EASTERN PA FREIGHT SUMMIT

JUNE 21-22, 2018
Lehigh University's, Iacocca Hall
111 Research Drive, Bethlehem, PA

Keynote Presentation By:

Ed Konjoyan
SVP, Majestic Realty Co.
Roadmap

1. Freight & Logistics
2. Majestic Realty Co.
3. Eastern PA vs So. Cal’s IE
4. Majestic Bethlehem Center
5. Conclusion
Every Day is a Great Day

Freight

- Fran Inman
  SVP Govt. & Industry Relations – Majestic Realty Co.
  Chair - California Transportation Commission
  Founding Member - National Freight Advisory Committee
  Member – Coalition of America’s Gateways and Trade Corridors

Freight is the lifeblood of our economy – moving at all hours of every day.
freight

/nreyt/

Noun:

- Raw materials
- Work-in-Progress
- Inventory
- Finished Goods

Being Transported by…

- Truck
- Train
- Ship
- Aircraft
Freight is Often Taken for Granted and Goes Unnoticed...
.................... except when it is noticed.
Like an offensive lineman...

- No praise for doing their job.
- Only get noticed when something goes wrong.
Stocks and Bonds are on TV every night … …but not Freight.

Won’t hear that a vessel was unloaded today at the Port of Philadelphia.
Logistics / Goods Movement

The management…
…of the flow and storage…
…of freight…
…from point of origin…
…to point of consumption.

The Ultimate Logistician
Supply Chain Cost Breakdown

- 50% Transportation
- 22% Inventory
- 10% Labor
- 8% Customer Service
- 4% Rent
Freight Doesn’t Move Without Infrastructure Planning, Funding and Construction
Infrastructure Investment

Toll Roads

Passenger Trains

In 2013, Act 89 increased gas tax to raise $2.4B for Infrastructure.

Highest gas tax in the US at 58¢/gal

Freeways

Bullet Train

In Nov 2017 Legislature increased gas tax by 12¢/gal (19.5¢ by 2020)

CA now #2 gas tax in the US at 50.13¢/gal (going up to 57.63¢)*

Direct, Indirect and Induced Economic Benefit from Infrastructure Investment

* Repeal of gas tax has qualified for the November ballot.
Freight and Logistics are [mostly] Invisible, but Significant

Spending in the U.S. logistics and transportation industry totaled $1.48 trillion in 2015, and represented 8 percent of annual gross domestic product (GDP).

- SelectUSA
Majestic
Turn Raw Land into Thriving Logistics Parks
Staples Center, Kings, LA Live, Lakers
“Skate to where the puck is going to be, not where it has been.”

- Wayne Gretzky
Majestic Realty Co.

WHO WE ARE
- Family owned and operated since 1948
- Headquartered in Los Angeles
- Regional offices across the country

WHAT WE DO
- Long-term, build-and-hold business model
- Own and manage an approximately 80,000,000 SF portfolio
- Largest privately-owned light industrial developer and owner in the U.S.

HOW WE DO IT
- Top-notch team
- Engage with stakeholders
- Think ahead
- Stick to fundamentals
- Vertically integrated
Virtuous Cycle of Vertical Integration

**Majestic Management Co. (MMC)**
Responsible for Property Management, day-to-day tenant interaction, and identifying design and operational improvements / best practices in the Majestic portfolio of buildings.

**Majestic Realty Co. (MRC)**
Works with CCC to assess viability of land opportunities. MRC entitles, finances, develops, markets and leases the buildings to an expanding universe of tenants. Utilizes MMC to manage properties and handle day-to-day tenant interaction.

