Momentum gained throughout the year culminates in a strong 2010 finish

Robust deal activity continues to drive vacancy down across submarkets

Increased build-to-suit activity is likely to trend into speculative construction in the near term
Foreword

Welcome to the fourth edition of the Jones Lang LaSalle Philadelphia Logistics Outlook, and thank you for choosing us as a resource.

Our goal with regard to this report is to provide a consolidated resource that moves a step beyond simply commenting on the broader industrial asset class by focusing on warehouse and distribution space at the exclusion of other industrial asset types such as manufacturing plants and service centers, drawing comparisons to similar ‘sister’ markets throughout the United States, and providing a snapshot view of selected economic indicators and trade flow data.

The geography covered in this report consists of over 13,200 square miles and includes the majority of Eastern Pennsylvania, Southern New Jersey and Delaware. To facilitate data collection and benchmarking, we have tried to mirror submarket conventions used by CoStar, the market’s leading independent research firm. However, a number of changes to CoStar’s market characterizations were necessary in order to capture the essence of the competitive marketplace and provide an appropriate framework for future data collection and analysis. To aid you in your review of this report, we have provided a comparative outline of CoStar and Jones Lang LaSalle market hierarchy and nomenclature in the Appendix section.

The Philadelphia Logistics Outlook includes aggregate statistics on over 1,400 buildings. Due to the tight focus of the report relative to asset class, we have eliminated buildings with less than 100,000 square feet of rentable building area, manufacturing plants, truck terminals, service centers and industrial flex facilities from the data set. While the report does not cover active military installations, it does include user owned facilities in addition to investor owned properties.

This report is very much a work in progress, and we hope in future quarterly editions to incorporate additional metrics on net absorption, owner type, and insights on asking rental rates and operating expenses as our data set matures. Due to the refinement of our dataset, several submarkets experienced changes in building stock during the fourth quarter. With our sights firmly set on the improving this report, we would absolutely welcome your feedback on the included content, organization and utility of the report.

Jennifer Lamprecht  John Van Buskirk  Brian Knowles
Research Manager  Managing Director  Managing Director
Overview of Jones Lang LaSalle’s logistics and industrial services

From manufacturing plants to round-the-clock distribution centers, industrial real estate is at the backbone of the global economy. Today’s financial and competitive pressures demand that your industrial property—whether leased or owned—deliver maximum flexibility and efficiency. Our logistics and industrial professionals understand the current business environment and offer innovative, profitable strategies for supply chain optimization, site selection, sales, leasing, acquisition, financing, construction, project management, and property and facility management of industrial properties and portfolios.

Our experts know all the issues that impact your industrial real estate decisions and apply proven best practices to address such challenges as skyrocketing energy, transportation, and labor costs; heightened security needs; tough new environmental requirements; and profound changes in global supply chains. Because of our depth of in-house talent, we can quickly assemble just the right team for your particular need. Regardless of the size and scope of the assignment, you’ll have a single point of contact who manages all service delivery and is responsible for producing the measurable results that are agreed to up front.

Our Philadelphia team

With direct experience in tenant representation, portfolio leasing, development and investment, the Philadelphia Industrial Team brings a unique blend of expertise to bear on projects large and small. Lead by John Van Buskirk and Brian Knowles, the team consists of nine full time industrial specialists operating from physical offices in Suburban Philadelphia, Harrisburg and Southern New Jersey.

The team’s focus on supply chain related projects is reflected in its continuing commitment to the industry, evidenced by individual recognition in the form of certificates in Supply Chain Management and Supply Chain Leadership (Pennsylvania State University), as well as participation in trade associations such as CSCMP, WERC, IARW, IAMC, SIOR and CCIM.

The team is also a routine participant in and supporter of symposiums and seminars conducted by Lehigh University’s Center for Value Chain Research and Pennsylvania State University’s Center for Supply Chain Research.

Initially formed in 2009, the team has quickly emerged as a 3rd party leading provider of occupier and owner services throughout the Philadelphia markets, with mission critical projects completed on behalf of:

- Whirlpool (800,000 s.f.)
- GlaxoSmithKline (624,000 s.f.)
- Dotcom Distribution (400,000 s.f.)
- Tree of Life (311,000 s.f.)
- Tootsie Roll (250,000 s.f.)
- Appleton Paper (212,000 s.f.)
- USAA Real Estate Company (833,300 s.f.)
- Liberty Property Trust (1,300,000 s.f.)
- Ollie’s Bargain Outlets (603,000 s.f.)
- Iron Mountain (225,000 s.f.)
- PPG Industries (90,000 s.f.)
- Walgreens (645,000 s.f.)

Successfully representing both tenants and landlords, the team completed over 5.5 million square feet of warehouse and distribution center lease transactions in 2010. Currently, the team has tenant agency assignments on over 6.3 million square feet of active projects, over 2.5 million square feet of landlord assignments, and a marketed inventory of over 1,800 acres of available industrial land.

675 Allen Road, Carlisle, PA
Acting on behalf of USAA Real Estate Company as exclusive leasing agent, Jones Lang LaSalle’s Philadelphia Industrial Team arranged a long term lease with Amazon.com for the entire 833,300 square foot speculative warehouse project.
Contents at a glance

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Economic overview

After weakening on the heels of inventory restocking, manufacturing bounced back in the fourth quarter, while consumer confidence has returned to its highest levels since the late spring. Yet while inventories are working their way back to historical trends, broad-scale business confidence is still needed to firm up industrial property demand across the United States.

Fixed investment increased at an annualized rate of 4.2 percent in the fourth quarter, compared with only a 1.5 percent gain last quarter, spurred by greater investment in equipment and software as well as nonresidential and residential structures.

While facing slow organic growth, mergers and acquisitions have become a more appealing means to achieve growth and stability, particularly in European and North American markets. According to a report released by Thomson Reuters, mergers and acquisitions were up 22.9 percent in 2010, with emerging markets accounting for a large share and the energy sector the most active.

