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Logistics Gets Intermodal

By William Hoffman

The flood of containerized imports hitting U.S. shores from Asia is redrawing the country's logistics facilities map, driving a boom in intermodal centers and inland hubs that developers say will last beyond this year's slowing economy.

"The intermodal is the big paradigm shift, the realization that (global) trade is increasing and with that, intermodal is increasing, and that's creating the development of these new logistics hubs," said Richard Allen, CEO of industrial real estate developer The Allen Group.

As long as goods can be manufactured more cheaply overseas than in destination consumer countries such as the United States, real estate developers say demand for master-planned logistics hubs will balloon. "As long as populations grow and world economic vitality continues to expand, that will continue," Allen said. "A slowdown in the current container traffic and trading volumes is not going to stop the larger trends."

Logistics hubs have been around for 15 years, but they've only started to come into their own in recent years as container traffic from Asia boomed into West Coast ports. Approximately 11.7 million containers and trailers traveled U.S. railroads in 2005, compared with 6.2 million in 1990, according to the 2007 study "Integrated Logistics Centers" by the Heitman real estate investment management firm.

The report suggests the impact of that enormous volume is doing more than pushing boxes onto railroads. The fat pipelines are attracting more demands for more specialized handling that include

the more sophisticated logistics services that work in concert with intermodal transport.

The intermodal facility takes advantage of lower fuel, transport and labor costs available through rail providers and supply chain savings made from minimizing the unloading and repacking of containers as they proceed from manufacturing source to retail destination.

More than just a collection of warehouses or distribution centers, logistics hubs are master-planned communities providing multiple modes of incoming and outbound transportation as well as accessible infrastructure, continuing development and services. "We're almost like city hall," said David Pelletier, director of communications for developer Hillwood. "If (tenants) are having a problem with their streets they come to us and then we approach the municipal and other authorities."

"We feel with our Alliance Development we sort of developed the prototype of a logistics hub," said Pelletier. Alliance, north of Fort Worth, Texas, opened in 1994 boasting a cargo-focused airport with an adjacent BNSF intermodal facility.

It was the intermodal business, rather than the airport, that helped build Alliance's fortunes, and which developers say is the key to logistics hub success.

"Let's face it: if you are in a 1 million square foot (distribution) facility and getting 30,000 containers a year, the drayage from six, eight or 10 miles away ... is probably greater than or equal to the rent," Allen said. "The point is, you can't afford not to be

adjacent to an intermodal facility if you're receiving a great amount of containers."

Most logistics hubs are near or have on-site intermodal facilities; with space at a premium at so many U.S. ocean ports, containerized cargo often goes direct from the container ship onto trains for processing elsewhere. Logistics consulting firm Tioga Group estimated 42 percent of containers arriving at the ports of Los Angeles and Long Beach is distributed this way to the rest of the country.

However, 58 percent is processed through distribution centers in Southern California, such as the ones at Tejon Industrial Complex, a master-planned development 19 miles from the intermodal site. Barry Hibbard, vice president of commercial and industrial development at Tejon, said his hub's proximity to West Coast consumer markets means it does not need as much intermodal service as inland ports.

"I think it depends on who you're trying to serve and where you're located," Hibbard said.

Hibbard said corporate emphasis on sustainable development will further propel enthusiasm for large, master-planned logistics hubs.

"If you're doing a one-off development, you could never afford the time to figure this out, or raise the money to do it," he said. "This is why green initiatives will push toward master planning, because you have to have a meaningful scale to afford to do these broader sustainable developments."

For most users and developers, however, the key attraction to a logistics hub is a nearby intermodal facility, which Allen characterized as "oceanfront property."

"Large distributors of consumer goods want to be close to the intermodal," he said.