

Industrial Insight

LAND OF PLENTY? FUTURE INDUSTRIAL EXPANSION SUBJECT TO LAND CONSTRAINTS

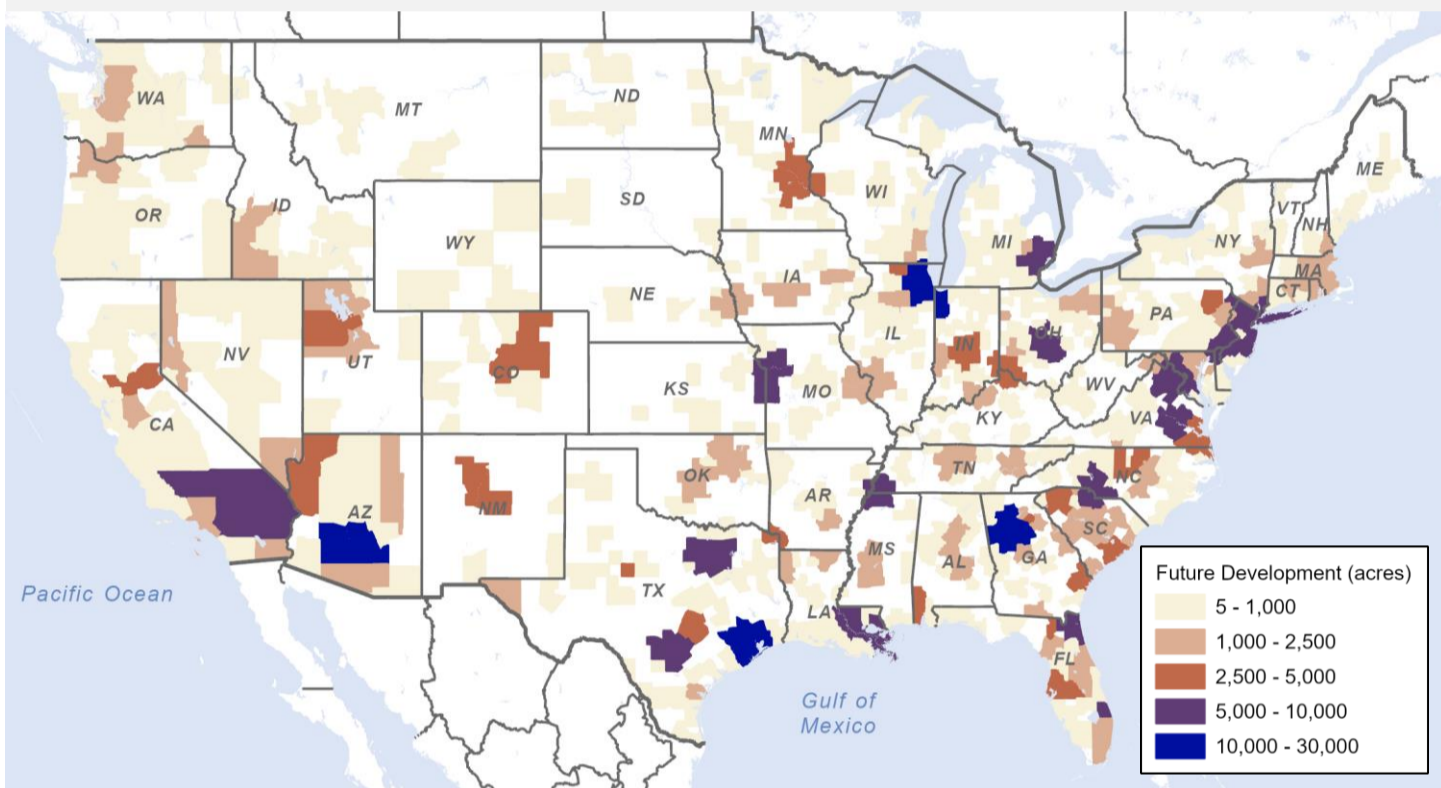
“Buy land; they're not making it anymore.” – Mark Twain

