



# What Is Driving Industrial Real Estate?

**Presented by:**  
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**CEO of IMS Worldwide, Inc.**



# About IMS Worldwide Inc.

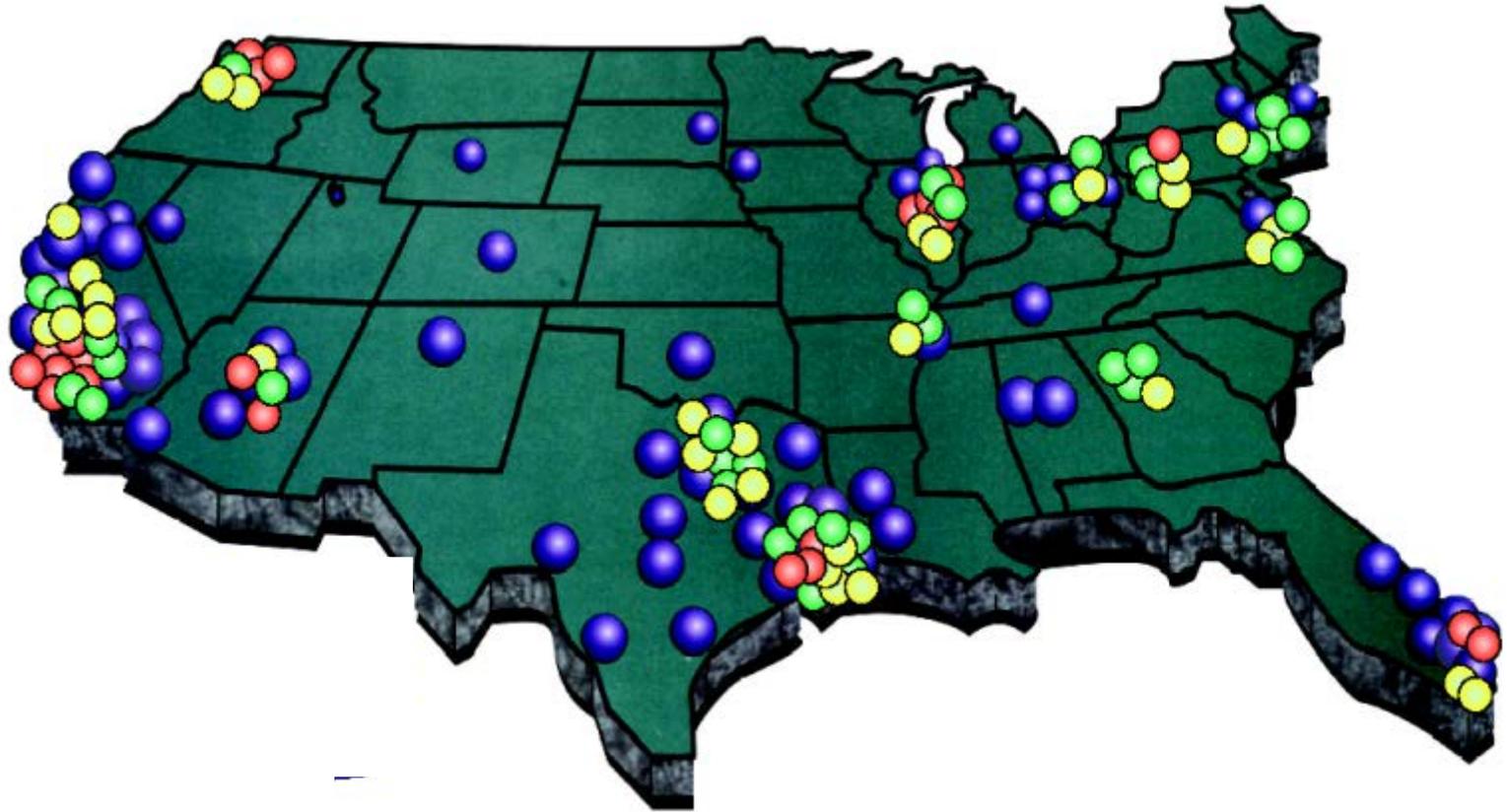
- IMSW has completed over 330 FTZ Projects during 35+ years. We have conducted 40 Logistics/Drayage studies for Industrial RE firms, RRs and land-owners.
- We work with Large Gateway Zones (Houston, LA, Miami, Dallas, Chicago, PHX, El Paso and NJ)
- We work with Fortune 1000 companies: Target, The Limited, Dell, Home Depot, Abbott Labs, TJX, Dicks Sporting Goods, CEVA, FedEx, UPS, Yusen, NFI, Nippon Express, etc.
- **We work with the largest REITs in the USA: Prologis, Duke, Majestic, Clarion, USAA, Div-Capital/IIT, etc.**



# IMSW's FTZ Users – Total = 330



# IMSW Overview of National FTZ and Strategic Development Projects 1977-2017



# Today's Agenda

- Port and Shipping Overview
- Inland Ports
- The Trump Effect
- E-Commerce Growth
- Population Trends





# Ports Overview

# Panama Canal Expansion Complete



# Panama Canal Update

- Traffic at the waterway continues to increase
- The expanded canal has welcomed containerships, liquid petroleum gas (LPG) vessels, liquefied natural gas (LNG) vessels, dry bulk carriers, vehicle carriers, and crude product tankers.
- In February 2017, the [Panama Canal set a new daily tonnage record](#) of 1.18 million Panama Canal tons (PC/UMS) after welcoming a total of 1,180 vessels through both the expanded and original locks.



