



Business Location Services- How Companies Should Locate Warehouse Operations **VEPD Global Logistics Forum**



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- Grubb & Ellis company overview
- Audience profile
- Executive summary
- Business location services
 - Overview
 - Process
- Questions

- How many of you make your living as
 - Industrial Brokers or Developers
 - Office Brokers or Developers
 - 3PLs, Transportation Management, Corporate Logisticians
 - Economic Development or Port Related
 - Press
 - Don't know?
- Who has visited a Port or Intermodal Hub?
- What are the major challenges to Global Trade today and in the future?

Watch That Load Center of Gravity



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Hula Hoop Transport Inc.



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Fresh Poultry



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Teamwork



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Vintage Deliveries



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Asian “Hans Device”



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The Ultimate Rear View Mirror



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Family Transport



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Picture by Tim Feemster- Grubb & Ellis Company

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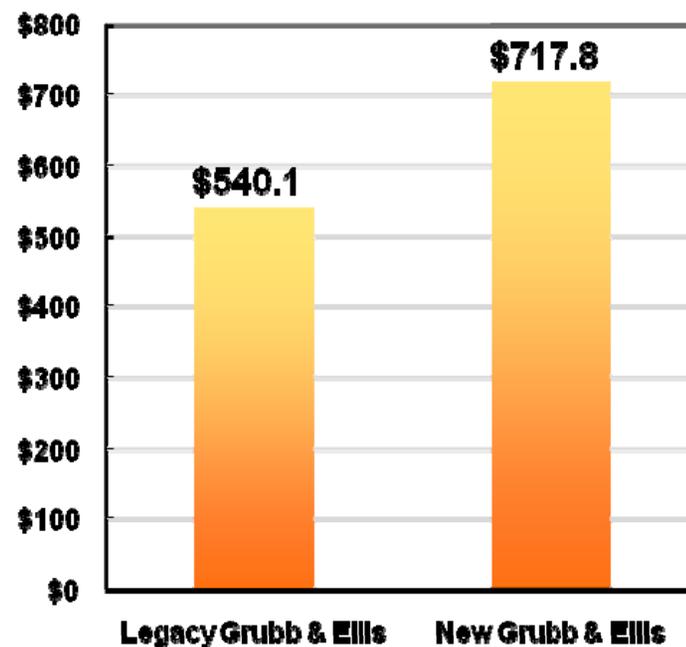
- Market coverage
 - 6,370 employees, 1,870 brokerage professionals
 - 44,220 real estate product investors
 - 4,610 TIC investors
 - 130 domestic offices
- Stability
 - Publicly traded on NYSE under the symbol GBE
 - Merged with NNN Realty Advisors in 12/07
 - 45.4 million SF of assets under management

Grubb & Ellis Company Overview



- Performance (as of 12/31/07) / YTD as of 6/30/08
 - \$717.8 million / \$327.5 million in revenue
 - \$149.4 million / \$61.5 million in investment management revenue
 - 265.6 million / 275.5 SF of space under management
 - Asset management portfolio valued at \$5.7 billion / \$6.5 billion
 - More than 200 investment programs sponsored since its founding in 1998
 - Two public non-traded real estate trusts – Healthcare and Apartment

2007 Combined Revenue



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Strategic Consulting

- Business location and site selection
 - Network rationalization and modeling
 - Labor availability and cost analysis
 - Site and community optimization analysis
 - Incentives negotiation
- Knowledge sharing
- Strategy development / Meeting facilitation
- Foreign Trade Zone consulting
- Facility design / Material handling / Product flow
- Operations planning and improvement
- Metrics development and benchmarking
- Information technology
- Inventory modeling and optimization
- 3PL rationalization & RFP process management
- Multi-market portfolio and asset strategies

Account Management

- 100 major corporate clients, over 600 MSF responsibility
- Real Property Administration-10,000 leases administered annually
- Lease abstracting
- CAM processing and audits
- Reporting- lease expiration, critical date notifications, monthly rent roll, etc.
- Lease/owned property maintenance - central database

Transaction Management

- Property acquisitions
- Property dispositions / Sales and leasing
- Build-to-suit planning and execution
- Sale-leaseback / Investment sales
- Facility planning and design
- Property sales and leasing
- Financial analysis / Due diligence support services
- Property valuation services
- Cost and capital management / Equity / Debt financing

