

## What's Trending in Industrial Build-to-Suit

By Jason West, SIOR, President of the Chicago Chapter of SIOR and Executive Managing Director, Cushman & Wakefield



Jason West

**C**ompanies in the industrial sector in Chicago continue to turn to build-to-suit development as their needs grow more specialized.

In the fourth quarter of 2016 build-to-suit construction surpassed speculative, accounting for 52.8% or about 11 million square feet of the total construction pipeline in Chicago, according to market research by Cushman & Wakefield. This demand for custom construction shows no signs of slowing in the coming year.

To go beyond the numbers, I asked a few of the platinum sponsors of the Chicago Chapter

of SIOR to share their insider's view on what industrial distribution users are seeking in a build-to-suit warehouse.

### Raising to New Heights

The standard height for warehouse industrial buildings continues to climb, surpassing the already-soaring 36 feet, and pushing to new heights. The advent of new building technologies, such as advanced fire protection, allow for 40-foot clear buildings. The main driver behind the height increase is maximizing the volume of pallets the buildings can hold. However, when accounting for standard pallet heights of 54" or 64", plus an 8" buffer, those additional 4 feet may add construction costs without significantly increasing the volume.

According to Steve Golumbeck, vice president, Peak Construction, "The sweet spot is 37.5 foot clear, which minimizes the construction cost increase, but maximizes the total pallets within the building. Depending on the dimension of the building, this 4%

increase in building height allows for almost a 10% increase in number of pallets. The best news is this height increase is typically less than a 1% cost increase."

For food industry clients, however, 40-foot clear buildings are more frequently requested. According to Brian Quigley, executive vice president, The McShane Companies' Conor Construction. "This maximizes the number of pallet positions in the freezer and cooler portions of the building while minimizing square footage."

### Premium Finishes and Something New ... Windows

Industrial clients are increasingly looking for more premium finishes than they have in the past, as well for new materials that are more durable or energy efficient and will create savings over the life of the property.

Kevin McKenna, executive vice president, Clayco, noted, "New industrial construction includes premiums such as painted interior

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walls, LED light fixtures, and "non-shrink" slab on grade floors, using products such as Dustilcrete."

While LED lighting may cost more at construction, it can reduce operational costs. Similarly, companies are putting in full concrete truck courts instead of the asphalt paving previously used to reduce future maintenance cost and down time.

Quigley also adds, "Natural light is a big build-to-suit customer requirement. We have tripled the number of clear story windows going into buildings today versus five years ago."

### Built for Tech

As the industrial sector grows more complex, so to do their building needs. Howard Green, executive vice president, Meridian Design Build LLC, explains that a

move toward more sophisticated material handling systems, such as automated storage and retrieval systems and multi-shuttle systems has created a need for: specialized mechanical and electrical systems, specialized sprinkler systems, floor slabs designed to support higher rack loadings, and in-floor guidance systems.

Customers also now look for steel structures to support much more weight than in the past so that conveyer systems can be hung from the structure, keeping the floor free for forklifts to move easily through the building.

### "On-shoring": Manufacturing Returns to the U.S.

The construction industry is the harbinger of a shift in manufacturing back to the United States, a trend known as "on-shoring." McKenna

notes an increase in requests for manufacturing and processing facilities, such as steel manufacturing and food processing.

Overall, industrial build-to-suit is becoming more sophisticated and specialized. Companies can work together with construction companies and specialized brokers, like those who have earned the SIOR designation, to create industrial spaces that help maximize volume, streamline processes, and improve operational costs.

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