

FIGURES | MIDWEST U.S. INDUSTRIAL | Q4 2024

Vacancy rates edge upwards in 2024 as speculative development exceeds net absorption

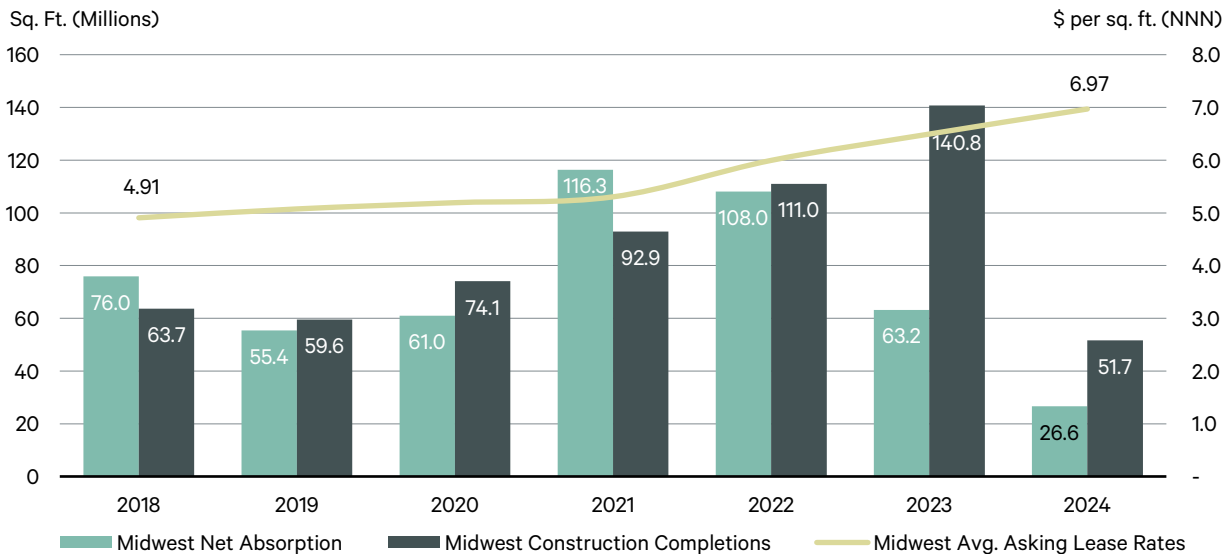


Note: Arrows indicate change from previous quarter.

SUMMARY

- In Q4 the Midwest industrial market continued to see new construction activity, positive occupancy growth, and sustained low vacancy despite inventory growth.
- Q4 2024 net absorption was 5.7 million sq. ft. showing continued growth.
- The Midwest continued steady construction activity in Q4 with 37.9 million sq. ft. underway. 66.0% of current construction underway is already leased. 7.1 million sq. ft. delivered in Q4 2024.
- Under construction activity increased by 3.1 million sq. ft. quarter-over-quarter as new projects broke ground.
- The Midwest markets posted 43.9 million sq. ft. of industrial leasing activity in Q4 2024, 64.7% of which was new leasing activity.
- Vacancy increased 60 basis points (bps) year-over-year, from 4.4% in Q4 2023 to 5.0% in Q4 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

