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Americas COE Research Insights

Hanjin Shipping Bankruptcy | September 19, 2016

Key Takeaways

The collapse of Hanjin Shipping Company sent shock waves rippling through global supply chains as some 530,000 containers worth an estimated $14 billion were suddenly stranded.

As the world's seventh-largest carrier with a fleet of 98 vessels and a carrying capacity of 611,682 TEUs, Hanjin was an important link in the global supply chain.

The impact of Hanjin's bankruptcy on U.S. commercial real estate is negligible. It will not undermine the growth trajectory of the U.S. industrial market, derail leasing at U.S. port markets, or alter commercial real estate leasing by retailers.

Hanjin's demise could not have come at a worse time for retailers who must stock shelves for the holiday season. The good news is that retailers still have time to make other arrangements; the bad news is that it is going to be costly.

This event will likely weigh on operating margins for some retailers and it makes clear that while focusing on the "last-mile" is important, the first 5,000 miles matter too.

This is a matter of great legal and logistical complexity that will not be resolved quickly. It is unclear if Hanjin will obtain sufficient funding to attend to its stranded vessels and cargo. It is likely that many of Hanjin's creditors will not be paid. Servicing of its ships will remain intermittent and require up-front payment.

Spot freight rates spiked after Hanjin's announcement, and in the near term, they will likely remain elevated. Longer term, spot freight rates should fall back closer to historic lows as the shipping industry continues to grapple with muted global demand and an oversupply of vessels.

The supply/demand imbalance in global container shipping will continue through 2016 and into 2017. The imbalance is likely to get worse before it gets better as more container ships will be delivered in 2017.

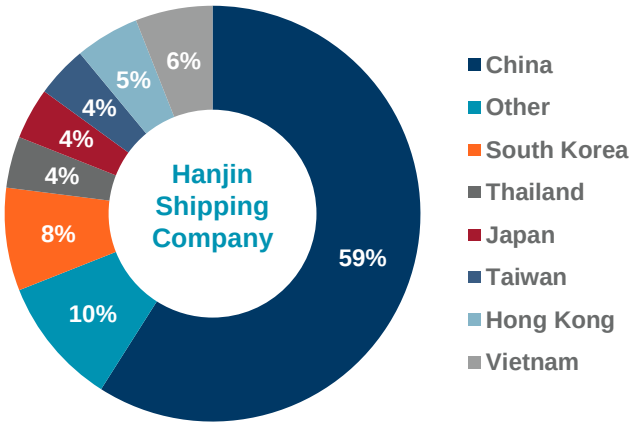
In the future, the supply/demand imbalance could affect commercial real estate. Realignment in carrier shipping could impact supply chain costs, port traffic, and the commercial real estate strategies used to mitigate supply chain risks. Such a development would affect both owners and occupiers of industrial real estate.

Cushman & Wakefield will be watching developments closely to ensure that our clients are equipped with the insight needed to make smart, highly informed commercial real estate decisions.

Interactive Hanjin Vessel Tracking (Click Map to Access)

Source: CargoSmart

Top Origin and Share of U.S. Imports (August 2016)



Source: Datamyne, Cushman & Wakefield Research

The Impact of Hanjin's Struggle

Hanjin is South Korea's largest shipping company and the seventh-largest carrier line by capacity in the world. It accounts for 3.2% of global container capacity by operating 60 regular lines that transport more than 100 million tons of cargo a year worldwide. The bulk of Hanjin's container business focuses on the trans-Pacific, Asia-Europe, and intra-Asia trades where it moves a wide variety of goods for retailers and manufacturers. According to the U.S. Department of Commerce, Hanjin is responsible for about 8.4% of the trans-Pacific trade volume for

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North America and comprises nearly 17.8% of the Korea to North America trade volume via 20 loops with port of call in the U.S. and Canada. In the past, the majority of Hanjin's ships operated solely out of South Korea and Northern China. For shipments originating in Southern China and other Asian countries, Hanjin typically purchased space on the ships of its alliance partners. As a result, shippers moving cargo out of South Korea and Northern China will be heavily affected by Hanjin's situation, but the capacity on other trade lanes should remain largely unaffected.

