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STRATEGIC INSIGHT | LOGISTICS HOT SPOTS

Emerging logistics hot spots: The Southeast

Logistics activity in the southeastern United States is heating up—and not just in the traditional hot spot of Atlanta. Here are three more rising stars.

By **Susan K. Lacefield**

When it comes to regions in the United States that offer growing logistics opportunities, the Southeast sits at the top of the list, says Richard Thompson, managing director at industrial real estate firm Jones Lang Lasalle Inc.

The reason for the region's appeal is no mystery, says Thompson. "First, it's an ideal spot in terms of freight costs," he says. The Southeast has an attractive population density, with 45 percent of the U.S. population living in the region. It also has a strong supply chain infrastructure with robust rail and highway connectivity and access to quality seaports like Miami; Savannah, Ga.; Charleston, S.C.; and Jacksonville, Fla., Thompson says.

Second, labor costs are relatively low because the Southeast is generally a nonunion region. And unlike other logistics hotspots, real estate in the Southeast is relatively abundant, according to Thompson.

"If you're looking for a 1,000-acre industrial site, you're not going to find that in [California's] Inland Empire, and you're not going to find that in Chicago or New York," says Thompson. "But you are going to find that in Tennessee, Alabama, Georgia, and other southeastern states."

In addition, state governments have worked to attract business by offering generous incentives to either start a company or relocate an existing enterprise.

The Atlanta metropolitan area has long been the region's main hub of logistics activity, and despite economic setbacks in the past decade due to downturns in the IT, telecom, and housing sectors, Atlanta's best days are still ahead of it, according to Thompson.

But there are other locations working hard to get on logistics professionals' radar screens. In this article, we highlight three: Central Florida, the Piedmont-Triad region of North Carolina, and Savannah.

CENTRAL FLORIDA

Not much gets made in Florida. The state is heavily tilted toward consumption because of its large retiree population. As a result, most of the goods moving through the state flow south, not north.

But that pronounced imbalance might reverse itself come 2015, when the widened and deepened Panama Canal opens. Two Florida ports, the Port of Miami and Port Manatee near Tampa, are the closest U.S. ports to the canal. Miami, in

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particular, is making a big push for cargo, vying for what it expects to be a larger share of waterborne commerce heading through the expanded canal to the East Coast.

Additionally, many companies are looking to South and Central America for growth opportunities, says John H. Boyd of the site selection consulting firm Boyd Co. Inc. Florida is a logical location for basing those trade operations.

Both of these trends are working to make Florida a more attractive location for logistics and distribution facilities—especially when combined with the fact that the state is, and will likely remain, a potent consuming force with a population of 19 million people.

Companies that are considering Florida for a distribution facility, however, may find themselves shying away from the coasts. Land prices around the ports can be steep, and coastal areas are at risk of flooding in the hurricane-prone state, says Boyd.

The central Florida communities of Orlando, Lakeland, and Ocala—to name a few—are more protected from these weather concerns. Central Florida also has plenty of land available at favorable prices as the local real estate market is still recovering from the downturn, according to Dave King, head of real estate operations for the real estate company STAG Industrial.

Many large companies are taking advantage of those opportunities. Grocery chain Publix, for example, recently cut the ribbon on a 1 million-square-foot distribution facility in Orlando. Furniture retailer Rooms To Go has opened a 2 million-square-foot facility in nearby Lakeland.

In addition to abundant property and a strong infrastructure, Central Florida also sets itself apart by means of a very business-friendly tax structure, says Sean Malott, manager of business development for the economic development organization Enterprise Florida. For example, Florida does not have a state income tax, and it doesn't impose property taxes on business inventories or goods-in-transit (or goods acquired and stored in a facility before being shipped elsewhere) for up to 180 days from the time of being acquired.

PIEDMONT-TRIAD, N.C.

The Piedmont-Triad region of North Carolina may not be a major metropolitan area, but it has an interstate highway system that most major cities would envy. The 12-county area, which includes Greensboro, High Point, and Winston-Salem, boasts five interstates: 1-73, 1-74, I-77, I-85, and I-40.

"The Triad area has one of the densest concentrations of interstates in the United States," says Charles Edwards, director of the North Carolina Center of Global Logistics. "There's Chicago, St. Louis, and a few other very large major metropolitan areas that have more interstate, but we don't have the congestion that those locations have."

Old Dominion Freight Line Inc., considered by many to be among the best-run trucking companies in the business, calls the region home. FedEx Corp.'s mid-Atlantic hub is also based in the Triad, and one of the company's largest ground hubs is located in Kernersville, N.C.

