

Princeton, NJ
Prepared by: **The Boyd Company, Inc.**
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THE COST OF OPERATING A DISTRIBUTION WAREHOUSE IN 50 CITIES DETAILED IN NEW STUDY

A corporate site selection report compares the cost of operating a distribution warehouse in 50 North American cities. The new 2011 report was prepared by The Boyd Company, Inc., a corporate relocation firm based in Princeton, NJ.

Total annual operating costs among the U.S. locations range from a high of \$12.6 million in San Jose/Sunnyvale, CA, to a low of \$7.4 million in Sioux Falls, SD. Canadian costs range from a high of \$12.1 million per year in Toronto to a low of \$9.7 million in Calgary. Canadian costs are in U.S. dollars at parity.

The Boyd analysis goes beyond just shipping cost considerations and covers all major geographically-variable cost factors most pivotal to the corporate site selection decision for new distribution warehouse operations. Surveyed cost factors include: nonexempt labor costs for warehouse, material handling, packing, light assembly and administrative support workers; industrially-zoned land costs; new warehouse construction costs; electric power costs; natural gas costs; real estate property taxes; as well as transportation costs.

Comparative costs in study are annualized and scaled to a hypothetical 175,000 sq. ft. warehouse facility employing 75 nonexempt (hourly) workers. The distribution center is assumed to serve a national U.S. market shipping over-the-road in truckload lots.

Comparative warehouse locations in the study include major U.S. and Canadian distribution gateways such as Boston, Meadowlands/Northern New Jersey, Atlanta, Memphis, Orlando, Dallas/Ft. Worth, Chicago, Kansas City, Riverside/San Bernardino, Toronto and a series of other regional distribution hubs. The 50 comparative locations included in the study are listed below by region.

New England Region

- Hartford, Connecticut
- Providence, Rhode Island
- Boston, Massachusetts
- Springfield, Massachusetts
- Manchester/Nashua/Salem, New Hampshire

Mid-Atlantic Region

- Rochester, New York
- Albany/Schenectady/Troy, New York
- Meadowlands/Northern New Jersey
- Lehigh Valley, Pennsylvania
- Lancaster, Pennsylvania

Southeast Region

- Atlanta, Georgia
- Richmond, Virginia
- Greensboro/Winston Salem, North Carolina
- Raleigh/Durham, North Carolina
- Greenville/Spartanburg, South Carolina

Florida Region

- Jacksonville, Florida
- Orlando, Florida
- Tampa/St. Petersburg, Florida
- Ft. Myers/Cape Coral, Florida
- Pensacola, Florida

Mid-South Region

- Nashville, Tennessee
- Memphis, Tennessee
- Birmingham, Alabama
- Louisville, Kentucky
- Shreveport, Louisiana

East North Central Region

- Columbus, Ohio
- Cincinnati, Ohio
- Indianapolis, Indiana
- Grand Rapids, Michigan
- Toronto, Ontario

South Central Region

- Dallas/Ft. Worth, Texas
- Tulsa, Oklahoma
- Oklahoma City, Oklahoma
- Wichita, Kansas
- St. Louis, Missouri

West North Central Region

- Chicago, Illinois
- Minneapolis/St. Paul, Minnesota

- Kansas City, Missouri
- Omaha, Nebraska
- Sioux Falls, South Dakota
- Winnipeg, Manitoba

Western Region

- Phoenix/Scottsdale, Arizona
- Tucson, Arizona
- Denver/Boulder, Colorado
- Salt Lake City, Utah
- Calgary, Alberta

California Region

- San Jose/Sunnyvale, California
- Los Angeles/Long Beach, California
- Orange County, California
- Riverside/San Bernardino, California

Total Annual Operating Cost Ranking

Operating cost differentials between an acceptable city and an optimum distribution warehouse location can be very substantial often running into millions of dollars per year. Taken from the report's summary table is an overall cost ranking of the 50 surveyed distribution warehouse locations.

