



Springfield Area  
**Chamber of Commerce**  
Springfield, Missouri

# **Industrial Market Trends**

A Survey of Springfield's  
Manufacturing/Warehouse Market

**December 2006**

Springfield Area Chamber of Commerce  
Springfield Business & Development Corporation  
City of Springfield

## **Executive Summary**

In 2006 the Springfield Area Chamber of Commerce conducted an industrial real estate market survey as a follow-up to the 2002 analysis. The aim of the survey was to assess the manufacturing and warehouse profile of Springfield and compare it to national trends. Both the vacancy and rent rates are lower than the national average at 6.97 percent and \$3.20 per square foot respectively. The typical industrial facility is just over 50,000 square feet and 18 years old, but Springfield sustains a wide range of facility sizes and ages. A map, offered as Appendix C, provides a geographical representation of industrial real estate locations in Springfield.

## Introduction

Four years after the first industrial real estate market analysis, the Springfield Area Chamber of Commerce at the request of the City of Springfield, conducted a follow-up survey. The purpose of the survey was to assess the manufacturing and warehouse profile of Springfield and compare it to national trends. The core of the report is primary source data gathered via a survey. U.S. census figures and national market reports were used to give meaning to the survey findings by putting them into context. The survey concludes that Springfield's diversified economy supports a manufacturing sector consistent with national trends.

## National Industrial Real Estate Highlights

(Source: Colliers International: North America Industrial Real Estate Highlights – 1<sup>st</sup>, 2<sup>nd</sup> Quarters 2006)

Overall, the U.S. industrial market is expected to meet a moderately optimistic forecast made in the beginning of 2006. The year began with anticipation of solid demand and rising construction. This is despite numerous signs that the economy is slowing down combined with continued geopolitical tensions and subsequent rising energy costs.

New construction unexpectedly registered a decrease over the second quarter of the year with 38.2 million square feet (MSF) completed compared to 39.5 MSF in the first quarter. That was still an increase, however, from the same time in 2005.

Second quarter rents rose by 3.5% percent to \$5.13 per square foot, remaining higher than at the same time last year. In addition, vacancy rates fell to 8.3 percent during the second quarter, compared to 8.9 percent a year ago.

<b>Vacancy Rate – Q2 2006</b> (Change from Q1)	<b>8.3%</b> (-0.2%)
<b>Absorption – Q2 2006</b>	<b>50.3 million sqft</b>
<b>New Construction – Q2 2006</b>	<b>38.2 million sqft</b>
<b>Under Construction</b>	<b>127.1 million sqft</b>
<b>Asking Rents – Per Square Foot</b> (Change from Q1)	<b>\$5.13</b> (3.5%)

**Table 1 National Trends**

Source: [www.colliers.com](http://www.colliers.com)

## **Methodology**

The survey was conducted over the period of March through September 2006. Questionnaires were mailed to a database of Springfield addresses classified as Industrial/Warehouse by the Greene County Assessor's office. Two additional mailings followed the initial one sent in March; May and July of 2006 respectively. Some telephone follow-up was conducted as well. The questionnaire was sent to 288 properties. 72 of those responded making the return rate 25 percent. The data was aggregated into a database with this report summarizing the conclusions. Analysis of the sample indicates that it is representative of the total of industrial/warehouse real estate inventory of Springfield.

To determine the industrial sector's relative strength, both in spatial and social terms, data from governmental websites were used. These include the websites of the Bureau of Labor Statistics, the Missouri Economic Research and Information Center, the US Census Bureau, as well as the Springfield Business Development Corporation at:

[www.bls.gov](http://www.bls.gov)

[www.missourieconomy.org](http://www.missourieconomy.org)

[www.census.gov](http://www.census.gov)

[www.business4springfield.com](http://www.business4springfield.com)

## **A profile of Springfield, MO**

Springfield is the third largest city in Missouri with a population of 150,298 (2005 estimate), The Springfield Metropolitan Statistical Area (MSA) has a population of just over 398,000 people. The Springfield MSA includes the 5-county area of Greene, Christian, Webster, Polk and Dallas counties. Located in southwest Missouri, Springfield boasts a revitalized downtown, a major state university with an enrollment size of about 20,000, as well as a number of smaller, private institutions. While health care is the largest economic driver, the overall economy is very diverse. Springfield is also the retail and entertainment hub of a region of nearly 1 million people.

