The Rise of Last Mile
Omni-channel retail is generating demand for new types of buildings

Mega e-fulfilment Centers

Parcel Hub / Sortation Center

Parcel delivery center and urban logistics depot

Return Processing Centers

Online Food Fulfilment

>1 MSF
High bay (50 F) to accommodate mezzanine floors for pick-pack operations.

150K to 350K SF with long length to width ratio
Low site density.
Cross-dock configuration with extensive loading for lorries.

<50K SF
Expect all types of real estate, shapes and sizes.
Any configuration of doors or elevators for loading vans.

Maybe bespoke up to 50K SF, depending on value-added operation. Often part of an eFC or RDC for redistribution decision making.

30K to 150K SF based on operation specifications e.g. degree of automation.

Northern and Central New Jersey

Source: JLL Research
Traditional view of Last Mile

<table>
<thead>
<tr>
<th>Distance from CBD</th>
<th>Real estate footprint</th>
<th>Real estate cost p.s.f.</th>
<th>Real estate product</th>
<th>Outbound distribution</th>
<th>Time sensitivity and/or value of product</th>
<th>Drayage costs</th>
<th>Workforce costs</th>
<th>Unionization rates</th>
<th>Tax environments</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 Miles</td>
<td>Small</td>
<td>$$$</td>
<td>Class B/C</td>
<td>Local</td>
<td>High</td>
<td>$</td>
<td>$$$</td>
<td>High</td>
<td>$$$</td>
</tr>
<tr>
<td>50 Miles</td>
<td>Medium</td>
<td>$</td>
<td>Class A/B</td>
<td>Regional</td>
<td>Medium</td>
<td>$</td>
<td>$</td>
<td>Medium</td>
<td>$</td>
</tr>
<tr>
<td>75+ Miles</td>
<td>Large</td>
<td>$</td>
<td>Class A/BTS</td>
<td>Super regional</td>
<td>Low</td>
<td>$$$</td>
<td>$</td>
<td>Low</td>
<td>$</td>
</tr>
</tbody>
</table>

Source: JLL Research
The rise of Last Mile

- Speed of delivery has become paramount as shipping speeds determine who makes the sale
  By 2025, same-day and instant delivery is expected to make up 20 to 25% of the online delivery market

- Retailers need to locate facilities in close proximity to population pockets in order to make tight delivery windows

- Last mile accounts for 50% or more of total package delivery

- NYC which is the nation’s largest Metro area creates a unique set of challenges for users, as it is divided into multiple sections split by the Hudson and East River.
  Hefty tolls & high levels of traffic, is making it a necessity for users to locate facilities within city limits, however, the current inventory which is predominantly obsolete is shrinking due to new redevelopment

Source: McKinsey, JLL Research
Same-day and instant delivery is expected to make up a combined share of 20 to 25 percent of the market by 2025 (Mckinsey)

Massive daytime population density

Large concentrations of highest worth Millennials

Large pockets of high disposal income in the surrounding counties

The Opportunities of New York City
Limitations of existing infrastructure and the obstacles of the city…

...have given rise to the need for modern facilities of scale within the boundaries of New York City.
Rising to the challenge to seize the opportunity

640 Columbia Street, Brooklyn, NY

2505 Bruckner Blvd, Bronx, NY

Local Distribution

Local and Regional Distribution
Regional Annual Consumer Spending

Spending across the region remains elevated, with the combined Baltimore-Washington DC metro only trailing New York and Los Angeles

Washington, DC and Baltimore metro areas rank fourth and 18th, respectively, when ranked by annual consumer spending comprised of food and durable goods. The combined Baltimore-Washington, DC metro area would rank third nationally, at a combined $56.5 billion in annual spending, ranking only behind New York and Los Angeles.

Source: JLL Research, Esri
Regional Annual Consumer Spending

Spending across the region remains elevated, with financial spending driving much of consumers’ retail and service expenditures.

- **Food**: Total $28.6B
  - Baltimore Metro: $10.6B
  - Washington, DC Metro: $18.0B
- **Apparel and Services**: Total $7.7B
  - Baltimore Metro: $2.8B
  - Washington, DC Metro: $4.9B
- **Household Furnishings and Equipment**: Total $4.2B
  - Baltimore Metro: $1.0B
  - Washington, DC Metro: $3.2B
- **Electronics**: Total $0.3B

**Source:** JLL Research, Esri
As retail sales hit cyclical highs in Q3 2017, e-commerce sales pushed over $115 billion for the first time, accounting for a record 9.1% of all retail sales.
Industrial conversions and demolitions had primarily been confined to Washington DC, but the trend has spread outward at an increasing rate.

Source: JLL Research
Growth of the data center market has led to nearly 1,400 acres of land being acquired for additional supply, limiting land opportunities for new warehouse development.

Source: JLL Research