Unfortunately, the Silicon Valley industrial market will continue to struggle until job growth drives the demand for additional space.

ST. LOUIS, MO Absorption was modest in 2010, due to a dearth of new construction and moderate new lease demand from selected larger users. Sale activity was significantly off for the year, but is anticipated to accelerate in 2011 as protracted discussions between lenders and property owners come to fruition.

ST. PETERSBERG/CLEARWATER, FL Demand for space in Pinellas County was nothing short of anemic over the course of 2010. As a result, overall vacancy spiked, leasing volume decreased significantly and overall absorption was negative for the third straight year. With the area's job growth recently returning to positive figures and as corporate confidence strengthens, demand in the market is expected to gradually rise in the first half of 2011.

SUBURBAN MD A sluggish economy and tough job market were the underlying factors responsible for weak demand for industrial space in Suburban Maryland. Although the overall vacancy rate remained elevated at 13.0%, it is forecasted to have hit its peak and will experience downward movement in 2011. The General Services Administration (GSA) will lead the way for increased leasing activity with requirements for the aerospace and service defense agencies. A lack of new construction should push absorption in a positive direction.

SYRACUSE, NY The Syracuse industrial market vacancy rate declined to 12.0% in the fourth quarter from 13.6% a year ago. High quality warehouse and office service space remains in tight supply with extremely low vacancy rates. Several major area employers have landed lucrative technology based or defense related contracts recently, boding well for continued recovery.

TAMPA, FL At the close of 2010, overall absorption finished slightly positive. An increase in leasing volume over the last twelve months due to the strengthening of tenant confidence, coupled with extremely favorable lease terms available in the market, helped boost the industrial market's 2010 performance and this trend is expected to carry over well into 2011.

TUCSON, AZ Tucson's road to recovery has begun, albeit at a slow pace, with improved leasing activity and a stabilizing occupancy trend. With no measurable speculative construction, overall market vacancy has only dipped 30 bps in twelve months to 11.1%. A core of firms who delayed expansions and relocations during the past two years are now moving forward, given advantageous conditions. Asking rental rents will remain firm in the year ahead.

TULSA, OK The market reported over one msf of negative net absorption in 2010 which resulted in an increased overall vacancy rate to 10.4%, the highest level in 15 years. While overall market lease rates decreased 3.4% to \$4.48 psf, lease rates for bulk warehouse increased 2.3% to \$3.94 psf. With no new speculative construction underway or planned, the Tulsa industrial market is expected to experience positive absorption in 2011 absent unexpected plant closures.

