

The Wall Street Journal

Friday, February 21, 2020

Bronx Warehouse Plans Its Own Rail Link

By KEIKO MORRIS

The developer of a four-story warehouse in the South Bronx plans to include a freight-rail connection in the project to address trucking costs and traffic congestion associated with the e-commerce boom.

Turnbridge Equities expects to break ground this fall on what would be the only multi-story New York City distribution center designed with a rail spur linking it to a rail network run by CSX Corp.

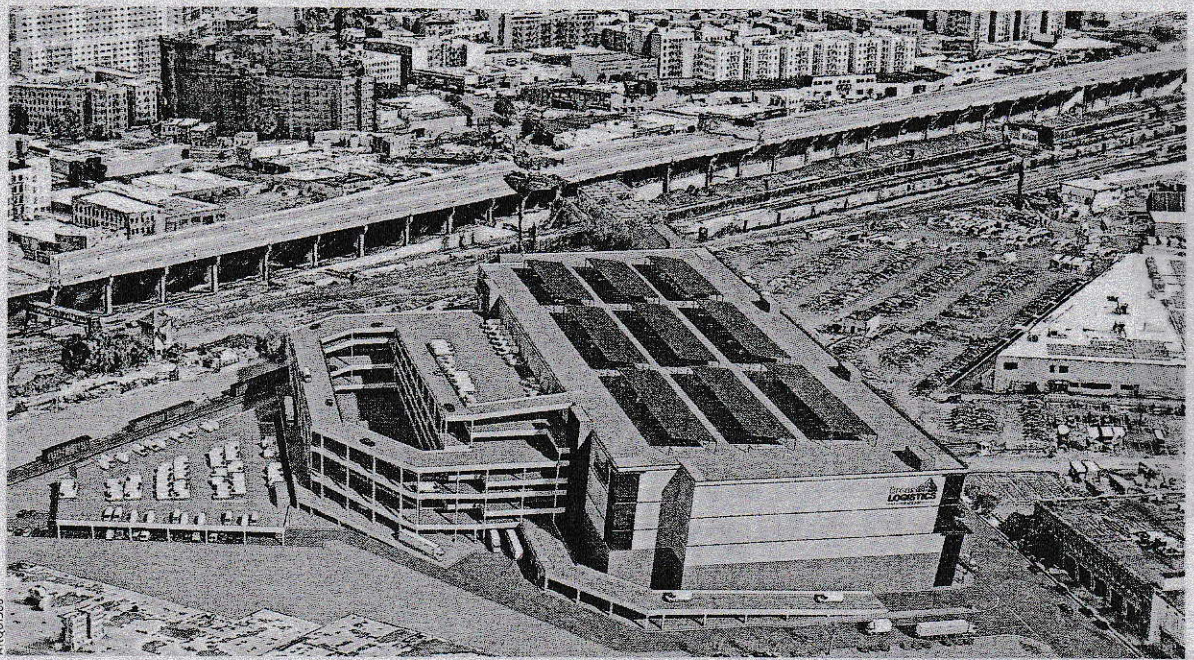
At the Bronx Logistics Center, the spur would allow freight to enter the warehouse grounds by train, whereas most New York City warehouses rely entirely on truck delivery.

The push for faster delivery, the rise in online shopping—including food orders—and the city's population growth have driven companies to seek distribution operations within the five boroughs to be closer to their customers.

Truck congestion and delays resulted in \$862 million in lost economic activity for the city in 2017, according to a report by the New York City Economic Development Corp.

That figure could rise to \$1.1 billion annually by 2045 if no measures are taken to address the issue, the EDC said. The city's economic-development arm is pushing for more investment in rail and maritime freight transportation.

"As trucks clog the road and there's more traffic, people are going to look to logistics solutions that can solve that problem," said Ryan Nelson, a Turnbridge managing principal. "And this is one of them."



A rendering of the Bronx Logistics Center, which would have its own rail spur. Turnbridge Equities expects to break ground this fall.

Mr. Nelson and his partner Andrew Joblon said they were negotiating a construction loan for the \$700 million development. They want to attract e-commerce sellers, food distributors and other tenants.

While the Bronx Logistics Center wouldn't be the first warehouse in the city to offer rail service, it would be one of the few with the amenity.

Railcars carry about 2% of the city's overall freight, the EDC said.

About 5% of potential tenants looking for space want it to have direct rail service, according to JLL, a real-estate services firm that is advising Turnbridge on the Bronx Logistics Center project.

Typically, companies looking for direct freight-rail ser-

vice are those receiving raw goods and products such as food or beverages that are heavy and would be less expensive to transport long distances by train than by truck, real-estate consultants said.

But the types of companies interested in warehouse access to rail service are starting to expand, the consultants said. A truck-driver shortage has added to rising freight costs. The increased expenses and shorter delivery-time requirements are pushing companies to consider shipping more products by rail.

The number of train cars transported by barge from trains at New Jersey terminals to Brooklyn rose 25% between 2017 and 2018, according to the city's EDC.

"Rail was used more for raw materials and goods before the recession," said James Breeze, global head of industrial logistics research at real estate services firm CBRE Group Inc. "Today it is more diverse and more about lower costs and distributing rather than just moving larger raw materials."

Turnbridge's 1.24 million square-foot project is set to rise on five parcels of land adjacent to Oak Point Yard, a rail yard that also services the Hunts Point Cooperative Market Inc. The first three floors will have ramp access and loading docks for 53-foot trucks. Vans and smaller trucks will be able to access the fourth floor by ramps, and the warehouse will have

1,400 parking spaces.

The project is one of about six, modern, multi-story warehouses in the city either under construction or in the planning stages. With little land available in New York City to build more distribution centers, the developers are betting warehouse tenants would be willing to pay a premium on rent to be close to their customers and to save on delivery costs from distribution centers outside the city.

"Being closer to the consumer is the name of the game," said Rob Kossar, a vice chairman at JLL. "Your rent is higher but transportation costs go down so significantly that it offsets the higher rental rate."