



Sign up for our newsletters

PURCHASED

Medical Office, Mobile Homes, Grocery Centers, Senior Housing

630.218.4948

**CLICK HERE** 

The latest CRE news, delivered

every morning.

Subscribe

**CRE Sentiment Index Hits All-**

2024 Top CRE Brokerage Firms

**Top Destinations for Corporate** 

Management Companies of 2024

**Top Projects That Will Reshape** 

**2025 Top Commercial Mortgage** 

**Banking and Brokerage Firms** 

**Top Commercial Property** 

Email address

**Most Popular** 

Time High

Relocations

**Boston** 

• CRE Trends for 2025

Property Types ∨ Business ∨ Markets ∨ Research Trends

Search...

#### Micro-Fulfillment Centers Present Big **Opportunities**

April 5, 2021 By Greg Isaacson

Digital Edition Industrial National

Driven by surging e-commerce demand, the rise of urban microfulfillment centers creates new opportunities and challenges for the real estate industry.

What does a small urban warehouse have in common with a gym, a shopping mall and the backroom of a grocery store? All of these properties could become home to flexible logistics hubs known as micro-fulfillment centers, which are designed to speed up and augment deliveries to America's surging base of online shoppers.

#### **READ THE DIGEST**

Over the last couple of years, the niche product at the intersection of real estate, supply chain management and technology has attracted growing interest from investors as an array of startups roll out their networks of MFCs across the country.

"You still have massive, million-square-foot facilities being constructed across North America," said Blaine Kelley, senior vice president of CBRE's global supply chain practice in Atlanta. "The retailers and consumer goods companies have to inventory large stock-keeping units (SKUs) and amass those closer and closer to

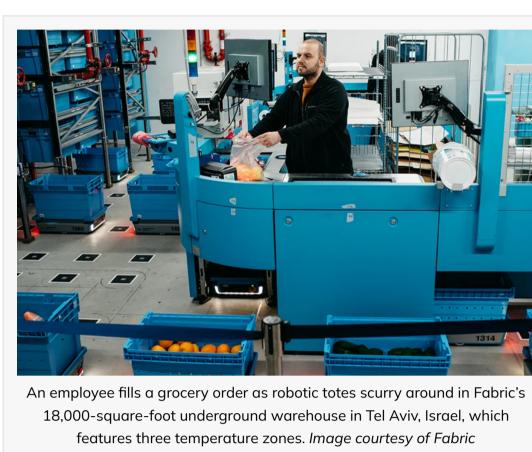
population centers."



vending machines like Fabric," says Steve Hornyak, the company's chief commercial officer. Image courtesy of Fabric

While that infrastructure of huge distribution hubs is still maturing, micro-fulfillment sites are just starting to gain traction, but the two property types appear to be complementary. "The large regional facilities are feeding the micro-fulfillment networks," said Kelley. "So they're both being built out at the same time."

### **Hungry customers**



phenomenon is challenging, owing to the novelty of the concept and the way it blurs the line between different property types. Does an MFC in a shopping mall count as retail or industrial real estate? The task is complicated by a slew of overlapping industry jargon, from "last-mile delivery centers" to "urban logistics" and "back-ofstore." Steve Hornyak, chief commercial officer of

Measuring the size and scope of the

estimates that the number of MFCs serving the grocery industry alone will grow from dozens currently to thousands within five years, as

robotic micro-fulfillment startup Fabric,

food retail continues to move online. E-commerce jumped from 3.4 percent of total U.S. grocery sales in 2019 to 10.2 percent in 2020, greatly accelerated by shelter-in-place behavior during the pandemic, according to a survey

released last September by grocery e-commerce platform Mercatus and research firm Incisiv. That figure is projected to rise further and reach 21.5 percent by 2025. Hornyak noted that the industry expects e-commerce penetration of grocery sales to reach 20 percent within two to three years. The dramatic growth has forced grocers to pay attention. "At

10 percent it's meaningful. At 20 percent it's paramount." As a result, many grocers are starting to look at strategically shifting from manual, in-store fulfillment of e-commerce orders to leveraging automation—whether through in-store, local or regional facilities—to boost their capacity and efficiency in serving online shoppers.



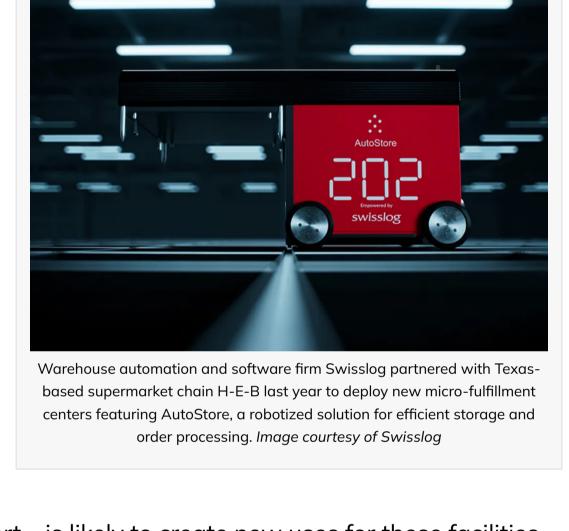
## The need for rapid fulfillment is acute with perishable goods like groceries, but the logic driving

