MARKETBEAT

PITTSBURGH INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

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4Q10

ECONOMY

During the fourth quarter of 2010, Pittsburgh's economy continued its steady path toward recovery. The market finished off the year with an unemployment rate of 8%, well below the national rate of 9.7%. The strong presence of healthcare-related employers and educational institutions continue to help sustain steady employment throughout the region.

Marcellus Shale drilling and exploration continue to attract new companies and development in the region. To date, nearly a dozen companies have located in Westmoreland County to work alongside drilling companies and the number is expected to increase significantly with as many as 4,000 jobs being created in the next 5-10 years. Export-based Dura-bond Industries will open a 55,000-square foot (sf) pipe-coating facility along the Monongahela River by mid-2011 which will create up to 85 new jobs.

Westmoreland County has received a $10-million state grant to rehabilitate the former Sony plant. The building previously housed a Volkswagen auto assembly plant and Sony television assembly operations facility. Solar Power Industries and a former division of Sony, DNP, will take over 500,000 sf while Westmoreland County Community College will use a portion of the building to house a work force technology training program.

OVERVIEW

Industrial vacancy rates decreased to 9.2%, down from 10.5% at the beginning of the first quarter of 2010 which signals increased demand and activity in the market. The average rental rate rose to $7.01 per square foot triple net (psf/NNN), up almost 3% from the previous quarter. A shortage of quality industrial space coupled with steady demand has increased rental rates throughout the previous three quarters of the year.

Leasing activity in the market for the year totaled 2.86 million square feet (msf), for a growth of 12% over the previous year. The market also experienced a year-to-date positive absorption of 1.2 msf. Construction activity has remained relatively stagnant throughout the year as a result of the tight lending environment.

Among the largest lease transactions of the year were Bunzl Distribution USA's 100,000-sf warehouse lease at Leetsdale Industrial Park and Forms & Surfaces' 95,417-sf lease at 475 Butler Street in North Pittsburgh.

OUTLOOK

As the Marcellus Shale initiative expands, Pittsburgh will continue to be seen as an attractive market for gas and drilling companies. The large amount of federal and state funding for these companies will ensure that the demand for high-quality industrial space continues to increase in 2011.

BEAT ON THE STREET

"As vacancy rates for industrial space continue to shrink, it will become increasingly difficult for new companies entering the market to find suitable space unless local developers react quickly and take advantage of the market."

-John Lisowski, Industrial Leasing Manager

ECONOMIC INDICATORS

National	2009	2010	2011F
GDP Growth	-2.6%	2.8%	2.8%
CPI Growth	-0.3%	1.6%	1.5%
Regional			
Unemployment	7.40%	8.51%	9.13%
Employment Growth	-2.5%	-.02%	0.7%

Source: Moody's | Economy.com

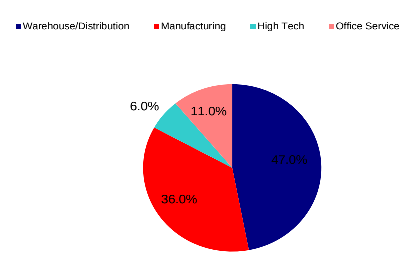
MARKET FORECAST

LEASING ACTIVITY should increase in 2011 as Marcellus Shale-related companies move into the region.

DIRECT ABSORPTION will increase along with leasing activity in 2011. There will continue to be high demand for quality space.

CONSTRUCTION activities will remain constant and accommodate large build-to-suit users rather than speculative opportunities.

