

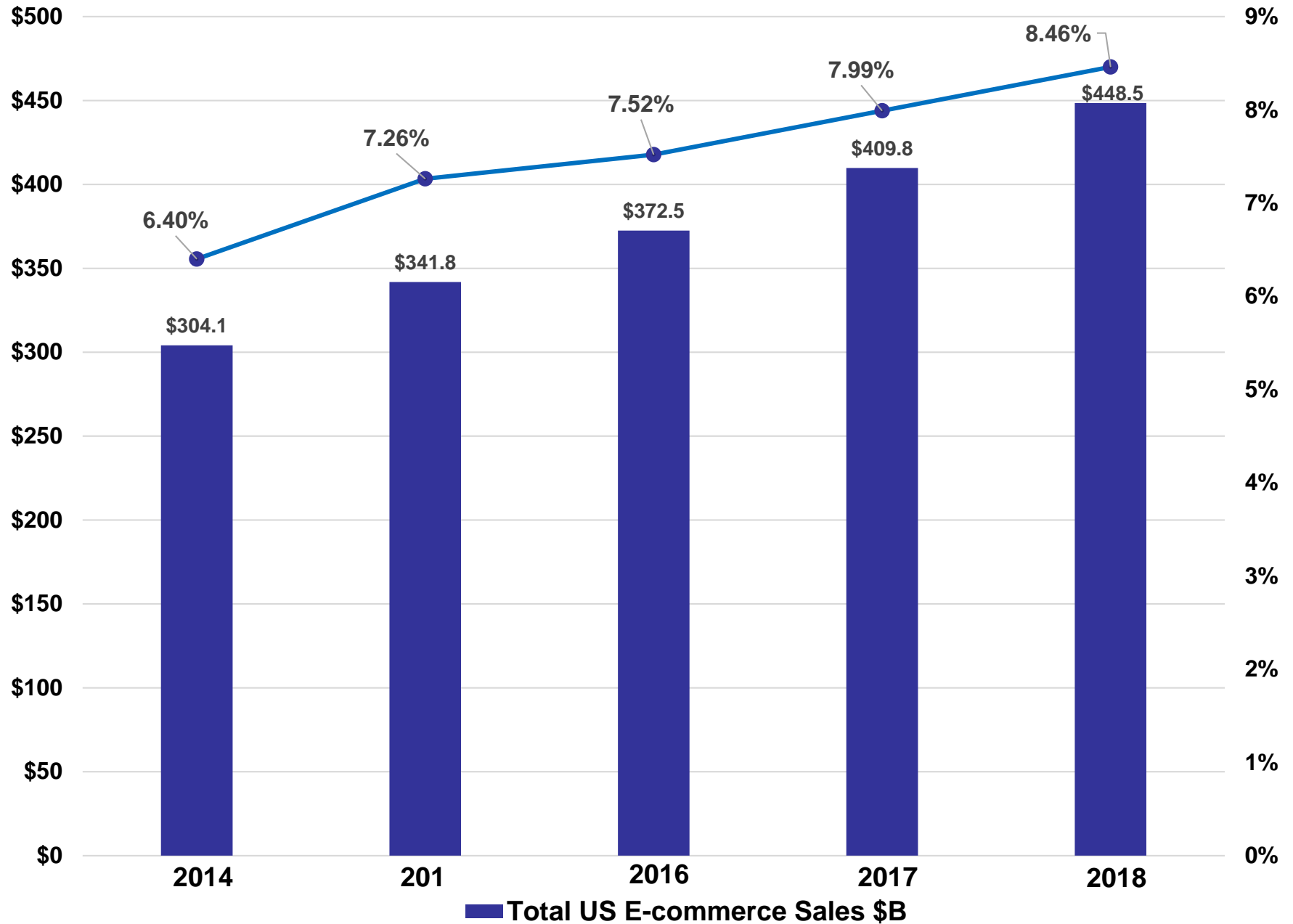


# Final Delivery: The Last Mile

## **ULI Fall Meeting: E-Commerce Session**

- Curtis Spencer, IMS Worldwide Inc.
  - Chris Caton, Prologis
- Ben Conwell, Cushman Wakefield

# U.S. E-Commerce Retail Sales Forecast 2014-2018



# Ecommerce is Growing

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**Target** fulfilled 30 percent of its online orders from stores in Q4 as well as netting a record number of online customers who picked up their orders in person over the holiday season. Online sales for Target in Q4 jumped 34 percent.



