

Greater Philadelphia Industrial

(PA, DE & NJ) — FIRST QUARTER 2007

1Q07 QUICK STATS

	Current	Yr.	Qtr.
Vacancy	6.10%	↓	↓
Lease Rates	\$4.16 NNN	↓	↓
Net Absorption* 1.00M		↑	↓
Construction	7.34M	↑	↑

* 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

- Recent voter approval of a ballot measure will now dedicate all of New Jersey's state gas tax (10.5¢) to the Transportation Trust Fund. Over the next five years, New Jersey is expected to spend around \$16 billion on transportation projects statewide, which will undoubtedly help "fuel" economic growth.
- According to Keystone Dedicated Logistics, an offshoot of Pitt Ohio Express, the price of transporting freight via truck from New Jersey to Pittsburgh has fallen from around \$500 to about \$450 per truck load throughout the past two quarters.
- According to the U.S. Chamber of Commerce, by 2020, every major U.S. container port is projected to at least double the volume of cargo it is expected to handle, with select East Coast ports tripling in volume and some West Coast ports quadrupling in volume.

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 square feet and larger. Overall, the Philadelphia MSA comprises an inventory of more than 359 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 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.

During the first quarter, the Philadelphia MSA Industrial Market remained remarkably active. Collectively, the region reported a 6.10% vacancy rate, down from 6.29% in 4Q06. During the first quarter, the region absorbed more than one million SF of industrial space, which marks the tenth consecutive quarter of positive net absorption for the Philadelphia MSA – an astounding representation of the market's growth and development. Of the region's eleven submarkets, seven experienced positive absorption during the first quarter. The most significant activity occurred in Central Pennsylvania, which absorbed more than 1.02 million SF of industrial space. As a result, the direct vacancy rate for Central Pennsylvania fell from 5.15% in 4Q06 to 4.83% in 1Q07.

The Southern New Jersey Industrial Submarket, consisting of Burlington, Camden and Gloucester counties, will continue to benefit from a lack of product in the Northern and Central portions of the state. Decreasing availability of competitive industrial space, coupled with a shortage of developable land around Exit 8A, is increasing pressure for industry to head south. Gloucester County's vacancy dropped off from 7.84% in 4Q06 to 5.92% in 1Q07. Burlington County's vacancy rate increased to 8.62% during 1Q07 up from 6.36% in 4Q06 - largely due to a 416,744 SF spec facility at the Haines Industrial Center coming on line without a tenant in place.

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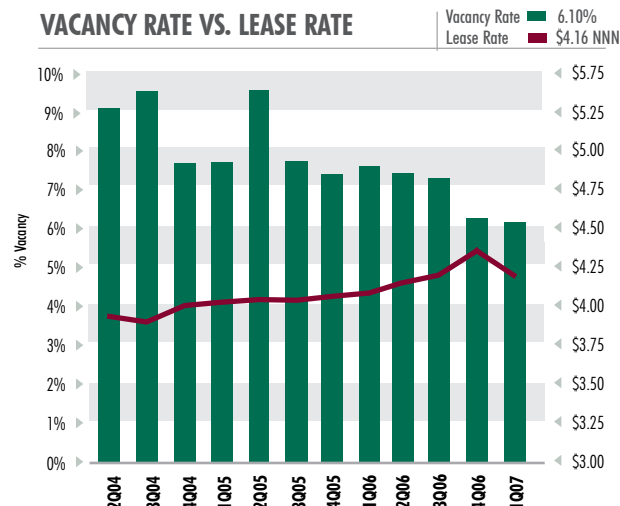
In Lehigh Valley, vacancy rates continue to tighten as first quarter reports show 7.79% direct vacancy rates, down from 9.45% in 4Q06. Availability rates have also dropped off significantly falling more than 140 basis points to 10.72%. The market typically caters to big-box warehouse users; however, CB Richard Ellis reported fewer large block industrial

users actively searching for space throughout Lehigh and Northampton counties. Demand has begun to shift towards industrial users seeking 50,000 – 60,000 SF during the first quarter.

