

Follow the Freight

Jamie Overley, East Coast Warehouse
Curtis Spencer, IMS Worldwide, Inc.
William Waxman, SIOR, CBRE



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Speakers



Moderator:
Curtis Spencer
President
IMS Worldwide, Inc.



Jamie Overley
CEO
East Coast Warehouse



William Waxman, SIOR
Executive Vice
President
CBRE



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E-Commerce and the Supply Chain

Curtis Spencer



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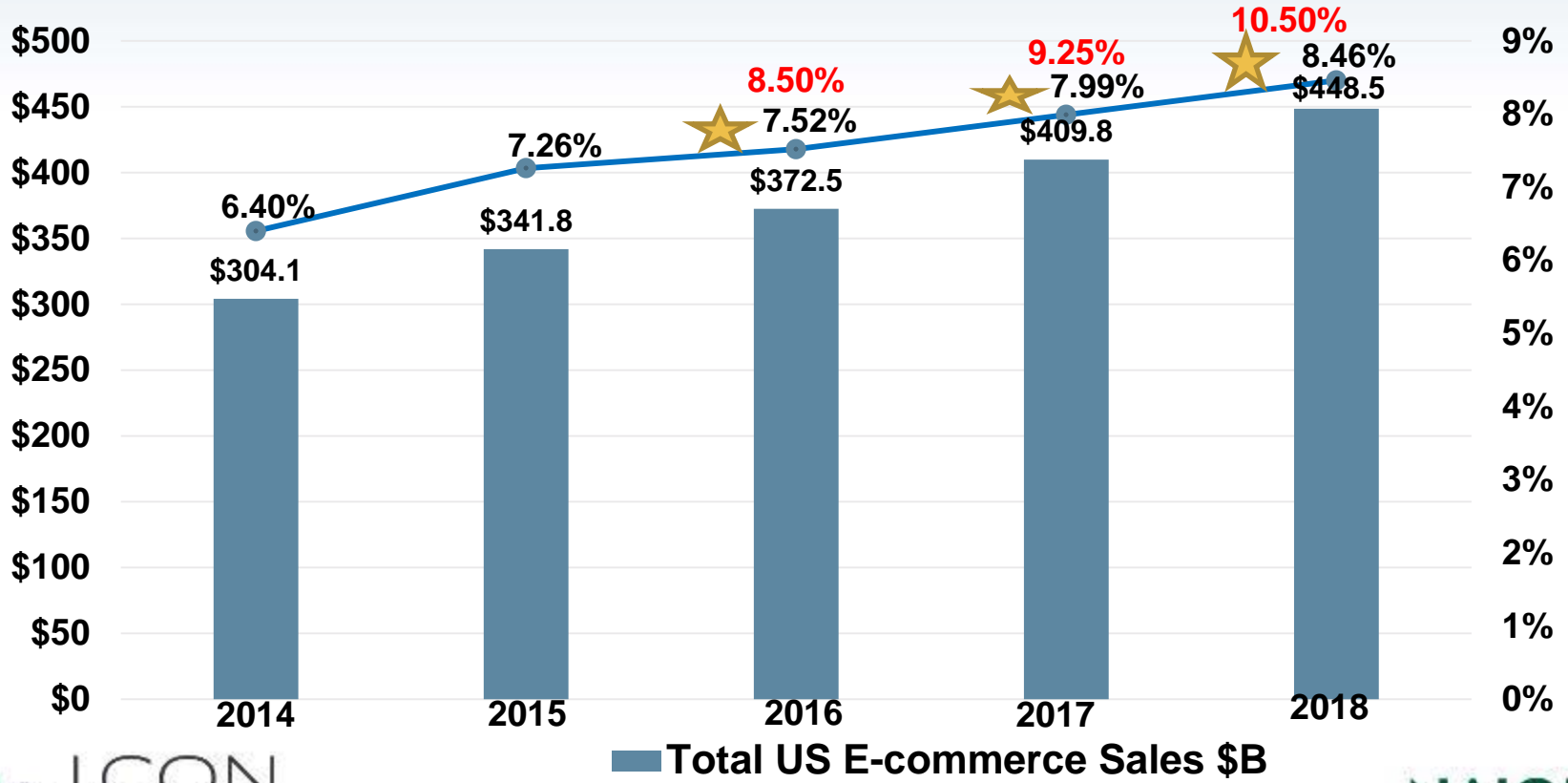


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U.S. E-Commerce Retail Sales Forecast 2014-2018 Update 2017



