

## E-commerce driving Kern distribution center growth

By Dianne Hardisty Oct 9, 2017



A worker at the IKEA distribution center.

Photo courtesy of Fiona Grant Photography

While e-commerce still accounts for only a fraction of the nation's sales, it is the fastest growing sector of the retail industry.

According to the U.S. Census Bureau, e-commerce sales totaled only about 10 percent of all retail sales in the first quarter of this year. But those sales were up nearly 15 percent year over year in the first quarter.

The research website Statista also notes that e-commerce retail is rapidly growing. In 2015, e-commerce sales reached \$294.45 billion. They are expected to surpass \$485 billion in 2021.

This e-commerce growth and consumer demand for the quick delivery of goods have triggered a boom in the development of distribution centers near urban markets.

In Kern County, the boom can be seen in the Tejon Ranch Commerce Center, at the foot of the Grapevine, and the Wonderful Industrial Park in Shafter. These are two of the southern San Joaquin Valley's most prominent developments for distribution centers.

And officials with both developments are optimistic about the future.

“We still have ample space available for growth,” said Barry Zoeller, Tejon’s vice president of corporate communications and investor relations. “For example, the 15.6 million square feet of entitled space still available at the Tejon Ranch Commerce Center is equal to ALL the industrial space that’s been developed in Valencia.”

While Wonderful and Tejon have recently completed projects for tenant clients, they also are constantly working. Work is nearly completed in the Tejon center on a 480,000-square-foot state-of-the-art venture between commercial and industrial developer.

“We have strong interest from a user who wants to occupy half the building and has first right of refusal,” said Zoeller.

In the Wonderful park, a 1-million-square-foot spec building is under construction. And like Tejon, Wonderful has a lot of interest in the building.”

“There seems to be good demand, good interest,” said John Guinn, vice president at Wonderful Real Estate Development. “A lot of companies make decisions quickly. You have a marketing advantage if you have buildings ready to go. Speed has always been an issue.”

In addition to being the home for centers that distribute industrial parts, the Tejon and Wonderful developments have long supported the retail industry. Motorists on Interstate 5 cannot miss the big IKEA sign on warehouses in the Tejon center, which also includes Famous Footwear’s distribution center. In Wonderful’s park, Target has been a longtime business, which was joined more recently by such companies as Ross Dress for Less, American Tire Distributors and Fed-Ex.

MRC Global, a Houston-based distributor of pipes, valves and fittings, opened an 85,000-square-foot distribution center in the Wonderful park in June.

“In light of the growth of e-commerce, we’re seeing demand for buildings with taller ceilings,” said Zoeller. “That’s why the new [spec] building has a 36-foot clear height. Companies want to make the most efficient use of their floor space and having a taller ceiling allows them to install taller racks (like IKEA) or build a second level mezzanine (like Famous Footwear). In today’s e-commerce world, it’s all about efficiency.”

Guinn agreed, noting the spec building under construction in the Wonderful park has 40-foot clear height, as opposed to the once common 32-foot.

Zoeller said consumer demand for faster delivery also “is driving a new logistics model, where companies utilize both regional distribution centers and smaller ‘last-mile’ facilities, which are located closer to the final population base they’re serving.”

“We see Tejon Ranch as the perfect location for both regional distribution centers that would serve last-mile facilities in northern Los Angeles and the southern San Joaquin Valley, as well as a great spot for last-mile facilities themselves,” said Zoeller.

Guinn, who before joining the Wonderful team was Shafter’s city manager, noted the city’s intermodal rail facility, which includes plans for an “inland port,” helps bring goods to and from the Wonderful park.

The intermodal facility created a city railroad, with railroad spurs from the main tracks of major railroads.

“Although the energy sector downturn has affected our manifest rail business, the city moved forward with construction of the first 5-acre phase of a container yard/cross-dock facility adjacent to the city rail yard,” said Scott Hurlbert, Shafter’s current city manager. “Along with the long-term vision of an ‘inland port’ in Shafter, we also see opportunity for providing a load-matching environment for the region. The concept is simple, but the details are complex — importers and exporters stand to benefit, so we continue working toward these goals.”

There is no doubt that the “great e-commerce delivery race” is on. And it’s requiring more distribution centers, built closer to urban centers, and equipped with sophisticated sorting and handling systems.

Before a package arrives at a customer’s door, it likely has been “touched” by the hands of a “picker” — a warehouse worker who picks, packs and ships the order. Increasingly, “pickers” are automatic or robotic systems.

Although the trend is to automate, Guinn noted companies today still rely on a good supply of workers. And that is a selling point for locating a distribution center in Kern.

“Ross has a lot of conveyor belts. In sections, Target is highly automated. But they continue to rely on ‘human effort,’” said Guinn. “The real challenge for companies is to get good quality labor.”



"Companies locating distribution centers in the Southern San Joaquin Valley can generally find a good labor supply," said Guinn, noting that when retail distribution centers are experiencing their peak holiday shopping demand in the fall, work in Kern's agriculture fields has declined, leaving workers available for temporary employment.

"The distribution center managers at the Tejon Ranch Commerce Center are united in their praise of their employees," said Zoeller. "They have a strong work ethic, which translates into greater productivity, and they're extraordinarily stable, which has resulted in a very low turnover rate."

Zoeller predicted Kern will see a continued, rapid growth in distribution center development.

"The tightness of the market in Los Angeles, and especially northern Los Angeles, where there are record-low vacancy rates and increasingly higher rents, will push growth north to Kern County. They've simply run out of room in northern Los Angeles," Zoeller said.