Consumer spending helped fourth quarter GDP growth

Headline gross domestic product increased at an annualized rate of 3.2 percent, boosted by a 7.1 percent annualized increase in final sales of domestic product. Inventories proved to be a drag on growth, but this business and consumer spending on U.S. produced goods was the largest increase since 1984. The trade deficit narrowed in the fourth quarter, and as consumer confidence grows, further economic expansion will be amplified.

Net exports added 3.4 percentage points to GDP growth in the fourth quarter. As hiring kicks in to satisfy new business, consumption is expected to increase, leading to a more self-sustaining recovery.

Holiday sales were still strong, but pent-up demand helps retail sales more

Although December retail sales growth was strong, it was neither as robust nor broad-based as November or October levels, and the weakest since July. Consumers are accelerating their spending, and retail sales were 7.4 percent above their pace from last year as holiday spending broadly exceeded pre-season expectations.
Economic overview

Consumers see improvement, but still looking over their shoulders

In January 2011, the Conference Board index of consumer confidence hit its highest mark since May, only the third time since spring 2008 when in the index surpassed the 60.0 level and the recession was in its infancy. It can be said that confidence is normalizing, but this measure remains far below its historical average. Uncertainty over the future direction of government regulations and policies still persists, and unemployment remains elevated, both of which have consumers looking over their shoulders.

Increases in manufacturing could be a future catalyst

Manufacturing expansion could gather speed over the next few months, potentially signaling another increase in exports, while gains in final domestic demand could also support another swing in inventories. The accumulation in inventories slowed in the fourth quarter relative to the third, causing a drag on overall economic output, but with consumers spending more readily and inventories already lean, factory output could see another surge in 2011.

What lies behind a decrease in unemployment?

The U.S. unemployment rate fell to 9.0 percent in January, but only 36,000 jobs were added to the economy, far below expectations. Severe winter weather, combined with a significant number of potential workers removing themselves from labor force participation and thereby lowering the size of the labor force, caused the employment survey to be artificially lowered in January. True hiring has put only a small dent in the 8.4 million jobs lost during the recession. Through 2010 as a whole, employment gains hit 1.3 million jobs, nearly half that were reported following the last “jobless” recovery in 2004.

There is still reason for optimism in the labor market, but it will continue to be permeated with caution. Corporate profits continue to increase, which will hopefully translate into renewed growth in payrolls, and as credit markets continue to loosen, better access to capital will ideally help small businesses do the same. Manufacturing employment has finally increased recently, following gains in the purchasing managers’ index. This was offset, however, with declines in other sectors.

Economic outlook is still fragile, but optimism is increasing

Top-line GDP growth is expected to reach between 3.2 and 3.9 percent on an annualized basis in 2011, with some quarters potentially topping 4.0 percent. Increased consumer spending, higher corporate profits and bolstered business confidence, coupled with the extension of the Bush tax cuts will drive optimism in the early part of the year. However, with nearly all costs wrung out of corporate bottom lines and output efficiency pushing higher, hiring will need to commence for business expansion to continue. Only after this occurs will a more self-sustaining economic recovery begin, one that will penetrate into all layers of the industrial property market in the United States.

Increases in manufacturing could be a future catalyst

Manufacturing expansion could gather speed over the next few months, potentially signaling another increase in exports, while gains in final domestic demand could also support another swing in inventories. The accumulation in inventories slowed in the fourth quarter relative to the third, causing a drag on overall economic output, but with consumers spending more readily and inventories already lean, factory output could see another surge in 2011.
## Economic overview

<table>
<thead>
<tr>
<th></th>
<th>Q3 2009</th>
<th>Q4 2009</th>
<th>Q1 2010</th>
<th>Q2 2010</th>
<th>Q3 2010</th>
<th>Q4 2010</th>
</tr>
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<tbody>
<tr>
<td><strong>Employment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Total Nonfarm Employment (Mil.)</td>
<td>129.9</td>
<td>129.6</td>
<td>129.4</td>
<td>130.0</td>
<td>129.8</td>
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<tr>
<td>Unemployment Rate - National</td>
<td>9.8%</td>
<td>10.0%</td>
<td>9.7%</td>
<td>9.5%</td>
<td>9.6%</td>
<td>9.4%</td>
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<tr>
<td>Unemployment Rate - Philadelphia Industrial Market Area</td>
<td>8.5%</td>
<td>8.6%</td>
<td>9.4%</td>
<td>9.4%</td>
<td>8.6%</td>
<td>8.2%</td>
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<tr>
<td><strong>Consumer Markets</strong></td>
<td></td>
<td></td>
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<td>Avg. Private Hourly Earnings</td>
<td>$22.30</td>
<td>$22.38</td>
<td>$22.48</td>
<td>$22.55</td>
<td>$22.68</td>
<td>$22.78</td>
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<tr>
<td>Personal Income (Bil.)</td>
<td>$12,164.00</td>
<td>$12,239.00</td>
<td>$12,350.30</td>
<td>$12,517.10</td>
<td>$12,592.80</td>
<td>$12,721.10</td>
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<td>Consumer Expenditures (Bil.)</td>
<td>$10,040.70</td>
<td>$10,131.50</td>
<td>$10,230.80</td>
<td>$10,285.40</td>
<td>$10,366.30</td>
<td>$10,525.20</td>
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<tr>
<td>Retail Sales (Bil.)</td>
<td>$1,037.27</td>
<td>$1,056.28</td>
<td>$1,077.31</td>
<td>$1,089.39</td>
<td>$1,098.26</td>
<td>$1,134.91</td>
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<tr>
<td>Personal Saving Rate</td>
<td>5.6%</td>
<td>5.5%</td>
<td>5.5%</td>
<td>6.2%</td>
<td>5.9%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Consumer Confidence</td>
<td>53.4%</td>
<td>53.6%</td>
<td>52.3%</td>
<td>54.3%</td>
<td>48.6%</td>
<td>53.3%</td>
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<tr>
<td>Wholesale Inventory to Sales Ratio</td>
<td>1.32</td>
<td>1.28</td>
<td>1.25</td>
<td>1.25</td>
<td>1.27</td>
<td>1.25</td>
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<tr>
<td>Housing Starts (Thousands)</td>
<td>1,758</td>
<td>1,694</td>
<td>1,851</td>
<td>1,806</td>
<td>1,765</td>
<td>1,615</td>
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<td><strong>Prices</strong></td>
<td></td>
<td></td>
<td></td>
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<td>CPI, All Urban Consumers</td>
<td>216.0</td>
<td>215.9</td>
<td>217.6</td>
<td>218.0</td>
<td>218.4</td>
<td>219.2</td>
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<tr>
<td>Construction Cost Index</td>
<td>8586.0</td>
<td>8641.0</td>
<td>8671.0</td>
<td>8805.0</td>
<td>8836.0</td>
<td>8952.0</td>
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<tr>
<td>FOB West Texas Int. Crude Oil (Per barrel)</td>
<td>$68.84</td>
<td>$73.10</td>
<td>$75.91</td>
<td>$74.67</td>
<td>$73.25</td>
<td>$79.80</td>
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<tr>
<td>Diesel Fuel (Per gallon)</td>
<td>$2.60</td>
<td>$2.74</td>
<td>$2.85</td>
<td>$3.03</td>
<td>$2.94</td>
<td>$3.15</td>
</tr>
<tr>
<td>Gasoline Retail Price (Per gallon including taxes, regular grade)</td>
<td>$2.57</td>
<td>$2.60</td>
<td>$2.71</td>
<td>$2.81</td>
<td>$2.72</td>
<td>$2.88</td>
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## Economic overview

