

FIGURES | MIDWEST U.S. INDUSTRIAL | Q1 2024

New construction deliveries edge vacancy upwards

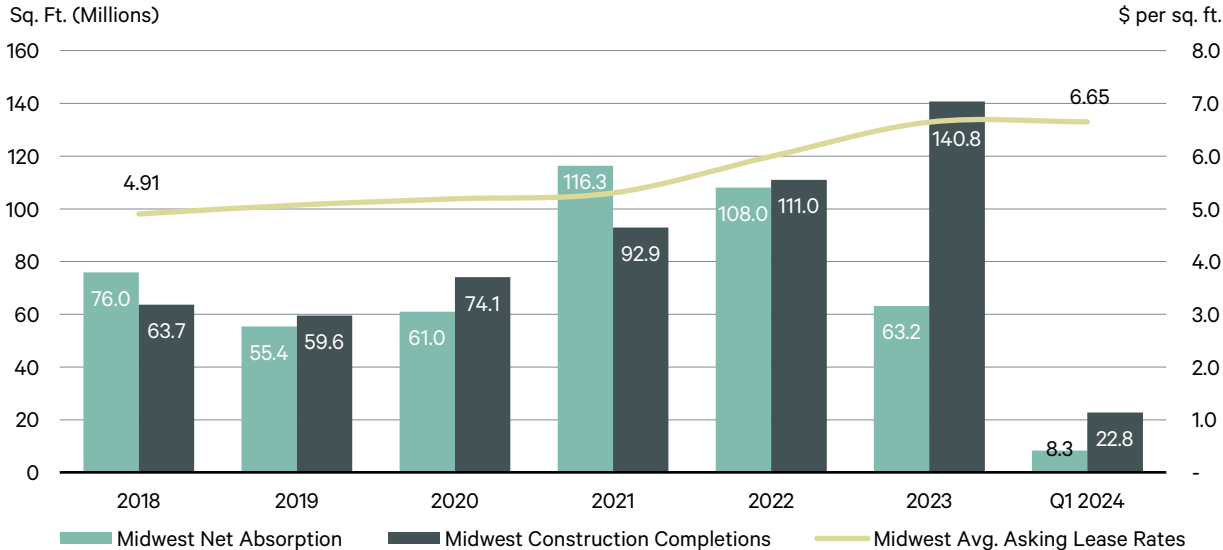


Note: Arrows indicate change from previous quarter.

SUMMARY

- In Q1 the Midwest industrial market continued to see new construction activity, positive occupancy growth, and sustained low vacancy despite inventory growth.
- Q1 2024 net absorption was 8.3 million sq. ft. showing continued growth.
- Midwest construction activity remained strong in Q1 with 39.5 million sq. ft. underway. 51.8% of current construction underway is already leased. 22.8 million sq. ft. delivered in Q1 2024.
- Fewer projects started overall in Q1 2024. Under construction activity dropped by 18.2 million sq. ft. quarter-over-quarter as projects already in the pipeline completed.
- The Midwest markets posted 23.7 million sq. ft. of industrial leasing activity in Q1 2024, 57.3% of which was new leasing activity.
- Vacancy increased 160 basis points (bps) year-over-year, from 3.2% in Q1 2023 to 4.8% in Q1 2024. Low-prelease rates in completed spec buildings contributed to the vacancy rise. While vacancy is no longer at a record low, it remains very healthy.

FIGURE 1: Midwest U.S. Net Absorption, Construction Completions, and Lease Rates



Source: CBRE Research, Q1 2024

Key Market Statistics

In the Midwest, vacancy was lowest in Detroit (2.4%) and highest in Indianapolis (9.8%). Q1 2024 saw a modest rise in overall vacancy quarter-over-quarter, from 4.4% to 4.8%. Historically overall vacancy trended downward in the region, from 5.6% in 2014 to just 2.8% in Q4 2022. Vacancy has trended up in recent quarters as new product came on the market with lower pre-leasing rates. Asking rates continued to grow in Q1 2024. Over the last 5 years asking rents grew 31% - from \$5.07 per sq. ft. in 2019 to \$6.65 per sq. ft. in Q1 2024. Average asking lease rates range from as low as \$5.06 per sq. ft. (Milwaukee) to as high as \$9.53 per sq. ft. (Pittsburgh).

