

# MarketView Greater Philadelphia Industrial

## Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Total Vacancy Rates	12.26%	↑	↑
Lease Rates	\$4.09 NNN	↓	↑
Total Net Absorption*	(2.40) M	↓	↓
Construction	5.64 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

- Norfolk Southern Corporation plans to acquire 200 acres of land at the Antrim Commons Business Park, located off I-81 in Franklin County. With this purchase, Norfolk Southern Corporation will develop a major intermodal freight transport facility.
- PSI Group, Inc. leased 114,493 sq. ft. at the Delaware Industrial Park in Bensalem, PA. They are relocating operations from Central New Jersey.
- Tootsie Roll Industries, Inc., purchased a distribution facility located at 490 Forest Road in Hazleton, PA for \$12.24 million. Tootsie Roll Industries, Inc. intends to use this building as a distribution center for its Northeast operations.

The Lehigh Valley, PA submarket was one of only two submarkets to experience positive total net absorption for the quarter, driven by BMW, Inc.'s move to Lower Nazareth, PA. Additionally, leasing activity continued to be propelled by food distribution companies as both B&G Foods and J.M. Smucker Co. signed leases for a combined 940,000 sq. ft. in the Lehigh Valley, PA submarket.

The completion of two speculative warehouse buildings, as well as Circuit City's inability to occupy their 1,279,350 sq. ft. build-to-suit project in Gouldsboro, PA, considerably impacted the increase in vacant space in the Northeast PA submarket. However, maintaining the lowest asking lease rates in the Philadelphia MSA, the Northeast PA submarket is attractive to tenants looking to cut costs in the current economic climate.

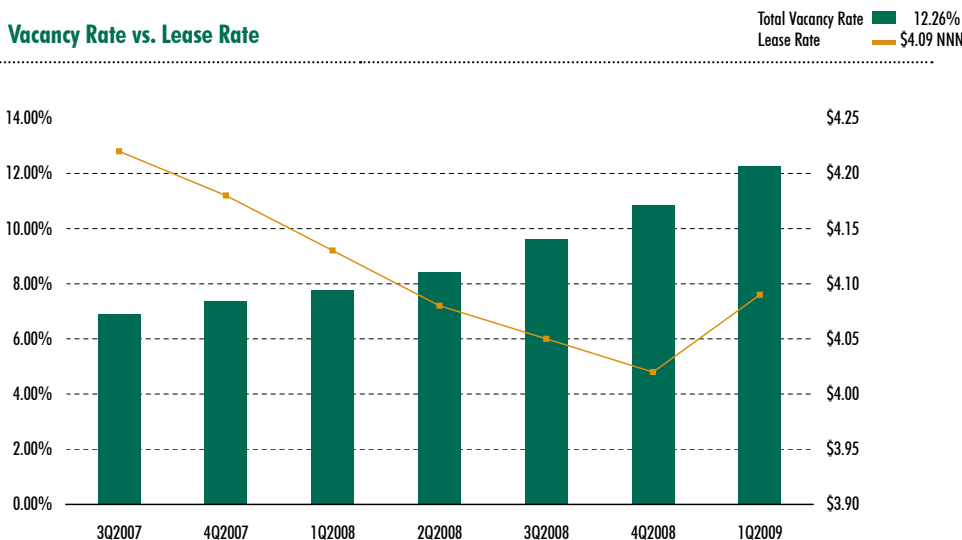
In Philadelphia County, PA and the surrounding Pennsylvania submarkets, smaller distribution and manufacturing tenants continue to look for space. In the

past quarter, TriTech Applied Sciences, Inc. signed a lease for 35,000 sq. ft. in the Montgomery County, PA submarket and J & L Building Materials, Inc., will relocate its operations to 52,000 sq. ft in the Delaware County, PA submarket.

The Central PA submarket's brand new Class A speculative product continues to lure tenants out of existing Class B and C space. This trend is likely to persist due to the 2,989,000 sq. ft. of Class A space currently under construction. With companies experiencing cost containment, consolidations of current operations are becoming an increasingly popular decision in the Central PA submarket.

As tenants with requirements between 50,000 and 100,000 sq. ft. remain active, the Southern New Jersey submarkets held steady in the first quarter of 2009. However, an increase of almost 600,000 sq. ft. of sublet space in the Burlington County, NJ submarket contributed significantly to the negative total net absorption for the first quarter of 2009.

