

MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | FOURTH QUARTER 2019



In the fourth quarter of 2019, the 11 markets of the Central Midwest absorbed 61.6 million square feet (msf) year-to-date (YTD) while vacancy for these markets remaining flat quarter-over-quarter at 4.4%. In the 11 markets included in this report, there is currently 71.8 msf in the construction pipeline or 22.4% of the total U.S. pipeline of 321.1 msf. With only 66.5% 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 fourth quarter 2019, the Central Midwest markets delivered 71.4 msf YTD, 89.3% of that space, or 63.8 msf, was warehouse/distribution space. Rental rates decreased slightly from \$4.91 per square foot (psf) in the third quarter to \$4.90 psf in the fourth 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 2020.

IN THIS EDITION

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MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | FOURTH QUARTER 2019



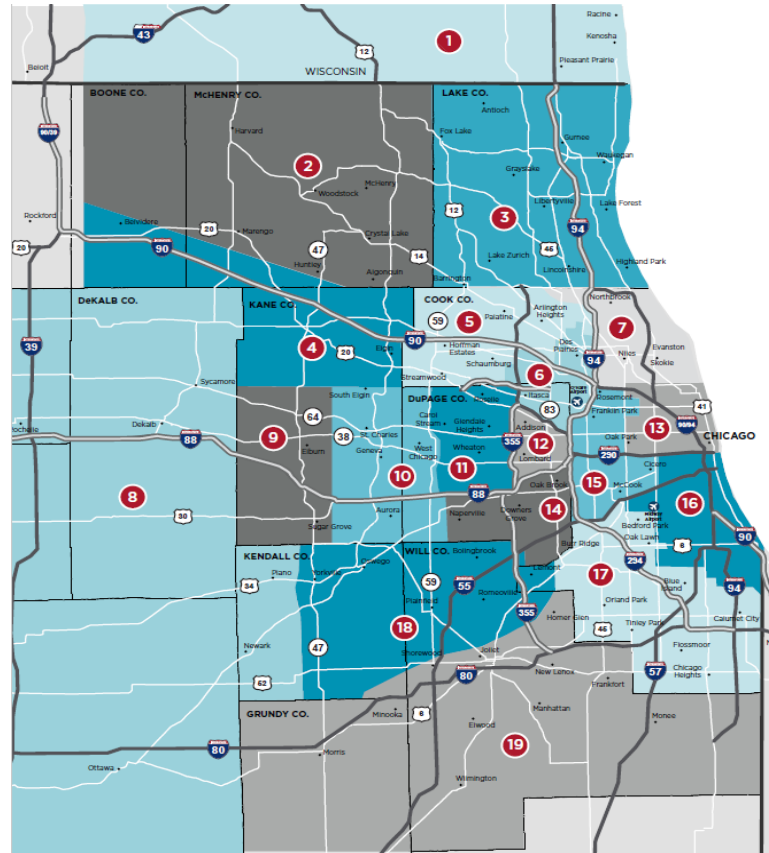
The Chicago industrial market remained strong in 2019. New leasing totaled 34.8 million square feet (msf), up an impressive 12.3% YOY. Heightened big-box leasing activity pushed the average deal size up 12.3% YOY to 66,537 square feet (sf). There were 10 new lease transactions over 500,000 sf signed in 2019 (total: 7.5 msf), up from seven deals (total: 5.5 msf) in 2018. Interstate 55 Corridor, Interstate 80 Corridor, O'Hare and West Cook County accounted for 55.1% of all new leasing in 2019 (19.2 msf).

Overall vacancy ended the year at 4.9%, down 60 basis point (bps) YOY. The majority of submarkets (12 out of 19) recorded a YOY drop in vacancy.

Overall net absorption increased 3.4% YOY to 16.1 msf. As tenants occupy previously leased space, absorption is expected to increase throughout the first half of 2020.



**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

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CHICAGO

EMPLOYMENT & UNEMPLOYMENT TRENDS

The Chicago Metropolitan Area economy continued to improve throughout 2019. Local unemployment recorded a minimal increase of 11 basis points (bps) from year-end 2018 to 3.6%. As of November 2019, 28,500 jobs were added year-over-year (YOY). The manufacturing sector saw 1,100 jobs added over the same time period, representing a 0.3% YOY increase which slightly lags the national manufacturing job growth rate of 0.6%. Low unemployment coupled with moderate job growth highlights a tight labor market.




	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.1%	3.7%	3.6%	
EMPLOYMENT (% Change)	0.1%	-0.1%	0.7%	
UNEMPLOYMENT RATE (%)	5.0%	3.7%	3.6%	

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

JOB GROWTH & UNEMPLOYMENT RATE

+0.7
 % YOY

Q4 employment
 Increased by 28,500 jobs

-10
 BPS YOY

Q4 unemployment
 decreased 10 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 Q4 2019:



Forward Space has leased 100,378 sf at 700 North Wood Dale Road in Wood Dale. The company will consolidate two facilities into the new BTS which will also accommodate future growth.



First Logistics expanded into an additional 108,343 sf at Marina Crossings, bringing their total footprint to 439,400 sf at the property



Vienna Beef is relocating its headquarters within the submarket. The food manufacturer signed a 42,000-sf lease at 2501 West Fulton Street.

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

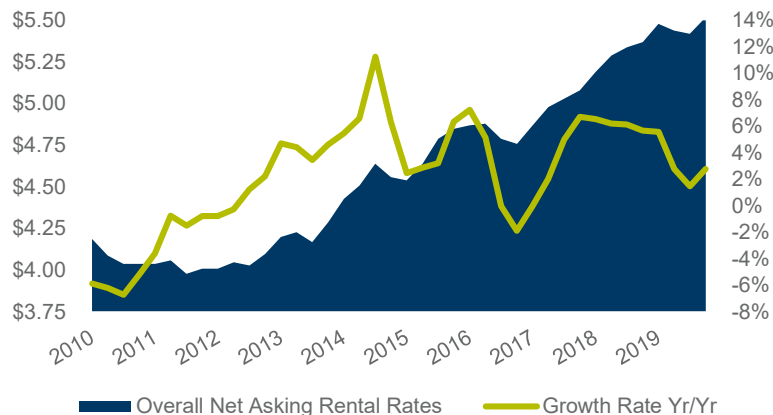


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Rent growth maintained its upward momentum; overall asking weighted average net rental rates ticked up 2.8% YOY to \$5.52 per square foot (psf). Rental rates are expected to continue to increase slightly over the next several years following tenant demand.



Source: C&W Research

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.

An impressive 19.8 msf of new industrial product was delivered in 2019, a 70.1% increase YOY. The year ended with 16.8 msf under construction, 60.7% of which is being built on a speculative basis. Interstate 55, Southern Fox Valley and Chicago South led construction, accounting for 33.4% of overall under-construction space.

The amount of build-to-suit space under construction surged 76.9% YOY to 6.6 msf due to several large projects breaking ground in 2019. Notable build-to-suits include: an eCommerce company (1.0 msf), Crate & Barrel (646,380 sf), and Fresenius Kabi (590,525 sf).

OUTLOOK

The Chicago industrial market is poised for continued growth throughout 2020.

- The Chicago market will continue to record strong activity in 2020. With record-high leasing in 2019, absorption will increase as tenants move into their previously leased spaces.
- BTS construction surged in 2019 and this trend will continue in 2020 as more users require specialized buildings. Developers will also look to build more "spec-to-suits" – customized speculative projects to appeal to users with niche demands such as cold storage or heavy power.
- The combined impact of trade policy and cooling manufacturing activity bear monitoring in regard to the overall industrial market.

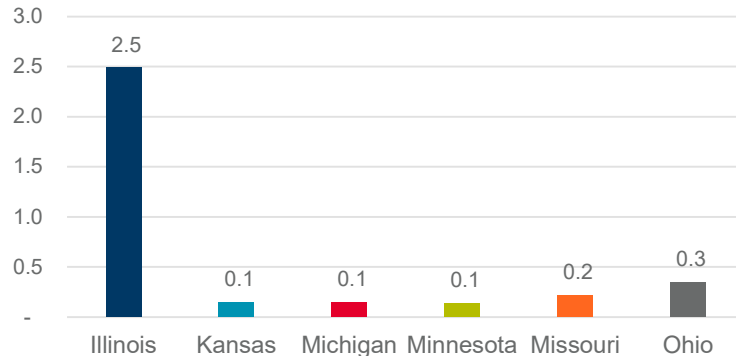


CHICAGO

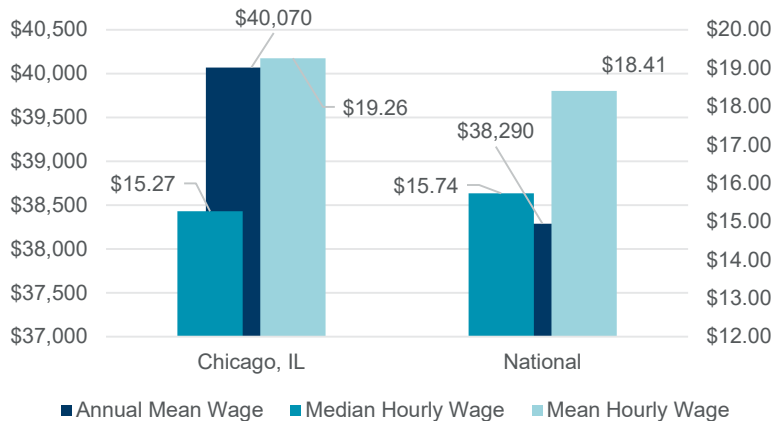
CROSS-MARKET COMPARISONS

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

Western Cook County

- The Western Cook County submarket reported 2.9 msf of new leasing activity which prompted vacancy to drop 180 bps to 5.2%. Due to space tightening, average asking rates increased 6.89% YOY to \$4.51 psf.

Interstate 80 Corridor

- The Interstate 80 Corridor experienced increased demand during 2018. New leasing totaled, 6.5 million square feet (msf) at year-end 2019. A significant increase from the 1.8 msf leased in 2018. While big-box leasing saw an increase year-over-year, 45.0% of new leases were between 500,000 sf and 100,000 sf. The average deal size was 241,289 square feet (sf).

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	1Q19	2Q19	3Q19	4Q19	Forecast
Overall Index (100%)	120.0	120.1	120.9	120.0	↑
Grocery Items (13.4%)	96.8	104.1	104.0	101.6	↑
Housing (29.34%)	150.9	151.2	156.6	154.0	↔
Utilities (8.94%)	93.6	91.4	92.7	92.4	↑
Transportation (9.22%)	128.0	122.8	124.6	125.6	↔
Health Care (4.26%)	100.9	100.4	99.8	100.0	↑
Misc. Goods/Services (34.84%)	109.8	109.0	109.0	109.3	↑

Forecast is 12-month outlook





CINCINNATI



MARKET INSIGHT

CENTRAL MIDWEST INDUSTRIAL REPORT | FOURTH QUARTER 2019



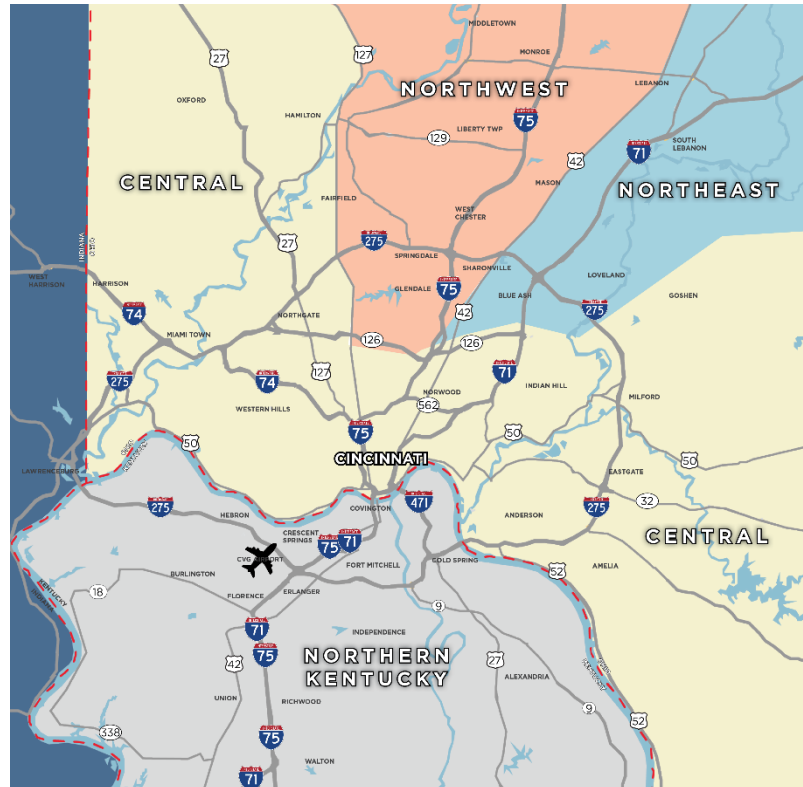
At 295 million square feet (msf), Greater Cincinnati is one of the 15 largest industrial markets in the U.S.

In the fourth quarter of 2019, direct vacancy was 3.9%. The market saw its 34th consecutive quarter of direct positive absorption, with 2.2 msf. After a record-setting 2018 at 7.0 msf, full-year net absorption in 2019 was just 3.9 msf.

New construction deliveries set recent record-levels in 2019, at more than 7.6 msf. Additional new construction in the region exceeded 6.6 msf in Q4.



[CLICK HERE FOR FULL MARKET REPORT](#)



SUBMARKETS

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

RESEARCH CONTACT

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CINCINNATI

EMPLOYMENT & UNEMPLOYMENT TRENDS

According to a recent analysis from GoBankingRates.com and the Bureau of Labor Statistics, Cincinnati was the only city in Ohio to be featured in its "50 Cities with Abundant Housing and Jobs" report. Between 2018 and 2019, Cincinnati was on a select list of U.S. cities to experience both job growth and increases in new home listings. Cincinnati ranked 44th on the list, behind similar-sized areas like Louisville (34), Raleigh (8) and San Antonio (1).

The unemployment rate in Greater Cincinnati has been at or below 4.0% for more than a year, and was 3.7% at the end of 2019.