How do these events impact entities in the global supply chain with direct ties to Hanjin? The carrier is a unit of Hanjin Group, one of South Korea's largest conglomerates and parent of Korean Air Lines. The exposure of Korean Air Lines, the world's third-largest cargo airline, is considerable as it has held a 33.2% majority stake in the shipper since providing a capital injection of $394 million in 2014. In regulatory filings since Hanjin's demise, the airline has disclosed that it anticipates losses on loans and equity surpassing $344 million. Korean Air is hardly the only vulnerable entity, however. Individual ship owners, such as Danaos Corporation, Navos Maritime Partners and Seaspan Corporation, are estimated to have a combined direct exposure of more than $1 billion.

Financial exposure for others should be much more limited. The former Hanjin Logistics, a global logistics provider that now operates as EUSU Logistics, separated from Hanjin Shipping in 2014 and operates as a completely separate financial entity. The direct impact on financial markets should also be minimal. Hanjin Shipping accounts for only .003% of the Korean Stock Exchange's KOSPI's Index, which is similar to the Dow Jones Industrial Average or S&P 500 in the United States. The impact on the corporate bond market is also negligible as credit rating agencies had already factored in the event for both Hanjin Shipping and Korean Air Lines. Creditor banks also have some protection through loan loss provisions that safeguard against most of the loss.

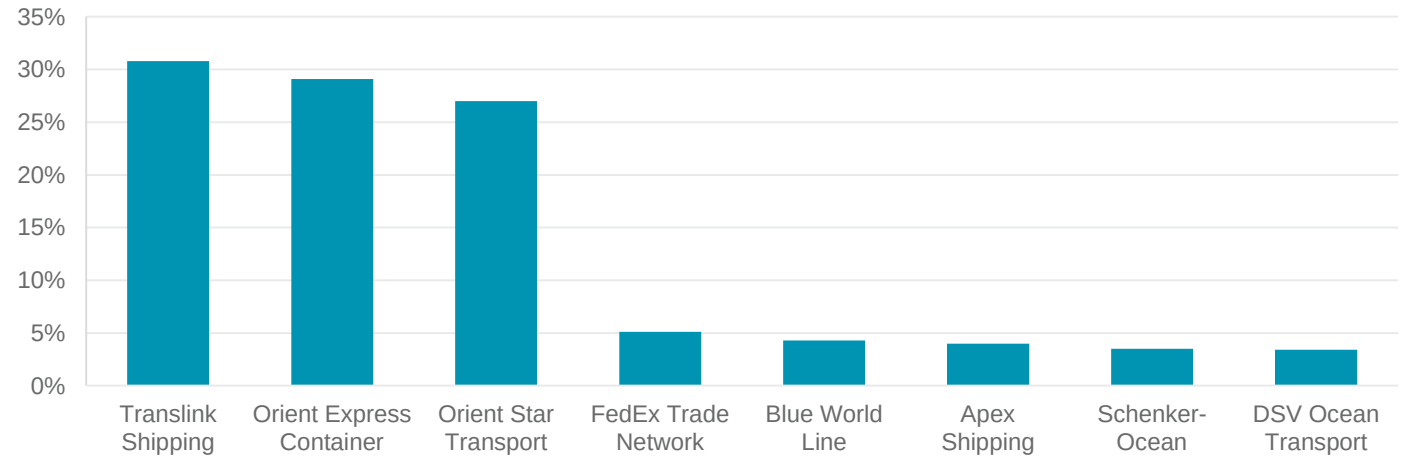
Although Hanjin's collapse shocked the market, its failure is not surprising. The shipper has battled its balance sheet for years, carried a debt to equity ratio of 640%, and suffered steep losses of $433 million through the first half of 2016. Hanjin had also