Project Management

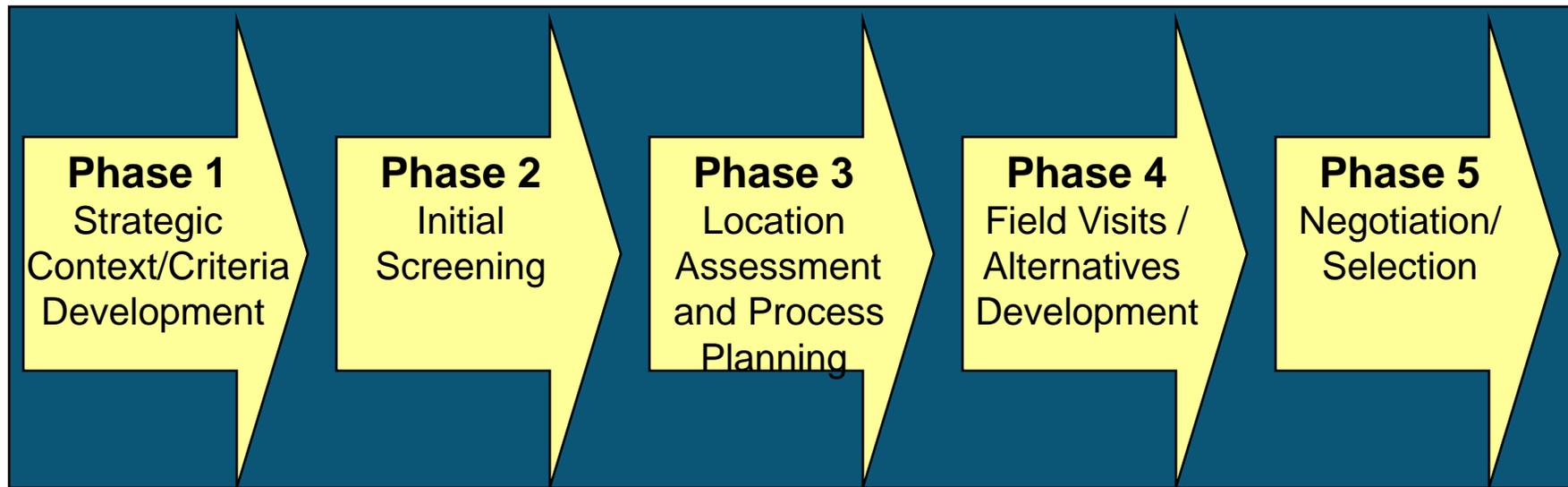
- Design management
- Value engineering
- Construction oversight
- Post-construction coordination
- Move management

Facilities and Property Management

- 265 MSF of commercial space valued at \$20 billion for corporate & institutional clients
- Engineering studies
- Energy management
- Call center support
- Emergency and preparedness training
- Business and fulfillment services

Business Location Services

Overview



- Standardized process – customized for your needs
- Tested over the course of many projects and clients
- Linked to corporate and project objectives
- Comprehensive – includes all of the important elements

- Business Location Services (BLS) is one of the solutions provided by many 3PLs and entities with consulting services such as Grubb & Ellis.
- While BLS are available for all types of facilities, this presentation will outline a “best practice” process designed for logistics and supply chain networks.
- True BLS integrates business objectives prevalent in management consulting with other disciplines, including:
 - Network Analysis
 - Labor Analysis
 - Comparative Cost Analysis
 - Real estate research
 - Site Selection
 - Incentive Negotiation



Focus on Results, Not Reports

- Implementation must link physical outcome with business strategy and objectives.

Research Rigor

- We draw on vast sources of data and a full-time market research staff (+100 in-market research professionals nationwide).

Integration and Insight

- We guide management through the process of evaluation, decision, planning, and implementation to fully integrate all important criteria.

Implementation

- We complete transactions in accordance with client objectives and assist with the crucial issues in transition and change management.

Objective

- To identify the most competitive, cost effective location for an automotive focused regional hub.

Key Decision Criteria

- Workforce attributes necessary for success (cost, quality, availability, sustainability of workforce, etc., as directed by client)
- Overall operating cost structure
- Incentives potential (employment, tax and capital investment related incentives to be explored)
- Ability to meet real estate requirements (available options in markets to meet client's real estate specifications and timing)

Benchmarking

- We will provide input regarding location and network attributes of other similar client operations, such as benchmark standards for density, parking, etc.

