

November 24, 2008

## Fresno in the center of the action: What makes the Valley such an attractive redistribution site to warehousing companies?

The central San Joaquin Valley is becoming a major distribution center for the western United States -- but its foothold could be challenged by competitors as diverse as a Mexican port and faraway Indian reservations.

An industry survey says relatively low operating costs and a mid-state location make the Valley a strong candidate when businesses are looking for new warehouse sites. "Fresno shows exceptionally well," said John Boyd, a site relocation specialist.

He estimated the cost of operating a 500,000-square-foot warehouse employing 225 people in Fresno at \$17.2 million per year. It is a close second in California to Bakersfield, and only slightly more than Las Vegas and Reno. Until recently, the Nevada cities came up winners in the battle to reap property tax revenue and jobs from what economic development experts call the "logistics industry."

But success for Las Vegas and Reno came with a price. "It's economics 101," said Stewart Randall, an industrial specialist at Colliers Tingey International in Fresno. "Everyone wanted to go to Reno and that drove up prices" in the region.

But cost is only part of the equation. Geography is as important, and businesses like that Fresno is dead center in the state. That makes it the best place to ship product statewide and has the added advantage of being midway between ports in Oakland and Los Angeles.

"Some have moved here because they want the option of the Oakland port if a strike occurs in Los Angeles," Randall said.

The combination of low costs and location is the reason why Wal-Mart, Gap Inc., Sally Beauty Supply, Sears and Joanne's have expansive distribution centers in the Valley -- and why developers are building more warehouse space.

"Fresno is within a two-day drive of 11 of the largest cities in the Southwest and a four- or five-hour drive of every major market in California," Boyd said.

Steve Geil, president of the Economic Development Corp. serving Fresno County, said the potential of warehousing and distribution can't be overstated.

"There is no question Fresno's future is tied to that," he said.

More than 500 trucking companies operate in the area, two railways have facilities and the nation's largest parcel companies have a presence at Fresno Yosemite International Airport.

### Looking for space?

Geil said his agency continues to receive inquiries from businesses that need distribution centers, even in this slow economic climate. Logistics and distribution businesses comprise about one third of the 47 companies that are considering expanding into Fresno County, Geil said.

In the last six months, three businesses searching for sites for 1-million-square-foot distribution centers have toured the Valley, said Jon Cross, marketing director at The Allen Group, which is developing large-scale distribution centers in Visalia and Shafter.

The Allen Group has developed 2.5 million square feet of warehouses at its Mid-State 99 complex at Goshen Avenue and Plaza Drive in Visalia. About 300 of the 480 acres there remain available for development.

"Mid-State 99 works for California because it is one of the only areas in the Central Valley where UPS

can reach Northern and Southern California overnight at ground rates," he said.

Fellow developers Buzz Oates of Sacramento and Diversified Development Group of Fresno recognize the importance of geography. Both are expanding in the region.

Oates, who has 1.5 million square feet of warehouse property in Fresno, Tulare and Madera counties, is starting construction of an 82,000-square-foot building at a warehouse complex on Elm Avenue in southwest Fresno.

Oates also has bought 41 acres next to Kraft Foods at North and Orange avenues.