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Giant warehouses point to logistics growth

Trammell Crow Co.'s Wit Truitt assisted PetsMart Inc. last year in leasing a 1 million-square-foot distribution facility in Illinois. This time, the transaction is heading a little closer to Truitt's home base of Atlanta, as the pet products retailer is looking for a site for another 1 million-square-foot warehouse along the Interstate 85 South corridor.

Last year, he worked with Staples Inc., which is building a distribution center along the I-20 West corridor (see Big Deal, 2C). The office supply company expects to be in the building by the first of next year.

These are just two examples of the type of massive warehouses consumer companies are building in metro Atlanta. Brokers and economists say the trend shows the growing strength of the Atlanta market as a distribution hub connected to different modes of transportation – railways, roadways, ports and airports. The trend also points to the vibrancy of the Southeast's economy and Atlanta's consumer base of more than 4 million people.

Truitt said the distribution facility deals he's worked on are primarily regional consolidations. And they signify that operations are growing, he said. PetsMart, for example, is trying to open 90 to 100 stores a year.

"It's definitely what's spurring this growth," he said.

"Although these decisions are too long term to consider consumer confidence numbers, it does signal that the companies are relatively confident about their prospects for expanding their operations", said Roger Tutterow, director of the Econometric Center at the Michael J. Coles College of Business at Kennesaw State University.

"If they're investing that type of resources in a warehouse ... they expect to be growing their product line over time," he said.

Last September, BrandsMart USA moved into a 226,200-square-foot facility expandable to 900,000 square feet in McDonald Development Co.'s SouthPark development on Interstate 675 in Clayton County. McDonald did a 657,000-square-foot building for Whirlpool Corp. several years ago and a 272,000-square-foot warehouse for H.H. Gregg.

"Companies are moving into bigger and bigger warehouses", said John McDonald. "In the 1990s, the consolidations were into centers that were 200,000 to 400,000 square feet, but now, buildings are 500,000 to 1 million square feet", he said.

Although consumers have driven the economy out of the recession by their purchasing power, McDonald said most of the large buildings are cost-savings decisions.

"The larger the building, the less they cost, the lower the rent," he said.

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The demand for big-box warehouses is best connected to a movement within the distribution and logistics industry to make businesses more efficient and to reduce costs, said Trent Germano, executive vice president of Carter, whose 94-acre New Manchester Distribution Center is home to JVC Americas and Medline Industries Inc., a medical equipment supplier.

"The trend seems to be toward having fewer distribution facilities with a somewhat longer haul," he said.

One of the largest warehouse deals is Home Depot's more than 1 million-square-foot facility in Greenwood Industrial Park in McDonough. Also in Henry County, Atlanta-based Cousins Properties Inc. is developing a 416,000-square-foot facility in partnership with Weeks Properties of Atlanta. The facility, which is expandable to more than 790,000 square feet, is one of five buildings planned for King Mill Industrial Park, which is expected to total 2.9 million square feet of industrial space.

The decisions are driven by location, a compatible labor force, the value of the property and the cost of developing the facility, Germano said.

Jeff Humphreys, director of The University of Georgia's Selig Center for Economic Growth, said the trend shows long-term business strategy.

"Atlanta just makes sense for a distribution center regardless of strength of consumer confidence," he said.

Humphreys said companies also are looking at the distance to the market. To determine the cost of the location, they consider freight rates, air transportation costs and shipping costs.

As an emerging logistics powerhouse, Atlanta and its surrounding counties appear to be filling the bill.