

# PHILADELPHIA DELIVERS



**A HUB FOR LOGISTICS & DISTRIBUTION**

# HOW PHILADELPHIA

# STACKS UP

## Location. Access. Workforce. Sites.

Philadelphia has it all—from its location in the middle of the Northeast Corridor, to its superior access to consumers and workers, the city offers a unique opportunity for build-to-suit development and industrial investors alike.

METROPOLITAN POPULATION OF

**6.1M**



The Greater Philadelphia region produces more than **\$410 billion in GDP** annually, equivalent to the 8th largest economy in the U.S.<sup>1</sup>

REGIONAL WORKFORCE OF

**2.9M**



Philadelphia is at the center of a strong & growing consumer market with access to a **deep labor pool**

SITES CAN SUPPORT OVER

**14M**

SQ FT OF NEW BUILT  
INDUSTRIAL SPACE



Philadelphia has **abundant land** that can accommodate the changing footprint of distribution needs

## EXECUTIVE SUMMARY

As consumers demand faster deliveries and extend their use of e-commerce to time-sensitive items such as groceries and prepared meals, the importance of locating distribution facilities in densely populated cities such as Philadelphia becomes paramount.

Philadelphia's **proximity to consumers, deep labor pool, extensive transportation network, and strong commitment to growth** offer businesses, developers, and investors a compelling opportunity in the commercial distribution sector.

Our advantages as a last-mile e-commerce distribution location are augmented by an expanding presence as a key location for logistics, distribution, and value-added processing related to convenience items, including food and beverages, time-sensitive deliveries, and specialty high-value commodities such as pharmaceuticals, medical supplies, and refrigerated goods.

Philadelphia's industrial land has the range and flexibility to accommodate a range of processing and logistics functions. While increased development pressures have worn surrounding markets thin and tapped out shallow labor pools, **Philadelphia has the capacity to supply the logistics, distribution, and e-commerce sectors with quality real estate in a value-added location.**



Samuel & Son Seafood Photo Credit: Steve Legato

## ACKNOWLEDGEMENTS



# FUNDAMENTAL SHIFTS IN RETAIL DRIVE CHANGES IN INDUSTRIAL LAND USE

The fundamental change in how consumers use and relate to technology has transformed how consumers shop.

Since 2000, the volume of online sales originating in the US has **increased over 1500%**.<sup>2</sup> The US Census Bureau estimates that domestic online sales accounted for \$453 billion in 2017, approximately 9% of total American retail sales.<sup>3</sup> This sector is currently **growing 16% annually** and total online sales are **expected to double by 2021**, with the potential to reach **\$4.0 trillion** in global e-commerce sales in less than three years.<sup>4</sup>

