

MarketView Providence Industrial

Quick Stats

| | Current | Change from last | |
|-------------------|-----------|------------------|------|
| | | Yr. | Qtr. |
| Vacancy | 9.87% | ↑ | ↑ |
| Availability Rate | 11.87% | ↑ | ↑ |
| Net Absorption* | (332,632) | ↑ | ↑ |

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- Absorption is negative due to two substantial lease expirations
- Increased tenant activity for requirements under 30,000 SF
- Landlords remain aggressive with increased concessions
- Availability rate starting to level off at 11.9%
- Interest in industrial land remains quiet

The Rhode Island industrial market appears to be stabilizing as tenant activity has picked up and the pace of new space coming to market has subsided.

The year got off to a tough start as we saw 625,000 square feet in three buildings get shifted from the "Available" to the "Vacant" column. Two companies that played a significant role were American Power Conversion vacating 280,000 square feet at 1600 Division Road in West Warwick and Liz Claiborne vacating 115,000 square feet at One Powder Hill Road in Lincoln. Both companies will consolidate warehouse operations outside of Rhode Island. The two properties played a major part in the negative absorption of 332,000 square feet through the first half of the year and had a negative impact on the overall vacancy rate that is now tracking at 9.9%, up from 9.2% at the end of last year. The availability rate slightly increased from 11.7% to 11.9%.

The larger blocks of space (100,000+ square feet) continue to have a negative impact on vacancy. For example, the West Bay submarket has five buildings with at least 200,000 square feet vacant. As a small

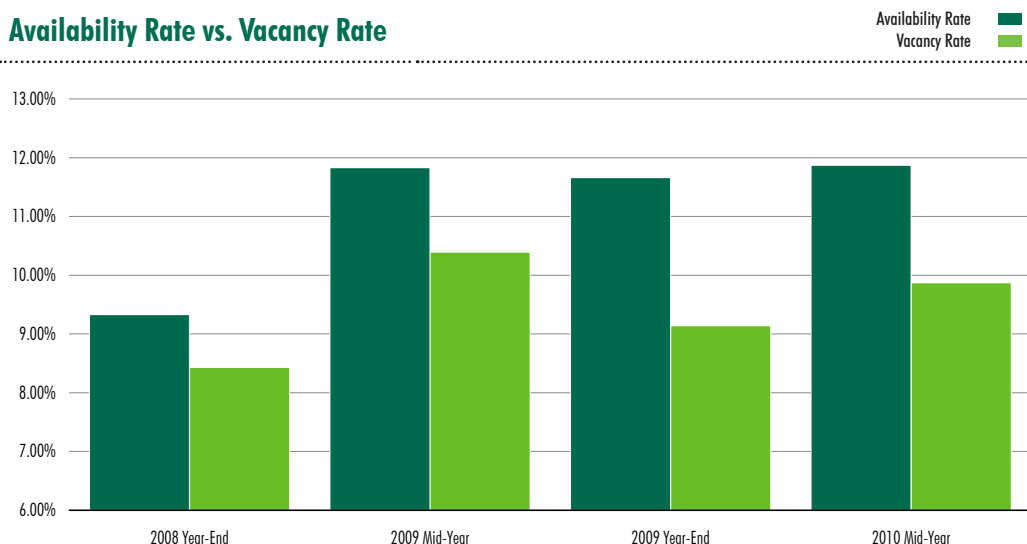
market, Rhode Island sees very few deals of this size. Companies that can utilize this type of space remain hesitant to expand under current market conditions. However, activity has increased for the 10,000 to 30,000 square foot requirements with a number of leases already getting done this year.

Asking lease rates vary greatly across property type and location with smaller, modern spaces holding value and larger, less efficient spaces leasing at a discount. We continue to see landlords aggressively pursue tenants with an increase in concessions such as free rent and tenant improvement allowances. Tenants with a strong balance sheet continue to hold the upper hand.

Interest in industrial land sites dropped off in early 2009 and remains dormant. Assuming market conditions continue to improve and absorption turns positive, we expect interest in land to increase in early 2011.

