



CBRE CAPITAL MARKETS

# US LOGISTICS TRENDS PORTS, E-COMMERCE AND AIR CARGO

JANUARY 24, 2019

**Presented by: Curtis D. Spencer, President  
IMS Worldwide, Inc.**

**CBRE**

# TODAY'S AGENDA

- PORTS
- E-COMMERCE
- AIR CARGO

An aerial photograph of a city skyline during sunset. The sun is low on the horizon, creating a warm orange and yellow glow across the sky and the city. The foreground is dominated by a dense cluster of skyscrapers, including the Transamerica Pyramid. The city extends into the distance, with hills visible on the horizon. A teal gradient overlay covers the bottom third of the image.

# PORT OVERVIEW

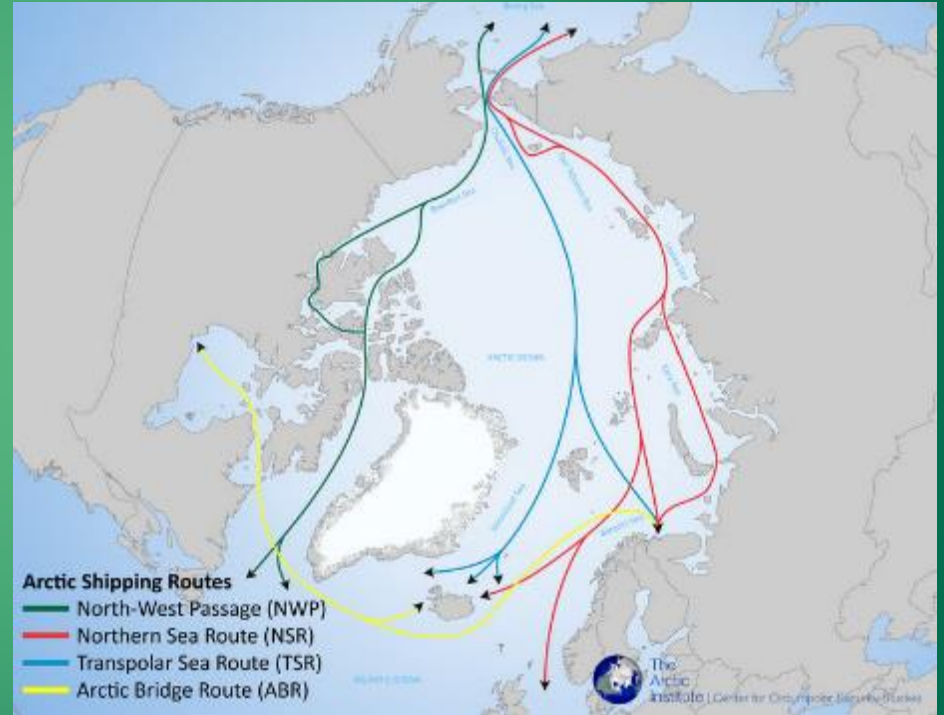








# Arctic Silk Ice Route



# China-Europe Main Rail Routes

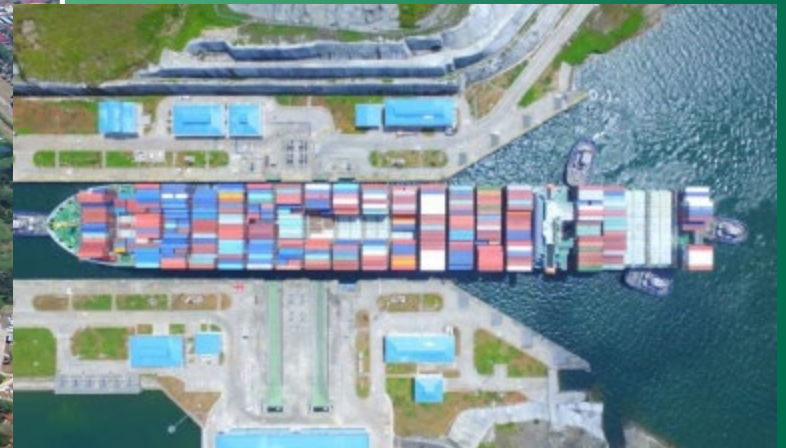


# TOP 25 WORLD CONTAINER PORTS

RANK	PORT	VOLUME	RANK	Port	VOLUME
1	Shanghai, China	37.13	14	Antwerp, Belgium	10.04
2	Singapore	30.90	15	Dalian, China	9.61
3	Shenzhen, China	23.97	16	Xiamen, China	9.61
4	Ningbo-Zhoushan, China	21.60	17	Hamburg, Germany	8.91
5	Busan, South Korea	19.85	18	Los Angeles	8.86
6	Hong Kongsar, China	19.81	19	Tanjung Pelepas, Malaysia	8.28
7	Guangzhou Harbor, China	18.85	20	Keihin Ports, Japan	7.61
8	Qingdao, China	18.01	21	Laem Chabang, Thailand	7.22
9	Jebel Ali Dubai United Arab Emirates	15.73	22	Long Beach, California	6.80
10	Tianjin, China	14.49	23	New York-New Jersey, USA	6.25
11	Port Klang, Malaysia	13.20	24	Yingkou, China	6.08
12	Rotterdam, Netherlands	12.38	25	Ho Chi Minh City, Vietnam	5.99
13	Kaohsiung Taiwan, China	10.46			

