

Greater Philadelphia Industrial

(PA, DE & NJ) — THIRD QUARTER 2007

3Q07 QUICK STATS

	Current	Yr.	Qtr.
Vacancy	6.39%	↓	↑
Lease Rates	\$4.22 NNN	↓	↓
Net Absorption*	1.88 M	↓	↑
Construction	5.48 M	↓	↓

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

HOT TOPICS

- Positive net absorption weighed in at over 1.88 million square feet during the third quarter of 2007.
- Boston Ship Repair, LLC signed a lease for space at the Philadelphia Navy Yard. The firm will take space formerly occupied by Metro Machine Corp., who vacated shortly after the yard was closed in 1996. Boston Ship Repair, LLC will provide dry-dock repair services for military and cruise vessels at the new facility.
- Lowe's Construction Inc. broke ground on their new \$111 million Northeast distribution center. Located at CenterPoint Commerce & Trade Park East in Pittston, PA, the new facility could deliver early next year. The State of Pennsylvania is providing an incentive package of just over \$3.90 million for the project.

The competitive Philadelphia Metropolitan Industrial Market encompasses seventeen counties within Pennsylvania, New Jersey and Delaware consisting of manufacturing, flex and warehouse buildings of 100,000 square feet and larger. Overall, the Philadelphia MSA comprises an inventory of more than 358 million square feet. As the fifth largest MSA in the nation, the region offers excellent infrastructure and abundant growth opportunities. The region's central location within the Northeast corridor makes it an ideal location for warehouse and bulk distribution properties. Twenty-five percent of the nation's population is within a five-hour drive from Philadelphia and fifty percent of the population is within a two-hour flight.

The Central Pennsylvania submarket remained strong by posting over 520,000 square feet of positive net absorption. However, vacancy rates climbed slightly during the third quarter, because several tenants vacated their Class 'C' space. Additional Class 'C' product – obsolete to many users - is expected to come on-line during the first quarter of 2008. Whirlpool signed for one of the most significant lease transactions of the quarter - an 800,000

SF lease at ING / Clarion's speculative development inside the Carlisle Distribution Center in Carlisle, PA. Average asking lease rates for new speculative construction in the Central Pennsylvania submarket are reported to be \$4.25/SF (NNN).

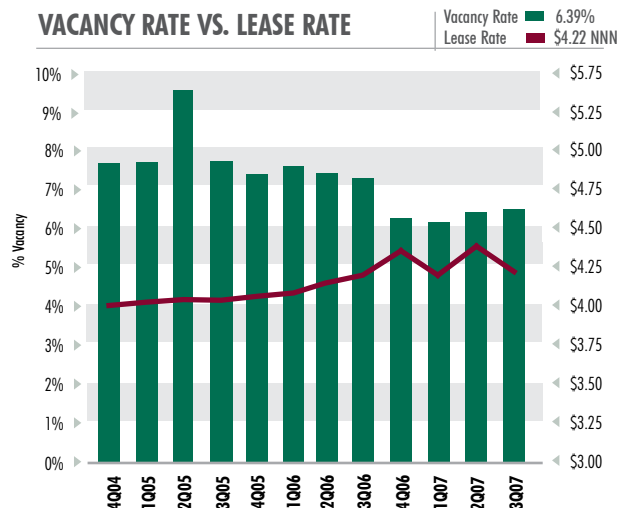
During the third quarter, the New Castle County, Delaware submarket posted an impressive 710,425 square feet of positive net absorption. A 345,000 square foot lease was signed during the third quarter by China Products Exhibition & Exchange Center at the Northeast Conference Center, just over state lines, in Maryland. However, more vacant space is expected to be coming on line within the next few quarters.

In the Suburban Pennsylvania submarkets, the inventory of product for both lease and sale seems to be tightening, especially among flex properties. Industrially zoned land of any sizeable requirement also seems to be continually harder to find. These sites are also threatened by zoning changes. For example, in Delaware County, what was once a 250 acre industrial site located between Rt. 1 & Rt. 322 is now a hospital, retail space and "over 55" housing.

