



In This Issue...

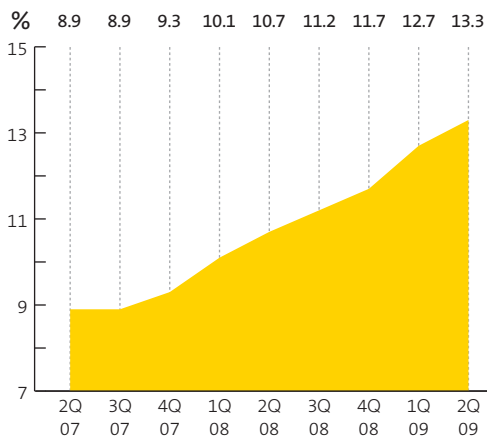
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The Bottom Line

The recession has been unkind to logistics properties, which depend on retail sales, manufacturing (to stoke corporate supply chains) and international trade to generate demand for space. The recession has slammed all three of these demand-drivers, which has helped push the national logistics vacancy rate higher for seven consecutive quarters from its low point in the third quarter of 2007. The softening market is not just a story of weak demand, however. Net absorption remained low but positive until the first quarter of 2009, meaning that the vacancy increase during 2007 and 2008 was driven by excess deliveries of new space. Fortunately for the market, logistics space under construction has plummeted to just 9.2 million square feet at mid-year, setting the stage for a return to equilibrium when demand comes back.

One of the drivers of the recovery will be the low inventory levels among manufacturers, wholesalers and retailers. Even a small increase in final demand should be enough to ignite some level of production and hiring by manufacturers, which should support demand for logistics space. With consumers focused on rebuilding their decimated net worth, some of this demand will come from manufacturers who export to China and other emerging markets where the recovery should be more vigorous than in the U.S. Some analysts are expecting the recovery to weaken after an initial burst of activity from inventory-rebuilding and the stimulus, but for now, the economy looks like it will have enough momentum to carry on after that.

Flood of Space...



US Logistics Vacancy Rate

All classes of logistics space

Notable events in intermodal transportation in 2009

- BNSF announces a major expansion of the intermodal facility in Memphis, TN
- CSX announces new intermodal facility in North Baltimore, OH
- Norfolk Southern announces a new intermodal facility in Greencastle, PA
- Norfolk Southern announces a new intermodal facility in Rossville, TN
- Union Pacific announces a new intermodal facility in San Antonio, TX

