

Seven trends in this period of time that feels like limbo - by David Skinner

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David Skinner

I caught up with a good friend of mine in the industrial brokerage community who has built an extremely effective practice of selling “rough” industrial buildings, and we enjoyed talking about the trends and “off the record” conversations with buyers and owners about how to move forward in this period of time that feels like limbo. It feels like we are in limbo because there is so much conversation about COVID policy impacts, possible tax changes, the ever present question about what will happen with the 1031, yet nothing has been finalized on any of these fronts. What we have seen however, are seven trends we are noticing in the world in which we live. I was trained as a preacher, so seven points feels appropriate. However, this won’t be an hour sermon, unless you’re slow reader.

1. Shift in brokerage focus. There are a few brokerages, mostly larger ones, who historically have spent more time in the industrial arena who are taking the opportunity to begin focusing on life science and biotech industries. The Stubblebine Company (my office) has specialized in large industrial for the last 30 years, so we have seen companies and brokers come and go from the industrial space. It is becoming evident that some of the market leaders who control quite a bit of the market are moving to the potentially larger market cap opportunity of life science, which may leave an opening for brokers who maintain focus on industrial real estate.
2. Uncertain changes. As mentioned in my preamble, the possible changes in policy are urging some owners to consolidate their holdings and sell now, while others are holding on to see what the outcome of some of these policies are. This means that some owners who were reticent sellers are now becoming more interested in selling, and others who may have been more gun-shy of selling are now willing to entertain that discussion.
3. Boston green initiatives. In many ways, the way Boston goes is the way New England goes. In order to address some concerns of climate change, a few Boston politicians have proposed net zero carbon emissions by various dates for various property types in an attempt to bring Boston proper in line with the Paris climate agreement. If some of these proposed plans are realized, building owners

in the city will need to spend significant dollars in the coming years to bring their old buildings up to the new regulations. We are watching this item closely in the coming months.

4. Record prices. There has been such a clip of record pricing that many owners are looking at buildings in their neighborhood that were worth 20% of the current market value as recent as a couple years ago, and they are then motivated to look down and exclaim that they may also be able to capture some of this seeming pot of gold that is being passed around. This is changing the landscape for brokers, and as I predicted in last year's NEREJ Fall Preview article, 2021 would be the year to sell before the inventory for sale is largely taken off the market.

5. Owners not wanting to flood the market. Some savvy owners are watching the trend of record sale prices for industrial property and they are seeing their friends and neighboring building owners put their buildings for sale, and these savvy owners are carefully observing the trend, not wanting to impulsively put their own building on the market so as not to flood the market. This may be a wise trend, but there is a real danger in missing a time to sell that we may never see again.

6. Which industries are booming? The industrial companies that are booming are the ones that are most directly impacted by the movement of this real estate. Companies that do site work, general contracting, environmental remediation, demolition, or any of these similar businesses are growing at rates never before seen, needing parking, land, and garage space at a startling pace.

7. Automotive positioning. The shortage of computer chips and the stoppage of incoming freight off the California coast has driven the price of cars through the proverbial "roof." This has incited certain automakers to take advantage of the opportunity to get ready for record sales when the product becomes available. Over the next year or two you will see a few different large Boston-area dealerships significantly expand their footprint.

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