MarketView

Greater Philadelphia Industrial

(PA, DE & NJ) — FOURTH QUARTER 2006

4Q06 QUICK STATS

	Current	Yr.	Qtr.
Vacancy	6.29%	↓	↓
Lease Rates	$4.38 NNN	↑	↑
Net Absorption*	3.84M	↑	↓
Construction	7.20M	↑	↑

* 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

- A South Korean firm, Osteem Co. Ltd. has announced plans to construct two buildings over the next five years as part of its new 160,000 SF headquarters and dental implant manufacturing facility at the Keystone Industrial Port Complex in Falls Township, PA. The facility, Osteem's first US operation, is expected to generate 200 new jobs for the state of Pennsylvania.
- An investment group, Castleway Partners LLC, based out of Dublin, Ireland has recently purchased the Airport Business Park in Tinicum Township, PA – south of the Philadelphia International Airport. The firm plans to redevelop the existing 1.5 million SF of office, flex & industrial space while adding an additional 1 million SF of new space to the 134-acre site.
- DP Partners' LogistiCenter at Allentown, a two-building industrial complex, is now fully occupied. C&S Wholesale Grocers Inc. has signed for more than 1 million SF of distribution space consisting of 388,381 SF in an existing spec distribution facility and a recently completed 621,600 SF build-to-suit. Hopkins Distribution Co., a third party logistics provider, has taken the remainder of the space in the spec distribution facility.

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The competitive Philadelphia Metropolitan Industrial Market encompasses seventeen counties within Pennsylvania, New Jersey and Delaware, and consists of manufacturing, flex and warehouse buildings of 100,000 SF and larger. Overall, the Philadelphia Metropolitan Statistical Area comprises an inventory of more than 364 million SF. As the fourth largest MSA in the nation, the region offers excellent infrastructure and abundant growth opportunities. The region's central location within the Northeast corridor makes this 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.

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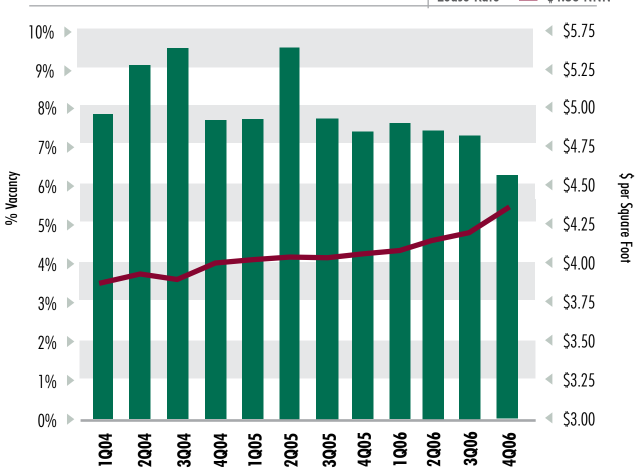
Capping the end of 2006 with another quarter of explosive growth, the Philadelphia MSA completed 2006 with a 6.3% regional vacancy rate more than 200 basis points lower than last year's rate of 8.5%. Throughout 2006, the Philadelphia MSA absorbed over 13 million SF of space - almost twice the amount of absorption as in 2005. Undoubtedly, the main catalyst of this absorption was the Lehigh Valley and Central PA submarkets' demand for big box distribution facilities.

The Lehigh Valley and Central Pennsylvania submarkets each absorbed well over one million SF in the 4th quarter alone, and barely continue to meet the demand of the market's thirst for imported products and a place to store them before delivery to the end user. Exel Inc., Menlo Logistics, Eagle Global Logistics, Arnold Logistics, Genco and BAX Global all signed new leases within Central PA and the Lehigh Valley in 2006. Furthermore, Office Depot, Staples, Home Depot, Crown Bolt and Anderson Windows also leased space for their own logistical needs within the same submarkets. The level of activity does not seem to be slowing as several national developers are actively responding to the tenant demand in both the Lehigh Valley and Central PA markets. 2007 is slated to have roughly 5 million SF of new warehouse space constructed, with over three quarters of the space being built on a speculative basis, a welcomed sign in a market with single digit vacancies.

