Who's Lending for Industrial

Local and regional banks become a more important source.

By Erik Sherman

As MSCI noted in its expansive analysis of the first half of 2023, "Industrial properties are facing a more muted decline in prices than seen in other property sectors. With less evidence of price declines, lender behavior is different for industrial properties as well, with groups that have pulled back elsewhere stepping up their lending for the sector."

Knowing who is lending is a good first step toward knowing where to look for financing. In this case, there have been some changes over what had been normal.

The report didn't have all the data available but did have some significant amounts. In the years from 2015 through 2019, the average percentage of financing for industrial was 26%. For national banks, 23%. CMBS was 19% and insurance was 17%. Investor-driven lenders, which are largely debt funds but also mortgage REITs and hard money lenders, were something under 10%, international banks maybe 5%, and private/other, a few percent.

Things began to switch in 2022. Local banks shifted upward in importance to 31%; national banks down to 20%; international banks about the same 5%; private/other dropped to 15%; investor-driven up to 10%; and CMBS slipped to 14%.

The shifts became more expansive in the first half of 2023. CMBS dropped to something under 10%; investor-driven was 12%; private/other stayed at 15%; international banks the same as they were; national banks slid to 15%; and regional and local banks expanded to 39%.

But those are all averages. In the first half of 2023, the percentages shifted largely by property subtypes, market tiers, and loan sizes. For example, regional and local banks provided 37% for flex spaces, 33% for single-tenant, 40% for warehouses, and 41% for R&D and tech. But national banks were 12% of flex, 16% of warehouses, 10% of single tenant, and hardly present for R&D and tech. But then CMBS was 19% of flex, 28% in R&D and tech, and then 26% in single tenant. Market tiers also have different mixes of lenders.

As markets become smaller, they have lending more concentrated in fewer types of lenders. For example, major metros are split 38% regional and local banks, 11% national banks, 15% insurance, 11% investor-driven, and 15% CMBS, with private/other and government agency making small appearances. In secondary markets, 10% are investor driven, 22% are insurance, 18% are national banks, and 36% are regional and local banks. For tertiary markets, though, 15% is investor driven, 16% national banks, and 47% local and regional banks.

Similarly, the smaller the loan, the more concentrated the lenders. For loans under $10 million, regional and small banks are (65%), with national banks at 13%. But for deals over $25 million, small and regional banks are only 11% and national banks are 10%. International banks come in at 12%, with 25% to insurance, 19% are government agencies, and 23% to CMBS.