

MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | SECOND QUARTER 2019



In the first half of 2019, the Central Midwest absorbed over 27.6 million square feet (msf) year-to-date (YTD) while vacancy for these markets decreased quarter-over-quarter to 4.6%. In the 11 markets included in this report, there is currently 66.6 msf in the construction pipeline, and 39.6% of the pipeline is preleased. With only 54.5% of the pipeline being built on a speculative basis, new space in the Midwest will be scarce and will encourage developers to continue building in the region. By the end of the second quarter 2019, the Central Midwest markets delivered 32.1 msf YTD, 88.8% of that space, or 28.5 msf, was warehouse/distribution space. Rental rates decreased slightly from Q1 2019 to \$4.92 per square foot (psf) in the second quarter of 2019. In the coming quarters, the Central Midwest is expected to remain a strong region and will continue to see positive trends throughout the second half of 2019 and into 2020.

IN THIS EDITION

CHICAGO



CINCINNATI



CLEVELAND



COLUMBUS



DETROIT



INDIANAPOLIS



KANSAS CITY



LOUISVILLE



MILWAUKEE



MINNEAPOLIS



ST. LOUIS



[**CLICK HERE FOR
RESEARCH CONTACTS**](#)

CHICAGO

CINCINNATI

CLEVELAND

COLUMBUS

DETROIT

INDIANAPOLIS

KANSAS CITY

LOUISVILLE

MILWAUKEE

MINNEAPOLIS

ST. LOUIS



CHICAGO



MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | SECOND QUARTER 2019



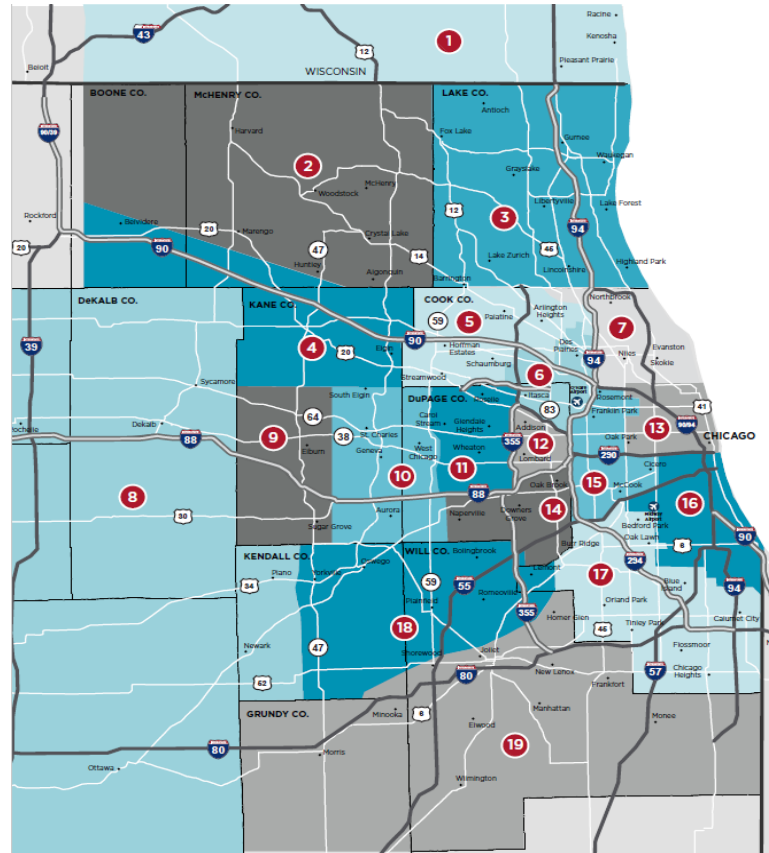
The Chicago industrial market remained active throughout Q2 2019. Year-to-date (YTD) new leasing activity totaled 13.6 million square feet (msf). The average lease size was 62,248 square feet (sf).

Overall net absorption slowed by 27.1% year-over-year (YOY), with 6.3 msf of space absorbed through Q2. However, absorption will likely increase as tenants move into previously leased space.

Vacancy decreased for the fifth straight quarter, down 130 bps YOY to 5.0%, the lowest recorded vacancy since mid-2000. The asking weighted average overall net rental rate maintained positive momentum, up 2.8% YOY to \$5.44 per square foot (psf).



[CLICK HERE FOR FULL MARKET REPORT](#)



SUBMARKETS

- ▶ 1. Southeast Wisconsin
- ▶ 2. McHenry County
- ▶ 3. Lake County
- ▶ 4. Northern Fox Valley
- ▶ 5. Northwest Cook County
- ▶ 6. O'Hare
- ▶ 7. Northern Cook County
- ▶ 8. Interstate 39 Corridor
- ▶ 9. Western Kane County
- ▶ 10. Southern Fox Valley
- ▶ 11. Central DuPage
- ▶ 12. Northeast DuPage
- ▶ 13. Chicago North
- ▶ 14. Southern DuPage
- ▶ 15. Western Cook County
- ▶ 16. Chicago South
- ▶ 17. South Suburbs
- ▶ 18. Interstate 55 Corridor
- ▶ 19. Interstate 80 Corridor

RESEARCH CONTACT

GREGORY ROGALLA
 CHICAGO
gregory.rogalla@cushwake.com



CHICAGO

EMPLOYMENT & UNEMPLOYMENT TRENDS

The Chicago Metropolitan Area economy continued to improve during Q2 2019. Local unemployment decreased 60 basis points (bps) from Q2 2018 to 3.8%. Job growth within the Manufacturing sector recorded a 1.3% (5,300 jobs) uptick over the last twelve months ending May 2019. Over the same period Trade, Transportation, and Utilities sectors recorded a 1.0% (9,100 jobs) increase. With eCommerce reshaping the industrial landscape, jobs within the trade, transportation and utilities sector are likely to increase.




	Q2 2017	Q2 2018	Q2 2019	FORECAST
NATIONAL UNEMPLOYMENT	4.3%	3.9%	3.6%	
MSA EMPLOYMENT (% Change)	-0.2%	-0.1%	1.4%	
MSA UNEMPLOYMENT RATE (%)	4.8%	4.4%	3.8%	

Table denotes MSA employment and unemployment rate
 Forecast is 12-month outlook

JOB GROWTH & UNEMPLOYMENT RATE

+1.4
% YOY

Q2 employment
 Increased by 65,000 jobs

-60
BPS YOY

Q2 unemployment
 decreased 60 bps YOY

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

ECONOMIC EXPANSION

The following are select announcements occurred throughout Q2 2019:



FORD has announced a \$50 million investment in its Chicago facility located at 12600 South Torrence Avenue. This will include adding upwards of 400 jobs.






Freedom Forever Solar has announced expansion plans within the Chicago Market. The firm installs solar panels. They plan to start with between 35 to 50 employees and adding upwards of 200 over the next several quarters.



Fast Radius has raised \$40 million in funding to grow their manufacturing facility and add employees. The digital manufacturing company currently has around 45 employees and is looking to double their workforce within the City of Chicago.

DEMOGRAPHIC FUNDAMENTALS

The Chicago MSA population is expected increase by nearly 115,000 or 0.2% between 2018 and 2023. As the availability of industrial labor tightens in the market, average warehouse wages are being driven up by competition.

POPULATION		2000	9,157,540
		2010	9,461,105
		2018	9,643,624
		2023	9,758,617
AVERAGE WAREHOUSE WAGE		2000	\$13.53
		2010	\$16.57
		2018	\$15.27
WAREHOUSE LABOR		2000	333,050
		2010	276,030
		2018	392,040



CHICAGO

INDUSTRIAL FORECAST

The following are Cushman & Wakefield's projections over the near term:



RENTS



VACANCY



**PIPELINE %
GROWTH**

Forecast is 12-month outlook

DEVELOPMENT / INVENTORY

The Chicago MSA, stretching from the Northwest Indiana border all the way up into Southeast Wisconsin, is comprised of over 1.2 billion square feet.

Construction activity remained strong through Q2, with 7.5 msf of product delivered, a 36.2% increase in space completed YOY. There was an additional 16.4 msf under construction, of which 76.0% is speculative.

Developers are building more mid-sized buildings within population-dense submarkets: currently 28 out of 48 properties under construction are between 100,000 sf and 300,000 sf in size. This trend is most prominent in submarkets such as Western Cook County and South DuPage. Construction is gaining momentum in previously dormant submarkets due to low vacancies, such as Northwest Cook and South DuPage.

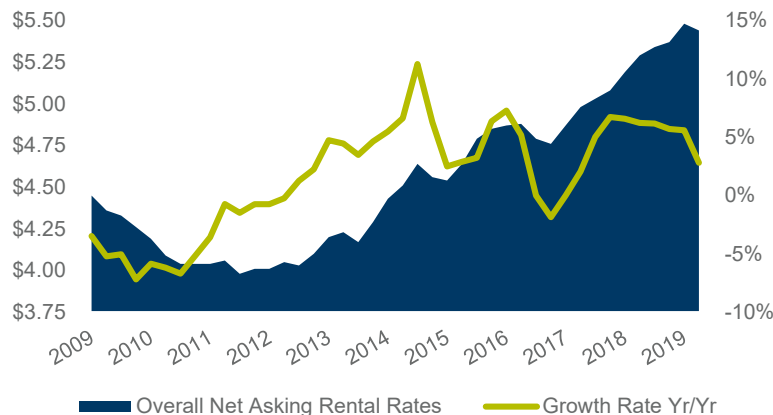
OUTLOOK

The Chicago industrial market is poised for continued growth throughout the next half of 2019. New leasing activity will rise as several large leases are expected to close in the coming quarters. Construction activity will remain active, especially in infill submarkets close to labor and consumers.

- Throughout 2018, the market reported an increase in mid-sized lease transactions which has caused many developers to look at building projects with a smaller footprint to meet demand. This trend, primarily within infill submarkets, is likely to increase going forward. As of Q2, 57% of the new leases signed during the first half of 2019 are within the 50,000 to 300,000 sf range.
- Construction has started to spread into submarkets which were previously stagnant, following tenant demand which favors being closer to both labor and consumers.
- The Southeast Wisconsin submarket continues to attract both users and investors as the overall market tightens. The drive for new space will continue as companies make the decision to cross the border due to lucrative incentives offered in Wisconsin.

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Chicago MSA industrial rent growth was slightly below the national average, up 2.8% YOY to \$5.44 psf. Rental rates are expected to continue to increase slightly over the next several years following tenant demand.



Source: C&W Research

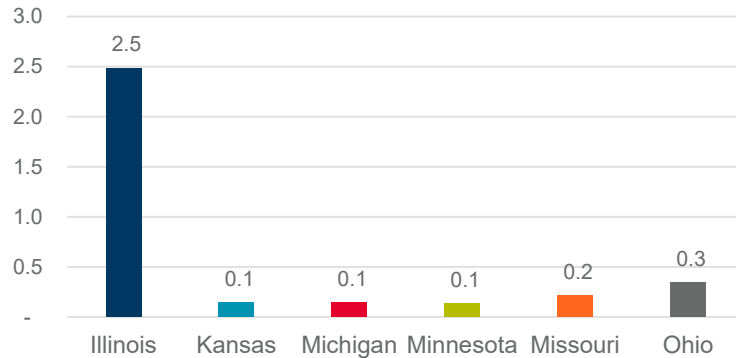


CHICAGO

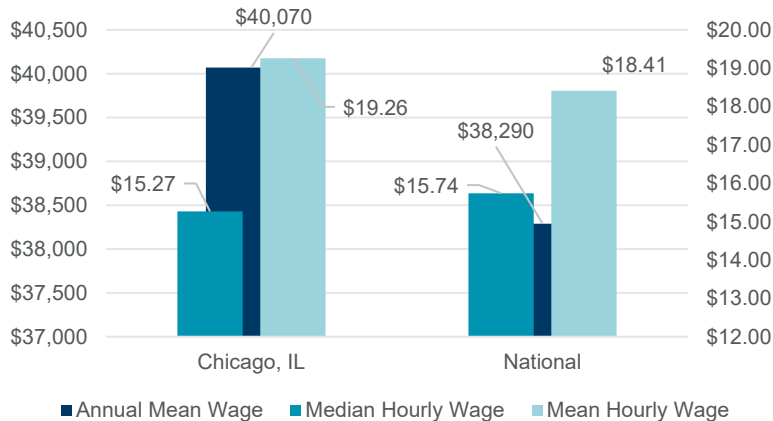
CROSS-MARKET COMPARISONS

TRANSPORTATION STATISTICS

Intermodal Carloads Originating by State (millions)



WAREHOUSE WAGES MAY 2018



Source: U.S. Bureau of Labor Statistics, C2ER, Cushman & Wakefield Research

SELECT SUBMARKET NEWS

Interstate 55 Corridor

- The Interstate 55 Corridor reported the highest amount of new leasing activity, with 2.9 msf leased during the first half of 2019. This continued demand from 2018 prompted overall vacancy to decrease 100 basis points year-over-year to 9.7%.

Southern Fox Valley

- The Southern Fox Valley saw a substantial increase in activity during the first half of 2019. As of Q2, overall vacancy decreased 130 basis points YOY to 3.8%. A lack of space has prompted increased construction; there is currently 2.3 msf of product under construction, up from 184,851 sf that was under construction one year ago.

HISTORICAL COST OF LIVING INDEX

The Cost of Living Index (COLI) measures *relative* price levels for consumer goods and services in participating areas. The average for all participating places equals 100. A score above 100 indicates above average cost and below 100 indicates below average cost. The below COLI numbers are for the Chicago Metro Statistical Area (MSA).

Index Category / % share	2Q18	3Q18	4Q18	1Q19	Forecast
Overall Index (100%)	121.5	120.8	123.2	120.0	↑
Grocery Items (13.4%)	100.5	99.7	102.7	96.8	↑
Housing (29.34%)	155.8	154.9	156.0	150.9	↔
Utilities (8.94%)	92.7	92.8	93.0	93.6	↑
Transportation (9.22%)	123.9	125.9	125.6	128.0	↔
Health Care (4.26%)	101.1	101.3	101.8	100.9	↑
Misc. Goods/Services (34.84%)	112.3	110.6	112.4	109.8	↑

Forecast is 12-month outlook



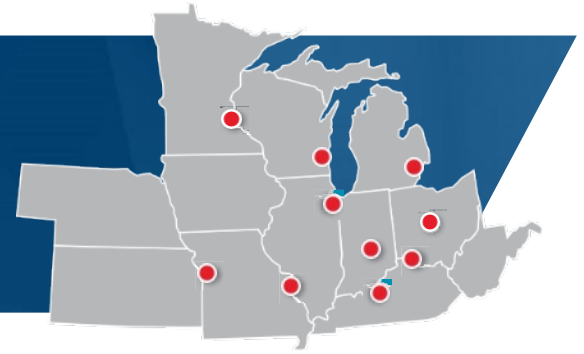


CINCINNATI



MARKET INSIGHT

CENTRAL MIDWEST INDUSTRIAL REPORT | SECOND QUARTER 2019



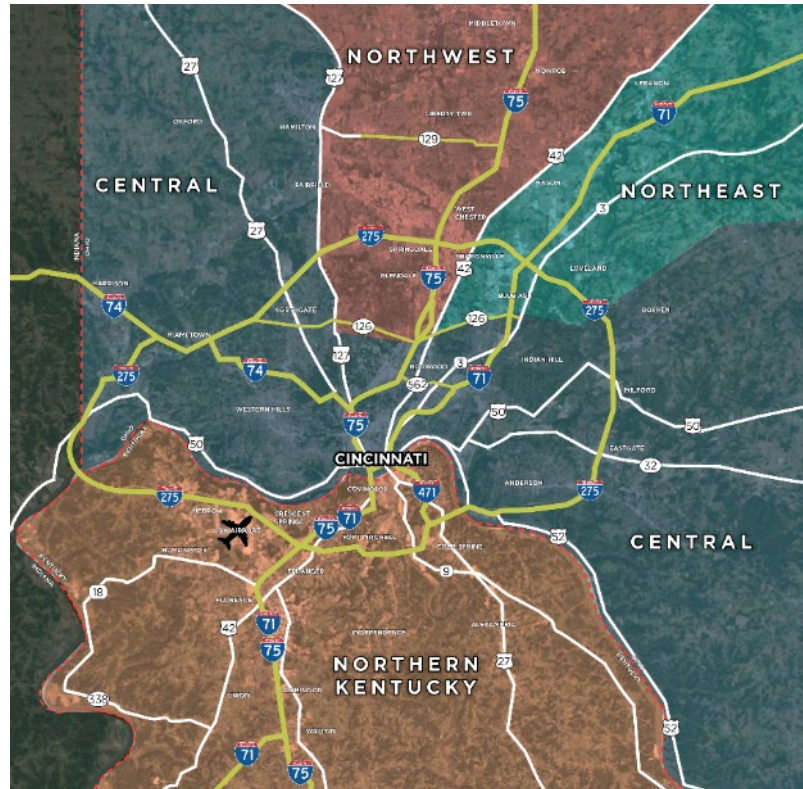
At 291 million square feet (msf), Greater Cincinnati is one of the 15 largest industrial markets in the U.S.

