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MIDWEST SPECULATIVE CONSTRUCTION REPORT

259 MSF
OF MODERN BULK DISTRIBUTION SPACE BUILT

100+
DEVELOPERS

86.8%
OCCUPIED

700+
TENANTS

IF YOU BUILD IT, THEY WILL COME

Speculative construction is by its very definition, a risk. Many developers wonder: if we build it, will tenants come?

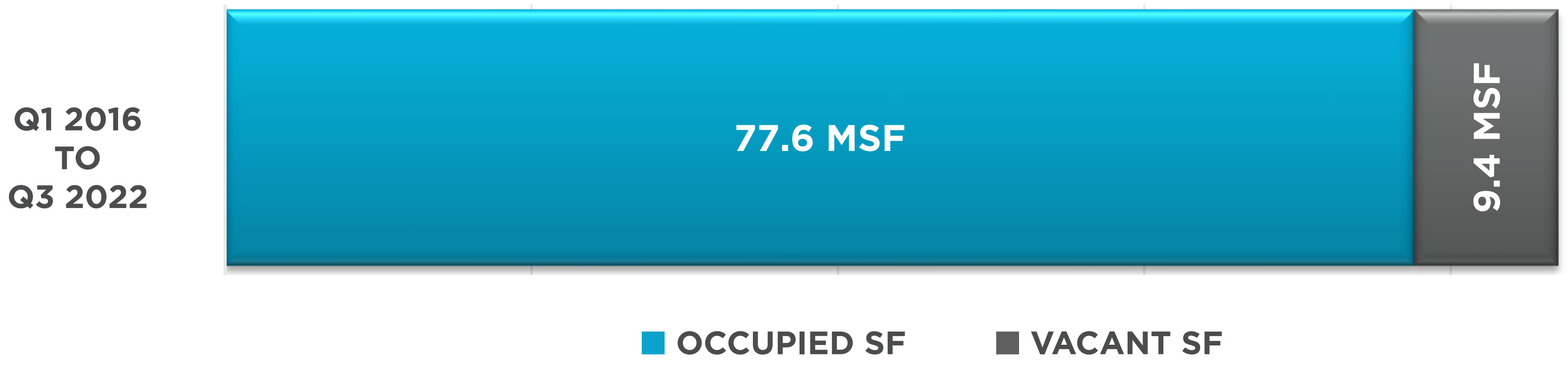
In the last six years, major Midwest markets saw heightened demand for bulk warehouse space. In turn, 259 million square feet (msf) of speculative product was delivered, with nearly 86.8% occupancy as of Q3 2022.

Dataset includes buildings built between Q1 2016 & Q3 2022

SPECULATIVE MARKET OVERVIEW

Due to strong tenant demand, Chicago's industrial market has recorded significant speculative (spec) development over the last several years. There has been 87.0 msf of spec space built between 2016 and Q3 2022, of which 89.2% is occupied. Nearly half of the existing space has been built since 2020. The bulk of this space has been concentrated within the Interstate 80, Interstate 55 and Southeast Wisconsin submarkets, accounting for 51.5% of completed speculative space. These submarkets are predominantly big-box markets, with an average spec building size of 385,933 sf compared to the market average of 285,271 sf. Of the 13.9 million square feet (msf) of product delivered in 2022 through Q3, 49.0% was preleased, with an additional 1.9 msf of preleased spec space currently under construction. Development will continue to be concentrated in high demand and infill submarkets.

