

# Changing Logistics: New Opportunities for Trade and CRE Development in the Americas

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The COVID-19 global pandemic wreaked havoc on supply chains worldwide. Manufacturers, distributors and consumers alike realized the need to have both consumable and durable goods manufactured and distributed nearer the end users. The pandemic introduced a new consumer base to online purchasing which led to record transaction activity. In 2020, e-commerce spending totaled \$861.1 billion (USD) up from \$605.3 billion in 2019; a 42% increase in e-commerce sales year over year and representing 21.30% of total retail sales, according to [Digital Commerce 360](#).

Steady growth is forecast into the future. In Mexico, the e-commerce acceleration is reflected in a 212% increase of last mile delivery of goods in September 2020 as compared to January 2020, and a 90% increase in online shopping applications from 2019.

How can manufacturers, distributors and end users ensure timely availability and delivery of goods? Supply chain resilience will increase as “China Plus One” becomes the supply source preference.

Near shoring within the hemisphere is needed and has already begun. Prologis, by example, currently operates 41.1 million sq. ft. of industrial space in Mexico in six markets with a market share of 14.8% (CDMX market share of 16%). It maintains another 5.6 million sq. ft. of buildable capacity in its land bank. The Five-Year Portfolio Growth is projected to be 22.7%

Cross border trade has been an issue in the past, but the Regional Comprehensive Economic Partnership (RECP) is providing a fast path forward for trade. Further, Mexico and the United States have cooperatively developed the Unified Cargo Process (UCP) to expedite inspections and processing for cargo shipments destined for the United States.

Under the UCP and CBP, (U.S. Customs and Border Patrol)

advance information is provided by the trade community regarding shipments from Mexico to the U.S. The UCP concept consists of Mexican Customs Officers and their CBP counterparts from the U.S. jointly inspecting and processing shipments, ensuring safety and expediting shipments.

Intermodal deliveries are key to the forward momentum. Air cargo accounts for 35% of world trade by value. It is estimated the annual air cargo traffic growth will be an average 4.3% through 2037. The value of air cargo goods in 2018 was already a whopping \$6.8 trillion.

Rail is another key cargo delivery component. Mexico has eight major rail systems including the Kansas City Southern de Mexico which recently merged with Canadian Pacific expanding Asia-Mexico-USA Intermodal traffic. Truck traffic today remains the primary cargo delivery method.

In Mexico, JP Morgan reported in 2020 that Argentina’s Mercado Libre was the most popular e-commerce site with 108.5 million monthly visits. (Amazon was second with 41.3 million monthly visits.) Amazon has invested in fulfillment centers in Mexico, and over the last three years, has quadrupled its square footage there. In 2020, Alibaba announced a partnership to promote and develop e-commerce skills within Mexico. The goal is to develop “digital” villages in all 32 Mexican states and launch 50 micro-businesses in each village. In Mexico, the existing industrial buildings occupy 40% use by manufacturers and 60% by logistics users.

The forward momentum for e-commerce and near shoring accelerated by the pandemic provides a tremendous opportunity for growth in logistics and commercial real estate development throughout the Americas, most immediately in Mexico and along the U.S. border, as well as in other under-supplied regions globally.