

The Derbes Industrial Report

End of Year 2009 Update Projections for 2010

SUBMARKET	INDUSTRIAL RENTAL RATES (S.F., Net)		IND. LAND PRICING (S.F.)	IND. MKT ACTIVITY – S.F.		INDUSTRIAL VAC. RATES		AVAILABLE INDUSTRIAL SPACE (S.F.)		
	WHSE	SERV. CTR.		2008	2009	WHSE.	SERV. CTR.	12/2008	12/2009	
St. Charles/John	\$3.00-\$5.50	\$6.50-\$10.00	\$3.00-\$8.50	62,000	63,000	10%	5%	420,000	427,000	+2%
Kenner	\$3.00-\$5.50	N/A	\$5.00-\$9.00	63,300	30,400	10%	N/A	346,000	421,000	+22%
Elmwood/Labarre	\$3.50-\$6.50	\$6.50-\$9.00	\$11.00-\$18.00	550,000	1,122,000	15%	8%	2,800,000	2,200,000	-21%
New Orleans	\$2.50-\$3.25	N/A	\$2.00-\$7.00	315,600	349,000	*	*	991,000	867,000	-13%
N. O. East	\$2.25-\$3.00	N/A	\$1.00-\$3.50	688,000	303,000	*	*	593,000	931,000	+57%
West Bank	\$2.50-\$4.50	N/A	\$2.00-\$7.00	345,200	129,000	5%	N/A	650,000	805,000	+24%

*Submarkets remain affected by Hurricane Katrina



Currently our inventory of available industrial buildings approximates 5,700,000 s. f., reflecting little or no change from 2008. The largest amount of available space is in Elmwood Business Park with nearly half of total available space, or 2,200,000 s. f. Although the industrial inventory appears to have remained unchanged, there are a number of large buildings/spaces “available” but are not being officially marketed. Those include the former Winn Dixie facility containing 510,000 s.f. and others totaling nearly 300,000 s. f. Statistics also do not include the approx. 2,500,000 s.f. of warehouse distribution space owned by a private investor. That space is typically privately marketed and large blocks of space can be made available for occupancy at short notice. The largest impact in the market this year has been commodities, especially metals, other commodities include, cotton, wood, paper, and processed materials. Just about any large space with a heavy floor load capacity (over 500 – 1,000 pounds) has been leased or sold for commodities storage. In fact, approximately 600,000 s. f. of total industrial activity for 2009 was used for commodity storage; and a number of other buildings are under negotiation for commodity storage as of this writing.

New industrial activity for 2009 decreased 100,000 s.f. from 2008. The first quarter witnessed diminished activity, reflecting only 325,000 s.f. However, as the year progressed, activity increased each quarter by 100,000 s.f. +/- until the fourth quarter reflected a total of 763,000 s.f. It is noted that the last quarter included four transactions totaling 450,000 s.f. (all were commodity transactions).

Significant transactions during the past year include: 83,900 s.f. was leased in January at 698 St. George St.; 169,000 s.f. was sold at 5801 G St. in June; 166,000 s. f. was sold at 1111 Broad in December; 99,410 s.f. was sold at 5400 Jefferson Hwy. in October; 99,000 s.f. was sold at 124 Airline Drive in December; 94,000 s.f. was leased at 600 St. George in December; 100,000 s.f. was leased at 5042 Bloomfield in October; and 92,000 s.f. was sold at 325 Hord St. in September.

Pricing levels continue to very slowly drop where greatest inventory exists, i.e. the Elmwood / New Orleans / Kenner submarkets. Rental rates for new leases and renewals in Elmwood and St Rose have remained stable and are not expected to change significantly over the short term. It is not uncommon to see marketing periods for many properties exceed 18 months, or longer especially for troubled real estate. Pricing levels in some submarkets still require adjustment acknowledging the continuing, difficult national economy. There is a current demand in today’s market for 15,000 to 25,000 s.f. freestanding buildings for sale. And as usual, there is always a demand for quality investment grade real estate.

Our perception is that the industrial market will continue at its current pace for the foreseeable future. However here are signs here and there that market activity is

trying to pick-up, but it's still too inconsistent to establish a definite trend at this time. As we work through the First Quarter of 2010, the trend already is reflecting an activity rate similar to that witnessed in 2009, if not somewhat lower. Keep in mind that before the affects of Hurricane Katrina, this market experienced a four year period from 2001 – 2004 where annual market activity only ranged between 2,300,000 and 3,100,000 s.f.

This report will be updated at midyear, 2010. If you have questions concerning our market, your industrial property or require a personal perspective on specific issues, please do not hesitate to call a member of our Marketing Team.

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Please contact Tom Tripi at tom@maxderbes.com for additional data on the above statistics or market information.