

Industrial market continues upward

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During the 2006 calendar year it is estimated that approximately 125 million square feet of industrial space will be completed, an increase of over 15 percent from 2005.

Warehouse absorption is expected to be over **140 million** square feet this year compared to the average over the past five years at **just over 100 million** square feet annually. Nationally the vacancy rate should **continue** downward. However, only **40 percent** is expected to be pre-leased.

In the **Tampa Bay** area, warehouse absorption has been strong in 2006. There does **not appear** to be any overbuilding. The **Tampa Bay** vacancy rate hovers around 5 percent, **compared** to 8 percent nationally. In its **most** recent report, Colliers Arnold **suggests** rental rates have increased to \$5.20 per square foot during the second quarter **from** \$4.23 per square foot a year earlier. **This** compares nationally to an average **increase** of only 4 percent. Sounds like we **are** in the right location.

Marcus & Millichap's midyear update lists its **top 20** industrial markets in the country. **Four** of the top 20 are in Florida:

No. 1 Fort Lauderdale, No. 3 Palm Beach County, No. 8 Miami and No. 15 Tampa. Import/export business continues strong demand for industrial space especially in port cities supporting regional distribution hubs.

Third party logistics companies continue coming to Florida.

"While institutional investors are increasing their share of warehouse purchases, industrial REITs and private investors are buying fewer properties. These buyer groups have accounted for about 35 percent of all warehouse transactions in the past 12 months, down from 50 percent one year ago. Central Florida is forecast to come out near the top in terms of revenue growth," says Marcus & Millichap.

Small buildings between 10,000 and 35,000 square feet continue to be tough to find for sale. They lead the way in price per square foot. It's difficult to reproduce it today with impact fees and construction costs rising, not to mention the time it takes to permit and build.

Cap rates continue in the low 7's although I expect them to increase a little this year.

The U.S. Bureau of Labor Statistics and the Florida Agency for Workforce

Innovation states Florida continues to lead the nation in job growth. The Tampa Bay MSA shows unemployment at 3 percent lately, indicating our economy is still growing.

Overall, in my personal opinion, Central Florida will remain a strong industrial location for a long time in the future. Lakeland claims over 8 million people within a 100-mile radius and fewer than 10 cities in the country can make that statement.

Colliers Arnold states that 2,107,302 square feet are currently under construction in Tampa Bay area. Completions this past quarter totaled 247,778 square feet, but only 28,487 square feet are still available.

Marcus & Millichap and Colliers Arnold were generous in allowing me to reprint from their second-quarter reports, but I did feel it necessary to share one item with both. The Ruthvens have just completed 104,000 square feet about two minutes from the interchange at I-4 and County Line road in Lakeland. It's still available and we would welcome the opportunity to lease it!

Greg Ruthven is president of The Ruthvens, an industrial development firm in Lakeland controlling over 2.5 million square feet of warehouse space.