### Financial Markets

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<tr>
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<th>Q3 2009</th>
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<th>Q2 2010</th>
<th>Q3 2010</th>
<th>Q4 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Bank Prime Rate</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.3%</td>
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<tr>
<td>Moody's Aaa Corp. Bond Yield</td>
<td>5.1%</td>
<td>5.3%</td>
<td>5.3%</td>
<td>5.0%</td>
<td>4.6%</td>
<td>4.9%</td>
</tr>
<tr>
<td>10-Year Treasury Note Yield</td>
<td>3.4%</td>
<td>3.6%</td>
<td>3.7%</td>
<td>3.5%</td>
<td>2.8%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Conv. Mortgage Rate, FHLMC</td>
<td>5.1%</td>
<td>4.9%</td>
<td>5.0%</td>
<td>4.9%</td>
<td>4.5%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Euro/US$</td>
<td>1.43</td>
<td>1.48</td>
<td>1.38</td>
<td>1.27</td>
<td>1.29</td>
<td>1.36</td>
</tr>
<tr>
<td>Pound/US$</td>
<td>1.64</td>
<td>1.63</td>
<td>1.56</td>
<td>1.49</td>
<td>1.55</td>
<td>1.58</td>
</tr>
<tr>
<td>Yen/US$</td>
<td>93.51</td>
<td>89.86</td>
<td>90.65</td>
<td>92.08</td>
<td>85.74</td>
<td>82.53</td>
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</table>

### Industrial Markets

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td>Industrial Production, Total (2002=100.0)</td>
<td>87.6</td>
<td>89.1</td>
<td>90.7</td>
<td>92.2</td>
<td>93.6</td>
<td>94.4</td>
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<tr>
<td>Capacity Utilization, Total</td>
<td>69.9</td>
<td>71.2</td>
<td>72.5</td>
<td>73.9</td>
<td>75.0</td>
<td>75.6</td>
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<tr>
<td>ISM Manufacturing Index (PMI)</td>
<td>53.2</td>
<td>56.4</td>
<td>60.4</td>
<td>55.3</td>
<td>55.3</td>
<td>58.5</td>
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### Trade Flow (laden TEUs)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>Port of New York/New Jersey</td>
<td>973,952</td>
<td>936,356</td>
<td>917,413</td>
<td>1,037,511</td>
<td>1,096,074</td>
<td>1,046,612</td>
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<tr>
<td>Port of Savannah</td>
<td>501,838</td>
<td>535,803</td>
<td>515,912</td>
<td>556,383</td>
<td>857,771</td>
<td>831,848</td>
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<tr>
<td>Ports of Long Beach and Los Angeles</td>
<td>2,411,757</td>
<td>2,419,076</td>
<td>2,283,669</td>
<td>2,642,530</td>
<td>2,845,826</td>
<td>2,734,439</td>
</tr>
<tr>
<td>Ports of Seattle and Tacoma</td>
<td>525,777</td>
<td>532,490</td>
<td>497,877</td>
<td>573,761</td>
<td>634,054</td>
<td>N/A</td>
</tr>
<tr>
<td>Port of Metro Vancouver, BC</td>
<td>512,563</td>
<td>504,800</td>
<td>472,574</td>
<td>555,415</td>
<td>575,086</td>
<td>575,086</td>
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</table>

Market overview
National peer markets

In aggregate, the United States industrial market as tracked by Jones Lang LaSalle experienced a 20 basis point decline in vacancy in the fourth quarter, as trends that commenced earlier in the year accelerated. Leasing activity has been driven by the corporate industrial occupier, with major markets and logistics hubs still benefiting from this demand. Secondary markets have not yet seen a substantial influx of leasing activity to ignite further momentum, and are likely only to experience an upturn after the small business sector is able to expand.

At 10.2 percent, aggregate U.S. vacancy has now reached levels not seen since the third quarter of 2009. Two major markets that have led the industrial property sector’s recovery continued to improve in the fourth quarter. On the heels of more than 10.1 million square feet of net absorption in 2010, vacancy in the Inland Empire has decreased 230 basis points over the last four quarters. The Philadelphia / Harrisburg market has likewise experienced a significant 150 basis point reduction in vacancy and an estimated 10 million square feet of positive net absorption over the same time period.

Now leasing fundamentals in other markets are improving as well. Markets in South Florida like Miami and Palm Beach saw considerable declines in vacancy from the third to the fourth quarters. In Northern California, the health of the East Bay / Oakland and Silicon Bay / South Bay markets recovered sharply, each recording declines in vacancy of more than 100 basis points.

