

Industrial Demand Translates to Solid Growth in U.S. Port Cities

By **Eric D. Swanson**

A growing population base along many coastal cities and the robust demand for distribution space is fueling strong activity in port cities across the U.S. As the industrial sector continues its rapid momentum, ports from Los Angeles/Long Beach, Calif., to Savannah, Ga., New Jersey/New York and South Florida, among others, are seeing positive growth in cargo traffic and related industrial activity.

These ports move a wide variety of consumer goods—



from shoes and clothing to furniture, housewares, cell phones, computers, televisions and more. As e-commerce customers demand their goods at increasingly quicker speeds, retailers must import and distribute more goods faster than ever before. The vast majority of these goods still come from overseas despite the U.S. effort to balance trade amongst our trade partners.

This strong demand and focus on speed to market are a few factors driving expansion in and around U.S. ports. The Port of Los Angeles, for example, is planning \$1.2 billion in investments in the port's infrastructure as well as the technology to support supply chain efficiencies. The Port of Los Angeles encompasses 7,500 acres along 43 miles of water and is the largest U.S. port for container traffic.

A look at ports across the country shows a range of activity and a resulting demand for industrial distribution and warehouse space to support it. There is tremendous activity in the industrial submarkets around the Port of Houston, for example, due to an increased cargo volume on the waterways. Strong population growth, the rise in

e-commerce and the strong energy market are all factors in this growth.

The ports of Savannah and Charleston, S.C., continue to make infrastructure investment, including rail connections to inland locations, to improve container traffic throughput and keep pace with demand. The cargo then can be transloaded or redistributed to population centers of the eastern seaboard and the Midwest.

Vacancy rates for industrial real estate, including many port cities, are reaching all-time lows, leading to rental rate increases and a continued push for development. Developers in South Florida, for example, are scrambling to find land, turning to old golf courses, flea markets and horse stables to fill the demand for modern, efficient industrial space near cc and Port Everglades.

The demand for all types of industrial buildings will rise with the tide. Land and buildings near the seaports will continue to demand premium pricing as those locations allow for the fastest movement through the supply chain. However, as pricing for the real estate continues to move higher, alternative inland locations will become increasingly viable.

It's difficult to predict the future of all industrial buildings as companies apply different supply chain strategies, as drone delivery increases and as autonomous vehicles impact last mile delivery. However, one constant is the increasing reliance on ports to move less expensive foreign goods to the end user. Therefore, these seaports will continue to drive industrial development on, near and within proximity to gateway U.S. seaports. ■



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