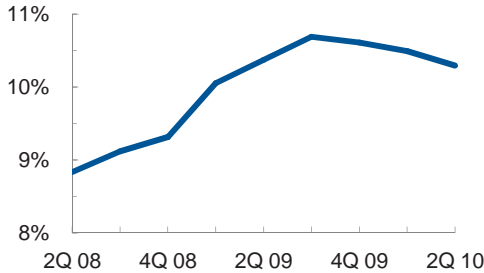




Vacancy Rate

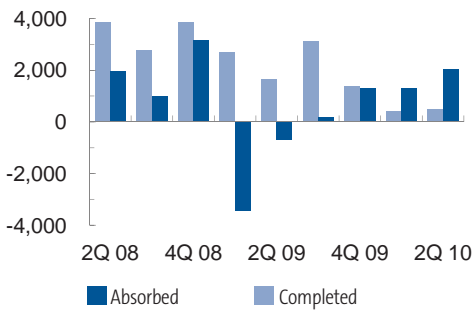


A Case for Recovery

Second quarter numbers give reason to claim recovery in the Philadelphia region's industrial market. To begin with, this is the fourth straight quarter of positive absorption and third straight quarter of vacancy reduction. Occupancy lost at the beginning of 2009, when the brunt of the market's downturn was realized, has been erased. From a supply side perspective, construction has quieted considerably since the last months of 2008 when 9.6 million square feet had been under construction with current levels situated at the 1.5 million-square-foot mark. Additionally, built-to-suit projects account for the bulk of this construction boding well for future vacancy measures. Finally, this quarter marks the first since the third quarter of last year in which all sectors - general industrial, R&D/flex and warehouse/distribution - posted occupancy gains.

Completions vs. Absorption

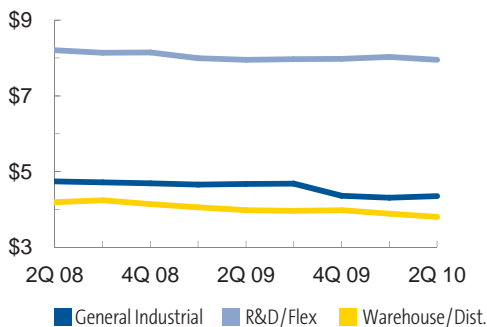
(in Thousands of SF)



One downside realized from the last 90 days' performance arises in geographic disparities. While the I-81/I-78 Corridor's logistics performance can yet again tout its strength in buoying the regions industrial market, Southern NJ tallied it's seventh out of the last nine quarters of negative absorption. As a result, vacant space in that market has increased by nearly 45 percent since the beginning of 2008. Another downside to the numbers, and a reality in most recovery periods of a market, is persistent rent depreciation. Rents do not usually post gains until the end of the recovery or beginning of the next expansion phase and the current market cycle is proving to be no different. Anecdotal evidence and lease comparable data suggests that landlords maintained a competitive stance during the beginning of the year in order to fill vacancies. This strategy will persist until a stronger market, some point in the future, warrants the case for rent appreciation.

Asking Rental Rates

(\$/SF/Yr./Triple Net)



FORECAST

- Performance remains mixed across markets with logistics maintaining its dominant role in the I-81/I-78 Corridor
- Rents depreciate, but at a slower rate as recovery appears to be underway
- Vacancy inches below, or comes very near to, the 10 percent mark by year's end

Industrial Trends Report—Second Quarter 2010

Philadelphia, PA



GRUBB & ELLIS
From Insight to Results

By Submarket	Total SF	Vacant SF	Vacancy %	NET ABSORPTION		Under Construction SF	ASKING RENT	
				Current Qtr	Year To Date		WH/Dist	R&D/Flex
Northern Delaware								
New Castle County	24,116,344	2,572,724	10.7%	373,718	307,410	-	4.27	5.63
Totals	24,116,344	2,572,724	10.7%	373,718	307,410	-	4.27	5.63
Southern New Jersey								
Burlington County	37,332,542	3,690,000	9.9%	(15,388)	190,298	-	2.97	7.89
Camden County	31,928,741	3,416,733	10.7%	(143,339)	(694,438)	-	3.57	5.49
Gloucester County	24,048,397	2,554,770	10.6%	(37,380)	(113,469)	-	4.29	6.40
Totals	93,309,680	9,661,503	10.4%	(196,107)	(617,609)	-	3.58	6.58
Southeastern PA								
Berks County	18,956,965	3,474,089	18.3%	36,750	(264,875)	-	3.52	6.94
Bucks County	52,352,096	4,938,965	9.4%	89,927	137,303	-	4.03	8.28
Chester County	36,744,709	2,232,110	6.1%	(114,972)	(53,929)	68,000	6.12	8.60
Delaware County	29,222,573	2,413,012	8.3%	485,846	515,268	-	4.14	7.84
Lancaster County	36,624,929	1,945,201	5.3%	104,274	46,566	-	3.85	7.43
Montgomery County	71,139,428	7,825,361	11.0%	249,108	64,613	166,600	4.69	8.84
Philadelphia County	94,790,430	11,562,244	12.2%	(245,813)	(154,220)	667,000	3.34	10.28
Totals	339,831,130	34,390,982	10.1%	605,120	290,726	901,600	3.93	8.55
I-81/I-78 Corridor								
Central PA	144,176,534	13,415,288	9.3%	1,110,639	1,857,195	603,000	3.72	8.07
Lehigh Valley	71,176,473	7,955,489	11.2%	(203,533)	677,028	-	4.12	7.90
Northeastern PA	57,462,606	7,163,394	12.5%	357,879	835,991	-	3.59	4.21
Totals	272,815,613	28,534,171	10.5%	1,264,985	3,370,214	603,000	3.75	7.40
By Property Type							ASKING RENT	
General Industrial	357,984,912	25,007,892	7.0%	526,353	(16,796)	-	4.35	
R&D/Flex	84,026,945	10,850,138	12.9%	401,159	106,867	68,000	8.02	
Warehouse/Distribution	288,060,910	39,301,350	13.6%	1,120,204	3,260,670	1,436,600	3.80	
Totals	730,072,767	75,159,380	10.3%	2,047,716	3,350,741	1,504,600	4.58	

GRUBB & ELLIS PHILADELPHIA METRO OFFICE LOCATIONS

Philadelphia Office
1735 Market Street
Suite 4000
Philadelphia, PA 19103
215.561.8300 main
215.561.8311 fax

Suburban Philadelphia Office
1000 Continental Drive
Suite 200
King of Prussia, PA 19406
610.337.1010 main
610.337.1616 fax

Southern New Jersey Office
401 Route 73 N, Suite 120
40 Lake Center Executive Park
Marlton, NJ 08053
856.334.2100 main
856.866.1335 fax

Delaware Office
1001 Jefferson Street
Suite 104
Wilmington, DE 19801
302.888.4500 main
302.888.2170 fax

INDUSTRIAL TERMS AND DEFINITIONS

Total SF: Industrial inventory includes all multi-tenant, single tenant and owner occupied buildings at least 20,000 square feet.

Industrial Buildings Classifications: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country, and dollars per square foot per month in areas of

California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

**Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*