

Industrial Is Livin' Large

The population of Florida continues to rise, commercial real estate development is following suit with more and more projects coming out of the ground. The Jacksonville industrial market is not only seeing more projects, but facilities that are larger than ever before.

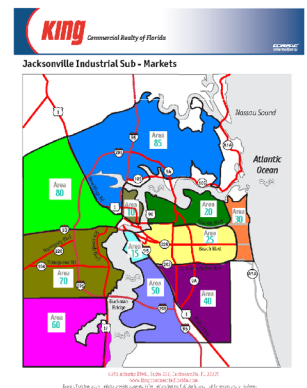
Today, there are three projects, totaling more than 2.4 million square feet, that are imminent and several more developers are considering Jacksonville as a destination for their industrial projects. However, there is a shortage of land that is available to be purchased for industrial projects, especially land that has zoning, concurrency and development rights. Therefore, industrial land values are at an all-time high. Land that could have been purchased for \$50,000 per acre 18 months ago is being marketed north of \$150,000 per acre today.

Several new developers have set their sites on the northeast Florida market. Developers such as Majestic Realty Corp., ProLogis, Duke Realty, Hillwood, Trammell Crow/ING Clarion as well as Graham & Company Southeast are all bringing industrial projects to the area. Primarily, new industrial development is taking place on the west side and north side of Jacksonville, which have been predominantly the largest industrial sectors in this market. Due to the lack of developable industrial land in Duval County there is a growing trend to look outside in surrounding counties. Graham & Company Southeast is developing First Coast Distribution Center in St. Johns County. Located in the St. Augustine Industrial Park, Phase I will include a 208,000-square-foot distribution facility for lease. Graham has plans to develop nearly 1 million square feet of industrial product. In addition, Jackson Shaw Company has 1,225 acres under contract in Baker County for industrial and commercial development.

Over the course of the next 12 months, Jacksonville will see several new projects either coming out of the ground or reaching completion. Duke Realty is developing a 820,000 square foot distribution center in the Westlake Industrial Park for Unilever. A 817,000 square foot distribution center is being constructed for Samsonite in Imeson Industrial Park by Webb International, and Pattillo Construction is developing another massive distribution center, 815,000 square feet, on Faye Road for a major retailer. In addition, a 260,000 square foot distribution center is on the drawing board for an automotive parts distributor.

All of this activity has led to a drop in vacancy rates, but a rise in rental rates. We currently track about 87 million square feet of product and show that about 10.8 million square feet is currently being marketed or a vacancy of 12.5 percent. However, if you take the buildings that have been announced and the buildings that are currently occupied, but being marketed, out of the equation, then the vacancy level drops to about 7.5 percent. Rental rates, as a whole, are up more than 10 percent from last year. Tenants are facing increasing costs as both taxes and insurance rates rise. Tenants that are coming up on their lease renewals are receiving sticker shock as the market is commanding base rents substantially higher than what they are currently paying. In some cases, renewal rates have increased as much as 30 percent. As land becomes scarcer and more businesses move their operations into the Jacksonville area, the industrial sector will continue to grow even hotter in the sunshine state.

Jeff L. Graham, SIOR
 President



Total Market

	Total Inventory	Net Absorption	Total Vacant	% Vacant	Total Activity	# of Deals	Avg SF Per Deal
Distribution	84,179,958	977,918	10,346,012	12.3%	1,227,061	155	7,917
Service Center	2,347,791	110,673	425,485	18.1%	117,728	20	5,886