

MarketView Greater Philadelphia Industrial

Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Total Vacancy Rates	13.9%	↓	↑
Direct Lease Rates	\$3.80 NNN	↓	↓
Total Net Absorption*	0.52 MSF	↑	↓
Construction	1.53 MSF	↓	↑

* 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

- Gardner Denver, Inc., a \$2.7 B industrial machinery manufacturer and global distributor, will relocate its headquarters from Quincy, IL to Philadelphia's western suburbs.
- Haddon Windows & Doors will create 50 new jobs and consolidate operations into their Bensalem, PA manufacturing facility, which is currently undergoing a \$2.4 M renovation.
- A private investor acquired the 150,000 SF Keystone Foods distribution center in Coatesville, PA for \$26.1 million. Keystone Foods is currently under a 20-year, triple-net lease.

In the Central PA industrial submarket, an increase in retail based prospects with space requirements in excess of 1 MSF shows that the submarket is gaining momentum through an increase in consumer confidence. Additionally, companies who had previously taken a conservative approach to their space needs are beginning to explore the market with expansionary intent. While the submarket experienced negative total net absorption for the quarter, amplified market activity should result in positive trending numbers in the near term.

Comparable to Central PA, the Southern New Jersey industrial submarket experienced an influx of tenants looking for big box space, as well as tenants looking to expand. For example, New Breed Logistics recently signed a relocation and expansion deal for 350,000 SF at 800 Arlington Boulevard in Swedesboro, NJ. Actual rental rates lingered around the mid to high \$3.00 mark for the second straight quarter, but are expected to rise in upcoming quarters as vacancy rates begin to decline. Sales activity and speculative construction remained slow in the third quarter, although some limited build-to-suit opportunities may be on the horizon.

Posting significant positive total net absorption figure for the quarter, the Lehigh Valley industrial submarket fared far better than all other submarkets in the Philadelphia MSA. Amazon.com's occupancy of 615,000 SF at 705 Boulder Drive in Macungie, PA and Fed Ex's occupancy of 389,000 SF at 8451 Willard Drive in Breinigsville, PA were the primary contributors to this positive absorption. The majority of tenant activity occurred in the 80,000 to 150,000 SF range, although

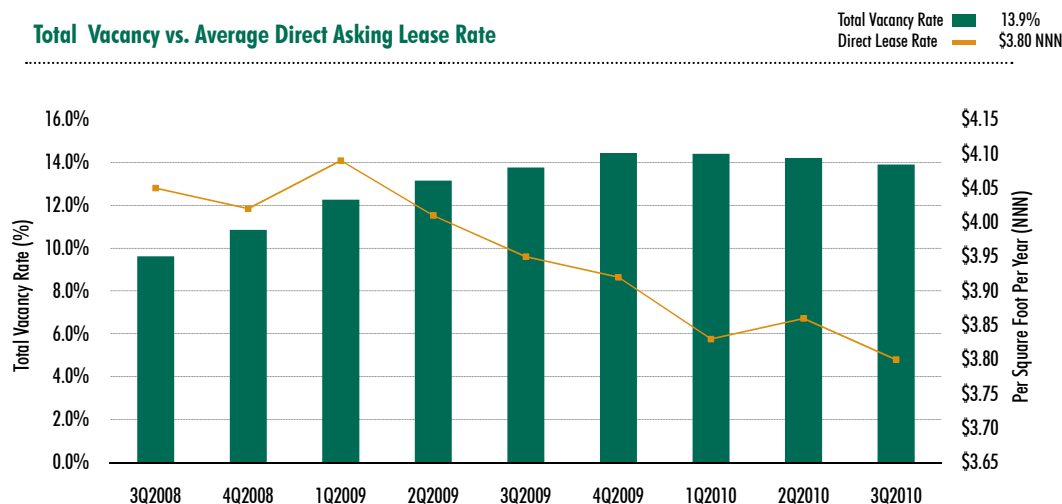
several tenants greater than 300,000 SF are testing the market. Given the submarket's increased leasing activity, average asking lease rates rose to \$4.13 NNN and should continue to gradually rise into 2011.

