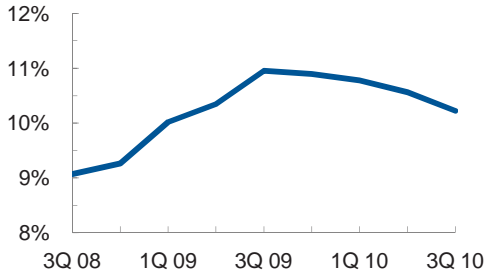


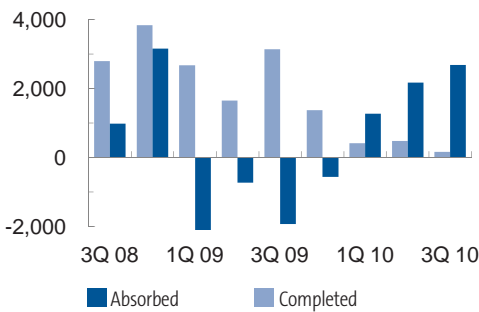


Vacancy Rate



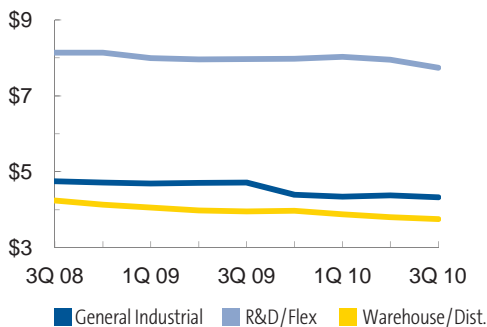
Completions vs. Absorption

(in Thousands of SF)



Asking Rental Rates

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



Recovery Persist in Region

Evidence of a market recovery continued to mount in the third quarter as the combined Philadelphia regional industrial market posted its third straight quarter of positive absorption. Furthermore, all the comprising submarkets, as well as product types, posted occupancy gains. This, along with a muted construction landscape, pushed the vacancy rate down 34 basis points to 10.22 percent. Furthermore, of the 1,855,010 square feet of construction underway, all is spoken for with no future supply additions expected to impact availability levels. While manufacturing activity in the region slowed compared to levels enjoyed at the beginning of the year, this sector is still in an expansion mode and should help to sustain recovery in the area during the near term.

From a business sector perspective, since the beginning of the recession to date, demand for industrial space was evenly distributed among manufacturing, third-party logistics and, surprisingly, retail and wholesale companies. Demand from the latter two user types occurred primarily since the official end of the recession back in June of 2009 and most likely represent deferred requirements prior to the recession's start. Demand for manufacturing space suffered during the throngs of the recession, but rallied during the beginning of this year. Finally, third-party logistics operations enjoyed steady demand growth since the beginning and after June of last year. Looking forward, manufacturing will most likely represent a significant portion of companies looking for space in the market. Demand from firms in the wholesale and retail trade sectors will remain muted until consumer confidence and spending recover some appreciable degree.

Concerning asking rental rates, a bottom has yet to be found. While demand pushed vacancy lower, the amount of available space on the market has moved little since its peak at the beginning of this year. Asking rents fell 4.2 percent on a year-over-year basis and continue to fall at an average \$0.04 per quarter. With 14.40 percent of the inventory marked for lease on the market, appreciable reduction in available space will most likely mark the end of rents decline. Once these levels near the 10 percent mark, rents should turn the corner and begin to take back ground lost over the past ten quarters.

FORECAST

- Construction will be limited to built-to-suit and owner-built projects for the foreseeable future.
- Rents will continue to slip, but a bottom should be expected soon as long as manufacturing continues to grow in the area.
- Tenants will continue to enjoy leverage at negotiation tables, but should act quickly as time is most likely running out for aggressive concessions.

Industrial Trends Report—Third 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
Southeastern PA								
Berks County	18,956,965	3,707,927	19.6%	(233,838)	(498,713)	20,000	\$3.57	\$3.73
Bucks County	52,364,096	4,715,636	9.0%	145,329	324,432	28,000	\$4.02	\$8.28
Chester County	36,744,709	2,226,074	6.1%	26,036	(27,893)	68,000	\$5.73	\$8.55
Delaware County	29,222,573	2,314,844	7.9%	98,168	613,436	-	\$4.21	\$7.91
Lancaster County	36,624,929	1,988,745	5.4%	(49,344)	3,022	-	\$3.88	\$7.28
Montgomery County	71,306,028	8,183,617	11.5%	(53,621)	(2,808)	-	\$4.66	\$8.99
Philadelphia County	94,571,430	11,347,356	12.0%	99,971	(66,249)	1,061,610	\$3.13	\$10.25
Totals	339,790,730	34,484,199	10.1%	32,701	345,227	1,177,610	\$3.87	\$8.14
I-81 / I-78 Corridor								
Central PA	144,176,534	12,789,628	8.9%	360,817	2,384,855	603,000	\$3.75	\$8.23
Lehigh Valley	71,176,473	8,043,525	11.3%	11,964	588,992	-	\$4.21	\$7.70
Northeastern PA	57,462,606	7,503,498	13.1%	(56,065)	779,926	74,400	\$3.46	\$4.20
Totals	272,815,613	28,336,651	10.4%	316,716	3,753,773	677,400	\$3.73	\$7.55
Southern New Jersey								
Burlington County	37,262,542	3,587,888	9.6%	197,200	387,498	-	\$2.86	\$7.89
Camden County	31,928,741	3,529,611	11.1%	(112,878)	(807,316)	-	\$3.48	\$5.55
Gloucester County	24,048,397	2,297,870	9.6%	256,900	143,431	-	\$4.10	\$6.61
Totals	93,239,680	9,415,369	10.1%	341,222	(276,387)	-	\$3.48	\$6.66
New Castle County								
New Castle County	24,116,344	2,378,734	9.9%	1,993,990	2,301,400	-	\$4.28	\$5.63
Totals	24,116,344	2,378,734	9.9%	1,993,990	2,301,400	-	\$4.28	\$5.63
By Property Type							ASKING RENT	
General Industrial	357,914,912	24,751,746	6.9%	1,974,117	2,000,121	28,000	\$4.32	
R&D/Flex	83,994,945	10,714,459	12.8%	101,479	199,346	88,000	\$7.79	
Warehouse/Distribution	288,052,510	39,148,748	13.6%	609,033	3,924,546	1,739,010	\$3.75	
Totals	729,962,367	74,614,953	10.2%	2,684,629	6,124,013	1,855,010	\$4.49	

GRUBB & ELLIS PHILADELPHIA METRO OFFICE LOCATIONS

Center City 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.*

Reproduction in whole or part is permitted only with the written consent of Grubb & Ellis Company. Some of the data in this report has been gathered from third party sources and has not been independently verified by Grubb & Ellis. Grubb & Ellis makes no warranties or representations as to the completeness or accuracy thereof.