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Blame E-Commerce: the US is Getting Shorter on Warehouse, DC Space

By Arthur Friedman

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With demand for warehouses, distribution centers and other industrial property continuing to outstrip supply—much of it brought on by the e-commerce boom and the strong U.S. economy—the availability rate for U.S. industrial real estate declined 10 basis points (bps) in the second quarter, according to a new report from CBRE Group.

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In fact, it's the 32nd consecutive quarterly decline, CBRE said, which marks the longest

streak since the real estate company started tracking the data in 1988.

Availability of U.S. industrial real estate fell to 7.2% in the second quarter, the lowest point since 2000. Overall, net absorption–the change of the supply of commercial space in a given real estate market over a specific period of time–across the 55 markets tracked by CBRE amounted to 59 million square feet in the quarter, the report noted.

"The industrial sector in the U.S. remains remarkably balanced," Tim Savage, CBRE senior managing economist and principal data scientist, said. "As e-commerce changes the landscape, demand for industrial property remains strong. However, we remain focused on the developments in trade policy, which could impact the industry."

CBRE, the world's largest commercial real estate services and investment firm, expects declines in the U.S. industrial availability rate to flatten out over time. The report noted that the amount by which demand exceeded supply narrowed to 22 million square feet in the year through June from 65 million square feet in the prior year.

In the second quarter, 39 U.S. markets posted declines in industrial availability from the first quarter, as 21 reported increases and four remained unchanged. Among the markets that registered the largest declines in industrial availability in the period were New Haven, Conn.; Tucson, Ariz.; Sacramento, Calif., and Jacksonville, Fla. Those posting the largest gains in availability included Pittsburgh, Louisville, Ky., and Allentown, Pa.

GLP, a global provider of logistics facilities and technology-led solutions, said earlier this year that it had signed 9.3 million square feet of new leases globally in the fourth quarter of 2017, with customers using the facilities to service growing demand from online and off-line retail distribution channels.

In the U.S., GLP said its lease ratio remained high at 94 percent, with effective rent on total leases up about 19 percent in the period. GLP U.S. said it expects the operating environment to remain favorable this year, driven by continued customer demand, especially from e-commerce and multi-channel retail operations.

"The unprecedented growth of e-commerce continues to drive warehouse demand," said Steve Schutte, chief operating officer of GLP. "Also, we see brick-and-mortar retailers moving toward multi-channel retail strategies which further boosts demand for logistics facilities."

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