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E-Commerce Statistics

E-commerce as a percent of retail

- 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

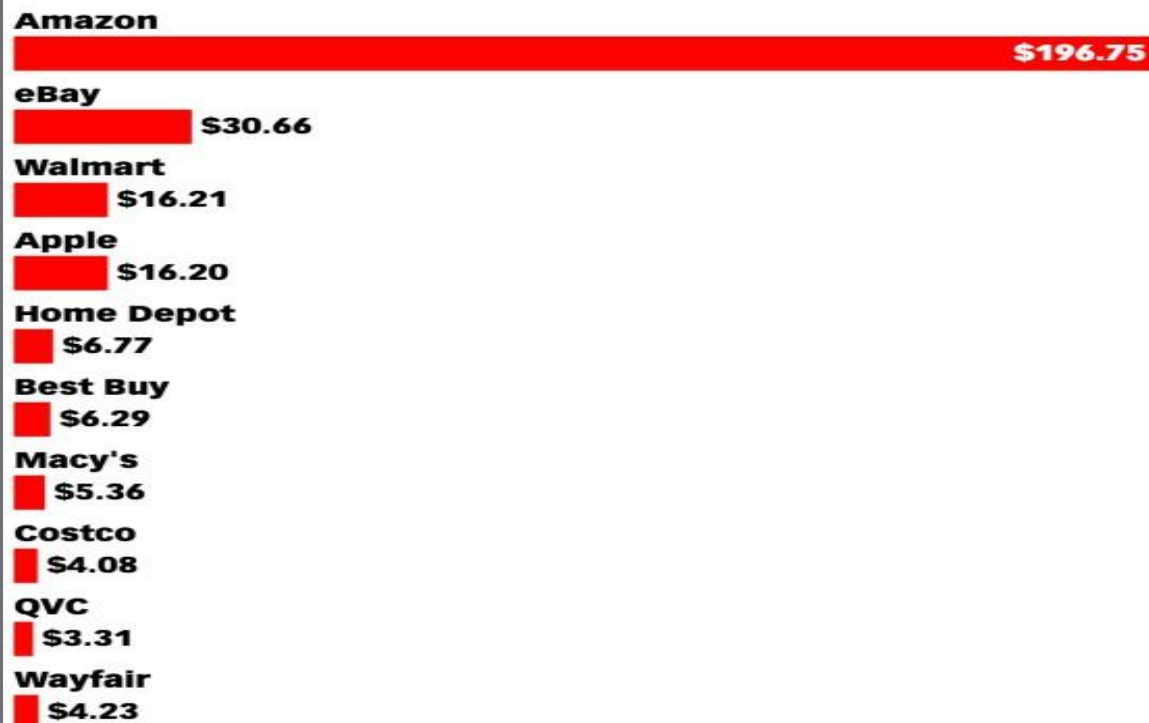


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Top 10* Retail Ecommerce Sales, by Company
US, 2017, billions



Source: eMarketer, September 2017



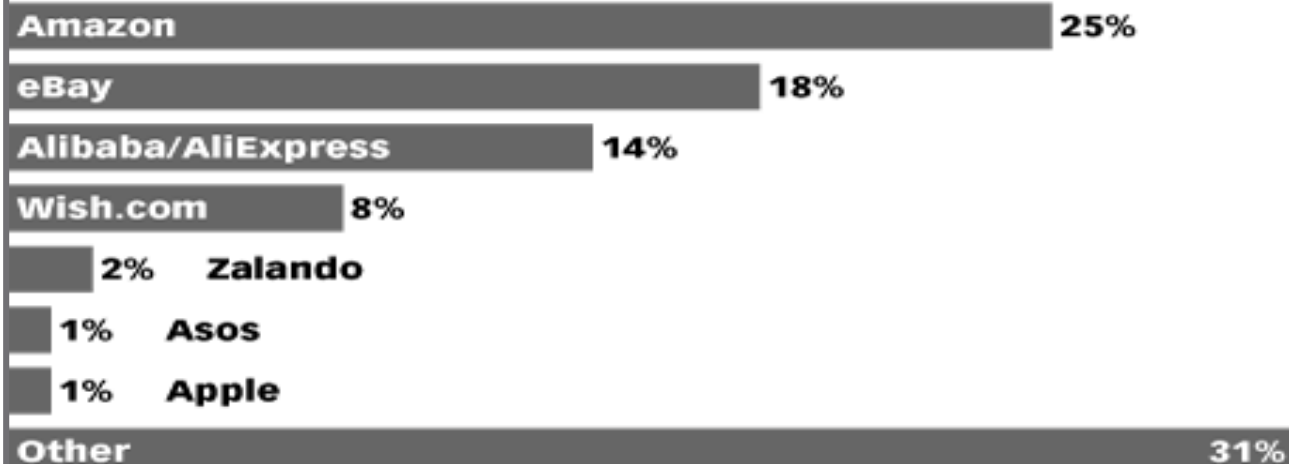
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Digital Retailer from Which Cross-Border Digital Buyers Worldwide Made Their Most Recent Cross-Border Digital Purchase, Oct 2017

