



Cold Storage Supply Plays Catch-Up with Increasing Demand

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E-commerce isn't the only increasing demand driver for industrial real estate. A case in point is the market for fresh or organic food—and here, says **Avison Young**, there's a shortage of refrigerated space in many markets, including the New York metropolitan area and Los Angeles.

In New Jersey, there's just 91,237 square feet of cold storage space that hasn't been spoken for, giving that market a vanishingly small vacancy rate of 0.3%. Los Angeles isn't faring much better, with a 0.6%

vacancy rate and 149,889 square feet available, while New York is well down in the single-digit range, according to CoStar data cited by **Avison Young**.

"We continue to see a shortage of efficient and modern cold storage facilities in most markets across the U.S., as the industry tries to catch up to the rapid growth in demand for fresh and organic foods and online grocery delivery," said Todd Heine, an **Avison Young** principal and leader of the firm's Chicago-based National Food Services Group.

Heine noted that cold storage facilities are more expensive to build, "due to the specialization of the required infrastructure, and limited 'infill' last-mile land scarcity."

Tenants in the food industry, according to **Avison Young's** outlook report for food-related industrial, "often have unique space requirements that might include USDA-certified facilities, cold storage, and the need for access to extensive water and utility capacity. These facilities are often considered 'mission critical' as they are tied to the companies' overall financial and operational objectives."

The newly-issued report cites five trends to watch. They include the following:

- **Online grocery.** “Look for continued growth in processing and distribution, which will impact industrial space utilization.”
- **Cold storage.** “Increased demand but limited supply, particularly in primary distribution markets.”
- **Last mile** “will continue to expand to meet demands from growing online grocery and fresh food sectors. Expect to see increased competition for space near large population bases.
- **Expanding use of automation,** “as companies look to improve efficiencies.
- **Food safety will be a bigger focus,** “as companies look closely at where food is sourced, and how the facility can support food safety and specialized requirements.”