

# Emerging Issue

## Industrial Properties: Last-Mile Logistics

As the landscape of retail shopping across North America continues to evolve with the wide acceptance of e-commerce, the utilization of industrial properties is also changing to meet retailers' requirements for **storage, processing** and **delivery**. As a result, merchants are pursuing innovative ways to satisfy consumers' expectations by expediting the sourcing and delivery of merchandise.

In turn, owners of industrial properties (warehouses, distribution centers, manufacturing facilities, fulfillment centers) are finding innovative ways to navigate the logistics of this segment of the supply chain in the "last-mile."

An integral part of e-commerce is what has become known as "last-mile logistics" – i.e., the movement of goods from the distribution facility to the final point of delivery. Last-mile logistics is meant to identify the speed and efficiencies that retailers need in order to ensure that merchandise reaches the consumer as quickly as possible. However, the phrase can be misleading in that often this final leg in the supply chain is not actually a mile, but sometimes can extend for up to 50 miles or more, or can be a few urban blocks. Regardless of the actual distance to be traveled, the concept remains that last-mile logistics is a business trend that is here to stay.

As such, it has moved front and center in the minds of all interested parties that deal with the transport of merchandise from source to consumer on a faster, more cost-effective basis than ever before.



### The following publicly available statistics provide a sense of the enormity of the "last-mile" phenomenon:

- The U.S. Census Bureau reports that online sales rose 37% to \$201 billion during the first wave of COVID-19 in the second quarter of 2020
- Web-based purchases accounted for 15% of domestic retail sales during that period, a 3.6% increase from the winter months
- Industry experts point out that the rapid acceleration of e-commerce will force a need for as much as 400 million sq. ft. of additional warehouse space over the coming five years
- By 2025, next-day/same-day delivery is expected to make up 20-25% of the online delivery market segment
- Logistics trends into e-commerce fulfillment strategy predict that the growth of "cold storage facilities" alone may grow to as much as 100 million sq. ft. in the coming years

## Recent “Last-Mile” Transactions

The following is a list of recent publicly available “last-mile” transactions and projects:

### National

Many prominent real estate owners with national portfolios are concentrating their efforts towards increasing the scope of their industrial portfolios.

- Prologis recently developed a 590,000 sq. ft. multi-story warehouse facility, located within five miles of downtown Seattle, WA. The first of its kind in the United States. The facility features truck ramps leading to a loading docks on the second level and a third level reachable by via forklift and accessible freight elevators
- Taking advantage of the close proximity to Chicago’s famed “Magnificent Mile” shopping district, Millennium Chicago, is a last-mile logistics facility, located within the 3.8 million sq. ft. Millennium Parking Garage underneath Millennium Park
- Investing in the future, Goldman Sachs Merchant Banking Division and Delfen Industrial purchased 10 “last-mile” properties (Denver, CO; West Palm Beach, FL; Charlotte, NC; and San Antonio and Fort Worth, TX) bringing the partnership’s total industrial portfolio to more than 8 million sq. ft.
- Blackstone Group has acquired an industrial portfolio of 60 million sq. ft from Colony Capital in 26 U.S. markets, comprising of buildings ranging from 50,000 to 500,000 sq. ft.

### New York

Closer to home, many “last-mile projects” are being developed in the outer boroughs of New York City, including the following:

- Queens: RXR Realty and LBA Logistics’ has developed a 1.1 million sq. ft. 5-story logistics warehouse and distribution facility
- South Bronx: Located in Hunts Point, Turnbridge Equities’ Bronx Logistics Center has a 1 million+ sq. ft. multi-story industrial development complex
- Staten Island: Matrix Development’s Global Logistics Park is home to an:
  - 850,000 sq. ft. fulfillment center and adjacent 450,000 sq. ft. warehouse leased to Amazon
  - 975,000 sq. ft. warehouse distribution center leased to Ikea

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