The Philadelphia Suburban industrial submarkets witnessed a slowdown in leasing activity during the third quarter. Smaller tenants in the 5,000 to 20,000 SF range remain the most active, as they are trying to lock in deals at discounted rental rates. Sales pursuits have begun to pick up primarily among smaller industrial developers, conceivably signifying a resurgence in the Philadelphia Suburban industrial sales market.

For the first time in the past five quarters, the Philadelphia County industrial submarket posted negative total net absorption. The negative outcome for the quarter is indicative of the submarket's space concerns, as the bulk of availability remains in older product. With 922,336 SF of pre-leased industrial space under construction, Philadelphia County is currently the most active submarket for development.

The New Castle County, DE submarket reverted from last quarter's positive progress, experiencing negative total net absorption and a 39 basis point increase in its total vacancy rate. The region has an abundance of space in the 100,000 to 150,000 SF range, while the majority of tenant activity has been for requirements between 25,000 and 45,000 SF. A lack of larger availabilities in New Castle County have forced tenants with space requirements above 300,000 SF to look at opportunities elsewhere in the region.

Total Vacancy vs. Average Direct Asking Lease Rate



MARKET STATISTICS

Submarket	Inventory	Total Vacancy Rate	Total Availability Rate	Completions	Under Construction	2010 YTD TOTAL NET ABSORPTION (SF)	AVG. Minimum ASKING LEASE RATE (\$/NNN/PSF/YR)
Bucks County, PA	27,003,861	14.6%	14.7%	0	0	(305,924)	\$4.17
Burlington County, NJ	21,679,603	14.3%	15.1%	0	0	222,369	\$3.78
Camden, County, NJ	15,507,773	22.9%	22.9%	0	0	(120,436)	\$3.59
Central PA**	147,467,875	12.7%	13.2%	0	603,000	1,013,787	\$3.64
Chester County, PA	12,375,101	6.7%	6.7%	0	0	143,677	\$3.75
Delaware County, PA	11,061,762	7.2%	7.2%	0	0	(89,541)	\$4.09
Gloucester County, NJ	15,431,128	12.9%	14.2%	0	0	(5,850)	\$4.05
Lehigh Valley, PA*	39,058,492	14.9%	15.4%	0	0	1,433,205	\$4.13
Montgomery County, PA	32,791,600	10.1%	10.1%	0	0	(571,219)	\$4.47
New Castle County, DE	12,717,110	19.9%	19.9%	0	0	(206,457)	\$3.81
Northeast PA***	36,132,536	22.6%	23.0%	0	0	(224,397)	\$3.54
Philadelphia County, PA	29,604,064	9.3%	10.6%	0	922,336	(148,976)	\$3.81
Total	400,830,905	13.9%	14.3%	0	1,525,336	1,140,238	\$3.80

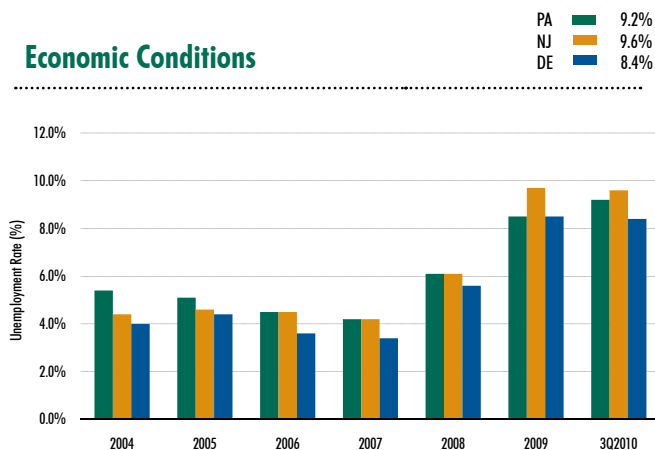
NOTE: 100,000 SF and larger.

