

*100,000 SF Light Industrial Manufacturing Facility: a. 10% Office b. 2,500 KVA Electrical c. Block and Metal or Concrete Tilt Construction d. Standard Facility-Normal Operating Condition	REAL ESTATE					LABOR		TRANSPORTATION		
	*Industrial Facility Lease Rate: Low-High (\$/SF/NNN/Annual)	*Industrial Facility Construction Cost Shell: Low-High (\$/SF)	Industrial Park Land Cost: Low-High (\$/Acre)	Number of Available Industrial Facilities >100,000 SF	Industrial Vacancy Rate: (%)	Unemployment Rate: (%)	Average Production Line Salary with Benefits: Unskilled/Skilled (\$/Hour)	Rail Served Industrial Areas (%)	Distance to Closest Commercial Seaport (Miles)	Average Full Trailer (\$/Mile)

CANADA

Calgary	3.00 - 7.50	32.00 - 45.00	140,000 - 300,000	5	5.2	4.7	8.00/16.00	30	600	1.00
Edmonton	3.50 - 7.25	40.00 - 55.00	90,000 - 250,000	6	4.0 - 5.0	3.0	21.13	N/A	507	1.06
Montréal	3.00 - 5.00	30.00 - 40.00	95,000 - 150,000	22	5.5	6.8	11.00/18.00	30	Port City	1.00
Ottawa	4.13 - 6.00	60.00 - 82.50	45,000 - 225,000	10	8.2	7.2	N/A	10	60	1.00
Toronto	3.00 - 6.50	40.00 - 70.00	100,000 - 500,000	96	6.0	7.8	12.00/18.00	30	Port City	1.00
Vancouver	3.50 - 7.00	35.00 - 50.00	200,000 - 650,000	2	2.5	7.1	10.00/18.00	> 30	Port City	1.00

U.S.A.

Atlanta	2.70 - 3.50	25.00 - 30.00	65,000 - 135,000	129	16.2	4.1	9.25/15.20	25	252	2.00
Buffalo/Niagara Falls	3.50 - 6.00	20.00 - 40.00	30,000 - 100,000	12	7.0	5.0	8.38/17.51	40	Port City	N/A
Baltimore	3.00 - 10.00	25.00 - 45.00	100,000 - 500,000	59	12.8	4.5	13.67/23.90	20	Port City	1.20 - 1.70
Chicago	3.25 - 4.25	30.00 - 35.00	108,900 - 304,920	311	11.0	5.8	7.70/16.02	17	800	1.35
Cleveland	2.50 - 4.50	30.00 - 40.00	70,000 - 150,000	77	9.7	6.4	10.86/18.34	> 20	Port City	N/A
Dallas/Ft. Worth	2.50 - 3.35	25.00 - 26.00	65,000 - 150,000	225	12.9	5.4	9.39/15.31	45	250	3.00 - 5.00
Denver	1.95 - 7.00	45.00 - 65.00	108,900 - 348,480	44	8.0	4.9	13.25 /24.74	20	1,100	1.35 - 1.40
Detroit	2.50 - 7.00	30.00 - 50.00	130,680 - 304,920	150	10.0	7.0	11.00/32.00	10	Port City	1.20
Houston	1.80 - 9.75	28.00 - 40.00	80,000 - 275,000	95	7.6	5.7	14.31/19.40	15	Port City	1.50
Los Angeles†	4.00 - 8.10	37.00 - 55.00	445,000 - 1,428,000	96	3.9	5.1	12.34	8	0 - 35	1.31 - 1.70
Memphis	2.00 - 3.15	27.00 - 32.00	65,000 - 95,000	79	18.4	6.0	11.58/16.10	15	729 river miles	3.70
Miami	3.00 - 6.60	48.00 - 57.00	225,000 - 750,000	45	13	6.2	8.00/28.00	12	Port City	2.82
New Orleans	1.95 - 4.75	20.00 - 30.00	108,900 - 479,160	3	9.8	5.1	8.95/17.46	50	Port City	1.65
New York	7.25 - 11.00	50.00 - 60.00	750,000 - 1,000,000	24	5.1	5.0	7.60/17.00	< 10	Port City	1.15 - 1.95
Newark	2.40 - 4.80	40.00 - 50.00	150,000 - 300,000	3	6.0	6.1	9.10/18.20	40	Port City	1.75
Philadelphia	2.25 - 6.98	50.00 - 65.00	84,000 - 350,000	200	13.0	5.4	9.60/21.36	15	6.5	N/A
Phoenix	3.91 - 13.00	25.00 - 60.00	108,900 - 742,520	38	11.1	4.1	12.00/20.00	3	385	1.15 - 1.95
San Francisco Bay Area††	3.36 - 12.48	50.00 - 200.00	435,600 - 1,000,000	27	8.23	4.30	6.90/12.00	> 50	Port City	4.00 - 5.00
Seattle	3.80 - 5.50	40.00 - 57.00	196,000 - 784,000	23	7.6	5.7	8.85/22.30	5	Port City	1.86
St. Louis	3.00 - 5.40	30.00 - 40.00	110,000 - 150,000	10	8.9	5.8	14.00/18.00	5	350; 5 miles to Mississippi River	2.25