**Amazon** had its biggest holiday shopping season ever in 2015, and grew 26 percent in net sales.

# Amazon Growth

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- Predicted Amazon sales: 7.2 billion items in 2016, 12.6 billion items in 2020.
- Opened 28 sorting centers, 59 delivery stations, and 65 Prime Now hubs.
- Expected to build a logistics supply chain that others can use over next 10-15 years.



# Infill Requirements and Geography Considerations

[www.imsw.com](http://www.imsw.com)

Foreign Trade Zone, Logistics and Supply Chain Consulting



# InFill Requirements and Considerations

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- InFill facilities are small(er) fulfillment centers built in dense urban areas that are filled only with the best selling items
- InFill facilities support delivery of goods to customers who want one and two hour delivery timeframes
- Infill land is located in a city and has usually already been developed, but is now vacant and can be re-purposed for new users

# Cornerstone, “Anchor” Cities

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1. New York City
2. Los Angeles
3. Chicago
4. Washington, DC/Baltimore
5. San Francisco
6. Dallas
7. Atlanta
8. Seattle

# Ecommerce Fulfillment Center

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# Inside the “BIG BOX” Fulfillment Center



# Complimentary “Second Ring” Cities

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1. Charlotte
2. Boston
3. Philadelphia
4. Miami
5. Houston
6. Detroit
7. Phoenix
8. Minneapolis
9. San Diego
10. Orlando
11. St. Louis
12. Columbus



# Last Mile Logistics

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# What is the Last Mile?

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From the last point of distribution or sortation to the final destination at a home or business.

WalMart, order today, receive shipment tomorrow, second day or three-to-five day delivery depending on final delivery zip code

Amazon, last mile means within 2—4 hours. Next Day = order by midnight, get it by noon-5 next day.

Most others say it means: order by noon, delivery today before 8PM; inventory and logistics have to be compressed to accomplish this!

# Amazon Prime Air Boeing 767

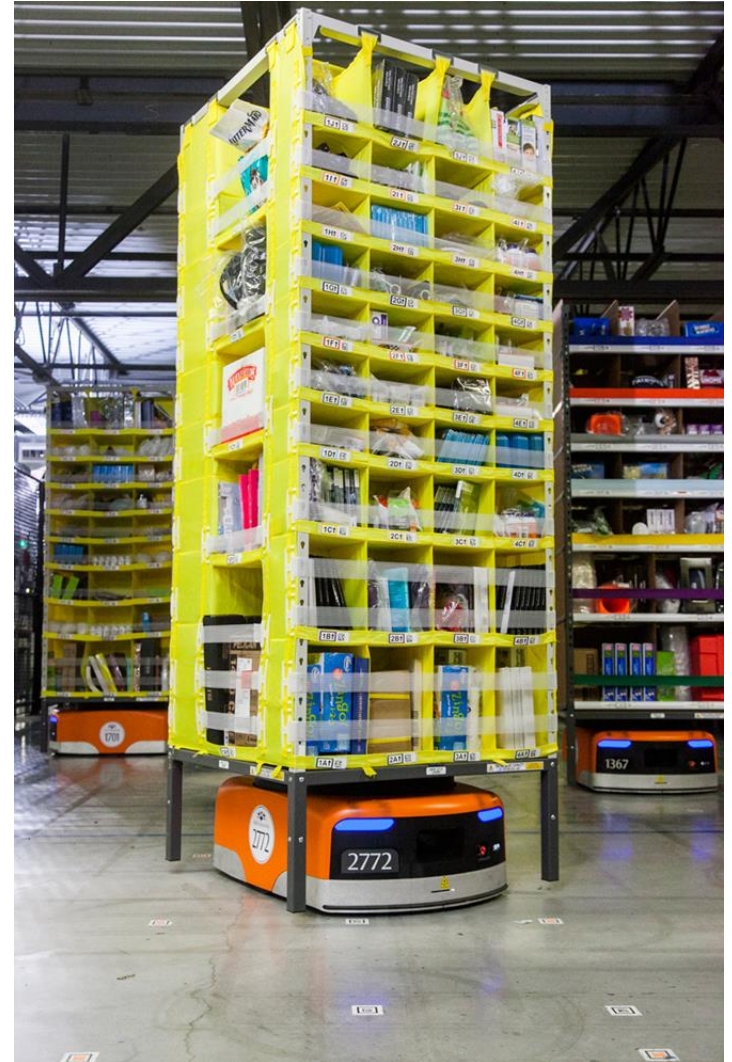
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“It’s not that we are trying to take over (delivery). We will take all the capacity that the US Postal Service and that UPS can give us, and we still need to supplement it.”

