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Industrial Market Analysis

Republic, MO

Prepared November 25, 2020
For the Southwest Missouri Council of Governments

By Randall Gross / Development Economics

INTRODUCTION

This report provides findings from an Industrial Market Analysis for the city of Republic, Missouri. This analysis was conducted for the Southwest Missouri Council of Governments (SMCOG) to help inform overall comprehensive planning efforts on behalf of the City of Republic.

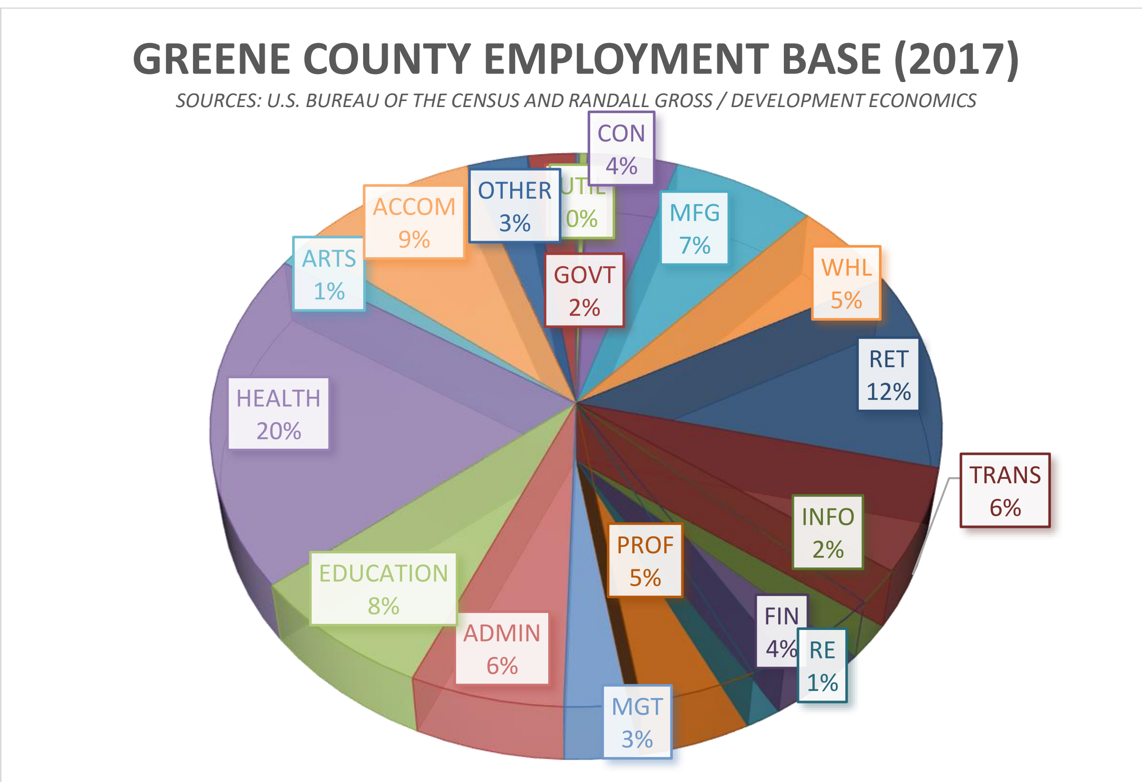
Section 1 of this report summarizes an analysis of the city's existing economic base, and an assessment of regional and local economic trends and labor market conditions. An inventory was conducted of existing industrial use within the city and regional market as an input to an analysis of existing industrial real estate market conditions, described in Section 2. Field reconnaissance, site analysis, interviews, and research provided significant input to the assessment. In Section 3 are findings on the potential for industrial development in Republic, in terms of industrial demand in square feet by type of tenant within the competitive market. Finally, Section 4 provides strategic recommendations for industrial business and real estate development to help inform the overall comprehensive planning process.

NASHVILLE: 4416 Harding Place, Belle Meade 37205. Tel 202-427-3027 / Rangross@aol.com
WASHINGTON DC: 2311 Connecticut Ave Ste 206 20008. Tel 202-427-3027. Fax 332-1853. Rangross@aol.com
AFRICA: African Development Economic Consultants (ADEC). 27-11-728-1965. Fax 728-8371. Randall@ADEC1.com
UK: 118 Hampstead House, 176 Finchley Road, NW3 6BT London. Tel 44-79 0831 6890. rangross@aol.com

1. ECONOMIC OVERVIEW

Republic is a city of about 16,900 people located within the Springfield Metropolitan Area. Over the last several decades, Republic has shifted from being a relatively independent farming community into a suburban location for Springfield commuters. According to U.S. Census data, nearly 90% of Republic's working residents commute out of the city for their jobs and 60% commute into Springfield. Springfield is the third largest metro in the state of Missouri, with a population of more than 470,000, and serves as the growing economic hub of the large Ozark region of southwestern Missouri.

Greene County, where both Springfield and Republic are located, has a relatively diverse economic base with no one industry sector dominating employment. Certainly, health care is important, accounting for roughly 20% of the county's 171,000 jobs, with Greene County the base of extensive health care networks (Cox Health, Mercy, Citizens) that span the region. Retail is also important, generating about 12% of the county's at-place employment. But there is fair representation in most other sectors as well including accommodation & foodservice (9%), education (8%), manufacturing (7%), administrative services (6%), transportation & warehousing (6%), wholesale trade (5%), professional services (5%), and so on. Springfield is home to Bass Pro Shops and O'Reilly Auto Parts, among other regional or national brands.



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The Springfield region is also home to SRC, EFCO, and several other manufacturing companies. But unlike many other Midwestern communities, manufacturing has played a less-significant role in the Springfield region's and Greene County's economic base. Perhaps as a result, the region has been relatively buffered from the economic shocks that have plagued other communities in the region where manufacturing employment has been impacted by increased automation and emerging technologies as well as by domestic and foreign competition.

Republic's economic base (2017) is much more concentrated in three sectors, namely retail (with 21% of the city's jobs), education (18%), and wholesale trade (17%). Accommodation & foodservice is also important, with 10% of the city's at-place employment. The 2017 data may not reflect more recent growth in transportation & warehousing, which likely accounts for more than the 2% of employment that it generated in 2017. The city's manufacturing base plays a less significant role in Republic than in Greene County as a whole, accounting for just 6% of all jobs in the city. Employment in most other sectors is small. However, Republic's overall employment base is growing rapidly, with a total of about 4,400 jobs in 2017, up by more than one-third from 2010.