Logistics Market Trends

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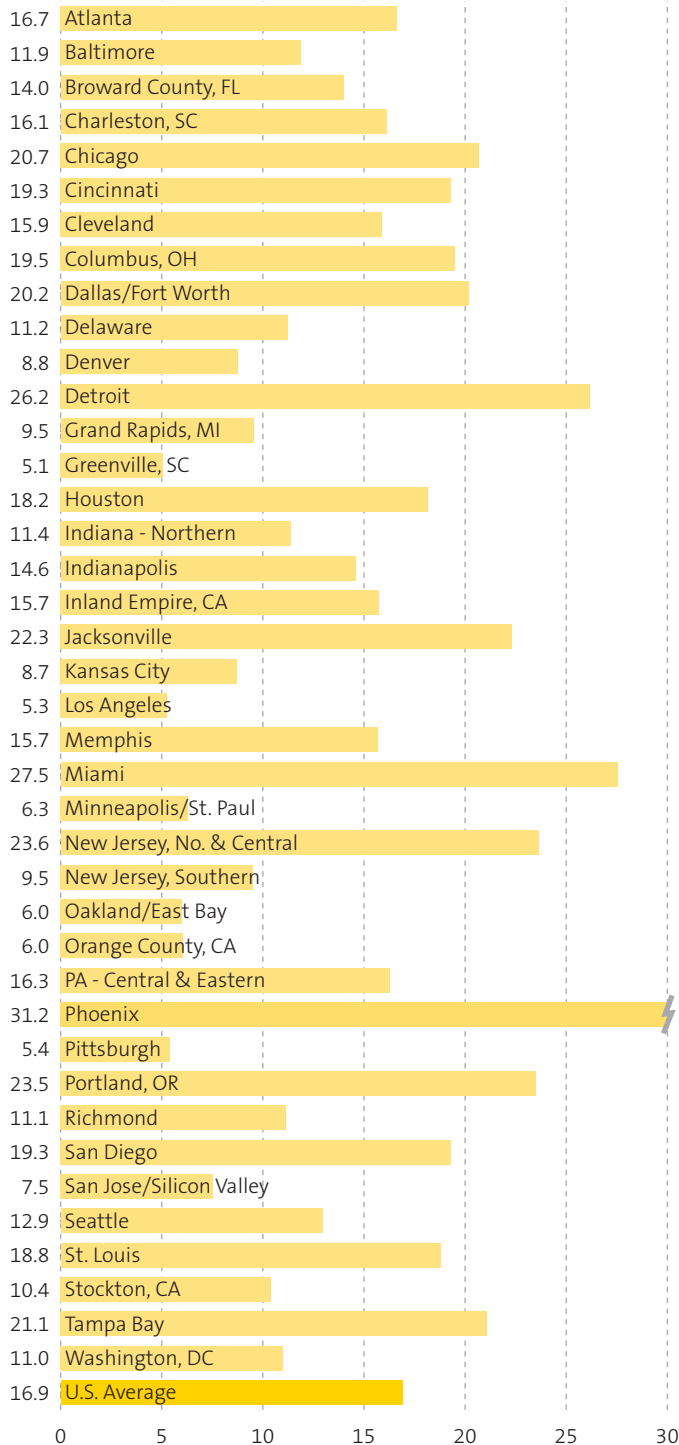
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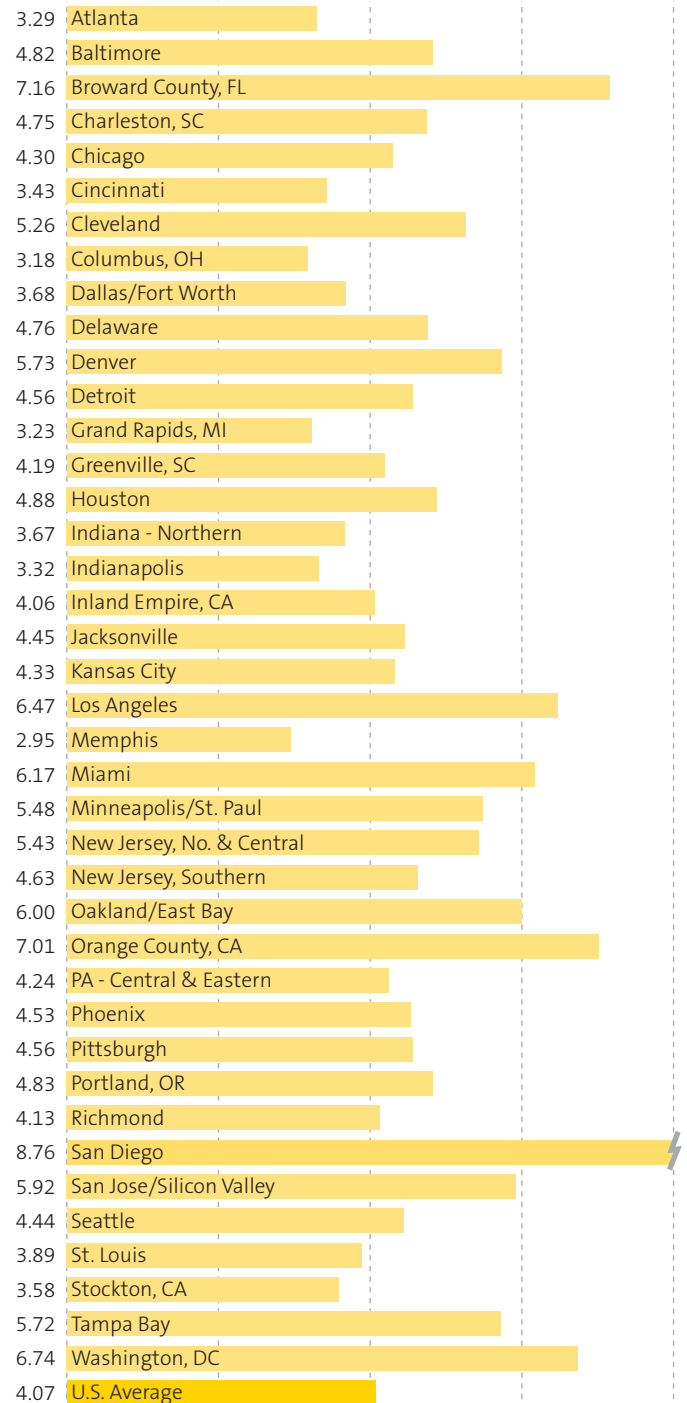
Class A Logistics Market Vacancy and Rental Rates

Note: Vacancy and rent data refer to Class A logistics buildings with minimum size thresholds of 100,000 square feet. Inventory includes multi-tenant, single-tenant and owner-occupied space. Rental rate data refer to space that is available for lease 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.

% Vacant



\$ Asking Rent



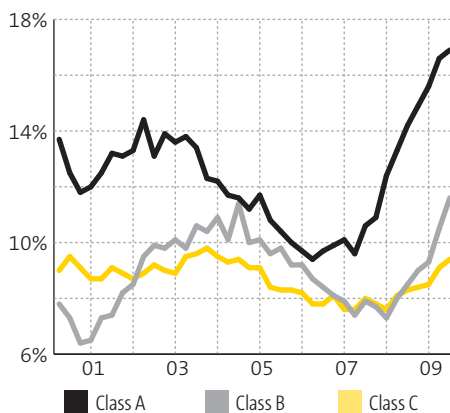
State of the Market

Leasing market conditions in the nation's logistics properties continued to soften in the first half of 2009. Demand for logistics space has been battered by several components of the recession: the decline in consumer spending and retail sales, the contraction in the manufacturing sector and the fall in international trade. The fall in imports has been hard on port-dependent markets such as California's Inland Empire, while the fall in exports has hit manufacturing-intensive markets, particularly in the Midwest.

For all classes of logistics space, the vacancy rate ended the first half of 2009 at 13.3 percent, a steep increase of 260 basis points from mid-2008. Class A properties led the retreat, ending the period at 16.9 percent vacant, while Class B and C properties trailed at 11.6 and 9.4 percent. This is not surprising in that Class A properties accounted for 85 percent of the 25.3 million square feet of new space completed in the first half of the year. The new space was delivered into a market with no aggregate demand. In fact, the recession threw demand into reverse as tenants and owner-users gave back 19.1 million square feet of formerly occupied space in the first half, i.e. negative net absorption. The average asking rental rate for all classes of logistics space ended the period at \$3.91 per square foot per year, triple net, down by 4.4 percent from mid-2008. The average effective rental rate, however, was off by 20 percent as landlords and tenants negotiated over concessions such as periods of free rent and tenant improvement allowances, which do not influence the asking rate. Typically, the impact of a recession on asking rates is delayed until negotiations move away from concessions to the actual rental rates.