– Jeff Bezos



# Last Mile Robotics



# Amazon Prime Now

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Over the last three years, **Amazon** has opened 60 Prime Now Hubs and fresh delivery stations. Prime Now Hubs are fulfillment centers built in dense urban areas filled with that metro area's specific bestselling items.





# ULI Fall Meeting E-Commerce

CHRIS CATON Senior Vice President, Research



**PROLOGIS.**

# Five Observations on E-Commerce & Logistics Real Estate

Global Phenomenon

Great diversity of customers

Yet, relatively few specific use-cases

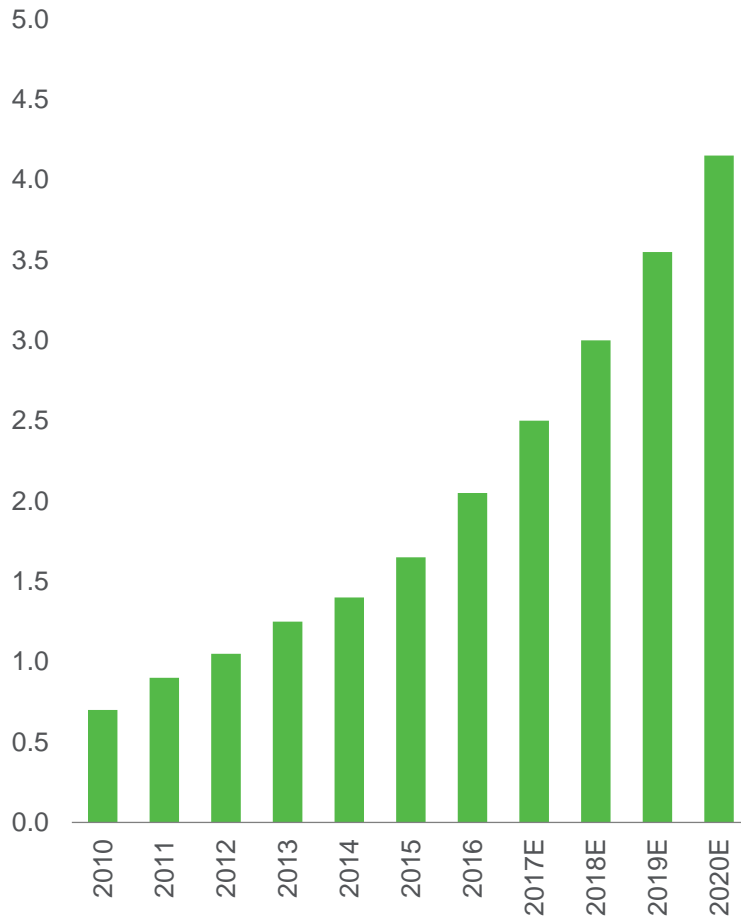
High intensity of use

Consistent evolution of user requirements

# A Global Phenomenon

## E-Commerce Sales, Global

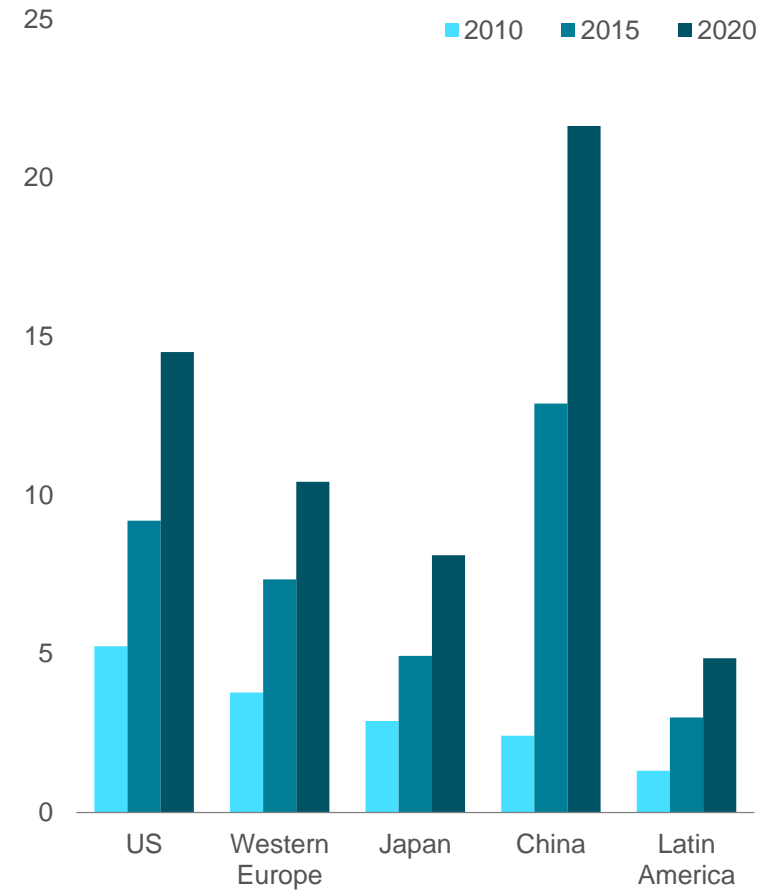
(\$, trillions)



Source: e-Marketer, Prologis Research

## E-Commerce Share of Retail Sales

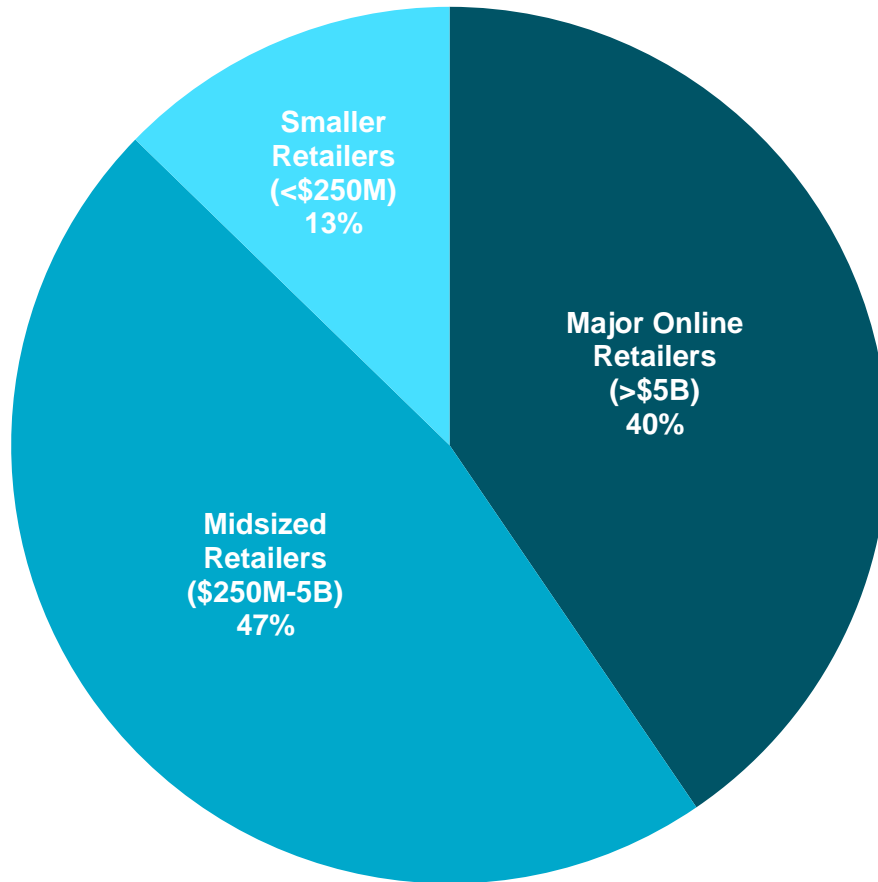
(%)



