

COLLIERS INTERNATIONAL | 2019 U.S. RESEARCH REPORT

NORTH AMERICA

Big-Box Market Report

2018 YEAR-END REVIEW AND OUTLOOK



Accelerating success.



Copyright © 2019 Colliers International.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.



Big-Box Market Report NORTH AMERICA

- > Overview
- > Atlanta, GA
- > Chicago, IL
- > Cincinnati, OH
- > Columbus, OH
- > Dallas-Fort Worth, TX
- > Greater Phoenix, AZ
- > Houston, TX
- > I-4 Corridor, FL
- > Indianapolis, IN
- > Inland Empire, CA
- > Kansas City, MO
- > Memphis, TN
- > Northern California
- > Northern-Central, NJ
- > Southern NJ - Eastern PA
- > Toronto, ON

Introduction

A variety of factors across North America created record demand for big-box industrial facilities in 2018. Core markets including the Inland Empire, Atlanta, Dallas-Fort Worth, Chicago, Northern-Central New Jersey, Southern New Jersey-Eastern Pennsylvania and Toronto all posted robust fundamentals, while emerging secondary markets that are near the fastest-growing population centers and in close proximity to the most utilized logistics hubs in the region continued to grow.

In this unique interactive report, we examine the record strength of the North American big-box industrial market in 2018, which includes the seven core North American big-box markets, as well as nine emerging secondary markets. We will highlight the fundamentals, take a look at demand factors including demographics and logistics capabilities, and will assess what lies ahead for 2019 and beyond.

Unless otherwise specified, all report data is for year-end 2018.



James Breeze
Colliers International
National Director
Industrial Research | USA



Pete Quinn
Colliers International
National Director
Industrial Services | USA



Jack Rosenberg, SIOR
Colliers International
National Director
Logistics and Transportation



North America

Overview

Occupiers' supply chain strategies throughout the United States are going through immense changes because of the rapid growth of e-commerce. In 2018, much attention was given to the final-mile and the challenges and opportunities that arose from this demand, especially in urban areas. While final-mile real estate got the majority of the press, the backbone of distribution throughout North America remained regional big-box distribution centers. The North American big-box market continues to ride a wave of robust demand brought on by a solid U.S. economy and, of course, the rapid rise of e-commerce. This demand is fueling record leasing activity, net absorption and development for big-box product throughout North America.

The Inland Empire remains the best performing big-box market in North America because of its excellent location, available land for development and strong labor force. The Inland Empire led North America in 2018 with more than 27 million square feet of new leasing, and produced a record 20.8 million square feet of net absorption. While the Inland Empire posted superior absorption figures compared with last year, many other markets posted year-over-year absorption increases. Markets posting the largest year-over-year increases in overall net absorption include Cincinnati (80.3% increase), Northern California (105.7% increase), and the I-4 Corridor (228.6% increase). Although demand remains strong, the lack of large big-box space in nearly all of the markets tracked in this

report (750,000 square feet and more) kept fundamentals from rising much farther. At year-end, there were 694 existing distribution buildings larger than 750,000 square feet in the U.S. (17% are in the Inland Empire) and only 38 of these were fully vacant.

While 2017 activity was dominated by e-commerce retailers including Amazon.com, 2018 looks to be the year of the third-party logistics companies (3PL), with 3PLs signing a majority of the large transactions in 2018. The 3PL industry is expanding its e-commerce distribution capabilities faster than any other major industrial occupier, and this looks to continue in the coming quarters and will be a major demand driver in 2019.

On the investment side, capitalization rates (cap rates) held steady at 5.7% in 2018, with many core markets posting cap rates at or near 5%. While demand for big-box product was solid in core markets, the decreased amount of product to purchase in these markets has pushed investors into secondary markets, where fundamentals are improving and there are more opportunities for higher yields.

Although we predict fundamentals to remain robust in 2019, there are headwinds to look out for. The issue causing the greatest concern is global trade. Growing trade tensions with some of our leading trading partners could undermine big-box demand, especially in port markets. China is of particular concern, as it is not only our top



trading partner—including both imports and exports—but has the greatest trade imbalance with the U.S.

While recent communications from Washington point to a willingness to negotiate a trade deal with China, industrial real estate demand could take a hit in the coming year if no deal is reached and tariffs are increased to 25%. Also, the election of a Democratic majority in the House of Representatives has made prospects for passage of the new North American Free Trade Agreement (NAFTA) deal less certain, potentially disrupting trade with Mexico and Canada and potentially negatively affecting industrial real estate markets along major trade routes between the three countries.

The demand for labor has been magnified by e-commerce distribution’s heavy employee counts and significant seasonal spikes in demand. Big-box e-commerce occupiers can require two to three times the amount of labor as a traditional distribution user needs. With labor demand increasing, more companies will require more advanced site selection processes to grind down the exact submarkets where available labor can be found, and this process in site selection will gain importance over a submarket’s logistics advantages and building functionality.

Despite these headwinds, the big-box market seems poised for continued growth. The North American economies remain strong; transportation costs continue to rise at a rate faster than taking rents; e-commerce continues to grow at a faster rate than traditional in-store retail; and logistics drivers from the air, ground, sea and rail continue to post gains. These drivers should outweigh the headwinds and create strong demand and rental rate growth in big-box markets for the foreseeable future.

Building Inventory

200,000 - 499,999 SF

3,576

Big-Box Buildings

210

Fully Vacant

500,000 - 749,999 SF

836

Big-Box Buildings

51

Fully Vacant

> 750,000 SF

694

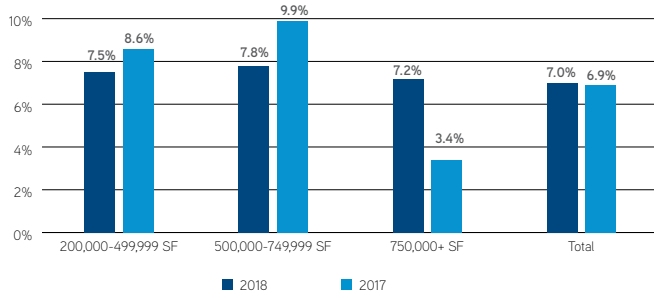
Big-Box Buildings

38

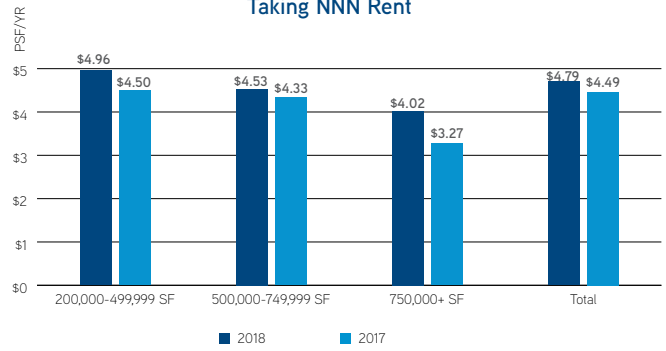
Fully Vacant

Key Statistics

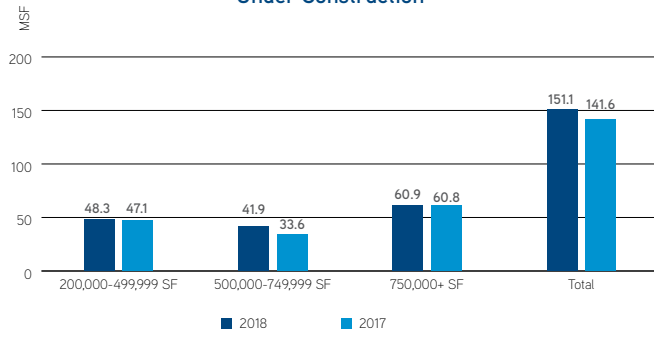
Vacancy Rate



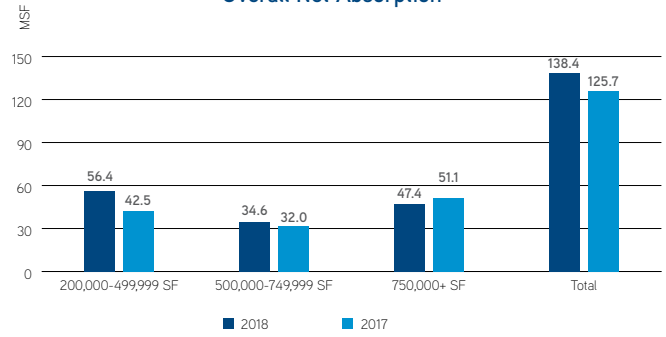
Taking NNN Rent



Under Construction

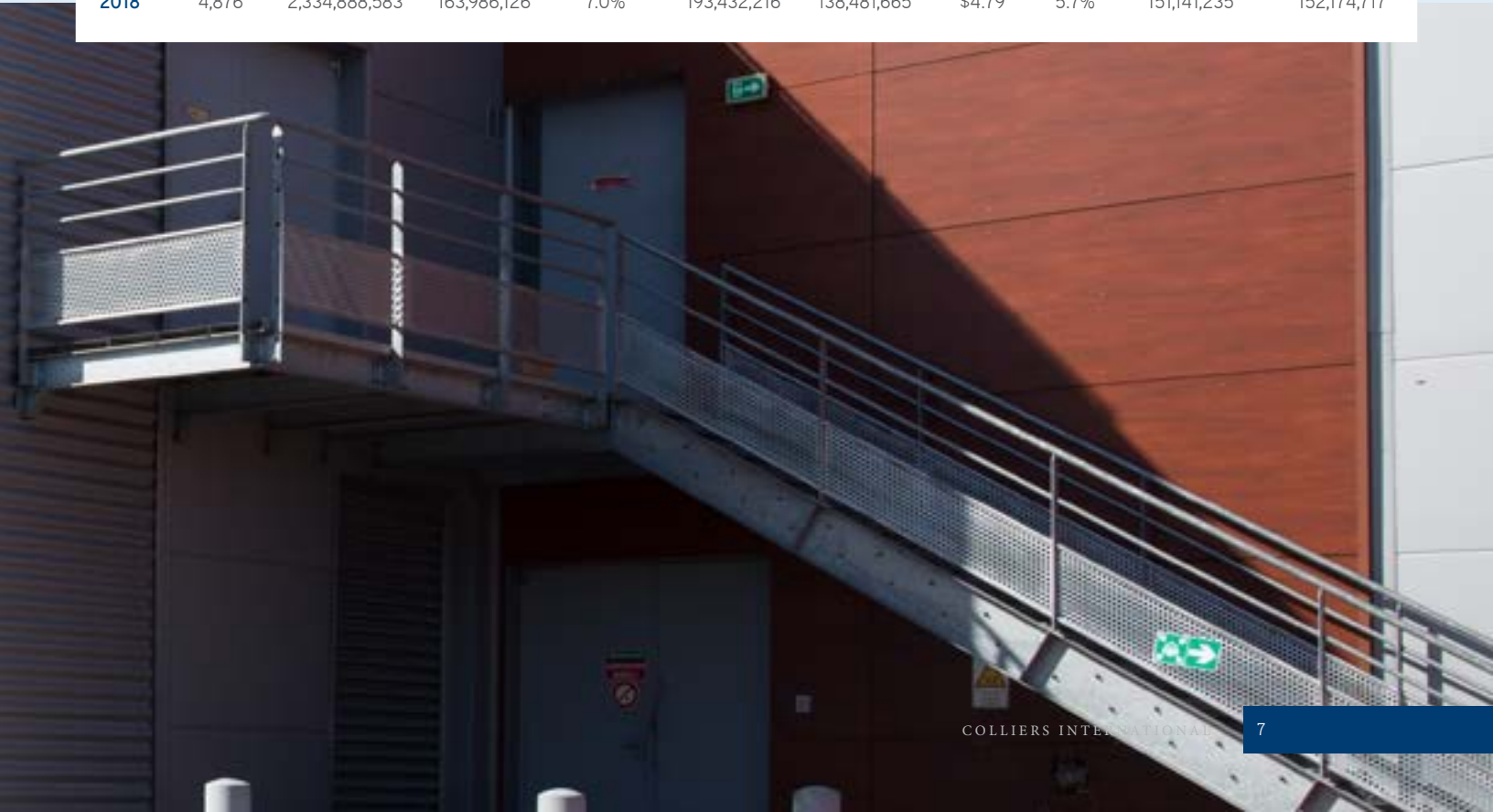


Overall Net Absorption



Historical Data

	# of Buildings	Existing Inventory	Vacant Inventory	Vacancy Rate	Leasing Activity	Net Absorption	Taking NNN Rent	Cap Rate	Under Construction	Construction Completions
2009	3,705	1,603,959,208	223,743,254	13.9%	81,359,911	11,629,433	\$3.52	8.1%	10,228,419	36,045,140
2010	3,726	1,613,786,125	192,265,547	11.9%	91,291,308	42,444,497	\$3.52	7.8%	8,715,426	8,898,043
2011	3,754	1,631,015,470	148,931,588	9.1%	112,780,658	62,239,897	\$3.50	7.5%	12,761,442	12,587,508
2012	3,814	1,662,009,922	136,272,499	8.2%	115,520,784	32,263,242	\$3.59	6.9%	33,625,820	19,754,682
2013	3,927	1,726,449,885	135,499,084	7.8%	132,437,852	55,806,652	\$3.70	6.6%	67,320,033	50,892,894
2014	4,080	1,808,043,200	133,076,343	7.4%	140,723,299	84,171,975	\$3.82	6.4%	91,330,973	84,810,509
2015	4,294	1,917,042,163	136,864,972	7.1%	159,831,516	99,630,567	\$4.17	6.4%	107,293,335	109,156,627
2016	4,568	2,046,717,358	141,796,586	6.9%	187,006,993	124,705,797	\$4.40	5.9%	129,410,652	133,312,474
2017	4,828	2,183,752,822	150,684,307	6.9%	176,328,101	125,700,178	\$4.49	5.7%	141,688,120	138,213,131
2018	4,876	2,334,888,583	163,986,126	7.0%	193,432,216	138,481,665	\$4.79	5.7%	151,141,235	152,174,717





Georgia

Atlanta

25.7 million square feet of new leasing activity in 2018 is an all-time record.

[VIEW PROPERTIES](#)

The Atlanta big-box market continued to thrive in 2018 with robust leasing activity, new development and record high rental rates. Tenants moved into the market in droves because of the plethora of logistics advantages and, most importantly, a large and growing labor base.

In 2018, a record 25.7 million square feet of big-box space leased, the second most in North America. Overall net absorption also reached record heights, finishing at 16.5 million square feet, also good enough for second place. With demand reaching all-time highs, new development projects hit the market at a record pace, with 17.5 million square feet of new development.

Despite record new development, the overall vacancy rate decreased in 2018 to 10.7%, the lowest since 2015. Even though the vacancy

rate is in double digits, developers are bullish on the Atlanta market, with 17.7 million square feet under construction—tied for first with the Inland Empire. Investor demand remains strong with many large-scale transactions closing. Because of robust activity, cap rates dropped below the North American average for big-box space, finishing 2018 at 5.5%

Atlanta has the necessary factors for continued robust fundamentals. Its central location in the Southeast U.S. provides access to 28 million people within 250 miles. Along with growing inland logistics capabilities, these factors will be a boon for the market. In the coming quarters, it is expected that net absorption will remain positive and on par with 2018, vacancy rates will decline, cap rates will remain low and taking rents will rise above its current record high.



Ben Logue, SIOR

Senior Vice President | Atlanta

“Atlanta is the transportation and logistics hub of the fastest growing geographic region in the country. Most major companies are locating or expanding in Atlanta, due to its growing population (especially in the millennial segment), and relatively low cost of living. Atlanta is home to the world’s busiest passenger airport and near one of the fastest growing seaports (Savannah) in the country. Because of this, Atlanta is on pace for another year of robust big-box growth in 2019.”

Building Inventory

200,000 - 499,999 SF

274

Big-Box Buildings

25

Fully Vacant

500,000 - 749,999 SF

66

Big-Box Buildings

6

Fully Vacant

> 750,000 SF

71

Big-Box Buildings

6

Fully Vacant

Major Logistics Driver

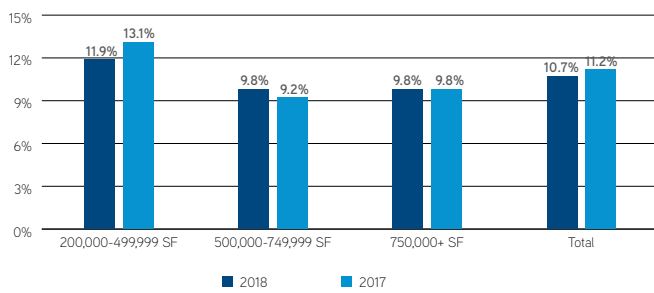
One of Atlanta’s many logistics advantages is its close proximity to [the Port of Savannah](#), the fourth-largest seaport in North America and the second-largest on the East Coast. The Port of Savannah is home to the Garden City Terminal—the largest single terminal in the U.S., which operates two Class I rail yards. Some of the largest industrial markets in the U.S., including Atlanta, are within just a four-hour drive from the Port of Savannah.

In 2018, the region became home to the [Appalachian Regional Port](#). The new inland port located in nearby Chatsworth, GA offers direct rail service from the Port of Savannah’s Garden City Terminal, significantly lowering truck traffic through the Atlanta area.