# 10,500 TEU Vessel

**The 10,500 TEU Valparaiso Express (largest container ship) transits the expanded Panama Canal, December 20, 2016.**

**Photo: Panama Canal Authority**

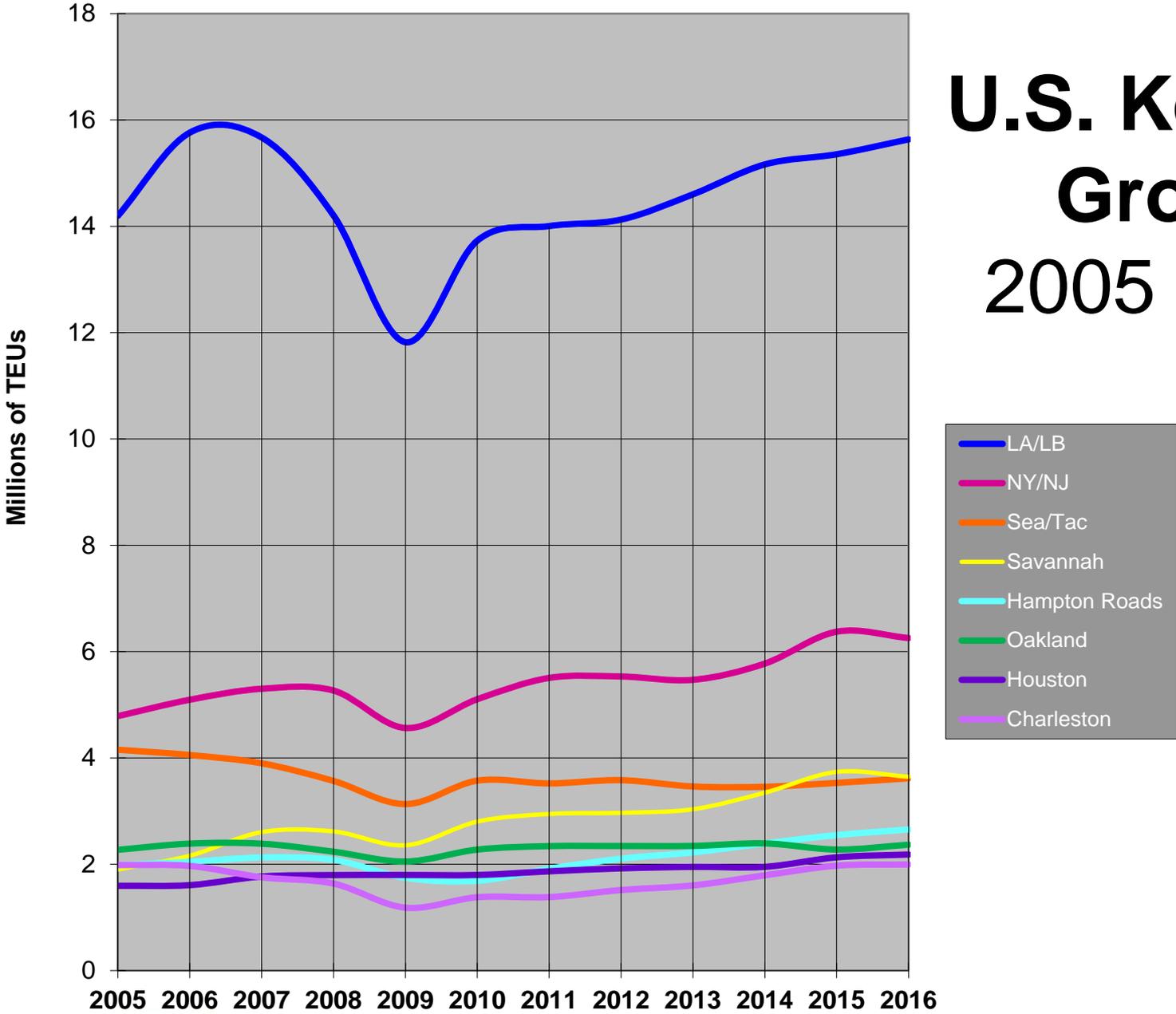


# Panama Canal Bottom Line

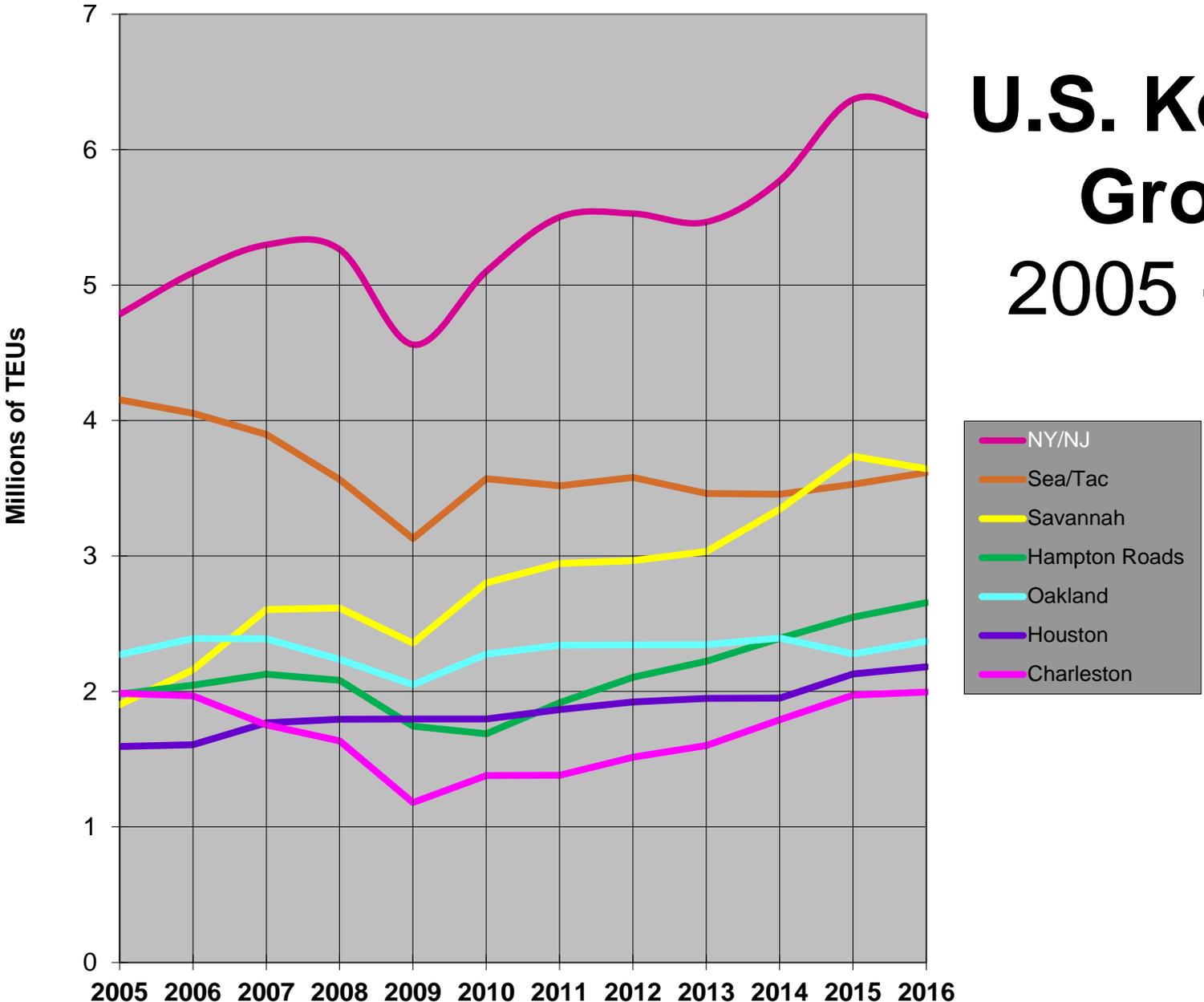
- BALANCE –The Asia Import Market Share will shift. Currently 51.9% of imports from Asia come via West Coast Ports. How much will this change? **Most Carriers have already re-positioned routes through the Suez**, to utilize larger ships for East Coast and Europe.
- COSTS ARE WHAT MOVES SHIPPERS!
- However, the most recent news is that costs, ALL WATER to East Coast, have been coming down.....How long will it last?