Total Vacancy Rate vs. Lease Rate



## MARKET STATISTICS

Submarket	Inventory	Total Vacancy Rate	Total Availability Rate	Completions	Under Construction	2009 YTD TOTAL NET ABSORPTION (SF)	AVG. Minimum ASKING LEASE RATE (\$NNN/PSF/YR)
Bucks County, PA	27,003,861	10.44%	13.29%	0	248,500	(605,807)	\$4.28
Burlington County, NJ	20,659,160	12.54%	13.31%	0	308,102	(388,726)	\$3.90
Camden, County, NJ	15,964,378	16.62%	16.87%	0	0	(193,057)	\$3.89
Central PA**	145,639,656	10.48%	11.33%	342,160	2,989,000	(871,757)	\$4.02
Chester County, PA	12,375,101	6.33%	6.66%	0	0	(9,033)	\$4.13
Delaware County, PA	11,722,762	12.08%	12.08%	0	0	0	\$4.55
Gloucester County, NJ	15,165,537	13.25%	13.97%	0	779,500	(182,001)	\$4.08
Lehigh Valley, PA*	39,259,261	20.20%	22.90%	580,000	0	619,472	\$4.38
Montgomery County, PA	32,325,539	7.07%	8.54%	0	101,053	(107,161)	\$4.40
New Castle County, DE	12,579,853	10.09%	10.09%	0	0	302,877	\$4.74
Northeast, PA	35,415,789	21.74%	25.29%	328,400	198,400	(929,357)	\$3.81
Philadelphia County, PA	29,647,998	6.88%	8.48%	0	1,012,500	(38,948)	\$4.24
<b>Total</b>	<b>397,758,895</b>	<b>12.26%</b>	<b>13.67%</b>	<b>1,250,560</b>	<b>5,637,055</b>	<b>(2,403,498)</b>	<b>\$4.09</b>

NOTE: 100,000 sq. ft. and larger.

## MARKET STATISTICS - UNDER DEVELOPMENT

Submarket	Inventory	Total Vacancy Rate	Total Availability Rate	Completions	Under Construction	2009 YTD TOTAL NET ABSORPTION (SF)	AVG. Minimum ASKING LEASE RATE (\$NNN/PSF/YR)
Bucks County, PA	29,464,004	6.22%	7.49%	0	0	0	\$6.29
Burlington County, NJ	19,090,251	15.73%	16.61%	0	0	0	\$5.79
Camden, County, NJ	20,477,133	8.77%	8.77%	0	30,000	0	\$5.07
Central PA**	45,683,922	8.99%	9.10%	0	42,250	0	\$4.91
Chester County, PA	18,185,243	7.35%	8.75%	0	199,000	0	\$8.08
Delaware County, PA	13,955,848	11.04%	11.94%	0	177,120	0	\$7.18
Gloucester County, NJ	12,324,612	10.04%	11.57%	0	0	0	\$5.63
Lehigh Valley, PA*	24,329,233	8.00%	8.83%	0	0	0	\$6.03
Montgomery County, PA	31,636,610	10.13%	10.76%	0	135,629	0	\$6.94
New Castle County, DE	17,993,896	11.92%	12.85%	0	0	0	\$5.34
Northeast, PA	10,641,245	13.19%	13.19%	0	98,000	0	\$3.72
Philadelphia County, PA	33,253,600	7.70%	8.74%	0	99,100	0	\$5.15
<b>Total</b>	<b>277,035,597</b>	<b>9.43%</b>	<b>10.17%</b>	<b>0</b>	<b>781,099</b>	<b>0</b>	<b>\$5.76</b>

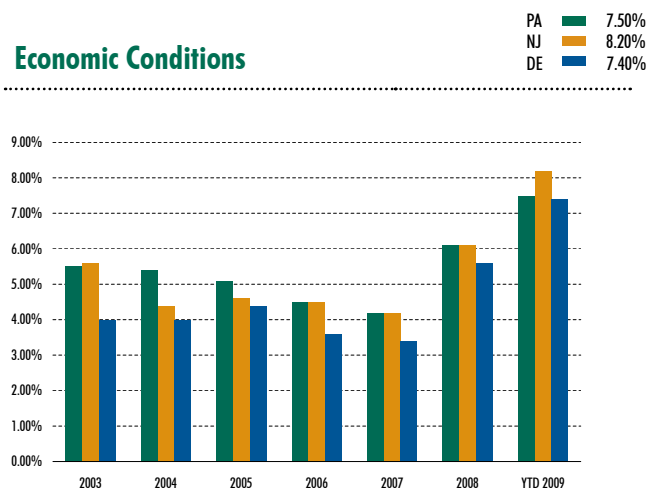
NOTE: 10,000 - 100,000 sq. ft.

