



Building Prices Continue to Soar

Not long ago (2010 era), quality industrial buildings traded for \$85 per square foot. Fast forward 10 years, specifically the last quarter of 2019, and we're seeing record pricing as local, regional and institutional dollars continue to pour into our market pushing cap rates down and pricing up. What's the trend for the foreseeable future related to pricing? The perceived barrier of \$200 per square foot on industrial buildings has been broken wide open... There were multiple sales in the last 6 months over this \$200 number and we will continue to see transactions going forward on the most highly desired properties (multi-tenant buildings or business parks north of the Auburn submarket) that will push pricing to numbers we have never seen before. Blackstone Group (aka Link) and Prologis, along with a smattering of other local and regional investors, all purchased leased industrial assets over \$200 per square foot by the end of 2019. If rents continue to grow or at minimum stay stable, we will continue to see quality industrial real estate trade above \$200 per square foot. Right below this number are the medium sized buildings (30,000 – 70,000 square feet) that are single-tenant product or spaces that can demise to a two-tenant building. We expect these buildings to trade in the \$175-\$195 per square foot range if the remaining lease terms are short or if the buildings trade with vacancy. The reality is that the \$200 per square foot number is here to stay if rents stay stable and investment demand continues to stay strong.