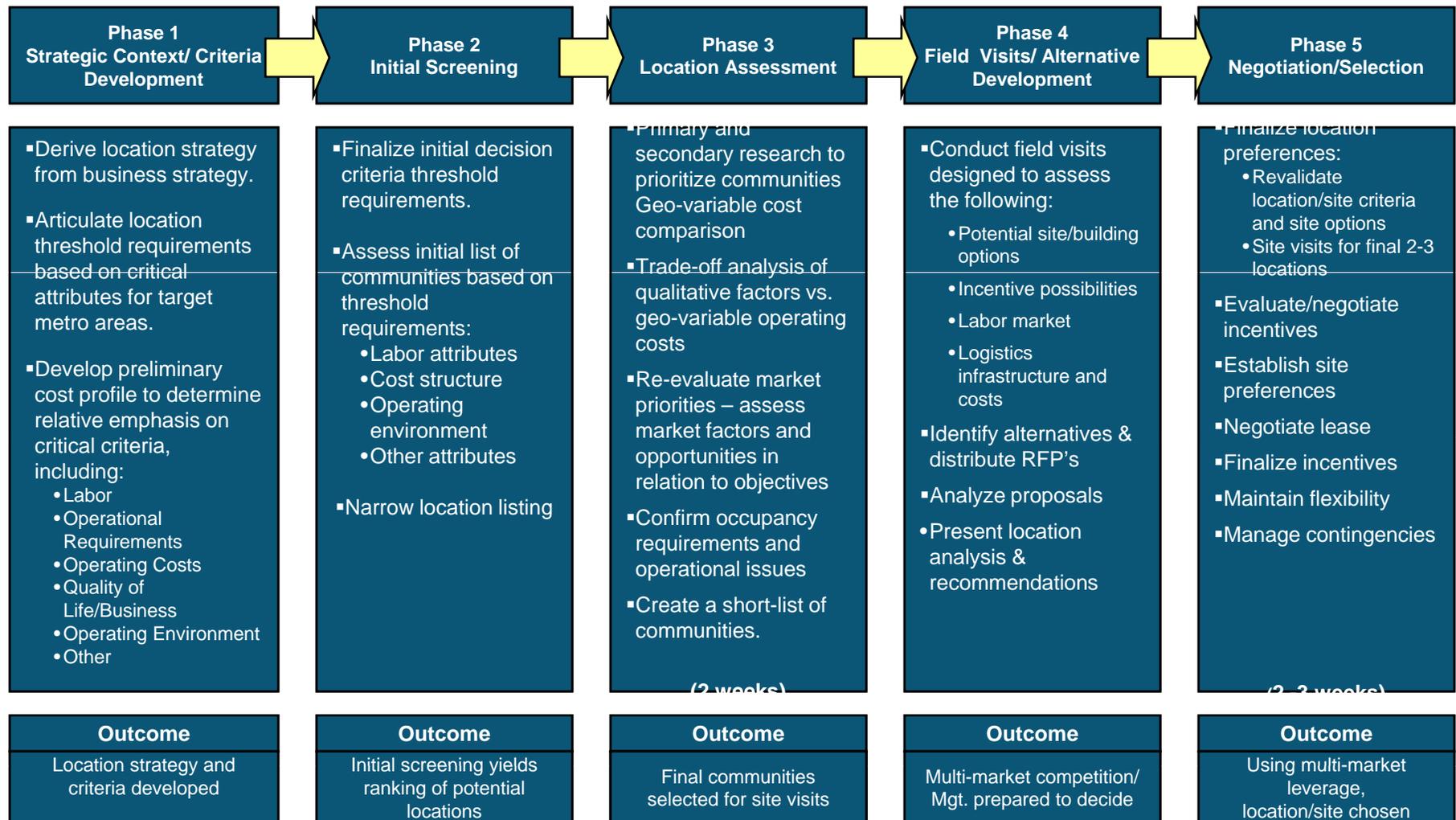
Implementation

- Integrated selection and site procurement process with Consulting and Transaction professionals

Business Location/ Network Analysis Services

Process

Process Overview



Phase 1 Strategic Context/ Criteria Development

- Derive location strategy from business strategy.
- Articulate location threshold requirements based on critical attributes for target metro areas.
- Develop preliminary cost profile to determine relative emphasis on critical criteria, including:
 - Labor
 - Operational Requirements
 - Operating Costs
 - Quality of Life/Business
 - Operating Environment
 - Other