MARKET STATISTICS - UNDER DEVELOPMENT

Submarket	Inventory	Total Vacancy Rate	Total Availability Rate	Completions	Under Construction	2010 YTD TOTAL NET ABSORPTION (SF)	AVG. Minimum ASKING LEASE RATE (\$/NNN/PSF/YR)
Bucks County, PA	23,884,650	9.1%	10.0%	0	0	(306,624)	\$6.36
Burlington County, NJ	15,829,042	14.9%	16.0%	0	0	(234,880)	\$6.26
Camden, County, NJ	17,303,776	13.8%	14.3%	0	23,000	(717,679)	\$6.02
Central PA**	39,564,990	10.5%	11.3%	0	50,000	(831,665)	\$4.53
Chester County, PA	13,455,995	11.9%	12.7%	0	0	122,341	\$7.85
Delaware County, PA	10,422,838	12.4%	13.1%	0	0	(43,583)	\$7.63
Gloucester County, NJ	10,113,173	11.3%	12.4%	0	0	(136,305)	\$5.63
Lehigh Valley, PA*	19,995,149	9.7%	10.5%	0	0	(52,686)	\$5.85
Montgomery County, PA	23,937,124	13.7%	14.2%	0	0	(544,086)	\$6.30
New Castle County, DE	16,357,110	11.8%	12.5%	0	0	(63,072)	\$5.07
Northeast PA***	9,063,464	10.8%	10.8%	0	0	(159,265)	\$3.48
Philadelphia County, PA	21,811,718	9.3%	9.8%	0	20,000	(434,439)	\$5.13
Total	221,739,029	11.4%	12.1%	0	93,000	(3,401,943)	\$5.74

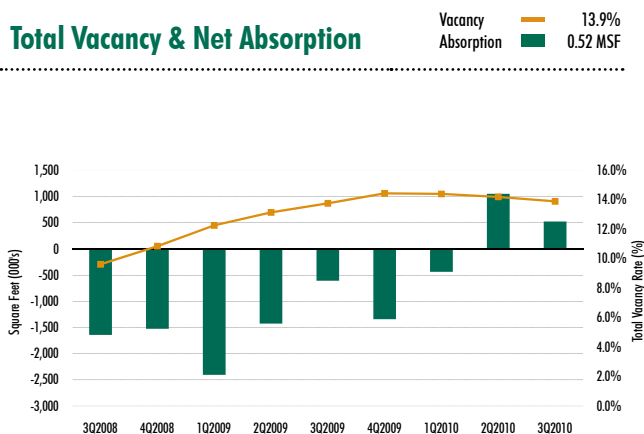
NOTE: 10,000 - 100,000 SF

Economic Conditions



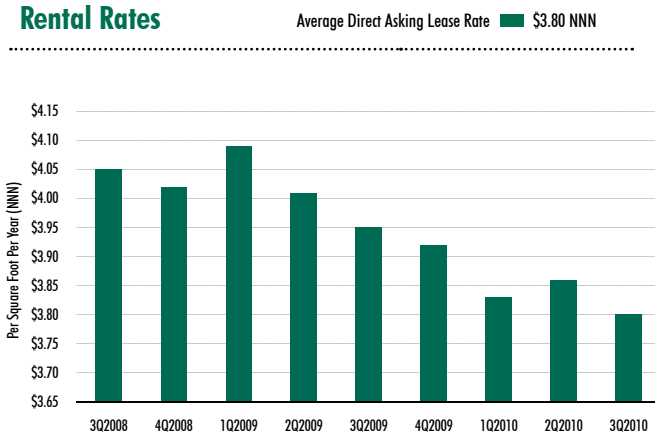
According to the National Bureau of Economic Analysis, the national recession that started in December of 2007 officially ended in June 2009. This 18 month downturn was the longest recession experienced by the United States since the Great Depression. While it may be over, the slowed economic state over the past year, characterized by sustained high unemployment and weak consumer spending, will continue in the near future and prevent any type of quick recovery from occurring. The latest news release from the Bureau of Labor Statistics indicates that the national unemployment rate remains virtually unchanged at 9.6%. In an effort to stimulate forward progress, Ben Bernanke, the Chairman of the Federal Reserve, declared the Federal Funds rate will be kept in the 0.0% and .25% range in order to maintain interest rates at their current historic lows. While a double-dip recession seems unlikely, the Federal Reserve also announced it is prepared to put more money into the economy if stabilization is necessary.