Table 1. AT-PLACE EMPLOYMENT TRENDS BY SECTOR, REPUBLIC, 2002-2017

Industry Sector	2002	2010	2017	2002-10 Change	2010-17 Change
Agriculture	3	2	-	-33.3%	-100.0%
Mining	18	-	2	-100.0%	N/A
Utilities	5	25	1	400.0%	-96.0%
Construction	158	286	191	81.0%	-33.2%
Manufacturing	132	91	251	-31.1%	**175.8%**
Wholesale Trade	88	95	714	8.0%	**651.6%**
Retail Trade	700	757	941	8.1%	**24.3%**
Transport/Warehouse	39	20	89	-48.7%	**345.0%**
Information	15	33	26	**120.0%**	-21.2%
Finance	77	60	122	-22.1%	**103.3%**
Real Estate	17	33	136	**94.1%**	**312.1%**
Professional/Sci/Tech	55	84	122	**52.7%**	**45.2%**
Management	-	30	22	N/A	-26.7%
Administrative Services	53	33	112	-37.7%	**239.4%**
Education & Social	534	770	796	**44.2%**	3.4%
Health Care	212	281	342	**32.5%**	21.7%
Arts, Entertain	3	48	8	**1500.0%**	-83.3%
Accommodation	182	358	431	**96.7%**	**20.4%**
Other Services	158	188	69	**19.0%**	-63.3%
Public Administration	124	81	3	-34.7%	-96.3%
TOTAL	**2,573**	**3,275**	**4,378**	**27.3%**	**33.7%**

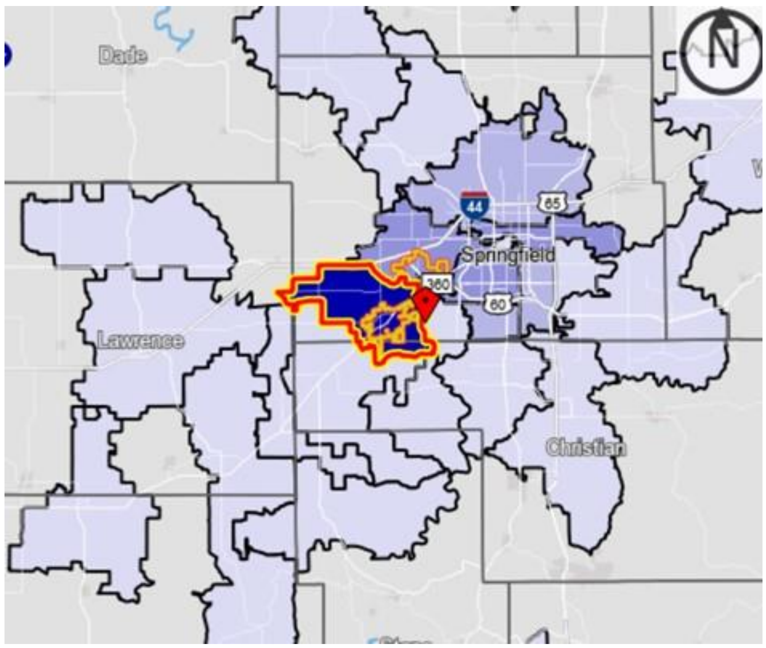
Sources: U.S. Bureau of the Census and Randall Gross / Development Economics.

Employment growth has fluctuated by sector since 2002. The most consistent job growth in Republic has been in wholesale and retail trade, real estate, professional services, health care, and accommodation services.

Manufacturing employment fluctuated from less than 100 to more than 250 over the 16-year period. Similarly, construction employment has cycled between 160 and 290. Countywide, transportation & warehousing along with professional and management services have seen the fastest growth since 2010.

Labor Force Assessment

As the economic hub of the region, Springfield has long benefited from an influx of people from rural Ozark communities, which has helped grow the available labor force in support of economic growth. Today, Republic relies on Springfield for the largest share of its labor force.



Map: Republic Labor Market Area (Republic ***Labor Source*** *Zip Codes)*
Source: U.S. Census)

While residents of Republic account for about 21% of the existing workforce at businesses located in Republic, nearly 26% of that workforce comprises residents of Springfield. The Primary Labor Market Area (PLMA) for Republic largely consists of workers from Republic, along with South/Southwest and Central Springfield (zip codes 65738, 65807, 65802, 65804, 65810, and 65803). These six zip codes source nearly 50% of all Republic workers).

The workforce within the Primary Labor Market Area (PLMA) totaled approximately 144,000 in 2018, representing growth of about 3,700 working-age residents or 2.6% since 2011. Much of this growth was concentrated in Republic and areas of southwestern Springfield/Greene County. The working age population base in this region has been shifting south and west towards Republic, which bodes well for the future labor supply to support industrial growth in Republic and surrounding areas. But regardless of growth in the PLMA, Republic's excellent transportation accessibility to a broad labor commutershed also supports industrial development.

Table 2.	REPUBLIC PLMA WORKFORCE TRENDS, 2011-2018			
			2011-2018 Change	
Zip Code	**2011**	**2018**	**Number**	**Percent**
65738	10,030	11,242	1,212	12.1%
65807	38,394	40,060	1,666	4.3%
65802	28,749	31,221	2,472	8.6%
65804	22,708	22,758	50	0.2%
65810	13,156	13,185	29	0.2%
65803	27,407	25,623	(1,784)	-6.5%
Total	**140,444**	**144,089**	**3,645**	**2.6%**
Sources:	U.S. Bureau of the Census and RGDE.			

Enhancing the skills base of residents within this commutershed is supported by the new local Republic campus of Ozarks Technical Community College (OTC), which opened in 2020 on U.S. Route 60. OTC Republic Center offers associate degrees in general arts & science, teaching, business, applied health, and technical education (ranging from culinary arts to auto-diesel). More importantly, OTC works directly with area employers to help supply the skills necessary to support industrial development. A shortage of skills in various professions including nursing and in various technical fields characterizes both the regional as well as national labor force. A willingness among young high school graduates to work in labor-intensive or production jobs is a common barrier to growth locally and nationally.

NASHVILLE: 4416 Harding Place, Belle Meade 37205. Tel 202-427-3027 / Rangross@aol.com
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Section 2. EXISTING INDUSTRIAL MARKET CONDITIONS

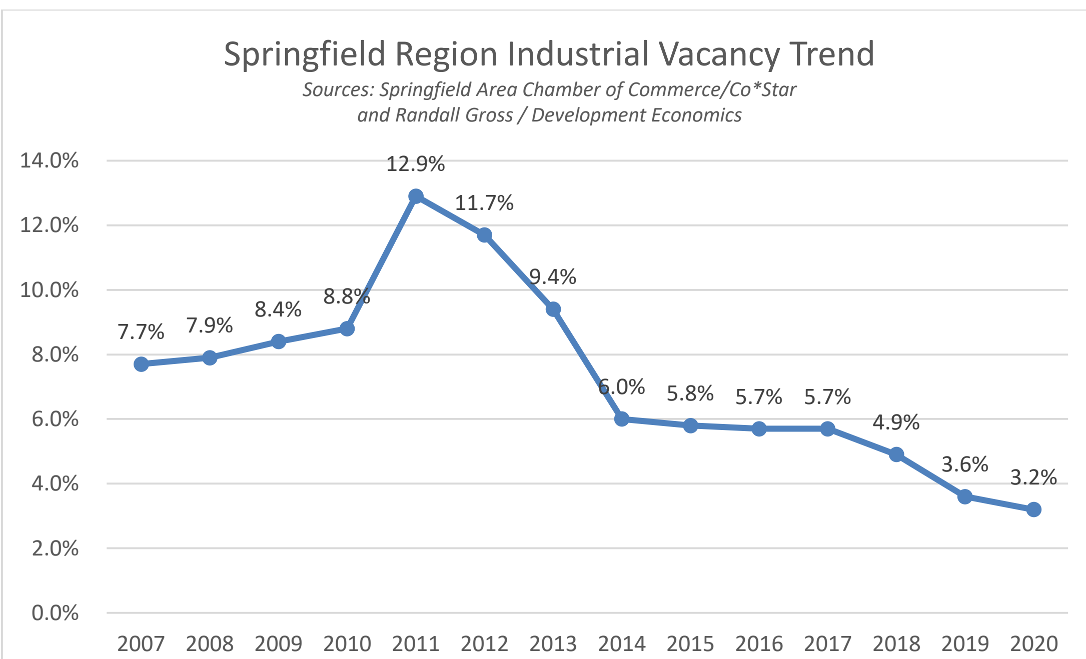
This section provides a summary of findings from an analysis of existing industrial real estate market conditions. The summary is based in part on an inventory completed for this analysis of industrial uses and space within Republic and surrounding areas. This information was coupled with data and information from area brokers, real estate professionals, and the Springfield Area Chamber of Commerce in order to provide broader market context.