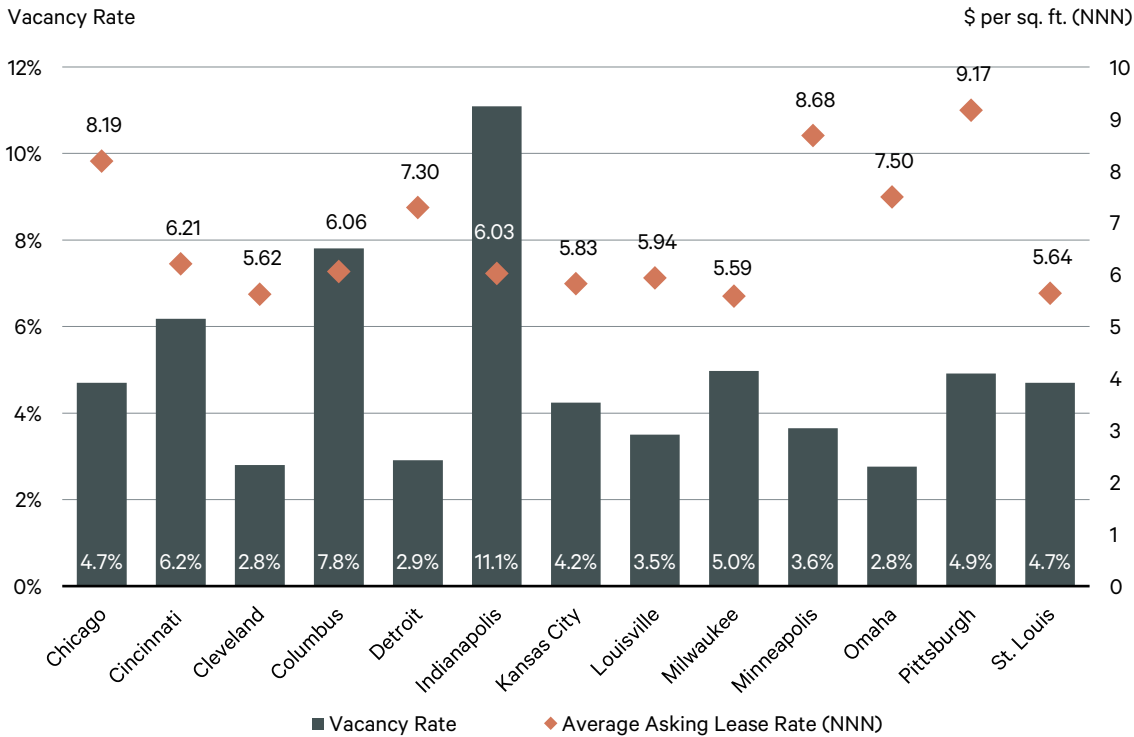


Source: CBRE Research, Q4 2024

Key Market Statistics

In the Midwest, Omaha and Cleveland tied for the lowest vacancy (2.8%). Vacancy rates were highest in Indianapolis (11.1%). Overall vacancy rates increased 20 bps quarter-over-quarter finishing at 5.0%. 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 was completed with lower pre-leasing rates. Asking rates increased in Q4 2024, finishing at \$6.97 per sq. ft. Over the last 5 years asking rents grew 41% - from \$4.96 per sq. ft. in 2019 to \$6.97 per sq. ft. in Q4 2024. Average asking lease rates range from as low as \$5.59 per sq. ft. (Milwaukee) to as high as \$9.17 per sq. ft. (Pittsburgh).

FIGURE 2: Vacancy and Asking Lease Rates



Source: CBRE Research, Q4 2024

FIGURE 3: Overall Market Statistics

Market	Total Rentable Area (SF)	Availability Rate %	Vacancy Rate %	Q4 2024 Construction Completions (SF)	Under Construction (SF)	Q4 2024 Net Absorption (SF)	Avg. Asking Rate (\$ PSF, NNN)
Chicago	1,274,830,441	8.0	4.7	1,745,850	12,705,822	1,597,408	8.19
Cincinnati	332,909,572	6.8	6.2	434,180	1,568,250	1,605,152	6.21
Cleveland	282,525,970	4.3	2.8	19,500	1,178,700	-9,965	5.62
Columbus	319,333,485	8.2	7.8	1,654,947	1,056,000	-855,987	6.06
Detroit	546,256,049	4.0	2.9	1,029,316	948,452	-162,776	7.30
Indianapolis	359,293,221	11.9	11.1	0	2,451,953	141,474	6.03
Kansas City	320,501,232	5.6	4.2	253,000	4,961,532	265,370	5.83
Louisville	178,859,107	5.1	3.5	642,308	5,005,222	548,398	5.94
Milwaukee	347,533,280	6.4	5.0	855,968	2,688,549	1,257,579	5.59
Minneapolis/St. Paul	356,728,284	4.9	3.6	89,039	2,615,710	1,197,997	8.68
Omaha	86,128,864	3.2	2.8	36,800	475,872	6,972	7.50
Pittsburgh	151,621,951	5.2	4.9	100,000	343,815	22,513	9.17
St. Louis	235,466,591	6.7	4.7	242,500	1,988,480	171,061	5.64
Midwest Total	4,791,988,047	6.7	5.0	7,103,408	37,988,357	5,785,196	6.97