Within the suburban submarkets of Chester, Delaware, Montgomery and Bucks counties, leasing activity has been picking up – almost across the board. Three of the four suburban submarkets report that vacancy rates have fallen during the first quarter. While leasing activity has been active with larger blocks of space, the Philadelphia suburban submarkets are continually restricted due to a lack of land for industrial development and several submarkets, such as Delaware County, maintain that it is becoming more common for land to be rezoned for retail and residential use. As a result, most new construction, particularly within Chester and Montgomery counties, has been flex product—accommodating the small to mid-range industrial user.

In New Castle County, DE, users can anticipate more industrial product coming on line throughout 2007. Users are looking for small to mid-range blocks of space within the Delaware submarket – a trend that is expected to continue. Due to company restructuring, Chrysler has announced plans to close its assembly plant in Newark by 2009, which could cause the loss of 2,100 jobs from the Delaware economy.

VACANCY RATE VS. LEASE RATE

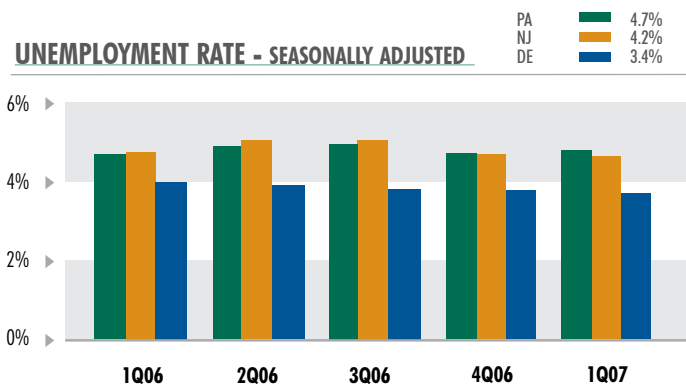


Market	Gross Building SF	Vacancy Rate %	YTD Net Absorption SF	Under Construction SF	Average Min. Asking Rent \$/SF/YR	Availability Rate %
Bucks County, PA	27,971,653	4.99%	63,400	0	\$4.46	7.63%
Burlington County, NJ	20,093,182	8.62%	(92,136)	0	\$4.25	12.35%
Camden County, NJ	15,615,576	9.36%	(149,000)	0	\$3.61	13.39%
Central PA**	141,338,302	4.83%	1,024,611	3,083,240	\$4.03	6.97%
Chester County, PA	12,659,514	6.49%	147,428	0	\$5.39	6.49%
Delaware County, PA	12,326,843	4.93%	368,900	300,000	\$4.05	7.54%
Gloucester County, NJ	14,229,831	5.92%	100,795	225,000	\$4.36	10.18%
Lehigh Valley, PA*	34,787,991	7.79%	(183,961)	3,559,000	\$4.18	10.72%
Montgomery County, PA	35,292,564	8.95%	(343,245)	180,000	\$4.48	10.63%
New Castle County, DE	12,942,941	9.44%	55,860	0	\$3.69	15.65%
Philadelphia County, PA	32,185,903	3.54%	8,236	0	\$4.25	3.80%
Philadelphia Metro Area	359,444,300	6.10%	1,000,888	7,347,240	\$4.16	8.48%

NOTE: 100,000 SF and larger.