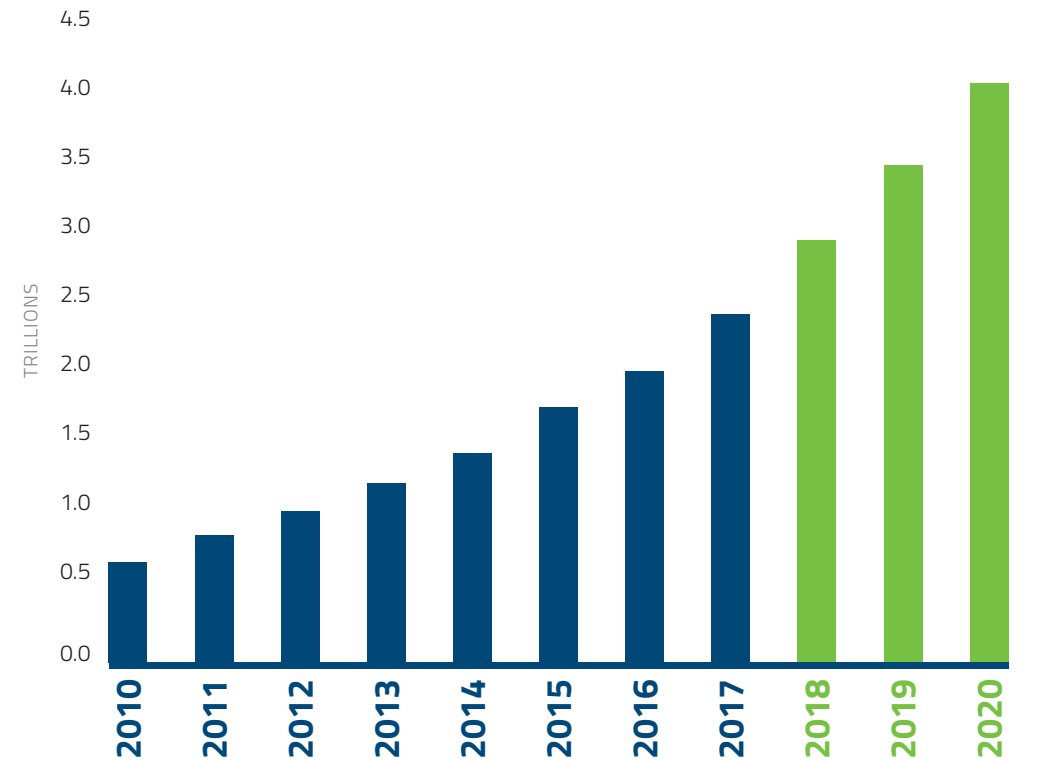


**TRILLION PROJECTED IN GLOBAL E-COMMERCE SALES BY 2021**

In addition to buying more goods online, consumers are expanding the types of goods they purchase online. Perishable foods and other household convenience items are driving this shift in e-commerce. Online grocery sales are predicted to capture 20% of total grocery retail by 2025 to reach \$100 billion in consumer sales, according to study by the Food Marketing Institute conducted by Nielsen.<sup>5</sup>

**Convenience is a key driver of success in e-commerce**, and consumers place a premium on a retailer's ability to provide expedited delivery, including the now-standard benefits of same day delivery, free shipping, and instant mobile app access. Many retailers consider expedited shipping a critical competitive factor and are pushing the limits to **reduce delivery times across the board**. As a result, e-commerce companies are investing in urban warehousing and distribution infrastructure that can accommodate increasing pressures on delivery performance.

## GLOBAL E-COMMERCE SALES



SOURCE: e-Marketer, Prologis Research



AmazonFresh marks a move by the logistics giant into the e-grocery sector. Photo Credit: The Honest Bison

# CHANGES IN LOGISTICS TO SUPPORT E-COMMERCE

Growth of e-commerce is revolutionizing the supporting logistics networks and driving last-mile investment in urban areas.

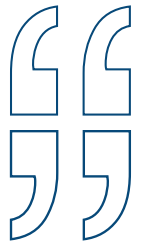
Over the last two years, not only has e-commerce become the most active industrial real estate sector, it has already significantly widened the gap between the next two active sectors, third party logistics and consumer non-durables.<sup>6</sup>



## A MAJOR SHIFT IN INDUSTRIAL REAL ESTATE

National retailers and third-party fulfillment companies have developed a network of large-scale warehouse and distribution facilities (over 1 million SF

in size) in rural and exurban locations across the country to accommodate the first wave of e-commerce growth. However, companies with **fast-moving, high-cost, and time-sensitive products** find that **geographic proximity to customers is more critical for success and look to locate within a 6- to 9-mile radius of urban centers.**<sup>7</sup> Specialized facilities featuring refrigeration, chain of custody, and clean production space are emerging to support the rapid growth of online groceries and e-commerce based meal preparation kits. The growth of e-commerce has also created a need for handling large volumes of returns, fostering new companies and facilities dedicated to supporting this function.



Supply chain departments are less focused on logistics-cost optimization and more focused on customer-value creation, especially with last mile distribution.

– David Egan, CBRE



## DEMAND FOR LABOR FORCE INCREASES

Traditional warehouses average one employee per 1,500-3,000 SF, while **e-commerce facilities average one employee per 700-1,000 SF.** These

e-commerce focused facilities can drive local demand for labor at a rate of two to three times that of traditional warehousing operations.<sup>8</sup> Fulfillment and distribution facilities in sparsely populated areas face the challenge of securing enough quality workers. Highly-populated urban markets, however, have **deep, reliable labor pools**, minimizing operational challenges related to staffing e-commerce facilities.



## SIGNIFICANT GROWTH IN LAST-MILE DISTRIBUTION CAPACITY

Companies are continually working to shorten delivery times and provide additional customer value, resulting in a growing category of “last-mile” distribution

facilities located near major population centers and designed to provide highly expedited delivery service. Service delivery factors now shape real estate decisions, as even minor incremental efficiencies can lead to big advantages in today’s ultra-competitive retail environment. Leading retailers are increasingly looking for smaller distribution facilities (50,000 SF to 350,000 SF) to satisfy last-mile fulfillment needs near dense metropolitan areas.



