

Delivering for Industrial Users: Quick-turn Last-Mile E-commerce Fulfillment Centers

Industrial real estate continues to lead in 2021 ([NAIOP Research Foundation](#)¹). Net absorption rates have reached their highest levels since 2000, causing rents to go up and vacancies down. This is due in large part to a surge in demand during the pandemic for e-commerce and the infrastructure to support it.

“We appear to be emerging from the pandemic, finally, with pent-up demand for goods and services and increasing reliance on delivery, which bodes well for the industrial and warehouse sector,” said Thomas J. Bisacquino, President and CEO of NAIOP, in [May 2021](#)².

For e-commerce businesses, the race to get products delivered to doorsteps faster and more efficiently is the name of the game. Same-day delivery is quickly becoming a new standard and expectation for a growing number of consumers. According to a recent study by [Deloitte](#)³, 60% of consumers are not willing to pay extra for two-day shipping, pressuring e-commerce retailers to maximize distribution efficiencies.

Logistics and speed are key.

Referred to as the last mile, the final leg of the supply chain journey between the distribution center and the end user is critical. It’s also by far the most challenging to execute.

Successful e-commerce businesses understand that delivering products at a rapid pace to consumers’ homes is dependent on how well (and fast) they can execute that last mile. To streamline logistics, they are implementing advanced distribution and warehouse strategies in what has become an increasingly complex, time-driven environment. It involves moving goods through sophisticated last-mile fulfillment facilities that receive product, sort it appropriately and move it out as fast as possible.



What Makes Last-Mile Fulfillment Projects Unique

Last-mile fulfillment facilities are often established in smaller, infill industrial areas near neighborhoods where people live. This type of real estate has experienced rapid rent growth due to enormous user demand and lack of new development. According to [CBRE⁴](#), this supply/demand imbalance is especially intense in the West, where light-industrial rents have grown by more than 10% annually in the last two years.



Jay Fourniea

“What makes last-mile facilities different from other industrial buildings is the sheer volume of product moving through every day,” said Jay Fourniea, AIA, NCARB, Director of Architecture for Opus. “It’s a constant flow of materials coming in, being sorted onsite and then sent out the same day or within a few hours. The efficiency of the system is dependent upon workflow and how efficiently product moves in and out of the building which we can successfully support with our strategic approach to design.”

“For e-commerce clients, the most important thing is incoming product and speed of delivery,” he said. “Each user has its own way of sorting and moving product through the building. We’ve successfully delivered many of these projects and therefore understand the processes and needs, and how to solve them on the site. That said, some clients hire their own experts who we partner with closely to deliver the project.”

Most last-mile facilities need standard industrial loading docks and walkout loading opportunities.

“Inbound long-haul semi-trailer trucks and smaller outbound sprinter vans are constantly coming and going, so planning for traffic circulation around these facilities is really important,” said Fourniea. “They also usually have significant parking requirements for employees’ and truck drivers’ personal vehicles, as well as larger spaces for sprinter vans if stored on site.”

“With so many moving pieces and parts, providing safe transfer of vehicles, product and people is a critical aspect of any last-mile project.”



Well-located Infill Properties

Two recent Opus projects are excellent examples of what goes into developing, designing and constructing last mile fulfillment centers: [North Washington Commerce Center](#)⁵ in Thornton, Colo., and [Longbow Gateway One](#)⁶ in Mesa, Ariz.

Both were existing speculative industrial buildings that Opus had previously developed, designed and constructed. Five miles north of Denver, North Washington Commerce Center is a 151,200-square-foot industrial building that's within walking distance of East Lake Transit Station and offers multiple access points to I-25. Also well located, Longbow Gateway One is a 147,435-square-foot building at the Longbow Business Park and Golf Club in Mesa, a mixed-use development near Falcon Field Airport that's situated alongside office, industrial, retail and hotel spaces. Both locations offer access to strong local labor markets.



"We chose the two infill properties for speculative development because they are in growth cities and strategically located near freeway corridors serving large and rapidly expanding populations," said Sean Cummings, Vice President of Real Estate Development for Opus.

For both properties, a single e-commerce user entered into long-term lease agreements and engaged Opus and other firms to customize the buildings and properties, turning them into last-mile fulfillment centers.

"Location was a key driver for the user, as well as the availability of excess adjoining land that Opus controlled to accommodate their high-demand onsite parking requirements," said Cummings. "The fact the buildings were already standing and flexibly designed for customization also contributed, as that saved considerable time versus building from scratch."

“The e-commerce user wanted the Thornton and Mesa last-mile fulfillment centers up and running as fast as possible. Opus delivered both projects on time – North Washington actually delivered a day early. Successfully executing quick-turn projects like this where speed is paramount is when our fully-integrated, in-house model really shines.”

Jay Fourniea

Advantages of the Opus One-Team Model

Just as speed of delivery to consumers’ homes is a major competitive advantage for e-commerce companies, the same holds true for Opus when developing, designing and constructing projects for them.

