

# Top 3 Industrial Market Trends

to Prepare for the Future



# MOWERY

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## COVID-19 WHITEPAPER UPDATE

Thank you for downloading this white paper. Please note: This white paper was developed in February 2020 prior to the COVID-19 pandemic and record unemployment levels. While the future of industrial development and particularly the work force within these buildings still remains to be determined, recent statistics show e-commerce and the need for industrial warehouses will continue to grow:

### 52%

of consumers won't go back to grocery shopping in store, according to new research from Digital Commerce 360.

### 74.6%

of U.S. consumers said they are avoiding shopping centers and malls and using online shopping as an alternative, according to Influencer Marketing Hub.

### 50 to 70%

Internet usage is up during the pandemic, according to Forbes.

A few additional considerations and trends to watch as a result of COVID-19 may include:

#### Increase in technology

Manufacturers and retailers may embrace new technologies faster in order to avoid supply chain breakdowns.

Greater leverage on artificial intelligence including warehouse automation coordinated with drone deliveries to address efficiency of fulfillment and safety.

#### Shift from lean-inventory strategies to have more inventory

Would require additional storage capacity.

#### In the Food Industry

Significant growth in e-commerce grocery options (which will increase demand for cold storage capacity).

More storage and fulfillment space for local grocery stores to meet the increased e-commerce demand.

Increased automation to efficiently fulfill orders and make up for a shortage of workers willing to work in warehouses (particularly cold storage facilities).

The Mowery team will continue to stay on top of these and other trends as we navigate through this unprecedented time. **Stay safe and healthy.**



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# Top 3 Industrial Market Trends

## to Prepare for the Future

As demand continues to increase for e-commerce and consumers want faster shipping, the need for warehouses continues to be at an all-time high. Technology advancements have accelerated this growth as solutions like automation and high performing buildings are meeting the needs of companies, consumers, developers and local community officials. With the continual rise of ecommerce, there is currently no end in sight for the industrial construction boom.

What can be done now to keep up with the market? The top three most implementable industrial market trends of 2020 and beyond include:

**Increasing labor efficiency and retainment**

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**Constructing high performing buildings**

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**Designing for fast delivery**

Each of these topics will be reviewed in greater detail within this paper as well as insights about how construction managers can be a resource to help implement these trends for the immediate, interim, or long-term.

## Trend #1

# Increase labor efficiency and retention

As e-commerce, cold-storage, and consumer demand for fast shipping continues to increase, the demand for warehouse space is simultaneously rising. As more warehouses are constructed and occupied, more people are required to manage the buildings. According to the US Bureau of Labor Statistics (BLS), there was a 41 percent increase in warehouse workers between 2015 and 2018. Though there are plenty of jobs available, they are not being filled, making the workers that are employed a very precious commodity. Implementing automation solutions can improve efficiency of workers and developing an engaging company culture can assist with retaining quality staff.

## AUTOMATION

The goal of incorporating automation may not be to replace workforce, but rather increase the efficiency of the labor available. There is a wide spectrum of options for robotics to be incorporated throughout a warehouse workflow. Automation can be customized with as little or as much robotic involvement as necessary:

**Full autonomy:** robots fully handling tasks like picking, cleaning, or stacking, where there is human aid needed.

**Cobotics:** employees and robotics work together to complete fulfillment tasks.

**Combination:** some sections of the workflow may incorporate different systems depending on specific needs.

A well-planned automation system can reduce up to 70 percent of costs and potentially create an environment for less liability.

According to CBRE, a one million-square-foot fulfillment facility dedicated to e-commerce can require up to 4,000 workers.

As automation becomes more common, worker responsibilities and skills are transitioning to other job functions without making a dramatic difference in the amount of jobs needed to be filled.

## REVAMP COMPANY CULTURE

Developing a company that offers a rewarding workplace environment can create competition for workforce. By listening to the desires and concerns of today's workforce generation, solutions can be developed to accommodate and meet their desires including ideas like:

**Create outdoor dining areas for employee breaks, amenities like high-end kitchens and other attractive design perks.**

**Incorporate gamification into a warehouse workflow is an upcoming trend that speaks to a generation who highly values gaming.**

**Utilize LED lighting and making earth friendly decisions throughout the building is especially attractive to a generation who has been raised to heavily respect the environment.**

### How can a CM help with increasing labor efficiency and retainment?

Your CM can collaborate with an architect to design renovation plans that reflect your company culture

Your CM can develop solutions and help with choosing vendors for automation and aid in planning implementation

Your CM can provide recommendations for workflow improvements to floorplan and develop a phasing plan for minimal workflow interruptions

*Where are the open jobs coming from and why aren't they being filled?*

### Unemployment rate down

The vast majority of citizens are currently employed. August 2019, the United States' unemployment rate was a low 3.7 percent. This leaves little population to fill the available jobs.