Springfield is a growing mid-sized city. Its annual growth rate is 2.2 percent; its population is projected to increase by 22 percent by 2025, a rate faster than the 9.2 percent state projected growth. Greene County rated 4<sup>th</sup> in the state in 2004 in regards to its economic share in Missouri. In addition, the cost of living for Springfield remains 8 to 10 percent below the national average.

## Overview of Springfield Industries: Location Quotients

Several indicators can be used to assess an area's industries, with one of them being a location quotient. This is defined as the ratio of the percentage of local employment in a given activity over the percentage of the national employment in that activity. This ratio indicates whether an industry satisfies local needs or is a source of leakage and whether there is excess production that is then exported, thus bringing outside dollars to the community. The ratio also indicates whether the given industry keeps up with national trends. A location quotient of 1, for example, indicates that the industry examined serves its community without leakages and is consistent with national trends. Below is a table showing location quotients as well as employment percentage data for the Springfield MSA against state and national data. Employment figures exclude public entities.

<b><u>Industry</u></b>	<b><u>Springfield, MO MSA</u></b>	<b><u>Missouri (Statewide)</u></b>
<b>Base Industry: Total, all industries</b>	1.00	1.00
<b>Natural Resources and Mining</b>	0.19	0.47
<b>Construction</b>	0.89	0.97
<b>Manufacturing</b>	0.88	1.07
<b>Trade, Transportation, and Utilities</b>	1.21	1.03
<b>Information</b>	1.05	1.02
<b>Financial Activities</b>	1.01	0.96
<b>Professional and Business Services</b>	0.63	0.93
<b>Education and Health Services</b>	1.29	1.03
<b>Leisure and Hospitality</b>	1.01	1.05
<b>Other Services</b>	0.93	0.95

**Table 2**

Source: [www.bls.gov](http://www.bls.gov). Calculated from Quarterly Census of Employment and Wages Data.

Education and Health Services is the strongest super sector for Springfield, with a location quotient of 1.29, higher than the one of the state's as compared to the nation. This means that the industry not only serves the local needs, but it exports the excess product thus bringing outside revenue into the community. The transportation sector is strong as well, not surprising if one considers the central geographical location of the city making Springfield is a significant commercial transportation hub. Manufacturing, though not the strongest sector in Springfield, is quite significant with a location quotient of 0.88. In fact, the volume of the workforce employed in the manufacturing and trade, transportation and utilities sectors is a combined 39.5 percent.

## Survey Results

While the typical industrial entity in Springfield is just over 50,000 square feet, the size of the properties sampled ranged from 3,500 to 1,800,000 square feet. In fact, 30 percent are over the 100,000 square foot level. Moreover, Springfield's ability to support a viable manufacturing sector manifests itself in the age range of its manufacturing entities: the oldest company surveyed started operating in 1921 and the newest in 2006. The typical local manufacturing business is 18 years old. About 17 percent of the sampled businesses began their operation in 2000 or later. Notably, about half the manufacturing entities report that their Springfield location is their corporate office.

Both the average per square foot rent rate (triple net) and the vacancy rate are lower than the national average at \$3.20 and 7.0 percent respectively making Springfield a financially attractive place to locate a manufacturing or warehouse facility. The national average per-square-foot rent rate is \$5.13, up 3.5 percent from 2006Q1 and the average vacancy rate is 8.5 percent. The following table shows Springfield's ranking among major US cities as well as graphs depicting the age and size of industrial entities.