	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.1%	3.7%	3.6%	
EMPLOYMENT (% Change)	0.6%	2.1%	1.6%	
UNEMPLOYMENT RATE (%)	4.2%	4.0%	3.7%	

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

JOB GROWTH & UNEMPLOYMENT RATE

+1.6
% YOY

Average Q4 **employment**
of 1.13 million.

-29
BPS YOY

Average Q4 **unemployment**
of 3.7%.

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

ECONOMIC EXPANSION

The following are select announcements from fourth quarter 2019:



In Mason, aerospace manufacturer **Precision Castparts Corp.** will invest over \$100 million in two new research and development buildings, and **create 190 new jobs.**



WABCO USA, a manufacturer and distributor of heavy-duty truck parts, is increasing the distribution capacity at its facility in Hebron. The company has received preliminary state tax incentives **to add 123 new full-time employees in the next few years.**



Food manufacturer, **Sugarcreek**, is expanding its West Chester production facility. The company has received state tax incentives **to add 120 new full-time employees by 2022.**

DEMOGRAPHIC FUNDAMENTALS

The Greater Cincinnati population is projected to increase by 30,000 people between 2019 and 2024.

POPULATION



2000	1,994,803
2010	2,114,577
2019	2,193,282
2024	2,226,121

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

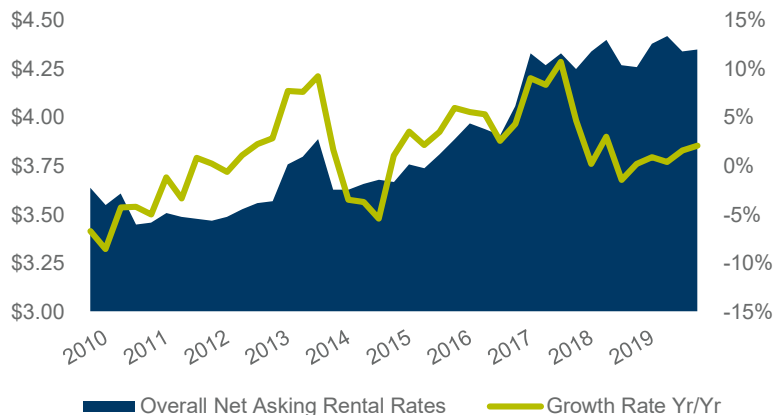


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

While the growth rate in Greater Cincinnati has levelled off, asking rent rates remained well-above the \$4.25 psf level. In Q4 2019, the average asking rate was \$4.35 psf NNN, a 2.1% increase over the prior year.



Source: C&W Research

DEVELOPMENT / INVENTORY

Construction deliveries and expansions completed in Q4 2019 were significant drivers of net absorption, including a 350,000-sf expansion of Festo Corp. in Mason, OH and a 140,000-sf built-to-suit (BTS) facility in Harrison, OH for Duke Energy. The largest delivery of the quarter was the 575,000-sf speculative Erlanger Commerce Center in Northern Kentucky.

2019 was a record year for construction deliveries at more than 7.6 msf. By comparison, 2018 deliveries were a robust 6.3 msf, and 2017 deliveries were a relatively small 3.2 msf.

Despite a record-level of deliveries, more than 6.6 msf was under construction as of Q4. This included the 1.0 msf 'Phase One' of the Amazon Air Hub at the Cincinnati/Northern Kentucky International Airport (CVG) in Hebron, KY, as well as the 1.1 msf speculative Aero Commerce Center in nearby Florence.

OUTLOOK

- Despite significant deliveries and moderate levels of net absorption in 2019, vacancy did not overwhelmingly increase as a result. Vacancy rates are unlikely to reach the 5.0% threshold at any point in 2020.
- The 3.9 msf of net absorption in 2019 may prove that the high levels of net absorption seen in 2018 and 2017 were exceptions instead of rules. 2020 net absorption is likely to fall between 4.0 msf and the 5.0 msf of absorption experienced in 2016.
- Average asking rates should pass the record-level \$4.50 psf net in 2020. However, asking rate growth may be modest as competition for tenants increases among increasing available spaces.

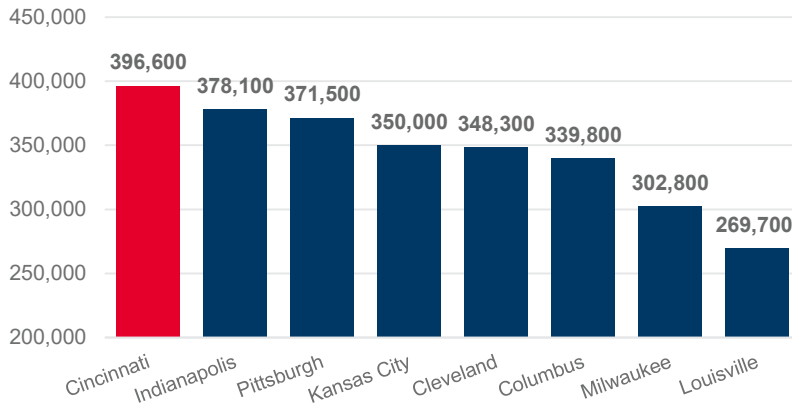


CINCINNATI

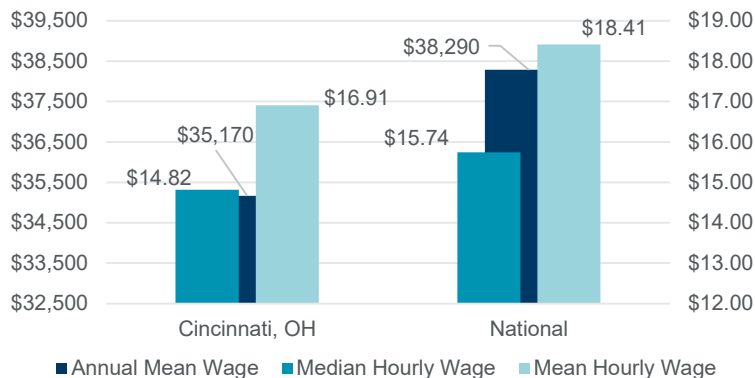
CROSS-MARKET COMPARISONS

Q4 2019 INDUSTRIAL EMPLOYMENT COUNT

(Includes Transportation, Utilities, Manufacturing, Construction)



WAREHOUSE WAGES MAY 2018



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

SELECT SUBMARKET NEWS

Northwest

- DHL leased the entire 756,000-sf Park North 10 complex in Monroe. Nearby in Fairfield, WestRock took the entire 330,000-sf 375 Distribution Circle building.

Northern Kentucky

- In Hebron, Verst Group Logistics renewed 424,000 sf at the Prologis Park 275 #2 complex and expanded into the remaining 314,000 sf of the building.

Northeast

- Interline Brands renewed 34,000 sf in Blue Ash at the Distribution Center II building on Lake Forest Drive.

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	1Q19	2Q19	3Q19	4Q19	Forecast
Overall Index (100%)	93.4	92.2	93.9	93.7	↑
Grocery Items (13.4%)	97.5	96.7	96.6	96.9	↑
Housing (29.3%)	77.2	75.6	78.0	77.2	↑
Utilities (8.9%)	90.0	87.2	87.4	88.2	↓
Transportation (9.2%)	101.2	101.7	111.2	104.7	↑
Health Care (4.3%)	97.8	104.3	102.5	101.4	↑
Misc. Goods/Services (34.8%)	103.7	101.8	102.2	103.0	↓

Forecast is 12-month outlook

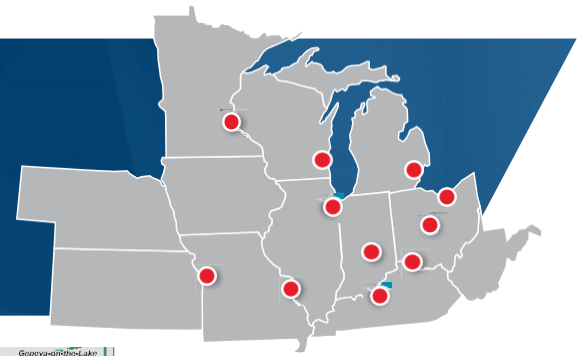


CLEVELAND



MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | FOURTH QUARTER 2019



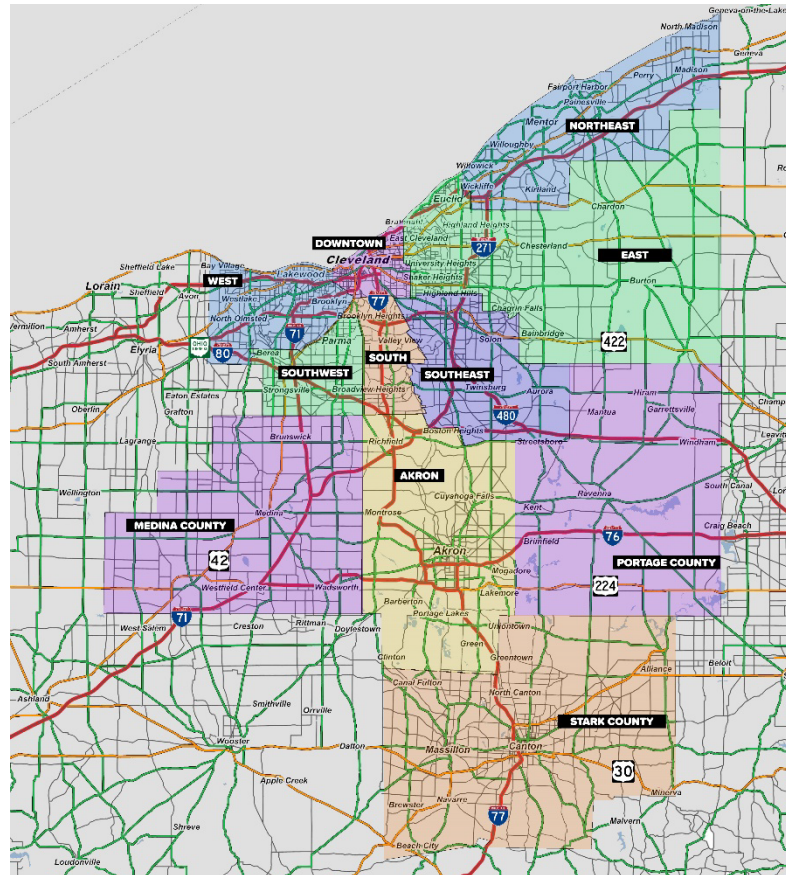
At just over 500 million square feet (msf), Greater Cleveland is one of the 10 largest industrial markets in the U.S.

The market vacancy increased for the 2nd consecutive quarter to 3.8%, which was an increase of 10 basis points over Q3 2019. The total net absorption was about 1.3 million sf. New leasing and renewal activity accounted for 6.2 MSF of activity in 2019. This represents the highest amount of activity over the last decade and 40% increase over 2018.

Construction completions in the fourth quarter 2019 totaled 1.0 MSF bringing the total for 2019 to 4.6 MSF.



[CLICK HERE FOR FULL MARKET REPORT](#)



SUBMARKETS

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

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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	4.1%	3.7%	3.6%	
EMPLOYMENT (% Change)	1.1%	1.1%	1.2%	
UNEMPLOYMENT RATE (%)	5.5%	5.0%	4.2%	

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

JOB GROWTH & UNEMPLOYMENT RATE

+1.2
% YOY

Average Q4 **employment**
of 1.0 million.

-170
BPS YOY

Average Q4 **unemployment**
of 4.2%.

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

ECONOMIC EXPANSION

The following are select announcements from fourth quarter 2019:



Another great quarter for completed construction in the industrial market. Notable completions included: **Ravago**, a distributor of plastic resin products, completing an estimated \$36 million 506,000-sf manufacturing/distribution facility including significant rail infrastructure; three (3) speculative buildings in Stow (102,600-sf), Willoughby (130,000-sf) and Euclid (75,576-sf). There are currently 13 projects under construction totaling 2.1 msf.



Companies are experiencing continued growth and the lack of "For Sale" inventory on the market signifies that the Ohio economy has remained strong. Several key leasing deals included: **Dura-Line Corporation**, a manufacturer of high-density polyethylene conduits, leasing a 136,920-sf facility located at 669 Sugar Lane, Elyria; and **Waltco Lift Corp.**, a manufacturer of various liftgate products, expansion and relocation to a 178,180-sf facility located at 1777 Miller Parkway, Streetsboro.

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

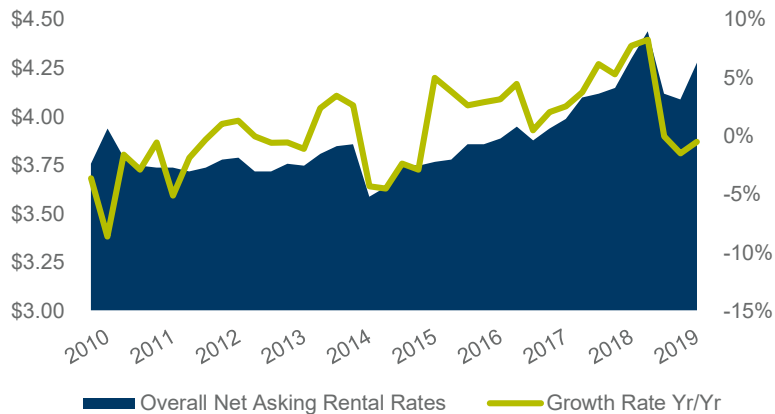


**PIPELINE %
GROWTH**

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

The Northeast Ohio economy continued to expand at a modest pace. The growth resulted from continuing strength in a few key sectors and waning drags from manufacturing and freight. Construction and real estate activity remained strong, on balance, particularly on the nonresidential side. Consumer spending picked up as the holiday shopping season progressed. Although manufacturing activity did not expand during the quarter, it did not contract either, as it had for much of 2019 as factories adjusted to weaker global economic growth and trade-related uncertainties.

Investment sales in the fourth quarter saw nearly 2.0 MSF of deals. The largest investment sale of the quarter was a \$47.7 million deal of a 303,888 sf Federal Express facility at 2050 E. Aurora Road, Twinsburg. According to the Summit County auditor, the property in the Cornerstone Business Park transferred to Elm Tree Funds out of St. Louis in the beginning of December.

