



# 2Q13 NATIONAL INDUSTRIAL MARKET

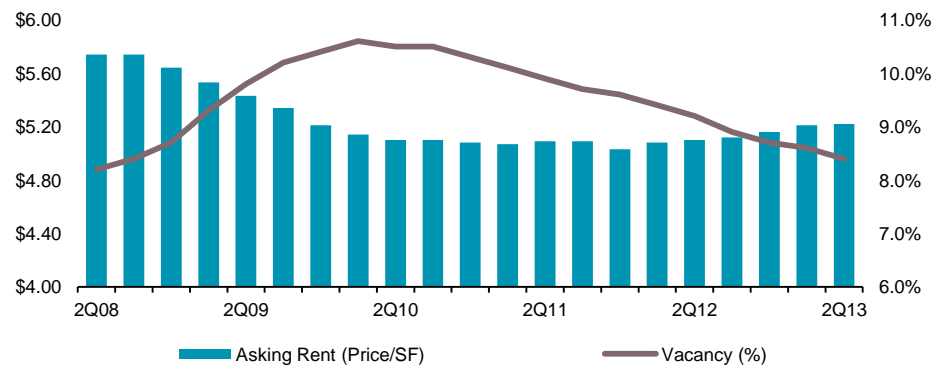
## Newmark Grubb Knight Frank

### BROAD SHOULDERS

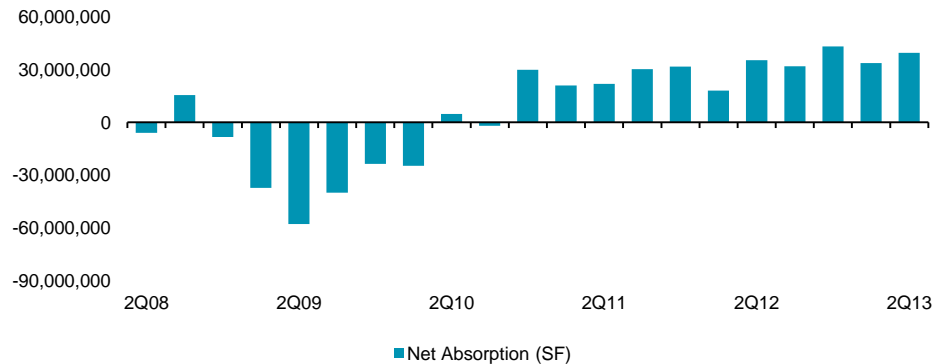
The U.S. industrial market is no longer dominated by factories and manufacturing buildings as described in Carl Sandberg's famous poem about Chicago. But like Chicago, which Sandberg called "the city of big shoulders," the industrial market's shoulders continue to broaden, reflecting sweeping changes in the global economy. These include steady growth in high-value manufacturing despite slowing global growth, the rise of fulfillment centers as a subclass of the warehouse/distribution market, and demand for flex buildings in technology hubs around the U.S. The second quarter leasing market reflects continued expansion across all categories.

- Vacancy fell another notch to end the quarter at 8.4%, down from the recent peak of 10.6%. It is approaching the nadir of 7.7% achieved during the prior cycle.
- Quarterly absorption topped 39 million square feet for only the second time since 2008. First half absorption totaled nearly 74 million square feet, well above last year's first half total of 53 million. Second quarter completions of 14 million square feet were barely a third of the space absorbed, pushing vacancy lower.
- Space in the construction pipeline hit a new high for this cycle at 63 million square feet. This is well below the prior cycle when the pipeline topped out at 177 million square feet and stayed above 100 million square feet for 17 consecutive quarters.
- The average asking rental rate for all types of industrial space ended the quarter at \$5.22/sf per year triple net, up 2.4% from a year ago. This reflects a steady-state market where demand and supply are advancing at a moderate pace.

