

The Age of **RESPONSIVE REAL ESTATE**

Presented by Econometric Advisors

**2020
SPRING
CLIENT FORUM**

CBRE

REAL ESTATE 2030

LOGISTICS AND THE RAPIDLY CHANGING DISTRIBUTION CENTER

**2020
SPRING
CLIENT FORUM**



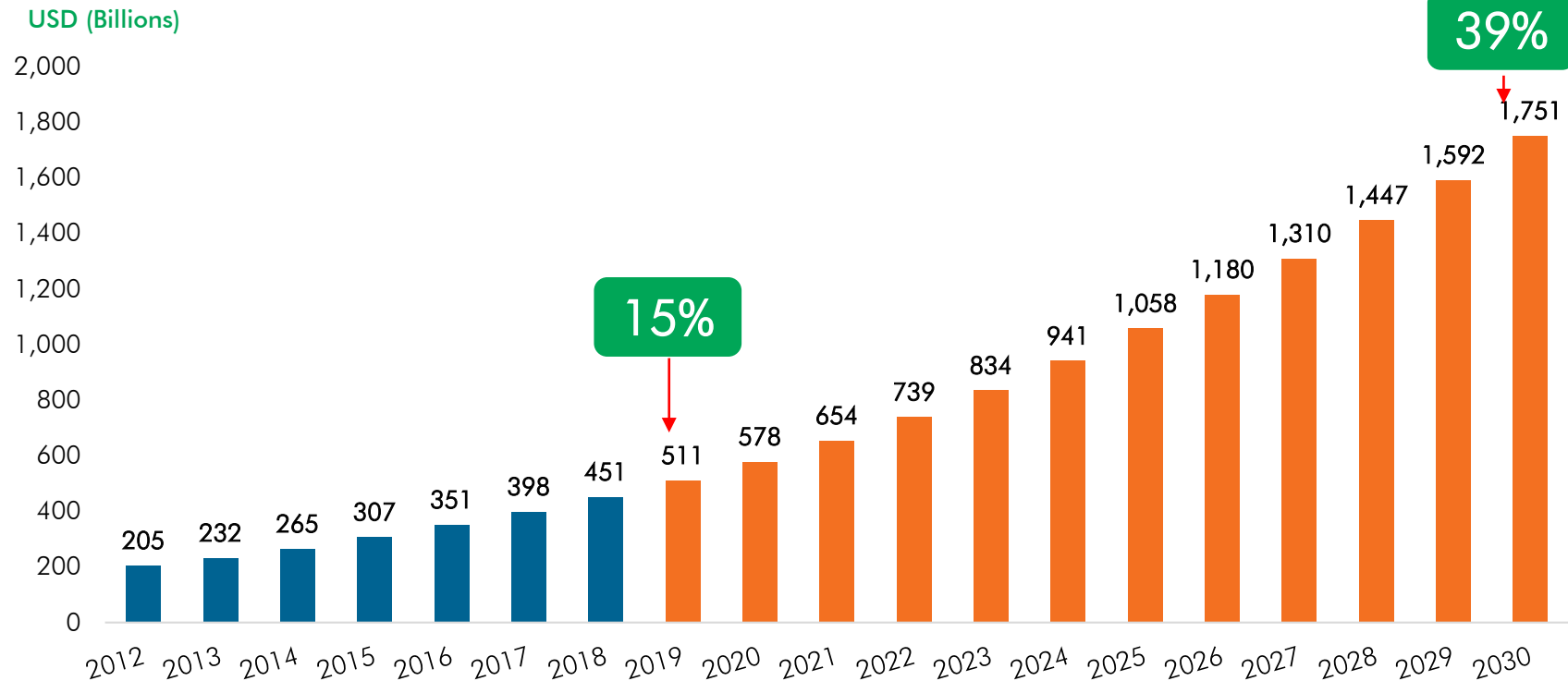
JAMES BREEZE
Director
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CBRE

CBRE

*E-commerce has been the
largest disruptor on record for
warehouse design.*

E-COMMERCE PENETRATION

Currently at 15%, rising to 39% by 2030



Source: CBRE Research, Euromonitor International, 2019.