### Workers retiring

Nearly 18 percent of warehouse workers are approaching retirement age in the next few years, leaving a large gap to fill. Today's current workforce generation is largely uninterested in physically demanding careers and consequently have not gained the necessary skills to properly replace retiring employees. Employers are now having to rely on and invest in educating and promoting to Generation Z, who as a population seems to be more receptive to employment in the industry.

## Trend #2

# High performing buildings

In 2019, it was estimated that there were 96 warehouses located in PA's Dauphin and Cumberland counties alone. Between 2020-2021 (according to the latest North American Industrial Outlook from Cushman & Wakefield), the overall level of industrial space throughout the entire U.S. is expected to reach some 573.4 million square feet. Visually speaking, this is roughly 13,000 football fields.

As increasing amounts of warehouses continue to use land, organizations like the US Green Building Association have developed guidelines for these buildings to be incorporated into communities with health and sustainability as top priority.

## BUILD WITH SUSTAINABILITY IN MIND

With the research and technology available today, the construction and architecture industries – along with scientists and industry specialists - are finding new ways each year to build structures that are more in sync with the earth and bring benefit to the people who use them.

Utilizing design and construction standards like LEED lowers the building on the environment. LEED certification is managed by the US Green Building Council whose mission is to being “committed to transforming buildings, because we believe that ever person deserves a better, more sustainable life.”

LEED is regularly evaluated and adapted to incorporate the needs of the ever-changing marketplace. Recently, the criteria for industrial LEED certification was adjusted to include waste management, material choices, regional impacts, energy usage, and more.

The PA I-78/81 corridor is among the top five top U.S. markets for warehouse construction.



A jobsite waste management plan can include recycling of: wood and lumber, drywall, steel, glass and windows, concrete, masonry, asphalt, copper and more.

NorthPoint Carlisle

## OPTIMIZE THE OPPORTUNITY TO EDUCATE

Utilizing LEED standards as a guide for design and construction, buildings can be created that benefit the community and respect our planet. Much like the human body, there are many systems working together in a building for it to function: plumbing, electrical, heating and cooling, waste management, and more. Explaining how viewing a building as an extension of our planet (it is after all made from earth-born materials), can lead others to honor its roots.

Applying for LEED certification (or planning for sustainability in construction and performance) is a great opportunity to engage and educate the community about the criteria and process for developing a high performing building.

Involving local colleges and/or high schools in your LEED application process (or other sustainability plan) can help peak interest in potential industry career paths, educate community members who are concerned about well-being, and create support for future projects in the area.

### How can a CM help with planning for a high performing building?

CM needs to be informed about LEED aspirations well before construction begins; incorporating LEED standards into construction determines the process for construction as well as how to properly staff and manage the jobsite. These factors determine choices for subcontractors, materials, waste management, inspections, and many other aspects about the project. Your CM can assist with the LEED certification process by adhering to the related criteria, providing proper documentation, and managing the application for approval.

### *How many industrial buildings are LEED certified?*

Currently, there are more than 1,755 LEED-certified industrial facilities globally, comprising more than 496 million total square feet. And this number is expected to increase significantly: there are currently more than 2,710 registered industrial facilities totaling nearly 737 million square feet (as of May 2016 according to USGBC).

### About LEED Certification

LEED operates on a point-awarded structure across several categories to earn one of four levels: Platinum, Gold, Silver, or Certified.

## Trend #3

# Delivery enhancements

Warehouse managers and owners are faced with today's consumer demands, who want their purchases faster year after year. In addition to the expectation for speed, consumers have an expectation that their speedy delivery should be free. Well over half – 64 percent - of today's consumers aren't willing to pay for additional shipping costs. Same day delivery expected to reach 25 percent market share by 2025. The idea of next day or same day deliver is no longer a perk, but an expectation.

What shipping strategy options are trending to meet the rising demands of today's consumer?

## LOCKERS

Lockers are a great way to combat challenges that come with shipping demands because the actual shipping is taken out of the equation. In this case, consumers pick up their items from a delivery locker, sometimes located right at a fulfillment center, making their purchases available in mere minutes.

