

COMMERCIAL REAL ESTATE

Let's look at three trends: First up, the 3PL

One of the coolest things about my profession is I rub shoulders with some VERY smart people — small-business entrepreneurs, commercial real estate investors, brokers and trusted advisers in the insurance, wealth advisory, tax and banking professions.



Allen C. Buchanan
Contributing Columnist

I believe the imperative is to listen, learn and spot trends.

Lately, three trends have surfaced in my conversations: the business exodus from California, mergers and acquisitions, and the use of 3PLs — third-party logistics providers.

As all three topics are meaty, I will dissect one each week for the next three columns, so stay tuned, dear readers.

Today, we will discuss third-party logistics providers.

What is a 3PL? A third-party logistics provider is an outsource for the warehousing function of your business.

Generally, an industrial company makes, ships or services something — or some combination of the three. Simple, right?

As an example, think about that percolated product you're sipping while perusing this periodical. Yep, beans grown and harvested, manufactured by someone, stored in a warehouse, shipped to your retailer and delivered to your house — either in your grocery bag or an Amazon van. Imagine the amount of ware-



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A 3PL, or third-party logistics provider, performs tasks such as receiving, order picking, packaging and shipping.

house space necessary for storing all of that coffee, plus the folks needed to receive the boxes, forklift them around, place them into inventory, access them when ordered, package them up and ship them out the door. Whew! Lots of steps, people and space.

Now, let's complicate the above with a seasonal ebb and flow of the work. You are committing employees and space that are largely intractable to a workflow that changes. Said simply, during some parts of the year work-

ers are idle, yet you are still paying them. Worse, your rent, for which you are committed long-term, covers a half-empty warehouse!

Enter the 3PL. All of the receiving, inventorying, material handling, order picking, packaging and shipping are done for you — at item or pallet pricing and with a shorter time commitment — generally a year at a time. You pay for the space and handling you need without the overhead of a lease, full-time employees or the appurtenant compliance head-

aches.

Why are companies using 3PLs? Aside from the reasons above (overhead and flexibility), 99 of every 100 industrial buildings are occupied; a vacancy rate of 1 percent is the lowest in history! If you need to expand — and choose to do so by leasing or buying a building — your choices are limited.

Let's say your business growth will come from adding a new machine, but you don't have anywhere to put it because warehouse racking consumes a portion

of the plant. Simply engage a 3PL, outsource your storage and shipping, and bingo! You have just found some space for that new machine. A similar scenario occurs when your expansion is employee-driven but you lack sufficient office space. Clip that warehouse and build a new suite. You're done!

Allen C. Buchanan is a principal with Lee & Associates Commercial Real Estate Services. He can be reached at 714-564-7104 or abuchanan@lee-associates.com.