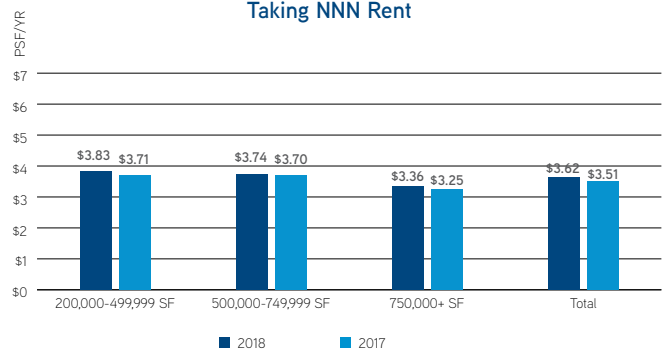


Key Statistics

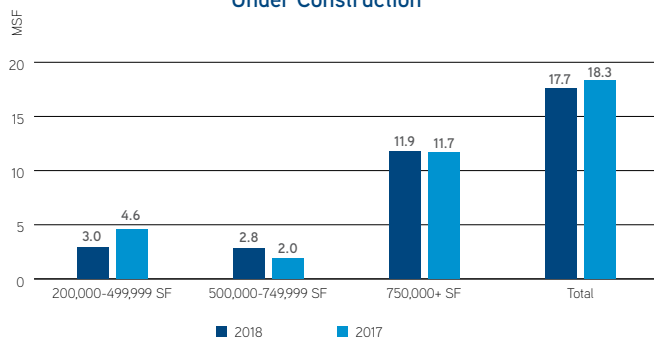
Vacancy Rate



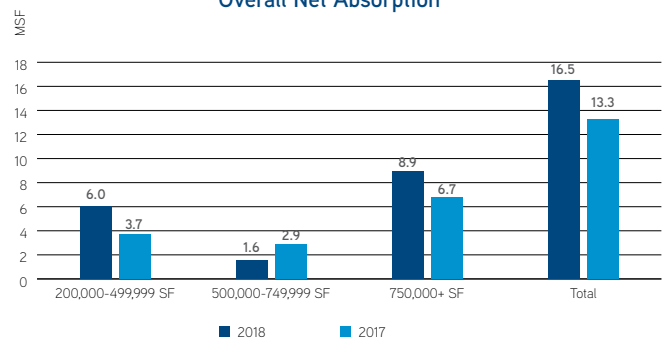
Taking NNN Rent



Under Construction



Overall Net Absorption



Notable Transactions

Big-Box Leases - 2018

Tenant	Lease Size (SF)	Building Address	City	Lease Type
Saddle Creek Logistics	1,208,301	590 Coweta Industrial Park	Newnan, GA	New-Direct
Haier/GE Appliances	1,099,880	Commerce 85 Logistics Park	Commerce, GA	Build-To-Suit
Medical Depot	1,054,500	500 Palmetto Logistics Pkwy.	Fairburn, GA	New-Direct
Kellogg's	903,145	5390 Hunter Rd.	Atlanta, GA	Renewal

Big-Box Sales - 2018

Buyer	Building Size (SF)	Building Address	City	Sale Type	Sale Price (PSF)
CBRE Global Investors	2,307,790	405 King Mill Rd.	McDonough, GA	Investment	\$67.64
Uline	1,000,821	705 Braselton Industrial Blvd.	Braselton, GA	User	\$69.96
Monmouth Real Estate	373,750	650 Braselton Pkwy.	Braselton, GA	Investment	\$163.51
TA Realty	698,068	225 Midland Ct.	McDonough, GA	Investment	\$60.17

Historical Data

	# of Buildings	Existing Inventory	Vacant Inventory	Vacancy Rate	Leasing Activity	Net Absorption	Taking NNN Rent	Cap Rate	Under Construction	Construction Completions
2009	288	125,668,539	22,418,851	17.8%	10,354,169	664,656	\$2.85	8.4%	4,036,767	1,216,162
2010	291	128,555,306	23,530,818	18.3%	9,309,760	1,774,800	\$2.76	8.5%	2,041,229	2,886,767
2011	294	130,596,535	19,256,953	14.7%	10,608,833	6,315,094	\$2.80	7.8%	1,336,120	2,041,229
2012	297	132,218,255	19,195,586	14.5%	16,153,972	1,683,087	\$2.78	7.6%	3,042,439	1,621,720
2013	302	135,260,694	18,455,196	13.6%	18,756,261	3,782,829	\$2.89	6.9%	2,195,278	3,042,439
2014	309	139,310,262	11,403,213	8.2%	22,375,091	11,101,551	\$3.01	6.8%	9,890,390	4,049,568
2015	324	149,336,287	12,253,626	8.2%	13,397,571	9,175,612	\$3.25	5.9%	14,120,655	10,026,025
2016	357	167,233,385	18,943,115	11.3%	22,403,937	11,207,609	\$3.41	6.1%	15,404,016	17,897,098
2017	382	181,863,240	20,279,999	11.2%	24,955,747	13,292,971	\$3.51	6.0%	18,324,688	14,629,855
2018	411	199,372,201	21,307,288	10.7%	25,651,112	16,481,672	\$3.62	5.5%	17,658,062	17,508,961

A night-time photograph of the Chicago skyline, featuring several prominent skyscrapers with illuminated windows against a dark sky. The buildings vary in architectural style, with some having classical facades and others being more modern glass structures.

Illinois

Chicago

\$4.58 per square foot per year average first year taking rent in 2018 is the highest on record.

[VIEW PROPERTIES](#)

With its multitude of logistics advantages, and more than 37 million people residing within 250 miles, Chicago remains one of the most in-demand big-box markets in North America. Because of this demand, fundamentals were robust in 2018, with strong leasing activity, lower vacancies, significant investor activity and increased taking rents.

New leasing activity was robust once again in 2018, with just under 16.5 million square feet of new transactions signed, an all-time record for the market. Continued strong activity kept net absorption positive at nearly 11 million square feet, the fourth consecutive year net absorption surpassed 10 million square feet. Strong activity raised first year taking rents to \$4.58 per square foot per year NNN, a \$0.05 per square foot per year increase compared with the same time a year ago. Increased rents kept investor interest strong and sale prices high, keeping cap rates low at 5.1%, the fifth consecutive year cap rates were less than 6%.

Overall vacancy rates declined in the region to 9.1%, 50 basis points lower than the previous year. Despite lower vacancies and new development dipping—finishing at a still-strong 10 million square feet in 2018—there was an additional 15.7 million square feet under construction at year-end. With demand expected to keep its current pace, and new supply from development expected to increase, vacancy rates will remain stable and taking rents will continue its upward trajectory in the coming year.

Look for e-commerce, retail and wholesale occupier demand to stay robust, but the biggest increases in occupier demand will come from the third-party logistics industry as many of its occupiers look to shore up their footprint in core markets across the country to increase their ability to service their clients' e-commerce requirements.



Jack Rosenberg, SIOR

National Director, Logistics and Transportation Group
Principal | Chicago

“The Chicago industrial real estate market continues to show great fundamentals for real estate investors. Tenants will find new buildings with higher ceilings, better loading and state-of-the-art energy efficiencies, however the low vacancy rates means competition for the best availabilities and higher rents. Chicago’s eight million-plus population and our location with great rail intermodal service, a great airport and our location in the middle of the country continues to drive our industrial real estate market.”

Building Inventory

200,000 - 499,999 SF

422

Big-Box Buildings

32

Fully Vacant

500,000 - 749,999 SF

88

Big-Box Buildings

8

Fully Vacant

> 750,000 SF

68

Big-Box Buildings

7

Fully Vacant

Major Logistics Driver

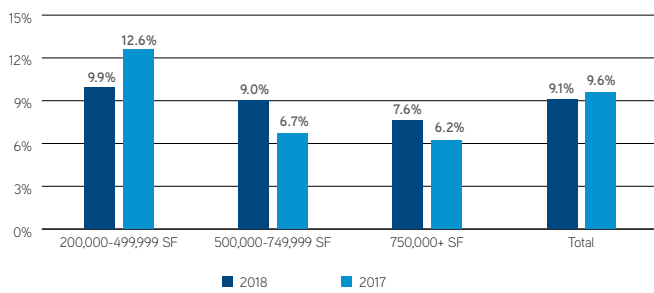
Chicago is the major rail center of the United States. Six of the seven rail lines have hubs in the greater Chicago area, a primary reason the region is one of the largest big-box industrial markets in the country. The region claims 70% of the nation’s rail and intermodal activity.

Rail is not the only logistics advantage the region provides. Three of the nation’s busiest transcontinental expressways cross through the region. The Chicago Air Gateway comprises O’Hare International Airport and the Midway Airport. Consistently recognized as one of the busiest airports in the world, [Chicago O’Hare International Airport](#) is not only a national aviation hub, it is also a global air cargo gateway, providing billions of dollars in trade to Chicago’s economy. Chicago O’Hare is the fourth-busiest cargo airport in the U.S. and its cargo capabilities will continue to be an advantage for occupiers in the region.

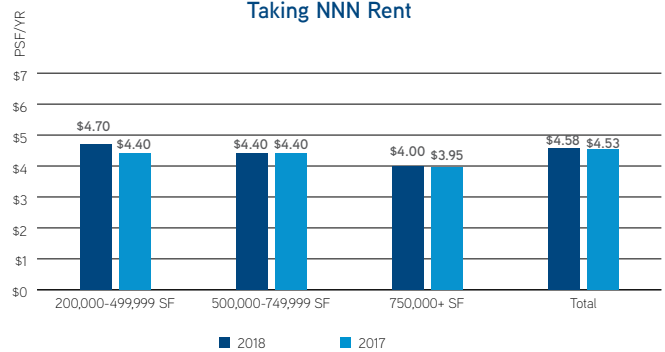


Key Statistics

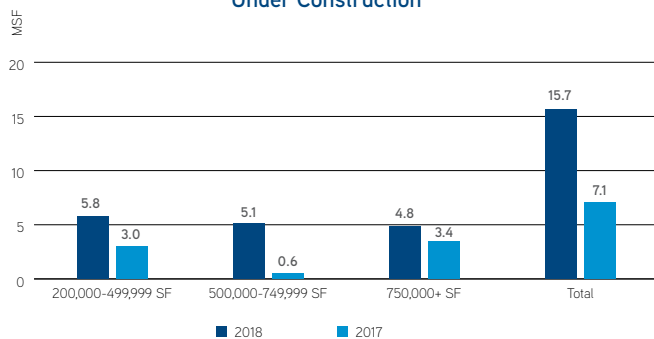
Vacancy Rate



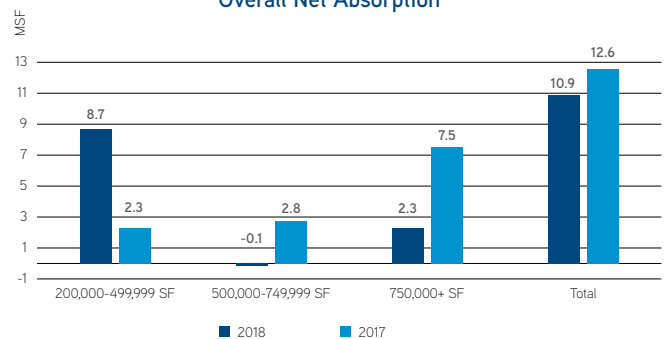
Taking NNN Rent



Under Construction



Overall Net Absorption



Notable Transactions

Big-Box Leases - 2018


Tenant	Lease Size (SF)	Building Address	City	Lease Type
Whirlpool Corporation	1,001,184	3851 Youngs Rd.	Joliet, IL	Expansion/Renewal
S&S Activewear	750,314	Pending Street Address	Lockport, IL	Build-To-Suit
Kellogg's	705,661	Cargo Ct.	Minooka, IL	Build-To-Suit
Berner Food & Beverage	675,840	Baxter Rd.	Rockford, IL	Build-To-Suit

Big-Box Sales - 2018

Buyer	Building Size (SF)	Building Address	City	Sale Type	Sale Price (PSF)
Prologis	5,445,799	12 Chicago-area big-box buildings	Various	Part of an entity-level acquisition of DCT Industrial Trust	-
The Blackstone Group LP	3,206,344	8 Chicago-area big-box buildings	Various	Part of a 342-property national investment portfolio sale	-
The Blackstone Group LP	1,895,170	5 Chicago-area big-box buildings	Various	Part of a 148-property national investment portfolio sale	-
The Blackstone Group LP	1,744,203	3 big-box buildings	Aurora, IL	3-property investment portfolio sale	\$86.34

Historical Data

	# of Buildings	Existing Inventory	Vacant Inventory	Vacancy Rate	Leasing Activity	Net Absorption	Taking NNN Rent	Cap Rate	Under Construction	Construction Completions
2009	402	174,896,238	28,333,191	16.2%	8,770,405	2,840,661	\$3.69	6.2%	-	5,309,160
2010	406	174,896,238	24,310,577	13.9%	9,876,554	4,022,613	\$3.47	6.5%	1,350,000	-
2011	407	176,246,238	17,977,116	10.2%	11,496,182	7,683,461	\$3.61	7.0%	627,100	1,350,000
2012	410	177,111,981	15,762,966	8.9%	13,372,315	3,079,893	\$3.98	7.0%	4,026,851	865,743
2013	418	183,433,259	15,591,827	8.5%	15,967,560	6,492,417	\$4.10	6.5%	4,307,145	6,321,278
2014	437	191,107,885	13,759,768	7.2%	12,902,662	9,506,685	\$4.43	5.8%	8,801,182	7,674,626
2015	477	207,187,079	14,710,283	7.1%	16,248,184	15,128,679	\$4.46	5.3%	11,037,540	16,079,194
2016	518	224,730,700	16,180,610	7.2%	14,390,831	16,073,293	\$4.49	5.0%	19,208,730	17,543,621
2017	554	244,687,531	23,561,292	9.6%	11,266,980	12,576,149	\$4.53	5.0%	7,054,698	19,956,831
2018	578	254,916,764	23,132,105	9.1%	16,447,765	10,867,349	\$4.58	5.1%	15,650,290	10,235,066



Ohio

Cincinnati

5.3 million square feet of overall net absorption in 2018 is an all-time record.

[VIEW PROPERTIES](#)

The Cincinnati big-box market is particularly well-suited to meet the growing demand for faster delivery and the accompanying demand for warehousing and transportation. While demand from e-commerce and general retail companies continues, 3PLs expanded within the market at a robust pace in 2018, signing many large deals. These deals helped drop industrial big-box vacancies to all-time lows, activity to all-time highs and increased new development. By year-end, nearly 5.8 million square feet of big-box product had leased. The significant amount of leasing activity increased net absorption to 5.2 million square feet, more than double last year's total and by far the most annual net absorption for the region on record.

The exceptional activity is pushing up taking rents, which finished 2018 at a decade-high \$4.00 per square foot per year NNN. Demand has also driven up investor activity in the market with many investors including Mapletree Investors and Blackstone who made large acquisitions in 2018. Despite increased investor demand, cap rates remain above the national average, finishing 2018 at 6%.

All signs point to continued growth in the Cincinnati big-box market in the coming quarters. The market's logistics advantages and pro-business policies will drive an increasing number of occupiers to move into or expand within the market. This will keep activity, development and rent growth strong in the region for the foreseeable future.



John B Gartner III, SIOR

Senior Vice President & Principal | Cincinnati

“Cincinnati’s industrial market finished 2018 posting record absorption along with a historically high amount of construction activity. Over the next 12 months, nearly eight million square feet of bulk logistics and warehouse/distribution product will be added to the inventory, 5.8 million square feet of which is speculative. E-commerce remains the primary demand generator. Access to a large percentage of the U.S. population via truck, rail, air and water; a quality labor force; a thriving consumer products industry; and highly experienced industrial developers and owners all combine to make the Southwest Ohio and Northern Kentucky region an attractive hub for logistics operations.”

Building Inventory

200,000 - 499,999 SF

112 Big-Box Buildings

2 Fully Vacant

500,000 - 749,999 SF

32 Big-Box Buildings

0 Fully Vacant

> 750,000 SF

13 Big-Box Buildings

1 Fully Vacant

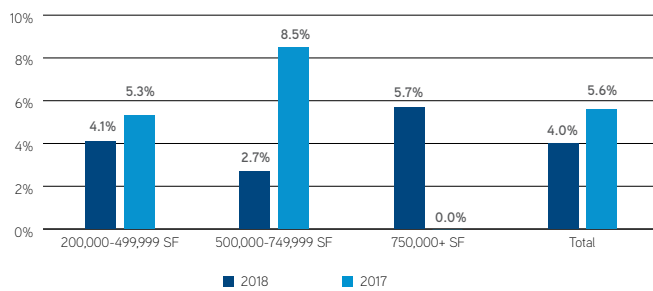
Major Logistics Driver

Cincinnati’s central location makes it an ideal location from a logistics standpoint. Cincinnati is becoming an e-commerce destination due to its large workforce, excellent transportation advantages and a population of more than 35 million people within 250 miles. Cincinnati’s two main airports make the region one of the prime air freight markets in the country. The [Cincinnati/Northern Kentucky International Airport](#) is one of the largest air cargo ports in the country, finishing in the top ten in 2018. The market has the advantage of also being near the Louisville International Airport, ranked the third largest cargo airport in the U.S., which is home to [UPS’ international air hub](#). While Cincinnati was not chosen as the location for Amazon.com’s HQ2, it is home to the new [Amazon Prime Air hub](#).

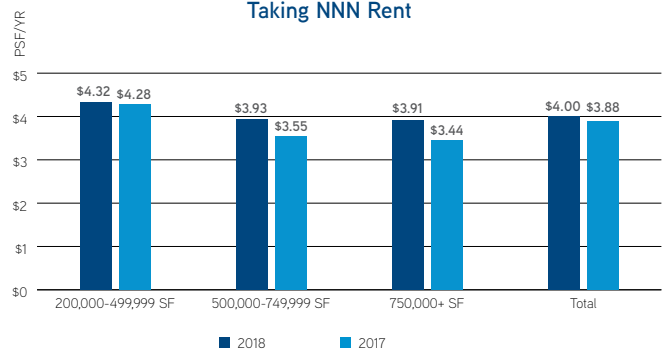


Key Statistics

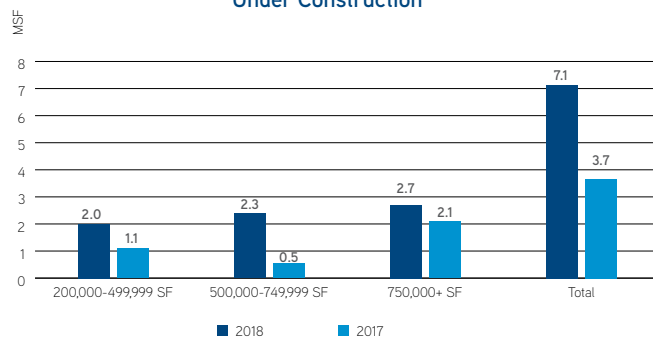
Vacancy Rate



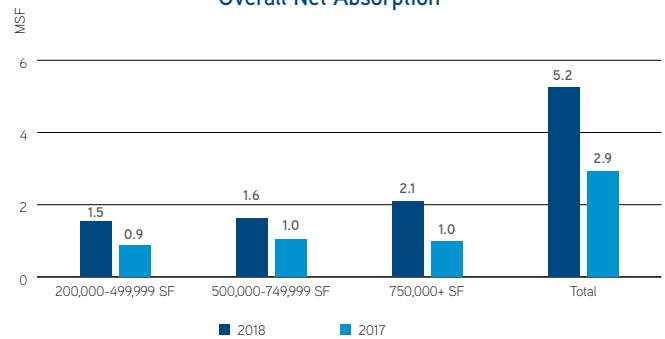
Taking NNN Rent



Under Construction



Overall Net Absorption



Notable Transactions

Big-Box Leases - 2018

Tenant	Lease Size (SF)	Building Address	City	Lease Type
Design Within Reach	617,670	South Afton Industrial Park	Batavia, OH	Build-to-Suit
UMA Enterprises	589,200	2365 Litton Ln.	Hebron, KY	New-Direct
Schenker Logistics	541,250	2505 Ted Bushelman Blvd.	Hebron, KY	New-Direct
Cornerstone Brands	479,512	8754 Trade Port Dr.	West Chester, OH	Renewal

Big-Box Sales - 2018

Buyer	Building Size (SF)	Building Address	City	Sale Type	Sale Price (PSF)
Dalfen America	905,446	Capital Center I	Springdale, OH	Investment	\$31.70
Blackstone RE Income Trust	595,786	Airpark Exchange Business Park	Hebron, KY	Investment	\$54.38
STAG Industrial	465,136	1100 Burlington Pike	Fairfield, KY	Investment	\$34.40
Mapletree Investments Ltd	303,376	4520 LeSaint Cir.	Fairfield, OH	Investment	\$64.61

Historical Data

	# of Buildings	Existing Inventory	Vacant Inventory	Vacancy Rate	Leasing Activity	Net Absorption	Taking NNN Rent	Cap Rate	Under Construction	Construction Completions
2009	125	48,106,385	6,687,322	13.9%	N/A	-1,750,895	\$2.77	10.4%	-	870,135
2010	125	48,106,385	5,641,802	11.7%	N/A	1,045,520	\$2.93	9.0%	366,096	-
2011	126	48,909,185	6,368,636	13.0%	3,013,872	-726,834	\$2.88	8.1%	930,588	802,800
2012	128	49,111,185	5,509,099	11.2%	2,279,043	1,061,537	\$2.77	8.0%	1,227,046	1,072,046
2013	131	50,169,056	4,143,516	8.3%	5,358,153	2,423,454	\$3.05	7.2%	1,789,500	1,150,000
2014	133	51,394,043	2,662,329	5.2%	3,007,563	3,144,497	\$2.81	7.2%	2,156,220	1,808,164
2015	137	53,623,657	3,179,593	5.9%	1,956,168	1,809,123	\$3.36	6.9%	2,110,587	2,931,375
2016	143	57,289,504	4,191,432	7.3%	3,444,246	2,654,038	\$3.67	7.0%	2,214,973	3,665,877
2017	148	59,363,184	3,335,511	5.6%	5,470,578	2,910,501	\$3.88	6.1%	3,663,328	2,073,680
2018	157	66,072,237	2,640,734	4.0%	5,759,419	5,248,250	\$4.00	6.0%	7,128,374	4,728,915



Ohio

Columbus

36 million people
live within 250 miles of Columbus.

