

MarketView Greater Philadelphia Industrial

Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Total Vacancy Rates	13.8%	↑	↑
Lease Rates	\$3.95 NNN	↓	↓
Total Net Absorption*	(0.61) M	↑	↑
Construction	2.66 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

- Exel Logistics, Inc., a supply chain manager for various consumer industries, signed a 575,000 sq. ft. lease at 70 Logistics Drive in Carlisle, PA.
- Amquip G&N Wesley Trust acquired the 214,320 sq. ft. building located at 2994 – 2996 Samuel Drive in Bensalem, PA for \$7.45 million.
- Korean electric-car maker CT&T Company, Ltd. is considering Philadelphia as a future home for a new assembly plant and retail location.

While the Greater Philadelphia industrial market posted its 15th straight quarter of increased vacancy rates, for the first time in six quarters this increase was less than one percent. Likewise, the negative total net absorption was the lowest amount experienced in the last five quarters. These factors, coupled with a slight reduction in rental rates, indicates that the Greater Philadelphia industrial market might be poised for recovery.

The Central PA submarket, which experienced its first quarter of positive total net absorption in the last six quarters, was bolstered by the completion of Church and Dwight’s new facility in York, PA. Leasing velocity is expected to pick up as the larger tenants surveying the market get closer to their decision dates. Newer, affordably priced product continues to be the most sought after space in Central PA.

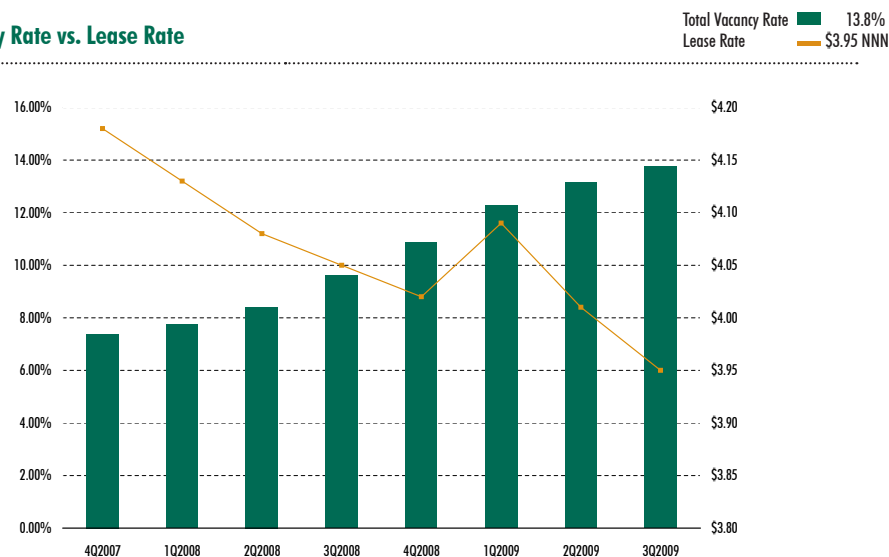
Although the Lehigh Valley, PA submarket witnessed an increase in vacant sublease space this quarter, market fundamentals

are still strong. A flight-to-quality is apparent as tenants are more enticed to look at the reduced asking lease rates for vacant Class A warehouse and distribution centers.

The completion of Kimberly-Clark Corporation’s new facility at 1150 Commerce Boulevard in Logan Township, NJ, helped the Gloucester County, NJ submarket balance out the significant negative total net absorption in Camden County, NJ. With no speculative construction underway in Burlington and Camden Counties, owners and developers alike are hoping to see a reduction in the currently high vacancies.

With the majority of tenants renewing in the New Castle County, DE submarket, new leasing velocity was sluggish throughout the quarter. The anticipated closing of the General Motors Corporation facility will have a significant impact on the future market fundamentals of the New Castle County, DE submarket.

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	13.3%	14.8%	0	0	(1,383,409)	\$4.24
Burlington County, NJ	20,847,454	15.8%	16.0%	0	0	(896,477)	\$3.81
Camden, County, NJ	15,539,378	21.6%	21.6%	0	0	(891,525)	\$3.78
Central PA**	147,477,975	12.7%	12.8%	1,100,000	705,000	(1,373,088)	\$3.91
Chester County, PA	12,375,101	6.4%	6.7%	0	0	(13,951)	\$4.12
Delaware County, PA	11,722,762	10.5%	10.5%	0	0	180,769	\$4.37
Gloucester County, NJ	15,765,037	12.5%	13.2%	599,500	180,000	459,190	\$3.88
Lehigh Valley, PA*	39,041,261	16.1%	17.0%	0	0	2,283,817	\$4.16
Montgomery County, PA	32,799,481	8.7%	9.0%	0	101,053	(676,292)	\$4.49
New Castle County, DE	12,579,853	16.0%	16.0%	0	0	(439,688)	\$3.52
Northeast, PA***	35,948,636	23.9%	24.0%	396,800	663,400	(1,276,886)	\$3.71
Philadelphia County, PA	29,542,298	8.1%	8.1%	0	1,012,500	(407,789)	\$3.84
Total	400,643,097	13.8%	14.1%	2,096,300	2,661,953	(4,435,329)	\$3.95

