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Industrial Real Estate Recovery Will Out-Pace Office Sector - according to Jones Lang LaSalle's Industrial Insights Report

CHICAGO, January 12, 2010 — With an initial recovery in the U.S. commercial real estate market likely to begin in the second half of 2010; the industrial property market is expected to trail domestic economic growth, but to recover earlier than the office sector. The following Industrial Insights Report details Jones Lang LaSalle's viewpoint on growth in the sector.

"We are beginning to see some early, yet encouraging, recovery signals, as the manufacturing sector is improving," said Craig Meyer, Managing Director and Head of Jones Lang LaSalle's North American Industrial Services team. "The most important growth indicator we're seeing is the bottoming out of packaged goods inventories. The increase in global trade volumes in so far this year is another encouraging signal pointing toward increasing future demand for industrial property."

While the industrial sector will recover a few quarters ahead of the office sector beginning towards the end of 2010, it will not be immune to the downside risks of extensive sublease space, facility closures, consolidations and the downsizing that could continue well into 2010 and 2011. Although labor markets are beginning to stabilize, unemployment is expected to remain high creating a drag on the demand for office space.

"Even though we expect the industrial market to start its recovery in the second half of 2010, a long term and sustained upswing will take some time," continued Meyer.

Until aggregate industrial occupancy stabilizes, negative net absorption will continue and asking rents will remain depressed. Rental rates will only start to increase in earnest in 2011.

"This year will be the last large window of opportunity for savvy industrial tenants as competition for those tenants will remain intense and landlords are offering a mix of concessions to secure new occupants," said Meyer. "Occupiers will be able to capitalize on low occupancy costs to re-optimize warehouse/distribution operations and supply chain networks. For owner-occupiers and well capitalized investors there will be excellent acquisition opportunities."

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U.S. Regional Outlook

Atlanta

Atlanta's industrial market will continue to contract over the next few quarters as activity in the manufacturing and construction industries remain depressed. However, as the economy recovers during the year and beyond, demand for existing industrial space should increase noticeably given Atlanta's solid infrastructure and location. Looking ahead - new construction is not anticipated; rents in the region are beginning to stabilize, and landlords will continue to compete fiercely for the few large tenants in the market.

Central & Northern New Jersey

Although deal activity has benefited from restructured rents and competitive incentive packages, the current lag in demand will make it difficult to offset additional negative net absorption. This year, rents will continue to drop in the submarkets exposed to over-construction. Meanwhile, other port-centric submarkets are now emerging as distribution hubs, competing with the traditional centers of activity. Tenants remain conservative, opting for short-term lease renewals and extensions. The amount of ownership distress is set to grow into next year as market pricing continues to transition and loans struggle to be refinanced as they approach maturity.

Chicago

Weak leasing and sales volumes are set to continue until the broader economic conditions improve. Negative absorption will continue to decline as limited new sublease space and little speculative construction will be delivered in the near future. The market will continue to favor tenants as landlords aggressively pursue deals while offering free rent concessions at a rate of 1 to 2 months per year.

Dallas / Fort Worth (DFW)

Dallas/Fort Worth will continue to be a competitive location of choice for organizations seeking to relocate. The region is a focal point for expansions and consolidations as companies shorten their supply chains to be closer to major consumer populations. Companies currently in the market are seizing opportunities to rework logistics networks and capitalize on reduced rents in up-to-date facilities. Leasing activity and the number of mid-size to large requirements gradually picked up in the third quarter. In the short term, however, consolidations will impact absorption and vacancy rates negatively while putting more pressure on rents. Yet, the local economy, is beginning to display signs of stabilization.

Houston

With sparse third-quarter activity and tough economic conditions, combined with the completion of new projects, the Houston market will suffer into 2010 as sublease space continues to enter the

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market and some defaults occur. Despite an overall expected softening ahead, the magnitude of decreased rental rates and amount of available space will vary between the submarkets and building types.

Inland Empire

Increased vacancy rates are expected over the year, albeit at a slower pace. Leasing activity for last year was down, although activity has picked up recently and several large tenants in the market are expected to sign leases during the next quarter. The Inland Empire has low exposure to the troubled commercial mortgage-backed securities (CMBS) loans plaguing other markets. However, owing to drastic changes in underwriting criteria and a sharp drop in effective rental rates, buyers have the advantage of acquiring properties at highly discounted rates. Continued rent depreciation and rising vacancy rates make for an extremely soft market for the Inland Empire over the next few years.

Los Angeles

While vacancy is expected to increase this year, the market will not see a sharp downturn compared to other markets nationally. Activity will remain slow but consistent with short-term leases and renewals comprising the bulk of transactions. Conservative consumer spending and decreased trade flows through the San Pedro ports have impacted demand negatively, and rental rate appreciation is not expected to begin until this trend reverses. Regarding distressed assets, the local Metropolitan Statistical Area (MSA) has the nation's highest balance of delinquent CMBS loans with \$1.7 billion outstanding. The industrial sector accounts for 38 percent of that balance, making the Los Angeles market extremely attractive for buyers looking to capitalize on properties in default.

Miami / Broward / Palm Beach

Miami, along with the rest of South Florida, continued to preserve the importance of its position as a global trade partner last year. However, rising supply and decreased levels of leasing activity have allowed tenants to maintain the upper hand during lease negotiations. New demand for space has slowed significantly while the trend of musical chairs from existing tenants has dominated the industrial sector. High unemployment rates are expected to hinder consumer confidence, knocking the stability of industrial property which will slow until the second half of 2010. Signs of recovery will begin in 2011.

Northern California

With rental rates unable to keep up with development costs, new construction has ceased. Moderate activity is anticipated to continue over the year and, although a rapid recovery is not anticipated, negative absorption rates should still decline. The limited amount of quality space on the market will continue to be absorbed initially. This, coupled with the lack of new construction, should start to

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narrow the gap between asking and contract rates over the year. Companies that have been on the sidelines will start looking to relocate or seek early 'blend and extend' deals.

Philadelphia

Competitive deal structures in many Class A buildings are presenting tenants with value opportunities. There are a few major tenants in the market with sizable space requirements, each within the Central Pennsylvania region. If these potential transactions take place by year-end, it is possible for the region to absorb up to 2 million square feet of Class A space.

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About Jones Lang LaSalle

Jones Lang LaSalle (NYSE:JLL) is a financial and professional services firm specializing in real estate. The firm offers integrated services delivered by expert teams worldwide to clients seeking increased value by owning, occupying or investing in real estate. With 2008 global revenue of \$2.7 billion, Jones Lang LaSalle serves clients in 60 countries from 750 locations worldwide, including 180 corporate offices. The firm is an industry leader in property and corporate facility management services, with a portfolio of approximately 1.4 billion square feet worldwide. LaSalle Investment Management, the company's investment management business, is one of the world's largest and most diverse in real estate with more than \$37 billion of assets under management. For further information, please visit our Web site, www.joneslanglasalle.com. 200 East Randolph Drive Chicago Illinois 60601 || 22 Hanover Square London W1A 2BN || 9 Raffles Place #39-00 Republic Plaza Singapore 048619