

# Advancing Goods Movement through the Inland Empire



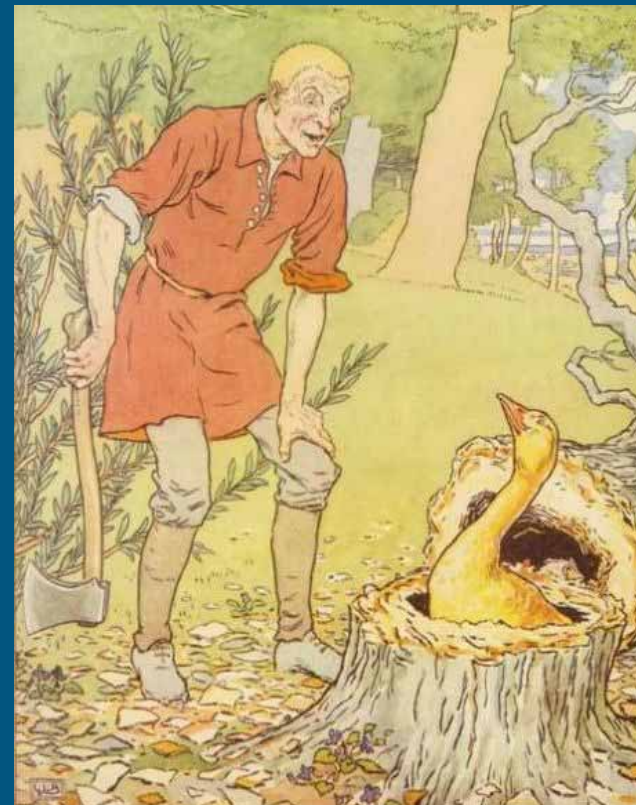
# Managing Growth of the Goods Movement System

Ed Konjoyan

## Introduction

### Light Industrial Real Estate

- Market Size and Function
- Benefits and Impacts
- Condition of Light Industrial Market
- Threats to Growth
- Keys to Stimulate Recovery





## Size of the Light Industrial Real Estate Market

Inland Empire / LA / OC is the Largest Market in the US

- 430.0 Million Sq. Ft. – Inland Empire
- 986.4 Million Sq. Ft. – Los Angeles County
- 266.4 Million Sq. Ft. – Orange County

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Total of Nearly 1.7 Billion Square Feet

Source: Grubb & Ellis

## Function of Light Industrial Real Estate

### Flexible Space

- Serving Entire Supply Chain
- Light Manufacturing - Assembly – Value Add
- Warehouse - Distribution - Logistics
- Point of Sale for Internet Fulfillment



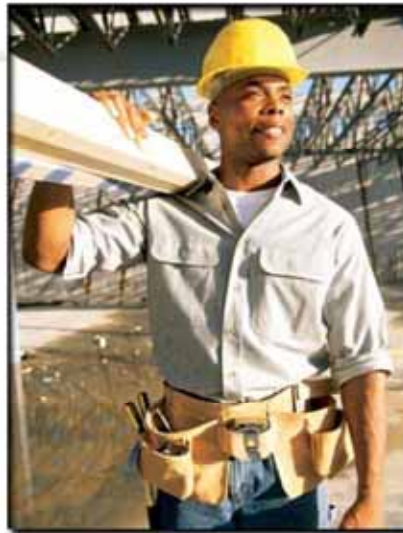
# Job and Economic Generator

## The Three Stages in the Life of a Commercial Building



### Soft Costs/Site Development/Tenant Improvements

Architects, engineers, developers and marketing/design professionals working during the development phase begin the life span of a commercial building.



### Hard Costs

During the construction phase, new commercial projects employ workers who spend their paychecks in the local economy and contribute to the tax base.



### Operating Costs

After new commercial buildings are completed and occupied, they add to the productive capacity of their host economies. The outlays that support the new buildings' operations add ongoing annual sources of economic impact that accumulates over the life span of commercial buildings.



## Benefits Often Under-Appreciated

### Net Contributor to Municipal Finances

- Strong Stable Property Tax Base
- Low User of Municipal Services
- Improve Infrastructure Through Self-Imposed Taxes (CFDs)
- Spillover / Indirect / Induced Economic Activity
- Subsidize Municipal Services for Higher Quality of Life for Residents

## Impacts Can Be Overstated

- ITE 150: Way off on truck trip generation
- Good Neighbor Guidelines: Setback too rigid
- SCAQMD PR2301: Proposed NO<sub>x</sub> limits usurp local control
- Cleaner trucks are coming



## Condition of the Light Industrial Real Estate Market

Not Good

- New Development has Ceased
- Sales and Leasing Activity has Dried Up
- Vacancy has Spiked
- Rents have Softened

.....Have yet to see the worst

**~ 1 YEAR FREE RENT ~**



**Available Now: \$0.19 PSF (NNN)**

**NEW State-of-the-Art  
Warehouse/Distribution Facility**

## Tenants / Businesses

1. Serving the Region's Large Population
2. Handling Imports / Exports / "Discretionary Cargo"



APRIL 14, 2009

## Los Angeles Port's Rivals Make Gains

THE WALL STREET  
JOURNAL.