In the second quarter of 2019, direct vacancy was a low 3.6%. The market saw its 32nd consecutive quarter of direct positive absorption, with 179,000 sf. While positive, net absorption has been significantly lower in 2019 than the same period in the prior year.

New speculative construction deliveries affected vacancy and net absorption in Q2 2019. Asking rental rates approached the \$4.50 NNN per square foot threshold and new construction in the region was a record-level 9.7 msf in Q2.



[CLICK HERE FOR FULL MARKET REPORT](#)



SUBMARKETS

- ▶ Central
- ▶ Northeast
- ▶ Northwest
- ▶ Northern Kentucky

RESEARCH CONTACT

JARRETT HICKS

CINCINNATI

jarrett.hicks@cushwake.com



CINCINNATI

EMPLOYMENT & UNEMPLOYMENT TRENDS

In June, Indeed.com published a ranking of the 25 best cities for job seekers. Key criteria included low unemployment rates, competition for jobs, and salaries adjusted for cost of living. Overall, Cincinnati finished 22nd on the list, near peer cities like Kansas City and Columbus.

Both the Greater Cincinnati and U.S. unemployment rate decreased during the past year from 3.9% to 3.6% in the second quarter of 2019.




	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.4%	3.9%	3.6%	
MSA EMPLOYMENT (% Change)	1.6%	1.1%	1.8%	
MSA UNEMPLOYMENT RATE (%)	4.4%	3.9%	3.6%	

Table denotes MSA employment and unemployment rate
 Forecast is 12-month outlook

JOB GROWTH & UNEMPLOYMENT RATE

+2.0
% YOY

Average Q2 **employment**
of 1.13 million.

-32
BPS YOY

Average Q2 **unemployment**
of 3.6%.

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

ECONOMIC EXPANSION

The following are select announcements from second quarter 2019:



Engineering and technical consulting firm **Belcan LLC** is exploring options to expand its headquarters presence in Blue Ash. The company has already received state tax incentives to **hire 200 new full-time employees** by the end of 2023.



LSI Industries, a graphics and signage manufacturer with operations in Blue Ash, recently received state tax incentives to **add 50 full-time jobs**.



Custom Pro Logistics, a third-party logistics broker, will soon move to a new headquarters office in the trendy Over-The-Rhine neighborhood of Cincinnati. The company **plans to hire 40 additional employees** over the next few years.

DEMOGRAPHIC FUNDAMENTALS

The Greater Cincinnati population is projected to increase by 80,000 people between 2018 and 2023.

POPULATION



2000	1,994,803
2010	2,114,577
2018	2,184,257
2023	2,263,935

AVERAGE WAREHOUSE WAGE



2000	\$13.28
2010	\$15.65
2018	\$16.91

WAREHOUSE LABOR



2000	71,370
2010	71,900
2018	84,050





CINCINNATI

INDUSTRIAL FORECAST

The following are Cushman & Wakefield's projections over the near term:



RENTS



VACANCY

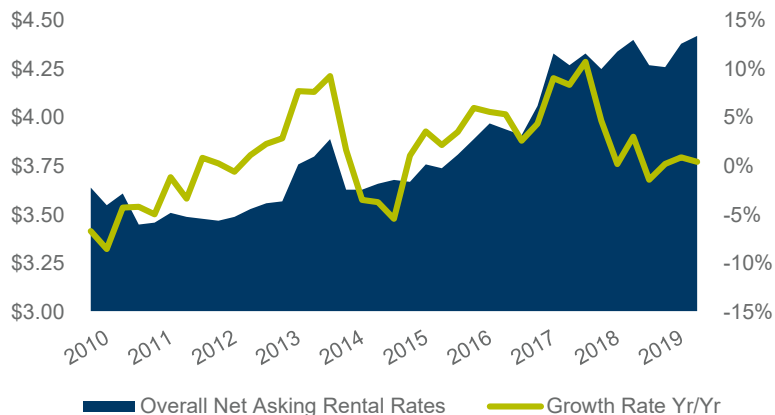


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

While the growth rate in Greater Cincinnati has levelled off, asking rent rates continued to approach the record \$4.50 psf level. In Q2 2019, the average asking rate was \$4.42 psf NNN, a 0.5% increase over the prior year.



Source: C&W Research

DEVELOPMENT / INVENTORY

2.7 million square feet (msf) of newly-completed buildings were delivered to the market in Q2 alone. In fact, new construction deliveries accounted for three of the four largest sources of positive net absorption. A 618,000-square foot (sf) build-to-suit (BTS) distribution warehouse was completed in Batavia, OH for home products company Design Within Reach. The company vacated multiple leased spaces in Q2 to consolidate operations in Batavia.

Near the intersections of Interstates 275 and 75 in Northern Kentucky, a 301,000-sf BTS was completed for Coca-Cola at the Erlanger Commerce Center. In Evendale, OH, RPP Containers pre-leased a 123,000-sf speculative bulk warehouse, which was also completed in Q2 2019.

Despite the delivery of 2.7 msf in Q2, another 9.7 msf is under construction across the region. 3.0 msf of this total is for an eCommerce air freight distribution hub in Hebron, KY, which is scheduled to be operational in 2021. Of the remaining 6.7 msf under construction, there is a mix of speculative and BTS projects concentrated mostly in Northern Kentucky and Northwest.

OUTLOOK

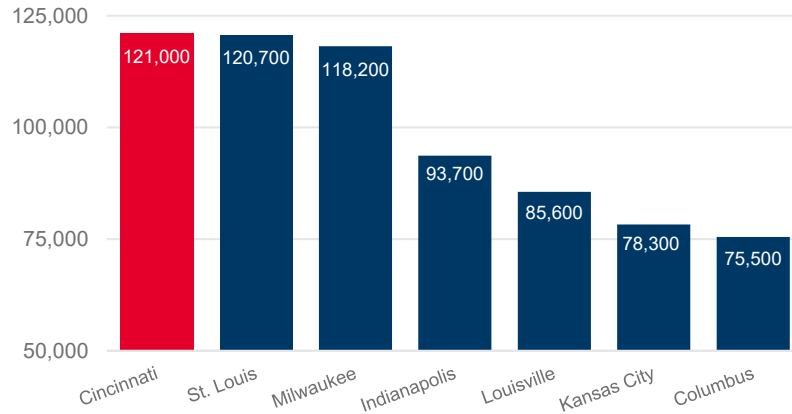
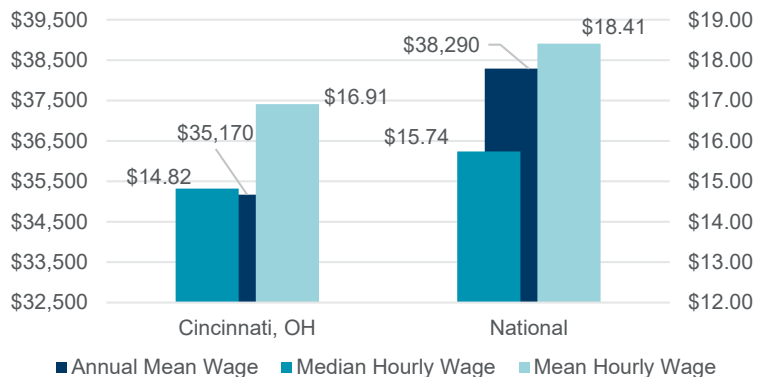
- New speculative bulk product to be delivered within the next six months will push the vacancy rate over 4.0% before the end of 2019.
- Looking ahead to Q3 2019 and Q4 2019, nearly 2.0 msf of BTS projects will be completed. When combined with new lease commencements, the market will see significant positive absorption for the rest of 2019.
- In Q2 2019, industrial construction reached a record-level of 9.7 msf. Pending deliveries and a smaller speculative construction pipeline will reduce this figure to 5.5 msf by 2020.





CINCINNATI

CROSS-MARKET COMPARISONS

Q2 2019 METRO AREA EMPLOYMENT: MANUFACTURING

WAREHOUSE WAGES MAY 2018


Source: U.S. Bureau of Labor Statistics, C2ER, Cushman & Wakefield Research

SELECT SUBMARKET NEWS

Northern Kentucky: Major Class-A bulk renewals took place near the CVG airport. Wayfair renewed the entire 525,000-sf Park West International - J building, while UPS renewed 151,000 sf at Park West International - L2. At Prologis Airpark #1 & #2 on Aviation Boulevard, NorAm International Partners renewed 88,000 sf.

Northwest: At the recently-completed West Chester Trade Center #2, GE leased 172,000 sf and MSI leased 58,000 sf. Following those two leases, the building shifted from 0% to 74% occupancy.

Northeast: JB Hunt Transportation leases 51,100 sf at Building #4 in the Blue Ash Distribution Center on Kenwood Road.

HISTORICAL COST OF LIVING INDEX

The Cost of Living Index measures *relative* price levels for consumer goods and services in participating areas. The average for all participating places, equals 100. A score above 100 indicates above average cost and vice versa.

Index Category / % share	2Q18	3Q18	4Q18	1Q19	Forecast
Overall Index (100%)	94.3	95.2	95.2	93.4	↑
Grocery Items (13.4%)	90.4	91.3	93.3	97.5	↑
Housing (29.3%)	81.3	82.2	81.5	77.2	↑
Utilities (8.9%)	94.0	94.0	95.0	90.0	↓
Transportation (9.2%)	97.7	101.5	100.3	101.2	↑
Health Care (4.3%)	99.8	97.5	100.1	97.8	↑
Misc. Goods/Services (34.8%)	104.9	105.5	105.6	103.7	↓

Forecast is 12-month outlook



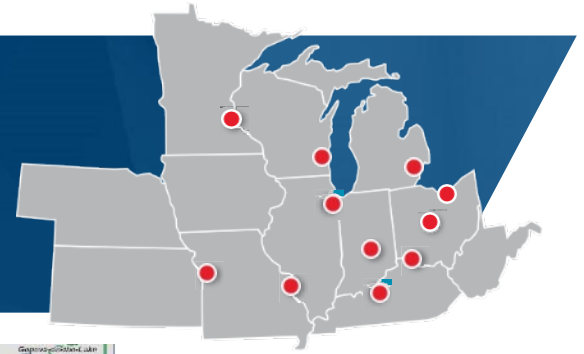


CLEVELAND



MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | SECOND QUARTER 2019



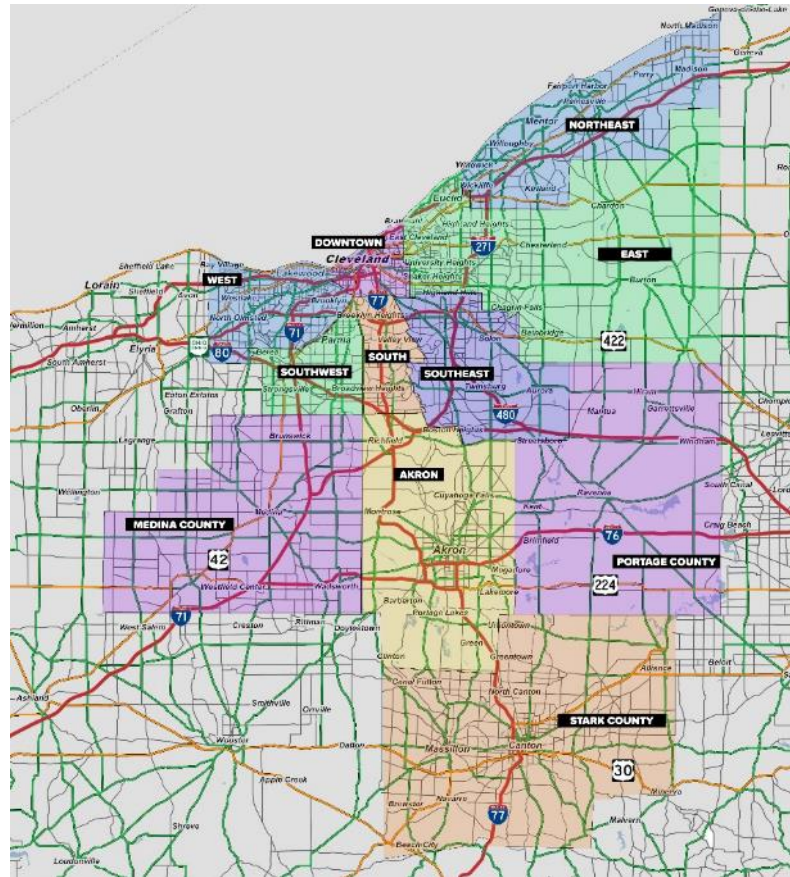
At just over 500 million square feet (msf), Greater Cleveland is one of the 10 largest industrial markets in the U.S.

Market vacancy increased for the 2nd consecutive quarter to 3.7%, an increase of 0.2% over the first quarter 2019. The total net absorption was -196,639 sf. Leasing activity was up 32% from the first quarter with 1.8 million square feet (msf) in 97 total deals, 84 of which were new deals totaling 1.3 msf and 13 were renewals totaling 439,305 sf.

The second quarter was busy for speculative new construction completions with 4 projects totaling 948,868 sf completed.



[CLICK HERE FOR FULL MARKET REPORT](#)



SUBMARKETS

- ▶ Downtown
- ▶ East
- ▶ Northeast
- ▶ South
- ▶ Southeast
- ▶ Southwest
- ▶ West
- ▶ Akron
- ▶ Medina County
- ▶ Portage County
- ▶ Stark County

RESEARCH CONTACT

JENNIFER DOLEJS

CLEVELAND

jdolejs@crescorealestate.com



CLEVELAND

EMPLOYMENT & UNEMPLOYMENT TRENDS

Greater Cleveland is centrally located between New York City, Chicago and Toronto, allowing quick market access to more than half of North America, including Canada. Almost 50% of the US population is within 500 miles/805 km of Greater Cleveland. Additionally, 60% of all US Fortune 500 headquarters are within a day's drive of the region.

Cleveland's industrial market has followed national trends, with strong growth in advanced manufacturing, aerospace, metal fabrication, food processing and polymers.

	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.7%	4.1%	3.6%	
MSA EMPLOYMENT (% Change)	1.1%	1.1%	1.1%	
MSA UNEMPLOYMENT RATE (%)	5.5%	5.0%	4.7%	

Table denotes MSA employment and unemployment rate
Forecast is 12-month outlook. Combined Cleveland and Akron MSAs

JOB GROWTH & UNEMPLOYMENT RATE

+1.1
% YOY

Average Q2 **employment**
of 1.0 million.

+80
BPS YOY

Average Q2 **unemployment**
of 4.7%.

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

ECONOMIC EXPANSION

The following are select announcements from second quarter 2019:



From 2007 to 2018, food and beverage manufacturing gross regional product in Northeast Ohio increased 85%, compared to national growth of 46%, according to Team Neo's quarterly Economic Review. Of the sectors poised for additional growth, the beverage sector is projected to grow by 16%, nearing employment of 3,000. One notable facet of the sector is the opening of the 75,000-square-foot **Fat Head's Brewery** in Middleburg Heights in August 2018.



Transportation Research Center opened its Smart Mobility Advanced Research Test (SMART) Center for connected and autonomous vehicles! The campus includes a six-lane intersection for testing that mimics a real-world environment. The new SMARTCenter facility will add to Ohio's status as a leader in auto manufacturing, safety, and autonomous vehicle testing.

DEMOGRAPHIC FUNDAMENTALS

The Greater Cleveland population is projected to decrease by less than 18,000 people between 2017 and 2022.