[VIEW PROPERTIES](#)

Columbus is one of the fastest-growing big-box markets because of its plethora of logistics advantages and its location near a large young population. Occupiers continued to lease space at a rapid pace in 2018 with more than 9.3 million square feet of new leasing activity, nearly double last year's total, and the second highest mark on record.

The large amount of leasing activity kept occupancy gains strong at 3.7 million square feet, nearly 25% higher than 2017. Positive absorption will continue at a rapid pace in 2019, as many of the large transactions signed in late 2018 will occupy—a good sign that 2019 will finish with the 10th consecutive year of positive absorption for big-box space. Continued positive absorption drove up first year taking rents to an all-time high of \$3.57 per square foot per year NNN, 7% higher than the previous year. Columbus is ripe for increased investor demand because of higher taking rents and a cap rate of 7.1%, much higher than nearby core markets.

Developers were bullish about the Columbus industrial market in 2018, with 4.8 million square feet of new development. Factors driving development include a booming inland port and a growing population base of nearly 36 million people within 250 miles of Columbus. These factors are also increasing e-commerce and retail demand in the region, with Amazon.com and Goodyear taking large facilities in the region. In the coming quarters, look for leasing activity to stay strong, keeping net absorption positive, and taking rents to continue their rise for the foreseeable future. With new development decreasing the first half of 2019, vacancies will decrease, but new development is warranted and needed—at the time of this report there was only one vacant building in Columbus larger than 500,000 square feet.



Michael Linder, SIOR

Executive Vice President & Principal | Columbus

“In 2019, the Columbus industrial market can expect continued positive absorption and a growing reputation as a logistics hub. Columbus, particularly in the south and west, is very desirable to logistics providers, e-commerce companies and manufacturers, as it has easy access to I-70 and I-71 as well as developable land. The region is located within a ten-hour drive of 46% of the U.S. population—a competitive advantage over other large metros. With Rickenbacker Inland Port, one of the world’s only cargo-specific airports, and the Norfolk Southern Intermodal Yard, Columbus boasts the access and resources needed for future international business.”

Building Inventory

200,000 - 499,999 SF

110 Big-Box Buildings

6 Fully Vacant

500,000 - 749,999 SF

25 Big-Box Buildings

1 Fully Vacant

> 750,000 SF

28 Big-Box Buildings

0 Fully Vacant

Major Logistics Driver

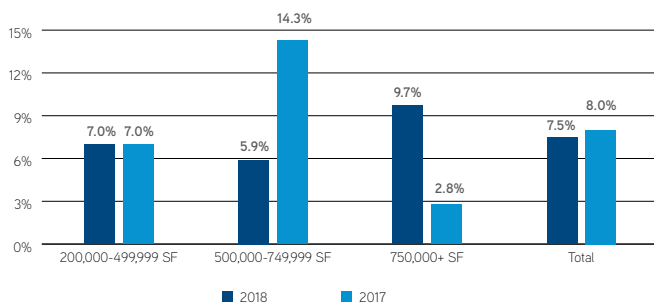
The [Rickenbacker Inland Port](#) serves as a hub for importing and exporting freight via air and rail, positioning Columbus to take advantage of future increases in shipping to East Coast ports driven by the expansion of the Panama Canal. The majority of rail freight traveling to Columbus is international and reaches the Ohio Valley via East Coast and West Coast ocean ports.

The port is serviced by Norfolk Southern and CSX. The Norfolk Southern Rickenbacker Intermodal Terminal, which covers 175 acres and can handle more than 400,000 containers annually, is located in the heart of the facility. The land development within the port has the capacity to grow to 70 million square feet of industrial space.

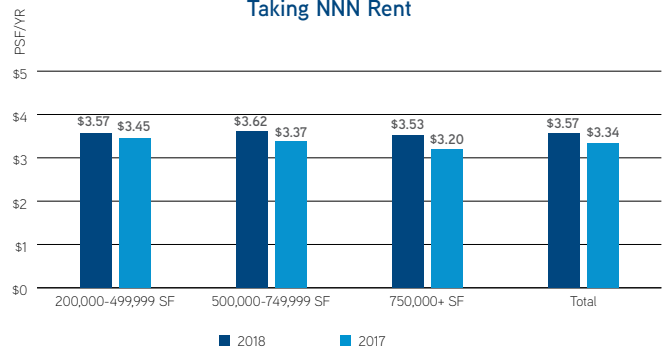


Key Statistics

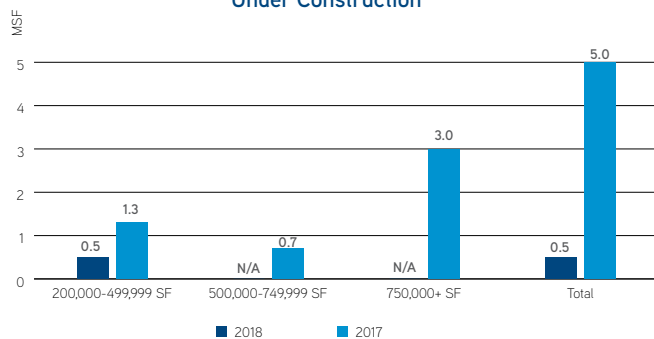
Vacancy Rate



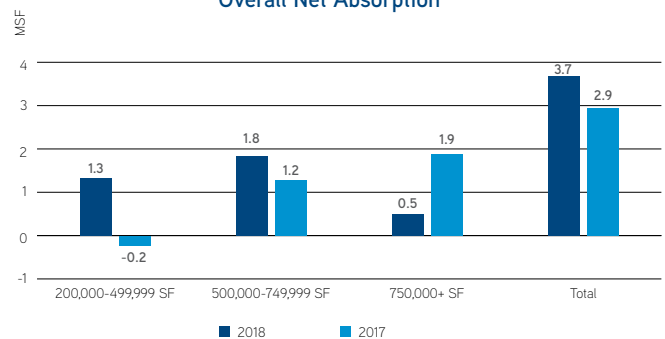
Taking NNN Rent



Under Construction



Overall Net Absorption



Notable Transactions

Big-Box Leases - 2018


Tenant	Lease Size (SF)	Building Address	City	Lease Type
Goodyear	1,200,000	N/A	Groveport, OH	Build-To-Suit
FedEx	975,000	N/A	Groveport, OH	Build-To-Suit
Amazon.com	855,000	1550 W. Main St.	West Jefferson, OH	Build-To-Suit
Quaker	802,000	1901 Beggrow St.	Lockbourne, OH	New-Direct

Big-Box Sales - 2018

Buyer	Building Size (SF)	Building Address	City	Sale Type	Sale Price (PSF)
LCN Capital Partners	2,071,908	6600 Alum Creek Dr.	Groveport, OH	Investment	\$24.13
Granite REIT	1,223,780	100 Enterprise Pkwy.	West Jefferson, OH	Investment	\$74.36
The Blackstone Group	1,001,344	6606 Pontius Rd.	Groveport, OH	Investment	\$68.84
Granite REIT	743,600	115 Enterprise Pkwy.	West Jefferson, OH	Investment	\$48.00

Historical Data

	# of Buildings	Existing Inventory	Vacant Inventory	Vacancy Rate	Leasing Activity	Net Absorption	Taking NNN Rent	Cap Rate	Under Construction	Construction Completions
2009	131	68,334,484	11,225,573	16.0%	4,521,805	804,157	\$2.90	7.8%	-	276,787
2010	131	68,334,484	9,048,373	12.9%	4,720,497	2,133,886	\$2.88	7.8%	-	-
2011	131	68,334,484	10,172,679	14.7%	5,480,145	-1,233,165	\$2.65	7.9%	-	-
2012	131	68,334,484	8,277,577	12.0%	5,216,773	1,895,102	\$2.43	7.6%	478,053	-
2013	133	69,406,367	6,596,766	9.3%	6,214,907	2,757,896	\$2.32	7.4%	1,221,653	1,071,883
2014	138	71,826,948	5,398,180	7.4%	6,294,946	3,619,167	\$2.86	7.1%	1,369,912	2,420,581
2015	142	74,053,660	8,572,251	11.1%	9,518,280	-708,685	\$3.08	6.9%	4,703,145	2,226,712
2016	149	78,756,805	7,313,695	9.0%	4,413,865	5,831,622	\$3.08	7.0%	831,350	4,703,145
2017	153	80,146,300	5,751,928	8.0%	6,454,459	2,946,472	\$3.34	7.1%	4,995,525	1,389,495
2018	161	84,839,513	6,382,079	7.5%	9,275,480	3,676,077	\$3.57	7.1%	465,478	4,759,380



Texas

Dallas-Fort Worth

\$3.82 per square foot
per year average first year taking rent
in 2018 is the highest on record.

[VIEW PROPERTIES](#)

Dallas-Fort Worth's location, abundance of land and strong labor force makes it one of the fastest-growing big-box markets in the country. While activity was not on par with 2017, there were still plenty of new transactions signed in the region, bringing new leasing activity to nearly 23 million square feet in 2018, the fifth consecutive year that new leasing activity surpassed 20 million square feet and the third-highest in North America. Net absorption was also robust at just over 14 million square feet, the fourth consecutive year exceeding 10 million square feet.

Continued strong leasing activity and positive net absorption put upward pressure on taking rental rates. The first year taking rents for big-box product finished 2018 at a record high \$3.82 per square foot per year NNN. While record high rents would be a cause for concern in previous cycles, rapidly expanding transportation costs make locating in Dallas-Fort Worth necessary to any occupiers supply chain and mitigates the expanding cost to rent facilities in the region. Cap rates in the region are higher than the North American average, finishing 2018 at 6.6%, as the Dallas-Fort Worth market continued to offer investors the potential for higher yields compared to other core markets in the U.S.

Despite a decline in activity, new construction continues to be completed at a rapid pace with nearly 20 million square feet of construction completions. There is no end in sight to the massive amount of big-box development in Dallas-Fort Worth, as more than 15.3 million square feet of big-box product was under construction at year-end. Because of continued new development, overall vacancy rates are on the rise, finishing 2018 at 11.2%, the highest vacancy rate since 2011.

There are plenty of reasons for optimism for the Dallas-Fort Worth big-box market for 2019 and beyond. The population is growing, with more than 26 million people within 250 miles of the core. Labor is abundant and average hourly wages for warehouse workers finished 2018 at \$13.63, lower than the national average of \$13.97 per hour. Corporations continue to move their headquarters into the region at a swift pace, attracting new consumers. Also despite a drop in activity in 2018, there are plenty of tenants currently looking for space, which will increase leasing fundamentals in the first half of 2019. With Dallas' economic prowess and rising population, big-box activity will likely remain strong and continue to absorb much of the new development in the region in the coming quarters.



Allen Gump SIOR, CCIM

Executive Vice President | Dallas

“While it was impossible to keep 2017’s pace of net absorption going into 2018, the Dallas-Fort Worth market still was able to absorb a significant amount of space. Currently we know there are several million square feet of deals circling the DFW region, and several build-to-suits larger than 500,000 square feet are currently under construction in both Dallas and Fort Worth. The fourth quarter saw large deals signed in existing buildings by companies new to the DFW area—always a great sign. Fort Worth is seeing activity in new construction in north and south Fort Worth as well as the Alliance area by multiple developers, and with a robust county labor base it’s sure to be successful. South Dallas and East Dallas will continue to attract the largest of users due to the land opportunities available.”

Building Inventory

200,000 - 499,999 SF

380 Big-Box Buildings **59** Fully Vacant

500,000 - 749,999 SF

96 Big-Box Buildings **16** Fully Vacant

> 750,000 SF

64 Big-Box Buildings **7** Fully Vacant

Major Logistics Driver

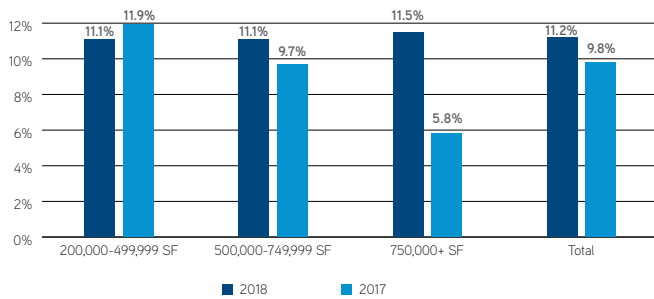
Dallas-Fort Worth’s central U.S. location enables the market to act as an advantageous distribution hub, with quick access to rail, air and truck transportation. The region is a global inland port with two locations capable of large-scale cargo operations: [Alliance Global Logistics Hub](#) and [Southern Dallas County Inland Port](#).

Home to major rail logistics operations for the two primary western U.S. railroads—BNSF Railway and Union Pacific Railroad—Dallas-Fort Worth can tap into major east-west arteries and provide important links to Mexican markets. By truck, distributors can efficiently move products throughout the central United States, reaching 93% of the population within 48 hours.

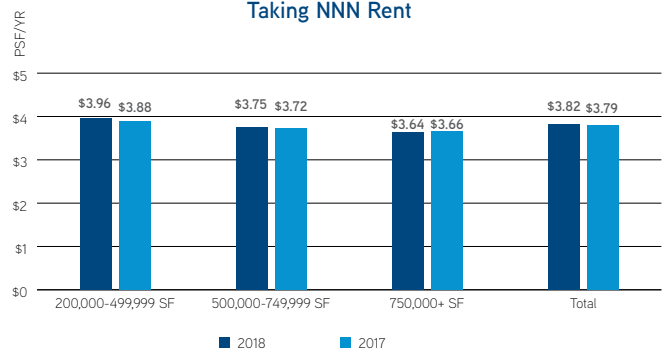


Key Statistics

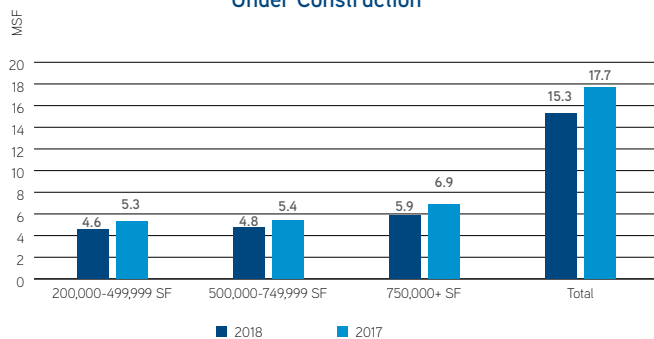
Vacancy Rate



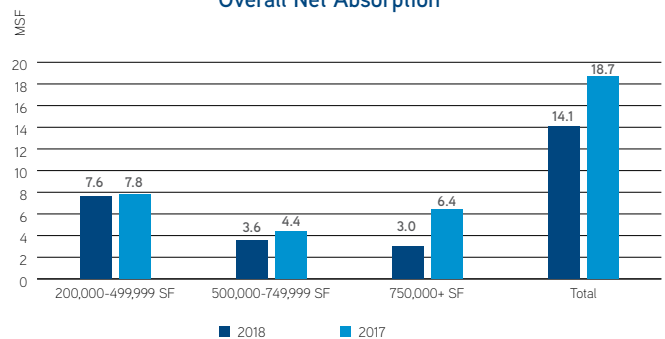
Taking NNN Rent



Under Construction



Overall Net Absorption



Notable Transactions

Big-Box Leases - 2018

Tenant	Lease Size (SF)	Building Address	City	Lease Type
Home Depot	1,500,000	9314 W. Jeffersson Blvd.	Grand Prairie, TX	New-Direct
Stanley Black & Decker	1,214,526	8601 E. Sam Lee Ln.	Northlake, TX	New-Direct
HD Supply	863,328	Mountain Creek Pkwy and I-20	Grand Prairie, TX	New-Direct
Living Spaces	858,000	1303 W. Pioneer Pkwy.	Grand Prairie, TX	New-Direct

Big-Box Sales - 2018

Buyer	Building Size (SF)	Building Address	City	Sale Type	Sale Price (PSF)
Brookfield Property Group	1,499,570	1100 and 1150 E. Cleveland	Dallas, TX	Investment	\$54.00
Liberty Property Trust	900,043	3535 N. Houston School Rd.	Lancaster, TX	Investment	\$58.00
Pure Industrial REIT	657,043	4800 Sylvania	Fort Worth, TX	Investment	\$93.00
John Hancock Real Estate	603,050	300 Gateway Pkwy.	Roanoke, TX	Investment	\$65.00

Historical Data

	# of Buildings	Existing Inventory	Vacant Inventory	Vacancy Rate	Leasing Activity	Net Absorption	Taking NNN Rent	Cap Rate	Under Construction	Construction Completions
2009	343	145,077,649	28,999,146	20.0%	12,357,250	2,840,062	\$3.28	7.8%	400,123	9,098,767
2010	344	145,477,772	26,733,063	18.4%	11,295,086	2,666,206	\$3.21	8.0%	1,020,000	400,123
2011	346	146,802,772	20,076,380	13.7%	18,796,352	7,981,683	\$3.18	8.0%	951,480	1,325,000
2012	347	147,754,252	15,199,568	10.3%	17,117,770	5,828,292	\$3.22	7.4%	3,265,722	951,480
2013	359	154,234,473	12,279,273	8.0%	24,358,763	9,400,516	\$3.26	6.3%	12,408,399	6,480,221
2014	383	168,405,670	18,492,747	11.0%	22,270,784	7,957,723	\$3.51	6.8%	12,860,719	14,171,197
2015	416	183,482,638	19,263,148	10.5%	27,778,017	14,306,567	\$3.66	7.0%	15,428,887	15,076,968
2016	454	199,529,585	17,941,585	9.0%	26,173,665	17,368,510	\$3.72	6.0%	19,774,986	16,046,947
2017	498	221,945,347	21,701,777	9.8%	25,644,567	18,655,570	\$3.79	6.8%	17,652,019	22,415,762
2018	539	241,571,578	27,176,036	11.2%	22,358,742	14,151,972	\$3.82	6.6%	15,278,607	19,626,231



Arizona

Greater Phoenix

4.2 million square feet completed construction in 2018, the most in over a decade.

The Greater Phoenix big-box market remains an attractive option for occupiers and investors because of its proximity to a growing population, a strong workforce base, an expanded and modernized highway system and more attractive rental rates compared to markets in Southern California. Nearly five million people live in the Phoenix metro area—the 12th highest in the U.S.—and this number is expected to grow over 8% in the next five years, according the U.S. Census Bureau. Phoenix also has an affordable workforce compared to other industrial markets in the Southwest, with hourly warehouse workers making an average of \$14.25 per hour at year-end, much lower than the Inland Empire’s average of \$14.70.

