

The Power Premium

A New Differentiator in Industrial Investing

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Key Points

- **Power is becoming a new differentiator in industrial investing:** Like transportation access last cycle, electrical capacity (amps/voltage) is becoming a key factor that could separate commodity warehouses from strategic logistics assets.
- **Warehouses are getting power-hungry:** Robotics and automated warehouse systems draw far more power than legacy storage; ~30% of modern space now has automation.
- **Competition for power is rising:** Data center demand and record U.S. electricity growth are pushing prices up (+4.8% YoY), with sharp state-level variation.
- **Early "power premium" evidence:** High-power warehouse/distribution buildings (4,000+ amps) command nearly a $1/SF rent premium and stronger absorption, though with slightly higher vacancy.
- **Power-rich assets in constrained markets will outperform if this trend persists:** The premium is market-specific and shows up as higher rents, faster lease-up, and better exit liquidity.
- **Low power may become a new obsolescence risk:** Insufficient or non-expandable power can disqualify a building, making it a formal diligence variable.

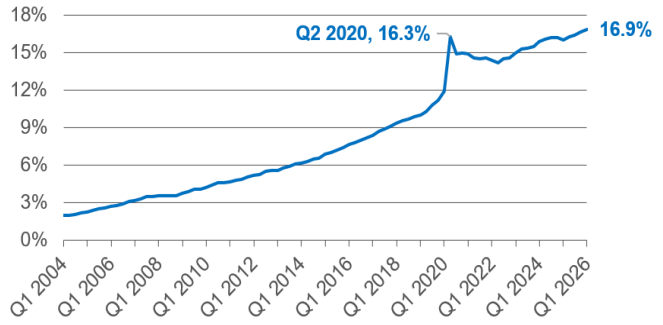
Introduction

The rollout of electricity began in 1882, when Thomas Edison opened the Pearl Street Station in Lower Manhattan, the world's first commercial central power plant. Although electricity ultimately transformed every sector of the U.S. economy, its initial impact was highly uneven, benefiting metropolitan areas that gained early access to reliable electric power and developed the infrastructure to support rapid industrial expansion. Cities such as New York, Pittsburgh, Schenectady, Cleveland, Chicago, Boston, and Philadelphia leveraged abundant and dependable electricity to become national centers of manufacturing, commerce, and technological innovation, enjoying decades of stronger productivity growth and economic development.

More than a century later, and on a smaller scale, industrial real estate may also be entering a power infrastructure-driven transition. The sector's last major reset came from e-commerce. Warehouses moved closer to consumers, transportation nodes became more valuable, and building quality increasingly determined throughput rather than simply storage capacity. As delivery timelines compressed from multi-day to next-day and same-day service, tenants needed facilities closer to population centers and better connected to parcel, trucking, port, and highway infrastructure. The resulting industrial winners were the nodes that reduced delivery time, inventory friction, and fulfillment costs, not simply the cheapest warehouses.

The data still supports the relevance of that cycle. The U.S. Census Bureau reported that adjusted Q1 2026 e-commerce sales reached $326.7 billion, accounting for 16.9% of total retail sales. While the pandemic created a sudden demand peak, the series has continued to trend higher after its post-2020 normalization. Industrial real estate therefore continues to serve a retail economy that requires rapid inventory movement, last-mile capacity, and high-throughput distribution space.

Figure 1: Quarterly E-Commerce Sales, As % of Total Retail Sales (through Q1 2026)



Source: U.S. Census Bureau; as of Q1 2026

An additional differentiator may now be emerging: power capacity. Modern distribution centers increasingly need to support automated storage and retrieval systems, autonomous mobile robots, fixed conveyors, AI-enabled inventory systems, data and security infrastructure, electric forklifts, advanced refrigeration, and eventually electric truck or delivery-fleet charging. An asset's ability to accommodate these features depends on its power capacity: the total electrical supply available, typically measured in amperage and voltage.