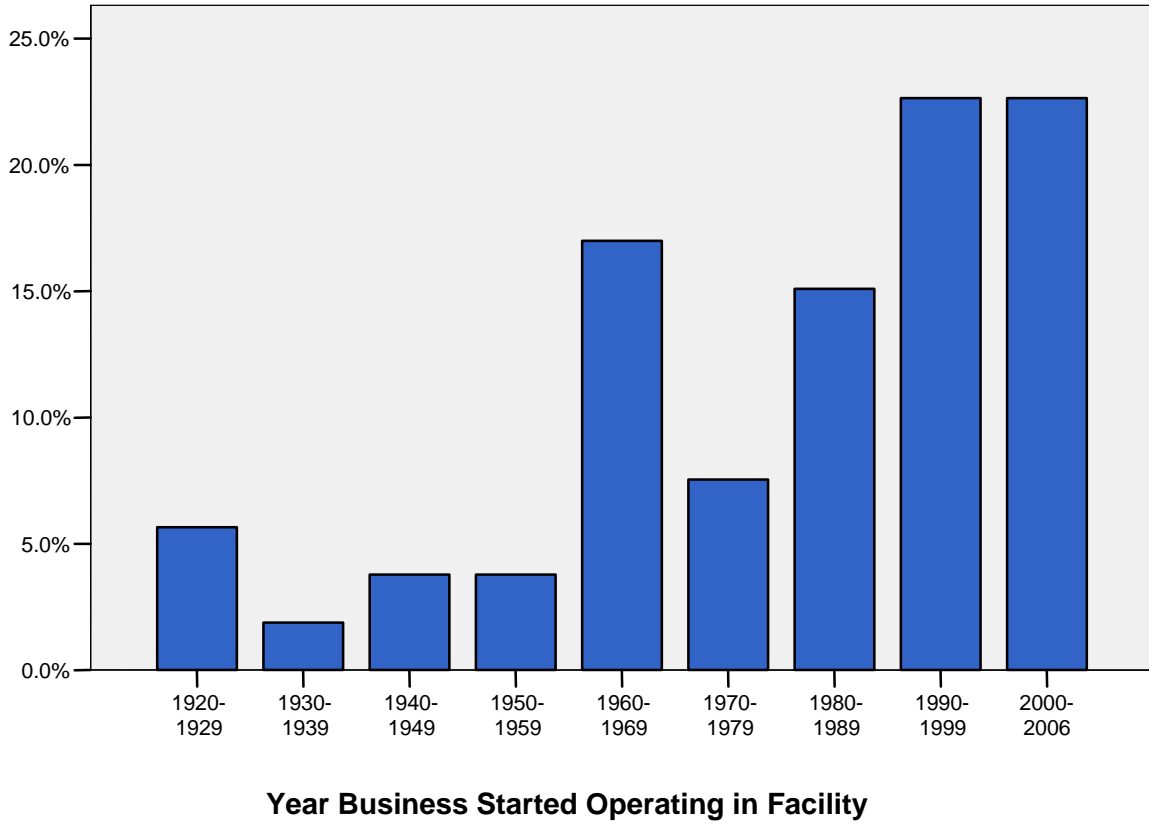
<u>City</u>	<u>Rent (\$)</u>	<u>Vacancy Rate (%)</u>
<b>Springfield, MO</b>	<b>3.20</b>	<b>6.9</b>
Atlanta, GA	3.85	11.8
Boston, MA	5.84	24.8
Charlotte, NC	4.11	10.6
Chicago, IL	4.62	8.9
Dallas/Ft. Worth, TX	3.35	10.7
Kansas City, MO	4.25	8.7
Little Rock, AR	3.25	11.1
Louisville, KY	4.10	7.8
Memphis, TN	2.57	16.0
Nashville, TN	4.05	5.7
Philadelphia, PA	4.75	9.4
St. Louis, MO	4.00	5.4
National average	5.13	8.3

**Table 3 Rent Rates**

(Source: [www.colliers.com](http://www.colliers.com). The average figures include cities not included in the table. Springfield data is from this study, not Colliers).