MARKETBEAT

UNITED STATES INDUSTRIAL REPORT 4Q10

MARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	DIRECT ASKING NET RENTAL RATES		
								Flex	MF	WD
Atlanta, GA	512,303,696	11.6%	15,166,499	3,272,109	1,305,378	3,010,138	3,868,860	\$7.74	\$3.44	\$3.47
Austin, TX**	44,667,506	18.1%	N/A	0	0	0	345,387	\$7.92	\$6.12	\$5.40
Baltimore, MD	188,898,945	11.3%	6,619,130	270,464	0	305,014	389,858	\$9.12	N/A	\$4.48
Bellevue, WA**	58,873,846	12.1%	1,928,165	421,851	0	0	(201,624)	\$13.40	\$8.02	\$7.77
Binghamton, NY**	19,508,239	14.6%	125,739	422,018	N/A	N/A	(295,071)	\$8.27	\$4.44	\$3.88
Birmingham, AL**	14,307,606	23.7%	N/A	N/A	0	0	(17,823)	\$6.90	N/A	\$3.96
Boston, MA	162,675,033	18.4%	4,104,215	598,391	0	0	(1,376,032)	\$7.88	\$6.00	\$5.25
Buffalo, NY**	66,243,555	11.5%	306,507	0	0	0	N/A	\$5.19	\$4.06	\$3.73
Chicago, IL	1,144,144,818	11.0%	27,357,098	9,686,937	2,930,540	1,478,500	(1,213,416)	\$8.53	\$3.66	\$4.01
Cincinnati, OH**	52,750,643	22.6%	3,312,694	N/A	N/A	0	934,626	N/A	N/A	\$2.84
Cleveland, OH**	426,953,094	9.4%	3,265,928	4,680,212	257,985	903,000	(3,538,320)	N/A	N/A	\$3.52
Columbus, OH**	243,252,528	11.7%	2,828,088	N/A	N/A	N/A	3,707,849	\$4.44	\$5.52	\$2.58
Contra Costa, CA	35,862,308	12.9%	738,956	127,522	135,976	0	1,762,860	\$11.64	\$11.16	\$6.48
Dallas/Ft. Worth TX	510,779,664	13.5%	18,981,284	3,046,674	1,578,602	1,002,130	(411,672)	\$7.33	\$2.69	\$3.50
Denver, CO	219,565,562	8.0%	10,298,804	1,746,103	600,751	308,425	2,230,579	\$8.23	\$4.18	\$4.18
Detroit, MI**	329,610,021	18.1%	N/A	N/A	285,000	240,000	4,696,314	\$6.75	\$3.93	\$4.22
Fredericksburg, VA**	11,266,211	17.6%	360,808	60,000	15,000	0	141,782	\$9.23	\$5.53	\$6.60
Ft. Lauderdale, FL	92,523,011	8.9%	3,691,667	515,754	0	120,094	723,882	\$9.20	\$6.51	\$6.66
Greater Los Angeles	1,066,610,248	5.0%	37,673,622	11,310,891	1,441,878	531,791	(5,063,813)	\$9.49	\$5.51	\$5.96
Hampton Roads, VA**	114,615,262	9.5%	2,329,683	N/A	71,600	122,958	108	\$8.37	\$4.72	\$4.96
Hartford, CT	87,478,738	14.7%	734,179	322,868	0	185,675	(1,323,389)	\$7.66	\$4.14	\$4.69
Houston, TX	343,747,211	9.9%	14,749,258	2,676,008	576,210	1,065,489	(1,423,475)	\$7.12	\$4.03	\$4.32
Indianapolis, IN**	209,885,309	10.5%	7,618,776	1,087,744	1,555,980	304,692	(58,723)	\$5.83	\$2.05	\$3.04
Inland Empire CA	405,597,132	11.0%	24,742,292	6,998,806	2,402,252	1,598,660	9,620,474	\$8.62	\$4.54	\$3.87
Jacksonville, FL	99,801,701	12.2%	2,805,859	357,489	250,000	240,000	35,970	\$8.49	\$3.15	\$3.52
Kansas City, MO**	190,340,691	7.5%	3,765,855	1,922,649	1,114,364	80,678	318,993	\$8.00	\$5.27	\$4.15
Lakeland, FL	26,424,394	5.5%	630,587	94,484	400,000	0	515,088	\$4.87	\$3.37	\$4.16
Las Vegas, NV**	101,686,233	14.6%	9,099,231	116,668	967,973	0	(2,078,822)	\$7.49	\$7.02	\$6.24
Long Island NY	126,195,121	13.0%	3,108,200	2,313,348	302,044	103,382	(3,342,316)	\$7.08	\$6.87	\$6.36
Louisville, KY**	125,604,558	8.4%	3,180,550	354,204	277,000	808,000	772,940	\$5.73	\$3.04	\$3.47
Memphis, TN**	146,354,009	15.3%	6,804,221	367,022	N/A	0	929,283	\$6.68	N/A	\$2.42
Miami, FL	164,317,398	7.9%	5,062,541	1,411,143	0	165,000	2,700,700	\$9.05	\$2.88	\$5.62
Milwaukee, WI**	195,055,848	9.5%	2,522,220	2,791,826	667,900	375,490	(448,071)	\$4.85	\$4.14	\$3.73
Minneapolis, MN	85,326,074	12.4%	N/A	2,670,137	0	0	117,338	\$7.08	\$5.07	\$4.54
