

COMMERCIAL REAL ESTATE

Industrial Supply Not Likely to Catch Up With Demand This Year



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“Potential industrial sites often need to be rezoned and re-entitled to allow for industrial development, which again, can take up to 12 months or longer to receive approvals.”

by Paul Bergeron

Any hope, faint as it might have been, that industrial supply would start to catch up with demand this year should be already dashed by now. The National Association of Realtors reported data through March 4, finding that industrial supply continues to lag demand. Namely, as of the beginning of this month, the vacancy rate fell to 4.1% from 6.8% at the close of Q4 2021. Specialized space, manufacturing and all other properties that are neither logistics nor flex space (such as telecom and data housing centers) saw availability rates decline to a low of 4.5%. Logistic space and flex space fell to 7.3% and 8.4%, respectively.

The situation has become untenable for occupiers, says Rob Gemerchak, director, Stan Johnson Company.

“Distribution and warehouse facilities play such an important role for tenants in the distribution of goods and products to stores as well as directly to customers,” he tells GlobeSt.com. “In today’s market, retailers cannot be successful, nor can they expect to grow market share and win customer loyalty, if they don’t have a streamlined logistics process—and their real estate plays a critical role.

There was more than 500 million square feet of industrial product under construction at the end of 2021, but developers can’t build fast enough to satisfy tenant or investor demand, Gemerchak said.

“And as available land in premium locations becomes scarce, tenants are getting stickier and more committed to staying in their existing facilities, which is keeping the availability and vacancy rates low in many top tier markets like Los Angeles, Chicago and Atlanta, among others.”

Land Scarcity, Expense, Delivery Times are Factors

The reasons for the scarcity are well known: the scarcity and expense of land coupled with construction delays. “In the past five years industrial land prices have more than doubled, but fortunately for developers, so have rents,” By Cartmell, senior director, Walker & Dunlop, tells GlobeSt.com. “As a result, in many cases, we are seeing values nearly double as well.

“Normally this would lead to an immediate increase in supply, but construction material delays have also

more than doubled. For instance, if you want to order roof trusses for an industrial building, delivery times are now 12 to 15 months in the future. Vacancy rates for industrial properties nationwide have been in the single digits for at least 10 years and they are now in the very low single digits. In LA county, the vacancy rate is two percent or less.”

David Welch, CEO at Robinson Weeks Partners, a developer of master-planned industrial parks, tells GlobeSt.com that he doesn’t believe supply will be able to match demand through the rest of this year and into 2023. “The key issue is that the manufacturing of key construction materials—mainly steel and roofing materials—can’t catch up to the rate of new industrial construction.

“The ‘easy’ sites have already been developed. New industrial sites have development challenges that take time to figure out. A lot of potential sites require permitted work to mitigate wetlands and streams before construction can begin. These approvals often take between 12 and 15 months.

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Not everyone believes the situation is so grim. Jeff Small, co-founder and CEO of MDH Partners, tells GlobeSt.com that with over half a billion square feet of industrial space under construction today, this historic amount should be more than adequate to meet current demand.

“If we begin to see a tapering of absorption from the large e-commerce users, who took so much space over the past two years, as e-commerce penetration slows in a post-COVID-19 economy, we could start to see rising vacancies in 2023.”

Indeed, the industrial construction pipeline increased to 522 msf in Q4 2021, a record high for the industrial market. In the first quarter square footage under construction reached more than 500 msf, according to NAR.

The industrial supply coming on market should start picking up as pandemic-related supply chain issues are alleviated, NAR says. But it also notes that though the amount of industrial space under construction is increasing, the robust demand for new industrial space may keep industrial space availability at a low throughout 2022.

Paul Bergeron reports for GlobeSt.com.



CITY OF DORAL NOTICE OF PUBLIC HEARING

All residents, property owners and other interested parties are hereby notified of a **COUNCIL ZONING MEETING** on **March 23, 2022 beginning at 6:00 PM** to consider an amendment to the City’s Land Development Code, Chapter 74, “Miscellaneous and Supplementary Regulations,” to revise alcoholic beverage regulations. The City Council will consider this item for **SECOND READING**. The meeting will be held at the **City of Doral, Government Center, Council Chambers located at 8401 NW 53rd Terrace, Doral, Florida, 33166**.