# U.S. Key Port Growth 2005 - 2016

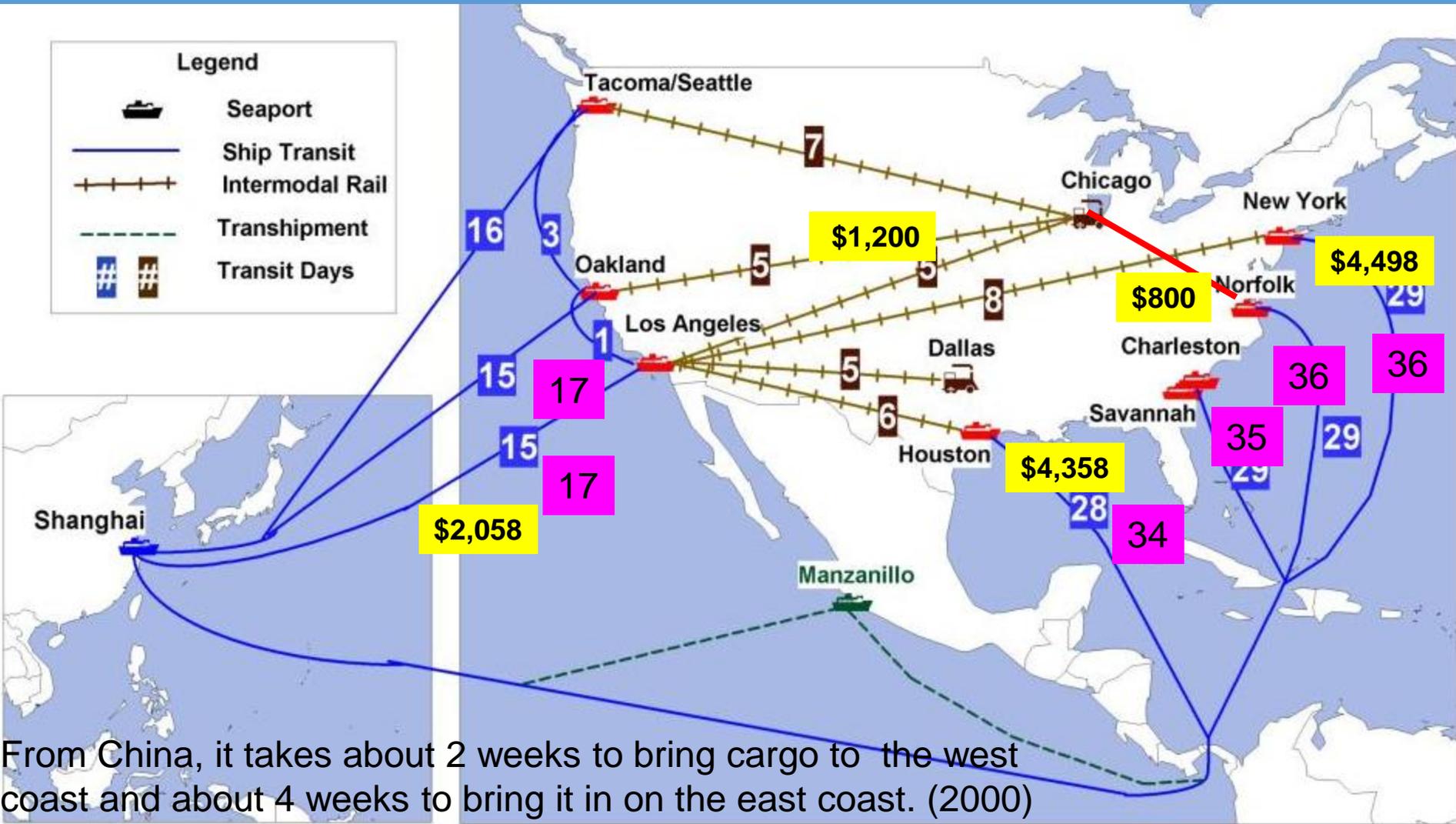


# U.S. Key Port Growth 2005 - 2016



# Shanghai to North American Ports: Slow Steaming Effects –2000 & 2015

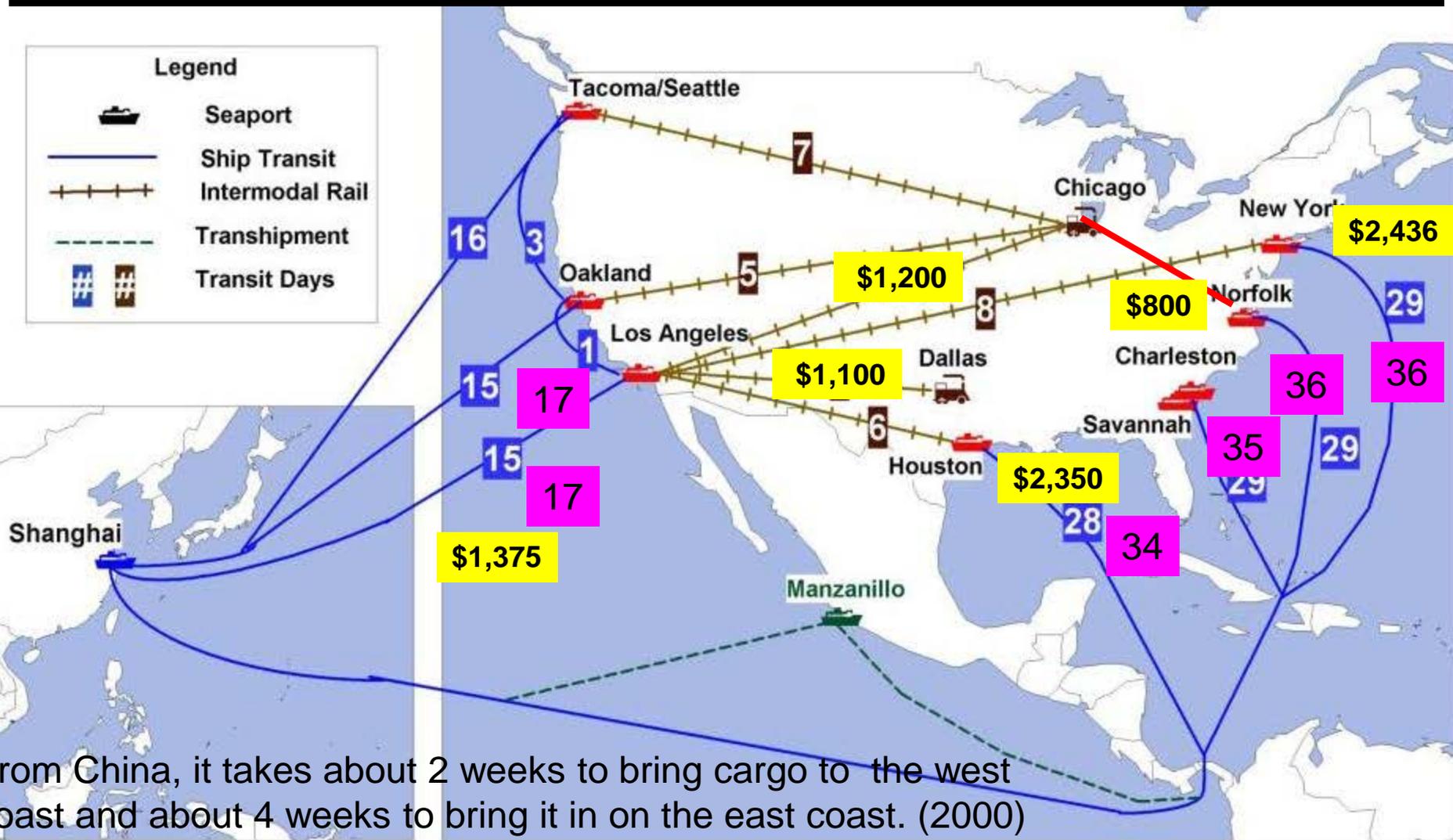
**Pricing as of Feb 1, 2015**



From China, it takes about 2 weeks to bring cargo to the west coast and about 4 weeks to bring it in on the east coast. (2000)