INVENTORY BY TYPE



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MARKET/SUBMARKET STATISTICS

MARKET/SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES	UNDER CONST.	YTD CONST. COMPLETIONS	YTD DIRECT ABSORPTION	YTD OVERALL ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE* HT	MF	OS	WD
Monroeville	712,176	9.2%	75,325	0	0	0	61,243	61,243	$7.33	N/A	N/A	$8.73
Northeast Pittsburgh	12,606,647	2.8%	212,063	128,000	25,000	0	(49,464)	(49,464)	$7.89	$4.05	N/A	$7.89
Oakland	235,784	7.7%	0	0	0	0	0	0	N/A	N/A	N/A	N/A
Parkway East	8,783,558	6.6%	81,546	84,175		0	(424)	(36,274)	$7.01	N/A	N/A	$6.48
Westmoreland County	17,431,658	6.5%	337,278	119,250	0	51,525	497,029	497,029	$7.50	$2.94	$6.95	$5.93
Pittsburgh East	*39,769,823*	*6.6%*	*706,213*	*331,425*	*25,000*	*51,525*	*508,384*	*472,534*	*$7.43*	*$3.50*	*$6.95*	*$7.26*
Beaver County	5,962,296	15.5%	136,300	55,696	0	0	(2,800)	(7,400)	N/A	N/A	N/A	$4.85
Parkway West	3,762,516	12.6%	119,110	177,127	0	0	95,336	95,336	$8.48	$4.15	$8.31	$6.45
West Pittsburgh	8,453,408	6.8%	315,039	48,352	0	0	81,686	81,686	$9.08	$4.90	$10.82	$7.21
Pittsburgh West	*18,178,222*	*11.6%*	*570,449*	*281,175*	*0*	*0*	*174,222*	*169,622*	*$8.78*	*$4.53*	*$9.57*	*$6.17*
Butler County	8,490,662	8.3%	451,156	10000	50,000	50,000	321,715	321,715	$9.83	$5.85	$9.58	$8.96
Greater Downtown	11,763,082	8.3%	405,295	189658	0	0	103,890	103,890	$9.75	N/A	$8.94	$7.75
North Pittsburgh	12,983,684	6.3%	411,369	85,603	52,500	197,120	272,083	272,083	$9.35	$3.50	$10.00	$6.79
Pittsburgh North	*33,237,428*	*7.6%*	*1,267,820*	*285,261*	*102,500*	*247,120*	*697,688*	*697,688*	*$9.64*	*$4.68*	*$9.51*	*$7.83*
Fayette County	2,509,395	10.4%	87,500	0	0	0	(368,196)	(131,887)	N/A	N/A	N/A	$4.96
South Pittsburgh	11,449,847	9.6%	97,584	0	28,000	0	73,324	24,442	$7.85	N/A	$10.40	$5.09
Washington County	6,128,639	13.3%	117,000	0	14,625	0	(68,536)	(68,536)	$8.60	$3.50	$9.00	$6.85
Pittsburgh South	*20,087,881*	*11.1%*	*302,084*	**0**	*42,625*	*0*	*(363,408)*	*(175,981)*	*$8.23*	*$3.50*	*$9.70*	*$5.63*
Total	**94,664,746**	**9.2%**	**2,846,566**	**897,861**	**170,125**	**298,645**	**1,016,886**	**1,163,863**	**$8.52**	**$4.05**	**$8.93**	**$6.72**

*Rental rates reflect $psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 2010 LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG TYPE
Leetsdale Industrial Park-Bldg 601	North Pittsburgh	Bunzl Distribution USA, Inc.	100,000	Warehouse
Gateway View Plaza	South Pittsburgh Ind	ModCloth, Inc.	97,914	Manufacturing
475 Butler Street	North Pittsburgh	Forms & Surfaces	95,914	Warehouse
1592 Roseytown Road	Westmoreland County	Respironics, Inc.	77,980	Warehouse

SIGNIFICANT 2010 SALE TRANSACTIONS				
BUILDING	SUBMARKET	Buyer	SQUARE FEET	PURCHASE PRICE
1926 Baldridge Avenue	Fayette County	Ronald Amati	260,000	$750,000
106 Bell Avenue, Former JT Reyerson	Parkway West	Sumar, LLC	259,500	$3,000,000
12 Feed Mills Road, Former Mars Petcare	Fayette County	Magnablend, Inc.	75,000	$1,250,000

SIGNIFICANT 2010 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Four Coins Drive	Washington County	N/A	57,700	4Q10
Pennwood Commons- Phase 1	Butler County	Talisman Energy	50,000	2Q10

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
4800 Grand Avenue	West Pittsburgh	ABC Corp.	90,000	1Q11

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*The market terms and definitions in this report are based on NAIOP standards.