% of respondents



Note: ages 16+ who have digitally purchased goods in the past 3 months and made a cross-border digital purchase in the past year

Source: International Post Corporation, "Cross-Border E-Commerce Shopper Survey 2017," Jan 31, 2018

235198

www.eMarketer.com



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E-Commerce Statistics

- According to Forrester, in Q4 of 2017, U.S. e-commerce sales will rise by 9.3% annually over the next five years to \$523 billion.
- CBRE published a recent report noting that e-commerce requires three times as much space as other warehouse uses.
 - Every \$1 billion in new e-commerce sales requires 1.25 million sq. ft. of additional space.
 - Given the forecast for growth, this translates to demand for 80 million sq. ft. of new warehouse space by 2020.



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E-commerce Impact on Industrial

- 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 – THIS IS THE DEFINITION OF “LAST MILE URBAN”

Tompkins, April, 2016



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E-commerce Impact on Ocean Supply Chains

- In both LA, NY/NJ and Miami, “transload” operators are doubling as “close-in” Fulfillment Centers for super-fast delivery of imported retail merchandise straight off the docks.
- These “Transload Fulfillment Centers” are only now being seen in Port-Area highly urban markets. This concept is brand new (2017/2018)
- The traditional Transloader is being asked to “house” fast moving inventory instead of 100% of everything moving In and Out in 24 hour.



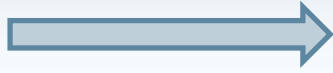
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1 *Import container is unloaded at Port of Los Angeles or Port of NY/NJ*



2 *Container is opened and goods staged at near-port warehouse location*

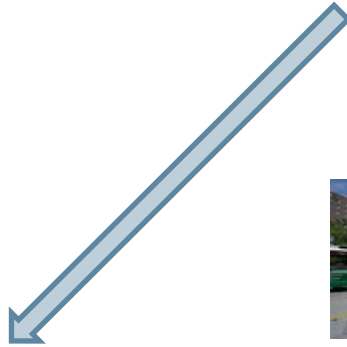


4 *E-Commerce Marketer Receives Order from Customer*

And

5 *Sends Message to Warehouse to Pick Order*

3 *Customer places online order*



6 *FedEx, UPS, Etc. Transports package directly to customer*

E-commerce Growth and Impact on Air Cargo Expansion

- Boeing noted that the growth in e-commerce trade driven by international online retail activity will drive the demand for 2,480 new freighters over the next twenty years.
- DHL indicates positive year-over-year growth of 25% with over 65 billion pieces of cross-border international units shipped in 2016. (DC Velocity January 2018)
- Pitney Bowes and market researcher eMarketer predict global volumes will rise between 17 and 18 percent per year from 2017 to 2021.



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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



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E-commerce's Effect on Air Cargo Growth

