

A sleepy North Carolina city flexes its logistics muscle

Rocky Mount poised to assert itself in life sciences distribution



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Mark Solomon Friday, August 7, 2020

Nestled in the state's rural northeast corner, Rocky Mount, North Carolina is known to many travelers as four exits on Interstate 95. Not many would imagine it being a major distribution center (DC) player. They may want to take another look.

A DC site planner could do a whole lot worse than selecting this city of 55,000 bisecting Nash and Edgecombe counties. Land is abundant and inexpensive relative to other industrial markets, resulting in significantly lower operating costs for DC occupants. At a little more than \$18 million a year, Rocky Mount was the least expensive of 25 East Coast sites for pharmaceutical distribution hubs, according to a recent analysis by The Boyd Co., a distribution center site selection consultancy. The cost figure was about one-third less than similar sites in Staten Island and Farmingdale, New York, which ranked as the two most expensive on the Boyd list.

Rocky Mount's proximity to transport arteries is more robust than the conventional wisdom might suggest. It is exactly half-way between New York City and Jacksonville, Florida. It sits just 5

miles from I-95 and U.S. Highway 64, the latter feeding Interstate 40, the east-west highway that runs into the famous Research Triangle Park, an epicenter of U.S. life sciences development. Rocky Mount is within a five-hour drive of four seaports: Norfolk, Virginia; Wilmington, North Carolina; Charleston, South Carolina; and Savannah, Georgia. It is a 90-minute drive to Raleigh-Durham International Airport and the adjacent Research Triangle Park. It is one hour from the North Carolina Global TransPark, a 2,500-acre multimodal industrial/airport site in Kinston, North Carolina.

In early 2021, eastern rail giant CSX Corp. (NYSE:CSX) will open the long-awaited “Carolina Connector” intermodal terminal in Rocky Mount. The 4-year-old project had been tabled by the late E. Hunter Harrison when he became CSX’s CEO, but was revived not long after Harrison’s December 2017 death by James Foote, his successor.

But it is in the burgeoning area of life sciences distribution that Rocky Mount may cement its name. According to estimates from real estate services giant CBRE Services (NYSE:CBRE), the “medical” subcategory held a 4.3% share of year-to-date industrial (which includes logistics) transactions of 100,000 square feet and higher. John Boyd, CEO of the company that bears his name, projected that demand for cold chain facilities to support pharmaceutical and biotech distribution will reach 70 million square feet during 2021. Much of the demand will be triggered by re-shoring of health care manufacturing to the U.S. as businesses end the over-reliance on origin-country manufacturers like China for the production of critical medical equipment.

Drug giant Pfizer Inc. (NYSE:PFE) operates a 1.4 million-square-foot facility in Rocky Mount dedicated to manufacturing “sterile injectables,” a drug delivery system that acts as an alternative to oral drugs. The facility, touted on Pfizer’s website as one of the largest of its kind in the world, produces 400 million units a year. Nearly one-quarter of all sterile injectables used in U.S. hospitals are produced at the facility, according to website information. Rocky Mount officials expect the facility to play a role in COVID-19 vaccine development should a Pfizer vaccine be approved by the Food and Drug Administration.

In addition, Corning Inc. (NYSE:GLW), a maker of specialty glass, ceramics and technologies for advanced optics in industrial and scientific applications, is poised to open an \$89 million distribution center in Edgecombe County. The facility will become one of the company’s key U.S. nodes for life sciences distribution activities, according to Rocky Mount officials.

Boyd said that Rocky Mount’s proximity to regional manufacturing and distribution hubs, combined with inexpensive real estate and access to intellectual capital, will hold it in good stead as life sciences distribution demand surges in the next few years. Another tailwind, Boyd said, is the city’s strong pro-developer mindset.

Rocky Mount’s roots speak of anything but prosperity. The city’s history is steeped in agriculture, and despite the penetration into other industries, the region remains oriented towards the farm, Norris Tolson, president and CEO of the Carolinas Gateway partnership, a nonprofit private-public sector alliance, said in a phone interview Thursday. For years, the area had the highest

unemployment rate in the state, Tolson said. Those who had jobs typically worked in agriculture and earned low wages, he added.

Once Nash and Edgecombe counties pivoted towards logistics nearly five years ago with the announcement of the CSX initiative, however, wages began to rise. Since then, more businesses across multiple industries have set up supply chain shop in Rocky Mount. As more high-paying pharmaceutical and biotech jobs appear on the landscape, wages are likely to take another, and more significant, step higher, Tolson said.