The Greater Phoenix market was one of the hardest hit by the subprime mortgage collapse and subsequent recession, with overall vacancy rates for big-box product topping out at a whopping 30% in 2009. Much of that vacancy was occupied as the economy improved, dropping to 9.9% in 2012, then escalated as new speculative development increased to coincide with the demand for e-commerce fulfillment centers. The market finished 2018 with an overall vacancy rate of 18.8%, 2.8 percentage points higher than 2017, but 0.9 percentage points lower than 2016.

[VIEW PROPERTIES](#)

Big-box activity was solid in 2018 with 3.9 million square feet of new leasing activity. This kept net absorption positive for the fifth consecutive year, at 1.4 million square feet. Despite a double-digit vacancy rate, new development increased in 2018 with a record 4.2 million square feet completed. Because of higher vacancies, developers do seem hesitant to break ground on new product, as at year-end only 1.9 million square feet was under construction.

Despite higher vacancies to finish the year, signs point to continued growth in the Greater Phoenix big-box market in 2019. There are a solid number of tenants currently in the market, ranging from e-commerce retailers to 3PLs, to data center occupiers—a growing demand driver in the region. The region will compete with Southern California for new occupiers because of its economic rents, strong labor force, availability of modern product, and pro-business environment. Because of this activity there will be upward pressure on taking rents and sale prices, and cap rates will remain low for the foreseeable future.



Don MacWilliam

Executive Vice President | Phoenix

“The Greater Phoenix big-box market offers many options and solid market dynamics. We have a multitude of Class A options with rents 10-12% less than our neighbors in Southern California and Nevada. Labor is abundant, with hourly wages lower than comparative markets in the Southwest U.S. New product continues to be built along I-10 and the new Loop freeways, providing a very solid foundation for logistics locally and in the region. These features, along with the growing air cargo capabilities of Sky Harbor Airport, will have occupiers expanding into the region for the foreseeable future”

Building Inventory

200,000 - 499,999 SF

78 Big-Box Buildings

8 Fully Vacant

500,000 - 749,999 SF

23 Big-Box Buildings

1 Fully Vacant

> 750,000 SF

11 Big-Box Buildings

1 Fully Vacant

Major Logistics Driver

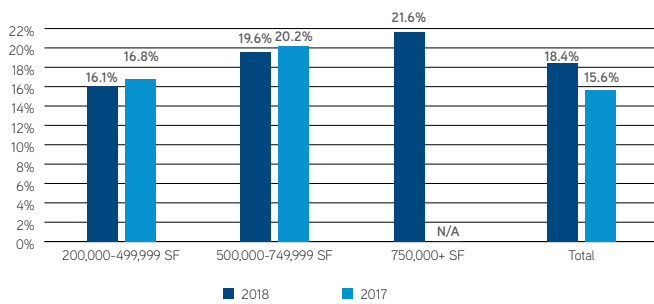
Phoenix expanded its local interstate system including improvements and expansions to Loop 202 and 303—this along with its location along [I-10](#) gives the market a significant logistical advantage in reaching the Southwest populace. Rail access is also robust with two transcontinental railroads servicing the area.

The [Phoenix Sky Harbor Airport](#) is a burgeoning air cargo hub utilized by both FedEx and UPS that recently ranked 18th in the country in total cargo. The Greater Phoenix region’s biggest logistics driver is its populace. The region boasts a growing population and the third-largest labor pool for distribution occupations in the Western U.S. Distribution wages are lower than California and the state is a right to work state. With the increased need for labor because of e-commerce, the region will continue to prosper for the foreseeable future.

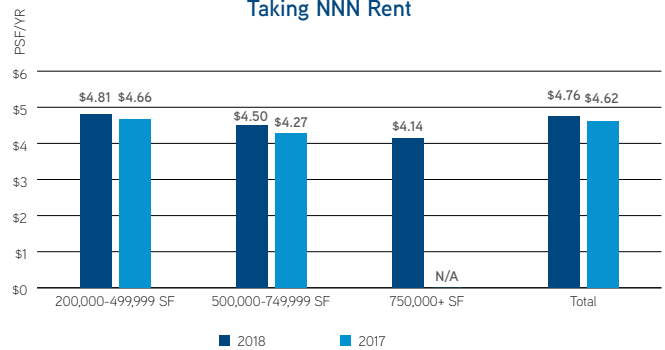


Key Statistics

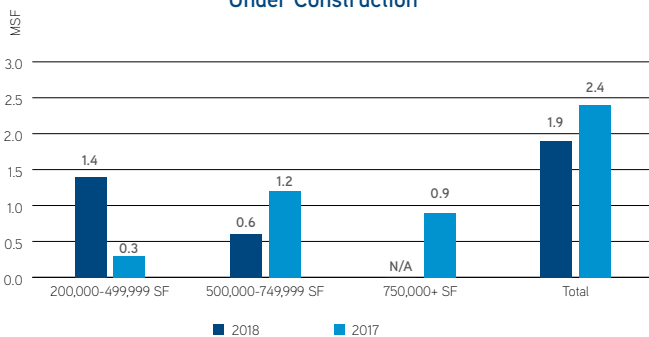
Vacancy Rate



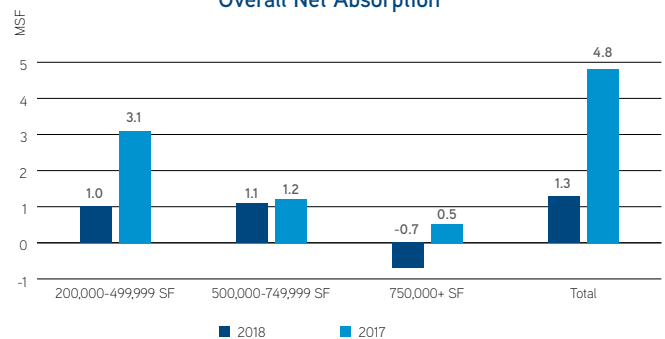
Taking NNN Rent



Under Construction



Overall Net Absorption



Notable Transactions

Big-Box Leases - 2018

Tenant	Lease Size (SF)	Building Address	City	Lease Type
Albertsons	910,250	400 S. 99th Ave.	Tolleson, AZ	New - Direct
XPO Logistics	643,798	16560 W. Sells Dr.	Goodyear, AZ	New - Direct
Blue Buffalo Pet Products, Inc.	540,349	16811 W. Commerce Dr.	Goodyear, AZ	New - Direct
Serta Mattress	219,465	200 N. 99th Ave.	Tolleson, AZ	New - Direct

Big-Box Sales - 2018

Buyer	Building Size (SF)	Building Address	City	Sale Type	Sale Price (PSF)
CrossHarbor Capital Partners LLC	1,009,351	6835 W. Buckeye Rd.	Phoenix, AZ	Investment	\$97.41
Colony Capital, Inc.	910,250	400 S. 99th Ave.	Tolleson, AZ	Sale-Leaseback	\$127.58
CBRE Global Investors Ltd	684,420	7775 W. Buckeye Rd.	Phoenix, AZ	Investment	\$70.86
Prologis Group	535,213	8602 W. Buckeye Rd.	Tolleson, AZ	Investment	\$88.52

Historical Data

	# of Buildings	Existing Inventory	Vacant Inventory	Vacancy Rate	Leasing Activity	Net Absorption	Taking NNN Rent	Cap Rate	Under Construction	Construction Completions
2009	76	32,367,611	9,720,545	30.0%	1,582,373	589,159	\$4.10	9.1%	1,148,709	2,084,710
2010	78	33,516,320	7,731,422	23.1%	4,999,503	3,137,832	\$3.86	8.3%	-	1,148,709
2011	78	33,516,320	3,773,973	11.3%	6,125,424	3,957,449	\$3.68	7.4%	-	-
2012	78	33,516,320	3,309,599	9.9%	2,750,431	464,374	\$4.08	5.5%	-	-
2013	85	36,652,850	6,770,956	18.5%	1,850,911	-324,827	\$4.14	5.6%	698,853	3,136,530
2014	87	37,629,864	7,667,709	20.4%	1,749,359	80,261	\$4.24	5.0%	1,344,038	977,014
2015	90	39,360,002	7,255,652	18.4%	2,898,714	2,142,195	\$4.39	6.1%	215,000	1,730,138
2016	94	40,986,322	7,892,166	19.3%	6,938,240	989,806	\$4.51	5.7%	1,724,527	1,626,320
2017	103	44,590,670	6,938,062	15.6%	4,377,581	4,794,171	\$4.62	5.0%	2,390,523	3,749,466
2018	112	49,936,211	9,191,445	18.4%	3,852,986	1,346,280	\$4.76	4.9%	1,908,713	4,178,963



Texas

Houston

4.9% overall vacancy rate in 2018 is the lowest in over a decade.

[VIEW PROPERTIES](#)

Houston's booming port and growing population is creating robust demand and increased development for big-box product in the region. More than 24 million people live within 250 miles of Houston and the city's population is growing at a rate of 1,000 people per week. This robust demand continues to lower big-box vacancies in Houston which finished 2018 at 4.9%, the lowest vacancy rate in more than 10 years.

The lack of available stock in Houston lowered new leasing activity in 2018 to 6.4 million square feet, the fourth consecutive year new leasing surpassed six million square feet. Despite low leasing, occupancy gains remained strong at 7.1 million square feet, the second highest total on record. Continued positive absorption kept first year taking rents high at \$5.03 per square foot per year. Like many markets, the high taking rents are not a cause for concern, as the rate of rental growth is below rapidly increasing transportation costs.

Developers have taken notice of the lack of available product to significantly increase big-box construction in the region. In 2018, a record 7.2 million square feet completed construction. More than half were in buildings larger than 500,000 square feet—a size range that is in most demand from e-commerce occupiers. Product under construction remains strong at seven million square feet—the majority of this is in product smaller than 500,000 square feet. In 2019, new development greater than 500,000 square feet is needed, as at year-end only one existing building in this size was 100% vacant.

Demand for big-box product in Houston will likely continue for the foreseeable future. The Port of Houston is booming with significant growth in both loaded inbound and outbound container volume. This, along with continued population growth, will increase leasing activity, investor demand, new development and taking rental rates in the coming quarters.



Walker B. Barnett, SIOR

Principal & Director | Houston

“Houston continued to see larger warehouse completions and announcements in 2018. Driven by a strong regional economy, nation-leading job growth, steady population and housing growth and increasing importance of the Port of Houston to international supply chain channels, Houston saw an unprecedented number of big-box buildings delivered, announced or under construction. The Port of Houston is now the 6th largest U.S. port in terms of total twenty-foot equivalent units (TEUs), and the largest port in the Gulf of Mexico for container traffic. Houston’s strong economic growth has driven robust consumer spending, leading to major developments by Costco, Ikea, Best Buy, Conns, Dollar Tree and others for warehouse of at least 500,000 square feet.”

Building Inventory

200,000 - 499,999 SF

165 Big-Box Buildings

6 Fully Vacant

500,000 - 749,999 SF

22 Big-Box Buildings

1 Fully Vacant

> 750,000 SF

9 Big-Box Buildings

0 Fully Vacant

Major Logistics Driver

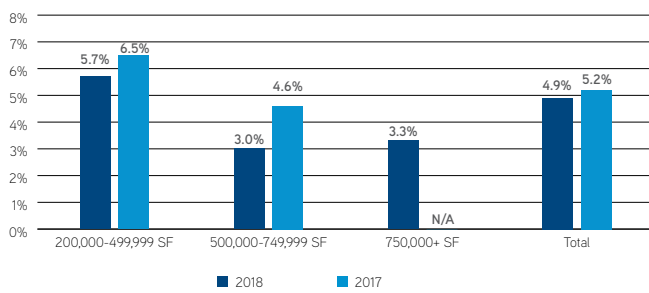
The [Port of Houston](#) remains a top demand driver for big-box space in the region. One of the top growth ports for loaded inbound container volumes, the Port of Houston draws on recent infrastructure improvements and two rail yards to funnel product to and from warehouses in the Houston region. Among other factors, the expansion of the Panama Canal should help keep demand strong for industrial product in the market for the foreseeable future.

Houston’s air cargo capabilities also continue to grow. The George Bush International Airport is currently the 16th ranked cargo airport in the U.S. Houston’s logistics advantages also include more than 2,000 trains serving the region weekly. Kansas City Southern provides intermodal service through Houston, connecting the American Midwest and Mexico.

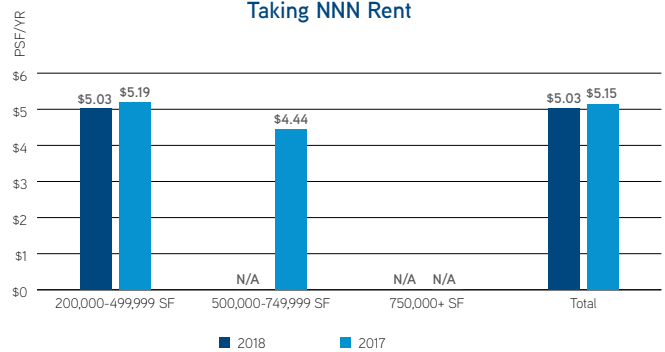


Key Statistics

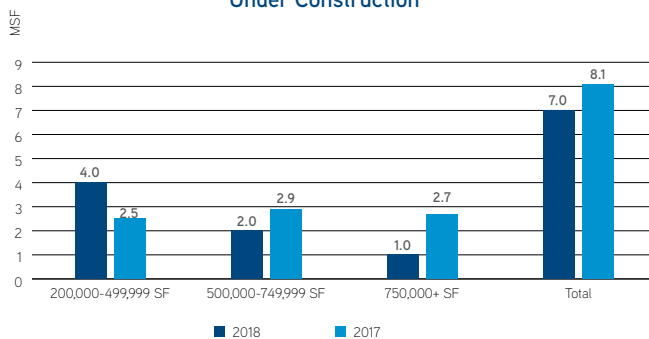
Vacancy Rate



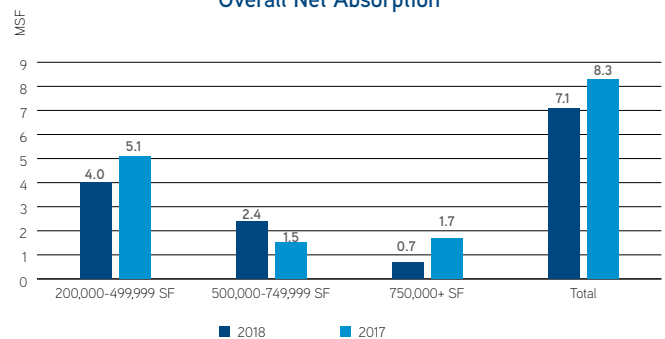
Taking NNN Rent



Under Construction



Overall Net Absorption



Notable Transactions

Big-Box Leases - 2018

Tenant	Lease Size (SF)	Building Address	City	Lease Type
Goodman Manufacturing Co	411,460	6715 N. Eldridge Pkwy.	Houston, TX	Build-To-Suit
Kuraray America	369,755	4925 Underwood Rd.	Pasadena, TX	Build-To-Suit
Forward Air Solutions	289,000	18727 Kenswick Dr.	Houston, TX	New-Direct
NT Logistics	225,500	5411 AmeriPort Pkwy.	Baytown, TX	Build-To-Suit

Big-Box Sales - 2018

Buyer	Building Size (SF)	Building Address	City	Sale Type	Sale Price (PSF)
ASB Real Estate Investments	1,047,800	7865-7909 Northcourt Rd.	Houston, TX	Investment	Undisclosed
PIRET (Blackstone) JV Ivanhoe Cambridge	996,482	Ikea Distribution Center - Borusan Rd.	Mont Belvieu, TX	Investment	Undisclosed
Black Creek Diversified Property Fund	351,960	10633-10653 W. Airport Blvd.	Stafford, TX	Investment	\$107.00
Lexington Realty Trust	257,835	10535 Red Bluff Rd.	Pasadena, TX	Investment	\$143.00

Historical Data

	# of Buildings	Existing Inventory	Vacant Inventory	Vacancy Rate	Leasing Activity	Net Absorption	Taking NNN Rent	Cap Rate	Under Construction	Construction Completions
2009	104	38,290,608	6,982,681	18.2%	3,773,971	1,702,626	\$4.26	7.5%	1,706,616	3,284,916
2010	106	39,997,224	5,587,592	14.0%	4,297,895	3,101,705	\$4.57	8.1%	740,000	1,706,616
2011	109	40,737,224	4,868,529	12.0%	3,060,294	1,459,063	\$4.56	8.3%	1,301,249	740,000
2012	112	41,563,473	3,990,022	9.6%	5,274,126	1,704,756	\$4.35	6.0%	1,251,929	826,249
2013	120	44,357,572	4,323,232	9.7%	3,854,212	2,460,889	\$4.42	6.5%	2,224,230	2,794,099
2014	128	47,158,834	4,827,529	10.2%	6,190,057	2,296,965	\$4.46	5.7%	5,071,689	2,801,262
2015	148	54,101,700	5,503,820	10.2%	9,089,191	6,266,575	\$4.67	6.6%	5,653,066	6,942,866
2016	163	58,775,221	5,653,600	9.6%	7,398,374	4,523,741	\$4.86	5.8%	5,769,017	4,673,521
2017	176	64,818,717	3,391,978	5.2%	7,777,994	8,305,118	\$5.15	6.1%	8,076,324	6,043,496
2018	195	72,032,064	3,515,005	4.9%	6,408,688	7,090,320	\$5.03	5.5%	6,958,611	7,213,347



Florida

I-4 Corridor

7.6 million square feet of overall net absorption in 2018 is an all-time record.

[VIEW PROPERTIES](#)

The I-4 Corridor industrial market is one of the fastest growing and most dynamic industrial markets in the country. More than 21 million people live within 250 miles of the market's core, making it an ideal location for retailers, wholesalers and 3PLs to locate. Nearby Orlando is also home to a burgeoning millennial population, making the market extremely popular for distribution facilities. While most of the I-4 Corridor's growth was previously focused on smaller industrial buildings, big-box facilities are being developed and occupied at a brisk pace, making it a big-box market to watch in the coming quarters.

Big-box activity accelerated in 2016 with more than 5.6 million square feet of new leasing activity—2017 followed suit with an additional 7.7 million square feet. This nearly 14 million square feet of leasing activity absorbed most of the available big-box stock in the region, lowering new leasing to 5.2 million square feet in 2018. The overall vacancy rate for big-box product finished 2018 at a decade low 4.9%, with most of this vacant space in buildings smaller than 500,000 square feet. At the time of this report, there were no fully vacant existing building larger than 500,000 square feet on the market.

The lack of 500,000 plus square foot product, combined with growing demand for this size range from e-commerce and 3PL tenants has created a significant opportunity for speculative development in the region. Despite this demand, new development has been slow to start, but did pick up the pace in 2018 with four million square feet of new completions. A record 5.9 million square feet is under construction, however 4.9 million square feet of this is in product smaller than 500,000 square feet.

Investment activity in the region is picking up in 2018, evidenced by many large transactions signed including Tratt Properties' purchase of one million square feet and TA Realty's purchase of 857,000 square feet in Orlando. A pick up in investment activity dropped cap rates for big-box facilities in the region to 5.8% in 2018, a number on par with the national average.

The I-4 Corridor has all of the demand drivers for a pickup in big-box activity in the coming quarters. The market is ripe for larger development, with a massive need for facilities larger than 500,000 square feet.



Ryan A. Vaught

Executive Managing Director, Industrial Services | Tampa

“The I-4 Corridor is one of the most dynamic emerging industrial markets in the country. Throughout the past 12 months, our team has seen more than 25 active user requirements larger than 250,000 square feet. There is a wave of supply, exceeding six million square feet, hitting the market in the second half of 2019 and continuing into the first of half 2020. But in the interim, finding quality product with adequate labor is challenging depending upon the specifics of the requirement.”