**Commerce Construction Co. (CCC)**
In-House design and construction team that incorporates feedback and best practices from MMC and works with MRC to design and build quality projects, value engineered for long-term ownership.
Attractive Exterior
Flexible Use Inside

- Warehouse
- Distribution
- eCommerce Fulfillment
- Light Industrial
- Assembly
- Manufacturing
- Package Sortation
- Transload
BCOs, Importers, Exporters, 3PLs and Brands
Transportation Infrastructure Adjacency

ATL - Atlanta Hartsfield International Airport
Majestic Airport Center I - 845,000 SF GLA -- 2 buildings -- 40 acres
Majestic Airport Center II - 5.6 million SF GLA -- 8 buildings -- 550 acre master planned park
Majestic Airport Center III - 2.5M SF GLA Planned -- 200 acres of land

DFW - Dallas Ft. Worth International Airport
Phase I: 1.35 million square feet - Triple Freeport - Foreign Trade Zone

DIA - Denver International Airport
Majestic Commercenter - 850 acres -- 11 buildings / 2.2msf built and owned by MRC.

FTY - Fulton County Airport Brown Field, Atlanta, GA
Majestic Logistics Center - 300 acres -- 1msf UPS Parcel Sortation Hub

LAS - McCarran Airport, Las Vegas, Nevada
Beltway Business Park - 400 acres -- 8 industrial buildings.
Sunset Business Park - 80 acres -- 9 buildings
Runway Business Park

ONT - Ontario International Airport, California
California Commerce Center / Hofer Ranch / Archibald
235-acre industrial park within three separate projects. Adjacent to UPS hub

SLC - Salt Lake City International Airport
50 acres -- 800,000 SF GLA (in 5 buildings)

RIV - March Airfield GlobalPort, (Riverside County, CA)
Majestic Freeway Business Center - 314 acres - 6.9 million SF GLA at full build-out
#TransportationInfrastructure
Key Points on Freight Routes

- Majestic HQ
- Majestic Regional Office
Why Eastern PA

Location
+ Population
+ Infrastructure
= IE NE
Freight is Life Blood of our Economy
‘Aorta’ Runs Through Eastern PA
Location, Location, Population

Average population per square mile
- 300.0 or more
- 160.0 to 299.9
- 86.1 to 159.9
- 40.0 to 85.9
- 10.0 to 39.9
- Less than 10.0

Source: U.S. Census Bureau, Population Division, Vintage 2008 Population Estimates
32% of US w/in 500mi; 9% w/in 100 miles
eCommerce = Disruptor
Last Mile to Population is Key
Schuylkill Mall
Schuylkill Mall

- 800,000 square foot enclosed shopping mall built in 1980
- Located in Frackville, PA on Interstate 81
- Anchored by Kmart, Hess’s, Sears, and The Bon-Ton
- Currently being demolished
Schuylkill Mall

Will be replaced with 2 light industrial buildings.
Panama Canal Expansion = Disruptor

- 3rd Set of Locks = Added Capacity
- Larger Locks = Bigger Ships = Lower Cost

- Existing Locks
  110’W x 40’D

- Panamax
  container ship capacity:
  5,000 TEUs

- New Locks
  180’W x 60’D

- Post-Panamax
  container ship capacity: 12,000+ TEUs
Bayonne Bridge
All Water to Northeast: Similar Time, Lower Cost than West Coast Ports

Via LA/LB
- 14 days on water
- +4~7 days rail to NE
- Total 18~21 days

Via Panama
- 22 days all water to Port of NYNJ
LA/LB Port Strikes drive Diversion of Discretionary Freight

Cargo ships stack up as Los Angeles ports strike. – LA Times

Walmart went from shipping 80% of its freight through Southern California in 2002, to 15% today – WSJ
Southern California’s ‘Inland Empire’

#1 Freight Market in the US

- San Bernardino and Riverside Counties
- Access to largest seaport complex in US (LA/LB)
- Access to 2nd largest metro population
- More land available for larger buildings
- More business-friendly
- 500M SF light industrial market size
Bethlehem: ‘Inland Empire NE’
Light Industrial Market Size
Ea.PA & NJ = 1.3B SF
vs LA & IE = 1.5B SF
Seaport Comparisons

Top US Container Ports (2017):

1. Los Angeles, CA: 9,340,000 TEUs
2. Long Beach, CA: 7,545,000 TEUs
3. New York/New Jersey: 6,711,000 TEUs

• Philadelphia: 362,812 TEUs (increased capacity to 1M TEUs)
Airport Cargo Comparison