Despite improving fundamentals in several markets across the country, only 3.7 million square feet of new construction was delivered in the fourth quarter, of which 84.2 percent was pre-leased. The pipeline of new development picked up slightly, with more than 15.9 million square feet having now broken ground. Given the amount of existing, highly-efficient, Class A space that has been absorbed over the past three quarters, it is anticipated that significant levels of new construction will be required to satisfy accelerating tenant demand. As a result, build-to-suit development will likely still be pursued throughout 2011 when requirements dictate. Additionally, developers are actively gauging individual markets for the potential of commencing select speculative projects at some point during the year.

Overall average asking rents are expected to bottom in early 2011, and while leasing costs should not spike throughout the year, those markets that have incrementally become tight will see negotiating power quickly recovered by landlords. Several core distribution markets have seen large, high-quality available options become more rare, and as competition for them begins to intensify, rents will be driven higher and concessions will become more limited.

### Market Summary

<table>
<thead>
<tr>
<th>Market</th>
<th>Total stock (s.f.)*</th>
<th>Q3 2010 vacancy rate</th>
<th>Q4 2010 vacancy rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philadelphia</td>
<td>805,169,090</td>
<td>9.9%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Southern California</td>
<td>1,226,396,021</td>
<td>7.1%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Northern California</td>
<td>315,043,726</td>
<td>11.1%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Chicago</td>
<td>1,099,679,813</td>
<td>12.3%</td>
<td>12.3%</td>
</tr>
<tr>
<td>Atlanta</td>
<td>498,551,789</td>
<td>14.9%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Dallas/Forth Worth</td>
<td>512,524,217</td>
<td>12.2%</td>
<td>12.1%</td>
</tr>
<tr>
<td>No. &amp; Central New Jersey</td>
<td>731,525,224</td>
<td>9.8%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Houston</td>
<td>373,268,560</td>
<td>5.7%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Seattle-Tacoma</td>
<td>226,243,484</td>
<td>7.7%</td>
<td>7.9%</td>
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<tr>
<td>Miami-Dade</td>
<td>154,089,349</td>
<td>10.4%</td>
<td>9.9%</td>
</tr>
</tbody>
</table>

* Includes all asset classes, building size greater than 30,000 square feet

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**105 Willow Spring Lane, York, PA**
Acting on behalf of GlaxoSmithKline as a tenant representative, Jones Lang LaSalle’s Philadelphia Industrial Team arranged a long term lease with landlord AEW Capital Management for the entire 624,000 square foot building, to be delivered on a turnkey basis.
Philadelphia market

The Philadelphia market continued to gain momentum in the latter half of 2010 and finished the year with a strong fourth quarter. The market extended its streak of consecutive quarters of positive absorption by adding a sixth quarter. Leasing activity remained strong across the region in 2010 with Ollie’s Bargain Outlet, Amazon.com, Bay Valley Foods, Walgreens, Five Below and others leasing large blocks of space. Quarter-over-quarter, the overall vacancy rate improved to 11.1 percent from 11.9 percent, with most submarkets seeing declines in vacancy throughout the year.

The majority of new lease deals during 2010 occurred in the Central Pennsylvania and Lehigh Valley submarkets. The most notable fourth quarter transaction was Walgreens’ lease of 645,000 square foot lease in the Lehigh Valley. Walgreens leased 510,000 square feet of vacant space at ProLogis Park 33 and began construction on a 135,000 square foot expansion. In Central PA, Bay Valley Foods signed a lease for 602,500 square feet at 1700 Ritner Highway. Amazon.com leased 483,000 square feet of sublease space at 650 Boulder Drive, and Packaging Corporation of America leased 208,000 square feet of space at 171 Tuckerton Road. In the I-81 Corridor, United Sports Companies leased 198,400 square feet at 100-124 Capital Road.

The fourth quarter also had several investment sales take place across the region involving Exeter Property Group, Dexus Property Group, and IBC Holdings. In one of the most notable transactions to close during the fourth quarter, Blackstone Real Estate Investors completed their $1 billion purchase of a portfolio of industrial properties owned by Eaton Vance and ProLogis. In the wake of their purchase, Blackstone now controls almost 8 million square feet, making them the fourth largest landlord in the Philadelphia market behind Liberty Property Trust, ProLogis, and Mericle.

New construction remained well below historical norms which has helped to lower vacancy rates across the region. A lack of new supply has caused the market to absorb excess space faster than would be expected if speculative construction had not ceased.

Class A rates are expected to begin to rise throughout the year. Owners of Class B and C buildings, who are experiencing higher levels of vacancy, are still aggressive in their pricing. In 2011, expect to see an increase in build-to-suit activity and the return of speculative construction in some submarkets as owners and developers try to catch up with market demand for big box distribution space in the Philadelphia region.

<table>
<thead>
<tr>
<th>Market</th>
<th>Number of buildings</th>
<th>Total stock (s.f.)</th>
<th>Vacancy rate</th>
<th>Availability rate</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Pennsylvania</td>
<td>355</td>
<td>109,445,795</td>
<td>11.2%</td>
<td>19.0%</td>
<td>7.2%</td>
</tr>
<tr>
<td>I-81</td>
<td>203</td>
<td>57,026,259</td>
<td>15.3%</td>
<td>17.3%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Lehigh Valley</td>
<td>202</td>
<td>61,170,068</td>
<td>9.4%</td>
<td>12.7%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Suburban Philadelphia</td>
<td>228</td>
<td>52,261,311</td>
<td>6.0%</td>
<td>11.6%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Urban Philadelphia</td>
<td>95</td>
<td>23,303,099</td>
<td>10.0%</td>
<td>12.8%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Southern New Jersey</td>
<td>245</td>
<td>57,821,588</td>
<td>12.5%</td>
<td>18.8%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Delaware</td>
<td>76</td>
<td>14,521,903</td>
<td>16.0%</td>
<td>24.2%</td>
<td>8.2%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,404</td>
<td>375,550,023</td>
<td>11.1%</td>
<td>16.0%</td>
<td>8.2%</td>
</tr>
</tbody>
</table>
Philadelphia submarkets
Central Pennsylvania

