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FOR IMMEDIATE RELEASE

FALLING DEMAND FOR HRM WAREHOUSES

Flex space and third party logistics are in, distribution warehouses are out!

Traditional distribution warehousing is taking a backseat to flex space and third party logistics firms – and the vacancy rate is climbing in HRM. That is the conclusion from the latest of seven rental surveys recently completed by Halifax real estate counsellors Turner Drake & Partners Ltd.

The surveys are thought to be the most comprehensive ever conducted in HRM: a team of trained researchers collected rental, operating expense and vacancy data for 144 buildings, some as small as 10,000 square feet, with an aggregate rentable area of over 7 million square feet.

The 1990 recession resulted in a sea change in warehouse use. Gone were the days when businesses kept large amounts of stock in local warehouses; instead companies began rely on “just in time” delivery from large warehouses in central locations, or even direct from the factory. In recent years, there has been significant growth in the third party logistics sector, which reduces the need for companies to maintain their own distribution warehouses even further. Warehouse construction and rental activity has been increasingly focussed on “flex” space, which offers opportunities for office and retail space, as well as traditional storerooms. The evidence is in the rental market, where the divide between the vacancy rates for flex space versus distribution warehouse space is growing. In 2009 the vacancy rate for warehouses jumped from 5.64% in 2008 to 8.14%. This can be attributed almost entirely to 7.36% decrease in demand for distribution warehouses: their vacancy rate spiked from 4.18% in 2008 to 10.69% in 2009, versus only a moderate increase in vacancy for flex space from 6.49% to 6.67%. As the effects of the current recession filter through, and companies rely increasingly on third party logistics firms for supply transportation and storage, expect this trend to continue.

Turner Drake & Partners Ltd. is a multi-disciplinary firm of real estate consultants offering valuation, property tax, counselling, and Lasercad™ space measurement advice throughout Atlantic Canada; together with brokerage (sales and leasing) services in Nova Scotia.

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If you would like more information about this topic, or wish to schedule an interview with Alexandra Baird Allen, please call her at (902) 429-1811 ext. 316 or email abairdallen@turnerdrake.com.