

**Move On: Spotlight on Transportation and Logistics**



# Warehousing and logistics industry's vibrancy, resiliency continues

As a trusted advisor to real estate clients in the logistics industry and beyond, BARBERMURPHY's brokers continue closely watching the logistics and warehouse/distribution industry in Illinois and St. Louis.

Principal Steve Zuber says the overbuilding that companies such as Amazon did since the pandemic is now levelling out, with some of that space reemerging on the market.

"Lease rates for industrial properties have been at an all-time high, but we are starting to see the market soften as inventory of warehouse space becomes available," said Zuber. "Before Covid, we saw a just-in-time strategy with regard to inventory and finished goods for many companies. Immediately after the pandemic, we saw that shift to just-in-case. Now there's an emerging equilibrium of just-in-time and just-in-case. Logistics and warehousing companies are rightsizing."

There's a noticeable mellowing of the amount of warehouse and distribution space being consumed by the big players, according to Zuber. Although Amazon's warehouse overbuilding binge during the pandemic has ebbed, in 2022 the company still added the equivalent of one-third of Walmart's total capacity.

"3PL (third-party logistics) is still very strong," added Zuber, noting that 3PL includes freight forwarders, courier companies and other companies integrating and offering subcontracted logistics and transportation services. "But we are beginning to see a true balancing out ... people are starting to see that they don't need nearly as much warehouse and distribution space as they'd anticipated."

In BARBERMURPHY's market territory, Zuber says rightsizing has resulted in approximately two million square feet available in the Illinois market for large space over 200,000 square feet. As more manufacturers are concentrating on re-shoring their production back to the U.S., this will likely produce additional demand for warehousing and distribution space.

"We are starting to see inventory of larger warehouse space over 100,000 square feet opening up that hadn't been available in recent years in our market," Zuber said. "The Big Three industrial parks in Illinois – Gateway Commerce Center, Tradeport and Lakeview Commerce Center have had low vacancies over the past five years. But we're starting to see some of that space becoming available. For anything under 100,000 square feet, supply is still limited and demand remains pretty robust."

Speculative buildings under 100,000 square feet or fewer are again being considered by smaller investors for the first time in years, according to Zuber. "At Eastport in Collinsville, Maune Development Company is close to completing a new 60,000-square-foot multi-tenant office/warehouse which should be finished by May. We've had a lot of activity and could have it fully leased before its completion."

Approximately 1.5 million square feet of available warehouse/distribution space among all Southern Illinois' parks combined has hit the market with more space on the way.

"We're working with clients right now on build-to-suits for the smaller spaces under 100,000 square feet due to the lack of inventory," he said. "If



Steve Zuber



Andy Kirchner

anyone has space available under 100,000 square feet, we urge them to contact us at BARBERMURPHY."

One of BARBERMURPHY's clients, McLeod Trucking, underscores Zuber's comments about the solid demand for warehouse/distribution space and the still-robust logistics activity across Southern Illinois and St. Louis.

"When we first formed McLeod Logistics, we'd covered excess freight that we didn't have trucks for," said President Colt McLeod. "But over time it helped us expand our whole business more than we had planned on. We value the expertise and trusted advisory services that BARBERMURPHY provides us with," he added. "Steve Zuber was of immense help to us with tax incentives and site expertise as we began to establish our presence in St. Louis."

NOTS Logistics President and CEO Andy Kirchner believes that the warehouse/distribution industry is proving its resiliency.

"While there are pockets of segment softening, it comes on the heels of being overheated beyond capacity with zero opportunities to do stuff," said Kirchner, whose company owns more than three million square feet and manages another 1.5 million square feet in the Midwest and Southeast U.S. "Across the country, we see that some areas are more resilient than others, but there's no place that warehouse construction is zero. It still exists. Warehouse is a long-term play."

Warehouse/distribution development is commonly three to five years in the making, he adds, and the lifespans of these buildings are lengthy. "We're still seeing warehouses being put up nonstop 'for lease' rather than 'occupied by,'" Kirchner said. "This industry still represents a hotbed of activity."



One of BARBERMURPHY's clients is McLeod Trucking. Pictured from left are Colt and Mac McLeod. (Courtesy BARBERMURPHY/McLeod Trucking)

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