

*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)
<b>CANADA</b>										
Calgary	4.50-8.50	50.00-90.00	225,000-400,000	2	3.4	2	10.00/25.00	10	600	1.00
Edmonton	3.00 - 6.50	43.00 - 60.00	250,000- 450,000	2	3.5	4.7	12.68/16.54	N/A	507	1.06
Montréal	3.50 - 5.50	35.00 - 45.00	120,000 - 300,000	21	5	7.9	12.00/18.00	20	Port City	1.00
Ottawa	5.00 - 8.00	45.00 - 78.80	150,000 - 350,000	3	7.4	5.2	N/A	10	60	1.00
Toronto	4.00 - 9.00	40.00 - 70.00	325,000 - 700,000	96	6	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	1.5	4.9	10.00/18.00	> 30	Port City	1.00
<b>U.S.A.</b>										
Atlanta	2.75 - 3.60	28.00 - 35.00	65,000 - 135,000	168	16.8	4.6	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	4.5	8.38/17.51	40	Port City	N/A
Baltimore	3.00 - 10.00	25.00 - 45.00	100,000 - 500,000	50	11.6	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	281	6.22	4.7	7.82/16.61	21.71	800	1.81
Cleveland	2.00 - 5.25	30.00 - 40.00	70,000 - 150,000	49	9.2	5.1	10.86/18.34	> 20	Port City	1.40-2.10
Dallas/Ft. Worth	1.90 - 4.50	25.00 - 26.00	87,000 - 218,000	206	11.3	4.9	9.39/15.31	45	250	3.00 - 5.00
Denver	2.50 - 4.00	45.00 - 65.00	80,000- 217,800	47	7.7	4.4	13.25 /24.74	20	1,100	1.45 - 1.80
Detroit	2.50 - 5.00	30.00 - 50.00	130,680 - 304,920	139	10	7	11.00/32.00	10	Port City	1.55
Houston	2.76 - 6.00	34.00 - 45.00	80,000 - 275,000	56	6.8	5	14.32/20.04	15	Port City	1.50
Los Angeles	3.58 - 13.58	32.00 - 45.00	538,808 - 638,808	79	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	11.58/16.10	15	729 river miles	3.70
Miami	6.00-9.50	60.00 - 78.00	435,600 - 653,400	7	4	3.8	14.00/32.00	4	Port City	1.5
New Orleans	2.75 - 5.00	28.50 - 37.00	130,000 - 575,000	3	5.5	8.2	10.00/21.00	50	Port City	2.00
New York	6.00 - 12.00	50.00 - 60.00	750,000 - 1,000,000	5	3.5	5.1	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	4.5	6.3	9.34/19.78	40	Port City	2.00
Philadelphia	2.75 - 7.00	50.00 - 65.00	130,000 - 250,000	22	13.0	4.7	9.60/21.36	15	Port City	N/A
Phoenix	2.57 - 18.83	56.00 - 112.00	112,820 - 871,200	20	8.3	3.9	12.00/20.00	3	385	1.47 - 2.50
San Francisco Bay Area	2.40 - 10.80	50.00 - 200.00	435,600 - 1,000,000	18	6	4.6	8.42/28.53	> 50	Port City	4.00- 5.00
Seattle	3.84 - 5.85	40.00 - 60.00	250,000 - 420,000	15	5.56	5.1	8.95/22.60	5	Port City	2.25
St. Louis	3.25 - 5.66	30.00 - 40.00	115,000 - 160,000	30	7.6	5.2	14.00/18.00	5	350; 5 miles to Mississippi River	2.25
<b>MEXICO</b>										
Guadalajara	5.04 - 5.52	18.00 - 27.00	160,000 - 400,000	3	10	3	1.75/2.50	10	160	1.05
Juarez	4.50 - 6.00	25.00 - 35.00	150,000 - 205,000	10	8.5	1.2	2.36/2.82	0	800	1.00
Matamoros	4.20 - 6.72	21.00 - 23.00	69,000 - 100,000	2	10	8	1.10/1.90	30	20	1.35 - 2.00
Mexicali	3.36 - 4.56	19.00 - 23.00	101,300 - 265,000	4	8	4	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	4.8	0.94/3.57	5	250	1.04-1.32
Monterrey	3.40 - 6.60	18.00 - 22.00	89,030 - 485,618	8	4	3	1.70/2.85	30	360	1.00
Nuevo Laredo	4.20 - 6.48	21.00 - 23.00	73,000 - 90,000	4	11	8	1.00/1.80	60	235	1.35 - 2.00
Reynosa	4.20 - 6.48	21.00 - 23.00	77,000 - 105,000	15	6	3	1.00/1.90	0	82	1.35 - 2.00
Tijuana	2.88 - 5.52	18.00 - 22.00	161,872 - 404,682	6	3	1.3	1.90/2.85	10	60	1.05

**FOOTNOTES & COMMENTS:**

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

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](http://www.linnemanassociates.com)), a real estate strategy and economic consulting firm, follows on page 618.

