

# The Industrial Demand Market Matrix: A Powerful Tool for Industrial RE Decisions



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# Overview of the Industrial Demand Market Matrix (IDMM)

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- What is the Matrix?
- A living, 9 factor analysis of demand forecasting for “gateway markets” – either Port, Population or Inland Port Markets that drills down to reality!
- Unlocks real growth/demand from TEU numbers
- Distinguishes between TEU growth and through-put of containers

# The Industrial Market Demand Matrix: Example for NAIOP

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- Available in Q3 of 2011
- Updated quarterly, so that assumptions, data, etc are always kept “live”
- Creates true “buy, hold or sell” rationale that is verifiable quarterly; updated to demonstrate actual vs. projections
- Unlocks common mistakes/assumptions based on too few data sets to avoid making \$\$Million errors

# Base Assumption: GDP Projections 2010 – 2020

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## 3 Models Based on 3 GDP Forecasts

- **Model 1:** Global Insights/ USDA.gov
- **Model 2:** Congressional Budget Office
- **Model 3:** IMS Worldwide, Inc.

# Impact of GDP on TEU Trade Numbers @ 1x, 2x and 3x

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Calculate based on GDP Projections:

- Model 1
- Model 2
- Model 3

Source: IHS, M&N



# Total Port TEU Volumes (2010)

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- Total Import TEU Totals
- Total Export TEU Totals

Source: AAPA, Ports Individually

# Calculate Market Share of Import TEU Volume by Catchment Zone

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## Examples:

- Houston = 50%
- Savannah = 20%
- NY/NJ = 80%

Source: Interviews with Ports, RR and Piers Data

# Determine Growth at Port Region Impacted by Trade

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- **Import TEU X Trade Growth  
Numbers for each GDP Model  
Rates**

# Determine Export Volume Impact on Industrial Demand

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## EXAMPLES:

1. Houston @ 20% of total Exports
2. Savannah @ 20% of total Exports
3. NY/NJ @ 10% of total Exports

Source: Piers, IHS, Port Data

# Industrial Real Estate Market Factors

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- Determine Industrial Real Estate Footprint in Each Market Under Review
- Determine Industrial Vacancy Rates in Each Market Under Review

Source: CBRE, Grubb

# Port Impact

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- Port Impact as a Percent on Industrial Development =  $\text{Current TEU Ratio (20 million TEUs = 1 million ft.)} \div \text{Current Industrial Footprint}$
- Available TEU's Captured in Each Market to determine Impact on Industrial Absorption
- Plot Absorption Against TEU Growth to Determine Demand for New Space Against Time