In constrained utility markets, deliverable power can affect which tenants select a building, how quickly space can be activated, whether automation can be installed, and whether a facility can accommodate future fleet electrification. This matters because power is evolving from a tenant-level operating cost into a property-level constraint. In addition to established site-selection factors such as highway and port access, proximity to consumers, labor availability, and land costs, power capacity is increasingly becoming part of the industrial location calculus.

For certain high-throughput users or facilities in constrained utility markets, sufficient, reliable, and expandable power may become a gating factor rather than a secondary operating assumption. Just as transportation access and consumer proximity helped define the e-commerce-era winners, access to power may increasingly separate commodity warehouse space from strategic logistics infrastructure.

What is Power Capacity

Warehouse power capacity refers to the total electrical supply available to a facility, expressed in amperage and voltage. It indicates the upper limit of what can operate at a given time, from equipment and lighting to HVAC systems and dock machinery. Most industrial warehouses use three-phase systems, generally between 208V and 480V, and the main switchboard is a key indicator of practical capacity. Link Logistics, an owner and operator of nearly 500 million square feet of warehouse space across North America, emphasizes the importance of reviewing the main switchboard and utility service during site evaluation.[1]

What is Changing Inside the Warehouse

Traditional dry storage was comparatively simple from a power standpoint: lighting, basic HVAC, dock equipment, charging for material-handling equipment, and office loads. Modern distribution and fulfillment operations are becoming far more electricity intensive. Automated sortation, robotics, AS/RS (Automated Storage and Retrieval Systems), charging infrastructure, sensors, machine vision, and high-density climate-controlled uses can all increase both total electricity consumption and peak demand. Link Logistics identifies power capacity and warehouse automation as key modern industrial real estate trends, noting that these technologies draw substantially more power than legacy warehouses were built to supply.[2]

Prologis, the largest global owner and developer of logistics real estate, reinforces this view, noting that the growing adoption of automation is increasing demand for warehouse space that is not only well located, but also equipped with the power capacity needed to support more advanced operations. The company estimates that 30% of modern logistics space incorporated at least one type of automation in 2025, compared with 20% to 25% five years earlier.[3]

Power intensity, however, is not evenly distributed across automation types. Flexible technologies such as AMRs (Autonomous Mobile Robots) and AGVs (Automated Guided Vehicles) can often be deployed within existing footprints with comparatively moderate building modifications. Fixed AS/RS is a more demanding category: Prologis describes it as rare, present in roughly

[1] Link Logistics. (2026, April 10). Warehouse power capacity: How much power does your warehouse need?
[2] Link Logistics. (2026, January 9). Five trends reshaping industrial real estate.
[3] Prologis Research. (2026, March 30). Applied automation in the warehouse boosts value across stakeholders.

3% to 5% of warehouses, but notes that power requirements for most AS/RS systems can be up to 20 times higher than for other automation solutions.[4]

The power-capacity consideration is likely to be most relevant in bulk regional distribution hubs, where throughput volumes are high enough to justify the upfront investment in automation from a cost perspective. In these facilities, higher-volume operations can spread the cost of robotics, conveyors, AS/RS, and related electrical infrastructure across a larger flow of goods, making power capacity more central to the tenant's operating model. By contrast, smaller, lower-throughput warehouses closer to the end consumer may be less likely to support the same level of automation investment, limiting the near-term value of excess power capacity.

Amazon provides a useful example of how this is already playing out at scale. The company has deployed more than 1 million robots across its operations network since acquiring Kiva Systems in 2012, and its next-generation fulfillment center in Shreveport, Louisiana uses eight robotics systems to support package fulfillment and delivery. These systems include inventory sortation technology, robotic drive units, robotic arms, packaging automation, and autonomous mobile robots, underscoring that automation is becoming an integrated operating platform rather than a single piece of equipment.[5]