Source: Goldman Sachs, Prologis Research

# Diversity Among the Industry's Customers

**Distribution of E-Commerce Retailers by Online Revenues, U.S.**  
(%)



# Yet, Five Basic Customer Profiles

**Mega Brands**



**Large Brands**



**Emergent Brands**



**Transportation / Parcel Post**

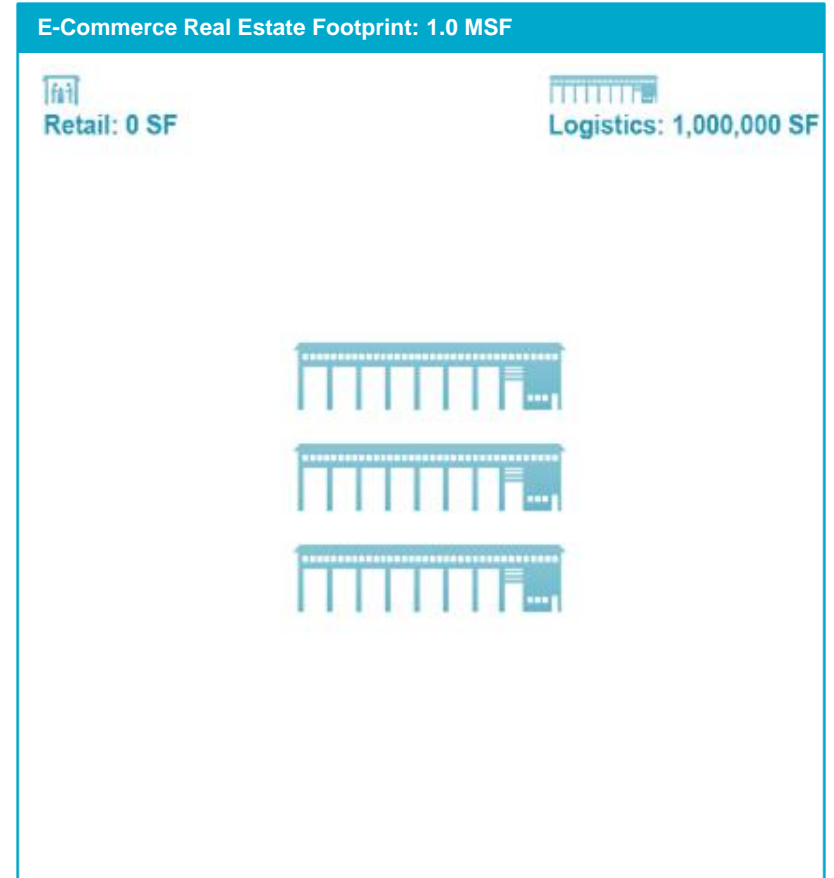
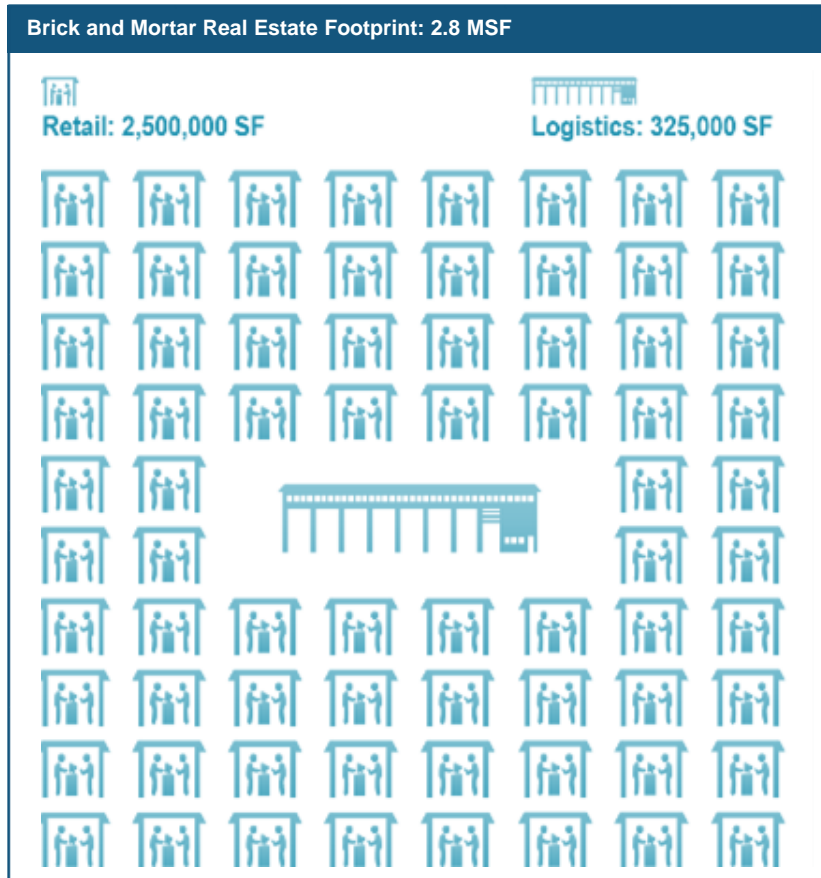