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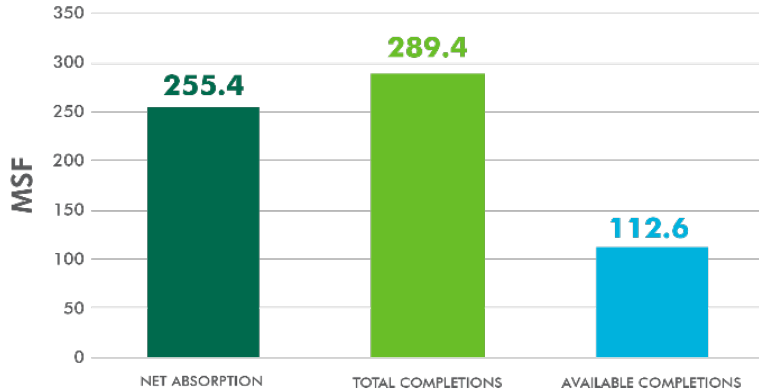
CYCLE COMPARISON

2004 – 2007 (PREVIOUS CYCLE PEAK)	2016 - 2019 (CURRENT CYCLE)
Total Deliveries 618 MSF	Total Deliveries 878 MSF
Total Absorption 711 MSF	Total Absorption 1.0 BSF
Average YOY Rent Growth 3.7%	Average YOY Rent Growth 5.9%
Vacancy Rate 7.4 – 7.7%	Vacancy Rate 4.2 – 4.5%

Source: CBRE Econometric Advisors, Q4 2019.

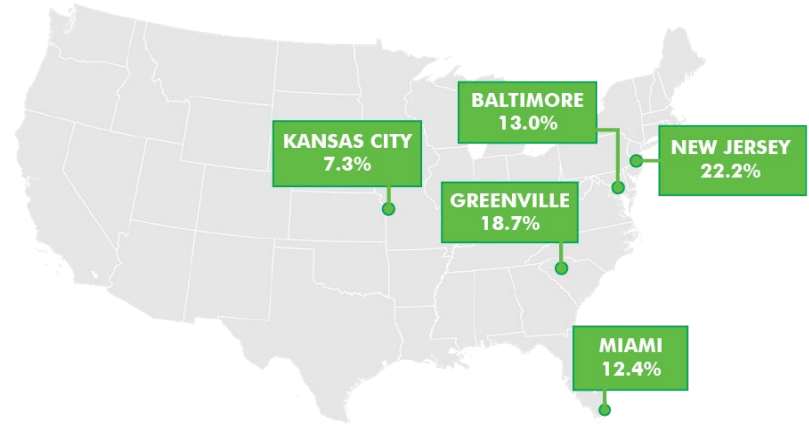
U.S. DEVELOPMENT TRENDS

2019 Net Absorption vs New Construction, Vacant Sq. Ft.



- More than 60% of 2019 completions and 33% of product under construction are taken.

Top 5 Markets with the Lowest Vacancy Rate, 2019 Completions



- Dallas-Fort Worth was the top performing core market – 75% of 2019 construction is taken.

- Markets near sea and inland ports have the lowest vacancy rates for new construction.

Source: CBRE Research, Q4 2019.

How will buildings change?

THE NEW BIG BOX



TRADITIONAL BIG BOX

- At least 250,000 sq. ft. of space
- 32-foot clear heights
- Density: One employee per 5,000 – 10,000 sq. ft.
- Mezzanine space for cutting-edge users
- Coverage ratios shrinking to accommodate parking



MODERN BOG BOX → CONVENTIONAL

- 500,000 sq. ft. of space or more
- 36-foot clear heights
- Density: One employee per 1,000 - 2,000 sq. ft.
- Mezzanine space mandatory
- Land sites growing; small ratios for employee parking
- Double trailer parking; 360-degree circulation