Greater LA/IE Air Cargo Tonnage*
- LAX – 2M Metric Tonnes
- ONT – 519K Metric Tonnes
- BUR – 48K Metric Tonnes
- SNA – 16K Metric Tonnes
  2.583M Metric Tonnes

E.PA/NJNY Air Cargo Tonnage*
- JFK – 1.3M Metric Tonnes
- EWR – 700k Metric Tonnes
- PHL – 404K Metric Tonnes
- ABE – 57K Metric Tonnes**
- MDT – 52K Metric Tonnes
- LGA – 8K Metric Tonnes
  2.521M Metric Tonnes

** Amazon ships more merchandise, has more flights, and serves more people out of LVIA than any of the other 10 Prime Air facilities in the US (but no drones…yet).

New FedEx Ground hub on former LVIA land adjacent to the airport.

* 2016 data per...
Freight Tonnage Should Be Declining

*Then*  
- Furniture
- TVs
- Portable Music

*Now*  
- Furniture requires assembly
- TVs are Flat
- Portable Music fits in your palm
Projected Increase in PA Freight

2011 Freight Moved in Pennsylvania
(millions of tons)
- TRUCK 867.7 / 76%
- RAIL 209.0 / 18%
- WATER 65.8 / 6%
- OTHER 2.8 / <1%
- AIR 0.2 / <1%

TOTAL 1,145.5 MILLIONS OF TONS

2040 Freight Moved in Pennsylvania
(millions of tons)
- TRUCK 1,495.9 / 80%
- RAIL 294.3 / 16%
- WATER 78.5 / 4%
- AIR 0.4 / <1%
- OTHER 3.1 / <1%

TOTAL 1,872.2 MILLIONS OF TONS

PA Comprehensive Freight Movement Plan
Majestic Bethlehem Center
www.MajesticBethlehem.com
Park Entrance with Crayola DC (800,000sf)
Opened Escrow with Bethlehem Steel in 1999

- Close to Interstate 78
- Robust utility & rail
- Industrial Zoning
- Close labor pool
Acquired 441 acres
Performed Extensive Environmental Characterization

- US EPA and PA DEP approvals via Act 2
- Only mitigation is to redevelop
- Massive demolition and grading program

Planned 8 MSF
Flexible Zoning and Land Use in Place
FTZ and Economic Incentives

- On-site rail for direct rail-served buildings
- Adjacent intermodal – eliminates drayage costs and presents heavy-haul opportunity.
- New road infrastructure
Interstate, Mainline Rail, Intermodal & Labor
Original Access
New High Capacity Roads
West End of Commerce Center Blvd
Looking West at 412 (cross street)
Route 412 Widening & I-78 Ramp Improvements
Intersection of Route 412 & Commerce Center Blvd
Increased turning lanes for additional vehicle capacity

Improvements Engineered for traffic at full build-out of all vacant properties

Note 2 left turn lanes from Commerce Center Blvd to 412 south toward I-78
I-78 Interchange Improvements
New Dual left turn lanes to East and Westbound On-ramps

Improvements Engineered for traffic at full build-out of all vacant properties

2 left turn lanes from Southbound Rte 412 to I-78 East and West onramps.

Dedicated off ramp turn lanes to Northbound Rte 412
All buildings have 360 degree access via common access ring roads.
Multi-Modal Logistics & eCommerce Fulfillment Park

Crayola 800ksf

Walmart.com 1.2msf

2014
Multi-Modal Logistics & eCommerce Fulfillment Park

1,000,000 sf Spec (expandable to 2msf)
1,000,000 Square Foot Building

= 21 Football Fields
7 football fields long = ½ mile long

= 2 Empire State Buildings + 2 Queen Marys + 6 Statues of Liberty
Labor

Program of Study in Supply Chain Management and Logistics Technology

Help job seekers and employers find employment or find employees

Transit agency that provides public, fixed-route bus service throughout Lehigh County and Northampton County
Conclusion
Freight and Logistics are essential to our economy and way of life.

Keystone State’s location and infrastructure provide access to the region and large population centers.

Freight is projected to grow in this region, including as a result of eCommerce and the Panama Canal.

Infrastructure planning and investment are key.

Keep skating to where the puck is going.
Thank You