

NAIOP Chicago Webinar | Multistory & The Future of Industrial Development Thursday, April 15, 2021

On Thursday, April 15, 2021, NAIOP Chicago was joined by a panel of industrial experts working on multistory industrial on the East Coast. The discussion focused on the future of multistory industrial and the possibility of it debuting here in Chicago. Moderated by NAIOP Chicago past Board President Tony Pricco, *Chief Investment Officer*, Bridge Development Partners, experts Larry Goldwasser, *Executive Director*, Cushman & Wakefield; Leslie Lanne, *Executive Managing Director*, JLL; and Jay Todisco, *President*, Ware Malcomb discuss what multistory distribution is, how it works, and where it is happening.

Jay kicked off by discussing what exactly multistory industrial is; which started with the need to maximize density by going vertical. Jay and his team developed a prototype of a three level building, plus 2 levels of truck yard and an intermediate parking level for last mile fulfillment. Now, there are a total of 12 buildings throughout North America. He also explained the newer prototype Ware Malcomb is developing: a fully functional, class A, single story building with a deck over the truck yard to facilitate the last mile fulfillment. Jay stated, "On any site in North America, we get about 40% coverage on a site. With this prototype, I can get 60-65% coverage."

Leslie then took over to discuss the buildings in Red Hook, one of the outer boroughs of New York City. While it sits close to Manhattan, much of the targeted consumers are in the outer boroughs. Leslie said, "It's best suited at the intersection of consumers and congestion." Because this facility and facilities like it are focused on outbound, there is extra room for things like fleet storage. Leslie explained that it gives tenants a lot of flexibility as well as speed because they need access to their consumers quickly and efficiently.

Tony then went on to pose questions to the panelists, starting with what drives multistory. Larry responded, discussing the big opportunity areas like Goose Island, the Kinzie Corridor, and East of the Kennedy. As we see tenants want to be closer to the prime density area, these are prime locations. He also spoke about the draw to areas like Pilsen, which may be slightly more expensive per square foot, but have large blue-and white-collar worker populations as labor is a big draw.

Leslie discussed the typical multistory user, which is largely e-commerce, but includes users like food and beverage, construction and even government. "What the challenge has really been is the age of asset," she said, as many of those traditional users in older buildings are wanting more functional spaces. Larry agreed that this is occurring within Chicago as well, "a lot of companies are just modernizing their operations." However, e-commerce is a big driver. Jay explained that this is a cultural phenomenon that is not going to change. Consumers are beginning to expect shorter and shorter delivery times so in order to keep up, e-commerce needs to be embedded within the community.

The panelists went on to discuss how many of these facilities are built on spec and what goes into the construction timing. They additionally discussed the need for fleet storage and parking. The panel concluded with questions from the audience about community acceptance of multistory buildings, supply chain and capital.