TOTAL ANNUAL GEOGRAPHICALLY-VARIABLE OPERATING COST RANKING	
Distribution Warehouse Location	Total Annual Operating Costs
San Jose/Sunnyvale, CA	\$12,604,961
Orange County, CA	\$12,190,567
Toronto, ONT	\$12,170,910
Los Angeles/Long Beach, CA	\$12,139,068
Meadowlands/Northern, NJ	\$11,095,897
Boston, MA	\$10,756,160
Chicago, IL	\$10,351,816
Hartford, CT	\$10,297,061
Winnipeg, MAN	\$10,231,283
Riverside/San Bernardino, CA	\$10,025,980
Albany/Schenectady/Troy, NY	\$9,924,672
Providence, RI	\$9,896,097
Minneapolis/St. Paul, MN	\$9,766,739
Springfield, MA	\$9,756,482
Calgary, AB	\$9,720,408
Phoenix/Scottsdale, AZ	\$9,630,754
Lehigh Valley, PA	\$9,618,865
Rochester, NY	\$9,588,183
Lancaster, PA	\$9,205,397
Manchester/Nashua/Salem, NH	\$9,149,303
Denver/ Boulder, CO	\$9,073,594
Tucson, AZ	\$9,044,736
St. Louis, MO	\$8,808,609
Columbus, OH	\$8,748,247
Cincinnati, OH	\$8,663,419
Tampa/St. Petersburg, FL	\$8,599,152
Ft. Myers/Cape Coral, FL	\$8,542,573
Kansas City, MO	\$8,539,953
Raleigh/Durham, NC	\$8,528,188
Grand Rapids, MI	\$8,505,580
Orlando, FL	\$8,474,503
Dallas/Ft. Worth, TX	\$8,430,605
Atlanta, GA	\$8,413,323
Salt Lake City, UT	\$8,377,969
Jacksonville, FL	\$8,314,156
Memphis, TN	\$8,216,453
Wichita, KS	\$8,208,089
Birmingham, AL	\$8,183,016
Indianapolis, IN	\$8,176,199
Nashville, TN	\$8,174,314
Pensacola, FL	\$8,164,049
Greensboro/Winston Salem, NC	\$8,130,664
Oklahoma City, OK	\$8,119,512
Tulsa, OK	\$8,089,925
Richmond, VA	\$8,079,292

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Shreveport, LA	\$7,862,526
Greenville/Spartanburg, SC	\$7,783,318
Omaha, NE	\$7,776,986
Louisville, KY	\$7,686,406
Sioux Falls, SD	\$7,417,487

In today's weak domestic economy and global cost pressures, many corporations are finding that the best way to improve the bottom line is on the cost side of the ledger, not the revenue side. In this environment, site selection decisions at every level of the organizational structure, from the corporate headquarters location to manufacturing sites to distribution warehouse sites, are all being made with cost minimization as an overriding objective.

With fuel and shipping rates projected to spike significantly in 2011, comparative costs for factors like labor, property taxes, energy and real estate are under the site selection microscope like never before. While shipping rates are often negotiable among competing carriers, most other operating costs facing the warehouse site planner are fixed and a less than optimum operating cost structure can lead to a compromise of competitive position that will persist for years.

Itemized annual operating cost comparisons for selected national warehouse sites are detailed below.

What It Costs To Operate a Distribution Center: The Highs and Lows

	<i>(Highest Cost City)</i>				<i>(Lowest Cost City)</i>	
	San Jose/ Sunnyvale CA Metro Area	Meadowlands/ Northern NJ Metro Area	Riverside/ San Bernardino CA Metro Area	Lehigh Valley PA Metro Area	Dallas/ Ft. Worth TX Metro Area	Sioux Falls SD Metro Area
Nonexempt Labor						
Weighted Average Hourly	\$18.24	\$18.13	\$16.78	\$16.48	\$14.91	\$12.53
Annual Base Payroll Costs	\$2,604,672	\$2,588,964	\$2,396,184	\$2,353,344	\$2,129,148	\$1,789,284
Fringe Benefits	\$937,682	\$932,027	\$862,626	\$847,204	\$766,493	\$644,142
Total Annual Labor Costs	\$3,542,354	\$3,520,991	\$3,258,810	\$3,200,548	\$2,895,641	\$2,433,426
Electric Power Costs	\$660,672	\$544,980	\$570,048	\$481,536	\$333,036	\$299,148
Natural Gas Power Costs	\$284,340	\$409,080	\$284,340	\$381,780	\$209,160	\$250,320
Amortization Costs	\$4,725,852	\$3,416,790	\$3,025,782	\$2,692,481	\$2,454,528	\$2,262,489
Property and Sales Tax Costs	\$1,669,457	\$1,678,463	\$1,340,927	\$1,416,901	\$1,390,891	\$997,391
Shipping Costs	\$1,722,286	\$1,525,593	\$1,546,073	\$1,445,619	\$1,147,349	\$1,174,713
Total Annual Geographically- Variable Operating Costs	\$12,604,961	\$11,095,897	\$10,025,980	\$9,618,865	\$8,430,605	\$7,417,487

NOTES:

(1) Totals reflect a construction assumption.

Source: The Boyd Company, Inc.

About Boyd

Founded in 1975, Boyd (www.theboydcompany.com) provides independent location counsel to leading U.S. and overseas corporations like PepsiCo, Hewlett-Packard and Philips. Devoted exclusively to corporate mobility, The Boyd Company is recognized as one of the nation's premier authorities in comparative business cost analysis.

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