

## Another boom in 2019? Industrial markets poised to soar this year

January 24, 2019 | Dan Rafter



Commercial real estate pros agree: As 2019 begins, industrial remains the hottest CRE sector, with companies scrambling to either find or build modern warehouse and distribution facilities across the Midwest. And a slew of year-end reports only backs up

this belief, as researchers find tumbling vacancy rates and soaring demand for industrial space throughout the Midwest's biggest markets.

Consider the year-end Detroit industrial report recently released by [CBRE](#). According to CBRE, the Detroit industrial market in the fourth quarter of 2018 recorded the highest year-over-year rent growth and lowest vacancy rate of any Midwest market.

Industrial rents in the Detroit market jumped 9.4 percent in the fourth quarter of 2018 when compared to the same quarter a year earlier. This led the Midwest, with Columbus coming in second with a rent growth of 8.9 percent and Minneapolis third with growth of 8.4 percent.

Detroit also ended 2018 with the lowest industrial vacancy rate in the Midwest at 1.9 percent. Cincinnati and Chicago tied for second, with CBRE reporting that the industrial vacancy rates in these markets stood at 3.5 percent at the end of the year.

In more good news? CBRE said that Detroit's industrial market recorded 7 million square feet of net absorption in 2018, trailing only Louisville, with 10.2 million square feet, and Chicago, 19.9 million square feet.

"It's no surprise that Detroit is leading the Midwest in several major market statistics," said Eugene Agnone, senior vice president with CBRE, in a statement. "We have seen a historic level of activity in the last two years. Investors have taken notice and now Detroit is drawing a lot of interest from major capital institutions as they see ample opportunity in the market."

Detroit isn't the only Midwest industrial market that is soaring. [Avison Young](#), in its year-end report industrial report, said that industrial rents in Nashville ended 2018 on an upswing. At the end of the fourth quarter, Nashville warehouse rents averaged \$5.11 a

square foot, an increase of 6.7 percent compared to the same quarter a year earlier, according to Avison Young.

The average flex industrial rent rose 6.9 percent during the same period, with Avison Young reporting that this rent stood at an average of \$12.53 a square foot in the fourth quarter of 2018.

As in many Midwest markets, the amount of speculative construction in the Nashville region is soaring. Avison Young reported that all of the current industrial construction in the area is speculative. More than 2.6 million square feet of new industrial product was added to the region in 2018, with 52 percent of this space preleased, according to Avison Young.

And in Ohio? [Cushman & Wakefield](#) reported that the industrial vacancy rate in Cincinnati fell to 2.9 percent in the fourth quarter, a drop of 30 basis points when compared to the fourth quarter in 2017. Cushman & Wakefield says that the industrial vacancy rate here has been less than 4 percent for the past two years and at 3 percent or lower for the last three quarters.

Cushman & Wakefield reported that the industrial market in Dayton, Ohio, experienced 1 million square feet of positive net absorption in the fourth quarter of 2018.

“The 1 million square feet of quarterly absorption was enough to counteract all of the negative absorption from the prior three quarters,” said Jarrett Hicks, associate director for Cincinnati/Dayton research for Cushman & Wakefield, in a written statement.

For the year as a whole, the greater Dayton area had 400,000 square feet of positive absorption in the industrial sector.

Expect the Dayton industrial market to stay strong for 2019, too. Cushman & Wakefield reported that even with nearly 700,000 square feet of new deliveries, more than 1.3 million square feet of industrial space was under construction across the region.

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