Outcome

Location strategy and criteria developed

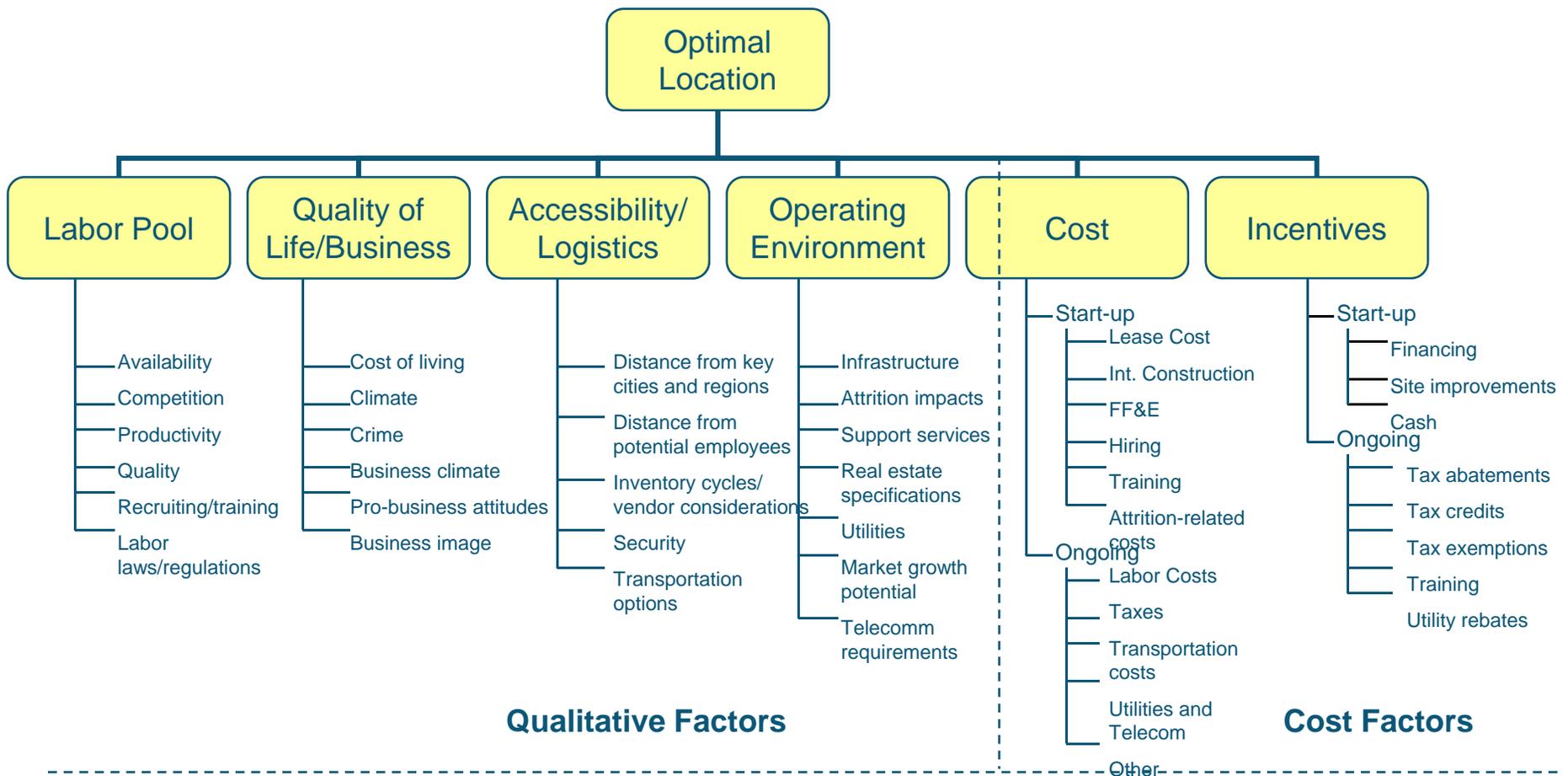
Frame location decision in the context of overall corporate objectives

- Address current and future organizational objectives
- Explore critical factors for evaluation location alternatives
 - Identify criteria for the facility (i.e., targeted operations and scale, markets served, location of suppliers and delivery points, transportation requirements, number and types of employees that will be located at facility)
 - Determine “must haves” and other threshold requirements
 - Determine and prioritize the essential logistics, labor and operational attributes
 - Finalize the types of data points needed to compare locations in terms of these critical factors
 - Confirm existing client locations, sizes, activities and attendant wage structures
 - Understand any existing client occupancy, logistics and labor related standards that will apply
 - Prioritize criteria
- Confirm the overall work plan and timeline

