



*Real value in a changing world*

VIRGINIA FREIGHT TRANSPORTATION SUMMIT



# *Transportation* and its impact on corporate site selection



December 6, 2011

# Jones Lang LaSalle overview

One unified firm delivering integrated services seamlessly

## Track record of achievement

World's Most Ethical Companies 2008, 2009, 2010, 2011 – Ethisphere Institute

Energy Star Partner of the Year 2007, 2010, 2011 – U.S. Environmental Protection Agency

Top 25 Brokerage 2009 – *National Real Estate Investor*

400 Best Big Companies 2006, 2007, 2008 – *Forbes*

America's Most Admired Companies 2008, 2009 – *Fortune*

100 Best Corporate Citizens 2007, 2009 – *CRO (Corporate Responsibility Officer) Magazine*

Global Industry Excellence Award 2008 – CoreNet



## Select corporate occupier clients



Global statistics  
year-end 2010

2010 revenue  
**\$2.9B**

Employees  
**40,300**

Property and corporate  
facilities under  
management (s.f.)  
**1.8 billion**

Tenant representation  
transactions (s.f.)  
8,400 transactions  
**159 million**

Agency leasing  
transactions (s.f.)  
19,400 transactions  
**323 million**

Capital Markets  
transactions  
**\$33 billion**

Energy savings for  
clients  
**\$125 million**

LEED-accredited  
professionals  
**585**

Investment assets under  
management  
**\$41 billion**

Mid-Atlantic statistics  
year-end 2010

Employees  
1,000 +

SF under management  
40M

Leasing transactions (s.f.)  