Asking Rent and Vacancy



Absorption



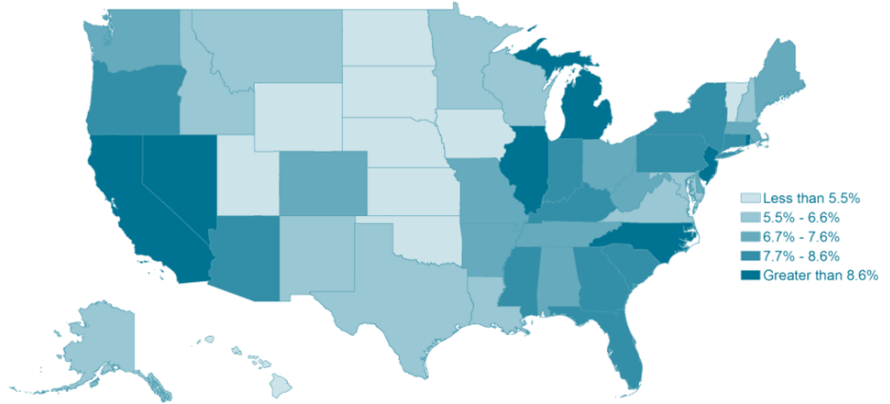
Key Indicators			
Total Inventory (SF)		14,294,010,182	
Asking Rent (Price/SF)	2Q13	1Q13	2Q12
	\$5.22	\$5.21	\$5.10
Vacancy Rate (%)	8.4%	8.6%	9.2%
Under Construction (SF)	2Q13	1Q13	2013
	63,271,934	60,621,396	57,497,335
Net Absorption (SF)	2Q13	1Q13	2013
	39,512,260	33,745,744	73,308,575
Deliveries (SF)	2Q13	1Q13	2013
	14,325,682	14,509,105	28,834,787



Markets with notable performances include Jacksonville, where vacancy fell over the past year by more than any other market (Detroit and Cleveland took silver and gold); San Antonio, with the largest four-quarter increase in asking rent (followed by Dallas and Cleveland); and Atlanta, posting the strongest first-half absorption in the U.S. (ahead of the inland Empire and Phoenix).

The recovery of the housing and labor markets (particularly housing) will feed into consumer spending, suggesting that markets dependent on imports, fulfillment centers and vehicle manufacturing should perform especially well in the next few quarters. Standout markets in these categories include the Inland Empire, Dallas, Chicago, Atlanta and Detroit. Look for the recovery in the distribution center market, which began among the very largest buildings, to continue trickling down into smaller buildings as a wider variety and size range of tenants decide the time is right to take new space.

## Unemployment Rate by State



## Construction and Deliveries

Square Feet, millions



## Select Lease Transactions

Tenant	Building	Submarket	Square Feet
Mercedes-Benz USA	4501 E Conant St	Los Angeles	1,091,754
National Freight Industries	West Hills Building A	Philadelphia	980,000
Overstock.com	1862 S 4800 W	Salt Lake City	686,865
The Coca-Cola Company	201 Fulling Mill Rd	Philadelphia	650,671
Syigma Network	5500 South Fwy	Austin	552,600

## Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
698 Route 46	New Jersey	616,992	\$81,000,000	\$131
615 N 48th St	Phoenix	530,856	\$72,000,000	\$135
320 Charles St	Boston	99,500	\$52,000,000	\$522
39-53 Jay St	Brooklyn	78,439	\$45,000,000	\$573
450 Central Ave	Chicago	517,877	\$40,000,000	\$77



## Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Qtr Absorption (SF)	YTD Absorption (SF)	Total Vacancy Rate	Total Average Asking Rent (Price/SF)
Atlanta	595,400,342	1,441,751	3,801,799	6,146,128	12.4%	\$3.71
Austin	82,914,664	373,200	108,625	217,610	8.9%	\$6.90
Baltimore	230,483,782	796,167	455,190	1,703,956	9.6%	\$5.47
Boston	239,475,948	93,046	928,366	1,410,491	11.7%	\$7.41
Broward County	102,907,026	247,376	68,565	495,732	8.3%	\$7.23
Charlotte	319,841,186	52,000	1,706,814	2,665,413	12.5%	\$3.59
Chicago	1,061,045,128	5,307,717	1,531,815	4,596,086	9.4%	\$4.43
Cincinnati	390,641,899	424,200	-287,857	1,150,753	10.5%	\$3.16
Cleveland	299,334,600	127,785	1,077,034	2,545,466	9.2%	\$3.77
Columbus	259,130,182	3,389,611	1,861,305	461,045	9.3%	\$2.88
Dallas	744,904,072	6,423,808	3,785,806	4,756,933	8.2%	\$4.76
Delaware	27,888,255	0	57,073	-174,944	9.6%	\$4.73
Denver	175,161,306	653,875	1,256,753	1,645,418	6.6%	\$5.19
Detroit	365,659,994	310,591	1,677,784	3,813,221	10.6%	\$4.49
East Bay/Oakland	266,345,288	117,200	261,316	2,368,002	9.1%	\$7.25
Fairfield County	55,010,082	108,796	-48,261	-190,848	14.6%	\$7.38
Houston	431,316,038	2,975,915	214,984	1,513,687	4.5%	\$4.79
Indianapolis	293,819,136	883,167	246,457	325,912	7.4%	\$2.99
Inland Empire	453,680,792	9,920,121	4,250,614	5,385,988	4.7%	\$4.32
Jacksonville	117,659,623	0	1,299,437	1,736,836	10.0%	\$3.98
Kansas City	284,333,456	953,341	-1,985,559	-633,784	7.2%	\$4.40
Las Vegas	101,126,730	616,000	154,360	375,843	14.7%	\$5.98
Long Island	318,588,985	336,795	992,734	2,033,339	5.7%	\$11.27
Los Angeles	984,484,521	2,469,656	1,558,602	1,328,883	2.2%	\$6.60
Memphis	229,247,160	1,745,000	821,679	2,167,106	12.5%	\$2.53
Miami	201,812,652	53,000	44,213	505,814	6.2%	\$5.68
Milwaukee	381,990,633	171,137	478,860	885,100	7.3%	\$4.05
Minneapolis	359,206,383	860,000	437,475	715,719	6.2%	\$5.75
Nashville	211,054,065	2,108,660	579,949	1,032,276	8.9%	\$3.59
New Jersey Northern	784,324,158	2,558,161	1,251,428	46,957	9.2%	\$5.81
New Jersey Southern	94,424,658	0	213,665	30,828	11.9%	\$4.18
Orange County	263,591,658	231,408	1,041,756	1,825,979	4.6%	\$8.84
Orlando	176,771,775	0	-262,940	116,644	9.6%	\$4.60
Palm Beach	46,074,166	0	299,801	400,806	7.0%	\$7.16
Penn. I-81/78 Corridor	288,696,838	2,346,000	2,218,886	4,402,907	8.2%	\$3.70
Philadelphia	360,248,343	2,091,419	8,037	655,660	8.7%	\$5.21
Phoenix	275,832,075	5,296,467	2,793,790	4,762,367	11.5%	\$6.55
Pittsburgh	116,151,193	278,000	198,294	389,792	8.1%	\$5.12
Portland	169,097,297	1,821,265	516,599	1,561,710	7.1%	\$6.20
Raleigh/Durham	111,637,840	26,030	-256,246	145,121	10.2%	\$5.04
Sacramento	199,108,182	195,000	1,375,809	1,932,547	12.5%	\$4.79
Salt Lake City	198,357,380	484,500	961,523	1,509,325	5.0%	\$4.65
San Antonio	70,503,247	1,697,902	221,542	409,981	7.0%	\$5.59
San Diego	176,351,821	31,246	547,101	1,480,683	8.7%	\$8.77
San Francisco	83,037,908	36,000	431,446	354,166	7.7%	\$12.94
Seattle	288,689,299	682,130	-18,631	847,210	5.6%	\$6.96
Silicon Valley/South Bay	195,763,344	155,000	-316,039	-798,978	9.8%	\$14.25
St. Louis	267,487,859	436,550	1,128,674	1,828,035	8.1%	\$3.82
Tampa/St. Petersburg	245,843,656	152,500	92,528	266,841	10.1%	\$4.18
Washington, D.C.	265,140,660	1,792,441	-231,341	242,868	11.7%	\$7.84
Westchester County	32,412,897	0	-39,354	-86,055	6.6%	\$9.76
<b>National</b>	<b>14,294,010,182</b>	<b>63,271,934</b>	<b>39,512,260</b>	<b>73,308,575</b>	<b>8.4%</b>	<b>\$5.22</b>



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## Glossary of Terms

### Absorption

A measure of the change in occupied space

### Availability

Space marketed for lease regardless of when the space will be available or whether the space is vacant or occupied

### Deliveries

The total RBA of properties added to the inventory once construction has been completed

### Direct Space

Available space offered for lease by the building owner, landlord, or owner representative

### Leasing Activity

The volume of leases signed including new leases, direct and sublet leases, extensions and renewals, and leases signed in proposed or under construction buildings

### Occupancy

Any space physically occupied by a tenant, regardless of lease status of the space

### Rentable Building Area (RBA)

A measurement of the total square feet in a building including the tenant and common areas such as the lobby and hallways

### Sublet Space

Available space offered for lease by a building tenant seeking a subtenant to fulfill the remaining lease obligation

### Under Construction

Buildings under construction are defined by the time the foundation is poured through the time the building is certified for occupancy

### Vacancy

Space not physically occupied by a tenant, regardless of the lease status or availability of space

### Weighted Average Rent

Rental rate data refer to space that is available on the market at the end of the quarter. Rates are per square foot, quoted on a triple net basis. Rates for each building are weighted by the amount of available space within the building.

Industrial inventory includes all multi-tenant and single tenant buildings at least 10,000 square feet in total rentable building area. Owner occupied buildings are included in the inventory.

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