Top Real Estate Executives Forecast the Post-COVID 19 New Normal in the Industrial Space

During this time of economic uncertainty, Sealy & Company, like most organizations has been making it a top priority to communicate with stakeholders, partners, tenants, and employees by providing insights into the "new normal" and predictions for the future industrial real estate market.

Sealy & Company has never dealt with a pandemic of this nature before, but it has successfully navigated and chartered a course through nine major market corrections in the last 75 years of its operations from the ’70’s crash to the ’08-’09 recession. Now, more than ever, the main focuses for industrial real estate companies are assessing and responding to the economic impact on the industrial sector, evaluating and strategizing tenant health and rent release necessities, and continuing to hone in on future transactions in the pipeline to drive uninterrupted growth. Fortunately for Sealy, its team of analysts continue to research and capitalize on future investment opportunities and have seen no tenant termination as a result of the current pandemic.

Offering over 50 years of experience with the firm, Chairman Scott P. Sealy, Sr. provides interesting insight as to why and how industrial real estate may react to the COVID-19 pandemic. His assertion that industrial real estate can be one of the few bright spots in real estate during this trying time is supported by the favorability of industrial assets by lenders, the fundamentally tight market with historically low debt pricing, and the stability in upward trending warehousing demand.

According to industry leading executives and research houses, the continued secular shift to e-commerce amid national uncertainty necessitates the demand of industrial space to accommodate consumer habits formed during this time. Cold storage and last-mile infill centers will specifically incur stronger demand, especially those within centralized and well-populated cities. The ability for logistics and distribution suppliers to reach its consumer quickly and efficiently will be key moving forward beyond COVID-19.

While the need for larger fulfillment centers and warehouse space has grown due to the overwhelming adoption of e-commerce in various industries, Sealy’s Managing Director of Investment Services, Jason Gandy, notes that tenants are also conversely showing significant interest in buildings in the 50,000 square foot range in vital infill locations. Supply of this property subset is limited due to the costly nature of replicating these invaluable assets. The rarity coupled with the opportunity for single tenancy makes these properties attractive to tenants.

Analysts and Sealy executives alike predict many markets will move in a positive direction and begin the phase of recovery in the third and fourth quarters of 2020 with the economy rebounding beginning in 2021. Company representatives feel cautiously optimistic for the outlook of the industrial sector and credit the limited human exposure within industrial warehouse spaces and the limited obsolescence of the functionality of these assets to its risk- mitigated consistency.

Although the predictability of market resurgence is challenging to definitively assert, Sealy is confident in its proven strategies to acquire and offer infill warehouse assets that fit the shifting demand and the strength of the industrial sector and its inherent advantages.