OUTLOOK

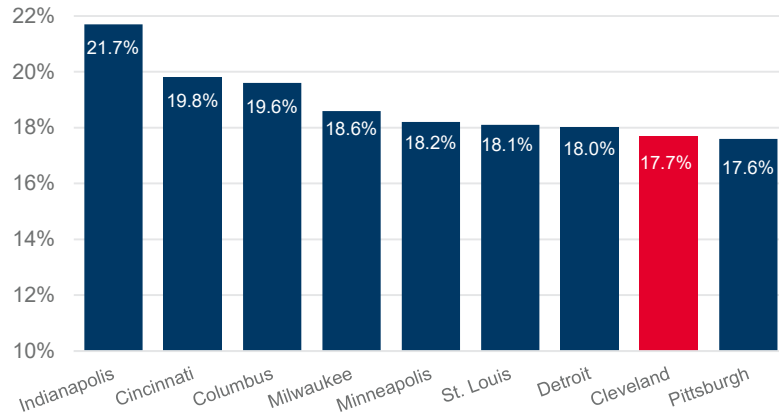
- Activity for 2020 is projected to remain stable with a potential increase in the vacancy rate.
- Expect to see continued increases in lease rates and sales prices along with the continued need for additional speculative high-bay bulk distribution buildings.



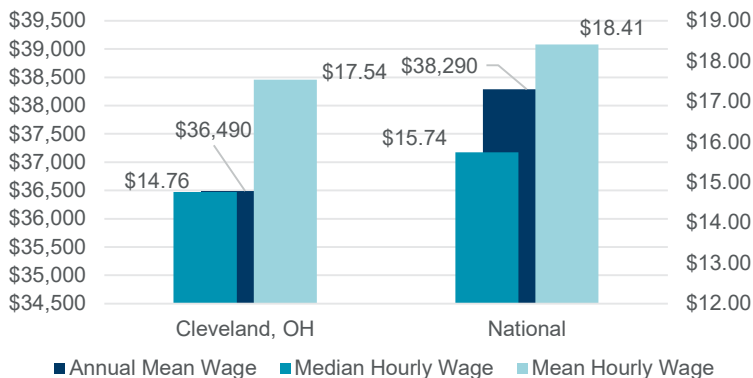
CLEVELAND

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

Northwest

- Pactra Global Logistics leased 103,257 sf from the speculative new construction at 3620 Mallard Run in Sheffield Village. This was the largest lease of the fourth quarter. They will occupy the entire building. A Phase 2 of the Cedar Tree Center is expected.

Southeast

- The largest investment sale of the quarter was a \$47.7 million deal of a 303,888 sf Federal Express facility at 2050 E. Aurora Road, Twinsburg. According to the Summit County auditor, the property in the Cornerstone Business Park transferred to Elm Tree Funds out of St. Louis in the beginning of December.

South

- A large sale taking place in the fourth quarter was the confidential sale of the Kichler Lighting Facility located at 7711 East Pleasant Valley Road in Independence. Edgewater Financial, LLC purchased the 625,000 sf building from Griffin Capital Corporation.

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	1Q19	2Q19	3Q19	4Q19	Forecast
Overall Index (100%)	95.7	95.9	96.3	96.6	↓
Grocery Items (13.89%)	106.4	104.6	105.9	105.7	↓
Housing (27.53%)	81.7	81.0	83.1	82.4	↓
Utilities (9.55%)	96.9	97.0	94.0	96.2	↓
Transportation (9.20%)	92.3	100.9	102.5	99.2	↓
Health Care (4.31%)	104.2	104.4	105.6	104.4	↑
Misc. Goods/Services (35.52%)	103.0	102.6	101.4	102.5	↑

Forecast is 12-month outlook



COLUMBUS





COLUMBUS

EMPLOYMENT & UNEMPLOYMENT TRENDS

The Columbus market added 13,700 net jobs year-over-year per recent statistics from the Bureau of Labor Statistics. Those 13,700 new jobs represent a job growth rate of 1.2% which is nearly double the third quarter growth rate of 0.7%. Industries that led job growth in the fourth quarter were Trade, Transportation, and Utilities (+6,400 net jobs), Government (4,600 net jobs), Professional and Business Services (+2,000 net jobs), and Education & Health Services (+1,000 net jobs). The unemployment rate in Columbus (3.6%) is even with 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	4.1%	3.7%	3.6%	
EMPLOYMENT (% Change)	1.3%	1.3%	1.2%	
UNEMPLOYMENT RATE (%)	3.9%	3.9%	3.6%	

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

JOB GROWTH & UNEMPLOYMENT RATE

+1.2
% YOY

Average Q4 **employment**
 Increased by 13,700 jobs

-30
BPS YOY

Average Q4 **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 4th quarter 2019:



Zipline Logistics is investing \$1.1M to expand into a 16,000 sf facility, creating 37 new jobs. Zipline Logistics has experienced 210% revenue growth over the past five years.



ScriptDrop Inc., a fast-growing provider of prescription delivery, plans to double its workforce by 2022. Plans call for an expansion of its current 22,000 sf leased facility.



RM Biltrite LLC is planning an \$11.5M manufacturing and distribution center in Columbus as it moves operations from Chicago, Boston and Kentucky. The new center will create 44 new jobs.

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

Forecast is 12-month outlook



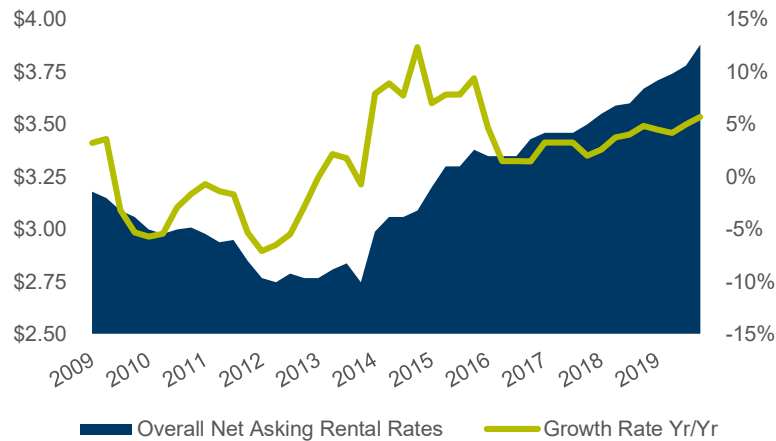
VACANCY



**PIPELINE %
GROWTH**

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

At year-end 2019, there was over 5.5 msf of industrial product delivered to the Columbus industrial market. The market also saw over 5.9 msf of overall net absorption year-to-date 2019. This is a positive demand indicator for the industrial market in Columbus.

There is 9.5 msf of warehouse space currently under construction across Central Ohio, the largest development pipeline at any one time on record. The largest building currently under construction is nearly 1.1 msf located at 1260 London Groveport Road in Columbus at The Hub industrial park.

Large single occupier leases have dominated the season. The largest lease of 2019 was inked by Walker Edison for 705,000 sf on Groveport Road in the third quarter and will occupy in the first quarter of 2020. The second largest leased was signed by Amazon back in March of 2019 for over 514,000 sf.

OUTLOOK

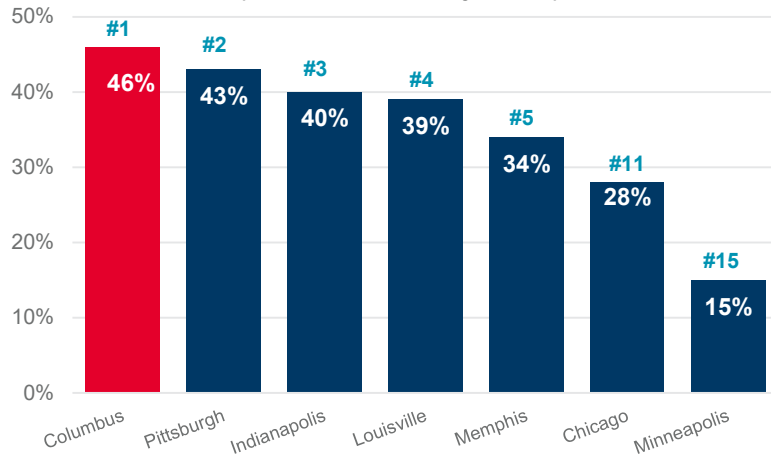
- Logistics-related leasing will continue to ramp up due to solid economic fundamentals with online sales forecasted to grow by double-digits into 2021.
- Increased speculative supply will place upward pressure on vacancy rates as supply and demand begin to slowly rebalance into 2020.
- Overall industrial asking rental rates should continue to rise, albeit at a slower pace, as existing product is in short supply, and new warehouses are delivering at higher rental rates.
- 2020 will be another solid year for industrial development. With nearly 9.5 msf in the pipeline at year-end 2019, we expect the 2020 pipeline to remain robust to help alleviate some of the pressure on vacancy rates and bring quality product to the Columbus industrial market.



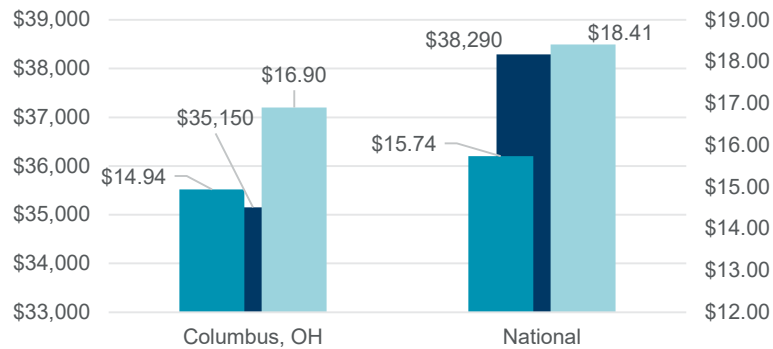
COLUMBUS

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

Southeast

- The Obetz/Rickenbacker Area has pent-up demand for affordable, single-family housing to accommodate the vast amount of workers flocking to jobs in the area. With new occupiers like Walker Edison (705,600 sf) and 3PL Solutions (478,190 sf) entering the market, the Southeast will need to accommodate the labor force in 2020.

Delaware County

- Delaware County is pursuing a massive new business park. Officials are working with independent owners of about 2,000 acres of land in Berlin Township, where they hope to lay groundwork for the park. The intent is for industrial businesses to occupy much of the space and incentives will be in place to attract tenants.

Southwest

- The Southwest had two speculative warehouses start construction. Becknell started a 151,000 sf facility on Southpark Place, and Westpatrick Corp. a 108,000 sf facility on Southwest Blvd.

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	1Q19	2Q19	3Q19	4Q19	Forecast
Overall Index (100%)	92.6	91.5	90.6	92.2	↑
Grocery Items (13.4%)	100.3	96.6	98.7	98.4	↓
Housing (29.3%)	82.8	79.2	77.0	80.3	↑
Utilities (8.9%)	86.9	92.9	87.6	89.2	↑
Transportation (9.2%)	94.1	95.9	92.9	95.3	↑
Health Care (4.3%)	89.1	89.7	86.8	88.4	↓
Misc. Goods/Services (34.8%)	99.4	98.7	99.6	99.6	↓

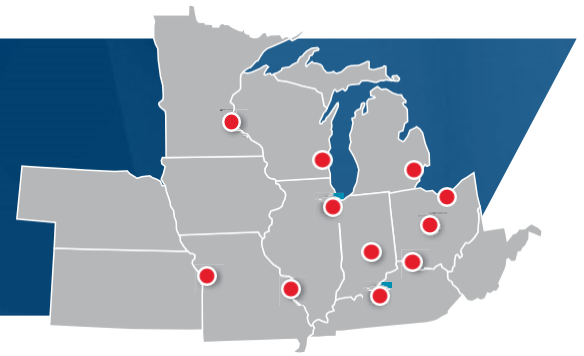


DETROIT



MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | FOURTH QUARTER 2019



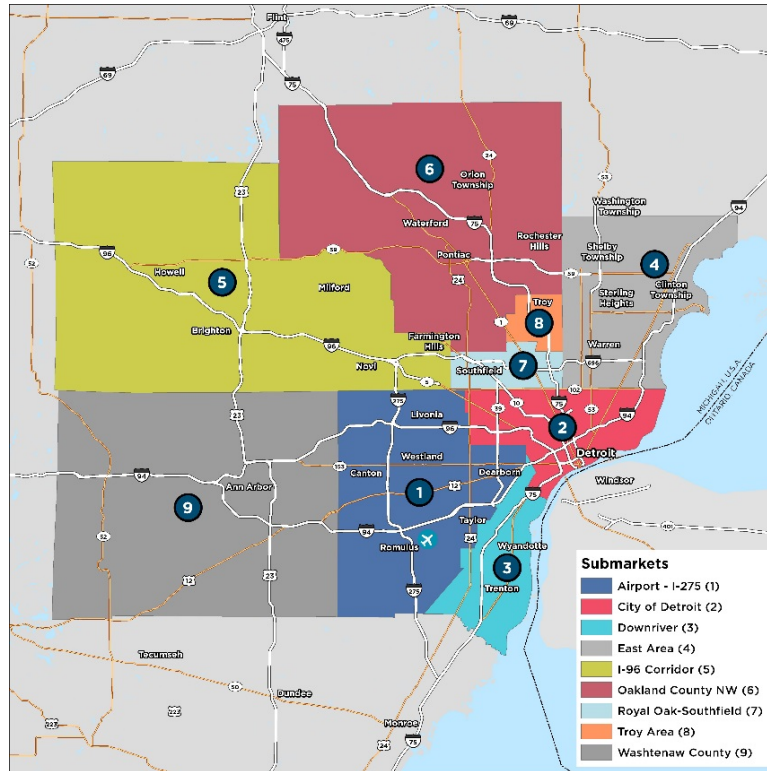
The Motor City is firing on all cylinders. Driven by the automotive industry, Michigan has the highest concentration of engineering talent in the U.S., with over 90,000 engineers.

