

Prologis CEO: Industrial Tenants In ‘Panic Mode’ When It Comes To Snapping Up Space

October 25, 2021 | Katie Murar, Bisnow West Coast Editor (<https://www.bisnow.com/author/katie-murar-528175>) (<mailto:katie.murar@bisnow.com>)



There’s no slowdown in sight regarding the need for industrial space in the wake of the coronavirus pandemic (<https://www.bisnow.com/tags/pandemic>).

“Demand is just crazy,” Prologis (<https://www.bisnow.com/tags/prologis>) CEO Hamid Moghadam (<https://www.bisnow.com/tags/hamid-moghadam>) said in the company’s Q3 earnings call.

This rising demand coupled with diminishing inventory has drastically limited options for users of distribution and logistics (<https://www.bisnow.com/tags/logistics>) space, sending tenants and investors into somewhat of a “panic mode when it comes to buying or committing to real estate,” Moghadam said during the Oct. 15 call.

The San Francisco-based industrial landlord is very much in the mix of this aggressive competition; the largest owner of distribution centers (<https://www.bisnow.com/tags/distribution-centers>) in the world grew its portfolio 9.5% to \$176B in the third quarter, the largest quarterly increase on record.

Nationwide, demand for industrial space outpaced supply for the third quarter in a row, according to data from Cushman & Wakefield (<https://www.cushmanwakefield.com/en/united-states/insights/us-marketbeats/us-industrial-marketbeat>) as reported by the San Francisco Business Times (<https://www.bizjournals.com/sanfrancisco/news/2021/10/21/prologis-logistics-portfolio-record-growth.html>).

“Space in our markets is effectively sold out,” Prologis Chief Financial Officer Thomas Olinger said in the earnings call. The company signed 56M SF of leases in the third quarter, during which average occupancy hovered around 97% across the portfolio.

That surge in business across the industry is largely fueled by the e-commerce (<https://www.bisnow.com/tags/e-commerce>) sector, whose voracious appetites for space have also driven rents to historic highs. Rent prices in the Prologis portfolio jumped 7.1% in the third quarter alone, and are up 24% year-to-date.

Rents have grown enough to offset increased costs from supply chain (<https://www.bisnow.com/tags/supply-chain>) disruptions, experts agreed at Bisnow’s Philadelphia Industrial Outlook event (<https://www.bisnow.com/philadelphia/news/industrial/industrial-rents-rising-construction-costs-dont-matter-110507>) on Oct. 7.

Rapidly rising materials prices, fueled largely by the difficulty of getting products through the supply chain (<https://www.bisnow.com/chicago/news/industrial/no-end-in-sight-for-industrial-boom-as-off-the-charts-demand-continues-110368>), have negatively affected budgets for the construction of industrial buildings. But supply chain issues have also caused a rush on industrial real estate.

“In the last 90 days, supply chain dislocations have become even more pronounced, with customers acting with a sense of urgency to secure the space they need,” Olinger said.

The U.S. market absorbed 140.7M SF in the third quarter, “the most space ever absorbed in a single quarter of any year reported by Cushman & Wakefield, breaking the previous record from last quarter” of 126.4M SF, according to the report.

“As demand surges, having the right logistics real estate in the right locations has never been more critical to our customers,” Olinger said.

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See Also: Amazon Ramping Up Industrial Acquisitions In Pivot Away From Leasing, Sources Say (</national/news/industrial/amazon-shifting-industrial->

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