POPULATION		2000	2,945,831
		2010	2,077,240
		2017	2,058,844
		2022	2,041,600
AVERAGE WAREHOUSE WAGE		2000	\$13.53
		2010	\$15.25
		2018	\$17.54
WAREHOUSE LABOR		2000	84,600
		2010	60,160
		2018	63,260



CLEVELAND

INDUSTRIAL FORECAST

The following are Cushman & Wakefield's projections over the near term:



RENTS



VACANCY

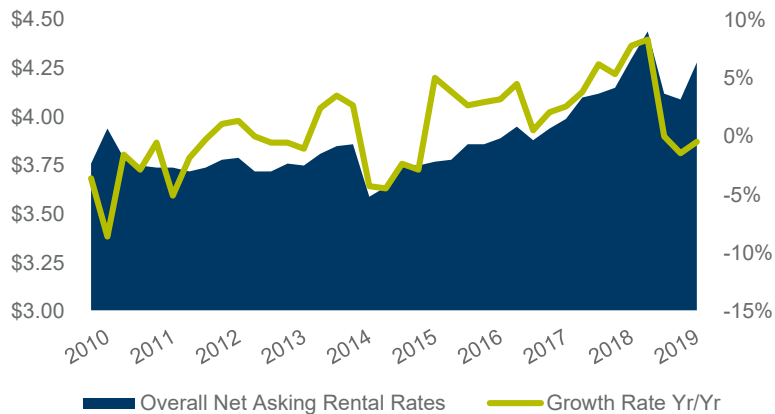


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Following relatively consistent but bumpy growth in Greater Cleveland, asking rents started on a strong course. Rents are continuing a strong trajectory, but market experts report a slowing in decision-making that point to a potential flattening of rents.



Source: C&W Research

DEVELOPMENT / INVENTORY

Economic activity remained stable and solid since last quarter. Professional and business service firms continued to report strong growth. Manufacturing continued to weaken because of trade wars, high customer inventories, and slowing global growth. Freight haulers saw a modest decline in demand, despite summer's typically being the strong season, and they are concerned about the future. Construction demand was flat overall. Consumer spending was flat as well. Overall, prices increased at a slower pace than earlier, primarily because of lower material costs, especially for steel.

The second quarter saw 52 user sales totaling 1.4 msf, down slightly from the first quarter. Notable user sales included: 950 Lake Road, a 91,350-sf building located in Medina that was purchased by Optidoc for \$2.4 million or \$26 per square foot (psf) from a local development group, 1780 Miller Parkway, a 57,700-sf building located in Streetsboro that was purchased by Agatronix for \$1.7 million (\$29 psf) and 26470 Lakeland Boulevard, a 59,000-sf building located in Euclid that was purchased by Coit Tool Company for \$1.2 million (\$22 psf). Investment sales were up significantly with 19 sales totaling 1.4 msf.

OUTLOOK

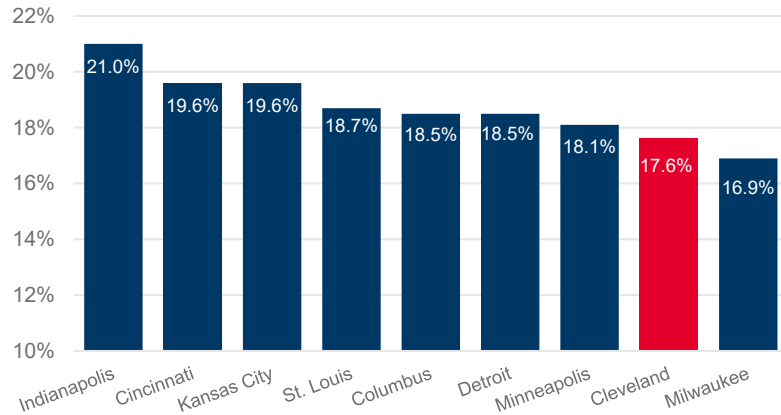
- Activity in 2019 is expected to remain moderate with a potential increase in the vacancy rate.
- Expect to see continued increases in lease rates and sales prices along with the continued need for additional speculative high-bay bulk distribution buildings.



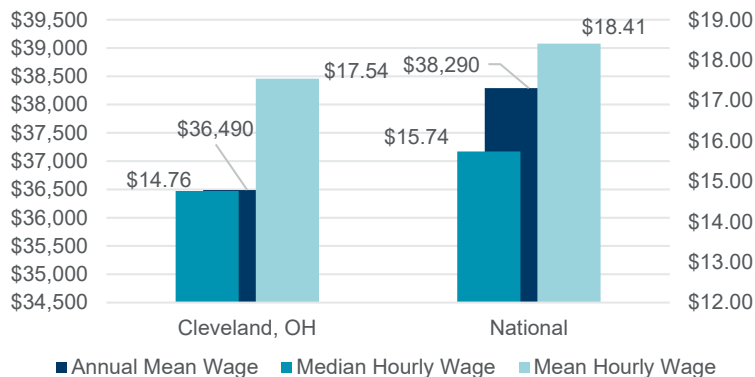
CLEVELAND

CROSS-MARKET COMPARISONS

METRO AREA EMPLOYMENT: TRADE / TRANSPORTATION / UTILITIES
Trade/Trans/Utilities as a percentage of total market employment



WAREHOUSE WAGES MAY 2018



Source: U.S. Bureau of Labor Statistics, C2ER, Cushman & Wakefield Research

SELECT SUBMARKET NEWS

Akron: Amazon recently announced plans to redevelop the former Rolling Acres Mall property on Romig Road in partnership with the Summit County Land Bank into a 700,000 square foot distribution center expected to create more than 1,500 full-time jobs. This is an estimated \$100 million redevelopment.

Northeast: Welding products expert Lincoln Electric Co. is moving into additive manufacturing. The company recently moved into its new additive manufacturing center at 26250 Bluestone Blvd. in Euclid, by the company's headquarters. Lincoln has a long-term lease for the approximately 75,000-square-foot building.

South: Nidec Industrial Solutions, the industrial platform of Nidec Group, recently celebrated the ground-breaking of its new US headquarters and manufacturing facility in Brooklyn Heights, Ohio. This investment of more than 10-million-dollars will comprise 67,000 square feet of office and manufacturing space located on the corner of Granger Road and Tuxedo Avenue in Brooklyn Heights.

HISTORICAL COST OF LIVING INDEX

The Cost of Living Index measures *relative* price levels for consumer goods and services in participating areas. The average for all participating places, equals 100. A score above 100 indicates above average cost and vice versa.

Index Category / % share	2Q18	3Q18	4Q18	1Q19	Forecast
Overall Index (100%)	97.8	98.1	98.0	95.7	↓
Grocery Items (13.4%)	112.4	108.4	111.8	106.4	↓
Housing (29.34%)	83.1	85.0	84.4	81.7	↓
Utilities (8.94%)	99.6	99.6	99.7	96.9	↓
Transportation (9.22%)	99.3	103.9	101.1	92.3	↓
Health Care (4.26%)	100.3	101.6	100.9	104.2	↑
Misc. Goods/Services (34.84%)	102.9	102.3	102.4	103.0	↑

Forecast is 12-month outlook



COLUMBUS





COLUMBUS

EMPLOYMENT & UNEMPLOYMENT TRENDS

The Columbus market added 15,500 net jobs year-over-year per recent statistics from the Bureau of Labor. Those 15,500 new jobs represent a job growth rate of 1.4% which is slightly above the first quarter growth rate of 1.3%. Industries that led job growth in the second quarter were Education & Health Services (+6,800 net jobs), Construction (+3,300 net jobs), Manufacturing (+2,300 net jobs), and Leisure and Hospitality (+1,600 net jobs). The unemployment rate in Columbus (3.6%) is the same as the national unemployment rate average (3.6%), and remains one of the lowest metro area rates in the state.




	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.4%	3.9%	3.6%	
MSA EMPLOYMENT (% Change)	1.5%	1.3%	1.4%	
MSA UNEMPLOYMENT RATE (%)	3.9%	3.8%	3.6%	

Table denotes MSA employment and unemployment rate
 Forecast is 12-month outlook

JOB GROWTH & UNEMPLOYMENT RATE

+1.4
 % YOY

Average Q2 **employment**
 1,106,400 non-farm jobs

-20
 BPS YOY

Average Q2 **unemployment**
 decreased to 3.6%.

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

ECONOMIC EXPANSION

The following are select announcements from 2nd quarter 2019:



Walmart leased the 758,000-sf distribution center in the Southeast submarket on Green Pointe Drive for an additional distribution hub. Walmart also has the 1.1 msf distribution hub in Grove City on Southwest Boulevard, one of the largest distribution centers in Central Ohio by square footage.






Carvana, an online used car retailer, plans to open a distribution center in Heath (Licking County). The company will invest \$23M in a 115-acre site to establish the hub which will bring 400 new jobs resulting in tax credits with an estimated value of \$1.3M.



Integra bought the 229,000 sf warehouse on Rohr Road with plans to add 61 jobs which will bring a 6-year tax credit. This will be the first warehouse for the Los Angeles-based company outside of California.

DEMOGRAPHIC FUNDAMENTALS

The Columbus MSA population is projected to increase by more than 100,000 people between 2017 and 2022. Columbus continues to grow and is now the fastest growing major metro in the Midwest.

POPULATION		2000	1,674,653
		2010	1,901,979
		2017	2,042,495
		2022	2,145,305
AVERAGE WAREHOUSE WAGE		2000	\$10.95
		2010	\$12.93
		2018	\$16.90
WAREHOUSE LABOR		2000	68,610
		2010	68,710
		2018	84,630



COLUMBUS

INDUSTRIAL FORECAST

The following are Cushman & Wakefield's projections over the near term:



RENTS



VACANCY

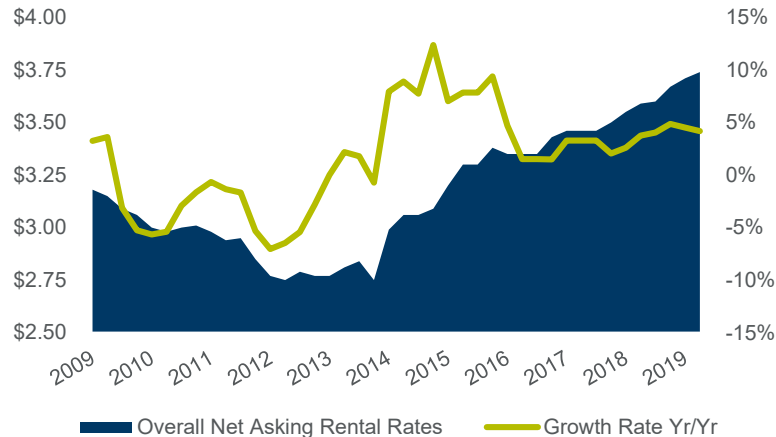


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

While Columbus's year-on-year increases in net asking rental rates have been somewhat erratic, the actual dollar rates have been steadily climbing since 2014 to unprecedented heights. **The forecast is for rents to continue to rise** as existing product is in short supply, and new Class A warehouses are delivering at higher asking rental rates.



DEVELOPMENT / INVENTORY

In the second quarter of 2019 1.0 msf was delivered in addition to the 3.5 msf delivered in first quarter, the highest on record in the first two quarters of a season. There is 5.8 msf currently under construction, of which 2.7 msf is speculative, which should help satisfy the increasing demand along with new product already delivered in the Columbus market.

In the Southeast submarket Xebec has started on a speculative 1.0 msf warehouse in Rickenbacker, one of four buildings in the first phase in a 106-acre master plan.

Two new speculative warehouses went under construction in Outlying Counties- Exeter's 828,000 sf warehouse on Enterprise Drive in Madison County, and VanTrust's 302,000 sf on Innovation Way in Licking County. There is over 4.1 msf under construction in the Outlying Counties including two large build-to-suits, Dollar Tree is building a 1.2 msf warehouse in Morrow County and Kohl's is building a 1.2 msf facility in Licking County.

OUTLOOK

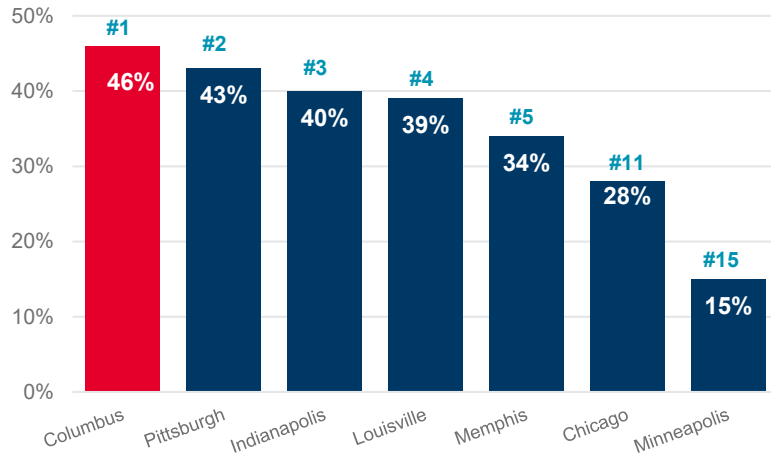
- Logistics-related leasing will continue to ramp up due to solid economic fundamentals with online sales forecasted to grow by double-digits throughout the next three years.
- Increased speculative supply will place upward pressure on vacancy rates as supply and demand begin to slowly rebalance in 2019.
- Overall industrial asking rents should continue to grow in 2019.
- 2019 looks to be another record year for deliveries. Year-to-date deliveries total 4.5 msf and there is another 4.4 msf under construction and scheduled to complete in 2019.



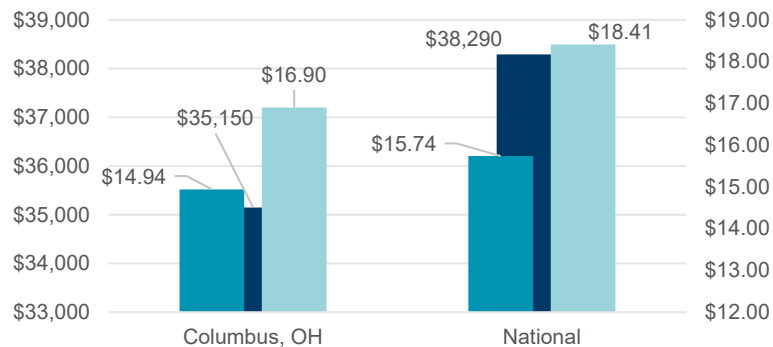
COLUMBUS

CROSS-MARKET COMPARISONS

LARGEST % of U.S. POPULATION REACHED WITHIN A 10 HOUR DRIVE
(ESRI Business Analyst 2017)



WAREHOUSE WAGES MAY 2018



■ Annual Mean Wage ■ Median Hourly Wage ■ Mean Hourly Wage

Source: U.S. Bureau of Labor Statistics, ESRI, C2ER, Cushman & Wakefield Research

SELECT SUBMARKET NEWS

- Northwest:** American Furukawa pre-leased 195,000 sf in Hackman Capital Partner's 292,000-sf warehouse under construction at 1860 Walcutt Road.
- Southeast:** Leasing activity was robust in the Southeast. Terminal Warehouse expanded by 180,000 sf at 4150 Lockbourne, Specialty Retailers leased 141,000 sf at 3100 Creekside Parkway, JS Products leased 103,000 sf at 6380 Adelaide Court, and Exoplanka USA leased 84,000 sf at 2353 Global Drive.
- Pickaway County:** DuPont has announced plans to expand its facility in Circleville creating 46 new jobs and investing roughly \$220 million. The existing facility in Circleville currently employs 500 employees and the investment will be used for machinery and equipment as well as construction costs to expand production capabilities.

HISTORICAL COST OF LIVING INDEX

The Cost of Living Index measures *relative* price levels for consumer goods and services in participating areas. The average for all participating places, equals 100. A score above 100 indicates above average cost and vice versa.