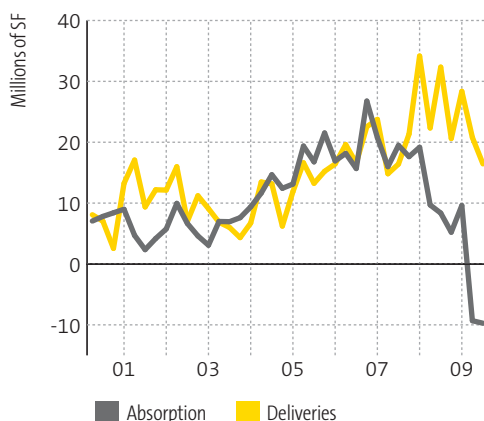
Logistics Vacancy Rate

By Class of Space



Logistics Absorption vs. Completions

By Quarter



Outlook

Despite the severity of the recession, there are some hopeful signs. On the supply side, the amount of logistics space remaining in the construction pipeline has plunged from 60.4 million square feet at mid-2008 to just 9.2 million square feet at mid-2009. On the demand side, a raft of economic indicators including the Institute for Supply Management's purchasing managers index, durable goods orders, factory orders, wholesale trade and various regional manufacturing surveys suggest that the deep downturn in the manufacturing sector is nearing an end. New orders are rising while inventories are very low, meaning that manufacturers will need to increase hiring and production in the near term. The "cash-for-clunkers" program and a recent turnaround in imports and exports are contributing to the improvement. A recovery in the manufacturing sector is good news not only for manufacturing properties; it translates into more goods flowing through corporate supply chains, which will support demand for logistics space.

Getting the Most out of Lease Negotiations

By Tim Feemster

Senior Vice President, Director of Global Logistics

If you're thinking of renegotiating your lease to reduce costs, now is the time to act. This is one of those points in the commercial real estate market cycle when you can maximize your rent-paying leverage. The key is not just to lower your rent costs, however. It should be to look at your supply chain network strategically in light of these four key trends:

1. There has been a pendulum swing in favor of the East and Gulf Coast ports. Companies are moving the inbound port of entry from the West Coast to the Gulf and Atlantic coasts for goods destined for the Midwest and Eastern markets. By doing so, they can reduce their transportation costs and their carbon footprint. The Gulf and East Coast ports' share of total container trade has increased from 39.7 percent in 2006 to 43.9 percent year-to-date through May. This shift is expected to advance rapidly when the Panama Canal expansion is complete in 2014–2015.
2. Volatile energy prices are impacting transportation costs. The cost of diesel moved from a low of \$2.44 per gallon in 2006 to \$4.76 in 2008, down to \$2.02 in 2009 and then up to \$2.54 the week of July 13th. As a global economic recovery gets underway, diesel prices will rise further.
3. Best-in-class companies will need to consider how their supply chains and real estate fit with their corporate goals for sustainability. A number of criteria can be utilized, for example the energy efficiency of various transportation modes. (Water transport is more energy-efficient than rail, which is better than truck.) The Environmental Protection Agency has a partnership with carriers called SmartWay Transportation. These carriers have committed to specific goals to improve the effi-

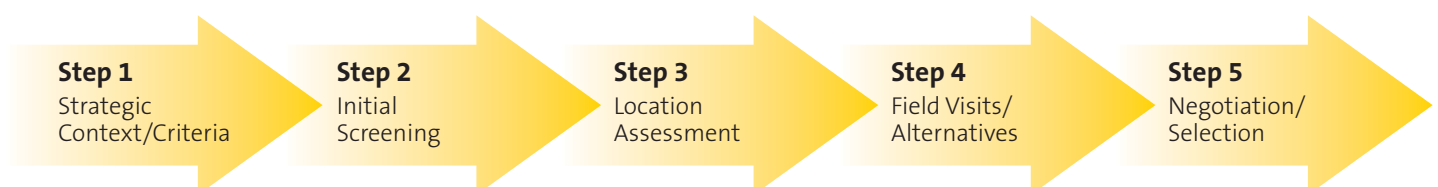
ciencies of their fleets and equipment in order to reduce their carbon footprint. Best-in-class companies are selecting transportation providers from this group. To make their existing properties more sustainable, companies can use many strategies with little or no upfront cost. For new buildings, managers can utilize LEED construction practices even if there are no immediate plans to certify the structure.

4. The current focus on cost reduction allows users to take advantage of market vacancy to reduce their real estate occupancy costs. Rental rates have fallen sharply through 2008 and 2009, and landlords are offering generous incentives for tenants willing to sign longer-term leases.

So, how do you attack the situation? You need to step back and look at the overall strategy for your supply chain and how it supports broader corporate goals and objectives. The figure below illustrates a five-step process for accomplishing this.

Step one in the decision-making process is to set overall project objectives, timelines and evaluation criteria. Rather than leave the process to a single department, best-in-class companies utilize a cross-functional team combining logistics and real estate along with finance, operations and sales. This builds a companywide consensus on strategy that takes the goals and objectives of all groups into consideration.

