

Greater Philadelphia Industrial MarketView

Q3 2013

CBRE Global Research and Consulting

▲ MSA Unemployment
8.4% QoQ

▲ Manufactured Durable
Goods Inventories
4.0% MoM

▲ Retail E-Commerce
Trade
4.9% QoQ

▲ Consumer Price Index
0.1% MoM

▲ Oil Prices
2.7% MoM

*Arrows indicate change from previous quarter.

INDUSTRIAL DEVELOPMENT IS BACK: CONSTRUCTION PIPELINE SURGES AMID LOW INTEREST RATE ENVIRONMENT

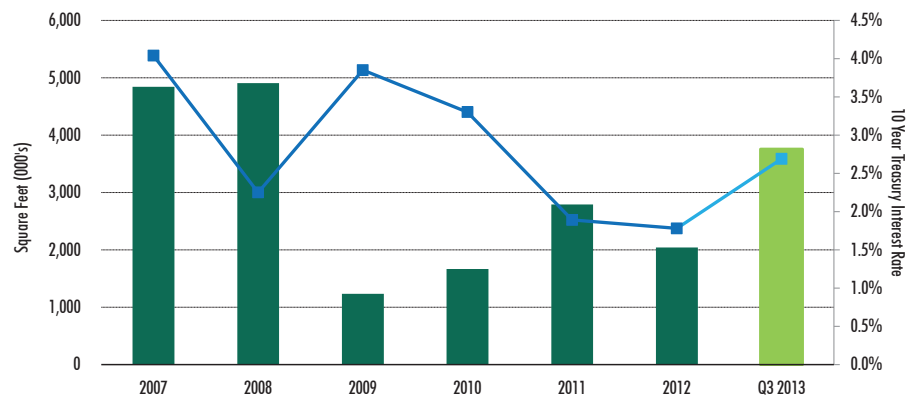
Quick Stats

Q3 2013	QoQ	YoY
Total Net Absorption: 3.13M SF	↑	↑
Total Vacancy Rates: 11.0%	↓	↑
Asking Lease Rates: \$3.84 NNN	↓	↓
Development Pipeline: 3.75M SF	↑	↓

Hot Topics

- Proctor & Gamble Co. will lease a new 1.7M SF, \$92.7M, food distribution facility built by Liberty Property Trust in Shippensburg, PA.
- A 633K SF distribution center occupied by BJ's Wholesale Club in Burlington, NJ sold for \$42.5M.
- Zenith Products leased 235K SF at the Twin Spans Business Park in New Castle, DE.
- Woodmont Properties and AEW Capital Management purchased the 1.5M SF space at the Capital Logistics Center in Middletown, PA.
- Kachner North America signed a 103K SF lease at the Freeway Corporate Center in Blackwood, NJ.
- Urban Outfitters purchased a 133K SF warehouse in Philadelphia, PA for \$13.5M or \$101 per square foot.

Chart 1: Development Pipeline vs. 10 Year Treasury Interest Rate



Source: U.S. Department of Treasury and CBRE, Inc.

Developers are altering building layouts to meet the growing demand of the e-commerce market. Building heights continue to rise in order to increase storage space capacity within new buildings. Land and building development could be impacted by increasing parking needs of the larger e-commerce labor force necessary for order fulfillment and efficiency maximization.

As the economy improves and the outlook continues to be positive, major events could slow down the economic impacts of the booming industrial market, most notably the Patient Protection and Affordable Care Act. Employers are opting to hire part-time workers to avoid the costs of the full time employer under these new regulations. With the tightening labor supply in China, expect to see a continued increase in industrial related

jobs. However, companies are simultaneously seeking new ways to automate processes to reduce the need for manual labor.

While, historically, leasing and sales tend to be slower during the summer months, activity continued to remain strong this quarter. Labor and infrastructure are the drivers in this market as companies seek newer space with direct access to areas with proven labor supplies. For example, Ocean Spray moved from Bordentown, NJ into Upper Macungie, PA. The area is seeing an influx of new supply, which will continue to add to more desirable space in the market. There are 190,000 square foot and 800,000 square foot speculative projects under construction in Gloucester County, NJ and Lehigh County, PA, respectively. This trend should continue as there are currently over 40 tenants in the market looking for space greater than 100,000 square feet.