Springfield Regional Market

The Springfield region has a total leasable inventory of approximately **39.4 million square feet** of industrial space, according to Co*Star and the Springfield Area Chamber of Commerce. This sample does not represent the complete inventory of all industrial buildings in the region but does capture much of the competitive industrial space within the active leasable market.

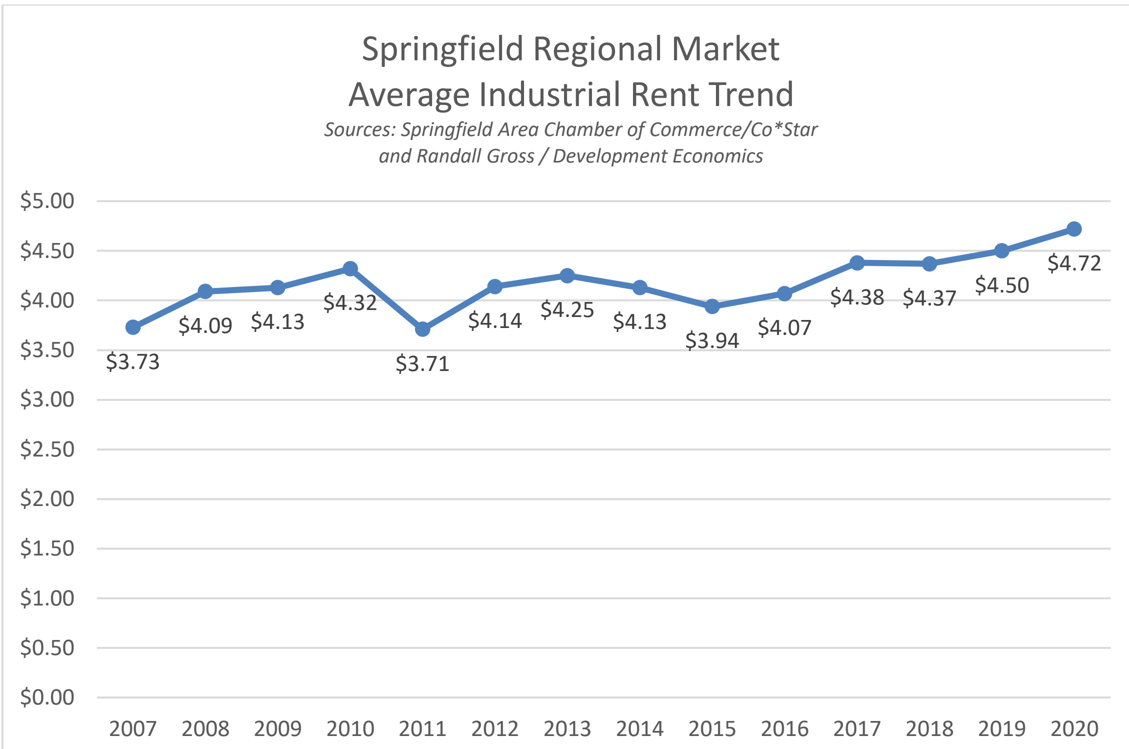
Occupancy

The Springfield region industrial market is relatively healthy, with a vacancy rate of just 3.2% in 2020. The market has seen sustained improvement since reaching a peak in vacancy of nearly 13.0% following the recession in 2011. At just 3.2%, the market barely has sufficient product available to allow for "churn" and growth of existing businesses.



Rents

Industrial rents (for all service levels) are averaging $4.72 in the Springfield regional market, according to the Springfield Chamber of Commerce and Co*Star. The market has generally seen a slow but steady increase in industrial rents at least since the last recession in 2011. Rents have increased by 27.2% since that year, or about 3.0% per year. In general, industrial rent escalation has exceeded the rate of inflation.



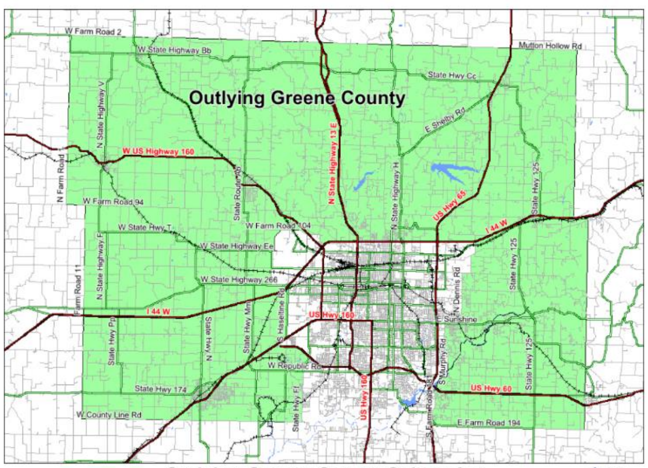
Absorption

The Springfield region (and similarly, Greene County) has had net absorption of 410,600 square feet per year since 2007, for a total of about 5.54 million square feet. The only years that Springfield experienced negative absorption was during the last recession. The year 2014 saw the largest single amount of net industrial absorption, with more than 1.4 million square feet.

Key Submarkets & Drivers

Much of the region's industrial development and absorption has been driven by expansion, relocation, and consolidation among existing Springfield-area businesses. Exceptions including a handful of companies like Community Wholesale Tire, L&W Industries, FedEx Ground, Vital Farms, and Amazon that have brought (or are bringing) new facilities and jobs to the region. Start-up companies like Truck Hero, Everything Kitchens, and Kuat Racks have also added to expansion-driven demand.

Much of the region's industrial market has been highly concentrated in the Northeast Submarket, with about 21.1 million square feet representing 54% of the regional market base. The Northeast Submarket's industrial capacity was driven to a large extent by pro-active efforts by the City of Springfield, Greene County, and others to develop "PIC" – Partnership Industrial Center (East), a 350-acre sprawling industrial complex housing many of the region's large industrial employers. PIC West has been developed in the Northwest Sub-Market near the Springfield-Branson National Airport. PIC West has been slower to absorb space in part because it does not offer the competitive accessibility (65/I-44) of PIC East. Public policies guiding development at these two major nodes limited the construction of large-scale distribution facilities, due to a preference for attracting and accommodating growth in high-wage manufacturing industries.



Outlying Greene County Submarket
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Republic is located in what Co*Star designates as the "Outlying Greene County" Submarket. Unfortunately, this designation includes a substantial portion of northeast, northwest, southeast and southwest Greene County outside of the city of Springfield. The drivers and influences on this submarket therefore differ significantly depending on where one is located within this sprawling area. It would be misleading to characterize Republic based on the market indicators associated with this large and diverse geographic sub-market.