Developers of logistics & distribution facilities are going to greater lengths to secure access to dense markets. At Georgetown Crossing (pictured), Prologis is developing a multi-story center in a land-constrained market to meet last-mile demand. *Photo Credit: Prologis*

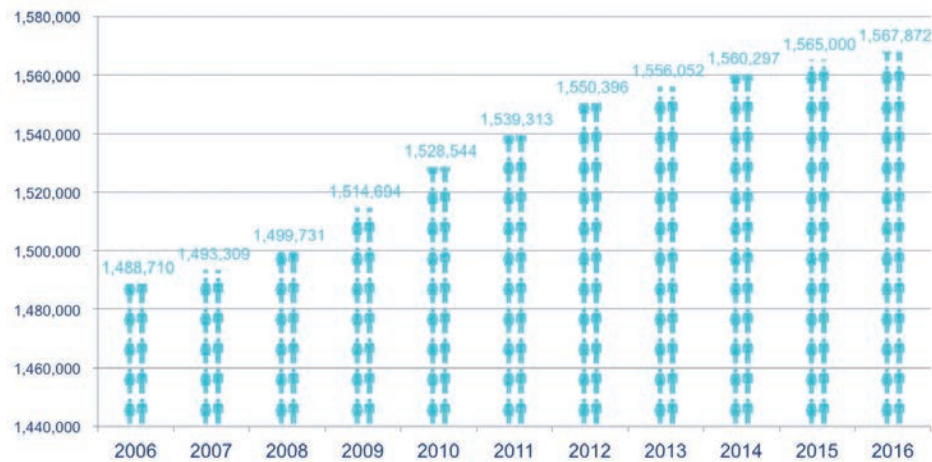
# EASY ACCESS TO CONSUMERS

## STRONG & GROWING LOCAL MARKET

Philadelphia is the **6th most populated city** in the United States and continues to grow, with population expected to increase by 4% over the next 10 years. This growth is fueled by a diverse mix of millennials, immigrants, and empty-nesters. The City itself features 11,500 persons per square mile<sup>9</sup>, making it the **3rd most densely populated city** in the US.

With millennials making up 30% of the city's population, Philadelphia has become a destination for young adults, ages 18-34. In fact, Philadelphia **led the nation in the growth rate of its millennial population share** from 2006 – 2014.<sup>10</sup> Millennials are driving the shift to online retail sales. The 18-34 age group is now making 54% of its purchases online, up from 51% last year and 5 points ahead of the 49% of online purchases made by non-Millennials.<sup>11</sup>

## PHILADELPHIA POPULATION GROWTH



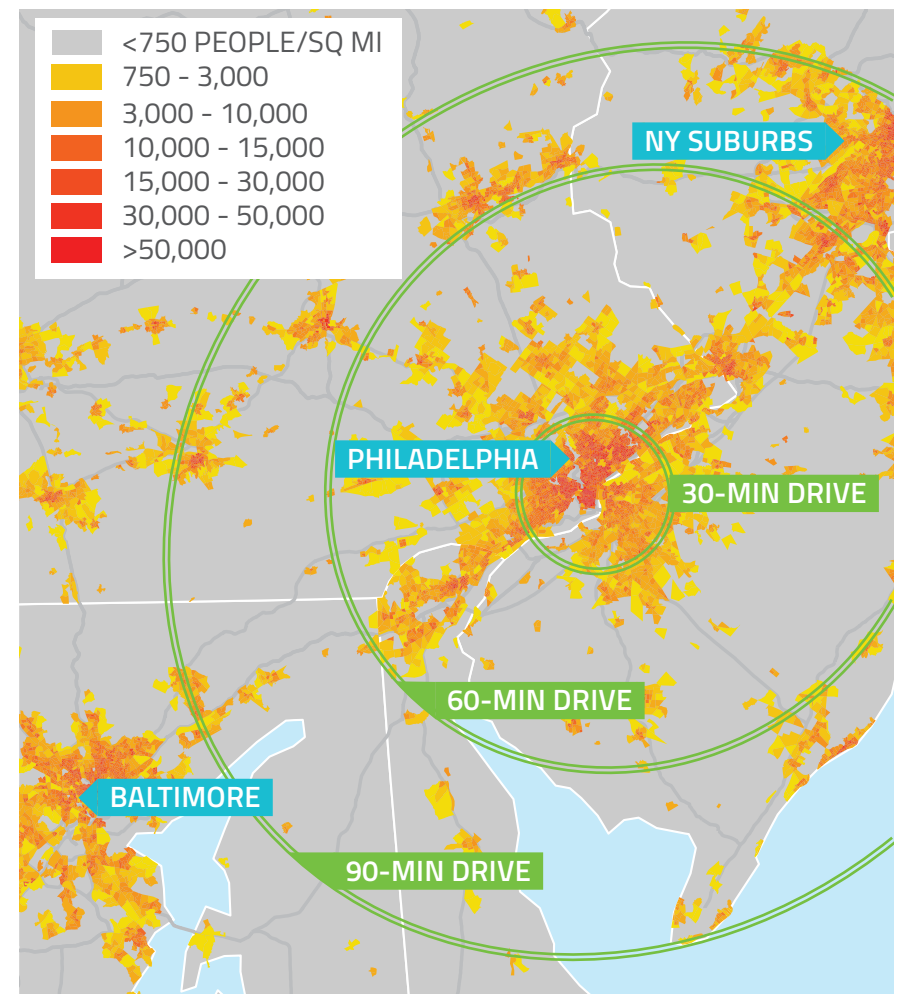
SOURCE: American Community Survey

## CONSUMER-RICH REGIONAL MARKET

Philadelphia is strategically located within the country's most densely populated region, with 46 million people living within a 200-mile radius. Almost half of the U.S. population is within a day's drive of Philadelphia. Combined income within this radius is \$1.46 trillion annually.<sup>12</sup>