The Macro Backdrop: More Competition for Power

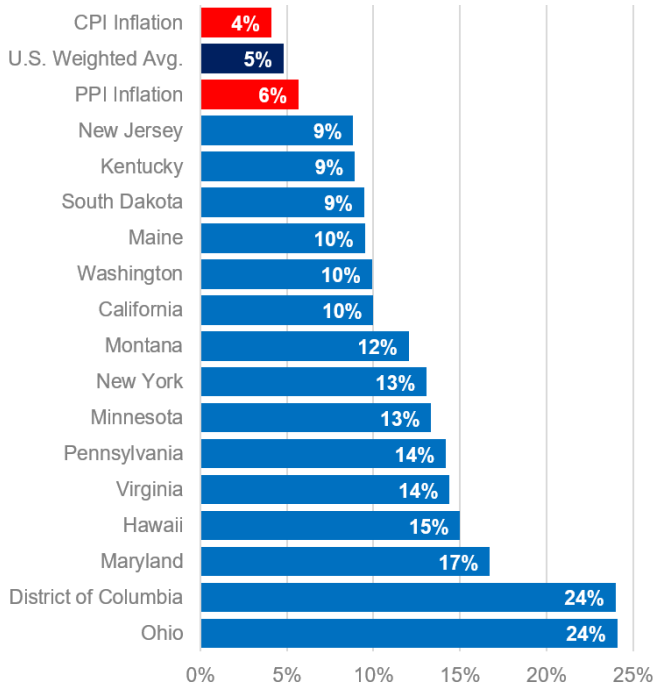
These building-level demands are emerging just as the broader economy is competing for more electricity. Data center grid-power demand alone is expected to rise 22% in 2025 and nearly triple by 2030, while reshoring-driven advanced manufacturing could further intensify competition for generation and interconnection capacity.[6][7]

The Energy Information Administration (EIA)'s January 2026 Short-Term Energy Outlook release projected the strongest four-year growth in U.S. electricity demand since 2000 and identified large computing facilities, including data centers, as the main driver. EIA expected U.S. electricity use to grow by 1% in 2026 and 3% in 2027, marking the first four-year stretch of rising power demand since 2007.[8]

Higher power demand is also showing up in retail price data. EIA reports average revenue per kWh as a proxy for retail electricity prices. In April 2026, the national commercial figure was 13.51 cents/kWh, up from 12.89 cents/kWh in April 2025, a 4.8% year-over-year increase. EIA also reported that commercial retail electricity sales rose 5.2% year over year in April 2026.[9]

The state-level spread is particularly important for industrial investing, as utility constraints are often location-specific. The subsequent figures capture both year-over-year changes and the current level of state-level commercial electricity prices.

Figure 2: Growth in Average Price of Commercial Electricity by State (Cents per Kilowatt-hour, yr/yr growth)