Source: CBRE Research, Q4 2024

Construction Activity

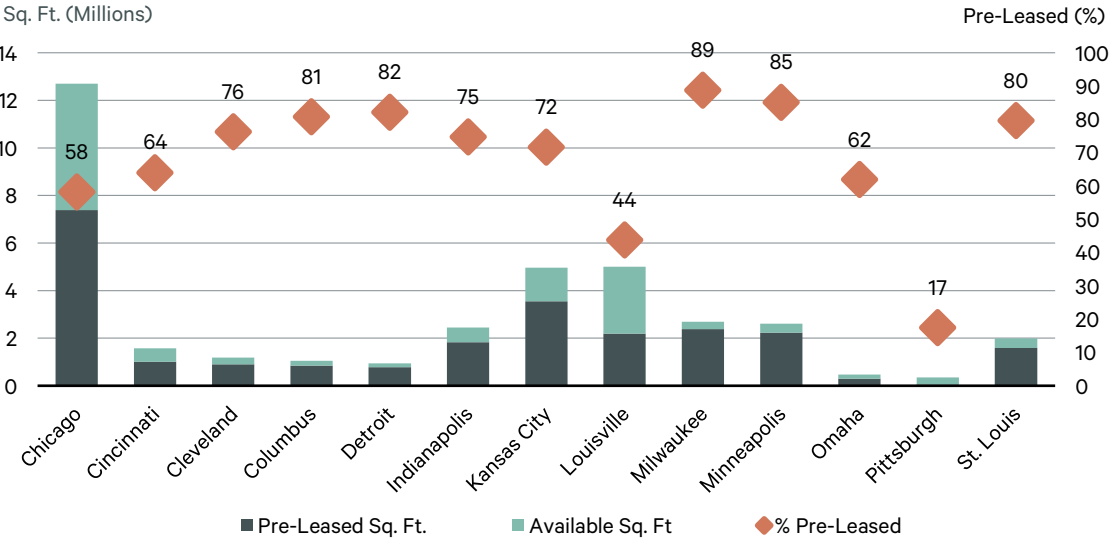
Steady construction activity continued in Q4 2024 with 37.9 million sq. ft. underway. The Chicago market led the Midwest with 12.7 million sq. ft., followed by Louisville, Kansas City, and Minneapolis. 66.0% of current construction underway is already leased. Under construction activity increased by 3.1 million sq. ft. quarter-over-quarter, marking the first increase in construction activity since Q2 2022. Over the last 10 years the Midwest has delivered 506.9 million sq. ft. of additional speculative product and 231.6 million sq. ft. of build-to-suit product from buildings 100,000 sq. ft. or greater.

FIGURE 4: Q4 2024 Construction Underway

Market	Under Construction (SF)	Available Space (SF)	Available Space (%)	Pre-Leased (SF)	Pre-Leased (%)
Chicago	12,705,822	5,315,206	41.8	7,390,616	58.2
Cincinnati	1,568,250	565,000	36.0	1,003,250	64.0
Cleveland	1,178,700	280,000	23.8	898,700	76.2
Columbus	1,056,000	203,000	19.2	853,000	80.8
Detroit	948,452	169,583	17.9	778,869	82.1
Indianapolis	2,451,953	620,859	25.3	1,831,094	74.7
Kansas City	4,961,532	1,405,280	28.3	3,556,252	71.7
Louisville	5,005,222	2,813,677	56.2	2,191,545	43.8
Milwaukee	2,688,549	302,181	11.2	2,386,368	88.8
Minneapolis/St. Paul	2,615,710	388,745	14.9	2,226,965	85.1
Omaha	475,872	181,194	38.1	294,678	61.9
Pittsburgh	343,815	283,815	82.5	60,000	17.5
St. Louis	1,988,480	405,456	20.4	1,583,024	79.6
Total Midwest	37,988,357	12,933,996	34.0	25,054,361	66.0