## REGIONAL POPULATION DENSITY

Philadelphia is strategically located in the middle of the Northeast Corridor. Its metropolitan area is home to over **6 million residents**, who combine to earn **\$212B in income each year**.<sup>12</sup>

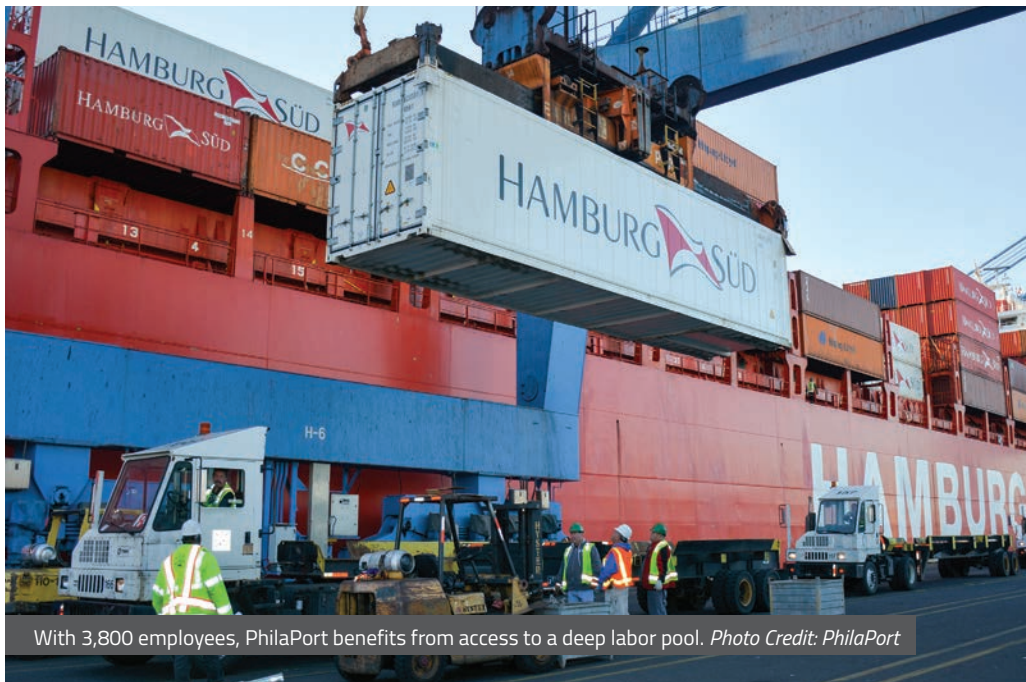


## DEEP & DIVERSE LABOR POOL

The City's deep labor pool enables direct retailers and third-party logistics firms to easily staff and maintain efficient, multi-shift operations.

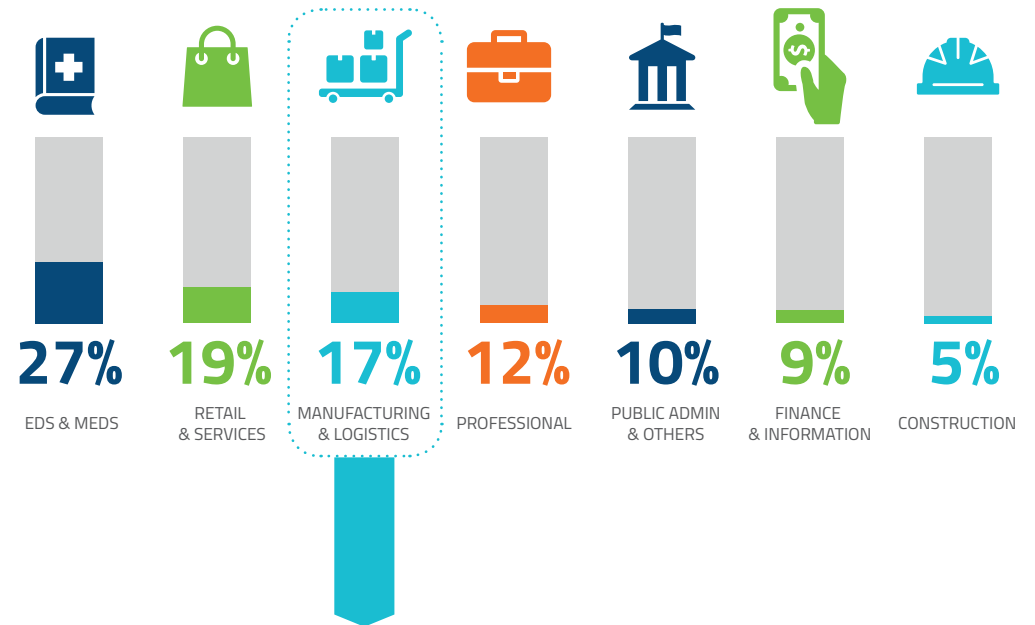
The Greater Philadelphia area boasts **2.9 million workers in the 11-county region and 650,000 in the city itself**.<sup>13</sup> Growing millennial and immigrant populations continue to expand the city's labor pool. Currently, **1 in 6 workers are employed in the industrial sector**. Philadelphia's strong industrial history and vibrant logistics sector ensure access to an experienced, skilled pool of warehouse and distribution employees.