Timeline of Hanjin's Shipping Company's Struggle

11/25	Rehabilitation plan due to South Korean Court, although Hanjin's liquidation seems highly likely
9/15	New services launched by competitors
9/10	U.S. court grants protection order Port of Long Beach allows ship to call
9/08	Port of New York and New Jersey begin accepting empty containers on a limited basis South Korean court approves $10 million to unload four stranded ships off U.S. West Coast
9/06	Granted interim bankruptcy protection in U.S. Announces plans to pay $90.7 million to rescue containers but is has trouble securing funds
9/02	Suspended from CKYHE Alliance Seeks bankruptcy protection in U.S. and begins seeking similar order in 42 other countries
9/01	South Korean court accepts receivership application Global supply chain disruption ensues as vessels/cargo are stranded around the globe Freight rates being to rise rapidly
8/31	Files for court receivership in South Korea
8/30	Korean Development Bank pulls funding support
8/26	Creditors reject financial improvement plan
8/25	Submits plan proposing an injection of $360 million via selling stock to affiliate Korean Air and raising another $90 million via asset-sales
8/23	Misses deadlines to creditors
8/16	Reveals second quarter loss of $211 million
8/11	South Korean government rules out state aid
7/27	Seaspan refuses to cut charter rates
5/16	Reveals first quarter loss of $222 million
5/04	Creditors approve voluntary restructuring

Select Non-Vessel-Operating Common Carrier Exposure to Hanjin

Percentage of TEUs Booked with Hanjin (August 2016)



Source: Datamyne, Cushman & Wakefield Research

posted a loss each year from 2011 and 2014 amid declining freight rates caused, in part, by stagnant global demand and an influx of new container capacity.

The crux of Hanjin's issue was the disconnect between the high long-term charter rates on leased vessels it had negotiated and fixed in 2010 (for five to ten years) and significantly lower actual shipping rates. For example, leasing a 10,000-TEU vessel several years ago cost around $40,000 to $50,000 a day. More recently, the spot rate came in closer to $25,000 a day. As freight rates fell, Hanjin lacked the scale and balance sheet strength to compete with bigger, better-funded competitors who were not hamstrung with such high charters. Once rates plummeted, Hanjin's financial ship was sunk. The firm had already been operating under a creditor-led restructuring program since May 2016, and when an $896 million lifeline from creditors failed to keep it afloat, court receivership became inevitable. Bankruptcy was the only option.

Uncertainty Ripples Through Supply Chains

Due to the complexity of global supply chains and international law, the immediate effect of Hanjin's announcement was uncertainty and chaos. For many, the first order of business was determining whether Hanjin ships carried their product, a task made more difficult due to vast global shipping alliances. Through its membership in the CYKHE Alliance, and vessel- and slot-sharing agreements with almost all the main carriers, Hanjin's stranded ships contained more than just its cargo.

For those with cargo stuck on Hanjin vessels, the next objective was determining how to get it moving — a complicated goal both today and for quite some time in the future. Matters regarding release of cargo and equipment issues (i.e., demurrage and detention) will almost certainly require commercial and legal negotiations with third parties and, when necessary, resolutions in both U.S. and South Korean bankruptcy courts.

Hanjin Shipping's implosion also caused a great deal of chaos for freight forwarders and other non-vessel-operating common carriers (NVOs). According to Datamyne, over 30% of Hanjin's U.S. import volume year-to-date was provided by NVOs. Not everyone has the same exposure. A number of NVOs, including Expeditors and Danmar Lines (DHL's in-house NVO) took steps to limit their risk by booking less freight from Hanjin in the previous months. On the other hand, others recently ramped up their use of Hanjin and now must deal with the effect of stalled

ships. Orient Express Container went from trusting Hanjin with 19.8% of its U.S. import volume throughout 2016 to 26.9% in August. Similarly, Translink Shipping increased Hanjin's share of its volume to 30.8% in August from 25% in the previous seven months. FedEx Trade Networks, FedEx's NVO subsidiary, also increased its use of Hanjin in August (3.5% to 5.1%), but its exposure is manageable.

