SITE Selection / NAI Global™ Industrial Location Index

*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 ($/Acre)	Number of Available Industrial Facilities >100,000 SF	Industrial Vacancy Rate: (%)	Unem-ployment Rate: (%)	Average Production Line Salary with Benefits: Unskilled/Skilled ($/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	3.00 - 6.50	43.00 - 60.00	217,000- 300,000	2	3.5	4.7	12.68/16.54	N/A	507	1.06
Montréal	3.00 - 5.50	35.00 - 45.00	120,000 - 300,000	15	4.0	7.9	12.00/18.00	20	Port City	1.00
Ottawa	4.50 - 7.00	45.00 - 78.80	150,000 - 300,000	4	7.5	5.4	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 - 3.55	28.00 - 35.00	65,000 - 135,000	142	16.2	4.7	9.25/15.20	20	252	2.00
Buffalo/Niagara Falls	3.50 - 6.00	20.00 - 40.00	30,000 - 100,000	7	9.0	4.4	8.38/17.51	40	Port City	N/A
Baltimore	3.00 - 10.00	25.00 - 45.00	100,000 - 500,000	47	11.7	4.4	13.67/23.90	20	Port City	1.20 - 1.70
Chicago	3.75 - 4.50	35.00 - 40.00	130,680 - 400,000	275	6.3	5.3	7.82/16.61	21.82	800	1.56
Cleveland	1.00 - 14.00	30.00 - 40.00	70,000 - 150,000	96	9.2	5.5	10.86/18.34	> 20	Port City	1.40-2.10
Dallas/Ft. Worth	1.95 - 6.00	25.00 - 26.00	87,000 - 218,000	175	10.9	4.6	9.39/15.31	45	250	3.00 - 5.00
Denver	2.42 - 10.00	45.00 - 65.00	43,560- 217,800	55	9.4	4.6	13.25 /24.74	20	1,100	1.35 - 1.40
Detroit	2.50 - 5.00	30.00 - 50.00	130,680 - 304,920	137	10.0	7.1	11.00/32.00	10	Port City	1.55
Houston	2.28 - 4.93	34.00 - 45.00	80,000 - 275,000	51	7.1	5.3	14.32/20.04	15	Port City	1.50
Los Angeles	3.60 - 15.00	32.00 - 45.00	1,306,800 - 1,829,520	88	3.3	4.6	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	6.00 -8.25	60.00 - 78.00	400,000 - 950,000	5	8.0	7.0	8.00/28.00	12	Port City	3.25
New Orleans	2.75 - 5.00	28.50 - 37.00	130,900 - 575,000	3	5.5	8.2	10.00/21.00	50	Port City	2.00
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	2.75 - 7.00	50.00 - 65.00	130,000 - 250,000	35	14.0	4.7	9.60/21.36	15	3	N/A
Phoenix	3.78 - 15.07	56.00 - 112.00	82,000 - 526,000	20	8.4	4.1	12.00/20.00	3	385	1.47 - 2.50
San Francisco Bay Area	2.28 - 23.40	50.00 - 200.00	435,600 - 1,000,000	21	7.0	4.68	6.90/12.00	> 50	Port City	4.00- 5.00
Seattle	3.84 - 5.65	40.00 - 60.00	250,000 - 420,000	28	6.6	5.1	8.95/22.60	5	Port City	2.25
St. Louis	3.25 - 4.50	30.00 - 40.00	115,000 - 160,000	30	7.3	4.8	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	1.05
Juarez	4.25 - 6.00	25.00 - 35.00	150,000 - 205,000	9	8.5	1.22	2.00/2.70	0	800	1.00
Matamoros	4.20 - 6.72	21.00 - 23.00	69,000 - 100,000	3	10.0	8.0	1.10/1.90	30	20	1.35 - 2.00
Mexicali	3.36 - 4.56	19.00 - 23.00	101,300 - 265,00	4	8.0	4.0	1.80/2.55	40	180	1.00
Mexico City	5.02 - 5.91	26.01 - 27.87	200,000 - 1,300,000	15	8.5	4.78	0.94/3.57	5	250	1.04-1.32
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	21.00 - 23.00	73,000 - 90,000	2	11.0	8.0	1.00/1.80	60	235	1.35 - 2.00
Reynosa	4.20 - 6.48	21.00 - 23.00	77,000 - 105,000	7	6.0	4.0	1.00/1.90	0	82	1.35 - 2.00
Tijuana	2.88 - 5.40	18.00 - 22.00	161,872 - 404,682	6	7.0	1.25	1.90/2.65	10	60	1.05

FOOTNOTES & COMMENTS:

All costs are reflected in US$ amounts. Data was compiled in February 2006.

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 2.

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.

Commentary

Here 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.

Over the last year, U.S. durable goods production has risen by 6.3 percent, and non-durable goods production continues to grow at the sustainable rate of approximately 2.7 percent a year. Heretofore, inventory buildups have substantially lagged behind sales, placing a drag on warehouse demand. We believe that the warehouse sector will finally see a long overdue improvement, as production continues to grow and inventory levels return to traditional norms. This vibrant activity has resulted in capacity utilization rising back to nearly 80 percent, some 400 basis points above its cyclical low.

The majority of lease rates fall into the $3-7 (NNN) per square foot range, regardless of national borders. In comparison to our survey six months ago, several of the U.S. markets have experienced notable increases including: Cleveland ($1.00-$4.50 psf vs. $1.00-$14.00 psf); Denver ($1.95-$7.00 psf vs. $2.42-$10.00 psf); Los Angeles ($4.00-$7.00 vs. $3.60-$15.00 psf); and Miami ($4.00-$7.75 psf vs. $6.00-$8.25). In Canada, Edmonton and Montréal exhibited slight lease rate increases, as did Juarez, Mexico.

From a construction cost perspective, Mexican markets are consistently lower ($18-$35 psf), in comparison to markets in Canada ($32-$78 psf) and the U.S. (most falling in the $30-$65 psf range). In comparison to six months ago, construction costs in Montréal, Juarez, Nuevo Laredo, and Reynosa have edged up. In the U.S., Atlanta, Miami, New Orleans, Phoenix, and Seattle have also experienced rising construction costs during that time, with Phoenix posting the largest increase ($40-$80 psf vs. $56-112 psf).

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 (at reasonable land values) is the key to successful investing in industrial properties, as it is 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 usually short-lived. 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”, New Orleans, New York, Newark, San Francisco, and Seattle appear to be in balance, while Houston and St. Louis are near the cusp. Note that New Orleans, San Francisco, and St. Louis did not make the cut six months ago, while Buffalo and Chicago fell out of balance over the last six months. In Canada, only Ottawa (7.5 percent) is (slightly) above this vacancy rate benchmark. In Mexico, only Monterrey, Reynosa and Tijuana fall below 7 percent. Mexico City showed the greatest improvement, dropping from a 20-percent vacancy rate six months ago to 8.5 percent today.

Turning to labor costs, Mexico holds the clear wage advantage, with average production line wages running about $1.00-$3.50 per hour, versus about $7.00-$32.00 per hour in the U.S., and $8.00-18.00 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, it costs about $1-$2 per mile to ship a full trailer in both Canada and Mexico. In contrast, comparable shipping costs in the U.S. range from $1.20 per mile to $5.00 per mile in Dallas/Ft. Worth and San Francisco. 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. Expect oil prices to fall to roughly $30 per barrel by 2007’s end, absent meltdowns in Saudi Arabia, Kuwait, Russia, Iraq or Iran.

— Linneman Associates
www.linnemanassociates.com