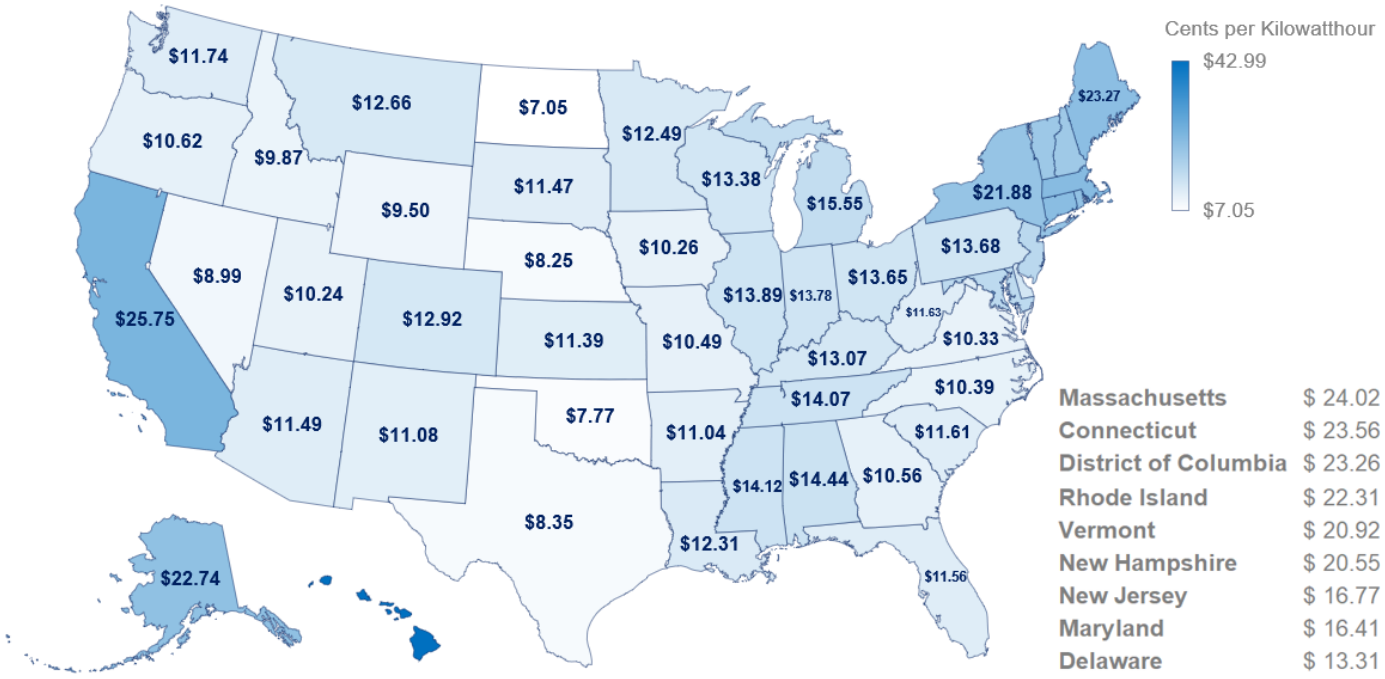


Source: U.S. Energy Information Administration. All figures as of April 2026

Ohio and D.C. posted commercial electricity price growth of roughly 24% year over year as of April 2026, while Maryland, Virginia, Pennsylvania, Minnesota, and New York also posted double-digit increases. This highlights that power cost and availability assumptions can no longer be treated as stable background variables.

[4] Ibid.
[5] Tyler Greenawalt. (2026, June 4). *Amazon robotics: Meet the robots inside fulfillment centers.* Amazon News.
[6] Garrett Hering and Susan Dlin. (2025, October 14). *Data center grid-power demand to rise 22% in 2025, nearly triple by 2030.* S&P Global Commodity Insights.
[7] Stewart Rubin, Matt Wnek and Marshall Swett. (2026, March). *Commercial Real Estate in a Neo-Mercantilist World.* New York Life Real Estate Investors Strategy & Research Group.
[8] U.S. Energy Information Administration. (2026, January 13). *EIA forecasts strongest four-year growth in U.S. electricity demand since 2000, fueled by data centers.*
[9] U.S. Energy Information Administration. (2026, June 25). *Electricity monthly update: End use.*

Figure 3: Average Price of Commercial Electricity by State
(Cents per Kilowatt-hour)



Source: U.S. Energy Information Administration. All figures as of April 2026
Note: Prices vary within states. Figures above based on a statewide simple average

If regional differences in power availability and electricity costs continue to widen, power capacity could become another factor shaping location decisions, alongside tax rates, regulatory climate, and labor availability. This may be especially relevant for regional distribution hubs, where tenants often have some flexibility to serve the same broader trade area from multiple nearby markets. If available properties in one market cannot meet a tenant's power requirements at an acceptable cost, that tenant may be more willing to relocate its hub elsewhere within the same service region.