Republic

The limits on development of distribution facilities in the PIC areas have created opportunities for Republic to attract large-scale warehouse and distribution uses. Over a relatively brief period of time, Republic has become a distribution hub for companies such as:

- McLane Ozark — 359,722 square feet
- Convoy of Hope — 230,000 (under construction)
- Red Monkey Foods — 184,093 (2 facilities)
- Heart of America Beverage — 140,278
- Lew's Strike King — 136,605
- Mercy/ROI — 108,000

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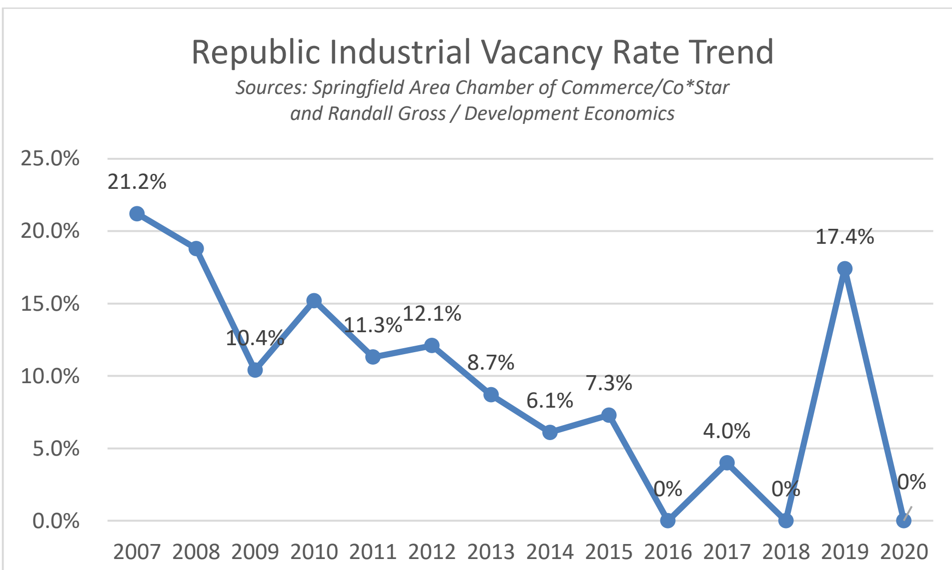
These companies join Wilber Funeral Services, Ashley Furniture, Watson Metal Masters, Everything Kitchens, and others to form a diverse industrial base. Overall, Republic has an inventory of approximately **1,656,600 square feet** of industrial space, based on field reconnaissance, interviews and Green County Assessment records. As such, the city accounts for an estimated 3.5% of the Springfield regional industrial market base. Key industrial locations in Republic include the largely built-out Brookline Business Park, the newly developing Garton Business Park, and the State Route MM Corridor in Brookline (north of the James River Expressway). There is also some older industrial use located along U.S. Highway 60 and along the rail line in downtown Republic.

Occupancy

Republic's industrial building vacancy is estimated at **1.3%**, based on the inventory developed for this analysis, compared with a market-wide vacancy of 4.9%. Within a smaller database of about 574,000 square feet maintained by Co*Star and the Springfield Area Chamber of Commerce, industrial vacancy has been decreasing since the last recession, from about 21.2% in 2009 to 0% in 2020. This data includes new construction in lease-up and excludes many smaller, existing buildings. New construction in 2019, which caused a spike in the amount of available space, was quickly absorbed by 2020.



Almost all of Republic's vacancy is concentrated in older buildings (e.g., Burk Bridge, Systems Services) that are either functionally obsolete or do not meet the needs of today's industrial businesses. So, there is little vacant and available space in newer, competitive buildings in Republic, as noted above. There is industrial land available for development, although speculation may be driving up prices, making some sites less likely to generate a return on investment. So,

NASHVILLE: 4416 Harding Place, Belle Meade 37205. Tel 202-427-3027 / Rangross@aol.com
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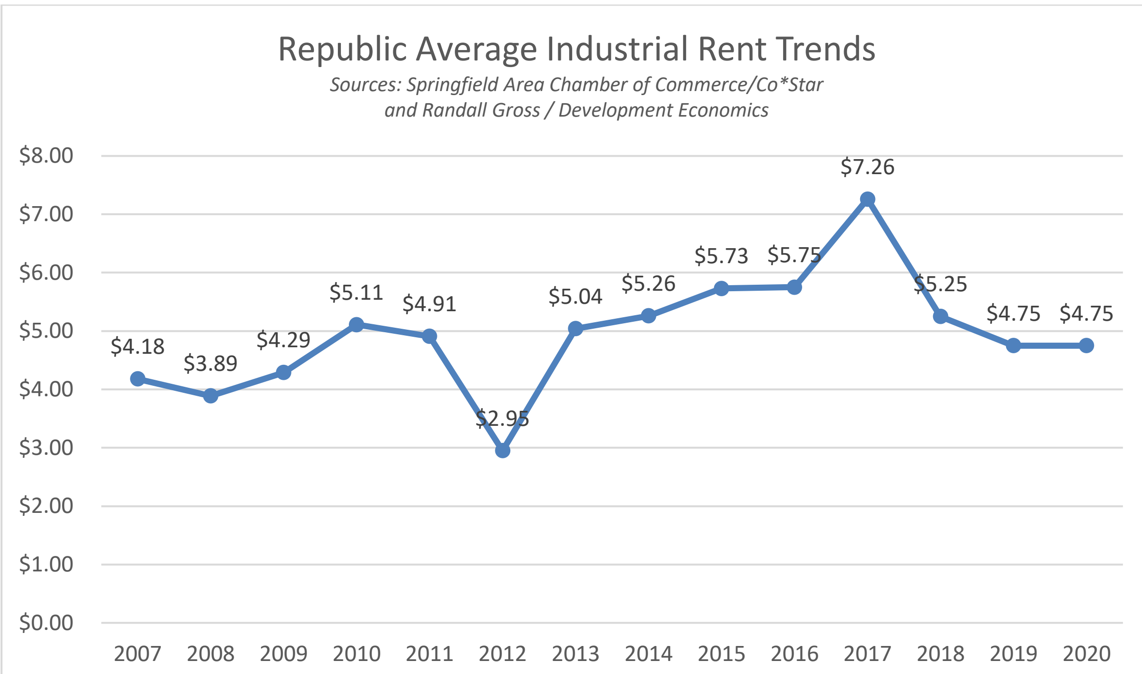
speculative land pricing and a lack of available industrial product may hamper the city's short-term industrial growth.

Rents

Lease rates for new distribution space (averaging $4.75 per square foot on an annual basis) are fairly consistent with market-wide pricing (with logistics space in the market leasing for an average $4.74 per foot, according to CoStar Group, Inc). However, as shown below, lease rates in space tracked by Co*Star have declined on average since peaking in 2017.



Today's lease rates are still somewhat higher than those offered in Republic during the last recession, but lower than in recent years. This is not to suggest that rents are depressed but that some larger spaces that have come online recently may have lower rates on a per-square-foot basis simply due to scale.

Absorption

Since Republic has had a relatively small industrial base until recently, absorption has fluctuated significantly as new product has been added to the market. The city has had net absorption of about 35,700 net square feet of industrial space per year within the buildings tracked by Co*Star since 2007, although the city had net absorption of about 100,000 square feet in the first half of 2020 alone. On average, the city has captured about 8.7% of total market absorption, despite accounting for only 3.5% of market inventory.