Hanjin filed to restructure in South Korea, a move that protects it only from creditors there and in foreign countries that choose to respect the South Korean proceedings. As a result, Hanjin has filed for court protection in 10 other countries, including the U.S., Canada, Germany and the U.K., and is expected to later expand that to 43 jurisdictions to protect its ships and other assets from seizure by creditors.

In South Korea, the Seoul Central District Court has given Hanjin until November 25 to submit a rehabilitation plan that will determine whether it can continue operating. All signs point to Hanjin's liquidation, not rehabilitation, however. No major container carrier has ever succeeded in reorganizing without the promise of subsequent acquisition by another carrier. That does not appear to be the case with Hanjin. Assuming we are correct and Hanjin is liquidated, the liquidation could take several years with many of Hanjin's creditors unlikely to recover a substantial portion of their claims.

Hanjin's Top Ten NVOs in 2016

Non-Vessel-Operating Common Carrier	TEU
Orient Express	29,725
Expeditors	13,213
Orient Star Transport	10,719
Translink Shipping	10,168
Vilden Global Trade Solutions	7,898
Nippon Express USA	6,344
Apex Shipping	6,170
Danmar Lines	5,619
Ramses Logistics	4,800
Mitsubishi Logistics America	4,516

Source: Datamyne, Cushman & Wakefield Research

In the U.S., Hanjin sought protection by filing for Chapter 15 bankruptcy in the U.S. Bankruptcy Court for the District of New Jersey. Chapter 15 is a relatively new addition to the U.S. Bankruptcy Code as a result of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005. It is based on the United Nations Commission of International Trade Law's (UNCITRAL) Model Law on Cross-Border Insolvency. A number of countries have their own version of this UNCITRAL law; however other countries, such as China, Panama and Egypt do not. This means that Hanjin ships in China, or those attempting to use the Panama or Suez canals, continue to face the likelihood of seizure.

Once afforded U.S. Chapter 15 bankruptcy protection Hanjin receives the benefit of U.S. bankruptcy law, including the so-called automatic stay that halts lawsuits to arrest ships for unpaid bills and otherwise prevents creditors from breaking contracts based on the argument that Hanjin's financial situation means they may not get paid.

This does not mean that Hanjin-related litigation in the U.S. is over. Cargo owners, chassis companies, port terminals, and fuel companies are currently petitioning the bankruptcy court to reconsider a ruling preventing them from arresting Hanjin's ships for fear that the vessels will set sail for South Korea or other jurisdictions outside the U.S. once they are unloaded. That fear is well founded as U.S. supplier liens are not recognized in South Korea and lien holders are not entitled to secure claims in a Korean bankruptcy court. Further, at least two lawsuits have been filed in California and Maryland under international maritime law by ship owners seeking to attach Hanjin assets to garnish debts owed, arguing that that international maritime law supersedes bankruptcy court filings.

The bankruptcy ruling also does not mean that delivery of cargo is guaranteed. Terminal operators, longshore unions, trucking companies, railroads, and others involved in the orchestration of berthing and unloading a ship have made it clear they will no longer provide service without payment, whether from Hanjin or the beneficial cargo owner. In nearly all cases, funds must be provided in advance due to the large debts owed by Hanjin. Often, even when payment is tendered and cargo is off-loaded,

additional steps must be taken. For instance, any carrier's haulage previously performed by Hanjin must be replaced by merchant's haulage arrangements, and cargo both re-loaded into non-Hanjin leased or owned equipment, and re-booked.

Assuming delivery does occur, the fate of the empty container remains a problem. Beneficial cargo owners do not want them because they have nowhere to store them and they will incur per diem fees on the chassis. Container lessors want the containers returned to the terminals, but the terminals may not accept them and the beneficial cargo owner is typically not financially responsible for the empty containers. Resolution of this issue is just one of a complex series of issues that will play out in negotiations and court proceedings among the parties.