SPECULATIVE BULK OCCUPANCY: 89.2%



305
BUILDINGS COMPLETED

87M
SQUARE FEET DELIVERED

285,271
AVG BUILDING SIZE SQUARE FEET

72
DEVELOPERS INVOLVED

346
CURRENT TENANTS

CHICAGO

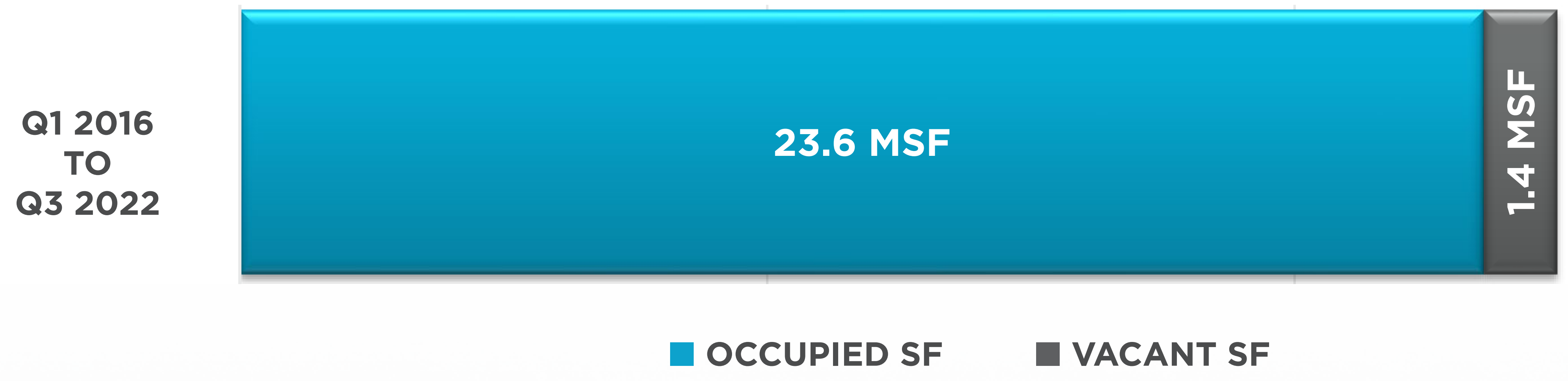
IF YOU BUILD IT, THEY WILL COME

Dataset includes buildings built between Q1 2016 & Q3 2022
Source: Cushman & Wakefield Research

SPECULATIVE MARKET OVERVIEW

Cincinnati has historically been a conservative speculative development market. However, nearly 26.0 msf of speculative space was built across the region between 2016 and 2022, with 95.0% occupancy. The remaining 5.0% of current vacancy includes a number of spaces that have been leased, but not yet occupied. About 50% of the speculative space delivered so far in 2022 has been absorbed. In Q4 2022, another seven or eight bulk buildings are expected to be delivered, adding nearly 3.0 msf of new space to the market. As in prior quarters, the vast majority of 2022 delivered construction was concentrated in the Northwest and Northern Kentucky submarkets along the Interstate 75 corridor.

