PPP’s in Port Real Estate

Will Friedman—Duke Realty Corp.
Duke Realty Corporation

- Corporate America trusts Duke for real estate solutions
- 129 million square feet of office, industrial, retail and healthcare space across 18 markets and growing
- Vertical integration ensures quality and service edge
- Total market capitalization of nearly $10 billion makes Duke one of the largest U.S. RE providers
- Specialize in master-planned parks and campus style development
- #1 builder of warehouse/distribution buildings in the nation*

*2005 Engineering-News Record
Strategy and Business Model

- Local market focus
- Control key land positions in strongest submarkets
- Achieve value creation through development
- Maximize advantages of vertically-integrated delivery system
- 15 state/19 market presence and expanding nationally
- Utilize joint ventures to increase return on equity, expand operating platforms and generate higher income
- Capital recycling to upgrade and reposition portfolio
Vertically Integrated Delivery Model
Macro Trends in Distribution RE

- Surging global trade, good economy drive industrial market to near equilibrium
- 280 million SF absorbed in 2005
  - DC demand highly correlated with trade
  - US industrial vacancy rate below 10% in 2005
  - Rents rising in many markets

- Global gateways and major inland hubs dominate
  - Top 5 industrial markets (LA, Chicago, Atlanta, D/FW, NY/NJ) accounted for 41% of net absorption (115 million SF) and 48% of new construction (64 million SF).
  - Important secondary gateways and inland hubs emerge: Columbus, Memphis, Indy, I-81 Corridor
Change in US Trade vs. Industrial Supply and Demand, 1989-2010

Source: RREEF Research, Torto Wheaton & Economy.com
Outlook for Warehouse/Distribution

• Market fundamentals to remain strong for several years barring disruption to the global supply chain
  – Global gateways highest in demand but also the most supply constrained
  – Major inlands hubs will to grow too

• The real story may be the second tier ports and inland hubs
  – Baltimore, Jacksonville, Port Everglades, Wilmington NC, Mobile, Corpus Christie
  – Indy, Columbus, Memphis, Nashville, San Antonio, Kansas City, Salt Lake City
How can developers work with Ports?

• As advisors
  – Seek out developers during planning phases
  – Benchmark against best practices in RE

• As developers of surplus or underutilized properties
  – Get land on the market and producing jobs

• As developers or investors in basic port assets
  – Use developers to conserve port capital
  – Sale/lease-back to raise cash, reduce expenses

• As partners in strategic projects
  – Inland ports, terminals, DC’s, mixed-use projects
Advantages to Partnering with Developers

• Speed to market
  – Developers can move faster than public agencies

• Simplify the development process
  – Developers will manage all aspects of a project

• Sales channel to the marketplace
  – Developers bring established customer relationships

• Shift risk
  – Developers willing to assume risk

• Make money
  – Developers will share profit, all things being equal
Strategic Development Examples

• Port of Seattle’s North Bay project
  – Surplus 60 acres in the heart of the City
  – Development partners to be sought

• Port of Tacoma’s Inland port proposal

• North Carolina Ports Greenfield container port project
  – Incorporating land for DC’s
  – Seeking private capital

• Prince Rupert and W. Coast of Mexico container ports
  – PPP’s with ports, TO’s, railroads
NC Ports Build-to-Suit
NC Ports Transit Shed (Rendering)
Port of Savannah targeted retail DC’s as a cargo inducement strategy

SEDA developed a park within minutes of Garden City Terminal gate complex

Duke owns 5.1 million SF, 100% leased, with land for another 5 million SF of DC’s

High throughput, cross-dock buildings
Port DC’s

Savannah, GA
Port of Baltimore Logistics Park

• 183 acres, zoned industrial, CSX rail through site

• Future development of 2.8 million SF of bulk industrial product

• Located adjacent to Port of Baltimore’s Seagirt Container terminal

• Located in close proximity to two major railroad terminals
Port DC’s

Baltimore, MD
Inland Port Trends

Rickenbacker Global Logistics Park, Columbus, OH
Rickenbacker Global Logistics Park

- Master-planned logistics park encompassing 1,300 acres capable of 20 million SF of development
- One day delivery to more than 50% of US and Canadian populations
- “Triple threat” rail, air and highway connectivity
- New NS ramp expected to handle up to 450,000 lifts annually
Inland Port Trends

Dallas (TX) Intermodal Park
South Dallas Intermodal Park

- Adjacent to newly opened Union Pacific Intermodal Facility
- Excellent access to I-45, I-20/635, I-35 and I-30
- Connectivity from POLA/LB, Mexican ports, Houston
- Triple Freeport inventory tax exempt status
Thank You

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