

# Supply Chain Strategies for a Rapidly Evolving Marketplace

In an environment of rising international trade, population growth and a “need for speed” that requires delivering more goods to more customers more quickly, midmarket companies are responding by changing the way they configure their supply chains – fueling an increased demand for strategically located industrial real estate. This demand is being driven by several factors:

- First is the **increasing volume of containerized cargo at U.S. ports** caused by rising international trade. Global production and distribution patterns continue to evolve as companies seek lower manufacturing costs, frequently in offshore markets. The result is that the flow of containerized cargo in the U.S. is projected to rise nearly 9 percent in 2007, creating even greater demand for large distribution facilities.
- **Growing supply chain complexity** is the second major driver of customer demand. In the wake of massive supply chain disruptions caused by the September 11 attacks and the 2002 West Coast port shutdown, companies today not only employ just-in-time delivery strategies to cut costs, but also “just in case” scenarios that provide contingent shipping arrangements. In this way, they reduce their dependency on individual distribution channels that may bottleneck their supply chains. This trend has created heightened demand for industrial space at alternative ports, as well as at major inland ports, particularly those that are near intermodal sites with sophisticated rail and trucking solutions that speed merchandise to end users.
- The third major factor influencing the demand for industrial space is **demo-**

**graphic trends.** Population growth in Southern regions of the nation such as Southern California, Phoenix, Texas and Southern Florida is increasing at faster rates than the rest of the country. Consequently the demand for industrial real estate is greater because more goods need to be created, produced, assembled and stored to serve the rising populations in these areas.

To address these challenges, midmarket companies are today pursuing a variety of forward-looking supply chain solutions that utilize industrial real estate – typically with the help of an experienced, full-service real estate provider – in strategically located markets across the country (see sidebars).

## COMPREHENSIVE REAL ESTATE SUPPLY CHAIN SOLUTIONS

By providing industrial real estate solutions for every stage of a company’s supply chain, First Industrial Realty Trust is able to meet a wide range of needs for the midmarket company: from building new facilities in growing markets to redeveloping older properties that support expansion –

even buying corporate surplus properties that free up capital that can be reinvested elsewhere in their businesses.

First Industrial has established expertise in all property types found in the industrial supply chain: from R&D facilities where companies create new products, to regional warehouses where they are ultimately distributed to consumers.

The major supply chain solutions midmarket companies are pursuing include build-to-suit development, leasing and asset monetization.

## DEVELOPMENT SOLUTIONS

Demand for new industrial properties arises as companies expand production capacity, consolidate operations, modernize facilities or enter new markets – initiatives that corporate customers have been pursuing at an increased pace as they respond to changing global supply chain conditions.

To serve this demand, First Industrial has been aggressively purchasing large, strategic land sites in major industrial markets, primarily near coastal and inland ports, to provide corporate customers with the additional space they need to build new and ideally located industrial facilities that establish or expand their presence in the path of growth.

In addition to land, First Industrial brings to the midmarket company the full complement of build-to-suit development services – including site selection, design, construction, financing and a wide range of ancillary services – along with a 100 percent on-time record for delivering build-to-suit projects.

## STRATEGIC LOCATION 1: FIRST PARK DALPORT

**Market:** Dallas, Texas

**Build-out size:** 6.6 million square feet

Ideally located in an emerging South Dallas County submarket near a recently opened intermodal facility and major trucking routes, this 365-acre corporate park will offer 6.6 million square feet of rail-served industrial space.

Initially, a 500,000 square-foot speculative warehouse will be available for lease on the site.

Dallas has become an increasingly important inland port for customers. First Industrial will develop a combination of build-to-suits and speculative distribution facilities to meet anticipated customer demand fueled by growing international trade and favorable demographic trends in Texas.

# SOLUTION PROVIDER

## STRATEGIC LOCATION 2: FIRST PARK SOUTH FLORIDA

### Market: West Palm Beach, Florida

### Build-out size: 6.5 million square feet

A 537-acre land site with vested and fully entitled development rights to construct approximately 6.5 million square feet of master-planned industrial product, this Palm Beach County business park will provide companies with a strategic location that offers efficient distribution to a growing customer base in South Florida and the ability to ship inland to other Southern states via Interstate 95 and the Florida Turnpike.