“The e-commerce user wanted the Thornton and Mesa last-mile fulfillment centers up and running as fast as possible,” said Fourniea. “Opus delivered both projects on time – North Washington actually delivered a day early. Successfully executing quick-turn projects like this where speed is paramount is when our fully-integrated, in-house model really shines.”

The e-commerce industry is moving incredibly fast and even leading innovators are challenged to meet consumer expectations. As they work to perfect their distribution systems, companies are constantly learning and evolving their own standards.

Because of this, over the course of the two projects in Thornton and Mesa, the e-commerce user’s standards and specs were constantly changing and being updated which means having a flexible and nimble partner, like Opus, was essential to their business success.

“They are staying on top of new ideas and concepts to create better efficiencies, which informs our work,” he said. “Everything for them is lean and revolves around how quickly they can get product through the building. So internally within their organization and externally with us, new standards were issued continually that we needed to accommodate. Information was flowing at a very high rate of speed.”

Opus’ one-team model with development, design and construction experts in-house enabled quick assessment and pivoting to meet the user’s program requirements. When changes happened, many times overnight or next day the design-build team quickly provided proof of concept drawings, schedule and budget impacts, while the development team outlined any potential city challenges on the entitlement side.

“With that information in hand, the user could make educated decisions based on value, execution and schedule to keep the project moving. Without that kind of in-house speed at Opus, the process would slow and the schedule would suffer,” he said.

Clearly this involves a lot of back and forth with the client.

“Constant communication is key for these projects and Sean Cummings was the champion of that client communication,” Fourniea said. “He was on the phone with the client almost daily with new information coming in, informing Opus teams on work delivery timelines, who we needed to talk to, when meetings were happening and how we were going to best address client desires. Then at the beginning of the construction process we were able to seamlessly transition to our construction leaders Nick Mann and J.R. Reynolds who became communication champions.”

Opus’ vertically-integrated model with all teams aligned to deliver is distinctly beneficial for clients, compared to projects where the developer, architects and general contractor are separate entities.

“When project partners are separate entities they may have differing priorities and aren’t aligned to the same project constraints and opportunities,” he said. “It can cause disagreements in terms of execution. Our design-build structure allows us to be much more integrated, sharing information to get to resolutions quickly. That being said, we are certainly willing to work closely with experts outside of Opus or bring in our own external specialists as necessary to ensure we’re executing efficiently for our clients. But in either case Opus is still the single source for the client managing the process. And that’s really what these e-commerce companies are looking for – efficiency. They want to get in quickly and be operational in as little time as possible.”

“Our teams at Opus worked extremely hard to satisfy the client for these projects, which was very difficult given the numerous design changes that were required,” said Cummings. “Additionally, these two projects were completed during a global pandemic and that had its own unique challenges with supply and labor shortages.”





TIMELINES ARE CRUCIAL

Foresight in developing the original spec building at both locations was crucial to the tight timeline the client needed. Take a look at the timeline for North Washington Commerce Center.

- Late 2017** — Began looking at the site
- Early 2019** — Received initial City approval for the shell/spec building
- Feb 2019** — Closed on land & began construction on the shell
- Aug 2019** — E-commerce client issued RFP
- Sep 2019** — Began working through entitlements for the client
- Oct 2019** — Finished construction on the shell
- Feb 2020** — Signed lease & received City approval for the tenant's TI & site work
- Mar 2020** — Construction on the build-out began
- Jul 2020** — Completed construction on the interior
- Oct 2020** — Completed customized 3-story parking garage

References

1. Industrial Space Demand Forecast, First Quarter 2021 by Hany Guirguis, Ph.D., Manhattan College and Michael J. Seiler, DBA, William & Mary (<https://www.naiop.org/en/Research-and-Publications/Reports/Industrial-Space-Demand-Forecast-1Q21>)
2. Commercial Real Estate Industry Sentiment Rises (<https://www.naiop.org/Research%20and%20Publications/News/NAIOP%20News/2021/Sentiment%20Index%20Spring%202021>)
3. 2020 Deloitte Holiday Retail Survey (https://www2.deloitte.com/content/dam/insights/us/articles/6890_holiday_retail/6890_2020-Deloitte-holiday-retail-survey.pdf)
4. WHAT IS THE LAST MILE? The Definitive Guide to Omnichannel Real Estate (<https://www.cbre.us/real-estate-services/real-estate-industries/omnichannel/the-definitive-guide-to-omnichannel-real-estate/retailing/what-is-the-importance-of-the-last-mile>)
5. Project Story: North Washington Commerce Center (<https://www.opus-group.com/Work/North-Washington-Commerce-Center-Industrial%20Development>)
6. Project Story: Longbow Gateway One Spec Industrial (<https://www.opus-group.com/Work/Longbow-Gateway-One-Spec-Industrial>)

Follow



@theopusgroup



@theopusgroup



/company/theopusgroup

Visit opus-group.com/subscribe to sign up for Opus emails.

Email marketing@opus-group.com to have someone contact you.