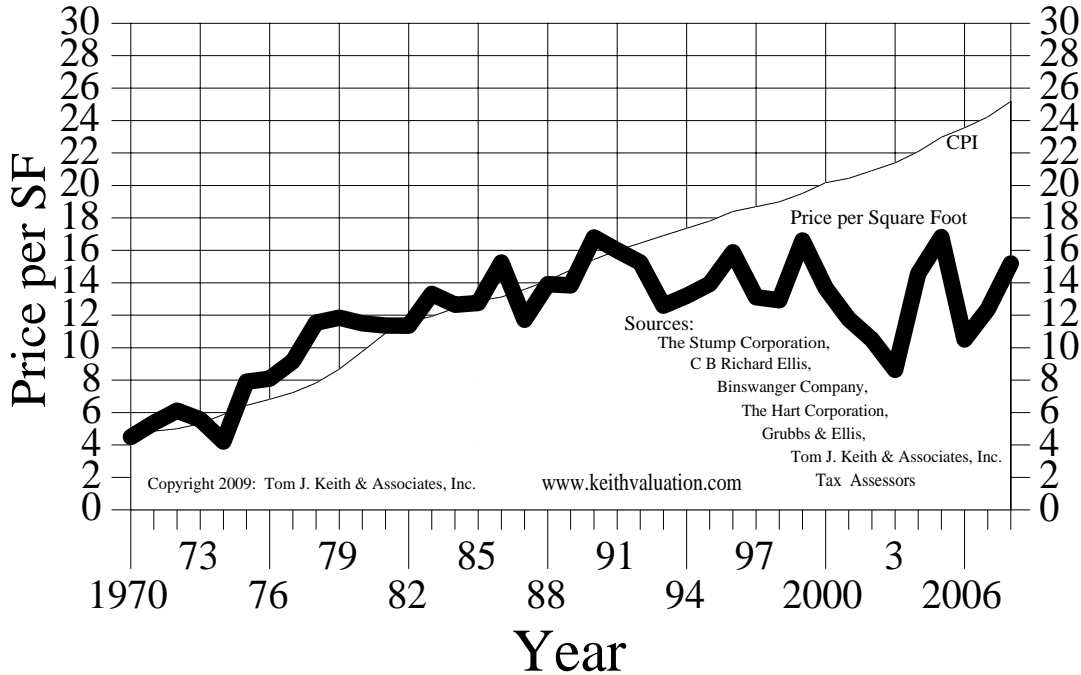


# Keith Industrial Index

for North Carolina



The Industrial Index is based on the average price paid for existing industrial buildings in North Carolina from 1970 to 2008. The sources of data included Binswanger Company, The Stump Corporation, The Hart Corporation, CB Richard Ellis, Grubbs & Ellis, The Walker Company, NC Department of Commerce, Tax Assessors from the 100 North Carolina Counties, and Tom J. Keith & Associates, Inc.

Sales of distribution facilities and manufacturing plants dominated the 1996 market while warehouse space dominated the rental market. 1997 and 1998 seemed to be a mixed bag of distribution, warehouse, and manufacturing facility sales. Limited 1996-1997 market data tends to show that prices in Eastern North Carolina are catching up with those prices in the Piedmont. NAFTA phased in completely in 2003 and caused prices to bottom out at \$8.63/SF.

The average price per square foot paid for industrial buildings including the land beginning in 1997 were as follows:

<b>Year</b>	<b>Price</b>
<b>1997</b>	<b>\$13.11</b>
<b>1998</b>	<b>\$12.93</b>
<b>1999</b>	<b>\$16.61</b>
<b>2000</b>	<b>\$13.67</b>
<b>2001</b>	<b>\$11.77</b>
<b>2002</b>	<b>\$10.50</b>
<b>2003</b>	<b>\$8.63</b>
<b>2004</b>	<b>\$14.56</b>
<b>2005</b>	<b>\$16.82</b>
<b>2006</b>	<b>\$10.51</b>
<b>2007</b>	<b>\$12.37</b>
<b>2008</b>	<b>\$15.19</b>

Starting in 1987, industrial building prices fell below the inflation trend from 1970. To have kept up with inflation, sales prices would have to be \$25.18 per square foot today. The NAFTA agreement with many countries caused many industries to move out of the USA resulting in many foreclosures and distressed properties being placed on the market, affecting prices.

Many buyers of industrial buildings in 2003 were non-manufacturing non-occupant investors. Prices in 2004 and 2005 were substantially above the 2003 prices and brokers have reported that the market bottomed out during 2003 as buildings were absorbed by investors and used for alternate manufacturing and storage purposes. As of 2008, Industrial brokers are reporting good activity and some recovery of industrial building prices and some selling of buildings purchased by investors during the late 1990's and early 2000's.

The demand for 50,000 square foot and smaller buildings seems to be increasing as our smaller niche manufacturing facilities are absorbing some of the vacant space and replacing the larger mass production manufacturing facilities which have largely moved to cheaper labor markets outside the USA in order to compete globally. Many existing manufacturing facilities have been razed for the scrap steel, copper, other metals and specialty woods and masonry products.

For the second time we have analyzed the 2008 industrial data by buildings in Urban versus those in Rural markets. The data showed an average price paid for industrial facilities in markets subject to urban influence to be \$21.19 and those in Rural markets to be \$7.10. Urban markets are generally those classified by the Census as MSA's or those markets within the influence of the urban markets.

Beginning in 2007, we broadened our source of data to include the tax assessors in the 100 North Carolina Counties.

If industrial building prices are any indication of our ability to meet global competition, it appears as though we began to lose in the global race in 1987 when building price increases fell below the rate of inflation indicating that building supply exceeded demand.

This data compiled by staff member Yolanda Wells and additional analysis available on a fee basis.

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