Logistics electrification adds another source of localized load. Amazon now has more than 40,000 electric delivery vans operating across the U.S. and has installed over 50,000 chargers at more than 250 delivery stations, with a goal of at least 100,000 electric vans globally by 2030. That scale highlights how fleet electrification can add meaningful localized demand for distribution capacity, transformers, and interconnection timelines across logistics networks.[10]

Drone logistics currently remains more speculative, but the regulatory direction also points toward more technology-intensive fulfillment networks. The Federal Aviation Administration's (FAA) proposed rule for normalizing beyond-visual-line-of-sight drone operations includes detailed requirements for operations, aircraft manufacturing, separation from other aircraft, operational authorizations, security, reporting, and recordkeeping. If drone delivery, yard automation, or other site robotics scale, warehouse sites may need additional charging, landing, and IT infrastructure.[11]

Early Market Evidence Points to Differentiation

The preliminary property-market evidence is consistent with the hypothesis that high-power buildings are gaining strategic value. The following figures compare a sample of warehouse and distribution properties against a high-power subset defined as buildings with 4,000+ amps.

The sample consists of existing U.S. Class A industrial distribution or warehouse buildings of 500,000+ square feet, built since 2016, not owner occupied, and with a minimum 32-foot clear height. The comparison should therefore be viewed as an early signal rather than a controlled econometric result.

High-power assets have accounted for a slightly higher share of recent deliveries, which helps explain their somewhat higher vacancy rate versus the broader sample. As of Q2 2026, the vacancy rate for high-power buildings was 21.6%, compared with 19.5% for the broader sample.

[10] Amazon Staff. (2026, June 4). *Everything you need to know about Amazon's electric delivery vans from Rivian.* Amazon News.

[11] Federal Aviation Administration. (2025, August 6). *Beyond visual line of sight (BVLOS).*

Figure 4: Trailing 4Q Delivered SF as % of Inventory



Source: CoStar Group, New York Life Real Estate Investors Strategy and Research Group. As of July 2026.

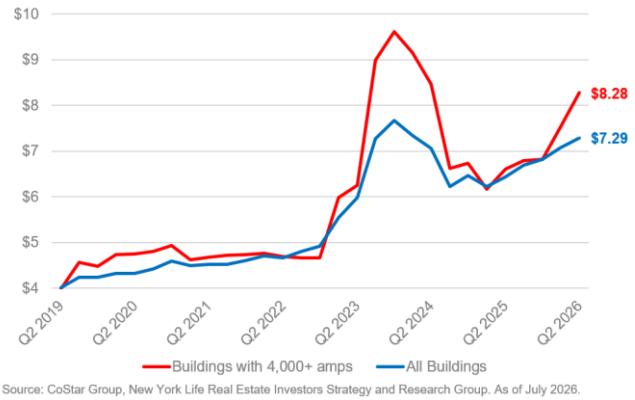
Figure 5: Vacancy Rate



Source: CoStar Group, New York Life Real Estate Investors Strategy and Research Group. As of July 2026.

Rent trends are more supportive. High-power assets have increased decisively over the past two quarters and now command an almost $1/SF premium over the broader sample.

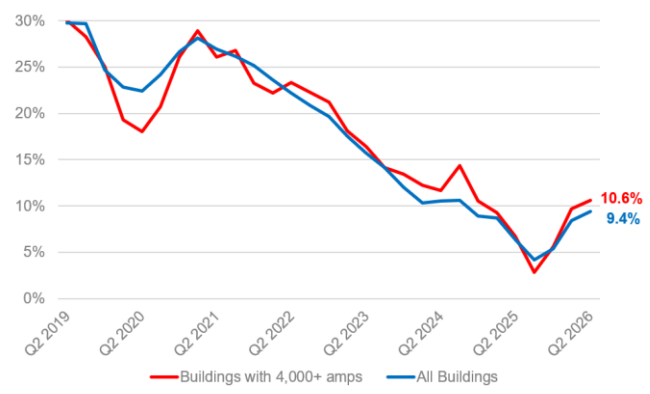
Figure 6: NNN Rent/SF



Source: CoStar Group, New York Life Real Estate Investors Strategy and Research Group. As of July 2026.

Leasing evidence points in the same direction. As of Q2 2026, net absorption as a share of inventory was nearly 11% for the high-power subset versus 9% for all buildings. Even though slightly more high-power inventory has been delivered recently, both series saw similar post-pandemic peaks of new deliveries as a share of inventory. However, the high-power subset has absorbed more as a share of inventory since the Q3 2025 trough that both series experienced.