The robust highway and public transit systems make workplaces easy to get to from every neighborhood in the city and suburbs. The city's regional transit system has an average weekday ridership of approximately 1.1 million. In addition to transit, expanding bicycle and pedestrian infrastructure has eased congestion by reducing the number of commuters who rely on cars. Philadelphia is ranked among the top five in the country for walkability and bikeability.



With 3,800 employees, PhilaPort benefits from access to a deep labor pool. *Photo Credit: PhilaPort*

## WORKFORCE BY INDUSTRY SECTOR



ALMOST HALF A MILLION WORKERS ACROSS THE REGION ARE IN NON-CONSTRUCTION INDUSTRIAL OCCUPATIONS. THERE ARE OVER 100,000 EMPLOYEES WORKING WITHIN THE CITY OF PHILADELPHIA.

## STRATEGIC GEOGRAPHIC LOCATION

Philadelphia is strategically located in the northeast between New York and Washington DC. A transatlantic hub for the world's largest airline carrier American Airlines, Philadelphia also expands global accessibility, making it easier to reach customers, partners, and future employees.

Our geographic position holds the significant advantage of multimodal transportation for e-commerce logistics and distribution as well as incredible access to all the major population centers of the northeast.

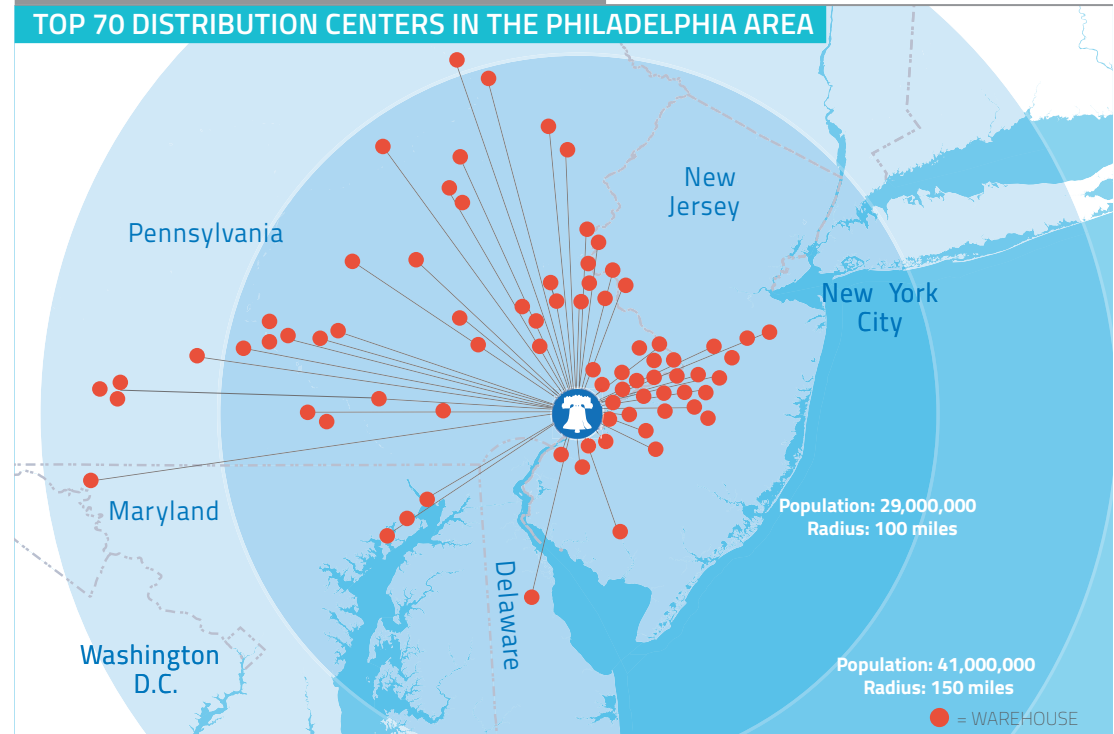
50 major distribution and warehouse facilities are already located within 75 miles of the city. Philadelphia's long history of manufacturing and distribution makes it a logical place for e-commerce fulfillment operations.

