



Developments

JULY 2009

Developing for your future



INTERMODAL TRANSPORTATION

Is it Time to Get on Board Again?



What should you seek in a park with intermodal access?

IDI's experts offer 10 things to consider:

Distance from port. Factor drayage from port to rail or trucking facilities, as well as site costs.

Evaluate drayage from rail yard(s) to warehouse and distance from interstate highways – ideally, five miles or less.

Consider ideal distribution points and proximity to population centers.

Foreign-Trade Zone designation. Investigate potential cost savings through lower duties and reduced processing fees, as well as more efficient Customs processing.

Abundant trailer parking. Ensure park can accommodate large volumes – not only of your fleet, but of others leasing space in the same facility.

Spacious off-street truck staging area. If facility only provides staging from street, local ordinances may prohibit idling and increase fuel expenses if trucks are forced to keep moving.

Secure parking to meet Homeland Security or Customs requirements.

In recent years, intermodal transportation has been one of hottest trends in the logistics industry. As manufacturing bases moved to Asia, companies scrutinized the most economical method to get goods from point A to points B, C and D in America by ship, train and truck. Deciphering the right combination of moving these goods delivers competitive advantages that impact the bottom line.

Once goods arrive in U.S. ports, many factors come into play to determine if, when and where cargo is transported by rail or road. As a by-product, development of warehouse and shipping facilities located at the crucial juncture of ports, train yards and population centers flourished mid-decade. But like everything else, in late 2008 the picture drastically changed. Consumers and businesses reduced spending, and companies that manufacture and import goods stalled production.

As a result, intermodal transportation plummeted to five-year lows following the record highs that began in 2004. Today, while spending activity remains in hibernation, the logistics business has gone into a slumbering state. Savvy executives, however, are beginning to wake up. There are little signals the economy is headed toward recovery, and those who plan ahead will be in the best position to jump on opportunities.

Ron Sucik, intermodal expert of RSE Consulting and The Tioga Group, predicts that intermodal activity may begin to approach 2008 levels by third quarter 2010, but attaining the peak levels of 2006 may take two or three years longer. And, due to rising fuel costs, rail may have an edge in the cost-benefit analysis. For those who want to stay ahead of the curve, here's a look at the developments that led to intermodal transportation growth, as well as recent and planned infrastructure changes that impact its future.

THE RISE OF RAIL

Although trucking accounts for the largest share of cargo transport in the U.S., intermodal movement of trailers and containers by rail has grown steadily since its inception, sometimes achieving double-digit growth rates year-over-year.

Most recently, as manufacturing has shifted overseas, growth has been driven by the steady rise of imported goods arriving in international containers, combined with the development of domestic container moves. Most intermodal loads now travel by container rather than trailer, with container moves accounting for more than 80 percent of today's nearly 15 million intermodal loads.

The growth of container moves by rail can be somewhat attributed to the way goods are packed. Cargo is shipped in either containers or trailers. Containers are efficiently designed to work across all modes of intermodal transport – ship, rail and truck. They can be stacked for easy transportation by ship and double stacked in rail cars for rail movements. By contrast, trailers have permanent wheels attached and cannot be transported by ship. That means goods that are scheduled to be transported by trailer must first be transferred from the containers in which they arrived at U.S. ports to trailers – a step that adds time and money to the process.

BEHIND THE SCENES

The storyline leading up to the rise in domestic rail container traffic begins several years back when trade relations between the U.S. and China improved. Volume jumped as China began producing more goods destined for the United States. The significant consumption base and the superior infrastructure of both port and rail resulted in about 40 percent of all imported

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Finding the right combination for moving goods via intermodal transportation delivers competitive advantages that affect the bottom line.