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Market Drivers

Most of Republic's recent growth has occurred based on expansions among existing companies located within the Springfield regional market, rather than on new companies entering the Springfield market. Where those expansions could not be accommodated in other areas of the region (including PIC), and where speculative development and building space in Republic has created new opportunities, Republic has benefitted and attracted these business expansions. The city's welcoming, pro-business climate has also been cited as a reason for industrial companies to locate in Republic.

This is not to say that all industrial development is being driven solely by local expansions in the Springfield region. Most recently it was announced that Republic will be the site for a new 1.3 million square-foot **Amazon** distribution center, which initially employ more than 500 people. Amazon will have downstream impacts on demand for restaurants and convenience services, but industrial spin-off is likely to be fairly modest, based on experience at other Amazon hubs and given the nature of the distribution activity. With the construction of Amazon and Convoy of Hope, the city will have a total of 3,186,600 square feet of industrial space and Republic will account for roughly 6.7% of the regional industrial base.

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Section 3. REPUBLIC INDUSTRIAL MARKET POTENTIALS

Regional demand for industrial space was forecasted based on a two-pronged approach, focused on projected employment growth in key industrial sectors as well as on absorption patterns in the area's industrial market. Republic's positioning within the competitive market was then determined and its capture of regional and sub-market growth projected through 2025 and again through 2030.

Employment-Generated Demand

Industrial employment serves as an important indicator or proxy for industrial space demand. The projected change in industrial employment therefore provides an indication of the amount of space required to accommodate industrial uses in coming years. Employment projections must be tempered by shifts in other inter-connected factors such as technology, productivity, and the use of space.

Employment Projections

A detailed assessment of employment projections was conducted for Greene County as an input to this analysis. The projections were sourced from Woods & Poole Economics, Moody's Analytics, the U.S. Bureau of Labor Statistics, and the Missouri Economic Research & Information Center, among others. Detailed analysis of trends by individual industry and sector, correlated with survey data from the U.S. Economic Census and other sources, was used to amalgamate and refine the projections. Overall projections by major sector are compiled in Appendix Table 1.

Based on this data, the county had total employment estimated at 196,800 (at the beginning of 2020, prior to the impacts of COVID-19). Employment was projected to increase by 12,260 to about 209,100 by 2025 and by 5,550 to 214,660 by 2030. The largest number of jobs will be added in health care (4,480), followed by accommodation & foodservice (3,410), administrative services (2,770), transportation & warehousing (1,500), and professional & technical services (1,160). The fastest growth will be in administrative services (2.5% per year), followed by arts & entertainment (2.2%), and accommodation & foodservice (2.1%). In all, 18 sectors will see an increase in employment by 2030. The four declining sectors include manufacturing (declining by 585 jobs or -0.4%), followed by real estate (-130, -0.5%), agriculture (-77, -0.5%), and information services (-42, -0.1%). Several of these sectors, such as information services, are losing employment nationally due to changes in technology or other factors).

Industrial Employment

More detailed analysis was conducted of projected changed in "industrial" sectors that would generate most of the demand for industrial real estate. These industrial sectors are expected to generate about 2,270 net new jobs by 2030, although the bulk of that growth was anticipated in the first half of the decade with an economic cycle indicating a downturn by mid-decade. However, this cycle is likely to have shifted back at least 1 to 2 years due to the effects of the Pandemic, which reduced economic performance earlier in the projected economic cycle.

Table 3. EMPLOYMENT FORECASTS FOR SELECTED INDUSTRIES, GREENE COUNTY, 2020-2030

				Change (Number)		
Industry	**2020**	**2025**	**2030**	**2020-25**	**2025-30**	**TOTAL**
Ag/Lumber	1,851	1,834	1,825	(17)	(9)	(26)
Mining/Quarrying	327	338	357	11	19	30
Utilities	42	45	49	3	3	6
Construction	8,451	8,990	8,898	540	(93)	**447**
Manufacturing	13,593	13,574	13,009	(20)	(565)	(585)
Wood Products	*416*	*450*	*442*	*34*	*(8)*	26
Chemicals	*159*	*165*	*162*	*6*	*(3)*	3
Plastic Products	*1,033*	*1,082*	*1,045*	*49*	*(38)*	11
Nonmetallic Minerals	*316*	*338*	*333*	*22*	*(5)*	17
Transport Equipment	*1,115*	*1,253*	*1,240*	*138*	*(13)*	**125**
Furniture	*151*	*174*	*178*	*23*	*4*	27
Miscellaneous	*539*	*555*	*574*	*16*	*19*	35
Wholesale Trade 1/	9,865	10,138	10,067	273	(71)	**202**
Transport/Warehouse	14,586	15,535	16,088	**949**	**553**	**1,502**
R&D & Tech Services	189	193	198	4	4	9
Repair & Maintenance	3,326	3,877	4,012	**550**	**135**	**686**
TOTAL	**52,231**	**54,524**	**54,501**	**2,293**	**(23)**	**2,270**

Note: 1/ Growth primarily among durable goods wholesalers.

Sources: U.S. Bureau of the Census; Woods & Poole; Moody's Analytics; Missouri Economic Research and Information Center; and Randall Gross / Development Economics.

As noted above, Greene County is expected to gain about 2,300 industrial jobs over the next five years, despite relatively stagnant overall manufacturing employment. While manufacturing will see continued retrenchment overall, there are manufacturing industries within the sector that will continue to grow. Several of these growing manufacturing industries are highlighted here, including transportation equipment (expected to add 125 jobs), furniture, wood products, miscellaneous manufacturing, nonmetallic minerals, plastic products, and others. Some of the expected gains will be small, but any growth in manufacturing can be seen as having a positive impact on the local economy and on demand for industrial space. Growth in manufacturing employment will generally yield increased demand for production space to accommodate those workers.

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As noted earlier, the largest number of industrial jobs will be generated within the transportation & warehousing sector, which is focused on distribution and logistics. This is a sector that has seen recent major investment in Republic. While Amazon is technically a retail business, its function within Republic is oriented to transportation, warehousing and distribution.

Aside from distribution, the county is expected to also see growth in repair and maintenance services, with the addition of nearly 700 jobs. Repair and maintenance activities are diverse, ranging from basic automotive repair to more technologically-advanced machine systems. There will be nearly 500 jobs added in construction, more than 200 in wholesale trade, and some marginal growth in sectors like utilities and R&D/technology services.

Industrial Demand

Demand for industrial space is determined in part based on employment projections but also, as indicated above, on other factors such as productivity levels and the use of space. Assumptions were made with respect to use of space based on regional surveys compiled by NAIOP and from actual data from local employers. Based on this information, total employment in industrial buildings will grow by about 1,400 net new jobs over the next 10 years. Nearly 1,000 of those net new jobs (within Greene County) will be generated in transportation and warehousing.

Employment-generated demand was translated into square footage using data from NAIOP and local businesses. Overall, the county will generate net demand for about 4,032,000 square feet of industrial space by 2030 (about 403,000 square feet per year), despite a decrease in demand for manufacturing space of nearly 700,000 square feet. The transportation & warehousing sector will generate demand for more than 3.6 million square feet of space (not including "drop in" uses like Amazon). The shift in demand from manufacturing to distribution space will result in some excess production space and a lack of warehousing space in the market.

Based on experience, some of the "excess" production space will be converted to allow manufacturing companies to spread out their processing, increase productivity with new technologies and machinery, and/or include more internal sales and distribution use within their existing facilities. Some manufacturing companies will grow by shifting technologies, which reduces their demand for labor. So, while there may be some excess manufacturing space, there will not be high vacancy reflecting a continued overall decline in demand for production space.

