



LOGISTICS HOTSPOTS

2009

In a recession, corporate expansion and capital investment tend to be low priorities; instead, consolidation rules. But tight times make it more important than ever for companies to cut costs and improve efficiencies through smart distribution strategies. As a result, finding and maintaining distribution locations that allow companies to effectively serve their consumer market while keeping costs in check is key.

Inbound Logistics
picks 15 cities to
add to your site
selection shortlist.

by Amy Roach Partridge

Distribution professionals agree that proximity to major import/export cargo gateways is a must-have for a logistics hotspot. With the bulk of U.S. goods originating overseas, companies rely on ocean and air transportation, making locations near cargo ports and airports sought after. U.S. consignees also need access to north/south and east/west surface routes to disperse goods to consumers across the nation. And a location's rail and intermodal access is crucial as these modes are popular with shippers seeking relief from road congestion.

Today's logistics site selection checklist also includes secondary considerations such as workforce quality; facility costs; logistics and transportation expertise; business climate; and tax incentives and other government assistance. Large metro regions

sometimes lose out to smaller locations that can offer space advantages and enticing incentive programs to help lure much-needed jobs to their areas.

Differences in geographical nuances, consumer demand, and corporate structure can also influence a company's logistics site selection decision. A big box retailer looking to expand its import distribution network has different needs from a small company seeking business beyond local borders, or an Internet retailer with nationwide reach.

Whether a company's needs dictate a distribution location that is large or small, coastal or heartland, urban or rural, it is likely to find its match among the 15 cities *Inbound Logistics* selected as logistics hotspots for 2009. Here is a look at what makes these locations desirable, even when the economic climate is not.



THE NORTHEAST

Large, wealthy consumer markets and long-established transportation routes face off against high taxes and traffic congestion.

New York City Metro Area

Long a top market for logistics and distribution activity, the New York City metro area continues to be a major focus for logistics economic development because it provides companies access to nearly 80 million consumers—the world’s most concentrated and affluent consumer market. In addition, the area’s location at the nexus of an extensive multi-modal transportation network lures global businesses looking for strategic import distribution points.

The New York City metro area also boasts the largest port complex on the East Coast—the Port Authority of New York/New Jersey—which handles more than 30 million tons of oceanborne general cargo annually. The port’s preliminary budget for 2009 includes a record \$3.3 billion in capital spending for critical infrastructure projects, including expansion of its on-dock ExpressRail program, which seeks to alleviate congestion on the area’s surface transport routes by boosting rail freight movement. The port is also forging ahead

with the Port Inland Distribution Network, a hub-and-spoke system that aims to lower inland distribution costs, increase throughput capacity, and provide value-added warehousing and distribution opportunities.

All these assets don’t come cheap, however; companies looking to access the New York/New Jersey market and its distribution prowess must be prepared to wrangle with high rents and the nation’s least-friendly business tax climate.

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AIRPORTS: JFK International Airport, Newark Liberty International Airport, LaGuardia Airport

PORT: Port Authority of New York/New Jersey

ROAD ACCESS: I-95, I-80, I-78, I-87

RAIL CARRIERS: Norfolk Southern, CSX

WORKFORCE: 9.4 million

PER-CAPITA INCOME (2008 STATE RANK): 4 (NY), 2 (NJ)

STATE BUSINESS TAX CLIMATE RANK: 49 (NY), 50 (NJ)

Baltimore, Maryland

With more than \$1 billion of development projects underway, Baltimore is enjoying a new renaissance—one that is spreading beyond its booming downtown and into the logistics and warehousing sector.

Baltimore’s strategic location at the cusp of the Northeast and Mid-Atlantic states makes it an ideal distribution point for global consignees importing goods via ocean and air. And because Baltimore sits directly on I-95, the Northeast’s main north/south route, companies can use surface transit to serve 50 percent of the U.S. population overnight.

With its well-known Ro/Ro capabilities, the Port of Baltimore serves the auto industry with state-of-the-art auto processing and handling facilities, and has also become one of the United States’ leading handlers of imported forest products.