In the Lehigh Valley, strong demand continues for tenant requirements in the 500,000 – 1,000,000 SF range. Large users are now competing for space throughout the entire Eastern portion of the state (Central Pennsylvania, Lehigh Valley & Northeast Pennsylvania). A large lease was signed at Liberty Property Trust's 700 Nestle Way in Breinigsville, PA during the third quarter. Additionally, Thermo Fisher Scientific leased 188,000 SF to bring the building to near 100% occupancy. Developers continue their search for large parcels of land for speculative and build-to-suit projects. Land deals are now working their way towards outlying areas along the route I-78, I-81 and I-80 corridors.

"Reports indicate that a healthy amount of tenants are still active in the marketplace and the market is confident in developer's plans for new product."

VACANCY RATE VS. LEASE RATE



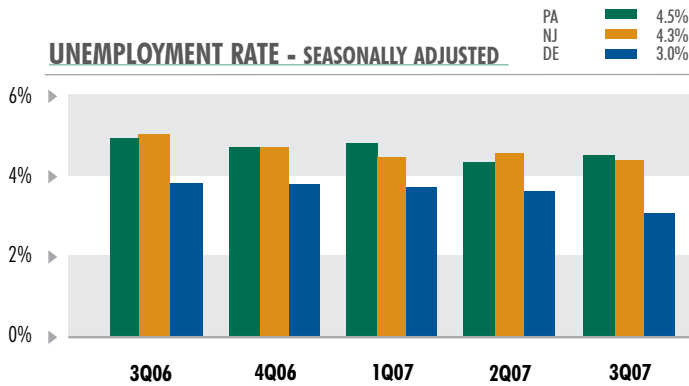
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SubMarket	Net Rentable Area SF	Vacancy Rate %	YTD Net Absorption SF	Under Construction SF	Average Min. Asking Rent \$/SF/YR	Availability Rate %
Bucks County, PA	27,321,653	6.29%	(24,820)	248,500	\$4.53	6.87%
Burlington County, NJ	19,761,838	7.18%	241,921	960,616	\$4.24	10.67%
Camden County, NJ	15,192,176	9.48%	(127,716)	0	\$3.85	12.42%
Central PA**	143,049,592	5.72%	1,378,015	985,000	\$4.01	7.96%
Chester County, PA	12,659,514	5.09%	324,732	0	\$5.28	7.27%
Delaware County, PA	11,136,843	5.04%	416,205	0	\$4.61	11.87%
Gloucester County, NJ	14,229,831	6.19%	63,485	590,760	\$4.25	11.20%
Lehigh Valley, PA*	34,043,483	8.69%	436,791	2,697,000	\$4.49	11.25%
Montgomery County, PA	35,070,918	8.30%	(115,093)	0	\$4.57	10.14%
New Castle County, DE	13,742,941	9.15%	820,385	0	\$3.55	16.28%
Philadelphia County, PA	31,870,903	2.82%	248,236	0	\$4.76	6.22%
Philadelphia Metro Area	358,079,692	6.39%	3,662,141	5,481,876	\$4.22	9.13%

NOTE: 100,000 SF and larger.

* Lehigh and Northampton Counties

** Cumberland, Dauphin, Franklin, Lancaster, Lebanon, York Counties



Source: Bureau of Labor Statistics

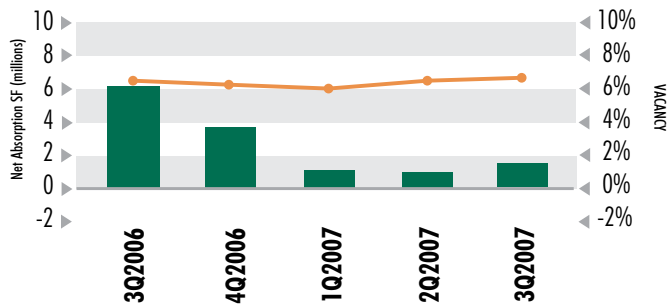
Economic Conditions: According to the Federal Reserve Bank, the Philadelphia region’s manufacturing sector remained relatively stable during the third quarter with little change in general activity. However, reports suggest future growth as many regional manufacturing companies remain optimistic about plans for increased orders, shipments and employment.