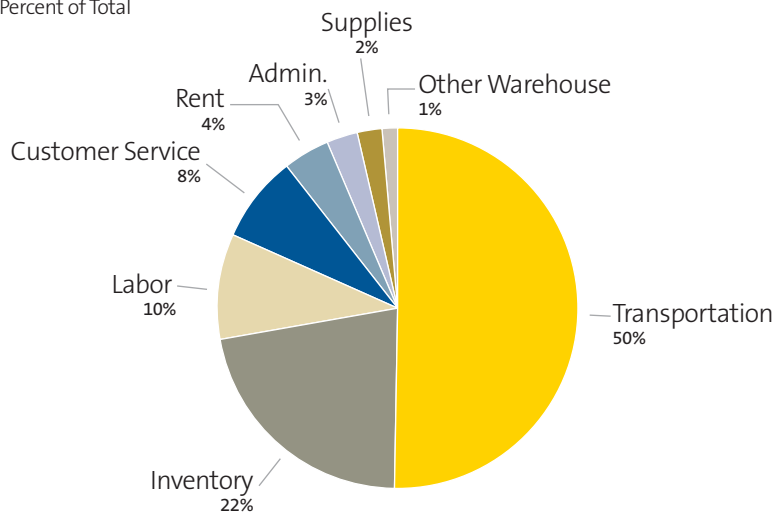
The second half of step one is to collect and analyze cost information. Some companies believe they can largely disregard transportation costs and base their location decisions on tempting incentives from government agencies. But a recent study by Establish, Inc./Herbert W. Davis and Company concludes that transportation accounts for half of the total cost



of logistics; labor and customer service costs combined account for 17.3 percent while rent accounts for just 4.3 percent. The big drivers in site selection should be transportation and labor. When calculating transportation costs, most companies have traditionally focused on outbound costs because they are easier to calculate than inbound costs. Increasingly, best-in-class companies are considering inbound logistics costs as well.

Logistics Costs

Percent of Total



Step 2 consists of modeling the total cost of the supply chain to find the optimum networks which are within a narrow band of the lowest cost given your customer service guidelines. There may be multiple iterations in this step since your company may need to research new inbound gateways and outbound transportation companies and modes.

In **step 3**, you narrow the list of network options for further analysis. In this step, you rate city and site-specific attributes such as quality of life, unemployment rates, labor costs, community size, labor force education levels, right-to-work laws, foreign trade zones, existing lease terms, owned facilities, and local and state business climate. The ensuing priority matrix quantifies the total score of each network and node within it. Now you can narrow the number of options to run through steps 4 and 5.

In **step 4**, field visits are conducted to make contact with economic development groups, commercial brokerage professionals, local labor providers and, potentially, real estate developers. You will tour the market to determine how well existing and planned facilities meet your company's needs. Talk to economic development teams to determine what incentives at the city, county, state and federal level would be in play. Now you have the basis to select the best two networks for further analysis in step 5.

Step 5 is where you get serious with your final network locations regarding incentives, lease rates, length of lease, free rent, facility build-out requirements, etc. After crunching the numbers, you are ready to make a recommendation to your company's senior management. When approval is granted, you begin the process of implementation and execution.

By utilizing this process, you have built a new network to support your company's business that is based on shared goals, future cost expectations and solid analysis. You have taken most of the emotional element out of the process. Most of all you have documented the steps and results so you can repeat the process in the future should the operating environment or corporate strategies change, requiring a redo.

Often companies realize that they need professional help in some areas of this process—strategic planning, commercial brokerage, network modeling, incentive negotiation, lease administration, project management, property management or corporate finance. Often full service commercial real estate firms may be a better choice than a supply chain consultant because they offer all these capabilities and more under one roof.

Market in the Spotlight

Chicago

By

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Logistics Overview

Home to approximately 9.8 million people, Chicago plays a major role in the transportation network of the United States. With its central location, the Chicagoland area is within a one-day drive of over 82 million people and it is possible to reach over 219 million with a two-day truck drive, which represents 42% of the North American consumers. The accessibility and high level of service at O'Hare International Airport puts businesses within 10 hours of major European hubs, while Chicago Midway Airport allows for fast national connections. Companies have a wide variety of transportation options—street, rail, air and sea. Chicago is the only location where six Class 1 railroads come together offering an alternative to the East and West coasts, by allowing freight to be moved away from the busy ports and closer to their final destinations. By transferring from ship directly to rail, companies can avoid long haul truck rides. Over half of the nation's rail freight passes through Chicago, and Chicago is the No. 1 intermodal container handler in the western hemisphere. According to the National Retail Federation, almost 75 percent of Illinois' retail sales occur in the northern part of the state with retail sales totaling \$144 billion.

Real Estate Overview

The Chicago metro industrial market comprises 1 billion square feet of space, of which 443 million square feet is warehouse and distribution space. Within this setting, the Central Will/I-55 Corridor, O'Hare and South City submarkets play a major role. While each submarket encompasses varying degrees of industrial supply and use, they have all been affected by the recession. The overall logistics vacancy rate currently stands at 14.6 percent, a 290-basis-point increase from one year prior, when the rate was 11.7 percent in second quarter of 2008. Much of this vacancy is a

result of oversupply of speculative warehouse buildings mainly in Will County, which is located roughly 30 miles southwest of downtown Chicago.

The Central Will and I-55 Corridor submarkets hold a combined logistics inventory of about 240 buildings totaling 88 million square feet. New Class A speculative buildings make up the majority of vacant logistics inventory in the Central Will submarket, with weighted average rents at \$3.20 per square foot per year, triple net. Vacancy stands at 30.5 percent; however, absorption was positive this quarter with over 1.1 million square feet absorbed.

Will County is the primary location for unloading international containers for the Midwest via the Burlington Northern Santa Fe (BNSF). CenterPoint Properties, one of the dominant developers in the market, recently signed an agreement to move forward with plans for a 3,900-acre intermodal center in Joliet, which will be operated by Union Pacific. This is in addition to the existing adjacent 2,500-acre Centerpoint Intermodal Center in Elwood, which also houses the BNSF Logistics Park Chicago. Already one of the largest inland ports in the nation, this new development is projected to generate more than 15,000 jobs over the next several years and will emphasize the significant role the Midwest plays in the global marketplace.

