

*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	45.00 - 60.00	125,000 - 350,000	6	4.0 - 5.0	3.0	21.13	N/A	507	1.06
Montréal	3.00 - 5.00	30.00 - 40.00	110,000 - 200,000	12	4.5	8.1	11.00/18.00	20	Port City	1.00
Ottawa	5.00 - 8.50	53.02 - 78.80	45,000 - 300,000	8	7.5	6.9	N/A	10	60	1.00
Toronto	4.00 - 7.00	40.00 - 70.00	300,000 - 625,000	96	6.0	7.8	12.00/18.00	30	Port City	1.00
Vancouver	3.50 - 7.00	45.00 - 55.00	250,000 - 650,000	4	2.5	5.9	10.00/18.00	> 30	Port City	1.00
U.S.A.										
Atlanta	2.70 - 3.50	27.00 - 32.00	65,000 - 135,000	136	15.6	4.2	9.25/15.20	20	252	2.00
Buffalo/Niagara Falls	3.50 - 6.00	20.00 - 40.00	30,000 - 100,000	7	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	62	11.5	4.4	13.67/23.90	20	Port City	1.20 - 1.70
Chicago	3.00 - 4.25	35.00 - 40.00	108,900 - 304,920	296	7.0	5.8	7.70/16.52	19	800	1.56
Cleveland	2.50 - 4.50	30.00 - 40.00	70,000 - 150,000	59	9.3	5.6	10.86/18.34	> 20	Port City	1.40-2.10
Dallas/Ft. Worth	2.50 - 3.35	25.00 - 26.00	65,000 - 150,000	211	12.8	5.2	9.39/15.31	45	250	3.00 - 5.00
Denver	1.95 - 7.00	45.00 - 65.00	108,900 - 348,480	48	7.8	5.0	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	2.88 - 5.64	31.00 - 43.00	80,000 - 275,000	50	7.1	5.4	14.31/19.40	15	Port City	1.50
Los Angeles	4.00 - 7.00	32.00 - 45.00	500,000 - 1,050,000	152	3.9	5.1	12.34	8	1 - 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	4.00 - 7.75	55.00 - 62.00	325,000 - 950,000	29	8.5	4.8	8.00/28.00	12	Port City	3.25
New Orleans	2.00 - 4.75	25.00 - 32.00	108,900 - 479,160	9	10.3	5.0	8.95/17.46	50	Port City	1.65
New York	6.50 - 12.00	50.00 - 60.00	750,000 - 1,000,000	21	5.0	5.0	7.60/17.00	< 10	Port City	1.50 - 3.00
Newark	3.25 - 6.50	40.00 - 50.00	150,000 - 300,000	4	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	31	15.3	4.4	9.60/21.36	15	3	N/A
Phoenix	3.82 - 14.79	40.00 - 80.00	120,000 - 400,000	42	7.7	4.1	12.00/20.00	3	385	1.15 - 1.95
San Francisco Bay Area	1.32 - 23.40	50.00 - 200.00	435,600 - 1,000,000	28	8.5	4.5	6.90/12.00	> 50	Port City	4.00 - 5.00
Seattle	3.36 - 5.76	40.00 - 57.00	218,235 - 840,000	23	6.0	5.1	9.13/23.09	5	Port City	2.05
St. Louis	2.75 - 5.25	30.00 - 40.00	110,000 - 150,000	24	7.6	5.0	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	18.0	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 July 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 522.

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

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

Sources: Site Selection Magazine and NAI Global.

In constructing Site Selection/NAI's Industrial Location Index Survey for North America, we consider the overall economy; real estate market conditions; labor market conditions; and transportation and logistics, to determine which markets offer the greatest opportunity. With growing global demand for goods and cross-border commerce on the rise, we remain bullish about the industrial sector.

In the U.S., non-durable goods sales continue to rise, while durable goods sales are at historic highs. Automobile sales — though not necessarily of domestic auto brands — remain strong, in spite of high fuel prices, which are the result of booming global demand meeting an unchanged supply. Strong economic growth has kept energy consumption relative to GDP flat for five years, as energy consumption as a percent of GDP stands at roughly half of what it was 25 years ago. Manufacturing capacity utilization rose by more than 500 basis points over the last three years, though it remains approximately 200-300 basis points below norm, requiring another two years to achieve balance. However, the days when producers had no pricing power are receding as this excess capacity is absorbed.

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. markets, such as Baltimore, New York, Phoenix, and San Francisco, most markets fall into the US\$3-7 (NNN) per square foot range, regardless of national borders.

From a construction cost perspective, Mexican markets are consistently lower cost (\$15-\$27 psf), in comparison to markets in Canada (\$30-\$80 psf) and the U.S. (most falling in the \$20-\$65 psf range). However, land costs are generally comparable across borders, with a few notable exceptions (including Miami, Los Angeles, New York, San Francisco, Seattle, and Mexico City). Investors often lose sight of the fact that replacement cost

Commentary

(at reasonable land values) is the key to successful investing in industrial properties, as it is generally not a complicated product to create or permit. Rental rates fall when markets are oversupplied, and because of the short development cycle for industrial product, excess demand conditions are generally short-lived. As a result, industrial property down-cycles tend to last longer than the up-cycles.

Using a 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 either U.S. or Mexican markets. Of the Canadian markets, only Ottawa (7.5 percent) is (slightly) above this vacancy rate benchmark. Of the U.S. survey markets, Buffalo, Chicago, Los Angeles, New York, Newark, and Seattle appear to be in balance, while Houston is near the cusp at 7.1 percent. Note that Chicago,

Houston, and Seattle did not make the cut as of our last survey six months ago. At the other end of the spectrum, vacancy rates in Atlanta, Baltimore, Dallas/Ft. Worth, Detroit, Memphis, New Orleans, and Philadelphia are all above 10 percent, indicating substantial oversupply. In Mexico, only Monterrey and Tijuana fall below 7 percent, while Mexico City suffers from a 20 percent vacancy rate.

Turning to labor costs, Mexico holds the clear wage advantage, with average production line wages running about \$1 to \$2.70 per hour, versus about \$7 to \$32 per hour in the U.S., and \$8-18 per hour in Canada. These lower labor costs are the main factor which makes the overall cost of doing business in Mexico significantly lower than its northern neighbors, although some of this is offset by lower efficiency levels.

Examining 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 in Phoenix, to as much as \$5 per mile in San Francisco. Note that many of the U.S. markets 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 2006, absent meltdowns in Saudi Arabia, Kuwait, Russia, Iraq or Iran.

— Linneman Associates
www.linnemanassociates.com