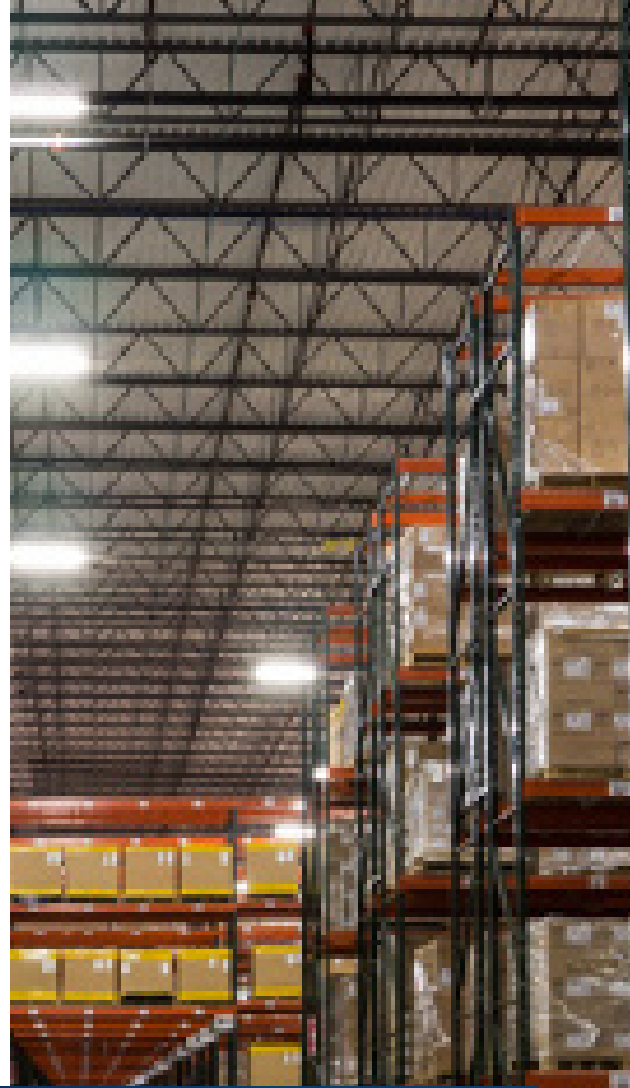
## POP UP WAREHOUSES

Pop-up warehouses are an alternative to a permanent secondary building. Temporarily utilizing a more accessible space to house a large quantity of the top 20+ products sold during a specific season can make a dramatic impact on the ability to deliver those orders efficiently.

*"Somewhere around the 25-percent range of our sales are e-commerce, and we're struggling to keep up with that. Imagine when this wave comes and now we're approaching 50 or 60 percent of purchases are all online. I don't see it ending any time soon."*



Seth Hughes  
Mowery COO



## LAST MILE WAREHOUSES

The “last-mile” of the delivery process is traditionally the most time consuming and most expensive part of the package’s journey. The idea of last-mile warehouses is to fulfill orders faster by always having the product closer to the consumer. Rather than having one 1,000,000 SF warehouse to service a large area of customers (resulting in longer delivery routes), companies are opting to add smaller fulfillment centers closer to populated areas, positioning them closer to their customers resulting in quicker deliveries.

### How can a CM help with developing and implementing delivery enhancements?

Your CM can assist with creating plans and logistics for renovations to incorporate space for lockers

Your CM can collaborate with an architect for last-mile warehouse designs that meet the needs of your company’s delivery methods

### *What are considerations for last-mile warehouses?*

#### **Proximity to consumers**

Being close to a single metropolitan area is optimal, resulting in shorter delivery routes and less traffic challenges.


#### **Local labor recruitment**

Choose a location that has a population able to sustain the operations of the building.

#### **Work with consultant**

Utilizing a local market expert can assist with getting the inside track on the best land opportunities.





Getting started

## Actionable steps today to help plan for tomorrow

Lehigh Valley Crossings

### AUDIT YOUR ENERGY USE AND WASTE MANAGEMENT

Do you have a recycling and reuse plan for your process?

Small opportunities for change: Do you have LED lighting, etc?

Notes

### EVALUATE DELIVERY EFFICIENCY

Goals for the future: How do you plan to improve your delivery methods?

How are you meeting the needs of your customers now? How can you exceed their expectations?

### ASSESS YOUR WAREHOUSE FLOOR PROCESS AND STAFFING

Current best practices: Are you being as efficient as possible?

Areas for improvement: What small changes can you make this year?



Warehouse and distribution facilities can be some of the most challenging projects for a company. Luckily, Mowery has built over 20,000,000 SF of industrial space and learned how to streamline the process for success. Plus, when it comes to energy efficiency, we have a long list of ideas for your building to help meet your goals and we've even guided projects through the requirements to become LEED Certified. Many of our industrial projects have incorporated complex automation systems. With a portfolio of projects from less than 200,000 SF to over 1,000,000 SF, contact us today to learn more about our process, Design-Build approach, and how we can partner with you to meet your goals.

# MOWERY

## FOR THE EXPERIENCE

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