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

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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	4.1%	3.7%	3.6%	
EMPLOYMENT (% Change)	1.9%	0.2%	-0.3%	
UNEMPLOYMENT RATE (%)	4.4%	4.0%	4.1%	

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

JOB GROWTH & UNEMPLOYMENT RATE

-0.3
% YOY

Average Q4 **employment**
decreased by 7,700 jobs

+10
BPS YOY

Average Q4 **unemployment**
increased 0.1% YOY

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

ECONOMIC EXPANSION

The following are select announcements from fourth quarter 2019:



Ford Motor Co. plans to add 3,000 new jobs to the area with a \$1.5 billion investment to its Detroit factories.






Fiat Chrysler, plans to add nearly 6,400 jobs to the economy with a \$1.6 billion investment for its new and highly anticipated Mack Engine Plant.



Faurecia is investing \$10.7 million in its Highland Park facility, adding 505 new jobs.

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
		2010	\$17.24
		2018	\$20.03
WAREHOUSE LABOR			2000
		2010	105,810
		2018	127,840



DETROIT

INDUSTRIAL FORECAST

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



RENTS



VACANCY

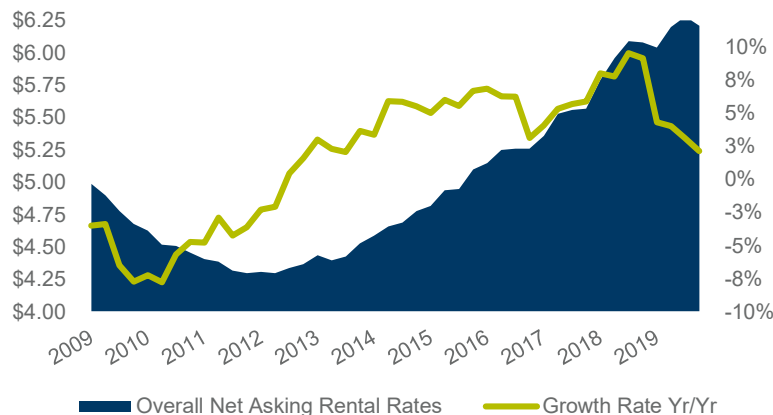


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Metro Detroit's industrial rent growth was above the national average, increasing 2.1% 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. Several developers have begun construction on over 650,000 sf in the Royal Oak/Southfield submarket.

Other Metro Detroit 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

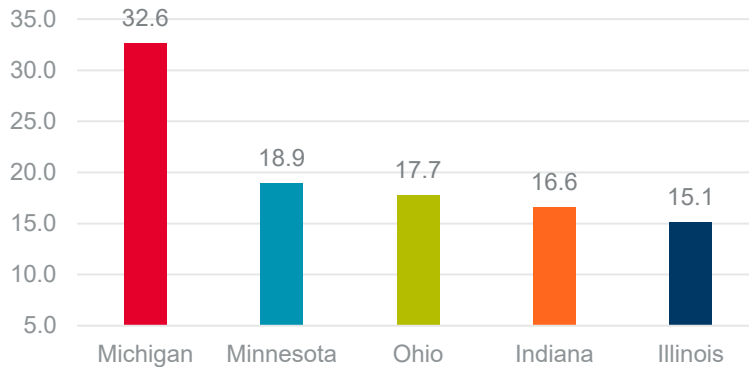
- More speculative construction in the pipeline will help alleviate some concerns about lack of new or quality product.
- It still remains unknown if there is enough demand to fill these spec spaces in a timely manner.
- With large investments such as those stemming from the "Big Three," Metro Detroit's economy will continue to follow closely along with local automotive trends.



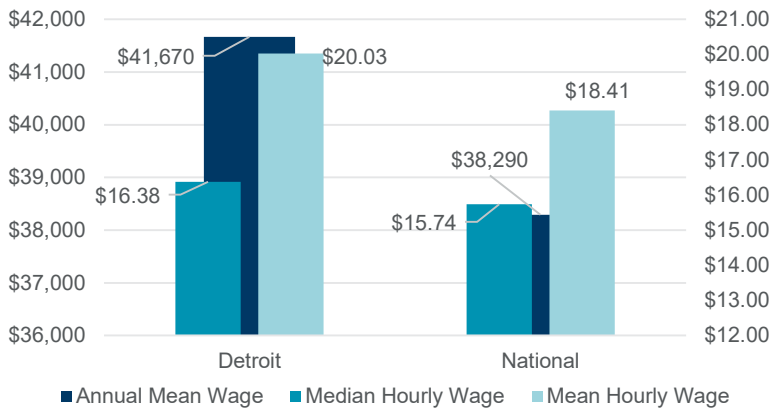
DETROIT

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

I-96 Corridor

- Large scale assembler and manufacturer, Piston Automotive leased 256,000 square-feet (sf) in the city of Redford. Despite large leases such as this one, vacancy in fourth quarter 2019 in the I-96 corridor was 4.8%, an increase from 3.1% in fourth quarter 2018.

Downriver

- Trucking and transportation company K&M signed a 79,000 SF lease in Brownstown, MI.

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	1Q19	2Q19	3Q19	4Q19	Forecast
Overall Index (100%)	98.5	100	99.9	99.5	↓
Grocery Items (13.2%)	95.8	97.2	93	95.3	↑
Housing (27.6%)	96.1	95.1	96.9	95.5	↑
Utilities (10.1%)	89.3	90.8	93.7	96.2	↔
Transportation (9.6%)	102.2	108.8	114.4	91.4	↓
Health Care (4.0%)	97.2	94.6	92.7	107.4	↑
Misc. Goods/Services (35.2%)	103.0	105.8	103.6	94.6	↑

Forecast is 12-month outlook



INDIANAPOLIS



MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | FOURTH QUARTER 2019



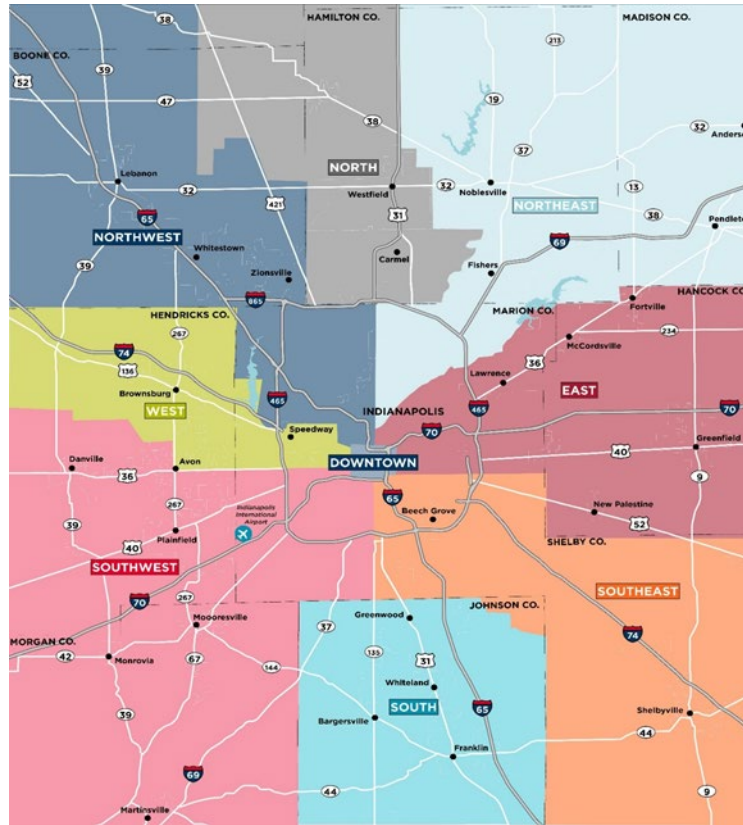
The Indianapolis industrial market continues to be one of the top performers in the country. Deemed the “Crossroads of America,” Indianapolis is well positioned to capitalize on the growth of the ecommerce and logistics users.

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

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INDIANAPOLIS

EMPLOYMENT & UNEMPLOYMENT TRENDS

2019 proved to be record setting for the third straight year in regards to economic development. The Indiana Economic Development Corporation (IEDC) announced 296 commitments representing a total investment of \$8.4 billion and 27,137 new Hoosier jobs. Manufacturing accounted for 160 commitments, 61% of the total jobs created and \$5.3 billion of the total investment. Furthermore the overall labor fundamentals echoed the positive storyline. The unemployment rate ended the year at 2.9%, a 30 basis-point decline from year end 2018. Industrial related jobs continued to expand as well. Construction employment grew 8.2% year-over-year followed by Manufacturing with 1.6% growth and a slight decline in Trade, Transportation, and Utilities at 0.6%. Indiana's labor force participation rate, 64.4%, continues to track well above the national average of 63.2%.




	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.1%	3.7%	3.6%	
EMPLOYMENT (% Change)	1.6%	1.2%	0.7%	
UNEMPLOYMENT RATE (%)	3.2%	3.3%	2.9%	

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

JOB GROWTH & UNEMPLOYMENT RATE

+0.7
% YOY

Average Q4 **employment**
 Increased by 8,350 jobs.

-40
BPS YOY

Average Q4 **unemployment**
 decreased by 40 basis points.

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

ECONOMIC EXPANSION

The following are select announcements from fourth quarter 2019:



Fiat Chrysler Automobiles has announced a \$400 million investment to expand and retool its Kokomo transmission plant.



London-based **D.S. Smith** has completed construction on its 550,000 square foot manufacturing plant in Lebanon, IN. The plant will eventually employ 170 Hoosiers to produce 17 million square feet of corrugated cardboard a day.



Toyota Motor Corp. has announced a \$700 million investment into its Princeton, IN plant, the final phase of the \$1.3 billion modernization project. The overall project has created 550 jobs over 3 years

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
2018	\$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

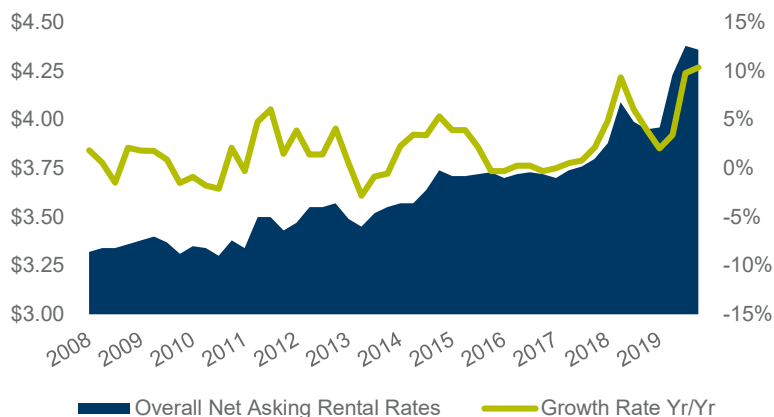


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Year-over-year (YOY) rent growth for Indianapolis was 10.4% while the Midwest region rents grew 1.9% 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 3.4% costlier than average rents currently and 5.2% costlier in the next five years.



Source: C&W Research

DEVELOPMENT / INVENTORY

With demand surging around the market, the market's vacancy rate at the end of 2019 was 60 basis points (bps) less than fourth quarter 2018 and 80 bps less than the historical market average. Due to the lack of available product currently on the market, construction has achieved historic levels of activity. There are currently 39 buildings under construction totaling 12.9 msf, marking the fourth quarter in a row with construction levels above 10.0 msf. Speculative development made up the majority of the construction activity, accounting for 11.4 msf of the total. Location wise, supply has been most highly demanded in a cluster of submarkets, the Southwest, Northwest, South and East. The Southwest led the way with nearly 4.8 msf under construction at the end of 2019 followed by the Northwest (4.3 msf), South (1.9 msf) and East (1.8 msf). Along the same topic, construction deliveries also proved historic, eclipsing another record this year. In 2019, the market delivered nearly 11.0 msf, almost a 3.0 msf premium above the previous record high. Of the newly delivered product, 58% was of the speculative basis and 75% of the space delivered in either the East, Northwest, or Southwest submarkets.

OUTLOOK

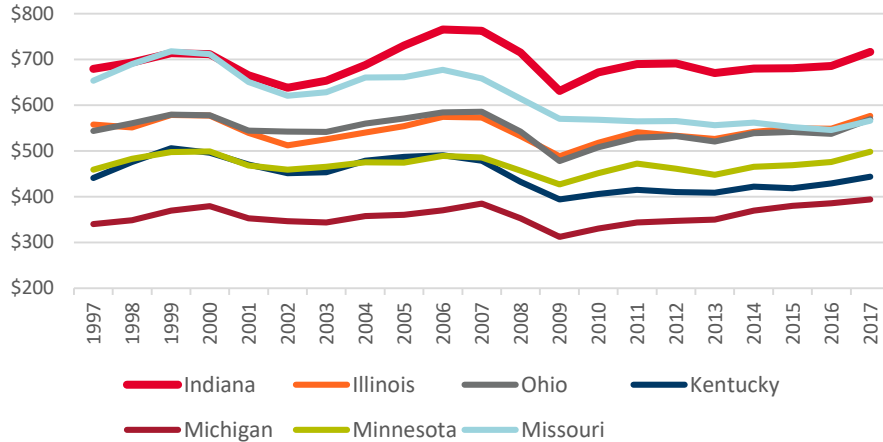
- For the third year in a row Indiana set economic development records with 296 commitments for company relocation or internal growth in 2019, representing 27,137 new Hoosier jobs and an \$8.4 billion investment into the state. Current economic fundamentals support such growth into 2020.
- Current tenant demand metrics will remain strong and will continue to do so especially in a market like Indianapolis which is centrally located, has a positive incentives environment, and has a long history of stable commercial real estate fundamentals.
- Supply fundamentals will also remain elevated. Developers will continue to look to capitalize on a low vacancy environment through developments already under construction or by amassing land for new developments in the near future.
- Expect 2020 to be defined by the expansive construction boom currently under way with tenant demand diligently keeping pace.