VACANCY RATE VS. LEASE RATE



Moving closer to the more densely populated areas in and around the City of Philadelphia, lack of product and diminishing supply continue to be the central theme for 2006. Most notably reflected in the 2.98% vacancy rate for Philadelphia County; large blocks of industrial space are rare. Kalmon Dolgin purchased over 670,000 SF of space at 4700 Wissahickon Ave. in Philadelphia and Castleway Properties purchased over 1.7 million SF at the former Airport Business Park, now dubbed Orion Philadelphia. Castleway is in the planning stages of roughly 1 million additional SF of commercial space at the park, which abuts the Philadelphia International Airport on the south side. Wissahickon Ave and Orion Philadelphia currently represent the only significant industrial redevelopment opportunities in Philadelphia. Across the river, land is also at a premium in Southern New Jersey; as only Whitesell Properties and DP Partners have the capacity for warehouse buildings over 100,000 SF in the submarket. Camden, Burlington and Gloucester Counties are each reporting vacancy rates under 8%.

On the other side of Philadelphia, the smaller suburban submarkets of Chester County, Montgomery County and Delaware County continue to post strong vacancy numbers under 8.5%. There continues to be a trend of users looking for smaller to mid-size buildings for sale, rather than space to lease, as interest rates make the option of ownership attractive. However, affordable land is becoming more and more scarce as mid-size users are now sizing up options in Western Montgomery County and Southern/Western Chester County instead of the once popular but now densely populated areas of King of Prussia and West Chester. Notably in the last quarter, Scott's Lawn Care committed to 21,000 SF at the Providence Business Center in Oaks for 10 years. An increasingly popular trend in the suburbs involves flex space, which once comprised of a smaller portion of pure office build out, is now becoming a more popularly priced alternative for 100% office users not demanding the Class 'A' office look and feel.

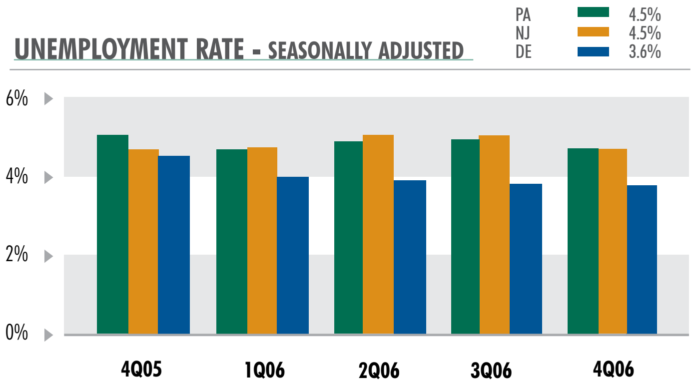
Overall, the Philadelphia Industrial MSA saw average asking lease rates increase to $4.38 NNN which is a 6% increase from a year ago and a 3% increase from last quarter. Looking forward, the industrial market should continue to thrive. The need will continue for large, institutional grade warehouse space averaging 800,000 SF and larger. However, the market could slow for mid size blocks of warehouse space as second generation blocks become available within the Lehigh Valley and Central, PA. A plausible climb in interest rates could support more leasing vs. buying activity in the suburban Philadelphia and Wilmington, DE submarkets.

Market	Gross Building SF	Vacancy Rate %	YTD Net Absorption SF	Under Construction SF	Average Min. Asking Rent $/SF/YR	Availability Rate %
Bucks County, PA	27,971,653	5.22%	1,605,949	0	$4.47	7.99%
Burlington County, NJ	20,130,464	6.36%	494,965	416,744	$5.23	7.70%
Camden County, NJ	17,694,156	7.47%	(171,350)	0	$3.73	9.13%
Central PA**	140,718,666	5.15%	4,446,403	2,893,740	$4.27	7.05%
Chester County, PA	12,659,514	7.65%	242,965	0	$5.67	7.65%
Delaware County , PA	12,564,843	7.78%	175,646	0	$3.88	7.78%
Gloucester County, NJ	14,845,390	7.84%	317,805	225,000	$4.22	13.20%
Lehigh Valley, PA*	35,627,991	9.45%	5,338,758	3,535,000	$4.61	12.15%
Montgomery County, PA	35,458,564	8.41%	292,950	0	$4.25	10.38%
New Castle County, DE	13,164,253	8.92%	562,649	0	$4.05	10.92%
Philadelphia County, PA	33,795,016	2.98%	N/A	138,236	$4.89	3.23%
Philadelphia Metro Area	**364,630,510**	**6.29%**	**13,306,740**	**7,208,720**	**$4.38**	**8.16%**

NOTE: 100,000 SF and larger.

