ABSTRACT

The dominant determinant of industrial property construction volume is the projection of industrial space demand. This is based primarily on preceding years' absorption rate, with adjustments based on the previous year's supply of ready-built space. This research aims to investigate the cyclical characteristics of the industrial property market, and the underlying relationships between industrial property construction and the economy.

Spectral analysis confirmed a cyclical tendency in industrial property construction. Cross-spectral analysis showed strong linear correlations between industrial property construction and the economy, manufacturing employment and industrial property prices. Cointegration tests indicated long-run equilibrium relationships exist between the economy, industrial property construction, manufacturing employment, manufacturing investment, industrial property prices, industrial space vacancy rate and prime interest rates. Impulse responses of shocks to the vector error-correction models are inconclusive. The reason could be the current recovery of the industrial property market from the 1997 financial crisis or the short time series analysed.

Keywords: Industrial property construction, cyclical characteristics, spectral analysis, cross-spectral analysis, cointegrating relations, impulse responses, and vector error-correction model.