"Philadelphia's location offers connections to dense consumer markets that are unmatched and affordable. Whether it is by air, sea, or rail, Philadelphia is centrally located to national and international customers, particularly on the East Coast and in Europe."

- John Grady, PIDC

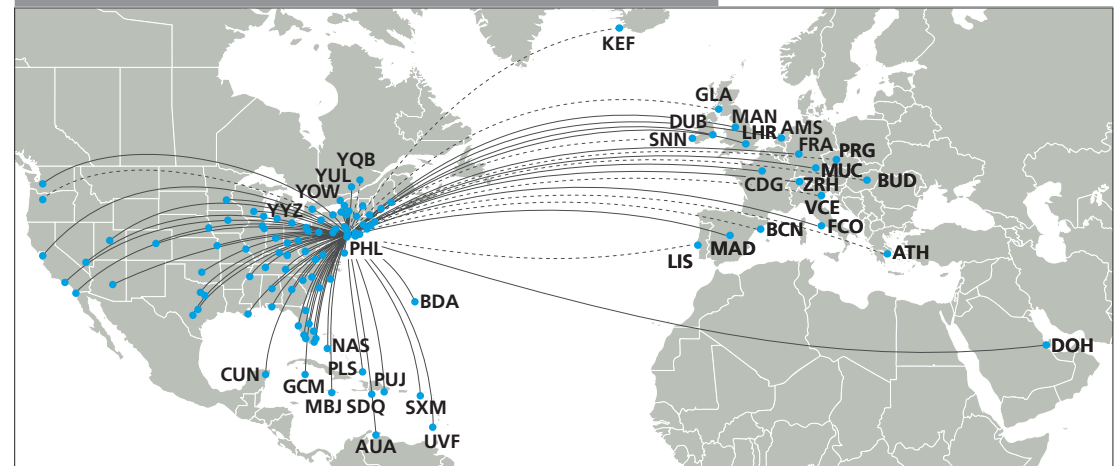
### REGIONAL WAREHOUSE ACCESS

#### TOP 70 DISTRIBUTION CENTERS IN THE PHILADELPHIA AREA



SOURCE: PhilaPort

### INTERNATIONAL CONNECTIVITY BY AIR



SOURCE: Philadelphia International Airport



## SUPERIOR TRANSPORTATION ASSETS

Access provided by Philadelphia's transportation infrastructure is unparalleled among U.S. cities, with robust passenger and freight rail, air, shipping and ground transportation systems radiating out from the middle of the dense Northeast corridor.

Connections are direct and cost-effective. Interstates 95, 76, and the Pennsylvania and New Jersey Turnpikes, provide access from all points on the compass to population-dense metros and top distribution centers on the East Coast. **Two Class I railroads and freight services** provided by CSX, Norfolk Southern, and Canadian Pacific link to major markets in the Midwest, South and Southeast, as well as Canada.

Standard and **specialty air cargo services**, as well as inbound and outbound passenger flights, are provided by Philadelphia International Airport (PHL). Specialty cargo, including **temperature-sensitive, regulated, and high-value products**, are efficiently handled at dedicated facilities, such as American Airlines' state-of-the-art refrigerated warehouse and logistics hub. PHL is the overnight small package center for the entire 5,000-square mile metropolitan area, as well as a major cargo hub for UPS, which can handle up to 95,000 packages per hour, with same day service to the eastern US and Western Europe.<sup>14</sup> Additionally, **PHL is poised to grow**—its recent purchase of 135 acres of adjacent land in Feb 2018 is unheard of for urban airports, giving it a unique opportunity to expand its logistics operation.

The Delaware River ports are the **largest importer of perishable products in the country** with facilities, logistics services, and expertise second to none.<sup>15</sup> PhilaPort owns more than 1,000 acres of land and 17 terminal and warehouse facilities in Philadelphia's port district, including the **region's largest container facility** that attracts many of the top ocean carriers in the world. The port can accommodate most of **the largest vessels in the world with a 45-foot depth** and PhilaPort is in the midst of a \$300 million investment in new technologies, infrastructure and facilities that will double cargo handling capacity at its terminals.



