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Industrial market trends: Cold storage, repurposing, and last mile - by Parker Snyder

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The industrial market is rapidly evolving as the logistics sector reacts to the effects of COVID-19 and changes in consumer behavior. Speculative cold storage development, last mile facility construction, and repurposing of existing real estate assets from commercial to industrial are among major market trends resulting from changing consumer demands. In this article, we'll explore these trends.

As consumer preferences trend toward online grocery and the number of perishable items moving through the supply chain increases, the demand for cold storage capacity in the U.S. continues to rise. In addition, the need for freezer and cooler space for COVID-19 vaccine and other pharmaceutical products has caused even greater demand in recent months. Despite the challenges, by outfitting traditional warehouses with upgraded features to support temperature-controlled space, speculative development is becoming an advantageous way for investors to capitalize on the rapidly growing demand for cold storage facilities. Furthermore, these upgrades do not have to break the bank. By choosing to add incremental costs into a speculative build, developers can create a facility with the potential for higher return and increased marketability to a broader range of clientele.

Similarly, consumer expectations are driving competition for last mile delivery space among online and traditional retailers. Amazon has historically and continues to set the standard in expedited delivery with their two-day Prime service. Recently, however, an increasing number of retailers have begun offering same-day delivery and pickup options, increasing demand for similar services across the board. As both traditional and online retailers continue to find ways to meet customers' quick turnaround expectations, previously undesirable sites have become viable options for development, making partnering with an experienced contractor like ARCO National, to address upfront issues, essential. Additionally, in the past, online retailers could operate outside of suburban areas and comfortably outperform the competition when it came to delivery. Now, that is less often the case. Constructing warehouses in neighborhoods long populated with car dealerships, restaurants,

shopping malls, and big box stores in order to get as close to large population centers as possible is becoming a necessary competitive advantage.

The repurposing of existing real estate assets may be one way for developers and owners to address the significant growth in demand for industrial distribution space. While it is an uncommon solution compared to traditional industrial development and construction, commercial-to-industrial property conversions have happened across the U.S. Abandoned retail properties are enticing to developers and owners looking for warehouse space for numerous reasons, the most prominent being location. These sites are typically located within population centers and near transportation infrastructure like major highways, making them logistically ideal. Retail structures, especially stand-alone facilities, may also boast features that are compatible with industrial use including multiple dock doors, abundant parking, and elevated clear height. For structures with poor reconfigurability but prime location, demolition and construction of a ground-up facility can offer the best of both worlds.

As increased competition and consumer behavior changes continue to drive demand for industrial space, construction is becoming increasingly more challenging. ARCO's extensive preconstruction services address challenges from the earliest stages of a project. ARCO performs extensive analysis on all site considerations and works directly with the architect to ensure feasibility and design efficiency. This allows for decisions to be made with full knowledge of their impact on schedule and scope. ARCO's unique design-build approach yields an average overall delivery speed 33% faster than that of traditional plan-and-spec construction and can help cut down on the longer than average time frame a last mile or cold storage facility project may present.

From cold storage distribution to large-scale e-commerce to retail conversions, ARCO has the experience and expertise needed to help developers succeed in the industrial market. ARCO is recognized by Engineering News-Record as the #1 largest domestic builder of distribution and warehouse facilities in the United States, having built 47.4 million s/f worth \$1.7 billion of industrial space for clients nationwide in 2020 alone. With an office in the Greater Boston area, ARCO looks forward to successfully helping clients build their dream industrial facilities right here in New England.

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