* Lehigh and Northampton Counties

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



Source: Bureau of Labor Statistics

Economic Conditions: Quarterly reports have shown moderate GDP growth as the U.S. economy rose by 2.2%. However, trends suggest that domestic production might slow in coming months, which could potentially soften the labor market. Industrial production appears to be gaining strength. The Federal Reserve has reported that industrial production was up 0.2% in November, the first increase following two months of decline. In the housing market, weaker demand coupled with a rising number of new home cancellations is adding to the inventory of unsold property. Nevertheless, research points to signs of a gradual stabilization.

The Commonwealth of Pennsylvania has recently announced a series of investments which will help companies build or acquire new facilities in and throughout 10 different state counties. The location finance assistance program is primarily geared towards attracting foreign investment. The funding, totaling more than $16.6 million, will go towards 15 projects, create some 541 new jobs, and retain 447 jobs for the Commonwealth.

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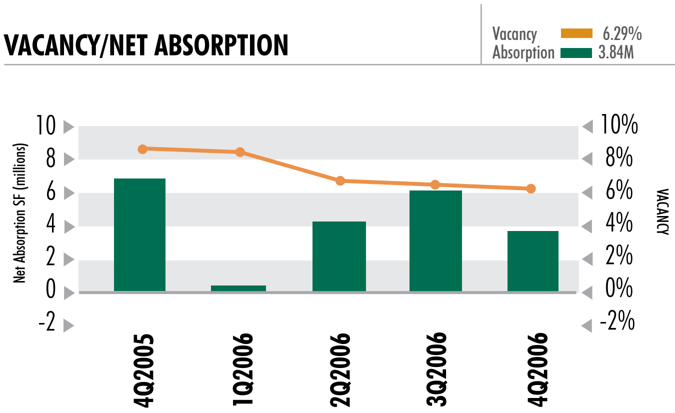
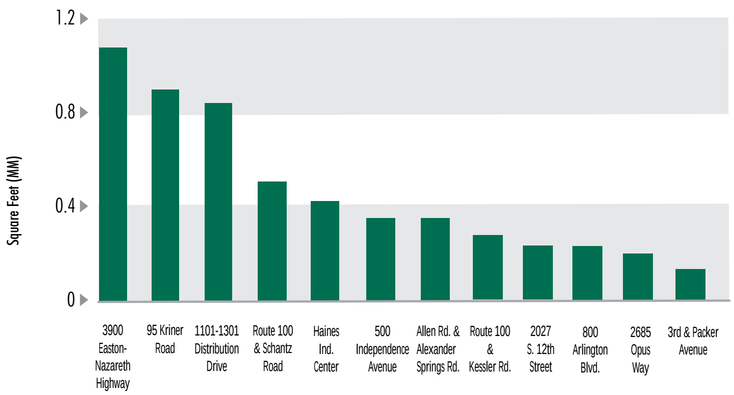
VACANCY/NET ABSORPTION



Vacancy & Absorption: Direct vacancy rates fell from 6.83% in 3Q06 to 6.29% in 4Q06. Availability rates for the quarter came in at 8.16%, a significant decrease compared to 9.69% reported one year ago. The Philadelphia Metropolitan Industrial Market continues to experience large amounts of quarterly absorption – a total of 3,845,406 SF was reported for 4Q06. Annual industrial absorption for 2006 weighed in at more than 13 million SF for the Philadelphia MSA.

CONSTRUCTION ACTIVITY

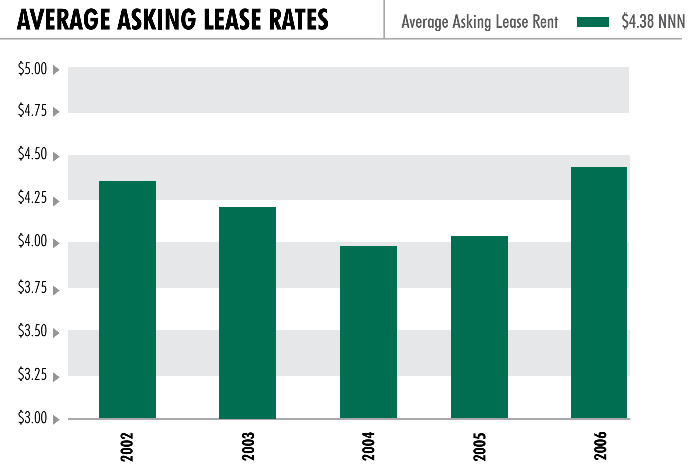


Construction Activity: In Gloucester County, NJ a 225,000 SF warehouse expansion project presses on at the Commodore Business Park. Delivery can be expected in April of 2007. Also in the South Jersey market, Whitesell Construction Company's Haines Industrial Center, a 416,744 SF spec facility, located in Burlington, NJ is near completion and expected to come on-line within 1Q07.