Index Category / % share	2Q18	3Q18	4Q18	1Q19	Forecast
Overall Index (100%)	90.9	91.8	90.8	92.6	↑
Grocery Items (13.2%)	94.9	96.6	95.9	100.3	↑
Housing (27.6%)	77.2	77.2	77.4	82.8	↑
Utilities (10.1%)	89.2	89.2	87.3	86.9	↓
Transportation (9.6%)	96.0	92.6	92.7	94.1	↑
Health Care (4.0%)	91.3	95.9	92.2	89.1	↓
Misc. Goods/Services (35.2%)	99.6	101.8	100.3	99.4	↓



DETROIT



MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | SECOND QUARTER 2019



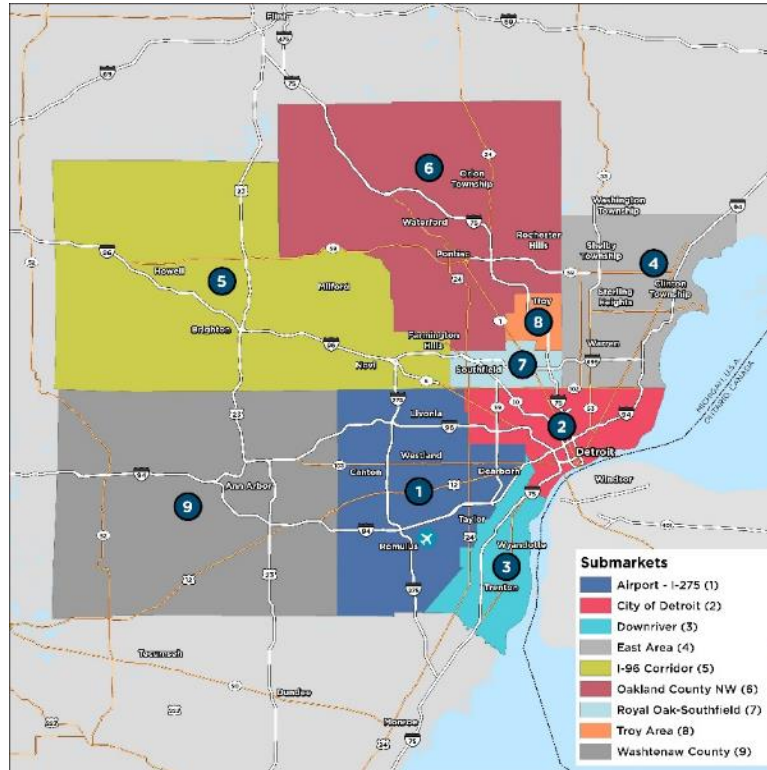
The Motor City is firing on all cylinders. Driven by the automotive industry, Michigan has the highest concentration of engineering talent in the U.S., with over 90,000 engineers.

Over 4 million people call Metro Detroit home. With Canada being just a bridge away, Detroit is an international city that offers easy access to talent and resources of 2 countries. Home to one of the world's most valuable border crossings.

Our research team provides both a macro and micro look into the trends affecting one of the largest industrial markets in the country. In addition to analyzing industrial rent and sale trends, these reports examine employment data, key economic announcements and trends as well as development pipeline news, cost of living statistics, and regional industrial market related comparisons.



[CLICK HERE FOR FULL MARKET REPORT](#)



SUBMARKETS

- ▶ 1. Airport – I-275
- ▶ 2. City of Detroit
- ▶ 3. Downriver
- ▶ 4. East Area
- ▶ 5. I-96 Corridor
- ▶ 6. Oakland County NW
- ▶ 7. Royal Oak-Southfield
- ▶ 8. Troy Area
- ▶ 9. Washtenaw County

RESEARCH CONTACT

Evan Miller
 DETROIT
evan.miller@cushwake.com



DETROIT

EMPLOYMENT & UNEMPLOYMENT TRENDS

Heavily dependent on the automotive industry, Michigan was hit very hard during the Great Recession. The region received a one-two punch when both the global economy and the automotive industry collapsed.

Ten years later and the local economy has rebounded and continues to improve. Michigan's GDP per capita is 21 percent from its annual low in 2009, and up 2% from its peak in 2005.

The unemployment rate for the state plummeted to 4.8 percent in July 2018 from 15.4 percent in July 2009. The challenge that executives have now? Finding enough workers. Many companies are facing a shortage in available skilled labor.

	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.4%	3.8%	3.6%	
EMPLOYMENT (% Change)	2.1%	0.8%	0.3%	
UNEMPLOYMENT RATE (%)	5.3%	4.0%	4.3%	

Table denotes MSA employment and unemployment rate
 Forecast is 12-month outlook

JOB GROWTH & UNEMPLOYMENT RATE

+0.3
 % YOY

Average Q2 **employment**
 Increased by 5,500 jobs

- 30
 BPS YOY

Average Q2 **unemployment**
 decreased 0.3% YOY.

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

ECONOMIC EXPANSION

The following are select announcements from second quarter 2019:



Akasol, a German based battery manufacturer plans to open a \$40 million plant in Hazel Park, adding 224 new jobs.



KLA, a semiconductor manufacturer is building a 230,000-sf office/R&D facility in Ann Arbor. The \$150 million investment will yield 600 new jobs.



Palace of Auburn Hills sold to Schostak Development with plans to demolish the arena and build office, tech, and R&D space on the 80 plus acre site.

DEMOGRAPHIC FUNDAMENTALS

The Metro Detroit MSA population is expected to increase by nearly 10,500 or 0.2% between 2017 and 2022. As the availability of industrial labor tightens in the market, average warehouse wages are being driven up by competition.

POPULATION



2000	4,452,557
2010	4,291,287
2017	4,313,002
2022	4,323,421

AVERAGE WAREHOUSE WAGE



2000	\$14.10
2010	\$17.24
2018	\$16.38

WAREHOUSE LABOR



2000	148,860
2010	105,810
2018	127,840



DETROIT

INDUSTRIAL FORECAST

The following are Cushman & Wakefield's projections over the near term:



RENTS



VACANCY

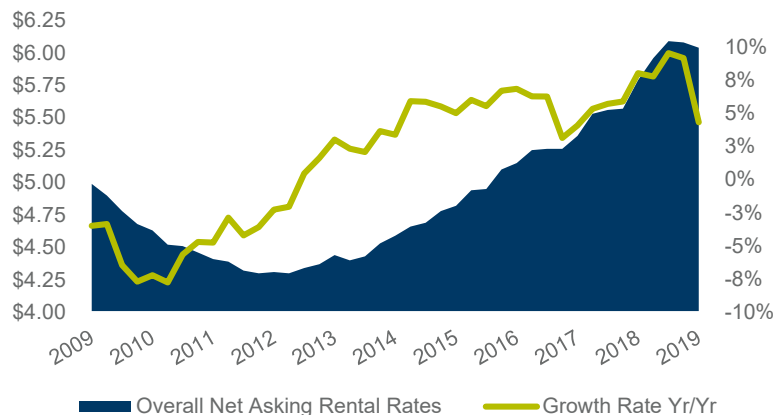


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Metro Detroit's industrial rent growth was above the national average, increasing 4.0% YOY. Over the past five years, the main drivers of increasing rental rates have been due to limited inventory and increased construction costs.



Source: C&W Research

DEVELOPMENT / INVENTORY

With over 500 million square feet of inventory, Metro Detroit is the 5th largest industrial market in the U.S. In recent years, Metro Detroit has experienced record low vacancy rates, finishing below 3% in 2018. The historical volatility of the local economy being tied to the automotive industry has made larger institutional investors shy away from Metro Detroit. As a result, there has been very limited speculative construction. Ashley Capital is building a 500,000-sf warehouse/distribution center in Sterling Heights and a 650,000-sf warehouse/distribution center in Hazel Park, both scheduled to deliver in late 2019.

Several local developers are working on entitlement of land. Build-to-suit projects dominate the construction inventory as tenants seeking large quality spaces are having a difficult time finding existing product and resort to building new.

OUTLOOK

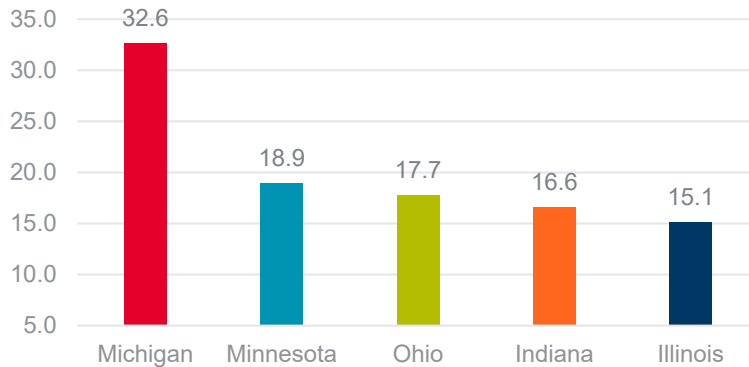
- The remainder of 2019 will be steady.
- Labor markets will remain tight and be a major influencer for companies looking to expand and/or relocate. Finding functional space in desirable locations will continue to be a struggle.
- While Q1 2019 started with a few negatives, namely GM's planned closure of its Detroit Hamtramck Assembly and Warren Transmission plants, these losses are outweighed by other investments.



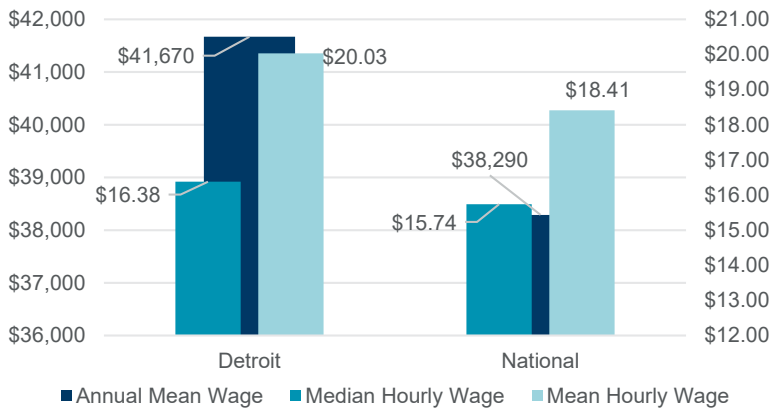
DETROIT

CROSS-MARKET COMPARISONS

of Engineering Jobs per every 1000 workers



WAREHOUSE WAGES MAY 2018



Source: U.S. Bureau of Labor Statistics, C2ER, Cushman & Wakefield Research

SELECT SUBMARKET NEWS

Airport/I-275

- The fast-growing hospital group, Beaumont Health, leased 125,000 sf of distribution space in Van Buren Township and also purchased a 291,000-sf flex building in Livonia.

East Area

- Mayco International leased 311,000 sf in Warren. This submarket had a very low vacancy rate of 1.4%.

HISTORICAL COST OF LIVING INDEX

The Cost of Living Index measures *relative* price levels for consumer goods and services in participating areas. The average for all participating places, equals 100. A score above 100 indicates above average cost and vice versa.

Index Category / % share	2Q18	3Q18	4Q18	1Q19	Forecast
Overall Index (100%)	94.0	95.2	95.1	98.5	↑
Grocery Items (13.2%)	89.8	86.3	89.0	95.8	↔
Housing (27.6%)	91.6	91.5	92.3	96.1	↑
Utilities (10.1%)	93.3	93.4	92.7	89.3	↓
Transportation (9.6%)	106.3	107.1	107.1	102.2	↑
Health Care (4.0%)	94.7	92.8	93.8	97.2	↑
Misc. Goods/Services (35.2%)	94.5	99.5	97.3	103.0	↑

Forecast is 12-month outlook



INDIANAPOLIS



MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | SECOND QUARTER 2019



The Indianapolis industrial market continues to be one of the top performers in the country. Deemed the “Crossroads of America,” Indianapolis is well positioned to capitalize on the growth of the ecommerce and logistics users.

Indianapolis is the most centrally located city in the United States; 50% of all U.S. businesses and 80% of the U.S. and Canadian populations can be reached within a one day’s drive from the Indianapolis region.

The Hoosier state ranks in the top 10 in 46 logistics categories. Indiana gets high marks for transportation, infrastructure, cargo movement, employment and number of companies in all modes of freight transportation—truck, rail, air and water. Indianapolis is home to the second largest FedEx hub in the world.



[CLICK HERE FOR FULL MARKET REPORT](#)



IN THIS EDITION

- ▶ Downtown
- ▶ North
- ▶ Northeast
- ▶ East
- ▶ Southeast
- ▶ South
- ▶ Southwest
- ▶ West
- ▶ Northwest

RESEARCH TEAM

MATT NIEHOFF
INDIANAPOLIS
matt.niehoff@cushwake.com

MAGGIE TILLOTSON
INDIANAPOLIS
maggie.tillotson@cushwake.com



INDIANAPOLIS

EMPLOYMENT & UNEMPLOYMENT TRENDS

The Indianapolis economy remains strong. Unemployment was unchanged at 3.3% while Industrial related job sectors continued to expand. Construction sector jobs paced the market with 3.3% year-over-year (YOY) growth, followed by Manufacturing jobs at 3.3% YOY, and Trade, Transportation, and Utilities jobs at <0.0% YOY. It is important to note that Manufacturing jobs grew the most YOY since August 2012, signaling a strong resurgence in the sector. Indiana's labor force participation rate continues to be strong at 65%, which tracks above the national labor force participation rate of 63%. The INDPRO reported an index of 109.564 in May, which was up marginally from April's reading of 109.165. The figure remained at historically elevated levels and showed continued growth YOY.




	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.7%	4.1%	3.6%	
EMPLOYMENT (% Change)	1.3%	2.0%	0.9%	
UNEMPLOYMENT RATE (%)	3.9%	3.4%	3.3%	

Table denotes MSA employment and unemployment rate
 Forecast is 12-month outlook

JOB GROWTH & UNEMPLOYMENT RATE

+0.9
 % YOY

Average Q2 **employment**
 Increased by 9,400 jobs.

0

BPS YOY

Average Q2 **unemployment**
 went unchanged.

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

ECONOMIC EXPANSION

The following are select announcements from second quarter 2019:



Pennsylvania-based **Radial Inc.**, an e-commerce technology and operations company, opened a 700,000-square-foot distribution facility in Brownsburg with a capacity to house 2,000 employees.



Georgia-based **Maxxis International USA** is planning a 350,000 square foot distribution facility in Whitestown. The facility is expected to house 55 employees.



Missouri-based **Jones Development Co.** has begun construction on a new business park in Johnson County. The 2.4 million-square-foot Whiteland Exchange will be located on 167 acres near I-65 in Whiteland.

DEMOGRAPHIC FUNDAMENTALS

The MSA is projected to increase by 52,025 households from 2017 to 2022. Total population and households are expected to keep pace as well, with growth of 4.8% and 6.7%, respectively by 2022.

POPULATION



2000	1,607,486
2010	1,887,877
2017	2,028,614
2022	2,125,700

AVERAGE WAREHOUSE WAGE



2000	\$13.56
2010	\$15.38
2017	\$17.02

WAREHOUSE LABOR



2000	78,720
2010	78,770
2018	108,810



INDIANAPOLIS

INDUSTRIAL FORECAST

The following are Cushman & Wakefield's projections over the near term:



RENTS



VACANCY

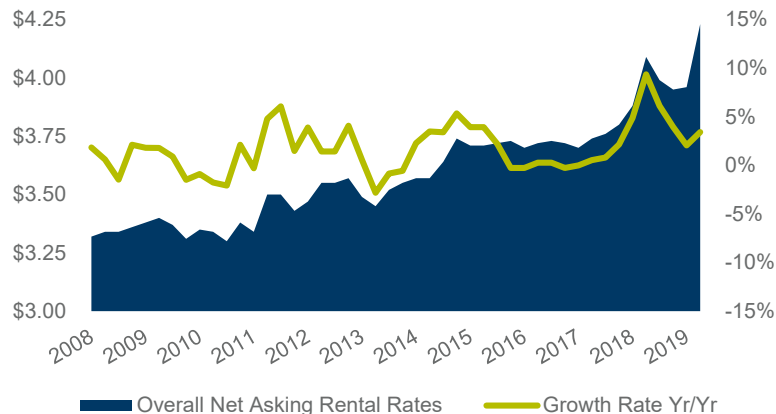


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Year-over-year (YOY) rent growth for Indianapolis was 3.4% while the Midwest region rents grew 1.8% YOY. Cushman & Wakefield research forecasts that Indianapolis industrial rents will continually grow over the next five years. The three-year forecast predicts that average rents will be 4.0% costlier than average rents currently and 5.0% costlier in the next five years.



Source: C&W Research

DEVELOPMENT / INVENTORY

Construction activity began ramping up again in the second quarter 2019. Ten newly constructed projects were delivered totaling 2.3 msf, a healthy addition to 411,982 sf delivered in the first quarter. The pipeline of developments under construction currently consists of thirty-one projects totaling nearly 12.0 million square feet (msf). Most of the thirty-one projects are preliminarily set to deliver in 2019 if construction material supply can meet the construction demand. A slowing down in activity at this point does not seem imminent. Many new projects have been announced recently and are set to kick off construction in the immediate future. With the current pipeline being 59% preleased, developers have been bullish to supply the demand for new, modern space. Moreover, the arms race for land positions has been in full swing. There are many active developers, some new to Indianapolis, that are in the market for developable land positions furthering the story that Indianapolis can remain punching above its weight as a top tier secondary distribution market.

