Prologis SUCCESS STORY

Prologis Capitalizes on Cold Storage

CHALLENGE
When an Asian food distributor vacated 32,280 SF of Prologis’ industrial property at 300 Best Friend Court in Norcross, Georgia due to expansion needs, the world’s leader in logistics real estate solutions was faced with the difficult decision of how to proceed.

Prologis weighed the option of removing the capital-intensive refrigeration equipment to easily lease the space to a traditional user, or leave the equipment in place to hopefully backfill the space with another cold storage user.

STRATEGY & SOLUTIONS

• Assess the Risk of Leasing Cold Storage
Prologis partnered with Colliers Food Advisory Services to determine whether a market existed for the 32,000 plus square foot cold storage space or whether demolition of the capital-intensive refrigeration equipment and food industry features would reduce risks from extended downtime.

• Mitigate Risk by Reducing Cold Storage Space Downtime
By leveraging the extensive market knowledge and cold storage user database of Colliers Food Advisory, Prologis was confident in their ability to quickly lease the specialized space and mitigate downtime risk of the space.

• Secure a Premium lease Rate Above Market Value
Choosing to continue marketing the space as a specialized tri-temperature facility helped Prologis secure a premium lease rate nearly 50% higher than the average asking rent for Northeast Atlanta submarket.¹

CAPITALIZING ON COLD STORAGE

When an Asian food distributor at Prologis’ industrial logistics property at 300 Best Friend Court in Norcross, Georgia vacated their tri-temperature 32,280 square foot space due to expansion needs, the leading industrial landlord was faced with the decision to continue to lease the space as-is or to remove the specialized equipment and lease it as standard industrial space. Located in the Northeast Atlanta industrial submarket, which in 2019 experienced near record occupancy gains, and coupled with Prologis’ reputation and brand within the industry, the landlord was confident in their ability to lease the space on their own if they chose to remove the capital-intensive refrigeration equipment and lease it for standard industrial use. But, having secured cold storage users for the space for two lease terms prior, Prologis turned to Colliers Food Advisory Services to help assess whether it was feasible to continue to lease the space as a premium tri-temperature facility.

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Leveraging Colliers Food Advisory Services’ exclusive insight and connections in the food industry as well as Colliers’ network of local experts to provide first-hand market knowledge, Prologis decided to proceed with marketing the specialized space. By partnering with Colliers Food Advisory Services, Prologis was able to tap into the team’s proprietary database of food industry users and leverage Colliers’ intimate knowledge to develop a strategic marketing approach that would reduce vacancy downtime of the space and return a premium lease rate.

For Prologis, the decision to pursue the food industry with the tri-temperature space paid off. After marketing the facility for only 5 months – less than the submarket average of 6.3 months for traditional distribution space - Prologis and Colliers Food Advisory Services had secured a new tenant. At a lease rate nearly 50% higher than the submarket’s average of $4.88 per square foot, triple net, Colliers not only helped Prologis mitigate vacancy downtime risk, but also helped the landlord maximize the potential of their asset.

Prologis, Inc. is the global leader in logistics real estate with a focus on high-barrier, high-growth markets. As of March 31, 2020, the company owned or had investments in, on a wholly owned basis or through co-investment ventures, properties and development projects expected to total approximately 965 million square feet (90 million square meters) in 19 countries.

Prologis leases modern logistics facilities to a diverse base of approximately 5,500 customers across two major categories: business-to-business and retail/online fulfillment.