

Industrial 'Unencumbered' By Construction Challenges

Strong demand for industrial is helping to offset construction challenges, like the labor shortage and supply chain disruptions.

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A supply chain crisis and severe labor shortages are creating mega challenges for developers—but industrial projects are pushing through. Demand for industrial space is so strong, and as a result the asset class remains “unencumbered” by labor shortages, according to Louis Archambault, an attorney at Saul Ewing Arnstein & Lehr.

“Labor and contractors are available for industrial build outs; the issue is cost. However, industrial real estate continues to be one of the most sought-after asset classes as third-party logistics, distribution and e-commerce companies continue to expand,” Archambault tells GlobeSt.com.

Some developers are integrating new technologies to help to offset costs. “The industry has adopted and incorporated technology into its warehouse and distribution methods through the use of unmanned technologies, which can reduce labor costs,” explains Archambault. “The use of technologies and automation allowed companies to mitigate the impact of potential labor shortages.”

Archambault also expects to see more digitization of the supply chain to help alleviate these challenges. “Technology like blockchain and digital twins can help track supply chain shortages, redirection of materials to better utilize distribution points and renegotiate prices in transit to keep up with market realities on supplies,” he says. These technologies include products like demand-sensing, which is the practice of analyzing market data to make short-term predictions in demand and adjust accordingly, and the automation of jobs, which can provide relief from the labor shortages the industry is facing, explains Archambault. “Automation doesn’t necessarily eliminate jobs, but it does increase productivity and efficiency, helping to lessen some of the burden caused by labor shortages or cost volatility.”

In terms of the supply chain crisis and materials shortages, Archambault says that industrial properties are experiencing these issues in the same way as other industries—it is a challenge. “To complicate the issue, once supplies are available they will flood ports or distribution points that are still ramping up and dealing with backorders, which further creates a distribution bottleneck,” says Archambault.

There are ways to mitigate the problem. “To combat shortages of building materials, industrial owners and developers have had to implement creative solutions to keep projects on track and costs under control,” says Archambault. “Landlords and tenants must communicate and agree to flexible parameters to deal with potential materials not being available during a build out timeline, such as a garage door panel or windows being on backorder, causing a delay in build out timing.”