FOUNDED IN 1989, ATLANTA-BASED IDI IS ONE OF NORTH AMERICA'S LEADING FULL-SERVICE INDUSTRIAL REAL ESTATE COMPANIES. IDI PROVIDES UNPARALLELED EXPERTISE IN DEVELOPMENT, INVESTMENT MANAGEMENT, PROPERTY MANAGEMENT AND LEASING. OUR WAREHOUSE, DISTRIBUTION AND LIGHT-MANUFACTURING FACILITIES SET THE STANDARD FOR THE INDUSTRY, ALLOWING CUSTOMERS TO ACHIEVE KEY SUPPLY-CHAIN EFFICIENCIES.



Green Sites

Need tips to enhance your sustainability efforts? Several free online resources are available:

U.S. Green Building Council

www.usgbc.org

The "LEED Rating Systems" section provides a printable LEED for Commercial Interior checklist.

American Institute of Architects

www.aia.org

See the "Architect Finder" for a database of firms with expertise in green design.

ENERGY STAR

www.energystar.gov

The "Products" section features information on ENERGY STAR-rated products.

U.S. Environmental Protection Agency

www.epa.gov/cpg/products.htm

Find products made from recycled content.

Green Seal

www.greenseal.org

Learn about low-VOC paint and coating products.

THE NEXT GENERATION IN LEED®

Industrial interiors are 'going green'

The LEED® (Leadership in Energy and Environmental Design) program has caught on like wildfire to become the benchmark for sustainable, energy-efficient buildings across the globe. In markets from Denver to Dubai, more and more industrial space users are actively jumping aboard the green bandwagon, and it's a trend that happens to have many long-lasting benefits.

Occupying a LEED Core & Shell-certified facility, which focuses mainly on the exterior and structural design elements of a building, is one way companies have been achieving the benefits of green building design. But even more sustainable benefits can be realized by taking the next step up to LEED for Commercial Interiors (CI) certification.

"As tenants begin to understand the benefits of fitting out buildings with green design elements, there is growing interest in obtaining LEED for Commercial Interiors certification," said Scott Kelly, a principal at Re: Vision Architecture, a forerunner in sustainable design for commercial buildings.

Cost Savings and Beyond

One of the key benefits of LEED certification is a substantial reduction in utility bills – and facilities with dual Core & Shell and CI certifications offer the greatest savings.

Yet, the benefits of LEED certification can go well beyond a reduction in utility bills.

"Tenants see a tremendous return on their investment in the form of increased employee morale and improved productivity," Kelly said.

In fact, studies of workers in green buildings report productivity gains of up to 16 percent, including reduced absenteeism and improved work quality, according to the U.S. Green Building Council (USGBC), the organization that administers the LEED program.

Speed Up the Process

In addition to their operational efficiencies, LEED Core & Shell facilities provide tenants a head start in the certification process itself, since points can be transferred from Core & Shell to CI certification. For example, a tenant automatically receives between five and 12 points – depending on the design features of the facility – by occupying a Core & Shell-certified facility.

Even if they don't select a LEED Core & Shell facility, tenants can still gain an advantage in the CI certification process by choosing a modern facility that incorporates energy-efficient design elements. Doing this will reduce the scope of tenant improvements required for LEED CI certification, since less retrofitting and fewer design upgrades will be necessary.

Under the LEED 2009 CI certification guidelines, a total of 40 points are required for basic LEED CI certification, and the top designation – LEED Platinum – can be achieved with 80 points or above.

Some of the most popular green features incorporated as part of LEED CI projects include energy systems that monitor indoor air quality, skylights that let in sunlight, and flooring made from renewable materials such as bamboo and wool (see the list under "Upgrading Your Space" below).

Rely on the Experts

Achieving LEED certification is a complex process requiring a significant amount of preparation. The best plan is to rely on the building owner and its project managers for their expertise in steering projects through the certification process. A project team should include at least one LEED-Accredited Professional who can help tenants attain their sustainability goals and ensure that they meet the various requirements of the program.

