North America Industrial Overview

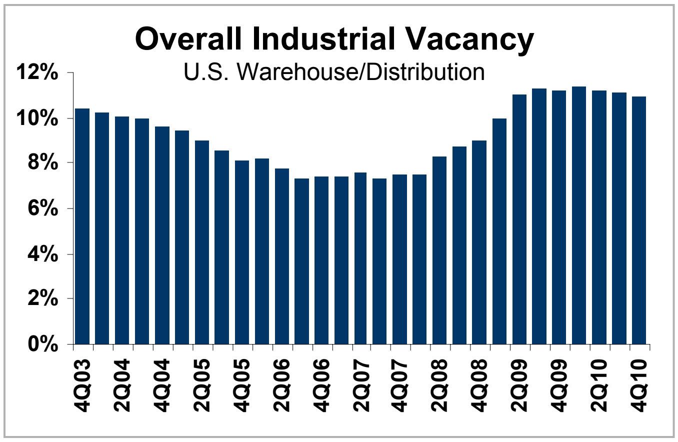
...in 7-Minutes

Cushman & Wakefield's seven-minute overview of the North American industrial markets was designed specifically for today's busy real estate professional. This overview provides readers a comprehensive look at key market drivers, trends, and statistics in a quick and easily digestible format.

The global economy is now nineteen months removed from the official end of the recession and the industrial real estate markets are starting to reflect this recovery. While the recovery remains slow and steady, market indicators continue to track upwards and many major markets across North America are experiencing increased leasing activity and positive absorption. Global trade—a key benchmark for the health of the industrial markets—is helping to drive the recovery, with several key metrics returning to pre-recession levels. C&W remains confident that this momentum will continue and that the industrial landscape will remain strong in 2011 and beyond.

United States

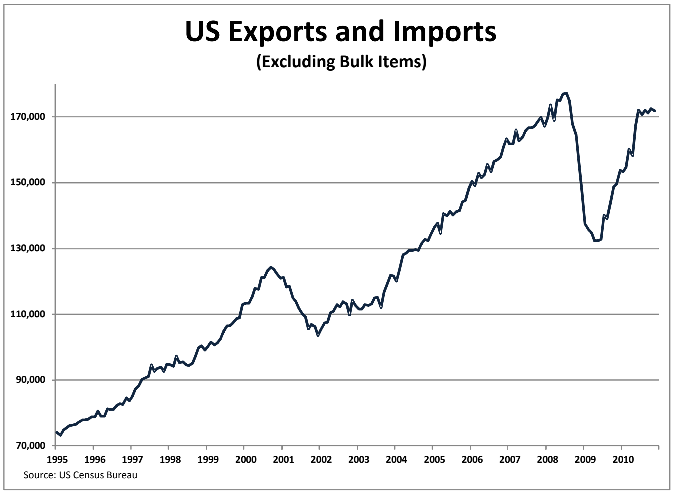
- The U.S. industrial vacancy rate has stabilized at 10.3% and overall absorption reported a positive 13.1 million sf in 2010 compared to a negative 125.2 million sf in 2009
- The Greater Los Angeles region led the nation with 37.7 million sf of new and expansion leasing activity in 2010 (not including renewals)
- New construction adding to existing industrial supply remains almost non-existent
- Both traffic in the 10 major ports and intermodal activity are up 17% over the previous year
- Three ports—Los Angeles, Long Beach, and Seattle—broke containerized cargo records in 2010 after one of the worst recessions in U.S. history
- U.S. ports are well positioned for increased container traffic, with most improving their infrastructure in preparation
- Increasing transportation costs, tight industrial labor markets, and "green" supply chain practices will drive network strategies going forward
- Volatile oil prices, capacity shortages, a looming driver shortage, regulatory uncertainties, and an improving economy have led industry analysts across all modes to one conclusion: Shippers will have to shoulder some of the burden associated with escalating transportation costs this year
- Manufacturing continues to recover; in December, ISM reported the 17th straight month of growth
- Developing economies with a need for equipment in both the construction and agricultural sectors are helping to fuel U.S. manufacturers
- Eighty-seven percent of 3PL CEO's polled noted that manufacturing customers have begun to move toward a near-shoring option in 2011
- The American Trucking Association's Truck Tonnage Index has increased 13.8% since the end of the recession, with October 2010 reaching the highest level since August 2008
- Major rail companies reported increased profits driven by an up-tick in shipper volume in the forth quarter of 2010



…7-Minute Overview

North America Economy

- Since January 2010, employment in the distribution industries has increased 107,000 jobs—accounting for nearly 10% of all the jobs added since the end of 2009, even though the industry accounts for only 5.9% of all jobs
- The U.S. Manufacturing sector continues to recover strongly. In 2010, U.S. industrial production increased 6.4% and has risen 12% since the recession ended in June 2009
- American consumers are starting to spend again with December sales returning to pre-recession levels; retail sales have increased six consecutive months and in 13 of the last 15 months
- Online retailers continue to grab market share from offline retailers, with online sales growing 14.4% during the forth quarter of 2010, according to the latest report from the U.S. Department of Commerce
- The U.S. trade deficit narrowed in the 4th quarter as U.S. exports rose 3.2% to the highest level since August 2008
- Imports and exports have jumped a total of 29.6% from June 2009 through June 2010. However, since then they have been virtually flat. Total imports and exports (excluding bulk items) as of November were 0.1% lower than the June total



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Canada

- Demand increased in the second half of 2010 with fourth quarter absorption of 3.7 million sf
- Seven out of ten Canadian industrial markets reported positive absorption over the fourth quarter
- Minimal new supply in 2010—only 3.9 million square feet—with about half being built in Vancouver where the sale of industrial strata units has been well received
- Consolidation was a trend in 2010 driving demand for large box distribution space, particularly in the Greater Toronto Area
- Moderate overall demand is expected in 2011 with western Canadian markets buoyed by rising commodity prices
- The overall vacancy rate fell over the fourth quarter to 6.7% from 6.9% last quarter
- Canada has now recovered more jobs than lost due to the recession; the unemployment rate fell to 7.6%, the lowest since January 2009

Mexico

- Mexican economic activity will be encouraged by the combination of stabilized demand, boosted confidence, and the impact of a pre-electoral year
- New foreign direct investment in Mexico went up 140% in 2010 when compared to the previous year, a remarkable rebound after the 35% drop from 2008 figures
- Export oriented industries show healthy signs of recovery, for example Mexican auto parts industry reached its highest share of total value of U.S. imports (31.2%)
- Overall fixed investment last figures report a 6.8% increase, including a 5.5% growth in construction.
- 730,350 new jobs were created in Mexico upon closing 2010, up 5.3% when compared to 2009
- Mexico will remain fundamentally linked to news on the performance of the U.S. economy, however the local economy will have an increasing role in overall performance