

Greater Philadelphia Industrial MarketView

Q4 2012

CBRE Global Research and Consulting

MSA Unemployment
8.7% YoY

Oil Prices
\$86.81/barrel YoY

Gas Prices
\$3.453/gallon YoY

Import
-0.9% YoY

Export
-0.7% YoY

INDUSTRIAL MARKET THRIVES ON NEW CLASS A ASSETS THAT IMPROVE SUPPLY CHAIN AND E-COMMERCE PLATFORMS.

Quick Stats

Q4 2012	QoQ	YoY
Total Net Absorption: 0.44 M SF	↓	↓
Total Vacancy Rates: 11.2%	↑	↑
Asking Lease Rates: \$3.87 NNN	↑	↑
Development Pipeline: 2.03 M SF	↓	↓

Hot Topics

- World Kitchen renewed a 1M SF lease that sits on 134 acres in Greencastle, PA.
- The 600K SF Kimberly Clark Corporation Distribution Center in Logan Township, NJ sold to Multi-Employer Property Trust for \$36.1M.
- Woodmont Properties LLC acquired a 179K SF warehouse in Cumberland County, PA for \$5 million or about \$28.00 a square foot.
- Albert's Organics will have a new distribution center completed in April 2013 totaling 77K SF with the option for a 25K SF expansion in Logan, NJ.
- Carter Validus Mission Critical REIT acquired a two story, 121K SF flex property at the Philadelphia, PA Byberry Industrial Park for \$65 million.

Chart 1: Transportation Average (DJT)



Source: Dow Jones

The region is a prime location for data centers because of the reliable power grid, relatively inexpensive power costs, abundance of fiber, and the infrequent number of natural disasters that occur in the area. Leased to Vanguard Group, the Carter Validus Mission Critical REIT Inc. purchased a 121K SF data center in Northeast Philadelphia for \$65M.

Institutional buyers that primarily focus on Northern and Central New Jersey industrial product, entered Southern New Jersey and Delaware this quarter with eight major industrial investment transactions totaling 2.6M SF and \$140M in trades, the majority being bulk warehouse and distribution buildings. This increase in investment activity within the Southern New Jersey and Delaware markets is a strong indicator that the economy is regaining stability and investor confidence is growing.

Experiencing low availability of large blocks of space, major manufacturing and distribution hubs like Lehigh Valley, PA, Northeast PA and Central PA are seeing an increase in build-to-suit and speculative construction projects. Majestic Realty Co. is finishing construction on Crayola's 800K SF build-to-suit project in Lehigh Valley by January of 2013 and First Industrial Real Estate Trust is set to deliver a 708K SF speculative project in August of 2013 in York, PA.

Central Wholesalers signed a lease in Mount Laurel, NJ expanding to 80K SF and Owens & Minor Distribution, Inc. renewed in West Deptford, NJ for 165K SF. Echodata Services, Inc. signed a new lease at 15 Boulden Circle in Wilmington, DE for 72K SF. In Montgomery County, PA Communications Test Design, Inc. renewed 191K SF at 1000 Armand Hammer Boulevard in Pottstown, PA.