**Third Party Logistics Providers**



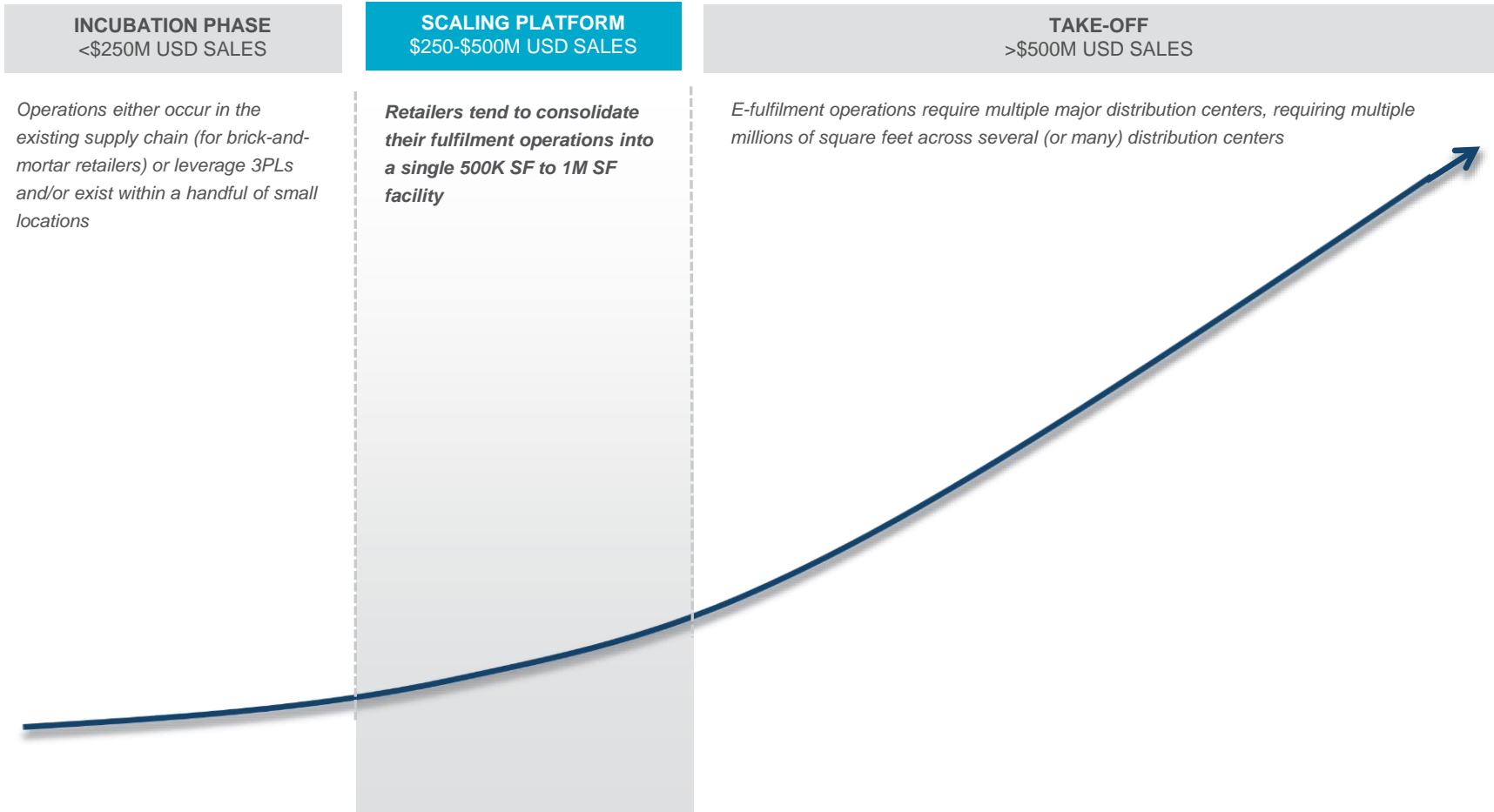
# High Intensity of Use

## Real Estate Footprint by Retailer Type



# Well