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Creating Economic
Value For Our Clients

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Current Economic Conditions

Excerpt from the Minneapolis/St. Paul Second Quarter Report

May was the third consecutive month of employment growth for the Twin Cities 13-county metropolitan statistical area (MSA), according to the Department of Employment and Economic Development (DEED). 8,800 jobs have been added since the start of the year, with 7,200 being service-providing jobs and 1,600 belonging to the goods-producing sectors. This accounts for 85% of state-wide employment growth for the year thus far, which totaled 10,300.

The month of April was a hot time for hiring, with an increase of 4,400 jobs, and May showed a slowing with 1,900 jobs created. These two months accounted for 72% of the year's growth to date. Trade, Transportation and Utilities grew the most during the first two months of the second quarter, rising by 3,900 and followed by Education and Health Services which added 1,900 due to strength in the health care industry offsetting losses in education. The heaviest losses were reported for April and May in Government, which shed 900 positions, and Information, which lost 600.

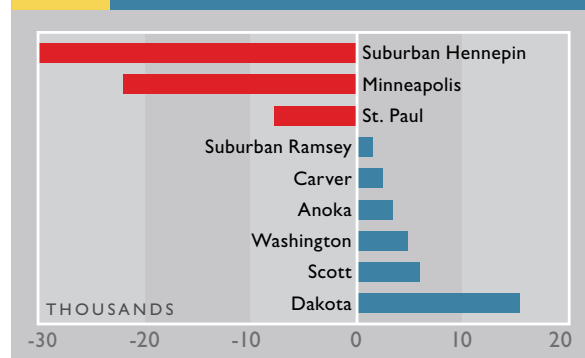
Unemployment rates for the MSA dropped by .7% in April after two months of increases, and fell by another .1% in May to end at 3.7%. This is below the state average of 3.8% and the national average of 4.9%, according to DEED.

The MSA has yet to surpass its 2001 employment peak, although solid gains have been made. After March of 2001, 44,000 jobs were lost and only 36,200 have been regained since a slow recovery began in December of 2002, leaving the area 8,400 jobs short of its last peak, according to DEED. Not so nationally, where jobs have climbed to new highs, although national losses after 2001 stood at only 2% compared to 2.5% in the Twin Cities. Most of these losses occurred in the Minneapolis, St. Paul and suburban Hennepin County, while the other counties have enjoyed subsequent gains. For the most

part, older, developed communities at the region's core were hit the hardest.

Due to its prevalence in business and society, technology has become increasingly important to maintaining economic health and competitiveness. From manufacturing to its usage in the workplace, several factors indicate that the Twin Cities are well-poised to capitalize on this fact. According to the Cyberstates 2005 report, Minnesota's high-tech exports topped \$5 billion for the first time last year and grew three times faster than the national rate from 1998 to 2004. In a recent study by the American City Business Journals, the Twin Cities ranked twentieth for the education levels of its populace, and sixth when compared with metros centered on an urban core of 1.5 million or more. Education is a big concern for employers, because educated workers seem to acclimate more readily to new technologies. According to Microsoft, it conducted the Microsoft Worldwide Partner Conference in Minneapolis because the area is known for its emerging technology industry. These signs all indicate strength in the area of technology for the Twin Cities market.

Net Employment Change, 2000–2004
Twin Cities Region



Source: Minn. DEED, Quarterly Census of Employment and Wages file

Los Angeles/Long Beach Cement Their Lead as the Nation's Busiest Ports – Industrial Markets Feeling the Effects

by Ross Moore, Vice President, Director of Research

Data from the American Association of Port Authorities shows the ports of Los Angeles and Long Beach handled 13.1 million containers in 2004 accounting for 35.7 percent of all container traffic in the country. Los Angeles registered a respectable 2.4 percent increase in traffic but it was Long Beach that saw activity soar, moving an additional 1.1 million containers in 2004 representing a 24.1 percent year-over-year increase. Increasing trade with China goes a long way to explain the rapid growth in container traffic. Another west coast port, specifically Seattle, saw a similar increase with 2004 container traffic up 19.5 percent. Of the 15 largest ports in the country, Long Beach and Seattle led the way, but other ports to register double-digit growth included Houston (15.6 percent), Charleston (10.2 percent) and New York/New Jersey (10.1 percent). Savannah at 9.3 percent, while not double-digit, still deserves special mention.



Ross Moore

Rising trade with China is having a material effect on west coast ports and in-turn many industrial markets up and down the west coast. Riverside-San Bernardino (Inland Empire) is feeling the greatest effects of increased trade with China as demonstrated by having the highest growth rate of any major industrial market in the country. Seattle is also seeing healthy demand for industrial space, but this rise in trade from China is not just affecting warehouse markets on the coast but inland with markets such as Phoenix feeling the effects and even further east to Chicago which remains one of the primary distribution hubs in the country. Indeed, any city that finds itself part of the China/USA supply chain is feeling the effects. This trend is unlikely to cease anytime soon, although bottlenecks in Los Angeles and Long Beach are forcing shipping companies to explore other alternatives.

Colliers Welcomes New Industrial Specialist

The southwest industrial team of Dennis McClinton, CCIM, SIOR and Chris Pendroy, CCIM, are pleased to announce the addition of a new colleague, Will Leaf. Leaf is a graduate from Arizona State University where he received a Bachelor of Science degree with a major in Management. He has worked as a Financial Planner Intern, Bond Operations Processor, and most recently as an Industrial Group Associate at United Properties. McClinton said, "We are excited about Will joining our team and look forward to working with him."

Pendroy and McClinton lead Colliers Southwest Industrial team with nearly 40 years of combined experience.



Dennis McClinton,
SIOR, CCIM



Chris Pendroy, CCIM



Will Leaf

McCaffrey Earns Prestigious SIOR Designation

James M. McCaffrey, CCIM, senior vice president/principal at Colliers Turley Martin Tucker in Minneapolis/St. Paul recently earned the prestigious Society of Industrial and Office Real Estate (SIOR) designation. This premiere designation is awarded to commercial real estate professionals who have demonstrated a high-level of commitment to the industry and met specific educational requirements while achieving the required sales production volume over a multi-year period.

The SIOR organization is comprised of leading professional realtors representing the most knowledgeable, experienced and successful commercial brokerage specialists. Currently, the SIOR network includes more than 2,800 members in 480 cities in 20 countries on six continents.

Jeff LaFavre, CCIM, SIOR, managing principal at Colliers, said, "Obtaining the SIOR designation is a significant career achievement. There are only 40 SIORs in the state of Minnesota, so being named as a member of this elite affiliation signifies an individual's dedication to continued education and professionalism." LaFavre added, "Working with an SIOR certified broker means working with a person who is recognized as an industry leader."



James M. McCaffrey,
SIOR, CCIM

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