



Warehouse Return On Investment

仓储投资回报分析

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Agenda概要

- Session Objective
 - 本节目标
- Lease vs. Own
 - Contrasting Goals
 - 租赁与自有仓库目标差异比较分析
- Buy vs. Lease
 - Advantages / Disadvantages
 - 外购与租赁的比较分析
- Outsourcing Concepts & Real Estate
 - 仓储外包与仓储地产
- Future Trends
 - 未来的发展方向

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Session Question & Objective-本节目标

- ❖ How to choose between asset based and non asset based.
- ❖ There are developers that do not provide service, operators who develop and provide service, and those who only provide services but do not own the asset.
- ❖ What are the trade offs?



ROI Benchmarks-仓储ROI标杆

The real estate developer buys and holds warehouse facilities with the expectation that they will be re-sold at a profit. Long term capital gain is more important than annual income. In a soft market, the developer will accept a low ROI in the hope that later sale of the warehouse will compensate.

Logistics service providers who are owner/operators may take a similar position. But they may place more emphasis on a good ROI every year, in order to enhance the value of the company.

The "asset light" operator must emphasize a healthy ROI to be certain that he can meet the annual occupancy cost of the warehouse and still earn a decent profit.



ROI Benchmarks- ROI标杆

The 2006 IWLA financial benchmarking report (prepared by Profit Planning Group) traced EBIT to total assets.

- The average was 13.5%,
- The high profit group was 32.3%.

The smaller operators did better than the large ones
the under \$10mm operators at 15.1%
the over \$10mm at only 4%.

2006 IWLA financial benchmarking report

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Definitions-ROI定义

ROI

In finance, rate of return (ROR), also known as return on investment (ROI), rate of profit or sometimes just return, it is the ratio of money gained or lost (realized or unrealized) on an investment relative to the amount of money invested.

The amount of money gained or lost may be referred to as interest, profit/loss, gain/loss, or net income/loss. The money invested may be referred to as the asset, capital, principal, or the cost basis of the investment.

[Wikipedia](#)

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Definitions-定义：金钱的时间价值

Time value of money -

Capital gains and losses most investments carry risk that the investor will lose some or all of the invested capital.

If the value stays relatively stable, the investment is said to have “low volatility.” If the value fluctuates it has “high volatility.” such change in value directly affects ROI for such investments.

[Wikipedia](#)

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Definitions-定义：回报率与ROI

Rate of Return and Return on Investment

Rate of Return ROR indicate cash flow from an investment to the investor over a specified period of time, usually a year.

Return on Investment ROI is a measure of investment profitability, not a measure of investment size. While compound interest and dividend reinvestment can increase the size of the investment (thus potentially yielding a higher dollar return to the investor).

[Wikipedia](#)

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Definitions 定义： 预期回报

Expected Return

The expected rate of return is based upon the cost of money

The opportunity cost

Plus the investment risk, the greater the potential investment return, and or potential investment loss.

[Wikipedia](#)

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Lease versus Own 租赁与自有仓库

(If you intend to operate, you'll need to focus on the short term)

如果倾向于自营，要关注短期目标

The Lease vs Own Decision 租赁与自有仓库的决策

THE FACTORS IN LEASE vs OWN ANALYSIS FOR USERS OF DISTRIBUTION SPACE

OPERATIONAL CONSIDERATION

Flexibility – Proposed Duration of Existence

Network Design Changes / Future Location Strategies

Property Management Considerations

- Maintaining / Managing Property
- Quality of Property Management

FINANCIAL ANALYSIS

Initial Capital Outlay Required

Company's Cash Position

Location / Class of Facility (Institutional Investor Friendly?)

Analysis of Financial / Capital Markets

Internal Company Metrics:

BALANCE SHEET

Weighted Average Cost of Capital (WACC) vs. Market Capitalization Rates

INCOME STATEMENT

Earnings per Share (EPS) and Lease Rates
EBITDA

EXIT STRATEGY 退出战略

Contrasting Goals 目标差异比较分析

- **Landlord (Developer)**
 - Cover all costs
 - Minimize risk
 - Protect the investment
 - Long term leases
- **Client (Operator)**
 - Control costs
 - Minimize risk
 - Rent for flexibility
 - Short term leases

Developer's Top Ten 开发商的10大选择

1. Rent escalation throughout term
2. Minimal TI investment
3. Maintenance of entire property borne by the client- including roof and driveway
4. Full pass-through of CAM charges
5. Strong credit of client
6. Renewal options with automatic escalation in base rent
7. Full responsibility for TIs to client outside of lease
8. Maximum land coverage- minimal truck parking
9. Return facility to prior condition
10. No sub-lease without approval

