



# nerej

## **Current state of the industrial & distribution real estate market - by Thomas Madonna**

June 11, 2021 - Front Section



Thomas Madonna

Activity in the industrial, distribution and logistics real estate sectors remains strong. In fact, CBRE Econometric Advisors forecasts that new industrial completions will jump by 29% in 2021. And many believe that competition in the space will grow in the new future for this sector. Here's what you need to know:

### Data Centers

With the spike in remote work activities over the past year, and potential shift towards more consistent remote work in the future, the importance of seamless Internet usage and data storage capabilities are at an all-time high. This creates a demand for industrial property for data center use. Consider highly-populated areas for the location of data centers, as those areas have the most people and ultimately the highest usage of "Internet" data.

### Life Sciences

Life sciences development will continue to boom, especially in Greater Boston. Company growth, increases in the US-based manufacturing of supplies and raw materials, and the evolution of medicine will result in expansion of traditional life-sciences hubs.

### Cluster Markets

Markets such as Greater Boston and San Francisco grew in recent years, as developers and investors aimed to expand on existing core clusters rather than targeting new areas. For example, in Greater Boston, we've seen increased development in the life-science area outside of traditional locations like Cambridge.

### Industrial Conversions

Interest continues in repurposing mall and retail space for industrial and distribution uses. Many potential uses are considered, such as: industrial, distribution, warehousing, data centers, medical and life-science spaces, office space, and even COVID vaccination sites. These uses may be short or long term. Ultimately, if the property owner is able to generate positive income for its vacant space, whether industrial oriented or otherwise, then it's worth exploring.

### Construction Costs

With COVID-19, we've seen a steady increase in the cost of construction materials, such as steel, lumber, electrical components, and the like. Such increased costs are partly due to limited supply, which in turn can cause delays in completing projects and increase overall project costs. With uncertainty as to when construction supply and demand will level off, it's important to keep in mind construction deadlines and costs, and any applicable lease provisions and financing covenants.

### 1031 Exchanges

One popular topic of recent discussion is whether or not 1031 exchanges will be available in the years to come. While no one has a crystal ball as to how the tax code may change in the future, it's important to contemplate tax planning issues, including, but not limited to, possible 1031 exchanges. Taking advantage of 1031 exchanges while they are still available under the tax code could provide

many benefits.

Thomas Madonna is a real estate attorney at Hinckley Allen, Boston.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540