MARKETBEAT

PITTSBURGH INDUSTRIAL REPORT

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1Q09

ECONOMY

The economic recession dealt Pittsburgh's industrial sector a significant blow in the first quarter of 2009 with the announcements by General Motors and Sony that each would be closing area manufacturing locations. The region lost more than 20,000 jobs in the first quarter, with the majority coming from the manufacturing sector. Nationally, the only regions declining faster during the same period were Dallas and Virginia Beach – both of which had been relatively stable until recent months.

As the unemployment rate grew to 7.6% in the first quarter, the Pittsburgh region braced itself for further negative news as U. S. Steel announced it would postpone the $1.0 billion upgrades to its Clairton Works facility and reduced local operations to a fraction of its 2008 level.

Despite the decline in the manufacturing sector, the region received a considerable amount of positive news regarding new and redevelopment projects in the area. Work has begun on the former Dravo Engineering site on Neville Island. Once completed, the site will include 80,000 – 120,000 square feet (sf) of office and industrial flex space. The project is expected to take approximately 12 months. Starpointe Business Park received a state grant for nearly $420,000 to construct a 30,000-sf flex building to compliment its fully-leased site. And, William R. Kingston, a California businessman, announced in March that he plans to reopen a steel mill in Allenport, Washington County. The plant could employ 100 workers once upgrades to the mill are completed.

OVERVIEW

Demand for quality warehouse/distribution and flex space has pushed the average industrial rental rate to $5.05 per square foot for the first quarter 2009 despite negative overall absorption. In response to this demand, Trammell-Crow Co. broke ground on its 90-acre industrial park near the Pittsburgh International Airport. Once completed, the PIT International LogisticsCentre is expected to include several facilities totaling hundreds of thousands of square feet of warehouse and distribution space. The state has awarded the region with more than $2.0 million in economic stimulus to be used for brownfield cleanup and conversion, including the industrial Chapman Commerce Center in Pittsburgh's northeast corridor.

A state grant of $3.5 million enabled Johnson Mathey, a British-owned manufacturer of pollution control systems applications, to begin construction of a 151,000-sf plant in Fayette County that could employ 110 people when the company begins production at the site in the fourth quarter.

FORECAST

Leasing activity and absorption rates will continue to trail 2008 for the remaining first half of the year but should rebound slightly in the fourth quarter. Rental rates will remain competitive in response to the demand of large users currently shopping the market.

BEAT ON THE STREET

"While the economy has taken its toll on most area manufacturers and lenders, the vacancy rate for industrial properties continues to remain in single digits in most submarkets. Preferred geographic areas of the market continue to see activity, though somewhat dimished from past levels. Because of these relatively low vacancy rates, rental rates should remain constant."

– John M. Lisowski, Industrial Brokerage & Leasing Manager/Global Supply Chain Solutions

ECONOMIC INDICATORS

National	2008	2009F	2010F
GDP Growth	1.1%	-2.9%	1.8%
CPI Growth	3.8%	-1.0%	1.9%
Regional			
Unemployment	5.6%	7.6%	8.0%
Employment Growth	0.9%	-1.0%	0.5%

Source: Moody's | Economy.com

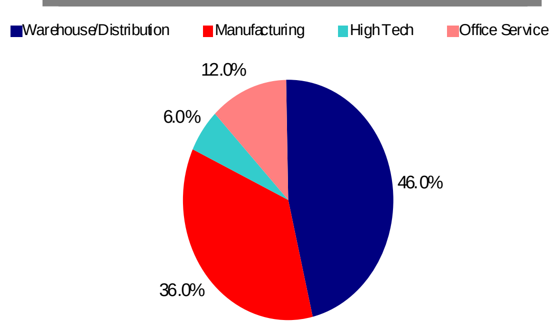
MARKET FORECAST

LEASING ACTIVITY dropped approximately 33.0% year-over-year for the first quarter 2009 and is expected to continue to decline through the second quarter.

DIRECT ABSORPTION should improve in the second half of the year with large users moving into new spaces.

CONSTRUCTION: Federal and state funding combined with increased demand will perpetuate new construction activity in 2009.

INVENTORY BY PROPERTY TYPE



GRANT STREET ASSOCIATES, INC.