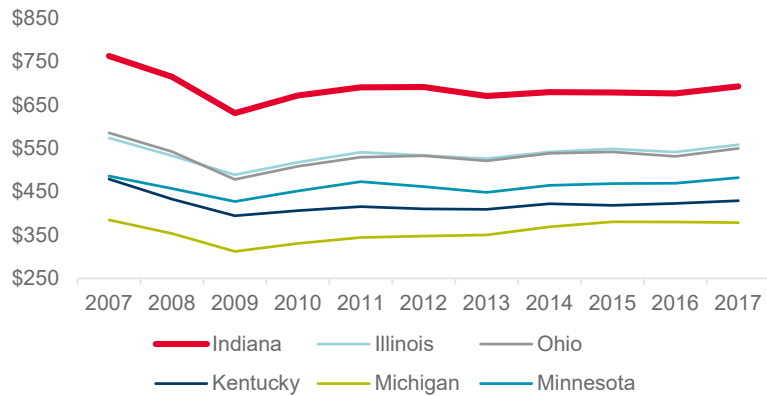
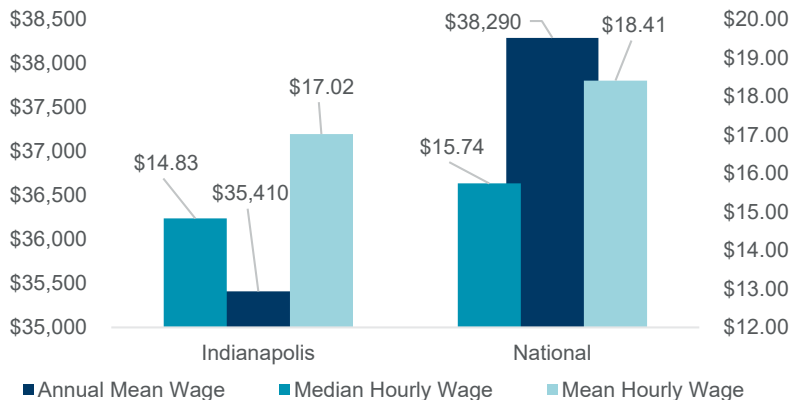
OUTLOOK

- Vacancy rates continue to be historically tight despite the rush of recent deliveries in the market. Due to the scarcity of available product, expect rental rates to continue to push upward to the sound of 2.5-3.0% YOY.
- In the second half of the year, expect the construction pipeline to continue to stay inundated with new development. Currently, a heightened amount of activity of developers buying up prospective land positions shows confidence of continual industrial expansion in the near future.
- We expect new supply deliveries to the market to outpace demand in the short term. One factor that could delay expansion is a shortage of construction material supplies, specifically concrete precast walls, and unseasonably wet weather conditions.
- In the long term, despite many headline stealing economic volatility, economic forecasts remain favorable as we move through 2019 and into 2020. Cushman & Wakefield forecasts real GDP growth in the mid-2% range, a fit framework for continued industrial expansion.



INDIANAPOLIS

CROSS-MARKET COMPARISONS

**REAL GDP PER CAPITA BY INDUSTRY:
TRUCK TRANSPORTATION**

WAREHOUSE WAGES MAY 2018


Source: U.S. Bureau of Labor Statistics, C2ER, Cushman & Wakefield Research

SELECT SUBMARKET NEWS

Northwest

- Puma recently signed a lease in a newly delivered building located in the Whitestown Business Center (Whitestown, IN). Exeter Property Group completed the 635,440 square-foot (sf) building in July 2019 and Puma will occupy shortly thereafter.

Southwest

- Geodis Logistics recently signed a 602,073 sf lease at Sunbeam 2 located in I-70 West Commerce Park (Clayton, IN).

South

- The South submarket absorbed 838,099 sf in the second quarter. This activity included the new lease Mastin & Cain signed at Greenwood 500 in Greenwood, IN.

HISTORICAL COST OF LIVING INDEX

The Cost of Living Index measures *relative* price levels for consumer goods and services in participating areas. The average for all participating places, equals 100. A score above 100 indicates above average cost and vice versa.

Index Category / % share	2Q18	3Q18	4Q18	1Q19	Forecast
Overall Index (100%)	92.7	93.2	92.8	91.7	↓
Grocery Items (13.2%)	95.1	93.4	94.4	96.4	↑
Housing (27.6%)	78.1	80.0	79.2	77.0	↓
Utilities (10.1%)	106.2	106.2	105.5	103.7	↓
Transportation (9.6%)	95.2	96.6	94.4	91.7	↓
Health Care (4.0%)	91.1	92.2	91.7	92.0	↑
Misc. Goods/Services (35.2%)	99.2	99.2	100.2	99.2	↔

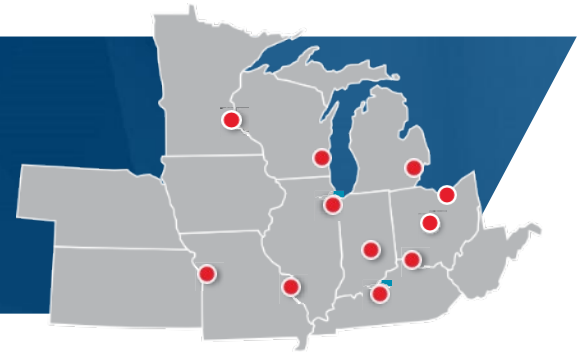


KANSAS CITY



MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | SECOND QUARTER 2019

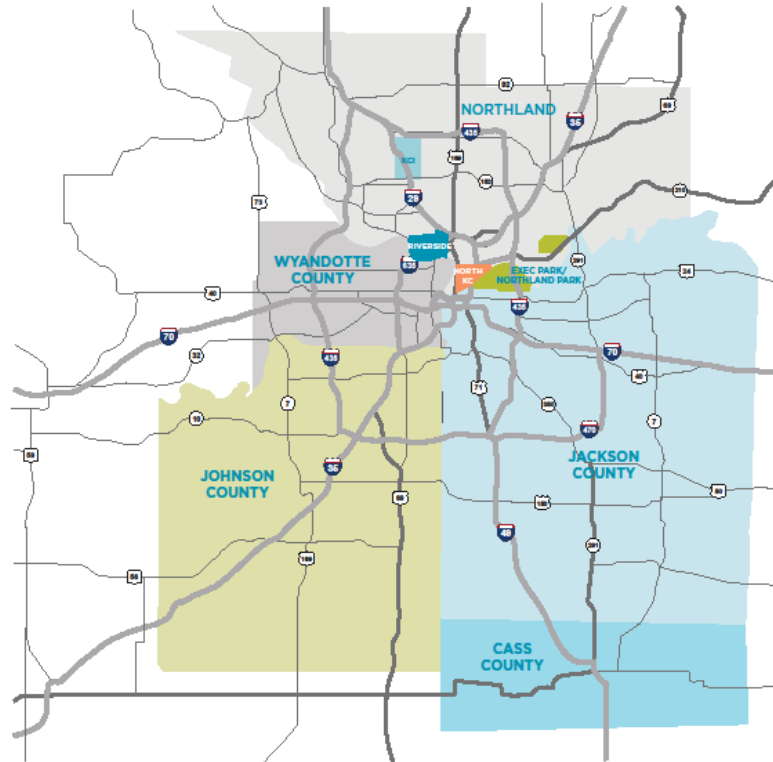


At the halfway point of 2019, the Kansas City industrial market remained in an expansion that has been going on for several years now. Driven by aggressive development, the market has experienced growth unlike any before in the area. 4.2 million square feet (msf) of space were absorbed through the first half of the year—not long ago that would have been a great year-end number.

One change is construction projects have shifted from speculative to build-to-suit (bts). 2.3 msf of bts were delivered in the second quarter, and over half of the 3.3 msf of space under construction at mid-year was bts. However, speculative development remains strong and the success in Northland Park has demonstrated demand remains for new buildings.



[CLICK HERE FOR FULL MARKET REPORT](#)



SUBMARKETS

- ▶ KCI
- ▶ Riverside
- ▶ North Kansas City
- ▶ Northland - Other
- ▶ Executive & Northland Park
- ▶ Jackson County
- ▶ Johnson County
- ▶ Wyandotte County
- ▶ Cass County

RESEARCH CONTACT

MATTHEW NEVINGER

KANSAS CITY

matt.nevinger@cushwake.com



KANSAS CITY

EMPLOYMENT & UNEMPLOYMENT TRENDS

Kansas City has continued to be one of the strongest labor markets in the country, and May 2019 marked the 51st consecutive month where the Kansas City metro unemployment rate was equal to or below the national rate. Over that time, the average spread is over 50 basis points, although it has been getting narrower in recent times. This is due in large part to the fact that it will be difficult for Kansas City's unemployment rate to get much lower as it dropped below 3.0% in April, marking the fourth time in eight months that it had been at 2.9% or lower. For the 12 months ending in May 2019, the metro area added 6,700 jobs and it did so with the labor force increasing by only 3,900. The number of job seekers in Kansas City continues to shrink as positions are found for more and more people looking for employment.




	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.4%	3.9%	3.6%	
EMPLOYMENT (% Change)	0.7%	0.9%	0.6%	
UNEMPLOYMENT RATE (%)	3.7%	3.4%	3.4%	

Table denotes MSA employment and unemployment rate
 Forecast is 12-month outlook

JOB GROWTH & UNEMPLOYMENT RATE

+0.09
 % YOY

Average Q2 employment
1,107,100 non-farm jobs

0
 BPS YOY

Average Q2 unemployment
3.4%

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

ECONOMIC EXPANSION

The following are select announcements from 2nd quarter 2019:



Hostess has announced Kansas City will once again be the central hub for Twinkies, as the company will construct a 765,000-sf built-to-suit facility at Logistics Park Kansas City in Edgerton, KS.



Bottled water company **Niagara Bottling** has started work on a 425,000-sf plant at CenterPoint Intermodal that will **employ around 100 people** once it is complete.



The Cadillac XT4, which is assembled at the **General Motors Fairfax Assembly Plant** and just debuted in late 2018, was the third-best-selling Cadillac model in the first half of 2019.

DEMOGRAPHIC FUNDAMENTALS

Kansas City's position as an expanding logistics hub is reinforced by a 16.0% increase in the number of Transportation and Material Moving Occupations jobs between 2010 and 2018 and a 19.6% increase in wages for those jobs over the same time.

POPULATION



2000	1,776,062
2010	2,009,342
2018	2,143,651
2023	2,214,800

AVERAGE WAREHOUSE WAGE



2000	\$11.08
2010	\$15.15
2018	\$18.12

WAREHOUSE LABOR



2000	74,010
2010	62,290
2018	72,250



KANSAS CITY

INDUSTRIAL FORECAST

The following are Cushman & Wakefield's projections over the near term:



RENTS



VACANCY

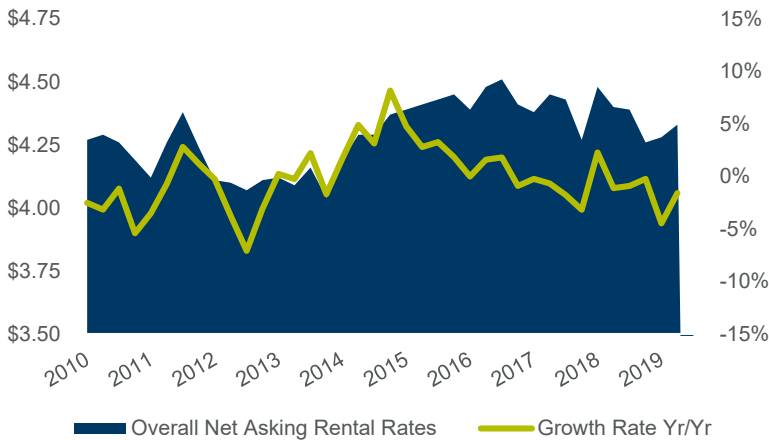


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

The construction boom that began in 2014 is continuing throughout the Kansas City market, but there has been a shift as developers slow the pace of speculative construction and build-to-suit projects start to play a more significant role in the expansion. At the midway point of 2019 there were four significant build-to-suits underway, all in separate parts of the market. Vacancies in speculative buildings delivered in the past few years may force Johnson County landlords to adjust rates as they compete for tenants, but the new buildings in Northland Park are 100% leased and there is no indication rent concessions will need to be made in that area.



Source: C&W Research

DEVELOPMENT / INVENTORY

Development in Kansas City remains strong, although an increasingly larger percentage of the new investment taking place is in the form of build-to-suit projects as opposed to the large-scale speculative buildings that dominated the past several years. In the early part of the current expansion (from the end of 2015 through the end of 2018), the amount of inventory in the market increased by 11.4% (22.7 msf) and 87.8% of the new construction was speculative. At mid-year 2019, just over half of the space under construction was build-to-suit (1.7 msf of build-to-suit compared to 1.6 msf of speculative). The build-to-suit work is also spread out geographically, with major projects under way as far south as the Belton area in Missouri and Edgerton in Kansas while also stretching as far east as Blue Springs and all the way to Riverside in the north.

One area where speculative momentum remains high is Northland Park, where the first four speculative buildings have already been 100% leased and work is now moving forward on two additional, larger buildings with plans for even more in development.

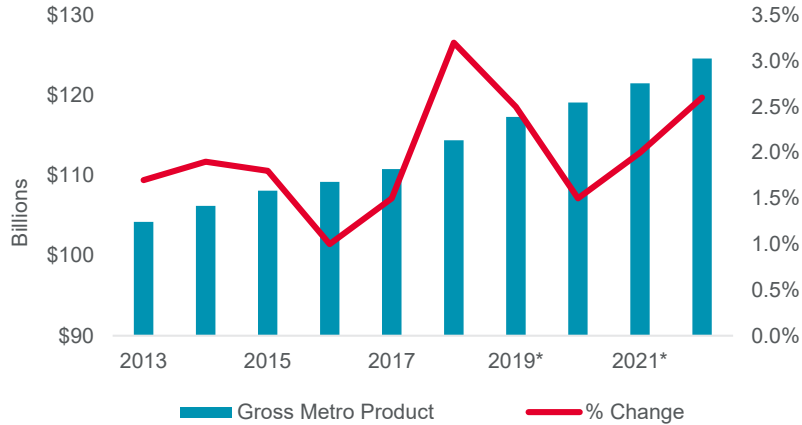
OUTLOOK

- Vacancy in the KCI submarket will increase in the third quarter as Harley-Davidson completes its move-out from the now shut-down assembly plant in the area. Despite the loss of a significant tenant, there are indications plans are moving forward for another speculative building at the KCI Logistics Centre.
- Work is underway on the first building at Southview Commerce on Interstate-49 in Belton. Once fully built out, the park will have five modern distribution centers totaling just over 2.0 msf.
- In 2017 and 2018, the Kansas City market averaged 8.1 msf of absorption. Despite being ahead of that pace at the halfway point, the market will need to perform very strongly over the last six months of the year to reach that level of absorption, although it is certainly not out of the question.
- Current master planning leaves little additional opportunity for industrial development in Riverside despite persistent demand for space. There are sizeable plots of levy-protected land near the Horizons development, but the city will have to adjust its current long-term plans to allow for additional expansion.



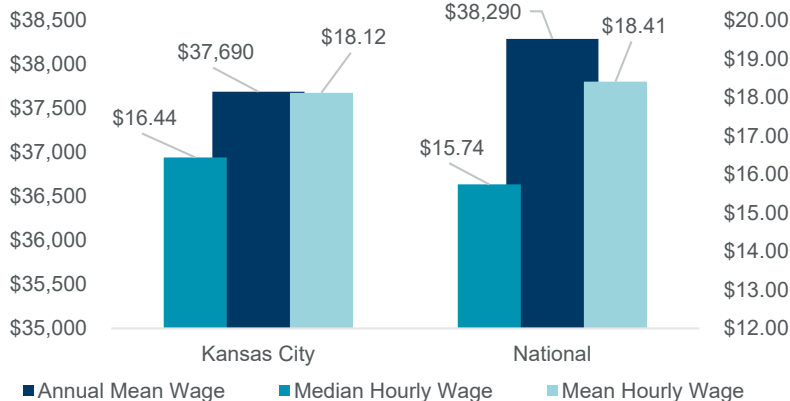
KANSAS CITY

Kansas City Gross Metro Product Growth



* projected, Moody's Analytics

WAREHOUSE WAGES MAY 2018



Source: U.S. Bureau of Labor Statistics, C2ER, Cushman & Wakefield Research

SELECT SUBMARKET NEWS

- Plans have been approved for the redesign and improvement of the interchange at Interstate-70 and the Turner Diagonal in **Wyandotte County**. The project will likely not be completed until late 2020, but the new interchange will allow for the development of Turner Logistics Center and hopefully the first building in that park will deliver shortly after the infrastructure work is finished.
- The **Northland Park** submarket will likely continue to be the primary site of speculative development in the market, with two buildings totaling 1.1 msf currently under construction and plans for more to follow. NorthPoint Development's Northland Park Industrial Park was initially based on smaller buildings, but with the first four buildings already 100% leased they have accelerated their schedule.