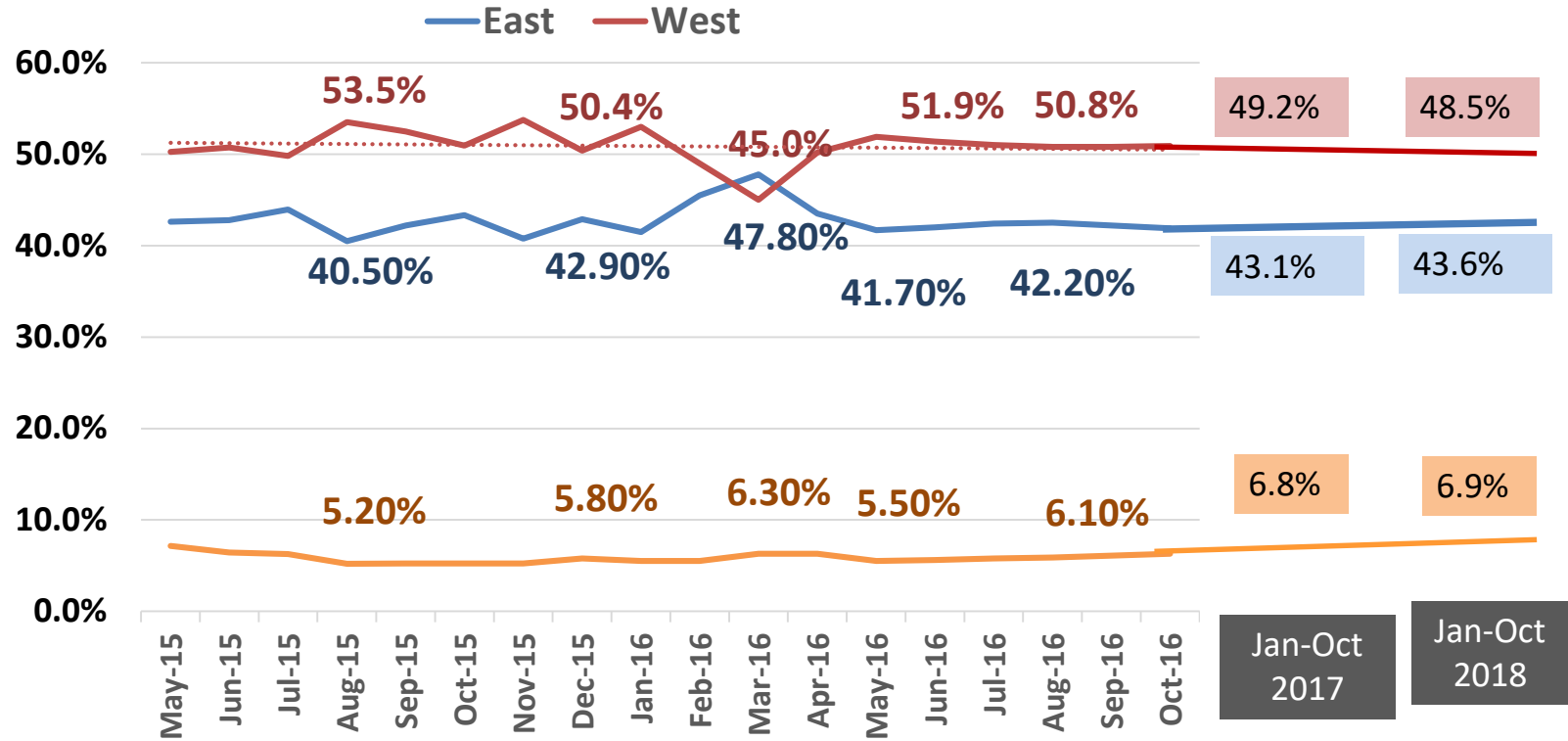


# Panama Canal



# Asia Import Market Share

## WEST VS. EAST COAST

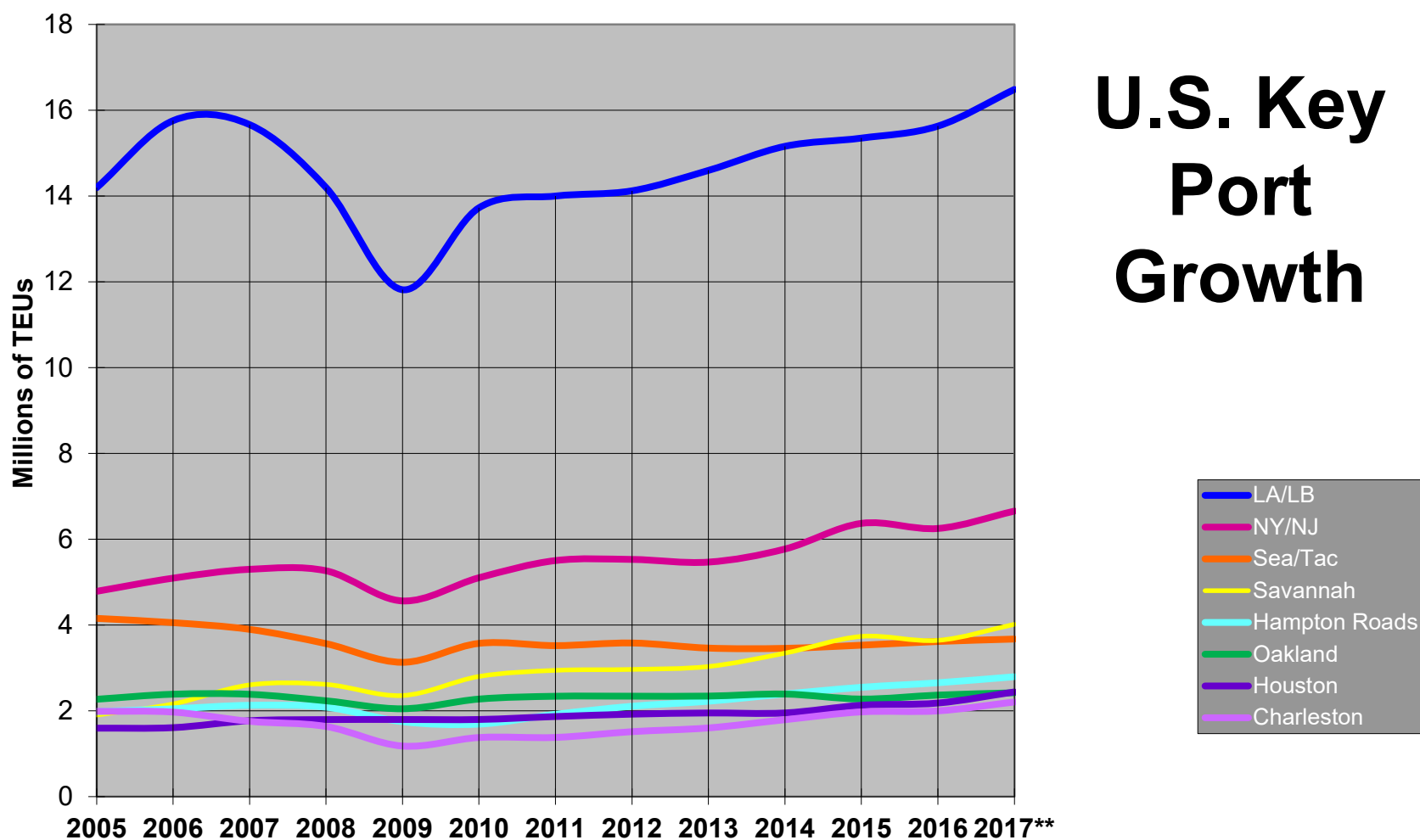


# 2018 US Port Ranking By Total TEU

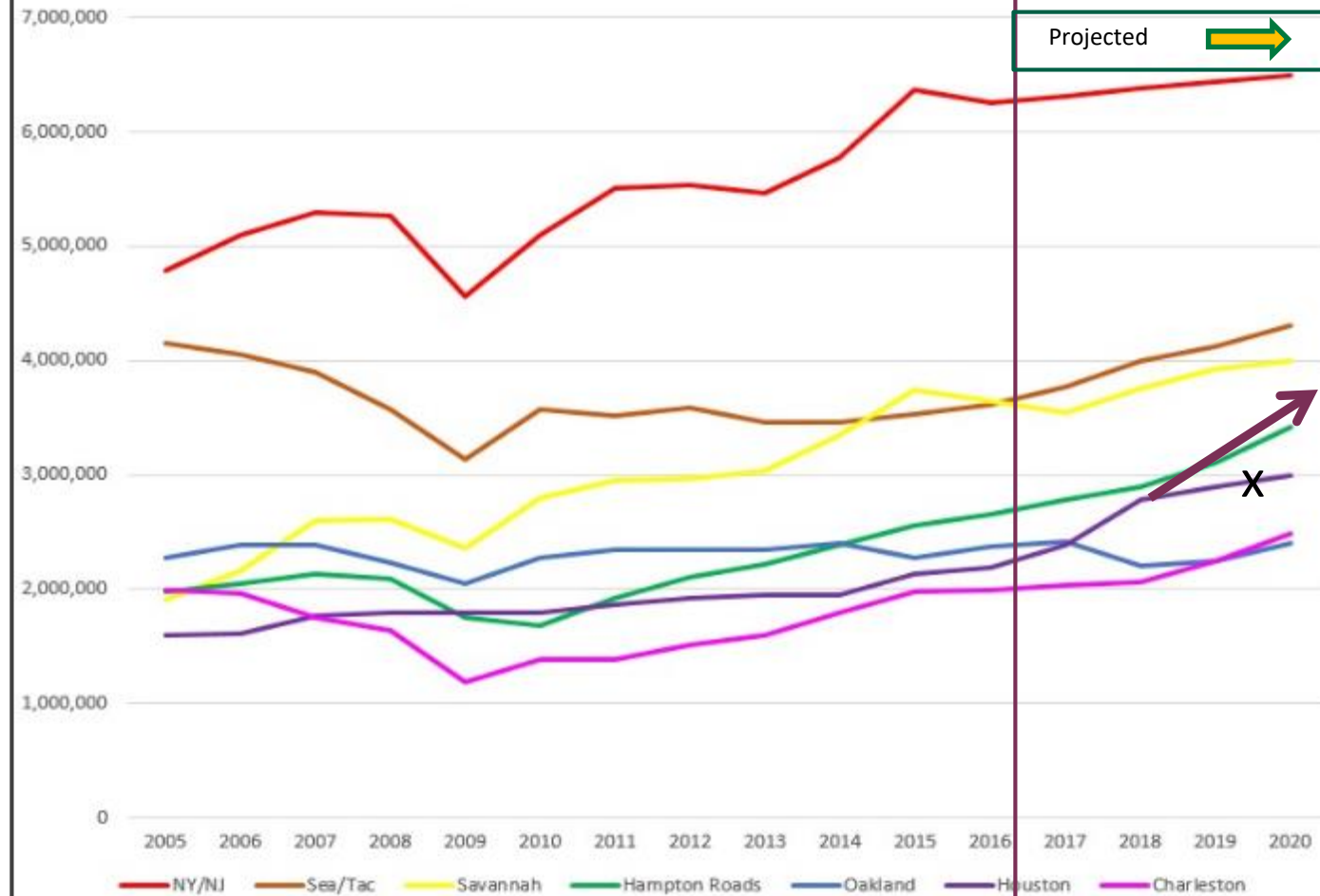
Port of Entry	2018 TEU Volume
LA/LB (Nov)	16,808,125
NY/NJ (Nov)	7,349,377
Savannah (Nov)	4,000,613
Seattle/Tacoma	3,389,392
Houston (Moved up 2 spots)	2,699,850
Norfolk VA	2,614,788
Oakland	2,546,355
Charleston	2,316,255