Building Inventory

200,000 - 499,999 SF

184 Big-Box Buildings

6 Fully Vacant

500,000 - 749,999 SF

18 Big-Box Buildings

0 Fully Vacant

> 750,000 SF

17 Big-Box Buildings

0 Fully Vacant

Major Logistics Driver

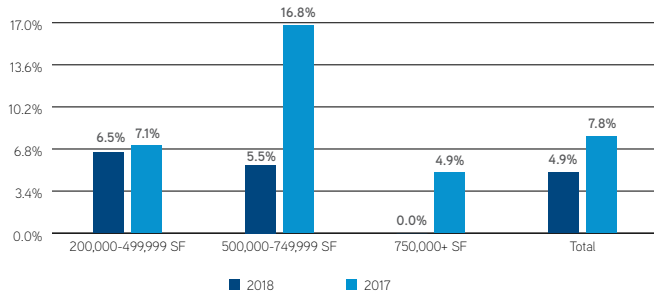
While many parts of the country struggle with labor shortages, the entire Central Florida region has an employment concentration that exceeds the national average. Both foreign and domestic logistics companies benefit from a large available workforce and industry-focused educational programs including Polk State Corporate College’s Supply Chain and Logistics Institute and Florida Polytechnic’s concentration in Material & Supply Chain. Not only is labor readily available in the I-4 Corridor, it is also affordable with average warehouse worker wages finishing 2018 at \$12.96 per hour, \$1.00 an hour lower than the national average.

The region is home to strong ground and rail freight capabilities including the [CSX Integrated Logistics Center \(ILC\)](#) in Winter Haven. The ILC has also been a major boon to all of Central Florida’s logistics and distribution industry. This centralized transportation hub features a 318-acre terminal adjacent to 930 acres of industrial and business park space slated for use by light industrial facilities and warehouse distribution centers. The region is home to two international airports (Orlando and Tampa), both with growing cargo handling capabilities. The [I-4 Ultimate Project](#) is a 21-mile makeover—from west of Kirkman Road in Orange County to east of State Road 434 in Seminole County that will improve truck flow throughout the area.

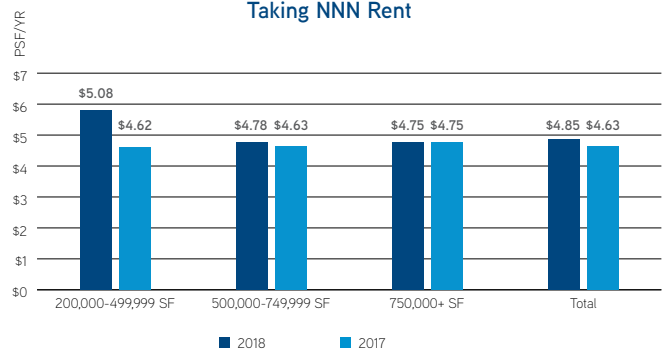


Key Statistics

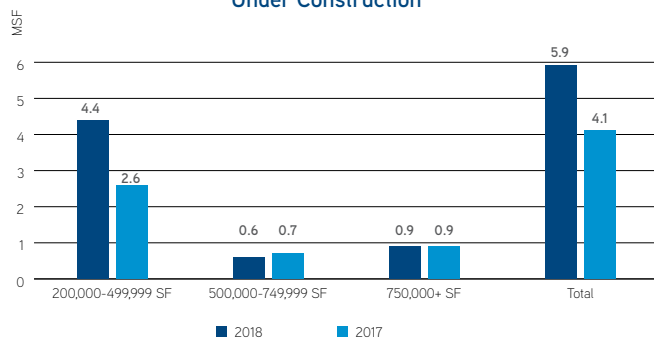
Vacancy Rate



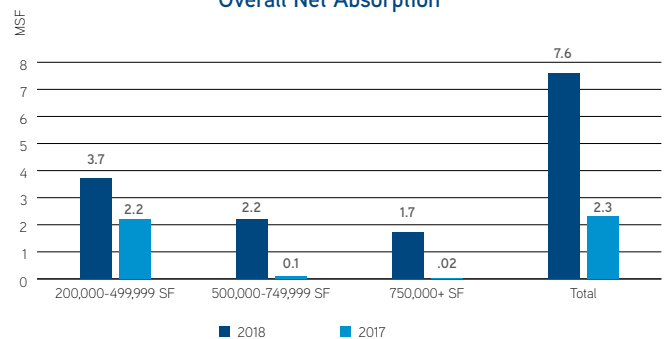
Taking NNN Rent



Under Construction



Overall Net Absorption



Notable Transactions

Big-Box Leases - 2018

Tenant	Lease Size (SF)	Building Address	City	Lease Type
IKEA	320,000	5300 Allen K. Breed Hwy.	Lakeland, FL	New-Direct
City Furniture	246,031	643 E Crown Point Rd.	Ocoee, FL	New-Direct
LeverEdge	242,912	Bay Industrial Dr.	Ruskin, FL	New-Direct
Plastipak	236,043	2101 County Line Rd.	Plant City, FL	New-Direct

Big-Box Sales - 2018

Buyer	Building Size (SF)	Building Address	City	Sale Type	Sale Price (PSF)
Tratt Properties, LLC	1,016,080	1760 County Line Rd.	Lakeland, FL	Investment	\$86.27
TA Realty	857,470	12340 Boggy Creek Rd.	Orlando, FL	Investment	\$125.95
Griffin Capital Essential Asset REIT	605,412	8060 SR 33N	Lakeland, FL	Investment	\$98.45
DHL	520,000	5300 Allen K Breed Hwy.	Lakeland, FL	User	\$81.66

Historical Data

	# of Buildings	Existing Inventory	Vacant Inventory	Vacancy Rate	Leasing Activity	Net Absorption	Taking NNN Rent	Cap Rate	Under Construction	Construction Completions
2009	186	66,743,431	7,418,782	12.5%	357,482	-475,620	\$4.31	8.3%	-	1,306,800
2010	186	66,743,431	7,670,874	12.7%	655,077	-74,442	\$3.75	8.0%	-	-
2011	186	66,743,431	6,693,166	11.1%	1,729,536	1,055,977	\$3.89	7.3%	-	-
2012	186	66,743,431	6,307,242	9.5%	2,514,098	1,033,924	\$3.78	7.0%	-	-
2013	186	66,743,431	6,557,397	9.8%	2,583,975	-200,583	\$4.07	6.5%	2,403,245	3,420,938
2014	190	70,164,369	5,354,539	7.6%	3,620,666	4,623,796	\$4.14	6.5%	703,920	1,000,000
2015	193	71,275,689	5,334,132	7.8%	3,062,204	918,437	\$4.31	6.3%	1,755,713	1,111,320
2016	202	74,427,566	4,917,098	6.6%	5,605,609	3,782,201	\$4.40	6.3%	2,631,330	3,151,877
2017	210	77,902,402	6,092,921	7.8%	7,655,460	2,299,013	\$4.63	6.0%	4,093,686	3,474,836
2018	219	81,656,513	3,852,634	4.9%	5,181,931	7,555,111	\$4.85	6.0%	5,914,132	4,018,478



Indiana

Indianapolis

5.6% cap rate in 2018
is the lowest in over a decade.

[VIEW PROPERTIES](#)

Indianapolis' location affords access to nearly 43 million people within 250 miles. The city also has the advantage of being in a pro-business state with numerous tax and financial incentives. Industrial labor is abundant and hourly wages for warehouse workers are below the national average, finishing 2018 at \$13.70 per hour. Because of this, Indianapolis has become a burgeoning big-box market, with solid leasing, rental rate growth and new development.

Activity picked up in 2018 with more than 7.3 million square feet of new big-box leasing activity, 7.2% higher than the previous year. Robust leasing kept absorption positive for the 10th consecutive year, at 5.3 million square feet. Despite strong occupancy gains, a plethora of new development the second half of 2018 kept vacancy rates the same as 2017, finishing at 7.7%.

New development had a slow start in the first half of 2018 with only 959,310 square feet completing, the lowest amount for the first half of a year since 2012. This drop in development was an anomaly, as nearly five million square feet completed construction the second half of 2018. While development

in 2018 was impressive, 2019 could dwarf it, as a record 7.3 million square feet was under construction at year-end. Like many emerging big-box markets in the country, the Indianapolis region has a lack of product larger than 750,000 square feet despite increased demand from e-commerce occupiers. At year-end, only two buildings in this size range were fully vacant, but thankfully, 3.1 million square feet of product in this size range is under construction and will bring much needed inventory in 2019.

The Indianapolis market is set up for continued growth in the coming quarters. Taking rents for big-box space skyrocketed in 2018 to \$3.76 per square foot per year, and while this trend looks to continue in the coming quarters, big-box rents in the region will still remain more economical compared with nearby core markets. Occupiers will also choose Indianapolis at a greater pace compared with other Midwest markets because of its strong labor, pro-business environment and plethora of logistics advantages. All of this means robust leasing, positive absorption, more development and more investor interest in the region for the foreseeable future.



Jason Speckman, SIOR

Executive Vice President | Indianapolis

“Big-box activity in the Indianapolis metropolitan statistical area (MSA) remained strong in 2018. Historically high levels of demand and net absorption in Indianapolis continue to drive new construction. More than 5.8 million square feet of big-box new construction was completed in central Indiana in 2018 with another 7.3 million square feet under construction going into 2019. Over the past 36 months, big-box net absorption in the Indianapolis MSA has exceeded new construction by 13%, which we primarily attribute towards the business-friendly environment in our state, a strong economy and the continued growth of e-commerce.”

Building Inventory

200,000 - 499,999 SF

103

Big-Box Buildings

3

Fully Vacant

500,000 - 749,999 SF

46

Big-Box Buildings

4

Fully Vacant

> 750,000 SF

31

Big-Box Buildings

2

Fully Vacant

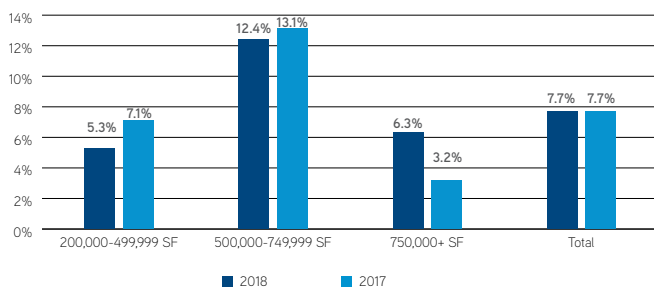
Major Logistics Driver

With access to five interstates—I-65, I-69, I-70, I-74 and I-465—and five major railroads, Indianapolis’ central location makes it an ideal logistics hub. This advantageous location is the reason FedEx chose to house its [second-largest hub](#) at the Indianapolis International Airport. Located less than 20 minutes from downtown Indianapolis, the [Indianapolis International Airport](#) is one of the largest cargo centers in the United States, and was recently ranked seventh for total cargo handled in the U.S. As a result of its cargo capabilities, the airport generates more than \$4.5 billion for the area’s economy each year on average.

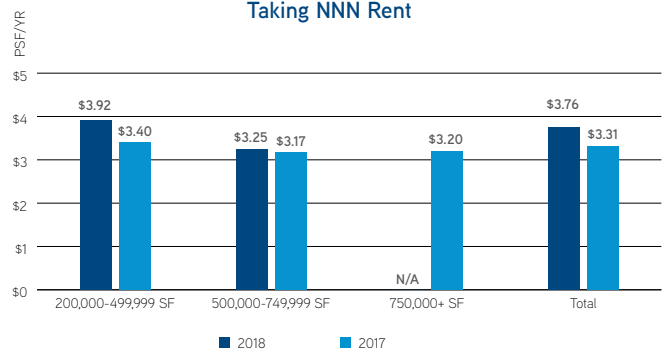


Key Statistics

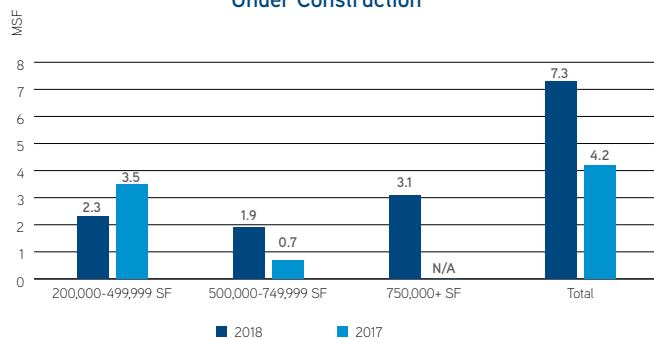
Vacancy Rate



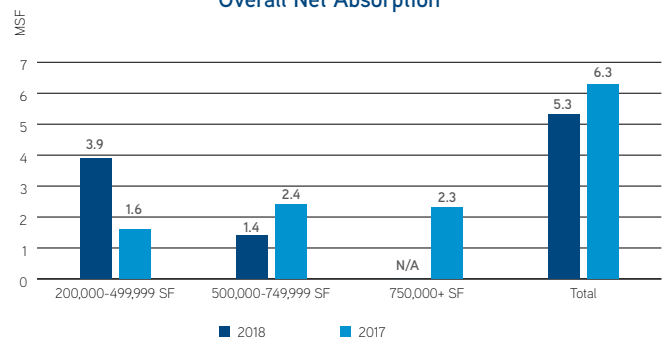
Taking NNN Rent



Under Construction



Overall Net Absorption



Notable Transactions

Big-Box Leases - 2018

Tenant	Lease Size (SF)	Building Address	City	Lease Type
Amazon.com	615,440	1151 S. Graham Rd.	Greenwood, IN	New-Direct
Geodis Logistics	545,010	850 N. Graham Rd.	Greenwood, IN	New-Direct
Spectra Premium	539,943	CR W 200 N.	Greenfield, IN	New-Direct
Adidas	536,804	8677 Logo Athletic Ct.	Greenfield, IN	Renewal

Big-Box Sales - 2018

Buyer	Building Size (SF)	Building Address	City	Sale Type	Sale Price (PSF)
WCP II Lebanon, LLC	1,091,435	135 S. Mt. Zion Rd.	Lebanon, IN	Investment	\$26.89
Blackstone REIT	720,000	450 Airtech Pkwy.	Plainfield, IN	Investment	\$54.72
Blackstone REIT	707,952	300 Purity Dr.	Lebanon, IN	Investment	\$61.02
Granite REIT	597,025	3870 Ronald Reagan Pkwy.	Plainfield, IN	Investment	\$65.83

Historical Data

	# of Buildings	Existing Inventory	Vacant Inventory	Vacancy Rate	Leasing Activity	Net Absorption	Taking NNN Rent	Cap Rate	Under Construction	Construction Completions
2009	119	60,554,138	7,539,880	12.5%	1,613,761	2,950,828	\$2.54	9.6%	-	3,225,889
2010	119	61,040,762	7,257,527	11.9%	3,289,528	923,431	\$2.48	8.0%	1,049,980	486,624
2011	121	62,746,742	3,569,112	5.7%	4,277,694	5,395,797	\$2.68	8.1%	-	1,705,980
2012	123	63,724,446	2,686,876	4.2%	4,398,979	1,859,940	\$2.95	8.0%	2,787,558	977,704
2013	129	67,636,134	4,510,426	6.7%	7,679,871	2,088,138	\$2.86	7.1%	2,657,271	3,911,688
2014	138	72,665,819	5,801,138	8.0%	5,041,144	3,738,973	\$3.38	6.8%	4,155,250	5,029,685
2015	147	78,274,199	10,165,392	13.0%	5,478,249	1,211,196	\$3.10	6.2%	1,735,569	5,608,380
2016	154	81,190,652	5,647,176	7.0%	9,149,081	6,632,522	\$3.33	6.2%	5,578,939	2,916,453
2017	168	88,571,961	6,820,772	7.7%	6,777,995	6,256,160	\$3.31	5.9%	4,174,405	7,384,431
2018	180	94,341,511	7,309,449	7.7%	7,267,201	5,320,503	\$3.76	5.6%	7,343,610	5,810,230



California

Inland Empire

20.8 million square feet of overall net absorption was an all-time record for a market in North America.

The Inland Empire cemented itself in 2018 as the top big-box market in North America, and for good reason. At just over 340 million square feet, the Inland Empire big-box market is the largest in North America. With more than 28 million people within 250 miles of its core and a strong labor force, the Inland Empire is a leader for e-commerce distribution. This is evidenced by the more than 10 million square feet that Amazon.com occupies in the region.

Not only is the Inland Empire the largest big-box market, it is also the most dynamic. Big-box occupiers continue to move into or expand within the region at a record clip, leading to massive amounts of new activity in 2018. Just over 27.7 million square feet of big-box product leased—the most in North America in 2018. This new leasing pushed overall net absorption up to 20.8 million square feet, the most for the region on record and also the most net absorption in North America in 2018. Robust demand in the region dropped the overall vacancy rate to a record low 4.4%.

One of the Inland Empire's top advantages is the amount of land available for development, especially in the Inland Empire East.

[VIEW PROPERTIES](#)

With demand at all-time highs, more than 22.5 million square feet of big-box space completed in 2018, another all-time record for the region. The pace of new development will only drop slightly in 2019, with 17.8 million square feet under construction at year-end.

Insatiable demand continues to put upward pressure on taking lease rates, which finished 2018 with an average of \$5.04 per square foot per year NNN, the highest on record. While in previous cycles, the record high rents would have been a sign of a decline in demand, this is not the case now. Since occupiers need to cut transportation costs (the highest cost in the supply chain) and get products to consumers as quickly as possible, the record high rents are less of an issue.

All signs point to continued growth for the Inland Empire big-box market in the coming quarters. Tenants in the market remain robust and should be enough to occupy the development currently in the pipeline and keep vacancy rates at all-time lows. Investors will continue to try to enter and expand within the market, driving up sales prices and keeping cap rates well below the 5% range for the foreseeable future.



Mark Zorn, SIOR

Executive Vice President | Inland Empire

“Industrial demand in the Inland Empire sees no bounds as absorption levels continue to rise to new highs. With 2018’s net absorption 28% higher than 2017, vacancy levels continue to push downward year over year. Demand for consumer goods continues to be the largest driver of growing inbound port activity fueling the e-commerce, fulfillment and logistics industries with 3PLs as the largest big-box consumer throughout the Inland Empire. Rental rates continue to push higher each year above typical investor and developer-underwriting standards, which all combined, is driving frenzied demand for development sites that can produce anything larger than 200,000 square feet.”

Building Inventory

200,000 - 499,999 SF

436

Big-Box Buildings

21

Fully Vacant

500,000 - 749,999 SF

134

Big-Box Buildings

8

Fully Vacant

> 750,000 SF

116

Big-Box Buildings

4

Fully Vacant

Major Logistics Driver

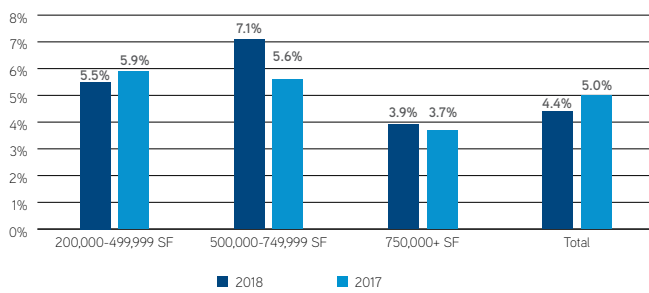
The Inland Empire offers a plethora of logistics advantages, including close proximity to the two largest seaports in North America: the [Port of Los Angeles](#) and the [Port of Long Beach](#). The two ports combine to handle more than half of the loaded inbound container volume entering the United States and remain one of the top demand drivers of industrial space in the Inland Empire.

