

NEWS RELEASE

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Contact: Kristin Sadlon
Porter Novelli for Colliers
212-601-8192
Kristin.sadlon@Porternovelli.com

Industrial Real Estate Market Shows Further Weakening at Midpoint of 2008, According to Colliers International's Second Quarter Industrial Report

Boston, MA, August 4, 2008 – The U.S. warehouse market contracted considerably during the second quarter of 2008, posting a drop in absorption and a sizeable increase in vacancy, according to Colliers International, a leading global real estate services firm. This notable weakness suggests that the market for warehouse space will be further challenged in 2008, due to a slowing U.S. economy.

A combination of weak demand and rising completions pushed the Q2 vacancy rate up 34 basis points to register 8.52 percent. As for individual metro areas, 36 markets experienced an increased vacancy rate while 20 saw vacancies go down.

In terms of new construction, 40.9 million square feet (msf) was completed during the April through June period – down from the 44.4 msf injected during Q1. Year-ago second quarter completions came in at 39.6 msf.

Industrial developments under construction jumped noticeably during the second quarter, registering 124.4 msf of space. This compares with 115.4 msf at the end of the first quarter and 145.8 msf for the year-ago quarter.

Absorption took a sharply negative turn in Q2 2008 – posting its first downward swing since Q1 2003. Occupied space declined by 9.6 msf in the second quarter – in stark contrast with the 12.0 msf of absorption recorded during the January through March period. During the second quarter of last year, absorption came in at 36.5 msf.

“There’s clearly a considerable amount of negative sentiment swirling around the warehouse leasing market at this time,” remarked Ross Moore, executive vice president

and director of market & economic research at Colliers International. “A wait-and-see attitude prevails as companies seek a better sense of where the economy is going before making any new lease commitments. This is hampering any significant forward movement for the industrial sector. That said, the export sector remains a bright spot, showing it’s not all doom and gloom for industrial.”

Many demand drivers posted downward swings during the second quarter – however, the July ISM (Institute for Supply Management) manufacturing index registered 50.0, which suggests that the manufacturing sector is suffering only “minor” contraction. That said, construction, housing, and the auto and retail sectors all continue to face downward pressure as we enter Q3.

Rents for industrial space were marginally lower during the second quarter, with a 1.3 percent decrease bringing the national average to \$5.52 per square foot (psf). This marks a 0.7 percent decrease from the year-ago period, as at this time last year, rents registered \$5.56 psf.

Industrial Space – Vacancy, year-over-year

MARKET	VACANCY RATE JUNE 30, 2007 (%)	VACANCY RATE JUNE 30, 2008 (%)
Atlanta, GA	11.5	11.7
Bakersfield, CA	2.7	5.4
Baltimore, MD	15.9	17.8
Boise, ID	5.8	6.6
Charleston, SC	5.1	7.1
Charlotte, NC	9.0	7.3
Chicago, IL	8.9	9.4
Cincinnati, OH	6.3	6.8
Cleveland, OH	9.3	7.7
Columbia, SC	3.8	2.9
Columbus, OH	10.6	11.2
Dallas-Ft. Worth, TX	9.9	9.7
Denver, CO	7.2	7.2
Detroit, MI	14.4	13.2
Fairfield, CA	-	11.6
Fresno, CA	5.9	6.0
Ft. Lauderdale, FL	4.4	5.9
Greenville, SC	10.1	9.9
Hartford, CT	10.2	9.9
Honolulu, HI	2.2	4.0
Houston, TX	7.1	6.2

Indianapolis, IN	6.6	8.0
Jacksonville, FL	5.5	7.1
Kansas City, MO	7.7	6.5
Las Vegas, NV	4.7	9.1
Little Rock, AR	18.1	15.2
Los Angeles - Inland Empire, CA	5.0	9.9
Los Angeles, CA	3.0	3.3
Louisville, KY	7.4	7.6
Memphis, TN	14.7	13.9
Miami, FL	4.5	6.2
Milwaukee, WI	7.3	7.5
Minneapolis, MN	11.5	11.4
Nashville, TN	5.2	6.2
New Jersey - Central	8.1	7.8
New Jersey - Northern	6.6	6.5
Oakland, CA	5.6	7.6
Orange County, CA	3.7	4.4
Orlando, FL	5.3	8.4
Philadelphia, PA	8.0	8.6
Phoenix, AZ	9.7	13.9
Pleasanton/Walnut Creek, CA	8.4	9.2
Portland, OR	7.0	7.4
Raleigh, NC	16.9	18.1
Reno, NV	6.4	10.2
Sacramento, CA	11.6	10.5
San Diego, CA	8.1	8.5
San Francisco Peninsula- San Mateo, CA	4.1	5.1
San Jose/Silicon Valley, CA	9.3	10.0
Santa Rosa/Sonoma County, CA	-	10.3
Seattle, WA	7.4	6.3
St. Louis, MO	5.7	6.6
Stockton/San Joaquin County, CA	9.7	11.8
Tampa Bay, FL	5.1	6.7
Washington, DC	9.4	10.5
West Palm Beach, FL	6.0	8.6
US	8.2	8.5

About Colliers

Colliers International is a global affiliation of independently owned commercial real estate firms. The organization's 11,000 employees span the world in 293 offices in 61 countries. On a worldwide basis, Colliers manages 868,000,000 square feet, and has revenue of \$US 2.0 billion. For more information, visit www.colliers.com.

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