Salvaging the Wreckage

With the holiday season quickly approaching, Hanjin's failure could not have come at a worse time for retailers. In addition to carrying holiday merchandise, stranded Hanjin ships might also have parts and components critical to keeping assembly lines rolling in the U.S. and abroad. The good news is that there is still time to make other arrangements. The bad news is that those arrangements will cost more money. For the top importers with diversified shipping strategies, this is a manageable nuisance, albeit a costly one. At the very least, Hanjin's collapse should convey the importance of focusing not just on the ever essential "last-mile," but also the first 5,000 miles.

Although many retail chains begin building their holiday inventories as early as August, peak shipping for the holidays historically has occurred in September and October. Although September is a busy shipping month, October shipping is what really matters for many retailers. But the news is not all bad. Increasingly, the retail industry no longer ships in lockstep. Because early promotions (pre-Black Friday) have proven successful, many large retailers begin receiving shipments in August or even earlier. Meanwhile, an increasing number of chains (particularly among smaller specialty concepts) have embraced just-in-time principles in their supply chains to lower inventory costs. These retailers traditionally receive the bulk of their holiday inventory in October, or even November. As a result, the retail supply chain has become more diversified.

Top U.S. Foreign Importers (2015)

Rank	Importer	TEUs
1	Walmart	795,000
2	Target	537,000
3	Home Depot	352,900
4	Lowe's	261,500
5	Dole Food	216,000
6	Samsung America	159,300
7	Family Dollar/Dollar Tree	153,200
8	LG Group	142,300
9	Chiquita Brands International	142,000
10	Ikea International	135,500
11	Philips Electronics North America	130,000
12	Nike	105,800
13	Jarden	105,000
14	Costco	100,000
15	Sears	98,000
16	J.C. Penney	84,000
17	General Electric	68,000
18	Ashley Furniture	77,900
19	Whirlpool	68,000
20	Williams-Sonoma	64,000

Source: Journal of Commerce

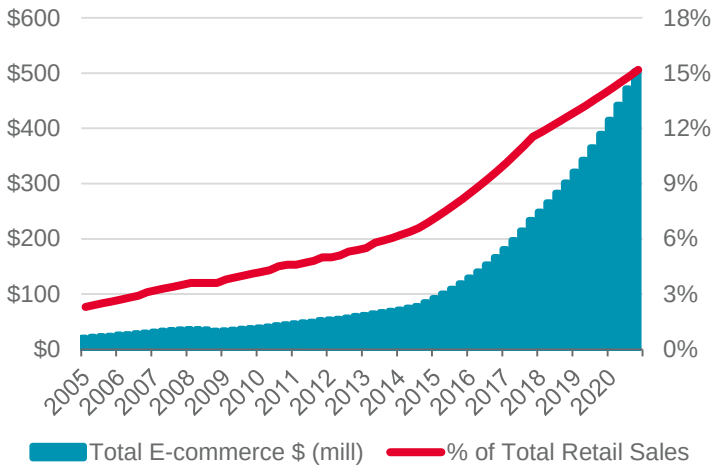
Not every retail category or individual retailer faces the same risk. The $25 billion U.S. toy industry is among the most vulnerable to supply chain challenges during the holidays as nearly half of its annual sales occur during this season. Fortunately, according to the Toy Shippers Association, only an estimated 20 containers are on Hanjin-affiliated vessels. Walmart and Target, ranking as the top two importers, will need to manage through supply chain disruptions, as will Family Dollar/Dollar Tree and Costco. Department stores and retailers like Sears and J.C. Penney Company may also have exposure. For many concepts there is overlap between building fall and holiday apparel inventories which should help buffer the effect of any temporary supply chain interruption.

There is less of a buffer for consumer electronics. Samsung Electronics revealed in court filings related to Hanjin's U.S. bankruptcy proceeding that it had 304 containers from its Visual Display Business worth nearly $24.5 million sitting off the coast of Long Beach and another 312 containers of durable goods worth $13.5 million destined for U.S. ports. Similarly, HP Inc. has reported more than 500 containers stuck in limbo. LG Electronics, the world's second-largest manufacturer of televisions, has not stated how much of its product is stuck in containers, though it did say that Hanjin accounted for between 15% and 20% of LG's U.S. imports.