MARKET/SUBMARKET STATISTICS

MARKET/SUBMARKET	INVENTORY	NO. OF BLDGS.	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE* HT	MF	OS	W/D
Fayette County	1,954,436	25	16.0%	0	0	0	(21,854)	N/A	N/A	N/A	$3.20
Monroeville	3,370,806	66	7.3%	7,293	0	0	(64,479)	$7.00	N/A	N/A	$6.01
Northeast Pittsburgh	13,319,293	222	3.8%	99,124	0	101,828	(53,126)	$7.30	$4.25	$8.30	$5.52
Oakland	47,670	2	0.0%	0	0	0	0	N/A	N/A	N/A	N/A
Parkway East	5,520,005	85	7.5%	45,100	0	0	40,820	$6.45	$4.00	$8.35	$4.36
Westmoreland County	10,375,558	112	12.9%	234,102	0	0	69,923	$7.00	$3.13	$7.00	$3.62
Pittsburgh East	**34,587,768**	**512**	**7.9%**	**385,619**	**0**	**101,828**	**(28,716)**	**$6.94**	**$3.79**	**$7.88**	**$4.54**
Beaver County	4,558,601	35	17.0%	49,405	0	0	0	N/A	N/A	N/A	$4.92
Parkway West	2,869,055	39	18.3%	68,670	0	0	(137,162)	$8.00	$3.20	$7.48	$5.13
West Pittsburgh	5,035,179	55	14.4%	70,500	0	0	10,500	$8.38	N/A	$7.00	$5.27
Pittsburgh West	**12,462,835**	**129**	**16.6%**	**188,575**	**0**	**0**	**(126,662)**	**$8.19**	**$3.20**	**$7.24**	**$5.11**
Butler County	6,940,583	100	5.7%	11,025	73,920	40,000	11,025	$7.50	$3.14	$7.76	$4.38
Greater Downtown	8,519,409	204	10.3%	38,850	41,095	0	45,230	$7.59	N/A	$7.65	$4.44
North Pittsburgh	9,969,637	200	5.7%	89,066	266,125	0	32,566	$8.40	$4.15	$8.15	$6.14
Pittsburgh North	**25,429,629**	**504**	**7.2%**	**138,941**	**381,140**	**40,000**	**88,821**	**$7.83**	**$3.65**	**$7.85**	**$4.99**
South Pittsburgh	8,214,144	67	13.0%	2,530	0	0	(907,740)	N/A	$4.25	$7.46	$3.50
Washington County	3,692,176	46	12.8%	0	45,500	0	(64,479)	$7.89	$5.00	$8.00	$6.85
Pittsburgh South	**11,906,320**	**113**	**12.9%**	**2,530**	**45,500**	**0**	**(972,219)**	**$7.89**	**$4.63**	**$7.73**	**$5.18**
TOTAL	**84,386,552**	**1,258**	**11.2%**	**715,665**	**426,640**	**141,828**	**(1,038,776)**	**$7.65**	**$3.82**	**$7.68**	**$4.95**

*Rental rates reflect $psf/year Inventory reported includes industrial properties that are 10,000 square feet or greater in size.

HT = High Tech MF = Manufacturing OS = Office Service W/D = Warehouse/Distribution

MARKET HIGHLIGHTS

SIGNIFICANT 1Q09 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
Turnpike Distribution Center One	Beaver County	YRC Logistics	125,000	Warehouse/Distribution
100 Alon Way	Westmoreland County	N/A	28,567	Warehouse/Distribution
1060 Montour West Industrial Park	Parkway West	Draeger Interservices	25,290	Warehouse/Distribution
SIGNIFICANT 1Q09 SALE TRANSACTIONS				
BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
1335 S. Main Street - Huttig Building Products	Westmoreland County	Jodaron Realty, Inc.	55,472	N/A
500 Dargen Street	Greater Downtown	Capital Core Investment Group, LLC	46,316	$375,000
Creekside Industrial Park	I-75 South	Cobalt Capital	877,500	$530,000
SIGNIFICANT 1Q09 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
23rd Street Extension, Building B	Northeast Pittsburgh	N/A	101,828	1/09
3500 Smallman Street	Greater Downtown	N/A	41,905	2/09
14 Bayhill Drive, Building 6	Westmoreland County	N/A	32,080	3/09
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
PIT International LogisticsCentre	West Pittsburgh	N/A	500,000	1/10
Fayette Business Park	Fayette County	Johnson Mathey	151,000	12/09
4800 Grand Avenue, Neville Island	North Pittsburgh	N/A	120,000	11/09

GRANT STREET ASSOCIATES, INC.

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*Market terms & definitions based on BOMA and NAIOP standards.