HISTORICAL COST OF LIVING INDEX

The Cost of Living Index measures *relative* price levels for consumer goods and services in participating areas. The average for all participating places, equals 100. A score above 100 indicates above average cost and vice versa.

Index Category / % share	2Q18	3Q18	4Q18	1Q19	Forecast
Overall Index (100%)	96.0	94.3	95.0	94.5	↔
Grocery Items (13.4%)	105.7	100.4	102.7	99.4	↓
Housing (29.3%)	85.5	93.6	84.8	80.8	↔
Utilities (8.9%)	99.0	99.1	99.0	101.7	↑
Transportation (9.2%)	91.1	96.1	94.0	88.4	↔
Health Care (4.3%)	99.8	99.0	100.1	106.2	↓
Misc. Goods/Services (34.5%)	100.5	98.0	99.3	102.	↓

Forecast is 12-month outlook

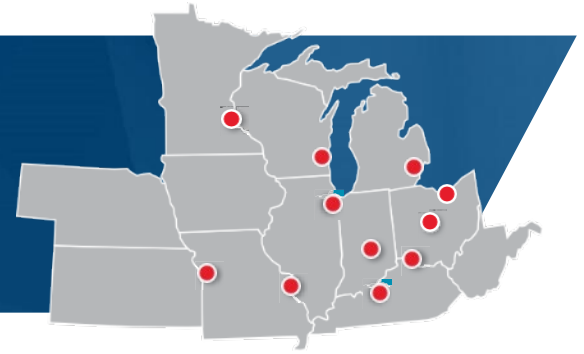


LOUISVILLE



MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | SECOND QUARTER 2019



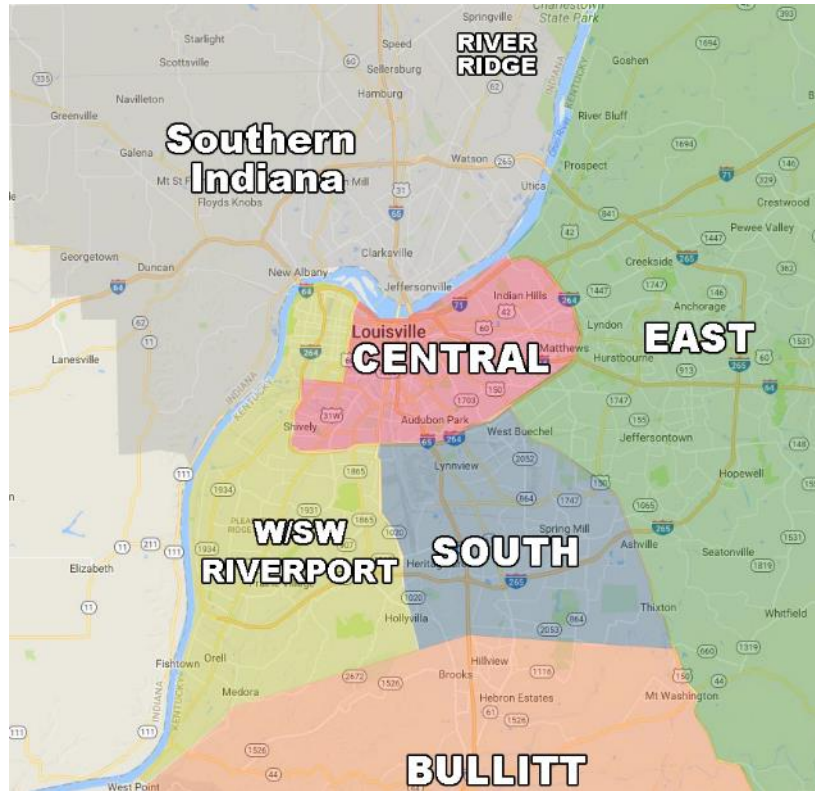
Coming off a record-breaking 2018 for Louisville's industrial market, 2019 YTD bulk absorption currently stands at 1.8 msf, well on pace to meet and/or exceed the 3.5 msf Louisville annual average of positive absorption.

Louisville is located along the Ohio River and has three major interstates that run through the city. I-64, I-71, and I-65 provide access to the U.S. Midwest marketplace. Locating a distribution center or manufacturing plant in Louisville allows companies to reach 2/3 of the U.S. population in one day's drive.

Louisville is the home of UPS Worldport which provides access to 80% of the world's population in less than 48 hours.



[CLICK HERE FOR FULL MARKET REPORT](#)



SUBMARKETS

- ▶ Southern Indiana (River Ridge)
- ▶ Central
- ▶ East
- ▶ West / Southwest (Riverport)
- ▶ South
- ▶ Bullitt County

RESEARCH CONTACT

TRAVIS ROSE

LOUISVILLE

trose@commercialkentucky.com



LOUISVILLE

EMPLOYMENT & UNEMPLOYMENT TRENDS

As of the end of May 2019, the unemployment rate in the Louisville area experienced a slight decrease from 3.8% recorded in the first quarter of 2019 to 3.6%. Louisville's unemployment rate currently remains above the national average of 3.4%.




	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.7%	3.7%	3.4%	
EMPLOYMENT (% Change)	0.0%	1.0%	1.4%	
UNEMPLOYMENT RATE (%)	3.9%	3.4%	3.6%	

Table denotes MSA employment and unemployment rate
 Forecast is 12-month outlook

JOB GROWTH & UNEMPLOYMENT RATE

+1.4
 % YOY

Average Q2 **employment**
 increased by 9,400 jobs

-40

BPS YOY

Average Q2 **unemployment**
 decreased to 3.6%

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

ECONOMIC EXPANSION

The following are select announcements from 2nd quarter 2019:



Core5 Industrial Partners is constructing a 1,038,240-square-foot building at the Bourbon Trail Logistics Center in Shepherdsville, KY.



Browning Investments is set to break ground on a 925,000 sf spec building on their over 400-acre Velocity65 industrial complex located in Bullitt County.



Paccar based in Bellevue, Washington plans to build 700,000 sf of office and warehouse space on 40 acres in the West/Southwest submarket (Riverport).

DEMOGRAPHIC FUNDAMENTALS

The Louisville MSA has healthy concentrations of Transportation and Material Moving employees. The **occupation location quotient*** for these positions in this metro area is strong at 1.49. This occupation concentration is well above the national average of 1.0.

*Occupation location quotient – a way of quantifying how concentrated a particular occupation is in a region as compared to the national average.

POPULATION



2000	1,025,598
2010	1,235,708
2017	1,293,953
2022	1,319,300

AVERAGE WAREHOUSE WAGE



2000	\$13.76
2010	\$17.26
2018	\$19.29

WAREHOUSE LABOR



2000	52,960
2010	56,280
2018	68,900



LOUISVILLE

INDUSTRIAL FORECAST

The following are Cushman & Wakefield's projections over the near term:



RENTS



VACANCY

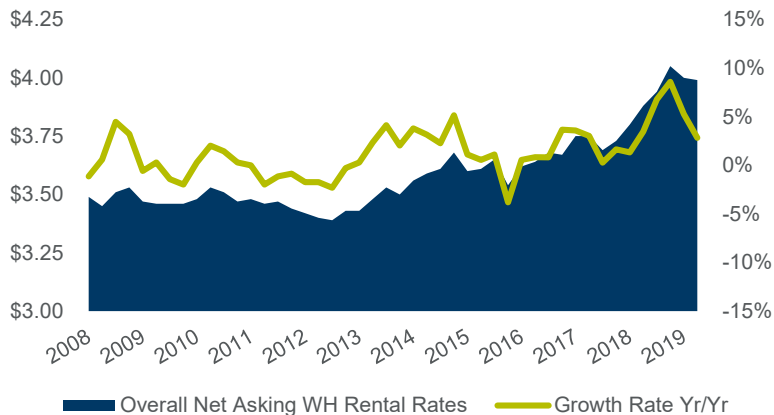


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Overall industrial asking rents continue to increase, with the second quarter overall bulk average asking net rent increasing to \$3.99 per square foot (psf), compared to \$3.88 psf for the same period last year.



Source: C&W Research

DEVELOPMENT / INVENTORY

Bulk construction completions for the second quarter totaled 910,627 sf. Duane Development completed their first building at Poplar Logistics Center consisting of 129,087 sf, and Oakland Partnership delivered a 150,040 sf distribution center at Eastpoint Business Park.

Currently, there is over 1.6 msf of speculative product under construction evenly split between the South and River Ridge submarkets. There is also 3.2 msf of product in the pipeline that is expected to start construction by the end of the year, including a 958,200 sf spec building for Nicklies in the South, a 908,000 spec building for Browning in Bullitt County, and a 400,000 sf build-to-suit for Paccar in Riverport.

OUTLOOK

- As the market continues to tighten, developers will continue to search for suitable land sites.
- Expect rental rates to increase due to a lack of supply and an increase in land and construction costs.
- Considering that online sales are growing much faster than overall retail sales, further industrial demand for ecommerce fulfillment can be expected.
- Supply chain efficiency continues to drive industrial decision making.



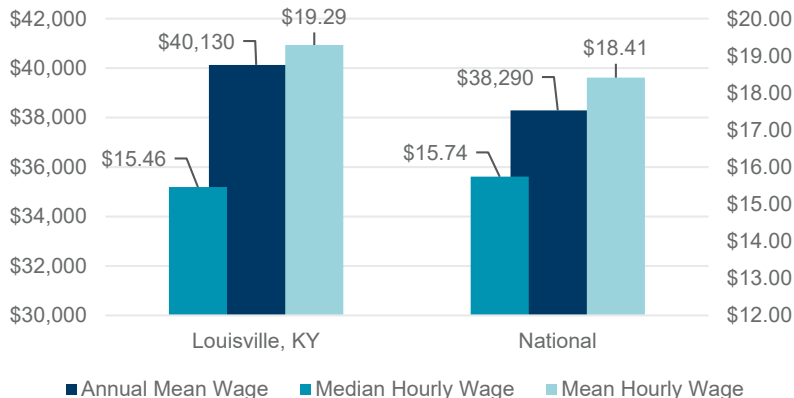
LOUISVILLE

CROSS-MARKET COMPARISONS

Warehouse MSA Comparison

MSA	Unemployment Rate	Percent of Population Above HS Education	Target Warehouse/Distribution Workforce	Mean Hourly Wage		Occupation Location Quotient (U.S. = 1)
				Production Transportation		
Louisville	3.6%	30.59%	68,900	\$18.68	\$19.29	1.49
Indianapolis	2.8%	28.30%	103,650	\$17.92	\$17.02	1.44
Columbus	3.0%	27.43%	83,050	\$19.18	\$16.90	1.14
Cincinnati	3.1%	28.07%	79,440	\$19.65	\$16.91	1.07
Memphis	3.8%	30.90%	87,600	\$16.81	\$16.75	2.03

WAREHOUSE WAGES MAY 2018



Source: U.S. Bureau of Labor Statistics, C2ER, Cushman & Wakefield Research

SELECT SUBMARKET NEWS

South

- The South submarket continues to dominate leasing activity in the Louisville MSA. YTD leasing of 1,661,785 sf accounted for over 66% of the total MSA's activity. The South submarket also has the highest average asking rent at \$4.39 per square foot (psf).

Southern Indiana

- Niagara Bottling completed construction of their new 469,000 sf build-to-suit operation in River Ridge resulting in 49 new jobs.

HISTORICAL COST OF LIVING INDEX

The Cost of Living Index measures *relative* price levels for consumer goods and services in participating areas. The average for all participating places, equals 100. A score above 100 indicates above average cost and vice versa.

Index Category / % share	2Q18	3Q18	4Q18	1Q19	Forecast
Overall Index (100%)	92.2	95.6	93.3	92.0	↔
Grocery Items (13.40%)	87.5	87.1	88.8	86.2	↓
Housing (29.34%)	75.6	81.2	78.5	76.8	↓
Utilities (8.94%)	93.8	93.9	92.0	91.7	↔
Transportation (9.22%)	97.5	103.8	101.2	89.8	↓
Health Care (4.26%)	100.5	100.6	97.8	101.7	↑
Misc. Goods/Services (34.84%)	104.5	108.1	105.1	106.4	↔

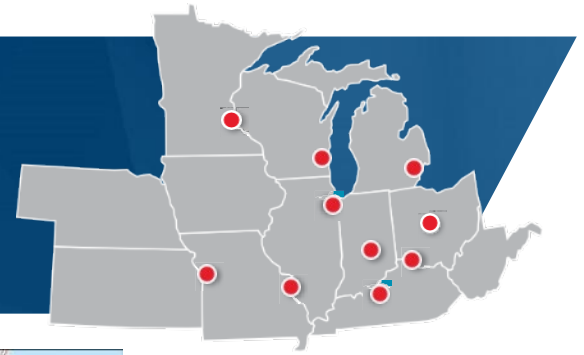


MILWAUKEE



MARKET INSIGHT

CENTRAL MIDWEST INDUSTRIAL REPORT | SECOND QUARTER 2019

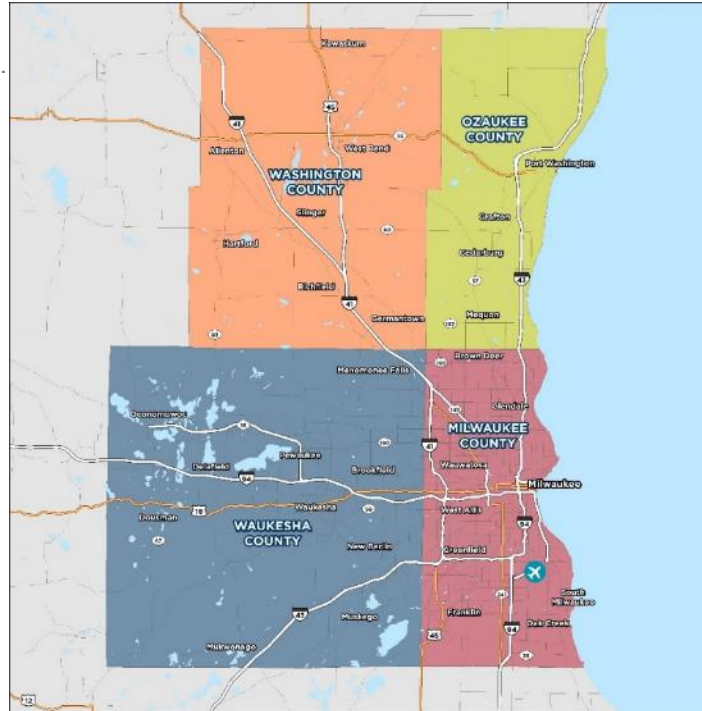


Located on the western edge of Lake Michigan, Milwaukee has a strong history founded on manufacturing. Fifteen percent of the region's workforce is employed in manufacturing, well above the nine percent average nationally and ranking second in the nation among the top 50 metros for manufacturing jobs. More than 18 percent of the state's GDP comes from manufacturing businesses.

The ongoing revitalization of downtown Milwaukee will reach a crescendo next summer as the city plays host to the Democratic National Convention. Over 50,000 visitors will be greeted by a renovated airport, a potential new extension of Milwaukee's popular free streetcar "The Hop", a gleaming new 25-story BMO Tower, and a vibrant new entertainment district adjacent to the NBA's newest arena and focal point of the convention - the Fiserv Forum.



[CLICK HERE FOR FULL MARKET REPORT](#)



SUBMARKETS

- ▶ Milwaukee County
- ▶ Ozaukee County
- ▶ Washington County
- ▶ Waukesha County

RESEARCH CONTACT

KATIE GREMBAN

MILWAUKEE

kgremban@boerke.com



MILWAUKEE

EMPLOYMENT & UNEMPLOYMENT TRENDS

Wisconsin's unemployment rate saw a slight decrease of 10 basis points (bp) this quarter, resulting in an unemployment rate of 2.8%. Year-over-year, the unemployment rate decreased 30 bps. Wisconsin continues to post an unemployment rate lower than the national average of 3.6%.

