

SITE Selection

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Global Trade, Transportation Trends make “Location” Matter More

By Edward B. Romanov

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GLOBAL TRADE, TRANSPORTATION TRENDS MAKE "LOCATION" MATTER MORE

By Edward B. Romanov - President & Chief Operating Officer, The Allen Group

It's become a somewhat tired axiom that the three most important success factors in real estate are "location, location and location."

But the fact is, this statement's never been truer, especially in the context of global trade and transportation trends, which are driving demand for larger, exceptionally well-located distribution and logistics facilities.

Consider the reality of global trade and transportation patterns in the U.S. today:

In 1970, the U.S. imported/exported a total of \$84 billion in goods. We passed \$84 billion in trade by the second week of January 2005, now exceeded \$3 trillion in 2006.

Today, Americans produce fewer of the goods they consume than ever before. Manufactured goods produced domestically have gradually decreased from 24% of GDP in 1969 to 12% in 2005, a 100-year low for the United States economy.

At the same time, shipments of manufactured goods and raw materials (total U.S. imports of goods alone) have risen to about \$163 billion every month, with the Pacific Rim countries contributing the largest share of growth, with roughly \$600 million last year.

Historically, most imported goods have been processed for direct shipment to their terminal destinations upon entry into the U.S., usually at or near one of the major American shipping ports. But this is changing. Increasingly, containers of goods shipped to the U.S. are transferred mostly by rail from the port of entry to an "inland port," like our logistics parks in Central California, Dallas and future facility in Kansas City. These locations are becoming huge markets for the regional distribution of goods to the population centers throughout the U.S. This distribution process utilizes rail for the initial long-haul stage and trucking for the final leg.

Why are transfers to inland ports occurring more frequently, and what distinguishes a high-performance inland port?

To the first question, the sheer volume of goods now flowing through the nation's seaports has in some cases overwhelmed the port's capacity to process the goods; there simply isn't enough space for the task. Because of their structural limitations or technological shortcomings, many of the facilities at or surrounding ports are aged, outmoded and ill-equipped to meet the goods-processing challenges of the twenty-first century. Finally, the cost of land and lease rates around the major sea port markets have increased dramatically, creating an over developed, over priced market.

New inland ports, on the other hand, are being designed and located precisely to accommodate today's just-in-time supply chain management system demands. Optimally positioned inland ports are:

Bigger and more flexible. The consolidation of warehousing, logistics hubs and distribution centers have created the need for bigger facilities, from one million to four million square feet, consuming hundreds of acres of land that can be configured and reconfigured to accommodate all manner of picking, packing and storing processes.

Technologically advanced. The materials-handling equipment installed in many of these newer facilities can include miles of conveyor belts, laser scanners, computer management systems, and laser guided picking equipment. This equipment can cost as much or more than the total cost of the building itself.

Intermodal. Achieving the highest level of shipping efficiencies requires multi-modal transportation (i.e. rail to truck). Companies locating their distribution center next to an intermodal can save millions a year in drayage costs versus a similar facility located many miles away.

Located at the nexus of air, rail and highway systems. Distributors, shippers and manufacturers need to operate from locations that intersect multiple shipping routes via several modes of transportation, and be within reach — days if not hours — of customers or other end-users.

Notably, there are only so many prime locations in this country that can accommodate true inland ports. Highway systems have largely been built out and large land positions are limited, expensive and difficult to assemble.

Those who are successful at distribution and logistics in the decades to come will be those that capitalize on large facilities with sophisticated mechanical handling equipment located near intermodal facilities and at the nexus of our interstate highway systems.

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