The area’s workforce is another strategic attraction: Maryland is ranked as a Top 10 “new economy” state and leads the nation in the percentage of degreed professionals, while Baltimore County is now Maryland’s second-largest job center. Maryland’s proximity to the federal seat of government, along with its consumer market in excess of 8 million people, also helps lure businesses to the area.

AIRPORTS: Baltimore Washington International Thurgood Marshall Airport, Dulles International Airport, Ronald Reagan Washington National Airport

PORT: Port of Baltimore

ROAD ACCESS: I-95, I-83, I-70

RAIL CARRIERS: CSX, Norfolk Southern

WORKFORCE: 1.4 million

PER-CAPITA INCOME (2008 STATE RANK): 5

STATE BUSINESS TAX CLIMATE RANK: 45



Port of New York/
New Jersey



Port of Baltimore

Photo courtesy of Bill McAllen and the Port of Baltimore

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THE MIDWEST

The Heartland rolls out the welcome mat for the logistics and transportation sector.

Chicago, Illinois

The Windy City is the Midwest's largest metro area and one of the country's most important transportation and distribution points. Six Class-1 rail carriers serve Chicago, and the city's port offers barge service to and from inland waterways and other Great Lakes ports—without the congestion that afflicts busier coastal ports. The city is a bustling air cargo center as well; O'Hare International Airport is currently North America's seventh-busiest cargo-moving airport.



As with all big cities, Chicago offers the asset of great highway access—it sits at the junction of seven interstate systems—with the drawback of crowded surface routes. More than 700 motor freight carriers serve the metropolitan area, and trucking companies ship more than 50 million tons of freight each year.

AIRPORTS: Midway International Airport, O'Hare International Airport

PORT: The Port of Chicago

ROAD ACCESS: I-90, I-94, I-57, I-290, I-55, I-88

RAIL CARRIERS: BNSF, CSX, Kansas City Southern, Canadian National, Union Pacific, Norfolk Southern

WORKFORCE: 4.9 million

PER-CAPITA INCOME (2008 STATE RANK): 16

STATE BUSINESS TAX CLIMATE RANK: 23

Kansas City Metropolitan Area

With both the geographic and population centers of the United States lying within 250 miles of Kansas City, the metropolitan area is a natural hub for intermodal transportation, warehousing, manufacturing, and distribution. Indeed, the trade, transportation, and utilities category is the region's biggest employer, with Yellow

Corporation, the nation's largest less-than-truckload carrier, headquartered here.

The bi-state Kansas City metro area ranks as the nation's third-largest truck terminal and second-largest rail center, and boasts more Foreign Trade Zone space—upwards of 10,000 acres—than any other U.S. city.

AIRPORT: Kansas City International Airport

PORT: KC Smart Port

ROAD ACCESS: I-70, I-35, I-29

RAIL CARRIERS: Union Pacific, Norfolk Southern, BNSF, Canadian Pacific, Kansas City Southern

WORKFORCE: 1 million

PER-CAPITA INCOME (2008 STATE RANK): 22 (KS), 32 (MO)

STATE BUSINESS TAX CLIMATE RANK: 31 (KS), 16 (MO)

Louisville, Kentucky

Louisville earned its bragging rights as a major global distribution center when it became home to UPS' international airfreight hub, Worldport, which handles the 12th-largest volume of cargo tonnage in the world. Adding to its air cargo prowess, Louisville International Airport is one of the busiest air cargo airports in the country.

Logistics and distribution companies in the Louisville area also benefit from a location in the heart of the Midwest, as well as convenient access to three interstate highways, and CSX and Norfolk Southern rail systems that connect the city with major markets in the United States, Canada, and Mexico.