# U.S. Key Port Growth



U.K. Key Port Growth Projected 2017-2020



NY/NJ

SEA/TAC

Savannah

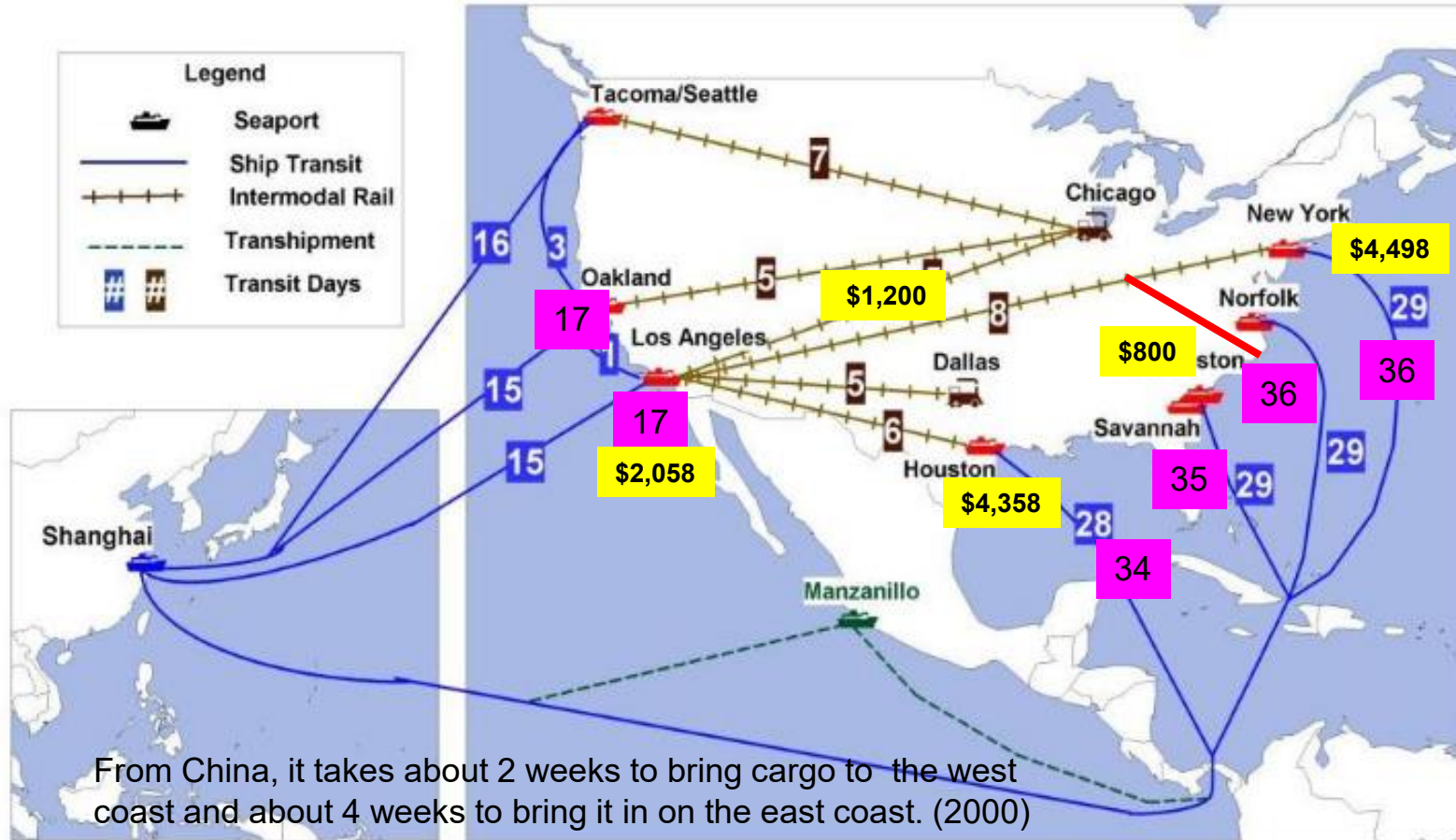
Norfolk

Houston

Oakland

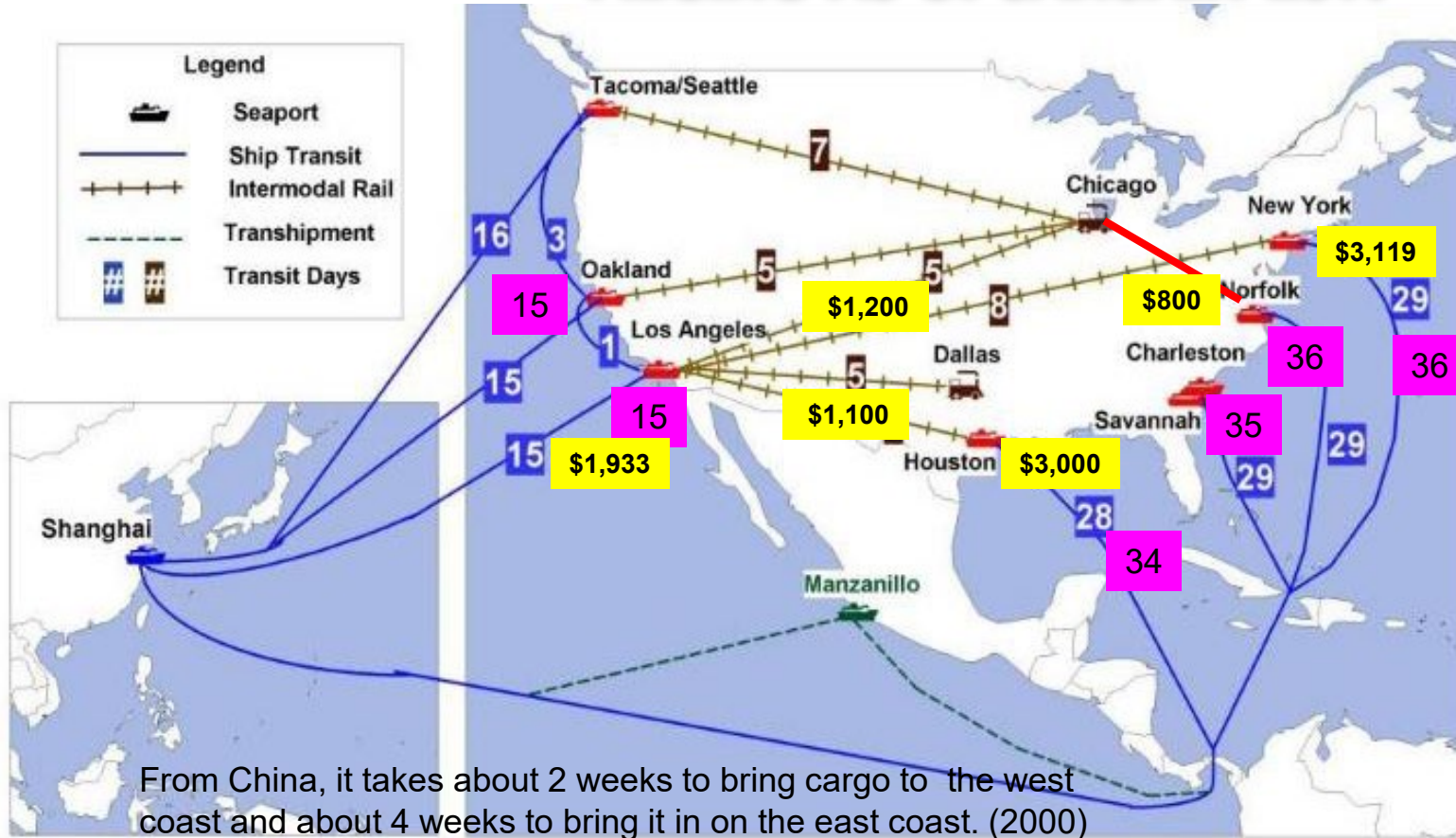
Charleston

# SHANGHAI TO NORTH AMERICAN PORTS:—2000 & 2015.....PRICING AS OF FEB 1, 2015





# SHANGHAI TO NORTH AMERICAN PORTS: 2000 & 2019 PRICING AS OF JANUARY 2019

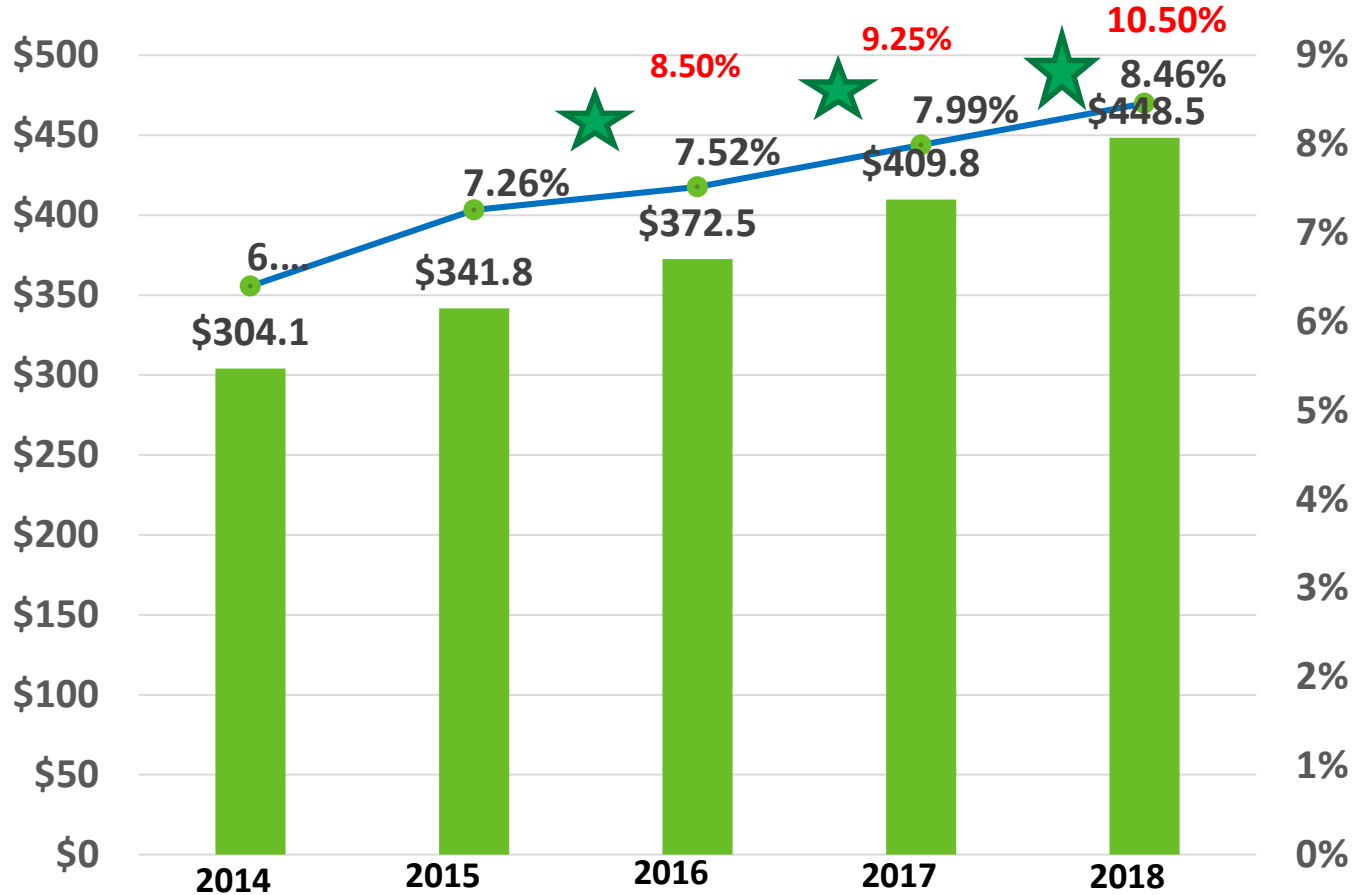


An aerial photograph of a city skyline, likely San Francisco, taken during the 'golden hour' of sunset. The sun is a bright, glowing orb in the upper left corner, casting a warm, orange light across the entire scene. The city's dense collection of buildings, including several prominent skyscrapers, is visible against the hazy, orange-tinted sky. In the background, rolling hills or mountains are visible under the same warm light. The bottom third of the image is covered by a solid teal-colored gradient that fades into the city scene above it.