Wisconsin ranks 2nd nationwide in manufacturing employment concentration. In addition, according to the Bureau of Labor Statistics, Wisconsin has 88% greater employment concentration than the national average.

	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.3%	3.7%	3.6%	
EMPLOYMENT (% Change)	1.3%	-0.1%	1.0%	
UNEMPLOYMENT RATE (%)	3.9%	2.9%	2.9%	

Table denotes MSA employment and unemployment rate
Forecast is 12-month outlook

JOB GROWTH & UNEMPLOYMENT RATE

+1.0
% YOY

Average employment
Increased by 8,600 jobs.

10
BPS YOY

Average Q2 unemployment
of 2.9%.

ECONOMIC EXPANSION

The following are select announcements from the area:



Komatsu Mining Corp. will soon start construction on a new headquarter and manufacturing campus along Milwaukee's harbor, **which will create 443 new jobs.**



Leonardo DRS is underway with a new 350,000-square foot (sf) manufacturing facility in Menomonee Falls, **which will create up to 220 new jobs.**



Hillwood Development Co., LLC began construction on a 2.6-million square foot (msf) fulfillment facility to be developed for Amazon in Oak Creek, a project that local media has reported could create **1,000 new jobs.**

DEMOGRAPHIC FUNDAMENTALS

With Metro Milwaukee's unemployment at its lowest level in at least two decades and as the region's manufacturing industry continues to expand, businesses are increasing the number of hours production workers are putting in to levels not seen in at least five year.

POPULATION



2000	1,689,572
2010	1,555,908
2017	1,576,236
2022	1,588,000

AVERAGE WAREHOUSE WAGE



2000	\$12.48
2010	\$15.32
2017	\$17.20
2018	\$17.72

WAREHOUSE LABOR



2000	62,330
2010	53,330
2017	51,690
2018	52,050





MILWAUKEE

INDUSTRIAL FORECAST

The following are Cushman & Wakefield's projections over the near term:



RENTS



VACANCY

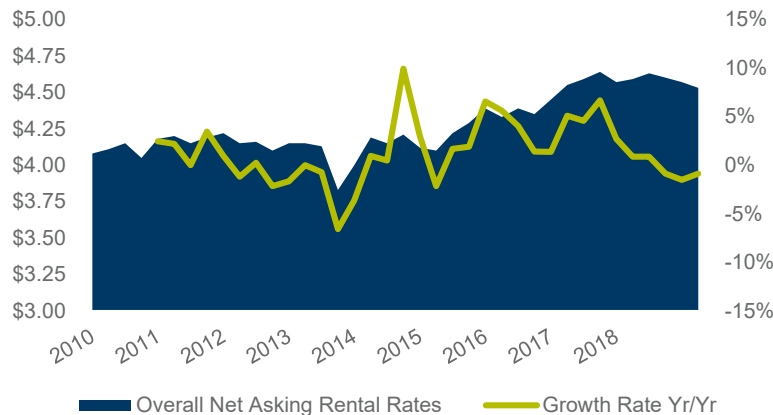


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Metro Milwaukee asking rents have steadily been on the rise, with an average year-over-year increase of 2.6% over the past five years. Anticipate asking rents to continue to increase as high quality, competitive inventory is in limited supply as new industrial product enters our market.



Source: C&W Research

DEVELOPMENT / INVENTORY

Since 2016, there has been over 6.4 million square feet (msf) of construction completions across Metro Milwaukee, with just under 2.2 msf being speculative construction. Given strong market fundamentals, construction activity showed no signs of slowing down. Q2 2019 had the highest level of construction activity since pre-recession times, with nearly 4.7 msf currently under construction, a 25 percent increase quarter-over-quarter, with 78% pre-leased. Contributing to the elevated under construction figures are Hillwood Development Co's 2.6-msf Amazon fulfillment center in Oak Creek and Zilber has two facilities of approximately 200,000-sf under construction near the recently delivered Briggs & Stratton 706,000-sf build-to-suit facility in Germantown. An additional 4.9 msf is proposed to break ground in 2019 and into 2020, with 25% of the proposed construction speculative.

OUTLOOK

- In 2016, the Qualified Production Tax Credit was fully phased in, which has effectively eliminated all state income tax liability for manufacturing operations. Since the credit was fully phased in, Wisconsin has led the Midwest in manufacturing jobs created and ranked 2nd nationally in 2018.
- Expect market fundamentals to remain strong in Metro Milwaukee as the vacancy rate continues to stay below the national average. Strong absorption figures will stay consistent with upcoming construction deliveries on the horizon; anticipated average asking rents to remain above \$4.50 NNN blended, with average asking rents for Class A product to be at \$5.50 NNN. Institutional investors will remain heavy players in Metro Milwaukee throughout 2019.

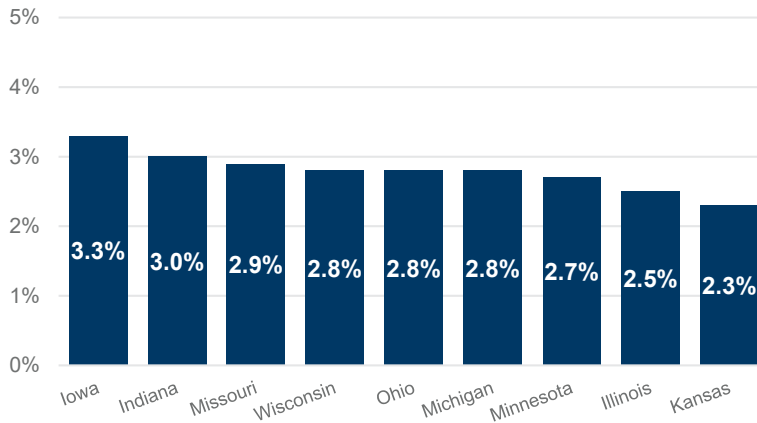




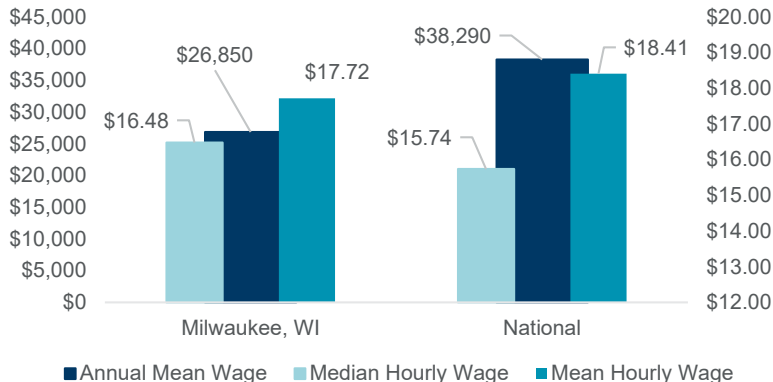
MILWAUKEE

CROSS-MARKET COMPARISONS

PERCENT CHANGE IN REAL GDP BY STATE, 2018
Q2-2018: Q3



WAREHOUSE WAGES MAY 2018



Source: U.S. Bureau of Labor Statistics, C2ER, Cushman & Wakefield Research

SELECT SUBMARKET NEWS

Washington County: Germantown recently has become a hot-bed for industrial development. Gateway Corporate Park, a 145-acre business park located off Holy Hill Road in Germantown, recently delivered the first industrial development in the park. Briggs & Stratton's Global Distribution Facility completed construction on a 706,044-sf facility, the spark needed to spur additional development. Two speculative developments are currently under construction, both nearly 200,000-sf, scheduled to be delivered in Q4 2019; Smart Warehousing will lease one full building. To the east of the park, Dielectric Corp is going vertical on a new 100,000-sf headquarter facility. In addition, Dickman Company received re-zoning approvals for a 240,468-sf build-to-suit north of Briggs & Stratton's facility, with room for expansion. Two additional buildings, each nearly 130,000-sf could be developed as a second phase.

HISTORICAL COST OF LIVING INDEX

The Cost of Living Index measures *relative* price levels for consumer goods and services in participating areas. The average for all participating places, equals 100. A score above 100 indicates above average cost and vice versa.

Index Category / % share	1Q18	2Q18	3Q18	1Q19	Forecast
Overall Index (100%)	95.5	96.3	97.8	94.8	↑
Grocery Items (13.4%)	94.5	96.2	97.8	93.5	↑
Housing (29.34%)	94.9	95.4	95.1	97.2	↑
Utilities (8.94%)	96.9	98.1	96.6	95.7	↑
Transportation (9.22%)	92.8	94.1	99.2	93.5	↓
Health Care (4.26%)	115.4	114.5	115.5	115.1	↑
Misc. Goods/Services (34.84%)	93.5	94.8	97.6	90.9	↑

Forecast is 12-month outlook





MINNEAPOLIS





MINNEAPOLIS

EMPLOYMENT & UNEMPLOYMENT TRENDS

The unemployment rate in the Twin Cities increased 40 basis points year-over-year (YOY) to 3.0% in second quarter 2019. The increase has done little to impact ongoing employer concerns regarding access to available labor pools. Although the overall rate has increased, some industrial sectors such as Residential Building Construction (6.2%), Transportation and Warehousing (4.2%) and Medical Equipment and Supplies Manufacturing (2.8%) posted YOY employment gains.

According to the Minnesota Department of Employment and Economic Development, the continued steady unemployment and tight labor markets indicate a challenging environment for large job growth and a workforce functioning at capacity.

	Q2 2017	Q2 2018	Q2 2019	FORECAST
NATIONAL UNEMPLOYMENT	4.2%	3.8%	3.5%	
EMPLOYMENT (% Change)	2.8%	2.5%	-0.6%	
UNEMPLOYMENT RATE (%)	3.3%	2.6%	3.0%	

Table denotes MSA employment and unemployment rate
Forecast is 12-month outlook

JOB GROWTH & UNEMPLOYMENT RATE

-0.7
% YOY

Average Q2 **employment**
Decreased by 13,275 jobs.

+40
BPS YOY

Average Q2 **unemployment**
Increased to 3%.

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

ECONOMIC EXPANSION

The following are select announcements from second quarter 2019:



Northrop Grumman announced plans to expand its operations in the Twin Cities with a \$2 million build out of its 191,000-square-foot facility in Plymouth. The project will convert 7,000 sf of office space into labs and testing facilities, creating **60 jobs** when complete.



Andersen Corp. received approval to double its manufacturing footprint in Cottage Grove. The \$35 million expansion of the company's Renewal by Andersen facility will add 350,000 sf of warehouse space and create **125 jobs** over a period of three years.



Steinwall Inc. paid \$8.3 million to purchase a 145,775-square-foot warehouse in Coon Rapids, nearly doubling its manufacturing footprint in response to sustained growth. The move brings operations closer to the company's Coon Rapids headquarters.

DEMOGRAPHIC FUNDAMENTALS

The MSA per capita income of \$59,450 was 15.1% higher than the United States. Total net migration increased more than 90% from 2014-2017, with strong in-migration from St. Cloud and Chicago.

POPULATION



2000	3,031,900
2010	3,348,866
2018	3,577,707
2023	3,744,099

AVERAGE WAREHOUSE WAGE



2000	\$13.44
2010	\$16.97
2018	\$20.25

WAREHOUSE LABOR



2000	105,560
2010	95,230
2018	115,380



MINNEAPOLIS

INDUSTRIAL FORECAST

The following are Cushman & Wakefield's projections over the near term:



RENTS



VACANCY

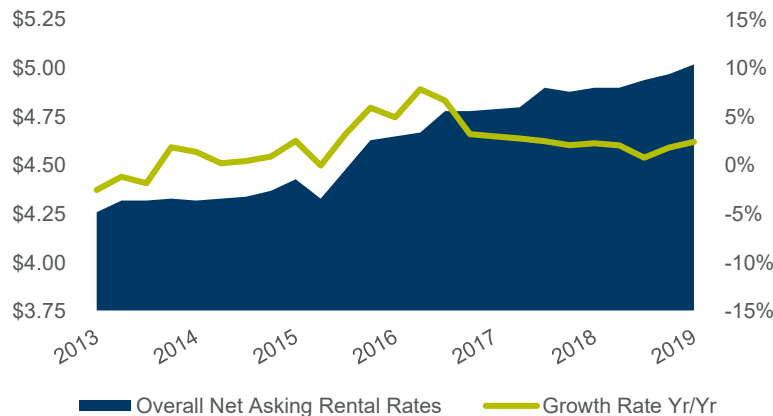


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

The overall average asking rate grew 2.4% year-over-year to \$5.02 per square foot at the end of the second quarter 2019. The continued escalation of construction costs associated with new deliveries coming to market, and the lack of existing large blocks of functional warehouse space in high demand submarkets, continue to apply upward pressure on asking rates.



DEVELOPMENT / INVENTORY

Developers added nearly 900,000 square feet (sf) of new product to the market in the second quarter 2019. Of that total, just over 450,000 sf was concentrated in the Northwest submarket.

Nearly 1.8 million square feet (msf) of space was under construction in the second quarter 2019 and is expected to deliver by end of year. Owned built-to-suit developments account for approximately half of this total as corporate users opt away from leasing multitenant space. One example is Graco Inc.'s expansion of nearly 480,000 sf in Rogers, which is the largest project under construction in the market.

Just over 674,000 sf under construction in the second quarter 2019 was on a speculative basis, with nearly 61% of this total concentrated in the Northwest submarket.

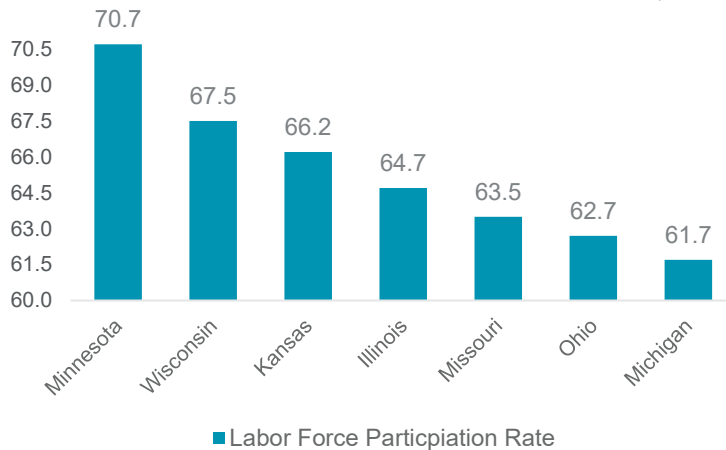
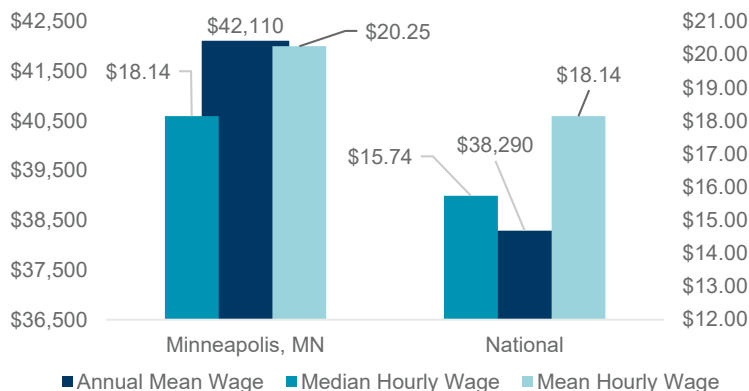
OUTLOOK

- With 1.4 msf of absorption already logged in the first half, 2019 is shaping up to be one of the better years in the current industrial up-cycle. If user demand and construction deliveries remain on target, nearly 1.8 msf of additional space could be absorbed in the second half 2019.
- The development pipeline will remain healthy throughout 2019 as 1.8 msf of product is underway and scheduled to be completed by year-end, and another 711,000 sf of planned product that is scheduled to break ground by year end 2019. Just over 1.1 msf of space under construction is BTS and approximately 674,000 sf consists of speculative multitenant development slated for completion in the second half of 2019.
- The Twin Cities investment sector will continue to see more available capital than assets on the market. There continues to be a scarcity of single property buying opportunities, and those that become available will be in high demand. Demand will continue to push prices higher, with pricing on premium industrial assets ranging between \$110-\$115 psf.
- Quality flex assets have been trading for lower cap rates and higher prices per square foot than they have historically. Those assets that continue to trade will provide opportunities for value-add buyers to make improvements, such as truck courts to expand parking and increasing office finish.



