

LOGISTICS & INDUSTRIAL

Speedy Delivery: Last Mile Logistics Disruption in Boston



Greater Boston

December, 2017

Consumer Demand Transforming Warehouse Fundamentals

As the popularity of online retail and delivery services has exploded (Amazon Prime memberships have increased 30% per year since 2011) so has demand for warehouse space – particularly for buildings that can handle last-mile delivery and urban logistics.

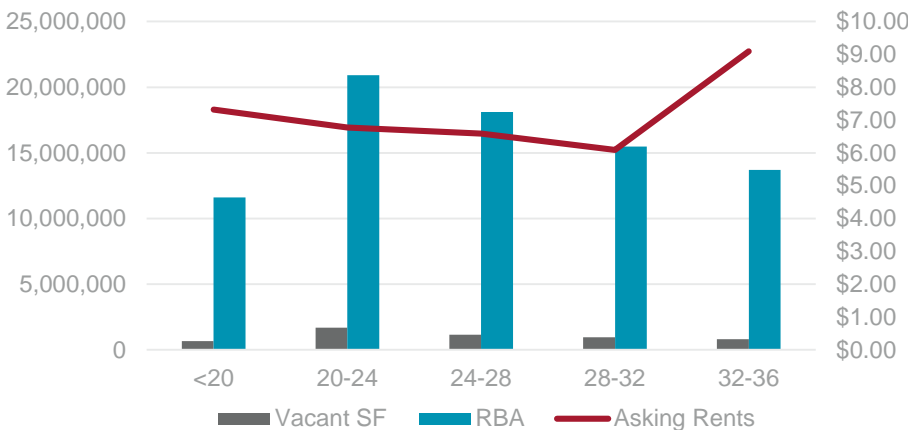
Between 2000 and 2015, warehouse vacancy in greater Boston averaged between 12% and 16%. The sector will close 2017 with a scant 6.1% vacancy rate – a plunge driven entirely by the advent of e-commerce.

Spiking Requirements for Higher Clear Heights Driven by demand for faster fulfillment

Higher clear heights mean higher storage capacity. In warehouse parlance, it's called 'cubing out' – or maximizing storage volume per square foot.

A footprint with higher clear heights can accommodate 10% to 25% more product – a desirable feature for someone paying rent by the square foot. Overall, warehouse rents are up 35% in the past 24 months – for clear heights over 32', rents are up 50%.

Rental Rates by Clear Height (NNN)



427,500 SF

Of Speculative Warehouse Space Currently Under Construction

32'5"

Average Clear Height of Warehouse Space Currently Under Construction

90%

Of Industrial Tenants in the Market are looking for Warehouse Space

5

100KSF+ Contiguous Availabilities in Greater Boston with 32+ Foot Clear Height

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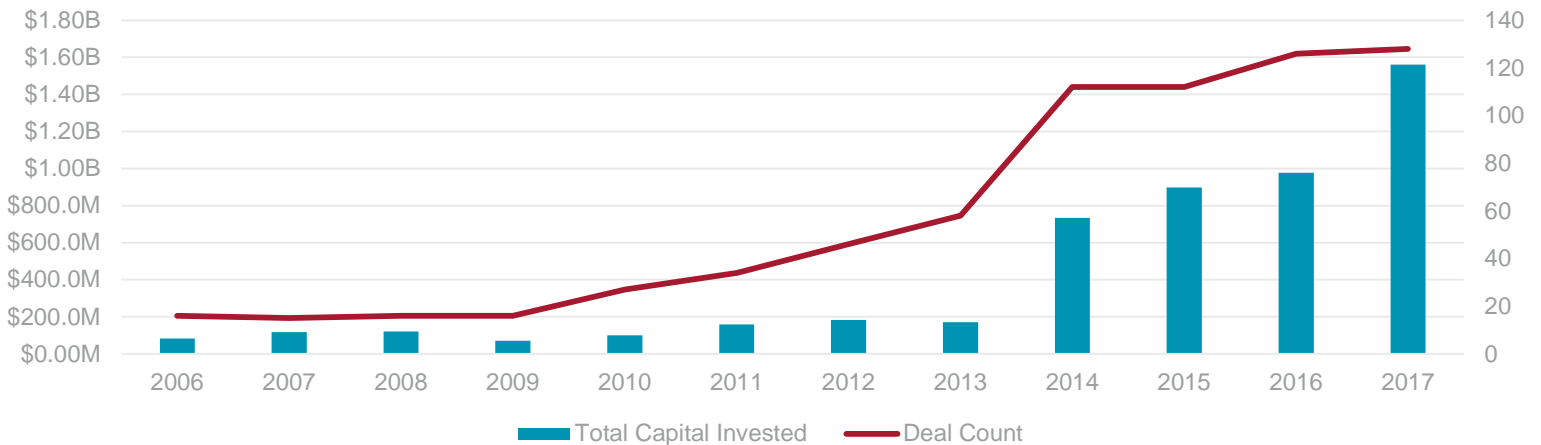
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Focus on Visibility

E-commerce’s impact on greater Boston extends beyond requirements for warehouse space. As consumers demand faster fulfillment and visibility into package tracking, shippers need to move product more quickly. This has given rise to a new crop of start-ups focused on supply chain analytics – a rapidly growing darling of venture capital investors.

Annual VC investment in supply chain and logistics start-ups has nearly doubled in the past 24 months – closing out 2017 at over \$1.5B across 116 different companies. Just last week, Wilmington-based e-commerce fulfillment firm Locus Robotics raised \$34M in Series B funding.

Venture Capital Investment in Logistics and Supply Chain



Source: Pitchbook, Cushman & Wakefield Research

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