AIRPORTS: Louisville International Airport, Northern Kentucky Cincinnati International Airport

ROAD ACCESS: I-64, I-65, I-71

RAIL CARRIERS: CSX, Norfolk Southern

WORKFORCE: 619,000

PER-CAPITA INCOME (2008 STATE RANK): 46

STATE BUSINESS TAX CLIMATE RANK: 34

Indianapolis, Indiana

No longer known just for its races, Indianapolis is building a reputation as a primary industrial, commercial, and transportation center for the Midwest and a key gateway for U.S. trade. With its proximity to both the Corn Belt and the industrial centers of the upper Midwest and East, it is an ideal spot for a wide variety of logistics and distribution activity.

Indianapolis is the most centrally located of the largest 100 cities in the United States, and offers a location within 650 miles of 55 percent of all Americans. Served by four interstate highways and six railroads, it is also the home of the eighth-largest cargo center in the United States—more than 2.2 billion pounds of cargo were managed at Indianapolis International Airport (IND) in 2008. IND also hosts the second-largest FedEx operation in the world.



Indianapolis International Airport

In addition, the rebirth of Downtown Indy over the last few years has helped the city boost its overall image, making it easier to attract highly qualified employees.

AIRPORT: Indianapolis International Airport

PORTS: Burns Harbor Port, Jeffersonville Port, Mount Vernon Port

ROAD ACCESS: I-70, I-74, I-65, I-69

RAIL CARRIERS: CSX, Norfolk

Southern, Indiana Railroad, Indiana Southern Railroad, Louisville and Indiana Railroad

WORKFORCE: 892,000

PER-CAPITA INCOME (2008 STATE RANK): 37

STATE BUSINESS TAX CLIMATE RANK: 14



Omaha's Union Pacific rail line

Omaha, Nebraska

Nebraska maintains strong public/private support for incenting regional economic development opportunities. As the state's largest city, Omaha offers a vibrant economy, educated workforce, and cost-efficient business amenities.

Nearly 18 percent of all U.S. manufacturers reside within a 500-mile radius of Omaha, rendering the city an excellent distribution hub. It is also a natural rail destination as home to the corporate headquarters of Union Pacific, and offers seven air cargo carriers at Eppley Airfield, which recently invested more than \$110 million in capital improvements.

AIRPORTS: Eppley Airfield

ROAD ACCESS: I-80, I-29

RAIL CARRIERS: Union Pacific, BNSF

WORKFORCE: 452,000

PER-CAPITA INCOME (2008 STATE RANK): 24

STATE BUSINESS TAX CLIMATE RANK: 42

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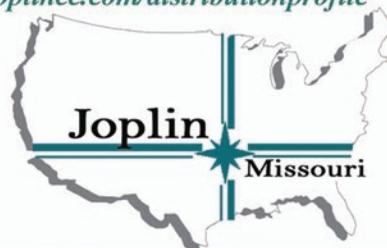
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THE SOUTHWEST

Proximity to Mexico and a position as the main gateway for Asian-origin cargo keep this region going strong.

Houston, Texas

Houston's list of appealing attributes for site selectors is long: a population of more than two million people, the largest container port on the Gulf Coast, the 11th-biggest international air cargo gateway in the country; and one of the largest concentrations of industrial space in the nation. The city's network of highway, rail, intermodal, and air connections, as well as the Port of Houston's leadership in foreign trade, also helps boost its logistics and distribution activity.

The port is also in a prime position to capitalize on the expected increase of traffic that will come through the Gulf Coast with the 2014 completion of the Panama Canal expansion. In addition, its location along the still-possible I-69 NAFTA Superhighway could enable area businesses to tap into over-the-road access between

Canada, the United States, and Mexico.

AIRPORT: George Bush Intercontinental Airport, William P. Hobby Airport

PORT: Port of Houston

ROAD ACCESS: I-10, I-45

RAIL CARRIERS: Union Pacific, BNSF

WORKFORCE: 2.7 million

PER-CAPITA INCOME (2008 STATE RANK): 21

STATE BUSINESS TAX CLIMATE RANK: 7

San Diego, California

In addition to its status as a military and defense hotspot, San Diego also shines as a manufacturing and agricultural hub, making it a key player in international trade. Logistics- and distribution-minded companies can bank on San Diego's strength in these industrial sectors, as well as the city's attractive labor force and high-income consumers.