The region also boasts access to two interstate highways (I-10 and I-15), offering direct transportation across the east and north United States. In addition, the [UPS Regional Air Hub at Ontario International Airport](#) serves customers throughout the western United States, Hawaii and Canada. The Ontario International Airport continues its cargo handling capabilities and is currently ranked the #12 cargo airport in the United States.

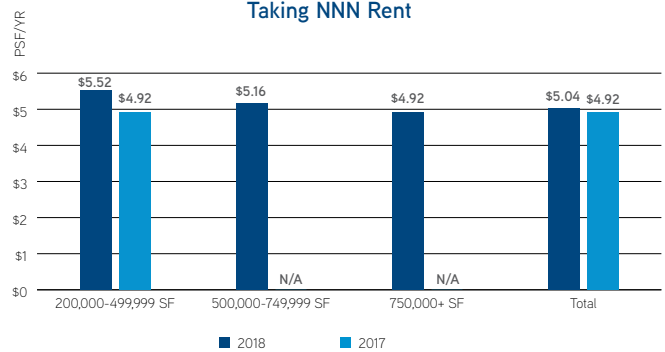


Key Statistics

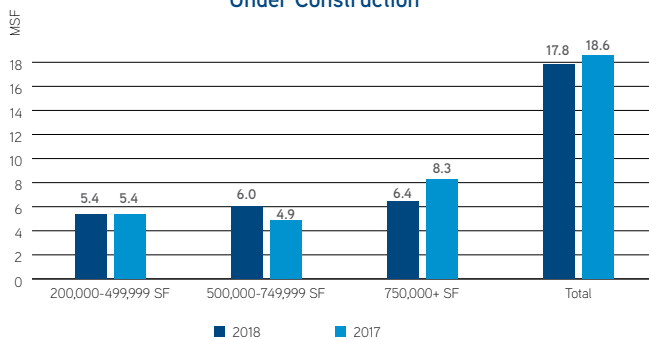
Vacancy Rate



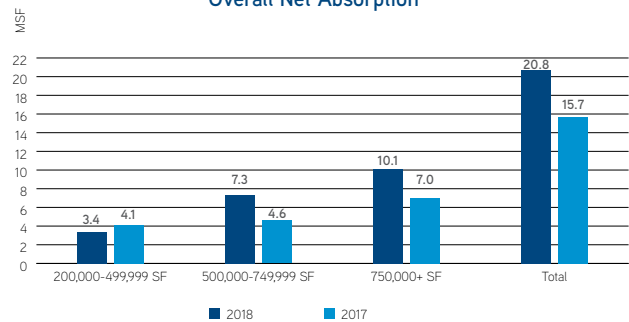
Taking NNN Rent



Under Construction



Overall Net Absorption



Notable Transactions

Big-Box Leases - 2018

Tenant	Lease Size (SF)	Building Address	City	Lease Type
Lowes	1,387,899	24385 Nandina Ave.	Moreno Valley, CA	New-Direct
Kenco Logistics	1,331,763	24400 Krameria Ave.	Moreno Valley, CA	New-Direct
Nordstrom	1,009,092	490 Columbia Ave.	Riverside, CA	New-Direct
UPS	1,003,567	11281 Citrus Ave.	Fontana, CA	New-Direct

Big-Box Sales - 2018

Buyer	Building Size (SF)	Building Address	City	Sale Type	Sale Price (PSF)
Ferguson Enterprises	1,039,900	4100 N. Webster Ave.	Perris, CA	User	\$96.00
UPS	1,000,000	20901 Krameria Ave.	Riverside, CA	User	\$94.00
Bridgestone Tire	923,100	4000 Mission Blvd.	Ontario, CA	User	\$82.00
Liberty Property Trust	702,668	1221 Alder Ave.	Rialto, CA	Investment	\$134.00

Historical Data

	# of Buildings	Existing Inventory	Vacant Inventory	Vacancy Rate	Leasing Activity	Net Absorption	Taking NNN Rent	Cap Rate	Under Construction	Construction Completions
2009	463	209,587,000	26,827,136	12.8%	7,303,000	-6,250,000	\$3.48	7.2%	667,000	2,225,000
2010	464	210,254,000	16,736,218	8.0%	16,314,000	11,897,000	\$3.36	6.8%	-	667,000
2011	467	213,200,000	11,512,800	5.4%	18,136,000	10,678,000	\$3.60	6.2%	2,763,000	-
2012	494	227,645,000	10,319,500	4.5%	15,832,000	3,600,000	\$3.72	5.7%	2,100,000	2,513,000
2013	530	249,632,000	12,205,000	4.9%	15,767,000	10,640,000	\$3.96	5.2%	16,049,000	6,718,000
2014	551	263,974,000	14,888,134	5.6%	21,468,000	12,168,000	\$4.32	5.4%	14,648,000	19,152,000
2015	588	287,468,000	16,163,000	5.6%	27,178,000	17,374,000	\$4.56	5.2%	14,717,000	21,710,000
2016	622	304,635,000	15,264,000	5.0%	37,564,000	17,883,400	\$4.80	5.0%	15,606,000	16,981,000
2017	646	320,475,682	16,041,106	5.0%	27,244,376	15,706,700	\$4.92	4.8%	18,575,203	14,873,610
2018	686	341,120,600	15,922,000	4.4%	27,693,000	20,764,000	\$5.04	4.4%	17,788,000	22,500,000



Missouri

Kansas City

5.3 million square feet of new leasing activity in 2018 is an all-time record.

[VIEW PROPERTIES](#)

With just over 42 million square feet of big-box real estate, Kansas City is the smallest market showcased in this report. While the region is much smaller than the core markets, its logistics advantages provide a wealth of opportunity for both occupiers and developers. Kansas City's geography provides a level of access to consumers that is difficult to match in North America.

Driven by the need to quickly deliver products to consumers, big-box activity continues to increase in Kansas City. The market posted more than five million square feet of new leasing in 2018, the third consecutive year that leasing surpassed this amount. This activity, along with many build-to-suits that completed construction in 2018, drove up net absorption to a record high 3.7 million square feet in 2018.

Despite a massive amount of speculative big-box development over the past eight quarters, vacancy dropped to single digits for the first time since 2015, at 8.8%. Overall, 3.6

million square feet completed construction in 2018—however 2019 could double this with 6.2 million square feet under construction. Because of strong activity in Kansas City, and the potential for more in the coming year, investors are purchasing industrial product at a brisk pace with companies including Exeter and Sealy & Company expanding their portfolios here. This activity dropped cap rates to 6.2% at year-end.

While new construction will significantly increase existing product on the market in 2018, much of this space should lease quickly. This will keep vacancy rates stable for the foreseeable future. The market continues to do well with all occupier types, evidenced by large leases from the e-commerce, manufacturing and 3PL sectors in 2018 and this will continue in the coming quarters. With demand from e-commerce expected to increase in the coming year, the Kansas City big-box market will thrive with higher levels of absorption projected for the foreseeable future.



Ed Elder

President | Kansas City

“The Kansas City industrial market continues to perform well, as distribution and e-commerce-related activity remain the key drivers of growth locally. Kansas City continues to emerge as a key national industrial market, driven by the explosion of growth related to distribution, e-commerce activity and supply chain developments. Occupiers continue to lease regional big-box facilities, as well as final-mile distribution centers in strategically located markets around the nation, and Kansas City is well positioned for future growth in terms of geography and infrastructure.”

Building Inventory

200,000 - 499,999 SF

76 Big-Box Buildings

4 Fully Vacant

500,000 - 749,999 SF

12 Big-Box Buildings

0 Fully Vacant

> 750,000 SF

8 Big-Box Buildings

0 Fully Vacant

Major Logistics Driver

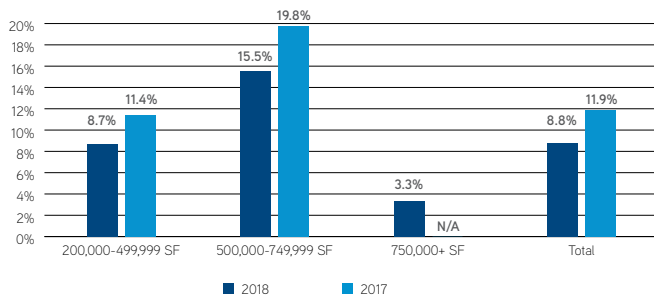
Kansas City is one of the most logistics-friendly industrial markets in the country. Its ground, air and rail offerings rival all other markets in the U.S. [Logistics Park Kansas City \(LPKC\)](#) continued to grow and attract tenants at an unprecedented pace. The park is served by BNSF Railway and continues to show the growing demand for occupiers to be near inland ports with a capacity to hold 17 million square feet of industrial buildings. There are more than seven million square feet of distribution facilities at LPKC, with speculative and build-to-suit opportunities available.

In addition to its inland port and substantial rail capabilities, Kansas City is home to a growing air cargo operation. While the [Kansas City International Airport](#) only ranks 36th in total cargo, it is one of the fastest growing cargo airports in the country, showcasing the rising distribution importance of the market. Four cargo companies operate from the airport including DB Schenker, DHL, FedEx and UPS.

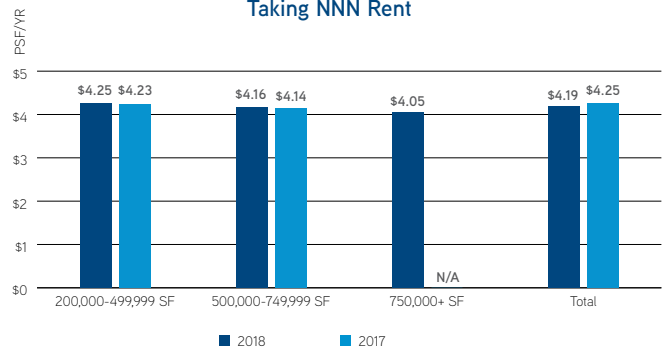


Key Statistics

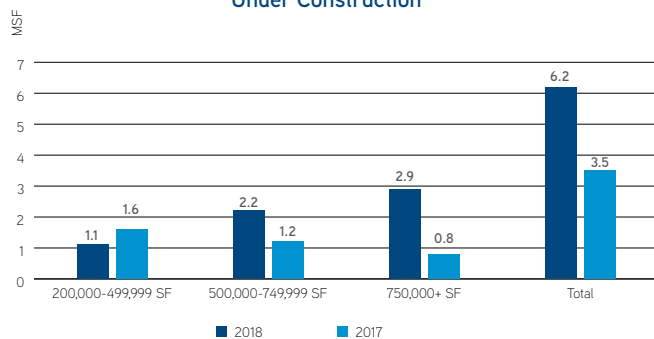
Vacancy Rate



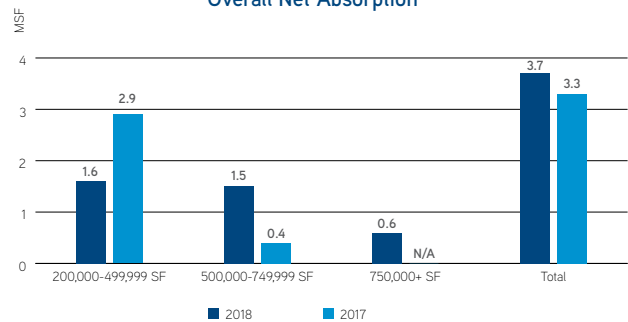
Taking NNN Rent



Under Construction



Overall Net Absorption



Notable Transactions

Big-Box Leases - 2018

Tenant	Lease Size (SF)	Building Address	City	Lease Type
Overstock.com	513,000	5300 Kansas Ave.	Kansas City, KS	New-Direct
Professional Packaging	248,000	16231 Lone Elm	Olathe, KS	New-Direct
Hopkins Manufacturing	406,000	30900 W. 183rd St.	Gardner, KS	New-Direct
Turn5 Inc.	363,000	17700 College	Lenexa, KS	New-Direct

Big-Box Sales - 2018

Buyer	Building Size (SF)	Building Address	City	Sale Type	Sale Price (PSF)
Mid-States Distributing	800,000	420 SE Thompson	Lee's Summit, MO	User	\$32.50
Sealy & Company	602,000	22101 W. 167th St.	Olathe, KS	Investment	\$61.99
Exeter	354,055	17201 W. 113th St.	Lenexa, KS	Investment	\$66.77
Schafer Richardson	173,090	1820 Corrington	Kansas City, MO	Investment	\$65.00

Historical Data

	# of Buildings	Existing Inventory	Vacant Inventory	Vacancy Rate	Leasing Activity	Net Absorption	Taking NNN Rent	Cap Rate	Under Construction	Construction Completions
2009	56	22,978,570	1,231,982	5.4%	1,908,375	1,135,763	\$3.85	8.5%	-	1,107,000
2010	56	22,978,570	690,228	3.0%	826,146	541,754	\$3.85	8.8%	-	-
2011	56	22,978,570	676,466	2.9%	1,435,309	13,762	\$3.85	N/A	350,000	-
2012	57	23,328,570	414,695	1.8%	2,238,385	611,771	\$3.71	7.7%	821,663	350,000
2013	58	24,150,233	1,034,054	4.3%	2,022,897	202,304	\$4.11	6.9%	1,961,624	821,663
2014	66	27,246,879	2,045,991	7.5%	2,142,327	2,084,709	\$4.05	7.0%	2,443,448	3,096,646
2015	70	29,293,448	1,445,305	4.9%	2,258,402	2,647,255	\$4.14	7.6%	5,427,032	2,046,569
2016	83	35,558,261	4,723,137	13.3%	3,703,369	2,968,336	\$4.24	6.3%	7,891,565	8,655,986
2017	87	39,014,106	4,643,562	11.9%	3,006,569	3,343,712	\$4.25	N/A	3,535,661	4,959,713
2018	96	41,929,018	3,705,804	8.8%	5,251,423	3,672,198	\$4.19	6.2%	6,202,004	3,681,233



Tennessee

Memphis

6.6 million square feet of construction completions in 2018 is the most in over a decade.

[VIEW PROPERTIES](#)

Memphis is an international distribution hub with a transportation and logistics infrastructure that is second to none. Because of this, occupiers and developers alike are increasing their big-box footprint here. Despite continued demand, Memphis remains the most economical big-box market in North America, with taking rents averaging only \$3.50 per square foot per year NNN in 2018.

At year-end, 13 million square feet of big-box product leased in Memphis, 4.2% higher than 2017. Despite continued strong leasing, some large move-outs and new speculative development increased the overall vacancy rate in the region to 7.5%, its highest rate since 2014. The higher vacancy rate is temporary as there is already strong activity in the newly-constructed product, and most of this space is projected to lease in 2019.

A record 6.6 million square feet of big-box space completed in 2018, nearly double the

previous record of 3.8 million square feet in 2016. Developers are banking on continued demand in the region, with an additional 3.5 million square feet currently in development. Not only are institutional investors building more in the region, they are also increasing their portfolios by purchasing existing stock. Lexington Realty Trust and Mapletree Investments both made major investments in the region in 2018, keeping cap rates at 6% for the third consecutive year.

Despite an increase in the vacancy rate in 2018, the future looks bright for the Memphis big-box market in the coming quarters. Many tenants are in the market and this looks to continue into 2019 as occupiers increase their presence near Memphis' important logistics hubs. Because of this, look for newly constructed space to quickly absorb, dropping vacancy rates and keeping rents on an upward trajectory for the foreseeable future.



Tim Mashburn

Vice President, Asset Services | Memphis

“Known as “America’s distribution center”, Memphis serves as a major connector point for I-55 and I-40 and is able to reach 152 metro markets overnight via truck transportation. With over nine million square feet of new big-box leases completed in 2018, Memphis once again proves it is one of the best values in the country with rents below the national average. Thanks to its geographical advantage, economical rents and the 4Rs (rail, road, river and runway), developers currently have six million square feet of speculative big-box development under construction.”

Building Inventory

200,000 - 499,999 SF

89 Big-Box Buildings

5 Fully Vacant

500,000 - 749,999 SF

46 Big-Box Buildings

3 Fully Vacant

> 750,000 SF

48 Big-Box Buildings

2 Fully Vacant

Major Logistics Driver

[Memphis International Airport](#) is recognized as one of the world’s busiest air cargo airports. Due to its popularity among passengers (140,000 each month on average) and logistics professionals alike, the airport has an estimated annual economic impact of \$23.3 billion and affects 25% of the city’s jobs, according to the University of Memphis.

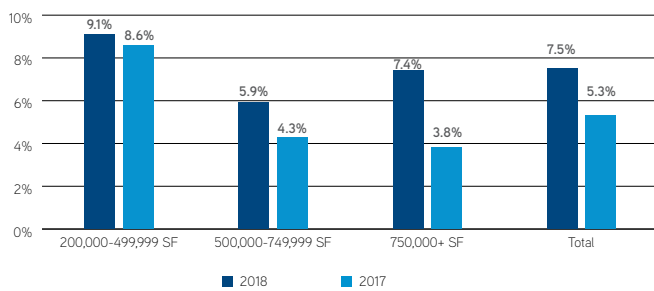
With its headquarters in Memphis, FedEx represents roughly 98% of the airport’s total cargo and handles more than 180,000 packages every hour at its World Hub, which is located at the airport. Being near this hub is key for e-commerce distribution and will continue to draw occupiers to the region for the foreseeable future.

The [International Port of Memphis](#) is the second-largest inland port on the shallow draft portion of the Mississippi River and the fifth-largest inland port in the United States. The Port is key to feeding product to Memphis’ large rail network. In fact, Memphis is the third-largest rail center in the U.S. behind Chicago and St. Louis, and home to nine fully operational rail yards with a total current container capacity of more than two million annual lifts.

