



Symposium attendees toured the Port of Charleston's new Hugh K. Leatherman Terminal.

# Port and Industrial Real Estate Growth Strong, With Focus in the Southeast

By Erin McLaughlin



The intermodal and logistics market continues to gain global attention as pressures on the supply chain, changes in behavior due to e-commerce, and the long-running hot industrial real estate market impact the funding and design of ports, freight corridors, freight rail facilities, and industrial land sites.

The United States' supply chain is under considerable pressure, as e-commerce booms, the gross domestic product bounces back to pre-COVID-19 levels, and industries such as trucking suffer from severe labor shortages. These pressures will likely increase as the main driver, e-commerce, is expected to grow. According to Statista, global retail e-commerce sales could reach \$5.5 trillion in 2022.

This is a continuation of a long-term trend, as detailed in the *2020 Transportation Statistics Annual Report* published

by the U.S. Department of Transportation (DOT). The report notes that e-commerce sales increased twentyfold between 2000 and 2019. In 2018, the nation's transportation system—supported by its infrastructure—moved about 51 million tons of goods worth \$51.8 billion each day; that amount in 2018 represented a 4 percent increase over 2016. Container ships are getting larger, both to meet demand and to take advantage of the 2016 expansion of the Panama Canal. Larger ships require ports with deep-water drafts, ample overhead clearance, and intermodal connections such as double-stack rail service, notes the DOT. Continued investments will be made, supported by the newly signed into law Infrastructure Investment and Jobs Act (IIJA), to improve such infrastructure and increase both the resiliency and capacity of the supply chain. Growth is especially notable in the Southeastern area of the United States, with the five fastest growing ports in recent years serving this market. See table.

With the increase of goods coming into the U.S., it is no surprise that the industrial/distribution market leads in all commercial real estate categories. It ranks first for both investment and development prospects, as it has for nine consecutive years, according to an annual report published by the Urban Land Institute and PricewaterhouseCoopers. The report notes that “the industrial real estate operating environment has never been stronger.” The strength of this market is national, with surging growth in the Sunbelt due to population growth. In the Southeast, the seaport markets of Charleston, S.C., Savannah, Ga., and Tidewater, Va., are strong, due not only to demographics, but the drivers of location incentives and training programs for distribution employees and expanded inland ports.

ACEC chose the Charleston, S.C., location for its first-ever Private Market Symposium in December 2021. Attendees, who came from the Southeast and beyond, heard from clients such as the Georgia Ports Authority, South Carolina Ports Authority, Norfolk Southern Corporation, and real estate experts. The event concluded with a tour of the Port of Charleston's new Hugh K. Leatherman Terminal.

Rank	Port	Import & Export TEUs*, 2020	Growth %, 2017-2020
1	Savannah, Ga.	3,637,889	67.5%
2	Mobile, Ala.	349,476	39.1%
3	Houston, Texas	2,488,101	23%
4	Charleston, S.C.	1,762,410	21.5%
5	Wilmington, N.C.	305,054	10.5%

\*TEU: Twenty-foot Equivalent Unit, which is used to measure a ship's cargo carrying capacity. The dimensions of one TEU are equal to that of a standard 20-foot by 8-foot shipping container.

Source: The Journal of Commerce



# Private Water Systems a Key Client in a Growing Market

About 12 percent of the U.S. population is served by private water systems, with about 14 publicly traded companies serving customers in 33 states in 2019, according to analysis by the U.S. Government Accountability Office (GAO) and the University of North Carolina. Growth is expected in this market, with a boost in spending expected from the new infrastructure bill.

Although some have expressed hesitancy over private utilities providing critical public services connected to the provision of safe drinking water, the need for significant investment in water systems has many communities looking beyond municipal-owned models.

The March 2021 GAO study *Private Water Utilities: Actions Needed to Enhance Ownership Data* details that the estimated 50,000 drinking water utilities in the United States face more than \$470 billion in costs over the next 20 years to repair and replace drinking water infrastructure. The study calls for the U.S. Environmental Protection Agency (EPA) to update and correct inaccuracies regarding ownership information in its Safe Drinking Water Information System. According to the report, the EPA provided over \$500 million in Drinking Water State Revolving Fund (DWSRF) assistance to for-profit utilities for 226 projects from January 2010 through June 2020. Funding for the DWSRF is growing substantially. Thanks to the recently passed IIJA and a booming residential market, the water market—including on the private side—is positioned for growth. The IIJA includes \$550 billion in new spending, with \$48.4 billion targeted for EPA drinking water and wastewater spending over five years, and \$11.7 billion of this targeted specifically for the DWSRF.

Let's look at some of the larger private water utilities operating in the United States that serve this growing market:

**American Water Works Company Inc.** (NYSE: AWK): Headquartered in Camden, N.J., the largest private water utility domestically, with operations in 16 states: Calif., Ga., Hawaii, Ill., Ind., Iowa, Ky., Md., Mich., Mo., N.J., N.Y., Pa., Tenn., Va., and W.Va.

**Aqua America Inc.** (NYSE: WTRU): Headquartered in Bryn Mawr, Pa., there are Aqua subsidiaries in eight states: Ill., Ind., N.J., N.C., Ohio, Pa., Texas, and Va.

**SJW Group** (NYSE: SJW): Headquartered in San Jose, Calif., the company has subsidiaries in four states: Calif., Conn., Maine, and Texas.

**Suez** (Paris stock exchange: SEV): A French-based international company with North American headquarters in Paramus, N.J., Suez owns 16 regulated water utilities domestically.

**Veolia North America LLC:** A privately held subsidiary of the French-headquartered Veolia Group, listed as Veolia Environnement (Paris stock exchange: VIE). The Veolia North American head office is in Boston, and it has government water clients in 24 states.



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**Erin McLaughlin** is ACEC's vice president of private market resources. She can be reached at [emcloughlin@acec.org](mailto:emcloughlin@acec.org).

