

Common Goals: Industrial Market Shows No Sign of Slowing

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In 2015 the Industrial construction market in the United States experienced a record year. With realized absorption levels not seen since the beginning of the millennium, and supply drastically trailing demand, we are poised for another record-breaking year in 2016.

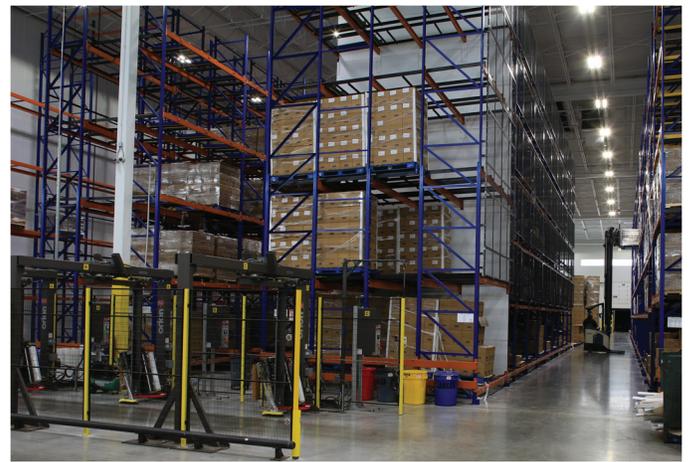
According to a recent report published by Newmark Grubb Knight Frank (NGKF), nearly 216 million square feet of industrial space was absorbed over the course of 2015, considerably outpacing construction deliveries of 168.5 million square feet. Three markets served by McShane Construction Company - Inland Empire, CA, Chicago and Atlanta - each posted absorption totals over 10 million square feet in 2015 alone. Much of this activity has been driven by the logistics, e-commerce and retail sectors as the need for 24-hour or less delivery times increases.

The Food & Beverage market has also seen accelerated growth. We have witnessed an increased need for expansion and relocation from processors and distributors for a variety of reasons. According to **Charlie Stone**, McShane's Director of Business Development for Food & Beverage and a 30-year veteran of the food distribution and manufacturing industry, key factors include speed to market, overall business growth and transportation costs. Renewed interest in reshoring is also impacting demand for new facilities. The longshoremen labor contract standstill has driven additional business to the East Coast, leading to warehouse expansions - including cold storage - to locations like New Jersey, Savannah, and throughout

Florida. Increased interest to export food to Europe and Asia is driving demand for facilities closer to ports. As a market leader, McShane Construction is positioned to offer several advantages to food and beverage users. "We must collaborate with our clients, identifying ways to generate a cost-effective project with great ROIs, operational efficiencies, innovative ideas and labor reducing applications," remarked Stone.

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Shifting gears to the California market, we also experienced a tremendous amount of activity over the past year. For the Inland Empire, 2015 was the "year of the one million square foot user,"



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with seven transactions closing - the equivalent of all activity from 2007-2014 of this product size, according to a recent report published by JLL. Nearly 22 million square feet was delivered in 2015 within this submarket, accounting for 15% of industrial construction completed in the U.S. There is currently 20 million square feet under construction, a promising sign for 2016, making Inland Empire one of the hottest industrial submarkets in the country. Northern California is witnessing some of the same trends, with vacancy rates hovering below 2% and rental rates increasing. The East Bay submarket has approximately 3.9 million square feet in the pipeline, of which 1.2 million square feet is under construction, a level not seen in 15 years. Needless to say, there is great demand for industrial product.

With vacant land becoming scarce, developers are turning to infill construction in highly desirable industrial locations. Due to our vast experience, we are capable of building on challenged sites. One example is our current undertaking at Corona Crossroads Business Park on the site of a former driving range in Corona, California. I believe this will be one of many infill projects undertaken by our team as we continue to be a preferred choice for design/build and general construction solutions that provide optimal environments that increase productivity, reduce operating costs, and improve customer service for our clients.

Jonathan Bagnall
Vice President - Western Region



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As Vice President of McShane Construction's Western regional office, Jonathan provides strategic leadership and experience to support the operations of the firm's

growing portfolio of projects and client base within the State of California and throughout the region.

He contributes business development expertise across the targeted market areas of industrial, office, healthcare and multi-family supporting the firm's continued expansion.

With over 13 years in the construction industry, Jonathan possesses a broad range of design/build and general construction experience. Throughout his career, he has gained valuable insights on the various expectations and requirements of successful construction undertakings. He has served as a key point person for client assignments within the industrial, healthcare, office, multi-family and student housing markets. Together with his dynamic background and skill set, Jonathan is recognized for his client-focused approach that is instituted beginning with a project's initial conception, through pre-construction and final completion.