

Higher Levels of Investment Incoming for US Industrial and Logistics



According to the Wall Street Journal (WSJ), there may be even more business incoming for the already-booming industrial real estate sector. As the price of energy climbs in Europe, manufacturers are turning their eyes to the US as a go-to option for reshoring their operations. As WSJ explains:

“Battered by skyrocketing gas prices, companies in Europe that make steel, fertilizer and other feedstocks of economic activity are shifting operations to the U.S., attracted by more stable energy prices and muscular government support.”

The article adds that government investment into infrastructure and green energy is a strong contributor to the heightened appeal of the US as a business destination.

Steeled for Success

Some of the biggest moves are coming in from the steel industry, which already had a hot streak in the US through 2021. Luxembourg-based steel producers ArcelorMittal, for example, stated they’re cutting production in German factories, but are seeing strong returns from a new facility in Texas thanks in part to the “highly competitive” energy market in the state.

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Meanwhile, producers that support the steel industry, like Austrian materials manufacturer RHI Magnesita, are also shifting some of their operations, seeing strong promise in the US steel market. Magnesita's chief executive, Stefan Borgas, says: "We are increasing our investments [in the U.S.] also in order to stay with all of our partners who are investing. We are very, very positive on the U.S."

Closer to Home

In addition to deeper interest from EU investors, many US-based companies are also looking to return their overseas operations to US shores. Realtor Magazine reports that this trend was a hot topic at the recent National Association of Realtor's C5 summit, particularly as a way to mitigate supply chain issues.

In response to the supply chain challenges of the past few years, some speakers predicted that companies would start investing more into "just-in-case" inventory, keeping the warehouse sector going strong.

Commercial Gains

For the industrial and logistics real estate sectors, these moves add up to a lot of potentially lucrative market opportunities. As large manufacturers set up shop in the US, for example, we are likely to see increased demand for logistics support facilities and secondary industrial premises.

For institutional investors and brokerages, navigating this shifting market in the coming months will require a firm grasp of fundamentals and a sharp eye for the best opportunities on offer.

