



OHIO'S ELECTRIC COOPERATIVES CURRENT

September 2017

Mega Spec Warehouses Sprouting in Exurban Ohio

Ohio's Electric Cooperatives' service territory is experiencing a surge in speculative and proposed construction of mega-warehouses. What's spurring demand and will more construction follow?

E-commerce driving demand

Central Ohio is one of the top 10 U.S. markets for warehouses exceeding one million square feet, ranking just behind the much larger Philadelphia, Inland Empire (CA), Dallas/Ft. Worth, Atlanta and Chicago markets.



Columbus, Ohio ranks seventh nationally for the number of warehouses exceeding one million square feet.

"There was a vibrant industrial market in this Midwest region prior to e-commerce," remarks Doug Swain, Vice President and General Manager of Opus Development Company. "Two-thirds of U.S. households have an Amazon Prime account. This region has become much stronger due to e-commerce of consumer goods."

CBRE First Vice President and Industrial Sales and Leasing Specialist Rick Trott, SIOR, CCIM, notes, "About two-thirds of the demand for mega-warehouses is from e-commerce, third-party logistics firms and retail users. While e-commerce accounts for less than 10% of retail sales, it's growing at a much more rapid pace. As more consumers shop more online, product is shifting from the malls to e-commerce warehouses. The large building sizes are really dictated by the increasing volume of product moving through these facilities."

Strength in numbers

Once a location is 'validated' so to speak by a Fortune 500 company, it seems easier for other companies to follow the leader. Todd Garrett, Manager of Community and Government Relations for Pioneer Rural Electric Cooperative, Inc. explains, "When significant infrastructure investments have been made in an area, subsequent projects can become operational more quickly. A more established industrial area helps reduce the risk of delays."

The Opus Group's new four-building, 220-acre Crossroads Logistics Center is adjacent to Proctor & Gamble's 1.8 Million SF distribution center. The site benefits from the major utility and roadway improvements completed to support the P&G project.

Labor pool driving location decisions

“Labor is so vital to logistics,” says Mitch Heaton, Vice President, Economic Development for Dayton Development Coalition. “Being able to attract sufficient quantities of qualified employees at favorable wage rates is essential to attracting distribution centers.”



Heaton points to the [St. Onge study](#) completed for the Montgomery County Transportation Improvement District as confirmation of the Dayton Region’s competitive cost of living advantage and subsequent wage rates below the U.S. average for warehouse workers, material handlers, order fillers, packer/shippers, forklift operators and truck drivers. With nearly 144,000 jobs representing 18 percent of total Ohio logistics jobs in the Dayton region, new distribution centers find an available pool of skilled labor.

Labor and transportation considerations edging out real estate

In a fairly short time period, the mega-warehouse market has evolved from the cost of real estate being a primary site selection factor to the cost of labor and transportation driving the decision process. “Being able to attract sufficient quantities of qualified employees is as important, if not more important, as finding the right building,” says Trott. “As a rule of thumb, a \$1.00 per hour difference in wage rates is equivalent to \$2.00 per square foot more in industrial real estate costs.”

Phil Rasey, Vice President of Development of The Pizzuti Companies, commented that a mega-warehouse client calculated that locating just two miles further away from an interstate highway would cost an additional \$10 million annually in transportation costs. Heaton adds, “When transportation can be as much as 60 percent of the total cost of a product, everyone is focused on ways to reduce these expenses.”

COLUMBUS[★] 2020

“The Columbus Region is a logistics juggernaut with the labor, transportation assets and real estate that logistics operators require,” states Columbus 2020 CEO Kenny McDonald. “An experienced material moving workforce woven together with new innovations and established infrastructure gives operators of mega-warehouses and smaller last-mile facilities cost advantages. Companies benefit from easy access to one of the world’s only

cargo-dedicated airports and regional operations of FedEx Air, FedEx Ground, UPS and UPS Supply Chain Solutions.”

Available land vs. proximity to workforce

“We’re now seeing the acreage requirement for mega-warehouse sites increase due to the requirement for more car and trailer parking,” notes Tim McElroy, NorthPoint Development’s Vice President of Development.

Mega-warehouse sites of 75 to 80 acres with vehicle parking requirements as high as one parking space per 400 SF of warehouse space are no longer unusual.

As Amazon and other mega-warehouse operators have reported publicly, assistive robotic technology is not replacing workers, but rather is dramatically increasing employment and supporting exponential e-commerce growth. “Markets that have both available land and



reasonable proximity to a deep enough qualified workforce are in site selectors' crosshairs for mega-warehouse locations," states Jeff Campbell, director of Key Accounts for South Central Power. "Ohio's Electric Cooperatives' service territory is richly populated with exurban sites that combine large developable sites with easy access to transportation and a skilled logistics workforce."

Speed to consumers is the ultimate goal

Companies need to be near workers—and close to consumers. "Each company's needs are different, but generally we're seeing the super-regional distribution centers serve as suppliers for smaller last-mile facilities that are located closer to consumers, or they are dedicated strictly to e-commerce fulfillment," comments Pizzuti's Phil Rasey. "In the past few years, Pizzuti has actually built more warehouses under 250,000-square-feet than over, but mega-warehouses have a vital role in the end-game of getting products to consumers in the shortest possible time."

Following are three speculative and proposed mega distribution centers located in regions served by Ohio's electric cooperatives.