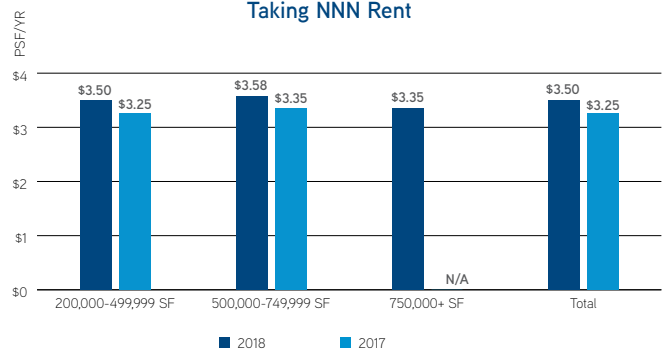


Key Statistics

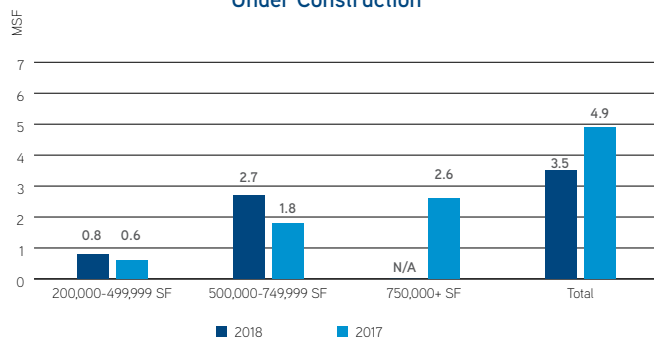
Vacancy Rate



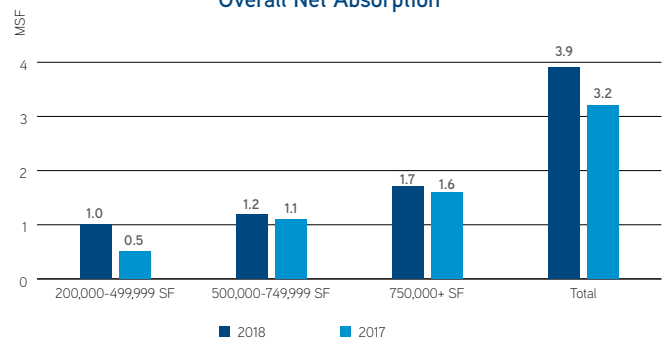
Taking NNN Rent



Under Construction



Overall Net Absorption



Notable Transactions

Big-Box Leases - 2018

Tenant	Lease Size (SF)	Building Address	City	Lease Type
Olam Cotton	927,742	11555 Silo Drive, Legacy Park, Bldg. 3	Olive Branch, MS	New-Direct
Corelle	786,000	Gateway Global Logistics Center	Byhalia, MS	New-Direct
Northwest Apparel Group	700,000	4755 Southpoint, Southpoint Distribution Center	Memphis, TN	New-Direct
Milwaukee Tool	701,706	8734 Crossroads, Crossroad Distribution Center, Bldg. G	Olive Branch, MS	New-Sublease

Big-Box Sales - 2018

Buyer	Building Size (SF)	Building Address	City	Sale Type	Sale Price (PSF)
Lexington Realty Trust	1,170,218	11624 S. Distribution Cv. Olive Branch Distribution Center	Olive Branch, MS	Investment	\$49.04
Temasek Holdings Limited	947,620	455 Research Dr. Eastgate Bldg. 3	Southaven, MS	Investment	\$48.70
Mapletree Investments Ltd	922,500	4155 Holmes Rd. Memphis Oaks	Memphis, TN	Investment	\$46.94
Mapletree Investments Ltd	445,273	4650 Shelby Dr. Southpark Distribution Center	Memphis, TN	Investment	\$43.79

Historical Data

	# of Buildings	Existing Inventory	Vacant Inventory	Vacancy Rate	Leasing Activity	Net Absorption	Taking NNN Rent	Cap Rate	Under Construction	Construction Completions
2009	144	77,987,477	9,361,555	12.0%	8,281,758	2,174,061	\$2.75	N/A	-	-
2010	144	77,987,477	8,308,676	10.7%	8,130,232	1,052,879	\$2.65	N/A	-	-
2011	146	79,488,355	7,132,435	9.0%	9,161,038	2,677,119	\$2.85	8.6%	234,660	1,500,878
2012	149	80,852,747	8,273,068	10.2%	11,356,460	223,759	\$2.95	7.8%	1,219,892	1,364,392
2013	154	84,194,845	8,283,279	9.8%	8,056,137	3,331,887	\$3.10	8.5%	1,376,232	3,342,098
2014	159	87,516,087	8,902,717	10.2%	9,079,866	2,701,804	\$2.80	7.5%	2,204,040	3,321,242
2015	161	89,929,328	6,357,863	7.1%	13,275,016	4,958,095	\$2.90	7.5%	1,781,513	2,413,241
2016	167	93,764,881	5,480,778	5.8%	14,644,257	4,712,638	\$3.10	6.0%	2,831,630	3,835,553
2017	174	97,928,191	5,095,764	5.3%	12,479,331	3,216,644	\$3.25	6.0%	4,893,984	2,831,630
2018	183	103,173,986	7,729,640	7.5%	13,002,831	3,943,599	\$3.50	6.0%	3,456,849	6,577,475

Northern California

9.5 million square feet of overall net absorption in 2018 is an all-time record.

[VIEW PROPERTIES](#)

Even though Northern California is more widely known as a key hub for the tech industry, the region is becoming a major big-box industrial market. Demand for big-box product has exploded due to the rise of e-commerce, as occupiers scramble to service the growing young population in the area.

Northern California is really a tale of three markets, the first of which is the East Bay—a mature market near the Port of Oakland. Vacancy rates remain relatively low, with record-high taking rents in the market. Because of land constraints in the Oakland area, big-box development has shifted to the growing Stockton/San Joaquin County region, where nearly 88% of the 9.4 million square feet that completed and where all of the top leases in 2018 resided. While a majority of the big-box development and activity is in Stockton/San Joaquin County, Sacramento is becoming an emerging big-box market on its own. Occupiers and developers are looking at the market as a big-box alternative because of its ample and affordable labor.

Demand and taking rents continue to ascend in Northern California. A record 10.8 million square feet leased in Northern California, increasing net absorption to a record 9.5 million square feet. Taking rents finished 2018 at an all-time high at \$5.55 per square foot per year NNN. Taking rents fluctuate significantly depending on the market the building is located, however. East Bay taking rents finished 2018 at \$9.36 per square foot per year, while Stockton and Sacramento produce much more economic taking rents of \$6.00 per square foot per year and \$5.64 per square foot per year NNN, respectively.

As the region continues to grow, big-box product demand will likely increase, leading to continued new development, strong leasing, robust investment and continued taking rent growth. Stockton/San Joaquin County will continue to lead the way in new speculative and build-to-suit development, while Sacramento will also be viewed as a viable alternative. While East Bay is definitely an infill market, the needs of occupiers to be near the Port of Oakland and the city of San Francisco could lead to some redevelopment and/or construction of multistory warehousing.



Greig Lagomarsino, SIOR

Senior Vice President | San Francisco Bay Area

“The Northern California industrial market continues to benefit from strong demand from a wide range of users—many of whom are servicing the booming local economy and strong businesses expanding their e-commerce platforms. With vacancy rates throughout the region in the low-to-mid-single-digit range, new speculative development is underway in virtually every submarket. Rising costs of construction, tight labor markets and rising land prices continue to put pressure on new development yields.”

Building Inventory

200,000 - 499,999 SF

164

Big-Box Buildings

10

Fully Vacant

500,000 - 749,999 SF

39

Big-Box Buildings

1

Fully Vacant

> 750,000 SF

23

Big-Box Buildings

1

Fully Vacant

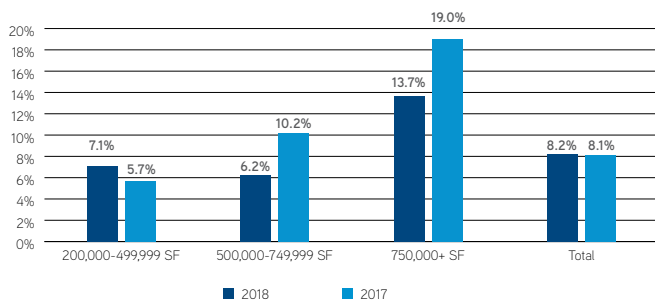
Major Logistics Driver

Northern California is home to both the Port of Oakland and the Port of Stockton. The [Port of Oakland](#) is a world-class international cargo transportation and distribution hub. Located on the mainland shore of San Francisco Bay, Oakland was among the first ports globally to specialize in the intermodal container operations that have revolutionized international trade and that stimulate the global economy. The [Port of Stockton](#) is located in the San Joaquin Valley and is situated near four major freeways and two transcontinental railroads. Occupiers of big-box space in Northern California can also take advantage of four cargo airports including [Oakland International Airport](#)—the 11th largest cargo airport in the U.S.—[San Francisco International Airport](#), [San Jose International Airport](#) and [Sacramento’s Mather Airport](#)—a growing air freight hub in Northern California.

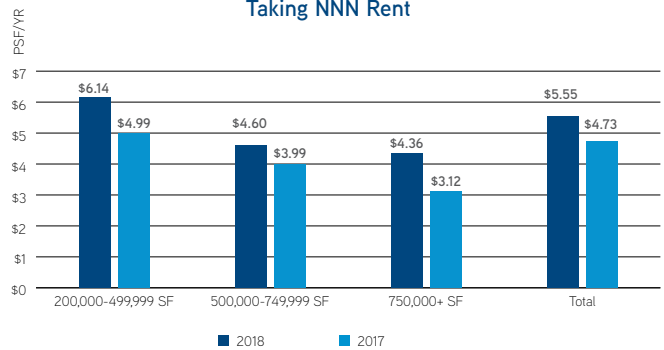


Key Statistics

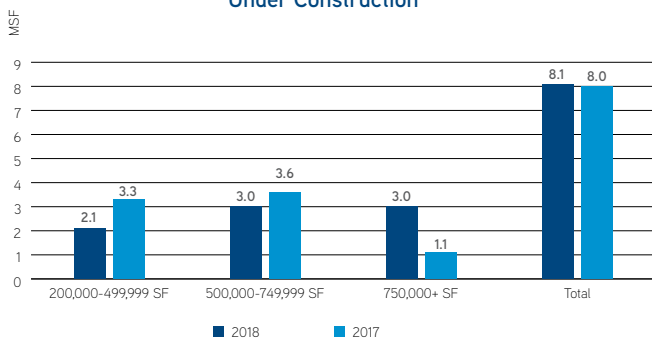
Vacancy Rate



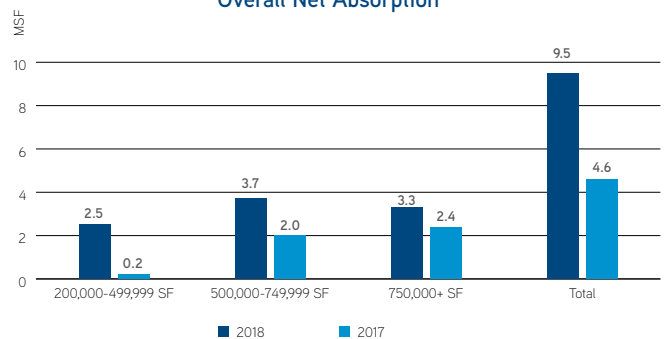
Taking NNN Rent



Under Construction



Overall Net Absorption



Notable Transactions

Big-Box Leases - 2018


Tenant	Lease Size (SF)	Building Address	City	Lease Type
Amazon.com	1,122,341	4532 Newcastle Rd.	Stockton, CA	New-Direct
Penske	840,000	3303 Airport Wy.	Manteca, CA	New-Direct
Lindt/Ghirardelli	708,080	IPC, Bldg 25	Tracy, CA	Build-To-Suit
Katerra	567,870	NEI, Bldg 17	Tracy, CA	Build-To-Suit

Big-Box Sales - 2018

Buyer	Building Size (SF)	Building Address	City	Sale Type	Sale Price (PSF)
Colony Capital	1,888,627	16900 W. Schulte Rd.	Tracy, CA	Investment	\$110.65
G3/E&J Gallo Winery	1,846,050	2801 Finch Rd.	Modesto, CA	User	\$35.21
Blackstone	904,020	8371 Rovana Cir & 8670 Younger Creek Dr.	Sacramento, CA	Investment	\$79.15
Invesco	861,000	2920 & 2950 Cordelia Rd.	Fairfield, CA	Investment	\$116.14

Historical Data

	# of Buildings	Existing Inventory	Vacant Inventory	Vacancy Rate	Leasing Activity	Net Absorption	Taking NNN Rent	Cap Rate	Under Construction	Construction Completions
2009	170	70,152,710	9,009,185	12.8%	5,115,839	-680,243	\$3.68	5.9%	288,000	1,994,893
2010	171	70,440,710	8,706,545	12.4%	3,512,862	302,640	\$4.74	5.5%	-	288,000
2011	172	71,645,985	7,507,925	10.5%	5,750,290	2,403,895	\$4.20	5.3%	200,022	-
2012	174	72,188,538	7,262,915	10.1%	4,772,877	787,563	\$4.49	5.2%	1,017,353	200,022
2013	175	73,695,987	9,393,732	12.7%	3,621,946	-623,368	\$4.26	4.5%	1,668,638	1,017,353
2014	179	75,364,625	8,629,366	11.5%	5,635,866	1,641,466	\$4.55	4.1%	3,772,861	1,668,638
2015	185	78,467,367	5,659,437	7.2%	7,490,222	5,248,811	\$4.99	5.8%	4,394,847	2,780,177
2016	193	83,027,489	5,182,285	6.2%	5,266,954	3,093,067	\$4.42	4.3%	6,040,779	4,964,400
2017	206	89,338,440	7,273,108	8.1%	8,474,662	4,596,623	\$4.73	3.9%	8,047,592	6,041,404
2018	226	98,543,419	8,098,641	8.2%	10,826,188	9,456,516	\$5.55	4.1%	8,145,077	9,204,979



Northern-Central

New Jersey

\$8.17 per square foot per year NNN first year taking rent in 2018 is an all-time record high.

[VIEW PROPERTIES](#)

Surrounded by more than 61 million people within 250 miles of its core, the Northern-Central New Jersey market services the largest population concentration in the country. Because of its location and robust logistics advantages, occupier demand remains strong for big-box product with vacancies finishing 2018 at 3%, the lowest of any North American big-box market showcased in this report.

Demand from both retailers and the 3PL industry kept new leasing activity robust in 2018 at 13 million square feet—an all-time record for the market, and the fifth consecutive year leasing surpassed 10 million square feet. Strong leasing activity raised overall net absorption to a decade high 10.2 million square feet at year-end. Low vacancy rates put significant pressure on taking rents, which finished at an all-time high of \$8.16 per square foot per year NNN, an impressive 25% increase compared with the previous year. Investors also expanded their portfolios in the region with companies including Goodman and Zurich making large purchases.

Development was robust in 2018, with nearly all of the product hitting the market leased by year-end. A decade high 11.2 million square feet completed, and much of this space was located in the Central New Jersey market along the turnpike. Under construction product dropped by half compared with 2017, finishing the year at 8.5 million square feet. Not surprisingly, much of this space is showing strong demand and will be taken quickly in the coming year.

Big-box vacancies are projected to drop to record lows despite the 8.5 million square feet under construction. Despite the need for new big-box space, land is getting harder to find, especially in Northern New Jersey. Because of this, redevelopments of older industrial, retail, or even Class B office space will increase in the region, despite the higher costs. The region could also see interest for future multistory warehouse development, although at the time of this report the immediate plans for these types of buildings were centered within the five New York City boroughs.



John L. Donnelly

Senior Managing Director | Parsippany

“New Jersey’s big-box industrial market ended 2018 with 11.2 million square feet of new construction, a 69% increase from the previous year. Of the 11.2 million square feet delivered this year, 79% already had pre-lease commitments. The largest building delivered this year was 1,346,088 square feet at 1 Brick Yard Road in Cranbury. The building was developed in a joint venture by Clarion Partners and Viridian Partners and was pre-leased to e-commerce giant Wayfair. Despite the vacancy rate increasing 60 basis points to 3% year over year, the market remains tight, and any new availability is welcomed by tenants in the market.”

Building Inventory

200,000 - 499,999 SF

177 Big-Box Buildings

5 Fully Vacant

500,000 - 749,999 SF

40 Big-Box Buildings

0 Fully Vacant

> 750,000 SF

31 Big-Box Buildings

0 Fully Vacant

Major Logistics Driver

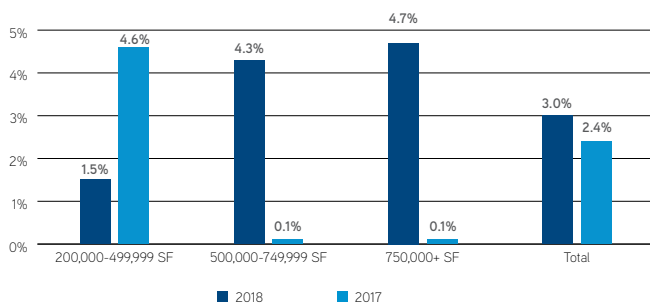
The Northern-Central New Jersey market is home to the busiest seaport on the East Coast of the United States—the [Port of New York and New Jersey](#)—which remains one of the top demand drivers for industrial real estate in the region. Of all the U.S. ports, the Port of New York and New Jersey is best positioned to take advantage of the increased imports and larger ships that have resulted from the newly expanded Panama Canal. The recent raising of the Bayonne Bridge to accommodate Post-Panamax ships should keep import volumes for the Port strong for the foreseeable future.

The region’s logistics advantages go beyond the sea with many interstate highways passing through the region. The area is also one of the top air transportation regions in the country, giving occupiers close access to two of the top 15 cargo airports in the country—John F. Kennedy International Airport in New York and Newark Liberty International Airport in New Jersey.

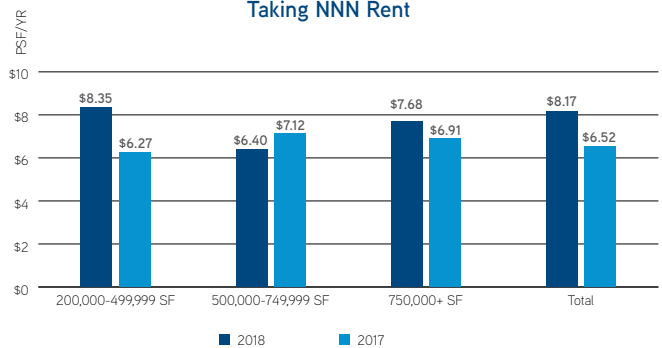


Key Statistics

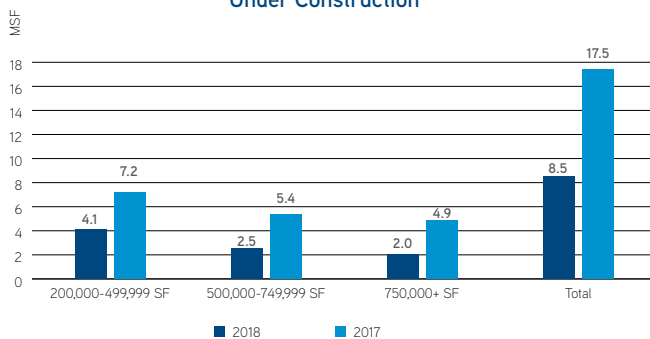
Vacancy Rate



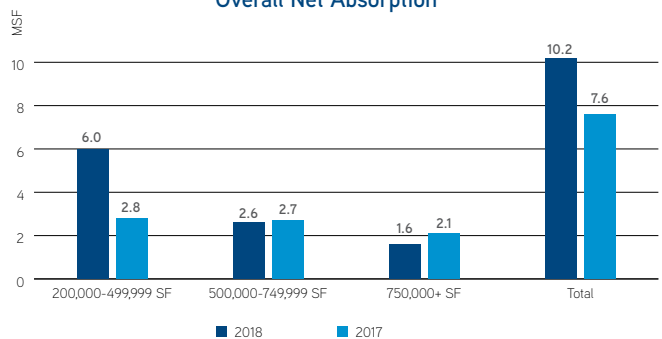
Taking NNN Rent



Under Construction



Overall Net Absorption



Notable Transactions

Big-Box Leases - 2018

Tenant	Lease Size (SF)	Building Address	City	Lease Type
Ikea	975,000	586 Gulf Ave.	Staten Island, NY	New-Direct
Pioneer Commodities	547,334	1665 Jersey Ave.	North Brunswick, NJ	Renewal/Expansion
XPO Logistics	526,400	115 Interstate Blvd.	South Brunswick, NJ	New-Direct
The RealReal	492,276	950 Convery Blvd.	Perth Amboy, NJ	New-Direct

Big-Box Sales - 2018

Buyer	Building Size (SF)	Building Address	City	Sale Type	Sale Price (PSF)
Square Mile Management & Saadia Group	1,427,979	703 Bartley Chester Rd.	Flanders, NJ	Investment	\$63.03
Zurich Alternative Asset Management, LLC	733,678	355-678 Davidson Mill Rd.	Jamesburg, NJ	Investment	\$135.62
DWS	725,400	300 Ridge Rd.	Piscataway, NJ	Investment	\$169.73
Goodman North America	616,992	698 Route 46	Teterboro, NJ	Investment	\$241.68

Historical Data

	# of Buildings	Existing Inventory	Vacant Inventory	Vacancy Rate	Leasing Activity	Net Absorption	Taking NNN Rent	Cap Rate	Under Construction	Construction Completions
2009	176	76,037,043	13,123,520	17.3%	7,348,514	1,582,916	\$4.75	N/A	269,204	385,140
2010	177	76,306,247	10,223,808	13.4%	8,997,079	3,168,916	\$4.62	8.3%	483,175	269,204
2011	179	76,789,422	6,875,435	9.0%	10,355,470	3,831,548	\$4.09	6.9%	243,750	483,175
2012	181	77,259,272	4,481,869	5.8%	9,386,313	2,863,416	\$4.56	5.1%	1,890,658	469,850
2013	184	78,812,822	4,157,431	5.3%	8,059,956	1,877,988	\$4.94	6.5%	5,297,857	1,553,550
2014	198	85,907,606	6,826,835	7.9%	11,021,790	4,425,380	\$4.65	7.5%	2,058,621	7,094,784
2015	202	87,650,838	6,655,480	7.6%	11,270,655	1,914,587	\$5.02	N/A	3,006,520	1,743,232
2016	210	91,097,705	3,294,054	3.6%	12,891,551	6,808,293	\$7.27	5.2%	8,617,360	2,785,637
2017	225	97,709,134	2,302,766	2.4%	11,115,522	7,602,717	\$6.52	5.1%	17,484,505	6,611,429
2018	248	108,897,210	3,283,445	3.0%	13,025,351	10,207,397	\$8.17	6.1%	8,530,807	11,188,076



Southern New Jersey -

Eastern Pennsylvania

22.5 million square feet under construction in 2018 is an all-time record.

