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And the next move ... Dallas Logistics Hub is challenging FW's Alliance for king of industrial centers

By Katherine Yung

The newest rivalry between Dallas and Fort Worth has nothing to do with museums, sports teams or major airlines.

Thanks to recent development in southern Dallas County, each city now lies near a massive industrial and logistics park where developers are eager to build warehouses and distribution facilities.

In one corner sits a dominant Alliance, the 11,600-acre development north of Fort Worth that opened a little more than 17 years ago. Its owner: Hillwood, the large commercial and residential developer owned by Ross Perot Jr.

The challenger is the 6,000-acre Dallas Logistics Hub, which is south of downtown Dallas along Interstate 45 and other key highway and rail routes to the east. The Allen Group, a California real estate developer, owns the project and has begun to market it but hasn't yet broken ground.

The hub is pursuing the same tenants Alliance does, such as big-box retailers and manufacturers. The battle may be David vs. Goliath, but it is the first time Alliance has faced a major local competitor.

Having two industrial parks should enhance North Texas' reputation as one of the leading distribution centers in the country. It will give companies looking for warehouse space more choices.

But it could lead to squabbles over where government funds are used to build highways and other infrastructure for the region.

"There's going to be intense competition," said Terry

Pohlen, director of the Center for Logistics Education and Research at the University of North Texas.

As international trade increases, there could be plenty of room for both parks, he said. Imports from China are soaring, and many of those goods are hauled from West Coast ports by freight trains to central locations like North Texas for distribution.

Competition between the parks is just beginning. The Allen Group hasn't signed any tenants yet for its Dallas hub, said Jon Cross, the company's director of marketing, but it has made presentations to several Fortune 500 companies. It says it will advertise this year in national trade publications, such as Site Selection, and market the property at trade shows for site selectors and logistics firms.

The Dallas Logistics Hub plans to start construction of its first commercial buildings this year, along with a bridge and other infrastructure.

In an interview last fall, Richard Allen, the developer's chief executive, said his park could offer tenants more attractive lease deals than Alliance. Currently farmland, the property lies in an area long plagued by a lack of development and a high unemployment rate. Officials in Dallas, Wilmer, Hutchins and Lancaster are backing the project because it promises to create thousands of jobs.

Rail routes

Both parks are next to giant railroad terminals where truck drivers pick up shipping containers hauled by trains from West Coast ports.

www.allengroup.com



Burlington Northern Santa Fe Corp., the Fort Worth-based railroad, handled about 587,000 containers and trailers at its Alliance terminal last year, up 42.5 percent from 2000 levels.

At the Dallas Logistics Hub, a \$100 million Union Pacific terminal opened in 2005. The hub could gain an edge over Alliance if it gets a second rail terminal. Burlington Northern is negotiating with the Allen Group for an option to purchase several hundred acres at the Dallas hub for such a facility.

Alliance is a foreign trade zone, which means companies can eliminate certain U.S. customs duties and delays, and reduce their paperwork and fees. The Dallas hub has applied for this designation and expects to receive it.

Despite the publicity surrounding the Dallas hub, business shows no signs of slowing down at Alliance. It continues to attract new distribution centers for goods made in Mexico and Asia.

Later this month or in early February, Alliance is expected to announce a deal with a Fortune 500 company that will lease more than a million square feet for its products, which are produced in Mexico.

That comes on top of landing a 402,500-square-foot center for the distribution of Mexican-made Lego toys. And several existing tenants, such as IDC, which imports outdoor lighting products, have announced plans to expand their facilities or move into bigger ones.

Selling points

"We've tried to work with people on not just real estate, but other issues that impact their business" such as labor and transportation, said Bill Burton, senior vice president of Hillwood Properties.

When asked whether Alliance is lowering leasing rates because of the Dallas hub, Mr. Burton said, "We have to compete. We have a lot of things to offer besides the real estate."

These include the flexibility of owning multiple

buildings in a single park, workforce training and screening, and proximity to Dallas/Fort Worth International Airport's cargo operations.

Mr. Burton says he hasn't run into a situation yet where a potential tenant was trying to decide between the two developments and pressing for better deals from both.

But such a scenario may not be far off. Target Corp. is rumored to be looking at both parks for a new distribution center in North Texas.

Target did not return telephone calls seeking comment, and both the Allen Group and Alliance said they couldn't discuss the matter.

"There will be deals that look at both," Mr. Burton said. "We're going to have competition."

'Still climbing'

Companies building or leasing facilities at Alliance are well aware that there's an alternative in southern Dallas County.

KFS Inc. of Grapevine, a logistics and transportation services provider, decided to build a 140,000-square-foot freight forwarding facility at Alliance because "it is an established quality development," said James Keller, the company's president.

"While it has a lot of potential, it [Dallas Logistics Hub] is not as far along," he said.

But Alliance isn't resting on its laurels. The park is only 35 percent developed and is launching five more buildings, Mr. Burton said. In addition, it's trying to make it easier to get in and out of the development by adding more lanes to Interstate 35 West.

And at Fort Worth Alliance Airport, which is located within the park, officials are working to extend the runways to accommodate bigger cargo planes.

"You always need to check your rearview mirror," Mr. Burton said. "In our opinion, we're still climbing the mountain."