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Five facts about construction in the fight for last-mile delivery service - by Parker Snyder

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As e-commerce continues to grow at a staggering rate, the demand for logistics real estate has followed suit. Retailers are seeking opportunities to add regional and last-mile distribution facilities into their supply chain but face low vacancy rates and stiff competition for premium locations. Partnering with the most qualified design-builder will be critical to successfully addressing complexities that can be present when proximity is of utmost importance. ARCO is expertly capable of solving our customers' most demanding challenges from zero lot lines and brownfield remediation to reconfiguration of existing facilities including, less traditional options like retail.

Challenging sites are the new norm

From a spike in online sales to same-day delivery expectations, consumer preferences have made site selection more important than ever before.

Over the past decade, consumer shopping patterns have made a substantial shift from brick-and-mortar stores to favoring online platforms. This already fast-growth industry has been bolstered dramatically in the past year due to the COVID-19 pandemic and its effect on buying behavior. In addition to the increase in online purchases, the demand for same-day delivery is also on the rise.

This new normal might be good for online business, but it presents a unique challenge in the realm of logistics. Prologis estimates that e-commerce requires three times the space that traditional distribution does – space that is not always easy to come by, especially in land-constrained markets near population centers where last-mile facilities are needed.

As traditional and online retailers continue to find ways to meet customers' quick turnaround expectations, the demand for last-mile facility space will continue to rise, and previously undesirable sites will become in high demand.

Competition for prime locations continues to rise

As one of the largest industrial builders in the U.S., ARCO has supported the needs of major e-commerce players since the rise of online shopping. Each year, our customer base seeking to improve their delivery infrastructure has increased and never more than throughout the past year.

In the past, online retailers could operate outside of suburban areas and comfortably outperform the competition regarding delivery. With same-day delivery and pickup options the new norm, now, that is not the case. Constructing warehouses in neighborhoods long populated with car dealerships, fast food joints, shopping malls, and big-box stores in order to get as close to large populations centers as possible is becoming increasingly necessary. The repurposing of existing retail space may be one way for developers and owners to address the significant growth in demand for industrial distribution space.

Traditional retail may have a role to play

Abandoned brick and mortar retail facilities have been considered by developers and owners searching for last-mile industrial space due to enticing locations and large footprints.

While it is an uncommon solution compared to traditional industrial development and construction, a number of retail-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 most prominent being location. These sites are usually located within population centers and near transportation infrastructure like major highways, making them logistically ideal. Many retail structures, especially stand-alone facilities, also boast features that seem compatible with industrial use, including multiple dock doors, abundant parking, and 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.

Repurposing a facility may sound like a workable solution for developers faced with vacant property, but converting retail space to industrial is highly complicated and most often cost-prohibitive. In all circumstances, evaluation of retail to industrial conversions requires a highly experienced and skilled contractor.

Developers interested in retail to industrial conversions should consider the following:

While existing facilities may already have some industrial features, significant changes will have to be made to most of these structures to equip them for use as a warehouse.

Designing an industrial facility within the confines of the existing property will require creative solutions, innovative construction techniques, and an expert understanding of potential complications in the structure and site.

A retail property's ideal location also comes at the price of zoning constraints which will need to be changed from retail to industrial, a shift municipalities may be hesitant to make due to community backlash or rezoning complexities.

While the challenges of retail to warehouse conversions are sizable, they can be overcome with the right team.

Challenge must be addressed in the upfront

Last-mile facility construction requires an experienced contractor to address complicated sites, accelerated schedules, and municipal hurdles.

As consumer trends and increased competition continue to drive demand for last-mile space, construction is becoming increasingly more challenging. Because ideal last-mile facilities are typically located in areas not conducive to industrial development, understanding a site's potential complications is imperative. Additionally, when it comes to last-mile facility construction, time is a valuable and limited resource, as retailers are looking to build out their infrastructure quickly, making accelerated schedules a requirement. Exceptionally long permitting processes, unusual code requirements, and sites with bad soils are just a few challenges that, if not addressed upfront, can cause detrimental schedule and budget issues.

While the challenges associated with last-mile facility construction can seem overwhelming, they can be overcome by partnering with a contractor that is actively engaged throughout the design and earliest stages of a project. In order to be successful, a contractor must perform comprehensive due diligence in the schematic phase and have the experience and expertise to present alternative solutions that address the big problems that could otherwise delay or even derail a last-mile project.

Choosing the right design-build partner is critical to success

ARCO is expertly capable of solving the most challenging problems our customers face, from methane gas mitigation on a former landfill to a million s/f built throughout winter in just 11 months.

When it comes to last-mile facility construction, partnering with the right contractor can make all the difference. ARCO is uniquely capable of providing solutions to challenging last-mile projects from brownfield site development to retail-to-warehouse conversions and everything inbetween.

ARCO's extensive preconstruction services address challenges associated with last-mile facility construction from the beginning. At no cost to our customers, we perform comprehensive analysis on all site considerations, including zoning restrictions, infrastructure, utilities, and overall suitability for development to help empower clients to select the best possible location for their facility.

With more than 175 million s/f of industrial construction under our belt, ARCO's industry knowledge and expertise allows us to provide creative solutions and alternatives to make even the most complicated last-mile facility projects feasible, ensuring each facility is delivered on time and on budget. Our unique design-build approach means that we work directly with the architect to ensure feasibility and design efficiency, and all decisions can be made with full knowledge of their impact on cost and schedule. This comprehensive approach yields an average overall delivery speed 33% faster than that of traditional plan-and-spec construction. It can help cut down the longer-than-average time frame a last-mile facility project may present.

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