Chart 2 & 3: Market Statistics

100,000 SF AND LARGER

Submarket	Inventory	Total Vacancy Rate	Total Availability Rate	Completions	Under Construction	2012 YTD TOTAL NET ABSORPTION (SF)	AVG. Minimum ASKING LEASE RATE (\$/NNN/PSF/YR)
Bucks County, PA	27,260,087	9.2%	9.9%	0	250,000	(701,997)	\$4.20
Burlington County, NJ	21,422,027	14.5%	14.5%	0	0	(260,275)	\$4.33
Camden County, NJ	15,459,223	18.5%	18.5%	0	0	319,078	\$3.07
Central PA**	151,723,066	11.2%	12.7%	1,370,000	708,000	2,981,542	\$3.59
Chester County PA	12,375,101	4.0%	6.1%	0	0	194,597	\$4.82
Delaware County, PA	10,762,762	9.4%	9.4%	0	0	(174,684)	\$4.02
Gloucester County, NJ	15,556,126	17.5%	17.5%	0	0	(763,138)	\$3.90
Lehigh Valley, PA*	39,729,492	7.2%	9.4%	0	1,081,473	1,262,174	\$4.26
Montgomery County, PA	32,287,365	6.4%	6.4%	0	0	453,894	\$5.00
New Castle County, DE	13,677,234	12.0%	12.3%	1,015,740	0	1,249,840	\$4.04
Northeast PA***	36,136,336	16.9%	16.9%	0	0	1,022,016	\$3.92
Philadelphia County, PA	29,529,664	10.4%	11.2%	0	0	(839,032)	\$4.05
TOTAL	405,918,483	11.2%	12.2%	2,385,740	2,039,473	4,744,015	\$3.87

10,000 TO 100,000 SF

Submarket	Inventory	Total Vacancy Rate	Total Availability Rate	Completions	Under Construction	2012 YTD TOTAL NET ABSORPTION (SF)	AVG. Minimum ASKING LEASE RATE (\$/NNN/PSF/YR)
Bucks County, PA	24,315,950	11.0%	11.2%	13,778	0	(21,922)	\$5.99
Burlington County, NJ	15,519,879	19.2%	19.9%	0	0	(285,522)	\$5.56
Camden County, NJ	17,044,816	16.5%	16.5%	0	0	(177,146)	\$5.35
Central PA**	38,842,219	9.9%	10.3%	0	0	107,644	\$4.79
Chester County PA	13,557,655	12.3%	12.9%	0	0	135,702	\$7.92
Delaware County, PA	10,688,589	13.8%	14.6%	0	0	(214,125)	\$7.38
Gloucester County, NJ	9,935,126	17.4%	17.9%	0	0	(597,608)	\$5.22
Lehigh Valley, PA*	19,710,371	10.1%	10.7%	0	0	222,465	\$5.63
Montgomery County, PA	23,992,207	13.6%	13.6%	12,949	0	64,893	\$6.79
New Castle County, DE	16,425,481	14.0%	14.7%	0	0	(62,468)	\$5.32
Northeast PA***	8,822,548	10.9%	10.9%	96,000	0	(105,553)	\$3.97
Philadelphia County, PA	21,383,837	8.9%	9.2%	0	0	120,153	\$5.31
TOTAL	220,238,678	12.5%	12.9%	122,727	0	(813,487)	\$5.75

* Lehigh and Northampton Counties

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

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

Chart 4: Total Net Absorption ('000's sq. ft.)

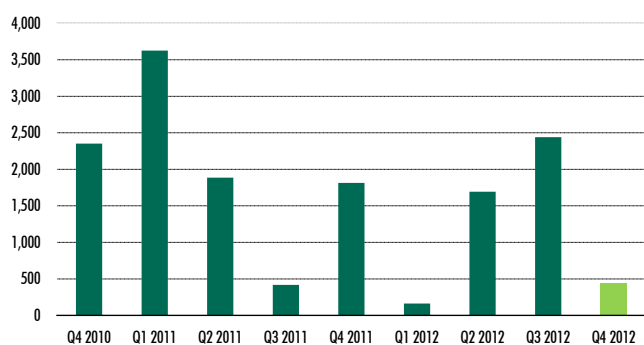


Chart 5: Total Vacancy (%)

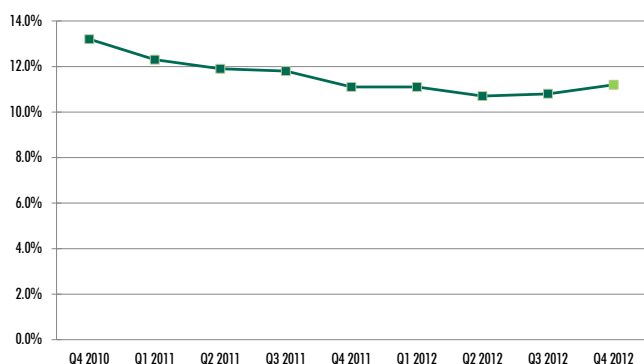


Chart 6: Average Direct Asking Lease Rate (NNN)