Other retailers most likely to be affected include Williams-Sonoma, The Gap, Kohl's, Big Lots!, Pier One Imports, Dollar General, Staples, Michael's, TJX, Bed, Bath & Beyond, Hugo Boss, Ralph Lauren, and footwear makers New Balance and Nike. Due to the sophistication of these retailers and the time that remains before the holidays, we do not expect significant customer service disruptions.

It's unclear how much Amazon depends upon Hanjin shipments. Amazon's holiday ramp-up typically begins in August as they stress test their distribution chain. September is when they generally take corrective actions and start fully ramping up, with October being the month when they move to fill their distribution networks. Additionally, it can be assumed that Amazon diversifies its carriers to reduce vulnerability to supply chain disruptions. As a result, it is extremely unlikely consumers will experience delivery delays.

Online Retailers Are Not Immune From Disruption



Source: U.S. Census Bureau, Cushman & Wakefield Research

The severity of any shortage is also dependent upon consumer demand. Economic indicators point to strong holiday sales in the United States. In September the Census Bureau released an analysis that showed median income grew by 5.4% in 2015, the highest level of growth in 49 years. Wages increased across the spectrum and not just in the top percentile of workers, which had been the case throughout most of the post-recession era (2010 to 2014). Though job growth has not been as consistently robust through the first eight months of 2016, it has remained strong. Additionally, consumers continue to reap the benefits of cheap oil, personal consumption expenditures reflect growth, and consumer confidence is solid. As a result, retailers may face the strongest holiday shopping season in a decade.

Last year's disappointing holiday sales for many chains, as well as the continued acceleration of eCommerce and heightened pressure from Wall Street on publicly traded retailers to boost profitability, set the stage for many chains to be too conservative with their buying patterns this year. The potential disruption in the supply chain from Hanjin's bankruptcy simply adds another wrinkle to the story. All of these factors beg the question for American retailers, "if the consumers show up this year ready to buy, will there be enough stock on hand to sell?"

Blood in the Water

Hanjin's competitors have been quick to act. Several ocean carriers have already announced new services. 2M Alliance members Maersk Line and MSC will increase their presence on the trans-Pacific; HMM is adding a new transpacific service and an Asia-Europe service; and HMM is partnering with Korea Marine Transport, Sinokor Merchant Marine and Heung-A Shipping to form a new vessel sharing agreement dubbed the "Mini Alliance," on the intra-Asia trade.

The creation of new services and alliances is not new. For years container shipping lines have created alliances in an attempt to remain viable and today the top 10 carriers hold an estimated

80% of shipping capacity. Virtually all large container carriers are part of four global alliances that currently exist, and they are slated to be consolidated even further into three alliances in 2017. Hanjin's bankruptcy demonstrates that for all the advantages that carrier shipping alliances offer, such as more port calls, more frequent service, and economies of scale offered by larger ships, they expose alliance members to risk if a partners sails into trouble.

Realistically, shippers will face the prospect of higher freight rates in the near terms as competition for space peaks in late September and October. It is also worth mentioning that 2017's Chinese New Year is earlier than usual (January 28), so upward pressure on freight rates could extend longer as retailers attempt to secure space before factories in Asia shut down during the holiday. Longer term, freight rates will fall back near historic lows due to the industry's overarching problem: oversupply.

Waves of Carrier Supply is the Real Issue

Hanjin's troubles are reflective of larger issues confronting the shipping industry as a whole, namely a lackluster global economy and an oversupply of vessels. Shipping firms worldwide have been hampered by years of weakening demand — particularly from China — as global trade has slowed. On the supply side, the biggest carriers have invested heavily in new megaships over the past five years in an effort to drive down operating costs per container. According to Alphaliner, a record of nearly 1.7 million TEUs divided among 212 vessels was delivered in 2015. Although ship owners have curtailed new orders over the past year, orders placed in 2015 will be delivered in 2017. As a result, analysts forecast the global fleet to grow by 6% next year. Additionally, Hanjin's bankruptcy will not remove significant container capacity from the global fleet in the long run. Over half of Hanjin's existing fleet is chartered and many of its owned vessels are modern, meaning they will not be scrapped but rather will remain in service either by Hanjin, in the unlikely event of reorganization, or by a competitor who purchases them during liquidation. This means supply/demand fundamentals will continue to deteriorate in 2017 and ocean carriers will continue to face intense pressure. The pressure on carriers will intensify if the U.S. economy slows.