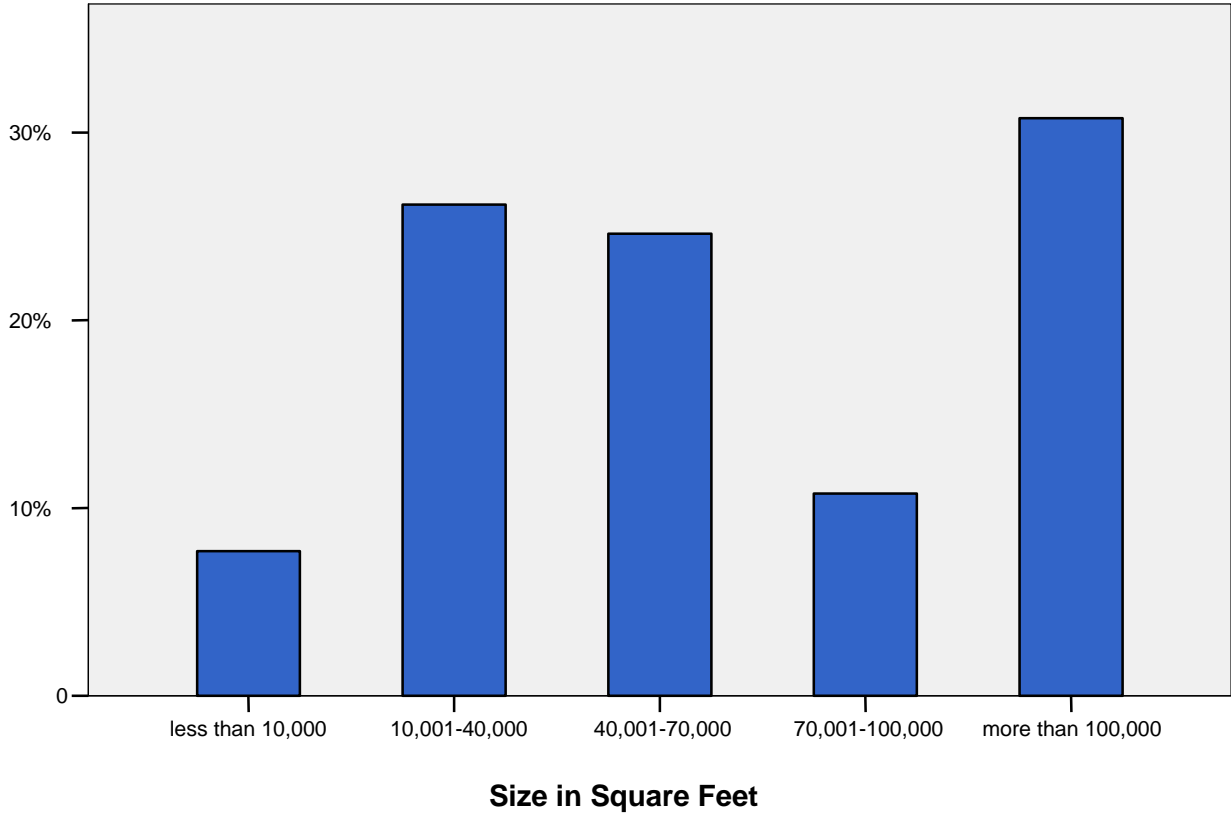
**Fig. 1**

### **Age of Manufacturing Facility**



**Fig. 2**

**Building Square Footage**  
(manufacturing and warehouse combined)



## **Building Partnerships**

In the early 1990's, the City of Springfield, City Utilities, the Springfield Business Development Corporation and the Springfield Area Chamber of Commerce established a partnership that subsequently developed the Partnership Industrial Center, located in the Northeast sector of the city. This is a master planned, 360 acre industrial park that has resulted 21 companies and 2.2 million square feet of construction with a total of 2,397 jobs. Notably, there are neither vacant buildings nor vacant lots in the park. Building on the success of the first park, Springfield's Partnership for Economic Development, with the inclusion of Greene County, embarked on the creation of a second industrial park. Partnership Industrial Center West is located on the Northwest part of the city.

Both parks are situated in an "Enhanced Enterprise Zone". For more information about the tax incentives of the Enhanced Enterprise Zone, a detailed map of it and the Industrial Centers, as well as a list of available buildings and lots, see <http://www.business4springfield.com/partnership>.

## **Closing Summary**

In conclusion, Springfield is an attractive city to manufacturing and warehousing businesses. Rent rates and its vacancy rate are lower than the national average; it supports older as well as newer industrial entities of all sizes and its manufacturing workforce is consistent with national trends. Though there has been a slight reduction in manufacturing workforce, 17 percent of the entities sampled started operating in 2000 or later. Springfield is a city where public-private partnerships are successful in delivering functional infrastructure in the form of the two Partnership Industrial Centers and an attractive business climate.

