

January 25, 2013

CBRE

Inland Distribution and Site Selection Strategies

Presented to:



Alliance of the Ports of Canada, the Caribbean,
Latin America and the United States

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CBRE

- What are the current drivers for DC site selection
- What is happening in retail?
 - Do we need a lot of dc's or should it be done through the back of stores
 - Increased scrutiny on automation
- What is the state of Industrial Real Estate?
- What markets will dominate 2013?
- Where are the niche opportunities?
- How does Post-Panamax affect site selection?

Workforce

Service Levels

Transportation

Cost

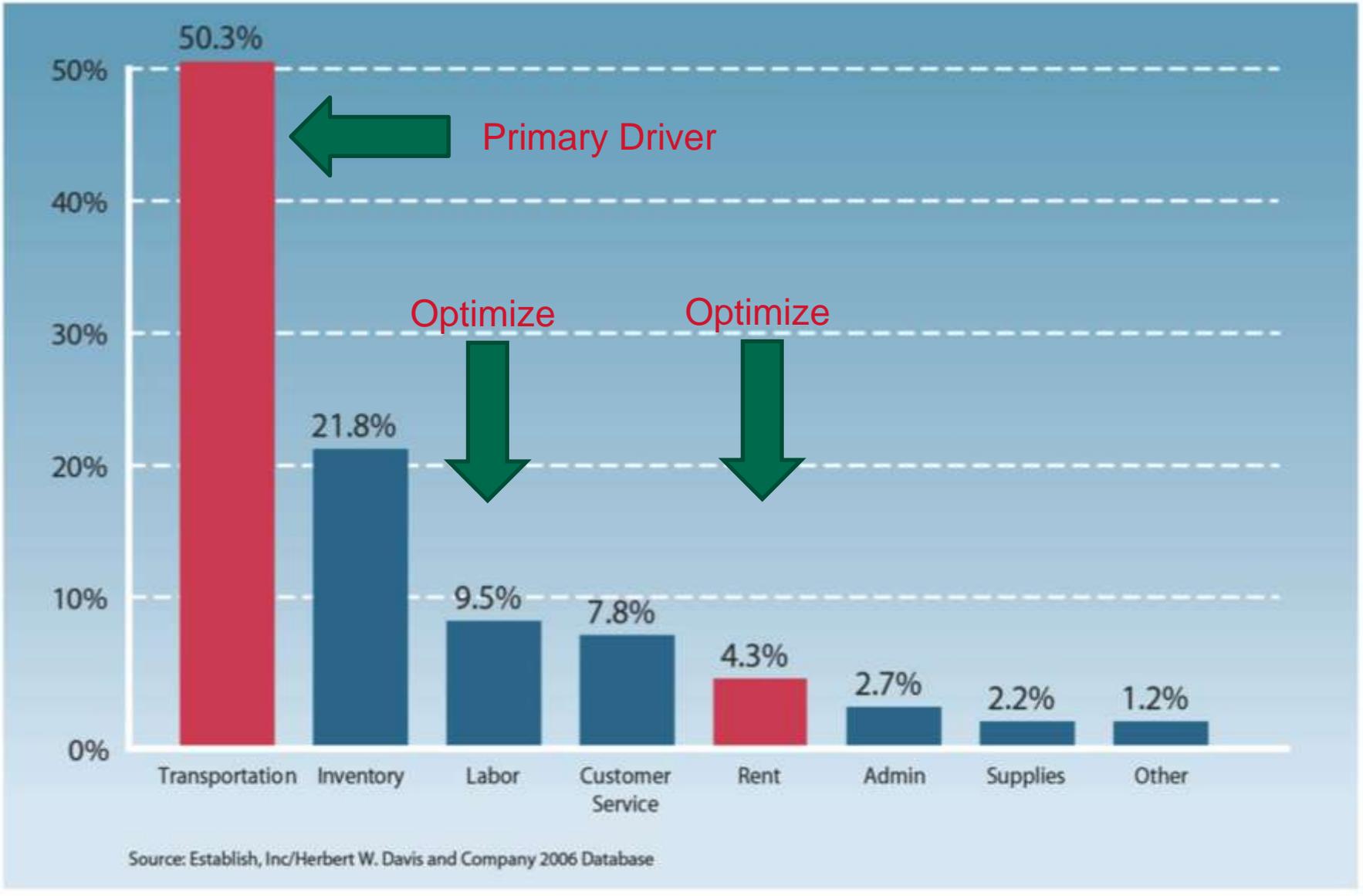
Real Estate

What Drives Decisions?