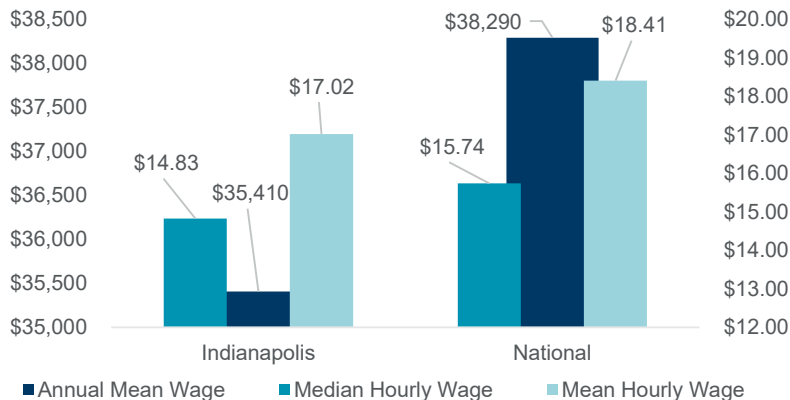
INDIANAPOLIS

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

- Indianapolis-based Strategic Capital Partners completed two full-building deals within their 65 Commerce industrial park in Whitestown, IN. Life Science Logistics will occupy 279,430 sf and Lowes Home Centers will occupy 440,056 sf.

Southwest

- Walmart.com recently completed construction on their second 1.2 msf e-commerce fulfillment center in Plainfield. The facility will be specifically used to support Walmart's growing digital business.

South

- Irvine, Calif.-based Quality Custom Distribution has begun construction on its 135,000 sf distribution facility in Greenwood, IN. The building will be located within Scannell Properties' industrial park dubbed Greenwood Park @ 65 South.

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	1Q19	2Q19	3Q19	4Q19	Forecast
Overall Index (100%)	91.7	91.3	91.5	92.1	↘
Grocery Items (13.2%)	96.4	92.3	93.1	93.8	↕
Housing (27.6%)	77.0	76.4	77.6	77.5	↘
Utilities (10.1%)	103.7	106.2	105.4	105.5	↔
Transportation (9.6%)	91.7	98.6	99.3	97.3	↕
Health Care (4.0%)	92.0	91.0	89.7	90.5	↘
Misc. Goods/Services (35.2%)	99.2	97.7	97.3	97.8	↔

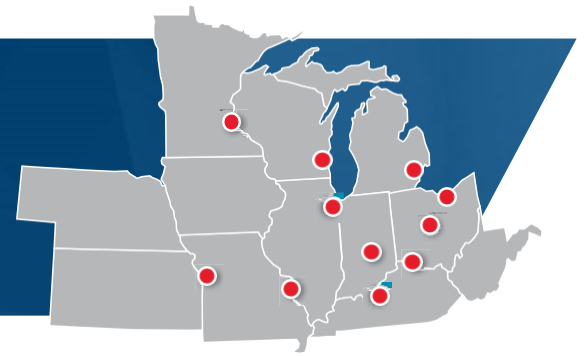


KANSAS CITY



MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | FOURTH QUARTER 2019

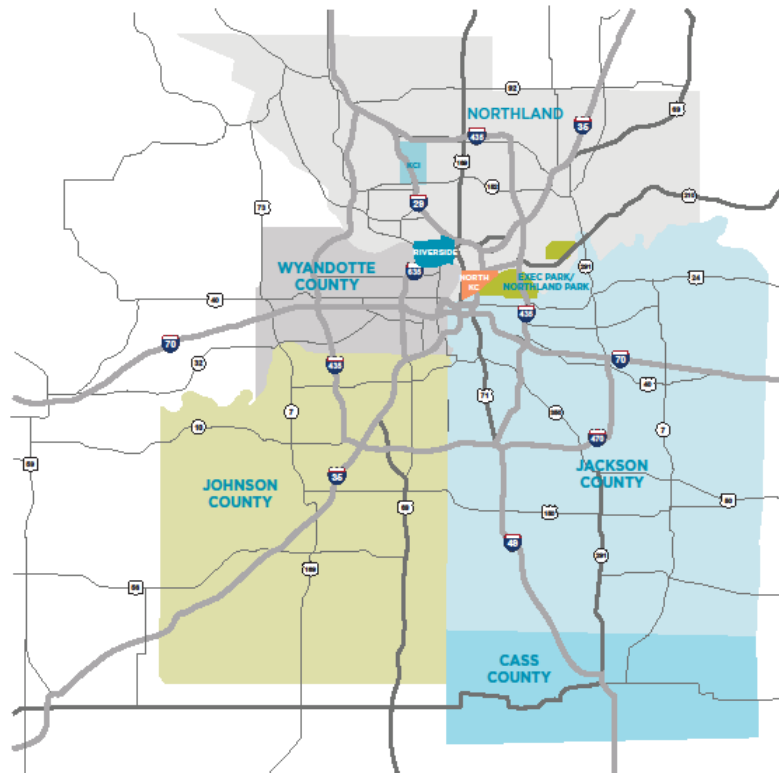


For the third consecutive year, the Kansas City Industrial Market reported more than 7.0 msf of absorption in 2019. The middle portion of the decade saw speculative development launch an unprecedented expansion throughout the market and momentum continued to grow from there. The three-year period of 2013-2015 produced a total of 11.1 msf of absorption, while the average annual absorption for the last three years of the decade was an astounding 7.8 msf.

The future for Kansas City looks to be strong, with large amounts of space already under construction and the necessary steps being taken to provide additional sites for industrial development over the coming years. The market may not quite continue its run of 7.0+ msf of annual absorption, but no longer will 4.0 msf be considered a strong year.



[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

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KANSAS CITY

EMPLOYMENT & UNEMPLOYMENT TRENDS

The Kansas City MSA was again one of the strongest labor markets in the country throughout 2019. The year ended with an unemployment rate of 3.0%, and on four separate occasions in 2019 the local unemployment rate was below 3.0%, reaching a low of 2.5% in September. The low number of unemployed workers could be a potential hinderance for the local economy, but the labor force has been expanding at a rate to support continued growth. The Kansas City market added almost 15,000 jobs in 2019, and the total labor force grew at a rate of 2.7%. The expectation is the Kansas City unemployment rate will rise in 2020, although it should remain below the national average. The change in unemployment rate will be less significant than the number of jobs created when it comes to evaluating the health of the Kansas City economic market.




	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.1%	3.7%	3.6%	
EMPLOYMENT (% Change)	1.2%	1.6%	1.3%	
UNEMPLOYMENT RATE (%)	3.8%	3.2%	3.0%	

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

JOB GROWTH & UNEMPLOYMENT RATE

+1.33
 % YOY

Average Q4 employment
1,118,200 non-farm jobs

- 20
 BPS YOY

Average Q4 unemployment
3.0%

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




ECONOMIC EXPANSION

The following are select announcements from 4th quarter 2019:

-  International manufacturing conglomerate **Honeywell** leased 275,000 sf at CenterPoint Intermodal Center, which will be used to support the nearby National Security Campus. Honeywell employs more than 4,500 people in Kansas City.
-  Retail giant **Walmart** announced it would develop a \$200 million distribution center at the Kanza Fire Commerce Park in Topeka, KS. No start date has been announced, but the project should create 300 full-time jobs over the next five years.
-  The region's largest manufacturing facility, **Ford's Claycomo Assembly Plant**, will receive \$400 million in improvements and upgrades along with a new stamping press.

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	1,811,207
		2010	2,009,341
		2019	2,156,127
		2023	2,233,360
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

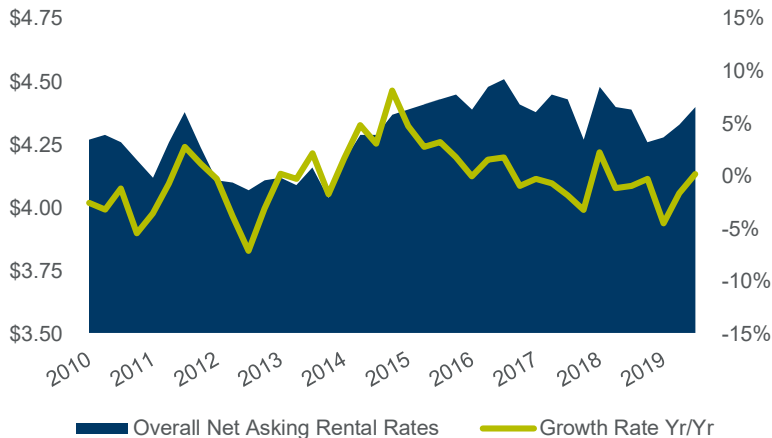


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Asking rates for industrial space in Kansas City ended 2019 on the rise, with the year-end asking rate 1.4% higher than it was at the end of 2018. The rates for new space in the outlying areas tend to lag behind rates for space closer in to the main population areas, and it is unlikely there will be a significant increase in the amount of speculative space outside the I-435 loop in 2020. One factor that could drag down the overall asking rates is large amounts of older space could become vacant as tenants relocate to new construction, but the well-located new buildings will continue to achieve rents well above the overall market average.



Source: C&W Research

DEVELOPMENT / INVENTORY

Build-to-suit development was the primary driver in 2019, with 66.8% of the total square-footage delivered during the year coming from BTS projects. This is a reversal from the past several years where large amounts of speculative construction were supplemented by BTS deliveries. Looking ahead, it appears the balance will shift back in 2020 to a point where speculative development is responsible for the majority of expansion, with 4.7 msf of speculative space under construction at year-end compared to less than 1.0 msf of BTS.

Finding suitable infill sites will be a major focus for the Kansas City industrial market going forward. The market has demonstrated that demand exists for spaces between 40,000 sf and 150,000 sf in new construction, although those tenants will be reluctant to locate as far out as Edgerton and the Logistics Park Kansas City (LPKC) project. In the long-term, both the Turner Intermodal Center and proposed development at the former Bannister Federal Complex should provide attractive opportunities for tenants, but neither of those projects will deliver space until at least 2021.

OUTLOOK

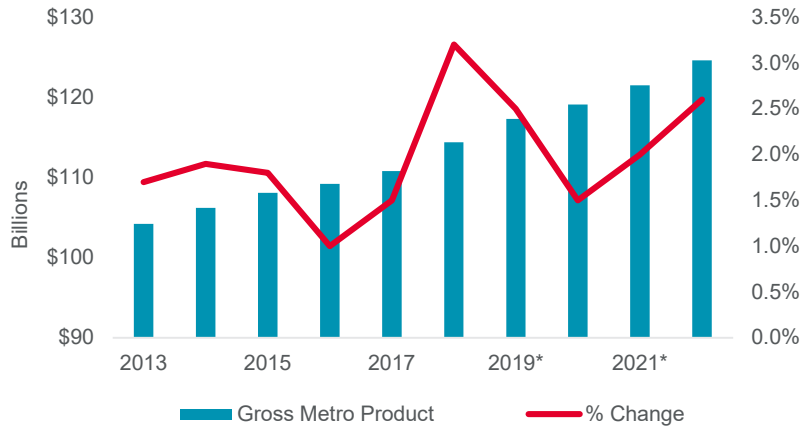
- 2019 was the third consecutive year where absorption topped 7.0 msf, but that streak may come to an end in 2020. The market will remain strong, but a total of 5.0 msf to 6.0 msf of net absorption may be a more accurate expectation.
- The overall market asking rate will continue to grow at a slow, steady rate, but the rates achieved in new construction at developments located closer in to the city will be noticeably above that average. Tenants have demonstrated a willingness to pay for modern space located closer in, and that trend will continue.
- Class B Warehouse vacancy will rise from its year-end level of 5.1%, but not enough to strain the market. Throughout the ongoing expansion, Kansas City has seen a consistent pattern of Class B vacancy rising as tenants relocate to newer buildings only for the rate to quickly come back down as other tenants absorb the older space.
- Topeka, KS is not part of the Cushman & Wakefield tracked inventory, so the upcoming 2.0 msf of BTS distribution center development by Walmart will not be included in the market statistics. However, the project is another sign of the strength of industrial real estate development in the region.





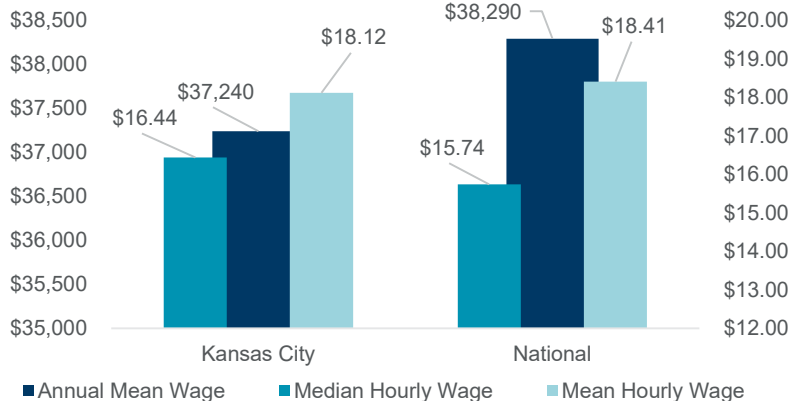
KANSAS CITY

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

Wyandotte County

- Infrastructure work is now underway to build a new interchange at I-70 and the Turner Diagonal. Turner Intermodal Center will total 2.7 msf once fully built out, with the first building set to deliver as soon as the highway work is complete.

Johnson County

- At 927,000 sf, Inland Port XXXIII at LPKC currently holds the record for largest speculative building in Kansas City. That record will be broken when the 953,000-sf Inland Port VII delivers in 2020

Northland Park

- Demand for new construction in Northland Park has been exceptionally strong. With 1.5 msf already built and occupied and another 888,000 sf under construction—of which 38.2% is already preleased—the project is nearing completion.