Figure 7: Trailing 4Q Absorbed SF as % of Inventory



Source: CoStar Group, New York Life Real Estate Investors Strategy and Research Group. As of July 2026.

One interpretation is that power-rich buildings are more likely to clear tenant technical requirements early in the site-selection process. For a highly automated user, a building with insufficient power may be infeasible and therefore disqualified. The practical effect is similar to a building lacking the clear height, trailer parking, or truck-court geometry required by its target tenant.

Some of this premium may reflect correlated attributes: high-power buildings may be located in more desirable submarkets, closer to transportation infrastructure, or leased to higher-credit tenants. Still, the market evidence points to a trend worth monitoring and supports treating power as a formal diligence variable rather than a mechanical afterthought.

Implications for Investing

The most direct investment implication is that power-rich industrial assets may deserve a premium when they sit in markets where tenants need automation or fleet charging and where utility upgrades are slow or costly. This premium can express itself through higher starting rents, faster lease-up, longer lease terms, higher renewal probability, lower retrofit risk, or stronger exit liquidity.

The premium should be market-specific. A power-rich building in a low-demand market may not outperform. A moderately powered building in a submarket with abundant utility headroom may be easier to upgrade than a nominally high-power building in a constrained utility territory. Investors should therefore consider how scarce deliverable power is in a given market and submarket, and which tenants value it enough to pay.

Power Constrained Assets May Face Obsolescence

Functional obsolescence in industrial real estate has historically centered on clear height, column spacing, dock configuration, truck-court depth, and sprinklers. Power constraints could be added to that list.

A building can be modern by conventional real estate standards but still be functionally constrained for a tenant running robotics, AS/RS, or electric-vehicle charging. In addition to the cost of upgrades, time is also an issue. Utility upgrades that require work back to a substation can be time-consuming and costly, and available capacity should be verified with the local utility before a site is shortlisted. If a tenant needs to be operational quickly, power lead time can determine whether a building is viable at all.

Investor Due Diligence Checklist[12]

- Confirm actual service: amperage, voltage, phase, transformer kVA, switchgear condition, and main switchboard rating.
- Ask the utility to confirm not only current service but also realistic upgrade capacity, cost, and timeline.
- Request a tenant equipment load schedule when underwriting heavy automation, cold storage, or EV charging uses.
- Evaluate whether downstream panels, conduit, and equipment pads can support expansion.
- Underwrite demand charges, time-of-use rates, and peak-load-management strategies, not just total kWh cost.
- Assess onsite solar, battery storage, demand response, and smart charging as cost and reliability tools.
- Treat power deliverability as a lease negotiation point: who pays for upgrades, who owns infrastructure, and who benefits upon lease expiration.

Labor Remains a Critical Consideration

While automation can reduce dependence on certain categories of warehouse labor, it is unlikely to eliminate the need for a reliable workforce. Automated systems still require employees for oversight, maintenance, exception handling, inventory management, quality control, safety compliance, and day-to-day operational flexibility. As a result, labor availability and wage levels remain critical considerations in any industrial investment decision.

Conclusion

The industrial real estate market has spent the last decade learning that the best warehouse is not simply the largest or cheapest box. It is the facility that lowers the tenant's total logistics cost and enables the operating model. E-commerce made transportation access and consumer proximity more valuable. Automation and electrification are likely to make power capacity more valuable.

The thesis does not require every warehouse to become a high-power facility. It requires only that a growing share of tenant demand becomes power-sensitive while deliverable utility capacity remains uneven across markets and buildings. Under that condition, power-rich assets should screen better for modern tenants, lease faster in certain submarkets, and support higher rents or stronger retention.

Investors should move from simply asking, "How many amps does the building have?" to asking, "How much deliverable, expandable, cost-effective power does this site control, and how scarce is that power in its competitive set?" This question could separate commodity space from strategic logistics infrastructure in the next cycle.

[12] See Link Logistics, supra note 1.

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