## LOGISTICS EXPERTISE



## MARKET & REAL ESTATE OPPORTUNITIES

New and expanding market segments in Philadelphia focus in e-commerce, healthcare/medical/pharmaceutical, and food & beverage. The city offers significant opportunities in last mile distribution, high-touch fulfillment and e-commerce return processing centers, and cold storage and specialty facilities.

### COLD STORAGE & FOOD DISTRIBUTION

For more than 100 years, Philadelphia has been a hub for East Coast food processing and distribution. The Port of Philadelphia has long specialized in the importation of perishable and USDA-regulated cargo, including fresh fruit, premium meats, and cocoa beans. The 686,000 SF Philadelphia Wholesale Produce Market, built in 2011, is the largest fully-enclosed, fully-refrigerated produce distribution terminal in the world.<sup>16</sup>

Companies like Dietz & Watson and Samuels & Son Seafood have successfully leveraged Philadelphia's strategic East Coast location to service customers locally and regionally, including NYC, Baltimore, and DC. A network of food inspection services, cold-storage facilities, and wholesale food and beverage distribution is already in place as part of the established hub here. This system enables e-commerce businesses, such as online groceries and prepared meal kits, as well as third party food logistics companies to hit the ground running.

### EXISTING BUILDING INVENTORY

The city is able to support outbound logistics operations, as well as inbound ones. Philadelphia provides opportunities in cost-effective locations for the low-margin 'reverse-logistics' sector with its existing supply of small- and mid-sized of Class B industrial buildings that can be quickly modified for this use. E-commerce returns facilities are currently an exploding industry as at least 30% of all products ordered online are returned compared to 8.9% in brick-and-mortar stores.<sup>17</sup>

### LAST MILE DISTRIBUTION

Philadelphia's dense consumer base, close proximity to other major population centers, and extensive transportation networks enable retailers to accelerate delivery times and add value to the customer. A diverse array of real estate options have the capacity to support fulfillment centers, last-mile distribution hubs, and return processing facilities ranging from 100,000 SF to 500,000+ SF.

### MEDICAL AND HIGH-VALUE SPECIALTY

Philadelphia features a world-renowned cluster of top medical institutions, advanced R&D programs, and cutting-edge medical technology, device, and pharmaceutical companies. Coupled with an established cold-storage network, capacity for temperature-sensitive transport by air and truck, and ability to reach major markets in the US, Canada, and Western Europe within hours, Philadelphia provides a superior location for medical and specialty product logistics.



RevZilla's new 65,000 sq ft e-commerce oriented warehouse, located in the Navy Yard. Photo Credit: PIDC

# PHILADELPHIA'S INDUSTRIAL REAL ESTATE MARKET

Philadelphia has nearly 1,300 acres of cleared, industrially-zoned land suited for logistics, distribution, and e-commerce development.