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	1Q19	2Q19	3Q19	4Q19	Forecast
Overall Index (100%)	94.5	94.0	96.0	95.5	↔
Grocery Items (13.4%)	99.4	102.8	104.4	102.2	↓
Housing (29.3%)	80.8	79.4	82.9	81.7	↑
Utilities (8.9%)	101.7	101.9	97.7	100.7	↓
Transportation (9.2%)	88.4	92.5	97.0	92.4	↔
Health Care (4.3%)	106.2	103.8	106.9	105.9	↔
Misc. Goods/Services (34.5%)	102.5	100.1	101.8	101.6	↔

Forecast is 12-month outlook



LOUISVILLE



MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | FOURTH QUARTER 2019



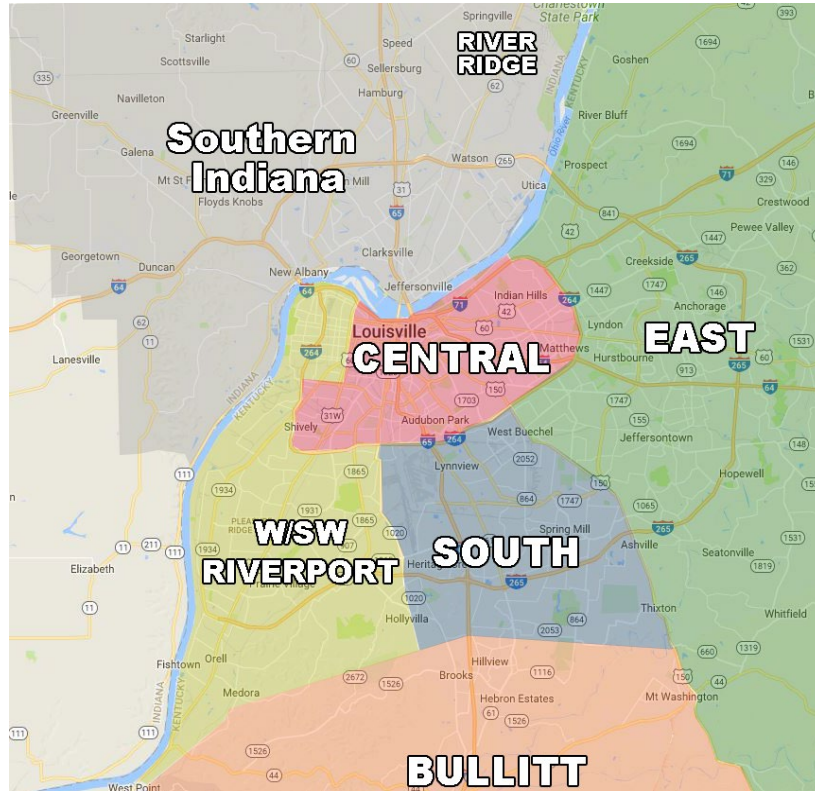
The fourth quarter 2019 bulk absorption of 693,253 sf brought the YTD bulk absorption to a positive 2.9 msf. Construction activity is not slowing down. In fact, developers are now exploring sites beyond traditional submarket boundaries as well as taking on infill sites with development challenges.

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

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LOUISVILLE

EMPLOYMENT & UNEMPLOYMENT TRENDS

As of the end of November 2019, the unemployment rate in the Louisville area experienced a slight decrease from 3.8% recorded in the third quarter of 2019 to 3.6%. Louisville's unemployment rate currently remains equal to that of the national average of 3.6%.




	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.1%	3.7%	3.6%	
EMPLOYMENT (% Change)	0.0%	1.0%	1.3%	
UNEMPLOYMENT RATE (%)	3.9%	3.4%	3.6%	

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

JOB GROWTH & UNEMPLOYMENT RATE

+1.3
% YOY

Average Q4 **employment**
increased by 8,900 jobs

-20
BPS YOY

Average Q4 **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 4th quarter 2019:



UPS is making another huge investment in Louisville that will be spread across multiple projects costing in excess of \$750 million and is expected to create 1000 new jobs.



Browning Investments broke ground in early October on a 908,600-sf spec building on their over 400-acre Velocity65 industrial complex located in Bullitt County.



Ford to invest \$500 million at its Louisville Assembly Plant. The investment will be used to install new equipment and modernize the plant in advance of the launch of its new Escape and Lincoln Corsair models.

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	1,314,600

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 next 12 months:



RENTS



VACANCY

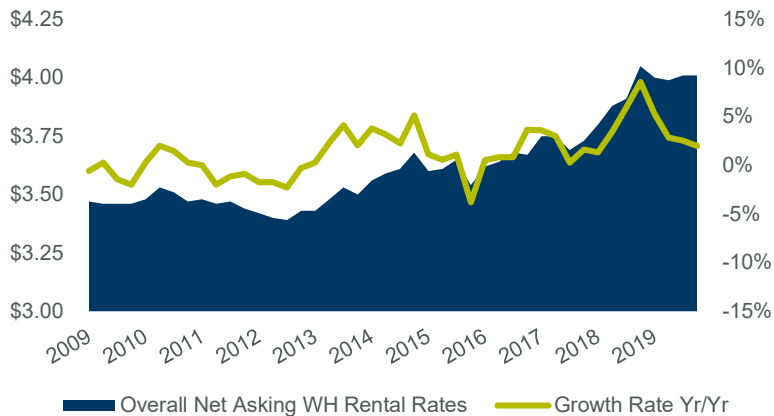


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Overall industrial asking rents continue to increase, with the third quarter overall bulk average asking net rent increasing to \$4.01 per square foot (psf), compared to \$3.91 psf for the same period last year.



Source: C&W Research

DEVELOPMENT / INVENTORY

Four bulk construction completions occurred in the fourth quarter with Dermody, Main Street, America Place, and Pinehurst Properties completing speculative buildings for a combined total of 984,478 sf. There is over 4.8 msf of speculative product currently under construction expected to be completed in 2020. Another 940,000 sf of speculative space is planned to break ground and be completed by the end of 2020. This brings the total of speculative inventory to be added in 2020 to 5.7 msf.

Speculative buildings currently under construction include a 1.0-msf project for Core5 in Bullitt County, a 931,397-sf project for Nicklies Development in the South, and a 660,000-sf project for Clarion in Indiana. In early October, Browning Investments broke ground on Building 2, a 908,600-sf warehouse located at Velocity 65 Trade Center™ in Bullitt County. LDG, Core5, Exeter, Gray, and Airtech also have Class A bulk buildings currently under construction in the 150,000-sf to 350,000-sf size range.

OUTLOOK

- With over 4.5 msf of speculative construction expected to be completed in the bulk market in 2020 and only 125,000 sf preleased, expect vacancy rates to increase .
- Positive net absorption numbers in 2020 will depend on if the newly constructed buildings are leased by tenants relocating from elsewhere within the market, or expanding their presence within the Louisville MSA. These buildings will also attract tenants not currently in the Louisville market.
- eCommerce's continued growth will increase the demand for warehouse/distribution buildings and the need for additional supply will be seen in new construction.



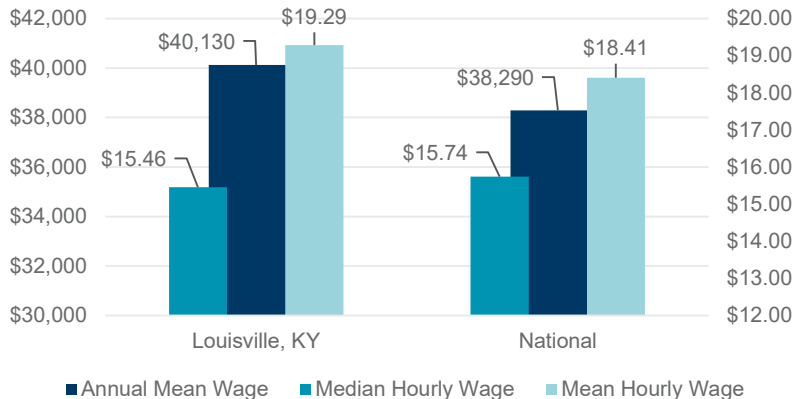
LOUISVILLE

CROSS-MARKET COMPARISONS

Warehouse MSA Comparison

MSA	Unemployment Rate	Percent of Population Above HS Education	Target Warehouse/Distribution Workforce	Mean Hourly Wage Production Transportation		Occupation Location Quotient (U.S. = 1)
Louisville	3.6%	30.59%	68,900	\$18.68	\$19.29	1.49
Indianapolis	2.9%	28.30%	108,810	\$17.92	\$17.02	1.44
Columbus	3.6%	27.43%	84,630	\$19.18	\$16.90	1.14
Cincinnati	3.7%	28.07%	84,050	\$19.65	\$16.91	1.11
Memphis	4.0%	30.90%	91,180	\$16.81	\$16.75	2.07

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 and absorption in the Louisville MSA. YTD leasing of 2,371,427 sf and absorption of 1,927,907 sf accounts for 48.8% and 65.5% respectively of the total MSA's activity.

East

- The East continues to maintain the lowest vacancy rate in the MSA at 2.0%, along with the highest asking rental rate of \$5.86 psf.

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	1Q19	2Q19	3Q19	4Q19	Forecast
Overall Index (100%)	92.0	93.9	93.4	93.8	↔
Grocery Items (13.89%)	86.2	94.0	94.7	91.5	↑
Housing (27.53%)	76.8	78.6	80.3	79.0	↔
Utilities (9.55%)	91.7	97.8	93.9	94.7	↔
Transportation (9.20%)	89.8	98.0	102.4	97.9	↑
Health Care (4.31%)	101.7	108.5	101.9	105.2	↔
Misc. Goods/Services (35.52%)	106.4	102.9	100.5	103.6	↔



MILWAUKEE



MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | FOURTH QUARTER 2019

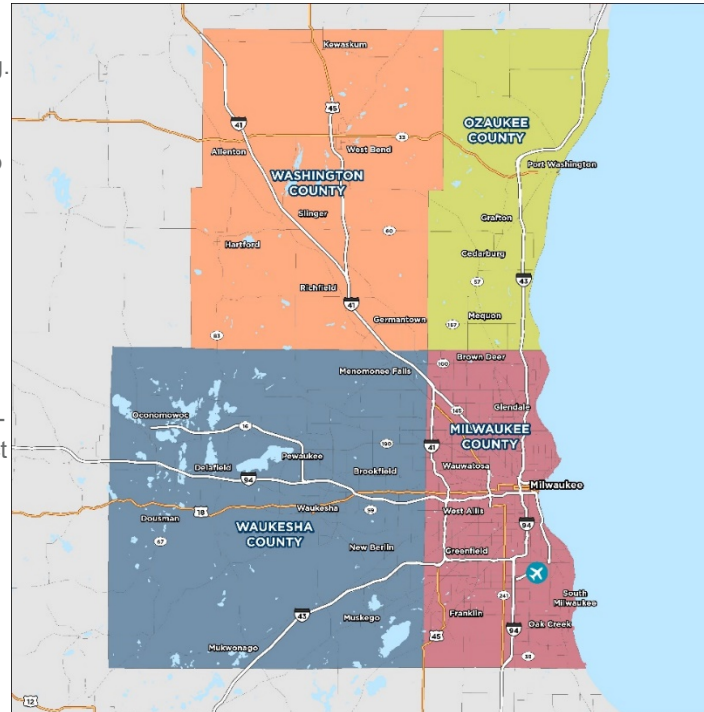


Located on the western edge of Lake Michigan, Milwaukee has a strong history founded on manufacturing. Fifteen percent of the region's workforce is employed in manufacturing, well above the nine percent average nationally and ranking second in the nation among the top 50 metros for manufacturing jobs.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

The ongoing revitalization of downtown Milwaukee will reach a crescendo this summer as the city plays host to the Democratic National Convention. Over 50,000 visitors will be greeted by a renovated airport, 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

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EMPLOYMENT & UNEMPLOYMENT TRENDS

Wisconsin's unemployment rate increased by 20 basis points (bps) to 3.3% in the fourth quarter 2019. Year-over-year, the unemployment rate increased 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, with 15.99% of the workforce employed in manufacturing. 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	4.1%	3.7%	3.6%	
EMPLOYMENT (% Change)	1.3%	-0.1%	-0.1%	
UNEMPLOYMENT RATE (%)	3.9%	2.9%	3.5%	

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

JOB GROWTH & UNEMPLOYMENT RATE

-0.1
% YOY

Average **employment**
decreased by 1,296 jobs.

47

BPS YOY

Average **unemployment**
of 3.4%.

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.**






Milwaukee Electric Tool Corp. has plans for a \$107.5 million investment in Wisconsin, that will **result in 970 new jobs.** Brookfield, Menomonee Falls, West Bend, and Sun Prairie will see growth through Milwaukee Tool's expansion.



Hillwood Development Co., LLC will soon deliver a 2.6-million square foot (msf) fulfillment facility for Amazon in Oak Creek, a project that local media has reported could create **1,500 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

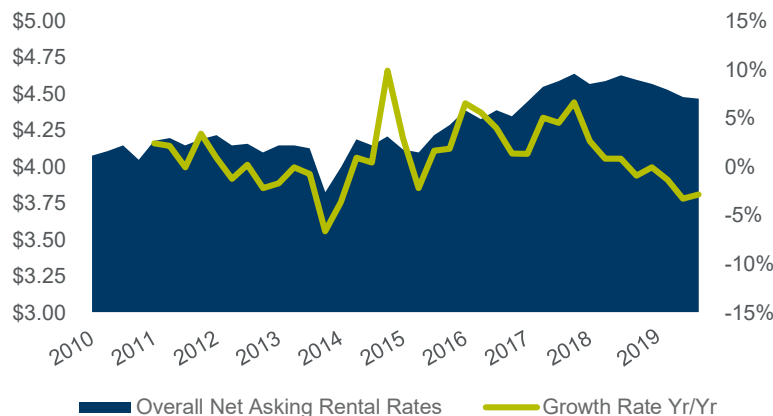


**PIPELINE %
GROWTH**

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 1.9% over the past five years. Anticipate average triple net asking rents to remain above \$4.50 psf blended, with average asking rents for Class A product at \$5.50 psf NNN.



Source: C&W Research

DEVELOPMENT / INVENTORY

Construction activity continued its record setting pace in the fourth quarter of 2019, reflecting the highest level of construction deliveries since pre-recession times. Year-end, nearly 3.0 msf was delivered, of which 56%, or 1.6 msf is speculative development.

Although Wisconsin is known for an economy driven by manufacturing, logistics occupiers have driven significant demand in the market. In 2019, over 500,000 sf was absorbed by logistics tenants with over 2.6 msf scheduled to be absorbed in first quarter 2020.

