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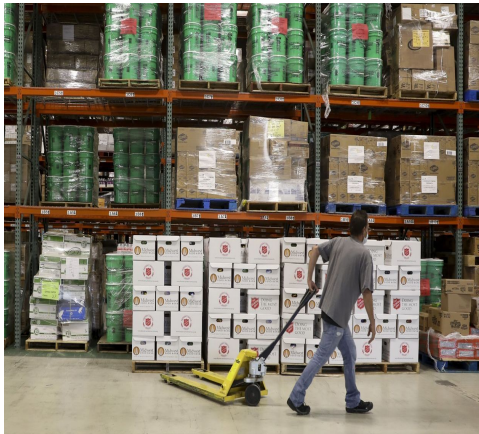
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LOGISTICS REPORT

Warehouse Demand Surges as Retailers Reset Supply Chains

A sharp drop that began with coronavirus-triggered lockdowns in March has turned around amid a consumer rush toward e-commerce



Industrial real-estate activity is recovering more quickly than expected from the economic shocks of the pandemic, according to real-estate firm CBRE.

PHOTO: DANIEL ACKER/BLOOMBERG NEWS

By [Jennifer Smith](#)

June 21, 2020 8:00 am ET

Demand for U.S. warehouse space is rebounding as upheaval from the coronavirus pandemic pushes businesses to retool their supply chains.

Industrial real-estate activity, such as lease renewals and new leases, jumped 43% from April 15 to May 14 from the previous 30-day period, recovering more quickly than expected from the economic shocks of the pandemic, according to real-estate firm [CBRE Group Inc.](#)

Total transactions for the year are 2.8% higher than at this time in 2019 even though activity fell 29% between March 15 and April 14 as lockdowns aimed at halting the spread of the coronavirus extended across the U.S.

Retailers and food and consumer goods suppliers ramped up their e-commerce operations during that period after a surge of orders from housebound shoppers during quarantine. Companies are also securing

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PREVIEW

industrial and logistics research. “It looks like that sharp dip in activity...had more to do with the quarantines and stay-at-home rules.”

Demand for warehouses of 100,000 square feet or more held up the best, according to CBRE. Transactions for those bigger facilities fell just 5% during the first month of the pandemic before surging to the highest monthly level this year for facilities of that size in the period ending May 14.

The push for more storage space comes as retailers are re-evaluating their logistics networks in the wake of the upheaval during coronavirus-driven shutdowns. Merchants were already moving goods closer to customers, and the pandemic is accelerating those shifts, said Jess Dankert, vice president of supply chain for the Retail Industry Leaders Association.

Some retailers relied heavily on stores to fulfill online orders during the pandemic, Ms. Dankert said, while others are looking to build “dark store” fulfillment centers in urban areas and shift away from larger facilities in more remote locations. “There’s a repositioning of the inventory and adapting systems for this new Covid-era of shopping,” she said.

Many retailers are laden with unsold inventory from the closures. But Ms. Dankert said the stockpiles don’t appear to be straining warehouse capacity near busy gateways such as Southern California’s ports of Los Angeles and Long Beach.

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“We did see a pickup in short-term deals,” said CBRE’s Mr. Breeze, which could reflect excess inventory overall or increases in demand for certain types of products, such as food or medical supplies.

Short-term leasing, “under 12 months, was very active for us in March and April,” said

Chris Caton, head of global strategy and analytics for industrial real-estate giant [Prologis](#) Inc.

Prologis estimates that businesses could increase their inventories by 5% to 10% over the long term to guard against the kind of demand shocks that cleared out grocery stores shelves during the first weeks of the pandemic lockdowns.

new space to modernize their distribution operations, including locations near big population centers, for what they expect to be continued strong demand for services such as online grocery delivery.

“The next 30 days we saw this huge turnaround,” said James Breeze, CBRE’s global head of

Higher inventory levels and the accelerating growth of e-commerce, which typically requires about three times as much space as traditional distribution operations that serve stores, could increase U.S. warehouse demand by as much as 400 million square feet over the next two to three years, the company forecasts.

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