FIGURE 2: Vacancy and Asking Lease Rates



Source: CBRE Research, Q1 2024

FIGURE 3: Overall Market Statistics

Market	Total Rentable Area (SF)	Availability Rate %	Vacancy Rate %	Q1 2024 Construction Completions (SF)	Under Construction (SF)	Q1 2024 Net Absorption (SF)	Avg. Asking Rate (\$ PSF, NNN)
Chicago	1,264,873,468	7.6	4.5	7,226,004	10,030,167	4,929,163	6.59
Cincinnati	330,208,280	6.7	5.8	443,475	1,698,942	-562,610	6.27
Cleveland	282,206,390	4.4	3.0	280,000	1,443,200	-173,066	5.76
Columbus	314,606,935	7.5	6.9	1,710,808	4,782,302	-296,096	6.19
Detroit	542,507,806	3.1	2.4	1,229,932	3,662,861	769,076	7.34
Indianapolis	357,539,498	10.5	9.8	1,226,340	3,572,554	-325,519	5.90
Kansas City	317,268,342	5.0	3.9	1,244,163	4,928,796	574,805	5.60
Louisville	177,837,504	5.9	5.1	1,425,658	1,714,430	-162,418	5.92
Milwaukee	346,548,236	6.8	5.9	4,459,030	1,008,815	1,068,605	5.06
Minneapolis/St. Paul	354,705,335	5.0	4.0	1,658,980	2,629,143	1,748,112	9.41
Omaha	85,274,742	3.1	2.6	688,022	849,511	67,615	7.42
Pittsburgh	152,305,335	5.8	4.7	530,220	1,106,815	103,716	9.53
St. Louis	231,043,628	6.3	4.8	659,365	2,079,327	516,329	5.43
Midwest Total	4,756,925,499	6.4	4.8	22,781,997	39,506,863	8,257,712	6.65

Source: CBRE Research, Q1 2024

Construction Activity

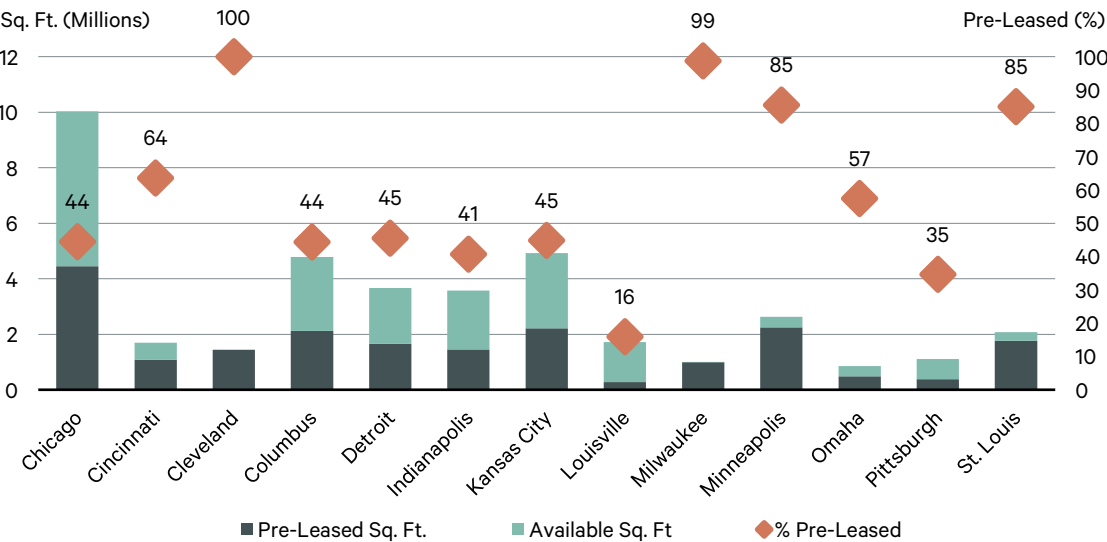
Midwest construction activity remained strong in Q1 2024 with 39.5 million sq. ft. underway. The majority of new construction is in Chicago with 10.0 million sq. ft., followed by Kansas City, Columbus, and Detroit. 51.8% of current construction underway is already leased. Notably fewer projects have started over the last several quarters compared to previous years. Under construction activity dropped by 18.2 million sq. ft. quarter-over-quarter as projects already in the pipeline completed. Over the last 10 years the Midwest has seen consistently increased construction deliveries with 521.7 million sq. ft. of additional speculative product and 248.0 million sq. ft. of build-to-suit product added since 2014.