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

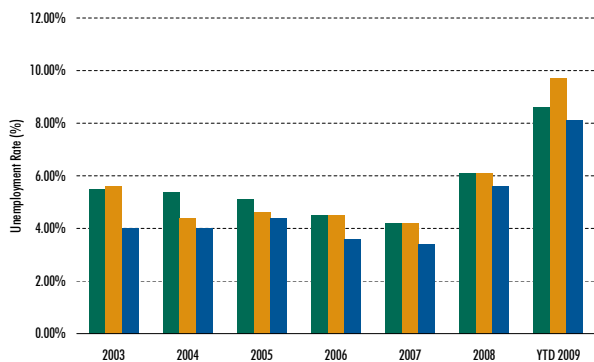
MARKET STATISTICS - UNDER DEVELOPMENT

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	23,672,877	6.1%	8.3%	0	0	0	\$6.28
Burlington County, NJ	15,854,570	11.8%	14.7%	0	0	0	\$6.30
Camden, County, NJ	17,254,459	8.7%	10.0%	0	0	0	\$5.40
Central PA**	39,372,675	7.8%	9.6%	16,650	25,600	0	\$4.85
Chester County, PA	13,302,717	12.3%	13.0%	0	0	0	\$8.07
Delaware County, PA	10,453,297	10.5%	11.7%	61,500	0	0	\$7.27
Gloucester County, NJ	10,192,147	9.3%	11.9%	0	0	0	\$6.05
Lehigh Valley, PA*	20,051,689	9.0%	10.7%	0	0	0	\$5.80
Montgomery County, PA	23,864,946	10.9%	12.7%	0	0	0	\$6.65
New Castle County, DE	16,355,597	10.1%	11.5%	0	52,753	0	\$5.28
Northeast, PA***	9,025,752	8.0%	9.2%	0	0	0	\$3.85
Philadelphia County, PA	21,916,109	7.2%	8.0%	0	64,000	0	\$5.69
Total	221,316,835	9.0%	10.7%	78,150	142,353	0	\$5.94

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

Economic Conditions

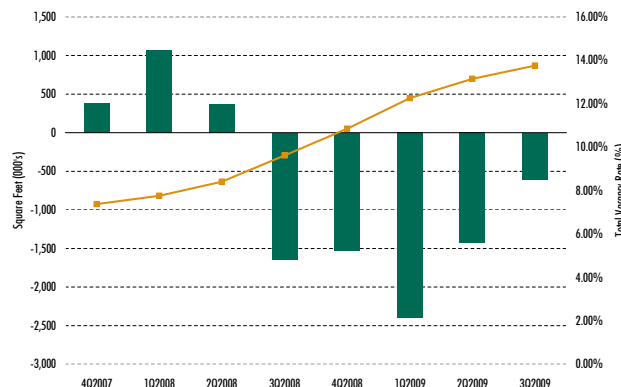
PA 8.6%
 NJ 9.7%
 DE 8.1%



One year after the collapse in the financial market, Federal Reserve Chairman, Ben Bernanke recently stated that, "the recession is likely over". Although unemployment remains high and will take some time to recover, the economy is growing. Retail sales jumped 2.70 percent in August, contract activity for pending home sales has risen for six straight months and housing construction has hit its highest level in the past nine months. These indicators show that consumer spending is increasing and the housing market is loosening. Locally, manufacturers are seeing an increase in orders, which is a sign that the bottom may have been reached.

Total Vacancy & Net Absorption

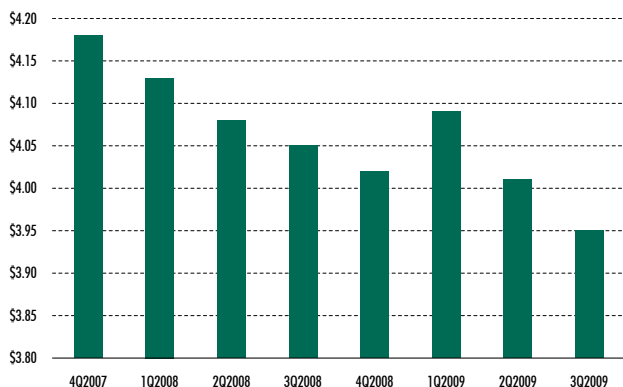
Vacancy 13.8%
 Absorption (0.61 M)



Total net absorption for the third quarter of 2009 was negative 606,302 sq. ft. Despite this overall negative total net absorption, the Central PA and Gloucester County, NJ submarkets combined for almost 1.40 million sq. ft. of positive total net absorption. This positive absorption is due to tenants taking occupancy in newly constructed buildings in York, PA and Logan Township, NJ. The total vacancy rate increased by 61 basis points, which is an improvement from the quarter-over-quarter increases experienced in the past year. Additionally, the Chester, Delaware, Montgomery and Philadelphia County submarkets all decreased their total vacancy rates from the previous quarter.

