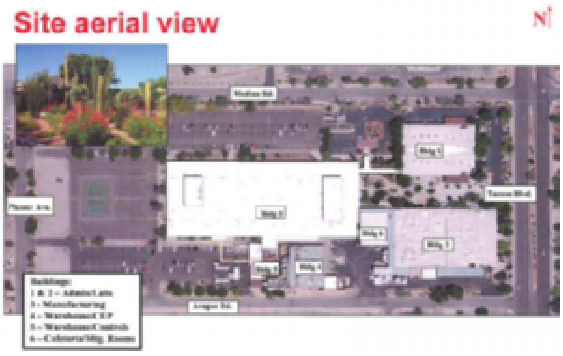
Industrial Sector Poised for Growth By Several Measures Locally and Nationally



former Texas Instruments complex , 6730 S Tucson Blvd

September saw robust investor interest and activity among small users for industrial properties representing 40% of the commercial transactions in Pima County for the month, an aggregate of almost $11 million. Of these sales, most were cash and carryback buyers, with uses ranging from space for personal collections to small business expansion. Investors are speculating industrial lease opportunities, which were also on the rise in 3Q.

According to new research from **Cushman & Wakefield** in New York City, despite the notion that manufacturing has basically left the United States, the industrial sector—by several measures—is alive and well. Nationwide, through the third quarter, warehouses have experienced fourteen consecutive quarters of declining vacancies. The momentum is supported by continued strong leasing velocity and absorption, and construction levels that already have surpassed last year's total.

With indicators of equipment acquisition and economic optimism trending positive in the September 2013 data, the Equipment Leasing and Finance Foundation (ELFF) expects some acceleration in the second half of the year, despite slowdowns in the first and second quarters. ELFF forecasts a 4.8% growth in equipment investment this year. This number is actually quite marked from last year, having jumped 5.2% in the first half of the year. By contrast, it also notes the U.S. economy still facing stiff challenges, and predicts the U.S. economy to see a modest 2% growth rate.

The other factors pointing to a recovery in the second half of the year for this sector is increased economic optimism coupled with improving credit markets that are providing businesses with easier access to credit.

The uptick is due to renewed consumer confidence, contends **John Morris** of **Cushman & Wakefield**. "Pent-up consumer demand for housing, automobiles, appliances and other less durable goods have translated to increased spending in 2013. As corporations respond, we have seen a jump in demand, especially for distribution space. With the continued ecommerce boom, online retailers have become the fastest-growing segment of warehouse occupiers. At the same time, traditional brick-and-mortar retailers continue to drive demand, with companies like Walmart and Home Depot among the most active."

Industrial leasing volume increased in the third quarter and strength is broad based, Southern California, Dallas and Chicago were particularly strong. Greater Los Angeles continued to lead the nation with 28.1 million square feet leased year-to-date, followed by Chicago with 24.4 million square feet. Twelve of the 37 markets tracked by Cushman & Wakefield have reported increased activity in 2013, including 11 that experienced double-digit annual increases. Northern New Jersey posted a 37% year-over-year leasing increase, while Dallas/Fort Worth recorded a 28.2% increase.

To read the more of the Tucson report as published in the October TAR Scorecard click here.

To read the Cushman & Wakefield report as published in GlobeSt.com click here.