FIGURE 4: Q1 2024 Construction Underway

Market	Under Construction (SF)	Available Space (SF)	Available Space (%)	Pre-Leased (SF)	Pre-Leased (%)
Chicago	10,030,167	5,573,636	55.6	4,456,531	44.4
Cincinnati	1,698,942	618,197	36.4	1,080,745	63.6
Cleveland	1,443,200	0	0.0	1,443,200	100.0
Columbus	4,782,302	2,662,434	55.7	2,119,868	44.3
Detroit	3,662,861	1,996,436	54.5	1,666,425	45.5
Indianapolis	3,572,554	2,117,694	59.3	1,454,860	40.7
Kansas City	4,928,796	2,720,175	55.2	2,208,621	44.8
Louisville	1,714,430	1,441,680	84.1	272,750	15.9
Milwaukee	1,008,815	12,800	1.3	996,015	98.7
Minneapolis/St. Paul	2,629,143	381,500	14.5	2,247,643	85.5
Omaha	849,511	361,511	42.6	488,000	57.4
Pittsburgh	1,106,815	723,352	65.4	383,463	34.6
St. Louis	2,079,327	310,927	15.0	1,768,400	85.0
Total Midwest	39,506,863	19,046,831	48.2	20,460,032	51.8

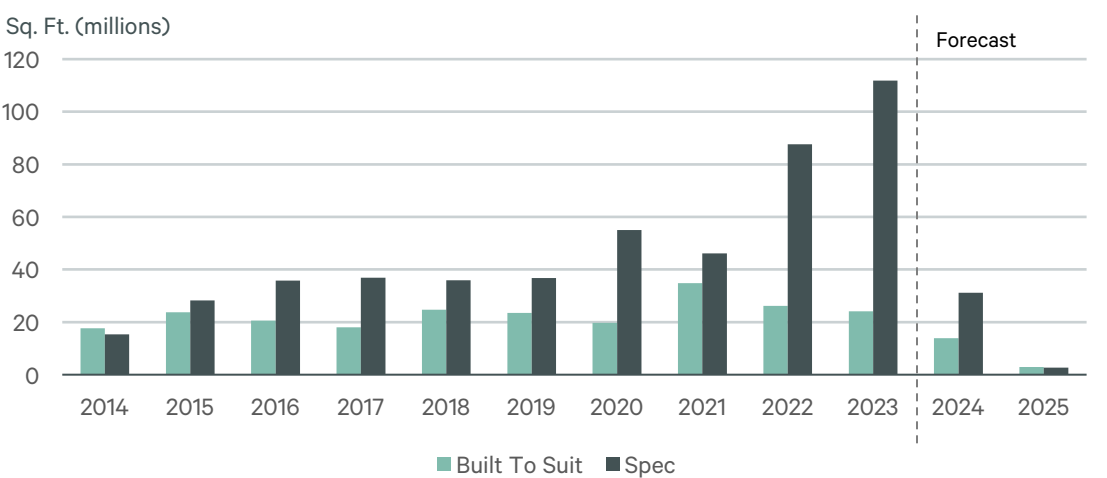
Source: CBRE Research, Q1 2024

FIGURE 5: Pre-Leasing in Projects Currently Underway



Source: CBRE Research, Q1 2024

FIGURE 6: Construction Completions by Year – Buildings 100,000 and Larger - Build-to-Suit vs. Speculative