In addition to the need for warehousing and truck terminals, there will also be demand generated for more than 725,000 square feet of space for wholesale businesses, 210,000 square feet for construction, and 200,000 square feet for

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repair and maintenance activities. And, while the manufacturing sector overall will remain stagnant, certain manufacturing industries will continue to generate demand including transportation equipment producers (165,000 square feet), furniture makers (55,000sf), wood products manufacturers (37,000sf), and others. Some of this demand for manufacturing space might be accommodated within existing production facilities excessed as noted above.

Table 4.	NET INDUSTRIAL DEMAND FORECASTS FOR SELECTED INDUSTRIES, GREENE COUNTY, 2020-2030			
Industry	**SF/Emp**	**2020-2025**	**2025-2030**	**TOTAL**
Ag/Lumber	954	(12,111)	(6,246)	(18,357)
Mining/Quarrying	954	1,551	2,601	4,152
Utilities	954	571	710	1,281
Construction	954	249,273	(42,723)	206,550
Manufacturing	892	(22,961)	(665,050)	(688,011)
Wood Products	*1,091*	*48,290*	*(11,513)*	36,777
Chemicals	*870*	*6,456*	*(3,262)*	3,194
Plastic Products	*1,218*	*78,688*	*(60,871)*	17,817
Nonmetallic Minerals	*973*	*28,279*	*(6,790)*	21,490
Transport Equipment	*999*	*181,996*	*(17,244)*	164,752
Furniture	*1,558*	*46,708*	*8,376*	55,084
Miscellaneous	*719*	*15,268*	*18,206*	33,474
Wholesale Trade 1/	2,727	981,482	(256,288)	725,194
Transport/Warehouse	2,727	2,276,506	1,326,562	3,603,068
R&D & Tech Services	405	2,186	2,153	4,339
Repair & Maintenance	296	155,439	38,209	193,648
TOTAL		**3,631,936**	**399,928**	**4,031,865**
Per Year		*363,194*	*39,993*	*403,186*
Sources:	NAIOP; US Bureau of the Census, Woods & Poole, Moody's Analytics; and Randall Gross / Dev. Economics.			

Absorption

Absorption patterns were also used as a proxy for determining the demand for industrial space within the Springfield market. Absorption trends were summarized in Section 2 of this report. As noted earlier, the market has seen absorption of about 410,600 square feet per year since 2007, but as much as 1.4 million square feet in one year. The market saw negative absorption only as a result of the global recession, in 2010-11. Republic has seen more fluctuations in its absorption, mainly because it was (until recently) a small industrial market with limited activity. Absorption averaged 35,700 square feet per year over the 13-year period, with as much as 100,000 square feet absorbed in early 2020.

NASHVILLE: 4416 Harding Place, Belle Meade 37205. Tel 202-427-3027 / Rangross@aol.com
WASHINGTON DC: 2311 Connecticut Ave Ste 206 20008. Tel 202-427-3027. Fax 332-1853. Rangross@aol.com
AFRICA: African Development Economic Consultants (ADEC). 27-11-728-1965. Fax 728-8371. Randall@ADEC1.com
UK: 118 Hampstead House, 176 Finchley Road, NW3 6BT London. Tel 44-79 0831 6890. rangross@aol.com

Three- and five-year moving averages have been applied and absorption has been analyzed in the context of construction patterns. As shown below, construction deliveries have averaged about 320,000 square feet per year, or about 78% of absorption (410,000sf). The gap between demand and supply has allowed the market to tighten and vacancy rates to fall below 4.0%.

Table 5.	**INDUSTRIAL ABSORPTION TRENDS, SPRINGFIELD MARKET, 2007-2020**		
Year	**Construction**	**Absorption**	**% Change**
2020	407,789	537,368	3.4%
2019	139,350	519,598	-23.7%
2018	426,340	681,001	376.4%
2017	146,240	142,953	-73.1%
2016	529,136	532,317	352.3%
2015	122,272	117,688	-91.6%
2014	133,716	1,402,060	66.7%
2013	12,000	840,913	18.5%
2012	297,000	709,857	-160.3%
2011	389,418	(1,178,185)	2483.6%
2010	96,195	(45,602)	-161.4%
2009	313,446	74,226	-87.9%
2008	721,848	615,307	3.7%
2007	584,866	593,417	
TOTAL	**4,319,616**	**5,542,918**	
Per Year	*319,972*	*410,587*	
Share	*77.9%*	*100.0%*	
Sources:	Springfield Area Chamber of Commerce/ CoStar, and Randall Gross / Dev. Econ.		

While absorption has remained healthy throughout the Springfield market, the overall trend saw absorption peak during the 2012-2016 period, at about 3.6 million (720,000 square feet per year, on average). Since then, absorption gradually settled at about 1.8 to 2.0 million square feet (360,000 to 400,000 square feet per year) which is also close to the 13-year average.

Nevertheless, as shown in the following chart summarizing the 5-year moving averages, there is an upward trend in overall market absorption. The overall trend line from 2007 through 2020 is illustrated in the chart below as a dotted red line.

NASHVILLE: 4416 Harding Place, Belle Meade 37205. Tel 202-427-3027 / Rangross@aol.com
WASHINGTON DC: 2311 Connecticut Ave Ste 206 20008. Tel 202-427-3027. Fax 332-1853. Rangross@aol.com
AFRICA: African Development Economic Consultants (ADEC). 27-11-728-1965. Fax 728-8371. Randall@ADEC1.com
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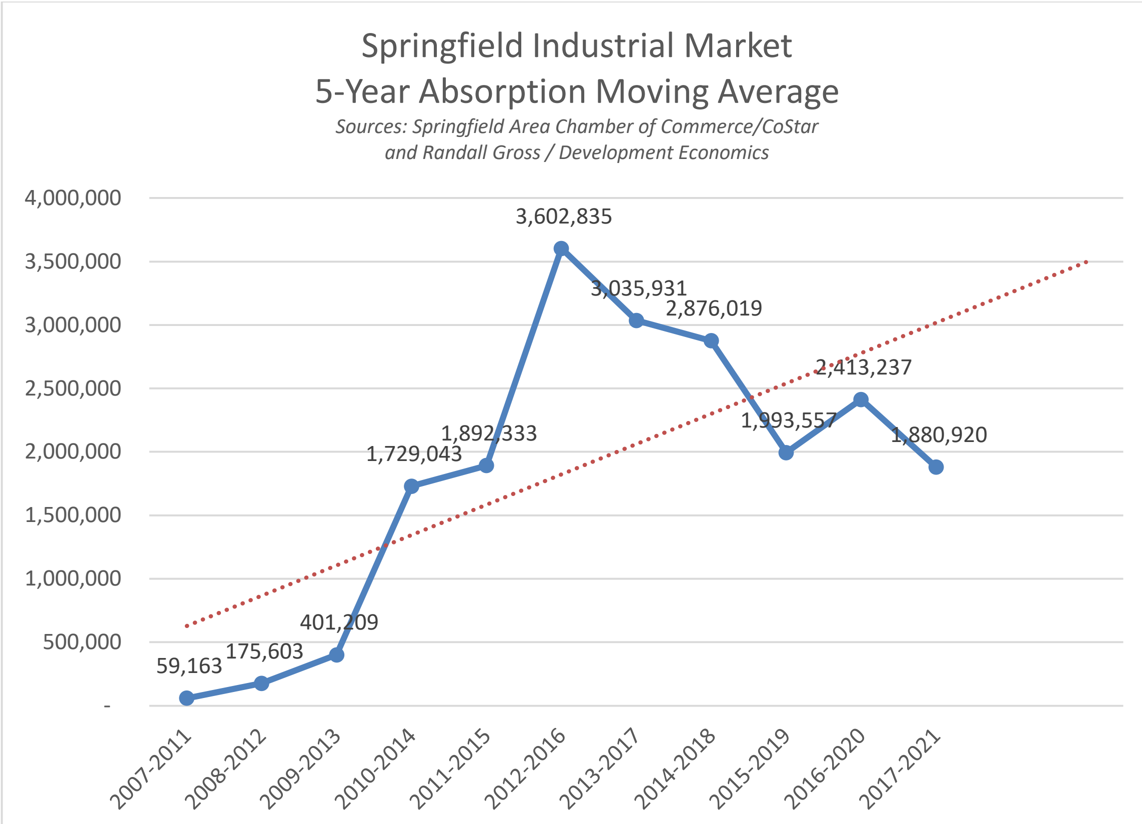