For years, the Los Angeles container harbor and its adjacent port in Long Beach had a stranglehold on U.S. imports, serving as the point of entry for goods headed as far as Chicago and Miami. Together, the two handle four out of 10 containers that come to the U.S.

But container volume at Los Angeles was down 6% in 2008 and fell 32% in February from a year earlier. The hub of roughly 42,000 jobs is preparing for possible midyear budget cuts, and many longshoremen are working part-time.

Other ports... are rolling out new infrastructure in a bid to grab more of the container business. Some offer quicker transport times from Asia, or fewer environmental restrictions on trucks -- pitches that are increasingly compelling in the global trade slowdown.

...companies will increasingly re-evaluate ... "discretionary cargo" -- freight bound for places far from its port of entry. It is a process that has already happened at Wal-Mart Stores Inc., which went from shipping 80% of its freight through Southern California in 2002, to 15% today.

### Sinking

Container traffic at the Port of Los Angeles; change from a year earlier in the three-month moving average



Source: Port of Los Angeles

## Diversion from Ports of LA / Long Beach

- Cost of Doing Business in So. California
  - Fees
  - Taxes
  - Regulations
  - Cost of Living
  - Infrastructure...
- Maersk already shifting ships to Northwest
- Wal-Mart's 4 million Sq. Ft. in Houston
- Panama Canal new locks opening in 2013



Fewer Containers = Lower Demand for Light Industrial Real Estate

# Don't Take Goods Movement Growth for Granted

- Change Mindset
- Port Projection Bubble
- Growth Not Guaranteed
- Need to Compete to Keep
- “Rust Belt” Example

## Workshop on Advancing Goods Movement through the Inland Empire

**May 26, 2009 | 8:30am - 1:30pm**

Marriott Riverside, 3400 Market St., Riverside | Cost: \$35.00

**REGISTER NOW!** Seating is limited.

Join **Congressman Ken Calvert**, civic leaders and business leaders from throughout Southern California to discuss:

- **Growing the System**—The goods movement system in Southern California will continue to grow in the long term. How will our region manage this growth? What challenges do we face?
- **Managing Impacts, Leveraging Opportunities**—Growth of the system will continue to affect the Inland Empire. What are the impacts and opportunities?
- **Taking Action**—New funding is on the horizon that could be available to move our region's goods movement projects forward. How can we position the Inland Empire to ensure the region benefits from these opportunities?

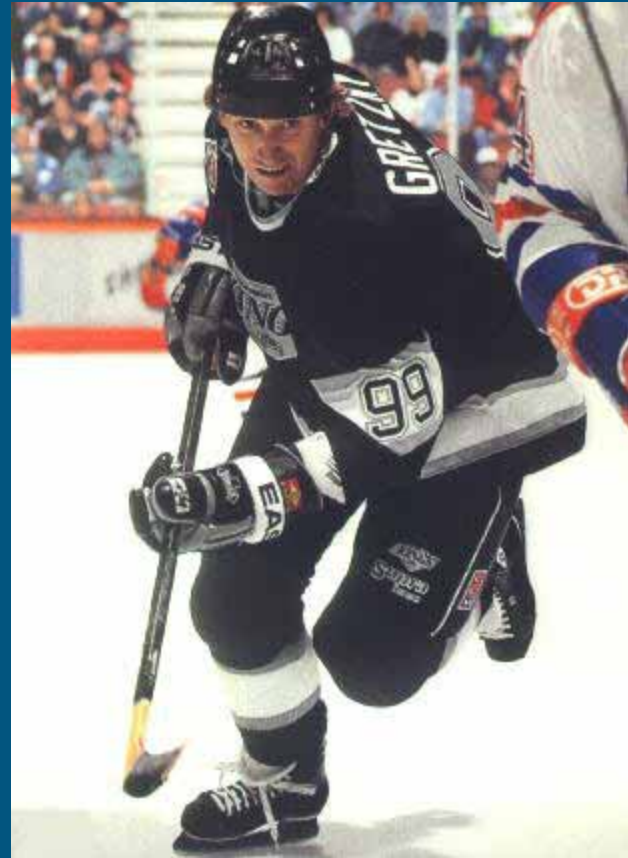


**Congressman Ken Calvert** of California's 44th District will be the special keynote speaker during lunch, providing perspective from the federal level engaging in a dialogue with participants on how to best move forward, including where to concentrate resources and funding.

*More information about workshop registration is available on the WRCOG website ([www.wrcog.cog.ca.us](http://www.wrcog.cog.ca.us)).*

*“Skate to where the puck  
is going to be,  
not where it has been.”*

- Wayne Gretzky



## Solutions

- Acknowledge benefits
- Regulate with balance
- Invite industry to table (Red Team)
- Stimulate growth:
  - Public Projects
  - Lower cost of business
  - Improve Infrastructure
- Support Calvert Bill