"There's an involved process that tenants have to go through to get LEED certification, and it's time-sensitive to pursue certain credits," said Chris Lee, Development Manager in IDI's Memphis office.

LEED experts can develop a strategic plan for certification. "You need to understand the intent of the rules," Kelly said. "Focus on the type of upgrades that make the most sense given the design of your building."

It's also important for tenants to be aware that it's not necessary to seek CI certification for an entire warehouse/distribution building. For example, companies can concentrate on obtaining certification for the office portion of a building, often making certification more feasible and affordable.

When all the hard work is complete and a building receives LEED CI certification, employees are usually quick to appreciate the improved workspace.

"When I visited one of our LEED-certified manufacturing plants," Kelly explained, "one of the workers said, 'You've ruined me for the rest of my career. I'll never be able to work in a building that's not green.'"

UPGRADING YOUR SPACE

Tenants can implement an array of green features to achieve points toward LEED CI certification, including:

- High-performance heaters that save energy, remove stale air from inside the building and reduce air pollution.
- ENERGY STAR® appliances, such as water heaters and air conditioning units, that use less energy.
- Energy-efficient T5 fluorescent lights that provide more light at lower wattages than traditional metal halide fixtures, generate less heat and are operated by sensors.
- Flooring made from rapidly renewable materials (natural, non-petroleum-based materials with harvest cycles of under 10 years), including bamboo and wool.
- Dual-flush toilets, high-efficiency urinals and low-flow faucets that reduce water consumption.
- Low volatile organic compound (VOC) paints, carpets and adhesives that limit the amount of dangerous chemicals released into the air.

It's not necessary to seek CI certification for an entire warehouse/distribution building. Companies can concentrate on obtaining certification for the office portion of the building, which can make certification more feasible and affordable.



BEYOND HOCKEY

Toronto, Ontario, is known to the industrial sector as more than just the home of Canada's national sport.

Known as the Mecca for all things hockey-related, Toronto is the ultimate destination for hockey fans – it's home to the sport's Hall of Fame, the National Hockey League's Maple Leafs and the Stanley Cup trophy. But those in the retail and manufacturing sectors have a different reason to celebrate this city on the shores of Lake Ontario. Over the years, Toronto has steadily grown to also become Canada's Mecca for industrial distribution.

In fact, the city is considered Canada's distribution hub, containing nearly one-half of the country's warehouse and distribution space. Toronto is also the third-largest industrial center in North America, with 705 million square feet, behind only Chicago (1.1 billion square feet) and Los Angeles (989 million square feet).

Nearly half of the country's goods – including motor vehicles, steel, paper products and machinery – are produced in metro Toronto, contributing to a strong demand for industrial space. The area's industrial prominence is further solidified by the fact that many of the world's illustrious multinational consumer-goods companies – including Wal-Mart, UPS, Hershey, Sysco Foods and Pepsi – have established distribution hubs in the city, capitalizing on the opportunity to reach into consumer markets in the United States and throughout Canada.

A strategic location combined with a world-class transportation system contribute to the Greater Toronto Area (GTA) market's status as one of the hottest destinations for industrial space users in North America. Some of the area's key assets:

Location

The city's position in Southern Ontario provides access to 60 percent of the U.S. population via U.S./Canada border crossings at Niagara Falls, Fort Erie/Buffalo, Windsor/Detroit and Sarnia/Port Huron.

Highways

An efficient network of highways connect distributors to the GTA's 5.6 million residents and to markets in the Northeast and Midwest United States. Highway 401, an east-west artery nicknamed "Ontario's Main Street," is Canada's busiest and widest highway. The Queen Elizabeth Way is a crucial north-south trucking route connecting Toronto to U.S. border crossings.

Rail Service

The country's two railways, CN Railway and Canadian Pacific Railway, operate intermodal hubs in the city, providing bulk distribution facilities and enabling companies to use long-haul rail to connect to important Canadian and U.S. markets.