MODERN BIG BOX 2.0

- 1+ million sq. ft.
- 40+ foot clear heights
- Density: One employee per 1,000 - 2,000 sq. ft. (during peak season < 1,000)
- Mezzanine space mandatory
- More employee parking
- Extra trailer parking and 360-degree circulation

GETTING CREATIVE TO SOLVE THE LAST MILE



INFILL LAST MILE FACILITY

- Class B / older construction
- 24-foot and below clear heights
- Minimal employee parking
- Limited trailer parking

OPTIONS

- Tearing down older facilities or converting retail
- Renovating current facilities (adding doors, raising roofs)
- Building multi-story

MULTISTORY WAREHOUSING

Nine of the 13 multi-story (planned, UC, or existing) facilities in the U.S. are in NYC



Prologis Georgetown Crossroads in Seattle, 2018.
Photo: Prologis

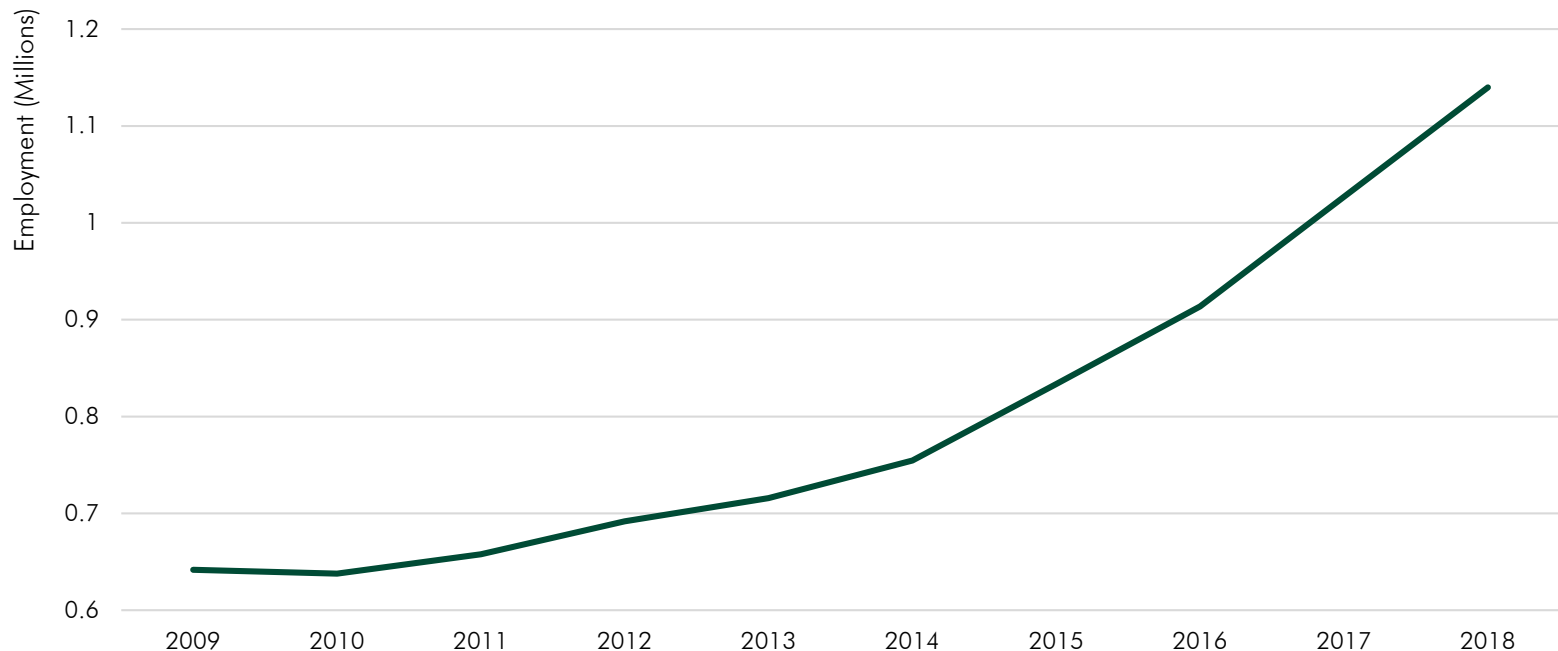


Sunset Industrial Park (planned), 2020.
Rendering: Bridge/DH Property Holdings

Labor and Technology

FOCUS ON LABOR – WAREHOUSE JOB GROWTH

Avg annual employment at warehouse and storage companies has nearly doubled in less than a decade



Source: U.S. Department of Labor, 2019.