Bedford Park recently welcomed the addition of Nexus Distribution's 300,000-square-foot facility. The new facility has direct access to the CSX intermodal yard and the Chicago Land Bridge. The half-mile Chicago Land Bridge, built in 2006, allows Nexus to transport materials from international origins to the Chicago area. The bridge is capable of supporting heavyweight containers loaded with more than the allowable amount for use on the country's public roadways. Earlier this year, Alliance 3PL leased over 415,000 square feet at the CenterPoint Intermodal Center in Elwood, consolidating operations from nearby cities

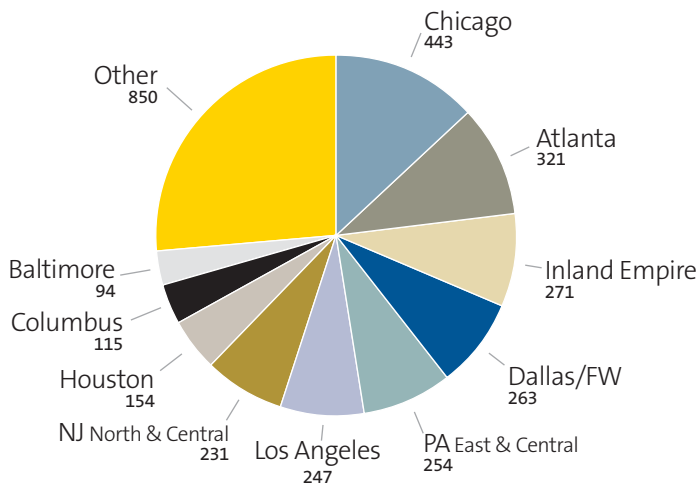
With a logistics inventory of over 35 million square feet, the Chicago South City submarket is home to great historic and prestigious warehouse buildings. The Central Manufacturing District (CMD) was created in the early 20th century, making Chicago home to the first planned manufacturing district in the

United States. At the time, the CMD included the Chicago Junction Railroad, which transported goods from the Chicago Union Stockyard to other major railroad lines.

Vacancy in the South City market has increased considerably and currently stands at 9.1 percent, a 330 basis point jump from just one year ago when the rate was at 5.8 percent. There are approximately 110 Class C buildings that account for the majority of vacant logistics space currently on the market. Food companies have found South Chicago to be an attractive location

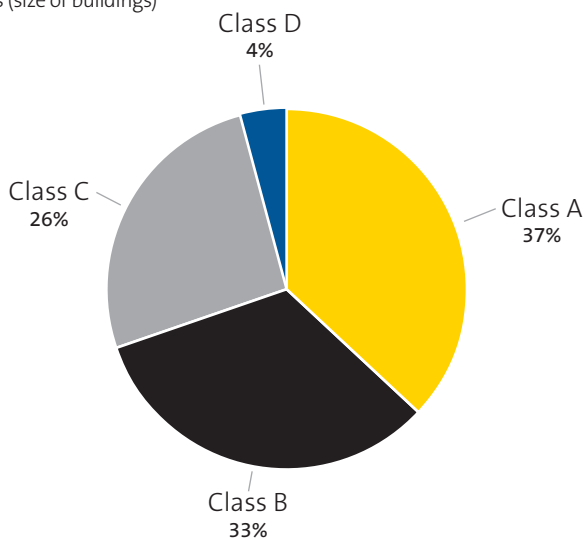
Logistics Inventory Top 10 Markets

Millions of Square Feet



Chicago Logistics Inventory

By Class (size of buildings)



due to its high concentration of railroads and highways. Newark, NJ-based Preferred Freezer Services chose the South City area for its latest 175,000-square-foot build-to-suit facility, scheduled for delivery in early 2010. The storage facility with rail access is planned to achieve LEED Platinum certification, which would make it the first industrial building in the City of Chicago to gain this status. The property is in an area with limited available land on the south side of Chicago, close to I-55 in the Crawford Industrial Park.

Northwest of Chicago, the O'Hare submarket contains more than 38 million square feet of logistics inventory and is home to O'Hare International Airport, the second-busiest landing field in the nation behind Hartsfield-Jackson International in Atlanta. Logistics and air freight companies have achieved productivity increases and cost savings thanks to their proximity to O'Hare. The majority of available space in this submarket is Class B, with only 30 Class A logistics buildings in the area.

Currently, O'Hare logistics vacancy stands at 16 percent, an increase of 10 basis points from first quarter. Vacancy has been steadily moving upward from its low of 7 percent in the second quarter of 2007. Activity has slowed significantly from its peak in 2007 when developers broke ground on 19 million square feet of speculative space. In contrast, total new construction starts will barely reach 800,000 square feet in 2009. Despite the impact of economic turbulence on the airfreight service business, many companies still have to operate close to the airport, positioning the submarket for an early recovery.

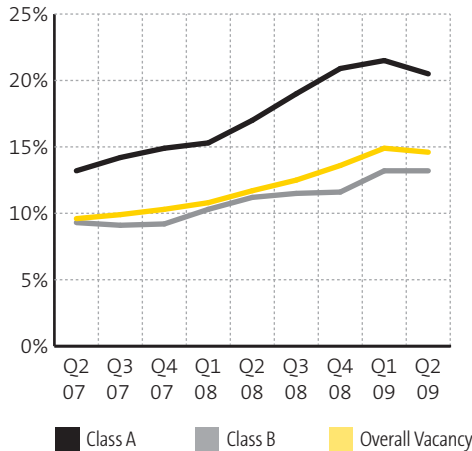
Challenges—Macro and Micro

Chicago has always been known as a strong industrial city. Its central location and intermodal rail access to the East and West coasts make the region a big player in the global logistics marketplace. Nevertheless, Chicago faces challenges in the coming quarters. Overbuilding of speculative space in the past 18 months has saturated the Will County market. There are more than 30 completed warehouses sitting empty, containing in excess of 11 million square feet of available space.