Nashville, TN**	158,292,862	13.9%	4,528,347	1,183,315	2,069,000	915,560	(3,125,547)	\$7.38	\$3.15	\$3.44
New Jersey - Central	326,716,114	11.6%	7,267,964	2,218,467	711,000	0	(3,667,316)	\$13.82	\$4.23	\$4.48
New Jersey - Northern	280,741,448	10.6%	5,496,087	2,016,562	359,476	400,000	(4,871,880)	\$9.24	\$5.10	\$5.93
Northern VA	44,837,934	15.1%	1,461,218	83,000	124,800	0	(265,086)	\$11.51	N/A	\$8.25
Oakland, CA	141,713,859	10.1%	6,464,175	1,488,558	0	0	(1,619,705)	\$8.12	\$5.70	\$4.47
Oklahoma City, OK**	74,753,516	11.3%	N/A	301,663	65,000	60,000	705,740	\$5.75	\$3.00	\$3.70
Orange County, CA	273,489,272	6.7%	13,099,564	3,445,669	0	496,921	(128,962)	\$10.73	\$7.22	\$6.11
Orlando, FL	106,191,851	14.5%	3,134,330	682,653	0	186,500	(430,092)	\$9.80	\$4.17	\$4.30
PA I-81/I-78 Distribution Corridor	213,271,390	12.0%	7,824,516	1,117,666	520,000	2,166,626	6,442,676	\$3.72	\$3.54	\$3.96
Palm Beach, FL	42,118,617	9.0%	986,308	246,038	0	0	734,821	\$7.51	\$5.75	\$6.72
Philadelphia, PA	281,269,683	8.2%	5,567,229	1,111,933	966,336	465,100	2,556,297	\$8.45	\$4.01	\$4.42
Phoenix, AZ	264,354,908	15.2%	8,860,315	3,138,287	254,111	1,188,985	3,782,612	\$11.01	\$5.76	\$5.64
Pittsburgh, PA**	94,664,746	9.2%	2,846,566	897,861	170,125	298,645	1,163,863	\$9.94	\$3.78	\$4.99
Portland, OR	177,022,697	7.0%	4,326,389	1,059,168	0	520,000	3,683,898	\$9.75	\$4.55	\$4.69
Richmond, VA**	107,254,428	11.2%	2,711,220	N/A	0	37,238	(822,636)	\$8.29	\$3.51	\$5.04
Roanoke, VA**	28,902,356	13.4%	136,639	N/A	N/A	0	58,841	\$7.83	\$6.09	\$3.49
Rochester, NY**	72,709,174	10.9%	N/A	N/A	N/A	N/A	N/A	\$7.25	\$5.50	\$3.00
Salt Lake City, UT**	104,508,427	7.8%	3,943,951	664,846	850,796	646,686	61,683	\$7.03	\$3.84	\$4.73
San Antonio, TX**	30,675,572	13.3%	1,659,750	341,005	61,500	0	299,885	\$9.22	N/A	\$4.43
San Diego, CA	191,892,892	10.5%	10,161,632	2,640,122	176,000	233,020	1,226,830	\$13.80	\$8.16	\$7.68
San Francisco Peninsula, CA	64,268,223	8.7%	2,745,426	97,187	0	0	(1,008,918)	\$22.32	\$10.73	\$9.59
Savannah, GA**	44,807,938	16.3%	774,530	N/A	121,000	585,000	1,155,018	\$8.14	\$4.50	\$3.73
Seattle, WA**	129,784,532	10.8%	5,109,932	574,148	0	385,479	(1,982,540)	\$14.82	\$5.69	\$4.63
Silicon Valley, CA	242,899,966	13.0%	11,023,001	2,498,791	889,000	85,000	(810,717)	\$12.09	\$7.91	\$5.68
St. Louis, MO**	224,450,018	8.3%	6,142,116	2,684,841	221,000	144,558	698,563	\$6.62	\$3.66	\$3.66
St. Petersburg/Clearwater, FL	51,021,612	8.2%	741,477	269,594	30,000	0	(327,103)	\$8.29	\$4.68	\$5.70
Suburban MD	46,967,042	13.0%	989,935	0	78,240	0	(151,345)	\$11.47	N/A	\$7.71
SWFL (Fort Myers, FL)**	23,038,335	18.6%	N/A	N/A	N/A	N/A	N/A	\$5.67	\$5.02	\$5.35
SWFL (Naples, FL)**	8,817,663	17.4%	N/A	N/A	0	0	N/A	\$6.70	\$6.79	\$6.59
Syracuse, NY**	45,076,727	12.0%	850,832	230,785	0	90,000	(1,565,363)	\$6.58	\$3.65	\$3.34
Tampa, FL	78,738,521	9.4%	2,177,474	1,463,475	85,000	0	144,510	\$8.97	\$5.08	\$4.47
Tucson, AZ**	38,056,076	11.1%	1,026,319	354,392	0	79,024	(162,281)	\$6.18	\$4.80	\$3.36
Tulsa, OK**	59,701,175	8.9%	N/A	362,000	191,700	0	(671,064)	\$5.78	\$4.50	\$4.50
TOTAL - ALL MARKETS	11,696,235,787	10.8%	345,969,898	90,815,348	25,080,517	21,933,458	14,125,006	\$9.36	\$4.76	\$4.34
TOTAL - C&W MARKETS	8,099,767,083	10.3%	268,791,231	70,996,298	16,117,594	15,856,450	13,102,016	\$10.13	\$4.89	\$4.61

