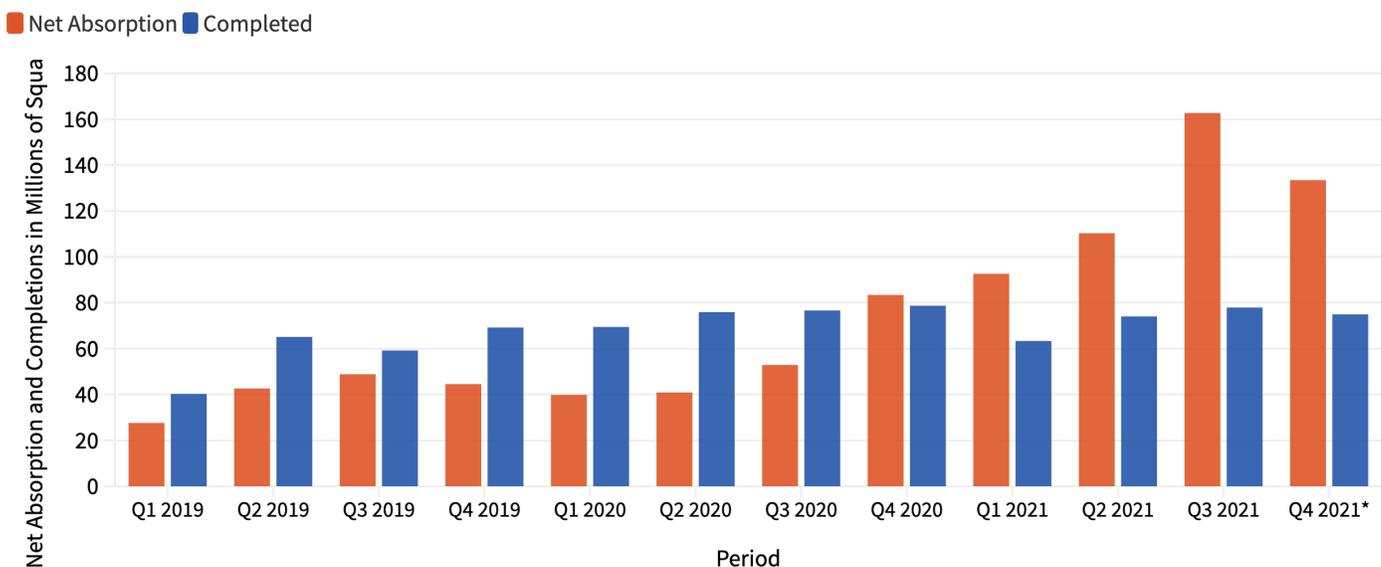


CHART OF THE DAY

Warehouses Are Running Out of Space. Developers Can't Build Fast Enough.

US Projected To Need More Than 1 Billion Square Feet of Industrial Buildings To Keep Up With Demand

Construction of U.S. Industrial Space Not Keeping Pace With Demand



Source: CoStar Group, November 2021

* As of Third Quarter



By **Randyl Drummer** and **Rohit Diwadkar**

CoStar News

December 7, 2021 | 4:59 P.M.

Logistics real estate developers have stepped on the gas this year, ramping up construction to record levels as the accelerated growth of e-commerce during the pandemic has fueled a frenzy of warehouse demand among investors and tenants. They may need a bigger engine to stay ahead of the growth curve.

Demand for logistics facilities has exceeded the amount of new space completed by developers each quarter since the final three months of 2020, propelled by skyrocketing online shopping during the pandemic.

Builders have completed 290 million square feet of logistics space this year, a huge amount that nevertheless fell far short of keeping pace with the 500 million square feet leased by tenants or occupied by owners. Both square footage totals are the highest in at least a decade, CoStar data shows.

The dynamic is a turnabout from last year's trends. For a while, it seemed supply would keep pace with demand as developers finished more space than was being absorbed by tenants for seven straight quarters from January 2019 through the fall of last year.

Top US Markets With Industrial Demand and New Construction

Top 10 Markets with Highest Absorption

Market	12-Month Net Absorption in Millions of Square Feet
Dallas-Fort Worth - TX	41.6M
Chicago - IL	32.8M
Atlanta - GA	30.4M
Inland Empire - CA	30.3M
Houston - TX	24.8M
Phoenix - AZ	23.4M
Columbus - OH	16.0M
Philadelphia - PA	15.5M
Los Angeles - CA	15.2M
New York - NY	14.1M

Top 10 Markets with Highest Completions

Market	12-Month Net Completions in Millions of Square Feet
Dallas-Fort Worth - TX	28.5M
Chicago - IL	19.9M
Houston - TX	19.4M
Inland Empire - CA	18.4M
Atlanta - GA	18.3M
Phoenix - AZ	16.1M
Memphis - TN	12.5M
Philadelphia - PA	11.5M
Nashville - TN	9.15M
Indianapolis - IN	9.13M

Source: CoStar Group, November 2021



Demand has outstripped new supply since January, however. In the third quarter, the amount of new warehouse space completed in the United States was less than half of the amount of space taken off the market through leasing or other occupancy during that time.

Tenant need for all types of industrial buildings will require at least 1 billion square feet of new construction by 2025, according to projections by CoStar and brokerage JLL.

Construction is expected to start catching up with leasing demand by next spring as developers work through a backlog of projects delayed by steel and other material shortages exacerbated by clogged ports and other supply-chain disruptions, according to CoStar's forecast.