Specifically, the I-41 North corridor in Washington County accounted for the largest velocity of new speculative deliveries with over 953,000 sf completed across six buildings, of which 35% is pre-leased. Additionally, the Airport-South region of Milwaukee County also remains a hot-bed of activity with nearly 500,000 sf completed across four buildings. The Metro Milwaukee region is showing no signs of slowing down. Currently, over 4.6 msf is currently under construction and set to deliver in 2020 and an additional 3.5 msf proposed to break ground in 2020.

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.
- Anticipate strong absorption in 2020, estimated to be over 4.0 msf with upcoming construction deliveries.
- New construction will continue to be on pace with 2019, with new speculative space anticipated to be absorbed within 6-12 months.
- Five-year historical rental rate growth has an average of 3.22% annual growth. Expect average asking rents to remain above \$4.50 psf NNN blended, with average asking rents for Class A product at \$5.50 psf NNN.

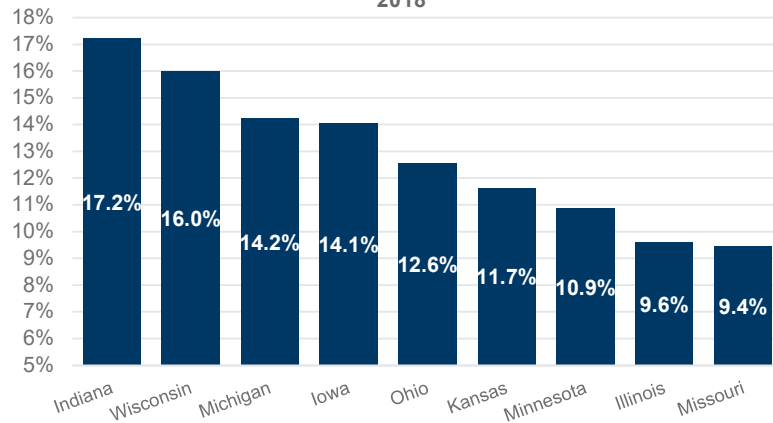


MILWAUKEE

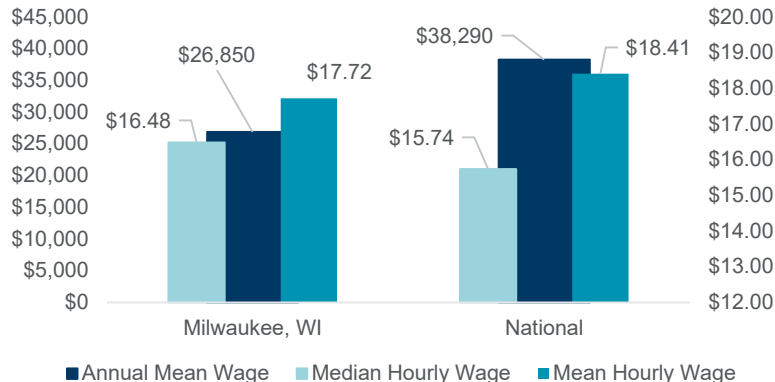
CROSS-MARKET COMPARISONS

STATES WITH THE HIGHEST SHARES OF MANUFACTURING EMPLOYMENT (AS A % OF THE TOTAL)

2018



WAREHOUSE WAGES MAY 2018



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

SELECT SUBMARKET NEWS

I-41 North Submarket

The I-41 North submarket has recently 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, both nearly 200,000-sf, were 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 is underway with a 240,468-sf build-to-suit north of Briggs & Stratton's facility, as well as a 117,000-sf speculative.

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	1Q19	2Q19	3Q19	4Q19	Forecast
Overall Index (100%)	95.5	96.3	96.7	96.3	↑
Grocery Items (13.89%)	94.5	96.2	93.2	93.2	↑
Housing (27.53%)	94.9	95.4	99.8	99.4	↑
Utilities (9.55%)	96.9	98.1	94.3	94.9	↑
Transportation (9.20%)	92.8	94.1	101.9	99.7	↓
Health Care (4.31%)	115.4	114.5	113.6	115.8	↑
Misc. Goods/Services (35.2%)	93.5	94.8	92.6	92.2	↑

Forecast is 12-month outlook

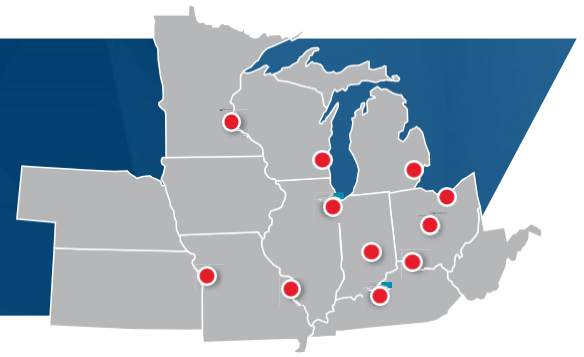


MINNEAPOLIS



MARKET INSIGHT

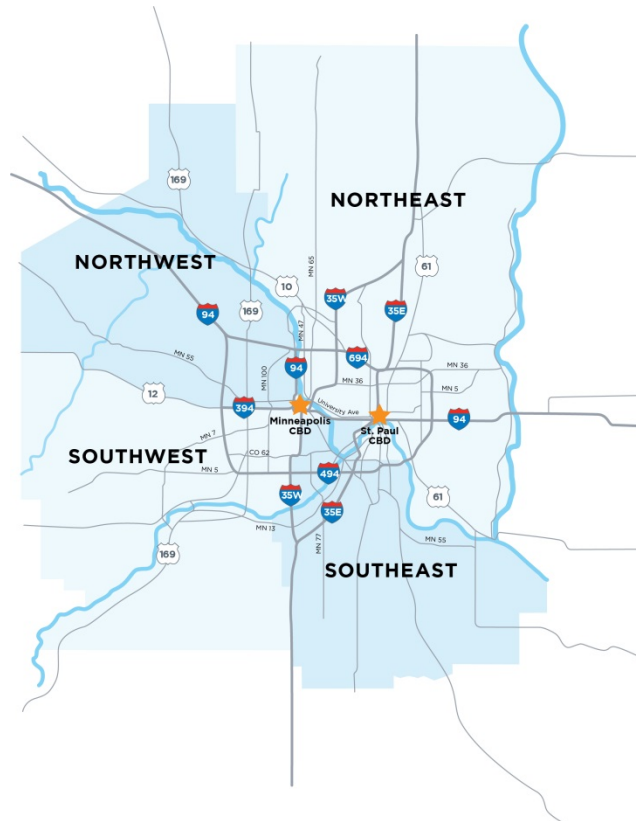
MIDWEST INDUSTRIAL REPORT | FOURTH QUARTER 2019



Minneapolis is a top performer in the Midwest due to its relatively low business costs, rapidly expanding labor force and strong population growth. The local Cushman & Wakefield research team provides in-depth analysis of the Minneapolis Metropolitan Statistical Area to include commercial real estate trends in the Industrial market as well as economic and employment data.



[CLICK HERE FOR FULL MARKET REPORT](#)



SUBMARKETS

- ▶ Northeast
- ▶ Northwest
- ▶ Southeast
- ▶ Southwest

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MINNEAPOLIS

EMPLOYMENT & UNEMPLOYMENT TRENDS

The Twin Cities unemployment rate remained stable in the fourth quarter 2019 at 3.0%, which was 40 basis points (bps) higher than the historic low of 2.6% in fourth quarter 2018. Employers are increasingly considering recruiting and retention efforts when making industrial real estate decisions.

According to the Minnesota Department of Employment and Economic Development, the state's labor force participation rate remains among the highest in the nation at more than 70%, although the tight labor market has presented a barrier to job growth across sectors.




	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.1%	3.7%	3.6%	
EMPLOYMENT (% Change)	1.8%	1.7%	-0.2%	
UNEMPLOYMENT RATE (%)	3.0%	2.6%	3.0%	

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

JOB GROWTH & UNEMPLOYMENT RATE

-0.2
% YOY

Average Q4 **employment**
 Decreased by 3,783 jobs.

+40
BPS YOY

Average Q4 **unemployment**
 Increased to 3.0%.

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

ECONOMIC EXPANSION

The following are select announcements from fourth quarter 2019:



75F, a smart building technology start-up, raised \$18 million in its latest funding round. The Burnsville-based company is expanding its operations footprint in the Twin Cities as it expects to grow to **200 employees** in 2020.



SkyWater Technology began construction on a new clean room at its Bloomington factory, where it makes semiconductors. The expansion, supported by a Department of Defense grant of up to \$170 million, is expected to add as many as **50 permanent jobs** when complete.



The City of Minneapolis received \$1 million in state funding to realign and reconstruct Dowling Avenue as part of the Upper Harbor Terminal Redevelopment Project. The proposed redevelopment of 48 acres of riverfront land could create as many as **359 jobs** over five years.

DEMOGRAPHIC FUNDAMENTALS

The MSA median household income of \$80,500 was 25% higher than the national average. Total net migration increased more than 90% from 2014-2017, with strong in-migration from Chicago and greater Minnesota.

POPULATION



2000	3,031,900
2010	3,348,866
2019	3,602,002
2024	3,726,801

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

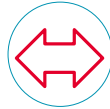
The following are Cushman & Wakefield's projections over the near term:



RENTS



VACANCY

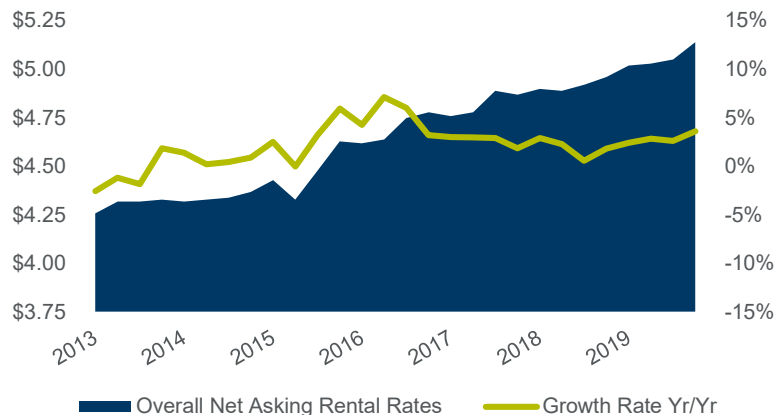


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

At \$5.14, the average net asking rates for the Twin Cities industrial market increased 3.6% year-over-year in the fourth quarter 2019. The historically tight vacancy rate as well as the changing ownership landscape in the market have contributed to the upward pressure on asking rates.



DEVELOPMENT / INVENTORY

The construction pipeline remained active to keep up with demand, as 2019 year-to-date completions in the Twin Cities market reached nearly 3.0 million square feet (msf) across build-to-suit and speculative projects. At the end of fourth quarter 2019, more than 1.8 msf of new industrial construction was underway across the market. Multi-tenant warehouse/distribution space accounts for the majority of new deliveries expected to come online in 2020.

Multi-tenant, speculative development activity was concentrated in the Northwest and Southwest submarkets at year-end 2019. In the Northeast submarket, a frenzied third quarter 2019 of more than 450,000 square feet (sf) of absorption made for a quieter fourth quarter. The splurge filled in many of the Northeast's prime industrial vacancies, and no new multi-tenant space was under construction in the Northeast as of fourth quarter 2019.

OUTLOOK

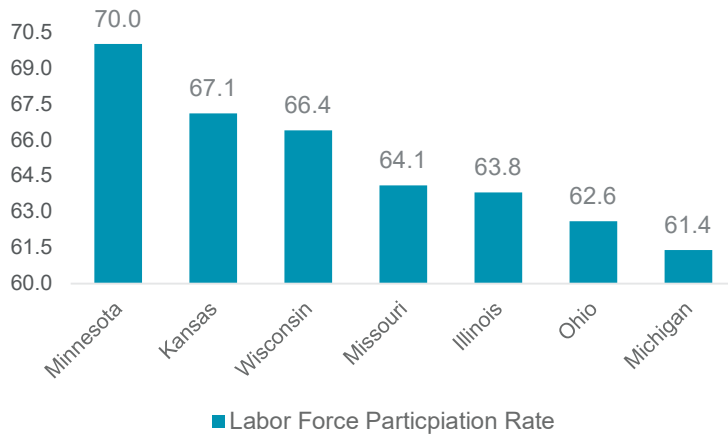
- The Twin Cities industrial market's current up-cycle continued its run in fourth quarter 2019. The year-to-date overall absorption total of 2.8 msf was the market's best since 2015, and the 6.8% direct vacancy rate was the lowest since at least 2009.
- The pace of development activity eased slightly in fourth quarter 2019 with 1.8 msf of new product underway at year-end. Just under 3.0 msf of combined build-to-suit and multi-tenant space delivered in 2019.
- On the sales side, prices for well-located and functional industrial buildings continue to climb to new levels due to record demand and chronically short supply. Multiple offers were common for such properties in 2019, most of which quickly found buyers once listed, or changed hands in off-market transactions.
- Two major entity-level transactions announced in the second half of 2019 further altered the Twin Cities' ownership landscape. Prologis' pending deal to buy Liberty Property Trust includes 10 industrial assets in the market totaling some 2.4 msf. Link also increased its Twin Cities industrial holdings by approximately 2.8 msf as part of its acquisition of Colony Capital. These institutional investors, both relatively newer entrants to the local market, will have strong pricing leverage going forward.



MINNEAPOLIS

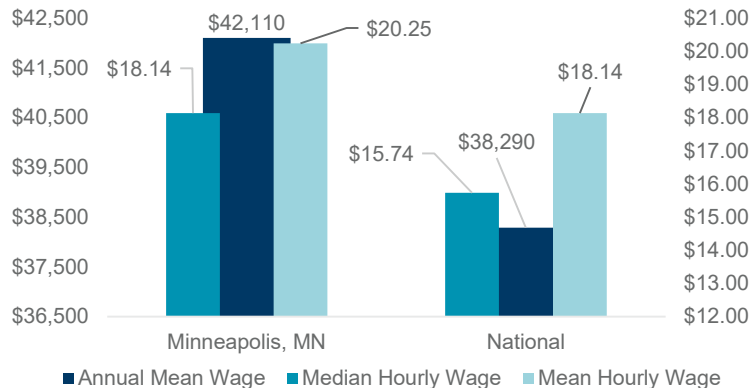
CROSS-MARKET COMPARISONS

LABOR FORCE PARTICIPATION RATE BY STATE: DECEMBER, 2019



■ Labor Force Participation Rate

WAREHOUSE WAGES MAY 2018



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

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

SELECT SUBMARKET NEWS

Northwest

- The building surge in Brooklyn Park, Maple Grove and elsewhere in the Northwest submarket continued in fourth quarter 2019, led by speculative projects from Scannell, Liberty Property Trust and Opus that are expected to come online in the multi-tenant universe in 2020.