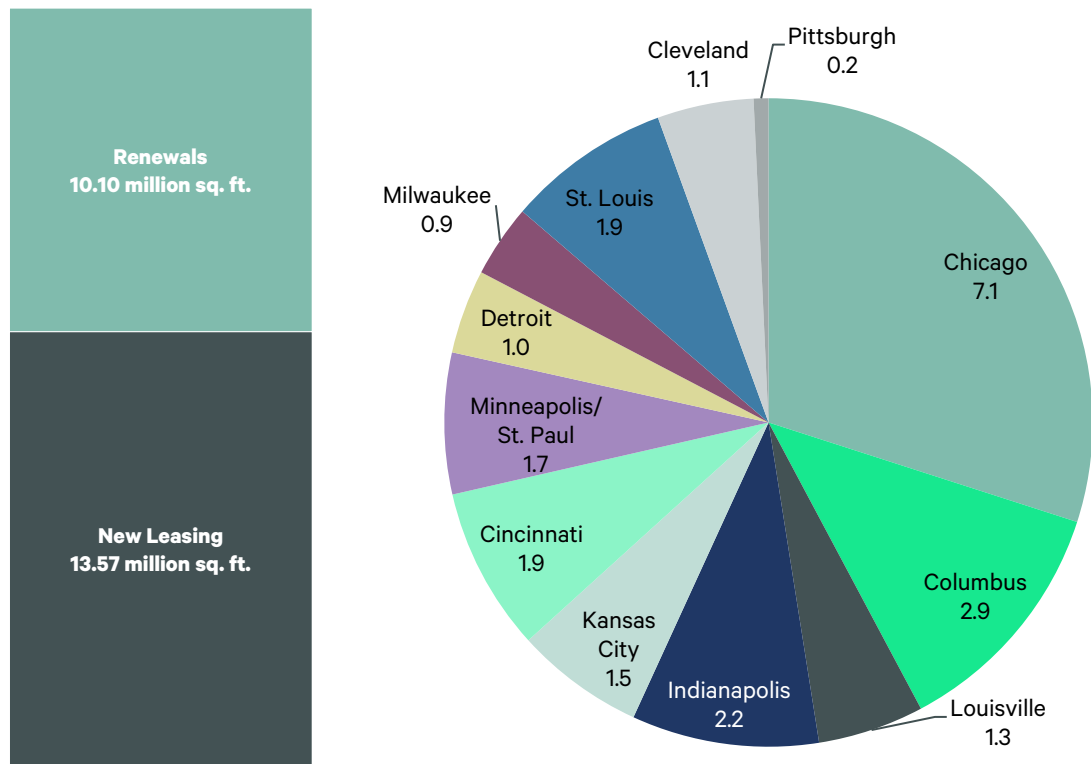


Source: CBRE Research, Q1 2024

Transaction Activity

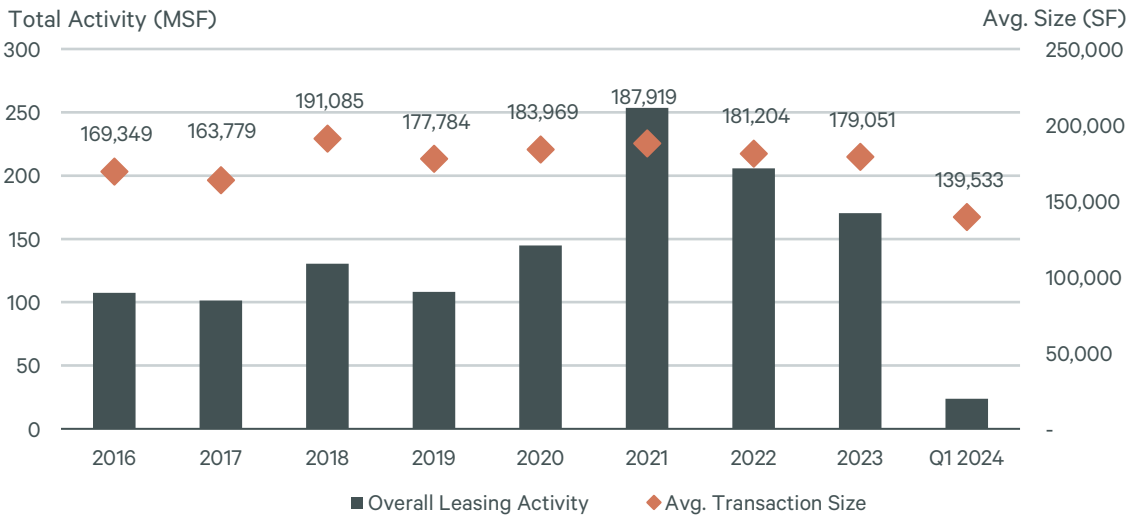
The Midwest markets posted 23.7 million sq. ft. of industrial leasing activity in Q1 2024, 57.3% of which was new leasing activity. Chicago saw the most activity, followed by Columbus, Indianapolis, Cincinnati, and St. Louis. Leasing activity in recent quarters has been lower than in previous years. Annual leasing volume peaked in 2021 at 245 million sq. ft., with 2023 leasing activity posting approximately 170.5 million sq. ft. The average lease size fell slightly in 2023 to 179,051 sq. ft.

