

BISNOW CONTENT PARTNER:

SIOR
 www.sior.com
 membership@sior.com
 202.449.8200

The Rise Of Urban Last-Mile Logistics Brings Warehouse Renovations And Higher Rents

October 19, 2017 | SIOR | Travis Gonzalez, Writer



To reach consumers with next-day and same-day delivery, **e-commerce** players have turned to urban infill industrial space to get closer to their demographics. But the urban **last-mile** facility is not the same as the traditional fulfillment center outside of city limits. Smaller floor plates, high rents and **competition for space across multiple asset classes** are some of the challenges both e-retailers and industrial owners face.

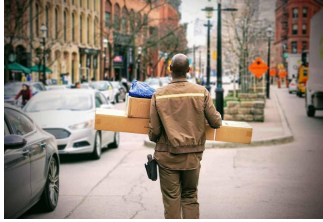
A disconnect has formed between brokers' perception of what constitutes an urban last-mile facility and the reality of the inventory available. **SIOR** member and **Venture One Real Estate** principal **Roy Splansky** hopes that misperception will be addressed at the **2017 SIOR Fall World Conference** in Chicago later this month.

“It is a big buzzword: last mile,” Splansky said. “We hear it all the time but a lot of people don’t know what that actually is. It’s different than the large warehouses we have seen on the side of the highway, where we are seeing three levels of mezzanine with miles and miles of conveyor belts.”

In a shrinking **industrial real estate** market like Chicago, where vacancy rates **remained tight at 6.2% in Q2**, last-mile users have taken advantage of older warehouse stock. Urban distribution centers focus on fast delivery rather than maintaining high levels of inventory. High ceiling heights and conveyor belts are less necessary.

“They don’t necessarily need huge modern facilities but they need a lot of parking for trucks and employees,” Splansky said. “That’s hard to find in an **urban industrial corridor**”

Venture One recently redeveloped an old grocery facility into a modern logistics warehouse. Renovations included converting 20K SF of truck court, an exterior area adjacent to an industrial building's loading docks where trucks maneuver, into an exterior dock for delivery. The size of the land parcel also allowed for greater parking capacity.



For industrial owners, renovating old spaces creates an opportunity to avoid the prohibitive price of land while generating rent growth.

“There is marginal value in those improvements, so you can't really tear them down,” SIOR member and Klein Commercial Real Estate President James Klein said. “The improvements are worth more to owners than the land value, so you try to return them to their original quality.”

Klein focuses on the central Los Angeles industrial market. **The high price for urban infill space** in the market also has some last-mile users looking at warehouse sharing. Technology has facilitated sharing, allowing users to monitor and secure space.

Sharing space presents another rent growth opportunity for industrial owners, Klein said. Tenants are more willing to pay for a temporary space that can adapt to use across high-volume periods, like holiday shopping seasons.

“Some e-commerce players use their warehouses much like they use computer servers,” Klein said. “They figure out what the best space is, what the most valuable space is, and they time it so it is more seasonal. And that's the revolution that is coming. You can monetize your warehouses and get more rents by sharing it with different tenants than you can just by getting one tenant.”

The practice does not come without its challenges. Unlike an office share, where infrastructure could be limited to a phone and a computer, last-mile tenants need security to ensure products are not stolen.

WiFi remains an obstacle to greater adoption of the practice, Klein said. In Los Angeles' industrial market, internet coverage remains spotty. While it is available to run sensors and security cameras, the network is not robust enough to support the sophisticated space monitoring needed to support warehouse sharing.

Like educating brokers on what an urban last-mile facility could look like, perception and awareness is also a problem on the road to warehouse sharing's popularity.

“Your average mom-and-pop who owns a 50K SF warehouse in LA, they don't have the interest or know it's a possibility yet,” Klein said.

To learn more about this *Bisnow* content partner, click [here](#).

See Also: [Reverse Logistics: The Hidden Cost Of E-Commerce](#)

Related Topics: [Roy Splansky](#), [SIOR](#), [Sharing economy](#), [urban infills](#), [industrial rent growth](#), [last mile warehouses](#), [industrial trends](#), [last-mile](#), [James Klein](#), [warehouse sharing](#)

MORE ABOUT OUR SPONSOR |

The SOCIETY OF INDUSTRIAL AND OFFICE REALTORS® is the leading professional office and industrial real estate association. • SIOR has just under 3,100 members in more than 630 cities in 34 countries. • SIOR represents today's most knowledgeable, experienced, and successful commercial real estate brokerage specialists. • Real estate professionals who have earned the SIOR designation are recognized by corporate real estate executives, commercial real estate brokers, agents, lenders, and other real estate professionals as the most capable and experienced brokerage practitioners in any market. • SIOR designees can hold the following specialty designations: industrial, office, sales manager, executive manager, or advisory service. • SIOR also includes associate members who include corporate executives, developers, educators, and other involved in the commercial real estate industry.