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

**Alliance market

MF = Manufacturing WD = Warehouse/Distribution

SIGNIFICANT 2010 NEW LEASE TRANSACTIONS

MARKET	BUILDING	TENANT	SQUARE FEET
Chicago	Commerce Center at University Park	The Clorox Company	1,350,000
Phoenix	Riverside Industrial Center	Internet Retailer	1,207,021
Atlanta	Southcreek Distribution Center	The Clorox Company	1,145,378
Dallas/Fort Worth	Millers Ferry Road	Whirlpool Corporation	1,020,000
Inland Empire	11640 Harrell Street	Restoration Hardware	886,055
Chicago	Cherry Hill Business Park	Navistar, Inc.	860,100
Atlanta	Liberty Distribution Center	Phillips-Van Heusen Corporation	851,349
Indianapolis	381 Airtech Parkway	Nice-Pak Products, Inc.	813,054
Inland Empire	3994 Riverside Avenue	Living Spaces	796,641
Inland Empire	23400 Cactus Avenue	Harbor Freight	779,016

SIGNIFICANT 2010 SALE TRANSACTIONS

MARKET	BUILDING	BUYER	SF/PRICE (MIL)
Dallas/Fort Worth	Alliance Airport Portfolio Sale	JP Morgan (investor)	13,400,000 / N/A
Silicon Valley	19091 Pruneridge Avenue	Apple Computer, Inc. (user)	4,268,880 / \$400.0
Inland Empire	Portfolio of five buildings	Alere (investor)	3,192,955 / \$191.0
Cincinnati	1981 James Sauls SR Drive	Industrial Realty Group (investor)	1,862,405 / \$3.5
Inland Empire	Mira Loma Distribution Center	LBA Realty (investor)	1,604,870 / \$85.0
Greater Los Angeles	3880 North Mission Road	Forever 21 (user)	1,550,000 / \$42.0
Inland Empire	7140-7258 Cajon Boulevard	CT Realty/Westcore (investor)	1,401,684 / \$50.3
Greater Los Angeles	3901 Jack Northrop Avenue	Buchanan St Partners/Zelman Dev Co (investor)	1,382,100 / \$40.0
Memphis	Chickasaw Distribution Center	USAA Real Estate Co. affiliate (investor)	1,369,464 / \$35.1
Inland Empire	3700 Indian Avenue	Industrial Income Trust (investor)	1,309,000 / \$80.0

SIGNIFICANT 2010 CONSTRUCTION COMPLETIONS

MARKET	BUILDING	MAJOR TENANT	SQUARE FEET
Atlanta	5239 East Hightower Trail	General Mills	1,508,765
Chicago	12885 104th Street	Uline Inc.	1,271,000
Atlanta	Majestic Airport Center III	Kraft Global Foods, Inc.	969,150
Inland Empire	Innovation Way and Gateway	Dr. Pepper Snapple	850,000
Phoenix	Fowler Distribution Center Three	Speculative	682,291
Inland Empire	951 Etiwanda Avenue	Home Depot	667,000
PA I-81/I-78 Distribution Corridor	3300 Espresso Way	Ollie's Bargain Outlet Stores	603,000
Louisville	2761 Cedar Grove Road	Best Buy	600,000

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

MARKET	BUILDING	MAJOR TENANT	SQUARE FEET
Inland Empire	Theodore Street	Sketchers	1,800,000
Chicago	Commerce Center at University Park	The Clorox Company	1,350,000
Atlanta	Southcreek Distribution Center V	The Clorox Company	1,145,378
Indianapolis	State Road 39 & Interstate 70	Johnson & Johnson	1,049,980
Dallas/Fort Worth	Millers Ferry Road	Whirlpool	1,020,000
Philadelphia	Philadelphia Regional Produce Market	Speculative	667,000
Greater Los Angeles	4700-4800 Azusa Canyon Road	Huy Fong	655,000
Chicago	Park 88	3M	650,760
Silicon Valley	47422 Kato Road	Solyndra Fab	609,000



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*The market terms and definitions in this report are based on NAIOP standards.

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