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On Track

By Rob Roberts

Railroad tracks bisect the site of the planned intermodal facility called Logistics Park Kansas City west of Gardner. Intermodal shipping—the use of containers to move freight between trucks, trains, planes and ships—is nothing new for Kansas City.

"We've got intermodal operations all over our city," said Mark Sonnenberg, director of industrial sales and leasing for Colliers Turley Martin Tucker in Kansas City.

What's new, Sonnenberg said are the three joint intermodal ventures with industrial developers—two launched by Class 1 railroads, the other by the Kansas City Aviation Department—that are detailed in this section.

Each will result in a modern, uncontested freight-transferring hub surrounded by hundreds of acres of distribution centers, most ranging from 400,000 to 1.5 million square feet. And together they will generate a brand-new industry for the region.

"We're not making the pie bigger; we're making a whole new pie," said Bill Crandall, Kansas City president of The Allen Group, a San Diego-based developer planning more than 7 million square feet of industrial buildings around BNSF Railway Co.'s proposed intermodal facility in Gardner. Crandall, who formerly served Zimmer Real Estate Services LC as master developer for the Village West development in Kansas City, Kan., and development manager for the Sprint, World Headquarters campus in Overland Park, said his new job satisfied his flair for transformational developments.

"Historically, 250,000 square feet would be the biggest industrial, building you would see built in this market," Crandall said. "But because of the new system of intermodalism being created by the railroads here, Kansas City is becoming a mega-distribution market with demand for huge buildings."

Although Crandall said he doesn't expect the 1,000-acre Logistics Park Kansas City in Gardner to have its first pad-ready site available until at least mid-2009, he already is courting two large distribution centers, including a 1.1 million-square-foot facility. The undisclosed user of that facility plans to consolidate 16 smaller distribution centers throughout the country at one site in the Kansas City area, Crandall said, and that's just the tip of the iceberg.

"Because of the general malaise of the economy, the major national retailers are trying to control their bottom lines rather than build their top lines," Crandall said, "and they're doing that by consolidating 16 different distribution centers into one, or nine into five.... There's probably about 5 million square feet of pending deals like that floating around in this market."

Paul Licausi, president of Overland Park-based LS Commercial Real Estate, said he is working to give some of those deals a place to land before the intermodal parks are up and running. On Oct. 17, Licausi's firm broke ground on the infrastructure for Midwest Commerce Center, a 151-acre business park in Gardner that will include big-box warehouse

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and distribution facilities totaling about 2.2 million square feet.

Licausi said he thinks the influx of big-box industrial users would have transpired aside from any intermodal development, for the economic reasons Crandall mentioned. As evidence, he pointed to 400,000- to 700,000-square foot distribution centers that companies such as Musician's Friend Inc., Kimberly-Clark, Pure Fishing and Pacific Sunwear of California Inc. have announced here in the past few years.

But Licausi acknowledged that Midwest Commerce Center's location, near the BNSF-Allen Group intermodal park, will make his site more attractive to many users.

"Is that the only factor in play? No," Licausi said. "I chose that site because of its proximity to I-35, the New Century AirCenter and both a skilled and non-skilled employment base. But does it help me to be three miles from the intermodal? You bet it does."

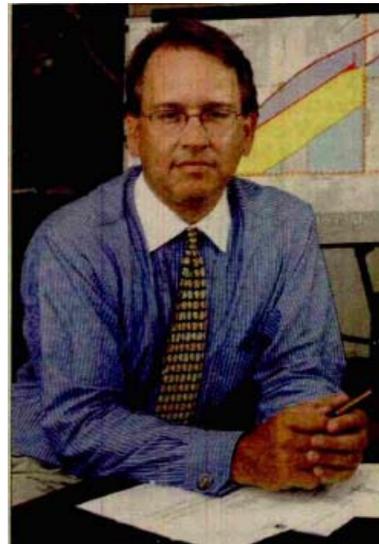
Similarly, Dan Jensen, a principal of Kessinger/Hunter & Co. LC, credits the Gardner intermodal park and the CenterPoint-Kansas City Southern Intermodal Center in south Kansas City with increasing demand for a 600,000-squarefoot spec facility he has built in Olathe, plus an additional 2.5 million square feet he plans to develop nearby.

"It is truly remarkable that, right now, there are three major intermodal facilities under construction in a market of this size," said Tim Cowden, senior vice president of business development for the Kansas City Area Development Council.

Sonnenberg, of Colliers Turley Martin Tucker, said the demand for intermodal facilities was kicked off years ago by the offshoring of U.S. manufacturing to Asian-Pacific countries. Initially, as the foreign-made goods re-entered the United States through West Coast ports, the bulk of them were loaded onto trucks, he said. Then, the railroads began to improve their track speed and capacity to get a bigger slice of the inbound-freight pie, Sonnenberg said, and fuel costs and other factors began diminishing the

trucking industry as a long-distance shipping alternative.

"It takes one truck driver to haul one container," Sonnenberg said, "and let's say it takes three guys to drive a train carrying 300 containers. That's a 100-to-1 manpower advantage for rail." Consequently, shippers began placing many of their inbound containers on rail lines running between the West Coast ports and intermodal facilities in big cities such as Chicago and Dallas. But, Crandall said, those facilities have grown congested as the volume of U.S. trade has ballooned - from \$84 billion in goods in 1970 to more than \$3 trillion today.



Bill Crandall, Kansas City president of The Allen Group, says, "It takes three days to get to Chicago" by rail from the West Coast ports "and three days to get through Chicago." Kansas City offers transcontinental shippers a less congested route.

Kansas City, which lies in the Mexico-to-Canada corridor served by Kansas City Southern and on BNSF Railway's southern transcontinental main line between Los Angeles/Long Beach and Chicago, offered shippers an opportunity to avoid such costly congestion, said Chris Gutierrez, president of Kansas City SmartPort.

In Gardner, for instance, BNSF found a piece of affordable real estate long enough - at least 8,000 feet - to accommodate the intermodal trains, double-stacked with 250 to 280 containers, that will pull off

its transcontinental line to be loaded from trucks or unloaded onto trucks.

In addition, Gutierrez said, Kansas City International Airport is one of few big airports in the country with enough land to accommodate an operation like the 800-acre KCI Intermodal Business Centre that Trammell Crow Co. is developing for air cargo-related logistics.

As construction on the new intermodal parks continues, Sonnenberg said, existing modern distribution space in this market continues to be gobbled up. The metro-wide vacancy rate for such

space was just 2.3 percent in the third quarter, according to a report from Colliers Turley Martin Tucker.

"That means, as the economic recovery happens, we're not going to have a glut of vacant space that's going to take two or three years to fill up like Memphis, Chicago and Dallas do," Sonnenberg said. "We will have no supply, so you will see Kansas City explode with development. Between the intermodals and other private developments, we are on the cusp of the most important two or three years in the history of our industrial real estate market."