Air Service

Toronto Pearson International Airport is the leading airport in Canada, offering two cargo facilities for product distribution and non-stop international flights.

The City that Works

Toronto's reputation as one of the world's most livable cities – consistently ranking near the top of annual quality-of-life surveys – further contributes to its reputation as one of the most important industrial centers in North America.

"Everything works well here," said Mark Sevenpifer, a Vice President of Brokerage for Colliers International in Toronto. The city has a bustling and safe downtown connected to a labyrinth of efficient highways providing easy access to all the major industrial submarkets of the GTA.



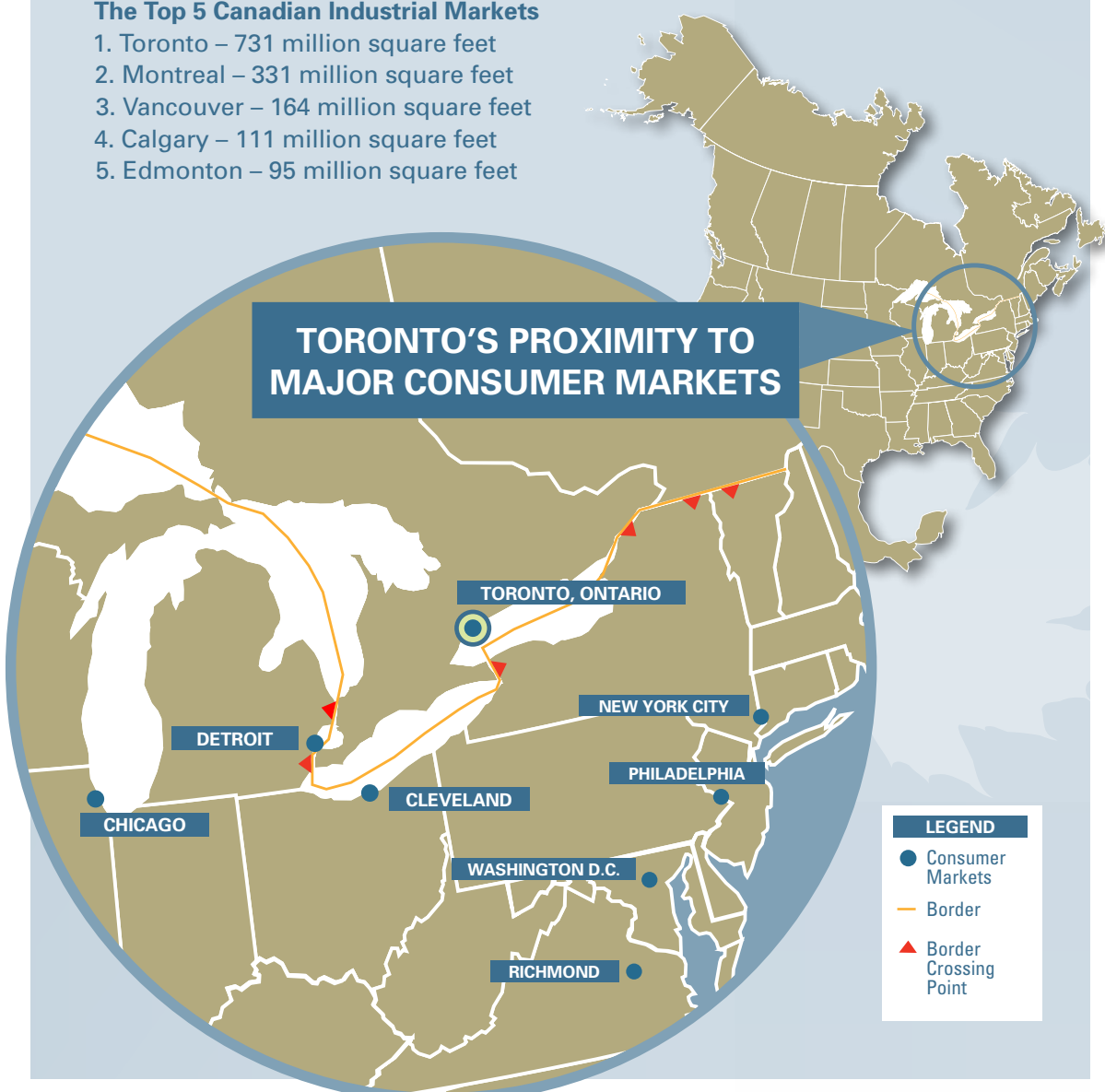
TORONTO UP-CLOSE

IDI continues to explore development opportunities in the heart of the GTA. "Toronto is one of the most important industrial centers in North America, and IDI's long-term goal is to grow our presence in the market," said Jeff Smith, Vice President of Leasing and Development in IDI's Chicago Office, which is overseeing IDI's development efforts in Ontario.

The company has completed two industrial facilities totaling nearly 500,000 square feet at Commerce Way Business Park in Woodstock, Ontario, 70 miles west of Toronto. The business park benefits from its strategic position between Toronto and Detroit.

The Top 5 Canadian Industrial Markets

1. Toronto – 731 million square feet
2. Montreal – 331 million square feet
3. Vancouver – 164 million square feet
4. Calgary – 111 million square feet
5. Edmonton – 95 million square feet



Close to their Customers

With so many retailers and other distributors doing business out of Toronto, it's no wonder that several of the biggest U.S. industrial developers have expanded into the market.

The two most important industrial markets in Toronto are GTA West (296 million square feet, including the city's two biggest submarkets, Mississauga and Brampton) and GTA Central (250 million square feet, including the submarkets of Etobicoke and North York).

Due to limited land availability in Toronto's core markets, Sevenpifer said several of the less established industrial areas are in a position to become the "next big submarkets," including Caledon to the north and Milton West and Halton Hills to the west.