### Key market indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock</td>
<td>109,445,795 s.f.</td>
</tr>
<tr>
<td>Vacancy rate</td>
<td>11.2%</td>
</tr>
<tr>
<td>Availability rate</td>
<td>19.0%</td>
</tr>
<tr>
<td>Under construction</td>
<td>988,000 s.f.</td>
</tr>
</tbody>
</table>

### Available buildings

**AEW Capital Management**
- 500 Independence Ave, Mechanicsburg, PA
- 342,500 s.f. front load facility
- 104,000 - 342,500 s.f. available
- 32' clear height
- 35 docks
- ESFR Sprinkler
- 83 trailer drops
- Separate car and truck entrances

**Lauth Property Group**
- 95 Centerville Road, Newville, PA
- 1,170,000 s.f. rear load facility
- 570,000 s.f. available
- 32' clear height
- 124 dock doors, 4 drive-in doors
- ESFR Sprinkler
- 151 trailer drops
- 75' staging bays

**Libery Property Trust**
- 95 Kriner, Chambersburg, PA
- 837,540 s.f. cross dock facility
- Up to 361,900 s.f. available
- 32' clear height
- 84 docks
- ESFR Sprinkler
- T5 lighting
- Rail served
Central Pennsylvania

Statistics summary

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Total stock (s.f.)</th>
<th>Vacancy Rate</th>
<th>Trend</th>
<th>Availability Rate</th>
<th>Trend</th>
<th>New deliveries (s.f.)</th>
<th>Under construction (s.f.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dauphin/Lebanon</td>
<td>17,957,608</td>
<td>11.2%</td>
<td>🔺</td>
<td>25.5%</td>
<td>🔺</td>
<td>0</td>
<td>385,000</td>
</tr>
<tr>
<td>Cumberland</td>
<td>36,363,631</td>
<td>15.1%</td>
<td>🔺</td>
<td>21.9%</td>
<td>🔺</td>
<td>200,000</td>
<td>0</td>
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<tr>
<td>Franklin</td>
<td>10,964,095</td>
<td>13.6%</td>
<td>🔺</td>
<td>16.9%</td>
<td>🔺</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Lancaster</td>
<td>20,673,866</td>
<td>6.7%</td>
<td>🔺</td>
<td>9.7%</td>
<td>🔺</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>York</td>
<td>23,486,595</td>
<td>8.1%</td>
<td>🔺</td>
<td>11.2%</td>
<td>🔺</td>
<td>165,000</td>
<td>603,000</td>
</tr>
</tbody>
</table>

Market commentary

- The Central PA industrial market finished the year strong with over 2.5 million square feet of positive net absorption. The vacancy rate dropped 60 basis points during the fourth quarter to 11.2 percent. Lancaster County reported the lowest vacancy rate at 6.7 percent.
- Central PA continued to see strong leasing activity as Bay Valley Foods signed one of the largest leases of the year at 1700 Ritner Highway in Carlisle for 602,500 square feet. Crane logistics also leased 152,282 square feet at 275 Cross Farm Lane in York.
- Sales activity saw an uptick during the fourth quarter with several user and investment sales. 300-350 Salem Church Road traded as part of a portfolio sold to The Blackstone Group by Exeter Property Group for $31.1 million. 6350 and 6360 Brackbill Boulevard traded from Dexus Property Group to IBC Holdings for $12.0 million. In a user sale, Moran Industries purchased 420 Salem Church Road from Allstate for $3.5 million. The Blackstone Group also closed on its purchase of a $1 billion multi market portfolio from ProLogis and Eaton Vance.
- Two build-to-suit projects were delivered to the market during the fourth quarter. UniLife completed construction at 250 Cross Farm Lane (165,000 square feet) and Volvo completed construction at 312 Volvo Way (200,000 square feet). Still underway are Ollie’s Bargain Outlet 603,000 square foot build-to-suit which is expected to be completed during the first quarter of 2011, and Hershey Foods’ expansion project at 500 N. Lingle Road.
- There continues to be a short fall of quality big box space in the Central PA market which will lead to more build-to-suit projects and the possible return of speculative construction during 2011.
I-81 Corridor

Key market indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock</td>
<td>57,026,259 s.f.</td>
</tr>
<tr>
<td>Vacancy rate</td>
<td>15.3%</td>
</tr>
<tr>
<td>Availability rate</td>
<td>17.3%</td>
</tr>
<tr>
<td>Under construction</td>
<td>74,000 s.f.</td>
</tr>
</tbody>
</table>

Available buildings

**Long Island Industrial**
100 First Avenue, Gouldsboro, PA
- 390,000 s.f. distribution center
- 390,000 s.f. available, expandable to 550,220 s.f.
- 30’ clear height
- 42 docks
- ESFR sprinkler
- 425 trailer drops
- 60 employee parking spaces

**Mericle Commercial**
400-450 Centerpoint Boulevard, Pittston, PA
- 198,400 s.f. rear load facility
- 198,400 s.f. available
- 33 to 36-7’ clear height
- 26 docks
- ESFR sprinkler
- 35 trailer drops
- 229 employee parking spaces

**Exeter Property Group**
68 Green Mountain Road, Hazleton, PA
- 400,260 s.f. cross dock facility
- 231,630 s.f. available
- 32’ clear height
- 84 docks
- ESFR sprinkler
- KOZ status through 2017
- EPDM roofing system
I-81 Corridor

Statistics summary

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Total stock (s.f.)</th>
<th>Total Vacancy Rate</th>
<th>Trend</th>
<th>Availability Rate</th>
<th>Trend</th>
<th>New deliveries (s.f.)</th>
<th>Under construction (s.f.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schuylkill/Columbia</td>
<td>14,658,373</td>
<td>9.0%</td>
<td>↑</td>
<td>9.2%</td>
<td>↑</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Luzerne</td>
<td>28,410,566</td>
<td>13.2%</td>
<td>↑</td>
<td>14.9%</td>
<td>↓</td>
<td>0</td>
<td>74,000</td>
</tr>
<tr>
<td>Lackawanna</td>
<td>13,957,320</td>
<td>26.0%</td>
<td>↓</td>
<td>30.8%</td>
<td>↑</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Market commentary