# E-COMMERCE AND AIR CARGO OVERVIEW

# U.S. E-Commerce Retail Sales Forecast

## 2014-2018 Update 2017





# E-Commerce Statistics

## E-commerce as a percent of retail

- In all of 2018: 10.5%
- In Q4 2017: 9.1%
- In Q4 2016: 8.2%

Source: US Department of Commerce

## Amazon percent of US e-commerce:

- In 2017: 43.5%
- In 2016: 38.1%

Source: eMarketer

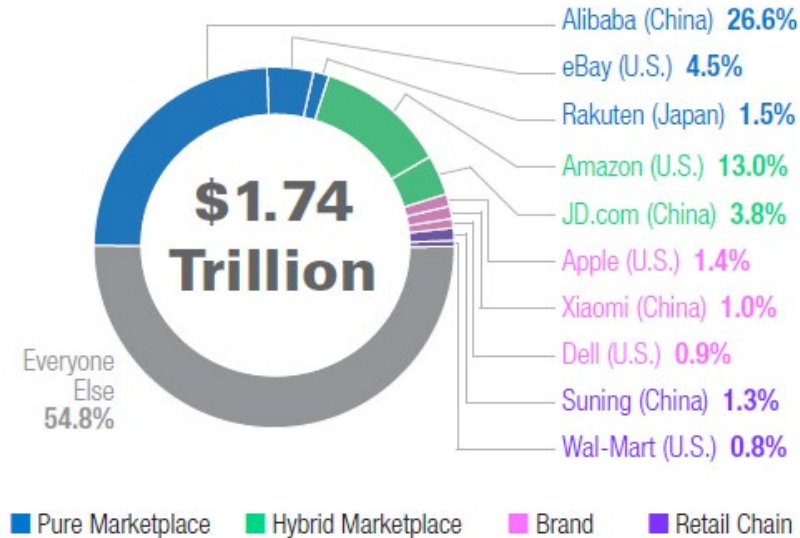
## US e-commerce sales increased 16.0% in 2017

Source: Internet Retailer

# WORLD'S TOP RETAILERS

## The World's Top 10 Largest Retailers Hold Nearly Half the Global Market

Global E-Retail Market Share, Company Type



Source: Internet Retailer

**Pure Marketplace:** Does not sell anything—it is a pure marketplace. It makes its money only via fees and advertising.

**Hybrid Marketplace:** Sells its own products as well as allowing others to sell on its online platform.

**Brand:** Only sells its own products.

**Retail Chain:** Retailers with online presence.

# E-Commerce Impact On Real Estate

- By 2020, the US will sell \$486 Billion of goods to the world in cross border e-commerce
- By 2020, the US will buy \$140 Billion of goods from overseas in cross border e-commerce
- This will require 160 NEW e-commerce logistics centers of 800,000 SF size to be built in the top urban markets
- Another 110 NEW or re-purposed facilities of 75,000-100,000 SF sites are necessary to support local delivery in key urban markets
- **LAST MILE + RETURNS IS OUR SWEET SPOT!**

*Tompkins, April, 2016*

An aerial photograph of a city skyline during sunset. The sun is low on the horizon, creating a warm orange and yellow glow across the sky and city. The city is densely packed with buildings, with several prominent skyscrapers in the foreground. A teal gradient overlay covers the bottom third of the image.