FIGURE 7: Q1 2024 Leasing Activity – Leases 50,000 sq. ft. and greater



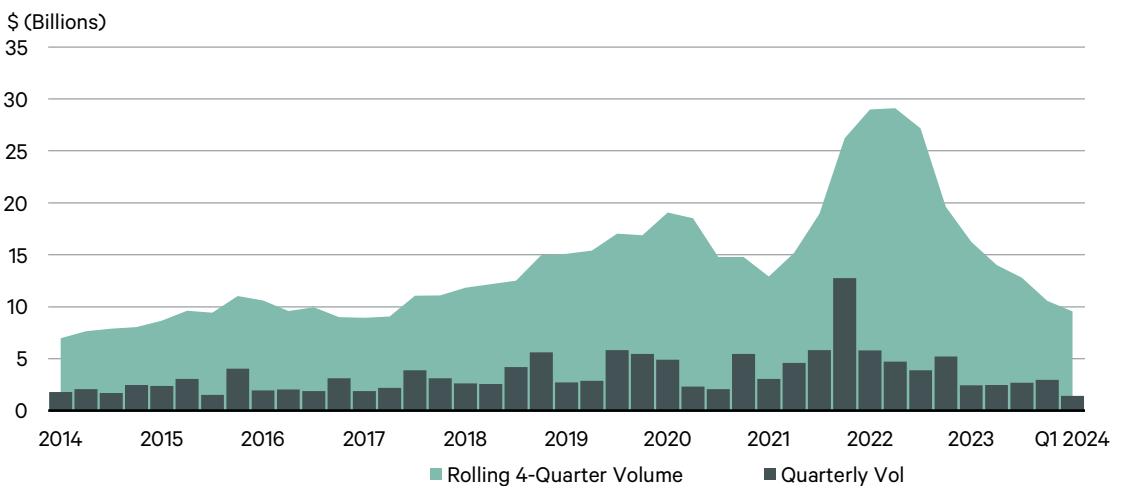
Source: CBRE Research, Q1 2024

FIGURE 8: Historic Leasing Activity – Leases 50,000 sq. ft. and greater



Source: CBRE Research, Q1 2024

FIGURE 9: Investment Activity



Source: Real Capital Analytics Q1 2024

Industrial Big Box

One of the most important decisions facing developers is what size speculative facilities to develop in order to meet user demand, while minimizing downtime and maximizing returns. As shown in Figure 10 below, 49% of Midwest big-box facilities fall in the 200,000 to 499,999 sq. ft. range. Facilities in this range had the highest average asking rents in Q1 2024, averaging \$6.18 per sq. ft. NNN representing a 10.2% premium over facilities greater than 500,000 sq. ft. Facilities in the 200,000 to 499,999 sq. ft. range also maintained the lowest vacancy rate for big box facilities, averaging 6.4% vacancy as of Q1 2024.

While leasing activity has declined steadily from the record levels posted in 2021, strong activity remains with over 115 million sq. ft. of big box leasing activity since the start of 2023. 58% came from facilities 200,000-499,999 sq. ft., 22% came from facilities 500,000-749,999 sq. ft., and 20% came from facilities over 750,000 sq. ft.

