



Texas Snapshots: Industrial

FORT WORTH:

The Fort Worth industrial market is getting by, poised to move quickly and positively as soon as the money crunch subsides and the economy starts to rebound. While there is little movement now, at least there aren't major plant closings or loss of prominent distribution hubs.



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News of the country's economic woes apparently took its time reaching the Fort Worth industrial market. Last year, 1.7 million square feet of new warehouse space and 2.8 million square feet of new industrial space were delivered to the market place. Some of the space was owner occupied, and some was leased, but the vacancy rates nearly doubled to about 11 percent in warehouse and 10 percent in industrial.

This is not a good time for expansion. Movement is more likely to come from reductions, as companies position themselves in a tough economy by consolidating satellite facilities. Lenders are not helping the situation as it is not only difficult to get financing for real estate, but also for everyday business operations. There is money however, for companies with strong liquidity.

The tight lending market and down economy means there is more leasing activity than sales. Interest is more prevalent in smaller, 5,000 to 25,000-square-foot distribution and light manufacturing space. With construction drastically decreasing in 2009, vacancy rates are expected to increase only slightly. Asking rates for leases should remain relatively flat.

Despite the poor economic outlook, investors with capital are circling the industrial market. They are waiting patiently as they look for signs. Not signs

that the economy is back on track, but *for sale* signs that say 50 percent off. The opportunity already exists to buy some industrial properties at below appraised value and there are potential deals below reproduction costs. A diligent search could also turn up banks selling notes at a 10-20 percent discount. But that isn't good enough. Unless there is a deal too good to pass up, like 50 percent off, investors don't want to make a move now and risk the government stepping in and creating another Resolution Trust Corporation that would liquidate assets from insolvent lenders.

So the waiting game continues. Potential buyers rent, and owners that could expand wait for the economy to sort itself out. Investors looking for low equity deals wait for banks to lower their requirements and investors with money wait for the big bargains or government intervention.

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While the industry appears to be in limbo, there is optimism for the long run. The Fort Worth economy has not been hit as hard as most of the nation and few areas are growing at the rate of Tarrant County. There is a plethora of raw, reasonably-priced land and convenient access to rail, highway and air transportation. Industrial hotspots like Mercantile, Carter, Railhead and Alliance all have attractive, highly sought-after space that should be in demand. The infrastructure is in place. When the economy rebounds, Fort Worth's industrial market is in position to be a strong player.

— Karen L. Simon is executive vice president and managing partner with Bradford Companies / CORFAC International in Fort Worth, Texas.