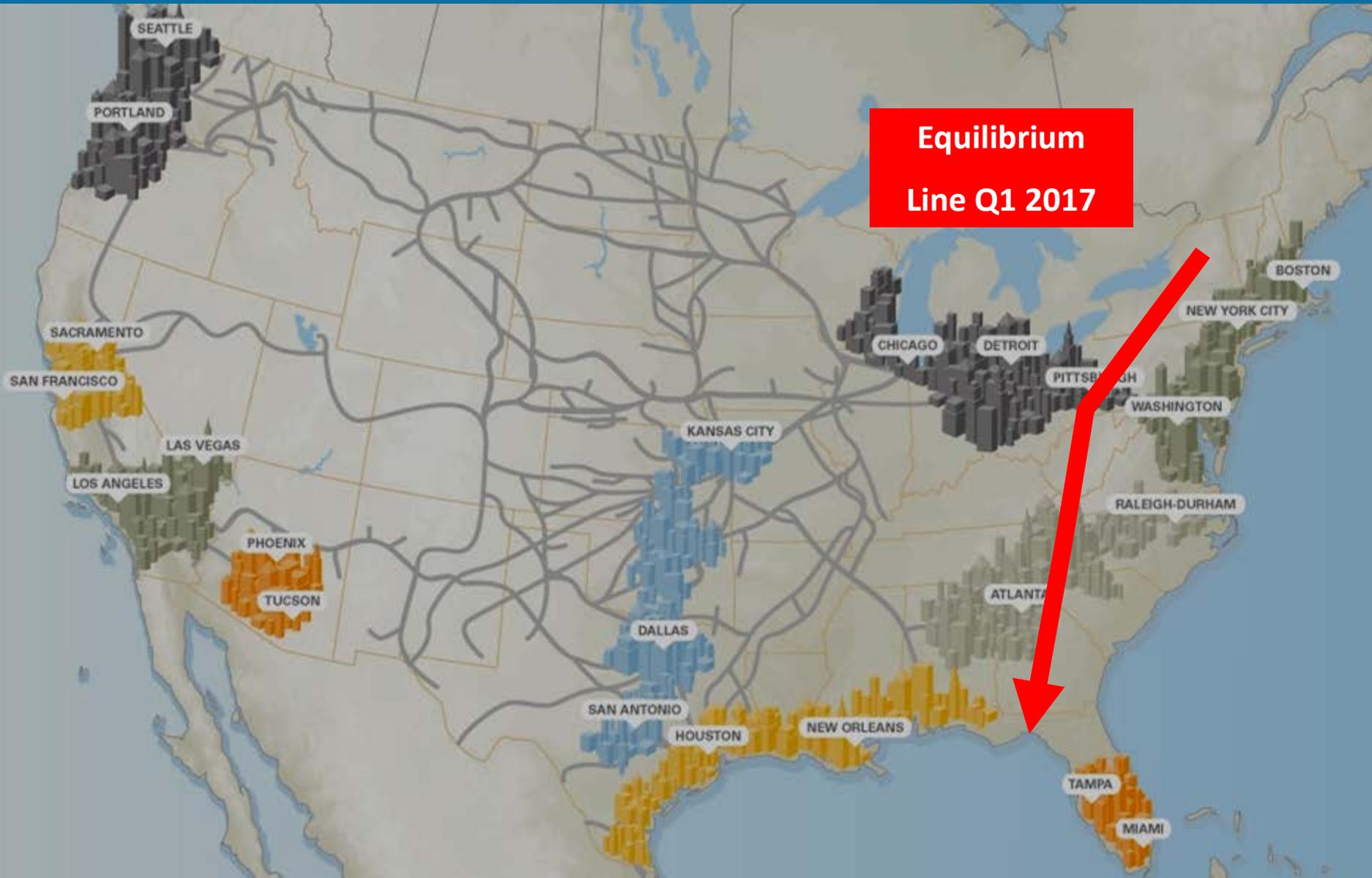
# Shanghai to North American Ports: Slow Steaming Effects –2000 & 2017

Pricing as of April 2017



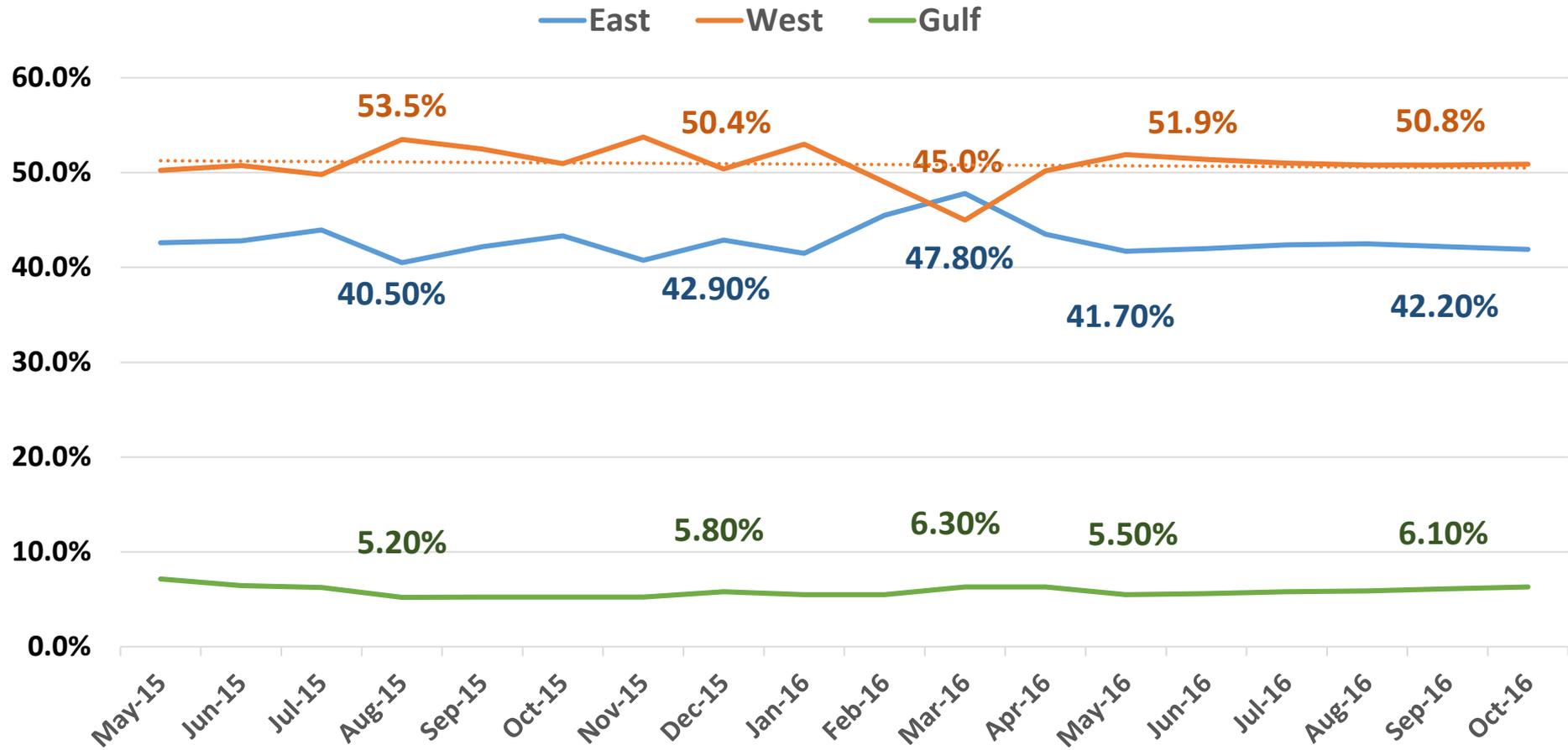
From China, it takes about 2 weeks to bring cargo to the west coast and about 4 weeks to bring it in on the east coast. (2000)

