



SOUTHERN CALIFORNIA LOGISTICS 2013 YEAR IN REVIEW

FEBRUARY 2014

Goods Movement

- Transportation sector revenues - modest growth.
- U.S. transportation revenue will see slow single digit growth (driver shortage).
- Europe coming out of long recession & affecting greater demand for exported goods from China.
- U.S. container volume grew 5.5% in 2011 and grew 4.5% in 2012. 2013 growth was at 4.1%.
- Exports from U.S. grew 3.5% in 2011, $\pm 2.1\%$ in 2012, and $\pm 5.4\%$ in 2013. Overall imports down 1.1% in 2013.
- Ocean carriers losing money since 2008 – confounds economists how they can stay in business with rates near unsustainable levels.
- Major carriers building bigger more efficient 12,000 TEU ships [5,000 TEU inefficient.]
- Overall ocean carriers will report losses again 2014.
- Beneficial Cargo Owners (BCOs) (Target, Walmart, Sears) are driving low rates.

Challenges & Opportunities BCO, Rail, Port Developers, 3PLs & Trucking.

IMPORTERS

Going Demand Pull Model - Minimize On Hand Inventory

- Increase demand driven supply chain using (IT) – retail activity; SKU's automatically reported & replenished. Electronic Data Transfer: Demand Pull.
- Must transload at port of entry. (Fuel prices & time in transit kill margins)
- Methodology to mitigate supply chain risk (earthquake Japan) must spread risk - same as 2013.
- Leaner supply chain – fewer suppliers – do more with less. Kaizen strategies: suppliers must offer solutions and provide continuous improvement.
- E-commerce – Amazon, Bellwether (instant price check) their competitors. E-commerce will play much larger role moving forward. By 2025 30% of consumer goods will be transloaded using the click.

3PLs

Increase Their Reach; However, Customer Satisfaction is Low $\pm 6\%$ Fully Satisfied with Their 3PL

- 65% of shippers use 3PL: 22% returning to in-sourcing (Outsourcing accounts for 54% of spend for transportation, 39% spend accounts for warehousing) - same as 2013.
- 3PLs must bring creative solutions -
- 3PLs/BCO must maintain relationships with frontline employees & executive team.

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2013 YEAR IN REVIEW

CHALLENGES/OPPORTUNITIES FOR LB/LA PORTS

- Opportunity – \$1.5 billion Middle Harbor project will add 3 million TEU capacity with automation.
- 2012-2020 should grow by 30%.
- \$7 - \$8 billion in planned infrastructure.
- Prince Rupert, Canada – small threat 500,000 TEU 2/3 of U.S. cargo comes through LA/LB.
- Automation only works (payback) large volume ports LA/LB, NY/NJ.
- Union – ILWU must accept contract (automate computerize) (optical reader) ILWU will negotiate Manning requirements.

CHALLENGES/THREATS TO GROWTH

Political Climate:	State legislation - ILWU
Europe:	Growth lagging at 6%
Asia Pacific:	Stabilization classic line; inflation low; 1% GDP growth
Healthcare:	Affordable Health Care Act; integration; hiring
US Domestic:	GDP growth 2%
Rep Control House:	Dysfunctional Political Climate
Demo Control Senate:	Dysfunctional Political Climate

TRUCKING COMPANIES

Truck load & LTL good year in 2012-2013. Hours & legislation an issue 2013 & 2014. Slow but steady in 2014. Capacity crush never materialized.



- CSA – Compliance Safety Accountability
- Shortage +/- 200,000 drivers, fuel costs, electronic onboard recorders, driver retention.
- Be trucker friendly.
- Fuel stabilized in 2013 and remains stable.

RAIL

2011 = 22% of revenue is intermodal. 2012-2013 = 23-25% growth. 2014 fragmented growth - 11.3% Southeast, 8.3% Northeast, 28% Midwest.

- (coal & oil transport) (natural gas, fracking, marcellus, shale) North Dakota 600,000 barrels per day.
- Rail trying to compete on less than 750 mile trips w/ trucks.
- UP – BNSF \$11 billion in upgrades.
- Southern California Intermodal Gateway Port – Pending EIR.
- East Coast haul averages 800 mi.
- K.C. to become inland port - BNSF

Forecast 2014

- Ocean shipping 3-4% growth. Port of LA/LB.
- E-commerce double digit growth ±15%.
- Shippers need to match inventory to fluctuating demand.
- Near shoring in Western Hemisphere (Apple) (Vizio) (Automotive) (Mexico) (AZ).
- IT real time systems critical.
- LA/LB largest in dock capacity North America.
- 1.5 billion square feet of warehousing (LA/OC/IE). 14 million TEU.
- 120 post panmax cranes. (LA/LB) Most in North America.
- 1.5 billion infrastructure improvements.
- #1 rail network in North America in Southern California.

*Drivers must spend two consecutive 1 a.m. to 5 a.m period off-duty after 70 hours.

