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## **IS PHL POISED TO BE THE NEXT U.S. CARGO HUB?**

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**MARCH 29, 2022**

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The COVID-19 pandemic impacted passenger and cargo operations in different ways. Passenger operations saw frequencies at US airports decrease 40.9% in 2020 and 25.7% in 2021 against 2019 levels. In contrast, cargo operations saw an increase in volume of 11.3% in 2020 over 2019 levels, and an expected increase of 7.2% in 2021 over 2019 levels.

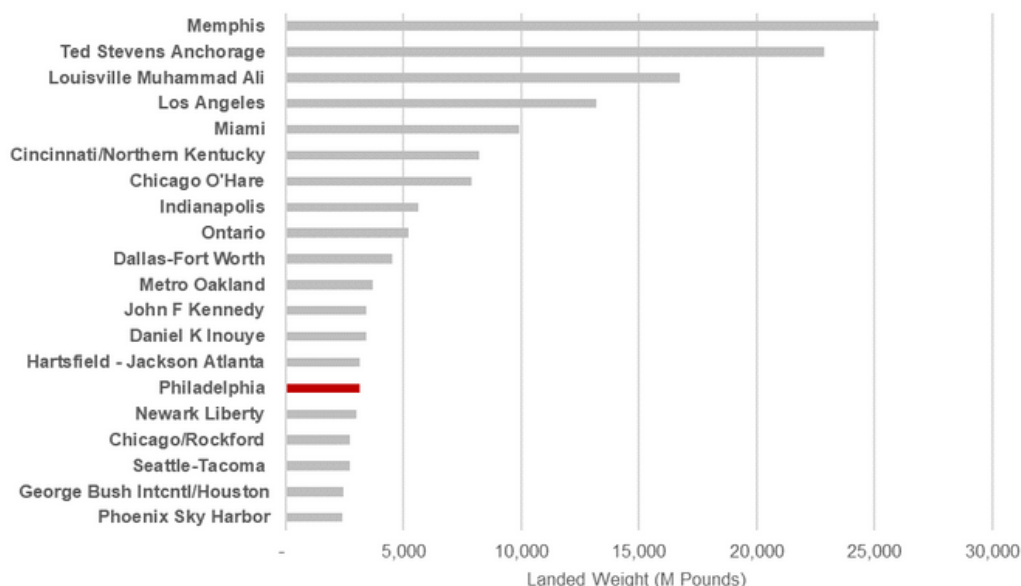


Cargo has been trending upwards for the last decade, mainly since the advent of companies like Amazon. Cargo demand is expected to remain high, putting higher stresses on supply chain. The U.S. Bureau of Labor Statistics estimates the demand for logisticians to grow 30% over the next 10 years, much faster than the average for all occupations. The U.S. Chamber of Commerce reports an increase of 24.6% in new business start-ups during the pandemic in large part because of how easy it is to reach customers online through platforms like Etsy and Mercari. As people continue to work from home, they have adjusted their habits to order more online that gets delivered right to their door.

Approximately 80% of US air cargo is handled through 20 airports. The largest US airports in terms of freight traffic are Memphis, Tennessee (MEM), Louisville, Kentucky (SDF), and Anchorage, Alaska (ANC), the primary refuel station for Asia/Pacific cargo. Miami (MIA) and Los Angeles (LAX) handle international cargo from South America and Asia, respectively. Cincinnati (CVG) is Germany-based DHL's primary US hub. Indianapolis (IND) is FedEx's second largest airport. Chicago (ORD) is geographically situated to accept international cargo from both Asia and Europe; however, the airport is overly congested and plagued by inclement weather much of the year, leading to major freight operators to choose more favorable locations. In American Airlines' hub city of Dallas-Fort Worth (DFW) almost 20% of its cargo traffic is handled solely by the carrier.



Top 20 Airports in the US  
(by Landed Weight Cargo Volume)