MEXICO

Guadalajara	5.04 - 5.52	18.00 - 27.00	160,000 - 400,000	3	10.0	3.0	1.75/2.50	10	160	1.50
Juarez	3.72 - 5.40	20.00 - 25.00	150,000 - 205,000	9	8.5	1.2	2.00/2.70	0	800	1.00
Matamoros	4.20 - 6.24	20.00 - 22.00	69,000 - 90,000	1	10.0	8.0	1.10/1.90	40	20	0.90 - 1.10
Mexicali	2.88 - 5.04	18.00 - 22.00	97,123 - 283,277	3	9.0	4.0	1.80/2.55	40	180	1.00
Mexico City	3.56 - 6.90	15.75 - 29.25	158,000 - 1,619,125	170	20.0	7.5	0.93/1.50	5	262	1.71
Monterrey	3.60 - 6.60	18.00 - 22.00	89,030 - 485,618	8	4.0	2.2	1.70/2.55	30	360	1.00
Nuevo Laredo	4.20 - 6.48	20.00 - 22.00	73,000 - 90,000	2	11.0	8.0	1.00/1.75	60	235	0.90 - 1.10
Reynosa	4.20 - 6.48	20.00 - 22.00	77,000 - 105,000	6	8.0	4.0	1.00/1.50	50	82	0.90 - 1.10
Tijuana	2.88 - 5.40	18.00 - 22.00	161,872 - 404,682	6	7.0	7.0	1.90/2.65	10	60	1.05

FOOTNOTES & COMMENTS:

All costs are reflected in US\$ amounts. Data was compiled in February, 2005.
 † The information for Los Angeles is limited to Los Angeles County. However, the Greater Los Angeles Marketplace includes Orange, San Bernardino and Riverside (Inland Empire), Ventura and Southern Kern Counties. Expanded market information is available from NAI Capital by contacting (800) 468-2618.
 †† The information for San Francisco includes the nine Bay-area counties of Alameda, Contra Costa, San Francisco, San Mateo, Santa Clara, Marin, Solano, Napa and Sonoma.

This index is intended to provide a snapshot look at relative costs and rates across North America's key industrial markets. The creators of the index realize that actual costs and rates associated with specific manufacturing facilities will vary widely, given the many variables at play from industry to industry and facility to facility.

With that in mind, several assumptions have been built into the model in order to standardize index content from market to market and category to category as much as possible. The real estate categories assume a 100,000-sq.-ft. (9,290-sq.-m.) light manufacturing facility, 10 percent of which is office space, and block-and-metal or concrete tilt construction. The average full trailer transportation category on the far right assumes a 500-mile (805 km.) journey.