SPECULATIVE BULK OCCUPANCY: 94.5%



64
BUILDINGS COMPLETED

25M
SQUARE FEET DELIVERED

390,240
AVG BUILDING SIZE SQUARE FEET

28
DEVELOPERS INVOLVED

99
CURRENT TENANTS

CINCINNATI

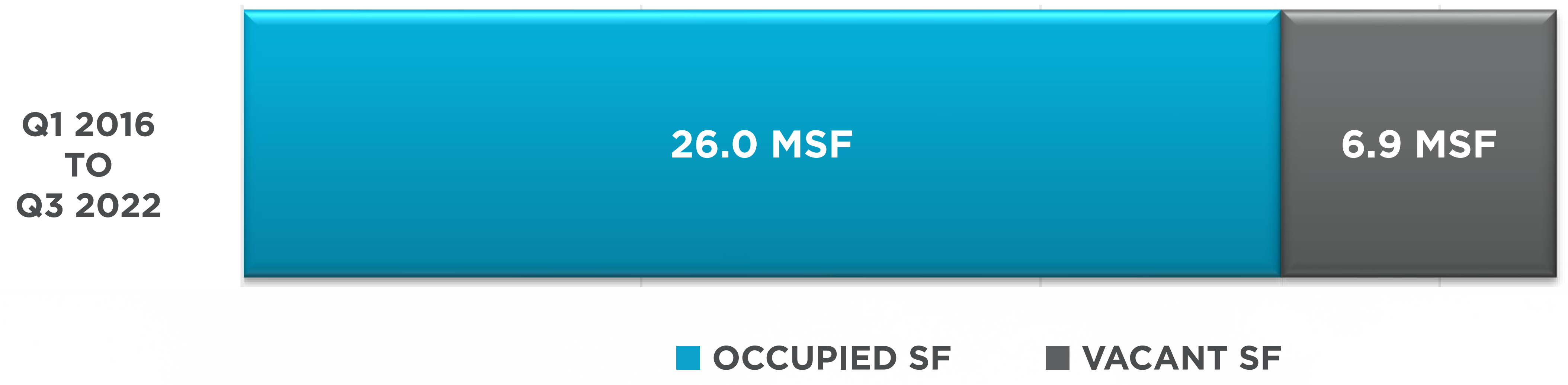
IF YOU BUILD IT, THEY WILL COME

Dataset includes buildings built between Q1 2016 & Q3 2022
Source: Cushman & Wakefield Research

SPECULATIVE MARKET OVERVIEW

Since 2016, developers in the Columbus industrial market built 33.0 msf of speculative bulk product. The vast majority of this speculative space (67.0%) was completed between 2020 and 2022. In total, 79.0% of all the new speculative space is occupied. It should be noted that nearly all of the major vacancies are in the 14 buildings that were just delivered in Q2 2022 or Q3 2022. By comparison, when the 14 recently-delivered buildings are removed from consideration, occupancy is 98.2%. Prior to 2021, many speculative bulk deliveries were in the Southeast submarket near Rickenbacker International Airport, a facility that is uniquely focused on cargo. More recently, an increasing number of projects have been delivered south of Rickenbacker in Pickaway County, as well as rural Licking County and Madison County along the Interstate 70 corridor.

SPECULATIVE BULK OCCUPANCY: 79.1%



77
BUILDINGS COMPLETED

32.9M
SQUARE FEET DELIVERED

427,697
AVG BUILDING SIZE SQUARE FEET

39
DEVELOPERS INVOLVED

81
CURRENT TENANTS

COLUMBUS

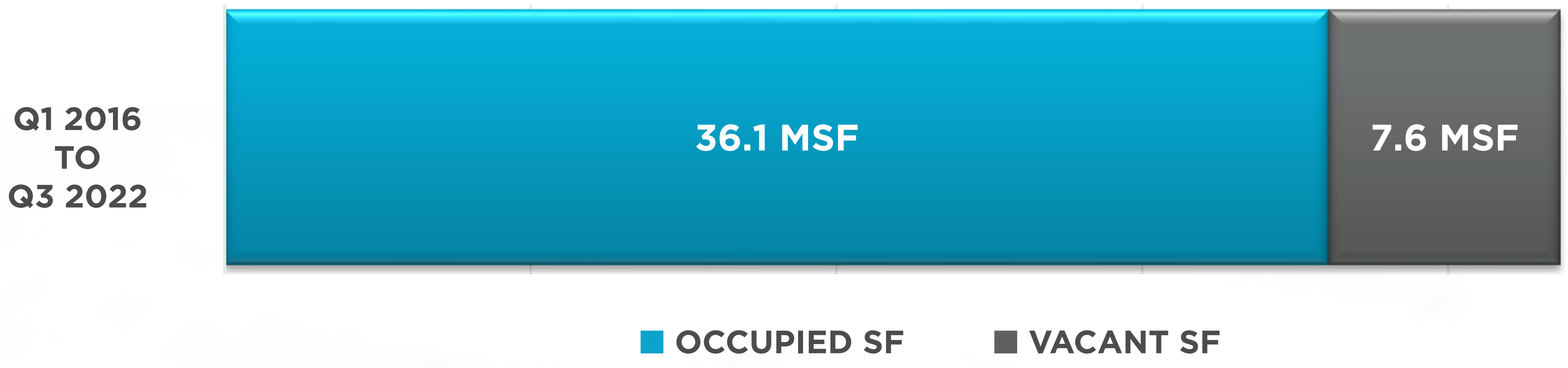
IF YOU BUILD IT, THEY WILL COME

Dataset includes buildings built between Q1 2016 & Q3 2022
Source: Cushman & Wakefield Research

