

OHIO'S ELECTRIC COOPERATIVES CURRENT

Spec Fulfillment Centers Moving Closer to Neighborhoods

COVID-19 caused e-commerce to shoot up 40% between May and June 2020. And so with more people clicking “buy” instead of venturing to the mall, demand for industrial real estate could reach an additional 1 billion square feet by 2025, according to a new report from JLL.

The commercial real estate services firm said that prior to the COVID-19 crisis, about 35% of its industrial leasing activity was related to e-commerce. But now, it said, as much as 50% of that leasing activity has already been tied to the online retail industry in 2020.

“The first quarter was our largest leasing quarter in three years,” said Craig Meyer, president of JLL’s Americas industrial division. “We’re seeing more pressure on [e-commerce companies] than the typical holiday season ... to meet consumer demand.”



COVID-19 has been an accelerant on e-commerce.

Even before the COVID-19 shutdown in March, e-commerce was growing at a relatively rapid pace. The novel coronavirus expedited this growth. As consumers made the switch to online shopping for a much greater array of products, companies raced to respond to the demand.

These recent reports validate the strength of consumers’ transition to online shopping:

“The speed of this change is unprecedented: for example, the penetration of e-commerce in the United States, previously forecast to reach 24% by 2024, moved from 17% to 33% in only two months.”

— McKinsey & Company July 21, 2020 webinar:
Accelerating digital capabilities to recover from the COVID-19 crisis

“In our research, we’ve learned that 48% of shoppers who’ve been doing more online shopping since the pandemic began expect to increase the amount of online purchases they make. This will translate to sustained demand and low supply for warehouse space and labor.”

— Maria Haggerty, CEO of Dotcom Distribution,
reported in Inc. Magazine, November 2020

Companies are increasing inventories to better weather supply chain disruptions.

“In addition to the accelerated adoption of online ordering, companies are also increasing the amount of inventory they keep on hand to guard against supply chain disruptions like those that were caused by the recent shutdown,” says Rick Trott, SIOR, CCIM, Senior Vice President of CBRE Industrial & Logistics. “One retailer we represent is boosting their inventory by 30% for just this reason. The rule of thumb is that a 5% increase in inventory requires another 400,000 to 500,000 square feet of warehouse space.”



E-commerce growth alone needs 1 billion square feet of space in the next five years.

This projection is based on e-commerce or fulfillment representing just 20% of the industrial market, but with the current growth trajectory, e-commerce will likely grow to be an even bigger overall share.



Spec buildings significantly shorten e-commerce ramp-up time.

The demand for spec fulfillment space is driven by speed-to-market. A build-to-suit warehouse has a six- to nine-month construction timeframe. With spec space, a new user can be up and running in as little as 30 to 60 days.

Canal Winchester serves up an alternative location.

Canal Winchester, located in the southeast quadrant of greater Columbus, is not your typical industrial park location with massive buildings clustered along interstate highways. But the community has unique attributes that made it especially attractive for two developers currently constructing spec fulfillment center buildings.

The new logistics spaces boast these advantages:

1. **Location** – both developments have immediate access to US 33 and are just minutes from I-270 and I-70. They are also in close proximity to Norfolk Southern intermodal yard, Rickenbacker International Airport, and John Glenn Columbus International Airport.
2. **An abundant labor pool** of 1.4 million people live within a 30-minute drive. Canal Winchester draws from a different labor pool than Rickenbacker and Etna. The majority of Canal Winchester’s labor comes from communities in southeastern Ohio along the US 33 corridor.
3. **Close to amenities, housing and the COTA bus line** – the new fulfillment centers are a quick walk to the bus line, multiple restaurants, grocery, banking, and shopping. Nearby multifamily and affordable housing are walkable options for employees.

CBRE's Trott notes that the industrial market around the Rickenbacker Airport has built-up tremendously over the last 20 years and finding good land sites to develop has become increasingly difficult. He explains, "This has led developers to look elsewhere for industrial land and Canal Winchester has been a beneficiary of this. It's close to Rickenbacker, has great interstate access to US 33 and I-270, and is closer to available labor pools down the US 33 corridor."

About the Canal Winchester spec fulfillment center developments:

Winchester Logistics Park

Both buildings in this park are designed to be multi tenanted; a loop road around the property provides easy circulation and vehicular access. A walking path connects employees to the community and bus line.



Building 1: 555,925 SF

Building 2: 258,573 SF (majority of this space is leased)

Features:

- 15-year, 100% tax abatement
- 36' clear height (Bldg 1) or 32' clear (Bldg 2)
- ESFR equipped
- Precast wall panels
- Loading docks: 57 & 28
- Cross dock configuration
- Electrical service provider: South Central Power
- LED lighting
- Trailer parking: 117 (expandable to 148) & 55
- Car parking: 273 (expandable to 436) & 202

Developer:

THE OPUS GROUP

Represented by:

Brian Marsh
Dan Wendorf
JLL

Completion date: Q3 2020

Canal Crossing Industrial Park

The Canal Crossing buildings are adaptable to a variety of different industrial uses including e-commerce, light manufacturing and logistics users.