31M

Leasing transactions  
\$5.5B

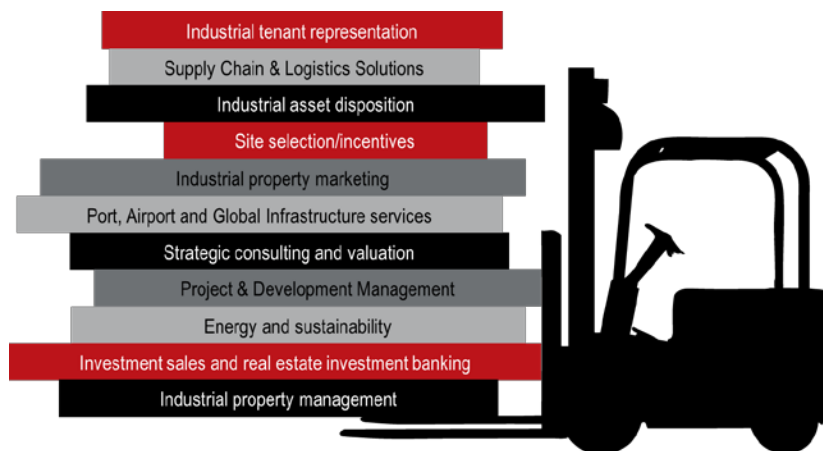
Capital Markets  
transactions  
\$2.4B

Project management  
project value  
\$2B

Construction volume  
\$39M

# Jones Lang LaSalle Mid-Atlantic overview

## Industrial and Supply Chain services



### Select Mid-Atlantic occupier clients



### Offices



Rolls-Royce



# Questions to consider...

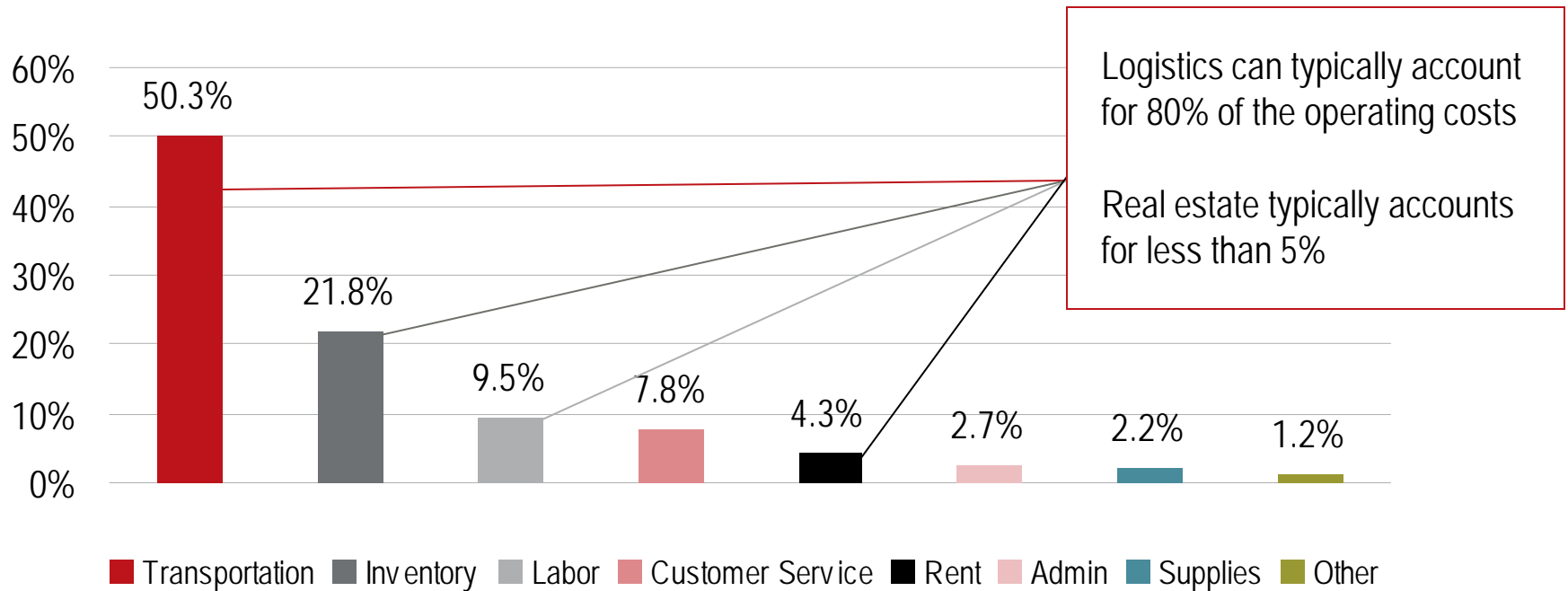
1. Why is an Industrial Real Estate Broker speaking at a Freight Transportation Summit?
2. What factors are companies considering when making manufacturing site selection decisions?
3. If freight costs go up 25% in the next two years, what impact would the increase have on a company's supply chain network (e.g., plants, distribution centers)?
4. How should you position your own market to attract new businesses?

# Factors in corporate site selection

- Transportation is the #1 factor with 97.3% considering it *very important or important*
- 84% cited inbound/outbound shipping costs while 89.3% cited incentives
- Labor costs is #2 at 91%
- Labor availability is #3 at 87% based on skilled labor
- Over the last 25 Corporate Surveys conducted by *Area Development Magazine*, transportation and labor have remained interchangeable as the #1 factor
- Area Development's most recent Consultant Survey lists labor at 96.8%, incentives at 96.8% and transportation at 95.8%
- Quality of life (but not education) usually ranks low