# AIR CARGO OVERVIEW



# E-commerce's Effect on Air Cargo Growth

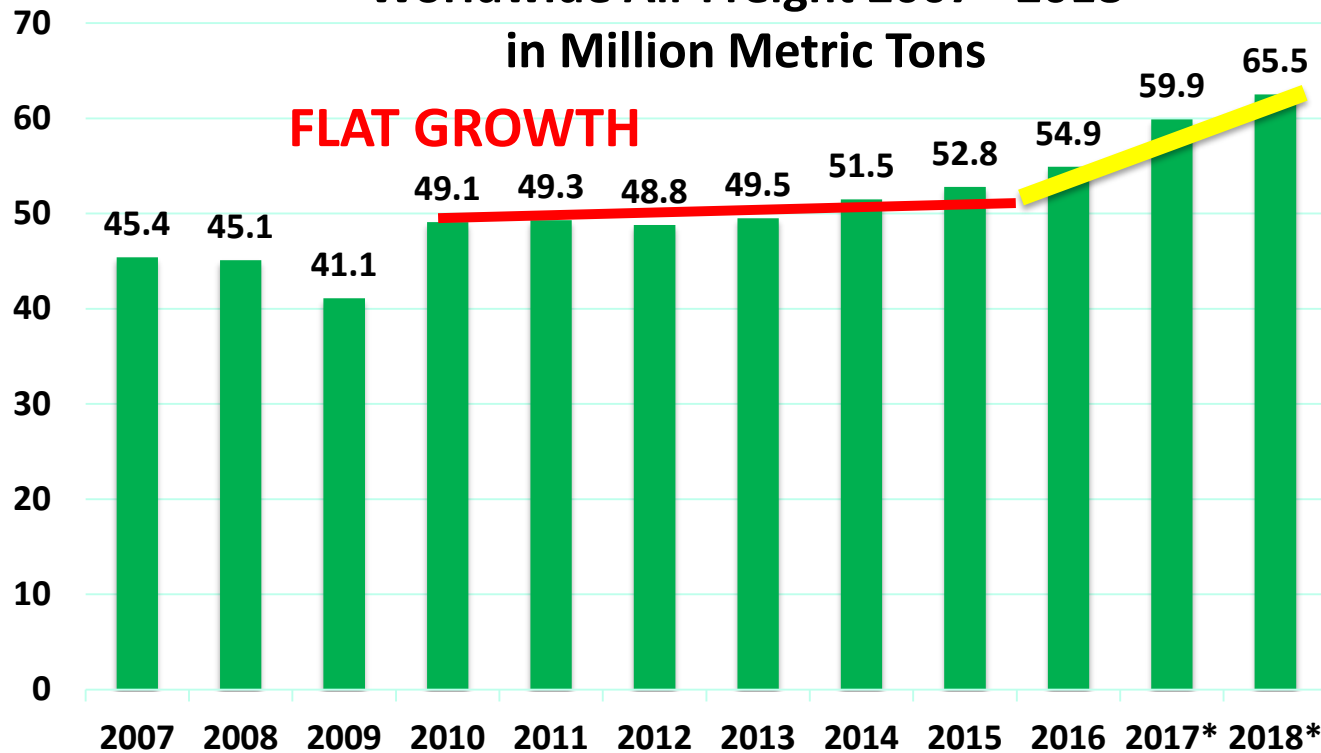
- E-commerce is a future growth driver for the air cargo industry, as online shopping boosts demand for parcel delivery services worldwide.
- On aggregation, the industry's parcel volume more than doubled over the last decade, growing at a rate far above economic growth.

- IATA

- The global air cargo market is growing on the back drop of the growing global e-commerce market.
- Online retailers rely on the air cargo service providers because of the speedy delivery they offer.

