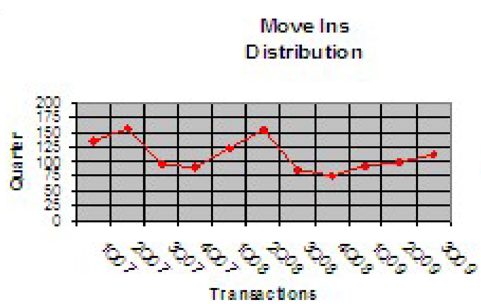
Point of View

King Industrial Realty of Florida
Licensed Real Estate Broker
CORFAC INTERNATIONAL

Have We Reached the Bottom Yet?

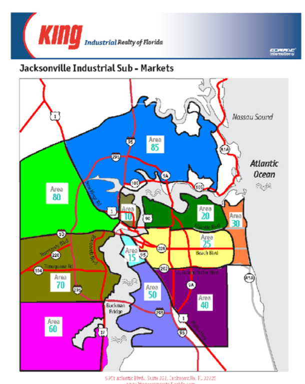
The industrial real estate market has always been a "lagging" indicator when it comes to economic conditions. It is typically the last to feel the effects of good or bad times. That being said, the statistics for the Jacksonville industrial market for the third quarter of 2009 are sending mixed signals on exactly where we are today. While our overall availability, net absorption and "move outs" continued to worsen, the "move in" activity has trended upward for three straight quarters.

Let's get the bad out of the way first… Negative net absorption continued for the fourth straight quarter. During the third quarter of 2009, almost 2.4 million square feet of previously occupied space was put on the market and 1.3 million square feet was taken off the market - resulting in 1.1 million square feet of negative absorption. Out of the 95 million square feet of distribution space being tracked, availability rose to 17.9 million square feet actively being marketed as available (18.7%). "Move outs" continue to outpace the "move ins", lease rates continue to fall and actual values of industrial properties continue to decline. The debt markets for real estate loans are still very difficult and underwriting criteria is highly restricted. Without all the right "boxes" checked, the chances of getting a mortgage loan are greatly diminished.



Now the mixed signals… In spite of the negative statistics, overall activity has improved for three straight quarters, up almost 48% from the 4Q08 low. For the first time in several quarters, there appears to be an increase in the number of industrial users in the marketplace looking at both existing and build to suit opportunities.

Having just attended the Society of Industrial and Office REALTORs conference in Toronto, the tone of the conference seemed more upbeat than the previous two conferences. That's not to say that 2010 will be booming, rather it will likely continue to be extremely challenging. Ms Marci Rossell, PhD, Chief Economist for CNBC and one of the marquee speakers for the conference, suggested that this recovery is very much a "jobless" recovery. Indicators show that the economy has turned and that we should see moderate growth in GDP. The week of her presentation, the US 3Q09 GDP was reported at 3.5%. She also suggested that most of the growth will come in the form of exports. With emerging markets recovering faster, combined with the value of the dollar being what it is today, US goods and services will be viewed as real values on the global market. Port cities are expected to reap the benefits from the increase in exports.
That's good news for Jacksonville…



Jeff L. Graham, SIOR
President

Total Market

	Total Inventory	Net Absorption	Total Vacant	% Vacant	Total Activity	# of Deals	Avg SF Per Deal
Distribution	95,493,292	-1,117,855	17,873,490	18.7%	1,260,216	111	11,353
Service Center	2,553,694	-25,471	658,334	25.8%	96,046	22	4,366

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