Operator's Top Ten 运营商的10大选择

1. Flexible renewal options and term length
2. Termination prior to lease term
3. Space expansion or moving options with same landlord
4. Fixed rent over term or minimal escalation
5. Capped CAM charge escalation- access to actual costs
6. Minimal sub-lease restrictions
7. Fixed or capped TI cost upfront
8. Exclusions for roof and driveway repairs
9. Free rent
10. Trailer parking



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Buy versus Lease 外购与租赁

(If you intend to operate, you'll need to make a decision)

如果倾向运营，就要做出决定

Determining factors 决定因素

- Location of the property
- Price of the property
- Operating costs
- Income opportunity
- Financing
- Future market value of property



Buying Advantages 外购的优势

- Benefit of Capital Appreciation over time.
- Control over the property as you see fit.
- Income opportunities from rentals.
- Positive leverage on the investment.
- Tax Advantages (US tax codes)
 - Interest deductions.
 - Cost recovery deductions.
 - Capital Gains tax from appreciation is less than user tax rate.



Buying Disadvantages 外购的劣势

- Time frame / less than 5 years
- Limited capability for growth or expansion
- Initial capital outlay
- Building management issues
- Financing due to market changes
- Lose flexibility to change location
- Risks involved with ownership



Lease Advantages 租赁的优势

- Flexibility and mobility to expand or contract
- Availability of cash
- Costs are more stable
- Control over the term of the lease
- Focus on your business and not property
- Tax benefits
 - Occupancy costs of leasing are fully tax deductible.



Lease Disadvantages 租赁的劣势

- **Costs:** For financially strong companies leasing may be more expensive than buying.
- **Loss of Appreciation**
- **Contractual Penalties**
- **Control**
- **Loss of facility improvements**





Warehousing Outsourcing

仓储外包

(If you want others to focus on their core competence you need to focus on yours)

如果你想要别人关注他们的核心能力，你得要关注你自己的核心能力

Evolutionary Milestones 发展阶段

- Initially Everyone Total Self Sufficiency...
 - 最初人人都是自己自足的
- Divisionalization of Efforts...
 - 开始出现分化
- Specialization...
 - 专业化
- Outsourcing...
 - 外包

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22

Outsourcing Motivations 外包动机

As the noted business author Peter Drucker addressed in a Harvard Business Review article “To Sell the Mailroom”, the trend among companies today is towards contracting out their support or assessorial work. He went on to identify and emphasize the advantages of outsourcing.



Third Party Services 第三方仓储服务

- Distribution
- **Warehousing**
- Reverse Logistics
- Global / Import & Export
- Personnel
- Packaging/Labeling
- Marketing
- Transportation
- **Property Development**
- Sourcing & Procurement

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Types of Outsourcing 仓储外包类型

Outsourced warehouse is normally divided into two categories:

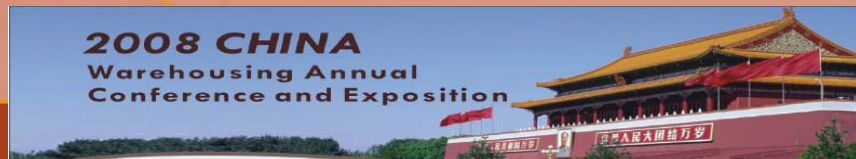
- Public
- Contract



Types of Outsourcing 仓储外包类型

As we look at third party logistics service providers it is best to categorize these into three types:

- Asset based
- Management based
- Integrated



Advantages of Outsourcing 外包优势

- **Lower operating costs through more focused profit-driven professional management**
 - 通过利润驱动的专业管理降低运营成本
- **Reduction in capital assets deployed to outsourced services**
 - 通过外包服务降低需要动用的资本和资产规模
- **Access to innovative state of the art expertise and options**
 - 获得专业知识和创新能力，更多选择
- **Emphasis upon your core business without the distraction of outsourced activity**
 - 集中你的核心能力，不被外包的活动分散注意力



The Outsourcing Decision 外包决策

Us or Them / Lease or Buy?



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Future Trends

未来趋势

(What does the future look like?)