VOIT REAL ESTATE SERVICES MARKET REPORTS

Market Reports are available. Visit www.voitco.com to view current reports.

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Opportunities - Same Theme as 2013

Are we doing our best? Separate from your competitors – from being a commodity service to a value generating strategic partner; knowledge, leadership, problem solving and business process expertise. Sustainable success is in the people, process & technology.

PEOPLE	PROCESS	TECHNOLOGY
Treat your customers like family – Good people, good results. <i>“Take them by the hand.”</i> -Arthur Blank, Home Depot	Map your process Customer interface (easy) Audit customer facing: Streamline	Real time info Track & trace

Footnote

(Pier pass creating backlog - trouble tickets.) Past Ontario, truckers only able to make one-turn per shift.

Nearshoring Benefits - Continued Trend

- Risk Mitigation
- High End Goods – Time in Transit Cost Savings
- Reduce Time in Transit Cost
- End of Life – Mitigating Risk
- Intellectual Property Protection Non-Existent in China – Better Control Locally
- Decrease Risk in Stock Outs with Closer to Home MFG
- Increased Reachability
- Less Overhead w/ Safety Stock

Good news 2014

- Consumer spending at all time high since 2007. 2012-2013 increased 2%.
- Industrial production up.
- Dollar weak - Exports up. Still only operating at 88% of capacity. Up 8% from 2012.
- Most, if not all, recovery tied to housing and consumer spending.

STRATEGIC REAL ESTATE SOLUTIONS

A DIFFERENTIATED APPROACH FOR GLOBAL LOGISTICS AND SITE SELECTION

Voit Real Estate Services, Global Logistics Solutions (Voit *GLS*) operates at the intersection of Logistics and Industrial Real Estate. Successfully integrating more than 40 years of Commercial Real Estate experience with more than a decade in Fortune 100 Logistics and Supply Chain consulting, Voit *GLS* provides its clients with unmatched, supply chain-centric real estate advisory services that yield measured business results. Voit *GLS* consulting services include cost and time saving initiatives such as:

- Forward Planning – Workforce Metrics, Time in Transit, Supply Chain Analytics, Transportation Methodology, Cycle Time Studies, Material Handling, Utilities Studies, and Municipal Incentives
- Location & Site Selection Analysis
- Budgeting
- Adjacency Studies
- Market-to-Market Feasibility Comparison
- State-to-State Incentive Studies
- Build-to-Suit Proposal Analysis
- Lease vs. Purchase Analysis
- Lease Acquisitions
- Lease Renewals/Renegotiations
- Property (Land and Building) Acquisitions
- Lease Terminations Including Subleases, Lease Buyouts and Termination Agreements
- Property Dispositions (Land and Building)
- Financial and Market Study Analysis with Supporting Documentation Including Property Values and Market Conditions
- Management Reporting
- Project and Construction Management

GLOBAL LOGISTICS TEAM



KEVIN TURNER, SIOR, GLS

Kevin Turner is recognized nationally as one of the top producing commercial real estate brokers in the country representing a myriad of Fortune 500 local private companies. In June of 2012, Mr. Turner completed extensive

studies in Global Logistics and Supply Chain Management through CSULB's Center for International Trade and Transportation. After 550 hours of studies, Mr. Turner now has the professional designation of "Global Logistics Specialist." In the fall of 2012, Mr. Turner accepted a position on the academic staff at CSULB in the The Center for International Trade and Transportation program. Mr. Turner is now fluent in all phases of strategic logistics planning, transportation analysis, time in transit studies, near shoring analytics, third party solutions, compliance measures, work force solutions, trade agreements, inventory optimization, customs, ocean, air and intermodal analysis, freight forwarding and NVOCC selection, legal issues, goods movement policies, and greening the supply chain.



GREG BATTERSBY, MBA, GLS

Industrial Properties, Global Logistics Specialist, Greg Battersby, joins the Voit Global Logistics Solutions practice after a successful career in logistics and supply chain consulting with UPS. A graduate of UC Berkeley with an MBA

from the Paul Merage School of Business, and Bren School of Corporate Environmental Management, Greg brings a wealth of experience gained from conducting logistics, supply chain and sustainability consulting projects across diverse industries, to every Voit engagement.

VOIT GLS VALUE

Whether your business needs dictate strategic site selection or lease negotiation advisory services; Voit GLS differentiates from the competition by:

- **Assessing** the baseline state of your operations, logistics and supply chain processes;
- **Aligning** these observations with your company's long term competitive objectives;
- **Executing** a customized, supply chain-centric solution that enables your company's sustainable competitive advantage.

Partial Client List



Kevin M. Turner, SIOR, GLS
Executive Vice President Industrial Properties
Global Logistics Specialist
949.263.5391
Lic # 00968394
kturner@voitco.com

Greg Battersby, MBA, GLS
Global Logistics Specialist
Industrial Properties
949.263.5308
gbattersby@voitco.com

Visit KevinTurner.biz
for more information