- 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

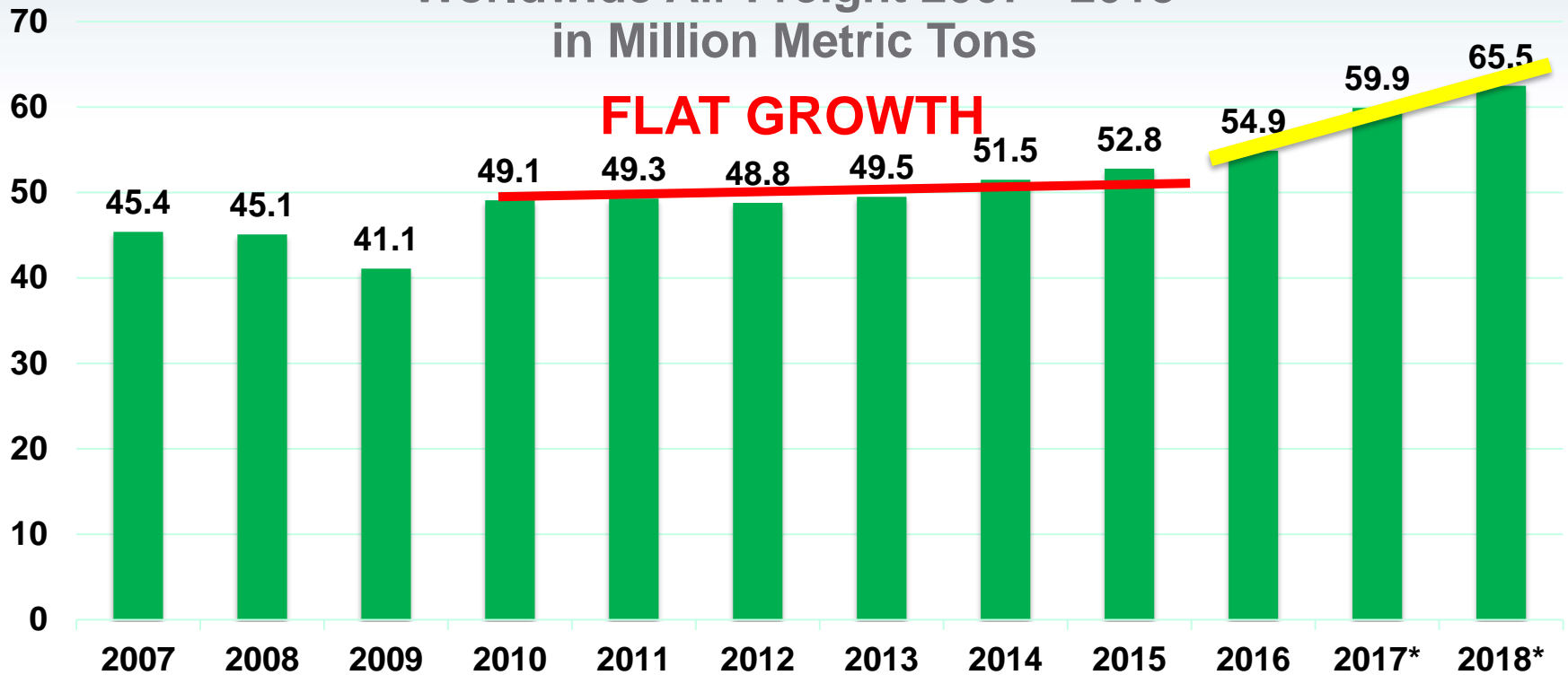


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Worldwide Air Freight 2007 - 2018 in Million Metric Tons



Source Data: IATA



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E-commerce's Effect on Air Cargo Growth

The challenge is in finding a location:

- With less congestion
- With mature transportation
- That has a reach to population
- Where high-volume single-package transactions can be processed for automated expedited processing and delivery
- Most Ready, likely Airports for this?