Total Vacancy & Net Absorption



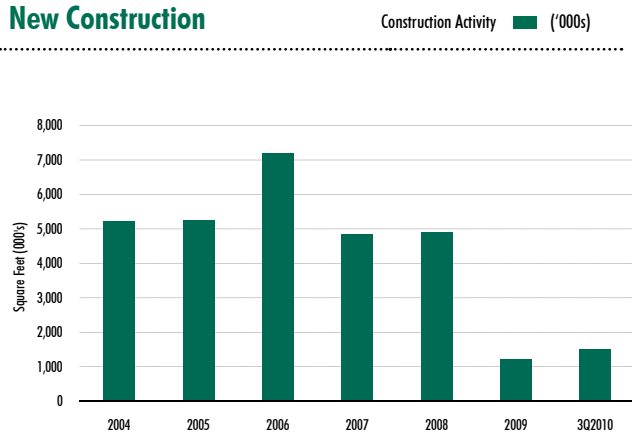
For the second straight quarter, the regional industrial market experienced a reduction in the overall total vacancy rate. Down 36 basis points from last quarter's rate of 14.2%, the total vacancy rate settled in at 13.9% at the end of the third quarter. Although Burlington County, NJ, Gloucester County, NJ, Montgomery County, PA and Northeast PA witnessed decreases in total vacancy rates, these reductions were at a moderate level. With a 121 basis point increase in its total vacancy rate, the Philadelphia County, PA submarket continues to be plagued with obsolete product availabilities and posted the highest rise of any submarket in the MSA. The Philadelphia MSA posted positive total net absorption figures for the second consecutive quarter. The Lehigh Valley submarket's 1.44 MSF of positive absorption outweighed the negative absorption from eight out of twelve submarkets to produce positive absorption figures for the region. The Philadelphia County, PA and Central PA submarkets had the largest negative absorption totals of 335,500 SF and 334,852 SF, respectively.

Rental Rates



Despite witnessing the first increase in over a year last quarter, average asking lease rates declined by \$0.06 during the third quarter. At \$3.80 NNN, the Greater Philadelphia industrial market's average asking lease rate is at the lowest level experienced since the third quarter of 2000, when asking rents were \$3.77 NNN. The most significant decline occurred in Camden County, NJ, where high vacancy rates forced landlords to drop their asking rates \$0.19. Of the three submarkets that witnessed an uptick in rental rates, the Delaware County, PA submarket led the charge with an increase of \$0.18. Rental rates in Burlington County, NJ and New Castle County, DE held firm during the quarter.

New Construction



Developers and investors continue to approach the Philadelphia MSA industrial market with caution as there is no speculative development underway for the second consecutive quarter. In fact, all three projects that compose the 1.53 MSF of industrial product under construction are build-to-suit ventures, with two in the Philadelphia submarket. While progress continues to be made at the Philadelphia Produce Junctions' 667,000 SF building at 6700 Essington Avenue, DP Partners recently broke ground at 9355 Blue Grass Road. The 255,336 SF build-to-suit warehouse facility will be the new location for Penn Jersey Paper. Outside of Philadelphia, the only building under construction is Kinsley Properties' build-to-suit distribution center for Ollie's Bargain Outlet in York, PA. Located at 3300 Espresso Way, this 603,000 SF development is slated to complete by the end of the year.