According to Wachovia’s Economic Group, the Federal Reserve will likely cut interest rates again in October by a quarter of a point following their recent cut of a half a point at the end of the third quarter. The proposed cut would be an effort to help isolate problems in the subprime market from impacting other portions of the national economy. The tightening of subprime mortgages has proven a roadblock to many buyers actually closing on homes they had intended to purchase. In response, many residential builders are aggressively scaling back their production of new homes. Similarly, the tightening of lending practices nationwide has also had a negative impact on investment sales. Compared to last year’s third quarter performance, investment properties have significantly decreased in their sales activity.

Nationally, consumer spending was fairly strong among recent back to school sales and the automobile sector also had an up tick in activity during the third quarter. However, with a bit of a lull in job and income growth, more moderate consumer spending may take hold in the next few quarters.

VACANCY/NET ABSORPTION

Vacancy 6.39%
Absorption 1.88 M

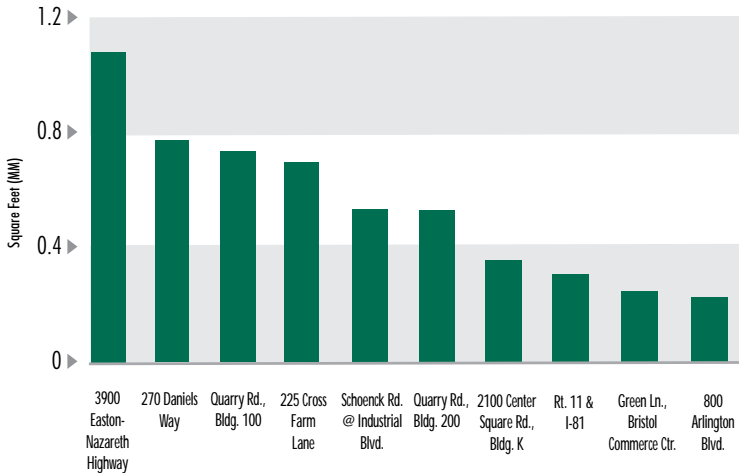


Vacancy & Absorption: Direct vacancy rates inside the Philadelphia Metropolitan Industrial Market remained quite stable at 6.39%, versus 6.38% during the second quarter of 2007.

In Delaware, the New Castle County submarket posted healthy absorption figures heading into the final quarter of 2007. The completion of two buildings inside Twin Span Business Park, both of which are fully leased, helped support the healthy absorption figures.

Central Pennsylvania has once again reported strong leasing activity during the third quarter. BMW made their entrée into the local market by leasing 870,000 SF, which is expandable to 1.4 million SF, at Prologis' Park 33 in Nazareth, PA. This deal marks not only the largest of the quarter, but will also be the "driving force" behind the submarket's positive net absorption in the coming year.

CONSTRUCTION ACTIVITY

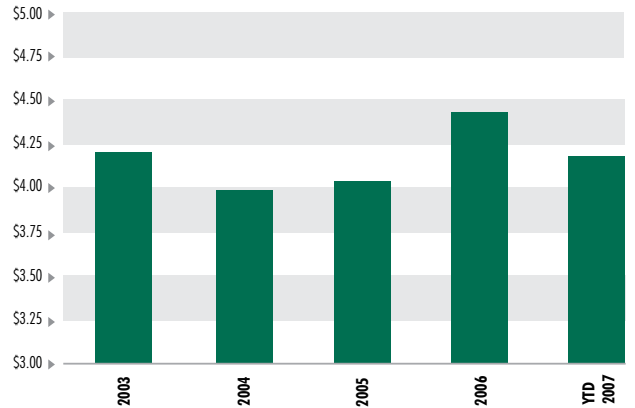


Construction Activity: Of the 5.48 million SF currently under construction in the Philadelphia MSA, a significant number of developments are near completion and are expected to finish by the end of the year. Their timely completion could soon add more than three million SF of industrial space to the market.