• In 2010, the I-81 Corridor experienced just over 1 million square feet of positive net absorption but during the fourth quarter new leasing activity was limited.
• Demand was primarily in the form of smaller tenants. There was one significant lease transaction during the fourth quarter. United Sports Companies leased 198,400 square feet at Mericle’s 100-124 Capital Road.
• The vacancy rate for the I-81 Corridor increased slightly by 80 basis points to 15.3 percent during the fourth quarter. This increase in vacancy can largely be attributed to Graham Packaging vacating 62 Green Mountain Road in Hazleton.
• There were no significant sales transaction during the fourth quarter.
• There are no new buildings currently under construction in the I-81 Corridor and no new buildings were delivered during the fourth quarter. The only new construction was the expansion of British clothier Boden’s U.S. Headquarters in Mericle’s CenterPoint Commerce & Trade Park East. Boden is expanding their facility by 74,000 square feet, bringing their total square footage to 136,400 square feet. Construction is expected to be completed during the first quarter of 2011.
• Like the rest of the region, blocks of space over 500,000 square feet are in short supply. However, unlike the Central PA and Lehigh Valley submarkets there are several buildings just under 500,000 square feet that can be expanded to accommodate a larger tenant.
Lehigh Valley

Key market indicators

<table>
<thead>
<tr>
<th>Stock</th>
<th>61,170,068 s.f.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy rate</td>
<td>9.4%</td>
</tr>
<tr>
<td>Availability rate</td>
<td>12.7%</td>
</tr>
<tr>
<td>Under construction</td>
<td>135,000 s.f.</td>
</tr>
</tbody>
</table>

Available buildings

**Panattoni**
3041 Schoeneck Road, Macungie, PA
-- 580,000 s.f. cross dock facility
-- 36' clear height
-- 74 docks
-- ESFR sprinkler
-- 2 drive in doors
-- 279 surface spaces

**Trammell Crow**
7570 Industrial Park Way, Macungie, PA
-- 315,000 s.f. rear load facility
-- Up to 315,000 s.f. available
-- 32' clear height
-- 54 docks
-- ESFR sprinkler
-- 142 trailer drops (future)
-- 150 employee parking spaces

**Seagis**
7533 Industrial Park Way, Macungie, PA
-- 535,000 s.f. cross dock facility
-- 535,000 s.f. available
-- 32' clear height
-- 55 docks
-- ESFR sprinkler
-- 142 trailer drops
-- 151 employee parking spaces
### Lehigh Valley

#### Market commentary
- During the fourth quarter, the Lehigh Valley experienced positive net absorption of over one million square feet bringing the total net absorption for 2010 to just under 2 million square feet.
- Due to this absorption, the vacancy rate in the Lehigh Valley improved to 12.7 percent, down 240 basis points from the third quarter.
- Walgreens signed the largest lease of the quarter, and is taking 645,000 square feet at ProLogis Park 33. The lease consisted of 510,000 square feet of existing space and 135,000 square feet of new construction. Construction has begun on the expansion and is expected to be completed by midyear 2011. Other significant fourth quarter leases across the Lehigh Valley included Amazon.com's sublet of 483,200 square feet at 650 Boulder Drive, Packaging Corporation of America leasing 208,000 square feet at 171 Tuckerton Road, and SureFit leasing 152,000 square feet at 8000 Quarry Road.
- Other than the 135,000 square foot expansion at ProLogis Park 33, there are no other buildings currently under construction in the Lehigh Valley.
- With only 3 remaining blocks of space greater than 500,000 square feet available in the market, expect to see an increase in build-to-suit activity and the return of speculative construction during 2011. Currently, there are several large tenants in the market with no place to land, thus driving the pending build-to-suit and speculative construction activity.

#### Statistics summary

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Total stock (s.f.)</th>
<th>Vacancy Rate</th>
<th>Trend</th>
<th>Availability Rate</th>
<th>Trend</th>
<th>New deliveries (s.f.)</th>
<th>Under construction (s.f.)</th>
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</thead>
<tbody>
<tr>
<td>Berks</td>
<td>13,376,345</td>
<td>13.9%</td>
<td></td>
<td>17.1%</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Lehigh</td>
<td>34,286,892</td>
<td>10.3%</td>
<td></td>
<td>14.1%</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Northampton</td>
<td>13,506,831</td>
<td>3.1%</td>
<td></td>
<td>4.4%</td>
<td></td>
<td>0</td>
<td>135,000</td>
</tr>
</tbody>
</table>

#### Vacant square footage by class

- **Class A vacancy**
- **Class B vacancy**
- **Class C vacancy**

#### Large, contiguous blocks of available space

<table>
<thead>
<tr>
<th>Submarket</th>
<th>100,000-250,000</th>
<th>250,001-500,000</th>
<th>&gt;500,000</th>
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</thead>
<tbody>
<tr>
<td>Berks</td>
<td>4</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Lehigh</td>
<td>8</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Northampton</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>
Suburban Philadelphia

Key market indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock</td>
<td>52,261,311 s.f.</td>
</tr>
<tr>
<td>Vacancy rate</td>
<td>6.0%</td>
</tr>
<tr>
<td>Availability rate</td>
<td>11.6%</td>
</tr>
<tr>
<td>Under construction</td>
<td>0 s.f.</td>
</tr>
</tbody>
</table>

Available buildings

**J. Loew Associates**
520 Lincoln Avenue, Downingtown, PA
- 200,000 s.f.
- 207 employee parking spaces
- parking ratio 1.03/1000 s.f.
- 11.11 acres