# East Coast-West Coast TEU Cost Line Equilibrium- 2017



# Asia Import Market Share

## WEST VS. EAST COAST





# Inland Ports Overview

# Intermodal Routes to Major Inland Ports

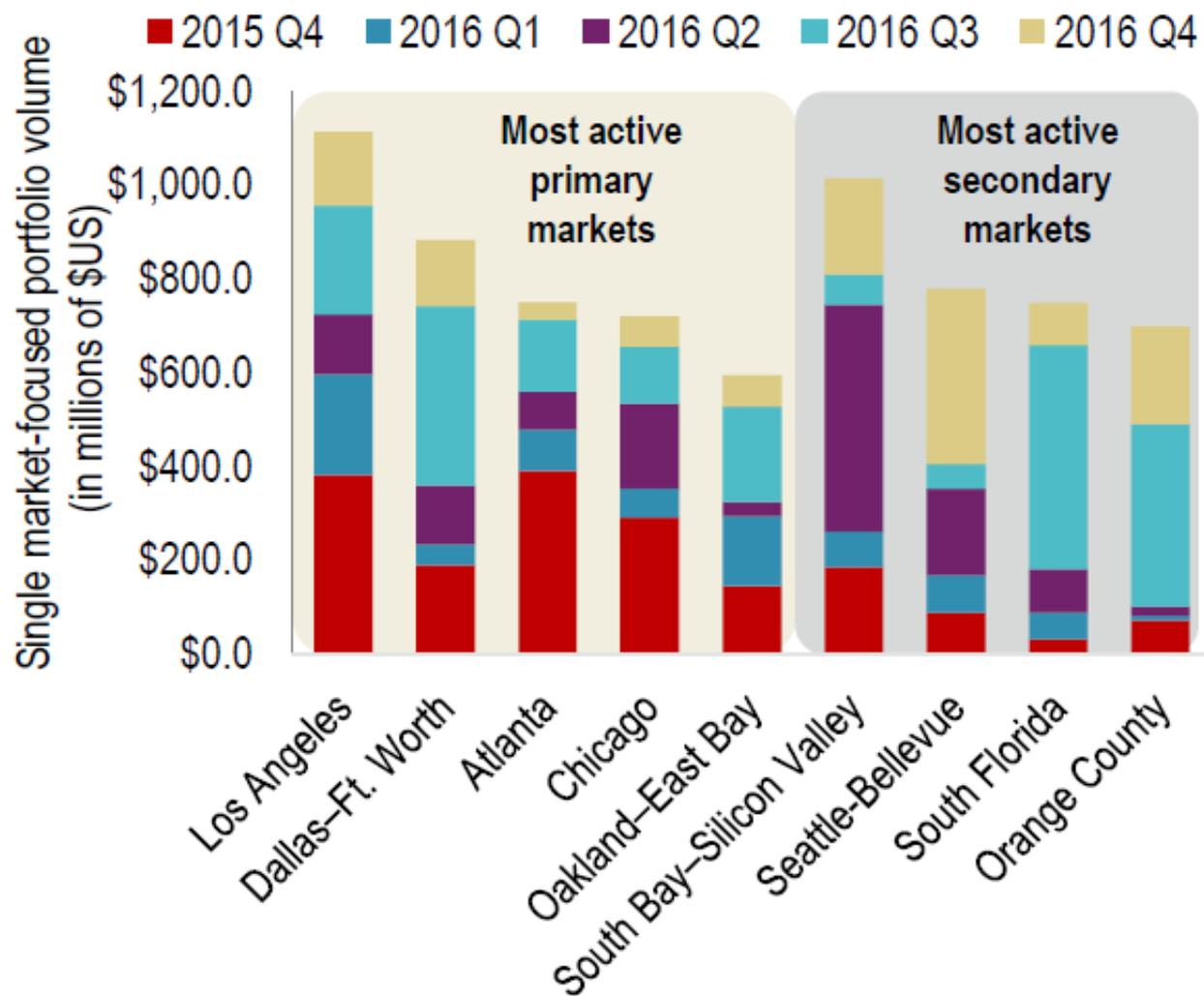


# Inland Port Definition

- The simple definition of an Inland Port is a strategic location “inland” away from a port that off-loads containers for a large population base.
- Usually connected to excellent interstate highway crossroads.
- We define it exclusively as an “intermodal” facility, “the end of the rail-ramp, from a port complex.”
- It is where the “box” gets unloaded, put on a truck and delivered to the DC or Customer.



# 2016 Industrial Markets (Inland Port and Port)



Source: JLL Research (All portfolio transactions larger than 200,000 s.f.; excluding data centers; markets with \$500.0M+ in activity in past five quarters)



# U.S. Intermodal Volume Growth

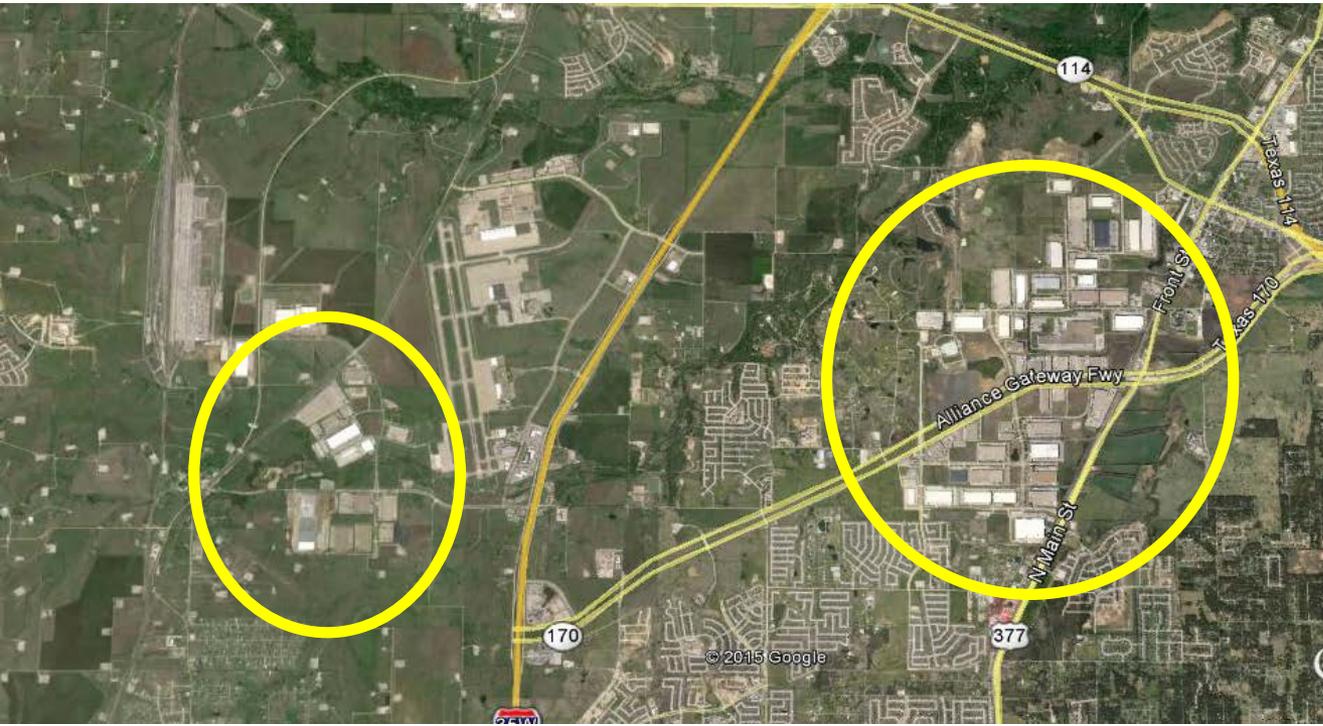


Source: IANA



# DFW Inland Port, AllianceTexas (BNSF)





# AllianceTexas (BNSF)

640,000 "Lifts" in  
2015



In 2013, UP introduced a dedicated rail service between Port of Houston's Barbour's Cut Container Terminal and the South Dallas Intermodal Terminal running once a week.



## South Dallas Intermodal Hub (UP)

387,000 Lift Capacity



# DFW Industrial Market

- 2016 sets new record for industrial sector absorption and delivered construction.
- Annual absorption totaled 25.2 million sq. ft.
  - South Dallas had highest with absorption 5.5 million sq. ft.
  - North Fort Worth was second with 5.4 million sq. ft.
  - DFW Airport third with 3.3 million sq. ft.
- 2016 construction completions totaled 22.7 million sq. ft.
  - South Dallas delivered the most new product with 8 million sq. ft. of space added to the submarket.

Source: CBRE DFW Industrial, Q4 2016 Marketview



# DFW Industrial Market Stats

## 2016 Year End Statistics

- Net Rentable Area = 744 million sq. ft.
- Vacancy Rate = 6.0%
- Average Asking Rent = \$4.48
- Net Absorption = down 3.9 million sq. ft.
- Completions = 6.4 million sq. ft.

Source: CBRE DFW Industrial, Q4 2016 Marketview





**THE TRUMP EFFECT!**

# What Will Trump do to US Trade?

- We are going to make our Trading Partners “Play Fair”.
- Going to re-write NAFTA.

## ***What is happening now??***

- President Trump will order a 90-day study of abusive trade practices that contribute to the US trade deficit.
  - Includes a country-by-country, product-by-product accounting of the reasons for the imbalance.
- A second directive is aimed at increasing the collection of duties from countries whose companies American officials believe are selling products in the US below their cost of production.

***Neither measure will have an immediate impact on trade policy or enforcement, but each could eventually lead to aggressive new measures.***



# We Are Going to Make Our Trading Partners “Play Fair”

- Mr. Trump vowed to slap a 45% tariff on Chinese imports.
- He threatened to leave NAFTA... if Mexico doesn't agree to renegotiate the pact.
- Mr. Trump's win also seals the fate of ...the Trans-Pacific Partnership. DOA!

