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Industrial Real Estate Market Kicks Off 2008 on Sour Note, According to Colliers International's First Quarter Industrial Report

BOSTON, April 24 /PRNewswire/ -- The U.S. warehouse market weakened considerably during the first three months of 2008, posting only a modest rise in occupied space and a further increase in vacancy beyond that logged in the fourth quarter of 2007, according to Colliers International, a leading global real estate services firm.

A combination of weak demand and rising completions pushed the Q1 vacancy rate up 23 basis points to register 8.13 percent. In terms of new construction, 46.1 million square feet (msf) was completed during the January through March period -- down from the 55.5 msf injected during Q4'07. Year-ago first quarter completions came in at 36.8 msf.

Industrial developments under construction fell sharply during the first quarter, reflecting a more sluggish leasing market, but also reduced access to development financing. Indeed, new development registered 112.4 msf -- a marked decline from the 137.1 msf posted at the end of the fourth quarter 2007 and 138.3 msf during the year-ago period.

"We're sensing a palpable level of negative sentiment in the warehouse leasing market at the present moment," remarked Ross Moore, senior vice president and director of market & economic research at Colliers International. "That said, many markets continue to post very strong fundamentals. For example, despite the much-publicized woes in the auto sector and for manufacturing in general, with just a few exceptions the Midwest markets were among the strongest in terms of healthy absorption levels. The export sector remains a bright spot -- and going forward, we will keep vigilant watch on the housing market, retail sales and markets linked with the booming commodities sector."

In terms of absorption, Q1 absorption measured just 7.3 msf -- barely a quarter of the 26.3 msf in the fourth quarter of 2007. For the year-ago first quarter, absorption clocked in at 27.3 msf.

In addition, many demand drivers posted downward swings during the first quarter. Most notably, the March ISM index stayed below the critical "50" level -- at 48.6 -- suggesting the manufacturing sector is contracting. Construction, housing, the auto sector and retail all registered downward ticks during the January through March period as well.

Rents for industrial space were marginally higher during the first quarter, with a 1.2 percent increase -- bringing the national average to \$5.69 per square foot (psf). This marks a 5.8 percent increase from the year-ago period, as at this time last year, rents registered \$5.38 psf.

Finally, indicating a more bearish marketplace, 36 United States warehouse markets saw vacancies go up, while 15 saw them decrease.

Industrial Space - Vacancy, Year-over-Year

MARKET	VACANCY RATE (%) MAR 31, 2007	VACANCY RATE (%) MAR 31, 2008
Atlanta, GA	11.4	11.6
Bakersfield, CA	3.4	5.8
Baltimore, MD	16.3	16.1
Boise, ID	5.8	5.8
Charleston, SC	3.8	6.5
Charlotte, NC	9.2	8.0
Chicago, IL	8.9	9.1
Cincinnati, OH	6.0	6.3
Cleveland, OH	8.7	8.1
Columbia, SC	4.2	2.7
Columbus, OH	10.9	10.7
Dallas-Ft. Worth, TX	9.9	9.1
Denver, CO	6.7	7.4
Detroit, MI	13.3	13.3
Fresno, CA	6.3	2.7
Ft. Lauderdale, FL	4.2	5.9
Greenville, SC	12.6	9.4
Hartford, CT	10.2	10.2

Honolulu, HI	1.9	3.4
Houston, TX	7.1	4.5
Indianapolis, IN	6.4	7.7
Jacksonville, FL	5.1	6.1
Kansas City MO	7.9	7.1
Las Vegas, NV	4.5	7.5
Little Rock, AR	17.7	17.2
Los Angeles - Inland Empire, CA	4.9	7.9
Los Angeles/Ventura County, CA	3.0	3.1
Louisville, KY	6.6	8.4
Memphis, TN1	4.31	4.7
Miami/Dade County, FL	4.6	6.1
Milwaukee, WI	7.6	7.4
Minneapolis, MN	9.9	11.2
Nashville, TN	5.0	6.2
New Jersey – Central	7.5	8.0
New Jersey – Northern	6.4	5.8
Oakland, CA	5.6	6.7
Orange County, CA	4.0	4.2
Orlando, FL	5.6	7.2
Philadelphia, PA	8.7	8.3
Phoenix, AZ	9.7	11.7
Pleasanton/Walnut Creek, CA	10.7	11.5
Reno, NV	6.1	9.8
Sacramento, CA	11.8	10.7
San Diego, CA	7.8	8.4
SF Peninsula - San Mateo, CA	5.7	5.3
San Jose/Silicon Valley, CA	9.7	9.4
Seattle/Puget Sound, WA	6.4	6.2
St. Louis, MO	6.3	7.0
Stockton/San Joaquin County, CA	10.2	12.8
Tampa Bay, FL	4.7	6.2
Washington, DC	9.5	10.4
West Palm Beach, FL	5.5	8.2