MARKETBEAT

PITTSBURGH INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

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2Q10

ECONOMY

In the second quarter of 2010, the Pittsburgh market was able to build on stability and recovery seen in the previous quarter. Ongoing expansion of high-tech employer, Westinghouse, has assisted in bringing jobs to the area and further expanding the Butler county submarket. Analysts predict that the recent trend toward higher oil prices will result in an expansion of global companies to re-optimize their distribution networks. This will call for higher distribution space demand in the future.

The Marcellus Shale industry continues to expand with new British and Asian investments aimed at boosting the development of the region's natural gas field. EXCO Resources Inc., a Dallas-based company, announced a $950 million joint venture deal with British company BG Group to develop its acreage. Other similar deals are indicative of rising interest from international operators and investors in the Western Pennsylvania region.

OVERVIEW

Pittsburgh's industrial market maintained a combined average asking rental rate of about $6.50 per square foot triple net (psf/NNN), up 18% from the second quarter of 2009. We began to see increased leasing activity with 1.8 million square feet (msf) leased, up 90% from the previous quarter alone. The vacancy rate decreased to 9.9% with less than 8.9 msf vacant and available. Net absorption totaled a positive 436,808 sf.

Significant transactions that took place during the quarter included the $2.6M sale of 1241 Freedom Road in the Butler submarket, purchased by Industrial Business Brokers as an investment property. Arch Logistics LLC, a supplier of food packaging and supplies, leased 100,000 sf of space in North Pittsburgh's Leetsdale Industrial Park as part of its expansion in the Pittsburgh area.

Efforts have begun for a cargo-oriented development at Pittsburgh International Airport. Developers hope to build 850,000 sf of warehouse, distribution and air cargo buildings in hopes of attracting Asian companies. This will be a great asset in attracting business to the Pittsburgh airport and will be funded through state and federal grants.

FORECAST

As we move into the second half of the year, we expect to see leasing activity continue to increase and follow the trend set with the current quarter's dramatic growth. New construction is not expected to commence in the upcoming months. While demand for space in the region has been very strong, lack of available space and topography challenges will present difficulties for both developers and businesses.

BEAT ON THE STREET

"Industrial demand in the Pittsburgh market has increased recently, but the lack of quality product and new development has slowed overall leasing activity. The region's topography presents unique challenges for developers, raising new construction costs and reducing profitability. Despite this hindrance, we anticipate an increase in deal-making activity over the next 12 months."

-Scott Astorino, Brokerage and Leasing Manager

ECONOMIC INDICATORS

National	2009	2010F	2011F
GDP Growth	-2.4%	3.1%	3.9%
CPI Growth	-0.3%	1.8%	2.1%
Regional			
Unemployment	7.4%	8.7%	8.8%
Employment Growth	-2.5%	-0.3%	1.3%

Source: Moody's | Economy.com

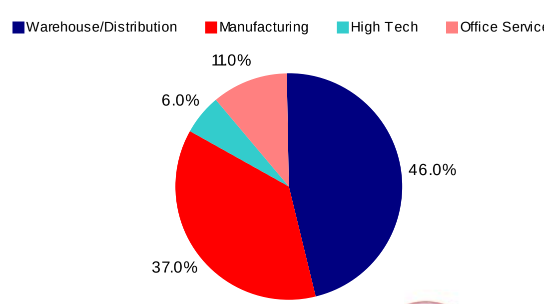
MARKET FORECAST

LEASING ACTIVITY has increased significantly this quarter and is expected to remain stable throughout the second half of the year.

DIRECT ABSORPTION increased and is expected to remain positive through the end of 2010.

CONSTRUCTION: Rising overall construction costs and limited supply of available space will limit the amount of projects that break ground in 2010.

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	2,352,771	27	15.5%	0	0	0	21,681	N/A	$2.50	N/A	$3.95
Monroeville	1,544,322	37	13.4%	63,538	0	0	19,038	N/A	N/A	N/A	$6.69
Northeast Pittsburgh	12,417,127	150	3.9%	139,511	0	0	(6,190)	$8.30	$3.75	$8.30	$6.60
Oakland	273,572	10	6.1%	0	0	0	0	N/A	N/A	N/A	N/A
Parkway East	9,730,390	121	8.8%	50,840	0	0	8,376	N/A	$3.50	$4.50	N/A
Westmoreland County	15,651,377	133	9.0%	449,718	0	45,000	100,939	$7.00	$3.23	$6.00	$4.56
Pittsburgh East	**41,969,559**	**478**	**9.5%**	**703,607**	**0**	**45,000**	**143,844**	**$7.65**	**$3.25**	**$6.27**	**$5.45**
Beaver County	5,440,150	38	15.4%	86,300	0	0	104,400	N/A	N/A	N/A	$5.00
Parkway West	5,175,487	55	19.4%	182,411	0	0	10,000	$7.55	$5.00	$7.60	$5.14
West Pittsburgh	6,779,017	69	7.0%	159,518		0	(17,000)	N/A	$5.00	$9.25	$7.05
Pittsburgh West	**17,394,654**	**162**	**13.9%**	**428,229**	**0**	**0**	**97,400**	**$7.55**	**$5.00**	**$8.43**	**$5.73**
Butler County	7,526,784	72	7.8%	118,212	122,908	50,000	121,386	$9.35	N/A	$12.50	$6.00
Greater Downtown	12,655,923	165	9.4%	113,701	0	0	(12,895)	N/A	N/A	N/A	$4.19
North Pittsburgh	3,766,318	56	3.2%	233,006	0	0	133,265	$10.00	$4.16	$11.72	$5.00
Pittsburgh North	**23,949,025**	**293**	**6.8%**	**464,919**	**122,908**	**50,000**	**241,756**	**$9.68**	**$4.16**	**$12.11**	**$5.06**
South Pittsburgh	1,499,736	21	2.6%	68,825	0	0	49,325	$8.00	$3.62	$8.00	$3.90
Washington County	5,356,961	52	16.1%	105,956	129,917	0	(81,200)	N/A	$3.25	$9.00	$4.30
Pittsburgh South	**6,856,697**	**73**	**9.4%**	**174,781**	**129,917**	**0**	**(31,875)**	**$8.00**	**$3.44**	**$8.50**	**$4.10**
TOTAL	**90,169,935**	**1,006**	**9.9%**	**1,771,536**	**252,825**	**95,000**	**451,125**	**$8.22**	**$3.71**	**$8.83**	**$5.09**

*Rental rates reflect $psf/year

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

MARKET HIGHLIGHTS

SIGNIFICANT 2Q10 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
601 West Park Road	North Pittsburgh	Bunzl Distribution USA, Inc.	100,000	Warehouse/Distribution
1241 Freedom Road	Buter	Pitt Auto Electric Company	95,914	Warehouse/Distribution
112 Technology Drive	Parkway West	HVL Incorporated	50,400	Warehouse/Distribution

SIGNIFICANT 2Q10 SALE TRANSACTIONS				
BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
1241 Freedom Road	Butler	Industrial Business Brokers	57,608	$2,600,000
6005 Enterprise Court	Westmoreland	Ralph A. Hiller Co.	60,000	$1,500,000
2351 Mt. Pleasant Road	Westmoreland	Pittsburgh Trading Company, Inc.	10,000	$537,500

SIGNIFICANT 2Q10 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Pennwood Commons- Phase 1	Butler County	Talisman Energy	50,000	5/10

SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Four Coins Drive	Washington County	N/A	57,700	10/10
7225 North Noah Drive	Butler	BeamOne	25,000	12/10

GRANT STREET
ASSOCIATES, INC.

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