Chart 2 & 3: Market Statistics

100,000 SF AND LARGER

Submarket	Inventory	Total Vacancy Rate	Total Availability Rate	Completions	Under Construction	2013 YTD TOTAL NET ABSORPTION (SF)	AVG. Minimum ASKING LEASE RATE (\$/NNN/PSF/YR)
Bucks County, PA	27,619,195	9.9%	9.9%	0	0	17,949	\$3.83
Burlington County, NJ	21,422,027	15.6%	15.6%	0	0	(234,583)	\$4.38
Camden County, NJ	15,459,223	14.5%	14.5%	0	0	631,400	\$3.01
Central PA**	150,580,111	10.3%	10.5%	0	1,108,000	631,531	\$3.56
Chester County PA	12,081,953	6.0%	6.0%	0	0	(345,714)	\$6.75
Delaware County, PA	10,717,762	10.8%	10.8%	0	0	(145,209)	\$3.82
Gloucester County, NJ	15,557,496	16.0%	17.4%	0	190,000	415,339	\$3.96
Lehigh Valley, PA*	41,202,415	7.7%	8.1%	0	2,457,088	624,457	\$4.32
Montgomery County, PA	31,086,387	7.0%	7.0%	0	0	(362,513)	\$5.02
New Castle County, DE	13,034,249	12.5%	14.5%	0	0	(218,666)	\$4.16
Northeast PA***	36,036,336	17.9%	17.9%	0	0	(346,732)	\$3.76
Philadelphia County, PA	29,095,842	9.8%	10.6%	0	0	334,894	\$3.59
TOTAL	403,892,996	11.0%	11.3%	0	3,755,088	1,002,153	\$3.84

10,000 TO 100,000 SF

Submarket	Inventory	Total Vacancy Rate	Total Availability Rate	Completions	Under Construction	2013 YTD TOTAL NET ABSORPTION (SF)	AVG. Minimum ASKING LEASE RATE (\$/NNN/PSF/YR)
Bucks County, PA	25,082,041	8.9%	9.0%	0	229,300	357,942	\$6.34
Burlington County, NJ	15,583,479	17.6%	18.3%	0	0	364,417	\$5.28
Camden County, NJ	17,113,334	13.7%	13.8%	0	0	602,350	\$5.07
Central PA**	38,875,814	9.0%	9.4%	0	0	406,047	\$4.67
Chester County PA	13,553,655	10.4%	11.0%	0	0	250,327	\$8.00
Delaware County, PA	10,670,019	13.1%	13.4%	0	31,920	47,004	\$6.99
Gloucester County, NJ	10,005,126	15.6%	16.1%	70,000	0	303,205	\$5.33
Lehigh Valley, PA*	19,768,595	8.7%	9.1%	0	0	401,486	\$5.59
Montgomery County, PA	24,069,697	12.2%	12.2%	0	0	478,023	\$6.87
New Castle County, DE	16,536,481	13.1%	13.5%	0	0	361,102	\$5.43
Northeast PA***	9,110,996	10.0%	10.0%	0	0	620,371	\$3.98
Philadelphia County, PA	21,617,937	8.9%	9.2%	0	0	435,887	\$5.31
TOTAL	221,987,174	11.2%	11.5%	70,000	261,220	4,628,161	\$5.70

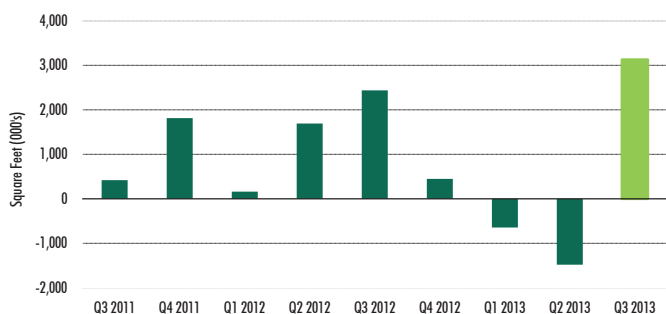
* Lehigh and Northampton Counties

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

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

Source: CBRE Research, Q3 2013.

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

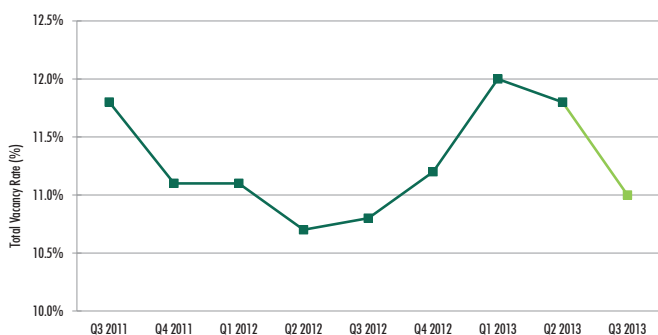


Source: CBRE Research, Q3 2013.