**Allentown Refrigerated Terminals**
1717 Pillsbury Road, East Greenville, PA
- Allentown Refrigerated Plant 2
- 260,000 s.f. refrigeration/cold storage facility
- Up to 141,000 s.f. available
- 12'-19' ceiling height
- 15 external docks
- Wet sprinklers
- Rail line: Norfolk Southern

**Cohen Asset Management**
496-498 Lower Fricks Lock Road, Pottstown, PA
- 141,000 s.f. warehouse facility
- 107,500 s.f. available
- 16’ – 18’4” ceiling height
- 10 external docks
- 20 acres
Suburban Philadelphia

Statistics summary

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Total stock (s.f.)</th>
<th>Vacancy Rate</th>
<th>Trend</th>
<th>Availability Rate</th>
<th>Trend</th>
<th>New deliveries (s.f.)</th>
<th>Under construction (s.f.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bucks</td>
<td>21,678,991</td>
<td>4.1%</td>
<td>↓</td>
<td>10.8%</td>
<td>↑</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Chester</td>
<td>7,989,409</td>
<td>4.3%</td>
<td>↑</td>
<td>8.5%</td>
<td>↑</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Delaware</td>
<td>7,531,398</td>
<td>5.4%</td>
<td>↓</td>
<td>13.0%</td>
<td>↓</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>East Montgomery</td>
<td>8,632,647</td>
<td>12.5%</td>
<td>↑</td>
<td>17.5%</td>
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<td>0</td>
</tr>
<tr>
<td>West Montgomery</td>
<td>6,428,866</td>
<td>6.4%</td>
<td>↓</td>
<td>8.5%</td>
<td>↓</td>
<td>240,000</td>
<td>0</td>
</tr>
</tbody>
</table>

Market commentary

• The Suburban Philadelphia industrial submarket finished 2010 with total net absorption just under 1 million square feet. For the first time since 2006, absorption was positive in all four quarters of the year.
• Overall vacancy dropped from 7.3 percent to 6.0 percent during the fourth quarter. Bucks County saw the strongest improvement in vacancy and dropped 130 basis points to 4.3 percent. Limited construction over the last couple of years has helped the market absorb vacant space.
• Almac completed construction of its 240,100 square foot build-to-suit at 45 Fretz Road. This was the only new construction added to the market during 2010.
• Lease activity for mid-sized tenants remained strong. GWSI added an additional 100,000 square feet of space at Riverbridge Industrial Complex bringing their total square footage to 200,000 square feet. Wallquest signed a lease for 77,184 square feet at 741 First Avenue in King of Prussia.
• There is only one available space greater than 500,000 square feet. Tenants looking for greater than 500,000 square feet will have to look in other submarkets, or consider build-to-suit opportunities.
Urban Philadelphia

**Key market indicators**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock</td>
<td>23,303,099 s.f.</td>
</tr>
<tr>
<td>Vacancy rate</td>
<td>10.0%</td>
</tr>
<tr>
<td>Availability rate</td>
<td>12.8%</td>
</tr>
<tr>
<td>Under construction</td>
<td>922,336 s.f.</td>
</tr>
</tbody>
</table>

**Available buildings**

- **Philadelphia Industrial Development Corp.**
  1940 Kitty Hawk Ave – Building 57, Philadelphia, PA
  - 307,804 s.f. facility
  - 133,000 s.f. available
  - 30’ clear height
  - 10 loading docks

- **Wolf Investment Corporation**
  8701 Torresdale Avenue, Philadelphia, PA
  - 300,000 s.f. facility
  - 155,292 s.f. available
  - 20’ ceiling height
  - 11.5 acres
Urban Philadelphia

Statistics summary

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Total stock (s.f.)</th>
<th>Vacancy Rate</th>
<th>Availability Trend</th>
<th>Availability Rate</th>
<th>Availability Trend</th>
<th>New deliveries (s.f.)</th>
<th>Under construction (s.f.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Philadelphia</td>
<td>18,432,888</td>
<td>9.8%</td>
<td>←</td>
<td>13.0%</td>
<td>←</td>
<td>0</td>
<td>255,336</td>
</tr>
<tr>
<td>Southwest Philadelphia</td>
<td>4,870,211</td>
<td>10.9%</td>
<td>↑</td>
<td>12.0%</td>
<td>↑</td>
<td>0</td>
<td>667,000</td>
</tr>
</tbody>
</table>

Market commentary

• The Urban Philadelphia industrial submarket finished the year with negative total net absorption. A majority of the negative absorption took place during the first half of 2010 and the year finished with slightly positive net absorption in both the third and fourth quarters.

• Vacancy rates saw a marked improvement across the submarket and improved 180 basis points to 10.0 percent. This improvement has been aided by the absence of speculative construction and lower rental rates.

• The 667,000 square foot Philadelphia Regional Produce Market is still under construction and is not expected to be completed until midyear 2011. DP Partners began construction on Penn Jersey Paper’s 255,336 square foot headquarters and distribution center located at 9355 Blue Grass Road. The building is expected to be completed by the end of the first quarter.

• The University of Pennsylvania closed on its purchase of the 247,140 square foot Marshall Research Laboratories located at 3401 Grays Ferry Avenue. The building sold for $12.4 million or $50.22 per square foot.

• The Urban Philadelphia market saw two significant leases signed during the fourth quarter. Sleep Factory signed a five year lease for 132,000 square feet at 3800 Frankford Avenue, and Material Processing Corporation signed a 111,000 square foot lease at 10551 Decatur Road.