*Wall Street Journal, November 9, 2016*

- According to Daiwa Securities, just a 15% tariff on Chinese goods would ...likely shave a quarter-point off global growth.

*Wall Street Journal, November 13, 2016*



# We are Going to Re-write NAFTA

- Mr. Trump's threat to renegotiate or tear up NAFTA (*Wall Street Journal, November 21, 2016*)
- NOT LIKELY TO HAPPEN---OPENING GAMBIT TO STEM ILLEGAL IMMIGRATION.
- More likely used as leverage for THE WALL, and trade will continue.
- Mr. Trump may slap on tariff hikes in violation of NAFTA, which would have Mexico responding with its own duty increases. (*Wall Street Journal, November 20, 2016*)



# How Does This Impact Industrial RE?

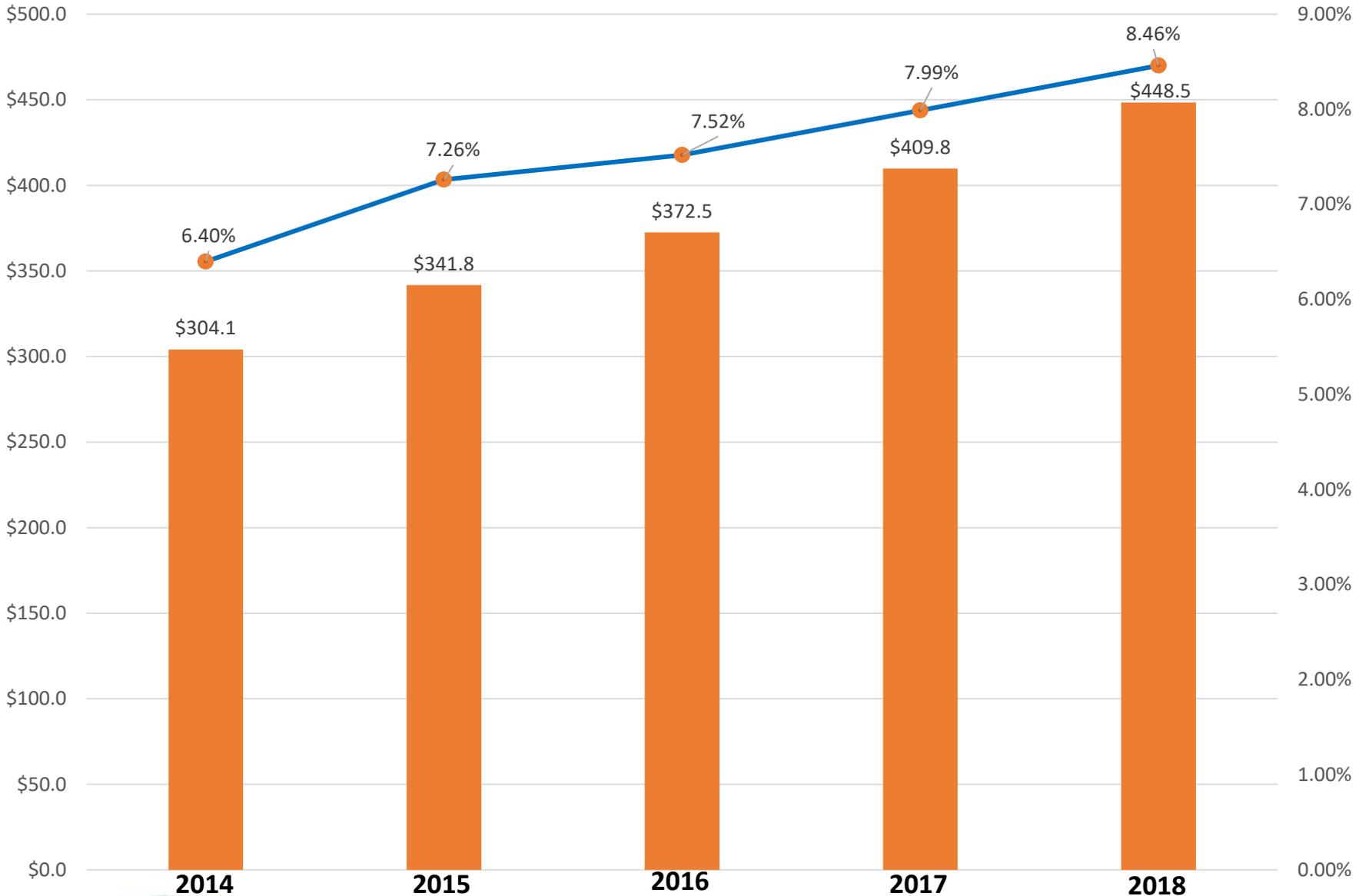
- Not sure yet....Stand by for more fire works, but also more “inventory” in the USA as the importing process could get more “onerous”!
- WINNERS? FOREIGN-TRADE ZONES FOR SURE
- LOSERS? THE AMERICAN CONSUMERS!





E-Commerce: Driving New Industrial!

# U.S. E-Commerce Retail Sales Forecast 2014-2018



# Rising Labor Force Competition and Wages

- E-commerce fulfillment centers require 2 to 3 times as many workers as traditional warehouses using a \$1-an-hour wage increase raises labor costs by more than \$2 million a year at “big box” warehouses employing as many as 1,000 workers
- The unemployment rate is close to a 10-year low resulting in competition for warehouse workers and fueling wage gains
  - Starting pay for warehouse workers rose 6% over the past year to \$12.15 an hour in February
  - The warehouse sector expanded dramatically, accounting for 945,200 jobs in March. (Up 5.3% over the year-earlier period)

Source: Labor Department's Bureau of Labor Statistics; CBRE Group, Inc.; Amazon



# Rising Labor Force Competition and Wages

- Many new facilities Amazon.com Inc. is opening around the country have 2,000 or more full-time employees
  - The e-commerce giant, which has more than 90,000 full-time workers across its fulfillment network, said Thursday it plans to create 25,000 additional part-time warehouse jobs over the next year

Source: Labor Department's Bureau of Labor Statistics; CBRE Group, Inc.; Amazon



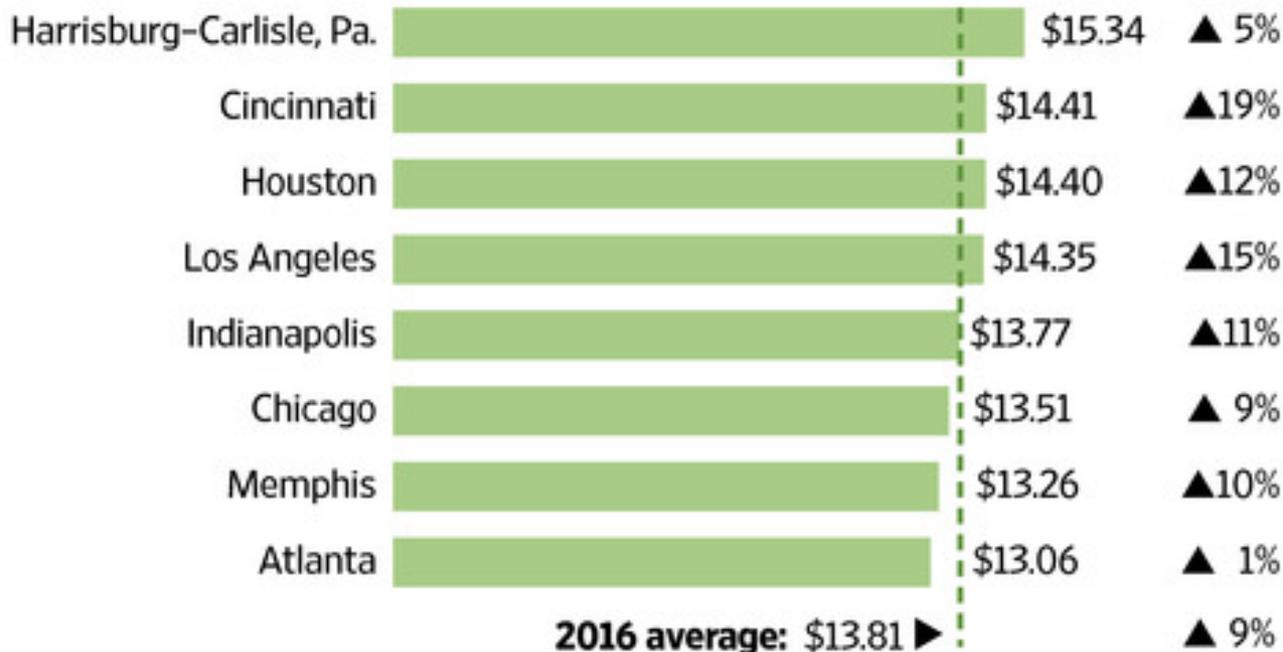
# Warehouse Lift

Average wages for warehouse workers were flat for years before rising recently.