Worn Path of Customer Requirement Evolution

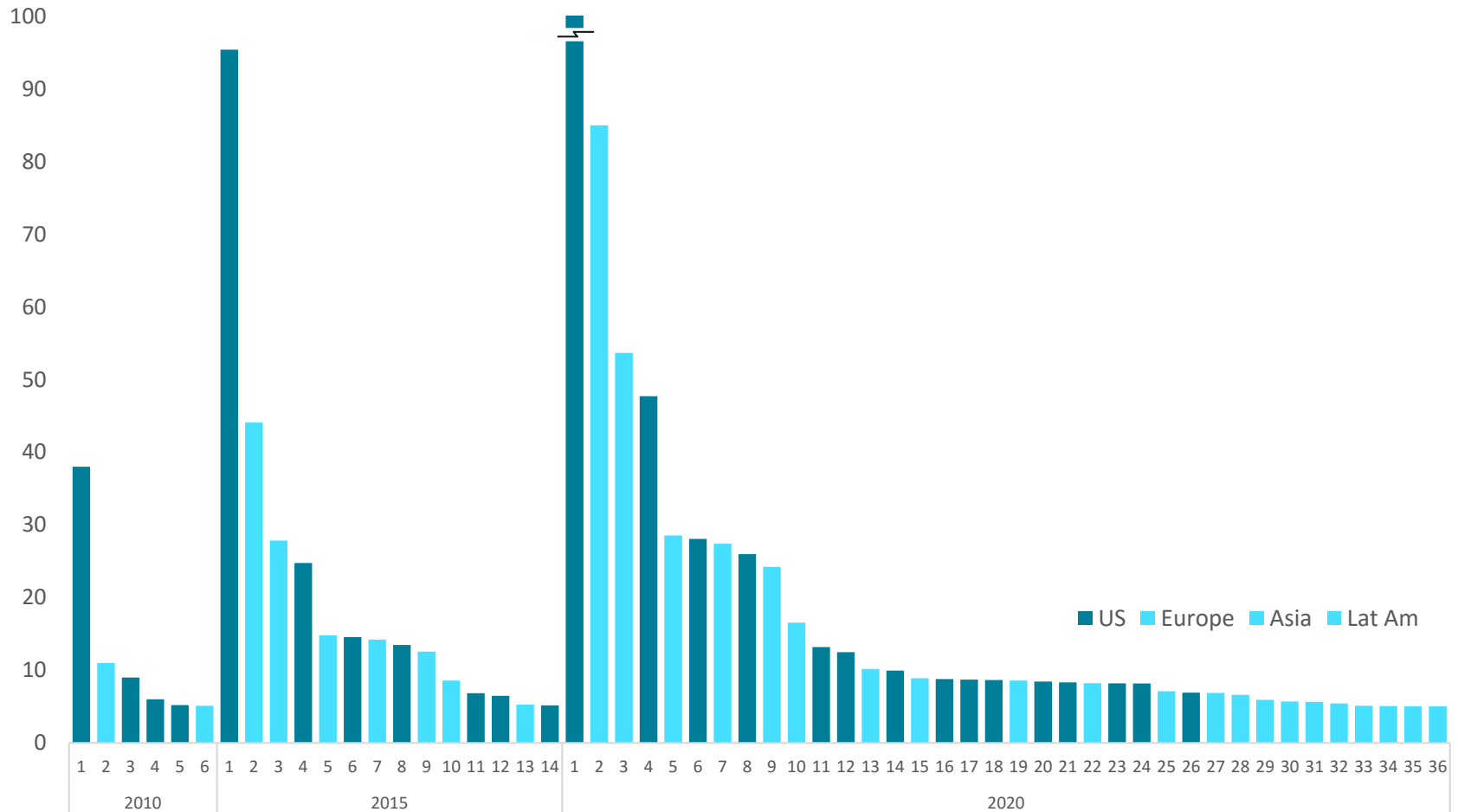
## Real Estate Requirements as Customers Scale their Operations