Do you require additional market information and analysis? Please direct inquiries to: [naindustrialindex@naiglobal.com](mailto:naindustrialindex@naiglobal.com).

A version of this Index appears at [www.siteselection.com](http://www.siteselection.com) and [www.naiglobal.com](http://www.naiglobal.com).

Sources: Site Selection Magazine and NAI Global.

In constructing NAI's Industrial Location Index Survey for North America, we consider: the U.S. economy; local real estate market conditions; national and local labor market conditions; and transportation and logistics, to assess which markets offer the greatest opportunity for companies seeking to expand distribution or manufacturing operations. With growing global demand for goods and cross-border commerce on the rise, we remain bullish about the industrial sector.

Goods demand is strong for both consumer durables and non-durables, while investment goods output is rising at double digit rates. The strong increase in consumer demand reflects both rising incomes and increasing employment in the U.S. Retail store sales are steadily expanding, particularly for luxury goods. The U.S. manufacturing sector will continue to experience increasing productivity, output, and decreasing employment importance.

In comparison to our survey six months ago, most U.S. market industrial rental rates remain flat, though Atlanta, Houston, Miami, and St. Louis all registered increases, while Dallas-Ft. Worth softened. In Cleveland and San Francisco, the high-to-low range of reported rental rates narrowed significantly. San Francisco's high was \$23.40 psf six months ago and only \$10.80 psf today. In contrast, Phoenix's range of rents widened. In Canada, Calgary, Ottawa, and Toronto exhibited slight lease rate increases of

\$0.50-\$2.00 psf. In Mexico, Monterrey's low-end rental rate declined from \$3.60 psf to \$3.40 psf, while Tijuana's high-end rate increased by \$0.12 psf.

## Commentary

From a construction cost perspective, Mexican markets consistently offer lower cost (\$18-\$32 psf) in comparison to markets in Canada (\$32-\$80 psf) and the U.S. (most falling in the \$30-\$70 psf range). Relative to six months ago, construction costs in Calgary, Toronto, Buffalo, Chicago, Dallas-Ft. Worth, Houston, Miami, Newark, Philadelphia, Monterrey, and Tijuana have all posted increases. Only Juarez, which exhibited a slight increase in our last survey, posted a slight decrease in the current survey.

Canadian land prices increased significantly in Calgary, Edmonton, Ottawa, and Toronto, with the greatest increase being an incremental \$150,000 per acre in Edmonton over the last six months. In the U.S., Dallas-Ft. Worth, Los Angeles, and Phoenix land prices increased, while Denver experienced a decline of as much as \$130,000 per acre. Meanwhile, Tijuana was the only Mexican market to post an increase (an incremental \$80,000 per acre) in land prices since our last survey.

Using a 7-percent vacancy rate as a benchmark for a "balanced" industrial market, all Canadian mar-

kets in our survey meet this threshold, except Ottawa, which stands at 7.4 percent. In the U.S., nearly half of the surveyed markets were in balance, including Chicago, Houston, Los Angeles, Miami, New Orleans, New York, Newark, San Francisco, and Seattle. Of those, Houston and Miami were not in balance six months ago. In Mexico, Monterrey, Reynosa, and Tijuana continue to be in balance, with Tijuana's vacancy rate improving by 400 basis points.

Turning to labor costs, production line wages per hour in Calgary and Monterrey increased, but were flat in other Canadian and Mexican cities, compared to six months ago. In the U.S., industrial wages increased in Miami, Newark, and San Francisco. Lower labor costs are the main factor which makes the overall cost of doing business in Mexico significantly lower than its northern neighbors, although this is offset to some degree by lower labor 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 as much as \$5.00 per mile in Dallas/Ft. Worth and 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.

— Linneman Associates  
[www.linnemanassociates.com](http://www.linnemanassociates.com)