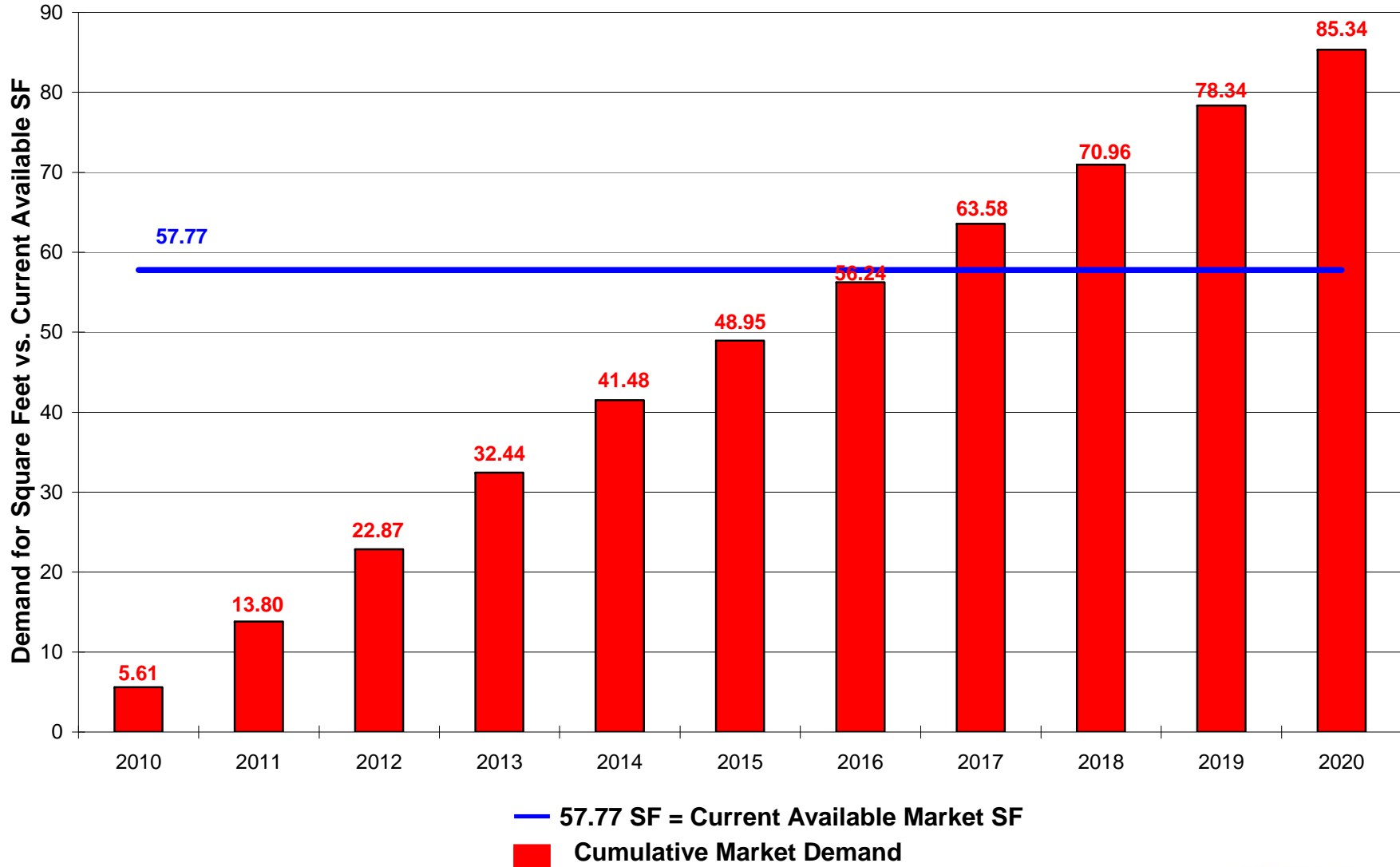
Source and Methodology: Moffatt & Nichols and Verified by Importer and calculations

# New York-New Jersey Model

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- Uses the Model 2: Congressional Budget Office GDP based on a 2X Ratio for a conservative and realistic forecast

**New York/New Jersey Industrial Real Estate Demand:  
Based on Model 2 (2X GDP) - 26.47% of Industrial Market Impacted by Port  
(In Millions of Square Feet)**



# IDMM as a Research Tool

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- Provides projections of when and why certain markets are more favorable for investment and development
  - Provides a timeline for when goods movements in a market will drive demand for new industrial product
  - Provides real evidence of which markets should be avoided or viewed with caution
- “Weights” can be adjusted around certain demand factors and new drivers can be added in order to refine the IDMM

# Investment Decisions and Strategies Supported by Real Data

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- Logistics knowledge has always impacted development timing and property values
  - Now it can be quantified!
  - Port traffic, import capture rates and exports impact are all used in the IDMM
  - Scenarios can be adjusted to identify certain growth patterns (pre/post-Panama Canal)
  - Global sourcing changes can be used to quickly evaluate impact on strategic investments and development

# IDMM & Site Selection

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- Properly identifies the port traffic implications on port and inland markets
- Links population trends to key markets to evaluate external non-logistics demands.
- Resists “running with the herd” to sites that may fit one retailer/user but not another
- Adjust the IDDM when new port/rail or land infrastructure changes flow patterns

# The Industrial Demand Market Matrix: A Powerful Tool for Industrial RE Decisions Available Now: [www.imsw.com](http://www.imsw.com)



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