Building 1: 436,079 SF

Building 2: 436,079 SF

Features:

- 15-year, 100% tax abatement
- 36' clear height
- Precast wall panels
- Loading docks: 42 per building
- Cross dock configuration
- 4000 amp electrical
- LED lighting
- Trailer parking: 37 & 80
- Car parking: 290 & 342

Developer:

NorthPoint Development & Hillwood joint venture

Represented by:

Rick Trott, SIOR, CCIM

Shelby Gumpf

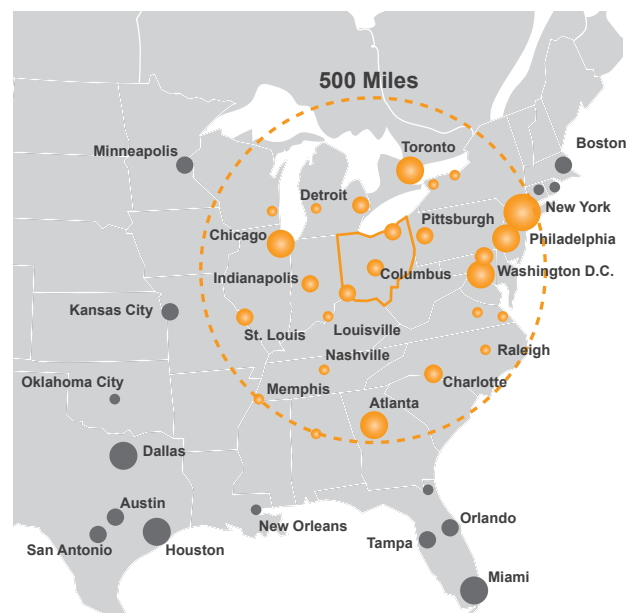
CBRE

Completion date: Q3 2021

Central Ohio is on track to build a record amount of new warehouse space in 2020.

The Columbus Region has long been recognized as a top tier U.S. industrial and logistics market. Over 151 million people and 46% of the country's population are within a one-day drive from central Ohio's logistics hub. Even as shipping rings tighten for shorter deliveries (one-day, two-hour), the Columbus Region's location gives companies access to more of the U.S. population and employment base than any other major metro area.

"The Columbus Region is a critical link in industrial and consumer supply chains, supporting some of the world's largest brands and top logistics service providers. We continue to see the industrial market strengthen in the Region, even in the midst of this challenging year," said Kenny McDonald, president and chief economic officer of One Columbus, the regional economic development organization serving the 11-county Columbus Region.



Developers are maximizing the market's location advantage by building a robust inventory of spec product. Much of the activity is centered around Rickenbacker International Airport, one of the world's only cargo-dedicated airports and multimodal hub, and along I-70 or I-71 in neighboring counties.

Communities must match e-commerce's need for speed.

Nate Green provides economic development planning and corporate site location services to companies and communities throughout the U.S. as director of economic development for Montrose Group. Green says, "Central Ohio is a great logistics location. It's had a growing population for the past 20 years. There's available land. It has experienced, long-term developers and has attracted more national developers than it had 15 years ago. Central Ohio is the most aggressive area in the state for tax abatements. And most importantly, local communities are cooperative and welcoming. Developers and communities need to act very quickly to keep pace with the needs of e-commerce centers."

Green helped NorthPoint Development secure economic incentives, utilities, and zoning for the Canal Crossing industrial park in Canal Winchester. Green notes, "The hottest sector right now is fulfillment centers. Demand has only gotten greater than before COVID-19, 15 to 20% greater."

Entitlement process underway for additional sites.

Lucas Haire, development director for the City of Canal Winchester, says the two industrial developments are the first spec warehouse spaces ever built in Canal Winchester. Haire says, "We didn't pursue distribution centers as a target because of the small number of jobs associated with a very large footprint. But with fulfillment, there are a lot more jobs per square foot. The OPUS and NorthPoint projects are projected to generate 300 to 500 jobs each."

Haire notes that Canal Winchester is currently working to expand its Canal Pointe Industrial Park by another 101 acres. While the original 300-acre park is focused on manufacturing users, the expansion is designated for logistics and fulfillment users.

Canal Winchester is experiencing growth across all sectors. In 2020, the city recorded the highest number of single family home starts since 2003 and significant multifamily construction as well. This residential growth will expand the labor pool for the city's new and existing businesses.

Cooperative's dedicated team delivers when speed matters.

South Central Power Company serves OPUS's Canal Winchester Logistics Park. Kyle Heavrin, director of energy services and business development for the electric cooperative, says, "We have a dedicated team for projects like this and we're very experienced with how fast these projects need to go. Our goal is to meet the developer's schedule regardless of how tight it is."

Heavrin notes that the South Central team includes key accounts staff to serve as the project contact for the developer, coordinate with electricians, and facilitate the handoff to the end user. There's also an assigned field engineer for each project.

South Central Power Company serves more than 120,000 residential, commercial, and industrial customers in 24 Ohio counties including a large portion of Rickenbacker, the Village of Obetz, portions of Groveport, and Canal Winchester. Some of the cooperative's most energy intensive loads are in Canal Winchester.

"Canal Winchester overall is growing, both residential and commercial," says Heavrin. "South Central has responded by continuously investing in reliability and capacity to support growth. We work closely with developers, so we can anticipate what their needs will be a few years out. Due to its close proximity to the interstate, we expect to see continued growth in this area."



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Look for Us:

Touchstone Energy NEXT Conference

February 2-3, 2021
Location: Virtual Conference

Spring 2021 IAMC Professional Forum

April 24-28, 2021
Fort Worth, Texas

Site Selectors Guild Annual Conference

June 10-12, 2021
Orlando, Florida

Buckeye Power and Ohio's Electric Cooperatives can help with:

- Comprehensive site and building portfolios
- Preliminary site studies
- Site search tours
- Assistance in identifying financial incentives
- Electric rate analyses
- Community profiles
- State and local government contacts
- Contractor introductions

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