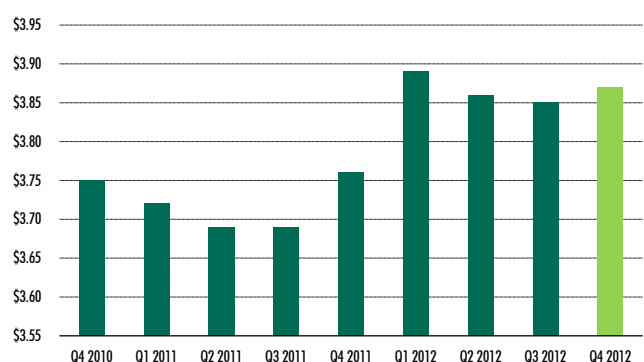
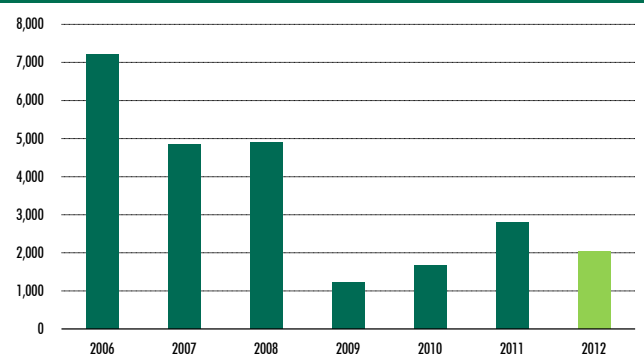


Chart 7: Development Pipeline ('000's sq. ft.)



INDUSTRIAL ABSORPTION

The market experienced another consecutive quarter of positive total net absorption of 448,930 square feet, bringing the year-to-date total net absorption to a positive 4,744,015 square feet. Industrial tenants continue to remain confident in the region. Amazon.com opened a new fulfillment center this quarter in Middletown, DE making New Castle County, DE the leader with 1,015,740 square feet of positive total net absorption. Central PA also saw significant absorption of 440,149 square feet with the completion of the Unilever PLC building in Newville, PA. Without these tenants, the market would have experienced negative absorption for the first time in over ten quarters.