Construction is now underway at the Bristol Commerce Center in Bristol, PA adding new product to the Bucks County Industrial Market. The 248,500 square foot, multi-tenanted, distribution facility will offer tenants ESFR sprinklers and a 32' clear ceiling height. Completion is scheduled for September of 2008. Construction costs continue to rise due to increased prices of materials and energy. In Suburban Philadelphia submarkets such as Chester & Montgomery counties, more companies are opting to handle their own build out with the hope of reducing costs.

AVERAGE ASKING LEASE RATES

Average Asking Lease Rent \$4.22 NNN



Average Asking Lease Rates: The average asking lease rate for the Philadelphia Metropolitan Industrial Market decreased to \$4.22 per square foot this quarter – down only \$0.12 from \$4.34 during the second quarter of 2007.

Philadelphia County's average asking lease rate climbed \$0.13 to \$4.76 per square foot. The combination of historically low direct vacancy rates and the newly renovated warehouse space at Eastwick Business Center, in Philadelphia, PA caused this increase in rental rates. Rates have also ticked upward in the Lehigh Valley, largely driven by the decreasing availability of Class 'A' industrial space, which is now more of a commodity.

MARKET OUTLOOK

The Philadelphia Metropolitan Industrial Market seems to have leveled off and stabilized as we head towards the fourth quarter of 2007. Vacancy rates throughout the majority of the region's submarkets should remain stable as they did during the second and third quarters. Average asking lease rates should also remain around their current level – the regional rate fluctuated only \$0.12 between the second and third quarters.

Looking forward, the market remains optimistic about industrial real estate. Reports indicate that a healthy amount of tenants are still active in the marketplace and the market is confident in developer's plans for new product.

TOP PHILADELPHIA REGION LEASE TRANSACTIONS

Size (Sq. Ft.)	Tenant	Address
870,000-1,400,000	BMW	Park 33, Nazareth, PA
800,000	Whirlpool	Carlisle Distribution Center, Carlisle, PA
744,000	Kimberly Clark	CenterPoint Commerce and Trade Park East, Pittston, PA
345,000	CPEEC	Northeast Conference Center, Cecil County, MD
231,080	National Distribution Centers	2155 High Hill Road, Bridgeport, NJ

TOP PHILADELPHIA REGION SALE TRANSACTIONS

Size (Sq. Ft.)	Buyer	Address
314,521	Anro, Inc.	931 Matlack Street, West Chester, PA
264,000	Cambridge Hanover	3250 S. 76th Street, Philadelphia, PA
188,500	Endurance RE	2860 Bath Pike, Nazareth, PA
172,000	Basile Corp.	1515 Garnet Mine Road, Boothwyn, PA

PHILADELPHIA REGION SUBMARKET MAP



AVAILABILITY RATE

Available Square Feet divided by the Net Rentable Area.

AVAILABLE SQUARE FEET

Available Building Area which is either physically vacant or occupied.

AVERAGE ASKING LEASE RATE

Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

MARKET COVERAGE

Includes all competitive office buildings 10,000 square feet and greater in size.

NET ABSORPTION

The change in occupied square feet from one period to the next.

NET LEASES

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

NET RENTABLE AREA

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

NORMALIZATION

Due to a reclassification of the market, the base number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

OCCUPIED SQUARE FEET

Building area not considered vacant.

UNDER CONSTRUCTION

Buildings which have begun construction as evidenced by site excavation or foundation work.

VACANCY RATE

Vacant Building Feet divided by the Net Rentable Area.

VACANT SQUARE FEET

Existing Building Area which is physically vacant or immediately available.

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