* Lehigh and Northampton Counties

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



Source: Bureau of Labor Statistics

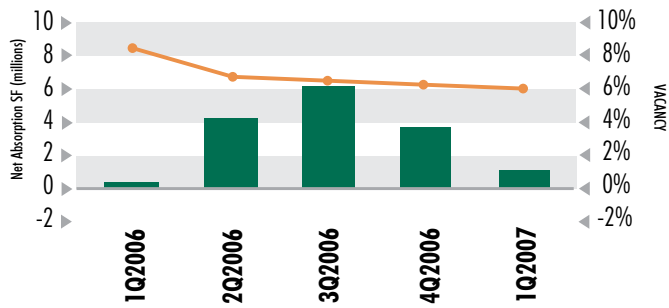
Economic Conditions: At the close of first quarter 2007, signs of an economic soft patch persist. Consumer spending continues to slow heading into second quarter 2007, brought about by slow retail sales growth and a pointed rise in gasoline prices. In addition, signs of vigilance and precaution have emerged from within the business community as evidenced by a recent lessening in capital spending and a voluminous inventory correction. However, employment indices have remained fairly stable.

The housing market continues to struggle. New home construction has dropped to its lowest levels in nearly a decade. With the combination of unsold inventory, reduced home prices and tighter lending standards, the backslide is likely to continue.

Activity in the Philadelphia region’s industrial sector has consistently shown a stable, patterned regularity throughout the first quarter as new orders, shipments and employment looked very similar throughout the three month term. Nationally, industrial production seems to report moderate growth throughout the early stages of 2007. However, manufacturers are feeling some strain from continuing price pressure. Hi-tech production continued with expeditious growth this quarter, while motor vehicle production seems to be undergoing troubling times.

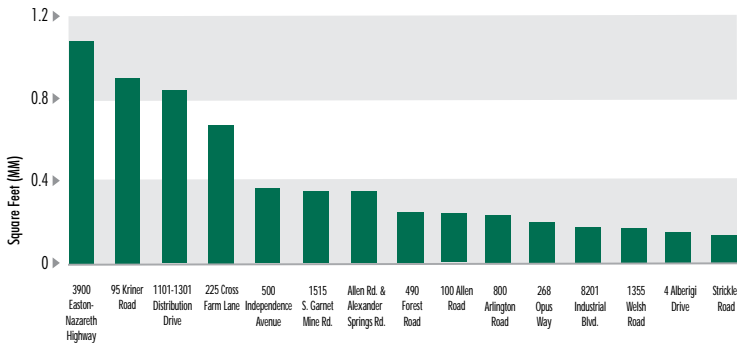
VACANCY/NET ABSORPTION

Vacancy 6.10%
Absorption 1.00M



Vacancy & Absorption: With leasing momentum holding firm, direct vacancy rates within the Philadelphia MSA have once again fallen - from 6.29% in 4Q06 to 6.10% in 1Q07 and more than 220 basis points when compared to the 8.37% vacancy rate from one year ago. At the close of the first quarter, the Philadelphia Metropolitan Industrial Market has once again posted strong net absorption gains of one million SF — continuing the trend of a seemingly unyielding leasing momentum throughout the region.

CONSTRUCTION ACTIVITY



Construction Activity: Construction continues in Southern New Jersey this quarter as the 225,000 SF expansion project at the Commodore Business Park in Gloucester County, NJ nears completion. DP Partner’s recently completed project at the LogistiCenter at Logan, a 359,573 SF Class ‘A’ warehouse in Swedesboro, NJ has generated significant interest and should be fully leased within the next three months.

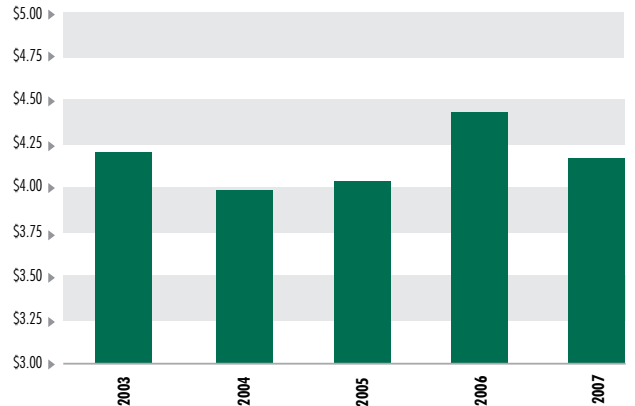
In the Philadelphia Suburban submarkets, construction of a 180,000 SF, Class ‘A’ warehouse presses on at the Montgomeryville Business Center in Montgomery County, PA. In Delaware County, PA, construction of a 300,000 SF flex facility in Boothwyn, PA moves forward with completion scheduled for spring of 2007.