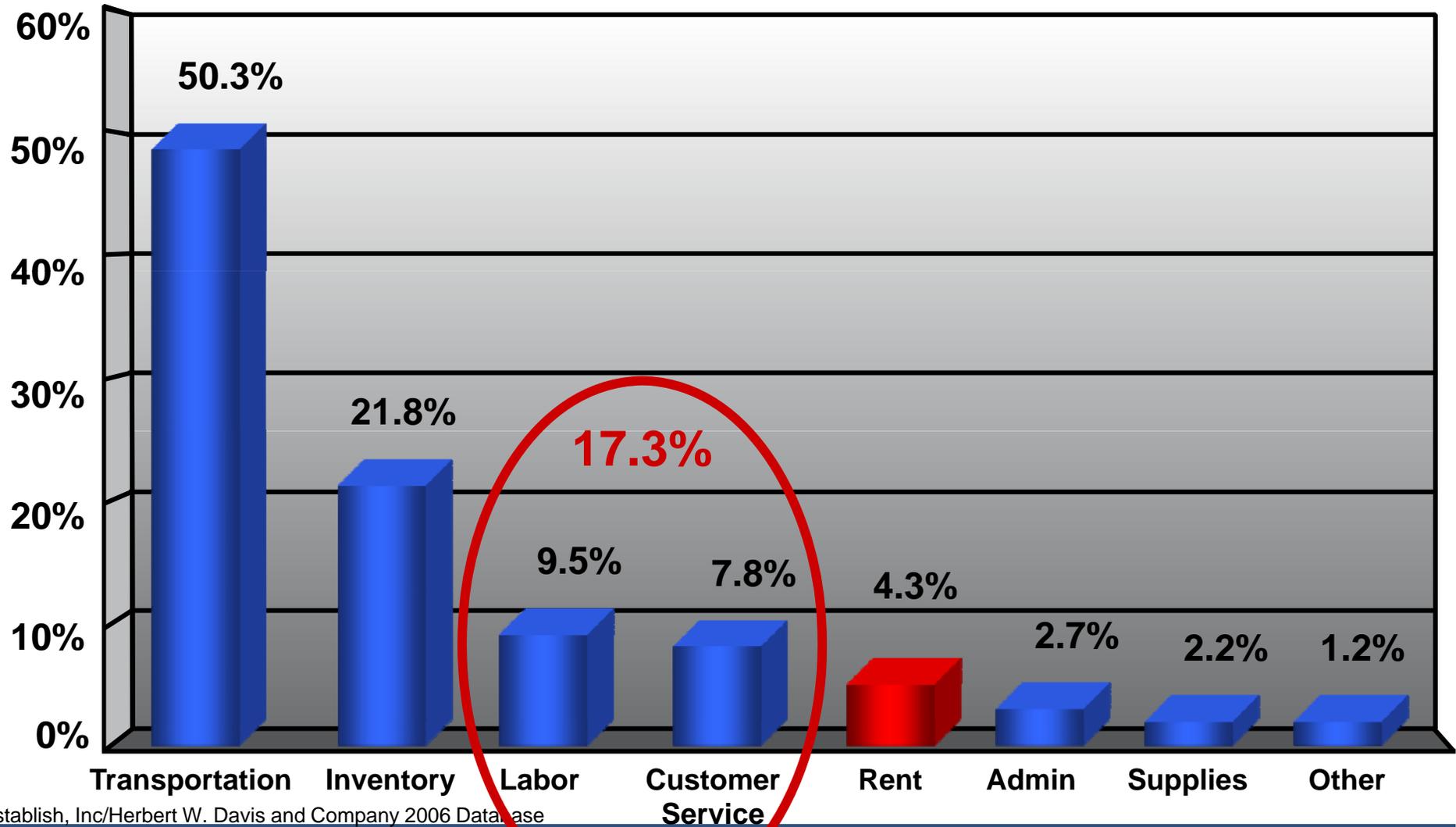
Phase 1- Development of project criteria



Conduct a detailed initial screening process based on attributes and criteria identified as critical to the project's success. The illustration below includes criteria most often used by our clients.



Logistics Cost Breakdown



Establish, Inc/Herbert W. Davis and Company 2006 Database

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Phase 2- Initial Screening



Phase 2 Initial Screening

- Finalize initial decision criteria threshold requirements.
- Assess initial list of communities based on threshold requirements:
 - Labor attributes
 - Cost structure
 - Operating environment
 - Other attributes
- Narrow location listing

Outcome

Initial screening yields ranking of potential locations

• Initial Screening – Demographic and Labor

- Population (size, growth rates by sub-markets)
- Labor force attributes (size, un/employment rates by sector, education, language skills)
- Income
- Wages (by job type)
- In/out migration patterns

• Initial Screening – Logistics and Facility Requirements

- Location of customers and suppliers
- Distribution networks and shipping resources (Inbound vs. outbound traffic patterns)
- Transportation requirements (sources, routes, frequencies, modes)
- Inventory cycles and impact on facility specifications

• Initial Screening – Cost Structure

- Overview of variations in operating cost structures between metro areas and/or sites
- Transportation, inventory related, labor, taxes, utilities, etc. will be compared

• Initial Screening – Operating Environment

- Accessibility
- Quality of Life
- Operating Environment (reliability of services to site, right-to-work state, etc.)
- Incentives Opportunities

• G&E will score criteria on a scale of 0 to 10 and combine them in a weighted average (see following example)

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EXAMPLE - Weighted Ranking of Potential Locations