MFC deployment applies to general merchandise as well. Last year, technology firm Fillogic teamed up with mall owners Brookfield Properties, Macerich, Simon Property Group and Taubman to open micro-distribution centers at seven major retail properties in New Jersey and Connecticut. Other expanding players in the MFC world

provides technology for e-commerce brands to operate urban micro-fulfillment sites measuring anywhere from a few hundred to a few thousand square feet. The company has locations in Manhattan, Brooklyn, N.Y., Chicago, Los Angeles and San Francisco, according to its website. Small, flexible fulfillment centers, whether automated or manual, could satisfy a

include warehousing startup Ohi, which

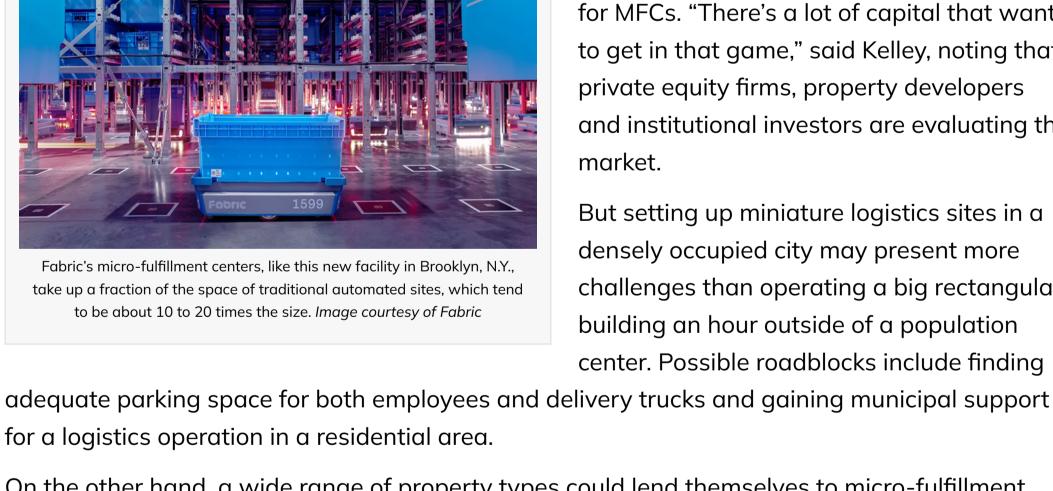
growing appetite in dense metropolitan areas for deliveries in windows of time as short as one hour. Continued innovation in the supply chain—from complex data analytics to robotics and autonomous transport—is likely to create new uses for these facilities. "If the future of the world looks like semi-autonomous truck platoons going down the road with



no driver, they can only go down the ramp and into the loading dock; they can't really navigate around town," said Steve Weikal, CRE Tech Lead at the MIT Real Estate Innovation Lab.

"So the progression from regional distribution to local distribution, to one of these microdistribution facilities—even in the suburbs—I think it's going to be complimentary. It's going to make the overall system much more fluid and efficient."

Reinventing spaces



for MFCs. "There's a lot of capital that wants to get in that game," said Kelley, noting that private equity firms, property developers and institutional investors are evaluating the market. But setting up miniature logistics sites in a densely occupied city may present more challenges than operating a big rectangular

building an hour outside of a population

center. Possible roadblocks include finding

Opportunities for real estate investors are

growth of e-commerce generates demand

beginning to emerge as the explosive

On the other hand, a wide range of property types could lend themselves to micro-fulfillment uses. "The logical one is going to be some sort of a retail facility that was in a good location, has

Parking garages also provide opportunities for urban fulfillment. Fabric operates four live sites in the U.S. and Israel, including an underground automated warehouse located in a parking structure in downtown Tel Aviv that spans 18,000 square feet with an average clearance height of 11 feet.

The company is expanding its network across the U.S., where it already has two live sites in

good access and either the concept failed or the building shuttered," said Kelley.

New York City. "We use a very complex software that we built that actually maps out where these centers need to be," said Hornyak, noting that cities with football teams tend to be attractive e-commerce markets. Fabric is on the hunt for existing spaces measuring 10,000 to 30,000 square feet, with ceiling

Hornyak noted that the firm can open its facilities in old gyms, big-box stores or small warehouses. "The types of repurposing in the places we're looking at doesn't really matter as long as we can get the zoning associated with it." Read the April 2021 issue of CPE.

heights of at least 12 feet and ideally 16 to 30 feet. That is large enough to accommodate its

equipment, which essentially comprises giant, high-tech vending machines.

**Properties** 

February 7, 2025

Contact

# February 7, 2025

**Most Recent** 



James Campbell Snaps Up 664 KSF Houston Industrial Asset

MCB Real Estate Acquires Pinkard



Rockpoint Pays \$120M for MA **Industrial Asset** 

Westmount Realty Buys Chicago

Portfolio

February 7, 2025

February 7, 2025



About Us

**Industrial Report: Sector** Transitions as Supply Shrinks February 7, 2025

Advertising



Atlanta Office Complex Trades for \$14M February 7, 2025

**CPE Executive Council** 

Commercial Real Estate Listings ➤

**™** SUBSCRIBE TO CPE

**Editorial Guidelines** 

Authors

**Privacy Statement** 

Resources

Terms of Service

Commercial Property Executive

© 2025 Commercial Property Executive. All Rights Reserved.