In Central Pennsylvania, construction continues on at Liberty Property Trust’s I-81 Distribution Center, a 837,540 SF, Class ‘A’ warehouse in Chambersburg, PA; South Pointe II, First Industrial’s 300,000 SF warehouse project in Carlisle, PA; DP Partners’ LogistiCenter at Carlisle, an 811,200 SF distribution facility in Cumberland County, PA and a 342,500 SF warehouse project at Upper Allen Business Park also located in Cumberland County, PA. Delivery can be expected on all aforementioned projects before the close of 2Q07. In addition, First Industrial’s project located at 225 Cross Farm Lane Drive in York, PA will add another 675,000 SF of Class ‘A’ distribution space to the industrial market when complete.

In Lehigh Valley, PA, ProLogis forges ahead with their 930,000 SF warehouse project in Lower Nazareth, PA. Delivery can be expected during summer of 2007. The Lehigh Valley Industrial submarket also anticipates the delivery of a 224,000 SF, Class ‘A’ warehouse project at Bethlehem Crossings Industrial Park during 2Q07.

AVERAGE ASKING LEASE RATES

Average Asking Lease Rent \$4.16 NNN



Average Asking Lease Rates: Average asking lease rates in the Philadelphia MSA for the first quarter of 2007 were reported to be \$4.16 per square foot, triple net, which is a 5% decrease from \$4.38 reported at the close of 2006.

The decrease in average asking lease rates can be directly attributed to the diminishing availability of Class ‘A’ warehouse/distribution space within the region. As additional blocks of competitive space are leased and removed from the market, a surplus of Class ‘B & C’ space has begun to emerge - pulling rates downward. Therefore, this drop in price is not an indication of market stamina, but rather a market adjustment.

MARKET OUTLOOK

The Philadelphia MSA continues to promote an energetic industrial market. Vacancy rates continued to fall for the majority of the region’s submarkets this quarter. As we move forward into the second quarter, we anticipate balanced vacancy and availability rates.

Looking ahead, average asking rentals rates may continue to slightly decrease as the market continues to adjust to the surplus of Class ‘B & C’ space now on the market.

Due to a significant number of development projects nearing completion, the region can expect the delivery of a large amount of industrial space to come on line within the second quarter of 2007 — mostly within the Central Pennsylvania & Lehigh Valley submarkets.

Although leasing and sales activity has been strong throughout the past few years, it is anticipated that a leveling off of industrial real estate activity will provide for more moderate growth in upcoming quarters.

TOP PHILADELPHIA REGION LEASE TRANSACTIONS

Size (Sq. Ft.)	Tenant	Address
1,028,000	Sears Holding Corporation	First Avenue, Covington Industrial Park
726,000	The Dial Corporation	8400 Industrial Blvd., Breinigsville, PA
323,000	Electrolux	600 Hunters Lane, Middletown, PA
289,242	Kane Warehousing, Inc.	301 Oak Street, Pittston, PA
73,377	Distribution Management, Inc.	1400 Distribution Drive, Carlisle, PA

TOP PHILADELPHIA REGION SALE TRANSACTIONS

Size (Sq. Ft.)	Buyer	Address
509,445	First Industrial Realty Trust	200 Cascade Drive, Allentown, PA
400,000	Industrial Development International	100 Louis Parkway, Carlisle, PA
378,000	Dividend Capital Trust	571 Independence Ave., Mechanicsburg, PA
300,000	Sant Properties	2500 Grant Avenue, Philadelphia, PA
261,279	Direct Invest Ventures	1800 Ogletown Road, Newark, DE

PHILADELPHIA REGION SUBMARKET MAP



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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