## Appendix A

### Industrial Market Survey Questionnaire

Contact name: \_\_\_\_\_ Phone number: \_\_\_\_\_

Company: \_\_\_\_\_

E-mail address: \_\_\_\_\_

#### A. Basic facility information

**NOTE:** *If there are additional facilities at a secondary site, please duplicate this form and complete one survey for each location. Consider multiple or adjacent buildings located on the same parcel of land or in the immediate vicinity (i.e. across the road), as one site.*

Facility address: \_\_\_\_\_

Age of facility in years: .....  0-5 years  6-10 years  11-20 years  20+ years

Total sq ft: \_\_\_\_\_ Number of buildings on this site: \_\_\_\_\_

Sq ft dedicated to: manufacturing: \_\_\_\_\_ warehouse: \_\_\_\_\_

This is a.....  corporate location  branch location

#### B. Detailed facility information

*Please choose one of the following statements that best summarizes your role as the individual completing this survey; then answer only the questions indicated by your choice.*

**My company owns the building and operates the occupying company: *please proceed to questions 1-3.***

**My company owns the building but leases it to tenants who occupy the building: *please proceed to questions 4, 8-10***

**My company owns or leases the building but it is currently vacant: *please proceed to questions 7-9***

**My company operates the facility but leases the facility from the owner: *please proceed to questions 5, 6, 8-10.***

1. What year did your business begin operating the facility? \_\_\_\_\_

2. What is your NAICS code? \_\_\_\_\_

3. Has this facility expanded in the past five years?  Yes  No

A. sq ft of expansion: \_\_\_\_\_ B. Date expanded: \_\_\_\_\_

4. Who is the current tenant? \_\_\_\_\_

5. Who is the current owner of the building? \_\_\_\_\_

6. What is your NAICS code? \_\_\_\_\_

7. How long has it been vacant? \_\_\_\_\_

8. What is the per sq ft rate? \_\_\_\_\_

9. What is the tem of the lease (in years)? \_\_\_\_\_

10. What year will the current lease expire? \_\_\_\_\_

## Appendix B

### Employment breakdown by sector: raw numbers and percentages

<b>Data Year:</b>	2005
<b>Data Period:</b>	Annual Average
<b>Datatype:</b>	All Employees
<b>Ownership:</b>	Private
<b>Establishment Sizes:</b>	All establishment sizes
<b>Base Industry:</b>	Base Industry: Total, all industries
<b>Base Area:</b>	U.S. TOTAL

Industry	U.S. TOTAL	Springfield, MO MSA	Missouri -- Statewide
<b>Base Industry: Total, all industries</b>	110,611,016	157,484	2,247,382
<b>Natural Resources and Mining</b>	1,724,044	472	16,380
<b>Construction</b>	7,269,317	9,239	143,866
<b>Manufacturing</b>	14,190,394	17,821	308,890
<b>Trade, Transportation, and Utilities</b>	25,658,289	44,323	536,752
<b>Information</b>	3,056,431	4,550	63,595
<b>Financial Activities</b>	8,037,850	11,522	157,105
<b>Professional and Business Services</b>	16,869,852	15,249	319,992
<b>Education and Health Services</b>	16,479,482	30,289	344,617
<b>Leisure and Hospitality</b>	12,739,466	18,308	272,896
<b>Other Services</b>	4,324,015	5,712	83,289
<b>Unclassified</b>	261,876	NC	NC
Footnotes: (NC) Not Calculable, the data does not exist or it is zero			

Industry	U.S. TOTAL	Springfield, MO MSA	Missouri -- Statewide
<b>Base Industry: Total, all industries</b>	100.00%	100.00%	100.00%
<b>Natural Resources and Mining</b>	1.56%	0.30%	0.73%
<b>Construction</b>	6.57%	5.87%	6.40%
<b>Manufacturing</b>	12.83%	11.32%	13.74%
<b>Trade, Transportation, and Utilities</b>	23.20%	28.14%	23.88%
<b>Information</b>	2.76%	2.89%	2.83%
<b>Financial Activities</b>	7.27%	7.32%	6.99%
<b>Professional and Business Services</b>	15.25%	9.68%	14.24%
<b>Education and Health Services</b>	14.90%	19.23%	15.33%
<b>Leisure and Hospitality</b>	11.52%	11.63%	12.14%
<b>Other Services</b>	3.91%	3.63%	3.71%
<b>Unclassified</b>	0.24%	NC	NC
Footnotes:			
(NC) Not Calculable, the data does not exist or it is zero			
Percentage of Employment: Ratio of industry employment to base-industry employment times 100.			

Source: [www.bls.gov](http://www.bls.gov)

# Appendix C Industrial Real Estate Location Map