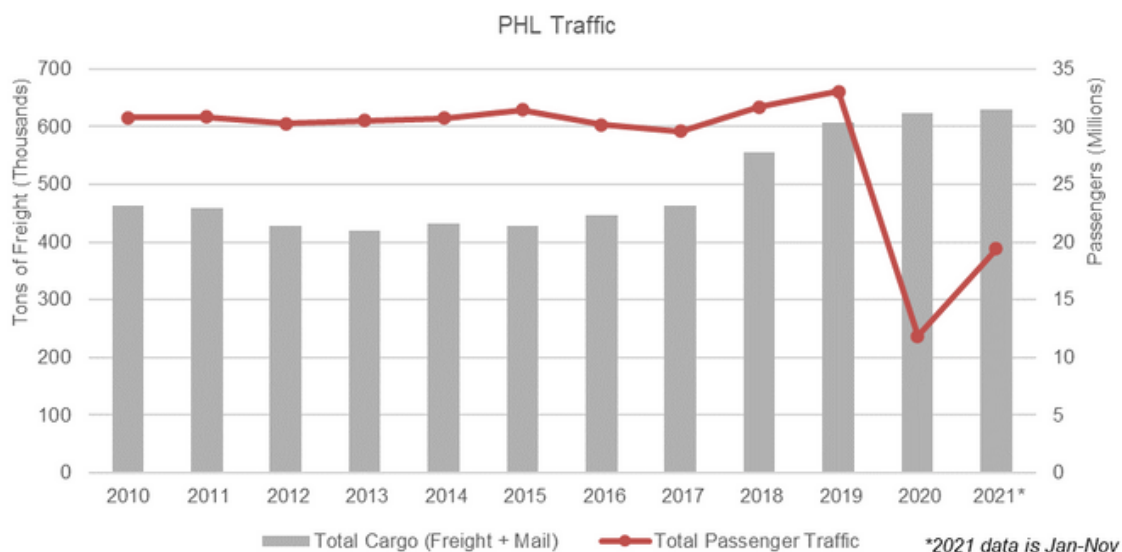


Despite these large airport operations, current air cargo capacity will not be sufficient in the coming years. E-commerce in the US is expected to hit \$1 trillion in 2022 and nearly \$2.5 trillion by 2025. Logistics companies are making substantial infrastructure investments to keep up with the speed and the capacity demanded by consumers. On the west coast FedEx invested \$100 million into a 251,000 square foot expansion project in Ontario, California's airport (ONT) leading to a 21% cargo growth in 2020 and over 60% since 2016. As logistics companies grow, Philadelphia International Airport (PHL) is a great east coast candidate for additional infrastructure upgrades.

The city of Philadelphia is no stranger to growth and transportation. As the 5th largest metropolitan area in the US, Philadelphia is the main headquarters for 78 large companies and US headquarters for another 15 international corporations. Companies with headquarters in Philadelphia include Aramark, Comcast, Urban Outfitters, Pep Boys, and FMC, all with unique supply chain needs. Nearby New Jersey is home to 14 of the world's 20 largest pharmaceutical companies, including Novartis, Merck & Co., Johnson & Johnson, Bristol-Myers Squibb, Novo Nordisk, and Bayer Healthcare. Less than an hour away in the corporate tax haven of Wilmington, Delaware, companies such as AstraZeneca, DuPont, and Chemours have operations in addition to the over 1 million financial institutions incorporated in Delaware.

Passenger traffic recovery has not been as strong in PHL as other airports making airspace and airfield capacity to handle more cargo flying immediately available. East coast distribution companies can turn their attention away from busy and expensive New York airports (i.e. JFK and EWR); cargo transferring by truck or ship can easily flow from PHL and avoid heavy New York City traffic, an attractive feature for logistics companies.

PHL airport currently has 600,000 square feet of cargo tenant space on the landside in addition to the 50-acre UPS distribution facility attached to the airfield. The airport has been steadily expanding its market share in the freight traffic sector. Since 2015 air freight has increased 47.0% at PHL and is only expected to grow further. In June of 2021 the airport announced a cargo expansion project that will bring the square footage to over 1.4 million, effectively doubling the cargo capacity. With over 620,000 tons of cargo handled in 2021, doubling the output would put PHL on par with DFW or IND. Assuming the 5-year average of 8.1% annual cargo growth after the expansion project makes PHL the 6th busiest cargo airport in the US by 2030.



SOURCE: PHL ACTIVITY REPORTS ACTIVITY REPORTS | PHL.ORG

Jumping 10 places in domestic cargo airport rankings may seem like a pipe dream for some. But others are doubling down on the effort. In 2016 American Airlines invested in a state-of-the-art cold storage facility focused on climate-controlled cargo such as pharmaceuticals and other perishable goods. Early in 2020 UPS announced they will be opening a nearly 1 million square foot distribution facility in northeast Philadelphia. Since the COVID-19 pandemic construction on the facility has been delayed with no new date for groundbreaking yet.

***If you have any questions, comments or would like to discuss any of the above topics in more detail, please contact mba Aviation's Airline & Airport Services team at [mba@mba.aero](mailto:mba@mba.aero).***