\*Source: *Area Development Magazine* Corporate Survey 2010

# Corporations making Site selection decisions will analyze and model the *total operating cost* picture

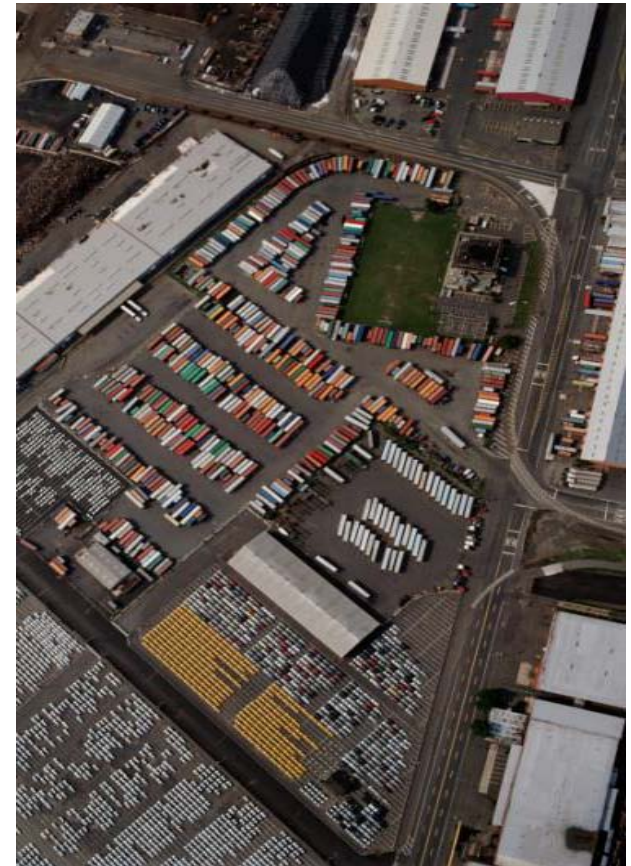


Source: Exchange Inc.: Logistics Cost & Service Report

# Companies take a fact-based approach to manufacturing/distribution center site selection decisions

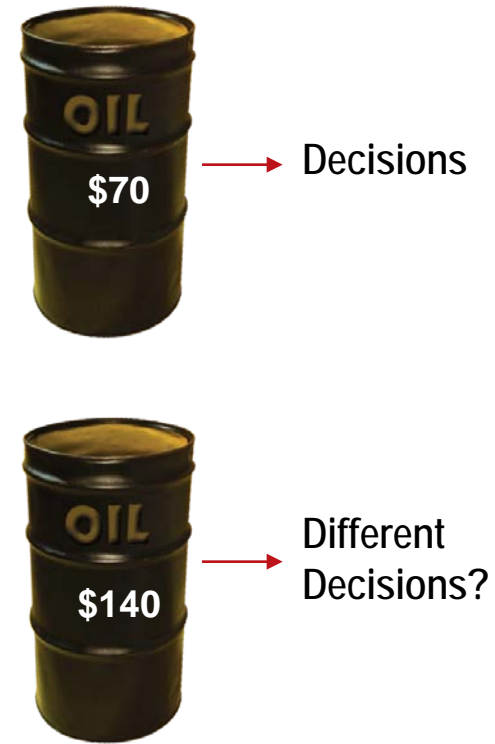
Six factors to consider when considering the competitiveness of your own market:

1. Total delivered costs
2. Supply chain infrastructure
3. Work force profile, availability and wage rates
4. Proximity to customers and suppliers
5. Business, tax and economic incentives
6. Risk mitigation



# Total delivered costs

- Cost to source materials and components, direct labor and overhead, and freight cost
- Increasing freight costs are beginning to offset the savings from cheaper labor
- The higher the cost of transportation, the more significant the freight “penalty” becomes to ship over greater distances
- Within five years, “the cost gap between the U.S. and China will virtually close”  
-- Boston Consulting Group study (August 2011)



# Proximity to customers and suppliers

- All things equal, the closer you are the better:
  - Improves speed to market and customer service levels
  - Reduces complexity and risk
  - Shrinks inventory levels
  - Lowers freight costs
- Transportation is a significant factor in cost of goods – 10% to 40%
- Transportation cost is a variable function of time, distance, size, mode and fuel costs
- Heavy trucks cost \$1.40 - \$1.96 per minute to operate
- Perhaps these factors are why a *majority* of U.S. manufacturing executives are considering repatriating manufacturing back to the United States or “near shoring” (e.g., Canada, Mexico)

*“Now that oil and transportation prices have gone up, productivity gains are not as big as they were, and there are issues around risk in supply chains, companies are starting to go where the customers are”*

-- Accenture Consulting (2011 study)

# U.S. Supply chain infrastructure



- The United States has one of the best supply chain infrastructures in the world:
  - Ocean accessibility with many large and expanding seaports
  - Interior lakes and navigable rivers
  - Extensive rail and highway network
  - Many of the world's largest cargo airports
- The United States now faces an aging supply chain infrastructure, but investments are forthcoming in both the public (Obama's \$640B plan) and private sectors (BNSF \$3.5B)
- U.S. ports investing heavily in anticipation of Panama Canal expansion which will accommodate the larger "post-Panamax" vessels

## The Case for Virginia



- ✓ *Port of Virginia/VIP*  
N/A
- ✓ *CSX, NS, I-95, I-81, I-66, I-64, I-85*
- ✓ *Dulles' new focus on air cargo*
- ✓ *CSX National Gateway, NS Heartland Corridor, HOT Lanes, Heartland Corridor, I-81 Truck Lanes*
- ✓ *Port of Virginia post-Panamax ready*

# Summary

- Perhaps the old adage of location, location, location used to define the quality of a commercial real estate site will be replaced by “the three Ls” – “logistics costs, labor and love”
- Logistics costs and labor as we have seen are major elements in a corporation’s total operating costs, and the love comes from local and state communities that must embrace a company’s investment in their community