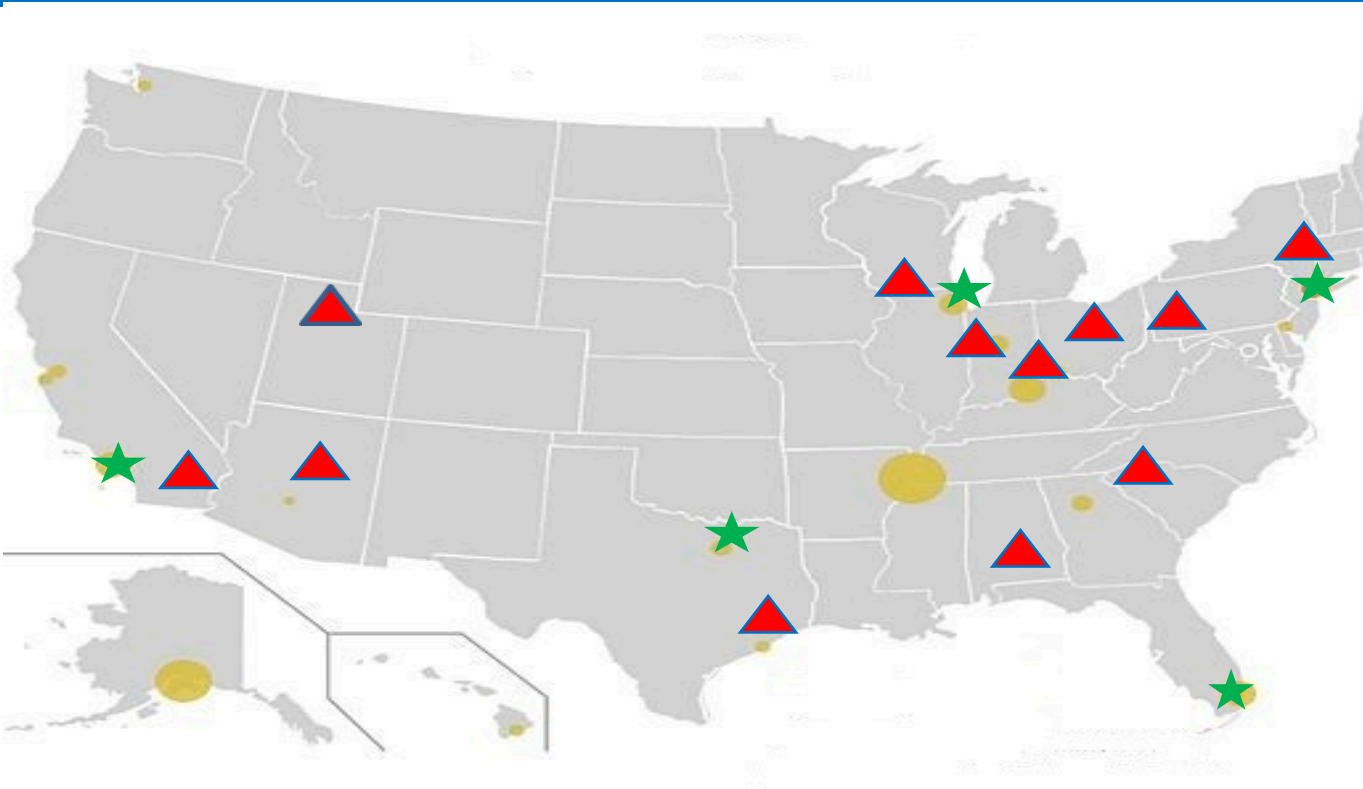


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Alternative Gateway Options for Cargo Growth



- Chicago Rockford International Airport (RFD)
- Rickenbacker International (LCK)
- Indianapolis, IN (IND)
- Pittsburgh, PA (PIT)
- Cincinnati, OH (CVG)
- Greenville, SC (GSP)
- Huntsville, AL (HSV)
- Philadelphia, PA (PHL)
- Mesa Gateway (AZA)
- March AFB, CA
- Houston (IAH)
- Stewart INTL



3PL Perspectives

Jamie Overley



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East Coast Warehouse Overview

- Comprehensive third party refrigerated logistics provider in business for more than 60 years
- Integral component of customers' global and domestic supply chains
- Vast majority of customers use our full suite of services to achieve an uninterrupted, end-to-end cold chain logistics solution
- We offer:
 - Refrigerated and ambient warehousing
 - Transportation services via Safeway Logistics
 - Pier/Intermodal
 - Centralized Examination Station (CES)



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Goal

- Offer and execute a real-time, end-to-end integrated cold chain service that:
 - Provides complete product visibility
 - Optimizes product life cycle
 - Reduces cost and allocated capital
 - Allows for maximum flexibility
 - Exceeds customer expectations



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Trends

- Agility, visibility, flexibility, collaboration and consolidation of the supply chain
 - Operational excellence no longer a differentiator, but a requirement
- Supply chain is demanding its partners be a one-stop solution to positively influence speed to market
- “New Normal” – including container bunching, smaller order quantities, less predictability, increased speed to customer and maximum flexibility
- E-commerce sales continues to grow
 - Sales for Q1 2018 were \$123.7 billion
 - Online shopping grew by 16.4% from Q1 2017
- Technology integration with the supply chain – visibility, forecasting and scheduling
- Warehouse space in dense markets is tight, driven by big box retailer growth
- 3PL operating margins have eroded by 2-3% over the last 10 years



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Challenges

- Port productivity
 - Larger ships
 - Infrastructure
 - Congestion
- Transportation
 - Capacity
 - Infrastructure
 - Manufacturers trying to take more control of transportation responsibilities
- Equipment availability
- Smaller order quantities driving less inventory



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Keys to Success

- Forecast, plan, collaborate, communicate and test with a view towards maximum flexibility
 - Supply chain collaboration
 - Technology integration
 - Visibility, systems and processes in place to manage what's coming in and going out of the warehouse
 - Drayage capacity
- Vendor and supply chain partner accountability
 - KPIs
 - Incentives and rewards