Ten Largest Container Carriers (Fleet size as of August 2016)

Operator	Existing Fleet			Ships on Order		
	TEU	Ships	% Chartered	TEU	Ships	% of Fleet
APM-Maersk	3,194,291	624	44.9%	387,150	29	12.1%
Mediterranean Shipping Co.	2,784,251	491	61.8%	401,215	30	14.4%
CMA CGM Group	2,307,799	527	56.2%	235,624	24	10.2%
COSCO Container Lines	1,563,979	288	69.1%	560,888	35	35.9%
Evergreen Line	956,030	187	41.7%	367,272	32	38.4%
Hapag-Lloyd	914,873	163	44.7%	52,500	5	5.7%
Hanjin Shipping	611,682	98	55.2%			
Hamburg Sud Group	610,554	119	52.1%	30,400	8	5.0%
OOCL	578,703	104	31.3%	126,600	6	21.9%
Yang Ming Marine Transport Corp.	570,440	103	64.3%	112,594	8	19.7%
Top 20 Carriers	17,654,755	3,522	53.6%	2,840,687	234	16.1%
Next 80 Carriers	1,761,096	1,468	42.2%	159,700	83	9.1%
Top 100 Carriers	19,415,851	4,990	52.5%	3,000,387	317	15.5%

Source: Alphaliner, American Shipper, Cushman & Wakefield

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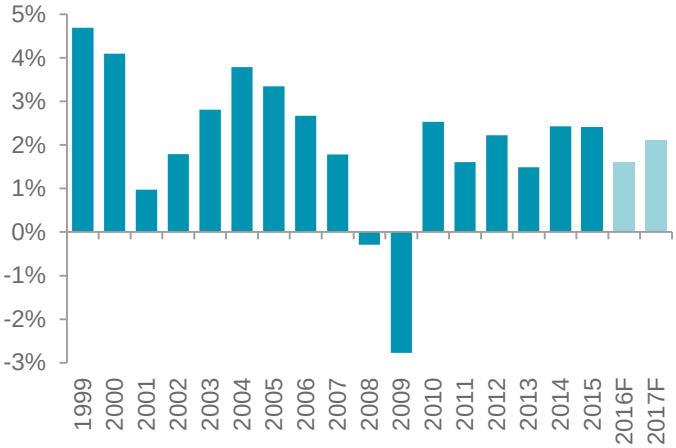
Cushman & Wakefield's forecast calls for a moderate growth path for the U.S. economy — 1.6% in 2016 and 2.1% in 2017 — barring any unforeseen shocks. It also assumes that the downdraft created by the slowing Chinese economy, the aftermath of Brexit, and the related fallout in business investment does not worsen. We believe this is the most likely scenario and anticipate that business investment will improve and contribute positively to economic growth in the second half of 2016 and more so in 2017. We also anticipate consumer spending resulting from lower oil prices and higher wages will continue to power the broader U.S. economy, with personal consumption expenditures growing by 2.5% in 2016 and 2.7% in 2017.

U.S. GDP Forecast (AR, %)
($Billion)



Source: BEA, Cushman & Wakefield Research

Just a Ripple for Commercial Real Estate

Hanjin's bankruptcy creates waves for supply chains but the impact on commercial real estate will be minimal. From a retail perspective, those with the greatest exposure and largest footprints have diversified shipping strategies and the financial wherewithal to navigate through the disruption. This event will weigh on operating margins for some retailers but will not affect their commercial real estate strategies. Because time remains to stock shelves for what we anticipate will be a strong holiday shopping season, pressure on retail profit margins should not be unbearable. The impact on industrial real estate is also negligible. Aside from a need, in the near term, to find available land to store emptied Hanjin containers near ports, there will be little impact on industrial real estate. Longer term, the supply/demand imbalance facing global container shipping could be more significant. A major realignment in the shipping industry due to the imbalance could impact supply chain costs, port traffic, and commercial real estate strategies used to mitigate inventory risks. This would impact both owners and occupiers of industrial real estate.