While the Toronto industrial market has felt the effects of the economic downturn, it is faring better than its counterparts in the U.S. CB Richard Ellis reports that the vacancy rate in Toronto rose to 6 percent in first-quarter 2009, the highest since 1997, but still lower than the vacancy rate of 10.4 percent in Chicago.

"This is a market with very strong fundamentals," said Sevenpifer. "That's a saving grace in today's economy."



IDI business parks with intermodal access:

Airways Distribution Center
Southaven, Mississippi

Crossroads Business Center
Savannah, Georgia

Chickasaw Distribution Center
Memphis, Tennessee

Crossroads Distribution Center
Olive Branch, Mississippi

Interstate Commerce Center
West Memphis, Arkansas

NorthPort Distribution Center
Elizabeth, New Jersey

Speedway Distribution Center
Fort Worth, Texas

Stateline Business Park
Southaven, Mississippi

INTERMODAL TRANSPORTATION – from front page

cargo to the U.S. coming through the San Pedro Bay Port Complex of Los Angeles and Long Beach. From there, businesses sought the most efficient way to transport goods inland.

It's cheapest to ship by sea, then rail, followed by truck and finally air. But other factors besides price can come into play – like time and reliability. For example, it once took four hours to travel the first 35 miles from the San Pedro Bay Port Complex to the point where trains head east across the continent. The new Alameda Corridor, a trench that puts much of the track below ground level, reduces the trip to 35 minutes. Before the Corridor was built, rail service had problems with reliability and gas prices were not as volatile. As a result of these and other factors, many importers primarily relied on trucks to transport goods cross-country.

Then, a series of incidents occurred and coalesced into what Sucik likes to refer to as “the perfect storm”–troublesome for the trucking industry, a triumph for rail, and all ultimately leading to the growth of intermodal transportation:

The Decline of Trucking

While gas prices are now at more affordable levels, they escalated in the years leading up to 2007 and skyrocketed during 2008. When it came time for expensive license renewals by the second quarter of last year, many small truckers couldn't afford the fees. Sucik says it was reported that an estimated 137,000 trucks were removed from service last year.