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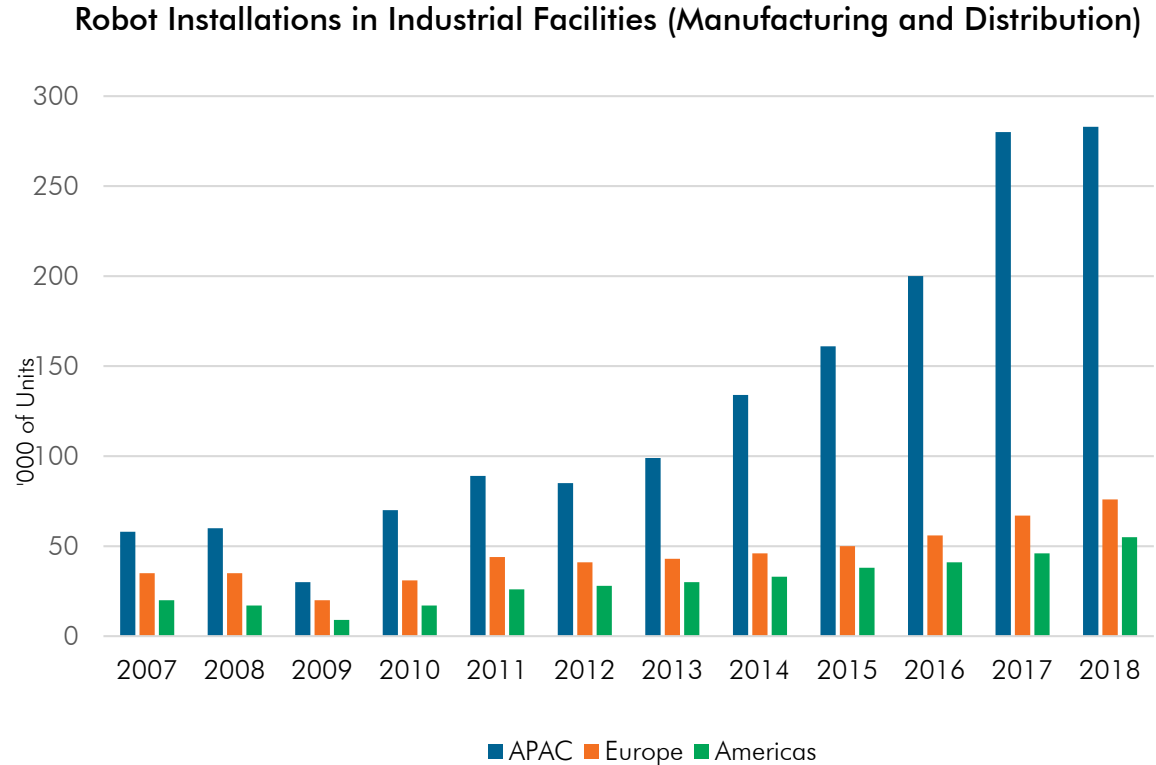
FOCUS ON LABOR RECRUITMENT AND RETENTION

- Safer and More Comfortable Work Environments
- Daycare centers
- Cafeterias
- Larger and Better Break Areas
- Proximity to public transportation
- Ample parking



INCREASED USE OF TECHNOLOGY

- Reliable, redundant and flexible power
- Higher clear heights
- Flatter thicker floors
- HVAC systems
- 5G connectivity



Source: IFR World Robotics, 2019.

OTHER BUILDING CHANGES

- Corporate branding
- Improving truck, auto and pedestrian flow
- Natural and LED lighting
- Increased acceptance of sustainability



WHAT ABOUT COST?