Southwest

- The Southwest submarket's vacancy rate of 3.8% for warehouse/distribution space in the fourth quarter 2019 was the lowest of any industrial product type in the Twin Cities. This limited availability has weighed on absorption figures, although developers have responded with nearly 700,000 sf of multi-tenant space expected to complete in the first half of 2020.

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	1Q19	2Q19	3Q19	4Q19	Forecast
Overall Index (100%)	106.3	106.5	105.9	106.2	↑
Grocery Items (13.9%)	104.1	102.7	103.1	103.3	↔
Housing (27.5%)	100.7	101.9	102.0	101.7	↔
Utilities (9.6%)	96.6	98.3	97.3	97.6	↑
Transportation (9.2%)	105.6	108.8	104.1	104.3	↔
Health Care (4.3%)	105.2	105.0	103.3	105.5	↔
Misc. Goods/Services (35.5%)	114.8	113.5	113.3	113.7	↑

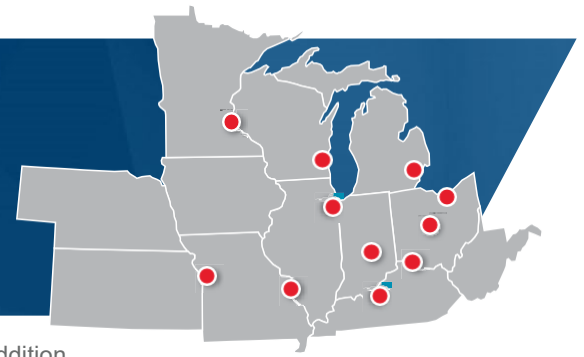


ST. LOUIS

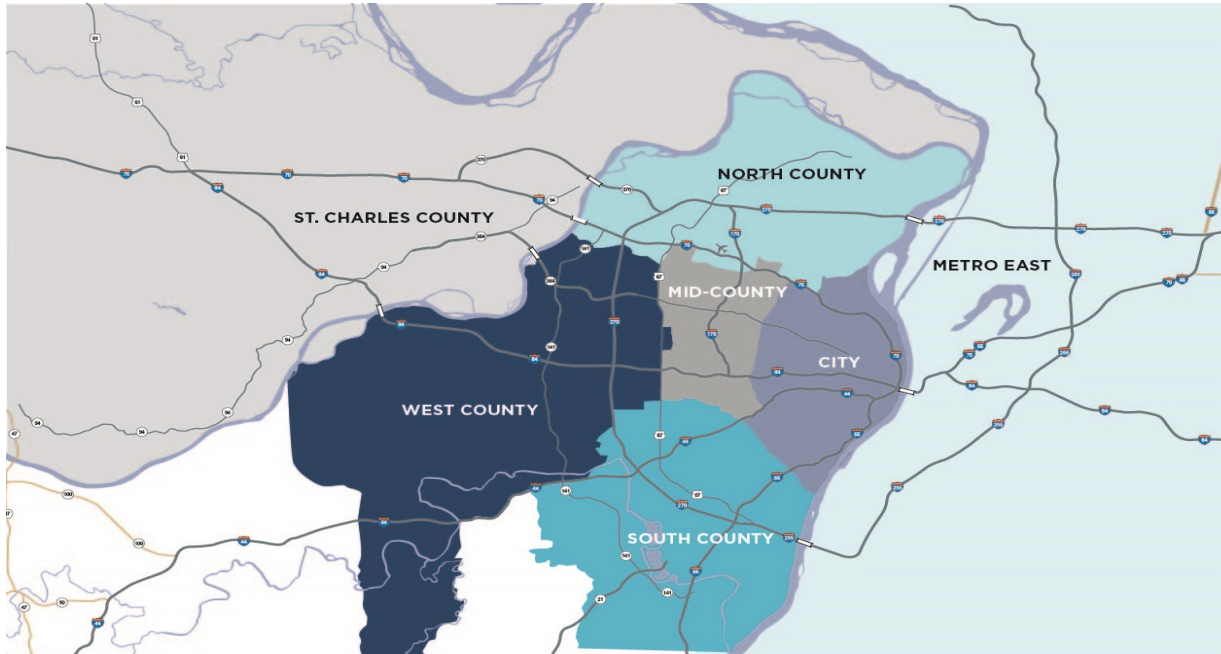


MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | FOURTH 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

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ST. LOUIS

EMPLOYMENT & UNEMPLOYMENT TRENDS

The United States ended the year on a high note as the economy entered the longest economic expansion in history. Despite headwinds from a slowdown in global growth and the continued trade dispute between the United States and China, indications are that the economy will remain on a growth trajectory. Paralleling this national momentum, St. Louis continues to track robust economic growth, adding 17,600 jobs to the local economy and maintaining an unemployment rate of 3.1%, the lowest in recorded history and 50 basis points (bps) lower than the current national average. With continued economic growth expected, unemployment rates should remain below the 4.0%-mark for the foreseeable future.




	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.1%	3.7%	3.6%	
EMPLOYMENT (% Change)	0.2%	0.7%	1.5%	
UNEMPLOYMENT RATE (%)	3.4%	3.4%	3.1%	

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

JOB GROWTH & UNEMPLOYMENT RATE

+1.5
% YOY

Employment increase since
fourth quarter 2018.

-30
BPS YOY

Unemployment rate decrease
during the fourth 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



Square Inc. plans to more than double its total number of employees in St. Louis in the future. The company leased office space in the former Post-Dispatch headquarters, which can house **1,400 employees**. Currently, the firm employs roughly **500 people** at their Cortex location.



General Motors' Wentzville truck and van assembly plant has created more than **3,000 jobs** with new tax incentives as part of the Manufacturing Jobs Act. The plant which is currently responsible for producing the Chevrolet Colorado, Chevrolet Express Cargo Van, GMC Canyon pickup and GMC Savana, has had an additional **\$473 million** invested into the facility.

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	2,675,291
2010	2,787,696
2018	2,840,413
2023	2,923,566

AVERAGE WAREHOUSE WAGE



2000	\$12.86
2010	\$18.83
2018	\$18.42

WAREHOUSE LABOR



2000	92,470
2010	79,570
2018	90,000



ST. LOUIS

INDUSTRIAL FORECAST

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



RENTS



VACANCY

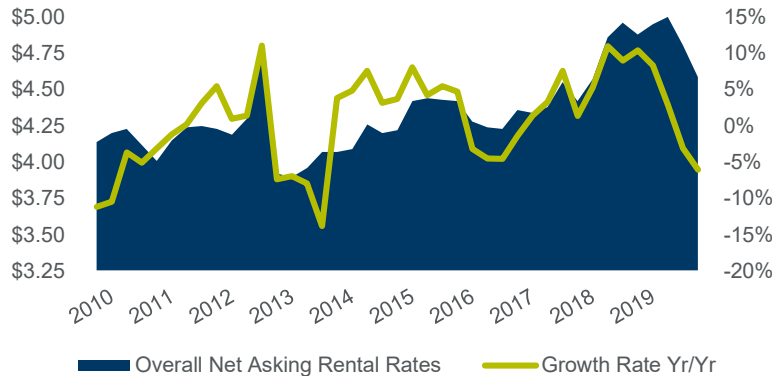


**PIPELINE %
GROWTH**

Forecast is 12-month outlook

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Overall triple net asking rates peaked during the first half of 2019, reaching \$5.00 per square foot (psf) for the first time in history before leveling off to a year-end rate of \$4.59 psf as a fresh wave of competitively priced supply hit the market. Rates have grown by 4.6% over the past three years and are expected to remain steady over the long-run.



Source: Cushman & Wakefield Research

DEVELOPMENT / INVENTORY

St. Louis ended 2019 with a record-breaking 6.3 million square feet (msf) of new deliveries for the year, surpassing the previous record set in 2016 of 5.4 msf. Nearly 35.2% of 2019's deliveries were speculative in nature, an indication that developers remain aggressive with adding new supply.

For the first time since 2016, annual deliveries surpassed total net absorption by 1.2 msf. Despite this, recent completions have tracked strong demand as nearly 76.7% of new space has been leased. In the face of St. Louis's record-breaking construction, the year-end vacancy rate of 5.2% remained near the historic low of 4.9% reached during the third quarter of 2019. In contrast, the last time St. Louis posted annual construction levels higher than overall absorption was 2016 when the market recorded a 6.8% year-end vacancy rate. The lower vacancy rate at the end of 2019 signals tenant demand could be stronger than it was three years prior. St. Louis can expect to record continued healthy market fundamentals as the market inches closer to equilibrium.

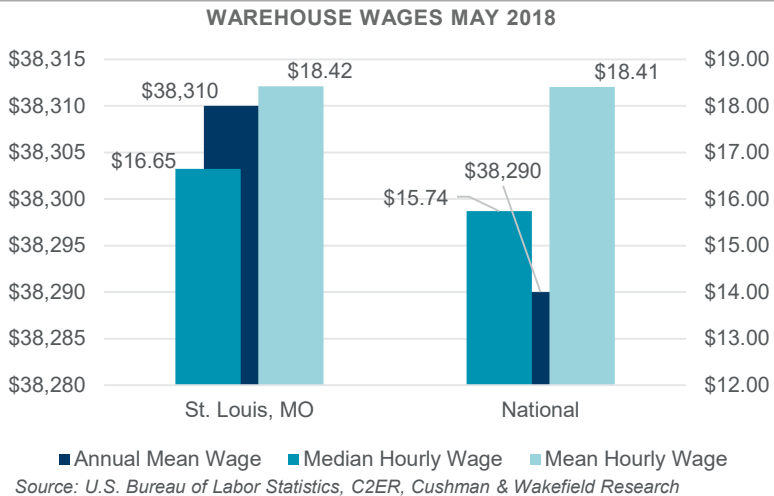
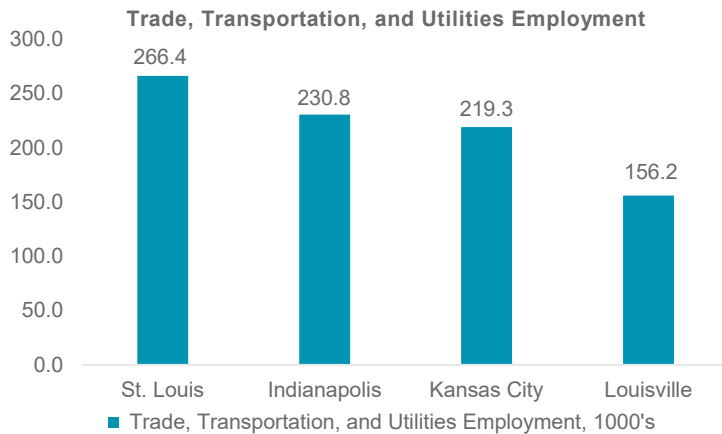
OUTLOOK

- 2019 marked a record-breaking year for new construction and expectations are development will stabilize over the short-term as the new space is absorbed. Overall triple net asking rates will remain flat, as new product is added to the market with competitive rates.
- In 2019, Blackstone purchased Colony Capital's portfolio for \$5.9b. As the United States continues to track the longest economic expansion in history, look for more entity level transactions as investors move to bolster warehouse portfolios in the midst of the eCommerce boom.



ST. LOUIS

CROSS-MARKET COMPARISONS



SELECT SUBMARKET NEWS

North County

- North County posted an overall vacancy rate of 6.4% at year-end, marking the fourth consecutive quarter the rate has been below 7.0%. Since the end of 2017, the vacancy has fallen by 350 bps. At year end, the submarket had nearly 1.5 msf under construction and planned for delivery in 2020, which accounted for over half of St. Louis's under construction number for the quarter.

Metro East

- The Metro East posted the highest submarket absorption amount for the quarter at 1.2 msf and absorbed 2.4 msf for the year. In addition, the submarket accounted for 56.8% of St. Louis's total new construction for 2019, nearly 3.7 msf, as result of Exeter and NorthPoint Development expanding their footprints across the Mississippi River into a submarket that's been traditionally dominated by TriStar Business Communities and Panattoni Development.

HISTORICAL COST OF LIVING INDEX

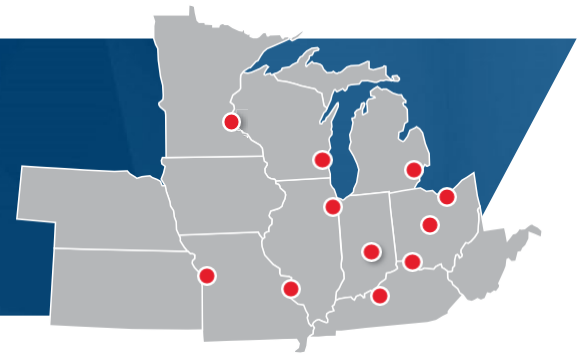
The Cost of Living Index measures *relative* price levels for consumer goods and services in participating areas. The average for all participating places, equals 100. A score above 100 indicates above average cost and vice versa.

Index Category / % share	1Q19	2Q19	3Q19	4Q19	Forecast
Overall Index (100%)	85.9	87.4	87.7	87.6	↔
Grocery Items (13.4%)	105.0	101.9	105.4	104.1	↔
Housing (29.4%)	69.1	68.5	68.6	69.0	↔
Utilities (8.9%)	101.0	97.6	101.0	100.0	↓
Transportation (9.2%)	80.6	96.5	95.0	91.5	↔
Health Care (4.3%)	92.7	92.4	91.7	91.2	↔
Misc. Goods/Services (34.8%)	89.3	92.0	91.0	90.9	↔

CUSHMAN & WAKEFIELD MIDWEST INDUSTRIAL RESEARCH

MARKET INSIGHT

MIDWEST INDUSTRIAL REPORT | FOURTH QUARTER 2019



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