# Greater Capacity to be Local

## Major Online Retailers by Revenue

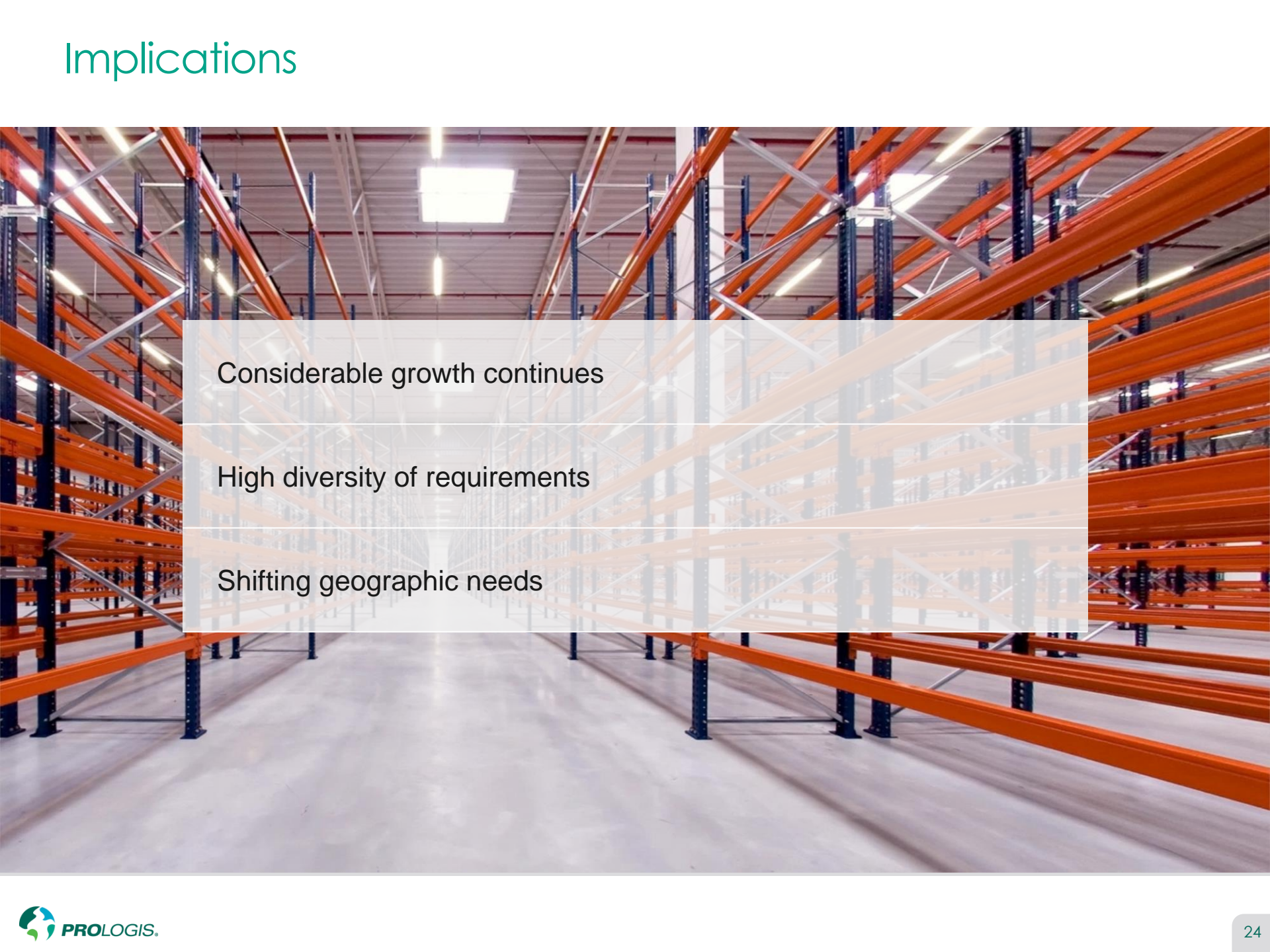
(\$, billions, all online retailers with >\$5B annual online sales)



Source: Internet Retailer

Note: Forward estimates growth individual company revenues at the expected national average pace. Actual results will be different.

# Implications



Considerable growth continues

High diversity of requirements

Shifting geographic needs

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