The retail sector has been hit hard across the nation due to declines in consumer spending, which has reduced demand for

Chicago Logistics Vacancy Rate

By Class of Space



warehouse space. As companies consolidate and reassess operations, the market is seeing an increase in sublease space. The trucking industry has been struggling as a result of decreased demand. Carriers have had to put the brakes on equipment deliveries and implement staff and driver layoffs.

Fuel prices are of less concern than they were a year ago. Trucking companies are more concerned now with the challenges caused by the poor conditions of the nation's highways and bridges. The Surface Transportation Authorization Act of 2009 bill aims to reduce congestion for major cities and freight transportation networks, improve the environment and promote public health. The bill authorizes the funding of \$450 billion over six years. Part of the funding would come from a freight waybill tax, i.e. a sales tax on freight shipping costs, and a vehicle-miles-traveled (VMT) fee system that would charge users for each mile driven, replacing gas and diesel fees.

More companies are moving forward with "green" initiatives to reduce costs, maximize energy efficiencies and minimize environmental impacts. Buildings as well as supply chains are changing. BNSF reports that customers who use intermodal containers versus direct truck service reduce their carbon footprint by 62 percent.

Logistics Building Classifications

Class A Buildings

- State-of-the-art functionality, systems and finishes
- Minimum of 28-foot clear height for buildings over 100,000 square feet
- Excellent truck door/building ratio (minimum of 1/7,500 square feet)
- Excellent truck yards with minimum of 135-foot truck turning radius
- Minimum of .60/3000 or ESFR sprinkler system

Class B Buildings

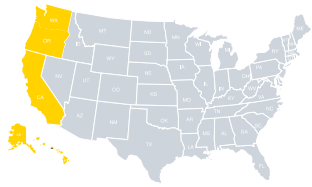
- Some functional obsolescence
- Fair to good building systems
- Minimum of 22-foot clear height for buildings over 100,000 square feet
- Adequate loading capability
- .33/3000 to .45/3000 sprinkler system
- Minimum of 110-foot truck turning radius

Class C Buildings

- Considerable functional obsolescence
- Less than 110-foot truck turning radius
- Below 22-foot clear height for buildings over 100,000 square feet
- Insufficient number of truck doors
- Non-calculated fire sprinkler system

Market Quick Takes

Regional Overview



Pacific

Inland Empire: Tenant opportunities exist with 3PLs, as several national retailers strive to render their distribution networks more efficient. Kenco Logistics Services, the 3PL for a major cereal manufacturer, leased 517,346 square feet in Redlands...

Los Angeles: The latest figures from the ports of Los Angeles and Long Beach indicate June inbound cargo volumes (imports) are down 22 percent over last year, directly impacting the demand for logistics space...

Oakland: Container traffic has decreased contributing to a virtual standstill in the market. Rental rates and deal velocity will remain flat for the remainder of the year...

Orange County: The 20-30 percent decline in leasing volume has led to decreasing net operating incomes. Companies are redefining business plans, reorganizing operations, reducing costs and positioning themselves for what is likely to be a sluggish recovery...

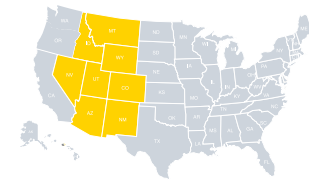
Portland: Recently the market is seeing more activity from tenants in the 100,000-square-foot-plus range, large requirements by local standards. Colgate Palmolive recently leased 151,000 square feet at Rivergate, and CNH executed a lease for 250,000 square feet, both for new distribution facilities in the northwest submarket...

San Diego: The logistics market has slowed, and several companies are downsizing. The majority of tenants favor short-term lease extensions despite landlords offering generous concessions to tenants willing to sign long-term leases. Due to the increasing vacancy rate, lack of available capital and lack of developable land, new construction is very

limited... **San Jose-Silicon Valley:** Major technology juggernauts who announced workforce consolidations have now begun to reduce excess logistics space...

Seattle: Sluggish trade volumes continue to drag on the industrial market, with year-to-date TEU volumes down 24 percent at the Port of Seattle and 14 percent at the Port of Tacoma. Kimberly-Clark inked a 516,000-square-foot lease in Kent Valley, one of the largest industrial leases in the region over the past decade...

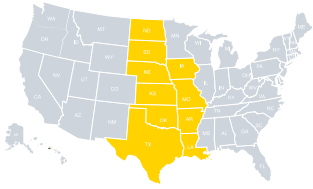
Stockton/Central Valley: Value and opportunity are on offer to tenants and owner-users willing to take down space. With vacancy on the rise, ProLogis took an aggressive stance by lowering rents to \$3.00 per square foot on many of their Class A buildings to get ahead of the market. Several 3PL companies are shrinking or consolidating their spaces. Opus, which recently built over 1 million square feet of spec space, signed a 735,000-square-foot deal with General Mills, which will relocate from Tracy to a building off Arch road near the BNSF rail yard. Smaller users also are taking advantage of some heavily discounted sale and lease opportunities.