TradePort I

Location: Ashville Pike, Harrison Township, Pickaway County, Ohio

Building size: 1,020,255 SF

Lot size: 73.45 acres

Completion date: November 2017

Electric cooperative: South Central Power Company

Developer: NorthPoint Development

"It is not uncommon for us to speculate on warehouses in the 700,000 to 1 million square foot range, in the right markets," says NorthPoint Development's Tim McElroy, "and typically there are fewer competitors in the larger size range. We're also finding that the larger the building, the less likely it will have more than one or two tenants." In addition to Columbus, NorthPoint has spec warehouses in Cincinnati, St. Louis, Kansas City, eastern Pennsylvania, Dallas and Indianapolis.

For more info: Rick Trott, SIOR, CCIM, 614.430.5091, rick.trott@cbre.com



Crossroads Logistics Center

Location: at the Crossroads of America I-70/I-75, Dayton (City of Union), OH; site is adjacent to P&G 1.8 million SF regional distribution center

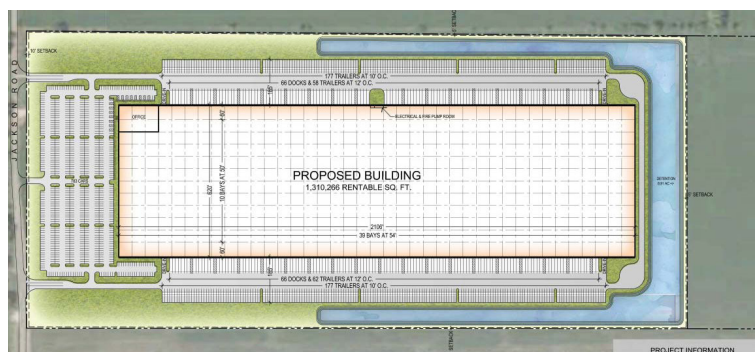
Building sizes: proposed 236,000 to 2,418,073 SF

Lot size: 220 acres

Completion date: proposed

Electric cooperative: Pioneer Electric Cooperative

Developer: The Opus Group



“Dayton is emerging as an excellent location for mega-warehouses,” says Opus Group’s Doug Swain. “As the St. Onge study shows, the Dayton Region is an optimal location for distribution networks. Crossroads is ideally located adjacent to Interstates 70 and 75 and Dayton International Airport.”

For more info: Stephanie Chitwood, The Opus Group, 317.816.5730, stephanie.chitwood@opus-group.com

Rickenbacker West

Location: Rickenbacker Air Industrial Center, Columbus, Ohio

Building size: 802,149 SF (expandable by 210,754 SF to 1,012,903)

Lot size: 49.79 acres

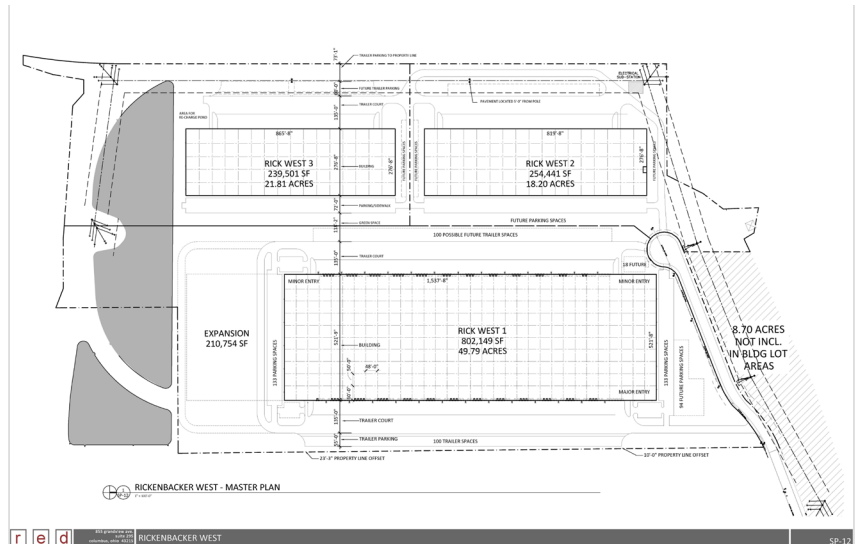
Completion date: Proposed

Electric cooperative: South Central Power

Developer: The Pizzuti Companies

“We build as much flexibility as possible into our spec projects,” shares Phil Rasey of Pizzuti. “Supply chain strategies continually evolve and the industry is rapidly expanding the use of driverless trucks, drone technology, and robotics to support warehousing and logistics tasks. We select sites that have robust and reliable infrastructure that can support technologies that are still in the visioning stage.”

For more info: Phil Rasey, The Pizzuti Companies, 614.280.4008, prasey@pizzuti.com



Buckeye Power and Ohio's Electric Cooperatives can help with:

- Comprehensive site and building portfolios
- Preliminary site studies
- Site search tours
- Assistance in identifying financial incentives
- Electric rate analyses
- Community profiles
- State and local government contacts
- Contractor introductions

Look for Us:

Site Selectors Guild 2017 Annual Fall Forum

September 25-27, 2017
Seattle, Washington

Industrial Asset Management Council (IAMC) Fall Professional Forum

October 7-11, 2017
Richmond, Virginia



Contact Us:

Dennis Mingyar

Ohio's Electric Cooperatives

www.ohioec.org

6677 Busch Boulevard

Columbus, OH 43229

614-430-7876

dmingyar@ohioec.org