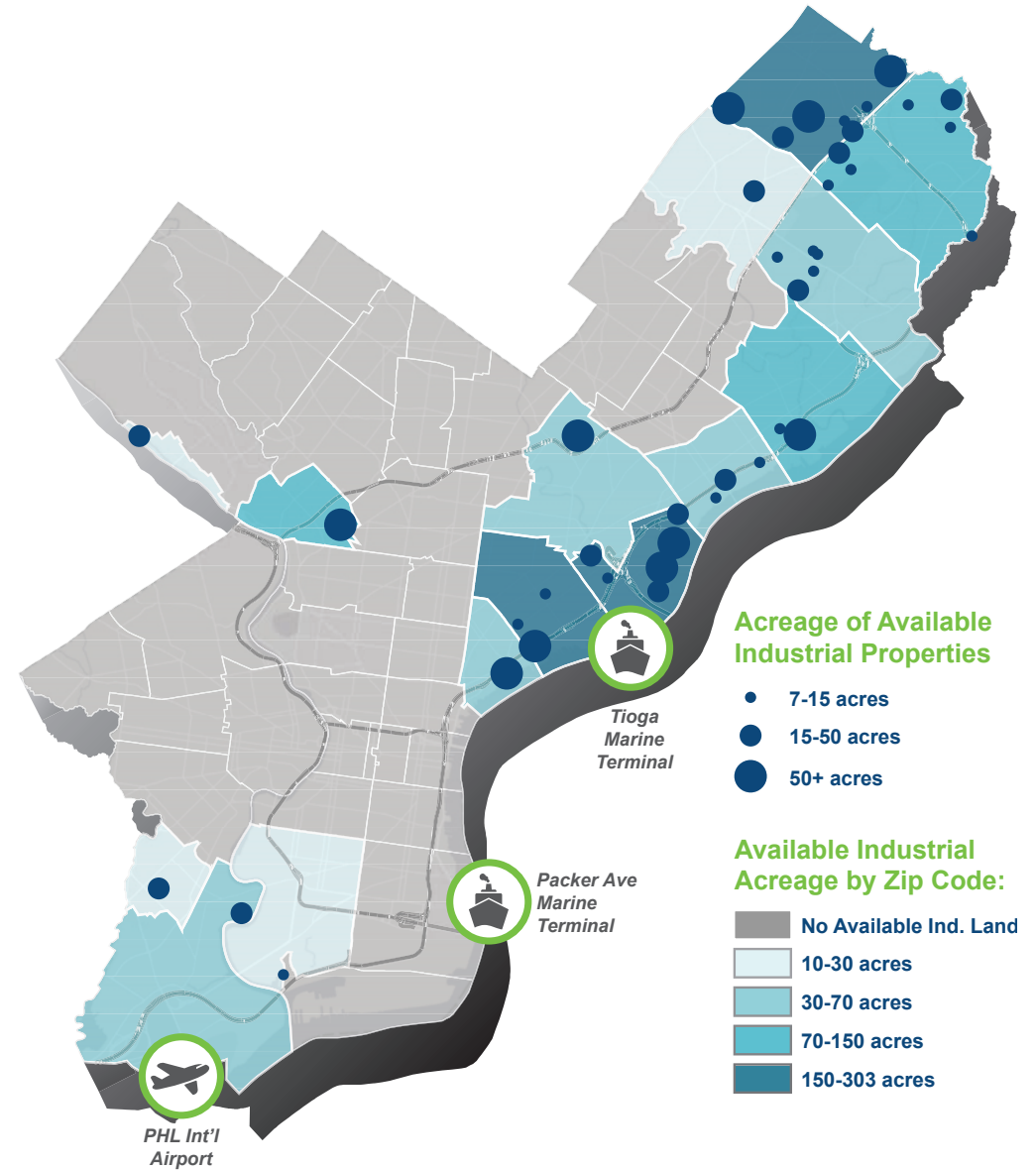
With more than 40 sites ranging from 7 to 137 acres, the city is capable of supporting over 14 million SF of new industrial development. With 17,500 acres of industrially-zoned land (just over 20% of the city's land), Philadelphia has significantly more to offer than other Northeast locations.

Philadelphia's inventory has the range and flexibility to support modern logistics facilities. While increased development pressures have worn surrounding markets thin, Philadelphia has the capacity to supply the logistics, distribution, and e-commerce sectors with quality real estate in a highly competitive location.



The 135-acre Henderson Tract, adjacent to PHL airport, provides a unique logistics opportunity at a scale not possible for comparable airports. *Photo Credit: GoogleEarth*

## AVAILABLE INDUSTRIAL PROPERTIES CITYWIDE



# PHILADELPHIA DELIVERS



 **PIDC**  
Driving growth to every corner of Philadelphia

P: 215.486.8020  
info@PIDCphila.com  
PIDCphila.com

 **City of Philadelphia**  
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P: 215.683.2000  
developerservices@phila.gov  
phila.gov

FOOTNOTES 1. "Regional Data." Bureau of Economic Analysis, 2017. 2. "U.S. Retail Trade Sales – Total and E-commerce (1998-2015)," United States Census Bureau, 2015. 3. "Quarterly Retail E-commerce Sales, 4th Quarter 2017." U.S. Census Bureau News, 16 Feb 2018. 4. "Global E-commerce Impact on Logistics Real Estate." Prologis, Sep 2016. 5. "Digitally Engaged Food Shopper" study, Food Marketing Institute (FMI) and Nielsen, 29 Jan 2018. 6. "If you build it – will they come?" JLL Industrial Impact, 2017. 7. "Last-mile: Concept or measurement?" CBRE – U.S. MarketFlash, 11 July 2017. 8. "If you build it – will they come?" JLL Industrial Impact, 2017. 9. "ACS 2012-2016 (5-year Estimates)." U.S. Census Bureau, 2016. 10. "Philly's Millennial Population Growing Fastest Among 10 Largest U.S. Cities," JLL Research and U.S. Census Bureau, 02 November 2015 11. Blumenthal, Eli. "Millennials Drive Spike in Online Shopping." USA Today, 8 Jun 2016. 12. "ACS 2012-2016 (5-year Estimates)." U.S. Census Bureau, 2016. 13. "ACS 2011-2015 (5-year Estimates)." U.S. Census Bureau, 2016. 14. Loyd, Linda. "UPS Pilots Approve New Pact." Philadelphia Inquirer, 31 Aug 2016. 15. "Philadelphia Regional Port Authority." PhilaPort, 2015. 16. "About Us." Philadelphia Wholesale Produce Market. 17. Rudolph, Stacey. "E-commerce Product Return Rate – Statistics and Trends." Invesp, 10 Apr 2016. 18. Philadelphia Industrial Development Corporation data.