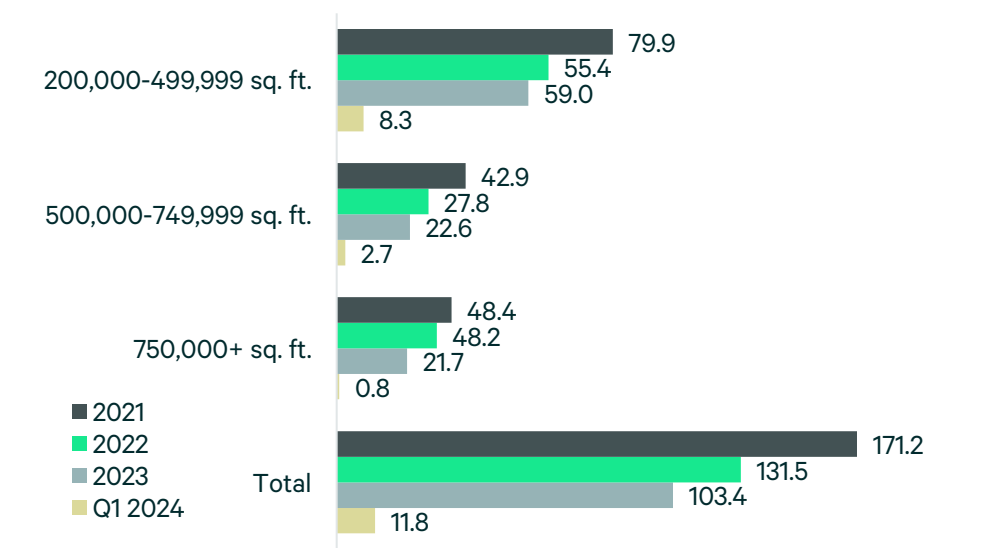
While new development starts have slowed in recent quarters, a significant amount of big box space was completed in Q1 2024 due to the number of buildings already under construction. 60% of the big box completed space came from facilities 200,000-499,999 sq. ft., 3% came from facilities 500,000 to 749,999 sq. ft., and 37% came from facilities over 750,000 sq. ft.

FIGURE 10: Midwest U.S. Industrial Big Box Market Statistics

Size Range (Sq. Ft.)	Total Rentable Area (SF)	Availability Rate %	Vacancy Rate %	Q1 2024 Construction Completions (SF)	Under Construction (SF)	Q1 2024 Net Absorption (SF)	Avg. Asking Rate PSF (\$, NNN)
200,000-499,999	1,099,595,975	8.1	6.4	9,954,842	13,008,577	1,626,672	6.18
500,000-749,999	429,334,284	9.4	8.1	1,223,960	7,053,397	331,160	5.68
750,000+	714,040,661	8.9	7.5	5,922,665	13,108,665	1,259,574	5.54
Midwest Total	2,242,970,920	8.6	7.1	17,101,467	33,170,639	3,217,406	5.86

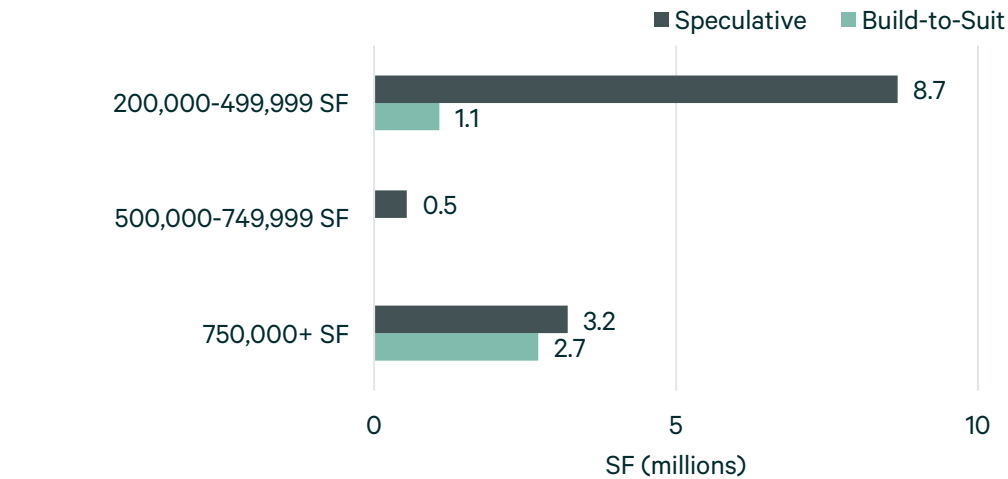
Source: CBRE Research, Q1 2024

FIGURE 11: Midwest U.S. Big Box Leasing Activity by Building Size (sq. ft., millions)



Source: CBRE Research, Q1 2024

FIGURE 12: Q1 2024 Midwest U.S. Big Box Completions by Size



Source: CBRE Research, Q1 2024

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