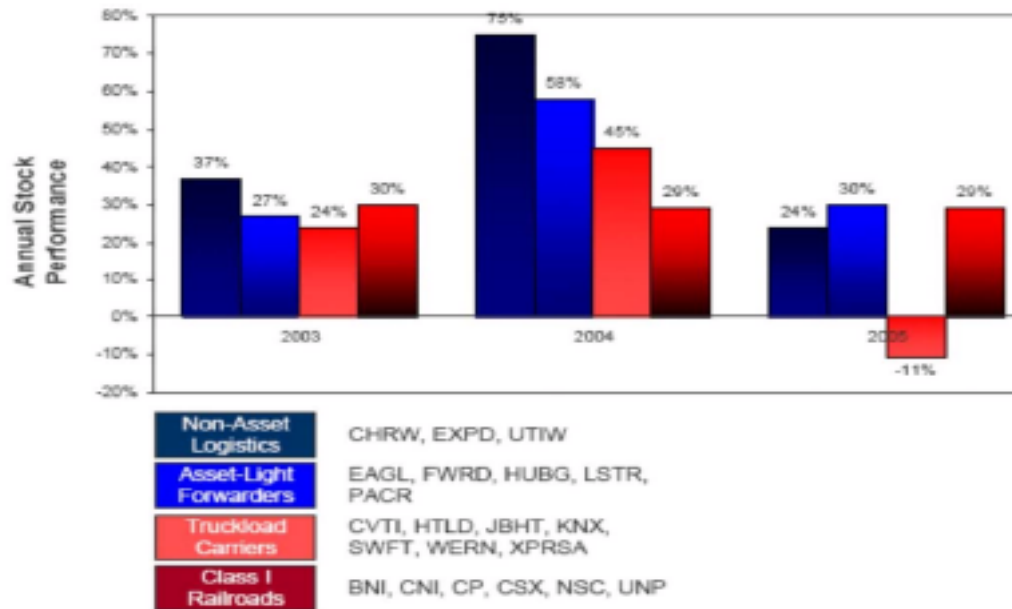
未来长什么样？



Trends Influencing Warehousing

▪ Assets Back in Vogue...???

... or an Advantage?



- Assets are back in vogue
- Class I Railroads saw share appreciation of 29%, outpacing non-asset logistics companies for the first time in three years!



Page 6

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Top 25 North American LSP's

Top 25 North American 3PL companies based on Net Revenues			
	Company	Revenues - Gross (\$ mln)	Revenues - Net (\$ mln)
1	UPS Supply Chain Solutions	1,514	1,514
2	Ryder	1,877	1,463
3	Exel	2,407	1,283
4	Schneider	1,194	1,194
5	DHL Danzas Air & Ocean	1,358	1,168
6	Caterpillar Logistics Services	1,750	1,050
7	Penske Logistics	2,459	1,048
8	Menlo Worldwide	1,576	1,000
9	NYK Logistics (Americas)	997	997
10	Tibbett & Britten Group Americas	948	948
11	TNT Logistics North America	754	754
12	Expeditors International of Washington Inc	2,624	735
13	APL Logistics	975	693
14	J.B.Hunt Transport Services Inc.	671	671
15	USCO/Kuehne & Nagel	1,890	645
16	Fedex -Supply Chain Services	603	603
17	UTI Worldwide, Inc	1,503	596
18	Ruan	620	580
19	AmeriCold Logistics Inc.	700	575
20	C.H. Robinson	3,437	545
21	Nippon Express USA, Inc.	6,540	527
22	north American Logistics	941	499
23	EGL Eagle Global Logistics	735	479
24	BAX Global Supply Chain Management	978	464
25	Genco	409	320

Source: eyefortransport



Real Estate Returns

Exhibit 1.6: However, Certain Other Alternative Investments (e.g. Private Equity, Venture Capital) Are Now Beginning to Compete More Successfully for Available Capital

Performance %	2004	2005	2006	1st Half 07	2007
Private RE	14.49	20.06	16.60	8.21	11.77*
Hedge Funds	9.64	7.61	13.86	8.70	12.04*
Private Equity	24.36	27.55	25.77	6.84	3.82*
Gold	5.50	20.40	23.20	2.0	31
Venture Capital	15.41	8.04	17.57	3.64	3.45*
Commodities	7.63	19.44	-2.71	1.90	11.08
U.S. Dollar	-7.0	12.1	-6.9	-1.6	-7.9
Public REITs	30.41	8.29	34.35	-6.96	-17.83

* Figure is for first three quarters

Source: Bloomberg, Cambridge Associates



Typical Warehouse Profit

- Warehouse Fee Tactics
 - Percent of Revenue / Cost
 - Include Profit and G & A
- Warehouse Averages:
 - OP Expenses = 78%
 - Profit / G & A = 22%
 - G & A = 16% of Revenue
 - Net Profit = 6% of Revenue



Industry Averages

In the final analysis the profit figure will be based on the situation, the negotiating strength of the parties, the nature of the industry and the risk assumed by the parties

Experience suggests that an appropriate range for “pure” profit percentages is 4 – 12% of revenue, or a slightly higher percentage of total cost



大家有问题要问吗？
我的讲话完了，谢谢！

Questions?

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