Rental Rates

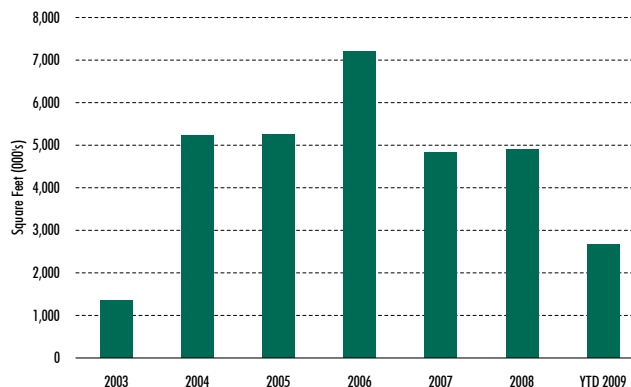
Average Asking Rate \$3.95 NNN



Rental rates decreased in the Greater Philadelphia industrial market to \$3.95, which represents the second straight quarter that the MSA has experienced a drop in rental rates. This downward trend is the result of landlords competing for quality tenants in a market with rising vacancy rates. This dip below \$4.00 has not occurred since the second quarter of 2005. Although the majority of the submarkets experienced a decrease, both Montgomery County, PA and New Castle County, DE increased slightly. Most submarkets experienced only minor asking rent reductions; however, the Lehigh Valley witnessed the largest deviation with a drop of \$0.23.

New Construction

Construction Activity ('000s)



With less than half the product under construction compared to a year ago, the Greater Philadelphia industrial market has only 2,661,953 sq. ft. under construction. Because this low level of construction is expected to remain steady for the next few quarters, the currently high vacancy rates should come down as demand for space increases. In the Central PA submarket, Church & Dwight's 1,100,000 sq. ft. facility located at 260 Hidden Lane in York, PA completed construction and the company has begun operations. Of the two other buildings that completed construction this quarter, 1150 Commerce Boulevard, a 559,000 sq. ft. distribution building in Logan Township, NJ, was fully leased, while 160 Research Drive in Jenkins Township, PA, placed 398,800 sq. ft. of vacant space on the market.

MarketView Greater Philadelphia Industrial

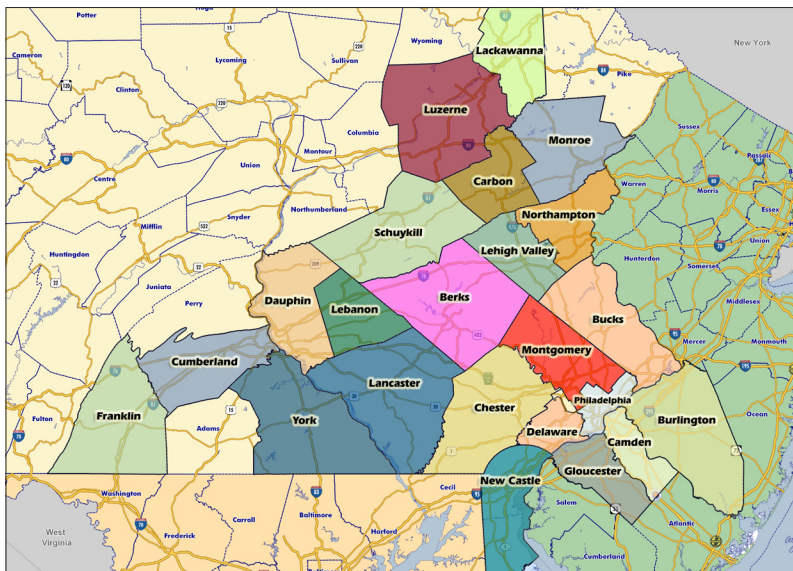
Top Lease Transactions

Size (Sq. Ft.)	Tenant	Address
575,000	Exel Logistics, Inc.	70 Logistics Drive
270,000	Menlo Logistics, Inc.	7125 Grayson Road
110,000	Xoxide, Inc.	1 Lee Boulevard
92,143	Carolina Logistic Services, Inc.	7339 Industrial Boulevard
87,321	Sears, Roebuck and Company	2100 Center Square Road

Top Sale Transactions

Size (Sq. Ft.)	Buyer	Address
300,312	Welsh Investments, LLC	7144 Daniels Drive
220,000	Quartet Real Estate, LLC	610 Uhler Road
214,320	Amquip G & N Wesley Trust	2994-2996 Samuel Drive
193,460	United States Army	1001 Ogletown Road
107,200	Englewood Tire Corporation	1230 Forest Parkway

Submarket Map



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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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