## Average hourly wages\*



## Average wages for warehouse associates by area, 2016†



\*According to an employee pay analysis by ProLogistix, a logistics staffing firm. †Average hourly wage earned by workers who move freight, stock or other materials by hand

Sources: ProLogistix (entry level); Labor Dept.; CBRE Group (areas)

THE WALL STREET JOURNAL.

# THE EXTRAORDINARY SIZE OF AMAZON IN ONE CHART

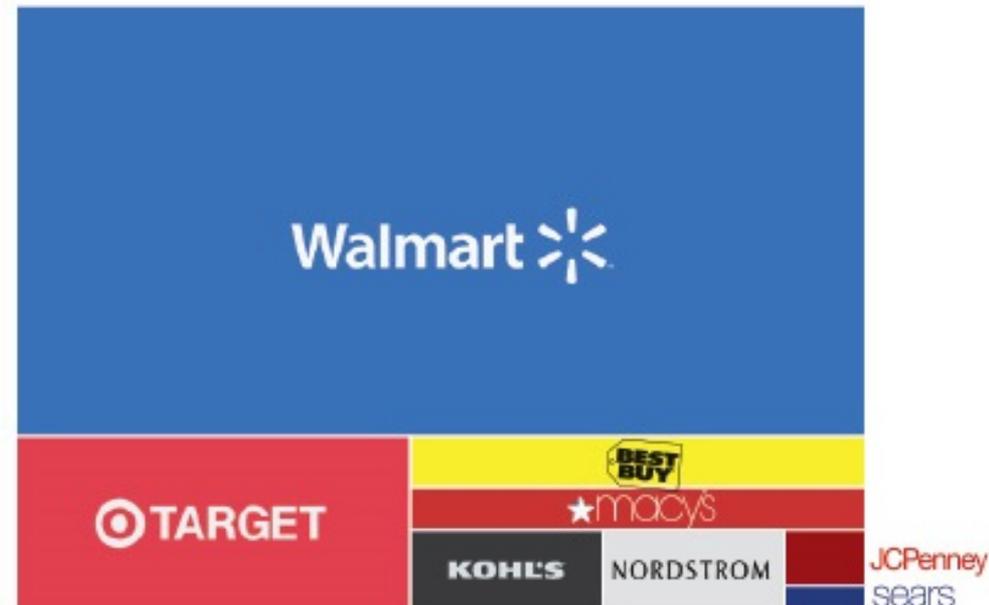
Amazon is bigger than most brick and mortar retailers put together

Market value as of December 30, 2016

\$355.9B

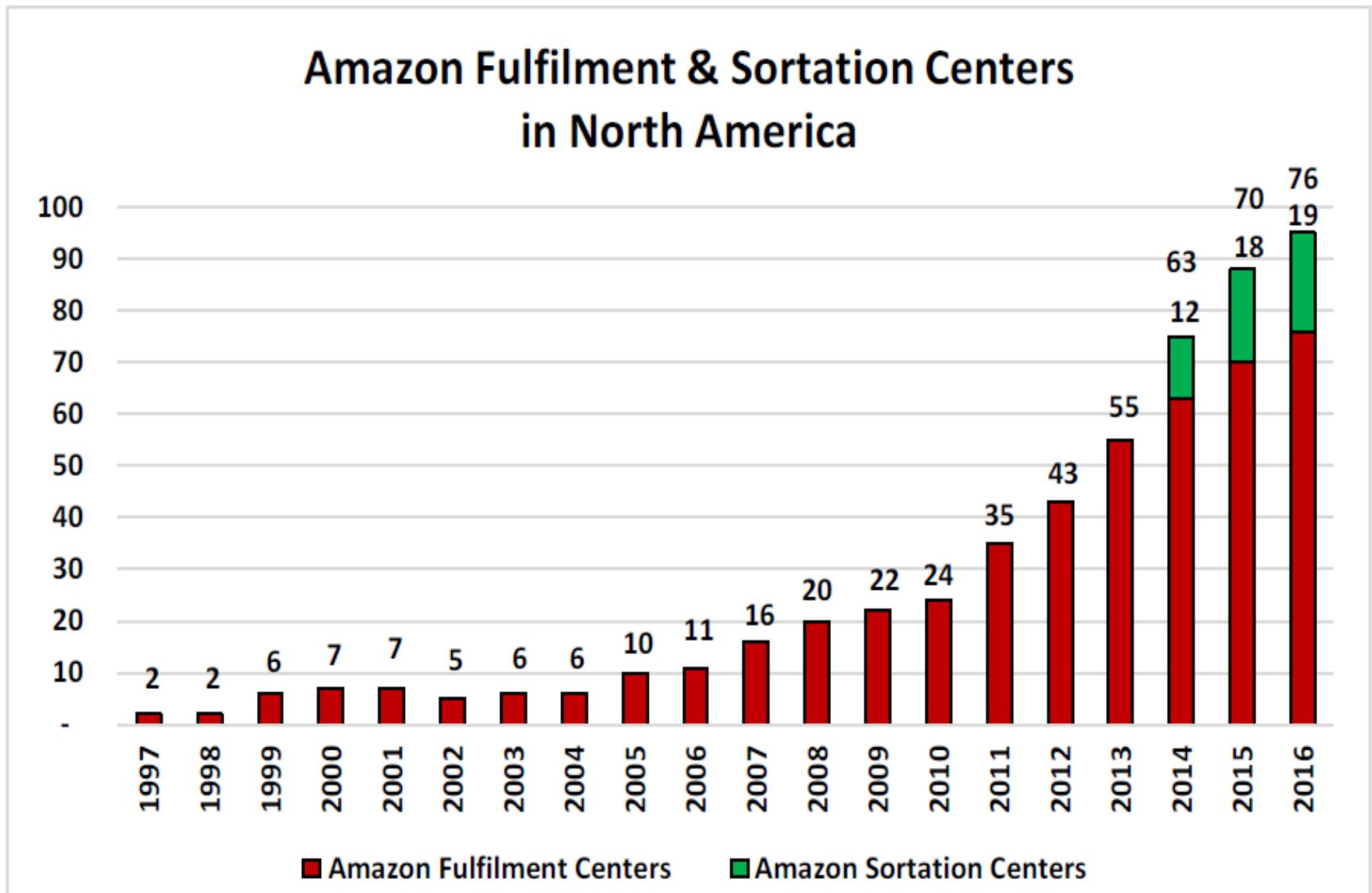


\$297.8B



Sources: Visual Capitalist, Yahoo Finance, Google Finance.