INDUSTRIAL ABSORPTION

The region experienced positive total net absorption of over 3.1M SF, which reversed the trend of the two previous quarters. The two areas that saw the largest levels of positive absorption were the three Southern New Jersey submarkets with over 1.5M SF and Central PA with over 1.2M SF. Some of the larger movements that positively affected absorption this quarter were Schneider Electric moving into a 650K SF facility in Middletown, PA; GENCO occupying its 408K SF building in Hazelton, PA; and New Breed Logistics, Inc. occupying a 117K SF building in Swedesboro, NJ. As the demand for quality industrial properties trends upwards, leasing activity should lead to strong absorption figures moving forward.

Chart 5: Total Vacancy (%)

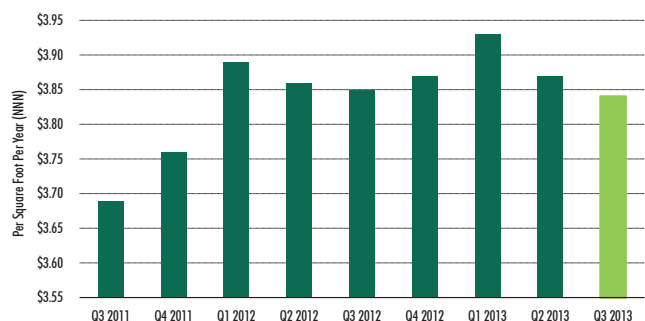


Source: CBRE Research, Q3 2013.

INDUSTRIAL VACANCY

The region experienced its second consecutive quarter of declining total vacancy rates, dropping 80 basis points to 11.0%. While 10 out of the 12 submarkets experienced decreasing vacancy rates, the areas that showed the greatest signs of improvement were the three Southern New Jersey submarkets. Burlington, Camden and Gloucester County, NJ produced total vacancy decreases of more than 200 basis points each. Due to the increasing demand for warehouse and distribution centers, the Central PA submarket produced another strong quarter as the total vacancy rate dropped 90 basis points. Increasing speculative development could temper the speed at which vacancy rates decrease in the future; however, the occupancy levels should continue to improve in the near term.

Chart 6: Average Direct Asking Lease Rate (NNN)

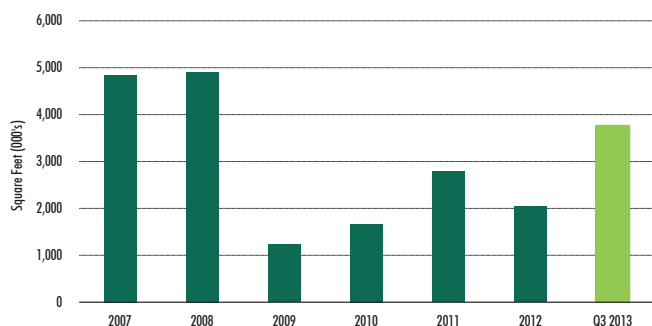


Source: CBRE Research, Q3 2013.

INDUSTRIAL LEASE RATES

The industrial average asking lease rate decreased from \$3.87 NNN to \$3.84 NNN in the third quarter. This slight decrease marks the second consecutive quarter of declining rates. The decrease was primarily driven by a continued reduction in asking rates for manufacturing and warehouse/distribution centers as each dropped \$0.40 year-over-year. While the region's average declined, some submarkets such as Lehigh Valley, PA showed increased rates. Older, secondary class industrial buildings are creating upward pressure on vacancy rates and downward pressure on leasing rates. Buildings constructed since 2000 are in higher demand and carry an asking rate of approximately \$4.40 NNN, well above the regional average. Until the outdated industrial properties are rebuilt or renovated, the large gap between leasing rates will continue across the market.

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



Source: CBRE Research, Q3 2013.

INDUSTRIAL DEVELOPMENT PIPELINE

Construction activity increased this quarter due to the high demand for distribution centers. The development pipeline is comprised of just over 3.7M SF, which primarily consists of speculative distribution centers that are breaking ground in Lehigh Valley, PA. Two large projects are underway in Bethlehem, PA as Trammell Crow Company and Clarion Partners are constructing a 677K SF building at 2485 Commerce Center Boulevard, while Liberty Property Trust is developing an 800K SF building at 10 Emery Street. Hillwood Development Corporation's 980K SF complex at the West Hills Business Center in Fogelsville, PA is preleased to National Freight Industries and will be delivered and occupied early next year. This increase in development of speculative distribution centers is expected to continue as the trend of e-commerce gains momentum.





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