\* Lehigh and Northampton Counties

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

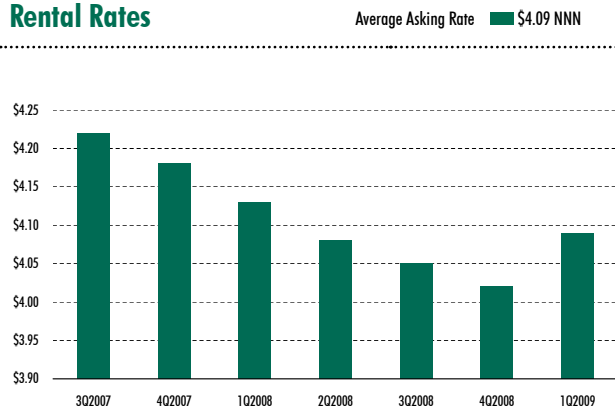
\*\*\* Carbon, Lackawanna, Luzerne, Monroe and Schuylkill Counties

## Economic Conditions



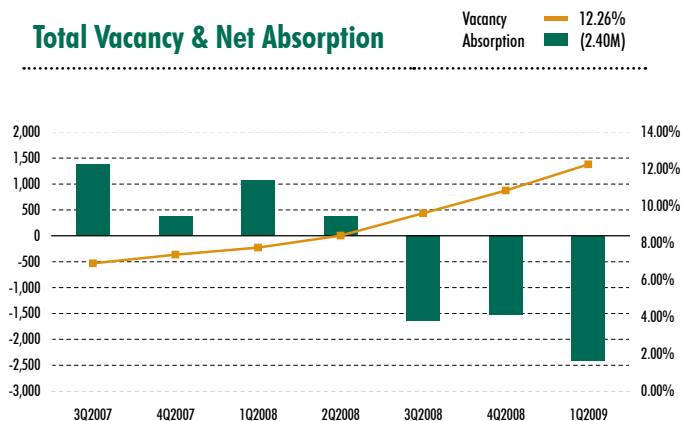
The nationwide housing market may be taking a turn for the better. According to the National Association of Realtors, existing-home sales, including single-family, townhomes, condominiums and co-ops, rose 5.10 percent to a seasonally adjusted annual rate of 4.72 million units. Furthermore, the government plans to finance purchases of as much as one trillion in "toxic assets" from banks. These purchases will stimulate efforts to deal directly with mortgage foreclosures, improve lending to small businesses and soften the credit markets for several types of consumer loans. The commercial real estate sector will be benefited greatly by provisions in the economic stimulus package that focus on green buildings, energy efficiency and business tax incentives. This evidence and action supports the U.S. Federal Reserve chairman, Ben Bernanke's predictions that the recession will end this year and the recovery will continue to strengthen.

## Rental Rates



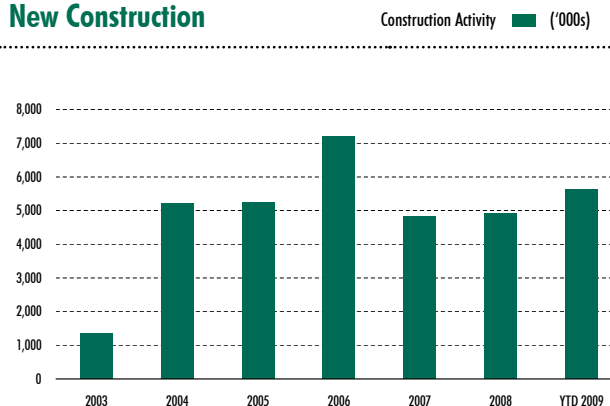
The average asking lease rate increased slightly to \$4.09 NNN. Most of the submarkets, with the exception of Bucks County, PA, New Castle County, DE and Northeast PA decreased their average asking rental rates or remained flat. In the New Castle County, DE submarket, landlords are marketing their space with a "un priced" or "negotiable" rental rate. In this particular submarket, the "negotiable" rental rates alter the average asking lease rates to artificially look higher than the actual lease rates. Knowing this, asking rates are holding, but the market is favoring tenants due to increased supply.