SPECULATIVE MARKET OVERVIEW

The Indianapolis market saw a significant amount of speculative bulk development over the past several years, totaling almost 43.7 msf and 14.0% of the total market inventory. Through the first three quarters of 2022, 11.9 msf of bulk space was delivered, surpassing 2020’s previous record of 10.3 msf with one quarter remaining. Despite this influx of new construction, space does not sit on the market for very long once completed. The only product vacant at the end of Q3 2022 was in buildings built in 2021 and 2022. All speculative bulk buildings built prior to 2021 have been fully leased and occupied. The average building size for completed product was 567,000 sf and leasing activity skewed toward full-building users. Development in the Indianapolis market has been concentrated in the Northwest, Southwest, and South submarkets, which saw 84.0% of completed speculative bulk product since 2016. Looking forward, the East, South, and Southwest submarkets are also poised to see substantial bulk development in the coming quarters.

SPECULATIVE BULK OCCUPANCY: 82.7%



77
BUILDINGS COMPLETED

43.7M
SQUARE FEET DELIVERED

566,997
AVG BUILDING SIZE SQUARE FEET

28
DEVELOPERS INVOLVED

72
CURRENT TENANTS

INDIANAPOLIS

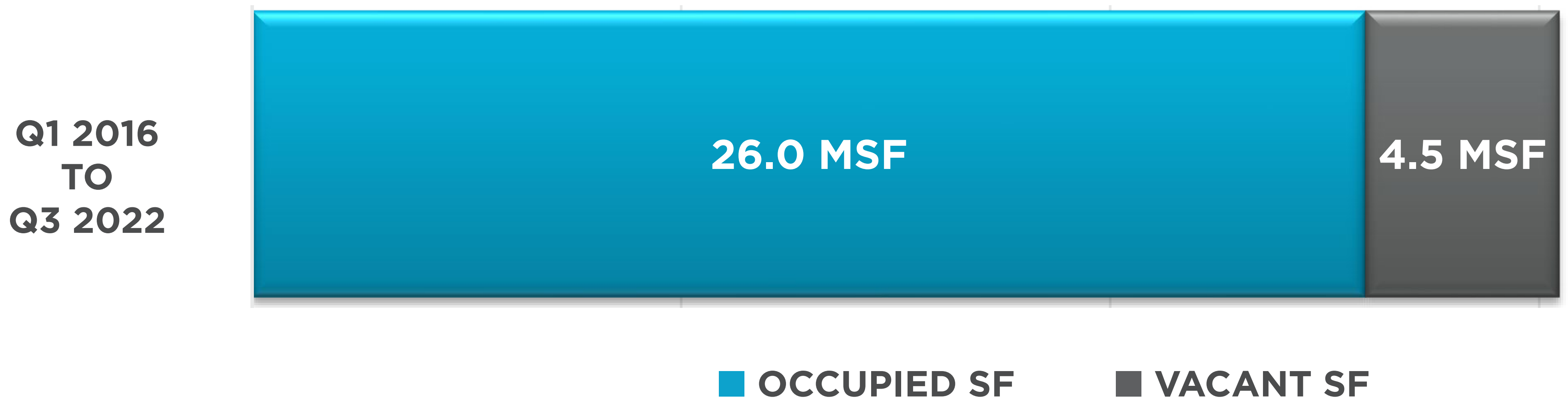
IF YOU BUILD IT, THEY WILL COME

Dataset includes buildings built between Q1 2016 & Q3 2022
Source: Cushman & Wakefield Research