Expert commentary from Linneman Associates (www.linnemanassociates.com), a real estate strategy and economic consulting firm, follows on page 130.

Do you require additional market information and analysis? Please direct inquiries to: naustrialindex@naiglobal.com.

A version of this Index appears at www.siteselection.com and www.naiglobal.com.

Sources: Site Selection Magazine and NAI Global.

Linneman Associates considered four factors in determining which markets offer the greatest opportunity: macroeconomic factors; real estate market conditions; labor market conditions; and transportation and logistics. With the global demand for goods growing and cross-border commerce on the rise, we continue to be optimistic about the industrial sector.

The U.S. manufacturing sector continues a strong rebound, with durable goods manufacturing rising by 8.3 percent over the past year, while nondurable goods manufacturing rose by 5 percent. Also, as corporate profits have rebounded, companies are increasingly willing to spend to improve productivity. Manufacturing capacity utilization continues to improve and is roughly 210 basis points higher than a year ago. This strengthening will continue as the recovery continues. Surprisingly, manufacturing and retail inventories remain below trend. As a result, inventory restocking will fuel manufacturing activity in 2005. Worker productivity levels remain strong and will continue to grow at 2.5 percent over the next two years.

Based upon the lease-rate data contained in the *Site Selection/NAI Industrial Index*, there does not appear to be a clear cost advantage to leasing industrial property in Mexico or Canada versus the U.S. In fact, aside from a few notable high-end U.S. outliers, such as Baltimore, New York, Phoenix and San Francisco, most markets fall into

the \$3-7 (NNN) per square foot range, regardless of national borders.

From a construction cost perspective, Mexican markets are consistently at the lower end of the cost range, in comparison to markets in Canada and the U.S. However, land costs are generally comparable across borders, once again with the notable exceptions of Los Angeles, New York, San Francisco and Mexico City. Investors often lose

Commentary

sight of the fact that replacement cost (at reasonable land values) is the key to successful investing in industrial properties, as it is generally not a complicated product to create. Rental rates fall when markets are oversupplied, and because of the short development cycle for industrial product, supply shortages generally do not last very long. As a result, industrial property down-cycles tend to last longer than the up-cycles.

Using a 6-7 percent vacancy rate as a benchmark for an industrial market that is "in balance," we observe that the Canadian markets are in better balance than the U.S. and Mexican markets. However, we continue to track the large number of industrial facilities with greater than 100,000 available square feet (9,300 sq. m.) in Toronto. This figure has declined since our last survey (September 2004), from 102 to 96 properties, but is

still relatively high. Of the U.S. survey markets, only Buffalo, Los Angeles, New York and Newark appear to be in balance, while Memphis, Atlanta and Philadelphia are notably oversupplied. In Mexico, only Monterrey and Tijuana fall below the 7 percent level, while Mexico City continues to suffer from a 20-percent vacancy rate.

Turning to labor costs, Mexico holds the clear cost advantage, with average production line wages running \$1-3 per hour, versus \$7-30 per hour in the U.S., and \$8-18 per hour in Canada. Given its lower standard of living, labor costs are the main factor which makes the overall cost of doing business in Mexico significantly lower than its northern neighbors.

Examining comparable transportation costs, with the exceptions of Guadalajara (\$1.50/mile) and Mexico City (\$1.71/mile), it costs about \$1 per mile to ship a full trailer in both Canada and Mexico. In contrast, comparable shipping costs in the U.S. range from \$1.15 per mile to as much as \$5 per mile. Note though, that many of the U.S. cities with higher transportation costs are port cities, while the Mexican markets are often hundreds of miles from the nearest port. We continue to expect oil prices to fall to roughly \$30 per barrel by the end of 2005, absent meltdowns in Saudi Arabia, Kuwait, Russia, Iraq or Iran.

— Linneman Associates
www.linnemanassociates.com