Demand for modern industrial facilities to support supply chain evolution continues to sustain a historic development boom, which has strained a finite resource: land. Since 2015, an estimated annual average of 117,000 acres in the contiguous United States have been absorbed for the development of industrial properties¹. To visualize it another way, that equals a total roughly the size of the state of Rhode Island. One of the barriers to continued market expansion is the diminishing supply of viable land sites. This is most acute in urban gateway markets where developable land is scarce, expensive, and subject to competition from a multitude of potential uses. As firms build out their supply chain presence to serve regional population centers, many secondary markets are now reaching a point of maturation where land constraints are also being observed. This dynamic is driving up costs; across the U.S., average per-acre pricing on land purchased for industrial development increased 36.0% from mid-year 2020².

As of August 2021, more than 550,000 acres of land have been identified for proposed industrial facilities or are being publicly marketed for sale, ideally suited for industrial use. The majority of these sites are located in southern and western markets: Texas, Georgia, Florida and South Carolina alone account for a third of the current total estimate.

MARKETS HAVE ROOM FOR FURTHER EXPANSION, YET USABLE INDUSTRIAL LAND IS LIMITED

Proposed Industrial Developments and Industrial Land Marketed for Sale by CBSA, August 2021



Source: Newmark Research, CoStar, August 2021. Acreage for future development includes proposed industrial developments >25,000 square feet on sites >5 acres, and industrial land sites marketed for sale >5 acres.

With dwindling acreage available for industrial development, how do developers find opportunities for industrial expansion? Renovation of obsolete industrial properties and redevelopment of underutilized non-industrial facilities are well-established and growing trends in many markets. These strategies offer solutions to supply and land constraints while modernizing market inventory. Longer-term strategies may include the remediation and revitalization of contaminated land sites. There are an estimated 500,000 brownfield sites across the country, and approximately 13,000 active Superfund sites tracked by the U.S. Environmental Protection Agency. Industrial redevelopment of these land sites takes time, yet has wide-ranging environmental, economic, and social benefits while satisfying continued robust demand for modern industrial space.

NOTABLE RECENT INDUSTRIAL SITE RE-USE STUDIES

Former Environmentally-Challenged Sites Successfully Repositioned for Industrial Development

Market	2021 Industrial Market Vacancy (%)	Industrial Property	Acreage	Site Designation ³ / Former Use	Current Use
PA I-81/I-78 Corridor	8.3%	Lehigh Valley Industrial Park VII, Bethlehem, PA	1,000	Brownfield site	Industrial facilities totaling over 5.6 million sq. ft.
Portland, OR	4.3%	Troutdale Reynolds Industrial Park, Troutdale, OR	700	Superfund site	Industrial facilities totaling over 3.1 million sq. ft.
Northern New Jersey	3.8%	Lincoln Logistics Bayonne, Bayonne, NJ	153	Corrective Action site	Proposed warehouses totaling over 1.4 million sq. ft.
Houston	9.0%	Park 249 Business Center, Houston TX	64	Oil tank farm	Four warehouses totaling 816,920 sq. ft.
Los Angeles	1.5%	Greenleaf Business Center, Santa Fe Springs, CA	25	Superfund site	Proposed 212,500 sq. ft. warehouse
Cleveland	4.9%	Madison Industrial Park, Madison, OH	19	Brownfield site	168,750 sq. ft. warehouse

Source: Newmark Research, U.S. Environmental Protection Agency, August 2021.

¹ This estimate includes undeveloped industrial land sold since 2015 and industrial land that has been developed over the same period.

² CoStar; industrial land sales >5 acres slated for industrial development

³ Brownfield, Superfund and Corrective Action are environmental clean-up programs managed by the U.S. Environmental Protection Agency

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nrmk.com/insights.

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