

Watch this Space: Industrial Boom Continues into Late 2021 and Beyond



We've all seen how the Covid-19 pandemic gave the industrial sector the shove it needed to go from well-poised to stellar. Now research from the Commercial Real Estate Development Association (NAIOP) suggests there is no slowing down for commercial real estate's (CRE) newest darling sector.

The NAIOP's Industrial Space Demand Forecast for Q3 2021 shows that "sustained growth in e-commerce [and] demand for industrial real estate continues to outpace supply". This, they say, puts the sector in a state of net absorption that will continue throughout the year and into 2022.

Digging Into the Numbers

The authors of the report are Hany Guirguis, PhD, Manhattan College and Michael J. Seiler, DBA, College of William & Mary. They write that "the demand for industrial real estate still outpaces supply" even with "nearly 100 million new square feet delivered nationally since the beginning of the year, 450 million square feet currently under construction and another 450 million planned".

Their data then boils down to net absorption of some 162.6 million SF in the second half of the year, and they state that they've "returned to their pre-pandemic confidence levels".

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Triangulating More Data

The demand has of course been driven primarily by the boom in e-commerce. GlobeSt.com reports that e-commerce sales hit “a quarterly record of \$222 billion in the second quarter of this year”, accounting for 13.3% of all retail sales. But there are contributing factors, such as growth in cold storage, materials and construction, manufacturing and medical industries.

With the combination of factors, CRE data analysts such as YardiMatrix are predicting the growth to stay buoyant through 2026. Yardi’s predictions include delivery of 348 million SF next year, 360 million SF in 2023, and up to 370 million SF in 2026.

New Growth

There are other blooming products and industry categories that will only increase this demand. The cannabis processing industry is hungry for space in deregulated regions and in countries with widespread legalization like Canada and Latin America. Finally, there are superlative predictions for the industrial square-footage needs of the commercial space industry too.

No wonder, NAIOP CEO Thomas J. Bisacchino calls industrial “a bright spot in the CRE industry”.