San Diego's proximity to Mexico is also a draw for U.S. consignees interested in importing goods through less-congested Mexican ports and/or tapping the growing Mexican consumer market. The port also offers on-dock rail service with BNSF, and access to three major interstates. Air cargo services are maintained at San Diego International Airport, which handles more than 70,000 tons of cargo annually.

AIRPORT: San Diego International Airport

PORT: Port of San Diego

ROAD ACCESS: I-5, I-15, I-8

RAIL CARRIER: BNSF

WORKFORCE: 1.5 million

PER-CAPITA INCOME (2008 STATE RANK): 7

STATE BUSINESS TAX CLIMATE RANK: 48

The Inland Empire, California

While the economic downturn has somewhat tempered the cargo frenzy at the ports of Los Angeles and Long Beach, the Inland Empire is still a growing destination for logistics and distribution businesses seeking close proximity to these ports without paying the high rents common in the rest of Southern California.

Comprised of more than 50 cities in Riverside and San Bernardino counties, the Inland Empire makes up the largest region of Southern California and has seen significant increases in population and job creation during the last decade. New facilities such as Victorville, Calif.'s Southern California Logistics – an 8,500-acre multi-modal freight transportation hub supported by air, ground, and rail connections – are drawing business away from more expensive areas in Los Angeles and Orange County. Access to major freeways without L.A.'s congested truck traffic, and to the NAFTA Corridor via Highway 86, are also benefits.

AIRPORTS: Ontario International Airport, Palm Springs International Airport

PORT: The Port of Los Angeles, The Port of Long Beach

ROAD ACCESS: I-15, I-10, I-215

RAIL CARRIERS: BNSF, Union Pacific

WORKFORCE: 1.8 million

PER-CAPITA INCOME (2008 STATE RANK): 7

STATE BUSINESS TAX CLIMATE RANK: 48



Houston's Bayport Terminal



Port of Long Beach



THE NORTHWEST

Packing a one-two punch with pro-business tax climate and access to Asian trade.

Anchorage, Alaska

Alaska's ultra-business-friendly tax approach and its booming air cargo market have piqued the interests of many in the logistics industry. Though isolated from many top U.S. markets, Alaska boasts global air cargo dominance—in 2007, Ted Stevens Anchorage International Airport was the world's third-busiest air cargo airport, with tonnage of 2.8 million. As for ocean cargo, The Port of Anchorage is continuing its \$700-million renovation and expansion, having just received an additional \$10 million from the Department of Defense.

AIRPORT: Ted Stevens Anchorage International Airport

PORT: Port of Anchorage

RAIL CARRIER: Alaska Railroad

ROAD ACCESS: Alaska-Canadian Highway

WORKFORCE: 195,000

PER-CAPITA INCOME (2008 STATE RANK): 15

STATE BUSINESS TAX CLIMATE RANK: 4

Portland, Oregon & Seattle-Tacoma, Washington

This urban trifecta forms the hub of trade and transportation in the Northwest. The well-educated, diverse population attracted large companies such as Nike, Microsoft, and Boeing, and continues to draw businesses seeking skilled labor. The area's ports are all gaining favor as alternate import destinations to traditional West Coast ports. Proximity to Canadian markets is another magnet for logistics and distribution activity.

AIRPORTS: Seattle-Tacoma International Airport, Portland International Airport

PORTS: Port of Seattle, Port of Portland, Port of Tacoma

ROAD ACCESS: I-5

RAIL CARRIERS: Union Pacific, BNSF

WORKFORCE: Portland, 1.1 million; Seattle-Tacoma, 1.8 million

PER-CAPITA INCOME (2008 STATE RANK): 30 (OR), 14 (WA)

STATE BUSINESS TAX CLIMATE RANK: 9 (OR); 12 (WA)

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THE SOUTHEAST

Booming population growth and the country's fastest-growing consumer market are powerful draws.