Development of Intermodal Logistics Parks and Favorable IPI Rates

Several military bases with rail facilities closed in key Midwestern cities (Joliet, Illinois, near Chicago, and Columbus, Ohio). These sites have been redeveloped as intermodal logistics parks, providing direct access to rail lines. According to Sucik, these inland destinations – and associated favorable IPI (inland point intact) rates from railroads – made it appealing for some larger retailers to move product by rail to centrally located distribution points.

Southeastern U.S. Population Growth

2000 U.S. Census figures indicate that 66 percent of Americans live in the East; with 36 percent located in the Southeast. And, although the population growth rate for the nation averaged about 12.5 percent, the rate for Florida, Georgia and South Carolina was nearly double that.

Better Shipping Access to Eastern Ports

A third set of locks is under construction on the Panama Canal which will enable the larger ships to traverse the Isthmus and access the densely populated Northeast and the rapidly growing Southeast. Although it takes a bit

longer, it is less expensive to ship goods by sea to ports that are closer to Eastern U.S. points of consumption than it is to transport goods across the country from California.

Eastern Port Improvements

More direct shipments to the East Coast led to expansion of those ports. Thanks to new state-of-the-art cranes, the Port of Savannah in Georgia has experienced double-digit growth in recent years. Current expansion of the Jacksonville port in Florida will open this Eastern port for additional trade with the fastest population growth area of the U.S., while the port in Norfolk, Virginia, is in the process of further expanding and promises to be the gem of the Eastern seaboard when complete.

New Horizons North and South of the Border

Other developments will continue to transform intermodal transportation: Prince Rupert Port in British Columbia, Canada, has expanded and enhanced its infrastructure to include a burgeoning container terminal. CN (Canadian National) railway has embarked on a major marketing initiative to promote rapid delivery to U.S. destinations, including Memphis. In addition, Panama Canal expansion plans are under way to accommodate larger shipping vessels and will be complete in 2014.

JUMP ABOARD

Rail has become an increasingly important component of the logistics puzzle. Through the redesign of intermodal rail networks, joint operating agreements among tier one railroads and increased reliability, shippers now see rail as a worthwhile value proposition. Everyone, particularly big box and home retailers, wants to get on board. “Importers want facilities at ports of entry, at key distribution points and in growing population centers,” states IDI's Doug Johnson, Senior Vice President and Regional Development Officer.

When choosing a facility with intermodal access near a port or an inland destination, there are numerous factors to consider (see sidebar on front page). “Obviously, the closer you are geographically to an intermodal rail facility, the more you'll reduce highway costs to get freight into your system,” says Tom Malloy, Vice President, Member Services and Communications, Intermodal Association of North America.

Rail transportation will continue to be relevant well into the future, Malloy predicts, particularly in a tight economy that has companies keeping a closer eye on the bottom line. And in his estimation, there's an equally compelling reason to ship freight by train: environmental considerations. “Let's not understate the green aspects of shipping by rail,” he says. “As a society, we're trying to reduce our (carbon) footprint. Locomotives are much more fuel efficient and have less impact on the environment. Without question, rail is a greener alternative.”

Special Offer

As a service to *Developments* readers, The Tioga Group has made its 2008 CIGMA (Containerized Intermodal Goods Movement Assessment) report available at special pricing.

Email requests to:
CIGMA@tiogagroup.com or call
215.557.2142

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Intermodal transportation has been one of the hottest trends in the logistics industry. Take a look at the developments that led to its growth and changes that impact its future.

THE NEXT GENERATION IN LEED®

Industrial space users are actively jumping on board the green bandwagon – a trend that happens to have long-lasting benefits.

BEYOND HOCKEY

Toronto, Ontario, is known to the industrial sector as more than just the home of Canada's national sport.

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