Momentum of Movement

The Golden State leverages natural assets into a healthy logistics sector.

by Patty Rasmussen and Richard Kadzis

The Port of Long Beach is one of the world’s busiest seaports and a major gateway between North America and Asia.

Photo courtesy of Port of Long Beach
ake one look at a map and it’s easy to understand why California is a major player in the distribution warehouse sector. “The sheer size of California’s consumer market tends to trump all other site selection variables when it comes to siting distribution warehousing operations in the West,” says John H. Boyd, a site selection professional and principal of The Boyd Group. “California’s size and wealth make it especially attractive for big-box retailers like Walmart and Amazon — both with major distribution centers in San Bernardino, Riverside, Stanislaw County and San Joaquin County.”

Forty percent of all goods entering the US pass through the Ports of Los Angeles and Long Beach. Sizeable expansions at those two busy ports mean greater capacity for importing and exporting goods. “A $5-billion project will create a 153-acre cargo depot just off Interstate 710 along the western edge of Long Beach, bordering Los Angeles,” Boyd says. “Roughly 5,500 trucks would use it daily.”

To the north, the Port of Oakland started a $1.2-billion redevelopment venture enabling the mid-state port to expand capacity and competition with Pacific coast port rivals in Washington State and British Columbia. “The project involves turning the 322-acre former Oakland Army Base into a port facility that links ships directly to trains, with new warehouses and rail service right near the docks,” says Boyd, adding that links to intermodal rail are key site selection criteria.

“Cities in California situated near intermodal rail like Los Angeles, Long Beach, Oakland, and North Bay, and smaller proximate cities that enjoy lower land and labor costs like Lathrop, Stockton, San Bernardino and Fresno, are all well-positioned to attract new distribution center investment.”

One Empire To Rule Them All

The aptly named Inland Empire is the hub of much of the distribution warehouse sector in California. Located east of Los Angeles and defined by the US Census Bureau as the Riverside-San Bernardino-Ontario metropolitan area, the Inland Empire covers more than 27,000 square miles in Riverside and San...
Bernardino counties. Companies can’t seem to get enough of the region. Toyota Corp. of North America chose further expansion of its logistics business in Ontario, Calif., because of its good location. “The county has several advantages,” says Kelly Reenders, economic development agency administrator for the San Bernardino Economic Development Corp. “Our location is our main strategic advantage. With 23 million people within an hour’s drive and proximity to the ports of Los Angeles and Long Beach, it’s a prime location for moving goods to market.”

Toyota’s stay in Ontario is based on workforce, logistics, operating costs and regulatory climate that make the Inland Empire an economic stronghold for the state similar to Silicon Valley. For most manufacturers, proximity to the major population centers of the West is the key differentiator. “The state has its share of tax and regulatory challenges, especially for the industrial sector,” says Reenders. “But still, San Bernardino is such an efficient place to do business that it’s hard to take California out of the mix when a major company considers its operations and logistics.”

Industrial metrics from Jones Lang LaSalle underscore the point. San Bernardino County comprises more than 10 percent of the statewide inventory with 341 million sq. ft. of California’s nearly 3 billion sq. ft. of manufacturing, distribution and related space.

In June, Goodman Birtcher, the North American subsidiary of Australia-based Goodman Group, announced plans to develop a $150-million logistics center at Rancho Cucamonga in the Inland Empire West market of Southern California. “The project positions us well to take advantage of the significant demand for class-A logistics and warehousing space in the key Inland Empire West market, particularly for big-box facilities of greater than 500,000 square feet,” said Brandon Birtcher, CEO of Goodman Birtcher.

The new complex will include two facilities — one more than 55,000,000 sq. ft., the other 1 million sq. ft. — to be completed by March and May 2015, respectively. Between 2,000 and 4,000 jobs are expected to be created at the Goodman Logistics Center Rancho Cucamonga.

E-commerce Holy Grail
In August 2014, Amazon announced it would open its third distribution center in the Inland Empire, a 700,000-sq.-ft. facility in Redlands.

The new distribution warehouse will bring close to 500 new jobs to the region. This is the company’s fifth fulfillment center in California. Amazon has created...
thousands of full-time jobs and expanded its presence to close to 5 million sq. ft. Amazon’s other California fulfillment centers are located in San Bernardino, Moreno Valley, Patterson and Tracy. The new Amazon center dovetails nicely into the company’s long-term distribution plans.

“Amazon’s ongoing quest for the holy grail of e-commerce — same-day delivery — is highlighting the important ‘last mile’ of such a transaction, and it is especially playing out in California,” says Boyd. “In San Francisco, Amazon is now testing its own delivery network for the final leg of a package’s journey to consumers’ doorsteps. The new service will give Amazon more control over shipping timing and expenses. We expect the e-commerce giant and logistics innovator to roll out similar last-mile services in major California markets like Los Angeles and San Diego in the months ahead.”

Boyd says the distribution/logistics sector in California will remain robust, and he sees a new location evolving on the distribution radar screen.

“With Tesla’s new $6-billion gigafactory being built in Reno, Nevada, we see the I-80 and US 50 corridor connecting the Sacramento area emerging as a new sweet spot for distribution warehousing operations of suppliers and vendors of Tesla.”

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