Mountain/Southwest

Denver: New leases include an expansion by Subaru for parts distribution into 320,000 square feet, 115,000 square feet by MBM Foodservice and 110,000 square feet by Anheuser Busch. In a significant user sale, O'Reilly Auto Parts acquired a new distribution center of 380,000 square feet. With new construction at a standstill, there are very few options for users seeking Class A space greater than 100,000 square feet, although there are abundant opportunities below 100,000 square feet...

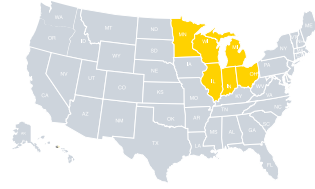
Phoenix: With industrial land prices and rental rates coming down along with housing costs, corporate users focused on operational expenses are taking a close look at metro Phoenix for their facilities. Approximately 30 industrial users with space requirements greater than 100,000 square feet are in the market.



Central/Great Plains

Dallas-Fort Worth: Developers have delivered more than 14 million square feet of warehouse space within the past year. The surge of new construction coupled with a drop in leasing demand has led to a growing supply of space available to accommodate distribution companies relocating to the area with an immediate requirement...

Houston: With slow leasing activity and developers finding it difficult to obtain financing, space under construction has subsided considerably. Agility Project Logistics Inc. will be consolidating its Houston offices and warehouse services into a new location near Bush Intercontinental Airport that includes 50,000 square feet of office for approximately 300 employees, more than 200,000 square feet of warehouse space and a larger secure cargo area.... **Kansas City:** BNSF will begin construction of a rail-truck intermodal hub in 2010 if a \$50 million stimulus grant is approved. The intermodal hub is expected to anchor a 1,000-acre logistic park that is estimated to cost approximately \$735 million... **St. Louis:** Except for users consolidating into smaller spaces, demand is very slow. The recent expansion of the Foreign Trade Zone around Lambert-St. Louis International Airport will encourage industrial activity in the area while bringing the region another step closer to becoming a multi-state commercial hub for China.

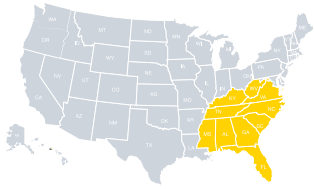


Great Lakes

Chicago: Overbuilding of speculative space in the past 18 months has left Will county struggling to fill more than 31 completed warehouse buildings containing in excess of 11 million square feet of vacant space... **Cincinnati:** Logistics facilities comprise about 25 percent of the industrial market but have contributed to half of the 2.2 million square feet of negative net absorption year-to-date. New distribution center construction has come to a halt; only one building has been delivered so far this year—a 720,000-square-footer...

Cleveland: The low volume of deals has led to a freeze on new construction of logistics buildings... **Columbus:** The Class A vacancy rate has increased 420 basis points from the 2008 year-end rate of 15.3 percent to its current rate of 19.5 percent, a trend that will continue until at least the end of 2009... **Detroit:** Automotive production is down by 40 percent, slashing demand for logistics space. But there is an undercurrent of optimism related to new automobile technology such as General Motors' plans to invest over \$40 million in a lithium-ion battery plant... **Grand Rapids/West Michigan:** Vacancy rates have spiked in warehouse/distribution properties as demand has shifted to short-term uses such as the temporary storage of excess inventories... **Indianapolis:** Cooper Tire completed 807,000 square feet in Franklin, and Medco Health will soon complete its nearly 400,000-square-foot facility at Anson. In the northeast submarket, Monarch Beverage is under construction on 514,000 square feet while SMC nears completion on its 800,000-square-foot

facility... **Minneapolis:** Landlords have been very aggressive with free rent and reduced rates, generating a handful of deals from tenant relocations... **South Bend:** Class A product has languished with space absorption missing targets set during underwriting of the projects. Close to 1 million square feet of additional product is expected to hit the market consisting of sublease and recently vacated space. Reductions in asking rates for all classes are expected in response to the oversupply.



Southeast

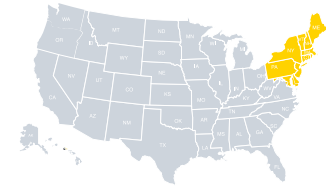
Atlanta: Companies such as General Mills, which announced plans to invest \$42 million into a 1.5 million-square-foot facility in northeast Atlanta, and J.M. Smucker, which recently leased a 600,000-square-foot facility in South Atlanta, will continue to be drawn to this market because they can easily manage their supply chains...

Charleston: Port volumes are down 20 percent over last year, but the future is looking brighter thanks to new leadership, new rail access to the new port terminal and a renewed sense of commitment from the Maritime and general business community...

Greenville-Spartanburg: The expansion of BMW's manufacturing plant should guide logistics growth in the next 24 months. As the nation climbs out of the recession, increased production will result in a higher demand for logistics space, which will help address mounting vacancies... **Jacksonville:** The industrial market, though soft, is proving more resilient than other Florida markets. Prospect activity is on the rise, and more leases are expected to be consummated in the second half of the year than in the first half...

Memphis: Deals signed in the second quarter include Nike for 817,000 square feet, Asics for 224,000 square feet, Rite Hite for 200,500 square feet and Cardinal Health for 210,600 square feet. Asics is soliciting proposals for another 900,000 square feet while Williams Sonoma has put 1.6 million square feet on the market for sublease...