Start-up

Operating Environment

Logistics Cost Drivers



What is Driving Change? The Rise of eCommerce

Projecting Ahead

Forrester Research also reports U.S. consumer e-retail spending is expected to increase **62 percent** by 2016.



2002: \$42B

Defining the *Right* Distribution Strategy

Companies continually evaluate their network to define the right distribution strategy to align distribution with the desired business requirements:

Location

Facilities in optimal location based on combination of cost, service and risk?

Role

DC capable of playing the right role and providing the services required?

Plan

Have the right plan to ensure success? If not, how flexible is it?

Justification

Supportable business case to ensure service and profitable growth?

What's different here?



amazon.com

**Fulfillment Center Build-to-Suit
Murfreesboro, TN
08/23/2012**



- No TEU Bonanza headed to USEC
- Ports have to expand to compete
- Check out Panama as a logistics hub for the Americas
- Understand your location's proximity to people
- Real Estate impact will be moderate

Line of Indifference

Reaches 61% of US Population

8,000 TEU Ship



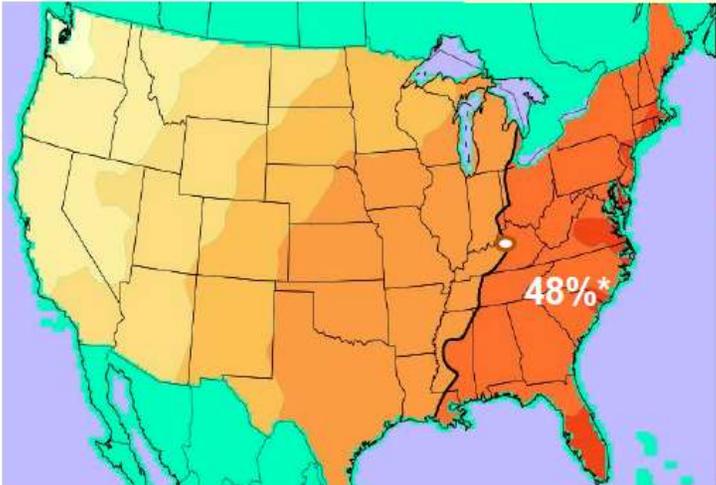
WorleyParsons

resources & energy

For a typical Asia-USEC voyage, shifting to an 8000 TEU ship expands the market reach of the USEC ports.

NOW

4000 TEU ship

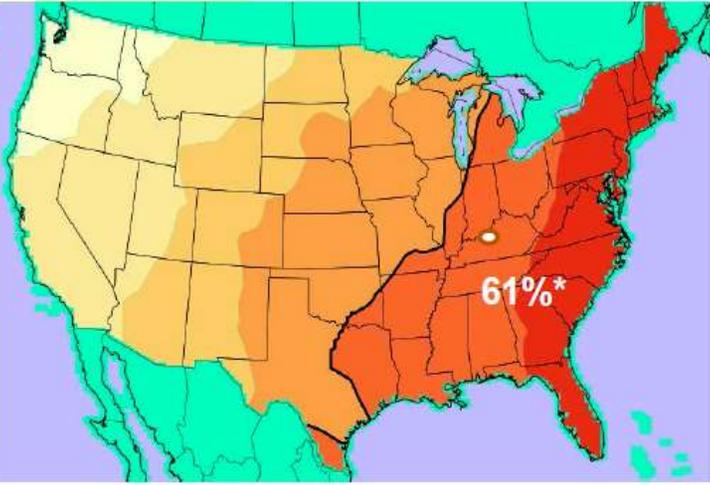


Assumptions

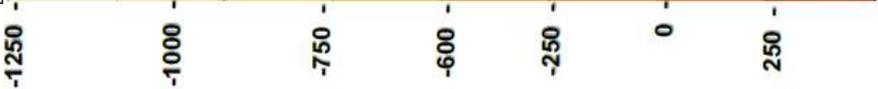
- Shanghai to Louisville, KY
- Canal tolls based on current rates
- Owned ship, financed at current rate
- Inland move by rail