## Total Vacancy & Net Absorption



The total vacancy rate for the Greater Philadelphia industrial market is 12.26 percent. Total net absorption for the overall market was negative due to tenant downsizing, increased sublease space and completed construction. Over the past year, approximately 2.50 million sq. ft. of speculative space was completed in the Northeast PA submarket, which reflects the historically high total vacancy rate of 21.74 percent. Conversely, the Lehigh Valley, PA submarket had a strong quarter of positive total net absorption as two large tenants moved into buildings in Breinigsville, PA.

## New Construction



New construction includes the Philadelphia Regional Produce Market at 6700 Essington Avenue, Philadelphia, PA. This building is a 667,000 sq. ft. build-to-suit project that is scheduled to be completed in July 2010. Finished construction totaled 1.25 million sq. ft and includes 275 Cross Farm Lane, York, PA. This 342,160 sq. ft. speculative distribution building is located in the Greenspring Industrial Park. In the Central PA submarket, approximately three million square feet is under construction; the Church and Dwight facility located at 260 Hidden Lane in York, PA is expected to deliver late this year.

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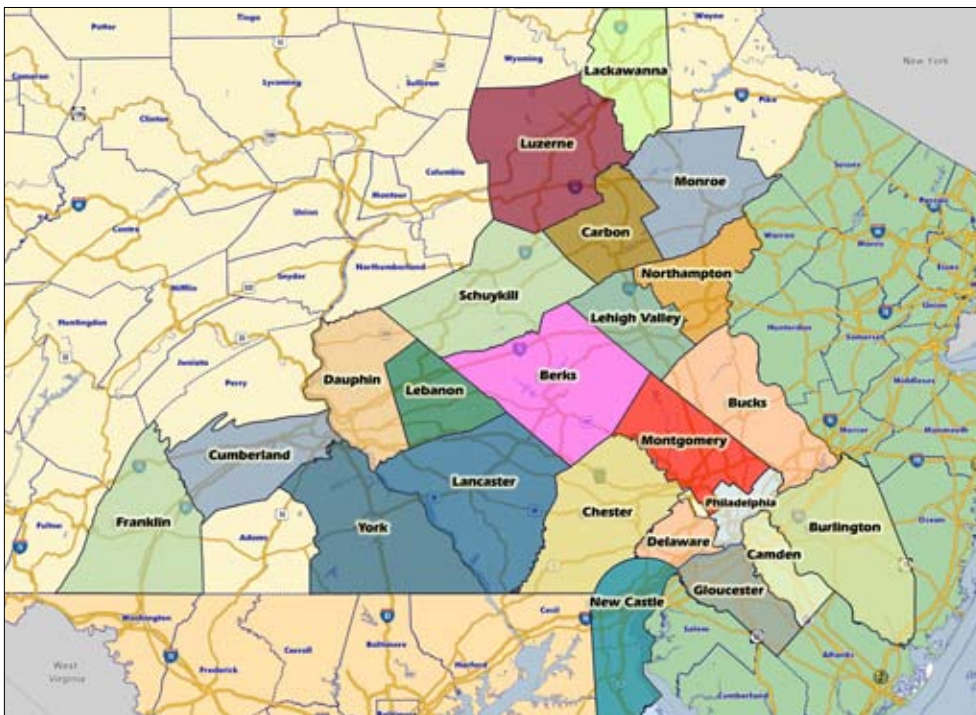
### Top Lease Transactions

Size (Sq. Ft.)	Tenant	Address
530,000	J.M. Smucker Company	8451 Willard Drive
410,000	B&G Foods, Inc.	3850 Prologis Parkway
121,933	Accupac, Inc.	1000 North Cannon Ave.
114,499	PSI Group, Inc.	2994-2996 Samuel Drive

### Top Sale Transactions

Size (Sq. Ft.)	Buyer	Address
251,912	J&J Langhorne Properties, LLC	200 Sears Boulevard
240,000	Tootsie Roll Industries, Inc.	490 Forest Road
65,000	Needleman Management Company, Inc.	52 Coles Road
64,500	530 Sherwood Development LLC	530 Sherwood Avenue

### Submarket Map



#### Availability Rate

Available Square Feet divided by the Inventory.

#### 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.

#### 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.

#### Completions

The number and square footage of properties where construction has been completed in the current period.

#### Inventory

The square footage of existing improved properties.

#### Market Coverage

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

#### Net Absorption

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

#### 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.

#### 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 Area (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 Inventory.

#### Vacant Area (Square Feet)

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

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