The Derbes Industrial Report
The Metropolitan New Orleans Market

2011 End of Year Report and 2012 Projections

SUBMARKET	INDUSTRIAL RENTAL RATES (S. F., Net) WHSE	SERV. CTR .	IND. LAND PRICING (S. F.)	INDUSTRIAL ACTIVITY – S. F. 2010	2011	INDUSTRIAL VAC. RATES WHSE.	SERV. CTR .	AVAILABLE INDUSTRIAL SPACE (S. F.) 12/2010	01/2012	
St. Charles/John	$3.00-$5.50	$7.00-$11.00	$2.50-$8.50	148,600	195,600	15%	10%	543,000	494,000	- 9%
Kenner	$3.00-$5.50	N/A	$5.00-$9.00	71,900	201.700	10%	N/A	477,000	270,000	- 43%
Elmwood/Labarre	$3.00-$5.50	$6.50-$10.00	$8.00-$12.00	1,881,800	2,142,600	12%	10%	2,293,000	1,768,000	- 23%
New Orleans	$2.50-$3.25	N/A	$2.00-$7.00	71,000	560,700	15%	N/A	1,292,000	910,000	- 30%
N. O. East	$2.25-$3.00	N/A	$0.50-$3.50	186,100	206,700	10%	N/A	778,000	780,000	N/A
West Bank	$2.50-$4.50	N/A	$2.00-$6.00	300,000	256,300	10%	N/A	679,000	1,315,000	+ 94%

Current inventory of available industrial buildings is approximately 5,679,000 s. f., a reduction of almost 1,000,000 s. f. since last year. Why? 2011 witnessed a sharp increase in market activity of 33% to a robust 3,608,000 s. f. During prior years (2008 – 2010), market activity was 2.2, 2.1, and 2.7 million s.f. per annum respectively. For reference purposes, it is commented that a market high for industrial activity of 6,968,000 s. f occurred in 1997. The two high-volume Katrina aftermath years witnessed approximately 4,500,000 s. f. per year. With last year's activity trend continuing and combining with the recent drop in actual inventory of available properties, the majority of market indicators will stay at current levels for a good part of the coming year. The largest amount of available space remains in the Elmwood Business Park/ East Jefferson area with 1,768,000 s. f. The New Orleans market continues to contain the greatest percentage of non-functional space. In many instances, those properties still are not being marketed. The Kenner market, in particular North Kenner, has witnessed a recent resurgence. It remains one of the few markets still having viable vacant sites available for development. As a result, the pricing levels of those sites have increased over the past few years, where pricing levels in say the Elmwood market, have decreased slightly.

An analysis of available industrial space market wide indicates that the inventory of smaller space, under approximately 5,000 s. f., which was increasing last year, has stabilized, with supply still exceeding demand. The greatest demand in today's industrial market is for space in the 10,000 s. f. to 35,000 s. f. range, both for sale or lease. While suitable building supply has dwindled, the "Metals Rush" for buildings with heavy floor load capacities is starting to stabilize. The largest metals lease noted in 2011 was for approximately 135,000 s. f. That transaction accounted for a large portion of remaining useable space in the 520,000 s. f. former Winn Dixie distribution facility in Elmwood.

Pricing levels have stabilized in the more active submarkets; however there are no indications that those levels are beginning to increase. Some owners are still holding out for unreasonably high pricing levels, and as a result those properties will require extended marketing periods. Marketing periods for functional obsolete and blighted properties still easily exceed 18 months, or longer.

This report will be updated in July, 2012, unless economic conditions warrant otherwise. We will be tracking interim trends, as warranted on the home page of our website, maxderbes.com.

If you have questions concerning our market, your industrial property or require a personal perspective on specific issues that relate to your real estate, please do not hesitate to call a member of our Marketing Team.

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