With a number of significant deals in the pipeline, we are cautiously optimistic that 2010 will finish strong and start to reverse the negative trends of the last two years.

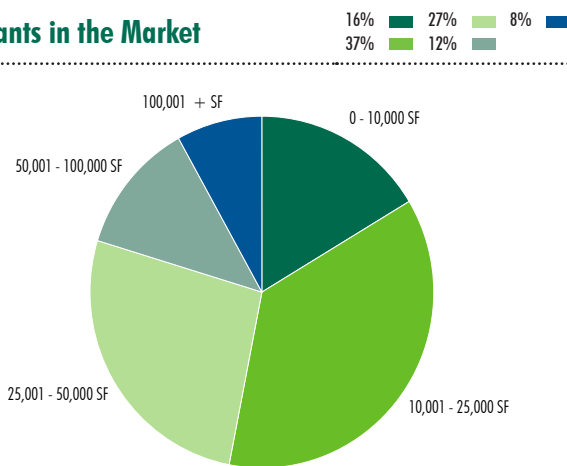
Availability Rate vs. Vacancy Rate



Market Statistics

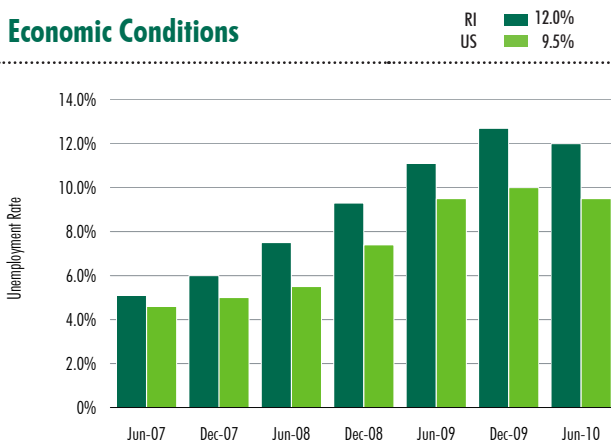
| Submarket | Total SF | Availability Rate | Vacancy Rate | Net Absorption |
|---------------------|-------------------|-------------------|--------------|------------------|
| North | 19,352,738 | 9.60% | 8.72% | (49,821) |
| East Bay | 5,986,967 | 10.61% | 5.82% | 31,803 |
| West Bay | 21,874,249 | 14.23% | 12.01% | (314,614) |
| Total Market | 47,213,954 | 11.87% | 9.87% | (332,632) |

Tenants in the Market



The second quarter closed with a total demand of 2.4 million square feet. Consistent with the Rhode Island market, the highest level of demand is for space in the range of 10,000 to 30,000 square feet. The majority of tenant demand is from existing Rhode Island companies with limited interest from companies outside the market. Tenant requirements over 100,000 square feet remains weak.

Economic Conditions



The Rhode Island employment rate decreased for the fourth straight month ending June 2010 at 12%, which is off from a high of 12.7% in February 2010. Still with one of the top unemployment rates in the country, Rhode Island has a tough challenge ahead as it looks for ways to stimulate job growth and make the state a more attractive place to do business.

Asking Lease Rate

Average of Asking Lease Rates for each property weighted by the associated Available Space. Includes Direct Available Space unless otherwise indicated

Market Coverage

'Existing' completed competitive properties

Net Absorption

The change in Occupied Sq. Ft. during the period for all Existing properties

Base Inventory, Base or Building Square Feet

The sum of the Rentable Building Area for all competitive properties

Occupied Square Feet

Rentable Building Area less Vacant Space

Under Construction

Buildings that have begun construction as evidenced by site excavation or foundation work, and is on-going

Available Space

Space being marketed to potential occupants, in Rentable Sq. Ft. (direct and sublease combined, unless otherwise indicated)

Availability Rate

Available space as a percentage of the Base Inventory or Building Sq. Ft

Vacant Space

Available Space that is physically vacant, in Rentable Sq. Ft

Vacancy Rate

Vacant space as a percentage of the Base Inventory or Building Sq. Ft

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