

Study: Fresno among country's most 'logistics-friendly' cities

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A report by the Princeton, N.J.-based Boyd Co. found Fresno as one of the country's most affordable locations to build a warehouse. A new corporate site selection study names Fresno one of the most "logistics-friendly" cities in the U.S.

Compiled by the Princeton, N.J.-based Boyd Company, the report compares the cost of operating a 500,000-square-foot, 200-employee distribution warehouse for a year in 25 U.S. cities.

With an annual average operating cost of \$15.87 million, Fresno ranked as the third-most cost-effective market in California.

Ontario came in second at \$15.8 million and Bakersfield, which had an annual operating cost of \$15.64 million, ranked first — least expensive — among Golden State cities.

At \$21.8 million, Chicago was the U.S. city with the highest annual warehouse operating costs, according to the report.

Mesquite, Nevada, had the lowest annual operating cost at \$13.6 million.

The study, compiled over the past quarter, factored in the major geographical variables critical to the corporate site selection process including labor, real estate, construction, taxes, utilities and shipping.

"Despite high costs and a difficult business climate, the distribution warehousing industry is soaring in California," said

the study's author, John Boyd, one of the country's leading corporate site location consultants. Boyd founded his company in 1975 and his stable of Fortune 500 clients include Hewlett-Packard, PepsiCo, Pratt & Whitney, Dell and JP Morgan Chase.

"Corporations look to us for independent analysis of the best places around the country to put their distribution centers," said Boyd, who traveled to Fresno last week to meet with several clients.

The 25 cities included in his most recent report "are the most popular cities our clients are asking us to look at right now," he added.

Local real estate professionals cheered the findings.

"For those of us living and working here in Fresno, [this report] is great news," said Ethan Smith, vice president of the Fresno office of Newmark Grubb/Pearson Commercial's industrial division.

"Our research staff actually just finished compiling Q3 data this week," Smith added. "Fresno industrial vacancy rates currently stand at about 6.8 percent" — down from the double digit — 12 to 13 percent — numbers registered in 2008.

"We haven't seen a market this strong since the recession started," said Nicholas Audino, senior vice president at Newmark Grubb. "Vacancies around the Valley are almost zero for large Class A distribution space."

In his report, Boyd said California, because of rapidly evolving supply chain trends, is currently in the warehouse and distribution sweet spot.

"The sheer size and wealth of the California consumer market makes it imperative for big box and ecommerce retailers like Walmart, Target, Costco, Kohl's, QVC and Amazon to maintain major distribution facilities in the state," he said.

The recently enacted Food Safety and Modernization Act is also having a significant impact on where companies are locating, Boyd added.

"The Act has made a lot of existing warehouses antiquated," he said, adding that many companies are deciding to utilize greenfield areas around major distribution hubs to build new facilities rather than retrofitting, older existing warehouses.

So-called "last mile" site selection trends, led largely by Seattle-based Amazon, are prompting companies to locate distribution centers as close to major U.S. population centers like Los Angeles and San Francisco as possible, Boyd noted in his report.

Imports from China are also a major driver behind the surge in California distribution warehouse projects. "Forty percent of all goods entering the U.S. pass through the Ports of Los Angeles and Long Beach," Boyd said.

"It used to be that many cities in California were resistant to new warehousing projects and viewed them with a degree of skepticism," he added. "Now, cities are viewing distribution centers as much better employers and actively courting these same projects because the economic benefits are becoming much more appreciated."

Boyd said large warehouse operations often translate into huge property tax windfalls for cities, along with other "coveted revenue streams like sales taxes, personal property taxes, utility taxes, fuel taxes, telecommunications taxes and personal and corporate taxes."

And whereas in years past, lower-skilled workers dominated the typical warehouse labor force, Boyd said that today's highly automated and computer-driven distribution centers employ "well-compensated white-collar workers who manage sophisticated technologies."

California warehouse activity is poised to benefit from growing export trade with China and Southeast Asia, where a booming middle class has a “growing appetite for U.S. branded products, especially fresh and frozen American food and agricultural products,” Boyd said. “Fresno’s proximity to California’s huge Central Valley food processing industry and ag sector fits well with this trend.”

Smith notes that almost one million square feet of new construction is scheduled to come on line in the Fresno area in the next six to 12 months, including a nearly 500,000-square-foot spec project developer John Brelsford is finishing up just south of the city limits on a 26-acre parcel off Minnewawa and Central avenues.

Brelsford’s Diversified Development Group is also poised to start another large spec project in the South Valley that will add some 400,000 square feet at the Visalia Industrial Park in 2016.

Audino said the Valley’s central-state location “is the obvious factor” in the recent surge of industrial activity. “The overnight ground capabilities out of Fresno create a huge advantage for these companies, especially Internet fulfillment-type users,” he said.

Smith agreed and said the addition of DDG’s latest spec projects will benefit the Valley’s entire industrial market. “New product is the tide that lifts all boats,” he said.

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