The Ports of Miami, Everglades and Palm Beach are all projected to increase cargo activity, and the Port of Palm Beach will be undergoing an extensive expansion program to address rising import and export volumes. In addition, nearby highway expansion projects will facilitate even greater transport flexibility to and from the park.

With unmatched financial strength from two land and development joint ventures with the California State Teachers Retirement System, plus accelerated growth of its development capabilities and talent base nationwide, First Industrial is uniquely equipped to offer corporate customers the new space they require, when and where they want it.

### Development Success Story

First Industrial worked with one of the nation's leading third-party logistics firms to develop a new 300,000 square-foot facility that could provide a key overseas customer with a strategic base to expand East Coast distribution of its product coming in by ship from Austria.

Knowing that location and flexibility were critical, First Industrial helped the 3PL secure a large site near the Virginia Inland Port that offered direct rail service from the Ports of Virginia and Baltimore as well as excellent access along Interstate 81, one of the heaviest traveled truck routes in the nation – and provided a 50 percent expansion option to accommodate future growth.

### LEASING SOLUTIONS

In a competitive business environment, timing is often everything. Companies who need to ramp up or expand operations quickly to capitalize on opportunities may require readily available industrial facilities that offer fast move-in times and flexible terms. This immediate need can make the leasing of an existing facility preferable to building a new one.

To keep pace with their rapidly evolving real estate requirements, midmarket companies are seeking leasing solutions that can provide single or multiple industrial facilities in strategic locations that serve every phase of their business cycle.

The landlord of choice to corporate customers, First Industrial facilities are home to more than 3,500 companies who lease anywhere from 1,000 to 2 million square feet of space in light industrial, manufacturing, R&D/flex, distribution center and regional warehouse facilities in strategic locations throughout the U.S. and selected markets in Canada and Europe.

Ranked first in tenant satisfaction in the industry for six years in a row by Kingsley Associates, First Industrial is known for creativity in lease structuring and its ability to meet even the most complex space requirements. To address supply chain challenges unique to mid-market companies, First Industrial can structure flexible short- or long-term leases for an entire facility, part of a facility or for multiple facilities across multiple markets – all through top leasing professionals on the ground in every major industrial market.

### Leasing Success Story

When one of the nation's leading retailers needed additional capacity in its distribution network to service 150 new stores scheduled to open within the next three



*First Industrial Realty Trust is a leading provider of industrial real estate supply chain solutions. The company owns and manages more than 100 million square feet of industrial space.*

### EXECUTIVES

**Michael W. Brennan**  
President, Chief Executive Officer  
and Director

**Michael J. Havala**  
Chief Financial Officer

**Johannson L. Yap**  
Chief Investment Officer

**David G. Harker**  
Executive Director – Investments

### First Industrial Realty Trust, Inc.

311 South Wacker Dr., Ste. 4000  
Chicago, IL 60606  
Phone 312.344.4300  
Fax 312.922.6320  
info@firstindustrial.com  
www.firstindustrial.com

### BUSINESS CONTACT

**Gerald A. Pientka**  
Executive Vice President  
Development  
Phone 312.344.4468  
gpientka@firstindustrial.com

years, First Industrial leased the company a half-million square-foot facility in Northern California that allowed it to route inbound goods through the Port of Oakland – and thus diversify the supply of product the retailer had flowing in through the congested Port of Los Angeles.

Because First Industrial has a diverse portfolio of available properties throughout the region, the retailer was able to secure a distribution facility that met its

More information and additional material can be found online at  
[www.midmarketstrategies.com/XXXXX](http://www.midmarketstrategies.com/XXXXX)

exacting size and location requirements in just one month's time. The retailer expects the added capacity and port diversification to help reduce transportation time for its direct imports.

