Transportation and Logistics Impact on Site Selection

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September 28, 2016
The site selection process largely remains the same for the different types of facilities, but the key drivers vary.

<table>
<thead>
<tr>
<th>Manufacturing</th>
<th>Office (Headquarters)</th>
<th>Distribution</th>
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<tbody>
<tr>
<td><strong>Search region</strong></td>
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<td>tends to be a group of contiguous states</td>
<td>tends to be a group of metropolitan areas</td>
<td>tends to be a geometric shape developed based on the markets served</td>
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<td><strong>Key Drivers</strong></td>
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<tr>
<td>- Transportation Infrastructure</td>
<td>- Compelling Strategic Issue(s)</td>
<td>- Access to Customers/Consumers</td>
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<tr>
<td>- Utility Infrastructure</td>
<td>- - Air Service</td>
<td>- - Transportation Infrastructure</td>
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<tr>
<td>- Workforce</td>
<td>- - Workforce</td>
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<tr>
<td>- Access to Suppliers and/or Customers</td>
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<tr>
<td><strong>Transportation Drivers</strong></td>
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<tr>
<td>- Roads</td>
<td>- Airports</td>
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Transportation Infrastructure’s Increasing Importance
Roads

• According to the Federal Highway Administration, by 2035 traffic congestion on our roadways will be above or near capacity on an increasing number of our roadways.

• With increasing congestion, transportation infrastructure could become an even bigger driver of the site selection process (greater scarcity increases the value).
• Rail-served industrial sites are scarce (scarcity increases value).
  – Note: Just because rail runs by a site does not mean the site can be served by rail.
• End-users of rail-served sites tend to be heavy industrial projects (high utility demand).
• Economic developers should reserve rail-served sites for the right industrial users.
Globalization has caused ports to increase in importance – especially inland ports.

A recent study indicated that the widening of the Panama Canal could shift 10% of container traffic between East Asia and the Eastern United States.

Trade with East Asia represents 40% of containers coming into the United States.

The shift is equivalent to adding another port on the East Coast the size of the Charleston port.
Air Service

• Commercial Service
  – Commercial air service has the biggest impact on headquarters and office projects.
  – As airlines consolidate, prices increase but service availability decreases.

• Cargo
  – Cargo hubs are especially important to just-in-time operations.
  – Example would be the grounding of many aircraft from Europe due to a volcanic eruption in Iceland in 2010.
Conclusion

Transportation and Logistics are important to the site selection process and will only continue to increase in importance in the coming years.

“The roads in this state are a disgrace. If (road funding) does not get solved then Michelin is going to have to look about further expansion in this state.”

– Pete Selleck, Chairman and President of Michelin North America regarding South Carolina’s roads in November 2014
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