SPECULATIVE MARKET OVERVIEW

Kansas City's speculative industrial expansion may have peaked during 2022, with an average of 8.6 msf of speculative space under construction at the end of each of the first three quarters and a high of 10.2 msf at the end of the third quarter. The previous high for speculative space under construction was 9.4 msf, set at the halfway point of 2021. Demand for speculative space remains high, and it should be noted that of the 4.5 msf of vacant space in speculative buildings completed since 2016, 1.5 msf of that space has been leased but not yet occupied. One encouraging sign for the market is that along with the super-sized tenants looking to occupy large buildings on their own, the Kansas City market has seen three tenants lease speculative buildings of 925,000 sf or more since 2017. Despite this activity, there has been a notable shift to provide new distribution space to smaller tenants across the market.

SPECULATIVE BULK OCCUPANCY: 85.2%



67
BUILDINGS COMPLETED

30.5M
SQUARE FEET DELIVERED

454,747
AVG BUILDING SIZE SQUARE FEET

17
DEVELOPERS INVOLVED

126
CURRENT TENANTS

KANSAS CITY

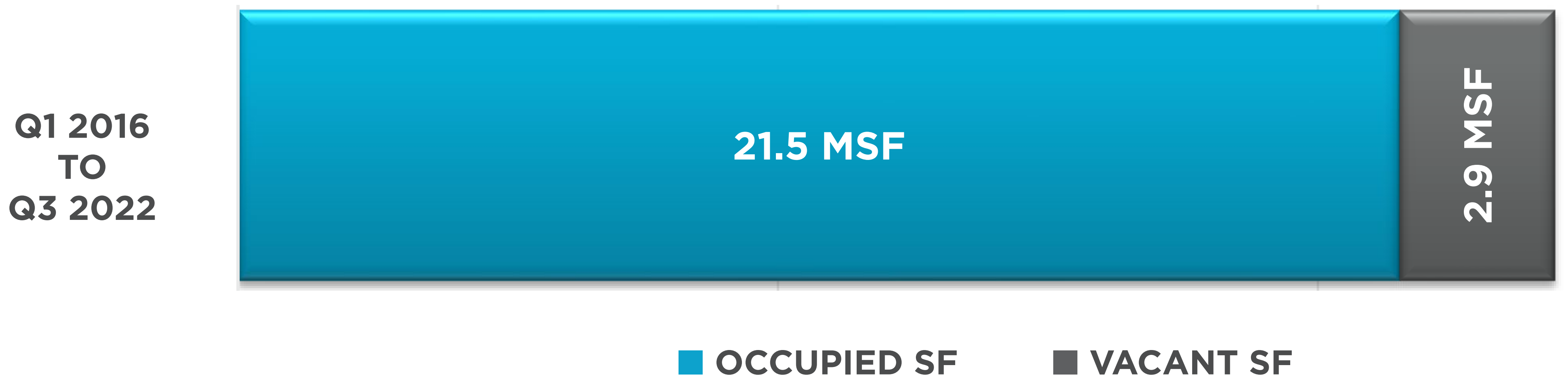
IF YOU BUILD IT, THEY WILL COME

Dataset includes buildings built between Q1 2016 & Q3 2022
Source: Cushman & Wakefield Research

SPECULATIVE MARKET OVERVIEW

Louisville's industrial market continues to be a hot spot for activity. Since 2016, developers in the Louisville market have constructed over 24.0 msf of speculative bulk product with nearly 90.0% of that occupied. Interestingly, over half of that product has been built since the onset of the Covid-19 pandemic in 2020. The majority of speculative buildings built since 2016 have been 500,000 sf or larger, accounting for 49.0% of the total bulk speculative inventory. During the third quarter alone, six new speculative bulk buildings were completed totaling 2.4 msf with another 7.2 msf under construction. An additional 4.4 msf of speculative product is anticipated to hit the market by year-end. Currently, 1.4 msf of the bulk product under construction is pre-leased.