2015

8000 TEU ship



Intermodal Advantage



Canal Advantage

PRINCETON CONSULTANTS
Information Technology and Management Consulting

***Share of the US population reachable by rail**

National Absorption

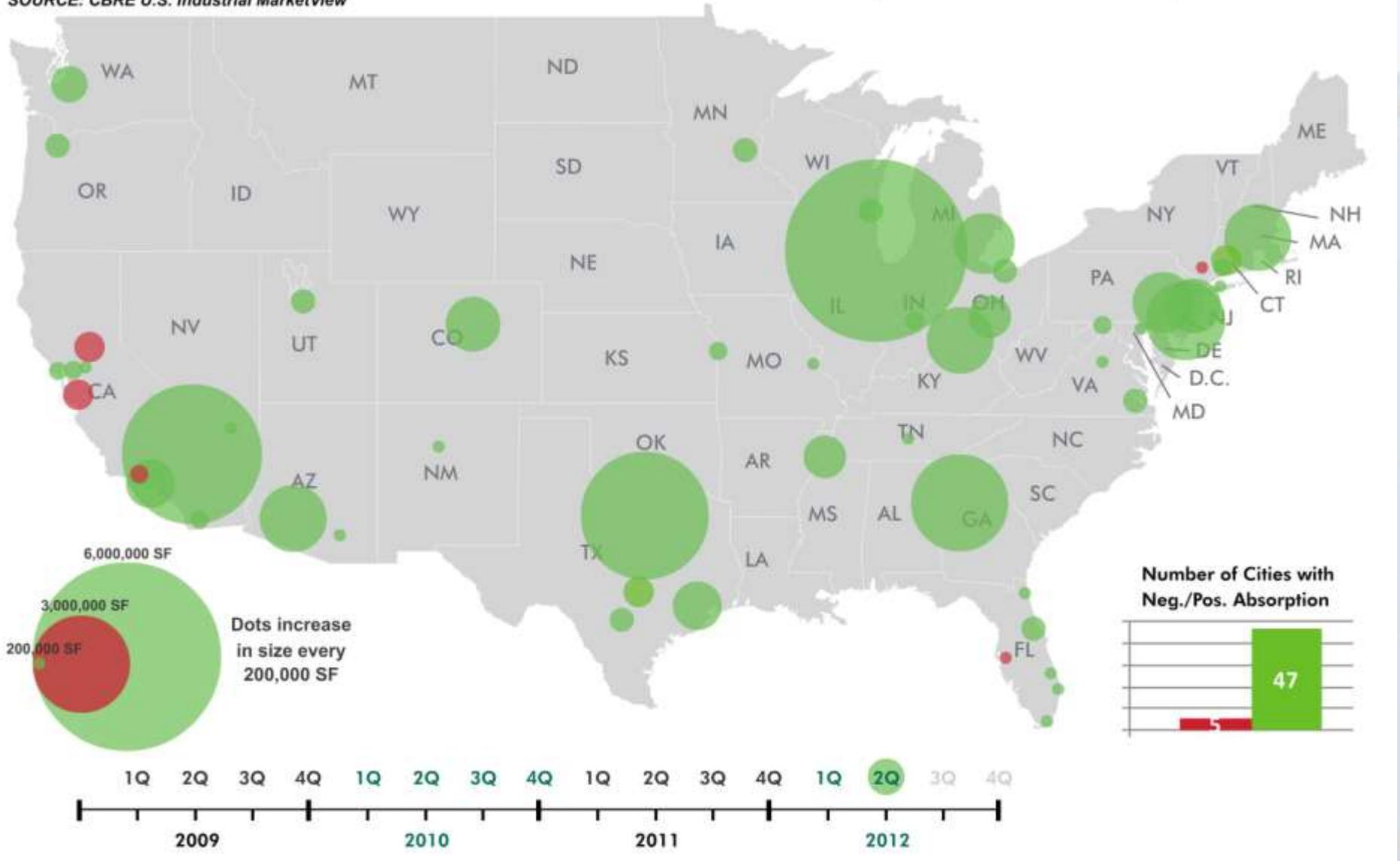
US INDUSTRIAL STATISTICS

SOURCE: CBRE U.S. Industrial MarketView

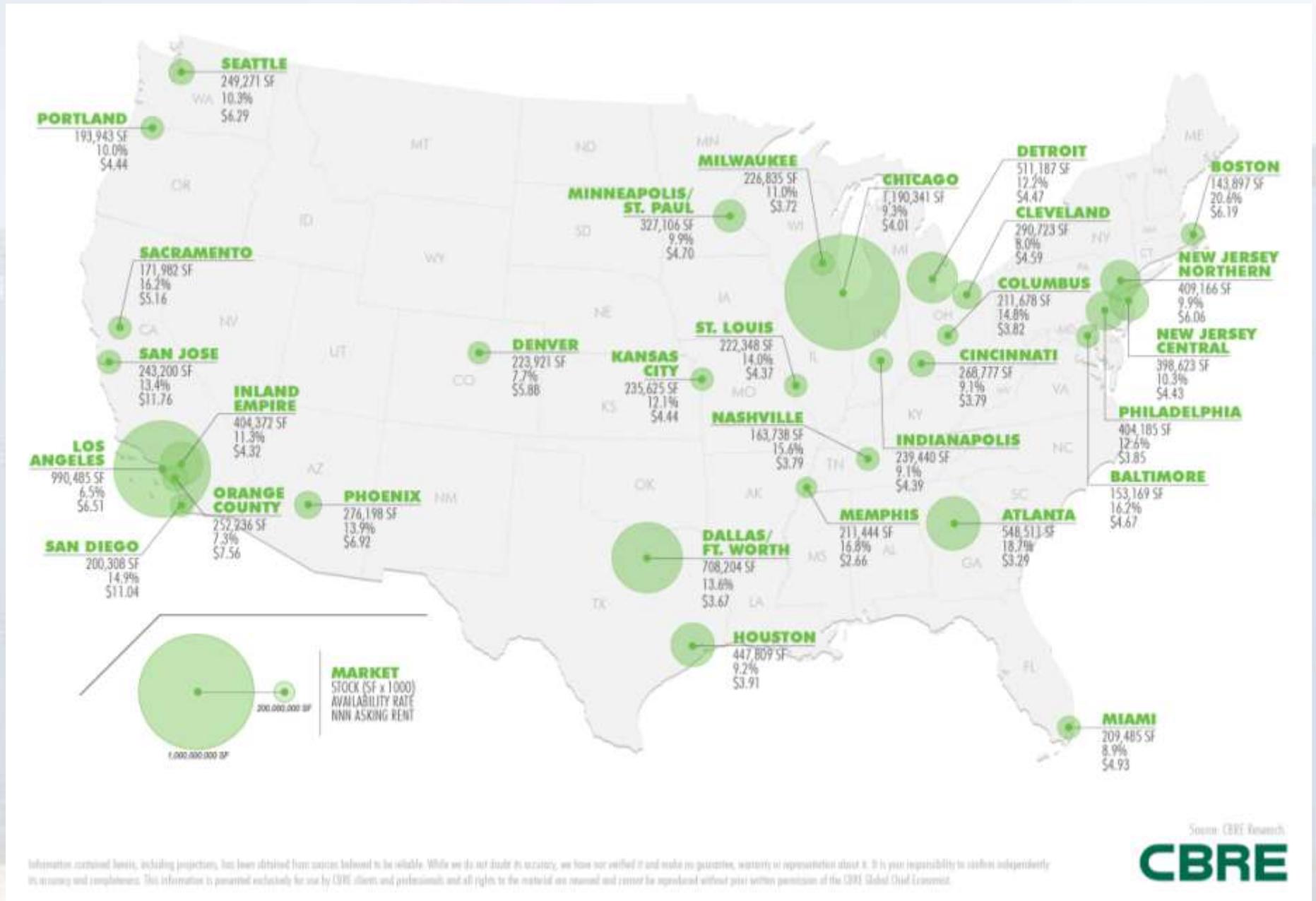