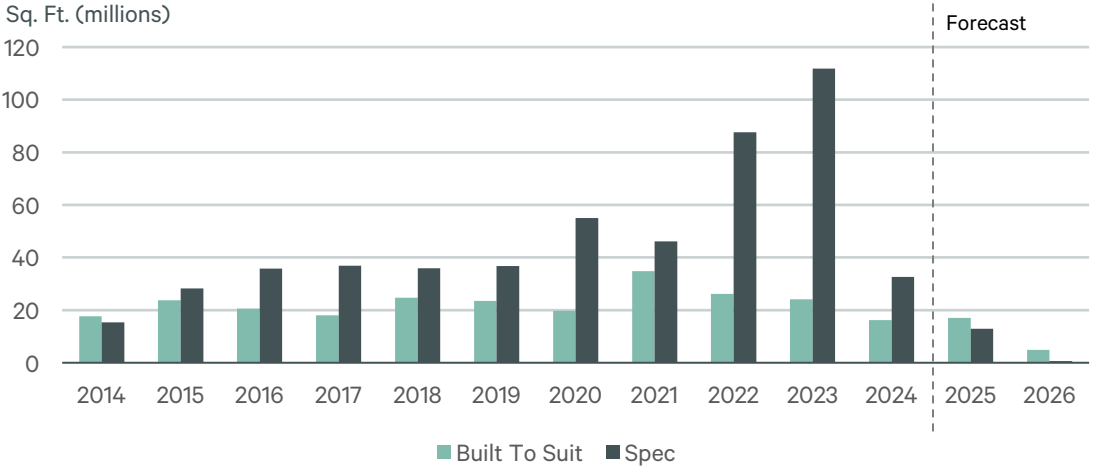
Source: CBRE Research, Q4 2024

FIGURE 5: Pre-Leasing in Projects Currently Underway
Sq. Ft. (Millions)