The City of Doral proposes to adopt the following Ordinance:

ORDINANCE No. 2022-04

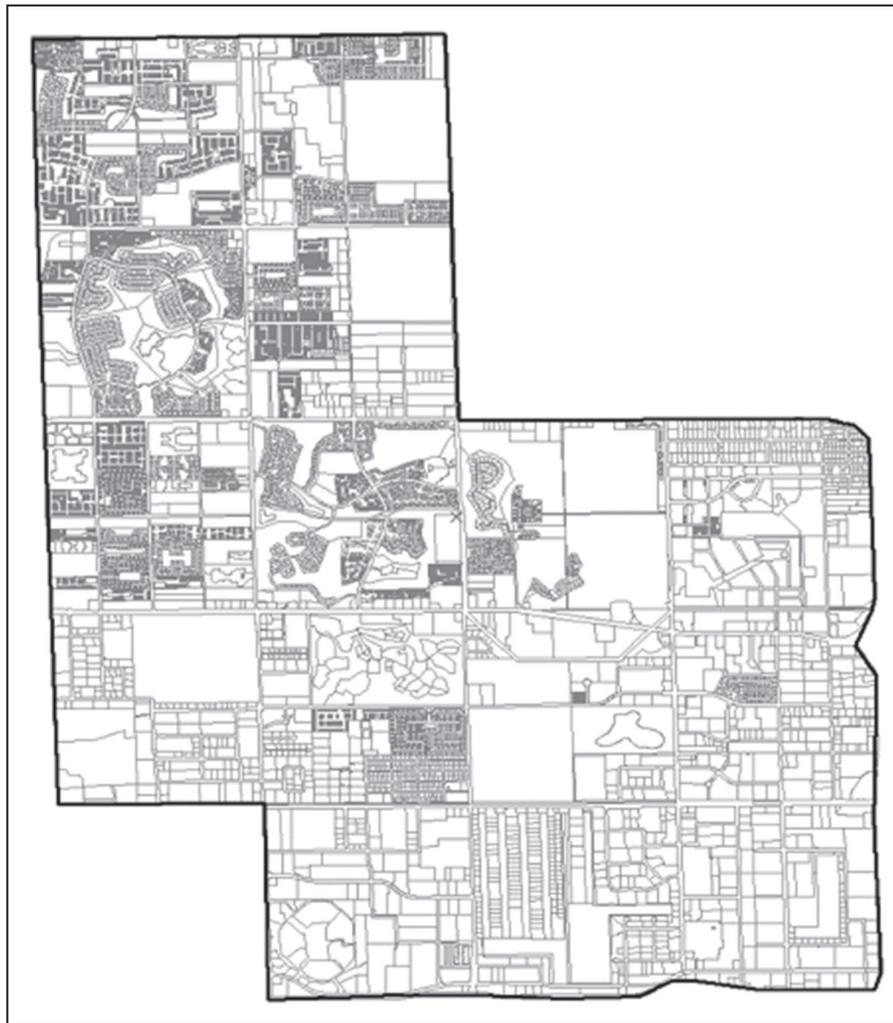
AN ORDINANCE OF THE MAYOR AND THE CITY COUNCIL OF THE CITY OF DORAL, FLORIDA, APPROVING/DENYING A TEXT AMENDMENT TO THE CITY OF DORAL LAND DEVELOPMENT CODE, CHAPTER 74, “MISCELLANEOUS AND SUPPLEMENTARY REGULATIONS,” ARTICLE IV, “ALCOHOLIC BEVERAGES,” TO REVISE ALCOHOLIC BEVERAGE REGULATIONS; PROVIDING FOR INCORPORATION INTO THE CODE; PROVIDING FOR SEVERABILITY; PROVIDING FOR CONFLICTS, AND PROVIDING FOR AN EFFECTIVE DATE

HEARING NO.: 22-03-DOR-14

APPLICANT: City of Doral

REQUEST: The City Manager’s Office respectfully recommends that the Mayor and City Councilmembers approve an amendment to the City’s Land Development Code modifying Chapter 74, “Miscellaneous and Supplementary Regulations,” Article IV, “Alcoholic Beverages,” to revise alcoholic beverage regulations.

Location Map



Inquiries regarding the item may be directed to the Planning and Zoning Department at 305-59-DORAL.

Pursuant to Section 286.0105, Florida Statutes If a person decides to appeal any decisions made by the City Council with respect to any matter considered at such meeting or hearing, they will need a record of the proceedings and, for such purpose, may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based. This notice does not constitute consent by the City for introduction or admission of otherwise inadmissible or irrelevant evidence, nor does it authorize challenges or appeals not otherwise allowed by law. In accordance with the Americans with Disabilities Act, any person who are disabled and who need special accommodations to participate in this meeting because of that disability should contact the Planning and Zoning Department at 305-59-DORAL no later than three (3) business days prior to the proceeding.

Connie Diaz, MMC
City Clerk
City of Doral

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