

Location Location Location

Working out where to place a distribution centre and what kind of warehouse you need might sound simple but there is a complex set of interrelated issues to deal with before you find the right solution.

Location is all when it comes to finding property - and never more so than when you're looking for a new distribution centre because where you eventually end up will have a huge effect on areas as diverse as labour costs, lead times, stock levels and transport expenditure.

Knowing where to start with so many different factors vying for your attention isn't easy. But the best approach, according to most property and logistics consultants, is to begin with a broad macro view that defines very generally where you need to be - which country and which general area within that country - before progressing to a micro view that will help fine-tune your precise location by taking the key particulars into account.

Among the macro-level considerations, of course, is the issue of where your main customers are located and it obviously makes sense to be as close as possible to them to make your lead times as short as possible and keep your transport costs to a minimum. Bear in mind, however, that customers come and go.

It's just as important, of course, to consider where your suppliers are: the further you are from them, the greater the transport costs they'll be adding to the bill to deliver to you and the longer their lead times will probably be.

Once you've got some general idea of where you want to set up, you need to consider the many micro factors and key among these, perhaps, is the question of labour. Does the region you have in mind have sufficient spare labour for your needs, for example? If not, you're likely to find yourself competing with other, more established businesses in that area for the staff you need.

You also need to consider what skills the local workforce has. Do they include experienced warehouse operatives or are you going to find getting the right people a real struggle?

Wages are another consideration, of course, not least because they fluctuate considerably from one region to the

next - it's not unusual to find a 20% variation across any particular market, for example. And if you do move to an area which already has a large number of other distribution facilities, the resulting competition for staff can get you into a wages war with other firms, sending local pay rates still higher.

A related factor you'll need to keep in mind is that of the size of the facility you intend to set up. There's a big trend towards large warehouses at the moment, which makes a lot of financial sense in terms of economies of scale. But the bigger your site, the more staff you'll need and the more important all these labour issues become. As a rule of thumb, you can assume you'll need one warehouse worker for every 100 square metres so a 50,000 sq m site could easily require a staff of 500 - a big drain on the local labour market whether or not there are other warehouses nearby.

Jon Sleeman, a partner in the logistics research department of property consultancy King Sturge:

"Bigger sites require more labour. In a 50,000 sq m site, you might need 500 people or more, and if you're somewhere popular where there are already a number of similar warehouses, that's obviously a significant demand on the local labour force."

Bear in mind also that you might want to transfer staff from other existing sites: this can be important if you're moving a warehouse to a new location hundreds of miles away and you've got staff with special skills you want to retain. Move too far and the chances are those specialist staff won't be moving with you...

Local transport infrastructure is another major issue, of course, and generally speaking, the closer you are to major road, rail, air or sea routes, the better. Which mode of transport takes priority largely goes back to where your customers and suppliers are located and how you're actually transporting goods, but the road network is usually the most important consideration as anything being sent



1. NYK, grouped warehouses, UK

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2. Prologis, Kettering, UK

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3. Tiner, Palmela, Portugal

There is now more speculatively built warehousing across Europe than ever before providing plenty of new-build space that's in perfect condition

Main Image. Prologis, Wakefield, UK

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out by rail, sea or air still needs to be taken to a railhead, port or airport by road.

Rita Varela, Director at international finance and building company Tiner s.g.p.s.: 'Most logistical centres in Portugal are concentrated in areas that offer excellent road or rail access. Recently areas around the new Ota airport have been attracting the interest of major foreign investors.'

When considering the road network around your intended site, don't forget to take account of any development plans in the near future - a three-year project to widen the motorway right next to your new site might yield long-term benefits once it's finished but it could also cause chaos with your delivery times in the interim.

Of course your choice of site will also be affected by a number of basic property considerations, too. These include the availability of suitable sites in the area you are looking at, the local property costs and the type of warehouse you're looking to establish.

Once again, the larger the distribution centre you're looking to set up, the less choice you're likely to have about location because the fewer the number of suitable sites there will be in any given area. Bear in mind also that a warehouse building is typically only 40% of the total site area, so if you're looking at a 50,000 sq m centre, that total site might easily be 12 hectares or more - which means finding a big plot of land. You'll also need to ensure there is sufficient room around the warehouse building for both staff vehicles and large goods vehicles to move around and park in, and don't forget to allow for future expansion, either, because whatever size of site might suit you today could become insufficient in a matter of a months if business takes off.

Les Beaumont, senior consultant at specialist logistics consultancy The Logistics Business:

"Interest in environmental issues will grow. I'm not aware of many firms thinking about this just yet, but they probably should be, not least because the regulatory structure surrounding these issues will grow."

As if all this weren't enough, you might also be swayed in your choice of property by the 'greenness' of a potential site, especially given current concerns about carbon emissions and energy consumption. Some developers, for example, are now using technologies like solar panels, wind turbines, ground source heat pumps and rainwater collection systems to cut down on the building's consumption of water and energy whilst also dramatically reducing the site's 'carbon footprint'. Whether you currently need to be ticking these environmental boxes will depend on your individual business but interest in these issues can only grow and you might be well advised to take these factors into account sooner, rather than later - the regulatory structure surrounding these issues is widely anticipated to become ever tighter in the future.

Land costs, like labour costs, vary hugely across Europe and this is another factor to pay close attention to: it's not unusual to find a variation of €700,000-€800,000 per hectare on land prices within any particular market. Whether it's worth taking on the additional transport costs that might result from moving to less expensive regions or simply biting the bullet on land prices in order to be in a particular location depends once again on individual circumstances.

Roberto Pennini, surveyor with developers Par.Co srl:

"Italian plots of land for sale at the moment have rather high costs given the fact that they are often purchased by Real Estate Companies which undertake the urbanisation costs and handling of all planning and design procedures to then re-sell them once the work is finished."

Of course you also need to decide whether to take on a pre-existing warehouse property or build one from scratch. The pros and cons of each are fairly easy to work out, however. Building one from scratch, for instance, means the final site should suit your specific requirements perfectly, but it also involves a lot of time and effort along the way - it's not unusual for a greenfield site to take a good two years to complete. If you're building something that won't necessarily appeal to the mass market, meanwhile - an automated facility, for instance - you may find it hard to pass on when you're ready to move, and it could also lead you into protracted negotiations with the local planning regime. Finding an existing warehouse, on the other hand, is likely to mean accepting a slightly less perfect fit to your operations - but you might be able to move in tomorrow and out again just as quickly.

If you're looking for a ready-built site, the good news is that there is now more speculatively built warehousing around across Europe than ever before, providing plenty of new-build space that's in perfect condition and is generally immediately available. Much of this, inevitably, is aimed at the mass market, however, so it almost certainly won't cater for any special needs. You'll also find that typical lease periods on such speculatively built properties are much longer than on secondhand properties - it's not unusual for leases to be 15 years on new-build sites compared to three - four years on older ones.

Whether you look for property to rent or property to purchase, meanwhile, is another tough decision that clearly depends on a number of factors - not least how much spare cash your firm has to hand and whether you really want to invest it in property rather than, say, in product development, marketing or other areas of your business.

By and large, occupiers aren't in the business of owning property and though it can give you an operational flexibility to do so because the property is obviously yours to do with as you like, the process of buying and eventually selling can take up a lot of time that you may not have to put in if you lease. A lease, on the other hand, will inevitably term out at some stage, leaving you with the problem of finding somewhere new, and any rent you're paying will inevitably increase with the passing of time.