Source: CBRE Research, Q4 2024

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

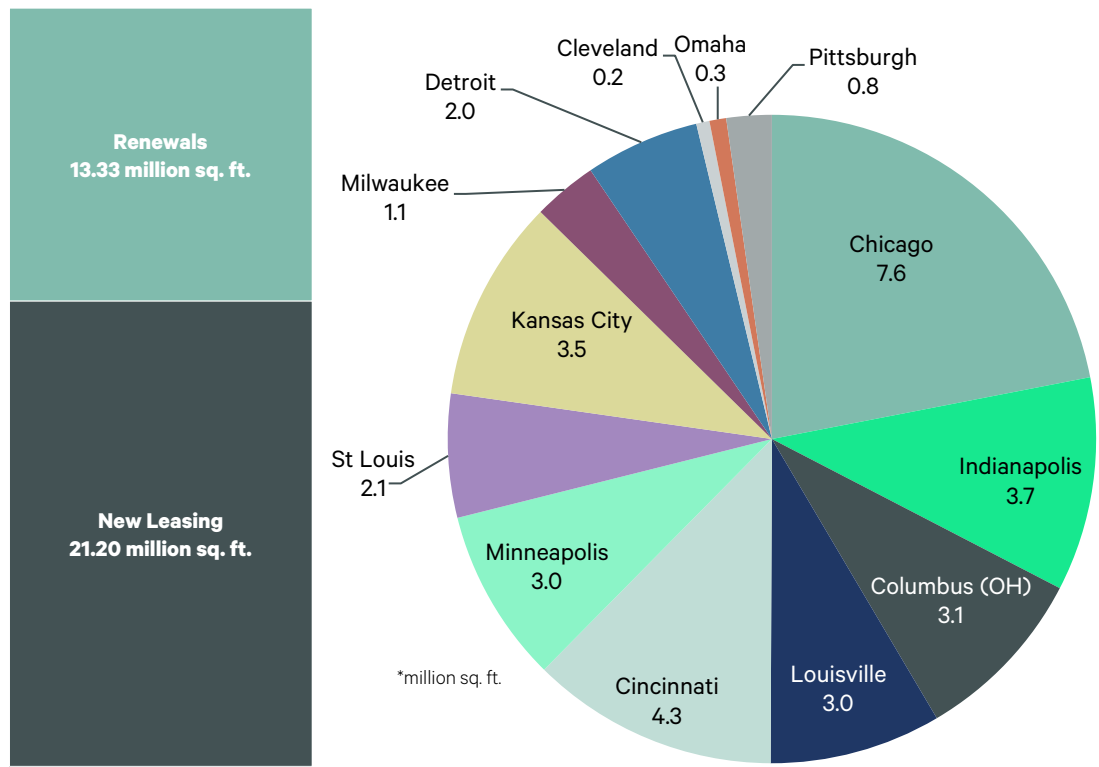


Source: CBRE Research, Q4 2024, forecast based on projects which had started construction as of Q4 2024

Transaction Activity

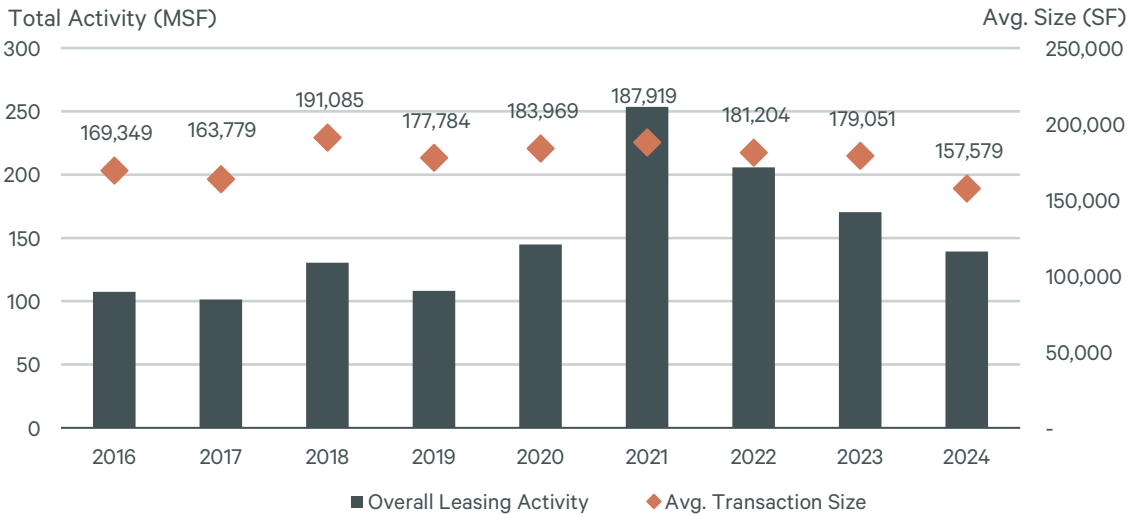
The Midwest markets posted 43.9 million sq. ft. of industrial leasing activity in Q4 2024, 64.7% of which was new leasing activity. Chicago saw the most activity, followed by Cincinnati, Indianapolis, and Kansas City. While leasing activity has decreased compared to previous years, leasing activity remained strong and exceeded totals prior to 2020. Overall, in 2024 leasing activity posted 139.4 million sq. ft. for leases 50,000 sq. ft. or greater. The average lease size decreased in 2024 at 157,579 sq. ft. compared to 179,051 sq. ft. in 2023.