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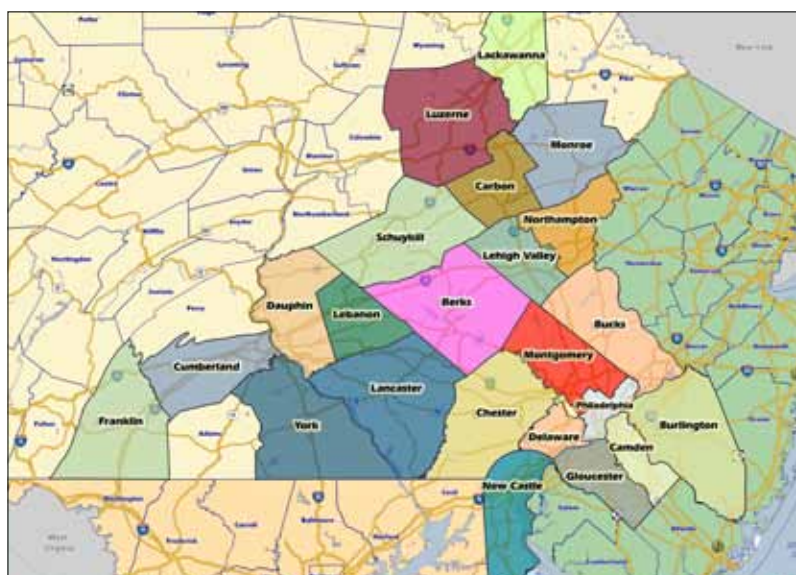
Top Lease Transactions

Size (SF)	Tenant	Address, City, State
389,000	FedEx	8451 Willard Drive, Breinigsville, PA
252,000	The Clarke Group	300 Quality Circle, Harrisburg, PA
217,047	US Foodservice, Inc.	244 High Hill Road, Logan Township, NJ
150,027	Vetrek Associates, Inc.	1 Tabas Lane, Exton, PA
120,000	Iron Mountain, Inc.	6 Dock View Drive, New Castle, DE

Top Sale Transactions

Size (SF)	Buyer	Address, City, State
692,000	Metro Development Co.	2701-2851 W. Hunting Park Ave./3413 Fox St., Philadelphia, PA
384,695	Endurance Real Estate Group	9747 Commerce Circle, New Smithville, PA
218,675	Bucks County Economic Development Corp.	300 Park Avenue, Warminster, PA
187,600	Carpenter Co.	1100 Mill Road, Allentown, PA
150,000	Irwin Rubin	201 Waverly Boulevard, Coatsville, PA

Submarket Map



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Availability Rate

Available space as a percentage of the Base Inventory or Building Sq. Ft

Average Asking Lease Rate

Average of Asking Lease Rates for each property weighted by the associated Available Space.

Available Area (Square Feet)

Area which is either physically vacant or occupied that is being actively marketed and is available for tenant build-out, including sublease space.

Completions

Rentable Building Area completed during the period.

Base Inventory, Base or Building Square Feet

The sum of the Rentable Building Area for all competitive properties.

Market Coverage

Includes all competitive industrial and flex buildings 10,000 SF and greater in size.

Net Absorption

The change in occupied square feet from one period to the next, including both direct and sublease space.

Occupied Square Feet

Rentable Building Area less Vacant Space.

Under Construction

Buildings that have begun construction as evidenced by site excavation or foundation work, and is on-going.

Vacancy Rate

Vacant space as a percentage of the Base Inventory or Building Sq. Ft.

Vacant Area (Square Feet)

Existing Building Area which is physically vacant or immediately available, including sublease space.

For more information regarding the MarketView, please contact:

Michael L. Compton, Research Manager
CB Richard Ellis, Inc.

Two Liberty Place, 50 S. 16th Street, Suite 3000

T. 215.561.8900 F. 215.557.6719

michael.compton@cbre.com