

Logistics industry poised for continued strong fundraising growth

- *Strong leasing demand as COVID-19 accelerates e-commerce adoption*
- *Just-in-time inventory model is giving way to a “Just-in-case” approach under pandemic*

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The logistics industry is poised for even stronger fundraising growth over the next 12-18 months as a result of the transformation brought on by COVID-19.

The durability and resiliency of the logistics sector cash flows have attracted a wider subset of investors who have historically been underallocated to logistics and who are looking to deploy meaningful capital to raise their overall exposure.

A key driver in recent e-commerce adoption is the accelerating growth of on-demand services and goods driven by grocery delivery, cold storage-related businesses, cloud kitchens and pharmaceuticals as a result of COVID-19. Traditional shoppers, who previously preferred bricks-and-mortar shopping and rarely (if ever) purchased goods online, have been forced to turn to online shopping. In doing so, they have realised that it’s quick, affordable and convenient and this will likely pull forward the forecasted e-commerce adoption trends by several years.

There is also a shift by manufacturers from a just-in-time inventory model to a “just-in-case” approach, building greater levels of local inventory to prepare for the increasing demands generated during periods of lockdown and supply chain disruption.

The supply/demand dynamic for modern warehouses in most markets is being very positively impacted by the needs of e-commerce companies. An average e-commerce tenant would typically require three times the amount of space as a traditional bricks-and-mortar retailer. The willingness of e-commerce companies to invest substantially into the interior fit-out of their warehouses makes them sticky over the long term and more accepting of rental increases as returning the warehouses back to their original condition at the expiration of the lease would be more costly.

Our recommendation to investors is to be local, forward thinking, disciplined and focused in their capital allocation.

“Logistics is local – be on the ground, pick your spots, and go deeper.”