

# E-commerce spike leads to major investment in warehouse space

A massive spike in online sales during the Covid-19 crisis is expected to fuel unparalleled growth in e-commerce operations in South Africa. The general rule of thumb is that e-commerce requires three times the logistics space of traditional storefronts. “Therefore it is reasonable to assume that we will see a much greater investment in warehouse space to support local e-commerce. In addition to this, warehousing demand might be accelerated by the growth of e-commerce in the rest of Africa,” comments Paragon Group Director Estelle Meiring.



Improvements in racking, logistics and building technology have seen an increase in warehouse clear eave heights, often as high as 15 m, as well as an increase in yard depths, sometimes in excess of 45 m. “We have also noticed more requests for cross-docking and an increase in the number of warehouse doors required, as inputs and outputs are maximised,” reveals Meiring. There is a strong move towards sustainability, specifically the installation of photovoltaic panels to reduce reliance on external power supply and cut costs over time. Other key sustainability features include natural light, better building insulation and water conservation. Security remains a major concern.

Another emerging trend is on-demand warehousing, dubbed the ‘Uberisation’ or ‘WeWork’ of warehousing, which sees services and space acquired on a ‘pay-

per-use' basis. This method of warehousing gives customers more choice and flexibility over location, cost and supplier, either as a complete substitute to owning warehouses, or as a partial replacement when a new warehousing location becomes necessary.



“The emergence of on-demand warehousing serves as a response to the increasing number of supply chain challenges that businesses are up against,” points out Meiring. Many users of warehouse space do not want long-term leases in a period of inventory fluctuation and uncertainty. Predictions are that even South Africa’s larger retailers will need immediate space for both slow and fast-moving goods while they assess their long-term distribution plans.

The Cape Town market remains unique in that it still has prime vacant land for the development of large distribution warehouses in close proximity to Cape Town International Airport. These sites are centrally situated to consumers, and are an ideal location for online sales related warehousing, distribution and fulfilment. Additional Western Cape areas that show a lot of promise are the Belville South and Brackenfell and Western Coast nodes. Other parts of the country expecting a major uptake in recently developed industrial areas are Midrand and Pomona in Gauteng and Riverhorse Valley in KwaZulu-Natal.

An interesting trend in the US is that e-commerce and omni-channel retailers are expanding their distribution networks, working from multiple, smaller distribution warehouses closer to customers, rather than from a centralised

distribution centre, due to changing demand. Where five-day delivery times were once considered standard, consumers now routinely expect next-day or even same-day delivery. In line with this, Amazon has now started acquiring some failed malls, using the land to develop online fulfilment centres.



“This makes a lot of sense, as these malls are perfectly located close to consumers and major transport routes,” argues Meiring. “Although our e-commerce industry is a lot less mature than that of the United States, it would be interesting to see if we will follow the same trend in years to come, which might change the way we see distribution centre nodes in future,” concludes Meiring.