FIGURE 7: Q4 2024 Leasing Activity – Leases 50,000 sq. ft. and greater



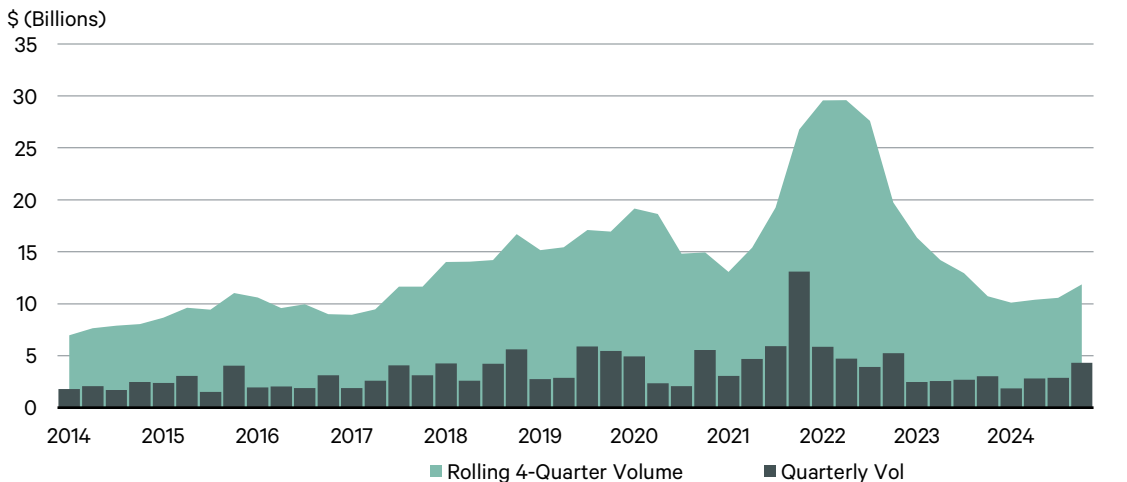
Source: CBRE Research, Q4 2024

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



Source: CBRE Research, Q4 2024

FIGURE 9: Investment Activity



Source: Real Capital Analytics Q4 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 Q4 2024, averaging \$6.79 per sq. ft. NNN representing a 11.7% 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 6.6% vacancy as of Q4 2024.

While leasing activity has declined steadily from the record levels posted in 2021, strong activity remains with over 107 million sq. ft. of big box leasing activity in 2024. 53.3% came from facilities 200,000-499,999 sq. ft., 27.9% came from facilities 500,000-749,999 sq. ft., and 18.8% came from facilities over 750,000 sq. ft.

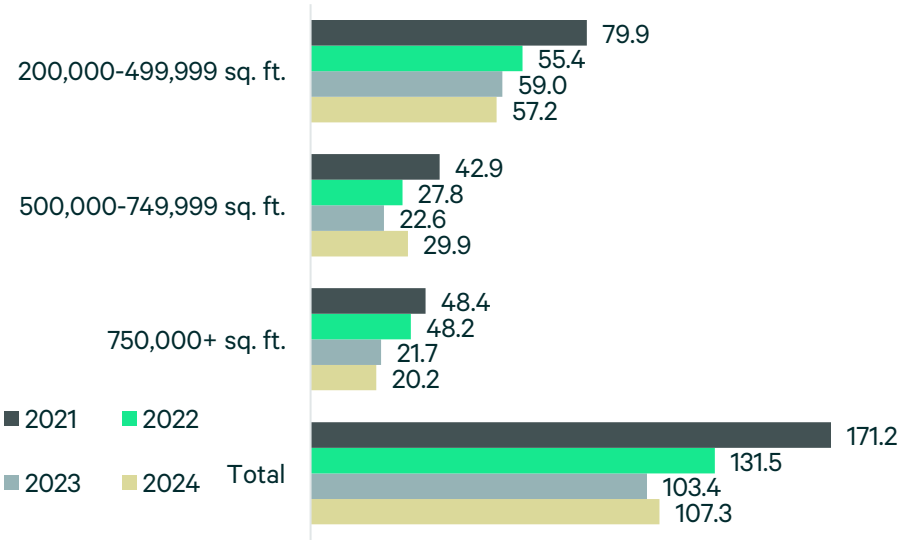
While new big box development starts have slowed in recent quarters, steady development activity continues. 51% of the big box completed space came from facilities 200,000-499,999 sq. ft., 25% came from facilities 500,000 to 749,999 sq. ft., and 24% came from facilities over 750,000 sq. ft.