# Amazon Fulfillment & Sortation Center Facilities in North America





# Retail Storefront Closings in 2017

JC Penney-138

Sears-150

Macy's-68

FootLocker-100

Kohl's-650

CVS-70

Office Depot-270

Abercrombie-54

BBG-118

HHGregg-88

Pier One-100

Staples-118

Tiffany-6

Bebe-170

Payless-400

Gander-32

GameStop-225

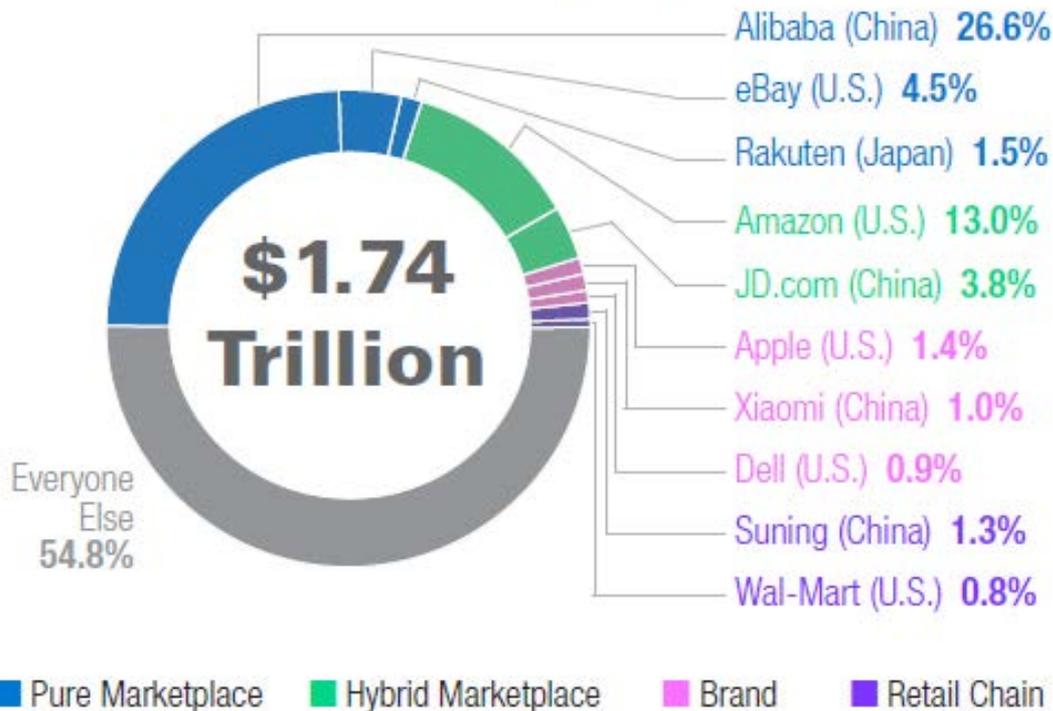
Bob's Stores-48



# World's Top Retailers

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

Global E-Retail Market Share, Company Type



**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.

Source: Internet Retailer, August 5, 2016



# Population Trends

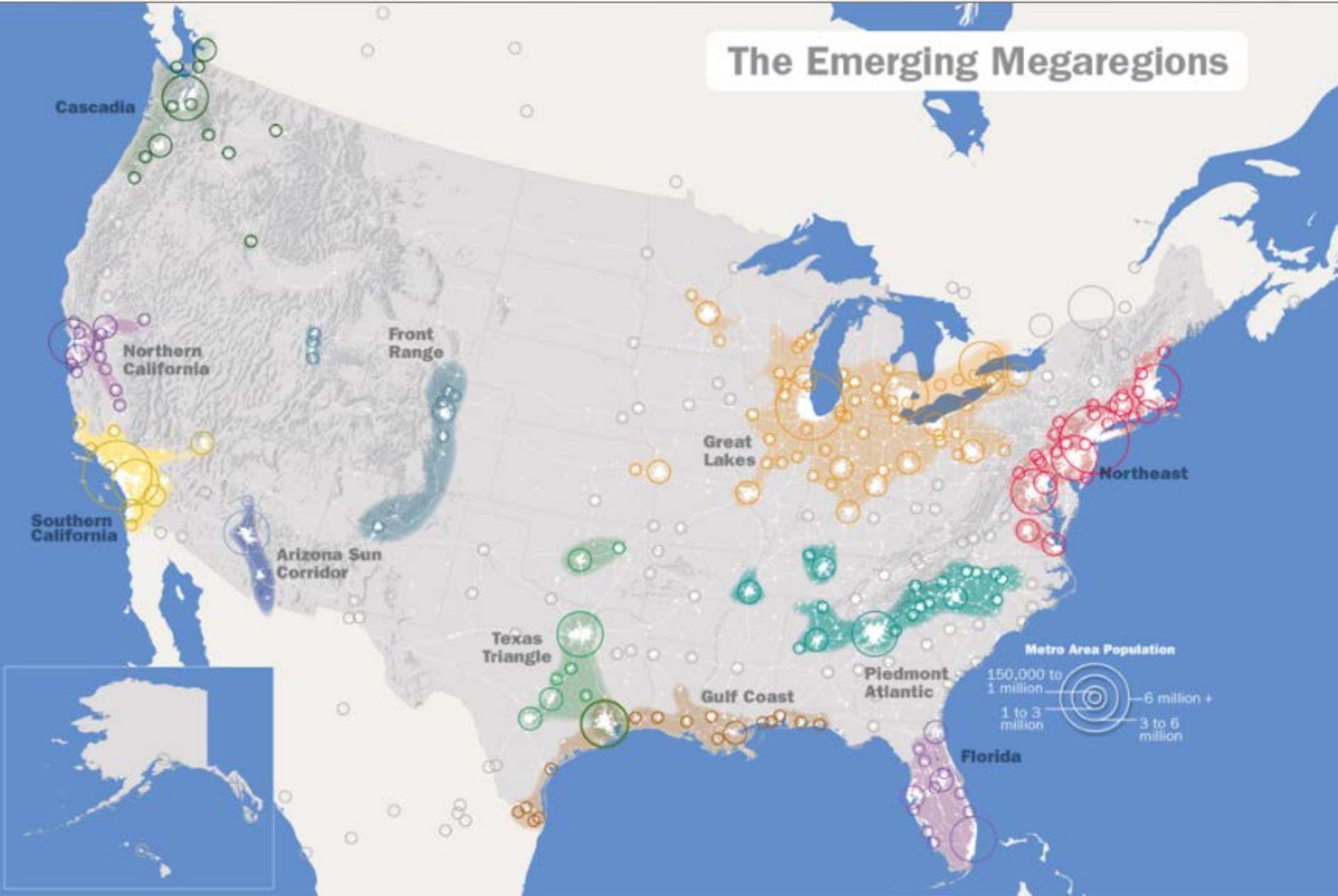
# Megaregions of the U.S.

- **Megaregions of the United States** are clustered networks of US-American cities, the population of which currently ranges or is projected to range from about 57 to 63 million by the year 2025.
- *America 2050*,<sup>[4]</sup> a project of the Regional Plan Association, lists 11 megaregions in the United States, [Canada](#) and [Mexico](#).<sup>[1]</sup>

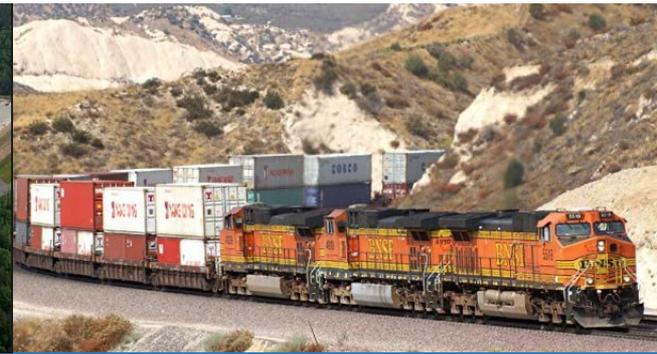
Arizona Sun Corridor; Cascadia; Florida; Front Range; Great Lakes; Gulf Coast; Northeast; Northern California; Piedmont Atlantic; Southern California and Texas Triangle.



# The Emerging Megaregions



# Thank You!



## QUESTIONS?