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“New Year, New Me,” so the warehouse wanted to say - by David Skinner

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Every year, the memes on Instagram are the same thing in January. Each is some version of the bright-eyed and bushy-tailed young person in a car or on a beach or somewhere having a great time and clearly excited for what is about to come, side by side with someone who is in the same place, but the scene has changed. There has been an explosion, a fire, or some other destructive catastrophe leading the subject of the photo to barely escape with his or her life. The caption is something like, "What I thought 2023 was going to be," next to "What 2023 really was." You will finally see some quip about how ready we all are to leave 2023 behind and bring on a new year with great new expectations. The funny thing about the new year is that there is very rarely anything new about it, although we want there to be. The same goes for industrial real estate.

Every person in the industrial real estate world would love for there to be some sort of change, and in some ways, there are some changes. However, not everything has changed that much. Here are four of my takes on what is new and exciting in 2024… sort of.

1. Interest rates are lower, but not that much lower. Whenever I call a listing agent who has a property for sale, I expect to hear some version of the following script: "Now that interest rates have ticked down, the world is finally starting to work in my client's favor, and we are now seeing a lot of activity, so you'll need to put your best foot forward." Now, I also work on behalf of clients as an owner's rep, as these owners need to sell and lease property and do not want to do so at a discount. However, the rates have not gone down THAT much. The rates being lowered by 50-100 bps help a buyer's monthly mortgage payment, but the perception in the market is not that the values in real estate have gone up significantly, and so the buyers who had been paying big prices are still on the sidelines and have, in many cases, "put their pencils down" on underwriting until more time passes with rates going in a downward trajectory.

2. Industrial build-to-suit projects and undeveloped land have gotten easier to buy or lease, but existing industrial real estate in a decent area is still very hard to come by. The kinds of industrial projects that were most impacted by the increased construction costs are those with the most intensive capital expenditures. Build-to-suit leases, vacant land sales, and anything in the biotechnology field are the most capital-heavy and have been the most decimated. I have been working with a few established user requirements over the last few years, and we have seen that the activity on land has died down significantly across the broader Northeast because the speculative and/or institutional buyers who were part of the frenzy of building industrial over the last 3-5 years are now on the sidelines. This means that the land buying and building scene for users has gone back to pre-2019 levels. However, the same is not true for established properties in established industrial areas around the city. Property that exists and needs little improvement has seen very little, if any, slowdown.

3. Green energy requirements have changed, including electric vehicle charging stations. For any industrial or residential developer, the craze to install EV stations has not only begun, but there is no end in sight. A friend of mine who specializes in EV stations at Electric Supply Center in Burlington, Mass. shared some information with me that seems relevant to any developer, particularly industrial

developers who will now need to get comfortable with larger incoming power supplies than before were necessary. The rule of thumb to consider for new stations is that each connection (station) will need an approximately 40A service available at all times. This could double or even triple the otherwise necessitated electricity requirements.

4. Out-of-market companies no longer coming in, unless they bought somebody. Between 2019 and 2022, it was commonplace to hear of a company from Conn., N.Y., N.J., or even another part of the country or world that wanted to break into the Boston marketplace. This has largely slowed down because much of the venture capital has ceased to fuel these kinds of new business expansions. However, there are still many industries that are experiencing roll-ups and acquisitions and thereby seeing outside companies seeking a new home - they are simply more often trying to improve the company they just purchased rather than prove a new concept in this market.

Things have changed in 2024, as The Four Lads would say, “No, Not Much.”

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