• There is currently only one block of space greater than 250,000 square feet available in the Urban Philadelphia submarket.
Southern New Jersey

Key market indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock</td>
<td>57,821,588</td>
</tr>
<tr>
<td>Vacancy rate</td>
<td>12.5%</td>
</tr>
<tr>
<td>Availability rate</td>
<td>18.8%</td>
</tr>
<tr>
<td>Under construction</td>
<td>0 s.f.</td>
</tr>
</tbody>
</table>

Available buildings

**Lexington Property Trust**
1109 Commerce Boulevard, Swedesboro, NJ
- 259,910 s.f. modern high bay distribution center
- 259,910 s.f. available
- 31’ - 33’ clear height
- 60 docks
- ESFR sprinkler
- 125 trailer drops
- 150 employee parking spaces

**Dolan Contractors**
90 Stemmers Lane, Westhampton, NJ
- 159,022 s.f. double side load facility
- 159,022 s.f. available
- 30’ clear height
- 19 docks
- ESFR sprinkler
- 20 trailer drops

**Whitesell Construction**
321 Dulty’s Lane, Burlington, NJ
- 188,294 s.f. front side load facility
- 188,294 s.f. available
- 32’ - 37’ clear height
- 56 trailer drops
- ESFR sprinkler
Southern New Jersey

Statistics summary

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Total stock (s.f.)</th>
<th>Vacancy Rate</th>
<th>Availability Trend</th>
<th>Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gloucester</td>
<td>16,070,777</td>
<td>9.7%</td>
<td>13.6%</td>
<td>0</td>
</tr>
<tr>
<td>Burlington</td>
<td>18,405,688</td>
<td>9.2%</td>
<td>17.7%</td>
<td>188,294</td>
</tr>
<tr>
<td>Camden</td>
<td>13,497,139</td>
<td>17.0%</td>
<td>23.1%</td>
<td>0</td>
</tr>
<tr>
<td>Southern New Jersey</td>
<td>9,847,984</td>
<td>17.4%</td>
<td>23.5%</td>
<td>0</td>
</tr>
</tbody>
</table>

Market commentary

- The Southern New Jersey market continues to lag behind the overall region and saw overall vacancy rates increase 40 basis points to 12.5 percent, which is largely attributable to the delivery of Whitesell Construction’s speculative building. Camden County was the only county in the Southern New Jersey market that saw a decrease in its vacancy rate but vacancy still remains high at 17 percent.

- The Southern New Jersey market saw an uptick in investment sales during the fourth quarter of 2010. DP Partners sold their 599,500 square foot facility located in the LogistiCenter at Logan to Northwestern Mutual Life Insurance Company for $35.5 million or $59 per square foot. The building was fully occupied by Kimberly Clark. The Blackstone Group bought the Dunkin Donuts Distribution Center at 20 E. Park Drive in Mount Holly, NJ as part of a 12 property portfolio from Exeter Property Group. The building is fully leased by Dunkin Donuts.

- The market saw several large lease deals during 2010 including New Breed Logistics taking 325,563 square feet at 800 Arlington Court, US Foodservice leasing 217,047 square feet at 244 High Hill Road, and Vertis Communication leasing 160,108 square feet at 80 Stemmers Lane. During the fourth quarter, RockTenn Converting took occupancy of 95,088 square feet at 5000 Lincoln Drive, and Baer Supply signed a lease at 8295-8301 National Highway in Pennsauken for 40,000 square feet.

- Whitesell Construction completed construction of a 188,294 square foot speculative building at 321 Dutty’s Lane in Burlington County.

- There were no new construction starts during fourth quarter of 2010.

- There is an abundance of space available in the 100,00 to 250,000 square foot range but only one block of space over 500,000 square feet available across the market.
Delaware

**Key market indicators**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock</td>
<td>14,521,903</td>
</tr>
<tr>
<td>Vacancy rate</td>
<td>16.0%</td>
</tr>
<tr>
<td>Availability rate</td>
<td>24.2%</td>
</tr>
<tr>
<td>Under construction</td>
<td>0 s.f.</td>
</tr>
</tbody>
</table>

**Available buildings**

- **Mattei Corporation**
  231 Executive Drive, New Castle, DE
  - 190,500 s.f. cross docking facility
  - 89,000 s.f. available
  - 28’ ceiling height
  - 16 loading docks
  - 13.7 acres

- **D & S Warehousing, Inc.**
  104 Alan Drive, Newark, DE
  - 550,000 s.f. facility
  - 30,000 s.f. available
  - 5 drive ins – 10’w x 14’ h
  - 22’-26’ ceiling height
  - 7.75 acres
## Delaware

### Statistics summary

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Total stock (s.f.)</th>
<th>Vacancy</th>
<th>Availability</th>
<th>Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Rate</td>
<td>Trend</td>
<td>Rate</td>
</tr>
<tr>
<td>Kent</td>
<td>1,498,364</td>
<td>22.7%*</td>
<td></td>
<td>49.4%*</td>
</tr>
<tr>
<td>New Castle</td>
<td>9,592,262</td>
<td>15.9%</td>
<td></td>
<td>23.8%</td>
</tr>
<tr>
<td>Sussex</td>
<td>1,458,750</td>
<td>26.6%</td>
<td></td>
<td>26.6%</td>
</tr>
<tr>
<td>Wilmington</td>
<td>1,972,527</td>
<td>3.3%</td>
<td></td>
<td>5.5%</td>
</tr>
</tbody>
</table>

### Market commentary

- The Delaware industrial submarket had positive net absorption in 2010 as compared 1.2 million square feet of negative net absorption in 2009.
- Fourth quarter net absorption was the strongest quarter of 2010 with 227,000 square feet of space being absorbed.
- Overall vacancy rates for the Delaware market declined 2.7 percent during the fourth quarter to 16 percent. Class A vacancy rates remained strong across the market.
- New Castle County had several leases signed during the fourth quarter. Converting Solutions took 196,000 square feet at 700 Centerpoint Boulevard for a ten-year term, and Aspira of Delaware Charter School leased 50,000 square feet at 326 Ruther Drive.
- There were no significant building sales during the fourth quarter.
- There has been no construction activity since the third quarter of 2007, and there are no speculative construction starts forecast in 2011.
- There continue to be no available blocks of space greater than 500,000 square feet, which has forced large users to either search for space elsewhere or consider build-to-suit opportunities.

*The discrepancy b/w vacancy and availability rates in Kent County can be attributed to the small sample size of the data set.*
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Appendix

Report to Address Market, Submarket Clusters (Blue), and Submarkets (Red) as noted above
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