The ProLogis 2 building project located at Routes 248 and 33 in Lower Nazareth, PA is now underway. The 930,000 SF and 1,400,000 SF Class A, warehouse buildings are scheduled for completion in the third or fourth quarter of 2007. Also in the Lehigh Valley, construction moves forward at the Nestle and Niagara spring water distribution facilities located along Route 100 in Allentown, PA.

Construction has commenced at the First Industrial complex, South Pointe II, situated in Carlisle, PA. Delivery on the 300,000 SF, Class 'A', warehouse building is anticipated for May of 2007. Finally, Liberty Property Trust's spec building at 95 Kriner Rd in Chambersburg, PA will bring another 837,000 SF of industrial product to Central PA.

AVERAGE ASKING LEASE RATES



Average Asking Lease Rates: Average asking lease rates in the Philadelphia MSA for 4Q06 were reported to be $4.38 per square foot, triple net, which is a 3 % increase from $4.24 reported in the third quarter.

With the industrial market visibly tightening due to the decreasing availability of Class 'A' warehouse/distribution space and rising construction costs in the region, average asking lease rates will almost certainly continue to climb upward in 2007.

MARKET OUTLOOK

The Greater Philadelphia Industrial Market has demonstrated unyielding momentum throughout 2006. Vacancy rates have consistently fallen throughout the year as average asking lease rates have steadily risen for a large majority of the region's submarkets. The Industrial Market has showcased unprecedented absorption, of over 13 million SF - almost twice as much as in 2005 and over four times as much as in 2004.

Central Pennsylvania & the Lehigh Valley continue to attract distribution and manufacturing companies, who recognize the benefits of conducting business in an area that provides strong transportation advantages, experience little congestion and offer an affordable cost of living along with a skilled workforce. Most of the new construction projects in these regions consist of speculative and build-to-suit projects, a trend that will continue throughout 2007.

In Southern New Jersey, vacancy rates decreased while average asking lease rates steadily increased throughout the year. Construction activity continues on although the availability of land for industrial development seems to be tightening with prices aggressively climbing throughout the past year and a half.

Looking forward, the Industrial Market will realize a continued increase in rental rates and as the market continues to tighten, vacancy and availability rates should continue to drop off throughout 2007.

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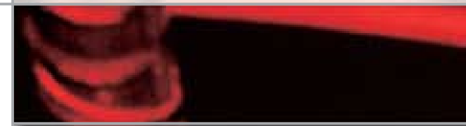

TOP PHILADELPHIA REGION LEASE TRANSACTIONS

Size (Sq. Ft.)	Tenant	Address
1,400,000	Johnson & Johnson	Arcadia North, Mt. Pocono, PA
1,009,981	C&S Wholesale Grocers, Inc.	LogistiCenter at Allentown, Allentown, PA
210,000	Sealy Mattress	Crestwood Industrial Park, Mountaintop, PA
82,783	Concord Steel	Orion Philadelphia, Tinicum, PA
64,750	BAX Global, Inc.	Jessup Small Business Center, Jessup, PA

TOP PHILADELPHIA REGION SALE TRANSACTIONS

Size (Sq. Ft.)	Buyer	Address
677,000	Kalmon Dolgin Affiliates, Inc.	4700 Wissahickon Ave., Philadelphia, PA
381,500	Cobalt Capital Partners	Freeway Industrial Center, Blackwood, NJ
180,920	The Basile Company	3700 Glover Road, Forks Industrial Park, Easton, PA
151,000	Seagis Property Group, LP	Iron Run, 6736 Tilghman Street, Allentown, PA

PHILADELPHIA REGION SUBMARKET MAP

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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.

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.

MARKET COVERAGE
Includes all competitive industrial buildings 100,000 square feet and greater in size.

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

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

OCCUPIED SQUARE FEET
Building area not considered vacant.

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

AVAILABLE SQUARE FEET
Available Building Area which is either physically vacant or occupied.

AVAILABILITY RATE
Available Square Feet divided by the Net Rentable Area.

VACANT SQUARE FEET
Existing Building Area which is physically vacant or immediately available.

VACANCY RATE
Vacant Building Feet divided by the Net Rentable Area.

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.

For more information regarding the MarketView, please contact:

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