SPECULATIVE BULK OCCUPANCY: 88.2%



63
BUILDINGS COMPLETED

24.4M
SQUARE FEET DELIVERED

387,133
AVG BUILDING SIZE SQUARE FEET

30
DEVELOPERS INVOLVED

72
CURRENT TENANTS

LOUISVILLE

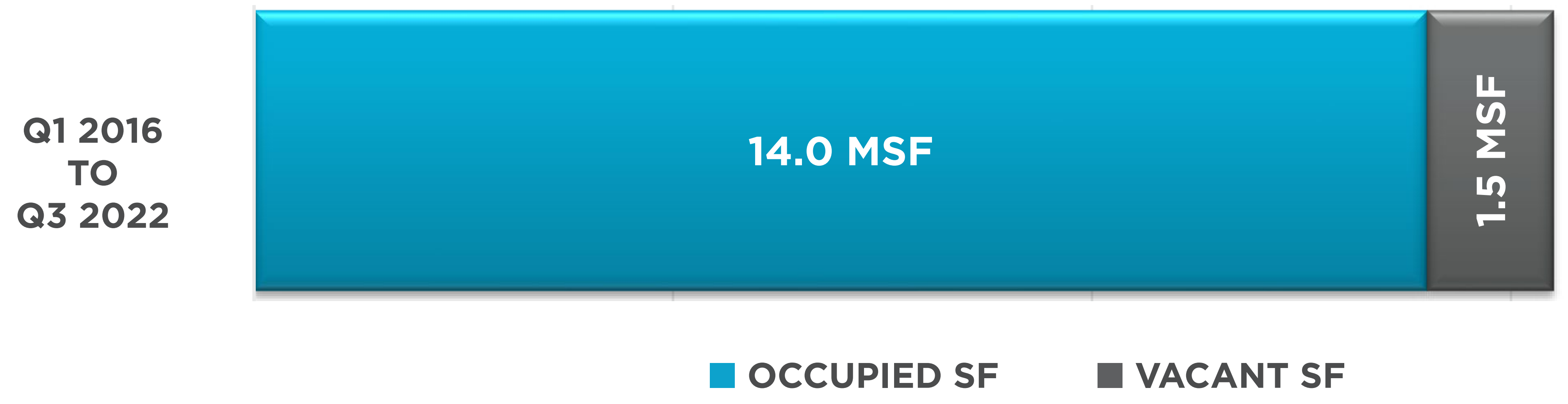
IF YOU BUILD IT, THEY WILL COME

Dataset includes buildings built between Q1 2016 & Q3 2022
Source: Cushman & Wakefield Research

SPECULATIVE MARKET OVERVIEW

Increased occupier demand has driven St. Louis' industrial market to record development over the past few years. Since Q1 2016, there has been 15.5 msf delivered of speculative bulk space in the St. Louis metro area, with 90.3% of that space being occupied. Of that vacant space, 94.7% resides in buildings delivered in 2022, thus are still in lease-up. The vast majority of this development has been concentrated in the North County and Metro East submarkets, accounting for 87.6% of the completed speculative bulk space since Q1 2016. Of the seven industrial submarkets, five have delivered a speculative bulk building in that same time frame. This strong development trend is expected to continue into 2023. Currently, there is 5.5 msf of speculative bulk industrial space under construction across 16 different buildings. Development will remain in high demand and continue to be driven by the premier submarkets of the St. Louis metropolitan area.

SPECULATIVE BULK OCCUPANCY: 90.3%



38
BUILDINGS COMPLETED

15.5M
SQUARE FEET DELIVERED

408,076
AVG BUILDING SIZE SQUARE FEET

10
DEVELOPERS INVOLVED

61
CURRENT TENANTS

ST. LOUIS

IF YOU BUILD IT, THEY WILL COME

Dataset includes buildings built between Q1 2016 & Q3 2022
Source: Cushman & Wakefield Research

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