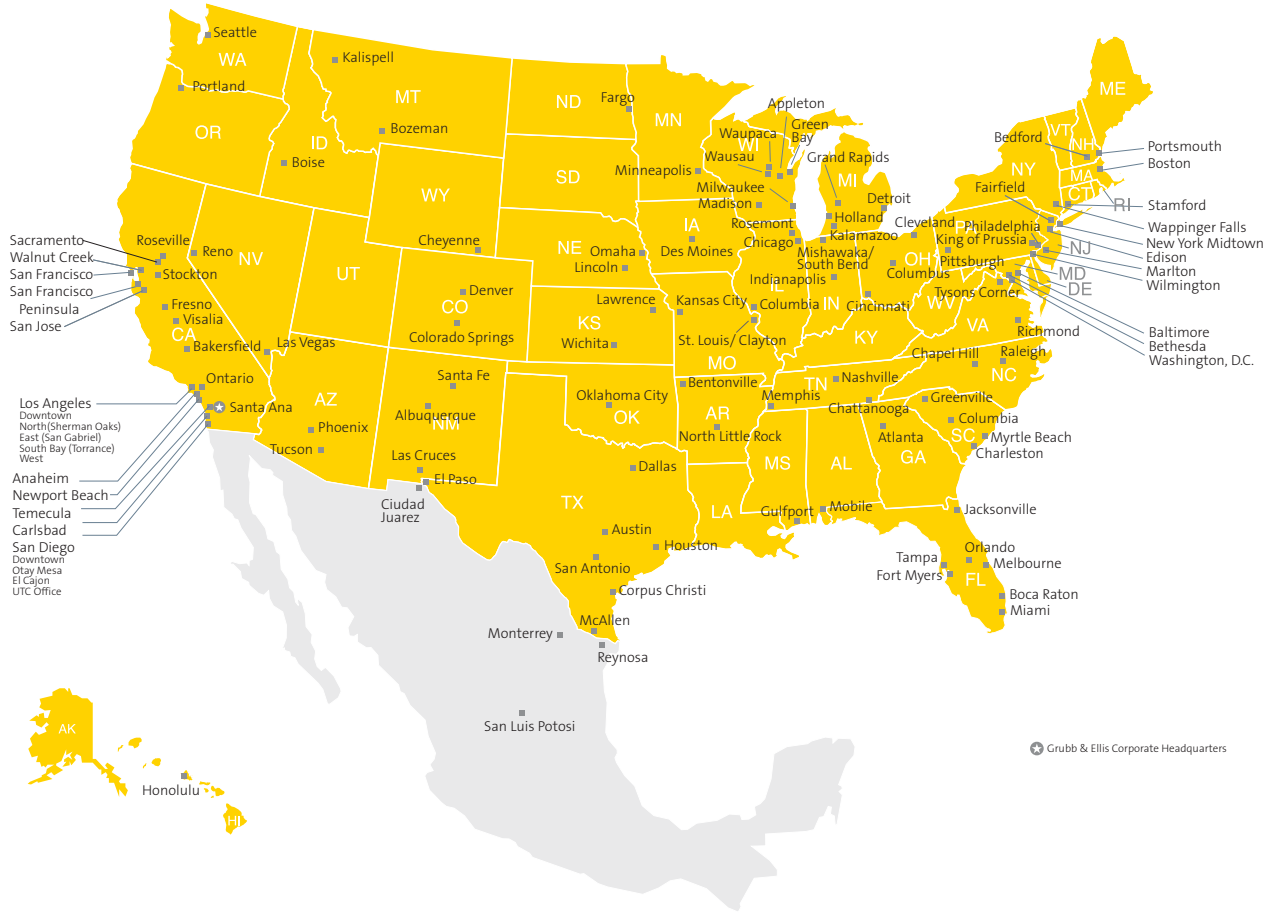
Miami/South Florida: As the third busiest U.S. airport for total freight and the top U.S. airport for international freight, Miami International Airport's freight volume is indicative of the tough challenges facing area logistics providers. Domestic freight tons at the airport were down 25 percent compared to 2008, while international freight tons—driven by the contracting Latin American and Caribbean economies—were down 23 percent... **Richmond:** Diamond Hill Plywood leased 150,000 square feet for distribution. Rolls Royce announced a massive campus development for manufacturing of small aircraft jet engines, which could provide a boost to the industrial market starting later this year.



Northeast/Mid-Atlantic

Baltimore: Access to the Port of Baltimore combined with proximity to I-95 and the rail system drive the logistics market. Volatile fuel costs and the recession are causing more companies to focus on efficiency... **Delaware:** Over 360,000 square feet of negative absorption has pushed vacancy further above the 15 percent mark this year. The absence of new construction will help stem a glut of supply when demand does return... **New Jersey, Central:** Companies downsized distribution operations, vacating nearly 4.8 million square feet (net) in the second quarter. Less than 200,000 square feet of warehouse product is being developed compared with nearly 1.9 million square feet at mid-2008... **New Jersey, Southern:** There are currently two build-to-suit projects underway that will generate positive absorption in the market by year-end. Overall vacancies are just north of 10 percent and will most likely dip below that mark before year-end, allowing landlords to maintain some level of control in their negotiations with tenants... **Philadelphia:** As if negative first-half absorption in excess of 700,000 square feet wasn't enough to keep landlords up at night, development activity has remained robust, adding to the general level of saturation in the market. Landlords have become aggressive in their attempts to win the deals still in the market, which are comprised primarily of food-service firms... **Pittsburgh:** Local economic development groups have worked hard to build the region's logistics infrastructure and get it on the radar screen of logistics companies, and their efforts are beginning to pay off. In the Westport area, building construction is underway for the Appliance Dealers Cooperative and Okinite... **Washington, DC:** Tenant demand has dropped significantly. Most activity has been along the I-95 Corridor from northern Virginia through suburban Maryland.

GRUBB & ELLIS OFFICE LOCATIONS



Logistics Market Trends

United States Q2 2009