### ASSET MONETIZATION SOLUTIONS

Progressive midmarket companies are increasingly turning to creative financial solutions that free up capital trapped in industrial real estate that can be better used for paying down debt and reinvesting in their core businesses.

Opportunities for asset monetization range from selling off a surplus property that no longer fits with a company's supply chain strategy, to selling and simultaneously leasing back a mission-critical facility. Growing in popularity as a midmarket strategy, sale-leasebacks allow a company to gain 100 percent of the value of its real estate while retaining full operational control of the property.

First Industrial has been at the forefront of this trend in recent years, working with scores of midmarket companies or their private equity firm sponsors to convert single assets, entire portfolios and land into needed capital that can be used to implement supply chain improvements and fuel their next phase of growth.

One of the largest acquirers of industrial real estate, First Industrial buys or sells on average one industrial property every business day across all types and situations – including facilities that are single- or multi-tenant, fully or partially occupied, short- or long-term leased,

## STRATEGIC LOCATION 4: INTERPORT BUSINESS PARK

**Market: Houston, Texas**

**Build-out size: 1.3 million square feet**

An 88-acre land site strategically located in the Port of Houston between the Barbour's Cut Container Terminal and the new Bayport Container Terminal, this development will provide 1.3 million square feet of bulk distribution space with proximity to Union Pacific rail lines.

The Bayport Container Terminal is a major engine of growth for the Texas economy and will help further position the Port of Houston as a critical gateway to trade between the U.S. and Asia.

The new development will support the rising volume of containerized cargo that is flowing through Houston, the fourth-largest city in the country and an increasingly important coastal port given its expanding rail, air and highway infrastructure to distribute goods.

even vacant properties – and has significant capital to invest.

### Sale-Leaseback Success Story

One midmarket company First Industrial helped with asset monetization was a leader in the transportation services sector that had been acquired by a private equity firm specializing in turnaround situations.

Seeking to unlock the capital in its industrial real estate portfolio, the trucking company and its financial sponsor executed a sale-leaseback of three facilities in multiple markets, subsequently repaying the company's long-term debt and securing ready access to cash for investment in new equipment and other initiatives designed to enhance its position in a highly competitive industry.

### THE MIDMARKET COMPANY'S PARTNER OF CHOICE

All of the foregoing solutions are possible through a single provider, if that provider

has broad geographic presence, extensive strategic land holdings and a proven track record meeting the challenges of corporate customers. The main reasons midmarket companies turn to First Industrial for these solutions include:

- **Pure industrial focus.** We buy, sell, lease, develop and manage all the major property types in the industrial supply chain, from research and development facilities to bulk and regional warehouses.
- **Broad market presence.** Our coverage of virtually every major industrial market allows us to simultaneously execute multiple transactions in multiple markets.
- **No minimum or maximum transaction size.** We create solutions comprising single facilities or entire portfolios, and have executed some of the industry's largest transactions including one involving 24 properties spanning 17 states.
- **Local market expertise.** With experienced professionals in more than 30 industrial markets, we offer in-depth local market knowledge as well as industry-leading service and responsiveness.
- **Unmatched financial strength.** First Industrial has significant joint venture investment capacity and a total capital base of more than \$9 billion. ■

*To learn how your company might benefit from First Industrial's comprehensive supply chain solutions, please visit [www.firstindustrial.com](http://www.firstindustrial.com).*

## STRATEGIC LOCATION 3: SOUTH PERRIS DISTRIBUTION CENTER

**Market: Perris, California**

**Build-out size: 3.3 million square feet**

First Industrial is developing 3.3 million square feet of logistics distribution space situated along the south I-215 Corridor on a 205-acre site in the Inland Empire in Perris, California.

Southern California is a critical part of the nation's supply chain, with the Ports of Los Angeles and Long Beach handling 40 percent of the nation's import traffic for distribution to the West Coast's population centers and inland through major distribution hubs.

Specifically, the Inland Empire is a strategic industrial distribution market whose overall economy, population and distribution workforce continue to grow – making the South Perris Distribution Center ideal for companies seeking state-of-the-art distribution centers with ready highway access and proximity to sea, air and rail transportation.