Jacksonville, Florida

Businesses are attracted to Jacksonville's status as a key Southeastern transportation hub—it boasts four airports, three seaports, a highway system that links the city to three major interstates, and a rail system served by CSX, Norfolk Southern, and Florida East Coast railroads.



Port of Jacksonville

Its 38-foot deepwater port is one of the top vehicle-handling ports in the nation and the city's maritime logistics strength helped Jacksonville become the home of Southeast Toyota, as well as the site for a General Motors Corp. distribution center that

serves Georgia, South Carolina, and Florida. In addition to its port strength, Jacksonville offers shippers a solid road network served by more than 100 trucking lines.

AIRPORT: Jacksonville International Airport

PORT: Jacksonville Port Authority

ROAD ACCESS: I-95, I-10, I-75

RAIL CARRIERS: CSX, Norfolk Southern, Florida East Coast

WORKFORCE: 670,000

PER-CAPITA INCOME (2008 STATE RANK): 20

STATE BUSINESS TAX CLIMATE RANK: 5

Memphis, Tennessee

Memphis' reputation as a major distribution network is anchored by its role as the home of FedEx's corporate headquarters. Memphis International Airport is one of the busiest air cargo hubs in the world, and the Port of Memphis does brisk business as well, ranking as the country's fourth-largest inland port.

Memphis delivers with direct service from major truck lines to all 48 contiguous states, as well as Canada and Mexico, and five Class-1 rail systems. Tennessee's low state and local tax burden is also key to the city's logistics appeal.

AIRPORT: Memphis International Airport

PORT: Port of Memphis

ROAD ACCESS: I-40, I-55, I-240

RAIL CARRIERS: BNSF, CSX, Norfolk Southern, Union Pacific, Canadian National/Illinois Central



FedEx Facility, Memphis

WORKFORCE: 613,000

PER-CAPITA INCOME (2008 STATE RANK): 39

STATE BUSINESS TAX CLIMATE RANK: 17

Mobile, Alabama

Mobile may be a small city, but its logistics offerings are anything but: five Class-A railroads, two interstates, an 11,000-foot runway, and a deep-water port that recently expanded to include a 135-acre container terminal with 800,000-TEU capacity. The Brookley Complex, a 1,700-acre trade and industrial complex that provides connections to air, rail, waterway, and interstate transportation, as well as a designated Foreign Trade Zone, further enhance its distribution prowess. These assets have helped Mobile lure big businesses such as Hyundai, ThyssenKrup, and Northrup Grumman.

Despite the current recession, Mobile boasts a healthy local economy based on factors such as tax revenue, Port of Mobile tonnage, and total employment.

AIRPORTS: Mobile Regional Airport

PORT: The Port of Mobile

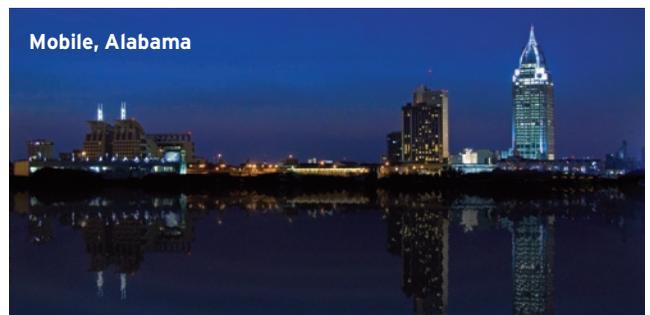
ROAD ACCESS: I-65, I-10

RAIL CARRIERS: BNSF, Norfolk Southern, CSX, Canadian National Railroad, Central Gulf Railroad

WORKFORCE: 185,000

PER-CAPITA INCOME (2008 STATE RANK): 42

STATE BUSINESS TAX CLIMATE RANK: 21



Mobile, Alabama



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