INDUSTRIAL VACANCY

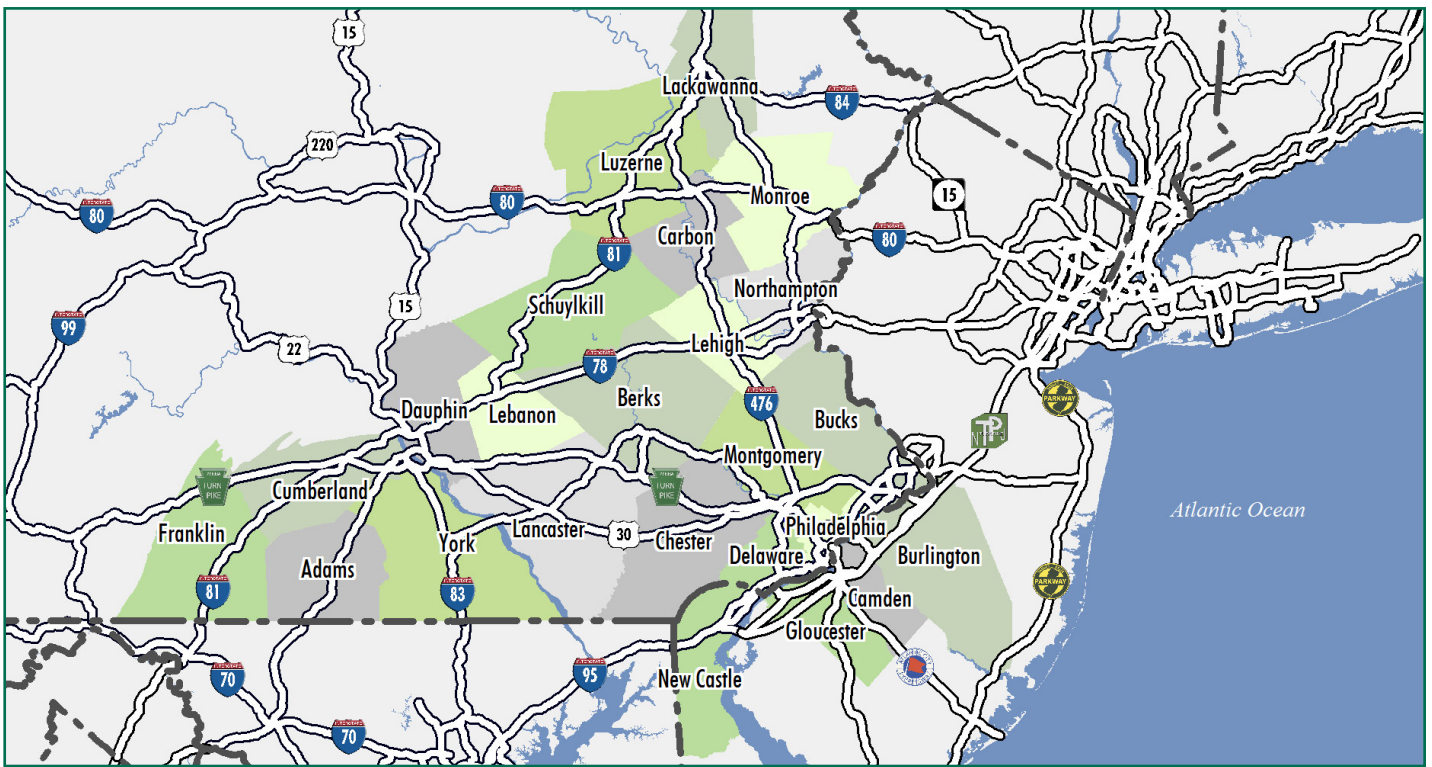
The total vacancy rate remained relatively flat year-over-year with a 11.1% vacancy rate in the fourth quarter of 2011 compared to this quarter's 11.2% total vacancy rate. Camden County, NJ continued to maintain the highest total vacancy rate with a rate of 18.5%, which is flat from the previous quarter's rate of 18.4%. The significant changes in vacancy rates occurred in Gloucester County, NJ, which increased 350 basis points; however, the New Castle County, DE submarket decreased by 150 basis points. The Delaware figures can be attributed to the Amazon, Inc. deal.

INDUSTRIAL LEASE RATES

The market experienced a slight increase in the average direct asking lease rate to \$3.87 NNN. Although only slightly up from the previous quarter, this rate is up a significant amount year-over-year from a rate of \$3.76 NNN in the fourth quarter of 2011. The Camden County, NJ industrial rates are unchanged at \$3.07 NNN and continue to maintain the position as the submarket with the lowest rates. Chester County, PA experienced a significant drop in the average asking lease rate falling from \$5.66 to \$4.82 NNN. However, Burlington County, NJ saw the greatest increase from \$3.95 to \$4.33 NNN. The increase seen in the rental rates this quarter as opposed to the fourth quarter of 2011 can be attributed to the continued confidence in the region.

INDUSTRIAL DEVELOPMENT PIPELINE

New inventory continues to be delivered to the market with 2,385,740 square feet of distribution space completed this quarter. Current projects that are under construction amount to 2,039,473 square feet, which is down slightly from the fourth quarter of 2011. These figures are also down from the previous quarter of this year when the market saw a total of 4,635,673 square feet under construction. The ongoing construction activity reveals that there is still confidence in the market and it is up drastically from the 2009 low of 1,233,000 square feet. The economy has also been positively impacted by the completion of the Amazon, Inc. fulfillment center, which has added over 850 jobs.



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