An overall trend was forecasted using a linear regression analysis, which suggests that absorption will average 633,370 square feet per year over the next five years but will decline somewhat over the 2025-2030 period. Based on these analyses, market-wide absorption of industrial space in the Springfield market should increase to about 530,000 to 630,000 square feet per year, on average, over the next ten years.

Overall, industrial markets nationwide have experienced growth during the COVID-19 Pandemic as online purchasing accelerates, lifting demand for distribution hubs, sorting and processing facilities. Manufacturing impacts are uneven, with demand falling for certain goods (e.g., restaurant and hotel equipment) but increasing for others (packaged foods). Beyond the Pandemic from 2025 to 2030, it is anticipated that demand will dip as the industrial market gradually enters a retrenchment cycle.

Competitive Framework

As noted previously, the majority of programmed industrial space in this market is concentrated within the Northeast submarket and in particular, within PIC-East. Yet, PIC-East and PIC-West have regulated out pure distribution uses, with a preference for manufacturing, assembly, and other production activities. These policies have helped to promote the development of distribution space in other areas, especially in Republic. And as a result, Republic's main potential competitors are not in Springfield but in areas like Nixa-Ozark and Stafford, where a new 220-acre industrial park (Southwest Missouri Rail and Business Park) is under development. There are nevertheless some competitive sites remaining in Springfield. For example, the 108-acre Northcreek Business Park (at I-44/US65) in Springfield is being marketed by the same developers as Garton Business Park in Republic.

Republic Capture & Citywide Potentials

There will be about 403,000 square feet of employment-generated demand for industrial space in the Springfield market through 2030. Republic would capture an estimated 40,000 square feet per year of this demand, if adequate land and building space is made available to accommodate demand. As noted earlier, the economic cycle will generate more demand in the earlier part of the decade than later, although the cycle has been interrupted by the COVID-19 crisis.

Table 6.	**JOB GROWTH-GENERATED INDUSTRIAL POTENTIALS, REPUBLIC, 2020-2030**	
Industry	**Sq. Feet**	**Share**
Ag/Lumber	-	0.0%
Mining/Quarrying	132	0.0%
Utilities	2	0.0%
Construction	5,531	1.4%
Manufacturing	(21,619)	-5.4%
Wood Products	3,678	0.9%
Chemicals	319	0.1%
Plastic Products	1,782	0.4%
Nonmetallic Minerals	2,149	0.5%
Transport Equipment	16,475	4.1%
Furniture	5,508	1.4%
Miscellaneous	3,347	0.8%
Wholesale Trade 1/	262,513	65.6%
Transport/Warehouse	98,246	24.6%
R&D & Tech Services	26	0.0%
Repair & Maintenance	22,005	5.5%
TOTAL	**400,096**	**100.0%**
Per Year	*40,010*	
Sources:	Randall Gross / Development Economics.	

Based on absorption trends and patterns, Republic is likely to capture about 39,800 square feet of projected absorption per year on average, at least within the period from 2000 through 2005/7. Thus, the analysis of absorption patterns resulted in a similar finding as employment-generated demand, with Republic capturing about 390,800 to 400,000 square feet over the five to ten-year period.

It is therefore anticipated that Republic will have the potential to capture demand for approximately **390,000 to 400,000 square feet** within the next five to

NASHVILLE: 4416 Harding Place, Belle Meade 37205. Tel 202-427-3027 / Rangross@aol.com
WASHINGTON DC: 2311 Connecticut Ave Ste 206 20008. Tel 202-427-3027. Fax 332-1853. Rangross@aol.com
AFRICA: African Development Economic Consultants (ADEC). 27-11-728-1965. Fax 728-8371. Randall@ADEC1.com
UK: 118 Hampstead House, 176 Finchley Road, NW3 6BT London. Tel 44-79 0831 6890. rangross@aol.com

ten years. This amount **does not include "drop in" uses** at super sites like Amazon, which are somewhat unique, often leveraged through incentives or major infrastructure development, and occur outside of normal market cycles. If Amazon is excluded from the market model, Republic's forecasted demand is generally consistent with recent absorption trends and the city's increasing capture of the regional market base.

Republic is well-positioned to benefit from the shift to order fulfillment, online processing and distribution, given its central location and access to the interstate highway system, coupled with the aforementioned competitive advantages within the Springfield region.

The anticipated down cycle beyond 2025 will impact on Republic, which will be more dependent at that time on large-scale distribution activity. Demand generated by transportation services and warehousing businesses will continue to grow (alongside web-based sales), but overall pace of demand will slacken based on economic projections for specific industries.

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WASHINGTON DC: 2311 Connecticut Ave Ste 206 20008. Tel 202-427-3027. Fax 332-1853. Rangross@aol.com
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Section 4. STRATEGIC RECOMMENDATIONS

Strategic recommendations are provided below based on the findings of the market analysis, to help inform short- and longer-range planning and marketing for industrial development in Republic. These recommendations relate to industrial real estate development, marketing, labor force development, and regulatory policies or structures.

Development

Several strategic recommendations are provided below with respect to development of industrial space in Republic. The prospective types of product and competitive locations are identified, as input to the comprehensive planning effort.

Competitive Locations

Industrial development will be drawn to interstate and highway access, which is maximized at or near the intersections of James River Freeway (SR360) with I-44 and with US60/West Sunshine Street. Brookline/Springfield Farms, Commercial Avenue, and State Highway MM/West Farm Road are among the most competitive locations, as evidenced by the recent construction around those areas. While the intersection of SR360 and I-44 is not yet located within the corporate boundaries of Republic, it is likely to become an important industrial hub location in the future so long as there is adequate supply and access to utilities.

A scan of available properties suggests that there is about 75+ acres of available land above and beyond the several private industrial parks that are available for development in these locations in Republic, although not all of this land may be serviced by water/sewer infrastructure. There will be a need to accommodate the forecasted demand for distribution space in these areas in the future, preferably in designated industrial parks with the infrastructure to accommodate truck traffic and facility operations. Given an FAR of 0.7 for high box industrial buildings, then the amount of available land should be sufficient to support forecasted development potentials in Republic over the next five to ten years, but only if that land is well-located and serviced.