ABC Co. MSA SCREENING Scenario A										
Weighting:	Labor Market Traits		Accessibility		Labor Cost	Bilingual Workforce	Total Operating Cost Structure	Regulatory Environment	Quality of Life	
	10.0%	5.0%	5.0%	15.0%	25.0%	7.0%	15.0%	8.0%	10.0%	
Rank Metropolitan Area	Labor Availability Score	Labor Quality Score	Airport Score	Road Access Score	Score	Score	Score	Score	Score	Overall Weighted Average
1. Norfolk	5.0	5.0	7.0	7.0	7.0	5.0	5.0	3.0	7.0	5.14
2. Richmond	5.0	3.0	7.0	7.0	5.0	5.0	5.0	5.0	6.0	5.10
3. Louisville	7.0	5.0	3.0	5.0	7.0	5.0	3.0	5.0	7.0	5.10
4. Indianapolis	7.0	3.0	5.0	7.0	5.0	5.0	3.0	5.0	4.0	4.90
5. Cincinnati	3.0	3.0	7.0	5.0	7.0	5.0	3.0	5.0	3.0	4.80
6. Lexington	7.0	5.0	3.0	3.0	7.0	5.0	1.0	5.0	5.0	4.70
7. Kansas City	5.0	3.0	5.0	5.0	5.0	5.0	5.0	5.0	3.0	4.70
8. Charleston, SC	7.0	1.0	1.0	5.0	7.0	5.0	1.0	5.0	5.0	4.70
9. St. Louis	5.0	1.0	3.0	5.0	7.0	3.0	3.0	5.0	3.0	4.56
10. Philadelphia	5.0	3.0	7.0	3.0	7.0	1.0	5.0	5.0	1.0	4.52
11. Columbus, OH	3.0	3.0	5.0	3.0	7.0	3.0	3.0	7.0	3.0	4.42
12. Nashville	7.0	5.0	5.0	5.0	3.0	5.0	3.0	5.0	5.0	4.40
13. Baltimore	5.0	1.0	3.0	1.0	7.0	5.0	5.0	7.0	1.0	4.36
14. Jackson, MS	7.0	5.0	3.0	3.0	3.0	7.0	3.0	5.0	5.0	4.34
15. Dallas	5.0	1.0	7.0	7.0	3.0	5.0	7.0	5.0	1.0	4.30
16. Washington D.C.	1.0	N/A	7.0	3.0	7.0	1.0	3.0	5.0	1.0	4.27
17. Birmingham	5.0	5.0	3.0	5.0	3.0	5.0	3.0	7.0	5.0	4.26
18. Oklahoma City	5.0	5.0	5.0	5.0	3.0	7.0	3.0	3.0	5.0	4.18
19. Biloxi	5.0	5.0	5.0	1.0	3.0	5.0	3.0	7.0	3.0	4.16
20. Savannah	1.0	2.0	3.0	3.0	3.0	2.0	4.0	3.0	2.0	4.10

This is a summary weighting table, which would be made up of numerous detailed tables that derive a specific criteria score based on statistical geo-variable data.

Phase 2- Initial Screening



Data Resources

Rich information is a must. Your partner must have at their fingertips a plethora of databases providing current labor, logistics, demographics, real estate, and mapping information.

The collage displays four different data resource interfaces:

- Microsoft Access:** A database window titled "[Physical Attributes of Retailing]" showing a table with columns for City, State/Province, and Postal Code.
- Real Estate Listing:** A web page for "103 West Main St, Kansas City, MO 64108" with various filters and details.
- Map:** An Autodesk map showing a geographic area with various markers and street names.
- Salary Assessor:** A tool for "Call Center Sales Representative" in "Kansas City, Kansas" showing salary data by experience level.

Demographic	Ratio 10	Per. Ratio 10	Per. Ratio 10	Per. Ratio 10
2000 Pop. Age 18+ in Employment (Civilian)	1000	4.05%	62,048	10,017
2000 Pop. Age 18+ in Employment (Total)	80	7.80%	1,251	10,254
2000 Pop. Age 18+ in Employment (Non-Farm)	80	7.80%	1,251	10,254
2000 Pop. Age 18+ in Employment (Farm)	80	7.80%	1,251	10,254
2000 Pop. Age 18+ in Employment (Total)	1000	4.05%	62,048	10,017
2000 Pop. Age 18+ in Employment (Civilian)	1000	4.05%	62,048	10,017
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2000 Pop. Age 18+ in Employment (Total)	1000	4.05%	62,048	10,017

Years of Experience	10th Percentile	Survey Mean	90th Percentile
12	31,812	37,175	42,745
6	25,187	29,483	33,643
1	20,644	24,209	27,739

Your partner must be able to put this valuable data to work for you but understand that this information cannot replace the “on-the-ground, up-to-the-minute” research that will be conducted in Phases 3 and 4.

Phase 3 Location Assessment

- Primary and secondary research to prioritize communities
Geo-variable cost comparison
- Trade-off analysis of qualitative factors vs. geo-variable operating costs
- Re-evaluate market priorities – assess market factors and opportunities in relation to objectives
- Confirm occupancy requirements and operational issues
- Create a short-list of communities.