Some in the industry have posited that Hanjin's disruption will encourage re-shoring of manufacturing facilities. That is not likely; a wave of re-shoring should not be expected. When firms engage in siting decisions there are many considerations, often unique to the manufacturer and its lines of business, but three overarching considerations are almost always in play: reducing the total cost of operations; reducing the risk of business interruptions; and, improving speed to market for customer deliveries. Among the top location factors cited in achieving these objectives are often: availability of skilled labor; availability of land and buildings; energy availability and costs; CRE occupancy and construction costs; and, corporate tax rates. Although Hanjin's bankruptcy highlights the challenges that confront manufacturers in managing disruptions and meeting customer service delivery expectations, kinks in the supply chain are not new and the overarching consideration for manufacturers will remain the total cost of doing business.

We anticipate no negative repercussions for industrial leasing in U.S. port markets. That is important because the major U.S. port markets underpin the national industrial sector and are essential to its performance. The port markets of Los Angeles/Long Beach, New York/New Jersey, Savannah, Oakland, Virginia/Norfolk, Seattle/Tacoma, Houston, Charleston, Baltimore, Miami, Jacksonville, and Ft. Lauderdale comprise 26.8% of U.S. industrial inventory with a footprint of nearly 3.7 billion square feet (sf). U.S. industrial markets overall absorbed a record-setting 70.1 million square feet (msf) of space in the second quarter of 2016, up 6.0% from the same period a year ago, propelling year-to-date net absorption to 132 msf. Those banner numbers do not occur without healthy port markets, which accounted for 39.5 msf or 30%, of the net absorption registered through mid-year 2016. The national industrial vacancy has fallen to its lowest level of the past 30 years at

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U.S. Industrial Port Market Snapshot (Q2 16)			
Port Market	**Absorption**	**Vacancy**	**U/C**
LA/Long Beach	15.6M	2.6%	20.0M
New York/NJ	11.1M	5.0%	6.7M
Savannah	-121K	2.4%	1.9M
Oakland	2.8M	2.8%	1.3M
Virginia/Norfolk	137K	6.7%	419K
Seattle/Tacoma	3.1M	5.3%	1.5M
Houston	408K	6.4%	7.3M
Charleston	806K	8.0%	4.1M
Baltimore	2.3M	7.2%	1.0M
Miami	1.2M	4.9%	3.4M
Jacksonville	1.4M	6.5%	418K
Ft. Lauderdale	813K	6.8%	940K
Port Totals	**39.5M**	**4.3%**	**49.1M**
U.S. Totals	**132.2M**	**5.8%**	**197M**

Source: Cushman & Wakefield Research

at 5.8%, with vacancy in the major port markets even lower at 4.3%. As a result of these tight conditions, development in port markets has skyrocketed, with 30.5 msf delivered through mid-year and an additional 49.1 msf under construction .

The Hanjin bankruptcy does nothing to change that or to undermine the growth trajectory of the U.S. industrial sector as a whole. Imports, which correspond closely to warehousing demand, are expected to rise. According to the monthly Global Port Tracker report released by the National Retail Federation, October imports are expected to hit 1.63 million TEU, a 5.3% increase year over year. November will likely also see a 3.8% gain at 1.53 million TEU, with December and January at 1.49 million TEU (a 3.6% increase) and 1.53 million TEU (a 2.8% increase), respectively. This bodes well for industrial leasing.

Rough seas lay ahead for those with the greatest financial exposure to Hanjin, for retailers scrambling to get shelves stocked, and for the overall carrier industry as it grapples with the supply/demand imbalance, but we anticipate smooth sailing for the U.S. industrial markets and strength in the retail market.

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