

Appendix 6:

SH 5 Industrial Market Demand Assessment



Industrial Market Demand Assessment (provided by Catalyst Commercial)

Industrial market demand is assessed under two major categories: (1) Flex-Industrial and (2) Warehouse Industrial. With respect to Flex-Industrial, the McKinney/Allen submarket has 2.3 million square feet of flex-industrial space. Vacancy in this submarket is only 5.2% and the average rental rates are \$10.20 per square foot, which is one of the highest rates in the Dallas-Fort Worth market. Twenty-five percent of all the existing flex inventory square footage in the McKinney/Allen submarket is located along SH 5 in McKinney (approximately 575,000 square feet).

Based upon historical absorption, McKinney is projected to capture 57,000 square feet of the total net absorption expected in the sub-market over the next 5 years. This growth is likely to occur east of US 75 along the SH 5 and US 380 corridors. Further analysis would be needed to determine the viability of existing Greenfield locations; however based upon preliminary review, it is assumed that this modest demand could be absorbed within existing industrially zoned property in McKinney south of Powerhouse Road.

With respect to Warehouse Industrial, the majority of existing warehouse uses in McKinney are located along SH 5 near US 380 or along Industrial Boulevard. The year to date absorption for general warehouse in the McKinney/Allen submarket is 356,000 square feet. No major new construction is projected in the region due to high vacancy rates. No new developments are likely to be attracted to the area. There is currently a 21% vacancy within the submarket. Of the 9 million square feet of existing inventory in the submarket, approximately 1.9 million square feet is vacant. As of the third quarter of 2013, only 117,000 square feet is under development in the McKinney/Allen submarket. New warehouse space would be modest and user driven over the next 5 years. As vacancy decreases into the 11-12% range, some speculative construction could commence. With this in mind, it is assumed that there is an adequate amount of industrially zoned property in McKinney south of Powerhouse Road near the McKinney National Airport to satisfy the next 10+ years of demand.

Based on the above assessment, modest refinements to future land use designations related to industrial uses could be accommodated by the City without jeopardizing its role in the industrial market. Refinements could focus on providing additional residential continuity and appropriate transitions to and from the existing neighborhoods and heavy manufacturing designations.