(2 weeks)

Outcome

Final communities selected for site visits

Detailed location assessment based on primary and database research

- The model will be based on the assumption that there will be one major distribution center, serving defined locations.
- Geo-variable cost comparison of various locations produced through economic modeling. We will produce a weighted average of each customer/supplier, given its projected shipping volume, and a weighted mileage for each, with a resulting centroid
- A capture ratio (% of customer/suppliers captured) is established for each and an optimal region is then calculated
- Qualitative factors are weighed against costs
 - Real estate assessment conducted

Phase 3 Location Assessment

- Primary and secondary research to prioritize communities
Geo-variable cost comparison
- Trade-off analysis of qualitative factors vs. geo-variable operating costs
- Re-evaluate market priorities – assess market factors and opportunities in relation to objectives
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- Create a short-list of communities.

(2 weeks)

Outcome

Final communities selected for site visits

- Trade-off matrix produced outlining opportunities and challenges of best candidate locations
- Short list for prioritized site visits created in partnership with our client and a B list is also formed
- Revisit business objectives and location assessment conclusions
 - Timing requirements
 - Look at the 3 “Ls” of real estate
- Re-prioritize markets if necessary
- Integrate real estate process with incentives process (as applicable)
 - Consistent message
 - Multi-market leverage approach

Potential Selection Criteria



- Unemployment rate
- Population education levels- High school, college
- Specific skill sets
- Wage rates by job classification
- Taxes- local, state, inventory, etc.
- Incentives- real dollars
- Local schools- Jr. colleges, universities, etc.
- Public transit
- Highway systems
- Intermodal or manifest rail access
- Seaport access
- Workforce language barriers
- Utility rates
- Quality of life
- Business climate- is there love
- Regulatory environment
- Population
- Specific requests of the client

Phase 4 Field Visits/ Alternative Development

- Conduct field visits designed to assess the following:
 - Potential site/building options
 - Incentive possibilities
 - Labor market
 - Logistics infrastructure
- Identify alternatives & distribute RFP's
- Analyze proposals
- Present location analysis & recommendations

(2-3 weeks)

Outcome

Multi-market competition/
Mgt. prepared to decide

• Field Visits – Primary Objectives

- Validate current conditions and form judgments about future conditions
- Human resource issues, labor market, logistics, supplier network, etc.
- Validate transportation and network optimization analysis
- Presence of other similar types of operations in area
- Meet with local officials to gather information and engender support
- Deeper discussions regarding incentive possibilities
- Meet with local employers with similar organizational goals to validate assumptions
- Inspect potential facilities/sites for suitability with Transaction Services

• Outcome – short list of prioritized markets and potential site list developed (in conjunction with our brokerage professionals)

Phase 4 Field Visits/ Alternative Development

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 - Potential site/building options
 - Incentive possibilities
 - Labor market
 - Logistics infrastructure and costs
- Identify alternatives & distribute RFP's
- Analyze proposals
- Present location analysis & recommendations

(2-3 weeks)

