

# THE WALL STREET JOURNAL.

[LOGISTICS REPORT](#)

## Warehouse Availability Reached Lowest Point Since 2000 Last Year

CBRE report says demand outstripped supply by a wider margin during 2018 in a strong logistics and distribution market



A worker moves packages at Overstock.com's fulfillment center in Salt Lake City, Utah. PHOTO: DANIEL CARDE/BLOOMBERG NEWS

By

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The hunt for warehouse space in the U.S. won't get any easier this year.

The availability of industrial space fell to 7% in the fourth quarter, the lowest point since 2000, and real-estate brokerage [CBRE Group](#) Inc. said the tight capacity that has driven up the costs of warehousing in recent years will remain a challenge for companies well into this year.

The U.S. market for distribution centers and other storage sites has become increasingly competitive in recent years as the growth of e-commerce has boosted demand for warehouse space, especially for large sites located near major population centers.

Distributors and logistics providers are snapping up new facilities as quickly as they come online. Demand exceeded supply by roughly 6 million square feet in the fourth quarter, or by 29 million square feet for the full year, according to CBRE, and the gap between demand and supply grew wider in the second half of the year.

“Demand is not slowing. It continues to show very robust levels,” said Richard Barkham, CBRE’s global chief economist and head of research for the Americas. “In 2019, it will remain quite a competitive market for people to get hold of the logistics assets they need.”

Some recent signals suggest the U.S. economy may be downshifting. Manufacturing growth slowed last month, and some measures of [service-sector activity fell](#).

Still, consumer confidence remains strong and retailers are coming off one of the stronger holiday seasons in years, with companies such as Target Corp. that invested in e-commerce operations [logging big growth in digital sales](#).

A report from real-estate services firm JLL last month said the market for industrial space “is likely to hit the pause button in 2019” as the economy cools and tariffs and trade tensions stoke supply-chain volatility. That could help close the supply-demand gap after a long stretch of tight capacity, the report said, giving some measure of relief to tenants, though the industrial vacancy rate remains at a record low of 4.8%.

New construction may narrow the gap. Developers brought 57 million square feet of new warehouse construction online in the fourth quarter, a 6% increase from the prior three-month period, according to CBRE.

The additional capacity is helping bring supply and demand into better balance, Mr. Barkham said. That could slow rental growth, he said, with the price a square foot likely decelerating compared with recent years.