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How well does Virginia Compete for Global Logistics Business?

The 2009 economic slump poses many challenges to the global supply chain, from excess capacity of container liners and the resulting laying up of ships by carriers, to steep drops in imported goods as the U.S. consumer reduces consumption, affecting retailers and their supply chain partners in the transportation and logistics industry. Global logistics in the Commonwealth of Virginia is not immune to the downturn. The Port of Virginia, after several years of increased volumes as measured in TEUs (twenty-foot equivalents), recorded a 2% decrease in volume in 2008 v. 2007, and through February 2009, volume is down 21% compared to the same two-month period in 2008.

Despite the challenging 2009 environment, the future looks bright for global logistics in Virginia. There are several companies seeking industrial space in Virginia from 500,000 to 1 million square feet as of April 2009. In an effort to reduce cost and drive efficiencies within their supply chain, businesses are reevaluating their distribution center networks. Should they consolidate multiple locations into one or two large warehouses serving the East Coast? Should they establish multiple, smaller locations to allow for closer proximity to their customers? Is outsourcing materials handling, warehousing, and transportation a better solution for their needs?

Warehouse developers, economic developers, and real estate brokers in Virginia are not alone in engaging these prospective major industrial users in relevant dialogue. These users are almost always shopping locations in Virginia against those near ports in North & South Carolina, Georgia, and in some cases, Florida, Maryland, New Jersey, and Pennsylvania. Since every user's supply chain is unique, not all users measure locations and buildings with the same criteria. Often, local, regional, and state incentives play an important role, as do labor costs, available real estate options & costs, and inbound & outbound transportation costs. What will help property owners and municipalities in Virginia compete is aggressive promotion of Virginia's unique position as a global logistics location.

In partnership with key economic developers such as the Virginia Economic Development Partnership, Hampton Roads Economic Development Alliance, and Virginia Port Authority, industrial brokers and owners must spread the word that Virginia competes very well if not always more favorably against key competitive states, as the following table shows.

[Click here to see "How Virginia Compares."](#)

As the table shows, Virginia competes very well against states to the north and south with regards to tax rates, labor costs, and real estate costs.

The three largest industrial markets in Virginia, Hampton Roads, Northern Virginia, and Richmond, include over 260 million square feet of industrial buildings. Type and cost for industrial property in these markets varies significantly, depending on location and previous or future contemplated use. With availability rates of 8.3% (Richmond) to 9.7 % (Hampton Roads and Northern Virginia), companies seeking quality sites and existing or build-to-suit locations have some very good competitively priced alternatives throughout Virginia to support their supply chain needs.

One of the largest new industrial developments available in Virginia is the 400,000 SF Virginia Regional Commerce Park, located minutes from the Port of Virginia marine terminals. ProLogis has major developments near Dulles International Airport and in Hampton Roads. First Potomac Realty and Liberty Property Trust own existing and planned industrial properties in Richmond, Hampton Roads, and northern Virginia. CenterPoint Properties acquired nearly 1,000 acres in 2008 for the 5.8 million SF CenterPoint Intermodal Center-Suffolk.

Virginia's most important asset to support the global supply chain is the Port of Virginia. The deepest channels on the East Coast (50'), no bridges to obstruct air space, doubling of capacity of 2+ million TEUs to 4+ million TEUs with the 2007 opening of the \$503 million APM Terminals Virginia, future doubling of capacity to 8 to 10 million TEUs with the Craney Island Marine Terminal, improved rail access to the Midwest via the Heartland Corridor, and expansion of the Panama Canal to handle larger vessels- all point to Virginia as a key location for global logistics in coming years.

Now is the time for brokers, economic developers, and logistics professionals to promote the competitive advantages of locating a business in Virginia. Judging by continued interest by large users mentioned above, 2009 very well may surprise some and be a great year for logistics in Virginia.

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