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Exclusive Coverage

## East Coast Port Plans Need to Include Industrial Property: CREW Panel

By [Steve Lubetkin](#) | Philadelphia

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CREW Philadelphia Panelists (L-R): Hankowsky, Howland, Vickerman, moderator Melissa Grimm, listen to remarks by Thomas J. Holt Jr.

**PHILADELPHIA, PA**—Dramatic port capacity expansion in Asian countries is outstripping the capabilities of North American ports to accommodate the increases in shipping, transportation consultant **John Vickerman** told members of the **Philadelphia CREW Chapter** last night.

These issues have important implications for how smaller US ports like Philadelphia should position themselves, and how industrial properties are developed, say **Vickerman** and **Bill Hankowsky**, chairman, president and CEO of **Liberty Property Trust**, a major developer of industrial properties, who was also on the panel.

Efforts to increase capacities at the Panama and Suez Canals also will fall short, says **Vickerman**, who notes that Asian shipbuilders are already planning ships capable of carrying 22,000 TEUs (20-foot container equivalent units), while the canals can barely accommodate ships of 12,000 TEUs. The **Maersk** cargo line already has an 18,000 TEU vessel that is 1.5 times larger than what the new Panama Canal can accommodate.

Multinational shippers have several key priorities, with 43 percent citing schedule reliability and consistency as most important, followed by competitive freight rates (38 percent) and transit time and speed (12 percent). But their markets don't really care about the challenges they face, **Vickerman** says.

"The consumer doesn't give a diddly about a port or a railroad or a truck," he says. "They could get it by Star Trek transporter and it wouldn't matter at all. What matters to the consumer is availability of the product at a price point they can afford, in the quantities they want, now."

Philadelphia's port benefitted from the location of refineries along the Delaware River and the presence of the Navy Yard, says **Hankowsky**. Both of these activities helped justify efforts to deepen the Delaware River channel for larger ships. Today, however, distribution centers like the warehouses along the New Jersey Turnpike are a critical factor in the success of ports like Philadelphia.

The huge consumer market in the Northeast, says **Hankowsky**, makes it essential for companies to have warehouse space for the goods they need to ship into the region.

"There's been an explosion in the real estate side of this business. Which port wins this battle may not actually affect where all the real estate gets located," **Hankowsky** says. "The one thing we have is a huge number of people live in the northeastern part of the US, and they have to get served. The companies have decided that bigger boxes are more efficient to serve them."

Distribution centers have been migrating south in New Jersey with significant new developments along the New Jersey Turnpike in the vicinity of Exits 8A and 7A.

"North Jersey has basically been built out. It's impossible to find a site to put a million square foot warehouse," he says. "We've seen them come down the Turnpike to Exit 7, and all the way to Exit 6 now that it's been widened, but that's almost all built out, so basically what they did is they went west. Pennsylvania was not big in this market 20 years ago, but it is big now."

Industrial vacancy rates in the Lehigh Valley are now around two percent, Hankowsky says.

Also appearing on the panel were Thomas J. Holt, Jr., of **Holt Logistics Corporation**, which runs major port properties along the Delaware River; and **Susan Howland**, president and CEO of **The Howland Group**, a transportation and logistics consulting firm.

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