MINNEAPOLIS

CROSS-MARKET COMPARISONS

LABOR FORCE PARTICIPATION RATE BY STATE: JUNE, 2019

WAREHOUSE WAGES MAY 2018


Source: U.S. Bureau of Labor Statistics, C2ER, Cushman & Wakefield Research

SELECT SUBMARKET NEWS

Northwest

- The popular **Northwest** submarket saw increased activity in the second quarter 2019 with 700,000 square feet (sf) of space absorbed. The pipeline of new construction remains active to meet this sustained demand, with nearly 955,000 sf of projects under construction, including two speculative multitenant bulk warehouse projects (one each from Scannell Properties and Opus) as well as a single-tenant effort from Duke Realty in Maple Grove.

Northeast

- St. Paul City Council approved plans to purchase 112 acres on the city's East Side. The former site of Hillcrest Golf Course was purchased for \$10 million by the **St. Paul Port Authority** and will be redeveloped and resold, potentially in pieces, to industrial and housing developers.

HISTORICAL COST OF LIVING INDEX

The Cost of Living Index measures *relative* price levels for consumer goods and services in participating areas. The average for all participating places, equals 100. A score above 100 indicates above average cost and vice versa.

Index Category / % share	2Q18	3Q18	4Q18	1Q19	Forecast
Overall Index (100%)	104.9	107.0	106.3	106.3	↑
Grocery Items (13.4%)	105.6	105.0	105.3	104.1	↔
Housing (29.3%)	102.2	102.8	103.7	100.7	↔
Utilities (8.9%)	98.0	98.1	97.5	96.6	↑
Transportation (9.2%)	106.2	106.2	108.2	105.6	↔
Health Care (4.3%)	106.2	106.7	105.9	105.2	↔
Misc. Goods/Services (34.8%)	108.4	114.0	110.8	114.8	↑





ST. LOUIS

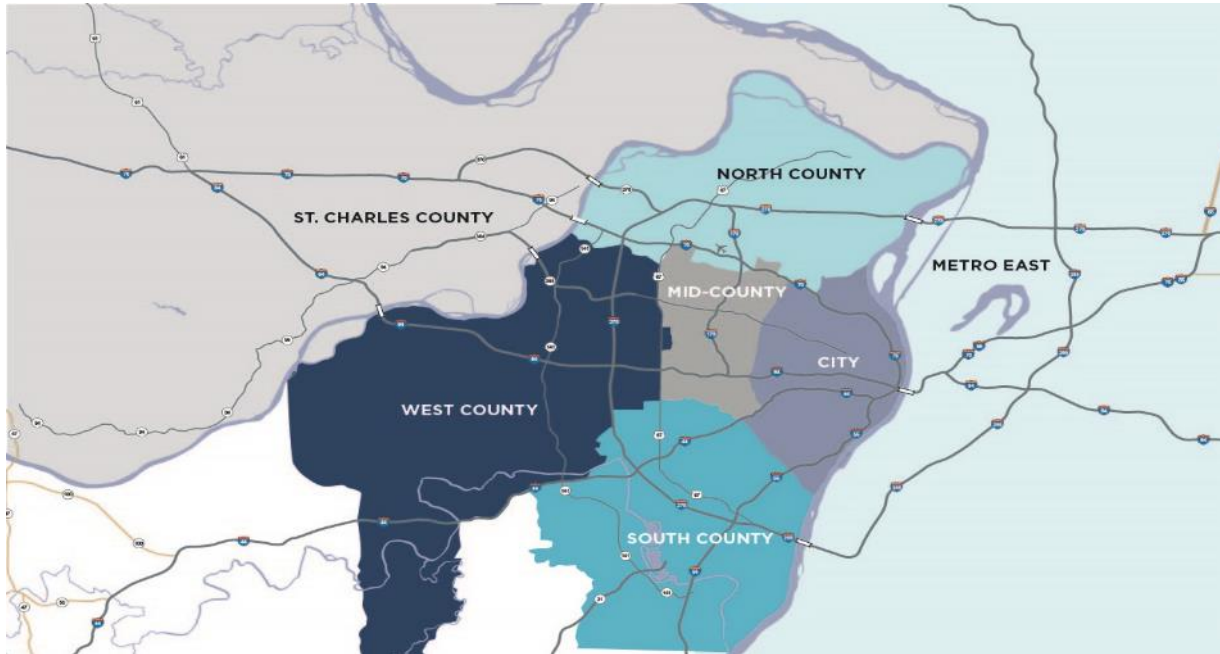


MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | SECOND QUARTER 2019



Cushman & Wakefield Research provides in-depth coverage of the St. Louis Metropolitan Statistical Area. In addition to analyzing industrial rent and sale trends, these reports examine employment data, key economic announcements, and development pipeline news.



SUBMARKETS

- ▶ City
- ▶ Metro East
- ▶ North County
- ▶ South County
- ▶ St. Charles County
- ▶ West County

RESEARCH CONTACT

DAVID HOEBBEL

ST. LOUIS

david.hoebbel@cushwake.com

GREG NELSON

ST. LOUIS

greg.nelson@cushwake.com



[CLICK HERE FOR FULL MARKET REPORT](#)



ST. LOUIS

EMPLOYMENT & UNEMPLOYMENT TRENDS

St. Louis economic fundamentals continued to show signs of resilience as the market ended the second quarter of 2019 with an unemployment rate of 3.6%, marking the ninth consecutive quarter below 4.0%. Seasonally adjusted employment added 20,000 jobs year-over-year despite major local consolidations resulting from merger and acquisition activity. The Federal Open Market Committee (FOMC) suspended further rate hikes and indicated that cuts would be considered if national economic indicators falter, indicating the economy remained on a steady course forward despite headwinds generated from the United States-China trade war.




	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.1%	3.7%	3.6%	
EMPLOYMENT (% Change)	0.2%	0.7%	1.4%	
UNEMPLOYMENT RATE (%)	3.4%	3.4%	3.6%	

Table denotes MSA employment and unemployment rate
 Forecast is 12-month outlook

JOB GROWTH & UNEMPLOYMENT RATE

+1.4
% YOY

Employment increase since first quarter 2018.

10.0
BPS YOY

Increase in unemployment rate during the second quarter 2019.

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

ECONOMIC EXPANSION

The following are select announcements from 2018 and 2019






Defense contractor **DRS Land Systems** is relocating its Cool Valley headquarters to Bridgeton, located near Lambert Airport. The site plans to bring 300 business and engineering jobs after winning a contract last year to install defense systems in tanks. U.S. Capital Development, a local developer, will be responsible for delivering the 171,500-square-foot, \$32 million Bridgeton facility.



Life sciences company **Orion Genomics & Multiply**, formerly known as Answers.com, will occupy 30,000 SQ FT and add 100 jobs to Midtown Development

DEMOGRAPHIC FUNDAMENTALS

The St. Louis area continues to be an attractive market for residents as it ranked the **6th most affordable** city to live in the United States by CNBC in 2018. In addition, St. Louis was named the **2nd best rising city for startups in America** by Forbes in 2018.

POPULATION		2000	2,675,296
		2010	2,787,704
		2017	2,835,581
		2022	2,918,426
	AVERAGE WAREHOUSE WAGE		2000
		2010	\$18.83
		2018	\$18.42
WAREHOUSE LABOR			2000
		2010	79,570
		2018	90,000



ST. LOUIS

INDUSTRIAL FORECAST

The following are Cushman & Wakefield's projections over the near term:



RENTS



VACANCY

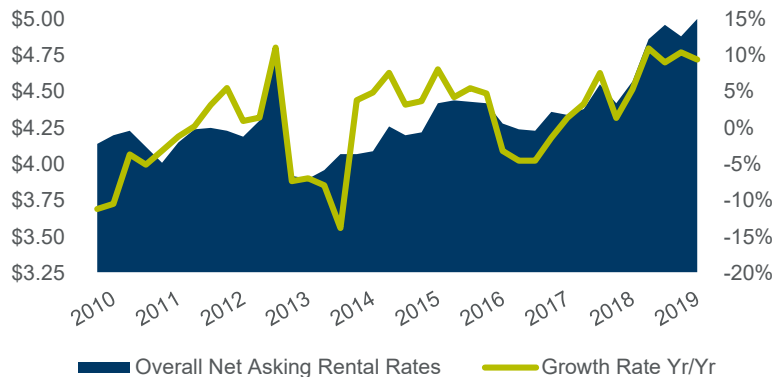


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

On the heels of this elevated occupier demand and new development, overall triple net asking rents reached \$5.00 per square foot (psf) for the first time in tracked history. Year-over-year, rates grew nearly 2.9% and it's expected that this trend will continue through 2019.



Source: Cushman & Wakefield Research

DEVELOPMENT / INVENTORY

The industrial market in St. Louis ended the second quarter with overall vacancy at 5.8%, marking the fourth time since 2011 it has dropped below 6.0% and the second time this year. Despite heightened deliveries of new inventory in St. Louis, occupier demand continues to outpace development. Since the beginning of 2017, St. Louis has absorbed nearly 12.5 million square feet (msf) and delivered 11.4 msf over that same period. At the halfway point of the year, over 4.3 msf was under construction with roughly 42.6% of the projects being speculative. St. Louis is expected to deliver over 6.8 msf of new inventory in 2019 which would easily surpass the current record of 5.4 msf set in 2016.

Driven by the delivery and occupancy of Amazon and Fedex built-to-suit projects, St. Charles led all submarkets in net absorption with 1.4 msf in the second quarter. Though absorption activity was primarily the result of these two large moves, the resulting economic impact will be tangible for the area. Fedex's 450,000-sf build-to-suit, to be used for package storage and distribution, marks the firm's second location within the submarket and is expected to bring over 50 jobs to the area and nearly 240 part-time employees. Amazon, on the other hand, opened its first Missouri fulfillment center in May, which is designed to provide St. Louis Prime customers with next-day shipping and eventually same-day shipping. The move adds further eCommerce presence to the St. Louis area and the operation is expected to add an estimated 1,500 full-time jobs to the region, bringing the firms total regional headcount to 4,000 employees.

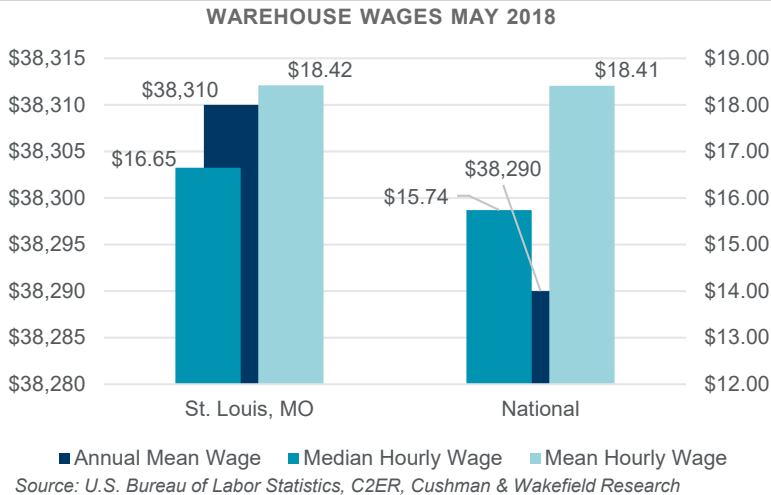
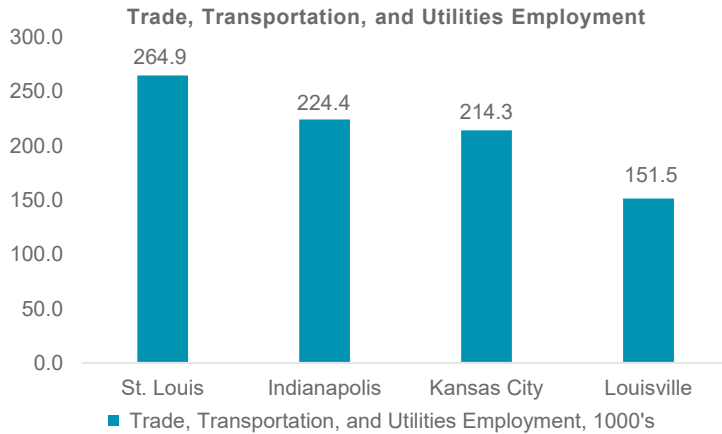
OUTLOOK

- Overall triple net asking rates should continue to rise past the \$5.00 mark over the short-term as new spaces continue to deliver at a slower pace than occupier demand.
- Deliveries are expected to reach record breaking levels for 2019, as year-to-date deliveries have totaled roughly 2.9 msf with an additional 3.9 msf on track to complete by year-end, of which speculative construction accounts for over 42.6%.



ST. LOUIS

CROSS-MARKET COMPARISONS



SELECT SUBMARKET NEWS

North County

- In the second quarter, vacancy decreased by 160 basis points (bps) year-over-year to 7.1%. North County continued to track strong tenant demand, as PepsiCo occupied 269,000 square feet (sf) at 5400 North Hanley Road. The building is part of the 550-acre mix-used NorthPark development, which is located at the north-east corner of interstates 70 and 170, a park currently occupied by major occupiers such as Express Scripts, Schnucks, SKF and Staples.

Metro East

- During the second quarter, Hershey finished construction on its 300,000-sf expansion space at 100 Enterprise Drive, contributing to a significant amount of the submarket's quarter-end absorption of 257,000 sf. This activity drove vacancy 20 bps lower compared to the first quarter of 2019.

HISTORICAL COST OF LIVING INDEX

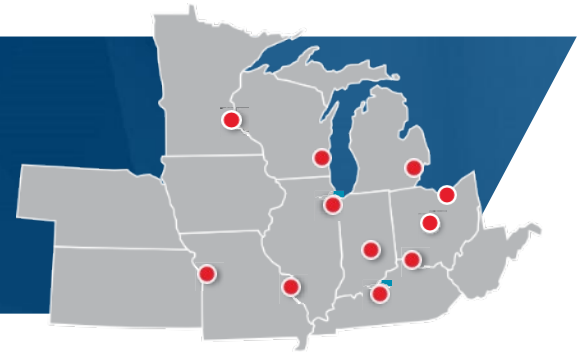
The Cost of Living Index measures *relative* price levels for consumer goods and services in participating areas. The average for all participating places, equals 100. A score above 100 indicates above average cost and vice versa.

Index Category / % share	2Q18	3Q18	4Q18	1Q19	Forecast
Overall Index (100%)	88.3	88.4	87.8	85.9	↓
Grocery Items (13.2%)	100.4	104.8	102.0	105.0	↔
Housing (27.6%)	70.5	67.4	69.3	69.1	↑
Utilities (10.1%)	101.3	101.4	102.4	101.0	↔
Transportation (9.6%)	91.7	98.2	94.0	80.6	↓
Health Care (4.0%)	94.6	94.4	94.7	92.7	↔
Misc. Goods/Services (35.2%)	92.7	92.0	91.7	89.3	↓

CUSHMAN & WAKEFIELD CENTRAL MIDWEST INDUSTRIAL RESEARCH

MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | SECOND QUARTER 2019



RESEARCH TEAM

GREGORY ROGALLA

CHICAGO

gregory.rogalla@cushwake.com

JARRETT HICKS

CINCINNATI

jarrett.hicks@cushwake.com

JENNIFER DOLEIS

CLEVELAND

jennifer.doleis@cushwake.com

ROBIN MITCHELL

COLUMBUS

robin.mitchell@cushwake.com

EVAN MILLER

DETROIT

evan.miller@cushwake.com

MATT NIEHOFF

INDIANAPOLIS

matt.niehoff@cushwake.com

MATTHEW NEVINGER

KANSAS CITY

matt.nevinger@cushwake.com

TRAVIS ROSE

LOUISVILLE

trose@commercialkentucky.com

KATIE GREMBAN

MILWAUKEE

kgremban@boerke.com

PATRICK HAMILTON

MINNEAPOLIS

patrick.hamilton@cushwake.com

DAVID HOEBBEL

ST. LOUIS

david.hoebbel@cushwake.com

CHICAGO

CINCINNATI

CLEVELAND

COLUMBUS

DETROIT

INDIANAPOLIS

KANSAS CITY

LOUISVILLE

MILWAUKEE

MINNEAPOLIS

ST. LOUIS