Product

Clearly, demand for industrial product in Republic will be focused on high-quality warehouse/distribution space, at least within the short- and mid-term. Much of what has been delivered recently is aligned with the requirements of the market – 30-foot clear, column-free warehouse space with highway access. However, as determined by the market analysis, there will also be opportunities for development of other types of industrial space, including light manufacturing and repair facilities with truck docking, highway access, and stable utility services. High-speed, high-

NASHVILLE: 4416 Harding Place, Belle Meade 37205. Tel 202-427-3027 / Rangross@aol.com
WASHINGTON DC: 2311 Connecticut Ave Ste 206 20008. Tel 202-427-3027. Fax 332-1853. Rangross@aol.com
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capacity internet service will also be an important factor in marketing industrial space, both for production as well as for distribution.

There are also opportunities for utility and construction yards that require more land for equipment storage. There will be some limited demand for R&D and tech space that can accommodate testing and product development labs, but Republic is not likely to become a major research and development hub without institutional support and intervention. The amount of product that may be required to meet Republic's demand might be disaggregated as follows, again excluding any major "drop-in" uses:

- Warehouse/Wholesale Distribution Space 360,000 SF
- Light Manufacturing & Non-Automotive Repair 45,000
- Auto/Truck-Related Repair Activities 22,000
- Utility/Construction Facilities & Associated Yards 6,500
- R&D / Tech Space 3,500

Some of this use might be accommodated in or replace existing buildings, several of which may be functionally obsolete.

Marketing Targets

Republic has been successful in attracting an increasing volume of warehousing, wholesale trade, and distribution use, and the city will continue to become more of a hub for such activity especially with the arrival of Amazon. However, there are also opportunities to diversify the local industrial base and ensure that other sectors are accommodated. In particular, growth potential has been identified among several manufacturing industries that could be captured in Republic, including wood products, furniture, chemicals, plastic products, nonmetallic minerals, transportation equipment, and miscellaneous manufacturing. There may also be opportunities for Republic to attract technical support, testing, and repair services relating to higher-tech products such as communication equipment and automotive technologies.

Since this potential "envelope" of industries is generated primarily from among businesses *already located in the Springfield area*, location decisions will be made based on the location (e.g., sites with interstate highway access), availability, and price of specific sites and buildings; as well as on the regulatory approvals process – or the "ease" of approvals - established by the local government.

Republic has been relatively successful to date in attracting an increasing number of warehousing and distribution facilities, thanks in part to the same reasons given above for site selection in the Springfield region. Those reasons include locations with easy highway accessibility, the availability of land, and what is perceived to be a "welcoming business environment" as evidenced through the

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approvals process. To promote Republic's continued success, these elements would need to remain in place. As the supply of available land diminishes over time, the City should consider more pro-active approaches to land-banking, servicing, and designating of sites for industrial park development.

Labor Force Development

The recent opening of a local campus for OTC will clearly provide Republic with a competitive advantage and an opportunity to develop the local workforce through more intensive training efforts. As with many places, Republic suffers from a lack of interested and skilled production workers coming out of its high schools. Coordination with OTC and local businesses is recommended to help strengthen marketing, education, apprenticeship, and PR efforts aimed at local middle and high school students to increase interest in manufacturing, warehousing and other industrial jobs. Development of apprenticeship programs can be a very effective approach to leverage and supply new industries.

One successful example of a high school apprenticeship program is the Charleston Regional Youth Apprenticeship Program managed by Trident Technical College in South Carolina. The college collaborates with local businesses and the school system to design and produce instructional programs geared to the needs of local businesses. They also work to recruit businesses, assist schools with technical programming, and generate funding and promotion through the local Chambers of Commerce. In addition, local high schools extend liability insurance coverage to protect students working on-site, which helps remove a barrier for many companies to participate in the program.

Regulatory Policy

Republic has an excellent reputation among private developers and industry for accommodating their needs and minimizing bureaucratic "red tape." The site-ready, fast track approach that Republic applies to the approval process has helped reduce time and money required for industrial investment. Efforts only need to ensure that any negative impacts of industrial development (e.g., truck traffic) be addressed through transportation and land use planning. Providing locations with sufficient capacity for site-ready industrial development will be paramount as the main obstacles become not the City's bureaucracy but private speculation in the land markets and utility capacity.

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APPENDIX

Table A-1.	AT-PLACE EMPLOYMENT FORECASTS, GREENE COUNTY, 2020-2030				
Industry	**2020**	**2025**	**2030**	**2020-2025**	**2025-2030**
Agriculture	**1,575**	**1,533**	**1,498**	**(41)**	**(36)**
Forestry, Fishing	**276**	**300**	**327**	**24**	**27**
Mining	**327**	**338**	**357**	**11**	**19**
Utilities	**42**	**45**	**49**	**3**	**3**
Construction	**8,451**	**8,990**	**8,898**	**540**	**(93)**
Manufacturing	**13,593**	**13,574**	**13,009**	**(20)**	**(565)**
Wholesale Trade	**9,865**	**10,138**	**10,067**	**273**	**(71)**
Retail Trade	21,758	22,533	22,486	775	(47)
Transport/Warehouse	**14,586**	**15,535**	**16,088**	**949**	**553**
Information	3,772	3,753	3,730	(19)	(23)
Finance & Insurance	9,180	9,911	10,338	731	427
Real Estate	2,599	2,562	2,469	(37)	(92)
Professional/Tech	8,497	9,332	9,497	835	165
Management	3,847	4,009	4,157	162	147
Administration	10,919	12,502	13,688	1,583	1,186
Education	3,037	3,199	3,338	163	139
Health Care	34,296	36,698	38,776	2,402	2,078
Arts & Entertain	2,575	2,969	3,153	395	184
Accommodation/FS	16,547	18,929	19,956	2,382	1,027
Other Services	8,096	8,406	8,507	310	101
Non-Profit/Civic	1,754	1,913	1,896	159	(17)
Government	21,247	21,931	22,374	685	443
TOTAL	**196,839**	**209,101**	**214,656**	**12,262**	**5,554**
Sources:	Woods & Poole Economics, Moody's Analytics, U.S. Bureau of Labor Statistics; Missouri Economic Research and Information Center; and Randall Gross / Development Economics.				

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Table A-2.	INDUSTRIAL-BASED EMPLOYMENT FORECASTS FOR SELECTED INDUSTRIES, GREENE COUNTY, 2020-2030			
Industry	**Share**	**2020-25**	**2025-30**	**TOTAL**
Ag/Lumber	50%	(9)	(4)	(13)
Mining/Quarrying	10%	1	2	3
Utilities	15%	0	1	1
Construction	33%	178	(31)	148
Manufacturing	90%	(18)	(509)	(526)
Wood Products	90%	30	(7)	23
Chemicals	80%	5	(3)	3
Plastic Products	90%	44	(34)	10
Nonmetallic Minerals	90%	20	(5)	15
Transport Equipment	90%	124	(12)	112
Furniture	90%	20	4	24
Miscellaneous	90%	14	17	32
Wholesale Trade 1/	90%	245	(64)	181
Transport/Warehouse	60%	569	332	901
R&D & Tech Services	85%	4	4	7
Repair & Maintenance	65%	358	88	446
TOTAL		**1,588**	**(221)**	**1,367**
Sources:	NAIOP, Randall Gross / Development Economics.			

NASHVILLE: 4416 Harding Place, Belle Meade 37205. Tel 202-427-3027 / Rangross@aol.com
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