The region is served by CSX Corp. and by Norfolk Southern Corp., which has an intermodal terminal in Greensboro and a bulk transfer terminal in Winston-Salem. Companies that operate distribution facilities in the region include Ralph Lauren, Harris Teeter, Ashley Furniture, and the aviation firms Honda Aero and Timco Aviation Services.

Perhaps unsurprisingly, between 50,000 and 60,000 of the region's residents work in transportation and logistics, according to data from the local chapter of the World Trade Association. (The U.S. Census Bureau, which defines logistics jobs more narrowly, puts the number at 27,000.) "That makes the Triad one of the larger [logistics] centers in the world," says Edwards. "There are actually more people engaged in transportation and logistics in the Triad than in the Rotterdam

area. Of course, we're a lot of smaller than Memphis or New Jersey or L.A./Long Beach, but we are not trying to be those areas."

SAVANNAH, GA.

The basis for Savannah's status as a hotbed of logistics activity is, in the words of Brandt Herndon of the Savannah Economic Development Authority, not man-made but "god-given." The Port of Savannah is the westernmost port on the Eastern Seaboard and is located within two days' drive of 80 percent of the nation's population.

Savannah and the state of Georgia, however, have done a lot of work enhancing that god-given asset. The Port of Savannah is the country's fastest-growing port as well as the fourth largest container port, and its Garden City Terminal is the largest single-terminal operation in the United States.

Savannah's strengths include its transportation connections and land availability. "Because the port is located upriver, inland from the Savannah historic district, the port was able to develop great highway and rail connectivity, and the land available is second to none," says Curtis Foltz, executive director of the Georgia Ports Authority.

Savannah and the port can be accessed via both I-95 and I-16 as well as by the Norfolk Southern and CSX. The Mason Intermodal Container Facility, which is in the process of being expanded, is actually located on terminal. "Which is unusual for a port," says Herndon.

According to Herndon, there are more than 100 warehouses and distribution centers located near Savannah, including facilities run by such companies as Home Depot, Lowe's, Ikea, and Dollar Tree. In the 1990s as the port grew, the community became concerned about a possible shortage of warehouse and distribution space. That led to the construction of the 1,600-acre Crossroads Distribution Center a short distance from the Garden City Terminal.

Other large-scale industrial distribution facilities have followed. For example, there's the RiverPort Business Park, which contains 1,400 acres of warehousing, distribution, and light industrial space located six miles from the port. There's also the 904-acre Belfast Commerce Centre, which is located 20 miles from Savannah and has direct rail connections to the port.

But when it finally comes down to persuading companies to locate in Savannah, Herndon says the tipping point is often the city's quality of life. As a historic site with 12 million visitors a year, Savannah is able to support restaurants and cultural events that many cities its size can't. "When they're being shown the area, many prospective companies ask us to give them 15 minutes to an hour to see the downtown area," he says. "They love the history and the oak trees; it's an easy sell."

For more information ...

Want to learn more about the logistics hot spots mentioned in this article? Here's where to find more information:

Central Florida

- [Enterprise Florida Inc.](#): Enterprise Florida, a public-private partnership formed to promote the state's economic development, devotes a whole section of its website to logistics and distribution. The site includes extensive information about the state's logistics and distribution opportunities, infrastructure, and employment and wage picture.
- [Lakeland Economic Development Council](#): This organization focuses on the area around Lakeland, Fla. Its website contains information about available warehouse space, major employers, and area demographics.

Piedmont Triad, N.C.

- [Greensboro Economic Development Alliance](#): This organization is focused on the city of Greensboro and surrounding Guilford County. It offers information about the area's infrastructure, supply chain and logistics employers, and training programs.
- [North Carolina Center for Global Logistics](#): This partnership between industry and academia highlights the area's logistics education and

training opportunities.

- *Piedmont Triad Partnership*: This private nonprofit economic development organization focuses on the Piedmont Triad region of North Carolina. Its website offers information about the area's logistics infrastructure and wages, as well as the state's training programs.

Savannah, Ga.

- *Georgia Ports Authority*: The GPA, which serves as the administrative agency for the ports of Savannah and Brunswick, includes detailed information on its website about the Port of Savannah's two terminals, Garden City Terminal and Ocean Terminal. The site also includes highway mileage charts, interstate and rail data, and operating information.
- *Savannah Economic Development Authority*: This organization provides site selection services for the Savannah area. Its website contains extensive information and resources, including a property database and data on the area's transportation infrastructure, taxes and incentives, and major distribution employers.

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