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Keys to Success

- Choose the “right” partners
 - Strong desire to continuously improve
 - Innovative technology now with an opportunistic view of the future
 - Adequate capital to meet the evolving requirements of the supply chain
 - Value oriented vs. cost view
 - Location and facilities
 - Size and critical mass
 - Demonstrated experience
 - Consistent long-term strategy goals



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The Last Mile

William Waxman



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First Mile, Mid-Mile and Last Mile



“Nobody is talking about the Mid-Mile”



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The Last Mile



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Last Mile Locations in the Tri-State

- NYC/borough locations
- Nowhere to go but up
- Hub & spoke
- North of Exit 10 is ideal
- Trending further south & west
- Demand continues to outpace supply
- Upward pricing



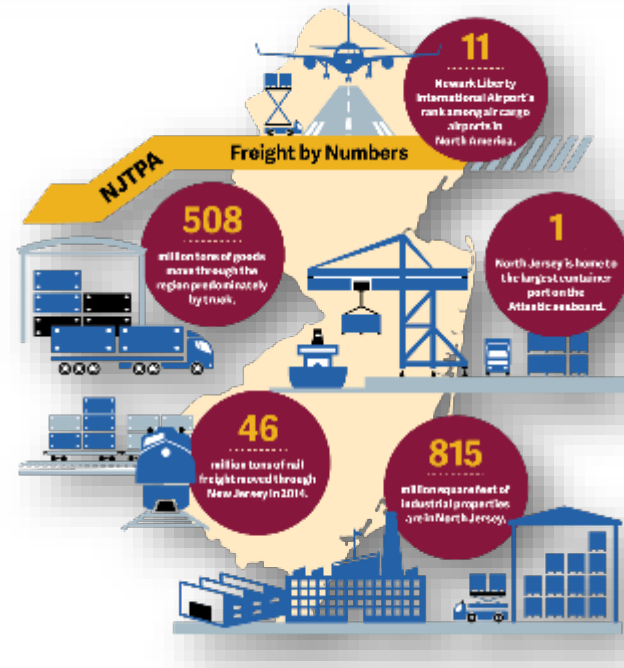
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New Jersey is the Supply Chain State

- Over 450,000 workers employed in transportation, logistics and distribution in New Jersey.
- Over 1 billion SF of industrial space in NJ
- 815 million SF of industrial space in NJTPA area, with over 13 million under construction.
- Largest Port on the East Coast – 6.7 million TEUs in 2017.
- Robust Rail Freight Network – 2 Class Is, Conrail, shortlines.
- Extensive Roadway Network



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The Growing Port Industry

- In 2016, the region's maritime facilities handled:
 - Nearly 6.3 million twenty-foot equivalent containers (TEUs).
 - Close to 663,000 vehicles.
 - Nearly 47.4 tons of bulk cargo.
 - Nearly 140,000 tons of breakbulk cargo.
 - 260 cruise vessels.
- In 2017:
 - Bayonne Bridge Clearance Project completed.
 - Post-Panamax vessels immediately start calling.
 - Over 6.7 million TEUs handled.
 - 32% market share of the East Coast and 15.4% of the US market



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Lease Comparisons - Then & Now

Past Industrial Leases



**114 Seaview Drive
Secaucus, NJ**
Trans Date: 11/7/07
Bldg Size: 280,706
Lease Rate: \$6.50



**111 Port Jersey Blvd
Jersey City, NJ**
Trans Date: 2/1/12
Bldg Size: 91,402
Lease Rate: \$5.50



**1500 Rahway Avenue
Avenel, NJ**
Trans Date: 1/1/11
Bldg Size: 137,641
Lease Rate: \$5.50



**340 Middlesex Center Blvd
South Brunswick, NJ**
Trans Date: 1/23/18
Bldg Size: 1,351,200
Lease Rate: \$3.65

Recent Industrial Leases



**114 Seaview Drive
Secaucus, NJ**
Trans Date: 4/20/18
Bldg Size: 280,706
Lease Rate: \$10.50



**111 Port Jersey Blvd
Jersey City, NJ**
Trans Date: 4/1/17
Bldg Size: 91,402
Lease Rate: \$6.50



**1500 Rahway Avenue
Avenel, NJ**
Trans Date: 1/1/18
Bldg Size: 137,641
Lease Rate: \$7.45



**340 Middlesex Center Blvd
South Brunswick, NJ**
Trans Date: 1/23/18
Bldg Size: 1,351,200
Lease Rate: \$5.80



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What is this New Term “Bunching”?



Questions

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