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It's a Texas Two-Step for Logistics Hubs

By William Hoffman

Is Dallas-Fort Worth really big enough for two major multimodal transportation centers? The inauguration of the 6,000-acre Dallas Logistics Hub east of the city places the North American logistics spotlight squarely on Texas and issues a challenge to the 12,000-acre Alliance Global Logistics Hub, 50 miles away in Tarrant County.

The Allen Group, developer of the new hub, officially opened the site for development on April 13 and days later granted BNSF Railway the right to purchase land in its site to develop an intermodal terminal. It expects its first two industrial buildings to be completed by year's end.

To Jon Cross, head of marketing at The Allen Group, events such as the expansion of several Mexican seaports, the planned widening of the Panama Canal, the reported shift of container imports from West Coast to Gulf and East Coast ports and Texas's position in the center of the continent "puts Dallas dead center for worldwide trade."

That's not news to Hillwood, developer of the Alliance Global Logistics Hub. "We compete against projects across the United States for major distribution deals," said David Pelletier, Hillwood director of communications. "We're used to that."

Dallas is one of three major U.S. metropolitan areas, along with Los Angeles and Atlanta, seeing explosive growth as distribution and logistics hubs for shipping into the world's largest consuming market, said Richard Armstrong, chief executive of Armstrong & Associates.

"The population has shifted south, and (Dallas) is sitting right there in the middle of it," Armstrong said.

The North Texas area for decades was a center of banking, real estate and energy interests, though a series of economic shocks in the late 1980s and early 1990s -- an oil price crash, real estate bust and the savings and loan debacle -- forced government and business leaders into a reassessment of the region's industrial prospects.

Throughout the 1990s and early 2000s, federal and state governments invested hundreds of millions of dollars to upgrade and expand the major highways north-south (U.S. 75 and Interstate 35 East and West) and east-west (Interstate 20 and State Highway 121, and the President George Bush Turnpike), as well as regional airports.

North Texas gained from Gulf Coast port growth that lured Wal-Mart to build a 4 million-square-foot distribution center near Houston at Baytown, Texas.

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Cross said the Dallas Logistics Hub will benefit from Union Pacific's \$100 million, 360-acre intermodal facility along I-45 and a proposed 300-acre BNSF facility on nearby land owned by The Allen Group.

"We focused on Dallas because the intermodal piqued our interest," Cross said.

A \$30 million pledge of support by the city of Dallas and master plans being drawn up by nearby Lancaster Airport to support airfreight distribution, as well as proximity to Texas's proposed NAFTA Highway linking Mexico with Canada through the United States, persuaded San Diego-based Allen Group to set its stakes south of Dallas three years ago.

But can the Metroplex (as the Dallas-Fort Worth area is known locally) support nearly 30 square miles of distribution and transportation-oriented development? "We are very confident that the Dallas Metroplex can," Cross said.

Pelletier isn't so sure, at least when it comes to government support. Alliance is pursuing a runway extension to better serve airlines from Europe and Asia. Hillwood wants state and federal authorities to upgrade I-35W as it runs through Alliance, and to consider improvements to the I-35W/I-820 interchange north of Fort Worth.

Finite funds, Pelletier said, should go to projects with proven track records such as Alliance, which has attracted more than 140 companies, most focused on distribution, and generates \$28 billion in the regional economy. "Dallas Logistics Hub doesn't even have a building on it right now," Pelletier said.

Cross said the new hub will have space for as much as 60 million square feet of distribution, manufacturing, office and retail development.

The Allen Group is building two industrial facilities -- 640,000 and 210,000 square feet, respectively -- scheduled to be completed in 2007.

The project could create 32,000 jobs and support as many as 33,000 more, Cross said. Build-out could take as long as 30 years, he said.

It could also produce a glut of industrial space, Armstrong said.

"This sounds awfully big to me, and I think there's a good possibility they're going to create overcapacity," Armstrong said. "You can't expect expansion in the inland ports is going to be as good in the next 10 years as they've been in the last 10 years."