Outcome

Multi-market competition/
Mgt. prepared to decide

•Key Quantitative Evaluation Criteria

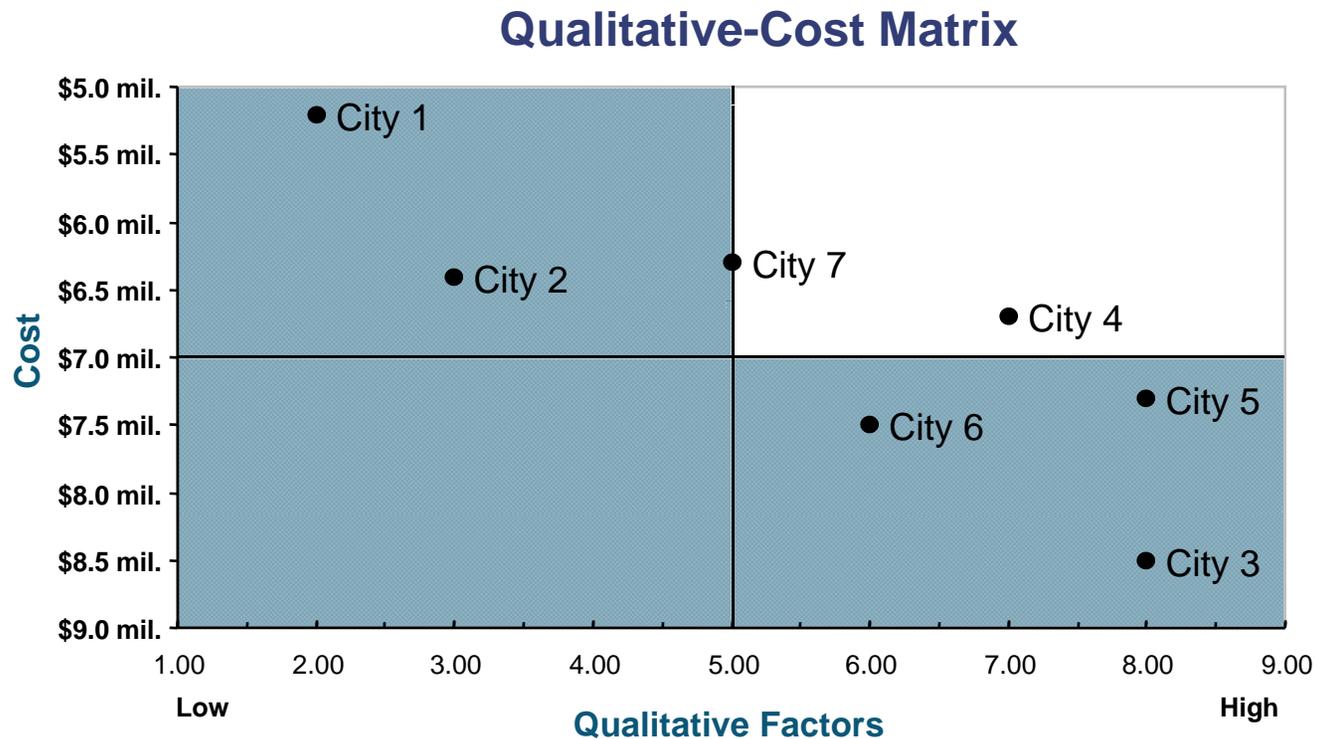
- Capital Investment Requirement
- Net Rent
- Operating Expenses (including transportation)

•Key Qualitative Evaluation Criteria

- Timing
- Build, Buy or Lease? Capitalization Implications
- Expansion Options
- Lease Term Flexibility
- Proximity to Customer, Supplier, Labor/Amenities
- Base Building Infrastructure

•Develop Alternatives in Multiple Markets

We use a trade-off matrix to illustrate optimal locations for consideration.





Phase 5 Negotiation/Selection

preferences:

- Revalidate location/site criteria and site options
- Site visits for final 2-3 locations
- Evaluate/negotiate incentives
- Establish site preferences
- Negotiate lease/purchase
- Finalize incentives
- Maintain flexibility
- Manage contingencies

Outcome

Using multi-market leverage,
location/site chosen

•Negotiation/Selection

- Create a competitive negotiating environment between final locations
- Includes real estate and incentive negotiations
- Our Grubb & Ellis team is experienced with both and will work jointly with you at this phase.

•Final Report

- Will document criteria, screening process, analytic process including centroid analysis, final location selection attributes and financial terms including incentives. We will also address keys to being “employer of choice” in area.

EXAMPLE – Reconfiguration of distribution network

Change of Location and Reassign customers	LOC 1	LOC 2	LOC 3	LOC 4	TOTAL
Current Location:					
No. of customers assigned (current)	149	153	230	170	702
Number of miles (sum of direct routes to customers)	18,872	22,354	85,679	36,385	163,290
Average Distance (mi.)	126	147	373	214	860
Time (in minutes)	28,596	25,054	92,942	40,669	187,261
Average Time	192	165	404	239	1,000
Proposed Location with Reassignment:					
No of customers (after reassignment)	173	134	230	165	702
Number of miles (sum of direct routes to customers)	23,241	19,750	85,679	34,337	163,007
Average Distance (mi.)	134	148	373	208	863
Time (in minutes)	34,914	22,013	92,942	38,352	188,221
Average Time	202	166	404	232	1,004
% Change:					
No. of customers assigned (current)	13.87%	-14.18%	0.00%	-3.03%	0.00%
Number of miles (sum of direct routes)	18.80%	-13.18%	0.00%	-5.96%	-0.17%
Average Distance (mi.)	6.21%	0.68%	0.00%	-2.88%	0.39%
Time (in minutes)	18.09%	-13.81%	0.00%	-6.04%	0.51%
Average Time	4.86%	0.60%	0.00%	-3.02%	0.38%

- **Know your**
 - Logistics costs- transportation, rent, taxes, etc.
 - Highway, sea port, intermodal, airport, and/or manifest rail capabilities and future plans
 - Labor availability, education level, and cost by job type by select market
- **Have “Love”- be business friendly**
 - Are you easy to do business with
 - Incentives as appropriate
 - Embrace the industrial real estate user as an asset to the community
- **Understand logistics elements**
 - Your client’s strategy
 - Drive times- trucking hours of service
 - Environmental issues
 - Hours of operation
 - Congestion

Facility Layout Example- Wal*Mart



Source: Grubb & Ellis Company Global Logistics

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Questions



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