NATIONAL SUMMARY

NET ABSORPTION

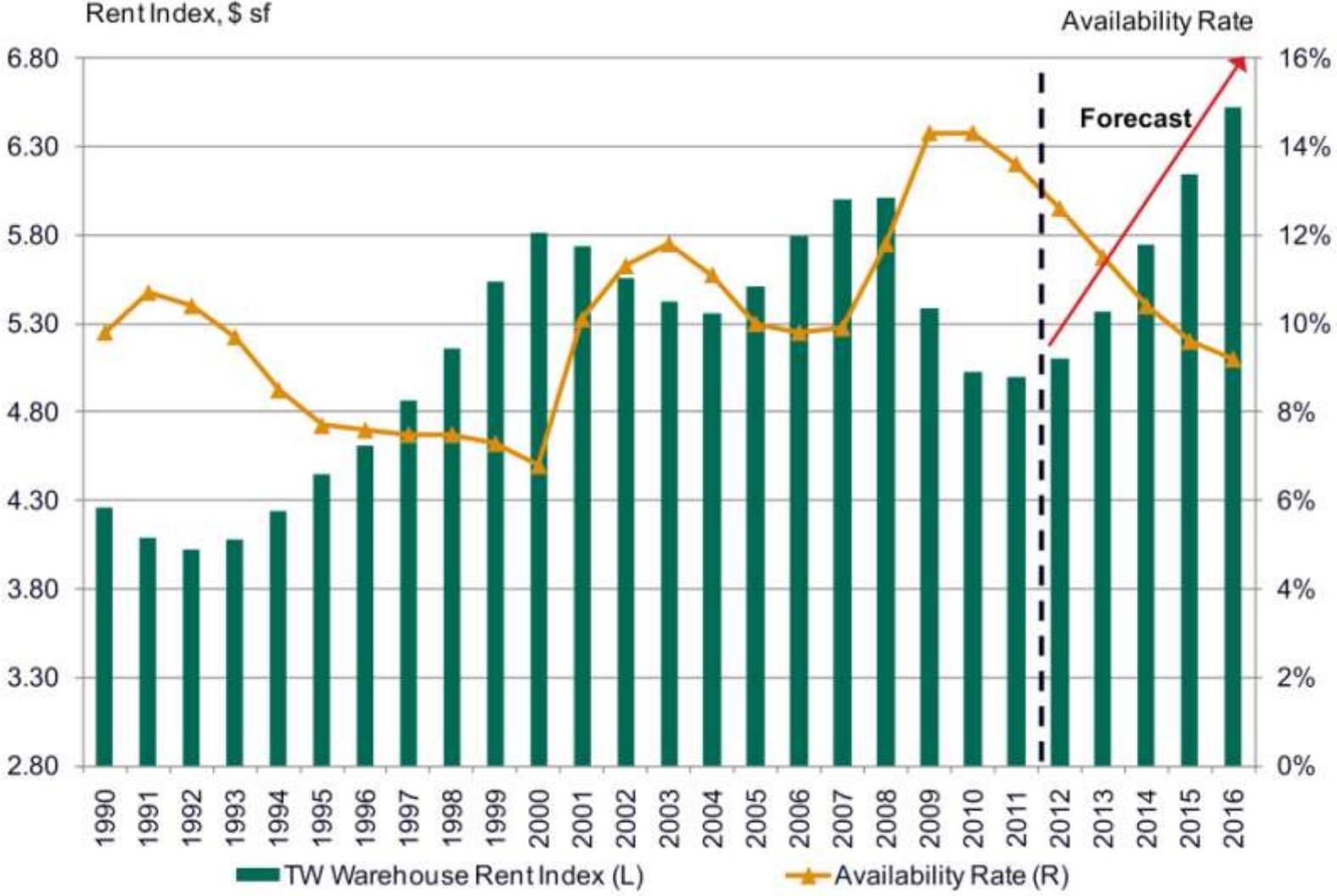
AVAILABILITY



Largest 30 Industrial Markets



Industrial Rents: back to previous peaks by 2015



- **Increase in manufacturing requirements across the country**
- **Retail, especially e-commerce is HOT**
- **#3pl's very active**
- **Service level vs Transportation Cost-ongoing debate**
- **Don't underestimate the power of a teenager with an iphone!**
- **Proximity to population base and deep, flexible labor pool is critical**
- **Increase in build-to-suit activity in more markets due to limited larger space options-especially SoCal**
- **Speculative development is cautiously returning**