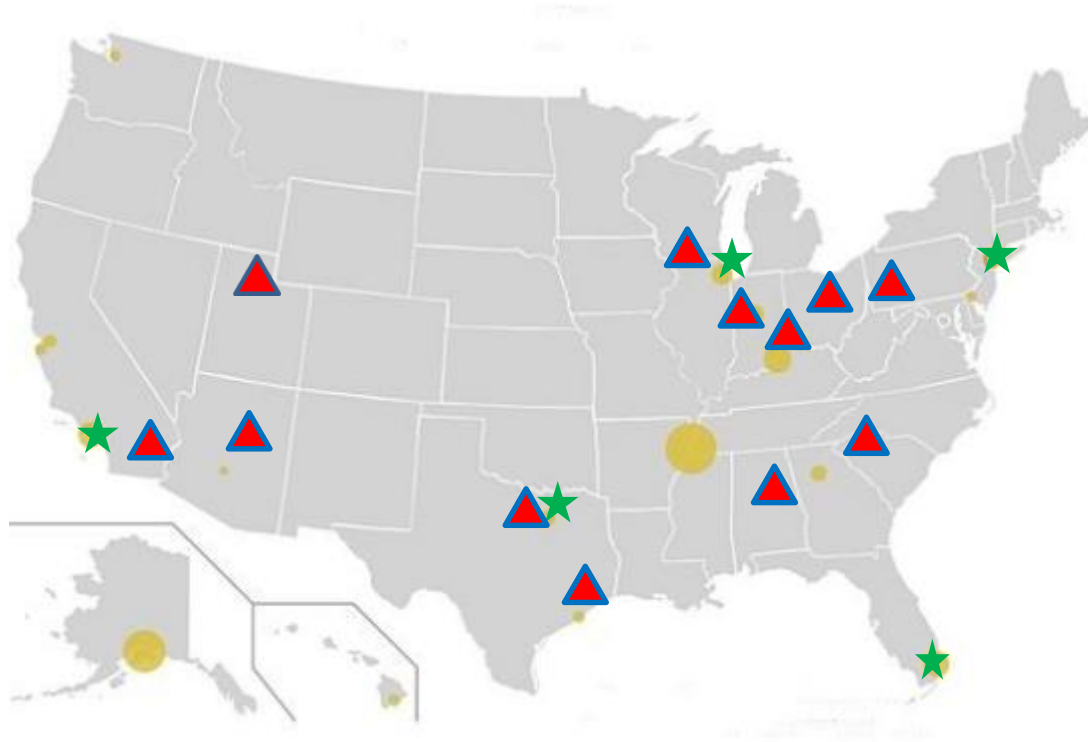
- Technavio

## Worldwide Air Freight 2007 - 2018 in Million Metric Tons



Source Data: IATA

# Alternative Gateway Options for Cargo Growth



**Chicago Rockford International  
Airport (RFD)**

**Rickenbacker International  
(LCK)**

**Indianapolis, IN (IND)**

**Pittsburgh, PA (PIT)**

**Cincinnati, OH (CVG)**

**Greenville, SC (GSP)**

**Huntsville, AL (HSV)**

**Mesa Gateway (AZA)**

**March AFB, CA**

**Salt Lake City, UT (SLC)**

**Alliance TX**

**Houston (IAH)**

# E-commerce Impact

- Traditional freight forwarder gateway airports are at JFK, ORD, MIA, LAX and DFW/ATL
- Alternative Airports that make “Cargo Sense”
  - Chicago Rockford International Airport (RFD)
  - Rickenbacker International (LCK)
  - Indianapolis, IN (IND)
  - Pittsburgh, PA (PIT)
  - Cincinnati, OH (CVG)
  - Greenville, SC (GSP)
  - Huntsville, AL (HSV)
  - Philadelphia, PA (PHL)
  - Mesa Gateway (AZA)
  - March AFB, CA
  - Alliance TX
  - Houston (IAH)





## EXAMPLE OF SECONDARY AIR CARGO HUB

# SKYBRIDGE ARIZONA

## Concept Master Plan

August 9, 2018



An aerial photograph of a city skyline at sunset. The sun is low on the horizon, creating a warm orange glow over the city. The skyline features several prominent skyscrapers, including the Transamerica Pyramid. The city extends to the hills in the background. A teal gradient overlay covers the bottom portion of the image.

**TARIFFS**





**BUT WAIT---WHAT ABOUT  
THE TARIFF SHERIFF?**

# EVERYONE IN THE U.S. IS HAVING TO RE-THINK THEIR SUPPLY CHAINS....

- Mr. Trump vowed to slap duties on up to \$200 Billion of Chinese imports. HE DID. Sept 24<sup>th</sup> and now a 90 day “Truce” till March 1, 2019
- The Chinese are going to do the same to us! THEY DID
- After the first \$50 Billion, the next \$200 Billion has now hit Consumer Goods:
  - Patio Furniture, HVAC, Footwear, Electronics, Furniture, Sound Systems, cosmetics, tools and Hand-Bags!!
- Our Ag Products, Planes, Hi-Tech goods, and Pharma are all going to be hit hard by China.
- **This isn't “maybe” anymore, it's real and it's now!**

• *Wall Street Journal, July 12, 2018*





## LATEST INPUT ON THIS ISSUE: QUOTABLE

- *We hope that the temporary stand-down (on the trade war) becomes permanent, but in the meantime there has been a rush to bring merchandise in before existing tariffs go up or new ones can be imposed.* Jonathan Gold, National Retail Foundation Dec 2018
- *In anticipation of higher tariffs in 2019, companies around the country are stockpiling goods from China, their warehouses stuffed to capacity,* Reuters 2018
- *Dozens of companies including retailers, vendors, customs brokers, and supply chain experts told the news agency that they have been on a buying binge building up inventory from China, a move meant to avoid paying higher taxes on goods such as air conditioners, microwaves, and furniture.*
- *Like a marine terminal a warehouse reaches its functional capacity far below 100 percent utilization. "Eighty-five percent is the number for warehouses. No warehouses wants to be more than 85 percent because productivity is affected,"* Scott Weiss of Port Logistics in a JOC Article published in September 2018 .

# HOW DO WE “INSURE” AGAINST TRUMP TARIFFS?

- The FTZ Program is the only way to carry “insurance” against a Tariff World that changes daily.
- We are being asked Daily, to help customers “tariff engineer” their supply chains to mitigate these Trade Wars.
- It’s not going to get solved by March 1. I PROMISE
- By using the FTZ ,you can delay, avoid, and pre-empt Duty Changes in your Supply Chain.
- Companies must take a look at the FTZ Program, because now the duty rate average has risen from 2% into the USA< to 10+%.

## FTZ AREAS OF EXPANSION

- Over 6,000 companies use FTZs: Target, Home Depot, Levi's, The Limited, Puma, Adidas and 1,000's of retailers use FTZs in their Supply Chains to Cut Costs!
- MPF Savings USED to be the leading “rationale” for using FTZ's; (DCs and FCs) Now, it's avoiding, delaying or eliminating the Dreaded TRUMP TARIFFS!
- Manufacturers and Import Distributors are ALL looking at how they mitigate Section 201, 232, and 301 Tariffs. As low as 10% on top of regular tariffs to as high as 55% for washers/dryers after mid-year.
- Trump Tariffs are driving companies to seek out FTZ designation to offset rising costs.

## HOW DOES ALL THIS AFFECT INDUSTRIAL REAL ESTATE?

- We will continue to see “Tariff Stress” on all importer/retailers and manufacturers. This will cause them to front-load inventory in advance of higher tariffs....this equals MORE SQ. FOOTAGE.
- Air Cargo increases hit a small pause after 4 huge annual growth rate years, but that has more to do with Global slow-downs than North American demand. Internal NA demand remains very strong.
- E-commerce is moving along faster than anyone has yet to forecast, and the demand for big box, infill box, last mile centers and the like is still growing at a robust rate.
- MY HAT is OFF to you who are keeping development matching growth without the Bubble we saw in 2007....Keep it up!





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THANK YOU  
Curtis Spencer  
IMS Worldwide Inc.

**CBRE**