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

Size Range (Sq. Ft.)	Total Rentable Area (SF)	Availability Rate %	Vacancy Rate %	Q4 2024 Construction Completions (SF)	Under Construction (SF)	Q4 2024 Net Absorption (SF)	Avg. Asking Rate PSF (\$, NNN)
200,000-499,999	1,129,327,985	8.6	6.6	2,482,830	13,695,957	2,955,045	6.79
500,000-749,999	445,994,207	10.3	9.2	1,206,799	6,223,621	721,744	6.08
750,000+	729,244,783	9.5	7.5	1,200,000	10,118,099	(23,817)	6.18
Midwest Total	2,304,566,975	9.2	7.4	4,889,629	30,037,677	3,652,972	6.45

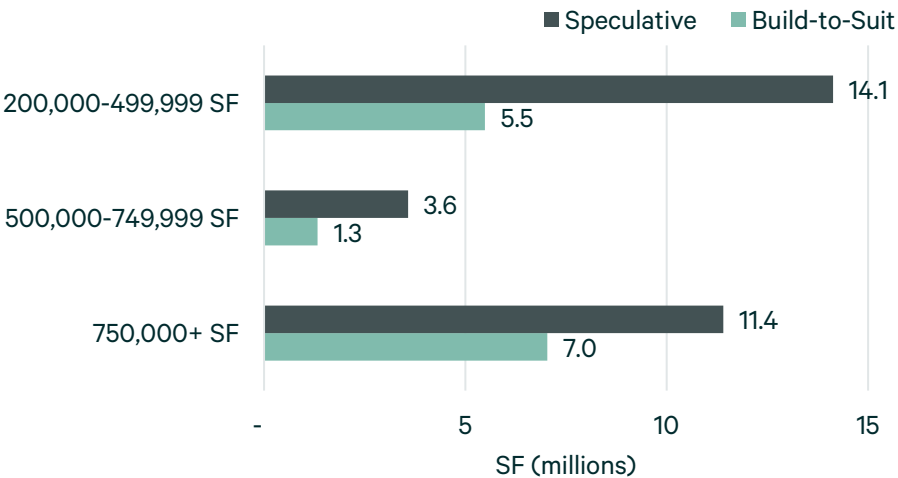
Source: CBRE Research, Q4 2024

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



Source: CBRE Research, Q4 2024

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



Source: CBRE Research, Q4 2024

CHICAGO OFFICE 321 N. Clark Street, Suite 3400 Chicago, IL 60654	INDIANAPOLIS OFFICE 8888 Keystone Crossing, Suite 1000 Indianapolis, IN 46240	OAK BROOK OFFICE 700 Commerce Drive, Suite 450 Oak Brook IL, 60523
CINCINNATI OFFICE 201 E. 5 th Street, Suite 2200 Cincinnati, OH 45202	KANSAS CITY OFFICE 4520 Main Street, Suite 1600 Kansas City, MO 64111	OMAHA OFFICE 11213 Davenport Street, Suite 300 Omaha, NE 68154
CLEVELAND OFFICE 950 Main Avenue, Suite 200 Cleveland, OH 44113	LOUISVILLE OFFICE 10200 Forest Green Blvd, Suite 500 Louisville, KY 40223	PITTSBURGH OFFICE 301 Grant Street, 40th Floor Pittsburgh, PA 15219
COLUMBUS OFFICE 200 Civic Center Drive, 14th Floor Columbus, OH 43215	MILWAUKEE OFFICE 790 N. Water Street, Suite 1800 Milwaukee, WI 53202	ST LOUIS OFFICE 190 Carondelet Plaza, Suite 650 St. Louis, MO 63105
DETROIT OFFICE 2000 Town Center, Suite 2200 Southfield, MI 48075	MINNEAPOLIS OFFICE 4400 West 78 th Street, Suite 300 Bloomington, MN 55435	

Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all competitive industrial buildings 10,000 sq. ft. and greater in size. Buildings under construction includes buildings which have begun development beyond initial site work.

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