



Yardi[®] Matrix

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Demand for Cold Storage Facilities Increases During Pandemic

- E-commerce has surged during the past two years, driving red-hot demand for industrial space. Refrigerated warehouses in particular have experienced strong demand due to recent lifestyle changes and other factors related to the COVID-19 pandemic. Growing consumer preferences for grocery deliveries and meal kits—which have increased in popularity as people have opted to cook at home rather than eat out during the pandemic—have expanded the need for well-located cold storage facilities, as companies look to store fresh food closer to population centers. Pharmaceutical companies have also utilized cold storage facilities for both raw materials and finished products, such as the COVID-19 vaccine.
- Cold storage properties, especially those closely located to large population centers, are being targeted by investors. They accounted for \$2.0 billion in sales volume in 2021, trading at an average sales price of \$157 per foot, 40% higher than the overall national average price of \$112 per foot. A multi-tenant building at 55-30 46th St. in Queens, N.Y., was acquired by EverWest Real Estate Investors for \$57 million, a staggering \$812 per square foot. The building is fully leased to food distributors and is located next to I-278 and I-495, offering access to all five New York City boroughs. In Anaheim, Calif., JP Morgan paid \$115 million—\$408 per foot—for 4633 E. La Palma Ave., a warehouse leased to Straub Distributing, an Anheuser-Busch and craft beer distributor.
- There are 6.7 million square feet of new cold storage space under construction in the markets covered by Yardi Matrix, and 10.3 million square feet in the planning stages. Dallas-Fort Worth in particular is seeing a surge of cold storage development. Kroger is building an automated warehouse larger than 500,000 square feet in Dallas to fulfill online grocery orders. Two speculative cold storage facilities are also coming to the market: the 403,000-square-foot DFW Freezer Warehouse in Burleson and the 375,000-square-foot CCS Denton.
- Developers may find themselves facing significant headwinds as they add new cold storage supply. Labor and material shortages are impacting construction of all types, and cold storage developers will be competing for resources. Specific to cold storage, a magnesium shortage could pose a significant challenge. Magnesium, a key component in cold storage construction, is in short supply. China produces 87% of the world's magnesium but has recently slowed production in an effort to curb carbon dioxide emissions, causing global prices to spike in recent months.