[VIEW PROPERTIES](#)

At approximately 263 million square feet, the Southern New Jersey-Eastern Pennsylvania market is the second-largest big-box market in North America. With more than 58 million people within 250 miles of its core and a plethora of logistics advantages, the market continues to post robust fundamentals. This is evidenced by the record-breaking 11 million square feet of big-box leasing activity and 13 million square feet of net absorption in 2018.

E-commerce companies continue to expand within the region in droves with Amazon.com taking another million square feet, and NFI and True Value also taking large blocks of space in the market. Despite strong leasing and net absorption, the overall vacancy rate increased 1.5 percentage points to 7.1% at year-end because of a massive amount of speculative development. More than 18 million square feet completed construction in 2018, with another 22.5 million square feet in development.

Sales activity also continues to be strong for investors during the first half of the year. Mapletree Investment, Exeter and LBA all purchased one million square foot facilities and these transactions continued to push up sales prices, lowering cap rates in the region to 5.5%, the fifth-lowest rate in the country.

With economic conditions in the U.S. stable in the near-term and the surrounding East Coast ports performing well, big-box fundamentals should remain healthy in the region for the foreseeable future. The seven vacant buildings larger than 750,000 square feet, along with a good chunk of the 22.5 million square feet of under construction product will be taken, meaning another year of positive net absorption. Taking rents will also continue its upward trend and the overall vacancy rate should stay at or near its current rate in the coming quarters.



Mark Chubb

Senior Managing Director | Conshohocken

“Newly delivered, large format spec buildings bumped up vacancy during 2018. The increasing size of speculative buildings allowed single buildings to impact the vacancy rates by a larger degree. However, there continued to be strong absorption and a healthy pipeline of requirements. Despite rising vacancy rates, rental rates continue to grow in most areas. Development continues to spread away from core areas along the I-78 and I-81 corridors, and more infill sites are in play along the I-95 corridor.”

Building Inventory

200,000 - 499,999 SF

288

Big-Box Buildings

15

Fully Vacant

500,000 - 749,999 SF

100

Big-Box Buildings

2

Fully Vacant

> 750,000 SF

108

Big-Box Buildings

7

Fully Vacant

Major Logistics Driver

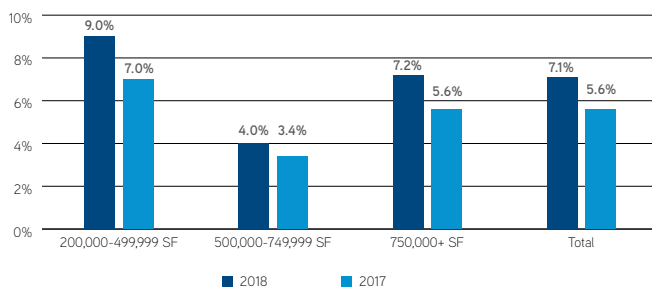
The Southern New Jersey–Eastern Pennsylvania market is one of the [most logistics-friendly markets](#) in the country. The region is centrally located along the U.S. East Coast, giving it the capability to handle container volumes from three major seaports: the Port of New York and New Jersey, [the Port of Baltimore](#) and the [Port of Philadelphia](#).

Two Class I railroads (CSX and Norfolk Southern) and 100 major interstate interchanges are located within the region. In addition, five airports with major cargo handling capabilities are within 90 minutes of the region. This includes the [Lehigh Valley International Airport](#), which was one of the fastest growing cargo airports in the U.S. in 2017.

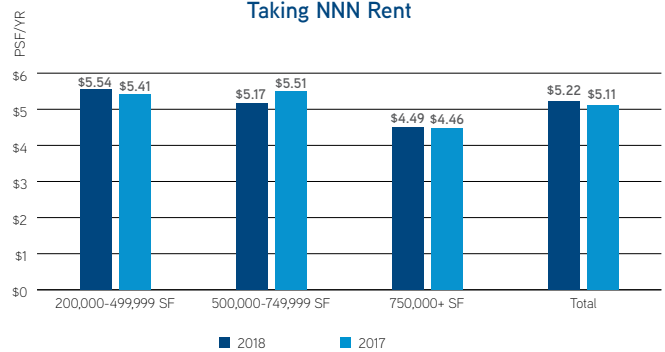


Key Statistics

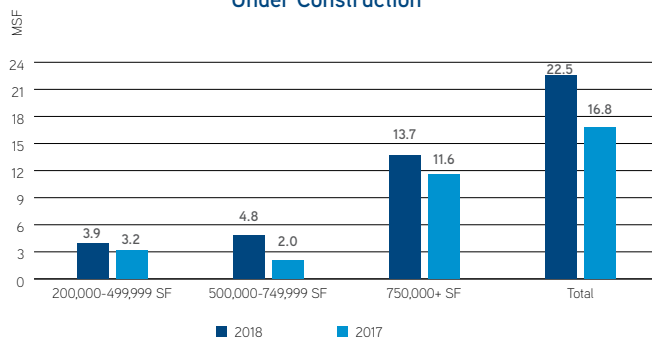
Vacancy Rate



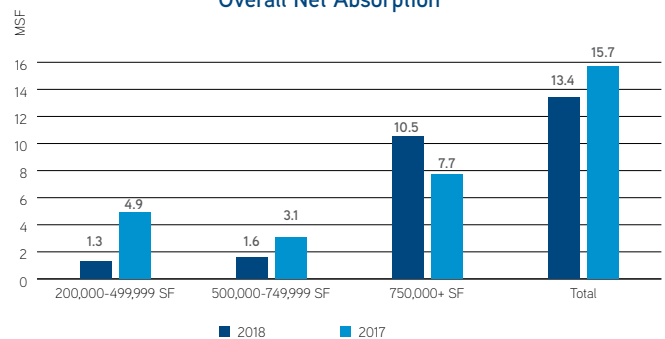
Taking NNN Rent



Under Construction



Overall Net Absorption



Notable Transactions

Big-Box Leases - 2018

Tenant	Lease Size (SF)	Building Address	City	Lease Type
Quarate	1,087,200	3419 Commerce Center Blvd.	Bethlehem, PA	Build-To-Suit
NFI	1,048,380	200 Corporate Center Dr. W.	Tobyhanna, PA	Build-To-Suit
Amazon.com	1,016,000	1101 E. Pearl St.	Burlington, NJ	Build-To-Suit
True Value	1,000,000	TradePort 164	Wilkes-Barre, PA	Build-To-Suit

Big-Box Sales - 2018

Buyer	Building Size (SF)	Building Address	City	Sale Type	Sale Price (PSF)
Mapletree Investments Ltd	1,369,000	2086 Corporate Center Dr. W.	Tobyhanna, PA	Investor	\$72.68
Exeter Property Group	1,267,500	25 Keystone Blvd.	Pottsville, PA	Investor	\$74.75
LBA Realty	1,062,000	1055 Hanover St.	Wilkes-Barre, PA	Investor	\$41.20
Exeter Property Group	1,026,000	400 First Ave.	Gouldsboro, PA	Investor	\$61.21

Historical Data

	# of Buildings	Existing Inventory	Vacant Inventory	Vacancy Rate	Leasing Activity	Net Absorption	Taking NNN Rent	Cap Rate	Under Construction	Construction Completions
2009	345	171,095,986	21,205,046	12.4%	7,230,575	354,457	\$3.55	N/A	1,712,000	3,659,781
2010	347	172,140,986	17,047,991	9.9%	882,148	5,202,055	\$3.63	N/A	1,664,946	1,045,000
2011	352	174,779,432	12,756,043	7.3%	1,021,551	6,930,394	\$4.01	8.1%	3,823,473	2,638,446
2012	361	181,141,185	16,222,192	9.0%	502,269	2,895,604	\$4.04	8.4%	5,019,909	6,361,753
2013	369	185,866,328	12,326,948	6.6%	2,423,248	8,620,387	\$4.08	7.6%	7,291,433	4,725,143
2014	382	194,049,729	7,794,760	4.0%	4,096,500	12,715,589	\$4.15	6.7%	12,480,079	8,183,401
2015	406	207,375,946	9,985,132	4.8%	4,113,609	11,135,845	\$5.04	5.9%	14,384,906	13,326,217
2016	443	228,362,024	12,737,963	5.6%	6,638,719	18,233,247	\$5.06	5.9%	9,423,205	20,986,078
2017	471	244,780,138	13,686,422	5.6%	8,090,030	15,686,180	\$5.11	5.7%	16,791,571	16,423,281
2018	496	263,235,613	18,721,599	7.1%	10,872,709	13,420,298	\$5.22	5.5%	22,499,915	18,455,475



Canada Toronto

0.9% overall vacancy rate in 2018 is the lowest in over a decade.

[VIEW PROPERTIES](#)

The Greater Toronto Area (GTA) market is the third-largest big-box market in North America. The region has become home to many e-commerce fulfillment/distribution centers for companies such as Amazon.com, Wayfair and IKEA that are drawn to the region's vast transportation infrastructure. Demand has been strong for big-box product in the market for quite some time, leading to one of the lowest overall vacancy rates in North America.

Vacancy rates which increased slightly at midyear to 2.6% dropped to an almost non-existent 0.9% at year-end. There are still very few full building vacancies on the market, with only three options at year-end, none of which are larger than 500,000 square feet. Despite the low amount of full building vacancies, leasing activity actually picked up in 2018, finishing at a decade high 10.6 million

square feet, double the 2017 total. There might be no market in greater need of new big-box development than Toronto, and because of this, 6.6 million square feet was under construction at year-end. However, much of this space is already spoken for and won't provide much of a relief for the record low vacancies in 2019.

Despite a pickup in under-construction product, the prospect for future development is murky due to a scarcity of available land, as well as a difficult entitlement process in the region. As long as the inventory of available product remains limited, vacancy rates are likely to stay at record lows. In the coming quarters, absorption is expected to remain positive but lower than previous year's totals while taking rents will escalate at a faster pace for the foreseeable future.



Colin Alves, SIOR

Executive Vice President | Toronto

“The GTA continues to experience record rent growth and very strong demand, which may push big-box vacancy to 0% by mid-2019. More than 50% of 2019 speculative construction has already pre-leased. E-commerce, consumer product and food sectors are leading the absorption of speculative product. Currently, the GTA has the lowest supply pipeline of any major North American market.”

Building Inventory

200,000 - 499,999 SF

518 Big-Box Buildings

3 Fully Vacant

500,000 - 749,999 SF

49 Big-Box Buildings

0 Fully Vacant

> 750,000 SF

48 Big-Box Buildings

0 Fully Vacant

Major Logistics Driver

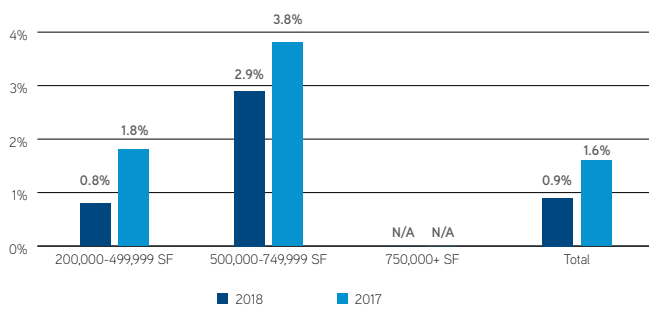
The GTA is an ideal logistics hub due to its superior access to major 400-series highways—401, 407, 409, 427, 403, 400 and 404—providing connectivity to locations across southern Ontario and to U.S. border crossings.

The GTA also offers connectivity to two major railroads, the Canadian National Railway (CN) and the Canadian Pacific Railway (CP), with multiple intermodal yards located in Milton, Brampton, Caledon and Vaughan. Canada’s largest and busiest airport, [Toronto Pearson International Airport](#), is also centrally located to the GTA markets and processes more than 45% of Canada’s air cargo.

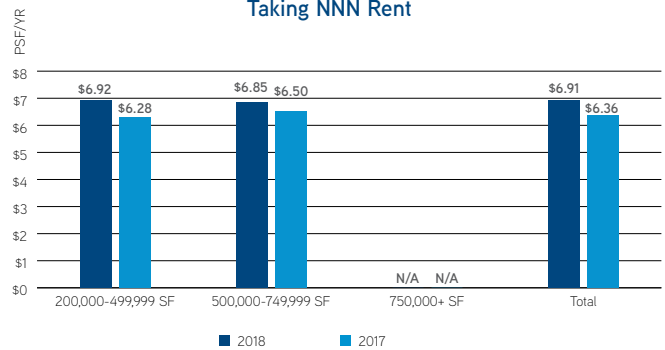


Key Statistics

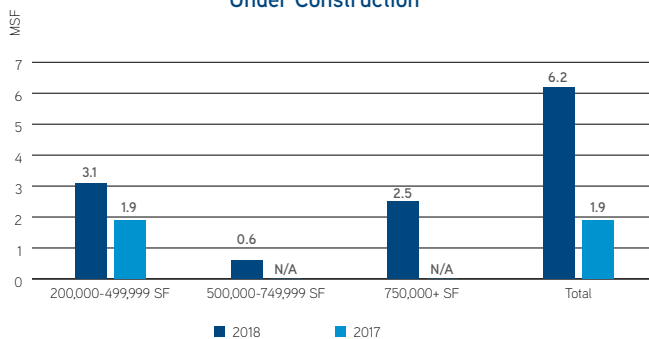
Vacancy Rate



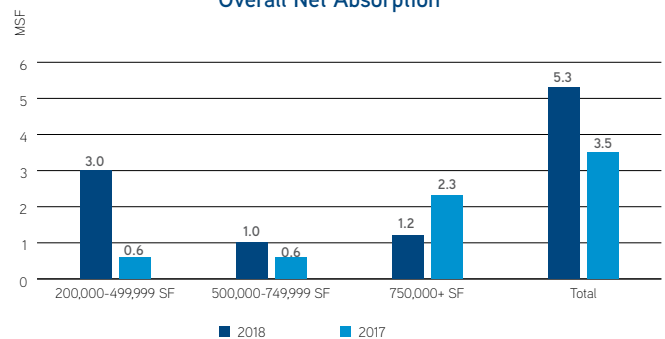
Taking NNN Rent



Under Construction



Overall Net Absorption



Notable Transactions

Big-Box Leases - 2018

Tenant	Lease Size (SF)	Building Address	City	Lease Type
Amazon.com	1,016,000	Coleraine Dr.	Caledon, ON	New - Direct
Technicolour Home Entertainment	635,124	400 Nugget Ave.	Toronto, ON	Renewal
SDR Distribution Services	627,731	86 Pillsworth Rd.	Caledon, ON	New - Direct
Kimberly-Clark	550,000	2994 Peddie Rd.	Milton, ON	New - Direct

Big-Box Sales - 2018

Buyer	Building Size (SF)	Building Address	City	Sale Type	Sale Price (PSF)
PIRET	405,000	2 Bramkay St.	Brampton, ON	Investor	\$192.59
Cosa-Nova Fashions Limited	389,313	1880 Matheson Blvd. E.	Mississauga, ON	User	\$160.92
PIRET	339,502	6625 Tomken Rd.	Mississauga, ON	Investor	\$132.69
OPTrust Industrial Inc.	285,350	3455 Argentinia Rd.	Mississauga, ON	Investor	\$145.79

Historical Data

	# of Buildings	Existing Inventory	Vacant Inventory	Vacancy Rate	Leasing Activity	Net Absorption	Taking NNN Rent	Cap Rate	Under Construction	Construction Completions
2009	576	216,081,339	13,658,860	6.3%	840,634	3,146,845	N/A	N/A	-	-
2010	580	217,010,213	13,040,032	6.0%	4,184,941	1,547,702	N/A	N/A	-	-
2011	582	217,500,775	9,713,940	4.5%	2,332,668	3,816,654	N/A	N/A	-	-
2012	585	219,516,783	9,059,724	4.1%	2,354,973	2,670,224	N/A	6.5%	5,476,747	2,180,723
2013	590	222,203,834	8,870,051	4.0%	5,862,055	2,876,725	N/A	6.6%	3769675	1,386,011
2014	596	224,320,580	8,621,388	3.8%	3,826,678	2,365,409	N/A	6.8%	7,370,604	2,361,701
2015	600	226,162,325	4,360,858	1.9%	4,819,034	6,102,275	\$5.78	6.6%	6,821,355	3,404,213
2016	603	227,352,258	6,433,892	2.8%	6,380,295	1,943,474	\$6.01	6.0%	5,862,245	2,878,961
2017	607	230,617,779	3,767,339	1.6%	5,536,250	3,511,477	\$6.36	N/A	1,934,408	5,354,212
2018	615	233,250,145	2,018,222	0.9%	10,557,390	5,280,123	\$6.91	N/A	6,212,706	2,487,908

*Taking NNN rent is in CAD.

PRINCIPAL CONTACTS

James Breeze

National Director of Industrial Research | USA
+1 602 222 5184
james.breeze@colliers.com

Pete Quinn

National Director, Industrial Services | USA
+1 317 713 2107
pete.quinn@colliers.com

Jack Rosenberg, SIOR

National Director, Logistics and Transportation
+1 847 698 8208
jack.rosenberg@colliers.com

VIEW INTERACTIVE REPORT:

colliers.com/BigBox2H2018



www.colliers.com

This document has been prepared by Colliers International for advertising and general information only. Colliers International makes no guarantees, representations or warranties of any kind, expressed or implied, regarding the information including, but not limited to, warranties of content, accuracy and reliability. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers International excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising there from. This publication is the copyrighted property of Colliers International and/or its licensor(s). ©2019. All rights reserved.



Accelerating success.